

Approved: 2/25/98
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Acting Chair Mike Farmer at 1:30 p.m. on February 19, 1998 in Room 514-S of the Capitol.

All members were present except: Representative Phil Kline - Excused
Representative John Edmonds - Excused
Representative Ed McKechnie - Excused

Committee staff present: Alan Conroy, Stuart Little, Shannon Nichols, Mark Burenheide, Julian Efird,
Legislative Research Dept;
Jim Wilson, Mike Corrigan, Revisor of Statutes Office;
Helen Abramson, Administrative Aide; Linda Swain, Appropriations Secretary

Conferees appearing before the committee:
Mike Lackey, Assistant Secretary, Kansas Department of Transportation.(KDOT)

Others attending: See attached list

Representative Packer reported for the House Subcommittee on the Kansas Department of Transportation (Attachment 1). The Subcommittee concurred with the Governor's recommendations for FY 98 and recommended three adjustments.

A motion was made by Representative Packer, seconded by Representative Mollenkamp to adopt the Subcommittee report on the Department of Transportation for FY 98.

An extensive discussion followed concerning: the Kansas Quality Management (KQM) funding; purchase of computers and the budgeted 3.0 shrinkage rate.

Mike Lackey, Assistant Secretary, KDOT, offered comments to help clarify concerns.

A motion was made by Representative Neufeld, seconded by Representative Landwehr to amend the Subcommittee's recommendation to authorize FY 98 expenditures not to exceed \$1,909,764 from the KQM account of the State Highway Fund for the purpose of purchasing technology equipment and software, and transfer the remaining FY 98 balance of \$2,321,585 from this account into the State Highway Fund for the purpose of highway construction and reconstruction. An extensive discussion followed. The motion carried

Secretary Lackey offered additional comments and answered questions.

A vote was taken on the original motion made by Representative Packer, seconded by Representative Mollenkamp to adopt the Subcommittee report on the Department of Transportation for FY 98 as amended. The motion carried.

Representative Packer reported the Subcommittee report concurred with the Governor's recommendations in FY 99 except for 3 items.

A motion was made by Representative Packer, seconded by Representative Mollenkamp to adopt the Subcommittee report for the Department of Transportation for FY 99. An extensive discussion followed.

Representative Helgerson addressed items from the Senate Committee Report concerning the \$600 million cash/investment reserve. Julian Efird, Legislative Research, explained a chart on revenue noting KDOT projections expect those cash balances will be sufficient at least through the year 2001 based on current assumptions of state and federal revenue funds. Representative Helgerson requested written details to back up the projections.

Assistant Secretary Mike Lackey offered comments to help clarify concerns on the three person Aviation Division. Salaries are funded through the State Highway Fund. A general aviation fund was set up several years ago but is not used. Representative Dean requested Assistant Secretary Lackey find out the name of the fund.

Representative Holmes referred to #3c.(Railroad Mitigation) of the House Subcommittee recommendation.

A motion was made by Representative Holmes, seconded by Representative Feuerborn to amend the Subcommittee recommendations to add the City of Liberal to the list in item 3c of Kansas communities adversely impacted by railroads. The motion carried.

Representative Reinhardt referenced #2 of the House Subcommittee Recommendations, urging the Committee to remember a need in his own community for replacement of vehicles which help transport the elderly and disabled. He declined to take any action at that time but plans to raise the issue again when the bill is put together.

A vote was taken on the motion made earlier by Representative Packer, seconded by Representative Mollenkamp to adopt the Subcommittee report for the Department of Transportation for FY 99 as amended. The motion carried.

Hearing on HR 6005 - State fiscal policies for state general fund resources, gaming revenues, tax reduction and expenditure limitation.

Representative Helgeson testified in favor of **HR 6005**, distributed three charts, which he used to explain how the bill would work (Attachment 2). A discussion followed.

The hearing on **HR 6005** was closed.

A motion was made by Representative Landwehr, seconded by Representative Neufeld to accept two requests for bill introduction. One was a civil procedure, related to reconciliation of marriage; the second concerning domestic case management. There were no questions. The motion carried.

Representative Pottorff reported on the House Subcommittee recommendation for the Lieutenant Governor's Department (Attachment 3). The subcommittee concurred with the Governor's recommendations for FY 98 and FY 99.

A motion was made by Representative Pottorff, seconded by Representative Dean to adopt the Subcommittee report on the office of Lieutenant Governor for FY 98 and FY 99. The motion carried.

Representative Pottorff reported on the House Subcommittee recommendation for the Governor's Department (Attachment 4). The subcommittee concurred with the Governor's recommendations for FY 98 and FY 99.

A motion was made by Representative Pottorff, seconded by Representative Dean to adopt the Subcommittee report on the Governor's Department for FY 98 and FY 99. The motion carried.

The meeting adjourned at 3:00 p.m. The next meeting is scheduled for February 20, 1998.

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 2/19/98

NAME	REPRESENTING
Bill Watts	KDOT.
Mike Lackey	KDOT
Bob Myers	SON
Hari Rost	KTEC
Mike Miller	KANSAS INC
Doug Farmer	DOB
Wendy Morris	KS Aggregate Producers' Assn.
Robert Haley	KDOT
LT. COL. ROBERT KENNEDY	KSU DEPT. OF MIL. SCI.
CAPTAIN BARRY L. ADAMS	KSU DEPT OF MIL. SCI.
Keith Haxton	SEAK
Roger Traudie	KS Gov Consulting
Gould Schneider	KDAR
Catherine A. Stever	KS. STAR BASE

SUBCOMMITTEE REPORT

Agency: Kansas Department of Transportation

Bill No. —

Bill Sec. —

Analyst: Efirid

Analysis Pg. No. 3

Budget Page No. 455

<u>Expenditure Summary</u>	<u>Agency Estimate FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>Senate Subcommittee Adjustments</u>
Agency Operations	\$ 199,170,222	\$ 198,916,934	\$ 0
Debt Service	58,885,170	58,885,170	0
Other Operations	602,070,239	602,070,239	0
TOTAL	\$ 860,070,239	\$ 859,816,951	\$ 0
State General Fund	\$ 96,576,359	\$ 96,576,359	\$ 0
State Highway Fund	670,017,687	669,764,399	0
All Other Funds	93,476,193	93,476,193	0
TOTAL	\$ 860,070,239	\$ 859,816,951	\$ 0
FTE Positions	3,139.5	3,139.5	0.0

Agency Estimate/Governor's Recommendation

The agency's revised FY 1998 estimate is an increase of almost \$16.5 million more than approved by the 1997 Legislature. Kansas Quality Management (KQM) funding of \$1,909,764 is included as an addition to agency operations expenditures. The 1997 Legislature pre-authorized any available funding to be expended in addition to \$197,558,963 authorized in the agency operations expenditure limitation. No adjustment in the agency operations expenditure limitation is required in FY 1997 since the KQM financing may be spent in addition to any limited amount. Also added to FY 1998 expenditures is \$2,894,144 of unobligated building projects funding that reappropriates without limit for projects previously approved but not encumbered or started in FY 1997.

The Governor's recommendations provide for a reduction in agency operations from the total expenditures authorized by the 1997 Legislature. Funding for 10.0 FTE positions totaling \$251,738 in salary turnover savings is recommended to be reduced by the Governor in order to reflect positions which will not be refilled due to retirements. The Governor concurs with increases in expenditures for the construction, local support, maintenance, and management programs, exclusive of the salary adjustments. The Governor's recommendations also incorporate the expenditure of KQM funding totaling \$1,909,764 and building funds of \$2,894,144. No reduction in FTE positions is recommended in FY 1998 to reflect the retirement savings associated with the staffing lost due to retirements and for which positions were not allowed to be refilled.

*Appropriations
2-19-98
Attachment 1*

Interim Plan Construction Costs			
(In Thousands)			
	<u>FY 1998</u>		<u>FY 1998</u>
	Agency Req.		Gov. Rec.
Project Category:			
Substantial Maintenance	\$ 155,117	\$	155,117
Major Modification	167,758		167,758
Priority Bridges	17,487		17,487
System Enhancement	5,002		5,002
TOTAL	\$ 345,364	\$	345,364

Also included in the agency's revised request for Interim Plan construction costs is a shift of \$5.0 million into the category of system enhancements for FY 1998. KDOT previously in its budget reviewed by the 1997 Legislature had not programmed any funds for system enhancement after FY 1997. The Governor's recommendations concur with spending \$5.0 million in FY 1998 for system enhancement. The Governor's Budget Report has an explanation that some system enhancements will continue in the interim years to meet growing highway demands and traffic pattern changes. Over the two year period (FY 1998 to FY 1999), the Governor recommends \$15.6 million in system enhancements. KDOT program information (not included in its budget) indicates that two K-10 projects are allocated most of the FY 1998 system enhancement funds: \$1.7 million for phase one and \$3.3 million for phase two in Douglas County to construct a portion of the South Lawrence Trafficway (2.1 miles of new Super 2 Lane on a 4 Lane right-of-way from U.S. 59 northeast and east to Haskell Avenue).

