

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 5, 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: Senator Don Steffes
Roger Viola, Sr. Vice-Pres. and General Counsel
Security Benefit Life
Tom Wilder, State Insurance Dept.
Marty Kennedy, Controller, State Insurance Dept.

Others attending: See attached list

Senator Lawrence read from the Insurance Department Subcommittee Report. The Subcommittee concurs with the Governor's recommendation for Fiscal Year 1998 with the adjustment described on page 3. (Attachment 1).

The Subcommittee concurs with the Governor's recommendation for Fiscal Year 1999 with the adjustments listed on pages 4 and 5.

It was moved by Senator Lawrence and seconded by Senator Downey to amend the Insurance Department Subcommittee Report by eliminating the last paragraph in item 3. The motion to amend passed by a voice vote.

It was moved by Senator Lawrence and seconded by Senator Downey to adopt the Insurance Department Subcommittee Report as amended. The motion carried by a voice vote.

Senator Lawrence read from the Subcommittee Report on the Health Care Stabilization Fund. The Subcommittee concurs with the Governor's recommendation for Fiscal Year 1998. (Attachment 2).

The Subcommittee concurs with the Governor's recommendation for Fiscal Year 1999 with the adjustments listed on page 3.

Senator Lawrence moved and Senator Downey seconded the motion to adopt the Health Care Stabilization Fund Subcommittee Report. The motion carried by a voice vote.

The Subcommittee Report on the State Treasurer was read by Senator Lawrence. 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 adjustments listed on pages 3 and 4.

A motion was made by Senator Lawrence and seconded by Senator Downey to adopt the State Treasurer Subcommittee Report. The motion carried by a voice vote.

Senator Lawrence read from the Subcommittee Report on the Secretary of State. The Subcommittee concurs with the Governor's recommendations for Fiscal Year 1998 and 1999. (Attachment 4).

It was moved by Senator Lawrence and seconded by Senator Downey to adopt the Subcommittee Report on the Secretary of State. The motion carried by a voice vote.

SB 426 **An act concerning employees of the Insurance Department; salaries; amending K.S.A 40-110 and repealing the existing section.**

Senator Lawrence moved and Senator Feleciano seconded the motion to recommend SB 426 favorably. The motion carried on a roll call vote.

SB 494 **An act concerning insurance; insurance department service regulation fund; amending K.S. 1997 Supp. 40-112 and repealing the existing section; also repealing K.S.A. 1997 Supp. 40-112a.**

Roger Viola of Security Benefit spoke as a proponent to **SB 494** from written testimony provided to the Committee. (Attachment 5).

Tom Wilder of the State Insurance Department pointed out deleted sections in **SB 494** that could now be restored, enabling it to be recommended favorably for passage.

It was decided that **SB 494** would be rescheduled for a later date during which time a balloon would be added.

SB 596 **An act concerning the attorney general; relating to the appointment of additional assistant attorney general; child abuse or neglect.**

After brief discussion, it was determined the subject of **SB 596** could be better handled by an amendment included in the Subcommittee findings in their Report on the Attorney General. Therefore, the Chairman said **SB 596** would not be brought up for a vote.

The Committee then returned to the Subcommittee Reports with Senator Lawrence reading from the Subcommittee Report on the Attorney General. The Subcommittee concurs with the recommendation of the Governor for Fiscal Year 1998 with the exception listed on page 3. (Attachment 6).

The Subcommittee concurs with the recommendation of the Governor for Fiscal Year 1999, with the exception listed on page 4. (Attachment 6 - section 2).

It was moved by Senator Lawrence and seconded by Senator Downey to amend the Subcommittee Report to add one full-time employee specifying placement as Assistant Attorney General with expertise in the area of child welfare. The motion carried on a voice vote.

Senator Lawrence moved and Senator Jordan seconded that the Subcommittee Report be adopted as further amended by the deletion of paragraph 2 in item 2 on page 4. The motion carried on a voice vote.

Senator Kerr announced that the Committee hearings for the budgets for Legislative Agencies, the Governor and Lieutenant Governor would be postponed until March 10.

The meeting was adjourned at 12:10 p.m. The next meeting is scheduled for March 9, 1998.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 3/5/98

NAME	REPRESENTING
Tom Wilder	KID
Tish Copeland	SRB
Roger Viola	SRB
Ken Bahr	Ks. Government Consulting
Marty Kennedy	KS Gas Dept.
Louis Chabwa	Budget
Opelle White	Budget
Candy D...	Budget
Carril Keacht	Brad Smoot
Kressa Sirkuanen	State Farm
Gonda DeLooney	KF Insurance Dept
Dawn Reich	KSJA

SUBCOMMITTEE REPORT

Agency: Insurance Department

Bill No. 2895

Bill Sec. New

Analyst: West

Analysis Pg. No. 1016

Budget Page No. 281

<u>Expenditure</u>	<u>Agency Est. FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 10,462,513	\$ 10,462,490	\$ 0
Aid to Local Units	4,852,789	4,852,789	0
Other Assistance	<u>23,527,603</u>	<u>23,527,603</u>	<u>0</u>
Subtotal - Operating	\$ 38,842,905	\$ 38,842,882	\$ 0
Capital Improvements	<u>206,437</u>	<u>206,437</u>	<u>0</u>
TOTAL	<u><u>\$ 39,049,342</u></u>	<u><u>\$ 39,049,319</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 0	\$ 0	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
FTE Positions	161.5	161.5	0.0
Unclassified Temp. Positions	<u>2.0</u>	<u>2.0</u>	<u>0.0</u>
TOTAL	<u><u>163.5</u></u>	<u><u>163.5</u></u>	<u><u>0.0</u></u>

Agency Estimate/Governor's Recommendation

The Department estimates total FY 1998 operating expenditures of \$38,842,905, a reduction of \$5,827,823 from the \$44,670,728 authorized by the 1997 Legislature. The Department will distribute more money than originally anticipated to local firefighters relief associations. However, expenditures from the Workers' Compensation Fund are expected to be \$6.0 million less than originally anticipated. This drop in workers' compensation costs started to occur last year and was brought about in part because of reform by the 1993 Legislature on workers' compensation laws.

Governor's Recommendation. The Governor reduces the Department's revised estimate by \$23 for salaries and wages. He makes no other changes to the Department's revised current year estimate.

*J W + M
3/5/98
Attachment 1-1*

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation, with the following adjustment:

1. The Senior Health Insurance Counseling for Kansas (SHICK) program provides counseling and advice on Medicare supplemental insurance policies and other insurance issues of interest to senior citizens. The Area Agencies on Aging perform the service delivery while the Insurance Department provides training to the volunteer counselors. The agency has requested authority to provide, within existing resources, refreshments to the volunteer counselors while they are undergoing training. This authority would be limited to a maximum of \$750 per year. The Subcommittee concurs.

House Committee Recommendation

The House Committee concurs.

