

MINUTES OF THE Senate COMMITTEE ON Governmental Organization

The meeting was called to order by Senator Vidricksen at _____
Chairperson

1:48 ~~am~~/p.m. on January 19, 1984 in room 531N of the Capitol.

All members were present except:

Senator Roitz Senator Johnston
Senator Gaines Senator Gaar

Committee staff present:

Bruce Kinzie - Revisor
Julian Efird - Research

Conferees appearing before the committee:

The meeting was called to order by Senator Vidricksen.

The purpose of the meeting was to review Senate Bills 479, 480, 481 and 482 which had been the result of an Interim Committee on Efficiency in State Government which met during the summer. (Exhibit A)

The Chairman briefed the Committee on the study and explained that each Agency would be asked to report on their history, date of inception and duties according to the statutes.

The Chairman answered questions from Committee members and a brief discussion followed.

A motion to approve the minutes of the January 17 and 18 meetings was made by Senator Hein. This was seconded by Senator Mulich. Motion carried.

The meeting was adjourned at 2:21 p.m.

GUEST LIST

COMMITTEE: Senate Governmental Organization DATE: JAN. 19, 1984

<u>NAME</u>	<u>ADDRESS</u>	<u>COMPANY/ORGANIZATION</u>
CAROL KEITH	503 Ks. Ave, Rm. 539	OMBUDSMAN FOR CORRECTIONS
Rosetta Pluech	701 Jackson, Suite 220	KAPE
Laurie Hull	503 Kansas Ave, Suite 328	Kansas Advisory Committee on Mexican American Affairs
JANET GYODHCA	503 Kansas Ave Suite 328	Kansas Advisory Committee on Mexican American Affairs
John Kelly	1430 Topeka Ave	KS Advisory Comm. Employ the Handicapped
John Spurgeon	Lawrence	Budget
Sandra Neff	Derby	Visitors (San Francisco)
Kim Donner	Wichita	"
Marilyn Leokner	Wichita	"
Daniel Sumner	Wichita	"

COMMITTEE REPORT

TO: Legislative Coordinating Council
FROM: Special Committee on Efficiency in State Government
RE: PROPOSAL NO. 19 — EFFICIENCY IN STATE
GOVERNMENT*

Under Proposal No. 19, the Special Committee on Efficiency in State Government was directed to:

conduct a study of the growth in state government expenditures, programs, and employees since 1970 and of methods of improving efficiency in state government in order to reduce costs or lower the growth rate in expenditures without weakening state programs and services that should be maintained.

Committee Activity

Trends in State Expenditures
and Employees

As charged by the study proposal, the Committee reviewed 14 tabulations containing data on the growth since 1970 in Kansas state government expenditures, programs, and the number of state employees. The Committee's review included some interstate comparisons of expenditures and employees.

Copies of these tables are available from the Kansas Legislative Research Department.

* Senate Bill No. 477, Senate Bill No. 478, Senate Bill No. 479, Senate Bill No. 480, Senate Bill No. 481, Senate Bill No. 482, House Bill No. 2619, House Bill No. 2620, and House Bill No. 2621 accompany this report.

Ex. A

Methods of Improving Efficiency

In its attempt to determine methods for improving efficiency in state government, the Committee held round-table discussions with a number of interested conferees, including professional management consultants, the key managers of major state departments, the division directors of the Department of Administration, representatives of state employee organizations, computer vendors, general construction contractors, and highway construction contractors. The Committee also reviewed staff reports on selected issues.

Professional Management Consultants. Representatives of Main Hurdman Management Consultants stated that efficiency reviews seek to eliminate duplication or waste in the operation of state agencies and that the goal of a good efficiency study should yield a cost savings of \$4 to \$10 for each \$1 invested in the study. These conferees stated that government, in general, is labor intensive and, thus, reduced absenteeism, lower turnover, and effective training are important factors in improving efficiency. It was also stated that efficiency problems are not unique to governmental operations and that any administrative or service function, governmental or nongovernmental, can be made more efficient.

A representative of Touche Ross and Company stated that the same basic principles of management consulting are used in both the public and private sectors and that management reviews must start at some level lower than the state itself, i.e., budget line items or certain specific functional areas. The representative estimated that consultant services should result in cost savings of \$5 to \$10 for each \$1 invested in the review and that some efficiency problems will require changes in state laws or regulations in order to be resolved. It

was stressed that management efficiency is improved when key people in state government are adequately compensated.

Key Managers of Major State Departments. The Secretary of Administration reviewed a number of management initiatives and estimated cost savings which had been undertaken by the Department of Administration (DOA). A number of these recommendations originated from the report of the 1976-77 Governor's Task Force on Effective Management, a volunteer study group which was created by executive order in 1976. DOA has reviewed the Task Force recommendations and has begun to implement those recommendations which it is felt would improve efficiency and be cost effective. At present, of the 119 recommendations of the Task Force, 101 have been implemented, 13 were rejected, and 5 are under study by DOA. The Committee was advised that DOA is devoting a substantial amount of time to four major problem areas: rising health insurance costs, the state telecommunications system, the civil service merit evaluation system, and proposed DOA capital improvements.

The Chairman of the Kansas Corporation Commission (KCC) stated that there is a need for inspection and auditing programs in each state agency and a need for periodic systematic review of job performance, job descriptions, and job compensation. The Chairman said that KCC is attempting to reduce its reliance on outside consultants and to lower travel expenses through the use of conference calls; the agency has also established a word processing center and a complaint handling unit to improve efficiency.

The Secretary of Human Resources presented several suggestions for improving efficiency within his Department and other state agencies. The suggestions included establishment of a central statewide information service to route citizens' calls to the proper agency, reduction of gasoline costs

for state-owned vehicles, streamlining the flow of paperwork in state agencies, posting telephone instructions for the KANS-A-N system, implementation of the merit pay plan, and revision of the standards for the employee suggestions award program.

The Secretary of the State Board of Agriculture said that the broad goals of the agency are to provide effective organization and management for the agency; to provide efficient, economical, and responsive operations; and to automate specified functions and activities to improve efficiency.

