

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson August Bogina at 11:00 a.m. on March 16, 1995 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Kathy Porter, Legislative Research Department
Carolyn Rampey, Legislative Research Department
Patricia Pierron, Legislative Research Department
Julian Efir, Legislative Research Department
Susan Wieggers, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

HB 2264 **Appropriations for FY 96, Kansas public employees retirement system, commission on governmental standards and conduct, human rights commission, corporation commission, citizens' utility ratepayer board and department of administration**

Kansas Public Employees Retirement System (KPERs) -- (Attachment 1) -- Senator Bogina presented the FY 95 and FY 96 subcommittee reports. In answer to Senator Kerr, Chairman Bogina requested that Mr. Meredith Williams, Executive Director of KPERs, arrange a meeting with the new actuary and members of the House Appropriations Committee and the Senate Ways and Means Committee to review new projections based on actuarial assumptions.

Senator Kerr inquired about the House Subcommittee's recommendation to reduce by \$382,374 in FY 96 for investment related fees paid to the KPERs financial managers (Attachment 1-5). Mr. Williams stated that that amount relates to reduced management fees due to returns not growing at the 8% assumption rate and to changes in the contract for management of the direct placement portfolio. He told members that he anticipates going from two firms to one firm within the next few months which will also have a significant impact on the cost of managing the portfolio. In answer to a question, Mr. Williams stated that the cost of managing the \$200 million portfolio is approximately \$2 million per year. He told members that the 8% number that is used as the basis for fees is the same number that is used for actuarial assumptions.

Human Rights Commission (Attachment 2) -- Senator Morris reviewed the FY 95 and FY 96 subcommittee reports. Members of the subcommittee stated that they believe KLS provides a valuable service in the mediation of cases. However, over half the cases do not agree to mediation, and Kansas Legal Services is not set up to do investigations. Senator Kerr expressed concern that the subcommittee's recommendations to restore positions to the FY 95 level and to require a 3:1 match of private funds would not reduce the case backlog. Senator Brady noted that the original proposal had been that all monies for the contract with KLS were to have been private. The recommendation to provide state funding (Item 3, Attachment 2-7) coupled with the recommendation regarding 300 day old complaints (Item 1, Attachment 2-7), was the subcommittee's attempt at addressing the backlog in a fiscally responsible manner. Senator Brady noted that the Commission supported the 3:1 match.

The Chairman expressed his concern regarding the language in the subcommittee's third recommendation (Attachment 2-7). Senator Morris moved, Senator Brady seconded, that item three of the FY 96 subcommittee report be conceptually amended to provide that the \$100,000 be released on a prorated basis depending on the

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on March 16, 1995.

funds raised by the 3:1 match, and that the \$100,000 could be spent only on the contract with Kansas Legal Services for third party mediation. The motion carried on a voice vote.

In response to members' concerns about reducing the Commission's backlog and staffing of the Preliminary Investigation Conference (PIC) Unit, the Chairman stated that he would request a Post Audit study if the information were provided to him.

Commission on Governmental Standards and Conduct (Attachment 3) -- Senator Morris reviewed the FY 95 and FY 96 subcommittee reports.

Department of Administration (Attachment 4) -- The FY 95 and FY 96 subcommittee reports for this agency were presented by Senator Vancrum. Senator Kerr acknowledged that he understood the subcommittee's concern regarding the potential of the Regents' Institutions to "carve out" their buildings from the state insurance policy, but expressed his opinion that the current policy does not provide adequate coverage in case of disaster (Item 5, Attachment 4-22). Senator Vancrum reiterated the subcommittee's position that "carving out" the Regents' Institutions buildings could lessen the negotiating power of the Department and could result in worse coverage. He expressed his belief that it is important that the Regents understand and agree that the fire and extended coverage insurance is supplemental and is not a replacement policy. Senator Vancrum expressed his opinion that the possibility of extending this type of supplemental insurance to other state buildings is an option that should be explored.

Kansas Corporation Commission (Attachment 5) -- Senator Kerr presented the FY 95 and FY 96 subcommittee reports.

Citizens' Utility Ratepayer Board (Attachment 6) -- The FY 95 and FY 96 subcommittee reports were reviewed by Senator Kerr. Senator Vancrum expressed his opinion that imposing a subsidy (the retroactive rate increase) on the backs of consumers is contrary to the purpose of CURB, and stated that he believed the language of the last sentence in the first paragraph (Attachment 6-5) was too kind. Senator Vancrum moved, Senator Salisbury seconded, that the FY 96 subcommittee report be amended by the deletion of the last sentence in the first paragraph of Attachment 6-5. The motion carried on a voice vote.

Members questioned the savings for which CURB takes credit, but concurred with the subcommittee's statement that CURB should be funded until the Legislature repeals legislation that created the Board.

Senator Rock moved, Senator Brady seconded, that the subcommittee reports as amended be adopted. The motion carried on a voice vote.

Senator Brady moved, Senator Salisbury seconded, that HB 2264 as amended be recommended favorable for passage. The motion carried on a roll call vote.

HB 2085 **Appropriations for FY 96, legislative agencies, governor's department, lieutenant governor, attorney general, secretary of state, state treasurer, insurance department**

The Chairman told members that a technical adjustment in the Secretary of State's subcommittee report must be made. Senator Moran moved, Senator Salisbury seconded, that the Committee reconsider its action on HB 2085. The motion carried on a voice vote.

It was moved by Senator Lawrence and seconded by Senator Vancrum that the subcommittee reports for the Secretary of State be amended by transferring \$25,570 for the publication of a constitutional amendment from the FY 96 report to the FY 95 report. It was noted that this adjustment would not alter the total dollar amount or the intent. The motion carried on a voice vote.

Senator Lawrence moved, Senator Morris seconded, that the subcommittee reports as amended be adopted. The motion carried on a voice vote.

Senator Lawrence moved, Senator Morris seconded, that HB 2085 as amended be recommended favorable for passage. The motion carried on a roll call vote.

The Chairman adjourned the meeting at 12:20 P.M. The next meeting is scheduled for March 17, 1995.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: MARCH 16, 1995

NAME	REPRESENTING
Merritt Williams	KPERG
Mike Bronqvist	KHRC.
Robert G. Kay	KHRC
Brandon Myers	"
Robert Mikesic	KHRC
Carol Williams	KCOBC
Cindy Kerpinkmes	KCGSC
Jim Mc Cum	AAFP
Jayne Kimmel	AAFP
Beth Rumbaum	CURB
Nicole Boyard	CURB
Susan Seltzer	KCC
Donna Newman	KCC
TK Shwa	KCS
Greg Cook	KDA
Joan Strubler	KAPS
Roy Menendez	KDA
Dwendolyn Jane Lyttel	KHRC

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: MARCH 16, 1995

NAME	REPRESENTING
Sharon Huffman	KCDC
Justin McConnell	Ko Corporation Comm.
Lori Funk	KCC
Matt Holt	KCC / Student
William E. Richards	CONCERNED CITIZEN.
TROY G. SCOGGINS	" "
Margaret Rayburn Good	" "
John J. J.	Citizen
Dele N. Anderson	KTWU-TV, Topeka
LARRY JACKSON	KKSU, KSU, Manhattan
Dave Wilson	KOD/KSWB-TV - Bonkov Hill
Zoe Parenteau	KPTS, Wichita
Howard Hill	KANU, Lawrence
MARK MCCAIN	KMUW-FM, Wichita
Mike Lyba	KIACHA
Pat Higgins	DoA
Don Heiman	DISE DoA
Bruce Roberts	DISE DoA
Jonny Magnusson	DoA

SUBCOMMITTEE REPORT

Kansas Public Employees Retirement System (KPERs)


FY 1995 and FY 1996

H.B. 2234 & H.B. 2264

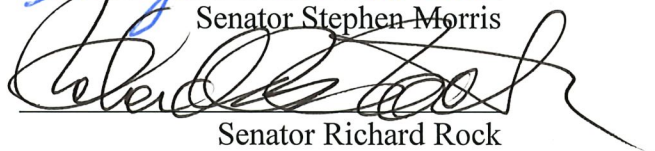
March 15, 1995



Senator August Bogina, Chairperson



Senator Stephen Morris



Senator Richard Rock

SWAM
March 16, 1995
Attachment 1

SUBCOMMITTEE REPORT

Agency: Kansas Public Employees
Retirement System (KPERS)

Bill No. 2234

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 785

Budget Page No. 359

<u>Expenditure Summary</u>	<u>Agency Estimate FY 95</u>	<u>Governor's Recommendation FY 95</u>	<u>House Subcommittee Adjustments</u>
State Operations	\$ 20,718,024	\$ 20,684,521	\$ (61,549)
Other Assistance	326,166,705	326,166,705	0
TOTAL	<u>\$ 346,884,729</u>	<u>\$ 346,851,226</u>	<u>\$ (61,549)</u>
FTE Positions	76.0	76.0	0.0
Special Project Appointments	0.0	0.0	0.0
TOTAL	<u>76.0</u>	<u>76.0</u>	<u>0.0</u>

Note: Funding for the KPERS--School employer contributions is included in the Department of Education's budget.

Agency Estimate/Governor's Recommendation

The revised budget for the current fiscal year is \$25.6 million higher than the approved expenditures for the Kansas Public Retirement System (KPERS). For agency operations, the KPERS Board includes an expenditure limitation decrease of \$5,766 for the administrative expenses associated with agency operations. No additional positions are requested in FY 1995. For investment-related expenses, the Board estimates a reduction of \$1.1 million from the approved amount. For benefit payments, the estimate for retirement, death and disability payments is \$26.6 million higher than estimated last year.

The Governor concurs with the KPERS revisions with one exception. For state operations, the Governor concurs with a decrease of \$5,766 in expenditures for agency operations, with no reduction in the authorized expenditure limitation recommended in the supplemental appropriations bill. For state aid and other assistance, the Governor concurs with the agency's revised estimates.

Differences Between Approved and Revised FY 1995 Budget

	<u>Approved FY 1995</u>	<u>Agency's Changes</u>	<u>Governor's Changes</u>
Agency Admin. Expenses	\$ 4,157,364	\$ 27,737	\$ (5,766)
Investment-Related Expenses	17,627,496	(1,094,573)	(1,094,573)
Retirement/ Other Benefits	299,520,620	26,646,085	26,646,085
Total	<u>\$ 321,305,480</u>	<u>\$ 25,579,249</u>	<u>\$ 25,545,746</u>
FTE Positions	76.0	--	--

House Subcommittee Recommendation

The Subcommittee concurs with the Governor and makes the following additional adjustments to the FY 1995 budget:

1. Add \$15,000 for overtime salaries and wages and increase the expenditure limitation for Agency Operations as required in the supplemental appropriations bill (H.B. 2234).
2. Reduce \$76,549 for investment related fees paid to the KPERS financial managers.

House Committee Recommendation

The Committee concurs in FY 1995 recommendations and adjustments.

Senate Subcommittee Recommendation

The Subcommittee concurs with the House adjustments to the Governor's FY 1995 recommendations and notes the following information:

1. Changes resulting in higher, estimated expenses of \$54,552 were reported by the KPERS staff for investment-related expenses in FY 1995. The Subcommittee recommends that these items be deferred until Omnibus consideration in April and that the latest estimates be provided by the KPERS staff at that time. It is noted that a higher rate of return on KPERS investments in recent months results in an increase in investment-related fees since performance drives the costs of manager services and also the rate of return for the KPERS Fund.

SUBCOMMITTEE REPORT

Agency: Kansas Public Employees
Retirement System (KPERS)

Bill No. 2264

Bill Sec. 2

Analyst: Efird

Analysis Pg. No. 785

Budget Page No. 359

<u>Expenditure Summary</u>	<u>Agency Request FY 96</u>	<u>Governor's Recommendation FY 96</u>	<u>House Subcommittee Adjustments</u>
State Operations	\$ 22,121,065	\$ 21,967,061	\$ (468,629)
Other Assistance	349,621,383	349,621,383	0
TOTAL	<u>\$ 371,742,448</u>	<u>\$ 371,588,444</u>	<u>\$ (468,629)</u>
FTE Positions	78.0	76.0	0.0
Special Project Appointments	0.0	0.0	0.0
TOTAL	<u>76.0</u>	<u>76.0</u>	<u>0.0</u>

Note: Funding for the KPERS--School employer contributions is included in the Department of Education's budget.

The Kansas Public Retirement System (KPERS) administers three statewide coverage groups: KPERS (for regular state and local employees, school employees, and correctional officers), Kansas Police and Firemen's Retirement System, and Kansas Retirement System for Judges. All coverage groups are defined benefit, contributory plans and have as members most public employees in Kansas. KPERS also administers several other employee benefit and retirement programs: a public employee death and disability benefits program; an optional term life insurance program; a Kansas City Kansas annuitant program; and a legislative employees retirement program.

