

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on February 9, 1996 in Room 123-S of the Capitol.

All members were present except: Senator Moran and Senator Vancrum, who were excused

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

Conferees appearing before the committee:

Others attending: See attached list

Senator Burke moved, Senator Salisbury seconded, that bill draft 5 RS 2126 be introduced as requested by the Kansas Highway Patrol. The motion carried on a voice vote.

It was moved by Senator Salisbury and seconded by Senator Burke that bill draft 5 RS 2193 as requested by Senator Salisbury be introduced. The motion carried on a voice vote.

SB 433: Appropriations for FY 97, Kansas public employees retirement system, commission on governmental standards and conduct, human rights commission, corporation commission, citizens' utility ratepayer board, department of administration

Kansas Public Employees Retirement System

Chairman Kerr reviewed the FY 96 and FY 97 subcommittee reports (Attachment 1). In regard to the recommended appropriation for investment related expenses (item 2 of the FY 96 report), he stated that excellent performance has driven exceptional fees. There was some discussion regarding the subcommittee's recommendation regarding SHaRP expenses. Mr. Meredith Williams, Executive Director, KPERS, told members that the additional expenses related to SHaRP access fees charged by DISC are expenses which the agency did not have prior to the implementation of SHaRP. In response to Senator Brady's question regarding the subcommittee's recommendation for agency operations of \$44,483 in FY 96, Chairman Kerr explained that the bill was drafted without reducing the expenditure authority to the level recommended by the Governor. The subcommittee's recommendation restored the expenditure authority to the FY 95 level.

It was moved by Senator Lawrence and seconded by Senator Morris that the FY 96 and FY 97 subcommittee reports be adopted. The motion carried on a voice vote.

Commission on Governmental Standards and Conduct

The FY 96 and FY 97 subcommittee reports were presented by Senator Morris (Attachment 2). Senator Morris moved, Senator Rock seconded, that the reports be adopted. The motion carried on a voice vote.

Kansas Human Rights Commission

Senator Morris reviewed the FY 96 and FY 97 subcommittee reports (Attachment 3). It was moved by Senator Morris and seconded by Senator Lawrence that the subcommittee reports be adopted. The motion carried on a voice vote.

State Corporation Commission

The FY 96 and FY 97 subcommittee reports for the State Corporation Commission were reviewed by Senator Burke (Attachment 4). There was lengthy discussion of the problem of abandoned, unplugged wells (item 1 of the FY 96 report). Staff added that this recommendation is essentially the recommendation of the interim legislative budget committee, but the subcommittee has provided a date by which the information is to be provided. David Heineman, general counsel for the Corporation Commission, stated that though there is legislative interest to address the problem of well-plugging, no bill has been drafted thus far. He stated that he is gathering information and that the Committee's concern regarding a system for tracking well licenses that are issued is one that is being studied. Chairman Kerr added that a finer delineation of Priority I wells is

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on February 9, 1996.

needed before the scope of the problem can be identified and that is what the agency will be providing. Senator Burke moved, Senator Morris seconded that the FY 97 subcommittee report be amended by deletion of the monies for the pay plan. The motion carried on a voice vote.

Senator Salisbury noted that the Governor recommends leaving eight positions in the Transportation Division and commented that with deregulation, she would expect to see a downsizing in activity or a shift of that activity to something besides regulatory activities.

It was moved by Senator Burke and seconded by Senator Petty that the FY 96 subcommittee report and the FY 97 subcommittee report as amended be adopted. The motion carried on a voice vote.

Citizens' Utility Ratepayer Board

Senator Burke reviewed the FY 96 and FY 97 subcommittee reports (Attachment 5). Senator Burke moved, Senator Salisbury seconded, that the FY 97 report be amended by deletion of the pay plan monies. The motion carried on a voice vote.

In response to a question from the Chairman, Mr. Walker Hendrix stated that the Board's intervention in several utility cases has been more consistent with the perceived role of a consumer council which is to request reduced rate increases or to ask for the elimination of rate increases. He stated that five contracts are in limbo because of a jurisdictional dispute.

It was moved by Senator Petty and seconded by Senator Burke that the FY 96 and the FY 97 report as amended be adopted. The motion carried on a voice vote.

Department of Administration Public Broadcasting

The FY 96 and FY 97 subcommittee reports for the Department of Administration were reviewed by Senator Salisbury (Attachment 6). There was lengthy discussion regarding implementation costs of the SHaRP project (item 8 of the FY 97 report). Chairman Kerr requested that Mr. Jerry Magnuson, SHaRP project manager, provide a summary of agency requests for costs associated with SHaRP that were approved by the 1995 Legislature. In answer to questions, Mr. Don Heiman, Director of the Division of Information Systems and Communications, stated that \$11,000 of additional expenses associated with the implementation of SHaRP for KPERS include twenty-six additional microcomputers and associated monthly access charges and increased costs of connecting old machines to the system. In answer to Senator Salisbury, he stated that the new microcomputers are used in part for traditional KPERS functions, though some of the database they're accessing is new. It was noted that the new equipment was funded in the 1995 Session.

Senator Salisbury reviewed the subcommittee report for Public Broadcasting (Attachment 6-9 & 10). Senator Salisbury moved, Senator Burke seconded, that the subcommittee report for the Department of Administration and Public Broadcasting be amended by deletion of the monies for the salary plan and that the FY 96 reports and the FY 97 reports as amended be adopted. The motion carried on a voice vote.

KPERS

Senator Salisbury moved, Senator Burke seconded, that the Committee reconsider its action to approve the subcommittee report for KPERS. The motion carried on a voice vote.

Senator Salisbury moved, Senator Burke seconded, that the FY 96 subcommittee report for KPERS be revised to remove \$15,000 (resulting in a net increase of \$240) for costs associated with SHaRP and that the FY 96 subcommittee report as amended and the FY 97 subcommittee report be adopted. The motion carried on a voice vote.

It was moved by Senator Salisbury and seconded by Senator Lawrence that SB 433 as amended be recommended favorably for passage. The motion carried on a roll call vote.

It was moved by Senator Rock and seconded by Senator Salisbury that the minutes of the February 7 meeting be approved. The motion carried on a voice vote.

The Chairman noted that a letter that reiterates the constitutional question regarding the bonding proposal and the affect that approval of the bonding proposal would have on cities and counties has been reviewed by the revisor and will be sent on behalf of the Committee to the Kansas Development Finance Authority (Attachment 7).

The meeting was adjourned at 12:20 P.M. The next meeting is scheduled for February 12, 1996.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: February 9, 1996

NAME	REPRESENTING
Linda Ramirez	KDHR
Martha Grabehart	KDHR
Caul Williams	KCGSC
Cindy Hermes	KCGSC
Katie Sparks	DOB
Jerry Magnuson	DOA
Tom Robinson	
_____	DFM
Ric Silber	DFM
LELAND BREEDLOVE	KPERS
Farol Boetler	KPERS
Meredith Williams	KPERS
Jack Hann	KPERS
Donna Hutman	KCC
Heineham	"
Zuel Parntean	KPTS
Billie Parntean	Wichita
David W. Disen	Kansas Public Broadcasting ^{Covent}
D & N Anderson	KTWK - KPBC

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: February 9, 1996

NAME	REPRESENTING
David Horning	Radio KANSAS
Robert G. Lay	Ks Human Rights Comm
Patricia A. Scavia	Ks Human Rights Comm
Tom Whitaker	Ks Motor Carriers Assn.
MARY E. TURKINGTON	Ks Motor Carriers Assn -
TK Shively	Ks. Legal Services
WALKER HENDRIX	CURB
Marybeth Murt	Kansas NEA
Frauh Heimer	Clemm., C.U.R.B.
Pat Higgins	DoA
Jeff Wasaman	"
Don Heiman	DoA (Dise)
Bill McBliss	DoA/DPS
Mike Bohnhoff	Division of the Budget

SUBCOMMITTEE REPORT

Agency: Kansas Public Employees
Retirement System

Bill No. 488

Bill Sec. 2

Analyst: Efird

Analysis Pg. No. 913

Budget Page No. 361

<u>Expenditure Summary</u>	<u>Agency Est. FY 96</u>	<u>Gov. Rec. FY 96</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 23,012,930	\$ 22,880,066	\$ 684,729
Other Assistance	360,478,296	360,478,296	0
TOTAL-Operating	<u>\$ 383,491,226</u>	<u>\$ 383,358,362</u>	<u>\$ 684,729</u>
FTE Positions	76.0	76.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>76.0</u>	<u>76.0</u>	<u>0.0</u>

* Includes \$3,250 supplemental appropriations request for state operations from the State General Fund.

