

MINUTES OF THE SENATE WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on February 23, 1999 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Debra Hollon, Legislative Research Department
Rae Anne Davis, 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.

Speaking in regard to the car program reauthorization, the Chairman had suggested to both parties that the Committee would probably be willing to reauthorize for a time, if not eliminate the sunset in the case of the VIPS/CAMA. Since this is a project that is in its early stages, he felt that in the future legislators would want to look at it again. He suggested either a two or three-year reauthorization.

In the case of the Highway Patrol, the Chairman said that in looking at their car program, he was convinced there was probably excess money there that the Committee might be able to capture. They wouldn't change the rate of the funding but reauthorize it for a two or three year period and there might be a contribution the Patrol would wish to make to the State General Fund in the year 2000.

Learning that the spokesman for the Patrol was unavailable at this time the Chairman called on Senator Salisbury who read the Subcommittee Report on the Lottery Commission. (Attachment 1).

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

For the Fiscal Year 2000, the Subcommittee concurred with the Governor's recommendations with the exceptions listed in items 1 and 2 on pages 1-4 and 1-5.

Gregory Ziemak, Executive Director of the Kansas Lottery, told the Committee that the \$2 million they're requesting is to be used as prize money and there's no intention of using it for advertising. He said studies in other states have shown convincingly that putting more money in prizes has increased participation. By investing this \$2 million they will get back \$9 million in additional sales..

It was moved by Senator Salmans and seconded by Senator Salisbury that the Committee Report on the State Lottery be adopted. The motion carried by a voice vote.

Senator Salmans read the Subcommittee Report on the Kansas Racing and Gaming Commission. (Attachment 2).

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

For the Fiscal Year 2000, the Subcommittee concurred with the Governor's recommendations with the exceptions listed in items 1 through 4 on pages 2-6 and 2-7.

was moved by Senator Salmans and seconded by Senator Salisbury that the Subcommittee Report on the Kansas Racing and Gaming Commission be adopted. The motion carried by a voice vote.

The Chairman informed the Committee that the Highway Patrol felt they needed more time to come up with their contribution amount.

No action was taken on **SB 209 and SB 210**.

Senator Salisbury read from the Subcommittee Report on Kansas, Inc. (Attachment 3).

The Subcommittee concurred with the Governor's recommendations for Fiscal Year 1999 with the one adjustment on page 3-3.

For Fiscal Year 2000 the Subcommittee concurred with the Governor's recommendations with the adjustments in items 1, 2 and 3 on pages 3-6 and 3-7.

The Chairman called attention to the testimony in support of the NATO Conference, (Attachment 4), and for a special study for analysis of laws and regulations, (Attachment 5).

It was moved by Senator Salisbury and seconded by Senator Downey that the Subcommittee Report for Kansas, Inc. be adopted. The motion carried by a voice vote.

Senator Salisbury read from the Subcommittee Report on Kansas Technology Enterprise Corporation (KTEC). (Attachment 6).

The Subcommittee concurred with the Governor's recommendations for Fiscal Year 1999.

For Fiscal Year 2000 the Subcommittee concurred with the Governor's recommendations with the notations listed in items 1 through 5 on pages 6-6, 6-7 and 6-8.

It was moved by Senator Salisbury and seconded by Senator Lawrence that the Subcommittee Report for Kansas Technology Enterprise Corporation be approved. The motion carried by a voice vote.

Senator Salisbury read from the Subcommittee Report on Kansas Department of Commerce and Housing. (Attachment 7).

The Subcommittee concurred with the Governor's recommendations for Fiscal Year 1999 with the one adjustment on page 7-4.

For Fiscal Year 2000 the Subcommittee concurred with the Governor's recommendations with the notations in items 1 through 5 on pages 7-8, 7-9 and 7-10.

The Chairman told the Committee there were a number of EDIF items in this budget but the one that drew the most attention was the \$1 million that Senator Salisbury had just described. He felt it was the appropriate time to mention that the EDIF is over-committed at this point if they combine the Governor's recommendations with the recommendations that this Committee has made up to this point. Since this agency and KTEC are such large users of EDIF funds, if this budget goes by without redirection, the Committee is beginning to lose its options for making an immediate reconciliation of these moneys.

Copies of the Economic Development Initiatives Fund were handed out. (Attachment 8).

It was moved by Senator Salisbury and seconded by Senator Gilstrap that the Subcommittee Report for Kansas Department of Commerce and Housing be adopted. The motion carried by a voice vote.

It was moved by Senator Salisbury and seconded by Senator Lawrence that the Committee reconsider their actions to adopt the Subcommittee Report on Kansas, Inc. The motion carried by a voice vote.

was moved by Senator Salisbury and seconded by Senator Lawrence that the Subcommittee Report be amended to reflect the ability of Kansas, Inc. to carry forward reappropriations of unexpended funds in 1999 into 2000 for the purpose of being able to develop the strategic plan. The motion to amend carried on a voice vote.

Senator Salisbury moved and Senator Lawrence seconded the motion to adopt the Subcommittee Report on Kansas, Inc. as amended. The motion carried on a voice vote.

Senator Ranson read from the Subcommittee report on the State Board of Tax Appeals. (Attachment 9).

The Subcommittee concurred with the Governor's recommendations for Fiscal Year 1999 with the one exception listed on page 9-4.

For Fiscal Year 2000 the Subcommittee concurred with the Governor's recommendations, with the exceptions in items 1 through 6 on pages 9-8, 9-9 and 9-10.

Senator Ranson moved and Senator Feleciano seconded the motion to reword item 3 on page 9-8 to make it clear that the Subcommittee seeks guidelines from the Joint Committee on Information Technology. The motion to amend carried on a voice vote.

Senator Ranson moved and Senator Feleciano seconded the motion to adopt the Subcommittee Report on the State Board of Tax Appeals as amended. The motion carried on a voice vote.

Senator Morris read from the Subcommittee report on the Department of Revenue. (Attachment 10).

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

For Fiscal Year 2000, the Subcommittee concurred with the Governor's recommendations with the adjustments in items 1 through 10 on pages 10-8, 10-9 and 10-10.

Senator Salisbury asked why, if both federal and state income tax checks were mailed on the same day at the same place, why does the federal government process theirs within three days and it takes more than eighteen days for the state to process its check.

The Chairman asked Harry Tiffany of the Department of Revenue if they would look into the processing time on incoming checks.

It was moved by Senator Morris and seconded by Senator Gilstrap to adopt the Subcommittee report on the Department of Revenue. The motion carried on a voice vote.

The meeting was adjourned at 12:40 p.m. The next meeting is scheduled for Wednesday, February 24.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 2/23/99

| NAME | REPRESENTING |
|--------------------|-----------------------------|
| Ken Behr | Ks. Governmental Consulting |
| LINDA McGILL | MGA |
| Michael E. Huff | KRCC |
| Charles L. Boy | KRGC |
| MARIE BILLINGER | ELLIS CO. TREASURER |
| Judith Miller | Ks. Assoc. of Counties |
| Alan Anderson | KDOR - Vehicles |
| Laura Poling | KDOR |
| Sheila Walker | Kansas Dept. of Revenue |
| ✓ Harry Tiffany | KDOR |
| DICK CARTER | TIAK |
| Steve Kelly | KDOCIH |
| Sherry Brown | KDOCIH |
| John Roffe | |
| Tracy Diel | State Gaming Agency |
| DOUG FARMER | DOB |
| Debby Slichter | Kansas Tax |
| ✓ Charles Ranson | Kansas, Inc. |
| Don Brownlee | KHP |

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 2/23/99

| NAME | REPRESENTING |
|-----------------|-----------------------|
| Mark A. Goodloe | Kansas Highway Patrol |
| Mike Wojcicki | KTEC |
| Rich Bendis | KTEC |
| Lori Post | KTEC |
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HOUSE BUDGET COMMITTEE REPORT

Agency: Kansas Lottery

Bill No.

Bill Sec.

Analyst: Efirid

Analysis Pg. No. 1351

Budget Page No. 339

| Expenditure Summary | Agency Estimate FY 99 | Gov. Rec. FY 99 | House Budget Committee Adjustments |
|------------------------------|-----------------------------|-----------------------|--|
| Administration (Limited) | \$ 8,506,876 | \$ 8,471,561 | 0 |
| Cost of Sales (No Limit) | 123,298,458 | 123,298,458 | 0 |
| TOTAL | \$ 131,805,334 | \$ 131,770,019 | \$ 0 |
| 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 Estimate/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.

Senate Ways and Means Committee

Date 2/23/99

Attachment # 1.1

House Appropriations Committee

The Committee concurs.

SENATE SUBCOMMITTEE REPORT

Agency: Kansas Lottery


Bill No. -

Bill Sec. -

| Expenditure Summary | Agency Estimate FY 99 | Gov. Rec. FY 99 | Senate Subcommittee Adjustments |
|------------------------------|-----------------------------|-----------------------|---------------------------------------|
| Administration (limited) | \$ 8,506,876 | \$ 8,471,561 | \$ 0 |
| Cost of Sales (no limit) | 123,298,458 | 123,298,458 | 0 |
| | <u>\$ 131,805,333</u> | <u>\$ 131,770,018</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> |

Senate Subcommittee Recommendation

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



 Senator Larry Salmans, Chair



 Senator Alicia Salisbury



 Senator Marge Petty

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HOUSE BUDGET COMMITTEE REPORT

Agency: Kansas Lottery

Bill No.

Bill Sec.

Analyst: Efird

Analysis Pg. No. 1351

Budget Page No. 339

| Expenditure Summary | Agency Request 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 | <u>\$ 134,728,630</u> | <u>\$ 131,901,482</u> | <u>\$ 472,500</u> |
| FTE Positions | 89.0 | 88.0 | 0.0 |
| Unclassified Temp. Positions | 5.0 | 5.0 | 0.0 |
| TOTAL | <u>94.0</u> | <u>93.0</u> | <u>0.0</u> |

Agency Request/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 \$9,347,500. 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.

House Appropriations Committee

The Committee concurs except that item one is deleted and the transfer rate is set at 31.0 percent per the Governor's recommendation.

SENATE SUBCOMMITTEE REPORT

Agency: Kansas Lottery

Bill No. 326

Bill Sec. 45, 91, 92

Analyst: Efird

Analysis Pg. No. 1351

Budget Page No. 339

| Expenditure Summary | Agency Request FY 00 | Gov. Rec. FY 00 | Subcommittee Adjustments |
|------------------------------|-------------------------|-----------------------|-----------------------------|
| Administration (limited) | \$ 9,044,916 | \$ 8,721,218 | \$ (129,180) |
| Cost of Sales (no limit) | 125,683,714 | 123,180,264 | 2,796,237 |
| TOTAL | \$ 134,728,630 | \$ 131,901,482 | \$ 2,667,057 |
| FTE Positions | 89.0 | 88.0 | 0.0 |
| Unclassified Temp. Positions | 5.0 | 5.0 | 0.0 |
| TOTAL | 94.0 | 93.0 | 0.0 |

Note: Includes a reduction of \$129,180 from all other funds for the Governor's employee salary plan adjustments. Absent the Subcommittee's adjustment to the Governor's salary plan, the total adjustment is an addition of \$2,796,237 from all other funds.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations, with the following exceptions noted below:

1. Reduce the SGRF transfer rate from 31.0 percent recommended for one year by the Governor to the statutory rate of 30.0 percent in FY 2000, and as a result of using

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approximately \$2.0 million for enhanced prizes, raise the sales estimate to \$198 million in FY 2000. This adjustment will increase the SGRF transfer by a net of \$732,560 (for a total of \$59,400,000 compared with the Governor's transfer recommendation of \$58,667,440 million based on sales of \$189.25 million). The net effect will increase transfers by \$732,560 for the State General Fund and reflects total SGF transfers of \$9,400,000 in FY 2000. No increased expenditures in the agency operations account are recommended. All increased expenditures would be in no limit accounts: \$147,487 for ticket printing, \$202,500 for vendor fees, \$446,250 in retailer commissions, and \$2.0 million in prizes. Total expenses would be \$2,796,237 for this enhancement to raise lottery sales.

2. Reduce the Governor's recommended salary compensation adjustments totaling \$129,180.



Senator Larry Salmans, Chair



Senator Alicia Salisbury



Senator Marge Petty

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 Estimate FY 99</u> | <u>Gov. Rec. FY 99</u> | <u>House Budget Committee Adjustments</u> |
|------------------------------|----------------------------------|----------------------------|---|
| Racing Operations | \$ 3,218,055 | \$ 3,103,312 | \$ 0 |
| Racing Assistance Payments | 1,339,992 | 1,339,992 | 0 |
| Gaming Operations | <u>1,362,777</u> | <u>1,362,777</u> | <u>0</u> |
| TOTAL | <u>\$ 5,920,824</u> | <u>\$ 5,806,081</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 | <u>11.0</u> | <u>11.0</u> | <u>0.0</u> |
| TOTAL | <u>73.0</u> | <u>73.0</u> | <u>0.0</u> |

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.

Senate Ways and Means Committee

Date 2/6/99

Attachment # 2-1

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.

House Appropriations Committee

The Committee concurs.

SENATE SUBCOMMITTEE REPORT

Agency: Kansas Racing and Gaming Comm.

Bill No. 323

Bill Sec. 16

Analyst: Efird

Analysis Pg. No. 1340

Budget Page No. 351


| <u>Expenditure Summary</u> | <u>Agency Estimate FY 99</u> | <u>Gov. Rec. FY 99</u> | <u>Senate Subcommittee Adjustments</u> |
|------------------------------|--------------------------------------|----------------------------|--|
| Racing Operations | \$ 3,218,055 | \$ 3,103,312 | \$ 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 |

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Agency Estimate/Governor's Recommendation

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

1. Transfer \$150,000 from the Racing Reimbursable Expense Fund immediately to the SGRF in order to compensate for prior payments made from the State General Fund and the State Racing Fund to pay racing judges, stewards and vets who worked at the race tracks. These funds were collected from the tracks to pay race officials, but because the Legislature shifted financing and the tracks' reimbursements came after the Legislature approved alternative financing. The funds were remitted but never spent for the purpose intended by statutes. The agency requested a transfer of the \$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. The Governor concurs in that transfer. The Subcommittee believes that since the funds were collected for another purpose, money should be used as the statute directs: to either pay for track officials or to reimburse for those payments that were made by other funds.
2. Correct the supplemental appropriations bill to reflect 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. This item was omitted from the supplemental appropriations bill and needs to be included in order for the transfer of funds to take place as recommended by the Governor.
3. Correct the supplemental appropriations bill to reflect a reduction in the expenditure limitation as recommended by the Governor, but omitted from the bill. The reduction in the current expenditure limitation of \$3,124,974 to a new SRF limit of \$3,010,231 is indicated by the Governor's Budget Report recommendations.



Senator Larry Salmans, Chair



Senator Alicia Salisbury



Senator Marge Petty

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 | 1,383,334 | 1,390,281 | 0 |
| TOTAL | <u>\$ 6,114,965</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.

House Appropriations Committee

The Committee concurs and adds the following:

1. Review the drug-testing contract during omnibus and determine if Iowa State is qualified to continue as the contractor.

SENATE SUBCOMMITTEE REPORT

Agency: Kansas Racing and Gaming Comm. **Bill No.** 326 **Bill Sec.** 46, 91, 92

Analyst: Efirid **Analysis Pg. No.** 1340 **Budget Page No.** 351

| Expenditure Summary | Agency Request FY 00 | Gov. Rec. FY 00 | Senate Subcommittee Adjustments |
|------------------------------|-------------------------|---------------------|------------------------------------|
| Racing Operations | \$ 3,398,541 | \$ 3,391,433 | \$ (36,485) |
| Racing Assistance Payments | 1,333,090 | 1,333,090 | 0 |
| Gaming Operations | 1,383,334 | 1,390,281 | (7,111) |
| TOTAL | \$ 6,114,965 | \$ 6,114,804 | \$ (43,596) |
| | | | |
| 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 | 75.0 | 75.0 | 0.0 |

Note: Includes a reduction of \$43,596 from all other funds for the Governor's employee salary plan adjustments. Absent the Subcommittee's adjustment to the Governor's salary plan, the total adjustment is no change in the Governor's recommended expenditures.

