

Approved: 5-4-98
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Phil Kline at 9:00 a.m. on April 24, 1998 in Room 514-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Stuart Little, Shannon Nichols, Rae Anne Davis, Julian Efird, April Holman, Reed Holwegner, Susan Kannarr, Russell Mills, Carolyn Rampey, Leah Robinson, Paul West, Legislative Research Department;
Jim Wilson, Revisor of Statutes Office;
Helen Abramson, Administrative Aide; Linda Swain, Appropriations Secretary

Conferees appearing before the committee:

Others attending: See attached list

Chair Kline introduced the session on Omnibus noting the Committee would be working off of the House Subcommittee Recommendations (Attachment 1). The recommendations refer to two other documents - the Legislative Research Department's Items for Omnibus Consideration (Attachment 2) and the Governor's Budget Amendment (Attachment 3).

Representative Farmer began by reporting on the Department of Administration, page 1. A discussion followed concerning KLRD Item C- Special Education.

A motion was made by Representative Landwehr, seconded by Representative Pottorff to add funds amounting to 2 X the base X 846 (the number of students). An extensive discussion followed. The motion failed.

Discussion continued on Department of Education.

Representative Farmer noted his Subcommittee took late action on an additional item which did not get printed in the recommendations. It concerned USD #207 in Fort Leavenworth and an error in the way a voucher was coded by the U.S. Department of Education in March of 1995; it was received by USD #207; subsequently incorrectly coded again during deposit causing it to be deposited in the General Fund and it was deducted from State aid. In April of 1997 the error was detected. The Subcommittee was correcting the error by adding the amount of \$1,310,760 back in FY 1998.

Representative Pottorff reported on the Attorney General, page 3. A discussion followed.

Representative Pottorff reported on the Kansas Public Employees Retirement System (KPERS), page 7. A discussion followed. Concerns were raised on Item D - KPERS COLA Provisions. A handout was distributed concerning KPERS Monthly Retirement Benefits (Attachment 4).

A motion was made by Representative Farmer, seconded by Representative Neufeld to amend by going back to the 3% one time (Ad Hoc) COLA for those retirees prior to July 1, 1993; to be paid for with \$28.5 million in FY 99 with the balance amortized over 15 years. An extensive discussion followed. A friendly amendment added a one time (Ad Hoc) \$100 for KSRS. A discussion followed. The motion failed with 10 in favor and 11 opposed.

A motion was made by Representative Farmer, seconded by Representative McKechnie to amend by going back to the 3% one time (Ad Hoc) COLA changing the method of funding by funding \$28.5 million SGF in FY 1999 for those retirees prior to July 1, 1997 (benefits starting July 1, 1998), amortizing the rest over 15 years; and a one time (Ad Hoc) \$100 for KSRS. The motion carried.

Representative Pottorff reported on the Mental Health Systemwide, page 12; Mental Retardation Systemwide, page 13; Commission on Governmental Standards and Conduct, page 16; Department of Human Resources, page 18; and Department of Administration, pages 25-26.

Representative McKechnie voiced concerns on the Department of Administration, KLRD Memo Item A and GBA Item 13, noting that page 8 of the GBA will remove the security guards from the Topeka State Hospital. A discussion followed.

A motion was made by Representative Nichols, seconded by Representative McKechnie to modify the proviso to ensure adequate security is maintained. The discussion continued. The motion carried.

A motion was made by Representative Ballard, seconded by Representative Nichols to amend by adding \$50,000 to the Neighborhood Improvement and Youth Employment program funding, listed under Department of Human Resources - Item A. A discussion followed. Representative Weber requested a friendly amendment which puts the Youth Authority on distribution for the programs reports. The motion carried.

Representative Helgerson had concerns on the Department of Administration, page 26, Item A- **HB 2607** which added \$318,509 to SGF for the long term care of Ombudsman and transferring of the program to Department of Aging (D.of A.). At the same time the D.of A.shows a savings of only \$32,108 in SGF and \$221,012 in All Funds.

Representative Neufeld gave further details on the transaction.

A motion was made by Representative Neufeld, seconded by Representative Landwehr to amend the report to fund Item A -**HB 2607**, under Department of Administration at the level that was transferred from the D.of A.with the 4.5 FTE net increase corresponding to the D.O.A.reduction of same. A discussion followed. The motion carried.

Representative Peterson reported on the State Corporation Commission, page 2. A discussion followed.

Representative Mollenkamp reported on the State Board of Indigents Defense Services, page 4.

Representative Spangler reported on the Judicial Branch, page 4. A discussion followed.

A motion was made by Representative Farmer, seconded by Representative Helgerson to amend Item A - **SB 482**, to fund \$326,652 for 6 District Magistrate Judges, deleting the 14 Trial Clerks and remaining funds. A discussion followed. The motion carried with 13 in favor.

Representative Mollenkamp reported on the Board of Tax Appeals, page 5.

Representative Kejr reported on the Department of Corrections, page 5. Information on Correctional Capacity Compared to Population Projections and House Subcommittee Recommendations was distributed to the Committee (Attachment 5).

A discussion followed concerning, Item A , the location of the Reception and Diagnostic Unit (RDU) at El Dorado.

A motion was made by Representative Packer, seconded by Representative O'Connor to amend by removing the proviso to place the RDU at El Dorado, allowing time for completion of current studies before making a decision on the location. A discussion followed. The motion failed.

A discussion followed concerning Item B, Alternative Punishments Funding. See Attachment 5.

A motion was made by Representative Neufeld, seconded by Representative O'Connor that the FY 99 SGF amount of \$160,500 be shifted to the Violent Offender Incarceration and Truth-in Sentencing Federal Crime Bill funds. A discussion followed. The motion carried.

Representative Kejr reported on the Larned Correctional Mental Health Facility, page 5; Topeka Correctional Facility, page 6; and Ombudsman of Corrections, page 6. No further action was taken on these items.

Representative Kejr reported on the El Dorado Correctional Facility, page 6. A typing error was noted under all funds for FY 99 which should have read "0".

Representative Packer reported on the Department of Transportation, page 7. A discussion followed.

Chair Kline called a half hour recess at 11:55 a.m.

Chair Kline reconvened the meeting at 12:40 p.m.

Representative Neufeld reported on the Department of Health and Environment, pages 8-10, noting an error in Item J. All Funds for FY 99 should read "0". An extensive discussion followed.

Representative Mollenkamp reported on the Kansas Technology Enterprise Corporation, page 10.

Representative Spangler reported on the Department of Commerce and Housing, pages 10-11. A discussion followed concerning Item 14 - Kansas Sports Hall of Fame. It was noted there was an error. Instead of \$200,000 in all funds, it should read \$100,000 SGF and \$100,000 in All Funds (EDIF) as reflected in the GBA.

A motion was made by Representative Dean, seconded by Representative Feuerborn to amend by changing \$100,000 SGF to EDIF. A discussion followed.

A substitute motion was made by Representative Landwehr, seconded by Representative Neufeld that the \$100,000 that is being requested for the Sports Hall of Fame, be pulled out of the Regents' budget. A discussion followed. The motion failed with 8 in favor and 13 opposed.

The discussion continued on Representative Dean's original motion.

A vote was taken on Representative Dean's motion. The motion carried with 16 in favor.

The discussion continued on Item 14.

A motion was made by Representative Helgerson, seconded by Representative McKechnie to put an additional \$400,000 EDIF funds into the Sports Hall of Fame. This would allocate a total of \$500,000 EDIF subject to the Finance Council's approval of the business financial plan and private funds committed to finish the project. A discussion followed. The motion carried with 11 in favor and 9 opposed.

A motion was made by Representative Farmer, seconded by Representative Reinhardt to remove funding for the Wrestling Grant to KSU, and the Motorized Personnel Carrier Grant to Adjutant General. A discussion followed. Division was requested.

On the motion to delete funding for the Wrestling Grant, the motion carried with 13 in favor.

On the motion to delete funding for the Motorized Personnel Carrier, the motion carried with 11 in favor and 8 opposed.

Representative Mollenkamp reported on Kansas Inc, page 11.

Representative Peterson reported on the Securities Commissioner, page 11.

Representative Weber reported on the Board of Cosmetology, page 11. A discussion followed concerning Item A - Computer Enhancements and FTE Reclassification.

A motion was made by Representative Dean, seconded by Representative Landwehr to amend by a proviso to be reviewed by JCCT and upon their recommendation the funding be released by the Finance Council. The motion carried.

Representative Weber reported on the Board of Barbering, page 12.

Representative Ballard reported on the Kansas Guardianship, page 12.

Representative Peterson reported on the State Fair, page 13; Department of Agriculture, page 13; Water Office, page 14; and Conservation Commission, page 14. Brief discussions followed.

Representative Kejr reported on the Juvenile Justice Authority, page 15. An Omnibus Subcommittee Report on Prevention and Early Intervention Program Grants was distributed (Attachment 6).

Representative Helgerson noted an error on the Subcommittee Recommendation for Item B - Community Initiative Grants. \$187,500 should read \$1,875,000. A discussion followed, including discussion on GBA Item 61 - Information System.

A motion was made by Representative Dean, seconded by Representative O'Connor to amend by adding a proviso to Item 61 that this item be reviewed by JCCT and upon their recommendation the funding be released by the Finance Council. A discussion followed. The motion carried.

Representative Farmer reported on the Kansas Dental Board, page 15.

Representative Peterson reported on the Board of Healing Arts, page 16.

Representative Pottorff had an additional comment on the Commission on Governmental Standards and Conduct, page 16, reported on earlier in the meeting. She noted the Subcommittee did not concur with GBA Item 74 (not on Attachment 1- the House Subcommittee Recommendation).

Representative Mollenkamp reported on the Behavioral Science Regulatory Board, page 16.

Representative Neufeld reported on the Behavioral Science Regulatory Board, page 16; and on the Homestead Property Tax Refund, page 17.

Representative Neufeld reported on the Kansas Commission on Veterans Affairs, page 17. He noted an error in Item C - Review Funding for the Wichita Annex. FY 1999 SGF and All Funds should both read "0".

Representative Mollenkamp reported on the Real Estate Commission, page 19.

Representative Kejr reported on the Kansas Sentencing Commission, page 19. A brief discussion followed concerning GBA Item 70 - Additional CJIS Funding.

A motion was made by Representative Dean, seconded by Representative Landwehr to amend by adding a proviso to Item 70 that this item be reviewed by JCCT and upon their recommendation the funding be released by the Finance Council. The motion carried.

Representative Kejr reported on the Highway Patrol, page 19, which included GBA Item 13 - Delete 6.0 FTE, Topeka State Hospital. He noted there will be a couple issues on FTE's in this item and he recommended his Subcommittee get together with the Highway Patrol to study those issues, before session on the following Tuesday or Wednesday morning. An amendment from the floor on this issue may be forthcoming.

Representative Kejr noted **SB 139** has passed both the House and the Senate and the Governor is expected to sign it. The bill calls for instillation of phone lines for 1-800 phone numbers and an additional 2 staff. The Highway Patrol believes they can do it if they are given a "no limit" expenditure limitation on the Vehicle Identification Number Fee Fund. They expect to utilize temporary employees to see what is needed and what is not needed.

A motion was made by Representative Kejr, seconded by Representative McKechnie to amend the report by adding the "no limit" fund. The motion carried.

A motion was made by Representative Pottorff, seconded by Representative Landwehr to amend by adding a proviso that this item be reviewed by JCCT and upon their recommendation the funding be released by the Finance Council. A brief discussion followed. The motion failed with 5 in favor.

Representative McKechnie reported on the Adjutant General, page 20. He noted late action was taken by the Subcommittee after the printing the House Recommendation, which added \$70,000 in EDIF funds for a Motorized personnel carrier. A discussion followed.

A motion was made by Representative Landwehr, seconded by Representative Pottorff to shift \$100,000 funding from the Department of Education for STARBASE statewide and by adding a proviso requiring they report to the Youth Authority. A brief discussion followed. The motion carried.

Representative Kejr reported on Fire Marshall, page 20.

Representative Peterson reported on the Department of Wildlife and Parks, page 21. A discussion followed.

Representative Farmer reported on the Kansas Arts Commission, page 21. He also reported on the Board of Regents, page 21. A discussion followed including Item C - Nursing Scholarship Fund.

A motion was made by Representative Neufeld, seconded by Representative Ballard to amend by adding \$136,328 back into the current Nursing Scholarship program. A brief discussion followed. The item was temporarily passed over to give Jim Wilson, Revisor of Statutes Office to research.

Representative Farmer reported on the Fort Hays State University, page 22; Emporia State University, page 22; Pittsburg State University, page 22; Regents Systemwide, page 22; University of Kansas, page 23; Wichita State University, page 23; Kansas State University, page 24; and KSU - Veterinary Medical Center, page 24. There were brief discussions on some of these items.

Representative Farmer reported on the KSU-Extension Systems and Agricultural Research Programs, page 24, which included discussion on Item A - Establishing Study of Sericea Lespedeza.

A motion was made by Representative Reinhardt, seconded by Representative Minor to add \$26,000 SGF to establish a Study of Sericea Lespedeza.

A substitute motion was made by Representative Landwehr, seconded by Representative Pottorff to request the study be done out of existing funding. A discussion followed. The motion failed.

A vote was taken on the original motion by Representative Reinhardt. The motion carried.

Representative Farmer reported on the Kansas State Historical Society, page 25.

Representative Reinhardt explained a letter by Linda Wood, Chief Financial Analyst to Representative Farmer concerning the State Historical Society (Attachment 7) and KLRD Memo Item B - Storage Bay 3 - Center for Historical Research. It was noted the Joint Committee on State Building Construction had previously approved funding for this item.

A motion was made by Representative Helgerson, seconded by Representative Reinhardt authorize the bonding of the Storage Bay.

A substitute motion was made by Representative Newman, seconded by Representative McKechnie to fund the Storage Bay out of SGF. The motion carried.

Representative Farmer reported on the University of Kansas Medical Center, page 25. A discussion followed.

Jim Wilson, Revisor of Statutes Office, having finished his research returned to the open amendment on Item C - the Nursing Scholarship program, listed under the Board of Regents on page 21. He advised the Committee the previously stated motion was necessary.

A vote was taken on the motion by Representative Neufeld, seconded by Representative Ballard to amend by adding \$136,328 back into the current Nursing Scholarship program. The motion carried.

Representative McKechnie reported on the Kansas Bureau of Investigation, page 26. He also reported on the Department of Revenue on page 27. A discussion followed including Item C- SB 139 - relating to Motor Vehicle Titles and License Plates, includes 3.0 FTE. A discussion followed.

A motion was made by Representative McKechnie, to delete \$50,000 from Item C. There was no second. The motion died.

A motion was made by Representative Neufeld, seconded by Representative McKechnie to strike Item C altogether deleting all funds to implement SB 139. The motion carried.

Representative Farmer spoke on his concerns with Item G - SB 493 - Mega Tax Bill, includes 20.0 FTE. Copies of a Letter from the Department of Revenue to Ms. Gloria Timmer, Director, Division of the Budget, were distributed to the committee (Attachment 8). A discussion followed.

A motion was made by Representative Dean, seconded by Representative Landwehr to amend by adding a proviso to Item G that this item be reviewed by JCCT, and upon their recommendation the funding be released by the Finance Council. A discussion followed. The motion carried.

A motion was made by Representative Nichols, seconded by Representative Landwehr remove funds from Item G, to have the Governor look at this and propose a GBA . The motion carried.

Representative Neufeld and Representative Pottorff reported on the Department of Social and Rehabilitation Services (SRS), pages 28-30. A discussion followed including discussion on Item 22 - Shift Funding for MMIS from FY 98 to FY 99.

A motion was made by Representative Dean, seconded by Representative Landwehr to amend by adding a proviso to Item 22 that this item be reviewed by JCCT, and upon their recommendation the funding be released by the Finance Council. A discussion followed. The motion failed with 6 in favor and 9 opposed.

The discussion continued including Items B-1 - Mental Health Service/KAPS Watchdog Project; B-2 - Mental Health Services/Families Together; B-3 - Mental Health Services/Consumer Run Organizations; and B-5 - Mental Health Services/Keys for Networking.

A motion was made by Representative Neufeld, seconded by Representative Landwehr to take the combined funds allocated in SGF for B-1,B-2,B-3 and B-5 and combine into one line item for competitive grants for services for this population. A discussion followed. The motion failed with 8 in favor and 9 opposed.

The discussion continued on SRS including discussion on B-11 - Developmental Disability Services/HCBS MR/DD Rate Increase. It was noted that All Funds could be listed at \$9.4 million instead of only \$3.8 million.

A motion was made by Representative Neufeld, seconded by Representative Farmer to remove \$3.8 million from SGF. A discussion followed.

A substitute motion was made by Representative Helgerson, seconded by Representative McKechnie to amend by adding a proviso requiring funding to be used for direct care staff salary improvement and additional staff. A discussion followed. The motion carried.

A motion was made by Representative McKechnie, seconded by Representative Pottorff to include in the proviso to direct the SRS Oversight Committee to review salaries of non-state employee direct care staff. The

motion carried.

A motion was made by Representative Neufeld, seconded by Representative Ballard to add \$1.0 million to Item B-18, Children and Family Services/Family and Children Endowment Account. A discussion followed. The motion carried.

Representative Helgerson requested information from the SRS concerning fee funds, to be made available for Conference Committee work.

Representative Neufeld reported on the Department of Aging, page 31. A discussion followed concerning A-2 - Kansas Aging Management Information System.

A motion was made by Representative Dean, seconded by Representative Neufeld to amend by adding a proviso this item be reviewed by JCCT and upon their recommendation the funding be released by the Finance Council. A brief discussion followed. The motion carried.

Representative Farmer reported on the Legislative Post Audit, page 32; and Legislative Research Department, page 32.

A motion was made by Representative McKechnie, seconded by Representative Dean to add \$25,000 to Legislative Research Department for computer hardware and capital outlay enhancement. A discussion followed. The motion carried.

Representative Farmer reported on the Legislature, page 32. A discussion followed.

Representative Farmer reported on the Legislative Coordinating Council, page 33. Concerning Sub. for **HB 2704**, the budget needs a minor adjustment not listed on the House Recommendation. The agency needs a minor adjustment to add reappropriation language to shift any unspent funds in the SGF evaluation of State Hospital Closure Study Account from FY 98 to FY 99. The FY 98 appropriation was \$49,481.

Representative Farmer reported on All Agencies, page 33. A brief discussion followed.

Chair Kline noted he had a request from the Revisor of Statutes Office for the introduction of eight bills.

Jim Wilson, Revisor of Statutes Office, briefed the Committee on the bills (Attachment 9). The bills are recommended as technical or "cleanup" bills that correct matters or are required technically to effectuate other bills enacted by the legislature this session.

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

A motion was made by Representative Helgerson, seconded by Representative Landwehr to adopt the House Committee Recommendations Report as amended. The motion carried.

Chair Kline thanked the Committee and Staff for their work on the Omnibus.

The meeting was adjourned at 4:50 p.m.

House Subcommittee Recommendations

KLRD Memo and Governor's Budget Amendment No. 4

APPROPRIATIONS
 4-24-98
 ATTACHMENT 1

Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
State Department of Education					
(p. 1-6)					
KLRD Memo Item A - Revisions to School Finance					
1. GBA Item 39 (p. 21) - General and Supplemental General State Aid and Capital Improvements	Concur with the revised estimates	(9,374,000)	(9,374,000)	(8,812,000)	(8,812,000)
2. GBA Item 40 (p. 22) - KPERS - School		(403,635)	(403,635)	610,932	610,932
3. School District Capital Improvements		0	0	500,000	500,000
4. State School District Finance Fund		0	(2,500,000)	0	(12,000,000)
KLRD Memo Item B and GBA Item 38 (p. 21) - Juvenile Detention Facilities					
	Concur	219,046	219,046	259,419	259,419
KLRD Memo Item C - Special Education					
	Defer	0	0	0	0
KLRD Memo Item D - Community College Funding (credit hour aid, voc. ed. courses, and elimination of 64/72 hour limit)					
	Defer	0	0	0	0
KLRD Memo Item E - Customized Training Program					
	Request Interim Study	0	0	0	0
KLRD Memo Item F - Concurrent Enrollments					
	Request Interim Study	0	0	0	0
KLRD Memo Item G - Proposed Truancy Project					
	Defer	0	0	0	0
KLRD Memo Item H - Additional Funding for Inservice Education					
	Do not add funding	0	0	0	0
KLRD Memo Item I - Communities in Schools					
	Do not add funding	0	0	0	0
KLRD Memo Item J - S.B. 298 - Teaching Certificates for Individuals Convicted of Certain Crimes and Proprietary School Act, Includes 1.5 FTE					
	Defer until bill passes	0	0	0	0

Approved
 4-29
 Attachment 1

House Subcommittee Recommendations

KLRD Memo and Governor's Budget Amendment No. 4

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
KLRD Memo Item K - H.B. 2837 - Brings Kansas into conformity with the Individuals with Disabilities Education Act (IDEA)	Defer until bill passes	0	0	0	0
KLRD Memo Item L - S.B. 510 - Concerning Residence of Students at Regents Institutions and Providing Credit Hour Aid to Haskell Indian Nations University	Defer until bill passes	0	0	0	0
State Corporation Commission (p. 6-7)					
KLRD Memo Item A - Review Legislative Post Audit of the Conservation Division	Add proviso directing Commission to report to designated committees in 1999 on response to audit recommendations	0	0	0	0
KLRD Memo Item B - Additional Funding for Well Plugging	Add no additional funding and include comment in Subcommittee report expressing dissatisfaction with well plugging progress and failure to plug more of the most serious well (Priority IA)	0	0	0	0

House Subcommittee Recommendations

KLRD Memo and Governor's Budget Amendment No. 4

1-3

Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGF	All Funds	SGF	All Funds
KLRD Memo Item C - House Sub. for S.B. 212 - Amendments to the Kansas Telecommunications Act of 1996, Includes 1.0 FTE	Do not add position	0	0	0	0
GBA Item 77 (p. 38) - Retirement Reductions, Delete 1.0 FTE	Concur	0	(30,113)	0	(30,113)
Attorney General (p. 8-11)					
KLRD Memo Item A - Tobacco Litigation	Maintain House Position for now but consider other options	0	0	0	0
KLRD Memo Item B - Funding for Additional Position, Child Abuse Protection	Add \$19,369, contingent upon receipt of matching Byrne Grant funding	0	0	19,369	77,474
KLRD Memo Item C - H.B. 2789 - Raising certain limits on payments from the Crime Victims Compensation Fund	Concur	0	0	0	505,985
KLRD Memo Item D and GBA Item 5 (p. 4) - H.C.R. 5030 - Republican River Compact Litigation	Concur	0	0	980,000	980,000
KLRD Memo Item E - House Sub. for S.B. 212 - Amends Kansas Telecommunications Act of 1996, Authorization to Investigate Slamming Complaints	Reviewed, no action taken	0	0	0	0

House Subcommittee Recommendations
KLRD Memo and Governor's Budget Amendment No. 4

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
State Board of Indigents Defense Services (p. 11)					
KLRD Memo Item A - Parity Increases for Unclassified Attorneys	Recommend no additional funding beyond \$80,000 included in S.B. 495	0	0	0	0
GBA Item 4 (p. 4) - Technical Correction to Add Salary Left Out of Budget	Legislature has already taken action	0	0	0	0
Judicial Branch (p. 11-12)					
KLRD Memo Item A - S.B. 482 - Expanding Expungement of Criminal Records, Includes 6.0 FTE	Add \$617,097 for 6 District Magistrate Judges and 14 Trial Clerks	0	0	617,097	617,097
KLRD Memo Item B - H.B. 2233 - Allowing Fees for Fingerprinting	Concur	0	0	35,495	35,495
Subcommittee - Child Support Enforcement Hearing Officers	Add \$15,000 to manage increasing caseloads	0	0	15,000	15,000
Subcommittee - Salary Increases for Judges	Add \$311,590 for Base Salary Increases (\$1,250 for District Magistrates and \$2,500 for other Judges) for last half of FY 99	0	0	311,590	311,590

House Subcommittee Recommendations
KLRD Memo and Governor's Budget Amendment No. 4

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
Board of Tax Appeals (p. —)					
GBA Item 18 (p. 12) - Computer System Completion	Legislature has already funded	0	0	0	0
Department of Corrections (p. 12-13)					
KLRD Memo Item A - Reception and Diagnostic Unit Planning Funds	Concur, with proviso to place unit at El Dorado	412,370	412,370	0	0
KLRD Memo Item B - Alternative Punishments Funding	Add funds	200,000	200,000	3,764,750	5,369,750
KLRD Memo Item C and GBA Item 56 (p. 28) - Conservation Camp for Women	Concur, with proviso requiring local impact survey, Jt. Comm. review, and Finance Council release of funds	0	(291,000)	455,750	737,000
KLRD Memo Item D - Private Industry Proviso	No action	0	0	0	0
KLRD Memo Item E - Disposition of Former Topeka State Hospital Property	No action	0	0	0	0
GBA Item 54 (p. 28) - Local Jail Costs	Concur	200,000	200,000	0	0
GBA Item 55 (p. 28) - Medical Expenses	Concur	0	0	0	0
GBA Item 57 (p. 29) - Razing Building	Concur	0	0	0	0

House Subcommittee Recommendations
KLRD Memo and Governor's Budget Amendment No. 4

1-6

Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
GBA Item 58 (p. 29) - KCI "no limit" Fund	Concur	0	0	0	0
GBA Item 59 (p. 30) - Labette Conservation Camp Savings	Concur	(110,000)	(110,000)	0	0
GBA Item 60 (p. 30) - Community Corrections Savings	Concur	(200,678)	(200,678)	0	0
GBA Item 77 (p. 38) - Retirement Reductions, Delete 1.0 FTE	Concur	(25,000)	(25,000)	0	0
Larned Correctional Mental Health Facility					
(p. 14)					
KLRD Memo Item A - Future Sexual Predator Unit	No action	0	0	0	0
El Dorado Correctional Facility					
(p. 14)					
KLRD Memo Item A - Possible Visitors' Center Funding	No action	0	0	0	19,908
Topeka Correctional Facility					
(p. -)					
GBA Item 77 (p. 38) - Retirement Reduction, Delete 1.0 FTE	Concur	(4,546)	(4,546)	(40,720)	(40,720)
Ombudsman of Corrections					
(p. 14)					
KLRD Memo Item A - Additional Operating Expenditures in FY 1998	No action	0	0	0	0

House Subcommittee Recommendations

KLRD Memo and Governor's Budget Amendment No. 4

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGF	All Funds	SGF	All Funds
Kansas Public Employees Retirement System (KPERs)					
(p. 14-16)					
KLRD Memo Item A - Adjustment to Investment-Related Expenditure Limitation	Concur	0	302,976	0	919,836
KLRD Memo Item B - Technology Funding	Concur and add \$600,000 in FY 2000	0	0	0	2,400,000
KLRD Memo Item C - S.B. 382 - Relating to Federal Compliance and IRS Regulations	Concur	0	0	0	78,000
KLRD Memo Item D - S.B. 11, S.B. 618 & H.B. 2149 - KPERs COLA Provisions	Add \$5.07 million SGF in FY 2001 for Governor's 3% COLA in H.B. 2875	0	0	0	0
GBA Item 7 (p. 5) - Moving Expenses	Concur	0	0	0	95,853
Subcommittee - Authorize interim study of defined benefit plans	Add proviso	0	0	0	0
Department of Transportation					
(p. 16)					
GBA Item 75 (p.38) - Shift Funding Agency Operations	Concur	0	(231,370)	0	(75,000)
Capital Building Acct.		0	231,370	0	75,000

House Subcommittee Recommendations

KLRD Memo and Governor's Budget Amendment No. 4

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
GBA Item 76 (p. 38) - Ft. Scott Building	Concur	0	0	0	970,000
GBA Item 77 (p. 38) - Retirement Reductions, Delete 11.0 FTE	Concur with funding; do not reduce FTE; add proviso to exempt KDOT from retirement law	0	(105,881)	0	(355,828)
KLRD Memo Item A - Technical Adjustment to Conform to the Governor's Recommendation	Concur	0	0	0	0
Department of Health and Environment (p. 16-19)					
KLRD Memo Item A - Technical Amendment - Limiting Special Revenue Funds	Concur	0	0	0	0
KLRD Memo Item B - Clarification Regarding No Limit Funds	Concur	0	0	0	0
KLRD Memo Item C - Child Care Licensing and Registration	Add proviso designating that funds may be used for technology, user support, performance bonuses to counties and agency area office personnel	0	0	0	0

House Subcommittee Recommendations

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGF	All Funds	SGF	All Funds
KLRD Memo Item D - AIDS Drug Assistance Program	Add proviso authorizing Secretary to begin cost containment actions to keep expenditures down	0	0	0	0
KLRD Memo Item E - Bureau of Adult and Child Care, Includes 2.0 FTE Facility Inspectors	Reviewed, No Action Taken	0	0	0	0
KLRD Memo Item F - Healthy Start Home Visitor Program	Reviewed, No Action Taken	0	0	0	0
KLRD Memo Item G - Infant and Toddler	Reviewed, No Action Taken	0	0	0	0
KLRD Memo Item H - Food Inspection Program	Create Food Inspection Fee Fund, but also keep SGF appropriation in place. Add proviso encouraging Secretary to work with Secretary of Agriculture on inspections.	0	0	0	1,612,500
KLRD Memo Item I - Office of Quality Control and Audit	Reviewed, No Action Taken	0	0	0	0
KLRD Memo Item J - Substitute for S.B. 437 - Establishing Childhood Lead Poisoning Prevention Act, Includes 0.5 FTE	Defer until bill passes	0	0	0	119,000 0

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGF	All Funds	SGF	All Funds
KLRD Memo Item K - H.B. 2950 - Relating to Animal Feeding Facilities for Swine	Reviewed, No Action Taken	0	0	0	0
KLRD Memo Item L - H.B. 2972 - Relating to Employees of Adult Care Homes, Includes 5.0 FTE	Defer until bill passes	0	0	0	0
GBA Item 33 (p.19) - Year 2000 Upgrade Reductions	Legislature has already addressed	0	0	0	0
GBA Item 34 (p.20) - Confined Animal Feeding Facilities, Includes 11.5 FTE	Legislature has already addressed	0	0	0	0
GBA Item 77 (p. 38) - Retirement Reductions, Delete 2.0 FTE	Concur	(2,480)	(30,071)	(7,239)	(74,265)
Subcommittee - Change inspectors to inspections in S.B. 495 in regard to swine production facility inspections	Concur	0	0	0	0
Subcommittee - Add \$500,000 SGF for General Health Program	Concur	0	0	500,000	500,000
Kansas Technology Enterprise Corporation					
(p. 19)					
KLRD Memo Item A - Special Projects	Do not fund	0	0	0	0
Department of Commerce and Housing					
(p. 19)					
KLRD Memo Item A - Technical Amendment	Concur	0	0	0	0
GBA Item 14 (p. 11) - Kansas Sports Hall of Fame	Concur	0	0	0	200,000

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
GBA Item 15 (p. 11) - Motion Picture and TV Sales Tax Reimbursement	Concur and add an additional \$100,000 EDIF	0	0	0	100,000
Subcommittee - Wrestling Grant to KSU	Concur	0	0	0	150,000
Subcommittee - Motorized Personnel Carrier Grant to Adjutant General	Concur	0	0	0	143,600
Subcommittee - Rural Development Council	Concur	0	0	0	50,000
Kansas Inc. (p. -)					
Kansas Export Database Study	Concur	0	0	0	20,000
Annual Survey of Kansas Mfgs.	Concur	0	0	0	45,000
Reappropriation Language for EDIF operating expenditures	Concur	0	0	0	0
Securities Commissioner (p. -)					
GBA Item 8 (p. 5) - Year 2000 Repair	Concur	0	0	0	25,770
Board of Cosmetology (p. 19-20)					
KLRD Memo Item A - Computer Enhancements and FTE Reclassification	Concur	0	29,850	0	127,496
KLRD Memo Item B - Sub. for H.B. 2609 - Agency Reorganization, Powers and Educational Requirements	Defer until bill passes	0	0	0	0

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
Board of Barbering (p. 20)					
KLRD Memo Item A - Salary Enhancement	Concur	0	0	0	0
GBA Item 2 (p. 3) - Operating Expenditure - Travel	Concur	0	4,650	0	0
Kansas Guardianship (p. 20-21)					
KLRD Memo Item A - New Position, Includes 1.0 FTE, Business Assistant	Concur	0	0	26,482	26,482
Mental Health Systemwide (p. 21-22)					
KLRD Memo Item A - Teacher Salary Increase, Maximum 4.0 percent	Concur	0	0	81,066	81,066
KLRD Memo Item B - Adjustments to Currently Budgeted Categorical Aid	Concur	3,725	3,725	(9,531)	(9,531)
KLRD Memo Item C - Review Interruptible Gas Contracts for all Hospitals	Reviewed, no action taken	0	0	0	0
GBA Item 77 (p. 38) - Retirement Reductions, OSH	Concur	(30,551)	(30,551)	0	0
GBA Item 77 (p. 38) - Retirement Reductions, LSH, Delete 3.0 FTE	Concur	(64,041)	(64,041)	(65,374)	(65,374)
GBA Item 19 (p. 13) - Hospital Salary Shortfall	Concur	0	0	0	412,302

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
Mental Retardation Systemwide (p. 22-23)					
KLRD Memo Item A - Teacher Salary Increase, Maximum 4.0 percent	Concur	0	0	40,890	40,890
KLRD Memo Item B - Adjustments to Currently Budgeted Categorical Aid	Concur	19,973	19,973	(13,168)	(13,168)
GBA Item 77 (p. 38) - Retirement Reductions, KNI	Concur	(20,110)	(20,110)	0	0
Kansas State Fair (p. 23)					
KLRD Memo Item A - ADA, EPA and Fire Safety Regulation Compliance Costs	Add \$750,000 with provisos requiring development of Regulation Compliance Plan reported to the Legislature by Jan. 1, 1999.	0	0	750,000	750,000
Department of Agriculture (p. 23-24)					
KLRD Memo Item A and GBA Item 74 (p. 37) - Office Location and Associated Costs	Concur	0	0	602,000	709,000
KLRD Memo Item B - Meat and Poultry Division	Reviewed, no action taken	0	0	0	0
KLRD Memo Item C - Pawnee Water Basin Study	Reviewed, no action taken	0	0	0	0

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
KLRD Memo Item D - Delete 0.5 Unclassified Temporary Position	Reviewed, no action taken	0	0	0	0
KLRD Memo Item E and GBA Item 73 (p. 36) - Substitute for H.B. 2950 - Regulation of Swine Facilities	Concur	0	0	45,000	45,000
GBA Item 77 (p. 38) - Retirement Reductions	Concur	(18,726)	(22,344)	0	0
Water Office (p. 24-25)					
KLRD Memo Item A - State Water Plan Fund	Reviewed, no action taken	0	0	0	0
KLRD Memo Item B and GBA Item 74 (p. 37) - Rental Costs for Office Space	Concur	0	0	169,000	169,000
Subcommittee - GIS Coordinator Position	Add 1.0 FTE and shift funding for salary	0	0	54,026	0
Conservation Commission (p. 25)					
KLRD Memo Item A and GBA Item 71 (p. 34) - Sub. for H.B. 2950 - Conservation Buffer Initiative	Add \$80,000 SGF	0	0	80,000	80,000
KLRD Memo Item B and GBA Item 74 (p. 36) - Rental Costs for Office Space	Concur	0	0	72,680	79,000
Subcommittee - Wet Walnut Creek Joint District No. 58	Add \$20,992 SGF	0	0	20,992	20,992

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
Water Resource Cost Share Program	Add \$134,531 SWPF	0	0	0	134,531
Juvenile Justice Authority					
(p. 26)					
KLRD Memo Item A and GBA Item 63 (p. 31) - Case Management Costs	Concur	0	0	3,129,500	3,514,671
KLRD Memo Item B - Community Initiative Grants	Shift \$187,500 from FY 99 Community Initiatives Fund to Prevention and Early Intervention Grant Funding and add \$325,000 SGF	0	0	325,000	325,000
KLRD Memo Item C - Rural Intake and Assessment	Did not fund	0	0	0	0
KLRD Memo Item D - Pay Equity for Direct Care Staff in Juvenile Correctional Facilities	Did not fund	0	0	0	0
GBA Item 61 (p. 30) - Information System	Concur	0	0	2,459,393	2,921,393
GBA Item 62 (p. 31) - State Matching Funds for Federal Block Grant	Concur	0	0	31,000	3,131,555
Kansas Dental Board					
(p. 27)					
KLRD Memo Item A - Legal Fees	Concur	0	30,000	0	0

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House Subcommittee Recommendations

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
KLRD Memo Item B - H.B. 2724 - Related to the Practices of Dental Hygienists and Unlicensed Persons	Did not fund	0	0	0	0
GBA Item 1 (p. 3) - Increased Legal Fees	Did not concur	0	0	0	0
Board of Healing Arts (p. 28)					
KLRD Memo Item A - S.B. 242 - Modifies Credentialing Status of Respiratory Therapists	Increase expenditure limitation by \$2,500	0	0	0	2,500
Commission on Governmental Standards and Conduct (p. -)					
GBA Item 6 (p. 5) - Investigator Contract	Concur	5,660	5,660	0	0
Behavioral Science Regulatory Board (p. 28)					
KLRD Memo Item A - Revised Year 2000 Estimate	Reviewed, No Action Taken	0	0	0	0
Human Rights Commission (p. 28)					
KLRD Memo Item A - Report on Donations Received for the Mediation Program	Reviewed, No Action Taken	0	0	0	0
KLRD Memo Item B - Review Municipal Investigation Contracts Program	Reviewed, No Action Taken	0	0	0	0

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1-17

Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGF	All Funds	SGF	All Funds
Homestead Property Tax Refunds (p. 28)					
KLRD Memo Item A and GBA Item 16 (p. 11) - Report on Number of Refunds to Date	Concur	1,800,000	1,800,000	0	0
Kansas Commission on Veterans Affairs (p. 29-30)					
KLRD Memo Item A and GBA Item 37 (p. 21) - Review Funding for the Kansas Veterans Home at Winfield, includes 42.0 FTE	Concur	0	0	530,512	530,512
KLRD Memo Item B and GBA Item 36 (p.20) - Review Status of the Campuswide Sewer Project at Winfield, see also GBA Item 35 below	Concur with GBA, Add Proviso Capping Expenditures for Sewer at \$1.6 million	1,080,000	1,080,000	0	0
GBA Item 35 (p.20) - Federal Construction Grant for Kansas Veterans Home at Winfield, includes \$520,000 for sewer project	Concur, add proviso limiting expenditures from Winfield construction budget to \$12,000 for Wichita Annex without prior Legislative approval	0	10,641,400	0	0
KLRD Memo Item C - Review Funding for the Wichita Annex	Same proviso as in construction budget	0	0	1,008,590	2,831,019

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
KLRD Memo Item D - Review Upgrade of Communications Equipment at Fort Dodge	Reviewed, no action taken	0	0	0	0
KLRD Memo Item E - Review Report on Computer Collaboration with the V.A.	Reviewed, no action taken	0	0	0	0
KLRD Memo Item F - Review Status of Halsey Hall Project	Reviewed, No Action Taken	0	0	0	0
KLRD Memo Item G - Review Funding for the Persian Gulf War Health Initiative Program	Reviewed, No Action Taken	0	0	0	0
GBA Item 77 (p. 38) - Retirement Reductions, Delete 1.0 FTE	Concur	(10,764)	(10,764)	(25,170)	(25,170)
Department of Human Resources (p. 30-31)					
KLRD Memo Item A - Neighborhood Improvement and Youth Employment program funding	Reviewed, No Action Taken	0	0	0	0
KLRD Memo Item B - H.B. 3005 - Relating to Boiler Safety Inspections, Includes 1.0 FTE	Concur	0	0	0	22,000
KLRD Memo Item C - H.B. 2799 - Procedural Changes to Workers Compensation Act, Video Conferencing for Mediation	Concur with GBA, Add proviso requiring JCCT approval for equipment purchase	0	0	0	48,350
GBA Item 32 (p.19) - Reduction of Unemployment Insurance Benefits	Concur	0	(32,000,000)	0	(20,000,000)

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
GBA Item 77 (p. 38) - Retirement Reductions, Delete 1.0 FTE	Concur	0	(9,611)	0	(44,631)
Real Estate Commission					
(p. -)					
GBA Item 3 (p.3) - Transfer Funds	Concur				
Real Estate Recovery Revolving Fee Fund		0	0	0	(100,000)
Real Estate Fee Fund		0	0	0	100,000
Kansas Sentencing Commission					
(p. 31)					
KLRD Memo Item A - PROPHET Software Upgrade	Reviewed, no action taken	0	0	0	0
GBA Item 70 (p. 34) - Additional CJIS Funding	Concur	0	0	298,933	298,933
Highway Patrol					
(p. 32)					
KLRD Memo Item A - New Trooper Positions, Includes 5.0 FTE	See GBA Item 67	0	0	0	0
KLRD Memo Item B - Purchase of Vehicle Storage Building	Request withdrawn	0	0	0	0
KLRD Memo Item C - Technical Correction - Expenditure Limitation Increase for Capital Area Security Patrol Fund	Make "no limit" fund	0	0	0	0
GBA Item 13 (p. 8) - Delete 6.0 FTE, Topeka State Hospital Security	Concur	0	0	0	0

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGF	All Funds	SGF	All Funds
GBA Item 64 (p. 31) - Motor Carrier Safety Assistance Program – Financing Shift to State Highway Fund	Concur	0	0	0	0
GBA Item 65 (p. 32) - Troopers' Overtime Payments from SHARP Conversion	Concur	12,338	12,338	0	0
GBA Item 66 (p. 32) - Criminal Justice Information System Project - Conversion and Training, Includes 7.0 FTE	Concur	0	0	621,940	621,940
GBA Item 67 (p. 33) - New Trooper Positions, Includes 7.0 FTE	Concur	0	0	470,134	470,134
Adjutant General (p. 33)					
KLRD Memo Item A - Additional Funding for STARBASE	Reviewed, no action taken	0	0	0	0
KLRD Memo Item B - National Guard Educational Assistance Program	Reviewed, no action taken	0	0	0	0
GBA Item 68 (p. 33) - Active Duty Pay	Concur	8,100	8,100	0	0
GBA Item 77 (p. 38) - Retirement Reductions, Delete 1.0 FTE	Concur	0	0	0	(26,382)
Fire Marshal (p. -)					
GBA Item 69 (p. 34) - Salary Technical Correction	Concur	0	20,507	0	0