Summary of Current Year Adjustments			
	<u>Agency Req.</u>		<u>Gov. Rec.</u>
Substantial Maintenance	\$ 625,000	\$	625,000
Design/Right-of-Way Contracts	8,000,000		8,000,000
State Construction Projects	3,670,800		3,670,800
Special City/County Hwy. Projects	2,030,163		2,030,163
Local Projects	(786,794)		(786,794)
Debt Service	171,603		171,603
Carryover Building Funds	2,894,144		2,894,144
Aid to Local Units	(161,942)		(161,942)
Retirement Reductions	0		(251,738)
Other Operating/Salary Base	(24,210)		(25,760)
Total Adjustments	\$ 16,418,764	\$	16,165,476

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations in FY 1998. No bill had been introduced in time for the Subcommittee to review prior to making its KDOT recommendations.

Senate Committee Recommendations

The Senate Committee concurs.

The Senate has not completed consideration of this budget.

Agency: Kansas Department of Transportation **Bill No. 2895** **Bill Sec. –**

Analyst: Efird **Analysis Pg. No. 3** **Budget Page No. 455**

<u>Expenditure Summary</u>	<u>Agency Rev. Req. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
Agency Operations	\$ 199,170,222	\$ 198,916,934	\$ 0
Debt Service	58,885,170	58,885,170	0
Other Operations	<u>602,070,239</u>	<u>602,070,239</u>	<u>0</u>
TOTAL	<u>\$ 860,070,239</u>	<u>\$ 859,816,951</u>	<u>\$ 0</u>
State General Fund	\$ 96,576,359	\$ 94,915,339	\$ 0
State Highway Fund	670,017,687	669,764,399	0
All Other Funds	<u>93,476,193</u>	<u>93,476,193</u>	<u>0</u>
TOTAL	<u>\$ 860,070,239</u>	<u>\$ 859,816,951</u>	<u>\$ 0</u>
FTE Positions	3,139.5	3,139.5	(10.0)

House Subcommittee Recommendation

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

1. Reduce the agency FTE limitation by 10.0 in H.B. 2895 in order to legally enforce the Governor's recommended staff cuts due to retirements and not refilling ten positions. The Governor has recommended reducing salaries by \$251,739 and this reduction also should be reflected in H.B. 2895 by reducing the FY 1998 expenditure limitation for agency operations. There is no KDOT section in the bill as submitted by the Governor's Budget Division, and consequently the Subcommittee recommends inclusion of this item in H.B. 2895.

2. Reduce an additional \$300,054 in salary funding from the FY 1998 expenditure limitation for agency operations to reflect the Governor's recommended recalculation of salaries and benefits financing. This reduction also should be included in H.B. 2895.

The Governor's recommended FY 1998 funding for salaries and benefits is \$118,171,706 for 3,139.0 FTE positions, compared with the approved budget of \$118,723,499. The total net reduction for items 1 and 2 is \$551,793 in the approved agency operations expenditure limitation of \$197,558,963. The new limitation recommended by the Subcommittee would be \$197,007,170 in FY 1998 for 3,129.5 FTE positions.

The Subcommittee would note that actual FY 1997 expenditures for salaries and benefits by KDOT totaled \$112,544,351 when the approved FTE limitation was 3,238.5 positions. A total of 99.0 FTE positions were reduced last fiscal year under the Governor's two-year 5.0 percent reduction plan. The Governor's recommended FY 1998 salary and benefit budget is an increase of \$5,626,972, or 5.0 percent more than actual FY 1997 expenditures for staff costs.

The Governor's recommended FY 1998 shrinkage rate is 3.0 percent for this agency. In FY 1997, the agency's approved salary and benefit budget was \$117,066,642 and based on actual expenditures of \$112,544,351, the salary turnover rate was \$4,522,281 greater than the estimated 3.0 percent shrinkage, and accounted for an additional shrinkage of almost 3.9 percent.

3. Note that KDOT had total savings of \$5,459,945 in FY 1997, half of which was made available in FY 1998 under the Kansas Quality Program. The bulk of the agency's FY 1997 savings came from underspending the salary and benefit budget by \$4,521,909 of additional shrinkage that was unrecognized by either the Governor or the Legislature during the 1997 review of the KDOT budget. Half of the salary savings, or \$2,260,954 became available in FY 1998 as KQM funding. Only \$938,037 was underspent in the other operating expenses portion of the budget, and the resulting KQM funding was half of that amount, or \$379,916.

Consideration of the Governor's proposed FY 1999 Kansas Savings Incentive Plan should include a review of the April 1997 performance audit on this subject of agency savings. In the case of KDOT, of the \$6,021,596 available to all state agency's in FY 1998, KDOT has funds of \$4,231,349, or 70 percent of the statewide total. It plans to spend \$1,909,764 in FY 1998 and will carry over \$2,640,870 into FY 1999. Any additional savings in this fiscal year will add half of that amount to next fiscal year's funding.



Representative Gale Mollenkamp
Subcommittee Chairperson



Representative Greg Packer



Representative Doug Spangler

Kansas Department of Transportation
KQM Funding

- 1) FY 1997 savings as determined by the Director of Accounts and Reports:

	Savings	Reappropriated to KQM
Salaries	\$4,521,909	\$2,260,954
OOE	<u>\$938,037</u>	<u>\$379,916*</u>
Total	\$5,459,945	\$2,640,870

*Less \$178,205 Maintenance OOE Savings

- 2) Total KQM funds available in FY 1998 and the purpose for which it will be used:

- a) Total available: \$4,231,349
- b) Expenditure: \$1,909,764
- c) Expenditures in FY 1998 will be made for technology equipment and software.

ppropriations for KQM Expenditures FY 1

Agency No.	Agency Name	Fund	Bud. Unit	General Fund	Other Funds (1)	Total
039	Dept. on Aging	1000	0309	119,923.99		119,923.99
046	Dept of Agriculture	1000	0058	29,835.99		29,835.99
094	Bank Commissioner	2811	4009		89,115.21	89,115.21
143	Corporation Commission	2019	1009		425.00	425.00
143		2130	2099		83,410.00	83,410.00
	Subtotals				83,835.00	83,835.00
159	Dept. of Credit Unions	2026	0109		7,357.80	7,357.80
167	Dental Board	2708	0109		14,405.53	14,405.53
173	Dept. of Administration	1000	0529	74,643.93		74,643.93
173		1000	0539	6,893.08		6,893.08
173		1000	0559	1,483.19		1,483.19
173		6148	4109		371,617.49	371,617.49
173		6151	5509		2,606.16	2,606.16
	Subtotals			83,020.20	374,223.65	457,243.85
177	Ellsworth Correctional Fac.	1000	0309	1,400.00		1,400.00
195	El Dorado Correctional Fac.	1000	0309	2,900.00		2,900.00
204	Board Of Mortuary Arts	2709	0109		4,194.29	4,194.29
234	Fire Marshal	2330	2009		16,851.96	16,851.96
234		3199	3109		No Limit	No Limit
	Subtotals				16,851.96	16,851.96
264	Dept. of Health & Environ.	1000	0103	7,538.89		7,538.89
264		1000	0203	118,007.74		118,007.74
264		1000	0206	64,435.79		64,435.79
264		2912	2718		58,942.48	58,942.48
264		2912	2719		4,430.50	4,430.50
	Subtotals			189,982.42	63,372.98	253,355.40
276	Dept. of Transportation	4100	0409		4,231,349.01	4,231,349.01
280	Highway Patrol	1000	0059	28,605.07		28,605.07
280		2213	2409		82,033.15	82,033.15
280		2829	2609		53,093.14	53,093.14
	Subtotals			28,605.07	135,126.29	163,731.36
296	Dept. of Human Resources	1000	0509	53,270.63		53,270.63
296		2124	2228		518,479.34	518,479.34
296		2124	2229		31,657.61	31,657.61
	Subtotals			53,270.63	550,136.95	603,407.58
300	Dept. of Commerce & Housing	1000	0509	1,134.19		1,134.19
300		2610	2602		124,010.20	124,010.20
	Subtotals			1,134.19	124,010.20	125,144.39
313	Hutchinson Correctional Fac.	1000	0309	2,320.00		2,320.00
400	Lansing Correctional Fac.	1000	0309	5,400.00		5,400.00
408	Larned Correctional MH Fac.	1000	0309	1,300.00		1,300.00
450	Kansas Lottery	5123	5900		17,453.49	17,453.49
482	Board of Nursing	2716	0209		6,290.69	6,290.69
488	Board of Optometry Examiners	2717	0109		3,579.86	3,579.86
521	Dept. of Corrections	1000	0159	89,031.71		89,031.71
521		1000	0309	9,119.71		9,119.71
521		1000	0609	85,307.38		85,307.38
	Subtotals			183,458.80		183,458.80
522	Dept of Corr.-Correctional Ind.	6126	7309		280,309.64	280,309.64
549	Real Estate Commission	2721	0109		3,000.00	3,000.00
565	Dept. of Revenue	1000	0309	350.00		350.00
565		2089	2029		2,145.33	2,145.33
	Subtotals			350.00	2,145.33	2,495.33
581	Norton Correctional Fac.	1000	0309	1,800.00		1,800.00

Appropriations for KQM Expenditures FY 1.

