

Approved: 3/13/98 \_\_\_\_\_  
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on March 4, 1998 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department  
Russell Mills, Legislative Research Department  
April Holman, Legislative Research Department  
Norman Furse, Revisor of Statutes  
Michael Corrigan, Revisor of Statutes  
Judy Bromich, Administrative Assistant  
Ann Deitcher, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Senator Morris read from the Subcommittee Report on the Department of Revenue. The Subcommittee concurs with the Governor's recommendation for Fiscal Year 1998, with the observations listed on page 3. (Attachment 1).

For Fiscal Year 1999, the Subcommittee concurs with the Governor's recommendation, with the observations listed on pages 3, 4 and 5.

It was moved by Senator Morris and seconded by Senator Salmans that the Department of Revenue Subcommittee Report be adopted. The motion carried on a voice vote.

Senator Salisbury read from the Subcommittee Report on Kansas Inc. The Subcommittee concurs with the Governor's recommendation for Fiscal Year 1998, with the observations and modifications listed on page 3. (Attachment 2).

The Subcommittee concurs with the Governor's recommendation for Fiscal Year 1999.

Senator Salisbury then read from the Subcommittee Report on Kansas Technology Enterprise Corporation. The Subcommittee concurs with the Governor's recommendation for Fiscal Year 1998. (Attachment 3).

The Subcommittee concurs with the Governor's recommendation for Fiscal Year 1999 with the observations listed on page 6.

The Subcommittee Report on the Department of Commerce and Housing was read by Senator Salisbury. The Subcommittee concurs with the Governor's recommendation for Fiscal Year 1998. (Attachment 4).

The Subcommittee concurs with the Governor's recommendations for Fiscal Year 1999 with the adjustments listed on pages 5 and 6.

It was moved by Senator Salisbury and seconded by Senator Downey that the Subcommittee Reports on Kansas Inc., Kansas Technology Enterprise Corporation and the Department of Commerce and Housing be adopted. The motion carried on a voice vote.

Senator Ranson read from the Subcommittee Report on the Board of Tax Appeals. The Subcommittee concurs with the Governor's recommendation for Fiscal Year 1998 with the exceptions and comments listed on pages 3 and 4. (Attachment 5).

The Subcommittee concurs with the Governor's recommendation for Fiscal Year 1999 with the exceptions and comments listed on page 3 and 4. (Attachment 5 - section 2).

Senator Ranson moved and Senator Feleciano seconded that the Board of Tax Appeals Subcommittee Report be adopted. The motion carried on a voice vote.

The Lottery Commission Subcommittee Report was read by Senator Salmans. The Subcommittee concurs with the Governor's recommendations for Fiscal Year 1998 with the adjustments listed on pages 3 and 4. (Attachment 6.)

The Subcommittee concurs with the Governor's recommendations for Fiscal Year 1999 with the adjustments listed on pages 4 and 5. (Attachment 6-section 2).

Questions were asked in regard to item number 3 on page 4, the request for a proviso that notification be made in the event of resignation or termination of William Y. O'Connor, current President and CEO of GTECH Corp.

It was explained that one of the founders of GTECH, a former CEO, recently pled guilty to unsavory activities and resigned. Mr. O'Connor was brought in to help clean up GTECH Corp. The KBI believes that as long as Mr. O'Connor is in charge of GTECH, activities such as those in the recent past will not be tolerated. That is the reason for the comment in the Subcommittee Report.

Senator Salmans next read from the Subcommittee Report on the Racing and Gaming Commission. The Subcommittee concurs with the Governor's recommendations for Fiscal Year 1998, with the adjustments listed on pages 3 and 4. (Attachment 7).

For Fiscal Year 1999, the Subcommittee concurs with the Governor's recommendations with the adjustments on pages 4 and 5. (Attachment 7-section 2).

It was moved by Senator Salmans and seconded by Senator Petty to adopt the Subcommittee Reports on the Lottery and Racing and Gaming Commissions. The motion carried on a voice vote.

Senator Feleciano moved and Senator Salmans seconded the motion to approve the Committee minutes for February 5, 19 and 23. The motion carried on a voice vote.

The Chairman adjourned the meeting at 12:20 p.m.

The next meeting is scheduled for March 5, 1998.

# SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 3/4/98

NAME	REPRESENTING
Tracy Diehl	State Gaming Agency
Michael E. Leahy	Racing & Gaming Comm.
Karl Johnson	" "
Ken Bahr	Ks. Governmental Consulting
Erik Sartorius	Pet McGill Assoc
Kevin Carr	KTEC
MIKE WOJCIKI	KTEC
RICH BENDIS	KTEC
Lori Rost	KTEC
Cindy Diehl	KTEC
Mike Miller	Kansas Inc
Patty Zap	Kansas Inc
Sherry Brown	Commura & Housing
John Rolfe	" "

**SUBCOMMITTEE REPORT**

**Agency:** Department of Revenue

**Bill No.** 2895

**Bill Sec.** 12

**Analyst:** West

**Analysis Pg. No.** 1144

**Budget Page No.** 385

<u>Expenditure Summary</u>	<u>Agency Est. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 70,024,020	\$ 68,081,903	\$ 0
Aid to Local Units	6,630,000	6,630,000	0
Other Assistance	<u>2,500,000</u>	<u>2,500,000</u>	<u>0</u>
TOTAL	<u>\$ 79,154,020</u>	<u>\$ 77,211,903</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 27,871,964	\$ 27,832,676	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 27,871,964</u>	<u>\$ 27,832,676</u>	<u>\$ 0</u>
FTE Positions	1,182.5	1,182.5	0.0
Unclassified Temp. Positions	<u>1.0</u>	<u>1.0</u>	<u>0.0</u>
TOTAL	<u>1,183.5</u>	<u>1,183.5</u>	<u>0.0</u>

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

The agency estimates current year expenditures of \$79.2 million from all funding sources, an increase of \$5.2 million from the approved budget. The majority of the increase (\$4.4 million) is from the Automated Tax Systems Fund and is primarily associated with Project 2000 start up costs for the service level agreement with DISC. The agency also anticipates a \$775,000 increase in local aid payments. State General Fund financing of \$27.9 million is a reduction of \$119,750 from the approved budget.

**The Governor recommends** FY 1998 funding of \$77.2 million, a reduction of \$1.9 million from the agency's estimate. The Governor recommends a \$2.2 million reduction from the agency's estimate of expenditures from the Automated Tax Systems Fund for Project 2000. In addition, the Governor recommends the addition of \$75,000 from the Division of Vehicles (DOV) Operating Fund for Year 2000 computer modifications through DISC and \$381,822 from the DOV Operating Fund for replacement license plate equipment and manufacturing costs. Recommended State General Fund expenditures of \$27.8 million represent a decrease of \$39,288 from the agency's estimate.

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*3/4/98*

*Attachment 1-1*



### House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation, with the following comments.

1. In reviewing the list of reported vacancies with the agency, the Subcommittee learned that many of the positions listed were either duplicative, had been filled, or had been lost in the retirement reduction process. A review by the agency indicated that of the two and a half pages of reported vacancies, only 27 positions are actually vacant at this time.
2. The Subcommittee was informed that as a technical adjustment the 1998 supplemental bill will include provisos authorizing the agency to pay for official hospitality and to collect fees for courses.

### House Committee Recommendation

The House Committee concurs.

Agency: Department of Revenue

Bill No. 643

Bill Sec. 12

<u>Expenditure Summary</u>	<u>Agency Est. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 70,024,020	\$ 68,081,903	\$ 0
Aid to Local Units	6,630,000	6,630,000	0
Other Assistance	<u>2,500,000</u>	<u>2,500,000</u>	<u>0</u>
TOTAL	<u>\$ 79,154,020</u>	<u>\$ 77,211,903</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 27,871,964	\$ 27,832,676	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 27,871,964</u>	<u>\$ 27,832,676</u>	<u>\$ 0</u>
FTE Positions	1,182.5	1,182.5	0.0
Unclassified Temp. Positions	<u>1.0</u>	<u>1.0</u>	<u>0.0</u>
TOTAL	<u>1,183.5</u>	<u>1,183.5</u>	<u>0.0</u>

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3/4/98  
Attachment 1-2

## Senate Subcommittee Recommendation

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

1. The Subcommittee notes that all counties have been reimbursed for installing AS/400 computer systems to support the Vehicle Information Processing System (VIPS) and VIPS now operating on a uniform platform statewide.
2. The Subcommittee notes the current year recommendation includes \$381,822 from the Division of Vehicles Operating Fund for new license plate manufacturing equipment and increased manufacturing volume. The Subcommittee was informed that this is due to the scheduled replacement of license plates in calendar year 2000. The agency reports that it takes 18 months of lead time to ensure it has an adequate supply of the 39 different tag types and eight specialty tags issued through the Department.



