

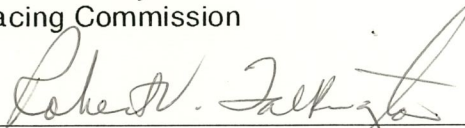
SENATE SUBCOMMITTEE REPORTS ON  
HOUSE BILL NO. 2796 --  
SUPPLEMENTAL APPROPRIATIONS BILL

AND

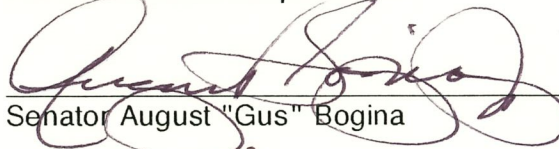
HOUSE BILL NO. 2721 -- FY 1989 APPROPRIATIONS BILL

Sections Pertaining to:

- Section 2 -- Kansas Public Employees Retirement System
- Section 3 -- Department of Revenue
- Section 4 -- Kansas Lottery
- Section 5 -- Kansas Racing Commission



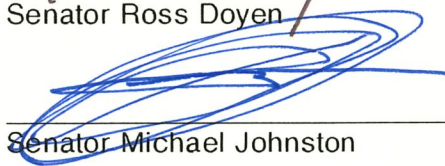
\_\_\_\_\_  
Senator Robert Talkington  
Subcommittee Chairperson



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Senator August "Gus" Bogina



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Senator Ross Doyen



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Senator Michael Johnston

## SUBCOMMITTEE REPORT

Agency: Kansas Public Employees  
Retirement System (KPERs)

Bill No. 2796

Bill Sec. 7

Analyst: Conroy

Analysis Pg. No. 137

Budget Pg. No. 1-149  
3-34

<u>Expenditure Summary</u>	<u>Agency Req. FY 88</u>	<u>Governor's Rec. FY 88</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 2,737,730	\$ 2,630,413	\$ 13,325
Aid to Local Units	48,820,221	48,640,710	--
Other Assistance	<u>128,721,035</u>	<u>128,721,035</u>	--
Total	<u>\$180,278,986</u>	<u>\$179,992,158</u>	<u>\$ 13,325</u>
State General Fund:			
Aid to Local Units	\$ 48,820,221	\$ 48,640,710	\$ --
FTE Positions	63.0	63.0	--

### Agency Estimate/Governor's Recommendation

The agency's FY 1988 revised estimate totals \$180,278,986. The revised FY 1988 estimate for operating expenses is \$2,737,730, the same amount as originally approved. The agency's FY 1988 estimate for state aid to local units of government for public schools employers' contributions is also the same amount as originally approved, \$48,820,221. The FY 1988 revised estimate for other assistance of public employee benefits is \$128,721,035, or \$6,135,958 above the original FY 1988 amount.

The Governor's recommendation for FY 1988 is \$179,992,158, which includes a reduction of \$107,317 for state operations below the agency's estimate. The Governor has also decreased the amount of funds for public school employers' contributions from the estimated amount of \$48,820,221 to \$48,640,710, or a reduction of \$179,511. The Governor concurs with the agency's revised estimate of \$128,721,035 for employee benefits.

### House Subcommittee Recommendations

**FY 1988.** The House Subcommittee concurs with the Governor's recommendations with the following adjustments:

1. Add \$15,000 for unanticipated Division of Information Systems and Communications (DISC) line charges.
2. Delete \$15,000 for capital outlay items.
3. Add \$13,325 for contractual services based on the current and estimated expenditure patterns.

4. The Subcommittee notes that additional funds may be needed by the agency for communication expenses, especially postage. If additional funds are required, the Subcommittee recommends that the agency seek a Governor's Budget Amendment for the increased resources.

House Committee Recommendations

The House Committee concurs with the Subcommittee's recommendations.

House Committee of the Whole Recommendations

The House concurs with the Committee's recommendations.

Senate Subcommittee Recommendations

<u>Expenditure Summary</u>	<u>House Adj. FY 88</u>	<u>House Rec. FY 88</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 13,325	\$ 2,643,738	\$ 70,000
Aid to Local Units	--	48,640,710	--
Other Assistance	--	128,721,035	--
TOTAL	<u>\$ 13,325</u>	<u>\$180,005,483</u>	<u>\$ 70,000</u>
State General Fund:			
Aid to Local Units	\$ --	\$ 48,640,710	\$ --
FTE Positions	--	63.0	--

The Senate Subcommittee concurs with the House recommendations with the following adjustments:

1. Add \$50,000 for data processing costs associated with the continued development of the agency's data processing membership system. The development of the membership system is entering a critical point to meet the needs of the agency and local participating employers and the Subcommittee recommends the additional funds to ensure the timely development of the system.
2. Add \$20,000 to meet unanticipated Division of Information Systems and Communications (DISC) line charges.