There are three major programs within the KPERS budget: (1) Operations which handles the daily administrative activities of the System; (2) Benefits which distributes all retirement payments made by the System; and (3) Investment Related Expenses which allows monitoring of investment related fees and contracts.

Agency Request/Governor's Recommendation

The agency estimates a net increase of almost \$24.9 million in FY 1996 expenditures. For state operations, an increase of \$162,364 is requested, primarily due to higher personnel costs, including two new staff. For benefit payments, the FY 1996 estimate for retirement, death and disability payments is an increase of almost \$23.4 million over the current fiscal year.

The Governor's recommendations result in an increase of \$24.8 million in operating expenditures next fiscal year, or approximately the same as the agency's request. For state operations, the Governor concurs with the estimate for investment-related expenses and maintains staffing at the current level, with funding of \$90,909 less than requested by the Board recommended. For other assistance, the Governor concurs with increased benefit payments.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor and makes the following additional adjustments in the FY 1996 budget:

1. Reduce \$68,255 from Agency Operations for salaries and benefits enhancements which were recommended by the Governor for classified and unclassified personnel.
2. Remove \$48,000 for SHaRP computers and add a like amount to the Department of Administration's budget for the same purpose, subject to determination that the quantity and configuration of equipment needed for the personnel/payroll project is appropriate to this agency.
3. Reduce \$382,374 for investment related fees paid to the KPERS financial managers based on new information provided by KPERS staff concerning adjustments in the estimates costs of the different contracts.
4. Add \$30,000 for contract programming in order for KPERS to develop an integrated claims subsystem and to write documentation for this subsystem. Currently, claims are handled manually, and a computer-based system will improve processing of withdrawal, retirement and death benefit transactions.
5. Recommend that legislation be included in the KPERS omnibus bill to establish a new, unclassified position of Assistant Financial Manager and that the funding of this new position be considered during the Omnibus Appropriations deliberations, if the authorizing legislation passes.
6. Provide additional information about the insurance and disability programs administered by Security Benefit since these financial transactions are not included in the KPERS budget for review by the Legislature. For budget purposes, this program is an off-budget expense and is not included in the budget document reviewed by the Legislature, except that the narrative includes a description of the activities related to this program.

The death and disability benefits program was established in 1966 by K.S.A. 74-4927 *et seq* and total benefits have been paid to members and beneficiaries in excess of \$227 million. KPERS contracts with the Security Benefit Life (SBL) to administer the program. The three components to the program are (1) the basic life insurance program which offers coverage of 150 percent of members' current annual salary; (2) the optional life insurance program which offers members paid coverage up to \$200,000; and (3) the disability income program, a self-insured component which offers coverage up to 67 percent of members' current annual salary. Only lump sum death benefits provided under K.S.A. 74-4989 are included in the reportable part of the KPERS budget.

Financing for this program is derived from a portion of the participating employer contributions to support the regular death and disability components and from the employees for the optional life insurance component. The employer contribution rate is 0.6 percent of payroll, as determined by the KPERS actuarial valuation. For the State and School employers, this amount is included in the KPERS employer

paid assessment of 3.3 percent in FY 1995 and 3.4 percent in FY 1996. The remaining portions of the employer's contributions are allocated to the normal cost and amortization of retirement.

The audited revenues and expenses are taken from the actuarial report for the financial activity associated with the insurance and disability programs. KPERS transferred to SBL \$30.3 million in FY 1994, of which \$26.7 million was paid in benefits by SBL (\$11.2 million for death benefits and \$15.5 million for disability benefits). The administrative services fee was \$244,878 in FY 1994. A 10 percent increase in the fee per transaction cost of administering this service has been requested by SBL in FY 1995. Originally, KPERS staff had discussed the possibility of putting this contract out for bids July 1, 1995, but later indicated that the bid process might not begin until December, 1995.

House Committee Recommendation

The Committee concurs in FY 1996 recommendations and adjustments.

	House Recs	Senate Sub Adjustments	Senate Sub Recs
Agency Operations	\$ 4,305,456	\$ 15,000	\$ 4,320,456
Investment-Related Expenses	17,192,976	--	17,192,976
Retirement/ Other Benefits	349,621,383	--	349,621,383
Total	<u>\$ 371,119,815</u>	<u>\$ 15,000</u>	<u>\$ 371,134,815</u>
FTE Positions	76.0	--	76.0

Senate Subcommittee Recommendation

The Subcommittee concurs with the House adjustments to the Governor's FY 1996 recommendations and makes the following additional adjustments:

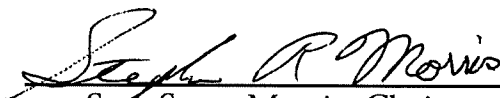
1. Add five replacement personal computers at a cost of \$15,000.
2. Approve a shift of savings equal to \$25,000 in direct placement expenses and an increase of \$25,000 for investment consultant fees in order to pay for the "Russell Performance Universe" software package previously requested (but rejected) as a contractual service for the agency operations category of the budget.
3. Note that changes resulting in higher, estimated expenses of \$90,160 were reported by the KPERS staff for investment-related expenses in FY 1996. The Subcommittee recommends that these items be deferred until Omnibus consideration in April and that the latest estimates be provided by the KPERS staff at that time. It is noted that a higher rate of return on KPERS investments in recent months results in an increase in investment-related fees since performance drives the costs of manager services and also the rate of return for the KPERS Fund.

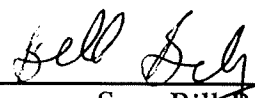
4. Note that the SHaRP project may require that KPERS have 35 online connections and a local area network that were unanticipated when the original agency budget was submitted in September, 1994, with a \$48,000 request for personal computers related to the new personnel and payroll system. The Subcommittee is concerned about the fiscal impact on this agency of unplanned, unbudgeted expenses and recommends that the SHaRP budgetary impact be reviewed during the Omnibus period for all agencies. A report from the Project Director to the Senate Ways and Means Committee (and House Appropriations Committee) was recommended in the Post Audit Report which reviewed SHaRP, and this update on the project costs should be presented during the Omnibus period for the Legislature to consider funding.

SUBCOMMITTEE REPORT

Senate Ways & Means Subcommittee

Human Rights Commission


Sen. Steve Morris, Chairperson


Sen. Bill Brady

SWAM
march 16, 1995
Attachment 2

SUBCOMMITTEE REPORT

Agency: Kansas Human Rights Commission

Bill No. 2234

Bill Sec. 18

Analyst: Wieggers

Analysis Pg. No. 778

Budget Page No. 353

<u>Expenditure Summary</u>	<u>Agency Request FY 1995</u>	<u>Governor's Recommendation FY 1995</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,407,046	\$ 1,394,972	\$ 0
Special Revenue Funds	573,733	580,625	0
TOTAL	<u>\$ 1,980,779</u>	<u>\$ 1,975,597</u>	<u>\$ 0</u>
FTE Positions	43.0	43.0	0.0
Special Projects Appointments	2.0	2.0	0.0

Agency Request/Governor's Recommendation

The Commission estimates FY 1995 operating expenditures of \$1,980,779, an increase of \$250,280, or 14.5 percent, over the FY 1994 actual expenditures. The request includes a State General Fund supplemental request of \$6,642. The FY 1995 estimate includes \$1,407,046 from the State General Fund, \$562,882 from federal Equal Employment Opportunity Commission (EEOC) and Housing and Urban Development (HUD) funds, and \$10,851 from HUD Incentive Funds, a special federal program to promote education about fair housing. The 1994 Legislature appropriated \$125,000 to the agency in FY 1995 for contracting with outside investigative services. The agency requests an unlimited reappropriation of any of these funds not used by the agency at the end of FY 1995. The Governor recommends expenditures of \$1,975,597, a decrease of \$4,822 below the agency estimate. The recommendation includes \$1,552,977 for salaries and wages, \$400,449 for contractual services, \$13,200 for commodities and \$8,971 for capital outlay. The recommendation for salaries and wages reflects a decrease in health insurance rates. The Governor does not recommend the unlimited reappropriation language.

The following table shows selected agency performance measures:

Performance Measure	Actual FY 1994	Agency Est. FY 1995
Number of public contacts at intake	6,866	6,850
Number of complaints filed	1,876	1,872
Number of complaints closed	1,352	1,584
Number of cases assigned to Preliminary Investigation Conference (PIC) unit.	1,263	1,263
Number of cases resolved by PIC unit.	734	734
Open Case Inventory	2,416	2,704
Processing Delay Time*	19.7	24.1
* Months between filing and assignment for investigation.		

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation with the following observations and adjustments:

1. The Subcommittee encourages the agency to pursue a third party mediation plan with Kansas Legal Services or other appropriate organization.
2. The Subcommittee recommends the agency assign more current investigative staff to the Preliminary Investigation Conference (PIC) unit to help resolve cases more quickly. The Subcommittee encourages the increased use of the PIC unit to help prevent further backlog.

The status of the agency Special Revenue Fund, base on the House Subcommittee recommendation, is as follows:

Resource Estimate	Actual FY 1994	Estimated FY 1995
Beginning Balance	\$ 113,592	\$ 115,755
Net Receipts	374,960	481,360
Total Funds Available	488,552	597,115
Less: Expenditures	372,796	580,625
Ending Balance	<u>\$ 115,756</u>	<u>\$ 16,490</u>
Ending Balance as Percentage of Expenditures	31.1%	2.8%

House Committee

Concur.

House Committee of the Whole

Concur.

<u>Expenditure Summary</u>	<u>House Adj. FY 1995</u>	<u>House Recommendation FY 1995</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 0	\$ 1,394,972	\$ 0
Special Revenue Funds	0	580,625	0
TOTAL	<u>\$ 0</u>	<u>\$ 1,975,597</u>	<u>\$ 0</u>
FTE Positions	0.0	43.0	0.0
Special Projects Appointments	0.0	2.0	0.0

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the House Committee of the Whole.

SUBCOMMITTEE REPORT

Agency: Kansas Human Rights Commission

Bill No. 2264

Bill Sec. 4

Analyst: Wieggers

Analysis Pg. No. 778

Budget Page No. 353

<u>Expenditure Summary</u>	<u>Agency Request FY 1996</u>	<u>Governor's Recommendation FY 1996</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,618,195	\$ 1,315,808	\$ 37,105
Special Revenue Funds	549,148	603,308	(277,402)
TOTAL	<u><u>\$ 2,167,343</u></u>	<u><u>\$ 1,909,116</u></u>	<u><u>\$ (240,297)</u></u>
FTE Positions	45.0	43.0	(23.0)
Special Projects Appointments	8.0	2.0	0.0
TOTAL	<u><u>53.0</u></u>	<u><u>45.0</u></u>	<u><u>(23.0)</u></u>

Agency Request/Governor's Recommendation

The Commission requests a total of \$2,167,343 for FY 1996, an increase of \$185,423, 9.4 percent, over the revised FY 1995 amount. The request includes funding of \$1,618,195 from the State General Fund and \$549,148 from federal funds. The Commission requests that 2.0 existing special projects appointments be made permanent FTE positions, and requests an additional 8.0 new special projects appointments. The additional personnel requested include: 5.0 Special Investigators I, 1.0 Special Investigator II, 1.0 Office Assistant II, and 1.0 Office Assistant III. The agency also requests additional funding of \$26,106 for 648 square feet of additional office space, office furniture, equipment and operational support for the new staff. The Governor recommends expenditures of \$1,909,116, a decrease of \$258,227, or 11.9 percent, below the agency request. The recommendation does not include the conversion of the 2.0 special projects appointments to FTE positions or the addition of the 8.0 new special projects appointments.

The following table shows selected performance measures and estimated levels of performance under the Governor's recommendation:

	<u>Actual FY 1994</u>	<u>Estimate FY 1995</u>	<u>Agency FY 1996</u>	<u>Estimated FY 1996*</u>
Number of public contacts at intake	6,866	6,850	6,645	--
Number or complaints filed	1,876	1,872	1,776	1,776
Number of complaints closed	1,352	1,584	1,944	1,584
Number of cases assigned to Preliminary Investigation Conference (PIC) unit.	1,263	1,263	1,275	1,263
Number of cases resolved by PIC unit	734	734	741	734
Open Case Inventory	2,416	2,704	2,536	--
Processing Delay Time* (in months)	19.7	24.1	20.2	--

* Time between filing and assignment for full investigation.
 ** Estimated level of performance based on the Governor's recommendation.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation with the following modifications:

1. Delete \$81,687, including \$49,947 from State General Fund based on the recommendation to delete funding for a 3.5 percent unclassified merit pool (\$6,868); classified step movement (\$45,071); a one percent base adjustment for classified employees (\$12,659); and the longevity bonus (\$17,089) from individual agency budgets.
2. The Subcommittee recommends deleting \$658,610 (\$412,948 State General Fund and \$245,662 Special Revenue Funds) to reflect the elimination of 23.0 FTE positions in FY 1996. The positions to be eliminated include 3.0 Office Assistants, 4.0 Secretaries and 16.0 investigators. (Note: The above amount does not include classified step movement, the 1.0 percent base salary adjustment, the 3.5 percent unclassified merit pool and longevity accounted for in number 1 above.)
3. The Subcommittee encourages the agency to increase its utilization of the Preliminary Investigation Conference (PIC). The Subcommittee also recommends that the remaining investigative staff be primarily assigned to the Preliminary Investigation Conference (PIC) unit to help resolve incoming cases more quickly.
4. Add \$500,000 State General Fund for a contract with Kansas Legal Services for third-party mediation services. The Subcommittee encourages the agency to continue to pursue third-party mediation services.

