

MINUTES OF THE SENATE WAYS & MEANS COMMITTEE.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on February 22, 2000 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Chief Fiscal Analyst, KLRD  
Rae Anne Davis, KS Legislative Research Department  
Debra Hollon, KS Legislative Research Department  
Norman Furse, Revisor of Statutes  
Michael Corrigan, Asst. Revisor of Statutes  
Judy Bromich, Administrative Assistant to the Chairman  
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Senator Morris reviewed the FY 2001 subcommittee report on the **Department of Revenue**. (Attachment 1) Following the report, Senator Petty distributed copies of a document titled "Accounts Receivable Aging Report as of 12/31/99" and inquired whether the subcommittee had reviewed collectible and uncollectible accounts. (Attachment 2) Senator Morris indicated that the subcommittee had not.

In answer to Senator Petty, Karla Pierce, Secretary of the Department of Revenue, noted that a companion report to the document which Senator Petty distributed was one that includes the amount in collectable and uncollectable accounts at the end of prior fiscal years. She stated that the second document illustrates that the agency typically has had about \$210 million in outstanding collectable accounts since FY 97. Secretary Pierce told members that many of the accounts receivable are candidates to charge off according to statute, and added that some of the \$210 million that has been deemed collectable has been secured with warrants or is under a pay plan. She stated that the important thing to remember is that over the last 31/2 years, the amount receivable has remained relatively constant; the Department has collected approximately \$43 million annually in collectable accounts and would expect continuation of that performance given current staffing levels. She reviewed the procedure the Department follows to collect delinquent taxes.

Senator Ranson expressed concern about the loss of FTE positions due to shrinkage and the Governor's reductions in funding for other operating expenditures. (Item 6, Attachment 1-6) In answer to a question, Secretary Pierce stated that 6 FTE positions will be lost because of the 7.0% shrinkage rate imposed on the agency in addition to the 42 FTE positions that will have to be left vacant. Senator Ranson pointed out that a Post Audit report on the Department of Revenue revealed that the Department has an inadequate staffing level. She stated that she believes it is inappropriate for legislators to refer to the "terrible job" the agency is doing and, at the same time, deny the agency's requests for additional FTE positions.

In answer to a concern about the new phone system (Item 7, Attachment 1-7), Secretary Pierce stated that problems that were encountered last year will not recur this year. She noted that the refund statute line was not operating last year as it should have, but it is working now.

Responding to Senator Feleciano's concern about Project 2000 (Item 8, Attachment 1-7), the Secretary reviewed the terms of the contract with American Management Systems for the project, noting that when revenues attributable to the new system have totaled \$90 million, the SGF will be credited with \$9 for every \$1 that goes to the contractor. She anticipated that to occur midyear next year. When \$190 million of additional revenues have been reached, the remaining \$10 million still owing on the project will be paid. To correct the record, she added that a Post Audit report confirms that only Mississippi has filed a suit against the company.

## CONTINUATION SHEET

### SENATE WAYS & MEANS COMMITTEE MINUTES

Senator Ranson moved, Senator Morris seconded, that item 6 of the subcommittee report be amended with language that would express serious concern about the level of funding and whether it would jeopardize the operations of the agency. The motion carried on a voice vote.

It was moved by Senator Morris and seconded by Senator Salmans that the FY 2001 amended subcommittee report on the Department of Revenue be adopted. The motion carried on a voice vote.

Senator Salisbury reviewed the FY 2001 subcommittee report on the **Department of Commerce and Housing**. (Attachment 3) A summary of the EDIF prepared by the Research Department was distributed to members. (Attachment 4) It was noted that the net effect of the subcommittee's recommendation on the EDIF ending balances is an addition of \$725,000.

Senator Feleciano moved, Senator Lawrence seconded, that the subcommittee report be amended by including \$50,000 from the EDIF for the World Trade Center in Wichita and by including language allowing the World Trade Center to increase fees so they can become self-sustaining. There was Committee discussion about the Legislature's original intent regarding funding for this project. Senator Salisbury commended the program, but suggested that the issue be addressed when other programs of economic development agencies are considered. A substitute motion was offered by Senator Salisbury and seconded by Senator Morris to delay consideration of state support for the World Trade Center until Omnibus. The substitute motion carried on a voice vote.

The FY 2001 subcommittee report on **Kansas, Inc.** was reviewed by Senator Salisbury. (Attachment 5) There were no questions.

Senator Salisbury reviewed the FY 2001 subcommittee report on the **Kansas Technology Enterprise Corporation (KTEC)**. (Attachment 6) She also read an addendum to the subcommittee reports on the Department of Commerce and Housing, Kansas, Inc. and Kansas Technology Enterprise Corporation. (Attachment 7) Chairman Kerr observed that the subcommittee is requiring KTEC to spend out holdings monies which is not what the subcommittee wanted to do, but that was the only source for funding that important program. He emphasized that it is something that cannot be done a second time. Senator Salisbury commented that the subcommittee's recommendations will not only affect research matching grants, but will also affect KTEC's ability to be self-sustaining. She added that there will be many suggestions for the use of the ending balances in the EDIF and that is why it was her wish to consider all of them during Omnibus.

A motion was offered by Senator Salisbury and seconded by Senator Lawrence to adopt the FY 2001 Kansas, Inc. and KTEC subcommittee reports and the FY 2001 subcommittee report on the Department of Commerce as amended. The motion carried on a voice vote.

Senator Salisbury reviewed the FY 2001 subcommittee report on the **Lottery**. (Attachment 8) There were no questions.

The FY 2001 subcommittee report on the **Kansas Racing and Gaming Commission** was presented by Senator Salmans. (Attachment 9) It was noted by Senator Salmans that the agency will need start-up funds for Camptown. Myron Scafì, Executive Director of the Racing and Gaming Commission stated that he did not believe the racetrack would be operational before May or June. Senator Salmans moved, Senator Feleciano seconded, that the FY 2001 subcommittee report on the Kansas Racing and Gaming Commission be adopted. The motion carried on a voice vote.

The FY 2001 subcommittee report on the **State Board of Tax Appeals** was reviewed by Senator Ranson. (Attachment 10) Responding to a request by Senator Salmans, Tony Folsom, Director of the Board of Tax Appeals, stated that he would provide information regarding the number of appeals that have been overturned by the Board. It was moved by Senator Feleciano and seconded by Senator Ranson that the FY 2001 subcommittee report be adopted. The motion carried on a voice vote.

The Chairman recognized four Scouts from Troop 301 of Hutchinson, a troop which has produced the second most Eagles in the nation.

CONTINUATION SHEET

SENATE WAYS & MEANS COMMITTEE MINUTES

Chairman Kerr adjourned the meeting at 12:20 p.m. The next meeting will be February 23, 2000.