

Approved

March 19, 1991

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Senator August "Gus" Bogina, Chairperson at 11:07 a.m. on March 6, 1991, in Room 123-S of the Capitol.

All members were present except:

Committee staff present:

Leah Robinson, Legislative Research Department
Norm Furse, Revisors' Office
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

None

INTRODUCTION OF BILLS

Senator Winter moved, Senator Doyen seconded, the introduction of bill draft 1 RS 1261 - An act concerning the uniform commercial code; relating to negotiable instruments. The motion carried on a voice vote.

Senator Winter moved, Senator Doyen seconded, the introduction of bill draft 1 RS 0245 - An act authorizing Kansas State University to purchase aircraft insurance. The motion carried on a voice vote.

CONTINUATION OF SUBCOMMITTEE REPORT ON SB 99 - Appropriations for FY92, State Board of Tax Appeals, Department of Revenue, Kansas Lottery, Kansas Racing Commission, Department of Commerce, Kansas, Inc., and Kansas Technology Enterprise Corporation

BOARD OF TAX APPEALS

The FY91 and FY92 subcommittee reports (Attachment 1) were reviewed by Senator Doyen.

KANSAS RACING COMMISSION

The subcommittee reports for FY91 and FY92 (Attachment 2) were presented BY Senator Doyen. He suggested that the unclaimed prize moneys (Attachment 2-2, items 3, 4, and 5) be used to purchase a computer for the Department of Animal Health. In answer to a question regarding legal and lab fees (Attachment 2-2, item 1), it was noted that \$172,761 represents investigation and prosecution of the case involving the Wichita race track, and \$34,696 is allowed for lab fees.

DEPARTMENT OF COMMERCE

Senator Feleciano reviewed the FY91 and FY92 subcommittee reports, (Attachment 3). Ms. Laura Nicholl, Secretary, Department of Commerce, echoed Senator Doyen's gratitude for the \$25,000 appropriation to the Film Commission. Secretary Nicholl stated that the Film Commission has enjoyed a \$75. return for every dollar expended.

There was lengthy discussion regarding the reduction of funding and FTEs for the Rural Assistance and the Community Assistance programs, recommendation 6 of the FY92 report, Attachment 3-6. Carole Morgan, Department of Commerce, stated that the responsibility of these offices is to provide telephone assistance, and noted that, although the appropriation in FY90 and FY91 was for five employees, only 4 have worked in the rural office. It was noted that the recommended FY92 appropriation would fund one supervisor and one clerk.

Senator Kerr questioned whether the Governor's recommendation of \$50,000 for international industrial development in Europe was sufficient. Secretary Nicholl noted that she would like to respect the Governor's recommendation

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, March 6, 1991.

for FY92. She stated that she believed that personal contacts through Mr. Jim Beckley, the director of the European Trade Division, would foster trade opportunities for Kansas.

In discussing the FY92 recommendation to restructure the field office system (item 7, Attachment 3-6), it was stated that the Director has a plan to restructure the operation that currently has eight field offices. The recommendation would eliminate funding for five offices. Senator Brady moved, Senator Hayden seconded, that the subcommittee report be amended to include funding for two additional field offices. The Chairman opposed the motion, stating that the offices need to be merged to supply a more uniform delivery of services. The motion failed on a voice vote.

Senator Rock moved, Senator Hayden seconded, that item 6 of the subcommittee report be amended to reduce the Rural Assistance and Community Assistance programs by 1 FTE and the moneys accordingly. The motion failed on a voice vote.

Senator Brady moved, Senator Hayden seconded, that the subcommittee report be amended by reducing the Trade Show Assistance from \$175,000 to the FY91 level of \$150,000. The motion failed on a show of hands.

KANSAS TECHNOLOGY ENTERPRISE CORPORATION

Senator Salisbury reviewed the FY91 and FY92 subcommittee report, Attachment 4. It was noted that if the subcommittee recommendations are adopted, there will be a balance of \$4,281,490 in EDIF and a balance of \$9,171,317 in the State Water Plan Fund based on current law and current appropriations made by the Senate.

In answer to a question, staff noted that the FY92 appropriation for KTEC in new dollars represents an increase of approximately \$1 million over FY91.

Senator Harder expressed concern that the Board of Directors would have full oversight of the \$1. million allowance to support KTEC programs should the state receive the National Institute of Standards and Technology (NIST) award, item 11 of Attachment 4-6. Mr. Bill Brundage, KTEC, stated that if the state receives the grant, details of the grant will dictate how the money must be spent.