Agency Request/Governor's Recommendation

The Subcommittee concurs with the Governor's FY 2000 recommendations with the following exceptions:

1. Reduce the Governor's salary plan financing of \$36,485 for racing and \$7,111 for gaming, a total of \$43,596 for recommended pay plan adjustments.
2. Recommend a bill to change the authority of setting Commissioner's salaries from the Governor to the statutory amount of \$35 per meeting. Currently, Commissioner's are paid \$24,000 per year with the amount set by the Governor.
3. Correct the FY 2000 appropriations bill to reflect a transfer of \$65,982 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. This item was omitted from the appropriation bill and needs to be included in order for the transfer of funds to take place as recommended by the Governor.

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4. Clarify that the transfer of \$450,000 from the SGF to the Tribal Gaming Fund is for the purpose of insuring the state's continued exercise of responsibility pursuant to the Tribal Gaming Compacts in monitoring gaming activity and in licensing gaming employees. This transfer provides for a beginning cash balance prior to the submission of assessments by the Tribes for paying the state's costs relative to oversight activities. The first payments are due in September and others are due twice more during a fiscal year. Because of possible delays in the Tribe's submitting payments, the SGF cash provides funding for continued operations until moneys are received from the Tribes.



Senator Larry Salmans, Chair



Senator Alicia Salisbury



Senator Marge Petty

HOUSE BUDGET COMMITTEE REPORT

Agency: Kansas, Inc.

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1278

Budget Page No. 300

| <u>Expenditure Summary</u> | <u>Agency Estimate FY 99</u> | <u>Gov. Rec. FY 99</u> | <u>House Budget Committee Adjustments</u> |
|------------------------------|--------------------------------------|----------------------------|---|
| All Funds: | | | |
| State Operations | \$ 417,189 | \$ 417,189 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| Subtotal - Operating | <u>\$ 417,189</u> | <u>\$ 417,189</u> | <u>\$ 0</u> |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u><u>\$ 417,189</u></u> | <u><u>\$ 417,189</u></u> | <u><u>\$ 0</u></u> |
| State General Fund: | | | |
| State Operations | \$ 169,626 | \$ 169,626 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| Subtotal - Operating | <u>\$ 169,626</u> | <u>\$ 169,626</u> | <u>\$ 0</u> |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u><u>\$ 169,626</u></u> | <u><u>\$ 169,626</u></u> | <u><u>\$ 0</u></u> |
| FTE Positions | 5.0 | 5.0 | 0.0 |
| Unclassified Temp. Positions | 0.0 | 0.0 | 0.0 |
| TOTAL | <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 estimate for FY 1999 operating expenditures of \$417,189 is an increase of \$34 or 0.8 percent over the approved budget. As approved by the 1998 Legislature, FY 1999 estimated expenditures include \$20,000 (EDIF) for the Kansas Export Database Study and \$45,000 (EDIF) for the Annual Survey of Kansas Manufacturers and Exporters (ASKME).

The Governor concurs with the revised FY 1999 request.

House Budget Committee Recommendations

The Budget Committee concurs with the Governor's recommendations with the following notation:

Senate Ways and Means Committee

Date 2/23/99

Attachment # 3-1

1. The Budget Committee notes that 1998 H.R. 6008 called for a study of international trade in Kansas. In FY 1999, Kansas, Inc. began the Annual Survey of Kansas Manufacturers and Exporters (ASKME) and completed the Export Database Study to analyze international trade in Kansas.

House Committee Recommendation

The House Committee concurs with the Budget Committee.

SUBCOMMITTEE REPORT

Agency: Kansas, Inc.

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1278

Budget Page No. 300

| <u>Expenditure Summary</u> | <u>Agency Estimate FY 99</u> | <u>Gov. Rec. FY 99</u> | <u>Senate Subcommittee Adjustments</u> |
|------------------------------|--------------------------------------|----------------------------|--|
| All Funds: | | | |
| State Operations | \$ 417,189 | \$ 417,189 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| Subtotal - Operating | \$ 417,189 | \$ 417,189 | \$ 0 |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u>\$ 417,189</u> | <u>\$ 417,189</u> | <u>\$ 0</u> |
| State General Fund: | | | |
| State Operations | \$ 169,626 | \$ 169,626 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| Subtotal - Operating | \$ 169,626 | \$ 169,626 | \$ 0 |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u>\$ 169,626</u> | <u>\$ 169,626</u> | <u>\$ 0</u> |
| FTE Positions | 5.0 | 5.0 | 0.0 |
| Unclassified Temp. Positions | 0.0 | 0.0 | 0.0 |
| TOTAL | <u>5.0</u> | <u>5.0</u> | <u>0.0</u> |

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Senate Subcommittee Recommendation

The Subcommittee concurs with the recommendations of the Governor and makes the following adjustment:

1. The Subcommittee recommends that technical adjustments be made to the bill to accurately reflect the Governor's recommendation.



Senator Alicia Salisbury, Chair



Senator Christine Downey



Senator Barbara Lawrence

HOUSE BUDGET COMMITTEE REPORT

Agency: Kansas, Inc.

Bill No. 2516

Bill Sec. 48

Analyst: Davis

Analysis Pg. No. 1278

Budget Page No. 300

| <u>Expenditure Summary</u> | <u>Agency Request FY 00</u> | <u>Gov. Rec. FY 00</u> | <u>House Budget Committee Adjustments</u> |
|------------------------------|---------------------------------|----------------------------|---|
| All Funds: | | | |
| State Operations | \$ 472,582 | \$ 367,222 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | \$ 472,582 | \$ 367,222 | \$ 0 |
| State General Fund: | | | |
| State Operations | \$ 303,019 | \$ 197,659 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | \$ 303,019 | \$ 197,659 | \$ 0 |
| FTE Positions | 5.0 | 5.0 | 0.0 |
| Unclassified Temp. Positions | 0.0 | 0.0 | 0.0 |
| TOTAL | 5.0 | 5.0 | 0.0 |

Agency Request/Governor's Recommendation

The request for FY 2000 operating expenditures of \$472,582 is an increase of \$55,393 (13.3 percent above the FY 1999 estimate). The request includes \$303,019 (including \$173,019 for salaries and wages) from the State General Fund and \$169,563 (including \$107,562 for salaries and wages) from the Economic Development Initiatives Fund. The request also includes \$130,000 in requested enhancements, primarily to fund various special studies.

The Governor recommends FY 2000 operating expenditures of \$367,222. This includes \$197,659 from the State General Fund and \$169,563 from the Economic Development Initiatives Fund. Of the total requested enhancements, the Governor recommends \$25,000 for the Annual Survey of Kansas Manufacturers and Exporters (ASKME).

The following table details the agency's enhancement requests and the Governor's recommendations.

FY 2000 Enhancements

| Enhancement | Agency Request | | | Governor's Recommendation | | |
|--|-------------------|-------------------|------------|---------------------------|------------------|------------|
| | SGF | All Funds | FTE | SGF | All Funds | FTE |
| Service Sector Export Study | \$ 30,000 | \$ 30,000 | 0.0 | \$ 0 | 0 | 0.0 |
| Agriculture Sector Export Study | 25,000 | 25,000 | 0.0 | 0 | 0 | 0.0 |
| ASKME | 25,000 | 25,000 | 0.0 | 25,000 | 25,000 | 0.0 |
| NATO Conference | 10,000 | 10,000 | 0.0 | 0 | 0 | 0.0 |
| Performance Based Management and Modeling | 20,000 | 20,000 | 0.0 | 0 | 0 | 0.0 |
| Analysis of Kansas Laws and Regulations | 20,000 | 20,000 | 0.0 | 0 | 0 | 0.0 |
| TOTAL - FY 2000 Enhancement Request | \$ 130,000 | \$ 130,000 | 0.0 | \$ 25,000 | \$ 25,000 | 0.0 |

House Budget Committee Recommendations

The Budget Committee concurs with the Governor's recommendations with the following notations:

1. The Budget Committee notes that the responsibilities of Kansas, Inc. require its employees to have close working relationships with employees of the Department of Commerce and Housing and Kansas Technology Enterprise Corporation, the other economic development agencies. Kansas, Inc. is also required to monitor and evaluate the performance of those agencies to further economic development in Kansas.
2. The Budget Committee notes that 1998 H.R. 6008 called for a study of international trade in Kansas. In FY 1999, Kansas, Inc. began the Annual Survey of Kansas Manufacturers and Exporters (ASKME) and completed the Export Database Study to analyze international trade in Kansas.

House Committee Recommendation

The House Committee concurs with the Budget Committee.

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SENATE SUBCOMMITTEE REPORT

Agency: Kansas, Inc.

Bill No. 326

Bill Sec. 48

Analyst: Davis

Analysis Pg. No. 1278

Budget Page No. 300

| <u>Expenditure Summary</u> | <u>Agency Request FY 00</u> | <u>Gov. Rec. FY 00</u> | <u>Senate Subcommittee Adjustments</u> |
|------------------------------|---------------------------------|----------------------------|--|
| All Funds: | | | |
| State Operations | \$ 472,582 | \$ 367,222 | \$ 10,970 * |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 472,582</u> | <u>\$ 367,222</u> | <u>\$ 10,970</u> |
| State General Fund: | | | |
| State Operations | \$ 303,019 | \$ 197,659 | \$ (5,562) |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 303,019</u> | <u>\$ 197,659</u> | <u>\$ (5,562)</u> |
| FTE Positions | 5.0 | 5.0 | 0.0 |
| Unclassified 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 \$9,030 (\$5,562 from the State General Fund) for the Governor's employee salary adjustment. Absent the decrease for the pay plan the recommendation is an increase of \$20,000 above the Governor's recommendation.


Senate Subcommittee Recommendations

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

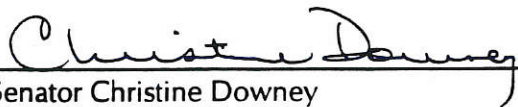
1. Add \$20,000 (EDIF). The Subcommittee recommends that \$10,000 be used to co-sponsor the NATO conference in September 1999 and to develop an ensuing action plan for cultivating trade relations with NATO nations to present to the Legislature and the Kansas, Inc. Board. The Subcommittee further recommends that \$10,000 be applied toward the cost of performing an analysis of Kansas laws and regulations for their impact on free trade. The Subcommittee recommends that Kansas, Inc. look to the private sector to fund the remaining cost of this analysis (the total request was for

\$20,000). If Kansas, Inc. is not able to raise sufficient private donations, the Subcommittee recommends that the \$10,000 be lapsed.

2. The Subcommittee notes that Kansas, Inc. has undertaken to prepare a comprehensive statewide strategic plan for economic development. Kansas, Inc. informed the Subcommittee that its intention is to convene a statewide summit on economic development, chaired by the Governor, which will begin meeting in November 1999. Kansas, Inc. plans to have the comprehensive strategic plan completed in November 2000. The comprehensive statewide strategic plan for economic development will be a 20-year plan with clearly defined goals and strategies for five-year increments.
3. Delete \$9,030 (including \$5,562 from the State General Fund) for unclassified merit for the Governor's recommended FY 2000 pay plan adjustments.



Senator Alicia Salisbury, Chair



Senator Christine Downey



Senator Barbara Lawrence

Kansas, Inc. Testimony in Support of Funding for Conference

KANSAS, INC. respectfully REQUESTS your SUPPORT for \$10,000 line-item For NATO Conference co-sponsorship

The NATO Conference scheduled for September 1999 is not a conference about defense issues, although such issues will be discussed in detail over the three day span of events occurring at Fort Leavenworth, on the KU Campus and at Johnson County Community College. NATO, and the current interest in its expansion eastward to include former Iron Curtain Countries or Newly Independent States of the former Soviet Union, is (from an economic development point of view) merely a vehicle to heighten Kansas' visibility in the eastern half of Europe and beyond and to jump start relationship building in a new market.

Western Europe is a strong market for Kansas' goods. The rest of Europe - central and eastern Europe and the former Soviet Union, remains essentially virgin territory. Only 3% of our total exports find their way to the markets lying east of the old front line of the Cold War. With a population exceeding 600,000,000, this is a market which we can not afford to leave fallow.

The subject of NATO enlargement remains an issue of active interest. With Poland, Hungary and the Czech Republic already admitted to NATO, others are waiting in line. NATO is also searching for its most appropriate mission in the post-Cold War era. This is evidenced by a recent NATO-sponsored conference at which KTEC was an invited participant focused on commercialization of research as a means of expediting the regions' transition to the market economy. In both contexts, Kansas is well-positioned to launch itself as a high profile player.

First, as new member countries join NATO, their military command and staff will tour thru the Command and General Staff College at Fort Leavenworth as part of their training to NATO standards. This command center represents a very real asset to the state. We should acknowledge its importance and seek to establish with it a strong partnership for building relationships with the leaders of U.S. ally countries who constantly revolve through its doors.

Additionally, as NATO expands, the military hardware capabilities of new member countries also must be brought up to NATO standards. This means that companies like Boeing, Raytheon, Allied Signal, Black & Veatch, and others stand to be primary beneficiaries of the enlargement process in the years ahead.

Senate Ways and Means Committee

Date

Attachment # 4-1

Secondly, countries in the region have for decades endured the debilitating dysfunction of the command economy model. All, to one degree or another, are struggling to adapt the market model. Creating, nurturing and maintaining free markets as the engine of economic growth is the challenge which must be met to insure a secure and prosperous future in this part of the world. Through existing programs in our universities, and at KTEC and MAMTC, Kansas has a unique opportunity to capture front-runner status in training and technology transfer in areas related to institution building, promotion of entrepreneurship and modernization of antiquated manufacturing capacity.

This conference will occur in September and this conference will be a success. The interest within the Kansas business, military and university communities, and the interest expressed by representatives of the governments of Poland, Ukraine and the Czech Republic (among others) in participating in the conference assures success. As a part of planning process from the very beginning, it has become clear that the battle must be fought every day to keep this conference focused squarely on its economic development potential and to avoid its becoming only an academic event.

By putting money on the table in support of this conference, Kansas, Inc. can maintain the credibility of its demands that this be a business friendly gathering which is conducive to building business relationships that will offer Kansas the opportunity to develop new markets of great long-term potential. The \$10,000 seed investment in this conference voted by the Ways and Means Subcommittee is a wise and farsighted investment in our state's economic future. Your support of this item in the Kansas, Inc. budget is important and it will be appreciated.

Kansas, Inc. Testimony in Support of Funding for Special Study

KANSAS, INC. respectfully REQUESTS your SUPPORT for \$10,000 line (subject to match) For Analysis of Laws and Regulations

In the Spring of 1998, the Director General of the World Trade Organization (WTO), Renato Ruggiero observed "as tariff barriers are stripped away, the trade policy focus is shifting inside the border - to regulatory and structural differences in areas like investment, competition or environmental policy, which can have significant impacts on market access, and on international trade and investment laws." This sounds a clear signal that states will need to begin paying closer attention to trade policy issues and outcomes, and to the implications of trade policy across the broad spectrum of state regulatory activity. Part of the challenge will be to educate ourselves concerning the connectedness of the state's exercise of its legitimate police power responsibility to foreign policy powers delegated to the national government.

This connectedness, or the line which separates what a state can do from that which is solely within the domain of the national government is not always clear. The language of the U.S. Constitution which addresses this issue is not particularly illuminating. Amendment 10 to the Constitution provides the

“(t)he powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people.”

