

Approved: 3-17-97  
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Phil Kline at 2:02 p.m. on March 10, 1997 in Room 514-S of the Capitol.

All members were present except: Representative Feuerborn - Excused

Committee staff present: Julian Efird, Don Cawby, Mark Burenheide, Carolyn Rampey, Research Dept.; Jim Wilson, Mike Corrigan, Revisor of Statutes Office; Marcia Ayres, Appropriations Secretary; Helen Abramson, Administrative Aide

Conferees appearing before the committee:

Others attending: See attached list

The minutes of the March 5 meeting were distributed for review by the members.

Representative Spangler presented the subcommittee report for the Department of Revenue in which they concurred with the Governor's recommendation for FY 97 and concurred with the recommendations for FY 98 with an adjustment and recommendations. (Attachment 1) Discussion followed.

A motion was made by Representative Nichols, seconded by Representative Dean, to amend the subcommittee report by removing the \$500,000 for the Year 2000 Plan and reviewing it at Omnibus Session. Discussion. The motion carried.

Discussion continued.

A motion was made by Representative Packer, seconded by Representative Mollenkamp, to adopt the subcommittee report for the Department of Revenue as amended. No discussion. The motion carried.

Representative Packer presented the subcommittee report for the State Board of Tax Appeals in which they concurred with the recommendations of the Governor for FY 97 and concurred with the recommendations for FY 98 with some exceptions. (Attachment 2) Discussion followed.

A motion was made by Representative Helgerson, seconded by Representative Reinhardt, to amend the subcommittee report by deleting Item #2 which restores five FTE positions and associated salaries in FY 98. Discussion. The motion failed.

A motion was made by Representative Ballard, seconded by Representative McKechnie, to amend the subcommittee report by restoring two of the five FTE positions and associated salaries in FY 98. The positions would be an Office Assistant I and Office Assistant III. No discussion. The motion failed.

Discussion continued.

A motion was made by Representative Edmonds, seconded by Representative Minor, to amend the subcommittee report by striking Item No. 5 in FY 98 regarding salaries of members of the Board of Tax Appeals. No discussion. The motion failed.

Further discussion.

A motion was made by Representative Packer, seconded by Representative Spangler, to adopt the subcommittee report for the State Board of Tax Appeals. The motion carried.

Representative Spangler reviewed the subcommittee report for the Kansas Lottery in which they concurred with the Governor's recommendations in FY 97 with two adjustments and concurred with the recommendations for FY 98 with several adjustments. (Attachment 3)

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, Room 514-S Statehouse, at 1:30 P.M. on March 10, 1997.

Discussion followed and a chart of Kansas Gaming Activity and SGRF Transfers dated 3-10-97 was distributed. (Attachment 4)

A motion was made by Representative Spangler, seconded by Representative Packer, to adopt the subcommittee report for the Kansas Lottery. The motion carried.

Representative Spangler reviewed the subcommittee report for the Kansas Racing and Gaming Commission in which they concurred with the Governor's recommendations for FY 97 with two adjustments. They concurred with the recommendations for FY 98 with seven adjustments to the State Racing Operations and two adjustments to the State Gaming Agency. (Attachment 5) Discussion followed.

A motion was made by Representative Spangler, seconded by Representative Packer, to adopt the subcommittee report for the Kansas Racing and Gaming Commission which includes introduction of the bills requested. The motion carried.

Representative Mollenkamp reviewed the subcommittee report for the Department of Commerce and Housing in which they concurred with the Governor's recommendations for FY 97 with an observation and concurred with the recommendations for FY 98 with modifications. (Attachment 6)

Considerable discussion followed, and a suggestion was made by Representative Nichols to add a proviso to the FY 98 report requiring the \$500,000 from the Kansas Industrial Training and Retraining Programs (KIT and KIR) be spent the way it has been in the past ; that is, going to the community colleges and the vo-techs. It was agreeable to the subcommittee that the proviso would be included as part of the subcommittee recommendations.

A motion was made by Representative Nichols, seconded by Representative Dean, to amend the subcommittee report by removing the \$950,000 in the Kansas Existing Industry Expansion Program (KEEP) for FY 98 and any remaining amounts in the \$950,000 in the FY 97 KEEP Fund. Discussion. Division was requested to vote on the fiscal years separately. The motion on FY 97 failed. The motion on FY 98 failed.

Discussion continued. Representative Landwehr requested budget information from the HOME federal fund and the Kansas Housing Development Corporation (KHDC) for the past several years and projected budget information regarding a. b. and c. under Item No. 4 of the FY 98 report.

Representative Helgerson made two requests for additional information. One, that the department report on Community Development Block Grant (CDBG) funds that were received, their designated use, the state's options in distributing the funds, and whether these programs coincide with the mission of the funds and the mission of state agencies. Second, whether there were any grants or loans to the Kansas Economic Opportunities Initiative Fund (KEOIF) and what the criteria was, and he requested a list of the programs and the cost/benefit analysis of them.

There was further discussion.

A motion was made by Representative Neufeld, seconded by Representative Landwehr, to amend the FY 98 subcommittee report by striking the words "incurring obligations related to such projects" from a. b. and c. under Item No. 4. Discussion. The motion failed.

Representative Reinhardt requested a brief update from the department, at their convenience, on the transfer of the marketing division from the Department of Agriculture to the Department of Commerce and Housing.

A motion was made by Representative Packer, seconded by Representative Mollenkamp, to adopt the subcommittee report for the Department of Commerce and Housing. The motion carried.

Representative Mollenkamp presented the subcommittee report for Kansas Inc. in which they concurred with the recommendations of the Governor and made one observation. The subcommittee concurred with the recommendations for FY 98 with one modification. (Attachment 7) Discussion.

A motion was made by Representative Helgerson, seconded by Representative Reinhardt, to amend the subcommittee report for FY 98 by restoring the \$64,620 for the School District Performance Study. Discussion. The motion failed.

Discussion continued.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, Room 514-S Statehouse, at 1:30 P.M. on March 10, 1997.

A motion was made by Representative Packer, seconded by Representative Mollenkamp, to adopt the subcommittee report for Kansas Inc. The motion carried.

Representative Packer presented the subcommittee report for the Kansas Technology Enterprise Corporation in which they concurred with the Governor's recommendation for FY 97 with a modification and observation. The subcommittee concurred with the recommendation for FY 98 with modifications. (Attachment 8)

A motion was made by Representative Packer, seconded by Representative Mollenkamp, to amend the subcommittee report for FY 98 by adding an Item No. 4 stating there needs to be a technical adjustment to carry out the Governor's original intent concerning the (1) economic development research and development fund and (2) operations, assistance and grants. Discussion. The motion carried.

Discussion followed.

A motion was made by Representative McKechnie, seconded by Representative Dean, to amend the subcommittee report by deleting Item Nos. 1 and 2 on FY 97 and Item Nos. 2 and 3 on FY 98 and directing the subcommittee to obtain information from the agency by the Omnibus Session on how the bonuses are awarded. The motion failed.

A motion was made by Representative Dean, seconded by Representative McKechnie, to amend the subcommittee report by deleting Item Nos. 1 and 2 on FY 97 and Item Nos. 2 and 3 on FY 98 and also inserting a provision that no EDIF money will be used for bonuses for either executives or employees. Discussion. The motion failed.

A motion was made by Representative Dean, seconded by Representative Helgerson, to amend the subcommittee report by deleting Item No. 1 on FY 98 which would restore the 5.0 percent of EDIF expenditures. No discussion. The motion failed.

Continued discussion.

A motion was made by Representative Spangler, seconded by Representative Packer, to adopt the subcommittee report for the Kansas Technology Enterprise Corporation. The motion carried.

A motion was made and seconded to approve the Minutes of March 5. The motion carried.

Representatives Farmer and Pottorff announced upcoming subcommittee meetings. Chairman Kline reviewed changes in the full committee's agenda for the week.

The meeting adjourned at 6:05 p.m.

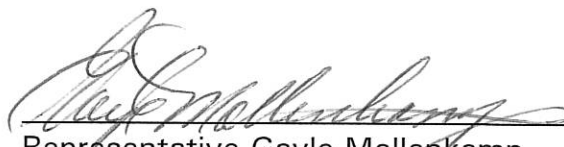
The next meeting is scheduled for March 11, 1997.



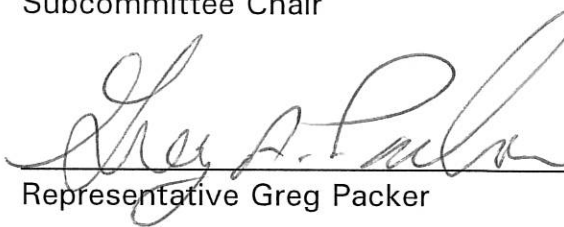
FY 1997-FY 1998

HOUSE SUBCOMMITTEE REPORTS

DEPARTMENT OF REVENUE



Representative Gayle Mollenkamp  
Subcommittee Chair



Representative Greg Packer



Representative Doug Spangler

Appropriations  
3-10-97  
Attachment 1

**SUBCOMMITTEE REPORT**

**Agency:** Department of Revenue

**Bill No.** 2272

**Bill Sec.** 19

**Analyst:** Cawby

**Analysis Pg. No.** 1206

**Budget Page No.** 383

<u>Expenditure</u>	<u>Agency Est. FY 97</u>	<u>Gov. Rec. FY 97</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 59,399,314	\$ 59,350,457	\$ 0
Aid to Local Units	5,795,000	5,795,000	0
Other Assistance	2,500,000	2,500,000	0
Subtotal - Operating	\$ 67,694,314	\$ 67,645,457	\$ 0
Capital Improvements	0	0	0
TOTAL	<u>\$ 67,694,314</u>	<u>\$ 67,645,457</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 27,653,797	\$ 27,135,231	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 27,653,797	\$ 27,135,231	\$ 0
Capital Improvements	0	0	0
TOTAL	<u>\$ 27,653,797</u>	<u>\$ 27,135,231</u>	<u>\$ 0</u>
FTE Positions	1,196.5	1,196.5	0.0
Unclass. Temp. Positions	0.0	0.0	0.0
TOTAL	<u>1196.0</u>	<u>1196.5</u>	<u>0.0</u>

**Agency Estimate/Governor's Recommendation**

The agency estimates **\$67,694,314** for current year operating expenditures, a reduction of \$371,165 from the approved level for all funds (which includes a Kansas Quality Management reappropriation of \$11,995 from the Division of Vehicles Operating Fund). However, the estimate includes \$22,653,797 from the State General Fund, which is an increase of \$242,070 over the approved amount. The State General Fund request results in a supplemental State General Fund request of \$587,275, because \$345,020 in funds which were anticipated to be reappropriated to FY 1997 were expended in FY 1996. The agency estimate also includes funding of \$28,397,219 from the Division of Vehicles Operating Fund, and \$11,643,298 from all other funds.

**The Governor recommends** \$67,645,457 for FY 1997, a reduction of \$48,857 from the agency request. The reduction reflects salaries and wages adjustment reductions of \$61,557 and an offsetting increase of \$12,700 in other operating expenditures. The recommendation includes \$27,135,231 from the State General Fund (a reduction of \$518,566 from the agency estimate), \$28,867,837 from the Division of Vehicles Operating Fund (an increase of \$470,618 over the estimate) and \$11,642,389 from all other funds (a reduction of \$909 from the agency estimate).

