

Approved

4-20-89

Date

MINUTES OF THE House COMMITTEE ON Appropriations

The meeting was called to order by Bill Buntten at
Chairperson

1:40 ~~am~~/p.m. on March 27, 1989 in room 514-S of the Capitol.

All members were present except: All Present.

Committee staff present: Ellen Piekalkiewicz, Debra Duncan, Ed Ahrens,
Carolyn Rampey, Julian Efird, Legislative Research
Jim Wilson, Revisor of Statutes
Sharon Schwartz, Administrative Aide
Sue Krische, Committee Secretary

Conferees appearing before the committee:

Charles Dodson, KAPE

Others attending: See attached list.

HB 2553 - An Act concerning state officers and employees; relating to salaries and compensation; authorizing and providing for certain increases and certain payments for longevity pay; making appropriations for the fiscal year ending June 30, 1990, and authorizing certain transfers and adjustments in expenditure limitations therefor.

Jim Wilson, Staff Revisor, explained the provisions of HB 2553 which include a 3 percent pay increase for all classified state employees; addition of two steps at the top of each pay range; replacement of the three-year period between steps above step D in each range with a one-year period; and longevity payments to classified employees and non-judicial personnel. In response to a question, staff stated under HB 2553 it will take an employee hired at Step A thirteen years to reach the top of the pay range; under current law, it would take 23 years.

Charles Dodson, KAPE, testified in support of HB 2553 and provided a written copy of his remarks (Attachment 1). Representative Shriver suggested that reaching the top of the pay range in 13 years would be a problem in the long term which state employees would return to the Legislature to address. Mr. Dodson stated the elimination of the three year period between steps above step D is a very positive adjustment to the employees. Representative Vancrum expressed concern that pressure would come to increase the number of steps if employees are reaching the top so much sooner. Mr. Dodson suggested an adjustment to the longevity pay scale would be an alternative to adding steps. A conceptual amendment was proposed to clarify in the bill that the longevity section of the bill applies to fiscal years commencing after June 30, 1989. Representative Teagarden moved the proposed amendment. Representative Chronister seconded. Motion carried. Representative Teagarden moved that HB 2553, as amended, be recommended favorably for passage. Representative Brady seconded. Representative Vancrum expressed concern that the cost of this bill may rapidly increase as a large number of employees reach the top ranges. Representative Lowther requested from staff a copy of the present state employee pay matrix and the new matrix proposed in HB 2553. On a voice vote, the motion carried.

SB 28 - Appropriations for FY90, department of education and department of revenue-school district income tax fund.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Appropriations

room 514-S, Statehouse, at 1:40 ~~xxx~~ p.m. on March 27, 1989.

DEPARTMENT OF REVENUE--SCHOOL DISTRICT INCOME TAX REBATE

The House Subcommittee concurs with the recommendations of the Senate (Attachment 2). Representative Hamm moved adoption of the subcommittee report. Representative Teagarden seconded. Motion carried.

DEPARTMENT OF EDUCATION (Attachment 3)

Representative Teagarden moved adoption of the FY89 report for the Department of Education. Representative Hamm seconded. Motion carried.

Representative Chronister reviewed the FY90 subcommittee report. Representatives Hamm and Teagarden submitted a minority report on the Department of Education for FY90 recommending 100 percent funding for special education and transportation. The cost of this funding over the House majority subcommittee recommendation would be \$2,985,246 for transportation and \$9,318,361 for special education.

Representative Brady moved that funding for the first year of the five-year plan (\$40,778,021) for community colleges be added to SB 28. Representative Teagarden seconded. The Subcommittee felt base funding for community colleges should be in SB 28 and enhancements in that funding should be dealt with in SB 281 in keeping with the Committee policy not to fund a program on the basis of a proposed bill. On Representative Brady's motion, the motion failed.

Representative Shriver moved to amend the last sentence in item 6 of the FY90 subcommittee report to state that base funding for community colleges (\$37,435,160) should be deleted from SB 281. Representative Chronister seconded. Motion carried.

Representative Hamm moved adoption of the minority report recommending 100 percent funding of special education and transportation. Representative Teagarden seconded. The Senate's position in SB 28 is 95 percent on transportation and 96 percent on special education. The House majority report recommends 94 percent transportation and 92 percent special education. On the motion to adopt the minority report, the motion failed.

Representative Chronister moved adoption of the subcommittee report on the Department of Education for FY90, as amended. Representative Teagarden seconded. Representative Solbach made a substitute motion to delete items 4 and 5 of the FY90 report having the effect of concurring with the Senate position of 95 percent funding on transportation and 96 percent on special education. Representative Turnquist seconded. Substitute motion failed. Representative Wisdom offered a substitute motion to add \$1,398,990 State General Fund for school district transportation with the proviso that these funds be used to replace school buses purchased prior to 1977. Representative Hensley seconded. Substitute motion failed. On Representative Chronister's motion to adopt the FY90 report, the motion carried.

Representative Chronister moved that SB 28, as amended, be recommended favorably for passage. Representative Fuller seconded. Motion carried.

SB 31 - Appropriations for FY90, state board of tax appeals, department of revenue, Kansas lottery, Kansas racing commission, department of commerce, Kansas, Inc. and Kansas technology enterprise corporation.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Appropriations,
room 514-S, Statehouse, at 1:40 ~~am~~ p.m. on March 27, 1989.

RACING COMMISSION

Representative Hensley reviewed the subcommittee report for FY89 (Attachment 4). Representative Helgerson submitted a minority report for FY89. Stewards are state employees who test horses and supervise racing on and before race days. Representative Helgerson feels their wages for non-racing days should be paid by the track and not by the Racing Commission through loans from the State General Fund. Representative Helgerson moved adoption of the minority report on the Racing Commission for FY89. Representative Brady seconded. Motion failed. Representative Hensley moved adoption of the subcommittee report on the Racing Commission for FY89. Representative Hoy seconded. Motion carried. The Committee reviewed the FY90 subcommittee report. Representative Helgerson submitted a minority report on FY90. Representative Helgerson moved adoption of the minority report on the Racing Commission for FY90. Representative Hamm seconded. Motion carried.

The meeting was recessed at 3:45 p.m. The Chairman announced the Committee would reconvene at 5:00 p.m. to consider the budget of the Kansas Lottery.

Chairman Buntten reconvened the meeting at 5:10 p.m.

KANSAS LOTTERY

The Committee reviewed the subcommittee report for FY89 and FY90 (Attachment 5). Representative Hoy explained that in item 1 the Subcommittee is recommending the transfer of \$1,444,696 to the County Reappraisal Fund because sales in FY88 generated the funds and Legislative intent in HB 3091 was that these funds go to the County Reappraisal Fund. The recommendation in item 2 of the FY89 report separates the reserve funds for returned tickets and bad debts from other moneys for bookkeeping purposes. The adjustment in item 4 to the Lottery Prize Fund has the effect of making the detailed budget more accurately reflect actual expenditures from the State Treasury for prizes. Chairman Buntten questioned if, in item 5, the Division of Post Audit is the appropriate entity to recommend an accounting system for the Lottery.

The Subcommittee noted it did not act on the higher than estimated sales of the Lottery in item 8 due to the uncertainty of projections and the fact that higher receipts are subject to transfer by law to the Gaming Fund.

In response to a question, staff explained that item 15 would require increasing the official hospitality proviso in the bill from \$3,000 to \$30,000, although the funding is an internal shift. Currently, the percentage of prizes is 48 percent and the goal of the Lottery is to make it 60 percent. Increased volume would be necessary to achieve this goal.

With the agreement of the Subcommittee, Chairman Buntten will discuss the request for a post audit study in items 5 and 7 with the Chairman of the Post Audit Committee and report to the Committee.

Representative Helgerson moved adoption of the subcommittee report on the Kansas Lottery for FY89. Representative Hoy seconded. Motion carried. Representative Hoy commended the Lottery on its success the past year stating the only qualification is the need for an improved bookkeeping system. Representative Hoy moved adoption of the FY90 subcommittee report. Representative Helgerson seconded. Motion carried.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Appropriations,
room 514-S Statehouse, at 1:40 ~~am~~/p.m. on March 27, 1989.

Representative Chronister moved that SB 31, as amended, be recommended favorably for passage. Representative Teagarden seconded. Motion carried.

INTRODUCTION OF BILLS

Representative Hensley requested introduction of a bill relating to zoning in cities allowing the elimination of non-conforming uses (Attachment 6). Representative Hensley moved introduction of the bill. Representative Helgerson seconded. Motion carried.

Representative Vancrum requested introduction of a bill regarding contracts by the Secretary of Corrections for inmate confinement in municipal correctional facilities. Representative Vancrum moved introduction of the bill. Representative Chronister seconded. Motion carried.

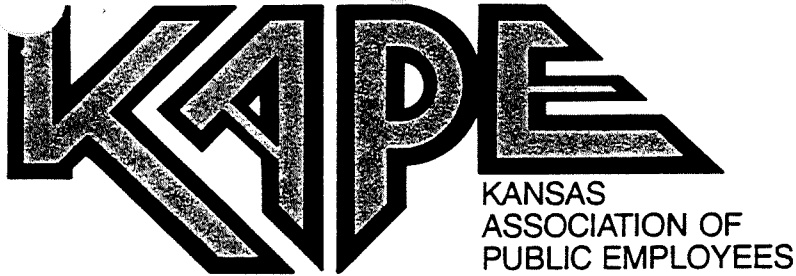
The meeting was adjourned t 6:15 p.m. The next meeting will be Tuesday, March 28, at 1:30 p.m.

GUEST LIST

COMMITTEE: HOUSE APPROPRIATIONS

DATE: 3-27-89

| NAME (PLEASE PRINT) | ADDRESS | COMPANY/ORGANIZATION |
|---------------------|-------------------------------------|--------------------------|
| JACK K. BRUBAKER | 2601 Prairie Topoka | KDOT Ret'd. |
| Keith Haxton | 3321 S.E. Arbor Dr | KAPE |
| Richard Stuckey | 3401 SW 33 rd | KAPE |
| Robert TALKINGTON | Box 725 Topeka, Ks | KAPE |
| Bill Curtis | Topeka | Ks. Assoc. of School Bds |
| Kathy Vonachen | " | Div. of Budget |
| Pat Mel | " | " " |
| Jim GRENZ | Topeka | Kansas Racing Comm |
| Kay Cades | Topeka | KANSAS-NEA |
| Harvey E. Wallace | 2706 Indian Trail Topeka | KAPE |
| Gary Green | 3201 W. 29 th #9 Topeka | KAPE |
| ROGER WORMINGTON | 1111 SW 7 th ST (TOPEKA) | Nat. Assoc. of Gen. Emp. |
| Merle Hlee | Topeka | KACC |
| Charles L. Stewart | Topeka | U.S.A. |
| Charles Dodson | TOPEKA | KAPE |
| Jerry Sloan | " | OJA |
| BILL MUISICK | Mpls. | ST BLDG E L |
| Gil Kemnitz | Topeka | KSDF |
| Tom Bannon | TOPEKA | KAPE |
| Mark Stephens | TOPEKA | S/CS |
| Sabrina Wills | Topeka | Div. of Budget |
| Faith Loretto | " | Administration |
| Everly Mearns | TOPEKA | DPS |
| James M. Evans | " | " |
| Ken Bahn | Topeka | 4th Enrollment USDs |



Presentation to
House Committee on Appropriations
Charles Dodson
March 27, 1989

House Bill 2553

Mr. Chairman, members of the Committee, thank you for this opportunity to speak to you in support of HB 2553.