House Committee Recommendation

The House Committee concurs with the House Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the House Committee.

<u>Expenditure Summary</u>	<u>House Adj. FY 1996</u>	<u>House Recommendation FY 1996</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 37,105	\$ 1,352,913	\$ 120,423
Special Revenue Funds	(277,402)	325,906	245,662
TOTAL	<u>\$ (240,297)</u>	<u>\$ 1,678,819</u>	<u>\$ 366,085</u>
FTE Positions	(23.0)	20.0	23.0
Special Projects Appointments	0.0	2.0	0.0
TOTAL	<u>(23.0)</u>	<u>22.0</u>	<u>23.0</u>

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the House Committee of the Whole with the following changes and comments:

1. Recommend a statutory change proposed by the agency which would allow any complaint on file over 300 days old, if filed before July 1, 1996, to be closed at the Complainant's request, and on any complaint filed after July 1, 1996, allow closure at Complainant's request, or upon the initiative and discretion of the Commission, after 300 days if the Commission has not issued a finding of Probable Cause or Nor Probable Cause or taken other administrative action dismissing the complaint. This legislation would allow the Complainant to exhaust their administrative remedies by either withdrawing the case or having the Commission close the case. This exhaustion of remedies is required by the court system before the Complainant is allowed to file suit on the case. Currently, the Complainant would have to wait for the case to go through the complete investigation process which will likely take over 2 years before they can file suit. The agency believes this legislation would help clear out some of the older cases in the backlog in which the Complainants are essentially just waiting for the charge to file their case in court. The Subcommittee believes that this proposed legislation is a high priority in trying to eliminate some of the agency backlog.
2. Reappropriate \$102,591 from funds appropriated by the 1994 Legislature for outside contractual investigation in order to replace a shortfall in Federal Funds for FY 1996.
3. Delete \$400,000 State General Fund from the House recommendation of \$500,000 for a third party mediation contract with Kansas Legal Services (KLS). This \$100,000 is appropriated with the proviso that the funds cannot be spent unless KLS provides at least a three-to-one match of private funds. The Subcommittee hopes that this funding will encourage private sources to support this mediation project. The agency estimates that KLS could close approximately 554 cases through mediation in the first year if fully funded. The proposal from KLS to the Human Rights Commission estimated a cost of \$500,000 to start and run the program. The proposal called for private funding of the program from various foundations and businesses.
4. Add \$658,610 (\$412,948 State General Fund and \$245,662 Special Revenue Funds) to restore 23.0 FTE positions deleted by the House. The positions to be restored include 16.0 Investigators, 3.0 Office Assistant and 4.0 Secretaries.
5. In making the decision to restore the 23.0 FTE positions deleted by the House the Senate Subcommittee took the following under consideration:
 - a. The Subcommittee notes that the Preliminary Investigation Conference (PIC) Unit, to which the House recommended assigning the remaining investigators, handles more cases per investigator primarily because this unit deals with the easier cases. These investigators do some preliminary investigation and then either bring the parties in for mediation, provided both parties agree, dismiss the case for lack of jurisdiction or substance or pass the unresolved cases on for further investigation. Those cases not resolved by the

PIC Unit consequently require much more intensive investigation and are much more time consuming for those investigators.

- b. The agency reports that under the House recommendation there would only be 5 investigators remaining in the agency between two offices and those investigators would all be assigned to the PIC Unit. As a result, there would be no investigators left to investigate the cases which are not settled in the PIC Unit. The agency reports that approximately 43 percent of participants agree to mediation and out of that number approximately half settle their case through mediation.
- c. The following chart shows the agency's estimate of the number of cases filed, the open case inventory and processing delay time (months between initial filing and assignment to investigator) for FY 1994, FY 1995, FY 1996 under the Governor's recommendation and FY 1996 under the House recommendation:

	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996 Gov. Rec.</u>	<u>FY 1996 House Rec.</u>
Number of Complaints Filed	1,876	1,752	1,640	1,640
Open Case Inventory	2,416	2,824	2,952	3,560
Processing Delay Time (months)	19.7	22.8	23.9	28.8

The Subcommittee estimates that under its recommendation the processing delay time will be between 22.1 and 22.8 months in FY 1996 and will show more significant decreases in FY 1997 and FY 1998. The Subcommittee notes that this estimate is premised upon the agency's belief that the number of complaints filed will continue to decrease.

- 6. Add \$4,884 State General Fund to upgrade the agency telecommunications system to provide voice mail for each investigator, administrator, attorney, intake workers, and other key staff.
- 7. The Subcommittee recommends the agency reinstitute its backlog screening process. This procedure involves selecting a predetermined number (50-100) of the oldest cases in the backlog and sending correspondence to the complainant and respondent, to determine whether there is still the desire to pursue the complaint, and determine again whether both parties would be interested in mediation. This was proposed by the agency as a strategy to help decrease the current backlog without adding additional staff.
- 8. The Subcommittee recommends the agency revise the case summary report format to reflect a shorter, less complex, more efficacious format, which will significantly reduce the investigators time spent in its preparation. This was part of the strategy proposed by the agency to the Subcommittee to help increase the agency's efficiency.

9. The Subcommittee notes the agency's effort to provide them with three separate strategic plans to help increase efficiency and decrease the backlog over a period of time without increasing staffing.
10. Change the title of the HUD Incentive Fund to the Education and Training Fund. Monies in this fund will come from small fees for attending educational seminars conducted by the agency. The monies will then be used to fund the seminars. The HUD Incentive Program was a federal grant given for the purpose of educating the public regarding fair housing. The grant was discontinued several years ago and the funds remaining in the account will be used up by the end of FY 1995.
11. The Subcommittee notes the agency's report that it will lose its federal contracts for future fiscal years under the House recommendation. The agency will receive the second half of its FY 1995 contract payment in FY 1996 (due the difference between the federal and state fiscal years) but no new contracts will be made between the agency and the Equal Employment Opportunity Commission (EEOC) or the Department of Housing and Urban Development (HUD). According to the agency, with the loss of 16.0 Investigators the agency will no longer be "substantially equivalent" as required by the EEOC and all of the housing program investigators who fulfill the HUD contract will be gone. Federal contract funding is generally around \$500,000 per year. Should the federal contracts be lost the agency will become entirely supported by State General Fund.

SUBCOMMITTEE REPORT

Agency: Commission on Governmental Standards and Conduct

Bill No. --

Bill Sec. --

Analyst: Pierron

Analysis Pg. No. 767

Budget Page No. 199

<u>Expenditure Summary</u>	<u>Agency Estimate FY 95</u>	<u>Governor's Recommendation FY 95</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 322,011	\$ 322,011	\$ 0
Special Revenue Fund	74,341	72,396	0
TOTAL	<u>\$ 396,352</u>	<u>\$ 394,407</u>	<u>\$ 0</u>
FTE Positions	6.0	6.0	--
Special Project Appointments	3.0	3.0	--
TOTAL	<u>9.0</u>	<u>9.0</u>	<u>--</u>

Agency Estimate/Governor's Recommendation

For FY 1995, the Commission estimates expenditures of \$396,352, as approved by the 1994 Legislature as adjusted for State Finance Council action. The Governor recommends \$394,407, a decrease of \$1,945 from the agency's revised estimate.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor and notes the following performance indicators:

	Performance Indicators		
	<u>FY 1994 Actual</u>	<u>FY 1995 Estimate*</u>	<u>FY 1996 Estimate*</u>
Percentage of information completed within eight hours	99.0%	99.0%	99.0%
Percentage of individuals receiving a failure to file notice	8.0%	7.0%	6.0%
Percentage of campaign finance receipts and expenditures			
Reports which contain errors	25.0%	35.0%	25.0%
Number of opinions issued by commission	39	40	40
Information seminars conducted	15	25	20

* Estimated level of performance under Governor's recommendation.

*SWAM
March 16, 1995
Attachment 3*

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

House Committee of the Whole Recommendation

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

<u>Expenditure Summary</u>	<u>House Adj. FY 95</u>	<u>House Rec. FY 95</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ --	\$ 322,011	\$ --
Special Revenue Fund	--	72,396	--
TOTAL	<u>\$ --</u>	<u>\$ 394,407</u>	<u>\$ --</u>
FTE Positions	--	6.0	--
Special Project Appointments	--	3.0	--
TOTAL	<u>--</u>	<u>9.0</u>	<u>--</u>

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the recommendations of the House.



 Senator Stephen Morris, Chair



 Senator Bill Brady

SUBCOMMITTEE REPORT

Agency: Commission on Governmental Standards and Conduct

Bill No. 2264

Bill Sec. 3

Analyst: Pierron

Analysis Pg. No. 767

Budget Page No. 199

<u>Expenditure Summary</u>	<u>Agency Request FY 96</u>	<u>Governor's Recommendation FY 96</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 337,853	\$ 306,657	\$ (7,798)
Special Revenue Fund	120,436	147,937	(7,769)
TOTAL	\$ 458,289	\$ 454,594	\$ (15,567)
FTE Positions	6.0	8.0	0.0
Special Project Appointments	4.0	2.0	0.0
TOTAL	10.0	10.0	0.0

Agency Request/Governor's Recommendation

The Commission requests FY 1996 expenditures of \$458,289, an increase of \$61,937 (15.6%) above the revised FY 1995 estimate. Requested increases over the revised FY 1995 amount include the following: \$42,621 (14.0 percent) for salaries and wages; \$6,720 (8.3 percent) for contractual services; and \$12,596 (286 percent) for capital outlay.

The agency's FY 1996 request includes salaries and wages funding of \$348,074. The Commission currently has a 6.0 FTE position limitation. The request would provide an additional annual salary funding of \$28,784 (without fringe benefits) to upgrade one special projects position (\$8,784) and to provide funding for an additional financial investigator/auditor special projects position, (\$20,000). The request would also provide for a continuation of staff and Commission per diem at the FY 1995 level as follows: 6.0 unclassified FTE positions; 3.0 special projects personnel; unclassified merit increase of 2.5 percent; per diem for the following Commission meetings: 12 monthly meetings; 12 planning meetings; three hearings; and two subcommittee meetings.

Funding for the FY 1996 budget includes \$337,853 from the State General Fund and \$120,436 from the Kansas Commission on Governmental Standards and Conduct Fee Fund.

For FY 1996, the Governor recommends a total of \$454,594, a decrease of \$3,695 from the amount requested by the agency. The Governor's recommendation includes \$306,657 from the State General Fund and \$147,937 from the Kansas Commission on Governmental Standards and Conduct Fee Fund. The Governor recommends 8.0 FTE positions. This is an addition of 2.0 FTE positions over the FY 1996 agency request.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor, with the following notations:

1. Delete \$15,567 for longevity pay and unclassified merit pool adjustments (\$7,798 from the State General Fund and \$7,769 from the Kansas Commission on Governmental Standards and Conduct Fee Fund).
2. 100 percent of all filings are desk audited, that is, reviewed for completeness. However, the agency also desires to perform field audits on at least 10 percent of the filings which would be approximately 400 audits annually. The recommended budget will still not fund the agency to its desired level of field auditing but it will double the number of field audits currently being performed. A total of 17 field audits are presently being done in a fiscal year and the recommended budget would facilitate 35-40 in FY 1996.
3. Currently, bills are being proposed that may impact the agency budget by adding expenditures or possibly generating increased revenues. The Subcommittee recommends that if any of these bills pass, a review of the budget be made for omnibus consideration.
4. At current projections, the agency should have sufficient funds to cover current services but its fee fund fluctuate to such an extent that the agency carryover balance varies significantly.
5. The Committee notes the following performance indicators:

	Performance Indicators		
	FY 1994 Actual	FY 1995 Estimate*	FY 1996 Estimate*
Percentage of information completed within eight hours	99.0%	99.0%	99.0%
Percentage of individuals receiving a failure to file notice	8.0%	7.0%	6.0%
Percentage of campaign finance receipts and expenditures			
Reports which contain errors	25.0%	35.0%	25.0%
Number of opinions issued by commission	39	40	40
Information seminars conducted	15	25	20

* Estimated level of performance under Governor's recommendation.