\_\_\_\_\_  
Senator Stephen Morris,  
Subcommittee Chairperson



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Senator Larry Salmans



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Senator Mark Gilstrap

**SUBCOMMITTEE REPORT**

**Agency:** Department of Revenue

**Bill No.** 2893

**Bill Sec.** 46

**Analyst:** West

**Analysis Pg. No.** 1144

**Budget Page No.** 385

<u>Expenditure Summary</u>	<u>Agency Req. FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 70,154,432	\$ 68,549,847	\$ 0
Aid to Local Units	6,630,000	6,630,000	0
Other Assistance	<u>2,500,000</u>	<u>2,500,000</u>	<u>0</u>
TOTAL	<u>\$ 79,284,432</u>	<u>\$ 77,679,847</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 34,204,337	\$ 28,359,849	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 34,204,337</u>	<u>28,359,849</u>	<u>\$ 0</u>
FTE Positions	1,182.5	1,179.5	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u>1,182.5</u>	<u>1,179.5</u>	<u>0.0</u>

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

The agency requests FY 1999 funding of \$79.3 million, including \$1.9 million in requested enhancements. The request is a net increase of \$130,412 from the current year estimate of state operations expenditures. Requested State General Fund financing of \$34.2 million is an increase of \$6.3 million from the current year. Of this amount, \$4.9 million is associated with a proposed change in the financing of Project 2000 and \$1.1 million is attributable to the requested enhancements. Absent the requested enhancements the FY 1999 budget request would total \$77.4 million, a decrease of \$1.8 million (2.2 percent) from the current year.

The Governor recommends an FY 1999 budget of \$77.7 million, an increase of \$0.5 million (0.6 percent) from the current year. Recommended State General Fund financing totals \$28.4 million and includes \$176,000 for training assistance for county appraisers (\$126,000) and a study to establish the economic life of personal property (\$50,000). The Governor does not recommend funding for the other enhancements requested by the agency. The Governor also does not recommend State General Fund financing for Project 2000 and includes \$5.7 million from the Automated Tax Systems Fund to continue system development in FY 1999.

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Attachment 1-4*

## House Subcommittee Recommendation

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

1. The Subcommittee has reviewed the agency's performance measures and notes that they may be found on pages 1,153, 1,156, 1,158, 1,159, and 1,161 of the budget analysis.
2. The Subcommittee wishes to congratulate the agency on the job it has been doing in improving customer service. The Fast Track Appeals system has produced dramatic reductions in both the number of appeals filed and the number of unsettled cases. The FY 1997 Sales Ratio Study was reported by Legislative Post Audit as a "national benchmark of excellence. All counties are now operating VIPS on a uniform AS/400 system. Liquor enforcement citations were up 42 percent from FY 1992 to FY 1997 and for the first 7 months of FY 1998 are up 28 percent from last year. All this while the agency has been developing Project 2000, reducing staff and re-engineering their business.
3. The Subcommittee notes that the agency's staffing has been reduced by 12.7 percent since FY 1988, including a reduction of 6.2 percent in the last 4 years. The Subcommittee is concerned about the impact on the agency's performance should continued staffing reductions occur or if shrinkage savings continue to be recommended at an artificially high level. The Subcommittee was informed that the budgeted FY 1999 shrinkage rate of 5.5 percent will require leaving vacant positions open for at least two months with the possibility of hiring freezes if budgeted shrinkage does not occur. The Subcommittee is concerned that this practice is damaging to the agency's customer service and recommends that future budgets should include lower assumptions of shrinkage savings.
4. The Subcommittee reviewed the current status of Project 2000. System development and implementation continue as scheduled, with \$24.1 million in additional revenues collected attributable to the project. A new taxpayer assistance center is scheduled to open this summer on the first floor of the Docking State Office Building, while electronic filing is increasing at a dramatic rate. The Tax Discovery program has discovered 3,894 new taxpayers since 1995, generating \$3.0 million in new revenues, while the Integrated Collections System has doubled their number of contacts per hour. Project 2000 still faces several hurdles before it is fully implemented, with perhaps the most difficult being the recruitment and retention of information technology personnel. As noted on the attached chart, the agency anticipates that Project 2000 will reach the break-even point during FY 2000 and produce a net benefit of \$128 million through FY 2003.

## House Committee Recommendation

The House Committee concurs.

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3/4/98  
Attachment 1-5

Agency: Department of Revenue

Bill No. 642

Bill Sec. 46

<u>Expenditure Summary</u>	<u>Agency Req. FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 70,154,432	\$ 68,549,847	\$ (1,939,325) *
Aid to Local Units	6,630,000	6,630,000	0
Other Assistance	2,500,000	2,500,000	0
TOTAL	<u>\$ 79,284,432</u>	<u>\$ 77,679,847</u>	<u>\$ (1,939,325)</u>
State General Fund:			
State Operations	\$ 34,204,337	\$ 28,359,849	\$ (1,051,964)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 34,204,337</u>	<u>28,359,849</u>	<u>\$ (1,051,964)</u>
FTE Positions	1,182.5	1,179.5	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>1,182.5</u>	<u>1,179.5</u>	<u>0.0</u>

\* Includes a reduction of \$1,939,325 (\$1,051,964 from the State General Fund) for the Governor's employee salary adjustments.

### Senate Subcommittee Recommendation

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

1. Reduce salaries and wages by \$1,939,325 (including \$1,051,964 from the State General Fund) to remove the Governor's recommended employee salary adjustments.
2. The Subcommittee notes that the Governor's recommendation for shrinkage savings for this agency of \$2.4 million or 5.5 percent of gross salaries means that the agency must average 65 unfilled positions at all times. The Subcommittee has been informed that the agency must force turnover savings to meet this goal.
3. The Subcommittee has reviewed this agency's year 2000 readiness. The agency reports that required programming changes should be complete in August 1998 and systems testing should be complete in September of 1999.

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Attachment 1-6*



4. The Subcommittee notes that State General Fund expenditures under the Governor's FY 1999 recommendation are only \$34,675 or 0.1 percent above the actual FY 1990 expenditures and that staffing has been reduced by 146.5 FTE positions or 11.0 percent in the same time period. The following table summarizes expenditures and staffing for the agency during that period:

DEPARTMENT OF REVENUE  
OPERATING EXPENDITURES  
FY 1990-FY 1999

<u>Fiscal Year</u>	<u>SGF</u>	<u>% Change</u>	<u>All Funds*</u>	<u>% Change</u>	<u>FTE</u>
1990	\$ 28,325,174	(14.9)%	\$ 66,757,715	(10.7)%	1,326.0
1991	26,675,963	(5.8)%	63,486,087	(4.9)%	1,252.0
1992	26,337,828	(1.3)%	64,700,565	1.9%	1,228.5
1993	27,052,553	2.7%	71,187,694	10.0%	1,258.0
1994	27,974,873	3.4%	67,964,704	(4.5)%	1,261.0
1995*	28,756,085	2.8%	79,749,060	17.3%	1,258.0
1996	28,455,863	(1.0)%	67,332,174	(15.6)%	1,226.0
1997*	27,354,008	(3.9)%	107,457,530	59.6%	1,208.5
1998 Gov. Rec.	27,832,676	1.7%	77,211,903	(28.1)%	1,182.5
1999 Gov. Rec.	28,359,849	1.9%	77,679,847	0.6%	1,179.5
Ten-Year Change					
Dollars/Percent	\$ 34,675	0.1%	\$ 10,922,132	16.4%	(146.5)

\* FY 1995 includes \$9,540,207 in All Funds encumbered for the Project 2000 project and FY 1997 includes \$35,148,038 in All Funds encumbered for the Project 2000 project.

5. Many landlords who rent furnished or partially furnished properties complain when they are assessed property tax on both the leased property and the furniture and equipment provided with the property. The Subcommittee notes that the provisions of SB 500 which exempt business machinery and equipment from property taxation when the retail cost is \$1,000 or less should go a long way in solving this problem.
6. The Subcommittee notes that House Substitute for S.B. 139 makes permanent the provision that motor vehicles having a gross weight of between 12,001 and 20,000 pounds are to have their tax computed according to the tax and tag system but that any tax due would be paid at the same time property taxes are due. The Subcommittee expresses support for this taxpayer friendly legislation.

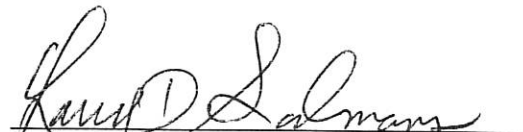
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3/4/98  
Attachment 17

7. The Subcommittee has reviewed the status of Project 2000. Project 2000 is designed to restructure the state's tax collection system to improve collection performance while also enhancing the quality of service to all Kansas taxpayers. The project is a benefits funded, performance based project. Expenditures to support the project's development are paid from additional revenues certified by the Director of the Legislative Research Department and the director of the Division of the Budget as being directly attributable to the project. These revenues are deposited to the Automated Tax Systems (ATS) Fund to support program development.

American Management Systems (AMS) is the prime contractor for the project. The Department of Revenue has a fixed price contact totaling \$51.9 million with AMS. A total of \$24.1 million in additional revenues has been deposited to the ATS Fund to date. AMS is paid when project goals and deliverables are met and when sufficient moneys have been deposited to the fund. The first \$52.1 million attributable to the project are to be used for direct purchases for the system (\$10.2 million) and payments to AMS (\$41.9 million). The next \$38.8 million is retained by the state. For the next \$100 million the state retains 90 percent and AMS receives 10 percent. So AMS will not receive the full \$51.9 million payment until the project has earned \$189.9 million and AMS receives no additional payments on any collections above \$189.9 million.

The agency projects that the project will reach the break-even point in early FY 2000 and that the project will show a net benefit of \$128.0 million through FY 2003. The agency has also indicated that it recently signed a \$2.1 million contract addendum with AMS which is not reflected in the above analysis. In order to monitor the project's implementation, the Department makes quarterly progress reports to the Kansas Information Resource Council and to the Joint Committee on Computers and Telecommunications. The Subcommittee recommends that the next quarterly report which would include the impact of the contract addendum be reviewed at Omnibus.