The Director of the Kansas Water Office noted that the 1978 Governor's Task Force on Water Policy had made a number of recommendations on efficiency issues related to water agencies. Some of these recommendations have been implemented through action of the 1981 Legislature. He said that the state water storage and marketing program now has a negative cash flow and that the efficiency of the program must be increased.

The Secretary of Health and Environment reviewed the mission of the Department and discussed measures undertaken to improve the agency's efficiency and effectiveness, including revenue enhancement, cost avoidance, cost containment, program improvement, and the current reorganization of the Department.

The Secretary of Transportation made several observations concerning efficiency improvements in the Department of Transportation (DOT), including project prioritization, design standards modification, pavement management, data collection, maintenance management, budget changes, increased federal funding, a manpower utilization study, bid analysis and monitoring system, research, lighting conversion, multiyear construction and maintenance plan, vehicle assignments, computer aided design and mapping, and contract administration.

He stated that two major concerns were loss of employees because of lack of pay or recognition and artificial budget constraints imposed on the agency.

The Secretary of the Kansas Department of Economic Development (KDED) stated that funds not spent in one fiscal year should be allowed to carryover to the next fiscal year; he said that the current system provides no incentive for managers to save money. (The Director of the Kansas Water Office also made a similar comment.) The Secretary also said that some civil service laws are a hindrance to retaining qualified personnel and that the merit pay system must be adequately funded to be effective.

The Secretary of the Kansas Department of Revenue reviewed the efficiency measures implemented by the Department in the areas of remittance processing, postage savings, supplies, printing, forms, travel and subsistence, data processing, collections and enforcement, and maintenance contracts. The Secretary stated that study was under way in two additional areas to increase efficiency, i.e., the use of micro-computers and forms control.

The Secretary of Social and Rehabilitation Services (SRS) reviewed a number of measures undertaken by SRS to increase efficiency and economy. The Secretary stated that he would prefer to remove merit pay from the evaluation system and rely solely on cost-of-living salary increases. He also recommended that the competitive bid system be examined and that stricter quality control measures be placed in the bid system. The Secretary concluded that the need exists for a study on the uses of small computers by state agencies; that the state needs a records management system; and that employee unrest over the rising cost of health insurance is of critical importance.

The Secretary of the Department of Corrections (DOC) stated that merit pay should not be tied to the evaluation system and that agencies should be allowed to carryover any money they save in their budgets as an incentive for economies. The Secretary also recommended that agencies make greater use of minicomputers; that top level policy makers should not be in the classified service, as is the case now with DOC institution directors; and that a records management system should be implemented.

The Executive Director of the State Board of Regents stated that the Board strongly endorses the merit pay concept, but cautioned that the concept will work only if the pool of money is large enough to make a difference. The Executive Director noted that the Board of Regents is conducting a review of programs at all institutions to improve efficiency, reduce costs, and lower the growth rate of expenditures. He recommended that the state should develop the personnel and capability to do maintenance work on state computers and reduce the expenses for maintenance agreements. He concluded that the existing property control system is burdensome and recommended that the dollar limit for inventory record-keeping should be raised from \$75 to \$500.

The Secretary of Aging reviewed a number of management initiatives undertaken by the Department on Aging. The Secretary stated that she has experienced difficulties with the "rule of five" under the civil service law; that mainframe computing is not realistic for a small agency; that the health insurance situation is a budget and morale problem; that the competitive bid dollar limit of \$2,000 may be too low; and that, to be effective, merit pay must be constant and funded. The Secretary recommended that merit pay or bonuses should be limited to the upper policy levels, with cost-of-living increases for the classified service, and that the upper managerial level should be in the unclassified service.

The Commissioner of Education reviewed several efficiency activities of the State Department of Education, including a reduction in staff, creation of a word processing center, reorganization activity, increased use of computers, use of conference calls, and identification of goals and objectives. The Commissioner also stated that the Department has been able to consolidate various publications and now does most printing in-house.

Division Directors of the Department of Administration.

The Director of the Division of the Budget stated that the Budget Division is a pseudo-regulatory agency that monitors the Legislature and relays legislative desires to the agencies and that all state agencies are nominally on a program budget basis. He noted that the fiscal constraints of the last two years have forced use of the allotment system and the state has encountered cash flow management problems which required strategic decisions to keep the General Fund solvent. The Director stated that he would prefer a substantive change to programmatic budgeting in all agencies and in legislative thinking; he would also prefer that budget line items be organized by programs. The Director concluded that the ABC allocation level system is working and that the level A (lowest) budget should indicate the highest priorities of an agency.

The Director of the Division of Information Systems and Computing (DISC) stated that DISC has produced the first long-range plan for computer needs in state government and that DISC is attempting to develop a portfolio of computer systems that is best for the state's needs. The Director noted that DISC can provide technical support and assistance to state agencies, although there is a charge for the service. He also stated that the effect of computerization on the number of state employees is unclear; however, a reduction in the number of state employees will necessarily result in increased use of data processing.

The Director of the Division of Personnel Services recommended that the issue of classified versus unclassified positions at the top management levels of state government should be addressed.

The Director of the Division of Accounts and Reports stated that the bad debt setoff program has cost \$80,000 but has recovered \$500,000 and is an effective program. The Director also said that the state, as an employer, is paying excessive amounts of unemployment compensation to former state employees and that DOA is attempting to educate state agencies in the proper procedure for challenging certain claims. He recommended that a pilot project be authorized to seek methods for reducing the costs of unemployment compensation to the state. The Director noted that sometimes the state should spend money for new programs, such as pilot projects, in order to reduce future expenditures. The Director concluded that the state punishes good managers who save money by lapsing the funds saved.

The Director of the Division of Purchases stated that bids must be advertised if they are expected to exceed \$5,000; that state agencies do have some latitude to make purchases on their own, within prescribed guidelines; and that the workload of the Division is controlled by the needs of user agencies.