Agency: Insurance Department

Bill No. 643

Bill Sec. New

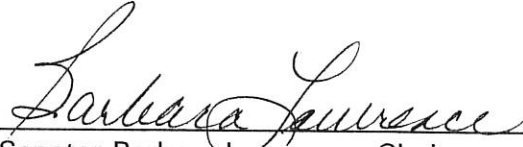
Expenditure	Agency Est. FY 98	Gov. Rec. FY 98	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 10,462,513	\$ 10,462,490	\$ 0
Aid to Local Units	4,852,789	4,852,789	0
Other Assistance	23,527,603	23,527,603	0
Subtotal - Operating	\$ 38,842,905	\$ 38,842,882	\$ 0
Capital Improvements	206,437	206,437	0
TOTAL	<u>\$ 39,049,342</u>	<u>\$ 39,049,319</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>
FTE Positions	161.5	161.5	0.0
Unclassified Temp. Positions	2.0	2.0	0.0
TOTAL	<u>163.5</u>	<u>163.5</u>	<u>0.0</u>

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Attachment 1-2

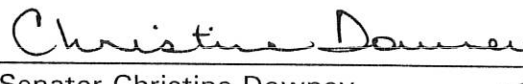
Senate Subcommittee Recommendation

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

1. The Senior Health Insurance Counseling for Kansas (SHICK) program provides counseling and advice on Medicare supplemental insurance policies and other insurance issues of interest to senior citizens. The Area Agencies on Aging perform the service delivery while the Insurance Department provides training to the volunteer counselors. The agency has requested authority to provide, within existing resources, refreshments to the volunteer counselors while they are undergoing training. This authority would be limited to a maximum of \$750 per year. The Subcommittee concurs.



Senator Barbara Lawrence, Chair



Senator Christine Downey

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3/5/98
Attachment 1-3

SUBCOMMITTEE REPORT

Agency: Insurance Department

Bill No. 2893

Bill Sec. 31

Analyst: West

Analysis Pg. No. 1016

Budget Page No. 281

Expenditure	Agency Req. FY 99	Gov. Rec. FY 99	House Subcommittee Adjustments
All Funds:			
State Operations	\$ 10,936,616	\$ 10,699,665	\$ 0
Aid to Local Units	4,912,628	4,912,628	0
Other Assistance	19,151,847	19,151,847	0
Subtotal - Operating	\$ 35,001,091	\$ 34,764,140	\$ 0
Capital Improvements	255,000	255,000	0
TOTAL	<u>\$ 35,256,091</u>	<u>\$ 35,019,140</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>
FTE Positions	164.5	161.5	0.0
Unclassified Temp. Positions	2.0	2.0	0.0
TOTAL	<u>166.5</u>	<u>163.5</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

For FY 1999, the Department requests operating expenditures of \$35,001,091, a reduction of \$3,841,814 from the revised current year estimate of \$38,842,905. The Department anticipates that workers' compensation claim payments and administration costs will drop (from \$26,361,241 to \$21,911,193). Included in the request is \$213,634 for three enhancements, which provides for 3.0 new FTE positions. Absent the requested enhancements, the Department's request would be a reduction of \$4,055,448 or 10.4 percent from the current year revised estimate.

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Attachment 1-4*

FY 1999 Enhancements						
Enhancement	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
New FTE Actuary Positions	\$ 0	\$ 168,901	2.0	\$ 0	0	0.0
New FTE Financial Analyst Position	0	35,733	1.0	0	0	0.0
Computer Equipment to Implement for SERFF	0	9,000	0.0	0	0	0.0
TOTAL - FY 1999 Enhancement Request	\$ 0	\$ 213,634	3.0	\$ 0	0	0.0

The Governor recommends none of the requested enhancements. He reduces the Department's FY 1999 request by \$236,951, of which \$213,634 would have been for the enhancements. He recommends the usual step movement for classified employees as well as a 1.5 percent base salary adjustment. For unclassified employees, he funds a 4.0 percent merit pool instead of the 2.5 percent that was requested. He also reduces the amount of moneys that were budgeted for longevity pay, the intent being to fund longevity pay that was budgeted for classified employees, but not to fund it for unclassified employees.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation, with the following adjustment and comments:

1. Consistent with the Subcommittee's current year recommendation, add a proviso to permit the SHICK program to provide official hospitality from within existing resources, not to exceed \$750.
2. The Subcommittee notes that one enhancement requested by the agency is the authority to hire 2.0 actuaries to provide actuarial review of rate and form filings. The agency is hampered in achieving this enhancement by a statutory restriction which prohibits any employee of the Insurance Department from being paid more than the Insurance Commissioner. The Commissioner's salary, currently budgeted at \$66,211 (excluding fringe benefits), is below the market rate paid to actuaries. Senate Bill 426, currently in Senate Ways and Means Committee, will eliminate this prohibition. Should this bill pass, the Subcommittee would recommend adding the requested positions.
3. During the review of the agency's operations by the Task Force on the Kansas Insurance Industry, it was noted that the agency was exceeding the \$4.8 million cap on receipts to the Insurance Department Regulation Fund. Under current law, amounts received from licensing fees in excess of \$4.8 million are deposited to the State General Fund and then the Insurance Commissioner is authorized to make additional assessments on the industry to cover program administration costs in excess of \$4.8 million. The Subcommittee has been informed that the agency is taking the necessary steps to ensure that it remains in compliance with the law. In addition, S.B. 494 has been introduced to address this issue. As introduced, the bill would eliminate the \$4.8 million cap and remove the authority for special

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Attachment 1-5*

assessments, with a resulting reduction of State General Fund receipts of approximately \$1.3 million. As amended by the Senate Committee on Financial Institutions and Insurance, the bill would return the Insurance Department to a State General Fund financed agency in FY 2000. The bill is currently pending on Senate General Orders.

House Committee Recommendation

The House Committee concurs.

Agency: Insurance Department

Bill No. 642

Bill Sec. 31

<u>Expenditure</u>	<u>Agency Req. FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>Senate Subcommittee Adjustments*</u>
All Funds:			
State Operations	\$ 10,936,616	\$ 10,699,665	\$ (226,097)
Aid to Local Units	4,912,628	4,912,628	0
Other Assistance	<u>19,151,847</u>	<u>19,151,847</u>	<u>0</u>
Subtotal - Operating	\$ 35,001,091	\$ 34,764,140	\$ (226,097)
Capital Improvements	<u>255,000</u>	<u>255,000</u>	<u>0</u>
TOTAL	<u><u>\$ 35,256,091</u></u>	<u><u>\$ 35,019,140</u></u>	<u><u>\$ (226,097)</u></u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 0	\$ 0	\$ 0
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
FTE Positions	164.5	161.5	0.0
Unclassified Temp. Positions	<u>2.0</u>	<u>2.0</u>	<u>0.0</u>
TOTAL	<u><u>166.5</u></u>	<u><u>163.5</u></u>	<u><u>0.0</u></u>

* Includes a reduction of \$226,097 for the Governor's employee salary adjustments.

