

SENATE SUBCOMMITTEE REPORT ON H.B. 2086

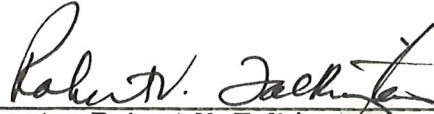
1984 Appropriations

Sections Pertaining to:

Department of Revenue



Senator Ross O. Doyen
Subcommittee Chairman



Senator Robert V. Talkington



Senator Frank Gaines

SENATE SUBCOMMITTEE REPORT ON H.B. 2135

1983 Appropriations

Sections Pertaining to:

Department of Revenue



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Agency: Department of Revenue Bill No. 2135 Bill Sec. 3
 Analyst: Efird Analysis Pg. No. 295 Budget Pg. No. 1-157

<u>Expenditure Summary</u>	<u>Agency Req. FY 83</u>	<u>Governor's Rec. FY 83*</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 35,516,142	\$ 35,291,153	\$ (946,816)
Aid to Local Units	2,160,409	2,060,409	—
Other Assistance	30,000	30,000	—
TOTAL	<u>\$ 37,706,551</u>	<u>\$ 37,381,562</u>	<u>\$ (946,816)</u>
State General Fund:			
State Operations	\$ 20,822,149	\$ 20,781,939	\$ (499,904)
Aid to Local Units	1,600,000	1,500,000	—
Other Assistance	30,000	30,000	—
TOTAL	<u>\$ 22,452,149</u>	<u>\$ 22,311,939</u>	<u>\$ (499,904)</u>
F.T.E. Positions	1,425.0	1,431.2	(5.2)

* Includes Budget Amendment No. 1.

Agency Revised Estimate/Governor's
Recommendations FY 1983

1. State General Fund. The Department submitted reductions of \$946,428, of which \$536,307 was salaries and wages and \$410,121 was other operating, as part of the 4 percent savings. The salary and benefits reduction would increase budgeted turnover savings from \$1,614,068 to \$2,146,050 in FY 1983, a rate in excess of 14 percent. The Governor recommends reductions totaling \$1,202,420, of which \$792,299 is salaries and wages (including \$356,567 of merit pool funds) and \$410,121 other operating expenses. The Governor restores \$100,575 in salaries and benefits which the Department had submitted as part of its 4 percent reduction and leaves \$42,952 in merit pool benefits for financing salaries and wages.

2. Division of Vehicles Operating Fund. The Department requested \$14,650,420, of which \$9,047,127 was salaries and wages and \$5,603,293 was other operating expenses, for financing the Division of Vehicles and administrative support provided by the Division of Administration and Management Services. The Governor recommends a reduction of \$190,183 originally budgeted by the Department for merit increases and leaves \$22,568 budgeted for merit pool benefits available for expenditure in the salaries and wages account. The current expenditure limitation approved by Finance Council action is \$14,655,920.

House Subcommittee Recommendations

1. State General Fund. Based on eight months of personnel payrolls, the Department is projecting a salaries and wages deficit of \$421,000 for FY 1983. The Subcommittee estimates a shortfall of \$419,967 based on projecting the March 1 payroll for four months and the Governor's recommendation of \$14,696,440 for salaries and benefits in FY 1983.

The Subcommittee met with the Secretary of Revenue over the past month and through extensive discussions has identified potential savings of \$919,000 in other operating expenses (including \$423,000 for consultant services) which the Secretary agreed might be used to meet the projected salaries and wages shortfall, with the remainder reappropriated to FY 1984.

First, the Subcommittee recommends the reappropriation of \$423,000 approved last Session for development costs relative to the Kansas Business Integrated Tax System (K-BITS). The schedule is at least six months behind last year's estimate and the Phase IV portion of the contract has not been submitted for bid, so the \$423,000 could be delayed until FY 1984. By slowing down K-BITS development, additional savings in FY 1984 will be possible and will be discussed in that section of the report. The project is already behind schedule and an additional three months delay should have no adverse impact in this case. The Subcommittee did not concur with the Secretary's suggestion that \$410,000 be reappropriated for K-BITS and that the other \$13,000 be used to finance higher than budgeted legal fees for the railroad case.

