

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson David Adkins at 9:10 a.m. on March 15, 2000 in Room 514-S of the Capitol.

All members were present except: Representative Dean - excused  
Representative Peterson - excused

Committee staff present: Alan Conroy, Kansas Legislative Research Department  
Stuart Little, Kansas Legislative Research Department  
Robert Waller, Kansas Legislative Research Department  
Tom Severn, Kansas Legislative Research Department  
Audrey Nogle, Kansas Legislative Research Department  
Julian Effird, Kansas Legislative Research Department  
Paul West, Kansas Legislative Research Department  
Rae Ann Davis, Kansas Legislative Research Department  
Deb Hollon, Kansas Legislative Research Department  
Carolyn Rampey, Kansas Legislative Research Department  
Mike Corrigan, Revisor of Statutes Office  
Dave Stallings, Assistant to the Chairman  
Mary Shaw, Committee Secretary

Conferees appearing before the committee: None

Others attending: See attached list

**General Government and Human Resources Budget Committee report on:**

**State Treasurer**

Representative Pottorff presented the General Government and Human Resources Budget Committee report on the Governor's recommendations on the State Treasurer FY 2001 budget. (Attachment 1)

Representative Pottorff made a motion, seconded by Representative Stone, to adopt the General Government and Human Resources Budget Committee budget report recommendations regarding the State Treasurer. Motion carried.

**Attorney General**

Representative Shriver presented the General Government and Human Resources Budget Committee report on the Governor's recommendations on the Attorney General FY 2001 budget. (Attachment 2)

Representative Shriver made a motion, seconded by Representative Pottorff, to adopt the General Government and Human Resources Budget Committee budget report recommendations regarding the Attorney General.

Representative McKechnie made a motion, seconded by Representative Weber, on page 4, item number 1, to delete the \$200,000 dollars and transfer them to the State General Fund, as the Governor has done throughout the budget this year of taking excess funds and transferring them over to help fill up that hole in the State General Fund towards the end of the year. Committee questions and discussion followed. Representative McKechnie closed. Motion carried.

Chairman Adkins expressed a concern about item two. He mentioned specific statutory requirements for the Children's Initiative Funds require that the programs funded be best practices and research proven. The DARE program, while an excellent community policing tool, has not proven itself to be effective drug resistance prevention program. Children, whether they have attended this program or not, have not

## CONTINUATION SHEET

shown any degree of inoculation against drug abuse by the time they reach the 12<sup>th</sup> grade. Therefore, Representative Adkins mentioned that this money can be better spent on the programs that work. The DARE program has great popular public support, but Chairman Adkins mentioned that he does not believe it is a program that merits State expenditures when the budgets are very tight.

The Chairman ruled and called to the Committee's attention that the question arose on the renewed motion by Representative Shriver, seconded by Representative Pottorff, to adopt the General Government and Human Resources Budget Committee Report for the Attorney General as amended. Motion carried.

### **Insurance Department**

Representative Pottorff presented the General Government and Human Resources Budget Committee report on the Governor's recommendations on the Insurance Department FY 2001 budget. (Attachment 3)

Representative Pottorff made a motion, seconded by Representative Stone, to adopt the General Government and Human Resources Budget Committee budget report recommendations regarding the Insurance Department. Committee questions and discussion followed. Motion carried.

### **Department of Administration (including Public Broadcasting)**

Representative Shriver presented the General Government and Human Resources Budget Committee report on the Governor's recommendations on the Department of Administration (including Public Broadcasting) FY 2001 budget. (Attachment 4)

Representative Shriver made a motion, seconded by Representative Stone, to adopt the General Government and Human Resources Budget Committee budget report recommendations regarding the Department of Administration (including Public Broadcasting). Committee questions and detailed discussion followed regarding Public Broadcasting, item number 2. Motion carried.

### **Governmental Ethics Commission**

Representative Stone presented the General Government and Human Resources Budget Committee report on the Governor's recommendations on the Governmental Ethics Commission FY 2001 budget. (Attachment 5)

Representative Stone made a motion, seconded by Representative Pottorff, to adopt the General Government and Human Resources Budget Committee budget report recommendations regarding the Governmental Ethics Commission. Committee questions and discussion followed. Motion carried.

### **Department of Human Resources**

Representative Reardon presented the General Government and Human Resources Budget Committee report on the Governor's recommendations on the Department of Human Resources FY 2001 budget. (Attachment 6)

Representative Reardon made a motion, seconded by Representative Pottorff, to adopt the General Government and Human Resources Budget Committee budget report recommendations regarding the Department of Human Resources. Committee questions and discussion followed.

Representative Ballard made a motion, seconded by Representative Reinhardt, to restore the \$22,000 for the Neighborhood Youth Employment Act and put it back to the \$100,000 funding level and take the \$50,000 cut. Committee questions and discussion followed. Motion carried.

The Chairman ruled and called to the Committee's attention that the question arose on the renewed motion by Representative Reardon, seconded by Representative Pottorff, to adopt the General Government and Human Resources Budget Committee budget report recommendations regarding the Department of Human Resources as amended. Motion carried.

CONTINUATION SHEET

**Kansas Commission on Veterans' Affairs (including the Soldier's and Veteran's Homes)**

Representative Reardon presented the General Government and Human Resources Budget Committee report on the Governor's recommendations on the Kansas Commission on Veterans' Affairs (including the Soldier's and Veteran's Homes) FY 2001 budget. (Attachment 7)

Representative Reardon made a motion, seconded by Representative Pottorff, to adopt the General Government and Human Resources Budget Committee budget report recommendations regarding the Kansas Commission on Veterans Affairs (including the Soldier's and Veteran's Homes). Committee questions and discussion followed. Motion carried. Representative Shriver requested to be recorded as voting "No".

**Kansas Public Employees Retirement System (KPERs)**

Representative Stone presented the General Government and Human Resources Budget Committee report on the Governor's recommendations on the Kansas Public Employees Retirement System (KPERs) FY 2001 budget. Representative Stone noted that there is a Minority Report on Page 10. (Attachment 8)

Representative Stone made a motion, seconded by Representative Pottorff, to adopt the General Government and Human Resources Budget Committee budget report recommendations regarding the Kansas Public Employees Retirement System (KPERs).

Representative Spangler made a motion, seconded by Representative McKechnie, regarding a situation in KPERs involving a Kansas Highway Patrolman who began service in the early 1970's with the Kansas Highway Patrol. He mentioned that Representative Carol Dawson had worked on this situation in the past. Representative Spangler mentioned that Kansas Highway Patrol Officer Charles Kohler was excluded from Tier 2 election under KPERs in the 1989 due to his service at the time in Quantico, Virginia, and was not notified at the time he was an officer on the Kansas City, Kansas Police Department. He was then assigned with the Kansas Racing Commission and is now back with the Highway Patrol. Representative Spangler noted that what happened was this officer was not given his election notice on Tier 2 and that it is important in terms of fairness to provide this for a civil servant and highway patrolman. Motion carried.

Representative Reardon presented the Minority Report for the General Government and Human Resources Budget Committee report on the Governor's recommendation on the Kansas Public Employees Retirement System (KPERs). Representative Reardon mentioned that he is in agreement with the Budget Committee's recommendations of 1, 2, 4 and 5, but does not agree with item 3. Representative Reardon mentioned that he is opposed to both of the Governor's recommendations regarding KPERs participating employers and adjusting their statutorily required contributions for retirement benefits and for insurance payments for death and long-term disability benefits (Minority Report is found on page 10 of the General Government and Human Resources Budget Committee report in attachment number 8).

The Chairman ruled and called to the Committee's attention that the question arose on the renewed motion by Representative Stone, seconded by Representative Pottorff, to adopt the General Government and Human Resources Budget Committee report for the Kansas Public Employees Retirement System (KPERs) as amended. Motion carried.

Representative Reardon made a substitute motion, seconded by Representative McKechnie, to adopt the General Government and Human Resources Budget Committee Minority Report with the rejection of the Governor's recommendation on the moratorium, just as the Budget Committee recommended that the Budget Committee recommended rejection of the Governor's recommendation on the retirement freeze. Detailed Committee questions and discussion followed. Motion failed. Representatives Feuerborn, McKechnie, Nichols, Reardon, Shriver and Spangler requested to be recorded as voting "Yes".

CONTINUATION SHEET

**Bill Introductions**

Representative Adkins made a motion, seconded by Representative Pottorff, to introduce a bill by Representative Ray regarding consumer protection; prohibiting certain acts, particularly instances in which consumer transactions are effectuated without specific written authorization. Motion carried.

Representative Farmer made a motion, seconded by Representative Neufeld, to introduce a bill that would direct the Secretary of Social and Rehabilitation Services who shall enter into contracts with non-participating mental health centers who have not contracted in affiliate with the participating community mental health center. Motion carried.

The meeting was adjourned at 11:00 a.m. The next meeting is scheduled for March 16, 2000.

**HOUSE APPROPRIATIONS COMMITTEE  
GUEST LIST**

DATE March 15, 2000

NAME	REPRESENTING
Jack Hawn	KIPERS
Rob Woodard	"
Meredith Williams	"
Leel Bredlow	"
Tom Chakwa	Budget
Vickilyn Kelsel	Budget
Jim Langford	Budget
Elaine Frisbie	Budget
Gerald Schneider	KDHR
Dale Branton	DoA
W. L. Lowe	KDHR
Lisa Becker	SRS
David Palmer	Doug Gatewood
Krista Gersich	DOA/OPS
Don Ryan	S. E. A. K
Lea Steele	KCVA
Wayne F. Bollig	KCVA
DOWNA DECK	KCVA
Randy Scott	KCVA

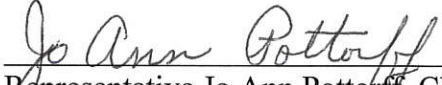
**HOUSE APPROPRIATIONS COMMITTEE  
GUEST LIST**

**DATE** March 15, 2000

NAME	REPRESENTING
STONEY WAGES	KCVIA

**GENERAL GOVERNMENT AND HUMAN RESOURCES BUDGET COMMITTEE**


State Treasurer


  
\_\_\_\_\_  
Representative Jo Ann Pottorff, Chairperson

  
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Representative Lynn Jenkins

  
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Representative Bill McCreary

  
\_\_\_\_\_  
Representative Melvin Minor

  
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Representative Bill Reardon

  
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Representative Joe Shriver

  
\_\_\_\_\_  
Representative Lloyd Stone

House Appropriations  
3-15-00  
Attachment 1

## Senate Subcommittee Report

**Agency:** State Treasurer

**Bill No.** 639

**Bill Sec.** 9

**Analyst:** West

**Analysis Pg. No.** 1,473

**Budget Pg. No.** 447

Expenditure Summary	Agency Request FY 01	Gov. Rec. FY 01	Subcommittee Adjustments*
<b>All Funds:</b>			
State Operations	\$ 3,715,150	\$ 3,591,218	\$ (31,460)
Aid to Local Units	125,919,853	108,429,360	(158,100)
Other Assistance	0	0	0
TOTAL	<u>\$ 129,635,003</u>	<u>\$ 112,020,578</u>	<u>\$ (189,560)</u>
<b>State General Fund:</b>			
State Operations	\$ 2,363,865	\$ 2,259,468	\$ (9,962)
Aid to Local Units	106,319,000	88,828,507	\$ (158,100)
Other Assistance	0	0	0
TOTAL	<u>\$ 108,682,865</u>	<u>\$ 91,087,975</u>	<u>\$ (168,062)</u>
FTE Positions	55.5	54.5	1.0
Unclass. Temporary Positions	5.0	5.0	0.0
TOTAL	<u>60.5</u>	<u>59.5</u>	<u>1.0</u>

\* Includes a reduction of \$53,374 (\$31,876 State General Fund) for the Governor's state employee salary adjustment. Absent this reduction, the Subcommittee's recommendation is a reduction of \$136,186 from the budget submitted by the Governor.

### Agency Request/Governor's Recommendation

#### State Operations

The agency requests an FY 2001 state operations budget of \$3.7 million, a decrease of \$127,322 (3.3 percent) from the current year. Requested State General Fund financing of \$2.4 million represents an decrease of \$131,864 (5.3 percent) from the current year. The decrease is primarily associated with one time current year remodeling expenses. The request includes \$237,500 to support the Postsecondary Education Savings program, the same amount as the current year. The request also includes \$21,250 as an enhancement to improve the State Treasurer's ability to continue operations should the Landon State Office Building become non-operational.



**The Governor** recommends an FY 2001 state operations budget of \$3.6 million, a decrease of \$163,754 (4.4 percent) from the current year. Recommended **State General Fund** financing of \$2.3 million represents a decrease of \$148,761 (6.2 percent) from the current year. Recommended **special revenue** financing of \$1.3 million represents a decrease of \$14,993 (1.1 percent) from the current year. Recommended **salaries and wages** of \$2.2 million are a decrease of \$53,182 from the agency's request, reflecting revised fringe benefit costs and the elimination of a clerical position in the Postsecondary Education Savings program. Recommended **other operating expenditures** total \$1.4 million, a net decrease of \$70,750 from the agency's request. Capital outlay is reduced by \$58,250, banking fees by \$25,000, and \$12,500 is added for advertising expenses in support of the Postsecondary Education Savings program.