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendation of the House Committee.

<u>Expenditure Summary</u>	<u>House Adj. FY 96</u>	<u>House Rec. FY 96</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ (7,798)	\$ 298,859	\$ --
Special Revenue Fund	(7,769)	140,168	--
TOTAL	\$ (15,567)	\$ 439,027	\$ --
FTE Positions	0.0	8.0	--
Special Project Appointments	0.0	2.0	--
TOTAL	0.0	10.0	--

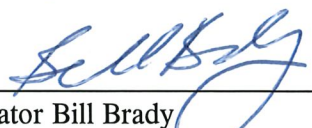
Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the House Committee with the following notations:

1. The Subcommittee recommends the agency compile information regarding errors discovered during field audits for publication in the agency's annual report and elsewhere. The Subcommittee requests this information be distributed to candidates. The agency completed 17 field audits in FY 1994, (seven local elections, seven state elections, and three political action committees) all of which contained material errors. The agency expects to be able to perform 34 field audits with the current recommendation compared to the 17 the agency performed in FY 1994.



 Senator Stephen Morris, Chair



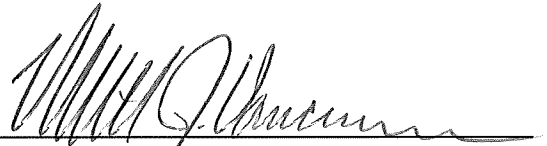
 Senator Bill Brady

SUBCOMMITTEE REPORT

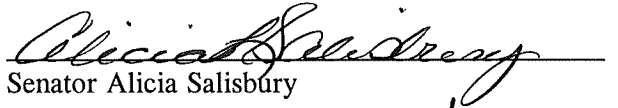
DEPARTMENT OF ADMINISTRATION

FY 1995

FY 1996



Senator Robert Vancrum
Subcommittee Chair



Senator Alicia Salisbury



Senator Gerald Karr

SWAM
March 16, 1995
Attachment 4

SUBCOMMITTEE REPORT

Agency: Department of Administration

Bill No. 2234

Bill Sec. 10

Analyst: Porter

Analysis Pg. No. 799

Budget Page No. 19

<u>Expenditure Summary</u>	<u>Agency Estimate FY 95</u>	<u>Governor's Recommendation FY 95</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 20,460,389	\$ 20,432,798	\$ 0
Aid to Local Units	565,358	565,358	0
Other Assistance	3,185,906	3,185,906	0
Subtotal - Operating	<u>\$ 24,211,653</u>	<u>\$ 24,184,062</u>	<u>\$ 0</u>
Capital Improvements	1,572,551	1,676,951	0
TOTAL	<u><u>\$ 25,784,204</u></u>	<u><u>\$ 25,861,013</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 19,646,905	\$ 19,618,457	\$ 0
Aid to Local Units	144,358	144,358	0
Other Assistance	847,642	847,642	0
Capital Improvements	1,155,139	1,259,539	0
TOTAL	<u><u>\$ 21,794,044</u></u>	<u><u>\$ 21,869,996</u></u>	<u><u>\$ 0</u></u>
FTE Positions:			
Reportable	345.9	345.9	--
Nonreportable	572.1	571.8	--
Subtotal FTE	<u>918.0</u>	<u>917.7</u>	<u>--</u>
Special Project Appointments	5.0	5.0	--
TOTAL	<u><u>923.0</u></u>	<u><u>922.7</u></u>	<u><u>--</u></u>

Agency Estimate/Governor's Recommendation

Reportable Budget Summary. The Department of Administration estimates FY 1995 reportable operating expenditures of \$24,211,653, a reduction of \$3,801,209 from actual FY 1994 expenditures of \$28,012,862. The majority of the reduction (\$3,735,713) is from aid to local units, and reflects the transfer of federal U.S. Bureau of Justice assistance grant funds from the budget of the Department of Administration to the budget of the Kansas Sentencing Commission for distribution by the Criminal Justice Coordinating Council. The estimate also reflects no expenditures for the Executive Satellite Office. This function has been transferred to the budget of the Governor's Office.

The Governor recommends FY 1995 operating expenditures of \$24,184,062. The recommendation reflects a reduction of \$27,591 from the agency estimate for salaries and wages. The reduction is the net result of a downward adjustment for revised health insurance rates and other salaries and

wages adjustments. The Governor concurs with the agency estimate for other operating expenditures. The Governor recommends \$104,400 from the State General Fund for preliminary planning for the renovation of Memorial Hall. The agency had requested funding in the same amount in FY 1996 for this project.

NONREPORTABLE BUDGET

In addition to the reportable budget summarized above, the Department of Administration submits a nonreportable budget. Nonreportable expenditures are expenditures of funds which have come to the Department of Administration as fees or services funds collected from other agencies. These amounts are included as reportable operating expenditures in the budgets of the state agencies using Department of Administration services. If these amounts were to be included as reportable expenditures within the Department of Administration budget, it would constitute a double reporting of the expenditures. The Department of Administration's nonreportable budget is summarized below.

Nonreportable Budget			
<u>Expenditure</u>	<u>Agency Est. FY 95</u>	<u>Governor's Rec. FY 95</u>	<u>House Sub. Adjustments</u>
All Funds:			
State Operations	\$ 71,349,655	\$ 71,409,799	\$ 0
Other Assistance	15,814,858	15,814,858	0
Total -- Operating	\$ 87,164,513	\$ 87,224,657	\$ 0
Capital Improvements	1,976,618	1,976,618	0
TOTAL	<u>\$ 89,141,131</u>	<u>\$ 89,201,275</u>	<u>\$ 0</u>

Nonreportable Budget Summary. The agency requests total FY 1995 nonreportable operating expenditures of \$87,164,513, an increase of \$9,276,988, or 11.9 percent, above FY 1994 actual expenditures of \$77,887,525. Of the increase, the majority (\$8,222,711) is in contractual services.

The Governor recommends FY 1995 nonreportable operating expenditures of \$87,224,657, an increase of \$60,144 from the agency estimate. The increase is the net result of a \$68,716 reduction from the agency estimate for salaries and wages resulting from revised health insurance rates and other adjustments and an increase of \$128,860 for contractual services. The increase in contractual services reflects a change in the way the Debt Setoff Program will account for contract collectors' revenues and fees rather than an actual increase in expenditures.

House Subcommittee Recommendation

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

1. The Subcommittee notes the Committee's standing recommendation to delete funding recommended by the Governor for individual agencies for the SHARP Project (the Statewide Human Resource and Payroll System Project). The deleted funding would be appropriated or transferred to the Department of Administration in the 1995 Omnibus bill. This mechanism will provide additional SHARP Project oversight of equipment purchases and will allow central reporting of all expenditures for the SHARP Project. Funding approved by the Governor in FY 1995 for SHARP equipment includes \$3,000 SGF and \$313,677 from all other funds.
2. The Subcommittee notes that the Governor recommends FY 1995 funding of \$104,400 for renovation of Memorial Hall (the Kansas State Historical Society building). The agency had requested FY 1996 funding for the project, which would include preparing a program statement and schematic design drawings outlining space to be used by those agencies considered for consolidation into Memorial Hall when it is vacated by the Historical Society. The Subcommittee notes that the Governor's recommendation would accelerate the project schedule and could help to address state agency space needs in a more timely manner. The Subcommittee recommends that the progress of Memorial Hall renovation efforts be reviewed during the Omnibus session.
3. Make technical adjustments to the bill to carry out the recommendations of the Governor.

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

House Committee of the Whole Recommendation

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

FY 1995 Reportable Budget Summary

<u>Expenditure Summary</u>	<u>House Adj. FY 95</u>	<u>House Rec. FY 95</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 0	\$ 20,432,798	\$ 0
Aid to Local Units	0	565,358	0
Other Assistance	0	3,185,906	0
Subtotal - Operating	<u>\$ 0</u>	<u>\$ 24,184,062</u>	<u>\$ 0</u>
Capital Improvements	0	1,676,951	0
TOTAL	<u><u>\$ 0</u></u>	<u><u>\$ 25,861,013</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 0	\$ 19,618,457	\$ 0
Aid to Local Units	0	144,358	0
Other Assistance	0	847,642	0
Capital Improvements	0	1,259,539	0
TOTAL	<u><u>\$ 0</u></u>	<u><u>\$ 21,869,996</u></u>	<u><u>\$ 0</u></u>
FTE Positions:			
Reportable	--	345.9	--
Nonreportable	--	571.8	--
Subtotal FTE	<u>--</u>	<u>917.7</u>	<u>--</u>
Special Project Appointments	--	5.0	--
TOTAL	<u><u>--</u></u>	<u><u>922.7</u></u>	<u><u>--</u></u>

FY 1995 Nonreportable Budget Summary

<u>Expenditure</u>	<u>House Adj. FY 95</u>	<u>House Rec. FY 95</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 0	\$ 71,409,799	\$ 0
Other Assistance	0	15,814,858	0
Total -- Operating	<u>\$ 0</u>	<u>\$ 87,224,657</u>	<u>\$ 0</u>
Capital Improvements	0	1,976,618	0
TOTAL	<u><u>\$ 0</u></u>	<u><u>\$ 89,201,275</u></u>	<u><u>\$ 0</u></u>

Senate Subcommittee Recommendation

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

SUBCOMMITTEE REPORT

Agency: Department of Administration

Bill No. 2264

Bill Sec. 7

Analyst: Porter

Analysis Pg. No. 799

Budget Page No. 19

<u>Expenditure Summary</u>	<u>Agency Request FY 96</u>	<u>Governor's Recommendation FY 96</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 23,888,248	\$ 22,508,184	\$ (471,843)
Aid to Local Units	995,063	491,463	22,119
Other Assistance	4,415,891	3,244,601	127,881
Subtotal - Operating	<u>\$ 29,299,202</u>	<u>\$ 26,244,248</u>	<u>\$ (321,843)</u>
Capital Improvements	2,442,230	1,579,500	250,000
TOTAL	<u><u>\$ 31,741,432</u></u>	<u><u>\$ 27,823,748</u></u>	<u><u>\$ (71,843)</u></u>
State General Fund:			
State Operations	\$ 23,184,632	\$ 19,690,147	\$ (454,007)
Aid to Local Units	365,337	225,463	22,119
Other Assistance	2,112,237	1,454,513	(22,119)
Capital Improvements	2,380,730	1,535,500	0
TOTAL	<u><u>\$ 28,042,936</u></u>	<u><u>\$ 22,905,623</u></u>	<u><u>\$ (454,007)</u></u>
FTE Positions:			
Reportable	344.2	330.6	--
Nonreportable	576.8	578.4	--
Subtotal FTE	<u>921.0</u>	<u>909.0</u>	--
Special Project Appointments	5.0	5.0	--
TOTAL	<u><u>926.0</u></u>	<u><u>914.0</u></u>	<u><u>--</u></u>

Agency Request/Governor's Recommendation

Reportable Budget Summary. The agency requests a total of \$29,299,202 for operating expenditures in FY 1996, an increase of \$5,087,549, or 21.0 percent, above the FY 1995 estimate of \$24,211,653. Requested financing from the State General Fund of \$23,184,632 is an increase of \$3,537,727, or 18.0 percent, above the FY 1995 estimate of \$19,646,905. Of the \$5,087,549 increase for state operations, \$2,100,000 reflects an increase above the FY 1995 estimate in the amount requested from the State General Fund for the Statewide Human Resource and Payroll System Project (SHARP). Increases above the FY 1995 estimate are requested for salaries and wages (\$471,293), contractual services (\$2,325,314, of which \$2,100,000 is requested within the Office of the Secretary for the SHARP Project), commodities (\$87,686), capital outlay (\$205,405), debt service (\$338,161), aid to local units (\$429,705), and other assistance (\$1,229,985). The agency request for salaries and wages includes an agency-wide turnover rate of 2.5 percent (a reduction of \$351,628 from the salaries and wages base).

The Governor recommends FY 1996 reportable operating expenditures of \$26,244,248, a reduction of \$3,054,954 from the agency request. Funding of \$19,690,147 is recommended from the State General Fund, a reduction of \$3,494,485 from the agency request. Of the SGF reduction, the majority is due to the Governor's recommendation of \$2,100,000 for the SHARP Project from the State Budget Stabilization Fund rather than the State General Fund, as requested by the agency. Reductions are recommended from the agency requests for salaries and wages (\$669,509), contractual services (\$318,495), commodities (\$47,200), capital outlay (\$344,860), aid to local units (\$503,600), and other assistance (\$1,171,290). The Governor recommends an agency-wide reportable budget turnover rate of 4.0 percent (a reduction of \$529,188 from the salaries and wages base), as compared with the 2.5 percent rate included in the agency request.

