

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Kenny Wilk at 9:05 a.m. on March 12, 2001, in Room 514-S of the Capitol.

All members were present except: Representative Clark Shultz

Committee staff present: Alan Conroy, Legislative Research
Rae Anne Davis, Legislative Research
Amy Kramer, Legislative Research
Julian Efrid, Legislative Research
Leah Robinson, Legislative Research
Audrey Nogle, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee:

Others attending: See Attached

Natalie Haag, General Counsel for the Governor, requested the introduction of legislation which would transfer from the Department of Health and Environment to the KCC a program that regulates natural gas storage fields.

Representative Stone moved for the introduction of legislation which would clarify the responsibility for regulating the natural gas storage fields in Kansas. Motion was seconded by Representative Neufeld. Motion carried.

Hearing on HB 2550—Director of division of purchases, duties

Leah Robinson, Legislative Research Department, explained the bill which would extend the filing date to December 1 for the Director of Accounts and Reports to submit a report showing the financial condition of all state funds as of the preceding fiscal year. The bill would also require key state agencies who carry large accounts receivables to provide information earlier than it is normally available in order to produce the statewide report in accordance with generally accepted accounting principles.

Dale Brunton, Director of Accounts and Reports, presented testimony explaining the bill and the necessity of bringing Kansas into compliance with Generally Accepted Accounting Principles (Attachment 1). The bill will eliminate subsection (4) which relates to providing requested financial information which according to Mr. Brunton is governed by the Open Records Act.

There were no opponents and Chairman Wilk declared the hearing closed.

Hearing on HB 2551—State officers and employees; reimbursement rates for mileage and travel subsistence

Leah Robinson, Legislative Research Department, explained the bill which modifies the way in which state reimbursement rates for use of privately owned vehicles and for subsistence are established and revised.

Dale Brunton, Director of Accounts and Reports, presented testimony explaining the bill which would improve efficiencies in administering reimbursement rates for official travel by state officers and employees and provide a travel expense allowance in limited circumstances to avoid employees having to pay certain expenses out-of-pocket (Attachment 2 and Attachment 3).

There were no opponents and Chairman Wilk declared the hearing closed.

Hearing on HB 2552—State institutions; canteen and key deposit funds

Amory Lovin, Legislative Research Department, explained that the bill would provide for canteens, canteen funds, work therapy funds and key deposit funds to be administered by policies without the need to adopt rules and regulations and to expand the state institutions covered by these statutes.

Dale Brunton, Director of Accounts and Reports, presented testimony in support of the bill (Attachment 3).

There were no opponents and Chairman Wilk declared the hearing closed.

Representative Peterson, Chairman of the Tax, Judicial, and Transportation Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the Department of Revenue FY 2001 and moved for the adoption of the Budget Committee recommendations for FY 2001 with the noted adjustments (Attachment 4). Motion was seconded by Representative Hermes. Motion carried.

The Committee discussed Item 1 of the report regarding the one-time expense for information technology equipment and the necessity of supplying updated software for the processing of checks and deposits during income tax season. The option of having this expense funded through the Electronic Databases Fee Fund was explored. These fees come from open records fees.

Steve Richards, Secretary of Revenue, informed the Committee of their current detailed study regarding collections since the addition of 14 FTE's by the 2000 Legislature. Issues of the study are a) how to keep the collections up with the current staff (the state is short on auditors at this point); b) how to approach the backlog of collections; and c) how to increase the collections when they are normally collecting annually what is considered delinquent for the current year. Even though the collections have exceeded expectations, the Committee urged the Department of Revenue to continue working on lowering their Accounts Receivables. Accounts are considered delinquent after four months of attempting to collect.

Representative Peterson presented the Budget Committee report on the Governor's budget recommendations for the Department of Revenue for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 with the noted adjustments (Attachment 4). Motion was seconded by Representative Hermes.

Representative Landwehr made a substitute motion to amend the report by requesting an explanation from the Department of Revenue regarding the accelerators and provisions of the current sales tax statutes including information on who must pay the accelerated tax, when it is due, and how is it enforced. The report would be due by Omnibus. Motion was seconded by Representative Light. Motion carried.

The Committee also requested the Department of Revenue furnish a short explanation of clarifying why some businesses are required to pay the sales tax in advance and others are not. The Committee also discussed an option of authorizing more FTE auditors (collectors) for the Department of Revenue in anticipation of more delinquent accounts being collected.

Representative Peterson moved for the adoption of the Budget Committee report on the Governor's budget recommendations for the Department of Revenue for FY 2002 with the noted adjustments and as amended. Motion was seconded by Representative Hermes. Motion carried.

Representative Peterson presented the Budget Committee report on the Governor's budget recommendations for the Board of Tax Appeals for FY 2001 and moved for the adoption of the Budget Committee recommendations for FY 2001 (Attachment 4). Motion was seconded by Representative Hermes. Motion carried.

Representative Peterson presented the Budget Committee report on the Governor's budget recommendations for the Board of Tax Appeals for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 with notations (Attachment 4). Motion was seconded by Representative Spangler. Motion carried.

Representative Peterson presented the Budget Committee report on the Governor's budget recommendations for the Homestead Property Tax Refunds for FY 2001 and moved for the adoption of the Budget Committee recommendations for FY 2001 with adjustments (Attachment 4). Motion was seconded by Representative Spangler. Motion carried.

Representative Peterson presented the Budget Committee report on the Governor's budget recommendations for the Homestead Property Tax Refunds for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 (Attachment 4). Motion was seconded by Representative Spangler. Motion carried.

Representative Pottorff presented the Budget Committee report on the Governor's budget recommendations for the Kansas Lottery for FY 2001 and moved for the adoption of the Budget Committee recommendations

for FY 2001 with the noted recommendations (Attachment 5). Motion was seconded by Representative Stone. Motion carried.

Representative Pottorff presented the Budget Committee report on the Governor's budget recommendations for the Kansas Lottery for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 with the noted recommendations (Attachment 5). Motion was seconded by Representative Stone. Motion carried.

During Committee discussion regarding the estimated "soft sales" anticipated for FY 2002, marketing ideas for increasing the number of places available for lottery sales such as restaurants and not collecting the proposed sales tax to lottery tickets were mentioned. Many business retailers do not find the lottery business to be profitable as they only make five percent of sales and this is decreased even more if the sale is via credit card.

Representative Shriver presented the Budget Committee report on the Governor's budget recommendations for the Kansas Racing and Gaming Commission for FY 2001 and moved for the adoption of the Budget Committee recommendations for FY 2001 with the noted recommendation (Attachment 5). Motion was seconded by Representative Pottorff. Motion carried.

Representative Shriver presented the Budget Committee report on the Governor's budget recommendations for the Kansas Racing and Gaming Commission for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2001 (Attachment 5). Motion was seconded by Representative Pottorff. Motion carried.

Representative Pottorff presented the Budget Committee report on the Governor's budget recommendations for the Department of Commerce and Housing for FY 2001 and moved for the adoption of the Budget Committee recommendations for FY 2001 with the noted recommendation (Attachment 6). Motion was seconded by Representative Stone. Motion carried.

Representative Pottorff presented the Budget Committee report on the Governor's budget recommendations for the Department of Commerce and Housing for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 with the noted recommendations (Attachment 6). Motion was seconded by Representative Stone.

The Committee questioned the Budget Committee's recommendation on the decreased funding for Certified Development Companies which was cut by \$75,000 when the program has enjoyed success in the small business arena. The Budget Committee explained that the CDC information was sent only to the Budget Committee chairperson and not to the rest of the Committee, thus the members did not have all the information they needed to make budgetary decisions.

Representative Spangler moved to amend the report by inserting Item 2 (funding for the Eisenhower Center) of the Senate Subcommittee Report on the Governor's budget recommendations for the Department of Commerce and Housing for FY 2002 (Attachment 6). Motion was seconded by Representative Hermes. Motion failed.

The Committee was reluctant to spread the needed funding for the Eisenhower Center over a three year period due to the negative impact this would have on the renovation project which is currently underway. They agreed to review this at Omnibus.

Committee members were provided an update on the Kansas World Trade Center in Wichita (Attachment 7).

The Committee was assured that there will be no cost to the state for the administration of Section 8 contracts which were administered by the United State Department of Housing and Urban Development (HUD). Fees generated will cover the cost of this administration. Also office space for the 13.0 FTE's who will be designated as state classified employees will be reimbursed to the state. This program will be conducted through a local housing authority in the designated community. There is also an incentive fee which will provide revenue to the State Housing Trust Fund. This will be revisited during Omnibus.

Representative Neufeld moved to amend the report by requesting language on the Department of Commerce and Housing's plan for implementing the HUD program at the state level and that a copy of said plan be delivered to the Budget Committee. Motion was seconded by Representative Pottorff. Motion carried.

Representative Neufeld moved to amend the report by declaring that the 13 FTE's to be employed for the

implementation and administration of the HUD program be unclassified. Motion was seconded by Representative Bethell. Motion carried.

Representative Campbell moved to delete Items 2 and 3 from the Budget Committee report on the Governor's budget recommendations for the Department of Commerce and Housing for FY 2002 and recommend that they use the grant application process for funding. Motion was seconded by Representative Nichols.

The Chair announced that the consideration of the Budget Committee Report on the Governor's recommendations for the Department of Commerce and Housing for FY 2002 and the motion pending would be resumed at the next meeting of the Committee.

The meeting was adjourned at 11:00 a.m. The next meeting is scheduled for Tuesday, March 13, 2001.

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 12 March 01

NAME	REPRESENTING
Tracy Diel	State Gaming Agency/KRGC
Tony Folsom	BOTA
Sherry Brown	KDOC/H
Charles LeBay	KRGC
Melinda Gaul	DOB
Stephanie Buchanan	"
Jim Conant	KDOR
Steve Perkins	KDOR
Roger Rooker	A&R, DOB A
Dale Brunton	" "
Kevin Carr	KTEC
Debbie Alzylf	Kansas Inc
Ray Dalton	SRS
Kyle Keuler	DOB
Keith Kocher	Ks Lottery
Ed Van Petton	Ks Lottery
Mike Huttles	Ks. Gov't Consulting
Rich Bawdis	KTEC
LORI ROST	KTEC

**TESTIMONY BEFORE THE
HOUSE APPROPRIATIONS COMMITTEE
March 12, 2001, 9:00 a.m., Room 514-S**

Presented by Dale Brunton
Director of Accounts and Reports

Chairman, Members of the Committee:

I am providing testimony today on behalf of the Department of Administration in support of House Bill 2550, regarding the State of Kansas Annual Financial Report.

K.S.A. 75-3735 requires the Director of Accounts and Reports to annually prepare a report showing the financial condition of all state funds as of the preceding fiscal year. The annual report is required to be filed with the Governor on or before November 15. The proposed amendments would extend the filing date to December 31.

Information for the statewide Annual Financial Report is collected from key state agencies. Many of these agencies file their annual reports after the statewide report is produced and must provide estimates, rather than actual data. This requires additional work by the agencies to provide information earlier than it is normally available. Further, some agencies will be required to provide additional information when the statewide report is produced in accordance with Generally Accepted Accounting Principles, effective for the fiscal year ending June 30, 2002. Extending the filing date for the report would allow for the collection of more accurate and timely information and ease the duplication of effort at the agency level. The report would continue to be produced prior to the Governor's State of the State address and the start of the legislative session. The bill also includes non-substantive language amendments and the elimination of subsection (4) which is governed by the Open Records Act. There is no measurable fiscal impact associated with the proposed amendments.

Thank you for the opportunity to provide testimony to the Committee and for your consideration of House Bill 2550. I would be happy to address any questions the Comr

HOUSE APPROPRIATIONS

DATE 3/12/01
ATTACHMENT #1

**TESTIMONY BEFORE THE
HOUSE APPROPRIATIONS COMMITTEE
March 12, 2001, 9:00 a.m., Room 514-S**

Presented by Dale Brunton
Director of Accounts and Reports

Chairman, Members of the Committee:

I am providing testimony today on behalf of the Department of Administration in support of House Bill 2551. The bill proposes to: (1) improve efficiencies in administering reimbursement rates for official travel by state officers and employees; and (2) provide a travel allowance in limited circumstances to avoid employees having to pay certain expenses out-of-pocket.

House Bill 2551 modifies the way in which state reimbursement rates for use of privately owned vehicles and for subsistence (meals and lodging) are established and revised. Pursuant to Executive Order, a review was conducted of the *Kansas Administrative Regulations* related to functions administered by the Division of Accounts and Reports. Currently, the Secretary of Administration is required to establish the rates of travel allowances by adopting rules and regulations. Under the proposed amendments, it would not be necessary for the Secretary to adopt a regulation in order to establish or make routine modifications to travel reimbursement rates. However, travel reimbursement policies would remain in regulation. The proposal to remove travel rates from the regulations was approved by the Governor's Office in October 2000.

Although the State establishes its own rates for reimbursement to officers and employees traveling on official state business, compliance with federal taxation laws is still required and federal travel reimbursement rates are a major factor in the State's rate-setting process. For example, when the federal standard mileage rate decreases, the State's private automobile mileage rate must decrease as well, or the difference must be paid as a taxable benefit to the employee. Often these federal rate changes require quick action by the State to avoid a taxable reimbursement situation, or to establish a more beneficial rate for state travelers, as economic conditions allow. Changes in economic forecasts may also necessitate rate changes. The regulatory process, with its lengthy requirements and schedule, is not conducive to timely rate changes. Even temporary regulations must be approved by the Kansas Administrative Rule and Regulation Board at a scheduled meeting. The proposed amendments would provide much needed flexibility in amending State travel reimbursement rates.

HOUSE APPROPRIATIONS

DATE 3/12/01
ATTACHMENT #2

House Bill 2551 also provides for the Secretary of Administration to adopt rules and regulations to allow limited exceptions to restrictions on the payment of subsistence and to alleviate state employees from paying certain costs out-of-pocket. Current law does not allow subsistence to be paid when no overnight travel is incurred, or if travel expenses are incurred within 30 miles of the employee's official station, or within the city of the employee's residence or official station. However, employees are occasionally asked to attend a meeting or make a presentation during a meal time, or are required to travel beyond the normal work day, but without an overnight stay. In these circumstances, the traveling employee must pay for a meal out-of-pocket. The proposed amendments recognize the need to provide an exception for these situations, yet limit the scope of eligibility. The regulation is envisioned to be specific and narrow in defining applicable situations and would provide reimbursement for a meal at a predetermined, per-meal rate for breakfast, lunch or dinner. This will permit costs to be controlled and employees to be aware of the amount of the meal allowance prior to incurring the expense. Based on an allowance paid for 1,000 additional meals, the costs could range from \$7,000 - \$14,000 depending on the meal incurred at the time of the official business.

Thank you for the opportunity to provide testimony to the Committee and for your consideration of House Bill 2551. I would be happy to address any questions the Committee may have.

**TESTIMONY BEFORE THE
HOUSE APPROPRIATIONS COMMITTEE
March 12, 2001, 9:00 a.m., Room 514-S**

Presented by Dale Brunton
Director of Accounts and Reports

Chairman, Members of the Committee:

I am providing testimony today on behalf of the Department of Administration in support of House Bill 2552, regarding rules and regulations and definitions related to certain funds used by state institutions.