## SUBCOMMITTEE REPORT

Agency: Kansas Public Employees  
Retirement System (KPERS)

Bill No. 2721

Bill Sec. 2

Analyst: Conroy

Analysis Pg. No. 137

Budget Pg. No. 1-149  
3-34

<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	\$ 2,955,728	\$ 2,811,530	\$ 7,565
Aid to Local Units	36,845,638	36,453,239	--
Other Assistance	<u>136,641,155</u>	<u>136,641,155</u>	--
Total	<u>\$176,442,521</u>	<u>\$175,905,924</u>	<u>\$ 7,565</u>
State General Fund:			
State Operations	\$ 6,000	\$ 6,000	\$ --
Aid to Local Units	<u>36,845,638</u>	<u>36,453,239</u>	--
Total	<u>\$ 36,851,638</u>	<u>\$ 36,459,239</u>	<u>\$ --</u>
FTE Positions	63.0	63.0	--

### Agency Estimate/Governor's Recommendation

The KPERS operating budget request for FY 1989 totals \$176,442,521. The agency request for state operations of \$2,955,728 is an 8.0 percent increase above the agency's FY 1988 estimate. In state operations, the agency is proposing continued development of the agency's data processing system, hiring a consultant for a centralized correspondence file, and implementation of a toll-free number to serve members of the retirement system. A decrease is reflected in the local aid amount for public school employers' contributions, since the FY 1988 amount includes one quarter's payment plus interest from FY 1987 (\$11,678,000). Public employees retirement and disability benefits are estimated to increase by \$7,920,120 or 6.2 percent.

For FY 1989, the Governor recommends a total budget of \$175,905,924, or \$536,597 below the agency's request. The Governor's recommendation for state operations is \$2,811,530, or \$144,198 less than the agency requested. The Governor recommends continued development of the agency's data processing system and implementation of a toll-free number to serve members of the retirement system. The Governor recommends \$36,453,239, or \$392,399 less than the agency request, for public school employers' contributions. The FY 1989 recommendation is based on school budget limitations of 2.0 percent to 4.0 percent and an employer contribution rate of 3.04 percent. The Governor concurs with the agency request of \$136,641,155 for public employee retirement and disability payments.

### House Subcommittee Recommendations

**FY 1989.** The House Subcommittee concurs with the Governor's recommendations with the following adjustments:

1. Add \$10,000 for unanticipated Division of Information Systems and Communications (DISC) line charges.
2. Add \$5,000 for printing to ensure the current level of informational material is available to members and participating employers in the budget year.
3. Add \$4,000 for travel and subsistence for members of KPERS Board of Trustees. The Subcommittee notes that the funds could be used for Board members to travel to interview prospective KPERS Fund investment managers, which has been very beneficial in the past. The Subcommittee further notes that the majority of Board members are new which could require additional travel for orientation of the new members.
4. Add \$10,065 to correct an oversight for actuarial services to meet the guidelines of the Governmental Accounting Standards Board.
5. Delete \$20,000 for various capital outlay items.
6. Delete \$1,500 for official hospitality. The Subcommittee recommends that the FY 1988 level of \$1,500 for official hospitality continue in FY 1989.
7. The Subcommittee concurs with the Governor's recommendation that a sublimitation on salaries and wages be placed on the overall administrative expenses account. The Subcommittee notes this FY 1989 change for the Committee.

#### House Committee Recommendations

The House Committee concurs with the Subcommittee's recommendations.

#### House Committee of the Whole Recommendations

The House concurs with the Committee's recommendations.

Senate Subcommittee Recommendations

<u>Expenditure Summary</u>	<u>House Adj. FY 89</u>	<u>House Rec. FY 89</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 7,565	\$ 2,819,095	\$ 741
Aid to Local Units	--	36,453,239	--
Aid to Local Units	--	136,641,155	--
TOTAL	<u>\$ 7,565</u>	<u>\$175,913,489</u>	<u>\$ 741</u>
State General Fund:			
State Operations	\$ --	\$ 6,000	\$ --
Aid to Local Units	--	36,453,239	--
TOTAL	<u>\$ --</u>	<u>\$ 36,459,239</u>	<u>\$ --</u>
FTE Positions	--	63.0	--

The Senate Subcommittee concurs with the House recommendations with the following adjustments:

1. Delete \$51,759 for costs associated with establishing a toll-free number at the agency. The Subcommittee recommendation will still provide that a toll-free number be established at the agency, however, the Subcommittee recommends that two phone lines be installed rather than five. The Subcommittee further recommends that if there is a positive response to the utilization of the toll-free number, that future consideration be given to expanding the number of phone lines.
2. Add \$30,000 for temporary employees to help address the cyclical work load patterns within the agency.
3. Add \$12,500 for postage based on higher than anticipated expenditures.
4. Add \$10,000 to meet unanticipated Division of Information Systems and Communications (DISC) line charges.

## SUBCOMMITTEE REPORT

Agency: Department of Revenue

Bill No. 2796

Bill Sec. 10

Analyst: Efird

Analysis Pg. No. 144

Budget Pg. No. 1-161

<u>Expenditure Summary</u>	<u>Agency Req. FY 88</u>	<u>Governor's Rec. FY 88</u>	<u>Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 49,287,842	\$ 48,134,131	\$ 847,110
Aid to Local Units	17,844,262	17,998,876	(1,054,050)
Other Assistance	<u>1,875,000</u>	<u>1,875,000</u>	<u>--</u>
<b>SUBTOTAL</b>	<b>\$ 69,007,104</b>	<b>\$ 69,008,007</b>	<b>\$ (206,940)</b>
Capital Improvements	298,570	298,570	--
<b>TOTAL</b>	<b><u>\$ 69,305,674</u></b>	<b><u>\$ 69,306,577</u></b>	<b><u>\$ (206,940)</u></b>
<b>State General Fund:</b>			
State Operations	\$ 24,733,167	\$ 24,616,266	\$ (152,919)
Aid to Local Units	<u>346,169</u>	<u>7,775,869</u>	<u>--</u>
<b>TOTAL</b>	<b><u>\$ 25,079,336</u></b>	<b><u>\$ 32,392,135</u></b>	<b><u>\$ (152,919)</u></b>
<b>FTE Positions</b>	1,529.0	1,529.0	--

### Agency Request/Governor's Recommendation

The agency requests a State General Fund supplemental of \$74,027 for state operations. In addition, numerous other adjustments are made in the approved budget with expenditure limitation adjustments sought for many of the agency's funds.