Many have and will continue to differ on what this means. Many Americans use this language to argue with great conviction that we should stand up for what we believe, and, in so doing, attempt to address global issues of human rights and political freedoms through adoption of laws which from our cultural perspective punish international wrong doers and reward good deeds.

This has been manifested in the successful anti-apartheid boycott which brought an end the institutionally racist regime in South Africa. More recently, human rights advocates have acted at the subnational level in an attempt to bring down the government of Myanmar (Burma) by seeking to enact state laws or city ordinances which could prohibit procurement of goods or services from companies, whether U.S. or foreign, that do business in that country. In November 1998, Massachusetts' Burma procurement law was ruled to be an unconstitutional infringement of the national government's exclusive authority to regulate foreign affairs. This law imposed a penalty on bids received in the state by firms doing business in Burma.

Senate Ways and Means Committee

Date

Attachment # 5-1

Anti-apartheid boycotts and Burma procurement laws are obvious examples of grassroots activism which tests the limits of those powers delegated and reserved by the 10th Amendment. There are other, far more subtle examples of state action which may have equal legal consequence, and which may be subject to legal challenge in the period ahead as the global trade policy focus shifts inside the border.

It is entirely likely, in fact probable, that analysis of laws and regulations of the state of Kansas, will uncover provisions enacted with the best of intentions to meet the legitimate interests of the state but which, through operation of the law of unintended consequence, may also present a barrier to the free flow of trade. Like land mines, these could explode at any moment in the form of a legal challenge by the U.S. government to the infringement of its exclusive authority. Alternatively, as was the case in Massachusetts, the business community which is put at a competitive disadvantage by operation of the law's provisions may launch the attack. And, finally, a foreign government or business association may make the challenge.

The current "States' Advocate" publication of the National Conference of State Legislatures, reports that

Trade Agreements are presenting both new opportunities and new challenges for American constitutional federalism. The United States can pursue international trade cases against foreign laws that cause problems for U.S. exporters. Foreign governments, however, can also bring cases against U.S. laws including state laws. Indeed, state laws alleged to burden international commerce are increasingly likely to be a target.

The essay goes on to say

Both NAFTA and GATT go well beyond reducing tariffs and duties that burden international trade. The primary focus of dispute resolution is nontariff barriers to trade such as government taxes, regulations and subsidies. American state governments of course, are very much in the business of taxing, and regulating commerce. And many state economic development and investment incentive programs are easily characterized as subsidies.

In a state that relies on incentives to fuel economic growth and is heavily dependent on exports in extraordinarily competitive industries such as transportation, professional services and defense equipment, it is vitally important to understand the targets of opportunity and the remedies available to a party "aggrieved" by a state law. On a finding by the World Trade Organization that a state law violates trade agreement terms, the Organization is empowered to authorize retaliatory trade measures against specific American exporters. To make this Kansas-specific, such a finding related to Kansas laws or regulations, could subject any one or more of our major corporations (Raytheon, Allied Signal, Boeing, for example) to targeted retaliation.

As insurance against this outcome, Kansas, Inc. proposes to begin a systematic analysis of state laws and regulations from the narrow perspective of their impact on trade and investment law. To the extent that any such impediments are uncovered, the state's leadership may then consider alternative, non-trade impeding ways to achieve its legitimate goals.

With the line-item approved in the Ways and Means Subcommittee, Kansas, Inc. will seek the required fund match from the private sector to accomplish this task.

BUDGET COMMITTEE REPORT

Agency: Kansas Technology Enterprise Corporation **Bill No.**

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1289

Budget Page No. 318

| <u>Expenditure Summary</u> | <u>Agency Estimate FY 99</u> | <u>Gov. Rec. FY 99</u> | <u>House Budget Comm. Adjustments</u> |
|------------------------------|--------------------------------------|-----------------------------|---|
| All Funds: | | | |
| State Operations | \$ 2,559,737 | \$ 2,559,737 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | <u>14,764,504</u> | <u>14,764,504</u> | <u>0</u> |
| Subtotal - Operating | \$ 17,324,241 | \$ 17,324,241 | \$ 0 |
| Capital Improvements | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL | <u>\$ 17,324,241</u> | <u>\$ 17,324,241</u> | <u>\$ 0</u> |
| Economic Development | | | |
| Initiatives Fund: | | | |
| State Operations | \$ 2,386,177 | \$ 2,386,177 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | <u>11,759,279</u> | <u>11,759,279</u> | <u>0</u> |
| Subtotal - Operating | \$ 14,145,456 | \$ 14,145,456 | \$ 0 |
| Capital Improvements | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL | <u>\$ 14,145,456</u> | <u>\$ 14,145,456</u> | <u>\$ 0</u> |
| FTE Positions | 18.0 | 18.0 | 0.0 |
| Unclassified Temp. Positions | <u>15.0</u> | <u>15.0</u> | <u>0.0</u> |
| TOTAL | <u>33.0</u> | <u>33.0</u> | <u>0.0</u> |

Agency Estimate/Governor's Recommendation

KTEC's estimate for FY 1999 operating expenditures is \$17,324,241. This is a decrease of \$1,989,729 from the amount approved by the 1998 Legislature. The decrease results from MAMTC establishing its own accounting system. The fees collected by MAMTC are no longer passed through the state funds. The 1998 Legislature continued a provision in the appropriation bill which prohibits the use of state appropriated funds in FY 1999 as bonuses or additional compensation to officers or employees of KTEC or subsidiary entities.

The Governor concurs with the agency's revised FY 1999 estimate.

Senate Ways and Means Committee

Date 2/23/99
Attachment # 6-1

House Budget Committee Recommendations

The Budget Committee concurs with the recommendation of the Governor for FY 1999.

House Committee Recommendation

The House Committee concurs with the Budget Committee.

SUBCOMMITTEE REPORT

Agency: Kansas Technology Enterprise Corporation **Bill No.**

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1289

Budget Page No. 318

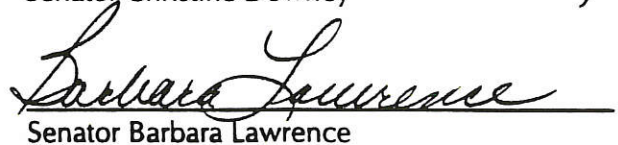
| <u>Expenditure Summary</u> | <u>Agency Estimate FY 99</u> | <u>Gov. Rec. FY 99</u> | <u>Senate Subcomm. Adjustments</u> |
|------------------------------|--------------------------------------|------------------------------------|--|
| All Funds: | | | |
| State Operations | \$ 2,559,737 | \$ 2,559,737 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | <u>14,764,504</u> | <u>14,764,504</u> | <u>0</u> |
| Subtotal - Operating | \$ 17,324,241 | \$ 17,324,241 | \$ 0 |
| Capital Improvements | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL | <u><u>\$ 17,324,241</u></u> | <u><u>\$ 17,324,241</u></u> | <u><u>\$ 0</u></u> |
| Economic Development | | | |
| Initiatives Fund: | | | |
| State Operations | \$ 2,386,177 | \$ 2,386,177 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | <u>11,759,279</u> | <u>11,759,279</u> | <u>0</u> |
| Subtotal - Operating | \$ 14,145,456 | \$ 14,145,456 | \$ 0 |
| Capital Improvements | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL | <u><u>\$ 14,145,456</u></u> | <u><u>\$ 14,145,456</u></u> | <u><u>\$ 0</u></u> |
| FTE Positions | | | |
| FTE Positions | 18.0 | 18.0 | 0.0 |
| Unclassified Temp. Positions | <u>15.0</u> | <u>15.0</u> | <u>0.0</u> |
| TOTAL | <u><u>33.0</u></u> | <u><u>33.0</u></u> | <u><u>0.0</u></u> |

Senate Subcommittee Recommendations

The Subcommittee concurs with the recommendations of the Governor.


 Senator Alicia Salisbury, Chair


 Senator Christine Downey


 Senator Barbara Lawrence

BUDGET COMMITTEE REPORT

Agency: Kansas Technology Enterprise Corporation **Bill No. 2519**

Bill Sec. 49

Analyst: Davis

Analysis Pg. No. 1289

Budget Page No. 318

| Expenditure Summary | Agency Request FY 2000 | Gov. Rec. FY 2000 | House Budget Comm. Adjustments |
|---|------------------------------|----------------------|--------------------------------------|
| All Funds: | \$ 2,512,893 | \$ 2,530,364 | \$. 0 |
| State Operations | 0 | 0 | 0 |
| Aid to Local Units | 16,024,767 | 14,184,767 | 0 |
| Other Assistance | \$ 18,537,660 | \$ 16,715,131 | \$ 0 |
| Subtotal - Operating | 0 | 0 | 0 |
| Capital Improvements | \$ 18,537,660 | \$ 16,715,131 | \$ 0 |
| TOTAL | | | |
| Economic Development Initiatives Fund: | | | |
| State Operations | \$ 2,258,814 | \$ 2,275,886 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 13,024,767 | 11,184,767 | 0 |
| Subtotal - Operating | \$ 15,283,581 | \$ 13,460,653 | \$ 0 |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | \$ 15,283,581 | \$ 13,460,653 | \$ 0 |
| FTE Positions | 18.0 | 18.0 | 0.0 |
| Unclassified Temp. Positions | 15.0 | 15.0 | 0.0 |
| TOTAL | 33.0 | 33.0 | 0.0 |

Agency Request/Governor's Recommendation

For FY 2000, KTEC requests total operating expenditures of \$18,537,660. This is an increase of \$1,213,419 or 7.0 percent over the FY 1999 estimate. The request includes expenditures of \$15,283,581 or 82.4 percent of the total operating expenditures request from the EDIF. This includes \$1,840,000 in requested enhancements. Absent requested enhancements, the FY 2000 request is a decrease of \$626,581 or 3.6 percent from the FY 1999 estimate. KTEC requests a total of \$16,024,767 in grants and other assistance for FY 2000, including \$13,024,767 (81.3 percent) from the EDIF.

The Governor recommends \$16,715,131 for operating expenditures in FY 2000. The Governor's recommendation includes \$13.5 million, 80.5 percent of the total recommended operating budget, from the EDIF and \$3.0 million of federal MAMTC grants. The Governor does not recommend any of the requested enhancements for FY 2000. The Governor's recommendation includes pay plan adjustments of \$60,932 for a 3.5 percent unclassified merit pool.

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The following table explains the FY 2000 enhancement request.

| Enhancement | Agency Request | | | Governor's Recommendation | | |
|---|---------------------|---------------------|------------|---------------------------|------------|------------|
| | EDIF | All Funds | FTE | EDIF | All Funds | FTE |
| Funding of Applied Research Matching Fund | \$ 640,000 | \$ 640,000 | 0.0 | \$ 0 | \$ 0 | 0.0 |
| Funding of Commercialization Pre-Seed Capital | 500,000 | 500,000 | 0.0 | 0 | 0 | 0.0 |
| Funding of State Small Business Innovation Research | 300,000 | 300,000 | 0.0 | 0 | 0 | 0.0 |
| Expansion of Centers of Excellence | 350,000 | 350,000 | 0.0 | 0 | 0 | 0.0 |
| Special Project Funding | 50,000 | 50,000 | 0.0 | 0 | 0 | 0.0 |
| TOTAL-FY 2000 Enhancement Request | \$ 1,840,000 | \$ 1,840,000 | 0.0 | \$ 0 | \$0 | 0.0 |

House Budget Committee Recommendations

The Budget Committee concurs with the Governor's recommendations with the following notation:

1. The Budget Committee commends KTEC for winning a Kansas Award for Excellence. The Kansas Award for Excellence is a Malcolm Baldrige-like award which recognizes Kansas organizations for business excellence and competitive improvement. KTEC was a Level I recipient in 1998 along with other governmental organizations and private businesses.

House Committee Recommendation

The House Committee concurs with the Budget Committee.

SUBCOMMITTEE REPORT

Agency: Kansas Technology Enterprise Corporation Bill No. 326

Bill Sec. 49

Analyst: Davis

Analysis Pg. No. 1289

Budget Page No. 318

| <u>Expenditure Summary</u> | <u>Agency Request FY 2000</u> | <u>Gov. Rec. FY 2000</u> | <u>Senate Subcomm. Adjustments</u> |
|--|-----------------------------------|------------------------------|--|
| All Funds: | | | |
| State Operations | \$ 2,512,893 | \$ 2,530,364 | \$ (60,932) * |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 16,024,767 | 14,184,767 | 0 |
| Subtotal - Operating | \$ 18,537,660 | \$ 16,715,131 | \$ (60,932) |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | \$ 18,537,660 | \$ 16,715,131 | \$ (60,932) |
| Economic Development Initiatives Fund: | | | |
| State Operations | \$ 2,258,814 | \$ 2,275,886 | \$ (59,226) |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 13,024,767 | 11,184,767 | 0 |
| Subtotal - Operating | \$ 15,283,581 | \$ 13,460,653 | \$ (59,226) |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | \$ 15,283,581 | \$ 13,460,653 | \$ (59,226) |
| FTE Positions | 18.0 | 18.0 | 0.0 |
| Unclassified Temp. Positions | 15.0 | 15.0 | 0.0 |
| TOTAL | 33.0 | 33.0 | 0.0 |

* Includes a reduction of \$60,932 (59,226 from the EDIF) for the Governor's employee salary adjustment. Absent the reduction for the pay plan, the Subcommittee's recommendation is the same as the Governor's.

Senate Subcommittee Recommendations

The Subcommittee concurs with the Governor with the following notations:

1. The Subcommittee notes that KTEC presented information on discontinued project reallocations which provide a total of \$490,804 in available funds in FY 2000. KTEC had budgeted these funds as shown in the table below. These projects have recently been discontinued based on mutual agreement between KTEC and the company which would have received the funding. KTEC requires companies to reach targeted technical milestones, and companies are reimbursed rather than funded prior to making expenditures. When companies are unsuccessful in development of targeted technology, competing market factors develop or the business fails, KTEC

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discontinues funding. KTEC asked the subcommittee to allow reallocation of these funds to address KTEC's priority enhancement requests. KTEC informed the Subcommittee of its intention to apply the reallocated funds to Commercialization and Applied Research Matching Grants. This would allow KTEC additional funds to apply to its priority enhancement requests without requiring additional transfers from the EDIF.

The following table details the discontinued projects and the available reallocation.

| | |
|--------------------|-------------------|
| Micromedia | \$ 100,000 |
| EHV Corp. | 45 |
| Salina AICC | 37,500 |
| Astra Technologies | 2,734 |
| Gradient Force | 14,500 |
| Marc Medical | 26,158 |
| 3-D Biomedical | 55,556 |
| Impact Dynamics | 16,066 |
| Comprose | 46,535 |
| Addiction Research | 20,000 |
| Felton Medical | 82,000 |
| CyberImage | 54,800 |
| Unimark | 19,595 |
| Nutriad | 15,315 |
| Total Available | <u>\$ 490,804</u> |

The Subcommittee recommends that KTEC reallocate the \$490,804 of available funding in FY 2000.

2. The Subcommittee notes that KTEC plans to utilize \$100,000 in royalty proceeds during FY 2000 to enhance its budget. By the year 2003, KTEC plans to utilize \$325,000 in royalty proceeds to enhance its budget. KTEC informed the Subcommittee that these royalty proceeds will decrease its reliance on state funding.

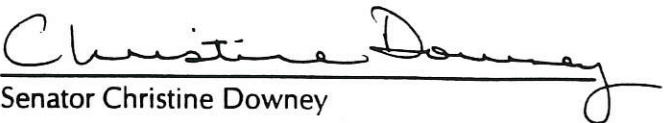
The Subcommittee notes that KTEC has statutory authority to own equity and obtain royalty and license fees through its grant programs. Since FY 1993, KTEC has generated approximately \$1.1 million in royalties and interest from research investments (an average of \$150,000 per year). The Subcommittee considers KTEC's research investments to be a successful program which brings dollars back to the state. The Subcommittee believes that reinvestment of these returns is a good use of the money. The Subcommittee recognizes that these royalty returns are volatile and respects KTEC's conservative expenditures of \$100,000 in FY 2000 out of the \$1.1 million currently in the fund. However, the Subcommittee also encourages KTEC to rely more heavily on royalties to fund its operations in the future as companies mature.