The provisions in House Bill 2552 would allow the regulations for canteens, canteen funds, work therapy funds, benefit funds and key deposit funds to be revoked. Pursuant to Executive Order, a review was conducted of the *Kansas Administrative Regulations* related to functions administered by the Division of Accounts and Reports. Current regulations for these funds are largely procedural in nature and impact a small number of state agencies. The Division's Policy and Procedure Manual provides all information necessary for agencies to comply with both the statutory provisions and the proper accounting procedures. The elimination of the regulations would provide a single source of information for state agencies. The proposal to eliminate the regulatory requirements for all of these funds was approved by the Governor's Office in October 2000.

House Bill 2552 also: (1) amends the definition of "state institution" to update the statutes for the currently eligible agencies for each type of fund, including trust funds; (2) replaces vague phrases, such as "regularly", with specific actions; and (3) includes non-substantive language amendments for clarification and consistency. There is no fiscal impact associated with the bill.

Thank you for the opportunity to provide testimony to the Committee and for your consideration of House Bill 2552. I would be happy to address any questions the Committee may have.

HOUSE APPROPRIATIONS

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ATTACHMENT #3

**2001 TAX, JUDICIAL, AND TRANSPORTATION
BUDGET COMMITTEE**

FY 2001 and FY 2002

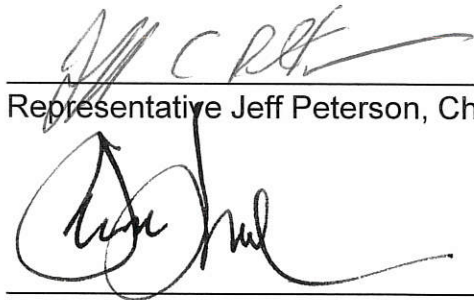
Department of Revenue

Board of Tax Appeals

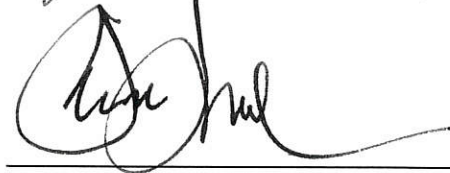
Homestead Property Tax Refunds



Representative Cindy Hermes



Representative Jeff Peterson, Chairperson



Representative Ward Loyd



Representative Doug Spangler



Representative Dan Thimesch

HOUSE APPROPRIATIONS

DATE 3/12/01

ATTACHMENT #4

Senate Subcommittee Report

Agency: Kansas Department of Revenue **Bill No.** 342

Bill Sec. 12

Analyst: Efird

Analysis Pg. No. 1268

Budget Page No. 371

Expenditure Summary	Agency Estimate FY 01	Governor's Recommendation FY 01	Senate Subcommittee Adjustments
State Operations	\$ 69,335,225	\$ 69,115,172	\$ 0
Aid to Local Units	5,267,500	5,267,500	0
Other Assistance	2,500,000	2,500,000	0
Total-Operations	\$ 77,102,725	\$ 76,882,672	\$ 0
Financing Summary			
State General Fund	\$ 32,397,234	\$ 32,291,725	\$ 0
DOV Operating Fund	30,665,637	30,456,224	0
All Other Funds	14,039,854	14,134,723	0
Total-All Funds	\$ 77,102,725	\$ 76,882,672	\$ 0
FTE Positions	1,162.0	1,162.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	1,162.0	1,162.0	0.0

Agency Estimate/Governor's Recommendation

The agency's estimate for FY 2001 operating expenditures of \$77.1 million is a net decrease of \$2.4 million from the approved budget. This results from:

1. A requested State General Fund (SGF) supplemental appropriation of \$150,000 to finance \$50,000 of additional costs attributed to on-going litigation and \$100,000 to allow filling vacant positions;
2. An increase of \$51,750 in the approved expenditure limitation for the Division of Vehicles (DOV) Operating Fund to pay temporary staff and related costs associated with servicing additional motor carriers that need to be assessed in Kansas;
3. A net reduction of \$2.646 million from all other funds. For state operations, changes include an expenditure increase of \$93,440 for the Setoff Services Revenue Fund to allow filling vacant positions; an increase of \$30,000 for the VIPS/CAMA Fee Fund; a \$170,000 increase for DISC fees from the Electronic Databases Fee Fund; and a decrease of \$527,991 from the FDA Tobacco Fund due to a loss of the federal grant. For local aid, reductions total \$2,280,657 based on revised revenue distribution estimates.

The Governor recommends a current year budget of \$76.9 million, a net decrease of \$2.7 million from the approved budget. This results from:

1. A State General Fund (SGF) supplemental appropriation of \$44,491 to help finance a portion of \$50,000 for additional costs attributed to on-going litigation;
2. A net decrease of \$157,663 in the approved expenditure limitation for the Division of Vehicles (DOV) Operating Fund;
3. A net reduction of \$2.551 million from all other funds. For state operations, changes include an increase of \$30,000 for the VIPS/CAMA Fee Fund; a decrease of \$527,991 from the FDA Tobacco Fund due to a loss of the federal grant; and a \$170,000 increase for DISC fees from the Electronic Databases Fee Fund. For local aid, reductions total \$2,280,657 based on revised revenue distribution estimates.

Senate Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendations in FY 2001.

Senate Committee Recommendation

The Senate Committee concurs with the recommendation of the Subcommittee.

House Budget Committee Report

Agency: Kansas Department of Revenue Bill No. 2545

Bill Sec. 12

Analyst: Efird

Analysis Pg. No. 1268

Budget Page No. 371

<u>Expenditure Summary</u>	<u>Agency Estimate FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>Budget Committee Adjustments</u>
State Operations	\$ 69,335,225	\$ 69,115,172	\$ 1,117,263
Aid to Local Units	5,267,500	5,267,500	0
Other Assistance	2,500,000	2,500,000	0
Total-Operations	<u>\$ 77,102,725</u>	<u>\$ 76,882,672</u>	<u>\$ 1,117,263</u>
<u>Financing Summary</u>			
State General Fund	\$ 32,397,234	\$ 32,291,725	\$ 0
DOV Operating Fund	30,665,637	30,456,224	0
All Other Funds	14,039,854	14,134,723	1,117,263
Total-All Funds	<u>\$ 77,102,725</u>	<u>\$ 76,882,672</u>	<u>\$ 1,117,263</u>
FTE Positions	1,162.0	1,162.0	0.0
Other Unclassified	0.0	0.0	0.0
TOTAL	<u>1,162.0</u>	<u>1,162.0</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The agency's estimate for FY 2001 operating expenditures of \$77.1 million is a net decrease of \$2.4 million from the approved budget. This results from:

1. A requested State General Fund (SGF) supplemental appropriation of \$150,000 to finance \$50,000 of additional costs attributed to on-going litigation and \$100,000 to allow filling vacant positions;
2. An increase of \$51,750 in the approved expenditure limitation for the Division of Vehicles (DOV) Operating Fund to pay temporary staff and related costs associated with servicing additional motor carriers that need to be assessed in Kansas;
3. A net reduction of \$2.646 million from all other funds. For state operations, changes include an expenditure increase of \$93,440 for the Setoff Services Revenue Fund to allow filling vacant positions; an increase of \$30,000 for the VIPS/CAMA Fee Fund; a \$170,000 increase for DISC fees from the Electronic Databases Fee Fund; and a decrease of \$527,991 from the FDA Tobacco Fund

due to a loss of the federal grant. For local aid, reductions total \$2,280,657 based on revised revenue distribution estimates.

The Governor recommends a current year budget of \$76.9 million, a net decrease of \$2.7 million from the approved budget. This results from:

1. A State General Fund (SGF) supplemental appropriation of \$50,000 for additional costs attributed to on-going litigation;
2. A net decrease of \$157,663 in the approved expenditure limitation for the Division of Vehicles (DOV) Operating Fund;
3. A net reduction of \$2.551 million from all other funds. For state operations, changes include an increase of \$30,000 for the VIPS/CAMA Fee Fund; a decrease of \$527,991 from the FDA Tobacco Fund due to a loss of the federal grant; and a \$170,000 increase for DISC fees from the Electronic Databases Fee Fund. For local aid, reductions total \$2,280,657 based on revised revenue distribution estimates.

House Budget Committee Recommendation

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

1. Add \$791,513 in one-time expenses for information technology equipment to ensure channel management processing of revenues to the state will continue in a timely fashion. The current equipment and software was purchased in 1997. Included is \$245,500 for a DP 500 check processing transport, \$260,000 for a Workflow/ICR engine (intelligent character recognition, computer-assisted technology) for imaging control, \$180,240 for a RS6000 computer server and disk storage drive upgrade for the FileNet system, and \$105,773 for a high speed Kodak production scanner to increase scanning of documents during peak tax processing. Also add \$325,750 in one-time expenses for information technology software to update the remittance processing environment. Included is \$300,000 for Windows NT (network) software, \$22,250 for transport operating and management system software, and \$3,500 for production software. The Committee learned that this project is the number one priority of the new Secretary of Revenue and that the Governor's recommendations for expenditures did not include funding for it. Since the initial agency request for financing the package was to use State General Fund money, the Committee understands the Governor's decision not to recommend this project was based on financing and not on the merits of the project. However, a new, alternative source of funding was found in the Governor's recommendations based on a projected ending FY 2001 balance of \$1,183,429 in the Electronic Databases Fee Fund. Total additional spending in FY 2001 would be \$1,117,263 for this project, leaving a fee fund balance of \$66,166 at the end of the fiscal year. It should be noted that the Governor's recommended expenditures in FY 2001 are a decrease of \$2.4 million from the budget approved by the 2000 Legislature. Adding \$1.1 million in

expenditures for this project will result in a net reduction of \$1.3 million from the approved FY 2001 expenditures.

Electronic Databases Fee Fund

	Actual FY 2000	Gov. Rec. FY 2001	Budget Cmt. Rec. FY 2001	Gov. Rec. FY 2002	Budget Cmt. Rec. FY 2002
Balance Forward	\$ 2,047,876	\$ 1,337,929	\$ 1,337,929	\$ 1,183,429	\$ 66,166
Charges for Services	3,842,039	3,500,000	3,500,000	3,600,000	3,600,000
Total Funds Available	\$ 5,889,915	\$ 4,837,929	\$ 4,837,929	\$ 4,783,429	\$ 3,666,166
Less: Expenditures	4,551,986	3,654,500	4,771,763	3,538,509	3,538,509
Ending Balance	\$ 1,337,929	\$ 1,183,429	\$ 66,166	\$ 1,244,920	\$ 127,657

- Note the agency report concerning the \$570,000 added by the 2000 Legislature for collections assistance from a contractor, GC Services. As a result, an additional 14 collectors were provided to assist the compliance management unit with individual income tax collection activity in FY 2001. The agency reports an additional \$8.3 million was collected through January as a result of this activity, with an expectation that \$12.7 million will be achieved by the end of the fiscal year. The agency had projected gains of \$8.55 million when requesting funds last year.

The Budget Committee reviewed information about accounts receivable and received detailed historical information by month for FY 2002 and annual data for FY 1998 and FY 1999. As the following table shows, significant moneys are due the state (including moneys that would help boost State General Fund balances, as well as other public fund accounts such as motor fuels that go to the State Highway Fund).

KDOR Accounts Receivable	
Total Current Accounts Receivable	\$531,363,439
Uncollectible (bankruptcy, etc.)	\$274,234,912
Net Current Outstanding Receivable	\$257,128,527
Total Accounts Receivable History	
FY ending 2000	\$447,804,093
FY ending 1999	\$475,220,001
FY ending 1998	\$405,188,972

The Budget Committee noted that of the \$257,128,527 amount the Secretary of Revenue believes is the net outstanding balance that can be pursued, approximately \$62 million is considered in process and does not appear on the monthly

report that reflects \$191 million net receivable. The Budget Committee asked the Secretary to bring additional information back during the Omnibus period to address how to enhance collecting these moneys. Specifically, the Budget Committee believes the example cited of hiring GC Services is an excellent approach in which a cost and resulting benefit can be demonstrated. There are other currently unfunded methods, such as the proposed skip-trace item, that the Secretary should include in a plan prepared for Omnibus to show the cost/benefit of alternative methods of enhancing collections of moneys due the state and how much additional revenue could be generated.

Senate Subcommittee Report

Agency: Kansas Department of Revenue **Bill No.** 348

Bill Sec. 43

Analyst: Efird

Analysis Pg. No. 1268

Budget Page No. 371

Expenditure Summary	Agency Req. FY 02	Governor's Recommendation FY 02	Senate Subcommittee Adjustments
State Operations	\$ 77,302,519	\$ 69,700,340	\$ (1,365,064)
Aid to Local Units	5,862,500	5,862,500	0
Other Assistance	2,500,000	2,500,000	0
Total-Operations	\$ 85,665,019	\$ 78,062,840	\$ (1,365,064)
Financing Summary			
State General Fund	\$ 39,625,312	\$ 32,668,126	\$ (780,330)
DOV Operating Fund	31,484,989	31,229,721	(568,856)
All Other Funds	14,554,718	14,164,993	(15,878)
Total-All Funds	\$ 85,665,019	\$ 78,062,840	\$ (1,365,064)
FTE Positions	1,182.0	1,162.0	0.0
Other Unclassified	0.0	0.0	0.0
TOTAL	1,182.0	1,162.0	0.0

Note: Includes a reduction of \$1,365,064 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 \$0 from all other funds.

Agency Req./Governor's Recommendation

The agency requests a net expenditure increase of \$8.562 million (11.1 percent) from the current fiscal year estimate. The agency requests:

1. Additional staffing of 20.0 FTE positions with 10.0 of the new positions in ABC.
2. Increased salary and wage financing of \$2,455,470, primarily to pay for new staff, annual increases in the salary and benefits base, and reducing the shrinkage rate.
3. Additional other operating expenditures of \$5,511,824, primarily for new enhancements
4. Increased state aid payments of \$595,000.

The **Governor recommends** a net FY 2002 expenditure increase of \$1.180 million (1.5 percent) from the current fiscal year.

1. No additional staffing.
2. Increased salary and wage financing of \$1,993,016, primarily for financing a new salary plan and 66 position reclassifications.
3. A reduction in other operating expenditures of \$1,407,848.
4. An increase in state aid of \$595,000.

Senate Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendations in FY 2002 and makes the following additional adjustments and recommendation:

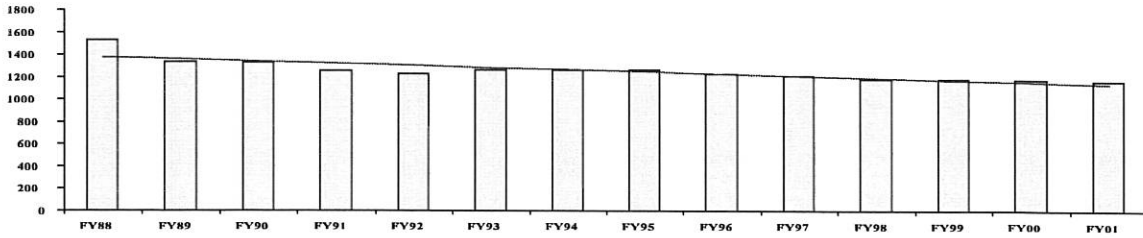
1. Remove the Governor's proposal salary plan financing of \$1,365,064, including \$780,330 from the State General Fund, \$568,856 from the DOV Operating Fund, and \$15,878 from all other funds.
2. Note that the agency has 124 positions currently vacant, in part due to the \$3,116,860 in FY 2001 shrinkage of 7.0 percent recommended by the Governor. For FY 2002, the Governor's recommendation includes 7.0 percent shrinkage and savings of \$3,266,871. The agency reports that in order to achieve next year's savings, at least 84.0 FTE positions must be held vacant. Because of \$300,000 in reductions to other operating expenditures recommended by the Governor, the agency reports that another 8.0 FTE positions must be held vacant. Total enforced vacancies are estimated at 92.0 FTE next fiscal year out of the Governor's recommended staffing level of 1,162.0 FTE positions. The difference between 124.0 and 92.0 equates to an average agency turnover of approximately 32.0 FTE positions being vacant due to staff changes that result from personnel leaving and having to be replaced. Those 32 net vacancies would constitute a turnover rate of 2.75 percent. The additional 4.25 percent shrinkage in the Governor's recommendations might be viewed as an enhanced, or forced, vacancy rate.

