

Approved 2-5-86
Date

MINUTES OF THE House COMMITTEE ON Ways and Means

The meeting was called to order by Bill Bunten at
Chairperson

1:30 ~~xxx~~ p.m. on Wednesday, January 29, 1986 in room 514-S of the Capitol.

All members were present except: Representative Mainey (excused)

Committee staff present: Gloria Timmer, Legislative Research
Laura Howard, Legislative Research
Sharon Schwartz, Administrative Aide
Nadine Young, Committee Secretary

Conferees appearing before the committee:

Stanley Z. Koplik, Executive Director
Kansas Board of Regents

Others present (Attachment I)

Chairman Bunten called the meeting to order at 1:30 p.m.

A proposed house bill was brought before the committee for introduction. The bill would be for the purpose of establishing the state gaming revenues fund. It would provide that 30% of all moneys credited to the fund would be transferred to the county reappraisal fund and that 10% would be transferred to the correctional institutions building fund. Sixty percent would go to the state economic development initiatives fund.

Representative Chronister moved that the bill be introduced (Attachment II). It was seconded by Representative Rolfs. The motion carried.

Chairman Bunten announced that a training session for interns working on fee agency budgets would be held in Ways/Means Room at 1:30 tomorrow. The deadline for completion of all Fee Agency Budgets is February 14.

Stan Koplik addressed the committee and gave a general overview of the Budget Request for FY 87, for the Kansas Board of Regents (Attachment III). The total systemwide request for FY 87 totals about \$32 million in requested increases. The Board is requesting a 7% salary increase for all employees.

Fiscal Year 1986 supplemental requests total \$2½ million, systemwide. A breakdown is provided at the end of the attached document.

Chairman Bunten asked for a motion on the Minutes for January 15, 16, 21, 22 and 23. On a motion by Representative Chronister and seconded by Representative Ott, the Minutes were approved.

Being no further business the meeting was adjourned at 2:30 p.m.

HOUSE BILL NO. _____

By

AN ACT establishing the state gaming revenues fund and providing for the use and expenditure of moneys credited thereto.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) There is hereby created the state gaming revenues fund. All moneys credited to such fund shall be expended or transferred only for the purposes and in the manner provided by this act and all expenditures from the state gaming revenues fund shall be made in accordance with appropriation acts. All moneys credited to such fund shall be allocated and credited monthly to the funds and in the amounts specified by this act except that the total of the amounts credited to such funds in any one fiscal year pursuant to this act shall not exceed \$50,000,000. All amounts credited to such fund in any one fiscal year which are in excess of \$50,000,000 shall be transferred and credited to the state general fund on July 15 following such fiscal year.

(b) An amount equal to 30% of all moneys credited to the state gaming revenues fund shall be transferred to the county reappraisal fund, which is hereby created, for the purpose of paying a portion of the costs incurred by counties in carrying out the program of statewide reappraisal of real property as authorized and provided by K.S.A. 1985 Supp. 79-1478. No such transfer shall be made after June 30, 1989.

(c) An amount equal to 10% of all moneys credited to the state gaming revenues fund shall be transferred and credited to the correctional institutions building fund created pursuant to K.S.A. 76-6b09, and amendments thereto, to be appropriated by the legislature for the construction, reconstruction, equipment and repair of buildings at state correctional institutions.

(d) An amount equal to 60% of all moneys credited to the

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II

state gaming revenues fund shall be transferred and credited to the state economic development initiatives fund, which is hereby created. Expenditures from such fund shall be made in accordance with appropriation acts for the financing of such programs supporting and enhancing the existing economic foundation of the state and fostering growth through the expansion of current and the establishment and attraction of new commercial and industrial enterprises as may be authorized by law. From and after July 1, 1989, an amount equal to 90% of all moneys credited to the state gaming revenues fund shall be transferred and credited to the state economic development initiatives fund created pursuant to this subsection.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.

monthly... total of the... any one... \$50,000... fiscal...

state... reappraisal... out the... business...

Kansas Board of Regents
January, 1986

**FISCAL YEAR 1987 OPERATING BUDGET REQUEST OVERVIEW
BOARD OF REGENTS INSTITUTIONS**

FISCAL YEAR 1986 BASE OPERATING BUDGET

The Fiscal Year 1986 General Use base budget for the Regents system is approximately \$464.3 million. Table 1 summarizes the current year's operating budget by source of fund. The Regents share of the State General Fund has declined from a high of 24.1% in Fiscal Year 1968 to 20.3% in Fiscal Year 1980 to its current level of 18.3%.

Under current policy, the Board of Regents sets tuition rates so that systemwide tuition income defrays approximately 25% of the cost of the educational program. For the current fiscal year, the systemwide fee-cost ratio is 24.8% while ratios for individual institutions range from 19.2% to 28.4%. These figures were calculated using procedures established by the Legislature in the late 1960's.