**State General Fund Supplemental Requests.** The agency requests the following supplemental increases in the current year:

- **Supplemental Request—Expert Testimony.** The agency requests \$100,000 from the State General Fund in FY 1997 (and also in FY 1998) to contract expert testimony in defending against litigation by the ANR Pipeline and Colorado Interstate Gas (CIG) companies. According to the agency, the two companies initiated litigation against the Department seeking a reduction in the property valuations established by the Property Valuation Division (PVD), which has the statutory responsibility of establishing the property valuations of all public utilities. The Department maintains that the original valuations were correct. The request would allow the Department to contract for legal assistance in the form of expert testimony in hopes of preventing the refund of taxes collected from the companies by Kansas counties. In the event that the department would lose, the agency estimates that the companies have the potential to recover up to \$25 million from Kansas counties. **The Governor concurs with the agency's supplemental request.**
- **Supplemental Request—Year 2000 Conversion.** The agency requests supplemental funding of \$487,275 from the State General Fund in FY 1997 for the conversion of existing programs to comply with the year 2000. **The Governor recommends** the supplemental request, but moves the funding (\$487,300) to the Department of Administration's budget to pool all agency requests for year 2000 conversion. The Governor also recommends \$500,000 from the Division of Vehicles Operating Fund in FY 1997 for year 2000 conversions. The recommendation reflects the Governor shifting the agency's FY 1998 enhancement request to the current year.

## House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendations.

**SUBCOMMITTEE REPORT**

Agency: Department of Revenue

Bill No. 2160

Bill Sec. 48

Analyst: Cawby

Analysis Pg. No. 1206

Budget Page No. 383

Expenditure	Agency Req. FY 98	Gov. Rec. FY 98	House Subcommittee Adjustments
All Funds:			
State Operations	\$ 66,885,419	\$ 65,773,295	\$ (354,566)
Aid to Local Units	5,855,000	5,855,000	0
Other Assistance	0	2,500,000	0
Subtotal - Operating	\$ 72,740,419	\$ 74,128,295	\$ (354,566)
Capital Improvements	0	0	0
TOTAL	<u>\$ 72,740,419</u>	<u>\$ 74,128,295</u>	<u>\$ (354,566)</u>
State General Fund:			
State Operations	\$ 29,306,583	\$ 28,165,317	\$ (319,109)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 29,306,583	\$ 28,165,317	\$ (319,109)
Capital Improvements	0	0	0
TOTAL	<u>\$ 29,306,583</u>	<u>\$ 28,165,317</u>	<u>\$ (319,109)</u>
FTE Positions	1,196.5	1,192.5	(8.0)
Unclass. Temp. Positions	0.0	0.0	0.0
TOTAL	<u>1196.5</u>	<u>1192.5</u>	<u>(8.0)</u>

**Agency Request/Governor's Recommendation**

The agency requests FY 1998 funding of \$72,740,419 for operating expenditures, including \$4,127,500 in requested enhancements. The request is an increase of \$5,046,105 for all operating expenditures (7.5 percent) and an increase of \$7,486,105 (12.6 percent) in state operations. The agency's request includes funding of \$29,306,583 from the State General Fund, \$29,358,634 from the Division of Vehicles Operating Fund, and \$14,075,202 from all other funds.

Of the request for state operations (\$66,885,419), \$29,306,583 or 43.8 percent is from the State General Fund, \$29,358,634 or 43.9 percent is from the Division of Vehicles Operating Fund, and \$8,220,202 or 12.3 percent is from the all other funds. The agency's requested increase of \$3,358,605 (5.7 percent) for state operations (excluding enhancements) includes \$587,786 from the State General



Fund, \$2,458,771 from the Electronic Databases Fee Fund, and a net increase of \$312,048 from all other funds.

**The Governor recommends** FY 1998 operating expenditures of \$74,128,295, an increase of \$1,387,876 over the agency request. The increase reflects the recommendation to continue the Kansas Qualified Agricultural Ethyl Alcohol Producer Incentive Fund (\$2.5 million), increases associated with the Governor's pay plan (\$133,664), and reductions for other adjustments to enhancements (\$1,037,400) and general expenditures (\$208,388). The Governor recommends expenditures of \$28,165,317 from the State General Fund, \$28,859,120 from the Division of Vehicles Operating Fund, \$5,743,581 from the Electronic Databases Fee Fund, and \$11,360,277 from all other funds.

**Enhancements.** The agency requests \$4,127,500 for program enhancements in FY 1998, including \$1,065,000 from the State General Fund, \$541,200 from the Division of Vehicles Operating Fund, and \$2,521,300 from the Electronic Databases Fee Fund. The requested enhancements include the following:

- **Driver's License Imaging Equipment.** The agency requests \$41,200 in FY 1998 from the Division of Vehicles Operating Fund to replace document image retrieval equipment and to enhance memory for the driver's licence issuance and control. **The Governor concurs** with the agency's requested enhancement.
- **Year 2000 Conversion.** The agency requests \$500,000 in FY 1998 from the Division of Vehicles Operating Fund for the conversion of existing programs to comply with the year 2000. **The Governor concurs** with the requested enhancement but shifts the \$500,000 from FY 1998 to FY 1997.
- **Kansas Computer Assisted Mass Appraisal (CAMA).** For the Property Valuation Division (PVD), the agency requests \$1,471,300 from the Electronic Databases Fee Fund in FY 1998 for the upgrade of computer hardware and software in the counties to facilitate the download and upload capabilities of the CAMA system. The request includes \$1,047,500 in capital outlay expenditures for computer hardware and \$423,800 in contracted professional fees to develop the new CAMA system. **The Governor concurs with the agency's requested enhancement.**
- **Property Tax Assistance to Counties.** In the Property Valuation Division (PVD), the agency requests \$2,115,000 for the acquisition of computers and assistance to counties in property tax appraisal. The request includes \$1,065,000 from the State General Fund for the direct acquisition of equipment and services for the county, including valuation guides, a study, low level aerial photography of urban areas, and providing links for direct data transfer between counties and the PVD. The remainder of the request consists of \$1,050,000 from the Electronic Databases Fee Fund for the acquisition of computers for county appraisers' offices. The request would allow up to \$10,000 per county to purchase computer equipment. However, under the agency's plan, the counties would only receive the money after earning "dollar credits" for maintaining certain standards and meeting reporting deadlines. **The Governor recommends** \$1,289,500 for the requested assistance to counties enhancement, including \$239,500 from the State General Fund and \$1,050,000 from the Electronic Databases Fee Fund.

## House Subcommittee Recommendation


The Subcommittee concurs with the recommendations of the Governor with the following adjustment and recommendations:

1. **Delete \$354,566 in salaries and wages expenditures, including \$319,109 from the State General Fund, and 8.0 FTE positions from the Property Valuation Division.**  
The recommendation also includes provisos to limit the Property Valuation Division to 72.0 FTE positions and \$3,191,097 in salaries and wages expenditure authority to ensure the reductions in the agency budget occur in the Property Valuation Division.
2. **Recommend the introduction of a bill** to make technical changes to the Kansas statutes which would make the statute comply with 1992 constitutional amendment which established valuation classification rates. The recommended bill would amend the statutes to include an 11.5 percent residential rate, a 25 percent commercial rate, and a 33 percent rate for utilities. The current statutory rates for these classifications (which are not currently used) are 12 percent for residential, 30 percent for commercial and 30 percent for utilities.
3. **Recommend the introduction of a bill** to change the Bingo tax dispersement formula in K.S.A. 79-7410 to reduce the amount provided to cities and counties from one third to 10 percent, to direct a total of 57 percent to the State General Fund, and to maintain a 33 percent contribution to the State Bingo Regulation Fund in the Department of Revenue. Currently one third of the tax revenue goes to the city or county authority where the license is held (by means of a Department of Revenue Aid to Locals payment), one third of the revenue goes to the State General Fund, and one third goes to the State Bingo Regulation Fund.

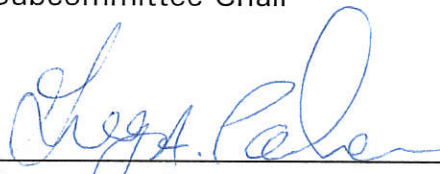
FY 1997-FY 1998

HOUSE SUBCOMMITTEE REPORTS

BOARD OF TAX APPEALS



Representative Gayle Mollenkamp  
Subcommittee Chair



Representative Greg Packer



Representative Doug Spangler

Appropriations  
3-10-97  
Attachment 2

**SUBCOMMITTEE REPORT**

**Agency:** State Board of Tax Appeals

**Bill No. –**

**Bill Sec. –**

**Analyst:** Rampey

**Analysis Pg. No.** 1231

**Budget Page No.** 447

<u>Expenditure Summary</u>	<u>Agency Estimate FY 97</u>	<u>Gov. Rec. FY 97</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 1,819,944	\$ 1,819,944	\$ 0
State General Fund:			
State Operations	\$ 1,802,944	\$ 1,802,944	\$ 0
FTE Positions	32.0	32.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
<b>TOTAL</b>	<b>32.0</b>	<b>32.0</b>	<b>0.0</b>

**Agency Overview**

The State Board of Tax Appeals is the highest administrative taxing body in the State of Kansas. The Board hears appeals from taxpayers regarding exemptions, equalizations, protests (valuation questions), and grievances that pertain to property, sales, excise, income, inheritance, and other related taxes administered by the State Department of Revenue. The Board also conducts hearings at the request of taxing subdivisions regarding the authority to exceed current budget limitations and to issue no-fund warrants. The five members of the Board are appointed by the Governor. The workload of the Board peaked in the early 1990s as a consequence of the 1989 implementation of statewide reappraisal. As the workload has stabilized and a backlog of cases been addressed, the number of authorized positions has been reduced from 37.0 FTE positions in fiscal years 1990 and 1991 to 30.0 FTE budgeted for FY 1998.

**Agency Estimate/Governor's Recommendation**

The 1996 Legislature appropriated \$1,741,877 from the State General Fund and allowed the Board to carry forward without limit any savings from FY 1996. At the time, it was estimated that the Board would carry forward from FY 1996 to FY 1997 a total of \$8,056. Because underspending in FY 1996 was greater than expected, the reappropriation for FY 1997 is instead \$284,276. The primary reason for the underspending in FY 1996 was that a computer system upgrade was not accomplished as scheduled and funding for the project was not spent.

Other current year changes include the reduction of the number of authorized positions to 32.0 FTE as the result of abolishing positions for an attorney and an office assistant.

The Governor makes no change to the Board's estimate for FY 1997.

**House Subcommittee Recommendation**

The House Subcommittee concurs with the recommendations of the Governor.

**SUBCOMMITTEE REPORT**

**Agency:** State Board of Tax Appeals

**Bill No.** 2160

**Bill Sec.** 47

**Analyst:** Rampey

**Analysis Pg. No.** 1231

**Budget Page No.** 447

<u>Expenditure Summary</u>	<u>Agency Request FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 1,650,689	\$ 2,056,324	\$ (541,679)
State General Fund:			
State Operations	\$ 1,633,689	\$ 2,039,324	\$ (541,679)
FTE Positions	30.0	31.0	(6.0)*
Unclassified Temp. Positions	0.0	0.0	0.0
<b>TOTAL</b>	<u>30.0</u>	<u>31.0</u>	<u>(6.0)*</u>

\* Includes 1.0 FTE position reduction to accurately reflect the Governor's recommendation (see item No. 1 below).

**Agency Request/Governor's Recommendation**

A reduction of \$169,255 in FY 1998 from FY 1997 primarily is due to budgeting in the current year a computer system upgrade. In addition, the staff is reduced by 1.0 FTE to reflect the retirement of a court reporter that occurred in FY 1997. The Board also is deleting two part-time law clerk positions that total 1.0 FTE from its number of authorized positions to more accurately reflect the positions as temporary employees. The Board did not seek restoration of the court reporter position, but asks that its funding for temporary employees be increased by about \$10,000 to \$34,156 so that it can hire a court reporter during peak periods of appeal hearings. Expenses for travel are reduced (from \$40,000 in FY 1997 to \$35,000), the result of sending only one Board member and one staff attorney to most hearings held outside Topeka instead of several Board members and staff, as had been the prior practice.