The Director of the Division of Architectural Services discussed the program activities of the Division. He noted that the state's in-house design capability is limited to projects under \$100,000 for engineering work and to projects under \$250,000 for architectural work. He felt that these limits should be increased to \$300,000 and \$500,000, respectively, to provide the Division with more flexibility in conducting its activities.

The Director of the Division of Printing reviewed the operation of the Division. The Director noted that a heavy printing workload is generated by the Legislature, which requires 24-hour operation of the printing plant during the legislative session. The Division typically prints 86 million pages of legislative-generated material each year. He stated that the proposed new printing plant would provide for a much more efficient printing operation; the new plant is proposed to be located on the grounds of Topeka State Hospital.

The Director of the Division of General Services reviewed the activities of the Division, which include the central motor pool, the federal surplus property program, central telephone and mail service, and the state workers' compensation self-insurance fund.

The Superintendent of Buildings and Grounds Services stated that this unit provides the management and operational requirements for buildings owned or leased by DOA in Shawnee County which total over 1.2 million square feet of space.

The Director of the Equal Employment Opportunity Office reviewed the State Equal Employment Opportunity Program which was initiated in 1975 by Executive Order No. 75-9.

The Director of the Division of Telecommunications reviewed the operation of the Division, which includes management of KANS-A-N, technical advice and assistance, and the customer premises equipment acquisition program. The Director noted that planning is being done on the creation of a new, state-dedicated telephone network.

State Employee Organizations. A representative of the University of Kansas Classified Senate stated that morale was not good in the classified state force, largely because the

merit pay system is defunct, the cost-of-living raise was granted for only a half year, and the state retirement system is not tax sheltered. He stated that there is a misclassification problem; that there is significant understaffing in some departments; that the probation period should be increased from six months to one year; that custodial service at the University of Kansas has improved since transferred to state workers; that all fringe benefits should be administered by one department and should be a flexible, "cafeteria-style" program; that the Kansas Public Employees Retirement System (KPERS) is not a good program and credits low interest to individual employee accounts; that employees should have the option of joining KPERS or Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF); that, given the option, most employees would leave KPERS; and that morale is poor to fair.

A representative of the Kansas Association of Public Employees dealt with a number of issues regarding inefficiencies in state government: inadequate cost-of-living raises; a failed merit pay system; the increasing cost of health insurance; the state awards system; the need for an "Employee Bill of Rights"; the need for an executive branch study of efficiency; and the need for employee representation on the KPERS Board.

A representative of the Kansas State Nurses Association expressed a number of concerns of nurses employed by the state: the skill-mix of RNs, LPNs, and aides; shortages of nurses at some institutions; nurses being required to perform nonnursing tasks; the lack of input by nurses at high levels of the Department of Social and Rehabilitation Services (SRS); the need for a nurse consultant position in SRS; the non-competitive levels of nurses' salaries in urban areas; and the low salaries for nursing instructors.

An Activities Therapist at Topeka State Hospital stated that he represented a concerned group of employees who dislike a directive from SRS which would require activities therapy staff to spend 25 percent of their working time after 5:00 p.m. and another 25 percent on weekends. He felt this new schedule would be detrimental to the treatment program.

A representative of the Kansas-National Education Association (K-NEA) stated that K-NEA has a concern about too much administration in education and government in general. He stated that the federal block grant program for education allows 20 percent of the grant to be used for administrative costs. But, in Kansas, actual administrative costs are only 4 to 5 percent; the remaining 15 percent is being used to fund general expenses of the Education Department. He stated that this money is intended to go to the school districts and should be so used. He also stated that the morale of teachers is surprisingly high (fair) given their work situation and that many districts are top heavy with administrators.

A representative of the American Federation of State, County, and Municipal Employees stated that the Legislature is going to have to spend money to save money by improving working conditions. He said several examples of inefficiencies in the Department of Transportation (DOT) include the lack of radios in DOT trucks; unsafe vehicles; staff shortages; and issuing separate checks for overtime and shift differentials. He also stated that the merit evaluation system is a problem and is being manipulated by employers; that employees feel they are balancing the state's checkbook since the pay bill is the last to be considered each session; that the overall problem is the shortage of personnel; and that there should be an employee representative on the KPERS Board.

A Licensed Mental Health Technician at Winfield State Hospital (WSH) alleged that there are problems with the WSH education program; that employees take excessive breaks; that they now have absolute neglect of patients; that there is a lack of staff and too many administrators; that there is favoritism in the evaluation system; and that problems exist with an unlicensed physician at the institution.

A representative of the Public Service Employees Local No. 1132 discussed several problems at the Kansas University Medical Center, including the evaluation system, the lack of longevity raises, low staff morale, and small problems that are inconsiderate of the employee.

Computer Vendors. A representative of Sperry-UNIVAC said that, if the state were to develop an in-house computer repair capability, the investment and staff needs would have to be considered, as well as a parts inventory, training by the manufacturer, and consultant work. It was stated that a state-owned program would be a major investment; that the original manufacturer maintains the equipment to a standard of the brand name; that corporations that go into self-maintenance usually have qualified people in place before beginning the program; and that Sperry-UNIVAC would sell spare parts to the state.

A representative of IBM stated that the manufacturer has many support staff behind the individual service representative and, if needed, can go back to the design engineer who developed the system to solve problems. It was further stated that the firm makes a profit both on the initial sale and on maintenance agreements; that economies of scale help on maintenance agreements which would not be present in a state-owned program; that there are private vendors who maintain some equipment; that the state gets free parts under its maintenance agreements; that the state may save money

but may lose efficiency if the state develops its own maintenance program; and that the cost of maintenance agreements is based on repair data history and costs of staff time.

The Director of the Division of Information Systems and Computing (DISC) stated that DISC has two types of maintenance agreements on the two mainframes; that the state would have to look at the impact of failures on state programs; that a maintenance clearing fund may be a viable alternative; and that management must decide the level of risk and downtime that is acceptable.

The Sperry-UNIVAC representative stated that calculator technology has led to a throw-away calculator and similar evolution is taking place with computers; that the machine must be owned by the state for self-maintenance; and that no other states have a self-maintenance program. It was stated that maintenance contracts are not negotiated; the price is set by the vendor, although maintenance costs have decreased over the last 20 years and that the state would need an \$800,000 parts inventory for its Sperry equipment.