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGF	All Funds	SGF	All Funds
Department of Wildlife and Parks (p. 33)					
KLRD Memo Item A - 800 MHz Radios	Defer to Conference Committee	0	0	0	0
KLRD Memo Item B - H.B. 2876 - Establishes Kansas Local Government Outdoor Recreation Grant Program, Includes 0.5 FTE to Administer Grants	No funding for FTE	0	0	0	0
KLRD Memo Item C - Technical Correction - Capital Improvements Reappropriation Language	Concur	0	0	0	0
GBA Item 72 (p. 35) - H.B. 2876 - Kansas Local Outdoor Recreation Grant Program	Recommend \$2.0 million	0	0	2,000,000	2,000,000
Kansas Arts Commission (p. 34)					
KLRD Memo Item A - Federal Funds Receipts	Reviewed, no action taken	0	0	0	0
Board of Regents (p. 34-35)					
KLRD Memo Item A - Concurrent Enrollment	Interim Study	0	0	0	0
KLRD Memo Item B - National Geographic Society Education Foundation	Concur	0	0	0	0
KLRD Memo Item C and GBA 42 (p. 23) - H.B. 2753 - Nursing Scholarship Program	Concur	0	0	(136,328)	0

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
KLRD Memo Item D - H.B. 2758 - Establishing a Comprehensive Grant Program	Status Quo and Reduction of \$660,969	0	0	(660,969)	(660,969)
GBA Item 43 (p. 23) - Student Financial Aid Funding Shift	Concur	0	0	(280,000)	0
Fort Hays State University (p. 35)					
KLRD Memo Item A - Physical Therapy Program	Concur	0	0	0	0
KLRD Memo Item B and GBA Item 44 (p. 24) - Servicing New Buildings, Sternberg Museum	Recommend \$70,325 (1.0 FTE per 15,000 sq. ft.)	0	0	70,325	70,325
Emporia State University (p. 36)					
KLRD Memo Item A - Servicing New Buildings, Welch Stadium and Beach Music Hall, Includes 2.0 FTE	Defer	0	0	0	0
KLRD Memo Item B - Teacher Excellence Initiative	Reviewed, no action taken	0	0	0	0
Pittsburg State University (p. -)					
GBA Item 77 (p. 38) - Retirement Reductions, Delete 3.0 FTE	Concur	(13,934)	(19,114)	(56,102)	(86,178)

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1-23

Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGF	All Funds	SGF	All Funds
Regents Systemwide (p. 36-39)					
KLRD Memo Item A and GBA Item 41 (p. 22) - Non-Tuition Accountability Institutions Revised Estimates	Concur in part; correct amounts	76,903	0	92,749	0
KLRD Memo Item A-1 - Tuition Accountability Institutions Revised Estimates	Reviewed, no action taken	0	0	0	0
University of Kansas (p. 39)					
KLRD Memo Item A - Funding for the Dole Institute	Reviewed, no action taken	0	0	0	0
GBA Item 45 (p. 24) - Authorization to Issue Bonds for Ellsworth Hall Renovation	Authorize bonds	0	0	0	0
GBA Item 46 (p. 24) - Recovery of Prior Year Expenditure	Concur with GBA	0	0	130,000	130,000
GBA Item 47 (p. 25) - Renovate Part of Robinson Gymnasium	Concur with GBA	0	0	0	960,000
GBA Item 77 (p. 38) - Retirement Reductions, Delete 4.0 FTE	Concur with GBA	(14,967)	(23,471)	(83,148)	(123,479)
Wichita State University (p. 39)					
KLRD Memo Item A - Wichita Metropolitan Complex, New Buildings Operating Support	Reviewed, no action taken	0	0	0	0

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1-24

Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGF	All Funds	SGF	All Funds
KLRD Memo Item B - Physician Assistant Program	Reviewed, no action taken	0	0	0	0
GBA Item 52 (p. 27) - Raze Communication Building	Concur with GBA	0	0	0	0
GBA Item 77 (p. 38) - Retirement Reductions	Concur with GBA	(8,185)	(8,185)	0	0
Kansas State University (p. -)					
GBA Item 50 (p. 26) - Construct Materials Acoustics Lab and Authorize Bonds for Football Stadium Expansion	Legislature has already addressed	0	0	0	0
KSU-Veterinary Medical Center (p. -)					
GBA Item 51 (p. 27) - Offset SGF Funding with Available Fee Fund	Concur with GBA	0	0	(37,830)	0
KSU-Extension Systems and Agricultural Research Programs (p. 40)					
KLRD Memo Item A - H.B. 2289 - Establishing Study of Sericea Lespedeza	Do not add funding	0	0	0	0
KLRD Memo Item B - Sub. for H.B. 2950 - Related to the Regulation of Confined Animal Feeding Facilities, Includes 9.0 Positions	Add requested funding	0	0	237,225	237,225
GBA Item 77 (p. 38) - Retirement Reductions, Delete 1.0 FTE	Concur with GBA	(6,522)	(6,522)	(23,135)	(23,135)

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House Subcommittee Recommendations

KLRD Memo and Governor's Budget Amendment No. 4

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
Kansas State Historical Society (p. 40-41)					
KLRD Memo Item A - Funding for Historic Sites Preservation and Development	Reviewed, no action taken	0	0	0	0
KLRD Memo Item B - Storage Bay 3 - Center for Historical Research	Hold, pending further information	0	0	0	0
GBA Item 53 (p. 28) - Technical Correction, Shift Funding from Fee Funds to SGF	Concur with GBA	0	0	2,156	0
University of Kansas Medical Center (p. 41)					
KLRD Memo Item A and GBA Item 48 (p. 25) - S.B. 373 - Transfers Control of KUMC	Funding deleted in S.B. 495; concur with balance of GBA	0	0	0	0
GBA Item 49 (p. 26) - Addition to Research Support Facility	Concur	0	0	0	0
GBA Item 77 (p. 38) - Retirement Reduction, Delete 4.0 FTE	Concur	0	(57,567)	0	(114,101)
Department of Administration (p. 41-42)					
KLRD Memo Item A and GBA Item 13 (p. 8) - State Complex West	Concur	0	0	0	0

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1-26

Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
KLRD Memo Item B and GBA Item 9 (p. 6) - Memorial Hall Renovation	Concur with GBA; restore steam tunnel planning funds (nonreportable)	0	0	219,201	219,201
KLRD Memo Item C - Public Broadcasting Funding	Reviewed, no action taken	0	0	0	0
KLRD Memo Item A - H.B. 2607 - Abolishes the Longterm Care Ombudsman and Transfers Responsibility to D. of A., Includes 3.5 FTE net increase	Concur	0	0	318,509	507,413
GBA Item 10 (p. 7) - State Health Care Plan Consulting Contract (Nonreportable)	Concur	0	0	0	0
GBA Item 11 (p. 7) - Executive Aircraft Repairs	Concur	50,000	50,000	0	0
GBA Item 12 (p. 8) - Performance Review Contracts	Concur	0	0	80,000	80,000
GBA Item 77 (p. 38) - Retirement Reductions, Delete 4.0 FTE	Concur	(28,115)	(28,115)	(42,829)	(42,829)
Subcommittee - Dillon House Repairs and Operations	Add funding	0	0	99,000	99,000
Subcommittee - Historic Structures Report	Add funding	0	0	200,000	200,000
Kansas Bureau of Investigation (p. 42)					
KLRD Memo Item A - Regional Forensic Laboratory, Includes 1.0 FTE	Partial funding	0	0	288,257	288,257

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
KLRD Memo Item B - ASTRA Fees	Half funding	0	0	134,766	134,766
KLRD Memo Item C - Headquarters Expansion Project	Reviewed, no action taken	0	0	0	0
Department of Revenue (p. 43-44)					
KLRD Memo Item A - H.B. 2686 - Permanent License Plates for Apportioned Fleet Registration of Commercial Vehicles	Concur	0	0	0	16,959
KLRD Memo Item B - H.B. 2707 - Atchison County Special Sales Tax for Jail	Concur	3,920	3,920	0	0
KLRD Memo Item C - S.B. 139 - Relating to Motor Vehicle Titles and License Plates, Includes 3.0 FTE	Concur	0	0	0	148,350
KLRD Memo Item D - S.B. 416 - Relating to Insurance Companies to Qualify for Certain Tax Credits and Investment Incentives	Concur	0	0	0	11,776
KLRD Memo Item E - S.B. 418 - Motor Fuel Tax Credit	Concur	0	1,980	0	0
KLRD Memo Item F - S.B. 488 - Requiring Renewal Notice for Nondriver Identification Cards	Concur	0	0	0	11,188
KLRD Memo Item G - S.B. 493 - Mega Tax Bill, Includes 20.0 FTE	Concur	0	0	4,247,951	4,247,951
GBA Item 17 (p. 12) - Litigation Expenses	Concur	0	0	200,000	200,000

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House Subcommittee Recommendations

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Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
GBA Item 77 (p. 38) - Retirement Reductions, Delete 1.0 FTE	Concur	(13,726)	(13,726)	(37,618)	(37,618)
Subcommittee - ABC Underage Sting Operations	Add funding	0	0	20,000	20,000
Department of Social and Rehabilitation Services					
(p. 44-54)					
KLRD Memo Item A and GBA Items 27 & 28 (p. 16 & 17) - Case Load Estimates	Concur	3,556,000	(800,000)	853,000	(16,643,000)
KLRD Memo Item B-1 - Mental Health Services/KAPS Watchdog Project	Add \$175,000 SGF	0	0	175,000	175,000
KLRD Memo Item B-2 - Mental Health Services/Families Together	Add \$75,000 SGF	0	0	75,000	75,000
KLRD Memo Item B-3 - Mental Health Services/Consumer Run Organizations	Add \$140,000 SGF	0	0	140,000	140,000
KLRD Memo Item B - 4 - Mental Health Services/Grants to Community Mental Health Centers	Do not add funding	0	0	0	0
KLRD Memo Item B - 5- Mental Health Services/Keys for Networking	Add \$50,000 SGF	0	0	50,000	50,000
KLRD Memo Item B - 6 - Mental Health Services/Children's Mental Health Initiative	Do not add funding	0	0	0	0
KLRD Memo Item B - 7 - Mental Health Services/Consumer Grants Distribution	Reviewed, no action taken	0	0	0	0

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House Subcommittee Recommendations

KLRD Memo and Governor's Budget Amendment No. 4

1-29

Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGF	All Funds	SGF	All Funds
KLRD Memo Item B - 8 - Mental Health Services/ Consumer Grants Audit	Reviewed, no action taken	0	0	0	0
KLRD Memo Item B - 9 - Mental Health Services/ Atypical Antipsychotic Medications	Reviewed, no action taken	0	0	0	0
KLRD Memo Item B - 10 - MH&DD/ Administrative Costs	Reviewed, no action taken	0	0	0	0
KLRD Memo Item B - 11 - Developmental Disability Services/HCBS MR/DD Rate Increase	Add \$3.8 million SGF	0	0	3,800,000	3,800,000
KLRD Memo Item B - 12 - Developmental Disability Services/Targeted Case Management	Do not add funding	0	0	0	0
KLRD Memo Item B - 13 - Child Support Enforcement/KESSEP Update	Reviewed, no action taken	0	0	0	0
KLRD Memo Item B - 14 - Child Support Enforcement/Collection Contracts	Reviewed, no action taken	0	0	0	0
KLRD Memo Item B -15 - Adult and Medical Services/HCBS Head Injury Waiver	Reviewed, no action taken	0	0	0	0
KLRD Memo Item B - 16 - Adult and Medical Services/Medicaid Provider Reimbursement Rates	Reviewed, no action taken	0	0	0	0
KLRD Memo Item B - 17 - Children and Family Services/Child Welfare Services Contracts	Reviewed, no action taken	0	0	0	0
KLRD Memo Item B - 18 - Children and Family Services/Family and Children Endowment Account	Reviewed, no action taken	0	0	0	0

1-29

House Subcommittee Recommendations

KLRD Memo and Governor's Budget Amendment No. 4

1-30

Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGF	All Funds	SGF	All Funds
KLRD Memo Item C - H.Sub. for S.B. 424 establishing new health insurance program for targeted children	Delete \$12 million SGF; establish new funds	0	0	(12,000,000)	0
KLRD Memo Item D - H.B. 2820 - Amending the Code for the Care of Children	Reviewed, no action taken	0	0	0	0
KLRD Memo Item E - Technical Correction adding inadvertently omitted Low Income Energy Assistance Program no-limit fund	Make technical correction	0	0	0	0
GBA Item 20 (p. 13) - Funding for Headstart Programs	Concur	0	0	0	2,500,000
GBA Item 21 (p. 13) - Funding for Federal Audit Settlement	Concur	2,000,000	2,000,000	0	0
GBA Item 22 (p. 14) - Shift Funding for MMIS from FY 98 to FY 99	Concur	(557,142)	(1,188,456)	557,142	1,188,456
GBA Item 23 (p. 14) - Funding for DD Reform Administrative Costs	Concur	0	453,004	0	0
GBA Item 24 (p. 15) - Sex Predator Treatment Program - Remodeling	Concur	0	0	0	633,983
GBA Item 25 (p. 15) - Sex Predator Treatment Program - Operating Costs	Concur	0	0	0	273,934
GBA Item 26 (p. 16) - Sex Predator Unit - Construction Planning	Concur	0	0	0	740,000
GBA Item 77 (p. 38) - Retirement Reductions	Concur	(121,064)	(226,933)	0	0

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House Subcommittee Recommendations
KLRD Memo and Governor's Budget Amendment No. 4

1-31

Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGF	All Funds	SGF	All Funds
Department on Aging (p. 54-57)					
KLRD Memo Item A-1 and GBA Item 30 (p. 18) - Targeted Case Management	Concur	0	0	394,665	979,560
KLRD Memo Item A-2 and GBA Item 29 (p. 17) - Kansas Aging Management Information System	Concur	550,000	550,000	1,850,000	1,850,000
KLRD Memo Item A-3 - Senior Care Act	Reviewed, no action taken	0	0	0	0
KLRD Memo Item A-4 - Nutrition Program - Project Income	Reviewed, no action taken	0	0	0	0
KLRD Memo Item A-5 - HCBS-FE – Service Delays	Reviewed, no action taken	0	0	0	0
KLRD Memo Item A-6 - HCBS-FE – Case Manager Choice	Reviewed, no action taken	0	0	0	0
KLRD Memo Item A-7 and GBA Item 31 (p. 18) - HCBS-FE – Presumptive Eligibility	Concur	0	0	458,000	458,000
KLRD Memo Item B - H.B. 2607 - Abolition of Longterm Care Ombudsman and Transfer to D. of A., Includes Reduction of 4.5 FTE	Delete funding and transfer to D of A	0	0	(32,108)	(221,012)
KLRD Memo Item C - Technical Adjustment - Program Grants Account	Make technical correction	0	0	0	0

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House Subcommittee Recommendations

KLRD Memo and Governor's Budget Amendment No. 4

1-32

Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
Legislative Division of Post Audit (p. 57)					
KLRD Memo Item A - Staff Salaries	Reviewed, no action taken	0	0	0	0
Legislative Research Department (p. 58)					
KLRD Memo Item A - Staff Salaries	Reviewed, no action taken	0	0	0	0
Legislature (p. 58-59)					
KLRD Memo Item A - S.B. 495 - Concerning the SRS Transition Oversight Committee	Do not fund	0	0	0	0
KLRD Memo Item B - House Sub. for Sub. for S.B. 424 - Concerning Insurance Coverage for Children - Joint Committee on Children's Issues	Do not fund	0	0	0	0

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House Subcommittee Recommendations

KLRD Memo and Governor's Budget Amendment No. 4

1-33

Item	Subcommittee Recommendation	FY 1998		FY 1999	
		SGE	All Funds	SGE	All Funds
KLRD Memo Item C - S.B. 501 - Regarding Legislative and Elected Officials' Pay	Add proviso to implement legislative and statewide elected officials pay increase, including general language to implement state employee pay plan revisions (1.5% classified base salary adjustment and 4% unclassified merit pool)	0	0	0	0
Legislative Coordinating Council (p. 59)					
KLRD Memo Item A - H. Sub. for S.B. 212 amending telecommunications acts, esp. KUSF Working Committee	Do not fund; but add proviso to provide funding from the Legislature's budget	0	0	0	0
Sub. for H.B. 2704 - Information Technology; Establishing the Information Technology Executive Council; Legislative Chief Information Technology Officer	Add funding and 1.0 FTE for Legislative Chief Information Technology Officer, including operating expenditures	0	0	125,000	125,000
All Agencies					

1-33

House Subcommittee Recommendations

KLRD Memo and Governor's Budget Amendment No. 4

1-34

Item	Subcommittee Recommendation	FY 1998		FY 1999	
(p. -)		SGE	All Funds	SGE	All Funds
State Employee Retirement Reduction Act	Add proviso to suspend for 1 year, the state employee retirement reduction provisions of KSA 75-6891	0	0	0	0
Total Expenditures		<u>(830,151)</u>	<u>(29,554,935)</u>	<u>13,341,217</u>	<u>(2,015,184)</u>

1-34

April 22, 1998

ITEMS FOR OMNIBUS CONSIDERATION

State Department of Education

A. Revisions to School Finance, KPERS-School, School District Capital Improvements, and the State School District Finance Fund (Deferred to Omnibus). Staff from the Legislative Research Department, the State Department of Education, and the Division of the Budget met April 17 to review school finance estimates for FY 1998 and FY 1999. Revisions were made to several state aid programs.

General and Supplemental General State Aid. Primarily because enrollments did not increase as much as had been expected and because property and motor vehicle taxes were greater than expected, estimates for general and supplemental general state in both FY 1998 and FY 1999 have been revised downward by a total of almost \$18.7 million for both years combined. (The revisions take into account the substantive changes to school finance adopted by the Legislature in H.B. 2249.) The table below shows the revisions. (Numbers are in thousands.)

	Previous Est. FY 1998	Revised Est. FY 1998	Savings	Approp. for FY 1999 in S.B. 495	Revised Est. FY 1999	Savings	Two-Year Savings Combined
General State Aid	\$ 1,512,897	\$ 1,504,398	\$ 8,499	\$ 1,721,145	\$ 1,710,549	\$ 10,596	\$ 19,095
Supplemental General State Aid	51,265	50,390	875	57,877	59,161	(1,284)	(409)
TOTAL	\$ 1,564,162	\$ 1,554,788	\$ 9,374	\$ 1,779,022	\$ 1,769,710	\$ 9,312	\$ 18,686

Note: The savings shown for FY 1998 are in addition to savings previously identified that total \$26.0 million. In all, savings in FY 1998 from the amount approved by the 1997 Legislature total \$35.4 million.

The policy contained in S.B. 495 regarding the State Department's budget is to reappropriate savings from FY 1998 to FY 1999 in order to reduce the amount of new money needed. If that policy were to be continued, the appropriation for general state aid in FY 1999 could be reduced by about \$19.1 million (almost \$8.5 million in savings reappropriated, plus a reduction of \$10.6 million in estimated expenditures.) To fully fund the estimate, the appropriation for supplemental general state aid would have to be increased by \$409,000. (Supplemental general state aid has to be adjusted upward to reflect the higher Base State Aid

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Per Pupil amount approved by the Legislature.) The net change to general and supplemental general state aid in FY 1999 would be a reduction of \$18.7 million.

KPERS-School. The revised estimate for KPERS-School in the current year is \$76,509,098, a reduction of \$403,635 from the prior estimate. The revised estimate for FY 1999 is \$84,561,389, an increase of \$610,932 over the amount currently approved. The State Department requests that the Legislature continue the policy it began last year and reappropriate the FY 1998 savings of \$403,635 to help finance FY 1999 and appropriate an additional \$207,297 in FY 1999 to fully fund the estimate.

School District Capital Improvements. No change has been made to the estimate of \$19.0 million in FY 1998 for school district capital improvements, but the estimate for FY 1999 has been increased from \$21.5 million to \$22.0 million. No legislative action is necessary because the amount is a demand transfer with a "no limit" expenditure limitation.

State School District Finance Fund. The reduction in the school district property tax rate to 20 mills affects expenditures from the State School District Finance Fund, which consists primarily of local effort remittance. For FY 1998, the estimate of expenditures has been reduced from \$31.0 million to \$28.5 million. For FY 1999, estimated expenditures have been reduced from \$29.0 million to \$17.0 million.

B. Juvenile Detention Facilities--FY 1998 and FY 1999 (Deferred to Omnibus). The Senate Subcommittee on the State Department's budget said it might consider additional funding for juvenile detention facilities grants for FY 1998 and FY 1999 when it was known whether the Governor would submit an amendment to his budget, as requested by the State Department on March 19. Because the Governor has not added additional funding, the State Department renews its request for an additional \$219,046 in FY 1998 and \$715,732 in FY 1999. The Governor's recommendation of \$2,712,248 in both FY 1998 and in FY 1999 is based on 440 students receiving services. However, based on reports filed in December, 1997, the State Department now estimates that 454 students will receive services in FY 1998 and 485 in FY 1999.

The program provides grants to school districts that provide educational services to pupils who are confined in juvenile detention facilities or who reside at the Flint Hills Job Corp Center. Payments are based on the lesser of the actual cost of the service or two times the base state aid per pupil amount. If the program is not fully funded, payments would be prorated.

C. Special Education (Deferred to Omnibus). Both the House and Senate Subcommittees that considered the State Department's budget agreed to review the appropriation for special education at the end of the Session when more information would be available about the receipt of Medicaid reimbursement for special education services provided by school districts to eligible students. In addition, the House Subcommittee called for a review of special education funding with a view toward possibly adding more funding to target school districts with unusual needs.

In both FY 1998 and FY 1999, it is estimated that Medicaid reimbursement will total approximately \$15.8 million. Assuming that the estimate is correct, the appropriation for special education is expected to fund 86.5 percent of excess costs in FY 1998 and 85.5 percent in FY 1999.

According to the State Department, payments received thus far in FY 1998 lead it to believe that the full amount of the estimated reimbursement will be realized. The State Department is less willing to affirm that the estimate will be realized in FY 1999, but indicates that it will continue to work with the Department of Social and Rehabilitation Services and special education advocacy groups to ensure that the state receives as much reimbursement as possible.

D. Community College Funding (Deferred to Omnibus). The Senate Subcommittee that reviewed the State Department's budget recommended that the Legislature consider adding an additional \$515,038 for community college credit hour aid in FY 1999 in order to increase community college funding by 4.9 percent over FY 1998. That increase is the percentage increase recommended by the Governor for the Regents universities, Medical Center, and Board Office combined, excluding funding for technology. The Subcommittee's intention was to bring community colleges to the same level of increase as the Regents institutions.

Taking into account both the Legislature's adjustments to the Governor's recommendations and funding for technology, funding for the Regents institutions combined would increase by 5.9 percent over FY 1998, by 7.2 percent for Washburn University, by 5.8 percent for the technical colleges and area vocational schools, and by 4.0 percent for community colleges. It would take an additional \$1,090,842 for community colleges to equal the percentage increase for the Regents institutions and Board Office combined. (Calculations take into account technology equipment grants for community colleges and Washburn University; technology innovation grants for community colleges, area vocational schools, and technical colleges; and funding for area vocational schools and technical colleges from the Economic Development Initiatives Fund.)

The House Subcommittee also recommended that funding for community colleges be addressed in the Omnibus Bill. Specifically, the House Subcommittee recommended that the following items be addressed for FY 1999:

1. \$3.0 million to fund approved vocational education courses at the 14 community colleges that are not designated area vocational schools at two times the rate for academic courses;
2. \$1,525,000 to eliminate the 64/72 hour limit on academic courses for purposes of out-district state aid;
3. continuation of the present policy not to charge out-district tuition for community college courses offered at Fort Hays State University and Wichita State University that are offered pursuant to an agreement between the university and the community college; and
4. additional funding to help equalize funding increases among postsecondary institutions.

Regarding items 2 and 3, there is a House bill in the Senate Ways and Means Committee (HB 2748) that both removes the 64/72 hour limit on academic courses for purposes of out-district state aid and continues the policy that waives out-district tuition charges for community college courses offered at Fort Hays State University and Wichita State University. That policy will expire June 30, 1998, unless continued by the Legislature.

E. Customized Training Programs (Deferred to Omnibus). The House Subcommittee that reviewed the State Department's budget held hearings on customized training courses offered for credit and state aid reimbursement by community colleges, technical colleges, and area vocational schools. Concerned that some customized training going on in the state using company facilities, equipment, and employees to teach the courses is no different from what the companies could do on their own, the Subcommittee asked the State Board of Education to respond to the following questions by the end of the Session and, if it wished, to provide the Subcommittee with any other comments or recommendations.

1. How does customized training differ from on-the-job-training and what is the rationale for the state paying for such training and for postsecondary education institutions to offer credit for such courses?
2. Is the current approval process for customized training programs adequate to ensure that approved courses meet high standards of quality and that the process is appropriate for the types of courses and programs being reviewed?

Information prepared by the State Department will be given to Legislators during the Omnibus Session.

F. Concurrent Enrollments (Deferred to Omnibus). The House Subcommittee asked the State Board of Education to contact community colleges to obtain information about the number of credit hours generated by high school students who are concurrently enrolled at community colleges. The Subcommittee requested the information by the end of the Session so that it could consider additional recommendations after it has time to review material provided by the State Board.

Information prepared by the State Department will be given to Legislators during the Omnibus Session.

G. Proposed Truancy Project (Deferred to Omnibus). The House Subcommittee asked the coordinators of a proposed project in Wichita to combat truancy to provide more detailed information about the project for the Subcommittee's review during the Omnibus Session. The information was to include performance measures, a description of the project, and how the project would be funded. The project involves the Wichita school district and other public and private entities, including the district attorney's office, Communities in Schools, Wichita State University, and the Department of Social and Rehabilitation Services.

H. Additional Funding for Inservice Education (Deferred to Omnibus). The Senate Subcommittee concurred with the Governor's recommendation of \$3.0 million for inservice education, but added the program to the list of items to consider later in the Session when updated revenue estimates were available. In the meantime, a proviso contained in SB 495 which contains the State Department's funding for FY 1999 authorizes the transfer of savings in the general state aid program of up to \$1.0 million for approved inservice education programs. Were that amount to be transferred, a total of \$4.0 million would be available for inservice education in FY 1999, which would fund a little over 30 percent of local program costs. (The cap for state funding is 50 percent.)

I. Communities in Schools (Deferred to Omnibus). The Senate Subcommittee concurred with the Governor's recommendation of \$50,000 for FY 1999 from the Family and Children Investment Fund for Communities in Schools, but agreed to consider additional funding for the program in the Omnibus Bill when it was known whether a \$75,000 federal HUD grant could be renewed. Funding for the program has been a combination of state, federal, and private money, with the federal portion consisting of a two-year HUD grant that had to be matched dollar for dollar (\$50,000 from the state and \$25,000 from private sources). The federal grant ends in FY 1998 and cannot be renewed for FY 1999.

J. S.B. 298 (Conference). S.B. 298 originally concerned issuance by the State Board of Education of teaching certificates or certificate renewals to persons who have been convicted of a felony drug offense, most other felony offenses, some misdemeanor crimes involving children, or who have entered into a diversion agreement regarding these offenses. The bill has been amended to include portions of S.B. 571, which would require administrators to inform educators if they have information about certain dangerous behavior of students, and portions of S.B. 444, which concerns proprietary schools.

The provisions of S.B. 298 that have a fiscal impact on the State Department involve the issuance of teaching certificates and proprietary schools. With regard to teaching certificates, the bill would require district attorneys to report to the State Board the name, address, and social security number of any person who has been determined to have committed an offense or to have entered into a diversion agreement in connection with a charge for an offense addressed by the bill. The additional duty imposed on the State Department would be to update and process the data received from the county and district attorneys across the state to check against applications for teaching certificates or renewals. Because of this, the State Department says it may have to add 1.0 FTE new Secretary I position in FY 1999 at a cost of \$25,021.

Regarding proprietary schools, the bill would increase certain fees, including the fees for the initial issuance of a certificate of approval and for a renewal of approval. The changes in the bill were initiated by the State Board and the Kansas Advisory Commission on Proprietary Schools, whose members, according to testimony before committees, want the State Department to monitor the schools more closely to ensure quality and to work with schools that may be having trouble in order to help avert problems that could cause a school to close. The State Department says the additional duties imposed would require it to increase from half-time to full-time the portion of an Education Program Consultant's time that is allocated to proprietary schools, at a cost of \$30,234 in FY 1999.

In both cases, the cost of the positions would be borne by fees--teacher certificate fees in one case and proprietary school fees in the other. Both of the fee funds involved have a "no limit" expenditure limitation, so no legislative action is necessary to allow the State Department to spend the money. Likewise, the State Department has no position limitation, which gives it the flexibility to add positions within available resources. But because the State Department always has sought and received permission from the Legislature to add new positions, it is requesting permission to add 1.0 FTE new position for the teacher certification division and 0.5 FTE new position for the proprietary schools division. It also notes that, if duties related to the issuance of teaching certificates do not increase as much as expected, the position requested would be part-time or would not be added at all.

K. H.B. 2837 (Conference). H.B. 2837 originally defined the term "boarding schools" but now has been amended to include S.B. 591, which concerns special education. The special education portions of the bill would bring Kansas into conformity with the recently amended

federal Individuals with Disabilities Education Act (IDEA). The bill assures state compliance with federal law and provides for an appropriate public education for exceptional children. Under IDEA, Kansas was awarded \$33.2 million in federal funding for the 1997-98 school year.

The special education provisions of H.B. 2837 generally would require the State Board of Education by July, 1998, to include children with disabilities in statewide assessment programs, with appropriate accommodations, when necessary. For those children who, even with accommodations, could not participate in the regular assessment program, the State Board would have to develop alternative assessments by July, 2000. In addition, the State Board would have to report to the public the number of children with disabilities participating in regular assessments and the number participating in alternative assessments. The student's performance on these assessments would have to be reported if the data were statistically sound and would not result in the disclosure of performance results identifiable to individual children.

The University of Kansas, which is under contract to develop and administer the regular state assessment program, estimates that it would cost \$225,000 from the State General Fund to develop, pilot test, and administer the alternate assessments in FY 1999.

L. S.B. 510 (Conference). S.B. 510 concerns the residence of students for fee purposes at the Regents institutions, but has been amended to include H.B. 2770, which would provide for credit hour state aid and out-district state aid to Haskell Indian Nations University. Under the bill, Haskell would receive credit hour aid for freshman and sophomore-level courses in the same amount per hour as received by community colleges (\$31.26 in FY 1999 under the Governor's recommendation). It also would receive \$24 per hour (the same rate as community colleges) for courses taken by Kansas residents who live outside Douglas County. No credit hour aid or out-district state aid could be reimbursed for any course offered outside Douglas County unless the course were approved by the State Board of Education.

The State Department estimates the impact of the legislation in FY 1999 to be \$91,707 (State General Fund), which consists of \$76,587 for credit hour aid and \$15,120 for out-district state aid.

State Corporation Commission

A. Legislative Post Audit of the Conservation Division (Deferred to Omnibus). The House Subcommittee that reviewed the budget of the State Corporation Commission completed its work before the performance audit of the conservation division of the Corporation Commission was completed in February, 1998. It was the Subcommittee's intention to review the audit when it became available and propose any recommendations it cared to make for consideration in the Omnibus Bill.

B. Additional Funding for Well Plugging (Deferred to Omnibus). The Senate Subcommittee that reviewed the Corporation Commission's budget put on the list of things to consider later in the Session increased funding for well plugging. The Commission is spending about \$1.7 million a year on well plugging activities, of which \$500,000 is from the Conservation Fee Fund and the remainder is from the Abandoned Oil and Gas Well Fund, a new fund created in 1997 that will be available until FY 2002. (Receipts to the Fund consist of annual \$400,000 transfers from the State General Fund, the State Water Plan Fund, and the Conservation Fee Fund, in

addition to about \$400,000 that represents half of the money Kansas receives from the federal government in mineral royalties.)

The Commission estimates it will take until at least the year 2008 to plug the Priority I wells (those that pose the most serious threat to public health and the environment). The Subcommittee is concerned that Priority I wells are not being plugged quickly enough, particularly in the western part of the state, and believes additional funding may be necessary to enable the Commission to move more quickly. The Subcommittee asked the Commission to submit a plan outlining how it would intensify its well plugging efforts in terms of additional money needed and the availability of agency staff and independent contractors to oversee and perform well plugging operations. (A response from the Commission will be made available to legislators during the Omnibus Session.)

C. House Sub. for S.B. 212 (to Governor). House Sub. for S.B. 212 amends the Kansas Telecommunications Act of 1996 (Kansas Act) by reducing the size of the Kansas Universal Service Fund (KUSF); reducing KUSF assessments for contributions by wireless providers; clarifying the Corporation Commission's authority to implement the Act as it relates to Internet access; delaying the implementation of enhanced universal services until July 1, 2003; and giving the Commission new authority with regard to the implementation of enhanced universal services. The bill also establishes the KUSF working committee, which is to report its recommendations to the 1999 Legislature, and amends the Kansas Consumer Protection Act to prohibit "slamming." The latter amendment affects the Office of the Attorney General and is discussed in that agency's section of the memorandum.

The portion of the bill that has a fiscal impact on the State Corporation Commission relates to the deployment of enhanced universal services. Under the 1996 Act, local exchange carriers were required to file plans with the Corporation Commission on how they intend to deploy the infrastructure to support universal service and enhanced universal service. Amendments to the Act contained in House Sub. for S.B. 212 expand the Commission's authority in this area by establishing a process by which deployment of enhanced universal services will be conditioned upon the completion by a local telephone company of a deployment plan which is subject to the Commission's approval or rejection. If the Commission takes no action on the plan within 90 days, the plan will be considered approved. The approval process will continue until July 1, 2000.

According to the Commission, it will have to develop an administrative process that provides for filing, review, and making a decision on each deployment plan so that the Commission can determine if the plan is necessary, appropriate, cost effective, and whether it would place an unreasonable or excessive demand on the KUSF. To do this, the Commission requests 1.0 FTE position in FY 1999 for the utilities division at a total cost of \$66,665 (\$55,800 for salary and fringe benefits and \$10,865 for associated costs). The position would be for a Senior Telecommunications Analyst with an emphasis in engineering and telecommunications technology. Although the process for approving deployment plans would end by July 1, 2000, the Commission believes the position would be ongoing, in part because it is expected that the working committee will recommend changes to the law to reflect new regulatory strategies to accommodate change in technology and to respond to greater competition.

Attorney General

A. Tobacco Litigation (Deferred to Omnibus). The House position with regard to litigation against tobacco companies was to require the Attorney General to terminate the contract with both local and national counsel representing Kansas and to make no payments in connection with the contracts in either FY 1998 or FY 1999. As an alternative, the Conference Committee on S.B. 495 considered asking the Attorney General to renegotiate the contract to limit the amount the law firms could receive to a percent of the recovery and a dollar amount that were tied to the amount of money recovered by the state. The total amount the law firms could receive was to be capped at \$20.0 million. The Conference Committee finally adopted the original House position, but agreed to reconsider the issue in the Omnibus Bill.

Information is available from the State Tobacco Information Center about contracts for legal services in 16 of the 39 states and Puerto Rico that are party to the tobacco settlement. In Mississippi, Louisiana, and Iowa, attorneys fees will be determined by the court. In nine states, including Kansas, the contract identifies a specific percentage of the settlement that will be paid to attorneys. The states are Illinois (10 percent); Indiana (10 to 15 percent); Texas and Washington (15 percent); Arizona (18 percent); and Kansas, Minnesota, Florida, Massachusetts, and Maryland (25 percent). One state (West Virginia) has obtained legal counsel *pro bono*. Attorneys general in two states (California and Georgia) are using their own staffs. According to James E. Tierney, former Attorney General of Maine who is serving as a resource to attorneys general and the public on tobacco litigation matters, there seems to be a trend for the states that have filed litigation recently to have negotiated better deals with the law firms representing them, in the sense that the percentage of recoveries for attorneys fees tends to be lower than for the states that entered the litigation early. Mr. Tierney speculates the reason for this is that the early states did much of the groundwork in the cases and the attorneys for the late-entry states have less work to do. (Kansas filed June 6, 1996, becoming the 11th state to file. Twenty-three states waited until 1997 to file.)

If the Legislature is interested in changing the way Kansas is being represented in the tobacco litigation, several alternatives are listed below:

1. Conduct the litigation in-house and hire additional staff for the Office of the Attorney General. Two states (California and Georgia) are known to be handling tobacco litigation in house. It is reported that the tobacco unit in the California Attorney General's Office is comprised of 50 attorneys and 50 paralegals. To varying degrees, even those states that have hired outside counsel are also committing in their attorney general's office to the litigation. The Florida Attorney General, who has a staff of 338 assistant and deputy attorneys general, has involved regular employees on a full-time basis in tobacco litigation, in addition to contracting with outside law firms. In Washington State, seven state employees are involved in the litigation, in addition to the outside counsel that has been retained. Kansas, with 47 assistant and deputy attorneys general, has two attorneys working part-time on the case. A rough estimate of what it might cost to do the litigation in-house in Kansas has been provided by the Attorney General, who says that, at a minimum, it would take 15 attorneys, 10 paralegals, and 12 support staff (for a total of 37 new positions) for between two and five years. The first-year cost of the tobacco litigation unit, including office rent and other operating expenses, plus the cost of experts, would be \$12.5 million.

Cumulative costs of the unit could reach \$20.7 million by the fifth year. According to the General, one problem with this alternative would be the difficulty in finding staff with the expertise to do the work for what basically would be a temporary job.

2. Adopt the present position in S.B. 495 and direct the Attorney General to terminate the contracts. If this alternative is selected, most likely the state would be liable for expenses incurred thus far by the attorneys currently under contract. In addition, were Kansas to receive money from an eventual settlement, it is almost certain that the attorneys would claim part of the settlement as their share for the work they did to help Kansas prior to the time their contracts were terminated.
3. Adopt the alternative considered earlier and direct the Attorney General to renegotiate the fee provision in the contract, subject to a limit. As an alternative to a total dollar amount, *e.g.*, \$20.0 million, an amount per hour might be considered. Of the 16 states for which information is available, no state appears to have set a dollar limit on attorneys fees. A bill was introduced in Arizona that would set a cap of \$1.0 million on litigation expenses--\$250,000 for expenses and \$250,000 for each of the three law firms under contract--but the legislation has not received serious attention, according to staff in the Office of the Arizona Attorney General. While no state is known to have set a cap, according to Mr. Tierney, some states have negotiated sliding scales whereby the percentage that a law firm would receive diminishes as the amount of the state's recovery increases.
4. Do nothing and continue with the arrangement the Attorney General presently has with the local and national counsel. In the event that Kansas recovers money, attorneys fees would be paid from the money received from the tobacco industry in an amount that is subject to a combined limit of 25 percent for all the law firms involved. The amount of money received by the law firms could be reviewed by the Kansas Supreme Court as to whether the fees are reasonable. Model Rules of Professional Conduct, as adopted by the Kansas Supreme Court, provide, in part, that a lawyer's fee shall be reasonable. Factors taken into account by the Court include the time and labor required, the novelty and difficulty of the questions involved, the skill required to perform the legal service, and the fee customarily charged in the locality for similar legal services. The contract Kansas has with both local and national counsel references the Model Rules of Professional Conduct. The Kansas Legislature itself has seldom enacted legislation that limits fees for legal services. K.S.A. 1997 Supp. 44-536 in the Workers Compensation Act limits attorneys who represent an employee or the employee's dependents to either "a reasonable amount" for services, as determined by the court, or 25 percent of the amount of compensation recovered, whichever is less. K.S.A. 39-719a sets a limit on attorneys fees in cases involving Medicaid recoveries of up to 33.3 percent of the recovery for cases settled prior to trial and up to 40 percent of the recovery in cases that go to trial.

B. Child Abuse Protection Position (Deferred to Omnibus). The Legislature authorized the addition of an Assistant Attorney General in FY 1999 to assist county and district attorneys in investigating and prosecuting cases of reported child abuse or neglect. However, no funding was added for the position and the Attorney General was asked to report at the end of the Session on how the position could be funded from within available resources.

The Attorney General reports that it is possible the agency could receive a four-year Byrne grant to partially fund the position. The total cost of the position would be \$77,474, of which \$58,105 would be from the Byrne grant and the remainder would be a required 25 percent state match of \$19,369. Because the Attorney General will not know until after the Session ends whether the Byrne grant will be approved, she is asking the Legislature to appropriate \$19,369 from the State General Fund, contingent upon receipt of the federal grant. A second alternative, which is less desirable from the agency's perspective, would be to match the Byrne grant with money from the child abuse component of the Crime Victims Assistance Fund. Using money from the Fund to meet the match would reduce the amount of money available for local programs that provide child protection services. In addition, a proviso would have to be added to enable the agency to use money from the Fund for operating expenditures.

C. H.B. 2789 (Law). H.B. 2789 raises certain limits on payments that may be made from the Crime Victims Compensation Fund. For example, compensation for funeral expenses is increased from \$2,000 to \$5,000. In addition, the statute of limitations on award eligibility is increased from one year to two. As a result of the changes in H.B. 2789, it is estimated that expenditures from the Crime Victims Compensation Fund in FY 1999 will increase by \$505,985 (from \$1,856,005 to \$2,361,990).

No legislative action is necessary as the result of the passage of H.B. 2789 because the Crime Victims Compensation Fund has a "no limit" expenditure limitation and balances in the Fund are adequate to fund the expected increase in expenditures.

D. H.C.R. 5030 (Adopted by the Legislature). H.C.R. 5030 requires the Attorney General to file and prosecute an action against the State of Nebraska to enforce the provisions of the Republican River Compact. The Attorney General intends to file suit before the U.S. Supreme Court in mid-May. The 1997 Legislature appropriated \$200,000 to be used in FY 1998 in connection with the litigation. For FY 1999, the Attorney General requests \$980,000 from the State General Fund, most of which will be used for fees and expenses of the Special Master appointed by the Court and for counsel and experts retained by the state. The Attorney General warns that litigation against Nebraska will be lengthy and expensive and estimates that ongoing costs in the year 2000 will be in the range of \$1.25 million.

E. House Sub. for S.B. 212 (to Governor). House Sub. for S.B. 212 amends the Kansas Telecommunications Act of 1996 (Kansas Act) and the Kansas Consumer Protection Act to prohibit "slamming"--the practice of a telephone company to switch a consumer's long distance or local telephone company without obtaining the consumer's express authorization. It is the latter feature of the bill that affects the Office of the Attorney General because the Attorney General would be authorized to investigate and enforce telecommunication slamming complaints. (Other provisions of the bill are discussed in the section of the memorandum that deals with the Corporation Commission.)

Based on information provided by the Corporation Commission, the Attorney General believes the office could receive up to 900 complaints a year. According to the General, the new complaints would be added to an already-heavy workload in the consumer protection

division and under ordinary circumstances would require the addition of a new position. However, the addition of permanent staff is a problem, given a lack of space in the existing facilities. It would be the General's intention to use unclassified temporary employees, as necessary, whose salaries would be paid from funds recouped from the successful prosecution of consumer protection violations and to report to the Legislature at a later date on plans to make these employees permanent in the future.

State Board of Indigents' Defense

A. "Parity" Increases for Unclassified Attorneys (Deferred to Omnibus). The issue of parity increases for unclassified attorneys already has been addressed by the Legislature, which added \$80,000 for the increases in FY 1999. However, the full amount requested by the Board was \$160,297 and the Senate Subcommittee that reviewed the Board's budget early this year added parity increases to the list of items that would be considered at the end of the Session. The \$160,297 requested by the Board is the first year of a three-year plan totaling \$400,743. The issue involved is that unclassified attorneys were not part of a salary upgrade of classified attorneys that occurred in FY 1995 and, consequently, their salaries lag behind the salaries of other attorneys in state government.