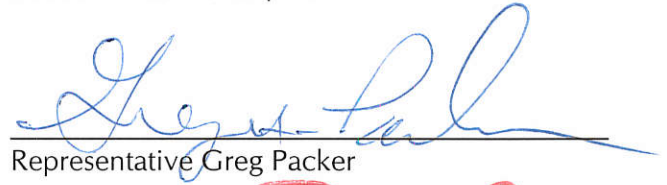
629	Social & Rehab. Services	1000	0019	41,803.66		41,803.66
629		1000	3049	1,769.84		1,769.84
629		2195	0119		2,424.25	2,424.25
	Subtotals			<u>43,573.50</u>	<u>2,424.25</u>	<u>45,997.75</u>
660	Topeka Correctional Fac.	1000	0309	2,100.00		2,100.00
663	Board of Technical Professions	2729	0109		8,114.94	8,114.94
700	Board of Veterinary Examiners	2727	1109		4,299.17	4,299.17
710	Dept. of Wildlife & Parks	1000	0009	609.61		609.61
712	Winfield Correctional Fac.	1000	0309	900.00		900.00
	Grand Totals			<u>751,884.40</u>	<u>6,021,596.24</u>	<u>6,773,480.64</u>

Footnotes: (1) The appropriation amounts (spending authority) is only the limit on expenditures.
It does not mean the cash is on hand.

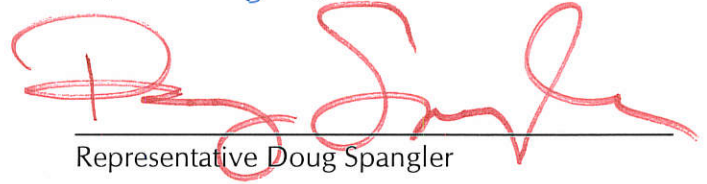
Source: Division of Accounts and Reports



Representative Gayle Mollenkamp
Subcommittee Chairperson



Representative Greg Packer



Representative Doug Spangler

SUBCOMMITTEE REPORT

Agency: Kansas Department of Transportation

Bill No. –

Bill Sec. –

Analyst: Efirid

Analysis Pg. No. 3

Budget Page No. 455

<u>Expenditure Summary</u>	<u>Agency Req. FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>Senate Subcommittee Adjustments</u>
Agency Operations	\$ 207,990,436	\$ 207,692,071	\$ (3,950,355)
Debt Service	74,569,420	74,569,420	0
Other Operations	606,456,464	605,037,236	0
TOTAL	<u>\$ 889,016,320</u>	<u>\$ 887,298,727</u>	<u>\$ (3,950,355)</u>
State General Fund	\$ 96,576,359	\$ 97,288,222	\$ 0
State Highway Fund	683,909,681	681,934,395	(3,950,355)
All Other Funds	108,530,280	106,470,141	0
TOTAL	<u>\$ 889,016,320</u>	<u>\$ 887,298,727</u>	<u>\$ (3,950,355)</u>
FTE Positions	3,139.5	3,129.5	0.0

Agency Req./Governor's Recommendation

After a decrease of almost \$300.0 million in KDOT expenditures from FY 1997 to FY 1998 as a result of reduced financing for projects after completion of the Comprehensive Highway Program, the KDOT requested expenditures in FY 1999 increase by almost \$29.0 million. No change in expenditures financed from State General Fund (SGF) demand transfers assumes a cap on the anticipated increase of funds that would be available during FY 1999 absent any change in statutory provisions. KDOT requests that its FTE level be maintained at 3,139.5 FTE positions, with no reductions taken due to retirements.

The Governor's FY 1999 recommendations allow the State General Fund demand transfers to increase by 2.4 percent. Reduction of 10.0 FTE positions due to retirements in the current fiscal year is recommended by the Governor to be reflected in the FY 1999 FTE position count. The post-CHP period that began in FY 1998 is recognized by the Governor's FY 1999 recommendations which concur with the KDOT requests for higher level of expenditures in the maintenance program (\$9.3 million increase over FY 1998) and the emphasis on preservation of agency operations (\$8.8 million increase over FY 1998). Additional funding in the construction program as requested by the agency also is recommended by the Governor, although that increased funding (\$15.7 million over FY 1998) is dedicated to paying off the cost of bonded indebtedness due to principal and interest payments being recognized for projects constructed during the Comprehensive Highway Program and considered as non-reportable expenditures at that time.

CHANGE FROM FY 1998		
	<u>Agency Request</u>	<u>Governor's Recommendations</u>
Dollar Change:		
State General Fund	\$ 0	\$ 2,317,832
All Other Funds	28,946,081	25,163,944
TOTAL	<u>\$ 28,946,081</u>	<u>\$ 27,481,776</u>
Percent Change:		
State General Fund	0.0%	2.4%
All Other Funds	3.8	3.3
TOTAL	<u>3.4%</u>	<u>3.2%</u>
FTE Positions	0.0	(10.0)

Also included in the Governor's recommendation is funding for Interim Plan Construction Costs that includes a shift of funds into the category of system enhancements for FY 1998 (noted in that section) and FY 1999. KDOT previously had not programmed any funds for system enhancements after FY 1997. The Governor's recommendations include spending \$10.6 million in FY 1999 for system enhancements. The Governor's Budget Report has the explanation that some system enhancement will continue in the interim years to meet growing highway demands and traffic pattern changes. Over the two year period (FY 1998 to FY 1999), the Governor recommends \$15.6 million in system enhancement. KDOT program information not included in its budget indicates that two U.S. 169 projects are allocated most of the FY 1999 system enhancement funds: \$5.9 million for 8.5 miles of new Super 2 Lane roadway in Allen County and \$3.2 million for 3.0 miles of new Super 2 Lane roadway in Anderson County. Other funding of under \$1.0 million is allocated to K- 57 in Anderson County for 2.2 miles of new Super 2 Lane roadway and of under \$0.6 million to a bridge overlay in Ford County on U.S. 56.

Interim Plan Construction Costs		
(In Thousands)		
	<u>FY 1999 Agency Req.</u>	<u>FY 1999 Gov. Rec.</u>
Project Category:		
Substantial Maintenance	\$ 161,389	\$ 161,389
Major Modification	163,081	163,081
Priority Bridges	17,871	17,871
System Enhancement	10,633	10,633
TOTAL	<u>\$ 352,974</u>	<u>\$ 352,974</u>

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations in FY 1999, except for the following item:

1. Remove all funding associated with salary base enhancements next fiscal year. For Agency Operations, the reductions include \$3,950,355 for a 1.5 percent base salary increase for classified employees, 4.0 percent unclassified base increase, 2.5 percent classified step movement, and classified longevity pay of \$40 per year of service. Of the reduction, \$2,746,502 is allocated to state operations and \$1,203,853 is allocated to capital improvements—construction.
2. The Subcommittee notes the following items:
 - a. The Governor recommends changing the title of the Kansas Quality Program to the Kansas Savings Incentive Program in FY 1999, and maintaining the three current purposes of the program: salary bonuses of up to \$1,000; acquisition of technology equipment, and employee professional development training. A fourth purpose, official hospitality, is added to the program in order to allow expenditures in connection with professional development training. No bill had been introduced in time for the Subcommittee to review this item or any other appropriations bill item. Additional Subcommittee recommendations may be made after a bill is introduced and reviewed regarding this item and any other KDOT budget matter.
 - b. Information was reviewed about the bond repayment schedule for bonds authorized in conjunction with the Comprehensive Highway Program. Between March 1992 and October 1994, the agency issued a total of \$890 million in highway revenue bonds for paying a portion of the costs of the accelerated highway program. The bonds were issued in six series, with principal amounts of \$250 million – Series 1992, \$125 million – Series 1992A, \$250 million – Series 1993, \$125 million – Series 1994, \$50 million – Series 1994A, and \$90 million – Series 1994B. In May 1993, the agency issued highway refunding bonds totaling \$147.405 million – Series 1993A to advance refund a portion of the Series 1992 bonds. The Secretary indicates that KDOT may refinance several of the current bond issues, including the only one that is a variable rate, in order to secure more advantageous interest rates. Current market conditions suggest substantial savings may be achieved by locking in lower interest rates at this time. The principal to be refinanced is about \$200 million from several different issues.