General Construction Contractors and Highway Construction Contractors. Representatives of Douglas Construction Company stated that their firm has not low-bid a state building contract for four years but this is not a political issue; that there is not much difference in specifications of the state or the private sector; that state specifications are well written; that the prevailing wage law is no problem; that state inspectors are fair and effective; and that the price for a state job or a private job will be the same, but some buildings have special requirements that increase costs.

A representative of Dahlstrom and Ferrell Construction stated that he does not agree with the prevailing wage law but it is not a problem because his firm is a union contractor.

A representative of Comanche Construction said that the state has adopted American Association of State Highway and Transportation Officials (AASHTO) standards, which some contractors feel are higher than are needed; that the state should change some standards to meet specific criteria which could save a substantial amount of money each year; and that a committee is meeting to evaluate the current standards.

A representative of Reece Construction Company said there is a national committee also reviewing the standards, but it will take ten years for any recommendations to be made. He felt Kansas should develop its own lesser standards for the lesser roads.

Several conferees discussed the problem of working around utilities on right-of-way grades; they felt that DOT should be empowered to remove the utilities prior to construction, as this situation causes delays and higher costs. The Secretary of Transportation said that this is a severe problem with some utilities but that more lead time and a firm construction program should ease the problem. It was stated that DOT already has the power to force the utility to move, but this would often interrupt service to the customers. A representative of A. O. Steuber Construction Company stated that costs would be less if the utilities were already moved before construction. DOT staff said that DOT has more credibility with utilities now that the five-year plan and a funding package are in place.

One conferee expressed concern about the prequalification system used by DOT, which is in addition to the bonding requirement. She stated that the State Architect's Office does not require prequalification; that a firm cannot bid until prequalified; and that this limits competition and increases costs. A DOT representative said nearly every state has a prequalification system and that this system protects both

DOT and the contractor and firms may bid on jobs up to \$500,000 without filing a certified financial statement and that subcontractors are not prequalified. He also stated that the 10 percent set-aside program is now termed the Disadvantaged Business Enterprise (DBE) program; that it is a federal program; that the program probably will increase costs for contractors; and that Kansas is meeting the 10 percent requirement currently.

A representative of Mid-Continent Engineers discussed construction inspection costs, design, administration, the Highway Advisory Commission, Kansas and federal regulations, and a bridge approach problem.

One conferee discussed the value engineering provision contained in all DOT contracts. He said this concept has led to considerable cost savings. Several conferees discussed the Kansas standard on concrete bridge pilings and agreed that this standard may be excessive and increase costs. A representative of Frisbie Bridge Company stated that DOT has little expertise in pile driving and that the standard drives up the cost of bridge construction. A conferee discussed a vibrating machine required in bridge construction. He said this machine should not be required on all bridges.

Other Staff Reports. Several members of the Committee expressed concern about the number of advisory boards, commissions, authorities, etc., in Kansas state government. Concerns were expressed whether these advisory bodies were actually useful, were functioning in an efficient manner, and were providing a needed service which justified the expenditures made to operate the advisory bodies. In two instances, agency heads recommended that certain advisory bodies, which they deemed to be of minimal value, be abolished. The Committee reviewed a memorandum describing "Statutory Advisory Bodies in Kansas State Government."

Staff was directed to survey these bodies to gather certain information concerning the activities and operation of the various advisory bodies. The results of this survey were compiled into a memorandum, "Advisory Board Survey," which was reviewed by the Committee.

The Committee also reviewed a memorandum concerning "Classification of Management Level Positions in State Agencies." (These memoranda are available from the Kansas Legislative Research Department.)

Conclusions and Recommendations

As a result of its study under Proposal No. 19, the Committee has made a number of recommendations which range over a broad spectrum of state governmental operations and activities. However, these apparently unconnected recommendations are single in purpose: to improve efficiency and economy in Kansas state government. The direct costs from appropriations to the Legislature of operating the Special Committee on Efficiency in State Government during the 1983 interim were approximately \$8,000 (excludes salaries of legislative staff and of state agency conferees); the Committee believes that implementation of these recommendations will result in cost savings to the state many times in excess of that amount.

Recommendations Accompanied by Legislation

Abolition of Certain Advisory Boards. The Committee reviewed material on various boards, commissions, councils, etc., which function in an advisory capacity in state government. Staff identified 48 such advisory bodies which were

created by statute; this number does not include advisory bodies created by executive order or upon the authority of an executive officer. The 48 advisory bodies were surveyed to collect certain information regarding the operations, cost, and effectiveness of the bodies. After reviewing the survey results, the Committee reached the conclusion that a number of these advisory boards are inactive, ineffective, or unnecessary. Indeed, the agency heads to which two boards are advisory recommended abolition of their advisory boards. In order to bring the issue up for consideration, the Committee has drafted legislation, ~~Senate~~ Bill No. 479 and ~~House~~ Bill No. 2619, which would abolish a number of the boards. As proposed in the legislation, the following advisory bodies would be abolished.

1. Anhydrous Ammonia Regulations, Advisory Committee on;
2. Assessment-Sales Ratio Study, Technical Advisory Committee on the;
3. Community Colleges, Advisory Council of;
4. Corrections Industries Advisory Committee;
5. Crippled Children, Advisory Commission for;
6. Day Care Advisory Committee;
7. Economic Development, Advisory Commission to the Department of;
8. Environment, Advisory Commission on;
9. Fire Protection Personnel Standards and Education, Governor's Commission on;

10. Food Service and Lodging Standards, Advisory Committee on;
11. Governor's Residence Advisory Commission;
12. Handicapped, Advisory Committee on the Employment of the;
13. Health, Advisory Commission on;
14. Land Survey Advisory Committee;
15. Medical Advisory Board, Driver's License;
16. Mexican-American Affairs, Advisory Committee on;
17. Milk Advisory Committee;
18. Natural and Scientific Areas Advisory Board;
19. Pesticide Advisory Board;
20. Podiatry, Advisory Committee on;
21. Professional Teaching Practices Commission;
22. Professional Teaching Standards Advisory Board;
23. Proprietary Schools, Advisory Commission on;
24. Rehabilitation and Half-Way House Advisory Committee;

25. School Administrator Professional Standards Advisory Board;
26. Telecommunications Advisory Committee, State; and
27. Weather Modification Advisory Committee.