Judicial Branch

A. S.B. 482 (to Governor). S.B. 482 would amend the criminal procedure statutes by expanding the law to permit the expungement of arrest records, diversion agreements, and proceedings resulting in diversion agreements. "Expungement" would be defined to mean that records would be sealed except to the petitioner and criminal justice agencies. The provisions would apply to arrest and diversion records involving violations of city ordinances and state laws and would have an impact on the workload at the municipal and district court levels. The list of crimes for which there can be no expungement for adults or juvenile offenders would be expanded to include capital murder, murder in the first degree, murder in the second degree, voluntary manslaughter, involuntary manslaughter, and involuntary manslaughter under the influence of alcohol or drugs.

The Office of Judicial Administration believes the expansion of the expungement statutes to include diversions will significantly increase filings in the court system and notes that there were an estimated 9,000 diversion agreements entered into in FY 1997 alone. Although a request is not made for more positions specifically related to S.B. 482, the Judicial Branch renews its original request for new judges in FY 1999, arguing that the enactment of the legislation makes it even more important that more judges be added. The Legislature has approved the addition of the three District Court Judge positions requested, as well as three of the nine District Magistrate Judge positions requested. The remaining six District Magistrate Judge positions would total \$326,652 (\$54,442 each for salary and fringe benefits), all from the State General Fund.

B. S.B. 2233 (Conference). H.B. 2233 would amend the Criminal Procedure Code to allow cities and counties to charge a booking and processing fee when fingerprinting is required. The fees would be credited to the general fund of the city or county that funds the law enforcement agency that obtains the fingerprints. According to the Office of Judicial Administration, temporary clerks at the district court level would have to be added to handle the

fees collected as the result of district court cases. These temporary clerks would be state employees whose salaries would total an estimated \$35,495 (State General Fund) in FY 1999.

Department of Corrections

A. Reception and Diagnostic Unit. The Conference Committee recommended deleting \$412,370 SGF from the FY 1998 capital improvements appropriations bill for planning a new 256-bed reception and diagnostic unit. The House had initially recommended the planning funds, but requested that they review the agency determination of where to locate the unit and possible funding options. The Senate deleted all funding pending a review at Omnibus. S.B. 495 contains no planning funds.

The agency proposes to construct two 128-bed housing units and an evaluation building to serve as a new reception and diagnostic unit for the evaluation of male inmates transferred from county jails to the state correctional system. The current reception and diagnostic unit is located at Topeka Correctional Facility, which the agency believes is inadequate for its designated purpose and is reported to contain fire safety problems. Planning for the project in FY 1998 are requested at \$500,000 (\$412,370 SGF and \$87,630 from the Correctional Institutions Building Fund) and \$17,139,478 in FY 2000 for a total project expenditure of \$17,639,478. Estimated project cost per gross square foot is \$199 and construction cost is \$68,904 per bed.

The Governor had initially recommended the project for the El Dorado Correctional Facility, but the Secretary of Corrections has testified that the agency is reviewing the possibility of constructing the new unit at the Topeka Correctional Facility. The agency has yet to make a determination of the new facility location.

Additionally, federal crime bill funds (Violent Offender Incarceration and Truth-in-Sentencing Grants) which currently total approximately \$5.6 million, are available for possible use if the project were to expand bed space in some manner. This year's federal funding is the second of a five-year program, and funds of approximately \$5 million should be available for each of the remaining three years. Last session, these funds were used to construct the new 200-bed unit at Norton (\$5,057,152).

The Joint Committee on State Building Construction reviewed the item on April 22, 1998, and recommended the appropriation of planning funds.

B. Alternative Punishments Funding. The House Subcommittee requested a review of potential savings options, from which funds could be redirected to alternative punishment options. The subcommittee identified specific funds, most within the agency's budget, which are available for use to provide less costly, potentially recidivism-reducing options for non-violent offenders who might be diverted from more costly prison beds. The subcommittee intends to review these funds for possible redirection to community corrections programs:

FY 1998

Labette Operating Cost Savings	\$ 110,000
Unspent Community Corrections Grant Funds	200,678
Facility Operations Savings	100,000

FY 1999

New Inmate Postage and Supply Program	150,000
	<u>\$560,678*</u>

* S.B. 495 included the reappropriation and spending of \$100,000 from facility savings and \$115,000 from the postage and supply savings for community sex offender treatment and 1.0 FTE parole officer. The remaining funds identified total \$345,678.

The House Subcommittee requested a review and possible redirection of these funds to community corrections' programs to address the growing prison population, particularly non-violent offenders and parole condition violators who comprise up to 155 new admissions per month (36 percent of the total).

C. Review Female Boot Camp Project. The House Subcommittee requested a review of the status of the agency's issuance of a request for proposal for the construction and operation of a 30-bed boot camp for female offenders. Bids were closed on March 16, 1998, and if the agency rejects the one-bid submitted, it has expressed the intention to request additional funding to operate the camp. Federal crime bill funds are available to cover 50 percent of construction costs (less a 10 percent match). If a private vendor were selected to operate the unit, 50 percent of the operating costs (less a 10 percent match) can be paid with federal crime bill funds. If the agency constructs and operates the 30-bed unit, they project construction costs of \$655,000 at Topeka Correctional Facility and annual operating costs of \$600,000, as well as the addition of 10.0 FTE.

D. Private Industry Proviso. The House Subcommittee heard testimony from the agency that a consortium of private businesses in Wichita related to the aviation industry were interested in establishing a prison work/vocational education project for inmates within a correctional facility. The agency requested that the issue be reviewed to determine if any provisos were needed to carry out any negotiated agreements with private employers.

E. Review Disposition of the Former Topeka State Hospital Property. The House Subcommittee wished to review any possible disposition plans for former Topeka State Hospital property due to the continued presence of 111 minimum-custody male offenders on the grounds.

Larned Correctional Mental Health Facility

A. Resolution of Sex Predator Unit. The House Subcommittee requested that the Department of Social and Rehabilitation Services and the Department of Corrections review methods to address the expansion of the sexual predator population located in one 30-bed wing of the facility. A Senate Subcommittee reviewing the situation has received plans from the affected agencies to implement short-term and long-term resolutions to the situation. As proposed, the short-term plan would move the sexual predators to the Dillon building at the hospital from October 1998 to October 2000 with \$594,217 capital improvements costs and \$769,343 in operating costs (\$1,363,560 total) and including 25.0 FTE over the Governor's recommendation for the hospital and the sex predator treatment program. The long-range proposal would construct 150 beds at Larned Correctional Mental Health Facility, doubling the size of the facility, and making 120 beds available for sex predators. Projected costs for the new construction are \$10,684,119 (\$740,000 planning funds in FY 1999 and \$9,944,119 in FY 2000), and additional annual operating costs for the facility of \$1,060,000 and 15.0 FTE. As of the preparation date of this memorandum, the agencies proposal has not been acted upon.

El Dorado Correctional Facility

A. Possible Visitors' Center for El Dorado. The House Subcommittee requested the agency contact Outside Connections, which operates visitors' centers at four other correctional facilities, to determine if the agency could provide some type of services using the ending balance of \$19,908 in FY 1999 from the agency's inmate benefits fund.

Ombudsman of Corrections

A. Additional Operating Expenditures. The Senate Committee recommended a review of the agency's FY 1998 operating expenditures. The Subcommittee heard testimony from the agency that it may have insufficient funds to continue operations in the current fiscal year due to a previous subcommittee recommendation to visit each correctional facility once every six months. The agency's revised budget in FY 1998 is \$184,105, which includes a supplemental appropriation the Governor recommended of \$2,356 in the current legislative session. The agency has made no specific request for additional funding in the current fiscal year.

Kansas Public Employees Retirement System (KPERS)

A. House and Senate Subcommittee Recommendation — Adjustment to Investment-Related Expenditure Limitation. Both House and Senate Subcommittees recommended that during Omnibus a review be made of expenditures for fees paid to the firms that manage the System's investments, and that the expenditure limitations in FY 1998 and FY 1999 be adjusted, as required. The approved limitation in the current fiscal year is \$22,212,030 and the amount approved for next fiscal year is \$23,164,887. In a projection made on April 20, 1998, the agency is estimating FY 1998 expenditures of \$22,515,006 and FY 1999 expenditures of \$24,084,723 for investment related expenses. The two requests for increases in approved expenditure limitations are shown in the table below:

	<u>S.B. 495</u> <u>Approved</u>		<u>Revised</u> <u>Estimate</u>		<u>Difference</u>
FY 1998	\$ 22,120,030	\$	22,515,006	\$	394,976
FY 1999	23,164,887		24,084,723		919,836

B. Senate Ways and Means Subcommittee Recommendation — Request for Governor’s Budget Amendment. The Senate Subcommittee suggested waiting to consider this proposal until Omnibus and to await a possible GBA that the agency had requested. This proposed enhancement for agency reengineering, computer programming, and imaging is estimated to cost \$3.0 million, of which \$2.4 million would be in FY 1999 for consultant assistance, computer hardware, imaging system components, and contract programming. Financing would be from the KPERS Fund. A needs analysis was presented to the Joint Committee on Computers and Telecommunications (JCCT) on February 13, 1998. No formal action was taken by the JCCT regarding the KPERS project. The same needs analysis was presented to the Kansas Information Resources Council (KIRC) on March 24, 1998, and the proposal will be discussed again at the KIRC meeting of April 28, 1998. The minutes of the March 24 KIRC meeting indicate that there was significant discussion about this project and that a number of concerns were expressed that are suppose to be addressed at the April 28 KIRC meeting. The KIRC minutes further indicate that KPERS is suppose to return to the next meeting with answers to some of the questions raised by the KIRC, and that KPERS also was suppose to prepare answers to the KIRC’s concerns about this project and forward them to the JCCT.

C. S.B. 382 (Law). This legislation is intended to bring KPERS into federal compliance with the Internal Revenue Service and other federal regulations that govern public pension plans. Administrative costs to implement this bill are estimated by KPERS staff at \$78,000 all funds in FY 1999 to pay for contract programming and reprogramming of the System’s computer software in order to conform with the new provisions in S.B. 382.

D. S.B. 11, S.B. 618, H.B. 2149 (Conference Committee). Financing of \$28,342,761 from the State General Fund in FY 1999 was included in 1998 S.B. 495 in order to pay a portion of a cost-of-living adjustment (COLA) for KPERS retirees and beneficiaries. None of the bills that would implement a COLA provision has passed the 1998 Legislature, and all three bills that have COLA provisions remain in conference.

A conference committee report on S.B. 11, that was rejected by the House, would have provided for a 3.0 percent ad hoc COLA to those retired prior to July 1, 1993. The financing in S.B. 495 was intended to help fund a portion of this 3.0 percent plan by prepaying the state’s actuarial liability of the KPERS School, KP&F State, TIAA, and Judges plans. The other two bills have different COLA provisions and would require other financing plans.

The Senate plan for a 2.0 percent ad hoc COLA would require an FY 1999 State General Fund appropriation of \$18,895,173. Funding for that COLA is included in Senate Sub. for H.B. 2149 (conference committee). Additional employer contributions would begin in FY 2000.

The House plan for an automatic COLA, linked to two-thirds of CPI and capped at no more than 2.0 percent, had no financing included in FY 1999 by House Sub. for S.B. 618 (conference committee). However, based on the current version of the bill, increased employer

and employee payments would begin in FY 1999. There is a five-year phased schedule for raising contributions that runs until 2003, and after that date, the enhanced contributions continue until 2033 in order to finance this plan. The estimated FY 1999 State General Fund allocation would be \$22.8 million, with an additional \$3.7 million from other state funds, \$22.0 million from local funds in CY 1999, and \$8.3 million from increased employee contributions. For the state, these amounts would need to be built into the agency budgets in order to collect the non-State General Fund amounts. The KPERS actuary would calculate the appropriate percent of payroll that would be assessed each employer, and the enhanced contributions would begin July 1, 1998, under provisions of House Sub. for S.B. 618. No specific appropriations during the 1998 Omnibus period would be necessary, but revised budget requests could be expected by the 1999 Legislature in order to finance the increased contributions in FY 1999 that would result from passage of House Sub. for S.B. 618. (Staff Note: An additional cost not reflected in the original fiscal note for an automatic COLA is the cost of including disabled members under S.B. 618 provisions. The KPERS actuary is developing an estimate of actuarial liability for this group.)

Kansas Department of Transportation

A. Technical Adjustment. A posting error in S.B. 495 resulted in the wrong adjustment for the recommended reduction that should have totaled \$251,738 in FY 1998. The amount posted was off by \$300. The corrected expenditure limitation would be \$194,307,225 for agency operations in order to reflect the Governor's recommended salary reductions due to retirements that were approved during the 1998 Legislature.

Department of Health and Environment

A. Technical Amendment. The Legislature placed limitations on all funds for the Department of Health and Environment. Further, the Legislature wanted the Department to have the ability to accept and expend additional **special** revenue funds, should they be offered or be made available, as long as notice is sent to the Legislative Coordinating Council prior to accepting the additional funds. Additional technical language needs to be added in order to fully accomplish this task.

B. Clarification. The Legislature placed limitations on all funds, that were "no-limit funds" in the Governor's budget. This same practice has been followed in past years. However, in reviewing past appropriation bills there are approximately 14 funds that remained no-limit under that practice. Those funds are the following: DUI Equipment Fund, Breast Cervical Cancer, Health and Environment Training Fee Fund, Food Service Inspection Reimbursement Fund, Health and Environment Publication Fee Fund, District Coroners Fund, Adult Care Licensing Revolving Fund, Venereal Disease Control Project Fund, Immunization Grant Funds, Aids Drug Reimbursement Program Fund, Public Water Supply Loan Fund, Kansas Water Pollution Control Revolving Fund, and Cost Issuance Fund KWPCRF. Those same funds currently have appropriation limits placed on them. If the Legislature desires to have those funds returned to "no limit" funds, that change needs to be made in the Omnibus bill.

C. Child Care Licensing and Registration (Senate and House Subcommittee). Both the House and Senate Subcommittees recommended reviewing Child Care Licensing and Registration at Omnibus. For FY 1998, the Department will receive a \$1.0 million grant and for

FY 1999, a \$1.5 million for Child Care Licensing and Registration from SRS. The Subcommittees have requested information on percentages of funds that will go to local health departments and percentages of funds to be used on computers and Internet linkage between the state and local health departments. As of this date the Legislative Research Department has not received this information from the agency.

D. AIDS Drug Assistance Program (ADAP) (House Subcommittee). The House Subcommittee would like to review the status of the AIDS Drug Assistance Program. To date the Legislative Research Department has not received an update. The Legislature added \$235,000 (State General Fund) in FY 1998 so that all recipients of the program will continue to receive AIDS Drug Assistance if federal funds run out. Further, the Department has been able to access over \$232,000 (25.0 percent of next year's federal draw down) in federal funds for FY 1998. No funding has been appropriated for ADAP in FY 1999.

E. Bureau of Adult and Child Care (House Subcommittee). The Legislature, in S.B. 495, added \$65,000 and a 0.5 FTE to the Bureau of Adult and Child Care for FY 1999 for assisted living and residential health care facilities inspections. Currently, the Bureau issues an initial license for assisted living and small bed homes after the facility completes a self-attestation process. At this time the Bureau does not perform an on-site inspection. The same process is used for home health agencies. The House Subcommittee recommended that the Department begin initial inspections and other inspections of assisted living and residential health care facilities, home plus and small bed adult day care. The Department estimates that 2.5 FTE positions and an additional \$66,345 (State General Fund) are needed to complete these inspections. The House Committee requested that the Secretary report at Omnibus to see if he can shift 2.0 FTE positions into the Bureau to complete the inspections. As of this date the Legislative Research Department has not received this information.

F. Healthy Start Home Visitor Program (House Subcommittee). The House Subcommittee recommended reviewing funding for the Healthy Start Home Visitor program at Omnibus. The Healthy Start Home Visitor program provides education and support to pregnant women and families with a baby, birth through one year of age. Home visitors provide information on: health care, immunizations, child health assessments; child development; parent-child interactions and relationships and prevention of child injuries. The Legislature provided funding of \$501,880 (State General Fund) and \$837,203 (all funds) for FY 1999.

G. Infant/Toddler (House Subcommittee). The Legislature concurred with the Governor's Budget Amendment in S.B. 495. Therefore State General Fund funding for infant/Toddlers is now \$1,992,000 (State General Fund) or 301.6 percent above the FY 1998 appropriation of \$496,000 (State General Fund). Including federal funds, FY 1999 funding would total \$3,913,187 as compared to the FY 1998 total amount of \$2,432,067.

H. Food Inspection Program (House and Senate Subcommittee). The Department proposes creating a Food Establishment Inspection Fee Fund to fund Restaurant inspections. Currently, fees from food establishment inspections are credited to the State General Fund. The Department proposes raising fees for an annual inspection from \$70 to \$100 for the inspection of restaurants and hotels. At Omnibus, both subcommittees requested that the Department present a plan of how the restaurant/hotel fees portion of State General Fund could be shifted to a fee fund to fund food establishment inspections and report on how this would improve food inspections. Further, what additional FTE positions and funding would be necessary for the program. Under this scenario (increased fees in a fee fund) it may be possible to increase expenditures an additional \$300,000 (all other funds) to improve food establishment

inspections. The Legislature approved food inspection expenditures of \$1,121,329 (State General Fund) in FY 1999. This appropriation includes an enhancement of \$175,995 (SGF) above current service level to increase food establishment inspections. As of this date, no information has been provided to the Legislative Research Department by the agency.

I. Office of Quality Control and Audit (House Subcommittee). The House Subcommittee requested that the Department explore the possibility of establishing an Office of Quality Control and Audit and present a report at Omnibus. At this time, the department has auditors located throughout the agency in various divisions and bureaus. By combining the auditors into a single office, the House Subcommittee believes it may possible for the auditors to operate in a more effective manner. As of this date the Legislative Research Department has not received this information from the agency.

J. Sub. for S.B. 437 (House Floor). The Senate Committee wanted to review the status of Sub. for S.B. 437 at Omnibus. Sub. for S.B. 437 would establish the Childhood Lead Poisoning Prevention Act. The bill authorizes and directs the Secretary of the Department of Health and Environment to develop and implement a childhood lead poisoning prevention program. As part of this program, the Secretary would adopt rules and regulations, standards and procedures relative to lead poisoning prevention as necessary to protect the health of Kansas' children. The bill also allows the Secretary to establish a fee schedule for annual accreditation, licensing, certification and renewal. The bill has passed the Senate, been amended by the House Committee on Health and Human Services and is awaiting debate on the House floor. The Department of Health and Environment estimates that it will require additional expenditures of \$119,000 (all funds) beginning with FY 1999. This funding would provide for a 0.5 Office Specialist FTE position (\$12,750), \$80,000 in professional services from two environmental scientists, and another \$26,250 in other operating expenditures. The expenditures would be directed toward promoting and developing a qualified and trained workforce able to conduct lead-based testing. These expenditures could be financed from the proposed fee fund established by S.B. 437. The Department estimates annual fee receipts of \$119,000, using a projected fee schedule and estimates of the types of licenses, renewals, and accreditation fees that would be assessed in FY 1999. The agency made these assumptions based on Missouri's experience, indicating that Kansas usually has one-half the number of environmental professionals that Missouri does. Finally, the Department reports that it would be eligible for additional federal grant monies. These additional monies would be made available to local health departments through aid to local contracts for screening and public awareness. No estimate is available as to the amount of potential federal funds.

K. H.B. 2950 (Law). Substitute for H.B. 2950 pertains to animal feeding facilities for swine. The bill defines "best management practices for swine facilities" as those schedules of activities, maintenance procedures and other management practices of a swine facility that are designed to minimize or prevent pollution of the air, water or soil or to control odor, flies, rodents and other pests, as determined by the Department of Health and Environment in consultation with Kansas State University and others mentioned in the bill. In S.B. 495, the Legislature added \$580,700 (SGF) and 11.5 FTE for Swine Production Facility Inspectors.

L. H.B. 2972 (Conference Committee). H.B. 2972 would amend current law to permit an adult care home to employ persons who have violated certain laws only if those persons have demonstrated by clear and convincing evidence that they are rehabilitated. The Department indicates that the passage of the bill would require expenditures from the State General Fund of \$239,742 in FY 1999. The agency also indicates that it would require the addition of 5.0 FTE positions. The Department indicates that the bill would require it to initiate

a fair hearing process for the purpose of proving, with clear and convincing evidence, that an individual has been rehabilitated to the degree that employment by an adult care home would be allowed. KDHE would also have to establish rules and regulations governing the process of hiring adult care home staff. The agency indicates that two Administrative Law Judge positions, an Attorney II, an Office Specialist, and an Office Assistant II would be necessary to deal with an estimated 1,025 hearings in FY 1999. The total cost of the FTE positions is estimated to be \$195,142. Other operating costs of \$44,600 would be necessary in FY 1999 to provide equipment for the new positions and to finance travel, communications, and other costs related to the preparation of rules and regulations and the hearing process. Of the other operating costs, \$15,100 would be one-time expenditures for FY 1999.

Kansas Technology Enterprise Corporation

A. Special Projects (Senate and House Subcommittee). Both the House and Senate Subcommittees recommended reviewing Special Projects funding at Omnibus and consider adding \$50,000 (EDIF). It was noted by both subcommittees that the Special Projects Funding had been reduced by the Governor's recommendation from \$69,303 in FY 1998 to \$29,303 in FY 1999. The Legislature concurred with the Governor for FY 1998 and FY 1999. KTEC had requested \$79,303 for FY 1999. The Special Projects Program addresses projects that are not covered under any of KTEC's other existing programs. The KTEC Board of Directors approves expenditures for Special Projects. In the past it has enabled KTEC to initiate the Industrial Agriculture Program (now at Department of Commerce and Housing), prepare a strategic technologies study and plan, develop the initial stage of the formal commercialization process, and provide funding for the graduate intern program.

Department of Commerce and Housing

A. Technical Amendment. S.B. 495 provides \$250,000 (EDIF) as the amount appropriated for Training Equipment Grants for FY 1999. The actual amount to reflect the Legislature's intent should be \$300,000 (EDIF). Therefore, a technical adjustment needs to be made.

Board of Cosmetology

A. Enhancement Funding. The Conference Committee and the Legislature, in S.B. 495, deleted all enhancement funding recommended by the Governor for both FY 1998 and FY 1999. The Governor's recommendation for enhancements consists of the following:

FY 1998

- \$15,000 for the consultation of a new computer system
- \$14,850 to change four part-time inspectors to full-time

FY 1999

- \$100,000 for a new computer system
- \$27,496 to upgrade four part-time inspectors to full-time

The Senate Subcommittee noted that funding for enhancements would be restored for FY 1998 and FY 1999 with a satisfactory response by the agency to the 1997 performance audit. Additionally, the House Subcommittee recommended withholding enhancement funding until a new Executive Director is hired and the agency can demonstrate the capability to effectively handle its affairs.

B. Substitute H.B. 2609 (Conference). Substitute for H.B. 2609, as amended by the House Committee of the Whole, concerns the Board of Cosmetology and the profession it regulates. The amendments address issues in three primary categories: the organization and powers of the Board of Cosmetology, educational requirements for licensees and regulatory matters. H.B. 2609, as substituted by the House Committee on Education, was not substantially different from the current version. The House Committee of the Whole made a change to the maximum allowable fee for renewal of a cosmetologist license. The Board of Cosmetology indicates that the passage of Substitute for H.B. 2609 would impact revenues and expenditures for FY 1999. At this time, the Board indicates that licensing and renewal fees would be raised to increase fee revenue by \$176,189, but not all fees would be increased to the new maximum allowed by the bill. Of the total amount, 20.0 percent, or \$35,237 would be deposited in the State General Fund and 80.0 percent, or \$140,952 would be deposited in the Cosmetology Fee Fund. In addition, the agency would realize a savings of \$675 because Continuing Education Summary Orders to licensees would no longer be required.

Board of Barbering

A. Enhancement Funding for Salaries and Wages. The House Subcommittee recommended deleting \$1,612 in enhancement funding for salaries and wages until the resolution of H.B. 2720. The bill would transfer all inspection duties from the Board of Barbering to the Department of Health and Environment. The House Committee recommended restoring the \$1,612 since H.B. 2720 is still pending in House Education. The funding has been restored in S.B. 495.

Kansas Guardianship Program

A. New Position. The House Subcommittee recommended that the agency provide the amount (including fringe benefits and other operating expenditures) which would be needed to fund an additional Business Assistant for FY 1999. Although the Governor did not recommend funding for this new position, the House Subcommittee recommended revisiting the request during Omnibus. An additional Business Assistant would be responsible for the fiscal tracking system which monitors the receipt of monthly reports regarding guardians and maintaining the annual accounting to the court for the 1500 wards served through the program. According to the agency, the amount needed for an additional Business Assistant would be \$26,482 from

the State General Fund to fund salaries and wages (\$23,482) and other operating expenditures (\$3,000).

Mental Health Hospitals—Systemwide

A. Teacher Salary Increase. The amounts recommended by the Governor and approved by the 1998 Legislature for the school contracts do not include funding for teacher salary increases in FY 1999. The following table shows the amounts from the State General Fund that would be needed to fund salary increases of various percentages.

<u>% Increase</u>	<u>Larned State Hospital</u>	<u>Rainbow Mental Health Facility</u>	<u>Total</u>
0.5	\$ 7,186	\$ 2,947	\$ 10,133
1.0	14,372	5,894	20,266
1.5	21,558	8,841	30,399
2.0	28,744	11,778	40,522
2.5	35,931	14,736	50,667
3.0	43,117	17,683	60,800
3.5	50,303	20,630	70,933
4.0	57,489	23,577	81,066

B. Categorical Aid. In FY 1999, the budgeted school contract for each of the institutions include categorical aid based on a rate of \$19,600 for Larned State Hospital and \$19,360 for Rainbow Mental Health Facility. Currently, the FY 1999 categorical aid rate per eligible teaching unit is estimated to be \$19,750. If this rate is maintained, the school contracts at the hospitals would be overfunded. The following State General Fund amounts would be deleted from each of the hospitals' budgets in FY 1999 to adjust for this difference in rates:

<u>Hospital</u>	<u>SGF Amount</u>
Larned State Hospital	\$ (2,121)
Rainbow Mental Health Facility	(7,410)

The categorical aid rate for FY 1998 was budgeted at \$19,600 for Larned State Hospital and \$19,360 for Rainbow Mental Health Facility per qualified teaching unit. The current estimate for the rate is \$19,350. The following State General Fund amounts would be added to each of the hospitals' budgets in FY1998 to adjust for this difference in rates:

Hospital	SGF Amount
Larned State Hospital	\$ 3,535
Rainbow Mental Health Facility	190

C. Interruptible Gas Contract: The Senate Subcommittee recommended an evaluation of the benefits of an interruptible gas contract for all hospitals. Osawatomie State Hospital provided testimony in favor of an interruptible gas contract as the least expensive. All state hospitals are currently served by an interruptible gas contract or are planning to renew their contract for interruptible gas, except Rainbow Mental Health Facility. According to the Department of Social and Rehabilitation Services (SRS), for the larger hospitals which have access to an alternative service, an interruptible gas contract is the most feasible. Because of its minimal size, however, SRS reports that Rainbow Mental Health Facility would be unable to support an alternative services and therefore an interruptible gas service would not be the most beneficial.

Mental Retardation—Systemwide

A. Teacher Salary Increase. The amounts recommended by the Governor and approved by the 1998 Legislature for the school contracts do not include funding for teacher salary increases in FY 1999. The following table shows the amounts from the State General Fund that would be needed to fund salary increases of various percentages.

% Increase	Kansas Neurological Institute	Parsons State Hospital	Total
0.5	\$ 2,610	\$ 2,947	\$ 5,557
1.0	5,221	2,500	7,721
1.5	7,832	7,502	15,334
2.0	10,442	10,002	20,444
2.5	13,053	12,503	25,556
3.0	15,664	15,004	30,668
3.5	18,274	17,505	35,779
4.0	20,885	20,005	40,890

B. Categorical Aid. In FY 1999, the budgeted school contracts for each of the institutions include categorical aid based on a rate of \$19,170 for Kansas Neurological Institute and \$19,600 for Parsons State Hospital. Currently, the FY 1999 categorical aid rate per eligible teaching unit is estimated to be \$19,750. If this rate is maintained, the school contract at the hospital would be over funded for Kansas Neurological Institute and underfunded Parsons State Hospital. The following State General Fund amounts would be deleted from each of the hospitals' budgets in FY 1999 to adjust for this difference in rates:

Hospital	SGF Amount
Kansas Neurological Institute	\$ (10,730)
Parsons State Hospital and Training Center	(2,438)

The categorical aid rate for FY 1998 was budgeted at \$19,170 for Kansas Neurological Institute and \$19,600 for Parsons State Hospital and Training Center per qualified teaching unit. The current estimate for the rate is \$19,350. The following State General Fund amount would be adjusted to each of the hospitals' budgets in FY 1998 to compensate for this difference in rates:

Hospital	SGF Amount
Kansas Neurological Institute	\$ (3,690)
Parsons State Hospital and Training Center	23,663

State Fair Board

A. Compliance Costs for ADA, EPA, and Fire Safety Regulations (House and Senate Committees, Joint Building Committee). The House and Senate Subcommittees and the Joint Committee on State Building Construction, all requested that the agency report on the results of a study that was authorized by the 1997 Legislature for compliance with accessibility requirements and environmental and fire safety enhancements. The total costs for ADA compliance (\$1,428,295), asbestos removal (\$811,886), lead paint removal (\$996,112), and fire safety compliance (\$1,118,205) are \$4,354,498. The Fair Board is reviewing its original request for \$50,000 from the State General Fund which was not recommended by the Governor. The Fair Board is also requesting an additional \$578,603 from the State General Fund. For FY 1999, the Fair Board's total request for compliance costs is \$628,603 from the State General Fund.

On April 22, 1998, the Joint Committee on State Building Construction recommended \$500,000 from the State General Fund for compliance costs.

Department of Agriculture

A. Office Location and Associated Costs (Deferred to Omnibus). The House and Senate Subcommittees requested to consider the costs related to the Department's location and lease during the Omnibus session. The Department's current lease in the Mills Building expires June 30. The Department has been investigating several alternatives to the location of office space. The current lease is for 37,315 square feet of office space at \$8.33 per square foot, 4,813 square feet of office space at \$7.65 per square foot, and 4,813 square feet of storage space at \$2.51 per square foot.

On April 22, 1998, the Joint Committee on State Building Construction was made aware of the Department's intention to stay at the Mills Building. The Department is requesting a Governor's Budget Amendment for \$709,000 with \$602,000 from the State General Fund and \$107,000 from fee funds.

B. Meat and Poultry Division (House Subcommittee). The House Subcommittee requested to review the Legislative Post Audit report on the Meat and Poultry Division. The report answers the two questions of:

1. What do meat processing plants have to do under new federal laws and regulations relating to food safety requirements and how is the information being communicated to them?
2. Has Kansas adopted more stringent requirements for meat processing plants than those imposed by the federal government, and if so, what is the additional cost of those requirements?

It is uncertain how much these new regulations will cost meat processors. While plant owners are generally satisfied, they expressed concern that inspections were not consistent statewide. Kansas has not adopted more stringent regulations than the federal government's; thus there are no additional costs.

C. Pawnee Water Basin Study (Senate Committee). The Senate Committee requested to review the Pawnee Water Basin Study. The Pawnee Water Basin Study, which is designed to study water quality and depletion, is under evaluation to determine if the study needs to be continued. This basin study has spent \$67,769. If it is determined that the study has either fulfilled its objectives or is no longer necessary, then the study should be discontinued as required by law.

D. Deleted 0.5 Unclassified Temporary Position (House Action). The House had recommended in its subcommittee report the deletion of 0.5 unclassified temporary engineering technician position, but the Department is allowed to keep funds for the position (\$10,519), which comes from the State Water Plan Fund. The funds will be used to pay for equipment needs in its Division of Water Resources.

E. Substitute for H.B. 2950 (Governor). The Department indicates that the passage of the Substitute for H.B. 2950 (the regulation and permitting of swine facilities) will require 1.0 FTE position for the review of nutrient management plans. The Department estimates that it will need \$45,000 annually for the position. Funding would be from the State General Fund. The Department states that it can reallocate an existing FTE position and would not need another.

Kansas Water Office

A. State Water Plan Fund (House and Senate Subcommittees). Both the House and Senate Subcommittees requested a review of the receipts and expenditures of the State Water Plan Fund. For FY 1998, the Governor recommends \$20,883,775 in total available resources. This includes a beginning balance of \$4,441,775. The Governor recommends \$18,763,775 in

expenditures. This leaves an ending balance of \$2,120,000. The Legislature has not adjusted the Governor's FY 1998 recommendation.

For FY 1999, the Governor recommends \$18,430,000 in total available resources. This includes a beginning balance of \$2,120,000. The Governor recommends \$18,430,000 in expenditures. This leaves an ending balance of zero dollars. The Legislature has adjusted the Governor's recommendation by adding \$495 to the Kansas Water Office's budget for an employee's benefits that were not completely calculated previously and by adding \$91,000 for the KSU Ogallala Aquifer Study. The Legislature also deleted \$132,000 for river recreation in the Wildlife and Parks's budget and transferred \$40,000 from the State Budget Stabilization Fund to the State Water Plan Fund. The Legislature has approved expenditures of \$18,389,495 from the Water Plan Fund. This leaves an ending balance of \$80,505.

B. Rental Costs for Office Space (Deferred to Omnibus). Both the House and Senate Subcommittees requested to consider the costs associated to the Water Office's expenses for office space in the Mills Office Building. Along with the Department of Agriculture and the State Conservation Commission, the current lease expires June 30.

On April 22, 1998, the Joint Committee on State Building Construction was made aware of the Water Office's intention to stay in the Mills Building. The Water Office is requesting a Governor's Budget Amendment for furnishings and rental space of \$169,000 from the State General Fund.

State Conservation Commission

A. Substitute for H.B. 2950—Conservation Buffer Initiative (Governor). The legislation concerning the establishment of the buffer initiative (originally found in S.B. 523) was amended into Substitute for H.B. 2950, the regulation and permitting of swine facilities. The Governor recommended \$800,000 from the Economic Development Initiatives Fund for the ten-year life of the program. In their original positions, the House and Senate reduced the funding to \$80,000 for the program's first year of operation. However, the House recommended the program be financed through the State General Fund, and the Senate recommended the program be financed through the State Water Plan Fund. The Conference Committee and the Legislature agreed to delete all funding for the program in S.B. 495.

B. Rental Costs for Office Space (Deferred to Omnibus). Both the House and Senate Subcommittees requested to consider the costs related to the Commission's expenses for office space and office equipment in the Mills Office Building. Along with the Department of Agriculture and the Kansas Water Office, the current lease expires June 30.

On April 22, 1998, the Joint Committee on State Building Construction was made aware of the Commission's intention to stay in the Mills Building. The Commission is requesting a Governor's Budget Amendment for furnishings and rental space of \$79,000 with \$72,680 from the State General Fund and \$6,320 from fee funds.

Juvenile Justice Authority

A. Case Management (House Subcommittee). The House Subcommittee recommended revisiting during Omnibus the issue of adequacy of funding for juvenile offender case management. The Subcommittee received testimony from regional providers predicting that funding for juvenile offender case management in FY 1999 would fall short by as much as \$4.0 million (SGF). The agency is monitoring the cost of case management to determine if additional funding is necessary. The agency reports that if a shortfall becomes imminent, there will be a supplemental request for case management funding in the 1999 Legislative Session.

B. Community Initiatives Grants (House Subcommittee). The House Subcommittee recommended for Omnibus review the process for awarding Community Initiative grants. The Legislature has appropriated \$2.5 million for Community Initiative Grants in FY 1999. These grants are intended to assist the various juvenile justice community planning districts in developing programming alternatives to the state juvenile correctional facilities. Community initiative grants are currently awarded through the Juvenile Justice Authority, however the House Subcommittee requested review of the effectiveness of this process with the idea that the grants may be more effectively distributed by the Kansas Youth Authority.

C. Rural Intake and Assessment (House Subcommittee). The House Subcommittee requested a report from the agency on a proposal for improving the efficiency of rural intake and assessment of juveniles to be reviewed in the Omnibus Session. The Subcommittee received information that the current system of intake and assessment results in difficulties for local law enforcement in rural areas and subsequently directed the agency to develop a recommendation for adapting intake and assessment for successful implementation in rural communities. The agency has submitted a report to the House Subcommittee which will be distributed during Omnibus review.

D. Pay equity for direct care staff in juvenile correctional facilities (House Subcommittee). The House Subcommittee recommended for Omnibus review the issue of pay equity for direct care staff at the juvenile correctional facilities with similar positions in the Department of Corrections. The Juvenile Justice Authority reports that a reclassification of two pay grades for Youth Service Specialist classifications would align them with the Department of Corrections' Correctional Officer classifications. The FY 1999 (SGF) cost of this realignment by facility is as follows:

Atchison Juvenile Correctional Facility	\$	57,591
Beloit Juvenile Correctional Facility		20,468
Larned Juvenile Correctional Facility		67,250
Topeka Juvenile Correctional Facility		97,515

The agency is currently developing a plan to go beyond the request for a pay range change to address the overall Youth Service Specialist classification series. According to the agency, this plan will include content change to the required duties of the classifications, as well as the minimum requirements for the classifications and the knowledge, skills and abilities need to work in the juvenile correctional facilities. The plan will also include a title change to better reflect the nature of the work being asked of the individuals in the positions.

Kansas Dental Board

A. Legal Fees (Senate Subcommittee). The Senate Subcommittee recommended revisiting during Omnibus the agency's request for an expenditure limitation increase of \$30,000 in FY 1998 for unusually high legal fees. The agency requested and received an expenditure limitation increase of \$30,000 in FY 1998 in S.B. 495. In total, the agency has requested \$60,000 in additional funding for legal fees in FY 1998 from the 1998 Legislature and has received half of that amount already. The agency attributes the unusually high legal fees in FY 1998 to the presence of a more active Dental Board and a more enlightened public resulting in the filing of more complaints and subsequent legal actions.

B. H.B. 2724 (Governor). The bill, as amended by the Senate Committee of the Whole, modifies four of the statutes that are a part of the Dental Practices Act. The amendments relate to the practice of dental hygienists and unlicensed persons employed by a dentist, to supervision by a licensed dentist of licensed and unlicensed persons working under the direction of the dentist, to the practice of licensed dentists in certain settings as employees or under contract, and to the expansion, composition, and selection of the Kansas Dental Board.

According to the Kansas Dental Board, the fiscal impact of this bill as it relates to the expansion of the Board is an increase in expenditures of \$3,230 for board member travel and per diem. The agency was not able to estimate the additional cost for implement of new regulations related to the bill at this time.

Board of Healing Arts

A. S.B. 242 (Conference Committee). S.B. 242, as amended by the Senate Committee on Public Health and Welfare, modifies the credentialing status of respiratory therapists from registration to licensure. The bill would require the licensing of respiratory therapists by the Kansas Board of Healing Arts, making the practice of respiratory therapy exclusive to those who are licensed by the board. Current law requires people in this profession to be registered by the board, but not licensed.

The bill amends the definition of respiratory therapy as it appears in K.S.A 65-5502 in order to make it conform with the concept of a protected scope of practice and adds a new definition of qualified medical director to the statute. The bill also modifies the composition of the existing respiratory therapy council, which is advisory to the Board of Healing Arts; to include three respiratory therapists, one physician, a member of the Board of Healing Arts designated by the board president, and two members of the public who are not engaged in providing health care.

According to the Kansas Board of Healing Arts, S.B. 242 would result in expenditures of \$500 in FY 1998 which can be absorbed in the existing agency budget and additional licensing receipts to the Healing Arts Fee Fund of \$11,500 and expenditures from the Healing Arts Fee Fund of \$2,759 for expenses associated with the expanded board in FY 1999.

Behavioral Sciences Regulatory Board

A. Revised Year 2000 Estimate (House Subcommittee). The House Subcommittee noted that it would like to receive an undated and more detailed report on Year 2000 expenditures. The Board has provided the following plan for its Year 2000 expenditures in FY 1998: network connection, \$1,400 to \$2000; creation of new database, \$15,000; and implementation and user training \$400 to \$600. The total cost of this is \$16,800 to \$17,600. The Governor recommended, and the Legislature approved in S.B. 495, \$17,000 for a Year 2000 upgrade in FY 1998.

Kansas Human Rights Commission

A. Report on donations received for the mediation program (House Subcommittee). The House Subcommittee asked for a report on the amount of donations received for the mediation program contracted with Kansas Legal Services so that the amount appropriated for the state matching funds could be reviewed. The Legislature recommended the removal of the \$100,000 cap on State General Fund matching funds for FY 1999 without appropriating additional funds for the program. According to the agency, this will allow them to increase the amount of state dollars directed toward the program internally, if the necessary private donations are received, without increasing their overall expenditures. To date, the agency reports that \$33,333 in private donations have been received for the program for FY 1998.

B. Review the municipal investigation contracts program (House Subcommittee). The House Subcommittee noted that the Governor's FY 1999 budget recommendation was reduced by \$20,000 from the agency request, the amount of the municipal investigation contracts program. The agency did not appeal the Governor's recommendation. The House Subcommittee recommended that the agency continue the municipal investigation program within available resources and that the possibility of additional funding for the program be reviewed at Omnibus. The agency reports that this program has not been as successful as hoped due to lack of adequate staff and expertise at the local level. However, the Commission does note the program's value in providing a cooperative relationship with participating local agencies.

Homestead Property Tax Refunds

A. Report on the number of refunds to date (House and Senate Subcommittees). Both the House and the Senate Subcommittees requested a report on the number of refunds which had been filed at Omnibus so that an accurate funding estimate could be made. The Department of Revenue's latest estimate assumes an additional 18,193 returns through the end of the fiscal year at the current average of \$215 per refund, for a total of 55,800 refunds and total expenditures of \$13.8 million (State General Fund). The Governor recommended and the Legislature approved \$12.0 million (State General Fund) for FY 1998. Based on the latest estimates, the Department is requesting an additional \$1.8 million (State General Fund) for FY 1998.

Kansas Commission on Veterans Affairs

A. Review funding for the Kansas Veterans Home at Winfield (House and Senate Subcommittees). Both the House and the Senate Subcommittees deleted all FY 1999 operating expenditures for the Veterans Home at Winfield recommended by the Governor (\$3,311,332, of which \$810,512 was from the State General Fund, and 135.0 FTE). The Subcommittees requested revised estimates for operating costs prior to Omnibus. The Senate Subcommittee also noted that it intended to look at the possibility of adding an additional FTE position of a budget officer in conjunction with its review of expenditures and positions at the Veterans Home.