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Attachment 1-6*

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the following adjustments:

1. Reduce salaries and wages by \$226,097 to remove the Governor's recommended employee salary adjustments.
2. The Subcommittee was asked to review and make a recommendation on S.B. 426. S.B. 426 would remove the provision in law which prohibits anyone in the Insurance Department being paid more than the Insurance Commissioner. The Commissioner's salary is set by statute at \$66,407. The agency reports that this provision makes it difficult to retain professional staff; leads to salary compression within the agency; and makes it impossible to hire some professionals, such as actuaries, who command greater salaries in the private sector. The Subcommittee can not think of a sound public policy reason to retain this prohibition and recommends that S.B. 426 be passed.
3. The Subcommittee was also asked to review the provisions of S.B. 494. The Insurance Department Service Regulation Fee Fund receives license fees paid to the agency by its licensees and a portion of the premium taxes paid by insurance companies. Currently the fund has a cap on receipts to the Fund of \$4.8 million. The agency also has authority to issue special assessments for amounts necessary to operate the insurance company regulation program. As introduced, S.B. 494 would have struck the \$4.8 million cap and the agency's authority make special assessments. The Division of the Budget estimated the fiscal note on this bill as costing the State General Fund \$1.3 million. As the bill was intended to be amended by the Senate Committee on Financial Institutions and Insurance would return the agency to State General Fund financing in FY 2000. The Subcommittee believes that the agency should remain a fee funded agency and does not recommend the bill as currently amended. The agency testified that one compromise which could resolve the issue would be to eliminate the \$4.8 million cap and retain the authority for special assessments. This was reported by the agency to have no impact on the State General Fund.


The Subcommittee also notes that most of the fees for this agency are set by statute, unlike other regulatory bodies which are granted the authority to set fees by rule and regulation within a range set by the Legislature. The Subcommittee believes that granting this authority to the Insurance Commissioner would be a way to retain fee funding for the agency while eliminating the need for special assessments. The Subcommittee recommends that S.B. 494 be held in committee until the agency has had an opportunity to analyze this concept and develop a schedule of fee ranges for consideration by the Legislature.

4. The Subcommittee was also asked to review if the state's program to reduce hail damage by cloud seeding was being reflected in crop insurance rates and what mechanisms might be available to expand the state's program. The Subcommittee is supportive of the potential impact cloud seeding could have not only in reducing crop damage but also possible savings from avoiding urban damage. Agency staff

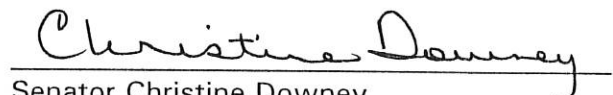
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Attachment 1-7

reported that they were attempting to get data from the industry rating agencies in order to assess the question but had not received the information yet. The Subcommittee recommends that the agency report to the Ways and Means Committee as soon as they have received the required data.

5. Consistent with the Subcommittee's current year recommendation, add a proviso to permit the SHICK program to provide official hospitality from within existing resources, not to exceed \$750.



Senator Barbara Lawrence, Chair



Senator Christine Downey

S W+M
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Attachment 1-8

SUBCOMMITTEE REPORT

Agency: Health Care Stabilization Fund

Bill No. 2895

Bill Sec. 14

Analyst: West

Analysis Pg. No. 1023

Budget Page No. 233

<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	\$ 3,867,734	\$ 3,852,995	\$ 0
Other Assistance	22,734,800	22,734,800	0
TOTAL	<u>\$ 26,602,534</u>	<u>\$ 26,587,795</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Other Assistance	0	0	0
TOTAL	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FTE Positions	16.0	16.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>16.0</u>	<u>16.0</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The Board's revised current year estimate of \$26.6 million reflects a net reduction of \$3,184,160 from the total amount approved by the 1997 Legislature. The amount for claim payments against the Health Care Stabilization Fund is reduced by \$4.0 million, which is offset some by an anticipated increase of legal fees of \$830,800. Also, the Board asks for an increase in the expenditure limitation on the Operating Expenditures Account of the Health Care Stabilization Fund by \$10,015 (from \$833,019 to \$843,034).

The Governor reduces the Board's request for salaries by \$14,739. He makes no other changes to the Board's revised estimate. His adjustment removes the need for a statutory change to increase the expenditure authority on the Operating Expenditures Account of the Health Care Stabilization Fund. Expenditures from the Operating Expenditures Account would be \$828,295, which is \$4,724 less than existing authority of \$833,019.

House Subcommittee Recommendation

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

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3/5/98*

Attachment 2-1

House Committee Recommendation

The House Committee concurs.

Agency: Health Care Stabilization Fund


Bill No. 643

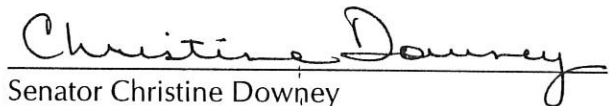
Bill Sec. 14

<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	\$ 3,867,734	\$ 3,852,995	\$ 0
Other Assistance	<u>22,734,800</u>	<u>22,734,800</u>	<u>0</u>
TOTAL	<u><u>\$ 26,602,534</u></u>	<u><u>\$ 26,587,795</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
FTE Positions	16.0	16.0	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>16.0</u></u>	<u><u>16.0</u></u>	<u><u>0.0</u></u>

Senate Subcommittee Recommendation

The Senate Subcommittee concurs.


 Senator Barbara Lawrence, Chair


 Senator Christine Downey

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 3/5/98
 Attachment 2-2

SUBCOMMITTEE REPORT

Agency: Health Care Stabilization Fund

Bill No. 2893

Bill Sec. 32

Analyst: West

Analysis Pg. No. 1023

Budget Page No. 233

<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	\$ 4,012,152	\$ 3,984,287	\$ 0
Other Assistance	21,884,200	21,884,200	0
TOTAL	<u>\$ 25,896,352</u>	<u>\$ 25,868,487</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Other Assistance	0	0	0
TOTAL	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FTE Positions	16.0	16.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>16.0</u>	<u>16.0</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

For FY 1999, the Board requests \$25,896,352 in expenditures from the Health Care Stabilization Fund, of which \$21,884,200 is for claim payments and \$4,012,152 is for state operations. The Board proposes no new enhancements and expects claim payments to drop by \$850,600.

The Governor recommends expenditures of \$25,868,487 in FY 1999, a reduction of \$27,865 in state operations from the Board's request. About half of the reduction is in capital outlay expenditures (from \$30,300 to \$17,500). Salaries also are reduced because of anticipated turnover savings of 3.7 percent. The Governor also adjusts salary expenditures to include a 1.5 percent base salary adjustment for classified employees and a merit pool of 4.0 percent for unclassified employees.