In FY1986 there were wholesale changes made to the pay plan for state employees. Some of those changes were good changes. You passed a plan in FY86 that was balanced by making the movement from step-to-step, regardless of the pay range, a constant percentage. You made first year adjustments so that employees would not have to take a cut in net pay when their retirement deductions started.

But, some of the changes were not so good. The plan in effect for FY1985 had \$1200 or more per year built in for longevity after 20 years of service. This was eliminated. The pay plan was also shortened. A minimum of five percent was cut from each range. The impact of these two changes fell exclusively on long-term employees.

HB 2553 returns the longevity pay as a component of the pay plan, and restores the minimum 5% cut in each range to the pay plan.

In FY1987 Phase I of the Comprehensive Salary Study was implemented. Phase II was implemented in FY 1988 and one-half of Phase III was implemented for the last half of FY89 and the balance for FY90. These "phases" are parts of a complete examination of every job in state government to bring the salaries of classified state employees into line with salaries paid to the private sector employees.

Unfortunately, the methodology used in implementing these reclassifications did not provide for allowing employees to retain their relative position on the pay scale when moving to the new range. The result was that new employees might receive 20 to 30% salary increases on reclassification while employees with long-term service would be moved to a step on the range only 2-1/2% higher than the new starting salary.

HA



3-27-89
Attachment 1

The result has been massive salary compaction. That is, employees with less than one year employment earning virtually the same salary as employees with ten or twenty years service.

To correct these problems would cost more money than we could conceivably talk about here today. While I have no firm estimate of those costs, it would be tens of millions and possibly hundreds of millions.

HB 2553 asks for \$3.4 million (SGF) more than recommended in the Governor's budget.

1. It restores five percent of the potential earnings removed from the plan in FY 1986.
2. It restores a longevity concept to replace part of that eliminated from the plan in FY 1986.
3. It allows employees whose relative salary has been cut by the implementation of the various "phases" to more quickly return to the step of the range they held prior to reclassification.

Over the years that I have worked with state employees I have had the opportunity to examine many pay plans. The strengths and the weaknesses of each, after a time, became readily apparent. I am convinced that the pay plan, after implementing the changes proposed in HB 2553, will be the best pay plan of all those used in the various 50 states.

State employees are excited about these proposed changes, and we would urge you to report HB 2553 favorably for passage.

SUBCOMMITTEE REPORT

Agency: Department of Revenue -- Bill No. 28 Bill Sec. 2
School District Income
Tax Rebate

Analyst: Rampey Analysis Pg. No. 277 Budget Pg. No. 522

| <u>Expenditure Summary</u> | <u>Agency Req. FY 90</u> | <u>Governor's Rec. FY 90</u> | <u>Subcommittee Adjustments</u> |
|---|------------------------------|----------------------------------|-------------------------------------|
| Aid to Local Units: State General Fund | \$ 156,000,000 | \$ 156,000,000 | \$ 2,200,000 |
| FTE Positions | -- | -- | -- |

Agency Estimate/Governor's Recommendation

It is estimated that distributions to school districts will total \$148.0 million in FY 1989 and \$156.0 million in FY 1990. The revised estimate for FY 1989 and the estimate for FY 1990 were derived from the individual income tax receipts estimates made by the Consensus Estimating Group in November, 1988.

The Governor concurs with the estimates made by the Consensus Estimating Group for both FY 1989 and FY 1990. However, for FY 1990, the Governor recommends that the law be changed so that none of the rebate would be deducted by school districts in computing their general state aid entitlements. Second, the Governor recommends that the amount of the rebate be increased from 20 to 22 percent.

The effect of the recommendation to increase the percentage of rebate would be to increase the amount of money school districts receive. However, changes to the tax structure recommended by the Governor would have the effect of reducing the amount of taxes paid for tax year 1989 and, consequently, reducing the rebate in FY 1990. Thus, the effect of the Governor's recommendation to increase the rebate to 22 percent would be offset by his recommendation to revise the tax structure.

Senate Subcommittee Recommendation

Since the Governor submitted his recommendation, the Legislature has enacted S.B. 24, which makes a number of changes to the state's tax structure. Among the changes is that the income tax rebate would be increased from the current 20 percent to 23 percent for tax year 1989 and 24 percent for tax year 1990 and thereafter.

The Subcommittee concurs with the estimate of \$148.0 million for FY 1989. For FY 1990, it concurs with the revised estimate of \$158.2 million. The estimate is an increase of \$2.2 million over the estimate prior to the passage of S.B. 24.

Senate Committee Recommendations

The Senate Committee concurs with the recommendations of the Subcommittee.

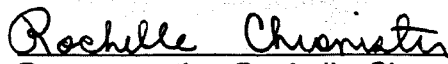
HA

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Attachment 2

House Subcommittee Recommendations

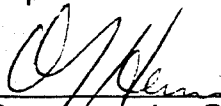
The House Subcommittee concurs with the recommendations of the Senate.



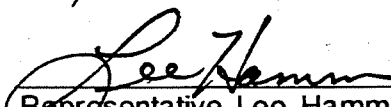
Representative Rochelle Chronister
Subcommittee Chairperson




Representative Bill Bunten



Representative David Heinemann



Representative Lee Hamm



Representative George Teagarden

SUBCOMMITTEE REPORT

Agency: Department of Education

Bill No. 80

Bill Sec. 25

Analyst: Rampey

Analysis Pg. No. 263

Budget Pg. No. 190

| <u>Expenditure Summary</u> | <u>Agency Req. FY 89</u> | <u>Governor's Rec. FY 89</u> | <u>Subcommittee Adjustments</u> |
|----------------------------|------------------------------|----------------------------------|-------------------------------------|
| All Funds: | | | |
| State Operations | \$ 11,332,602 | \$ 11,272,691 | \$ 71,628 |
| Aid to Local Units | 802,964,931 | 801,516,944 | 752,794 |
| Other Assistance | 12,090,486 | 12,090,486 | -- |
| TOTAL | <u>\$ 826,388,019</u> | <u>\$ 824,880,121</u> | <u>\$ 824,422</u> |
| State General Fund: | | | |
| State Operations | \$ 4,949,892 | \$ 4,931,150 | \$ 7,095 |
| Aid to Local Units | 702,596,345 | 700,940,240 | 752,794 |
| Other Assistance | 135,486 | 135,486 | -- |
| TOTAL | <u>\$ 707,681,723</u> | <u>\$ 706,006,876</u> | <u>\$ 759,889</u> |
| FTE Positions | 187.0 | 187.0 | -- |

Agency Request/Governor's Recommendation

FY 1989. The Department of Education estimates total expenditures of \$826,388,019 in FY 1989, of which \$707,681,723 is from the State General Fund. The estimate for FY 1989 exceeds the approved amount by \$1,730,456, which consists of the following requested supplemental appropriations and expenditure limitation increases: \$33,727 from the State General Fund for payments to employees who retire, a total of \$1,656,845 from the State General Fund for community college credit hour and out-district state aid, \$19,829 in federal funds for employees who retire, \$11,008 in federal vocational education funds, and \$9,047 in federal Job Training Partnership Act funds. The number of authorized positions in FY 1989 is 187.0 FTE.

For FY 1989, the Governor recommends expenditures of \$824,880,121, of which \$706,006,876 is from the State General Fund. The Governor approves supplemental appropriations totaling \$510,056 for the community colleges and expenditure limitation increases of \$11,008 on expenditures of federal vocational education funds and \$9,047 on expenditures of federal Job Training Partnership Act Funds. The Governor reduces agency operating expenditures, excluding salaries, by \$48,086 in the current year, of which \$7,435 is from the State General Fund, and reduces expenditures for school district transportation aid from \$43,413,155 to \$42,903,839 (a reduction of \$509,316).

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Governor, with the following exceptions:

1. Increase the expenditure limitation on federal funds by \$19,829 in order to make retirement payments to two federally-funded employees who retired last fall.

HA
3-27-89
Attachment 3

2. Restore \$12,451 for agency travel that was deleted by the Governor. Of that amount, \$3,412 is from the State General Fund, \$2,554 is from the State Safety Fund, and \$6,485 is from federal funds.
3. Restore \$14,348 for fees for other services (primarily data processing and janitorial services and federally-funded workshop expenses) that was deleted by the Governor. Of that amount, \$3,683 is from the State General Fund and \$10,665 is from federal funds.
4. Increase the expenditure limitation on federal food service funds by \$25,000 to enable the State Department to begin the development of a computerized system for use by schools to process food service reimbursement claims. The new system would be implemented in FY 1990.
5. Attach a proviso to the appropriation for general state aid to school districts to specify that USD 402 (Augusta) will receive general state aid and proceeds from the income tax rebate in the amount currently budgeted for FY 1989. An unprecedented situation has occurred whereby an individual taxpayer living in the district has paid taxes of such magnitude and affected the computation of district wealth to the extent that, without legislative intervention, state aid to the district will drop dramatically. (The combination of general state aid and income tax rebate originally estimated for the current year is \$3,047,450 for USD 402. That amount will decrease to \$2,689,183 if nothing is done. In the Augusta district, a \$358,267 loss in state aid is equivalent to 14.1 mills.) The Subcommittee thinks that this unusual situation involving an individual taxpayer should not be allowed to adversely affect property taxpayers in the entire district.
6. Reduce the appropriation from the State General Fund for special education by \$393,995. Based upon revised estimates for FY 1989, 94 percent of special education excess costs is a reduction of \$393,995 from the amount appropriated by the 1988 Legislature. (The policy of the 1988 Legislature was to fund special education excess costs at the 94 percent level.)
7. Add \$849,549 from the State General Fund for community college credit hour state aid. The addition reflects an approximately 9 percent growth in credit hours over school year 1987-88 and is based upon the most recent enrollment information received by the State Department of Education. The Subcommittee encourages the House Appropriations Subcommittee to review this recommendation in light of spring enrollment information that is yet to come.
8. Add \$297,240 from the State General Fund for community college out-district state aid. The amount assumes an approximately 9 percent increase in eligible out-district hours over school year 1987-88. This recommendation should be reviewed by the House Appropriations Subcommittee when spring enrollment information becomes available.
9. In order to reflect the Governor's recommendation for school district transportation, with which the Subcommittee concurs, amend S.B. 80 to lapse \$509,316 from the State General Fund in the current year, for a total of \$42,903,839. (This amount would fund the transportation formula

at the 96 percent level, which is the level agreed to by the 1988 Legislature.)

- 10. In order to reflect the Governor's recommendation concerning federal money for drug abuse education, amend S.B. 80 to increase the expenditure limitation on federal funds from \$1,022,272 to \$1,230,604.