## Local Aid

**The agency's estimate** for payments to local units of government totals \$125.9 million, an increase of \$12.2 million (10.7 percent) from the current year.

- **Demand Transfers.** The demand transfers to local units of government are estimated by the Consensus Revenue Estimating Group to total \$106.3 million in FY 2001. **Local Ad Valorem Tax Reduction Fund (LAVTRF)** payments are estimated to be \$60.3 million, a \$2.2 million (3.8 percent) increase from the current year. **County and City Revenue Sharing Fund (CCRSF)** payments are estimated to total \$46.0 million, an \$9.1 million (24.6 percent) increase from the current year. Both estimates assume current law and do not reflect any caps on the growth of expenditures.
- **Special revenue fund** payments to local units of government are estimated to total \$19.6 million in FY 2001, an increase of \$872,849 (4.7 percent) from the current year. The majority of the increases are associated with the Rental Motor Vehicle Excise Tax (\$502,607) and the Local Alcoholic Liquor Fund (\$325,782).

**The Governor** recommends \$108.4 million for payments to local units of government, a reduction of \$5.3 million (4.7 percent) from the current year.

- **Demand Transfers.** The demand transfers to local units of government are recommended by the Governor to total \$88.8 million. **The Governor recommends that the demand transfers to the CCRSF and the LAVTRF be limited to an amount 6.5 percent below current year payments.**

The Governor concurs with the agency's estimates of \$19.6 million for special revenue fund payments to local units of government in FY 2001.

### **Senate Subcommittee Recommendations**

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

1. Delete \$53,374 (including \$31,876 from the State General Fund) to remove funding recommended by the Governor for classified step movement, longevity pay, and unclassified merit pay.
2. As a technical adjustment, reduce transfers to the Local Ad Valorem Tax Reduction Fund by \$158,100. Actual FY 2000 transfers total \$57.9 million, \$169,092 less than the Governor's estimate. This in turn would reduce the FY 2001 transfer by \$158,100. The Subcommittee understands that there is a Governor's Budget Amendment pending on this matter. The Subcommittee notes that the current year savings should be considered in the Omnibus bill.
3. Restore \$21,914 from the State General Fund and 1.0 FTE position associated with the clerical position deleted by the Governor from the Postsecondary Education Savings Program. The Subcommittee notes that this position was included in the program when initially approved by the Legislature. With the program starting July 1, 2000, the Subcommittee does not wish to hamper the program's operations by removing all clerical support.

### **Senate Committee Recommendation**

The Senate Committee concurs with the recommendations of the Subcommittee.

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**Budget Committee Report**

**Agency:** State Treasurer

**Bill No.** 2994

**Bill Sec.** 9

**Analyst:** West

**Analysis Pg. No.** 1473

**Budget Pg. No.** 447

Expenditure Summary	Agency Request FY 01	Gov. Rec. FY 01	Budget Committee Adjustments
<b>All Funds:</b>			
State Operations	\$ 3,715,150	\$ 3,591,218	\$ 46,914
Aid to Local Units	125,919,853	108,429,360	(158,100)
Other Assistance	0	0	0
<b>TOTAL</b>	<b><u>\$ 129,635,003</u></b>	<b><u>\$ 112,020,578</u></b>	<b><u>\$ (111,186)</u></b>
<b>State General Fund:</b>			
State Operations	\$ 2,363,865	\$ 2,259,468	\$ 46,914
Aid to Local Units	106,319,000	88,828,507	(158,100)
Other Assistance	0	0	0
<b>TOTAL</b>	<b><u>\$ 108,682,865</u></b>	<b><u>\$ 91,087,975</u></b>	<b><u>\$ (111,186)</u></b>
FTE Positions	55.5	54.5	1.0
Unclass. Temporary Positions	5.0	5.0	0.0
<b>TOTAL</b>	<b><u>60.5</u></b>	<b><u>59.5</u></b>	<b><u>1.0</u></b>

**Agency Request/Governor's Recommendation**

**State Operations**

**The agency** requests an FY 2001 state operations budget of \$3.7 million, a decrease of \$127,322 (3.3 percent) from the current year. Requested State General Fund financing of \$2.4 million represents an decrease of \$131,864 (5.3 percent) from the current year. The decrease is primarily associated with one time current year remodeling expenses. The request includes \$237,500 to support the Postsecondary Education Savings program, the same amount as the current year. The request also includes \$21,250 as an enhancement to improve the State Treasurer's ability to continue operations should the Landon State Office Building become non-operational.

**The Governor** recommends an FY 2001 state operations budget of \$3.6 million, a decrease of \$163,754 (4.4 percent) from the current year. Recommended **State General Fund** financing of \$2.3 million represents a decrease of \$148,761 (6.2 percent) from the

current year. Recommended **special revenue** financing of \$1.3 million represents a decrease of \$14,993 (1.1 percent) from the current year. Recommended **salaries and wages** of \$2.2 million are a decrease of \$53,182 from the agency's request, reflecting revised fringe benefit costs and the elimination of a clerical position in the Postsecondary Education Savings program. Recommended **other operating expenditures** total \$1.4 million, a net decrease of \$70,750 from the agency's request. Capital outlay is reduced by \$58,250, banking fees by \$25,000, and \$12,500 is added for advertising expenses in support of the Postsecondary Education Savings program.

## Local Aid

**The agency's estimate** for payments to local units of government totals \$125.9 million, an increase of \$12.2 million (10.7 percent) from the current year.

- **Demand Transfers.** The demand transfers to local units of government are estimated by the Consensus Revenue Estimating Group to total \$106.3 million in FY 2001. **Local Ad Valorem Tax Reduction Fund (LAVTRF)** payments are estimated to be \$60.3 million, a \$2.2 million (3.8 percent) increase from the current year. **County and City Revenue Sharing Fund (CCRSF)** payments are estimated to total \$46.0 million, an \$9.1 million (24.6 percent) increase from the current year. Both estimates assume current law and do not reflect any caps on the growth of expenditures.
- **Special revenue fund** payments to local units of government are estimated to total \$19.6 million in FY 2001, an increase of \$872,849 (4.7 percent) from the current year. The majority of the increases are associated with the Rental Motor Vehicle Excise Tax (\$502,607) and the Local Alcoholic Liquor Fund (\$325,782).

**The Governor** recommends \$108.4 million for payments to local units of government, a reduction of \$5.3 million (4.7 percent) from the current year.

- **Demand Transfers.** The demand transfers to local units of government are recommended by the Governor to total \$88.8 million. **The Governor recommends that the demand transfers to the CCRSF and the LAVTRF be limited to an amount 6.5 percent below current year payments.**

**The Governor** concurs with the agency's estimates of \$19.6 million for special revenue fund payments to local units of government in FY 2001.

## House Budget Committee Recommendations

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


1. Concur with Governor's Budget Amendment No. 1, item 4 , which reduces transfers to the Local Ad Valorem Tax Reduction Fund by \$158,100. Actual FY 2000 transfers total \$57.9 million, \$169,092 less than the Governor's estimate. This in turn would reduce the FY 2001 transfer by \$158,100. The Budget Committee notes that the current year savings should be considered in the Omnibus bill.
2. Restore \$21,914 from the State General Fund and 1.0 FTE position associated with the clerical position deleted by the Governor from the Postsecondary Education Savings Program. The Budget Committee notes that this position was approved by the Legislature last year. The Budget Committee has been informed that the program will be entirely self supporting in FY 2002.
3. Restore \$25,000 from the State General Fund deleted by the Governor from banking fees. This provides \$340,000 for banking fees as requested by the Treasurer. The Budget Committee notes that as this is a separate line item any unused amounts would be returned to the State General Fund. Conversely, without this funding the Treasurer might be forced to utilize the Office's operating budget to subsidize operations which benefit the entire state.
4. The Budget Committee notes that the Treasurer's budget request includes \$21,250, which was not recommended by the Governor, to ensure that the Treasurer's operations could continue should the Landon State Office Building become non-operational. The Treasurer has expressed concerns about the impact on the state's investments should something cause the office to have to shut down. The Budget Committee shares this concern and recommends that the Treasurer work with the Department of Administration to develop disaster contingency plans.

**GENERAL GOVERNMENT AND HUMAN RESOURCES BUDGET COMMITTEE**


Attorney General

  
Representative Jo Ann Pottorff, Chairperson

  
Representative Lynn Jenkins

  
Representative Bill McCreary

  
Representative Melvin Minor

  
Representative Bill Reardon

  
Representative Joe Shriver

  
Representative Lloyd Stone

House Appropriations  
3-15-00  
Attachment 2

## Senate Subcommittee Report

**Agency:** Attorney General

**Bill No.** 639

**Bill Sec.** 7

**Analyst:** Rampey

**Analysis Pg. No.** 1558

**Budget Page No.** 73

<u>Expenditure Summary</u>	<u>Agency Request FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 8,879,679	\$ 8,620,160	\$ (112,261)*
Aid to Local Units	10,108,218	10,108,219	0
Other Assistance	4,000,000	4,000,000	0
<b>TOTAL</b>	<b><u>\$ 22,987,897</u></b>	<b><u>\$ 22,728,379</u></b>	<b><u>\$ (112,261)</u></b>
State General Fund:			
State Operations	\$ 5,704,029	\$ 5,293,077	\$ (72,647)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
<b>TOTAL</b>	<b><u>\$ 5,704,029</u></b>	<b><u>\$ 5,293,077</u></b>	<b><u>\$ (72,647)</u></b>
FTE Positions	90.8	90.0	--
Unclassified Temp. Positions	14.0	14.0	-
<b>TOTAL</b>	<b><u>104.8</u></b>	<b><u>104.0</u></b>	<b><u>-</u></b>

\* Includes a reduction of \$112,261 (\$72,647 from the State General Fund) for the Governor's employee salary adjustments.

### Agency Request/Governor's Recommendation

The Attorney General requests a total of \$22,987,897 from all funds. The amount of money from the State General Fund that is requested is \$5,704,029, a decrease of \$208,182 from the current year. The reduction is accounted for primarily by lower expenditures for water litigation with Colorado (\$775,000 estimated for FY 2001 compared to \$1,420,281 in FY 2000). The Governor's recommendation for expenditures from the State General Fund reduces the Attorney General's request by \$410,952. Recommended State General Fund reductions include holding a Criminal Prosecutor position in the Criminal Litigation Program vacant during FY 2001 (for a savings of \$47,947), shifting \$157,500 in expenditures from the State General Fund to the Court Cost Fund (consumer protection recoupments), and reducing water litigation funding by a total of \$175,941 (\$51,500 for Colorado and \$124,441 for Nebraska).

## **Senate Subcommittee Recommendation**

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

1. Delete \$112,261, of which \$72,647 is from the State General Fund, based on the decision to delete funding for the Governor's recommended pay plan adjustments. The adjustment is for a 2.5 percent merit pool for unclassified employees.
2. The Subcommittee reviewed expenditures and balances in the Court Cost Fund (consumer protection recoupments) and notes that the Governor, as part of his recommendations for FY 2001, shifted \$157,500 in expenditures from the State General Fund to the Court Cost Fund. His recommendation continues a recent practice of the Legislature to maximize resources in the special revenue fund in order to reduce reliance on the State General Fund. (The Legislature shifted expenditures from the State General Fund to the Court Cost Fund by \$250,000 in FY 1997, \$200,000 in FY 1998, and \$50,000 in FY 1999.) Evidence of the greater reliance on the Court Cost Fund is that expenditures from the Fund have been increasing: Actual expenditures were \$392,036 in FY 1999 and estimated expenditures are \$428,858 in FY 2000 and \$601,655 in FY 2001 (Governor's recommendation). Balances in the Fund for FY 1999 and FY 2000 were \$340,700 and \$511,842, respectively. Under the Governor's recommendation, balances at the end of FY 2001 will decline to \$210,187, which the Subcommittee believes is a prudent amount to maintain in order to ensure that the consumer protection division will have adequate resources to operate during the next fiscal year. Under the Governor's recommendation for FY 2001, \$213,625 from the Court Cost Fund is for salaries and \$388,030 is for other operating expenditures, including \$79,700 for the consumer protection division's share of rent in the Memorial Building.
3. As the remedies and damages phase of water litigation against Colorado nears completion, the Subcommittee encourages the Attorney General to be particularly forceful in insisting on whatever safeguards are necessary to ensure a high quality of water flowing into Kansas from Colorado. After decades of contentiousness with Colorado over water, including more than 15 years of state-funded litigation against that state, the importance of Colorado complying with whatever agreement the U.S. Supreme Court approves cannot be overstated. Kansas has waited a long time for this dispute to be resolved and Kansans expect that not only will the supply of water be adequate, but that it will be of high quality.

## **Senate Committee Recommendation**

The Senate Committee concurs with the recommendations of the Subcommittee.