House Subcommittee Recommendation.

The House Subcommittee concurs with the Governor's FY 1999 recommendation with the following observations:

1. The Subcommittee has been informed that the Board of Governor's is exploring the idea of leasing personal computers in lieu of purchasing. Testimony to the Subcommittee indicated that this approach would make it easier for smaller agencies

*S W + Jm
3/5/98*

Attachment 2-3

who lack the technical resources to have relatively current equipment and better system support, but at an increased cost. The Joint Committee on Computers and Telecommunications (JCCT) may wish to explore the relative benefits of this approach to the acquisition of information technology.

- The Subcommittee notes that in recent years a difference of opinion has arisen about who has the authority to hire and set the salary of unclassified employees of the agency. S.B. 423, currently pending before the House Insurance Committee, would clarify that such appointment and salary authority rests with the Board of Governors.

House Committee Recommendation

The House Committee concurs.

Agency: Health Care Stabilization Fund

Bill No. 642

Bill Sec. 32

Expenditure Summary	Agency Req. FY 99	Gov. Rec. FY 99	Senate Subcommittee Adjustments*
All Funds:			
State Operations	\$ 4,012,152	\$ 3,984,287	\$ (24,711)
Other Assistance	<u>21,884,200</u>	<u>21,884,200</u>	<u>0</u>
TOTAL	<u>\$ 25,896,352</u>	<u>\$ 25,868,487</u>	<u>\$ (24,711)</u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FTE Positions	16.0	16.0	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u>16.0</u>	<u>16.0</u>	<u>0.0</u>

* Includes a reduction of \$24,711 for the Governor's employee salary adjustments.

Senate Subcommittee Recommendation

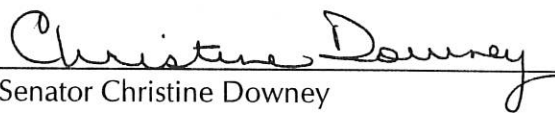
The Senate Subcommittee concurs, with the following adjustments:

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

1. Reduce salaries and wages by \$24,711 to remove the Governor's recommended employee salary adjustments.
2. The Subcommittee was informed that the Board is proceeding with a pilot program of leasing personal computers. While the three year cost of leasing is slightly higher than direct purchasing, the agency believes this approach may have other advantages for smaller agencies such as technical support, improved cash flow and greater ease to acquire current technologies. The Subcommittee is intrigued by this approach and recommends that the agency report back next session on the relative merits of leasing.



Senator Barbara Lawrence, Chair



Senator Christine Downey

S wt m
3/5/98
Attachment 2-5

SUBCOMMITTEE REPORT

Agency: State Treasurer

Bill No. --

Bill Sec. --

Analyst: West

Analysis Pg. No. 1038

Budget Page No. 465

Expenditure	Agency Estimate FY 1998	Gov. Rec. FY 1998	House Subcommittee Adjustments
All Funds:			
State Operations	\$ 3,277,309	\$ 3,191,167	\$ 0
Aid to Local Units	99,281,978	99,281,978	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 102,559,287	\$ 102,473,145	\$ 0
Debt Service Principal	51,000	51,000	0
TOTAL	\$ 102,610,287	\$ 102,524,145	\$ 0
State General Fund:			
State Operations	\$ 2,145,303	\$ 2,075,600	\$ 0
Aid to Local Units	83,479,578	83,479,578	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 85,624,881	\$ 85,555,178	\$ 0
Debt Service Principal	0	0	0
TOTAL	\$ 85,624,881	\$ 85,555,178	\$ 0
FTE Positions	56.5	56.5	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	56.5	56.5	0.0

Agency Estimate/Governor's Recommendation

The agency's revised state operations expenditures estimate for FY 1998 is \$3,277,309, or \$49,699 less than the amount approved by the 1997 Legislature. The estimate includes \$5,501 more than the anticipated level of State General Fund financing, which reflects the expenditure of approved FY 1997 funding carried forward to FY 1998. As do all elected officials, the State Treasurer has authorization to spend State General Fund amounts carried forward from the previous fiscal year. Therefore, this amount is not shown in the "Change From Approved Budget" table above. The decrease of \$49,699 in special revenue fund expenditures reflects the expenditure of \$41,687 less than the approved amount for the Pooled Money Investment Board (the Pooled Money Investment Portfolio Fee Fund and the Municipal Investment Pool Fee Fund), and a net reduction of \$8,012 in expenditures from other special revenue funds. The budget supports 56.6 FTE positions, the approved amount.

*S W + m
3/5/98*

Attachment 3-1

The Governor recommends a current year state operations budget of \$3,191,167, a reduction of \$86,142 from the agency's request for salaries and wages.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's current year recommendation.

House Committee Recommendation

The House Committee concurs.

Agency: State Treasurer

Bill No. --

Bill Sec. --


Expenditure	Agency Estimate FY 1998	Gov. Rec. FY 1998	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 3,277,309	\$ 3,191,167	\$ 0
Aid to Local Units	99,281,978	99,281,978	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 102,559,287	\$ 102,473,145	\$ 0
Debt Service Principal	51,000	51,000	0
TOTAL	<u>\$ 102,610,287</u>	<u>\$ 102,524,145</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 2,145,303	\$ 2,075,600	\$ 0
Aid to Local Units	83,479,578	83,479,578	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 85,624,881	\$ 85,555,178	\$ 0
Debt Service Principal	0	0	0
TOTAL	<u>\$ 85,624,881</u>	<u>\$ 85,555,178</u>	<u>\$ 0</u>
FTE Positions	56.5	56.5	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>56.5</u>	<u>56.5</u>	<u>0.0</u>

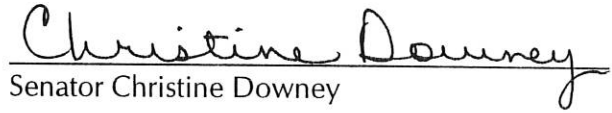
S w+ m
3/5/98

Attachment 3-2

Senate Subcommittee Recommendation

The Senate Subcommittee concurs.