Historical information from FY 1999 to FY 2000 was presented about the number of FTE positions allocated to the agency and about the shrinkage rates imposed on salaries and wages during that time period.

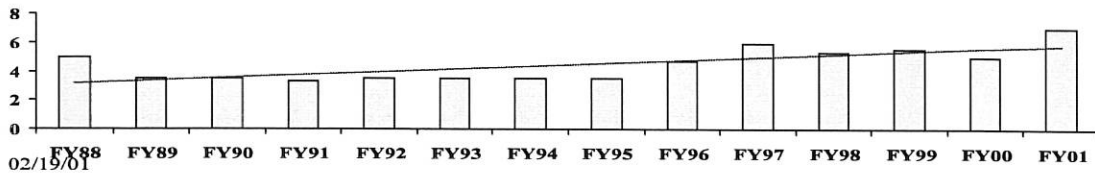


KDOR Staffing Trend

Authorized FTE



% Shrinkage Rate



In FY 2000, this agency was responsible for collecting, processing, and distributing the following as part of its routine operations:

- 1,417,515 individual income tax returns;
- 81,899 homestead property tax refunds;
- 720,242 business sales tax returns;
- 565,409 withholding tax returns;
- 18,222 new business registrations;
- 6,900 liquor and tobacco licenses;
- 900,000 motor title applications;
- 2,500,000 motor vehicle registrations;
- 41,700 motor carrier renewals;
- 800,000 driver license renewals;
- 1,350,000 actions on driving records;
- taxes and other revenues of \$5,496,683,408; and
- \$604,000,000 in taxes and fees returned to local units of government.

3. Recommend review during Omnibus of new procedures to finance the State General Fund portion of the agency. The Secretary of Revenue was asked to develop a response and other alternatives for review at that time. One example of a new procedure that the Secretary will use as a starting point is outlined below and represents only one possible model:

- a. Establish a Department of Revenue (DOR) Operating Fund.
- b. Provide for monthly transfers from the State General Fund into the new DOR Operating Fund based on a fixed percentage of tax and other revenues collected by the agency.

- c. Approve an expenditure limitation, either as no limit or a fixed dollar amount, for expenditures from the DOR Operating Fund to finance agency operations.
- d. This procedure would reduce overall State General Fund expenditures in FY 2002 by the amount of \$32,668,126 included in the Governor's Budget Report.
- e. In turn, this procedure would reduce the amount required in the ending balance of the State General Fund by 7.5 percent of the amount in item d, for a total of \$2,450,109 in FY 2002.

DOR Operating Fund Example		
FY 2000 Receipts:	\$	5,496,683,408
Transfer Rate:		0.60%
Transfer Amount:	\$	32,980,100
FY 2002 Gov Rec	\$	(32,668,126)
Difference	\$	311,974

- 4. Note the accounts receivable information provided by the agency: \$531,363,439 total accounts receivable, of which \$274,234,912 was defined as uncollectible due to bankruptcy, with a net remaining of \$257,128,527.

KDOR Accounts Receivable	
Total Current Accounts Receivable	\$531,363,439
Uncollectible (bankruptcy, etc.)	\$274,234,912
Net Current Outstanding Receivable	\$257,128,527
Total Accounts Receivable History	
FY ending 2000	\$447,804,093
FY ending 1999	\$475,220,001
FY ending 1998	\$405,188,972

The Subcommittee believes that a new method of financing agency operations, such as the example noted in the previous item, would provide an incentive and

reward for the agency to enhance efforts to collect these accounts receivable, in addition to performing its routine duties of collecting, processing, and distributing taxes and other revenues.

5. Note Project 2000 is designed to be paid for from the increased revenues it generates. In accordance with the statute and appropriations acts, the amount of increased revenue is certified by the directors of the Division of the Budget and the Legislative Research Department, then credited to the Automated Tax Systems Fund. These funds were used to pay for the contracted and budgeted costs of the project. The fund also is utilized for ongoing system operations and has been used to finance system modifications required due to changes in the state tax code. A total of \$62.9 million was been transferred to the fund between FY 1996 and FY 1999. Nothing was transferred in FY 2000.

The Consensus Revenue Estimating Group anticipates that transfers will total \$4.0 million in FY 2001 and \$6.0 million in FY 2002 in order to pay the remaining \$10.0 million amount to American Management Systems. The estimates are included in the Governor's recommendations for revenue adjustments on page 25 of the *Governor's Budget Report*, Vol. 1. The Subcommittee had a brief report from the new Secretary of Revenue about Project 2000 and the final \$10 million payment. Additional information is being developed to confirm that the estimated enhanced revenues attributed to Project 2000 are correct. An economist from a Regents University has been asked to review a study performed by the Barents Group, KPMG Consulting, that was produced for American Management Systems. That study examines the impact of Project 2000 and estimates increased collections attributed to Project 2000.

6. Express disappointment in the agricultural land use-value study recently made available to legislators. Funding of \$100,000 for the study was added by the Legislature in the FY 2000 budget. The Senate Subcommittee in 1999 expressed concern about the continued difficulty in developing and implementing proper valuations for agricultural land. The 1999 Senate Subcommittee had recommended that the funding be used for a study by an independent consultant to evaluate the existing Kansas system, how other states approach agricultural land valuation issues, and what best practices might be applied to the Kansas system.
7. Monitor the proposed online motor vehicle registration project and the Governor's recommended financing of \$500,000 in FY 2002 from the VIPS/CAMA Fund. Although the proposed project was reviewed by the Joint Committee on Information Technology last fall, the Subcommittee expressed concern about whether the project could be accomplished within the time frame and budget of \$500,000.
8. Review during Omnibus the status of the Electronic Databases Fee Fund regarding its projected ending balances in FY 2001 and FY 2002. The 1996 Legislature created the Electronic Databases Fee Fund and authorized the fund to receive fees charged for providing access to or furnishing copies of data constituting public records in the Vehicle Information Processing System (VIPS),

the Kansas Computer Assisted Mass Appraisal system (CAMA), and other electronic database systems of the Department. KSA 1999 Supp. 74-2022 provides that all moneys credited to the fund shall be expended for operating expenditures, including expenditures for capital outlay, operation, maintenance, or improvement of these database systems, including the costs incurred to provide access to or to furnish copies of public records in such database systems. The Subcommittee notes that the \$1.0 million plus balance could be transferred to the State General Fund to enhance revenues, since the agency and Governor do not utilize these balances.

Electronic Databases Fee Fund

	Actual FY 2000	Agency Estimate FY 2001	Gov. Rec. FY 2001	Agency Request FY 2002	Gov. Rec. FY 2002
Balance Forward	\$ 2,047,876	\$ 1,337,929	\$ 1,337,929	\$ 1,353,429	\$ 1,183,429
Charges for Services	3,842,039	3,500,000	3,500,000	3,600,000	3,600,000
Total Funds Available	\$ 5,889,915	\$ 4,837,929	\$ 4,837,929	\$ 4,953,429	\$ 4,783,429
Less: Expenditures	4,551,986	3,484,500	3,654,500	3,865,044	3,538,509
Ending Balance	\$ 1,337,929	\$ 1,353,429	\$ 1,183,429	\$ 1,088,385	\$ 1,244,920

Senate Committee Recommendation

The Senate Committee concurs with the recommendation of the Subcommittee.

House Budget Committee Report

Agency: Kansas Department Of Revenue Bill No. 2557

Bill Sec. 43

Analyst: Efirid

Analysis Pg. No. 1268

Budget Page No. 371

Expenditure Summary	Agency Est. FY 02	Gov. Rec. FY 02	Budget Committee Adjustments
State Operations	\$ 77,302,519	\$ 69,700,340	\$ 0
Aid to Local Units	5,862,500	5,862,500	0
Other Assistance	2,500,000	2,500,000	0
Total-Operations	<u>\$ 85,665,019</u>	<u>\$ 78,062,840</u>	<u>\$ 0</u>
<u>Financing Summary</u>			
State General Fund	\$ 39,625,312	\$ 32,668,126	\$ 0
DOV Operating Fund	31,484,989	31,229,721	0
All Other Funds	14,554,718	14,164,993	0
Total-All Funds	<u>\$ 85,665,019</u>	<u>\$ 78,062,840</u>	<u>\$ 0</u>
FTE Positions	1,182.0	1,162.0	0.0
Other Unclassified	0.0	0.0	0.0
TOTAL	<u>1,182.0</u>	<u>1,162.0</u>	<u>0.0</u>

Agency Req./Governor's Recommendation

The agency requests a net expenditure increase of \$8.562 million (11.1 percent) from the current fiscal year estimate. The agency requests:

1. Additional staffing of 20.0 FTE positions with 10.0 of the new positions in ABC.
2. Increased salary and wage financing of \$2,455,470, primarily to pay for new staff, to fund the annual increase in the salary and benefits base, and to reduce the shrinkage rate.
3. Additional other operating expenditures of \$5,511,824, primarily for new enhancements
4. Increased state aid payments of \$595,000.

The **Governor recommends** a net FY 2002 expenditure increase of \$1.180 million (1.5 percent) from the current fiscal year.

1. No additional staffing.
2. Increased salary and wage financing of \$1,993,016, primarily for financing a new salary plan and 66 position reclassifications.
3. A reduction in other operating expenditures of \$1,407,848.
4. An increase in state aid of \$595,000.

House Budget Committee Recommendation

The Committee concurs with the recommendations of the Governor, except for the following adjustments:

1. Delay payment of final \$10 million for Project 2000 until FY 2003 in order to enhance ending SGF balances in FY 2001 and FY 2002. The proviso in the appropriations bill sets the conditions of making the payments contingent upon approval of the Director of the Budget and the Director of Legislative Research certifying that certain increases in state revenue have occurred and are attributed to implementing the new automated tax systems. Since the corporate tax systems component of Project 2000 will not be implemented until later in FY 2002, the delay until FY 2003 would be prudent, even if the State General Fund could afford having a \$10 million reduction in the ending balance.
2. Note \$2,037,000 is requested for integrating excise taxes within the new automated tax systems, a component that was NOT included in Project 2000. This project was ranked by the new Secretary of Revenue as the second most important enhancement and the project was not recommended in the Governor's Budget Report for FY 2002, in part due to the State General Fund financing requested.
3. Note \$486,368 and 10.0 FTE positions was requested in FY 2002 for underage drinking enforcement. Since the financing requested was from the State General Fund, the enhancement was not included in the Governor's recommendations for FY 2002. However, SB 13 was introduced upon recommendation of the Special Committee on Federal and State Affairs in order to provide a fee fund, supported by increased license and registration charges, to finance this enhancement. New revenue in excess of \$600,000 annually would be generated by fee increases if SB 13 were to pass as introduced. The new funding would need to be appropriated during the Omnibus period in order to implement the underage drinking enhancement and additional staff would need to be authorized. Review at Omnibus is recommended regarding SB 13, pending its passage.
4. Make technical corrections in appropriations bill, such as adding VIPS software as an eligible expense to be paid from the VIP/CAMA Hardware Fund.

Senate Subcommittee Report

Agency: Board of Tax Appeals

Bill No. --

Bill Sec. --

Analyst: Kramer

Analysis Pg. No. 1286

Budget Page No. 413

<u>Expenditure Summary</u>	<u>Agency Estimate FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 2,131,563	\$ 2,127,012	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 2,131,563</u>	<u>\$ 2,127,012</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 2,117,063	\$ 2,112,512	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 2,117,063</u>	<u>\$ 2,112,512</u>	<u>\$ 0</u>
FTE Positions	31.0	31.0	0.0
Other Unclassified Positions	2.0	2.0	0.0
TOTAL	<u>33.0</u>	<u>33.0</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The agency estimate for FY 2001 expenditures is \$2,131,563 which is an increase of \$61,433 (3.0 percent) from the FY 2000 actual amount. The estimate includes \$1,541,017 for salaries and wages, \$526,200 for contractual services, \$40,546 for commodities, and \$23,800 for capital outlay.

The Governor's recommendation for FY 2001 expenditures is \$2,127,012 which is an increase of \$56,882 (2.7 percent) from the FY 2000 actual amount. The recommendation includes \$1,536,466 for salaries and wages, \$526,200 for contractual services, \$40,546 for commodities, and \$23,800 for capital outlay.

Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee's recommendation.

Senate Recommendation

The Senate has not yet considered this budget.

Budget Committee Report

Agency: Board of Tax Appeals

Bill No. --

Bill Sec. --

Analyst: Kramer

Analysis Pg. No. 1286 Budget Page No. 413

<u>Expenditure Summary</u>	<u>Agency Estimate FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>Budget Committee Adjustments</u>
All Funds:			
State Operations	\$ 2,131,563	\$ 2,127,012	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 2,131,563	\$ 2,127,012	\$ 0
State General Fund:			
State Operations	\$ 2,117,063	\$ 2,112,512	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 2,117,063	\$ 2,112,512	\$ 0
FTE Positions	31.0	31.0	0.0
Other Unclassified Positions	2.0	2.0	0.0
TOTAL	33.0	33.0	0.0

Agency Estimate/Governor's Recommendation

The agency estimate for FY 2001 expenditures is \$2,131,563 which is an increase of \$61,433 (3.0 percent) from the FY 2000 actual amount. The estimate includes \$1,541,017 for salaries and wages, \$526,200 for contractual services, \$40,546 for commodities, and \$23,800 for capital outlay.

The Governor's recommendation for FY 2001 expenditures is \$2,127,012 which is an increase of \$56,882 (2.7 percent) from the FY 2000 actual amount. The recommendation includes \$1,536,466 for salaries and wages, \$526,200 for contractual services, \$40,546 for commodities, and \$23,800 for capital outlay.

Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Board of Tax Appeals

Bill No. --

Bill Sec. --

Analyst: Kramer

Analysis Pg. No. 1286

Budget Page No. 413

Expenditure Summary	Agency Request FY 02	Gov. Rec. FY 02	Subcommittee Adjustments*
All Funds:			
State Operations	\$ 2,145,078	\$ 2,130,282	\$ (27,808)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 2,145,078	\$ 2,130,282	\$ (27,808)
State General Fund:			
State Operations	\$ 2,130,578	\$ 2,115,782	\$ (27,808)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 2,130,578	\$ 2,115,782	\$ (27,808)
FTE Positions	31.0	31.0	0.0
Other Unclassified Positions	2.0	2.0	0.0
TOTAL	33.0	33.0	0.0

* The entire amount reflects deletion of the Governor's recommended pay plan adjustments.

