

Approved: 5-5-91  
Date

## MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson George Teagarden at 12:40 p.m. on March 29, 1991 in room 514-S of the Capitol.

All members were present except: Representatives Helgeson, Hochhauser, Goossen, Pottorff, Fuller, and Solbach (all excused).

### Committee staff present:

Ellen Piekalkiewicz, Legislative Research Department  
Debra Duncan, Legislative Research Department  
Jim Wilson, Revisor of Statutes  
Susan Miller, Administrative Aide  
Sue Krische, Committee Secretary

Conferees appearing before the committee:

Others attending: see attached list.

SB 99 - Appropriations for FY92, Commerce, Lottery, Racing, and Revenue.

### BOARD OF TAX APPEALS

Representative Dean reviewed the FY91 and FY92 subcommittee reports (Attachment 1). Staff indicated the Board is approximately 16,000 cases behind, but a major problem has been a shortage of clerical staff to process the cases once the decision is rendered. This problem was addressed in the subcommittee report. Representative Dean moved adoption of the FY91 and FY92 subcommittee reports on the Board of Tax Appeals. Representative Heinemann seconded. Motion carried.

### DEPARTMENT OF REVENUE

Representative Dean reviewed the FY91 and FY92 subcommittee reports (Attachment 2). Representative Dean moved adoption of the FY91 subcommittee report on the Department of Revenue. Representative Heinemann seconded. Motion carried. Representative Patrick stated he did not sign the subcommittee report because he feels the staffing level of 73 FTE in the Property Valuation Division approved by the subcommittee is too many. The Committee discussed the proposed transfer of the alcoholic beverage control law enforcement positions from Revenue to the KBI. Several members expressed concern that abolishing 12 FTE ABC positions will impede proper enforcement of Kansas' liquor laws. Representative Heinemann moved adoption of the FY92 subcommittee report on the Department of Revenue. Representative Dean seconded. Motion carried.

### KANSAS LOTTERY

Representative Heinemann reviewed the FY91 and FY92 subcommittee reports (Attachment 3). Representative Dean moved adoption of the FY91 and FY92 subcommittee reports on the Kansas Lottery. Representative Patrick seconded. Motion carried.

### KANSAS RACING COMMISSION

Representative Heinemann reviewed the FY91 and FY92 subcommittee reports (Attachment 4). Representative Dean moved adoption of the FY91 subcommittee report on the Kansas Racing Commission. Representative Heinemann seconded. Motion carried. Representative Patrick noted that he disagrees with the decision that the Wichita Greyhound Park should have tax exemptions based on interpretation of conflicting statutes (prohibiting race tracks from tax exemptions vs. exemptions for enterprise zone status). Representative Dean moved adoption of the FY92 subcommittee report on the Racing Commission. Representative Heinemann seconded. Motion carried.

### KANSAS INC.

Representative Dean presented the FY91 and FY92 subcommittee reports (Attachment 5). Representative Patrick submitted a minority report for FY92. Representative Dean moved adoption of the FY91 and FY92 majority reports on Kansas Inc. Representative Heinemann seconded. Representative Patrick moved adoption of the FY92 minority report and a three percent cut in the budget of Kansas Inc. The motion died for lack of a second. On the original motion on the majority report, the motion carried.

## CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, room 514-S Statehouse, at 12:40 p.m.  
on March 29, 1991.

### **KANSAS TECHNOLOGY ENTERPRISE CORP.**

Representative Heinemann presented the FY91 and FY92 subcommittee reports (Attachment 6). Representative Dean moved adoption of the FY91 subcommittee report on KTEC. Representative Chronister seconded. Motion carried. Representative Chronister moved that in Item #5 of the FY92 subcommittee report EDIF funds be replaced with State General Fund for salaries and wages for KTEC and KVAC. Representative Dean seconded. Representative Chronister pointed out this would coincide with the Legislature's policy of not funding salaries with the EDIF. The motion carried. Representative Heinemann moved adoption of the FY92 subcommittee report, as amended. Representative Dean seconded. Motion carried. Representative Patrick is recorded as voting no.

The Chairman turned to final action on HB 2299. Representative Wisdom moved that HB 2299 be recommended favorably for passage. Representative Hamm seconded. Motion carried.

Representative Wisdom reported that Subcommittee #1 reviewed HB 2610, which would relieve KDFA of repayment to the State General Fund of \$80,661 for start-up costs. Based on the Subcommittee's recommendation, Representative Wisdom moved that HB 2610 be amended to forgive the repayment of \$40,330 by KDFA to the State General Fund in FY91 and conceptually to add language in the bill to allow KDFA to provide to its officers and employees mandated fringe benefit systems established for state officers and employees. Representative Chronister seconded. Motion carried. Representative Wisdom moved that HB 2610, as amended, be recommended favorably for passage. Representative Hamm seconded. Motion carried.

### **DEPARTMENT OF COMMERCE**

Representative Heinemann presented the FY91 and FY92 subcommittee reports (Attachment 7). Representative Hamm noted the subcommittee eliminated the Rural Assistance Center program and initiated a new program called the Rural Development Council. Representative Heinemann stated the two programs are entirely different. The Rural Assistance Center program was recommended to be eliminated by the Department of Commerce and Governor. The Rural Development Council program was initiated by President Bush and Kansas is one of eight states chosen for the program. The subcommittee stated with the added funds in the subcommittee report, the Department of Commerce is still under the FY91 budget.

Representative Heinemann moved adoption of the FY91 and FY92 subcommittee reports on the Department of Commerce. Representative Dean seconded. Motion carried. Representative Dean moved that SB 99, as amended, be recommended favorably for passage. Representative Patrick seconded. Motion carried.

The meeting was adjourned at 2:00 p.m. The next meeting is scheduled for Monday, April 1 at 1:30 p.m. in 514-S.





**SUBCOMMITTEE REPORT**

**Agency:** State Board of Tax Appeals

**Bill No.** 99

**Bill Sec.** 2

**Analyst:** Efird

**Analysis Pg. No.** 219

**Budget Page No.** 554

<u>Expenditure Summary</u>	<u>Agency Req. FY 92</u>	<u>Gov. Rec. FY 92*</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 1,831,583	\$ 1,664,057	\$ (41,602)
State General Fund:			
State Operations	\$ 1,826,583	\$ 1,659,057	\$ (41,602)
FTE Positions	39.0	37.0	(1.0)

\* Excludes amounts reserved for employee compensation.

**Agency Request/Governor's Recommendation**

**FY 1991.**

The Board shifts funding between some expenditure categories, but does not request an increase in total spending. The major adjustment is an increase of \$37,749 in expenditures for fees--professional services. The Board requests a total of \$40,124 in professional fees, for which financing is shifted from capital outlay (\$31,064), from fees--other services (\$4,750) and from travel (\$1,935).

The Governor recommends a reduction of \$200,527 in FY 1991 approved financing, of which most is for salaries (\$173,607) due to a technical correction for attorneys funding and the remainder of the reduction is attributed to communications (\$26,920).

**FY 1992.**

The Board's request includes a net reduction of \$33,011 in expenditures from its revised FY 1991 estimate. This request includes reductions in salaries and wages (\$60,108) and capital outlay (\$411), with increases of \$27,346 in contractual services and of \$162 in commodities. The Board's FY 1992 request includes adding 2.0 FTE new clerical positions, increasing staff to 39.0 FTE positions. The Board also requests continuing its contingent of temporary staff to assist with work resulting from statewide reappraisal appeals.

The Governor's recommended FY 1992 expenditures are \$10 less than the revised recommendation for the current fiscal year. An increase of \$24,614 is recommended for salaries and benefits, with reductions recommended for contractual services (\$12,964), commodities (\$6,367), and capital outlay (\$5,293). No new FTE positions are recommended.

HA  
3-29-91  
Attachment 1



**Senate Subcommittee Recommendation**

**FY 1991.** The Subcommittee concurs with the Governor's recommendations, with the following exception:

1. In FY 1991, the Board should reallocate 2.0 FTE vacant attorney positions plus salary savings to clerical staff, both full-time and part-time, if needed, to reduce its paper work backlog. The Legislature should reexamine this situation next Session to determine if such clerical staff are needed at that time.

**FY 1992.** The Subcommittee concurs with the Governor's recommendations, with the following adjustment:

1. Delete 1.0 FTE position and \$41,602 operating expenses to reduce FY 1992 expenses to 2.5 percent below FY 1991.

**Senate Committee Recommendation**

The Committee concurs with the Subcommittee recommendation.

**House Subcommittee Recommendation**

The House Subcommittee concurs with the Senate for FY 1991 and FY 1992, with the following adjustment in FY 1992:

1. Reduce an additional \$8,320 SGF to increase savings from 2.5 percent to 3.0 percent.

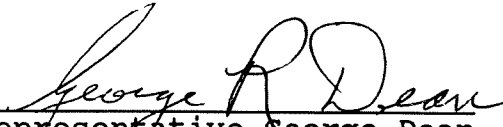
<u>Expenditure Summary</u>	<u>Senate Rec. FY 92</u>	<u>Subcommittee Adjustments</u>	<u>Subcommittee Rec. FY 92</u>
All Funds:			
State Operations	\$ 1,622,455	\$ (8,320)	\$ 1,614,135
State General Fund:			
State Operations	\$ 1,617,455	\$ (8,320)	\$ 1,609,135
FTE Positions	37.0	--	37.0

HOUSE APPROPRIATIONS COMMITTEE

SUBCOMMITTEE #3

SENATE BILL NO. 99 & 340

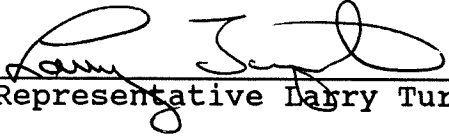
STATE BOARD OF TAX APPEALS  
DEPARTMENT OF REVENUE  
KANSAS LOTTERY  
KANSAS RACING COMMISSION

  
\_\_\_\_\_  
Representative George Dean  
Subcommittee Chairperson

\_\_\_\_\_  
Representative Wanda Fuller

  
\_\_\_\_\_  
Representative David Heinemann

\_\_\_\_\_  
Representative Kerry Patrick

  
\_\_\_\_\_  
Representative Larry Turnquist



**SUBCOMMITTEE REPORT**

Agency: Department of Revenue

Bill No. 340

Bill Sec. 11

Analyst: Efird

Analysis Pg. No. 223

Budget Page No. 500

<u>Expenditure Summary</u>	<u>Agency Req. FY 91</u>	<u>Gov. Rec. FY 91</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 51,230,364	\$ 50,800,085	\$ (50,000)
State Aid	9,984,500	9,984,500	--
Other Assistance	2,500,000	2,500,000	--
Total--Operating	<u>\$ 63,714,864</u>	<u>\$ 63,284,585</u>	<u>\$ (50,000)</u>
State General Fund:			
State Operations	\$ 26,996,787	\$ 26,771,993	\$ (50,000)
State Aid	0	0	--
Other Assistance	0	0	--
Total--Operating	<u>\$ 26,996,787</u>	<u>\$ 26,771,993</u>	<u>\$ (50,000)</u>
FTE Positions	1,254.5	1,254.5	--

**Agency Request/Governor's Recommendation**

For FY 1991, the agency's budget includes a net increase in expenditures for state operations and a net decrease in FTE positions compared with the budget approved by the 1990 Legislature. Estimated expenditures in two areas are increased: capital outlay and commodities. Reductions in contractual services and salaries provide partial financing for the increases in the other two areas, but a net increase of \$70,026 will be required to fully finance state operations expenditures as requested this fiscal year. The 1990 Legislature authorized a total of 18.0 new FTE positions in FY 1991 for the Commercial Driver License unit. In its revised budget, the agency proposes eliminating 25.5 FTE positions in other areas to meet the 1.75 percent reduction.