- The Commission presented a revised request for operating expenditures of \$530,512 (State General Fund) and 42.0 FTE for FY 1999. Since construction, opening and occupation dates have been revised to a later date there will be no fee fund revenues and this request is funded entirely from the State General Fund. This does not include construction costs for the Kansas Veterans Home.
- The Commission expressed its intent to fill 6.0 FTE position for the entirety of FY 1999. These six administrative positions will be responsible for preparations for opening of the facility. The 36.0 other FTE positions would be filled in the fourth quarter of FY 1999 (probably mid-May or early-June 1999) just prior to beds being occupied. These positions will make up the facility's direct care, food service, and maintenance staff.
- The Commission has revised the construction completion dates so that the first units will be ready for occupation at the end of FY 1999. Because the beds will not be occupied, there is no financing source for operating expenditures in FY 1999 other than state funds.

B. Review status of the campus-wide sewer project at the Kansas Veterans Home at Winfield (House and Senate Subcommittees). Both the House and the Senate Subcommittees requested a report prior to Omnibus on the sewer construction project on the Winfield campus. The Commission has provided an estimate for the total project cost of \$1.6 million in FY 1998. The Commission is operating under the assumption that its fair share of the total project cost is \$800,000, with the other half being the responsibility of the Department of Corrections. It is possible that the Veterans Administration will provide 65 percent of the sewer funds (\$520,000) in its overall construction grant for the Kansas Veterans Home. This would require additional state dollars for construction of \$280,000 which would bring the total state and local contribution for construction of the Kansas Veterans Home to \$5,730,000 (\$2.5 million State General Fund for building purchase; \$1.7 million State Institutions Building Fund for construction; \$1.25 million from the City of Winfield, Arkansas City, and Cowley County; and \$280,000 for the sewer).

C. Review funding for the Wichita Annex to the Kansas Veterans Home at Winfield (House and Senate Subcommittees). Both the House and the Senate Subcommittees requested estimates for operating expenditures at the Wichita Annex prior to Omnibus. No funding has been included in the approved FY 1999 budget for the Wichita Annex, a 60-bed nursing facility adjacent to the Veterans Administration Medical Center and Regional Office. The Commission

reports that total operating costs for the annex at 100 percent operation would be \$2,603,019, of which 38.8 percent, or \$1,008,590, would be from the State General Fund. Additionally, prior to opening capital improvements of at least \$228,000 would be required to bring the facility into compliance with state and federal regulations. The Commission has not requested that funding for operating the Wichita annex be included in its FY 1999 budget but does request permission to continue to negotiate with the Veterans Administration regarding the Wichita Annex.

D. Review upgrade of communications equipment (Senate Subcommittee). The Senate Subcommittee recommended revisiting during Omnibus the Agency's request for \$120,000 (State General Fund) to purchase an upgraded communications system at the Kansas Soldiers' Home at Fort Dodge in FY 1999. The Subcommittee instructed the Commission to obtain additional estimates for a new system. The Commission reports that it has obtained two additional cost estimates for communications systems of \$116,000 and \$134,566.

E. Receive report on computer collaboration with the Veterans Administration (House and Senate Subcommittees). Both the House and the Senate Subcommittees requested a report prior to Omnibus on the status of the agency's collaboration with the Veterans Administration (VA) to upgrade the computer system. The Commission has \$25,000 in its approved FY 1998 budget for computer upgrades. The Commission reports that it intends to move forward with the integration of the VA information management system within current resources. The cost of this integration is \$25,464 (\$19,868 for hardware and software, \$2,800 for state provided computer training, and \$2,800 for VA system specific training).

F. Review status of Halsey Hall remodeling project (House Subcommittee). The House Subcommittee recommended reviewing the Halsey Hall project at the Soldiers' Home at Fort Dodge to determine if the \$200,000 included in the FY 1999 budget, as approved by the Legislature in S.B. 495, for the project would be adequate to maintain licensure. The Commission has negotiated an agreement the Kansas Department of Health and Environment which allows for the reduction of required remodeling costs at Halsey Hall from \$384,225 to \$202,100. This is a continuation of remodeling necessary to upgrade licensure at Halsey Hall from a Recuperative Care Center to an Intermediate Care Facility in order to continue eligibility for per diem reimbursements from the Veterans Administration for veteran care.

G. Review funding for the Persian Gulf War Health Initiative Program (House Subcommittee). The House Subcommittee recommended revisiting the possibility of funding this program. The Commission requested \$101,856 in FY 1999 which was not recommended by the Governor. The Legislature added the requested level of funding to the Commission's FY 1999 budget.

Department of Human Resources

A. Neighborhood Improvement and Youth Employment Act funding (Senate Subcommittee). The Senate subcommittee noted that it might want to consider the possibility of adding additional funding for the program at Omnibus. The House Committee added \$30,000 (State General Fund) in FY 1999 above the Governor's recommendation for a total of \$100,000 (State General Fund) for the program. The Conference Committee and the Legislature in S.B. 495 concurred with the House position and the program is now funded at the \$100,000 level. The

Neighborhood Improvement and Youth Employment program provides grants to employers to offer summer and after school work opportunities to youths meeting certain income guidelines.

B. H.B. 3005 (Law). H.B. 3005 changes regulations relating to boiler safety inspections and provides that 20 percent of inspection fees be deposited in the State General Fund, with the balance of the inspection and all of the certificate fees going to the Boiler Inspection Fee Fund (previously 20 percent of inspection and certificate fees were deposited in the State General Fund). According to the Department of Human Resources, H.B. 3005 would affect the Boiler Safety Unit in the Industrial Safety and Health Section in three ways. First, the agency estimates an additional 400 inspections annually, these inspections could be accommodated with present staff. Second, the Boiler Inspection Fee Fund would realize addition revenues of approximately \$40,000 in FY 1999, which had previously been deposited in the State General Fund. Third, one additional FTE would be required to record and mail certificates. This position could be financed by the additional revenues to the Boiler Safety Inspection Fee Fund. The cost of this is approximated at an additional \$22,000 in FY 1999.

C. H.B. 2799 (Law). H.B. 2799 makes changes to the Workers Compensation Act procedurally and expands criminal liability for fraud. The bill also allows for the use of video conferencing in a mediation conference. According to the Department of Human Resources, the provision to allow mediation by video conference is estimated to cost \$48,350 (Workers Compensation Fee Fund) in FY 1999 and \$18,600 (Workers Compensation Fee Fund) in ensuing years. This estimate is based on the purchase of computers, other hardware and the phone and data lines that would be necessary. Expenditures for the equipment purchase and line installation would be made in the first year (\$29,750) only; expenditures for phone and data line time (\$8,600) would be ongoing.

Kansas Sentencing Commission

A. Senate Subcommittee Recommendation— PROPHET Software Upgrade. The Senate Subcommittee recommended Omnibus review of the PROPHET software upgrade. The Sentencing Commission submitted a revised request for an additional \$10,600 from the State General Fund in FY 1998 to upgrade the current PROPHET prison population model to produce population projections by institutional custody classification level, such as maximum, medium, and minimum. The current model is not capable of making projections by classification level. The Conference Committee on S.B. 495 included the requested funding of \$10,600 in FY 1998 in S.B. 495.

The Subcommittee also recommended that the Sentencing Commission and the Department of Corrections prepare a report to be reviewed during Omnibus describing the current procedures used by the two agencies to develop inmate population projections and the division of tasks between the two agencies. The report should include a recommendation regarding the future role of the PROPHET model in making projections by classification level, and the need for the requested software upgrade. Reports have been received from both the Sentencing Commission and the Department of Corrections which outline the procedures used by both agencies in developing the population projections.

Highway Patrol

A. Senate Subcommittee Recommendation— New Trooper Positions. The Senate Subcommittee flagged the issue of providing additional Trooper positions for the Highway Patrol. In its budget submission, the Patrol had requested 40.0 new FTE positions and associated funding of \$1.4 million in FY 1999. The Governor recommended no new positions. The House Committee originally added \$671,620 (SGF) for 10.0 new FTE positions; this amount was later reduced to 5.0 new positions and \$335,810. A House floor amendment deleted the authorization for the new positions and shifted the funding to "hazardous duty pay." The Conference Committee deleted the funding for the "hazardous duty pay." The Senate Committee recommended that a study of the Patrol's staffing level and management practices be conducted by the Legislative Division of Post Audit.

B. Recommendation by the Senate Committee, House Committee, and Joint Committee on State Building Construction. All three committees recommended Omnibus review of the proposed purchase of a building for storage of vehicles. The agency has requested \$551,000 (Motor Carrier Inspection Fund) in FY 1999 for the purchase of a building in northern Shawnee County to be used as a storage facility for new patrol vehicles and confiscated vehicles. The agency is currently leasing the building at an annual rate of \$18,000. The agency noted the importance of secure storage for the Patrol's new cars and also to protect confiscated property until it is disposed of.

C. Technical Correction— Expenditure Limitation Increase. The Patrol requests a technical correction regarding the Capitol Area Security Patrol (CASP) Fund. The 1997 Legislature approved both funding and positions associated with the closing of Topeka State Hospital. The State Finance Council on June 18, 1997 authorized 6.0 FTE of these positions for the Highway Patrol (Capitol Area Security) to provide security at the West Complex (the former Topeka State Hospital). The expenditure limitation on the CASP Fund should have been increased by \$263,338 to accommodate the new positions; the increase was inadvertently omitted. This funding is included in the Governor's recommendation for FY 1998, but is not reflected in the appropriation bill. No additional funding is requested. In the alternative, the Patrol requests that the CASP Fund be appropriated as "no-limit" in FY 1998. The Governor's recommendation for FY 1999 does appropriate the fund at "no-limit."

Adjutant General

A. Senate and House Committee Recommendation— Additional Funding for STARBASE. Both the Senate and House Committees recommended Omnibus review of the issue of additional funding for the STARBASE educational program. This program, which is 100-percent federally funded, is an effort to improve the mathematics, science, and technology skills of fourth, fifth, and sixth grade Kansas school children. The two sites are located at Forbes Field in Topeka and McConnell Air Force Base in Wichita. The Governor's recommendation includes \$172,000 (federal funds) in each year. Representatives of the program requested an additional \$150,000 to expand the program to Salina. The House Committee added \$150,000 (EDIF) for the program in FY 1999. The Conference Committee deleted this funding and, instead, added \$100,000 (SGF) to the Department of Education for Innovative Program Assistance.

B. House Committee Recommendation— National Guard Educational Assistance Program.

The House Committee recommended Omnibus review of the funding for the National Guard Educational Assistance Program. The Governor has recommended \$101,395 (State General Fund) for this program in FY 1999. The 1996 Legislature enacted S.B. 670 which created the Kansas National Guard Educational Assistance Program for the purpose of providing state payment of tuition and fees for eligible members of the Kansas Army and Air National Guard at Kansas educational institutions. The first funding for the program was approved by the 1997 Legislature, which appropriated \$100,000 (SGF) for FY 1998. The agency reports that, during the fall 1997 semester, 235 scholarships were awarded to Army and Air Guard soldiers at an average of \$425 per student; this resulted in an expenditure of \$99,925 which left no funding available for the spring 1998 semester. The Conference Committee on S.B. 495 added \$80,000 (SGF) for this program, resulting in total funding of \$181,395 for FY 1999.

Department of Wildlife and Parks

A. Senate and House Subcommittee Recommendation— 800 MHZ Radios. Both the Senate and House Subcommittees recommended Omnibus review of the item related to the purchase of 20 new 800 MHZ radios in FY 1999 for law enforcement personnel of the Department. The Senate Committee held a hearing on the 800 MHZ issue and received reports from the Kansas Department of Transportation, Department of Administration, Highway Patrol, and Wildlife and Parks. The Governor had recommended \$32,400 (Wildlife Fee Fund) for the purchase of 20 radios. The funds were deleted by both the Senate and House Committees.

B. H.B. 2876 (Law). H.B. 2876 establishes the Kansas Local Government Outdoor Recreation Grant Program Act. "Outdoor recreational facility" is defined as any public park or other outdoor recreational area or facility, including but not limited to, parks, open spaces, trails, swimming pools, playgrounds, playing courts, and fields. The bill requires the Secretary of Wildlife and Parks to develop and administer a grant program to award grants to Kansas local governments for capital improvements for outdoor recreation facilities. The Secretary of Wildlife and Parks is required to establish, through rules and regulations, guidelines and criteria for awarding these grants. The bill requires a 50 percent match by local governments for each award. According to the Department of Wildlife and Parks, this annual grant process would require additional staff. Specifically, the Department submits that it would require a 0.5 FTE position at an estimated cost of \$15,000 annually. Also, \$5,000 is estimated for postage, printing, and other operating expenditures, for a total of \$20,000 in FY 1999. Also, it should be noted that at present no appropriation exists to provide the state's portion of the grant awards.

C. Technical Correction—Capital Improvement Reappropriation Language. The Revisor's Office recommends a technical correction to the capital improvements section of S.B. 495. The technical correction would allow any FY 1998 balances in the Migratory Waterfowl Propagation and Protection Fund (Duck Stamp Fund) to carryforward to FY 1999 in the wetlands acquisition account. The Legislature has approved expenditures from the Duck Stamp Fund of \$300,000 in FY 1998 and \$100,000 in FY 1999.

Kansas Arts Commission

A. Senate Subcommittee Recommendation— Federal Funds Receipts. The Senate Subcommittee noted that the Governor's recommendation for FY 1999 assumes the receipt of \$412,000 in federal funds to be used for program grants. The Arts Commission had expressed the belief that federal funds in FY 1999 will decline. The Senate Subcommittee wished to review this issue at Omnibus to determine what level of federal funding may be expected in FY 1999. Information received by Legislative Research staff from the Arts Commission (as of April 16, 1998) indicates that the FY 1999 federal grant amount is anticipated to be equal to or slightly greater than the FY 1998 grant (which totaled \$412,100). Therefore, no additional State General Fund resources are requested.

Board of Regents

A. Concurrent Enrollment—House Subcommittee. The House Subcommittee asked that the State Board of Regents and the State Board of Education to contact Regents schools and community colleges to obtain information about the number of credit hours generated by high school students who are concurrently enrolled at Regents schools and community colleges. The Subcommittee requested the information before the end of the session so that it could consider additional recommendations after it has time to review the material.

B. National Geographic Society Education Foundation—Senate Subcommittee. The Conference Committee on S.B. 495 added \$250,000 from the Economic Development Initiatives Fund for the minimum payment to the National Geographic Society Education Foundation, which will allow Kansas to participate in the Foundation's "Endowment Fund Program." This funding will be matched by a like amount from the Foundation, making a total of \$500,000 available.

The Senate Subcommittee had originally flagged this item for Omnibus review; however, the funding was included in S.B. 495. Also, staff of the Board of Regents and the Revisor of Statute's Office think that additional technical and clarifying language may be needed in the appropriation bill to implement this policy.

C. H.B. 2753 (House Appropriations). The House Committee recommended that the proposed changes to the Nursing Scholarship Program be reviewed at Omnibus. The *FY 1999 Governor's Budget Report* recommends that four of the professional scholarship programs (Nursing, Teaching, Osteopathic, and Optometry) administered by the Board of Regents be converted to a forgivable loan structure. The substantive legislation to implement this change, H.B. 2753, is currently in the House Appropriations Committee. The FY 1999 appropriations bill sections for the State Board of Regents were drafted as though the implementing legislation had been approved. References to these four programs in the bill were in terms of "forgivable loan programs" rather than "scholarship programs." The Conference Committee on S.B. 495 modified the language in the appropriations section to reference "scholarship programs" to reflect the existing statutory structure. The Conference Committee also made a dollar adjustment that was required: a reduction in the Nursing program of \$136,328 from the State General Fund and a similar increase in local sponsor funds to continue the local sponsor contribution requirement. (Current law requires that the local sponsor must also provide financial assistance to the nursing student.) No other funding adjustments were needed.

As Amended by the Conference Committee, S.B. 495 continues the current structure of these four scholarship programs. No further action is needed in the appropriation bill.

D. H.B. 2758 (House General Orders). H.B. 2758 would establish a new "Comprehensive Grant Program," as recommended by the Governor. The Governor recommends the creation of a new Comprehensive Grant Program to replace the Tuition Grant Program, the Washburn University Tuition Grant Program, and the Regents Supplemental Grant Program. The *Governor's Budget Report* states that the new program will serve as an access program geared for full-time financially needy students attending a Regents university or independent college. H.B. 2758 would abolish the Regents Supplemental and Tuition Grant Programs, and in their place, establish the Kansas Comprehensive Grant Program. The Governor included \$9.9 million from the State General Fund in FY 1999 for the new grant program. This is an increase of \$940,969 (SGF) over the amount recommended for the three existing programs in FY 1998.

In addition, the bill would repeal the sunset provision currently attached to the Kansas Ethnic Minority Scholarship Program. This program is set to expire on June 30, 1999. As amended, the bill also eliminates the cap on the number of scholarships which can be awarded under the Vocational Scholarship Program. The Governor has recommended that funding for the Vocational Scholarship Program be increased from \$65,000 in FY 1998 to \$100,000 in FY 1999.

The existing appropriation language in S.B. 495 references the new "Comprehensive Grant Program" and makes no mention of the three existing programs. If H.B. 2758 is not enacted, the appropriation language should be revised to reference the current statutory aid programs (the Tuition Grant Program, the Washburn University Tuition Grant Program, and the Regents Supplemental Grant Program). It should also be noted that the Legislature has shifted \$280,000 of the \$9.9 million recommended by the Governor from the State General Fund to federal funds.

Fort Hays State University

A. Senate and House Subcommittee Recommendation— Physical Therapy Program. Both Subcommittees recommended Omnibus review of the request to establish a Physical Therapy Program at FHSU. The University requests funding of \$201,000 (revised request) in FY 1999 from the State General Fund and 3.0 FTE positions to establish a Physical Therapy Program at FHSU. The agency estimates that the program, when fully operational, would enroll 24 students per class. The program would be operated with partnerships with other existing programs to reduce costs. The ongoing costs are expected to be around \$330,000. The program would enroll its first students in the Fall of 1998. The Conference Committee on S.B. 495 included the requested funding of \$201,000 and 3.0 FTE.

B. Senate and House Subcommittee Recommendation— Servicing New Buildings Request. Both Senate and House Subcommittees recommended Omnibus review of the request for new buildings operating support at FHSU. The University requests \$90,908 (SGF) in FY 1999 for annualization of the new buildings operating support for the Sternberg Museum project. The FY 1999 request is composed of \$55,394 for salaries and wages, \$13,183 for other operating expenditures, and \$22,331 for utilities. (**Staff Note:** Actions by prior Legislatures have approved a total of 7.1 FTE positions for the new museum. This was calculated on the basis of 1.0 FTE per 12,500 gross square feet.) The 1997 Legislature

approved funding of \$68,577 (State General Fund) for operating support for the Sternberg Museum; that funding is being held pending a firm opening date. The current estimate is that the museum will open in March of 1999.

Emporia State University

A. House Subcommittee Recommendation— Servicing New Buildings Request. The House Subcommittee recommended Omnibus review of the servicing new buildings request at ESU. The University requests a total of \$81,639 (State General Fund) in FY 1999 and 2.0 new FTE positions for servicing new buildings in FY 1999. Of that amount, \$7,824 is for nine-months for other operating expenditures and utilities for a 6,065 gross square foot (gsf) addition to the press box at Welch Stadium: the new addition will house enclosed seating on the first floor; a President's area and sky boxes on the second floor; and a press box on the third floor.

The remaining \$73,815 and 2.0 FTE positions are requested for a 23,962-square-foot addition to Beach Music Hall which will be used to accommodate large ensembles and allow more space for offices and classrooms. The two positions are a Custodial Worker and a General Maintenance and Repair Technician. In accordance with Regents guidelines, the University request was calculated on the basis on 1.0 FTE per 12,500 gsf at \$22,230 per FTE; other operating expenditures at \$0.51 per gsf; and utilities at \$0.78 per gsf. (**Staff Note:** The 1997 Legislature approved a formula of 1.0 new FTE for each 15,000 gsf for the Kansas Technology Center at Pittsburg State University.)

B. House Subcommittee Recommendation— "Teacher Excellence Initiative." The House Subcommittee recommended that the "Teacher Excellence Initiative" be reviewed during Omnibus. The Governor recommends \$50,000 (SGF) in FY 1999 for a "Teacher Excellence Initiative." According to the *Governor's Budget Report*, the Governor is funding a program at Emporia State University to promote excellence in elementary and secondary teaching. Teachers will receive certification by meeting criteria established by the national Board of Professional Teaching Standards. Emporia State University will receive \$50,000 from the State General Fund to coordinate the program. Another \$75,000 is recommended for the Department of Education to provide scholarships to 75 teachers. The Conference Committee on S.B. 495 included \$40,000 in the ESU budget and another \$40,000 in the Department of Education budget for the program.

Regents Systemwide

A. General Fees Fund (Tuition) Revised Estimates - Non-Tuition Accountability Institutions. Based on Spring 1998 enrollments, the institutions not participating in tuition accountability have submitted revised estimates of tuition revenues for both FY 1998 and FY 1999. The Consensus Tuition Estimating Committee (composed of staff of the Board of Regents Office, Division of the Budget, and the Legislative Research Department) has concurred with the institutions' revised estimates.

For FY 1998, based on Spring enrollments, a net shortfall in available tuition revenue totaling \$76,903 is projected. Based on these revisions, under traditional budgeting methods, additional State General Fund dollars of \$76,903 would be required to maintain institutional operating budgets at the approved levels. The table below shows the net increase or decrease

in available tuition revenue at each institution based on the revised estimates. It should be noted, however, that the KSU Veterinary Medical Center is requesting supplementation for only \$5,279, instead of the full \$12,228 reflected in its revised estimate. The lower figure was the amount increased over the FY 1998 approved expenditure limitation based on Fall 1997 enrollments. With that adjustment the total from the State General Fund that would be required to supplement the budgets affected would total \$69,954.

For FY 1999, based on Spring enrollments, a net shortfall in available tuition revenue totaling \$364,973 is projected. Based on these revisions, under traditional budget methods, additional State General Fund dollars of \$364,973 would be required to maintain institutional operating budgets at the approved levels. The table below shows the net increase or decrease in available tuition revenue at each Regents institution based on the revised estimates.

FY 1998 Revised Tuition Estimates

	<u>Approved Amount</u>	<u>Revised Estimate</u>	<u>Difference</u>
KU Medical Center	\$ 9,618,455	\$ 9,564,126	\$ (54,329)
KSU Veterinary Medical Center	4,615,500	4,603,272	(12,228) *
Emporia State University	7,929,713	7,929,222	(491)
Fort Hays State University	7,779,176	7,769,321	(9,855)
Pittsburg State University	<u>9,793,595</u>	<u>9,793,595</u>	<u>0</u>
TOTAL	<u>\$ 39,736,439</u>	<u>\$ 39,659,536</u>	<u>\$ (76,903)</u>

* The amount requested by KSU Veterinary Medical Center is \$5,279, not the full \$12,228 reflected in its revised estimate. The adjusted total would be \$69,954.

FY 1999 Revised Tuition Estimates

	<u>Approved Amount</u>	<u>Revised Estimate</u>	<u>Difference</u>
KU Medical Center	\$ 9,979,582	\$ 9,876,807	\$ (102,775)
KSU Veterinary Medical Center	4,847,749	4,811,757	(35,992)
Emporia State University	8,210,994	8,074,206	(136,788)
Fort Hays State University	8,020,642	7,862,549	(158,093)
Pittsburg State University	<u>9,965,170</u>	<u>10,033,845</u>	<u>68,675</u>
TOTAL	<u>\$ 41,024,137</u>	<u>\$ 40,659,164</u>	<u>\$ (364,973)</u>

A. General Fees Fund (Tuition) Revised Estimates - Tuition Accountability Institutions.

Based on Spring 1998 enrollments, the institutions participating in tuition accountability have submitted revised estimates of tuition revenues for both FY 1998 and FY 1999. The Consensus Tuition Estimating Committee has concurred with the institutions' revised estimates.

For FY 1998, based on Spring enrollments, a net shortfall in available tuition revenue totaling \$36,840 is projected. Under the provisions of tuition accountability, the shortfalls are not offset, but the recommended levels of expenditure would be adjusted accordingly. In the past, the Governor has recommended retaining the original expenditure limitation, however, in the event that revenues above the revised estimates are actually generated. The table below reflects the increases and decreases in available tuition revenue projected for each institution participating in tuition accountability.

For FY 1999, based on Spring enrollments, a net shortfall in available tuition revenue totaling \$51,562 is projected. Under the provisions of tuition accountability, the shortfalls are not offset, but the recommended levels of expenditure would be adjusted accordingly. In the past, the Governor has recommended retaining the original expenditure limitation, however, in the event that revenues above the revised estimates are actually generated. The table below reflects the increases and decreases in available tuition revenue projected for each institution participating in tuition accountability.

FY 1998 Revised Tuition Estimates

	<u>Approved Amount</u>	<u>Revised Estimate</u>	<u>Difference</u>
University of Kansas	\$ 71,621,799	\$ 71,426,303	\$ (195,496)
Kansas State University	39,506,874	40,611,914	1,105,040
Wichita State University	<u>24,626,795</u>	<u>23,680,411</u>	<u>(946,384)</u>
TOTAL	<u>\$ 135,755,468</u>	<u>\$ 135,718,628</u>	<u>\$ (36,840)</u>

FY 1999 Revised Tuition Estimates

	<u>Approved Amount</u>	<u>Revised Estimate</u>	<u>Difference</u>
University of Kansas	\$ 74,289,000	\$ 74,289,000	\$ 0
Kansas State University	40,907,590	42,314,867	1,407,277
Wichita State University	<u>25,982,576</u>	<u>24,523,737</u>	<u>(1,458,839)</u>
TOTAL	<u>\$ 141,179,166</u>	<u>\$ 141,127,604</u>	<u>\$ (51,562)</u>

With regard to Wichita State University, the sharp reduction in estimated tuition revenues appears to be related to a substantial reduction in non-resident student credit hours. The University attributes much of this decline to the Asian currency crisis. Information provided by

the University indicates that from the 1996-1997 academic year to the 1997-1998 academic year, credit hour enrollment for students from Hong Kong, Indonesia, Japan, Korea, Malaysia, and Thailand fell by 2,756 credit hours, or 22.0 percent, for an FY 1998 tuition revenue loss of \$736,541 had enrollment remained steady.

University of Kansas

A. Funding for Dole Institute of Public Service and Public Policy. During the 1998 regular Session, the House Subcommittee deleted FY 1999 funding of \$3.0 million from the State Budget Stabilization Fund recommended by the Governor for partial construction costs of the Dole Institute. The House Subcommittee indicated that it believed private funding would be the most appropriate method of constructing the facility, but decided to review the issue again during Omnibus. The Conference Committee on S.B. 495 subsequently adopted the Senate position and included the funding for the facility.

Wichita State University

A. New Buildings Operating Support - Wichita Metropolitan Complex. The House Subcommittee deferred a decision on funding for new buildings operating support for the Wichita Metropolitan Complex for Omnibus review. The University had requested \$237,874 in FY 1998, annualized to \$318,478 in FY 1999, and 6.0 FTE positions. The University's request was based on a formula of 1.0 new FTE position for each 12,500 square feet of space, as approved by the Board of Regents. During the 1998 regular session, the Senate added a total of \$222,186 in FY 1998, and \$305,358 in FY 1999 and 5.0 FTE positions, based on a formula of 1.0 new FTE position for each 15,000 square feet of space. The Conference Committee on S.B. 495 accepted the Senate position and that amount of funding was added to the WSU budget.

B. Physician Assistant Program. The House Subcommittee deferred a decision regarding additional funding for the Physician Assistant (PA) program at Wichita State University in FY 1999 pending Omnibus review. The funding would replace money lost with the expiration of a Kansas Health Foundation grant. The grant allowed WSU, beginning in 1994, to increase the class size by 16 students per year. The University originally requested \$268,331 as part of its budget request submitted to the Board of Regents. That amount was subsequently reduced to \$94,853 to partially replace the funding. During the 1998 regular Session, the Senate added \$75,000 from the State General Fund for partial replacement of the lost funding, but the amount was deleted by the Conference Committee. The House Subcommittee requested information on grants made by the Health Foundation to other state agencies to assist it in determining whether replacement funding for the PA program was appropriate.

The Kansas Health Foundation lists active grants totaling \$39.8 million made to state agencies, including Wichita State University, the University of Kansas, the University of Kansas Medical Center, Fort Hays State University, and the Kansas Department of Health and Environment. As of April 16, 1998, a total of \$29.3 million of the grant funding had actually been paid to the agencies involved. The Foundation indicates that each grantee is asked to plan for the long term sustainability of the projects if continued funding is anticipated to be necessary.

Kansas State University Extension Systems and Agriculture Research Programs

A. H.B. 2289 (Law). H.B. 2289 requires the University to establish a research project to study the biology and control of sericea lespedeza (which is designated as a noxious weed by the bill). The project, which is subject to appropriations, would be for a period of two years and calls for the establishment of demonstration plots and for the institution to conduct field days and workshops with respect to the control and eradication of sericea lespedeza. The University estimates FY 1999 expenditures of \$26,000 for costs associated with the study, including \$16,700 for the salaries of a part-time graduate research assistant and other student help.

B. Substitute for H.B. 2950 (Governor). Sub. for H.B. 2950 amends prior law and establishes new provisions relating to the regulation of confined animal feeding facilities. Among other things, the bill requires KSU Extension Systems and Agriculture Research Programs, within the limitations of appropriations, to conduct nutrient management testing of land where animal waste is applied, including deep soil sampling for the purpose of identifying potential risk of groundwater contamination. The testing would be in addition to the lagoon study recommended by the Governor and approved by the Legislature. Information presented to the Conference Committee on H.B. 2950 indicates a three year cost totaling \$711,675, or \$237,225 per year, beginning in FY 1999, to support the costs of the additional nutrient management testing. The funding would be entirely for the salaries and wages of 9.0 positions, including 2.0 post-doctoral scientists, 4.0 Ph.D. students, and 3.0 technicians to conduct the testing.

Kansas State Historical Society

A. Funding for Historic Sites Preservation and Development. During its review of the capital improvements request of the State Historical Society, the Joint Committee on State Building Construction determined that it would review the issue of funding for historic sites preservation and development during Omnibus. The agency had originally requested \$411,640 in FY 1999 from the State General Fund for renovation work at Fort Hays, Shawnee Mission, the Kaw Mission, and Marais des Cygnes Massacre Park. Subsequent to the budget submission, the agency developed a three-year \$2.4 million plan to complete work at 13 different sites. The plan would call for first year funding of \$605,000, second year funding of \$870,000, and third year funding of \$875,000. The 1998 Legislature has so far added a total of \$100,000 from the Economic Development Initiatives Fund to provide for historic sites renovation. The Building Committee considered this issue at its meeting on April 22, 1998, and took no additional action.

B. Storage Bay 3 -- Center for Historical Research. At its meeting on April 22, 1998, the Joint Committee on State Building Construction recommended the expenditure of \$2,098,540 from the State General Fund in FY 1999 to construct a third storage bay at the Center for Historical Research. The 1992 Legislature appropriated a total of \$12.3 million, including \$8.3 million from the State General Fund and \$4.0 million from the Economic Development Initiatives Fund, for construction of the Center for the Historical Research. The appropriation included funding for three storage bays. The Governor subsequently vetoed the \$4.0 million appropriation from the EDIF, and one bay was eliminated to reduce the cost of the facility. According to the Society, the two storage bays were full when the facility opened and

over 10,000 cubic feet of archival materials is currently stored off site in an unheated and uncooled warehouse. The Society estimates that the 22,500 square foot third storage bay would meet its archival material storage needs through the year 2020.

University of Kansas Medical Center

A. S.B. 373 (Law) transfers control of the University of Kansas Medical Center (KUMC) to the newly created University of Kansas Hospital Authority. The transfer is to take place on or before December 31, 1998. KUMC estimates that the Governor's recommended FY 1999 budget could be reduced by \$80.4 million from special revenue funds, based on a December 31 transfer date. This action has already been taken by the 1998 Legislature. The agency also requests the appropriation of two new special revenue funds, the Services to Hospital Authority Fund and the Direct Medical Education Reimbursement Fund. The agency requests no limit expenditure authority on the Services to Hospital Authority Fund and a limit of \$2,428,197 on the Direct Medical Education Reimbursement Fund. After the transition these two funds would take the place of the Hospital Overhead Reimbursements Fund. The agency's request would not change the approved budget.

Department of Administration

A. State Complex West. The Conference Committee recommended Omnibus review of funding to maintain and operate the grounds of the former Topeka State Hospital, now known as the State Complex West, in FY 1999. The agency's authority to operate and dispose of the property expires in FY 1998 and no funding or positions are currently included in the FY 1999 budget. The current year budget for operating the facility includes reportable expenditures of \$773,291, including \$500,000 from the State General Fund, and nonreportable expenditures of \$1,380,806. In addition, 18.0 FTE positions are authorized in the current year to operate and maintain the facility. The property currently is occupied by the Department of Corrections, the Department of Agriculture, the Department of Social and Rehabilitation Services and the State Printing Plant. For FY 1999 the Department of Administration requests authority to operate and dispose of the facility, to charge rents to agencies occupying the property, and 8.0 FTE positions. Funding to support the positions would come from the rents charged for use of the facility. The agency also requests authority to transfer any positions no longer required due to disposition of the property to the Department of Corrections, where they would be utilized to operate the central heating plant and help maintain the facility.

B. Memorial Hall. The Conference Committee recommended Omnibus review of the funding needs for the renovation of Memorial Hall. The estimated cost of the renovation project has increased from the approved amount of \$4.8 million to a new revised estimate of \$5,530,600. The agency requests that the bonding authority for the project be increased to the revised amount. The agency attributes the required increase to increases in the personnel of the agencies to occupy Memorial Hall, building inefficiencies, circulation design changes and the inclusion of a covered walkway between Memorial Hall and the Landon State Office Building. The Joint Committee on State Building Construction concurred with the agency's request for additional bonding authority at the Committee's April 22, 1998, meeting.

The budget submitted by the Governor for FY 1999 included \$295,000 from the State General Fund for the first year of debt service for Memorial Hall and \$40,000 from the State

Building Depreciation Fund for design work for a new steam tunnel connection between the Statehouse and the Judicial Center, Memorial Hall and the Landon State Office Building. These amounts were removed from the budget pending Omnibus review. A revised debt service schedule prepared by the Kansas Development Finance Authority indicates that amount required in FY 1999 to service the \$5.5 million in bonds totals \$223,682. The revised construction budget of \$5.5 million does not include the planning funds for the new steam tunnel nor the steam tunnel's estimated construction cost of \$270,000.

C. Public Broadcasting Funding. The House Committee recommended that state funding for public broadcasting be reviewed at Omnibus. The approved FY 1999 budget for the Kansas Public Broadcasting Council includes \$1.7 million for operating grants (an increase of \$200,000 from the current year) and \$450,000 for equipment grants (an increase of \$150,000 from the amount approved by the 1997 Legislature). The Council's FY 1999 request included \$4,955,148 for operating grants and \$400,000 for equipment grants.

D. H.B. 2607 (Law) abolishes the Office of the State Long-Term Care Ombudsman in the Department on Aging and transfers its functions to an independent Office attached to the Department of Administration effective June 14, 1998. The approved FY 1999 budget for the Department on Aging includes \$221,018 (\$32,108 State General Fund) and 4.5 positions for the Office of the State Long-Term Care Ombudsman. The Department of Administration reports that an additional \$286,401 from the State General Fund and 3.5 FTE positions would be required to operate the new independent Office in addition to those amounts currently in the Department on Aging's budget. The total requested amount to operate the office is \$507,413 including \$318,509 from the State General Fund.

Kansas Bureau of Investigation

A. Regional Forensic Laboratory. The House Committee, Senate Committee, and Joint Committee on State Building Construction all have recommended that the issue of funding for a regional forensic laboratory to serve southeast Kansas be considered at Omnibus. The agency requests \$468,197 from the State General Fund and 1.0 FTE position to establish a forensic laboratory in Pittsburg in FY 1999. The facility would be located in Shirk Hall on the campus of Pittsburg State University (PSU) in space adjacent to the PSU police department. The facility would serve as a regional evidence receiving center and to analyze fingerprints and illegal drugs in the 15 county region. In addition to the 1.0 FTE Evidence Technician position requested by the agency, 3.0 additional existing positions would be stationed at the facility. The requested funding includes \$180,000 to renovate Shirk Hall for laboratory space, \$157,266 for laboratory equipment, \$103,310 for operating expenses and \$27,621 for the requested new position. The Joint Committee on State Building Construction concurred with the agency's request for the capital improvement portion of this project at the Committee's April 22, 1998, meeting.

The House Committee also recommended review of establishing a regional forensic laboratory in Kansas City. Agency officials report that discussions about such a facility have occurred with local officials but that no estimate of the cost of establishing a Kansas City facility has been established.

B. ASTRA Fees. The House Committee recommended consideration of funding for increased DISC fees associated with the installation of the new Automated Statewide Telecommunications and Record Access (ASTRA) System in FY 1999. The agency reports that

\$269,532 from the State General Fund would be required for DISC fees to maintain both the new and old systems while local law enforcement agencies install and become familiar with the new equipment.

C. Headquarters Expansion Project. The House Committee recommended Omnibus review of a proposed expansion for the agency's Topeka headquarters. The current facility, constructed in 1928 and remodeled in the early 1980s, reportedly provides inadequate space and potentially dangerous conditions for the personnel located in the forensic laboratory. The agency has received a proposal to construct a \$6.4 million facility adjacent to the existing headquarters building to serve as a new laboratory. An additional \$900,000 would be required to renovate the current facility. Estimated costs of bonding the new facility are \$690,000 per year, based on a 20-year bond issuance. The Joint Committee on State Building Construction recommended at its April 22, 1998, meeting that this project not be funded.

Department of Revenue

A. H.B. 2686 (Law) authorizes permanent license plates for apportioned fleet registration of commercial vehicles, effective January 1, 1999. The agency reports that \$16,959 from the Division of Vehicles (DOV) Operating Fund will be required in FY 1999 for the computer program changes required to implement the bill.

B. H.B. 2707 (Law) would authorize a special sales tax in Atchison County to support jail construction. The agency reports that \$3,920 from the State General Fund will be required in FY 1998 for computer system changes and to print and mail new sales tax rate cards.

C. S.B. 139 (Governor) revises numerous statutes related to motor vehicle titles and license plates. The following summarizes the fiscal notes on several sections of the bill:

Repossessed Vehicles. The bill creates the new Repossessed Certificates of Title Fee Fund and authorizes the imposition of an additional \$3 fee for obtaining a new certificate of title on repossessed vehicles. The agency reports that implementation of the bill would require total expenditures from the fund in FY 1999 of \$97,570 and 3.0 FTE Office Assistant III positions. The estimate includes \$76,050 for the salaries of the requested positions, \$17,400 for capital outlay, \$3,292 for computer program modifications and \$828 in annual operating expenses.

Merchant Marines. The bill adds veterans of the Merchant Marines to the list of those eligible for special veterans licence plates. The agency estimates that \$780 from the DOV Operating Fund would be required in FY 1999 to manufacture an additional 500 license plates.

Antique Vehicles. The bill authorizes antique vehicle owners to register and display a model year license plate. The agency estimates that between \$30,000 and \$50,000 from the DOV Operating Fund would be required in FY 1999 for contract programmers to make the necessary program changes to the Vehicle information Processing System (VIPS) required to implement this provision.

D. S.B. 416 (Governor) expands the ability of insurance companies to qualify for certain tax credits and investment incentives. The agency reports that implementation of the bill would require one Tax Examiner III position with an image enabled work station for one hour a day at an estimated FY 1999 cost of \$11,776.

E. S.B. 418 (Governor) allows for licensed motor vehicle fuel tax distributors to receive a tax credit against the motor fuel tax for the costs of installing equipment necessary to file reports via electronic or magnetic media. The agency reports that \$1,980 would be required in FY 1998 for one time computer programming changes. The fiscal note from the Division of the Budget also indicates that the bill may reduce FY 1999 State General Fund receipts by \$2.9 million depending on the number of distributors who elect to claim the tax credit.

F. S.B. 488 (Governor) requires the agency to mail renewal notices to holders of nondriver identification cards. The agency estimates that implementation of the bill in FY 1999 will require \$11,188 from the DOV Operating Fund for computer modifications (\$6,388) and forms and postage to mail renewal notices (\$4,800).

G. S.B. 493 (Governor) modifies several sections of the Kansas tax code, including elimination of the inheritance tax, creating a state earned income tax credit, expansion of exemptions from sales tax, increasing income tax deductions, and many more. A preliminary estimate of the cost to implement S.B. 493 in FY 1999 is \$3,962,951 from the State General Fund, including 20.0 FTE positions. The estimate includes on going costs of \$744,841 for the salaries of 2.0 State Auditor IV, 16.0 Tax Examiner III, 1.0 Office Assistant IV and 1.0 Office Assistant II positions and \$5,520 for telephone charges. One time costs of \$3,215,590 include \$2,945,800 for contractual programming services to modify the Project 2000 computer system, \$140,000 for 20 image enabled workstations for the requested positions, \$62,000 for postage, \$48,000 for auditor training and \$16,790 for printing.