KANSAS, INC.

Senator Salisbury reviewed the FY91 and FY92 subcommittee reports, Attachment 5.

Senator Doyen moved, Senator Salisbury seconded, adoption of the subcommittee report as presented. The motion carried on a voice vote.

Senator Doyen moved, Senator Salisbury seconded, that SB 99 as amended be recommended favorable for passage. The motion carried on a roll call vote.

It was moved by Senator Winter, seconded by Senator Harder that the minutes of February 20 and 21, 1991 be approved. The motion carried.

The Chairman adjourned the meeting at 12:33 p.m.

SUBCOMMITTEE REPORT

Agency: State Board of Tax Appeals **Bill No. 99** **Bill Sec. 2**
 Analyst: Efirid **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)

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.

SWAM

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Attachment 1

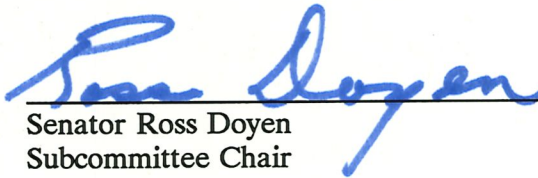
Senate Subcommittee Recommendation

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.



Senator Ross Doyen
Subcommittee Chair



Senator Nancy Parrish

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	\$ --
State Operations:			
State Racing Fund	\$ 2,084,422	\$ 1,995,633	\$ 38,000
Special Revenue Funds	773,682	797,167	--
Subtotal	\$ 2,858,104	\$ 2,792,800	\$ 38,000
Other Assistance:	342,105	342,105	935,700
TOTAL	<u>\$ 3,200,209</u>	<u>\$ 3,134,905</u>	<u>\$ 973,700</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


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Attachment 2

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.



Senator Ross Doyen
Subcommittee Chair



Senator Nancy Parrish

SUBCOMMITTEE REPORT

Agency: Kansas Racing Commission

Bill No. 99

Bill Sec. 5

Analyst: Efirid

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	\$ (121,519)
State Operations:			
State Racing Fund	\$ 2,989,378	\$ 1,855,105	\$ 83,519
Special Revenue Funds	189,961	711,461	--
Subtotal	\$ 3,179,339	\$ 2,566,566	\$ 83,519
Other Assistance:	\$ 373,067	\$ 373,067	\$ 964,900
TOTAL	\$ 3,552,406	\$ 2,939,633	\$ 1,048,419
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	\$ 4,281,836	\$ 2,834,422	\$ 2,438,624
Less Expenditures	1,438,091	2,033,633	1,938,624
Ending Balance	\$ 2,843,745	\$ 800,789	\$ 500,000

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 1991 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.

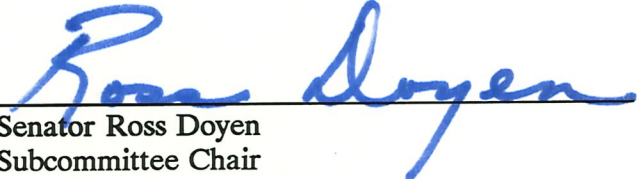
Greyhound Breed Devp. Fund Resource Estimate:	Actual FY 1990	Estimated FY 1991	Estimated FY 1992
Beginning Balance	\$ 0	\$ 108,885	\$ 81,685
Net Receipts	128,100	1,142,000	1,174,000
Transfers In (Out)	(19,215)	(171,300)	(176,100)
Total Available	\$ 108,885	\$ 1,079,585	\$ 1,079,585
Less Expenditures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

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


 Senator Ross Doyen
 Subcommittee Chair


 Senator Nancy Parrish

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	--
TOTAL	\$ 31,589,450	\$ 30,716,363	\$ (210,541)
State General Fund:			
State Operations	\$ 3,636,355	\$ 3,504,084	\$ 50,000
Local Aid	--	--	--
Other Assistance	--	--	--
TOTAL	\$ 3,636,355	\$ 3,504,084	\$ 50,000
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	--
TOTAL	\$ 8,903,218	\$ 8,165,164	\$ (100,000)
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

*SWAM
March 6, 1991
Attachment 3*

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.

