

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson David Adkins at 9:05 a.m. on March 16, 2000 in Room 514-S of the Capitol.

All members were present except: Representative Landwehr - excused
Representative Peterson - excused
Representative Reinhardt - 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
Reed Holwenger, Kansas Legislative Research Department
Jim Wilson, Revisor of Statutes Office
Mike Corrigan, Revisor of Statutes Office
Dave Stallings, Assistant to the Chairman
Mary Shaw, Committee Secretary

Conferees appearing before the committee:
Randy Allen, Executive Director, Kansas Association of Counties
Don Moler, Executive Director, League of Kansas Municipalities
Mayor Ron Shaffer, City of Prairie Village
Commissioner Ellen Schirmer, Jackson County
Mayor Erv Hodges, City of Lawrence
Commissioner Don Hanson, Ellsworth County

Others attending: See attached list

Chairman Adkins explained that the Committee will hear a briefing on a major aspect of the Governor's budget that raised concerns among elected officials who represent counties and municipalities throughout the State. As a result of the Governor's recommendations, there have been some concerns expressed among these local government officials with regard to the ways in which demand transfers will be funded.

Briefing on Demand Transfers

Chairman Adkins introduced Alan Conroy, Chief Fiscal Analyst, Kansas Legislative Research Department, who explained information regarding Demand Transfers from the State General Fund and information regard to the Demand Transfer Program. (Attachment 1)

Chairman Adkins introduced Randy Allen, Executive Director, Kansas Association of Counties. One of the points mentioned in Mr. Allen's testimony was that the Governor's recommendation concerning demand transfers merely shifts a state budget problem to the local level; ultimately, local government cannot take similar action in shifting the problem to another level of government. (Attachment 2)

Chairman Adkins introduced Don Moler, Executive Director, League of Kansas Municipalities. Mr. Moler mentioned in his testimony that the situation is much graver this year because the FY 2001 proposal would mark the first time in the last decade that demand transfers would actually be cut below the previous year's transfers. He also noted that local governments would absorb a disproportionate shares of the pain in balancing the state's FY 2001 budget. (Attachment 3)

Chairman Adkins introduced Ron Shaffer, Mayor, City of Prairie Village, Kansas. Mayor Shaffer mentioned that because the State budget year begins on July 1, 2000 and City budgets began on January 1, 2000, the reductions in demand transfers being proposed would force cities to make mid-year adjustments to their 2000 budgets. It would require cities to either amend their budgets, a cumbersome and complex

CONTINUATION SHEET

process, dip into reserves, if available, which are designed to help cities through local emergency situations, or to make mid-year cuts to existing programs. In closing, Mayor Shaffer asked to recognize the impact of decisions made will have on local governments. He also mentioned that the solution to this statewide problem should not have the effect of shifting the financial burden from the State to local government. (Attachment 4)

Chairman Adkins introduced Ellen Schirmer, Commissioner, Jackson County. Commissioner Schirmer mentioned that the projected loss to Jackson County, a small county, would mean that they will have to raise the mill levy and ad valorem tax. It would require an additional raise in taxes to local farmers, people on fixed incomes as well as young families. She urged the Kansas Legislature and Governor Graves to fully fund its commitments to the demand transfer programs. (Attachment 5)

Chairman Adkins introduced Erv Hodges, Mayor of the City of Lawrence. Mayor Hodges mentioned that reducing State demand transfers increases the burden on property taxes to fund essential municipal services. The proposed cuts may very well impact the City's local mill levy when the next City budget is prepared. He noted that reduced demand transfers can be viewed as a tax shift. (Attachment 6)

Chairman Adkins introduced Don Hanson, Commissioner, Ellsworth County. Commissioner Hanson mentioned that their local government does not feel comfortable in raising their levy even a little, but will find it necessary to do so to maintain levels of service. He mentioned that it is within the power of the Legislature to fully fund all promises without adding to the burden born by local county and city governments. (Attachment 7)

Written testimony was received by Donald R. Seifert, Director of Management Services, City of Olathe. (Attachment 8)

Committee questions and discussion followed the conferee testimony. The Chairman thanked the panel for their service to their local areas and for their time in appearing before the committee on this important topic to Kansans.

Agriculture and Natural Resources Budget Committee reports on:

Kansas State Fair

Representative Schwartz presented the Agriculture and Natural Resources Budget Committee report on the Governor's recommendations on the Kansas State Fair FY 2001 budget. (Attachment 9)

Representative Schwartz made a motion, seconded by Representative Mollenkamp, to adopt the Agriculture and Natural Resources Budget Committee budget report recommendations regarding the Kansas State Fair. Committee questions and discussion followed.

Representative McKechnie made a substitute motion, seconded by Representative Dean, to amend the report and add a Paragraph 5 to the Agriculture and Natural Resources Budget Committee report that the subcommittee report back to the full committee at omnibus on their further study of the master plan concerning state fair facilities proposed and any financing alternatives that might be considered to pay for steps in funding the master plan for the State Fair. Motion carried.

The Chairman ruled and called to the Committee's attention the renewed motion by Representative Schwartz, seconded by Representative Mollenkamp, to adopt the Agriculture and Natural Resources Budget Committee report recommendations regarding the Kansas State Fair as amended. Motion carried.

Kansas Water Office

Representative Feuerborn presented the Agriculture and Natural Resources Budget Committee report on the Governor's recommendations on the Kansas Water Office FY 2001 budget. (Attachment 10)

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Representative Feuerborn made a motion, seconded by Representative Mollenkamp, to adopt the Agriculture and Natural Resources Budget Committee budget report recommendations regarding the Kansas Water Office. Committee questions and discussion followed.

Representative Feuerborn made a substitute motion, seconded by Representative Schwartz, to amend the Agriculture and Natural Resources Budget Committee report and add a proviso authorizing the Water Office to transfer money from the sub-accounts of the Water Supply Storage Assurance District Fund to the Water Marketing Fund detailed on the attached proposed amendment to the Budget Committee Report on the Kansas Water Office. (Attachment 11) Committee questions and discussion followed. Motion carried.

Representative Shriver made a motion, seconded by Representative Reardon, to amend the Agriculture and Natural Resources Budget Committee report and 1) fund the Kansas Water Office request of \$136,000 to the one federal matching program for the U.S. Department of Interior, 2) fund the Kansas Water Office Water Resource Education Program to work with the Kansas Center for Agriculture Resources and Environment (K-CARE program at Kansas State University) in developing adult continuing educations program for both awareness and appreciation for TMDL, 3) to fund the Kansas Water Office request for \$100,000 to be distributed to the Kansas Forest Service for the five river basins, Basin Advisory Committee and the 2000 Kansas Water Plan to help enforce projects for repairing forest and straight bank stabilization. Representative Shriver explained it is a total of \$286,000 for his amendment that would come out of the \$653,350 that the Senate has identified in the Water Marketing Fund and would leave a balance of \$367,350 to the State General Fund. Committee questions and discussion followed. Representative Shriver closed. Motion failed.

Representative McKechnie made a motion, seconded by Representative Feuerborn, to amend the Agriculture and Natural Resources Budget Committee report to 1) strike Number 1 in the report which would cancel the proposed demand transfer reduction and put the money proposed to be transferred to the state general fund back into the state water plan fund and 2) direct the budget subcommittee to report at omnibus on appropriate usages for such money or that money could simply remain in the fund and could be spent by the Governor next year in the budget cycle. Committee questions and discussion followed. Representative McKechnie closed. Motion carried.

The Chairman ruled and called to the Committee's attention the renewed motion by Representative Feuerborn, seconded by Representative Mollenkamp, to adopt the Agriculture and Natural Resources Budget Committee Report for the Kansas Water Office as amended. Motion carried.

Animal Health Department

Representative Schwartz presented the Agriculture and Natural Resources Budget Committee report on the Governor's recommendations on the Animal Health Department FY 2001 budget. (Attachment 12)

Representative Schwartz made a motion, seconded by Representative Mollenkamp, to adopt the Agriculture and Natural Resources Budget Committee budget report recommendations regarding the Animal Health Department. Committee questions and discussion followed. Motion carried.

State Corporation Commission

Representative Mollenkamp presented the Agriculture and Natural Resources Budget Committee report on the Governor's recommendations on the State Corporation Commission FY 2001 budget. (Attachment 13)

Representative Mollenkamp made a motion, seconded by Representative Feuerborn, to adopt the Agriculture and Natural Resources Budget Committee budget report recommendations regarding the State Corporation Commission. Motion carried.

CONTINUATION SHEET

Citizens' Utility Ratepayer Board

Representative Schwartz presented the Agriculture and Natural Resources Budget Committee report on the Governor's recommendations on the Citizens' Utility Ratepayer Board FY 2001 budget. (Attachment 14)

Representative Schwartz made a motion, seconded by Representative Mollenkamp, to adopt the Agriculture and Natural Resources Budget Committee budget report regarding the Citizens' Utility Ratepayer Board. Motion carried.

Chairman Adkins referred the intergovernmental program bill, with a bill number to be assigned, to the Social Services Budget Committee.

The meeting was adjourned at 10:55 a.m. The next meeting is scheduled for March 17, 2000.

**HOUSE APPROPRIATIONS COMMITTEE
GUEST LIST**

DATE March 16, 2000

NAME	REPRESENTING
Jeff Apin	Division of the Budget
Debra Duncan	Animal Health
Ellen Schurman	Jackson County
Donna Dufman	KCC
Bernard W. Lee	Scranton City Council
Eric Hodges	Lawrence
David Kahn	Dowry Gatewood
RON SHAFFER, MAYOR	CITY OF PRIME VILLAGE
John McConnell	Ks. Corporation Commission
Ron Siefert	City of Olathe
Kelly Kultala	City of Overland Park
Don Miller	LKM
DAVID CORLIS	City of Lawrence
David Schurman	Hollan
Randy Allen	Kansas Assoc. of Counties
Don Hanson	President KAC Ellsworth Co. Commissioner
Bill Watts	KDOT

DEMAND TRANSFERS FROM THE STATE GENERAL FUND

Demand transfers, certain expenditures specified by statute, are recommended by the Governor to decrease by \$16.5 million in FY 2001. The Governor recommends reducing the transfers to the Local Ad Valorem Tax Reduction Fund and the County-City Revenue Sharing Fund by 6.5 percent from the FY 2000 level. The Governor recommends reductions of \$91.8 million in the FY 2001 demand transfer to the State Highway Fund, and \$7.2 million in the demand transfer to the City-County Highway Fund. The Governor's recommendation also reduces the demand transfer to the State Water Plan by \$1.5 million. The recommendation for the other funds reflects current law. Current law for all demand transfers would require the expenditure of \$118.0 million more than is proposed in FY 2001. In FY 2000, the Governor's recommendation reduces the demand transfers to the State Highway Fund by \$78.5 million, the County-City Revenue Sharing Fund by \$7.4 million, the City-County Highway Fund by \$5.8 million and the State Water Plan by \$60,000. The demand transfer amounts for FY 1999 through the FY 2001 recommendation are reflected in the following table.

