

Approved: 4-25-97  
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on March 18, 1997 in Room 123-S of the Capitol.

All members were present except: Senator Feleciano

Committee staff present: Alan Conroy, Legislative Research Department  
Kathy Porter, Legislative Research Department  
Mark Burenheide, Legislative Research Department  
Norman Furse, Revisor of Statutes  
Michael Corrigan, Revisor of Statutes  
Judy Bromich, Administrative Assistant  
Janet Henning, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

It was moved by Senator Lawrence, seconded by Senator Gilstrap, to approve the minutes for March 7 and 11, 1997. The motion carried on a voice vote.

Senator Ranson reviewed the Subcommittee report for the State Board of Tax Appeals (Attachment 1). Senator Ranson moved, Senator Salisbury seconded, that the Subcommittee report for the State Board of Tax Appeals be approved. The motion carried on a voice vote.

Senator Morris reviewed the Subcommittee report for the Department of Revenue (Attachment 2). After a brief discussion among Committee members, Senator Morris moved, seconded by Senator Salmans, that the Department of Revenue budget be approved. The motion carried on a voice vote.

Senator Salmans reviewed the Subcommittee report for the Kansas Lottery (Attachment 3). Senator Salmans explained to Committee members that the Subcommittee members tried to bring all fee funds back to the Lottery Operating Funds. Senator Kerr inquired if G-Tech had provided a letter indicating they had reviewed the activities in Kansas since the initiation with their relationship with Kansas and the Executives at G-Tech would be certifying that no one who had been subsequently determined to be involved in illegal activities had had any involvement with Kansas. Senator Salmans moved to amend the Subcommittee report to indicate the previously described letter had not been received from G-Tech as requested, seconded by Senator Petty. The motion carried on a voice vote.

Senator Salmans moved, seconded by Senator Salisbury, that the Subcommittee Report for the Kansas Lottery be approved as amended. The motion carried on a voice vote.

Senator Salisbury reviewed the Subcommittee report for Kansas, Inc. budget (Attachment 4). Senator Salisbury moved, seconded by Senator Downey, that the Subcommittee Report for Kansas, Inc. be approved. The motion carried on a voice vote.

Senator Salisbury reviewed the Subcommittee report for the Kansas Technology Enterprise Corp. (Attachment 5). Senator Salisbury moved, seconded by Senator Downey, that the Kansas Technology Enterprise Corp. be approved. The motion carried on a voice vote.

Senator Salisbury reviewed the Subcommittee report for the Department of Commerce and Housing (Attachment 6). Senator Morris inquired about the impact of the deletion of funds for the development of a new Railroad Mitigation Program and was advised this recommendation was by the Governor. Senator Downey moved, seconded by Senator Salisbury, to amend the Subcommittee report to add language to revisit this issue at Omnibus. The motion carried on a voice vote.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on March 18, 1997.

Senator Salisbury moved, Senator Downey seconded, that the Subcommittee report for the Department of Commerce and Housing be approved as amended. The motion carried on a voice vote.

Senator Salmans reviewed the Subcommittee report for the Kansas Racing and Gaming Commission (Attachment 7). After a brief discussion among Committee members, Senator Salmans moved, Senator Petty seconded, to amend conceptually for a proviso for any technical changes in tribal oversight in the compliance and enforceable oversight act. The motion carried on a voice vote.

Senator Salmans also advised the Subcommittee recommended the Legislative Post Audit Division perform a 100 hours audit at KBI reference the duplication of transfer of funds.

Senator Salmans moved, Senator Petty seconded, that the Subcommittee report for the Kansas Racing and Gaming Commission be approved as amended. The motion carried on a voice vote.

Chairman Kerr adjourned the meeting at 12:15 p.m.

The next meeting is scheduled for March 19, 1997.

# SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 3-18-97

NAME	REPRESENTING
Wesley E. Sharp	Ks Racing & Gaming Commission
Tracy Drel	State Gaming Agency
Ken HARJO	KANSAS RACING AND GAMING COMMISSION
GARY SAVILLE	KANSAS LOTTERY
Kevin Sott	KANSAS Lottery.
Greg Ziemak	Kansas Lottery
DL Shivek	KANSAS LEGAL SERVICES
Curtis Chrystal	KDOCH
Steve Kelly	KDOCH
Dave Waterworth	Division of the Budget
Sleigh Anne Newton	Division of the Budget
Sabrina Wells	Budget Division
John Rotte	KDOCH
Mike Miller	Kansas Inc
Doug Farmer	DOB
Gus Boguin	BOTA
Rita Marchel	BOTA
Ron Rost	KTEC
Rich Bendis	KTEC

# SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 3-18-97

NAME	REPRESENTING
Cindy Diehl	KTEC
Mary Breakstone	KTEC
Kevin Carr	KTEC

**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>	<u><u>32.0</u></u>	<u><u>32.0</u></u>	<u><u>0.0</u></u>

**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.

Senate Ways and Means Committee

Date *3-18-97*

Attachment # *1*

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.

**House Committee of the Whole**

*The House Committee of the Whole has not taken action on this agency's budget.*

Agency: State Board of Tax Appeals

Bill No. --

Bill Sec. --

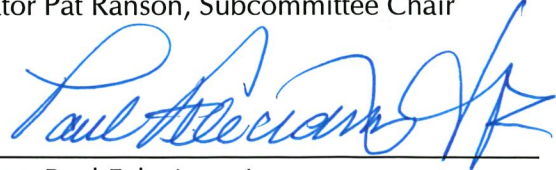
Expenditure Summary	Agency Estimate FY 97	Gov. Rec. FY 97	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 1,819,944	\$ 1,819,944	\$ 0
State General Fund:			
State Operations	\$ 1,802,944	\$ 1,802,944	\$ 0
FTE Positions	32.0	32.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
<b>TOTAL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

**Senate Subcommittee Recommendations**

The Senate Subcommittee concurs with the Governor.



Senator Pat Ranson, Subcommittee Chair



Senator Paul Feleciano, Jr.

**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 S.B. 161 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.

## House Committee of the Whole

*The House Committee of the Whole has not taken action on this budget.*

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<u>Expenditure Summary</u>	<u>Agency Request FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 1,650,689	\$ 2,056,324	\$ (425,595) *
State General Fund:			
State Operations	\$ 1,633,689	\$ 2,039,324	\$ (425,595) *
FTE Positions	30.0	31.0	(1.0)
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>30.0</u>	<u>31.0</u>	<u>(1.0)</u>

\* Includes the deletion of \$25,595 for the Governor's salary plan adjustments.

**Senate Subcommittee Recommendations**

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

1. Delete \$25,595 from the State General Fund, based on the recommendation to delete funding for the 3.5 percent unclassified merit pool (\$10,485); classified step movement (\$6,930); longevity bonus payments (\$3,750); and the 1.0 percent classified base salary adjustment (\$4,430) from individual agency budgets.
2. 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.
3. 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 S.B. 161, which currently is on Senate General Orders. The bill would abolish county hearing panels and replace them with hearing officers appointed and supervised by the Board of Tax Appeals. Under current law, only counties with more than 10,000 parcels of real estate must appoint hearing officers or panels; for the remainder, it is optional. Thirty-six counties have provided for panels and, according to the Board of Tax Appeals, the panels heard

7,785 appeals in calendar year 1996. The Subcommittee notes that training costs, per diem compensation, and travel expenses for the 63 hearing officers who serve on county panels currently are borne locally but would be assumed by the state upon the passage of S.B. 161. The \$400,000 recommended by the Governor for FY 1998 is based on the January 1, 1998, implementation date of the proposal. It is estimated that full-year costs in FY 1999 would be \$1.3 million and would decline to about \$1.0 million annually thereafter.

The Subcommittee also calls attention to H.B. 2105, which would enact the "Kansas Tax Equity and Fairness Act of 1997." (The bill is on House General Orders.) Passage of H.B. 2105 could result in more appeals being made directly to the Board. According to the Board, it would have to add additional staff if H.B. 2105 is enacted.

It is the Subcommittee's expectation that if these bills are enacted, they would be considered in the Omnibus Bill.

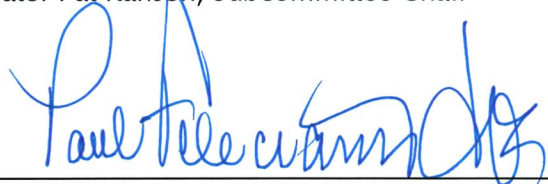
4. The Subcommittee calls attention to the attached information about the Board's workload over the last decade, which peaked in the early 1990s as a consequence of the 1989 implementation of statewide reappraisal. As the workload has stabilized and a backload of cases been addressed, the number of positions has been reduced from 37.0 FTE positions in fiscal years 1990 and 1991 to 30.0 FTE positions budgeted for FY 1998. The Subcommittee notes with satisfaction that the Board has made steady progress in addressing its backload of cases.

### Current Status Comparison

Expenditure	Gov. Rec. FY 1998	House Committee Rec. FY 1998	Senate Subcommittee Rec FY 1998	Senate Subcommittee Change from House Committee
All Funds:				
State Operations	\$2,056,324	\$1,514,645	\$ 1,630,729*	116,084
State General Fund:				
State Operations	2,039,324	1,497,645	1,613,729*	116,084
FTE Positions	31.0	25.0	30.0	5.0
Unclassified Temp. Positions	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<u>31.0</u>	<u>25.0</u>	<u>30.0</u>	<u>5.0</u>

\* Includes the deletion of \$25,595 for the Governor's salary plan adjustments.

  
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 Senator Pat Ranson, Subcommittee Chair

  
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 Senator Paul Feleciano, Jr.

**State Board of Tax Appeals Caseload**

	<u>FY 1988</u>	<u>FY 1989</u>	<u>FY 1990</u>	<u>FY 1991</u>	<u>FY 1992</u>	<u>FY 1993</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997 (through February)</u>
Total All Appeals (New)	5,975	7,443	22,797	11,473	15,449	19,721	13,749	11,853	10,647	6,231
Required Reviews of All County-Level Adjustments <sup>1</sup>	10	11	51,611	13,197	12,619	8,494	6,929	213	0	0
Cases Closed (Old and New)	6,071	6,978	7,231	21,224	16,716	21,187	14,391	15,696	11,316	5,742
Open Cases at End of Year	7,748	8,213	23,779	14,028	12,761	11,295	10,653	6,810	6,141	6,630
Number of Open Cases Being Held Because of Pending Court Cases (Cumulative) <sup>2</sup>	23	82	278	430	718	4,114	5,021	2,522	2,319	2,463
FTE Positions	15.0	20.0	37.0	37.0	36.0	36.0	36.0	36.0	35.0	32.0

1) No longer required beginning in FY 1995.