  
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Senator Stephen Morris,  
Subcommittee Chairperson

  
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Senator Larry Salmans

  
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Senator Mark Gilstrap

**SUBCOMMITTEE REPORT**

Agency: Kansas Inc.

Bill No. 2895

Bill Sec. 8

Analyst: Burenheide

Analysis Pg. No. 1103

Budget Page No. 321

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

**Agency Estimate/Governor's Recommendation**

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

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*Attachment 2-1*

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

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

### **House Subcommittee Recommendation**

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

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

### **House Committee Recommendation**

The House Committee concurs with the recommendations of the Subcommittee.

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3/4/98  
Attachment 2-2

Agency: Kansas Inc.

Bill No. 643

Bill Sec. 8

Expenditure Summary	Agency Estimate FY 98	Gov. Rec. FY 98	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 434,051	\$ 429,190	\$ 5,787
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 434,051	\$ 429,190	\$ 5,787
Capital Improvements	0	0	0
TOTAL	\$ 434,051	\$ 429,190	\$ 5,787
State General Fund:			
State Operations	\$ 209,055	\$ 164,194	\$ 5,787
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 209,055	\$ 164,194	\$ 5,787
Capital Improvements	0	0	0
TOTAL	\$ 209,055	\$ 164,194	\$ 5,787
Economic Development Initiatives Fund:			
State Operations	\$ 224,996	\$ 264,996	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 224,996	\$ 264,996	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 224,996	\$ 264,996	\$ 0
FTE Positions	5.0	5.0	0.0
Unclass. Temp. Positions	0.0	0.0	0.0
TOTAL	5.0	5.0	0.0

**Senate Subcommittee Recommendation**

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

1. Last session the Legislature appropriated \$64,620 (EDIF) for a School Performance Study. The study was to be an assessment of school district performance among 48 school districts under the School Performance Accreditation System. That study has been presented to the Legislature. The Subcommittee has several concerns with regard to the study.

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*3/4/98*  
*Attachment 2-3*




First, the Subcommittee is concerned that the data presented in the report may be misinterpreted by people reading the report. The Subcommittee received information that the validity of the data may be in question. Specifically, it appears that some of the data had to be manipulated to fit into the model being used by Arie van der Ploeg, the Principal Investigator for North Central Regional Educational Laboratory (NCREL), the firm conducting the study. Information was presented to Dr. Charles Warren, Kansas, Inc.'s former President, showing that the data would need to be modified in order to be used in his model. Dr. Warren told the Investigator to proceed.


Second, while the report may be flawed due to the manipulation of data, it appears there may be significant raw data that could be used as a starting point for a future report.

Third, it is the Subcommittee's understanding that Kansas, Inc. will hold the last payment to NCREL until the Board accepts the report at its March 20 meeting.

2. The Subcommittee received an update on the Kansas Economic Development Institute (KEDI), Kansas, Inc.'s private entity that raises funds from the private sector for sponsorship and funding for research and educational activities in support of Kansas, Inc. KEDI has a goal of \$100,000 for FY 1998. While it will be difficult to reach that goal, KEDI has a goal of increasing its investors from 47 in FY 1997 to 150 in FY 1998.
3. Add \$5,787 (EDIF) for expenses incurred due to the resignation of the President of Kansas, Inc., and the resulting search for a new president. The Subcommittee was told that the agency had bills totaling \$45,787. The Governor recommended \$40,000 based on the bills that had been received to that point. Due to the small size of Kansas, Inc., the agency would not be able to absorb these expenditures without a supplemental appropriation and would have to delay the International Trade Evaluation Study and Venture Capital Study.

  
\_\_\_\_\_  
Senator Alicia Salisbury, Chair

  
\_\_\_\_\_  
Senator Barbara Lawrence

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

S W+D  
3/4/98  
Attachment 2-4

**SUBCOMMITTEE REPORT**

**Agency:** Kansas Inc.

**Bill No.** 2893

**Bill Sec.** 46

**Analyst:** Burenheide

**Analysis Pg. No.** 1103

**Budget Page No.** 321

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

**Agency Request/Governor's Recommendation**

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

*S w + m  
3/4/98  
Attachment 2-5*

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

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

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

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

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

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

### **House Subcommittee Recommendation**

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

### **House Committee Recommendation**

The House Committee concurs with the recommendations of the Subcommittee.

S W+M  
3/4/98  
Attachment 26

Agency: Kansas Inc.

Bill No. 642

Bill Sec. 46


<u>Expenditure Summary</u>	<u>Agency Request FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 330,448	\$ 339,189	\$ (9,958) *
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 330,448	\$ 339,189	\$ (9,958)
Capital Improvements	0	0	0
TOTAL	<u>\$ 330,448</u>	<u>\$ 339,189</u>	<u>\$ (9,958)</u>
State General Fund:			
State Operations	\$ 167,478	\$ 169,626	\$ (6,174)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 167,478	\$ 169,626	\$ (6,174)
Capital Improvements	0	0	0
TOTAL	<u>\$ 167,478</u>	<u>\$ 169,626</u>	<u>\$ (6,174)</u>
Economic Development Initiatives Fund:			
State Operations	\$ 162,970	\$ 169,563	\$ (3,784)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 162,970	\$ 169,563	\$ (3,784)
Capital Improvements	0	0	0
TOTAL	<u>\$ 162,970</u>	<u>\$ 169,563</u>	<u>\$ (3,784)</u>
FTE Positions	5.0	5.0	0.0
Unclass. Temp. Positions	0.0	0.0	0.0
TOTAL	<u>5.0</u>	<u>5.0</u>	<u>0.0</u>

\* Includes a reduction of \$9,958 (\$6,174 State General Fund) for the Governor's employee salary adjustment.

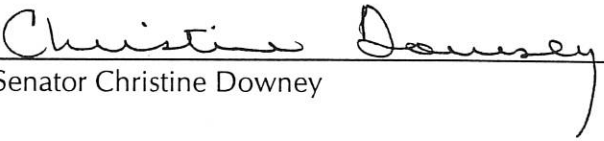
**Senate Subcommittee Recommendation**

The Subcommittee concurs with the recommendations of the Governor.

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Attachment 2-7*

  
\_\_\_\_\_  
Senator Alicia Salisbury, Chair

  
\_\_\_\_\_  
Senator Barbara Lawrence

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

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3/4/98  
Attachment 2-8



**SUBCOMMITTEE REPORT**

**Agency:** Kansas Technology Enterprise Corporation

**Bill No. —**

**Bill Sec. —**

**Analyst:** Burenheide

**Analysis Pg. No.** 1110

**Budget Page No.** 339

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

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3/4/98  
Attachment 3-1*

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

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

**The Governor** concurs with the agency's estimate.

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

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

### **House Subcommittee Recommendations**

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

### **House Committee Recommendation**

The House Committee concurs with the recommendations of the Subcommittee.

S W + M  
3/4/98  
Attachment 3-2

Agency: Kansas Technology Enterprise Corporation

Bill No. -


Bill Sec. -

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

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Attachment 3-3

**Senate Subcommittee Recommendation**

The Subcommittee concurs with the recommendations of the Governor.

  
\_\_\_\_\_  
Senator Alicia Salisbury, Chair

  
\_\_\_\_\_  
Senator Barbara Lawrence

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

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3/4/98  
Attachment 3-4

## SUBCOMMITTEE REPORT

Agency: Kansas Technology Enterprise Corporation

Bill No. 2893

Bill Sec. 47

Analyst: Burenheide

Analysis Pg. No. 1110

Budget Page No. 339

<u>Expenditure Summary</u>	<u>Agency Request FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 4,072,749	\$ 4,095,475	\$ 0
Aid to Local Units	0	0	0
Other Assistance	16,806,260	15,059,995	(498,774)
Subtotal - Operating	<u>\$ 20,879,009</u>	<u>\$ 19,155,470</u>	<u>\$ (498,774)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 20,879,009</u></u>	<u><u>\$ 19,155,470</u></u>	<u><u>\$ (498,774)</u></u>
State General Fund:			
State Operations	\$ 0	\$ 0	0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>0</u></u>
EDIF:			
State Operations	\$ 2,328,217	\$ 2,350,943	\$ 0
Aid to Local Units	0	0	0
Other Assistance	13,382,278	11,636,013	(498,774)
Subtotal - Operating	<u>\$ 15,710,495</u>	<u>\$ 13,986,956</u>	<u>\$ (498,774)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 15,710,495</u></u>	<u><u>\$ 13,986,956</u></u>	<u><u>\$ (498,774)</u></u>
Other Funds:			
State Operations	\$ 1,744,532	\$ 1,744,532	\$ 0
Aid to Local Units	0	0	0
Other Assistance	3,423,982	3,423,982	0
Subtotal - Operating	<u>\$ 5,168,514</u>	<u>\$ 5,168,514</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 5,168,514</u></u>	<u><u>\$ 5,168,514</u></u>	<u><u>\$ 0</u></u>
FTE Positions	17.0	17.0	0.0
Unclassified Temp. Positions	14.0	14.0	0.0
TOTAL	<u><u>31.0</u></u>	<u><u>31.0</u></u>	<u><u>0.0</u></u>

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3/4/98  
Attachment 3-5



## Agency Request/Governor's Recommendation

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

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

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

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

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

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

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

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

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

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

S W+M  
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Attachment 3b

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

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

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

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

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

### House Subcommittee Recommendations

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

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

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3/4/98  
Attachment 3-7

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

### **House Committee Recommendation**

The House Committee concurs with the recommendations of the Subcommittee.