### Budget Committee Report

**Agency:** Attorney General

**Bill No.** 2994

**Bill Sec.** 7

**Analyst:** Rampey

**Analysis Pg. No.** 1558

**Budget Page No.** 73

<u>Expenditure Summary</u>	<u>Agency Request FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>Budget Committee Adjustments</u>
All Funds:			
State Operations	\$ 8,879,679	\$ 8,620,160	\$ 200,000
Aid to Local Units	10,108,218	10,108,219	0
Other Assistance	4,000,000	4,000,000	0
TOTAL	<u>\$ 22,987,897</u>	<u>\$ 22,728,379</u>	<u>\$ 200,000</u>
State General Fund:			
State Operations	\$ 5,704,029	\$ 5,293,077	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 5,704,029</u>	<u>\$ 5,293,077</u>	<u>\$ 0</u>
FTE Positions	90.8	90.0	--
Unclassified Temp. Positions	14.0	14.0	-
TOTAL	<u>104.8</u>	<u>104.0</u>	<u>-</u>

### Agency Request/Governor's Recommendation

The Attorney General requests a total of \$22,987,897 from all funds. The amount of money from the State General Fund that is requested is \$5,704,029, a decrease of \$208,182 from the current year. The reduction is accounted for primarily by lower expenditures for water litigation with Colorado (\$775,000 estimated for FY 2001 compared to \$1,420,281 in FY 2000). The Governor's recommendation for expenditures from the State General Fund reduces the Attorney General's request by \$410,952. Recommended State General Fund reductions include holding a Criminal Prosecutor position in the Criminal Litigation Program vacant during FY 2001 (for a savings of \$47,947), shifting \$157,500 in expenditures from the State General Fund to the Court Cost Fund (consumer protection recoupments), and reducing water litigation funding by a total of \$175,941 (\$51,500 for Colorado and \$124,441 for Nebraska).

## Budget Committee Recommendations

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


1. Attach a proviso to expenditures from the Crime Victims Assistance Fund authorizing expenditures from revenues derived from marriage license fees to be used for purposes other than matching federal funds for child exchange and visitation centers. Expenditures from the Crime Victims Assistance Fund are made primarily for programs and services for victims of child abuse and neglect and are funded from district court fines, penalties, and forfeitures; docket fees; and marriage license fees. However, K.S.A. 1999 Supp. 74-7334(e) stipulates that marriage license fees must be used to match federal funds for child exchange and visitation centers, unless no federal funds are available, in which case the marriage license fees may be used for any other programs supported from the Crime Victims Assistance Fund.

The Attorney General reported to the Budget Committee that, because of a lag in getting federal funding for child exchange and visitation centers, a balance of approximately \$400,000 has built up in marriage license fees that cannot be used. This build-up is considered to be a one-time occurrence because subsequent marriage license fee receipts will be needed to match the federal funds which now are available. The Budget Committee's recommendation would allow the agency to use the money for purposes the statutes allow, had no federal money been received. Information provided by the Attorney General's Office indicates that the balance likely would be spent down over a several-year period and that estimated expenditures for FY 2001 would be approximately \$200,000.

2. Make a technical amendment to H.B. 2994 to accurately reflect the Governor's recommendation with regard to the Drug Abuse Resistance Education (DARE) Program. The Governor's recommended expenditure of \$159,956 from the Children's Initiatives Fund was inadvertently omitted from the appropriations bill.

**GENERAL GOVERNMENT AND HUMAN RESOURCES BUDGET COMMITTEE**

Insurance Department

  
Representative Jo Ann Pottorff, Chairperson

  
Representative Lynn Jenkins

  
Representative Bill McCreary

  
Representative Melvin Minor

  
Representative Bill Reardon

  
Representative Joe Shriver

  
Representative Lloyd Stone

House Appropriations  
3-15-00  
Attachment 3

## Senate Subcommittee Report

**Agency:** Insurance Department

**Bill No.** 639

**Bill Sec.** 10

**Analyst:** Severn

**Analysis Pg. No.** 1542

**Budget Page No.** 263

Expenditure Summary	Agency Request FY 01	Gov. Rec. FY 01	Senate Subcommittee Adjustments
<b>Special Revenue Funds</b>			
State Operations	\$ 10,087,703	\$ 9,847,037	\$ (75,304) *
Aid to Local Units	5,813,365	5,813,365	0
Other Assistance	10,500,000	10,500,000	0
Subtotal - Operating	\$ 26,401,068	\$ 26,160,402	\$ (75,304)
Capital Improvements	143,500	143,500	0
<b>TOTAL</b>	<b>\$ 26,544,568</b>	<b>\$ 26,303,902</b>	<b>\$ (75,304)</b>
FTE Positions	159.0	159.0	0.0
Unclassified Temp. Positions	2.0	2.0	0.0
<b>TOTAL</b>	<b>161.0</b>	<b>161.0</b>	<b>0.0</b>

\* A reduction of \$193,804, from special revenue funds, for the Governor's employee salary adjustment, is partially offset by the addition of \$118,500 for an imaging system.

### Agency Request/Governor's Recommendation

The agency's request for FY 2001 operating expenditures of \$26,401,068 is an increase of \$334,368 or 3.6 percent from the FY 2000 estimate. The request includes an increase of \$140,126 in aid to local units (Firefighters' Relief Fund payments) which result from higher estimates of premiums taxes.

The agency requested staffing of 159.0 FTE, a decrease of 5.5 FTE, because there is a lower need for clerical positions as a result of computerization and other technological equipment in the insurance company examination program, the agency's principal administrative arm. The agency also requested \$118,500 for further implementation of its imaging system in FY 2001

The Governor recommends expenditures of \$26,160,402 for FY 2001. The Governor's recommendation for salaries and wages is \$7,135,229, which is \$228,634 below the agency request. The Governor increased the turnover rate and recalculated fringe benefits. The Governor did not recommend any expenditures for the imaging system. The Governor's employee salary adjustment was \$193,804.

### **Senate Subcommittee Recommendation**

The Subcommittee concurs with the Governor with the following exceptions:

1. Delete \$193,804 (special revenue funds) for the Governor's recommended FY 2001 employee pay plan adjustment.
2. Add \$118,500 for the imaging system.

### **Senate Committee Recommendation**

The Senate Committee concurs with the recommendations of the Subcommittee.

### **Senate Committee of the Whole Recommendation**

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

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### House Budget Committee Report

**Agency:** Insurance Department

**Bill No.** 2994

**Bill Sec.** 10

**Analyst:** Severn

**Analysis Pg. No.** 1542

**Budget Page No.** 263

Expenditure Summary	Agency Request FY 01	Gov. Rec. FY 01	House Budget Committee Adjustments
Special Revenue Funds			
State Operations	\$ 10,087,703	\$ 9,847,037	\$ 59,754
Aid to Local Units	5,813,365	5,813,365	0
Other Assistance	10,500,000	10,500,000	0
Subtotal - Operating	\$ 26,401,068	\$ 26,160,402	\$ 59,754
Capital Improvements	143,500	143,500	0
<b>TOTAL</b>	<b>\$ 26,544,568</b>	<b>\$ 26,303,902</b>	<b>\$ 59,754</b>
FTE Positions	159.0	159.0	0.0
Unclassified Temp. Positions	2.0	2.0	0.0
<b>TOTAL</b>	<b>161.0</b>	<b>161.0</b>	<b>0.0</b>

### House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation with the following exception and comment:

1. Add \$59,754 to reduce the shrinkage rate for the insurance company examination program from 3.5 percent to 2.5 percent. The Committee recognizes that the Department deleted 5.5 FTE clerical positions from its request for FY 2001, and lost another 1.0 FTE upon enactment of SB 39. This additional authority should help the agency to fill vacancies promptly.
2. The Committee notes that a document management and imaging system is being acquired by the Insurance Department. In consideration of the cost of such systems, and observing that several agencies have acquired or propose to acquire such systems, the Committee recommends that a study be conducted to investigate the advisability of establishing a centralized document imaging operation for the state.

# GENERAL GOVERNMENT AND HUMAN RESOURCES BUDGET COMMITTEE


Department of Administration  
(inc. Public Broadcasting)


  
Representative Jo Ann Pottorff, Chairperson

  
Representative Lynn Jenkins

  
Representative Bill McCreary

  
Representative Melvin Minor

  
Representative Bill Reardon

  
Representative Joe Shriver

  
Representative Lloyd Stone

House Appropriations  
3-15-00  
Attachment 4

## Senate Subcommittee Report

**Agency:** Department of Administration

**Bill No.** 639

**Bill Sec.** 20

**Analyst:** West

**Analysis Pg. No.** 1,432

**Budget Pg. No.** 13

Expenditure Summary	Agency Req. FY 01	Gov. Rec. FY 01	Senate Subcommittee Adjustments*
<b>All Funds:</b>			
State Operations	\$ 22,242,874	\$ 20,090,272	\$ (379,060)
Aid to Local Units	544,014	458,295	0
Other Assistance	8,849,381	3,129,364	0
Subtotal—Operating	<u>\$ 31,636,269</u>	<u>\$ 23,677,931</u>	<u>\$ (379,060)</u>
Capital Improvements	10,296,864	1,989,864	0
TOTAL	<u><u>\$ 41,933,133</u></u>	<u><u>\$ 25,667,795</u></u>	<u><u>\$ (379,060)</u></u>
<b>State General Fund:</b>			
State Operations	\$ 21,554,725	\$ 19,282,209	\$ (373,732)
Aid to Local Units	329,014	243,295	0
Other Assistance	7,804,731	1,734,714	0
Subtotal—Operating	<u>\$ 29,688,470</u>	<u>\$ 21,260,218</u>	<u>\$ (373,732)</u>
Capital Improvements	10,282,000	1,975,000	0
TOTAL	<u><u>\$ 39,970,470</u></u>	<u><u>\$ 23,235,218</u></u>	<u><u>\$ (373,732)</u></u>
<b>FTE Positions:</b>			
Reportable Budget	314.0	288.0	0.0
Nonreportable Budget	592.4	596.4	0.0
Subtotal—FTE	<u>906.4</u>	<u>884.4</u>	<u>0.0</u>
Unclass. Temp. Positions	20.8	19.8	0.0
TOTAL	<u><u>927.2</u></u>	<u><u>904.2</u></u>	<u><u>0.0</u></u>

\* Includes a reduction of \$379,060 (\$373,732 State General Fund) for the Governor's state employee salary adjustment. Absent this reduction, the Subcommittee's recommendation concurs with the budget submitted by the Governor.

### Agency Req./Governor's Recommendation

The agency requests an FY 2001 reportable operating budget of \$31.6 million, an increase of \$5.3 million (19.9 percent) from the current year estimate.

- The request includes \$7.1 million for budget enhancements. Absent these enhancements, the agency's request would be \$24.5 million, a decrease of \$1.8 million (7.0 percent) from the current year.



**The Governor** recommends an FY 2001 **reportable** operating budget of \$23.7 million, a decrease of \$2.3 million (8.8 percent) from the current year.

- The recommendation includes a net decrease of 1.0 FTE position and a net increase 3.4 Unclassified Temporary positions from the current year recommendation, which reflects 3.0 FTE and 3.5 Unclassified Temporary positions added to DISC offset by the elimination of the 4.0 FTE associated with the **Municipal Accounting and Training Services Office**. The elimination of the Office reduces expenditures by \$240,241, including \$155,294 from the State General Fund.
- Fringe benefit costs are decreased from the agency's request with revised contribution rates for KPERS and Workers' Compensation.
- Recommended expenditures of \$823,124 are shifted from the reportable to the nonreportable budget to minimize State General Fund expenditures.
- The recommendation includes \$712,105 for enhancements requested by the agency.

### **Senate Subcommittee Recommendation**

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

1. Delete \$379,060 (including \$373,732 from the State General Fund) from the reportable budget and \$657,826 from the nonreportable budget to remove funding recommended by the Governor for classified step movement, longevity pay, and unclassified merit pay.
2. S.B. 100, approved by the Senate, authorizes transfers from the State General Fund to the State Emergency Fund if needed in case of disasters. The Subcommittee recommends unencumbered balances in the State Emergency Fund in excess of \$100,000 be transferred to the State General Fund. This transfer increases FY 2001 State General Fund revenues by \$1.9 million above the Governor's recommendation.
3. The Subcommittee notes that the Governor recommends that the Municipal Accounting and Training Services Office of the Division of Accounts and Reports be eliminated, producing savings of \$240,241, including \$155,294 from the State General Fund. The Office provides technical assistance and training to local officials in preparation of their annual budgets. The Subcommittee has been informed that the Office's elimination is not a reflection on the merits of the program or the assis-

tance the Office provides to local officials, but rather the recommendation is based purely on budgetary constraints. The Subcommittee notes that the Office is required to perform several statutory responsibilities and that legislation has been requested by the agency that would repeal or amend the relevant statutes.