3. The Subcommittee notes that the other operating expenditures budget for KTEC, absent the one-time appropriation of an additional \$500,000 for EPSCoR in FY 1999 from EDIF moneys made available from the return of \$3.5 million by KTEC from the

Sunflower Ventures Fund, and including \$100,000 of royalty proceeds KTEC plans to use to enhance its FY 2000 budget, is a slight decrease (\$66,784) from the FY 1999 estimate.

4. Delete \$60,932 (\$59,226 from the EDIF) for a 3.5 percent unclassified merit pool for the Governor's employee salary adjustments.
5. The Subcommittee recommends technical adjustments be made to the bill to accurately reflect the Governor's recommendation.


Senator Alicia Salisbury, Chair


Senator Christine Downey


Senator Barbara Lawrence

BUDGET COMMITTEE REPORT

Agency: Kansas Department of Commerce
and Housing

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1247

Budget Page No. 98

| Expenditure Summary | Agency Estimate FY 99 | Gov. Rec. FY 99 | House Budget Committee Adjustments |
|------------------------------|------------------------------------|------------------------------------|--|
| All Funds: | | | |
| State Operations | \$ 15,398,434 | \$ 15,398,168 | \$ 0 |
| Aid to Local Units | 49,832,629 | 49,832,629 | 0 |
| Other Assistance | 13,943,015 | 13,943,015 | 41,889 |
| Subtotal - Operating | <u>\$ 79,174,078</u> | <u>79,173,812</u> | <u>0</u> |
| Capital Improvements | 85,000 | 85,000 | 0 |
| TOTAL | <u><u>\$ 79,259,078</u></u> | <u><u>\$ 79,258,812</u></u> | <u><u>\$ 41,889</u></u> |
| State General Fund: | | | |
| State Operations | \$ 935,244 | \$ 935,244 | \$ 41,889 |
| Aid to Local Units | 1,036,692 | 1,036,692 | 0 |
| Other Assistance | <u>0</u> | <u>0</u> | <u>0</u> |
| Subtotal - Operating | <u>\$ 1,971,936</u> | <u>\$ 1,971,936</u> | <u>\$ 41,889</u> |
| Capital Improvements | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL | <u><u>\$ 1,971,936</u></u> | <u><u>\$ 1,971,936</u></u> | <u><u>\$ 41,889</u></u> |
| EDIF: | | | |
| State Operations | \$ 7,989,718 | \$ 7,989,452 | \$ (41,889) |
| Aid to Local Units | 1,150,000 | 1,150,000 | 0 |
| Other Assistance | <u>5,928,900</u> | <u>5,928,900</u> | <u>41,889</u> |
| Subtotal - Operating | <u>\$ 15,068,618</u> | <u>\$ 15,068,352</u> | <u>\$ 0</u> |
| Capital Improvements | 85,000 | 85,000 | 0 |
| TOTAL | <u><u>\$ 15,153,618</u></u> | <u><u>\$ 15,153,352</u></u> | <u><u>\$ 0</u></u> |
| FTE Positions | 132.0 | 132.0 | 0.0 |
| Unclassified Temp. Positions | <u>3.0</u> | <u>3.0</u> | <u>0.0</u> |
| TOTAL | <u><u>135.0</u></u> | <u><u>135.0</u></u> | <u><u>0.0</u></u> |

Agency Estimate/Governor's Recommendation

For FY 1999 the Department requests operating expenditures of \$78,174,078, and increase of \$3.5 million over the approved amount. The increase includes a supplemental request of \$41,889 (EDIF) and 1.0 Unclassified Temporary Position to perform duties required of the Department by 1998 HB 2684. The Department is required to provide instruction and assistance to entities applying for economic development and/or industrial revenue bond abatement. The FY 1999 estimate also includes \$1.1 million in carry forward in the Kansas Economic Opportunity Initiatives Fund (KEOIF) and K-

Senate Ways and Means Committee

Date 2/23/99

Attachment # 7-1

industry Expansion Fund (KEIEF) which were granted but not encumbered in FY 1998, and increases in other federal awards.

The Governor concurs with the agency's revised request, making adjustments for fringe benefit calculations.

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor with the following adjustment:

1. Shift funding of \$41,889 for the 1.0 **Unclassified Temporary** Position to perform duties required by the passage of 1998 HB 2684 from EDIF to the State General Fund.
2. Add \$41,889 (EDIF) for the World Trade Center in Wichita.

House Committee Recommendation

The House Committee concurs with the recommendations of the Budget Committee with the following adjustments:

1. Shift funding of \$41,889 for the 1.0 **Unclassified Temporary** Position to perform duties required by the passage of 1998 H.B. 2684 back to the EDIF from the State General Fund.
 2. Do not add funding for the World Trade Center in Wichita.
-

SUBCOMMITTEE REPORT

Agency: Kansas Department of Commerce
and Housing

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1247

Budget Page No. 98

| <u>Expenditure Summary</u> | <u>Agency Estimate FY 99</u> | <u>Gov. Rec. FY 99</u> | <u>Senate Subcommittee Adjustments</u> |
|------------------------------|--------------------------------------|-----------------------------|--|
| All Funds: | | | |
| State Operations | \$ 15,398,434 | \$ 15,398,168 | \$ 0 |
| Aid to Local Units | 49,832,629 | 49,832,629 | 0 |
| Other Assistance | 13,943,015 | 13,943,015 | 0 |
| Subtotal - Operating | <u>\$ 79,174,078</u> | <u>79,173,812</u> | <u>0</u> |
| Capital Improvements | 85,000 | 85,000 | 0 |
| TOTAL | <u><u>\$ 79,259,078</u></u> | <u><u>\$ 79,258,812</u></u> | <u><u>\$ 0</u></u> |
| State General Fund: | | | |
| State Operations | \$ 935,244 | \$ 935,244 | \$ 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 | <u>\$ 1,971,936</u> | <u>\$ 1,971,936</u> | <u>0</u> |
| Capital Improvements | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL | <u><u>\$ 1,971,936</u></u> | <u><u>\$ 1,971,936</u></u> | <u><u>\$ 0</u></u> |
| EDIF: | | | |
| State Operations | \$ 7,989,718 | \$ 7,989,452 | \$ 0 |
| Aid to Local Units | 1,150,000 | 1,150,000 | 0 |
| Other Assistance | <u>5,928,900</u> | <u>5,928,900</u> | <u>0</u> |
| Subtotal - Operating | <u>\$ 15,068,618</u> | <u>\$ 15,068,352</u> | <u>0</u> |
| Capital Improvements | <u>85,000</u> | <u>85,000</u> | <u>0</u> |
| TOTAL | <u><u>\$ 15,153,618</u></u> | <u><u>\$ 15,153,352</u></u> | <u><u>\$ 0</u></u> |
| FTE Positions | 132.0 | 132.0 | 0.0 |
| Unclassified Temp. Positions | <u>3.0</u> | <u>3.0</u> | <u>0.0</u> |
| TOTAL | <u><u>135.0</u></u> | <u><u>135.0</u></u> | <u><u>0.0</u></u> |

Senate Subcommittee Recommendation

The Subcommittee concurs with the recommendation of the Governor and makes the following technical adjustment:

7.3

1. The Subcommittee recommends that technical adjustments be made to the bill to accurately reflect the Governor's recommendation.


Senator Alicia Salisbury, Chair


Senator Christine Downey


Senator Barbara Lawrence

BUDGET COMMITTEE REPORT

Agency: Kansas Department of Commerce
and Housing

Bill No. 2519

Bill Sec. 47

Analyst: Davis

Analysis Pg. No. 1247

Budget Page No. 98

| <u>Expenditure Summary</u> | <u>Agency Request FY 2000</u> | <u>Gov. Rec. FY 2000</u> | <u>House Budget Committee Adjustments</u> |
|------------------------------|---------------------------------------|------------------------------|---|
| All Funds: | | | |
| State Operations | \$ 20,745,912 | \$ 18,891,773 | \$ 0 |
| Aid to Local Units | 49,583,111 | 49,440,111 | 50,000 |
| Other Assistance | <u>12,849,900</u> | <u>12,169,900</u> | <u>(750,000)</u> |
| Subtotal - Operating | \$ 83,178,923 | \$ 80,501,784 | \$ (700,000) |
| Capital Improvements | <u>1,035,000</u> | <u>15,000</u> | <u>0</u> |
| TOTAL | <u>\$ 84,213,923</u> | <u>\$ 80,516,784</u> | <u>\$ (700,000)</u> |
| State General Fund: | | | |
| State Operations | \$ 1,067,986 | \$ 1,520,274 | \$ 41,889 |
| Aid to Local Units | 933,022 | 933,022 | 0 |
| Other Assistance | <u>0</u> | <u>0</u> | <u>0</u> |
| Subtotal - Operating | \$ 2,001,008 | \$ 2,453,296 | \$ 41,889 |
| Capital Improvements | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL | <u>\$ 2,001,008</u> | <u>\$ 2,453,296</u> | <u>\$ 41,889</u> |
| EDIF: | | | |
| State Operations | \$ 8,049,087 | \$ 7,098,504 | \$ (41,889) |
| Aid to Local Units | 1,200,000 | 1,057,000 | 50,000 |
| Other Assistance | <u>5,913,900</u> | <u>6,233,900</u> | <u>0</u> |
| Subtotal - Operating | \$ 15,162,987 | \$ 14,389,404 | \$ 8,111 |
| Capital Improvements | <u>1,035,000</u> | <u>15,000</u> | <u>0</u> |
| TOTAL | <u>\$ 16,197,987</u> | <u>\$ 14,404,404</u> | <u>\$ 8,111</u> |
| FTE Positions | | | |
| FTE Positions | 133.0 | 133.0 | 0.0 |
| Unclassified Temp. Positions | <u>1.0</u> | <u>1.0</u> | <u>0.0</u> |
| TOTAL | <u>134.0</u> | <u>134.0</u> | <u>0.0</u> |

Agency Request/Governor's Recommendation

The Department requests total operating expenditures of \$83.2 million for FY 2000, including \$2.0 million from the State General Fund and \$15.2 million from the EDIF. The Department's request includes \$42,638 (EDIF) and 1.0 FTE for a position to perform the duties required by the passage of 1998 HB 2684. The Department is required to provide instruction and assistance to entities applying for economic development and/or industrial revenue bond abatement. The Department also requests \$15.6 million in enhancements, including expenditures of \$2.1 from the EDIF.

11.5

The Governor recommends operating expenditures of \$80.5 million, including \$2.5 million from the State General Fund and \$14.4 million from the EDIF. The Governor recommends funding for the requested FTE of \$42,638 (EDIF). The Governor recommends \$750,000 over the agency request for the Kansas Economic Opportunities Initiatives Fund (KEOIF) for a total of \$5.0 million transferred to KEOIF from the EDIF. The Governor's recommendation also includes \$300,000 (EDIF) for the Eisenhower Museum and an addition of \$500,000 for tourism grants.

The following table details the FY 2000 enhancements.

| Enhancement | Agency Request | | | Governor's Recommendation | | |
|--|---------------------|----------------------|------------|---------------------------|---------------------|------------|
| | EDIF | All Funds | FTE | EDIF | All Funds | FTE |
| New position for administering BOTA related duties | \$ 42,638 | \$ 42,638 | 1.0 | \$ 42,638 | \$ 42,638 | 1.0 |
| Enhanced Training Equipment Grants | 50,000 | 50,000 | 0.0 | 0 | 0 | 0.0 |
| Restore reduction in operating budget - Administration | 14,900 | 14,900 | 0.0 | 0 | 0 | 0.0 |
| Restore KEOIF to FY 1999 level | 0 | 250,000 | 0.0 | 0 | 1,000,000 | 0.0 |
| Finance Midwest U.S. - Japan Conference | 150,000 | 150,000 | 0.0 | 0 | 0 | 0.0 |
| Construct new Goodland Travel Information Center | 1,000,000 | 1,000,000 | 0.0 | 0 | 0 | 0.0 |
| Increase Value-Added Program Loans/Grants | 210,000 | 210,000 | 0.0 | 0 | 0 | 0.0 |
| Restoration of KIT/KIR program funding | 250,000 | 250,000 | 0.0 | 0 | 0 | 0.0 |
| Establish financing for State Tourism fund | 0 | 1,750,000 | 0.0 | 0 | 0 | 0.0 |
| Restore operating costs - Ag. Division | 65,000 | 65,000 | 0.0 | 0 | 0 | 0.0 |
| Restore operating costs in Trade Division | 55,000 | 55,000 | 0.0 | 0 | 0 | 0.0 |
| Restore Community Capacity Building Grants | 53,000 | 53,000 | 0.0 | 0 | 0 | 0.0 |
| Enhanced operating budget of Film Commission | 25,000 | 25,000 | 0.0 | 0 | 0 | 0.0 |
| Restore operating costs in Travel and Tourism | 100,000 | 100,000 | 0.0 | 0 | 0 | 0.0 |
| Restore Trade Show Assistance Grants | 20,000 | 20,000 | 0.0 | 0 | 0 | 0.0 |
| Restore SBDC funding | 40,000 | 40,000 | 0.0 | 0 | 0 | 0.0 |
| Restore Travel Information Center maintenance funding | 20,000 | 20,000 | 0.0 | 0 | 0 | 0.0 |
| Add Small Business Consulting Program | 40,000 | 40,000 | 0.0 | 0 | 0 | 0.0 |
| Costs associated with the issuance of an additional \$10,000,000 training bond | 0 | 1,456,741 | 0.0 | 0 | 0 | 0.0 |
| TOTAL—FY 2000 Enhancement Request | \$ 2,135,538 | \$ 15,592,279 | 1.0 | \$ 42,638 | \$ 1,042,638 | 1.0 |

House Budget Committee Recommendations

The Budget Committee concurs with the recommendations of the Governor with the following exceptions:

1. Shift \$41,889 of the funding for the 1.0 FTE position to perform duties required by the passage of 1998 H.B. 2684 from EDIF to the State General Fund.
2. Delete \$750,000 of the transfer from the EDIF to the Kansas Economic Opportunity Initiatives Fund (KEOIF). The Budget Committee recommends that this funding be reviewed at Omnibus.
3. Add \$50,000 (EDIF) for training equipment grants.
4. The Budget Committee notes that the Department provided information regarding open FTE positions in October 1998 as a sample of the Department's open positions. The Department has had no position remain open for more than 180 days.
5. The Budget Committee notes that the Governor recommends \$500,000 for tourism grants over the amount requested by the Department in lieu of funding the requested

7.26

transfer of \$1.75 million to the State Tourism Fund. The Budget Committee further notes that the Department informed the Committee that passage of H.B. 2016 (which diverts up to \$2.0 million from the State General Fund to the State Tourism Fund for tourism grants) would increase funding for tourism and the additional funding could possibly be redirected. The Budget Committee recommends that this issue be reviewed at Omnibus.