S WFM  
3/4/98  
Attachment 3-8

Agency: Kansas Technology Enterprise Corporation

Bill No. 642

Bill Sec. 47

Expenditure Summary	Agency Request FY 99	Gov. Rec. FY 99	Senate Subcommittee Adjustments
<b>All Funds:</b>			
State Operations	\$ 4,072,749	\$ 4,095,475	\$ (66,501) *
Aid to Local Units	0	0	0
Other Assistance	16,806,260	15,059,995	0
Subtotal - Operating	<u>\$ 20,879,009</u>	<u>\$ 19,155,470</u>	<u>\$ (66,501)</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 20,879,009</u></u>	<u><u>\$ 19,155,470</u></u>	<u><u>\$ (66,501)</u></u>
<b>State General Fund:</b>			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
<b>EDIF:</b>			
State Operations	\$ 2,328,217	\$ 2,350,943	\$ (66,501)
Aid to Local Units	0	0	0
Other Assistance	13,382,278	11,636,013	0
Subtotal - Operating	<u>\$ 15,710,495</u>	<u>\$ 13,986,956</u>	<u>\$ (66,501)</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 15,710,495</u></u>	<u><u>\$ 13,986,956</u></u>	<u><u>\$ (66,501)</u></u>
<b>Other Funds:</b>			
State Operations	\$ 1,744,532	\$ 1,744,532	\$ 0
Aid to Local Units	0	0	0
Other Assistance	3,423,982	3,423,982	0
Subtotal - Operating	<u>\$ 5,168,514</u>	<u>\$ 5,168,514</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<u><u>\$ 5,168,514</u></u>	<u><u>\$ 5,168,514</u></u>	<u><u>\$ 0</u></u>
FTE Positions	17.0	17.0	0.0
Unclassified Temp. Positions	14.0	14.0	0.0
<b>TOTAL</b>	<u><u>31.0</u></u>	<u><u>31.0</u></u>	<u><u>0.0</u></u>

\* Includes a reduction of \$66,501 (EDIF) for the Governor's employee salary adjustments.

S W+M  
3/4/98  
Attachment 3-9

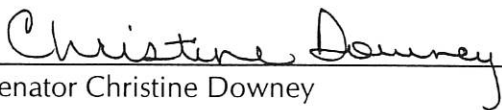
## Senate Subcommittee Recommendation

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

1. The Subcommittee notes that the Governor's Recommendation for Special Projects is \$29,303 (EDIF). Historically, this program has been funded at between \$69,000 – \$79,000. This year's lower recommendation is due to the Division of Budget's request to lower Current Service EDIF expenditures by 5.0 percent. Special Projects funding in the past has served as a catalyst for the development of KTEC's performance tracking system, the Industrial Agriculture Program (later transferred to the Department of Commerce and Housing), the Innovation and Commercialization Corporations, and the Graduate Intern Program. In the current year, KTEC has an approximate balance of \$40,000 in Special Projects. Several programs are being researched that will require the expenditure of the current year's funding. The Subcommittee would like to review this item at Omnibus. Further, the Subcommittee has asked KTEC to provide information on what type of projects may be funded in FY 1999 under Special Projects. If there are sufficient resources in the EDIF, the Subcommittee would consider adding additional funding to this program. The Subcommittee notes that due to Senate Ways and Means shifting funding for the Conservation Buffer Initiative from EDIF to State Water Plan (\$800,000) there would be sufficient resources in the Senate EDIF budget for Special Projects.
2. The Subcommittee also reviewed the Experimental Program to Stimulate Competitive Research (EPSCoR). The Governor recommended \$1.0 million (EDIF) above the Current Service level for FY 1999, which is \$493,735 more than the FY 1998 Governor's Recommendation. EPSCoR is a long term investment in Kansas universities' capacity to conduct cutting edge research. Kansas qualified as an EPSCoR state by virtue of its universities historically receiving a disproportionately low per capita average of federal research dollars. Between 1990 and 1995 (the latest statistics available), Kansas' per capita average of federal research dollars increased by 40.0 percent (\$17.80 to \$25.00) while during the same period, total federal research funding increased by only 23.0 percent per capita (\$35.70 to \$44.00). In EPSCoR, each state dollar is matched at least 1:1 by federal dollars and industry support further increases leverage of the state dollar.

  
\_\_\_\_\_  
Senator Alicia Salisbury, Chair

  
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Senator Barbara Lawrence

  
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Senator Christine Downey

## SUBCOMMITTEE REPORT

Agency: Department of Commerce and Housing Bill No. –

Bill Sec. –

Analyst: Burenheide

Analysis Pg. No. 1075

Budget Page No. 105

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

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*Attachment 4-1*

## Agency Estimate/Governor's Recommendation

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

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

**The Governor** concurs with the agency's revised request.

## House Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation.

## House Committee Recommendation

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

1. Add a proviso concerning the World Trade Center. This proviso designates this appropriation as a grant to the World Trade Center. The proviso should also provide that the Department is merely a pass-through agency for this grant. An annual report should be provided to the Joint Committee on Economic Development.

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Attachment 4-2

Agency: Department of Commerce and Housing Bill No. –

Bill Sec. –

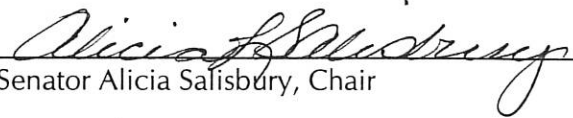
<u>Expenditure Summary</u>	<u>Agency Estimate FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 14,295,731	\$ 14,295,731	\$ 0
Aid to Local Units	53,008,021	53,008,021	0
Other Assistance	<u>13,076,595</u>	<u>13,076,595</u>	<u>0</u>
Subtotal - Operating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

### Senate Subcommittee Recommendation

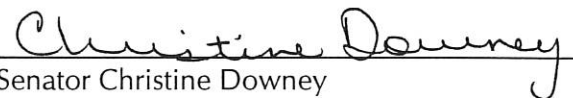
The Subcommittee concurs with the recommendations of the Governor.

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Attachment 4-3*



  
\_\_\_\_\_  
Senator Alicia Salisbury, Chair

  
\_\_\_\_\_  
Senator Barbara Lawrence

  
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Senator Christine Downey

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Attachment 4-4

**SUBCOMMITTEE REPORT**

Agency: Department of Commerce and Housing **Bill No. 2893**

**Bill Sec. 45**

Analyst: Burenheide

Analysis Pg. No.

Budget Page No.

<u>Expenditure Summary</u>	<u>Agency Request FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>House Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 15,292,749	\$ 15,352,680	\$ 3,075
Aid to Local Units	48,572,401	48,622,401	0
Other Assistance	10,526,400	11,348,900	0
Subtotal - Operating	\$ 74,391,550	\$ 75,323,981	\$ 3,075
Capital Improvements	35,000	35,000	0
TOTAL	<u>\$ 74,426,550</u>	<u>\$ 75,358,981</u>	<u>\$ 3,075</u>
<b>State General Fund:</b>			
State Operations	\$ 972,801	\$ 985,609	\$ (50,365)
Aid to Local Units	1,036,692	1,036,692	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 2,009,493	\$ 2,022,301	\$ (50,365)
Capital Improvements	0	0	0
TOTAL	<u>\$ 2,009,493</u>	<u>\$ 2,022,301</u>	<u>\$ (50,365)</u>
<b>Economic Development Initiatives Fund:</b>			
State Operations	\$ 7,805,902	\$ 7,849,389	\$ 53,440
Aid to Local Units	1,025,000	1,075,000	0
Other Assistance	9,131,400	10,753,900	0
Subtotal - Operating	\$ 17,962,302	\$ 19,678,289	\$ 53,440
Capital Improvements	35,000	35,000	0
TOTAL	<u>\$ 17,997,302</u>	<u>\$ 19,713,289</u>	<u>\$ 53,440</u>
FTE Positions	134.0	134.0	(2.0)
Unclassified Temp. Positions	0.0	0.0	1.0
TOTAL	<u>134.0</u>	<u>134.0</u>	<u>(1.0)</u>

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Attachment 4-5*

## Agency Request/Governor's Recommendation

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

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

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

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

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

## House Subcommittee Recommendation

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

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

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Attachment 4-6

5. Delete \$55,000 (EDIF) from the Agriculture Products Development Division.
6. Recommend that a bill be drafted that empowers the Council on Travel and Tourism and makes them a state agency. This newly created state agency would replace the Department's Travel and Tourism Division. At Omnibus, review the status of the bill. If it has passed both houses, it will be necessary to consider shifting funding of the Department's Travel and Tourism Division to the Council on Travel and Tourism. This newly created agency would submit annual reports to the Department of Commerce and Housing.
7. Recommend transferring the Tourist Information Center (TIC) that the Department of Commerce and Housing (KDOCH) currently operates at the State Capitol to the Kansas State Historical Society. This transfer could be accomplished by reducing the KDOCH budget by \$51,925 (\$50,365 (SGF) and \$1,560 (EDIF)) and 2.0 FTE, and increasing the budget of the Historical Society by a like amount. Additionally, a section should be added to the appropriations bill as follows:

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

### House Committee Recommendation

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

1. Add \$55,000 (EDIF) to the Agriculture Products Development Division.

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2. In regard to the bill that empowers the Council on Travel and tourism and turns them into a state agency, the Committee would like the Council to emphasize Regional Tourism Plans.

