

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANSThe meeting was called to order by Senator August "Gus" Bogina at
Chairperson11:00 a.m./~~p.m.~~ on February 12, 1986 in room 123-S of the Capitol.All members were present except:
Senator Doyen

Committee staff present:

Research Department: Robin Hunn, Ray Hauke
Committee Office: Judy Bromich, Doris Fager

Conferees appearing before the committee:

INTRODUCTION OF BILLS

The Chairman presented seven bills which had been requested by the State Board of Regents for introduction. He explained each bill for the committee. He noted that the measures had been requested in a letter to Senator Talkington dated December 11, 1985. (See Attachment A(1)) There were questions about the request, and a general discussion among committee members.

Motion was made by Senator Gaines and seconded by Senator Talkington to introduce the seven bills requested in Attachment A(1): RS 1860, RS 1886, RS 2051, RS 2065, RS 2132, RS 1904 and RS 2053. The motion carried by voice vote.

SYSTEMWIDE NON-REPORTABLE OPERATING BUDGET ANALYSIS--DEPARTMENT OF ADMINISTRATION

Mr. Hauke referred to attachments distributed on February 4, 1986 (Attachments A and B for that date); and to Attachments A(2), B and C for this date. He then proceeded to review Attachment A(2), February 12, 1986. He indicated this was prepared in response to the previous discussion concerning employer and employee contributions to the health care plan for state employees. He said he had consulted the staff of Blue Cross-Blue Shield in order to determine how much money could be attributed to state employees as individuals versus dependents.

Mr. Hauke then explained that, of the \$2.3 million surplus noted in the attachment, the conclusion is that \$1.3 million is employee coverage and \$1 million is dependents coverage. Of that total surplus, the state is obligated by contract with Blue Cross-Blue Shield to leave \$1 million with the insurer as a rate stabilization reserve. Therefore, the most that can be used by the state is \$1.3 million.

Mr. Hauke stated that the entire amount of \$1.3 million is figured into the computations of the Governor's recommendation for FY 1987 for employee health insurance. He reminded the committee that there had been an earlier discussion about using the part attributed to dependent coverage to reduce employee contributions in that area. He said that 56% of the total might be used to reduce employee budgets and the rest could be used as a reduction of dependent coverage. During committee discussion, Mr. Hauke indicated that, when the Governor prepared his budget, it was necessary to leave \$1 million at Blue Cross-Blue Shield as reserve; and \$1.3 million is figured into agency budgets for FY 1987. This amount is included in the computation to reduce the amount of new money needed to be spent by the State for health premiums. In answer to a question from Senator Bogina, Mr. Hauke said the Governor did not reduce the amount paid by employees for dependents' insurance coverage.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

room 123-S Statehouse, at 11:00 a.m./p.m. on February 12, 1986

SYSTEMWIDE NON-REPORTABLE OPERATING BUDGET ANALYSIS--DEPARTMENT OF ADMINISTRATION - Continued

During continued discussion, Senator Feleciano commented that he felt the rate for dependents' coverage should be reduced by its proportionate share. Mr. Hauke stated that there is roughly \$444,000 figured into the Governor's recommendation which is money collected from dependents' coverage. He reiterated that the Governor used the total amount available to the state, or \$1.3 million, in his base budget, and that was not changed in the investment budget.

A conceptual motion was made by Senator Feleciano and seconded by Senator Talkington to adjust the fringe benefit portion of agency budgets to allow or compensate for the reduction of the surplus in the dependent coverage portion of the health insurance. The motion carried by voice vote.

A conceptual motion was made by Senator Feleciano and seconded by Senator Winter to take into consideration the reduction in annual payments for a new IBM computer to be installed in the Santa Fe Building (the reason for the reduction being that the machine cost less than originally estimated); and to adjust computer costs of each agency in line with that reduction. During a brief discussion, Mr. Hauke indicated that there are only a few major users of computer time within the state system. There was discussion concerning the reasons for the computer costing less than estimated. Mr. Hauke said there are two reasons: (1) the full list price was budgeted, not taking into account any discount arrived at through the bidding process; and (2) IBM is now ready to unveil a new series of equipment which causes a lot of existing equipment to be discounted in the market place.