4. The Subcommittee notes that the Governor's nonreportable budget recommendation includes the following increased fees or new fees to be assessed against state agencies: The Division of Purchases fee for items purchased from state contracts is increased from 0.5 percent to 0.75 percent. The fee increase is anticipated to produce \$181,058, which is used to offset State General Fund expenditures in the reportable budget. A new fee of \$0.35 per payroll check or advice issued through the SHARP will be assessed starting in FY 2001. \$0.10 will go to the Division of Personnel Services, where it is used to offset \$150,670 of State General Fund expenditures in the reportable budget. The balance goes to DISC, where it will be used to help finance future SHaRP upgrades. The Governor's recommendations also utilize available balances in nonreportable budget funds to shift expenditures in DISC (\$65,000), Accounts and Reports (\$176,396) and Architectural Services (\$250,000). In all, the Governor's recommendation shifts \$823,124 from the reportable budget to the nonreportable budget. In the absence of this shift, the Governor's recommended reportable all funds operating budget is a reduction of \$1.5 million (5.6 percent) compared to the current year. The State General Fund budget is reduced by \$1.9 million (7.8 percent) and the nonreportable budget is increased by \$2.6 million (2.8 percent).
5. In reviewing the budget for the Public Broadcasting Council, the Subcommittee learned that the estimated cost of converting public television stations to digital broadcasting is \$48.3 million through FY 2004. Of this amount, the Council is requesting \$15.0 million from the state. The conversion to digital broadcast was mandated by the Federal Communications Commission, with a deadline for substantial implementation of May 1, 2003. The Subcommittee was informed by the Council that in order to meet this deadline the minimum state investment in FY 2001 is \$1,450,000, with the balance deferred until later years. The Governor's FY 2001 recommendation includes \$350,000 for a portion of this initiative. The Subcommittee was also informed that the federal government maintains a lien for a period of 10 years on equipment acquired in whole or in part with federal grants.

The Subcommittee recommends that the Council work with the Department of Administration and the Kansas Development Finance Authority to explore alternative funding mechanisms, such as the State Master Lease program or bonding, and report back to the Subcommittee prior to Omnibus.

The Subcommittee also recommends that the Public Broadcasting Council be a topic of study this interim. The interim study could include the costs and benefits of conversion to digital broadcasting, the extent to which the state should financially participate in the project, and an examination of the \$2.00 per capita public funding goal established by the 1993 Legislature.

6. The Subcommittee notes with concern that the Governor's recommendation for the Performance Review Board will only support one study from State General Fund resources. The Governor's recommendation also includes a nonreportable budget for the Board of \$74,962, with the resources to come from state agencies which have had savings identified by the Board's efforts. The Director of the Board noted that agencies are typically resistant to review and would be even more reluctant if they are to be charged for the review when no funding is available in the budget to pay for the charge.

The Subcommittee learned that the Board's recommendations to date, including preliminary recommendations under review this month, could produce savings of \$2.8 million if fully implemented. The Subcommittee reviewed the progress in implementing the Board's recommendations that were produced in two studies completed prior to this fiscal year. In the Central Motor Pool, implementation of the fleet card for fueling has produced savings of 3 cents per gallon of gas used by state agencies participating in the program. The Department of Human Resources has saved \$60,000 by using Central Motor Pool vehicles instead of reimbursing for private mileage. Other recommendations of the Board for the Central Motor Pool, primarily increased usage by other state agencies in lieu of maintaining their own vehicles, are gradually being implemented as the Central Motor Pool increases its capacity to handle other state agency needs and other agencies become convinced of the program benefits. The Subcommittee learned that one area of potentially large savings involves the Regents institutions utilizing Central Motor Pool vehicles instead of maintaining their own vehicle fleets. The institutions are reluctant to participate, perceiving problems about potential logistical difficulties, the Department of Administration's technical capacity and a lack of choice in vehicle colors and styles. The Subcommittee recommends that the Subcommittee of Higher Education review this reluctance with the institutions.

For DISC, renegotiating long distance rates produced savings of \$438,000 in FY 1999, \$438,000 in FY 2000, with anticipated savings increasing to \$548,000 in FY 2001. The Subcommittee also learned that DISC plans to rebid the contract for long distance service later this year to ascertain if additional savings can be achieved. The recommendation that DISC shift agency billing to the private sector has been put on hold for the time being because of the failure of AT&T to produce accurate bills. DISC reports that it will continue to pursue this initiative.

The Subcommittee is concerned about the number of studies which can be supported from State General Fund resources under the Governor's recommendation. On the other hand, the Governor's recommendation that some portion of the savings in state agency budgets identified by the Performance Review Board be captured to support the Board's efforts is not without merit. The Subcommittee recommends that the Performance Review Board utilize its authority to bill agencies for the Board's services. In lieu of that action, future legislatures should consider revenue transfers from the agencies which benefit from the Board's activities to support the Board in fulfilling its mission of making government more efficient.

The Subcommittee also notes with concern that while the quorum for meetings of the Board is four, up until recently there were only three members appointed to the Board by the Governor and that the fifth Board position still remains vacant.

### **Senate Committee Recommendation**

The Senate Committee concurs with the Governor's recommendation.

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## Budget Committee Report

**Agency:** Department of Administration

**Bill No.** 2994

**Bill Sec.** 20

**Analyst:** West

**Analysis Pg. No.** 1,432 **Budget Pg. No.** 13

Expenditure Summary	Agency Req. FY 01	Gov. Rec. FY 01	Budget Committee Adjustments
<b>All Funds:</b>			
State Operations	\$ 22,242,874	\$ 20,090,272	\$ 0
Aid to Local Units	544,014	458,295	0
Other Assistance	8,849,381	3,129,364	0
Subtotal—Operating	<u>\$ 31,636,269</u>	<u>\$ 23,677,931</u>	<u>\$ 0</u>
Capital Improvements	10,296,864	1,989,864	0
TOTAL	<u><u>\$ 41,933,133</u></u>	<u><u>\$ 25,667,795</u></u>	<u><u>\$ 0</u></u>
<b>State General Fund:</b>			
State Operations	\$ 21,554,725	\$ 19,282,209	\$ 0
Aid to Local Units	329,014	243,295	0
Other Assistance	7,804,731	1,734,714	0
Subtotal—Operating	<u>\$ 29,688,470</u>	<u>\$ 21,260,218</u>	<u>\$ 0</u>
Capital Improvements	10,282,000	1,975,000	0
TOTAL	<u><u>\$ 39,970,470</u></u>	<u><u>\$ 23,235,218</u></u>	<u><u>\$ 0</u></u>
<b>FTE Positions:</b>			
Reportable Budget	314.0	288.0	0.0
Nonreportable Budget	592.4	596.4	0.0
Subtotal—FTE	<u>906.4</u>	<u>884.4</u>	<u>0.0</u>
Unclass. Temp. Positions	20.8	19.8	0.0
TOTAL	<u><u>927.2</u></u>	<u><u>904.2</u></u>	<u><u>0.0</u></u>

### Agency Req./Governor's Recommendation

The agency requests an FY 2001 reportable operating budget of \$31.6 million, an increase of \$5.3 million (19.9 percent) from the current year estimate.

- The request includes \$7.1 million for budget enhancements. Absent these enhancements, the agency's request would be \$24.5 million, a decrease of \$1.8 million (7.0 percent) from the current year.

**The Governor** recommends an FY 2001 **reportable** operating budget of \$23.7 million, a decrease of \$2.3 million (8.8 percent) from the current year.

- The recommendation includes a net decrease of 1.0 FTE position and a net increase 3.4 Unclassified Temporary positions from the current year recommendation, which reflects 3.0 FTE and 3.5 Unclassified Temporary positions added to DISC offset by the elimination of the 4.0 FTE associated with the **Municipal Accounting and Training Services Office**. The elimination of the Office reduces expenditures by \$240,241, including \$155,294 from the State General Fund.
- Fringe benefit costs are decreased from the agency's request with revised contribution rates for KPERS and Workers' Compensation.
- Recommended expenditures of \$823,124 are shifted from the reportable to the nonreportable budget to minimize State General Fund expenditures.
- The recommendation includes \$712,105 for enhancements requested by the agency.

### **Budget Committee Recommendation**

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

1. The Budget Committee notes that the Governor recommends that the Municipal Accounting and Training Services Office of the Division of Accounts and Reports be eliminated, producing savings of \$240,241, including \$155,294 from the State General Fund. The Office provides technical assistance and training to local officials in preparation of their annual budgets. The Budget Committee notes that the Office is required to perform several statutory responsibilities and that SB 635, which is currently in Senate Ways and Means, has been introduced to repeal or amend the relevant statutes. The Budget Committee is concerned about that the elimination of this office will have a long term negative impact on local units of government.
2. In reviewing the budget for the Public Broadcasting Council, the Budget Committee learned that the estimated cost of converting public television stations to digital broadcasting is \$48.3 million through FY 2004. Of this amount, the Council is requesting \$15.0 million from the state. The conversion to digital broadcast was mandated by the Federal Communications Commission, with a deadline for substantial implementation of May 1, 2003. The Budget Committee was informed by the Council that in order

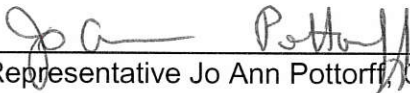
to meet this deadline the minimum state investment in FY 2001 is \$1,450,000, with the balance deferred until later years. The Governor's FY 2001 recommendation includes \$350,000 for a portion of this initiative.

The Budget Committee is concerned about the cost of this initiative and recommends that the Public Broadcasting Council be a topic of study this interim. Such a study should focus on the overall structure of the Council, particularly considering if public radio should be governed by a separate entity. The study should also examine the level of support provided by Kansas to KCPT compared to the funding provided by the state of Missouri to determine if Kansas is providing an inappropriate amount of support to a Missouri station.


3. The Budget Committee notes that S. B. 451, currently on House General Orders, would eliminate the requirement that the Performance Review Board be evaluated. The Budget Committee learned that this is proposed at least in part as a cost savings measure, as a request for proposals on the evaluation produced costs ranging from \$53,000 to \$134,000. The Board reports that studies it has performed have identified areas of efficiencies which could produce savings of over \$6.0 million if fully implemented. The Budget Committee understands that there has been some resistance to implementing some of the Board's recommendations and that the private sector is often unaware of the Board's activities. The Budget Committee recommends that the Board develop strategies to enhance the Board's operations and ease the implementation of the Board's recommendations and to report back to the Budget Committee later this session.

**GENERAL GOVERNMENT AND HUMAN RESOURCES BUDGET COMMITTEE**

Governmental Ethics Commission

  
Representative Jo Ann Pottorff, Chairperson

  
Representative Lynn Jenkins

  
Representative Bill McCreary

  
Representative Melvin Minor

  
Representative Bill Reardon

  
Representative Joe Shriver

  
Representative Lloyd Stone

House Appropriations  
3-15-00  
Attachment 5



## Senate Subcommittee Report

**Agency:** Governmental Ethics Commission **Bill No.** 639

**Bill Sec.** 16

**Analyst:** Hollon

**Analysis Pg. No.** 1406 **Budget Page No.** 179

Expenditure Summary	Agency Req. FY 01	Gov. Rec. FY 01	Senate Subcommittee Adjustments*
State Operations:			
State General Fund	\$ 404,344	\$ 415,796	\$ (9,285)
Special Revenue Funds	148,692	131,692	(393)
TOTAL	<u>\$ 553,036</u>	<u>\$ 547,488</u>	<u>\$ (9,678)</u>
FTE Positions	9.0	9.0	0.0
Unclassified Temp. Positions	0.6	0.6	0.0
TOTAL	<u>9.6</u>	<u>9.6</u>	<u>0.0</u>

\* Entire reduction for the Governor's salary adjustments.

### Agency Request/Governor's Recommendation

**The agency** requests operating expenditures for FY 2001 of \$553,036 which is an increase of \$3,483 (0.6 percent) from the FY 2000 estimate. The request includes \$438,969 for salaries and wages, \$103,942 for contractual services, \$4,925 for commodities, and \$5,200 for capital outlay.

**The Governor** recommends operating expenditures for FY 2001 of \$547,488 which is a decrease of \$1,776 (0.3 percent) from the FY 2000 recommendation. The recommendation includes \$433,421 for salaries and wages, \$103,942 for contractual services, \$4,925 for commodities, and \$5,200 for capital outlay.

### Senate Subcommittee Recommendations

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

1. Delete \$9,678 (\$9,285 SGF) for an unclassified merit pool.
2. Although the Subcommittee takes no action at this time, it notes the recommendation of the 1999 Legislature to review the agency's fee structure. This recommendation was made in response to the steadily

decreasing balance in the agency's fee fund. The Subcommittee notes four options for maintaining sufficient funding for the agency in the future:

- Increase the State General Fund appropriation
- Raise the fees charged to candidates for elected office, political action committees, and lobbyists
- Investigate other sources of funding, or
- Reduce the agency's responsibilities and staff.