Second, recalculating travel reimbursement rates using FY 1982 amounts for mileage and subsistence and projecting travel for the last four months in FY 1983 at the average level for the first eight months of this year, savings of \$279,000 are estimated. Projecting data processing costs for the last three months and including \$60,000 in K-BITS costs, additional savings of \$200,000 are estimated. Deferring purchase until FY 1984 of a copy machine would permit another \$17,000 to be saved. (Half the cost is to be financed by the DOV Fund and those savings are addressed later.) Savings from these adjustments alone would yield \$496,000. An amount of \$419,967 could be made available for financing the salaries and wages projected shortfall leaving an additional \$76,033 for other purposes which are addressed below. The Subcommittee recommends \$419,967 be used to finance the projected shortfall in salaries and wages in FY 1983.

Third, the Subcommittee reviewed Governor's Budget Amendment No. 1 which recommends financing of \$215,782 to implement S.B. 35 and S.B. 36, the accelerated tax collections for withholding and sales tax measures which become effective April 1, 1983. The Governor's recommendations for funding S.B. 35 and S.B. 36 administrative costs include \$153,668 and 18 new positions (4.5 F.T.E. in FY 1983) for S.B. 35 and \$62,114 and two new positions (0.7 F.T.E. in FY 1983) for S.B. 36. Because the Department has limited flexibility to absorb the added costs of these measures, the Subcommittee examined the Governor's recommendations which include the addition of 20 new positions in terms of reallocating existing but unfilled positions. The Secretary identified 12 positions which could be reallocated for the accelerated tax collections. The Subcommittee recommends the reallocation of these positions which will eliminate the need to add 5.2 F.T.E. in FY 1983 as recommended by the Governor.

The Subcommittee recommends expenditures of \$214,911 to implement the accelerated tax collections in the current fiscal year. Recalculation of rental costs at the FY 1983 rate of \$6.25 per square foot (instead of \$8.75) reduced the Governor's estimate. Financing of \$76,033 would be available from estimated other operating expenses savings and the Subcommittee recommends \$138,878 in additional funds be appropriated to finance the balance.

2. Division of Vehicles Operating Fund. Based on eight months of personnel payrolls, the Department is projecting a deficit of \$150,000 in its salaries and wages account for FY 1983. The Subcommittee concurs with the estimated shortfall, based on the Governor's revised estimate of \$8,904,517 to finance salaries and benefits in the current fiscal year.

The Subcommittee requested the Secretary to provide a list of possible reductions in other operating expenses which could be used to help offset the forecast deficit in salaries and wages. The Secretary identified \$369,000 of potential savings, including \$100,000 communications, \$10,000 printing, \$104,000 travel, \$125,000 office supplies, \$15,000 license plates, and \$15,000 capital outlay. However, the Subcommittee estimates \$267,912 will be saved in communications based on information provided by the Department on a previous occasion which showed expenditures for seven months of \$491,068 out of an approved budget of \$1,028,023. The Subcommittee also identified \$25,000 in savings associated with deferring the purchase of a copy machine until FY 1984, rather than \$15,000 identified by the Department. Savings identified above in other operating expenses and recommended by the Subcommittee are \$546,912. An additional \$50,000 contract for Vehicle Information Processing System (VIPS) development has not been encumbered and should be deferred until FY 1984. VIPS is discussed in more detail in a later portion of this report dealing with FY 1984. Total other operating savings would be \$596,912 in FY 1983.

The Subcommittee recommends that \$150,000 in savings identified in other operating expenditures be shifted to salaries and wages to offset the anticipated shortfall. Expenditure authority for the remaining \$440,912 (\$50,000 for VIPS and \$396,912 for other operating expenses) should be removed by reducing the expenditure limitation for the fund in FY 1983. A recommendation regarding the VIPS contract is included in the FY 1984 section. The reduction in FY 1983 expenditures will provide carryover funds for FY 1984 and reduce the transfer from the Highway Fund.