Agency Request/Governor's Recommendation

The agency request for FY 2002 expenditures is \$2,145,078 which is an increase of \$13,515 (0.6 percent) from the FY 2001 revised estimate. The recommendation includes \$1,550,739 for salaries and wages, \$518,793 for contractual services, \$40,546 for commodities, and \$35,000 for capital outlay.

The Governor's recommendation for FY 2002 expenditures is \$2,130,282 which is an increase of \$3,270 (0.2 percent) from the FY 2001 revised estimate. The estimate includes \$1,575,127 for salaries and wages, \$498,793 for contractual services, \$35,546 for commodities, and \$20,816 for capital outlay.

Subcommittee Recommendation

1. Delete expenditures of \$27,808 from the State General Fund to remove the Governor's pay plan adjustments. This includes \$7,179 for longevity, \$9,264 for unclassified merit pool, and \$11,366 for classified base increases.

- The Subcommittee recognizes the Hearing Officer Panel (HOP) system Allen, Bourbon, Ford, Labette, Pottawatomie, Sedgwick, and Woodson counties have implemented to handle small claims cases. With this procedure the HOP hears the case, before it is taken to the Board of Tax Appeals. For example, in Sedgwick County the individual first makes an informal complaint with the County Appraiser. The individual may then appeal the case to the county HOP. The case may then be appealed to the Small Claims division. If the case is not settled, it may be appealed to the regular division of the Board of Tax Appeals and then to the district court.

The Subcommittee notes a disproportionate use of the Small Claims division by some counties. A majority of the cases in the status conference process are from three counties and the Division of Taxation as summarized in the following table.

	Status Conference	Hearings to be Scheduled	Total	Percent of Total
Johnson County	550	139	689	37.0%
Sedgwick County	156	2	158	8.5%
Shawnee County	135	3	138	7.4%
Division of Taxation	217	5	222	12.0%
TOTAL	1,058	149	1,207	65.0%

Note: Numbers may not add due to rounding.

The appraised value for all property, real property, and personal property in these counties is summarized in the table below for comparison purposes.

	1999 All Property Appraised Value*	Percent of State All Property Total	1999 Real Property Appraised Value	Percent of State Real Property Total	1999 Personal Property Appraised Value	Percent of State Personal Property Total
Johnson County	\$ 31,534	27.8%	\$ 28,914	31.5%	\$ 1,888	16.4%
Sedgwick County	16,433	14.5%	14,129	15.4%	1,663	14.4%
Shawnee County	6,549	5.8%	5,613	6.1%	512	4.4%
State Total	113,381		91,828		11,533	

Valuations in Millions.
*Includes real property, personal property, and public utilities.

The Subcommittee notes that counties could be handling more of these cases internally rather than referring them to the Board of Tax Appeals. For example, 27.8 percent of the state's property value is in Johnson County, but 37 percent of Board of Tax Appeals cases are from Johnson County. Alternatively, 14.5 percent of the state's property value is in Sedgwick County, but 8.5 percent of cases are

from Sedgwick County. This difference may be attributed to Sedgwick County's HOP system.

3. The Subcommittee recommends the agency explore the use of interactive video technology to hear cases from remote areas. The agency is encouraged to explore the interactive technology available at the Regent's Institutions, particularly at Kansas State University. The agency is also encouraged explore systems provided by the Division of Information Systems and Communications and to obtain cost estimates.
4. The Subcommittee recommends that the agency investigate the implementation of a graduated filing fee for commercial cases, and possibly submit legislation on this matter for consideration by the 2002 Legislature.
5. The Subcommittee commends the efforts of the agency to increase operating efficiency. The agency has reduced their current backlog of cases from 12,000 to 5,000. The agency has also cross-trained staff members to work in both the regular division and the small claims division. This personnel is shifted between divisions with shifting workload demands. This effort has resulted in a reduction of 6.0 FTE from fiscal year 1999 to fiscal year 2002.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee recommendation.

Senate Recommendation

The Senate has not yet considered this budget.

Budget Committee Report

Agency: Board of Tax Appeals

Bill No. --

Bill Sec. --

Analyst: Kramer

Analysis Pg. No. 1286 Budget Page No. 413

Expenditure Summary	Agency Request FY 02	Gov. Rec. FY 02	Budget Committee Adjustments
All Funds:			
State Operations	\$ 2,145,078	\$ 2,130,282	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 2,145,078</u>	<u>\$ 2,130,282</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 2,130,578	\$ 2,115,782	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 2,130,578</u>	<u>\$ 2,115,782</u>	<u>\$ 0</u>
FTE Positions	31.0	31.0	0.0
Other Unclassified Positions	2.0	2.0	0.0
TOTAL	<u>33.0</u>	<u>33.0</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

The agency request for FY 2002 expenditures is \$2,145,078 which is an increase of \$13,515 (0.6 percent) from the FY 2001 actual amount. The recommendation includes \$1,550,739 for salaries and wages, \$518,793 for contractual services, \$40,546 for commodities, and \$35,000 for capital outlay.

The Governor's recommendation for FY 2002 expenditures is \$2,130,282 which is an increase of \$3,270 (0.2 percent) from the FY 2001 actual amount. The estimate includes \$1,575,127 for salaries and wages, \$498,793 for contractual services, \$35,546 for commodities, and \$20,816 for capital outlay.

Budget Committee Recommendation

The Budget Committee concurs with the agency request with the following notations.

1. The Budget Committee recognizes the Hearing Officer Panel (HOP) system Allen, Bourbon, Ford, Labette, Pottawatomie, Sedgwick, and Woodson counties have implemented to handle small claims cases. With this procedure the HOP hears the case before it is taken to the Board of Tax Appeals. With the HOP system, the individual first makes an informal complaint with the County Appraiser. The individual may then appeal the case to the county HOP. The case may then be appealed to the Small Claims division. If the case is not settled, it may be appealed to the regular division of the Board of Tax Appeals and then to the district court.
2. The Budget Committee notes that a majority of cases in the status conference process are from Johnson, Sedgwick, and Shawnee counties and the Division of Taxation as summarized in the following table.

	<u>Status Conference</u>	<u>Hearings to be Scheduled</u>	<u>Total</u>	<u>Percent of Total</u>
Johnson County	550	139	689	37.0%
Sedgwick County	156	2	158	8.5%
Shawnee County	135	3	138	7.4%
Division of Taxation	217	5	222	12.0%
TOTAL	1,058	149	1,207	65.0%

Note: Numbers may not add due to rounding.

The Budget Committee notes that Johnson County may have higher caseload levels compared to Sedgwick County due to Sedgwick County's HOP system. The Budget Committee notes that counties could be handling more of these cases internally rather than referring them to the Board of Tax Appeals.

House Budget Committee Report

Agency: Homestead Property Tax Refunds

Bill No. --

Bill Sec. --

Analyst: Nogle

Analysis Pg. No. 370

Budget Page No. 385

<u>Expenditure Summary</u>	<u>Agency Est FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>House Budget Committee Adjustments</u>
State General Fund	\$ 15,100,000	\$ 15,100,000	\$ (1,319,233)
FTE Positions	0.0	0.0	0.0
Other Unclassified Positions	0.0	0.0	0.0
TOTAL	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The current year estimate of \$15,100,000 reflects an increase of \$1,319,233 (9.6 percent) over the amount approved by the 2000 Legislature, including reappropriations. The agency is requesting a supplemental appropriation of \$1,319,233 for FY 2001 based on the current year estimate. The current year estimate is based on:

- The disbursement of \$14.9 million in FY 2000 and an estimated increase in the average refund from \$230 in FY 2000 to \$232 in FY 2001, as well as an estimated decrease of refunds from 65,329 in FY 2000 to 65,000 in FY 2001.
- Continued efforts by the Revenue Department to inform the public of the Homestead Act.

Governor's Recommendation. The Governor concurs with the agency request.

House Budget Committee Recommendation

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

1. Delete \$1,319,233 SGF to remove the supplemental appropriation.
2. Recommends speedy passage of SB 44 which would allow refunds to be paid from the income tax refund fund instead of through an appropriation. The bill, as amended by the Senate Committee on Assessment and Taxation would become effective upon it's publication in the Kansas Register, eliminating the need for the supplemental appropriation.

House Budget Committee Report

Agency: Homestead Property Tax Refunds **Bill No. --** **Bill Sec. --**
Analyst: Nogle **Analysis Pg. No. 371** **Budget Page No. 385**

Expenditure Summary	Agency Req. FY 02	Gov. Rec. FY 02	House Budget Adjustments
State General Fund	\$ 14,430,000	\$ 0	\$ 0
FTE Positions	0.0	0.0	0.0
Other Unclassified Positions	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0

Agency Request/Governor's Recommendation

The agency requests \$14,430,000 for Homestead Property Tax refunds in FY 2002. The request represents a decrease of \$670,000 (4.4 percent) from FY 2001. The request is based on the historical trends of decreasing refunds in years when the program is unchanged. The decrease is due to fewer refunds.

Governor's Recommendation. The Governor recommends a decrease of \$15,100,000 (100.0 percent) for FY 2002 from the FY 2001 recommendation. The Governor recommends the issuance of Homestead refunds as refund from income tax receipts and not as expenditures. As a result, the Governor recommends no expenditures from the State General Fund, but recommends that revenue estimates for individual income tax be reduced by \$14,300,000 for FY 2002 to implement this recommendation. The Governor further recommends that substantive change be made to K.S.A. 79-4505, the Homestead enabling legislation, to make the change permanent.

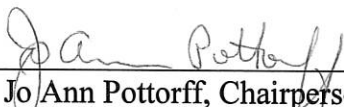
House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation.

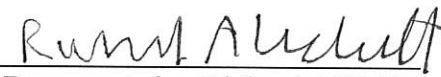
**HOUSE GENERAL GOVERNMENT AND HUMAN RESOURCES
BUDGET COMMITTEE**

**Kansas Lottery
Kansas Racing and Gaming Commission**

FY 2001 and FY 2002



Representative Jo Ann Pottorff, Chairperson



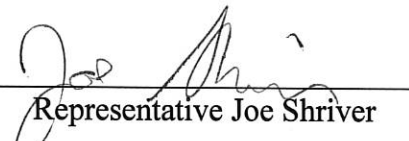
Representative Richard Alldritt



Representative Annie Kuether



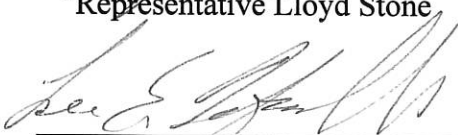
Representative Ralph Ostmeier



Representative Joe Shriver



Representative Lloyd Stone



Representative Lee Tafanelli

HOUSE APPROPRIATIONS

DATE 3/12/01
ATTACHMENT #5

Senate Subcommittee Report

Agency: Kansas Lottery

Bill No. 342

Bill Sec. –

Analyst: Efird

Analysis Pg. No. 1309

Budget Page No. 345

Expenditure Summary	Agency Est. FY 01	Governor's Recommendation FY 01	Senate Subcommittee Adjustments
State Operations	\$ 23,086,874	\$ 23,086,874	\$ 0
Aid to Local Units	0	0	0
Other Assistance	117,134,307	117,134,307	0
Total–Operations	<u>\$ 140,221,181</u>	<u>\$ 140,221,181</u>	<u>\$ 0</u>
Estimated Lottery Sales	\$ 200,000,000	\$ 200,000,000	\$ 0
SGRF Transfers	\$ 64,460,000	\$ 64,460,000	\$ 0
FTE Positions	88.0	88.0	0.0
Unclassified Temp. Positions	5.0	2.0	0.0
TOTAL	<u>93.0</u>	<u>90.0</u>	<u>0.0</u>

Agency Est./Governor's Recommendation

The **agency's revised FY 2001 budget** is based on sales of \$200.0 million, the same level approved by the 2000 Legislature. The Lottery proposes to increase state operations expenditures and to pay decreased prizes and commissions during FY 2001 compared with what was approved by the 2000 Legislature. Transfers to the State Gaming Revenues Fund (SGRF) would remain as estimated and approved by the 2000 Legislature at \$64,500,000. Of that amount, \$14,500,000 would be deposited in the State General Fund (SGF). Based on the agency's revised FY 2001 budget, the expenditure limitation of \$9,010,196 for agency operations would not need to be adjusted. Expenditures could increase by \$118,163 in Kansas Savings Incentive Program funding without an expenditure limitation increase.

The **Governor concurs** with the agency's **revised FY 2001 budget** request and adjusts the SGRF transfer estimate to \$64,460,000. A total of 13 monthly transfers will be credited in FY 2001, with the 13th transfer estimated at \$4.46 million in the Governor's recommendations.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations in FY 2001. In addition, the Subcommittee recommends review during the Omnibus period of the sales and transfer amounts. The trend to date in FY 2001 suggests later review would be prudent since sales determine the

amount of transfers to the State Gaming Revenues Fund (SGRF), and to the State General Fund (SGF) for amounts that are in addition to \$50.0 million.

Lottery transfers to the SGRF totaled \$31.9 million for the first eight payments. There were 13 transfers approved to be made in FY 2001 to enhance the SGF ending balance. In order to reach the Governor's projected \$64.46 million in FY 2001, transfers totaling \$27.6 million must be achieved, or an average of \$5.5 million in the last five transfers. As shown in the following table, the average transfer to date has been \$4.6 million per month, indicating that sales must increase substantially in the latter part of this fiscal year in order for transfers to average \$5.5 million per month. The impact of any shortfall in transfers will impact the SGF dollar for dollar. If transfer continue to average \$4.6 million per month, then the SGF revenue shortfall will amount to \$5.5 million less than the Governor's FY 2001 budget recommendation.

<u>FY 2001</u>	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>
Lottery Transfers to SGRF*	\$4.5	\$4.8	\$4.1	\$4.5	\$4.2	\$5.4	\$4.6	\$4.8
Based on Prior Mo. Sales of*	\$14.9	\$16.1	\$13.8	\$15.0	\$14.0	\$18.2	\$15.5	\$16.0

* In millions.

Senate Committee Recommendation

The Senate Committee concurs with the recommendation of the Subcommittee.

House Budget Committee Report

Agency: Kansas Lottery

Bill No. 2545

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 1309

Budget Page No. 345

<u>Expenditure Summary</u>	<u>Agency Est. FY 01</u>	<u>Governor's Recommendation FY 01</u>	<u>Budget Committee Adjustments</u>
State Operations	\$ 23,086,874	\$ 23,086,874	\$ 0
Aid to Local Units	0	0	0
Other Assistance	117,134,307	117,134,307	0
Total-Operations	<u>\$ 140,221,181</u>	<u>\$ 140,221,181</u>	<u>\$ 0</u>
Estimated Lottery Sales	\$ 200,000,000	\$ 200,000,000	\$ 0
SGRF Transfers	\$ 64,460,000	\$ 64,460,000	\$ 0
FTE Positions	88.0	88.0	0.0
Unclassified Temp. Positions	5.0	2.0	0.0
TOTAL	<u>93.0</u>	<u>90.0</u>	<u>0.0</u>

Agency Est./Governor's Recommendation

The agency's revised FY 2001 budget is based on sales of \$200.0 million, the same level approved by the 2000 Legislature. The Lottery proposes to increase state operations expenditures and to pay decreased prizes and commissions during FY 2001 compared with what was approved by the 2000 Legislature. Transfers to the State Gaming Revenues Fund (SGRF) would remain as estimated and approved by the 2000 Legislature at \$64,500,000. Of that amount, \$14,500,000 would be deposited in the State General Fund (SGF). Based on the agency's revised FY 2001 budget, the expenditure limitation of \$9,010,196 for agency operations would not need to be adjusted. Expenditures could increase by \$118,163 in Kansas Savings Incentive Program funding without an expenditure limitation increase.