House Committee Recommendation

The House Committee concurs with the recommendations of the Budget Committee with the following adjustment:

1. Add \$41,889 (EDIF) for a grant to the World Trade Center in Wichita and add a proviso requiring quarterly reports from the World Trade Center to the Secretary of Commerce and Housing on how the grant is being used.
-

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SUBCOMMITTEE REPORT

Agency: Kansas Department of Commerce
and Housing

Bill No. 326

Bill Sec. 47

Analyst: Davis

Analysis Pg. No. 1247

Budget Page No. 98

| <u>Expenditure Summary</u> | <u>Agency Req. FY 2000</u> | <u>Gov. Rec. FY 2000</u> | <u>Senate Subcommittee Adjustments</u> |
|------------------------------|------------------------------------|------------------------------|--|
| All Funds: | | | |
| State Operations | \$ 20,745,912 | \$ 18,891,773 | \$ (198,618)* |
| Aid to Local Units | 49,583,111 | 49,440,111 | 0 |
| Other Assistance | <u>12,849,900</u> | <u>12,169,900</u> | <u>(100,000)</u> |
| Subtotal - Operating | \$ 83,178,923 | \$ 80,501,784 | \$ (298,618) |
| Capital Improvements | <u>1,035,000</u> | <u>15,000</u> | <u>0</u> |
| TOTAL | <u><u>\$ 84,213,923</u></u> | <u><u>\$ 80,516,784</u></u> | <u><u>\$ (298,618)</u></u> |
| State General Fund: | | | |
| State Operations | \$ 1,067,986 | \$ 1,520,274 | \$ (33,566) |
| Aid to Local Units | 933,022 | 933,022 | 0 |
| Other Assistance | <u>0</u> | <u>0</u> | <u>0</u> |
| Subtotal - Operating | \$ 2,001,008 | \$ 2,453,296 | \$ (33,566) |
| Capital Improvements | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL | <u><u>\$ 2,001,008</u></u> | <u><u>\$ 2,453,296</u></u> | <u><u>\$ (33,566)</u></u> |
| EDIF: | | | |
| State Operations | \$ 8,049,087 | \$ 7,098,504 | \$ (107,651) |
| Aid to Local Units | 1,200,000 | 1,057,000 | 0 |
| Other Assistance | <u>5,913,900</u> | <u>6,233,900</u> | <u>(100,000)</u> |
| Subtotal - Operating | \$ 15,162,987 | \$ 14,389,404 | \$ (207,651) |
| Capital Improvements | <u>1,035,000</u> | <u>15,000</u> | <u>0</u> |
| TOTAL | <u><u>\$ 16,197,987</u></u> | <u><u>\$ 14,404,404</u></u> | <u><u>\$ (207,651)</u></u> |
| FTE Positions | 133.0 | 133.0 | 0.0 |
| Unclassified Temp. Positions | <u>1.0</u> | <u>1.0</u> | <u>0.0</u> |
| TOTAL | <u><u>134.0</u></u> | <u><u>134.0</u></u> | <u><u>0.0</u></u> |

* Includes a reduction of \$198,618 (including \$33,566 from the State General Fund) for the Governor's employee salary adjustment. Absent the decrease for the pay plan the recommendation is a decrease of \$100,000 from the Governor's recommendation.

Senate Subcommittee Recommendation

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

1. The Subcommittee notes that HB 2016, if passed, would provide a \$1.75 million revenue transfer to the State Tourism Fund for tourism grants, according to the Department. Should HB 2016 be approved, the Subcommittee recommends that the

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\$952,100 recommended by the Governor for tourism attraction development grants be reviewed.

2. Delete \$100,000 for a grant to the Eisenhower Museum. The Subcommittee notes that the Governor recommends \$300,000 for a grant to the Eisenhower Museum. The Subcommittee was informed that the grant is intended for museum renovations but may also be used for development of other initiatives designed to increase visitation at the center. The Subcommittee was further informed that, at the recommended level, the Eisenhower Museum grant does not qualify for the attraction development program because the grants are statutorily limited so that no more than 20 percent of the total monies granted may go to a single entity. The Subcommittee recommends \$200,000 for the grant and encourages the Museum to seek the additional funds through the attraction development grant process and private funds.
3. The Subcommittee notes that the Governor's recommendation for the transfer from the Economic Development Initiatives Fund (EDIF) to the Kansas Economic Opportunity Initiatives Fund (KEOIF) is \$5.0 million in FY 2000, an increase of \$1.0 million over the revised FY 1999 recommended transfer of \$4.0 million. The Subcommittee was informed that KEOIF has proven to be a valuable economic development tool for the state. The Subcommittee concurs with the Governor's recommendation and wishes to bring the following information regarding KEOIF to the attention of the Committee:
 - a. The Department has committed a total of \$6.0 million from KEOIF for the NASCAR race track in Wyandotte County. In FY 1998, \$500,000 was paid toward the commitment. In FY 1999 another \$500,000 has been encumbered. The Department plans to disburse the balance as follows: \$1.0 million in FY 2000; \$2.0 million in FY 2001; and \$2.0 million in 2002.

| Annual Disbursement of KEOIF Dollars for NASCAR | | | | | |
|---|----------------|----------------|----------------|----------------|--------------|
| <u>FY 1998</u> | <u>FY 1999</u> | <u>FY 2000</u> | <u>FY 2001</u> | <u>FY 2002</u> | <u>Total</u> |
| \$ 500,000 | \$ 500,000 | \$ 1,000,000 | \$ 2,000,000 | \$ 2,000,000 | \$ 6,000,000 |

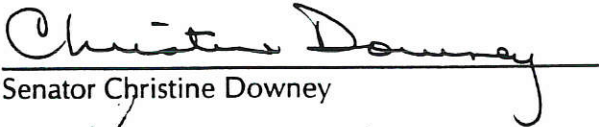
- b. The Department estimates and the Governor recommends total KEOIF expenditures of \$5,276,947 (including \$1.3 million carried forward from FY 1998) in FY 1999. To date, \$2,630,000 has been encumbered and \$1,160,000 is in the process of being encumbered, another \$3,505,000 has been committed to project proposals. Committed dollars are those which have been offered, but which may or may not result in an ultimate decision by a company to locate or expand operations in Kansas. Of the dollars committed, the Department's best estimate is that \$1,976,500 are likely to be successful. If the Department's projections are correct, the fund will be overdrawn in FY 1999 and \$489,563 of FY 2000 moneys would go for projects committed in FY 1999 and \$1.0 million for NASCAR, leaving \$3.5 million for other economic opportunity initiatives across the state.
- c. If NASCAR commitments are excluded, the FY 2000 recommendation is a decrease of \$776,947 from FY 1999 expenditures. Despite the apparent increased transfer to KEOIF in FY 2000, the Department actually has fewer dollars to spend in FY 2000 for this valuable economic development tool.

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| KEOIF Expenditures Excluding NASCAR commitments | | |
|---|--------------|--------------|
| FY 1999 | FY 2000 | Difference |
| \$ 4,776,947 | \$ 4,000,000 | \$ (776,947) |

4. The Subcommittee recommends that technical adjustments be made to the bill to accurately reflect the Governor's recommendation.
5. Delete \$198,618 (including \$33,566 from the State General Fund) for the Governor's recommended pay plan adjustments for a 2.5 percent classified step movement (\$84,064), longevity bonus payments (\$40,569), a 1.0 percent classified base salary adjustment (\$47,095), and a 3.5 percent unclassified merit pool (\$26,887).


Senator Alicia Salisbury, Chair


Senator Christine Downey


Senator Barbara Lawrence

BUDGET COMMITTEE REPORT

Agency: State Board of Tax Appeals

Bill No. –

Bill Sec. –

Analyst: Rampey

Analysis Pg. No. 1328

Budget Page No. 427

| Expenditure Summary | Agency Estimate FY 99 | Gov. Rec. FY 99 | House Subcommittee Adjustments |
|------------------------------|-----------------------------|---------------------|--------------------------------------|
| All Funds: | | | |
| State Operations | \$ 2,431,965 | \$ 2,344,165 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 2,431,965</u> | <u>\$ 2,344,165</u> | <u>\$ 0</u> |
| State General Fund: | | | |
| State Operations | \$ 2,420,465 | \$ 2,332,665 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 2,420,465</u> | <u>\$ 2,332,665</u> | <u>\$ 0</u> |
| FTE Positions | 37.0 | 37.0 | 0.0 |
| Unclassified Temp. Positions | 2.0 | 2.0 | 0.0 |
| TOTAL | <u>39.0</u> | <u>39.0</u> | <u>0.0</u> |

Agency Overview

The State Board of Tax Appeals is the highest administrative taxing body in the state. The Board hears appeals from taxpayers regarding exemptions, equalizations, protests (valuation questions), and grievances that pertain to property, sales, excise, income, inheritance, and other related taxes administered by the State Department of Revenue. The Board also conducts hearings at the request of taxing subdivisions regarding the authority to exceed current budget limitations and to issue no-fund warrants. The five members of the Board are appointed by the Governor.

Legislation enacted by the 1998 Legislature (H.B. 2684) created the Small Claims Division within the Board to hear and decide appeals of decisions, findings, orders, or rulings of the Kansas Director of Taxation when the amount of tax in controversy is less than \$15,000 or, in the case of property tax valuation disputes, when the property involved is single-family residential property or the appraised valuation is less than \$2.0 million. (Agricultural use value is excepted from consideration.) Hearings before the Small Claims Division must be conducted within 60 calendar days after appeals are filed and be held in or adjacent to the counties in which the property is located. The Small Claims Division was established January 1, 1999. To fund the Small Claims Division, the 1998 Legislature added \$700,000 and 7.0 FTE positions.

Senate Ways and Means Committee

Date

Attachment # 91

Agency Estimate/Governor's Recommendation

For FY 1999, the State Board of Tax Appeals estimates expenditures of \$2,431,965, an increase of \$87,800 more than the amount approved by the 1998 Legislature (\$2,332,665). The increase consists of \$53,988 from the State General Fund (SGF) to fully fund the Small Claims Division, which became operational January 1, 1999, and \$33,812 from the SGF to correct an error made by Research Department staff in posting the bill.

The Governor recommends the amount approved by the 1998 Legislature and does not approve the requested supplemental appropriations.

House Budget Committee Recommendations

The House Budget Committee concurs with the recommendations of the Governor.

House Committee Recommendation

The House Committee concurs with the recommendation of the Budget Committee.

SENATE SUBCOMMITTEE REPORT

Agency: State Board of Tax Appeals

Bill No. -

Bill Sec. -

| Expenditure Summary | Agency Estimate FY 99 | Gov. Rec. FY 99 | Senate Subcommittee Adjustments |
|------------------------------|-----------------------------|----------------------------|---------------------------------------|
| All Funds: | | | |
| State Operations | \$ 2,431,965 | \$ 2,344,165 | \$ 33,812 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 2,431,965</u> | <u>\$ 2,344,165</u> | <u>\$ 33,812</u> |
| State General Fund: | | | |
| State Operations | \$ 2,420,465 | \$ 2,332,665 | \$ 33,812 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 2,420,465</u> | <u>\$ 2,332,665</u> | <u>\$ 33,812</u> |
| Other Funds: | | | |
| State Operations | \$ 11,500 | \$ 11,500 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 11,500</u> | <u>\$ 11,500</u> | <u>\$ 0</u> |
| FTE Positions | 37.0 | 37.0 | 0.0 |
| Unclassified Temp. Positions | 2.0 | 2.0 | 0.0 |
| TOTAL | <u>39.0</u> | <u>39.0</u> | <u>0.0</u> |

Agency Estimate/Governor's Recommendation

The State Board of Tax Appeals estimates expenditures of \$2,431,965, of which \$2,420,465 is from the State General Fund (SGF). The SGF amount includes a requested supplemental appropriation of \$87,800 that consists of \$53,988 to fully fund the Small Claims Division which began operations January 1, 1999, and \$33,812 to correct an error made by Research Department staff in posting the bill.

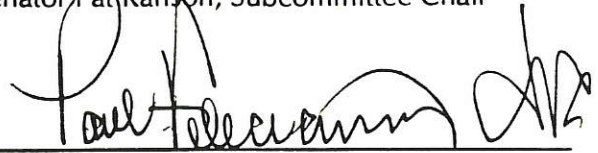
The Governor recommends expenditures of \$2,344,165. The Governor does not recommend the requested supplemental appropriation.

Senate Subcommittee Recommendations

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

1. Add \$33,812 from the SGF to correct a posting error made by the Research Department staff. It was the intention of the 1998 Legislature that the agency should have the money.

Senator Pat Ranson, Subcommittee Chair

A handwritten signature in black ink, appearing to read "Paul Feleciano, Jr.", written over a horizontal line.

Senator Paul Feleciano, Jr.

BUDGET COMMITTEE REPORT

Agency: State Board of Tax Appeals

Bill No. –

Bill Sec. –

Analyst: Rampey

Analysis Pg. No. 1328

Budget Page No. 427

| <u>Expenditure Summary</u> | <u>Agency Req. FY 00</u> | <u>Gov. Rec. FY 00</u> | <u>House Subcommittee Adjustments</u> |
|------------------------------|----------------------------------|----------------------------|---|
| All Funds: | | | |
| State Operations | \$ 2,553,501 | \$ 2,344,224 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 2,553,501</u> | <u>\$ 2,344,224</u> | <u>\$ 0</u> |
| State General Fund: | | | |
| State Operations | \$ 2,541,501 | \$ 2,332,224 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 2,541,501</u> | <u>\$ 2,332,224</u> | <u>\$ 0</u> |
| FTE Positions | 39.0 | 37.0 | 0.0 |
| Unclassified Temp. Positions | 2.0 | 2.0 | 0.0 |
| TOTAL | <u>41.0</u> | <u>39.0</u> | <u>0.0</u> |

Agency Request/Governor's Recommendation

For FY 2000, the State Board of Tax Appeals requests \$2,553,501, which includes \$104,385 from the SGF for the salaries and fringe benefits of 2.0 FTE new Hearing Officers who will travel around the state hearing appeals brought to the Small Claims Division and \$371,000 from the SGF for contract hearing officers to hear cases appealed to the Small Claims Division. FY 2000 will be the first full year in which the Small Claims Division is operational.

The Governor recommends \$2,344,224, a reduction of \$209,277 from the Board's request and an increase of \$59 over his recommendation for the current year. The Governor does not recommend the two new positions. The Governor's recommendation for the "contractual services" expenditure category, which includes money for contract employees, is a reduction of \$30,676 from the Board's request.

House Budget Committee Recommendations

The House Budget Committee concurs with the Governor, with the following exceptions and comments:

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1. Authorize the Board to reappropriate any savings from FY 1999 to FY 2000. This recommendation will give the Board more flexibility in managing its operations by allowing it to plan how best to use its resources over two fiscal years. In anticipation of expenditures in FY 2000, it may be able to generate savings in the current year.
2. Review the Board's funding needs at the end of the Session when more information is available about the cost to operate the Small Claims Division. The Budget Committee notes that the agency made a specific appeal for the following items totaling \$30,182 that the Governor did not include in his budget: \$7,566 for the deferred compensation option of an employee, \$12,616 for capital outlay, and \$10,000 for commodities. The Budget Committee believes it will be in a better position to evaluate funding needs in FY 2000 after the Small Claims Division has been in operation for more than a few weeks. Therefore, it recommends that the Board's request for additional funding be considered in the Omnibus Bill.
3. Request that the Board prepare, as part of future budget submissions, performance measures that include projections of anticipated performance, as well as historical information. The Budget Committee is particularly interested that agencies set goals by which improvement can be measured. In this regard, the Budget Committee calls attention to the three attachments to this report which show the average time to close dockets, information on case filings from FY 1990 to the present, and an estimate of case filings for the Small Claims Division. It is the Budget Committee's expectation that future performance measures will include, among other things, projections of new cases and the average time for a case to be resolved from the time it is docketed.
4. The Budget Committee calls attention to the H.B. 2684 enacted by the 1998 Legislature. The bill created the position of Executive Director of the Board, who is hired and serves at the pleasure of the Board, subject to approval by the Governor. The position has broadly defined duties to oversee the entire operation of the Board, not just the Small Claims Division. It was the Legislature's intention in enacting H.B. 2684 that the Board have a chief executive officer who would relieve members of the Board of the duties of administering a state agency.