3. Summary of House Subcommittee adjustments:

	<u>State General Fund</u>		<u>Vehicle Operating Fund</u>	
	<u>Salaries and Wages</u>	<u>O.O.E.</u>	<u>Salaries and Wages</u>	<u>O.O.E.</u>
Projected Deficit	\$(419,967)	\$ --	\$(150,000)	\$ --
Estimated Savings	--	919,000	--	596,912
Reappropriation	--	(423,000)	--	--
Shift to Salaries	419,967	(419,967)	150,000	(150,000)
Net	\$ --	\$ 76,033 ^a	\$ --	\$ 446,912 ^b

a) Use to reduce new funding required for S.B.'s 35 and 36.

b) Carryover to FY 1984 and reduce transfer from Highway Fund.

House Committee Recommendation

The Committee concurs with the Subcommittee report.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the House adjustments.

SUBCOMMITTEE REPORT

Agency: Department of Revenue Bill No. 2086 Bill Sec. 5
 Analyst: Efird Analysis Pg. No. 295 Budget Pg. No. 1-157

<u>Expenditure Summary</u>	<u>Agency Req. FY 84</u>	<u>Governor's Rec. FY 84*</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 44,220,120	\$ 37,647,841	\$ (1,684,826)
Aid to Local Units	2,209,087	8,426,787	--
Other Assistance	30,000	30,000	--
Operating Expenditures	\$ 46,459,207	\$ 46,104,628	\$ (1,684,826)
Capital Improvements	418,000	--	--
Total	<u>\$ 46,877,207</u>	<u>\$ 46,104,628</u>	<u>\$ (1,684,826)</u>
State General Fund:			
State Operations	\$ 25,126,675	\$ 22,715,658	\$ (851,085)
Aid to Local Units	1,600,000	1,600,000	--
Other Assistance	30,000	30,000	--
Total	<u>\$ 26,756,675</u>	<u>\$ 24,345,658</u>	<u>\$ (851,085)</u>
F.T.E. Positions	1,453.5	1,462.5	(18.5)

* Includes Governor's Budget Amendment Nos. 1 and 4.

House Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendations as contained in the Budget Report, Budget Amendment Nos. 1 and 4 with the following adjustments:

1. Adjust salaries and wages expenditures to reflect deletion of the 4 percent cost-of-living adjustment, which amounts to \$493,769 State General Fund, \$288,999 DOV funds, \$967 Debtor Setoff Fund, and \$473 Sand Royalty Fund.
2. Restore two positions and add one additional position to enhance the Internal Audit Unit which currently is staffed by one position. The Subcommittee has worked closely with the House Committee on Governmental Organization and its Subcommittee on the Department of Revenue which has been reviewing the performance audits conducted as part of the Sunset review of the agency. One of the recommendations of the House Committee on Governmental Organization was to provide additional staff to conduct an effective internal audit program which would consist of performance and fiscal auditing. The Subcommittee concurs with the finding that an expanded Unit will produce cost-savings within the Department and provide new safeguards against fraud or other misuse of state funds which may occur within an agency with budget authority in excess of \$45 million.

The Subcommittee recommends that financing be apportioned 59 percent to the State General Fund and 41 percent to the Division of Vehicles (DOV) Operating Fund. The estimated cost of three new positions and other operating expenses is \$72,860. The Governor recommends \$33,969 in State General Funds for the Unit's one position. Prorating expenses would require additional State General Funds of \$29,060 and DOV funds of \$43,800 to finance the expanded Unit in FY 1984.

