

SENATE SUBCOMMITTEE REPORTS ON HOUSE BILL NO. 2395
SUPPLEMENTAL APPROPRIATIONS BILL

And

HOUSE BILL NO. 2221 -- FY 1988 APPROPRIATIONS

Sections Pertaining To:

Sec. 3 -- Department of Revenue

Sec. 4 -- Kansas Lottery

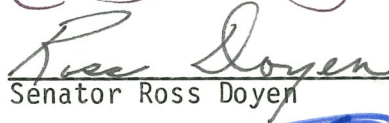
Sec. 5 -- Kansas Racing Commission



Senator Robert Talkington
Subcommittee Chairman



Senator August Bogina



Senator Ross Doyen



Senator Mike Johnston

SUBCOMMITTEE REPORT

Agency: Department of Revenue

Bill No. 2395

Bill Sec. 8

Analyst: Efird

Analysis Pg. No. 74

Budget Pg. No. 1-149

<u>Expenditure Summary</u>	<u>Agency Req. FY 87</u>	<u>Governor's Rec. FY 87</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$48,925,809	\$48,136,966	\$(1,175,577)
Aid to Local Units	15,241,688	14,760,156	--
Subtotal	<u>\$64,167,497</u>	<u>\$62,897,122</u>	<u>\$(1,175,577)</u>
Capital Improvements	175,131	175,131	--
TOTAL	<u>\$64,342,628</u>	<u>\$63,072,253</u>	<u>\$(1,175,577)</u>
State General Fund:			
State Operations	\$24,897,369	\$23,990,313	\$ (574,813)
Aid to Local Units	9,535,000	9,536,000	--
TOTAL	<u>\$34,432,369</u>	<u>\$33,526,313</u>	<u>\$ (574,813)</u>
FTE Positions	1,522.0	1,522.0	--

Agency Request/Governor's Recommendation

The agency's revised estimate for the current fiscal year indicates a net reduction in operating costs. The agency estimates a reduction of \$264,180 in State General Fund operating costs. The Governor's recommendation of lapsing \$1,203,963 of State General Fund financing was contained in 1987 H.B. 2049. The agency requests and the Governor recommends an increase in expenditures financed from the Vehicle Dealers and Manufacturers Fee Fund and from the Child Support Enforcement Fund.

House Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendations except for the following:

1. Reduce \$7,157 (\$1,432 SGF; \$5,725 DOV) for travel expenditures from Legal Services based on lower than budgeted expenses.
2. Reduce \$5,500 SGF for attorneys fees and \$1,500 SGF other fees from Legal Services based on lower than budgeted expenses.
3. Reduce \$10,000 SGF for travel expenditures from Audit Services based on lower motor pool charges due to opening two regional offices in Kansas City and Wichita.
4. Reduce \$10,000 SGF for commodities from Audit Services based on lower than budgeted expenses.

5. Reduce \$7,500 (\$5,000 SGF; \$2,500 DOV) for contractual services from Planning and Research due to lower than budgeted expenses.
6. Reduce \$1,500 (\$1,000 SGF; \$500 DOV) for commodities from Planning and Research due to lower than budgeted expenses.
7. Delete \$80,161 SGF for capital outlay for ABC data processing equipment, pending relocation of the division to the DSOB and submission of a new data processing plan based on needs at that site. The agency indicated that the computer equipment is "necessary to efficient implementation of the liquor by the drink and related liquor legislation." The Subcommittee recommends that it be included in a fiscal note on SB 141 and that fiscal note, along with the report on data processing needs of ABC which is due March 15, 1987, will be considered during Omnibus this Session.
8. Reduce \$20,000 SGF for motor pool and subsistence from ABC Investigation due to lower than budgeted expenses.
9. Reduce \$9,000 SGF for subsistence from Field Services based on lower than budgeted expenses.
10. Shift financing of \$111,127 from the State General Fund to the DOV Operating Fund to reflect 12 months salaries and benefits of 13.0 FTE positions associated with administering the motors fuels tax. The Governor's recommendations for a 3.8 percent reduction in HB 2049 shifted the 13 positions for only five months. SGF savings of \$111,127 are achieved and \$111,127 DOV expenditures for salaries and wages are added.
11. Reduce \$30,000 (\$2,000 DOV; \$28,000 Bingo) of subsistence from Sales Tax based on lower than budgeted expenses.
12. Reduce \$7,000 SGF of postage from PVD Administration due to lower than budgeted expenses.
13. Reduce \$10,000 SGF of office supplies from PVD Administration due to lower than budgeted expenses.
14. Shift \$170,000 SGF-R of salaries and benefits financing from the Reappraisal Bureau to the Department's salaries and wages account which appears underfinanced by approximately the same amount. The projected expenditures for the Reappraisal Bureau during the remainder of the current fiscal year indicate the savings will occur.
15. Reduce \$10,000 SGF-R of travel from the Reappraisal Bureau due to lower than budgeted expenses.
16. Reduce \$75,000 SGF-R of professional fees from the Reappraisal Bureau since no expenditure or encumbrance has been made this fiscal year against the \$125,000 appropriated.