House Committee Recommendation

The House Committee concurs with the recommendations of the Budget Committee.

SENATE SUBCOMMITTEE REPORT

Agency: State Board of Tax Appeals

Bill No. -

Bill Sec. -

| <u>Expenditure Summary</u> | <u>Agency Request FY 00</u> | <u>Gov. Rec. FY 00</u> | <u>Senate Subcommittee Adjustments</u> |
|------------------------------|---------------------------------|----------------------------|--|
| All Funds: | | | |
| State Operations | \$ 2,553,501 | \$ 2,347,988* | \$ (32,803) ** |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 2,553,501</u> | <u>\$ 2,347,988</u> | <u>\$ (32,803)</u> |
| State General Fund: | | | |
| State Operations | \$ 2,541,501 | \$ 2,335,988 | \$ (32,803) |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 2,541,501</u> | <u>\$ 2,335,988</u> | <u>\$ (32,803)</u> |
| Other Funds: | | | |
| State Operations | \$ 12,000 | \$ 12,000 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 12,000</u> | <u>\$ 12,000</u> | <u>\$ 0</u> |
| FTE Positions | 39.0 | 37.0 | 0.0 |
| Unclassified Temp. Positions | 2.0 | 2.0 | 0.0 |
| TOTAL | <u>41.0</u> | <u>39.0</u> | <u>0.0</u> |

* The Governor's recommendation has been adjusted to reflect the addition of \$3,764 pursuant to GBA No. 1, Item 3.

** The change consists entirely of a reduction of \$32,803 from the State General Fund for the Governor's employee salary adjustments.

Agency Request/Governor's Recommendation

The Board requests a total of \$2,553,501 for FY 2000, of which all but \$12,000 is from the State General Fund (SGF). The request includes \$104,385 for the salaries and fringe benefits of 2.0 FTE new Hearing Officers who would travel around the state hearing appeals brought to the Small Claims

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Division in peak workload periods of April and May, and \$20,000 for 10 Pentium personal computers to begin a four-year cycle to replace computer equipment.

The Governor recommends expenditures of \$2,347,988, an increase of \$3,823 over his recommendation for the current year. The Governor does not recommend the requested new positions or any funding for capital outlay. The Governor reduces the request for contractual services by \$30,676 (from \$744,207 to \$713,531).

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the Governor's recommendations, with the following exceptions:

1. Delete \$32,803 from the SGF based on the decision to delete funding for the Governor's recommended pay plan adjustments. The adjustments consist of \$6,463 for a 2.5 percent classified step movement, \$7,039 for longevity bonus payments, \$5,830 for a 1.0 percent classified base salary adjustment, and \$13,471 for a 3.5 percent unclassified merit pool.
2. Concur with Governor's Budget Amendment No. 1, Item 3, which adds \$3,764 from the SGF for a Board member's deferred compensation which was inadvertently left out of the Governor's original recommendations.
3. The Subcommittee calls attention to the fact that the Governor recommends no funding for capital outlay in FY 2000. The Board requested \$32,616, including \$20,000 for 10 Pentium personal computers to begin a four-year cycle to replace computer equipment. (Expenditures for capital outlay were \$11,462 in FY 1998 and are estimated to be \$74,762 in the current year during which the Small Claims Division will become operational.) Regarding the \$20,000 requested to begin a computer replacement cycle, the Subcommittee recommends that the Board submit its request to the Joint Committee on Information Technology for its recommendation. Regarding capital outlay purchases in general, the Subcommittee recommends that the needs of the Board be considered in the Omnibus Bill after the Small Claims Division has been operational for a few more months.
4. When the 1998 Legislature enacted H.B. 2684 which creates the Small Claims Division, it allowed counties the option of keeping their own Hearing Officer Panel (HOP), paid for at county expense, to hear cases that now can be brought before the Small Claims Division. (Attachment 1 to this report lists the counties that have retained or are considering retaining their HOPs.) Appeals that go to HOPs also may be appealed to the Small Claims Division, for which the Board is requesting additional hearing officer positions and money to contract for temporary hearing officers. The Subcommittee makes no recommendation in this area, but notes what seems to be an unnecessary expense in that some counties are paying to hear cases that could be brought directly to the Small Claims Division.
5. In 1998, this Subcommittee added money for travel to permit the Board to carry out an initiative it began in 1997 to hold prehearing and status conferences around the

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state 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 starts. 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. The Subcommittee is pleased to report that since July 1, 1998, status conferences have been held on 1,233 dockets. Of these, 736, or almost 60 percent, have been settled without a hearing or are awaiting only the completion of paperwork to close the case.

6. Attached to this report is additional information about the Board and its workload. Attachment 2 shows the workload of the Board from FY 1990 through January 25, 1999. Attachment 3 shows the average time to close dockets from 1994 through 1998. Attachment 4 shows an estimate of the number of cases that will be brought to the Small Claims Division by region of the state, and Attachment 5 breaks the estimate down by type of case.



Senator Pat Ranson
Subcommittee Chair



Senator Paul Feleciano, Jr.

ATTACHMENT NO. 1

COUNTIES KEEPING HEARING OFFICER PANEL

| | |
|-----------|------------|
| Allen | Montgomery |
| Cherokee | Reno |
| Cowley | Riley |
| Ellis | Sedgwick |
| Ford | Sumner |
| Linn | Woodson |
| McPherson | |

COUNTIES UNDECIDED

| | |
|-------------|--------------|
| Finney | Lyon |
| Harvey | Pottawatomie |
| Leavenworth | Wyandotte |

Source: State Board of Tax Appeals.

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ATTACHMENT NO. 2

PERFORMANCE INDICATORS

Appeals to the Kansas Board of Tax Appeals

| <u>Type of Appeal</u> | <u>FY 1990</u> | <u>FY 1991</u> | <u>FY 1992</u> | <u>FY 1993</u> | <u>FY 1994</u> | <u>FY 1995</u> | <u>FY 1996</u> | <u>FY 1997</u> | <u>FY 1998</u> | <u>FY 1999</u> |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Protest of Property Valuation | 11,600 | 7,568 | 3,683 | 6,024 | 3,695 | 2,344 | 1,417 | 1,027 | 763 | 281* |
| Appeal for Property Tax Exemption | 2,828 | 5,023 | 5,923 | 8,897 | 5,268 | 5,038 | 4,119 | 3,943 | 3,542 | 2,463 |
| Grievance Related to Property Tax Error | 1,034 | 2,637 | 2,562 | 3,108 | 2,660 | 2,396 | 2,460 | 2,086 | 2,058 | 1,101 |
| Appeal from Ruling by County Hearing Officer or Panel (or, prior to 1992, by County Board of Equalization) | 1,733 | 1,075 | 2,210 | 1,524 | 1,870 | 1,780 | 2,352 | 2,217 | 1,930 | 1,709 |
| Appeal from Ruling by Director of Taxation | 53 | 67 | 69 | 111 | 130 | 130 | 166 | 142 | 93 | 65 |
| Appeal from Ruling by Director of Property Valuation | 16 | 25 | 33 | 17 | 35 | 12 | 10 | 8 | 12 | 8 |
| Appeal of Municipalities (including school districts) to Issue No-Fund Warrants | 61 | 54 | 28 | 21 | 37 | 23 | 17 | 10 | 14 | 7 |
| Appeal for Exemption for Industrial Revenue Bonds | 44 | 23 | 37 | 46 | 38 | 39 | 26 | 26 | 41 | 20 |
| Appeal for Exemption for Economic Development | 71 | 76 | 71 | 38 | 45 | 73 | 70 | 73 | 63 | 37 |
| Other | 1 | 0 | 5 | 16 | 13 | 18 | 7 | 8 | 6 | 3 |
| TOTAL | <u>17,441</u> | <u>16,548</u> | <u>14,621</u> | <u>19,802</u> | <u>13,791</u> | <u>11,853</u> | <u>10,644</u> | <u>9,540</u> | <u>8,522</u> | <u>5,694</u> |

* To 1-25-99.

State Board of Tax Appeals Caseload

| | <u>FY 1990</u> | <u>FY 1991</u> | <u>FY 1992</u> | <u>FY 1993</u> | <u>FY 1994</u> | <u>FY 1995</u> | <u>FY 1996</u> | <u>FY 1997</u> | <u>FY 1998</u> | <u>FY 1999</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Total All Appeals (New) | 17,441 | 16,548 | 14,621 | 19,802 | 13,791 | 11,853 | 10,644 | 9,540 | 8,522 | 5,694 |
| Cases Closed (Old and New) | 1,875 | 26,299 | 15,888 | 21,268 | 14,433 | 15,696 | 11,313 | 8,489 | 7,481 | 6,197 |
| Open Cases at End of Year | 23,779 | 14,028 | 12,761 | 11,295 | 10,653 | 6,810 | 6,141 | 7,192 | 8,233 | 7,730 |
| Number of Open Cases Being Held Because of Pending Court Cases (Cumulative) ¹⁾ | 368 | 449 | 682 | 1,170 | 1,565 | 1,999 | 2,211 | 2,429 | 2,556 | 2,604 |
| FTE Positions | 37.0 | 37.0 | 36.0 | 36.0 | 36.0 | 36.0 | 35.0 | 32.0 | 30.0 | 37.0 |

1) 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.

Source: Kansas Board of Tax Appeals.

ATTACHMENT NO. 3

AVERAGE TIME TO CLOSE DOCKETS

| <u>Docket Year</u> | <u>Number of Closed Cases</u> | <u>Total Number of Days</u> | <u>Average Number of Days to Close Cases</u> |
|--------------------|-------------------------------|-----------------------------|--|
| 1994 | 11,823 | 1,673,075 | 142 |
| 1995 | 11,258 | 1,330,850 | 118 |
| 1996 | 10,038 | 1,779,083 | 177 |
| 1997 | 7,931 | 1,288,508 | 162 |
| 1998 | 5,652 | 631,441 | 112 |

Note: Total Number of days is derived from the "status changed" date minus the docket date for the closed dockets for each calendar year. The case may have actually been closed up to seven days earlier but the status in the computer was not updated that same day. Updating to a "closed" status is usually done once a week.

Source: State Board of Tax Appeals.

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ATTACHMENT NO. 4

The financial impact of costs of hearing officers needed to hear cases brought before the Small Claims Division was calculated by estimating the number of cases that would be brought in county groupings. The groupings, estimated number of cases, and number of person days to hear the cases are shown below:

Estimate of Small Claims Division Cases by Region

| Hearing Site and County Groupings | Estimated Number of Hearings | Estimated Num- ber of Person Days for Hearings |
|---|------------------------------------|---|
| Iola –Allen, Anderson, Bourbon, Neosho, Woodson | 38 | 5 |
| Paola –Miami, Franklin, Lynn | 138 | 16 |
| Olathe –Johnson | 2,877 | 420 |
| Leavenworth –Leavenworth, Wyandotte, and Jefferson | 415 | 47 |
| Hiawatha –Brown, Doniphan, Atchison, Nemaha | 130 | 15 |
| Columbus –Cherokee, Crawford, Labette | 168 | 20 |
| Emporia –Lyon, Coffee, Chase, Greenwood | 70 | 8 |
| Topeka –Shawnee, Douglas, Jackson, Osage | 974 | 110 |
| Manhattan –Riley, Pottawatomie, Wabaunsee, Morris, Geary | 103 | 12 |
| Washington –Washington, Marshall, Clay, Republic, Cloud | 105 | 12 |
| Salina –Saline, Lincoln, Ottawa, Dickinson, McPherson, Ellsworth | 470 | 55 |
| Newton –Harvey, Marion, Butler | 143 | 17 |
| Independence –Montgomery, Chautauqua, Wilson, Elk | 96 | 10 |
| Wellington –Sumner, Cowley, Harper | 116 | 13 |
| Wichita –Sedgwick | 500 | NA |
| Hutchinson –Reno, Rice, Stafford, Pratt, Kingman | 466 | 55 |
| Coldwater –Comanche, Barber, Clark, Kiowa | 40 | 5 |
| Hays –Ellis, Rooks, Trego, Russell | 93 | 11 |
| Dodge City –Ford, Meade, Gray, Hodgeman, Edwards | 55 | 7 |
| Great Bend –Barton, Rush, Pawnee | 103 | 12 |
| Mankato –Jewell, Smith, Osborne, Mitchell | 70 | 8 |
| Norton –Norton, Phillips, Graham, Decatur, Sheridan | 35 | 5 |
| St. Francis –Cheyenne, Rawlins, Sherman | 25 | 3 |
| Oakley –Logan, Wallace, Thomas, Wichita, Gove | 31 | 4 |
| Syracuse –Hamilton, Greeley, Kearney, Stanton | 32 | 4 |
| Garden City –Finney, Scott, Lane, Ness, Haskell | 68 | 8 |
| Hugoton –Stevens, Morton, Grant, Seward | 57 | 7 |

The appeals shown in the table total 7,418. In addition, the Small Claims Division will deal with appeals from the Director of Taxation (125 estimated), tax grievances (150 estimated), and payments under protest (680 estimated). The total of these hearings is almost 8,400.

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ATTACHMENT NO. 5

**SMALL CLAIMS DIVISION
Projected Case Filings**

| | |
|------------------------------|---------|
| Equalization Appeals | 7,418 |
| Payments Under Protest | 680 |
| Director of Taxation Appeals | 125 |
| Tax Grievances | 150 |
| Current Estimate | 8,373 * |

* This is a rough estimate based on information currently available within the agency and also a survey of 104 of the 105 counties. (Sedgwick County did not respond to our survey request. It is a large county and could certainly have some impact on the above numbers.)

Note: These cases must all be closed within 90 days from the date they are filed. (Per statute, the hearing must be in 60 days and the decision rendered within 30 days of the hearing date.)

Source: State Board of Tax Appeals.

Senate Subcommittee Report

Agency: Department of Revenue

Bill No. 323

Bill Sec. 15

Analyst: West

Analysis Pg. No. 1,308

Budget Page No.363

| <u>Expenditure Summary</u> | <u>Agency Est. FY 99</u> | <u>Gov. Rec. FY 99</u> | <u>Senate Subcommittee Adjustments</u> |
|------------------------------|------------------------------|----------------------------|--|
| All Funds: | | | |
| State Operations | \$ 75,396,881 | \$ 75,569,081 | \$ 0 |
| Aid to Local Units | 6,704,000 | 6,704,000 | 0 |
| Other Assistance | 2,500,000 | 2,500,000 | 0 |
| TOTAL | <u>\$ 84,600,881</u> | <u>\$ 84,773,081</u> | <u>\$ 0</u> |
| State General Fund: | | | |
| State Operations | \$ 29,005,627 | \$ 28,977,710 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 29,005,627</u> | <u>\$ 28,977,710</u> | <u>\$ 0</u> |
| FTE Positions | 1,185.5 | 1,185.5 | 0.0 |
| Unclassified Temp. Positions | 0.0 | 0.0 | 0.0 |
| TOTAL | <u>1,185.5</u> | <u>1,185.5</u> | <u>0.0</u> |

Senate Subcommittee Recommendation

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



 Senator Stephen R. Morris



 Senator Mark Gilstrap



 Senator Larry Salmans

number of person hours devoted to re-interviewing, salary costs and production costs.

- The Budget Committee notes that the agency is to provide the following information prior to the consideration of Omnibus:
- Expenditures for computers and software for the last five years; and
- Expenditures for temporary employees for the last four years, including the number of person hours purchased and the average cost per person hour.

The Budget Committee looks forward to sharing this information with the Appropriations Committee and other interested legislators.

House Appropriations Committee Recommendation

The House Appropriations committee concurs with the recommendations of the Budget Committee.

House Committee of the Whole Recommendation

The House Committee of the Whole has not considered this budget.

The Governor recommends a current year budget of \$84.8 million, a net increase of \$172,769 from the agency's estimate.