**Repayment Schedule for Bonded Debt as of January 1998
For the Comprehensive Highway Program**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
1993	\$ 0	\$ 18,543,589	\$ 18,543,589
1994	465,000	34,363,172	34,828,172
1995	890,000	44,921,533	45,811,533
1996	9,765,000	47,225,986	56,990,986
1997	14,825,000	46,582,829	61,407,829
1998	11,350,000	47,238,568	58,588,568
1999	27,730,000	46,646,918	74,376,918
2000	40,650,000	44,948,251	85,598,251
2001	42,720,000	42,902,523	85,622,523
2002	44,945,000	40,696,560	85,641,560
2003	47,325,000	38,352,870	85,677,870
2004	49,880,000	35,819,554	85,699,554
2005	52,770,000	32,973,558	85,743,558
2006	55,830,000	29,923,853	85,753,853
2007	59,100,000	26,661,284	85,761,284
2008	62,325,000	23,483,045	85,808,145
2009	65,780,000	20,066,798	85,846,798
2010	69,465,000	16,366,798	85,831,543
2011	73,525,000	12,348,949	85,873,949
2012	77,720,000	8,259,967	85,979,967
2013	57,300,000	3,998,390	61,298,390
2014	23,870,000	1,190,417	25,060,417
2015	13,125,000	211,750	13,336,750
TOTAL	\$ 901,355,000	\$ 663,726,905	\$ 1,565,081,905

- c. The Subcommittee learned about the post-Comprehensive Highway Program plan for FY 1998 to FY 2001. The Subcommittee would like to point out that, according to KDOT's plan, total expenditures in the next four years for capital improvement projects will exceed total expenditures for the CHP's first four years. Spending over the next four years is projected at almost \$1.5 billion for projects. The Governor's FY 1998 recommendations concur with the first year of the agency's four-year spending plan and support spending in three of the four CHP categories. Systems enhancements originally were not included in the FY 1998 to FY 2001 projects. FY 1998 and FY 1999 system enhancements have been included in the revised plan.

**Kansas Comprehensive Highway Program and
KDOT Interim Highway Project Listing FY 1998 - 2001**

	<u>FY 90-93</u> 4 Yr CHP	<u>FY 94-97</u> 4 Yr CHP	<u>FY 90-97</u> Total CHP	<u>FY 98-01</u> Total Post
Substantial Maintenance	\$ 288,685	\$ 433,324	\$ 722,009	\$ 675,080
Major Modification	658,137	1,029,728	1,687,865	685,073
Priority Bridges	93,286	73,314	166,600	108,713
System Enhancements	<u>96,515</u>	<u>479,201</u>	<u>575,716</u>	<u>15,635</u>
Total	<u>\$ 1,136,623</u>	<u>\$ 2,015,567</u>	<u>\$ 3,152,190</u>	<u>\$ 1,484,501</u>

d. As a result of KDOT receiving more revenue and maintaining higher cash balances than anticipated when estimates were prepared in 1989 prior to the CHP, the status of the State Highway Fund will allow KDOT to embark on a four-year post-Comprehensive Highway Program by using accrued balances to offset the shortfall in current revenues to sustain enhanced expenditures the next few years. The revised CHP expenditures show the savings in that eight-year plan.

**Change in Estimated Construction Cost for Comprehensive Highway Program
(In Millions)**

	<u>1995</u>	<u>1997</u>	<u>Difference</u>
Total Cost	\$3,331.5	\$3,152.1	\$ (179.4)

Source: FY 1996-1997 CHP Plan and 1997 Interim Highway Project Listing.

The status of the agency's investments and cash as of December 31, 1997, is reported as follows:

**KDOT Investments and Cash as of December 31, 1997
(In Millions)**

Investments	Carrying Value	Pct. of Holdings	Pct. Yield
U.S. Govt. Securities	\$ 45.1	8.0%	5.5%
Govt. Agency Securities	398.1	70.6	5.7
Mortgage Backed Securities	15.5	2.7	7.8
Municipal Securities	3.1	0.5	7.9
Commercial Paper	102.0	18.1	5.8
Subtotal—Investments	\$ 563.8		
Cash	42.9		5.6
Grant Total	<u>\$ 606.7</u>		

- e. Two of the six demand transfers from the State General Fund that are capped by the Governor's recommended 2.4 percent growth in FY 1999 over FY 1998 affect KDOT. The Subcommittee notes that when ever transfers are capped, there is a loss of revenue in the millions of dollars for KDOT.

**CURRENT DEMAND TRANSFERS FROM STATE GENERAL FUND
TO OTHER STATE FUNDS**

(In Thousands)

Fund	FY 1998			FY 1999		
	No Law Change	Proposed or Actual	Reduc.	No Law Change	Proposed	Reduc.
State Highway	\$ 97,487	\$ 85,840	\$(11,647)	\$ 104,637	\$ 87,899	\$(16,738)
Local Ad Valorem Tax Reduction	50,688	47,771	(2,917)	54,326	48,917	(5,409)
Co.-City Revenue Sharing	38,570	35,709	(2,861)	41,376	36,566	(4,810)
City-Co. Highway	17,000	10,737	(6,263)	18,000	10,995	(7,005)
Water Plan	6,000	6,000	—	6,000	6,000	—
School Dist. Cap. Improve.	19,000	19,000	—	21,500	21,500	—
State Fair	113	113	—	210	210	—
TOTAL	<u>\$ 228,858</u>	<u>\$ 205,170</u>	<u>\$(23,688)</u>	<u>\$ 246,049</u>	<u>\$ 212,087</u>	<u>\$(33,962)</u>

FY 1998 – the four transfers were capped at 1.75 percent over actual FY 1997.

FY 1999 – the Governor recommends an increase of no more than 2.4 percent for the four transfers.

- f. A total of \$1.2 million is dedicated for Emergency Medical Services (EMS) 800 MHZ radio equipment and approximately \$800,000 remains to be spent. The Subcommittee asks that the EMS Subcommittee review this program and consider stopping expenditures for the equipment based on information provided by Senator Salmans.
- g. In addition to the city of Wichita's railroad abatement problem, other Kansas cities with railroad and roadway conflict areas include Abilene, Salina, Olathe, Herrington, Marysville, Rossville, and St. Marys. In October of 1994, the Corps of Engineers completed a Reconnaissance Report evaluating the feasibility of a joint federal levee and railroad relocation project at Marysville, Kansas. Based on 100-year flood protection, the Corps elected to consider benefits against the total cost of the project. Calculated Corps benefits for project alternatives ranged from \$2.1 million to \$3.0 million, while total costs respectively ranged from \$12.3 million to \$20.3 million. With costs exceeding benefits by a large margin, none of the plans investigated, which included a potential federal levee, were considered economically feasible. Corps of Engineers studies at Marysville, Kansas were terminated based on the Reconnaissance Report findings.
- h. The Subcommittee is concerned about what happens to surplus highway equipment when the agency spends \$32 million for new and replacement machines. Under current state law, the property is transferred to the State Surplus Property Program that is operated by the Department of Corrections. The Subcommittee believes that if KDOT were allowed to sell its surplus equipment at auction, then additional revenue could be generated for the State Highway Fund. The Subcommittee recommends a post audit study of the State Surplus Property Program in order to determine if it is operated in an effective and efficient manner, or if alternative procedures for selling surplus state property, such as by auctions, might produce more revenue.
- i. After hearing about the problems associated with the one-for-four retirement law that was enacted in 1993, the Subcommittee wants to reiterate its concern that this is a bad law and it ought to be repealed. This report is intended to flag the problem and add to the number of flags being raised about this issue.
- j. Performance indicators supplied by KDOT.

