

Approved: 2-24-99
Date

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE.

The meeting was called to order by Chairperson Phill Kline at 9:00 a.m. on February 11, 1999 in Room 514-S of the Capitol.

All members were present except: Rep. George Dean
Rep. Richard Reinhardt
Rep. Shari Weber
Rep. Jeff Peterson

Committee staff present: Legislative Research - Alan Conroy, Julian Efirid, Rae Ann Davis, Robert Waller
Revisor of Statutes- Jim Wilson, Mike Corrigan
Secretary - Ann McMorris

Conferees appearing before the committee: None

Others attending: See attached list

Chair opened meeting at 9:15 a.m. and called on Chair Pottorff of General Government & Human Resources Budget Committee for continuation of agency budget reports.

Kansas Lottery

Chair Pottorff presented the Budget Committee report on the Governor's FY99 and FY2000 recommendations for the Kansas Lottery. (Attachment 1)

Moved by Representative Spangler, seconded by Representative Ballard, to remove exception #1 for FY2000 for Kansas Lottery and return to transfer rate of 31.0 percent. Motion carried 10-9.

Moved by Representative Pottorff, seconded by Representative Shriver, adopt the report of the Kansas Lottery for FY1999 and FY2000 as amended. Motion carried.

Kansas Racing and Gaming Commission

Chair Pottorff presented the Budget Committee report on the Governor's recommendations for FY1999 and FY2000 for the Kansas Racing and Gaming Commission. (Attachment 2)

Conceptual amendment by Representative Shriver, seconded by Representative Pottorff, to include a reference to the Iowa State racing drug testing contract with Gaming Commission and administrative violation of racing law proceeding. Motion carried.

Moved by Representative Spangler, seconded by Representative McKechnie, remove the House Budget Committee recommendation #1 in FY1999 for Kansas Racing and Gaming Commission and state their goal should be to operate within their own funds. Motion failed.

Moved by Representative Pottorff, seconded by Representative Shriver, adoption of FY1999 and FY2000 Kansas Racing and Gaming Commission budget as amended. Motion carried.

Chair Kline referred H.B. 2115 - Printing of session laws, binding, quantity. to Tax, Judicial and Transportation Budget Committee for hearings.

CONTINUATION SHEET

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE, Room 514-S Statehouse, at 9:00 a.m.
on February 11, 1999.

Introduction of Bills

Moved by Representative Neufeld, seconded by Representative Stone, introduction of bill allowing Kansas to use the tobacco money to assist in a Medicare smoking cessation program. Motion carried.

Next meeting will be held on February 15, 1999.

Adjournment.

Respectfully submitted,

Ann McMorris

Attachments - 2

House Budget Committee Report

Agency: Kansas Lottery

Bill No.

Bill Sec.

Analyst: Efird

Analysis Pg. No. 1351

Budget Page No. 339

Expenditure Summary	Agency Est. FY 99	Gov. Rec. FY 99	House Budget Committee Adjustments
Administration (Limited)	\$ 8,506,876	\$ 8,471,561	0
Cost of Sales (No Limit)	<u>123,298,458</u>	<u>123,298,458</u>	<u>0</u>
TOTAL	<u>\$ 131,805,334</u>	<u>\$ 131,770,019</u>	<u>\$ 0</u>
FTE Positions	89.0	88.0	0.0
Unclassified Temp. Positions	<u>5.0</u>	<u>5.0</u>	<u>0.0</u>
TOTAL	<u>94.0</u>	<u>93.0</u>	<u>0.0</u>

Agency Est./Governor's Recommendation

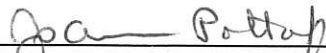
The agency's revised budget is based on sales of \$189 million, an increase from the \$182.5 million in FY 1999 approved by the 1998 Legislature. In order to generate additional sales of \$6.75 million, the Lottery proposes to increase state operations expenditures by \$727,612 and to pay increased prizes and commissions of \$2,924,025. Transfers to the State Gaming Revenues Fund (SGRF) would increase from \$56,119,000 approved by the 1998 Legislature to \$58,194,375 in the revised FY 1999 agency estimate. Of that amount, \$8,194,375 would be deposited in the State General Fund (SGF) on June 25, 1999. Based on the agency's revised FY 1999 budget, the expenditure limitation of \$8,411,221 for agency operations is increased by \$15,654 in Kansas Savings Incentive Program funding. Additional spending of \$80,001 would require an increase in the expenditure limitation to \$8,491,222 for the current fiscal year.