- State General Fund expenditures of \$29.0 million reflect a reduction of \$27,917 due to a retirement;
- A net increase of \$201,597 in Division of Vehicles Operating Fund expenditures is recommended due to:
 - An increase of \$250,000 for Year 2000 repairs to the driver's license issuing system;
 - A retirement reduction of \$29,047;
 - A \$19,356 reduction in other operating expenses.
- Expenditures from the Electronic Databases Fee Fund are reduced from the agency's estimate by \$911.

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation, with the following observations:

- The Budget Committee learned that the agency currently has accounts receivable of \$147.1 million. Of this amount, \$77.4 million are 180 days or less past due and \$69.7 million are more than 180 days past due. The agency reports that approximately 60 percent of these amounts are attributable to businesses and 40 percent to individuals. The Budget Committee believes that as the agency re-engineers itself to a more customer friendly organization that future legislatures should continue to track the agency's accounts receivable as a measure of their performance.
- The Budget Committee notes that the agency is going through an exhaustive re-interviewing process of agency personnel as the agency re-engineers itself from ten bureaus to four core processes. The agency is confident that this process will increase their productivity and make the Department of Revenue more customer friendly. The agency cited studies where other organizations have increased their productivity by as much as 70 percent using these methods. The Budget Committee agrees that the Department of Revenue needs to make strides in productivity and become more customer friendly. The Budget Committee looks forward to receiving a detailed report before Omnibus regarding what impact these changes will have on performance measures and productivity. The agency will report back how these changes will improve performance measures with a specific time line for their goals and objectives. The Budget Committee also requests that the agency provide the costs associated with this re-engineering and re-interviewing process, including the

House Budget Committee Report

Agency: Department of Revenue

Bill No. 2521

Bill Sec. 15

Analyst: West

Analysis Pg. No. 1,308

Budget Page No.363

| <u>Expenditure Summary</u> | <u>Agency Est. FY 99</u> | <u>Gov. Rec. FY 99</u> | <u>House Budget Committee Adjustments</u> |
|------------------------------|------------------------------|----------------------------|---|
| All Funds: | | | |
| State Operations | \$ 75,396,881 | \$ 75,569,081 | \$ 0 |
| Aid to Local Units | 6,704,000 | 6,704,000 | 0 |
| Other Assistance | 2,500,000 | 2,500,000 | 0 |
| TOTAL | <u>\$ 84,600,881</u> | <u>\$ 84,773,081</u> | <u>\$ 0</u> |
| State General Fund: | | | |
| State Operations | \$ 29,005,627 | \$ 28,977,710 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 29,005,627</u> | <u>\$ 28,977,710</u> | <u>\$ 0</u> |
| FTE Positions | 1,185.5 | 1,185.5 | 0.0 |
| Unclassified Temp. Positions | 0.0 | 0.0 | 0.0 |
| TOTAL | <u>1,185.5</u> | <u>1,185.5</u> | <u>0.0</u> |

Agency Est./Governor's Recommendation

The agency's current year estimate of \$84.6 million is a net increase of \$2.8 million from the approved budget. This results from:

- Greater than budgeted FY 1998 State General Fund expenditures, which reduced funding available for FY 1999 by \$143,380;
- Increased expenditures from the Automated Tax Systems Fund (\$1.7 million) and the Electronic Databases Fee Fund (\$1.1 million) associated with Project 2000 and improvements to the Computer Assisted Mass Appraisal (CAMA) System and Vehicle Information Processing System (VIPS). The majority of the increase is associated with expenditures deferred from FY 1998;
- An increase of \$74,000 in estimated Sand Royalty payments to local units of government;
- A net increase of \$64,395 in other special revenue fund expenditures.

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HOUSE BUDGET COMMITTEE REPORT

Agency: Department of Revenue

Bill No. 2519

Bill Sec. 44

Analyst: West

Analysis Pg. No. 1,308

Budget Page No. 393

| <u>Expenditure Summary</u> | <u>Agency Request FY 00</u> | <u>Gov. Rec. FY 00</u> | <u>House Budget Committee Adjustments</u> |
|------------------------------|---------------------------------|----------------------------|---|
| All Funds: | | | |
| State Operations | \$ 79,270,081 | \$ 74,138,769 | \$ 0 |
| Aid to Local Units | 6,419,000 | 6,419,000 | 0 |
| Other Assistance | 2,500,000 | 2,500,000 | 0 |
| TOTAL | <u>\$ 88,189,081</u> | <u>\$ 83,057,769</u> | <u>\$ 0</u> |
| State General Fund: | | | |
| State Operations | \$ 30,155,896 | \$ 31,952,443 | \$ (1,700,000) |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | <u>\$ 30,155,896</u> | <u>\$ 31,952,443</u> | <u>\$ (1,700,000)</u> |
| FTE Positions | 1,188.5 | 1,182.5 | 0.0 |
| Unclassified Temp. Positions | 0.0 | 0.0 | 0.0 |
| TOTAL | <u>1,188.5</u> | <u>1,182.5</u> | <u>0.0</u> |

Agency Request/Governor's Recommendation

The agency requests an FY 2000 budget of \$88.2 million, a net increase of \$3.6 million (4.2 percent) from the current year. The request includes:

- \$30.2 million from the State General Fund, an increase of \$1.2 million (4.0 percent) from the current year;
- \$9.2 million, including \$1.1 million from the State General Fund and 3.0 FTE positions, for eight program enhancement packages;
- A reduction of \$4.3 million in expenditures from the Automated Tax Systems Fund as Project 2000 approaches completion.
- Absent the requested increases, the request would represent a decrease of \$5.6 million (6.6 percent) from the current year.

The Governor recommends an FY 2000 budget of \$83.1 million, a net decrease of \$1.7 million (2.0 percent) from the current year. The recommendation includes:

- State General Fund financing of \$32.0 million, an increase of \$3.0 million (10.3 percent) from the current year.
 - Project 2000 operations and support funding of \$4.1 million is shifted from the Automated Tax Systems to the State General Fund. There is also a reduction of \$10.2 million from the agency's estimate of transfers from the State General Fund to the Automated Tax Systems Fund;
 - Other operating expenditure funding of \$840,000 is shifted from the State General Fund to the Electronic Databases Fee Fund.
 - Absent these shifts the Governor's recommendation would be a decrease of \$294,472 (1.0 percent) from the current year.
- The Governor includes \$5.3 million from the Division of Vehicles Operating Fund to begin the production of license plates for reissue in CY 2001 as requested by the agency.
- FY 2000 FTE positions of 1,182.5 reflects a reduction of 3.0 FTE positions due to retirements. No new FTE positions are recommended.

House Budget Committee Recommendations

The House Budget Committee concurs with the Governor's recommendations, with the following adjustments:

- The Budget Committee notes that the Electronic Databases Fee Fund was created to finance capital outlay, operations and maintenance of the databases operated by the agency for which access fees are charged or a charge is collected for copies of records. Until FY 2000, the fund has not been utilized to finance program operations. The Governor's FY 2000 recommendation shifts \$840,000 from the State General Fund to the Electronic Databases Fee Fund to finance a portion of the agency's operations. The Governor's recommendation leaves an ending balance of \$1.9 million in the fund compared to the agency's budget request which reflects an ending balance of \$256,602. The Budget Committee recommends the shift of \$1,700,000 of operating expenditures from the State General Fund to the Electronic Databases Fee Fund. This will result in an FY 2000 ending balance of \$240,660.
- The Budget Committee received information that the Governor's Tax Committee recommends that the agency develop a model to analyze the impact of all Kansas taxes on different types of households. This recommendation apparently was not received in time for inclusion in the agency's budget request or the Governor's recommendation. The agency estimates the cost to acquire a sales tax model and update the income tax model to be \$500,000, which could be financed from the

Electronic Databases Fee Fund. The Budget Committee is uncertain if funding for this system would be required in FY 2000 or FY 2001. The Budget Committee recommends that the agency request a Governor's budget amendment for this item and that consideration of project funding be deferred until such an amendment is received. Should the Governor recommend funding from the Electronic Databases Fee Fund, then the Budget Committee may revisit the amount of funding shifted in recommendation number 1.

House Appropriations Committee Recommendation

The House Appropriations Committee concurs with the recommendations of the Budget Committee.

House Committee of the Whole

The House Committee of the whole has not considered this budget as yet.

SENATE SUBCOMMITTEE REPORT

Agency: Department of Revenue

Bill No. 326

Bill Sec. 44

Analyst: West

Analysis Pg. No. 1,308

Budget Page No. 363

| <u>Expenditure Summary</u> | <u>Agency Request FY 00</u> | <u>Gov. Rec. FY 00</u> | <u>Senate Subcommittee Adjustments*</u> |
|------------------------------|---------------------------------|----------------------------|---|
| All Funds: | | | |
| State Operations | \$ 79,270,081 | \$ 74,138,769 | \$ 245,514 |
| Aid to Local Units | 6,419,000 | 6,419,000 | 0 |
| Other Assistance | 2,500,000 | 2,500,000 | 0 |
| TOTAL | \$ 88,189,081 | \$ 83,057,769 | \$ 245,514 |
| State General Fund: | | | |
| State Operations | \$ 30,155,896 | \$ 31,952,443 | \$ (706,487) |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| TOTAL | \$ 30,155,896 | \$ 31,952,443 | \$ (706,487) |
| FTE Positions | 1,188.5 | 1,182.5 | 0.0 |
| Unclassified Temp. Positions | 0.0 | 0.0 | 0.0 |
| TOTAL | 1,188.5 | 1,182.5 | 0.0 |

* Includes a reduction of \$1,411,486, including \$806,487 from the State General Fund, associated with the Governor's FY 2000 pay plan adjustments. Absent this adjustment, the Subcommittee's recommendation is an increase of \$1,657,000 (\$100,000 State General Fund) from the Governor's recommendation.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendations, with the following adjustments:

1. Reduce salaries and wages by \$1,411,486, including \$806,487 from the State General Fund, to remove the Governor's recommended FY 2000 pay plan adjustments.
2. The Subcommittee received information that the Governor's Tax Committee recommends that the agency develop a model to analyze the impact of all Kansas taxes on different types of households. This recommendation was not received in time for inclusion in the agency's request or the Governor's recommended budget. The Subcommittee believes the information generated by such a model would be

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invaluable to policy makers as they consider changes to the current tax structure and recommends the addition of \$500,000 from the Electronic Databases Fee Fund to acquire a sales tax model and to update the income tax model.

3. The Subcommittee reviewed the agency's requests for budget enhancements. One project not included in the Governor's recommendation is a proposal to provide a Kansas-wide network infrastructure to support expanded communications and data sharing between the central office in Topeka, other agency offices in the state, and each county courthouse. The Subcommittee notes that communications is one of the key elements in improving customer service and recommends the addition of \$1,057,000 from the Electronic Databases Fee Fund to support this initiative.
4. Productivity continues to increase in the agency. Total revenues collected have increased 64.6 percent since FY 1992, from \$3.144 billion in FY 1992 to \$5.126 billion in FY 1998. During the same period, the number of licensed drivers increased 9.7 percent. And the number of registered vehicles have increased 6.3 percent from CY 1991 to CY 1997. Staffing to support the agency's mission has continued to decline, with the loss of 80.0 FTE positions between FY 1995 and January of this year. The Subcommittee is concerned that the impact of staffing reductions, if continued, can only harm customer service. The agency is already at the point that if a driver's license examiner retires in western parts of the state and that position is lost due to the retirement reduction provisions of 1993 HB 2211 then the Secretary is faced with the decision of closing the office, and making persons in that part of the state travel a greater distance to receive services mandated by law, or transferring a position from a more populous part of the state, which will result in longer waiting periods for customers to receive service. The Subcommittee understands that the Governor supports the elimination of the retirement reduction provisions of 1993 HB 2211 and that SB 327 has been introduced to repeal that statute. The Subcommittee supports the passage of legislation which would eliminate the automatic retirement reductions.
5. While reviewing the operations of the Property Valuation Division, the Subcommittee learned that 99.7 percent of the residential property valuations and 96.7 percent of commercial property valuations were in counties that met or exceeded the standards for uniformity. The International Association of Assessing Officers awarded the 1998 Jurisdiction of the Year award to the Kansas Commercial Sales Ratio program. The Subcommittee is concerned, however, about the continued difficulty in developing and implementing proper valuations for agricultural land. The Subcommittee recommends the addition of \$100,000 from the State General Fund for independent consultant services to evaluate our existing system, how other states approach agricultural land valuation issues and what best practices might be applied to the Kansas system. The Subcommittee believes that this information would be invaluable to the Secretary of Revenue and other policy makers in implementing a fair and equitable system of valuation for agricultural land.
6. The Subcommittee notes that one enhancement which was not recommended by the Governor is a replacement for the current Computer Assisted Mass Appraisal (CAMA) system. The initial budget request included \$1.3 million from the

Electronic Databases Fee Fund for this enhancement. The Subcommittee learned that the agency did not appeal this item since the total cost and scope of the project remains unknown. The agency currently has a RFP out for designing a new system and suggests a multi year phasing of a new system may be possible beginning in late FY 2000. The Subcommittee recommends that this issue be reviewed in greater depth at Omnibus should additional information become available.

7. While reviewing the Division of Motor Vehicles, the Subcommittee learned that the proposal to add a second license plate to be displayed on the front of motor vehicles (SB 134) has an estimated fiscal note of \$4.2 million in increased state expenditures, while the revenues produced from the increased plate fees would equal \$4.0 million. The Subcommittee also notes that are several bills pending before the legislature which would expand the number of specialty plates and/or exempt certain types of specialty plates from the \$40 fee required for distinctive plates. The Subcommittee learned that it costs between \$3.40 to \$3.50 per plate to produce specialty plates, in addition to the \$630 silk screen cost. The Subcommittee notes that revenues from vehicle registration fees are deposited to the State Highway Fund.
8. The Subcommittee also reviewed the status of Project 2000. In FY 2000 the Project is expected to be substantially complete. The agency is scheduled to take delivery on the sales, compensating use, corporate income, and privilege tax modules in late FY 1999 with a scheduled rollout date of November, 1999. Attached to the Subcommittee report are excerpts from the January quarterly Project 2000 progress report summarizing the total project financial status and stage II and III deliverables. The Subcommittee notes that the Governor's FY 2000 budget recommendation transitions the operating cost for the system to the State General Fund. State General Fund transfers to the Automated Tax Systems are reduced from the current year estimate of \$20.0 million to \$3.1 million as the Project earnings move into the stage where the state retains 100 percent of revenue increases attributable to the Project. It is currently anticipated that the project will progress into the phase where the contractor receives 10 percent of the Project earnings in mid to late FY 2001 with that phase completing in FY 2002.

The Subcommittee also learned that the Telefile system, where are person can file their tax return over the phone, is enjoying increased customer usage, with 29,871 filers as of February 17, 1999. The is also a new PC based filing system which has been used by 2,586 persons in the same period.

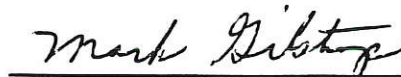
9. The Subcommittee inquired about the year 2000 compliance of the agency's computer systems. Of the 47 systems assessed in December, 1995, all have been either fixed, currently under repair, or have the repair or replacement scheduled. The agency reported that the greatest risk is with the last modules remaining for integration into Project 2000. These modules are scheduled to go on line in November, 1999, and will replace existing systems which are not year 2000 compliant. Since the cost to upgrade the existing systems is projected to be in excess of \$1.0 million which would just be lost when the new system comes on line, the agency is devoting all its attention to ensuring that Project 2000 meets its

deadlines. The Subcommittee also wishes to congratulate the agency on the innovative approach it has taken in meeting the need for information technology personnel. In conjunction with Washburn University, the agency has been using up to six student interns who gain real world experience while earning college credit. At the same time, the agency is able to evaluate these interns to determine if they might make good candidates for future permanent positions. The agency has also begun using "self grown" programmers, where some current employees have been sent to a ten week training program at Kaw Valley Technical School and then brought back in house as programmers. This approach not only utilizes existing human resources in a value added method, but provides the agency with an employee that the agency is more familiar with than a new hire off the street. At the same time, the employee's motivation is increased since their employer obviously values their potential for future contributions.