The Governor recommends expenditures of \$2,039,324 from the State General Fund for FY 1998. The significant change from the agency's estimate is the addition of \$400,000 to make the Board of Tax Appeals responsible for the property tax appeal process that currently resides at the county level. Other changes to the Board's request include the addition of a 1.0 percent base salary adjustment for classified employees, in addition regular step movement, and a 3.5 percent merit pool for unclassified employees. The Governor recommends \$32,500 for temporary employees, \$1,656 less than what was requested, and does not recommend any of the \$6,224 that had been requested for capital outlay. Aside from the \$400,000, the Governor's adjustments to the request for FY 1998 are a net increase of \$5,635.

## House Subcommittee Recommendation

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


1. Adopt Governor's Budget Amendment No. 1, item 18, which reduces the number of authorized positions from 31.0 FTE to 30.0 FTE, in order to accurately reflect the Governor's recommendation.
2. Delete 5.0 FTE positions and associated salaries, totaling \$121,679 from the State General Fund. The deletions, selected by the agency, consist of an Attorney B, an Office Assistant IV, an Office Assistant III, and two Office Assistants I. Of the five positions, three currently are vacant. Base salaries of the deleted positions range from \$13,850 to \$34,065.
3. Delete \$20,000 from the State General Fund for other operating expenditures.
4. Delete \$400,000 from the State General Fund added by the Governor to implement his recommendation that the Board of Tax Appeals be responsible for the property tax appeal process that currently resides at the county level. Because the recommendation would require the enactment of legislation before it can be implemented, the Subcommittee believes the issue more appropriately should be considered in the Omnibus Bill. (The Governor's proposal is contained in SB ~~348~~ <sup>161</sup> which currently is in the Senate Assessment and Taxation Committee.)
5. The Subcommittee calls attention to the salaries of members of the Board of Tax Appeals. Salaries of Board members (and members of the Kansas Parole Board) statutorily are tied to certain judicial salaries. Specifically, the salary of the Chairperson of the Board is the same as a district court administrative judge (currently \$81,970, excluding fringe benefits). Board members who are not the chair receive \$2,465 less. In the Subcommittee's opinion, these salaries (including those of members of the Parole Board and the judicial salaries to which they are tied) are too high and should be reviewed as part of an overall study of judicial and state board member compensation.

FY 1997-FY 1998

HOUSE SUBCOMMITTEE REPORTS

KANSAS LOTTERY  
RACING COMMISSION

  
\_\_\_\_\_  
Representative Gayle Mollenkamp  
Subcommittee Chair

  
\_\_\_\_\_  
Representative Greg Packer

  
\_\_\_\_\_  
Representative Doug Spangler

Appropriations  
3-10-97  
Attachment 3



**SUBCOMMITTEE REPORT**

**Agency:** Kansas Lottery

**Bill No.** 2272

**Bill Sec.** --

**Analyst:** Efirid

**Analysis Pg. No.** 1247

**Budget Page No.** 359

<u>Expenditure Summary</u>	<u>Agency Estimate FY 97</u>	<u>Gov. Rec. FY 97</u>	<u>House Subcommittee Adjustments</u>
Special Revenue Funds:			
State Operations	\$ 20,392,981	\$ 20,391,841	\$ (500,000)
Aid to Local Units	0	0	0
Other Assistance*	<u>105,164,170</u>	<u>105,164,170</u>	<u>0</u>
Subtotal - Operating	\$ 125,557,151	\$ 125,556,011	\$ (500,000)
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u><u>\$ 125,557,151</u></u></b>	<b><u><u>\$ 125,556,011</u></u></b>	<b><u><u>\$ (500,000)</u></u></b>
FTE Positions	95.0	95.0	0.0
Unclassified Temp. Positions	<u>2.0</u>	<u>2.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u><u>97.0</u></u></b>	<b><u><u>97.0</u></u></b>	<b><u><u>0.0</u></u></b>

\* Some transactions for prizes and retailer commissions are never recorded in the State Treasury.

**Agency Estimate/Governor's Recommendation**

The mission of this agency is to oversee and ensure the proper and efficient operation of lottery activities in the state, while maximizing revenue earnings for the State Gaming Revenues Fund (SGRF). The agency's FY 1997 requests are based on projected sales of \$180.0 million which the Lottery incorporated into its September 1996 budget estimate. Total transfers to the SGRF are estimated at \$55,350,000 in FY 1997, based on a transfer rate of 30.75 percent which is established for one-year. The Governor concurs with the revised agency budget estimates, and makes an additional adjustment in the calculation of fringe benefits for staff positions.

**House Subcommittee Recommendation**

The Subcommittee concurs with the Governor's FY 1997 recommendations and makes the following adjustments:

1. Delete \$500,000 appropriated for a new hot site computer backup system that the agency no longer plans to pursue. Instead, the Lottery will develop a 72-hour cool site recovery plan as an alternative that will be more cost effective.
2. Make any technical changes in the appropriations bill as required.

**SUBCOMMITTEE REPORT**

**Agency:** Kansas Lottery

**Bill No.** 2160

**Bill Sec.** 49, 54

**Analyst:** Efirid

**Analysis Pg. No.** 1247

**Budget Page No.** 359

<u>Expenditure Summary</u>	<u>Agency Request FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
Special Revenue Funds:			
State Operations	\$ 20,928,763	\$ 20,895,066	\$ (1,214,823)
Aid to Local Units	0	0	0
Other Assistance*	108,709,543	108,279,158	0
Subtotal - Operating	\$ 129,638,306	\$ 129,174,224	\$ (1,214,823)
Capital Improvements	0	0	0
<b>TOTAL</b>	<b>\$ 129,638,306</b>	<b>\$ 129,174,224</b>	<b>\$ (1,214,823)</b>
FTE Positions	95.0	95.0	(10.0)
Unclassified Temp. Positions	2.0	2.0	0.0
<b>TOTAL</b>	<b>97.0</b>	<b>97.0</b>	<b>(10.0)</b>

\* Some transactions for prizes and retailer commissions are never recorded in the State Treasury.

**Agency Request/Governor's Recommendation**

The mission of this agency is to oversee and ensure the proper and efficient operation of lottery activities in the state, while maximizing revenue earnings for the State Gaming Revenues Fund. The agency's FY 1998 requested increase in expenditures assumes projected sales of \$185.4 million which the Lottery incorporated into its September 1996 budget. No change in staffing level was requested.

The Governor's expenditure recommendations for next fiscal year are based on a sales estimate of \$184.7 million, an increase of \$4.7 million from the revised FY 1995 estimate. A change in the percentage used for calculating the SGRF transfer is recommended by the Governor to continue in FY 1998 at the same amount used in the current fiscal year. The proposed change in percentage is included in the FY 1998 appropriation bill in order to modify the current statutory requirement that at least 30.0 percent of gross sales be transferred. For FY 1998, the Governor recommends that the transfer percentage be increased to 30.75 percent and that no additional lump sum amounts be transferred. In previous budget cycles, such as in FY 1996, the Legislature approved the transfer of \$3.4 million in addition to the required 30.0 percent of sales. The FY 1997 sales estimate is anticipated to result in the transfer of \$56.676 million to the SGRF.

The total budget recommended for the Lottery in FY 1998 is \$129,174,224. Of this amount, \$8,471,243 from the Lottery Operating Fund would be for agency operating expenditures that are limited by a line item in the appropriation bill, while the remainder of the appropriations would be no limit: \$12,423,823 for other operating costs (online communications, online service provider, and instant

tickets) directly attributed to the cost of sales, and \$108,279,158 for prize payments and retailer commissions. The recommended budget finances 95.0 FTE positions. In addition, the Governor recommends several transfers from the Kansas Lottery to finance operations in other state agencies:

Expenditure	Actual FY 96	Agency Est. FY 97	Gov. Rec. FY 97	Agency Req. FY 98	Gov. Rec. FY 98
Lottery Operating Fund					
KBI Transfers	\$ (124,008)	\$ (162,396)	\$ (162,396)	\$ (162,396)	\$ (274,261)
Post Audit Transfers	0	0	0	0	(39,500)
TOTAL – LOF	<u>\$ (124,008)</u>	<u>\$ (162,396)</u>	<u>\$ (162,396)</u>	<u>\$ (162,396)</u>	<u>\$ (313,761)</u>

Performance Measures			
	Actual FY 1996	Estimate FY 1997	Gov. Rec. FY 1998
Receipts from the sale of lottery tickets	\$ 182,665,573	\$ 180,000,000	\$ 184,700,000
Receipts transferred to SGRF	\$ 54,614,883	\$ 55,373,000	\$ 56,676,000
Receipts transferred to SGF from SGRF*	\$ 4,614,883	\$ 5,373,000	\$ 6,676,000

\*Note: When Lottery Transfers exceed \$50.0 million to SGRF

### House Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 1998 recommendations and makes the following adjustments:

1. Delete salary enhancements of \$47,380 recommended in the form of a merit pool for the unclassified staff.
2. Reduce staffing by 10.0 from 95.0 to 85.0 FTE positions. The staff positions that will be eliminated are to be identified by the Executive Director and submitted to the Legislature for review prior to the Omnibus period. A reduction of \$349,393 or 10 percent in the salary budget is recommended, subject to further review when all of the actual positions to be eliminated are reported.
3. Cut the advertising budget by 20 percent for savings of \$598,800 in a budget that is slightly under \$3.0 million. The Subcommittee notes that the contract with the Lottery's advertising service provider expires June 30, 1997, and further recommends that no extension of the present contract nor any new contract be initiated since the agency has the capability to manage its own media program with its own staff. Savings of \$13,000 per month for an additional \$156,000 will result from this action.
4. Discontinue the practice of partially financing the Kansas Bureau of Investigation's Gaming Unit by a demand transfer from the Lottery Operating Fund and prohibit any transfers out of the that Fund, except for payments to the Prize Fund and the State

Gaming Revenues Fund. In FY 1998, the KBI transfer was recommended by the Governor for \$274,261. By discontinuing this practice, the KBI must bill the Lottery for any actual expenses and the Lottery must pay bills as presented by the KBI. The Subcommittee estimates in FY 1998 that KBI fees of \$12,500 may become payable as expenditures for testing of instant game tickets.

5. Close the Wichita regional office for savings of \$75,750.
6. Continue to pay the Legislative Division of Post Audit the cost of performing an annual financial audit as a non-reportable expenditure, rather than as a revenue transfer. Delete transfer language in the appropriations bill.
7. Make any technical changes in the appropriations bill as required.