Senator Barbara Lawrence, Chair


Senator Christine Downey

S W+M
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Attachment 33

SUBCOMMITTEE REPORT

Agency: State Treasurer

Bill No. 2893

Bill Sec. 30

Analyst: West

Analysis Pg. No. 1038

Budget Page No. 465

Expenditure	Agency Request FY 1999	Gov. Rec. FY 1999	House Subcommittee Adjustments
All Funds:			
State Operations	\$ 3,379,459	\$ 3,369,721	\$ 0
Aid to Local Units	112,004,400	101,785,488	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 115,383,859	\$ 105,155,209	\$ 0
Debt Service Principal	59,217	59,217	0
TOTAL	\$ 115,443,076	\$ 105,214,426	\$ 0
State General Fund:			
State Operations	\$ 2,218,964	\$ 2,209,201	\$ 0
Aid to Local Units	95,702,000	85,483,088	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 97,920,964	\$ 87,692,289	\$ 0
Debt Service Principal	0	0	0
TOTAL	\$ 97,920,964	\$ 87,692,289	\$ 0
FTE Positions	56.5	56.5	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	56.5	56.5	0.0

Agency Request/Governor's Recommendation

The agency requests FY 1999 state operations funding of \$3,379,459, an increase of \$102,150, or 3.1 percent, above the FY 1998 estimate of \$3,277,309. The majority of the requested increase can be attributed to classified step movement and other salary adjustments (\$65,819), bank fees (\$30,000), and a requested enhancement (\$12,000). Net other changes decrease total expenditures by \$5,669. The request continues the current level of staffing with 56.5 FTE positions and includes salary shrinkage savings of \$81,586, or 3.6 percent. **Without the requested enhancement the agency's request would be an increase of \$90,150 or 2.8 percent.**

The Governor recommends FY 1999 state operations expenditures of \$3,369,721, including \$2,209,201 from the State General Fund. The FY 1999 recommendation represents an increase of

S W+M
3/5/98
Attachment 3-4

\$178,554 from the current year recommendation of \$3,191,167 and a net decrease of \$9,737 from the agency's request. The recommendation includes \$50,362 for a 1.5 percent classified base salary adjustment and a 4.0 percent unclassified merit pool.

Aid to Local Units. The FY 1999 request for aid to local units of \$112.0 million includes \$54.3 million for the Local Ad Valorem Tax Reduction Fund (LAVTRF) and \$41.4 million for the City and County Revenue Sharing Fund (CCRSF). Based on estimates developed by the Kansas Legislative Research Department, these two demand transfers would total \$95.7 million in FY 1999 under current law, an increase of \$12.2 million (14.6 percent) from the current year. The agency also anticipates that special revenue financed local aid will total \$16.3 million, a 3.2 percent increase from the current year.

The Governor recommends FY 1999 local aid payments of \$101.8 million, a decrease of \$10.2 million from the agency's estimate. The Governor concurs with the estimate of special revenue financed local aid and recommends that the demand transfers to the LAVTRF and the CCRSF be limited to a 2.4 percent increase over the current year.

House Subcommittee Recommendation

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

1. The Subcommittee notes that the requested enhancement, which was not recommended by the Governor, would provide cooling for the agency's servers on the weekends when the air conditioning is shut off in the Landon State Office Building. The Subcommittee encourages the agency to join with other building tenants who may be faced with the same problem and to work with the Division of Facilities Management to resolve this issue.
2. The Subcommittee recommends that even though the agency is not planning any major computer systems acquisitions in the near future that the agency review their information technology plan with the Joint Committee on Computers and Telecommunications (JCCT).
3. The Subcommittee notes that the agency's outreach efforts in the Unclaimed Property Division appear to be paying off, with increases in both the value of unclaimed property receipts deposited to the State General Fund (from \$9.3 million in FY 1997 to a projected \$11.25 million in FY 1999) and in the return of property to the rightful owners (from \$3.2 million in FY 1997 to an estimated \$4.2 million in FY 1999). The Subcommittee also received information about the activity at the agency's website, which is attached for the Committee's information.

House Committee Recommendation

The House Committee concurs.

S W + Jn
3/5/98
Attachment 3-5

Agency: State Treasurer

Bill No. 642

Bill Sec. 30

Analyst: West

Analysis Pg. No. 1038

Budget Page No. 465

Expenditure	Agency Request FY 1999	Gov. Rec. FY 1999	Senate Subcommittee Adjustments*
All Funds:			
State Operations	\$ 3,379,459	\$ 3,369,721	\$ (91,183)
Aid to Local Units	112,004,400	101,785,488	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 115,383,859	\$ 105,155,209	\$ (91,183)
Debt Service Principal	<u>59,217</u>	<u>59,217</u>	<u>0</u>
TOTAL	<u>\$ 115,443,076</u>	<u>\$ 105,214,426</u>	<u>\$ (91,183)</u>
State General Fund:			
State Operations	\$ 2,218,964	\$ 2,209,201	\$ (63,530)
Aid to Local Units	95,702,000	85,483,088	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Operating	\$ 97,920,964	\$ 87,692,289	\$ (63,530)
Debt Service Principal	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 97,920,964</u>	<u>\$ 87,692,289</u>	<u>\$ (63,530)</u>
FTE Positions	56.5	56.5	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u>56.5</u>	<u>56.5</u>	<u>0.0</u>

* Includes a reduction of \$91,183 (\$63,530 from the State General Fund) for the Governor's employee salary adjustments.

Senate Subcommittee Recommendation

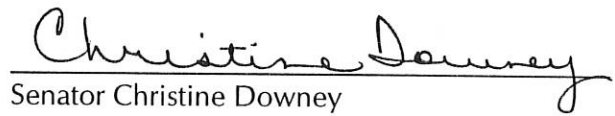
The Senate Subcommittee concurs, with the following adjustments:

1. Reduce salaries and wages by \$91,183 (including \$63,530 from the State General Fund) to remove the Governor's recommended employee salary adjustments.

S W+Jm
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Attachment 3-6

2. The State Fair has raised an issue in which the Pooled Money Investment Board (PMIB) had recently began requiring the Fair to transfer locally held moneys to the state treasury more often than been required before, resulting in the Fair incurring higher bank fees. The Subcommittee discussed this issue with the agency and was informed that the PMIB has canceled 23 previously existing waivers from the policy on the timing of transfers in order to help achieve greater interest earning for the state. The Subcommittee was informed that an agency which has been adversely impacted by the cancellation of a waiver may be able to get it restored if they write to the PMIB documenting their increased costs.


Senator Barbara Lawrence, Chair


Senator Christine Downey

J W + Jm
3/5/98
Attachment 3-17

SUBCOMMITTEE REPORT

Agency: Secretary of State

Bill No. –

Bill Sec.–

Analyst: Holman

Analysis Pg. No. 1029

Budget Page No. 403

<u>Expenditure Summary</u>	<u>Agency Estimate FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,482,155	\$ 1,482,155	\$ 0
Special Revenue Funds	<u>1,413,205</u>	<u>1,413,205</u>	<u>0</u>
TOTAL	<u><u>\$ 2,895,360</u></u>	<u><u>\$ 2,895,360</u></u>	<u><u>\$ 0</u></u>
FTE Positions	55.0	55.0	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>55.0</u></u>	<u><u>55.0</u></u>	<u><u>0.0</u></u>

Agency Estimate/Governor's Recommendation

The agency's revised FY 1998 estimate of \$2,895,360 is equal to the amount approved by the 1997 Legislature. Of the total FY 1998 estimate for operating expenditures, \$1,482,155 is from the State General Fund and \$1,413,205 is from special revenue funds. (**Staff Note:** Due to a legislative staff oversight during the 1997 omnibus appropriation bill process, the agency inadvertently received \$57,368 (\$43,600 from the State General Fund) that the Conference Committee had intended to be deleted based on the passage of 1997 S.B. 227 (corporate code amendment). In addition, the Conference Committee had also intended to increase the expenditure limitation on the Franchise Fee Recovery Fund by \$20,000, also based on the passage of 1997 S.B. 227. This increase was not made, again due to a legislative staff oversight. The end result is that for FY 1998 the agency received net funding of \$37,368 (although \$43,600 from the State General Fund) higher than was intended by the 1997 Legislature. The agency's revised FY 1998 estimate is \$77,542 more than the amount intended by the 1997 Legislature. Of this amount, \$24,470 is from the State General Fund.)