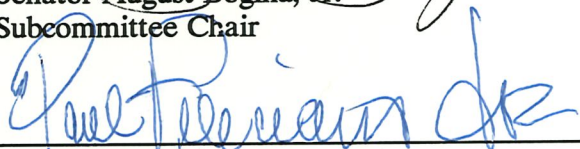
Senate Subcommittee Recommendation

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.



Senator August Bogina, Jr.
Subcommittee Chair



Senator Paul Feleciano, Jr.

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>
All Funds:			
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)
TOTAL	<u>\$ 35,606,876</u>	<u>\$ 32,960,167</u>	<u>\$ (4,721,514)</u>
State General Fund:			
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)
TOTAL	<u>\$ 4,200,913</u>	<u>\$ 14,549,742</u>	<u>\$ (11,484,141)</u>
Economic Development Initiatives Fund:**			
State Operations	\$ 6,696,762	\$ --	\$ 2,646,771
Local Aid	1,849,446	--	845,000
Other Assistance	4,425,000	--	3,225,000
TOTAL	<u>\$ 12,971,208</u>	<u>\$ --</u>	<u>\$ 6,716,771</u>
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.

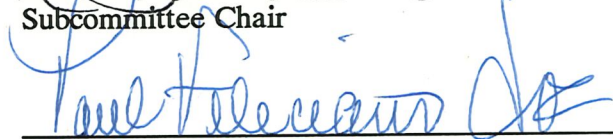
Senate Subcommittee Recommendation

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 for 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.


 Senator August Bogina, Jr.
 Subcommittee Chair


 Senator Paul Feleciano, Jr.

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

SWAM
March 6, 1991
Attachment 4

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.

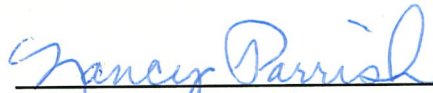
Senate Subcommittee Recommendation

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.



Senator Alicia L. Salisbury
Subcommittee Chair



Senator Nancy Parrish

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>
All Funds:			
State Operations	\$ 1,071,261	\$ --	\$ 868,900
Other Assistance	8,933,739	--	6,298,259
Total	<u>\$ 10,005,000</u>	<u>\$ --</u>	<u>\$ 7,167,159</u>
State General Fund:			
State Operations	\$ 880,000	\$ --	\$ --
Other Assistance	620,000	--	--
Total	<u>\$ 1,500,000</u>	<u>\$ --</u>	<u>\$ --</u>
Economic Development Initiatives Fund:			
State Operations	\$ 191,261	\$ --	\$ 868,900
Other Assistance	8,313,739	--	6,298,259
Total	<u>\$ 8,505,000</u>	<u>\$ --</u>	<u>\$ 7,167,159</u>
FTE Positions	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).

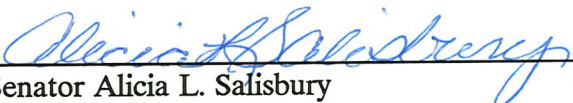
3. **Seed Capital.** The Governor recommends no funding for seed capital.

Senate Subcommittee Recommendation

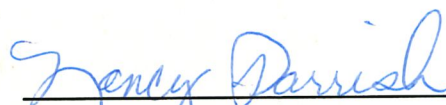
The Senate Subcommittee concurs with the Governor's FY 1992 recommendations, with the following adjustments.

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.



Senator Alicia L. Salisbury
Subcommittee Chair



Senator Nancy Parrish

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.

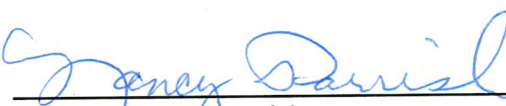
The Governor recommends an FY 1991 budget of \$419,788, a reduction of \$1,601 from the agency's estimate for salaries. State General Fund financed other operating expenses are increased by \$528 with an offsetting decrease in contributions to maintain State General Fund financing of 67 percent. The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



 Senator Alicia L. Salisbury
 Subcommittee Chair



 Senator Nancy Parrish

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.

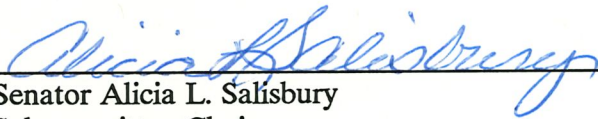
Agency Request/Governor's Recommendation

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.



 Senator Alicia L. Salisbury
 Subcommittee Chair



 Senator Nancy Parrish