CURRENT DEMAND TRANSFERS FROM STATE GENERAL FUND TO OTHER STATE FUNDS

(In Thousands)

Fund	FY 1999			FY 2000			FY 2001		
	No Law Change	Actual	Reduc.	No Law Change	Proposed or Actual	Reduc.	No Law Change	Proposed	Change
State Highway	\$ 138,346	\$ 87,900	\$ (50,446)	\$ 140,698	\$ 62,240	\$ (78,458)	\$ 143,089	\$ 51,318	\$ (91,771)
Local Ad Valorem Tax Reduction	55,122	55,122	0	57,903	58,072	169	60,315	54,139	(6,176)
Co.-City Revenue Sharing	41,376	36,566	(4,810)	44,359	36,932	(7,427)	46,004	34,531	(11,473)
City-Co. Highway	15,771	10,995	(4,776)	17,000	11,182	(5,818)	17,500	10,343	(7,157)
Water Plan	6,000	6,000	0	6,000	5,940	(60)	6,000	4,500	(1,500)
School Dist. Cap. Improve.	22,747	22,747	0	26,500	26,500	0	29,500	29,500	0
State Fair	260	260	0	300	300	0	300	300	0
TOTAL	\$ 279,622	\$ 219,590	\$ (60,032)	\$ 292,760	\$ 201,166	\$ (91,454)	\$ 302,708	\$ 184,631	\$ (118,077)

FY 1999 -- the County-City Revenue Sharing Fund and the City-County Highway Fund were capped at a 2.4 percent increase over FY 1998.

FY 2000 -- the County-City Revenue Sharing Fund is capped at a 1.0 percent increase and the City-County Highway Fund is capped at a 1.7 percent increase over FY 1999; additional reductions are made to the State Highway Fund and the Water Plan Fund.

FY 2001 -- the Governor recommends capping the State Highway Fund demand transfer at 1.7 percent over FY 2000 levels, and making additional reductions to the transfer. The Governor also recommends a 6.5 percent reduction from the FY 2000 level for the Local Ad Valorem Tax Reduction Fund and the County-City Revenue Sharing Fund. The Governor's recommendation also reduces the FY 2001 transfer to the City-County Highway Fund by 7.5 percent from the statutory amount and reduces the Water Plan demand transfer by \$1.5 million.



TESTIMONY
concerning FY 2001 Demand Transfers
House Appropriations Committee
March 16, 2000

Presented by Randy Allen, Executive Director
Kansas Association of Counties

Mr. Chairman and members of the committee, my name is Randy Allen, Executive Director of the Kansas Association of Counties. Thank you for the opportunity to present information on the three demand transfer programs to county government, including the Local Ad Valorem Tax Reduction Fund (LAVTR); City-County Revenue Sharing Fund (CCRS) and Motor Carrier Property Taxes (distributed to local governments through the Special City/County Highway Fund).

In his FY 2001 budget recommendation to the Legislature, Governor Graves recommended transfers totaling \$99.196 million. *Unlike previous years, when the growth in demand transfers was capped at some level (often at the rate of growth in State General Fund expenditures), the FY 2001 state budget actually reduces the demand transfers to a level 6.4% below the FY 2000 amounts.* Further, the FY 2001 budget contemplates transfers which are 19.5% below what should be transferred if the budget were approved according to the statutory formulas. The table below summarizes the difference between the current FY 2000 transfers; the statutory FY 2001 transfers if no "caps" or reductions were made; and the Governor's recommendations for FY 2001:

DEMAND TRANSFERS: FY 2000 AND FY 2001

	Estim. FY 00	Statutory FY 01	Gov. Recom. FY 01	Revenue Loss Stat./Gov. Recom.*
LAVTR	\$ 57,905	\$ 60,315	\$ 54,322	\$(5,993)/ \$(3,583)
CCRS	\$ 36,932	\$ 45,705	\$ 34,531	\$(11,174)/ \$(2,401)
Motor Carr. Prop. Tax	\$ 11,182	\$ 17,500	\$ 10,343	\$(7,157)/ \$(839)
Total	\$106,019	\$123,520	\$ 99,196	\$(24,324)/ \$(6,823)

Data expressed in thousands

* *First figure is the difference between the statutorily-defined FY 2001 transfer and the amount recommended by Governor Graves for FY 2001; the second figure is the difference between the estimated FY 2000 transfer and the amount recommended by Governor Graves for FY 2001.*

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On behalf of counties, I respectfully ask you to consider the following points during your FY 2001 budget deliberations in the coming days:

- Counties are willing to proportionately share in the pain of the State General Fund shortfall; however, the Governor's FY 2001 budget recommendations hit local government extraordinarily hard.
- * The three demand transfer programs (LAVTR, CCRS) are general purpose revenues for counties and are used to offset property taxes or finance essential local services; the reductions in these programs would have one of two impacts at the county level: decreased services and/or increased local property taxes, or some combination of both.
- * Some would argue that counties and cities should bear a larger burden of the FY 2001 budget cut because we were spared in the FY 2000 recession bill. We think a 6.5% cut is above and beyond what most state agency budgets were trimmed in the FY 2000 recession bill as well as in the FY 2001 budget cycle. Further, during the period of 1991-2001 (if the recommended budget is adopted), the **cumulative impact** of the state's capping and reductions to the three demand transfers is an \$80 million loss to counties, cities, and other units of local government. (*see attached summary*).
- Some would argue that savings from the recommended moratorium in local governments' contributions to the death and disability insurance fund (estimated at \$5.5 million) would largely offset the reduction in FY 2001 demand transfers. Our reaction is that the death and disability payment moratorium (if approved as part of SB 645) would represent a one-time saving for local government while the reduction in demand transfers 1) reduces the overall base on which future year transfers will be calculated; 2) moves us even farther from the statutory formulae for the demand transfers; and 3) represents the start of a serious "unhitching" of local governments from shared revenue sources at the very time counties are being asked to assume greater financial responsibility for juvenile delinquency programs; mental health services; increased detention facility populations; and other burdens.
- * The Governor's recommendation concerning demand transfers merely *shifts* a state budget problem to the local level; ultimately, local government cannot take similar action in shifting the problem to another level of government.

Almost a year ago, we worked with members of the legislature to inform county officials about effective implementation of the "Truth in Taxation" legislation passed by the 1999 Legislature. The legislation said that if local governments want to levy taxes at a level higher than the previous year (other than those taxes on new construction or that used to retire debt service), they would be required to adopt resolutions indicating such need prior to the adoption of the annual budgets in August. This was good legislation even if it did not apply to all levels of government. In the same way that property taxpayers

deserve to know what is happening with their local property tax levies, it is important for sales taxpayers to know how their monies are being used, and by whom. The loss of state-shared revenue by county government almost inevitably leads to higher property taxes. This is an inescapable truth.

We know you have a difficult FY 2001 budget to prepare and adopt. We hope that our partnership of shared revenue and shared responsibility can continue to the benefit of all Kansans. Thank you for allowing us to speak and for listening to our concerns.

The Kansas Association of Counties, an instrumentality of member counties under K.S.A. 19-2690, provides legislative representation, educational and technical services and a wide range of informational services to its member counties. Inquiries concerning this testimony should be directed to Randy Allen or Judy Moler by calling (785) 272-2585.

**SUMMARY OF IMPACT OF CAPPING THE STATE DEMAND
TRANSFERS
FROM THE STATE GENERAL FUND TO OTHER FUNDS**
(in thousands)

LOCAL AD VALOREM TAX REDUCTION (LAVTR):

FISCAL YEAR	TRANSFER PER STATUTES	ACTUAL TRANSFER	NET (LOST) REVENUE
1991	37,164	37,164	0
1992	38,966	38,576	390
1993	40,540	39,324	1,216
1994	41,971	40,293	1,678
1995	44,649	44,649	0
1996	47,054	46,301	753
1997	48,661	46,949	1,712
1998	50,688	47,771	2,917
1999	55,122	55,122 (uncapped)	0
2000	57,905	57,905 (uncapped)	0
2001	60,315	54,322 (Gov's rec.)	5,993
Total	523,035	508,376	14,659

CITY-COUNTY REVENUE SHARING (CCRS):

FISCAL YEAR	TRANSFER PER STATUTES	ACTUAL TRANSFER	NET (LOST) REVENUE
1991	28,351	28,351	0
1992	29,461	29,166	295
1993	31,153	30,218	935
1994	31,905	30,629	1,276
1995	33,375	33,375	0
1996	36,070	34,610	1,460
1997	37,117	35,095	2,022
1998	38,570	35,709	2,861
1999	41,376	36,566 (+2.4%)	4,810
2000	44,359	36,932 (+1.0%)	7,427
2001	45,705	34,531 (Gov's rec.)	11,174
Total	397,442	365,182	32,260

CITY-COUNTY HIGHWAY FUNDS (motor carrier property taxes only):

<u>FISCAL YEAR</u>	<u>TRANSFER PER STATUTES</u>	<u>ACTUAL TRANSFER</u>	<u>NET (LOST) REVENUE</u>
1991	9,213	9,052	161
1992	9,866	9,768	98
1993	9,929	9,631	298
1994	10,149	9,743	406
1995	11,169	10,036	1,133
1996	13,525	10,407	3,118
1997	15,500	10,553	4,947
1998	15,998	10,737	5,261
1999	15,771	10,995	4,776
2000	17,000	11,182 (+1.7%)	5,818
2001	17,500	10,343 (Gov's rec.)	7,157
Total	145,620	112,447	33,173
Total – all three programs	1,066,097	986,005	80,092

