

Approved: 2/26/98
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 20, 1998 in Room 514-S of the Capitol.

All members were present except: Representative Phil Kline - Excused
Representative John Edmonds - Excused
Representative Brenda Landwehr - Excused
Representative Rocky Nichols - Excused
Representative Doug Spangler - Excused

Committee staff present: Stuart Little, Mark Burenheide, Julian Efird, Carolyn Rampey, Legislative Research Department;
Jim Wilson, Mike Corrigan, Revisor of Statutes Office;
Helen Abramson, Administrative Aide; Linda Swain, Appropriations Secretary

Conferees appearing before the committee: None

Others attending: See attached list

Representative Mollenkamp reported for the House Subcommittee on Kansas, Inc. (Attachment 1). The Subcommittee concurred with the Governor's recommendations for FY 98 with two observations and modifications, and concurred with the Governor's recommendations for FY 99.

A motion was made by Representative Mollenkamp, seconded by Representative Packer to adopt the Subcommittee report on Kansas, Inc for FY 98 and FY 99. A brief discussion followed. The motion carried.

Representative Packer reported for the House Subcommittee on Kansas Technology Enterprise Corporation (Attachment 2). The Subcommittee concurred with the Governor's recommendations for FY 98 and concurred with FY 99 with four changes and observations.

A motion was made by Representative Packer, seconded by Representative Mollenkamp to adopt the Subcommittee report on Kansas Technology Enterprise for FY 98 and FY 99.

An extensive discussion followed which included concerns on point four of the FY 99 Subcommittee report -- "4. Delete \$493,735 (EDIF) for the Experimental Program to stimulate Competitive Research (EPSCoR). This reduction would provide funding for EPSCoR at the same level as FY 1998."

A motion was made by Representative Dean, seconded by Representative Ballard to delete point #4, adding back the \$493,735. An extensive discussion followed. The motion failed with eight in favor, nine opposed.

A vote was taken on the original motion by Representative Packer, seconded by Representative Mollenkamp to adopt the Subcommittee report on Kansas Technology Enterprise Corporation for FY 98 and FY 99. The motion carried. Representatives Ballard, Dean, Minor and Reinhardt voted no.

Representative Packer reported for the House Subcommittee on Department of Commerce and Housing. (Attachment 3) The Subcommittee concurred with the Governor's recommendation for FY 98 and with recommendations for FY 99 with seven adjustments.

A motion was made by Representative Packer, seconded by Representative Mollenkamp to adopt the Subcommittee report on Department of Commerce and Housing for FY 98 and FY 99. A discussion followed.

A motion was made by Representative Neufeld, seconded by Representative Dean to amend the subcommittee report for the Department of Commerce & Housing for FY 98 to include the same proviso with appropriate modifications for FY 98 that the Subcommittee added in the FY 99 - "Add a proviso to the appropriations bill designating this as a grant to the World Trade Center. The proviso should also provide that the Department is merely a pass-through agency for this grant with an annual report should be provided to the Joint Committee on Economic Development". The motion carried.

The discussion continued including travel and tourism.

A motion was made by Representative Reinhardt, seconded by Representative Minor to amend the FY 99 Subcommittee report by removing point five -- "5. Delete \$55,000 from the Agriculture Products

Development Division". The motion carried.

A motion was made by Representative Neufeld, seconded by Representative Pottorff to amend the Subcommittee report for FY 99 by adding wording that the new agency should look at regional tourism planning. The motion carried.

A motion was made by Representative Dean, seconded by Representative Feuerborn to add \$15,000 EDIF to FY 99 for capitol improvement for the Black History Museum in Wichita. A discussion followed concerning how the request can be made through the Historical Society's budget. The motion failed.

The discussion continued on performance ratings in the Department of Commerce and Housing. The agency was asked to respond formally to the performance measures in any areas where service rates are declining.

A vote was taken on the original motion made by Representative Packer, seconded by Representative Mollenkamp to adopt the Subcommittee report on Department of Commerce and Housing for FY 98 and FY 99 as amended. The motion carried.

Representative Mollenkamp reported for the House Subcommittee on the State Board of Tax Appeals (Attachment 4). The Subcommittee concurred with the Governor's recommendation with two exceptions in FY 98 and with FY 99 with three exceptions.

A motion was made by Representative Mollenkamp, seconded by Representative Helgerson to adopt the Subcommittee report on the State Board of Tax Appeals for FY 98 and FY 99. A discussion followed.

A motion was made by Representative Neufeld, seconded by Representative O'Connor to amend the report asking that any operation savings at the end of the year be reappropriated to the 1999 budget and the transfer from State General Funds be reduced by an equal amount. The motion carried.

A vote was taken on the original motion made by Representative Mollenkamp, seconded by Representative Helgerson to adopt the Subcommittee report on the State Board of Tax Appeals for FY 98 and FY 99 as amended. A discussion followed. The motion carried.

Representative Packer reported for the House Subcommittee on the Kansas Lottery (Attachment 5). The Subcommittee concurred with the Governor's recommendation for FY 98 with four recommendations and adjustments and with the recommendations for FY 99 with five adjustments.

A motion was made by Representative Packer, seconded by Representative Mollenkamp to adopt the Subcommittee report on the Kansas Lottery for FY 98 and FY 99. The motion carried.

A motion was made by Representative Farmer, seconded by Representative Helgerson to accept for introduction an act amending the Kansas parimutuel racing; relating to certain background checks. The motion carried.

The meeting adjourned at 3:30 p.m. The next meeting is scheduled for February 23, 1998.

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 2/20/98

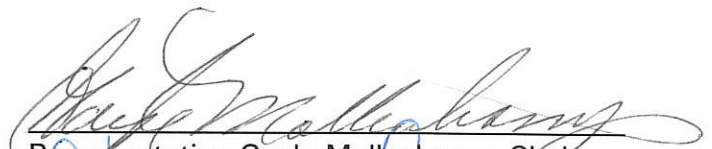
NAME	REPRESENTING
RICH BANO IS	KTEC
MIKE WOJCIUK	KTEC
Ron Root	KTEC
Sherry Brown	KDOCH
Erika L. Unghener	Steve Montgomery
Alex Folsom	Student O
Tony Folsom	BOTA
Rita Maidel	BOTA
Doug Farmer	DOR
Vicki Johnson	KAC
Megan E. Craft	K.R.C.C.
Debby Johnson	Kansas Inc.
Gary Smith	Kansas Lottery
Krieg Zemann	Kansas Lottery
TRACY DIEL	SGA
Michael Miller	KANWA Inc
Charles Koser	Kansas Inc.
John Rolfe	KDOCH
Steve Kelly	SDOCH


APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 2/20/98

NAME	REPRESENTING
Don Cowley	DOB
Kevin Pfeiffer	KBI

**FY 1998 AND FY 1999
HOUSE SUBCOMMITTEE REPORT ON
KANSAS, INC.**


Representative Gayle Mollenkamp, Chair


Representative Greg Packer


Representative Doug Spangler

Appropriations
2-20-98
Attachment 1

SUBCOMMITTEE REPORT

Agency: Kansas Inc.