The Governor's FY 1999 recommendations are based on sales of \$189 million, an increase from the \$182.5 million in FY 1999 approved by the 1998 Legislature. In order to generate additional sales of \$6.75 million, the Governor's recommendations would increase state operations expenditures by \$692,297 and would pay increased prizes and commissions of \$2,924,025. Transfers to the State Gaming Revenues Fund (SGRF) would increase to \$58,194,375 in FY 1999. Of that amount, \$8,194,375 would be deposited in the State General Fund (SGF) on June 25, 1999.

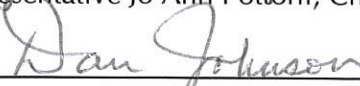
House Budget Committee Recommendation

The Committee concurs with the Governor's FY 1999 recommendations.

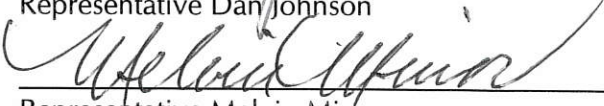
Attachment 1-1
House Appropriations Committee
February 11, 1999



Representative Jo Ann Pottorff, Chair



Representative Dan Johnson




Representative Melvin Minor



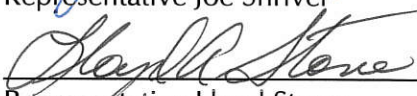
Representative Bill McCreary



Representative Bill Reardon



Representative Joe Shriver



Representative Lloyd Stone

House Budget Committee Report

Agency: Kansas Lottery

Bill No.

Bill Sec.

Analyst: Efird

Analysis Pg. No. 1351

Budget Page No. 339

Expenditure Summary	Agency Req. FY 00	Gov. Rec. FY 00	House Budget Committee Adjustments
Administration (Limited)	\$ 9,044,916	\$ 8,721,218	\$ 0
Cost of Sales (No Limit)	125,683,714	123,180,264	472,500
TOTAL	\$ 134,728,630	\$ 131,901,482	\$ 472,500
FTE Positions	89.0	88.0	0.0
Unclassified Temp. Positions	5.0	5.0	0.0
TOTAL	94.0	93.0	0.0

Agency Req./Governor's Recommendation

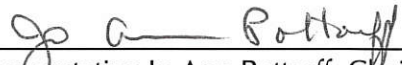
The agency requests increased expenditures of \$3.0 million in FY 2000 based on a sales increase of \$3.75 million over \$189 million in the current fiscal year. Transfers to the SGRF would increase \$1,153,125 based on the proposed FY 2000 budget, totaling \$59,347,500. Of that amount, \$9,347,500 would be deposited in the SGF on June 25, 2000. Total sales of \$193.0 million in FY 2000 as estimated by the agency are predicated on an enhancement package costing \$2.9 million and on a base budget increase of less than \$100,000. The agency indicates that the FY 2000 enhancements will yield increased lottery sales of \$3,750,000. The specific games targeted by the increased expenditures are Pull Tabs and Club Keno. Increased SGRF transfers of \$1,153,125 are projected, based on the enhanced sales. Prizes for increased sales of Club Keno and Pull Tabs would be \$2,005,000. Retailer commissions would rise \$189,500.