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee.

Senate Committee of the Whole

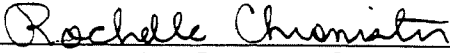
The Senate Committee of the Whole concurs with the recommendations of the Senate Committee.

| <u>Expenditure Summary</u> | <u>Senate Adj. FY 89</u> | <u>Senate Rec. FY 89</u> | <u>House Subcommittee Adjustments</u> |
|----------------------------|------------------------------|------------------------------|---|
| All Funds: | | | |
| State Operations | \$ 71,628 | \$ 11,344,319 | \$ (7,095) |
| Aid to Local Units | 752,794 | 802,269,738 | (400,000) |
| Other Assistance | -- | 12,090,486 | -- |
| TOTAL | <u>\$ 824,422</u> | <u>\$ 825,704,543</u> | <u>\$ (407,095)</u> |
| State General Fund: | | | |
| State Operations | \$ 7,095 | \$ 4,938,245 | \$ (7,095) |
| Aid to Local Units | 752,794 | 701,693,034 | (400,000) |
| Other Assistance | -- | 135,486 | -- |
| TOTAL | <u>\$ 759,889</u> | <u>\$ 706,766,765</u> | <u>\$ (407,095)</u> |
| FTE Positions | -- | 187.0 | -- |


House Subcommittee Recommendations

The House Subcommittee concurs with the recommendations of the Senate, with the following exceptions:

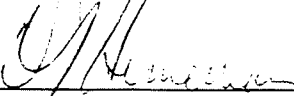
- 1. Delete \$3,412 from the State General Fund for agency travel.
- 2. Delete \$3,683 from the State General Fund for fees for other services.
- 3. Lapse \$400,000 from the State General Fund for school district transportation, for a total of \$42,503,839. The total would fund the transportation formula at the 96 percent level, which is the level approved by the 1988 Legislature. The revision is based on a new estimate made after February transportation payments to school districts.



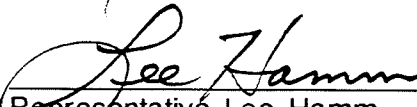
Representative Rochelle Chronister
Subcommittee Chairperson




Representative Bill Bunten



Representative Dave Heinemann



Representative Lee Hamm



Representative George Teagarden

SUBCOMMITTEE REPORT

Agency: Department of Education Bill No. 28 Bill Sec. 3
 Analyst: Rampey Analysis Pg. No. 263 Budget Pg. No. 190

| <u>Expenditure Summary</u> | <u>Agency Req. FY 90</u> | <u>Governor's Rec. FY 90</u> | <u>Subcommittee Adjustments</u> |
|----------------------------|------------------------------|----------------------------------|-------------------------------------|
| All Funds: | | | |
| State Operations | \$ 12,262,245 | \$ 11,939,703 | \$ 401,649 |
| Aid to Local Units | 940,129,906 | 862,472,386 | (526,796,740) |
| Other Assistance | 15,070,486 | 15,065,486 | -- |
| TOTAL | <u>\$ 967,462,637</u> | <u>\$ 889,477,575</u> | <u>\$ (526,395,091)</u> |
| State General Fund: | | | |
| State Operations | \$ 5,317,910 | \$ 5,253,411 | \$ 93,563 |
| Aid to Local Units | 835,779,906 | 757,590,707 | (526,796,740) |
| Other Assistance | 140,486 | 135,486 | -- |
| TOTAL | <u>\$ 841,238,302</u> | <u>\$ 762,979,604</u> | <u>\$ (526,703,177)</u> |
| FTE Positions | 192.0 | 186.0 | 4.0 |

Agency Request/Governor's Recommendation

FY 1990. For FY 1990, the Department of Education estimates expenditures of \$967,462,637, including expenditures of \$5,317,910 from the State General Fund for the operation of the agency, \$835,779,906 for state aid to local units, and \$140,486 for state aid to nongovernmental units. The State Department is requesting 5.0 FTE new positions in FY 1990, for a total position limitation of 192.0 FTE. The Governor recommends expenditures of \$889,477,575, of which \$762,979,604 would be from the State General Fund. The Governor approves the addition of 1.0 FTE new position but deletes 2.0 FTE existing positions, for a total recommended position limitation of 186.0 FTE.

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Governor, with the following exceptions:

1. Add \$53,997 for agency travel, of which \$8,092 would be from the State General Fund, \$1,000 would be from the Certificate Fees Fund, and \$44,905 would be from federal funds.
2. Add \$40,947 for telephone and postage, of which \$22,579 would be from the State General Fund, \$5,000 would be from the Certificate Fees Fund, and \$13,368 would be from federal funds.
3. Add \$62,892 from the State General Fund for capital outlay.
4. Add \$68,813 from federal special education funds for 2.0 FTE new Education Program Specialists to increase the State Department's ability to determine whether state and federal special education requirements are being met.

5. Approve the expenditure of \$175,000 from federal food service funds (in addition to the \$250,000 recommended by the Governor) for the development and implementation of a new computer system for use by schools for processing school food service reimbursement claims. The amount includes \$66,633 in federal funds for the salaries of 2.0 FTE new positions: a Computer Systems Analyst II to help develop and maintain the school food service financial management and claims processing computer system and a School Food Service Specialist to help administer the Child Care Food program. (The State Department's responsibilities under this federal program now include the administration of the program in adult care centers.)
6. The Subcommittee notes that a secretarial position was requested, but not approved, for the postsecondary education program, which oversees community colleges, adult education, proprietary schools, and the GED program. The Subcommittee suggests that, if legislation is enacted that would remove postsecondary education institutions from the State Board of Education's jurisdiction, attention should be given to possible reductions in the State Department's staff.
7. Delete \$533,527,252 in general state aid to school districts, which is the amount recommended by the Governor. The Subcommittee does not endorse the level recommended by the Governor and thinks that a decision on funding for school finance can only be made later in the session when more information about the effects of reappraisal is known. It is the Subcommittee's intention that members of the Senate will have the opportunity to discuss the appropriation for school finance in a Senate appropriations bill.
8. Add \$934,052 from the State General Fund for school district transportation, which would increase funding for the formula from the Governor's recommended level of 94 percent (\$43,900,459) to 96 percent (\$44,834,511), the same percentage as the current year.
9. Add \$2,056,160 from the State General Fund for special education excess costs. The addition would increase funding for excess costs from the 92 percent level recommended by the Governor (\$108,599,381) to the 95 percent level (\$110,655,541).
10. Add \$50,000 from the State General Fund for bilingual education, for a total of \$600,000. The addition would increase the amount available per bilingual education student from approximately \$122 to \$133.
11. Concur with the Governor's recommendation for area vocational school capital outlay aid of \$1.0 million from the State General Fund. However, for those five schools designated Type II schools, the Subcommittee recommends that the proviso limiting expenditures of capital outlay aid to equipment be expanded to include equipment and building maintenance. The Subcommittee's rationale is that Type II schools, governed by multi-district boards of control, do not have the access to local capital outlay funds that area schools governed by single school districts or community college boards do.

12. Delete \$12,036 from the State General Fund for community college credit hour aid, for a total of \$28,486,648. The effect of the Subcommittee's recommendation is to fund community college credit hour aid based upon present law, not the five-year plan requested by the State Board and recommended by the Governor. Additional funding will be considered if legislation to implement the five-year plan is enacted. The Subcommittee's recommendation assumes a 5 percent growth in credit hours over the current year and should be reviewed by the House Appropriations Subcommittee when actual spring enrollment figures become available.
13. Pending passage of legislation to implement the five-year plan, delete \$1,285,596 from the State General Fund for community college out-district state aid, for a total of \$8,548,512. The amount reflects a 5 percent increase in credit hours from the current year to school year 1988-90 and should be reviewed when spring enrollment figures are available.
14. Pending passage of legislation to implement the five-year plan, delete \$1,115,626 for community college general state aid, for a total of \$400,000, the same level as the current year.
15. Add \$3,769,095 from the State General Fund for credit hour state aid for Washburn University, which is the same level as the current year. (The Governor included no funding for the University in the State Department's budget, based upon his recommendation to transfer the school to the Board of Regents.)
16. Pending passage of legislation that would change the status or funding mechanisms of Washburn University, add \$737,213 from the State General Fund for Washburn University out-district state aid, which is the same level as the current year. (The Governor includes no funding for the University in the State Department's budget.)
17. Pending passage of legislation that would change the status or funding mechanisms of Washburn University, add \$210,000 for the Washburn University operating grant, an increase of \$10,000 over the current year. (The Governor recommends no funding for Washburn University in the State Department's budget.)
18. Add \$56,000 from the State General Fund for adult basic education, for a total of \$186,000. This is the amount of state money necessary to meet a federal matching requirement that has increased from a 10 percent to a 15 percent state match of federal funds, estimated to be \$1,055,000 in FY 1990.
19. Add \$331,250 from the State General Fund for in-service education, for a total of \$1,250,000. The amount would pay approximately half the cost of 180 approved in-service education plans.
20. Add \$1.0 million from the State General Fund for innovative education programs, to be combined in a single line item with the Governor's recommended \$2.0 million for at-risk pupil assistance, for a total of \$3.0 million for at-risk pupil and innovative program assistance. It is the Subcommittee's recommendation that a proviso be added stipulating that \$2.0 million of the appropriation be used for programs for at-risk pupils and that \$1.0 million be used for innovative educational programs.

Further, any state grants from this appropriation must be matched on an equal basis from local sources.

21. The Subcommittee concurs with the recommendation adopted by the Senate Committee concerning the Bicentennial Commission: "The Subcommittee notes that the Commission has requested for FY 1990 \$5,000 for a video on the U.S. Constitution featuring Justice Harold Herd to be distributed to high schools across the state. The Subcommittee directs the Department of Education to undertake the project with the available resources contained in the Department's budget for FY 1990."
22. The Subcommittee calls attention to the fact that the minimum competency assessment program as created in statute will terminate at the end of the 1988-89 school year. The Board of Education proposes and the Governor recommends funding of \$210,725 for a developmental year for the State Board to redefine test objectives. Following that developmental year, testing would resume in FY 1991, with the possibility that what is now known as the minimum competency assessment program could be changed considerably. The Subcommittee concurs with the Governor's recommendation and with the State Board's desire to improve the test. It is the Subcommittee's hope that any new testing program will build on the strengths of the existing program and not abandon concepts that the Legislature endorsed when it enacted the minimum competency assessment program.

Senate Committee Recommendations

The Senate Committee concurs with the recommendations of the Subcommittee with the following exception:

1. In item 20, delete the recommendation that \$2.0 million be used for programs for at-risk pupils and \$1.0 million be used for innovative educational programs. The effect of the Committee's action is to recommend that \$3.0 million be appropriated in one line item to be used for at-risk pupil and innovative program assistance. The appropriation would have to be matched on an equal basis from local sources.