Agency Estimate/Governor's Recommendation

In FY 1996, estimated expenditures are almost \$12.3 million more than approved by the 1995 Legislature, as adjusted subsequently by the State Finance Council. The KPERS Board is requesting an increase of \$88,382 in its operations program, including a supplemental State General Fund appropriation of \$3,250 for a statutorily prescribed actuarial valuation for two local police and fire retirement systems which use the System's actuary, and an expenditure limitation increase of \$85,132 for agency operations. An increase of \$1,347,426 is requested in the investment related expenses limitation on professional services as a result of higher fees than previously anticipated. Benefits payments in FY 1996 are estimated to increase by \$10,856,913 over the amount approved by the 1995 Legislature.

The Governor concurs with requested increases of \$1,347,426 for investment related expenses and \$10,856,913 for benefit payments. However, the Governor recommends a decrease of \$44,482 in the approved FY 1996 amount for agency operations. No State General Fund supplemental appropriation is recommended for paying actuarial expenses. However, in the FY 1996 supplemental appropriations bill, the Governor includes language that notwithstanding provision of K.S.A. 12-5002(c), the agency is authorized to pay actuarial costs from the KPERS Fund.

*Senate Ways & Means
February 9, 1996
Attachment 1*

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 1996 recommendations for the current fiscal year and makes the following additional recommendations:

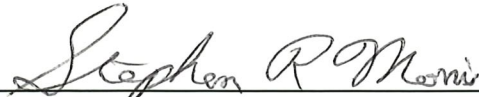
1. Authorize expenditures of \$4,384,146 for agency operations which is the current approved limitation on this account. This amount is \$44,482 more than recommended by the Governor from the KPERS Fund for agency operations and would allow the agency to use its full, legal expenditure authority. Included in these additional expenses are \$17,713 for postage, \$15,240 for SHARP, \$4,800 for auditor fees, \$5,438 for real estate taxes and related building costs, and \$1,291 for local actuarial fees. The agency will absorb the remaining \$1,959 in local actuarial fees, with all costs paid from the KPERS Fund on a one-time basis, as authorized in the supplemental appropriations bill.
2. Increase the estimate for investment related expenses by \$640,247 in addition to the Governor's recommended increase of \$1,347,426. The total increase above the approved amount is \$1,987,673 in FY 1996.

<u>Expenditure Limits</u>	<u>Agency Est. FY 96*</u>	<u>Gov. Rec. FY 96</u>	<u>Subcommittee Adjustment</u>
All Funds:			
Agency Operations	\$ 4,472,528	\$ 4,339,664	\$ 44,482
Investment Related	18,540,402	18,540,402	640,247
Subtotal—St. Ops.	<u>\$ 23,012,930</u>	<u>\$ 22,880,066</u>	<u>\$ 684,729</u>
FTE Positions	76.0	76.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>76.0</u>	<u>76.0</u>	<u>0.0</u>

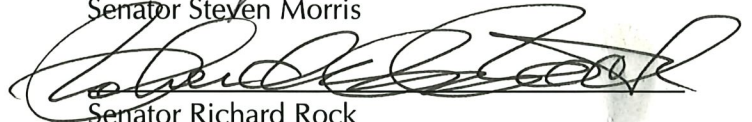
* Includes \$3,250 supplemental appropriations request for state operations from the State General Fund.



Senator Dave Kerr, Subcommittee Chair



Senator Steven Morris



Senator Richard Rock

SUBCOMMITTEE REPORT

Agency: Kansas Public Employees Retirement System

Bill No. 433

Bill Sec. 2

Analyst: Efird

Analysis Pg. No. 913

Budget Page No. 361

<u>Expenditure Summary</u>	<u>Agency Req. FY 97</u>	<u>Gov. Rec. FY 97</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 24,050,720	\$ 23,879,262	\$(43,522)
Other Assistance	384,198,882	384,198,882	0
TOTAL-Operating	<u>\$ 408,249,602</u>	<u>\$ 408,078,144</u>	<u>\$(43,522)</u>
FTE Positions	77.0	76.0	1.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>77.0</u>	<u>76.0</u>	<u>1.0</u>

Agency Request/Governor's Recommendation

The mission of KPERS is to provide for participating employees to accumulate monies so they can retire and receive benefits in an orderly and equitable manner. The main objectives are to manage KPERS financial assets effectively and provide services to the members in a timely and accurate manner.

In FY 1997, the KPERS Board estimates additional expenditures of almost \$24.8 million over the revised amount this fiscal year. Most of the increase will be benefit payments which comprise \$23.7 million of the increased expenditures next fiscal year. Also requested are increases in the operations program of \$272,940 and in the investment related expenses program of \$764,850. A new staff position also is requested in FY 1997 in order for the KPERS Board to hire an Assistant Investment Officer.

The Governor concurs with requested increases of \$764,850 for investment related expenses and almost \$24.8 million for benefit payments. Agency operations would receive an increase of \$234,346 over the current fiscal year by the Governor's recommendations. No new staff are recommended in FY 1997. The Governor's recommendation maintains the agency's current level of performance in administration of the retirement system and oversight of the investment portfolio. The total recommended budget for the agency for FY 1997 is \$408,078,144 from the Kansas Public Employees Retirement System Fund. It includes \$384.2 million for retirement benefits, \$19.3 million for investment-related expenses, and \$4.6 million for administrative costs, including 76.0 FTE positions.

Senate Subcommittee Recommendation


The Subcommittee concurs with the Governor's FY 1997 recommendations for the current fiscal year and makes the following additional recommendations:

1. Add 1.0 FTE position and funding of \$50,870 from the KPERS Fund for an assistant investment manager to assist with the agency's oversight of investments exceeding \$6.0 billion.
2. Add capital outlay of \$19,500, including \$15,000 for an upgrade to the agency's AS/400 computer system and \$4,500 for new chairs.
3. Delete \$39,892 based on the Senate Ways and Means Committee recommendation to delete funding for the six month 2.5 percent unclassified merit pool (\$7,576), classified step movement (\$25,419, and the longevity bonus (\$6,897) from the individual agency budgets.
4. Reduce the estimate for direct placement fees by \$74,000, with a total of \$1.6 million included for FY 1997 expenses in this category of investment related expenses.

Performance Measures

The Subcommittee would note that it reviewed a variety of performance measures for KPERS. The Subcommittee was especially pleased with the investment related measures which are included as Attachment 1. Several investment measures which the Subcommittee believes are important are highlighted in the attachment: domestic equity, domestic fixed, and total performance. The Subcommittee encourages KPERS to refine some of its other measures for service and benefit related activities, and to present the new ones during the 1997 Legislature.

Expenditure Limits	Agency Est. FY 97	Gov. Rec. FY 97	Subcommittee Adjustment
All Funds:			
Agency Operations	\$ 4,745,468	\$ 4,574,010	\$ 30,478
Investment Related	19,305,252	19,305,252	(74,000)
Subtotal—St. Ops.	<u>\$ 24,050,720</u>	<u>\$ 23,879,262</u>	<u>\$ (43,522)</u>
FTE Positions	77.0	76.0	1.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>77.0</u>	<u>76.0</u>	<u>1.0</u>


 Senator Dave Kerr, Subcommittee Chair


 Senator Steven Morris


 Senator Richard Rock

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
ASSET CLASS, RELATIVE RETURN COMPARISON
 January 1996

5-1

	11/30/95 Net Asset Value (millions) (2)	Time Weighted Total Return (1)				
		Latest Quarter	Fiscal YTD	Latest 12 Months	Latest 3 Years	Latest 5 Years
TOTAL FUND	\$6,423.8 (4)	5.5%	9.2%	24.9%	12.6%	12.3%
Policy Index (3)		4.3%	5.6%	19.0%	11.0%	10.7%
Consumer Price Index		0.6%	0.9%	2.8%	2.7%	2.8%
Total Domestic Equity Portfolio	2,622.7	8.6%	15.5%	40.1%	16.3%	19.3%
KPERS Equity Benchmark (5)		8.2%	11.6%	35.7%	15.0%	16.8%
Total International Equity Portfolio	908.3	2.0%	7.1%	9.2%	15.3%	7.7%
KPERS International Equity Benchmark (6)		1.4%	4.1%	8.1%	15.4%	7.7%
Total Domestic Fixed Income Portfolio	1,671.2	4.5%	5.8%	20.0%	10.4%	12.4%
Lehman Brothers Aggregate Index		3.8%	4.8%	17.6%	8.1%	9.5%
Total International Fixed Income Portfolio	597.9	4.4%	2.0%	19.3%	12.5%	13.1%
Salomon Non-U.S. Government Bond Index		4.2%	-1.3%	18.6%	13.0%	12.1%
Total Real Estate Portfolio	295.4	1.9%	3.5%	-3.0%	1.5%	-2.2%
NCREIF Real Estate Index (7)		2.3%	NA	7.9%	2.7%	-0.1%
Total Alternative Investments Portfolio	93.4	0.0%	3.8%	96.2%	36.7%	17.3%
S&P 500 Index + 8%		NA	NA	44.8%	23.0%	24.7%
Total Cash Equivalents Portfolio (8)	234.2	2.4%	3.4%	10.4%	6.2%	6.9%
Merrill Lynch 1-3 Yr. Gov'ts. Index		2.2%	3.3%	10.4%	5.6%	7.0%

NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter and fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) The Policy Index reflects the asset allocation policies that have been in place since June 30, 1986. The current allocation is the allocation approved on January 28, 1994. This asset allocation mix is: 28.4% KPERS Equity Benchmark, 15% KPERS International Equity Benchmark, 25.7% Lehman Aggregate Bond Index, 10.9% Salomon Non-U.S. World Government Bond Index, 10% NCREIF Real Estate Index, and 10% U.S. Treasury Bills. The prior allocations and the associated indices are available upon request.
- (4) The total net asset value of the fund also includes miscellaneous assets of \$.7 million.
- (5) The KPERS Equity Benchmark is defined as the S&P 500 Index, less the stocks of companies classified as banking institutions, savings and loan associations, or credit unions. Prior to January 1, 1994, the stocks of companies engaged in business in South Africa were also excluded.
- (6) The KPERS International Equity Benchmark is defined as the Morgan Stanley EAFE Index, less the stocks of companies classified as banking institutions, savings and loan associations, or credit unions. Prior to January 1, 1994, the Benchmark only excluded the stocks of companies engaged in business in South Africa.
- (7) The NCREIF Real Estate Index is updated quarterly. The returns shown are for the period ending 6/30/95.
- (8) The Total Cash Equivalents return includes the real estate and direct placement funding accounts.

Merrill Lynch

SUBCOMMITTEE REPORT

Agency: Commission on Governmental Standards and Conduct

Bill No. 428

Bill Sec. 2

Analyst: Pierron

Analysis Pg. No. 924

Budget Page No. 201

<u>Expenditure Summary</u>	<u>Agency Est. FY 96</u>	<u>Gov. Rec. FY 96</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 303,274	\$ 293,343	\$ 0
Special Revenue Fund	151,499	144,967	0
TOTAL	<u>\$ 454,773</u>	<u>\$ 438,310</u>	<u>\$ 0</u>
FTE Positions	8.0	8.0	0.0
Unclassified Temp. Positions	2.0	2.0	0.0
TOTAL	<u>10.0</u>	<u>10.0</u>	<u>0.0</u>

Agency Est./Governor's Recommendation

The agency's FY 1996 estimate for expenditures is \$454,773, which is equal to the amount approved by the 1995 Legislature. Of the total estimate, \$351,555 is for salaries and wages and \$103,218 is for other operating expenditures.

Of the total FY 1996 estimate for salaries and wages, \$251,976 is from the State General Fund and \$99,579 is from the Governmental Standards and Conduct Fee Fund. The amount of State General Fund estimated for other operating expenditures is \$51,298, and the spending estimated from the Governmental Standards and Conduct Fee Fund is \$51,920. The total amount of State General Fund moneys and Fee Fund moneys are equal to the approved FY 1996 budget amounts.


The agency has no additional requests for appropriations in FY 1996.

The Governor recommends FY 1996 state operations funding of \$438,310, a reduction of \$16,463 from the agency request. The Governor's recommendation includes \$293,343 from the State General Fund (a \$9,931 reduction from the agency's FY 1996 estimate), and \$144,967 from the Kansas Commission on Governmental Standards and Conduct Fee Fund (a \$6,532 reduction from the agency's FY 1996 estimate). The Governor's recommendation also includes a \$3,236 reduction in health insurance, a \$2,300 reduction in Commission per diem, and adjustments in other fringe benefits. The Governor recommends 8.0 FTE and 2.0 unclassified temporary positions. This is the same as the agency estimate.

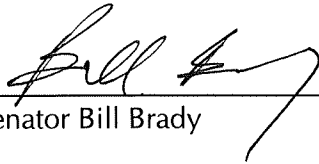
Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the Governor's recommendations.

*Senate Ways & Means
February 9, 1996
Attachment 2*



Senator Steve Morris, Subcommittee Chair



Senator Bill Brady

SUBCOMMITTEE REPORT

Agency: Commission on Governmental Standards and Conduct

Bill No. 428

Bill Sec. 2

Analyst: Pierron

Analysis Pg. No. 924

Budget Page No. 201

<u>Expenditure Summary</u>	<u>Agency Req. FY 97</u>	<u>Gov. Rec. FY 97</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 344,523	\$ 297,329	\$ 26,966
Special Revenue Fund	144,045	145,212	(1,175)
TOTAL	\$ 488,568	\$ 442,541	\$ 25,791
FTE Positions	9.0	8.0	1.0
Unclassified Temp. Positions	2.0	2.0	0.0
TOTAL	11.0	10.0	1.0

Agency Req./Governor's Recommendation

The agency requests FY 1997 state operation funding of \$488,568, an increase of \$33,795, or 7.4 percent, above the FY 1996 estimate. Of the total FY 1997 request, \$344,523 is financed from the State General Fund and \$144,045 is financed from the Governmental Standards and Conduct Fee Fund.

The Governor recommends FY 1997 state operations funding of \$442,541, a reduction of \$46,027 from the agency's request. The Governor's recommendation includes a \$4,761 reduction for longevity pay, and a \$6,754 reduction for health insurance. **(The Governor does not recommend \$27,696 for the additional auditor position described below.)**


Senate Subcommittee Recommendations

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

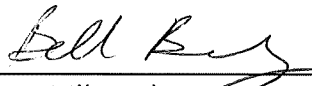
1. \$33,738 for an additional auditor (1.0) FTE to assure greater compliance with local level campaign finance provisions through more timely reviews and audits of reports. The Commission wants to focus their efforts at the city and county levels where it has found the greatest number of serious violations. Last year the Commission was only able to perform 1 percent of the audits it feels it needs to perform to fulfill its statutory duties. This small percentage of audits was over twice the number it had performed the preceding two fiscal years. To fund this position, the Subcommittee recommends \$12,000 earmarked for part-time help by the Governor be used to partially fund this position.

2. Upgrade the Executive Director's salary from \$47,171 to \$55,000 to bring it in line with the increased duties and responsibilities of the agency and with other executive directors in similar state agencies. The salary upgrade for the Executive Director was first requested under the Finney Administration. Since that time, the Commission has added the administration and enforcement of local campaign finance laws to its responsibilities which will result in the review of 2,093 more candidates and 5,893 more financial reports this election year.
3. A technical adjustment of \$100 for hospitality. (This amount was recommended by the Governor but was inadvertently left out of the bill.)
4. Delete \$3,776 for the six month 2.5 percent unclassified merit pool adjustment (\$2,601 from the State General Fund and \$1,175 from the Kansas Commission on Governmental Standards and Conduct Fee Fund).

<u>Board of Commission</u>	<u>Executive Director's Salary</u>
Board of Nursing	\$ 52,020
Board of Healing Arts	60,324
Board of Pharmacy	49,644
Behavioral Sciences Board	41,532
Banking Department	59,304
Consumer Credit Commissioner	64,992
Real Estate Commission	45,168
Board of Technical Professions	41,720



Senator Steve Morris, Subcommittee Chair



Senator Bill Brady

SUBCOMMITTEE REPORT

Agency: Kansas Human Rights Commission **Bill No.** 488 **Bill Sec.** 15

Analyst: Wiegiers **Analysis Pg. No.** 930 **Budget Page No.** 355

<u>Expenditure Summary</u>	<u>Agency Estimate FY 96</u>	<u>Gov. Rec. FY 96</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,493,899	\$ 1,413,836	\$ 70,592 *
Special Revenue Fund	487,238	451,202	0
TOTAL	<u><u>\$ 1,981,137</u></u>	<u><u>\$ 1,865,038</u></u>	<u><u>\$ 70,592</u></u>
 FTE Positions	 38.0	 38.0	 -

* This amount represents the reversal of a lapse in the Municipal Contract Investigations account recommended by the Governor.