### Senate Committee Recommendation

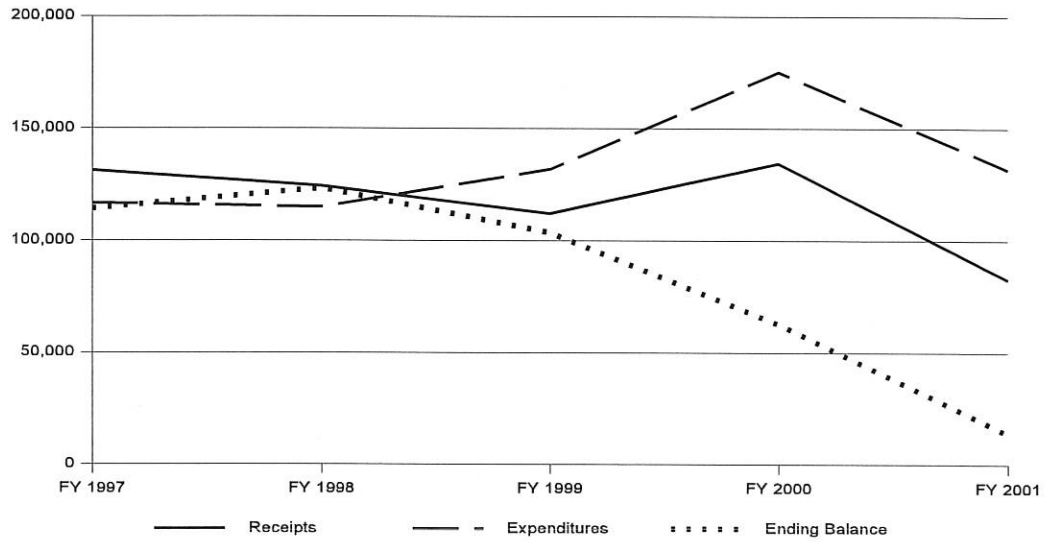
The Senate Committee concurs with the Subcommittee, but amends the Subcommittee Report to include the following information regarding the agency's fee funds.

#### Fee Fund Information Governmental Ethics Commission

#### Historical Trend - FY 1997-FY 2001

Resource Estimate	Actual FY 1997	Actual FY 1998	Actual FY 1999	Leg. Rec. FY 2000	Gov. Rec. FY 2001
Beginning Balance	\$ 99,546	\$ 114,150	\$ 123,391	\$ 103,555	\$ 62,723
Net Receipts	<u>131,232</u>	<u>124,216</u>	<u>112,070</u>	<u>134,465</u>	<u>82,628</u>
Total Funds Available	\$ 230,778	\$ 238,366	\$ 235,461	\$ 238,020	\$ 145,351
Less: Expenditures	116,628	114,975	131,816	175,297	131,692
Less: Nonreportable Expenditures	<u>0</u>	<u>0</u>	<u>90</u>	<u>0</u>	<u>0</u>
Ending Balance	<u>\$ 114,150</u>	<u>\$ 123,391</u>	<u>\$ 103,555</u>	<u>\$ 62,723</u>	<u>\$ 13,659</u>
Ending Balance as Percentage of Expend.	97.9%	107.3%	78.6%	35.8%	10.4%

**Governmental Ethics Commission  
Fee Fund FY 1997-FY 2001**



**Agency Estimated Receipts through FY 2004**

Source	FY 1999 Actual	FY 2000 Estimate	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate
Candidates	\$ 11,860	\$ 54,540	\$ 6,090	\$ 30,260	\$ 6,090	\$ 54,120
PACs	25,875	20,825	22,675	20,825	22,675	20,825
Lobbyists	69,120	59,100	59,100	59,100	59,100	59,100
<b>TOTAL</b>	<u>\$ 106,855</u>	<u>\$ 134,465</u>	<u>\$ 87,865</u>	<u>\$ 110,185</u>	<u>\$ 87,865</u>	<u>\$ 134,045</u>

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## House Budget Committee Report

**Agency:** Governmental Ethics Commission

**Bill No.** 2994

**Bill Sec.** 16

**Analyst:** Hollon

**Analysis Pg. No.** 1406 **Budget Page No.** 179

Expenditure Summary	Agency Req. FY 01	Gov. Rec. FY 01	House Budget Committee Adjustments
State Operations:			
State General Fund	\$ 404,344	\$ 415,796	\$ 0
Special Revenue Funds	\$ 148,692	\$ 131,692	\$ 0
TOTAL	<u>553,036</u>	<u>547,488</u>	<u>0</u>
FTE Positions	9.0	9.0	0.0
Unclassified Temp. Positions	0.6	0.6	0.0
TOTAL	<u>9.6</u>	<u>9.6</u>	<u>0.0</u>

### Agency Request/Governor's Recommendation

**The agency** requests operating expenditures for FY 2001 of \$553,036 which is an increase of \$3,483 (0.6 percent) from the FY 2000 estimate. The request includes \$438,969 for salaries and wages, \$103,942 for contractual services, \$4,925 for commodities, and \$5,200 for capital outlay.

**The Governor** recommends operating expenditures for FY 2001 of \$547,488 which is a decrease of \$1,776 (0.3 percent) from the FY 2000 recommendation. The recommendation includes \$433,421 for salaries and wages, \$103,942 for contractual services, \$4,925 for commodities, and \$5,200 for capital outlay.

### House Budget Committee Recommendation

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

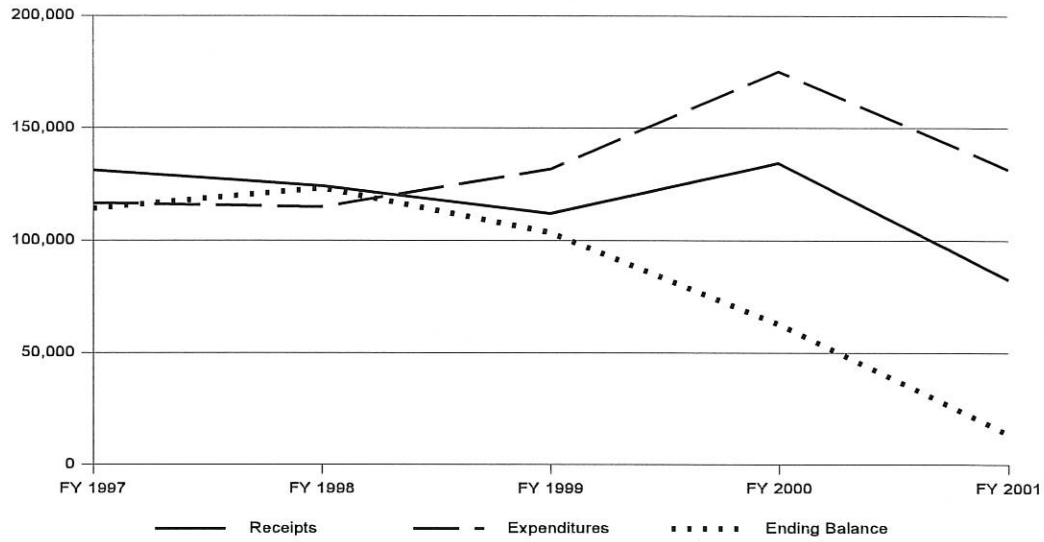
1. The Budget Committee notes the steadily decreasing balance in the agency's fee fund and notes four options for maintaining sufficient funding for the agency in the future:
  - a. Increase the State General Fund appropriation;
  - b. Raise the fees charged to candidates for elected office, political action committees, and lobbyists;
  - c. Investigate other sources of funding; or
  - d. Reduce the agency's responsibilities and staff.

**Fee Fund Information  
Governmental Ethics Commission**

**Historical Trend - FY 1997-FY 2001**

Resource Estimate	Actual FY 1997	Actual FY 1998	Actual FY 1999	Leg. Rec. FY 2000	Gov. Rec. FY 2001
Beginning Balance	\$ 99,546	\$ 114,150	\$ 123,391	\$ 103,555	\$ 62,723
Net Receipts	131,232	124,216	112,070	134,465	82,628
Total Funds Available	\$ 230,778	\$ 238,366	\$ 235,461	\$ 238,020	\$ 145,351
Less: Expenditures	116,628	114,975	131,816	175,297	131,692
Less: Nonreportable Expenditures	0	0	90	0	0
Ending Balance	<u>\$ 114,150</u>	<u>\$ 123,391</u>	<u>\$ 103,555</u>	<u>\$ 62,723</u>	<u>\$ 13,659</u>
Ending Balance as Percentage of Expend.	97.9%	107.3%	78.6%	35.8%	10.4%

**Governmental Ethics Commission**  
 Fee Fund FY 1997-FY 2001



**Agency Estimated Receipts through FY 2004**

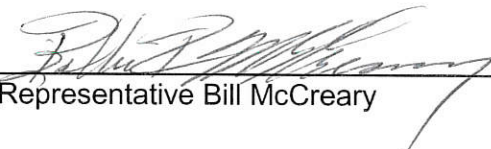
Source	FY 1999 Actual	FY 2000 Estimate	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate
Candidates	\$ 11,860	\$ 54,540	\$ 6,090	\$ 30,260	\$ 6,090	\$ 54,120
PACs	25,875	20,825	22,675	20,825	22,675	20,825
Lobbyists	69,120	59,100	59,100	59,100	59,100	59,100
<b>TOTAL</b>	<b>\$ 106,855</b>	<b>\$ 134,465</b>	<b>\$ 87,865</b>	<b>\$ 110,185</b>	<b>\$ 87,865</b>	<b>\$ 134,045</b>

# GENERAL GOVERNMENT AND HUMAN RESOURCES BUDGET COMMITTEE

Department of Human Resources

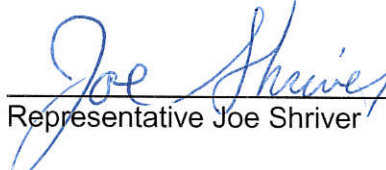
  
Representative Jo Ann Pottorff, Chairperson

  
Representative Lynn Jenkins

  
Representative Bill McCreary

  
Representative Melvin Minor

  
Representative Bill Reardon

  
Representative Joe Shriver

  
Representative Lloyd Stone

House Appropriations  
3-15-00  
Attachment 6

## Senate Subcommittee Report

**Agency:** Kansas Department  
of Human Resources

**Bill No.** 639

**Bill Sec.** 29

**Analyst:** Nogle

**Analysis Pg. No.** 536

**Budget Page No.** 231

<u>Expenditure Summary</u>	<u>Agency Request FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>Senate Subcommittee Adjustments</u>
Operating Expenditures:			
State General Fund	\$ 4,912,389	\$ 1,939,283	\$ (143,434)
Special Revenue Funds	219,826,354	216,562,363	(1,195,839)
<b>TOTAL</b>	<b><u>\$ 224,738,743</u></b>	<b><u>\$ 218,501,646</u></b>	<b><u>\$ (1,339,273)</u></b>
FTE Positions	998.5	996.5	0.0
Unclassified Temp. Positions	28.0	28.0	0.0
<b>TOTAL</b>	<b><u>1,026.5</u></b>	<b><u>1,024.5</u></b>	<b><u>0.0</u></b>

\* The entire reduction reflects the removal of the Governor's pay plan adjustments.

### Agency Request/Governor's Recommendation

The agency requests \$224,738,743 in operating expenditures for FY 2001, \$20,400,657 (10.0 percent) more than the agency FY 2000 estimate. This is based on the agency estimate of an additional \$19,000,000 in unemployment benefits to be paid out in FY 2001.

**The Governor recommends** \$218,501,646 in operating expenditures for FY 2001, \$14,220,327 (7.0 percent) more than the FY 2000 recommendation.

### Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation with the following comments and observations:

1. The Subcommittee understands that proposed reductions in the Older Kansans Employment Program (OKEP) would require a 22 percent (300 participants) decrease in the number of older workers served. The Subcommittee recommends the agency shift \$30,000 to OKEP for FY 2001 from existing operating expenditures. This proposal would restore approximately 12 percent of the funding.
2. The Subcommittee recommends the removal of the Governor's pay plan adjustments of \$1,339,273.



3. The Subcommittee notes the federal Job Training Partnership Act (JTPA) will end in FY 2000 and be replaced by the Workforce Investment Act (WIA) for FY 2001. The Kansas version of the WIA will be the Kansas Workforce Investment Partnership (KWIP). The WIA changes the focus on workforce development services from the provider to the consumer and provides more local control. WIA will fund services through a voucher system that allows the job seeker to choose training services from an approved list of providers, where JTPA funded specific programs. The WIA will be governed by a State Workforce Investment Board (SWIB)—the KWIP Board—appointed by the Governor. The KWIP Board will oversee Local Workforce Investment Boards (LWIBs) in the five service delivery areas in the state appointed by the chief elected officials of the service delivery area in accordance with the requirements set out by the WIA. The local boards will determine which programs meet the WIA criteria and are eligible to receive the vouchers. The WIA gives broad discretion to the local boards in developing the best programs for the service delivery area.
4. The Subcommittee expresses concern about the lack of coordination of workforce development activities in the state between agencies and sees a need for statewide coordination of these activities to make the best use of scarce resources. The Subcommittee recognizes that under the Governor's recommendation there is a total of approximately \$400 million (all funds) for workforce development in the State of Kansas between the Department of Human Resources, the Department of Social and Rehabilitative Services, the Department of Commerce and Housing, the Department of Education, and the Department of Corrections. This represents approximately 70 different programs.
5. The Subcommittee recognizes the Governor is creating a Workforce Development Task force and recommends that this task force study the issue of workforce development coordination under KWIP and recommend any necessary, statutory coordination to further this goal.
6. The Subcommittee recognizes the importance of the Welfare to Work program. Federal Welfare to Work funds are still available for the program if match monies can be found. The Subcommittee encourages the agency to work with the Department of Social and Rehabilitation Services to find the additional \$1.6 million state money to draw down as much of the remaining \$3.2 million in federal dollars as possible because the Welfare to Work Program ends in two years. Service recipients currently under Welfare to Work will be eligible for services under the Workforce Investment Act.
7. The Subcommittee recommends review of the Worker's Compensation database project regarding user costs to access the database at Omnibus.