Senate Committee of the Whole

The Senate Committee of the Whole concurs with the recommendations of the Committee, with the following exceptions:

1. Delete a total of \$37,435,160 for community college credit hour state aid (\$28,486,648), community college out-district state aid (\$8,548,512), and community college general state aid (\$400,000). Based on the passage by the Senate of S.B. 210, as amended, which would implement the community college five-year plan, the Senate has included \$40,778,021 for community colleges in S.B. 281 to fund the first year of the plan.
2. Add \$14,000 from the State General Fund for the Kansas Cultural Heritage and Arts Center, for a total of \$25,000.

| <u>Expenditure Summary</u> | <u>Senate Adj. FY 90</u> | <u>Senate Rec. FY 90</u> | <u>House Subcommittee Adjustments</u> |
|----------------------------|------------------------------|------------------------------|---|
| All Funds: | | | |
| State Operations | \$ 401,649 | \$ 12,341,352 | \$ (93,563) |
| Aid to Local Units | (564,231,900) | 298,240,486 | 32,541,784 |
| Other Assistance | 14,000 | 15,079,486 | (14,000) |
| Total | <u>\$ (563,816,251)</u> | <u>\$ 325,661,324</u> | <u>\$ 32,434,221</u> |
| State General Fund: | | | |
| State Operations | \$ 93,563 | \$ 5,346,974 | \$ (93,563) |
| Aid to Local Units | (564,231,900) | 193,358,807 | 32,541,784 |
| Other Assistance | 14,000 | 149,486 | (14,000) |
| Total | <u>\$ (564,124,337)</u> | <u>\$ 198,855,267</u> | <u>\$ 32,434,221</u> |
| FTE Positions | 4.0 | 190.0 | -- |

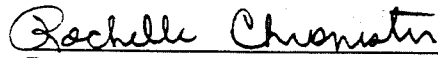
House Subcommittee Recommendations

The House Subcommittee concurs with the recommendations of the Senate, with the following exceptions:

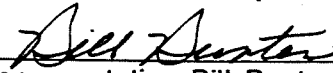
1. Delete \$8,092 from the State General Fund for agency travel.
2. Delete \$22,579 from the State General Fund for communication.
3. Delete \$62,892 from the State General Fund for capital outlay.
4. Delete \$1,398,990 from the State General Fund for school district transportation, for a total of \$43,435,521. That amount would fund the transportation formula at the 94 percent level, which is the level recommended by the Governor.
5. Delete \$3,494,386 from the State General Fund for special education, for a total of \$107,161,155. That amount would fund special education excess costs at the 92 percent level, which is the level recommended by the Governor.
6. Add a total of \$37,435,160 for community college credit hour aid (\$28,486,648), community-college out-district state aid (\$8,548,512), and community college general state aid (\$400,000). Pending passage of legislation that would change the funding mechanism for the community colleges, the Subcommittee recommends funding the schools under the present law. (Funding for the first year of the five-year plan (\$40,778,021) should be deleted from S.B. 281.)
7. Delete \$14,000 from the State General Fund for the Kansas Cultural Heritage and Arts Center, for a total of \$11,000, as recommended by the Governor.
8. Concur with the Governor and the Senate in their recommendation to appropriate \$1.0 million from the State General Fund for area vocational school capital outlay aid. However, expand the proviso that currently limits the appropriation to equipment purchases to include equipment and

building maintenance. (The Senate recommendation expanded the proviso for only those schools with multi-district boards of control.)

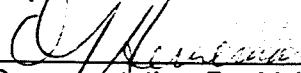
9. Delete \$331,250 from the State General Fund for in-service education, for a total of \$918,750, as recommended by the Governor.
10. Delete funding (\$3.0 million) from the State General Fund for at-risk pupil and innovative program assistance. It is the Subcommittee's recommendation that funding for at-risk pupils and innovative programs be considered when the outcome of S.B. 13 is known.
11. Delete \$210,725 from the State General Fund for the "Kansas Test for Essential Skills" (the renamed minimum competency assessment program). The effect of the Subcommittee's recommendation is that, when the minimum competency assessment program terminates statutorily after the 1988-89 school year, no development of a new testing program for essential skills will take place in FY 1990.



Representative Rochelle Chronister
Subcommittee Chairperson



Representative Bill Bunten



Representative David Heinemann

Representative Lee Hamm

Representative George Teagarden

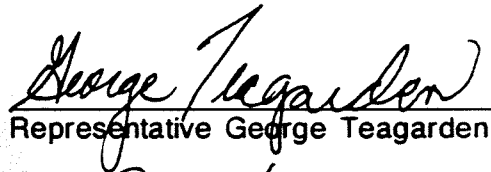
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MINORITY REPORT

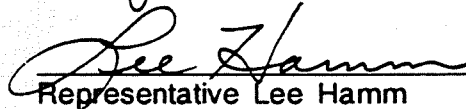
We disagree with the Subcommittee's recommendation to underfund special education and transportation.

Special education services are mandated by both state and federal law. Because total enrollment is growing, the number of students who need some type of special services is growing. In addition, federal law will soon require the states to provide services for preschool handicapped children down to age three. When we require school districts to provide services, we have an obligation to help pay for them. We think the state should fully fund special education excess costs.

The state should also fully fund the school district transportation aid formula. The number of students transported is growing because enrollments are growing. When we underfund the formula, districts have no choice but to take money from academic programs in order to fund the transportation program. Safety is another concern. In 1977 the federal government increased school bus safety requirements, but the new requirements apply only to new buses. There are an estimated 100 old buses transporting children today in Kansas that were purchased before 1977 and do not have up-to-date safety features. When we do not fully fund the transportation formula, we are making it even harder for districts to operate a safe transportation program.



Representative George Teagarden



Representative Lee Hamm

SUBCOMMITTEE REPORT

Agency: Kansas Racing Commission Bill No. 80

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 228

Budget Pg. No. 480

| <u>Expenditure Summary</u> | <u>Agency Req. FY 89</u> | <u>Governor's Rec. FY 89</u> | <u>Subcommittee Adjustments</u> |
|----------------------------|------------------------------|----------------------------------|-------------------------------------|
| State Operations: | | | |
| State Racing Fund | \$ 345,998 | \$ 519,840 | \$ 15,660 |
| State General Fund | 750,000 | 500,000 | 50,000 |
| Other Statutory Funds | -- | -- | 303,165 |
| TOTAL | \$ 1,095,998 | \$ 1,019,840 | \$ 368,825 |
| FTE Positions | 19.0 | 14.0 | 2.0 |

* Includes Governor's Budget Amendment No. 1 for \$34,709 of Racing Fund expenditures and funding in S.B. 30 for a new computer system.

Agency Request/Governor's Recommendation

For the current fiscal year, the Commission requests an increase of \$249,152 in its currently approved expenditures, an additional 5.0 FTE positions, and other part-time staff. Increases requested include \$97,295 for salaries and benefits, \$104,678 for contractual services, and \$47,179 for capital outlay. Financing of the requested FY 1989 supplemental would be from a State General Fund transfer of \$750,000 to the State Racing Fund. Slightly more than \$500,000 of the transfer would be carried over into FY 1990 to finance Commission operations at the start of the new fiscal year due to a projected cashflow problem before additional racing will provide new funds in November, 1989. Slightly less than \$250,000 of the supplemental transfer would be used to finance increases in FY 1989 expenditures.

The Governor's recommendations include an increase of \$108,285 in expenditures. A proposed budget amendment would add an additional \$34,709 in FY 1989. Financing of \$500,000 is recommended from a State General Fund supplemental to address the projected shortfall in funds. The Governor indicates that this funding would be a loan. Based on the status of the Racing Fund recommended by the Governor, approximately \$343,584 would be carried over to help with cashflow in early FY 1990 (or \$308,875 if all of the Governor's budget amendment funding were spent). The Governor's recommended FY 1989 funding does not allow expenditures for new FTE positions or other additional part-time staff, but would provide \$200,000 for a new computer system. A proposed budget amendment would add \$34,709 for other capital outlay in FY 1989.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 1989 recommendations, including the proposed budget amendment to increase expenditures by \$34,709 for capital outlay, with the following exceptions:

1. Add 1.0 FTE Computer Systems Analyst III at \$8,612 and 1.0 FTE Keyboard Operator III at \$4,979, with an additional \$2,069 added for other operating costs relative to these two new positions. The Governor

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Attachment 4

recommends the Systems Analyst in FY 1990, but with the inclusion of a new computer system in S.B. 30 as an emergency \$250,000 supplemental this fiscal year, the Subcommittee believes that computer-related personnel should be hired this fiscal year.

2. Appropriate \$300,000 from the State General Fund to finance a revenue shortfall, of which \$250,000 is recommended by the Governor (in addition to the \$250,000 included in S.B. 30 for a new computer system). The other \$50,000 should be used to capitalize the Racing Reimbursement Expense Fund by either repaying the State Racing Fund for earlier expenditures or by transferring the \$50,000 to the Racing Reimbursement Expense Fund to pay for racing judges, stewards and assistant animal health officers (since there is a delay before race tracks send the reimbursement for costs). The Racing Commission must meet monthly state payrolls for these employees and needs cash on hand for the revolving fund to work as intended. Funding should be added to S.B. 80.

Other Statutory Funds. Not included in the Governor's Budget Report are expenditures from two other funds: the Racing Reimbursable Expense Fund and the Racing Investigative Expense Fund. Estimated expenditures from the former are \$185,421 to pay costs associated with racing judges, stewards and assistant animal health officers. Estimated expenditures from the latter are partially dependent upon a pending Supreme Court ruling, but are estimated at \$167,744 in FY 1989 regardless of the judicial decision. Expenditures would be reduced by the \$50,000 State General Fund supplemental.

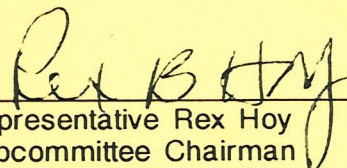
Senate Committee Recommendation

The Committee concurs with its Subcommittee.

House Subcommittee Recommendation

The Subcommittee concurs with the Senate's FY 1989 recommendations with the following addition:

1. Include \$26,719 as an SGF loan to pay salaries and wages of stewards for the spring racing season.



Representative Rex Hoy
Subcommittee Chairman



Representative Anthony Hensley

MINORITY REPORT

FY 1989 Recommendation

We concur with the House Subcommittee's recommendation to concur with the Senate recommendations. We do not agree with the addition of FY 1989 funding for paying stewards on nonrace days at Eureka Downs.



Representative Henry Helgeson

SUBCOMMITTEE REPORT

Agency: Kansas Racing Commission Bill No. 31

Bill Sec. 5

Analyst: Efird

Analysis Pg. No. 228

Budget Pg. No. 480

| <u>Expenditure Summary</u> | <u>Agency Req. FY 90</u> | <u>Governor's Rec. FY 90</u> | <u>Subcommittee Adjustments</u> |
|----------------------------|------------------------------|----------------------------------|-------------------------------------|
| State Operations: | | | |
| State Racing Fund | \$ 2,202,149 | \$ 1,800,045 | \$ (269,106) |
| State General Fund | -- | -- | 350,000 |
| Other Statutory Funds | -- | -- | 848,828 |
| TOTAL | \$ 2,202,149 | \$ 1,800,045 | \$ 929,722 |
| FTE Positions | 27.0 | 19.0 | 1.0 |

Agency Request/Governor's Recommendation

The Commission requests expenditures from the State Racing Fund of \$2,202,149, including salaries and benefits of \$1,110,420 for both permanent and temporary employees, capital outlay of \$134,462, and other operating costs of \$957,267. Financing would be from racing receipts estimated at \$6,418,728 from the parimutuel tax, license fees and admissions tax, plus \$500,000 in FY 1989 carryover financing. Staffing of 27.0 FTE positions and additional temporary employees are requested.