3. Abolish the Dealer Licensing Review Board for DOV savings of \$11,832 in FY 1984. The Subcommittee concurs with the House Committee on Governmental Organization's recommendation that the Board be abolished and that the Director of Motor Vehicles be authorized to assume the necessary duties of the Board not already delegated by K.S.A. 8-2411.
4. Permit the Secretary to hire attorneys in the classified service if the Secretary determines such action to be in the best interest of the Department. Your Subcommittee concurs with the House Committee on Governmental Organization's recommendation that K.S.A. 75-5121 which mandates all attorneys be in the unclassified service be amended. The Subcommittee believes that the Department needs continuity in its legal staff, particularly in the corporate area, and that the Secretary should be allowed to hire attorneys to serve in the classified service. The Governor's recommendation for adding one new attorney to assist in the corporate area is endorsed, but financing was shifted from DOV funds to the State General Fund by the Subcommittee. Because of an adjustment in financing for the Legal Services Bureau which shifts State General Fund overtime pay to help fund \$16,892 of the new position, a reduction of \$26,645 of DOV funds and an increase of \$9,753 in State General Funds are recommended.
5. Shift financing from the State General Fund to DOV funds to more appropriately reflect the charge-back of costs in both Planning and Research and Records Services Bureaus. Savings of \$34,253 in State General Funds and an increase in DOV financing of \$34,253 are recommended.
6. Reduce State General Fund postal expenditures by \$25,000 in Administrative Services to reflect that Bureau's actual pattern of expenditure which has been less than \$3,000 the past three years.
7. Reallocate 12.0 F.T.E. positions and authorize 6.0 F.T.E. new positions to help implement the accelerated tax collections for withholding and sales pursuant to S.B. 35 and S.B. 36 which passed earlier this session. The Governor's Budget Amendment No. 1 recommendation for 20.0 F.T.E. new positions is reduced by 14.0 F.T.E. and the financing for salaries and benefits recommended by the Governor of \$272,591 in State General Funds is reduced by \$244,542 because of reallocation of current positions which are included in the Governor's Budget Report. The net cost of implementing accelerated tax collections is \$83,352 compared with the Governor's recommendation of \$327,894 in Budget Amendment No. 1.
8. Reduce travel expenditures of the Audit Services Bureau by \$110,000 in State General Funds because of programmatic changes relative to reallocating five positions to accelerated tax collections compliance work.
9. Reduce repair expenditures of the Administrative Service Bureau by \$2,500 State General Funds and \$2,500 DOV funds.
10. Reduce the part-time personnel expenditures of the Personnel Bureau by \$40,000 to more accurately reflect past expenditure patterns of DOV funds.

11. Reduce the travel expenditures of the Division of Motor Vehicles by \$24,200 to more accurately reflect the level of DOV expenditures recommended in the FY 1983 adjusted budget.
12. Reduce the communications expenditures of the Division of Motor Vehicles by \$250,000 to more accurately reflect the level of DOV expenditures recommended in the FY 1983 adjusted budget.
13. Add financing for purchase of one copy machine which was deferred in FY 1983 by Subcommittee recommendation, with \$25,000 financed by the State General Fund and \$25,000 by DOV funds.
14. Delete \$4,486 for memberships in professional associations budgeted by the Division of Property Valuation and financed by the State General Fund.
15. Reduce \$81,500 in DOV funds from expenditures of the Division of Motor Vehicles for office supplies.
16. Reduce printing expenditures by \$25,000 in DOV funds to reflect more accurately the level of expenses in previous years by the Driver License Bureau.
17. Reduce budgeted expenditures by \$90,000 financed by the State General Fund for legal fees relative to the railroad cases and direct the Secretary to request a supplemental next session if the Department incurs costs of more than \$10,000.
18. Reduce Division of Property Valuation travel expenditures by \$7,465 to eliminate travel to schools and conferences. The Subcommittee notes that this State General Fund reduction does not include the professional fees for such courses and recommends that the agency bring instructors to Kansas for such training classes.
19. Reduce travel expenses relative to law clerks in the Alcohol Beverage Control Division by \$2,000 State General Fund.
20. Reduce fees paid to the Division of Information Systems and Computing (DISC) by \$271,208, with \$162,725 of State General Fund and \$108,483 of DOV funds cut. The Subcommittee recommendation is based upon an evaluation performed by DISC (in conjunction with the Department) and submitted to the Subcommittee by the Secretary of Administration in which DISC estimates FY 1984 expenditures for computer processing at \$2,237,000 for existing applications, K-BITS, and Project Fair Share. The Governor's recommendation for DISC fees in FY 1984 is \$2,508,208 as reflected by Object Code 263. The Subcommittee recommendation would delete \$271,208 which is the difference between the Governor's recommendation and the DISC estimate of March 14, 1983. The Subcommittee has been concerned about the impact of reducing fee income anticipated by DISC and has worked closely with DISC in this matter.
21. Reduce expenditures financed by Division of Vehicles funds for the Vehicle Information Processing System (VIPS) development costs in the following manner.