Department of Social and Rehabilitation Services

A. Caseload Estimates. Staff of the Kansas Legislative Research Department, the Division of the Budget, the Kansas Department on Aging (KDOA) and the Department of Social and Rehabilitation Services (SRS) met on April 16 to develop consensus caseload estimates on agency programs for FY 1998 and FY 1999. Consensus was reached on expenditure estimates for Temporary Assistance for Families, General Assistance, regular medical assistance, adult care facilities (including nursing facilities, nursing facilities for mental health and intermediate care facilities for the mentally retarded), the Home and Community Based Services (HCBS) programs, and child welfare services (including foster care contracts, adoption contracts and adoption support). In total, estimated State General Fund expenditures are increased by \$3.6 million in FY 1998 and \$853,000 in FY 1999 compared to the recommended budget. Large all funds decreases in the Temporary Assistance for Families program were not matched by State General Fund decreases due to the required maintenance of effort. Financing from the State General Fund for programs operated by KDOA was decreased by \$1.0 million in FY 1998 and \$4.3 million in FY 1999. State General Fund expenditures for programs operated by SRS were increased by \$4.5 million in FY 1998 and \$5.1 million in FY 1999. The following tables summarize the November 1997 and April 1998 caseload estimates and the resulting differences:

FY 1998		November Estimate	April Estimate	Difference
Cash Assistance				
Temporary Assistance for Families	All Funds	\$ 59,000,000	\$ 53,400,000	\$ (5,600,000)
	SGF	40,078,100	40,078,100	0
General Assistance	All Funds	4,500,000	4,500,000	0
	SGF	983,900	983,900	0
Medical Assistance				
	All Funds	\$ 485,000,000	\$ 480,800,000	\$ (4,200,000)
	SGF	147,902,600	147,902,600	0
Adult Care Facilities				
Nursing Facilities (KDOA)	All Funds	\$ 246,000,000	\$ 240,000,000	\$ (6,000,000)
	SGF	99,138,000	96,720,000	(2,418,000)
Nursing Facilities - Mental Health	All Funds	10,800,000	10,800,000	0
	SGF	8,036,300	8,036,300	0
Intermediate Care Facilities - MR	All Funds	37,000,000	35,500,000	(1,500,000)
	SGF	<u>14,985,000</u>	<u>14,377,500</u>	<u>(607,500)</u>
Subtotal - Adult Care Facilities	All Funds	\$ 293,800,000	\$ 286,300,000	\$ (7,500,000)
	SGF	<u>122,159,300</u>	<u>119,133,800</u>	<u>(3,025,500)</u>
Home and Community Based Services				
HCBS - Frail Elderly (KDOA)	All Funds	\$ 21,400,000	\$ 25,000,000	\$ 3,600,000
	SGF	8,622,100	10,072,500	1,450,400
HCBS - Physically Disabled	All Funds	18,500,000	24,500,000	6,000,000
	SGF	7,492,500	9,922,500	2,430,000
HCBS - Head Injured	All Funds	4,700,000	3,700,000	(1,000,000)
	SGF	1,903,500	1,498,500	(405,000)
HCBS - Tech. Assisted	All Funds	100,000	100,000	0
	SGF	40,500	40,500	0
HCBS - Developmentally Disabled	All Funds	109,000,000	118,600,000	9,600,000
	SGF	<u>44,145,000</u>	<u>48,033,000</u>	<u>3,888,000</u>
Subtotal - HCBS	All Funds	\$ 153,700,000	\$ 171,900,000	\$ 18,200,000
	SGF	<u>62,203,600</u>	<u>69,567,000</u>	<u>7,363,400</u>
Children's Services				
Foster Care Contracts	All Funds	\$ 53,000,000	\$ 53,000,000	\$ 0
	SGF	22,796,000	24,380,000	1,584,000
Adoption Contracts	All Funds	10,000,000	8,000,000	(2,000,000)
	SGF	6,451,700	3,680,000	(2,771,700)
Adoption Support	All Funds	10,000,000	10,300,000	300,000
	SGF	<u>4,332,300</u>	<u>4,738,000</u>	<u>405,700</u>
Total - Children's Services	All Funds	\$ 73,000,000	\$ 71,300,000	\$ (1,700,000)
TOTAL - FY 1998	All Funds	\$ 1,069,000,000	\$ 1,068,200,000	\$ (800,000)
	SGF	\$ 406,907,400	\$ 410,463,400	\$ 3,556,000

FY 1999		November Estimate	April Estimate	Difference
Cash Assistance				
Temporary Assistance for Families	All Funds	\$ 53,000,000	\$ 46,260,000	\$ (6,740,000)
	SGF	35,336,000	35,336,000	0
General Assistance	All Funds	4,500,000	4,500,000	0
	SGF	983,900	983,900	0
Medical Assistance				
	All Funds	\$ 499,000,000	\$ 486,700,000	\$ (12,300,000)
	SGF	149,663,600	149,700,000	36,400
Adult Care Facilities				
Nursing Facilities (KDOA)	All Funds	\$ 265,000,000	\$ 250,000,000	\$ (15,000,000)
	SGF	106,795,000	100,750,000	(6,045,000)
Nursing Facilities - Mental Health	All Funds	11,200,000	11,200,000	0
	SGF	8,317,100	8,317,100	0
Intermediate Care Facilities - MR	All Funds	34,800,000	36,500,000	1,700,000
	SGF	14,020,900	14,705,900	685,000
Subtotal - Adult Care Facilities	All Funds	\$ 311,000,000	\$ 297,700,000	\$ (13,300,000)
	SGF	129,133,000	123,773,000	(5,360,100)
Home and Community Based Services				
HCBS - Frail Elderly (KDOA)	All Funds	\$ 24,600,000	\$ 29,000,000	\$ 4,400,000
	SGF	9,911,300	11,684,100	1,772,800
HCBS - Physically Disabled	All Funds	19,400,000	25,000,000	5,600,000
	SGF	7,816,300	10,072,500	2,256,200
HCBS - Head Injured	All Funds	5,000,000	5,000,000	0
	SGF	2,014,500	2,014,500	0
HCBS - Tech. Assisted	All Funds	103,000	100,000	(3,000)
	SGF	41,500	40,300	(1,200)
HCBS - Developmentally Disabled	All Funds	118,000,000	125,500,000	7,500,000
	SGF	47,542,200	50,564,000	3,021,800
Subtotal - HCBS	All Funds	\$ 167,103,000	\$ 184,600,000	\$ 17,497,000
	SGF	67,325,800	74,375,300	7,049,500
Children's Services				
Foster Care Contracts	All Funds	\$ 43,500,000	\$ 44,600,000	\$ 1,100,000
	SGF	20,010,000	20,516,000	506,000
Adoption Contracts	All Funds	10,900,000	8,000,000	(2,900,000)
	SGF	5,014,000	3,680,000	(1,334,000)
Adoption Support	All Funds	13,000,000	13,000,000	0
	SGF	5,980,000	5,980,000	0
Subtotal - Children's Services	All Funds	\$ 67,400,000	\$ 65,600,000	\$ (1,800,000)
	SGF	31,048,900	30,176,000	(872,900)
TOTAL - FY 1999	All Funds	\$ 1,102,003,000	\$ 1,085,360,000	\$ (16,643,000)
	SGF	\$ 413,491,200	\$ 414,344,200	\$ 853,000

B. Omnibus Review Items.

1. **Mental Health Services -- KAPS Watchdog Project (House and Senate Subcommittees).** The House and Senate Subcommittees reviewing the community mental health budget for FY 1999 received a request from Kansas Advocacy and Protective Services (KAPS) for funding of \$250,000 SGF to provide statewide monitoring and advocacy services to persons with mental illness now living in the community. In addition, the Senate Subcommittee received an alternate request for \$100,000 SGF to implement a pilot project in Shawnee County. Currently, KAPS federal funding limits their mental health related services to persons in an institution and for 90 days after discharge. The requested funding would allow KAPS to serve mentally ill persons living in the community who either have not be institutionalized or have been discharged for more than 90 days. The House Subcommittee recommended the request for \$250,000 SGF be reviewed again during Omnibus. The Senate Subcommittee recommended more limited funding of \$75,000 SGF be review in Omnibus.
2. **Mental Health Services -- Families Together (House Subcommittee).** The House Subcommittee reviewing the mental health services budget for FY 1999 recommended that a request by Families Together for additional funding of \$200,000 SGF be reviewed in Omnibus. The requested funding would allow the organization to begin serving families who have child(ren) with mental severe emotional disturbances (SED). Currently, the organization serves families with disabled children.
3. **Mental Health Services -- Consumer Run Organizations (House Subcommittee).** The House Subcommittee reviewing the mental health services budget for FY 1999 recommended that two alternate requests by consumer run organizations (CROs) for additional funding be considered at Omnibus. The first is a request for additional funding of \$524,000 SGF for total funding of \$784,000. The second is a request for CROs to receive a line item amount of one percent of the total mental health budget. This amount would total \$1.24 million SGF total funding. Current funding for FY 1998 and FY 1999 is \$260,000 SGF.
4. **Mental Health Services -- State Grants to Community Mental Health Centers (CMHCs) (House Subcommittee).** The House Subcommittee reviewing the mental health services budget for FY 1999 recommended that a request by CMHCs for additional funding of \$377,545 SGF to increase state grants to CMHC's by 3 percent be reviewed again in Omnibus. The Governor recommended and the Legislature approved a 2 percent increase in these items for FY 1999 totaling \$714,972 SGF. The requested additional funding represents the difference between the 2 percent and 3 percent increases. Approved funding for state grants totals \$10.03 million in FY 1998 and \$10.23 million in FY 1999.
5. **Mental Health Services -- Keys for Networking (House and Senate Subcommittees).** The House and Senate Subcommittees reviewing the mental health services budget for FY 1999 recommended that a request by Keys for Networking for additional funding of \$150,000 SGF be considered

in Omnibus. Total grant funding for Keys for Networking in FY 1999 would be \$300,000 SGF. Current approved funding in FY 1998 is \$150,000 SGF.

6. **Mental Health Services -- Children's Mental Health Initiative (Senate Subcommittee).** The Senate Subcommittee reviewing the mental health services budget for FY 1999 received a request for additional funding of \$1,775,610 State General Fund to fully fund the 1,000 slots planned for FY 1999 in the Children's Mental Health Initiative waiver program. The Subcommittee noted this issue needs further consideration and recommended that additional funding of \$750,000 SGF be considered at Omnibus. The 1998 Legislature added \$234,640 SGF to the \$2,000,000 SGF recommended by the Governor for FY 1999 to fund a total of 600 slots. Approved funding for FY 1998 is \$1,000,000 SGF.
7. **Mental Health Services -- Consumer Grants Distribution (House Committee and Senate Subcommittee).** The House Committee and the Senate Subcommittees reviewing the mental health services budget requested the agency evaluate whether specific consumer organizations should be selected for funding by the Legislature or whether all consumer grants should be distributed on a competitive basis. The agency was requested to report at Omnibus on its findings.

The agency reports that funding of \$260,000 SGF for Consumer Run Organizations (CROs) is currently distributed on a competitive basis. However, funding of \$350,000 SGF to other statewide organizations is based upon status quo funding and specific recommendations by the Legislature. Because none of these funds are subject to a line item appropriation or a specific appropriation proviso they could all be granted on a competitive basis. The agency notes that it does not have specific information on how many other organizations would potentially submit proposals should a request for proposals for statewide organizations be issued.

8. **Mental Health Services -- Consumer Grants Audits (Senate Subcommittee).** The Senate Subcommittee reviewing the mental health services budget directed the agency to conduct audits of selected recipients of consumer grant funding and report its findings at Omnibus. The Subcommittee noted possible irregularities in the operation of some organizations and would use the agency's findings to determine whether further investigation is warranted.

During the last few months, the agency conducted audits on four CROs and two statewide organizations. The audits found that bookkeeping and financial controls were often inadequate, Boards of Directors did not always exert appropriate decision making and financial and program reporting was not always timely and accurate. In addition, the agency found that it had not been aggressive enough in monitoring and oversight. The agency reports that due to these findings it will make training and technical assistance mandatory, make quarterly on-site visits and more closely monitor the activities of these organizations.

9. **Mental Health Services -- Atypical Antipsychotic Medications (Senate Subcommittee).** The Senate Subcommittee reviewing the mental health services budget requested the agency to investigate whether the current level of funding (\$680,000 SGF) for atypical antipsychotic medications will be adequate to meet the needs of eligible consumers in FY 1999 and beyond and report at Omnibus. The Subcommittee noted additional resources may be required after FY 1999 and that this is an important issue for consideration.

The agency reports that the number of consumers utilizing the program has increased from three in July 1997 when the program was implemented to 87 as of March 1998. Claims paid have increased from three in July 1997 to 234 as of March 1998. The amount paid in claims per month has increased from \$262 in July 1997 to \$17,813 in March 1998. The total of claims paid in FY 1998 to date is \$62,270. In summary, the agency states that a growing need for the Community Support Medication Program (CSMP) is being met for consumers on atypical antipsychotic medications residing in Kansas communities who would otherwise be unable to afford these medications.

10. **Mental Health and Developmental Disabilities (MH&DD) -- Administrative Costs (House Subcommittee).** The House Subcommittee reviewing the budget for SRS MH&DD Services recommended the agency determine the administrative costs in community mental health and developmental disabilities organizations.

In response to the Legislative request, the agency first developed specific definitions of administrative costs for CDDOs and CMHCs to ensure some uniformity. Using these definitions, information was requested from all CMHCs, CDDOs and the major DD affiliates. Responses were received from 21 of 27 CMHCs and 38 of 59 CDDOs or licensed affiliates. Although there was not unanimous participation, the agency indicates that no significant gaps were identified which would significantly compromise the use of the data gathered. The responses were considered generally representative of the range of administrative costs incurred by the various providers. The agency notes that the costs covered do not include the costs specifically identified as being related to the CDDOs responsibility to administer the DD Reform Act. In addition, the costs reported are unaudited and some level of inconsistency is expected between various providers. Finally, the agency was unable to find comparable data from other states to use as a benchmark. The information provided by the providers indicates that the average cost of administration for CMHCs was 17.8 percent, while the average for CDDOs and major affiliates was 11.94 percent. The agency reviewed the administrative costs of the state hospitals and found an average of 17.27 percent for the three mental health hospitals compared to a 7.89 percent average for the two mental retardation hospitals.

11. **Developmental Disabilities Services -- HCBS -MR/DD Rate Increase (House and Senate Subcommittees).** The House and Senate Subcommittees reviewing the developmental disabilities services budget received a request for additional funding of \$3.8 million SGF in FY 1999 to increase provider rates by 8 percent in the Home and Community Based Services for Mental Retardation/Developmental Disabilities (HCBS-MR/DD) waiver. Testimony indicated that the increase is needed to address community staffing issues including low pay and significant turnover. The House Subcommittee recommended the issue of additional funding be considered at Omnibus. The Senate Subcommittee recommended the agency review a study performed by Kansas State University on the issue of salaries and turnover in community organization and report on its findings at Omnibus. The Senate Subcommittee indicated that the review by the agency is intended to provide the Legislature with a basis for determining whether provider rates should be increased.

The agency reviewed the findings of the "Community Service Provider Direct Care Staff Turnover Study" performed by the Institute of Behavioral and Social Research (ISBR) of Kansas State University. In general, the study indicates that community provider agencies fell into high, medium and low turnover groups. Seven CDDOs and five affiliates (23 percent of those included in the study) had high turnover ranging from 88 percent to 150 percent. Forty-three percent of the agencies studied (thirteen CDDOs and nine affiliates) had moderate turnover rates of 37 percent to 75 percent. Low turnover of 0 percent to 33 percent was experienced at seven CDDOs and nine affiliates (23 percent of the agencies included in the study). The research indicated that turnover rates were related to level of wages, number and type of benefits and management style.

12. **Developmental Disabilities Services -- Targeted Case Management (House Subcommittee).** The House Subcommittee reviewing the developmental disabilities services budget received a request for \$3.0 million SGF in FY 1999 to be used as matching funds for Targeted Case Management. The Subcommittee was informed this amount would be matched by the community developmental disabilities organizations (CDDOs) in an equal amount to draw down additional federal dollars for Target Case Management services. The Subcommittee was informed these services have grown dramatically both in scope and number of persons served.
13. **Child Support Enforcement -- KESSEP Update (House and Senate Subcommittees).** The House and Senate Subcommittees reviewing the FY 1998 and FY 1999 SRS budgets requested an update from the agency on the Kansas Enhanced Statewide Support Enforcement Project (KESSEP) automated system. The update should include the status of the system and federal requirements (including any recent changes made by the federal government with regard to system requirements, deadlines, and penalties).

The agency reports the status of the KESSEP project as follows:

- Kansas completed its Federal Certification review the week of February 9th. Preliminary indications from the review demonstrated that the KESSEP system meets all of the functionality required for certification. Twenty-three states and territories have been certified leaving thirty-one others having a review done and not yet certified, or having not requested a review by the March 1st date. Kansas has received formal notice of Federal intent to disallow the state plan because the system is not operational statewide. The state now faces potential penalties.

On March 4, 1998, the U.S. House of Representatives approved legislation (HR 3130) to reduce financial penalties against states for failure to complete automation systems. Pursuant to this bill, penalties are reduced to four percent of IV-D funding for the first year and an additional four percent each year until the penalty reaches 20 percent. However, if a state has a certifiable system by October 1998, 75 percent of the four percent penalty will be returned to the state. The U.S. Senate is expected to pass a similar bill. Federal funding for the CSE program is \$25.0 million. A four percent penalty, under HR 3130, would be \$1.0 million. However, if a federally certifiable system is implemented by October 1998, the state would receive a rebate of \$751,210 leaving a total penalty of \$250,403.

- The SRS project steering committee on KESSEP recommended the agency do the following: Continue the Phase I re-engineering of the finance portion of the system by IBM; contract with IBM to review the non-finance portions of KESSEP; contract with DynCorp or other company to provide test scripting of the entire application and also ask them to do a Quality Assurance review of the Phase I finance re-engineering document from IBM; and develop a sole source contract with IBM to oversee all construction of finance recommendations from Phase I and all fixes to non-finance so the end result is a certifiable system.
- MTW had offered two proposals to assist SRS in finishing KESSEP. Both proposals were rejected by the agency. MTW then offered to leave a minimal amount of staff on the project at their cost which was also rejected by the agency. MTW staff vacated the project at the end of business on March 27th and have not been paid for January, February and March. The agency has not made a determination on payment of these invoices. SRS has entered into discussions with an attorney, with expertise in this field, to review the MTW contract and determine potential recovery of monies paid to MTW and their portion of penalties the State of Kansas may have to pay for failure to be certified by October 1, 1997.
- IBM began work to complete the re-engineering of the finance portion of KESSEP on March 27th. The current plan is to complete the re-engineering in 13 weeks, and then begin Phase II. Contract negotiations are underway and IBM is working on a pre-contract agreement

with SRS until negotiations are completed. The agreement ends April 30th, so a signed contract with IBM would be needed by then to continue to re-engineer the finance section.

- It was decided the system would not be brought up statewide in April and no date is set for implementation. Once Phase I of the IBM contract is complete, an estimated implementation date should be agreed on.

14. **Child Support Enforcement -- Collection Contracts (House Subcommittee).** The House Subcommittee reviewing the FY 1998 SRS budget requested the agency report at Omnibus with information on the following: Child support collection aging of arrearages, the Maximus collection contract and corrective action plan, and the fulfillment of contract requirements and commitments by all collection contractors.

The agency reports that they currently do not have information from the collection contractors on the aging of arrearages. Once the KESSEP automation is implemented, a quality assurance feature of the system could be used to accomplish aging of debts such as how many accounts are 30,60,90 days past due. Typical collection agencies age debts because they write off debts after a relatively short time. The agency has not required aging of arrearages because child support debts are not typical as they remain enforceable for over twenty years and are not written off as a program policy. In addition, by the time a typical child support case is opened in the CSE program, the arrearages are often over a year old prior to referral to a contractor. Delinquency reports are used to detect when payments are missed but they do not provide summary information about the percentage of cases in specific number of days in arrears. Finally, there are relatively short time periods specified in the contracts in which the contractors must take enforcement actions.

With regard to the corrective action plan with Maximus, the company was formally notified of the need for such plan to remedy deficiencies on February 24, 1998. The company submitted a timely, high level plan which appeared to be a good faith effort to remedy many of the problems. An additional 12 staff will be added and the company plans to realign staff functions for more efficiency. In addition, the company hired a contractor to manage the project and brought in a temporary manager with considerable experience. The agency requested additional details on the corrective plan by April 1, 1998 to which the company responded in a timely manner with a more detailed corrective action plan. The agency is currently assessing the proposals and are arranging a series of meetings to discuss implementation.

In response to the concern regarding contract fulfillment, the agency indicates it has evaluated all of the contractors in their first year of operation by reviewing data and reading or auditing cases. The only contractor with problems sufficient to warrant a corrective action plan was Maximus. Public assistance collections for all of the contractors are down

due to a larger than expected reduction in the number of open public assistance cases. Although the contracts required at least a ten percent increase in public assistance collections, the agency is not confident that many of the contractors will comply by the beginning of 1999 unless public assistance caseloads increase or special efforts are made to collect public assistance arrearages remaining on the books. The agency has notified the contractors that accelerated efforts to collect these arrearages will be expected.

15. **Adult and Medical Services -- HCBS - Head Injury Waiver (House Committee and Senate Subcommittee).** The House Committee and the Senate Subcommittee recommended the status of the HCBS - Head Injured waiver be reviewed at Omnibus. In particular, the issue of the current waiting list for services should be addressed. Information received by the Senate Subcommittee indicated there was a waiting list of 54 persons as of January 1998.

Additional information provided by the agency indicates that a new design for the program has been developed which will go into effect on July 1, 1998. The new design allows Targeted Case Management (TCM) services for the Head Injury population even if the person is on the waiting list for HCBS - HI services. The TCM services will allow improved tracking of consumers on the waiting list and ensure that alternative services are available to help stabilize this unpredictable and sometimes very mobile population. Projections show that, with the new plan, 120 consumers may be served monthly within the \$5.0 million projected budget as opposed to the 101 persons currently being served.

16. **Adult and Medical Services -- Medicaid Provider Reimbursement Rates (House Committee).** The House Committee recommended the issue of increasing Medicaid provider reimbursement rates be reviewed during Omnibus. The 1998 Legislature added \$4.0 million State General Fund (\$10.0 million all funds) to increase inpatient and outpatient provider rates.
17. **Children and Family Services -- Child Welfare Services Contracts (House Committee).** During review of the SRS budget for FY 1999, the House Committee recommended the agency report at Omnibus on any corrective action plans with foster care, family preservation and adoption contractors.

The agency reports that the most recent quarterly on-site monitoring visits for the child welfare services contractors were conducted in March and April 1998. For family preservation services, five corrective action plans were required and have been submitted. The adoption contractor correction plan is due April 27. The foster care contractor on-site visits were conducted on April 2 (Kaw Valley Center), April 7 (United Methodist Youthville), and April 9 (Kansas Children's Service League). The on-site reports will be mailed to the contractors within 14 days of the visit with a corrective action plan due 14 days after receipt of the monitoring report. The agency notes that the on-site review does not monitor all data every quarter. The agency will

review the corrective action plan and notify the contractor within seven days if the plan is approved or needs to be clarified.

18. **Children and Family Services -- Family and Children Endowment Account (House Subcommittee).** The House Subcommittee reviewing the SRS budget for FY 1998 and FY 1999 recommended that the establishment of an endowment account in the Family and Children Investment Fund to act as a true trust account be reviewed during Omnibus. The Legislature established a Family and Children Endowment Account in S.B. 495.

C. House Sub. for Substitute for S.B. 424 (Law). House Sub. for Substitute for S.B. 424 establishes a new health insurance program for targeted children under Title XXI of the Social Security Act. The bill sets out the duties and responsibilities of the Secretary of SRS in developing the program. A ten-member joint legislative committee on children's issues is also established by the bill. Also, the bill establishes the Kansas Insurance Coverage for Children fund and provides for the transfer of \$12.0 million annually from the State General Fund to operate the children's health insurance program. Interest accrued by moneys in the Kansas Insurance Coverage for Children fund are directed back into the fund and not to the State General Fund. The bill also establishes the Children's Health Care Programs fund in SRS to be used for providing additional funding for children's health care, services for children and tobacco use prevention and cessation programs. The bill provides that 50 percent of any money received by the state in a tobacco litigation settlement or judgment shall be credited to the Children's Health Care Programs fund. In order to carry out the intent of the bill, both funds established by S.B. 424 will need to be appropriated in the Omnibus appropriations bill. Also, due to the transfer established by the bill to the Kansas Insurance Coverage for Children fund, the \$12.0 million appropriated from the State General Fund in 1998 S.B. 495 will need to be deleted to avoid double funding the program.

D. H.B. 2820 (Governor). Among other things, H.B. 2820 amends the Kansas Code for the Care of Children to conform Kansas law with the federal Adoption and Safe Families Act of 1997. The provisions are designed to speed up the adoption process and shorten the time spent in foster care. SRS indicates that if the bill becomes law it would have no fiscal effect on the agency. However, if the bill is not signed into law, the state would not be in compliance with federal law and would not be eligible to receive \$25.0 million in federal funds including Title IV-E and IV-B which help fund child welfare services.

E. Technical. The Energy Assistance Block Grant federal fund, which funds the Low Income Energy Assistance Program (LIEAP), was inadvertently omitted from the appropriations bill for FY 1999. As a technical adjustment, this no-limit federal fund needs to be added to the appropriations for SRS to allow for funding of LIEAP in FY 1999.

Department on Aging

A. Omnibus Review Items

1. **Targeted Case Management (House and Senate Subcommittees).** The House and Senate Subcommittees reviewing the Department on Aging budget for FY

1998 and FY 1999 recommended the issue of reimbursement for Targeted Case Management (TCM) services provided by Area Agencies on Aging (AAAs) be reviewed in omnibus. In addition, the Senate Subcommittee requested the agency report at Omnibus regarding recommended adjustments to the rates including the fiscal impact of any recommended change. Testimony indicated that the current reimbursement rate is \$30 per hour while AAAs estimates for costs range from \$32.95 to \$46.74 per hour. Additional information provided by the agency indicates that TCM rates need to be increased to \$40 per hour in order for AAAs to cover costs incurred in providing TCM services. Funding required to implement this increase is \$979,560 including \$394,665 from the State General Fund in FY 1999.

2. **Kansas Aging Management Information System (KAMIS) (House and Senate Subcommittee).** The House and Senate Subcommittees reviewing the Department on Aging budget for FY 1998 and FY 1999 recommended the agency report at Omnibus on the status of KAMIS including the status of funding for the project. The Subcommittees were informed that funding for the system was not included in the agency request or Governor's recommendation because accurate estimates for the cost of the system were not available. Information provided by the agency indicates that funding of \$550,000 State General Fund in FY 1998 and \$2.45 million State General Fund in FY 1999 would be needed to begin implementing KAMIS. The funding estimate represents the agency's best estimate of the costs for replacing the current system before its Year 2000 incompatibility becomes an issue.
3. **Senior Care Act (Senate Subcommittee).** The Senate Subcommittee reviewing the Department on Aging budget for FY 1999 requested the agency report at Omnibus on the status of the waiting list for Senior Care Act services. In addition, the agency is to report on the pilot project implemented in Wichita and Ottawa during the current fiscal year to eliminate the waiting lists in those areas. At the time of preparation of this memo, no information had been received from the agency on this topic.
4. **Nutrition Programs -- Project Income (House Subcommittee).** The House Subcommittee reviewing the Department on Aging budget for FY 1998 and FY 1999 recommended the agency report at Omnibus on project income contributions for nutrition programs.

Information received from the agency indicates that project income in the Older Americans Act Nutrition Program has generally increased since FY 1992. In FY 1992, a total of \$4.04 million was received with a contribution of \$1.03 per meal. In FY 1999, receipts are projected to be \$4.76 million with a contribution rate of \$1.24 per meal. Project income in the In-Home Nutrition Program has also increased. In FY 1992, receipts totaled \$138,584 with a contribution of approximately \$.39 per meal. In FY 1999, receipts are projected to total \$324,403 with a contribution of approximately \$.61 per meal.

5. **Home and Community Based Services for the Frail Elderly (HCBS-FE) - Service Delays (House Subcommittee).** The House Subcommittee reviewing the FY 1998 and FY 1999 budget for the Department on Aging received testimony regarding delays experienced by consumer in accessing HCBS-FE services from AAAs. The Subcommittee requested the agency report at Omnibus with a plan to address this delay problem. At the time of preparation of this memo, no information had been received from the agency on this topic.
6. **Home and Community Based Services for the Frail Elderly (HCBS-FE) - Case Manager Choice (House Subcommittee).** The House Subcommittee reviewing the FY 1998 and FY 1999 budget for the Department on Aging requested the agency investigate the issue of case manager choice for HCBS-FE services and report at Omnibus on possible alternatives to the current system. The Subcommittee was informed that consumers are allowed to choose their case manager in other HCBS waivers. At the time of preparation of this memo, no information had been received from the agency on this topic.
7. **Home and Community-Based Services for the Frail Elderly (HCBS-FE) - Presumptive Eligibility (House Subcommittee).** The House Subcommittee reviewing the FY 1998 and FY 1999 requested the agency report at Omnibus on the issue of presumptive eligibility for HCBS-FE services. Currently, providers are not reimbursed for the expense of screening done before Medicaid eligibility has been established if the person is found not to be eligible for Medicaid. The Subcommittee directed the agency to work with other departments to try and find a way for providers to be reimbursed for screening that do not result in eligibility for services.

According to information provided by the agency in its request for a Governor's Budget Amendment (GBA), establishing a system of presumptive eligibility is more than the development of an instrument on which to base a presumption of financial eligibility for Medicaid services in order to begin services immediately. Sufficient state dollars must be available to cover the cost of services for the customer found to be non-Medicaid eligible. Integral to a presumptive eligibility system is a "risk pool" or a pot of money that will cover the cost of the assessment and services for individuals found not eligible for Medicaid services and to cover for Medicaid eligibles until the federal funding catches up. According to the agency, the amount of money required in this pool will depend upon the number of customers assessed, "error rate" percentage and the design of the program. To address this problem, the agency proposes an expedited service delivery system. This is a process of gathering enough information during the functional eligibility assessment to make a fairly accurate "presumption" of financial eligibility for Medicaid services. The customer must still complete the actual financial edibility process and SRS will then make the final determination. Under this system, Medicaid services can begin as soon as functional eligibility has be determined, financial eligibility has been presumed and the actual financial eligibility application has been filed. If a person is presumed eligible and begins services, but is then determined not to be eligible, any services provided will not be reimbursed by Medicaid unless HCFA will allow the assessment to be reimbursable. The agency is currently working on a proposal, in cooperation with SRS, to allow such reimbursements.

Legislative Research Department

A. Staff Salaries (House Committee). The House Appropriations Committee requested that the Legislative Research Department report at Omnibus Session information concerning staff salaries. The Committee noted with concern the ability of the agency to attract and retain quality professional staff. The agency has prepared information to respond to the House Committee's concern, which will be distributed to legislators during the Omnibus Session.

Legislature

A. S.B. 495 (Governor) -- SRS Transition Oversight Committee. S.B. 495 provides for a one-year continuation of the SRS Transition Oversight Committee. The authorizing language in S.B. 495 continues the 12 member committee for another year or until June 30, 1999. Under previous law, the Oversight Committee was scheduled to be abolished on June 30, 1998. The duties and responsibilities of the Oversight Committee remain unchanged. Expenditures, including legislator compensation, subsistence and mileage for calendar year 1997 for the Oversight Committee totaled \$33,082. The exact fiscal note would depend on the number of meetings held during FY 1999.

B. House Substitute for Substitute for S.B. 424 (Law). House Substitute for Substitute for S.B. 424 deals with insurance coverage for Kansas children. The bill authorizes a health insurance program for targeted children that is to be developed and implemented pursuant to guidelines set out in the bill and Title XXI of the Social Security Act. Among other things, the bill creates a 10 member (all legislators) Joint Committee on Children's Issues. The Joint Committee is empowered to meet at any time and at any place within the state on the call of the chairperson. Legislators would receive per diem compensation (\$72.06 per day), subsistence (\$80 per day) and mileage (\$0.31 a mile) for attendance at any meetings of the Joint Committee. In addition secretarial support for the Joint Committee would be necessary for minutes and other clerical duties. The exact fiscal note would depend on who was appointed to the Joint Committee and the number of meeting days held during FY 1999.

C. S.B. 501 (House Appropriations Committee). S.B. 501 would amend current law to specify the biweekly pay rate for legislators; legislative leadership, and statewide elected officials effective June 14, 1998 (the first day of the first payroll period chargeable to FY 1999) be increased in effect, 4.0 percent. The statewide elected officials include the Governor, Lieutenant Governor, Attorney General, Secretary of State, State Treasurer, and the Commissioner of Insurance. Because the substantive law regarding the pay rates for legislators and elected officials was not amended by the 1996 or 1997 Legislature, the 2.5 percent FY 1997 pay increase and the 3.5 percent FY 1998 pay increase, were both provided through one-year authorizing language in the 1996 and 1997 Omnibus appropriations bills.

The Governor for FY 1999 recommended and Legislature approved financing in S.B. 495 for a 4.0 percent salary increase for legislators and statewide elected officials upon the FY 1998 salaries which included the 2.5 percent salary increase as provided by the 1996 Omnibus bill and the 3.5 percent salary increase as provided by the 1997 Omnibus bill. If S.B. 501 does not become law, the Legislature could add one-year authorizing language for the pay increases in the 1998 Omnibus bill. However, if the Legislature would not add the one-year authorizing language for FY 1999 the budget of the Legislature could be reduced by \$151,522 (State General Fund). This amount reflects the difference between the current statutory legislator

In developing the proposal for expedited service delivery, the agency also contracted with the University of Kansas School of Social Welfare to study systems in other states, develop an Expedited Service Delivery Financial Screening Worksheet, make a cost-benefit analysis of such a system, and make recommendation for an Expedited Service Delivery System. A draft was presented to the agency in March which served as the basis for the GBA request for the funding of pilot projects during FY 1999 to test and fine tune. The department would expect to make addition budget requests for this program for FY 2000. However, the agency indicates that because error rates should be low (and should decrease) and because federal funding will replenish the Expedited Services fund for initial services to Medicaid-eligible customers, the initial FY 2000 funding should last several years if adequately funded. The amount requested for the pilot project in the GBA was \$458,000 from the State General Fund which would be potentially matched with \$840,000 in federal Medicaid funds.

B. H.B. 2607 (Law). H.B. 2607 established the Office of the State Long-Term Care Ombudsman as an independent state agency attached to the Department of Administration for administrative support. The bill takes effect on June 14, 1998 and its publication in the Kansas register. In order to carry out the provisions of the bill, accounts need to be established within the Department of Administration for FY 1998 and FY 1999 to receive monies from the Department on Aging to finance the operations of the Ombudsman office. Approved funding for the Ombudsman in FY 1999 is \$221,012 (\$32,108 State General Fund) including 4.5 FTE positions. These funds would be deleted from the Department on Aging and transferred to the accounts established in the Department of Administration budget. The Department of Administration estimates that an additional \$286,401 State General Fund and 3.5 FTE positions will be needed for the operation of the program as an independent state agency for the full year of FY 1999. Total funding for the agency would be \$507,413 (\$318,509 State General Fund) and 8.0 FTE positions.

C. Technical Adjustment. The Legislature approved a proviso directing that funds remaining at the end of FY 1999 in the administration account of the State General Fund be transferred to the program grants account. An adjustment needs to be made to the language of the proviso included in the final version of S.B. 495 to reflect the Legislature's intent.

Legislative Division of Post Audit

A. Staff Salaries (House Committee). The House Appropriations Committee requested that the Legislative Division of Post Audit report at Omnibus Session information concerning staff salaries. The Committee noted with concern the ability of the agency to attract and retain quality professional staff. The agency has prepared information to respond to the House Committee's concern, which will be distributed to legislators during the Omnibus Session.

compensation amount of \$66.00 per day increased to \$72.06 per day that is currently financed for legislators in S.B. 495 which represents the 4.0 percent salary adjustment for all state employees in FY 1999.

Again assuming that S.B. 501 is not enacted, and if the Legislature still intends to implement the Governor's pay plan proposal of a 4.0 percent merit pool for state unclassified employees and the 1.5 percent base salary adjustment for classified employees, additional authorizing language would need to be added to the Omnibus bill. The entire funding (\$27.9 million from the State General Fund and \$53.7 million from all funds) for the FY 1999 state employee pay adjustments, including longevity bonus payments and classified step movement was contained in S.B. 495.

Legislative Coordinating Council

A. House Sub. for S.B. 212 (Governor). House Sub. for S.B. 212 amends the Kansas Telecommunications Act of 1996 (Kansas Act) by reducing the size of the Kansas Universal Service Fund (KUSF); reducing KUSF assessments for contributions by wireless providers; clarifying the Corporation Commission's authority to implement the Act as it relates to Internet access; delaying the implementation of enhanced universal services until July 1, 2003; and giving the Commission new authority with regard to the implementation of enhanced universal services. The bill also amends the Kansas Consumer Protection Act to prohibit "slamming" and establishes the KUSF Working Committee. The latter amendment affects the Legislative Coordinating Council's budget for FY 1999.

The bill requires the 22-member working group to discuss, identify and develop recommendations regarding technology issues, KUSF funding regulatory procedures, modifications to enhanced universal service, including what mechanism is most appropriate for the recovery of capital costs, and how to address Internet access in light of changing technology. The bill requires the working group to report to the Legislature on or before December 1, 1998. The working group members include eight legislators who would receive compensation (\$72.06), subsistence (\$80 a day), and private vehicle mileage at \$0.31 a mile. In addition, five of the individuals appointed to the working group would receive state employee subsistence (paid on the basis of \$28 for meals and the actual cost of lodging up to a maximum of \$54), private car mileage (\$0.32 a mile), and other actual and necessary expenses. The total cost for attending the meetings would be paid from appropriations to the Legislative Coordinating Council. The exact fiscal note is undeterminable until such time as the members of the working group are appointed and a meeting schedule is established. **(Staff Note:** Traditionally any appropriations for operating expenses associated with special committees, task forces or working groups have been made to the Legislature and not the Legislative Coordinating Council.)

STATE OF KANSAS

BILL GRAVES, Governor
State Capitol, 2nd Floor
Topeka, Kansas 66612-1590



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OFFICE OF THE GOVERNOR

April 23, 1998

The Honorable Dave Kerr, Chairperson
Senate Committee on Ways and Means
Room 120-S, Statehouse

and

The Honorable Phil Kline, Chairperson
House Committee on Appropriations
Room 514-S, Statehouse

Dear Senator Kerr:

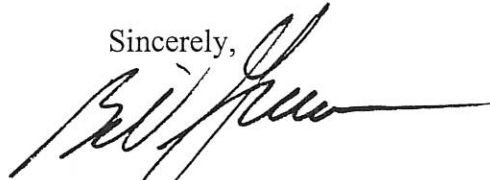
I amend my budget to decrease State General Fund expenditures by \$1,353,845 for FY 1998 and increase them by \$6,730,412 for FY 1999. These adjustments will result in a decrease of \$5,376,567 in the balance of the State General Fund by the end of FY 1999. My amended budget would also result in a reduction in the number of positions in state government. For FY 1999, there would be a net increase of 23.5, 14.5 FTE positions and 9.0 unclassified temporary positions.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ (1,353,845)	\$ 6,730,412
All Funds	\$ (27,950,572)	\$ (102,153,474)
FTE Positions	--	14.5
Unclassified Temporary	--	<u>9.0</u>
Total Positions	--	23.5

*Appropriations
4-24-98
Attachment 3*

With this memorandum, I submit the attached amendments to my budget recommendations.

Sincerely,



BILL GRAVES
Governor

Kansas Dental Board

1. Increased Legal Fees

For FY 1998, I recommend increasing the expenditure limit on the Kansas Dental Board Fee Fund to allow the agency to expend additional funds to cover unanticipated cost increases associated with complaint investigations and hearings.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u> 60,000</u>	<u> --</u>
All Funds	\$ 60,000	\$ --

Board of Barbering

2. Operations

I amend my budget to finance \$4,650 in operating expenditures for the Board of Barbering from the Barber Examiners Fee Fund for FY 1998. The amount of \$3,850 will compensate board members for travel and subsistence expenses to attend three special meetings. The agency staff and board members attended a seminar designed to familiarize board members with management issues common to all boards. The Board also attended a hearing concerning barber school compliance and another meeting to discuss legislative issues during the 1998 Legislative Session. The Board will use the remaining \$800 to purchase a new computer so that agency equipment is Year 2000 compatible.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u> 4,650</u>	<u> --</u>
All Funds	\$ 4,650	\$ --

Real Estate Commission

3. Transfer to Real Estate Fee Fund

I amend my budget to transfer \$100,000 from the Real Estate Recovery Revolving Fund of the Real Estate Commission to the Real Estate Fee Fund, which finances the operation of the Commission. The Recovery Fund is used to reimburse persons who suffer monetary damage as a result of the actions of persons licensed by the Real Estate Commission. The transfer is necessary

to ensure adequate balances in the Real Estate Fee Fund. It allows balances in that fund to be maintained without increasing fees charged to "users." No additional expenditures are necessary. The Real Estate Recovery Revolving Fund was created through a transfer of \$200,000 from the Fee Fund in FY 1974. Therefore, this transfer is an appropriate use for that fund.

Board of Indigents' Defense Services

4. Capital Defense Investigator Technical Correction

For FY 1999, I recommend adding \$39,423 from the State General Fund and 1.0 unclassified temporary position, which were left out of the agency's budget submission last fall. The Capital Investigator Position works in the Death Penalty Defense Unit of the agency.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 39,423
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 39,423

Attorney General

5. Nebraska Water Litigation

I amend my budget to finance operating expenditures to pursue litigation before the U.S. Supreme Court against the State of Nebraska concerning the Republican River. In FY 1999, \$980,000 from the State General Fund will be used to pay costs associated with outside counsel, expert fees and travel. The State of Kansas has received a favorable judgment in *Kansas v. Colorado* and is awaiting a decision on damages to be awarded. Litigation in the Nebraska case would involve similar legal issues.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 980,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 980,000

Governmental Standards and Conduct

6. Investigator Contract

I amend my budget to finance \$5,660 in operating expenditures from the State General Fund in FY 1998 to pay professional fees associated with a Special Investigator. Because of an increase in the number and complexity of recent investigations, the Commission found it necessary to retain an additional investigator. The agency had not anticipated these additional costs during the preparation of its FY 1998 budget.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 5,660	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 5,660	\$ --

Kansas Public Employees Retirement System

7. Moving Expenses

I amend my budget to provide \$95,853 from the KPERS Fund in FY 1999 for expenses related to relocation of the KPERS offices to 611 SW Kansas in Topeka. The agency is vacating its current offices because of space limitations in the Capitol Tower Building and to offer more office space to the other tenants in the building. The recommendation would provide for the additional real estate taxes, utility charges, janitorial expenses, and maintenance costs associated with the new location.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>95,853</u>
All Funds	\$ --	\$ 95,853

Office of the Securities Commissioner

8. Year 2000 Repair

I amend my budget to finance operating expenditures in FY 1999 to repair the AS/400 computer custom software for Year 2000 readiness in the Office of the Securities Commissioner. The cost estimate is based on the Year 2000 assessment report prepared by a private consulting firm.

A total of \$25,770 from the Securities Act Fee Fund will be used to pay costs associated with the repair.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u> --</u>	<u> 25,770</u>
All Funds	\$ --	\$ 25,770

Department of Administration

9. Memorial Hall Debt Finance Limit Increase

Two years ago the Department of Administration was authorized to issue bonds totaling \$4,830,000, excluding issuance costs, to renovate Memorial Hall. Issuance of the bonds is now scheduled for this spring. It was originally estimated that the Attorney General, the Secretary of State, the Secretary of Administration and one or more small agencies would be the future occupants of Memorial Hall. However, it is now clear that only the Attorney General and the Secretary of State will occupy this building because of increases in agency personnel, upgrading the space for both agencies, renovating space in the basement as office space that was not part of the original plan, adding areas for breaks and conference rooms, and adjusting architect fees and contingencies accordingly.

