

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Phil Kline at 1:30 p.m. on February 17, 1998 in Room 514-S of the Capitol.

All members were present except: Representative Greg Packer - Excused

Committee staff present: Alan Conroy, Shannon Nichols, Rae Anne Davis, Julian Efird, April Holman, Carolyn Rampey, Paul West, Legislative Research Dept; Jim Wilson, Mike Corrigan, Revisor of Statutes Office; Helen Abramson, Administrative Aide; Linda Swain, Appropriations Secretary

Conferees appearing before the committee:

Gloria Timmer, Director, Division of the Budget  
Meredith Williams, Kansas Public Employees Retirement System (KPERS)  
Basil Covey, Legislative Chairman, Kansas Retired Teachers Association (KRTA)  
Craig Grant, Kansas National Education Association (KNEA)  
Don Rezac, State Employee Association of Kansas (SEAK)  
Paul Wilson, Director of Labor Relations, Kansas Association of Public Employees (KAPE)  
John Eisele, Chartered, Law Office  
Don Heiman, Director, Division of Information Systems and Communication

Others attending: See attached list

Chair Phil Kline announced there would be an Appropriations Subcommittee meeting concerning KPERS issues, immediately following the Appropriations meeting. The meeting would also be an open public hearing and anyone wishing to stay for both meetings was invited to do so.

**Public Hearing on HB 2875 - Kansas Public Employees Retirement System**

Gloria Timmer, Director, Division of the Budget spoke on behalf of **HB 2875** in which the Governor recommends a 3.0 percent base benefit increase beginning in FY 99 for members of the retirement system who retired before July 1, 1997. It would be amortized over a 35 year period. The benefit adjustment would be the first for retirees since 1994 (Attachment 1).

A discussion followed concerning amortization.

Meredith Williams, KPERS, spoke concerning **HB 2875**. The increase would apply to approximately 50,000 retired members. It would be a one time increase, raising their base benefit payable for life. Costs for COLA's for those already retired have generally been spread either over a 15 year period or over a 35 year period. The 35 year period ties to the statutory 40 year amortization period that was enacted in 1993, running until 2033. When the 35 year pay off mode is used, the increase in the actuary liability is \$108M. Total additional contributions over that 35 year period will be \$499 M. The first year contributions would be \$7.7 M, in the year 2001. All but \$1.5 M would be contributed by the state (the state picks up the school portion). If the proposal is amortized over a 15 year period, the cost is \$108 M of actuarial liability. However, the total additional contribution over that 15 year period, given the time value of money would be \$229 M, compared to \$499 M. Additional annual payment contributions from employers would be \$11.89 M compared to \$7.7 M.

Mr. Williams noted there is another breakout available, splitting out the cost between the state group and the school group. Mr. Williams did not have the actual breakout with him during the meeting but agreed at Chair Kline's request to provide the information.

A discussion followed.

Basil Covey, Legislative Chairman, KRTA, spoke concerning **HB 2875** (Attachment 2). Representing the largest group of retirees in KPERS, he noted a recent KRTA survey in which only 6% of the retired teachers voted for **HB 2785**.

A discussion followed. 78% of KRTA members responded with support for the mandate sponsored by the Joint Committee on Pensions, Investments & Budgets (during the 1997 interim). The members believe the bill is tainted by the timing. Letters from the Governor's office noted their would be no COLA until 1999. It was pointed out to Mr. Covey that the bill speaks of a COLA to be given in the FY ending 6/31/99.

Craig Grant, KNEA, testified for HB 2875 (Attachment 3). His organization will be supporting a permanent COLA for retirees which is scheduled to come before the Subcommittee meeting. They will be supporting the best option for the KNEA. There were no questions.

Don Rezac, Lobbyist for the SEAK, speaking in favor of HB 2875, noted it has been 3 years since the last COLA. He also noted the time seemed right for an increase, in light of the success of KPERS investments during the past year (Attachment 4).

Paul Wilson, Director of Labor Relations, KAPE, spoke in favor of HB 2875. KAPE would prefer to see the KPERS retirement system amended to provide automatic COLAs (Attachment 5). A discussion followed.

John Eisele, Chartered, Law Office, spoke in favor of HB 2875. He noted that since 1972, the average cost of living increase has been 5.5% annually. The average increase to the retirees has been 4.2% per year, which means the retirees have experienced a 1.3% cut in benefits compounded over 25 years. There were no questions.

The hearing on HB 2875 was closed.

Representative Holmes presented the House Subcommittee's report for the State Corporation Commission. The Subcommittee concurred with the Governor's recommendation for FY 98 and with the FY 98 recommendations with eight exceptions. (Attachment 6)

A motion was made by Representative Holmes, seconded by Representative Feuerborn to adopt the Subcommittee report for State Corporation Commission. A discussion followed. The motion carried.

Representative Feuerborn presented the House Subcommittee report for the Citizen's Utility Ratepayer Board. The Subcommittee concurred with the Governor's recommendation for FY 98 with one exception and with the FY 99 recommendations with two exceptions (Attachment 7).

A motion was made by Representative Feuerborn, seconded by Representative Peterson to adopt the Subcommittee report for State Corporation Commission. A discussion followed with clarification of the exceptions for FY 98 and FY 99. The motion carried. Representative Spangler voted no.

Representative Pottorff presented the House Subcommittee report for the Commission on Governmental Standards and Conduct. The Subcommittee concurred with the Governor's recommendation for FY 98 and FY 99 (Attachment 8).

A motion was made by Representative Pottorff, seconded by Representative Minor to adopt the Subcommittee report for Commission on Governmental Standards and Conduct. There were no questions. The motion carried.

Representative Minor presented the House Subcommittee report for the Department of Administration. The Subcommittee concurred with the Governor's recommendation for FY 98 with two observations and for FY 99 with observations and adjustments on five items (Attachment 9).

A motion was made by Representative Minor, seconded by Representative Pottorff to adopt the Subcommittee report for the Department of Administration. A discussion followed.

A substitute motion was made by Representative Spangler, seconded by Representative Farmer to amend the Subcommittee report to reflect a review at Omnibus time. The motion carried

Discussion continued on the Subcommittee report with questions concerning shrinkage, Statewide Human Resources & Personnel (SHaRP) system printouts, costs, and new upgrades.

Don Heiman, Director, DISC, addressed some of the questions.

Representative Nichols requested someone in the Department of Administration, who has responsibility for SHaRP figures and printouts, respond in writing to the Committee to get to the bottom of the concerns raised by Representative Holmes and others in the committee regarding the inconsistencies of the agency vacancy report. There appears to be a breakdown in the system with possible problems in both SHaRP and the agencies.

Chair Kline suggested Representative Holmes and Representative Nichols communicate with Director Heiman what is needed to clarify the problems with the SHaRP reports.

A vote was taken on the original motion made by Representative Minor, seconded by Representative Pottorff to adopt the Subcommittee report for the Department of Administration as amended. The motion

carried.

Representative Ballard presented the House Subcommittee report for Kansas Commission on Human Rights (Attachment 10). The Subcommittee concurred with the Governor's Recommendations for FY 98 and the recommendation for FY 99 with four modifications.

A motion was made by Representative Ballard, seconded by Representative Neufeld to adopt the Subcommittee report for the Kansas Commission on Human Rights for FY 98 & FY 99. The motion carried.

A motion was made by Representative Ballard, seconded by Representative Helgerson to approve the minutes for 2/10/98, 2/12/98, and 2/13/98 meetings. The motion carried.

Representative Helgerson had two requests for bill introduction. One on a Medicaid managed care project; the second one on a children's health care project.

A motion was made by Representative Helgerson, seconded by Representative Ballard to accept the two bills for introduction. The motion carried.

A motion was made by Representative Nichols, seconded by Representative Pottorff to accept a bill for introduction concerning the state librarian and restructures how the state librarian is hired. The motion carried.