- a. \$50,000 for consultant fees;
- b. \$18,048 for data processing costs (which were deleted by the Subcommittee recommendation in item 20); and
- c. \$25,672 for a Programmer III and \$523 for other operating costs.

The Subcommittee's recommended amount includes \$50,000 carryover from FY 1983 and \$180,000 in new DOV funds for a total of \$230,000 in developmental costs to be paid a consulting firm. The Subcommittee in concurring with the Governor's recommendations for FY 1984 is providing 2.0 F.T.E. new data processing positions and other operating expenses to initiate VIPS development.

22. Reduce expenditures for Project Fair Share by \$75,337 for salaries and wages of 5.0 F.T.E. positions and \$622 for other operating expenses financed by the State General Fund. The new program would be authorized a total of 6.0 F.T.E. new positions in FY 1984 to begin operations and the Subcommittee plans to review it next Session to determine its cost-effectiveness. The Subcommittee's recommendation would provide \$101,778 for salaries and wages plus \$33,191 for other operating expenses in the first year of operation.
23. Reduce expenditures from the State General Fund for the Kansas Business Integrated Tax System (K-BITS) development in the following manner:
 - a. \$280,000 for consultant fees;
 - b. \$16,578 and 1.5 F.T.E. new positions and \$19,106 for temporary staff financed by the State General Fund; and
 - c. \$48,402 for equipment in the Quality Control Bureau.

The Subcommittee recommendation for K-BITS would add expenditure of \$423,000 for consultant fees in FY 1984, using State General Funds reappropriated from FY 1983 which have not been obligated because of delays in the project time-schedule. An additional \$33,138 for microfilm equipment and \$330,000 estimated by DISC for computer fees are contained in the Governor's Budget Report with which the Subcommittee concurs.

24. Increase funding from the State General Fund to reduce Departmental budgeted salary turnover savings to 8.9 percent at a cost of \$278,887. The Governor's Budget Report includes turnover savings of \$2,339,060 which equates to a 13.4 percent rate for the Department's General Fund salaries and wages budget. Governor's Budget Amendment No. 4 restores \$500,000 in State General Funds for salaries and wages to reduce the turnover rate in the Administrative Services Division, but does not address other divisions. In the Division of Taxation, for example, budgeted turnover savings recommended by the Governor are \$419,751 or 14.6 percent. The Subcommittee strongly recommends this adjustment which will bring budgeted turnover savings to the level proposed by the Department in its level A budget request.

25. Make a technical adjustment in the bill to reflect the Governor's recommended funding for the Debtor Setoff Fund and to transfer the appropriate level of financing from the Department of Administration to fully fund the activity.
26. Establish a Publications Fee Fund so that the Department may print and sell various publications which were discontinued as part of the budget reductions in FY 1983 and add a No Limit line item to the bill.
27. Introduce a bill to repeal the mandatory five-year reissue of motor vehicle license tags. The Subcommittee notes that by concurring with the Governor's recommended funding for manufacture of license tags in FY 1984, savings of \$2.5 million are estimated. An additional \$900,000 will be saved in FY 1985 by discontinuing the reissue and such savings will bolster the Highway Fund. A similar bill, S.B. 307, has become stalled in the Senate. The Subcommittee believes that the House should have an opportunity to debate the question and that by introducing a bill such an occasion will be afforded.
28. Substitute a No Limit provision for the expenditure limit currently placed on the Microfilm Fund since this account is financed by receipts from other state agencies.