Recommended FY 1990 expenditures include \$971,607 for salaries and wages of 19.0 FTE positions and other part-time employees and \$828,438 for other operating expenses, including \$27,032 for capital outlay. The Governor's recommended increase in salaries will allow hiring 5.0 FTE new positions and employing part-time workers to assist during the racing seasons.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's expenditure recommendations with the exceptions noted below in item 2, but disagrees with the financing assumptions of when sufficient cash will be available in FY 1990 to pay for monthly operations and therefore makes the following recommendation:

1. Appropriate \$350,000 from the State General Fund as a loan to the Racing Commission in order to adequately finance operations from July to November. Racing receipts and the projected FY 1989 carryover balance will be insufficient to pay all costs beginning as early as September 1989 under the Governor's financing plan shown below:

| | <u>FY 1989 Carryover</u> | <u>July, 89</u> | <u>Aug. 89</u> | <u>Sept. 89</u> | <u>Oct. 89</u> |
|----------|------------------------------|-----------------|----------------|-----------------|----------------|
| Receipts | | \$ 52,000 | \$ 51,100 | \$ 43,800 | \$ 39,900 |
| Expenses | | 171,903 | 216,171 | 201,484 | 169,803 |
| Balance | \$ 308,874 | \$ 188,971 | \$ 23,900 | \$ (133,784) | \$ (263,687) |

The Subcommittee's plan adds \$350,000 in July 1989 to finance activities through October 1989 with an adequate ending balance to pay the November 1 payroll:

| | FY 1989 Carryover | July, 89 | Aug. 89 | Sept. 89 | Oct. 89 |
|----------|----------------------|----------------|----------------|----------------|----------------|
| Receipts | | \$ 402,000 | \$ 51,100 | \$ 43,800 | \$ 39,900 |
| Expenses | | <u>171,903</u> | <u>216,171</u> | <u>201,484</u> | <u>169,803</u> |
| Balance | \$ 363,548 | \$ 593,645 | \$ 428,574 | \$ 270,890 | \$ 140,987 |

2. Add 1.0 FTE Keyboard Operator III at \$20,894. This position was added by the Subcommittee in FY 1989 and is not recommended by the Governor in FY 1990. With the addition of a new computer system, the Subcommittee believes that the Racing Commission needs a word processing operator to assist with typing and data entry work.
3. Add \$60,000 to pay Commissioners \$1,000 per month for compensation.
4. Appropriate the Greyhound Tourism Fund with a \$0 limitation since no planned expenditures are reported.
5. Provide for repayment pursuant to K.S.A. 1988 Supp. 74-8826(d) of \$1.4 million in State General Fund loans plus the accrued interest when sufficient resources are available in FY 1990. This repayment plus interest will reduce the \$4.7 million transfer to the State Gaming Revenues Fund.
6. Introduce a bill to authorize monthly transfers from the State Racing Fund to the State Gaming Revenues Fund, beginning in FY 1990 after repayment of all loans plus interest. Transfers should be made only of amounts in excess of \$1.0 million in the State Racing Fund to maintain an adequate cash balance. Current law authorizes the first annual transfer on July 15, 1990, unless otherwise provided by law. The Governor's budget recommendation for spending parimutuel funds anticipates transfers beginning in January 1990 and legislation is needed for monthly transfers to occur. The Subcommittee believes that a bill is the preferred method rather than as a proviso in S.B. 31 (which is suggested by a proposed Governor's budget amendment).

Racing Fund Analysis. The status of the State Racing Fund, as adjusted by the Subcommittee's recommendations for FY 1989 and FY 1990, is shown:

| | Actual FY 1987 | Actual FY 1988 | Estimated FY 1989 | Estimated FY 1990 |
|--------------------|-------------------|-------------------|----------------------|----------------------|
| Beginning Balance | \$ 0 | \$ 59,886 | \$ 252,716 | \$ 363,548 |
| Net Receipts | 0 | 136,127 | 366,332 | 6,389,530 |
| Transfers In/(Out) | <u>101,402</u> | <u>398,598</u> | <u>280,000</u> | <u>(4,222,139)</u> |
| Total Available | \$ 101,402 | \$ 594,611 | \$ 899,048 | \$ 2,530,939 |
| Less Expenditures | <u>41,516</u> | <u>341,895</u> | <u>535,500</u> | <u>1,530,939</u> |
| Ending Balance | \$ <u>59,886</u> | \$ <u>252,716</u> | \$ <u>363,548</u> | \$ <u>1,000,000</u> |

Transfers out of \$4,222,139 during FY 1990 could begin in January, 1990, with all funds going first to the State General Fund and then, after \$1.0 million is accrued in the State Racing Fund, to the State Gaming Revenues Fund for distribution under statutory formula to three other funds.

Other Statutory Funds. Not included in the Governor's Budget Report are expenditures from two other funds: the Racing Reimbursable Expense Fund and the Racing Investigative Expense Fund. Estimated expenditures from the former are \$848,828 to pay costs associated with racing judges, stewards and assistant animal health officers. Estimated expenditures from the latter are partially dependent upon a pending Supreme Court ruling, but may total as much as \$300,000 or more in FY 1990.

Senate Committee Recommendation

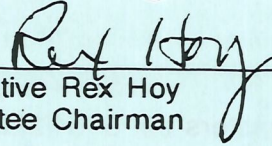
The Committee concurs with its Subcommittee and requests that the House examine the question of \$2,000 monthly compensation for members of the Racing Commission in FY 1990.

House Subcommittee Recommendation

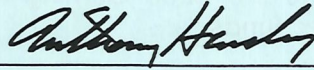
The Subcommittee concurs with the Senate except for the following item:

1. Add funding of \$60,000 for paying Commissioners \$2,000 monthly compensation.

| | <u>Governor's Rec. 90</u> | <u>Senate Rec. FY 90</u> | <u>House Sub. Adj. FY 90</u> | <u>House Rec. FY 90</u> |
|--------------------|-------------------------------|------------------------------|--------------------------------------|-----------------------------|
| State Operations: | | | | |
| State Racing Fund | \$ 1,800,045 | \$ 1,530,939 | \$ 60,000 | \$ 1,590,939 |
| State General Fund | -- | 350,000 | -- | 350,000 |
| Subtotal | \$ 1,800,045 | \$ 1,880,939 | \$ 60,000 | \$ 1,940,939 |
| Other Funds | -- | 848,828 | -- | 848,828 |
| Totals | <u>\$ 1,800,045</u> | <u>\$ 2,729,767</u> | <u>\$ 60,000</u> | <u>\$ 2,789,767</u> |
| FTE Positions | 19.0 | 20.0 | -- | 20.0 |



Representative Rex Hoy
Subcommittee Chairman



Representative Anthony Hensley

MINORITY REPORT

FY 1990 Recommendation

We concur with the House Subcommittee's recommendation to concur with the Senate recommendations except that funding of \$60,000 added by the Senate for paying Commissioners should be deleted. We do not agree with the addition of funding to pay \$2,000 per month recommended by the House Subcommittee. By this action, we concur with the Governor's original FY 1990 recommendation of paying only per diem compensation. We understand a Governor's Budget Amendment may be forthcoming on this item.

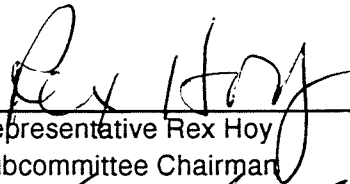


Representative Henry Helgeson

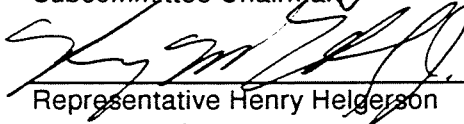
SUBCOMMITTEE REPORT

S.B. 80 & S.B. 31

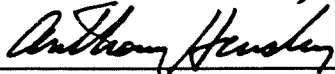
Kansas Lottery



Representative Rex Hoy
Subcommittee Chairman



Representative Henry Helgerson



Representative Anthony Hensley

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3-27-89
Attachment E

SUBCOMMITTEE REPORT

Agency: Kansas Lottery

Bill No. 80

Bill Sec. 6

Analyst: Efird

Analysis Pg. No. 223

Budget Pg. No. 440

| <u>Expenditure Summary</u> | <u>Agency Req. FY 89</u> | <u>Governor's Rec. FY 89</u> | <u>Subcommittee Adjustments</u> |
|--------------------------------------|------------------------------|----------------------------------|-------------------------------------|
| State Operations | \$ 15,646,716 | \$ 15,245,764 | \$ -- |
| Prizes and Retailer Commissions** | <u>35,900,000</u> | <u>35,250,000</u> | -- |
| TOTAL | <u>\$ 51,546,716</u> | <u>\$ 50,495,764</u> | <u>\$ --</u> |
| FTE Positions | 121.0 | 121.0 | -- |

** Category of prizes and retailer commissions reflects payments which never were recorded in the State Treasury as either receipts or expenditures.

Agency Request/Governor's Recommendation

The agency's revised estimate for the current fiscal year includes a reduction of \$14.0 million in projected sales. The previously estimated sales of \$84.0 million have been reduced to \$70.0 million. Reductions of \$7.5 million are estimated in state paid prizes and of \$4.2 million in transfers to the State Gaming Revenues Fund (SGRF) as a result of reduced sales. State paid prizes are estimated at \$8.5 million and transfers to the SGRF are estimated at \$21.0 million (based on 30.0 of gross retail sales). No reduction in total state operations expenditures is reflected in the revised FY 1989 agency budget which includes \$15.6 million of expenditures. The agency's revised budget includes a shift in expenditures of approximately \$1.5 million to vendor payments for on-line games based on 12.7 percent commissions to be paid on projected higher sales of lotto.

For FY 1989, the Governor estimates \$69.0 million in sales which is \$1.0 million less than the Lottery's projection. State paid prizes are estimated at \$8.4 million and transfers to the SGRF are estimated at \$20.7 million. FY 1989 expenditures for state operations are reduced \$.4 million to \$15.2 million in the Governor's recommended budget and would allow for the shift of approximately \$1.5 million to vendor payments for on-line games. Included in the Governor's recommendations are salary adjustments applying current fringe benefits rates and increasing salary turnover savings to offset the former increases in the salaries and wages budget.

Senate Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendations, with the following exceptions:

1. Raises the salary and wage expenditure limitation by \$27,818 in the current fiscal year to fund projected expenditures for 12 months and to allow the Lottery to fill many of its vacant positions with the additional salary and wage financing from recommended expenditure authority.
2. Recommends two separate no limit accounts within the Lottery Operating Fund for On-Line Communications and On-Line Vendor Commissions.