The FY 1991 Governor's recommended budget includes a \$75,000 supplemental from the State General Fund to pay communication and office supply costs attributed to notifying businesses of changes in remission of sales tax proposed by the Governor's plan for broadening the sales tax base. The Governor recommends increasing current fiscal year expenditures for capital outlay by over \$0.5 million and decreasing funds for salaries and contractual services by almost \$1.0 million. An additional increase for purchasing commodities also is contained in the Governor's recommendations. A net reduction of expenditures recommended by the Governor results in decreased financing from the State General Fund and the DOV Operating Fund. One federal fund reflects increased expenditures in FY 1991. Elimination of 25.5 FTE positions as budgeted by the agency and greater salary turnover savings are recommended by the Governor for FY 1991.

HA  
3-29-91  
Attachment 2



### Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommended expenditures, with the following adjustments in FY 1991:

1. Delete \$75,000 SGF added as a supplemental appropriation for printing and mailing notification about tax increases pending passage of legislation.
2. Add \$25,000 SGF to pay for computer software associated with joining IFTA (International Fuel Tax Association).
3. Consider at Omnibus any additional funding needed for unbudgeted retirements this fiscal year.

### Senate Committee Recommendation

The Committee concurs with the Subcommittee recommendations.

### House Subcommittee Recommendation

The House Subcommittee concurs with the Senate.

<u>Expenditure Summary</u>	<u>Senate Rec. FY 1991</u>	<u>Subcommittee Adjustments</u>	<u>Subcommittee Rec. FY 1991</u>
<b>All Funds:</b>			
State Operations	\$ 50,750,085	\$ --	\$ 50,750,085
State Aid	9,984,500	--	9,984,500
Other Assistance	2,500,000	--	2,500,000
<b>Total--Operating</b>	<b><u>\$ 63,234,585</u></b>	<b><u>\$ --</u></b>	<b><u>\$ 63,234,585</u></b>
<b>State General Fund:</b>			
State Operations	\$ 26,721,993	\$ --	\$ 26,721,993
State Aid	0	--	0
Other Assistance	0	--	0
<b>Total--Operating</b>	<b><u>\$ 26,721,993</u></b>	<b><u>\$ --</u></b>	<b><u>\$ 26,721,993</u></b>
<b>FTE Positions</b>	<b>1,254.5</b>	<b>--</b>	<b>1,254.5</b>



**SUBCOMMITTEE REPORT**

Agency: Department of Revenue

Bill No. 99

Bill Sec. 3

Analyst: Efird

Analysis Pg. No. 223

Budget Page No. 500

<u>Expenditure Summary</u>	<u>Agency Req. FY 92</u>	<u>Gov. Rec. FY 92*</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 54,707,233	\$ 52,210,331	\$ (961,772)
State Aid	9,985,000	9,985,000	--
Other Assistance	2,500,000	2,500,000	--
Total--Operating	<u>\$ 67,192,233</u>	<u>\$ 64,695,331</u>	<u>\$ (961,772)</u>
State General Fund:			
State Operations	\$ 28,688,987	\$ 27,272,550	\$ (1,169,772)
State Aid	0	3,000,000	(3,000,000)
Other Assistance	0	0	--
Total--Operating	<u>\$ 28,688,987</u>	<u>\$ 30,272,550</u>	<u>\$ (4,169,772)</u>
FTE Positions	1,254.5	1,249.0	(16.0)

\* Excludes amounts reserved for employee compensation.

**Agency Request/Governor's Recommendation**

The agency's budget request includes a net increase of slightly less than \$3.5 million in state operations expenditures and no change in the number FTE positions compared with the revised current fiscal year request. Three categories of expenditures reflect increases next fiscal year: salaries and benefits, contractual services, and commodities. A reduction in capital outlay expenditures results from the one-time purchases associated with the Commercial Driver License unit in FY 1991. Increases in FY 1992 State General Fund and DOV Operating Fund financing reflect higher expenditures. A decrease in financing from other funds is estimated next fiscal year, primarily due to a reduction in money from the Federal Commercial Motor Vehicle Safety Fund. The number of FTE positions requested is 71.5 FTE fewer than the FY 1990 level, a reduction of 5.4 percent in the agency's FTE workforce.

The Governor's recommended budget includes \$425,000 and 6.0 new FTE positions which are in addition to the current resource budget in FY 1992. The additions in funding and staff would be required in conjunction with the Governor's plan for broadening of the sales tax base. The Governor's recommendation for FY 1992 includes a reserve of funds for step movement, longevity bonuses, unclassified merit pool, and a cost-of-living increase; but these items are excluded from the detailed expenditure estimates for each agency. For salaries and wages, the Governor's recommendations include a net reduction of 5.0 FTE positions and a higher salary turnover rate. All categories of expenditures except capital outlay reflect increases recommended in FY 1992 expenditures. The Governor's FY 1992 recommendation includes payment of \$3.0 million in state aid to counties for



reappraisal, with financing from the State General Fund of \$3.0 million (which would be in addition to the current resources budget).

### Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommended expenditures, with the following adjustments in FY 1992:

1. Delete \$3,000,000 SGF for payments to counties in maintaining reappraised valuations and substitute \$3,000,000 from the Economic Development Initiatives Fund (EDIF).
2. Delete \$425,000 SGF and 6.0 FTE positions for implementing the Governor's proposed tax initiatives since no legislation has been passed.
3. Reduce \$208,000 SGF OOE financing and substitute \$208,000 special revenue fund financing from bingo enforcement on a one-time basis.
4. Reduce estimated DISC payments by \$100,790 SGF by assuming FY 1992 rates will be the same as FY 1991 rates.
5. Abolish the Director of Communications position (1.0 FTE) and delete the \$22,415 SGF portion of salary financing. Also recommend bill to unclassify the Director of Administration position which supervises the Division of Operations and to reestablish it as an unclassified Director of Operations position to make consistent that all directors are in the unclassified service, serving at the pleasure of the Secretary.
6. Abolish the Revenue Manager II position (1.0 FTE) in the Collections Division's field enforcement bureau and delete \$45,197 SGF financing for salaries and wages. The Subcommittee considered deleting an additional 19.0 FTE positions (of 46.0 FTE classified as field representatives) and \$567,475 (of \$1,310,341 for field representatives) SGF financing for field enforcement personnel because of the problems described by the agency's study of time utilization of field agents. That study revealed that 12 percent of the field agency's work relates to collections, 4 percent to taxpayer assistance, 12 percent travel time, 57 percent of other (including 21 percent office work, 13 percent break time, 10 percent available in office, etc.), and 15 percent leave time. However, the Subcommittee decided to give the new Secretary of Revenue time to address this situation and to make recommendations about how to deal with the situation.
7. Abolish 12.0 FTE alcohol beverage control positions and reduce \$462,134 SGF financing, of which \$368,262 is salaries and wages and \$93,872 is other operating. Further recommend a bill to transfer remaining law enforcement positions to the KBI. The Secretary presents information about reducing the agency's budget and this area was the first ranked reduction since these personnel do not collect revenues for the state. The Subcommittee believes that the remaining law enforcement personnel should be placed under the jurisdiction of the KBI since their main duties involve law enforcement, not tax collection work. The clerical



functions which involve licensing and collecting fees and taxes should remain with the Department of Revenue.

8. Recommend that of the 11.0 FTE positions which the Governor recommends abolishing in PVD, that the agency absorb the loss of 7.0 FTE positions in other areas of the department, and that 4.0 FTE positions be restored in PVD, with financing of \$93,764 SGF added to the salary and wage budget of PVD to partially pay for these positions.
9. Appropriate three clearing fund accounts to assist the State Treasurer: County and City Retailers Sales Tax Clearing Fund; City and County Compensating Use Tax Fund; and County and City Transient Guest Tax Fund.

#### Senate Committee Recommendation

The Committee concurs with the Subcommittee recommendations.

#### Senate Committee of the Whole Recommendation

The Committee concurs with the Senate Ways and Means Committee recommendations, with the following adjustment:

1. Add \$27,000 for salaries and benefits plus \$58,857 for other expenses in PVD to fully finance the 4.0 FTE positions restored by the Senate Subcommittee.

#### House Subcommittee Recommendation

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

1. In regard to item 8 of the Senate Subcommittee and item 1 of the Senate Committee of the Whole, the House Subcommittee adds an additional 7.0 FTE positions, \$292,805 SGF of salaries and benefits, and \$57,000 SGF of other operating expenses for the Property Valuation Division to restore full-funding and staffing originally deleted by the Governor in FY 1992. The Subcommittee requests that the PVD Director update the 1992 Legislature about the personnel needs of this division and to make recommendations about reorganizing PVD.
2. In regard to item 6 of the Senate Subcommittee, restore 1.0 FTE positions and \$45,197 SGF for salary and benefits for a Revenue Manager II in the Collection Division's field enforcement bureau. The Subcommittee reviewed the agency's self-study and directs the Secretary to present a followup study to the 1992 Legislature about the work schedule of the field staff.
3. In regard to item 1 of the Senate Subcommittee, the Subcommittee requests the Secretary to review the current reimbursement formula for paying counties and



to update that schedule, if necessary, to more accurately take into account the costs of maintaining reappraised valuations in the larger counties.

4. Direct the Secretary to study the NE Johnson County/SE Wyandotte County situation in regard to locating driver examination and renewal stations in new locations which would be more convenient in serving the citizens of the area.
5. Consider during Omnibus a new request for the Department of Administration to purchase 17 automobiles for property appraisers to use.