EXPLANATIONS:

ADOPTED FY 2000 BUDGETS:

LAVTR: No caps
 CCRS: Capped at 1.0% growth above FY 99
 CCHF (motor carrier property tax only): Capped at 1.7% growth above FY 99

GOVERNOR'S RECOMMENDED FY 2001 BUDGETS:

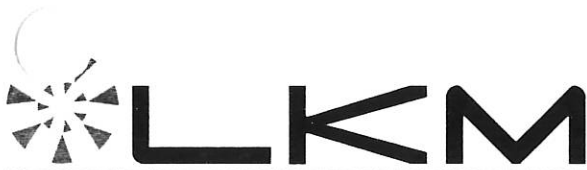
LAVTR: 6.5% reduction from actual FY 00
 CCRS: 6.5% reduction from actual FY 00
 CCHF (motor carrier property tax only): 7.5% reduction from the statutory amount

Transfer Per Statutes = without caps

DIFFERENCE BETWEEN FY 2001 (Gov's recommended) and PROJECTED FY 2000 =

LAVTR	(\$ 3,583)
CCRS	(2,401)
Motor Carrier Property Tax	(839)
Total	(\$ 6,823)

Kansas Association of Counties
Contact: Randy Allen, Executive Director
(785) 272-2585
Updated: February 28, 2000



League of Kansas Municipalities

TO: House Appropriations Committee
FROM: Don Moler, Executive Director
RE: Demand Transfers
DATE: March 16, 2000

First I would like to thank the Committee for allowing the League to testify today on this matter. In his January State of the State address, Governor Graves presented his FY 2001 budget – and it proposed drastic cuts for municipalities. If the Governor’s proposal becomes law, demand transfers would shrink for the first time in the past decade. With less money from the state, cities and counties will be forced to either cut services or raise property taxes to make up the difference.

The Local Ad Valorem Tax Reduction (LAVTR) fund, the City-County Revenue Sharing (CCRS) fund, and the Special City-County Highway (SCCH) fund (together referred to as “demand transfers”) are supposed to be funded by a statutorily defined percentage of either the state sales and use tax (for LAVTR and CCRS) or the state Motor Carrier Property Tax (for SCCH). These funds are generally used by cities and counties to lower property taxes and for other governmental purposes. Because they are “demand transfers” the Legislature can actually appropriate less than what the statutes call for in the statutory formulas. **The current budget proposal recommends transferring \$24 million less than the statutory formula.**

Cut in Demand Transfers from Statutory Levels

	<u>Statutory Level (proj.)</u>	<u>Governor’s Rec. FY 2001</u>	<u>Total Revenue Loss</u>
LAVTR	\$60,315,000	\$54,322,000	\$5,993,000
CCRS	\$45,705,000	\$34,531,000	\$11,174,000
<u>SCCH</u>	<u>\$17,500,000</u>	<u>\$10,300,000</u>	<u>\$7,200,000</u>
Total	\$123,520,000	\$99,153,000	\$24,367,000

The revenue sources that the demand transfers are supposed to be based on (state sales tax and motor carrier property tax) have continually grown over the past decade. But instead of sharing all of that growth with cities and counties, the Legislature and Governor have periodically capped demand transfers by limiting the yearly increase, or simply keeping the funds at the previous year’s amount.

The situation is much graver this year because **the FY 2001 proposal would mark the first time in the last decade that demand transfers would actually be cut** below the previous year’s transfers. In spite of the **0.8% growth** in State General Fund expenditures, the Governor has proposed a **6.5% cut** to cities and counties as compared to the previous year. Clearly, local

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governments would absorb a disproportionate share of the pain in balancing the state's FY 2001 budget.

Cut in FY 2001 Demand Transfers from FY 2000 Levels

	<u>Actual FY 2000 (proj.)</u>	<u>Governor's Rec. FY 2001</u>	<u>Total Revenue Loss</u>
LAVTR	\$57,905,000	\$54,322,000	\$3,583,000
CCRS	\$36,932,000	\$34,531,000	\$2,401,000
<u>SCCH</u>	<u>\$11,182,000</u>	<u>\$10,300,000</u>	<u>\$882,000</u>
Total	\$106,019,000	\$99,153,000	\$6,866,000

The League recently surveyed all 25 cities of the first class in Kansas to see how the proposed FY 2001 budget would effect them. The results revealed an actual loss to those 25 cities of \$1,919,905 compared to FY 2000 if the Legislature adopts the Governor's budget. It should also be noted that these cuts will have a negative impact on current year budgets for cities and counties as well as next year's budgets. The State's FY 2001 budget begins July 1, 2000. Because cities and counties operate on a calendar year budget, they will have to begin dealing with these losses in the last half of their **current** budget year.

After 10 years of increasing demand transfers, this would be a dangerous precedent for the Legislature to set. The League has already testified before the Senate Ways and Means Committee to protest these cuts. While municipal officials can understand the State's need to balance its budget, it must not do so on the backs of local governments – with disproportionate cuts to cities and counties.

CITY OF PRAIRIE VILLAGE

DATE: MARCH 16, 2000
TO: KANSAS HOUSE OF REPRESENTATIVES APPROPRIATIONS COMMITTEE
FROM: RONALD L. SHAFFER, MAYOR
RE: HEARING ON FY 2001 BUDGET & DEMAND TRANSFERS TO LOCAL UNITS OF GOVERNMENT

Thank you for the opportunity to speak to you today. The issue of demand transfers is of great importance to Prairie Village and communities throughout the State. State aid to cities in the form of demand transfers represents a vital revenue source used by local governments to finance essential city services. They are also instrumental in helping cities reduce their reliance on the property tax.

In the City of Prairie Village, the three general state aid programs commonly known as demand transfers represent 7 – 8% of total City revenues.

The Governor's Fiscal Year 2000-2001 budget contains proposals to reduce the amount of demand transfers to local governments. Although these funding formulas are determined by statute, past legislatures have acted to "cap" their growth at a level below that authorized by statute. In these instances, cities have called for full statutory funding of these programs.

Rather than limit the growth of these transfer payments, the proposed FY 2000-2001 budget would, actually *reduce* these important funding sources for cities:

Local Ad Valorem Tax Reduction -- LAVTR – This program is supposed to be funded from a portion of the state sales and use tax. According to the statutory formula, local units of government should receive \$60.3 million in FY 2000-2001. The Governor's budget recommendation is nearly 10% below this amount.

CITY-COUNTY REVENUE SHARING – This program is also to be funded through a portion of the state sales and use tax revenue. The Governor's recommendation is over \$11 million below the statutory level.

SPECIAL CITY-COUNTY HIGHWAY FUND – This program is supposed to be funded from an amount equivalent to 100% of the state Motor Carrier Property Tax (\$17.5 million in FY 2000-2001.) The Governor's budget recommendation is for \$10.3 million. In the City of Prairie Village, and other cities, these funds are critical in helping local governments develop and maintain high quality road systems.

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Each of the above proposals reduce state transfers to local government; transfers which were authorized by your predecessors many years ago and upon which cities have relied. Beyond the dollars and cents, the impact a reduction in demand transfers in the State FY 2000-2001 budget would have adverse, though likely unintended consequences for cities.

1. These state aid programs, LAVTR in particular, enable local governments to diversify their revenue sources and reduce reliance on the property tax. Reductions in LAVTR funding would reverse the trend in many cities, including Prairie Village, of reducing our reliance on the property tax.
2. Because the State budget year begins on July 1, 2000 and City budgets began on January 1, 2000, the reductions in demand transfers being proposed would force cities to make mid-year adjustments to their 2000 budgets. This would require cities to either amend their budgets, a cumbersome and complex process, dip into reserves, if available, which are designed to help cities through local emergency situations, or to make mid-year cuts to existing programs.

I understand and appreciate the situation you are in and the difficult decisions you and your fellow legislators must make in the coming weeks. In your deliberations, I ask that you recognize the impact your decisions will have on local governments. A solution to the State's current budget difficulties is needed. However, the solution to this statewide problem should not have the effect of shifting the financial burden from the State to local government.

Thank you.

**CITY OF PRAIRIE VILLAGE
DEMAND TRANSFER REVENUES**

	1997	1998	1999	2000 Budget	2000-01 Proposal	Reduction
Local Ad Valorem Tax Reduction (LAVTR)	\$118,268	\$117,278	\$161,088	\$125,000	\$116,875	(\$8,125)
City-County Revenue Sharing	187,776	194,855	202,519	190,000	\$177,650	(\$12,350)
Special City-County Highway Fund (SCCH)	644,141	677,794	712,040	670,000	\$665,980	(\$4,020)
Total Demand Transfers	\$950,185	\$989,927	\$1,075,647	\$985,000	\$960,505	(\$24,495)

Total City Revenue	\$14,142,299	\$15,163,199	\$13,857,321	\$15,712,100
Demand Transfers as % of Total Revenue	7%	7%	8%	6%

	Statutory Formula	FY 2000-2001 Proposed Budget	Reduction	Pct. Reduction
Local Ad Valorem Tax Reduction (LAVTR)	\$60.3	\$54.3	\$6.0	10%
City-County Revenue Sharing	\$45.7	\$34.5	\$11.2	25%
Special City-County Highway Fund (SCCH)	\$17.5	\$10.3	\$7.2	41%
Total Demand Transfers	\$123.5	\$99.1	\$24.4	20%

Reduction in City Revenues (\$24,495) -2%

Chairman David Adkins
Members of the Appropriations Committee

The Jackson County Board of Commissioners welcomes the opportunity to provide input with respect to demand transfers from the State to local governments.

Governor Graves' FY 2001 budget recommendations, with respect to the three demand transfers from the State General Fund to local governments, is a serious concern to local governments, including counties. The three demand transfer programs include the

1. Local Ad Valorem Tax Reduction Fund (LAVTR);
2. City-County Revenue Sharing Fund (CCRS) and
3. Motor Carrier Property Taxes (distributed to local governments through the Special City/County Highway Fund).

Governor Graves is recommending a reduction of over 6% from the estimated FY2000 transfers and over 19% below what should be transferred if the state budget were approved according to state statutory formulas. This amounts to \$24.3 million dollars.