The Committee has drafted this legislation to serve as a vehicle to provide the opportunity for the boards to review their activities and justify their continued existence. Hearings on the bills will also permit the Legislature to review the operations of these boards, study their functions and structure, and assess the need for further expenditures to continue the boards. If the state is not getting its money's worth, certain boards should be modified, restructured, or abolished.

Corrections Ombudsman Board. During the course of its study, the Committee was made aware that some members of the Corrections Ombudsman Board feel that the Board lacks the required degree of independence. The Committee has drafted Senate Bill No. 480 to bring the matter before the Legislature for further consideration. The bill would reduce the membership of the Corrections Ombudsman Board from ten members to five members. The Committee feels that a smaller board would be able to operate more efficiently and at reduced cost.

Highway Construction Standards. During the course of its study, the Committee heard from several highway contractors that the highway construction standards adopted by

the Secretary of Transportation are, in some instances, too strict and result in higher construction costs for roads and bridges. These contractors argued that, in some cases, use of a lesser standard would reduce construction costs and still permit the construction of a safe road or bridge. The Committee believes that the Secretary of Transportation should have the discretion to permit the use of a lesser standard in some instances. The Committee has drafted legislation similar to 1982 H.B. 3092 to grant the Secretary this discretion.

Senate Bill No. 478 amends the Kansas Tort Claims Act and modifies the requirement that the construction of roads and bridges conform to "generally recognized and prevailing standards," developed by AASHTO and adopted by the federal Department of Transportation and KDOT. This change would allow the Secretary of Transportation to construct roads and bridges using "reasonable" construction standards but not necessarily the prevailing standards where, in the Secretary's discretion, such action is warranted. Such standards would apply on a case-by-case basis upon review of design personnel within the agency.

KDOT may consider costs, resources, and specifications, as well as generally recognized and prevailing standards in developing designs and plans. These designs and plans, however, must be reasonable in light of all factors considered and documented by the Secretary. The bill also extends to cities and counties the same provision which extends to KDOT, i.e., that the local authorities need not comply with every generally recognized and prevailing standard, or with recognized and prevailing standards in existence at the time of approval of a plan or design, for the original construction of or an improvement to the highways in a county or a city. The county or city engineer or board of county commissioners or the governing body may consider factors of cost and available

resources as well as recognized and prevailing standards and other specifications in developing designs and plans. The designs and plans approved, however, must be reasonable in light of all factors considered and documented by the county or city engineer or board of county commissioners of the governing body.

Tax Payments and Refunds. The Committee was apprised that certain current laws relating to tax payments and refunds contain a \$1 forgiveness threshold, i.e., payments or refunds under \$1 are not required. The Committee believes that this threshold is too low, given the cost to the state of processing a tax refund or the burden on the taxpayer of paying a very small amount of tax due. Senate Bill No. 477 has been prepared which would raise the tax forgiveness threshold from \$1 to \$5 for the income tax, inheritance tax, and the privilege tax on financial institutions.

It could be noted that a similar cost saving policy has been adopted by the Legislature through the action of the Joint Committee on Special Claims Against the State. That Committee, when processing motor fuel tax refunds, automatically deducts 10 percent of the claim or \$15, whichever is greater, to recover the state's cost of processing the refund.

Architectural and Engineering Services. Under current law, the Division of Architectural Services design work capability is limited to projects under \$100,000 for engineering work and to projects under \$250,000 for architectural work. Generally, no new buildings are included within this funding limitation and the work of the Division is primarily renovation, remodeling, and repair. The Committee believes that the Division of Architectural Services has the expertise and capability to engage in the design work on larger projects and, therefore, recommends that the Legislature consider raising the dollar limit for architectural work from \$250,000 to

\$500,000 and the limit for engineering work from \$100,000 to \$300,000. The Committee believes that the Division could operate more efficiently with the added flexibility that the higher dollar limit would provide. The Committee does not contemplate that this change would authorize or necessitate any additional staff positions in the Division. Senate Bill No. 481 will effect this recommendation.

State Purchases and Competitive Bidding. K.S.A. 1982 Supp. 75-3739 sets the dollar limitations for competitive bids for state purchases. Subsection 2 of the statute requires that sealed bids be solicited by notice in the Kansas Register on purchases estimated to exceed \$5,000. Subsection 3 requires that sealed bids be solicited by posting notice in the Office of the Director of Purchases for purchases between \$2,000 and \$5,000. Subsection 4 permits purchases of \$2,000 or less to be made either upon competitive bids or in the open market, and also permits state agencies to make small purchases of less than \$2,000 on their own, within prescribed guidelines.

Several department heads recommended that these dollar limits be raised to permit agencies to make more purchases on a nonbid basis. The Committee does not support this recommendation and believes that the dollar limits should remain at their present levels.

The Committee is concerned that the Legislature has exempted itself from the purchasing and bidding requirements of K.S.A. 75-3739 and, thus, is not required to comply with these purchasing and bidding procedures as are other state agencies. The Committee believes that there should not be two standards in this issue, one for state agencies and another for the Legislature. The Committee has drafted legislation to subject the Legislature to the competitive bid requirements of K.S.A. 75-3739 when the Legislature purchases goods or services, other than professional services. House Bill No. 2620

will eliminate this double standard and require the Legislature to comply with the competitive bid procedure.