NONREPORTABLE BUDGET

In addition to the reportable budget summarized above, the Department of Administration submits a nonreportable budget. Nonreportable expenditures are expenditures of funds which have come to the Department of Administration as fees or services funds collected from other agencies. These amounts are included as reportable operating expenditures in the budgets of the state agencies using Department of Administration services. If these amounts were to be included as reportable expenditures within the Department of Administration budget, it would constitute a double reporting of the expenditures. The Department of Administration's nonreportable budget is summarized below.

Nonreportable Budget			
Expenditure	Agency Req. FY 96	Governor's Rec. FY 96	House Subcommittee Adjustments
All Funds:			
State Operations	\$ 73,228,870	\$ 71,030,193	\$ (637,956)
Other Assistance	15,800,000	15,800,000	0
Total -- Operating	\$ 89,028,870	\$ 86,830,193	\$ (637,956)
Capital Improvements	1,604,987	1,604,987	0
TOTAL	<u>\$ 90,633,857</u>	<u>\$ 88,435,180</u>	<u>\$ (637,956)</u>

Nonreportable Budget Summary. The agency requests FY 1996 nonreportable operating expenditure authority of \$89,028,870, an increase of \$1,864,357, or 2.1 percent, above the FY 1995 estimate of \$87,164,513. The increase for state operations totals \$1,879,215, and is offset by a reduction in the amount requested for other assistance (\$14,858), which is primarily for workers compensation payments. The FY 1996 request includes an agency-wide nonreportable salaries and wages turnover rate of 3.3 percent (a reduction of \$684,851 from the salaries and wages base).

The Governor recommends FY 1996 nonreportable operating expenditure authority of \$86,830,193, a reduction of \$2,198,677 from the agency request. The reduction is from the request for state operations. The Governor concurs with the agency's request for other assistance. Reductions are recommended from the agency requests for salaries and wages (\$49,377), contractual services (\$561,257),

commodities (\$41,527), and capital outlay (\$1,546,516). The Governor includes an FY 1996 agencywide nonreportable salaries and wages turnover rate of 3.9 percent (a reduction of \$815,837 from the salaries and wages base), as compared with the 3.3 percent rate included in the agency request.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor with the following adjustments and observations:

1. Delete \$1,109,799 (including \$454,007 from the State General Fund) based on the recommendation to delete funding for a 3.5 percent unclassified merit pool (\$62,527); classified step movement (\$453,301); a one percent base adjustment for classified employees (\$259,877); and the longevity bonus (\$334,094) from individual agency budgets.
2. The Subcommittee reviewed the progress of the SHARP Project, including FY 1995 and FY 1996 funding for the project. The Subcommittee notes that the Department of Administration has worked extensively with state agencies to determine individual agency personnel/payroll needs, the types of reports agencies need to generate, and available personnel and equipment, and commends the agency for its efforts.

As in the FY 1995 report, the Subcommittee notes the Committee's standing recommendation to delete funding recommended by the Governor for individual agencies for the SHARP Project. The deleted funding is to be appropriated or transferred to the Department of Administration in the 1995 Omnibus bill. FY 1996 SHARP equipment funding approved by the Governor includes \$303,591 from the SGF and \$55,530 from all other funds. This does not include funding for equipment for the Department of Social and Rehabilitation Services (SRS). SHARP personnel are currently assessing SRS's needs for SHARP computer equipment.

The Subcommittee further notes that, with the implementation of the SHARP system, it will be possible for state employees to deposit specified portions of their pay into multiple accounts. Formerly, the direct deposit option allowed deposit of the entire paycheck amount into only one account. The Department of Administration stated that it will aggressively promote the direct deposit option.

3. The Subcommittee notes one additional outcome of the transition to the SHARP system. 1995 S.B. 175 would update present personnel terminology and functions to coincide with changes made possible by the transition to SHARP system technology. Among other provisions, the agency states that S.B. 175 would simplify the application process for candidates for state positions. Currently, applicants complete an application for examination for each job class for which they want to apply. Applicants are then scored and placed on an eligible list for that class. Often, in the present system, applicants believe they are applying for a vacant position, but in reality they are only being ranked for a list that will be used at a later time if and when there is a vacancy in that particular class.

The agency states that, with the passage of S.B. 175, job candidates would initially register their basic skills with the state. Candidates would only register once, but would be free to update their listing of skills at any time. Candidates could then apply for actual vacant positions as vacancies occur. The SHARP system would screen candidates for specific vacancies to see if they meet the minimum qualifications. Candidates meeting those minimum qualifications would be further screened for specific skills and characteristics required for that particular vacancy. The use of this method, according to the agency, will provide agencies with a pool of candidates uniquely suited for a particular position.

4. The Subcommittee notes that the number of FTE positions approved for the Department of Administration has declined steadily in recent fiscal years. A total of 918.0 FTE positions were included in the actual FY 1994 budget. The Governor recommends 917.7 FTE positions in FY 1995 and 909.0 FTE positions in FY 1996. At the same time some positions are being reduced, additional responsibilities and functions have been added to the agency budget, some of which have resulted in the addition of FTE positions. For example, the FY 1995 and FY 1996 budgets include 3.0 FTE positions for the SHARP Project and 1.0 FTE Chief Information Architect as the result of legislation enacted by the 1994 Legislature. These positions were not included in the FY 1994 budget. One FTE position was deleted from the State Treasurer's office and added to the Department of Administration budget in FY 1994 to reflect a shift in responsibilities between the two agencies in the area of warrant processing. The Subcommittee commends the agency for its efforts to reduce FTE positions.
5. The Subcommittee concurs with the recommendation of the Joint Committee on State Building Construction, which concurs with the Governor's recommendations for capital improvements with one adjustment: the addition of \$250,000 for roof replacement and scupper installation for the Judicial Center. The Subcommittee was informed that the roof is approximately twenty years old and that it leaks. The Joint Committee on State Building Construction recommended that the project be funded from the available balance from the State Budget Stabilization Fund (\$169,556) and that the remaining \$80,444 be financed through adjusting other amounts to be transferred from the State Budget Stabilization Fund or from some other funding source to be identified at a later date. The House Subcommittee recommends that the transfer recommended from the State Budget Stabilization Fund to the State Emergency Fund be reduced by \$80,444 and that the entire \$250,000 roofing project be financed from the State Budget Stabilization Fund.
6. The Subcommittee requested an update on the retirement reductions required by 1993 H.B. 2211. As of February 6, 1995, the following reductions of positions and funds have been achieved:

Positions:		
Retirements Filed	(313.7)	
Retirements Restored	184.2	
Net Reduction	(129.5)	(41.3% Reduction)
Savings Captured:		
State General Fund	(\$1,229,739)	
All Funds	(\$3,256,282)	

It should be noted that the positions and savings captured include some positions still in the retirement restoration process which may still be restored to agency budgets for a portion of the remaining year. However, if all positions currently under appeal were restored, the total reduction would equal 27.7 percent of the retirements filed.

7. The Subcommittee notes that, as requested by the 1994 Legislature, the agency prepared a report on providing lightning rod protection for state-owned buildings. The Subcommittee reviewed this report and notes that, of the 1,218 buildings owned by the State, 873, or 72 percent, do not have lightning rod protection. The Department estimates that it would cost a total of \$18,500,000 to install lightning rod protection to all buildings which are not currently protected by lightning rods. The Subcommittee notes that the State currently insures those state buildings with a value of \$500,000 or more that are not otherwise insured. The current policy has a \$2,000,000 deductible and an annual stop gap loss of \$25,000,000.
8. The Subcommittee reviewed the Central Motor Pool Program in detail, including the number of vehicles currently in the motor pool, their locations, the number of vehicles permanently assigned to state agencies, the costs of program administration, and other aspects of the program. The Subcommittee notes that the Central Motor Pool composite rate per mile, which reflects an average rate for all types of vehicles, was \$.2038 per mile in FY 1994, is \$.2077 per mile in FY 1995, and is estimated to be \$.2167 per mile in FY 1996. The rate for compact sedans, the most prevalent type of vehicle included in the fleet, is \$.19 per mile in FY 1995 and is estimated to be \$.20 in FY 1996. These rates may be compared with the private car reimbursement rate included in the Governor's Budget Instructions for FY 1996 and with the private mileage rate allowed by the federal government, both of which are \$.28 per mile in FY 1995 and are estimated to be \$.29 per mile in FY 1996. The Subcommittee further notes that a recent Legislative Post Audit report was critical of the State Parole Board for its reliance on reimbursement for private mileage, rather than reducing its travel expenditures through more extensive use of the Central Motor Pool Program. The Subcommittee concurs with the Governor's recommendation for the Central Motor Pool Program, which includes the purchase of 228 replacement vehicles and 129 vehicles for fleet expansion.

9. The Subcommittee notes that the agency's capital improvements request for FY 1996 includes a funding request for two reports regarding the Statehouse: an historic structure report, at a cost of \$50,000 from the State General Fund, and an historic interiors report, at a cost of \$135,000 from the State General Fund. Neither project was recommended by the Governor. The historic structure report would identify all historic structural characteristics of the Statehouse and would utilize the services of a qualified architectural firm which specializes in such reports. The historic interiors report would identify all historical interior characteristics of the Statehouse. The report would be expected to identify individual elements and materials used throughout the building, such as paint, stencils, wall fabric, plaster, and wainscot, to determine the type of material, age and date constructed, and whether the element is classified as historic or not. Both reports would be expected to provide a foundation for development of a preservation master plan. The Subcommittee notes that both reports would be helpful in developing a comprehensive plan for the Statehouse and that the Department of Administration stands ready to implement both studies, if funded. The Subcommittee does not recommend funding for the projects, but provides this narrative for informational and planning purposes.
10. The Subcommittee notes an additional concern regarding the Capitol Area Complex. The Subcommittee concludes that there is a need for a strategic, long-range plan for all properties currently owned by the state. The plan should also include consideration of those properties surrounding the Capitol Area Complex which are not owned by the state, but which could affect state holdings or could present potential solutions to space and parking concerns for state agencies. The Subcommittee notes that the Department of Administration is currently authorized to conduct a Shawnee County consolidation study, which is looking at ways to utilize properties currently owned or leased by the state.
11. Make technical adjustments to the bill to carry out the recommendations of the Governor.
12. The Subcommittee reviewed the status of the KANS-A-N contract negotiations. The agency reports that final negotiations indicate that charges for the "backbone" network, or fixed cost portion of the contract are very attractive and should result in substantial cost reductions for the state. It is hoped that negotiations for the variable cost portion of the contract, which will provide service enhancements, will be as successful. Currently, it appears that the contract will be a seven-year contract, with the state retaining the right to terminate the contract after two years with no penalty to the state. The agency states that these favorable terms reflect the state's purchasing power and the vendor's willingness to negotiate.
13. The Subcommittee discussed the issue of the DISC (Division of Information Systems and Communications) rate change for INK (Information Network of Kansas) access. Beginning in December 1994, DISC began to charge INK a fee for access to 800-line services provided by DISC. Although the fee was designed to recover only the costs of providing this service to INK, the charge resulted in some controversy because INK had formerly not been charged for the service and INK began to pass the charges on to all of its customers, including public libraries. DISC personnel

concluded that, in retrospect, two actions should have been taken. DISC should have entered into a contract with INK for DISC services and should have established a cost-based rate approximately 18 months ago, when library usage began to increase dramatically for Internet access. DISC, INK, and the libraries are working together to develop a lower cost for 800-line access from DISC vendors. DISC will work with INK to develop a pricing schedule for the libraries that provides access to Internet at a lower cost, possibly on a tiered cost basis based on usage, and to encourage prudent use of INK access to the Internet.