The Governor concurs with the agency's revised FY 2001 budget request and adjusts the SGRF transfer estimate to \$64,460,000. A total of 13 monthly transfers will be credited in FY 2001, with the 13th transfer estimated at \$4.46 million in the Governor's recommendations.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendations in FY 2001. In addition, the Budget Committee recommends review during the Omnibus period of the sales and

5-4

transfer amounts. The trend to date in FY 2001 suggests later review would be prudent since sales determine the amount of transfers to the State Gaming Revenues Fund (SGRF), and to the State General Fund (SGF) for amounts that are in addition to \$50.0 million.

Lottery transfers to the SGRF totaled \$31.9 million for the first eight payments. There were 13 transfers approved to be made in FY 2001 to enhance the SGF ending balance. In order to reach the Governor's projected \$64.46 million in FY 2001, transfers totaling \$27.6 million must be achieved, or an average of \$5.5 million in the last five transfers. As shown in the following table, the average transfer to date has been \$4.6 million per month, indicating that sales must increase substantially in the latter part of this fiscal year in order for transfers to average \$5.5 million per month. The impact of any shortfall in transfers will impact the SGF dollar for dollar. If monthly transfers continue to average \$4.6 million per month, then the SGF revenue shortfall could amount to \$5.5 million less than the Governor's FY 2001 budget recommendation.

State Gaming Revenues Fund Transfers and Lottery Sales

<u>FY 2001</u>	<u>July</u>	<u>Aug.</u>	<u>Sept.</u>	<u>Oct.</u>	<u>Nov.</u>	<u>Dec.</u>	<u>Jan.</u>	<u>Feb.</u>
Lottery Transfers to SGRF*	\$4.5	\$4.8	\$4.1	\$4.5	\$4.2	\$5.4	\$4.6	\$4.8
Based on Prior Mo. Sales of*	\$14.9	\$16.1	\$13.8	\$15.0	\$14.0	\$18.2	\$15.5	\$16.0

* In millions.

Senate Subcommittee Report

Agency: Kansas Lottery

Bill No. 348

Bill Sec. 44

Analyst: Efird

Analysis Pg. No. 1309

Budget Page No. 345

Expenditure Summary	Agency Req. FY 02	Governor's Recommendation FY 02	Senate Subcommittee Adjustments
State Operations	\$ 23,145,720	\$ 23,134,783	\$ (97,937)
Aid to Local Units	0	0	0
Other Assistance	117,197,791	117,197,791	0
Total-Operations	<u>\$ 140,343,511</u>	<u>\$ 140,332,574</u>	<u>\$ (97,937)</u>
Estimated Lottery Sales	\$ 200,000,000	\$ 200,000,000	\$ 0
SGRF Transfers	\$ 60,000,000	\$ 60,000,000	\$ 0
FTE Positions	89.0	89.0	0.0
Unclassified Temp. Positions	5.0	2.0	0.0
TOTAL	<u>94.0</u>	<u>91.0</u>	<u>0.0</u>

Note: Includes a reduction of \$97,937 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 \$0 from all other funds.

Agency Req./Governor's Recommendation

The **agency requests** increased expenditures of \$122,329, or 0.1 percent, in FY 2002 over the current fiscal year. Transfers to the SGRF would be \$60.0 million based on the proposed FY 2002 budget. Of that amount, \$10.0 million would be deposited in the SGF on June 25, 2002. Total sales of \$200.0 million in FY 2002 are estimated by the agency.

The **Governor concurs** with the agency's FY 2002 budget requests, with minor adjustments in salaries and benefits plus the recommended pay plan hike. Transfers to the SGRF are recommended at \$60.0 million in FY 2002, with 12 monthly transfers anticipated in the recommendations.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations and makes the following additional recommendations:

1. Remove the Governor's proposal salary plan financing of \$97,937.

- Note that the Senate Committee of the Whole amendments to HB 2038 would continue the Lottery for two years until June 30, 2004. Also amended into HB 2038 by the Senate Committee of the Whole as a modification to the agency's procurement statute is a provision that "The Executive Director shall not agree to any renewal or extension of a major procurement contract unless such extension or renewal is awarded in the manner provided by KSA 2000 Supp. 75-8705." That statute prescribes the procedures for the Lottery to follow when selecting and awarding a major procurement contract to a service provider. One of the current service providers has been the online contractor since 1988 when online games began. When the contract was last bid in 1996, there were no other bidders except for the GTECH Corporation. The current online contract expires on June 30, 2002. There are provisions to extend the online contract for one two-year period and one three-year period. Last fall, the Lottery extended its instant ticket contract with another service provider for a one-year period to September 2001. Pollard Banknote Limited has held its present contract with the Lottery since 1996. A third contract is with an advertising agency that provides marketing and advertising services to the Lottery. Another contract for telecommunications to operate the online games is with an additional service provider. Because the Lottery is scheduled for abolition on June 30, 2002, all four of these major procurement contracts expire by that date.

The Subcommittee reviewed the GTECH contract which provides for a fee based on a percentage of online sales beginning July 1, 1997, and the percent declines over time as total cumulative sales increase. The applied percent paid to GTECH is expected to reach 6.55 percent as cumulative total sales pass \$400 million in the near future, probably March 2001.

<u>From:</u>	<u>Up to:</u>	<u>Percentage</u>
\$ 1	\$ 100,000,000	6.93
100,000,000	200,000,000	6.90
200,000,000	300,000,000	6.80
300,000,000	400,000,000	6.67
400,000,000	500,000,000	6.55
500,000,000	600,000,000	6.45
600,000,000	700,000,000	6.45
700,000,000	800,000,000	6.45
800,000,000	900,000,000	6.45
\$ 900,000,000	and over	6.30

Senate Committee Recommendation

The Senate Committee concurs with the recommendation of the Subcommittee and adds the following item:

1. Instruct by proviso that the Lottery staff shall keep the Legislature informed of any changes in the management of the GTECH Corporation.

House Budget Committee Report

Agency: Kansas Lottery

Bill No. 2557

Bill Sec. 44

Analyst: Efird

Analysis Pg. No. 1309

Budget Page No. 345

Expenditure Summary	Agency Req. FY 02	Governor's Recommendation FY 02	Budget Committee Adjustments
State Operations	\$ 23,145,720	\$ 23,134,783	\$ 0
Aid to Local Units	0	0	0
Other Assistance	117,197,791	117,197,791	0
Total-Operations	<u>\$ 140,343,511</u>	<u>\$ 140,332,574</u>	<u>\$ 0</u>
Estimated Lottery Sales	\$ 200,000,000	\$ 200,000,000	\$ 0
SGRF Transfers	\$ 60,000,000	\$ 60,000,000	\$ 0
FTE Positions	89.0	89.0	0.0
Unclassified Temp. Positions	5.0	2.0	0.0
TOTAL	<u>94.0</u>	<u>91.0</u>	<u>0.0</u>

Agency Req./Governor's Recommendation

The agency requests increased expenditures of \$122,329, or 0.1 percent, in FY 2002 over the current fiscal year. Transfers to the SGRF would be \$60.0 million based on the proposed FY 2002 budget. Of that amount, \$10.0 million would be deposited in the SGF on June 25, 2002. Total sales of \$200.0 million in FY 2002 are estimated by the agency.

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The Governor concurs with the agency's FY 2002 budget requests, with minor adjustments in salaries and benefits plus the recommended pay plan hike. Transfers to the SGRF are recommended at \$60.0 million in FY 2002, with 12 monthly transfers anticipated in the recommendations.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendations and makes the following additional recommendations:

1. Commend the new Executive Director for his performance in administering the agency through difficult months and in providing the Legislature with information during debate over renewal of the Kansas Lottery. Members hope that in concurring with the Governor's recommended FY 2002 budget that such action will reflect confidence in letting the new Executive Director continue to do his job without legislative micro management of agency operations.
2. There was general concern about both projected sales and estimated transfers being "soft" next fiscal year, based on experience this year to date. The implications for FY 2002 is less money for the SGF than assumed by the Governor when \$10 million is anticipated for SGF balances. No changes in sales or transfer amounts are made by the Budget Committee at this time.

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Senate Subcommittee Report

Agency: Kansas Racing and Gaming Commission **Bill No.** 342

Bill Sec. 13

Analyst: Efirid

Analysis Pg. No. 1297

Budget Page No. 357

Expenditure Summary	Agency Est. FY 01	Governor's Recommendation FY 01	Senate Subcommittee Adjustments
Racing Operations	\$ 3,944,281	\$ 3,632,943	\$ 0
Gaming Operations	1,399,122	1,370,531	0
Subtotal—State Operations	\$ 5,343,403	\$ 5,003,474	\$ 0
Racing Assistance	1,532,889	1,532,889	0
Total—Operations	\$ 6,876,292	\$ 6,536,363	\$ 0
 SGRF Transfers	 \$ 326,204	 \$ 326,204	 \$ 0
Racing FTE Positions	51.0	43.0	0.0
Other Unclassified	12.0	9.0	0.0
Gaming FTE Positions	20.0	20.0	0.0
Other Unclassified	3.0	3.0	0.0
TOTAL	86.0	75.0	0.0

Agency Est./Governor's Recommendation

The **revised FY 2001 agency** budget includes an increase of \$16,186 in expenditures for Gaming Operations and an decrease of \$204,493 for Racing Operations, resulting in the net decrease of \$188,306 for state operations. An increase of \$121,129 is estimated in other assistance payments. The current expenditure limitation of \$3,813,653 for the State Racing Fund (SRF) is reduced by \$72,086 in FY 2001 adjustments. Under current law, the agency is permitted to spend an additional \$90,000 from the SRF for purposes allowed by the Kansas Savings Incentive Program (KSIP). The agency reflects expenditure of \$90,000 in KSIP funds for FY 2001.

The **Governor recommends** net reductions of \$528,236 in FY 2001 state operations, largely due to the closing of the race track in Southeast Kansas. The current expenditure limitation of \$3,813,653 for the State Racing Fund is reduced by \$382,924 in FY 2001 adjustments recommended by the Governor. A reduction of 9.0 FTE positions also is recommended in FY 2001. The Governor's recommendations include expenditure of \$89,500 of KSIP funds in FY 2001.

A transfer of \$326,204 to the State Gaming Revenues Fund (SGRF) is included in the Governor's recommendations. FY 2001 transfers had been estimated by the 2000 Legislature at \$605,389 due to projected increase in parimutuel handle at a reopened race track. The revised estimate is a reduction of \$279,185 in the approved FY 2001 SGRF transfers. To date, transfers have totaled \$357,945 this fiscal year through December 2000.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations in FY 2001 for the Kansas Racing and Gaming Commission.

Senate Committee Recommendation

The Senate Committee concurs with the recommendation of the Subcommittee.

House Budget Committee Report

Agency: Kansas Racing and Gaming Commission **Bill No.** 2545

Bill Sec. 13

Analyst: Efirid

Analysis Pg. No. 1297

Budget Page No. 357

<u>Expenditure Summary</u>	<u>Agency Est. FY 01</u>	<u>Governor's Recommendation FY 01</u>	<u>Budget Committee Adjustments</u>
Racing Operations	\$ 3,944,281	\$ 3,632,943	\$ 0
Gaming Operations	1,399,122	1,370,531	0
Subtotal—State Operations	\$ 5,343,403	\$ 5,003,474	\$ 0
Racing Assistance	1,532,889	1,532,889	0
Total—Operations	<u>\$ 6,876,292</u>	<u>\$ 6,536,363</u>	<u>\$ 0</u>
 SGRF Transfers	 \$ 326,204	 \$ 326,204	 \$ 0
 Racing FTE Positions	 51.0	 43.0	 0.0
Other Unclassified	12.0	9.0	0.0
Gaming FTE Positions	20.0	20.0	0.0
Other Unclassified	3.0	3.0	0.0
TOTAL	<u>86.0</u>	<u>75.0</u>	<u>0.0</u>

Agency Est./Governor's Recommendation

The revised FY 2001 agency budget includes an increase of \$16,186 in expenditures for Gaming Operations and an decrease of \$204,493 for Racing Operations, resulting in the net decrease of \$188,306 for state operations. An increase of \$121,129 is estimated in other assistance payments. The current expenditure limitation of \$3,813,653 for the State Racing Fund (SRF) is reduced by \$72,086 in FY 2001 adjustments. Under current law, the agency is permitted to spend

an additional \$90,000 from the SRF for purposes allowed by the Kansas Savings Incentive Program (KSIP). The agency reflects expenditure of \$90,000 in KSIP funds for FY 2001.

The Governor recommends net reductions of \$528,236 in FY 2001 state operations, largely due to the closing of the race track in Southeast Kansas. The current expenditure limitation of \$3,813,653 for the State Racing Fund is reduced by \$382,924 in FY 2001 adjustments recommended by the Governor. A reduction of 9.0 FTE positions also is recommended in FY 2001. The Governor's recommendations include expenditure of \$89,500 of KSIP funds in FY 2001.

A transfer of \$326,204 to the State Gaming Revenues Fund (SGRF) is included in the Governor's recommendations. FY 2001 transfers had been estimated by the 2000 Legislature at \$605,389 due to projected increase in parimutuel handle at a reopened race track. The revised estimate is a reduction of \$279,185 in the approved FY 2001 SGRF transfers. To date, transfers have totaled \$357,945 this fiscal year through December 2000.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendations in FY 2001 for the Kansas Racing and Gaming Commission and makes the following additional recommendation:

1. It should be noted that approximately \$25,000 to \$30,000 must be paid from the State General Fund (SGF) due to an adverse arbitration decision. Costs for arbitration are apportioned after a decision has been reached, and in this most recent case, all of the costs have been assessed against the agency. No money may be used from the Tribal Gaming Fund since one of the tribes prevailed in the arbitration involving an alcohol beverage matter at a casino. Once a definite amount is determined, the agency should request a Governor's Budget Amendment to reflect expenditures of SGF money since this agency budget as recommended by the Governor is exclusively fee funded in FY 2001. Although technically SGF financing is included in the Tribal Gaming Fund, provision should be made to appropriate SGF money for expenditure in order to avoid the appearance of spending the tribal money on arbitration. This item should be reviewed during Omnibus and included in that bill.

Senate Subcommittee Report

Agency: Kansas Racing and Gaming Commission **Bill No.** 348

Bill Sec. 45

Analyst: Efird

Analysis Pg. No. 1297

Budget Page No. 357

Expenditure Summary	Agency Req. FY 02	Governor's Recommendation FY 02	Senate Subcom- mittee Adjustments
Racing Operations	\$ 3,980,271	\$ 3,391,247	\$ (52,723)
Gaming Operations	1,280,998	1,265,210	(21,139)
Subtotal—State Operations	\$ 5,261,269	\$ 4,656,457	\$ (73,862)
Racing Assistance	1,565,105	1,565,105	0
Total—Operations	<u>\$ 6,826,374</u>	<u>\$ 6,221,562</u>	<u>\$ (73,862)</u>
 SGRF Transfers	 \$ 326,995	 \$ 326,995	 \$ 0
 Racing FTE Positions	 51.0	 43.0	 0.0
Other Unclassified	12.0	9.0	0.0
Gaming FTE Positions	21.0	21.0	0.0
Other Unclassified	2.0	2.0	0.0
TOTAL	<u>86.0</u>	<u>75.0</u>	<u>0.0</u>

Note: Includes a reduction of \$73,862 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 \$0 from all other funds.