Therefore, I amend my budget to recommend increasing the debt limitation by \$590,000 to \$5,420,000, excluding issuance costs, on the bonds that will be used to finance renovation of the building. Although the increase in the debt ceiling reflects an increase in the costs, this change would result in a net savings for FY 1999 and beyond because current interest rates are lower than when the original estimates were made. Therefore, the \$295,000 in my original recommendation for the FY 1999 debt service payment can be reduced to \$219,201, a savings of \$75,799. The following proviso is recommended to effect this change:

() There is appropriated for the above agency from the following special revenue fund or funds for the fiscal year or years specified, all moneys now or hereafter lawfully credited to and available in such fund or funds, except that expenditures other than refunds authorized by law shall not exceed the following:

Memorial hall renovation fund
 For the fiscal year ending June 30, 1999.....No limit

Provided, That the department of administration may make expenditures from the Memorial hall renovation fund for the capital improvement project to renovate and equip Memorial hall in an amount of not more than the total of \$5,420,000, plus all amounts required for the cost of bond issuance, the cost of interest on the bonds during the construction of the project and the required reserves for the payment of principal and interest on the bonds: *Provided further*: That such capital improvement project is hereby approved for the department of administration for the purposes of

subsection (b) of K.S.A. 74-8905 and amendments thereto and the authorization of the issuance of bonds by the Kansas development finance authority in accordance with that statute: *And provided further:* That all moneys received from the issuance of any such bonds shall be deposited in the state treasury to the credit of this fund: *And provided further:* That such capital improvement project to renovate and equip Memorial hall is exempt from the provisions of K.S.A. 75-2724 and amendments thereto.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ (75,799)
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ (75,799)

10. State Health Care Plan Consulting Contract

Since 1996, most of the State Health Care Plan for state employees has been self-insured, which requires the state itself to administer the program. The Kansas Employees Health Care Office currently contracts with Mercer, Inc. for actuarial-consulting services and plan design. In renewing its contract with Mercer, the Office recently extended the contract to include assistance with program administration. Therefore, I amend my budget recommendations to increase the expenditure limitation by \$161,264 on the Cafeteria Benefits Fund for FY 1999. This fund, which derives its revenues from a portion of the group health rates charged to agencies' salary budgets, is in the Off Budget and is not included in reportable expenditures. Balances in the fund are sufficient to cover the additional expense.

11. Executive Aircraft Repairs

During a recent inspection of the executive aircraft, the Department of Administration was notified of problems involving the right engine. Corrosion was discovered on the power section casing, and cracks were found on the guide vane ring. The cost is expected to total \$60,023 to make the necessary repairs and to undertake an inspection of the "hot section" of the engine to determine whether there are any additional problems. Of this amount, the Department will cover \$10,023 of the cost from existing expenditure authority. Therefore, I amend my budget to recommend that the \$50,000 balance be appropriated from the State General Fund for FY 1998. These repairs are essential to ensure the integrity of the aircraft and the safety of its passengers.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 50,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 50,000	\$ --

12. Performance Review Contracts

The Performance Review Board currently has adopted a performance review methodology, including development of an activity-based cost model, and has undertaken pilot studies recommended by the Council on Privatization's final report. Now the board is ready to undertake performance reviews in keeping with its mission. Additional funds are needed to conduct studies on a contractual basis that require expertise beyond what the board or its staff can provide. Therefore, I amend my budget to include \$80,000 from the State General Fund for FY 1999. This amount would be added to approximately \$120,000 in savings in the current fiscal year, so that \$200,000 is available. This total is based on eight studies costing an average of \$25,000 each. I also recommend that the board be granted unlimited reappropriation authority on its State General Fund account to provide flexibility in managing the funds between FY 1998 and FY 1999 so the funds would be available when needed.

In addition, I recommend the establishment of a clearing fund with authority for the executive director to bill agencies initiating studies that would be financed from special revenue funds, as follows:

Performance review clearing fund.....No limit

Provided, That the executive director of the performance review board may fund the costs of analyses of governmental functions conducted in accordance with K.S.A. 75-7140, and amendments thereto, from one or more appropriate special revenue funds of the state agency or agencies that are the subject of the analyses: *And provided further*, That expenditures from these special revenue funds shall not be subject to any expenditure limitations established for the funds.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 80,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 80,000

13. Topeka Complex--West

I amend my budget to add 8.0 FTE positions for FY 1999 to continue maintaining the former Topeka State Hospital grounds in case the property has not been disposed of by the end of FY 1998. The Department believes it has sufficient funds from rental charges to finance the positions as needed. I also recommend a proviso attached to the Topeka State Hospital Transition Fund to authorize the charging of rent to occupants of the facilities. Most of the proviso language, which is recommended below, is the same as a year ago, except if the property is disposed of, any positions not needed by the Secretary of Administration could be transferred to the Department of Corrections which would be the only occupant. The Division of Facilities Management plans to pare its maintenance responsibilities to a bare minimum and no security would be provided.

Sec. __. Expenditures may be made by a state agency for the expenses of the sale, exchange, or other disposition conveying title for any portion or all of the Topeka state hospital property. These expenditures may be made only upon specific authorization by the state finance council acting on this matter, which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c and amendments thereto, and such portion or all of Topeka state hospital property may be sold, exchanged or otherwise conveyed or disposed of by the state agency in accordance with such authorization by the state finance council: *Provided*, That the net proceeds from the sale of any Topeka state hospital property shall be deposited in the state treasury to the credit of the Topeka state hospital transition fund of the department of administration: *Provided further*, That any property transferred to the city of Topeka pursuant to this section shall be exempt from ad valorem taxation so long as such property is owned by the city of Topeka and not leased to any person or entity that is not exempt from payment of ad valorem taxation.

As used in this section, "Topeka state hospital property" means all state-owned land and improvements in the city of Topeka, KS, which is in the area bounded by west sixth street on the south, MacVicar Avenue on the east, Interstate 70 on the north and Oakley Avenue on the west, including the adjacent state-owned land west of Oakley Avenue, excluding state printing plant land designated by the secretary of administration.

Topeka state hospital transition fund
For the fiscal year ending June 30, 1999.....No limit

Provided, That expenditures may be made from the Topeka state hospital transition fund for the fiscal year ending June 30, 1999, for the following: (1) consultant services relating to the sale or other disposition of the Topeka state hospital property; and (2) operating expenditures for the operation and maintenance of the Topeka state hospital property, including any expenses for operating heating plants and other facilities and for the security, repair, and capital improvements for the Topeka state hospital property: *Provided further*, That, notwithstanding the provisions of K.S.A. 75-3307 and 75-3316 and amendments thereto, the secretary of administration is hereby given temporary custody and control of the Topeka state hospital property and is given authority for the following: (1) permitting the use of the Topeka state hospital property by state agencies or others; (2) entering into agreements with such state agencies or others for their use of the property; and (3) fixing and altering charges for use of the Topeka state hospital property in such amounts as the secretary of administration determines to be beneficial or necessary: *And provided further*, That such fees shall be fixed in order to recover all or part of such operating expenses: *And provided further*, That, notwithstanding the provisions of K.S.A. 75-3316 and amendments thereto, all moneys received for such charges or fees shall be deposited in the state treasury to the credit of this fund: *And provided however*, That, if the Topeka state hospital property is disposed of in some manner that conveys title to the property, the governor may direct the transfer of any portion of the funds appropriated in this subsection to the Topeka correctional facility general fees fund as necessary for the department of corrections to maintain its operations on the premises of the Topeka state hospital property.

In addition to the other purposes for which expenditures may be made by the above agency from moneys appropriated for the fiscal year ending June 30, 1999, as authorized by this or any other appropriation act of the 1998 regular session of the legislature or by any appropriation act of the 1999 regular session of the legislature, expenditures may be made by the above agency from the moneys appropriated for fiscal year 1999 for operating expenditures for the operation and maintenance of the Topeka state hospital property, including any expenses for operating heating plants and other facilities and for the security and repair of the Topeka state hospital property: *Provided*, That all expenditures from any such special revenue fund for such purposes shall be in addition to any expenditure limitation imposed on such special revenue fund for fiscal year 1999.

In addition to the other purposes for which expenditures may be made by the above agency from moneys appropriated for the fiscal year ending June 30, 1999, as authorized by this or any other appropriation act of the 1998 regular session of the legislature, expenditures may be made by the above agency from the moneys appropriated for fiscal year 1999 for expenditures for a total of eight additional full-time and regular part-time positions equated to full-time: *Provided*, That the eight full-time equivalent positions shall be in addition to the number of full-time and regular part-time positions equated to full-time, excluding seasonal and temporary positions, authorized for the above agency under this or other appropriation act of the 1998 regular session of the legislature: *Provided, however*, That if the Topeka state hospital property is disposed of in some manner that conveys title to the property, the governor may direct the transfer of any portion of the positions provided for in this subsection to the department of corrections as necessary for the department of corrections to maintain its operations on the premises of the Topeka state hospital property; *Provided further*, That any employee who was transferred during the fiscal year ending June 30, 1998 from the Topeka state hospital to the department of administration upon assumption of temporary custody and control of Topeka state hospital property by the secretary of administration, and who is subsequently laid off from the department of administration or the department of corrections due to disposition of the Topeka state hospital property, shall be provided with the same rights and benefits available to employees of Topeka state hospital who were laid off upon closure of Topeka state hospital: *And provided further*, That any expenditures for such rights and benefits shall be funded and paid in the same manner as prescribed by law for other employees of Topeka state hospital who were laid off upon closure of Topeka state hospital.

In addition to the other purposes for which expenditures may be made by the above agency from moneys appropriated for the fiscal year ending June 30, 1998, as authorized by this or other appropriation act of the 1998 regular session of the legislature, and for the fiscal year ending June 30, 1999, as authorized by this or any other appropriation act of the 1998 regular session of the legislature, expenditures may be made by the above agency from moneys appropriated for (1) expenses related to the review and consideration of proposals and other matters relating to the potential disposition of the Topeka state hospital property, as defined by this section, including, but not limited to, expenditures for members of the legislature who are members of any advisory committee which is hereby authorized to be established for such purposes by the secretary of administration, for per diem compensation, subsistence allowances, mileage and other expenses as provided in K.S.A. 75-3212 or 75-3223 and amendments thereto for attending meetings of such advisory committee, or attending a subcommittee meeting thereof authorized by such advisory committee, and (2) any expenses relating to any sale of any Topeka state hospital property, as defined by this section.

A year ago, \$500,000 from the State General Fund was appropriated for FY 1998, together with 24.0 FTE positions, 18.0 of which were retained by the Department to keep up the facilities and 6.0 of which were transferred to the Highway Patrol for security. When the FY 1998 budget was revised last fall, the estimated total for this purpose was \$2,154,097. Assuming the property would be disposed of by the end of FY 1998, no dollars or staff were included in my original FY 1999 budget for the Department of Administration. However, the 6.0 FTE positions in the Highway Patrol were left in, and I amend my budget as a technical correction to delete them.

Department of Commerce and Housing

14. Kansas Sports Hall of Fame--Operating Expenditures

I amend my budget to finance operating expenditures in FY 1999 for The Kansas Sports Hall of Fame in the amount of \$100,000 from the State General Fund. Kansas Regents institutions have been contributing \$1 per ticket from selected athletic events for the operating expenditures of the facility. In January 1998 several of the universities stopped contributing to the Sports Hall of Fame through ticket revenue, giving the facility six months' notice. This appropriation from the State of Kansas will cover operating expenditures.

	<u>FY 1998</u>		<u>FY 1999</u>
State General Fund	\$ --		\$ 100,000
All Other Funds	<u>--</u>		<u>--</u>
All Funds	\$ --		\$ 100,000

15. Motion Picture and Television Sales Tax Reimbursements

I amend my budget to include \$100,000 from the Economic Development Initiatives Fund for the Motion Picture and Television Sales Tax Reimbursement Program in the Department of Commerce and Housing. When my budget was drafted the usefulness of this tax reimbursement program had not yet been proven. Since that time, it has become clear that the total amount approved in FY 1998 will be utilized prior to FY 1999. This recommendation will allow for the continuation of a program which stimulates increased spending in Kansas through the reimbursement of sales and use taxes paid by motion picture and television production companies while working in Kansas.

	<u>FY 1998</u>		<u>FY 1999</u>
State General Fund	\$ --		\$ --
All Other Funds	<u>--</u>		<u>100,000</u>
All Funds	\$ --		\$ 100,000

Department of Revenue

16. Increase in Homestead Property Tax Refunds

For FY 1998, I amend my budget to add \$1.8 million from the State General Fund to fund the increase in filings over the estimate for Homestead Property Tax Refunds. Through April 6, 1998, the Department of Revenue reports that 37,607 refunds, equaling \$9.9 million, have been filed. The Department estimates that approximately 18,100 returns, averaging \$215 per return, will be filed

for the remainder of the fiscal year. This estimate requires \$13.8 million to fund the program in FY 1998, an increase of \$1.8 million over the current appropriation.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 1,800,000	\$ --
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ 1,800,000	\$ --

17. Litigation

For FY 1999, I amend my budget to add \$200,000 from the State General Fund to finance a one-time need for legal representation in litigation against the state. The funding is needed to pay for legal services beyond that being provided by the Attorney General.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 200,000
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ --	\$ 200,000

Board of Tax Appeals

18. Computer System Completion

For FY 1998, I recommend a supplemental appropriation of \$65,000 from the State General Fund to complete the final programming necessary for the Board of Tax Appeal's computer system. The Board has experienced unanticipated problems in implementation of the new system, which tracks cases and provides better statistical information on those cases. The funding will allow the contractor to finish the programming necessary to bring the new system on line.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 65,000	\$ --
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ 65,000	\$ --

Rainbow Mental Health Facility

19. Hospital Salary Shortfall

I amend my budget to expend \$412,302 from the federal Title XIX Fund to reduce the shrinkage rate at the institution from 9.5 percent to 7.0 percent. This will enable the institution to hire 8.0 unclassified temporary training positions to assist in direct patient care and to be trained in the care of acutely ill and violent patients. It will also give the institution the resources to pay the salaries of 25.0 existing employees that were previously employed by Topeka State Hospital. The salaries for these transferred employees is higher than the beginning salaries for the positions originally budgeted by the Hospital.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u> --</u>	<u>412,302</u>
All Funds	\$ --	\$ 412,302

Department of Social and Rehabilitation Services

20. Head Start Programs

I amend my budget to add \$2.5 million of federal block grant funds to expand Head Start programs in Kansas. In my original budget, I recommended funding to expand Early Head Start programs in the state. The funds included in this amendment will supplement that recommendation and allow for the expansion of both Early Head Start programs for children from birth to three and Head Start programs for children from three to five. The additional funding will be available to 27 Headstart grantees and will be used to expand services to an additional 500 to 550 children.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u> --</u>	<u>2,500,000</u>
All Funds	\$ --	\$ 2,500,000

21. Federal Audit Settlement

I amend my budget for FY 1998 to include \$2.0 million from the State General Fund to settle a dispute with the federal government concerning federal reimbursement for training of state personnel that in the delivery of services to children and families received grants financed in part by federal Title IV E funds. A federal audit has revealed that SRS claimed \$6.4 million in federal funds as reimbursement for training activities for social workers that was not allowed under the rules.

These officials indicate that this amount includes \$5.1 million for the period of 1992 through 1996 and \$1.3 million for the three quarters prior to the release of the audit in August 1997.

SRS indicates that its interpretation of the federal rules was correct and that the use of the funds for enhanced child welfare training activities was proper. However, the agency indicates that it is prudent for the state to settle the appeal if it can be done for a reasonable sum. SRS suggests that the \$2.0 million State General Fund is an appropriate amount. I recommend that the money be appropriated for FY 1998 so that it can be available immediately to finance a settlement, but that it should be subject to reappropriation to FY 1999 if the settlement with the federal government is not accomplished.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 2,000,000	\$ --
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ 2,000,000	\$ --

22. Medical Management Information System (MMIS) Costs

I amend my budget to shift \$1,188,456 in expenditures for the development of the Medicaid Management Information System (MMIS) from FY 1998 to FY 1999. This shift is necessary to reflect the delay in payments for the development of certain features of the system. Of the amount shifted, \$557,142 will be from the State General Fund.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ (557,142)	\$ 557,142
All Other Funds	<u>(631,314)</u>	<u>631,314</u>
All Funds	\$(1,188,456)	\$ 1,188,456

23. Contracts with Community Developmental Disability Organizations

I amend my budget to include \$453,004 of federal Title XIX funds to finance contracts with Community Developmental Disability Organizations (CDDOs) for the coordination of the delivery of services to individuals in the community who are developmentally disabled. The cost of contracting with CDDOs for coordination of community services is estimated to be \$4,590,000 in FY 1998 instead of the \$3,500,000 ordinarily estimated, an increase of \$1,090,000. By changing the way in which SRS reimburses CDDOs for costs, \$636,996 of existing State General Fund can be shifted to this program to "leverage" an additional \$453,004 of federal funds. These actions would cover the additional costs.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>453,004</u>	<u>--</u>
All Funds	\$ 453,004	\$ --

24. Sex Predator Treatment Program--Remodeling

I amend my budget to include \$633,983 of additional expenditures from the State Institutions Building Fund for FY 1999 to finance the creation of housing and treatment space for an additional 30 sex predators in the Sex Predator Treatment Program at Larned State Hospital. The current sex predator unit has 30 beds. Current census estimates indicate that the unit will house 28 residents by October 1998 and 43 by October 1999. To provide housing and treatment space for these individuals, I amend my budget to remodel the Dillon Building at the Larned State Hospital to house 30 more predators. The monies will also be used to provide additional program space through the purchase of modular buildings. The patients currently housed in the space to be renovated for this use are to be relocated to the Jung Building at Larned State Hospital.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>633,983</u>
All Funds	\$ --	\$ 633,983

25. Sex Predator Treatment Program--Operating Costs

I amend my budget to include 23.0 FTE positions and \$273,934 from the State General Fund to provide the staff and other operating costs necessary for the expanded Sex Predator Program at Larned State Hospital for part of FY 1999. The new positions will be hired as the additional residents are added to the program and as the new beds come on line. The full year cost for operating the unit will be \$664,442 in addition to the current costs of the program. This estimate includes expenditures for salaries and wages of \$644,442 and other operating expenditures of \$20,000. The positions to be added include direct care staff, a Psychologist III, a Social Worker, and a Registered Nurse.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 273,934
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 273,934

26. Sex Predator Unit Construction Planning

I amend my budget for FY 1999 to include \$740,000 from the State Institutions Building Fund to plan for the construction of a 120-bed addition to the existing Larned Correctional Mental Health Facility. This unit will provide program space for the sex predator unit. It is estimated that the number of sex predators will exceed the existing 30-bed unit and the temporary 30-bed unit by FY 2002. In order to have beds available when that occurs, the planning of additional beds is necessary. The beds would be under the control of SRS but could be transferred back to the Department of Corrections if SRS no longer has a need for them.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>740,000</u>
All Funds	\$ --	\$ 740,000

27. Caseload Adjustments

I amend my budget to reflect changes in caseloads and the cost of aid and assistance programs administered by SRS. These caseload adjustments are the result of a consensus caseload estimating meeting that included the staff of SRS, Legislative Research, and the Division of the Budget. This amendment includes a net increase of \$1.6 million in FY 1998 but an increase of \$4,523,500 from the State General Fund. These changes are the result of higher than anticipated state costs in the Home and Community Based Services Program and lower than anticipated costs in the Nursing Home Program for the mentally ill and developmentally disabled, the Medical Program, and children's services programs. For FY 1999, I amend my budget to reflect a net reduction of \$6,043,000 in expenditures from all funding sources, but an increase of \$5,125,200 from the State General Fund. These changes reflect a change in the funding of the Medical Program to reflect a greater dependence on the State General Fund, an increase in Home and Community-Based Services costs, a modest increase in nursing home costs for the developmentally disabled, and a slight decrease in the cost of children's services programs. In addition, the reduction in all other funds in FY 1998 and FY 1999 is due primarily to a reduction in the estimated Temporary Assistance for Families (TAF) caseload.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 4,523,500	\$ 5,125,200
All Other Funds	<u>(2,923,500)</u>	<u>(11,168,200)</u>
All Funds	\$ 1,600,000	\$ (6,043,000)

Department on Aging

28. Caseload Adjustments

I amend my budget to reflect changes in caseloads and the cost of aid and assistance programs administered by the Department on Aging. These caseload adjustments are the result of a consensus caseload estimating meeting that included the staff of the Department on Aging, Legislative Research, and the Division of the Budget. This amendment includes an increase of \$2.4 million in FY 1998, of which \$967,600 is from the State General Fund. These changes reflect a continued increase in caseloads in the Home and Community Based Services Program but reduced caseloads in the Nursing Home Program. For FY 1999, I amend my budget to reflect a reduction of \$10.6 million in expenditures from all funding sources, including a decrease of \$4,272,200 from the State General Fund.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ (967,600)	\$ (4,272,200)
All Other Funds	<u>(1,432,400)</u>	<u>(6,327,800)</u>
All Funds	\$(2,400,000)	\$(10,600,000)

29. Management Information System Development

I amend my budget to include \$550,000 in FY 1998, \$1,850,000 in FY 1999, and \$600,000 in FY 2000 from the State General Fund to finance the development of the Kansas Aging Management Information System (KAMIS). The system will replace the current Client Assessment and Referral System (CARS), which has not functioned effectively. In addition to replacement of that system, the new system will interface with the Medical Management Information System (MMIS) operated by SRS. This link is essential so that necessary data related to the care of older Kansans can be maintained. The system will:

1. Allow the Department on Aging to be thorough and timely in its assessment of the health needs of older Kansans.
2. Increase the productivity of agency staff.
3. Improve agency accountability by linking services delivered to clients with client plans of care.

The amendment finances the cost of a contractor to develop the system as well as the various other operating costs associated with the development of the system. The vendor that will develop the system will be selected in early April. To begin system development immediately, the amendment provides the initial appropriation for the program in FY 1998.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 550,000	\$ 1,850,000
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ 550,000	\$ 1,850,000

30. Targeted Case Management

I amend my budget to provide \$979,560, of which \$394,665 is from the State General Fund and \$584,895 is from other funding sources to increase the level of reimbursement paid to the Area Agencies on Aging and for the delivery of targeted case management services to elderly Kansans. Currently, the 11 Area Agencies on Aging are paid \$30 an hour to deliver these services. I amend my budget to allow that reimbursement rate to be increased to \$40 an hour.

Targeted case management is a service provided by the Area Agencies on Aging to older Kansans who are interested in obtaining Home and Community Based Services. The case manager employed by an Area Agency on Aging outlines the services the individual needs, determines which providers can deliver the service, and when the services are to be delivered. This rate increase would cover the administrative costs experienced by the Area Agencies on Aging when they deliver targeted case management services.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 394,665
All Other Funds	<u> --</u>	<u>584,895</u>
All Funds	\$ --	\$ 979,560

31. Presumptive Eligibility

I amend my budget to include \$458,000 from the State General Fund in FY 1999 to finance a pilot project to determine the feasibility of implementing a system of presumptive eligibility for Home and Community Based Services for elders. Currently, elders must be determined to be both functionally and financially eligible to receive federally reimbursed Home and Community Based Services before services can be delivered. This delays the delivery of services because, even though functional eligibility can be easily determined, financial eligibility cannot, thereby delaying the delivery of services as much as six weeks from the application date. The pilot would test the cost and accuracy of a system that would allow services to be delivered as soon as functional eligibility is determined.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 458,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 458,000

Department of Human Resources

32. Unemployment Insurance Benefits

The Kansas economy continues to perform far better than anticipated when compared to the total unemployment rate for FY 1997 of 4.3 percent. The Department of Human Resources has reduced its estimate for unemployment insurance benefits by \$32.0 million and \$20.0 million for FY 1998 and FY 1999, respectively. The original total unemployment rate was estimated at 4.3 percent for each year. The Department of Human Resources has revised this rate to 3.8 percent for each year. Therefore, I amend my budget to reflect the latest estimates.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>(32,000,000)</u>	<u>(20,000,000)</u>
All Funds	\$ (32,000,000)	\$ (20,000,000)

Department of Health and Environment

33. Computer Costs for Year 2000 Upgrades

When the budget of the Department of Health and Environment was prepared, the agency estimated it would need \$2,593,596 for Year 2000 conversion costs. Of this amount that was requested for FY 1999, an amount of \$1,340,891 was requested from the State General Fund. I recommended this funding as requested by the agency. The agency now has information that was provided by CTA, Inc., a computer consulting firm that estimates Year 2000 readiness conversion costs at \$2,135,440, instead of the amount originally requested. I amend my budget to reduce recommended expenditures for the Year 2000 conversion from \$2,593,596 to \$2,135,440.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ (237,325)
All Other Funds	<u>--</u>	<u>(220,831)</u>
All Funds	\$ --	\$ (458,156)

34. Confined Animal Feeding Facilities for Swine

Substitute for HB 2950 establishes new provisions relating to the regulation of confined animal feeding facilities. I amend my budget to provide funding that will enable the Department of Health and Environment to implement the provisions of this bill. For FY 1999, I recommend \$558,700 from the State General Fund. The funds will allow for staff training, public notices, regulation and plan development, inspections, facility and financial closures, tax credit information, and testing devices. The agency will require 11.5 FTE positions. Additional funding will also be necessary for the Department of Agriculture.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 558,700
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 558,700

Veterans' Affairs

35. Federal Construction Grant

I amend my budget in FY 1998 to add \$10,641,400 from Kansas Veterans Home Federal Construction Grant Fund to allow the Commission to expend a construction grant to be received from the U.S. Department of Veterans Affairs. The funds will be used to renovate the former Winfield State Hospital buildings into the Kansas Veterans Home. Funds were appropriated during the 1997 Legislative Session to match \$10,121,400 of these construction grant funds in FY 1998. The additional funds of \$520,000 will be matched from the state's cost of the sewer project at Winfield, which is included in the next item.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>10,641,400</u>	<u>--</u>
All Funds	\$ 10,641,400	\$ --

36. State's Share of Sewer Costs

I amend my budget in FY 1998 to add \$1,080,000 from the State General Fund to upgrade the sewer on the state campus located at Winfield. Of the funds appropriated, \$280,000 will be used to match \$520,000 of U.S. Department of Veterans Affairs construction grant funds. The remaining \$800,000 is the state's share of the project for which these federal funds cannot be used. Both the Kansas Veterans Home and the Winfield Correctional Facility will use the sewer system.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 1,080,000	\$ --
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ 1,080,000	\$ --

37. Veterans Home Delayed Opening Date

For FY 1999, I amend my budget to reduce my recommendations for the Kansas Veterans Home by \$2,780,820, including \$280,000 from the State General Fund, and 93.0 FTE positions. These adjustments reflect the Home's opening to residents on July 1, 1999, rather than October 1, 1998, as was previously projected because of revisions in the construction schedule. My recommended FY 1999 operating expenditures of \$530,512 from the State General Fund reflect the costs of funding the remaining 42.0 FTE positions, because they are needed to prepare for full operations in FY 2000.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ (280,000)
All Other Funds	<u> --</u>	<u> (2,500,820)</u>
All Funds	\$ --	\$(2,780,820)

Department of Education

38. Juvenile Detention Facilities Funding

I amend my budget to increase State General Fund financing for Juvenile Detention Facilities Grants by \$219,046 in FY 1998 and \$259,419 in FY 1999. The request is based on revised estimates of the number of students in juvenile detention facilities receiving educational services provided by school districts.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 219,046	\$ 259,419
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ 219,046	\$ 259,419

39. Revised School Finance Estimates

I amend by budget to decrease funding for school finance by \$9,374,000 in FY 1998 and \$8,812,000 in FY 1999, all from the State General Fund. Current estimates for the amount of general state aid to school districts in both FY 1998 and FY 1999 are based on the recently released

final assessed valuation data and enrollment growth. My recommendation fully funds the state's commitment to base budgets of \$3,670 in FY 1998 and \$3,720 in FY 1999.

	<u>FY 1998</u>	<u>FY 1999</u>
General State Aid	\$(8,499,000)	\$(10,596,000)
Supplemental State Aid	(875,000)	1,284,000
Capital Improvement State Aid	<u>--</u>	<u>500,000</u>
Total	\$(9,374,000)	\$ (8,812,000)

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$(9,374,000)	\$(8,812,000)
All Other Funds	<u>--</u>	<u>--</u>
	\$(9,374,000)	\$(8,812,000)

40. Revised KPERS-School Estimates

I amend by budget to decrease funding for KPERS-School payments by \$403,635 in FY 1998 and increase funding by \$610,932 in FY 1999. These adjustments reflect the amounts necessary to fund the state's obligation for school employee contributions based on a revised estimate of growth in the school salary base, including a projected teachers' salary increase of 4.0 percent.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ (403,635)	\$ 610,932
All Other Funds	<u>--</u>	<u>--</u>
	\$ (403,635)	\$ 610,932

Board of Regents

41. Traditional General Fees Fund Adjustments

I amend my budget to adjust the recommended level of expenditures from General Fees Funds for FY 1998 and FY 1999 at those Regents institutions which are budgeted through the traditional method. My original recommendations have been revised on the basis of the spring semester data on student credit hours and tuition receipts. The adjustments are detailed by year and by institution in the table below. Where there is a positive number, I amend my budget to replace a tuition shortfall with a State General Fund appropriation. A negative number indicates a reduction

in State General Fund dollars because of additional tuition revenue. The revisions reflect a total increase from the State General Fund of \$128,297 in FY 1998 and \$183,586 in FY 1999.

	<u>FY 1998</u>	<u>FY 1999</u>
Emporia State University	\$ 51,884	\$ 88,401
Pittsburg State University	--	(68,675)
Fort Hays State University	9,856	25,093
Univ. of Kansas Medical Center	54,329	102,775
KSU--Veterinary Medical	<u>12,228</u>	<u>35,992</u>
	\$ 128,297	\$ 183,586

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 128,297	\$ 183,586
All Other Funds	<u>(128,297)</u>	<u>(183,586)</u>
All Funds	\$ --	\$ --

42. Nursing Scholarship Funding

I recommended several changes to the state's financial aid programs in my original budget. One of these changes was to convert several scholarship programs from an employment obligation to a forgivable loan structure. I also had recommended eliminating the sponsorship requirement imposed on recipients of nursing scholarships and had added funding from the State General Fund to maintain funding for this scholarship. Because the Legislature has failed to take any action on this change, which is contained in 1998 HB 2753, I amend my budget to restore funding of \$136,328 projected to come from private employer sponsors in support of this scholarship program and reduce the State General Fund appropriation by the same amount.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ (136,328)
All Other Funds	<u>--</u>	<u>136,328</u>
All Funds	\$ --	\$ --

43. Federal Financial Aid Grant

In my original budget recommendations no federal funds for the State Student Incentive Grant Program were assumed to be available for FY 1999. The Board of Regents has recently been notified that Kansas will receive additional federal funds of \$280,000 for student aid. Therefore, I amend my budget to offset State General Fund monies recommended for the Comprehensive Grant Program.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ (280,000)
All Other Funds	<u>--</u>	<u>280,000</u>
All Funds	\$ --	\$ --

Fort Hays State University

44. Sternberg Museum Operating Support

I am amending my budget to add \$79,742 from the State General Fund to provide operating support for the new Sternberg Museum effective for the last half of FY 1999. Fort Hays State University has indicated that the new museum will open to the public in March, 1999. This provides a total of \$255,905 and 7.1 FTE positions for the museum.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 79,742
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 79,742

University of Kansas

45. Dormitory Renovation

The University of Kansas is converting its dormitories to a modern, suite-style arrangement. I recommend the University be given authority to issue bonds in the amount of \$10.5 million in FY 1999 to continue this conversion for Ellsworth Hall, the third dormitory to be renovated. Estimated annual debt service on this project is \$300,000, paid with housing fees. Debt service payments will begin in FY 2000. The project was approved by the Board of Regents after the agency's budget submission. Also, the funding is entirely from restricted fees.

46. Recover Prior Year Expenditure

The University of Kansas contracted for the design, testing, and implementation of a new integrated library system in June 1996. The University recently ended the agreement because the company was unable to deliver services on a timely basis. In canceling the agreement, the University has agreed to return the performance bond in return for the vendor refunding the \$100,000 down payment as well as to pay an additional \$30,000 to offset other incidental expenses that the University incurred in connection with the contract. This \$130,000 will be deposited in the State General Fund, not to the University. As this money is part of the University's general use base, I

recommend the following one-time appropriation to return this money to KU. This item will result in no net effect on the State General Fund.

Integrated library system \$130,000

Provided, That no expenditures shall be made from the integrated library system account until the chancellor of the university of Kansas certifies to the director of accounts and reports that a refund has been deposited in the state general fund: *Provided further*, That expenditures shall not be made in excess of the amount of the refund.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 130,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 130,000

47. Remodeling for Energy-Balance Laboratory

A new weight-management program has been established at the University of Kansas in the Department of Health, Sport, and Exercise Sciences with a grant from the National Institute of Health. Implementation of this program requires that approximately 8,000 gross square feet of space in Robinson Gymnasium be renovated. I amend my budget to add \$960,000 from the Sponsored Research Overhead Fund in FY 1999 to renovate this space.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>960,000</u>
All Funds	\$ --	\$ 960,000

University of Kansas Medical Center

48. Implementation of 1998 SB 373

The University of Kansas is actively pursuing implementation of 1998 SB 373, establishing a new Hospital Authority to govern and operate the KU Hospital. The institution hopes to make the transfer to the new organization on October 1, 1998; however, for budget purposes it is more realistic to assume that the transfer will occur December 31, 1998, the latest date allowed by the bill. The University has revised its operating budget estimate for FY 1999 based on the later date. I therefore amend my budget recommendations to reduce expenditures from the Hospital Revenue Fund by \$80,336,481 and the Restricted Fees Fund by \$66,095. Further, I recommend changes to the University's appropriation bill to facilitate the transition. In addition to the Hospital Overhead Reimbursements Fund, two funds should be added as follows:

Services to Hospital Authority Fund No limit
 Direct Medical Education Reimbursement Fund \$2,428,197

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u> --</u>	(80,402,576)
All Funds	\$ --	\$ (80,402,576)

49. Addition to Research Support Facility

A year ago the Legislature recommended expenditures of \$3.25 million from bond proceeds to supplement a federal grant for addition to the Research Support Facility. The University has submitted a revised program statement to expand the project to provide a complete second additional floor on the facility. To accommodate this additional space, I recommend that the authorization for bond proceeds be increased to \$4.74 million. Estimated additional debt service on this project is \$105,000, to be paid with restricted fee funds beginning in FY 2000. In addition, I recommend two new funds be added for the institution to facilitate this project and another federally-supported project to construct a Center for Health in Aging.

Construct and equip center for health in aging--grant and gift fund No limit
 Construct and equip addition to research support facility No limit

Kansas State University

50. Acoustics Lab and Football Stadium

I amend my budget to add two new capital improvement projects, which will be funded through restricted use sources and were approved by the Board of Regents after the agency's budget submission. First, the University intends to renovate space in Seaton Hall for an acoustics laboratory for use by the Department of Architectural Engineering and by the Construction Science program. The equipment needed for this lab will be provided by the construction industry. I amend my budget to authorize the expenditure of \$100,000 from restricted fees for the project. The total project cost is estimated at \$250,000, with the balance funded from the Crumbling Classroom allocation.

Second, I amend my budget to authorize the issuance of up to \$16.0 million in bonds in FY 1998. Of the \$16.0 million, \$12.8 million is for expansion of the KSU football stadium and \$3.2 million is to refinance operating debt in the Athletic Department. The expansion of the stadium will increase permanent seating by approximately 7,000 seats to 46,100. In addition, the project will provide additional restrooms and concession stands, improve underground drainage, resurface the parking lot directly east of the stadium, and increase the number of luxury suites in the press box. These funds are not budgeted through the state treasury; only the authorization is needed.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>100,000</u>
All Funds	\$ --	\$ 100,000

Kansas State University Veterinary Medical Center

51. Hospital and Diagnostic Laboratory Revenue Fund

I amend my budget to reflect the latest estimates of consumable expenditures by the Veterinary Medical Center for FY 1999, which results in a savings to the State General Fund of \$37,830. Consumable expenditures include those supplies used in delivering medical services in the Teaching Hospital, such as blood, laboratory tests, pharmaceuticals, and surgical supplies. These additional dollars will offset budgeted State General Fund monies, for no net change to the agency's budget. This is possible because revenues to this general use fund are higher than those included in the original budget recommendations. Rather than offset the full amount of the additional revenues estimated to be available (\$385,968 in FY 1998 and \$396,164 in FY 1999) with the State General Fund budgeted amounts, I recommend that the Hospital retain these monies and use them to acquire oncology equipment.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ (37,830)
All Other Funds	<u>--</u>	<u>37,830</u>
All Funds	\$ --	\$ --

Wichita State University

52. Raze Communications Building

The 1993 Legislature authorized Wichita State University to raze the old communications building, which is building Number 12. Because of a lack of space elsewhere, the University was unable to raze the building and move into other space. With the donation of the Metroplex facility, the University is now able to raze the building. Therefore, I recommend Wichita State University be authorized to raze this building in FY 1999. No additional funding is required.

Historical Society

53. Technical Correction

I amend my budget to shift \$2,156 of operating expenditures for the State Historical Society from fee funds to the State General Fund in FY 1999. This shift will make a technical correction, so that the base salary increase is financed from the proper funding source.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 2,156
All Other Funds	<u>--</u>	<u>(2,156)</u>
All Funds	\$ --	\$ --

Department of Corrections

54. Jail Costs

I amend my budget to provide \$200,000 from the State General Fund in FY 1998 for reimbursements to jails for the temporary housing of parole violators. Year-to-date expenditures indicate that the current population is 12.0 percent higher than was budgeted and would require an additional \$482,300 over the \$1,068,700 I had originally recommended. The Department will be able to absorb more than half of these costs using the savings in its current health care and food service contracts. The recommended amount will cover the difference.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 200,000	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 200,000	\$ --

55. Medical Expenses

I amend my budget to provide the authority for the Department of Corrections to use FY 1998 monies to pay for FY 1997 expenses for its medical contract. My recommendation is technical in nature and would enable the agency to use savings in the current fiscal year to pay for \$23,414 in last year's expenses relating to a records technician provided by the private contractor.

56. Conservation Camp for Women

I amend my budget to provide \$737,000 for the construction of a 30-bed conservation camp for female offenders at the Topeka Correction Facility. The construction costs would include

\$343,750 from the State General Fund and \$281,250 from federal Violent Offender Incarceration and Truth in Sentencing grants. The federal match will be provided from construction savings of \$291,000 related to the 200-bed addition at the Norton Correctional Facility in FY 1998. The conservation camp would be operated through contracts with a private vendor and would provide an additional 15 correctional beds for women for the state and 15 beds for direct placements by the courts. My recommendation includes \$112,000 from the State General Fund for the first month of operations, to begin in June FY 1999. The need for a separate conservation camp for women became apparent when the original plans for expanding the Labette Conservation Camp indicated that it would be difficult to provide sufficient segregation from male offenders.

Department of Corrections:

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 455,750
All Other Funds	<u>--</u>	<u>281,250</u>
All Funds	\$ --	\$ 737,000

Norton Correctional Facility:

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>(291,000)</u>	<u>--</u>
All Funds	\$ (291,000)	\$ --

57. Razing of Buildings

I amend my budget to provide the authority for the Department of Corrections to raze two buildings at the Winfield Correctional Facility and two buildings at the Lansing Correctional Facility. The Winfield buildings include the Bakery Shop (building #125027) and the Old Main Kitchen (building #125028), both of which have been vacant for 32 years. The Lansing buildings include the East power plant (building #400009) which was taken out of service in 1990 when individual heating systems were installed in the East Unit buildings. Also recommended is the razing of a fire station at the same facility.

58. "No Limit" Expenditure Authority for Correctional Industries Fund

I amend my budget to remove the expenditure limit for the Correctional Industries Fund in FY 1998. The program had some difficulty in FY 1997 with its expenditure limit, which prevented it from purchasing the supplies and materials needed for its industries programs. The recommendation is consistent with the "no limit" status I have included in my FY 1999 recommendation.

59. Labette Conservation Camp Savings

I amend my budget to reduce \$110,000 from the FY 1998 Department of Corrections budget for savings related to the operation of a new 200-bed expansion at the Labette Conservation Camp. The expansion will be completed and ready for occupancy later than originally anticipated.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ (110,000)	\$ --
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ (110,000)	\$ --

60. Community Corrections Grant Fund Savings

I amend my budget to reduce \$200,678 in FY 1998 from the Department of Corrections' budget for savings related to the balances in the \$700,000 appropriation for probation violator grants. The balances resulted from the time it has taken to implement the new grants in FY 1998.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ (200,678)	\$ --
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ (200,678)	\$ --

Juvenile Justice Authority

61. Information System

I amend my budget to finance \$2,921,393 in expenditures in FY 1999 and add 3.0 FTE positions for a juvenile justice management information system. The funding sources would be \$2,459,393 State General Fund and \$462,000 federal funds. This is the first of three years of funding for the development of the system to collect and disseminate information about juvenile offenders. Estimated expenditures from the State General Fund are \$2,215,781 for the second year and \$2,329,689 for the third year. The total cost of the system over the three-year period will be approximately \$7.5 million. The on-going costs for maintenance of the system are estimated to be greater than \$850,000 per year. This system was mandated by KSA 1997 Supp. 38-1618. The strategic plan for the system has been developed by the agency's consultants and approved by the Joint Committee on Computers and Telecommunications and the Division of Information Systems and Communications. The 3.0 FTE positions will provide technical support.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 2,459,393
All Other Funds	<u>--</u>	<u>462,000</u>
All Funds	\$ --	\$ 2,921,393

62. State Matching Funds for Federal Block Grant

I amend my budget to finance \$31,000 in expenditures from the State General Fund in FY 1999 to match \$2,818,400 in federal funding for a Juvenile Accountability and Incentive Block Grant. An additional \$282,155 would be accessed from grant recipients. The grant has 11 designated purposes on which the money can be spent, they include construction/operation of juvenile correctional facilities, staffing to increase the efficiency of the juvenile justice system, drug programs, information sharing, and accountability based programs to work with juvenile offenders.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 31,000
All Other Funds	<u>--</u>	<u>3,100,555</u>
All Funds	\$ --	\$ 3,131,555

63. Case Management Costs

I amend my budget to provide an additional \$3,514,671 in FY 1999 expenditures for case management services. The purpose of case management services is to provide supervision and appropriate services to juvenile offenders in the community who have not committed serious crimes. These services are cost effective and less restrictive than placement in a juvenile correctional facility. This updated estimate of needed services is based on the number of offenders in the Authority's custody and the services they receive.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 3,129,500
All Other Funds	<u>--</u>	<u>385,171</u>
All Funds	\$ --	\$ 3,514,671

Highway Patrol

64. Motor Carrier Safety Assistance Program (MCSAP) Financing Change

I amend my budget to finance a portion of the MCSAP Program from the State Highway Fund in FY 1998 and FY 1999. These funds will replace federal funds which are not expected to

be appropriated for federal FY 1998. In state FY 1998, an amount of \$111,804 from the State Highway Fund will be appropriated to make up for the expected federal shortfall. In FY 1999 an amount of \$1,179,156 will be appropriated provided that any federal funds which are appropriated for the MCSAP Program will be used to reimburse the State Highway Fund.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
MCSAP Fund	(111,804)	(1,179,156)
Highway Fund	<u>111,804</u>	<u>1,179,156</u>
All Funds	\$ --	\$ --

65. Arbitration Losses from the SHARP Conversion

I amend my budget to include \$12,338 from the State General Fund to finance the overtime payments that occurred as a result of the conversion from KIPPS to SHARP. Following the conversion on December 17, 1995, the troopers filed suit alleging that the period between 12:00 midnight and 7:00 am had not been accounted for by either KIPPS or SHARP. The troopers sought reimbursement for work hours which they alleged the state had not paid. The arbitration following that suit led to a ruling that the state would pay for the work hours in question. This amount would fully fund the state's obligation under the arbitration ruling.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 12,338	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 12,338	\$ --

66. CJIS Project Conversion and Training Program

I amend my budget to finance salaries and wages and operating expenditures for training related to the CJIS project conversion. An amount of \$621,940 from the State General Fund in FY 1999, along with 7.0 new FTE positions, is recommended. Of that amount, \$293,940 would provide for 6.0 Communication Operators and 1.0 Communication Supervisor to undertake necessary programming, technical support, and training. The remaining \$328,000 would provide for the replacement of 42 personal computers and software at 11 troop offices, as well as the Highway Patrol's portion of CJIS maintenance fees.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 621,940
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 621,940

67. Additional Trooper Positions

I amend my budget to include an additional \$470,134 from the State General Fund and 7.0 FTE Trooper positions in FY 1999. These positions will be assigned to patrol highways as considered appropriate by the Superintendent and management of the Highway Patrol. This amount of financing will provide salaries and wages, recruiting expenses, training costs, vehicles, and all other necessary equipment for the new troopers. These additional troopers will be hired by September 1998, complete the training academy by February 1999, and be on the road independently by July 1999. They will be in addition to the class of at least 20 trainees scheduled to begin training in September 1998.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 470,134
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 470,134

Adjutant General's Department

68. Active Duty Pay

I amend my budget to include \$8,100 from the State General Fund to finance unexpected state active duty days. The Adjutant General's Department anticipates a minimal number of active duty days each year for the purpose of responding to state emergencies. During FY 1998, the agency responded to a larger than anticipated number of emergency situations, including the blizzard of March 8, 1998, and the hay drop in parts of western Kansas. This amount of funding will provide the agency with sufficient funds to reimburse members of the National Guard for their service to the state without jeopardizing the agency's operating budget.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ 8,100	\$ --
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ 8,100	\$ --

State Fire Marshal

69. Salary and Wage Technical Correction

I amend my budget to correct a shrinkage and fringe benefit calculation error for the State Fire Marshal in FY 1998. An additional \$17,092 in shrinkage was subtracted from the approved FY 1998 salaries and wages. In addition, a correction of \$3,415 to fringe benefits should be made.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>20,507</u>	<u>--</u>
All Funds	\$ 20,507	\$ --

Sentencing Commission

70. Criminal Justice Information System (CJIS) Funding

I amend my budget to finance continued implementation of CJIS. In FY 1999, expenditures from the State General Fund will be increased by \$298,933. This additional funding will be combined with the original recommendation of \$1,300,248 from the Budget Stabilization Fund, for a total of \$1,599,181. It has been determined that the CJIS project now is 18 months ahead of schedule for implementation and that an additional \$298,933 is needed to continue implementation of the local interfaces portion of the project in a timely manner.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 298,933
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 298,933

State Conservation Commission

71. Buffer Initiative

Improving and maintaining water quality is essential to the well-being of the state. It places the state in a desirable position from a business standpoint and, more importantly, it is essential to the good health of Kansas residents. My budget recommendation for FY 1999 included a program that would provide positive results in improving water quality in Kansas. Substitute for HB 2950, which has passed both houses of the Legislature, includes provisions that establish the Kansas Water Quality Buffer Initiative in the State Conservation Commission. The bill also establishes the Water

Quality Buffer Initiative Fund. The Legislature has joined me in recognizing the value of this program by adopting this legislation. Monies from the fund will be used to make grants available to landowners who install water quality management practices.