Agency Estimate/Governor's Recommendation

The agency's revised FY 1996 estimate is \$1,981,137 which is the same amount approved for the agency by the 1995 Legislature as adjusted by Finance Council action. There are no capital improvement requests and all of the request is for state operations. The estimate is an increase of \$187,078 (10.4 percent) over FY 1995 actual expenditures. The agency has discontinued its contract with the federal Department of Housing and Urban Development (HUD) for the investigation of housing complaints as of October 1, 1995 due to the heavy requirements placed on the agency by HUD and the loss of 5.0 FTE positions in FY 1996.

The Governor recommends FY 1996 expenditures of \$1,865,038, a decrease of \$116,099 below the agency estimate and the approved amount. Salaries and wages were reduced to reflect decreased health insurance rates (\$15,630). A reduction of \$22,408 was made in the Municipal Contract Investigation account of the State General Fund to comply with the Governors directive to reduce State General Fund expenditures by 1.5 percent. An additional \$70,592 was lapsed from this account due to an expectation that it would not be needed in the current fiscal year. The Governor recommends a supplemental State General Fund appropriation of \$12,937 in the Operating Expenditures account to offset a large reduction in the Municipal Contract Investigation account in FY 1996.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following adjustments:

1. The Subcommittee heard testimony from the agency that federal funds from the Equal Employment Opportunity Commission (\$209,000) may not be received by the agency in time to be spent in the current year due to the federal

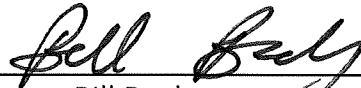
*Senate Ways & Means
February 9, 1996
Attachment 3*

shutdowns. In order to make up for the anticipated shortfall, the Subcommittee recommends amending Section 15(b) of S.B. 488 to eliminate language lapsing \$70,592 from the Municipal Contract Investigation account of the State General Fund in FY 1996 provided the agency does not receive its federal EEOC funds in time for the agency to use the funds during FY 1996. Language will need to be added to this section shifting all monies not expended for contract services from the agency's Municipal Contract Investigation account to the Operating Expenditures account for FY 1996. The agency also requested and the Subcommittee recommends the agency be allowed to expend a portion of the funds allocated for Mediation Contracts with Kansas Legal Services for operating expenditures in FY 1996. The Subcommittee was informed that the agency will request a Governor's Budget Amendment regarding this issue and supports the effort. The Subcommittee recommends revisiting the issue of the federal funds shortage in Omnibus.

2. The Subcommittee recommends that the match requirement on the \$100,000 for Contract Mediation Services with Kansas Legal Services be changed from \$3 private funds; \$1 state funds to \$1 private funds; \$3 state funds. This match should be applied retroactively to private money already raised by Kansas Legal Services in the current year. Should the KHRC need all or part of the \$100,000 to meet operating expenses due to the federal funds shortfall discussed above, Kansas Legal Services has agreed to continue the mediation program and be reimbursed by the agency when the federal funds become available.
3. The Subcommittee commends the agency on its efforts to reduce the agency's backlog and notes the agency has made significant improvements in that regard through statutory changes and management initiatives.



Senator Steve Morris
Subcommittee Chair



Senator Bill Brady

AGENCY PERFORMANCE MEASURE

KANSAS HUMAN RIGHTS COMMISSION

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
Number of Complaints Filed	1,098	1,457	1,776	1,876	1,622	1,296	1,231	1,201
Number of Complaints Closed	1,115	1,176	1,418	1,352	1,370	1,922	1,922	1,922
Open Case Inventory	1,249	1,530	1,888	2,412	2,658	2,032	1,341	620

Note:

- Data for FY 96, FY 97, and FY 98 are projections based upon past trends, and newly defined agency objectives and strategies.

SUBCOMMITTEE REPORT

Agency: Kansas Human Rights Commission **Bill No.** 433 **Bill Sec.** 4
Analyst: Wiegiers **Analysis Pg. No.** 930 **Budget Page No.** 355

<u>Expenditure Summary</u>	<u>Agency Request FY 97</u>	<u>Gov. Rec. FY 97</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,464,021	\$ 1,394,822	\$ (15,193)
Special Revenue Fund	487,238	503,364	(8,180)
TOTAL	<u>\$ 1,951,259</u>	<u>\$ 1,898,186</u>	<u>\$ (23,373)</u>
FTE Positions	40.0	38.0	-

Agency Request/Governor's Recommendation

The agency requests FY 1997 state operations funding of \$1,951,259, a decrease of \$29,878 (2.0 percent) below their FY 1996 estimate. The decrease is accounted for in the contractual services portion of the budget. The agency requests the conversion of 2.0 Unclassified Temporary positions to FTE positions. The FY 1997 agency request includes \$95,603 for contract mediation services and \$50,000 for municipal contract investigation services. Included in the request is \$12,914 for replacement computers and other office equipment.

The Governor recommends \$1,898,186 in FY 1997 expenditures. The recommendation is a decrease of \$53,073 below the agency request. The Governor does not recommend the conversion of the 2.0 Unclassified Temporary positions to FTE positions. A reduction of \$16,685 was made in the contractual services portion of the budget but was not specifically reduced from the municipal investigation or mediation contracts. The Governor recommends \$5,538 for capital outlay to allow the agency to purchase two computers, one laptop computer, and one laser printer.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following adjustments and comments:

1. The Subcommittee recommends that the match requirement on the \$95,603 requested for Contract Mediation Services with Kansas Legal Services be changed from \$3 private funds; \$1 state funds to \$1 private funds; \$3 state funds.
2. The Subcommittee commends the agency on its efforts to reduce the agency's backlog and notes the agency has made significant improvements in that regard through statutory changes and management initiatives.

3. Delete \$23,373, including \$15,193 State General Fund, based on the recommendation to delete funding for a 2.5 percent unclassified merit pool for six months (\$2,746); classified step movement (\$19,097); and the longevity bonus (\$1,530) from individual agency budgets.



Senator Steve Morris
Subcommittee Chair



Senator Bill Brady

3-6

AGENCY PERFORMANCE MEASURE
KANSAS HUMAN RIGHTS COMMISSION

	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98
Number of Complaints Filed	1,098	1,457	1,776	1,876	1,622	1,296	1,231	1,201
Number of Complaints Closed	1,115	1,176	1,418	1,352	1,370	1,922	1,922	1,922
Open Case Inventory	1,249	1,530	1,888	2,412	2,658	2,032	1,341	620

Note:

- Data for FY 96, FY 97, and FY 98 are projections based upon past trends, and newly defined agency objectives and strategies.

SUBCOMMITTEE REPORT

Agency: State Corporation Commission

Bill No. --

Bill Sec. --

Analyst: Rampey

Analysis Pg. No. 857

Budget Page No. 127

<u>Expenditure Summary</u>	<u>Agency Est. FY 96</u>	<u>Gov. Rec. FY 96</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 12,719,185	\$ 12,617,241	\$ 0
Aid to Local Units	775,000	775,000	0
Subtotal—Operating	<u>\$ 13,494,185</u>	<u>\$ 13,392,241</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 13,494,185</u></u>	<u><u>\$ 13,392,241</u></u>	<u><u>\$ 0</u></u>
FTE Positions	213.0	213.0	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>213.0</u></u>	<u><u>213.0</u></u>	<u><u>0.0</u></u>

The State Corporation Commission is responsible for regulating rates and overseeing other aspects of the operations of natural gas, telephone, and water utilities. It regulates motor carriers, railroads, and liquid pipelines and is responsible for enforcing regulations pertaining to the conservation of crude oil and natural gas and the protection of fresh and usable water. It also is involved in developing the state's energy policy and administers federally funded energy conservation projects that promote the efficient use of energy. The Commission's main office is in Topeka. It has field offices in Wichita (which is the headquarters of the conservation division), Chanute, Dodge City, and Hays.

Agency Est./Governor's Recommendation

The State Corporation Commission's estimate for the current year is within its approved budget, but includes a shift from federal funds to fee funds in the amount of \$213,318. The amount is what the Commission hoped to receive as the second year of a three-year federal grant. The money would have been used to continue the implementation of a database management system that would computerize records of the conservation division and establish a computer network among the field offices.

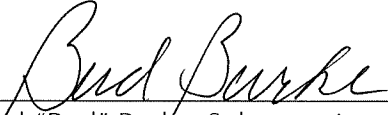
The Governor does not increase the aggregate expenditures limitation, as requested, and bases his recommended funding on the assumption that the Commission will receive the federal grant of \$213,318 in FY 1996. The most recent information indicates that \$120,000 will be available from the federal grant.