Bill No. --

Bill Sec. --

Analyst: Burenheide

Analysis Pg. No. 1103

Budget Page No. 321

Expenditure Summary	Agency Estimate FY 98	Gov. Rec. FY 98	House Subcommittee Adjustments
All Funds:			
State Operations	\$ 434,051	\$ 429,190	\$ 10,000
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 434,051	\$ 429,190	\$ 10,000
Capital Improvements	0	0	0
TOTAL	\$ 434,051	\$ 429,190	\$ 10,000
State General Fund:			
State Operations	\$ 209,055	\$ 164,194	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 209,055	\$ 164,194	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 209,055	\$ 164,194	\$ 0
Economic Development Initiatives Fund:			
State Operations	\$ 224,996	\$ 264,996	\$ 10,000
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 224,996	\$ 264,996	\$ 10,000
Capital Improvements	0	0	0
TOTAL	\$ 224,996	\$ 264,996	\$ 10,000
FTE Positions	5.0	5.0	0.0
Unclass. Temp. Positions	0.0	0.0	0.0
TOTAL	5.0	5.0	0.0

Agency Estimate/Governor's Recommendation

The agency's current year estimate is \$434,051, which is \$44,861 or 11.5 percent above the amount approved by the 1997 Legislature. Of the total revised FY 1998 estimate, \$209,055, or 48.1 percent is from the State General Fund and \$224,996, or 51.9 percent is from the Economic Development Initiatives Fund (EDIF). This request would provide \$276,709 for salaries and wages, \$92,722 for other operating expenses and \$64,620 for the School Performance Study.

The Governor recommends \$429,190 for FY 1998. Of the total FY 1998 recommendation, \$164,194, or 38.3 percent, is from the State General Fund and \$224,996, or 61.7 percent, is from the EDIF.

The \$44,861 (EDIF) supplemental request is to cover expenses associated with the resignation of Kansas, Inc.'s President and the hiring of a new president. **The Governor** recommends \$40,000 (EDIF) to cover expenses associated with the resignation of Kansas, Inc.'s President and the hiring of a new president. Therefore, **the Governor's** recommendation is \$4,861 below the agency's request.

House Subcommittee Recommendation

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

1. The Subcommittee welcomes the new President of Kansas Inc., Charles Ranson. The Subcommittee notes that Mr. Ranson holds a Juris Doctorate from Florida State University and a Master's in Public Administration from the Kennedy School of Government at Harvard University. Mr. Ranson also has extensive background experience in international trade.
2. Add \$10,000 (EDIF) for expenses incurred due to the resignation of the President of Kansas Inc., and the resulting search for a new president. The Subcommittee recognizes that the agency has incurred bills of approximately \$45,000. Due to the small size of Kansas, Inc., the agency would not be able to absorb these expenditures without a supplemental appropriation. The Governor's recommendation of \$40,000 (EDIF) falls short in meeting the agency's requirements.

SUBCOMMITTEE REPORT

Agency: Kansas Inc.

Bill No. 2160

Bill Sec. 46

Analyst: Burenheide

Analysis Pg. No. 1103

Budget Page No. 321

Expenditure Summary	Agency Request FY 99	Gov. Rec. FY 99	House Subcommittee Adjustments
All Funds:			
State Operations	\$ 330,448	\$ 339,189	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 330,448	\$ 339,189	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 330,448	\$ 339,189	\$ 0
State General Fund:			
State Operations	\$ 167,478	\$ 169,626	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 167,478	\$ 169,626	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 167,478	\$ 169,626	\$ 0
Economic Development Initiatives Fund:			
State Operations	\$ 162,970	\$ 169,563	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 162,970	\$ 169,563	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 162,970	\$ 169,563	\$ 0
FTE Positions	5.0	5.0	0.0
Unclass. Temp. Positions	0.0	0.0	0.0
TOTAL	5.0	5.0	0.0

Agency Request/Governor's Recommendation

Kansas, Inc. requests FY 1999 operating expenditures of \$330,448, which is \$103,603, or 23.9 percent less than the FY 1998 revised estimate. This request would allow for \$264,453 for salaries and wages and \$65,995 for other operating expenditures. Of the total FY 1999 request, \$167,478 or 50.7 percent is financed from the State General Fund and \$162,970 or 49.3 percent is financed from the Economic Development Initiative Fund (EDIF).

The Governor recommends \$339,189 for FY 1999, which is \$90,001, or 21.0 percent, less than the FY 1998 Governor's recommendation. Of the total recommendation, \$169,626, or 50.0 percent, is from the State General Fund and \$169,563, or 50.0 percent, is from the EDIF.

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

(1) STRATEGIC PLANNING PROGRAM: In FY 1997, Kansas, Inc. initiated a major strategic planning project to revise and update the state strategic plan for economic development, "A Kansas Vision," that was published in 1993. A revised strategy was adopted by the Board. FY 1999 activities include communication of the strategy, and its goals and objectives; action planning that will lead to strategy implementation; and the refinement of benchmarks to measure achievement of strategic goals and objectives.

(2) RESEARCH AND ANALYSIS: Provide research and analytical support to the Kansas, Inc. Board of Directors, the Governor, the Legislature, and the business community on issues and topics of importance to the Kansas economy and its business climate. Included in this will be studies in the areas of Kansas Economic Performance, Rural Development, Kansas Labor Force, and Critical Issues Research.

(3) EVALUATION OF KANSAS ECONOMIC DEVELOPMENT: Pursuant to K.S.A. 74-8010, Kansas, Inc. will evaluate the effectiveness of economic development programs within the state and make recommendations to improve the performance of economic development agencies and programs, including the follow-up and implementation of the recommendations contained in the January 1996 report, "Analysis of Kansas Business Assistance." Kansas, Inc. has also become a subscriber to Regional Economic Models, Inc. (REMI). REMI provides an economic forecasting and impact model that can be used to analyze policy changes and evaluate program effects. Kansas, Inc. will also participate in an annual review of loans and grants made under the Kansas Economic Opportunity Initiatives Fund (KEOIF).