Jackson County's loss of Revenue	
Governor's FY 2000 to FY 2001	
LAVTR	\$18,295
CCRS	18,432
SCCH	<u>14,975</u>
TOTAL	\$51,702 or -.88 mills

The projected loss to Jackson County must sound quite modest to you, because you have been dealing with millions. But to a small county it will mean that we will have to raise the mill levy and ad valorm tax. This would make an additional raise in taxes to local farmers, people on fixed incomes as well as young families.

When you look at the revenues the more populated counties will receive, it seems a lot, but remember they have a lot of people that are demanding more services.

There has been a lot of talk about the problems in Agriculture these days. If you want to give them some concrete help right now, you can do so by approving the demand transfers set by statutory laws.

We want to urge the Kansas Legislature and Governor Graves to fully fund its commitments to the demand transfer programs.

Thank you for your time
Respectfully



Ellen Schirmer
Jackson County Commissioner

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City of Lawrence KANSAS

CITY COMMISSION

MAYOR

ERVIN E. HODGES

COMMISSIONERS

JAMES R. HENRY

MARTIN A. KENNEDY

MIKE RUNDLE

DAVID M. DUNFIELD

MIKE WILDGEN, CITY MANAGER

CITY OFFICES

6 EAST 6th

BOX 708

66044-0708

785-832-3000

TDD 785-832-3205

FAX 785-832-3405

To: The Honorable Representative David Adkins, Chair,
House Appropriations Committee & Committee Members

From: Ervin E. Hodges, Mayor, City of Lawrence

Date: March 16, 2000

Re: State Commitments for Demand Transfer Funding to Cities and
Counties

Thank you Chairman Adkins and Committee members for scheduling this briefing on the important issue of demand transfer funding to cities and counties.

The City of Lawrence -- as are all Kansas cities -- are seriously concerned about the Governor's proposed FY 2001 budget cuts which place a disproportionate burden on demand transfer funding. While most State programs are expected to be cut 1-2%, the current proposal cuts the demand transfers to cities and counties by 6.9%.

Estimated Net **Loss** in FY 2001 from FY 2000 to the City of Lawrence

LAVTR Local Ad Valorem Property Tax Reduction	City/County Revenue Sharing CCRS	Special City / County Highway SCCH	Total Estimated Net Loss in FY 2001 from FY 2000
\$47,378	\$37,607	\$13,152	\$98,137

The City of Lawrence is no different than the State of Kansas -- we have more wants than wallet. We must prioritize our municipal service needs along with the burden placed on taxpayers. We appreciate the challenge of matching programs and services with available revenue resources. There are several reasons why the proposed demand transfer cuts are particularly painful:

⇒ The cuts are disproportionate to other pending State cuts. Cities understand tight times require tight budgets, but the burden should be borne equally.

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⇒ The FY 2001 budget cuts impact the City's budget for the year 2000 for which spending and taxing decisions have already been made.

⇒ Cities and the State are partners in providing several essential services to the same constituents we serve, such as law enforcement and transportation. Whether it is adding police officers as school resource officers or fixing potholes in City streets, the proposed cuts greatly limit our ability to fund such important government services.

⇒ This is not simply a reduction in funding. Reducing State demand transfers increases the burden on property taxes to fund essential municipal services. The proposed cuts may very well impact our local mill levy when the next City budget is prepared. Reduced demand transfers can be viewed as a tax shift.

⇒ Reducing demand transfers, while past legislatures have only reduced the growth in demand transfers, greatly undermines the State - Local partnership which is the basis of the demand transfers. It also places cities further behind the statutory formula in future State budgets.

Thank you for taking the time to conduct a briefing on this important issue. Your consideration of the impact the proposed cuts will have on our community is appreciated.

TESTIMONY

Honorable David Adkins and distinguished members of the House Appropriations Committee:

The elected officials of Ellsworth County appreciate the opportunity to speak to you about the proposal to reduce the demand transfer dollars in your Fiscal Year 2001 budget.

The proposed reduction will reduce our revenues by approximately \$33,000. I am sure your immediate thought is: "how can that make any difference?" I want to explain what this sum can mean to our county of 6,500 people.

Three years ago, we embarked upon an effort to begin a bridge replacement plan. We have in our county over 750 bridges of which only 260 are recognized by the State for any funding. We presently have one of these bridges on the five-year replacement plan. Our last state project was three years ago, and the bridge is now scheduled to begin construction in the year 2004. The bridge is on a major county road and is rated at less than 30% efficiency. The other 500 bridges all span 20 feet or less. Each year, the engineering firm inspecting our bridges has been adding about five to the "dangerous" list. In the last three years, our bridge crew has replaced 20 bridges from 20 to 40 feet (length) in essential locations at an average cost of \$35,000 each. The reduction in the demand transfer funding could mean one less bridge, and we have 15 on the dangerous list at present. The replaced bridges were all wooden structures built probably in the 1930s and patched periodically since that time.

We have been in the process of widening the original Highway 40 between Ellsworth and Wilson given to the county when the interstate (70) was built. The road is a 16-mile long major trafficway between the two cities. The increase in traffic has made the road very hazardous because of the width. We have spent \$180,000 on the first six miles installing guard rails and widening. As you can see, the reduction in demand transfer money could mean one less mile of improvement.

Our EMS Department has one full-time paramedic and four full-time EMT/billing employees, as well as 40+ volunteers who maintain our emergency medical service from 3 locations. Three years ago, this was a strictly volunteer service. We have made great strides in improving the service. The local medical staff and the hospital administration are pressing strongly on the need for one more full-time paramedic. Again, this reduction in demand transfers could mean no additional paramedic.

The \$33,000 could mean the failure to realize any one of these needed projects or services. The reality is that they are all needed and we will make a choice as to which will happen. If the demand transfers are reduced, we will find it necessary to increase the levy that much just to maintain the status quo.

We have already realized a reduction in appraised value expectations on a major processing facility in the county to the tune of \$20,000,000 which, if we are to maintain services and continue improvements, will require a levy increase.

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I realize we are just one small county, but we consider ourselves to be typical. We are struggling as hard as anyone to stay afloat.

We believe that the Legislature should accept its responsibility in the shortfall of funds. Local governments did not make the decision to make major increased funding promises or make major tax reduction promises based on overly-optimistic revenue projections. Our local government does not feel comfortable in raising our levy even a little, but will find it necessary to do so to maintain our level of services. It is within the power of the Legislature to fully fund all promises without adding to the burden born by local county and city governments.

We in Ellsworth County urge you to do the right thing by your fellow governing bodies. Avoid any cuts in funding that will flow through to the local level and require us to pick up the burden.

Respectfully submitted in behalf of the elected officials of Ellsworth County,

A handwritten signature in cursive script, reading "Don Hanson", written over a horizontal line.

Don Hanson
Ellsworth County Commissioner and
President, Kansas Association of Counties



MEMORANDUM

TO: Members of the House Appropriations Committee
FROM: Donald R. Seifert, Management Services Director *DRS*
SUBJECT: FY 2001 Demand Transfer Program Recommendations
DATE: March 16, 2000

On behalf of the city of Olathe, thank you for the opportunity to express concern about the recommended FY 2001 funding proposed for the three demand transfer programs to local units of government: Local Ad Valorem Tax Reduction Fund (LAVTR), City-County Revenue Sharing Fund (CCRS), and motor carrier property taxes distributed to local government through the Special City/County Highway Fund (SCCH). For the first time in history, the Governor's recommended budget contains an actual decrease in these three programs. For some time, local units have adjusted to a freeze or artificial caps on the growth rate of the programs, but not a decrease. The FY 2001 recommendation is \$7 million, or 6.4% less than the estimated FY 2000 transfers. It is \$24.3 million, or 19.7% less than the statutory formulas. The city appreciates the committee allowing time for local government to address this issue.

The demand transfer programs represent part of the financial partnership that has historically existed between the state and local units in providing essential services to Kansas citizens. In the city's current budget, these three transfers are estimated to total nearly \$1.65 million, or the mill levy equivalent of 2.2 mills. The LAVTR and CCRS transfers are used by cities to reduce property taxes and fund basic city services like fire and police protection. The SCCH transfer supports street maintenance work through the motor fuel fund. Please consider that state aid also helps finance these basic local services to otherwise tax-exempt state property. For example, in Olathe such property includes the Kansas School for the Deaf campus, SRS district office, Kansas National Guard Armory, Highway Patrol office, and the district courts.

Under the Governor's recommendation, the city estimates it would receive \$110,000 less in state aid during calendar year 2000 and \$130,000 less in 2001. This amount could reduce property taxes by one-fifth mill, pay for three police officers, purchase asphalt for an additional 10 lane miles of street overlay, or purchase concrete for an additional 8 miles of sidewalk replacement in our older neighborhoods.

We recognize that FY 2001 is a difficult budget year, and this issue will not be settled until the final hours of the session. However, we urge the committee not to cut these programs disproportionately and shift a state budget problem to the local level.

Thank you again for the opportunity to comment.

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AGRICULTURE AND NATURAL RESOURCES BUDGET COMMITTEE


Kansas State Fair
Kansas Water Office
Animal Health Department



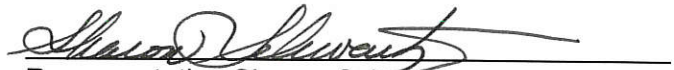
Representative Gayle Mollenkamp, Chairperson



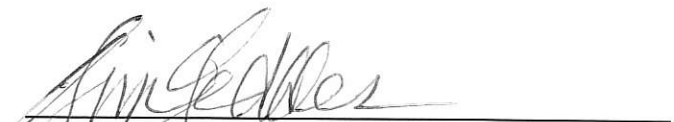
Representative Bill Feuerborn



Representative Carl Holmes



Representative Sharon Schwartz



Representative Tim Tedder

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Senate Subcommittee Report

Agency: Kansas State Fair

Bill No. 639

Bill Sec. 63

Analyst: Holwegner

Analysis Pg. No. 735 **Budget Page No.** 173

Expenditure Summary	Agency Request FY 2001	Gov. Rec. FY 2001	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 3,669,344	\$ 3,663,510	\$ 9,423 *
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	<u>\$ 3,669,344</u>	<u>\$ 3,663,510</u>	<u>\$ 9,423</u>
Capital Improvements	6,707,245	700,000	0
TOTAL	<u><u>\$ 10,376,589</u></u>	<u><u>\$ 4,363,510</u></u>	<u><u>\$ 9,423</u></u>
State General Fund:			
State Operations	\$ 118,675	\$ 118,000	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	<u>\$ 118,675</u>	<u>\$ 118,000</u>	<u>\$ 0</u>
Capital Improvements	6,407,245	300,000	0
TOTAL	<u><u>\$ 6,525,920</u></u>	<u><u>\$ 418,000</u></u>	<u><u>\$ 0</u></u>
FTE Positions	22.0	22.0	0.0
Unclass. Temp. Positions	0.0	0.0	0.0
TOTAL	<u><u>22.0</u></u>	<u><u>22.0</u></u>	<u><u>0.0</u></u>

* Includes a reduction of \$15,577 for the Governor's employee salary adjustment. Excluding the recommendation to omit the Governor's employee salary adjustment, the Subcommittee recommends \$25,000 more than the Governor's recommendation.