The Governor recommends these accounts for FY 1990 and the Subcommittee's recommendation would implement them this fiscal year to address a potential increase in on-line lotto sales. Such events could require an expenditure limitation increase later this Session or in May or June if on-line sales continue to increase this fiscal year. The Subcommittee concurs with the Governor's recommended state operations expenditures of \$15,245,794 in FY 1989, but wishes to provide the Lottery with some flexibility to pay higher lotto costs if sales increase above current projections. Estimated expenditures for on-line communications are \$1,000,000 as recommended by the Governor. Estimated vendor commissions are \$3,962,400 as recommended by the Governor.

The Subcommittee recommends that all other Lottery state operations, including salaries and wages, be appropriated subject to expenditure limitations. The limitation on salaries and wages is adjusted by item number one and would be \$3.0 million in FY 1989. The limitation on other operating expenditures would be \$7,283,394 in FY 1989.

3. Requests that a bill be introduced to establish two additional statutory positions in the unclassified service: the Director of Finance and the Director of Sales. Also clarify by revising current law that the Lottery is authorized a separate Division of Sales and a Division of Marketing.

The Subcommittee believes the Director of Finance position is essential for the Lottery, particularly given the fact that the Lottery must reconcile accrual, cash and budget based accounting systems in its dealings with the Legislature and the public. These different accounting systems need to be more integrated if the Lottery is to relate its accrual and cash based information to its annual budget request in an accurate and informative manner.

The Subcommittee strongly recommends that the Director of Finance position should be filled as soon as possible since the comparable classified position has been vacant since last Session. The Subcommittee notes that the salary budgeted for this position is \$47,000. The Subcommittee is concerned that the salary may not be sufficient to attract a qualified individual with an accounting background and necessary experience which the position requires. The Lottery should fill this position as a Special Projects position if the bill has not passed authorizing the Director. The Subcommittee requests that the Chairman of the Ways and Means Committee write a letter to the KBI asking that any background checks for this position be given expedited attention.

4. Notes that the Subcommittee reviewed the question of the Lottery using contract employees instead of establishing FTE positions, with the finding that the Subcommittee believes the practice to be appropriate as long as details of each such arrangement are documented in the agency's budget request for contractual services.
5. Recommends that the Lottery treat its accounts receivable of \$1.4 million as of June 30, 1988, as revenue in this fiscal year and that 30 percent of the revenue be certified for transfer to the State Gaming Revenues Fund as soon as possible. The accounts receivable revenue should be added to the projected cash receipts for FY 1989 above the Governor's

estimates and the net remaining balance after transfer of 30 percent to the SGRF would become an additional FY 1989 resource which would enhance the Governor's estimated ending balance (see Other Information -- Lottery Operating Fund Analysis).

The Subcommittee further believes that the Lottery should review this issue to determine how to treat any accounts receivable for subsequent fiscal years occurring at the close of the accounting period on June 30. The Lottery should consider making an estimate of the 30 percent transfer by the official close of the state's books before mid-July in order to make a distribution to the SGRF for the just completed fiscal year's accounts receivable. At a latter period the Lottery should make a further adjustment to reconcile the estimated amount transferred relative to the amounts actually received during the next fiscal year on which the 30 percent transfer is due. The Lottery should report to the House Subcommittee relative to its review with its external accounting firm and its planned procedures regarding this issue of accounts receivable.

The Subcommittee further recommends that a bill be introduced to amend statutory language concerning the transfer of the 30 percent to the SGRF in order to reflect the current Memorandum of Understanding between the Director of Accounts and Reports and the Director of the Lottery. That agreement allows for monthly transfers to be based on 30 percent of sales of tickets and shares by retailers less returned tickets and less bad debt reserve. Current law specifies an amount not less than 30 percent of total revenues from the sales of lottery tickets and shares during the fiscal year be transferred.

The Subcommittee recommends that the Lottery Director secure a letter from the Lottery's external accountant explaining the concept of a reserve fund used for handling returned tickets and bad debts; how the 12 percent formula was derived for Kansas; and how the \$1.5 million maximum reserve was determined. The Subcommittee believes that this information must be provided prior to consideration of the proposed legislation after a bill is introduced.

6. Makes a technical adjustment in the Prize Funding ending balance for FY 1988 to reflect a reduction of \$466,130 made January 25, 1989, with estimated resources of \$1,699,741 as the FY 1989 beginning balance. The Subcommittee notes that \$405,000 of the funds was reserved for FY 1989 rather than FY 1988 prizes, according to the Arthur Young and Company financial compilation (see Other Information -- Prize Fund Analysis).
7. Recommends that the House consider expenditures to date and any adjustments made by the Lottery in its budgeted expenses or recently identified, unbudgeted items in such areas as communications, tickets, KBI payments, capital outlay, travel and official hospitality. The Subcommittee believes that official hospitality should be realistically budgeted and authorized by a specific account rather than to be paid through the Lottery's vendors. The House Subcommittee should review the issue of how much funding above the current limit of \$3,000 should be authorized this fiscal year.

8. Suggests that the Lottery Director not enter into any agreement of longer than one and one-half years for lease of additional warehouse space since the lease for the Lottery headquarters building has that time remaining on the current contract. The Subcommittee further recommends that the Lottery be authorized to negotiate for potential space and not be constrained by having to accept the low bid for space. This authority would be supplementary to the Lottery's major procurement negotiating authority established by statutes.

Other Information

Lottery Operating Fund Analysis. The Governor's recommended FY 1989 expenditures exceed net receipts. As a result, the \$2.75 million cash balance carried over from FY 1988 will be reduced to \$1.25 million by the end of FY 1989. The Subcommittee's recommendation in item 5 will provide an additional transfer to the SGRF of \$433,409 in FY 1989 and add \$1,011,286 of receipts above the Governor's FY 1989 estimates, thus enhancing the Lottery's ending balance. The following table summarizes the status of the Lottery Operating Fund as recommended by the Governor and adjusted by the Subcommittee:

| <u>Resource Estimate</u> | <u>Gov. Rec. FY 1989</u> | <u>Subcom. Rec. FY 1989</u> |
|--------------------------|------------------------------|---------------------------------|
| Beginning Balance** | \$ 5,104,183 | \$ 5,104,183 |
| Net Receipts | <u>11,395,817</u> | <u>12,407,104</u> |
| Total Funds Available | \$ 16,500,000 | \$ 17,511,287 |
| Less: Expenditures | <u>15,245,764</u> | <u>15,245,764</u> |
| Ending Balance | <u>\$ 1,254,236</u> | <u>\$ 2,265,523</u> |

** Beginning balance above \$2.75 million transferred to County Reappraisal Fund.

Lottery Prize Fund Analysis. The FY 1989 beginning balance of almost \$2.2 million is maintained as the ending balance for FY 1989 and FY 1990 in the Governor's estimates. The Subcommittee corrects the FY 1989 balances to reflect a change made during this fiscal year and noted in item 6. Included in the fund is an amount estimated by Arthur Young and Company to be \$405,000 which was reserved to pay FY 1989 prizes of Kansas Lottery Live, Lotto America, and the Anniversary Game Kick-Off. The following table summarizes the status of the Prize Fund as recommended by the Governor and adjusted by the Subcommittee:

| <u>Resource Estimate</u> | <u>Gov. Rec. FY 1989</u> | <u>Subcom. Rec. FY 1989</u> |
|--------------------------|------------------------------|---------------------------------|
| Beginning Balance | \$ 2,165,870 | \$ 1,699,741 |
| Net Receipts | <u>8,876,000</u> | <u>8,876,000</u> |
| Total Funds Available | \$ 11,041,870 | \$ 10,575,741 |
| Less: Expenditures | <u>8,876,000</u> | <u>8,876,000</u> |
| Ending Balance | <u>\$ 2,165,870</u> | <u>\$ 1,699,741</u> |

Senate Committee Recommendation

The Committee concurs with its Subcommittee.

House Subcommittee Recommendation

The Subcommittee concurs with the Senate with the following exceptions:

1. Transfer \$1,444,696 to the County Reappraisal Fund in order to comply with 1988 H.B. 3091 and amend 1989 S.B. 345 to provide statutory authority for the transfer to take place this fiscal year. The Subcommittee notes that the Senate's recommendation (in item 5 of its Subcommittee's Report) concerning taking 30 percent of the \$1.4 million for the State Gaming Revenues Fund was not incorporated into legislation. The funds in question were cash received this fiscal year, but were generated by sales of lottery tickets last fiscal year. If the funds had been deposited in the State Treasury by June 30, 1988, they would have been transferred to the County Reappraisal Fund under provisions of 1988 H.B. 3091. However, since the cash was deposited this fiscal year for sales which occurred last fiscal year, the funds became part of the Lottery's FY 1989 cash balance. Since the Lottery did not pay 30 percent of the \$1.4 million to the SGRF until the Senate recommended that action, the Subcommittee concludes that the Lottery also considered the cash as part of last year's financial activity
2. Amend S.B. 245 to establish a Special Lottery Operating Fund--Reserve Fund in order to provide a separate account for a \$1.5 million reserve for returned tickets and bad debts. The Senate's recommendation in item 5 of its Subcommittee Report addresses this reserve. The House Subcommittee further recommends that the maximum cumulative balance in the Reserve Fund be restricted to \$1.5 million and that expenditures in the Reserve Fund be limited to the purposes stated in S.B. 245
3. Reduce current fiscal year expenditures by \$656,833, of which \$21,833 is from the Salaries and Wages account and \$635,000 is from the Other Operating Expenditures account in S.B. 80. Savings are estimated in shipping expenses (\$65,000), tickets (\$270,000), and commodities (\$300,000). Other savings are estimated in salaries and benefits due to a higher than projected vacancy rate among the Lottery's clerical staff (re: item 7 in the Senate Report). The Subcommittee does not recommend reducing the Lottery's line item for Salaries and Wages in case a Director of Finance is hired for the last months of this fiscal year
4. Make an adjustment in Lottery Prize Fund expenditures to reflect additional spending of \$405,000 of FY 1988 funds which were carried over to FY 1989 for expenditure this fiscal year (as identified item 6 of the Senate Report). In addition, based on activity through February 28, increase the estimated receipts and expenditures of the Prize Fund by an additional \$4.0 million of receipts and expenditures based on \$8.6 million in prizes paid through the State Treasury for eight months.
5. Request that the Legislative Division of Post Audit draft a scope statement concerning an analysis and review of the Lottery's presentation of fiscal

detail budget

Post Audit

data in order to make recommendations about how the Lottery might better present its budget and financial data in a more understandable and integrated format for public use. The Subcommittee recommends that Post Audit work with both the Arthur Young and Arthur Anderson accounting firms as well as the Division of Accounts and Reports and other agencies in determining what changes should be made in current reporting procedures. The Subcommittee requests that the Chairman of this Committee request a performance audit after the scope statement is prepared by the Post Audit staff.