Other Matters of Concern

1. The Subcommittee wishes to express concern about the availability of issue papers. In the case of the Department of Revenue, major enhancements or program changes (Project Fair Share, VIPS, reissue of license tags, etc.), were subjects analyzed in issue papers, but those issue papers were not made available for review by legislative staff or legislators. Although there were references to issue papers throughout the budget document, only a brief summary of the issue papers was provided as documentation by the Department after a request by legislative staff. The Subcommittee was able to obtain detailed programmatic information about Project Fair Share only after a special request was made to the Secretary and feels such information should be available as part of the budget document.
2. The Subcommittee wishes to alert the Committee of a new federal requirement that notification be mailed to persons who receive a state tax refund. Governor's Budget Amendment No. 4 contains a \$140,000 supplemental, financed by the State General Fund, to implement this federal requirement. The Subcommittee is most concerned about the cost of complying with this federal requirement and recommends that the situation be monitored.
3. The Subcommittee recommends that the Secretary designate one person as coordinator of the complaint-handling procedures within the Division of Motor Vehicles. Because of the number and frequency of complaints about registration and driver license problems with which the Department appears to have trouble, the Subcommittee recommends the above action be taken.

4. The Subcommittee recommends that the Department increase the level of specificity about subprograms, especially the new enhancements requested in the budget document. Because decisions must be made on the basis of complete information, the Subcommittee recommends that the Department provide details beyond those required in the budget preparation instructions. The Subcommittee was most concerned about the apportionment of computing costs among the different activities such as Project Fair Share, K-BITS, VIPS, and on-going operations, and commends DISC for providing such analytical information at the request of the Subcommittee. The Subcommittee is concerned about the variance between the five-year plan prepared for DISC and the information reported about data processing costs by the Department.
5. The Subcommittee, in concurring with the Governor's recommended funding for KPERS, agrees with the position that ABC inspectors not be placed under the Kansas Police and Fire Retirement System as requested in the level C budget.
6. The Subcommittee is aware of a problem involving the Medical Advisory Board and suggests that action be postponed until a recommendation from the House Committee on Governmental Organization is finalized.
7. The Subcommittee recommends that because of its exhaustive review of the Department's budget and its adjustment of expenditures, any new responsibilities imposed on the agency as a result of legislation passing this Session be reviewed on their own merits as far as administrative costs are concerned. The Subcommittee believes the budget does not have flexibility to absorb such expenses. The Subcommittee feels that if additional positions are authorized during Omnibus review, no salary turnover adjustment ought to be computed since such action would raise the Department's rate above 9 percent.

House Committee Recommendations

The Committee concurs with the Subcommittee adjustments.

Senate Subcommittee Recommendations

The Subcommittee concurs with the House recommendations with the following adjustment:

1. Postpone any decisions on K-BITS financing until a report is submitted on April 5 and review K-BITS financing either during conference or omnibus, with the following items removed from the budget pending that review:
 - a. Delete consultant fees of \$423,000 and use savings to reduce new State General Fund appropriations for other operating expenses.

- b. Reduce DISC fees by \$330,000.
 - c. Delete \$33,138 for new microfilm equipment.
2. Delete \$140,000 State General Fund cost for mailing tax refund notifications next January to Kansas taxpayers per a new federal requirement.
 3. Restore \$11,832 DOV funds for the Dealer Licensing Review Board.
 4. Make technical adjustment in the allocation between salaries and wages and other operating expenses to correct an error in apportionment of funds found in the bill as printed.