Agency Request/Governor's Recommendation

The State Fair Board requests **\$3,669,344** for FY 2001 operating expenditures. This is an increase of \$42,195 (1.2 percent) above the FY 2000 estimate. The agency requests \$118,675 from the State General Fund, \$3,515,669 from the State Fair Fee Fund, and \$35,000 from the Economic Development Initiatives Fund. The agency requests \$1,282,050 for the salaries and wages of 22.0 FTE positions (this includes 1.0 position enhancement). This is an increase of \$60,865 (5.0 percent) over the FY 2000 estimate. **The State Fair requests an additional 1.0 FTE Office Assistant I position and \$19,444** (including fringe benefits) from the State Fair Fee Fund for the position's salary.

The Governor recommends **\$3,663,510** for FY 2001 operating expenditures. This is an increase of \$33,141 (0.9 percent) from the FY 2000 recommendation and a decrease

of \$5,834 (0.2 percent) from the agency's FY 2001 request. The Governor recommends \$118,000 from the State General Fund and \$3,545,510 from the State Fair Fee Fund. The Governor recommends \$1,276,216 for the salaries and wages of 22.0 FTE positions. This is an increase of \$51,811 (4.2 percent) from the FY 2000 recommendation and a decrease of \$5,834 (0.5 percent) from the agency's FY 2001 request. **The Governor recommends the agency's personnel enhancement.**

Senate Subcommittee Recommendations

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

1. **Add \$25,000** from the Economic Development Initiatives Fund for state operations. The Subcommittee believes that the State Fair is a valuable form of economic development and should be supported accordingly. The Fair will use this money for advertising and award prizes.
2. **Delete \$15,577** from the State Fair Fee Fund, based on the recommendation to delete funding for the Governor's pay plan adjustments from individual agency budgets. This includes classified step movement (\$7,565), an unclassified merit pool of 2.5 percent (\$2,012), and the longevity bonus (\$6,000).
3. The Subcommittee commends the State Fair Board for its management in a business-like fashion. Unlike many state fair organizations across the nation, the Kansas State Fair finances most of its expenditures from the revenue that it generates. Under the Governor's recommendation, 96.8 percent of total operating expenditures are financed from the State Fair Fee Fund.
4. The Subcommittee notes that the State Fair has planned a very ambitious facilities master plan. While the state's current financial situation may not provide much immediate support, the Subcommittee would suggest that the State Fair Board consider working with the Department of Corrections to have it help provide prison labor for capital improvement projects. This would be a way to begin construction and do it at a cheaper cost.

Senate Committee Recommendation

The Committee concurs with the Subcommittee's recommendation.

HOUSE BUDGET COMMITTEE REPORT

Agency: Kansas State Fair

Bill No. 2994

Bill Sec. 63

<u>Expenditure Summary</u>	<u>Agency Request FY 2001</u>	<u>Gov. Rec. FY 2001</u>	<u>House Budget Committee Adjustments</u>
All Funds:			
State Operations	\$ 3,669,344	\$ 3,663,510	\$ 7,000
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	<u>\$ 3,669,344</u>	<u>\$ 3,663,510</u>	<u>\$ 7,000</u>
Capital Improvements	6,707,245	700,000	0
TOTAL	<u><u>\$ 10,376,589</u></u>	<u><u>\$ 4,363,510</u></u>	<u><u>\$ 7,000</u></u>
State General Fund:			
State Operations	\$ 118,675	\$ 118,000	\$ (118,000)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	<u>\$ 118,675</u>	<u>\$ 118,000</u>	<u>\$ (118,000)</u>
Capital Improvements	6,407,245	300,000	0
TOTAL	<u><u>\$ 6,525,920</u></u>	<u><u>\$ 418,000</u></u>	<u><u>\$ (118,000)</u></u>
FTE Positions	22.0	22.0	0.0
Unclass. Temp. Positions	0.0	0.0	0.0
TOTAL	<u><u>22.0</u></u>	<u><u>22.0</u></u>	<u><u>0.0</u></u>

House Budget Committee Recommendations

The Budget Committee concurs with the Governor's recommendation with the following adjustments, recommendations, and observations.

- Shift the funding source from the State General Fund to the Economic Development Initiatives Fund (EDIF) for the state's support (\$118,000) of the Fair's operations.** For the past several years the Legislature has alternated the funding source for the state's support between the State General Fund and the EDIF. The Budget Committee believes that the State Fair is a form of economic development and should be financed accordingly.

2. **Add \$7,000 from the EDIF** for the State Fair's operations, increasing the state's contribution to \$125,000. The State Fair Board will use these funds for such things as advertising, promotion, awards, and prizes.
3. The Budget Committee notes the Fair Board's intention to implement its facilities master plan. The plan is estimated to cost approximately \$36 million over six years. The agency is currently working on the details of financing the plan with funds provided by the state, local governments, and private sponsors. The Committee believes this is a viable plan and should be given favorable consideration in the future pending the state's financial situation.
4. Finally, the Budget Committee expresses concern regarding the amount of code compliance projects and their costs. In the agency's five year capital improvement plan, the agency estimated code compliance costs to be approximately \$2.5 million. This past summer a fire safety study found an additional \$78,130 in projects that needs to be completed for the grandstand. While the Legislature has approved \$875,000 from the State General Fund for FYs 1999 and 2000, the State Fair has planned only \$150,000 for code compliance projects in FY 2001. This is because the agency has incorporated code compliance projects into the facilities master plan. The Committee is concerned that by delaying projects, costs could increase and safety levels could diminish.

SUBCOMMITTEE REPORT

Agency: Kansas Water Office

Bill No. 639

Bill Sec. 66

Analyst: Holwegner

Analysis Pg. No. 752

Budget Page No. 479

Expenditure Summary	Agency Request FY 2001	Governor Recommendation FY 2001	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 6,237,949	\$ 5,767,445	\$ (39,057)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 6,237,949	\$ 5,767,445	\$ (39,057)
Capital Improvements	0	0	0
TOTAL	\$ 6,237,949	\$ 5,767,445	\$ (39,057)
State General Fund:			
State Operations	\$ 1,530,014	\$ 1,442,819	\$ (37,432)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 1,530,014	\$ 1,442,819	\$ (37,432)
Capital Improvements	0	0	0
TOTAL	\$ 1,530,014	\$ 1,442,819	\$ (37,432)
FTE Positions	22.5	22.5	0.0
Unclass. Temp. Positions	1.0	1.0	0.0
TOTAL	23.5	23.5	0.0

Agency Request/Governor's Recommendation

The Water Office requests \$6,237,949 for FY 2001 operating expenditures. This is an increase of \$429,617 (7.4 percent) above the FY 2000 estimate. The agency's expenditures request includes: \$1,530,014 from the State General Fund, \$3,210,674 from the State Water Plan Fund, \$1,372,577 from the Water Marketing Fund, and \$124,684 from all other revenue funds. The Water Office requests \$1,385,247 for the salaries and wages of 22.5 FTE positions and 1.0 unclassified temporary position. This is an increase of \$50,581 (3.8 percent) over the FY 2000 estimate.

The Governor recommends \$5,767,445 for operating expenditures in FY 2001. This is a decrease of \$140,727 (2.4 percent) from the FY 2000 recommendation, and a decrease of \$470,504 (7.5 percent) from the agency's FY 2001 request. The Governor recommends \$1,442,819 from the State General Fund, \$2,826,474 from the State Water Plan Fund, \$1,372,112 from the Water Marketing Fund, and \$126,040 from all other revenue

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funds. The Governor recommends \$1,375,293 for the salaries and wages of 23.5 positions (22.5 FTE positions and 1.0 unclassified temporary position). This is an increase of \$40,788 (3.1 percent) from the FY 2000 recommendation and a decrease of \$9,954 (0.7 percent) from the agency's FY 2001 request. The Governor recommends a KPERs rate freeze (\$4,355), a KPERs insurance moratorium (\$6,702), and a decrease in Worker's Compensation contribution (\$867).

FY 2001 Enhancements						
Enhancement	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Assessment and Evaluation	\$ 0	\$ 50,000	0.0	\$ 0	\$ 0	0.0
Federal Cost-Share Programs	0	250,000	0.0	0	250,000	0.0
Kansas Water Resources Research Institute	0	136,000	0.0	0	0	0.0
Stream Team Coordinator	0	50,000	0.0	0	0	0.0
Public Water Supply-GIS Data Development	0	95,200	0.0	0	0	0.0
TOTAL	\$ 0	\$ 581,200	0.0	\$ 0	\$ 250,000	0.0

Enhancements

Assessment and Evaluation. The agency requests an additional \$50,000 from the State Water Plan Fund. The agency wants to determine if the Water Authority's objectives for 2010 will be met with the current programs of the State Water Plan. With the enhancement the agency requests a total of \$300,000 from the State Water Plan Fund for assessment and evaluation of water resource conditions in each of the twelve planning basins. While the Governor does not recommend the enhancement, **the Governor recommends \$200,000** for assessment and evaluation.