My initial recommendation for this program provided one-time seed monies of \$800,000 from the Economic Development Initiatives Fund. During the Legislative Session, this funding was deleted. The Buffer Initiative Program is an important program that is fundamental to improving the state's water quality. I recognize the sentiment of some legislators who feel that funding for this program could be divided over a ten-year period. This option of partial funding in the first year is far better than the current situation where the program is not funded. Therefore, I amend my budget to provide \$80,000 from the State Water Plan Fund for the Water Quality Buffer Initiative Program in FY 1999. It is my intent that at least \$80,000 will be provided in future fiscal years.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>80,000</u>
All Funds	\$ --	\$ 80,000

Department of Wildlife and Parks

72. Local Government Outdoor Recreation Grant Program

HB 2876, which establishes the Kansas Local Government Outdoor Recreation Grant Program Act, was passed by the Legislature. The Secretary of Wildlife and Parks is to develop and administer a grant program to award grants to Kansas local government for capital improvements for outdoor recreation facilities. The bill provides that the grants would be awarded annually on a competitive basis. A 50.0 percent match is required by local governments for each award. I amend my budget to provide \$1.0 million from the State General Fund in FY 1999. This funding will provide a source of funding for these grant awards.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 1,000,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 1,000,000

Department of Agriculture

73. Confined Animal Feeding Facilities for Swine

Substitute for HB 2950 establishes new provisions relating to the regulation of confined animal feeding facilities. In addition to my FY 1999 State General Fund recommendation of \$558,700 for the Department of Health and Environment, I amend my budget to provide funding for the Department of Agriculture. Substitute for HB 2950 requires that nutrient management plans be submitted by facility operators. This provision will require 1.0 FTE position to review nutrient management plans. I amend my budget to provide for \$45,000 from the State General Fund for the Department of Agriculture for FY 1999. The agency will reallocate an existing FTE position. Therefore, no new position is recommended.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 45,000
All Other Funds	<u> --</u>	<u> --</u>
All Funds	\$ --	\$ 45,000

Mills Building Rehabilitation

74. Moving Expenses and Associated Rent Increases

The Department of Agriculture, the State Conservation Commission, the Water Office, and the Kansas Commission on Governmental Standards and Conduct are tenants in the Mills Building. The current office space occupied by these agencies is inadequate and needs to be rehabilitated. Worn carpet needs to be replaced, painting must be done, and floor space reconfigured. Additionally, many of the existing furnishings are no longer suitable or operable. To accommodate the needs of these agencies, I amend my budget to provide \$962,000 (\$848,680 from the State General Fund), for the rehabilitation of the Mills Building. The affected agencies have reviewed FY 1998 expenditures and have attempted to defray as much of the costs as possible. These adjustments are reflected in the amounts that I am recommending for this project. Of the total, approximately \$650,800 is for partitions and furnishings and represents a one-time expenditure. The Department of Health and Environment occupies approximately 30,000 square feet within this building. Tentative plans require this agency to re-locate to accommodate the rehabilitation work. Expenditures associated with major rehabilitation work, furnishings, and moving costs are recommended for FY 1999 and would be distributed, by agency, as follows:

Department of Agriculture:

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 602,000
All Other Funds	<u>--</u>	<u>107,000</u>
All Funds	\$ --	\$ 709,000

Kansas Water Office:

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 169,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 169,000

State Conservation Commission:

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 72,680
All Other Funds	<u>--</u>	<u>6,320</u>
All Funds	\$ --	\$ 79,000

Kansas Commission on Governmental Standards and Conduct:

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 5,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 5,000

The total for these four agencies is summarized in the following table:

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ 848,680
All Other Funds	<u>--</u>	<u>113,320</u>
All Funds	\$ --	\$ 962,000

Department of Transportation

75. Utility Connection Costs Shift

For FY 1998 and FY 1999, I amend my budget to shift utility connection costs from operating expenditures to capital improvements within the Department. Utility connection costs for four projects were included in the operating budget. I recommend the shift of these expenditures from the State Highway Fund to identify building costs properly at the Ellsworth Sub-Area, the Wichita East Sub-Area, Sub-Area Wash Bays, and the Junction City Sub-Area.

76. Fort Scott Subarea Shop Relocation

For FY FY 1999, I amend my budget to include \$970,000 from the State Highway Fund for relocation of the Fort Scott subarea shop, including \$20,000 for the purchase of new land. The funding will provide the agency better access to highways because the planned location is on the outskirts of the community. The agency expects to receive \$260,000 for the sale of its current property in Fort Scott to offset part of the cost. The proceeds will be deposited in the State Highway Fund upon the sale of the property.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ --	\$ --
All Other Funds	<u>--</u>	<u>970,000</u>
All Funds	\$ --	\$ 970,000

Selected Agencies

77. Retirement Reductions

I amend my budget to reduce expenditures in various agencies in FY 1998 and FY 1999 to reflect savings resulting from retirement reductions. In FY 1998, savings from retirements in addition to the amounts included in my original budget recommendations total \$752,508, of which \$382,731 is from the State General Fund. Full-year salary savings in FY 1999 for positions that were eliminated through the retirement reduction process \$1,089,823, including \$381,335 from the State General Fund. A total of 39.0 FTE positions will be reduced for FY 1999 that have occurred to date in FY 1998. The amounts by agency are contained in the attachment following this memorandum.

	<u>FY 1998</u>	<u>FY 1999</u>
State General Fund	\$ (382,731)	\$ (381,335)
All Other Funds	<u>(369,777)</u>	<u>(708,488)</u>
All Funds	\$ (752,508)	\$(1,089,823)

Attachment for
Retirement Reductions

Agency	FY 1998		FY 1999		
	SGF	All Funds	SGF	All Funds	FTE
Department of Administration	\$28,115	\$28,115	\$42,829	\$42,829	4.0
Kansas Corporation Commission	--	30,113	--	30,113	1.0
Department of Revenue	13,726	13,726	37,618	37,618	1.0
Social and Rehabilitation Services	121,064	226,933	--	--	--
Kansas Neurological Institute	20,110	20,110	--	--	--
Larned State Hospital	64,041	64,041	65,374	65,374	3.0
Osawatomie State Hospital	30,551	30,551	--	--	--
Dept. of Health and Environ--Health	2,480	30,071	7,239	74,265	2.0
Department of Human Resources	--	9,611	--	44,631	1.0
Commission on Veterans Affairs	10,764	10,764	25,170	25,170	1.0
Kansas State--ESARP	6,522	6,522	23,135	23,135	1.0
Pittsburg State University	13,934	19,114	56,102	86,178	3.0
University of Kansas	14,967	23,471	83,148	123,479	4.0
KU Medical Center--Hospital	--	57,567	--	114,101	4.0
Wichita State University	8,185	8,185	--	--	--
Department of Corrections	25,000	25,000	--	--	1.0
Topeka Correctional Facility	4,546	4,546	40,720	40,720	1.0
Adjutant General	--	15,843	--	26,382	1.0
Department of Agriculture	18,726	22,344	--	--	--
Department of Transportation	--	105,881	--	355,828	11.0
Total	\$382,731	\$752,508	\$381,335	\$1,089,823	39.0

KPERS Monthly Retirement Benefits

	Current Benefits		COLA Example 1		COLA Example 2	
	Number	Ave. Mo. Payment	2.0 Pct. Increase	Net Change	3.0 Pct. Increase	Net Change
Retired Prior to:						
July 1, 1997						
KPERS non-school	21,034	\$571	\$582	\$11	\$588	\$17
KPERS school	21,452	695	709	14	716	21
KSRS	1,403	186	190	4	192	6
Kansas City KS	145	1079	1,101	22	1,111	32
KPERS correctional	141	607	619	12	625	18
Judges	133	2237	2,281	45	2,304	67
KP&F Tier I	1,350	1443	1,472	29	1,486	43
KP&F Tier II	353	1827	1,864	37	1,882	55
KP&F Special	888	1202	1,226	24	1,238	36
Legislators	100	1404	1,432	28	1,446	42
Legislative Employees	147	189	193	4	195	6
Total	47,146	\$669	\$683	\$13	\$689	\$20
Retired Prior to:						
July 1, 1993						
KPERS non-school	15,139	\$469	\$478	\$9	\$483	\$14
KPERS school	15,126	554	565	11	570	17
KSRS	1,338	194	198	4	200	6
Kansas City KS	143	1074	1,095	21	1,106	32
KPERS correctional	77	678	691	14	698	20
Judges	90	2070	2,111	41	2,132	62
KP&F Tier I	1,044	1220	1,245	24	1,257	37
KP&F Tier II	76	1342	1,369	27	1,382	40
KP&F Special	868	1197	1,221	24	1,233	36
Legislators	66	1406	1,434	28	1,448	42
Legislative Employees	99	199	203	4	205	6
Total	34,066	\$548	\$559	\$11	\$564	\$16
Retired From						
7/1/93 to 6/30/97						
KPERS non-school	5,895	\$833	\$849	\$17	\$858	\$25
KPERS school	6,325	1035	1,055	21	1,066	31
KSRS	65	103	105	2	106	3
Kansas City KS	2	1704	1,738	34	1,755	51
KPERS correctional	64	522	533	10	538	16
Judges	43	2397	2,445	48	2,469	72
KP&F Tier I	306	2201	2,245	44	2,267	66
KP&F Tier II	277	1959	1,998	39	2,018	59
KP&F Special	20	1428	1,456	29	1,470	43
Legislators	34	1401	1,429	28	1,443	42
Legislative Employees	48	330	337	7	340	10
Total	13,079	\$959	\$979	\$19	\$988	\$29

Source: KPERS benefits data.
Prepared by Kansas Legislative Research Department

Appropriations
4-24-98
Attachment 4

KPERS 1998 COLA Proposals

(IN MILLIONS)

Senate 2% Ad Hoc (H.B. 2149)

Pre-July 1, 1993 Group

Contributions:	FY 1999	FY 2000*	15-Year
State			
SGF	\$18.9	\$0.55	\$29.77
AOF	<u>0.0</u>	<u>0.36</u>	<u>7.25</u>
Total--State	18.9	0.91	37.02
Local	<u>0.0</u>	<u>1.07</u>	<u>21.55</u>
Employers--State&Local	18.9	1.98	58.57
Employees	<u>0.0</u>	<u>0.00</u>	<u>0.00</u>
Grand Total	<u>\$18.9</u>	<u>\$1.98</u>	<u>\$58.57</u>

* CY 2000 for local units

1st Conf Cmt 3% Ad Hoc (S.B. 11)

Pre-July 1, 1993 Group

Contributions:	FY 1999	FY 2000*	15-Year
State			
SGF	\$28.3	\$0.82	\$44.66
AOF	<u>0.0</u>	<u>0.54</u>	<u>10.88</u>
Total--State	28.3	1.36	55.54
Local	<u>0.0</u>	<u>1.61</u>	<u>32.25</u>
Employers--State&Local	28.3	2.97	87.79
Employees	<u>0.0</u>	<u>0.00</u>	<u>0.00</u>
Grand Total	<u>\$28.3</u>	<u>\$2.97</u>	<u>\$87.79</u>

* CY 2000 for local units

Governor's 3% Ad Hoc (H.B. 2875)

Pre-July 1, 1997 Group

Contributions:	FY 1999	1st Year Cost*	33-Year
State			
SGF	\$0.0	\$5.07	\$321.70
AOF	<u>0.0</u>	<u>0.83</u>	<u>52.37</u>
Total--State	0.0	5.90	374.07
Local	<u>0.0</u>	<u>1.66</u>	<u>115.51</u>
Employers--State&Local	0.0	7.56	489.58
Employees	<u>0.0</u>	<u>0.00</u>	<u>0.00</u>
Grand Total	<u>\$0.0</u>	<u>\$7.56</u>	<u>\$489.58</u>

* CY for local units

House Automatic COLA (S.B. 618)

Pre-July 1, 1997 Group

Contributions:	FY 1999*	5th Year FY 2003	33-Year
State			
SGF	\$22.8	\$59.25	\$2,986.78
AOF	<u>\$3.7</u>	<u>\$9.65</u>	<u>\$486.22</u>
Total--State	26.5	68.90	3,473.00
Local	<u>22.0</u>	<u>33.52</u>	<u>\$1,894.39</u>
Employers--State&Local	48.5	102.42	5,367.39
Employees	<u>8.3</u>	<u>48.12</u>	<u>3,119.83</u>
Grand Total	<u>\$56.8</u>	<u>\$150.54</u>	<u>\$8,487.22</u>

* CY 1999 for local units

COLA Estimates of Actuarial Liability
(In Millions)

Retiring Prior to:	State & School	TIAA	State KP&F	Judges	Subtotal State	Local KPERS	Local KP&F	Subtotal Local	Total
Automatic COLA									
July 1, 1997									
2.0 percent SGF Amt.	\$626.00	\$3.00	\$16.51	\$6.00	\$651.51 \$560.30	\$111.00	\$110.49	\$221.49	\$873.00 \$560.30
<hr/>									
Ad Hoc COLA									
July 1, 1997									
3.0 percent SGF Amt.	\$80.00	\$1.00	\$1.60	\$1.00	\$83.60 \$71.90	\$13.00	\$11.40	\$24.40	\$108.00 \$71.90
2.0 percent SGF Amt.	\$53.33	\$0.67	\$1.07	\$0.67	\$55.73 \$47.93	\$8.67	\$7.60	\$16.27	\$72.00 \$47.93
July 1, 1993									
3.0 percent SGF Amt.	\$39.10	\$0.70	\$1.09	\$0.55	\$41.43 \$35.63	\$7.38	\$7.39	\$14.77	\$56.20 \$35.63
2.0 percent SGF Amt.	\$26.07	\$0.47	\$0.72	\$0.36	\$27.62 \$23.75	\$4.92	\$4.93	\$9.85	\$37.47 \$23.75
<hr/>									
13th Check									
July 1, 1997	**	**	**	**	**	**	**	**	**
Ave. Amt. [in Dollars]	**	**	**	**	**	**	**	**	\$31.56 [669.33]
July 1, 1993	**	**	**	**	**	**	**	**	**
Ave. Amt. [in Dollars]	**	**	**	**	**	**	**	**	\$18.65 [547.57]

Source: based on KPERS estimates and compiled by KLRD with 2.0 percent pre-July 1, 1997, option calculated.

House Subcommittee Recommendation
Alternative Punishments and Prison Diversion Proposal
Proposal Funds One-Fourth of the 10-Year Masterplan Consultants Priority Projects

Project	FY 1998	FY 1999	Total
1. Community Intermediate Sanction Centers** Estimated 95 beds for parole and probation conditional violators in KDOC or community corrections programs Includes proviso making programs available parolees as well as probationers	0	1,484,625	
2. Community Day-Reporting Centers*** Expansion of 90 slots locations Includes proviso making programs available parolees as well as probationers	0	1,080,125	
3. Substance Abuse and Mental Health Services Expansion Adds 80 slots for offenders on probation or parole	0	1,000,000	
4. Transitional Centers Adds 100 beds for KDOC inmates nearing release	0	1,605,000	
Planning	200,000	0	
TOTAL	<u>200,000</u>	<u>5,169,750</u>	<u>5,369,750</u>

Funding Sources		
SGF	VOITIS Funds*	Total
929,125	555,500	1,484,625
1,080,125	0	1,080,125
1,000,000	0	1,000,000
160,500	1,444,500	1,605,000
<u>200,000</u>	<u>0</u>	<u>200,000</u>
<u>3,369,750</u>	<u>2,000,000</u>	<u>5,369,750</u>

APPROPRIATIONS
 4-24-98
 ATTACHMENT 5

* Violent Offender Incarceration and Truth-in-Sentencing Federal Crime bill funds

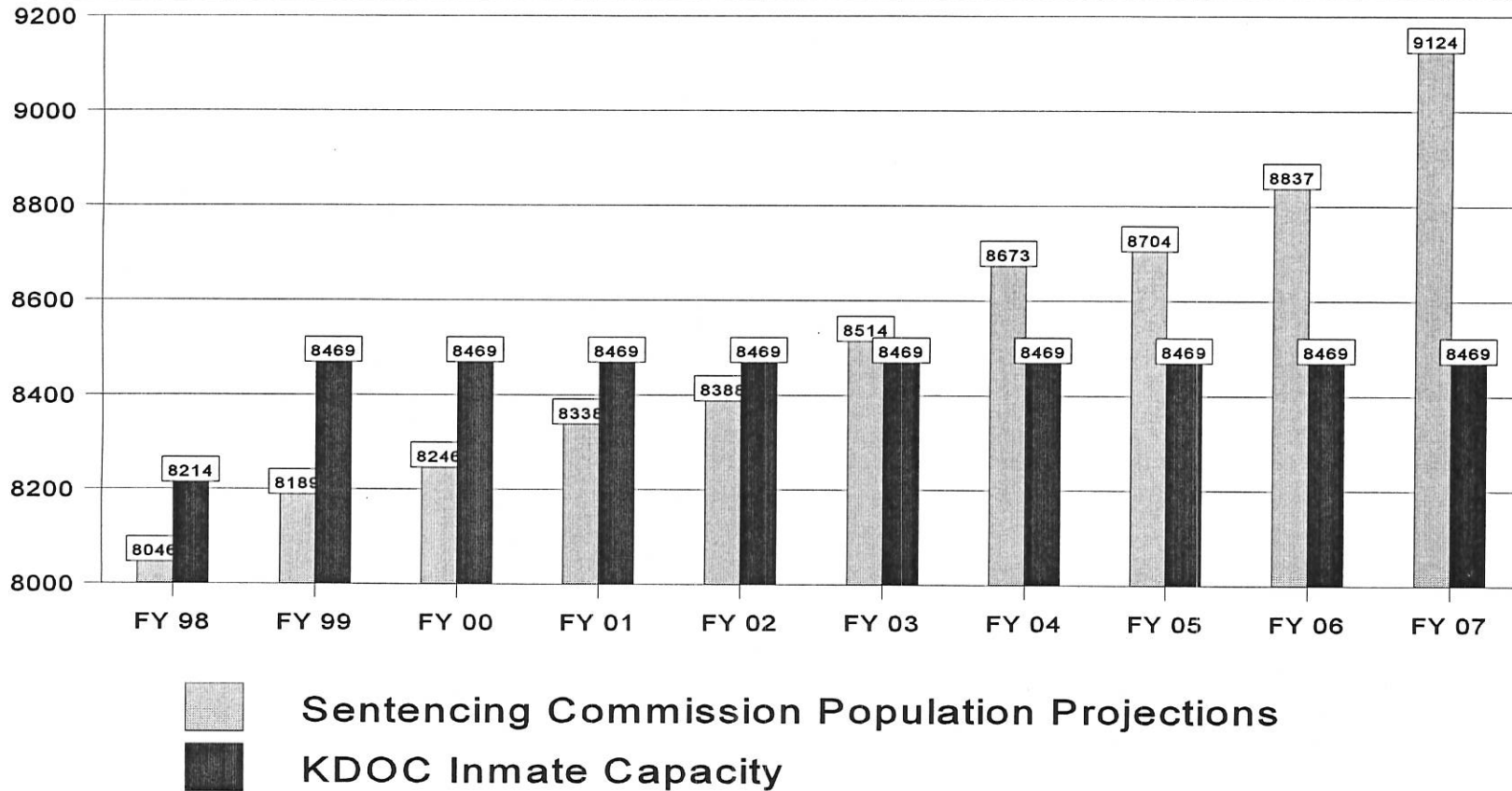
** Requires bill to allow intermediate sanction center as a sentencing option similar to boot camp at Labette

*** Includes \$580,125 for possible capital improvements and \$500,000 operating expenditures

Appropriations
 4/24/98
 Attachment 5

Correctional Capacity Compared to Population Projections

5-2



KDOC capacity based on current capacity of 8,214 and the addition of 200 beds in FY 1999 at Norton and 55 boot camp beds.

2-2

**OMNIBUS SUBCOMMITTEE REPORT ON
PREVENTION AND EARLY INTERVENTION
PROGRAM GRANTS**

At the request of the Kansas Youth Authority the Subcommittee evaluated whether current levels of funding were adequate to appropriately implement the comprehensive juvenile justice reforms enacted in 1996 and 1997. The Subcommittee concluded that although significant new resources were requested by the agency and provided for in a Governor's Budget Amendment, critical issues mandated by the reforms remained unfunded. Consequently, the Subcommittee, in consultation with the Kansas Youth Authority, is recommending \$1,875,000 of current FY 1999 funding for Community Initiatives in the Juvenile Justice Authority budget be shifted to fund Prevention and Early Intervention Program Grants along with an additional \$325,000 from the State General Fund. This funding will be utilized as a pool of funds to meet strategic reform goals.

Of this amount, \$500,000 would be earmarked for development and implementation of a Kansas Mentoring Initiative. Funds expended for this purpose would provide for development of materials, the promotion of the programs, technical assistance and training opportunities, recognition of cooperating employers, and for grants to selected school districts, to be awarded on a competitive basis. Mentoring program models available from One To One, The National Mentoring Partnership, would be utilized in developing this program.

Additionally, funds from this pool would be used to create a manual for communities to utilize in the development and implementation of prevention and early interventions programs. The manual will be designed as a user friendly "tool box" listing available resources and how to access them in addition to an overview of successful programs that represent "best practices."

The balance of the funds shall be utilized by the Kansas youth Authority to make direct grants funding community based demonstration projects. A 20 percent local match, not to include current local expenditures, will be required as a condition of accepting any grant made. The Kansas Youth Authority is directed to solicit competitive proposals for significant grants to fund projects designed to produce significant positive outcomes within the framework of the "Communities That Care Model." The grant pool should be disbursed so that both urban and rural communities are awarded demonstration projects. The grant receipts shall, as a condition of accepting grants, agree to provide assistance to other Kansas communities so that successful demonstration projects may be widely replicated.

(This amount shall be transferred to the Kansas Endowment for Youth Fund and shall only be utilized for the above purposes notwithstanding current statutory provisions governing the purposes for funding of the Kansas Endowment for Youth.)

The Kansas Youth Authority, in cooperation with the Juvenile Justice Authority shall provide the Oversight Committee with regular updates on progress of implementation of the above initiatives.

*Appropriations
4-24-98
Attachment 6*

The Subcommittee has secured the agreement of the Kansas Youth Authority and the Juvenile Justice Authority to schedule and conduct a statewide listening tour in which state policy makers and key executive branch officials would tour selected Kansas communities to reinforce the intent of Kansas juvenile justice reform and to secure feedback regarding community concerns.



Representative Joe Kejr, Chairman



Representative Shari Weber



Representative Ed McKechnie



KANSAS

KANSAS DEVELOPMENT FINANCE AUTHORITY

Bill Graves
Governor

April 24, 1998

Wm. F. Caton
President

Representative Mike Farmer, Vice Chairman
House Committee on Appropriations
State Capitol Building
300 SW 10th, Room 182W
Topeka, Kansas 66612-1504

Honorable Representative Farmer:

Kansas Development Finance Authority ("K DFA") is pleased to provide the enclosed debt service and related schedules for the construction project proposed by the Kansas State Historical Society (the "Society"). As discussed with Ms. Susan Duffy, the Society's Fiscal Officer, over the telephone yesterday, K DFA has developed two different sets of schedules; one set contemplates a five year amortization of debt, and the other uses a ten year amortization period. Both sets of schedules share the following assumptions and parameters:

1. A project cost of \$2,098,540, taking twelve months to construct, using equal monthly draws against the project fund.
2. Coupon interest rates based on current market rates from a recent K DFA bond sale, plus 25 basis points (.25%) for conservatism.
3. A gross funded project; *i.e.*, bonds are issued to provide 100% of the project costs at issue date, and interest earnings on unexpended project funds are used to pay a portion of debt service on the bonds.
4. A bond reserve funded from bond proceeds, with interest earnings on the bond reserve used to pay a portion of debt service on the bonds, and with the bond reserve used to pay a portion of the final balloon payment on the bonds.
5. Debt service structured to achieve as nearly level fiscal year *projected net* debt service as possible.
6. Debt service payments have been designated for May and November, with the first principal payment due in May 1999; however this can be adjusted if required.

Allow me to call your attention to the projected net interest cost ("NIC") percentages on these two sets of schedules. The NIC on the five year debt is 5.03%, and the NIC on the ten year bonds is 5.00%. This cost of capital is less than the short-term interest earnings on State idle funds, which averaged 5.49% for the month of March 1998. Obviously, it is more cost effective, in current market

Appropriations
4-24-98
Attachment 7

Representative Mike Farmer

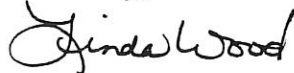
April 24, 1998

Page 2

conditions, to debt finance capital projects than to cash fund them.

I wish to apologize again for being unable to deliver these schedules to the Committee this morning, because of computer problems. After you have reviewed the schedules, please do not hesitate to contact me if you have any questions, or if you wish to modify any assumptions to create revised projections.

Sincerely,



Linda Wood

Chief Financial Analyst

Enclosures

**Kansas Development Finance Authority
Revenue Bonds, Series to be Designated
Kansas State Historical Society
Storage Bay Addition Project
Five Year Debt Service**

Source and Use of Funds

Source of funds:

Bonds issued		\$2,425,000.00
Accrued interest to date of settlement		4,114.06
		4,114.06
Total		\$2,429,114.06

Use of funds:

Project costs provided by bond proceeds		\$2,098,540.00
Costs of issuance		83,960.00
Bond reserve established		242,500.00
Accrued interest credited to debt service account		4,114.06
		4,114.06
Total		\$2,429,114.06

Note: These schedules should be used for estimation purposes only. No attempt has been undertaken by Kansas Development Finance Authority ("K DFA") to price the proposed issue in the market, and it is unknown whether the issue will be rated or insured or what revenue sources will secure the issue. Interest rates used in this analysis are estimates based on market conditions existing at the time of this analysis. Any revenue sources noted in this analysis have been provided by outside sources and have not been verified by K DFA.

**Kansas Development Finance Authority
Revenue Bonds, Series to be Designated
Kansas State Historical Society
Storage Bay Addition Project
Five Year Debt Service**

Period	Date	Fiscal Year	Principal Payment	Principal Balance	Interest Rate	Interest Payment	Gross Debt Service	Fiscal Year Gross Debt Service	Bond Reserve & Accrued Interest Cash Flows	Project Fund Earnings	Net Debt Service	Fiscal Year Net Debt Service
Dated	05/01/98	1998		2,425,000.00								
1	11/01/98	1999				52,895.00	52,895.00		9,034.12	32,959.00	10,901.88	
2	05/01/99	1999	405,000.00	2,020,000.00	4.150%	52,895.00	457,895.00	510,790.00	5,335.00	13,465.00	439,095.00	449,996.88
3	11/01/99	2000				44,491.25	44,491.25		5,335.00		39,156.25	
4	05/01/2000	2000	415,000.00	1,605,000.00	4.250%	44,491.25	459,491.25	503,982.50	5,335.00		454,156.25	493,312.50
5	11/01/2000	2001				35,672.50	35,672.50		5,335.00		30,337.50	
6	05/01/2001	2001	435,000.00	1,170,000.00	4.350%	35,672.50	470,672.50	506,345.00	5,335.00		465,337.50	495,675.00
7	11/01/2001	2002				26,211.25	26,211.25		5,335.00		20,876.25	
8	05/01/2002	2002	455,000.00	715,000.00	4.450%	26,211.25	481,211.25	507,422.50	5,335.00		475,876.25	496,752.50
9	11/01/2002	2003				16,087.50	16,087.50		5,335.00		10,752.50	
10	05/01/2003	2003	715,000.00		4.500%	16,087.50	731,087.50	747,175.00	247,835.00		483,252.50	494,005.00
Totals			2,425,000.00			350,715.00	2,775,715.00	2,775,715.00	299,549.12	46,424.00	2,429,741.88	2,429,741.88

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Kansas Development Finance Authority
Revenue Bonds, Series to be Designated
Kansas State Historical Society
Storage Bay Addition Project
Five Year Debt Service

Bond Issuance Statistics:

Dated date	05/01/98	
Settlement / Closing date	05/15/98	
First payment date	11/01/98	
Day basis per year	360	
Periods per year	2	
Days per period	180	
Principal payments per year	1	
Interest payments per year	2	
Weighted average coupon rate	4.41984877%	Bond year calculation from Dated date
Net interest cost (includes Underwriter's discount)	5.03106490%	Bond year calculation from Dated date
Effective interest rate (excludes issuance costs)	4.41729747%	Present value calculation from Settlement date
True interest cost (includes Underwriter's discount)	5.10629706%	Present value calculation from Settlement date
Arbitrage yield (includes bond insurance costs)	4.41729746%	Present value calculation from Settlement date
All-in bond yield (includes all issuance costs)	5.62275097%	Present value calculation from Settlement date
Weighted average life of issue (from dated date)	3.272165	Years
Total life of issue (from dated date)	5.000000	Years
Bond years	7,935.000	
Average annual payment, net of all credits	485,948.38	
Accrued interest at settlement date	4,114.06	
Bond reserve fund earnings rate	4.400000%	
Project fund earnings rate	4.400000%	
Capitalized interest earnings rate		

Bond Issue Summary:

	<u>Amount</u>	<u>As a % of Total Issue</u>
Net financed costs	\$2,098,540.00	86.54%
Issuance costs	83,960.00	3.46%
Capitalized interest		
Bond reserve	242,500.00	10.00%
Total issue	<u>\$2,425,000.00</u>	<u>100.00%</u>

Notes:

1. First period Bond Reserve and Accrued Interest Cash Flow is comprised of the following:

Reserve income for the period	4,920.06
Accrued interest to date of settlement	4,114.06
	<u>9,034.12</u>

2. Final period Bond Reserve and Accrued Interest Cash Flow is comprised of the following:

Reserve income for the period	5,335.00
Bond reserve balance	242,500.00
	<u>247,835.00</u>

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7-5

**Kansas Development Finance Authority
Revenue Bonds, Series to be Designated
Kansas State Historical Society
Storage Bay Addition Project
Five Year Debt Service**

Project Fund Schedule

Bond proceeds for project	2,098,540.00
Investment earnings	0.00
Remaining project costs	2,098,540.00
Costs previously incurred	
Total project costs	2,098,540.00

Project fund earnings rate: 4.400000%

Period Settled	Date	Project Costs Incurred	Allocation of Project Costs			Project Fund Schedule					
			Cumulative Project Costs	Allocated to Other Funds	Allocated to Bonds	Beginning Balance	Non-Draw Changes	Project Draws	Investment Earnings	Ending Balance	
1	06/01/98	174,878.33	174,878.33		174,878.33	2,098,540.00	2,098,540.00				2,098,540.00
2	07/01/98	174,878.33	349,756.67		174,878.33	1,923,661.67	(4,104.00)	(174,878.33)	4,104.00		1,923,661.67
3	08/01/98	174,878.33	524,635.00		174,878.33	1,748,783.33	(7,053.00)	(174,878.33)	7,053.00		1,748,783.33
4	09/01/98	174,878.33	699,513.33		174,878.33	1,748,783.33	(6,412.00)	(174,878.33)	6,412.00		1,573,905.00
5	10/01/98	174,878.33	874,391.67		174,878.33	1,573,905.00	(5,771.00)	(174,878.33)	5,771.00		1,399,026.67
6	11/01/98	174,878.33	1,049,270.00		174,878.33	1,399,026.67	(5,130.00)	(174,878.33)	5,130.00		1,224,148.33
7	12/01/98	174,878.33	1,224,148.33		174,878.33	1,224,148.33	(4,489.00)	(174,878.33)	4,489.00		1,049,270.00
8	01/01/99	174,878.33	1,399,026.67		174,878.33	1,049,270.00	(3,847.00)	(174,878.33)	3,847.00		874,391.67
9	02/01/99	174,878.33	1,573,905.00		174,878.33	874,391.67	(3,206.00)	(174,878.33)	3,206.00		699,513.33
10	03/01/99	174,878.33	1,748,783.33		174,878.33	699,513.33	(2,565.00)	(174,878.33)	2,565.00		524,635.00
11	04/01/99	174,878.33	1,923,661.67		174,878.33	524,635.00	(1,924.00)	(174,878.33)	1,924.00		349,756.67
12	05/01/99	174,878.33	2,098,540.00		174,878.33	349,756.67	(1,282.00)	(174,878.33)	1,282.00		174,878.33
						174,878.33	(641.00)	(174,878.33)	641.00		(0.00)
Total		2,098,540.00			2,098,540.00		2,052,116.00	(2,098,540.00)	46,424.00		

Note: The above schedule assumes construction beginning in 06/98 and construction completion in twelve months, using equal monthly construction draws over the construction period as requested by the client. Project Fund is gross funded. Project Fund earnings are transferred to debt service account for payment of interest during construction of the project.

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**Kansas Development Finance Authority
Revenue Bonds, Series to be Designated
Kansas State Historical Society
Storage Bay Addition Project
Ten Year Debt Service**

Source and Use of Funds

Source of funds:

Bonds issued	\$2,425,000.00	
Accrued interest to date of settlement	4,316.58	
	4,316.58	
Total		\$2,429,316.58

Use of funds:

Project costs provided by bond proceeds	\$2,098,540.00	
Costs of issuance	83,960.00	
Bond reserve established	242,500.00	
Accrued interest credited to debt service account	4,316.58	
	4,316.58	
Total		\$2,429,316.58

Note: These schedules should be used for estimation purposes only. No attempt has been undertaken by Kansas Development Finance Authority ("K DFA") to price the proposed issue in the market, and it is unknown whether the issue will be rated or insured, or what revenue sources will secure the issue. Interest rates used in this analysis are estimates based on market conditions existing at the time of this analysis. Any revenue sources noted in this analysis have been provided by outside sources and have not been verified by K DFA.

Kansas Development Finance Authority
Revenue Bonds, Series to be Designated
Kansas State Historical Society
Storage Bay Addition Project
Ten Year Debt Service

Bond Issuance Statistics:

Dated date	05/01/98	
Settlement / Closing date	05/15/98	
First payment date	11/01/98	
Day basis per year	360	
Periods per year	2	
Days per period	180	
Principal payments per year	1	
Interest payments per year	2	
Weighted average coupon rate	4.68168089%	Bond year calculation from Dated date
Net interest cost (includes Underwriter's discount)	5.00013132%	Bond year calculation from Dated date
Effective interest rate (excludes issuance costs)	4.67290377%	Present value calculation from Settlement date
True interest cost (includes Underwriter's discount)	5.06196437%	Present value calculation from Settlement date
Arbitrage yield (includes bond insurance costs)	4.67290383%	Present value calculation from Settlement date
All-in bond yield (includes all issuance costs)	5.35363954%	Present value calculation from Settlement date
Weighted average life of issue (from dated date)	6.280412	Years
Total life of issue (from dated date)	10.000000	Years
Bond years	15,230.000	
Average annual payment, net of all credits	273,155.32	
Accrued interest at settlement date	4,316.58	
Bond reserve fund earnings rate	4.600000%	
Project fund earnings rate	4.600000%	
Capitalized interest earnings rate		

Bond Issue Summary:

	<u>Amount</u>	<u>As a % of Total Issue</u>
Net financed costs	\$2,098,540.00	86.54%
Issuance costs	83,960.00	3.46%
Capitalized interest		
Bond reserve	<u>242,500.00</u>	<u>10.00%</u>
Total issue	<u><u>\$2,425,000.00</u></u>	<u><u>100.00%</u></u>

Notes:

1. First period Bond Reserve and Accrued Interest Cash Flow is comprised of the following:

Reserve income for the period	5,143.69
Accrued interest to date of settlement	<u>4,316.58</u>
	<u><u>9,460.27</u></u>

2. Final period Bond Reserve and Accrued Interest Cash Flow is comprised of the following:

Reserve income for the period	5,577.50
Bond reserve balance	<u>242,500.00</u>
	<u><u>248,077.50</u></u>

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7-9

**Kansas Development Finance Authority
Revenue Bonds, Series to be Designated
Kansas State Historical Society
Storage Bay Addition Project
Ten Year Debt Service**

Project Fund Schedule

Bond proceeds for project	2,098,540.00
Investment earnings	0.00
Remaining project costs	2,098,540.00
Costs previously incurred	
Total project costs	2,098,540.00

Project fund earnings rate: 4.600000%

Period Settled	Date	Project Costs Incurred	Allocation of Project Costs		Allocated to Bonds	Beginning Balance	Project Fund Schedule			Ending Balance
			Cumulative Project Costs	Allocated to Other Funds			Non-Draw Changes	Project Draws	Investment Earnings	
	05/15/98					2,098,540.00				2,098,540.00
1	06/01/98	174,878.33	174,878.33		174,878.33	2,098,540.00	(4,290.00)	(174,878.33)	4,290.00	1,923,661.67
2	07/01/98	174,878.33	349,756.67		174,878.33	1,923,661.67	(7,374.00)	(174,878.33)	7,374.00	1,748,783.33
3	08/01/98	174,878.33	524,635.00		174,878.33	1,748,783.33	(6,704.00)	(174,878.33)	6,704.00	1,573,905.00
4	09/01/98	174,878.33	699,513.33		174,878.33	1,573,905.00	(6,033.00)	(174,878.33)	6,033.00	1,399,026.67
5	10/01/98	174,878.33	874,391.67		174,878.33	1,399,026.67	(5,363.00)	(174,878.33)	5,363.00	1,224,148.33
6	11/01/98	174,878.33	1,049,270.00		174,878.33	1,224,148.33	(4,693.00)	(174,878.33)	4,693.00	1,049,270.00
7	12/01/98	174,878.33	1,224,148.33		174,878.33	1,049,270.00	(4,022.00)	(174,878.33)	4,022.00	874,391.67
8	01/01/99	174,878.33	1,399,026.67		174,878.33	874,391.67	(3,352.00)	(174,878.33)	3,352.00	699,513.33
9	02/01/99	174,878.33	1,573,905.00		174,878.33	699,513.33	(2,681.00)	(174,878.33)	2,681.00	524,635.00
10	03/01/99	174,878.33	1,748,783.33		174,878.33	524,635.00	(2,011.00)	(174,878.33)	2,011.00	349,756.67
11	04/01/99	174,878.33	1,923,661.67		174,878.33	349,756.67	(1,341.00)	(174,878.33)	1,341.00	174,878.33
12	05/01/99	174,878.33	2,098,540.00		174,878.33	174,878.33	(670.00)	(174,878.33)	670.00	(0.00)
Total		2,098,540.00			2,098,540.00		2,050,006.00	(2,098,540.00)	48,534.00	

Note: The above schedule assumes construction beginning in 06/98 and construction completion in twelve months, using equal monthly construction draws over the construction period as requested by the client. Project Fund is gross funded. Project Fund earnings are transferred to debt service account for payment of interest during construction of the project.