(4) PRIVATE SECTOR PARTNERSHIP AND COMMUNICATIONS: In May, 1996, the Kansas, Inc. Board of Directors approved the creation of the Kansas Economic Development Institute (KEDI) to serve as the private sector entity for sponsorship and funding of research and educational activities in support of the Kansas, Inc. mission. This will further an effective, working partnership with the private sector in economic development and communicate the results and findings of Kansas, Inc. activities to the business community, community leaders, and the general public.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendation of the Governor for FY 1999.

**FY 1998 AND FY 1999
HOUSE SUBCOMMITTEE REPORT ON
KANSAS TECHNOLOGY ENTERPRISE CORPORATION**


Representative Gayle Mollenkamp, Chair


Representative Greg Packer

Representative Doug Spangler

Appropriations
2-20-98
Attachment 2

SUBCOMMITTEE REPORT

Agency: Kansas Technology Enterprise Corporation

Bill No. —

Bill Sec. —

Analyst: Burenheide

Analysis Pg. No. 1110

Budget Page No. 339

<u>Expenditure Summary</u>	<u>Agency Estimate FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 4,117,326	\$ 4,117,326	\$ 0
Aid to Local Units	0	0	0
Other Assistance	14,527,516	14,527,516	0
Subtotal - Operating	<u>\$ 18,644,842</u>	<u>\$ 18,644,842</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 18,644,842</u></u>	<u><u>\$ 18,644,842</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
Economic Development Initiatives Fund:			
State Operations	\$ 2,305,478	\$ 2,305,478	\$ 0
Aid to Local Units	0	0	0
Other Assistance	11,185,803	11,185,803	0
Subtotal - Operating	<u>\$ 13,491,281</u>	<u>\$ 13,491,281</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 13,491,281</u></u>	<u><u>\$ 13,491,281</u></u>	<u><u>\$ 0</u></u>
Other Funds:			
State Operations	\$ 1,811,848	\$ 1,811,848	\$ 0
Aid to Local Units	0	0	0
Other Assistance	3,341,713	3,341,713	0
Subtotal - Operating	<u>\$ 5,153,561</u>	<u>\$ 5,153,561</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 5,153,561</u></u>	<u><u>\$ 5,153,561</u></u>	<u><u>\$ 0</u></u>
FTE Positions	18.0	18.0	0.0
Unclassified Temp. Positions	14.0	14.0	0.0
TOTAL	<u><u>32.0</u></u>	<u><u>32.0</u></u>	<u><u>0.0</u></u>

Agency Estimate/Governor's Recommendation

KTEC's revised FY 1998 estimate is \$18,644,842 an increase of \$1,168,938, or 6.7 percent more than approved by the 1997 Legislature. KTEC estimates that it will remain under its expenditure limitation of \$13,491,281 in Economic Development Initiatives Fund (EDIF) monies. The requested higher spending was from funds with no expenditure limitation. Of the total FY 1998 estimate, \$13,491,281 or 72.4 percent is from EDIF and \$5,153,561 or 27.6 percent is from federal funds and special revenue funds.

The Governor concurs with the agency's estimate.

For FY 1998, a proviso was added to the Omnibus bill requiring KTEC to prepare and present a report to the Joint Committee on Economic Development prior to the 1998 regular Session of the Legislature setting forth the criteria for return on public investment in such projects and programs, that were financed by KTEC during fiscal years 1996 and 1997, whether financed directly by KTEC or through programs, funds or entities that are subject to control, supervision or oversight by KTEC, specifically including the six for-profit investment funds in which KTEC holds equity interests. Further, such report shall include a review of the extent to which KTEC has been involved in investment decisions and a review of procedures used by KTEC or any such program, fund or other entity to ensure compliance with the provisions of agreements entered into with respect to such financing.

The 1997 Legislature also prohibited the use of any state appropriated funds in FY 1998 as bonuses or additional compensation to officers or employees of KTEC or subsidiary entities.

House Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendation for FY 1998.

SUBCOMMITTEE REPORT

Agency: Kansas Technology Enterprise Corporation

Bill No.

Bill Sec.

Analyst: Burenheide

Analysis Pg. No. 1110

Budget Page No. 339

<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	\$ 4,072,749	\$ 4,095,475	\$ 0
Aid to Local Units	0	0	0
Other Assistance	16,806,260	15,059,995	(498,774)
Subtotal - Operating	\$ 20,879,009	\$ 19,155,470	\$ (498,774)
Capital Improvements	0	0	0
TOTAL	\$ 20,879,009	\$ 19,155,470	\$ (498,774)
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 0	\$ 0	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0
EDIF:			
State Operations	\$ 2,328,217	\$ 2,350,943	\$ 0
Aid to Local Units	0	0	0
Other Assistance	13,382,278	11,636,013	(498,774)
Subtotal - Operating	\$ 15,710,495	\$ 13,986,956	\$ (498,774)
Capital Improvements	0	0	0
TOTAL	\$ 15,710,495	\$ 13,986,956	\$ (498,774)
Other Funds:			
State Operations	\$ 1,744,532	\$ 1,744,532	\$ 0
Aid to Local Units	0	0	0
Other Assistance	3,423,982	3,423,982	0
Subtotal - Operating	\$ 5,168,514	\$ 5,168,514	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 5,168,514	\$ 5,168,514	\$ 0
FTE Positions	17.0	17.0	0.0
Unclassified Temp. Positions	14.0	14.0	0.0
TOTAL	31.0	31.0	0.0

Agency Request/Governor's Recommendation

For FY 1999, KTEC requests \$20,879,009 in total operating expenditures, an increase of \$2,234,167 or 12.0 percent above the FY 1998 estimated total. EDIF expenditures would total \$15,710,495 or 75.2 percent of total operating expenditures. Federal funds total \$2,000,000 or 9.6 percent. The remaining \$3,168,514 is generated from fees charged for services and amounts to 15.2 percent of the total operating expenditures.

The Governor recommends \$19,155,470 in total operating expenditures for FY 1999. This recommendation is \$1,723,539, or 8.3 percent less than KTEC's request. **The Governor** recommends funding of \$13,986,956 from the EDIF and \$5,168,514 from other funds.

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

1. **Experimental Program to Stimulate Competitive Research (EPSCoR) Funding.** KTEC requests a program enhancement of \$800,000 (EDIF) to cover the estimated shortfall in state match funding in FY 1999. Therefore, KTEC requests \$4,000,000 for EPSCoR in FY 1999. EPSCoR is a long-term investment in our universities' capacity to conduct cutting edge research and in KTEC's future supply of commercial technologies. Kansas qualified as an EPSCoR state by virtue of its universities historically receiving a disproportionately low per capita average of federal research dollars. Between 1990 and 1993 (the latest statistics available), Kansas' per capita average of federal research dollars increased by 39 percent (\$17.80 to \$24.70) while, during the same period, total federal research funding increased by only 17 percent per capita (\$35.70 to \$41.80). KTEC estimates a total program need of \$4.0 million in FY 1999. For every dollar of state shortfall, at least one dollar of federal funding will be lost.