*Senate Ways & Means
February 9, 1996
Attachment 4*


Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendation of the Governor, with the following exception:

1. Request that the Commission report to the Legislature by March 15, 1996, on the location and environmental threat of abandoned, unplugged wells in the state. The Commission told the 1995 Joint Committee on Legislative Budget that there are an estimated 49,000 abandoned, unplugged wells in the state. Approximately 15,000 of these are "Priority 1" wells that are an imminent threat to the environment because they are leaking gas or are polluting groundwater or surface water that has municipal or farm uses. The Joint Committee asked the Commission to document the location of the state's unplugged wells and to categorize the wells according to the risk they pose to health and property. The report requested by the Subcommittee will be a computer listing that identifies the seriousness of the Priority I wells, indicates whether the threat posed is to groundwater, surface water, or to public safety, and gives the location of the well, the well number, and the name of the landowner.



Senator Paul "Bud" Burke, Subcommittee Chair



Senator Marge Petty

SUBCOMMITTEE REPORT

Agency: State Corporation Commission

Bill No. 433

Bill Sec. 5

Analyst: Rampey

Analysis Pg. No. 857

Budget Page No. 127

<u>Expenditure Summary</u>	<u>Agency Req. FY 97</u>	<u>Gov. Rec. FY 97*</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 13,931,284	\$ 12,852,726	\$ 0
Aid to Local Units	825,000	775,000	0
Subtotal-Operating	<u>\$ 14,756,284</u>	<u>\$ 13,627,726</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 14,756,284</u></u>	<u><u>\$ 13,627,726</u></u>	<u><u>\$ 0</u></u>
FTE Positions	213.0	209.0	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>213.0</u></u>	<u><u>209.0</u></u>	<u><u>0.0</u></u>

* Revised to accurately reflect the Governor's intention to include an additional \$7,738 for salaries and wages.

Agency Req./Governor's Recommendation

The Commission requests expenditures of \$14,756,284. The request for salaries and wages totals \$9.2 million and includes no new positions. Well plugging is budgeted at \$750,000, an increase of \$250,000 over the current year.

The Governor recommends expenditures of \$13,627,726 in FY 1997. The Governor deletes 4.0 FTE positions in the transportation division due to downsizing that is the result of state and national deregulation of the transportation industry. The Governor recommends \$500,000 for well plugging, the same level as the current year.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendation of the Governor, with the following exceptions:

1. The Subcommittee devoted much of its attention to the Commission's Conservation Fee Fund, which accounts for approximately 40 percent of the Commission's revenues and funds expenditures for well plugging. The Subcommittee was concerned to learn that the most recent projections of receipts indicate that estimated expenditures in FY 1997 will exceed receipts by approximately \$175,000. Although balances in the Fund will be adequate in FY 1997 to fund the level of expenditure recommended by the Governor, there is

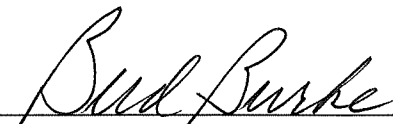
no question that expenditures from the Fund will have to be curtailed or new revenues found in the near future in order to finance the activities that the Fund supports.

The condition of the Fund comes at a time when Legislature continues to be greatly concerned about the magnitude of the problem of abandoned, unplugged wells. The potential of another shortfall to the Fund underscores the importance of the efforts the Subcommittee engaged in during its meetings, which were to develop a plan that will involve the Commission, the Governor's office, the Legislature (particularly the committees that deal with funding and energy and natural resources), and the oil and gas industry in order to identify additional sources of revenue to the Fund. That effort has begun and is expected to result in a proposal that can be considered by the Legislature by the end of the Session. It is the Subcommittee's intention that, when the Omnibus Bill is considered, a proposal will be ready that represents a consensus among the involved parties. It is the Subcommittee's expectation that the proposal will identify additional sources of revenue to the Conservation Fee Fund and will allow for a significant increase in the number of abandoned wells that can be plugged.

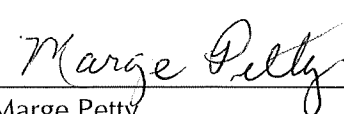
2. The Subcommittee calls attention to the fact that the Corporation Commission has begun to reorganize internally in order to create a small staff of five to seven attorneys and technical staff that will advise the Commission. The creation of an advisory staff is in response to concerns about a perceived conflict of interest that exists when the staff both makes recommendations and acts as advocates before the Commission, and then shift roles and acts as advisers to the Commission and drafts final orders when the Commission reaches its decisions. The reason it is possible for the Commission to reallocate positions internally to this new function is that the transportation division is downsizing due to the deregulation of the industry. The Governor deletes 4.0 FTE positions in the division (out of 17), and has approved the Commission's plan to reallocate 5.0 FTE positions to the new advisory staff, leaving the transportation division with 8.0 FTE positions.

The Subcommittee supports the Commission's efforts to respond to a perceived need, but believes that successive Commissions should have the same flexibility to reorganize as they see fit. It is the Subcommittee's opinion that the current reorganization should proceed, with the understanding that it does not bind future Commissions that may prefer other alternatives.

3. Concur with the Governor's revision to his budget to add \$7,738 for salaries and wages in order to correct an oversight.



Senator Paul "Bud" Burke, Subcommittee Chair



Senator Marge Petty

KANSAS CORPORATION COMMISSION

Filed in response to Senate Ways and Means Committee Request
February 7, 1996

The three most important performance factors established for the Commission are the following:

- 1) Establishing and maintaining reasonable rates, safe practices and high quality of service. Regulating oil and gas production by protecting correlative rights and environmental resources.

This is the core of the Staff's obligation to the Kansas consumer/ratepayer. Public protection is premised upon the public safety and the public's access to necessary utility services at affordable rates. This objective is met through generic proceedings, complaint filings, and company initiated filings, such as rate cases and applications. Pipeline safety is an extremely important aspect of this objective.

- 2) Developing and implementing incentives for the industry to increase efficiency in its operations.

This helps insure the lower rates for consumers. It would include transitioning industries from monopoly to competitive environments, where feasible.

- 3) Providing assistance and information to the Kansas consumer/ratepayer.

The Commission is the primary, if not only, source of information and redress for the consumer who is experiencing difficulty with utility service or needs information to best set their own service and practices.

SUBCOMMITTEE REPORT

Agency: Citizens' Utility Ratepayer Board **Bill No. –** **Bill Sec. –**
Analyst: Rampey **Analysis Pg. No. 866** **Budget Page No. 105**

<u>Expenditure Summary</u>	<u>Agency Estimate FY 96</u>	<u>Gov. Rec. FY 96</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ 321,075	\$ 318,263	\$ 0
FTE Positions	2.0	2.0	0.0
Unclassified Temp. Positions	1.0	1.0	0.0
TOTAL	<u>3.0</u>	<u>3.0</u>	<u>0.0</u>

Agency Overview

The Citizens' Utility Ratepayer Board (CURB) was created as part of the State Corporation Commission in 1988 and was statutorily created and attached to the Commission in 1989. Beginning in FY 1993, CURB has been separated from the Corporation Commission for budgeting, purchasing, and related management functions.

The mission of CURB is to act on behalf of residential and small commercial ratepayers in electric, gas, telephone, and water-related cases before the Corporation Commission and to make application for rehearing or seek judicial review of orders or decisions of the Commission. (CURB does not participate in cases involving electric and telephone cooperatives that have a membership of fewer than 15,000.)

CURB's financing comes from assessments levied against the public utilities on whose behalf CURB can intervene. The five-member CURB Board is appointed by the Governor.

Agency Estimate/Governor's Recommendation

CURB's estimated expenditures for FY 1996 are \$321,075, which is the amount approved by the 1995 Legislature, as adjusted by the State Finance Council. An internal shift proposed by the Board, which does not require Legislative approval, is to use \$20,089 in salary savings for professional fees.


The Governor recommends expenditures of \$318,263 for FY 1996, a reduction of \$2,812 from the Board's estimate. The reduction is for health insurance benefits. The Governor approves the shift in salary savings to professional fees, as proposed by the agency.

Senate Ways & Means
February 9, 1996
Attachment 5

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor, with the following exception:

1. Attach a proviso to the FY 1996 and FY 1997 appropriations for CURB specifying that CURB shall be under the same bidding procedure as the State Corporation Commission with regard to contracts for professional services. It was brought to the Subcommittee's attention that the State Corporation Commission has an expedited bidding process for professional services because the Commission has only 240 days to issue an order following the filing of a rate case. CURB operates under the same time constraints and, when it was a part of the Corporation Commission, operated under the same bidding procedures. Apparently due to an oversight, when CURB was separated from the Commission for budgetary purposes, no provision was made for the Board to continue to operate under the same bidding process as it had before. (A main difference between the bidding procedure used by the Corporation Commission and the procedure use by other state agencies is that the Commission can maintain its own list of consultants with whom to contract instead of using lists maintained by the Division of Purchasing. This difference allows the Commission to move more quickly when it needs to hire consultants.)