State Employee Award Program. The state employee award program (K.S.A. 75-2956b) appears to be ineffective. The program, under which employees may be rewarded for unusual and meritorious suggestions which promote efficiency and economy, is little known by most state employees and apparently little used by state managers. Part of the problem stems from the statute which requires that cash awards to employees come from the state agency's budget which employs the employee receiving the award. The Committee recommends that this statute be modified to provide that cash awards be funded through a separate fund and not from an agency's budget. Senate Bill No. 482 will effect this recommendation. The Committee also recommends that the Kansas State Employee Award Committee assume a higher level of visibility and actively promote the award program to recognize employees who develop new methods of improving efficiency and economy in state government.

"Whistleblower Act." The Committee recommends that Kansas enact a "Whistleblower Act", similar to the Oklahoma statute, to protect state employees who provide information to the appropriate authorities. House Bill No. 2621 provides that disciplinary actions may not be taken against any employee for providing information or offering to provide information to any member of the Legislature or any legislative committee, administrative hearing, or court of law.

Recommendations Requiring Legislative or
Executive Action

Quality of State Purchases. The Committee heard complaints from several state managers that the quality of

goods purchased by the state was often substandard or poor. Poor quality appears to be a widespread problem in the purchase of office supplies for state agencies. The Committee feels that the state should be receiving optimum quality items for all its purchases. The Committee recommends that the appropriate standing committee review the existing quality control procedures and determine whether any legislative or executive action is needed in order to upgrade the quality of goods purchased by the state.

Maintenance Agreements on Computers, Calculators, and Office Equipment. The Committee spent a good deal of time discussing the issue of maintenance contracts or service agreements on state computers, calculators, word processors, and other office equipment. Committee activity in this area was hindered, however, because distinct expenditure data on maintenance agreements for all state agencies are not available. The Committee was frustrated because of the lack of firm data on this issue and recommends that procedures be modified to make this cost data available to the Legislature. The Committee is unable to make detailed recommendations on this important issue because of the lack of data and the short time frame of the Committee's study. However, the Committee believes it imperative that this issue be pursued when cost data become available. The Committee feels that all agencies should have available the amounts spent on maintenance agreements; if accounting changes are needed to make this information available, the changes should be quickly implemented.

As a result of Committee activity in this area, the Department of Administration has appointed a task force to develop an inventory of maintenance contracts to determine whether some should be dropped and also examine the possibility of the state developing an in-house maintenance capability for some equipment. The Committee commends DOA

for this effort and recommends that the appropriate legislative committees continue to study this issue as more precise data become available.

The Committee believes there is a tremendous potential for cost savings through reductions in the number of maintenance agreements entered into by state agencies. For example, the Department of Revenue has discontinued its practice of purchasing service contracts for calculators; the Department now either pays for repairs or replaces the deficient calculator. The Secretary of Revenue estimates cost savings under this new program of \$26,633 in FY 1983, \$26,200 in FY 1984, and \$19,700 in FY 1985. A similar program adopted by a relatively small agency has resulted in anticipated cost savings of \$1,000. The Committee believes the Legislature should devote further study to this issue, in conjunction with the DOA task force.

State Printing Operations. The Committee endorses the practice by the Division of Printing of contracting out certain jobs when they can be printed more economically in the private sector. The Committee encourages the Division of Printing to examine the feasibility of contracting out additional jobs if such action would reduce overtime costs and be more economical. However, the Committee understands the need for overtime costs during the legislative session.

Department of Transportation Design Standards and Activities. The Committee received testimony that several of the design standards adopted by the Secretary of Transportation may be excessively strict and result in increased construction costs. The Committee recommends that DOT officials meet with highway contractors to identify those standards which may be excessive and attempt to resolve the issue in the interest of efficiency and safety. In particular, design standard 703.04, concerning steam or diesel hammers for

driving steel piles, was found to be excessive by a number of bridge contractors. The current standards for bridge approaches should also be scrutinized.

The Committee had urged the Secretary of Transportation to meet with various highway contractors and seek to resolve some of the differences of opinion regarding the standards. As of November 21, the Secretary still had not convened such a meeting. The Committee will take this opportunity to again strongly urge that the Secretary meet with highway contractors to discuss the standards and propose changes in those found to be too strict. The Committee also requests that the Secretary present a progress report to the appropriate committees during the 1984 Legislature.

Several contractors also noted the problem of utilities not moving from the right-of-way which delays or hinders construction projects. The Committee and the agency both believe that DOT has the statutory authority to force the utilities to move. The Committee recommends that DOT exercise this authority in a timely fashion to reduce delays caused by utilities.

The Committee was favorably impressed with the "value engineering" clause written in DOT contracts and urges both DOT and contractors to continue this program which often results in cost savings to both the state and contractors. Under this plan, any cost savings are divided 50/50 between the contractor and the state.

Value Engineering on State Building Projects. At the Committee's urging, the Director of the Division of Architectural Services agreed to implement "value engineering" on those projects under his control. The proposed plan would split any cost savings recommended by contractors on the basis of 50 percent to the contractor and 50 percent to the state on

state building projects. The Committee requests that the Director submit a progress report on implementation of the plan to the Senate and House Committees on Governmental Organization during the 1984 Session.

Classification of Management Positions. The Committee has reviewed information on the civil service status of management positions in state agencies. While a number of these top level positions are in the unclassified service, others are classified positions. There appears to be no systematic rationale for placing a position in either the classified or unclassified service. While absolute consistency may not be needed, or even desirable, the Committee recommends that appropriate legislative committees examine the issue of classified versus unclassified status for upper-level managers. This examination could occur during Sunset reviews or during the budget process.

Central Information Service. The Committee recommends that a central information service be established to refer citizens to the state agency appropriate to handle their inquiry or problem. The Committee contemplates this service to be a toll-free telephone number, located in an existing agency, and operated by existing employees.

KANS-A-N Service. The Committee received testimony that some new employees are not familiar with the KANS-A-N telephone system and often utilize regular long distance service, at additional expense to the state. The Committee recommends that all managers develop adequate training programs to familiarize new employees with the KANS-A-N system and reduce telephone costs.

Mailing of Publications by State Agencies. The Committee believes that all state agencies should review the number, type, and usefulness of their publications in an effort

to reduce excessive printing and mailing costs. Agencies should also periodically purge their mailing lists by requiring recipients to return a renewal card in order to remain on the agency's mailing list. This recommendation should result in a reduction of both printing and mailing expenses.