The above conceptual motion carried by voice vote.

Referring to the above decision, Mr. Hauke stated he would prepare a table indicating the amount involved in each agency using large amounts of computer services.

Senator Bogina referred to a balance in the computer services fund within the Department of Administration. He indicated that it is his understanding the total charge for one month of computer services is \$1.1 million; there is a beginning balance in the fund of \$1.7 million; and a projected ending balance of \$1.6 million. He said he felt one month's balance in this fund should be sufficient; and that \$500,000 could be used to reduce the balance, leaving it at \$1.1 million. A conceptual motion was made by Senator Feleciano and seconded by Senator Gannon to carry out the suggestion made by Senator Bogina. The motion carried by voice vote.

Mr. Hauke referred to Page 536 of Attachment A, for February 4, 1986. He carefully reviewed the notes concerning phone charges and phone usage. There was extended discussion concerning the contents of the material on pages 536 to 538. A conceptual motion was made by Senator Winter and seconded by Senator Harder that each subcommittee should look at individual agency budgets and reduce long distance budgets where they appear to be excessive. The motion carried by voice vote.

Senator Winter asked if subcommittees would receive a memo reminding them of the decisions made at this meeting. The Chairman answered in the affirmative.

Mr. Hauke informed the committee that there is a project being developed involving the Core Distribution System. He said there is no basis to adjust budgets at this point, because the switching service component of that system has not been bid. He suggested that those working on budgets for Regents' institutions will have some input from staff concerning reasonable requests for building and maintenance of the Core system after it is installed. When asked by Senator Winter if capitol complex agencies will be involved, Mr. Hauke said they would be, but the Department of Administration would be the only staff involved.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS

room 123-S Statehouse, at 11:00 a.m./p.m. on February 12, 1986.

SYSTEMWIDE NON-REPORTABLE OPERATING BUDGET ANALYSIS - CONTINUED

Reference was made to page 540 of Attachment A. Mr. Hauke noted the portion concerning the Motor Pool. He called the committee's attention to the fact that mileage rates have been reduced from 22 cents to 16 cents per mile for compact cars. There was discussion concerning the fact that when employees use private automobiles for state business they are also provided 16 cents per mile. There is discussion that it may be necessary to purchase more state vehicles, since individuals do not want to drive personal cars for the low mileage rate. Mr. Hauke said the language in statute is such that the mileage rate paid an employee cannot be more than that charged an agency for use of motor pool vehicles.

There followed a discussion by Senator Feleciano and Senator Gannon in which they noted they did not feel anyone could operate an automobile for 16 cents per mile. Mr. Hauke said that assumptions must be made concerning depreciation, etc., when considering the cost of operating a vehicle. He stated that computations furnished to an interim committee showed that the cost of operating a car was approximately 17.5 cents per mile. The Chairman asked that Mr. Hauke furnish the committee with copies of the report made to the interim committee.

Mr. Hauke referred to page 546 of Attachment A, and called the committee's attention to the section about the Santa Fe building. He said the members should be aware of the budgeting for the move to that building. He said that the cost of moving agencies to the building is included in the budget. He explained that some of the moving cost is included in agency budgets and some in the Department of Administration budget. The reason for this division is that, if the agency move can be financed only from the State General Fund, it is included in the Department of Administration budget; and if the agency has federal funds or fee funds available, the moving expense has been included in the agency budget and financed out of those funds.

The explanation of the budget for the move to the Santa Fe building continued. Mr. Hauke said that the budget includes partitions for separating offices in each agency. He added that, at this time, all are financed out of the Property Contingency Fund, which is in the Department of Administration budget. He said that if an agency indicates it needs partitions in the new building, that is an enhancement to the amount already budgeted for the agency.

There was discussion concerning the possibility of financing all partitions from federal funds or fee funds; since the inclusion in the Department of Administration budget means use of State General Fund dollars.

Senator Gannon asked if anyone had considered using inmate labor for janitorial service. Mr. Hauke said he was not aware of that having been done, but he knew the property in the 500 block of Kansas Avenue had contracted janitorial service at times.