Governor's Recommendation. The Governor concurs .

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation with the following addition:

1. The Subcommittee recommends that the agency use \$53,072 in fee fund moneys which were inadvertently appropriated to the agency by the 1997 Legislature to defray the cost of a new AS 400 computer. (See staff note above.)

*S. Wilson
3/5/98*

Attachment 4-1

House Committee Recommendation

The House Committee concurs with the House Subcommittee.

Agency: Secretary of State

Bill No. --

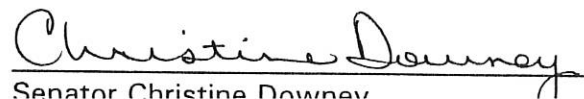
Bill Sec. --

<u>Expenditure Summary</u>	<u>Agency Estimate FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,482,155	\$ 1,482,155	\$ 0
Special Revenue Funds	1,413,205	1,413,205	0
TOTAL	<u>\$ 2,895,360</u>	<u>\$ 2,895,360</u>	<u>\$ 0</u>
FTE Positions	55.0	55.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>55.0</u>	<u>55.0</u>	<u>0.0</u>

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.


 Senator Barbara Lawrence, Chair


 Senator Christine Downey

S W + m
 3/5/98
 Attachment 4-2

SUBCOMMITTEE REPORT

Agency: Secretary of State

Bill No. 2893

Bill Sec. 29

Analyst: Holman

Analysis Pg. No. 1029

Budget Page No. 403

<u>Expenditure Summary</u>	<u>Agency Req. FY 99</u>	<u>Gov. Rec. FY 99</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,507,266	\$ 1,501,360	\$ 0
Special Revenue Funds	1,475,759	1,471,315	0
TOTAL	<u>\$ 2,983,025</u>	<u>\$ 2,972,675</u>	<u>\$ 0</u>
FTE Positions			
FTE Positions	55.0	55.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>55.0</u>	<u>55.0</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

The agency requests FY 1999 state operations funding of \$2,983,025, an increase of \$87,665 or 3.0 percent above the FY 1998 estimate. The requested increase in operating expenditures for FY 1999 is proportioned as follows:

<u>Item</u>	<u>Total Change</u>
Salaries and Wages	\$ 96,675
Contractual Services	(15,687)
Commodities	0
Capital Outlay	6,677
TOTAL	<u>\$ 87,655</u>

Of the total FY 1999 request, \$1,507,266 is financed from the State General Fund and \$1,475,759 is financed from agency special revenue funds without expenditure limitations.

The Governor recommends FY 1999 state operations funding of \$2,972,675, \$10,350 less than the agency request. The decrease in the Governor's recommendation is due to an adjustment made to the agency's salary and wage request. The agency inadvertently requested a 2.5 percent increase for unclassified merit pay twice, resulting in an increase of approximately 5.0 percent. The Governor recommends a 4.0 unclassified merit pool. This is the only item of the agency's request with which the Governor does not concur.

S W + m
3/5/98
Attachment 4-3

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendations.

House Committee Recommendation

The House Committee concurs with the House Subcommittee.

Agency: Secretary of State

Bill No. 642

Bill Sec. 29

Expenditure Summary	Agency Req. FY 99	Gov. Rec. FY 99	Senate Subcommittee Adjustments
State Operations:			
State General Fund	\$ 1,507,266	\$ 1,501,360	\$ (39,245) *
Special Revenue Funds	<u>1,475,759</u>	<u>1,471,315</u>	<u>(32,275)</u>
TOTAL	<u>\$ 2,983,025</u>	<u>\$ 2,972,675</u>	<u>\$ (71,520)</u>
FTE Positions			
	55.0	55.0	0.0
Unclassified Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u>55.0</u>	<u>55.0</u>	<u>0.0</u>

* Includes a reduction of \$71,520 (of which \$39,245 is 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 notations:

1. Delete \$71,520 (\$39,245 from the State General Fund) for the Governor's employee salary adjustments. The Subcommittee notes that all of the agency's employees are unclassified and therefore the only item included in the Governor's recommendation is a 4.0 unclassified merit pool.

S W+M
3/5/98
Attachment 4-4

Barbara Lawrence
Senator Barbara Lawrence, Chair

Christine Downey
Senator Christine Downey

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S W+M
3/5/98
Attachment 4-5

attach 5
3/5/98



The Security Benefit Group of Companies

Security Benefit Life Insurance Company
Security Benefit Group, Inc.
Security Distributors, Inc.
Security Management Company, LLC

700 SW Harrison St.,
Topeka, Kansas 66636-0001
(785) 431-3000

Roger K. Viola
Senior Vice President
General Counsel and Secretary
(785) 431-3137

Date: March 5, 1998

To: Members of the Kansas Senate Ways and Means Committee

From: Roger K. Viola
Security Benefit Life Insurance Company

Re: Senate Bill 494

My name is Roger Viola. I am Senior Vice President and General Counsel of Security Benefit Life Insurance Company and its affiliates. I am here today to speak in favor of Senate Bill 494 which eliminates the \$4.8 million cap on fees deposited to the credit of the insurance department service regulation fund. I should also mention that I was a member of the Task Force established last session by Senate Concurrent Resolution 1601 to study the insurance industry in the state and to find ways to make Kansas a more attractive place for companies to do business. One of the recommendations which emanated from this Task Force was the elimination of the \$4.8 million cap. By removing the cap, the state would fund slightly more of the insurance department's budget. This increase, however, pales in comparison to the more than \$90 million in premium taxes which insurance companies already pay to the state general fund.

Security Benefit is a Kansas domiciled corporation and as a result is greatly prejudiced by the current funding arrangement. The fees which we pay to the State of Kansas are inconsequential. However, the real penalty which we incur stems from retaliatory taxes paid to other states as a result of the Kansas assessment. Retaliatory taxes are a type of "mirror tax" in that they provide that if State A taxes companies domiciled in State B an amount greater than State B taxes companies domiciled in State A, then State B will charge an additional amount of tax (called a retaliatory tax) in order to equalize the taxes paid between the two states. There are only 8 states with tax rates less than Kansas and, as a result, Security Benefit must pay retaliatory taxes in each of those states. Consequently, in 1995, the first year of the assessment, SBL paid a \$1,430 fee fund assessment to the State of Kansas but paid a total of \$26,500 in retaliatory taxes. In 1996, our Company paid a \$2,500 fee to the state, but paid \$59,750 in retaliatory taxes.