### **Senate Committee Recommendation**

The Senate Ways and Means Committee concurs with the Subcommittee recommendation.

### House Budget Committee Report

**Agency:** Kansas Department  
of Human Resources

**Bill No.** 2994

**Bill Sec.** 29

**Analyst:** Nogle

**Analysis Pg. No.** 536

**Budget Page No.** 231

<u>Expenditure Summary</u>	<u>Agency Request FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>House Budget Committee Adjustments</u>
Operating Expenditures:			
State General Fund	\$ 4,912,389	\$ 1,939,283	\$ 0
Special Revenue Funds	219,826,354	216,562,363	0
TOTAL	<u>\$ 224,738,743</u>	<u>\$ 218,501,646</u>	<u>\$ 0</u>
FTE Positions	998.5	996.5	0.0
Unclassified Temp. Positions	28.0	28.0	0.0
TOTAL	<u>1,026.5</u>	<u>1,024.5</u>	<u>0.0</u>

\* The entire reduction reflects the removal of the Governor's pay plan adjustments.

### House Budget Committee Recommendation

1. Reduce the transfer from the Worker's Compensation Fee Fund to \$500,000 and a proviso allowing an additional \$500,000 to be transferred to the State General Fund on the approval of the State Finance Council if the additional money is not necessary to run the Worker's Compensation Program without increasing the fee assessed to employers. The proviso would read as follows:

"(2) Notwithstanding the provisions of K.S.A. 74-715, and amendments thereto, on or after July 1, 2000, during fiscal year 2001, the director of accounts and reports shall transfer from the workmen's compensation fee fund of the department of human resources to the state general fund an additional amount which shall be certified by the secretary of human resources as the additional amount which may be transferred from the workmen's compensation fee fund of the department of human resources without requiring an additional or increased assessment to be collected for the carriers' share of expense under K.S.A. 74-712 et seq., and amendments thereto, to finance the estimated expense of administering the workers compensation act during fiscal year 2001: Provided, That the transfer directed to be made by this subsection (c)(2) shall be made only upon approval of the state finance council acting on this matter which is hereby declared to be a matter of legislative delegation and subject to the guidelines pre-

scribed by subsection (c) of K.S.A. 75-3711c, and amendments thereto: Provided, however, That the amount transferred under this subsection (c)(2) shall not exceed \$500,000."

The Budget Committee expresses concern about the use of fee fund dollars to make up for shortfalls in the State General Fund.

2. The Budget Committee recommends review of the Welfare to Work matching dollars at Omnibus.
3. The Budget Committee expresses concern about older worker employment programs in the state with the end of the Job Training Partnership Act which specifically earmarked money for older worker training programs and the beginning of the Workforce Investment Act(WIA) which does not specifically fund older worker programs. The Budget Committee encourages the agency to support these programs in obtaining funds through the WIA.

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## Senate Subcommittee Report

**Agency:** Kansas Commission on Veterans' Affairs (including the Soldiers' and Veterans' Homes) **Bill No.** 519

**Bill Sec.** 30

**Analyst:** Davis

**Analysis Pg. No.** 519

**Budget Page No.** 471

<u>Expenditure Summary</u>	<u>Agency Request FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>Senate Subcommittee Adjustments</u>
<b>All Funds:</b>			
State Operations	\$ 16,282,388	\$ 13,192,155	\$ (230,122)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 16,282,388</u>	<u>\$ 13,192,155</u>	<u>\$ (230,122)</u>
Capital Improvements	993,920	780,000	0
<b>TOTAL</b>	<b><u><u>\$ 17,276,308</u></u></b>	<b><u><u>\$ 13,972,155</u></u></b>	<b><u><u>\$ (230,122)</u></u></b>
<b>State General Fund:</b>			
State Operations	\$ 5,213,110	\$ 4,944,464	\$ (143,246)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 5,213,110</u>	<u>\$ 4,944,464</u>	<u>\$ (143,246)</u>
Capital Improvements	0	0	0
<b>TOTAL</b>	<b><u><u>\$ 5,213,110</u></u></b>	<b><u><u>\$ 4,944,464</u></u></b>	<b><u><u>\$ (143,246)</u></u></b>
<b>Other Funds:</b>			
State Operations	\$ 11,069,278	\$ 8,247,691	\$ (86,876)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 11,069,278</u>	<u>\$ 8,247,691</u>	<u>\$ (86,876)</u>
Capital Improvements	993,920	780,000	0
<b>TOTAL</b>	<b><u><u>\$ 12,063,198</u></u></b>	<b><u><u>\$ 9,027,691</u></u></b>	<b><u><u>\$ (86,876)</u></u></b>
<b>FTE Positions</b>	<b>459.8</b>	<b>454.8</b>	<b>0.0</b>
<b>Unclassified Temp. Positions</b>	<b>4.0</b>	<b>4.0</b>	<b>0.0</b>
<b>TOTAL</b>	<b><u><u>463.8</u></u></b>	<b><u><u>458.8</u></u></b>	<b><u><u>0.0</u></u></b>

\* Includes a reduction of \$230,122 (including \$143,246 from the SGF) for the Governor's employee salary adjustment. Absent the decrease for the pay plan, the recommendation is the same as the Governor's recommendation for FY 2001.

### Agency Request/Governor's Recommendation

The agency's FY 2001 operating expenditures request of \$16,282,388 is an increase of \$6.6 million or 68.7 percent over FY 2000. The request includes:

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3-15-00  
Attachment 7*

- **State General Fund**
  - \$5,213,110 or 32.0 percent of the total FY 2001 operating request
- **Special Revenue Funds**
  - \$11,069,278 or 68.0 percent of the total FY 2001 operating request
- **Salaries and Wages**
  - \$11.6 million (including fringe benefits) for 459.8 FTE positions and 4.0 Unclassified Temporary Positions, an increase of \$4.5 million (63.0 percent) over the FY 2000 estimate
- **Kansas Veterans' Home at Winfield Operating Expenditures** of \$8,281,923
  - including \$2,176,163 from the **State General Fund** (26.3 percent of the total Kansas Veterans' Home (KVH) operating request)
  - \$6,105,760 from the KVH Fee Fund (73.7 percent of total KVH operating request)
  - including \$5,780,500 for salaries and wages for 271.0 FTE
  - budget request assumes an opening date of March 2000

**The Governor** recommends total operating expenditures of \$13,192,155, an increase of \$4.7 million or 54.9 percent over FY 2000. The recommendation includes:

- State General Fund
  - \$4,944,464 or 37.5 percent of the total FY 2001 operating recommendation
- Special Revenue Funds
  - \$8,247,691 or 62.5 percent of the total FY 2001 operating recommendation
- Salaries and Wages
  - \$10.3 million (including fringe benefits) for 454.8 FTE and 4.0 unclassified temporary positions
    - the Governor recommends a reduction of \$20,205 and 1.0 FTE for a retirement reduction at the Kansas Soldiers' Home
- Kansas Veterans Home total operating expenditures of \$5,728,702
  - \$2,551,265 from the State General Fund (44.5 percent of the total KVH operating request)
  - \$3,177,437 from the KVH Fee Fund (55.5 percent of the total KVH operating request)
  - including \$4,704,877 for salaries and wages for 267.0 FTE positions
  - the funding is adjusted for the delayed opening, now scheduled for May 2000

### **Senate Subcommittee Recommendation**

The Subcommittee concurs with the Governor with the following adjustments and notations.

1. Delete \$230,122 (including \$143,246 from the SGF) for the Governor's recommended pay plan adjustments for classified step movement (\$107,209), longevity bonus payments (\$107,209), and a 2.5 percent unclassified merit pool (\$15,704).

2. The Subcommittee recommends that the Kansas Veterans Home Fee Fund have no expenditure limitation in FY 2001. It is not the Subcommittee's intention that the Fund would have no expenditure limitation in future fiscal years, however, the Subcommittee makes this recommendation for FY 2001 in order to assist the start up of the Winfield Veterans' Home. The Subcommittee was informed that revenue and expenditure projections from the Fund have been revised and expects a Governor's Budget Amendment to address budgeted expenditures.
3. The Subcommittee was informed that the Superintendent of the Veterans' Home has serious concerns as to the adequacy of the Governor's recommendation regarding State General Fund dollars for other operating expenditures in FY 2001. In spite of the increased expenditures anticipated for the Veterans Home Fee Fund, the Subcommittee notes that a very serious potential for a shortfall of up to \$500,000 in other operating expenditures exists. The Subcommittee recommends this situation be reviewed at Omnibus.
4. The Subcommittee commends the work done by the Kansas Persian Gulf War Veterans Health Initiative over the past three years. The program has operated under two mandates from the Legislature, to investigate the unexplained health problems affecting Kansas Gulf War veterans and to provide outreach and information to veterans about these concerns. The Commission has now completed final analyses of the data and has found that Kansas veterans who served in the Gulf War have significantly more health problems than veterans who did not. This was a breakthrough research effort as Kansas, unlike the federal government, now knows how many of our veterans are ill and who is most stricken with Gulf War-related health problems. The results indicate that about a third of Kansas Gulf War veterans are affected by a pattern of chronic and sometimes disabling symptoms. These conditions have now been acknowledged by the United States Departments of Defense and Veterans Affairs, but there are still no answers regarding their cause or treatment. Just as troubling, Kansas veterans who are the most severely ill with these unexplained conditions often face another war at home when they attempt to secure medical treatment or disability benefits.

The Subcommittee is pleased that a federal grant program for Gulf War research projects was finally announced last spring. The Commission is collaborating with the Midwest Research Institute in Kansas City to submit a scientific proposal to study nervous system damage in Kansas Gulf War veterans. The Commission is one of the few recipients of such grants across the country and will have federal grant money for the next three years of operations, with no new State General Fund dollars being required.

5. The Subcommittee notes that plans are currently underway for expansion of the cemetery at the Fort Dodge Kansas Soldiers' Home. The statewide

veterans cemeteries program will eventually include three additional state veterans cemeteries located at Fort Riley, Winfield and (most likely) WaKeeney. The Commission had originally anticipated constructing the cemeteries in that order, however, due to unresolved issues with the transfer of the Fort Riley land to the Commission, the Commission now reports that plans for WaKeeney may be moved up to FY 2001.

The Subcommittee recommends that the issue of planning costs for cemeteries be reviewed at Omnibus. The Commission has requested an additional \$50,000 (SIBF) in FY 2001, however, the Commission currently has \$100,000 (SIBF) for planning for cemetery construction in FY 2000, originally intended for Fort Riley and Winfield, that can possibly be redirected toward planning costs for WaKeeney. The Subcommittee has requested follow up information regarding the timing of the transfer of the Fort Riley land, the progress of United States Senator Pat Roberts in securing such transfer through federal legislation, the Commission's anticipated time frame for the construction of the Winfield cemetery, and the possible contractual arrangements between the Commission and the city of WaKeeney for maintenance and operations.

6. The Subcommittee was informed that the Superintendent of the Kansas Soldiers' Home is currently working with the Division of the Budget to develop revised fee revenue estimates for FY 2001. The Home is looking at the possibility of hiring 25 new nurses at no cost to the state which would allow the Home to charge a higher per diem to the federal Veterans Administration. This would not only improve staffing ratios and ease budgetary restraints at the Soldiers' Home, but would increase the revenues at the Winfield Veterans' Home as well. In its first year of operations, the Veterans' Home is statutorily prohibited from charging more than the Soldiers' Home, regardless of the Veterans' Home's costs.
7. The Subcommittee notes that Stoney Wages has recently taken over as Executive Director of the Kansas Commission on Veterans' Affairs. The Subcommittee appreciates Mr. Wages' efforts and looks forward to working with him.

### **Senate Committee Recommendation**

The Committee concurs with the Subcommittee.

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## Budget Committee Report

**Agency:** Kansas Commission on Veterans' Affairs (including the Soldiers' and Veterans' Homes) **Bill No.** 2994

**Bill Sec.** 30

**Analyst:** Davis

**Analysis Pg. No.** 519

**Budget Page No.** 471

Expenditure Summary	Agency Request FY 01	Gov. Rec. FY 01	Budget Committee Adjustments
<b>All Funds:</b>			
State Operations	\$ 16,282,388	\$ 13,192,155	\$ 1,169,156
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 16,282,388	\$ 13,192,155	\$ 1,169,156
Capital Improvements	993,920	780,000	0
<b>TOTAL</b>	<b>\$ 17,276,308</b>	<b>\$ 13,972,155</b>	<b>\$ 1,169,156</b>
<b>State General Fund:</b>			
State Operations	\$ 5,213,110	\$ 4,944,464	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 5,213,110	\$ 4,944,464	\$ 0
Capital Improvements	0	0	0
<b>TOTAL</b>	<b>\$ 5,213,110</b>	<b>\$ 4,944,464</b>	<b>\$ 0</b>
<b>Other Funds:</b>			
State Operations	\$ 11,069,278	\$ 8,247,691	\$ 1,169,156
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 11,069,278	\$ 8,247,691	\$ 1,169,156
Capital Improvements	993,920	780,000	0
<b>TOTAL</b>	<b>\$ 12,063,198</b>	<b>\$ 9,027,691</b>	<b>\$ 1,169,156</b>
FTE Positions	459.8	454.8	0.0
Unclassified Temp. Positions	4.0	4.0	0.0
<b>TOTAL</b>	<b>463.8</b>	<b>458.8</b>	<b>0.0</b>

### House Budget Committee Recommendation

The Budget Committee concurs with the Governor with the following modification and notations.