17. Reduce \$5,000 SGF-R of commodities from the Reappraisal Bureau due to lower than budgeted expenses.
18. Reduce \$30,000 SGF-R of contractual services from PVD/Data Processing due to lower than budgeted expenses.
19. Shift \$300,000 DOV Operating Fund financing from Motor Vehicle Registration professional services to the DOV salaries and wages account in order to fund a projected shortfall in current fiscal year financing.
20. Reduce \$20,000 DOV of other contractual services from the Driver License Bureau due to lower than budgeted expenses.
21. Reduce \$20,000 DOV of other fees (object code 269) from the Motor Carrier Inspection Bureau due to lower than budgeted expenses.
22. Reduce \$10,000 DOV of clothing from the Motor Carrier Inspection Bureau due to lower than budgeted expenses.
23. Reduce \$23,156 DOV for part-time employees from Personnel Services due to establishment of new minimum wage (\$3.35 per hour) classification.
24. Delete \$93,093 SGF for computer hardware and software, with \$22,282 from Administration/Data Processing and \$70,811 from Operations/Data Processing because of no documentation which addresses these expenditures was included in the agency's revised FY 1987 budget.
25. Reduce \$988,000 and add \$297,000 for a net reduction of \$91,000 SGF and \$600,000 DOV based on the following adjustments in different data processing areas:
 - Reduce \$73,000 SGF for data processing charges from Administration/Data Processing due to lower than budgeted expenses.
 - Reduce \$15,000 SGF for data processing fees from ABC based on lower than budgeted expenses.
 - Add \$297,000 SGF for contractual services of Operations/Data Processing based on expenditures to date, primarily for data processing fees.
 - Reduce \$300,000 SGF of data processing fees from Taxation/Data Processing based on lower than budgeted expenses.
 - Reduce \$600,000 DOV for data processing charges from Motor Vehicle/Data Processing due to lower than budgeted expenses.

House Committee Recommendation

The Committee concurs with the Subcommittee report.

Senate Subcommittee Recommendations

1. Restore \$14,832 SGF for capital outlay to purchase computer-related equipment for the Alcohol Beverage Control Division. The original agency request was \$81,161 for a minicomputer system and the House deleted funds pending legislative review of the agency's data processing plan for ABC.

The Subcommittee's recommendation would require only computer terminals and printers be purchased. The agency's central processor alternative is recommended instead of acquiring a new minicomputer. ABC's current applications utilize a central processor, namely the DISC mainframe computer, and this recommendation will allow both the proposed licensing system and gallonage tax system to be developed on the same computer which maintains current data processing applications used by ABC. The computer applications would run as a local system in the Docking State Office Building when the ABC Division relocates there July 1, 1987, which is recommended by the Subcommittee by endorsing the House position on consolidation of office space at one location.

2. Restore \$15,000 SGF travel expenditures for Alcohol Beverage Control Division. The House had reduced \$20,000.
3. Adjust one month of financing for motor fuels related positions by increasing SGF expenditures \$17,299 and decreasing DOV expenditures \$17,299 to reflect correct apportionment of the finances for 13 positions addressed by the House. This is a technical adjustment of the House recommended shift in financing.
4. Restore \$7,500 SGF-R travel expenditures for Reappraisal Bureau. The House had reduced \$10,000.
5. Restore \$10,000 DOV uniform expenditures for Motor Carrier Inspectors since a bid has been let. The House reduced \$10,000.
6. Restore \$23,156 DOV for part-time employees from Personnel Services in order to pay more than the minimum wage of \$3.35 per hour. The House had reduced the funding since temporary tax-related SGF positions had been rolled back. The agency indicates that the DOV funded positions are used differently and require higher pay to get quality people.
7. Restore \$34,881 SGF for data processing equipment because funding has been encumbered. The House reduced \$93,093. The agency indicates that plans to acquire a minicomputer with the remaining \$58,212 to serve as the prototype for an office automation system will be deferred.