## KANSAS GAMING ACTIVITY AND SGRF TRANSFERS

10-Mar-97

## FY 1996 Actual

REVENUES	Jan	Feb	Mar	Apr	May	Jun	Subtotals
Racing Handle							
Kansas City	\$5,430,376	\$6,650,248	\$7,593,680	\$6,081,843	\$7,600,641	\$6,507,055	\$39,863,843
Frontenac	0	0	0	0	0	0	0
Wichita	4,400,491	4,223,832	4,643,440	3,713,638	4,207,020	3,875,212	25,063,633
Others	0	0	0	0	239,794	236,326	476,120
Totals	\$9,830,867	\$10,874,080	\$12,237,120	\$9,795,481	\$12,047,455	\$10,618,593	\$65,403,596
Lottery Sales							
Instant	\$6,304,465	\$6,237,851	\$7,895,530	\$5,952,694	\$5,956,263	\$6,594,057	\$38,940,860
On-Line	10,550,619	8,569,224	9,397,423	7,992,442	7,398,072	8,160,936	52,068,716
Pull Tabs	66,708	67,896	70,032	65,508	67,428	44,088	381,660
Totals	\$16,921,792	\$14,874,971	\$17,362,985	\$14,010,644	\$13,421,763	\$14,799,081	\$91,391,236
Total Gaming	\$26,752,659	\$25,749,051	\$29,600,105	\$23,806,125	\$25,469,218	\$25,417,674	\$156,794,832
SGRF TRANSFERS							
Racing	\$21,318	\$92,871	\$224,777	\$168,444	\$151,898	\$264,804	\$924,112
Lottery Regular	5,090,117	5,076,532	4,462,491	5,208,896	4,203,193	4,026,529	28,067,757
Lottery Special	843,947	0	0	843,947	0	0	1,687,894
Totals	\$5,955,382	\$5,169,403	\$4,687,268	\$6,221,287	\$4,355,091	\$4,291,333	\$30,679,763

## FY 1997 Reported

REVENUES	Jan	Feb*	Mar	Apr	May	Jun	Subtotals
Racing Handle							
Kansas City	\$4,626,637	\$5,106,428	\$0	\$0	\$0	\$0	\$9,733,065
Frontenac	0	0	0	0	0	0	0
Wichita	3,622,254	3,741,910	0	0	0	0	7,364,164
Others	0	0	0	0	0	0	0
Totals	\$8,248,891	\$8,848,338	\$0	\$0	\$0	\$0	\$17,097,229
		*preliminary					
Lottery Sales							
Instant	\$6,149,162	\$6,158,158	\$0	\$0	\$0	\$0	\$12,307,320
On-Line	8,362,058	7,384,414	0	0	0	0	15,746,472
Pull Tabs	41,976	37,788	0	0	0	0	79,764
Totals	\$14,553,196	\$13,580,360	\$0	\$0	\$0	\$0	\$28,133,556
Total Gaming	\$22,802,087	\$22,428,698	\$0	\$0	\$0	\$0	\$45,230,785

## SGRF TRANSFERS

Racing	\$165,395	\$10,500	\$151,404	NA	NA	NA	NA
Lottery Regular	4,725,535	4,475,108	\$4,175,961	NA	NA	NA	NA
Lottery Special	0	0	0	0	0	0	0
Totals	\$4,890,930	\$4,485,608	\$4,327,365	NA	NA	NA	NA
Percent +/- Last Year							
Racing	675.8%	-88.7%	-32.6%	NA	NA	NA	NA
Lottery Regular	-7.2%	-11.8%	-6.4%	NA	NA	NA	NA
Lottery Special	-	-	-	-	-	-	-
Totals	-17.9%	-13.2%	-7.7%	NA	NA	NA	NA
Amount of Differ	(\$1,064,452)	(\$683,795)	(\$359,903)	NA	NA	NA	NA

NOTE: The prior month's revenue activity (parimutuel handle or lottery sales) generally determines the subsequent month's transfer.

Appropriations  
3-10-97  
Attachment 4

## KANSAS GAMING ACTIVITY AND SGRF TRANSFERS

## FY 1996 Actual

REVENUES	July	Aug	Sept	Oct	Nov	Dec	Subtotals
Racing Handle							
Kansas City	\$7,971,678	\$8,998,799	\$7,265,839	\$5,543,593	\$6,704,702	\$5,152,378	\$41,636,989
Frontenac	2,532,377	2,432,177	2,291,443	1,656,006	518,973	0	9,430,976
Wichita	5,207,945	4,941,789	5,097,601	4,286,592	4,728,038	4,549,255	28,811,220
Others	233,925	0	0	0	0	0	233,925
Totals	\$15,945,925	\$16,372,765	\$14,654,883	\$11,486,191	\$11,951,713	\$9,701,633	\$80,113,110
Lottery Sales							
Instant	\$6,558,289	\$6,536,055	\$6,820,589	\$5,982,419	\$6,791,662	\$7,638,385	\$40,327,399
On-Line	7,671,648	8,068,349	8,021,596	7,813,195	9,718,586	9,284,188	50,577,562
Pull Tabs	55,140	99,698	38,844	53,760	84,176	44,484	376,102
Totals	\$14,285,077	\$14,704,102	\$14,881,029	\$13,849,374	\$16,594,424	\$16,967,057	\$91,281,063
Total Gaming	\$30,231,002	\$31,076,867	\$29,535,912	\$25,335,565	\$28,546,137	\$26,668,690	\$171,394,173
SGRF TRANSFERS							
Racing	\$188,811	\$378,651	\$373,454	\$299,243	\$182,225	\$130,294	\$1,552,678
Lottery Regular	4,254,934	4,285,523	4,411,899	4,463,640	4,153,012	4,977,985	26,546,994
Lottery Special	843,947	0	0	843,947	0	0	1,687,894
Totals	\$5,287,692	\$4,664,174	\$4,785,353	\$5,606,830	\$4,335,237	\$5,108,279	\$29,787,566

## FY 1997 Reported

REVENUES	July	Aug	Sept	Oct	Nov	Dec	Subtotals
Racing Handle							
Kansas City	\$6,269,019	\$7,114,740	\$6,468,462	\$5,615,319	\$5,297,753	\$4,492,520	\$35,257,813
Frontenac	0	0	0	0	0	0	0
Wichita	3,960,742	3,961,402	3,737,217	3,498,531	3,665,523	3,388,281	22,211,696
Others	135,179	0	0	0	0	0	135,179
Totals	\$10,364,940	\$11,076,142	\$10,205,679	\$9,113,850	\$8,963,276	\$7,880,801	\$57,604,688
Lottery Sales							
Instant	\$5,644,492	\$6,906,974	\$5,538,418	\$5,446,217	\$7,559,157	\$6,172,616	\$37,267,874
On-Line	7,518,148	8,312,863	8,201,218	10,665,159	8,392,614	9,153,241	52,243,243
Pull Tabs	37,824	70,428	50,388	48,840	41,748	41,736	290,964
Totals	\$13,200,464	\$15,290,265	\$13,790,024	\$16,160,216	\$15,993,519	\$15,367,593	\$89,802,081
Total Gaming	\$23,565,404	\$26,366,407	\$23,995,703	\$25,274,066	\$24,956,795	\$23,248,394	\$147,406,769
SGRF TRANSFERS							
Racing	\$131,313	\$99,458	\$203,833	\$195,614	\$19,304	\$82,492	\$732,014
Lottery Regular	4,439,855	4,059,143	4,701,756	4,240,432	4,969,267	4,918,007	27,328,460
Lottery Special	0	0	0	0	0	0	0
Totals	\$4,571,168	\$4,158,601	\$4,905,589	\$4,436,046	\$4,988,571	\$5,000,499	\$28,060,474
Percent +/- Last Year							
Racing	-30.5%	-73.7%	-45.4%	-34.6%	-89.4%	-36.7%	-52.9%
Lottery Regular	4.3%	-5.3%	6.6%	-5.0%	19.7%	-1.2%	2.9%
Lottery Special	-100.0%	-	-	-100.0%	-	-	-
Totals	-13.6%	-10.8%	2.5%	-20.9%	15.1%	-2.1%	-5.8%
Amount of Difference	(\$716,524)	(\$505,573)	\$120,236	(\$1,170,784)	\$653,334	(\$107,780)	(\$1,727,091)

NOTE: The prior month's revenue activity (parimutuel handle or lottery sales) generally determines the subsequent month's transfer.

**SUBCOMMITTEE REPORT**

**Agency:** Kansas Racing and Gaming Commission **Bill No.** 2272

**Bill Sec.** 15

**Analyst:** Efirid

**Analysis Pg. No.** 1238

**Budget Page No.** 371

<u>Expenditure Summary</u>	<u>Agency Request FY 97</u>	<u>Gov. Rec. FY 97</u>	<u>House Subcommittee Adjustments</u>
<b>Special Revenue Funds:</b>			
State Operations	\$ 4,211,368	\$ 4,924,168	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>739,979</u>	<u>874,402</u>	<u>0</u>
Subtotal - Operating	\$ 4,951,347	\$ 5,798,570	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u><u>\$ 4,951,347</u></u></b>	<b><u><u>\$ 5,798,570</u></u></b>	<b><u><u>\$ 0</u></u></b>
FTE Positions	56.0	56.0	0.0
Unclassified Temp. Positions	<u>8.0</u>	<u>8.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u><u>64.0</u></u></b>	<b><u><u>64.0</u></u></b>	<b><u><u>0.0</u></u></b>

**Agency Request/Governor's Recommendation**

The racing operations mission is twofold: to collect the parimutuel tax and regulate horse and dog race track activities. The request in FY 1997 assumes operation of the Frontenac dog race track and maintenance of an office and staff at that location. The state gaming agency mission is to provide oversight of tribal casino operations pursuant to compacts with four tribes.

The Governor's recommendations in FY 1997 assume operations of two year round race track facilities, but do not include operations at Frontenac. A reduction in the expenditure limitation for the State Racing Fund deletes operating expenditures associated with the Southeast Kansas track. The FY 1997 recommendations of the Governor anticipate transfers to the Gaming Revenues Fund (SGRF) at \$1,495,982 in FY 1997. Because the Lottery transfers exceed \$50.0 million, all of the revenue from this source would be shifted to the State General Fund (SGF) prior to the end of FY 1997.

**House Subcommittee Recommendation**

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

1. Delete erroneous appropriations language in the supplemental appropriations bill concerning a second transfer to the Tribal Gaming Fund.
2. Make any technical changes as needed in the appropriations bill.

*Appropriations  
3-10-97  
Attachment 5*

**SUBCOMMITTEE REPORT**

**Agency:** Kansas Racing and Gaming Commission **Bill No.** 2160

**Bill Sec.** 50, 54

**Analyst:** Efirid

**Analysis Pg. No.** 1238

**Budget Page No.** 371

<u>Expenditure Summary</u>	<u>Agency Request FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
Special Revenue Funds:			
State Operations	\$ 4,924,168	\$ 4,270,830	\$ (1,099,611)
Aid to Local Units	0	0	0
Other Assistance	<u>874,402</u>	<u>874,865</u>	<u>(363,000)</u>
Subtotal - Operating	\$ 5,798,570	\$ 5,143,695	\$ (1,462,611)
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 5,798,570</u></u>	<u><u>\$ 5,143,695</u></u>	<u><u>\$(1,462,611)</u></u>
FTE Positions	64.0	47.0	(4.0)
Unclassified Temp. Positions	<u>0.0</u>	<u>8.0</u>	<u>0.0</u>
TOTAL	<u><u>64.0</u></u>	<u><u>55.0</u></u>	<u><u>(4.0)</u></u>

**Agency Request/Governor's Recommendation**

The Kansas Racing Commission was redesignated as the Kansas Racing and Gaming Commission on July 1, 1996, when the State Gaming Agency was attached for administrative and budget purposes. A portion of the budget request reflects the expenditures associated with each entity.

**State Racing Operations.** The Commission administers provisions of the Parimutuel Racing Act and serves as the regulatory entity for horse and greyhound racing. The mission of the agency is to regulate horse and dog race track activities. The Commission regulates the conduct of the races, parimutuel wagering, and submission of tax payments. Revenues are derived from a parimutuel tax, an admissions tax, license fees, and fines. Receipts are deposited in the State Racing Fund, with a portion of those receipts transferred to the State Gaming Revenues Fund after certain Commission costs are paid.

**State Gaming Agency Operations.** The 1996 Tribal Gaming Oversight Act statutorily created the State Gaming Agency in order to fulfill the duties in the gaming compacts and to enforce the provisions of the compacts and state laws, including general criminal statutes and specific criminal gaming statutes in the Tribal Gaming Oversight Act. To date, three casinos have been opened in Kansas under provisions of the four compacts with different tribes.