10. For the information of the Ways and Means Committee, the agency's performance measures under the Governor's recommended budget are attached.



Senator Stephen Morris, Chair



Senator Larry Salmans



Senator Mark Gilstrap

Current Total Project Financial Status

| Description | AMS Contract or Direct ATS Fund Purchases | KDOR Budget July 1995 to December 1998 | Expenses Accrued/ Encumbered To Date | Amount Remaining on Contract | Expenses Paid to Vendor Or From ATS Fund | Accounts Payable when ATS Funds Available ¹ |
|--------------------------------|---|--|--------------------------------------|------------------------------|--|--|
| Stage I | | | | | | |
| AMS Services | \$ 9,184,684 | | \$ 9,304,874 | (120,190) | \$ 9,304,874 | \$ - |
| Computer Hardware and Software | 2,359,532 | | 2,134,473 | 225,059 | 2,134,473 | - |
| Training Courses | 192,873 | | 193,177 | (304) | 193,177 | - |
| Subcontracts | 3,878,668 | | 3,941,390 | (62,722) | 3,941,390 | - |
| Stage II and III | | | | | | |
| AMS Services | 30,558,657 | | 20,441,414 | 10,117,243 | 12,364,358 | 8,077,056 |
| Computer Hardware and Software | 9,724,470 | | 7,938,047 | 1,786,423 | 6,622,709 | 1,315,338 |
| Training Courses | 689,890 | | 593,410 | 96,480 | 371,367 | 222,043 |
| Subcontracts | 2,378,100 | | 2,169,290 | 208,810 | 1,871,111 | 298,179 |
| DISC | 1,500,000 | | 1,405,439 | 94,561 | 1,405,439 | - |
| Facilities Renovation | 575,000 | | 427,440 | 147,560 | 311,757 | 115,683 |
| Maintenance/Misc. | 1,000,000 | | 828,833 | 171,167 | 823,833 | 5,000 |
| Ongoing Costs - FY98 | | | | | | |
| AMS Services | 392,400 | | 392,400 | - | 392,400 | - |
| Computer Ware | 1,070,667 | | 1,070,667 | - | 1,070,667 | - |
| Subcontracts | 169,257 | | 169,257 | - | 169,257 | - |
| DISC | 577,508 | | 151,909 | 425,599 | 151,909 | - |
| Maintenance/Misc. | 35,136 | | 35,136 | - | 35,136 | - |
| Total ATS Fund | \$ 64,286,842 | | \$ 51,197,156 | \$ 13,089,686 | \$ 41,163,857 | \$ 10,033,299 |
| KDOR Budget | | | | | | |
| KDOR Salaries | | \$ 8,988,367 | \$ 8,988,367 | \$ - | | |
| Computer/Telecom | | 253,877 | 226,643 | 27,234 | | |
| Contractual Services | | 314,010 | 115,047 | 198,963 | | |
| Office Expense | | 132,562 | 134,345 | (1,783) | | |
| Capital Outlay | | 10,937 | 48,731 | (37,794) | | |
| Total KDOR Budget | | \$ 9,699,753 | \$ 9,513,133 | \$ 186,620 | | |

ATS Fund figures are through 11/30/98; KDOR Budget figures are through 11/30/98.

¹Accounts Payables are due when payment milestone passes and funds are available in the Automated Tax System Fund.

Stage II and III Deliverables

| Deliverable Number | Description | Due Date | Delivery Date |
|--------------------|--|---------------------------------------|--------------------------------------|
| Stage II and III | | | |
| Deliverable 1 | Project Management | October 31, 1999 | |
| Deliverable 2 | Channel Management for Individual Income Tax Phase II | December 30, 1996 July 31, 1998 | February 1, 1997 January 20, 1998 |
| Deliverable 3 | Collections KICS Client/Server Upgrade | February 28, 1998 | March 30, 1998 |
| Deliverable 4 | Decision Analytics Collections Income and Business Taxes | March 30, 1998 September 30, 1998 | May 15, 1998 |
| Deliverable 5 | Individual Income, Estimated, Fiduciary Income Homestead and Food Sales | September 30, 1998 | October 9, 1998 |
| Deliverable 6 | Data Warehouse -Performance Measurement Proto Full System Production | January 31, 1997 August 31, 1998 | June 3, 1997 |
| Deliverable 7 | Policy and Research Database Prototype Full System Production | December 30, 1996 January 31, 1998 | February 28, 1997 January 1, 1998 |
| Deliverable 8 | Technical Architecture and Infrastructure | December 31, 1998 | |
| Deliverable 9 | Management and Support Process Implementation | June 30, 1998 | Tied to Data Warehouse |
| Deliverable 10 | Organization Development | December 31, 1998 | |
| Deliverable 11 | Business Tax Registrations and Licensing | September 30, 1998 | October 13, 1998 |
| Deliverable 12 | Channel Management for Business Taxes Phase I - Withholding Phase II - Sales and Corporate Income | September 30, 1998 May 31, 1999 | September 28, 1998 |
| Deliverable 13 | Employers Withholding Tax | September 30, 1998 | October 12, 1998 |
| Deliverable 14 | Channel Management for Unemployment Insurance | March 31, 1999 | |
| Deliverable 15 | Retailers' Sales and Local Option Taxes, Retailers' Compensating Use Tax and Consumers' Compensating Use Tax | May 31, 1999 | |
| Deliverable 16 | Customer Education | January 31, 1999 | |
| Deliverable 17 | Audit Infrastructure | November 30, 1998 | |
| Deliverable 18 | Support for Other Tax Types | November 30, 1999 | |
| Deliverable 19 | Disaster Recovery (change request) | June 30, 1998 | KDOR Owned |
| KDOR | Corporation Income/Privilege Taxes | June 30, 1999 | |
| KDOR | Excise Taxes | December 31, 1999 | |
| KDOR | ARMS Misc. Taxes | December 31, 1999 | |

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Performance Measures

| | FY 1998 <u>Actual</u> | FY 1999 <u>Estimate</u> | FY 2000 <u>Estimate</u> |
|--|--------------------------|----------------------------|----------------------------|
| Administrative Services | | | |
| Percent of appeals resolved within 270 days of docketing | 100.0% | 100.0% | 100.0% |
| Number of corporate tax cases received | 43 | 43 | 43 |
| Number of corporate tax cases completed | N/A | 43 | 43 |
| Number of sales tax cases received | 531 | 502 | 502 |
| Number of sales tax cases completed | 284 | 477 | 477 |
| Number of vehicle cases completed | 231 | 228 | 228 |

| | FY 1998 <u>Actual</u> | FY 1999 <u>Estimate</u> | FY 2000 <u>Estimate</u> |
|---|--------------------------|----------------------------|----------------------------|
| Alcoholic Beverage Control | | | |
| Percent of compliance among liquor licenses in relation to random controlled buy attempts | 65.8% | 80.0% | 85.0% |
| Percent of compliance among tobacco licenses in relation to sales to minors | 65.0% | 75.0% | 80.0% |
| Number of cases where criminal charges are filed | 5 | 17 | 17 |
| Conviction rate of cases where criminal charges are filed | 100.0% | 98.0% | 98.0% |

| | FY 1998 <u>Actual</u> | FY 1999 <u>Estimate</u> | FY 2000 <u>Estimate</u> |
|--|--------------------------|----------------------------|----------------------------|
| Tax Operations | | | |
| Percent of phone inquiries handled through TelAssist | 3.0% | 14.0% | 14.0% |
| Percent of sales tax customers satisfied with the audit process | N/A | 95.0% | 95.0% |
| Number of Telefile customers | 62,373 | 108,000 | 200,000 |
| Percent of individual income tax returns received electronically | 17.0% | 35.0% | 50.0% |

| | FY 1998 <u>Actual</u> | FY 1999 <u>Estimate</u> | FY 2000 <u>Estimate</u> |
|--|--------------------------|----------------------------|----------------------------|
| Property Valuation | | | |
| Percent of residential valuations meeting statistical requirements | 97.0% | 99.0% | 99.0% |
| Percent of commercial valuations meeting statistical requirements | 97.0% | 97.0% | 97.0% |
| Percent of customers indicating overall satisfaction with the information, filing procedure, and guides provided | 79.0% | 75.0% | 75.0% |

| | FY 1998 <u>Actual</u> | FY 1999 <u>Estimate</u> | FY 2000 <u>Estimate</u> |
|---|--------------------------|----------------------------|----------------------------|
| Motor Vehicles | | | |
| Percent of customer satisfaction with vehicle titling process | 85.0% | 90.0% | 90.0% |
| Average waiting time for renewing driver's license | 16 | 12 | 12 |
| Percent of courts processing traffic violations, suspensions, and reinstatements electronically | 1.0% | 6.0% | 6.0% |
| Number of traffic violations, suspensions, and reinstatements processed electronically | 48,500 | 40,500 | 40,500 |

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Economic Development Initiatives Fund

| Agency/Program | GOV.REC. FY 2000 | SEN. ADJ. FY 2000 |
|---|----------------------|----------------------|
| Department of Commerce and Housing* | | |
| Agency Operations | \$ 7,048,104 | \$ |
| Small Business Development Centers | 485,000 | |
| Certified Development Companies | 475,000 | |
| Kansas Industrial Training/Retraining | 3,600,000 | |
| Trade Show Promotion Grants | 150,000 | |
| Community Capacity Building Grants | 197,000 | |
| Economic Opportunity Initiative Fund | 5,000,000 | |
| Existing Industry Expansion | 800,000 | |
| Tourism Promotion Grants | 952,100 | |
| Mid-America World Trade Center | 0 | |
| Mainstreet Grant and Development Prog. | 216,800 | |
| Agriculture Product Development | 540,000 | |
| Training Equipment Grants | 300,000 | |
| Travel Information Center Repairs | 15,000 | |
| Motion Picture and Television Rebate | 75,000 | |
| Kansas Sports Hall of Fame | 0 | |
| Eisenhower Museum Grant | 300,000 | |
| Subtotal - KDCH | \$ 20,154,004 | \$ |
| Kansas Technology Enterprise Corporation * | | |
| Agency Operations | \$ 1,338,486 | \$ |
| Centers of Excellence | 3,552,640 | |
| Research Matching Grants | 1,260,000 | |
| Business Innovative Research Grants | 76,000 | |
| State Small Business Innovation Research | 440,000 | |
| Special Projects | 79,303 | |
| Commercialization Grants | 1,690,000 | |
| Mid-America Manufact. Tech. Center | 1,797,338 | |
| EPSCoR | 3,200,000 | |
| Subtotal - KTEC | \$ 13,433,767 | \$ 0 |
| Kansas, Inc. - Agency Operations | \$ 169,563 | \$ |
| Department of Education * | | |
| At-Risk/Innovative Program Assist. | \$ 0 | |
| Matching Grants - AVTS | 200,000 | 50,000 |
| Postsecondary Aid - AVTS | 6,707,144 | |
| Capital Outlay Aid - AVTS | 2,000,000 | |
| Subtotal - Education | \$ 8,907,144 | \$ 50,000 |
| Historical Society | \$ 0 | \$ |
| Department of Administration | | |
| Public TV Microwave Connection | \$ 0 | \$ |
| State Water Plan Fund | \$ 2,000,000 | \$ |
| KSU -- Ag Extension | | |
| Ogalala Aquifer Study | \$ 0 | \$ |
| Wildlife and Parks | | |
| Local Government Outdoor Recreation | \$ 0 | \$ 500,000 |
| State Fair | | |
| Interstate Promotion | \$ 0 | \$ 35,000 |
| TOTAL TRANSFERS AND EXPENDITURES | \$ 44,664,478 | \$ 585,000 |

EDIF Resource Estimate

| | GOV. REC. FY 2000 | SEN. ADJ. FY 2000 |
|----------------------------------|----------------------|----------------------|
| Beginning Balance | \$ 1,708,965 | \$ ** |
| Gaming Revenues | 42,500,000 | ** |
| Other Income | 500,000 | ** |
| Total Available | \$ 44,708,965 | \$ 44,708,965 |
| Less: Expenditures and Transfers | 44,664,478 | 45,249,478 |
| ENDING BALANCE | \$ 44,487 | \$ (540,513) |

* - Does not include expenditures from prior year EDIF allocations.

Economic Development Initiatives Fund

| Agency/Program | GOV.REC. FY 1999 | SEN. ADJ. FY 1999 |
|---|----------------------|----------------------|
| Department of Commerce and Housing* | | |
| Agency Operations | \$ 7,989,452 | \$ |
| Small Business Development Centers | 525,000 | |
| Certified Development Companies | 475,000 | |
| Kansas Industrial Training/Retraining | 3,850,000 | |
| Trade Show Promotion Grants | 170,000 | |
| Community Capacity Building Grants | 250,000 | |
| Economic Opportunity Initiative Fund | 4,000,000 | |
| Existing Industry Expansion | 800,000 | |
| Tourism Promotion Grants | 452,100 | |
| Mid-America World Trade Center | 50,000 | |
| Mainstreet Grant and Development Prog. | 216,800 | |
| Agriculture Product Development | 540,000 | |
| Training Equipment Grants | 300,000 | |
| Travel Information Center Repairs | 85,000 | |
| Motion Picture and Television Rebate | 100,000 | |
| Kansas Sports Hall of Fame | 150,000 | |
| Eisenhower Museum Grant | 0 | |
| Subtotal - KDCH | \$ 19,953,352 | |
| Kansas Technology Enterprise Corporation * | | |
| Agency Operations | \$ 1,785,760 | |
| Centers of Excellence | 3,502,896 | |
| Research Matching Grants | 1,260,000 | |
| Business Innovative Research Grants | 76,000 | |
| State Small Business Innovation Research | 440,000 | |
| Special Projects | 79,303 | |
| Commercialization Grants | 1,540,000 | |
| Mid-America Manufact. Tech. Center | 1,997,104 | |
| EPSCoR | 3,200,000 | |
| Subtotal - KTEC | \$ 13,881,063 | |
| Kansas, Inc. - Agency Operations | \$ 234,597 | |
| Department of Education * | | |
| At-Risk/Innovative Program Assist. | \$ 0 | |
| Matching Grants - AVTS | 200,000 | |
| Postsecondary Aid - AVTS | 6,690,223 | |
| Capital Outlay Aid - AVTS | 3,000,000 | |
| Subtotal - Education | \$ 9,890,223 | |
| Historical Society | \$ 200,000 | |
| Department of Administration | | |
| Public TV Microwave Connection | \$ 116,800 | |
| State Water Plan Fund | \$ 2,000,000 | |
| KSU -- Ag Extension | | |
| Ogalala Aquifer Study | \$ 90,000 | |
| Wildlife and Parks | | |
| Local Government Outdoor Recreation | \$ 500,000 | |
| State Fair | | |
| Interstate Promotion | \$ 0 | |
| TOTAL TRANSFERS AND EXPENDITURES | \$ 46,866,035 | \$ 0 |

EDIF Resource Estimate

| | GOV. REC. FY 1999 | SEN. ADJ. FY 1999 |
|----------------------------------|----------------------|----------------------|
| Beginning Balance | \$ 5,575,000 | \$ ** |
| Gaming Revenues | 42,500,000 | ** |
| Other Income | 500,000 | ** |
| Total Available | \$ 48,575,000 | \$ 48,575,000 |
| Less: Expenditures and Transfers | 46,866,035 | 46,866,035 |
| ENDING BALANCE | \$ 1,708,965 | \$ 1,708,965 |

* - Does not include expenditures from prior year EDIF allocations.