8. Restore \$91,000 SGF and \$600,000 DOV data processing fees based on eight months of expenditures and projections for the last four months. The House reduced \$691,000 based on five months of expenditures. The agency indicates that based on eight months of expenditures, 60 percent of their annual expenses have been logged and that over the past two years, 40 percent of their annual expenses have been encumbered the last four months of the fiscal year.
9. Add line item expenditure authority for receiving and spending a federal grant from the Federal Highway Administration in conjunction with the regulation of commercial interstate drivers and commercial licenses. Estimated expenditures from the \$100,000 grant would be \$50,000 in FY 1987.

565.87

SUBCOMMITTEE REPORT

Agency: Department of Revenue

Bill No. 2221

Bill Sec. 3

Analyst: Efird

Analysis Pg. No. 74

Budget Pg. No. 1-149

<u>Expenditure Summary</u>	<u>Agency Req. FY 88</u>	<u>Governor's Rec. FY 88</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$55,672,584	\$52,373,283	\$(3,954,714)
Aid to Local Units	18,220,700	16,200,700	3,749,093
Subtotal	<u>\$73,893,284</u>	<u>\$68,573,983</u>	<u>\$ (205,621)</u>
Capital Improvements	171,869	220,000	78,570
TOTAL	<u><u>\$74,065,153</u></u>	<u><u>\$68,793,983</u></u>	<u><u>\$ (127,051)</u></u>
State General Fund:			
State Operations	\$27,884,282	\$24,857,459	\$ (799,544)
Aid to Local Units	8,599,700	375,000	11,434,700
TOTAL	<u><u>\$36,483,982</u></u>	<u><u>\$25,232,459</u></u>	<u><u>\$10,635,156</u></u>
 FTE Positions	 1,569.0	 1,529.0	 (17.0)

Agency Request/Governor's Recommendation

The agency requests 47.0 new FTE positions in FY 1988 and the Governor recommends a net increase of 7.0 new FTE positions. Expenditure increases totaling \$9.7 million are requested and the Governor recommends increases of \$5.7 million. Among the major changes in the budget is funding for VIPS equipment reimbursements to pay counties. The Governor concurs with the agency's estimate of \$3,399,913 in FY 1988 for VIPS computer equipment, software and modems. For statewide reappraisal, the agency requests \$10,799,700 for county aid and the Governor recommends \$10,879,700 from the State General Fund be transferred to a special fund for payment of counties in FY 1988. The Governor recommends legislation to reduce the statutory payments of inheritance tax moneys to counties, and recommends reduced funding of \$375,000 in FY 1988 to reflect the proposed statutory change.

House Subcommittee Recommendations

The Subcommittee concurs with the Governor with the following exceptions:

1. The clerical study impact, compounded by 3% COL in FY 1987, step movement and full year costs in FY 1988, affect this state agency more than all other agencies. The implementation of the clerical reclassifications has reduced salary turnover savings as a result of reduced clerical staff turnover in FY 1987. Because of

budgeted turnover rates of 5 percent State General Fund (SGF) and 6 percent Division of Vehicles Operation Fund (DOV), the agency is experiencing a shortfall in both SGF and DOV financing this fiscal year. The situation is likely to be worse next fiscal year.

2. Restore \$1,205,000 million SGF for state aid in order to reflect the consensus estimate of November 1986 for FY 1988 payments of \$1,580,000. The Governor's proposed bill to eliminate the payment to counties for administrative costs has not passed the Legislature this Session and the Subcommittee's recommendation would restore state aid financing pending action on the bill.
3. Delete \$38,567 SGF for non-state owned office space rent of the ABC Division and relocate the division to the Docking State Office Building (DSOB). Because of financing discrepancies in the agency's allocation of space, the Subcommittee recommends that the rent financing be addressed after all units of the agency are consolidated in the DSOB and the actual assignment of space to the various units has been finalized. The agency should provide the Legislature with complete data regarding space assigned to different financing sources and which units will occupy those spaces.
4. Reduce \$3,000 (\$600 SGF; \$2,400 DOV) for travel expenditures from Legal Services based on lower current year expenses.
5. Delete 1.0 FTE positions and \$42,724 SGF for salary and benefits to reflect elimination of the Director of Planning and Research position since the Bureau has been operating without a director for extended periods of time over the past four years.
6. Reduce \$80,000 SGF for data processing charges from Administration due to lower current year expenses.
7. Delete \$37,500 SGF for 15 two-way radios from ABC Investigation.
8. Delete \$5,175 SGF for computer terminals and stands from ABC associated with the computer system deleted in FY 1987.
9. Reduce \$17,000 SGF for travel and subsistence from Field Services based on lower current year expenses.
10. Delete 2.0 FTE vacant positions and \$28,080 (\$14,040 SGF; \$14,040 DOV) for salaries and benefits of two microfilm operators in Quality Control.
11. Reduce \$30,000 (\$2,000 DOV; \$28,000 Bingo) of subsistence from Sales Tax based on lower current year expenses.
12. Add \$17,196 SGF to finance one of two positions in Minerals Tax for which the Governor deleted funds. Delete 1.0 FTE position for which the Governor deleted funds.