J W + J
3/5/98

Attachment 5-1

As a result of collecting more than was needed in 1996, it is my understanding from recent correspondence we received from the Department that there will be no fee assessed in 1997. However, if it had been collected, we would have paid another \$59,750 in retaliatory taxes. If just a 3% increase in the Insurance Department's budget were authorized, then our retaliatory tax bill would be \$67,600. As the Department's budget

increases, so do the fees paid by the industry because the industry pays for everything over \$4.8 million. Thus, any increase is passed on to the industry and this causes the retaliatory taxes paid by the domestics to ratchet upwards.

Kansas is already assessing more in the way of taxes and assessments than most of its counterparts. The money which we pay in the way of retaliatory taxes is money which leaves the state and goes to fund the coffers of other state governments. We feel that the Insurance Department and the state general fund both greatly benefit from the tens of millions of dollars of taxes paid by the insurance industry and that this should be an adequate base from which to fund the Department.

Furthermore, the amounts collected from the insurance industry increase each year far greater than the increases needed to adequately fund the Department. Assessing companies a second time as is currently the case constitutes double taxation and when you add on the aspect of the retaliatory taxes which are paid by your Kansas domestic companies, you end up with a third level of taxation. We feel that this is unfair and something that the legislature did not adequately contemplate when the fee funding proposal was originally adopted at the request of Commissioner Sebelius' predecessor.

Therefore, I encourage you to vote favorably upon Senate Bill 494 and will be happy to answer any questions you might have.

S W+M
3/5/98

Attachment 5-2

SUBCOMMITTEE REPORT

Agency: Attorney General

Bill No. –

Bill Sec. –

Analyst: Rampey

Analysis Pg. No. 1007

Budget Page No. 81

<u>Expenditure</u>	<u>Agency Estimate FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>House Subcommittee Adjustment</u>
All Funds:			
State Operations	\$ 7,293,396	\$ 7,293,396	\$ 0
Aid to Local Units	7,003,639	7,003,639	0
Other Assistance	<u>3,200,000</u>	<u>3,200,000</u>	<u>0</u>
TOTAL	<u>\$ 17,497,035</u>	<u>\$ 17,497,035</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 4,623,579	\$ 4,623,579	\$ 0
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 4,623,579</u>	<u>\$ 4,623,579</u>	<u>\$ 0</u>
FTE Positions	86.0	85.8	0.0
Unclass. Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u>86.0</u>	<u>85.8</u>	<u>0.0</u>

Agency Overview

The Attorney General is a constitutional, statewide elected official who is the chief legal officer and advocate of the state and its chief law enforcement officer. The office is organized into the Department of Criminal Justice, which is comprised of the criminal litigation division, the Child Death Review Board, the victims' rights unit, the Medicaid fraud division, and the Crime Victims Compensation Board; and the Department of Civil Law, which is comprised of the divisions of civil litigation, consumer protection, and legal opinions and government counsel. The administrative services division provides support services to both departments. The main office of the Attorney General is in the Kansas Judicial Center. The agency also has offices in the Jayhawk Tower. The agency expects to move into the Memorial Building in the fall of 1999.

Agency Estimate/Governor's Recommendation

The Attorney General estimates expenditures from the State General Fund that are \$54,924 higher than approved by the 1997 Legislature. The entire amount is unexpended State General Fund

S W+Jm
3/5/98
Attachment 6-1

savings from the prior year. The Governor makes no change to the Attorney General's estimated budget for FY 1998.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor.

House Committee Recommendation

The House Committee concurs with the recommendation of the Subcommittee.

Agency: Attorney General

Bill No. –

Bill Sec. –

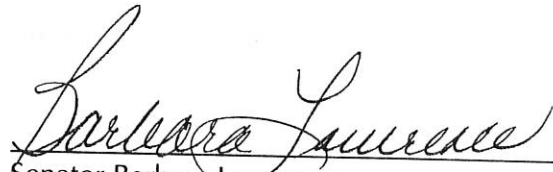
<u>Expenditure</u>	<u>Agency Estimate FY 98</u>	<u>Gov. Rec. FY 98</u>	<u>Senate Subcommittee Adjustment</u>
All Funds:			
State Operations	\$ 7,293,396	\$ 7,293,396	\$ (100,000)
Aid to Local Units	7,003,639	7,003,639	0
Other Assistance	<u>3,200,000</u>	<u>3,200,000</u>	<u>0</u>
TOTAL	<u>\$ 17,497,035</u>	<u>\$ 17,497,035</u>	<u>\$ (100,000)</u>
State General Fund:			
State Operations	\$ 4,623,579	\$ 4,623,579	\$ (200,000)
Aid to Local Units	0	0	0
Other Assistance	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 4,623,579</u>	<u>\$ 4,623,579</u>	<u>\$ (200,000)</u>
FTE Positions	86.0	85.8	0.0
Unclass. Temp. Positions	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u>86.0</u>	<u>85.8</u>	<u>0.0</u>

Senate Subcommittee Recommendations

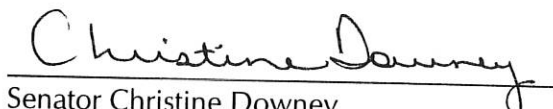
The Subcommittee concurs with the recommendations of the Governor, with the following exception:

*S w+m
3/5/98
Attachment 6-2*

1. Reduce expenditures from the State General Fund for the consumer protection division by \$200,000 (from \$538,992 to \$338,992) and shift the expenditures to the Court Cost Fund, which is the fund into which fees and expenses recovered from the successful prosecution of consumer protection cases are credited. The consumer protection division has been particularly successful in the last two years in recouping expenses related to violations of consumer protection laws, which permits the division to rely less on funding from the State General Fund for operations. Based on the most recent estimates, the Subcommittee's recommendation would leave a carry-forward balance in the Court Cost Fund at the end of FY 1998 of \$91,795, which the Subcommittee thinks is necessary in order to prevent a cash flow problem at the beginning of FY 1999 or in case the estimate of expected receipts for FY 1999 is not realized. Because of increased activity in the consumer protection division, the estimate of operating expenditures in the current year has been increased by \$100,000 (from \$731,823 to \$831,823).