2) Cases are part of backlog but are not active because of a pending court case that must be decided before Board can take final action.

8-1

**SUBCOMMITTEE REPORT**

Agency: Department of Revenue

Bill No. 2272

Bill Sec. 19

Analyst: Cawby

Analysis Pg. No. 1206

Budget Page No. 383

Expenditure	Agency Est. FY 97	Gov. Rec. FY 97	House Subcommittee Adjustments
All Funds:			
State Operations	\$ 59,399,314	\$ 59,350,457	\$ 0
Aid to Local Units	5,795,000	5,795,000	0
Other Assistance	<u>2,500,000</u>	<u>2,500,000</u>	<u>0</u>
Subtotal - Operating	\$ 67,694,314	\$ 67,645,457	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u>\$ 67,694,314</u></b>	<b><u>\$ 67,645,457</u></b>	<b><u>\$ 0</u></b>
State General Fund:			
State Operations	\$ 27,653,797	\$ 27,135,231	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 27,653,797	\$ 27,135,231	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u>\$ 27,653,797</u></b>	<b><u>\$ 27,135,231</u></b>	<b><u>\$ 0</u></b>
FTE Positions	1,196.5	1,196.5	0.0
Unclass. Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u>1,196.0</u></b>	<b><u>1,196.5</u></b>	<b><u>0.0</u></b>

**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.

Senate Ways and Means Committee

Date 3-18-97

Attachment # 2

**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.

### **House Committee Recommendation**

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

1. **Delete \$500,000** from the Division of Vehicles Operating Fund to remove funding recommended by the Governor in the Department's budget for year 2000 computer conversions.

House Recommendation

*The full House has not taken action on this agency's budget.*

Agency: Department of Revenue

Bill No. 228

Bill Sec. 19

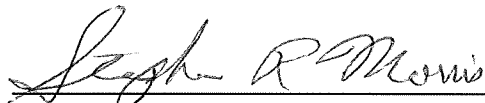
Expenditure	Gov. Rec. FY 97	Senate Subcommittee Adjustments
All Funds:		
State Operations	\$ 59,350,457	\$ 0
Aid to Local Units	5,795,000	0
Other Assistance	<u>2,500,000</u>	<u>0</u>
Subtotal - Operating	\$ 67,645,457	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 67,645,457</u>	<u>\$ 0</u>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

Senate Subcommittee Recommendation

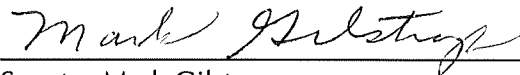
The Senate Subcommittee concurs with the Governor's recommendations.

**Current Status Comparison**

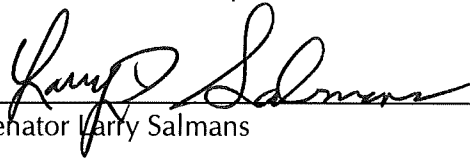
Expenditure	Gov. Rec. FY 1997	House Committee Action FY 1997	Senate Subcommittee Action FY 1997	Senate Change from House
<b>All Funds:</b>				
State Operations	\$ 59,350,457	\$ 58,850,457	\$ 59,350,457	\$ 500,000
Aid to Local Units	5,795,000	5,795,000	5,795,000	0
Other Assistance	<u>2,500,000</u>	<u>2,500,000</u>	<u>2,500,000</u>	<u>0</u>
Subtotal - Operating	\$ 67,645,457	\$ 67,145,457	\$ 67,645,457	\$ 500,000
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<u><u>\$ 67,645,457</u></u>	<u><u>\$ 67,145,457</u></u>	<u><u>\$ 67,645,457</u></u>	<u><u>\$ 500,000</u></u>
<b>State General Fund:</b>				
State Operations	\$ 27,135,231	\$ 27,135,231	\$ 27,135,231	0
Aid to Local Units	0	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 27,135,231	\$ 27,135,231	\$ 27,135,231	0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<u><u>\$ 27,135,231</u></u>	<u><u>\$ 27,135,231</u></u>	<u><u>\$ 27,135,231</u></u>	<u><u>\$ 0</u></u>
FTE Positions	1,196.5	1,196.5	1,196.5	0.0
Unclass. Temp. Positions	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<u><u>1,196.5</u></u>	<u><u>1,196.5</u></u>	<u><u>1,196.5</u></u>	<u><u>0.0</u></u>



\_\_\_\_\_  
 Senator Stephen R. Morris  
 Subcommittee Chair



\_\_\_\_\_  
 Senator Mark Gilstrap



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 Senator Larry Salmans



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

**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 statutes 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. 79-4710 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.

## House Committee Recommendation

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

1. **Add \$10,000** from the Division of Vehicles Operating Fund to account for an audit of the VIPS and CAMA computer system enhancements by the Legislative Division of the Post Audit as an expenditure in the Department of Revenue's budget instead of in the Division of Post Audit's budget.

## House Recommendation

***The full House has not taken action on this agency's budget.***

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Expenditure	Gov. Rec. FY 98	Senate Subcommittee Adjustments
All Funds:		
State Operations	\$ 65,773,295	\$ (1,130,398)
Aid to Local Units	5,855,000	0
Other Assistance	<u>2,500,000</u>	<u>0</u>
Subtotal - Operating	\$ 74,128,295	\$ (1,130,398)
Capital Improvements	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 74,128,295</u></u>	<u><u>\$ (1,130,398)</u></u>
State General Fund:		
State Operations	\$ 28,165,317	\$ (869,589)
Aid to Local Units	0	0
Other Assistance	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 28,165,317	\$ (869,589)
Capital Improvements	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 28,165,317</u></u>	<u><u>\$ (869,589)</u></u>
FTE Positions	1,192.5	0.0
Unclass. Temp. Positions	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>1,192.5</u></u>	<u><u>0.0</u></u>

**Senate Subcommittee Recommendation**

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

1. **Delete \$1,130,398**, including \$869,589 from the State General Fund and \$245,219 from the Division of Vehicles Operating Fund, based on the recommendation to delete funding for classified step movement (\$413,016), the 1.0 classified base salary increase (\$258,881), an unclassified merit pool of 3.5 percent (\$53,761), and the longevity bonus (\$404,740) from individual agency budgets.
2. **Recommend the establishment of an advisory committee to review sales tax issues**, to clarify tax regulations and administrative designations, and to suggest needed legislation. The Subcommittee notes that the Secretary of Revenue can create this advisory committee (similar to the agricultural land advisory committee in item 6 below) under his current authority and the Subcommittee has every reason to believe the Secretary will appoint such a committee. The Subcommittee defers decisions

on the size of the committee and scope of the committee's activities to the Secretary of Revenue.

3. **The Subcommittee notes 1997 S.B. 250** which addresses the definition of an educational institution for the purposes of sales tax exemptions. The bill would address concerns which have been raised about the sales tax exempt status of certain athletic foundations and associations. The bill amends the statutes to provide sales tax exempt status to include non-profit associations, endowments, trusts, or foundations that perform the following: operate exclusively as a permanent fund for the support and sole benefit of an educational institution; operate to hold and own receipts from intercollegiate sporting events; are organized for managing and operating a student union facility; and are organized for scholarly investigations and other types of research.
4. **The Subcommittee notes** the Department's progress in reducing backlogged tax appeals. In January of 1995 the Department had 953 unsettled cases and the average time for resolution was 14 months. For February 1997, the Department reports 375 appeals cases and an average resolution time of 7.5 months. **The Subcommittee notes** the Department's goal of eliminating the backlog of cases older than one year and setting a hearing no later than one year after an appeal is filed. The Department reported that prior to 1995 cases were taking four years to get a hearing. The current average time for receiving a hearing after filing an appeal is 7.4 months for non-corporate cases and 27 months for corporate income tax cases.

**The Subcommittee recommends a review of the corporate case backlog during the Omnibus Session.** The Subcommittee notes that the Department has requested a Governor's Budget Amendment of \$250,000 from the State General Fund for FY 1998 to provide for legal fees associated with reducing the corporate income tax backlogs, some of which date back to 1981.

5. **The Subcommittee notes** its review of the Department's **Project 2000** and provides the following financial summary of the project:

Project 2000 is a \$69.5 million project, the majority of which is contracted through American Management Systems (AMS). AMS will receive approximately \$15.2 million for Stage I of the project (which is almost entirely completed), and will receive approximately \$24.7 million for Stages II and III of the Project. AMS only receives payment through receipts generated by the project. Another \$19.6 million of the project is purchased directly by the Department of Revenue through increased revenues for the program (\$10 million) and from the shifting of current resources (mostly staff) to the project (\$9.6 million). Upon completion of Project 2000, AMS will receive a Performance Based Cost Reimbursement of 10 percent of the next \$100 million in revenue generated by the project.

Revenues for Project 2000 come from the additional revenues which it generates. These amounts are certified by the Director of the Budget and the Director of the Legislative Research Department and then credited to the Automated Tax Systems (ATS) Fund by the Director of Accounts and Reports. The first \$50 million of increased revenues will go to the ATS Fund, with the next \$40 million of increased revenues being credited to the State General Fund. After \$90 million in receipts

have been generated, the contractor (AMS) receives a bonus of 10 percent of the next \$100 million of revenues generated.

Increased revenues attributed to the Project and transferred to the ATS Fund totaled approximately \$12.5 million through February 1997. The Department estimated that the project would generate approximately \$22.6 million in revenue by the end of FY 1997. The Department also testified that its estimated point of equilibrium (\$50 million) would be reached by the end of the first quarter of calendar year 1998 (third quarter of FY 1998). The Department testified that an estimated \$375 million of total revenue would be attributable to Project 2000 through the end of FY 2002.

6. **The Subcommittee notes** that in early 1995, the Secretary of Revenue appointed an agricultural land advisory committee to look into and advise the Department of Revenue on all facets of agricultural land valuation in Kansas. The committee consisted of legislators, appraisers, farm managers and others familiar with agriculture and appraisal matters. The Subcommittee notes that the committee made several recommendations, which were adopted by the Department and incorporated into the valuation procedures used to value agricultural land in Kansas. Among the recommendations adopted and incorporated by the Department were (1) use of a moving average to determine the eight years of landlord income and expenses needed to calculate landlord net income to alleviate some of the fluctuations caused by abnormal production years; (2) use of county average tax rate to better reflect the actual expense of taxes; (3) use of planted acres rather than harvested acres to better reflect actual agricultural yields; and (4) the use of a crop mix on both irrigated and dry land to better reflect actual farming practices. In addition, the Department, with the assistance of Kansas State University, has amassed supporting documentation supporting all the data and procedures used to value agricultural land in Kansas. The Subcommittee also notes the testimony of the Director of the Property Valuation Division (PVD) which indicated that 2.0 FTE staff will be dedicated to agricultural use value in FY 1998.
  
7. **The Subcommittee notes** the Department's clarification of the \$1,289,500 recommended by the Governor for property tax assistance. The Governor's recommendation includes \$239,500 from the State General Fund and \$1,050,000 from the Electronic Databases Fee Fund. The Department testified that the Governor's recommendation reflects a training and technology fund for the Property Valuation Division (PVD). The recommendation includes:
  - \$270,000 to extend to each county appraiser's office, up to a parcel limit, a credit of up to \$600 in course fees and \$600 in per diem credit for each of two classes which teach the latest valuation principles.
  - \$320,000 to purchase a nationally accepted replacement cost system for producing value indicators on difficult properties (\$80,000) and to contract for the development of uniform guidebooks on how to do cost-valuation of grain elevators (\$100,000), feedlots (\$70,000) and livestock confinement facilities (\$70,000).


- \$482,580 to purchase a computer with software for each county tax assessor's officer to run various software programs beneficial in property tax valuation (\$403,830), to be accompanied by a linkage between the counties and the state through high speed data exchange (\$78,750).
  - \$30,000 for a Commercial Sales Database within PVD, consisting of equipment (computers and digital cameras) and software compatible with the counties.
  - \$55,000 to acquire a geographical information system (GIS) for PVD.
  - \$131,920 to provide for a limited number of equipment and software for PVD which is compatible with the counties and Computer Assisted Mass Appraisal (CAMA) and to provide for 5250 emulation cards and supporting software in the counties and PVD to allow for easy assess and transfer of CAMA file data.
8. **The Subcommittee notes** the Governor's recommendation for \$100,000 from the State General Fund in both fiscal years to provide funds for expert testimony in a lawsuit filed against the Department by two gas companies who disagree with their property appraisals. The Subcommittee notes the agency's testimony which stated that if the case is lost Kansas counties could owe as much as \$25 million. The Subcommittee notes that the agency indicated it would be seeking a Governor's Budget Amendment to request more funding for this item. The Subcommittee concurs with the Governor's recommendation and recommends this item be revisited during the **Omnibus Session**.
9. **The Subcommittee notes** 1996 Senate Bill 662 which provided funding for the upgrades of the Department's Vehicle Information Processing System (VIPS) and the Kansas Computer Assisted Mass Appraisal (CAMA) system. The bill created funding (approximately \$7 million) to provide for the \$4.5 million upgrade of the VIPS system from FY 1997 - FY 1999. According to the agency's documentation, the Department will upgrade all counties to an AS/400 system by the end of FY 1997 and will reimburse those counties who have already upgraded (62) during FY 1998. The agency has targeted the remaining \$2.5 million to upgrades of the CAMA system.

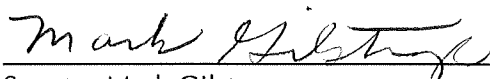
The two funds created by 1996 Senate Bill 662 to fund the upgrades were the VIPS/CAMA Technology Hardware Fund and the Electronic Databases Fee Fund. The VIPS/CAMA Fund receives \$1.15 in FY 1997 and \$1.00 in FY 1998 and FY 1999 from every \$7.00 collected for the issuance of a motor vehicle title certificate. Receipts to the VIPS/CAMA fund are estimated at \$920,000 for FY 1997 and \$800,000 for FY 1998 and FY 1999. The Electronic Databases Fee Fund receives fees collected for the sales of vehicle information, driver's record information, or other information provided by a Department of Revenue computer database. The agency estimates that the fund will generate approximately \$2.5 million in revenue each year. Approximately \$1.0 million of that revenue for information record sales was previously collected by the Division of Vehicles Operating Fund.

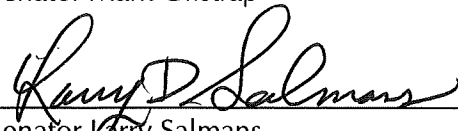
**Current Status Comparison**

Expenditure	Gov. Rec. FY 1998	House Committee Action FY 1998	Senate Subcommittee Action FY 1998*	Senate Change from House
<b>All Funds:</b>				
State Operations	\$ 65,773,295	\$ 65,428,729	\$ 64,642,897	\$ (785,832)
Aid to Local Units	5,855,000	5,855,000	5,855,000	0
Other Assistance	2,500,000	2,500,000	2,500,000	0
Subtotal - Operating	\$ 74,128,295	\$ 73,783,729	\$ 72,997,897	\$ (785,832)
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<b>\$ 74,128,295</b>	<b>\$ 74,138,295</b>	<b>\$ 72,997,897</b>	<b>\$ (785,832)</b>
<b>State General Fund:</b>				
State Operations	\$ 28,165,317	\$ 27,846,208	\$ 27,295,728	\$ (550,480)
Aid to Local Units	0	0	0	0
Other Assistance	0	0	0	0
Subtotal - Operating	\$ 28,165,317	\$ 27,846,208	\$ 27,295,728	\$ (550,480)
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<b>\$ 28,165,317</b>	<b>\$ 27,846,208</b>	<b>\$ 27,295,728</b>	<b>\$ (550,480)</b>
FTE Positions	1,192.5	1,184.5	1,192.5	8.0
Unclass. Temp. Positions	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>1,192.5</b>	<b>1,184.5</b>	<b>1,192.5</b>	<b>8.0</b>

\* Includes a reduction of \$1,130,398, including \$869,589 from the State General Fund, to remove the Governor's recommended pay plan.

  
 \_\_\_\_\_  
 Senator Stephen R. Morris  
 Subcommittee Chair

  
 \_\_\_\_\_  
 Senator Mark Gilstrap

  
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 Senator Larry Salmans



**SUBCOMMITTEE REPORT**

Agency: Kansas Lottery

Bill No. 2272

Bill Sec. –

Analyst: Efird

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>
TOTAL	<u><u>\$ 125,557,151</u></u>	<u><u>\$ 125,556,011</u></u>	<u><u>\$ (500,000)</u></u>
FTE Positions	95.0	95.0	0.0
Unclassified Temp. Positions	<u>2.0</u>	<u>2.0</u>	<u>0.0</u>
TOTAL	<u><u>97.0</u></u>	<u><u>97.0</u></u>	<u><u>0.0</u></u>

\* 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.

Senate Ways and Means Committee

Date 3-18-97

Attachment # 3

**House Committee Recommendation**

The House Committee concurs.

**House Recommendation**

The House has not completed work on this budget.

**Agency:** Kansas Lottery

**Bill No.** 228

**Bill Sec.** --

<u>Expenditure Summary</u>	<u>Agency Request FY 97</u>	<u>Gov. Rec. FY 97</u>	<u>Senate 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>
TOTAL	<u><u>\$ 125,557,151</u></u>	<u><u>\$ 125,556,011</u></u>	<u><u>\$ (500,000)</u></u>
FTE Positions	95.0	95.0	0.0
Unclassified Temp. Positions	<u>2.0</u>	<u>2.0</u>	<u>0.0</u>
TOTAL	<u><u>97.0</u></u>	<u><u>97.0</u></u>	<u><u>0.0</u></u>

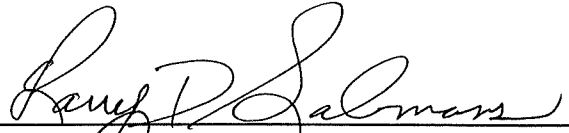
\* Some transactions for prizes and retailer commissions are never recorded in the State Treasury.

**Senate Subcommittee Recommendation**

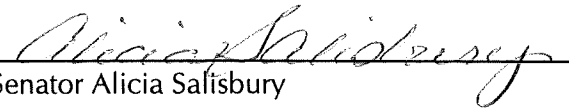
The Subcommittee concurs with the Governor's FY 1997 recommendations and makes the following adjustments:

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. Complete a KBI background check update on the G-Tech service provider in conjunction since a new contract is being negotiated with that firm. The present contract is due to expire on June 30, 1997, and the Subcommittee learned that the Lottery has announced its intention of contracting with G-Tech since that company was the only bidder. It was also revealed that the Lottery has been doing its own

background checks using its own security staff, but in the case of a major service provider, the Subcommittee recommends that the KBI be paid to do a complete update on the firm prior to any new contract being signed or an existing contract being extended. This recommendation should be set in both the FY 1997 and FY 1998 appropriations bills in order to assure this procedure will be followed, with a proviso that no payments will be made to the on-line service provider until the Director of the Lottery certifies the completion of a KBI background investigation.



Senator Larry Salmans  
Subcommittee Chairperson



Senator Alicia Salisbury



Senator Marge Petty

**SUBCOMMITTEE REPORT**

**Agency:** Kansas Lottery

**Bill No.** 2160

**Bill Sec.** 49, 54

**Analyst:** Efird

**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*	<u>108,709,543</u>	<u>108,279,158</u>	<u>0</u>
Subtotal - Operating	\$ 129,638,306	\$ 129,174,224	\$ (1,214,823)
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u><u>\$ 129,638,306</u></u></b>	<b><u><u>\$ 129,174,224</u></u></b>	<b><u><u>\$ (1,214,823)</u></u></b>
FTE Positions	95.0	95.0	(10.0)
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>(10.0)</u></u></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	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(39,500)</u>
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.

**House Committee Recommendation**

The House Committee concurs.

**House Recommendation**

The House has not completed work on this budget.

**Agency:** Kansas Lottery

**Bill No.** 178

**Bill Sec.** 49, 54

<u>Expenditure Summary</u>	<u>Agency Request FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>Senate Subcommittee Adjustments</u>
Special Revenue Funds:			
State Operations	\$ 20,928,763	\$ 20,895,066	\$ (135,065)
Aid to Local Units	0	0	0
Other Assistance*	<u>108,709,543</u>	<u>108,279,158</u>	<u>0</u>
Subtotal - Operating	\$ 129,638,306	\$ 129,174,224	\$ (135,065)
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 129,638,306</u>	<u>\$ 129,174,224</u>	<u>\$ (135,065)</u>
FTE Positions	95.0	95.0	0.0
Unclassified Temp. Positions	<u>2.0</u>	<u>2.0</u>	<u>0.0</u>
TOTAL	<u>97.0</u>	<u>97.0</u>	<u>0.0</u>

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

Transfers From	Actual FY 96	Agency Est. FY 97	Gov. Rec. FY 97	Agency Req. FY 98	Gov. Rec. FY 98
Lottery Operating Fund To:					
KBI Fee Fund	\$ 124,008	\$ 162,396	\$ 162,396	\$ 162,396	\$ 274,261
Prize Fund	106,037,300	105,164,170	105,164,170	108,709,543	108,279,158
Post Audit Fund	0	0	0	0	16,000
<b>TOTAL – LOF</b>	<b>\$ 106,161,308</b>	<b>\$ 105,326,566</b>	<b>\$ 105,326,566</b>	<b>\$ 108,871,939</b>	<b>\$ 108,569,419</b>

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

**Senate Subcommittee Recommendation**

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

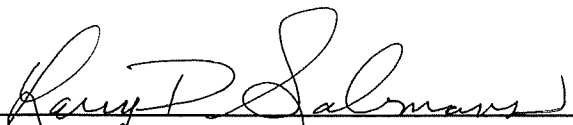
1. Delete \$135,065 recommended by the Governor for salary enhancements in the form of unclassified merit pool (\$53,847), classified step movement (\$47,091), Classified COLA (\$17,898), and longevity bonus (\$16,229) from the individual agency budgets.
2. Discontinue the practice of partially financing the Kansas Bureau of Investigation's Gaming Unit by a 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 recommends in FY 1998 that if KBI fees are charged and become payable as expenditures from the Lottery Operating Fund, any expenditures should be in addition to the expenditure limitation placed on the agency operations account of the Lottery Operating Fund.
3. Continue to pay the Legislative Division of Post Audit the cost of \$16,000 for performing an annual financial-compliance audit as an expenditure, rather than as a revenue transfer. Delete transfer language in the appropriations bill and make any amount payable to be in addition to the agency operations expenditure limitation.

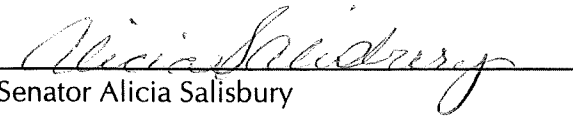
4. Complete a KBI background check update on the G-Tech service provider in conjunction since a new contract is being negotiated with that firm. This recommendation should be set in both the FY 1997 and FY 1998 appropriations bills in order to assure this procedure will be followed, with a proviso that no payments will be made to the on-line service provider until the Director of the Lottery certifies the completion of a KBI background investigation.
5. As a result of the preceding FY 1997 and FY 1998 recommended Subcommittee adjustments which yield \$500,000 of savings this fiscal year and \$274,261 next fiscal year, the Lottery Operating Fund ending balances will increase. The Subcommittee concurs with the Governor's FY 1997 and FY 1998 estimated sales, even though the current fiscal year sales appear off from the projections. The estimates should be reviewed at Omnibus, and any adjustments made at that time. Due to the savings of \$774,261 that will increase ending balances, the Subcommittee recommends transfers to the SGRF be increased proportionately from 30.75 to 31.00 percent in FY 1998, generating \$461,500 of additional SGRF transfers next fiscal year, and in FY 1997, by transferring an additional \$312,761 on June 15, 1997 to the SGRF. These funds will accrue ultimately to the State General Fund.
6. Make any technical changes in the appropriations bill as required.




**Current Status Comparison**

	Gov. Rec. FY 1998	House Cmt. Rec. FY 1998	Senate Sub. Rec. FY 1998	Senate Change from House
ESTIMATE SALES	\$ 184,700,000	\$ 184,700,000	\$ 184,700,000	\$ 0
EXPENDITURES:				
Agency Operations	\$ 8,471,243	\$ 7,256,420	\$ 8,336,178	\$ 1,079,758
Online Communications	2,565,280	2,565,280	2,565,280	0
Online Service Provider	7,779,435	7,779,435	7,779,435	0
Instant Ticket Printing	2,079,108	2,079,108	2,079,108	0
Audit	0	16,000	16,000	0
Prizes and Commissions	108,279,158	108,279,158	108,279,158	0
Total	<u>\$ 129,174,224</u>	<u>\$ 127,975,401</u>	<u>\$ 129,055,159</u>	<u>\$ 1,079,758</u>
FINANCING:				
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	129,174,224	127,975,401	129,055,159	1,079,758
Total	<u>\$ 129,174,224</u>	<u>\$ 127,975,401</u>	<u>\$ 129,055,159</u>	<u>\$ 1,079,758</u>
TRANSFERS:				
SGRF	\$ 56,676,000	\$ 56,676,000	\$ 57,137,500	\$ 461,500
SGF	6,676,000	6,676,000	7,137,500	461,500
KBI	274,261	0	0	0
Post Audit	16,000	0	0	0
FTE POSITIONS				
Unclass. Temp. Positions	95.0	85.0	95.0	10.0
Total	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>	<u>0.0</u>
Total	<u>97.0</u>	<u>87.0</u>	<u>97.0</u>	<u>10.0</u>

  
 Senator Larry Salmans  
 Subcommittee Chairperson

  
 Senator Alicia Salisbury

  
 Senator Marge Petty

**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	<u>\$ 313,755</u>	<u>\$ 312,181</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 313,755</u></u>	<u><u>\$ 312,181</u></u>	<u><u>\$ 0</u></u>
<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	<u>\$ 153,379</u>	<u>\$ 151,805</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 153,379</u></u>	<u><u>\$ 151,805</u></u>	<u><u>\$ 0</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
<b>TOTAL</b>	<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
<b>TOTAL</b>	<u><u>5.0</u></u>	<u><u>5.0</u></u>	<u><u>0.0</u></u>

Senate Ways and Means Committee

Date *3-18-97*

Attachment # *4*

## 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.

### **House Recommendation**

The full House has not taken action on this item.

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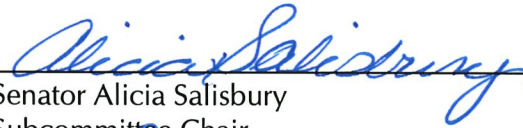
Expenditure	Agency Est. FY 97	Gov. Rec. FY 97	Senate Subcommittee Adjustments
<b>All Funds:</b>			
State Operations	\$ 313,755	\$ 312,181	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 313,755</u>	<u>\$ 312,181</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 313,755</u></u>	<u><u>\$ 312,181</u></u>	<u><u>\$ 0</u></u>
<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	<u>\$ 153,379</u>	<u>\$ 151,805</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 153,379</u></u>	<u><u>\$ 151,805</u></u>	<u><u>\$ 0</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	<u>0</u>	<u>0</u>	<u>0</u>
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	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>5.0</u></u>	<u><u>5.0</u></u>	<u><u>0.0</u></u>


**Senate Subcommittee Recommendation**

The Senate Subcommittee concurs with the recommendations of the Governor.

Current Status Comparison

	Gov. Rec. FY 1997	House Committee Action FY 1997	Senate Subcommittee Action FY 1997	Senate Subcommittee Change from House Comm. FY 1997
<b>All Funds:</b>				
State Operations	\$ 312,181	\$ 312,181	\$ 312,181	\$ 0
Aid to Local Units	0	0	0	0
Other Assistance	0	0	0	0
Subtotal - Operating	\$ 312,181	\$ 312,181	\$ 312,181	\$ 0
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<b>\$ 312,181</b>	<b>\$ 312,181</b>	<b>\$ 312,181</b>	<b>\$ 0</b>
<b>State General Fund:</b>				
State Operations	\$ 151,805	\$ 151,805	\$ 151,805	\$ 0
Aid to Local Units	0	0	0	0
Other Assistance	0	0	0	0
Subtotal - Operating	\$ 151,805	\$ 151,805	\$ 151,805	\$ 0
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<b>\$ 151,805</b>	<b>\$ 151,805</b>	<b>\$ 151,805</b>	<b>\$ 0</b>
<b>Other Funds:</b>				
State Operations				
EDIF	\$ 160,376	\$ 160,376	\$ 160,376	\$ 0
KS Inc. Matching Fund	0	0	0	0
Conversion of Materials And Equipment	0	0	0	0
Subtotal - Operating	\$ 160,376	\$ 160,376	\$ 160,376	\$ 0
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<b>\$ 160,376</b>	<b>\$ 160,376</b>	<b>\$ 160,376</b>	<b>\$ 0</b>
FTE Positions	5.0	5.0	5.0	0.0
Unclass. Temp. Positions	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>

  
 Senator Alicia Salisbury  
 Subcommittee Chair

  
 Senator Dave Kerr

  
 Senator Christine Downey

**SUBCOMMITTEE REPORT**

**Agency:** Kansas Inc.

**Bill No.** 2160

**Bill Sec.** 46

**Analyst:** Burenheide

**Analysis Pg. No.** 1163

**Budget Page No.** 319

Expenditure	Agency Req. FY 98	Gov. Rec. FY 98	House Subcommittee Adjustments
<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
<b>TOTAL</b>	<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
<b>TOTAL</b>	<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
<b>TOTAL</b>	<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
<b>TOTAL</b>	<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

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.

### **House Committee Recommendation**

The House Committee concurs with the recommendations of the Subcommittee with the following modification:

1. Delete 0.3 FTE position and \$9,485 from the State General Fund based on the recommendation to delete a total of 5.0 percent of the total FTE positions (from the level approved by the 1995 Legislature for FY 1996) from each agency budget in FY 1998.