Federal Cost-Share Programs. The agency requests an additional \$250,000 from the State Water Plan Fund for federal cost-share programs. A one-to-one match is required. These projects include: sediment surveys of water supply lakes, evaluation of options to meet the water supply needs of the Walnut Basin Region, evaluation of the Upper Arkansas River corridor, evaluation of the Missouri River in Kansas, evaluate the need and scope for a potential study of the Pikitanoi water supply project for the Kickapoo Indian Nation. **The Governor concurs.**

Kansas Water Resources Research Institute. The agency requests an additional \$136,000 from the State Water Plan Fund for the Kansas Water Resources Research Institute (KWRRRI). These funds will be utilized in a two- for-one match for an investigation of physical, chemical, and biological characteristics of surface and groundwater. The Governor does not recommend this enhancement.

Stream Team Coordinator. The agency requests an additional \$50,000 from the State Water Plan Fund for a Stream Team Coordinator. The agency would contract with a non-profit organization to hire a coordinator who would further communications and cooperation between stream teams in the state. The Governor does not recommend this enhancement.

Public Water Supply–GIS. The agency requests an additional \$95,200 from the State Water Plan Fund to develop Geographic Information System (GIS) data for public water supplies. The Governor does not recommend this enhancement.

Senate Subcommittee Recommendations

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

1. **Delete \$39,057**, including \$37,432 from the State General Fund, based on the recommendation to delete funding for the Governor's pay plan adjustments from individual agency budgets. This includes classified step movement (\$20,601), an unclassified merit pool of 2.5 percent (\$4,275), and the longevity bonus (\$14,181).
2. **Transfer \$653,350** from the Water Marketing Fund to the State General Fund. The Water Marketing Program supplies water to municipal and industrial users. The Water Marketing Fund receives the water fees from this program and makes payments to the U.S. Corp of Engineers for water storage and to the State General Fund for capital and interest payments. This transfer is a partial prepayment on the loan from the State General Fund. Over time the Water Marketing Fund has been collecting an internal reserve to reduce the effect of any dramatic water rate increases. By making a prepayment, the future cost of paying off the loan will decrease and could cause a small decrease in water rates.

Since the Water Marketing Program operates on a calendar year rather than a fiscal year, this transfer could cause some short term cash flow difficulties. To help alleviate this concern, the Subcommittee recommends allowing the Water Office to obtain a short term loan from the Pooled Money Investment Board to meet the financial obligations of the Water Marketing Program. To lessen the effects of a dramatic water rate increase, the Subcommittee also recommends that legislation be introduced to allow the Water Office to obtain a long term loan from the Pooled Money Investment Board.

3. The Subcommittee notes that for FY 2001 the Governor has not recommended or anticipated any money returned back to the State Water Plan Fund. The Subcommittee understands that returned funds are usually estimated for the current fiscal year, and for FY 2000 the amount expected to be returned to the fund is \$1.8 million. At the end of FY 2001, the Governor currently estimates the ending balance of the State Water Plan Fund to be \$20,000.

4. The Subcommittee is concerned about research being conducted in the Equus Bed Aquifer regarding water quality, available amounts, and the effect of pollutants. As agencies do their independent studies, there appears to be no organized statewide effort to identify pollutants. The Subcommittee discussed the agency's request for \$136,000 from the State Water Plan Fund for surface and groundwater research to be conducted by the Kansas Water Resources Research Institute. The Institute is a part of the Kansas Agricultural Experiment Station and conducts research on water efficiency and quality use. The Governor did not recommend this project.

The Subcommittee concludes that at least part of the issue is being addressed and refrains from making additional recommendations until after the Kansas Department of Health and Environment and the State Conservation Commission have been reviewed.

5. The Subcommittee notes that the Governor recommends \$250,000 from the State Water Plan Fund for federal cost-share programs with the U.S. Corps of Engineers that require a one-to-one match. The Subcommittee has learned that the list of potential projects has been prioritized by the Water Office. The first two projects to be performed are a sedimentation study of several small water supply lakes and a study of the Upper Arkansas River corridor. If time and money is available, the agency plans to evaluate the options to meet the water supply needs of the Walnut Basin Region, including storage at El Dorado Lake.

6. The Subcommittee received public testimony regarding the state's Hail Suppression Program. The counties of Rawlins and Cheyenne, through either the county commission or a vote of the people, have opted to not participate in the program. According to the public testimony that the Subcommittee heard, Groundwater Management District (GMD) #4 plans to request a permit from the Water Office to suppress hail in these two counties. The director of the Water Office stated that his policy is to follow the wishes of a county as expressed by the board of county commissioners or by a vote of the people. The Subcommittee respectfully requests that the director of the Water Office seek written commitment

from GMD #4 that it does not plan to request a permit for Rawlins and Cheyenne counties. The Subcommittee also requests that it receive copies of the letter from GMD #4 from the Water Office.

Senate Committee Recommendation

The Committee concurs with the subcommittee's recommendation.

HOUSE BUDGET COMMITTEE REPORT

Agency: Kansas Water Office

Bill No. 2994

Bill Sec. 66

<u>Expenditure Summary</u>	<u>Agency Request FY 2001</u>	<u>Governor Recommendation FY 2001</u>	<u>House Budget Committee Adjustments</u>
All Funds:			
State Operations	\$ 6,237,949	\$ 5,767,445	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 6,237,949</u>	<u>\$ 5,767,445</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 6,237,949</u></u>	<u><u>\$ 5,767,445</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 1,530,014	\$ 1,442,819	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 1,530,014</u>	<u>\$ 1,442,819</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 1,530,014</u></u>	<u><u>\$ 1,442,819</u></u>	<u><u>\$ 0</u></u>
FTE Positions	22.5	22.5	0.0
Unclass. Temp. Positions	1.0	1.0	0.0
TOTAL	<u><u>23.5</u></u>	<u><u>23.5</u></u>	<u><u>0.0</u></u>

House Budget Committee Recommendations

The Budget Committee concurs with the Governor's recommendation with the following adjustments, recommendations, and observations.

1. The Budget Committee notes that the Governor recommends reducing the annual demand transfer of \$6 million from the State General Fund to the State Water Plan Fund by \$1.5 million. Under the Governor's FY 2001 recommendation, the total available for the state's water policy is \$18.3 million which is a decrease of \$2.5 million from the total available for FY 2000. Comparing the Governor's revised recommendation for FY 2000 to FY 2001, the decrease in expenditures is more than \$200,000. The

Committee is gravely concerned that the reduction of the demand transfer is a departure from statutory law (KSA 82a-953a), and it should be authorized for only one fiscal year. If this action is repeated in the future, the objectives of the state's water policy will not be met.

PROPOSED AMENDMENT to the BUDGET COMMITTEE REPORT on the KANSAS WATER OFFICE:

1. Add a proviso authorizing the Water Office to transfer money from the sub-accounts of the Water Supply Storage Assurance District Fund to the Water Marketing Fund.

Each year the agency receives money from the water assurance districts to repay the State General Fund for the amortized cost of purchasing storage space in federal reservoirs. For accounting purposes, these funds are credited to the district sub-accounts. The money is then transferred to the Water Marketing Fund in order to make repayments to the State General Fund for moneys previously advanced for the payment of water storage space which has been transferred to the Water Assurance Program.

The Water Office has routinely made these transfers each fiscal year for the past several years. However, the Division of Accounts and Reports has determined that the agency does not have specific authority to make these transfers. This proviso is necessary for the agency to clearly track the transfer of money.

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Senate Subcommittee Report

Agency: Animal Health Department

Bill No. 639

Bill Sec. 62

Analyst: Holwegner

Analysis Pg. No. 691

Budget Page No. 67

Expenditure Summary	Agency Request FY 2001	Gov. Rec. FY 2001	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 1,922,387	\$ 1,857,988	\$ 10,499 *
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	<u>\$ 1,922,387</u>	<u>\$ 1,857,988</u>	<u>\$ 10,499</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 1,922,387</u></u>	<u><u>\$ 1,857,988</u></u>	<u><u>\$ 10,499</u></u>
State General Fund:			
State Operations	\$ 692,609	\$ 628,028	\$ (29,441)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	<u>\$ 692,609</u>	<u>\$ 628,028</u>	<u>\$ (29,441)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 692,609</u></u>	<u><u>\$ 628,028</u></u>	<u><u>\$ (29,441)</u></u>
FTE Positions			
FTE Positions	30.8	30.0	1.0
Unclass. Temp. Positions	0.0	0.0	0.0
TOTAL	<u><u>30.8</u></u>	<u><u>30.0</u></u>	<u><u>1.0</u></u>

* Includes a reduction of \$38,541 for the Governor's employee salary adjustment. Excluding the recommendation to omit the Governor's employee salary adjustment, the Subcommittee's recommends \$49,040 more than the Governor's recommendation.

Agency Request/Governor's Recommendation

The Animal Health Department requests \$1,922,387 for FY 2001 operating expenditures. This is an increase of \$38,639 (2.0 percent) above the FY 2000 estimate. The agency requests \$692,609 from the State General Fund and \$1,229,778 from special revenue funds. The agency requests \$1,208,848 for the salaries and wages of 30.8 FTE positions. This is an increase of \$48,902 (4.2 percent) over the FY 2000 estimate. The Department requests 0.8 new FTE attorney position and \$49,040 from the State General Fund for the salary (including benefits) and related expenses.

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The Governor recommends \$1,857,988 for FY 2001 operating expenditures. This is a decrease of \$20,603 (1.1 percent) from the FY 2000 recommendation, and it is a decrease of \$64,399 (3.3 percent) from the agency's FY 2001 request. The Governor recommends \$628,028 from the State General Fund and \$1,229,960 from special revenue funds. The Governor recommends \$1,154,023 for the salaries and wages of 30.0 FTE positions. This is a decrease of \$5,923 (0.5 percent) from the FY 2000 recommendation and a decrease of \$54,825 (4.5 percent) from the agency's FY 2001 request. The Governor does not recommend the Department's position enhancement.

Senate Subcommittee Recommendations

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

1. **Add \$49,040** from other funds for a new **1.0 FTE Attorney position**. The Subcommittee believes this position to be necessary for the agency to proceed with its administrative actions in a more timely fashion and help collect \$70,000 in fines that are owed to the State General Fund. Currently legal work is handled through an assistant attorney general who is responsible for the litigation of all state boards. The Animal Health Department believes that its legal needs have received a low priority from the Attorney General's Office. Without adequate legal support the Department cannot meet its legal obligations as authorized by the Legislature. It is appropriate during the state's current financial situation to utilize special revenue funds which the Governor recommends to be approved as "no limit." According to the agency, the fee funds could be used to finance this position for at least FY 2001, but over time different funding sources may have to be utilized.