Senator Paul Burke
Subcommittee Chairperson



Senator Marge Petty

SUBCOMMITTEE REPORT

Agency: Citizens' Utility Ratepayer Board

Bill No. 433

Bill Sec. 6

Analyst: Rampey

Analysis Pg. No. 866

Budget Page No. 105

<u>Expenditure Summary</u>	<u>Agency Req. FY 97</u>	<u>Gov. Rec. FY 97*</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ 364,952	\$ 323,234	\$ 0
FTE Positions	2.0	2.0	0.0
Unclassified Temp. Positions	1.5	1.0	0.0
TOTAL	<u>3.5</u>	<u>3.0</u>	<u>0.0</u>

* Revised to accurately reflect the Governor's intention to include an additional \$796 for employee fringe benefits.

Agency Req./Governor's Recommendation

The Citizens' Utility Ratepayer Board (CURB) is requesting authority to spend \$364,952, an increase of \$43,877 over the current year. Included in the request is \$14,772 for the salary of a new, part-time Secretary I who would be an unclassified temporary position. The request also includes \$150,000 for fees for consultants.

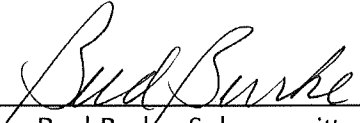
The Governor recommends \$323,234, a reduction of \$41,718 from the request. The Governor does not recommend the new, part-time position. Under the Governor's recommendation, fees for consultants would be \$130,000.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor, with the following exceptions:

1. To address the problem of a lack of clerical staff to answer the phone when the other staff is occupied, CURB should arrange with the State Corporation Commission, which is located in the same building, to have phone calls to CURB call-forwarded to the Commission so that messages can be taken and the public better served. The Subcommittee has been informed that this arrangement would be acceptable to the Commission.
2. Concur with the Governor's revision to his budget to add \$796 for employee fringe benefits in order to correct an oversight.

3. Add the same proviso to the FY 1997 appropriation that was recommended for FY 1996 in order to allow CURB to use the same expedited bidding procedure as the State Corporation Commission with regard to contracts for professional services.



Senator Paul Burke, Subcommittee Chairperson



Senator Marge Petty

State of Kansas**Citizens' Utility Ratepayer Board**

BILL GRAVES
FRANK WEIMER
DONNA KIDD
A.W. DIRKS
LAVON KRUCKENBERG
GENE MERRY
WALKER HENDRIX

GOVERNOR
CHAIRMAN
VICE-CHAIR
MEMBER
MEMBER
MEMBER
CONSUMER COUNSEL

1500 Southwest Arrowhead Road
TOPEKA, KANSAS 66604-4027
Ph. 913-271-3200

TO: Senator David Kerr

FROM: Marianne Deagle
Special Projects Attorney

RE: CURB Performance Measures

DATE: February 6, 1996

Introduction

The Citizens' Utility Ratepayer Board (CURB) represents all Kansas residential and small business utility ratepayers before the Kansas Corporation Commission (KCC) and the Kansas legislature. CURB does not duplicate the work of the KCC staff. The KCC staff considers the interests of all parties when making recommendations to the Commission; utility company and large industrial interests as well as the interests of the public at large. The KCC staff advocates on behalf of no group. Rather, utility companies hire lawyers and experts to advocate on their behalf, large industrial concerns hire lawyers and experts to advocate on their behalf, and residential and small business ratepayers rely on CURB to advocate on their behalf. Without CURB's participation in utility regulation hearings and debate, residential ratepayers, who do not understand the complexities of utility law, would remain unrepresented before the KCC and the Kansas legislature. Individual consumers do not have the ability, skill, expertise or resources to seek redress on their own. As deregulation occurs and competition takes hold, the KCC's role in protecting the public interest will diminish. CURB's importance in a deregulated environment, thus, becomes ever more crucial.

In addition to CURB's advocacy role, CURB educates residential ratepayers on utility regulation matters by answering phone and written inquiries, and holding community workshops.

Performance Measures

1. **Interventions/Cost Savings:** Since August 1995, CURB has intervened in 20 KCC dockets directly affecting residential and small business ratepayers. (Attachment A). This involves developing testimony and submitting comments on a wide variety of gas, electric, and telecommunications consumer issues. The potential cost savings to

Kansas ratepayers in the Western Resources rate case alone are significant. CURB proposes a \$15,656,869 revenue requirement increase for Western Resources as opposed to the \$36,000,000 increase proposed by the Company and the \$33,000,000 increase proposed by the KCC. The \$15 million figure was arrived at by taking into consideration Company anticipated operational efficiencies of \$24.9 million.

2. Testimony and comments before the Kansas legislature on issues directly affecting residential and small business ratepayers. (For example, CURB's consumer counsel has testified before the Telecommunications Strategic Planning Committee on numerous occasions regarding issues impacting consumers such as competition's effect, universal service, Lifeline, the Internet, and the end-user support fund. CURB's consumer counsel is also a member of the task force established in H.B. 2600 to study competition in the electric industry).
3. Consumer education. CURB answers telephone and written inquiries from the public regarding utility issues, participates in public hearings to protect the interests of Kansas ratepayers, and looks forward to more community involvement over the next year in the form of community workshops and consumer newsletters.

SUBCOMMITTEE REPORT

Agency: Department of Administration

Bill No. 488

Bill Sec. 17

Analyst: Porter

Analysis Pg. No. 813

Budget Page No. 17

Expenditure Summary	Agency Est. FY 96	Gov. Rec. FY 96	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 23,114,915	\$ 22,672,786	\$ --
Aid to Local Units	497,580	497,580	--
Other Assistance	2,519,219	2,494,020	--
Subtotal - Operating	\$ 26,131,714	\$ 25,664,386 ^(a)	\$ --
Capital Improvements	2,092,357	2,063,749 ^(a)	--
TOTAL	<u>\$ 28,224,071</u>	<u>\$ 27,728,135</u>	<u>\$ --</u>
State General Fund:			
State Operations	\$ 20,273,418	\$ 19,834,113	\$ --
Aid to Local Units ^(a)	247,580	247,580	--
Other Assistance ^(a)	1,432,396	1,407,197	--
Subtotal - Operating	\$ 21,953,394	\$ 21,488,890 ^(a)	\$ --
Capital Improvements	1,778,137	1,749,529 ^(a)	--
TOTAL	<u>\$ 23,731,531</u>	<u>\$ 23,238,419</u>	<u>\$ --</u>
Other Funds:			
State Operations	\$ 2,841,497	\$ 2,838,673	\$ --
Aid to Local Units	250,000	250,000	--
Other Assistance	1,086,823	1,086,823	--
Subtotal - Operating	\$ 4,178,320	\$ 4,175,496	\$ --
Capital Improvements	314,220	314,220	--
TOTAL	<u>\$ 4,492,540</u>	<u>\$ 4,489,716</u>	<u>\$ --</u>
FTE Positions:			
Reportable	331.4	331.4	--
Nonreportable	581.5	581.5	--
Subtotal FTE ^(b)	912.9	912.9	--
Unclassified Temp. Positions ^(b)	3.0	3.0	--
TOTAL	<u>915.9</u>	<u>915.9</u>	<u>--</u>

a) Includes lapse of \$5,575 included in GBA No. 1, Item 2.

b) The FY 1996 agency estimate Governor's recommendation reflect the number of unclassified temporary and FTE positions included in the agency budget document and the number included in Governor's Budget Amendment No. 1, Item 3.

*Senate Ways & Means
February 9, 1996
Attachment 6*

Agency Estimate/Governor's Recommendation

The agency's revised FY 1996 estimate for operating funding is \$26,131,714, or \$611,738 less than the amount approved by the 1995 Legislature, as adjusted by June 1995 State Finance Council action. The State General Fund estimate of \$21,953,394 is an increase of \$87,288 in State General Fund financing, which reflects the expenditure of amounts reappropriated from FY 1995 to FY 1996 and the expenditure of amounts authorized for the Kansas Quality Management Program. The 1995 Legislature authorized certain agencies to retain one-half of the amount saved in a fiscal year as a result of quality initiatives. Agencies are authorized to spend the funds for specified purposes, such as salary bonus payments, professional development training, or the purchase of technological equipment, such as computers. Authorized KQM expenditures for the Department in FY 1996 include \$30,632 for the Division of the Budget, \$24,268 for Personnel Services, \$658 for Facilities Management, and \$21 for Architectural Services.