<u>Expenditure Summary</u>	<u>Senate Rec. FY 1992</u>	<u>Subcommittee Adjustments</u>	<u>Subcommittee Rec. FY 1992</u>
<b>All Funds:</b>			
State Operations	\$ 51,428,288	\$ 395,002	\$ 51,823,290
State Aid	9,985,000	--	9,985,000
Other Assistance	2,500,000	--	2,500,000
Total--Operating	<u>\$ 63,913,288</u>	<u>\$ 395,002</u>	<u>\$ 64,308,290</u>
<b>State General Fund:</b>			
State Operations	\$ 26,188,635	\$ 395,002	\$ 26,583,637
State Aid	0	--	0
Other Assistance	0	--	0
Total--Operating	<u>\$ 26,188,635</u>	<u>\$ 395,002</u>	<u>\$ 26,583,637</u>
FTE Positions	1,233.5	8.0	1,241.5

HOUSE APPROPRIATIONS COMMITTEE

SUBCOMMITTEE #3

SENATE BILL NO. 99 & 340

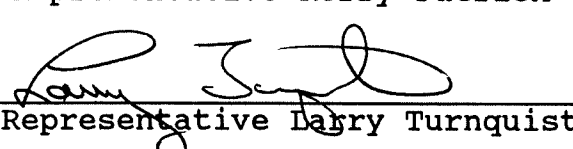
STATE BOARD OF TAX APPEALS  
DEPARTMENT OF REVENUE  
KANSAS LOTTERY  
KANSAS RACING COMMISSION

  
\_\_\_\_\_  
Representative George Dean  
Subcommittee Chairperson

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Representative Wanda Fuller

  
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Representative David Heinemann

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Representative Kerry Patrick

  
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Representative Larry Turnquist



**SUBCOMMITTEE REPORT**

Agency: Kansas Lottery

Bill No. 340

Bill Sec. 23

Analyst: Efird

Analysis Pg. No. 236

Budget Page No. 432

<u>Expenditure Summary</u>	<u>Agency Req. FY 91</u>	<u>Gov. Rec. FY 91</u>	<u>Subcommittee Adjustments</u>
Sales Estimate	\$ 70,000,000	\$ 65,100,000	\$ --
Gaming Fund Transfer	21,000,000	19,530,000	--
<b>All Funds:</b>			
State Operations	\$ 12,756,870	\$ 12,674,939	\$ --
State Paid Prizes	15,400,000	14,125,000	--
Prizes & Retail Commissions	20,180,000	18,935,000	--
Total	<u>\$ 48,336,870</u>	<u>\$ 45,734,939</u>	<u>\$ --</u>
 FTE Positions	 109.0	 109.0	 --

**Agency Request/Governor's Recommendation**

For FY 1991, the agency's revised estimate for the current fiscal year includes a reduction of over \$0.5 million in approved state operations expenditures, but there is no reduction in projected sales of \$70.0 million. Transfers to the State Gaming Revenues Fund (SGRF) in FY 1991 are estimated at \$21.0 million (based on 30.0 percent of gross retail sales). The agency's revised budget includes reductions in expenditures for contractual services and commodities, for an increase in expenditures for capital outlay, and for no change in estimated salaries and benefits. No change is requested in staffing of 109.0 FTE positions. Requested state operations expenditures are 18.2 percent of gross retail sales in FY 1991. The reduction of \$500,000 in FY 1991 administrative costs results from a change in accounting procedures approved by the Division of Accounts and Reports wherein recoveries for telecommunications charges are netted against expenditures when payments from local merchants are received.

For FY 1991, the Governor recommends further reductions in state operations, and reduces estimated sales from \$70.0 million to \$65.1 million for the current fiscal year. The estimate for transfers to the State Gaming Revenues Fund (SGRF) also is reduced from \$21.0 million to \$19.53 million. The Governor's recommendations for the state operations include as a reportable expenditure the \$500,000 of telecommunications expenses budgeted by the agency as non-reportable. As a result, the Governor's recommended funding for contractual services reduces other budgeted amounts by an additional \$515,350 above the agency's revised estimates. No change in staffing level is recommended by the Governor for FY 1991. Recommended state operations expenditures are 19.5 percent of gross retail sales in the current fiscal year.

HA  
3-29-91  
Attachment 3



**Senate Subcommittee Recommendation**

The Subcommittee concurs with the Governor's recommended expenditures and financing, based on projected lottery sales for FY 1991, with the following adjustments:

1. As a technical correction, the Subcommittee adds \$500,000 of receipts to the Lottery revenue estimate for FY 1991 to reflect the Governor's recommended expenditure of these funds as both a reportable operating receipt and expense.
2. As an accounting change, classify the July 1991 transfer to the SGRF as a FY 1992 rather than FY 1991 transaction. This action will not reduce the total amount of money transferred to the SGRF, but will allow the fiscal year to be completed by June 30 rather than waiting until later in July to record to Lottery transfer as has been the practice in previous fiscal years. The Subcommittee believes that this is the time to make the change since parimutuel and lottery transfers are running ahead of estimates for this fiscal year, so that FY 1991 transfers should be close to the Governor's estimates even without recording the 12th Lottery transfer to this fiscal year.

**Senate Committee Recommendation**

The Committee concurs with the Subcommittee recommendations.

**House Subcommittee Recommendation**

The Subcommittee concurs with the Senate.



**SUBCOMMITTEE REPORT**

**Agency:** Kansas Lottery

**Bill No.** 99

**Bill Sec.** 4

**Analyst:** Efird

**Analysis Pg. No.** 236

**Budget Page No.** 432

<u>Expenditure Summary</u>	<u>Agency Req. FY 92</u>	<u>Gov. Rec. FY 92*</u>	<u>Subcommittee Adjustments</u>
Sales Estimate	\$ 73,500,000	\$ 66,600,000	\$ --
Gaming Fund Transfer	22,050,000	19,980,000	--
<b>All Funds:</b>			
State Operations	\$ 14,108,050	\$ 13,034,063	\$ (27,884)
State Paid Prizes	15,995,000	14,650,000	--
Prizes & Retail Commissions	21,356,000	19,160,000	--
<b>Total</b>	<u>\$ 51,459,050</u>	<u>\$ 46,844,063</u>	<u>\$ (27,884)</u>
 FTE Positions	 109.0	 109.0	 (1.0)

\* Excludes amounts reserved for employee compensation.

**Agency Request/Governor's Recommendation**

For FY 1992, the agency estimates lottery sales of \$73.5 million next fiscal year. Expenditures for state operations are estimated at \$14.1 million, including a staff of 109.0 FTE positions. Requested state operations expenditures are 19.2 percent of estimated gross retail sales. Transfers to the SGRF in FY 1992 are estimated at \$22.05 million (based on 30.0 percent of gross retail sales). Increased expenditures budgeted for state operations result primarily from increases in salaries and benefits, contractual services, capital outlay and commodities. Among the major items causing increases in total expenditures are requests for \$300,000 to make the first installment on a five-year lease-purchase of a new instant ticket validation system and for \$2.4 million for promoting the Lottery and paying for media advertising.

For FY 1992, the Governor recommends an increase in state operations expenditures of slightly less than \$360,000 and estimates an increase of \$1.5 million in lottery sales. Total sales of \$66.6 million would yield transfers of \$19.98 million for the SGRF in FY 1992. No increase in staff level is recommended. Increased expenditures for additional classified salary funding, certain salary-related fringe benefits, and advertising account for most of the additional expenditures. The Governor's recommendation for FY 1992 includes a reserve of funds for step movement, longevity bonuses, unclassified merit pool, and a cost-of-living increase; but these items are excluded from the detailed expenditure estimates for each agency.



### Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommended expenditures, based on financing and projected lottery sales for FY 1992, with the following adjustments:

1. Delete 1.0 FTE position and \$27,884 for a Public Information Officer unclassified position which is vacant and not authorized by statute.
2. Add \$500,000 as a technical adjustment to the estimated FY 1992 receipts to reflect the Governor's recommended expenditure of these telecommunications expenses as reportable expenses.
3. Recommend introduction of a bill to address the Subcommittee's concern about certain employees in the unclassified service. The Subcommittee recommends that the Administrator of Budget and Finance be authorized in statute as an unclassified position. The Subcommittee further recommends that most unclassified employees of the Lottery be made classified employees, with the exception of those in policy-making positions, as currently identified in statute or proposed changes to be included in this bill.
4. Recommend introduction of another bill to decrease the amount required for transfer to the State Gaming Revenues Fund (SGRF) from 30 percent to 22.5 percent of total sales and to increase the minimum amount required for prizes from 45 percent to 55 percent. The effect of this change should be to increase sales of instant tickets as well as to reduce the percentage for administrative expenses to 17.5 percent, with 5 percent used to pay merchants for selling instant tickets. These changes are not reflected in the Subcommittee's recommended finances and expenditures for the Lottery, but would have to be considered as adjustments to the Lottery budget if the suggested bill passes later this Session.

**Lottery Operating Fund Analysis.** The revised FY 1991 and FY 1992 budget projects an increase in estimated ending balances after making the technical adjustment adding \$500,000 each fiscal year to the Governor's estimated receipts. In both fiscal years, estimated expenditures will be less than estimated receipts. The following table summarizes the status of the Lottery Operating Fund as recommended by the Subcommittee, including addition of \$500,000 of reportable receipts in FY 1991 and FY 1992 to reflect payments from merchants for a portion of on-line telecommunications charges for lotto:

<u>Resource Estimate</u>	<u>Actual FY 1990</u>	<u>Estimated FY 1991</u>	<u>Estimated FY 1992</u>
Beginning Balance	\$ 1,156,213	\$ 996,920	\$ 1,381,982
Net Receipts	11,241,081	13,060,000	13,360,000
Total Available	<u>\$ 12,397,294</u>	<u>\$ 14,056,920</u>	<u>\$ 14,741,982</u>
Less: Expenditures	11,400,374	12,674,938	13,006,179
Ending Balance	<u>\$ 996,920</u>	<u>\$ 1,381,982</u>	<u>\$ 1,735,803</u>



### Senate Committee Recommendation

The Committee concurs with the Subcommittee recommendations.

### House Subcommittee Recommendation

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

1. Clarify item 2 of the FY 1991 Senate Subcommittee recommendation by including in the FY 1992 appropriations bill language directing the Director of Accounts and Reports to credit any transfer from the Lottery Operating Fund to the State Gaming Revenues Fund made after June 30, 1991, to the fiscal year beginning July 1, 1991 (otherwise known as FY 1992).
2. Delete 1.0 FTE position and \$40,000 for an unclassified Administrator of Budget and Finance, pending passage of legislation authorizing establishment of this position. The Subcommittee notes item 1 of the Senate Subcommittee in which another position is deleted and funding was removed, and believes that both positions should be treated in a similar manner. No FTE or funding should be appropriated, pending legislative consideration of this situation in which two positions were established in the unclassified service, apparently contrary to K.S.A. 1990 Supp. 74-8703 and 74-8704(b). If a bill passes, then adding FTE and funding will be considered during Omnibus.
3. In regard to item 3 of the Senate Subcommittee, the House Subcommittee disagrees that most unclassified employees should be made classified employees and does not support those provisions in S.B. 402. The Subcommittee notes that S.B. 402 establishes an unclassified Administrator of Budget and Finance, and believes that the Legislature should consider this policy issue.
4. In regard to item 4 of the Senate Subcommittee, the House Subcommittee disagrees and does not support changing the percentage paid in prizes.