Senator Barbara Lawrence
Subcommittee Chairperson



Senator Christine Downey

J W + m
3/5/98
Attachment 6-3

SUBCOMMITTEE REPORT

Agency: Attorney General

Bill No. 2893

Bill Sec. 28

Analyst: Rampey

Analysis Pg. No. 1007

Budget Page No. 81

<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	\$ 7,417,321	\$ 7,362,154	\$ 0
Aid to Local Units	8,147,032	8,147,032	0
Other Assistance	3,705,985	3,200,000	0
TOTAL	<u>\$ 19,270,338</u>	<u>\$ 18,709,186</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 4,671,379	\$ 4,606,362	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 4,671,379</u>	<u>\$ 4,606,362</u>	<u>\$ 0</u>
FTE Positions	86.0	85.8	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>86.0</u>	<u>85.8</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

Requested expenditures from the State General Fund for FY 1999 are \$47,800 more than the agency's estimate for the current year. The Attorney General concurs with a suggestion by the Governor's staff that the best way to handle the Nebraska water funding issue would be for the 1998 Legislature to deal with a concurrent resolution recommended for introduction by the Special Committee on Energy and Natural Resources-Environment which requires the Attorney General to file and prosecute action against Nebraska. If the Legislature agrees with the recommendation, funds for the litigation could be added during the Session.

The Attorney General's requested FY 1999 enhancements total \$1,760,985 and are listed below.

- **Continued funding for Colorado Water Litigation.** The amount of money from the State General Fund to continue the remedies and damages phase of water litigation with Colorado is estimated to be **\$1,155,000** in FY 1999. Carry-forward savings of \$216,577 from prior years reduce the amount of new money that will be needed to **\$938,423**.
- **Litigation Expenses to Test the Constitutionality of the Federal Personal Responsibility and Work Opportunity Act of 1996.** Upon passage of federal welfare reform legislation, the 1996

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Legislature enacted legislation in Kansas mandating the Attorney General to file litigation to test the constitutionality of Congress making certain federal funding contingent upon the states implementing provisions of federal law regarding child support enforcement. The Attorney General intends to have litigation on file by the beginning of the 1998 Legislative Session and is exploring the possibility of joining with other states that are considering similar action. In order to pay on-going expenses associated with the litigation, the Attorney General is requesting \$100,000 for FY 1999 from the State General Fund.

- **Estimated Increase in Claims Paid from the Crime Victims Compensation Fund if Requested Legislation is Enacted.** The Attorney General plans to ask the 1998 Legislature to enact legislation to increase the limits on payments that may be made to victims of crime from the Crime Victims Compensation Fund.

The Governor recommends a total of \$18,709,186 for FY 1999, of which \$4,606,362 is from the State General Fund. The State General Fund amount is \$65,017 less than requested by the agency. The difference is accounted for by an increase of \$46,540 in salary adjustments to fund a 4.0 percent merit pool and by a reduction of \$111,557 in other operating expenses. The latter consists primarily of the Governor not approving the requested enhancement of \$100,000 for expenses to test the constitutionality of the federal Personal Responsibility and Work Opportunity Act of 1996. The Governor approves the enhancement that concerns Colorado water litigation at the requested level of \$1,155,000. The Governor does not recommend an increased level of expenditure from the Crime Victims Compensation Fund, for which the agency had budgeted \$505,985 as an enhancement.

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Governor, with the following comments:

1. Concur with the Governor's decision not to add \$100,000 for expenses to test the constitutionality of the federal Personal Responsibility and Work Opportunity Act of 1996. The 1996 Legislature enacted legislation mandating the Attorney General to file litigation to test the constitutionality of Congress making certain federal funding contingent upon the states implementing provisions of federal law regarding child support enforcement. Legislation was on file when the 1998 Session began but, in order to pay on-going costs associated with the litigation, the Attorney General is requesting \$100,000 from the State General Fund for FY 1999. Efforts to join with other states considering similar legislation did not bear fruit when the other states decided not to proceed. The Subcommittee notes that the Attorney General, like other statewide elected officials, is authorized to carry forward State General Fund savings from the prior year. (The carry-forward amount in FY 1998 was almost \$55,000). Any savings in FY 1998 that are carried forward to FY 1999 could be used to fund the litigation against the federal government.
2. The Subcommittee calls attention to H.B. 2789 in the House Judiciary Committee. The bill was introduced at the request of the Attorney General and would increase certain limits on payments that may be made from the Crime Victims

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Compensation Fund. One example is an increase in the maximum that is allowed for funeral expenses from \$2,000 to \$5,000. If the legislation is enacted, no budget action would be necessary because the Fund has a "no limit" expenditure. However, the Subcommittee wants to inform the body that expenditures from the Fund would increase by about \$505,000 (from \$3.2 million to \$3.7 million.) Balances in the Fund are sufficient to fund the change in claim limits.

House Committee Recommendation

The House Committee concurs with the recommendations of the Subcommittee.

Agency: Attorney General

Bill No. 642

Bill Sec. 28

<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	\$ 7,417,321	\$ 7,362,154	\$ (162,532) *
Aid to Local Units	8,147,032	8,147,032	0
Other Assistance	3,705,985	3,200,000	0
TOTAL	<u>\$ 19,270,338</u>	<u>\$ 18,709,186</u>	<u>\$ (162,532)</u>
State General Fund:			
State Operations	\$ 4,671,379	\$ 4,606,362	\$ (107,831)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 4,671,379</u>	<u>\$ 4,606,362</u>	<u>\$ (107,831)</u>
FTE Positions	86.0	85.8	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>86.0</u>	<u>85.8</u>	<u>0.0</u>

* Includes a total of \$162,532, including \$107,831 from the State General Fund, for the Governor's employee salary adjustments.

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senate Subcommittee Recommendations

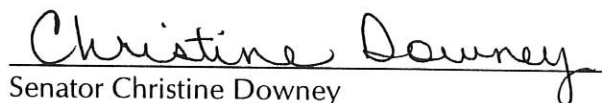
The Subcommittee concurs with the recommendations of the Governor, with the following exceptions:

1. Delete \$162,532, of which \$107,831 is from the State General Fund, based on the recommendation to delete funding for the 4.0 percent unclassified merit pool (\$159,513); classified step movement (\$1,625); and the 1.5 percent base salary adjustment (\$1,394) from individual agency budgets.
2. The Subcommittee endorses the passage of S.B. 596, which is in the Senate Ways and Means Committee. The bill concerns child abuse and neglect and is the outgrowth of a symposium that involved the Attorney General, the Chief Justice, the Governor, and representatives of the Department of Social and Rehabilitation Services. The bill would require the Attorney General to appoint at least one additional assistant attorney general whose job would be to assist county or district attorneys in investigating and prosecuting cases of reported child abuse or neglect. According to the General, it is likely the position would be used mainly in cases that do not involve the larger counties.

The Attorney General has informed the Subcommittee that it is likely that funding for the new position could come from funding already available to the agency for domestic abuse programs. However, some statutory changes might have to be made to permit the expenditure of program funds for the purpose of S.B. 596. The Subcommittee suggests that the Attorney General identify any needed statutory changes that would allow the agency to fund the new position within available resources. These changes either could be amended into S.B. 596 or introduced as separate legislation.



Senator Barbara Lawrence
Subcommittee Chairperson



Senator Christine Downey

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