In addition to the operating budget funding noted above, the agency's revised estimate for capital improvement expenditures of \$2,092,357 reflects an increase of \$262,857 above the \$1,829,500 approved by the 1995 Legislature. The increase reflects the expenditure of amounts carried forward from previous years.

The Governor recommends FY 1996 operating funding of \$25,664,386, a decrease of \$467,328 from the agency estimate. Reductions are recommended from the agency estimate for expenditures from the State General Fund (\$464,504) and special revenue funds (\$2,824). The recommendation includes the 1.5 percent State General Fund rescission (\$350,197), salary adjustments, including a downward adjustment for the cost of state employee health insurance, and other adjustments.

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 service 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 FY 1996			
Expenditure	Agency Est. FY 96	Governor's Rec. FY 96	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 71,467,548	\$ 71,123,994	\$ -
Aid to Local Units	0	0	-
Other Assistance	16,000,000	16,000,000	-
Total – Operating	\$ 87,467,548	\$ 87,123,994	\$ -
Capital Improvements	1,628,552	1,628,552	-
TOTAL	\$ 89,096,100	\$ 88,752,546	\$ -

The agency requests total FY 1997 nonreportable budget funding of \$84,266,008, a decrease of \$3,201,540, or 3.7 percent, from the FY 1996 estimate of \$87,467,548. The FY 1997 request includes a decrease of \$3,295,490 from the FY 1996 estimate for contractual services. A portion of the decrease would be attributable to decreased expenditures for the SHARP Project contract.

The Governor recommends FY 1997 nonreportable budget funding of \$81,533,793, a decrease of \$2,732,215 from the agency request. Of the reduction, \$808,244 is a reduction from the agency request for capital outlay for the Central Motor Pool Program and \$728,330 is a reduction from the request for DISC capital outlay. Other reductions total \$1,195,641. The Governor's recommendation includes a downward adjustment for the cost of state employee health insurance, step movement for classified employees, a 2.5 percent merit pool for unclassified employees (\$7,942), and longevity pay for those employees at the end of their pay grade (\$27,014).

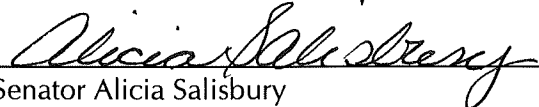
Senate Subcommittee Recommendations

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

1. Concur with Governor's Budget Amendment No. 1, Item 2, which would lapse \$5,575 from the FY 1996 State General Fund appropriation for rehabilitation and repair projects. This amount would complete the Governor's recommended FY 1996 1.5 percent State General Fund rescission.
2. Concur with Governor's Budget Amendment No. 1, Item 3, which would correct the FTE limitation to reflect a total of 912.9 FTE positions in FY 1996 and would add 2.0 unclassified temporary positions to reflect the Governor's recommendation.

3. The Subcommittee recommends that any unexpended FY 1996 capital equipment matching grants be reappropriated for Public Broadcasting Council use in FY 1997.

Senator Robert Vancrum
Subcommittee Chair


Senator Alicia Salisbury

Senator Gerald Karr

SUBCOMMITTEE REPORT

Agency: Department of Administration

Bill No. 433

Bill Sec. 7

Analyst: Porter

Analysis Pg. No. 813

Budget Page No. 17

Expenditure Summary	Agency Request FY 97	Gov. Rec. FY 97	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 20,457,626	\$ 19,679,785	\$ 0
Aid to Local Units	682,074	568,140	9,099
Other Assistance	2,982,256	2,335,037	(9,099)
Subtotal - Operating	<u>\$ 24,121,956</u>	<u>\$ 22,582,962</u>	<u>\$ 0</u>
Capital Improvements	2,112,500	1,631,000	0
TOTAL	<u><u>\$ 26,234,456</u></u>	<u><u>\$ 24,213,962</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 19,782,407	\$ 19,026,335	\$ 0
Aid to Local Units	432,074	318,140	9,099
Other Assistance	1,925,056	1,277,837	(9,099)
Subtotal - Operating	<u>\$ 22,139,537</u>	<u>\$ 20,622,312</u>	<u>\$ 0</u>
Capital Improvements	2,080,500	1,599,000	0
TOTAL	<u><u>\$ 24,220,037</u></u>	<u><u>\$ 22,221,312</u></u>	<u><u>\$ 0</u></u>
Other Funds:			
State Operations	\$ 675,219	\$ 653,450	\$ 0
Aid to Local Units	250,000	250,000	0
Other Assistance	1,057,200	1,057,200	0
Subtotal - Operating	<u>\$ 1,982,419</u>	<u>\$ 1,960,650</u>	<u>\$ 0</u>
Capital Improvements	32,000	32,000	0
TOTAL	<u><u>\$ 2,014,419</u></u>	<u><u>\$ 1,992,650</u></u>	<u><u>\$ 0</u></u>
FTE Positions:			
Reportable	344.5	344.5	0.0
Nonreportable	552.9	552.9	0.0
Subtotal FTE	<u>897.4</u>	<u>897.4</u>	<u>0.0</u>
Unclassified Temp. Positions*	3.0	3.0	0.0
TOTAL	<u><u>900.4</u></u>	<u><u>900.4</u></u>	<u><u>0.0</u></u>

* The FY 1997 agency request and Governor's recommendation reflect the number of unclassified temporary and FTE positions included in the agency budget document and the number included in Governor's Budget Amendment No. 1, Item 3.

Agency Request/Governor's Recommendation

The agency requests total reportable FY 1997 operating funding of \$24,121,956, a decrease of \$2,009,758, or 7.7 percent, from the FY 1996 estimate. Major factors contributing to the reduction are reduced expenditures for the SHARP project, a reduction of 15.5 FTE positions from the number of FTE included in the FY 1996 estimate, and other reductions in operating expenditures.

The Governor recommends total reportable FY 1997 operating funding of \$22,582,962, a decrease of \$1,538,994 from the agency request. The Governor's recommendation includes a downward adjustment for the cost of state employee health insurance, 2.5 percent step movement for classified employees, a 2.5 percent merit pool for six months for unclassified employees (\$10,535), and longevity pay only for those employees at the end of their pay grade (\$47,394).

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 service 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 FY 1997			
Expenditure	Agency Req. FY 97	Governor's Rec. FY 97	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 68,266,008	\$ 65,533,793	\$ -
Aid to Local Units	0	0	-
Other Assistance	16,000,000	16,000,000	-
Total - Operating	<u>\$ 84,266,008</u>	<u>\$ 81,533,793</u>	<u>\$ -</u>
Capital Improvements	2,231,225	2,231,225	-
TOTAL	<u><u>\$ 86,497,233</u></u>	<u><u>\$ 83,765,018</u></u>	<u><u>\$ -</u></u>

The agency requests total FY 1997 nonreportable budget funding of \$84,266,008, a decrease of \$3,201,540, or 3.7 percent, from the FY 1996 estimate of \$87,467,548. The FY 1997 request includes a decrease of \$3,295,490 from the FY 1996 estimate for contractual services. A portion of the decrease would be attributable to decreased expenditures for the SHARP Project contract.

The Governor recommends FY 1997 nonreportable budget funding of \$81,533,793, a decrease of \$2,732,215 from the agency request. Of the reduction, \$808,244 is a reduction from the agency request for capital outlay for the Central Motor Pool Program and \$728,330 is a reduction from the request for DISC capital outlay. Other reductions total \$1,195,641. The Governor's recommendation includes a downward adjustment for the cost of state employee health insurance, step movement for classified employees, a 2.5 percent merit pool for unclassified employees (\$7,942), and longevity pay for those employees at the end of their pay grade (\$27,014).