<u>Expenditure Summary</u>	<u>Senate Rec. FY 1992</u>	<u>Subcommittee Adjustment</u>	<u>Subcommittee Rec. FY 1992</u>
Sales Estimate	\$ 66,600,000	\$ --	\$ 66,600,000
Gaming Fund Transfer	19,980,000	--	19,980,000
All Funds:			
State Operations	\$ 13,006,179	\$ (40,000)	\$ 12,966,179
State Paid Prizes	14,650,000	--	14,650,000
Prizes & Retail Cmmsns	19,160,000	--	19,160,000
Total	<u>\$ 46,816,179</u>	<u>\$ (40,000)</u>	<u>\$ 46,776,179</u>
FTE Positions	108.0	(1.0)	107.0



The House Subcommittee recommendations are reflected in the Lottery Operating Fund cashflow shown below:

Lottery Operating Fund Resource Estimate:	Actual FY 1990	Estimated FY 1991	Estimated FY 1992
Beginning Balance	\$ 1,156,213	\$ 996,920	\$ 1,381,982
Net Receipts	11,241,081	13,060,000	13,360,000
Total Available	<u>\$ 12,397,294</u>	<u>\$ 14,056,920</u>	<u>\$ 14,741,982</u>
Less Expenditures	11,400,374	12,674,938	12,966,179
Ending Balance	<u><u>\$ 996,920</u></u>	<u><u>\$ 1,381,982</u></u>	<u><u>\$ 1,775,803</u></u>

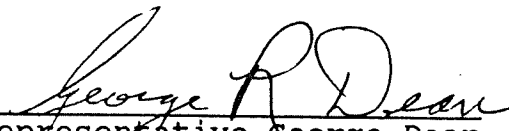


HOUSE APPROPRIATIONS COMMITTEE

SUBCOMMITTEE #3

SENATE BILL NO. 99 & 340

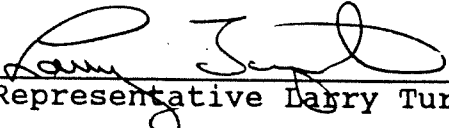
STATE BOARD OF TAX APPEALS  
DEPARTMENT OF REVENUE  
KANSAS LOTTERY  
KANSAS RACING COMMISSION

  
\_\_\_\_\_  
Representative George Dean  
Subcommittee Chairperson

\_\_\_\_\_  
Representative Wanda Fuller

  
\_\_\_\_\_  
Representative David Heinemann

\_\_\_\_\_  
Representative Kerry Patrick

  
\_\_\_\_\_  
Representative Larry Turnquist



**SUBCOMMITTEE REPORT**

Agency: Kansas Racing Commission

Bill No. 340

Bill Sec. 24

Analyst: Efird

Analysis Pg. No. 242

Budget Page No.

<u>Expenditure Summary</u>	<u>Agency Req. FY 91</u>	<u>Gov. Rec. FY 91</u>	<u>Subcommittee Adjustments</u>
Gaming Fund Transfer	\$ 7,640,558	\$ 7,132,892	\$ (38,000)
State Operations:			
State Racing Fund	\$ 2,084,422	\$ 1,995,633	\$ 38,000
Special Revenue Funds	773,682	797,167	--
Subtotal	<u>\$ 2,858,104</u>	<u>\$ 2,792,800</u>	<u>\$ 38,000</u>
Other Assistance:	342,105	342,105	935,700
<b>TOTAL</b>	<u><u>\$ 3,200,209</u></u>	<u><u>\$ 3,134,905</u></u>	<u><u>\$ 973,700</u></u>
FTE Positions	32.0	32.0	--

**Agency Request/Governor's Recommendation**

**FY 1991.** For the current fiscal year, the Commission requests an increase of \$74,967 in its approved expenditures for state operations and a reduction in other assistance payments from \$609,400 (which is the approved amount) to \$342,105. State operations increases would be financed from the Racing Reimbursable Expense Fund and would require no adjustment in expenditure limitation since it is a no-limit line item for FY 1991. The Commission's revised budget would allow transfers of approximately \$7.8 million to the State Gaming Revenues Fund (SGRF) in the current fiscal year. In addition, repayment of start-up costs totaling approximately \$1.6 million (including interest) to the State General Fund (SGF) has been made.

The Governor's recommendations include an increase of \$9,663 in state operations expenditures and a reduction of \$267,295 in other assistance payments as requested by the agency. Financing adjustments would reduce expenditures of State Racing Fund money and increase expenditures of Racing Reimbursable Fund money. The reduction in other assistance payments affects the Greyhound Breeding Development Fund exclusively. The Governor's estimate includes a transfer to the SGRF of approximately \$7.1 million in FY 1991 and repayment of the SGF loan (with interest) totaling \$1.6 million.

**Senate Subcommittee Recommendation**

The Subcommittee concurs with the Governor's estimates for finances and expenditures, with the following adjustments in FY 1991:

1. Increase legal and lab fees by \$207,000 from the State Racing Fund to cover the current estimate for contracting with attorneys who assist in several on-going

HA  
3-29-91  
Attachment 4



cases and for additional animal drug testing which the Commission has undertaken this fiscal year.

2. Decrease expenditures for salaries and benefits by \$149,000 from the State Racing Fund due to many positions being unfilled much of this fiscal year.
3. Decrease expenditures for capital outlay by \$20,000 from the State Racing Fund based on a revised agency estimate.
4. Add estimated expenditures of \$571,000 from the Greyhound Breeding Development Fund for purse supplements. This represents 50 percent of the unclaimed prizes deposited to this fund.
5. Add estimated expenditures of \$364,700 from the Greyhound Breeding Development Fund for research grants. This represents 35 percent of the unclaimed prizes deposited to this fund when the \$33,000 recommended by the Governor for one research grant is included.
6. Add a transfer of \$171,300 from the Greyhound Breeding Development Fund to the Greyhound Tourism Fund to reflect 15 percent of the unclaimed prizes deposited to this fund.

#### Senate Committee Recommendation

The Committee concurs with the Subcommittee recommendations.

#### House Subcommittee Recommendation

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

1. Add \$200,000 to the estimate for transfer from the State Racing Fund to the State Gaming Revenues Fund. The Subcommittee suggests that the Racing Commission change its agreement with the Director of Accounts and Reports about maintaining a \$500,000 reserve balance, and that balance be reduced to \$300,000 for emergencies.
2. Add \$317,420 to the estimate for transfer from the State Racing Fund to the State Gaming Revenues Fund. The Subcommittee notes that a forfeited deposit of \$250,000 plus accrued interest was transferred from the Racing Applicant Deposit Fund to the State Racing Fund on January 14, 1991, and that this revenue would be in addition to the Governor's estimates for FY 1991.
3. Recommend that the Racing Commission implement electronic funds transfer (or some similar alternative) for the transmission of tax receipts from the different race tracks to Topeka for deposit into the State Treasury. The Subcommittee is concerned about the lag in time between the collection of taxes and the deposit of those taxes in the State Treasury, and believes that this procedure will improve the situation. However, statutory language about remitting tax receipts "on the



next business day following the day on which the wagers took place" (K.S.A. 1990 Supp. 74-8823(c)) allows race tracks, especially on holiday weekends, to retain moneys for several days longer than if taxes were remitted on the next day after wagers took place.

4. Reflect the revised cashflow to the State Gaming Revenues Fund, based on the House Subcommittee adjustments in items 1 and 2, as shown below:

	<u>Senate Rec. FY 91</u>	<u>Subcommittee Adjustments</u>	<u>Subcommittee Rec. FY 91</u>
Gaming Fund Transfer	\$ 7,094,892	\$ 517,420	\$ 7,612,312



## SUBCOMMITTEE REPORT

Agency: Kansas Racing Commission

Bill No. 99

Bill Sec. 5

Analyst: Efird

Analysis Pg. No. 242

Budget Page No.

<u>Expenditure Summary</u>	<u>Agency Req. FY 92</u>	<u>Gov. Rec. FY 92*</u>	<u>Subcommittee Adjustments</u>
Gaming Fund Transfer	\$ 6,752,022	\$ 7,388,477	\$ (83,519)
State Operations:			
State Racing Fund	\$ 2,989,378	\$ 1,855,105	\$ 83,519
Special Revenue Funds	189,961	711,461	--
Subtotal	<u>\$ 3,179,339</u>	<u>\$ 2,566,566</u>	<u>\$ 83,519</u>
Other Assistance:	\$ 373,067	\$ 373,067	\$ 964,900
<b>TOTAL</b>	<u><u>\$ 3,552,406</u></u>	<u><u>\$ 2,939,633</u></u>	<u><u>\$ 1,048,419</u></u>
 FTE Positions	 41.0	 32.0	 1.0

\* Excludes amounts reserved for employee compensation.

### Agency Request/Governor's Recommendation

**FY 1992.** The Commission requests expenditure increases of \$321,235 more than the revised FY 1991 estimate. The Commission's expenditure estimates include some costs related to opening a race track at Pittsburg. The request includes an additional 9.0 FTE positions, none of whom would be used at Pittsburg on a full-time basis. In addition, the Commission proposes to shift financing of all assistant animal health officers, racing judges, and stewards from the Reimbursable Fund to the Racing Fund. Estimated cost of the shift in financing exceeds \$600,000. The Commission's FY 1992 estimate includes payments to the SGRF of approximately \$7.1 million.

The Governor's recommendations would reduce FY 1992 state operations expenditures by over \$.25 million and hold staffing at its current level of 32.0 FTE positions. Reductions from FY 1991 expenditures are recommended for FY 1992 financing from both the Racing Fund and the Reimbursable Fund. The Governor does not recommend shifting the financing of any Commission staff from the Reimbursable Fund to the Racing Fund in FY 1992. The Governor's FY 1992 estimate includes payments to the SGRF of approximately \$7.7 million.

### Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommended finances and expenditures, with the following adjustments for FY 1992:

1. Add 1.0 FTE position for a new legal assistant and increase salary and benefit funding by \$22,519 from the State Racing Fund for this position.



2. Add \$61,000 from the State Racing Fund for more extensive drug testing begun by the Commission in the current fiscal year, but not funded in FY 1992.
3. Add estimated expenditures of \$587,000 from the Greyhound Breeding Development Fund for purse supplements. This represents 50 percent of the unclaimed prizes deposited to this fund.
4. Add estimated expenditures of \$377,900 from the Greyhound Breeding Development Fund for research grants. This represents 35 percent of the unclaimed prizes deposited to this fund when the \$35,000 recommended by the Governor for one research grant is included.
5. Add a transfer of \$176,100 from the Greyhound Breeding Development Fund to the Greyhound Tourism Fund to reflect 15 percent of the unclaimed prizes deposited to this fund.
6. Note that the Commission has requested legislation (which has not been introduced yet) to make racing judges and stewards state employees (rather than contract employees). If this bill passes, the Commission's FTE limitation will need to be increased and funding will need to be re-estimated to include fringe benefits paid to state workers. These employees are paid by the Commission from the Racing Reimbursable Expense Fund, with reimbursements assessed against the race tracks to pay their salaries.

**Racing Fund Analysis.** The Commission increases its FY 1991 estimate of net receipts by almost \$900,000 in its revised budget. The Commission's FY 1992 estimate of receipts is over \$700,000 higher than the revised projection for the current fiscal year, but FY 1992 figures do not include a Pittsburg facility. The FY 1991 transfer to the SGRF would be \$7.6 million based on the Commission's revenue and expenditure estimates, with FY 1992 estimated at \$6.8 million to the SGRF.

The Governor's estimates anticipate slightly lower receipts in both FY 1991 and FY 1992 than projected by the agency. The Governor's estimate for FY 1992 does not reflect a Pittsburg race track nor any growth in parimutuel activity at the other tracks. The Governor's recommendations includes transfers to the KBI and to the SGRF in both FY 1991 and FY 1992. KBI payments are recommended at \$364,000 in FY 1991 and \$295,684 in FY 1992. SGRF transfers are estimated by the Governor's budget report at \$7.1 million in FY 1991 and \$7.4 million in FY 1992.

The Senate Subcommittee concurs with the Governor's revenue estimates and incorporates its expenditure estimates for FY 1991 and FY 1992 into the analysis. As a result, the transfer to the SGRF is reduced \$121,519 in FY 1992 to pay for increased expenses added by the Subcommittee.