The Commission's request for an increase in FY 1998 expenditures assumes continued operation of the Frontenac dog track and maintenance of an office and staff at that location. Additional full-time permanent staffing is requested for the State Gaming Agency.



The Governor's recommendations in FY 1998 assume a full year of operations of two race track facilities, but do not include Frontenac. The recommendations of the Governor anticipate transfers to the State Gaming Revenues Fund (SGRF) at \$400,002 in FY 1998. A shift in paying for certain Commission staff who are race officials stationed at the tracks contributes to this reduction in SGRF transfers. A total of 19.0 FTE positions paid from the Racing Reimbursable Fee Fund in FY 1997 would be paid from the State Racing Fund (SRF) in FY 1998 under the Governor's recommendation, thus shifting expenses of almost \$1.0 million to the SRF. Since the Lottery is anticipated to contribute over \$50.0 million to the SGRF in FY 1998, the \$400,002 transfer of racing money recommended by the Governor would ultimately be transferred to the State General Fund (SGF) before the end of next fiscal year.

For the State Gaming Agency, the Governor recommends additional financing in FY 1998 of \$197,672 for staff salaries. No increase is included by the Governor for the limitation of 5.0 FTE positions authorized in FY 1997. Eight temporary positions are reflected in the Governor's recommendations for FY 1997 and FY 1998.

The Governor's recommendations include recommendations for various transfers to help finance the operations of state agencies. The Governor recommends transfers to both the KBI and Post Audit that will be made from the State Racing Fund. Additionally, transfers (loans) from the State General Fund to the Tribal Gaming Fund (TGF) are recommended, and subsequent transfers (repayments) are anticipated by the Governor's recommendations. No transfers from the Tribal Gaming Fund to the KBI are included either by the agency or the Governor to pay for background investigations. Presumably, the KBI will bill the agency for charges and the payments will be treated as expenditures by the agency.

Expenditure	Actual FY 96	Agency Est. FY 97	Gov. Rec. FY 97	Agency Req. FY 98	Gov. Rec. FY 98
Transfer from					
SRF to KBI	\$ (372,023)	\$ (393,967)	\$ (395,965)	\$ (393,965)	\$ (400,002)
SRF to Post Audit	0	0	0	0	(22,000)
SGF to TGF	145,976	366,941	366,941	434,676	434,676
TGF to SGF	(116,986)	(366,941)	(366,941)	(434,676)	(434,676)
TGF to KBI	0	0	0	0	0
Total – Transfers	<u>\$ (343,033)</u>	<u>\$ (393,967)</u>	<u>\$ (395,965)</u>	<u>\$ (393,965)</u>	<u>\$ (422,002)</u>

Performance Measures			
	Actual FY 1996	Estimate FY 1997	Gov. Rec. FY 1998
State Racing Fund Receipts	\$ 4,812,387	\$ 3,840,354	\$ 3,664,245
Receipts transferred to SGRF	\$ 2,476,790	\$ 1,495,982	\$ 474,653
Receipts transferred to SGF from SGRF*	\$ 2,476,790	\$ 1,495,982	\$ 474,653

\*Note: When Lottery transfers to SGRF exceed \$50.0 million

## House Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations and makes the following adjustments in FY 1998:

### State Racing Operations

1. Delete salary enhancements of \$34,788 recommended in the form of a merit pool for the unclassified staff.
2. Reduce staffing by 12.0 from 42.0 FTE positions to 30.0 FTE positions, including among the reductions 1.0 Deputy Director, 1.0 Assistant Attorney General, 1.0 Legal Assistant, and other staff to be identified by the Executive Director and submitted to the Legislature for review prior to the Omnibus period. A reduction of \$564,032 or 28 percent in the salary budget is recommended, subject to further review when all of the actual positions to be eliminated are reported. Also introduce a bill to change current law which requires not fewer than two assistant attorney general positions for the State Racing and Gaming Commission.
3. Delete half of the funding for the Commissioners' \$24,000 per year salary authorized by the Governor and computed as a reduction of \$60,000 (five Commissioners at \$12,000 each). Also introduce a bill to change the authority for setting the Commissioners' salary from the Governor and prescribe a statutory salary of no more than \$12,000 per year.
4. Reduce the regular other operating expenditures by 50 percent (\$509,255) and capital outlay by 100 percent (\$31,536) in order to reflect the continuing reduction of revenue from the parimutuel tax due to bankruptcies and closures of race tracks in Kansas, and a general decline in parimutuel wagering at those tracks which still have racing.
5. Discontinue the practice of partially financing the Kansas Bureau of Investigation's Gaming Unit by a demand transfer from the State Racing Fund and prohibit any transfers out of the State Racing Fund, except for monthly payments to the State Gaming Revenues Fund. In FY 1998, the KBI transfer was recommended by the Governor for \$400,002. By discontinuing this practice, the KBI must bill the Commission for any actual expenses and the Commission must pay bills as presented by the KBI. The Subcommittee estimates in FY 1998 that KBI fees of \$100,000 may become payable as expenditures from the State Racing Fund and that appropriate adjustments should be made in the expenditure limitation and in the estimated receipts to the State Gaming Revenues Fund that will be enhanced by an additional \$300,002 in FY 1998.
6. Place an expenditure limitation of \$250,000 on the Horse Fair Racing Benefit Fund in FY 1998 ( a reduction of \$363,000) and provide for the transfer of any amounts in excess of \$250,000 on July 1, 1997, and again on June 30, 1998 to the State Racing Fund in order to reimburse the Commission for the previous payments to subsidize county fair parimutuel events that lose money every year. The Subcommittee anticipates that the funds recovered in this manner will be transferred to the State Gaming Revenues Fund ultimately. Since the revenue for the Horse Fair Racing

Benefit Fund is derived from a statutory directive that takes one-third of the parimutuel tax from simulcasting to finance this fund, a transfer of the excess receipts above the financing needed for \$250,000 of authorized expenditures should be returned to the State Racing Fund where the other simulcast tax monies are deposited.

7. Continue to pay the Legislative Division of Post Audit the cost of performing an annual financial audit as a non-reportable expenditure, rather than as a revenue transfer. Delete transfer language in the appropriations bill.

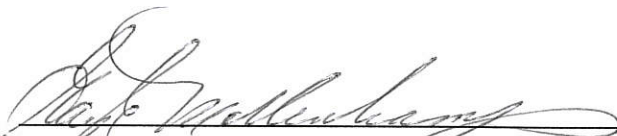
#### **State Gaming Agency**

1. Add 8.0 FTE positions to the existing 5.0 permanent staff in order to hire permanent personnel for background investigations and clerical work associated with those activities, and for compliance work to monitor the three operating tribal casinos. The Governor's recommendations in FY 1998 included financing for all eight positions since the compacts provide that the tribes pay 100 percent of these costs, but included only temporary unclassified positions. Provide for a separate line item for 13.0 FTE positions for this agency.
2. Make any technical changes in the appropriations bill as required.

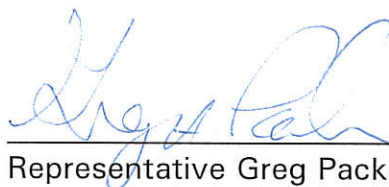
FY 1997-FY 1998

HOUSE SUBCOMMITTEE REPORTS

DEPARTMENT OF COMMERCE AND HOUSING  
KANSAS, INC.  
KANSAS TECHNOLOGY ENTERPRISE CORPORATION



Representative Gayle Mollenkamp  
Subcommittee Chair



Representative Greg Packer



Representative Doug Spangler

Appropriations  
3-10-97  
Attachment 6

**SUBCOMMITTEE REPORT**

Agency: Department of Commerce and Housing Bill No. –

Bill Sec. –

Analyst: Burenheide

Analysis Pg. No. 1136

Budget Page No. 103

Expenditure	Agency Est. FY 97	Gov. Rec. FY 97	House Subcommittee Adjustments
All Funds:			
State Operations	\$ 13,347,345	\$ 13,347,345	\$ 0
Aid to Local Units	57,992,601	57,992,601	0
Other Assistance	<u>13,993,150</u>	<u>13,993,150</u>	<u>0</u>
Subtotal - Operating	\$ 85,333,096	\$ 85,333,096	\$ 0
Capital Improvements	<u>61,000</u>	<u>61,000</u>	<u>0</u>
TOTAL	<u><u>\$ 85,394,096</u></u>	<u><u>\$ 85,394,096</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 1,693,567	\$ 1,693,567	\$ 0
Aid to Local Units	1,036,692	1,036,692	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 2,730,259	\$ 2,730,259	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 2,730,259</u></u>	<u><u>\$ 2,730,259</u></u>	<u><u>\$ 0</u></u>
Economic Development Initiatives Fund:			
State Operations	\$ 6,712,160	\$ 6,712,160	\$ 0
Aid to Local Units	200,000	200,000	0
Other Assistance	<u>12,535,900</u>	<u>12,535,900</u>	<u>0</u>
Subtotal - Operating	\$ 19,448,060	\$ 19,448,060	\$ 0
Capital Improvements	<u>61,000</u>	<u>61,000</u>	<u>0</u>
TOTAL	<u><u>\$ 19,509,060</u></u>	<u><u>\$ 19,509,060</u></u>	<u><u>\$ 0</u></u>
FTE Positions	134.0	134.0	0.0
Unclassified Temp. Positions	<u>2.0</u>	<u>2.0</u>	<u>0.0</u>
TOTAL	<u><u>136.0</u></u>	<u><u>136.0</u></u>	<u><u>0.0</u></u>

## Agency Estimate/Governor's Recommendation

The agency's revised FY 1997 operating expenditure estimate is \$85,333,096 or \$13,686,689 more than the amount approved by the 1996 Legislature. Of the total estimate, \$13,347,345 is for state operations, \$57,992,601 is for aid to local units, and \$13,993,150 is for other assistance.

Of the total FY 1997 estimate for operating expenditures, \$2,730,259 is from the State General Fund, \$19,448,060 is from the EDIF, and \$63,154,777 is from other funds. The estimate for spending from the State General Fund is the same amount as approved by the 1996 Legislature. The estimate includes \$3,990 in Kansas Quality Management (KQM) expenditures. Agencies are authorized to expend KQM services in the following fiscal year, in this case FY 1997. The estimate for spending federal and special revenue funds is \$8,496,506 more than the amount approved by the 1996 Legislature. The increases are mainly attributable to two factors: changes in the way Investment in Major Projects and Comprehensive Training Act (IMPACT [formerly SKILL]) and Community Development Block Grants are reported and changes, in federal funding in the Housing Division.

Until this budget submission, IMPACT budgeting included expenditures from bond proceeds and repayment of bond anticipation notes. Inclusion of these expenditures inflated actual costs to the State and even double-counted certain expenditures. IMPACT expenditures now reflect only the debt service payments and the operating costs associated with the program, *i.e.* true State expenditures. This change resulted in a budget decrease of about \$6.4 million. (This is explained in detail in the Business Development Program.)

A second change in budgeting procedures is to reflect actual cash expenditures for each fiscal year for the Community Development Block Grant (CDBG) program. In the past, actual expenditures have reflected only cash expenditures (as opposed to most grant programs where encumbered grants are also recorded as expenditures), but current and budget year expenditures reflected anticipated federal allocations for those years. For the sake of consistency and to bring the budget and accounting requirements more in line, the agency is now budgeting only cash outlays. As a result, CDBG expenditures are \$2.5 million less than reflected in last years budget amount, but CDBG Disaster Relief expenditures are \$14 million more. The agency is also estimating \$1.5 million more in the CDBG Revolving Loan Fund than was budgeted a year ago.