SUBCOMMITTEE REPORT

Agency: KPERS Bill No. 2086 Bill Sec. 2
 Analyst: Chabira Analysis Pg. No. 291 Budget Pg. No. 1-149/3-33

<u>Expenditure Summary</u>	<u>Agency Req. FY 84</u>	<u>Governor's Rec. FY 84*</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 2,720,845	\$ 2,578,158	\$ (713)
Aid to Local Units	39,314,024	39,176,860	—
Other Assistance	77,804,696	77,804,696	—
TOTAL	<u>\$119,839,565</u>	<u>\$119,559,714</u>	<u>\$ (713)</u>
State General Fund:			
State Operations	\$ —	\$ —	\$ —
Aid to Local Units	39,314,024	39,176,860	—
Other Assistance	10,000,000	10,000,000	—
TOTAL	<u>\$ 49,314,024</u>	<u>\$ 49,176,860</u>	<u>\$ —</u>
 F.T.E. Positions	 54.0	 54.0	 2.0

* Adjusted to reflect Governor's Budget Amendment No. 4-5.

House Subcommittee Recommendations

The House Subcommittee concurs with the Governor's recommendations with the following adjustments and comments:

1. Delete \$40,347 in connection with the Governor's proposed salary increase of 4 percent.
2. Add \$39,634 for an Investment Officer and a Clerk Steno II. The Investment Officer and a Secretary II were positions authorized previously for FY 1982. However, the agency subsequently requested that an Attorney II be substituted for the Investment Officer, a request that was approved by the 1982 Legislature. For FY 1984, KPERS is renewing its request for an Investment Officer and a Secretary II primarily because of the agency's recent involvement in various nontraditional investments, including securities lending, options, establishment of an index fund, residential mortgages, and purchase of a new building in downtown Topeka. Compared to the agency's original request totaling \$53,679, the Subcommittee's recommendation is based on a salary level of \$25,000 (instead of \$35,000) for the Investment Officer and recommends a Clerk Steno II at Salary Range 8, instead of a Secretary II at Range 13.
3. The Subcommittee understands that expenditures of \$34,437 for FY 1983 and \$26,035 for FY 1984 (including two new positions) have been requested in addition to the Governor's recommendation in connection with the enactment of the 1982 Tax Equity and Fiscal Responsibility Act (TEFRA). The Act requires KPERS to withhold income taxes from the taxable portion of retirement benefits and from interest paid on withdrawals when members terminate. The Subcommittee defers making a recommendation on this proposal pending receipt of a Governor's budget amendment.

4. The Subcommittee is also aware that some interest has been expressed about the possibility of an independent study to evaluate the appropriateness of the actuarial assumptions used by Martin E. Segal Company, the current KPERS actuary. KPERS indicates that such a study would best be conducted at the conclusion of a triennial actuarial evaluation either late in FY 1984 or early in FY 1985. The Subcommittee is not recommending additional funds for this purpose in FY 1984 but recommends that consideration be given to such a study by the 1984 Legislature for FY 1985.

House Committee Recommendations

The House Committee concurs with the Subcommittee's recommendations.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the House adjustments with the following exception:

1. Add \$26,035 in connection with Governor's Budget Amendment No. 4-5 regarding passage of the 1982 Tax Equity and Fiscal Responsibility Act (See Item No. 3 above). The Subcommittee's recommendation is summarized in the following table.

<u>Expenditure Summary</u>	<u>House Adjustments to Gov. Rec. FY 1984*</u>	<u>House Total Rec. FY 1984</u>	<u>Senate Subcommittee Adjustments to House Rec.</u>
All Funds:			
State Operations	\$ (26,748)	\$ 2,551,410	\$ 26,035
Aid to Local Units	—	39,176,860	—
Other Assistance	—	77,804,696	—
TOTAL	<u>\$ (26,748)</u>	<u>\$ 119,532,966</u>	<u>\$ 26,035</u>
State General Fund:			
State Operations	\$ —	\$ —	\$ —
Aid to Local Units	—	39,176,860	—
Other Assistance	—	10,000,000	—
TOTAL	<u>\$ —</u>	<u>\$ 49,176,860</u>	<u>\$ —</u>
F.T.E. Positions	—	54.0	2.0

* Adjusted to reflect that the House did not take action on Governor's Budget Amendment No. 4-5.