The Department made this request in concert with the Board of Veterinary Examiners. Each agency asks for a fraction of one FTE position and plans to share the attorney position between the two offices. The Subcommittee recommends that the Animal Health Department be granted 1.0 FTE position and allow the Veterinary Board to contract with the Animal Health Department for legal services. To achieve this end, the Subcommittee recommends that the a new fund be created which will allow the Animal Health Department to receive money from the Board of Veterinary Examiners. This arrangement will avoid confusion and allow each agency to know what is expected of it. It will also help prevent the position from becoming reliant on the State General Fund for financing.

2. **Delete \$38,541**, including \$29,441 from the State General Fund, based on the recommendation to delete funding for the Governor's pay plan adjustments from individual agency budgets. This includes classified step movement (\$26,123), an unclassified merit pool of 2.5 percent (\$1,948), and the longevity bonus (\$10,470).

3. The Subcommittee congratulates the Animal Health Department in its success keeping Kansas livestock free from disease. On July 1, 1999, the U.S. Department of Agriculture (USDA) granted "Free" status to Kansas regarding bovine brucellosis eradication. This status will allow Kansas cattle to move interstate without a current brucellosis test, saving cattle producers money for testing. Surveillance for brucellosis will continue at livestock markets because the disease can be imported into the state at any time.

On August 1, 1999, USDA granted "Stage V" status to Kansas regarding porcine pseudorabies eradication. This allows breeding swine to move interstate without certification. USDA maintains surveillance for this disease at slaughter plants. Pseudorabies is a contagious disease primarily of swine. It can cause reproductive problems, including the loss of neonatal pigs, and death in adult hogs. According to USDA's Animal and Plant Health Inspection Service, the estimated cost of pseudorabies to pork producers in the United States is over \$30 million annually. This includes \$17 million for vaccination costs and \$11 million attributable to pig deaths.

While Kansas has taken care of these two animal diseases, the Governor recommends abolishing the Pseudorabies Indemnification Fund and transferring its balance (\$49,216) to the State General Fund. The Governor further recommends that the Livestock Indemnification Fund be abolished and its balance (\$49,300) be transferred into a new fund called the Livestock/Pseudorabies Indemnification Fund. This one fund would be used for the indemnification costs of all disease types, including pseudorabies. Currently the federal government has devoted some funding for pseudorabies eradication, but that funding source will not last. In which case the states will have to provide financial support. Indemnification costs, in part, are determined by the market value of livestock; as livestock prices increase, indemnification costs would also be higher.

4. The Subcommittee notes that the Department recently lost two valuable clerical employees from the Animal Facilities Inspection Program. Both employees received jobs at higher pay ranges from another state agency. The Department expressed concern about losing these employees because their new job duties appear to have equal, or less, responsibility than what they had at this agency. The Subcommittee learned that the reclassification of employees in this small agency has been difficult. It can take months, or even years, to reclassify a position. The Subcommittee requests that the Division of Personnel Services in the Department of Administration examine this issue to determine whether inequities in job classifications are present between this agency and larger ones.

Senate Committee Recommendation

The Committee concurs with the subcommittee's recommendation.

HOUSE BUDGET COMMITTEE REPORT

Agency: Animal Health Department

Bill No. 2994

Bill Sec. 62

<u>Expenditure Summary</u>	<u>Agency Request FY 2001</u>	<u>Gov. Rec. FY 2001</u>	<u>House Budget Committee Adjustments</u>
All Funds:			
State Operations	\$ 1,922,387	\$ 1,857,988	\$ 49,040
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	\$ 1,922,387	\$ 1,857,988	\$ 49,040
Capital Improvements	0	0	0
TOTAL	<u>\$ 1,922,387</u>	<u>\$ 1,857,988</u>	<u>\$ 49,040</u>
State General Fund:			
State Operations	\$ 692,609	\$ 628,028	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	\$ 692,609	\$ 628,028	\$ 0
Capital Improvements	0	0	0
TOTAL	<u>\$ 692,609</u>	<u>\$ 628,028</u>	<u>\$ 0</u>
FTE Positions	30.8	30.0	1.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>30.8</u>	<u>30.0</u>	<u>1.0</u>

House Budget Committee Recommendations

The Budget Committee concurs with the Governor's recommendation with the following adjustments, recommendations, and observations.

1. **Add \$49,040** from other funds for a new **1.0 FTE Attorney position**. The Budget Committee believes this position to be necessary for the agency to proceed with its administrative actions in a more timely fashion and help collect \$70,000 in fines that are owed to the State General Fund. Currently legal work is handled through an assistant attorney general who is responsible for the litigation of all state boards. The Animal Health Department believes that its legal needs have received a low priority from the Attorney General's Office. Without adequate legal support the Department cannot meet its legal obligations as authorized by the Legislature. It is appropriate during the state's current financial situation to utilize special revenue funds which the Governor recommends to be approved as "no limit." According to the agency, the fee funds could be used to finance this position for at least FY 2001, but over time different funding sources may have to be utilized.

The Department makes this request in concert with the Board of Veterinary Examiners; each agency asks for a fraction of 1.0 FTE position and plans to share the attorney position between the two offices. The Budget Committee recommends that the Animal Health Department be granted 1.0 FTE position and allow the Veterinary Board to contract with the Animal Health Department for legal services. To achieve this end, the Budget Committee recommends that a new fund be created which will allow the Animal Health Department to receive money from other agencies. This arrangement will avoid confusion and allow each agency to know what is expected of it. It will also help prevent the position from becoming reliant on the State General Fund for financing.

AGRICULTURE AND NATURAL RESOURCES BUDGET COMMITTEE

State Corporation Commission
Citizens Utilities Ratepayers' Board



Representative Gayle Mollenkamp, Chairperson



Representative Bill Feuerborn

Representative Carl Holmes



Representative Sharon Schwartz



Representative Tim Tedder

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Senate Subcommittee Report

Agency: State Corporation Commission **Bill No.** 639

Bill Sec. 18

Analyst: Severn

Analysis Pg. No. 1526 **Budget Page No.** 117

Expenditure Summary	Agency Req. FY 01	Gov. Rec. FY 01	Senate Sub. Adjustments
Special Revenue Funds			
State Operations	\$ 16,407,976	\$ 15,223,799	\$ (246,538) *
Aid to Local Units	700,000	700,000	0
Other Assistance	0	0	0
TOTAL	\$ 17,107,976	\$ 15,923,799	\$ (246,538)
FTE Positions	210.0	208.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	210.0	208.0	0.0

* The reduction of \$246,538 from special revenue funds is entirely for the Governor's employee salary adjustment.

Agency Request/Governor's Recommendation

The State Corporation Commission requests total expenditures of \$16,407,976 in FY 2001, a decrease of \$344,271 from the FY 2000 estimate.

The Governor recommends total expenditures of \$15,923,799, a decrease of \$158,177 from the FY 2000 recommendation, and \$1,184,177 below the agency request. The Governor includes \$246,538 for the employee salary adjustment. The Governor recommends staffing of 208.0 FTE, a reduction of 1.0 FTE from the recommended FY 2000 staffing.

Senate Subcommittee Comments and Recommendation

The Senate Subcommittee concurs with the recommendation of the Governor with the following adjustments and observations:

1. Delete \$246,538 (from special revenue funds) based on the recommendation to delete funding for the Governor's recommended employee salary plan.

2. Transfer \$400,000 from the State General Fund to the Abandoned Oil and Gas Well Fund.

3. The Subcommittee notes with concern the large Kansas Savings Incentives Program (KSIP) balances carried by the agency. At the end of FY 1999, the agency had KSIP balances totaling \$652,541. In FY 2000, the Governor recommended shifting \$176,913 of expenditures from the agency's fee funds to its KSIP accounts, as follows:

Kansas Savings Incentives Program (KSIP) Expenditures. The agency estimate for FY 2000 includes no KSIP expenditures. The Governor recommends KSIP expenditures totaling \$176,913.

Program	Salary Bonuses	Professional Dev. Training	Technology Equipment	TOTAL
Administrative Services	\$ 0	\$ 79,642	\$ 20,218	\$ 99,860
Utilities Program	0	0	35,600	35,600
Conservation Program	0	0	37,495	37,495
Transportation Program	0	0	3,958	3,958
Energy Program	0	0	0	0
Total	<u><u>\$ 0</u></u>	<u><u>\$ 79,642</u></u>	<u><u>\$ 97,271</u></u>	<u><u>\$ 176,913</u></u>

For FY 2001, the Governor recommended shifting \$298,503 of expenditures from the agency's fee funds to its KSIP accounts, as follows:

Kansas Savings Incentives Program (KSIP) Expenditures. The agency estimate for FY 2001 includes no KSIP expenditures. The Governor recommends KSIP expenditures totaling \$298,503.

Program	Salary Bonuses	Professional Dev. Training	Technology Equipment	TOTAL
Administrative Services	\$ 0	\$ 81,900	\$ 82,922	\$ 164,822
Utilities Program	0	0	61,562	61,562
Conservation Program	0	0	67,000	67,000
Transportation Program	0	0	4,519	4,519
Energy Program	0	0	600	600
TOTAL	<u><u>\$ 0</u></u>	<u><u>\$ 81,900</u></u>	<u><u>\$ 216,603</u></u>	<u><u>\$ 298,503</u></u>

The Subcommittee notes that even after these shifts, the agency will have \$177,125 in KSIP funds, as summarized in the following table:

Beginning Balance FY 2000	\$ 652,541
FY 2000 Expenditures	176,913
Beginning Balance FY 2001	<u>\$ 475,628</u>
FY 2001 Expenditures	298,503
Ending FY 2001 Balance	<u><u>\$ 177,125</u></u>

The Subcommittee is of the opinion that even this balance is too high and the agency should seek to reduce it.