1. Increase the expenditure limitation on the Kansas Veterans' Home Fee Fund by \$1,169,156, from \$3,177,437 to \$4,346,593, to reflect revised revenue and expenditure expectations for the Winfield Veterans' Home. The Veterans' Home presented information to the Budget Committee regarding its expectations to fill beds and, consequently, receive per diem payments from the federal Department of Veterans Affairs (VA). The Home expects to fill beds at a more accelerated pace than originally anticipated, and therefore has increased revenues and expenditures in the fee fund.
2. The Budget Committee notes that the Division of the Budget is currently working with the Fort Dodge Kansas Soldiers' Home regarding unintended shortfalls in the Home's budget. The Budget Committee anticipates revised recommendations for the Kansas Soldiers' Home from the Governor at Omnibus.
3. The Budget Committee notes its concern for the ability of the Commission to adequately operate in FY 2001 under the recommendations of the Governor. The Budget Committee recommends review of the budget at Omnibus, with the hope that sufficient funding might be available, of the following areas:
  - a. **Other Operating Expenditures at the Kansas Veterans' Home.** The Superintendent of the Home informed the Budget Committee that he has serious concerns as to the adequacy of the Governor's recommendation regarding other operating expenditures. In spite of the increased expenditures recommended by the Budget Committee for the Veterans Home Fee Fund, the Budget Committee believes the possibility of adding funding should be reviewed at Omnibus.
  - b. **Budget Shortfalls at the Kansas Soldiers' Home.** The Superintendent of the Soldiers' Home raised serious concerns as well regarding the adequacy of the Governor's recommendation. While some of these will probably be addressed by the expected revised recommendations, it is doubtful that the needs of the Home will be fully funded. The Superintendent noted concerns about the ability to fully fund staffing needs, both of employees and contract help, due to the increased shrinkage rate combined with the amount recommended for contractual services. The Superintendent emphasized the importance of maintaining direct patient care staffing levels in order to keep the Home's state license and to meet VA requirements for payments. This, combined with the Home's revised fee fund revenue expectations, could lead to serious budgetary shortfalls in FY 2001.
  - c. **Veterans' Home Construction Contingency Fund.** The Superintendent of the Veterans' Home also noted that the contingency fund for the construction project has been depleted to \$7,000. The Superintendent requested additional funding for contingency items in order to finish construction on the Home.


- d. **Planning Funds for the Veterans' Cemeteries Program.** The Commission requested \$50,000 (State Institutions Building Fund) for reimbursable planning costs for the veterans cemeteries at Winfield (\$25,000) and the WaKeeney (\$25,000). According to the Commission delaying funding for planning at these two sites would impact over 100,000 Kansas veterans residing in those areas of the state.

  
\_\_\_\_\_  
Representative Jo Ann Pottorff, Chairperson

  
\_\_\_\_\_  
Representative Lynn Jenkins

  
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Representative Bill McCreary

  
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Representative Melvin Minor

  
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Representative Bill Reardon

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Representative Joe Shriver

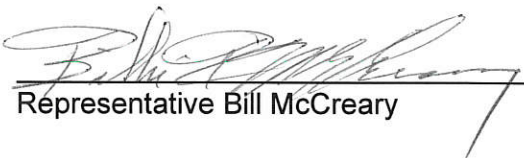
  
\_\_\_\_\_  
Representative Lloyd Stone

**GENERAL GOVERNMENT AND HUMAN RESOURCES BUDGET COMMITTEE**

Kansas Public Employees Retirement System (KPERs)

  
\_\_\_\_\_  
Representative Jo Ann Pottorff, Chairperson

  
\_\_\_\_\_  
Representative Lynn Jenkins

  
\_\_\_\_\_  
Representative Bill McCreary

  
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Representative Melvin Minor

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Representative Bill Reardon

  
\_\_\_\_\_  
Representative Joe Shriver

  
\_\_\_\_\_  
Representative Lloyd Stone

House Appropriations  
3-15-00  
Attachment 8

## Senate Subcommittee Report

**Agency:** Kansas Public Employees Retirement System (KPERs)

**Bill No.** 639

**Bill Sec.** 15, 69

**Analyst:** Efird

**Analysis Pg. No.** 1388

**Budget Page No.** 307

Expenditure Summary	Agency Request FY 01	Gov. Rec. FY 01	Subcommittee Adjustments
Agency Operations	\$ 6,172,175	\$ 5,727,983	\$ 291,171
Technology Project	0	0	0
Investment-Related Expenses	28,084,448	28,084,440	(1,208,055)
Subtotal—State Operations	34,256,623	33,812,423	(916,884)
Benefit Payments	535,133,467	0	0
Total—Operations	<u>\$ 569,390,090</u>	<u>\$ 33,812,423</u>	<u>\$ (916,884)</u>
FTE Positions	79.0	78.0	1.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>79.0</u>	<u>78.0</u>	<u>1.0</u>

**Note:** Includes a reduction of \$102,420 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 a reduction of \$814,762 from all other funds.

### Agency Request/Governor's Recommendation

The agency's FY 2001 request reflects a net increase of almost \$32.9 million. Benefit payments would increase \$32,460,640, investment-related expenses \$1,788,525, and agency operations \$1,049,333 (exclusive of any KSIP funding). New staffing is requested in addition to operating expenses resulting from implementation of the technology project. A total of 3.0 new FTE is requested.

**The Governor's recommendation**, which treats benefit payments as nonreportable expenditures in FY 2001, provides a net increase of less than \$10,000 in the agency operating budget. The Governor concurs with the estimate for investment-related expenses of \$28,084,440. Also recommended are 2.0 FTE new positions for the imaging project implementation.

### Senate Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendations in FY 2001, and makes the following additional adjustments:

1. Reduce \$102,420 for the Governor's recommended pay plan adjustments, including \$43,421 for step movement, \$32,007 for longevity, and \$26,892 for unclassified merit pay.
2. Add \$300,000 to pay for advertising and other expenses relative to a proposed constitutional amendment on the November, 2000, general election ballot. The 1999 Legislature passed a concurrent resolution to replace a constitutional bank restriction with language that would permit KPERS to invest in banks and other financial institutions. KPERS estimates that annual savings on fees that KPERS pays to its investment managers will be \$1,045,000 if the amendment is approved by the voters.
3. Add \$36,122 for 1.0 FTE position to provide an investment accountant. This position would perform accounting duties for a \$1 billion internally managed portfolio.
4. Add \$57,469 for additional bonus awards that to be paid to some of the 12 unclassified staff. The Governor's recommendation includes \$75,000 for an incentive compensation plan for eligible unclassified staff in FY 2001. This new additional amount of \$57,469 would allow full funding since two new staff were added to the plan by the Board of Trustees, with eligible staff now including the executive secretary, five in the investment unit, one in the information technology unit, and one in the member services unit.
5. Reduce estimated expenses for investment-related and legal expenses by \$1,208,055, including a reduction of \$750,000 for litigation expenses. With the recent announced settlements in excess of \$40 million, the KPERS litigation is drawing to a close and reductions in the \$1.5 million amount budgeted would be possible. In addition, the fees paid to investment managers are market-driven and this adjustment should be reviewed further during the Omnibus period.
6. Recommend a proviso and substantive legislation that would apply the net proceeds of any settlements arising from KPERS litigation to paying for the unfunded liability of the 1998 COLA. KPERS recently announced settlements totaling over \$40 million, of which approximately \$30 million would be received by KPERS as net proceeds after paying expenses and legal fees. The Subcommittee recommends that this funding and any future settlement funding be applied exclusively to reducing the 1998 COLA unfunded liability which must be paid over a 15-year period beginning in FY 2001.

The 1998 Legislature passed a 3.0 percent COLA and prepaid \$20 million from the State General Fund in FY 1999. The remaining unfunded liability of \$88 million was supposed to be paid with an increase of 0.19 percent for 15 years in the employer contribution rates beginning next fiscal year. The Governor's proposed freeze in FY 2001 of the retirement contribution

rate at 3.59 percent (the FY 2000 rate) would defer until FY 2002 paying the first installment of 0.19 percent for the 1998 COLA and increasing the 0.20 percent for the annual adjustment to pay at the actuarial contribution rate by FY 2004 for the 1993 benefit enhancements.

This recommendation would direct KPERS to apply the settlement proceeds to reducing the unfunded liability for the 1998 COLA and for the first two to three years of the 15-year repayment period would eliminate the requirement for the state and other local participating employers from paying the 0.19 percent assessment increase. KPERS will develop a fiscal note to indicate when participating employers will need to begin paying an annual assessment for the 1998 COLA unfunded liability, taking into account the application of this \$30 million payment that should eliminate at least the FY 2001 and FY 2002 installments for the state and local units of government. The Governor's proposal would not freeze the anticipated CY 2001 local rate increases for retirement payments. Only the insurance deferral that was addressed by the Governor's recommendations would have allowed local units to skip those payments for one year.

### MINORITY REPORT

I am in agreement with the Subcommittee's recommendations 1-5, but do not agree with item 6 of the Subcommittee recommendations. The net proceeds of any settlements arising from KPERS litigation should be used for the exclusive benefit of **all** KPERS members, including those retired and others still employed, rather than buying down a part of the unfunded liability from the 1998 COLA for retired members.

The news KPERS recently announced about settlements totaling over \$40 million, with approximately \$30 million to be received by KPERS as net proceeds after paying expenses and legal fees, should be good news for **all** members, **active and retired**. It would be wrong to adopt the Subcommittee's recommendation that this funding and any future settlement funding be applied exclusively to reducing the unfunded liability that was caused by the 1998 COLA and which must be paid over a 15-year period beginning in FY 2001.

The Governor's recommended "freeze" in the state's employer contribution would save \$12 million, of which approximately \$6 million would be for the 1998 COLA payment. The progress we have made toward paying off the unfunded liability would not only be delayed, we would also be taking a step backward by not meeting our statutory obligation to start paying for the unfunded liability attributed to the 1998 COLA.

A moratorium also has been proposed on the state's contribution to the KPERS Death and Disability Insurance Fund during FY 2001. Strong opposition to both of the KPERS proposals has been voiced by the Governor's own appointees to the KPERS Board

of Trustees. The Board has stated in a resolution, "While neither proposal would present the retirement system from making current and future benefits payments, confidence in the continued sound financial status of the system would be severely undermined by the fear that every future budget challenge would be solved, in whole or in part, by looking to the trust funds of the retirement system."

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Senator Christine Downey

### **Senate Committee Recommendation (February 11, 2000)**

The Committee concurs with the Subcommittee's majority report on item 6 and concurs with the other recommendations.

### **Senate Committee Recommendation (March 13, 2000)**

The Committee adopted a recommendation proposed by the Governor that would authorize a 13<sup>th</sup> check for eligible KPERS retirees, with financing from the KPERS litigation settlement money to pay for a one-time bonus in FY 2001. In addition, the Senate Committee added a provision about applying the remainder of the litigation settlement money to the KPERS unfunded liability. Both items were amended into SB 645.

The bill, as amended, would reduce temporarily the contribution rates for certain specified participating employers that make payments for retirement and insurance benefit programs administered by the Kansas Public Employees Retirement System (KPERS). In addition, the bill would authorize a 13<sup>th</sup> check to be paid in FY 2001 to all eligible KPERS retirees. The anticipated value of the one-time bonus payment would be equal to approximately 50 percent of an eligible retiree's monthly KPERS benefit.

**Fiscal Note.** KPERS received funds associated with litigation settlements as of March 7, 2000, that totaled \$41,525,000, of which \$10,267,300 was paid for legal fees and expenses. The net proceed to KPERS was \$31,257,601, all of which was deposited into the KPERS Fund. The Governor's recommendation for a 13<sup>th</sup> payment that was adopted by the Senate Ways and Means Committee would use approximately \$19 million of litigation settlement funds received by KPERS in order to pay for the one-time bonus check. The remaining amount of the settlements, approximately \$12 million, would be applied to reducing the unfunded liability. The Director of the Budget indicated that this money would offset the Governor's proposed freeze in FY 2001 of the employer contribution rate increase scheduled for KPERS State and School payments paid by the State of Kansas.