13. Reduce \$5,665 SGF of postage from PVD Administration based on lower current year expenses.
14. Add \$32,300 SGF-R for travel expenses and delete 2.0 FTE and \$28,026 SGF-R for salary and benefits in the Reappraisal Bureau.

The Subcommittee concurs with adding five agricultural land use-value staff to the Reappraisal Bureau. However, provide 3.0 new FTE and financing for three professional and one clerical position as recommended by the Governor and reallocate 2.0 FTE and financing either from one or two of the reappraisal data processing positions reassigned to Operations Division or from one or two of the current vacant positions in Reappraisal field offices. Reduction in the Governor's recommendations of 2.0 FTE and \$28,026 SGF-R would occur. Addition of \$32,300 SGF-R for travel costs of the new positions is recommended since the Governor's recommendations failed to provide other operating expenses.

15. Delete 3.0 FTE new field agent positions and \$61,141 from the Vehicle Dealers and Manufacturers Fee Fund due to a shortfall in projected revenue. The Subcommittee's recommendation would allow 1.0 new field agent position to augment the current three revenue field representatives assigned to the Dealer Licensing Bureau. In addition to the 1.0 new revenue field representative to enforce provisions of the Vehicle Dealers and Manufacturers Act, one attorney and one clerical position are financed from the fee fund. The ten current positions in the Dealer Licensing Bureau are financed from the DOV Operating Fund.
16. Reduce \$30,000 DOV of other contractual services from the Driver License Bureau based on lower current year expenses.
17. Reduce \$20,000 DOV for clothing from the Motor Carrier Inspection Bureau due to lower current year expenses.
18. Reduce the following amounts from the Motor Carrier Inspection Bureau's enhanced funding: \$20,000 DOV for travel; \$5,000 DOV for fees-other services; and \$21,000 DOV for portable scales.
19. Reduce \$37,190 DOV for part-time employees from Personnel Services due to establishment of new minimum wage (\$3.35 per hour) classification.
20. Add \$78,570 DOV financing for reconstruction of a motor vehicle weight station near Olathe as recommended by the Joint Committee on State Building Construction. The Governor's recommended funding was based on preliminary estimates of \$220,000 and the latest estimates of \$298,570 were provided by KDOT to the Building Committee.

21. Add \$255,194 DOV for understated other operating expenditures of the Vehicle Information Processing System (VIPS) to be installed and implemented in approximately half the counties during FY 1988 according to the agency's current plan.

Add \$80,000 DOV for salaries and benefits of two additional special projects positions to assist with implementing VIPS.

Authorize VIPS reimbursement for counties as a line item of \$3,194,093 (\$2,760,637 for hardware, \$329,280 for software, and \$104,176 for telecommunications equipment and modems), which represents a decrease of \$205,820 DOV from the Governor's recommended expenditures for capital outlay.

The FY 1989 estimate for reimbursing counties for VIPS hardware, software and telecommunications equipment and modems is \$2,876,339 -- a two year total of \$6,070,432 for capital outlay from the DOV Operating Fund (Highway Fund).

The Secretary of Revenue indicated that passage of H.B. 2458 is necessary if highway funds transferred in FY 1988 and FY 1989 to finance the VIPS reimbursement and other operating costs of the VIPS project are to be replaced in the State Highway Fund.

The Subcommittee notes other categories of state operations expenditures which are underfinanced by the Governor's recommendations. The net increase in the Governor's recommended VIPS expenditures is \$255,194 for other operating expenses according to agency estimates. Major adjustments in the following categories are identified:

	<u>Gov.Rec.</u>	<u>New Est.</u>	<u>Increase</u>
Communications	\$123,442	\$378,444	\$255,002
Maintenance	140,143	200,816	60,403
DISC Fees	659,015	764,989	105,974

The revised FY 1988 figures represent the first year expenses of VIPS which is to be implemented over a two year period. FY 1989 operating costs will increase because of bringing on-line additional counties.