Agency: Department of Commerce and Housing Bill No. 642

Bill Sec. 45

Expenditure Summary	Agency Request FY 99	Gov. Rec. FY 99	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 15,292,749	\$ 15,352,680	\$ (146,348)*
Aid to Local Units	48,572,401	48,622,401	0
Other Assistance	10,526,400	11,348,900	0
Subtotal - Operating	<u>\$ 74,391,550</u>	<u>\$ 75,323,981</u>	<u>\$ (146,348)</u>
Capital Improvements	35,000	35,000	0
TOTAL	<u><u>\$ 74,426,550</u></u>	<u><u>\$ 75,358,981</u></u>	<u><u>\$ (146,348)</u></u>
State General Fund:			
State Operations	\$ 972,801	\$ 985,609	\$ (91,916)
Aid to Local Units	1,036,692	1,036,692	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 2,009,493</u>	<u>\$ 2,022,301</u>	<u>\$ (91,916)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 2,009,493</u></u>	<u><u>\$ 2,022,301</u></u>	<u><u>\$ (91,916)</u></u>
Economic Development Initiatives Fund:			
State Operations	\$ 7,805,902	\$ 7,849,389	\$ (54,432)
Aid to Local Units	1,025,000	1,075,000	0
Other Assistance	9,131,400	10,753,900	0
Subtotal - Operating	<u>\$ 17,962,302</u>	<u>\$ 19,678,289</u>	<u>\$ (54,432)</u>
Capital Improvements	35,000	35,000	0
TOTAL	<u><u>\$ 17,997,302</u></u>	<u><u>\$ 19,713,289</u></u>	<u><u>\$ (54,432)</u></u>
FTE Positions	134.0	134.0	2.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u><u>134.0</u></u>	<u><u>134.0</u></u>	<u><u>2.0</u></u>

\* Includes a reduction of \$244,423 (\$41,551 (State General Fund)) for the Governor's employee salary adjustment.

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Attachment 4-8*

### Senate Subcommittee Recommendation

The Subcommittee concurs with the recommendations of the Governor with the following observations:

1. The Subcommittee recommends the transfer of \$51,925 (\$50,365 from the State General Fund and \$1,560 from the Economic Development Initiatives Fund) and 2.0 FTE, which represents the operation of the State Capitol Tourist Information Center (TIC), from the Department of Commerce and Housing to the Historical Society. While most TICs provide travelers entering the state with information about the state, the TIC at the State Capitol serves a different function. Much of the time of the staff of the State Capitol TIC is devoted to answering questions about the Statehouse and conducting tours of the building. All of the parties to the transfer have agree that the transfer is appropriate. A proviso will also be added to the bill to accomplish this task.
2. The Subcommittee heard testimony on a tourism strategy for Kansas. The 1997 Legislature appropriated the funding to conduct the study, and the Council on Tourism, in cooperation with the Kansas Department of Commerce and Housing Tourism Development Division, hired Young, Nichols, Gilstrap, Inc. to develop a long-term strategy for enhancing tourism-related economic development.

The evidence indicates that the most successful tourist destinations are those that do not attempt to be all things to all people. Rather, today's successful tourist attractions tend to be focused. An independent attraction serves as the reason for visitors traveling to a state, but most Kansas tourist attractions today serve as dependent attractions which rely on visitors who are already in the market. The study concludes that more strategic niche packaging and the development of additional assets could help Kansas begin to feature more powerful, independent attractions.

The study also reveals that Kansas does not have the marketing resources to compete regionally, nationally, or internationally. Compared with regional competition, Kansas advertising resources fall behind Arkansas, Missouri, Oklahoma, Iowa, and Nebraska.

<u>Total Tourism Budget</u>			<u>Tourism Advertising Budget</u>		
(\$ Millions)			(\$ Millions)		
Arkansas	\$	9.95	Arkansas	\$	5.04
Missouri		9.28	Missouri		4.21
Oklahoma		7.29	Oklahoma		3.04
<b>Kansas</b>		<b>3.91</b>	Iowa		0.83
Iowa		3.64	Nebraska		0.49
Nebraska		2.11	<b>Kansas</b>		<b>0.40</b>

The Subcommittee received a request from the Travel Industry Association of Kansas for funding in the Kansas Department of Commerce and Housing to conduct a

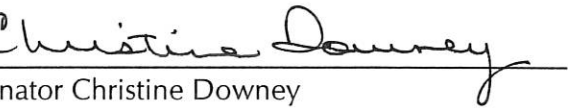
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Attachment 4-9*

feasibility study on developing an independent attraction in Kansas. The Subcommittee is supportive of the study but has not received sufficient justification for additional funding.

The Subcommittee recommends adding \$150,000 EDIF to the Travel and Tourism Division for marketing and promotion. The Subcommittee learned that rural areas, in particular, lack resources to promote local attractions.

  
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Senator Alicia Salisbury, Chair

  
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Senator Barbara Lawrence

  
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Senator Christine Downey

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Attachment 4-10

**SUBCOMMITTEE REPORT**

**Agency:** State Board of Tax Appeals

**Bill No.** 2895

**Bill Sec.** New

**Analyst:** Rampey

**Analysis Pg. No.** 1163

**Budget Page No.** 447

<u>Expenditure Summary</u>	<u>Agency Estimate FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 1,650,832	\$ 1,635,122	\$ 81,787
Aid to Local Units	0	0	0
Other Assistance	0	0	0
<b>TOTAL</b>	<b>\$ 1,650,832</b>	<b>\$ 1,635,122</b>	<b>\$ 81,787</b>
State General Fund:			
State Operations	\$ 1,633,832	\$ 1,618,122	\$ 81,787
Aid to Local Units	0	0	0
Other Assistance	0	0	0
<b>TOTAL</b>	<b>\$ 1,633,832</b>	<b>\$ 1,618,122</b>	<b>\$ 81,787</b>
FTE Positions	30.0	30.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
<b>TOTAL</b>	<b>30.0</b>	<b>30.0</b>	<b>0.0</b>

**AGENCY OVERVIEW**

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

**Agency Estimate/Governor's Recommendation**

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

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*Attachment 5-1*



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

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

### House Subcommittee Recommendations

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

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

### House Committee Recommendations

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

1. Any savings from FY 1998 that are carried forward to FY 1999 will be subtracted from the amount of the State General Fund appropriation for FY 1999.

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3/4/98  
Attachment 5-2

Agency: State Board of Tax Appeals

Bill No. 643

Bill Sec. New

Expenditure Summary	Agency Estimate FY 98	Gov. Rec. FY 98	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 1,650,832	\$ 1,635,122	\$ 31,188
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 1,650,832</u>	<u>\$ 1,635,122</u>	<u>\$ 31,188</u>
State General Fund:			
State Operations	\$ 1,633,832	\$ 1,618,122	\$ 31,188
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 1,633,832</u>	<u>\$ 1,618,122</u>	<u>\$ 31,188</u>
FTE Positions	30.0	30.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>30.0</u>	<u>30.0</u>	<u>0.0</u>

**Senate Subcommittee Recommendations**

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

1. Add \$31,188 from the State General Fund to complete the implementation of a PC LAN computer system. Over a two-year period, the Board has spent \$336,911 on programming, telecommunication costs, hardware, and software in connection with the system and needs \$65,000 more to finish. The Board has \$33,812 in savings in the current year that, when added to the \$31,188 recommended by the Subcommittee, will enable the Board to complete the project.
2. The Subcommittee calls attention to the number of new cases the Board has in FY 1998 compared to one year ago, primarily because some of the larger counties in the state are conducting a physical reinspection of property this year. The requirement that there be a physical reinspection of property every four years is being more

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*Attachment 5-3*

strictly enforced, resulting in more cases being filed when large counties are involved. On February 4, the Board had 1,963 cases to schedule, of which 942 were from Johnson County, 147 were from Shawnee, and 186 were from Sedgwick. In January and February of 1997, 1,067 appeals were received, compared to 1,576 that have been received this year as of February 20. The Board says it is likely 200 more appeals will be received by the end of February.



\_\_\_\_\_  
Senator Pat Ranson,  
Subcommittee Chairperson



\_\_\_\_\_  
Senator Paul Feleciano

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Attachment 5-4

**SUBCOMMITTEE REPORT**

**Agency:** State Board of Tax Appeals

**Bill No.** 2893

**Bill Sec.** 45

**Analyst:** Rampey

**Analysis Pg. No.** 1163

**Budget Page No.** 447

<u>Expenditure Summary</u>	<u>Agency Request FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 1,693,759	\$ 1,678,477	\$ 29,149
Aid to Local Units	0	0	0
Other Assistance	0	0	0
<b>TOTAL</b>	<u><u>\$ 1,693,759</u></u>	<u><u>\$ 1,678,477</u></u>	<u><u>\$ 29,149</u></u>
State General Fund:			
State Operations	\$ 1,676,759	\$ 1,661,477	\$ 29,149
Aid to Local Units	0	0	0
Other Assistance	0	0	0
<b>TOTAL</b>	<u><u>\$ 1,676,759</u></u>	<u><u>\$ 1,661,477</u></u>	<u><u>\$ 29,149</u></u>
FTE Positions	30.0	30.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
<b>TOTAL</b>	<u><u>30.0</u></u>	<u><u>30.0</u></u>	<u><u>0.0</u></u>

**Agency Request/Governor's Recommendation**

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

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

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Attachment 5-5

## House Subcommittee Recommendations

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

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

## House Committee Recommendation

The House Committee concurs with the recommendations of the Subcommittee.