14. The Subcommittee notes the following are included as performance indicators for the Department of Administration:

1. General Administration -- Reportable and Nonreportable

Employee Award Board			
	<u>Actual FY 1994</u>	<u>Agency Est. FY 1995</u>	<u>Agency Est. FY 1996</u>
Number of Suggestions Submitted	201	145	200
Total of Estimated Savings	\$ 237,711	\$ 200,000	\$ 300,000

Legal Services			
	<u>Actual FY 1994</u>	<u>Agency Est. FY 1995</u>	<u>Agency Req. FY 1996</u>
KUMC contract collections	\$ 20,323	\$ 99,959	\$ 173,400
Write-off collections and collections for contracts from other state agencies	7,471	10,000	13,500
Fees avoided through assigning new Northeast Kansas workers' compensation cases to Legal Section	44,200	58,300	77,000

2. Division of Information Systems and Communications (DISC) -- Nonreportable

Central Mail Services Subprogram			
<u>Measure</u>	<u>Actual FY 1994</u>	<u>Agency Estimate FY 1995</u>	<u>Agency Request FY 1996</u>
Pieces of mail per year (in millions)	9.9	10.1	10.3
Automated presorted pieces (in millions)	4.2	4.3	5.0

Information Services Subprogram			
Measure	Actual FY 1994	Agency Estimate FY 1995	Agency Request FY 1996
Average Turn Around Time for Batch Jobs (In Hours)	1.75	1.75	1.50
Average Response Time for On-Line Applications (Seconds)	0.75	0.60	0.60
System Availability (Up Time)	99.5%	99.7%	99.7%

Telecommunications Subprogram			
Measure	Actual FY 1994	Agency Est. FY 1995	Agency Req. FY 1996
Network circuit availability in percentage per month	99.99%	99.99%	99.99%
Voice minutes used	40,991,515	44,270,836	50,043,596
Video hours used	4,626	7,363	9,152
Data circuit connects	107,970	113,345	121,562
Dial-up data packets sent/received	3.5 billion	4.4 billion	5.0 billion
Operator assisted calls	428,563	385,707	350,096

3. Division of Accounts and Reports -- Reportable and Nonreportable

	Actual FY 1994	Estimated FY 1995	Estimated FY 1996
Number of warrants issued (in thousands)	4,111	4,173	4,236
Dollars of transactions (in millions)	\$ 10,912	\$ 11,076	\$ 11,242
Percent of improper transactions rejected	4.2%	4.2%	4.2%
Amount of delinquent receivables collected (in thousands)	\$ 6,371	\$ 5,753	\$ 6,753
Average number of accounts on file:			
Set-off accounts	113,000	163,000	163,000
Write-off accounts	39,800	41,000	37,000

4. Division of the Budget -- Reportable

	<u>Actual FY 1994</u>	<u>Estimated FY 1995</u>	<u>Estimated FY 1996</u>
Percentage of dollar errors compared to the Governor's recommendation for the current and forthcoming fiscal years combined (expressed as one hundred thousand of one percent)	11	9	6
Number of <i>Governor's Budget Report</i> documents produced	1,300	1,500	1,500
Obtain a revenue accuracy index of at least 99.0 percent	97.25	99.00	99.00
Percentage deviation of actual current fiscal year expenditures versus approved budgets (SGF only)	1.35	1.00	0.75
Percentage of fiscal notes completed by the bill's hearing date	64%	75%	80%

5. Division of Personnel Services -- Reportable and Nonreportable

	<u>Actual FY 1994</u>	<u>Estimated FY 1995</u>	<u>Estimated FY 1996</u>
Increase in percent of division staff involved in quality management teams	--	30%	85%
Increase in number of quality management projects in the division	--	--	20
Increase in percentage of state agencies with implementation plans adopted and followed	4%	15%	60%
Percentage reduction in transactions concerning movement of employees between agencies	--	--	39%
Employees using division's training services	67	150	150
Number of Lifeline cases	921	950	980
Number of workers compensation claims	5,998	5,698	5,278
Employees returning to work after on-the-job injury	5,854	5,556	5,413
Average time in days employees are away from job during recovery	11.6	11.0	10.5

6. Division of Purchases -- Reportable

	<u>Actual FY 1994</u>	<u>Estimated FY 1995</u>	<u>Estimated FY 1996</u>
Reduction in sole source requests	1,227	1,150	1,350
Reduced rebids due to restrictive specifications	45	40	55
Number of statewide contracts	1,671	1,700	1,300
Number of vendors on file	21,386	22,400	20,000
Contracts using life-cycle cost formulas and energy-efficient standards in bid specifications	61	75	75

7. Division of Printing -- Nonreportable

	<u>Actual FY 1994</u>	<u>Estimated FY 1995</u>	<u>Estimated FY 1996</u>
Number of days variation between requested date and delivery date	(1.02)	(0.95)	(0.93)
Number of regular jobs produced	7,717	7,800	7,850
Net income or loss for fiscal year	(143,000)*	(83,000)*	0
* These amounts are adjustments to return "profits" made in FY 1992.			

8. Architectural Services -- Reportable and Nonreportable

	<u>Actual FY 1994</u>	<u>Estimated FY 1995</u>	<u>Estimated FY 1996</u>
Number of projects bid over budget	3	3	3
Percent reduction of average delays in construction from previous year	--	10%	10%
Amount of change orders on projects designed by in-house staff	\$134,000	\$127,000	\$114,000

9. Facilities Management -- Reportable and Nonreportable

	<u>Actual FY 1994</u>	<u>Estimated FY 1995</u>	<u>Estimated FY 1996</u>
Percentage of preventative maintenance work performed on schedule	98.0%	95.0%	95.0%
Percentage of customer surveys rated satisfactory or higher for house-keeping services	98.4%	90.0%	90.0%
Percentage of motor pool dispatch trips not interrupted with a breakdown or unscheduled service call	99.9%	95.0%	95.0%
Central motor pool composite rate per mile	\$.2038	\$.2077	\$.2167

PUBLIC BROADCASTING COUNCIL

1. Add \$150,000 from the Economic Development Initiatives Fund (EDIF) for equipment grant matching funds for the Public Broadcasting Council and shift \$150,000 of SGF funding from equipment grants to operating grants. The Subcommittee recommendation would provide the same level of support for equipment grants as recommended by the Governor and would add \$150,000 above the amount recommended by the Governor for operating grants.

The Subcommittee notes that EDIF funding has been used for Public Broadcasting Council equipment grant matching funds in previous years and further notes that a key factor in economic development is the quality of life afforded the residents of a particular area. The availability of public broadcasting stations may enhance the quality of life for Kansas residents, particularly in areas of rural Kansas.

The Subcommittee recommendation would not provide the level of support requested by the Council, which was based on \$1.00 per capita of the total state population. The recommendation would, however, increase state support from the approximately \$.44 per capita recommended by the Governor to approximately \$.50 per capita.

The Subcommittee's recommendation for Public Broadcasting Council funding is noted on the following table.

Expenditure	Actual FY 94	Agency Est. FY 95	Gov. Rec. FY 95	Agency Req. FY 96	Gov. Rec. FY 96	House Sub. Adj.
SGF (Grants to Public Broadcasting Stations):						
Aid to Local Units	\$ 121,249	\$ 144,358	\$ 144,358	\$ 365,337	\$ 160,907	\$ 22,119
Other Assistance	502,746	847,642	847,642	2,112,237	930,293	127,881
Subtotal -- SGF						
Oper. Grants	\$ 623,995	\$ 992,000	\$ 992,000	\$ 2,477,574	\$ 1,091,200	\$ 150,000
Equipment Grants:						
SGF						
Aid to Local Units	\$ 0	\$ 0	\$ 0	\$ 0	\$ 64,556	\$ 0
Other Assistance	0	0	0	0	524,220	(150,000)
EDIF						
Aid to Local Units	151,255	155,000	155,000	363,726	0	0
Other Assistance	168,300	533,776	533,776	513,566	0	150,000
Subtotal - Equip. Grants	\$ 319,555	\$ 688,776	\$ 688,776	\$ 877,292	\$ 588,776	\$ 0
TOTAL	\$ 943,550	\$ 1,680,776	\$ 1,680,776	\$ 3,354,866	\$ 1,679,976	\$ 150,000

2. The Subcommittee notes that, according to the Public Broadcasting Council, state support for public broadcasting represents 7 percent of the aggregate total operating budgets of public television and radio stations. Private support for public broadcasting totals approximately \$7,800,000, or approximately \$3.12 per capita.

State support represent differing levels of the total operating budgets of the individual stations, as noted in the following table.

State Support for Public Radio and Television Stations as a Percentage of Total Station Operating Budget	
Public Television Stations	Percentage of Total Operating Budget
KCPT-TV, Kansas City	2.6%
KPTS-TV, Wichita	7.7%
KTWU-TV, Topeka	8.8%
KOOD-TV (Smoky Hills Public TV), Bunker Hill	23.0%
KANU-FM, Lawrence	3.0%
Radio Kansas, Hutchinson	3.5%
KMUW-FM, Wichita	5.0%
KRPS-FM, Pittsburg	7.7%
KKSU-AM, Manhattan	8.0%
High Plains Public Radio, Garden City	21.5%

House Committee Recommendation

The House Committee concurs with the recommendations of the House Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendations of the House Committee with the following adjustment:

Public Broadcasting Council

1. Delete \$150,000 of Economic Development Initiatives Fund (EDIF) moneys approved for equipment grant matching funds for the Public Broadcasting Council.

FY 1996 Reportable Budget Summary

<u>Expenditure Summary</u>	<u>House Adj. FY 96</u>	<u>House Rec. FY 96</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ (471,843)	\$ 22,036,341	\$ 33,115 *
Aid to Local Units	22,119	513,582	230,250 *
Other Assistance	(22,119)	3,222,482	(230,250) *
Subtotal - Operating	<u>\$ (471,843)</u>	<u>\$ 25,772,405</u>	<u>\$ 33,115 *</u>
Capital Improvements	250,000	1,829,500	0
TOTAL	<u><u>\$ (221,843)</u></u>	<u><u>\$ 27,601,905</u></u>	<u><u>\$ 33,115 *</u></u>
State General Fund:			
State Operations	\$ (454,007)	\$ 19,236,140	\$ 46,854 *
Aid to Local Units	22,119	247,582	230,250 *
Other Assistance	(22,119)	1,432,394	(230,250) *
Capital Improvements	0	1,535,500	0
TOTAL	<u><u>\$ (454,007)</u></u>	<u><u>\$ 22,451,616</u></u>	<u><u>\$ 46,854 *</u></u>
FTE Positions:			
Reportable	--	330.6	--
Nonreportable	--	578.4	--
Subtotal FTE	<u>--</u>	<u>909.0</u>	<u>--</u>
Special Project Appointments	--	5.0	--
TOTAL	<u><u>--</u></u>	<u><u>914.0</u></u>	<u><u>--</u></u>

* Reflects technical adjustments for pay plan (item 1) and public broadcasting equipment grant funds (item 2) adjustments.

FY 1996 Nonreportable Budget Summary

<u>Expenditure</u>	<u>House Adj. FY 96</u>	<u>House Rec. FY 96</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ (637,956)	\$ 70,392,237	\$ 50,195
Other Assistance	0	15,800,000	0
Total -- Operating	<u>\$ (637,956)</u>	<u>\$ 86,192,237</u>	<u>\$ 50,195</u>
Capital Improvements	0	1,604,987	0
TOTAL	<u><u>\$ (637,956)</u></u>	<u><u>\$ 87,797,224</u></u>	<u><u>\$ 50,195</u></u>

Senate Subcommittee Recommendation

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

1. Adjust the amounts deleted for the FY 1996 pay plan. The amounts deleted in the first House were based on estimates and the amount noted as a reduction from the reportable budget included pay plan amounts for both the reportable and non-reportable budgets. The total amount to be deleted is \$1,092,719 (including \$407,153 from the State General Fund) for the 3.5 percent unclassified merit pool (\$54,741); classified step movement (\$441,998); the one percent base adjustment for classified employees (\$264,978); and the longevity bonus (\$331,002).
2. Reduce the transfer from the State Budget Stabilization Fund to the State Emergency Fund by \$43,091, from the currently recommended transfer of \$1,919,556 to \$1,876,465. This would provide funding for a capital improvement project recommended previously by this Committee (replacement of air conditioning equipment for the Board of Agriculture laboratory).
3. In addition to the reportable agency budget, the Subcommittee also reviewed the Department's nonreportable budget. The Subcommittee notes that total expenditures for state operations declined slightly from the Governor's recommendation of \$71,409,799 in FY 1995 to the FY 1996 recommendation of \$71,030,193, while at the same time, 6.6 more FTE positions were shifted to the nonreportable budget. The Subcommittee notes that this can be explained by variations in the cost of services provided to other agencies, based on agency demand. For some of the Department's services, expenditures appear to rise because the Department is being more efficient and reducing the cost to other agencies. For example, at the State Printing Plant, as the per unit cost decreases, the demand for those services from other state agencies is often increased. The Department of Administration nonreportable expenditures increase and the offsetting savings are spread throughout other agency budgets. The Legislative Budget Committee, or another interim committee, should look at a way to better report revenues and expenditures in the nonreportable budget.
4. The Subcommittee conducted an extensive review of the operations of the Division of Information Systems and Communications (DISC) and the state communications contract. The House Subcommittee noted that the agency was concluding final negotiations on the "backbone," or fixed-cost portion of the KANS-A-N network, and that the contract should result in substantial cost reductions for the State. Since the House review, the agency has concluded negotiations on the "backbone" network. The agency reports that the contract will result in savings of approximately \$144,800 per month, or \$1,737,600 per year. Under the previous contract, the cost of the "backbone" network was approximately \$221,000 per month, or approximately \$2,652,000 per year. The new contract will result in costs of approximately \$76,200 per month, or \$914,400 per year, retroactive to December 1, 1994. As noted by the House Subcommittee, the agency states that these favorable terms reflect the State's purchasing power and the vendor's willingness

to negotiate. The Senate Subcommittee commends the agency, particularly the Acting Director of DISC, for the diligence, assertiveness, and skill shown in contract negotiations.