22. Reduce \$650,000 for payments to counties for reappraisal costs due to an estimate used to compute the original per parcel reimbursement for computers being too high. The per parcel payment schedule assumed total computer costs of \$4.3 million and reimbursements of \$3.00 per parcel for computer costs. Because of shared computer use with the VIPS project, savings of \$1.3 million not anticipated in the agency's estimate of computer costs are achieved for hardware and software eligible for state reimbursement. Total computer costs of \$3.0 million (\$1.6 million for CAMA hardware and \$1.4 million for CAMA software) are reported

by the agency. Because the state aid payment is based on a 50 percent reimbursement, the reduction is 50 percent of \$1.3 million.

Appropriate the county reappraisal reimbursement as a State General Fund line item. The 1986 Legislature appropriated the FY 1987 reimbursement in this manner. The Governor recommends transferring one fourth the reimbursement quarterly from the State General Fund to the County Reappraisal Fund from which actual payments to counties would be made.

The Subcommittee recommends transfer of \$3,800,000 from the Gaming Revenue Fund to the State General Fund in FY 1988 to repay part of the county reappraisal reimbursement costs financed from the State General Fund. Subject to approval of the State Finance Council, moneys should be transferred on June 30, 1988, and deposited in the State General Fund. If sufficient funds are not available to transfer the \$3.8 million, then those additional moneys should be transferred in FY 1989.

23. Recover startup costs of \$150,000 for the Lottery which were encumbered by the Department of Revenue in FY 1987 before an appropriation was passed for the Lottery. The Subcommittee recommends that a transfer be made, subject to approval by the State Finance Council, on June 30, 1988, from the Lottery Operating Fund to the State General Fund, in the amount of \$150,000 to reimburse costs not addressed by the Governor's plan to repay the State General Fund.

The Secretary of Revenue was asked to provide an estimate of costs and the FY 1987 expenses for two months were \$11,972, according to the agency. The Senate should review any additional data provided about total costs.

24. Reduce \$579,743 SGF and delete 8.0 FTE positions associated with the Kansas Business Integrated Tax System (K-BITS) pending completion of a performance audit of the K-BITS computer project. The Subcommittee learned that K-BITS was suppose to have been completed several years ago, and that none of the modules to produce a single tax has been completed. Transient guest tax had been scheduled to be the first tax to be implemented and work is still continuing on it. Funding for staff and other operating expenses associated with K-BITS is deleted by this recommendation, pending additional information in the performance audit to guide the Legislature is deciding what to do about this project on which at least \$1,296,044 was spent through FY 1986 on consultants and DISC fees, with additional sums expended annually on staff (which in FY 1988 is estimated at \$279,799 in the Governor's recommended budget).

25. Reduce \$55,500 DOV for three microfilm reader-printers and whisperwriters to be purchased for VIPS since \$92,803 worth of equipment previously was purchased for K-BITS (and with the deletion of K-BITS could be used by VIPS).
26. The Subcommittee is concerned about the proposed reorganization of the Department and the creation of a Division of Collections. The Subcommittee wishes to express the following concerns:
 - the reorganization was not addressed in the submitted budget document.
 - the Legislature should be fully informed about any reorganization, prior to its implementation.
 - the Secretary should follow the instructions of K.S.A. 75-3717 which requires that the narrative description included with the budget submission for each new or expanded program must include an estimate of anticipated expenditures for the budget year and three ensuing fiscal years that would be required to support the new or expanded program.
 - inadequate data has been provided to evaluate the costs and benefits of the proposed reorganization, especially the multiyear impact of the proposal.

The Subcommittee recommends that no reorganization be initiated by the Department until the Legislature has reviewed and approved comprehensive plans. If the Department has any intention of reorganizing prior to the 1988 Session, then the plans should be submitted for review during the Senate's consideration of this bill or during the Omnibus review later this Session. Otherwise, plans should be submitted as part of the regular FY 1989 budget cycle in order for the Legislature to review them next Session. The plans should include multiyear detail mandated by K.S.A. 75-3717 as well as a cost/benefit analysis and complete budget detail, including staffing patterns.

27. Additionally, the Subcommittee requested information about the costs to upgrade existing System 36 computers which were owned by 10-20 counties, but which are to be used as part of reappraisal and VIPS. The Subcommittee believes that VIPS reimbursements for these existing units should be limited to the costs of upgrades and that the Senate should address this issue after data are provided.

House Committee Recommendation

The Committee concurs with the Subcommittee report, except for the following:

1. Further reduce aid to counties for reappraisal by \$2,800,000 from the State General Fund, thus providing \$7,429,700 in FY 1988 aid.