Senate Subcommittee Recommendations

1. Make technical adjustments to the bill to carry out the Governor's recommendation, as noted below:
 - a. Add language to transfer \$410,000 from the Cafeteria Benefits Fund to the Benefits Analysis Program Fund.
 - b. Correct the State General Fund appropriations and reappropriations to the General Administration, Accounting and Reporting Services, Personnel Services, and Purchasing line items to reflect the Governor's recommendation.
2. Concur with Governor's Budget Amendment No. 1, Item 3, which would correct the FTE limitation to reflect a total 897.4 FTE positions in FY 1997 and would add 2.0 unclassified temporary positions should be added to reflect the Governor's recommendation.
3. Add language to the proviso attached to the Architectural Services Recovery Fund to authorize the Attorney General to continue to pay the salary of an employee of the Division of Architectural Services to assist in the enforcement of the Americans with Disabilities Act. State law authorizes governmental agencies to exchange and share employees, but limits the exchange to four years. The agencies believe the shared arrangement is working and would like to continue the exchange. The Governor's recommended funding for both agencies would allow the arrangement to continue, but the bill does not provide the needed authorization.
4. The Subcommittee concurs with the agency's request to add additional language to the Architectural Services Recovery Fund proviso that would allow the Director of Architectural Services to charge and collect fees for services provided to other state agencies not directly related to the construction of a capital improvement project. The current proviso authorizes the division to collect fees for architectural, engineering, managerial, and engineering design services. The additional language would allow the agency to collect fees for other services, such as reviewing plans or offering consulting services. The agency anticipates that it would use this authority in a few limited circumstances.
5. The Subcommittee reviewed the status of the state's insurance policy. The state currently insures those state-owned buildings with a replacement value of

\$500,000 or greater that are not otherwise insured. The current policy has a \$2,000,000 deductible and a \$25,000,000 per occurrence loss cap. The current policy expires June 30, 1996, and must be rebid for FY 1997.

The Department of Administration budget includes estimated State General Fund expenditures of \$294,893 for insurance in FY 1996 and \$300,000 in FY 1997. Actual expenditures in FY 1995 were \$272,903.

The agency states that, to raise the per occurrence loss cap from \$25,000,000 to \$100,000,000 (while retaining the \$2,000,000 deductible), the additional cost would be approximately \$75,000 to \$100,000. To raise the per occurrence loss cap to \$25,000,000, but raise the deductible to \$5,000,000, the estimated change in the annual premium would be minimal.

The Department of Administration will solicit bids for the following amounts of coverage:

<u>Deductible</u>	<u>Maximum Coverage</u>
\$2 Million	\$25 Million
\$2 Million	\$100 Million
\$5 Million	\$100 Million
\$5 Million	\$200 Million
\$10 Million	\$200 Million

The Subcommittee recommends that this issue be considered as an Omnibus item. The agency should have additional information about the status of bids for the levels of coverage noted above. The agency should continue to explore possible funding sources for increased coverage, including the Educational Building Fund (EBF), the State Institutions Building Fund (SIBF), and the Correctional Institutions Building Fund (CIBF).

6. The Subcommittee addressed the issue of parking for state employees and visitors in Capitol Area Complex parking lots, particularly the Kansas Judicial Center parking lot. The Subcommittee questions whether there is sufficient parking for visitors conducting business with the Supreme Court, the Court of Appeals, the law library, and the Attorney General's office. The Subcommittee recommends that the agency explore alternative parking locations for at least a portion of the state motor pool fleet parked in the Judicial Center parking lot and the lot directly west of the Judicial Center.
7. The Subcommittee reviewed an issue it addressed during the 1995 Legislative Session, 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 cost of providing this service to INK, the charge resulted in some controversy because prior to December 1994, INK had not been charged for the service. INK began to pass the DISC charges along to 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 when library Internet access began to increase dramatically.

DISC has entered into a contract with INK that is designed to recover its loss by September 1998, provided usage remains at the current level.

8. The Subcommittee reviewed the progress of the Statewide Human Resource and Payroll System (SHARP), which issued its first state employee paychecks on January 12, 1996. The Subcommittee requests that the Department of Administration survey state agencies about their experience with SHARP implementation, specifically agency satisfaction, agency employee workloads, and any problems encountered in implementing SHARP, including staffing inadequacies.

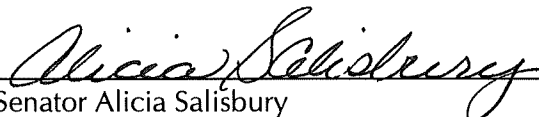
Public Broadcasting

1. Make a technical adjustment to the bill to correctly reflect the State General Fund appropriation recommended by the Governor.
2. The Subcommittee concurs with the Public Broadcasting Council's request to shift funding of \$53,551 from the Public Broadcasting capital equipment grants line item to the operating grants line item. This would fund FY 1997 operating grants at the FY 1996 funding level.
3. Amend the proviso attached to the capital equipment grants line item. The current proviso allows expenditures to be made to provide matching funds for federal capital equipment grants awarded to public broadcasting stations, or to match capital equipment projects funded from any non-state source in the event federal capital equipment grants are not awarded. The amendment would allow stations to use the capital equipment grant funds to match funds from any nonstate source without first applying for federal matching funds if the federal matching grant program is abolished.
4. The Subcommittee recommends the introduction of legislation that would implement revisions to the Public Broadcasting Council's funding formula. These revisions were recommended by the Council. Briefly stated, the current split of funding between television stations (75 percent) and radio stations (25 percent) would be discarded, leaving a single pool of funds for the stations as a group. A base grant would be given to those stations that serve primarily rural communities. Of the remaining funds, 50 percent would be distributed as base grants to stations, based on type and facilities, and the remaining 50 percent

would be awarded as incentive grants, based on per capita non-federal, non-state, non-licensee funding.

5. The Subcommittee reviewed the Council's equipment grant request and notes that the agency requested \$49,500 for the match portion for a portable satellite radio uplink and companion receiver equipment that would allow the origination of live or tape programming from virtually anywhere in Kansas. The Governor's recommendation for equipment grants in FY 1997 is a reduction of \$90,611 from the Council's request and would not allow the Council to fund this project. The Subcommittee recommends that this be reviewed as an Omnibus item and that, if additional one-time funds are available, this item should be considered for funding.

Senator Robert Vancrum
Subcommittee Chair


Senator Alicia Salisbury

Senator Gerald Karr

DEPARTMENT OF ADMINISTRATION PERFORMANCE MEASURES

DIVISION OF INFORMATION SYSTEMS AND COMMUNICATIONS

- Monitor, implement and operate the KANS-A-N integrated backbone digital network in such a manner that it provides cost effective, efficient network services required for voice, data, and video applications required by state agencies.

	FY 1995A	FY 1996B	FY 1997A	FY 1997B
Network circuit availability in % per mo.	99.99%	99.99%	99.99%	99.99%
Percentage Customer satisfaction survey scores in the "satisfied" to "very satisfied" range.	95%	95%	95%	95%
Percentage of customer orders requiring corrective action after install.	<1%	<1%	<1%	<1%

DIVISION OF THE BUDGET

- To assign tasks and organize intermediate deadlines efficiently to produce and distribute the GBR at the time of the Governor's legislative message.

	1994	1995	1996	1997A	1996B
Number of days <i>The Governor's Budget Report</i> is late measured from the day of the Governor's legislative message.	0	0	0	0	0

DIVISION OF FACILITIES MANAGEMENT

- Provide and maintain safe, effective and efficient work environments.

	FY 1995	FY 1996	FY 1997A	FY 1997B	FY 1997C	FY 1998	FY 1999
Percent of client surveys rated satisfactory or better	100%	85%	85%	85%	85%	85%	85%

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TOPEKA

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 LEGISLATIVE BUDGET COMMITTEE
 ORGANIZATION, CALENDAR AND
 RULES
 KANSAS TECHNOLOGY ENTERPRISE
 CORPORATION

February 9, 1996

SENATE CHAMBER

Mr. Bill Caton
 Kansas Development Finance Authority
 Jayhawk Tower
 700 SW Jackson - Suite 1000
 Topeka, Kansas 66603-3758

Dear Mr. Caton:

The Senate Ways and Means Committee on February 7, 1996, appointed a subcommittee of myself and Senator Petty to develop a set of questions that would expand or clarify the legal opinion requested by the Kansas Development Finance Authority regarding the constitutionality of the bond issue proposed to finance capital improvement projects contained in 1996 Senate Bill No. 552.

Senator Petty and I request that you request the firm of Kutak Rock to address the following issues:

- (1) Will the issuance of bonds by the Kansas Development Finance Authority under amendments to K.S.A. 76-6b02 proposed in 1996 Senate Bill No. 522 violate provisions of section 6 or section 7 of Article 11 of the Kansas Constitution?
- (2) If the bond financing method proposed for the Kansas Board of Regents Capital Improvement Project is determined to be constitutional, would cities and counties have the authority to define ad valorem property tax as revenue to characterize a general obligation as a revenue bond?

The Committee looks forward to your opinion on the issues raised in this letter. Please contact me if you have any questions.

Sincerely,

Senator Dave Kerr, Chairman
 Senate Ways and Means Committee

DK:bp

*Senate Ways & Means
 February 9, 1996
 Attachment 7*