Major shifts in expenditure estimate have also occurred in the Housing Division. Weatherization dollars and associated administrative grants to local agencies have been cut by more than \$1 million. However, the Division has assumed management of Housing and Urban Development (HUD) section 8 and similar projects which increases grant expenditures by more than \$7 million.

The Governor concurs with the agency's request for FY 1997.

## House Subcommittee Recommendation

The Subcommittee concurs with the recommendations of the Governor with the following observation:

1. The Subcommittee notes that although the agency's total FY 1997 budget increases \$21,408,575, or 33.5 percent under the Governor's recommendation (from \$63,985,521 to \$85,394,096), the majority of that increase was due to additional federal Community Development Block Grant funds. Specifically, \$5,959,956 is due

to the Division of Housing assuming management of Housing and Urban Development (HUD) Section 8 and similar housing projects. Further, FY 1997 is the last year in which Kansas will receive \$14,000,000 from the federal Supplemental Emergency Appropriations Act. This Act provided Kansas with federal resources to be paid out to communities to complete projects supporting recovery from the damages incurred as a result of the 1993 and 1994 flooding conditions. Funding in the Community Development Division rose from \$26,733,513 in FY 1996 to \$36,649,486 recommended in FY 1997. This is an increase of \$9,915,973, or 37.1 percent. The agency also estimates \$1.5 million more in the Community Development Block Grant (CDBG) Revolving Loan Fund, a fund used for economic development and job creation projects in eligible Kansas communities.

**SUBCOMMITTEE REPORT**

Agency: Department of Commerce and Housing **Bill No. 2160**

**Bill Sec. 45**

Analyst: Burenheide

Analysis Pg. No. 1136

Budget Page No. 103

<u>Expenditure</u>	<u>Agency Req. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 14,420,928	\$ 14,298,410	\$ (827,690)
Aid to Local Units	43,726,243	44,226,243	0
Other Assistance	<u>11,156,100</u>	<u>11,406,100</u>	<u>0</u>
Subtotal - Operating	\$ 69,303,271	\$ 69,930,753	\$ (827,690)
Capital Improvements	<u>35,000</u>	<u>35,000</u>	<u>0</u>
TOTAL	<u>\$ 69,338,271</u>	<u>\$ 69,965,753</u>	<u>\$ (827,690)</u>
State General Fund:			
State Operations	\$ 1,692,709	\$ 1,692,654	\$ 0
Aid to Local Units	1,036,692	1,036,692	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 2,729,401	\$ 2,729,346	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 2,729,401</u>	<u>\$ 2,729,346</u>	<u>\$ 0</u>
Economic Development Initiatives Fund:			
State Operations	\$ 7,245,800	\$ 7,324,315	\$ (827,690)
Aid to Local Units	250,000	750,000	0
Other Assistance	<u>10,774,600</u>	<u>11,024,600</u>	<u>0</u>
Subtotal - Operating	\$ 18,270,400	\$ 19,098,915	\$ (827,690)
Capital Improvements	<u>35,000</u>	<u>35,000</u>	<u>0</u>
TOTAL	<u>\$ 18,305,400</u>	<u>\$ 19,133,915</u>	<u>\$ (827,690)</u>
FTE Positions	136.0	134.0	0.0
Unclassified Temp. Positions	<u>1.0</u>	<u>1.0</u>	<u>0.0</u>
TOTAL	<u>137.0</u>	<u>135.0</u>	<u>0.0</u>

**Agency Request/Governor's Recommendation**

The agency requests FY 1998 operating expenditure funding of \$69,303,271 a decrease of \$16,029,825, or 19.4 percent, below the FY 1997 estimate. Of the total FY 1998 request \$2,729,401



or 3.9 percent is financed from the State General Fund, \$18,270,400 from the EDIF, and \$48,303,470 or 96.1 percent is financed from other funds.

The FY 1998 request eliminates funding for three separate programs: the Kansas Rural Development Council (KRDC), the Mid-America World Trade Center, and the MicroLoan Program. Funding for the first two programs were proposed for elimination in last year's budget, but restored by the Legislature. Again, as the agency reviews performance and attempts to order priorities, the agency is requesting no continuation of funding for these programs.

The Department is also requesting that funding be eliminated for the MicroLoan Program because an appropriate service delivery mechanism has not been established. The availability of small loans to small businesses remains a need in Kansas, but until the agency can establish a way to provide loans, the Department believes that state dollars can be better spent elsewhere.

Other program detail will be explained in the Budget Detail section.

**The Governor** recommends operating expenditure funding of \$69,930,753, a decrease of \$15,402,343 or 18.0 percent from the Governor's FY 1997 recommendation. The Governor's FY 1998 recommendation is \$627,482, or 0.9 percent above the agency's FY 1998 request. For FY 1998, **the Governor** recommends funding of \$2,729,346 from the State General Fund, \$19,098,915 from the EDIF, and \$48,102,492 from all other funds.

### House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation for FY 1998 with the following modifications:

1. The Subcommittee notes that due to the passage of H.B. 2374 (Tourism Fund), the Economic Development Initiatives Fund (EDIF) has a negative cashflow balance of \$5.0 million in FY 1998.
2. The Subcommittee recognizes and commends the Department for the reduction in the number of FTE positions in the agency. The Governor's FY 1998 recommendation for the Department contains 134.0 FTEs, which is 2 FTE positions less than compared to 136.0 FTE in FY 1997 or FY 1996. The Subcommittee notes, however, that 10.0 FTEs (8.0 from the Department of Agriculture and 2.0 from the Kansas Value Added Center (KVAC)) were added to the Department in FY 1997 when the Market Development and Promotion of Food Products and Commodities was moved from the Department of Agriculture; and Value-Added Development of Food/Feed and Industrial Agriculture was moved from KVAC to the Department.
3. The Subcommittee recommends a technical adjustment to carry out the Governor's original intent concerning the Kansas Existing Industry Expansion Program (KEEP). A technical oversight in H.B. 2160 resulted in language transferring \$950,000 to the Kansas Economic Opportunities Initiative Fund (KEOIF). The \$950,000 should actually be transferred to KEEP.

4. The Subcommittee recognizes the Department's plan to facilitate the construction of at least two single family homes in each of the six economic development districts every six months. This will be done with no additional funding.

The Subcommittee recommends adding the following provisos to the appropriations bill to allow the Kansas Housing Development Corporation (KHDC), a nonprofit, statewide Housing Authority to receive grant funds from the Division of Housing as well as receive the title to the donated sites during construction:

- a. *"Provided, that in addition to any other expenditure authorized from the HOME federal fund, funds may be expended to fund projects of the Kansas Housing Development Corporation projects and related operating expenses of such corporation: Provided further, that such expenditures for projects and operating expenses shall be subject to the approval of the Secretary of Commerce and Housing: And provided further, that such projects shall include, but not be limited to, increasing housing opportunities for the citizens of Kansas, purchase, development and transfer of housing projects, incurring obligations related to such projects, and establishing partnerships and lending relationships with local communities and the private sector."*
  - b. *"Provided, that in addition to any other expenditure authorized from the State Housing Trust Fund , funds may be expended to fund projects of the Kansas Housing Development Corporation projects and related operating expenses of such corporation: Provided further, that such expenditures for projects and operating expenses shall be subject to the approval of the Secretary of Commerce and Housing: And provided further, that such projects shall include, but not be limited to, increasing housing opportunities for the citizens of Kansas, purchase, development and transfer of housing projects, incurring obligations related to such projects, and establishing partnerships and lending relationships with local communities and the private sector."*
  - c. *"Provided, that in addition to any other expenditure authorized from the Low Income Housing Tax Credit Fee Fund, funds may be expended to fund projects of the Kansas Housing Development Corporation projects and related operating expenses of such corporation: Provided further, that such expenditures for projects and operating expenses shall be subject to the approval of the Secretary of Commerce and Housing: And provided further, that such projects shall include, but not be limited to, increasing housing opportunities for the citizens of Kansas, purchase, development and transfer of housing projects, incurring obligations related to such projects, and establishing partnerships and lending relationships with local communities and the private sector."*
5. The Subcommittee recommends that a technical adjustment be made in the amounts reflected in the Kansas Economic Development Endowment account and the state operations (including official hospitality) account of the Kansas Economic Development account to reflect the Governor's original intent.
  6. Delete \$165,600 (EDIF) for capital outlay in the Administration Division. According to the Department of Commerce and Housing, the request is for

computer equipment and electronic storage capabilities. The Subcommittee requests that the Joint Committee on Computers and Technology review this request and the full Committee reconsider this issue during Omnibus.

7. Delete \$15,057 (EDIF) of \$222,624 for office rent in the Administration Division. This is the amount of anticipated rent increase for FY 1998. The Subcommittee notes that this is a 7.3 percent increase over current rates paid by the Department. The Subcommittee suggests that the agency renew the lease at their current rate or look for other office space that can match their current rent rate.
8. Delete \$50,000 (EDIF) for contractual services in the Agriculture Products Development Division. These funds were not requested by the agency, but were added by the Governor. The Governor's recommendation did not provide sufficient detail to determine how the funding was to be used.
9. The Subcommittee commends the Department's Kansas Industrial Training (KIT) and Retraining (KIR) Programs. The Subcommittee notes that these programs provide training assistance in the form of grants primarily to manufacturing, distribution and regional or national service firms in the process of adding employees or retraining employees who might be displaced because of obsolete or inadequate job skills and knowledge.
10. The Subcommittee deletes \$10,000 (EDIF) from contractual services in the Trade Development Division. This \$10,000 (EDIF) request is an 8.3 percent increase over FY 1997. The Subcommittee recommends that the Department hold spending to FY 1997 levels.
11. **Overseas Offices.** The Subcommittee recognizes the importance of exports to the State of Kansas and, therefore, the importance of overseas offices. There are three such offices, located in Japan, Australia, and Belgium. Each of these offices assists with trade and investment. The overseas offices arrange and coordinate trade shows and trade missions, greet Kansas business and government visitors to their country, forward sourcing inquiries, and promote the State of Kansas to foreign businesses, governments, and the media.

**Japan.** Japan is the state's second largest export market. Merchandise exports in 1995 totaled \$556 million, an increase of 21 percent over the previous year. Kansas companies with substantial sales in Japan include Coleman, Hill's Pet Products, and Excel. With regard to trade promotion, the Kansas Japan Office has provided assistance to a variety of Kansas companies in Japan. Sales of Kansas beef in Japan have been dramatically increased through a relationship between Excel and Daiei, Japan's largest retail chain. The office is currently assisting several firms in discussions with distributors, with market research, and with other information on technical regulations. In addition, 39 Kansas companies had their products on display for the Kansas Fair at the Tokyo Trade Center last June. Approximately 120 trade leads were generated from this program. Fifteen Kansas companies were represented at a trade show in Osaka last October.

**Australia.** Initially, the focus of the Kansas Australia Office was directed entirely within Australia. As the economies of Southeast Asia have developed, and interest

by Kansas companies has grown wider, the office has taken on a regional role. It is now also covering the Association of Southeast Asian Nationals (ASEAN): Indonesia, Malaysia, Singapore, Thailand, Vietnam, Philippines, Brunei. Kansas' manufactured exports to the Asia/Pacific region increased 42 percent from 1994 to 1995. Excluding Japan, Kansas exports of manufactured goods to the Asia/Pacific region totaled \$786 million in 1995.

The Kansas Australia Office has been instrumental in at least ten distributorships and licensed agreements, primarily with Kansas agri-business companies. Efforts by this office secured a license agreement for a Kansas company that will provide portable horse stalls at the stadium for the Olympics in the year 2000. The office is current working for Australian government certification to allow a Kansas manufacturer of custom motorcycles to export its products to Australia.