Senate Subcommittee Recommendations

1. Delete \$1,205,000 SGF for state aid to counties for the 5 percent inheritance tax payments. H.B. 2197 which abolishes the statutory transfer has passed the House.
2. Add \$31,664 SGF for ABC data processing equipment to support the agency's plan for the central processor alternative. The Subcommittee notes that ABC's current applications utilize a central processor, namely the DISC mainframe computer, and this recommendation will allow both the licensing system and gallonage tax system to be developed on the same computer which maintains current data processing applications used by ABC.

The Subcommittee endorses the House recommendation to relocate the ABC Division to the Docking State Office Building. With the incorporation of ABC into the Docking State Office Building, the agency's word processing needs should be addressed by revising the Department's office information systems plan due to relocation of the agency from a remote office.

Any fiscal impact of liquor by the drink and other legislation which becomes law this Session will be addressed during the Omnibus period.

3. Restore \$80,000 SGF for data processing fees to finance the costs incurred primarily by the Income Tax Simulation Model used in estimating the impact of tax changes. The House reduced \$80,000 in fees.
4. Restore \$14,040 DOV and 1.0 FTE position for a VIPS microfilm operator. Three positions in Quality Control were deleted by the House, two of which were vacant. This recommendation would allow the agency to transfer a K-BITS operator into the VIPS slot which is needed to implement the VIPS project in FY 1988.
5. Restore \$15,000 DOV for uniforms of Motor Carrier Inspectors. The House had reduced \$20,000.
6. Restore \$37,190 DOV for part-time salaries in the Personnel Services Bureau due to paying more than minimum wage of \$3.35 per hour. The House had reduced the funding since temporary tax-related SGF positions had been rolled back. The agency indicates that the DOV funded positions are used differently and require higher pay to get quality people.

7. Reduce \$92,859 DOV in order to finance \$205,711 for the MCI facility. The Subcommittee reviewed the KDOT specifications and believes the Department of Revenue's request is too high.
8. Authorize \$9,400,000 for reappraisal aid to counties by transferring \$5,600,000 from the State General Fund to the County Reappraisal Fund and by using \$3,800,000 of lottery receipts which are projected to be available in the County Reappraisal Fund. State General Fund transfers of \$2,350,000 on August 1, of \$2,350,000 on November 1, and of \$900,000 on February 1 are recommended. The Subcommittee recommends that the amount of total aid be reexamined next Session and that consideration be given to adding \$1,400,000 for payments if lottery receipts above the \$3.8 million are projected to be available in the County Reappraisal Fund.
9. Defer action on restoring \$251,390 SGF salaries and benefits for 7.0 FTE positions of data processing programmers and systems analysts who have worked on K-BITS. The Subcommittee seeks to retain at least some of these positions until final resolution of the K-BITS situation. The Secretary should prepare a plan indicating how these data processing personnel would be utilized if all were retained, with special attention to how many would actually work on K-BITS (given the Subcommittee's recommendation) and how many would work on specific other projects.

Restore \$10,000 SGF for data processing fees to continue to run transient guest tax next fiscal year. The Subcommittee does not recommend restoration of financing to implement sales tax, pending evaluation of the situation by the next Secretary. The Subcommittee reiterates the Post Audit recommendation that the Department complete implementation of the transient guest tax, forgo further work on other taxes, and conduct a long-range plan of data processing needs, including an evaluation of the need for K-BITS or some other system. The new Secretary should submit the long-range plan and evaluation of K-BITS to the 1988 Legislature on or before January 11, 1988.

10. Concur with the House regarding its concerns with the proposed Division of Collections, with the understanding that reconsideration of this matter depends upon the provision during the Omnibus period of the information sought by the House recommendation. In the absence of that further information being submitted by Omnibus, the Subcommittee will not endorse the plan (but is not necessarily opposed, pending further study of the matter).
11. Add line item expenditure authority for receiving and spending a federal grant from the Federal Highway Administration in conjunction with the regulation of commercial interstate drivers and commercial licenses. Estimated expenditures from the \$100,000 grant would be \$50,000 in FY 1988.