The Governor recommends \$3,693,735 (EDIF) for EPSCoR funding. This recommendation is \$306,265 or 7.7 percent less than KTEC's request for EPSCoR funding.

2. **Special Projects.** KTEC requests \$79,303(EDIF) for Special Projects in FY 1999. This is \$10,000 or 14.4 percent above the FY 1998 estimate. According to KTEC, the program provides money for many timely and worthwhile statewide infrastructure projects.

The Governor recommends \$29,303 (EDIF) for Special Projects. This recommendation is \$50,000 or 63.1 percent less than KTEC's request for Special Projects funding.

3. **Applied Research Matching Fund (ARMF).** KTEC requests \$1,500,000 (EDIF) for the Applied Research Matching Fund for FY 1999. This is \$240,000 or 19.1 percent above the FY 1998 estimate. According to KTEC, the fund plays a significant role in developing the advanced technology component of the Kansas economy by stimulating start-ups and market expansions. KTEC also predicts that the program will permit a decreased reliance on state appropriations in the future due to royalty payback position investments in the program currently.

The Governor recommends \$1,260,000 (EDIF) ARMF funding. This recommendation is \$240,000 or 16.0 percent less than KTEC's request for ARMF funding.

4. **Commercialization Pre-Seed Capital.** KTEC requests \$2,040,000 (EDIF) for the Innovation and Commercialization Corporations (ICCs). A total of \$875,000 or 42.9 percent of the ICCs budget request is dedicated to seed capital. The \$875,000 request is \$500,000 or 133.3 percent more than the FY 1998 estimate for seed capital. According to KTEC, the increase would accelerate the ICCs' progress toward reduced reliance on state appropriations.

The Governor recommends \$1,540,000 (EDIF) for the ICCs. This recommendation is \$500,000 or 24.5 percent less than KTEC's request.

5. **State Small Business Innovative Research (SSBIR).** KTEC requests \$600,000 (EDIF) for the State Small Business Innovative Research (SSBIR) program. The \$600,000 request is \$300,000 or 100 percent more than the FY 1998 estimate. Under this program, company research projects, selected in a competitive process, are placed on a fast track to development and commercialization through combined funding efforts of the federal SBIR Program, KTEC, and the commercial partner. State funds are eventually repaid through a royalty arrangement.

The Governor recommends \$300,000 (EDIF), for SSBIR funding. This recommendation is \$300,000 or 50.0 percent less than KTEC's request.

6. **Centers of Excellence.** KTEC requests \$4,700,000 (EDIF) for the Centers of Excellence in FY 1999. This request is \$350,000, or 10 percent more than the FY 1998 estimate. Five university-based research centers serve the technical needs of Kansas businesses. The primary purpose of the Centers is to exploit opportunities in science and engineering where the complexity of the research problems or resources needed to solve these problems requires the advantages of scale, expertise, equipment, and facilities that can only be found at a university-based research center.

The Governor recommends \$4,350,000 (EDIF) for the Centers of Excellence. This recommendation is \$350,000 or 7.5 percent less than KTEC's request.

House Subcommittee Recommendations


The Subcommittee concurs with the Governor's recommendations for FY 1999 and adds the following observations:

1. The Subcommittee believes that KTEC is being recognized as a model for entrepreneurial development. The Subcommittee learned that Japan is looking into the possibility of using KTEC as a model to attempt to solve some of their economic problems. Rich Bendis, KTEC President, met with Hirofumi Omori, from the Nomura Research Institute, regarding KTEC and its programs on December 15, 1997. Since then, Mr. Omori has invited Mr. Bendis to make a presentation about KTEC to the Japan Ministry of International Trade and Industry.
2. At Omnibus, look at the possibility of adding \$50,000 (EDIF) for Special Projects at KTEC. The Subcommittee notes that the Governor recommended \$29,303. In past years, the agency's budget has been \$79,303. Special Projects program addresses projects that are not covered under any of KTEC's other existing programs. In the past, it has enabled KTEC to find a telecommunications project, initiate the Industrial Agricultural endeavor, prepare a strategic technologies study and plan, and provided funding for the graduate intern program.
3. Delete \$5,039 (EDIF) for the Mid-America Manufacturing Technology Center (MAMTC). This reduction would provide funding for MAMTC at the same level as FY 1998.

4. Delete \$493,735 (EDIF) for the Experimental Program to stimulate Competitive Research (EPSCoR). This reduction would provide funding for EPSCoR at the same level as FY 1998.

**FY 1998 AND FY 1999
HOUSE SUBCOMMITTEE REPORT ON
DEPARTMENT OF COMMERCE AND HOUSING**


Representative Gayle Mollenkamp, Chair


Representative Greg Packer


Representative Doug Spangler

Appropriations
2-20-98
Attachment 3

SUBCOMMITTEE REPORT

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

Bill Sec. –

Analyst: Burenheide

Analysis Pg. No. 1075

Budget Page No. 105

<u>Expenditure Summary</u>	<u>Agency Estimate FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 14,295,731	\$ 14,295,731	\$ 0
Aid to Local Units	53,008,021	53,008,021	0
Other Assistance	<u>13,076,595</u>	<u>13,076,595</u>	<u>0</u>
Subtotal - Operating	\$ 80,380,347	\$ 80,380,347	\$ 0
Capital Improvements	<u>67,800</u>	<u>67,800</u>	<u>0</u>
TOTAL	<u><u>\$ 80,448,147</u></u>	<u><u>\$ 80,448,147</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 992,654	\$ 992,654	\$ 0
Aid to Local Units	1,036,692	1,036,692	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 2,029,346	\$ 2,029,346	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 2,029,346</u></u>	<u><u>\$ 2,029,346</u></u>	<u><u>\$ 0</u></u>
Economic Development Initiatives Fund:			
State Operations	\$ 7,739,874	\$ 7,739,874	\$ 0
Aid to Local Units	1,225,000	1,225,000	0
Other Assistance	<u>11,959,095</u>	<u>11,959,095</u>	<u>0</u>
Subtotal - Operating	\$ 20,923,969	\$ 20,923,969	\$ 0
Capital Improvements	<u>67,800</u>	<u>67,800</u>	<u>0</u>
TOTAL	<u><u>\$ 20,991,769</u></u>	<u><u>\$ 20,991,769</u></u>	<u><u>\$ 0</u></u>
FTE Positions	134.0	134.0	0.0
Unclassified Temp. Positions	<u>1.0</u>	<u>2.0</u>	<u>0.0</u>
TOTAL	<u><u>135.0</u></u>	<u><u>136.0</u></u>	<u><u>0.0</u></u>