Agency Req./Governor's Recommendation

The **agency's FY 2002 budget request** reflects a net decrease of \$49,918 in expenditures. A SGRF transfer of \$326,995 is estimated, an increase of \$791 from the FY 2001 revised estimate. One additional FTE position for staffing is requested in FY 2002.

The **Governor's FY 2002 recommendations** provide for reductions of \$314,801 in the total budget. The Governor concurs with the estimated transfer of \$326,995 in FY 2002 to the SGRF. An additional 1.0 FTE position also is included in the Governor's FY 2002 recommendations. However, the Governor's recommendations do not include additional funding for the reclassification of the position.

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Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations in FY 2002 for the Kansas Racing and Gaming Commission, and makes the following additional adjustments and recommendations:

1. Remove the Governor's recommended salary plan financing of \$73,862, including \$49,687 from the racing program and \$24,175 from the tribal gaming program.
2. Introduce legislation to repeal a statutory provision that allows Commissioners to be paid \$2,000 per month. Current law allows the Governor to set the salary of Commissioners. Savings of \$120,000 paid from the State Racing Fund would result from this change, and by paying \$35 per day for meetings like the Lottery Commissioners receive, the total amount reduced will be at least \$115,000. Funding of \$5,000 would be left in the budget to pay per diem compensation of \$35. Out-of-state travel for four of the five commissioners who submitted claims for trips totaled \$7,647 in FY 2000. This adjustment could be made after passage of proposed legislation.
3. Note that the Executive Director position currently authorized for racing is vacant and that the Executive Director of the State Gaming Agency is performing the duties of both positions. Savings in salary for the one position is estimated at \$71,173 from the State Racing Fund. However, half the salary of the State Gaming Agency's Executive Director is being paid from the State Racing Fund in order not to overcharge the Tribal Gaming Fund.
4. Note that grant payments to Kansas State University were made in FY 2000 from the Horse Breeding Development Fund and from the Greyhound Breeding Development Fund. Payments from both funds totaled \$175,183 in FY 2000. The Horse Fund payments were \$10,095 for two grants and the Greyhound Fund payments were \$165,088 for five grants.

Senate Committee Recommendation

The Senate Committee concurs with the recommendation of the Subcommittee.

House Budget Committee Report

Agency: Kansas Racing and Gaming Commission **Bill No.** 2557

Bill Sec. 45

Analyst: Efird

Analysis Pg. No. 1297

Budget Page No. 357

Expenditure Summary	Agency Req. FY 02	Governor's Recommendation FY 02	Budget Committee Adjustments
Racing Operations	\$ 3,980,271	\$ 3,391,247	\$ 0
Gaming Operations	1,280,998	1,265,210	0
Subtotal—State Operations	\$ 5,261,269	\$ 4,656,457	\$ 0
Racing Assistance	1,565,105	1,565,105	0
Total—Operations	\$ 6,826,374	\$ 6,221,562	\$ 0
 SGRF Transfers	 \$ 326,995	 \$ 326,995	 \$ 0
Racing FTE Positions	51.0	43.0	0.0
Other Unclassified	12.0	9.0	0.0
Gaming FTE Positions	21.0	21.0	0.0
Other Unclassified	2.0	2.0	0.0
TOTAL	86.0	75.0	0.0

Agency Req./Governor's Recommendation

The agency's FY 2002 budget request reflects a net decrease of \$49,918 in expenditures. A SGRF transfer of \$326,995 is estimated, an increase of \$791 from the FY 2001 revised estimate. One additional FTE position for staffing is requested in FY 2002.

The Governor's FY 2002 recommendations provide for reductions of \$314,801 in the total budget. The Governor concurs with the estimated transfer of \$326,995 in FY 2002 to the SGRF. An additional 1.0 FTE position also is included in the Governor's FY 2002 recommendations. However, the Governor's recommendations do not include additional funding for the reclassification of the position.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendations in FY 2002 for the Kansas Racing and Gaming Commission.


**2001 GENERAL GOVERNMENT AND HUMAN
RESOURCES BUDGET COMMITTEE**

FY 2001 and FY 2002

Department of Commerce and Housing

Kansas, Inc.

Kansas Technology Enterprise Corporation


Representative Jo Ann Pottorff, Chairperson

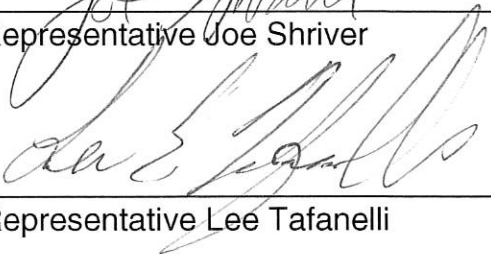
Representative Richard Alldritt


Representative Annie Kuether


Representative Ralph Ostmeyer


Representative Joe Shriver


Representative Lloyd Stone


Representative Lee Tafanelli

HOUSE APPROPRIATIONS

DATE 3/12/01
ATTACHMENT # 6

Senate Subcommittee Report

Agency: Kansas Department of
Commerce and Housing

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1212

Budget Page No. 93

Expenditure Summary	Agency Est. FY 01	Gov. Rec. FY 01	Subcommittee Adjustments
All Funds:			
State Operations	\$ 20,511,756	\$ 20,277,026	\$ 0
Aid to Local Units	56,879,674	56,879,674	0
Other Assistance	7,804,472	7,804,472	0
Subtotal Operating	<u>\$ 85,195,902</u>	<u>\$ 84,961,172</u>	<u>\$ 0</u>
Capital Improvements	15,000	15,000	0
TOTAL	<u><u>\$ 85,210,902</u></u>	<u><u>\$ 84,976,172</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 5,014	\$ 5,014	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal Operating	<u>\$ 5,014</u>	<u>\$ 5,014</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 5,014</u></u>	<u><u>\$ 5,014</u></u>	<u><u>\$ 0</u></u>
Economic Development Initiatives Fund:			
State Operations	\$ 8,934,913	\$ 8,703,814	\$ 0
Aid to Local Units	1,469,272	1,469,272	0
Other Assistance	6,395,900	6,395,900	0
Subtotal Operating	<u>\$ 16,800,085</u>	<u>\$ 16,568,986</u>	<u>\$ 0</u>
Capital Improvements	15,000	15,000	0
TOTAL	<u><u>\$ 16,815,085</u></u>	<u><u>\$ 16,583,986</u></u>	<u><u>\$ 0</u></u>
All Other Funds:			
State Operations	\$ 11,571,829	\$ 11,568,198	\$ 0
Aid to Local Units	55,410,402	55,410,402	0
Other Assistance	1,408,572	1,408,572	0
Subtotal Operating	<u>\$ 68,390,803</u>	<u>\$ 68,387,172</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 68,390,803</u></u>	<u><u>\$ 68,387,172</u></u>	<u><u>\$ 0</u></u>
FTE Positions	136.0	136.0	0.0
Other Unclass. Positions	3.0	3.0	0.0
TOTAL	<u><u>139.0</u></u>	<u><u>139.0</u></u>	<u><u>0.0</u></u>

Agency Est./Governor's Recommendation

The Department of Commerce and Housing's revised FY 2001 operating expenditures estimate is \$85.2 million.

- Includes a **supplemental request of \$217,920 from the EDIF** to finance the cost of moving to the new Signature building in Summer 2001. This is offset by a decrease in EDIF Savings Incentive expenditures.
- The total decrease of \$1.1 million includes increases in some federally funded programs offset by decreases in other areas
 - decrease of \$ in debt service payments on IMPACT bonds
 - decrease of \$2.9 million in Kansas Economic Opportunity Initiatives Fund expenditures due to a change in handling encumbrances
- Shift of the state HOME match to the State Housing Trust Fund from the Low Income Housing Tax Credit Fee Fund because the Trust Fund has more resources at the present time. According to the Department, the Trust Fund is not a good long term solution for the state match.

The Governor's revised FY 2001 recommendation is \$85.0 million, including \$16.6 million from the EDIF.

1. The Governor does not recommend moving expenses requested in the current year with the exception of \$8,520 for a security system at the new Signature Building.
2. The Governor makes adjustments to salaries and wages in Administration and the Division of Housing.

Senate Subcommittee Recommendation

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

1. Shift \$25,842 from the EDIF to KSIP. This includes \$6,552 for technology acquisitions and \$19,290 for staff development. The Subcommittee was informed that the Governor's recommendation leaves adequate resources to allow for this shift. The Department has been carrying forward KSIP balances for several years in anticipation of using them to replace the Department's AS-400 in a few years. The Subcommittee asked the Department to identify some expenses that could be shifted from EDIF to KSIP in order to free up some EDIF dollars.

House Budget Committee Report

Agency: Department of Commerce
and Housing

Bill No. --

Bill Sec.--

Analyst: Davis

Analysis Pg. No. 1240 Budget Page No. 303

Expenditure Summary	Agency Est. FY 01	Gov. Rec. FY 01	Budget Committee Adjustments
All Funds:	\$ 20,511,756	\$ 20,277,026	\$ 0
State Operations	56,879,674	56,879,674	0
Aid to Local Units	7,804,472	7,804,472	0
Other Assistance	<u>\$ 85,195,902</u>	<u>\$ 84,961,172</u>	<u>\$ 0</u>
Subtotal Operating	15,000	15,000	0
Capital Improvements	<u>\$ 85,210,902</u>	<u>\$ 84,976,172</u>	<u>\$ 0</u>
TOTAL			
State General Fund:	\$ 5,014	\$ 5,014	\$ 0
State Operations	0	0	0
Aid to Local Units	0	0	0
Other Assistance	<u>\$ 5,014</u>	<u>\$ 5,014</u>	<u>\$ 0</u>
Subtotal Operating	0	0	0
Capital Improvements	<u>\$ 5,014</u>	<u>\$ 5,014</u>	<u>\$ 0</u>
TOTAL			
Economic Development Initiatives Fund:	\$ 8,934,913	\$ 8,703,814	\$ 0
State Operations	1,469,272	1,469,272	0
Aid to Local Units	6,395,900	6,395,900	0
Other Assistance	<u>\$ 16,800,085</u>	<u>\$ 16,568,986</u>	<u>\$ 0</u>
Subtotal Operating	15,000	15,000	0
Capital Improvements	<u>\$ 16,815,085</u>	<u>\$ 16,583,986</u>	<u>\$ 0</u>
TOTAL			
All Other Funds:	\$ 11,571,829	\$ 11,568,198	\$ 0
State Operations	55,410,402	55,410,402	0
Aid to Local Units	1,408,572	1,408,572	0
Other Assistance	<u>\$ 68,390,803</u>	<u>\$ 68,387,172</u>	<u>\$ 0</u>
Subtotal Operating	0	0	0
Capital Improvements	<u>\$ 68,390,803</u>	<u>\$ 68,387,172</u>	<u>\$ 0</u>
TOTAL			
FTE Positions	136.0	136.0	0.0
Other Unclass. Positions	3.0	3.0	0.0
TOTAL	<u>139.0</u>	<u>139.0</u>	<u>0.0</u>

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House Budget Committee Recommendation

The Budget Committee concurs with the recommendations of the Governor and makes the following additional recommendation:

1. Shift \$25,842 from the EDIF to KSIP. This includes \$6,552 for technology acquisitions and \$19,290 for staff development. The Subcommittee was informed that the Governor's recommendation leaves adequate resources to allow for this shift. The Department has been carrying forward KSIP balances for several years in anticipation of using them to replace the Department's AS-400 in a few years. The Budget Committee recommends this shift to free up some EDIF dollars.

Senate Subcommittee Report

Agency: Kansas Department of
Commerce and Housing

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1212

Budget Page No. 93

<u>Expenditure Summary</u>	<u>Agency Req. FY 02</u>	<u>Gov. Rec. FY 02</u>	<u>Subcommittee Adjustments*</u>
All Funds:			
State Operations	\$ 24,790,084	\$ 24,055,539	\$ 1,626,256
Aid to Local Units	53,591,019	53,162,264	0
Other Assistance	10,895,150	10,585,150	35,300,000
Subtotal Operating	<u>\$ 89,276,253</u>	<u>\$ 87,802,953</u>	<u>\$ 36,926,256</u>
Capital Improvements	115,000	115,000	0
TOTAL	<u><u>\$ 89,391,253</u></u>	<u><u>\$ 87,917,953</u></u>	<u><u>\$ 36,926,256</u></u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	428,755	0	0
Other Assistance	0	400,000	(200,000)
Subtotal Operating	<u>\$ 428,755</u>	<u>\$ 400,000</u>	<u>\$ (200,000)</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 428,755</u></u>	<u><u>\$ 400,000</u></u>	<u><u>\$ (200,000)</u></u>
Economic Development Initiatives Fund:			
State Operations	\$ 9,475,443	\$ 8,752,936	\$ (120,602)
Aid to Local Units	1,579,500	1,579,500	0
Other Assistance	6,153,900	5,943,900	0
Subtotal Operating	<u>\$ 17,208,843</u>	<u>\$ 16,276,336</u>	<u>\$ (120,602)</u>
Capital Improvements	115,000	115,000	0
TOTAL	<u><u>\$ 17,323,843</u></u>	<u><u>\$ 16,391,336</u></u>	<u><u>\$ (120,602)</u></u>
All Other Funds:			
State Operations	\$ 15,314,641	\$ 15,302,603	\$ 1,746,858
Aid to Local Units	51,582,764	51,582,764	0
Other Assistance	4,741,250	4,241,250	35,500,000
Subtotal Operating	<u>\$ 71,638,655</u>	<u>\$ 71,126,617</u>	<u>\$ 37,246,858</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 71,638,655</u></u>	<u><u>\$ 71,126,617</u></u>	<u><u>\$ 37,246,858</u></u>
FTE Positions	136.0	136.0	13.0
Other Unclass. Positions	3.0	3.0	0.0
TOTAL	<u><u>139.0</u></u>	<u><u>139.0</u></u>	<u><u>13.0</u></u>

*Includes a reduction of \$173,778 (including \$120,602 from the EDIF) for the Governor's employee salary adjustments. Absent the decrease for the pay plan, the recommendation does not change total expenditures from the Governor's recommendation for FY 2002.

Agency Req./Governor's Recommendation

The Department of Commerce and Housing requests total operating expenditures of **\$89,276,253 for FY 2002.**

The Governor recommends total FY 2002 operating expenditures of \$87,802,953. This includes:

- **SGF**

- \$428,755 or 0.5 percent of the total operating budget, for a requested enhancement to match federal Weatherization Assistance Program funds. **Staff Note:** The Department withdrew this request subsequent to submitting its budget.

The Governor recommends \$400,000 from the State General Fund for a grant to the Eisenhower Museum.

- **EDIF**

- \$17,208,843 or 19.3 percent of the total operating budget
- Includes \$1,022,214 in requested enhancements, including \$212,214 requested for costs associated with moving to the new Signature building

The Governor recommends \$16,276,336 from the EDIF, including \$44,464 for expenses associated with moving to the new Signature Building.