SUBCOMMITTEE REPORT

Agency: Kansas Lottery

Bill No. 2395/2221

Bill Sec. 9/4

Analyst: Efird

Analysis Pg. No. 85

Budget Pg. No. 1-167

<u>Expenditure Summary</u>	<u>Gov. Rec. FY 1987</u>	<u>Subcommittee Adjustment FY 1987</u>	<u>Gov. Rec. FY 1988</u>	<u>Subcommittee Adjustment FY 1988</u>
State Operations:				
Lottery Operating Fund	\$ 650,000	\$ (50,923)	\$ 16,000,000	\$ (471,269)
FTE Positions	25.0	(2.0)	119.0	(15.0)

Governor's Recommendations

FY 1987. The Governor recommends start-up expenditures of \$650,000 and staffing of 25.0 FTE positions for this fiscal year. Financing would be provided by a transfer from the State General Fund.

FY 1988. Expenditures of \$16,000,000 and staffing of 119.0 FTE positions are recommended by the Governor. Financing of \$2,100,000 would be provided by a transfer from the State General Fund and the remainder by receipts from the lottery.

1. Salaries and Benefits. Expenditures of \$150,000 to fund 25.0 FTE positions in FY 1987 and \$2,800,000 to pay for 119.0 FTE positions in FY 1988 are recommended by the Governor.

2. Contractual Services. Expenditures of \$50,000 in FY 1987 and \$9,700,000 in FY 1988 are recommended by the Governor.

3. Supplies. The Governor recommends expenditures of \$50,000 in FY 1987 and \$2,500,000 in FY 1988.

4. Capital Outlay. Equipment costs of \$400,000 in FY 1987 and \$1,000,000 in FY 1988 are recommended by the Governor.

House Subcommittee Recommendations

The Subcommittee reviewed budget materials about operating expenditures which provided more recent estimates than the Governor's Budget Report, but all adjustments recommended by the Subcommittee are made in the Governor's original recommendations as contained in the Governor's Budget Report for FY 1988.

FY 1987. The Subcommittee recommends a reduction of \$50,923 in FY 1987 expenditures and 2.0 fewer positions, with a reduction in the transfer of \$50,923 from the State General Fund.

FY 1988. The Subcommittee recommends a reduction of \$471,269 in FY 1988 expenditures and 15 fewer staff positions, with no reduction in the transfer of \$2,100,000 since the agency will need start-up financing to avoid cashflow problems early in FY 1988.

1. The Subcommittee recommends reductions in salaries and benefits of \$48,423 in FY 1987 and of \$432,129 in FY 1988. In addition, the Subcommittee recommends a line item in the FY 1988 bill:

Salaries and wages.....\$2,367,871

2. The Subcommittee recommends an increase of \$22,500 in FY 1987 and of \$1,960,860 in FY 1988 for contractual services. In addition, the Subcommittee recommends several line items in the FY 1988 bill for different contractual services:

Printing and Advertising.....\$8,250,637
Other contractual services.....\$3,410,223

4. The Subcommittee recommends reductions of \$25,000 in FY 1987 and of \$2,000,000 in FY 1988 for commodities. In addition, the Subcommittee recommends a line item in the FY 1988 bill:

Commodities.....\$ 500,000

5. The Subcommittee concurs with the Governor's recommendations for both fiscal years and recommends a line item in the FY 1988 bill:

Capital Outlay.....\$1,000,000

6. The Subcommittee recommends the following FY 1988 expenditures and staffing:

TOTAL EXPENDITURES.....\$15,528,731
FTE Positions 104.0

7. The Subcommittee recommends that start-up financing of \$2,699,077 be repaid at the end of FY 1988. Subject to approval by the State Finance Council, repayment of the loan plus interest authorized by statute from the Lottery Operating Fund to the State General Fund is recommended. If sufficient funds are not available to repay the full amount of the loan and interest, then those moneys available should be transferred in FY 1988 and the remaining balance in FY 1989.

House Committee Recommendation

The Committee concurs with the Subcommittee report for FY 1987 and FY 1988.

House Committee of the Whole Recommendation

The Committee adds a proviso which would prohibit the permanent headquarters of the Kansas Lottery from being located in Shawnee County.

Senate Subcommittee Recommendations

The Subcommittee concurs with the House with the following exceptions:

1. Remove the proviso restricting the location of the headquarters location.
2. Rewrite the appropriations bill to allow for expenditures from the lottery operating fund, with a proviso limiting only salaries and wages.
3. Restore 7.0 FTE positions and \$171,193 for salaries and benefits for the following:

Unclassified

1.0 Special Assistant	\$25,529
4.0 Lottery Sales. Reps.	\$97,428

Classified

1.0 Research Analyst IV	\$32,264
1.0 Office Assistant II	\$16,072

SUBCOMMITTEE REPORT

Agency: Kansas Racing Commission Bill No. 2395/2221 Bill Sec. 10/5
 Analyst: Efird Analysis Pg. No. 86 Budget Pg. No. 1-169