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3/4/98  
Attachment 5-6

Agency: State Board of Tax Appeals

Bill No. 642

Bill Sec. 45

<u>Expenditure Summary</u>	<u>Agency Request FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 1,693,759	\$ 1,678,477	\$ (25,663) *
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 1,693,759</u>	<u>\$ 1,678,477</u>	<u>\$ (25,663)</u>
State General Fund:			
State Operations	\$ 1,676,759	\$ 1,661,477	\$ (25,663)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 1,676,759</u>	<u>\$ 1,661,477</u>	<u>\$ (25,663)</u>
FTE Positions	30.0	30.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>30.0</u>	<u>30.0</u>	<u>0.0</u>

\* Includes a reduction of \$30,663 from the State General Fund for the Governor's employee salary adjustments.

### Senate Subcommittee Recommendations

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

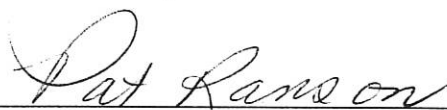
1. Delete \$30,663 from the State General Fund based on the recommendation to delete funding for the 4.0 percent unclassified merit pool (\$12,297); classified step movement (\$6,769); longevity bonus payments (\$4,925); and the 1.5 percent classified base salary adjustment (\$6,672) from individual agency budgets.

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Attachment 5-4*

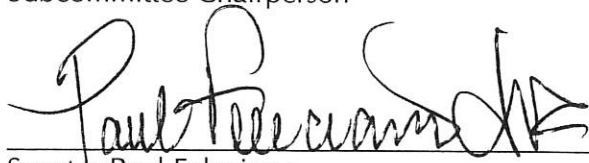
2. Add \$5,000 for travel. In the fall of 1997, the Board began holding prehearing and status conferences in an effort to manage its case load more efficiently. Prehearing conferences involve a Board member and staff attorney meeting with aggrieved parties in an effort to resolve disputes before the hearing stage. Status conferences involve a Board member and attorney meeting with aggrieved parties and their counsel to develop a schedule and set deadlines for the appeal process. These activities require Board members and staff attorneys to travel around the state, which is why the Subcommittee recommends additional money for travel.

Little specific information is available about the effect of these conferences because they only began last fall, but the results thus far are encouraging: Beginning in November of 1997, conferences have been held on 305 dockets. Of these, almost 60 percent have not proceeded to the hearing stage because they have either been stipulated to and settled (165) or dismissed (17). The Subcommittee wants to encourage the Board's initiative in this area and intends to examine the budget next year to see how effective the conferences have been.

3. Remove language in the appropriations bill that authorizes an unlimited reappropriation for the Board, the effect being that any unspent State General Fund money at the end of FY 1998 will lapse.
4. The Subcommittee calls attention to the tables that accompany this report. In particular, the Subcommittee notes that the backlog of cases that occurred immediately following the implementation of statewide reappraisal in 1989 has largely been addressed.



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Senator Pat Ranson,  
Subcommittee Chairperson



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Senator Paul Feleciano

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Attachment 5-8

## APPEALS TO THE KANSAS BOARD OF TAX APPEALS

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*3/4/98*  
*Attachment 5-9*

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

Source: Kansas Board of Tax Appeals.

### State Board of Tax Appeals Caseload

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

1) No longer required beginning in FY 1995.

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



**SUBCOMMITTEE REPORT**

Agency: Kansas Lottery

Bill No. 2895

Bill Sec. –

Analyst: Efird

Analysis Pg. No. 1179

Budget Page No. 361

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

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

**Agency Estimate/Governor's Recommendation**

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

**House Subcommittee Recommendation**

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

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

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*3/4/98*

*Attachment 6-1*

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

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

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

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

### House Committee Recommendation

The House Committee concurs with the Subcommittee report.

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*3/4/98*  
*Attachment 6-2*

Agency: Kansas Lottery

Bill No. 665

Bill Sec. -

<u>Expenditure Summary</u>	<u>Agency Rev.Est. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>Senate Subcommittee Adjustments</u>
Special Revenue Funds:			
State Operations	\$ 20,053,196	\$ 20,053,196	\$ (92,171)
Aid to Local Units	0	0	0
Other Assistance*	<u>107,255,507</u>	<u>107,255,507</u>	<u>0</u>
Subtotal - Operating	\$ 127,308,703	\$ 127,308,703	\$ (92,171)
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 127,308,703</u></u>	<u><u>\$ 127,308,703</u></u>	<u><u>\$ (92,171)</u></u>
FTE Positions	92.0	92.0	(2.0)
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>92.0</u></u>	<u><u>92.0</u></u>	<u><u>(2.0)</u></u>

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

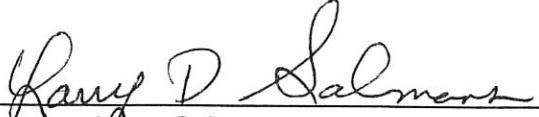
### Senate Subcommittee Recommendation

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

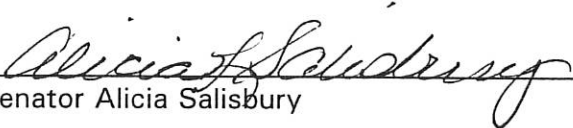
1. Reduce 2.0 FTE positions and funding of \$92,171 budgeted for salaries of these positions from the approved FY 1998 limitations. These positions have been vacant for an extended period of time and during FY 1997 the agency filled only 88.0 FTE positions. The positions to be eliminated include the Deputy Director and Administrative Assistant. The new FTE limitation will be 90.0.
2. Incorporate all of the current fiscal year recommendations into the FY 1998 bill to reflect changes included in the Governor's Budget Report and the Senate Subcommittee adjustments. The Governor's recommended reduction of 3.0 in the FTE limitation must be adjusted in an appropriations bill. The Subcommittee recommendation of reducing 2.0 FTE positions would bring the total cuts to 5.0 FTE positions. No change in the approved expenditure limitation of \$8,188,696 for agency operations is addressed by the Governor's FY 1998 recommendations, except to recognize that \$17,453 is added in KQM funds which were preapproved by the 1997 Legislature for any amount of savings. The Subcommittee recommendation to reduce \$92,171

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Attachment 6-3*

in salaries and benefits must be included in the FY 1998 appropriations bill to legally enforce its reductions by reducing the approved expenditure limitation of \$8,188,696.

  
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Senator Larry Salmans  
Subcommittee Chairperson

  
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Senator Marge Petty

  
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Senator Alicia Salisbury

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Attachment 6-4

**SUBCOMMITTEE REPORT**

**Agency:** Kansas Lottery

**Bill No.** 2893

**Bill Sec.** 47

**Analyst:** Efird

**Analysis Pg. No.** 1179

**Budget Page No.** 361

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

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

**Agency Request/Governor's Recommendation**

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

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

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

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Attachment 6-5*

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

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

### House Subcommittee Recommendation

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

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

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Attachment 6-6

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

5. Note the following items:

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

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Attachment 6-7*

### House Committee Recommendation

The House Committee concurs with the Subcommittee report.

Agency: Kansas Lottery

Bill No. 642

Bill Sec. 47

Expenditure Summary	Agency Request FY 99	Gov. Rec. FY 99	Senate Subcommittee Adjustments
Special Revenue Funds:			
State Operations	\$ 21,325,113	\$ 20,643,270	\$ (240,410)*
Aid to Local Units	0	0	0
Other Assistance**	<u>110,094,732</u>	<u>107,675,075</u>	<u>0</u>
Subtotal - Operating	\$ 131,419,845	\$ 128,318,345	\$ (240,410)
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 131,419,845</u></u>	<u><u>\$ 128,318,345</u></u>	<u><u>\$ (240,410)</u></u>
FTE Positions	92.0	92.0	(2.0)
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>92.0</u></u>	<u><u>92.0</u></u>	<u><u>(2.0)</u></u>

\* Includes a reduction of \$145,620 for the Governor's employee salary adjustments.

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

### Senate Subcommittee Recommendation

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

1. Reduce salaries and benefits by \$145,620 to remove the Governor's recommended employee salary adjustments.
2. Reduce staffing by 2.0 FTE positions and salary funding of \$94,790. This adjustment will authorize 90.0 FTE positions in FY 1999. These adjustments to staff and salary base also were made in FY 1998 to reflect the agency's actual FY 1997 staff level and expenditures for that fiscal year.
3. Add a proviso that the Executive Director of the Kansas Lottery shall notify immediately in writing the Chairpersons of the Senate Ways and Means Committee and of the House Appropriations Committee, also copying the Legislative Research Department, if and when the current President and Chief Executive Officer of the

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Attachment 6-8*

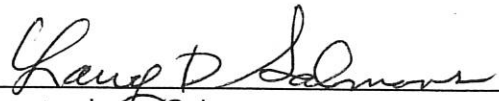


GTECH Corporation, William Y. O'Connor, resigns or is fired from his present positions.


4. Introduce a bill to make the provisions regarding background investigations that apply to the Kansas Racing and Gaming Commission also apply to the Kansas Lottery Commission. Currently, only the Lottery's Executive Director receives copies of background investigations and the Subcommittee's recommendation would allow the Lottery Commissioners also to receive the background investigation files.
  