The meeting adjourned at 3:20 p.m. The next meeting is scheduled for February 18.

# APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 2/17/98

NAME	REPRESENTING
Brandon Myers	KHRC
Bob Jay	KHRC
Bill Manner	KHRC
Basil Covey	KRTA
Cal Dickinson	AARP-SLC
Charles H. Freeman	AARP-SLC
W. Williams	KPERS
Jack Hain	KPERS
John Cruise	—
Keith Haxton	SEAK
Don Ryan	S.E.A.K
Donna Humphreys	KCC
Lois Young	KNEA-R
Mary Lu Martin	KNEA
Craig Grant	KNEA
WALKER HENDRIX	cueB
Pat Higgins	DofA
Ron Seebert	DofA
Louis Chidwa	Budget





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Bill Graves  
Governor

Gloria M. Timmer  
Director

MEMORANDUM

TO: House Appropriations Committee

FROM: Gloria Timmer, Director, Division of the Budget

DATE: February 12, 1998

SUBJECT: HB 2785 - KPERS Benefit Increase

Thank you for the opportunity to speak on HB 2875 which would implement the Governor's base benefit increase for retirees. The Governor recommends a 3.0 percent base benefit increase beginning in FY 1999 for members of the retirement system who retired before July 1, 1997. The cost of the increase would be amortized over a 35 year period. As Attachment A illustrates, this will be the first benefit adjustment for retirees since 1994, an important consideration for the Governor.

Although the bill itself is quite straightforward, two significant issues concerning the recommendation have been raised.

Benefit Increase Costs

Attachment B illustrates that the recommended 3.0 percent COLA would increase the actuarial liability a total of \$108.0 million over the 35 year amortization period. To pay for the increased liability, the employer's contribution rates would increase in FY 2001, a time frame which allows local governments to prepare for the contribution rate increases in their budgets. Beginning in FY 2001, the employer's contribution will increase by an estimated \$7.7 million, \$1.66 million from local governments and the remainder from the state. The State General Fund portion is estimated to be \$5.9 million. The state's total contribution estimates include 100.0 percent of TIAA, Judges and KP&F State to be financed and 85.0 percent of the State and School from the State General Fund. Over the 35 year period, it is projected that the employer contributions will contribute an additional \$499.3 million into the Kansas Public Employees Retirement Fund.

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Attachment 1

The column labeled Total System Contributions shows the total amount of employer contributions to be paid into the system over the 35 year period, including the \$499.3 million which will fund the 3.0 percent COLA. That column shows that a total of \$14.1 billion is estimated to be contributed by state and local employers into the KPERS system over the 35 years.

#### Will Benefit Increase Affect Unfunded Liability

During the 1995 Legislative Session, the issue of the KPERS unfunded liability was addressed. At that time, the liability was estimated to be well over \$1.5 billion. In response to these serious concerns, legislation was passed which required the State/School employer contribution rate to increase by up to .20 percent each year until equilibrium was reached, a point projected to be the year 2010. At the time of the legislation, the State/School employer contribution rate was set at 3.79 percent. With the additional .20 percent increase added to the rate each year, the State/School employer contribution rate was projected to reach 6.23 percent by the projected 2010 equilibrium date.

Since that time, the projected equilibrium date has been modified to 2002, mainly because of the extremely positive investment experience of the fund. By this time, the employer State/School employer contribution rate would reach 4.71 percent. The KPERS actuaries have determined that the additional liability incurred by the 3.0 percent COLA would not affect the revised 2002 equilibrium date.

Finally, in the Governor's budget planning reports, approximately \$10.0 million is set aside each year to pay for annual increases for employer contributions to address the unfunded liability. The following table details the state's employer contributions for State/School for the past three budget years and the amounts budgeted for FY 1998 and FY 1999:

Fiscal Year	KPERS School	KPERS State	Total State Contributions	
			SGF	All Funds
FY 1995 Actual	\$58,208,329	\$23,798,568	\$69,622,302	\$82,006,897
FY 1996 Actual	\$62,708,172	\$25,421,877	\$74,777,214	\$88,130,049
FY 1997 Actual	\$68,815,868	\$27,109,073	\$81,786,472	\$95,924,941
FY 1998 Budgeted	\$76,912,733	\$31,665,087	\$91,883,448	\$108,577,820
FY 1999 Budgeted	\$83,950,457	\$34,150,517	\$100,105,321	\$118,100,974

Thank you for the opportunity to speak on this important bill.

# **Kansas Employees Public Retirement System**

## **Post Retirement Benefit Adjustments**

- **1990** - Retirees received a 4.0 percent increase.
- **1991** - Retirees received between a 1.0 percent or \$10 a month increase.
- **1992** - Retirees received a \$15 a month increase.
- **1993** - Retirees with over 15 years of service received the greater of a 15.0 percent increase in monthly benefits up to a \$200 or a maximum of \$50 per month. Retirees with under 15 years of service received a 5.0 percent increase or \$10 a month.
- **1994** - Retirees received a 1.5 percent increase or \$.50 per year of service.
- **1995 through 1997** - There were no benefit increases for retirees.



**KPERS 3.0% COLA  
Amortization Period Through 2033**

	Increase in Actuarial Liability	Contribution Rate Increase FY 2001	Additional Contribution FY 2001	Additional Contributions FY 1998 to FY 2033	Total System Contributions FY 1998 to FY 2033
<b>KPERS</b>					
State and School	\$80,000,000	0.17%	\$5,260,000	\$367,200,000	\$10,227,890,000
Local	13,000,000	0.10%	860,000	59,910,000	2,088,210,000
TIAA*	1,000,000	0.12%	560,000	1,750,000	45,990,000
Judges	1,000,000	0.49%	100,000	6,740,000	207,070,000
<b>KP&amp;F</b>					
KP&F-State	1,600,000	0.34%	120,000	8,100,000	191,670,000
KP&F-Local	11,400,000	0.34%	800,000	55,600,000	1,316,420,000
<b>Totals</b>	<b>\$108,000,000</b>		<b>\$7,700,000</b>	<b>\$499,300,000</b>	<b>\$14,077,250,000</b>

\* TIAA is amortized over a ten year period beginning in FY 1993

\*\* The above figures reflect the increased TIAA contributions only up to FY 2003



# Kansas Retired Teachers Association

KRTA - HONORING THE PAST,  
LIVING THE PRESENT, PROTECTING THE FUTURE"

1997-1998



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Members of the House Appropriations  
Committee:

My name is Basil Covey representing the  
Kansas Retired Teachers Association, the  
largest group of retirees in KPERs.

We thank you for assuming responsibility  
for HB 2875.

Our membership followed another benefit  
plan they felt met their needs. That plan  
was on a fast track, until the contents of  
HB 2875 was announced.

Retired teachers wanted the mandate  
passed by the 1996 legislature carried out.  
The mandate was the product of efforts of  
former Representative James Lowther. HB 2875  
does not address the mandate.

Retired teachers have weathered three  
years of cost of living increases totaling  
8.3%. The need for an increase in benefits  
is evident.

Any benefit bill, favored or not, if  
passed by the legislature, and signed by the  
governor as HB 2875 surely would be, applies  
to all KPERs retirees.

Retired teachers for the first time  
seemed to have a choice of two benefit plans.  
The president of KRTA conducted a survey vote  
in the 48 local units of retired teachers.

Many of our members felt HB 2875 is  
tainted.

However, support for HB 2875 is  
strengthened by 6% of the retired teachers  
who voted for it.

We appreciate the opportunity to speak  
in support of HB 2875 for the 6% of our  
members.

Thank you,  
*Basil Covey*  
Basil Covey

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Attachment 2



KANSAS NATIONAL EDUCATION ASSOCIATION / 715 W. 10TH STREET / TOPEKA, KANSAS 66612-1686

Craig Grant Testimony Before  
House Appropriations Committee  
Tuesday, February 17, 1998

Thank you Mr. Chairman. I am Craig Grant and I represent Kansas NEA. I appreciate this chance to visit with the committee about House Bill 2875.