<u>Expenditure Summary</u>	<u>Gov. Rec. FY 1987</u>	<u>Subcomm. Adjustment FY 1987</u>	<u>Gov. Rec. FY 1988</u>	<u>Subcomm. Adjustment FY 1988</u>
State Operations:				
State Racing Fund	\$ 200,000	\$ (98,598)	\$ 920,000	\$ (271,891)
FTE Positions	15.0	(1.0)	15.0	(1.0)

Governor's Recommendations

FY 1987. The Governor recommends start-up financing of \$200,000 and staffing of 15.0 FTE positions. Initial financing of \$200,000 would be provided by a transfer from the State General Fund.

FY 1988. Recommended funding of \$920,000 for the second year would continue staffing of 15.0 FTE positions. Receipts from the tax on parimutuel wagering and various fees are anticipated to finance operations the second year.

1. Financing. Initial start-up costs would be financed by a transfer from the State General Fund, according to the Governor's FY 1987 recommendations. No repayment is recommended by the Governor.
2. Salaries and Benefits. Expenditures of \$94,000 (FY 1987) and \$450,000 (FY 1988) are recommended for 15.0 FTE positions both fiscal years.
3. Contractual Services. Initial expenditures of \$15,000 recommended the first year would be increased to \$350,000 in FY 1988 by the Governor's recommendation.
4. Office Supplies. The Governor recommends \$3,000 (FY 1987) and \$70,000 (FY 1988).
5. Capital Outlay. Financing of \$88,000 (FY 1987) and \$50,000 (FY 1988) is recommended.

House Subcommittee Recommendations

The Subcommittee reviewed budget materials about operating expenditures which provided more recent estimates than the Governor's Budget Report, but all

adjustments recommended by the Subcommittee are made in the Governor's original recommendations as contained in the Governor's Budget Report for FY 1988.

The Subcommittee was distressed at the type of budget detail which was provided in support of the Governor's recommendations, especially since the State General Fund will finance the start-up costs of the agency. Adjustments and corrections were made in the worksheet estimates provided to supplement the Governor's Budget Report in arriving at the recommendations below.

FY 1987. The Subcommittee recommends financing of \$101,402 in FY 1987 for initial expenditures, a reduction of \$98,598 in the Governor's recommended transfer and 1.0 fewer staff.

FY 1988. The Subcommittee recommends expenditures of \$648,109 in FY 1988, with reductions of \$271,891 in the Governor's estimated expenditures and 1.0 fewer staff. A transfer from the State General Fund of \$98,598 is recommended to help with the agency cash-flow before racing begins in FY 1988.

1. The Subcommittee recommends reductions of \$57,169 in FY 1987 and \$89,221 in FY 1988 in salaries and benefits for 14.0 FTE positions. The FY 1987 recommendation is based on 1.5 months for the executive director and 1.0 month for the other 13.0 positions. Salary range and step adjustments are calculated for proposed positions.
2. The Subcommittee recommends an increase of \$27,883 in FY 1987 and a reduction of \$80,670 in FY 1988 for contractual services based on later estimates provided.
3. The Subcommittee recommends reductions of \$2,000 in FY 1987 and of \$64,000 in FY 1988 for commodities based on later estimates.
4. The Subcommittee recommends reductions of \$67,312 in FY 1987 and of \$38,000 in FY 1988 for capital outlay based on later estimates provided, adjustments in the purchase of furniture, and deferral of acquiring a computer system until FY 1988.
5. The Subcommittee recommends repayment of the \$200,000 loan used as start-up financing. Subject to approval of the State Finance Council, moneys should be transferred from State Racing Fund on June 30, 1988, and deposited in the State General Fund. If sufficient funds are not available to repay the full amount of the loan, then those moneys available should be transferred in FY 1988 and the remaining balance in FY 1989.

House Committee Recommendation

The Committee concurs with the Subcommittee report for both FY 1987 and FY 1988.

Senate Subcommittee Recommendations

The Subcommittee concurs with the House except for the following:

1. Add an additional transfer of \$300,000 from the State General Fund to help with cash flow. The transfer of financing should be subject to State Finance Council approval.
2. Recommend an amendment to H.B. 2044 to add language requiring a repayment of the \$500,000 startup financing for the Racing Commission. The Subcommittee recommends the same provision as applies to the Lottery interest in order to repay the State General Fund within two years.
3. Delete reference to transferring \$200,000 to the State General Fund in FY 1988 since the cash flow will be insufficient.

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