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### House Budget Committee Report

**Agency:** Kansas Public Employees Retirement System (KPERs)

**Bill No.** 2994

**Bill Sec.** 15,69

**Analyst:** Efird

**Analysis Pg. No.** 1388 **Budget Page No.** 307

Expenditure Summary	Agency Req. FY 01	Gov. Rec. FY 01	Budget Committee Adjustments
Agency Operations	\$ 6,172,175	\$ 5,727,983	\$ 300,000
Technology Project	0	0	0
Investment-Related Expenses	28,084,448	28,084,440	(1,208,055)
Subtotal—State Operations	\$ 34,256,623	\$ 33,812,423	\$ (908,055)
Benefit Payments	535,133,467	0	0
Total—Operations	<u>\$ 569,390,090</u>	<u>33,812,423</u>	<u>\$ (908,055)</u>
FTE Positions	79.0	78.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>79.0</u>	<u>78.0</u>	<u>0.0</u>

### House Budget Committee Recommendations

The Budget Committee concurs with the Governor's recommendations in FY 2001, and makes the following additional adjustments:

1. Reduce the expenditure limitation in FY 2001 based on KPERs staff estimates for investment-related and legal expenses by \$1, 208,055 including a reduction of \$750,000 for litigation expenses. With the recent announced settlements of \$41.525 million, the KPERs litigation is drawing to a close and reductions are warranted in the \$1.5 million amount for legal fees recommended by the Governor. In addition, the fees paid to investment managers are market-driven and the adjustment should be reviewed further during the Omnibus period.
2. Add \$300,000 for educating voters about a proposed constitutional amendment on the November, 2000, general election ballot. The 1999 Legislature passed a concurrent resolution to replace a constitutional bank restriction with language that would permit KPERs to invest in banks and other financial institutions. KPERs estimates that annual savings in fees that KPERs pays to its investment managers will be \$1,045,000 if the amendment is approved by the voters.
3. Review the financial impact of the Legislature's action in FY 2000 regarding the KPERs insurance payments for the fourth quarter (S.B. 39



as signed by the Governor and S.B. 567 as introduced and assigned to the Senate Ways and Means Committee) and the financial impact of the Governor's recommendations in FY 2001 regarding the KPERS retirement benefit contributions scheduled to increase 0.39 percent for the state (local units will rise 0.29 percent in CY 2001 since that increase is not frozen by the Governor's recommendation) and regarding the KPERS insurance payments (S.B. 645 as introduced and assigned to the Senate Ways and Means Committee).

One problem identified by the Budget Committee regarding the Governor's recommended FY 2001 reductions pertains to those fee boards with biennial budgets that were not revised and submitted in this cycle. Apparently, for those agencies approved by the 1999 Legislature with FY 2001 budgets that included KPERS retirement and insurance funding, no adjustments to reduce funding was submitted by the Governor for agencies with no other changes. Only those fee boards with revisions other than KPERS-related items were submitted for review this session.

Concerning the reduction in KPERS payments, the fiscal impact on KPERS is a loss of revenue totaling an estimated \$7.14 million in FY 2000 and an estimated \$38.44 million in FY 2001. The two-year lost revenue totals \$45.58 million, of which an estimated \$34.46 million is from the State General Fund. The following table shows the proration of the loss between the retirement and insurance programs. KPERS has provided a multiyear assessment of the fiscal impact for the loss of the state's scheduled increase in FY 2001 retirement contributions and that is shown in the second table below.

**(REVISED March 14, 2000)**  
**Financial Impact**  
**Estimated Reductions in KPERS Employer Contributions**  
**(In Millions)**

	Retirement	Insurance	Totals
<b>FY 2000</b>			
State/School/Other	\$ 0.00	\$ 5.91	\$ 5.91
Local (a)	0.00	1.23	1.23
Totals	<u>\$ 0.00</u>	<u>\$ 7.14</u>	<u>\$ 7.14</u>
State General Fund	0.00	\$ 4.86	\$ 4.86
<b>FY 2001</b>			
State/School/Other	\$ 9.43	\$ 20.52	\$ 29.95
Local (a)	0.00	5.54	5.54
Totals	<u>\$ 9.43</u>	<u>\$ 26.06</u>	<u>\$ 35.49</u>
State General Fund (b)	\$ 8.59	\$ 19.21	\$ 27.80

**Source:** Division of the Budget (DOB) fiscal note on SB 645.

a) Local units pay on a CY basis.

b) DOB notes that \$2.6 million SGF of schools funding will be available in FY 2002.

**Multiyear Financial Impact of the Governor's FY 2001 Recommendations  
(In Millions)**

<u>Fiscal Year</u>	<u>Gov. Rec. Rate</u>	<u>Gov. Est. Funding</u>	<u>State Statutory Rate a)</u>	<u>Statutory Funding Est.</u>	<u>Difference in Funding</u>
2001	3.59	231.55	4.58	243.45	(11.90)
2002	4.58	253.19	4.78	259.54	(6.35)
2003	4.78	269.92	4.98	276.52	(6.60)
2004	4.98	287.58	5.18	294.44	(6.86)
2005	5.18	306.22	5.30	310.52	(4.31)
2006	5.24	320.55	5.19	318.87	1.68

**Source:** KPERS estimates.

a) includes 0.6 percent for death and disability benefits.

4. Note the litigation settlement as of March 7, 2000, totaled \$41,525,000, of which \$10,267,300 was paid for legal fees and expenses. The net proceeds to KPERS were \$31,257,601, all of which has been deposited into the KPERS Fund. In order to offset the loss of funds indicated by the Governor's recommended freeze on the FY 2001 increase in employer contribution rates, the Subcommittee recommends recognizing a portion of the settlement money as replacing the foregone revenue in FY 2001, while allowing the employers' retirement contribution rates to increase as recommended by the KPERS Board of Trustees. A number of advantages would result: First, KPERS will have next year's scheduled increase recognized as a lump sum payment this fiscal year and therefor invested and earning dividends. Second, the annual schedule of statutory increases for employer contributions will not be interrupted in FY 2001, thus keeping on-track to reach the actuarially required employer contribution rates on time. Third, both the state and local units may skip paying next year's scheduled increase in employer contributions since the settlement money should be applied in lieu of all participating employers' increased payments, not just the state's payment increase.

The Governor's recommended freeze in FY 2001 applied only to the state's retirement benefits contribution increase of 0.39 percent. Local units would pay the increased cost in CY 2001 under the Governor's recommendation since no freeze was proposed for the retirement benefits contribution increase of 0.15 percent paid by local units and recommended by the KPERS Board of Trustees. The estimated cost of this CY 2001 increase for local units is \$1.34 million. Those local units are paying 2.62 percent for KPERS retirement and 0.6 percent for KPERS insurance in CY 2000. For CY 2001, the KPERS retirement rate is schedule to rise to 2.77 percent (0.15 percent for the annual statutory increase). The local units

already started paying for the 1998 COLA in CY 2000 when their rate increased 0.29 percent (0.15 percent for the annual statutory increase and 0.14 percent for the 1998 COLA).

5. Recommend that the KPERS budget submitted for FY 2002 should include both reportable and non-reportable revenue and expenditure estimates for the retirement and insurance programs, and should included detailed information about the estimated payments of retirement benefits, death benefits, and disability benefits. The Governor's recommendation to make benefit payments non-reportable is an accounting procedure and should not be used to omit information from the budget about expenditures that exceed one-half billion dollars per year. Legislators and legislative committees will be requested to appropriate the spending of these dollars, and the information about the estimated spending should be included in the budget for review. Three sample tables are shown below in order to demonstrate the type of information that should be included in the KPERS budget request. For the insurance program that includes death and long-term disability benefits, the budget should include estimated expenditures for the current and next fiscal year as well as actual expenses.

<b>FY 1999 KPERS Financial Transactions</b>			
<b>Summary of Contributions and Benefits</b>			
	<u>Retirement</u>	<u>Insurance</u>	<u>Totals</u>
<b>Contributions Paid by:</b>			
<b>Employer</b>			
KPERS State/School	\$ 118,088,757	\$ 17,907,195	\$ 135,995,952
KPERS State TIAA	4,717,973	2,568,529	7,286,502
KP&F State	4,528,163	0	4,528,163
Judges State	3,791,115	73,113	3,864,228
Subtotal--State	<u>\$ 131,126,008</u>	<u>\$ 20,548,837</u>	<u>\$ 151,674,845</u>
KPERS Local Units	\$ 20,117,884	\$ 5,522,667	\$ 25,640,551
KP&F Local Units	25,686,851	0	25,686,851
Subtotal—Local	<u>\$ 45,804,735</u>	<u>\$ 5,522,667</u>	<u>\$ 51,327,402</u>
<b>Total—Employer</b>	<u>\$ 176,930,743</u>	<u>\$ 26,071,504</u>	<u>\$ 203,002,247</u>
<b>Member</b>	<u>\$ 178,779,586</u>	<u>\$ 5,051,404</u>	<u>\$ 183,830,990</u>
<b>Total Contributions</b>	<u><u>\$ 355,710,329</u></u>	<u><u>\$ 31,122,908</u></u>	<u><u>\$ 386,833,237</u></u>
<b>Total Benefits Paid</b>	<u>\$ 464,709,423</u>	<u>\$ 41,892,190</u>	<u>\$ 506,601,613</u>
Difference	\$ (108,999,094)	\$ (10,769,282)	\$ (119,768,376)

**Source:** KPERS Comprehensive Annual Financial Report, FY 1999.

**RETIREMENT BENEFITS PROGRAM  
SUMMARY OF EXPENDITURES FY 1997-FY 1999**

Item	Actual FY 1997	Agency Estimate FY 1998	Gov. Rec. FY 1998	Agency Request FY 1999	Gov. Rec. FY 1999
Regular Retirement	\$ 143,675,218	\$ 153,022,193	\$ 153,022,193	\$ 163,836,138	\$ 163,836,138
Reg. Retire. Special	3,690,868	3,508,722	3,508,722	3,387,671	3,387,671
KP&F Retirement	43,149,654	47,016,295	47,016,295	52,342,629	52,342,629
KP&F Retire. Special	1,526,998	1,494,228	1,494,228	1,442,678	1,442,678
School Retirement	184,557,328	201,162,233	201,162,233	218,451,830	218,451,830
School Retire. Special	4,597,694	4,420,422	4,420,422	4,267,899	4,267,899
Judges Retirement	3,617,283	3,821,183	3,821,183	4,062,162	4,062,162
Judges Retire. Special	94,476	93,520	93,520	93,195	93,195
Kansas City Annuitants	2,007,962	1,837,870	1,837,870	1,646,590	1,646,590
KC Annuitants Special	138,266	135,633	135,633	133,712	133,712
Insured Disabilities	125,250	159,913	159,913	154,396	154,396
Legislative Employees	325,350	351,232	351,232	374,584	374,584
Elected Officials	1,643,268	1,726,632	1,726,632	1,823,310	1,823,310
Lump Sum Death	7,458,966	7,496,000	7,496,000	7,748,000	7,748,000
<b>Total—Benefits</b>	<b>\$ 396,608,581</b>	<b>\$ 426,246,076</b>	<b>\$ 426,246,076</b>	<b>\$ 459,764,794</b>	<b>\$ 459,764,794</b>

**DEATH AND DISABILITY BENEFITS PROGRAM  
SUMMARY OF CLAIMS AND BENEFITS PAID FY 1997-FY 2001**

Item	Actual FY 1997	Actual FY 1998	Actual FY 1999	Estimated FY 2000	Estimated FY 2001
Group Life Claims Incurred	\$ 7,986,118	\$ 8,668,460	\$ 8,997,506	NA	NA
Disability Benefits Paid	19,241,663	20,259,180	22,180,330	NA	NA
<b>Total Payments</b>	<b>\$ 27,227,781</b>	<b>\$ 28,927,640</b>	<b>\$ 31,177,836</b>	NA	NA

**NA: not available in budget documents.**

## MINORITY REPORT

I am in agreement with the Budget Committee's recommendations 1, 2, 4, and 5, but do not agree with item 3. I am opposed to both of the Governor's recommendations regarding KPERS participating employers and adjusting their statutorily required contributions for retirement benefits and for insurance payments for death and long-term disability benefits.

The Governor's recommended "freeze" in the state's anticipated increased employer contribution for State and School retirement benefits would save money in FY 2001, and thereby help enhance the State General Fund's ending balance. The progress we have made toward paying off the unfunded liability not only would be delayed, but we would also be taking a step backward by not meeting our statutory obligation to start paying for the unfunded liability attributed to the 1998 COLA. My colleagues on the Budget Committee agree that we should oppose the Governor on this recommendation, and I commend them for that recommendation.

A moratorium also has been proposed by the Governor on the employer's contribution to the KPERS Death and Disability Insurance Fund during FY 2001. Once again, the state, as well as in this case the local units of government, would save money; but the primary benefit would be to enhance the State General Fund's ending balance in FY 2001. I question whether it is wise to stop paying into a program because it has accumulated a reserve balance. There are more than 2,000 disabled KPERS members who received benefits in excess of \$27.5 million in FY 1999 under this program. In addition, death benefit claims exceeding \$8.7 million were paid in FY 1999. Total benefits exceeded \$36 million in FY 1999 under this program. There were additional claims incurred, but not paid in that fiscal year. If we stop paying into this program for one year as the Governor recommends, or for five quarters as suggested by the Senate Ways and Means Committee action on SB 645 this week, do we open the way for another "moratorium" if we still have a surplus reserve next year? This action is a bad precedent and I oppose this recommendation to skip making contributions for death and disability benefits.

*Bill Reardon*

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Representative Bill Reardon