State Racing Fund Resource Estimate:	Actual FY 1990	Estimated FY 1991	Estimated FY 1992
Beginning Balance	\$ 327,168	\$ 2,777,979	\$ 800,789
Net Receipts	8,087,280	9,200,000	9,200,000
Transfers In (Out)	(4,132,612)	(9,143,557)	(7,562,165)
Total Available	<u>\$ 4,281,836</u>	<u>\$ 2,834,422</u>	<u>\$ 2,438,624</u>
Less Expenditures	1,438,091	2,033,633	1,938,624
Ending Balance	<u><u>\$ 2,843,745</u></u>	<u><u>\$ 800,789</u></u>	<u><u>\$ 500,000</u></u>

**Greyhound Breeding Development Fund.** Receipts to the Greyhound Fund are estimated at \$1,142,000 in FY 1991 and \$1,174,000 in FY 1992. The Commission's budgeted figures for the Greyhound Fund show only minor expenditures for research activities in FY 1991 (\$33,000) and FY 1992 (\$35,000). Payments to tracks for supplementing purses are not reflected in these figures. The Governor's recommendations reflect the agency's estimates.

The Senate Subcommittee recommends adding FY 1991 and FY 1992 estimates for purse supplements, additional research grants, and the transfer to the Greyhound Tourism Fund, all of which are addressed statutorily. The dollar amounts were referenced in the specific Subcommittee recommendations made earlier in items 3, 4 and 5.

Greyhound Breed Devp. Fund Resource Estimate:	Actual FY 1990	Estimated FY 1991	Estimated FY 1992
Beginning Balance	\$ 0	\$ 108,885	\$ 81,685
Net Receipts	128,100	1,142,000	1,174,000
Transfers In (Out)	(19,215)	(171,300)	(176,100)
Total Available	<u>\$ 108,885</u>	<u>\$ 1,079,585</u>	<u>\$ 1,079,585</u>
Less Expenditures	0	997,900	999,900
Ending Balance	<u><u>\$ 108,885</u></u>	<u><u>\$ 81,685</u></u>	<u><u>\$ 79,685</u></u>

**Horse Breeding Development Fund.** Receipts to the Horse Fund are estimated at \$389,100 in FY 1991 and \$435,300 in FY 1992, with revenue anticipated only from the Woodlands since Eureka Downs is closed pending bankruptcy proceedings. Revenue is derived from breakage and unclaimed winning tickets. Expenditures are budgeted for \$309,105 in FY 1991 and \$338,067 in FY 1992. Statutes do not prescribe a percentage distribution of how money is to be expended as is the case with the Greyhound Fund. The Commission is authorized to spend money in the following statutory categories: purse supplements to owners of Kansas bred horses; stakes and awards to owners of Kansas bred horses in certain races determined by the Commission; stallion awards; breeder's awards; and equine research at Regents' institutions.

The Senate Subcommittee concurs with the Governor's recommended receipts and expenditures for the Horse Fund.



Horse Breed Devp. Fund Resource Estimate:	Actual FY 1990	Estimated FY 1991	Estimated FY 1992
Beginning Balance	\$ 50,625	\$ 27,188	\$ 107,183
Net Receipts	112,690	389,100	435,300
Transfers In (Out)	0	0	0
Total Available	\$ 163,315	\$ 416,288	\$ 542,483
Less Expenditures	136,127	309,105	338,067
Ending Balance	\$ 27,188	\$ 107,183	\$ 204,416

### Senate Committee Recommendation

The Committee concurs with the Subcommittee recommendations.

### House Subcommittee Recommendation

The House Subcommittee concurs with the Senate and notes the following items:

1. K.S.A. 1990 Supp. 74-8825(b) was intended to prohibit race tracks from being exempted from paying taxes. However, Wichita Greyhound Park has been granted tax exemptions due to its enterprize zone status.
2. Adjust the cashflow of the State Racing Fund to reflect additional FY 1991 revenue impact in both FY 1991 and FY 1992. Also reflect the \$300,000 ending balance for FY 1992 per the House Subcommittee recommendation item 1 for FY 1991.

State Racing Fund Resource Estimate:	Actual FY 1990	Estimated FY 1991	Estimated FY 1992
Beginning Balance	\$ 327,168	\$ 2,777,979	\$ 600,789
Net Receipts	8,087,280	9,517,420	9,200,000
Transfers In (Out)	(4,132,612)	(9,660,977)	(7,562,165)
Total Available	\$ 4,281,836	\$ 2,634,422	\$ 2,238,624
Less Expenditures	1,438,091	2,033,633	1,938,624
Ending Balance	\$ 2,843,745	\$ 600,789	\$ 300,000

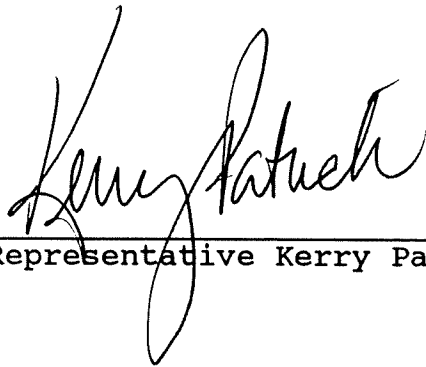


HOUSE APPROPRIATIONS COMMITTEE

SUBCOMMITTEE #3

SENATE BILL NO. 99 & 340

STATE BOARD OF TAX APPEALS  
KANSAS LOTTERY  
KANSAS RACING COMMISSION

A handwritten signature in cursive script, reading "Kerry Patrick". The signature is written in black ink and is positioned above a horizontal line.

Representative Kerry Patrick



## SUBCOMMITTEE REPORT

Agency: Kansas, Inc.

Bill No. 340

Bill Sec. 25

Analyst: West

Analysis Pg. No. 251

Budget Page No. 372

<u>Expenditure Summary</u>	<u>Agency Req. FY 91</u>	<u>Gov. Rec. FY 91</u>	<u>Subcommittee Adjustments</u>
All Funds	\$ 421,379	\$ 419,778	\$ --
State General Fund	282,324	281,251	--
FTE Positions	4.0	4.0	--

### Agency Request/Governor's Recommendation

The agency's current year estimate of \$491,379 reflects a decrease of \$2,477 from donations and an increase of \$1 from the State General Fund from the budget approved by the 1990 Legislature. The State General Fund estimate supports 67 percent of the agency's budget and is used for salaries and operating expenditures as provided by 1990 S.B. 652. The agency's estimate of State General Fund expenditures would be matched by \$139,055 from private sources.

The Governor recommends an FY 1991 budget of \$419,788, a reduction of \$1,601 from the agency's estimate for salaries. State General Fund financed other operating expenses are increased by \$528 with an offsetting decrease in contributions to maintain State General Fund financing of 67 percent. The Governor recommends the lapse of \$1,073 in State General Fund financing. The Governor's State General Fund recommendation would be matched by \$138,527 from private sources.

### Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's FY 1991 recommendation.

### Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee.

### Senate Committee of the Whole Recommendation

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

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*Attachment 5*




<u>Expenditure Summary</u>	<u>Senate Adjustments</u>	<u>Senate Rec. FY 91</u>	<u>House Subcommittee Adjustments</u>
All Funds	\$ --	\$ 419,778	\$ --
State General Fund	--	281,251	--
FTE Positions	--	4.0	--

**House Subcommittee Recommendation**

The House Subcommittee concurs with the recommendations of the Senate.

  
 Representative George Dean  
 Subcommittee Chair

  
 Representative Larry F. Turnquist

  
 Representative David J. Heinemann

\_\_\_\_\_  
 Representative Wanda Fuller

\_\_\_\_\_  
 Representative Kerry Patrick



## SUBCOMMITTEE REPORT

Agency: Kansas, Inc.

Bill No. 99

Bill Sec. 7

Analyst: West

Analysis Pg. No. 251

Budget Page No. 372

<u>Expenditure Summary</u>	<u>Agency Req. FY 92</u>	<u>Gov. Rec. FY 92*</u>	<u>Subcommittee Adjustments</u>
All Funds	\$ 475,374	\$ 420,877	\$ --
State General Fund	318,501	281,988	--
FTE Positions	4.0	4.0	--

\* Excludes amounts reserved for employee compensation.

### Agency Request/Governor's Recommendation

The agency requests an FY 1992 budget of \$475,374, including \$318,501 from the State General Fund. Total expenditures are requested to increase by \$53,995 from the current year estimate, reflecting increases for salaries (\$4,600), contractual research (\$10,945), capital outlay (\$4,373), and the addition of \$25,000 to allow the agency to contract with a person to assist with fund raising and public relations activities. Net other changes increase total expenditures by \$9,077. Kansas, Inc. reports that the State General Fund request would be matched by \$156,873 from private sources.

The Governor recommends an FY 1992 budget of \$420,877, including \$281,988 from the State General Fund. Total expenditures are recommended to increase by \$1,099 from the current year recommendation, reflecting an increase of \$3,704 for salaries and a decrease of \$7,627 for capital outlay. Net other changes increase total expenses by \$5,022. The Governor's State General Fund recommendation would be matched by \$138,889 from private sources.

### Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's FY 1992 recommendation.

### Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee.

### Senate Committee of the Whole Recommendation

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



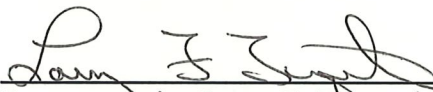
<u>Expenditure Summary</u>	<u>Senate Adjustments</u>	<u>Senate Rec. FY 92</u>	<u>House Subcommittee Adjustments</u>
All Funds	\$ --	\$ 420,877	\$ --
State General Fund	--	281,988	--
FTE Positions	--	4.0	--


### House Subcommittee Recommendation

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

1. As a technical adjustment, appropriate the Information Network of Kansas Fund with no limit on expenditures.

  
 \_\_\_\_\_  
 Representative George Dean  
 Subcommittee Chair

  
 \_\_\_\_\_  
 Representative Larry F. Turnquist

  
 \_\_\_\_\_  
 Representative David J. Heinemann

\_\_\_\_\_  
 Representative Wanda Fuller



## MINORITY REPORT

In this year of budgetary crisis, how ironic that a state agency supposedly committed to economic development says that it cannot take a 3 percent budget cut from the Governor's recommendations. The Department of Commerce has agreed to a 3 percent cut from the Governor's recommendations. They have set an example that Mr. Warren would do well to emulate.

  
\_\_\_\_\_  
Representative Kerry Patrick



**SUBCOMMITTEE REPORT**

Agency: Kansas Technology Enterprise Corp. Bill No. 340

Bill Sec. 22

Analyst: West

Analysis Pg. No. 254

Budget Page No. 396

<u>Expenditure Summary</u>	<u>Agency Req. FY 91</u>	<u>Gov. Rec. FY 91</u>	<u>Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 1,115,286	\$ 1,071,585	\$ (21,678)
Other Assistance	6,892,762	5,992,762	820,000
<b>Total</b>	<u>\$ 8,008,048</u>	<u>\$ 7,064,347</u>	<u>\$ 798,322</u>
<b>State General Fund:</b>			
State Operations	\$ 237,175	\$ 237,175	\$ --
Other Assistance	--	--	--
<b>Total</b>	<u>\$ 237,175</u>	<u>\$ 237,175</u>	<u>\$ --</u>
<b>Economic Development Initiatives Fund:</b>			
State Operations	\$ 878,111	\$ 834,410	\$ (21,678)
Other Assistance	6,892,762	5,992,762	820,000
<b>Total</b>	<u>\$ 7,770,873</u>	<u>\$ 6,827,172</u>	<u>\$ 798,322</u>
<b>FTE Positions</b>	11.0	11.0	--

**Agency Request/Governor's Recommendation**

The Kansas Technology Enterprise Corporation (KTEC) estimates that current year expenditures will total \$8,008,048, including \$237,115 from the State General Fund and \$7,770,873 from the Economic Development Initiatives Fund (EDIF). The current year estimate includes \$2,152,691 reappropriated from FY 1990.