Agency Estimate/Governor's Recommendation

The agency's revised FY 1998 operating expenditure estimate is \$80,380,347 or \$11,027,434 more than the amount approved by the 1997 Legislature. The largest item contributing to this increase is a budgeted \$7.0 million in Community Development Block Grants (CDBG) flood relief that was projected to be spent last year. Other increases include almost \$700,000 in Community Services Block Grants and \$450,000 in Housing Assistance, both of which reflect higher allocations of federal funds than were expected a year ago. Another large increase is \$825,000 in Low Income Housing Tax Credit Fee Fund Loans. Again, these funds were expected to be spent last year but instead were carried forward to this year. The last major increase is a \$1.5 million carry-over in Kansas Economic Opportunity Initiatives Fund (KEOIF) funds, which were granted but not encumbered in the prior year. Of the total estimate, \$14,295,731 is for state operations, \$53,008,021 is for aid to local units, and \$13,076,595 is for other assistance.

Of the total FY 1998 estimate for operating expenditures, \$2,029,346 is from the State General Fund, \$20,123,969 is from the EDIF, and \$58,227,032 is from other funds. The estimate for spending from the State General Fund is the same amount as approved by the 1997 Legislature.

The Governor concurs with the agency's revised request.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation.

SUBCOMMITTEE REPORT

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

Bill Sec.

Analyst: Burenheide

Analysis Pg. No.

Budget Page No.

<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	\$ 15,292,749	\$ 15,352,680	\$ (51,925)
Aid to Local Units	48,572,401	48,622,401	0
Other Assistance	<u>10,526,400</u>	<u>11,348,900</u>	<u>0</u>
Subtotal - Operating	\$ 74,391,550	\$ 75,323,981	\$ (51,925)
Capital Improvements	<u>35,000</u>	<u>35,000</u>	<u>0</u>
TOTAL	<u>\$ 74,426,550</u>	<u>\$ 75,358,981</u>	<u>\$ (51,925)</u>
State General Fund:			
State Operations	\$ 972,801	\$ 985,609	\$ (50,635)
Aid to Local Units	1,036,692	1,036,692	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 2,009,493	\$ 2,022,301	\$ (50,635)
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 2,009,493</u>	<u>\$ 2,022,301</u>	<u>\$ (50,635)</u>
Economic Development Initiatives Fund:			
State Operations	\$ 7,805,902	\$ 7,849,389	\$ (1,560)
Aid to Local Units	1,025,000	1,075,000	0
Other Assistance	<u>9,131,400</u>	<u>10,753,900</u>	<u>0</u>
Subtotal - Operating	\$ 17,962,302	\$ 19,678,289	\$ (1,560)
Capital Improvements	<u>35,000</u>	<u>35,000</u>	<u>0</u>
TOTAL	<u>\$ 17,997,302</u>	<u>\$ 19,713,289</u>	<u>\$ (1,560)</u>
FTE Positions	<u>134.0</u>	<u>134.0</u>	<u>2.0</u>
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u>134.0</u>	<u>134.0</u>	<u>2.0</u>

Agency Request/Governor's Recommendation

The Department of Commerce and Housing requests operating expenditures of \$74,391,550 for FY 1999. The agency requests \$2,009,493 from the State General Fund, \$17,962,302 from the Economic Development Initiatives Fund and \$54,959,755 from all other funds.

The Governor recommends operating expenditures of \$75,323,981 for FY 1999. This amount is \$932,431 or 1.3 percent above the agency's request. **The Governor** recommends \$2,022,301 from the State General Fund, \$19,678,289 from the EDIF, and \$53,623,391 from all other funds.

The FY 1999 request eliminates funding for two separate programs: the Kansas Rural Development Council (KRDC) and the Mid-America World Trade Center. Funding for these two programs have been proposed for elimination the last two fiscal years, but have been restored by the Legislature both years.

The Governor concurs and recommends the elimination of the KRDC and Mid-America World Trade Center.

Another change in this year's budget is in the Agriculture Products Development Division. Previously, nearly \$300,000 was for professional fees paid to the Kansas Technology Enterprise Corporation (KTEC) to administer a program to create business opportunities related to industrial agriculture products and for art design and development services used in market promotion projects. Most of that \$300,000 has been reallocated to the grants section of the budget because the industrial agriculture program is being managed by the Division. **The Governor** concurs.

House Subcommittee Recommendation

The Subcommittee concurs with the recommendations of the Governor, with the following adjustments.

1. Add \$50,000 (EDIF) for the World Trade Center in Wichita. Further, add a proviso to the appropriations bill designating this as a grant to the World Trade Center. The proviso should also provide that the Department is merely a pass-through agency for this grant with an annual report should be provided to the Joint Committee on Economic Development.
2. Add \$55,000(EDIF) for the Kansas Rural Development Council (KRDC). The Governor had recommended no funding for the program in FY 1999. The Subcommittee believes the KRDC provides an effective forum for collaboration between various entities and identifies and addresses issues affecting rural Kansas.
3. Recommend that the Department proceed with planning a new Tourist Information Center in Goodland. The Subcommittee has received information that the city of Goodland is ready to work with the Department to build a new Tourism Information Center in Goodland.
4. Delete \$50,000 (EDIF) from the Training Equipment Grant program. This reduction would reduce this grant to the same level as in FY 1998.