Motion was made by Senator Gaines and seconded by Senator Kerr to include partitions in the Santa Fe building in individual agency budgets instead of in the budget of the Department of Administration. The motion carried by voice vote.

Mr. Hauke gave a brief overview of the appropriations for improvements for the Santa Fe Building. There was a brief discussion concerning the Governor's recommendations in this regard.

The Chairman asked staff to distribute a report concerning the budget for agencies of the Legislature. He indicated each member may want to study the report before the presentation of the subcommittee's report at the next meeting. He then adjourned the meeting.



KANSAS BOARD OF REGENTS

Suite 609 Capitol Tower 400 S.W. Eighth
Topeka, Kansas 66603 Telephone (913) 296-3421

December 11, 1985

The Honorable Robert V. Talkington
President, Kansas Senate
Room 357-E, State Capitol
Topeka, Kansas 66612

RE: 1986 General Legislative Proposals of the
Kansas Board of Regents

Dear President Talkington:

On behalf of the Board of Regents, I am writing to request that you authorize the Revisor of Statutes to prepare bills concerning the topics described below for presentation to the 1986 Kansas Legislature. Each topic has been considered by and acted upon by the full Board and as a consequence represents a general legislative request of the body.

1. Entry into Regents Retirement System. The current statutory provision [K.S.A. 74-4925, as amended L. 1985, ch. 255] provides for unclassified employees of the Regents system to enter the Regents retirement plan after two years of employment except that any newly employed person may participate immediately at the time of employment if such person is covered by a valid retirement annuity contract with a Regents retirement plan provider. The Board proposes that new employees be given the option of participating immediately upon employment or after two years of employment, at which time participation would be mandatory.
2. Reduction in Durational Residency Requirement. The Board of Regents is once again proposing that the durational residency requirement of one year [K.S.A. 76-729] for eligibility to pay resident tuition and fees be reduced to six months.
3. Exemption of the University Press of Kansas from Statutory Requirements Governing Printing and Contractual Services. The Board of Regents is recommending that the University Press of Kansas be exempted from the requirements of K.S.A. 75-1005 concerning the use of the state printer for printing and binding services and K.S.A. 75-3739 concerning competitive bidding to specifically exclude it from having to bid typesetting, printing and binding services.

4. Authorization to Purchase Insurance for Study Abroad Program. The Board is requesting legislation to permit the Regents institutions to purchase insurance to permit students and faculty to participate in the study abroad programs of the Regents institutions. Authority is sought to purchase such insurance independent of the Committee on Surety Bonds and Insurance, the State Employees Health Care Commission or the Division of Purchases and therefore would not be subject to K.S.A. 75-4101, 75-6501, or K.S.A. 75-3738 to 75-3740a, inclusive.
5. Increase in Docket Fee for the Law Enforcement Training Center Fund. The Board of Regents is seeking an increase from \$3 to \$5 in the docket fee mandated by K.S.A. 1984 Supp. 20-362 for the Law Enforcement Training Center Fund.
6. Amend Definition of Unclassified Employee. An amendment to K.S.A. 75-2935(1)(f) is sought to include "health care professionals" within the categories of unclassified employees who may be employed by the Regents system. The addition of health care professionals at the Medical Center has been authorized through the appropriation process in recent years, but such persons technically do not meet the statutory definition of unclassified personnel.
7. Endowment Association and Foundation Financed Repairs. It is recommended by the Board of Regents that the restricted fee fund provisos of the Regents institutions be amended to permit endowment associations, foundations and Board of Trustee funding of repairs and remodeling to existing Regents facilities with plans for such remodeling to be subject to the approval of the Board of Regents and, when appropriate, the Secretary of Administration.

I recognize that the foregoing descriptions of our goals may not provide sufficient detail to permit the assigned members of the Revisor's staff to develop comprehensive bill drafts; thus, I offer the assistance of Board General Counsel Bill Kauffman and myself to provide any further elaboration as the Revisor's staff my need.

Thank you very much for your assistance in this matter.