The agency is currently in the bidding process on the variable cost portion of the contract, which will provide service enhancements for the KANS-A-N system and state communications in general. DISC may be able to provide information on this portion of the contract within four to six weeks. It is hoped that negotiations on this portion of the contract also will be successful and will result in cost savings to the state.

The Subcommittee notes that a significant cost reduction as noted above would usually result in a decrease in rates charged to state agencies for DISC communications services. K.S.A. 1994 Supp. 75-4703 authorizes DISC to establish rates and charges for services. DISC rates are revised annually and are set to reflect, as closely as possible, the actual cost of delivering a particular service. Rates are intended only to recover costs and to maintain adequate operating reserves. Because approximately \$.32 of every dollar in the DISC budget comes from federal funds, the rate setting methodology must comply with federal audit and cost accounting guidelines. Federal guidelines specify that the Information Technology Fund (the DISC operating fund) ending balance be in an amount not to exceed 16 percent of projected expenditures.

The Subcommittee further notes that, for several reasons, the favorable rates negotiated by DISC may not result in a significant reduction in the communications rate charged to state agencies until FY 1997. The first reason is that the savings negotiated will be returned to DISC in the form of credits to the AT&T bill. It will therefore take a period of time before the savings realized have an impact on the DISC cashflow. The second reason is that the Information Technology Fund currently has approximately \$1,300,000 in cash reserves. To fall within federal guidelines and to avoid cash flow problems, the agency proposes a \$3,000,000 ending balance, which is roughly equivalent to a 34-day cash flow. This will require approximately \$1,700,000 of the projected savings. A third reason for delaying a rate reduction is that the agency must recover a loss of approximately \$630,169 resulting from its delay in charging a fee for Information Network of Kansas (INK) access to 800-line services provided by DISC. This issue is discussed in item 13 of the House Subcommittee recommendations. The fourth reason for delaying a rate reduction is that, in order to reduce other costs to individual agencies and to provide needed services, the agency plans to use approximately \$630,000 of the anticipated savings to construct a TCP/IP (Telecommunications Control Program/Internet Protocol) network. The TCP/IP network would be available for use by all state agencies to allow local area networks (LANs) to communicate with UNIX computers, including the SHARP system, would allow remote microcomputers dial-in access to DISC computers, would allow Internet access, and would perform other functions. Without a central TCP/IP infrastructure, it is anticipated that individual agencies would request funding for individual TCP/IP networks rather than sharing the central TCP/IP network, and that costs would therefore be increased.

The Subcommittee recommends that the Senate Committee be informed if additional pertinent information on KANS-A-N contract negotiations is available at Omnibus time. The Subcommittee concurs with the agency's stated intent to return the contract savings to state agencies in the form of lower rates as soon as the factors noted above will allow.

5. The Subcommittee reviewed the status of insurance for state buildings. As noted by the House Subcommittee, the State currently insures those state buildings with a value of \$500,000 or more that are not otherwise insured. The current policy has a \$2,000,000 deductible and an annual stop gap loss of \$25,000,000. The Subcommittee notes that 1995 S.B. No. 6 would grant the State Board of Regents the authority to acquire fire and extended coverage insurance on buildings and property at the state Regents Institutions when it is determined by the chief executive officer to be in the best interest of the institution and when the insurance can be obtained in accord with K.S.A. 75-4101 *et seq.* The Subcommittee conferred with a representative of the Board of Regents, who testified that the Regents' intent would be, if economically advantageous, to use the authority to obtain insurance from the Midwest Higher Education Commission. The insurance would not supplant current coverage under the state insurance policy, but would "wrap around," or supplement, the current state policy. The Regents could use this as a means to lower the deductible so that losses of under \$2,000,000 would be covered. The Subcommittee expresses a concern that the Regents not use the authority that would be granted in S.B. 6 to "carve out" Regents Institutions buildings from the current insurance policy. The terms and cost of the current state policy are based on the number of buildings currently owned by the state that are not otherwise insured. To remove a substantial number of buildings from the current policy could undermine the state's bargaining power and could affect the price of the policy. The Subcommittee recommends that the Board of Regents work with the Department of Administration to insure that any coverage obtained by the Regents (should S.B. 6 be enacted) does not duplicate the coverage of the current state policy and does not "carve out" Regents buildings from the current policy. The terms of both contracts should be examined carefully to avoid any conflicting language or coverage provisions.
6. The Subcommittee notes that the agency requested FY 1996 expenditure authority of \$202,764 for the first year installment purchase of a central imaging system consisting of scanning devices, digital cameras, optical storage, and processors that facilitate image processing. Total acquisition cost over a five-year period, assuming 8 percent interest, would be \$3,041,460. DISC would provide central technical support and customer orientation as well as the equipment to capture, store, retrieve, and process the data for other state agencies. Although the Governor did not recommend funding for this project, the Subcommittee was informed that the agency may consider requesting a Governor's Budget Amendment for this item. The Subcommittee recommends that any request for this system be accompanied by a thorough needs analysis.

Public Broadcasting Council

1. As a technical adjustment, shift approved funding of \$230,250 from the reporting category of other assistance to aid to local units to reflect revised equipment grant priorities. Funding for public television station KTWU (Topeka) is categorized as aid to local units, while funding for the other Public Broadcasting Council stations is categorized as other assistance.

SUBCOMMITTEE REPORTS

FY 1995

FY 1996

Kansas Corporation Commission

Citizens' Utility Ratepayer Board



Senator Dave Kerr
Subcommittee Chair



Senator Marge Petty

SWAM
March 16, 1995
Attachment 5

SUBCOMMITTEE REPORT

Agency: Kansas Corporation Commission

Bill No. --

Bill Sec. --

Analyst: Rampey

Analysis Pg. No. 771

Budget Page No. 126

<u>Expenditure Summary</u>	<u>Agency Estimate FY 95</u>	<u>Governor's Recommendation FY 95</u>	<u>House Subcommittee Adjustments</u>
All Special Revenue Funds:			
State Operations	\$ 12,612,640	\$ 12,749,824	\$ 0
Aid to Local Units	742,475	742,475	0
Other Assistance	0	0	0
TOTAL	<u>\$ 13,355,115</u>	<u>\$ 13,492,299</u>	<u>\$ 0</u>
FTE Positions	224.0	224.0	--
Special Projects Appointments	2.0	2.0	--

Agency Overview

The State Corporation Commission is allocated 224 FTE positions. Its main office is in Topeka, with field offices in Wichita (the headquarters of the conservation division), Chanute, Dodge City, and Hays. All of the Commission's funding is from special revenue sources, including fees assessed entities that the Commission regulates. Three of the Commission's main sources of revenue -- the Public Service Regulation Fund, the Motor Carrier License Fees Fund, and the Conservation Fee Fund -- were given an aggregate expenditure limit by the Legislature beginning in FY 1994. The aggregate limit allows the Commission the flexibility to make expenditures from any of the three funds as long as it stays within the overall limit.

Agency Estimate/Governor's Recommendation

The Commission estimates expenditures of \$13,355,115 in the current year. A potential shortfall in revenues to the Conservation Fee Fund, which was the subject of legislative scrutiny during the 1994 Session, appears to have been averted. In August, the Commission became the first agency to occupy space in the new Wichita state office building when it moved its Wichita-based conservation division.

The Governor recommends expenditures of \$13,492,299, an increase of \$137,184 over the Commission's estimate. The increase is the net effect of reductions in salaries offset by a federal grant in the amount of \$190,732 that was received after the budget was submitted. The 1994 Legislature directed the Commission in SCR No. 1627 to submit an application for a state telecommunications planning grant to the National Telecommunications and Information Administration of the United States Department of Commerce. The state plan is to be developed by the Telecommunications Strategic Planning Committee, which was created by the 1994 Legislature. Other changes made by the Governor to the Commission's FY 1995 estimate include shifting \$100,000 in salary savings in the conservation division to well plugging activities.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor.

House Committee Recommendation

The House Committee concurs with the recommendation of the Subcommittee.

House Committee of the Whole Recommendation

The House Committee of the Whole concurs with the recommendation of the Committee.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the recommendations of the House.

SUBCOMMITTEE REPORT

Agency: Kansas Corporation Commission

Bill No. 2264

Bill Sec. 5

Analyst: Rampey

Analysis Pg. No. 771

Budget Page No. 126

<u>Expenditure Summary</u>	<u>Agency Request FY 96</u>	<u>Governor's Recommendation FY 96</u>	<u>House Subcommittee Adjustments</u>
All Special Revenue Funds:			
State Operations	\$ 13,596,731	\$ 12,915,032	\$ (630,665)
Aid to Local Units	775,000	775,000	0
Other Assistance	0	0	0
TOTAL	<u>\$ 14,371,731</u>	<u>\$ 13,690,032</u>	<u>\$ (630,665)</u>
FTE Positions	224.0	224.0	(10.0)
Special Projects Appointments	1.0	1.0	0.0

Agency Request/Governor's Recommendation

The Commission requests authority to spend \$14,371,731 in FY 1996. The amount is an increase of \$1,016,616 over the current year. Major areas of increase include salaries and wages (an increase of \$223,854), and capital outlay (an increase of \$219,681). No new positions are requested. Although the Commission expects an active year with anticipated rate filings and is expected to consider and possibly adopt rules and regulations related to Integrated Resource Planning (IRP), the Chairperson of the Commission believes that, as long as the Commission has adequate funding to hire consultants as needed, it is better for the Commission to request permanent staff only when the need is clearly demonstrated. Other activities that will engage the Commission in FY 1996 include the continuation of its involvement in developing the Telecommunications Strategic Plan mandated by the 1994 Legislature in S.C.R. 1627. In activities that began in FY 1995 and will continue into FY 1996, the Commission is represented on the Telecommunications Strategic Planning Committee that will develop the Plan and is directed to hold hearings concerning telecommunication technologies, services, and competition.

For FY 1996, the Governor recommends expenditures of \$13,690,032, a reduction of \$681,699 from the Commission's request. Of the reduction, \$249,045 is for non-salary operating expenses (excluding capital outlay). The recommended level for these expenses generally would maintain current operations. The remaining portion of the reduction is in the area of capital outlay, which is reduced by \$436,100 (from \$691,536 to \$255,436).

House Subcommittee Recommendations

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

1. Delete \$309,186 based on the recommendation to delete funding for a 3.5 percent unclassified merit pool (\$103,329); classified step movement (\$90,253); a one percent base adjustment for classified employees (\$49,925); and the longevity bonus (\$65,679) from individual agency budgets.

2. Delete \$17,332 from the aggregate expenditure limitation on the Public Service Regulation Fund, the Motor Carrier License Fees Fund, and the Conservation Fee Fund based on the House Appropriations Committee's recommendation to delete funding for computer equipment and software related to the state's new payroll system.
3. Delete 10.0 FTE positions, resulting in a reduction of \$304,147. In recent years, the Commission has had a high turnover rate: The rate was 9.4 percent in FY 1992, 9.9 percent in FY 1993, and 7.0 percent in FY 1994. As of February 1, 1995, 22.5 FTE positions were vacant, which represent 10 percent of the Commission's allocation. It is true that 7.5 FTE positions have been held vacant in the conservation division for more than a year because of a shortfall to the Conservation Fee Fund. But 12 of the vacant positions are in other divisions, including one that has been vacant since December, 1989, and another that has been vacant since June, 1992. Furthermore, 13 of the positions are classified, indicating that the large number of vacancies cannot be attributed solely to changes in unclassified positions that are expected when there is a change in administrations.

At the Subcommittee's direction, the choice of which positions to cut was made by the Commission. The positions include 1.0 FTE position in the utilities division, 6.0 FTE positions in the conservation division, 1.0 FTE position in the transportation division, and 2.0 FTE positions in the energy division.

House Committee Recommendation

The House Committee concurs with the recommendations of the Subcommittee, with the following comment and recommendation:

1. The House Committee notes that the Subcommittee reviewed performance indicators for the Commission and generally is satisfied with the Commission's efforts. However, because of the proposed reduction of 6.0 FTE positions in the conservation division, the Committee requests that the Commission develop performance indicators that reflect the cut in staff positions. In particular, the Committee wants to know the impact of the reductions on well plugging activity. It is not the Committee's intent that well plugging activities be reduced in FY 1996 below the Commission's estimate of \$500,000 to be spent to plug 150 wells. The Committee asks the Senate Subcommittee that reviews this budget to examine performance indicators for the conservation division.
2. The House Committee requests that the Legislative Coordinating Council recommend an interim study of expenditures and revenues to the Conservation Fee Fund. In view of the shortfall to the Fund in FY 1994 and the likelihood that, according to the Commission, new sources of revenue or an increase in fees will have to occur during FY 1997, the Committee believes the Legislature should evaluate the long-term condition of the Fund.