**1. State Operations.** The FY 1991 estimate for state operations is \$1,115,286 and is financed by \$237,175 from the State General Fund and \$878,111 from the EDIF. The estimate includes \$806,010 for KTEC operations, \$87,776 in state operation expenses through the Special Projects program, and \$221,500 for the state operations expenses of the Kansas Agricultural Value Added Processing Center (KVAC).

**2. Other Assistance.** The FY 1991 estimate for other assistance totals \$6,892,762. The estimate, financed entirely from the EDIF, includes funding for the Centers of Excellence (\$3,215,000), Research Matching Grants (\$2,127,485), Small Business Innovation Research (SBIR) Grants (\$66,501), Research (\$80,175) and Training (\$150,000) Equipment Grants, the Industrial Liaison program (\$300,000), and for assistance provided through the Special Projects (\$486,626) and the KVAC (\$466,975) programs.

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Attachment 6

**3. Seed Capital.** In addition to the expenditures noted above, KTEC proposes to invest \$200,000 from the EDIF in a new program designed to provide seed capital to firms located in small business incubators.

The Governor recommends current year expenditures of \$7,064,347, including \$237,175 from the State General Fund and \$6,827,172 from the EDIF. The Governor's recommendation represents a decrease of \$943,701 in EDIF financing from the agency's estimate.

**1. State Operations.** The Governor's FY 1991 recommendation for state operations is \$1,071,585 and is financed by \$237,175 from the State General Fund and \$834,410 from the EDIF. The recommendation includes \$774,243 for KTEC operations, \$87,776 in state operations expenses through the Special Projects program, and \$209,566 for the state operations expenses of KVAC. The recommendation reflects a decrease of \$43,701 from the agency's estimate, including salary reductions of \$41,536 from KTEC operations (\$29,612) and KVAC (\$11,934) and a reduction of \$2,155 in other operating expenses for KTEC.

**2. Other Assistance.** The Governor concurs with the agency's estimate for other assistance except for a reduction of \$900,000 in funding for the Research Matching Grant program to \$1,227,485.

**3. Seed Capital.** The Governor recommends no funding for seed capital.

#### **Senate Subcommittee Recommendation**

The Senate Subcommittee concurs with the FY 1991 recommendation of the Governor, with the following adjustments:

1. Restore \$28,322 from the EDIF for salaries due to less than estimated turnover.
2. Delete \$50,000 from the EDIF for maintenance of the Kansas Technology Resource database. The Subcommittee has been informed that delays in completion of the database have resulted in this funding not being required in FY 1991.
3. Restore \$830,000 from the EDIF for the Research Matching Grant Program. The Subcommittee has been informed that all but \$70,000 of the currently authorized funding of \$2,127,485 has either been committed or is currently under review.
4. Reduce EDIF funding for SBIR grants by \$10,000 to \$56,501.
5. The Subcommittee recommends that the approved current year transfers of \$5,815,904 from the EDIF to KTEC not be changed in order to assist with the cash flow for KTEC's FY 1992 budget. Based on the above recommendations, KTEC should have a carry forward balance at the beginning of FY 1992 of \$345,379.



### Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee.

### Senate Committee of the Whole Recommendation

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

<u>Expenditure Summary</u>	<u>Senate Adjustments</u>	<u>Senate Rec. FY 91</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ (21,678)	\$ 1,049,907	\$ --
Other Assistance	820,000	6,812,762	200,000
Total	<u>\$ 798,322</u>	<u>\$ 7,862,669</u>	<u>\$ 200,000</u>
State General Fund:			
State Operations	\$ --	\$ 237,175	\$ --
Other Assistance	--	--	--
Total	<u>\$ --</u>	<u>\$ 237,175</u>	<u>\$ --</u>
Economic Development Initiatives Fund:			
State Operations	\$ (21,678)	\$ 812,732	\$ --
Other Assistance	820,000	6,812,762	200,000
Total	<u>\$ 798,322</u>	<u>\$ 7,625,494</u>	<u>\$ 200,000</u>
FTE Positions	--	11.0	--

### House Subcommittee Recommendation

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

1. Add \$200,000 from the EDIF to provide total of \$2,257,485 for the Research Matching Grant Program. The Subcommittee notes that as of March 27, 1991 KTEC has approved projects of \$2,067,315 and has project proposals totaling \$407,558 under review. This recommendation should result in KTEC having a carry forward balance of \$145,379 to assist with the cash flow for KTEC's FY 1992 budget.

*George R Dean*  
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Representative George Dean  
Subcommittee Chair

*Larry F Turnquist*  
\_\_\_\_\_  
Representative Larry F. Turnquist

*David J Heinemann*  
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Representative David J. Heinemann

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Representative Wanda Fuller

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Representative Kerry Patrick



**SUBCOMMITTEE REPORT**

Agency: Kansas Technology Enterprise Corp. Bill No. 99

Bill Sec. 8

Analyst: West

Analysis Pg. No. 254

Budget Page No. 396

<u>Expenditure Summary</u>	<u>Agency Req. FY 92</u>	<u>Gov. Rec. FY 92*</u>	<u>Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 1,071,261	\$ --	\$ 868,900
Other Assistance	8,933,739	--	6,298,259
<b>Total</b>	<u>\$ 10,005,000</u>	<u>\$ --</u>	<u>\$ 7,167,159</u>
<b>State General Fund:</b>			
State Operations	\$ 880,000	\$ --	\$ --
Other Assistance	620,000	--	--
<b>Total</b>	<u>\$ 1,500,000</u>	<u>\$ --</u>	<u>\$ --</u>
<b>Economic Development Initiatives Fund:</b>			
State Operations	\$ 191,261	\$ --	\$ 868,900
Other Assistance	8,313,739	--	6,298,259
<b>Total</b>	<u>\$ 8,505,000</u>	<u>\$ --</u>	<u>\$ 7,167,159</u>
<b>FTE Positions</b>	12.0	0.0	10.5

\* Excludes amounts reserved for employee compensation.

**Agency Request/Governor's Recommendation**

The Corporation requests an FY 1992 budget of \$10,005,000, including \$1,500,000 from the State General Fund and \$8,505,000 from the EDIF.

1. **State Operations.** KTEC requests an FY 1992 state operations budget of \$1,071,261, including \$880,000 from the State General Fund and \$191,261 from the EDIF. The request reflects an increase of \$642,825 from the State General Fund and a decrease of \$686,850 from the EDIF from the current year estimate. The request includes \$780,000 for KTEC operations, \$212,500 for Kvac operations, and an estimated \$78,761 in state operations expenditures through the Special Projects program. The request for KTEC operations includes \$19,392 for a new receptionist position.

2. **Other Assistance.** KTEC requests \$8,933,739, including \$620,000 from the State General Fund, for several assistance programs in FY 1992. The requested State General Fund financing is for the Centers of Excellence. EDIF financing of \$8,313,739 is requested for additional support for the Centers of Excellence (\$4,480,000), Research Matching Grants (\$1,250,000), SBIR Grants (\$75,000), Research (\$700,000) and Training (\$250,000) Equipment Grants, the Industrial

Liaison program (\$500,000), and \$808,739 for grants and assistance provided through the Special Projects (\$421,239) and KVAC (\$387,500) programs.

3. **Seed Capital.** In addition to the expenditures noted above, KTEC requests \$500,000 from the EDIF in FY 1992 to provide seed capital to firms located in small business incubators.

The Governor recommends that KTEC and its Board of Directors be abolished. Under the Governor's current resources budget, the programs now operated by KTEC would be unfunded. The EDIF is abolished and its resources are transferred to the General Fund. Under the Governor's recommended budget, certain of KTEC's programs, KVAC, and KVAC's Leadership Council would be shifted to the Department of Commerce. The Governor's recommended budget for the Department of Commerce includes \$4,891,366 from the State General Fund to support the Technology Enterprises program (\$4,542,391) and KVAC (\$348,975).

1. **State Operations.** The Governor's recommended budget for the Department of Commerce in FY 1992 includes \$551,366 for state operations expenses of the Technology Enterprises program (\$402,391) and KVAC (\$148,975). the recommendation would support 6.0 FTE positions for Technology Enterprises (4.0) and KVAC (2.0), a decrease of 5.0 FTE positions from the number currently authorized. The recommendation for the Technology Enterprises program includes \$100,000 to support special projects begun under KTEC.

2. **Other Assistance.** The Governor's recommended FY 1992 budget for the Department of Commerce includes \$4,340,000 from the State General Fund to continue Center of Excellence grants (\$3,215,000), Research Matching grants (\$900,000), SBIR grants (\$25,000), and grants and assistance through KVAC (\$200,000).

3. **Seed Capital.** The Governor recommends no funding for seed capital.

#### **Senate Subcommittee Recommendation**

The Senate Subcommittee concurs with the Governor's FY 1992 recommendations, with the following adjustments.

1. Add \$351,795 from the EDIF and 8.0 FTE positions for salaries and wages for KTEC operations. The Subcommittee notes that the above amount does not include funding for any salary increases for KTEC employees. The Subcommittee recommends that KTEC employees be treated as other state employees for the purpose of salary increases.
2. Add \$297,915 from the EDIF for other operating expenses for KTEC operations as requested by the agency.
3. Add \$50,000 from the EDIF to maintain the KTR database.
4. Add \$3,215,000 from the EDIF for Centers of Excellence Grants.
5. Add \$1,049,684 from the EDIF for Research Matching Grants.
6. Add \$150,000 from the EDIF for Training Equipment Grants.



7. Add \$300,000 from the EDIF to continue the Industrial Liaison program.
8. Add \$25,000 from the EDIF for SBIR Grants.
9. Add \$230,000 from the EDIF for support of the Special Projects program.
10. The Subcommittee recommends that the above items be appropriated as a single line item in order to allow the Board of Directors flexibility in targeting scarce resources.
11. Add \$1,000,000 from the EDIF as a separate line item to support KTEC programs as required should the state receive the National Institute of Standards and Technology (NIST) award to establish a Manufacturing Technology Center. The award, worth an estimated \$12.9 million over six years, would provide special assistance to small manufacturers in adopting advanced manufacturing techniques. The allocation of the additional \$1,000,000 should be left to the discretion of the Board of Directors, but a proviso should be added to the appropriation to allow expenditures from the account only if the state receives the NIST award.
12. Add \$497,765 from the EDIF and 2.5 FTE positions for salaries (\$116,190), operating expenses (\$53,000), and grants and assistance (\$328,575) provided through KVAC.
13. Delete the provisions of S.B. 99 which transfer all unencumbered balances in KTEC's accounts to the State General Fund.
14. In order to finance the above recommendations, transfer \$6,821,780 from the EDIF to KTEC. To insure an adequate cash flow for the agency, transfers should be made at the rate of \$800,000 a month for the period of July through February, with the balance (\$421,780) transferred in March.
15. The Subcommittee notes that there is \$4,891,366 in State General Fund financing in the Department of Commerce's budget, which was associated with the proposed merger of KTEC and the Department of Commerce, which can be eliminated.