5. Delete \$55,000 from the Agriculture Products Development Division.
6. Recommend that a bill be drafted that empowers the Council on Travel and Tourism and makes them a state agency. This newly created state agency would replace the Department's Travel and Tourism Division. At Omnibus, review the status of the bill. If it has passed both houses, it will be necessary to consider shifting funding of the Department's Travel and Tourism Division to the Council on Travel and Tourism. This newly created agency would submit annual reports to the Department of Commerce and Housing.
7. Recommend transferring the Tourist Information Center (TIC) that the Department of Commerce and Housing (KDOCH) currently operates at the State Capitol to the Kansas State Historical Society. This transfer could be accomplished by reducing the KDOCH budget by \$51,925 (\$50,635 (SGF) and \$1,560 (EDIF)) and 2.0 FTE, and increasing the budget of the Historical Society by a like amount. Additionally, a section should be added to the appropriations bill as follows:

(x) On the effective date of this act, 2.0 full-time equivalent employees of the department of commerce and housing who are engaged in the operation of the state capitol tourist information center shall be transferred to the state historical society. The executive director of the state historical society shall provide that the 2.0 full-time equivalent employees of the department of commerce and housing who are engaged in the operation of the state capitol tourist information center are transferred to the state historical society. The employees of the department of commerce and housing who are transferred to the state historical society shall retain all retirement benefits and leave rights which have accrued or vested prior to the date of the transfer. The service of each such employee so transferred shall be deemed to have been continuous. All transfers, layoffs and abolition of classified service positions under the Kansas civil service act which may result from program transfers shall be made in accordance with the civil service laws and any rules and regulations adopted thereunder. Nothing in this subsection shall affect the classified status of any transferred person employed by the department of commerce and housing prior to the date of the transfer. Notwithstanding the effective date of this subsection authorizing the transfer of personnel between the department of commerce and housing and the state historical society, the date of the transfer of personnel shall commence on the first day of the first biweekly payroll period which is chargeable to the fiscal year ending June 30, 1999.

SUBCOMMITTEE REPORT

Agency: State Board of Tax Appeals

Bill No. –

Bill Sec. –

Analyst: Rampey

Analysis Pg. No. 1163

Budget Page No. 447

<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	\$ 1,650,832	\$ 1,635,122	\$ 81,787
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u><u>\$ 1,650,832</u></u>	<u><u>\$ 1,635,122</u></u>	<u><u>\$ 81,787</u></u>
State General Fund:			
State Operations	\$ 1,633,832	\$ 1,618,122	\$ 81,787
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u><u>\$ 1,633,832</u></u>	<u><u>\$ 1,618,122</u></u>	<u><u>\$ 81,787</u></u>
FTE Positions	30.0	30.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u><u>30.0</u></u>	<u><u>30.0</u></u>	<u><u>0.0</u></u>

AGENCY OVERVIEW

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

Agency Est./Governor's Recommendation

Estimated expenditures from the State General Fund for FY 1998 total \$1,633,832. Final information about the cost of a computer system upgrade was not available until the 1998 Session. The agency informed the Subcommittee that \$65,000 in additional funding would be needed.

*Appropriation
2-20-98
Attachment 4*

Funding for a new PC LAN computer system was appropriated to the Board in FY 1996, but the upgrade was not accomplished until the fall of 1997. Costs to implement the system have been incurred in both FY 1997 and FY 1998. According to the Board, the system will make the office more efficient and help keep better track of cases, help the staff and Board members in their legal research, and shorten the preparation time for drafting orders.

The Governor recommends expenditures of \$1,635,122 from all funds in FY 1998, a reduction of \$14,878 from the Board's request. The reduction is entirely in the area of salaries and consists mainly of increasing the shrinkage rate of 1.75 percent budgeted by the agency (\$23,456) to 3.0 percent (\$40,243).


House Subcommittee Recommendations

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

1. Add \$16,787 from the State General Fund to restore shrinkage to the 1.75 percent rate budgeted by the agency and approved by the 1997 Legislature, not the 3.0 percent rate recommended by the Governor.
2. Add \$65,000 from the State General Fund to complete the implementation of a PC LAN computer system. To date, the Board has spent in FY 1997 and FY 1998 \$336,911 on programming, telecommunication costs, hardware, and software in connection with the system. According to the agency, the initial cost of the system was underestimated.



Representative Gayle Mollenkamp
Subcommittee Chairperson



Representative Greg Packer



Representative Doug Spangler

SUBCOMMITTEE REPORT

Agency: State Board of Tax Appeals

Bill No. –

Bill Sec. –

Analyst: Rampey

Analysis Pg. No. 1163

Budget Page No. 447

<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	\$ 1,693,759	\$ 1,678,477	\$ 29,149
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 1,693,759</u>	<u>\$ 1,678,477</u>	<u>\$ 29,149</u>
State General Fund:			
State Operations	\$ 1,676,759	\$ 1,661,477	\$ 29,149
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 1,676,759</u>	<u>\$ 1,661,477</u>	<u>\$ 29,149</u>
FTE Positions	30.0	30.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>30.0</u>	<u>30.0</u>	<u>0.0</u>

Agency Req./Governor's Recommendation

The Board requests a total of \$1,693,759 for FY 1999, of which all but \$17,000 is from the State General Fund. The Board requests no new positions and no enhancements.

The Governor recommends expenditures of \$1,661,477 from the State General Fund for FY 1999, a reduction of \$15,282 from the Board's request. The main adjustment made by the Governor is in the area of salaries. Money is added to allow for a 1.5 percent base salary adjustment for classified employees in addition to a step increase and for a 4.0 percent merit pool for unclassified employees. However, the shrinkage rate is increased from the 1.7 percent rate budgeted by the agency (\$24,149) to 3.5 percent (\$48,766). The result is a reduction of \$11,233 in salaries from the amount requested by the Board. Other operating expenditures are reduced by \$4,040 from the Board's request. In all, the Governor's recommendation would allow the Board to continue with its plans to hold prehearing conferences and status conferences in order to increase its efficiency.

House Subcommittee Recommendations

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

1. Add \$24,149 from the State General Fund to restore shrinkage to the 1.7 percent rate requested by the agency, not the 3.5 percent rate recommended by the Governor.
2. Add \$5,000 from the State General Fund for travel. The Subcommittee believes efforts made by the Board to hold hearings around the state, to meet with aggrieved parties in an effort to resolve disputes before the hearing stage, and to meet with parties and their counsel in order to develop a schedule and set deadlines for the appeal process are important ways to bring government to the people and should be encouraged.
3. The Subcommittee calls attention to the tables that accompany this report. In particular, the Subcommittee notes that the backlog of cases that occurred immediately following the implementation of statewide reappraisal in 1989 has largely been addressed.

APPEALS TO THE KANSAS BOARD OF TAX APPEALS

Type of Appeal	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997
Protest of Property Valuation	1,053	1,242	15,468	3,831	3,619	6,035	3,652	2,344	1,417	1,027
Appeal for Property Tax Exemption	3,691	4,023	3,635	4,263	6,562	8,899	5,267	5,038	4,119	3,943
Grievance Related to Property Tax Error	1,056	1,620	1,607	2,093	2,734	3,026	2,661	2,396	2,461	2,086
Appeal from Ruling by County Hearing Officer or Panel (or, prior to 1992, by County Board of Equalization)	55	361	1,769	1,058	2,309	1,524	1,870	1,780	2,352	2,217
Appeal from Ruling by Director of Taxation	29	32	54	66	69	111	131	130	166	142
Appeal from Ruling by Director of Property Valuation	0	3	20	26	28	17	35	12	10	8
Appeal of Municipalities (including school districts) to Issue No-Fund Warrants	36	71	120	43	23	21	38	23	17	10
Appeal for Exemption for Industrial Revenue Bonds	28	41	47	22	34	45	38	39	27	26
Appeal for Exemption for Economic Development	27	46	76	71	71	37	45	73	69	73
Other	0	4	1	0	0	6	12	18	9	8
TOTAL	5,975	7,443	22,797	11,473	15,449	19,721	13,749	11,853	10,647	9,540

Source: Kansas Board of Tax Appeals.