**Kansas Development Finance Authority
Revenue Bonds, Series to be Designated
Kansas State Historical Society
Storage Bay Addition Project
Ten Year Debt Service**

Projected Debt Service

Period Dated	Date	Fiscal Year	Principal Payment	Principal Balance	Interest Rate	Interest Payment	Gross Debt Service	Fiscal Year Gross Debt Service	Bond Reserve & Accrued Interest Cash Flows	Project Fund Earnings	Net Debt Service	Fiscal Year Net Debt Service
	05/01/98	1998		2,425,000.00								
1	11/01/98	1999				55,498.75	55,498.75		9,460.27	34,457.00	11,581.48	
2	05/01/99	1999	180,000.00	2,245,000.00	4.150%	55,498.75	235,498.75	290,997.50	5,577.50	14,077.00	215,844.25	227,425.73
3	11/01/99	2000				51,763.75	51,763.75		5,577.50		46,186.25	
4	05/01/2000	2000	185,000.00	2,060,000.00	4.250%	51,763.75	236,763.75	288,527.50	5,577.50		231,186.25	277,372.50
5	11/01/2000	2001				47,832.50	47,832.50		5,577.50		42,255.00	
6	05/01/2001	2001	195,000.00	1,865,000.00	4.350%	47,832.50	242,832.50	290,665.00	5,577.50		237,255.00	279,510.00
7	11/01/2001	2002				43,591.25	43,591.25		5,577.50		38,013.75	
8	05/01/2002	2002	200,000.00	1,665,000.00	4.450%	43,591.25	243,591.25	287,182.50	5,577.50		238,013.75	276,027.50
9	11/01/2002	2003				39,141.25	39,141.25		5,577.50		33,563.75	
10	05/01/2003	2003	210,000.00	1,455,000.00	4.500%	39,141.25	249,141.25	288,282.50	5,577.50		243,563.75	277,127.50
11	11/01/2003	2004				34,416.25	34,416.25		5,577.50		28,838.75	
12	05/01/2004	2004	220,000.00	1,235,000.00	4.550%	34,416.25	254,416.25	288,832.50	5,577.50		248,838.75	277,677.50
13	11/01/2004	2005				29,411.25	29,411.25		5,577.50		23,833.75	
14	05/01/2005	2005	230,000.00	1,005,000.00	4.650%	29,411.25	259,411.25	288,822.50	5,577.50		253,833.75	277,667.50
15	11/01/2005	2006				24,063.75	24,063.75		5,577.50		18,486.25	
16	05/01/2006	2006	240,000.00	765,000.00	4.700%	24,063.75	264,063.75	288,127.50	5,577.50		258,486.25	276,972.50
17	11/01/2006	2007				18,423.75	18,423.75		5,577.50		12,846.25	
18	05/01/2007	2007	255,000.00	510,000.00	4.750%	18,423.75	273,423.75	291,847.50	5,577.50		267,846.25	280,692.50
19	11/01/2007	2008				12,367.50	12,367.50		5,577.50		6,790.00	
20	05/01/2008	2008	510,000.00		4.850%	12,367.50	522,367.50	534,735.00	5,577.50		274,290.00	281,080.00
Totals			2,425,000.00			713,020.00	3,138,020.00	3,138,020.00	357,932.77	48,534.00	2,731,553.23	2,731,553.23

MEMORANDUM

To: Ms. Gloria M. Timmer, Director
Division of Budget
From: Kansas Department of Revenue
Date: 04/23/98
Subject: Senate Bill 493
Enrolled Copy of the Bill

Brief of Bill

Senate Bill 493, as amended by House committee, in Sections 1 through 18, repeals the existing Kansas inheritance tax and replaces it with an estate tax. The provisions of this act would become effective on June 30, 1998.

Section 19 reduces the individual income tax rates for all filers other than those who are married and filing jointly, as follows:

\$0 - \$15,000	3.5% of taxable income
\$15,000 - \$30,000	\$525 plus 6.25% of excess over \$15,000
\$30,000 - Over	\$1,452.50 plus 6.45% over excess over \$30,000

Section 20 increases the Kansas standard deduction for tax year 1998 for married filing joint taxpayers to \$6,000, for individual taxpayers to \$3,000, and for head of household to \$4,500. The additional standard deduction for blind and elderly taxpayers is increased to \$850 for individual taxpayers and \$700 for married filing joint taxpayers.

Section 21 increases the Kansas personal exemption to \$2,250 beginning in tax year 1998.

Section 22 provides for a refundable Kansas earned income tax credit which is based on the federal earned income credit in section 32 of the internal revenue code. Beginning in tax year 1998 the Kansas earned income credit would be 10% of the allowable federal credit.

Section 23 authorizes a refundable tax credit for the property tax paid on certain classes of equipment. The credit is 15% of the property tax levied for property tax year 1998 and all years thereafter, actually and timely paid during the income tax year on commercial and industrial machinery as defined under Section 1 of article 11 for subclass (5) or (6) of class 2; and machinery and equipment as defined under the same Section for subclass (2) of class 2. The credit applies to income tax, insurance premiums tax and privilege tax for taxable years

*Appropriations
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Attachment 8*

commencing after December 31, 1997. Any credit claimed by a sub chapter S corporation, partnership, or LLC shall be passed to the shareholders, partners or members in the same proportionate share as any income or loss is proportioned.

Section 24 would clarify the exemption from property taxes for business machinery, equipment, materials, and supplies used or to be used in the conduct of the owner's business.

Section 25 reduces the statewide school mill levy from 27 mills to 20 mills for school year 1998-1999 and school year 1999-2000.

Section 26 extends the \$20,000 residential property valuation exemption to tax year 1999.

Section 27 of the bill would amend K.S.A 79-201t to exempt from property or ad valorem taxes all oil leases, other than royalty interests, from two to three barrels or less or three to five barrels or less which have a depth of 2,000 feet or more.

Section 28 would change the mineral tax exemption criteria of oil wells and exempt additional low producing wells from property or ad valorem tax.

The average daily exemption for gas severance tax is increased from \$81 per day to \$87 per day.

For oil wells which are less than 2,000 feet deep, the daily number of barrels that would be exempt increases from 2 to 5 barrels. This would effectively exempt all of the wells in the eastern third of Kansas, which would comprise the majority of wells that would be exempted under this proposal.

For oil wells which are 2,000 or more in depth, the proposal exempts from mineral tax all wells whose daily number of barrels is 5 barrels or less. Currently the well must have a daily production of 2 barrels or less to qualify for the exemption.

For oil wells which are 2,000 or more in depth and whose daily production is more than five barrels the proposal increases the number of barrels and decreases the average price per barrel amount to determine the exemption qualification.

Currently, wells that are 2,000 feet or more in depth that produce 6 barrels or less, 7 barrels or less if a tertiary recovery well (water flood), are exempt from the mineral tax as the price per barrel is below the average price per barrel as determined by the Department according to K.S.A 79-4217 Section 1 (d). Under this proposal, with the decrease in the average price qualification there would be no change in wells that would qualify for the exemption. Assuming no dramatic downturn in oil prices, the average oil price being used for determining the oil exemption is \$18.25. Therefore under the proposal, all wells 2,000 feet or more in depth producing more than 6 barrels daily will be taxed.

This section also adds an exemption for the incremental severance and production of oil and gas that results from a production enhancement project for a period of 7 years. Production

enhancement projects are defined as: 1) workover, any downhole operation in an existing oil or gas well that is designed to sustain, restore, or increase the production rate or ultimate recovery of oil or gas, but shall not include routine maintenance or routine repair; 2) recompletion to a different producing zone in the same well bore; 3) secondary recovery projects; 4) addition of mechanical devices to dewater a gas or oil well; 5) initial installation, replacement or enhancement of surface equipment; 6) installation or enhancement of compression equipment, line looping or other techniques or equipment which increases production from a well or group of wells in a project; and 7) new discoveries of oil or gas which are discovered as a result of the use of new technology. The state corporation commission will adopt rules and regulations necessary to efficiently and properly administer the provisions of the exemption. The exemption would not apply for the 12 month period, beginning July 1 of the year subsequent to any calendar year during which, for oil, the weighted average price of Kansas oil exceeds \$20 a barrel or, for gas, the weighted average price of Kansas gas exceeds \$2.50 per Mcf.

Section 29 amends K.S.A. 79-3602 to define "Educational Institution" for sales tax purposes.

Section 30 would amend K.S.A. 79-3603, subsection (m) to exempt from sales tax the fees and charges of any organization exempt from property taxation under paragraph Ninth of K.S.A. 79-201;

subsection (n) to exempt from sales tax dues charged by any organization exempt from property taxation under paragraphs Eighth and ninth of K.S.A. 79-201 and sales of memberships in a nonprofit organization which is exempt from federal income tax under section 501 (c)(3) and whose purpose is to support the operation of a nonprofit zoo;

and subsection (p) to exempt from state sales tax labor services for remodeling or repair of a residence. Residence is defined as those enclosures within which individuals customarily live.

Section 31 amends K.S.A. 79-3606, subsection (a) to add tires taxed under K.S.A. 65-3424d and dry-cleaning and laundry services taxed under K.S.A. 65-34,150 as an exception;

subsection (g) to allow sales of aircraft, aircraft repair, parts, services, remanufactured and modified aircraft sold to persons using directly or through and authorized agent to be exempt from sales tax;

subsection (ii) to exempt all sales of tangible personal property by or on behalf of any nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities provided or sponsored by such organization;

subsection (kk)(2) would disallow consideration of federal income tax treatment in determining whether business machinery and equipment will qualify for the sales tax exemption;

subsection (xx) would exempt all sales of tangible personal property and services purchased

by or on behalf of a nonprofit zoo which is exempt from federal income tax under section 501(c)(3);

subsection (yy) would exempt all sales of tangible personal property and services purchased by or on behalf of a parent-teacher association or organization;

subsection (zz) would exempt all sales of machinery and equipment purchased by over-the-air free access radio or television station which is used directly and primarily for the purpose of producing a broadcast signal, and all electricity which is essential for the purpose of producing a broadcast signal;

subsection (aaa) would exempt all sales of tangible personal property and services purchased by a religious organization which is exempt from federal income tax under section 501 (c) (3) and used exclusively for religious purposes;

subsection (bbb) would exempt all sales of food for human consumption by an organization which is exempt from federal income tax under section 501 (c) (3), which is a food distribution program which offers food at price below cost in exchange for the performance of community service.

Section 32 amends K.S.A. 79-3633 to modify the definition of income for the food sales tax rebate program to be Kansas adjusted gross income. Household is modified to mean the claimant and all persons for whom a personal exemption is claimed. The maximum income limit for who is allowed to claim the food sales tax credit is increased from \$13,000 to \$25,000.

Section 33 amends K.S.A. 79-3635 to allow a food sales tax refund of \$60 for each member of a household of a claimant having income of \$12,500 or less, and \$30 for each member of a household of a claimant having income of more than \$12,500 but not more than \$25,000. Section (a)(2) would allow the food sales tax refund to be claimed as a refundable credit on the taxpayer's Kansas income tax return.

Section 34 would provide that if execution of an income tax warrant is not issued within 10 years from the date of docketing, or if 10 years has elapsed from the date of the last execution, such warrant shall become dormant. However, the bill also provides that any dormant warrant may be revived in like manner as dormant judgment under the code of civil procedure (essentially filing a motion for revivor under K.S.A. 60-5404).

Section 35 would provide that if execution of a sales tax warrant is not issued within 10 years from the date of docketing, or if 10 years has elapsed from the date of the last execution, such warrant shall become dormant. However, the bill also provides that any dormant warrant may be revived in like manner as dormant judgment under the code of civil procedure (essentially filing a motion for revivor under K.S.A. 60-5404).

Section 36 would eliminate the requirement that a request for exemption be filed for motor

vehicles exempt from property taxes under section (e) of K.S.A. 79-5107.

Section 37 would allow the secretary of revenue to allow certain businesses to have direct pay authority for state and local sales taxes. Direct pay authority will allow the business to self-accrue any state and local sales tax due on their purchases and pay the tax directly to the department of revenue.

The effective date of this bill is on publication in the statute book.

Fiscal Impact

Passage of this bill will reduce state general fund revenues in fiscal year 1999 by \$246.6 million and by \$319.8 million in fiscal year 2000.

Section 1-18: The bill replaces the Kansas inheritance tax with a "pick-up" estate tax based on the federal state death tax credit. Decedents with property in Kansas and another state would apportion their credit. The bill also replaces the current tax on generation-skipping transfers with a tax based on the federal credit for state taxes on such transfers. References to the federal code of 1992 are updated to reflect changes in the federal estate tax that were passed in 1997. The bill affects the estates of all decedents dying after July 1, 1998.

Kansas currently taxes bequests through the Kansas inheritance tax, which requires beneficiaries to pay a tax equal to the greater of their Kansas inheritance tax liability or their share of the estate's federal state death tax credit under the federal estate tax. Under a "pick-up" tax, beneficiaries are not taxed. Instead, the estate of the deceased is taxed. The tax is a "pick-up" tax because it "picks up" money that would otherwise go to the federal government under the federal estate tax.

Under the pick-up tax, an estate's Kansas tax liability is based on the federal state death tax credit. Under the federal estate tax, estates may receive a credit for death taxes paid to states. The credit has an upper limit, based on the size of the estate. The credit also may not exceed the federal estate tax liability before the credit is applied. If an estate does not pay any state death taxes, it can not receive a state death tax credit. Liability under the Kansas pick-up tax equals Kansas' share of the federal state death tax credit. The Kansas pick-up tax "picks-up" the federal credit because the credit is reduced dollar for dollar for every dollar not paid to Kansas. If there were no Kansas death tax, the federal state death tax credit would equal zero. Compared to a situation with no Kansas death tax, the pick-up tax leaves the combined federal/state liability of the estate unchanged, but under a pick-up tax the federal/state division of the estate tax changes.

To estimate the impact of moving from an inheritance tax to a "pick-up" estate tax the Department examined three data sources: 1) Kansas Inheritance Tax returns for tax year 1995, 2) federal data on state death tax credits claimed on the federal estate tax returns from decedents listed as Kansas residents, and 3) other state experiences when those states have moved from an inheritance tax to a "pick-up" estate tax. All three data sources provided similar estimates of the revenue impact.

Data from tax year 1995 indicated that inheritance tax returns reported a total of \$23.0 million in federal state death tax credits. Liability for these returns totaled \$65.9 million. Federal state tax credits on 1995 Kansas inheritance tax returns thus totaled 34.9 percent of Kansas inheritance tax liability. Based on this data, under a fully phased in pick-up tax, Kansas would have received \$23.0 million in tax year 1995, a 65.1 percent decline in revenues.

The federal government compiles data on the state death tax credits claimed on decedents, based on the decedent's address at the time of death. In FY 1995, the federal government reported \$20.8 million in state death tax credits from Kansas decedents. Kansas FY 1995 inheritance tax revenues totaled \$56.7 million. Based on this data, under a fully phased in pick-up tax, Kansas would have received \$20.8 million in FY 1995, a 63.2 percent decline in revenues.

Experiences in Colorado, Iowa, Massachusetts, Michigan, West Virginia, and Wisconsin all indicated that death tax revenues fell by approximately 65 percent once the move from an inheritance tax to a pick-up tax was fully phased in.

Under both the Kansas inheritance tax and the proposed estate tax, taxes are not due until 9 months after the decedent's death. Consequently, substantial inheritance tax revenues based on the prior law would continue to be received into FY 1999. Similarly, only a portion of the tax liability for decedents dying in FY 1999 would be received in that fiscal year. Data from a sample of inheritance tax returns indicated that only approximately 15 percent of taxpayers pay their death taxes within 6 months of the decedent's death. Although some liabilities remain unpaid past the due date for the return, most returns are filed within the remaining 3 months. The estimate therefore assumes that 15 percent of returns are filed within 6 months of the decedent's date of death and the remaining 85 percent of returns are filed at some random time during the next three months. As a result, approximately 43.1 percent of the tax liability for bequests of decedents dying during a given fiscal year is paid within that fiscal year.

Adjusting for the lag created by payment due dates, revenues under the proposed bill would total \$59.5 million in FY 1999 and \$31.2 million in FY 2000. These represent declines from the November 1997 Revenue Consensus Estimate of \$30.5 million and \$63.3 million in FY 1999 and FY 2000, respectively.

Section 19: The department's income tax simulation model was used to estimate the impact on individual income taxes. Reducing the individual income tax rates in tax year 1998 will reduce state general fund revenues in fiscal year 1999 by \$23.0 million and in fiscal year 2000 by \$7.9 million. During the 1997 legislative session individual income tax rates were reduced over a 4 year period to match the married tax rates by tax year 2000. This bill accelerates the rate reduction to tax year 1998. The fiscal impact of the tax year 1998 reduction in tax liability will all be realized during fiscal year 1999. The fiscal impact of the tax year 1999 reduction in tax liability will be realized in fiscal years 1999 and 2000.

Section 20: Increasing the Kansas standard deduction as outlined above will reduce state general fund revenues by \$18.4 million in fiscal year 1999 and \$14.4 million in fiscal year 2000.

Section 21: Increasing the Kansas personal exemption to \$2,250 in tax year 1998 will reduce state general fund revenues by \$36.3 million in fiscal year 1999 and \$28.8 million in fiscal year 2000.

Section 22: The new Kansas earned income tax credit is estimated to reduce fiscal year 1999 revenue about \$12.6 million and \$13.4 million in fiscal year 2000.

Section 23: Allowing a 15% refundable income tax credit on commercial and industrial machinery and equipment would reduce state general fund revenues in fiscal year 1999 by \$16.0 million and \$26.1 million in fiscal year 2000. Since only the December 20, 1998 payments will be eligible for the 15% credit the first year, we are assuming that a number of businesses will pay an amount in excess of the amount legally due. Assuming about 65% of the property tax on commercial and industrial machinery and equipment will be paid on December 20, 1998, the income tax credit would be about \$16.0 million for income tax year 1998. Using this 65%/35% split for the December and June property tax payments, the tax year 1999 credit amount will be \$26.1 million. The fiscal year state general fund reductions would be \$16.0 million in 1999 and \$26.1 million in 2000.

Section 24: No fiscal impact.

Section 25-26: The reduction in the statewide school mill levy from 27 mills to 20 mills and the extension of the \$20,000 residential exclusion is estimated to reduce state general fund school finance revenues by \$71.2 million in fiscal year 1999 and \$122.2 million in fiscal year 2000.

Section 27 of this proposal would reduce the state property tax assessed valuation base by \$14.5 million in calendar year 1998. This would result in reducing the state school finance tax receipts by an estimated \$290,000 in calendar year 1998 when computed at 20 mills. Local governments would realize a loss of property tax base, with some local governments being more heavily impacted than others. According to the statistical abstract, with no offsetting mill levy increase, local government tax revenues would decrease by \$1.6 million.

Section 28 of this proposal would reduce state general fund mineral tax revenue by \$2.7 million in FY 1999 and \$4.5 million in FY 2000.

The exempt value of natural gas is being increased from \$81 per well per day to \$87, which will increase the percentage of value exempt from gas mineral tax by about .5%. Using the current consensus of \$2.05 per MCF, the current law exemption of \$81 per day exempts about 39.5 MCF from gas mineral tax, at \$87 per day nearly 42.4 MCF per day will be exempt. This increased dollar amount will cause gas mineral tax receipts to decrease about \$.3 million. State general fund receipts will decline about \$.28 million and about \$.02 million in the special county mineral tax production fund.

Increasing the exemption amount of daily barrel production is estimated to decrease oil mineral tax collections by \$1.3 million in its first year. The state general fund decrease would be \$1.2 million. The reduction in the special county mineral tax production fund would be \$.1 million.

This fiscal impact is based on current production and exemption levels. The percent of exempt wells is projected to increase from 40% to 45% resulting in an additional 1.75 million barrels of oil being exempt. This was based on a production level of 35 million barrels for fiscal year 1999. At the consumer price of \$17.00 per barrel, the value of the oil would be \$29.75 million. At the tax rate of 4.33%, this results in decreasing tax revenue by \$1.3 million.

The enhancement project exemption proposal is estimated to reduce state and local revenues by at least \$1.3 million in fiscal year 1999 and \$3.3 million in fiscal year 2000. The amount of decrease to the state general fund in fiscal year 1999 would be \$1.2 million ($\$1.3 \text{ million} \times 93\%$), and the amount to the county mineral tax production fund would be \$.1 million. The fiscal year 2000 state general fund impact is estimated to be \$3.1 million, and the amount to the county mineral tax production fund would be \$.2 million.

A fiscal impact for the enhancement project exemption is difficult to estimate. There are many factors that could influence the level of production increases and therefore the incremental increase that would be eligible for the exemption. Problems in developing an estimate include: 1) lack of data to determine average increases in productivity for different types of enhancement projects, and 2) lack of information regarding the number of wells that may take advantage of the exemption.

The estimate for the enhancement project exemption was computed based on the following assumptions: 1) the wells that would utilize this exemption account for 10% of the production or \$6.6 million of state general fund mineral tax revenues, 2) severance tax receipts stay constant to projected fiscal year 1999 estimates, 3) the increased productivity would decrease by a steady rate and return to the original production level in a 7 year time frame, 4) the enhancement projects results in severing more oil and gas out of a well and not just expediting the recovery of the oil and gas, and 5) the incremental output results in a 25% increase in productivity. Using these assumptions, the loss in state general fund revenues in fiscal year 1999 would be about \$1.2 million. In fiscal year 2000, assuming that an additional 10% of the wells utilized this exemption, state general fund revenues would be reduced a total of \$3.1 million. In fiscal year 2001, the loss of revenue would be \$4.6 million. The amount of loss would increase each year until the seventh year of the program at which time the amount of lost state general fund mineral tax revenues would level off to an estimated \$6.6 million.

Section 29 defines "Educational Institution" for sales tax purposes. This amendment is estimated to reduce state general fund revenues \$.4 million in fiscal year 1999 and \$.5 million in fiscal year 2000.

Section 30 exempts fees, charges, dues, and memberships of 501 (c)(3) organizations. It is estimated to reduce state general fund revenues \$.3 million in fiscal year 1999 and \$.4 million in fiscal year 2000.

Exempting residential remodeling and repair labor services would reduce the amount of state sales tax revenue by \$15.5 million in fiscal year 1999 and \$16.4 in fiscal year 2000. Loss of revenue in fiscal year 1999 to the state general fund is \$14.7 million and to the state highway

fund is \$.8 million. In fiscal year 2000, loss to the state general fund is \$16.6 million. This estimate is based on data compiled from sales tax returns during fiscal year 1994 and updated to the current year. Data is not available on the amount of labor services that are attributable to residential remodeling and repair therefore it is assumed that 50% of the total is residential.

Section 31:

Allows sales of aircraft, aircraft repair, parts, services, remanufactured and modified aircraft sold to persons using directly or through and authorized agent to be exempt from sales tax. Fiscal impact could be \$0.5 million.

Exempting all sales of tangible personal property by or on behalf of any nonprofit organization for nonsectarian comprehensive multidiscipline youth development programs and activities provided or sponsored by such organization is estimated to reduce state general fund revenues by \$1.3 million in fiscal year 1999 and \$1.5 million in fiscal year 2000.

K.S.A. 3606(kk) exempts only "major" component parts. Dissallowing consideration of federal income tax treatment in determining whether a component of business machinery and equipment is a "major" component and thus qualifies for the sales tax exemption is estimated to have no impact on state general fund revenues. The department will be required to establish new criteria for determining when a component is a "major" component part.

Exempting all sales of tangible personal property and services purchased by or on behalf of a nonprofit zoo which is exempt from federal income tax under section 501 (c)(3) is estimated to reduce state general fund revenues \$.4 million in fiscal year 1999 and \$.5 million in fiscal year 2000.

Exempting all sales of tangible personal property and services purchased by or on behalf of a parent-teacher association or organization is estimated to reduce state general fund revenues \$.3 million in fiscal year 1999 and \$.4 million in fiscal year 2000.

Exempting all sales of machinery and equipment purchased by over-the-air free access radio or television station which is used directly and primarily for the purpose of producing a broadcast signal, and all electricity which is essential for the purpose of producing a broadcast signal is estimated to reduce state general fund revenues \$.5 million in fiscal year 1999 and \$.6 million in fiscal year 2000.

Exempting all sales of tangible personal property and services purchased by a religious organization which is exempt from federal income tax under section 501 (c) (3) and used exclusively for religious purposes is estimated to reduce state general fund revenues \$4.2 million in fiscal year 1999 and \$4.7 million in fiscal year 2000.

Exempting all sales of food for human consumption by an organization which is exempt from federal income tax under section 501 (c) (3), which is a food distribution program which offers food at price below cost in exchange for the performance of community service is estimated to reduce state general fund revenues a minimal amount.

Section 32: Modifying the definition of income for the food sales tax rebate program to be Kansas adjusted gross income, household is modified to mean the claimant and all persons for whom a personal exemption is claimed, and changing maximum income limit for who is allowed to claim the food sales tax credit from \$13,000 to \$25,000 is estimated to increase the food sales tax rebates by \$13.4 million in fiscal years 1999 and 2000.

Section 33: Food sales tax refunds of \$60 for each member of a household of a claimant having income of \$12,500 or less, and \$30 for each member of a household of a claimant having income of more than \$12,500 but not more than \$25,000. Section (a)(2) would allow the food sales tax refund to be claimed as a refundable credit on the taxpayers Kansas income tax return.

Section 34 would provide that if execution of an income tax warrant is not issued within 10 years from the date of docketing, or if 10 years has elapsed from the date of the last execution, such warrant shall become dormant. However, the bill also provides that any dormant warrant may be revived in like manner as dormant judgment under the code of civil procedure (essentially filing a motion for revivor under K.S.A. 60-5404). No fiscal impact.

Section 35 would provide that if execution of a sales tax warrant is not issued within 10 years from the date of docketing, or if 10 years has elapsed from the date of the last execution, such warrant shall become dormant. However, the bill also provides that any dormant warrant may be revived in like manner as dormant judgment under the code of civil procedure (essentially filing a motion for revivor under K.S.A. 60-5404). No fiscal impact.

Section 36 would amend the law to eliminate the requirement that a request for exemption be filed for motor vehicles exempt from property taxes under section (e) of K.S.A. 79-5107. No fiscal impact.

Section 37 would allow the granting of self-pay permits to certain businesses. No fiscal impact.



Administrative Impact

Administrative costs in fiscal year 1999 are estimated to be \$4,247,951.

One time costs include \$16,790 for printing, \$62,000 for postage, \$140,000 for 20 image enabled workstations, \$48,000 for state auditor training, and \$3,230,800 for contractual services.

On going costs include 2 state auditor IV positions, 16 tax examiner III positions, one office assistant IV position, and one office assistant II position at a salary costs of \$744,841, and \$5,520 for telephone costs.

Sections 1 through 18 - The current inheritance tax forms and instructions cost \$13,800 to produce. The proposed legislation should reduce the complexity and variation of the forms.

Therefore the printing cost for an estate tax form and instructions is estimated at \$6,000. Although there probably will be a reduction in the number of returns filed under this new provision it is expected that a large number of practitioners, attorneys and other interested individuals will request the new forms as soon as they are printed. Therefore a significant amount of postage may be required to meet this initial demand. Postage is estimated at \$8,500.

Sections 20 and 21 - Since the provisions apply to the 1998 tax year there may be some costs to notify two separate groups of taxpayers.

The 1998 estimate vouchers have been sent to taxpayers. The department may wish to notify those taxpayers of the change in single tax rates and the personal exemption allowance. Personal notification in the form of a postcard would require the following funding; printing - \$2,000, postage - \$19,300 and contractual services \$3,360.

Employers are currently withholding form taxpayer for the 1998 tax year. A reissuance of the KW100 withholding guide would require the following funding; printing - \$30,380, postage - \$16,010 and contractual services of \$1,790.

Section 22: Earned income tax credit -- In USA Today, March 26, 1998 issue it was reported that the earned income credit at the federal level is the single most common error problem for tax return filers. Over one in four taxpayers who claim the credit do not qualify for the credit and, due to the complexity of calculating the credit, many additional errors are made in computing the correct amount. It is estimated that we will have 150,000 errors for this credit. Since we are required to review, keep records, make abatements, answer letters and phone calls, we will need 6 TEIII positions with image enabled workstations.

Section 23: 15% of property tax credit -- There could be in excess of 25,000 corporations, shareholders and partners claiming this credit. Since we are required to review, keep records, make abatements, answer letters and phone calls, we will need 4 TEIII positions with image enabled workstations.

Implementation of the legislation would require some type of credit form for the taxpayers to compute the correct amount of credit. Therefore the cost of printing and postage is estimated as \$2,500. This will cover printing of the credit form and postage to mail the form in response to taxpayer requests.

Section 28, the Business Tax Bureau will need to issue 5,000 to 6,000 new exemption certificates annually. To handle the increased workload, one (1) additional Office Assistance II @ 23,295 is required for processing the exemption certificates. There would also be the one-time expenses of \$7,000 and \$700 for printing and mailing of certificates.

For section 30, a notice on this provision would be included in the regular mailing of the sales tax return. The cost estimate for printing of the notice and miscellaneous postage is \$700.

Section 31, there would be a one time mailing to all sales tax retailers at a cost of \$700. A

taxpayer information guide will be developed and distributed to all taxpayers who would be affected by the changes, at a cost of \$5,000.

Section 32 & 33: The change in the method used, the confusion of taxpayers not previously required to file an income tax return, the additional phone calls, the additional taxpayers allowed to claim the credit will create a need of 3 additional TEIII positions with image enabled workstations.

Section 37: The direct pay sales tax program will initially require one TEIII position with an image enabled workstation. As additional taxpayers use this service, additional TEIIIs will be needed.

Section 37: Audit Bureau

The Audit Bureau auditors will require increased expertise in order that statistical audits are completed correctly and to assist taxpayers in establishing systems which meet the needs of the customer as well as the Department. In order that we may obtain that expertise the Audit Bureau will need 2 new Auditor IV positions with image enabled work stations.

The Department will need to develop a program into one that uses computer assisted auditing techniques that can be validated statistically. We will need to send these 2 Auditor IV positions to IRS basic and advanced statistical sampling training programs. The cost of the training seminar fees would approximate \$24,000 for each of the 2 Auditor IV positions. We would need to place a University professor on retainer for \$100 per hour. The professor would be used to advise the department on sampling issues and can be called upon to testify in support of the program when needed.

Customer Relations would need 2 TEIII positions with image enabled work stations for design work within Project 2000.

Channel Management would need 1 OAIV position with an image enabled work station to data enter information until ASTRA is on line (7/99).

Programming Needs

The proposed changes have a pervasive impact on Project 2000, which is currently executing an aggressive project plan to implement Individual Income tax and Withholding tax on October 1, 1998 and Corporate Income and Sales tax in July, 1999. The proposal includes additional contingencies to aid in covering the costs necessary to complete the project. The impacts on the 10/98 release are as follows:

- Channel Management – Changes to the Individual Income tax and Homestead tax forms and logic. These components are currently in design. The impact will be to cause the application to be somewhat more complex and the current design will have to be redone.

· Individual Income Tax – The tax processing system, which is now in system test for the 10/98 release, will have to be modified to include the new program logic and fully retested. This will require us to implement a legislative release in 12/98 that will entail the full system development life cycle including a full integration test with other ASTRA components. In order to implement these changes for the 1998 processing year, design and development work will need to begin before the base system has stabilized in the production environment, which will complicate both efforts.

There is substantial uncertainty regarding the level-of-effort and added financial impacts on the ASTRA project because most of the impacts are on applications that are not yet implemented. However, changes for tax year 1998 will certainly increase the level of effort of AMS and KDOR staff working on the Project as estimated below:

AMS Contractor Hours

Channel Management

- 12/98 Release:
- 1) 1,000 incremental hours for Food Sales and Earned Income.
 - 2) 500 incremental hours for Homestead form changes.

Customer Relations

- 12/98 Release:
tax
- 1) 12,000 incremental hours design development and testing for Income and Withholding.
 - 2) 2,200 incremental hours design, development and testing of other 12/98 release components. (ACM, DA, etc)
 - 3) 600 incremental hours training and documentation.

Total AMS Impact 16,300 hours @ \$110/hour = \$1,793,000

Tax Type

Sales, Use, Corporate Income, Privilege

The proposal includes additional contingencies to aid in covering the costs necessary to complete the project. The proposed changes impact the 7/99 release of ASTRA, as follows:

· Sales and Corporate Tax – These releases will be delayed by at least 3 months, pushing Sales back to 10-1-99 and Corporate Income to 1-1-2000. These delays will be caused by the unavailability of key resources still focused on the new 12/98 release. This shift in schedule will

increase the risk to KDOR of not having a year 2000 compliant Sales tax system ready to go before the end of the year.

- 10/99 Release:
- 1) 6,000 incremental hours resulting from extending Sales tax release development schedule by 3 months.
 - 2) 4,000 incremental hours from extending Corporate tax schedule by 3 months.

Total AMS Impact: 10,000 hours @ \$110/hour = \$1,100,000

The costs for programming related to Section 40, SB493 are as follows:

It is estimated at 480 hours at \$110 per hour totaling a cost of \$52,800.00. This would include developing either a flat file or VSAM file to feed this new data into, analysis on ways to add this to our pre-existing systems, creation of new JCL and programs, adding to our pre-existing JCL, possible coding additions to our pre-existing programs, developmental testing, user testing, moving this all to production, and possible post implementation complications.

TOTAL AMS PROGRAMMING COSTS \$2,945,800

TELEFILE

Programming costs associated with Telefile are estimated to be \$285,000 in fiscal year 1999.

The changes that will require additional modification for Telefile will be:

- 1) New tax table computations
- 2) Qualification script for food sales tax credit
- 3) Additional line item entries for earned income tax credit and food sales tax credit
- 4) Expanding the Telefile process to all Kansas filers except first year filers or nonresidents. This will allow taxpayers who have filed a prior year homestead return to use the Telefile process.

To implement an Internet filing process where the K40 return can be downloaded to a taxpayer's PC and then sent in through a modem to allow more access to taxpayers to file the earned income tax credit and the food sales tax credit will add \$160,000 in contract costs with IPAT.

Assuming an additional 200,000 taxpayers using telefile would require the addition of two servers which is included in the estimated costs above.

Administrative Problems and Comments

With regards to sections 1 through 18, the department will need to provide education to practitioners, attorneys and other interested parties on this new provision as soon as possible after the bill becomes law. Auditing of returns may be somewhat eased because of the stronger link between data on the federal and state returns

Procedures for ensuring the clearance of liens placed on the estate would need to be evaluated, especially the issue of whether title standards should be changed to ease lien clearance requirements for nontaxable estates. There is no requirement for estates that are not required to file a federal estate tax return to file a Kansas return. K.S.A. 59-2249 states that no final decree will be issued in a probate proceeding until proof that Kansas "inheritance taxes" have been paid. Should this bill be enacted, there will no longer be an inheritance tax, and K.S.A. 59-2249 may no longer be applicable. On the other hand, a probate court would have no assurance from the Department or Revenue that no Kansas estate taxes are due. Likewise, K.S.A. 79-1569, as proposed, indicates that a lien arises by operation of law at the time of the decedent's death against all property of which the decedent held an ownership interest at the time of his death. The Department currently issues either a certificate of non-taxability or, a certificate of taxes paid based on filed inheritance tax returns. A possible solution would be to require all estates not required to file a federal return to file an affidavit with the Department of Revenue stating that the value of the decedent's estate is less than the federal filing threshold requirement. The Department would then issue certificates of nontaxability to probate courts and register of deeds, as it does now, indicating that all Kansas estate taxes have been paid.

Section 6 inserts the word penalty. There are no penalty provisions in either the current inheritance tax law or, in the proposed estate tax bill.

The pick-up tax is traditionally easier to administer than an inheritance tax. Because a significant number of inheritance tax returns will continue to come in to the department during the first year the bill is in effect (and possibly into the second year), administration may be more difficult because the Department will be administering two different death taxes. In later years the greater ease of administration and the fewer number of returns may reduce the staffing requirements for administering Kansas death taxes.

Section 31 (g) Aircraft purchased for use in interstate commerce is currently exempt from sales tax, when the FAA license is in the owner's name. Currently, if a taxpayer owns or leases an aircraft and the aircraft is not licensed in their name for interstate commerce, the taxpayer would be subject to sales tax. This situation occurs when the taxpayer contracts with a third party to manage, operate and maintain the aircraft and it is this third party that holds the FAA license and may charter the aircraft for other users. This proposal would enable owners of the aircraft to have the FAA license in an authorized agent's name instead of their own name, saving the owners the expenses of operating and maintaining the aircraft.

Section 31 (kk) eliminates the current policy of the department for determining if business machinery and equipment qualify for the sales tax exemption as a "major" component of machinery and equipment. A recent court decision has upheld the departments policy of using the federal income tax filing method to determine whether or not business machinery and equipment qualifies as "major" machinery and equipment . If a taxpayers capitalizes the cost of the component, the component is exempt, if the component is expensed, the component is taxable. This method was upheld in the Kansas Court of Appeals in the Alsop Sand case. The court considered this method a brightline test for determining taxability.

While current law exempts nearly all items used in production, there are some parts which are too small to qualify as "major" components of exempt equipment but last too long to be exempt as being immediately consumed in production. Rather than curing this problem, Senate Bill 493 continues the flawed taxing method to once again require business and the department to guess what is a taxable part and what is an exempt part.

The department recommends that all parts of exempt machinery be exempt. This exemption could be achieved by exempting all "repair and replacement parts and accessories," which could be defined as follows:

"Repair and replacement parts and accessories" means all parts and accessories for exempt machinery and equipment, including but not limited to, dies, jigs, molds, and patterns that are attached to exempt machinery or that are otherwise used in production, short lived replaceable parts that can be readily detached from exempt machinery or equipment, such as belts, drill bits, grinding wheels, cutting bars, and saws, and other replacement parts for production equipment, including refractory brick and other refractory items for kiln equipment used in production operations.

Taxpayer/Customer Impact

Section 1-18: Under a "pickup" estate tax the number of returns is expected to decline by approximately 90 percent. The incidence of the tax is also altered. Instead of a direct tax incidence of the inheritance tax upon a beneficiary, the tax is levied on the estate and only affects beneficiaries indirectly. Thus, for a given estate, the number of "collection points" to collect taxes from is reduced. There is only one taxpayer per estate.

Section 20-21: Individual Income Tax:

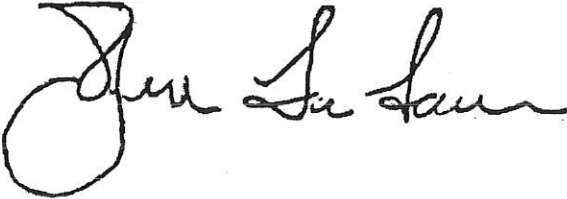
Tax Year 1998 taxpayer impact: Standard Deduction and Personal Exemption Increase

<u>K.A.G.I Brackets</u>	<u>Number of Returns</u> <u>With a Tax Reduction</u>	<u>Dollar</u> <u>Reduction</u>	<u>Percent of</u> <u>Total</u>
\$0 - \$10,000	98,170	\$ 1.2 m	2.9
% \$10,000 - \$20,000	202,319	\$ 4.9 m	11.7

%					
\$20,000	-	\$30,000	146,230	\$ 5.0 m	12.0
%					
\$30,000	-	\$50,000	244,686	\$11.8 m	28.2 %
\$50,000	-	\$75,000	174,226	\$11.4 m	27.3 %
\$75,000	-	\$100,000	72,330	\$ 4.2 m	10.0
%					
\$100,000	-	\$200,000	49,139	\$ 2.5 m	6.0
%					
\$200,000	-	Over	16,348	\$ 0.8 m	1.9
%					
		Total	1,003,447	\$41.8 m	100.0 %

Legal Impact

Approved By:



John LaFaver
Secretary of Revenue

Memorandum

TO: House Committee on Appropriations
FROM: Jim Wilson, First Assistant Revisor
DATE: April 24, 1998
SUBJECT: Revisor's Conflicts & Technical Bills

The following bills have been prepared by the Revisor's staff to reconcile conflicting amendments to Kansas statutes enacted by different bills during the 1991, 1996, 1997 or 1998 sessions or are recommended as technical or "cleanup" bills that correct matters or are required technically to effectuate other bills enacted by the legislature this session. The circumstances of each are set forth below.

The practice has been to introduce these bills and to refer them directly to the Committee of the Whole for action.

- 7 RS 2429 Reconciles conflicting amendments to KSA 8-198 that were enacted in 1996 by Sub for HB 2667 [all-terrain vehicles, non-highway title - H Trans/ S Trans & U] and SB 662 [increasing title fee until 1999 - S W&M / H Trans]
Drafter: Bruce Kinzie
- 7 RS 2430 Resolving conflict between KSA 75-5291 and 75-5291a relating to the Juvenile Justice Reform Act. 1997 House Sub for SB 69 [Juvenile Justice Reform Act - S Jud / H Select Corr & Juv] and 1997 House Sub for SB 363 [crimes, punishment, criminal procedure and corrections - S Jud / H Select Corr & Juv] both amended KSA 75-5291. This bill deletes the references to juveniles in the community corrections statutes for adults because juvenile offenders are covered by juvenile community correctional services in KSA 75-7034 through 75-7053.
Drafter: Jill Wolters
- 7 RS 2431 In 1996, K.S.A. 74-8802 was amended by three bills [Sub SB 410, SB 663 & SB 708 - H/S F&SA]. Section 1 of this bill would incorporate all of the amendments into one section and repeal the other two versions that are currently printed in the statute book as 74-8802a and 74-8802b.
- In 1996, K.S.A. 74-8813 was amended by two bills [SB 663 & SB 708 - H/S F&SA]. The amendments in the version that is currently printed in the statute book as 74-8813a were incorporated into K.S.A. 74-8813 by this bill, so the bill repeals 74-8813a.
Drafter: Mary Torrence

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4-24-98
Attachment 9

- 7 RS 2432 Resolving conflict between KSA 84-1-201 and 84-1-201a relating to the Uniform Commercial Code. 1991 SB 337 [enacting uniform law recommendations relating to leases under the UCC (Art 2A) - H/S Jud] and 1991 SB 371 [enacting uniform law recommendations relating to negotiable instruments under the UCC (Art 3) - H/S Jud] both amended KSA 84-1-201. This bill combines the two amendments.
Drafter: Bruce Kinzie
- 7 RS 2434 1997 HB 2021 [requiring to veterans service representatives to be honorably discharged veterans or retired from armed forces - H G Org & Elec / S Elec & Local Gov] and 1997 HB 2497 [establishing the Kansas veterans' home in Winfield - H App / S W&M] both amended KSA 73-1210a. This bill combines the two amendments.
Drafter: Jim Wilson
- 7 RS 2437 Resolving conflict between KSA 44-710 and 44-710j relating to the Employment Security Law. 1997 House Sub for SB 140 [relating to child support enforcement - S/H Jud] and 1996 SB 83 [relating to recoupment of Food Stamp over issuances - S Comm / H Bus, Com & L] both amended KSA 44-710. This bill combines the two amendments.
Drafter: Bob Nugent
- 7 RS 2438 Resolving conflict between KSA 74-50,151 and 74-50,151a relating to the KEIOF fund. 1996 SB 458 [reorganization of KEIOF - S Comm / H Bus, Com & L] and 1996 SB 475 [relating to state moneys, the method of crediting of interest - S Fin Inst & I / H App] both amended KSA 74-50,151. This bill combines the two amendments.
Drafter: Jim Wilson
- 7 RS 2440 Resolving conflict between KSA 20-302b and 20-302c relating to the jurisdiction of district magistrate judges. 1996 HB 2544 [relating the cigarette and tobacco product infractions - H/S F&SA] and 1996 HB 2900 [Juvenile Justice Reform Act - H/S Jud] both amended KSA 20-302b. This bill combines the two amendments.
Drafter: Gordon Self