#### **Senate Committee Recommendation**

The Senate Committee concurs with the recommendations of the Subcommittee.

#### **Senate Committee of the Whole Recommendation**

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

<u>Expenditure Summary</u>	<u>Senate Adjustments</u>	<u>Senate Rec. FY 92</u>	<u>House Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 868,900	\$ 868,900	\$ 41,212
Other Assistance	6,298,259	6,298,259	1,108,788
Total	<u>\$ 7,167,159</u>	<u>\$ 7,167,159</u>	<u>\$ 1,150,000</u>
<b>State General Fund:</b>			
State Operations	\$ --	\$ --	\$ --
Other Assistance	--	--	--
Total	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<b>Economic Development Initiatives Fund:</b>			
State Operations	\$ 868,900	\$ 868,900	\$ 41,212
Other Assistance	6,298,259	6,298,259	1,108,788
Total	<u>\$ 7,167,159</u>	<u>\$ 7,167,159</u>	<u>\$ 1,150,000</u>
FTE Positions	10.5	10.5	1.0

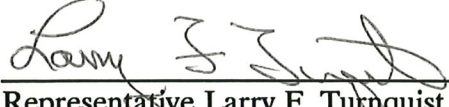
#### House Subcommittee Recommendation

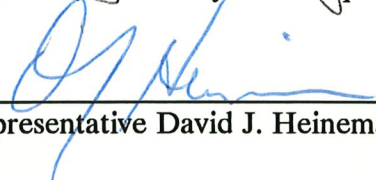
The House Subcommittee concurs with the recommendations of the Senate, with the following adjustments:

1. Add \$500,000 from the EDIF to provide a total of \$3,715,000 for the Centers of Excellence.
2. Add \$500,000 from the EDIF for the Research Equipment Grants program.
3. Add \$150,000 from the EDIF and 1.0 FTE position to restore the program manager position (\$41,212) recommended for elimination and to provide additional support for KVAC grants (\$108,788).
4. The Subcommittee recommends the proviso added by the Senate for the additional funding for the NIST program be stricken as it is no longer needed.
5. The Subcommittee notes that salaries for KTEC and KVAC are financed from the EDIF for FY 1992. While the Subcommittee does not recommend State General Fund financing at this time, the Subcommittee recommends that salaries in future fiscal years come from the State General Fund consistent with the policy of not using the EDIF for salaries.
6. In order to finance the Subcommittee's recommendations for FY 1991 and FY 1992, transfer an additional \$1,350,000 from the EDIF in March (\$378,220), April (\$800,000), and May (\$171,780) of 1992.



  
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Representative George Dean  
Subcommittee Chair

  
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Representative Larry F. Turnquist

  
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Representative David J. Heinemann

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Representative Wanda Fuller

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Representative Kerry Patrick

**SUBCOMMITTEE REPORT**

Agency: Department of Commerce

Bill No. 340

Bill Sec. 21

Analyst: West

Analysis Pg. No. 262

Budget Page No. 112

<u>Expenditure Summary</u>	<u>Agency Req. FY 91</u>	<u>Gov. Rec. FY 91</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 8,363,071	\$ 8,239,984	\$ (210,541)
Local Aid	17,825,905	17,075,905	--
Other Assistance	5,400,474	5,400,474	--
<b>TOTAL</b>	<b>\$ 31,589,450</b>	<b>\$ 30,716,363</b>	<b>\$ (210,541)</b>
State General Fund:			
State Operations	\$ 3,636,355	\$ 3,504,084	\$ 50,000
Local Aid	--	--	--
Other Assistance	--	--	--
<b>TOTAL</b>	<b>\$ 3,636,355</b>	<b>\$ 3,504,084</b>	<b>\$ 50,000</b>
Economic Development			
Initiatives Fund:			
State Operations	\$ 3,358,218	\$ 3,370,164	\$ (100,000)
Local Aid	1,695,000	945,000	--
Other Assistance	3,850,000	3,850,000	--
<b>TOTAL</b>	<b>\$ 8,903,218</b>	<b>\$ 8,165,164</b>	<b>\$ (100,000)</b>
FTE Positions	114.0	114.0	--

**Agency Request/Governor's Recommendation**

1. **State Operations.** The Department of Commerce proposes an FY 1991 state operations budget for 114.0 FTE positions of \$8,363,071, including \$3,636,355 from the State General Fund, \$3,358,218 from the Economic Development Initiatives Fund (EDIF), and \$1,368,498 from other funding sources. The estimate represents a net decrease of \$11,886 from the budget approved by the 1990 Legislature, including a decrease of \$5,491 in State General Fund expenditures and a net decrease of \$6,395 in special revenue fund expenditures. The Department requests an expenditure limitation increase on the State Operations account of the EDIF of \$1,851 to \$3,358,218.

The Governor recommends an FY 1991 state operations budget of 114.0 FTE positions of \$8,239,884, including \$3,504,084 from the State General Fund, \$3,370,164 from the EDIF, and \$1,365,636 from other funding sources. The current year recommendation reflects a net decrease of \$123,187, including decreases of \$132,271 from the State General Fund and \$2,862 from other funding sources and an increase of \$11,946 from the EDIF, when compared to the agency's estimate. The Governor recommends the lapse of \$137,762 in State General Fund financing. The major revisions from the agency's estimate include a decrease of \$135,133 in salaries associated with

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Attachment 7



reduced temporary employment (\$33,626), revised fringe benefits (\$47,532), and an increase in estimated turnover savings from the agency's estimate of 4.0 percent (\$713,310) to 5.3 percent (\$227,285). Other changes include an increase of \$50,000 in capital outlay for the down payment on a new computer system and decreases in travel (\$4,400), services fees (\$15,800), communications (\$1,354), and other contractual services (\$16,500). The Governor recommends an expenditure limitation increase on the State Operations account of the EDIF of \$13,797 to \$3,370,164.

2. **Local Aid.** The Department of Commerce estimates that payments to local units of government will total \$17,825,905 in FY 1991, a net increase of \$683,000 from the budget approved by the 1990 Legislature. Changes include an increase of \$1,233,800 in Small Cities Community Development Block Grants (CDBG), an \$800 decrease in Emergency Shelter Grants, and a decrease of \$550,000 as a budget adjustment to reflect that payments under the Rental Rehabilitation program go directly from the U.S. Department of Housing and Urban Development to local units of government.

The Governor concurs with the agency's estimate of aid to local units of government with the exception of a reduction in funding for the Kansas Partnership Fund from \$1,250,000 to \$500,000.

3. **Other Assistance.** The Department estimates other assistance payment of \$5,400,474 for Housing Assistance Payments (\$1,550,474), the Industrial Training program (\$2,750,000), Trade Show Assistance (\$150,000), Certified Development company grants (\$475,000), Small Business Development Center grants (\$275,000), and special projects (\$250,000), amounts unchanged from the budget approved by the 1990 Legislature.

The Governor concurs with the agency's estimate for other assistance payments of \$5,400,474.

#### Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's FY 1991 recommendations, with the following adjustments:

1. Reduce agencywide travel by \$100,000 based on year-to-date travel expenditures.
2. Reduce expenditures from the Greyhound Tourism Fund by \$180,785 to \$19,215 which is the total amount of receipts to that fund until the last day of the fiscal year. The Subcommittee further recommends that the agency report the planned uses of the fund for FY 1991 and FY 1992 to the Senate Ways and Means Committee and the House Appropriations Committee by April 1.
3. Restore \$70,244 for salaries and wages, consisting of \$50,000 from the State General Fund and \$20,244 from federal and special revenue funds. This results in estimated turnover savings of 0 percent for federal and special revenue funds and 4.2 percent for State General Fund financed salaries.

**Senate Committee Recommendation**

The Senate Committee concurs with the recommendations of the Subcommittee.

**Senate Committee of the Whole Recommendation**

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

<u>Expenditure Summary</u>	<u>Senate Adjustments</u>	<u>Senate Rec. FY 91</u>	<u>House Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ (210,541)	\$ 8,029,443	\$ --
Local Aid	--	17,075,905	--
Other Assistance	--	5,400,474	--
<b>TOTAL</b>	<b>\$ (210,541)</b>	<b>\$ 30,505,822</b>	<b>\$ --</b>
<b>State General Fund:</b>			
State Operations	\$ 50,000	\$ 3,554,084	\$ --
Local Aid	--	--	--
Other Assistance	--	--	--
<b>TOTAL</b>	<b>\$ 50,000</b>	<b>\$ 3,554,084</b>	<b>\$ --</b>
<b>Economic Development Initiatives Fund:</b>			
State Operations	\$ (100,000)	\$ 3,270,164	\$ --
Local Aid	--	945,000	--
Other Assistance	--	3,850,000	--
<b>TOTAL</b>	<b>\$ (100,000)</b>	<b>\$ 8,065,164</b>	<b>\$ --</b>
FTE Positions	--	114.0	--

**House Subcommittee Recommendation**

The House Subcommittee concurs with the recommendations of the Senate.



*George R Dean*  
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Representative George Dean  
Subcommittee Chair

*Larry F Turnquist*  
\_\_\_\_\_  
Representative Larry F. Turnquist

*David J Heinemann*  
\_\_\_\_\_  
Representative David J. Heinemann

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Representative Wanda Fuller

*Kerry Patrick*  
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Representative Kerry Patrick

**SUBCOMMITTEE REPORT**

Agency: Department of Commerce

Bill No. 99

Bill Sec. 6

Analyst: West

Analysis Pg. No. 262

Budget Page No. 112

<u>Expenditure Summary</u>	<u>Agency Req. FY 92</u>	<u>Gov. Rec. FY 92*</u>	<u>Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 12,327,526	\$ 7,970,263	\$ (806,514)
Local Aid	17,150,329	16,245,883	(100,000)
Other Assistance	6,129,021	8,744,021	(3,815,000)
<b>TOTAL</b>	<b>\$ 35,606,876</b>	<b>\$ 32,960,167</b>	<b>\$ (4,721,514)</b>
<b>State General Fund:</b>			
State Operations	\$ 4,200,913	\$ 6,564,742	\$ (3,499,141)
Local Aid	--	945,000	(945,000)
Other Assistance	--	7,040,000	(7,040,000)
<b>TOTAL</b>	<b>\$ 4,200,913</b>	<b>\$ 14,549,742</b>	<b>\$ (11,484,141)</b>
<b>Economic Development Initiatives Fund:**</b>			
State Operations	\$ 6,696,762	\$ --	\$ 2,646,771
Local Aid	1,849,446	--	845,000
Other Assistance	4,425,000	--	3,225,000
<b>TOTAL</b>	<b>\$ 12,971,208</b>	<b>\$ --</b>	<b>\$ 6,716,771</b>
 FTE Positions	 132.0	 119.0	 (17.0)

\* Excludes amounts reserved for employee compensation.

\*\* The Governor recommends the elimination of the Economic Development Initiatives Fund.

**Agency Request/Governor's Recommendation**

1. **State Operations.** The Department requests \$12,327,526, including \$4,200,913 from the State General Fund, \$6,696,762 from the EDIF, and \$1,429,851 from other funding sources, for FY 1992 state operations. The request represents an increase of \$3,964,455 from the current year estimate, including \$564,558 from the State General Fund, \$3,338,544 from the EDIF, and \$61,353 from other funding sources. Changes from the current year estimate include \$492,384 for 18.0 new FTE positions, \$18,160 to reclassify eight positions, \$453,881 to purchase a computer system, \$1,008,861 to expand the industrial marketing campaigns, and \$838,040 to expand the tourism promotion campaigns.