- **Other Funds**

- \$71,638,655 or 80.2 percent of the total operating budget
- Includes \$500,000 from the Kansas Economic Opportunities Initiatives Fund requested as an enhancement
- Includes \$84,588 from fees and federal funds for costs associated with moving to the new Signature Building

The Governor recommends \$71,126,617 from other funds, including \$47,520 for costs associated with moving to the new Signature Building.

The Governor recommends increased shrinkage from 3.32 to 4.17 percent, agencywide.

Senate Subcommittee Recommendation

The Subcommittee concurs with the recommendations of the Governor with the following changes and comments.

1. Delete \$ 173,778 (including \$120,602 from the EDIF) for the Governor's recommended pay plan adjustments for classified base increase (\$113,662), longevity (\$39,681) and an unclassified merit pool (\$20,434).
2. Delete \$200,000 from the State General Fund for the grant to the Eisenhower Center. The Governor's recommendation includes \$400,000 from the State General Fund for this grant. The Eisenhower Center has received state dollars in both FY 2000 and FY 2001. In both years, the grant was \$300,000 from the EDIF. The Subcommittee believes that in order to save General Fund dollars in FY 2002, this grant can be spread out over two years and that EDIF balances in FY 2003 may allow for the grant to be funded from the EDIF rather the State General Fund.
3. Add \$37,300,034 (all other funds) and 13.0 FTE for administration of Section 8 contract administration. This includes \$1,800,034 for state operations and \$35.5 million for other assistance. The United States Department of Housing and Urban Development (HUD) is no longer going to administer Section 8 housing contracts and has offered Kansas the contract to administer the contracts for those units located in Kansas. Fees generated from this activity will cover the cost of these new positions as well as other overhead costs. If the Department does not contract with HUD, another entity will be administering the Kansas contracts, either a housing corporation or another state.

The Subcommittee reviewed the Department's rationale for entering into this contract. The Department staff believes that maintaining local control of the Section 8 contracts will better ensure the affordable housing stock in Kansas and provide better customer service, particularly to elderly residents. Further, if the Department meets the performance measures established in its contract with HUD, a one percent incentive fee will be awarded which will be used to provide revenue for the State Housing Trust Fund (approximately \$750,000 per year). The Department noted that the need for the requested 13.0 FTE was determined in conjunction with HUD after careful review of the duties which will be required. If fewer FTE are authorized, the Department risks not earning the incentive fee.

4. The Subcommittee believes that the Department of Commerce and Housing is a good agency in which to do a trial of an EDIF block grant process. The activities of the Department have clear performance measures. A block grant from the EDIF to fund these activities could be tied to performance expectations and the various programs could be used as economic development tools as the need for a particular type of service arises, not based on a set budget each year. The clearly defined and measurable outcomes would allow the Legislature to review the effectiveness of a block grant process. The Subcommittee recommends that the Secretary present a plan for such a trial to the Joint Committee on Economic Development during the 2001 interim.
5. The Subcommittee notes that the Governor's recommendation for the Department of Commerce and Housing includes \$16,391,336 from the EDIF. Due to an oversight, the Governor's Budget Recommendation overspends the EDIF by \$2.9

million in FY 2002. The Subcommittee recommends that the funding from the EDIF be reviewed during Omnibus to make sure that adequate resources exist to cover all obligations.

Pursuant to 2000 Supp. KSA 74-50,151, in the event of insufficient balances in the EDIF, the director of accounts and reports is directed to transfer the amount required to fulfill the obligations of the EDIF from the Kansas Economic Opportunity Initiatives Fund (KEOIF) to the EDIF. The Subcommittee notes that the Governor's recommendation for KEOIF in FY 2002 is \$3.5 million, if the EDIF revenues and expenditures remain as they are budgeted today, KEOIF activities will be severely crippled in FY 2002.

House Budget Committee Report

Agency: Department of Commerce
and Housing

Bill No. 2557

Bill Sec. 46

Analyst: Davis

Analysis Pg. No. 1240

Budget Page No. 303

Expenditure Summary	Agency Req. FY 02	Gov. Rec. FY 02	Budget Committee Adjustments
All Funds:			
State Operations	\$ 24,790,084	\$ 24,055,539	\$ 1,800,034
Aid to Local Units	53,591,019	53,162,264	0
Other Assistance	10,895,150	10,585,150	35,575,000
Subtotal Operating	<u>\$ 89,276,253</u>	<u>\$ 87,802,953</u>	<u>\$ 37,375,034</u>
Capital Improvements	115,000	115,000	0
TOTAL	<u><u>\$ 89,391,253</u></u>	<u><u>\$ 87,917,953</u></u>	<u><u>\$ 37,375,034</u></u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	428,755	0	0
Other Assistance	0	400,000	0
Subtotal Operating	<u>\$ 428,755</u>	<u>\$ 400,000</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 428,755</u></u>	<u><u>\$ 400,000</u></u>	<u><u>\$ 0</u></u>
Economic Development Initiatives Fund:			
State Operations	\$ 9,475,443	\$ 8,752,936	\$ 0
Aid to Local Units	1,579,500	1,579,500	0
Other Assistance	6,153,900	5,943,900	75,000
Subtotal Operating	<u>\$ 17,208,843</u>	<u>\$ 16,276,336</u>	<u>\$ 75,000</u>
Capital Improvements	115,000	115,000	0
TOTAL	<u><u>\$ 17,323,843</u></u>	<u><u>\$ 16,391,336</u></u>	<u><u>\$ 75,000</u></u>
All Other Funds:			
State Operations	\$ 15,314,641	\$ 15,302,603	\$ 1,800,034
Aid to Local Units	51,582,764	51,582,764	0
Other Assistance	4,741,250	4,241,250	35,500,000
Subtotal Operating	<u>\$ 71,638,655</u>	<u>\$ 71,126,617</u>	<u>\$ 37,300,034</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 71,638,655</u></u>	<u><u>\$ 71,126,617</u></u>	<u><u>\$ 37,300,034</u></u>
FTE Positions	136.0	136.0	13.0
Other Unclass. Positions	3.0	3.0	0.0
TOTAL	<u><u>139.0</u></u>	<u><u>139.0</u></u>	<u><u>13.0</u></u>

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House Budget Committee Recommendation

The Budget Committee concurs with the Governor and makes the following additional recommendations:

1. Add \$37,300,034 (all other funds) and 13.0 FTE for administration of Section 8 contracts. This includes \$1,800,034 for state operations and \$35.5 million for other assistance. The United States Department of Housing and Urban Development (HUD) is no longer going to administer Section 8 housing contracts and has offered Kansas the opportunity to administer the contracts for those units located in Kansas. Fees generated from this activity will cover the cost of these new positions as well as other overhead costs. Further, if the Department meets the performance measures established in its contract with HUD, a one percent incentive fee will be awarded which will be used to provide revenue for the State Housing Trust Fund (approximately \$750,000 per year).

The Budget Committee notes that the Department does not have enough space in the Signature Building to accommodate these new positions and they will be housed elsewhere. The Budget Committee hopes that these people can be housed in the Landon building in order to maximize their proximity to the other employees of the Department.

2. Add \$50,000 from the EDIF for the Mid-America World Trade Center in Wichita.
3. Add \$25,000 from the EDIF for the Kansas Teachers Hall of Fame in Dodge City.
4. The Budget Committee notes that funding for Certified Development Companies was cut from \$475,000 to \$400,000 in FY 2001 and remains at this lower level in the FY 2002 budget. Funding for the Small Business Development Centers was also reduced by the Governor in FY 2001, however, the legislature restored funding for the Small Business Development Centers and in FY 2002 they are funded at the current level in the Governor's budget. The Budget Committee is concerned about the apparent inequities in funding these two entities which both play a valuable role in local economic development activities.
5. The Budget Committee was informed of concerns that classes associated with the Community Development Block Grant are not offered by the Department in a timely fashion to allow applicants to participate in the grant cycle. The Budget Committee hopes the Department can attempt to change the frequency and timing of the classes offered in order to better accommodate grant applicants.
6. Pursuant to 2000 Supp. KSA 74-50, 151, in the event of insufficient balances in the EDIF, the director of accounts and reports is directed to transfer the amount required to fulfill the obligations of the EDIF from the Kansas Economic Opportunity Initiatives Fund (KEOIF) to the EDIF. The Budget Committee notes that the Governor's recommendation for KEOIF in FY 2002 is \$3.5 million, if the EDIF revenues and expenditures remain as they are budgeted today, KEOIF activities will be severely crippled in FY 2002.

The Budget Committee notes that the Governor's recommendation for the Department includes \$16.4 million from the Economic Development Initiatives Fund (EDIF). Due to an oversight, the Governor's Budget Recommendation overspends the EDIF by \$2.9 million in FY 2002. The Budget Committee/Subcommittee recommends that the funding from the EDIF be reviewed during Omnibus to make sure that adequate resources exist to cover all obligations.

Senate Subcommittee Report

Agency: Kansas, Inc.

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1240

Budget Page No. 303

Expenditure Summary	Agency Est. FY 01	Gov. Rec. FY 01	Subcommittee Adjustments
All Funds:			
State Operations	\$ 377,949	\$ 377,949	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 377,949	\$ 377,949	\$ 0
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0
Other Funds:			
State Operations	\$ 377,949	\$ 377,949	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 377,949	\$ 377,949	\$ 0
FTE Positions	4.0	4.0	0.0
Other Unclassified Positions	0.0	0.0	0.0
TOTAL	4.0	4.0	0.0

Agency Est./Governor's Recommendation

Kansas, Inc.'s estimate for FY 2001 operating expenditures of \$377,949 is the same as the approved budget. As approved by the 2000 Legislature, FY 2001 estimated expenditures include:

- \$41,000 (EDIF) carried forward from FY 2000 to be used for a statewide strategic planning study
- \$236,049 for salaries and wages for 4.0 FTE positions
 - \$12,000 shifted from salaries and wages to contractual services in order to hire an independent consultant to provide specific expertise in the interim before filling the vacant research analyst position
 - the independent consultant will assist the agency in preparing the Kansas, Inc. Annual Report, other required reports and assist in the statewide strategic planning activities

The Governor concurs.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Kansas, Inc.

Bill No. --

Bill Sec. --

Analyst: Davis

Analysis Pg. No. 1240

Budget Page No. 303

Expenditure Summary	Agency Est. FY 01	Governor's Recommendation FY 01	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 377,949	\$ 377,949	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 377,949	\$ 377,949	\$ 0
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0
Other Funds:			
State Operations	\$ 377,949	\$ 377,949	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 377,949	\$ 377,949	\$ 0
FTE Positions	4.0	4.0	0.0
Other Unclassified Positions	0.0	0.0	0.0
TOTAL	4.0	4.0	0.0

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Kansas, Inc.

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1240

Budget Page No. 303

Expenditure Summary	Agency Req. FY 02	Gov. Rec. FY 02	Subcommittee Adjustments*
All Funds:			
State Operations	\$ 348,198	\$ 343,267	\$ (5,068)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 348,198</u>	<u>\$ 343,267</u>	<u>\$ (5,068)</u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Other Funds:			
State Operations	\$ 348,198	\$ 343,267	\$ (5,068)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 348,198</u>	<u>\$ 343,267</u>	<u>\$ (5,068)</u>
FTE Positions	4.0	4.0	0.0
Other Unclassified Positions	0.0	0.0	0.0
TOTAL	<u>4.0</u>	<u>4.0</u>	<u>0.0</u>

* Includes a reduction of \$5,068 for the Governor's employee salary adjustment. Absent the decrease for the pay plan, the recommendation does not change total expenditures from the Governor's recommendation for FY 2002.

Agency Req./Governor's Recommendation

Kansas, Inc. requests \$348,198 for FY 2002 operating expenditures. The request includes:

- The entire request is funded from the **Economic Development Initiatives Fund**
 - the FY 2002 request is a decrease of 7.9 percent from the FY 2001 budget
 - this is due to the statewide strategic plan being done in FY 2001
 - the request includes \$10,000 for an enhancement
 - the request includes \$240,018 for salaries and wages

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- for 4.0 FTE positions
- Kansas, Inc. is authorized to pay salaries to Board members but traditionally salaries are only paid to the four legislators who serve on the Kansas, Inc. Board; \$1,223 is budgeted for this for FY 2002

The Governor recommends FY 2002 operating expenditures of \$343,267.

- The entire recommendation is funded from the EDIF
 - the recommendation includes funding for the Governor's pay plan
 - the Governor does not recommend the requested enhancement

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor with the following comment.

1. Delete \$5,068 (from the EDIF) for the Governor's recommended pay plan adjustments for an unclassified merit pool.
 2. The Subcommittee believes that the Legislature's idea of Kansas Inc.'s mission should be clarified. The Subcommittee believes that Kansas, Inc. has a clear role in three areas: development of strategic planning for economic development; evaluation of economic development efforts by the Department of Commerce and Housing, Kansas Technology Enterprise Corporation and others; and coordination of Kansas' economic development efforts. The Subcommittee recommends that the Kansas, Inc. Board evaluate its statutory charge compared to its activities and should make a determination whether the statute describing its purpose and mission needs to be updated. The Subcommittee recommends that the Board provide its recommendation to the Joint Committee on Economic Development during the 2001 interim.
 3. The Subcommittee notes that the Governor's recommendation for Kansas, Inc., is entirely from the EDIF. Due to an oversight, the Governor's Budget Recommendation overspends the EDIF by \$2.9 million in FY 2002. The Subcommittee recommends that the funding from the EDIF be reviewed during Omnibus to make sure that adequate resources exist to cover all obligations.
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House Budget Committee Report

Agency: Kansas, Inc.

Bill No. --

Bill Sec. --

Analyst: Davis

Analysis Pg. No. 1240

Budget Page No. 303

Expenditure Summary	Agency Est. FY 02	Governor's Recommendation FY 02	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 348,198	\$ 343,267	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 348,198	\$ 343,267	\$ 0
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0
Other Funds:			
State Operations	\$ 348,198	\$ 343,267	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 348,198	\$ 343,267	\$ 0
FTE Positions	4.0	4.0	0.0
Other Unclassified Positions	0.0	0.0	0.0
TOTAL	4.0	4.0	0.0

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation and makes the following additional recommendations:

1. The Budget Committee notes that Kansas, Inc. is working with the contractors on the strategic analysis of the state's economy and the process of putting the report together is underway. The Budget Committee was informed that the analysis is anticipated to be completed in by the end of the current fiscal year.
2. The Budget Committee believes that the statutory mission and purpose of Kansas, Inc. needs some clarification and notes that the Joint Committee on Economic

Development will be able to review this while it looks at the recommendations of the Vision 21st Century taskforce during the 2001 interim.

3. The Budget Committee notes that Kansas, Inc.'s budget request included \$10,000 for the third Annual Survey of Kansas Manufacturers and Exporters (ASKME). This was not funded by the Governor and Kansas, Inc. has not appealed for this enhancement. The Budget Committee was informed that Kansas, Inc. has decided it would be best to wait a year before conducting the survey. Previously, ASKME surveys have been conducted looking at manufacturing and at the service industry, and have assisted Kansas in obtaining an accurate measure of the value of its exports. Follow up surveys need to be done periodically to measure and track the indicators identified in the first two studies. If updates are not conducted, the value of the previous studies are lost. The Budget Committee intends to continue to monitor the funding of ASKME studies in future years.