6. Whenever possible, all contracts should be rebid on an annual basis with a one-year option for renewal under the existing terms of the contract. This will ensure that the best possible package is secured by the Lottery in its procurement of services and goods. In particular, we recommend that the Lottery rebid their ticket contract again next year.
7. The Subcommittee notes that last year the Legislature directed the Lottery to rebid the instant ticket contract and that substantial savings in costs resulted this fiscal year and next. The Subcommittee expresses concern that the weekly game show contract was not rebid and believes that more favorable terms could have been secured if the game show contract had been rebid. The Subcommittee learned that the original contract for \$475,000 was extended at a cost of \$750,000, with the Executive Director of the Lottery now indicating that actual costs could be almost \$1.0 million. Reports from other station managers indicated that the cost might have been held to \$500,000 for the second year of the contract if it had been rebid. The Subcommittee understands that statutes exempt the Lottery from the bid law, but rebidding should be used to get the best price. The Subcommittee further questions whether the costs of the weekly TV shows is justified and how they fit into the Lottery's marketing plan:

The Subcommittee is very distressed that a contract of this magnitude was negotiated for twice the original contracted price, which appears to be double the fair market value. The Subcommittee requests that this item be examined during the Legislative Post Audit study.

8. Note that Lottery sales as of February 28 are \$4.8 million higher than the Governor's FY 1989 sales estimate. While the Subcommittee takes no action, it should be noted that an additional \$1.44 million could be transferred to the SGRF if these trends hold.
9. Express concern about expenditures in FY 1988 which occurred at the end of the fiscal year for items, such as a balloon, building and two leisure vehicles, which were not budgeted or reviewed by the Legislature. The Subcommittee hopes that such end of the year expenditures of this type do not occur this or any other fiscal year without being built into the budget and reviewed by the Legislature. If needs change, then the Lottery should submit a second revised budget. The Subcommittee is further concerned that the items do not fit into the Lottery's overall marketing plan and that the items have not been working as anticipated.

10. Develop a Lottery Marketing Strategy Plan according to the schedule noted below. The Subcommittee is concerned that flexibility has been exercised at the expense of planning and that a detailed strategic plan for FY 1990 be submitted by July 1, 1989, for legislative review. In addition, an updated FY 1990 plan should be submitted by the first day of the 1990 Legislature, along with an FY 1991 strategic plan. Such plans should be developed in conjunction with the Department of Commerce and the Lottery's primary vendors (advertising, on-line lotto and instant ticket). The purpose of the weekly TV draw show should be addressed within this plan.

Such plans shall be developed in conjunction with their advertising agency, Department of Commerce and the Lottery's primary vendors for on-line lotto and instant tickets. These plans shall include the Lottery's marketing plan, their advertising strategy, goals, objectives, number and types of games to be played, and a comprehensive, detailed budget, etc. The Subcommittee also asks that a review of the purposes, frequency, location and content of their weekly TV draw shows shall be incorporated into these plans.

11. Reiterate the Senate's item 3 in the Subcommittee Report since this Subcommittee also had trouble understanding the different types of accounting. The Subcommittee stresses that the Financial Manager has been vacant for over one year and the position is critical to the financial management of the Lottery, especially in dealings with the Legislature
12. Note that 12.0 new FTE positions were authorized by the 1988 Legislature when Lottery sales were projected at \$84.0 million. The \$14.0 million reduction in estimated FY 1989 sales were not paralleled by proportionate reductions in staffing or operating expenditures. The Subcommittee notes that the new staff did not produce the level of sales forecast.
13. Express concern that the Lottery paid \$50,000 for 8,000 copies of its annual report. The Subcommittee does not see that expenditure as part of the Lottery marketing strategy and does not believe it was an appropriate use of the funds. The statutory requirement of an annual report may have been met, but the content of the report did not provide the information intended by the Legislature when it included in statutes the reporting requirement.
14. Highlight unbudgeted expenses for economic development seminars and request a report on the results of these activities to identify costs and benefits. The Subcommittee does not view the mission of the Lottery as consistent with these activities.
15. Shift \$27,000 from advertising and promotion costs to official hospitality in FY 1989 to reflect actual costs of \$30,000 for retailer appreciation expenses. The Subcommittee further notes an additional projected expense of \$95,000 in FY 1989 to pay retailer incentives in which merchants selling winning tickets would be paid a percentage of prizes in the form of an incentive payment. The Subcommittee believes that further review of this practice should be undertaken as an Omnibus item.

16. Note that administrative costs as indicated by state operations expenditures were under 25.0 percent in FY 1988.

| | <u>Agency Req. 89</u> | <u>Governor's Rec. FY 89</u> | <u>Senate Adjustments</u> | <u>House Sub. Adjustments</u> |
|--------------------------------------|---------------------------|----------------------------------|-------------------------------|-----------------------------------|
| State Operations | \$ 15,646,716 | \$ 15,245,764 | \$ -- | \$ (656,833) |
| Prizes and Retailer Commissions** | <u>35,900,000</u> | <u>35,250,000</u> | -- | -- |
| Totals | <u>\$ 51,546,716</u> | <u>\$ 50,495,764</u> | <u>\$ --</u> | <u>\$ (656,833)</u> |
| FTE Positions | 121.0 | 121.0 | -- | -- |

** Category of prizes and retailer commissions reflects payments which never were recorded in the State Treasure as either receipts or expenditures.

| <u>Lottery Operating Fund Resource Estimate:</u> | <u>Gov. Rec. FY 1989</u> | <u>Senate Rec. FY 1989</u> | <u>House Sub. Rec. FY 1989</u> |
|--|------------------------------|---------------------------------|--|
| Beginning Balance ^(a) | \$ 5,104,183 | \$ 5,104,183 | \$ 5,104,183 |
| Net Receipts | <u>11,395,817</u> | <u>12,840,513^(b)</u> | <u>12,840,513^(b)</u> |
| Total Available | 16,500,000 | 17,944,696 | 17,944,696 |
| Less Expenditures | 15,245,764 | 15,245,764 | 14,588,931 |
| Less Special Transfers | -- | <u>433,409</u> | <u>1,444,696</u> |
| Ending Balance | <u>\$ 1,254,236</u> | <u>\$ 2,265,523</u> | <u>\$ 1,911,069</u> |

a) Beginning balance above \$2.75 million transferred to County Reappraisal Fund.

b) Includes \$1,444,696 of FY 1988 cash received this fiscal year.

| <u>Prize Fund Resource Estimate:</u> | <u>Gov. Rec. FY 1989</u> | <u>Senate Rec. FY 1989</u> | <u>House Sub. Rec. FY 1989</u> |
|--|------------------------------|--------------------------------|--|
| Beginning Balance | \$ 2,165,870 | \$ 1,699,741 | \$ 1,699,741 |
| Net Receipts | <u>8,876,000</u> | <u>8,876,000</u> | <u>12,876,000</u> |
| Total Available | \$ 11,041,870 | \$ 10,575,741 | \$ 14,575,741 |
| Less Expenditures | <u>8,876,000</u> | <u>8,876,000</u> | <u>13,281,000</u> |
| Ending Balance | <u>\$ 2,165,870</u> | <u>\$ 1,699,741</u> | <u>\$ 1,294,741</u> |

SUBCOMMITTEE REPORT

Agency: Kansas Lottery

Bill No. 31

Bill Sec. 4

Analyst: Efird

Analysis Pg. No. 223

Budget Pg. No. 440

| <u>Expenditure Summary</u> | <u>Agency Req. FY 90</u> | <u>Governor's Rec. FY 90</u> | <u>Subcommittee Adjustments</u> |
|--------------------------------------|------------------------------|----------------------------------|-------------------------------------|
| All Funds: | | | |
| State Operations | \$ 15,876,000 | \$ 14,384,459 | \$ -- |
| Prizes and Retailer Commissions** | <u>41,350,000</u> | <u>35,555,000</u> | -- |
| TOTAL | <u>\$ 57,226,000</u> | <u>\$ 49,939,459</u> | <u>\$ --</u> |
| FTE Positions | 123.0 | 121.0 | -- |

** Category of prizes and retailer commissions reflect payments which never were recorded in the State Treasury as either receipts or expenditures.

Agency Request/Governor's Recommendation

The agency estimates lottery sales of \$80.0 million next fiscal year. Expenditures for state operations are estimated at \$15.9 million and staffing of 123.0 FTE positions is requested by the Kansas Lottery. Also included in the request is \$10.1 million for lottery prize claims to be paid by the state. Transfers to the SGRF in FY 1990 are estimated at \$24.0 million (based on 30.0 percent of gross retail sales). Increased expenditures budgeted for state operations result primarily from additional marketing services, communications and staff costs. Reduced expenditures are attributed to on-line vendor commissions being lowered from 12.7 percent in FY 1989 to 6.7 percent in FY 1990, lower costs for tickets, and reductions in other areas such as capital outlay.

The Governor estimates lottery sales of \$70.0 million next fiscal year. Expenditures for state operations are recommended at \$14.4 million with staffing of 121.0 FTE positions. Also included in the recommendation is \$8.9 million for lottery prize claims to be paid by the state. Transfers to the SGRF in FY 1990 are estimated at \$21.0 million (based on 30.0 percent of gross retail sales). Increased expenditures for state operations are recommended for additional marketing services and staff costs. Reduced expenditures are attributed to on-line vendor commissions being lowered from 12.7 percent in FY 1989 to 6.7 percent in FY 1990, lower costs for tickets, and reductions in other areas such as capital outlay.

The Governor's FY 1990 recommendations include expenditure limitations for the Lottery Operating Fund and for salaries and wages, but a proviso exempts expenditures from the Lottery Operating Fund limitation for any expenses for on-line terminal communications charges and on-line vendor commission payments.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations, with the following exceptions:

1. Provides for two separate no limit accounts within the Lottery Operating Fund for on-line communications and on-line vendor commissions for lotto. The Governor's recommendation included in S.B. 31 has proviso language which should be amended to show specific fund accounts. The Subcommittee further recommends that in addition to salaries and wages, an expenditure limitation on other operating expenditures also be established. The Subcommittee concurs with the Governor's recommended limitation on salaries and wages of \$3,239,858. Vendor commissions are estimated at \$2,546,000 and on-line lotto communications costs are estimated at \$1,600,000. The net difference between the sum of these three expenditure categories and the Governor's recommended expenditures of \$14,384,459 in FY 1990 is \$6,998,601 which the Subcommittee recommends as the OOE limitation.
2. Recommends that the House consider any adjustments, changes or recently identified items (which the Lottery has identified as unbudgeted expenses) in such areas as rents, communications, tickets, KBI payments, capital outlay, travel and official hospitality. The Subcommittee believes that official hospitality should be realistically budgeted and authorized by proviso rather than be paid through the Lottery's vendors. The House Subcommittee should review the issue of how much funding should be authorized in FY 1990 in conjunction with its review of FY 1989 expenditures for this area.
3. Notes that a proposed software upgrade to the existing software originally provided by BABN should be provided at no cost to the state. The Subcommittee is concerned about possible hardware upgrade costs which could result from software upgrades and directs that the Lottery in its revised FY 1990 and FY 1991 budgets submitted to the 1990 Legislature present detailed information about its computer operations, anticipated changes in operations and costs.
4. Recommends that the Lottery in future component unit financial statements prepared by its external accounting firm add to its accrual balance sheet a breakout of fund activity into its two statutory funds -- the Lottery Operating Fund and the Prize Fund.
5. Compliments the Director of the Lottery and his staff on efforts which have led to sales which have exceeded the expectations of many people.