SELECTED KANSAS DEPARTMENT OF TRANSPORTATION PERFORMANCE MEASURES

Comprehensive Highway Program (CHP) and Interim Program Goals

	Pre-CHP (1988-1989) <u>Average</u>	CHP (1990-1997) <u>Average</u>	Total CHP	Interim Pgm. (1998-2001) <u>Goals</u>
Major Modification Program				
Interstate Miles	13	17	135	70
Non Interstate Miles	33	205	1,641	204
Priority Bridge				
Number of Bridges	17	24	188	113
Substantial Maintenance				
Number of Miles	1,234	1,276	10,212	4,458
System Enhancement				
Total Spending (State and Local)	0	\$106,911,875	\$855,295,000	N/A
\$2.5 million/county				
Number of Counties	N/A	N/A	105	N/A
\$390,000/yr on Trns. Imp. for Handicapped and Elderly (Increased to \$1,000,000/yr in FY95)				
Total \$ Encumbered	0	\$618,750	\$4,950,000	\$4,000,000
Other Non-H.B.2014 Goals:				
Total % SHS rated good or acceptable	62.4	71.7	75.8	76.0
Other Non-H.B. 2014 Measures:				
% Bridges on SHS obsolete or deficient				
% Miles on SHS rated good or acceptable	23.1	24.2	18.1	18.5
-Interstate	51.7	72.0	83.2	84.0
-NonInterstate	63.9	71.5	74.9	75.0
Safety				
Fatalities/100,000,000 (Vehicle Miles Traveled)	2.3	1.7	1.8	1.8
% Fatalities with alcohol involvement	41.0	26.3	24.2	24.0
% Ks Drivers wearing seatbelts	45.2	57.2	53.2	60.0

Source: KDOT Management and Budget Unit

Senate Committee Recommendations

The Committee concurs, except for the following adjustments to the Subcommittee report:

1. No action should be taken in regards to item 2(h) regarding a post audit study since a recent report on this subject was prepared.
2. In regards to item 2(i), the phrase " that this is a bad law and it ought to be repealed" should be deleted so that the recommendation reads: " After hearing about the problems associated with the one-for-four retirement law that was enacted in 1993,

the Subcommittee wants to reiterate its concern. This report is intended to flag the problem and add to the number of flags being raised about this issue."

3. The revised program recommended by the Governor in FY 1999, the Kansas Savings Incentive Program, described in item 2(a), should be referred to as a "proposed" plan in regards to a fourth purpose noted by the Subcommittee. The Senate Ways and Means Committee has not had the opportunity to review the Governor's proposal since no bill has been submitted yet to date establishing the new program purposes.

The Senate has not completed consideration of this budget.

Agency: Kansas Department of Transportation
Analyst: Efirid

Bill No. 2893
Analysis Pg. No. 3

Bill Sec. 98,99,108,109
Budget Page No. 455

Expenditure Summary	Agency Req. FY 99	Gov. Rec. FY 99*	House Subcommittee Adjustments
Agency Operations	\$ 207,990,436	\$ 207,692,071	\$ 0
Debt Service	74,569,420	74,569,420	0
Other Operations	606,456,464	603,977,097	0
TOTAL	<u>\$ 889,016,320</u>	<u>\$ 885,238,588</u>	<u>\$ 0</u>
State General Fund	\$ 96,576,359	\$ 97,288,222	\$ 0
State Highway Fund	683,909,681	679,874,256	0
All Other Funds	108,530,280	106,470,141	0
TOTAL	<u>\$ 889,016,320</u>	<u>\$ 885,238,588</u>	<u>\$ 0</u>
FTE Positions	3,139.5	3,129.5	0.0

* Includes Governor's Budget Amendment No. 2-15 which reduces a total of \$2,060,139 in expenditures from the State Highway Fund due the recommended 2.4 percent increase in State General Fund transfers and addition of \$2,060,139 of SGF financing during FY 1999.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 1999 recommendations, including the Budget Amendment No. 2-15, and makes the following adjustments:

1. Note the shrinkage rate for KDOT which the Governor recommends in FY 1999 to reflect salary turnover savings of \$3,509,000, an amount equal to 3.0 percent of the total salary and benefit budget of \$125,872,731. The net FY 1999 Governor's

recommended funding amount is \$122,363,731 for 3129.5 FTE positions, temporary staff, and fringe benefits.

Initially, the Subcommittee considered adding \$1,170,000 in order to reduce the shrinkage rate to approximately 2.0 percent in FY 1999. However, in reviewing the three-year salary and benefit expenditures history of this agency, the Subcommittee discovered the following information.

<u>Fiscal Year</u>	<u>Final Approved</u>	<u>Actual Expenditures</u>	<u>Net Difference</u>
1995	\$114,337,387	\$111,245,840	\$3,091,547
1996	\$118,249,575	\$113,428,206	\$4,821,369
1997	\$117,066,642	\$112,544,734	\$4,521,908

The final approved amount for salaries and benefits reflects the net funding available after reductions for shrinkage were taken into account. The net difference represents the salary savings achieved after a shrinkage rate was applied. The net difference would increase the budgeted shrinkage rate by several percentage points in each fiscal year, indicating that the actual salary turnover savings, or shrinkage rate was between 6 and 7 percent for KDOT.

In part, this occurred because of the Governor's imposed 5.0 percent reduction in FTE positions during FY 1996 and FY 1997. In part, this occurred because the KDOT expenditure limitation for agency operations was not reduced in order to allow the agency flexibility. Traditionally, the Governor has not submitted a supplemental bill with expenditure limitation reductions for KDOT. Generally, the Legislature has concurred with the Governor and has not reduced the KDOT expenditure limitation, thus allowing for additional savings to occur due to an overstated salary and benefit budget.

KDOT FTE Positions

<u>Fiscal Year</u>	<u>FTE</u>	<u>Change</u>
1996	3,304.5	0.0
1997	3,238.5	(66.0)
1998	3,139.5	(99.0)
1999	3,129.5	(10.0)

- Write to the LCC requesting an interim study in 1998 to review proposals for a new Comprehensive Transportation Plan. One area of special concern is increasing the amount of state funding provided for elderly and disabled

transportation systems. Currently, the state pays \$1.0 million for aid annually.

3. Also note the following items:

- a. **Transfers Out of the State Highway Fund.** Both the Department of Revenue and Kansas Highway Patrol are receiving significant increases in transfers for FY 1999 under the Governor's recommendations. An increase from \$27.6 million in FY 1997 to \$29.6 million in FY 1999 is recommended by the Governor for financing the Division of Vehicles operations in the Department of Revenue. An increase from \$5.9 million in FY 1997 to \$7.3 million in FY 1999 is recommended by the Governor for financing the Motor Carrier Inspection Troop of the Kansas Highway Patrol. The Subcommittee flags these two increased transfers for closer study.
- b. **NASCAR Infrastructure Projects.** The Subcommittee was briefed by the Secretary of Transportation on the funding support pledged by KDOT. A total of \$34.0 million will fund certain improvements: \$23.0 million on State Highway System projects involving I-70, I-435, and U.S. 24; \$10.0 million for the 110th Street project; and \$1.0 million partial funding for the New Jersey Avenue project. Cash flow projections for KDOT indicate that the NASCAR roadway improvements can be funded without jeopardizing any previously programmed projects, according to the agency representatives.
- c. **Railroad Mitigation.** In addition to the city of Wichita's railroad abatement problem, other Kansas cities with railroad and roadway conflict areas include Abilene, Herrington, Marysville, Olathe, Rossville, Salina, and St. Marys.
- d. **One-for-Four Retirement Law.** The Governor's recommendations include KDOT losing 10.0 FTE in FY 1998 due to retirements and reflected in FY 1999 as lost positions. The Division of the Budget plans to submit additional reductions during the Omnibus period when additional retirements have been identified. The Subcommittee recommended an end to this policy during the 1997 Legislature and H.B. 2495 was introduced to exempt KDOT from the law. Last year's bill is assigned to this Committee and has not been worked since February 24, 1997 when it was referred to the House Appropriations Committee.

State General Fund Planning Report

(Dollars in Thousands)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
Beginning Balance:	\$527,812	\$595,258	\$346,038	\$303,523	\$312,552	\$323,586
Released Encumbrances	311	--	--	--	--	--
Revenue:						
Revenue Estimates	\$3,873,655	\$4,017,700	\$4,205,070	\$4,390,093	\$4,574,477	\$4,757,456
One-time Revenue	\$66,615	--	--	--	--	--
SB 500 as amended by HCOW	--	(161,313)	(202,594)	(223,530)	(248,406)	(272,220)
SB 500 Accelerate Single (HCOW)	--	(23,000)	(7,900)	--	--	--
Transfer to Budget Stabilization Fund	(35,715)	--	--	--	--	--
Subtotal Revenue	\$3,904,555	\$3,833,387	\$3,994,576	\$4,166,563	\$4,326,071	\$4,485,236
Total Available	\$4,432,678	\$4,428,645	\$4,340,614	\$4,470,086	\$4,638,623	\$4,808,822
Expenditures:						
Governor's Recommendation	\$3,695,990	\$3,933,809	\$4,082,607	\$4,037,091	\$4,157,534	\$4,315,037
GBA #1: Milford Lake	--	362	--	--	--	--
Property Tax Replacement	141,430	108,136	32,302	6,392	6,006	6,201
Mill Levy at 23	--	40,300	28,600	2,900	2,700	2,826
KPERS Adjustment	--	--	10,500	11,000	11,500	12,000
School Finance Adjustment	--	--	(13,102)	8,383	(6,698)	(10,218)
Other Demand Transfer Reserve	--	--	184	2,768	5,995	6,766
Subtotal Expenditures	\$3,837,420	\$4,082,607	\$4,141,091	\$4,068,534	\$4,177,037	\$4,332,612
Additional Allowable Expenditures	--	--	(104,000)	89,000	138,000	140,000
Total Expenditures	\$3,837,420	\$4,082,607	\$4,037,091	\$4,157,534	\$4,315,037	\$4,472,612
Ending Balance	\$595,258	\$346,038	\$303,523	\$312,552	\$323,586	\$336,210
Revenue in Excess of Expenditures	\$67,135	(\$249,220)	(\$42,515)	\$9,029	\$11,034	\$12,624
Percent Growth Total Expenditures	8.5%	6.4%	-1.1%	3.0%	3.8%	3.7%
Growth Attributed to Property Tax Relief	4.0%	3.9%	1.5%	0.2%	0.2%	0.2%
Growth Attributed to All Other Exp.	4.5%	2.5%	-2.6%	2.8%	3.6%	3.4%
Balance As % of Expenditures	15.5%	8.5%	7.5%	7.5%	7.5%	7.5%

The Report includes the following:

The Governor's Recommendation for expenditures has been increased by \$300,214 in FY 1999 to reflect technical corrections.