Agency: Kansas Inc.

Bill No. 178

Bill Sec. 46

Expenditure	Agency Req. FY 98	Gov. Rec. FY 98	Senate Subcommittee Adjustments
<b>All Funds:</b>			
State Operations	\$ 404,337	\$ 389,190	\$ (8,344)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 404,337</u>	<u>\$ 389,190</u>	<u>\$ (8,344)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 404,337</u></u>	<u><u>\$ 389,190</u></u>	<u><u>\$ (8,344)</u></u>
<b>State General Fund:</b>			
State Operations	\$ 243,961	\$ 228,814	\$ (5,173)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 243,961</u>	<u>\$ 228,814</u>	<u>\$ (5,173)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 243,961</u></u>	<u><u>\$ 228,814</u></u>	<u><u>\$ (5,173)</u></u>
<b>Other Funds:</b>			
State Operations			
Economic Development			
Initiatives Fund	\$ 160,376	\$ 160,376	\$ (3,171)
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>\$ (3,171)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 160,376</u></u>	<u><u>\$ 160,376</u></u>	<u><u>\$ (3,171)</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>

**Senate Subcommittee Recommendation**

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

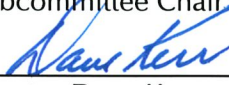
1. Delete \$8,344 including \$5,173 from the State General Fund, based on the recommendation to delete funding for the 3.5 percent unclassified merit pool.

**Current Status Comparison**

	Gov. Rec. FY 1998	House Committee Action FY 1998	Senate Subcommittee Action FY 1998	Senate Subcommittee Change from House Comm. FY 1998
<b>All Funds:</b>				
State Operations	\$ 389,190	\$ 315,085	\$ 380,846	\$ 65,761
Aid to Local Units	0	0	0	0
Other Assistance	0	0	0	0
Subtotal - Operating	\$ 389,190	\$ 315,085	\$ 380,846	\$ 65,761
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<b>\$ 389,190</b>	<b>\$ 315,085</b>	<b>\$ 380,846</b>	<b>\$65,761*</b>
<b>State General Fund:</b>				
State Operations	\$ 228,814	\$ 154,709	\$ 223,641	\$ 68,932
Aid to Local Units	0	0	0	0
Other Assistance	0	0	0	0
Subtotal - Operating	\$ 228,814	\$ 154,709	\$ 223,641	\$ 68,932
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<b>\$ 228,814</b>	<b>\$ 154,709</b>	<b>\$ 223,641</b>	<b>\$ 68,932</b>
<b>Other Funds:</b>				
State Operations				
EDIF	\$ 160,376	\$ 160,376	\$ 157,205	\$ (3,171)
KS Inc. Matching Fund	0	0	0	0
Conversion of Materials And Equipment	0	0	0	0
Subtotal - Operating	\$ 160,376	\$ 160,376	\$ 157,205	\$ (3,171)
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<b>\$ 160,376</b>	<b>\$ 160,376</b>	<b>\$ 157,205</b>	<b>\$ (3,171)</b>
FTE Positions	5.0	4.7	5.0	0.3
Unclass. Temp. Positions	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>5.0</b>	<b>4.7</b>	<b>5.0</b>	<b>0.3</b>

\* Reduction of \$8,344 including \$5,173 from State General Fund is due to removal of the Governor's recommended pay plan adjustment.

  
 Senator Alicia Salisbury  
 Subcommittee Chair

  
 Senator Dave Kerr

  
 Senator Christine Downey

**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	<u>13,499,523</u>	<u>13,499,523</u>	<u>0</u>
Subtotal - Operating	\$ 17,406,249	\$ 17,405,475	\$ (92,000)
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u><u>\$ 17,406,249</u></u></b>	<b><u><u>\$ 17,405,475</u></u></b>	<b><u><u>\$ (92,000)</u></u></b>
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	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 0	\$ 0	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u><u>\$ 0</u></u></b>	<b><u><u>\$ 0</u></u></b>	<b><u><u>\$ 0</u></u></b>
<b>EDIF:</b>			
State Operations	\$ 2,125,880	\$ 2,125,106	\$ (92,000)
Aid to Local Units	0	0	0
Other Assistance	<u>11,207,442</u>	<u>11,207,442</u>	<u>0</u>
Subtotal - Operations	\$ 13,333,322	\$ 13,332,548	\$ (92,000)
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u><u>\$ 13,333,322</u></u></b>	<b><u><u>\$ 13,332,548</u></u></b>	<b><u><u>\$ (92,000)</u></u></b>
<b>Other Funds:</b>			
State Operations	\$ 1,780,846	\$ 1,780,846	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>2,292,081</u>	<u>2,292,081</u>	<u>0</u>
Subtotal - Operations	\$ 4,072,927	\$ 4,072,927	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u><u>\$ 4,072,927</u></u></b>	<b><u><u>\$ 4,072,927</u></u></b>	<b><u><u>\$ 0</u></u></b>
FTE Positions	32.0	18.0	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>14.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u><u>32.0</u></u></b>	<b><u><u>32.0</u></u></b>	<b><u><u>0.0</u></u></b>

Senate Ways and Means Committee

Date 3-18-97

Attachment # 5

## 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.

## House Committee Recommendation

The Committee concurs with the Subcommittee's recommendations for FY 1997.

House Recommendation

*The full House has not taken action on this item.*

Agency: Kansas Technology Enterprise Corp.

Bill No. --

Bill Sec. --

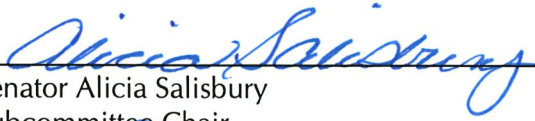
Expenditure Summary	Agency Estimate FY 97	Gov. Rec. FY 97	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 3,906,726	\$ 3,905,952	\$ 0
Aid to Local Units	0	0	0
Other Assistance	13,499,523	13,499,523	0
Subtotal - Operating	\$ 17,406,249	\$ 17,405,475	\$ 0
Capital Improvements	0	0	0
TOTAL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

### Senate Subcommittee Recommendation

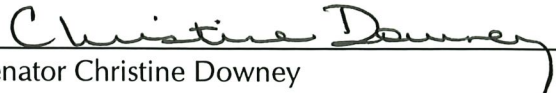
The Subcommittee concurs with the Governor's recommendation for FY 1997.

### Current Status Comparison

	Gov. Rec. FY 1997	House Committee Action FY 1997	Senate Subcommittee Action FY 1997	Senate Subcommittee Change from House Comm. FY 1997
<b>All Funds:</b>				
State Operations	\$ 3,905,952	\$ 3,813,952	\$ 3,905,952	\$ 92,000
Aid to Local Units	0	0	0	0
Other Assistance	13,499,523	13,499,523	13,499,523	0
Subtotal - Operating	<u>\$ 17,405,475</u>	<u>\$ 17,313,475</u>	<u>\$ 17,405,475</u>	<u>\$ 92,000</u>
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<u><u>\$ 17,405,475</u></u>	<u><u>\$ 17,313,475</u></u>	<u><u>\$ 17,405,475</u></u>	<u><u>\$ 92,000</u></u>
<b>Nonexpense Items</b>	<b>\$ 73,880</b>	<b>\$ 0</b>	<b>\$ 73,880</b>	<b>\$ 0</b>
<b>State General Fund:</b>				
State Operations	\$ 0	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0	0
Other Assistance	0	0	0	0
Subtotal - Operating	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
<b>EDIF:</b>				
State Operations	\$ 2,125,106	\$ 2,033,106	\$ 2,125,106	\$ 92,000
Aid to Local Units	0	0	0	0
Other Assistance	11,207,442	11,207,442	11,207,442	0
Subtotal - Operations	<u>\$ 13,332,548</u>	<u>\$ 13,240,548</u>	<u>\$ 13,332,548</u>	<u>\$ 92,000</u>
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<u><u>\$ 13,332,548</u></u>	<u><u>\$ 13,240,548</u></u>	<u><u>\$ 13,332,548</u></u>	<u><u>\$ 92,000</u></u>
<b>Other Funds:</b>				
State Operations	\$ 1,780,846	\$ 0	\$ 1,780,846	\$ 0
Aid to Local Units	0	0	0	0
Other Assistance	2,292,081	0	2,292,081	0
Subtotal - Operations	<u>\$ 4,072,927</u>	<u>\$ 0</u>	<u>\$ 4,072,927</u>	<u>\$ 0</u>
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<u><u>\$ 4,072,927</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 4,072,927</u></u>	<u><u>\$ 0</u></u>
FTE Positions	18.0	0.0	18.0	0.0
Unclass. Temp. Positions	14.0	0.0	14.0	0.0
<b>TOTAL</b>	<u><u>32.0</u></u>	<u><u>0.0</u></u>	<u><u>32.0</u></u>	<u><u>0.0</u></u>

  
\_\_\_\_\_  
Senator Alicia Salisbury  
Subcommittee Chair

  
\_\_\_\_\_  
Senator Dave Kerr

  
\_\_\_\_\_  
Senator Christine Downey

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

5-6



## 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 1998. 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.
4. The Subcommittee recommends that a technical adjustment be made in the amounts reflected in economic development research and development fund and operations, assistance, and grants (including official hospitality) of the economic development research and development fund to reflect the Governor's original intent.

#### **House Committee Recommendation**

The House Committee concurs with the recommendation of the Subcommittee.