The Governor's recommendations in FY 2000 are based on no sales increase over the current fiscal year estimate of \$189 million. The Governor's recommendations include an increase in the SGRF transfer rate above the statutory minimum of 30 percent. Most of the increased FY 2000 expenditures is attributed to salary adjustments. No enhancements are recommended. Revenues from the sale of lottery tickets generally are credited to the Lottery Operating Fund. K.S.A. 74-8711 stipulates that not less than 30.0 percent of total monthly revenues from sales receipts, less returned tickets, shall be transferred to the State Gaming Revenues Fund (SGRF). However, a provision in section 108(b) of Chapter 203, 1998 Session Laws of Kansas, supercedes the statute and provides for the transfer to be based on 30.75 percent in FY 1999. Any amounts transferred to the SGRF that are in excess of \$50 million will be transferred to the State General Fund (SGF) on June 25 of any fiscal year that funds exceed the statutory maximum in the SGRF. For FY 2000, the Governor recommends a SGRF transfer rate of 31.0 percent, an increase of 0.25 percent from the approved FY 1999 rate.

House Budget Committee Recommendation

The Committee concurs with the Governor's recommendations, with the following exception:

1. Reduce the SGRF transfer rate from 31.0 to 30.75 percent in FY 2000. This adjustment will decrease the SGRF transfer by \$472,500 and increased the prize pool by \$472,500 since these funds partially represent unclaimed prizes which run about \$2.0 million each fiscal year. The net effect on the State General Fund is a potential loss of \$472,500. However, by increasing prize money, the sale of lottery tickets should increase and result in a potential offset to the projected decrease in SGRF transfers.



Representative Jo Ann Pottorff, Chair



Representative Dan Johnson



Representative Melvin Minor



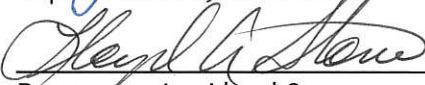
Representative Bill McCreary



Representative Bill Reardon



Representative Joe Shriver



Representative Lloyd Stone

House Budget Committee Report

Agency: Kansas Racing and Gaming Comm.

Bill No. –

Bill Sec. –

Analyst: Efird

Analysis Pg. No. 1340

Budget Page No. 351

Expenditure Summary	Agency Estimate FY 99	Gov. Rec. FY 99	House Budget Committee Adjustments
Racing Operations	\$ 2,161,891	\$ 2,047,148	\$ 0
Racing Assistance Payments	1,339,992	1,339,992	0
Gaming Operations	1,362,777	1,362,777	0
TOTAL	\$ 5,920,824	\$ 5,806,081	\$ 0
Racing FTE Positions	42.0	42.0	0.0
Gaming FTE Positions	20.0	20.0	0.0
Unclassified Temp. Positions	11.0	11.0	0.0
TOTAL	73.0	73.0	0.0

Agency Estimate/Governor's Recommendation

The revised FY 1999 agency budget includes a decrease of \$3,790 in expenditures for the Gaming Operations and an increase of \$116,116 for the Racing Operations, resulting in the net increase of \$112,326. The revised budget includes a reduction of \$171,974 in state operations expenditures and an increase of \$284,300 in other assistance payments. No change is requested in the current expenditure of \$3,124,974 limitation for the State Racing Fund (SRF). Under current law, the agency is permitted to spend an additional \$41,039 from the SRF for purposes allowed by the Kansas Savings Incentive Program (KSIP). However, the agency does not reflect expenditure of the KSIP funds in the revised FY 1999 budget detail.

The agency includes a transfer of \$150,000 from the Racing Reimbursable Expense Fund to the Racing Investigative Expense Fund in order to finance additional FY 1999 expenditures for what is described as the "necessary cash flow" to conduct background investigations. Additionally, the agency requests a transfer of \$60,557 in FY 1999 from the Horse Fair Racing Benefit Fund to the SRF in order to reimburse for salaries of regular employees who work at tracks during county fairs. A supplemental appropriation bill would need to include the appropriate language for each transfer in order for the movement of funds to take place.


A transfer of \$299,950 to the State Gaming Revenues Fund (SGRF) is included in the revised agency budget. No FY 1999 transfers had been recognized by the 1998 Legislature due to declines in track handle and an increase in agency operating expenditures that previously indicated no funds would be available in FY 1999 for transfer.