5. Recognize the Governor's recommended sales estimates that are based on flat sales of \$182.5 million in both FY 1998 and FY 1999. The monthly sales figures referenced by the Budget Division as supporting the Governor's fiscal year estimates were those developed by the Lottery and subsequently reported to the House Subcommittee. The Senate Subcommittee is concerned about the uniformity of estimated monthly sales and believes that the projections are derived from back-filling numbers to support the Governor's recommended annual sales, rather than being based on realistic projections of monthly cash flow stemming from actual ticket sales history and assumptions about future monthly sales. The projections are repeated below in order to call attention to the pro-rata estimating technique of back-filling numbers that add to the bottom line annual sales recommendations. Unfortunately, the monthly sales figures are meaningless for cash flow purposes and, most importantly, for projecting monthly transfers into the State Gaming Revenues Fund. The Subcommittee would hope that by Omnibus review, other monthly projections might be developed that would help inform, rather than to only ratify, the Governor's recommended annual sales figures.

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

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Attachment 6-9

  
\_\_\_\_\_  
Senator Larry Salmans  
Subcommittee Chairperson

  
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Senator Marge Petty

  
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Senator Alicia Salisbury

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3/4/98  
Attachment 6-10

**SUBCOMMITTEE REPORT**

Agency: Kansas Racing and Gaming Commission **Bill No. 2895**

**Bill Sec. -**

Analyst: Efird

**Analysis Pg. No. 1171**

**Budget Page No. 373**

<u>Expenditure Summary</u>	<u>Agency Rev. Est FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
Special Revenue Funds:			
Racing Operations	\$ 2,992,693	\$ 2,992,693	\$ 0
Gaming Operations	<u>1,196,189</u>	<u>1,196,189</u>	<u>0</u>
Subtotal - Operating	\$ 4,188,882	\$ 4,188,882	\$ 0
Racing Assistance	<u>1,101,247</u>	<u>1,101,247</u>	<u>0</u>
TOTAL	<u>\$ 5,290,129</u>	<u>\$ 5,290,129</u>	<u>\$ 0</u>
Racing FTE Positions	39.0	39.0	3.0
Gaming FTE positions	13.0	13.0	4.0
Unclassified Temp. Positions	<u>3.0</u>	<u>3.0</u>	<u>0.0</u>
TOTAL	<u>55.0</u>	<u>55.0</u>	<u>7.0</u>

**Agency Request/Governor's Recommendation**

A net increase requested in FY 1998 expenditures reflects the following adjustments: a reduction of \$92,132 in other assistance payments due to lower parimutuel handle; a net increase of \$310,816 in state operations expenditures that is attributed to \$323,324 requested due to higher expenses charged to the Tribal Gaming Fund for activities of the State Gaming Agency; and a reduction of \$12,508 in approved expenditures for the parimutuel activities. An increase in expenditures relative to background investigations for casino personnel is requested and a corresponding increase in the expenditure limitation for the Tribal Gaming Fund would be required to allow additional expenses of \$323,324 to be paid in FY 1998.

**The Governor's recommendations** concur with the agency revisions in FY 1998. A net increase for operating expenditures is attributed to additional expenses of \$323,324 for the State Gaming Agency, a decrease of \$12,508 in racing related expenses, and a decrease of \$92,132 in other assistance that reflects a reduction in parimutuel handle. In addition, the Governor concurs with the requested adjustments in the FY 1998 expenditures from the Tribal Gaming Fund. However, no adjustment is included in the FY 1998 appropriations bill in order to increase the current approved expenditure limitation.

**House Subcommittee Recommendation**

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

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*Attachment 7-1*

1. Add 4.0 FTE positions in FY 1998 to accelerate the Governor's recommended addition of 7.0 FTE positions in FY 1999 for the Gaming Agency to hire new investigators. Also add 3.0 FTE positions in FY 1998 for the State Racing function for the same purpose in regard to its recommended new position in the Governor's FY 1999 budget. No funding will be required in the current fiscal year since the time needed to recruit and hire new staff will not be sufficient in the remaining months prior to June 30, 1998. However, in order to recruit staff, the agency needs this added FTE authority to be included in the FY 1998 supplemental appropriations bill that will be effective upon publication in the Kansas Register. Otherwise, the hiring process must wait until after July 1, 1998, if the Governor's recommended changes are included only in the FY 1999 appropriations bill.
2. Incorporate current fiscal year recommendations into the FY 1998 bill to reflect changes recommended in the Governor's Budget Report and by the House Subcommittee that require posting in an appropriations bill. In order to legally enforce the recommended adjustments, each item that addresses a limited account or FTE limitation must be included in the supplemental appropriations bill to reflect the Governor's recommendations and Subcommittee adjustments. The Governor's recommendations are summarized below.

CHANGE FROM APPROVED BUDGET		
	Agency Estimate	Governor's Recommendations
Dollar Change:		
State Operations	\$ 310,816	\$ 310,816
Other Assistance	(92,132)	(92,132)
TOTAL	<u>\$ 218,684</u>	<u>\$ 218,684</u>
FTE Positions	0.0	0.0

**The Governor's recommendations** in FY 1998 include several items. A reduction of \$92,132 in other assistance payments due to lower parimutuel handle requires no action in the bill since the line item is no limit. An increase of \$310,816 in state operations expenditures is attributed to \$323,324 due to higher expenses charged to the Tribal Gaming Fund for activities of the State Gaming Agency. No adjustment to the Tribal Gaming Fund expenditure limitation is required since it is a no limit account. A reduction of \$12,508 in approved expenditures for parimutuel activities should be included as a reduction in the State Racing Fund expenditure limitation.

The FTE limitation for the State Gaming Agency must be increased by 4.0 to reflect the Subcommittee's accelerated recommendation to add authority in the current fiscal year for next year's new staff recommended by the Governor in FY 1999. Likewise, the FTE limitation for the State Racing Agency also must be increased by 3.0 to reflect the Subcommittee's recommendation.

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Attachment 7-2

The Subcommittee notes that the Governor's recommended salary turnover savings of \$20,197 . FY 1998 understates the amount of underspending this fiscal year. At least four positions have been vacant since November 30, 1997, and a public service administrator has been vacant since September 21, 1997. The agency was unable to estimate its savings to date in the current fiscal year.

## House Committee Recommendations

The Committee concurs.

Agency: Kansas Racing and Gaming Commission **Bill No. 665**

**Bill Sec. -**

<u>Expenditure Summary</u>	<u>Agency Rev. Est. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>Senate Subcommittee Adjustments</u>
Special Revenue Funds:			
Racing Operations	\$ 2,992,693	\$ 2,992,693	\$ 0
Gaming Operations	1,196,189	1,196,189	0
Subtotal - Operating	\$ 4,188,882	\$ 4,188,882	\$ 0
Racing Assistance	1,101,247	1,101,247	0
<b>TOTAL</b>	<b>\$ 5,290,129</b>	<b>\$ 5,290,129</b>	<b>\$ 0</b>
Racing FTE Positions	39.0	39.0	3.0
Gaming FTE positions	13.0	13.0	4.0
Unclassified Temp. Positions	3.0	3.0	0.0
<b>TOTAL</b>	<b>55.0</b>	<b>55.0</b>	<b>7.0</b>

## Senate Subcommittee Recommendation

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

1. Add 4.0 FTE positions in FY 1998 to accelerate the Governor's recommended addition of 7.0 FTE positions in FY 1999 for the Gaming Agency to hire new investigators. No funding will be required in the current fiscal year since the time needed to recruit and hire new staff will not be sufficient in the remaining months prior to June 30, 1998. However, in order to recruit staff, the agency needs this added FTE authority to be included in the FY 1998 supplemental appropriations bill that will be effective upon publication in the *Kansas Register* in order to commence the hiring process.
2. Add 3.0 FTE positions in FY 1998 for the State Racing function for the same purpose in regard to its recommended new positions in the Governor's FY 1999 budget.
3. Note a possible technical error in the cash flow projections that support the Governor's recommended transfers from the State Racing Fund to the State Gaming

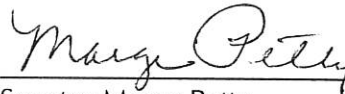
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Attachment 7-3

Revenues Fund in FY 1998. The Governor's Budget Report indicates projected transfers in the amount estimated by the agency: \$1,274,195. However, a monthly cash flow model supplied by the Division of the Budget reflects total transfers of \$951,605 in FY 1998, or a reduction of \$322,590 from the agency estimate. The only impact that this possible error will have is to reduce the Governor's assumed transfer to the State General Fund in June of 1998 by \$322,590 (from \$8.3 million to less than \$8.0 million).

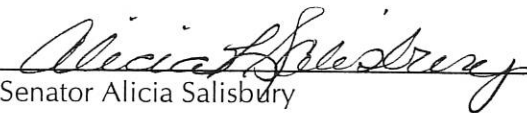
4. Incorporate current fiscal year recommendations into the FY 1998 bill to reflect changes recommended in the Governor's Budget Report and by the House Subcommittee. The Governor's recommendations in FY 1998 include a reduction of \$12,508 in approved expenditures for parimutuel activities that should be included as a reduction in the State Racing Fund expenditure limitation. The FTE limitation for the State Gaming Agency must be increased by 4.0 to reflect the Subcommittee's accelerated recommendation. Likewise, the FTE limitation for the State Racing Agency also must be increased by 3.0 to reflect the Subcommittee's recommendation.