Revenue estimates for KUMC's Bell Memorial Hospital have been revised upward by \$3 million since the Fiscal Year 1986 appropriations bill was passed. The Board of Regents has requested permission to transfer \$1.6 million of that additional revenue into restricted fee and service clearing accounts to provide supplies and equipment needed by the hospital to meet additional demands; the remainder would be deposited to the General Fund.

TABLE 1

**GENERAL USE BASE OPERATING BUDGET
REGENTS SYSTEM**

Source of Funds	FY 1986 General Use Base Budget
State General Fund	\$309,623,670
General Fees	75,701,459
Hospital Revenue	71,965,867
Land Grant Funds	6,977,564
Total	\$464,268,560

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FISCAL YEAR 1987 OPERATING BUDGET REQUEST

The Board of Regents' request includes the following systemwide recommendations: 7% increase in all salaries (unclassified employees, classified employees and students); 1% increase in the state's contribution to faculty retirement; 7% increase in other operating expense support; 5% increase in utilities. In addition, the Board's request includes a base budget reduction of \$1.6 million to reflect recent enrollment declines at the Regents universities.

The Board of Regents have also requested approximately \$17.9 million in program improvements for the individual institutions. Those improvements fall into such categories as: economic development and high technology (\$2.4 million), instructional equipment and computing (\$3.2 million), library staffing and acquisitions (\$1.2 million), and medical education and health care (\$5.5 million). Table 2 summarizes base budget increases which the Board has requested for Fiscal Year 1987.

TABLE 2
BOARD OF REGENTS OPERATING BUDGET
REQUESTED INCREASES
FISCAL YEAR 1987

Systemwide Request	
7% Salary Increase	\$24.9 million
1% Additional Faculty Retirement	1.7
7% Other Operating Expense Increase	6.1
5% Utilities Increase	1.1
Enrollment Adjustment	(1.6)

Total Systemwide Request	\$32.2 million
Institutional Program Improvements	\$17.9 million

GRAND TOTAL	\$50.1 million

The Governor's basic budget includes the following systemwide recommendations: 2% increase in other operating expenses and the \$1.6 million reduction due to recent enrollment declines. The investment budget provides a 4% increase in other operating expenses, the \$1.6 million enrollment-related budget reduction and also includes a recommendation that the state pay the individual's share of the retirement program (unclassified employees currently contribute 5% of salary while classified employees contribute 4%).

The Governor's basic budget includes approximately \$500,000 in program improvement funding while the investment budget would fund approximately \$6.1 million of those institutional requests. The following table summarizes the increases requested by the Board of Regents and those recommended by the Governor under both alternative budget recommendations.

TABLE 3
REQUESTED INCREASES
FISCAL YEAR 1987

Source of Funds	Board of Regents Request	Governor's Recommendation	
		Basic	Investment
State Gen. Fund	\$46,443,908	(\$16,780,873)	\$4,119,127
General Fees	2,795,817	6,678,200	6,678,200
Hospital Revenue	1,024,829	10,833,086	10,833,086
Land Grant Funds	(136,865)	(136,865)	(136,865)
Total	\$50,127,689	\$593,548	\$21,493,548

Under the Governor's basic budget recommendation, the Regents system's share of the State General Fund would decline from its current level of 18.3% to 17.7% in Fiscal Year 1987 while the fee-cost ratio would increase to almost 26%.

Table 3 shows that under the Governor's basic budget, increases in tuition income and hospital revenue are used to offset a \$16.8 million reduction in State General Fund support. Even under the proposed investment budget, more than 75% of the increase in General Use support is funded by those two sources of revenue (tuition and hospital revenue).

The Board of Regents has approved a tuition increase of approximately 5% for Fiscal Year 1987. The Board has adopted a policy of annually re-evaluating the tuition rates at its institutions. A special committee consisting of Regents, university presidents and students has already been appointed to recommend tuition charges for FY 1988.

The increases in hospital revenue included in the Governor's recommendation are considerably larger than the amount most recently estimated by the University and approved by the Board of Regents last month (in December, the Board approved increasing the estimate by \$3 million each year). The Governor makes no allowance to transfer any of that additional income into restricted fee or service clearing accounts which would allow the Medical Center to purchase needed supplies and equipment.

FY 1986 SUPPLEMENTAL REQUESTS

- 1. Recruiting Expenses - \$25,000
In June 1985, Dr. Acker announced his resignation from the Kansas State University presidency, effective July 1, 1986. In order to conduct a search for his replacement during FY 1986, the Board requests a supplemental appropriation of \$25,000. This amount is consistent with the amount requested and received to finance presidential searches at The University of Kansas and Wichita State University during the past five years.

2. Supplementals for General Fee Shortfalls (ESU and KTI)-
\$31,502
Under current legislative policy, once an institution's total general use expenditure level is determined it should remain unchanged throughout the course of the fiscal year. However, enrollment decreases may result in decreases in anticipated general fee revenue, which should be offset by additional general fund appropriations in order to restore the total budget to the level previously approved.