The Governor's recommended budget for the Department of Commerce include state operations expenses of \$7,970,263, including \$6,013,376 from the State General Fund. The Governor



recommends that the EDIF be abolished effective at the end of FY 1991. The recommendation would support 119.0 FTE positions, a net increase of 5.0 FTE positions from the current year. The Governor recommends the abolishment of the Kansas Technology Enterprise Corporation (KTEC) and the transfer of six of 11 employees authorized for KTEC to the Department of Commerce. The Governor also recommends the elimination of an Economic Development Representative IV position from the National Marketing program. Recommended salaries of \$4,141,935 reflect a net increase of \$105,109 from the current year recommendation, including the addition of \$261,757 for the positions transferred from KTEC and a decrease of \$232,931 associated with increased turnover savings from an average of 5.3 percent (\$227,285) to an average of 10.0 percent (\$460,935). Net other changes increase salaries by \$76,283. The Governor does not recommend the new positions requested by the Department. The Governor's recommendation for FY 1992 includes a reserve of funds for step movement, longevity bonuses, unclassified merit pool, and a cost-of-living increase, but these items are excluded from the detailed expenditure estimates for each agency. Other operating expenditures in FY 1992 are recommended to be \$3,828,328, a decrease of \$374,730 from the current year recommendation of \$4,203,058. Major changes from the current year estimate include an increase of \$315,785 associated with the new Technology Enterprises (\$262,785) and Kansas Value Added Agricultural Processing Center (KVAC) (\$53,000) programs, decreases in industrial marketing (\$209,080), tourism marketing (\$540,146), and foreign offices (\$200,000), and an increase of \$147,070 in communications. Net other changes increase total expenses by \$11,641. The current resources budget submitted by the Governor reflects a decrease of \$551,366 in state operations expenses from the recommended budget. The decrease is associated with funding for the Technology Enterprises (\$402,391) and KVAC (\$148,975) programs, which are not funded.

2. **Local Aid.** The Department requests \$17,150,329 for payments to local units of government in FY 1992. The request includes federal financing of \$15,300,883 for grants under the Small Cities CDBG program (\$14,617,883) and Emergency Shelter Grant (\$683,000) program. EDIF financing of \$1,849,446 is requested for loans through the Partnership Fund program (\$1,404,446) and grants through the Community Strategic Planning Assistance program (\$445,000).

The Governor recommends FY 1992 payments to local units of government of \$16,245,883. The Governor concurs with the agency's estimate of \$15,300,883 from federal funds for CDBG payments (\$14,617,883) and Emergency Shelter Grants (\$683,000), and recommends \$945,000 from the State General Fund for loans through the Kansas Partnership Fund program (\$500,000) and grants through the Community Strategic Planning Assistance program (\$445,000).

3. **Other Assistance.** The Department requests \$6,129,021 in FY 1992 for other assistance. The request includes federal financing of \$1,704,021 for Housing Assistance Payments and \$4,425,000 from the EDIF for grants to Certified Development Companies (CDCs) (\$600,000) and Small Business Development Centers (SBDCs) (\$400,000) and other assistance under the Trade Show Assistance program (\$175,000), the Industrial Training programs (\$3,000,000), and special projects (\$250,000).

The Governor recommends \$8,744,021 for FY 1992 other assistance payments. The Governor concurs with the agency's estimate of \$1,704,021 from federal funds for Housing Assistance Payments and recommends \$7,040,000 from the State General Fund for CDC grants (\$425,000), SBDC grants (\$275,000), Trade Show Assistance (\$250,000), the Industrial Training programs (\$1,750,000), and \$4,340,000 for programs transferred from KTEC. The Governor recommends no funding for the Department's Special Project Fund. Recommended funding for programs transferred from KTEC includes \$3,215,000 for Center of Excellence grants, \$900,000 for Research Matching Grants, \$25,000 for Small Business Innovative Research Grants, and \$200,000 for grants and

assistance through KVAC. The current resources budget submitted by the Governor omits funding for programs transferred from KTEC.

### **Senate Subcommittee Recommendation**

The Senate Subcommittee concurs with the Governor's FY 1992 recommendations, with the following adjustments:

1. Pending the passage of any legislation merging KTEC's programs into the Department of Commerce, eliminate \$4,891,366 from the State General Fund and 6.0 FTE positions included in the agency's budget for the support of KTEC's programs.
2. Reduce funding for Trade Show Assistance grants by \$75,000 to \$175,000.
3. Reduce funding for Strategic Planning Assistance grants by \$100,000 to \$345,000.
4. Eliminate funding of \$98,316, 1.0 FTE position and 1.0 special project position associated with the National Institute for Rural Development.
5. Due to the reduced level of funding for the Kansas Partnership Fund, eliminate funding of \$40,453 and 1.0 FTE position associated with the program's Director. The Subcommittee was informed that the clerical position associated with the program is currently working a considerable amount of the time with the Housing program and the Subcommittee recommends that position be retained.
6. Reduce support for the Rural Assistance and the Community Assistance programs by \$102,219 and 3.0 FTE positions.
7. The Subcommittee recommends that the Department restructure its field office system in order to allow a more efficient delivery of services. The Subcommittee recommends the elimination of \$185,047 and 6.0 FTE positions to assist in implementing this recommendation.
8. Reduce agencywide travel by \$55,420.
9. Shift the State General Fund financing for aid to local units of government, other assistance, and other operating expenses of \$6,066,771 to the EDIF.
10. Add \$130,451 from the State General Fund and \$45,856 from federal and special revenue funds for salaries and wages. The Subcommittee notes that the Governor's recommended budget includes an estimated 10 percent in turnover savings, in part to finance payments on a new computer system acquired in the current year. The Subcommittee is of the opinion that turnover savings of 10 percent is not realistic at this time, especially in light of the Subcommittee's previous recommendations. The Subcommittee recommends a turnover rate of 6 percent for State General Fund financed salaries and 0 percent for federal and special revenue fund financed salaries.



11. Add \$50,000 from the EDIF to support the state's Certified Development Companies. The Subcommittee recommends that the Department review the formula and criteria utilized to distribute funding for assistance under this program.
12. Add \$50,000 from the EDIF to support the state's Small Business Development Centers. The Subcommittee recommends that the Department review the formula and criteria utilized to distribute funding for assistance under this program.
13. Add \$500,000 from the EDIF to provide \$2,250,000 for the Industrial Training programs. The Subcommittee would also note that the agency is exploring the possibility of using Community Development Block Grant (CDBG) funds for training purposes.
14. Add \$50,000 from the EDIF to support the efforts of the Film Services program. The Subcommittee notes that the program's success in bringing film productions to the state have produced a good rate of return on the program's cost.
15. The Senate Subcommittee recommends that the House Subcommittee for this agency review the tourism advertising budget to determine if the recommended funding level is adequate.
16. The Subcommittee notes that the Secretary requested \$50,000 and 1.0 FTE position to employ a person to be an industrial development representative for the state in the Chicago area. While the Subcommittee would not be opposed to the Secretary contracting with such a representative if that is viewed as a priority item, the Subcommittee does not agree with the idea of basing a state employee out of state.
17. Pending the passage of any legislation eliminating the EDIF, delete the provisions of S.B. 99 which transfer the ending balance of the EDIF to the State General Fund.

#### **Senate Committee Recommendation**

The Senate Committee concurs with the recommendations of the Subcommittee.

#### **Senate Committee of the Whole Recommendation**

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

1. Delete State General Fund financing of \$67,848, EDIF financing of \$77,153 and 2.0 FTE positions associated with the Rural Assistance Center. The Senate recommends that the responsibility for rural economic development be shifted to the Direct program operated by the Cooperative Extension Service.

<u>Expenditure Summary</u>	<u>Senate Adjustments</u>	<u>Senate Rec. FY 92</u>	<u>House Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ (951,515)	\$ 7,018,748	\$ 1,615,852
Local Aid	(100,000)	16,145,883	105,000
Other Assistance	(3,815,000)	4,929,021	75,000
<b>TOTAL</b>	<b><u>\$ (4,866,515)</u></b>	<b><u>\$ 28,093,652</u></b>	<b><u>\$ 1,795,852</u></b>
<b>State General Fund:</b>			
State Operations	\$ (3,566,989)	\$ 2,997,753	\$ 295,966
Local Aid	(945,000)	--	--
Other Assistance	(7,040,000)	--	--
<b>TOTAL</b>	<b><u>\$ (11,551,989)</u></b>	<b><u>\$ 2,997,753</u></b>	<b><u>\$ 295,966</u></b>
<b>Economic Development Initiatives Fund:</b>			
State Operations	\$ 2,569,618	\$ 2,569,618	\$ 1,319,886
Local Aid	845,000	845,000	105,000
Other Assistance	3,225,000	3,225,000	75,000
<b>TOTAL</b>	<b><u>\$ 6,639,618</u></b>	<b><u>\$ 6,639,618</u></b>	<b><u>\$ 1,499,886</u></b>
<b>FTE Positions</b>	<b>(19.0)</b>	<b>100.0</b>	<b>6.0</b>


### House Subcommittee Recommendation

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


1. Add \$75,000 from the EDIF to restore funding for the Trade Show Assistance Grants program to the \$250,000 recommended by the Governor.
2. Restore \$55,000 from the EDIF to the Strategic Planning Assistance Grants program to provide \$400,000 for these grants.
3. Add \$50,000 from the EDIF for loans to local units of government through the Partnership Fund.
4. Restore \$123,500 from the State General Fund and 3.0 FTE positions for the field office system.
5. Restore \$55,420 from the EDIF for agencywide travel.
6. Add \$624,466 from the EDIF for tourism advertising and promotions.
7. Add \$15,000 from the EDIF to support the Visitor Information Centers.



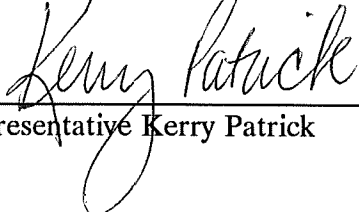
- 8. Add \$50,000 from the EDIF to allow the agency to contract for an industrial development representative in the Chicago area.
- 9. Add a proviso to the other operating expenditures account to forbid expenditures by the Department of Commerce for legislative travel.
- 10. Add \$63,782 from the State General Fund to reduce the turnover rate for State General Fund financed salaries to 4.0 percent.
- 11. Add \$41,000 from the EDIF for the Mainstreet program (\$35,000) and to support the Rural Development Council (\$6,000).
- 12. Add \$94,600 from the EDIF to support the Existing Industry Division.
- 13. Add \$210,000 from the EDIF for industrial development advertising.
- 14. Add \$229,400 for travel (\$12,000) and overseas representation (\$217,400) through the Trade Development Division.
- 15. Add \$108,684 from the State General Fund and 3.0 FTE positions to support the Community Assistance program.

  
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Representative George Dean  
Subcommittee Chair

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Representative Larry F. Turnquist

  
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Representative David J. Heinemann

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Representative Wanda Fuller

  
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Representative Kerry Patrick