Sincerely,



Stanley Z. Koplik
Executive Director

cc: Mr. Arden Ensley

STATE OF KANSAS EMPLOYEE GROUP
UTILIZATION SUMMARY

		Total
1.	Premium income 8/1/84 - 7/31/85	\$44,233,535.33
2.	Estimated incurred claims expense 8/1/84 - 7/31/85	39,617,729.12
3.	Retention (5.3% of premium income)	2,344,377.37
4.	Net Gain/Loss (Line #1 - Line #2 - Line #3)	2,271,428.84
5.	Net investment income 8/1/84 - 7/31/85	31,991.00
6.	Estimated Net Gain/(Loss) Plus Investment Income (Line #4 + Line #5)	2,303,419.84*

* The actual net gain for the contract period 8/1/84 - 7/31/85 as determined in January, 1986 will be set up in an interest bearing rate stabilization reserve account. Up to \$1 million of this amount is obligated by the Health Commission in the event the 1985-86 contract incurs an underwriting loss.

INFORMATION FURNISHED COURTESY OF
KANSAS BLUE CROSS-BLUE SHIELD

	<u>Premium Income</u>	<u>Minus Claims</u>	<u>Minus Administrative Retention (5.3%)</u>	<u>Surplus</u>
Employee Coverage	\$29.3	\$26.4	\$1.6	\$1.3
Dependent Coverage	14.9	13.1	.8	1.0
TOTAL	\$44.2	\$39.6	\$2.3	\$2.3

Note: Amounts may not add due to rounding (in millions).

S.W.M. 2/12/86

A(2)-12-86

Summary of Computer Services Revenue and Obligations

Computer Services Operating Fund	FY 1986 Gov. Rec.	FY 1987 Gov. Rec.	FY 1988 Projection
***** Beginning Balance	1,778,551	1,723,824	1,646,615
Service Charges	11,577,884	13,517,610	13,517,610
Subtotal Receipts	11,577,884	13,517,610	13,517,610
Expenditures	(8,723,988)	(9,768,539)	(10,256,965)
Trans Depreciation Fund	(2,908,623)	(3,826,280)	(2,426,000)
Subtotal Obligations	(11,632,611)	(13,594,819)	(12,682,965)
Ending Balance	1,723,824	1,646,615	2,481,260

*Balance of
on month #1*

- NOTES: FY 1986 Assumes Gov.s Rec.
 FY 1987 Adds \$154,000 to Gov Rec. for Salary Adjustment
 FY 1988 Estimate for illustrative purposes only as follows:
 Revenue Estimated At FY 1987 Levels
 Expenditures Inflated by 5 Percent
 Transfers decreased by \$1.4 million to reflect
 Payoff of existing equipment
 FY 1988 estimate prepared to illustrate potential
 to fund DISC Info Sys next fiscal year
 without major rate increase, assuming
 present configuration of equipment

*S. W. M. 2/12/86
B 2-12-86*

Revenue and Obligation Estimate State Bldgs Operating Fund

Buildings Operating Fund	FY 1986 Gov. Rec.	FY 1987 Gov. Rec.	FY 1988 Projection
*****	*****	*****	*****
Beginning Balance	2,238,883	2,025,910	1,859,791
Rent Receipts	5,982,046	6,566,184	7,829,821
Other Receipts	488,497	4,298,599	488,497
Subtotal Receipts	6,470,543	10,864,783	8,318,318
Expenditures	(4,932,116)	(9,674,820)	(8,776,933)
Trans Depreciation Fund	(451,400)	(1,356,002)	(391,491)
Trans State General Fund	(1,300,000)	0	
Subtotal Obligations	(6,683,516)	(11,030,902)	(9,168,424)
Ending Balance	2,025,910	1,859,791	1,009,685

NOTES: FY 1987 Expenditure Estimate Adds \$85,000 To Gov's Rec for Salary Adjust.

FY 1988 Revenue Projection Assumes Full Occupancy of State Buildings

FY 1988 Transfer to Depreciation assumes 5% Statutory Minimum

FY 1988 Expenditure Estimated as Follows:

Governor's Re FY 1987	\$9,589,820
Minus FY87 PMIB Payment	(3,088,555)
Subtotal	6,501,265
Add 5% Inflation	6,826,328
Add FY 88 PMIB Payment	1,450,605
Add Possible Remodeling Payment	500,000

TOTAL EST EXPD 8,776,933

S.W + M 2/12/86

C 2-12-86