Kansas NEA appreciates and applauds the Governor for his recognition that retirees need a cost of living increase. We have not had such a cost of living increase in a number of years. Inflation has worked to lower the spending power of our retired state employees. Some retirees have little retirement pay anyway. These people were dedicated public servants who spent a number of years working for the taxpayers of this state. We should now recognize their contributions by providing at least a cost of living increase.

I realize that there is, as always, a problem with funding a cost of living. The normal method had been to spread out the payments over an extended period of time. It does cost more to fund it this way. That is not dissimilar with the way we fund most bond proposals that the state enters into for a number of large-ticket items. Funding problems do not take away the need to provide cost of living adjustments.

We are supporting a permanent COLA for retirees which we will talk about in the subcommittee later today. Whichever proposal emerges as the best possibility we certainly would support. We hope that we do not lose sight of the goal-- to keep retirees as close as possible to their retirement pay as figured when they retired. Those former state workers deserve it.

We stand ready to work with this committee and the legislature to get a cost of living increase for our retired state workers. Thank you for your consideration of our thoughts.

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Attachment 3*

## STATE EMPLOYEES ASSOCIATION OF KANSAS

MY NAME IS DON REZAC, LOBBYIST FOR THE STATE EMPLOYEES ASSOCIATION OF KANSAS (SEAK). THE MEMBERS OF SEAK WANT TO THANK GOVERNOR GRAVES AND THE LEGISLATURE FOR BRINGING THE ISSUE OF A KPERS RETIREE COST OF LIVING ADJUSTMENT TO THE FOREFRONT.

I AM SURE YOU HAVE HEARD IT BEFORE, BUT I WILL REITERATE THE FACT THAT IT HAS BEEN THREE LONG YEARS SINCE THE LEGISLATURE LAST PASSED A COST OF LIVING ADJUSTMENT FOR RETIRED PUBLIC EMPLOYEES. NOW IS THE TIME FOR THE LEGISLATURE TO DO WHAT IS RIGHT FOR THOSE WHO HAVE SERVED THIS STATE AS ITS EMPLOYEES.

LADIES AND GENTLEMEN OF THE COMMITTEE, THERE ARE OVER 200,000 MEMBERS OF KPERS THROUGHOUT THE STATE OF KANSAS, 50,000 OF WHOM RECEIVE A PENSION. LAST YEAR, KPERS RECEIVED 1.3 BILLION DOLLARS IN INCOME FROM ITS INVESTMENTS AND CONTRIBUTIONS FROM EMPLOYEES AND EMPLOYERS. THE SYSTEM'S TOTAL BENEFIT PAYMENTS WERE 469 MILLION DOLLARS. KPERS' AVERAGE RATE OF RETURN ON ITS INVESTMENTS WAS 14.4%.

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Attachment 4*

TESTIMONY OF DON REZAC  
PAGE TWO  
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IN LIGHT OF THOSE NUMBERS, THOSE WHO MUST LIVE ON A FIXED INCOME QUESTION WHY ANYONE WOULD OPPOSE PROVIDING RETIREES WITH A SMALL INCREASE IN A LIVING WAGE.

WHILE INFLATION HAS THANKFULLY BEEN LOW, IT STILL EXISTS. WITH THE PAST INCREASES IN PENSIONS THE LEGISLATURE PROVIDED THE RETIREES WERE SMALL. THEY KEPT THE EXPENSE OF THE NECESSITIES OF LIFE WITHIN REACH. FOR RETIRE'S, LOSING THOSE SMALL, ANNUAL INCREASES HAVE MADE THOSE NECESSITIES DIFFICULT TO OBTAIN.

IN CLOSING, SEAK FIRMLY BELIEVES THAT THE PROSPERITY OF KPERS, THE STATE'S SOUND FISCAL STATE AND THE STRENGTH OF THE ECONOMY IN GENERAL ARE EXCELLENT REASONS FOR ASSISTING THOSE WHO HAVE SERVED THE PUBLIC FOR SO LONG AND SO WELL. IT IS TIME FOR THE LEGISLATURE TO TAKE ACTION FOR ITS RETIRED PUBLIC EMPLOYEES. THANK YOU FOR YOUR CONSIDERATION.



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Testimony of Paul K. Wilson  
Director of Labor Relations  
Kansas Association of Public Employees before  
The House Committee on Appropriations  
on House Bill 2875

Mr. Chairman and members of the committee, good afternoon and thank you for allowing me to come before you to offer testimony in support of House Bill 2875. My name is Paul Wilson and I am the Director of Labor Relations for the Kansas Association of Public Employees.

The bill under consideration here proposes to increase the retirement benefits of KPERS participants by the amount of three (3%) percent. Hearings were conducted around the state over the summer and fall months by the Joint Committee on Pensions, Investments, and Benefits. Those hearings were attended by many members of KAPE and I was in attendance at several of them as well. Much good discussion, exchange of ideas, and alternate proposals came from those meetings, and I would be remiss if I did not commend the Joint Committee for providing that public forum. It was met with great appreciation from those KAPE represents.

One of the ideas which arose from those meetings, and which met with great excitement by our membership, was the concept of an automatic escalator of retirement benefits which would be tied to the Consumer Price Index. The committee recommendation was for an automatic escalator calculated at 2/3 of the Consumer Price Index and capped at 2%. The recommendation also provided that its first application would only be applied after the retiree had reached 70 years of age or had been receiving retirement benefits for five years, whichever came later. KAPE supports the concept of an automatic adjustment of benefits in as much as it would solve a number of issues which KAPE and the legislature face every year regarding amendments to the KPERS system. It would depoliticize an otherwise controversial issue, its costs would be more easily predictable and presumably more easily dealt with from an actuarial standpoint, and it would also provide a degree of assurance regarding their future for those considering retirement.

Unfortunately, the proposal which arose from the committee was capped at too low a percentage, and contained language which would postpone its application to retirees too far into the future. For those reasons, KAPE finds itself in the position of agreeing with the concept of an automatic escalator but supporting this bill which contains a one time percentage

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Attachment 5

increase in benefits. As the certified spokesperson for some 20,000 public employees in this state, I wanted you to know the rationale behind KAPE's support of this bill. Therefore, if I find myself before this committee in the future testifying on a KPERS bill which contains an automatic escalator of benefits, hopefully you will understand why that occurs and you won't see that as conflicting with the testimony I offer here today.

In summary, KAPE would like to see the KPERS retirement system amended to provide a true and automatic cost of living adjustment to future benefits to be paid. Lacking that, KAPE supports individual annual adjustments which help to offset the affects of inflation on the incomes of KPERS retirees.

Thank you for your attention to my comments and I will attempt to answer any questions you may have.

**SUBCOMMITTEE REPORT**

**Agency:** State Corporation Commission

**Bill No. –**

**Bill Sec. –**

**Analyst:** Rampey

**Analysis Pg. No.** 1131

**Budget Page No.** 125

<u>Expenditure Summary</u>	<u>Agency Est. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 15,384,240	\$ 15,384,240	\$ 0
Aid to Local Units	750,000	750,000	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 16,134,240	\$ 16,134,240	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u><u>\$ 16,134,240</u></u></b>	<b><u><u>\$ 16,134,240</u></u></b>	<b><u><u>\$ 0</u></u></b>
<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>
FTE Positions	212.0	212.0	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u><u>212.0</u></u></b>	<b><u><u>212.0</u></u></b>	<b><u><u>0.0</u></u></b>

**AGENCY OVERVIEW**

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

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### Agency Est./Governor's Recommendation

When compared to \$15,823,103, which is the amount shown as approved at the end of last session, the State Corporation Commission's revised estimate for the current year is \$311,137 higher. This amount would be \$517,137 except that the Commission inadvertently left out of its revised budget \$206,000 in federal mineral leasing royalty moneys for abandoned well pluggings that was approved last session. No legislative action is required for the agency to make use of the additional moneys, which were credited to funds that have "no limit" expenditure limitations.

**Governor's Recommendation.** The Governor concurs with the Commission's revised current year estimate of \$16,134,240.

### House Subcommittee Recommendation

The Subcommittee concurs with the recommendations of the Governor.



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Representative Carl Holmes  
Subcommittee Chairperson

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Representative Jeff Peterson



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Representative Bill Feuerborn

**SUBCOMMITTEE REPORT**

**Agency:** State Corporation Commission

**Bill No. –**

**Bill Sec. –**

**Analyst:** Rampey

**Analysis Pg. No.** 1131

**Budget Page No.** 125

<u>Expenditure Summary</u>	<u>Agency Req. FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 16,104,982	\$ 15,606,909	\$ 180,944
Aid to Local Units	750,000	750,000	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 16,854,982	\$ 16,356,909	\$ 180,944
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 16,854,982</u></u>	<u><u>\$ 16,356,909</u></u>	<u><u>\$ 180,944</u></u>
State General Fund:			
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>
TOTAL	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
FTE Positions	220.0	212.0	-
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>-</u>
TOTAL	<u><u>220.0</u></u>	<u><u>212.0</u></u>	<u><u>-</u></u>

**Agency Req./Governor's Recommendation**

The State Corporation Commission estimates expenditures of \$16,854,982 in FY 1999 for a 4.5 percent increase over the revised budget for the current year. The increase of \$720,742 includes \$592,953 for the following:

- **Priority 1—Salary Upgrade for Unclassified Employees in the Utilities Division.** Included in the Commission's request is \$180,944 from the Public Service Regulation Fund for the upgrades for professional and technical staff such as research economists, utility engineers, pipeline safety inspectors, and research analysts. The Commission believes that the upgrade will provide for a competitive pay scale and lead to retaining staff so that the cost of training and overtime pay is reduced.

- **Priority 2—Two New Consumer Protection and Education FTE Positions for Administrative Services.** The request includes \$79,362 from the Public Service Regulation Fund for two new special investigator FTE positions. The Commission says that the new positions are necessary to protect consumers and enhance an existing consumer education program, all of which are needed because utility regulation is undergoing changes rapidly and consumer choices are increasing.
- **Priority 3—New Financial Examiner I FTE Position for Conservation Division.** The request includes \$45,761 from the Conservation Fee Fund for a new financial examiner FTE position. The Commission says that the new position is necessary to meet mandates that were placed on it by passage of 1996 S.B. 755.
- **Priority 4—Five New FTE Positions for a New Compliance Section for the Utilities Division.** The request includes \$286,886 from the Public Service Regulation Fund for five new compliance auditors and analysts for a new Compliance Section. The Commission says that the new unit is needed to audit compliance with the Commission's orders which require a utility to either take or refrain from certain actions. According to the Commission, present staff levels do not allow for compliance auditing and, with the advent of retail competition, more importance will be placed on compliance audits for the next several years to ensure that quality in service is maintained.

**Governor's Recommendation.** The Governor recommends a budget of \$16,356,909, a reduction of \$498,073 from the Commission's FY 1999 request. His recommendation includes none of the requested enhancements which accounts for almost all of the reduction.

### **House Subcommittee Recommendations**

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

1. Add \$180,944 from the Public Service Regulation Fund as a line item in the appropriations bill. The money is to be used to upgrade the salaries of professional and technical staff in the utilities division. According to the Commission, salaries of staff such as research economists, utility engineers, pipeline safety inspectors, and research analysts in the utilities division are not competitive with salaries of similar staff positions in other state agencies, in other states, and the private sector. In FY 1997, the utilities division's turnover rate was 7.0 percent. At the present time, the rate in the division is 14.0 percent due to the resignation of six employees—one in September and five in January and February. Although not always the case, most of the staff leaves for higher paying jobs and promotions, often with utility companies. Not only does this mean that the Commission constantly has to replace experienced staff, but it also means that state regulatory staff go to work for companies the Commission regulates, a situation that the Subcommittee considers undesirable.

It is the Subcommittee's intention to review the utilities division during the 1999 Session to see if the recommended salary upgrade has had the effect of lowering the turnover rate.

2. The Subcommittee recommends the introduction of legislation to repeal statutes that are obsolete due to changes in federal law in the last five years that remove railroads from state jurisdiction. The Subcommittee became aware during reviews of the Commission's rules and regulations last fall that a number of obsolete statutes pertaining to railroads have not been repealed. Almost all of the statutes identified by the Commission concern railroads (a few refer to motor carriers) and repeal statutes that no longer have any application.
3. Direct the Commission to obtain the necessary staff expertise to assure that oil and gas operators are complying with the financial responsibility requirements imposed by 1996 S.B. 755. In its request for FY 1999, the Commission asked for \$45,761 to add 1.0 FTE Financial Examiner I position to evaluate the financial assurances made by oil and gas operators. The Subcommittee agrees that S.B. 755 requires that the Commission have the staff expertise requested, but believes the Commission has enough vacant positions and salary savings to fill the position without increasing the existing position limitation or adding additional funding.
4. The Subcommittee believes 1996 S.B. 755 has given the Commission the authority and resources it needs to identify and plug abandoned wells in the state. However, the Subcommittee believes the Commission needs to be more aggressive in locating responsible parties and potential responsible parties when abandoned unplugged wells are found. Not only does identifying the responsible party save the state money, but it also sends the signal to other oil and gas operators that the Commission is serious in its intent to make operators pay for the wells they abandon. One area in which improvement may be needed is that the Commission should identify responsible parties as soon as possible after an abandoned well is discovered so that operators take care of their wells before state-funded plugging activities begin.
5. The Subcommittee calls attention to information about the number of abandoned wells that have been plugged since the enactment of 1996 S.B. 755. S.B. 755 established a mechanism to finance a six-year program of enhanced well plugging and reclamation activities. The bill created the Abandoned Oil and Gas Well Fund to be used by the Commission to pay the costs of investigating and remediating contamination sites and plugging wells that had been abandoned before July 1, 1996. Revenues to the Fund, which will terminate July 1, 2002, are transfers totaling \$400,000 a year from each of the following funds: the State General Fund, the State Water Plan Fund, and the Conservation Fee Fund. In addition, half of the money Kansas receives from the United States under the Mineral Leasing Act, estimated to be between \$400,000 and \$450,000, is credited to the Fund. The Commission uses the Fund to pay for plugging "Priority I wells," those wells that pose the greatest risk to public health and the environment. The table below shows how many wells were plugged in FY 1997 and the estimates for FY 1998 and FY 1999:

<u>Fund</u>	<u>FY 1997</u>	<u>FY 1998 (Est.)</u>	<u>FY 1999 (Est.)</u>
Conservation Fee Fund	101	120	120
Abandoned Oil and Gas Well Fund	368	380	342
TOTAL	<u>469</u>	<u>500</u>	<u>462</u>

Actual expenditures (including encumbrances) for well plugging from the Conservation Fee Fund were \$476,612 in FY 1997. For both FY 1998 and FY 1999, expenditures are estimated to be \$500,000. Expenditures from the Abandoned Oil and Gas Well Fund were about \$1.2 million in FY 1997 and are estimated to be \$1.7 million in FY 1998 and \$1.6 million in FY 1999. The expenditures for both FY 1998 and FY 1999 include about \$400,000 for remediation activities.

6. As part of its performance indicators and output measures, the Commission includes information about the number of complaints it has received about slamming. The Subcommittee asks that in the future that information be broken down to indicate how many of the complaints are in writing and how many are phoned in. With regard to the Commission's strategic plan and performance indicators in general, the Subcommittee notes that it made a number of suggestions for the Commission to incorporate into future budgets.
7. The Subcommittee calls attention to an audit by the Legislative Division of Post Audit of the Commission's conservation division. Because the audit will not be presented to the Legislative Post Audit Committee until later in February, the Subcommittee did not have the opportunity to review its findings and recommendations. It is the Subcommittee's intention to review the audit when it becomes available and propose any recommendations it may care to make for consideration in the Omnibus Bill.
8. During its deliberations, the Subcommittee reviewed the number of vacancies at the Corporation Commission, as well as at the other agencies whose budgets were being considered. In each case, information from the State Human Resources Program (SHARP) was compared with information received directly from the agency. In many cases, the Subcommittee found errors both on the part of the agencies and in the SHARP report. The Subcommittee expresses its concern that information provided by the Department of Administration in the state's personnel and payroll system is unreliable and cannot be used by Legislators to determine the number of state agency vacancies.



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Representative Carl Holmes  
Subcommittee Chairperson

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Representative Jeff Peterson



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Representative Bill Feuerborn

**SUBCOMMITTEE REPORT**

**Agency:** Citizens' Utility Ratepayer Board

**Bill No. –**

**Bill Sec. –**

**Analyst:** Rampey

**Analysis Pg. No.** 1138

**Budget Page No.** 103

<u>Expenditure Summary</u>	<u>Agency Estimate FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 368,345	\$ 368,345	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 368,345	\$ 368,345	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL</b>	<b><u><u>\$ 368,345</u></u></b>	<b><u><u>\$ 368,345</u></u></b>	<b><u><u>\$ 0</u></u></b>
<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>
FTE Positions	2.0	2.0	0.0
Unclassified Temp. Positions	<u>1.0</u>	<u>1.0</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u><u>3.0</u></u></b>	<b><u><u>3.0</u></u></b>	<b><u><u>0.0</u></u></b>

**AGENCY OVERVIEW**

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

The mission of CURB is to act on behalf of residential and small commercial ratepayers in electric, gas, telephone, and water-related cases before the Corporation Commission and to make application for rehearing or seek judicial review of orders or decisions of the Commission. (CURB does not participate in cases involving electric and telephone cooperatives that have a membership of fewer than 15,000.) According to the agency, it represents those Kansans who would not ordinarily be able to hire their own attorneys, understand the technicalities inherent in the utilities regulatory process, have

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the time to participate in regulatory hearings that usually are held in Topeka, and have the money to compete against the resources and legal staffs of utilities.

CURB's financing comes from assessments levied against the public utilities on whose behalf CURB can intervene. The five-member CURB Board is appointed by the Governor and has statutory authority to hire a consumer counsel. The Board currently employs a consumer counsel, an office specialist, and an unclassified temporary attorney.

### **Agency Estimate/Governor's Recommendation**

CURB's estimated expenditures for FY 1998 are \$368,345, which is the amount approved by the 1997 Legislature. Included in the FY 1998 estimate are \$144,035 for salaries and wages, \$168,080 for fees for professional services, and \$56,230 for various other operating expenditures.

**Governor's Recommendation.** The Governor concurs with CURB's estimated expenditures of \$368,345 in FY 1998.

### **House Subcommittee Recommendation**

The Subcommittee concurs with the recommendations of the Governor, with the following exception:

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

In the event the legislation the Subcommittee recommends is not enacted, the Subcommittee recommends that a proviso be attached to CURB's appropriation for both FY 1998 and FY 1999 allowing it to use the same bidding procedure as the Corporation Commission.





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Representative Carl Holmes  
Subcommittee Chairperson



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Representative Jeff Peterson



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Representative Bill Feuerborn

**SUBCOMMITTEE REPORT**

**Agency:** Citizens' Utility Ratepayer Board

**Bill No. --**

**Bill Sec. --**

**Analyst:** Rampey

**Analysis Pg. No.** 1138

**Budget Page No.** 103

<u>Expenditure Summary</u>	<u>Agency Request FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 491,547	\$ 376,663	\$ 62,527
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 491,547	\$ 376,663	\$ 62,527
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 491,547</u></u>	<u><u>\$ 376,663</u></u>	<u><u>\$ 62,527</u></u>
State General Fund:			
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>
TOTAL	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
FTE Positions	5.0	3.0	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>1.0</u>
TOTAL	<u><u>5.0</u></u>	<u><u>3.0</u></u>	<u><u>1.0</u></u>

**Agency Request/Governor's Recommendation**

For FY 1998, CURB is requesting authority to spend \$491,547, an increase of \$123,202 over the current year. The Board wants to shift its unclassified temporary attorney position to an FTE position. There would be no additional cost incurred for the position, which would remain in the unclassified service. The Board also asks for three enhancements to its current services budget, which total \$116,860.

- \$62,366 is requested for an unclassified 1.0 FTE accountant economist position to have an expert on staff to review legal cases and provide testimony.
- \$24,494 is requested for a classified 1.0 FTE secretary position to assist with the duties of the Board's one clerical position.

- \$30,000 is requested for hiring more consultants used to augment the expertise of the Board's staff, particularly in the areas of accounting and engineering.

The Governor recommends expenditures of \$376,663 , a reduction of \$114,884 from CURB's FY 1999 request. He recommends none of the requested enhancements. However, he does concur with the Board's request to shift its unclassified temporary attorney position to an FTE position.

### House Subcommittee Recommendation

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

1. Add \$62,527 for the salary and associated costs of a new unclassified temporary position to be filled by an accountant-economist. Of the amount added, \$54,761 would be for salaries and \$7,766 would be for associated other operating costs (\$3,000 for travel, \$323 for phone expenses, \$1,840 for furniture, and \$2,603 for computer equipment). CURB always has relied upon consultants, such as accountants, economists, attorneys, and engineers, to provide expertise in specialized areas, but the Subcommittee believes the recent increase in the Board's activity justifies the addition of a position on staff to review legal cases and provide testimony. The Subcommittee's purpose in recommending that the position be temporary is to give subsequent Legislatures the opportunity to review CURB's utilization of the new position and its use of consultants before deciding whether the position should be made permanent.
2. In the event that legislation recommended by the Subcommittee concerning the bidding procedure used by CURB is not enacted, the Subcommittee recommends that a proviso be attached to CURB's appropriation specifying that CURB shall be under the same bidding procedure as the State Corporation Commission with regard to contracts for professional services.



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Representative Carl Holmes  
Subcommittee Chairperson



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Representative Jeff Peterson



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Representative Bill Feuerborn

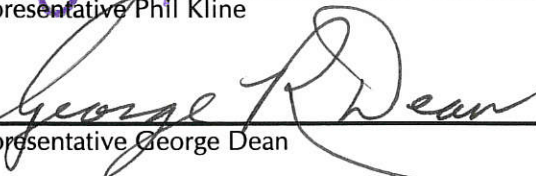
Appropriations Subcommittee on State Hospitals and General Government

**Subcommittee Report on the  
Commission on Governmental Standards and Conduct**

For Fiscal Years 1998 and 1999

  
Representative Jo Ann Pottorff, Chair

  
Representative Phil Kline

  
Representative George Dean

  
Representative Melvin Minor

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**SUBCOMMITTEE REPORT**

**Agency:** Commission on Governmental Standards and Conduct

**Bill No.**

**Bill Sec.**

**Analyst:** Holman

**Analysis Pg. No.** 1199

**Budget Page No.** 189

<u>Expenditure Summary</u>	<u>Agency Est. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
<b>State Operations:</b>			
State General Fund	\$ 355,973	\$ 351,069	\$ 0
Special Revenue Funds	128,508	128,508	0
<b>TOTAL</b>	<b><u>\$ 484,481</u></b>	<b><u>\$ 479,577</u></b>	<b><u>\$ 0</u></b>
FTE Positions	9.0	9.0	0.0
Unclassified Temp. Positions	0.4	0.4	0.0
<b>TOTAL</b>	<b><u>9.4</u></b>	<b><u>9.4</u></b>	<b><u>0.0</u></b>

**Agency Est./Governor's Recommendation**

The agency's FY 1998 estimate for expenditures is \$484,481, which is \$907 more than the amount approved by the 1997 Legislature. The agency attributes this increase to an oversight in budget preparation in which a limited reappropriation was inadvertently included in the current year total.

Of the total FY 1998 estimate for salaries and wages \$286,513 is from the State General Fund and \$106,271 is from the Governmental Standards and Conduct Fee Fund. The amount of State General Fund estimated for other operating expenditures is \$69,460, and the spending estimated from the Governmental Standards and Conduct Fee fund is \$22,237.

The Governor recommends \$479,577 for operating expenditures in FY 1998. This is an increase of \$28,874 (6.4 percent) from FY 1997 levels, however this is a decrease of \$3,997 from the amount approved by the 1997 Legislature and a decrease of \$4,904 (1.0 percent) from the agency request. The Governor deleted funding for longevity pay included in the amount approved by the 1997 Legislature because state statute does not provide for longevity pay for unclassified employees. The Governor does not recommend the requested \$907 expenditure of a limited reappropriation.

**House Subcommittee Recommendation**

The House Subcommittee concurs with the Governor's recommendations.

**SUBCOMMITTEE REPORT**

**Agency:** Commission on Governmental Standards and Conduct

**Bill No.** 2893

**Bill Sec.** 39

**Analyst:** Holman

**Analysis Pg. No.** 1199

**Budget Page No.** 189

<u>Expenditure Summary</u>	<u>Agency Req. FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>House Subcommittee Adjustments</u>
<b>State Operations:</b>			
State General Fund	\$ 354,495	\$ 355,778	\$ 0
Special Revenue Funds	147,653	147,653	0
<b>TOTAL</b>	<u>\$ 502,148</u>	<u>\$ 503,431</u>	<u>\$ 0</u>
FTE Positions	9.0	9.0	0.0
Unclassified Temp. Positions	0.6	0.6	0.0
<b>TOTAL</b>	<u>9.6</u>	<u>9.6</u>	<u>0.0</u>

**Agency Req./Governor's Recommendation**

The agency requests \$502,148 in state operations funding for FY 1999, an increase of \$17,667 from the FY 1998 estimate. Of the total FY 1999 request, \$354,495 is financed from the State General Fund and \$147,653 is financed from the Governmental Standards and Conduct Fee Fund. Of the total FY 1999 request for salaries and wages, \$303,764 is from the State General Fund and \$106,959 is from the Governmental Standards and Conduct Fee Fund. The agency requests \$50,731 from the State General Fund for other operating expenditures and \$40,694 from the Governmental Standards and Conduct Fee Fund.

**The Governor recommends** expenditures of \$503,431 in FY 1999. Of this amount, \$355,778 is to be financed by the State General Fund and \$147,653 is to come from the Governmental Standards and Conduct Fee Fund. The Governor does not recommend longevity pay to unclassified employees as they do not qualify for it under state law. The Governor's recommendation includes \$12,813 (excluding fringes) for a 4.0 percent unclassified merit pool. The Governor does not recommend shrinkage for this agency.

**House Subcommittee Recommendation**

The House Subcommittee concurs with the Governor's recommendation.

**HOUSE APPROPRIATIONS SUBCOMMITTEE**  
**ON**  
**STATE HOSPITALS & GENERAL GOVERNMENT**  
  
**REPORT ON FY 1998 AND FY 1999 APPROPRIATIONS**  
**FOR THE**  
**DEPARTMENT OF ADMINISTRATION**

  
Representative JoAnn Pottorff, Chair

  
Representative Phil Kline

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Representative George Dean

  
Representative Melvin Minor

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**SUBCOMMITTEE REPORT**

**Agency:** Department of Administration

**Bill No.** 2895

**Bill Sec.** 2

**Analyst:** West

**Analysis Pg. No.** 1216

**Budget Page No.** 17

<u>Expenditure Summary</u>	<u>Agency Est. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 25,621,162	\$ 25,556,266	\$ 0
Aid to Local Units	462,074	462,074	0
Other Assistance	<u>3,017,832</u>	<u>3,017,832</u>	<u>0</u>
Subtotal - Operating	\$ 29,101,068	\$ 29,036,172	\$ 0
Capital Improvements	<u>3,828,514</u>	<u>3,756,551</u>	<u>0</u>
<b>TOTAL</b>	<b><u><u>\$ 32,929,582</u></u></b>	<b><u><u>\$ 32,792,723</u></u></b>	<b><u><u>\$ 0</u></u></b>
<b>State General Fund:</b>			
State Operations	\$ 24,728,241	\$ 24,659,664	\$ 0
Aid to Local Units	222,074	222,074	0
Other Assistance	<u>1,917,091</u>	<u>1,917,091</u>	<u>0</u>
Subtotal - Operating	\$ 26,867,406	\$ 26,798,829	\$ 0
Capital Improvements	<u>3,584,094</u>	<u>3,584,094</u>	<u>0</u>
<b>TOTAL</b>	<b><u><u>\$ 30,451,500</u></u></b>	<b><u><u>\$ 30,382,923</u></u></b>	<b><u><u>\$ 0</u></u></b>
<b>FTE Positions:</b>			
Reportable	296.1	296.1	0.0
Nonreportable	<u>569.3</u>	<u>567.3</u>	<u>0.0</u>
Subtotal FTE	865.4	863.4	0.0
Unclassified Temp. Positions	<u>7.5</u>	<u>7.5</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u><u>872.9</u></u></b>	<b><u><u>870.9</u></u></b>	<b><u><u>0.0</u></u></b>

**Agency Est./Governor's Recommendation**

The agency's revised FY 1998 estimate for reportable operating expenditures totals \$29.1 million, a net reduction of \$493,886 from the approved budget. Major changes include a decrease of \$556,439 in special revenue fund payments in the Ancillary Services program and a State General Fund decrease of \$278,041 in expenditures from the Division of the Budget's policy analysis unit. Facilities Management funding is increased by \$253,263 primarily associated with special revenue fund financed operations at the State Complex West. Net other changes increase total expenditures by \$87,331.



**The Governor recommends** reportable FY 1998 operating expenditures of \$29.0 million, a net reduction of \$64,896 from the agency's estimate. State General Fund financing of \$26.8 million is a reduction of \$68,577 from the agency's estimate, with the majority of reduction in salaries. **In addition, as a part of the agency's budget the Governor recommends the current year transfer of \$35.7 million from the State General Fund to the State Budget Stabilization Fund.** Appropriation of these funds under the Governor's recommendation would occur in FY 1999, primarily to agencies other than the Department of Administration.

## NONREPORTABLE BUDGET

In addition to the reportable budget summarized above, the Department of Administration submits a nonreportable budget. Nonreportable expenditures are expenditures of funds which have come to the department as fees or service funds from other state agencies. Since these funds have been recorded as expenditures in other agencies budgets, they are deemed nonreportable for the department of Administration to avoid double counting of expenditures. FY 1998 the agency estimates nonreportable operating expenditures of \$92.0 million, a net increase of \$2.0 million from the approved budget. Expenditures for DISC are increased by \$2.5 million to reflect the net impact of assessment of the Kansas Universal Services Fund surcharge, increased mail volume and rates, and KANWIN usage costs. Facilities Management increases by \$0.9 million primarily due to increased utility costs. Personnel Services has a decrease of \$1.4 million primarily due to lower anticipated workers' compensation costs. Net other changes increase total expenditures by \$3,163. **The Governor's FY 1998 recommendation** of \$92.0 million is a net decrease of \$68,005 from the agency's estimate.

### House Subcommittee Recommendation.

The House Subcommittee concurs with the Governor's recommendations, with the following observations.

### SHARP Upgrade

The 1997 Legislature appropriated \$3.8 million from the State General Fund in FY 1997 to allow the upgrade of the Statewide Human Resource and Payroll system (SHARP). The Subcommittee notes that this funding was encumbered and work on the system upgrade is underway. The Subcommittee concurs with the plan to make the new version of SHARP as "vanilla" as possible in order to hold down the cost of future upgrades. The Subcommittee also notes that system development and implementation are being monitored by the Joint Committee on Computers and Telecommunications (JCCT) and recommends that JCCT continue its project oversight.

### Year 2000

As approved by the 1997 Legislature, the current year budget includes \$4.7 million from the State General Fund and \$6.0 million from all funding sources for the technical services that state agencies will need to prepare their computer systems for the year 2000. DISC manages a central contract

for Year 2000 services, allowing for a coordinated and cost effective approach to the problem. The Subcommittee notes that as of December, 73 state agencies were either reported to be compliant or had repairs underway. Consistent with the direction of the 1997 Legislature and in order to minimize the use of State General Fund, repairs that financed by special revenue funds are included in individual agencies' budgets as a reportable expense, but that the actual repairs are still coordinated through DISC. When an agency is replacing an entire computer system because, at least in part, the system is not Year 2000 compliant, funding for the system is included in that agency's budget. This is also consistent with the policies laid down by the 1997 Legislature. As reported to the House Appropriations Committee on February 10, 1998, DISC does not anticipate requesting additional State General Fund resources to support Year 2000 repairs and the repairs are scheduled to be complete by December 31, 1998.

The Subcommittee wishes to join with the Legislative Budget Committee in commending Don Heiman, Director of DISC, in the leadership he has shown to ensure that Kansas state computer systems are Year 2000 compliant. Absent his actions, the Subcommittee believes that the state would be playing catch up today as so many private sector firms and other governments are.

**SUBCOMMITTEE REPORT**

**Agency:** Department of Administration

**Bill No.** 2893

**Bill Sec.** 43

**Analyst:** West

**Analysis Pg. No.** 1216

**Budget Page No.** 17

<u>Expenditure Summary</u>	<u>Agency Req. FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>House Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 21,850,198	\$ 20,914,991	\$ 0
Aid to Local Units	1,147,307	468,246	0
Other Assistance	<u>6,944,193</u>	<u>2,668,106</u>	<u>200,000</u>
Subtotal - Operating	\$ 29,941,698	\$ 24,051,343	\$ 200,000
Capital Improvements	<u>4,592,864</u>	<u>4,266,864</u>	<u>0</u>
<b>TOTAL</b>	<b><u>\$ 34,534,562</u></b>	<b><u>\$ 28,318,207</u></b>	<b><u>\$ 200,000</u></b>
<b>State General Fund:</b>			
State Operations	\$ 21,230,942	\$ 20,451,696	\$ 0
Aid to Local Units	907,307	228,246	0
Other Assistance	<u>5,843,818</u>	<u>1,567,731</u>	<u>200,000</u>
Subtotal - Operating	\$ 27,982,067	\$ 22,247,673	\$ 200,000
Capital Improvements	<u>4,592,864</u>	<u>3,169,864</u>	<u>0</u>
<b>TOTAL</b>	<b><u>\$ 32,574,931</u></b>	<b><u>\$ 25,417,537</u></b>	<b><u>\$ 200,000</u></b>
<b>FTE Positions:</b>			
Reportable	296.1	296.1	0.0
Nonreportable	<u>569.3</u>	<u>567.3</u>	<u>0.0</u>
Subtotal FTE	865.4	863.4	0.0
Unclassified Temp. Positions	<u>7.5</u>	<u>7.5</u>	<u>0.0</u>
<b>TOTAL</b>	<b><u>872.9</u></b>	<b><u>870.9</u></b>	<b><u>0.0</u></b>

**Agency Req./Governor's Recommendation**

**REPORTABLE BUDGET**

The agency requests total reportable FY 1999 operating funding of \$29,941,698, a net increase of \$840,630, or 2.9 percent, above the FY 1998 estimate. The request includes State General Fund financing of \$27,982,067, a net increase of \$1,114,661 above the FY 1998 estimate. The major item of decrease in State General Fund financed projects from the current year is the \$4.7 million budgeted for

Year 2000 computer repairs. The request includes \$5.8 million from the State General Fund for several enhancements to the operating budget which are in the table below. **Absent the requested enhancements, the FY 1999 request would be a decrease of \$4.8 million (16.5 percent) from all funding sources and \$4.5 million (16.8 percent) compared to the current year estimate.**

### NONREPORTABLE BUDGET

The agency requests total **FY 1999** nonreportable operating budget authority of \$87,655,820, a decrease of \$4.4 million below the FY 1998 estimate of \$92,028,138. As with the reportable budget, Year 2000 repairs in the current year are associated with the majority of the decrease. The FY 1999 request includes \$462,673 for enhancements requested for the Kansas Information Resource and the Division of Architectural Services, which are discussed in more detail in the Budget Detail portion of this analysis. **The Governor's** recommendation of \$87,821,792 reflects a net increase of \$165,972 from the agency request. The recommendation includes \$310,406 (including fringe benefits) for a 1.5 percent classified base salary adjustment and a 4.0 percent unclassified merit pool.

<b>Department of Administration</b>			
<b>FY 1999 Requested Reportable Budget Enhancements</b>			
<b>Enhancement</b>	<b>Description</b>	<b>FY 1999 Agency Request</b>	<b>FY 1999 Gov. Rec.</b>
Division of the Budget	Gubernatorial Transition Expenses (pursuant to K.S.A. 75-137)	\$ 150,000	\$ 100,000
Public Broadcasting Council – Operating Grants	Increase State General Fund Operating Grants from \$.58 per capita to \$2.14 per capita	4,555,148	0
Public Broadcasting Council – Equipment Grants	Matching funds for prioritized equipment grants	400,000	0
General Administration	Kansas Information Resource Council New Office Manager For KIRC	47,309	0
	Office Relocation Expenses for KIRC	44,706	(a)
	Geographic Information Systems Contract	74,040	0
Personnel Services	3.0 New Training Positions	112,754	0
Performance Review	Salaries and Contractual Services	54,539	47,315
Central Purchasing	Replacement of System 36 Computer	150,000	(a)
Facilities Management	Statehouse Grounds Beautification	200,000	(b)
Total – Operating Expenses		\$ 5,788,496	\$ 147,315
(a) Recommended as an Nonreportable Expenditure			
(b) Mentioned in Volume I of the <i>Governor's Budget Report</i> as a possible use for the \$750,000 Statehouse Renovation capital improvement project			

**The Governor recommends** total reportable FY 1999 operating funding of \$24.1 million, a reduction of \$5.9 million from the agency's request and a decrease of \$5.0 million from the current year recommendation. Recommended State General Fund financing totals \$22.2 million, a reduction of \$5.7 million from the agency's request and a decrease of \$4.6 million from the current year recommendation. As with the agency's current resources request, the decline from the current year is primarily attributable to one time expenditures for Year 2000 repairs. The FY 1999 recommendation for enhancements requested by the agency is noted in the table above. The Governor's FY 1999 recommendation also includes \$195,271 (including fringe benefits) for a 1.5 percent classified base salary adjustment and a 4.0 percent unclassified merit pool.

## **House Subcommittee Recommendation.**

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

### **State Complex West**

The Subcommittee notes that the FY 1999 budget does not include funding to maintain the State Complex West. Should the property not be transferred to someone else, then funding may be required in the Omnibus bill to maintain the property in FY 1999.

### **Capital Improvements**

Pending the recommendations of the Joint Committee on State Building Construction, the Subcommittee concurs with the Governor's capital improvement recommendations for the agency.

### **Division of Printing**

The Subcommittee is encouraged that the Department of Human Resources has closed its printing operation and has shifted its printing business to the Division of Printing. The Subcommittee would encourage other agencies which maintain their own printing operations to do the same.

### **Division of Purchases**

The Subcommittee notes that recent reductions in commissions paid by the airline industry to travel agents will result in the annual earnings of the State Travel Office being reduced to approximately \$25,000 per year from the current level of \$146,000. This will reduce the amount of revenue available in future years to subsidize the Division of Purchases.

### **Public Broadcasting**

Add \$200,000 from the State General Fund to provide \$300,000 for public broadcasting equipment grants in FY 1999. This is the same level of support as was provided by the 1997 Legislature.

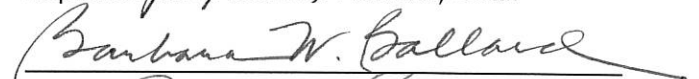
The Subcommittee notes that the 1997 Legislature provided funding for a study of the funding and other factors needed to bring public broadcasting services to southeast Kansas. The Subcommittee has been informed that the study should be completed within a month and recommends that the studies results be reviewed for consideration at Omnibus.

KANSAS COMMISSION ON HUMAN RIGHTS  
HOUSE SUBCOMMITTEE RECOMMENDATIONS

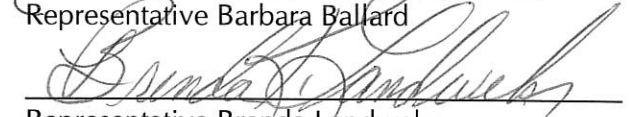
FY 1998 and FY 1999



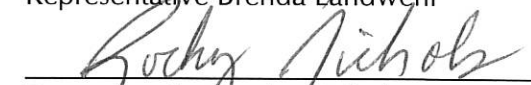
Representative Melvin J. Neufeld, Chair



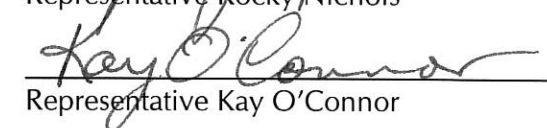
Representative Barbara Ballard



Representative Brenda Landwehr



Representative Rocky Nichols



Representative Kay O'Connor

**SUBCOMMITTEE REPORT**

**Agency:** Kansas Commission on Human Rights      **Bill No.**      **Bill Sec.**  
**Analyst:** Davis      **Analysis Pg. No.** 1207      **Budget Page No.** 275

<u>Expenditure Summary</u>	<u>Agency Estimate FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,512,424	\$ 1,512,424	\$ 0
Special Revenue Funds	<u>429,660</u>	<u>429,660</u>	<u>0</u>
<b>TOTAL</b>	<b><u>\$ 1,942,084</u></b>	<b><u>\$ 1,942,084</u></b>	<b><u>\$ 0</u></b>
FTE Positions	37.0	37.0	-
Unclassified Temp. Positions	<u>3.0</u>	<u>3.0</u>	<u>-</u>
<b>TOTAL</b>	<b><u>40.0</u></b>	<b><u>40.0</u></b>	<b><u>-</u></b>

**Agency Estimate/Governor's Recommendation**

The agency's revised FY 1998 estimate is \$1,942,084, this includes \$96,973 of reappropriated funds. The agency has unlimited reappropriation authority which permits any State General Fund saving from FY 1997 to be expended in FY 1998 without any further legislative action. The agency estimates it will spend \$100,056 less in federal funds than the \$516,216 approved. Of the total estimate \$1,512,424 is from the State General Fund and \$429,660 is from federal funds.

The Governor concurs with the agency's estimate.

**House Subcommittee Recommendation**

The Subcommittee concurs with the recommendation of the Governor.



**SUBCOMMITTEE REPORT**

**Agency:** Kansas Commission on Human Rights      **Bill No. –**      **Bill Sec. –**  
**Analyst:** Davis      **Analysis Pg. No.** 1207      **Budget Page No.** 275

Expenditure Summary	Agency Request FY 99	Gov. Rec. FY 99	House Subcommittee Adjustments
State Operations:			
State General Fund	\$ 1,439,316	\$ 1,439,671	\$ 0
Special Revenue Funds	<u>539,030</u>	<u>539,030</u>	<u>0</u>
<b>TOTAL</b>	<b><u>\$ 1,978,346</u></b>	<b><u>\$ 1,978,701</u></b>	<b><u>\$ 0</u></b>
FTE Positions	37.0	37.0	–
Unclassified Temp. Positions	<u>3.0</u>	<u>3.0</u>	<u>–</u>
<b>TOTAL</b>	<b><u>40.0</u></b>	<b><u>40.0</u></b>	<b><u>–</u></b>

**Agency Request/Governor's Recommendation**

The agency requests FY 1999 state operations funding of \$1,978,346, an increase of \$36,262 or 1.9 percent, above the FY 1998 estimate. The increase is attributable to a carryover of federal funds from federal FY 1997 to federal FY 1998.

**The Governor recommends** \$1,978,701 in FY 1999. The recommendation includes \$1,439,671 (72.8 percent of the total recommendation) from the State General Fund and \$539,030 from federal and special revenue funds. The recommendation is an increase of \$355 from the agency's request. The Governor's recommendation includes \$70,519 (including fringe benefits) for state employee salary adjustments, including \$28,273 for a 1.5 percent classified base salary adjustment and a 4.0 percent unclassified merit pool. The Governor recommends a reduction of \$20,000 in contractual services from the agency request.

**House Subcommittee Recommendation**

The Subcommittee concurs with the recommendation of the Governor with the following modifications:

1. The Subcommittee encourages the agency to continue its surveying of participants in the mediation program and the Preliminary Investigation and Conference (PIC) program and to expand its surveys to include full investigations.

The following satisfaction survey results are included for the Committee's review:

MEDIATION PROGRAM					
	<u>Employment</u>	<u>Housing</u>	<u>Public Accommodation</u>	<u>Other</u>	<u>No Response</u>
Type of discrimination claim	214 86.29%	7 2.82%	8 3.23%	18 7.26%	1 0.40%
		<u>Complainant</u>	<u>Respondent</u>	<u>Other</u>	<u>No Response</u>
Persons Responding to Survey		94 37.90%	154 62.10%	0 0.00%	0 0.00%
		<u>Yes</u>	<u>No</u>	<u>Other</u>	<u>No Response</u>
Satisfied with Services		211 85.08%	23 9.27%	4 1.61%	10 4.03%
Appropriate People Attended Mediation		220 88.71%	22 8.87%	3 1.21%	3 1.21%
Issues Adequately Addressed		210 84.68%	29 11.69%	3 1.21%	6 2.42%
Mediator Fair to Both Parties		222 89.52%	16 6.45%	6 2.42%	4 1.61%
Recommend to Others		213 85.89%	23 9.27%	4 1.61%	8 3.23%

PIC PROGRAM			
	<u>Employment</u>	<u>Housing</u>	<u>Public Accommodation</u>
Type of discrimination claim	85	0	1
	<u>Complainant</u>	<u>Respondent</u>	
Persons Responding to Survey	35	51	
	<u>Yes</u>	<u>No</u>	
Satisfied with procedure and would recommend it to others	74	8	

2. The Subcommittee commends the agency on its progress in decreasing the cases pending.

The following table is included for the Committee's review:

	<u>Actual FY 97</u>	<u>Est. FY 98</u>	<u>Est. FY 99</u>
Number of public contacts	7,303	7,260	7,250
Number of complaints filed	1,246	1,250	1,250
Number of complaints closed	1,583	1,500*	1,662
Open case inventory (backlog)	1,569	1,157	745
Processing delay time (months)	12.5	9.2	5.6
Total FTE Positions	40.0	40.0	40.0

3. The Subcommittee recommends that the agency continue the municipal investigation contracts program within available resources. The Subcommittee recommends that additional funding for this program be reviewed during the Omnibus session.
4. The Subcommittee asks the agency to report on the donations which have been received for the mediation program prior to the Omnibus session, so that the amount appropriated for the state matching funds for the mediation program may be reviewed.