**Europe.** Europe is Kansas's third largest merchandise export marketing region, representing 14 percent (\$470 million) of Kansas merchandise exports worldwide. The three largest purchasers are Germany at \$97 million, the United Kingdom at \$87 million and France at \$56 million.

The Kansas European Office works with individual companies and multiplier organizations to promote Kansas as an ideal U.S. location for manufacturing and distribution. Recent investment activity includes:

Bayer Animal Health—a German-owned company, broke ground for a \$45 million plant in Shawnee.

Diamant-Boart of Belgium and Aldi Food of Germany have built new facilities in Olathe.

Certaineed—a French-based company, doing a \$186 million expansion in Kansas City, Kansas.

Lenze, a German-owned firm, began operations in Emporia.

Sommer-Allibert—a French-owned company that recently purchased an existing building in Kansas City, Kansas, and is in the midst of investing \$5 million to upgrade the facility and equipment. The company plans to add 100 new jobs over the next 18 months.

12. Add \$50,000 (EDIF) for the Mid-America World Trade Center in Wichita in the Trade Development Division. The Governor had recommended no funding for this program in FY 1998.
13. Delete \$90,000 (Greyhound Tourism Fund) for greyhound industry related expenditures. In addition, change the no-limit status on the Greyhound Tourism Fund to \$0. The Subcommittee also recommends that a bill be introduced to amend K.S.A. 74-8831 so that the Gaming and Racing Commission approves expenditures from the fund, instead of the Secretary of Commerce and Housing.

14. Delete \$99,250 (EDIF) from other assistance, grants, and benefits in the Travel and Tourism Division. This amount is the increase the Department requested and the Governor recommended in FY 1998. The FY 1998 Governor's Recommendation was \$547,100, which is \$99,250 more or 22.2 percent more than the FY 1997 estimate of \$447,850.
15. Delete \$500,000 (EDIF) from aid to local units in the Travel and Tourism Division. The money was recommended by the Governor for the development of a new Railroad Mitigation Program. These funds would have been used to aid localities which have been adversely affected by the Union Pacific/Southern Pacific Railroad.
16. Add \$52,217 (EDIF) for the Kansas Rural Development Council (KRDC). The Governor had recommended no funding for this program in FY 1998. This will allow for \$27,143 (includes 3.5 percent salary adjustment) for salaries and wages and \$25,074 in other operating expenses. The Subcommittee believes the KRDC provides an effective forum for collaboration between various entities and identifies and addresses affecting rural Kansas.
17. Shift \$165,000 (federal funds) from Strategic Action Grants to a new fund entitled the Community Capacity Building Grant program in the budget year. The action will still have \$85,000 for Strategic Action Grant activities. The state's Community Strategic Planning Assistance Act expires at the end of FY 1998. Assistance under this Act has been phased out in such a way that only metropolitan counties are eligible for grants in FY 1998. The Department proposed, and the Governor recommended, that \$85,000 be made available to the metropolitan areas in this final year. The remainder (\$165,000) of the traditional grant pool has been budgeted for Community Capacity Building Grants, which are designed to build on the efforts begun under the Strategic Planning program and which would be made available to both metro and nonmetro areas. However, H.B. 2160 as introduced would not guarantee the expenditure of the \$165,000 for the Community Capacity Building Grant program.

**SUBCOMMITTEE REPORT**

Agency: Kansas Inc.

Bill No. --

Bill Sec. --

Analyst: Burenheide

Analysis Pg. No. 1163

Budget Page No. 319

Expenditure	Agency Est. FY 97	Gov. Rec. FY 97	House
			Subcommittee Adjustments
<b>All Funds:</b>			
State Operations	\$ 313,755	\$ 312,181	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 313,755	\$ 312,181	\$ 0
Capital Improvements	0	0	0
<b>TOTAL</b>	<b>\$ 313,755</b>	<b>\$ 312,181</b>	<b>\$ 0</b>
<b>State General Fund:</b>			
State Operations	\$ 153,379	\$ 151,805	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 153,379	\$ 151,805	\$ 0
Capital Improvements	0	0	0
<b>TOTAL</b>	<b>\$ 153,379</b>	<b>\$ 151,805</b>	<b>\$ 0</b>
<b>Other Funds:</b>			
State Operations			
Economic Development			
Initiatives Fund	\$ 160,376	\$ 160,376	\$ 0
KS. Inc. Matching Fund	0	0	0
Conversion of Materials			
and Equipment	0	0	0
Subtotal - Operating	\$ 160,376	\$ 160,376	\$ 0
Capital Improvements	0	0	0
<b>TOTAL</b>	<b>\$ 160,376</b>	<b>\$ 160,376</b>	<b>\$ 0</b>
FTE Positions	5.0	5.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
<b>TOTAL</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>

Appropriations  
3-10-97  
Attachment 7

## Agency Estimate/Governor's Recommendation

The agency's current year estimate is \$313,755 which is the same amount approved by the 1996 Legislature. However the current year budget assumed \$1,574 of FY 1996 savings would be reappropriated to help finance the approved FY 1997 budget. The agency did not reappropriate any savings to FY 1997. Therefore, Kansas, Inc. requests a supplemental appropriation from the State General Fund of \$1,574 which is the exact dollar amount of the budgeted reappropriation from FY 1996 that was not achieved. It appears that the money was spent in FY 1996 and therefore was not available in FY 1997.

Of the total revised FY 1997 estimate, \$153,379 is from the State General Fund and \$160,376 is from the Economic Development Initiatives Fund (EDIF).

The Governor does not recommend a State General Fund supplemental appropriation of \$1,574 in FY 1997. The Governor's FY 1997 recommendation is \$312,181 or \$1,574 less than the agency request.

For the current year, the agency's plans include, among other things:

(1) STRATEGIC PLANNING PROGRAM: Revise A KANSAS VISION. This state strategic plan for economic development was first published by Kansas, Inc. in 1993. The 1997 version of the strategic plan will be submitted to the Governor and Legislature in January, 1997. The strategic planning program will continue throughout FY 1998 with activities directed toward communication of the strategy, and its goals and objectives; action planning that will lead to strategy implementation; and refinement of benchmarks to measure the achievement of strategic goals and objectives. A private sector Strategic Planning Committee of 24 persons, including six representatives of the Kansas, Inc. Board and a professional advisory committee of 21 chamber executives and local economic development practitioners have assisted in the revision process.

(2) RESEARCH AND ANALYSIS: Provide research and analytical support to the Kansas, Inc. Board of Directors, the Governor, the Legislature, and the business community on issues and topics of importance to the Kansas economy and its business climate. Due to Kansas, Inc. participation on the Kansas Rural Development Council, Kansas, Inc. will publish two annual reports to assist rural policymakers: ANNUAL REPORT ON COUNTY ECONOMIC VITALITY AND DISTRESS and ANNUAL REPORT ON COMMUNITY AND ECONOMIC DEVELOPMENT GRANTS AND LOANS. In the area of labor, Kansas, Inc. will conduct and sponsor research, workshops, and educational activities to identify critical issues affecting the Kansas labor force, work force training, and education.

(3) EVALUATION OF KANSAS ECONOMIC DEVELOPMENT: Pursuant to K.S.A. 74-8010, Kansas, Inc. will evaluate the effectiveness of economic development programs within the state and make recommendations to improve the performance of economic development agencies and programs, including the follow-up and implementation of the recommendations contained in the January 1996 report, ANALYSIS OF KANSAS BUSINESS ASSISTANCE. Kansas, Inc. has also become a subscriber to Regional Economic Models, Inc. (REMI). At the request of the Secretary of Commerce and Housing, Kansas, Inc. entered into a contract with REMI. REMI provides an economic forecasting and impact model that can be used to analyze policy changes and evaluate program effects.

(4) SPECIAL STUDIES: Conduct an assessment of school district performance among 48 school districts under the School performance Accreditation System, as mandated under K.S.A. 72-6349 and submit the results of the analysis to the 1998 Legislature.

### House Subcommittee Recommendation

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

1. The Subcommittee notes that the President of Kansas Inc. has not taken a merit increase in FY 1997 but, instead, applied his merit increase to other operating expenditures for Kansas Inc. in FY 1997.



**SUBCOMMITTEE REPORT**

Agency: Kansas Inc.

Bill No. 2160

Bill Sec. 46

Analyst: Burenheide

Analysis Pg. No. 1163

Budget Page No. 319

<u>Expenditure</u>	<u>Agency Req. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 404,337	\$ 389,190	\$ (64,620)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 404,337</u>	<u>\$ 389,190</u>	<u>\$ (64,620)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 404,337</u></u>	<u><u>\$ 389,190</u></u>	<u><u>\$ (64,620)</u></u>
<b>State General Fund:</b>			
State Operations	\$ 243,961	\$ 228,814	\$ (64,620)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 243,961</u>	<u>\$ 228,814</u>	<u>\$ (64,620)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 243,961</u></u>	<u><u>\$ 228,814</u></u>	<u><u>\$ (64,620)</u></u>
<b>Other Funds:</b>			
State Operations			
Economic Development			
Initiatives Fund	\$ 160,376	\$ 160,376	\$ 0
KS. Inc. Matching Fund	0	0	0
Conversion of Materials and Equipment	0	0	0
Subtotal - Operating	<u>\$ 160,376</u>	<u>\$ 160,376</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 160,376</u></u>	<u><u>\$ 160,376</u></u>	<u><u>\$ 0</u></u>
FTE Positions	5.0	5.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u><u>5.0</u></u>	<u><u>5.0</u></u>	<u><u>0.0</u></u>

**Agency Request/Governor's Recommendation**

Kansas Inc. requests FY 1998 operating expenditures funding of \$404,337. This budget would allow for \$259,025 for salaries, \$65,512 for other operating expenditures, \$14,800 for annual

7-4

maintenance and licensing fee for Regional Economic Models, Inc., (REMI) and \$65,000 for the School Performance Study. Of the total FY 1998 request, \$243,961, or 60.0 percent, is financed from the State General Fund, \$160,376, or 40.0 percent, is financed from the Economic Development Initiatives Fund (EDIF).

The 1997 version of A KANSAS VISION, the economic strategic plan for the state of Kansas will be submitted to the Governor and Legislature in January 1997. The strategic planning program will continue throughout FY 1998 with activities directed toward communication of the strategy, and its goals and objectives; action planning that will lead to strategy implementation; and refinement of benchmarks to measure the achievement of strategic goals and objectives.

**The Governor** recommends FY 1998 operating expenditures of \$389,190. This amount is \$15,147, or 3.8 percent less than the agency request. The Governor's FY 1998 recommendation is \$77,009 or 24.7 percent above the Governor's FY 1997 recommendation. **The Governor** does not recommend the \$14,800 for annual maintenance and licensing fee for REMI.

**The Governor** recommends \$263,199 for salaries and wages, which includes a 3.5 percent unclassified merit pool (\$5,231). For other operating expenditures, **the Governor** recommends \$125,991.

**The Governor** recommends \$64,620 for the School District Performance Study.

### House Subcommittee Recommendation

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

1. Delete \$64,620 (SGF) for the School District Performance Study. The 1995 Legislature authorized and directed (K.S.A. 1996 Supp. 72-6439) Kansas, Inc. To conduct a study between July 1, 1997 and November 30, 1997 on changes in pupil performance attributable to the school accreditation system. The main purpose of the study will be to ascertain through evaluation of the 48 school districts that began implementation of the school performance accreditation process in the 1991-1992 school year, the extent of the change in pupil academic performance under the system and to provide an explanation of the factors that have contributed, materially, to the changes that have occurred. The Subcommittee feels it would be best if the study was conducted by the Department of Education.