4. The Budget Committee notes that the Governor's recommendation for Kansas, Inc. is funded entirely from the Economic Development Initiatives Fund (EDIF). Due to an oversight, the Governor's Budget Recommendation overspends the EDIF by \$2.9 million in FY 2002. The Budget Committee recommends that the funding from the EDIF be reviewed during Omnibus to make sure that adequate resources exist to cover all obligations.

Senate Subcommittee Report

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

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1250

Budget Page No. 323

<u>Expenditure Summary</u>	<u>Agency Est. FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 2,685,117	\$ 2,682,592	\$ 0
Aid to Local Units	0	0	0
Other Assistance	15,408,427	15,408,427	0
TOTAL	<u>\$ 18,093,544</u>	<u>\$ 18,091,019</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Economic Development Initiatives Fund :			
State Operations	\$ 2,281,741	\$ 2,279,216	\$ 0
Aid to Local Units	0	0	0
Other Assistance	10,806,849	10,806,849	0
TOTAL	<u>\$ 13,088,590</u>	<u>\$ 13,086,065</u>	<u>\$ 0</u>
Other Funds:			
State Operations	\$ 403,376	\$ 403,376	\$ 0
Aid to Local Units	0	0	0
Other Assistance	4,601,578	4,601,578	0
TOTAL	<u>\$ 5,004,954</u>	<u>\$ 5,004,954</u>	<u>\$ 0</u>
FTE Positions	19.0	19.0	0.0
Other Unclassified Positions	14.0	14.0	0.0
TOTAL	<u>33.0</u>	<u>33.0</u>	<u>0.0</u>

Agency Est./Governor's Recommendation

KTEC's estimate for FY 2001 operating expenditures is \$18,093,544. This is a decrease of \$150,325 from the amount approved by the 2000 Legislature.

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- The decrease results from slightly lower than anticipated federal MAMTC receipts offset by increased expenditures from the KTEC Holdings Fund of \$114,336 to supplement the commercialization program.
- The revised request includes 1.0 FTE more than the number approved by the 2000 Legislature.

The Governor's FY 2001 revised recommendation is \$18,091,019, including \$13,086,065 from the EDIF. The Governor makes adjustments of \$2,525 from the EDIF for recalculation of fringe benefits.

Senate Subcommittee Recommendation

The Subcommittee concurs with the recommendations of the Governor.

House Budget Committee Report

Agency: Kansas Technology Enterprise Corporation **Bill No.** 2545

Bill Sec. 14

Analyst: Davis

Analysis Pg. No. 1250

Budget Page No. 323

Expenditure Summary	Agency Est. FY 01	Governor's Recommendation FY 01	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 2,685,117	\$ 2,682,592	\$ 0
Aid to Local Units	0	0	0
Other Assistance	15,408,427	15,408,427	0
TOTAL	\$ 18,093,544	\$ 18,091,019	\$ 0
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0
Economic Development Initiatives Fund:			
State Operations	\$ 2,281,741	\$ 2,279,216	\$ 0
Aid to Local Units	0	0	0
Other Assistance	10,806,849	10,806,849	0
TOTAL	\$ 13,088,590	\$ 13,086,065	\$ 0
Other Funds:			
State Operations	\$ 403,376	\$ 403,376	\$ 0
Aid to Local Units	0	0	0
Other Assistance	4,601,578	4,601,578	0
TOTAL	\$ 5,004,954	\$ 5,004,954	\$ 0
	19.0	19.0	0.0
FTE Positions	14.0	14.0	0.0
Unclassified Temp. Positions	33.0	33.0	0.0
TOTAL	19.0	19.0	0.0

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Kansas Technology
Enterprise Corporation

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1250

Budget Page No. 323

<u>Expenditure Summary</u>	<u>Agency Req. FY 02</u>	<u>Gov. Rec. FY 02</u>	<u>Subcommittee Adjustments*</u>
All Funds:			
State Operations	\$ 2,690,149	\$ 2,690,385	\$ (42,130)
Aid to Local Units	0	0	0
Other Assistance	37,204,640	15,239,640	0
TOTAL	<u>\$ 39,894,789</u>	<u>\$ 17,930,025</u>	<u>\$ (42,130)</u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	19,700,000	0	0
TOTAL	<u>\$ 19,700,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Economic Development Initiatives Fund :			
State Operations	\$ 2,344,983	\$ 2,344,489	\$ (42,130)
Aid to Local Units	0	0	0
Other Assistance	12,967,398	10,702,398	0
TOTAL	<u>\$ 15,312,381</u>	<u>\$ 13,046,887</u>	<u>\$ (42,130)</u>
Other Funds:			
State Operations	\$ 345,166	\$ 345,896	\$ 0
Aid to Local Units	0	0	0
Other Assistance	4,537,242	4,537,242	0
TOTAL	<u>\$ 4,882,408</u>	<u>\$ 4,883,138</u>	<u>\$ 0</u>
FTE Positions	19.0	19.0	0.0
Other Unclassified Positions	14.0	14.0	0.0
TOTAL	<u>33.0</u>	<u>33.0</u>	<u>0.0</u>

* Includes a reduction of \$42,130 for the Governor's employee salary adjustments. Absent the decrease for the pay plan, the recommendation does not change total expenditures from the Governor's recommendation for FY 2002.

Agency Req./Governor's Recommendation

For FY 2002, KTEC requests **total operating expenditures** of \$39,894,789. This is an increase of \$21.8 million or 120.5 percent over the FY 2001 estimate.

- **SGF**
 - Requested enhancement of \$19.7 million
- **EDIF**
 - Total requested expenditures of \$15,312,381
 - 75.8 percent of the total operating expenditures request, excluding the \$19.7 million requested from the SGF
 - Includes \$2,344,983 in state operations
 - Includes \$12,967,398 in grants and other assistance
 - Includes \$2,215,000 in requested enhancements
- **Other Funds**
 - Total request of \$4,882,408
 - 27.2 percent of total operating request
 - Includes \$345,166 for state operations
 - Includes \$4,537,242 for grants and other assistance
 - Includes federal funding of \$4.4 million
- **Grants**
 - KTEC requests a total of \$37,204,640 in grants and other assistance for FY 2002
 - Includes \$12,967,398 from the EDIF
 - Includes \$19.7 million from the SGF
 - An increase of \$2.1 million or 13.6 percent over the FY 2001 grants, excluding the \$19.7 million requested from the SGF
- **Absent requested enhancements**, the FY 2002 request is a decrease of \$113,755 or 0.6 percent from the FY 2001 estimate.

The Governor recommends \$17,930,025 for operating expenditures in FY 2002. The Governor's recommendation includes:

- **EDIF**
 - \$13,046,887 or 72.8 percent of the total recommended operating budget
 - includes \$2,344,489 for state operations, and
 - \$10,702,398 for other assistance
 - The Governor does not recommend any of the requested enhancements for FY 2002
- **Other Funds**
 - \$4,883,138 or 27.2 percent of the recommended operating budget
 - including \$345,896 for state operations
 - \$4.5 million for MAMTC grants

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation with the following change and comment.

1. Delete \$42,130 (from the EDIF) for the Governor's recommended pay plan adjustments for an unclassified merit pool.
2. The Subcommittee recognizes that enormous opportunity continues to be available in the area of technology commercialization investments. However, these extraordinary opportunities cannot be undertaken within KTEC's present budget which is constrained by the limited state resources available for economic development. The Subcommittee recognizes that Kansas is missing tremendous opportunities. The need for seed and venture capital are most obvious.

Despite its limited resources, KTEC continues to have achievements, the Subcommittee wishes to draw the committee's attention to the following examples:

- **Technology Acquisition, Development And Commercialization (TADAC)**, a statewide program anchored in Manhattan and linking all universities and innovation and commercialization corporations (ICCs) in Kansas. TADAC's purpose is to receive donated technology patents which have commercial potential. To date, 193 patents, with an approximate value of \$102.0 million, have been donated from Eaton Corporation, Ford Motor Company, Procter & Gamble, R.J. Reynolds, DuPont, Caterpillar, and Litton Industries. A Procter & Gamble patent allowing for the possibility of commercial production of a unique line of nutritional beverages has become the first significant company start-up out of TADAC.
- **FoodLabs, Inc.** was founded in 1997 by a group of KSU food safety researchers. FoodLabs is based on a broad array of products designed to detect and destroy food-borne pathogens which cause thousands of needless deaths and illnesses each year. Mid-America Commercialization Corporation provided the start-up capital, assisted with strategic direction, and brought the company into its incubator facilities in East Manhattan. In July 2000, FoodLabs was acquired by a publicly-traded Ohio company, Steris Corporation. In recognizing the strength of the relationship between the university and the company, Steris has provided backing necessary to dramatically grow the Manhattan operation. FoodLabs will be one of two growing technology companies to leave the incubator and anchor a new research and development park in the Manhattan community.

Further, the Subcommittee was informed that KTEC has held meetings with representatives of the aviation industry in Kansas. There is much concern among the aviation industry that Kansas does not have adequate research resources to maintain the industry's presence in the long term. Without significant investment in research activities, Kansas is at risk of losses in that major industry.

3. The Subcommittee notes that the Governor's recommendation for KTEC includes \$13,046,887 from the EDIF. Due to an oversight, the Governor's Budget

Recommendation overspends the EDIF by \$2.9 million in FY 2002. The Subcommittee recommends that the funding from the EDIF be reviewed during Omnibus to make sure that adequate resources exist to cover all obligations.

House Budget Committee Report

Agency: Kansas Technology Enterprise Corporation Bill No. 2557

Bill Sec. 48

Analyst: Davis

Analysis Pg. No. 1250 Budget Page No. 323

<u>Expenditure Summary</u>	<u>Agency Req. FY 02</u>	<u>Gov. Rec. FY 02</u>	<u>Budget Committee Adjustments</u>
All Funds:			
State Operations	\$ 2,690,149	\$ 2,690,385	\$ 0
Aid to Local Units	0	0	0
Other Assistance	37,204,640	15,239,640	0
TOTAL	<u>\$ 39,894,789</u>	<u>\$ 17,930,025</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	19,700,000	0	0
TOTAL	<u>\$ 19,700,000</u>	<u>\$ 0</u>	<u>\$ 0</u>
Economic Development Initiatives Fund:			
State Operations	\$ 2,344,983	\$ 2,344,489	\$ 0
Aid to Local Units	0	0	0
Other Assistance	12,967,398	10,702,398	0
TOTAL	<u>\$ 15,312,381</u>	<u>\$ 13,046,887</u>	<u>\$ 0</u>
Other Funds:			
State Operations	\$ 345,166	\$ 345,896	\$ 0
Aid to Local Units	0	0	0
Other Assistance	4,537,242	4,537,242	0
TOTAL	<u>\$ 4,882,408</u>	<u>\$ 4,883,138</u>	<u>\$ 0</u>
FTE Positions	19.0	19.0	0.0
Other Unclassified Positions	14.0	14.0	0.0
TOTAL	<u>33.0</u>	<u>33.0</u>	<u>0.0</u>

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation and makes the following additional recommendations:

1. The Budget Committee notes that KTEC is operating with a current service budget and has not had increased funding for its programs in several years. The Budget Committee acknowledges that despite its static budget, KTEC's programs have had significant successes. Most notably, the Technology Acquisition, Development And Commercialization (TADAC) program and FoodLabs, Inc.

TADAC is a statewide program anchored in Manhattan and linking all universities and innovation and commercialization corporations (ICCs) in Kansas. TADAC's purpose is to receive donated technology patents which have commercial potential. To date, 193 patents have been donated from Eaton Corporation, Ford Motor Company, Procter & Gamble, R.J. Reynolds, DuPont, Caterpillar, and Litton Industries. A Procter & Gamble patent allowing for the possibility of commercial production of a unique line of nutritional beverages has become the first significant company start-up out of TADAC. FoodLabs, Inc. was founded in 1997 by a group of KSU food safety researchers. FoodLabs is based on a broad array of products designed to detect and destroy food-borne pathogens which cause thousands of needless deaths and illnesses each year. Mid-America Commercialization Corporation provided the start-up capital, assisted with strategic direction, and brought the company into its incubator facilities in East Manhattan. In July 2000, FoodLabs was acquired by a publicly-traded Ohio company, Steris Corporation. In recognizing the strength of the relationship between the university and the company, Steris has provided backing necessary to dramatically grow the Manhattan operation. FoodLabs will be one of two growing technology companies to leave the incubator and anchor a new research and development park in the Manhattan community.

2. The Budget Committee notes that the recommendations of the Vision 21st Century taskforce would alter the structure of KTEC. The Budget Committee notes that it was informed that the Joint Committee on Economic Development will be reviewing these recommendations during the 2001 interim and making its own recommendations as to whether and how the statutory structure of the state's economic development agencies would best be altered.
3. The Budget Committee notes that the Governor's recommendation for KTEC includes \$13.0 million from the Economic Development Initiatives Fund (EDIF). Due to an oversight, the Governor's Budget Recommendation overspends the EDIF by \$2.9 million in FY 2002. The Budget Committee recommends that the funding from the EDIF be reviewed during Omnibus to make sure that adequate resources exist to cover all obligations.

February 2001



On behalf of the Kansas World Trade Center (KWTC), I would like to take this opportunity to provide you with an overview of the objectives and accomplishments of the Trade Center during the Calendar Year 2000. The accomplishments below indicate a clear return on investment for the State of Kansas.

Objectives:

- Premier provider of tailored import/export consulting services
- Projected \$4 Million in international sales value for Kansas clients in 2000 (*realized over \$21 Million*)
- Nationally recognized program Kansas Alliance/goTRADE providing trade education and advocacy on international policy
- Commitment to education: Published CD ROM Tutorial *Export Like an Expert*, on-going internship program and outreach to students and 1,100 business and Chambers of Commerce in Kansas
- Ability to strategically link with both public and private organizations to provide coordinated international services that enhance current programs available

Accomplishments:

- KWTC provided over \$21 Million in International Sales Value total in 2000
- KWTC provided Trade Assistance/Consulting to 281 companies across Kansas in 2000
- KWTC worked closely with the six congressional offices to educate on one of the most important trade issues affecting Kansas businesses in 2000 (recognizing 100% vote on PNTR)
- KWTC launched the CD ROM tutorial *Export Like an Expert* in partnership with Western Resources, U.S. Department of Agriculture and the seven Regent Universities. To date over 2000 have been distributed across Kansas, both directly and in partnership with Kansas Inc. and KU (CIBER)
- KWTC and Kansas Alliance/goTRADE hosted Fourth District Representative Todd Tiaht, City of Wichita Mayor Bob Knight and local business leaders to highlight a recently updated study on the impact of exports from the Fourth District
- In partnership with Wichita State University, KWTC and Kansas Alliance/goTRADE hosted U.S. Secretary of Agriculture Dan Glickman at the Hughes Metropolitan Complex
- Hosted by U.S. Senator Sam Brownback, KWTC coordinated the 2000 Kansas Foreign Ambassadors Tour May 30 - June 2, 2000. The tour hosted a 52-member delegation made up of Ambassadors and other foreign dignitaries from 34 countries through 6 Kansas cities
- KWTC coordinated a reception for visiting British Aerospace delegation and local aerospace representatives

In summary, KWTC provides value to our local businesses by providing them with the tools necessary to compete globally.

Pamela R. Doonan
President & COO

*Kansas World Trade Center
Kansas Alliance go/TRADE*

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THE WORLD

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HOUSE APPROPRIATIONS

DATE 3/12/01

MI ATTACHMENT # 7