The net impact of the recommendations in the Governor's Budget Report would result in an increase of \$47,106 above the approved budget from various non-State General Fund sources and a reduction of 3.0 FTE positions from the approved level. In addition, the Governor recommends that \$7,429,700 budgeted as a transfer from the State General Fund to the County Reappraisal Fund be expended from the State General Fund as state aid.

### House Subcommittee Recommendations

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

1. Appropriate the State Gaming Revenue Fund to the Treasurer's Office and provide for the transfer of the amounts approved by the 1987 Legislature to be distributed among the funds identified in K.S.A. 1987 Supp. 79-4801 et. seq. In the case of the County Reappraisal Fund, a authorization for a transfer of at least \$1,970,300 should be included in the Department of Revenue's supplemental appropriation bill for transfer in the fourth quarter of this fiscal year.

2. Reduce the capital outlay expenditures from \$429,393 to \$344,134, the amount approved by the 1987 Legislature, less \$1,682 of State General Fund savings in reappraisal financing. Other reductions are \$41,237 from the State General Fund and \$44,021 from the DOV Operating Fund.
3. Reduce contractual services expenditures by \$40,000 from the State General Fund in the Division of Collections.
4. Express concern about the higher than expected increases in expenditures due to implementation of the Vehicle Information Processing System (VIPS), especially in regard to data processing services from the Division of Information Systems and Computing (DISC). The agency indicated that a recent projection for the current fiscal year estimates \$300,000 of additional expenses associated with VIPS data processing charges might be incurred if present trends continue. The Subcommittee takes no action, pending DISC evaluation of the situation and recommendations to be considered during Omnibus.
5. Shift \$1,054,050 from state aid to capital outlay -- state operations, an amount equal to one-third of the financing recommended for reimbursement to counties for VIPS equipment. Since the agency is acquiring computer equipment for some counties and retaining title, the expense should not be considered state aid to local units.
6. Add a provision that financing from the Reimbursement to Counties for VIPS account may be used as capital outlay for acquiring computer equipment and software.
7. Reduce \$10,000 from the DOV Operating Fund for temporary salaries budgeted in Personnel Services.
8. Reduce \$20,000 from the State General Fund for travel and subsistence in the Audit Services Bureau.
9. Concur with the agency's desire to raise the pay from \$3.35 to \$4.22 and \$4.65 per hour for seasonal workers who are employed during income tax filing season. The Subcommittee believes that the agency has sufficient financial resources to pay the higher rates without a supplemental appropriation estimated by the agency at \$30,000 from the State General Fund.
10. Reduce \$50,000 from the State General Fund for travel and subsistence of the Alcohol Beverage Control Division.

#### House Committee Recommendation

The Committee concurs with its Subcommittee's report.



Senate Subcommittee Recommendations

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

1. Appropriate the State Gaming Revenue Fund to the Division of Accounts and Reports, Department of Administration, rather than to the Treasurer's Office as recommended by the House. The Subcommittee notes that the Fund was established on March 3, 1988, in accordance with K.S.A. 79-4801 et. seq. and that the Fund was assigned to the Division of Accounts and Reports rather than to the Treasurer's Office.
2. Restore \$20,000 from the State General Fund for contractual services in the Division of Collections. The House had reduced expenditures by \$40,000 for this fiscal year based on spending patterns for the first six months.
3. Note the House concern about DISC fees and the Secretary of Revenue's proposed plan to shift \$300,000 from the DOV Operating Fund budgeted for license plates in FY 1988 to pay any shortfall in DISC fees due to implementation of VIPS. The House had concurred with the Governor's recommended expenditures of \$1,237,383 for new tags this fiscal year.

2796-565/JE

## SUBCOMMITTEE REPORT

Agency: Department of Revenue

Bill No. 2721

Bill Sec. 3

Analyst: Efird

Analysis Pg. No. 144

Budget Pg. No. 1-161

<u>Expenditure Summary</u>	<u>Agency Req. FY 89</u>	<u>Governor's Rec. FY 89</u>	<u>Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 56,130,197	\$ 48,908,495	\$ 270,301
Aid to Local Units	22,641,856	22,438,813	(902,007)
Other Assistance	<u>2,500,000</u>	<u>2,500,000</u>	<u>--</u>
<b>SUBTOTAL</b>	<b>\$ 81,272,053</b>	<b>\$ 73,847,308</b>	<b>\$ (631,706)</b>
Capital Improvements	191,869	--	--
<b>TOTAL</b>	<b><u>\$ 81,463,922</u></b>	<b><u>\$ 73,847,308</u></b>	<b><u>\$ (631,706)</u></b>
<b>State General Fund:</b>			
State Operations	\$ 29,102,459	\$ 26,165,451	\$ (449,863)
Aid to Local Units	<u>--</u>	<u>7,000,000</u>	<u>(7,000,000)</u>
<b>TOTAL</b>	<b><u>\$ 29,102,459</u></b>	<b><u>\$ 33,165,451</u></b>	<b><u>\$ (7,449,863)</u></b>
FTE Positions	1,355.0	1,355.0	(36.0)

### Agency Estimate/Governor's Recommendation

The agency proposes establishment of a Division of Collections to improve its ability to collect delinquent taxes. Continued financing of statewide reappraisal is requested, including \$15,000,000 to partially reimburse counties. Data processing and related charges are increased as VIPS will be implemented in all Kansas counties.