Unemployment Compensation Payments By the State As an Employer. The Director of Accounts and Reports stated his belief that the state of Kansas is currently allowing some former employees to draw excessive amounts of unemployment compensation through improper management of the unemployment benefit program. The Director has proposed that a pilot project be started at the Kansas University Medical Center to develop methods for locating inappropriate claims. The start-up cost of one-year's operation were estimated to be \$27,000. It is estimated that the results of the pilot project could reduce improper unemployment compensation expenditures by in excess of \$200,000. The Director reported that funding for the pilot project has been secured from the Department of Human Resources and that the pilot project will be implemented in the near future. The Committee strongly endorses creation of this pilot project.

Continuation of Efficiency Studies. The Committee believes that, through its broad-ranging study of the operation of Kansas state government, several worthwhile recommendations for improving efficiency and economy in state government have been developed which, if implemented, will result in cost savings. The Committee can see value in having an "Efficiency" or "Overview" committee operating each year. The Committee recommends that the Senate and House Committees on Governmental Organization be charged with the further tasks of conducting efficiency reviews of state agencies. The two committees should be authorized to conduct these reviews both during the session or during the interim.

Merit Pay for State Employees. A new pay plan for the classified service, based on merit pay concepts, went into effect in FY 1981. Merit increases were approved in the budget for FY 1982, but were not provided in FY 1983 or FY 1984. The Committee recommends that the merit pay plan either be funded or abolished because continuation of the present plan "on paper," but not financing it, adversely affects the morale of state employees.

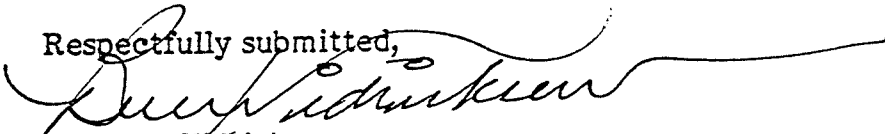
Underspending of Appropriations and Agency Programs. As noted in the first part of this report, several heads of state agencies advocated that money appropriated for a fiscal year but not spent should be allowed to carryover to the next fiscal year because lapsing such appropriations provides no incentive for managers to save money. The Committee agrees that this is a problem and that it is related to efforts of state agencies to develop and maintain their programs for more than one year at a time under the concept of adequately budgeting on a program basis.

It is recognized that the solution to the problem is not simple. At times there are valid reasons for lapsing appropriations while at other times lapsing might be counter to efficient and effective operations of a state agency. Therefore, the Committee recommends that the Ways and Means Committees give serious attention to this matter and develop a rationale as to when lapsing is appropriate and when it could adversely affect operations or programs of state agencies.

Other Issues. During the course of the study, the Committee was apprised of a number of issues which, because of the shortage of time, the Committee was unable to examine thoroughly. But the Committee feels that these issues should be examined by the Legislature. These issues include: tax sheltering of employee contributions to KPERS; the vesting period under KPERS; the number of administrators in state

agencies; a "cafeteria-plan" for the state employee benefits program; increasing the civil service probationary period from six months to one year; the KDOT prequalification bid procedure; and the lack of radios in KDOT vehicles.

Respectfully submitted,



Sen. Ben Vidricksen,
Chairperson
Special Committee on
Efficiency in State
Government

Dec. 1, 1983

Rep. Stephen Cloud,
Vice-Chairperson
Sen. Charlie Angell
Sen. Tom Rehorn

Rep. Don Mainey
Rep. Thomas F. Walker

MINORITY REPORT

There is nothing inherently faulty with many of the Committee's recommendations. Some clearly have merit. Nevertheless, we reject the majority's recommendation that similar "efficiency" committees be operated each year.

In the first place, this recommendation implies that standing committees of the Legislature are not capable of doing an adequate job of overseeing the efficient operation of state government. Quite the contrary is true. For example, the Committee on Ways and Means in both houses and the Legislative Post Audit Committee do a commendable job in locating and stopping waste and inefficiency in state government. These committees consistently provide a degree of professional oversight beyond the reach of so-called "efficiency" committees which have neither the fiscal expertise nor permanent staff needed. The majority's recommendation, if implemented, would clearly duplicate the work and activities of existing standing committees. Building duplication into Kansas state government wastes money and hardly results in efficiency.

Secondly, the activity of the "efficiency" Committee during the summer and fall of 1983 fails to support a recommendation that this type of activity be pursued in the future. While "roundtable" discussions provided an educational experience for six legislators serving the Committee, the cost of the discussions cannot be justified. For example, two days of meetings with the Secretary of Administration, eight division directors, and three office directors cost Kansas taxpayers \$285 per hour. And when the 14-member "expanded" cabinet was brought before the Committee for a day, payroll costs to the state of Kansas exceeded \$400 per hour. We note that

these figures do not include legislators' pay, expenses, and mileage, nor do they include the cost of legislative staff. Altogether, the "efficiency" Committee easily cost Kansas taxpayers \$20,000. For six legislators, this is a very expensive education, to say the least.

Third, the Committee's work failed to effectively focus upon the task of "improving efficiency in state government in order to reduce costs" Early in the Committee's deliberations, it was suggested that Kansas taxpayers could save \$10 million a year by changing statutory rules governing the investment of idle state funds and repurchase agreements. It was requested that the Committee review our current investment practices which result in waste, inefficiency, and higher costs for state government.

Rather than address an area where concrete savings for Kansas taxpayers could be achieved without weakening state programs and services, the Chairman ruled that the request was "not germane" to the Committee's assignment. We pose the same questions today that were posed for the Chairman earlier:

How can any reasonable legislator contend that saving Kansas taxpayers \$10 million does not improve efficiency in state government?

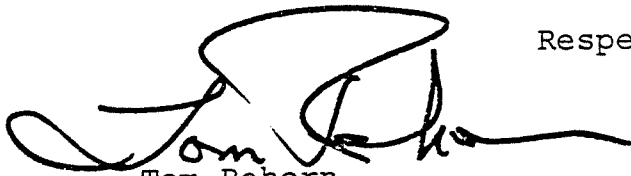
If saving Kansas taxpayers \$10 million is "not germane" to the Committee's task, what is?