Senator Henry Salmans  
Subcommittee Chairperson



Senator Marge Petty



Senator Alicia Salisbury

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Attachment 7-4

## SUBCOMMITTEE REPORT

Agency: Kansas Racing and Gaming Commission **Bill No. 2893**

**Bill Sec. 48**

Analyst: Efird

Analysis Pg. No. 1171

Budget Page No. 373

<u>Expenditure Summary</u>	<u>Agency Request FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>House Subcommittee Adjustments</u>
<b>Special Revenue Funds:</b>			
Racing Operations	\$ 3,197,237	\$ 3,386,239	\$ (67,695)
Gaming Operations	1,235,307	1,366,567	(54,549)
Subtotal - Operating	\$ 4,432,544	\$ 4,752,806	\$ (122,244)
Racing Assistance	1,055,692	1,055,692	0
TOTAL	<u>\$ 5,488,236</u>	<u>\$ 5,808,498</u>	<u>\$ (122,244)</u>
<b>Financing:</b>			
State General Fund	\$ 750,676	\$ 754,268	\$ (754,268)
Racing Funds	4,252,929	4,441,931	686,573
Tribal Gaming Fund	1,235,307	1,366,567	(54,549)
	<u>\$ 5,488,236</u>	<u>\$ 5,808,498</u>	<u>\$ (122,244)</u>
Racing FTE Positions	40.0	42.0	0.0
Gaming FTE Positions	13.0	20.0	0.0
Unclassified Temp. Positions	3.0	3.0	0.0
TOTAL	<u>56.0</u>	<u>65.0</u>	<u>0.0</u>

### Agency Request/Governor's Recommendation

The Kansas Racing Commission was redesignated as the Kansas Racing and Gaming Commission on July 1, 1996, when the State Gaming Agency that monitors tribal casinos was attached for administrative and budget purposes. A portion of the budget request reflects the expenditures associated with each entity.

**State Racing Operations.** The Commission administers provisions of the Parimutuel Racing Act and serves as the regulatory entity for horse and greyhound racing. The mission of the agency is to regulate horse and dog race track activities. The Commission regulates the conduct of the races, parimutuel wagering, and submission of tax payments. Revenues are derived from a parimutuel tax, an admissions tax, license fees, and fines. Receipts are deposited in the State Racing Fund, with a portion of those receipts transferred to the State Gaming Revenues Fund after certain Commission costs are paid.

**State Gaming Agency Operations.** The 1996 Tribal Gaming Oversight Act statutorily created the State Gaming Agency in order to fulfill the duties in the gaming compacts and to enforce the provisions of the compacts and state laws, including general criminal statutes and specific criminal gaming statutes in the Tribal Gaming Oversight Act. To date, three casinos have been opened in Kansas under provisions of the four compacts with different tribes.

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Attachment 7-5*

The agency requests a net increase of \$198,107 in FY 1999 expenditures and 1.0 FTE additional position. The new staff requested is financed by \$15,007 from the State General Fund. The estimate for transfers to the SGRF in FY 1999 is \$745,003, a reduction of \$529,192 from the revised amount this fiscal year.

**The Governor's recommendations** provide for a net increase of \$518,369 in FY 1999 expenditures, primarily for the State Gaming Agency and an additional 10.0 FTE positions. The Governor's recommendations provide 7.0 FTE positions to the gaming unit and 3.0 FTE positions to the racing unit for conducting additional background investigations. Currently, the KBI performs many of the background checks that the Governor's recommended change would reduce substantially. Additional increased funding recommended by the Governor includes a 1.5 percent classified base salary adjustment and a 4.0 percent unclassified merit pool. The Governor concurs with the agency estimate of \$745,003 in transfers to the SGRF in FY 1999. Recommended transfers reflect a reduction of \$529,192 from the revised amount this fiscal year.

Performance Measures			
	Actual FY 1997	Gov. Rec. FY 1998	Gov. Rec. FY 1999
State Racing Fund Receipts	\$ 3,626,968	\$ 3,184,408	\$ 3,115,709
Receipts transferred to SGRF	\$ 1,821,985	\$ 1,274,195	\$ 745,003
Presumed transfer to SGF from SGRF*	\$ 1,821,985	\$ 1,274,195	\$ 745,003

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

### House Subcommittee Recommendation

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

#### State Racing Operations

1. Reduce the monthly ending balance for the State Racing Fund from \$300,000 to \$250,000 in order to provide additional cash to replace State General Fund financing as described in item 2.
2. Shift financing to the State Racing Fund in FY 1999 of 13.0 FTE positions for Commission staff currently paid from the State General Fund. This change includes a reduction of \$754,268 from the SGF and an increase of the same amount in the expenditure limitation of the State Racing Fund. The Subcommittee believes that no subsidy should be paid from the SGF for racing operations and this change corrects the appropriate financing for the Commission's officials who work at the race tracks.
3. Increase the Governor's recommended salary turnover savings rate from 0.0 percent to 3.0 percent, a reduction of \$67,695 from the State Racing Fund in FY 1999. The Subcommittee noted a number of vacant positions in its FY 1998 report that suggest future savings should be budgeted.

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4. Authorize any expenditures paid to the KBI for background investigations to be in addition to any expenditure limitation on the State Racing Fund.
5. Make any necessary technical changes to the bill to provide for expenditure authority and FTE limitations. Correct the misposted FTE limitations in the bill that erroneously adds 7.0 to racing and 3.0 to gaming, rather than 3.0 to racing and 7.0 to gaming as recommended in the Governor's Budget Report.

#### **State Gaming Agency**

1. Increase the Governor's recommended salary turnover savings rate from 0.0 percent to 6.8 percent, a reduction of \$59,549 in FY 1999 due to not hiring two of the three budget temporary staff and the possible delays in hiring seven new staff.
2. Add \$5,000 for base salary increases of management personnel, namely the Executive Director whose salary is set by the Governor.
3. Authorize any expenditures paid to the KBI for background investigations to be in addition to any expenditure limitation on the Tribal Gaming Fund. Since the Governor's recommended bill has a no limit line item, this proviso will be necessary only if an expenditure limitation is established during the 1998 legislative review process.
4. Make necessary technical changes in the bill to provide for a corrected FTE limitation.

#### **House Committee Recommendations**

The Committee concurs.

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Attachment 7-7

Expenditure Summary	Agency Request FY 99	Gov. Rec. FY 99	Senate Subcommitt ee Adjustments
<b>Special Revenue Funds:</b>			
Racing Operations	\$ 3,197,237	\$ 3,386,239	\$ (54,520) *
Gaming Operations	<u>1,235,307</u>	<u>1,366,567</u>	<u>(25,538) *</u>
Subtotal - Operating	\$ 4,432,544	\$ 4,752,806	\$ (80,058)
Racing Assistance	<u>1,055,692</u>	<u>1,055,692</u>	<u>0</u>
TOTAL	<u>\$ 5,488,236</u>	<u>\$ 5,808,498</u>	<u>\$ (80,058)</u>
<b>Financing:</b>			
State General Fund	\$ 750,676	\$ 754,268	\$ (13,085)
Racing Funds	4,252,929	4,441,931	(41,435)
Tribal Gaming Fund	<u>1,235,307</u>	<u>1,366,567</u>	<u>(25,538)</u>
	<u>\$ 5,488,236</u>	<u>\$ 5,808,498</u>	<u>\$ (80,058)</u>
Racing FTE Positions	40.0	42.0	0.0
Gaming FTE Positions	13.0	20.0	0.0
Unclassified Temp. Positions	<u>3.0</u>	<u>3.0</u>	<u>0.0</u>
TOTAL	<u>56.0</u>	<u>65.0</u>	<u>0.0</u>

\* Includes a reduction of \$39,783 for the Governor's employee salary adjustments.

**Senate Subcommittee Recommendation**

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

**State Racing Operations**

1. Reduce \$80,058 for the Governor's recommended employee salary adjustments, including \$13,085 from the State General Fund, \$14,351 from the State Racing Fund, and \$84 from the Racing Reimbursable Fund.
2. Note the House Committee recommendation to shift financing to the State Racing Fund in FY 1999 of 13.0 FTE positions for Commission staff currently paid from the State General Fund. This change includes a reduction of \$754,268 (less \$9,555 in item 1) from the SGF and an increase of the same amount in the expenditure limitation of the State Racing Fund. The Subcommittee believes that no subsidy should be paid from the SGF for racing operations. The cash flow recommended in

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Attachment 7-8

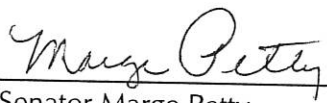
the Governor's Budget Report suggests that the transfers from the State Racing Fund to the State Gaming Revenues Fund (and ultimately to the State General Fund) would be less in FY 1999 than the amount recommended for appropriation to the agency from the State General Fund. However, the Subcommittee believes the full Ways and Means Committee should review and decide if a policy change should be made.

3. Make any necessary technical changes to the bill to provide for corrected FTE limitations in the bill that erroneously adds 7.0 to racing and 3.0 to gaming, rather than 3.0 to racing and 7.0 to gaming as recommended in the Governor's Budget Report.

### State Gaming Agency

1. Reduce \$25,538 from the Tribal Gaming Fund for the Governor's recommended employee salary adjustments.
2. Make necessary technical changes in the bill to provide for a corrected FTE limitation for gaming.

  
\_\_\_\_\_  
Senator Larry Salmans  
Subcommittee Chairperson

  
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Senator Marge Petty

  
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Senator Alicia Salisbury

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Attachment 7-9