State Board of Tax Appeals Caseload

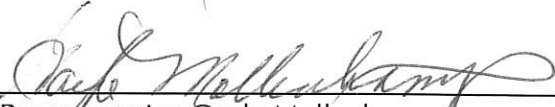
	FY 1988	FY 1989	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996	FY 1997
Total All Appeals (New)	5,975	7,443	22,797	11,473	15,449	19,721	13,749	11,853	10,647	9,540
Required Reviews of All County-Level Adjustments ¹⁾	10	11	51,611	13,197	12,619	8,494	6,929	213	0	0
Cases Closed (Old and New)	6,071	6,978	7,231	21,224	16,716	21,187	14,391	15,696	11,316	8,489
Open Cases at End of Year	7,748	8,213	23,779	14,028	12,761	11,295	10,653	6,810	6,141	7,192
Number of Open Cases Being Held Because of Pending Court Cases (Cumulative) ²⁾	23	82	278	430	718	4,114	5,021	2,522	2,319	2,419
FTE Positions	15.0	20.0	37.0	37.0	36.0	36.0	36.0	36.0	35.0	30.0

1) No longer required beginning in FY 1995.

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

4-5

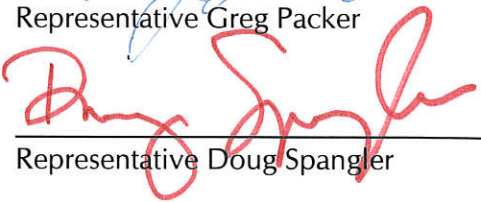
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Representative Gayle Mollenkamp
Subcommittee Chairperson



Representative Greg Packer



Representative Doug Spangler

SUBCOMMITTEE REPORT

Agency: Kansas Lottery

Bill No. 2895

Bill Sec. –

Analyst: Efirid

Analysis Pg. No. 1179

Budget Page No. 361

<u>Expenditure Summary</u>	<u>Agency Rev.Est. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
Special Revenue Funds:			
State Operations	\$ 20,053,196	\$ 20,053,196	\$ (345,599)
Aid to Local Units	0	0	0
Other Assistance*	<u>107,255,507</u>	<u>107,255,507</u>	<u>0</u>
Subtotal - Operating	\$ 127,308,703	\$ 127,308,703	\$ (345,599)
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 127,308,703</u></u>	<u><u>\$ 127,308,703</u></u>	<u><u>\$ (345,599)</u></u>
FTE Positions	92.0	92.0	(4.0)
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>2.0</u>
TOTAL	<u><u>92.0</u></u>	<u><u>92.0</u></u>	<u><u>(2.0)</u></u>

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

Agency Estimate/Governor's Recommendation

The mission of this agency is to oversee and ensure the proper and efficient operation of lottery activities in the state, while maximizing revenue earnings for the State Gaming Revenues Fund (SGRF). The agency's revised FY 1998 request is based on projected sales of \$182.5 million which the Lottery incorporated into its September 1997 budget estimate. Total transfers to the SGRF are estimated at \$57,031,250 in FY 1998, based on a transfer rate of 31.25 percent which is established for one-year. The Governor concurs with the revised agency budget estimate, sales projection, and SGRF transfer.

House Subcommittee Recommendation

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

1. Reduce \$200,000 for advertising costs budget from the limited account for other operating expenditures in FY 1998.
2. Reduce 4.0 FTE positions and funding of \$145,599 budgeted for salaries of these positions from the approved FY 1998 limitations. These positions have been vacant for an extended period of time and during FY 1997 the agency filled only 88.0 FTE positions which will be the agency limit based on this

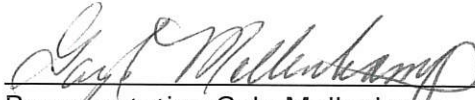
*Appropriations
2-20-98
Attachment 5*

recommendation. The positions include the Deputy Director, Administrative Assistant, Accountant II, and Computer Operator.


3. Add 2.0 non-FTE positions into the budget that the Governor's Budget Report ignored in reporting the agency's staffing or omitted in error. The Subcommittee notes that the agency budget includes \$31,557 for temporary staff in FY 1998.
4. Incorporate all of the current fiscal year recommendations into the FY 1998 bill to reflect changes included in the Governor's Budget Report and the House Subcommittee adjustments. The Governor's recommendations are summarized below. In order to enforce the recommended reductions, these changes must be included in a bill in order to legally reduce the agency's limited expenditure authority and FTE limitation.

CHANGE FROM APPROVED BUDGET		
	<u>Agency Estimate</u>	<u>Governor's Recommendations</u>
Dollar Change:		
State Operations	\$ (557,870)	\$ (557,870)
Prizes & Commissions	<u>(1,023,651)</u>	<u>(1,023,651)</u>
TOTAL	<u>\$ (1,581,521)</u>	<u>\$ (1,581,521)</u>
Approved Limitations:		
Agency Operations	\$ 0	\$ 0
FTE Positions	(3.0)	(3.0)

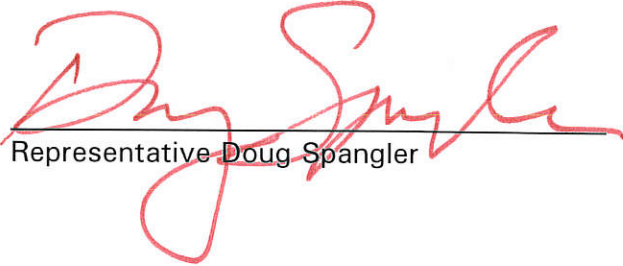
Only the Governor's recommended reduction in the FTE limitation must be adjusted by bill since all other reductions in expenditures are attributed to no limit accounts. No change in the approved budget of \$8,188,696 for agency operations is addressed by the Governor's FY 1998 recommendations, except to recognize that \$17,453 is added in KQM funds which were preapproved by the 1997 Legislature for any amount of savings. In addition, the Subcommittee recommendations also must be included in the FY 1998 appropriations bill to legally enforce its reductions as well. The Subcommittee reductions affect the limited account of agency operations and therefore must be included in the bill.