The Governor's recommendations continue current levels of service, including implementation of VIPS and statewide reappraisal. Establishment of a Division of Collections is provided in the budget. The Motor Carrier Inspection (MCI) enforcement activities are transferred to the Highway Patrol's budget.

### House Subcommittee Recommendations

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

1. Recommend introduction of legislation which would enable the Secretary of Revenue to negotiate and to contract with a vendor to provide an automated collection system (ACS) to enhance the collection of delinquent taxes, with reimbursement to the vendor based on paying a percentage of the difference between current collections of delinquent accounts and collections realized through the automated system.
  
2. Recommend introduction of legislation to collect unclaimed mineral royalty payments currently held by oil and gas companies and to place those funds in a state trust fund, with interest

accruing to the State General Fund. Oklahoma adopted a similar procedure in 1985.

3. Delete the State General Fund appropriation of \$7,000,000 for reappraisal state aid and introduce legislation to allow up to \$7,000,000 to be borrowed from the Pooled Money Investment Board, to be repaid with funds in FY 1990 from the State Gaming Revenue Fund by extending for one year the current provision that 30 percent of the State Gaming Revenue Fund receipts be transferred to the County Reappraisal Fund to be used for reimbursing reappraisal expenses.
4. Appropriate the State Gaming Revenue Fund to the Treasurer's Office. In addition, increase the expenditure limitation to \$15,000,000 in FY 1989 for the County Reappraisal Fund, which would shift \$7,000,000 of FY 1989 expenditures from the State General Fund to other funding sources.
5. Delete 20.0 FTE positions from the agency's recommended limitation of 1,355.0. No reduction in financing is recommended since the Subcommittee feels that the salary turnover rate is excessive. The agency averaged 79 vacant positions the first four months of this fiscal year and reported 72 vacant positions as of February 15, 1988.
6. Reduce \$42,228 from the State General Fund for reclassifications. The Subcommittee has reviewed the Governor's recommended reclassifications and chooses not to recommend funding for these positions.
7. Reduce contractual services expenditures by \$20,137 from the State General Fund in the Division of Collections.
8. Concern is expressed about the increases in expenditures due to VIPS implementation, especially in regard to data processing fees charged by the Division of Information Systems and Computing (DISC). Note a letter from the Director of DISC discussing the situation, but which was received too late for any consideration. Recommend that the Senate Subcommittee review this letter.
9. Shift from the state aid to capital outlay--state operations one-third of the financing or \$902,007 from the DOV Operating Fund originally appropriated for reimbursement to counties for VIPS equipment. The agency is purchasing computer equipment for some counties and retaining title rather than reimbursing counties for previous purchases of computer equipment.
10. Add a proviso that financing from the Reimbursement to Counties for VIPS account may be used as capital outlay for acquiring computer equipment and software.
11. Delete 7.0 FTE data entry positions due to implementation of VIPS. Savings are estimated at \$124,511 from the DOV Operating Fund.

12. Delete 7.0 FTE data processing programmer and systems analyst positions which are scheduled to work on sales tax. The Subcommittee believes that the inability of the agency to implement successfully the Kansas Integrated Business Tax System (K-BITS) does not provide a justification to make another attempt to correct past failures. Savings are estimated at \$250,000 from the State General Fund.
13. Add \$165,000 to the State General Fund--Reappraisal account in order to finance 10 intermittent staff to assist during the hearing and appeals process anticipated with statewide reappraisal in 1989. Funding of \$123,147 is allocated for salaries and wages while \$41,853 is made available for other operating expenses, including travel. No new FTE positions are recommended.
14. Reduce \$100,000 from the State General Fund associated with membership in the Multi-State Tax Commission. The Subcommittee notes that the funding was included only in the "C" level budget.
15. Reduce \$69,678 from the State General Fund for rent of ABC office space. Information was requested regarding the anticipated Division of Alcohol Beverage Control relocation to the Docking State Office Building but the agency failed to provide an update in a timely manner.
16. Reduce \$10,000 from the DOV Operating Fund for temporary salaries budgeted in Personnel Services.
17. Reduce \$10,000 from the State General Fund for professional fees in the Legal Services Bureau.
18. Reduce \$40,000 from the State General Fund in the Planning and Research Bureau to reflect salary savings which will be realized by needing fewer staff next year due to the acquisition of new personal computing equipment this fiscal year. The Subcommittee notes that the new computers and other related new equipment were purchased with \$40,000 added last Session in the Omnibus bill for ABC to buy new personal computers. Instead, ABC was given a used AT&T minicomputer, terminals and other equipment previously used in the Planning and Research Bureau.
19. Reduce \$2,640 from the State General Fund and \$2,566 from the DOV Operating Fund for reclassifying two secretarial positions to higher paid classifications in the Planning and Research Bureau.
20. Reduce \$20,000 from the State General Fund for travel and subsistence in the Audit Services Bureau.
21. Reduce \$60,180 from the State General Fund for travel and subsistence of the Alcohol Beverage Control Division.