Senator Ross Doyen
Subcommittee Chairman



Senator Frank Gaines



Senator Robert Talkington

Agency: KPERS Bill No. 2135 Bill Sec. 27
 Analyst: Chabira Analysis Pg. No. 291 Budget Pg. No. 1-149/3-33

<u>Expenditure Summary</u>	<u>Agency Req. FY 83</u>	<u>Governor's Rec. FY 83*</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 2,403,804	\$ 2,426,033	\$ (23,900)
Aid to Local Units	36,800,790	36,474,777	—
Other Assistance	71,972,144	71,972,144	—
TOTAL	<u>\$111,176,738</u>	<u>\$110,872,954</u>	<u>\$ (23,900)</u>
State General Fund:			
State Operations	\$ —	\$ —	\$ —
Aid to Local Units	36,800,790	36,474,777	—
Other Assistance	10,000,000	10,000,000	—
TOTAL	<u>\$ 46,800,790</u>	<u>\$ 46,474,777</u>	<u>\$ —</u>
F.T.E. Positions	52.0	54.0	—

* Adjusted to reflect Governor's Budget Amendment No. 4-5.

Agency Request/Governor's Recommendation

KPERS is requesting a State General Fund supplemental appropriation of \$326,013 to meet the state's obligation for payment of the employer contributions for school employees. The adjustment is made annually by the State Department of Education and for FY 1983 reflects a revised estimate of covered payroll based on actual payroll for FY 1982. The calculation is still based on the same 9.5 percent for estimated salary increases and 4.5 percent certified employer contribution rate as were used a year ago. The Governor does not recommend funds for the supplemental request.

House Subcommittee Recommendations

The House Subcommittee recommends that the expenditure limitation on the KPERS Fund be reduced by \$36,108 to reflect deletion of the merit pool funds for the current fiscal year as well as savings from the vacancy of the Attorney II position and a Secretary II for approximately the first half of FY 1983. The savings would almost offset the first year cost of the two new positions the Subcommittee is recommending for FY 1984.

House Committee Recommendations

The House Committee concurs with the Subcommittee's recommendations.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the House adjustments with the following exception:

1. Add \$34,437 in connection with the enactment of the 1982 Tax Equity and Fiscal Responsibility Act (TEFRA), which requires KPERS (effective January 1, 1983) to withhold income taxes from the taxable portion of

retirement benefits and from interest paid on withdrawals when members terminate. The increase, which implements Governor's Budget Amendment No. 4-5, includes the addition of two clerical positions. The following table summarizes the Subcommittee recommendation.

<u>Expenditure Summary</u>	<u>House Adjustments to Gov. Rec. FY 1983*</u>	<u>House Total Rec. FY 1983</u>	<u>Senate Subcommittee Adjustments to House Rec.</u>
All Funds:			
State Operations	\$ (58,337)	\$ 2,367,696	\$ 34,437
Aid to Local Units	—	36,474,777	—
Other Assistance	—	71,972,144	—
TOTAL	<u>\$ (58,337)</u>	<u>\$ 110,814,617</u>	<u>\$ 34,437</u>
State General Fund:			
State Operations	\$ —	\$ —	\$ —
Aid to Local Units	—	36,474,777	—
Other Assistance	—	10,000,000	—
TOTAL	<u>\$ —</u>	<u>\$ 46,474,777</u>	<u>\$ —</u>
F.T.E. Positions	(2.0)	52.0	2.0

* Adjusted to reflect that the House did not take action on Governor's Budget Amendment No. 4-5.



 Senator Ross Doyen
 Subcommittee Chairman



 Senator Frank Gaines



 Senator Robert Talkington