Summary of Recommendations

| <u>Governor's Recommended -- LOF</u> | <u>FY 1989</u> | <u>FY 1990</u> | <u>Change</u> |
|--------------------------------------|----------------|----------------|----------------|
| Administrative Costs: | \$ 15,245,794 | \$ 14,384,459 | \$ (861,335) |
| Salaries and Wages | 2,929,199 | 3,239,858 | 310,659 |
| Other Operating | 7,354,195 | 7,374,601 | 20,406 |
| Subtotal -- Limitation | \$ 10,283,394 | \$ 10,614,459 | \$ 331,065 |
| On-line Vendor Commissions | \$ 3,962,400 | \$ 2,720,000 | \$ (1,242,400) |
| On-line Communications | 1,000,000 | 1,050,000 | 50,000 |
| Subtotal -- No Limits | \$ 4,962,400 | \$ 3,770,000 | \$ (1,192,400) |

Subcommittee's Recommended -- LOF

| | | | |
|----------------------------|---------------|---------------|----------------|
| Administrative Costs: | \$ 15,245,794 | \$ 14,384,459 | \$ (861,335) |
| Salaries and Wages | 3,000,000 | 3,239,858 | 310,659 |
| Other Operating | 7,283,394 | 6,998,601 | (355,594) |
| Subtotal -- Limitations | \$ 10,283,394 | \$ 10,238,459 | \$ (44,935) |
| On-line Vendor Commissions | \$ 3,962,400 | \$ 2,546,000 | \$ (1,416,400) |
| On-line Communications | 1,000,000 | 1,600,000 | 600,000 |
| Subtotal -- No Limits | \$ 4,962,400 | \$ 4,146,000 | \$ (816,400) |

Other Information

Lottery Operating Fund Analysis. The Governor's recommended FY 1990 balance is less than \$900,000, but the Subcommittee adjustment for FY 1989 will allow the agency to spend at the Governor's recommended level and end FY 1990 will a carryover balance of \$1.9 million based on the Governor's revenue estimates for Lottery sales. The following table summarizes the status of the Lottery Operating Fund as recommended by the Governor and adjusted by the Subcommittee:

| <u>Resource Estimate</u> | <u>Gov. Rec. FY 90</u> | <u>Sub. Rec. FY 90</u> |
|--------------------------|----------------------------|----------------------------|
| Beginning Balance | \$ 1,254,236 | \$ 2,265,523 |
| Net Receipts | 14,020,000 | 14,020,000 |
| Total Available | \$ 15,274,236 | \$ 16,285,523 |
| Less Expenditures | 14,384,459 | 14,384,459 |
| Ending Balance | \$ 889,777 | \$ 1,901,064 |

Lottery Prize Fund Analysis. The FY 1989 and FY 1990 ending balances reflect monies set aside to pay winners of tickets which were distributed in one fiscal year based on the expected claims to be presented the next fiscal year. The following table summarizes the status of the Lottery Prize Fund as recommended by the Governor and adjusted by the Subcommittee:

| <u>Resource Estimate</u> | <u>Gov. Rec. FY 90</u> | <u>Sub. Rec. FY 90</u> |
|--------------------------|----------------------------|----------------------------|
| Beginning Balance | \$ 2,165,870 | \$ 1,699,741 |
| Net Receipts | <u>8,876,000</u> | <u>8,876,000</u> |
| Total Available | \$ 11,041,870 | \$ 10,575,741 |
| Less Expenditures | <u>8,876,000</u> | <u>8,876,000</u> |
| Ending Balance | <u>\$ 2,165,870</u> | <u>\$ 1,699,741</u> |

Senate Committee Recommendation

The Committee concurs with its Subcommittee.

House Subcommittee Recommendation

The Subcommittee concurs with the Senate's FY 1990 recommendations and adds the following items:

1. Shift \$27,000 from advertising and promotional costs to pay official hospitality estimated at \$30,000 in FY 1990.
2. Note that no other adjustments were made in FY 1990 expenditures since the Subcommittee felt reluctant to take action this Session without the information requested as part of its FY 1989 recommendations.
3. Commend the Lottery on providing an important source of financing which reduces the demands on the State General Fund. The Subcommittee notes that Lottery sales through February 28, 1989, exceeded the Governor's estimate by \$4.8 million. The Subcommittee wishes to show transfers from the Lottery and the purposes for which the funds are used:

State Gaming Revenues Fund Transfers:

| | Actual FY 1988 | Revised FY 1989 | July-Feb. FY 1989 |
|--|-------------------|--------------------|----------------------------|
| Receipts: | | | |
| Regular Transfers | \$ 8,500,000 | \$21,000,000 | \$ 14,071,393 |
| Special Transfers | 0 | 0 | 433,409 ^(a) |
| Subtotal-Receipts | \$ 8,500,000 | \$21,000,000 | \$ 14,504,802 |
| Total Funds Available: | \$ 8,500,000 | \$21,000,000 | \$ 14,504,802 |
| Less Transfers: | | | |
| To Econ. Devp. Initiatives Fund | \$ 5,100,000 | \$12,600,000 | \$ 8,702,881 |
| To County Reappraisal Fund | 2,550,000 | 6,300,000 | 4,351,441 |
| To Correctional Insts. Bldg. Fund | 850,000 | 2,100,000 | 1,450,480 |
| Total SGRF Transfers: | \$ 8,500,000 | \$21,000,000 | \$ 14,504,802 |
| Other Statutory County Reappraisal Fund Transfers: | | \$ 2,905,367 | \$ 2,905,367 ^{b)} |

a) 30 percent of \$1,444,696 recommended by the Senate.

b) Does not include \$1,444,696 recommended in this report.

| <u>Expenditure Summary</u> | <u>Agency Req. FY 90</u> | <u>Governor's Rec. FY 90</u> | <u>Senate Adjustments</u> | <u>House Subcommittee Adjustments</u> |
|-----------------------------|------------------------------|----------------------------------|-------------------------------|---|
| All Funds: | | | | |
| State Operations | \$15,876,000 | \$ 14,384,459 | \$ -- | \$ -- |
| Prizes and Commissions** | 41,350,000 | 35,555,000 | -- | -- |
| Total | \$57,226,000 | \$ 49,939,459 | \$ -- | \$ -- |
| FTE Positions | 123.0 | 121.0 | -- | -- |

** Category of prizes and retailer commissions reflects payments which never were recorded in the State Treasury as either receipts or expenditures.

| <u>Lottery Operating Fund Resource Estimate:</u> | <u>Gov. Rec. FY 1990</u> | <u>Senate Rec. FY 1990</u> | <u>House Subcommittee FY 1990</u> |
|--|------------------------------|--------------------------------|---|
| Beginning Balance | \$ 1,254,236 | \$ 2,265,523 | \$ 1,911,064 |
| Net Receipts | 14,020,000 | 14,020,000 | 14,020,000 |
| Total Available | \$ 15,274,236 | \$ 16,285,523 | \$ 15,931,064 |
| Less Expenditures | 14,384,459 | 14,384,459 | 14,384,459 |
| Ending Balance | \$ 889,777 | \$ 1,901,064 | \$ 1,546,605 |

| Prize Fund Resource Estimate: | <u>Gov. Rec. FY 1990</u> | <u>Senate Rec. FY 1990</u> | <u>House Subcommittee FY 1990</u> |
|----------------------------------|------------------------------|--------------------------------|---|
| Beginning Balance | \$ 2,165,870 | \$ 1,699,741 | \$ 1,294,741 |
| Net Receipts | <u>8,876,000</u> | <u>8,876,000</u> | <u>8,876,000</u> |
| Total Available | <u>\$ 11,041,870</u> | <u>\$ 10,575,741</u> | <u>\$ 10,170,741</u> |
| Less Expenditures | <u>8,876,000</u> | <u>8,876,000</u> | <u>8,876,000</u> |
| Ending Balance | <u>\$ 2,165,870</u> | <u>\$ 1,699,741</u> | <u>\$ 1,294,741</u> |

Rep. Hevley request

HOUSE BILL NO. _____

By Committee on Appropriations

AN ACT concerning cities; relating to zoning; amending K.S.A. 12-709 and repealing the existing section.

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

Section 1. K.S.A. 12-709 is hereby amended to read as follows: 12-709. (a) Except as provided in subsection (b), ordinances passed under authority of this act K.S.A. 12-707 et seq., and amendments thereto, shall not apply to the existing use of any building or land, and shall not prevent the restoration of a building damaged not more than fifty-percent-(50%) 50% of its structural value by fire, explosion, act of God, or the public enemy, or prevent the continuance of the use of such building or part thereof as such use existed at the time of such damage but shall apply to any alteration of a building to provide for a change in such use or a change in the use of any building or land after the effective date of any such ordinance.

(b) The governing body of any city may adopt regulations providing for the elimination, over a period of not less than three years, of nonconforming uses which constitute nuisances. The governing body of the city shall hold a hearing to consider the elimination of any such nonconforming use, which hearing shall be called and held in the manner provided by K.S.A. 12-708, and amendments thereto. At such hearing, all interested parties shall be granted an opportunity to be heard. Following such hearing, if the governing body finds that the nonconforming use constitutes a nuisance, the governing body may order the elimination of the nonconforming use in the manner provided by regulations adopted pursuant to this subsection.

Sec. 2. K.S.A. 12-709 is hereby repealed.

Sec. 3. This act shall take effect and be in force from and after its publication in the statute book.

HA
3-27-89
Attachment 6

Vancouver request

HOUSE BILL NO. _____

By Committee on Appropriations

AN ACT concerning the department of corrections; relating to certain placements of inmates in facilities pursuant to contracts with municipalities.

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

Section 1. The secretary of corrections is hereby authorized to negotiate and enter into a contract with the city of Horton, Kansas, for the placement of inmates, who are classified as medium custody or any higher custody or security classification, in facilities owned and operated by the city of Horton, Kansas. The secretary of corrections shall negotiate and execute a preliminary letter of commitment on or before June 1, 1989, providing that if any inmates classified as medium custody or any higher custody or security classification are placed for confinement in facilities other than correctional or other institutions or facilities owned or operated by the department of corrections or any other state agency, that such inmates shall be placed in facilities owned and operated by the city of Horton, Kansas, in accordance with the contract entered into pursuant to this section. The provisions of this section and any contract or preliminary letter of commitment entered into pursuant to this section shall not apply to any minimum custody or community custody status inmates, or any other custody or security classification lower than medium custody, or to any inmate who may be placed in a work release or prerelease program, center or facility by the secretary of corrections or who is eligible for parole. Contracts entered into pursuant to this section shall not be subject to competitive bid requirements under K.S.A. 75-3739 and amendments thereto.

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

HA
3-27-89
Attachment 7