The Governor's recommendations in FY 1999 make net adjustments reducing the Gaming unit by \$3,790 and increasing the Racing unit by \$1,373. The Racing unit adjustments include reductions of \$282,927 in state operations and increases of \$284,300 in state aid. Included in the Governor's FY 1999 recommendations are salary reductions of \$190,527 due to vacant positions. A transfer of \$455,733 to the SGRF is included in the Governor's recommendations. A reduction in the current expenditure limitation of \$3,124,974 for the SRF is suggested by the Governor's adjustments. A new SRF limit of \$3,010,231 is posted in the agency's DA404.


House Budget Committee Recommendation

The Committee concurs with the Governor's FY 1999 recommendations, with the following exception:

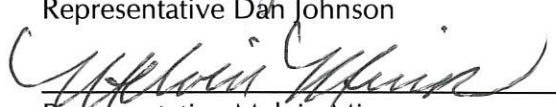
1. Reduce the \$150,000 Racing Reimbursement Expense Fund transfer to \$90,000 in providing operating capital to the Racing Investigative Expense Fund. Since the Governor's recommendation did not include an increase in estimated expenditures due to the transfer, no adjustment is reflected in the legislative column.



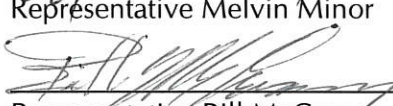
Representative Jo Ann Pottorff, Chair



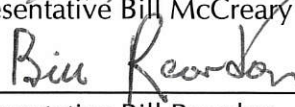
Representative Dan Johnson




Representative Melvin Minor



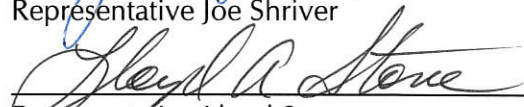
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Representative Joe Shriver



Representative Lloyd Stone

House Budget Committee Report

Agency: Kansas Racing and Gaming Comm.

Bill No. –

Bill Sec. –

Analyst: Efird

Analysis Pg. No. 1340

Budget Page No. 351

<u>Expenditure Summary</u>	<u>Agency Request FY 00</u>	<u>Gov. Rec. FY 00</u>	<u>House Budget Committee Adjustments</u>
Racing Operations	\$ 3,398,541	\$ 3,391,433	\$ 0
Racing Assistance Payments	1,333,090	1,333,090	0
Gaming Operations	1,362,777	1,390,281	0
TOTAL	<u>\$ 5,806,081</u>	<u>\$ 6,114,804</u>	<u>\$ 0</u>
Racing FTE Positions	42.0	42.0	0.0
Gaming FTE Positions	20.0	20.0	0.0
Unclassified Temp. Positions	13.0	13.0	0.0
TOTAL	<u>75.0</u>	<u>75.0</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

The agency's FY 2000 budget request reflects an increase of \$201,043 in state operations and a decrease of \$6,902 in other assistance payments. A SGRF transfer of \$129,072 is estimated, a reduction of \$170,878 from the FY 1999 revised estimate. No change in staffing is requested in FY 2000.

The Governor's recommendations provide for increased expenditures in both the Racing and Gaming programs. Salary adjustments comprise most of the increase, with additional expenditures of \$197,312 recommended for Racing and \$28,534 for Gaming salaries and wages. Slightly less than a net \$85,000 increase is recommended for other operating expenses. A SGRF transfer of \$71,572 is recommended in FY 2000, a reduction of \$384,161 from the current fiscal year estimate. A slight decrease of \$6,902 in state aid is recommended.

House Budget Committee Recommendation

The Committee concurs with the Governor's FY 2000 recommendations.



Representative Jo Ann Pottorff, Chair



Representative Dan Johnson




Representative Melvin Minor



Representative Bill McCreary



Representative Bill Reardon



Representative Joe Shriver



Representative Lloyd Stone