(The above amounts are based on Fall 1985 revised fee estimates; updated estimates based on Spring enrollments will be provided in mid-February.)

3. Payments for Accrued Sick Leave - \$909,100
KSA 75-5517 provides that classified and unclassified employees retiring from state service shall receive compensation for accrued sick leave within certain limits. Although this represents a large annual expenditure at the Regents institutions, they have not received funding for this specific purpose. In denying a FY 1986 request last year, the Senate Sub-committee recommended that the institutions submit supplemental requests based upon actual payments made during FY 1986. The Council of Business Officers recommended that each institution submit a request to the Board in June based upon FY 1985 actual expenditures, subject to revision during the 1986 Session of the Legislature. (Revised estimates will be forwarded to the Ways and Means Committees by February 1, 1986.)

●Recommended by the Governor

4. Implementation of Statewide Telecommunications System-
\$665,999

Between January 1986 and June 1987, the State will construct a statewide telecommunications system which, according to the Department of Administration, can be funded through present telecommunications budgets.

However, the Regents institutions' current telecommunications budgets do not include funding to cover costs for repairs, maintenance, billing and customer service, all of which are services once provided by the telephone company.

●5. KUMC - Hospital Liability Insurance - \$461,928

The 1985 Legislature authorized \$402,100 for FY 1986 to finance Hospital liability insurance costs, including both the basic premium and the surcharge to the Health Care Stabilization Fund. After bids were received, the lowest bid, including the required surcharge, resulted in a total cost of \$864,028 or \$461,928 greater than the approved level.

●6. KUMC - Malpractice Insurance for Undergraduate Students
\$150,625

Actual FY 1985 expenditures for undergraduate medical student liability insurance amounted to \$23,690. Allowing for the five percent increase in OOE approved for FY 1986 by the 1985 Legislature, the approved FY 1986 budget totals \$24,875. Actual bids received for the coverage will require an expenditure of \$175,000, or \$150,625 above the approved budget level.

7. Resident Malpractice Insurance - \$217,427

The 1985 Legislature enacted Senate Bill 362 which directed the University of Kansas Medical Center to provide liability coverage for housestaff by self insurance.

Because of uncertainties and problems associated with self-insuring of residents, in October the Board of Regents acted to support passage of legislation that would again permit the institution to insure housestaff by the purchase of insurance. For cost estimation purposes, it was assumed that the Legislature would enact the legislation in time to permit the purchase of insurance for the last quarter of the current Fiscal Year, and that the legislation would make provision for the institution to receive a credit for one-fourth of the \$660,000 surcharge paid into the Health Care Stabilization Fund under the provisions of Senate Bill 362.

The supplemental is computed as follows:

FY 1985 Actual Premiums + 25% Increase	\$728,432
Plus 110% Surcharge	<u>801,276</u>
Total FY 1986 cost	<u>\$1,529,708</u>
Cost for Last Quarter	\$382,427
Less Credit for Payment to HCSF	<u>165,000</u>
Supplemental Request	<u>\$217,427</u>

8. WSU - Technical Adjustment for Unclassified Retirement-
\$100,000

Upon review of the FY 1986 appropriation bill by the institutions and legislative staff subsequent to the Governor's signing of the bill, it was determined that funding for unclassified retirement contributions was understated by \$100,000. Legislative staff agreed that a technical adjustment would be necessary and encouraged the institution to request a supplemental appropriation to restore retirement funds to the proper amount.

9. Release of General Fees - \$2,431,586

Institutions should not be permitted to spend excess general fee revenues merely because general fee revenues are greater than originally projected. However, the request for release of excess general fees can be justified on the basis that the Board's original FY 1986 request for program improvements was not fully funded by the 1985 Legislature, by \$2.6 million.

(The above amounts are based on Fall 1985 revised fee estimates; updated estimates based on Spring enrollments will be provided in mid-February.

● Recommended by the Governor

FISCAL YEAR 1986 SUPPLEMENTAL REQUESTS

Requests for Supplemental Appropriations from the State General Fund							Requests for Release of Excess General Fees
Systemwide Requests					Total General Fund Supplemental Requests		
	Sick Leave Payments	Telephone System	General Fee Shortfall	Individual Requests			
KU	200,000	220,225	0	0	420,225		804,772
KUMC	115,000	243,599	0	829,980	1,188,579		0
KSU	248,400	142,500	0	0	390,900		474,588
KSUVMC	20,000	0	0	0	20,000		15,729
WSU	98,600	0	0	100,000	198,600		782,002
ESU	90,100	16,011	11,251	0	117,362		0
PSU	96,400	18,873	0	0	115,273		290,863
FHSU	40,600	9,742	0	0	50,342		63,632
KTI	0	15,049	20,251	0	35,300		0
BOARD OFFICE	0	0	0	25,000	25,000		0
TOTAL	909,100	665,999	31,502	954,980	2,561,581		2,431,586