#### **House Recommendation**

***The full House has not taken action on this item.***

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Expenditure Summary	Agency Request FY 98	Gov. Rec. FY 98	Senate Subcommittee Adjustments
<b>All Funds:</b>			
State Operations	\$ 3,946,421	\$ 3,911,251	\$ (59,042)
Aid to Local Units	0	0	0
Other Assistance	14,459,350	13,564,653	0
Subtotal - Operating	<u>\$ 18,405,771</u>	<u>\$ 17,475,904</u>	<u>\$ (59,042)</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>\$ (59,042)</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	\$ (59,042)
Aid to Local Units	0	0	0
Other Assistance	12,080,500	11,185,803	0
Subtotal - Operations	<u>\$ 14,421,850</u>	<u>\$ 13,491,281</u>	<u>\$ (59,042)</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>\$ (59,042)</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>			
FTE Positions	31.0	17.0	0.0
Unclassified Temp. Positions	0.0	14.0	0.0
<b>TOTAL</b>	<u><u>31.0</u></u>	<u><u>31.0</u></u>	<u><u>0.0</u></u>

## Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor, with the following modifications and observations:

1. Delete \$59,042 (EDIF) based on the recommendation to delete funding for the 3.5 percent unclassified merit pool from individual agency budgets.
2. The Subcommittee reviewed a history of KTEC's relationship with BioCore and notes that a similar history has been prepared by the Ad Astra Fund managers (Campbell-Becker, Inc.) for distribution to the Legislature and appropriate government entities.
3. The Subcommittee was told that KTEC reviews all requests for reimbursements for grants. This review involves looking at receipts, invoices, bills, and etc. for products and services purchased for use in the KTEC grant. Further, an annual site visit is conducted while each project is active. If the project is commercialized, a followup site visit will be conducted.
4. The Subcommittee recognizes that KTEC is contracting with an independent auditor to audit the appropriate KTEC grants which have been awarded to BioCore and BioFoods.
5. The Subcommittee recommends that a technical adjustment be made in the amounts reflected in the Economic Development Research and Development Fund and the state operating assistance and grants (including official hospitality) account to reflect the Governor's original intent.

**Current Status Comparison**

	Gov. Rec. FY 1998	House Committee Action FY 1998	Senate Subcommittee Action FY 1998	Senate Subcommittee Change from House Comm. FY 1998
<b>All Funds:</b>				
State Operations	\$ 3,911,251	\$ 3,704,575	\$ 3,852,209	\$ 147,634
Aid to Local Units	0	0	0	0
Other Assistance	<u>13,564,653</u>	<u>13,004,765</u>	<u>13,564,653</u>	<u>559,888</u>
Subtotal - Operating	\$ 17,475,904	\$ 16,709,340	\$ 17,416,862	\$ 707,522
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<u><u>\$ 17,475,904</u></u>	<u><u>\$ 16,709,340</u></u>	<u><u>\$ 17,416,862</u></u>	<u><u>\$ 707,522*</u></u>
 Nonexpense Items	 \$ 0	 \$ 0	 \$ 0	 \$ 0
<b>State General Fund:</b>				
State Operations	\$ 0	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 0	\$ 0	\$ 0	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
<b>EDIF:</b>				
State Operations	\$ 2,305,478	\$ 2,098,802	\$ 2,246,436	\$ 147,634
Aid to Local Units	0	0	0	0
Other Assistance	<u>11,185,803</u>	<u>10,625,915</u>	<u>11,185,803</u>	<u>559,888</u>
Subtotal - Operations	\$ 13,491,281	\$ 12,724,717	\$ 13,432,239	\$ 707,522
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<u><u>\$ 13,491,281</u></u>	<u><u>\$ 12,724,717</u></u>	<u><u>\$ 13,432,239</u></u>	<u><u>\$ 707,522</u></u>
<b>Other Funds:</b>				
State Operations	\$ 1,605,773	\$ 1,605,773	\$ 1,605,773	\$ 0
Aid to Local Units	0	0	0	0
Other Assistance	<u>2,378,850</u>	<u>2,378,850</u>	<u>2,378,850</u>	<u>0</u>
Subtotal - Operations	\$ 3,984,623	\$ 3,984,623	\$ 3,984,623	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<u><u>\$ 3,984,623</u></u>	<u><u>\$ 3,984,623</u></u>	<u><u>\$ 3,984,623</u></u>	<u><u>\$ 0</u></u>
 FTE Positions	 17.0	 0.0	 17.0	 0.0
Unclass. Temp. Positions	<u>14.0</u>	<u>0.0</u>	<u>14.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u><u>31.0</u></u>	<u><u>0.0</u></u>	<u><u>31.0</u></u>	<u><u>0.0</u></u>

\* Reduction of \$59,042 (Edif) is due to removal of the Governor's recommended pay plan adjustments.

  
\_\_\_\_\_  
Senator Alicia Salisbury  
Subcommittee Chair

  
\_\_\_\_\_  
Senator Dave Kerr

  
\_\_\_\_\_  
Senator Christine Downey

**SUBCOMMITTEE REPORT**

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

**Bill Sec. --**

Analyst: Burenheide

Analysis Pg. No. 1136

Budget Page No. 103

<u>Expenditure</u>	<u>Agency Est. FY 97</u>	<u>Gov. Rec. FY 97</u>	<u>House Subcommittee Adjustments</u>
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	<u>134.0</u>	<u>134.0</u>	<u>0.0</u>
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>

Senate Ways and Means Committee

Date *3-18-97*

Attachment # *6*



## 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 year's 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.

### **House Committee Recommendation**

The Committee concurs with the Subcommittee's recommendation.

### **House Recommendation**

*The full House has not taken action on this agency's budget.*

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Expenditure	Agency Est. FY 97	Gov. Rec. FY 97	Senate 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>\$ 85,394,096</u>	<u>\$ 85,394,096</u>	<u>\$ 0</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>\$ 2,730,259</u>	<u>\$ 2,730,259</u>	<u>\$ 0</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>\$ 19,509,060</u>	<u>\$ 19,509,060</u>	<u>\$ 0</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>136.0</u>	<u>136.0</u>	<u>0.0</u>

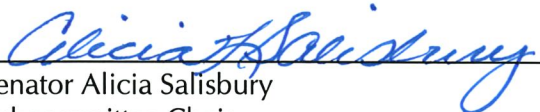
**Senate Subcommittee Recommendation**

The Subcommittee concurs with the Governor's recommendation.

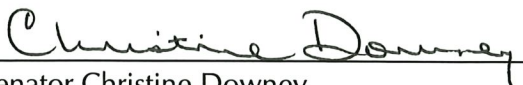
6.4

**Current Status Comparison**

	Gov. Rec. FY 1997	House Committee Action FY 1997	Senate Subcommittee Action FY 1997	Senate Subcommittee Change from House FY 1997
<b>All Funds:</b>				
State Operations	\$ 13,347,345	\$ 13,347,345	\$ 13,347,345	\$ 0
Aid to Local Units	57,992,601	57,992,601	57,992,601	0
Other Assistance	13,993,150	13,993,150	13,993,150	0
Subtotal - Operating	\$ 85,333,096	\$ 85,333,096	\$ 85,333,096	\$ 0
Capital Improvements	61,000	61,000	61,000	0
<b>TOTAL</b>	<b>\$ 85,394,096</b>	<b>\$ 85,394,096</b>	<b>\$ 85,394,096</b>	<b>\$ 0</b>
<b>State General Fund:</b>				
State Operations	\$ 1,693,567	\$ 1,693,567	\$ 1,693,567	\$ 0
Aid to Local Units	1,036,692	1,036,692	1,036,692	0
Other Assistance	0	0	0	0
Subtotal - Operating	\$ 2,730,259	\$ 2,730,259	\$ 2,730,259	\$ 0
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<b>\$ 2,730,259</b>	<b>\$ 2,730,259</b>	<b>\$ 2,730,259</b>	<b>\$ 0</b>
<b>Economic Development Initiatives Fund:</b>				
State Operations	\$ 6,712,160	\$ 6,712,160	\$ 6,712,160	\$ 0
Aid to Local Units	200,000	200,000	200,000	0
Other Assistance	12,535,900	12,535,900	12,535,900	0
Subtotal - Operating	\$ 19,448,060	\$ 19,448,060	\$ 19,448,060	\$ 0
Capital Improvements	61,000	61,000	61,000	0
<b>TOTAL</b>	<b>\$ 19,509,060</b>	<b>\$ 19,509,060</b>	<b>\$ 19,509,060</b>	<b>\$ 0</b>
FTE Positions	134.0	134.0	134.0	0.0
Unclass. Temp. Positions	2.0	2.0	2.0	0.0
<b>TOTAL</b>	<b>136.0</b>	<b>136.0</b>	<b>136.0</b>	<b>0.0</b>

  
 \_\_\_\_\_  
 Senator Alicia Salisbury  
 Subcommittee Chair

  
 \_\_\_\_\_  
 Senator Dave Kerr

  
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 Senator Christine Downey

**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><u>\$ 69,338,271</u></u>	<u><u>\$ 69,965,753</u></u>	<u><u>\$ (827,690)</u></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><u>\$ 2,729,401</u></u>	<u><u>\$ 2,729,346</u></u>	<u><u>\$ 0</u></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><u>\$ 18,305,400</u></u>	<u><u>\$ 19,133,915</u></u>	<u><u>\$ (827,690)</u></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><u>137.0</u></u>	<u><u>135.0</u></u>	<u><u>0.0</u></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 Community Development 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 (EDIF) 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.

### **House Committee Recommendation**

The Committee concurs with the Subcommittee and makes the following observations and modifications:

1. Delete \$172,010 (SGF) from state operations.
2. Delete 17.2 positions and \$543,830 (including \$163,149 from the State General Fund based on the recommendation to delete a total of 5.0 percent of the total FTE positions (from the level approved by the 1995 Legislature for FY 1996) from each agency in FY 1998.
3. Add a proviso requiring that all Training Equipment Grant Funds be appropriated to Community Colleges, Vocational Technical College, and Vocational Technical School.

### House Committee Action

Expenditure	Gov. Rec. FY 98	House Subcommittee Adjustments	House Committee Adjustments	Total House Committee Adjustments
<b>All Funds:</b>				
State Operations	\$ 14,298,410	\$ (827,690)	\$ (715,840)	\$ (1,543,530)
Aid to Local Units	44,226,243	0	0	0
Other Assistance	11,406,100	0	0	0
Subtotal - Operating	\$ 69,930,753	\$ (827,690)	\$ (715,840)	\$ (1,543,530)
Capital Improvements	35,000	0	0	0
<b>TOTAL</b>	<b>\$ 69,965,753</b>	<b>\$ (827,690)</b>	<b>\$ (715,840)</b>	<b>\$ (1,543,530)</b>
<b>State General Fund:</b>				
State Operations	\$ 1,692,654	\$ 0	\$ (335,159)	\$ 335,159
Aid to Local Units	1,036,692	0	0	0
Other Assistance	0	0	0	0
Subtotal - Operating	\$ 2,729,346	\$ 0	\$ (335,159)	\$ 335,159
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<b>\$ 2,729,346</b>	<b>\$ 0</b>	<b>\$ (335,159)</b>	<b>\$ 335,159</b>
<b>Economic Development Initiatives Fund:</b>				
State Operations	\$ 7,324,315	\$ (827,690)	\$ (380,681)	\$ (1,208,371)
Aid to Local Units	750,000	0	0	0
Other Assistance	11,024,600	0	0	0
Subtotal - Operating	\$ 19,098,915	\$ (827,690)	\$ (380,681)	\$ (1,208,371)
Capital Improvements	35,000	0	0	0
<b>TOTAL</b>	<b>\$ 19,133,915</b>	<b>\$ (827,690)</b>	<b>\$ (380,861)</b>	<b>\$ (1,208,371)</b>
FTE Positions	134.0	0.0	17.3	17.3
Unclassified Temp. Positions	1.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>135.0</b>	<b>0.0</b>	<b>17.3</b>	<b>17.3</b>

### House Recommendation

*The House has not taken action on this item.*

Expenditure	Agency Req. FY 98	Gov. Rec. FY 98	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 14,420,928	\$ 14,298,410	\$ (926,302)
Aid to Local Units	43,726,243	44,226,243	0
Other Assistance	11,156,100	11,406,100	0
Subtotal - Operating	\$ 69,303,271	\$ 69,930,753	\$ (926,302)
Capital Improvements	35,000	35,000	0
TOTAL	<u>\$ 69,338,271</u>	<u>\$ 69,965,753</u>	<u>\$ (926,302)</u>
State General Fund:			
State Operations	\$ 1,692,709	\$ 1,692,654	\$ (63,248)
Aid to Local Units	1,036,692	1,036,692	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 2,729,401	\$ 2,729,346	\$ (63,248)
Capital Improvements	0	0	0
TOTAL	<u>\$ 2,729,401</u>	<u>\$ 2,729,346</u>	<u>\$ (63,248)</u>
Economic Development Initiatives Fund:			
State Operations	\$ 7,245,800	\$ 7,324,315	\$ (863,054)
Aid to Local Units	250,000	750,000	0
Other Assistance	10,774,600	11,024,600	0
Subtotal - Operating	\$ 18,270,400	\$ 19,098,915	\$ (863,054)
Capital Improvements	35,000	35,000	0
TOTAL	<u>\$ 18,305,400</u>	<u>\$ 19,133,915</u>	<u>\$ (863,054)</u>
FTE Positions	136.0	134.0	0.0
Unclassified Temp. Positions	1.0	1.0	0.0
TOTAL	<u>137.0</u>	<u>135.0</u>	<u>0.0</u>

**Senate Subcommittee Recommendation**

The Senate Subcommittee concurs with the recommendations of the Governor, with the following observations and modifications:

1. Delete \$211,425 including \$63,428 from the State General Fund, based on the recommendation to delete funding for the 3.5 percent unclassified merit pool \$25,358; classified step movement (\$106,795); longevity bonus payments (\$34,395); and the 1.0 percent classified base salary adjustment (State General Fund) (\$44,897) from individual agency budgets.
2. 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.
3. 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 program will assist the Housing Division with creating current and accurate data on the construction costs of a single-family home on a statewide basis. This will be done with no additional funding.

The Subcommittee recommends adding the following provisos to the Ways and Means' 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."

4. 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.
5. Delete \$500,000 (EDIF) from aid to local units in the Community Development 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. The Subcommittee believes that if there is a demonstrable need that emanates from the communities affected, state money might be used to match community funds or aid provided by the railroad.
6. Lapse \$200,000 (EDIF) in the Microloan Program. The Subcommittee notes that the agency has a balance of \$700,000 for its Microloan Program and that only \$100,000 has been expended in the last two years. Lapsing \$200,000 would provide a balance of \$500,000 for FY 1998 in the Microloan Program. The agency explained that this program was originally designed to be operated by the Certified Development Corporations (CDCs), which had expressed an interest and had indicated their willingness to provide matching funds. The CDCs have subsequently decided they are unable to manage the funds. KDOC&H recently issued a request for proposals to determine if city and local economic groups/agencies are interested. It is currently in the process of evaluating those proposals. The department indicated that it does not have adequate staff to serve the loans and run the program directly, since it anticipated a large number of requests and loans that would typically be for less than \$10,000, frequently much less.

As a result of the problems in getting the Microloan Program up and running, the agency has not requested any new funds for FY 1998. Agency officials indicated that they are not discontinuing the program, but feel it is inappropriate to seek additional funds until a satisfactory delivery system is in place. They expressed their belief that there is a clear need for the program, and they are entertaining a variety of approaches by communities and economic development organizations to provide microloans to those who could benefit from such a resource. If the need for the program cannot be justified in FY 1998, the Subcommittee recommends the 1998 Legislature consider lapsing the funds.

7. Shift \$165,000 (EDIF) 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

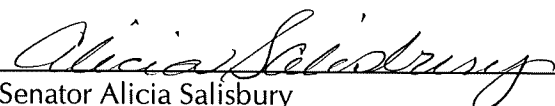
recommended, that \$85,000 be made available to the metropolitan areas in this final year. The remainder (\$165,000) of the traditional grant pool has been budgeted for Community Capacity Building Grants, which are designed to build on the efforts begun under the Strategic Planning program and which 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.


8. 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.

**Current Status Comparison**

	Gov. Rec. FY 1998	House Committee Action FY 1998	Senate Subcommittee Action FY 1998	Senate Subcommittee Change from House FY 1998
<b>All Funds:</b>				
State Operations	\$ 14,298,410	\$ 12,754,880	\$ 13,372,108	\$ 617,228
Aid to Local Units	44,226,243	44,226,243	44,226,243	0
Other Assistance	11,406,100	11,406,100	11,406,100	0
Subtotal - Operating	\$ 69,930,753	\$ 68,387,223	\$ 69,004,451	\$ 617,228
Capital Improvements	35,000	35,000	35,000	0
<b>TOTAL</b>	<b>\$ 69,965,753</b>	<b>\$ 68,422,223</b>	<b>\$ 69,039,451</b>	<b>\$ 617,228*</b>
<b>State General Fund:</b>				
State Operations	\$ 1,692,654	\$ 1,357,495	\$ 1,629,406	\$ 271,911
Aid to Local Units	1,036,692	1,036,692	1,036,692	0
Other Assistance	0	0	0	0
Subtotal - Operating	\$ 2,729,346	\$ 2,394,187	\$ 2,666,098	\$ 271,911
Capital Improvements	0	0	0	0
<b>TOTAL</b>	<b>\$ 2,729,346</b>	<b>\$ 2,394,187</b>	<b>\$ 2,666,098</b>	<b>\$ 271,911</b>
<b>Economic Development Initiatives Fund:</b>				
State Operations	\$ 7,324,315	\$ 6,115,944	\$ 6,461,261	\$ 345,317
Aid to Local Units	750,000	750,000	750,000	0
Other Assistance	11,024,600	11,024,600	11,024,600	0
Subtotal - Operating	\$ 19,098,915	\$ 17,890,544	\$ 18,235,861	\$ 345,317
Capital Improvements	35,000	35,000	35,000	0
<b>TOTAL</b>	<b>\$ 19,133,915</b>	<b>\$ 17,925,544</b>	<b>\$ 18,270,861</b>	<b>\$ 345,317</b>
FTE Positions	134.0	116.7	134.0	17.3
Unclass. Temp. Positions	1.0	1.0	1.0	0.0
<b>TOTAL</b>	<b>135.0</b>	<b>117.7</b>	<b>135.0</b>	<b>17.3</b>

\* Reduction of \$211,425, including \$63,428 from the State General Fund, is due to removal of the Governor's recommended pay plan adjustment.

  
 Senator Alicia Salisbury  
 Subcommittee Chair

  
 Senator Dave Kerr

  
 Senator Christine Downey



**SUBCOMMITTEE REPORT**

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

**Bill Sec. 15**

Analyst: Efird

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

Senate Ways and Means Committee

Date *3-18-97*

Attachment # *7*

### House Committee Recommendation

The House Committee concurs.

### House Recommendation

The House has not completed work on this budget.

Agency: Kansas Racing and Gaming Commission

Bill No. 228

Bill Sec. 15

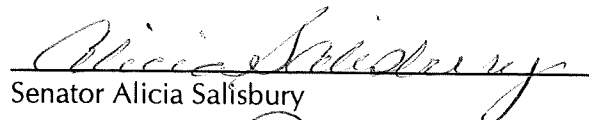
<u>Expenditure Summary</u>	<u>Agency Request FY 97</u>	<u>Gov. Rec. FY 97</u>	<u>Senate Subcommittee Adjustments</u>
Special Revenue Funds:			
State Operations	\$ 4,211,368	\$ 4,924,168	\$ 0
Aid to Local Units	0	0	0
Other Assistance	739,979	874,402	0
Subtotal - Operating	<u>\$ 4,951,347</u>	<u>\$ 5,798,570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

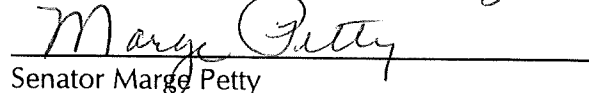
### Senate Subcommittee Recommendation

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 since the correct transfer is found in another bill.
2. Make any necessary technical corrections to the bill.

  
 Senator Larry Salmans  
 Subcommittee Chair

  
 Senator Alicia Salisbury

  
 Senator Marge Petty

**SUBCOMMITTEE REPORT**

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

**Bill Sec.** 50, 54

**Analyst:** Efird

**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.

### **House Committee Recommendation**

The House Committee concurs.

### **House Recommendation**

The House has not completed work on this budget.

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<u>Expenditure Summary</u>	<u>Agency Request FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>Senate Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 4,924,168	\$ 4,270,830	\$(62,937)
Aid to Local Units	0	0	0
Other Assistance	<u>874,402</u>	<u>874,865</u>	<u>(613,000)</u>
Subtotal - Operating	\$ 5,798,570	\$ 5,143,695	\$ (675,937)
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>\$(675,937)</u></u>
<b>Special Revenue Funds:</b>			
State Operations	\$ 4,924,168	\$ 4,270,830	\$(768,574)
Aid to Local Units	0	0	0
Other Assistance	<u>874,402</u>	<u>874,865</u>	<u>(613,000)</u>
Subtotal - Operating	\$ 5,798,570	\$ 5,143,695	\$ (1,381,574)
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>\$(1,318,574)</u></u>
<b>State General Funds:</b>			
State Operations	\$ 0	\$ 0	\$ 705,637
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 0	\$ 0	\$ 705,637
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 705,637</u></u>
<b>FTE Positions</b>			
FTE Positions	64.0	47.0	8.0
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>0.0</u></u>

Transfers	Actual FY 96	Agency Est. FY 97	Gov. Rec. FY 97	Agency Req. FY 98	Gov. Rec. FY 98
Payments from					
Racing Fund to KBI	\$ (372,023)	\$ (393,967)	\$ (395,965)	\$ (393,965)	\$ (400,002)
Racing Fund to Post Audit	0	0	0	0	(5,500)
SGF to Tribal Gaming Fund	145,976	366,941	366,941	434,676	434,676
Tribal Gaming Fund to SGF	(116,986)	(366,941)	(366,941)	(434,676)	(434,676)
Tribal Gaming Fund 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>\$ (405,502)</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

\*Note: When Lottery transfers to SGRF exceed \$50.0 million, these amounts go to the SGF.

### Senate Subcommittee Recommendation

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

1. Delete the Governor's recommended salary enhancements of \$62,937, including merit pool funding for the unclassified staff (\$39,537), classified step movement (\$10,577), classified COLA (\$7,550), and longevity bonus (\$5,273) from the individual agency budgets.
2. Concur with the Governor's proposed shift of financing for 13.0 FTE positions and temporary employees from the Racing Reimbursable Expense Fund currently paid by the race tracks to another source, but instead of paying out of the State Racing Fund as recommended by the Governor, appropriate financing from the State General Fund in the amount of \$705,637. The rationale for this procedure is to reflect the impact on the State General Fund (SGF) of this financing shift. For all practical purposes, when the Lottery contributes \$50.0 million to the State Gaming Revenues Fund (SGRF), then any transfers above that level go the SGF. In FY 1998, the Lottery will contribute at least \$50.0 million and amounts greater than that level will go to the State General Fund. As a result, all transfers from the State Racing Fund (SRF) will accrue ultimately in the State General Fund. The Governor's FY 1998 recommendations are projected to send \$474,653 ultimately to the SGF by way of SRF transfers. In FY 1997, that amount is estimated at \$1,495,982 for the SGF



from State Racing Operations, which is a decrease from \$2,476,790 in FY 1996. First, the decline in revenues from the state's parimutuel tax is the reason for this trend downward, and second, the shift of financing proposed for the 13.0 FTE positions by the Governor in FY 1998 further decreases revenue that ultimately would go to the State General Fund. This Subcommittee adjustment is intended to show the cost of this recommendation and its impact on the SGF on a budget item that legislators can understand and see a specific appropriation that follows the policy shift. At some time the Legislature ought to consider amending current law in order to direct that all parimutuel tax revenues be deposited into the SGF. That action would make this agency request SGF appropriations for all staff and operating costs that currently are paid from the State Racing Fund.

3. Discontinue the practice of partially financing the Kansas Bureau of Investigation's Gaming Unit by a 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 recommends in FY 1998 that if KBI fees are charged and become payable as expenditures from the State Racing Fund, any expenditures should be in addition to the expenditure limitation placed on the State Racing Fund.
4. Place an expenditure limitation of \$0 on the Horse Fair Racing Benefit Fund in FY 1998 and provide for the transfer of any beginning balance on July 1, 1997, 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 and ultimately to the State General Fund. 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, any transfer of the balance remaining after FY 1997 should be returned to the State Racing Fund where the other simulcast tax monies are deposited by law.
5. Continue to pay the Legislative Division of Post Audit the cost of \$5,500 for performing an annual financial-compliance audit as an expenditure, rather than as a revenue transfer. Delete transfer language in the appropriations bill.
6. Make any technical changes in the appropriations bill as required.

### **State Gaming Agency**

1. Add 8.0 FTE positions for background investigations and clerical work associated with licensing of tribal gaming casino employees and related activities, and for compliance work to monitor the three operating tribal casinos. The Governor's recommendations in FY 1998 include financing for 5.0 FTE positions and eight positions as temporary staff. However, the compacts require that the tribes will pay 100 percent of these staff costs. Since there is a considerable backlog of investigations to be done and the KBI has indicated that it does not have enough agents to

keep the workload current, the Subcommittee recommends 8.0 FTE positions for the State Gaming Agency. It was pointed out that the nationwide average turnover rate for casino employees is 35 percent annually and that in a recent arbitration, concern was raised about the number of background investigations that had taken longer than 90 days.. The workload associated with the startup of three tribal gaming casinos, the opening of a fourth sometime next year, and high turnover rate among casino employees will keep these staff busy, with the KBI assisting but not required to do everything. Provide for a separate line item to authorize 13.0 FTE positions for this agency as separate and distinct from state racing operations.

2. Subcommittee recommendations regarding the KBI Gaming Unit and transfers to finance that agency from the Lottery and Racing fee funds were predicated on the finding that in FY 1996 and FY 1997, the KBI received considerable reimbursements from the Tribal Gaming Fund to pay for investigative work that was paid originally from the transfers made from the Lottery and Racing funds. The Subcommittee concludes that the KBI has been paid twice for some background investigations relative to tribal casino licenses and offers the following calculations for repaying those two entities from which transfers to the KBI were made and that were used to subsidize tribal gaming work performed by the KBI. The FY 1996 actual expenditures for the KBI Gaming Unit were \$485,672. The agency reports that 5 percent of its time was spent on lottery matters and 45 percent on racing matters. The other 50 percent was devoted to tribal gaming matters. Based on allocating 5 percent of its total expenditures for lottery (\$24,284 of \$485,672), the amount transferred in FY 1996 overpaid the KBI by \$99,724. Likewise, based on allocating 45 percent of its total expenditures for racing (\$218,552 of \$485,672), the amount transferred in FY 1996 overpaid the KBI by \$153,471.

	<u>Transfers</u>	<u>Percent</u>	<u>Proportion</u>	<u>Correction</u>
Lottery	\$ 124,008	5%	\$ 24,284	\$ (99,724)
Racing	372,023	45%	218,552	(153,471)
Total	496,031	50%	242,836	(253,195)

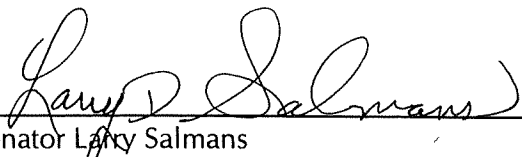
Since this financing, had the Legislature been aware previously of its existence, may have gone to the State General Fund (if it had been transferred to the State Gaming Revenues Fund in either FY 1996 or FY 1997), the Subcommittee recommends that these amounts be transferred from the KBI General Fees Fund to the State General Fund on the effective date of this act for the purpose of correcting the under transfers of July 15, 1996, and June 20, 1997, cause by this situation. Should the KBI Gaming Unit be under financed as a result of this action, the KBI Director should seek SGF appropriations for the unit rather than to raise fees charged for the tribal casino background investigations. It should be pointed out that parimutuel funds previously recommended by the Governor for transfer from the State Racing Fund to the KBI, under the Subcommittee's previous recommendation for State Racing Operations, will be transferred ultimately to the SGF, and that this is the financing source that the KBI should seek.

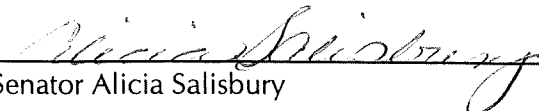
A number of the tribal payments for KBI work done in FY 1996 have been made in FY 1997, thus adding to the KBI balances in the current fiscal year since quarterly transfers

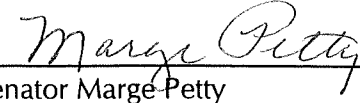
from Lottery and Racing funds continue to be made pursuant to 1996 session law. The KBI told the Senate Subcommittee reviewing its budget that currently 90 percent of the Gaming Unit's time is spent on tribal gaming matters. An estimated \$200,000 from the tribes already has been paid to the KBI and at least another \$400,000 in potential bills are outstanding, the Subcommittee was told by the State Gaming Agency. A full accounting of this situation in FY 1997 must await review during Omnibus, but the Subcommittee recommends that the Legislative Division of Post Audit be requested to perform a 100-hour audit in order to determine the extent of the problem, and to help calculate the amounts of Lottery and Racing funds that have subsidized tribal casinos in both FY 1996 and in the current fiscal year.

**Current Status Comparison**

	Gov. Rec. FY 1998	House Cmt. Rec. FY 1998	Senate Sub. Rec. FY 1998	Senate Change from House
<b>EXPENDITURES:</b>				
Racing Operations	\$ 3,064,451	\$ 1,964,840	\$ 3,001,514	\$ 1,036,674
Gaming Operations	872,865	872,865	872,865	0
Other Assistance	1,206,379	843,379	593,379	(250,000)
Total	<u>\$ 5,143,695</u>	<u>\$ 3,681,084</u>	<u>\$ 4,467,758</u>	<u>\$ 786,674</u>
<b>FINANCING:</b>				
State General Fund	\$ 0	\$ 0	\$ 705,637	\$ 705,637
All Other Funds	5,143,695	3,681,084	2,975,447	81,000
Total	<u>\$ 5,143,695</u>	<u>\$ 3,681,084</u>	<u>\$ 3,681,084</u>	<u>\$ 786,637</u>
<b>TRANSFERS:</b>				
SGRF	\$ 474,653	\$ 837,653	\$ 1,880,410	\$ 1,042,757
SGF	474,653	837,653	1,880,410	1,042,757
KBI	274,261	0	0	0
Post Audit	16,000	0	0	0
<b>FTE POSITIONS</b>				
State Gaming Agency	47.0	30.0	42.0	12.0
Unclass. Temp. Positions	0.0	13.0	13.0	0.0
Total	<u>8.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total	<u>55.0</u>	<u>43.0</u>	<u>55.0</u>	<u>12.0</u>

  
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Senator Larry Salmans

  
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Senator Alicia Salisbury

  
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Senator Marge Petty