House Committee of the Whole Recommendation

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

<u>Expenditure Summary</u>	<u>House Adjustment FY 96</u>	<u>House Recommendation FY 96</u>	<u>Senate Subcommittee Adjustments</u>
All Special Revenue Funds:			
State Operations	\$ (630,665)	\$ 12,284,367	\$ 150,348
Aid to Local Units	0	775,000	0
Other Assistance	0	0	0
TOTAL	<u>\$ (630,665)</u>	<u>\$ 13,059,367</u>	<u>\$ 150,348</u>
FTE Positions	(10.0)	214.0	4.0
Special Projects Appointments	0.0	1.0	--

Senate Subcommittee Recommendations

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

1. Add \$150,348 from the Conservation Fee Fund for the salaries and benefits of 4.0 FTE Petroleum Industry Regulatory Technicians who would be eliminated based on the House's recommendations. The Subcommittee is concerned that the elimination of these positions in the conservation division could have an adverse effect on the Commission's well-plugging activities. The Legislature has made it clear that it considers well plugging to be a priority. According to the Commission, there are more than 12,000 abandoned wells in Kansas. The Commission anticipates that it will spend \$500,000 in FY 1996 to plug an estimated 150 wells. Given the unmet need in the state, now is not the time to delete these positions in the conservation division.
2. The Subcommittee requests that, as part of its budget submission in subsequent years, the Commission develop more meaningful performance measures, particularly with respect to the activities of the conservation division. In the Subcommittee's opinion, a primary purpose of performance measures is to give policymakers the information they need in order to make informed decisions about funding levels. A specific example is the difficulty the Subcommittee had in determining what impact a reduction in staff would have on the conservation division's activities. Such information as the number of wells that can be plugged at varying staffing levels and how that number relates to the total unmet need, the number of spills that can be addressed in a 24-hour period, statistics on how incidents involving spills and other interventions are resolved, the response time on filings of intent to drill, and the per unit cost of various activities such as plugging wells is the kind of information that is relevant to funding decisions and should be available to Legislators when they consider the Commission's budget.
3. The Subcommittee endorses the House's recommendation that the Legislative Coordinating Council recommend an interim study of expenditures and revenues to the Conservation Fee Fund. The Subcommittee concurs that the long-term condition of the Fund should be evaluated, particularly in view of declining oil production, the likelihood that a depression in the oil industry could be linked to an increase in abandoned oil wells and a corresponding increase in the number of wells that need to

be plugged, and the possibility that the Fund could experience another shortfall in FY 1997 if no new sources of revenues are identified.

4. The Subcommittee notes that the Commission entered into a collection agreement with the Department of Administration in October, 1994, whereby the Department of Administration can take legal action against parties who have not complied with Commission orders or who owe penalties and fines. The Subcommittee recommends the addition of a proviso to the Commission's appropriation to allow it to make expenditures from the Conservation Fee Fund for expenses connected with this activity. Further, the Subcommittee recommends that the proviso stipulate that expenditures for debt collection not be counted as part of the Commission's expenditure limitation and that payment to the Department of Administration for services rendered in collection efforts not exceed 27 percent of the amount of debt collected.

SUBCOMMITTEE REPORT

Agency: Citizens' Utility Ratepayer Board **Bill No. --** **Bill Sec. --**
Analyst: Rampey **Analysis Pg. No. 795** **Budget Page No. 104**

<u>Expenditure Summary</u>	<u>Agency Estimate FY 95</u>	<u>Governor's Recommendation FY 95</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ 363,361	\$ 362,259	\$ 0
FTE Positions	3.0	3.0	0.0
Special Projects Appointment	1.0	1.0	0.0
TOTAL	<u>4.0</u>	<u>4.0</u>	<u>0.0</u>

Agency Mission

The mission of the Citizens' Utility Ratepayer Board (CURB) is "to protect the interests of residential and small commercial utility ratepayers of the State of Kansas." To do this, CURB "strive[s] to ensure that any rates, orders or rules issued by the Kansas Corporation Commission (KCC) are reasonable and fair to residential and small commercial ratepayers." CURB participates in electric, gas, telephone, and water-related cases before the KCC that involve residential and small commercial ratepayers. (CURB does not participate in cases involving electric and telephone cooperatives that have a membership of fewer than 15,000.) The Board estimates that it has saved Kansas consumers approximately \$60 million in energy, commodity, usage, and customer service charges. (According to the Board, the savings are based on adjustments made by the KCC that are attributable solely to evidence submitted by CURB.)

To fulfill its mission, the Board has resolved to participate in those electric, gas, telephone, and water utility proceedings before the KCC that have the most significant impact on residential and small commercial utility ratepayers in Kansas; to assess and analyze the resource planning done by electric utilities; and to educate the residential and small commercial ratepayers on the importance of their participation in the ratemaking process.

Agency Overview

CURB began in 1988 as a creation of the KCC. At that time, it was not statutory. Legislation creating CURB as a statutory entity attached to the KCC for administrative purposes was enacted in 1989. The legislation created a five-member board appointed by the Governor that had the authority to employ a consumer counsel who could intervene on behalf of consumers in hearings before the KCC. The statutes provide that CURB's financing comes from assessments levied against certain public utility companies. The 1991 Legislature enacted legislation separating CURB from the KCC for budgeting, purchasing, and related management purposes, effective in FY 1993. However, the KCC continues to do the actual calculations that determine how much each utility will be assessed to finance CURB.

The Board is authorized 3.0 FTE positions: an attorney who serves as the consumer counsel (unclassified), an office specialist, and a secretary (both classified). Since FY 1994, the Board also has had

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a special projects position filled by an attorney. In order to augment the expertise of its staff, the Board contracts with economists, accountants, engineers, and other professionals when it is involved in rate cases.

Agency Estimate/Governor's Recommendation

The Board estimates expenditures of \$363,361, which is the amount approved by the 1994 Legislature, as adjusted by State Finance Council action. At the end of December, 1994, the consumer counsel announced his resignation, effective January 17, 1995. The individual holding the position had worked for the Board since March, 1994. Prior to that time, the position had been vacant for several months.

House Subcommittee Recommendations

The House Subcommittee concurs with the recommendations of the Governor.

House Committee Recommendation

The House Committee concurs with the recommendations of the Subcommittee.

House Committee of the Whole Recommendation

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

<u>Expenditure Summary</u>	<u>House Adj. FY 95</u>	<u>House Rec. FY 95</u>	<u>Senate Subcommittee Adj.</u>
State Operations:			
Special Revenue Fund	\$ 0	\$ 362,259	\$ (110,000)
FTE Positions	0.0	3.0	0.0
Special Projects Appointments	0.0	1.0	0.0

Senate Subcommittee Recommendations

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

1. Delete \$110,000, which is the amount of savings identified by the Board, primarily as a consequence of the position of Consumer Counsel being vacant. (A second position will become vacant March 17.) Because of the resignation of the Consumer Counsel in January and the likelihood that the position will not be filled this fiscal year, activities of the Board have been sharply curtailed. The main area of savings is in fees for consultants.

SUBCOMMITTEE REPORT

Agency: Citizens' Utility Ratepayer Board **Bill No.** 2264 **Bill Sec.** 6
Analyst: Rampey **Analysis Pg. No.** 795 **Budget Page No.** 104

<u>Expenditure Summary</u>	<u>Agency Request FY 96</u>	<u>Governor's Recommendation FY 96</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ 389,654	\$ 368,576	\$ (368,576)
FTE Positions	4.0	4.0	(4.0)
Special Projects Appointments	0.0	0.0	0.0

Agency Request/Governor's Recommendation

The Board estimates expenditures of \$389,654 in FY 1996, an increase of \$26,293 (7.2 percent) over its estimate for the current year. The change is primarily accounted for by a \$20,000 increase in fees for consultants (from \$150,000 in FY 1995 to \$170,000 in FY 1996). No new staff positions are requested, but the Board requests that the special projects position be made permanent.

The Governor recommends expenditures of \$368,576 in FY 1996, a reduction of \$21,078 from the Board's request. The reduction consists largely of fees for consultants. The Governor concurs with the Board's request to shift the special projects position to a permanent position.

House Subcommittee Recommendations

The House Subcommittee recommends that all funding for the Citizens' Utility Ratepayer Board be eliminated for FY 1996 and that legislation be introduced to abolish the Board, effective July 1, 1995. The Subcommittee makes its recommendation for the following reasons:

1. CURB's mission, which is "to protect the interests of residential and small commercial utility ratepayers of the State of Kansas" is superfluous given the mission of the Kansas Corporation Commission, which is to "protect the public interest through impartial and efficient resolution of all jurisdictional issues." No effective case was made before the Subcommittee that the Corporation Commission fails to consider the interests of residential and small commercial utility ratepayers in its deliberations. Therefore, the Subcommittee concludes that CURB is unnecessary.
2. An increasing trend toward deregulation will mean more competition among utilities, which will benefit all utility consumers. The idea that any group of ratepayers is in need of an advocate will become increasingly outdated as competition among utilities grows.

3. Assuming for the sake of argument that residential and small commercial utility ratepayers are in need of an advocate, the recent history of CURB casts doubt as to its effectiveness. In a case before the Corporation Commission involving a request by Kansas Pipeline Partnership and Kansas Natural Partnership for a \$67 million rate increase, CURB was the only party that intervened on behalf of the rate increase.

The Subcommittee encourages the Division of Personnel Services to make every effort to assist the Board's three employees in securing other employment in the state system, if they choose. In particular, the Subcommittee notes that CURB once was a part of the Kansas Corporation Commission and that the CURB staff may be qualified to perform duties performed by the Commission, if appropriate openings are available.

House Committee Recommendation

The House Committee concurs with the recommendations of the Subcommittee, with the following exception:

1. Reword the last sentence in item 3 above so that it reads: In a case before the Corporation Commission involving a request by Kansas Pipeline Partnership and Kansas Natural Partnership, CURB was the only party that intervened on behalf of a rate increase.

House Committee of the Whole Recommendation

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

<u>Expenditure Summary</u>	<u>House Adjustment FY 96</u>	<u>House Recommendation FY 96</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ (368,576)	\$ 0	\$ 319,299
FTE Positions	(4.0)	0.0	2.0
Special Projects Appointments	0.0	0.0	1.0

Senate Subcommittee Recommendations

The Senate Subcommittee does not concur with the House's action to delete all funding for CURB in FY 1996. If the Legislature wants to terminate CURB, it should repeal the legislation that creates the Board. At least two bills that would abolish CURB have been introduced in the House, but neither has passed. It is the responsibility of the Legislature to fund CURB unless it is repealed.

The Subcommittee has concerns about recent actions on the part of CURB with regard to the recent case involving the Kansas Pipeline Partnership (KPP) and the Kansas Natural Partnership (KNP). CURB was the only entity that was consistent in its support of a rate increase. The increase advocated by CURB (\$6.5 million) fell short of the amount requested (either a one-time direct bill of \$55.6 million and an annual rate increase of approximately \$11.0 million or an annual rate increase of \$25.0 million). However, it is markedly different from the recommendation of the staff of the Kansas Corporation Commission. The Commission's staff recommended a revenue decrease of approximately \$4.0 million. (The Commission has given preliminary approval to a direct bill of \$2.9 million and an annual rate increase of \$6.0 million.) According to CURB, the rationale for its position is that competition among utilities ultimately benefits ratepayers and if a rate increase keeps a competitor in business it is good for ratepayers in the long run. The Subcommittee concedes there may be merit in this principle, but expresses some concern about whether CURB's recommendation was consistent with its mission.

The Subcommittee recommends funding totaling \$319,299 for FY 1996, all of which is an addition to the House's recommendation. Compared to the Governor's recommendations, the Subcommittee differs in the following respects:

1. Delete \$5,143 based on the recommendation to delete funding for a 3.5 percent unclassified merit pool (\$3,250); classified step movement (\$287); a one percent base adjustment for classified employees (\$521); and the longevity bonus (\$1,085) from individual agency budgets.
2. Delete \$24,134 in salary and benefits for a Secretary II position and reduce the number of authorized positions from 3.0 FTE to 2.0. The position being deleted will become vacant March 17. The effect of the Subcommittee's recommendation would be to authorize 1.0 FTE Consumer Counsel, 1.0 FTE Office Specialist, and 1.0 special projects position.
3. Delete \$20,000 from fees for consultants, for a total of \$130,000.