4. The Subcommittee registers its growing concern over the slow development and implementation of the well-plugging program. The Legislature's heightened emphasis on well-plugging created the program in 1996. Each year this Subcommittee has heard that the "learning curve" has been part of the reason for delay; in addition, weather problems, a lack of contractors and difficulties with contract language have been cited. These delays are unacceptable, given the vast number of unplugged wells, the substantial amount of funding that has been provided, and the high level of Legislative concern and support. The Legislature, having heard these same reasons for several years, will be skeptical of anything short of clear-cut success in the future. More wells must be plugged in a more timely manner.

Specifically, the Subcommittee urges the agency to enhance efforts to publicize the bidding procedure. Also, the agency should take measures so as not to restrict eligible bidders to resident contractors.

The Subcommittee suggests that the well-plugging program be the subject of a post audit or interim study. The Subcommittee notes that the 1998 K-GOAL audit of the Conservation Division (98-35, "Reviewing the Activities of the Corporation Commission's Conservation Division, a K-GOAL Audit," February 20, 1998), recommended improvements in the bidding process, and the Commission responded that it would streamline its procedures at that time.

The Subcommittee intends to continue to study the well-plugging issue in the hope of refining its recommendation for this program either prior to Committee action on an appropriations bill or omnibus.

As an indication of the importance that the Subcommittee ascribes to this program, the Subcommittee recommends that the \$400,000 transferred from the Abandoned Oil and Gas Well Fund to the State General Fund in FY 2000 be returned to that fund from the SGF in FY 2001.

- The Subcommittee also will continue to review the Commission's Energy Program. It is possible that other agencies or departments may be able to dispense the federal grant dollars, thereby making the program more effective and efficient.

Abandoned Oil and Gas Well Fund Analysis

The status of the Abandoned Oil and Gas Well Fund, from FY 1997 to FY 2002, based upon the Subcommittee's recommendation, is reflected in the table below. The Subcommittee wishes to note that expenditures for FY 1999 are estimates based on moneys expended during FY 1999 or upon FY 1999 encumbrances as of January 31, 2000, and includes an estimate of approximately \$10,000 yet to be expended on FY 1999 encumbrances. Also, FY 2000 expenditures are estimated based on expenditures or pending contracts totaling \$1,951,465 to date.

Abandoned Oil and Gas Well Fund						
	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Beginning Balance	\$ 0	\$ 764,899	\$ 1,602,342	\$ 1,507,260	\$ 839,000	\$ 1,324,000
Receipts						
Transfers In	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000	1,200,000
Royalties	676,552	613,484	424,668	425,000	425,000	425,000
Interest*	27,324	87,646	112,516	105,000	60,000	90,000
Other	13,414	25,690	12,553	1,740	0	0
Total Available	\$ 1,917,290	\$ 2,691,719	\$ 3,352,079	\$ 3,239,000	\$ 2,524,000	\$ 3,039,000
Less: Expenditures	1,152,391	1,089,376	1,844,819	2,000,000	1,600,000	1,600,000
Less: Transfer to (from) SGF	0	0	0	400,000	(400,000)	0
Ending Balance	\$ 764,899	\$ 1,602,343	\$ 1,507,260	\$ 839,000	\$ 1,324,000	\$ 1,439,000

Senate Committee Recommendations

The Senate Committee concurs with the Subcommittee with the following exceptions:

- Delete item No. 2, as the Committee felt that the recommendation was included in item No. 4.
- Delete Item No. 4.
- Amend the Subcommittee report to recommend study by the Senate Utilities Committee of impediments to more rapid oil and gas well plugging and remediation, including "super-fund" sites, as well as the projections shown above for the Abandoned Oil and Gas Well Fund.

House Budget Committee Report

Agency: State Corporation Commission Bill No. 2994

Bill Sec. 18

Analyst: Severn

Analysis Pg. No. 1526 Budget Page No. 117

Expenditure Summary	Agency Req. FY 01	Gov. Rec. FY 01*	Budget Committee Adjustments
Special Revenue Funds			
State Operations	\$ 16,407,976	\$ 15,202,881	\$ 0
Aid to Local Units	700,000	700,000	0
Other Assistance	0	0	0
TOTAL	\$ 17,107,976	\$ 15,902,881	\$ 0
FTE Positions			
FTE Positions	210.0	208.0	1.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	210.0	208.0	1.0

* Reflects Governor's Budget Amendment No. 1, Item 2, reducing expenditures for state operations, from special revenue funds, by \$20,918.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation with the following comments and exceptions:

1. The Budget Committee notes that when the revenue transfers from the State General Fund, State Water Plan Fund, and the Conservation Fee Fund to the Abandoned Oil and Gas Well Fund sunset at the end of FY 2002, there will likely remain a substantial number of Priority 1 wells which have not been plugged. The Director of the Conservation Division stated that one of his goals was to reduce the Priority 1 category A wells to a number that could be plugged in one year.

The Committee also notes that remediation projects will be very costly over a long period of time. For instance, one remediation project (Burrton) is estimated to cost approximately \$3 million over the life of the project.

The Budget Committee also notes that \$400,000 was transferred from the Abandoned Oil and Gas Well Fund to the SGF in FY 2000.

In order to protect the viability of the Abandoned Oil and Gas Well Fund, the Budget Committee recommends an additional transfer of \$400,000 from the SGF to the Abandoned Oil and Gas Well Fund in FY 2001.

2. The Budget Committee notes that the Conservation Division has done a poor job of identifying potentially responsible parties for the well plugging and remediation sites and encourages the Division to expand its capabilities in that regard. To assist the Division in that effort, the Committee recommends the addition of 1.0 FTE to assist in searching for potentially responsible parties and other legal work to identify responsible parties and accelerate the well plugging. The position is to be funded from current resources.
3. The Budget Committee adopts Governor's Budget Amendment No. 1, Item 2, reducing expenditures by \$20,918.

Senate Subcommittee Report

Agency: Citizens' Utility Ratepayer Board

Bill No. 639

Bill Sec. 19

Analyst: Severn

Analysis Pg. No. 1516

Budget Page No. 95

<u>Expenditure Summary</u>	<u>Agency Request FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>Subcommittee Adjustments</u>
Special Revenue Funds			
State Operations	\$ 621,829	\$ 470,195	\$ (5,972) *
FTE Positions	6.0	4.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>6.0</u>	<u>4.0</u>	<u>0.0</u>

* The reduction of \$5,972 from special revenue funds is entirely for the Governor's employee salary adjustment.

Agency Request/Governor's Recommendation

The agency's request for FY 2001 is for \$621,829, an increase of \$156,441 from the FY 2000 estimate. The agency requests enhancements of \$148,349, including \$40,000 for additional professional services for consulting services and 2.0 additional FTE, one staff attorney and one secretary. The agency also requests that a temporary unclassified economist position be changed to an FTE position.

The Governor recommends FY 2001 expenditures of \$470,195, an increase of \$4,807 from the FY 2000 recommendation. The Governor includes \$5,972 for his FY 2001 employee pay plan adjustment. The Governor concurs in making the economist position an FTE position but did not recommend any of the enhancements.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor with the following exceptions:

1. Remove funding for the Governor's employee salary adjustment.
2. The subcommittee notes that the agency is doing good work under an increasing workload.

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3. The subcommittee wishes to flag the agency's requested enhancements as worthy of consideration at omnibus.

Fee Fund Analysis

The following table reflects the status of the agency's fee fund under the subcommittee recommendation.

<u>Resource Estimate</u>	<u>Actual FY 1999</u>	<u>Agency Estimate FY 2000</u>	<u>Gov. Rec. FY 2000</u>	<u>Agency Request FY 2001</u>	<u>Gov. Rec. FY 2001</u>	<u>Subcom. Rec. FY 2001</u>
Beginning Balance	\$ (15,741)	\$ 142,072	\$ 142,072	\$ 129,612	\$ 129,612	\$ 129,612
Projected Receipts	585,562	452,928	452,928	609,996	456,159	456,159
Total Available	\$ 569,821	\$ 595,000	\$ 595,000	\$ 739,608	\$ 585,771	\$ 585,771
Less: Expenditures	427,749	465,388	465,388	621,829	470,195	464,223
Ending Balance	\$ 142,072	\$ 129,612	\$ 129,612	\$ 117,779	\$ 115,576	\$ 121,548

Senate Committee Recommendation

The Senate Committee concurs with the recommendation of the Subcommittee.

Senate Recommendation

The full Senate has not yet considered this agency's budget.

House Budget Committee Report

Agency: Citizens' Utility Ratepayer Board

Bill No. 2994

Bill Sec. 19

Analyst: Severn

Analysis Pg. No. 1516

Budget Page No. 95

<u>Expenditure Summary</u>	<u>Agency Request FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>Budget Committee Adjustments</u>
Special Revenue Funds			
State Operations	\$ 621,829	\$ 470,195	\$ 0
FTE Positions	6.0	4.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	<u>6.0</u>	<u>4.0</u>	<u>0.0</u>

House Budget Committee Recommendation

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

1. The Budget Committee wishes to flag the agency's requested enhancements as worthy of consideration at Omnibus. The agency requests enhancements of \$148,349, including \$40,000 for additional professional services for consulting services and 2.0 additional FTE, one staff attorney and one secretary.

Fee Fund Analysis

The following table reflects the status of the agency's fee fund under the Budget Committee recommendation.

<u>Resource Estimate</u>	<u>Actual FY 1999</u>	<u>Agency Estimate FY 2000</u>	<u>Gov. Rec. FY 2000</u>	<u>Agency Request FY 2001</u>	<u>Gov. Rec. FY 2001</u>	<u>Budget Comm. Rec. FY 2001</u>
Beginning Balance	\$ (15,741)	\$ 142,072	\$ 142,072	\$ 129,612	\$ 129,612	\$ 129,612
Projected Receipts	585,562	452,928	452,928	609,996	456,159	456,159
Total Available	\$ 569,821	\$ 595,000	\$ 595,000	\$ 739,608	\$ 585,771	\$ 585,771
Less: Expenditures	427,749	465,388	465,388	621,829	470,195	470,195
Ending Balance	<u>\$ 142,072</u>	<u>\$ 129,612</u>	<u>\$ 129,612</u>	<u>\$ 117,779</u>	<u>\$ 115,576</u>	<u>\$ 115,576</u>