Unfortunately, these questions continue to go unanswered while a number of financial institutions, including one in the Chairman's senatorial district and several in Kansas City, continue to benefit from wasteful state investment practices and procedures. The people of Kansas deserve better from their Legislature.

Finally, the Chairman's activities during the interim raise a serious question concerning the misuse of interim committees. Most legislators would agree that interim committees should strive to improve Kansas government while avoiding the quagmire of partisan politics. Early in the interim, the chairman suggested that the "efficiency" Committee could save Kansas taxpayers \$300 million. This kind of public posturing makes good newspaper headlines but casts a very unfair light on the honest, hardworking, and conscientious state officials and employees who do an outstanding job, overall, in serving the people of Kansas.

The "\$300-million suggestion" is just one more variation on the familiar "tax and spend" slogan used in the 1982 elections. Any doubt about the partisan political use of the "efficiency" Committee was totally removed, however, when the Chairman issued a statement from Republican State Headquarters concerning Committee business.

It is our sincere hope that future interim chairmen, of either political party, refrain from mixing public business with partisan politics.



Tom Rehorn
Senator, Fourth District

Respectfully submitted,



Don Mainey
Representative, 57th District

BOARDS ABOLISHED BY SENATE BILL NO. 479 (AS INTRODUCED)

Agency	<u>1</u>	<u>2</u>	<u>3</u>		<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>		<u>8</u>	<u>9</u>
	Members	Meetings Required Annually	Number of Meetings		Lack of Quorum	Value	Continue	FY 82	FY 83	Staff Time	Vacancies
1. Rehabilitation and Half-Way House (SRS)	9	—	0	0	—	—	No	\$ —	\$ —	—	—
2. Day Care Advisory Committee (SRS)	10	—	2	0	No	Excellent	a	1,109	—	3 days	—
3. Natural and Scientific Areas (Parks & Resources)	7	—	0	0	No	Important	Yes	0	0	20 hrs.	0
4. Fire Protection Personnel Standards (Fire Marshal)	8	0	3	6	No	Value	Yes	0	398	5 days	0
5. Governor's Residence Advisory Commission (DOA)	7	—	0	2	1	Essential	Yes	0	0	20 hrs.	0
6. Mexican American Affairs (HR)	7	—	4	4	No	Value	Yes	2,990	2,865	—	0
7. Handicapped Employment Adv. Committee (HR)	25	0	1	2	No	Valuable	Yes	77,421	87,075	3.4	0
8. Medical Adv. Board, Driver's License (Revenue)	No response										
9. Podiatry Adv. Committee (Healing Arts)	3	—	2	2	No	Valuable	Yes	460	507	72 hrs.	0

a) Functions have been assumed by Children and Youth Advisory Committee.

Kansas Legislative Research Department
January 9, 1984

BOARDS ABOLISHED BY HOUSE BILL NO. 2619 (AS INTRODUCED)

Agency	1	2	3		4	5	6	7		8	9
	Members	Meetings Required Annually	Number of Meetings FY 82 FY 83		Lack of Quorum	Value	Continue	FY 82	FY 83	Staff Time	Vacancies
1. Health, Advisory Commission on (H&E)	7	—	4	5	No	Public input	Yes	\$ 1,032	\$ 2,670	0.15	0
2. Environment, Advisory Commission on (H&E)	7	4	4	7	No	Public input	Yes	1,176	1,994	47 days	1
3. Food Service and Lodging Standards (H&E)	9	4 ^a	5	2	17	Valuable	Yes	2,121	894	42 hrs.	7
4. Crippled Children, Advisory Commission (H&E)	5	1 ^b	4	3	1	Valuable	Yes	644	620	90 hrs.	1
5. Economic Development Advisory Commission (KDED)	9	1 ^b	2	1	1	—	—	586	166	63 hrs.	0
6. Land Survey Advisory Committee (Sec. of State)	5	4	—	4 ^c	1 ^c	Essential	Yes	—	2,400 ^c	160 hrs.	0
7. Anhydrous Ammonia Regulations (Bd. of Ag.)	6	—	0	0	No	Input	Yes	0	0	0	0
8. Milk Advisory Committee (Bd. of Ag.)	6	1	1	1	No	Beneficial	Yes	271	243	3 days	1
9. Pesticide Advisory Board (Bd. of Ag.)	17	—	0	0	No	Invaluable	Yes	0	0	0	0
10. Proprietary Schools, Advisory Commission (Ed. Dept.)	9	1	1	2	1	Valuable	Yes	209	457	—	0
11. Community Colleges Advisory Council (Ed. Dept.)	11	2	3	3	No	Helpful	Yes ^d	3,000	3,000	20 hrs.	1
12. School Admin. Professional Standards (Ed. Dept.)	13	—	4	3	No	Instrumental	Yes ^d	6,709	7,020	0.4	0
13. Professional Teaching Standards (Ed. Dept.)	15	—	4	4	No	—	Yes ^d	6,708	7,020	0.4	0
14. Professional Teaching Practices (Ed. Dept.)	17	—	4	3	No	—	Yes	6,708	7,020	0.15	0
15. Corrections Industries Advisory Committee (DOC)	15	—	1	2	No	Beneficial	Yes	0	112	32 hrs.	3
16. Telecommunications Advisory Committee (DOA)	—	—	0	0	—	Valuable	Yes	0	0	0	—
17. Weather Modification Adv. Committee (Water Office)	7	—	0	0	No	Unknown	Yes	0	0	5 days	0
18. Assessment-Sales Ratio Study Adv. Committee (PVD)	No response										

a) Changed from monthly to quarterly meeting requirement, effective 7-1-83.

b) Changed from monthly to annual meeting requirement, effective 7-1-83.

c) FY 84

d) These two boards should be consolidated into one board (Ed. Dept.).

Kansas Legislative Research Department
January 9, 1984