22. Note the Governor's recommended transfer to the Highway Patrol of the Motor Carrier Inspection (MCI) enforcement activities, 174.0 FTE positions, and financing from the State Highway Fund.
23. Reduce \$37,743 for salaries and wages, \$7,023 for other operating costs from the DOV Operating Fund, and 2.0 FTE positions from MCI which were suppose to be transferred to the Highway Patrol but were left in the Division of Vehicle's budget by mistake.
24. Note a reduction of \$4,390 from the DOV Operating Fund expenditures to correct a miscalculation in health insurance costs only for technical adjustment in the Governor's recommended budget.

#### House Committee Recommendation

The Committee concurs with its Subcommittee's report.

#### Senate Subcommittee Recommendations

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

1. Restore \$7,000,000 from the State General Fund to pay a portion of the recommended \$15,000,000 in FY 1989 state aid for country reappraisal costs. The Subcommittee does not agree with the House position of substituting a \$7,000,000 loan from the Pooled Money Investment Board. The Subcommittee concurs with the Governor's recommended financing plan which includes extending for one year through FY 1990 the statutory provision that 30 percent of the State Gaming Revenue Fund receipts be used in FY 1990 for repaying the State General Fund for the \$7,000,000 in FY 1989.
2. Reduce the expenditure limitation from \$15,000,000 to \$8,000,000 for the County Reappraisal Fund in FY 1989 since an additional \$7,000,000 would be financed from the State General Fund. The Subcommittee concurs with the Governor's recommended expenditure of \$8,000,000 from the County Reappraisal Fund based on the projected 30 percent distributions from the State Gaming Revenue Fund in FY 1989 assumed by the Governor's Budget Report.
3. Appropriate the State Gaming Revenue Fund to the Division of Accounts and Reports, Department of Administration, in FY 1989, instead of to the Treasurer's Office as recommended by the House. The Subcommittee notes that the Fund was established on March 3, 1988, in accordance with K.S.A. 79-4801 et. seq. and that the Fund was assigned to the Division of Accounts and Reports rather than to the Treasurer's Office.

4. Restore \$10,000 from the State General Fund for contractual services of the Division of Collections. The House had reduced \$20,137 in FY 1989 based on reductions of \$40,000 in the current fiscal year by legislative action.
5. Note a potential problem with unfunding of DISC fees next fiscal year if a projected shortfall of \$300,000 this fiscal year occurs. When VIPS is implemented in all 105 counties by December 1988, the problem of DISC computer charges could result in a much greater shortfall of financing than this fiscal year's situation.
6. Restore 7.0 FTE positions and \$124,511 from the DOV Operating Fund deleted by the House for data entry positions associated with motor vehicle titles and registrations work being transferred to counties with implementation of VIPS. The Subcommittee notes that the Secretary has proposed a full report on the VIPS impact as part of the FY 1990 budget.
7. Restore 7.0 FTE positions and \$250,000 from the State General Fund deleted by the House for programmers and system analysts scheduled to work on a new sales tax system. The Subcommittee notes that KBITS, which would have provided the same type of system for most business taxes, has been abandoned and that the state is in need of an updated computer system to monitor sales tax.
8. Restore \$100,000 from the State General Fund which was deleted by the House to pay for membership in the Multistate Tax Commission.
9. Restore \$56,250 from the State General Fund for the rental expenses of the ABC Division to occupy non-state owned space. The House had deleted financing of \$69,678 for rent in the Docking State Office Building when questions arose about where ABC would be relocated. The agency currently occupies space in the Jayhawk Towers and the 1987 Legislature had provided financing for the agency to relocate to the Docking State Office Building in FY 1988.
10. Restore \$40,000 from the State General Fund for salaries and wages in the Planning and Research Bureau which the House had reduced due to acquisition of computer equipment in FY 1988.
11. Restore \$30,000 from the State General Fund for travel expenses of the ABC Division. The House had reduced \$60,180 in FY 1989 based on expenditure adjustments made in FY 1988 when the travel budget was reduced \$50,000 by legislative action.
12. Add 1.0 FTE position but no financing as requested by the Secretary of Revenue for a Revenue Manager I to administer the motor carrier permit and operating authority unit. The Governor's recommendations as approved by the House already provide 1.0 FTE and financing for another Revenue Manager I for this unit in FY 1989.

Summary of Legislative Adjustments:

<u>Expenditure Summary</u>	<u>House Adjustments</u>	<u>Senate Sub. Adjustment</u>	<u>Net Adjustments</u>
All Funds:			
State Operations	\$270,301	\$610,761	\$881,062
Aid to Local Units	(902,007)	--	(902,007)
Other Assistance	--	--	--
SUBTOTAL	<u>(631,706)</u>	<u>610,761</u>	<u>(20,945)</u>
Capital Improvements	--	--	--
TOTAL	<u>\$ (631,706)</u>	<u>\$ 610,761</u>	<u>\$ (20,945)</u>
State General Fund:			
State Operations	\$(449,863)	\$486,250	\$36,387
Aid to Local Units	<u>(7,000,000)</u>	<u>7,000,000</u>	<u>--</u>
TOTAL	<u>\$(7,449,863)</u>	<u>\$7,486,250</u>	<u>\$ 36,387</u>
FTE Positions	(34.0)	15.0	(19.0)

2721-565/JE

## SUBCOMMITTEE REPORT

Agency: Kansas Lottery

Bill No. 2796

Bill Sec. 6

Analyst: Efird

Analysis Pg. No. 162

Budget Pg. No. 1-147

<u>Expenditure Summary</u>	<u>Agency Req. FY 88</u>	<u>Governor's Rec. FY 88</u>	<u>Subcommittee Adjustments</u>
Lottery Operating Fund:			
State Operations	\$ 15,232,754	\$ 16,555,093	\$ (483,880)
Lottery Prize Claims	8,966,053	10,864,000	--
TOTAL	<u>\$ 24,198,807</u>	<u>\$ 27,419,093</u>	<u>\$ (483,880)</u>
FTE Positions	110.0	109.0	--

### Agency Request/Governor's Recommendations

The agency's revised estimate for the current fiscal year includes a reduction of \$423,547 in approved expenditures for state operations and adds \$8,966,053 in lottery prize claim payments which were not addressed by the 1987 Legislature in its review of the Kansas Lottery budget.

For FY 1988, the Governor recommends state operations expenditures which are \$1,322,339 higher than the agency's September 1987 estimate. Also included in the Governor's FY 1988 recommendation is \$10,864,000 of estimated state paid lottery prize claims, an increase of \$1,897,947 above the agency's September 1987 estimate. The increases in state operations and prize claim expenditures are attributable to inclusion of a multistate lottery game in the estimates. The Governor's FY 1988 recommendations are \$898,792 higher than the budget approved for state operations and add \$10,864,000 for the payment of prizes.

### House Subcommittee Recommendations

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

1. Reduce estimated expenditures for salaries and wages by \$483,880 due to higher than budgeted salary turnover savings due to a slower than expected hiring of personnel. No adjustment is recommended in the salary and wage limitation, but the reduction will offset the Governor's recommended \$898,792 increase in the Lottery Operating Fund expenditure limitation for state operations.
2. Recommend that all unclassified staff be given a net salary increase equal to that of the December 18, 1987, pay increase awarded to classified staff. The Subcommittee feels that all employees should be treated the same with regard to cost-of-living pay raises and that such pay adjustments should be granted to unclassified staff. The Subcommittee learned that a few unclassified staff did receive a pay increase effective December



18, 1987, but most unclassified staff received no salary adjustments at that time.

#### House Committee Recommendation

The Committee concurs with its Subcommittee's report.

#### Senate Subcommittee Recommendations

The Subcommittee concurs with the House recommendations, with the following additions:

1. Note potential savings in the cost of printing tickets for Game 5 and subsequent games if the contract for tickets is rebid after buying four games within the first year as required by the initial contract with the current vendor. By rebidding the ticket contract prior to exercising its option to renew the current contract for up to two more years, the Lottery should determine whether a lower cost for tickets can be obtained.
2. Strongly recommend that the Director delegate more responsibility to subordinates in the conduct of the Lottery, its internal operations, and its interaction with the Legislature, the media and the public.
3. Encourage the filling of existing and future vacancies with professional personnel with appropriate governmental experience whenever possible, especially in the areas of agency administration, accounting, auditing, and electronic data processing security. The Subcommittee is concerned about vacancies in key positions such as the Accountant V, the Auditor IV, the Electronic Data Processing Security Specialist, and Administrative Officer positions.
4. Express concern about reported problems with the administrative software which provides inventory control for tickets and general information about Lottery operations which may create accounting problems, especially in terms of interfacing the state's accounting system. The Subcommittee recommends that the Legislature be kept informed of all developments related to management software and hardware as the problems noted in the agency's internal deficiency report are addressed.
5. Recommend that the Legislative Division of Post Audit proceed with the statutorily required annual financial audit of the Kansas Lottery as soon as possible. The Executive Director should provide in a timely manner all financial information requested by the Legislative Post Auditor in order for the financial audit to be undertaken.

6. Recommend that the Legislature be kept informed of lottery financial activity by providing the Legislative Research Department on a weekly basis with most currently available data which show estimated ticket sales based on validations, daily retail sales based on ticket orders, daily instant ticket orders, multistate sales, the daily cash balance worksheet for lottery operations, and weekly comparisons of total expenditures and encumbrances with budgeted amounts by major object codes.

2796-450

## SUBCOMMITTEE REPORT

Agency: Kansas Lottery

Bill No. 2721

Bill Sec. 4

Analyst: Efird

Analysis Pg. No. 162

Budget Pg. No. 1-147

<u>Expenditure Summary</u>	<u>Agency Req. FY 89</u>	<u>Governor's Rec. FY 89</u>	<u>Subcommittee Adjustments</u>
Lottery Operating Fund:			
State Operations	\$ 16,352,818	\$ 15,646,716	\$ --
Lottery Prize Claims	<u>15,664,917</u>	<u>16,040,000</u>	<u>--</u>
TOTAL	<u>\$ 32,017,735</u>	<u>\$ 31,686,716</u>	<u>\$ --</u>
 FTE Positions	 110.0	 121.0	 (4.0)

### Agency Request/Governor's Recommendation

Expenditures of \$32,017,735 and staffing of 110.0 FTE are requested for the Kansas Lottery. The agency requests state operations expenditures of \$16,352,818. Also included in the request is \$15,664,917 for lottery prize claims to be paid by the agency. The agency subsequently amended its original request and the Governor's recommendations are based on that information filed with the Budget Division.