**SUBCOMMITTEE REPORT**

Agency: Kansas Technology Enterprise Corporation

Bill No. --

Bill Sec. --

Analyst: Burenheide

Analysis Pg. No. 1169

Budget Page No. 339

<u>Expenditure Summary</u>	<u>Agency Estimate FY 97</u>	<u>Gov. Rec. FY 97</u>	<u>House Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 3,906,726	\$ 3,905,952	\$ (92,000)
Aid to Local Units	0	0	0
Other Assistance	13,499,523	13,499,523	0
Subtotal - Operating	<u>\$ 17,406,249</u>	<u>\$ 17,405,475</u>	<u>\$ (92,000)</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 17,406,249</u></u>	<u><u>\$ 17,405,475</u></u>	<u><u>\$ (92,000)</u></u>
 Nonexpense Items	 \$ 73,880	 \$ 73,880	 \$ 0
 <b>State General Fund:</b>			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
 <b>EDIF:</b>			
State Operations	\$ 2,125,880	\$ 2,125,106	\$ (92,000)
Aid to Local Units	0	0	0
Other Assistance	11,207,442	11,207,442	0
Subtotal - Operations	<u>\$ 13,333,322</u>	<u>\$ 13,332,548</u>	<u>\$ (92,000)</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 13,333,322</u></u>	<u><u>\$ 13,332,548</u></u>	<u><u>\$ (92,000)</u></u>
 <b>Other Funds:</b>			
State Operations	\$ 1,780,846	\$ 1,780,846	\$ 0
Aid to Local Units	0	0	0
Other Assistance	2,292,081	2,292,081	0
Subtotal - Operations	<u>\$ 4,072,927</u>	<u>\$ 4,072,927</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 4,072,927</u></u>	<u><u>\$ 4,072,927</u></u>	<u><u>\$ 0</u></u>
 FTE Positions	 32.0	 18.0	 0.0
Unclassified Temp. Positions	0.0	14.0	0.0
<b>TOTAL</b>	<u><u>32.0</u></u>	<u><u>32.0</u></u>	<u><u>0.0</u></u>

*Appropriations  
3-10-97  
Attachment 8*

## Agency Estimate/Governor's Recommendation

KTEC's revised FY 1997 estimate is \$17,406,249 or \$1,560,427 more than approved by the 1996 Legislature. KTEC remained under its expenditure limitation of \$13,333,322 in EDIF monies. The requested higher spending was from funds with no expenditure limitation. Of the total FY 1997 estimate, \$13,333,322 is from EDIF and \$4,072,927 is from federal and special revenue funds.

FY 1997 brings several changes to KTEC and its programs. The Legislature reduced funding by \$200,000 for the Applied Research Matching Fund to be supplemented by income from royalties. The Training Equipment Grant program was removed from KTEC and placed in the Kansas Department of Commerce and Housing (KDOCH). The Kansas Value Added Center (KVAC) was restructured and placed with KDOCH; however management of the Industrial Agriculture portion is being contracted back by to KTEC.

KTEC was also awarded funding to establish six Affiliate Innovation and Commercialization Corporations (AICC). Four of these will begin new seed funds with the other two establishing local entrepreneurial programs. This program is a way of offering rural areas of Kansas a chance to participate in the innovation and commercialization process in Kansas.

A Chief Financial Officer position, previously approved by both the legislature and KTEC's Board of Directors, was deleted from KTEC's budget. The position had not yet been filled and it was determined that the duties that would have been assigned to that position would be divided up and given to the Director of Finance and Vice President of Operations.

**The Governor** recommends \$17,405,475, or \$1,559,653 more than approved by the 1996 Legislature. Of the total FY 1997 recommendation, \$13,332,548 is from the EDIF and \$4,072,927 is from federal and special revenue funds. **The Governor** recommends \$774 less in EDIF funds than approved by the Legislature. The federal and special revenue funds, which have no expenditure limitation, were \$1,560,427 above the FY 1997 approved amount.

## House Subcommittee Recommendations

**FY 1997.** The Subcommittee concurs with the Governor's recommendation for FY 1997, with the following modifications and observations:

1. Delete \$92,000 (EDIF) from state operations in FY 1997. This amount equals the total of bonuses awarded to the KTEC President and Mid-America Manufacturing Technology Center executives in FY 1996. The Subcommittee believes that bonuses are inappropriate for this agency.
2. The Subcommittee also recommends a proviso be added to the appropriations bill that prohibits the use of any monies appropriated for the agency to fund employee bonuses.

**SUBCOMMITTEE REPORT**

**Agency:** Kansas Technology Enterprise Corporation

**Bill No.** 2160

**Bill Sec.** 47

**Analyst:** Burenheide

**Analysis Pg. No.** 1169

**Budget Page No.** 339

<u>Expenditure Summary</u>	<u>Agency Request FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 3,946,421	\$ 3,911,251	\$ (206,676)
Aid to Local Units	0	0	0
Other Assistance	14,459,350	13,564,653	(559,888)
Subtotal - Operating	<u>\$ 18,405,771</u>	<u>\$ 17,475,904</u>	<u>\$ (766,564)</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 18,405,771</u></u>	<u><u>\$ 17,475,904</u></u>	<u><u>\$ (776,564)</u></u>
 Nonexpense Items	 \$ 0	 \$ 0	 \$ 0
 <b>State General Fund:</b>			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
 <b>EDIF:</b>			
State Operations	\$ 2,341,350	\$ 2,305,478	\$ (206,676)
Aid to Local Units	0	0	0
Other Assistance	12,080,500	11,185,803	(559,888)
Subtotal - Operations	<u>\$ 14,421,850</u>	<u>\$ 13,491,281</u>	<u>\$ (766,564)</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 14,421,850</u></u>	<u><u>\$ 13,491,281</u></u>	<u><u>\$ (776,564)</u></u>
 <b>Other Funds:</b>			
State Operations	\$ 1,605,071	\$ 1,605,773	\$ 0
Aid to Local Units	0	0	0
Other Assistance	2,378,850	2,378,850	0
Subtotal - Operations	<u>\$ 3,983,921</u>	<u>\$ 3,984,623</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 3,983,921</u></u>	<u><u>\$ 3,984,623</u></u>	<u><u>\$ 0</u></u>
 <b>FTE Positions</b>			
	31.0	17.0	0.0
<b>Unclassified Temp. Positions</b>	<u>0.0</u>	<u>14.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u><u>31.0</u></u>	<u><u>31.0</u></u>	<u><u>0.0</u></u>

## Agency Request/Governor's Recommendation

For FY 1998, KTEC requests \$18,405,771 in total operating expenditures, an increase of \$999,522 or 6.0% from the FY 1997 estimate. Of the total operating expenditures for the budget year, \$14,421,850 is requested from the EDIF, an increase of \$1,088,528 or 8.2%, from the 1997 estimate.

**The Governor** recommends \$17,475,904 in total operating expenditures for FY 1998. This recommendation is \$929,867, or 5.3 percent less, than KTEC's request. **The Governor** recommends funding of \$13,491,281 from EDIF and \$3,984,623 from all other funds.

KTEC is requesting significant increases in six areas. Here is a brief synopsis of their request and the Governor's recommendations:

1. **Applied Research Matching Fund Program.** KTEC is requesting a total of \$1,500,000 for the Applied Research Matching Fund (ARMF) Program. This request is \$440,000 (EDIF) above current service level. Funding has remained fairly flat for several years, until the 1996 legislative session. According to the agency, the program is beginning to exhibit success in terms of royalty generation and has created \$230,000 over the past eighteen months in royalties. According to the agency, supplementing the program in FY 1997 with \$200,000 from royalties will almost deplete royalty balances, reducing the ability of the program to gain a strong degree of self-sufficiency in the long term. KTEC received a large return on one project in FY 1996 which resulted in the majority of the royalty balance. According to the agency, it has no way of predicting when and how quickly royalties will come in.

**The Governor** recommends \$1,260,000 for the Applied Research Matching Fund (ARMF). This recommendation is \$240,000, or 16.0 percent, less than the agency's request. The Governor's recommendation is \$200,000 more than the amount approved for FY 1997.

2. **Special Projects.** KTEC requests \$100,000 for Special Projects. This estimate is \$20,697 (EDIF) above current service level. According to KTEC, the program provides seed money for many timely and worthwhile statewide infrastructure projects.

**The Governor** recommends \$79,303 for Special Projects in FY 1998. This is \$20,697 less than the agency's request and the same amount approved by the Legislature for FY 1997.

3. **Information Systems.** KTEC requests \$100,000 (EDIF) for Information Systems (formerly Telecommunications.) According to KTEC, KTEC did not request funding for this program in FY 1996 and FY 1997 because they were in the process of updating their own internal information systems. KTEC is requesting funding this year to support and update the Kansas Integrated Commercialization Information Network (KICIN) and the KTrac Economic Development Tracking System (KTrac), supporting and expanding Interactive Video Conferencing capabilities for KTEC's programs and allowing use by private sector companies who would otherwise not have access to such systems, and developing an Economic Intelligence Center, which would provide small companies with one-day turnaround of technical, business and marketing information needed to enhance their research and development or business plan.

**The Governor** recommends \$60,606 for Information Systems. This recommendation is \$39,394, or 39.4 percent, below the agency's request.

4. **Small Business Innovation Research.** KTEC requests \$486,000 (EDIF) for State-supported Small Business Innovation Research (SSBIR) program. This request is \$100,000 above current service level. The funds are to be used to assist in developing and beta testing of SSBIR program in cooperation with the National Institute of Standards and Technology (NIST) and the Department of Defense (DOD) in conjunction with the SBIR program. This funding, according to KTEC, will initiate the state/federal co-funded SSBIR program following testing. KTEC states that the amount of funds that will be made available from DOD for awards will be approximately \$2.4 million.

**The Governor** recommends \$386,000 for FY 1998. This recommendation would not fund the requested enhancements in FY 1998. The recommendation is also the same as the amount approved by the 1996 Legislature.

5. **Small Business Innovation Research Bridge Financing.** KTEC requests a total of \$174,000 to increase the Small Business Innovation Research (SBIR) bridge financing to provide a critical financial assistance to help with a firm's transition. This request is \$34,000 (EDIF) above the current service level. This would allow one to two additional companies to maintain their operation while awaiting additional funding.

**The Governor** recommends \$140,000 for the SBIR bridge financing. This recommendation is \$34,000, or 19.5 percent, less than the agency's request. Under this recommendation, the requested enhancements are not funded. This recommendation would also provide funding at the same level as approved by the 1996 Legislature.

6. **Affiliate Commercialization Program.** KTEC requests a total of \$1,850,000 for the Commercialization Program. This request is \$300,000 (EDIF) above the current service level. This would provide additional seed funding for the Affiliate Innovation and Commercialization Corporations (AICC) where seed capital is not readily available and remains the largest financial gap in the state, according to the agency.

**The Governor** recommends \$1,550,000 for the Commercialization Program. This recommendation is \$300,000, or 6.2 percent, less than the agency's request. Under this recommendation, the requested enhancements are not funded.

### House Subcommittee Recommendations

**FY 1998.** The Subcommittee concurs with the Governor's recommendation for FY 1998 with the following modification:

1. Delete \$674,563 (EDIF) in total operating expenditures or 5.0 percent of EDIF expenditures. The \$674,563 has been proportionately divided between state operations (\$114,676 or 17.0 percent) and other assistance (\$559,888 or 83.0 percent).
2. Delete \$92,000 (EDIF) from state operations in FY 1997. This amount equals the total of bonuses awarded to the KTEC President and Mid-America Manufacturing Technology Center executives in FY 1996. The Subcommittee believes that bonuses are inappropriate for this agency.

3. The Subcommittee also recommends a proviso be added to the appropriations bill that prohibits the use of any monies appropriated for the agency to fund employee bonuses.