GBA #1 provides \$361,512 for wetlands development at Milford Lake.

Appropriations
2-19-98
Attachment 2

SB 500, As Amended by House - Tax Reductions

State General Fund Profile
In Millions
FY 1997 - FY 2003

FY 1998 and FY 1999 Consensus Revenue Estimate; Less Revenue Transfer of \$35.7 Million in FY 1998
Expenditures FY 1998 and as FY 1999 as Recommended by the Governor
General and Supplemental School Aid at \$3,705/Correlation and At-Risk Increases
Demand Transfers Capped
Tax Reductions: SB 500 as Amended by House
Minimum Ending Balance of at Least 7.5%

	Actual FY 1997	Increase	Estimated FY 1998	Increase	Recommend. FY 1999	Increase	Projected FY 2000	Increase	Projected FY 2001	Increase	Projected FY 2002	Increase	Projected FY 2003	Increase
Beginning Balance(a)	\$382.2		\$528.1		\$595.3		\$346.3		\$303.7		\$313.4		\$322.5	
RECEIPTS:(b)		6.8%		7.0%		2.0%		4.7%		4.4%		4.2%		4.0%
SB 500, as Amended by House - Tax Reductions(g)	3,683.8	235.5	3,940.3	256.5	4,017.5	77.2	4,205.1	187.6	4,390.1	185.0	4,574.5	184.4	4,757.5	183.0
Revenue Transfer to the Budget Stabilization Fund	0.0	0.0	0.0	0.0	(184.3)	(184.3)	(210.5)	(26.2)	(223.5)	(13.0)	(248.4)	(24.9)	(272.2)	(23.6)
Subtotal - Adjusted Receipts	3,683.8	235.5	3,904.6	220.8	3,833.2	(71.4)	3,994.6	161.4	4,166.6	172.0	4,326.1	159.5	4,485.3	159.2
EXPENDITURES:														
General and Supplemental School Aid(c)	1,384.6	14.2	1,564.2	179.6	1,650.8	86.6	1,668.8	18.0	1,682.4	13.6	1,680.5	(1.9)	1,675.4	(5.1)
Additional Property Tax Relief (23 mills/\$20,000 homestead)	0.0	0.0	0.0	0.0	40.3	40.3	68.9	28.6	71.9	3.0	74.6	2.7	77.4	2.8
Base Aid Increase of \$35 (\$3,670 to \$3,705)	0.0	0.0	0.0	0.0	19.9	19.9	20.0	0.1	20.1	0.1	20.2	0.1	20.3	0.1
Correlation Weighting Increase/At-Risk Increase/Net All Others	0.0	0.0	0.0	0.0	17.0	17.0	17.2	0.2	17.4	0.2	17.6	0.2	17.8	0.2
Subtotal - Subtotal General and Supplemental School Aid	1,384.6	14.2	1,564.2	179.6	1,728.0	163.8	1,774.9	46.9	1,791.8	16.9	1,792.9	1.1	1,790.9	(2.0)
		1.0%		13.0%		10.5%		2.7%		1.0%		0.1%		-0.1%
Demand Transfers: (e)	199.7	3.4	205.1	5.4	212.1	7.0	212.3	0.2	215.1	2.8	221.1	6.0	228.8	7.7
All Other Expenditures(d)	1,953.8	81.3	2,068.1	114.3	2,142.1	74.0	2,050.0	(92.1)	2,150.0	100.0	2,303.0	153.0	2,454.0	151.0
		4.3%		5.9%		3.6%		-4.3%		4.9%		7.1%		6.6%
TOTAL Expenditures	3,538.2	99.0	3,837.4	299.2	4,082.2	244.8	4,037.2	(45.0)	4,156.9	119.7	4,317.0	160.1	4,473.7	156.7
Percent Increase		2.9%		8.5%		6.4%		-1.1%		3.0%		3.9%		3.6%
Ending Balance(f)	527.8		595.3		346.3		303.7		313.4		322.5		334.1	
Percent of Expenditures	14.9%		15.5%		8.5%		7.5%		7.5%		7.5%		7.5%	
Receipts in Excess of Expenditures	145.6		67.2		(249.0)		(42.6)		9.7		9.1		283.8	

a) Includes actual released encumbrances for FY 1996, FY 1997, and \$0.3 million in FY 1998.

b) Receipts are actual for FY 1996 and FY 1997. Receipts for FY 1998 and FY 1999 reflect the consensus revenue estimates. However, the FY 1998 includes a revenue transfer of \$35.7 million to the State Budget Stabilization Fund. The projections for FYs 2000 - 2003 are not consensus estimates of receipts but are based on a growth rate of 4.7 percent in FY 2000; 4.4 percent in FY 2001; 4.2 percent in FY 2002; and 4.0 percent in FY 2003.

c) Base estimate of general and supplemental school aid payments in FY 1996 (revised) - FY 2001 were made on November 7, 1997 by the Department of Education, Division of the Budget, and the Legislative Research Department. For FY 1999 the amount reflects an increase in the base per pupil amount of \$35 from \$3,670 to \$3,705, an additional \$10.0 million of correlation weighting, and \$6.0 million in connection with an increase in at-risk weight from .085 to .080, and the reduction in the uniform property tax rate from 27 to 23 mills and a homestead exemption of \$20,000. The FY 2000 - FY 2003 estimates assume a uniform school mill levy of 23 mills and a \$20,000 homestead and a base aid per pupil amount of \$3,705. FY 2002 and FY 2003 are estimated by the Legislative Research Department.

d) FY 1996 and FY 1999 amount is as recommended by the Governor on all other expenditures. For FY 2000 - FY 2003 all other expenditures grow within available resources.

e) Demand transfers for the School District Capital Improvement Fund, Water Plan Fund and State Fair all reflect current law. For the State Highway Fund, Local Ad Valorem Tax Reduction Fund, County-City Revenue Sharing Fund, and the City-County Highway Fund are actual in FY 1997 and for FY 1998 a cap of 1.75 percent. For FY 1999 a cap of 2.4 percent; FY 2000 a cap of 0.1 percent; FY 2001 a cap of 1.9 percent; FY 2002 a cap of 3.6 percent; and FY 2003 a cap of 3.5 percent.

f) Current law minimum ending balance requirement is 7.5 percent of expenditures.

g) The tax reductions in 1998 SB 500 as amended by the House are:

	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003
Tax Credits for Hiring Dev. Disabled	(\$0.250)	(\$0.250)	(\$0.250)	(\$0.250)	(\$0.250)
Gas Severance Tax Exemptions (SGF only)	(0.288)	(0.288)	(0.288)	(0.288)	(0.288)
Food Distribution Programs SGF	Minimal	Minimal	Minimal	Minimal	Minimal
Business Mach. Sales Tax Clarification SGF	Unknown	Unknown	Unknown	Unknown	Unknown
Education Savings Accounts	(1.400)	(2.000)	(2.100)	(2.200)	(2.300)
Earned Income Tax Credit	(12.600)	(13.400)	(14.000)	(14.300)	(14.600)
Zoo Memberships and Purchases SGF	(0.437)	(0.485)	(0.515)	(0.536)	(0.557)
Religious SGF	(3.919)	(4.447)	(4.624)	(4.809)	(5.002)
Youth Groups SGF	(1.281)	(1.453)	(1.512)	(1.572)	(1.635)
PTAs/PTOs SGF	(0.328)	(0.370)	(0.384)	(0.400)	(0.416)
Broadcast Mach. and Equip. SGF	(0.543)	(0.618)	(0.640)	(0.666)	(0.693)
Humanitarian Dues SGF	(0.339)	(0.385)	(0.400)	(0.416)	(0.433)
Veteran's Dues SGF	(0.071)	(0.081)	(0.084)	(0.087)	(0.091)
Airplane Leased (H.B. 2686) SGF	Minimal	Minimal	Minimal	Minimal	Minimal
Food Sales Tax Rebates	(15.900)	(15.900)	(15.900)	(15.900)	(15.900)
Standard Deduction (Gov. Rev. plus indexing)	(17.500)	(18.000)	(22.800)	(28.700)	(34.900)
Single/Married Income Tax Acceleration of Equalization	(23.000)	(7.900)	0.000	0.000	0.000
Tax Credit for Machinery and Equipment	(18.000)	(25.800)	(28.400)	(31.200)	(34.300)
Pick-up* Estate Tax	(23.100)	(54.600)	(57.300)	(60.200)	(63.200)
Personal Exemption (\$2,350, plus indexing)	(52.200)	(47.500)	(56.700)	(66.800)	(78.700)
Oil Production Exemptions	(1.415)	(1.415)	(1.415)	(1.415)	(1.415)
Residential Remodeling Sales Tax Exemption	(13.744)	(15.594)	(16.217)	(16.866)	(17.541)
Subtotal - House Recommendations Tax Reductions	(184.313)	(210.494)	(223.529)	(248.405)	(272.221)
Mill Levy Reduction 27 to 23 mills/\$20,000 homestead	40.300	66.900	71.900	74.600	77.400
Grand Total - House Tax Reductions and Mill Levy Reduction	(\$224.613)	(\$278.394)	(\$295.429)	(\$323.005)	(\$349.621)

DRAFT

State General Fund Profile
In Millions
FY 1996 - FY 2003

FY 1998 and FY 1999 Consensus Revenue Estimate; No \$35.7 Million Revenue Transfer in FY 1998
Expenditures FY 1998 as Recommended by the Governor; FYs 1999-2003 Grow at Three Percent
Education Consensus Estimate for Current Law General and Supplemental School Aid at \$3,670
Demand Transfers Capped
Tax Reductions: \$200 million Reduction in FY 1999
All Gaming Revenue Fund Receipts are Transferred to the State General Fund
Minimum Ending Balance of at Least 7.5%

	Actual FY 1996	Increase	Actual FY 1997	Increase	Estimated FY 1998	Increase	Recommend. FY 1999	Increase	Projected FY 2000	Increase	Projected FY 2001	Increase	Projected FY 2002	Increase	Projected FY 2003	Increase
Beginning Balance(a)	\$370.2		\$382.2		\$528.1		\$631.0		\$463.9		\$361.0		\$322.7		\$353.4	
RECEIPTS:(b)																
Recommended Tax Reductions(g)	3,448.3	7.1%	3,683.8	6.8%	3,940.3	7.0%	4,017.5	2.0%	4,205.1	4.7%	4,390.1	4.4%	4,574.5	4.2%	4,757.5	4.0%
Transfer of Gaming Revenue Fund Receipts	0.0		0.0		0.0		(171.1)		(150.1)	21.0	(147.9)	2.2	(145.9)	2.0	(143.8)	2.1
Subtotal - Adjusted Receipts	3,448.3	229.5	3,683.8	235.5	3,940.3	256.5	3,896.4	(43.9)	4,105.0	208.6	4,292.2	187.2	4,478.6	186.4	4,663.7	185.1
EXPENDITURES:																
General and Supplemental School Aid(c)	1,370.4	33.2	1,384.6	14.2	1,564.2	179.6	1,650.8	66.6	1,666.6	18.0	1,682.4	13.6	1,680.5	(1.9)	1,675.4	(5.1)
Three Percent Growth EXCLUDING Property Tax Relief	0.0	0.0	0.0	0.0	0.0	0.0	41.6	41.6	82.9	41.3	123.9	41.0	164.5	40.6	204.7	40.2
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subtotal - Subtotal General and Supplemental School Aid	1,370.4	33.2	1,384.6	14.2	1,564.2	179.6	1,692.4	128.2	1,751.7	59.3	1,806.3	54.6	1,845.0	38.7	1,880.1	35.1
		2.5%		1.0%		13.0%		8.2%		3.5%		3.1%		2.1%		1.9%
Demand Transfers: (e)	196.3	9.8	199.7	3.4	205.1	5.4	212.1	7.0	212.3	0.2	215.1	2.8	221.1	6.0	228.8	7.7
All Other Expenditures(d)	1,872.5	66.4	1,953.8	81.3	2,068.1	114.3	2,130.1	62.0	2,194.0	63.9	2,257.0	63.0	2,327.7	70.7	2,397.5	69.8
		4.8%		4.3%		5.9%		3.0%		3.0%		2.9%		3.1%		3.0%
Higher Education Property Tax Relief	0.0	0.0	0.0	0.0	0.0	0.0	28.9		49.9		62.1		64.1		66.2	
TOTAL Expenditures	3,439.2	129.4	3,538.2	99.0	3,837.4	299.2	4,063.5	226.1	4,207.9	144.4	4,330.5	122.6	4,447.9	117.4	4,562.6	114.7
Percent Increase		3.9%		2.9%		8.5%		5.9%		3.6%		2.9%		2.7%		2.6%
Ending Balance(f)	379.2		527.8		631.0		463.9		361.0		322.7		353.4		454.5	
Percent of Expenditures	11.0%		14.9%		16.4%		11.4%		8.6%		7.5%		7.9%		10.0%	

2-4

a) Includes actual released encumbrances for FY 1996, FY 1997, and \$0.3 million in FY 1998.

b) Receipts are actual for FY 1996 and FY 1997. Receipts for FY 1998 reflect the consensus revenue estimates. However, the FY 1998 DOES NOT include a revenue transfer of \$35.7 million to the State Budget Stabilization Fund. The FY 1999 amount reflects the consensus estimate plus a transfer of \$50 million from the Gaming Revenue Fund into the State General Fund. The projections for FYs 2000 - 2003 are not consensus estimates of receipts but are based on a growth rate of 4.7 percent in FY 2000; 4.4 percent in FY 2001; 4.2 percent in FY 2002; and 4.0 percent in FY 2003, and for all years the addition of the \$50 million Gaming Revenue Fund receipts.

c) Base estimate of general and supplemental school aid payments in FY 1996 (revised) - FY 2001 were made on November 7, 1997 by the Department of Education, Division of the Budget, and the Legislative Research Department. For FY 1999 - FY 2003 the amount reflects current law of base per pupil aid of \$3,850 and 27 mills/\$20,000 homestead exemption, plus three percent annual growth excluding property tax relief.

d) FY 1998 amount is as recommended by the Governor on all other expenditures. For FY 1999 - FY 2003 all other expenditures grow at 3 percent annually.

e) Demand transfers for the School District Capital Improvement Fund, Water Plan Fund and State Fair all reflect current law. For the State Highway Fund, Local Ad Valorem Tax Reduction Fund, County-City Revenue Sharing Fund, and the City-County Highway Fund are actual in FY 1997 and for FY 1998 a cap of 1.75 percent. For FY 1999 a cap of 2.4 percent; FY 2000 a cap of 0.1 percent; FY 2001 a cap of 1.9 percent; FY 2002 a cap of 3.8 percent; and FY 2003 a cap of 3.5 percent.

f) Current law minimum ending balance requirement is 7.5 percent of expenditures.

g) Tax reductions are \$200 million in FY 1999.

Prepared at the Request and Direction of Representative Henry Helgeson, Jr.
Kansas Legislative Research Department
February 5, 1998

File: HH020598

**HOUSE APPROPRIATIONS
SUBCOMMITTEE REPORT ON

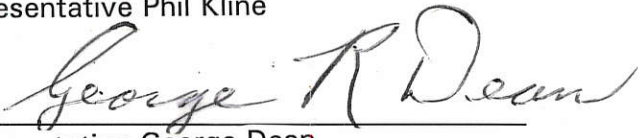
GOVERNOR'S DEPARTMENT
AND
LIEUTENANT GOVERNOR**



Representative Jo Ann Pottorff
Subcommittee Chair



Representative Phil Kline



Representative George Dean



Representative Melvin G. Minor

SUBCOMMITTEE REPORT

Agency: Lieutenant Governor

Bill No. –

Bill Sec. –

Analyst: Conroy

Analysis Pg. No. 1003

Budget Page No. 359

<u>Expenditure Summary</u>	<u>Agency Est. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 128,847	\$ 128,847	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 128,847	\$ 128,847	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 128,847</u></u>	<u><u>\$ 128,847</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 128,847	\$ 128,847	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 128,847	\$ 128,847	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 128,847</u></u>	<u><u>\$ 128,847</u></u>	<u><u>\$ 0</u></u>
FTE Positions	3.0	3.0	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>3.0</u></u>	<u><u>3.0</u></u>	<u><u>0.0</u></u>

The *Kansas Constitution* provides for the popular election of the Lieutenant Governor. Since 1974, the Governor and Lieutenant Governor have been elected jointly to four-year terms. All duties of the Lieutenant Governor are assigned by the Governor. In addition, the Lieutenant Governor succeeds to the Office of Governor in the event that the office becomes vacant. The Lieutenant Governor is, by statute, a member of the State Election Board and may concurrently serve as a cabinet officer or department head.