The Governor's recommended expenditures in FY 1989 include a reduction of \$706,102 in state operations and an increase of \$375,083 in state paid lottery prize claim payments. Additional staffing is recommended to provide 121.0 FTE positions in FY 1989, an increase of 12.0 FTE positions over this fiscal year. Some capital outlay expenditures were accelerated to FY 1988 for acquiring data processing equipment.

### House Subcommittee Recommendations

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

1. Reduce recommended new FTE positions by 4.0 and provide a total of 8.0 FTE new positions, four sales representatives and four vault personnel to handle tickets at regional offices. No reduction is recommended for salaries and wages since the Subcommittee believes that four special projects positions should be utilized for the remaining sales positions recommended by the Governor and that after one year's experience it can be determined if the positions should be made permanent.
2. Instruct the Director of Accounts and Reports to transfer on July 1, 1988, all receipts in the Lottery Operating Fund, less \$2,500,000 for a beginning fund balance in FY 1989, and to deposit the transfer in the County Reappraisal Fund for paying part of the costs of reappraisal in FY 1989.

Lottery Operating Fund Analysis

	<u>Estimated FY 1988</u>	<u>Estimated FY 1989</u>
Beginning Balance	\$ 116,450	\$ 3,314,120
Receipts:		
Gross Sales	\$ 61,232,000	\$ 84,000,000
Other Sources	231,000	75,800
Transfers	<u>2,100,000</u>	<u>0</u>
Subtotal--Receipts	<u>\$ 63,563,000</u>	<u>\$ 84,075,800</u>
TOTAL RESOURCES AVAILABLE	<u>\$ 63,679,450</u>	<u>\$ 87,389,920</u>
Less Expenditures:		
State Operations	\$ 16,071,213	\$ 15,646,716
State Paid Prizes	<u>10,864,000</u>	<u>16,040,000</u>
Subtotal--Operating Expenditures	<u>\$ 26,935,213</u>	<u>\$ 31,686,716</u>
Retailer Paid Prizes	\$ 18,305,600	\$ 21,760,000
Retailer Commissions	<u>3,600,000</u>	<u>4,200,000</u>
Subtotal--Nonreportable Expenses	<u>\$ 21,905,600</u>	<u>\$ 25,960,000</u>
TOTAL EXPENDITURES	<u>\$ 48,840,813</u>	<u>\$ 57,646,716</u>
RESOURCES REMAINING	<u>\$ 14,838,637</u>	<u>\$ 29,743,204</u>
Less Transfers:		
To State General Fund	\$ 3,024,517	\$ 0
To Gaming Revenues Fund	8,500,000	25,200,000
To County Reappraisal Fund	<u>0</u>	<u>814,120</u>
Subtotal--Transfers	<u>\$ 11,524,517</u>	<u>\$ 26,014,120</u>
TOTAL DEMANDS	<u>\$ 60,365,330</u>	<u>\$ 83,660,836</u>
Ending Balance	<u>\$ 3,314,120</u>	<u>\$ 3,729,084</u>

House Committee Recommendations

The Committee concurs with its Subcommittee's report.

Senate Subcommittee Recommendations

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

1. Restore 4.0 FTE positions deleted by the House instead of the four special projects positions recommended for four new sales representatives. The Subcommittee adjustment restores the

Governor's original recommendation for a total of 8.0 new FTE sales representatives in FY 1989.

2. Instruct the Director of Accounts and Reports to transfer on August 1, 1988, all unencumbered funds in the Lottery Operating Fund, less \$3,000,000 for operating cash in FY 1989, and to deposit the transfer in the County Reappraisal Fund for repaying the State General Fund a portion of the cost of statewide reappraisal. The House had recommended a transfer on July 1, 1988, of funds above \$2,500,000, to the County Reappraisal Fund for paying part of the cost of reappraisal in FY 1989.

Revised Lottery Operating Fund Analysis

	<u>Estimated FY 1988</u>	<u>Estimated FY 1989</u>
Beginning Balance	\$ 116,450	\$ 3,314,120
Receipts:		
Gross Sales	\$ 61,232,000	\$ 84,000,000
Other Sources	231,000	75,800
Transfers	2,100,000	0
Subtotal -- Receipts	<u>\$ 63,563,000</u>	<u>\$ 84,075,800</u>
TOTAL RESOURCES AVAILABLE	<u>\$ 63,679,450</u>	<u>\$ 87,389,920</u>
Less Expenditures:		
State Operations	\$ 16,071,213	\$ 15,646,716
State Paid Prizes	10,864,000	16,040,000
Subtotal -- Operating Expenditures	<u>\$ 26,935,213</u>	<u>\$ 31,686,716</u>
Retailer Paid Prizes	\$ 18,305,600	\$ 21,760,000
Retailer Commissions	3,600,000	4,200,000
Subtotal -- Nonreportable Expenses	<u>\$ 21,905,600</u>	<u>\$ 25,960,000</u>
TOTAL EXPENDITURES	<u>\$ 48,840,813</u>	<u>\$ 57,646,716</u>
RESOURCES REMAINING	<u>\$ 14,838,637</u>	<u>\$ 29,743,204</u>
Less Transfers:		
To State General Fund	\$ 3,024,517	\$ 0
To Gaming Revenues Fund	8,500,000	25,200,000
To County Reappraisal Fund	0	314,120
Subtotal -- Transfers	<u>\$ 11,524,517</u>	<u>\$ 25,514,120</u>
TOTAL DEMANDS	<u>\$ 60,365,330</u>	<u>\$ 83,160,836</u>
Ending Balance	<u>\$ 3,314,120</u>	<u>\$ 4,229,084</u>

## SUBCOMMITTEE REPORT

Agency: Kansas Racing Commission

Bill No. 2721

Bill Sec. 5

Analyst: Efirid

Analysis Pg. No. 167 Budget Pg. No. 1-155

<u>Expenditure Summary</u>	<u>Agency Req. FY 89</u>	<u>Governor's Rec. FY 89</u>	<u>Subcommittee Adjustments</u>
State Operations:			
Fee Fund	\$ 733,484	\$ 831,273	\$ --
FTE Positions	14.0	14.0	--

### Agency Estimate/Governor's Recommendation

FY 1988. The Commission estimates reductions of \$194,913 in its approved budget of \$648,277 for this fiscal year, primarily due to delays in implementing parimutuel racing and in hiring staff. Financing in FY 1988 would be primarily from State General Fund transfers totaling \$423,364, with \$20,000 of fee income projected by the Commission.

The Governor recommends further adjustments in the Racing Commission's revised estimate, with reductions of \$205,372 in the approved budget. No revision is recommended in the current approved expenditure limitation of \$648,277. The Governor concurs with the agency's plan for financing in the current fiscal year but projects slightly more carryover.

FY 1989. The Commission requests expenditures of \$733,484, with financing of \$230,000 from a State General Fund transfer and the remainder from estimated fee receipts.

The Governor recommends an expenditure limitation of \$831,273 which includes \$731,273 of financing plus an additional \$100,000 which may be made available to the Racing Commission upon approval of the Budget Director as contingency financing for unanticipated contractual services. Recommended financing would include \$180,000 from the Economic Development Initiatives Fund, with an additional \$100,000 for contingencies if needed, and the remainder of financing from fee receipts and carryover from the current fiscal year.

### House Subcommittee Recommendations

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

1. In FY 1988, reduce by \$22,427 the estimated salary and wage expenditures since staff are being added at a rate slower than anticipated by the schedule used to derive the Governor's recommendations this fiscal year. The Subcommittee recommendations assumes a 10.0 percent salary turnover rate instead of the 1.5 percent rate included in the Governor's recommendation. No adjustment in the expenditure limitation is recommended.

2. In FY 1989, the Subcommittee concurs with the intent to begin repaying the State General Fund for startup costs associated with the Racing Commission, but feels that insufficient funds will be available to implement repayment in FY 1989 as provided in the appropriations bill. Since 1988 H.B. 2772 Sec. 5(d) would establish in statute the payback provision, the language in the appropriations bill is not needed and should be stricken.
  
3. In FY 1989, the Subcommittee recommends that the transfer provision in the appropriations bill, which pertains to providing, if needed, an additional \$100,000 of financing from the State Economic Development Fund, be made subject to approval of the State Finance Council rather than the Director of the Budget.

Fee Fund Analysis

<u>Resource Estimate</u>	<u>Actual FY 87</u>	<u>Estimated FY 88</u>	<u>Estimated FY 89</u>
Beginning Balance	\$ --	\$ 58,866	\$ 56,986
Net Receipts	--	20,000	523,650
Transfers	<u>101,402</u>	<u>398,598</u>	<u>280,000</u>
Total Available	\$ 101,402	\$ 477,464	\$ 860,636
Less Expenditures	<u>42,536</u>	<u>420,478</u>	<u>831,273</u>
Ending Balance	<u>\$ 58,866</u>	<u>\$ 56,986</u>	<u>\$ 29,363</u>

House Committee Recommendation

The Committee concurs with the Subcommittee for FY 1988 and FY 1989.

Senate Subcommittee Recommendations

The Subcommittee concurs with the House recommendations for FY 1988 and FY 1989, with the following exceptions:

1. In FY 1988, increase the estimated fee receipts to \$131,000 based on current figures.
  
2. In FY 1989, make up to \$280,000 from EDIF available, subject to State Finance Council release of \$200,000, for financing the expenditures of the Racing Commission. The Subcommittee believes that the additional fee income this fiscal year should be reflected in FY1989 financing as a potential reduction in transfers from the Economic Development Initiatives Fund. However, because of the uncertainty of FY 1989 parimutuel tax receipts, the Subcommittee believes that this alternative financing should be available. No adjustment in the expenditure limitation is recommended in FY 1989.

Senate Subcommittee Revised Fee Fund Analysis

<u>Resource Estimate</u>	<u>Actual FY 87</u>	<u>Estimated FY 88</u>	<u>Estimated FY 89</u>
Beginning Balance	\$ --	\$ 58,866	\$ 167,986
Net Receipts	--	131,000	523,650
Transfers	<u>101,402</u>	<u>398,598</u>	<u>280,000*</u>
Total Available	\$ <u>101,402</u>	\$ <u>588,464</u>	\$ <u>971,636</u>
Less Expenditures	<u>42,536</u>	<u>420,478</u>	<u>831,273</u>
Ending Balance	\$ <u>58,866</u>	\$ <u>167,986</u>	\$ <u>140,363</u>

\* \$200,000 would be released by the State Finance Council only if needed.

2721-553/JE