Representative Gale Mollenkamp
Chairperson



Representative Greg Packer



Representative Doug Spangler

SUBCOMMITTEE REPORT

Agency: Kansas Lottery

Bill No. 2893

Bill Sec. 47

Analyst: Efirid

Analysis Pg. No. 1179

Budget Page No. 361

<u>Expenditure Summary</u>	<u>Agency Request FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>House Subcommittee Adjustments</u>
Special Revenue Funds:			
State Operations	\$ 21,325,113	\$ 20,643,270	\$ (500,025)
Aid to Local Units	0	0	0
Other Assistance*	<u>110,094,732</u>	<u>107,675,075</u>	<u>0</u>
Subtotal - Operating	\$ 131,419,845	\$ 128,318,345	\$ (500,025)
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 131,419,845</u></u>	<u><u>\$ 128,318,345</u></u>	<u><u>\$ (500,025)</u></u>
FTE Positions	92.0	92.0	(4.0)
Unclassified Temp. Positions	0.0	0.0	2.0
TOTAL	<u><u>92.0</u></u>	<u><u>92.0</u></u>	<u><u>(2.0)</u></u>

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

Agency Request/Governor's Recommendation

The mission of this agency is to oversee and ensure the proper and efficient operation of lottery activities in the state, while maximizing revenue earnings for the State Gaming Revenues Fund (SGRF). The agency's FY 1999 requested increase in expenditures assumes projected sales of \$185.4 million which the Lottery incorporated into its September 1997 budget. No change in staffing level is requested.

The Governor's expenditure recommendations for next fiscal year are based on a sales estimate of \$182.5 million, the same projection as used in the revised FY 1998 estimate. A change in the percentage used for calculating the SGRF transfer is recommended by the Governor in FY 1998 by reducing the rate to 30.75 percent, or 0.5 percent less than used in the current fiscal year. The FY 1998 sales estimate is anticipated to result in the transfer of \$56,118,750 million to the SGRF.

The Governor's recommendations are based on the same sales level of \$182.5 million for FY 1998 and FY 1999. The total budget recommended for the Lottery in FY 1999 is an increase of \$1,009,642 over the current fiscal year revised estimate. Of the recommended amount, \$8,575,770 from the Lottery Operating Fund would be for agency operating expenditures that historically have been limited by a line item in the appropriation bill, while the remainder of the appropriations would be included under no limit: \$12,067,500 for other operating costs (online communications, online service provider, and instant tickets) directly attributed to the cost of sales, and \$107,675,075 for prize payments and retailer commissions. The recommended budget finances 92.0 FTE positions.

Performance Measures				
	<u>Actual</u>		<u>Gov. Rec.</u>	<u>Gov. Rec.</u>
	<u>FY 1997</u>		<u>FY 1998</u>	<u>FY 1999</u>
Receipts from the sale of lottery tickets	\$ 185,356,682	\$	182,500,000	\$ 182,500,000
Receipts transferred to SGRF	\$ 54,495,741	\$	57,031,250	\$ 56,118,750
Presumed transfer from SGRF to SGF*	\$ 4,495,741	\$	7,031,250	\$ 6,118,750

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

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's FY 1999 recommendations and makes the following adjustments:

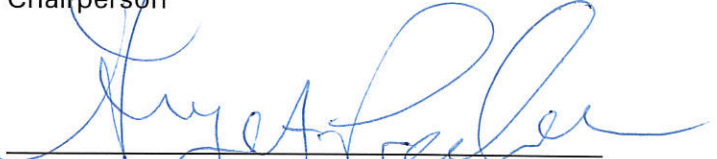
1. Reduce advertising expenditures by \$350,000.
2. Reduce staffing by 4.0 FTE positions and salary funding of \$150,025. This adjustment will authorize 88.0 FTE positions in FY 1999. These adjustments to staff and salary based also were made in FY 1998 to reflect the agency's actual FY 1997 staffing and budgeting for that fiscal year.
3. Add 2.0 non-FTE positions into the budget that the Governor's Budget Report ignored in reporting the agency's staffing or else omitted in error. The Subcommittee notes that the agency budget includes \$31,557 for temporary staff in FY 1999.
4. Recognize the Governor's recommended sales estimates that are based on flat sales of \$182.5 million continuing in FY 1999, the same level as the reduced estimate for the current fiscal year. The monthly sales figures referenced by the Budget Division as supporting the Governor's annual estimates were those developed by the Lottery and reported below:

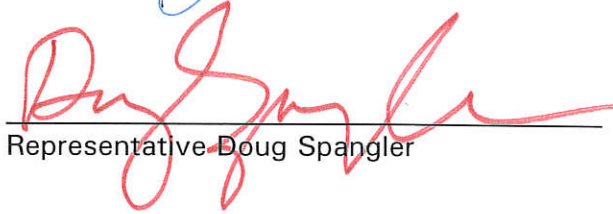
Actual through January 1998	\$ 107,361,500
February	15,027,700
March	15,027,700
April	15,027,700
May	15,027,700
June	15,027,700
Total Sales FY 1998	<u>\$ 182,500,000</u>
July	\$ 15,208,300
August	15,208,400
September	15,208,300
October	15,208,400
November	15,208,400
December	15,208,300
January	15,208,300
February	15,208,400
March	15,208,300
April	15,208,400
May	15,208,400
June	15,208,300
Total Sales FY 1999	<u>\$ 182,500,000</u>

5. Note the following items:

- a. This agency uses vehicles provided by the State Motor Pool and that most gasoline used by state cars is purchased from commercial gasoline stations at market prices. An investigation should be undertaken to determine if volume discounts in gasoline purchases could reduce the costs of operating state cars. The Subcommittee understands that the Highway Patrol and Department of Transportation motor vehicles are fueled from state-owned tanks and use bulk purchased fuels at substantially less total cost.
- b. The Lottery is being sued due to a problem that many of the retail outlets which sell lottery tickets are not in compliance with the federal Americans with Disabilities Act (ADA). The Subcommittee congratulates the Lottery's response in working to achieve compliance on the part of the merchants who sell lottery tickets.
- c. For the Subcommittee that has the KBI budget and other Committee members, the cost of the G-Tech background investigation by the KBI's Gaming Unit may exceed \$100,000. Current billings from the KBI for over \$63,000 of expenses have been received by the Lottery. The Subcommittee notes that the investigation apparently is not complete since the Lottery Executive Director has not been given a copy of the background report on G-Tech.


Representative Gale Mollenkamp
Chairperson


Representative Greg Packer


Representative Doug Spangler