Agency Est./Governor's Recommendation

The revised FY 1998 budget estimate is \$28,291 less than the amount authorized by the 1997 Legislature, including the reappropriation. The current year request includes \$72,178 for salaries and wages and \$56,669 for nonsalary expenditures. The Lieutenant Governor is not taking a salary from the office. However, as provided in K.S.A. 75-3103, the Lieutenant Governor is being reimbursed \$1,875

annually. The nonsalary expenses include travel (\$36,851), communication (\$5,312), and rents (\$5,000).

The Governor's recommendation for FY 1998 is \$128,847 or the same as the agency requested. The Governor does recommend deleting a minor amount (\$346) in salaries and wages for fringe benefit recalculations. The Governor recommends \$57,015 for nonsalary expenditures, or \$346 above the amount requested by the agency.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor.

SUBCOMMITTEE REPORT

Agency: Lieutenant Governor

Bill No. 2893

Bill Sec. 27

Analyst: Conroy

Analysis Pg. No. 1003

Budget Page No. 359

<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	\$ 125,953	\$ 128,847	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 125,953	\$ 128,847	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 125,953</u></u>	<u><u>\$ 128,847</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 125,953	\$ 128,847	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 125,953	\$ 128,847	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 125,953</u></u>	<u><u>\$ 128,847</u></u>	<u><u>\$ 0</u></u>
FTE Positions	3.0	3.0	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>3.0</u></u>	<u><u>3.0</u></u>	<u><u>0.0</u></u>

The *Kansas Constitution* provides for the popular election of the Lieutenant Governor. Since 1974, the Governor and Lieutenant Governor have been elected jointly to four-year terms. All duties of the Lieutenant Governor are assigned by the Governor. In addition, the Lieutenant Governor succeeds to the Office of Governor in the event that the office becomes vacant. The Lieutenant Governor is, by statute, a member of the State Election Board and may concurrently serve as a cabinet officer or department head.

Agency Req./Governor's Recommendation

The FY 1999 budget request totals \$125,953, of which \$86,908 (or 69.0 percent) is for salaries of the 3.0 staff positions, funding for six months for the Lieutenant Governor's salary, the \$1,875 reimbursement for the Lieutenant Governor and \$39,045 is for other operating expenditures, primarily for travel (\$24,363) and communications (\$5,327). The request for partial-year funding of the Lieutenant Governor's salary reflects the possibility that after the November, 1998 general election a new Lieutenant

Governor may be selected. The new Lieutenant Governor would then decide whether to take the salary of the office or hold another state appointment.

The Governor recommends \$128,847 for FY 1999, which is an increase of \$2,894 above the agency request. The Governor's recommendation for salaries and wages (\$90,241) includes financing of six-months salary for the Lieutenant Governor. The Governor's adjustments include fringe benefit recalculations, his pay plan proposal for FY 1999, and reductions (\$439) in other operating expenditures.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor.

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SUBCOMMITTEE REPORT

Agency: Governor's Department

Bill No. –

Bill Sec. –

Analyst: Conroy

Analysis Pg. No. 999

Budget Page No. 191

Expenditure Summary	Agency Est. FY 98	Gov. Rec. FY 98	House Subcommittee Adjustments
All Funds:			
State Operations	\$ 1,753,017	\$ 1,753,017	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 1,753,017	\$ 1,753,017	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 1,753,017	\$ 1,753,017	\$ 0
State General Fund:			
State Operations	\$ 1,753,017	\$ 1,753,017	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 1,753,017	\$ 1,753,017	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 1,753,017	\$ 1,753,017	\$ 0
FTE Positions	29.5	29.5	0.0
Unclassified Temp. Positions	4.4	4.4	0.0
TOTAL	33.9	33.9	0.0

The *Kansas Constitution* provides that the Governor shall be the Chief Executive Officer of the state. The Governor is elected to a four-year term of office on a ticket which includes the Lieutenant Governor. Among the constitutional powers and duties exercised by the Governor are signing or vetoing acts of the Legislature, presenting an annual message to the Legislature on the condition of the state, submitting to the Legislature an annual state budget, and considering pardon of those convicted of criminal acts. The Governor also serves as chair of the State Finance Council and is, by virtue of the office, the Commander-in-Chief of the Kansas National Guard.

Agency Est./Governor's Recommendation

A revised FY 1998 budget estimate is submitted which is financed entirely by \$1,753,017 from the State General Fund. The agency estimate is \$15,813 (special revenue fund) less than the agency is authorized to spend. Included within the agency estimate in the current year is \$1,504,259 for the

*Appropriations
2-19-98
Attachment 4*

Administration Program, \$158,273 for the operation and management of the Governor's residence, and \$90,485 for the operation of the Wichita satellite office. The revised estimate in FY 1998 includes 29.5 FTE positions, which is 1.0 FTE position higher than anticipated by the 1997 Legislature.

The Governor's recommendation for FY 1998 is \$1,753,017 or the same as the agency requested. The Governor concurs with the agency request for a total of 29.5 FTE positions. The Governor's recommendation is entirely financed from the State General Fund, as requested by the agency. The Governor's recommendation concurs with the requested expenditures for the Administration Program, operation of the Governor's residence, and the Wichita satellite office.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor.

SUBCOMMITTEE REPORT

Agency: Governor's Department

Bill No. 2893

Bill Sec. 26

Analyst: Conroy

Analysis Pg. No. 999

Budget Page No. 191

<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	\$ 1,765,111	\$ 1,811,043	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 1,765,111	\$ 1,811,043	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 1,765,111</u></u>	<u><u>\$ 1,811,043</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 1,758,225	\$ 1,804,157	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 1,758,225	\$ 1,804,157	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 1,758,225</u></u>	<u><u>\$ 1,804,157</u></u>	<u><u>\$ 0</u></u>
Other Funds:			
State Operations	\$ 6,886	\$ 6,886	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 6,886	\$ 6,886	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 6,886</u></u>	<u><u>\$ 6,886</u></u>	<u><u>\$ 0</u></u>
FTE Positions	29.5	30.0	0.0
Unclassified Temp. Positions	<u>2.6</u>	<u>2.1</u>	<u>0.0</u>
TOTAL	<u><u>32.1</u></u>	<u><u>32.1</u></u>	<u><u>0.0</u></u>

The *Kansas Constitution* provides that the Governor shall be the Chief Executive Officer of the state. The Governor is elected to a four-year term of office on a ticket which includes the Lieutenant Governor. Among the constitutional powers and duties exercised by the Governor are signing or vetoing acts of the Legislature, presenting an annual message to the Legislature on the condition of the state,

submitting to the Legislature an annual state budget, and considering pardon of those convicted of criminal acts. The Governor also serves as chair of the State Finance Council and is, by virtue of the office, the Commander-in-Chief of the Kansas National Guard.

Agency Request/Governor's Recommendation

The FY 1999 budget request of the agency is financed by \$1,758,225 from the State General Fund and \$6,886 from special revenue funds. Expenditures for salaries and wages total \$1,379,313, an increase of \$68,585 or 5.2 percent above the revised FY 1998 estimate. The estimated number of positions is 29.5, the same amount as in the current year level. Nonsalary expenses total \$385,798 or \$56,491 less than the agency requested for FY 1998. The agency requests \$1,523,091 for the Administration Program, \$149,052 for the operation and management of the Governor's residence, and \$92,968 for the Wichita satellite office. Special revenue resources of \$10,427 would be available to finance expenditures in excess of those identified in the requested budget.

The Governor recommends expenditures of \$1,811,043 for FY 1999 of which \$1,804,157 is financed from the State General Fund and \$6,886 from special revenue funds. The Governor recommends 30.0 FTE positions, an increase of 0.5 FTE positions above the agency's request. The recommendation reflects the conversion of an existing 0.5 FTE secretary position at the Governor's residence from a part-time unclassified temporary position to a full-time unclassified position. The Governor includes \$44,008 (excluding fringe benefits) for a 4.0 percent unclassified merit pool. The Governor recommends \$1,535,856 for the Administration Program, \$181,221 for the operation and management of the Governor's residence, and \$93,966 for the Wichita satellite office. The Governor recommends \$393,958 for nonsalary expenditures in FY 1999, which is \$8,160 above the agency's request.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor.