

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Kenny Wilk at 9:05 a.m. on March 13, 2001, in Room 514-S of the Capitol.

All members were present except: Representative Phil Kline

Committee staff present: Alan Conroy, Legislative Research
Rae Anne Davis, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Tom Day, Kansas Corporation Committee

Others attending: See Attached

Chairman Wilk announced that the following KPERS bills would be reported by the Budget Committee and would be discussed with possible action this week:

Representative Stone moved for the approval of the minutes of February 20 and 28, and March 1, 5 and 6. Motion was seconded by Representative Feuerborn. Motion carried.

HB 2363– Minimum retirement benefit amount for certain school retirants

HB 2507 – Election for 8% deferred compensation plan for legislative staff agency employees

HB 2523 – Purchase of service credit for certain members of the Kansas police and firemen's retirement system

HB 2534 – Procurement requirement for obtaining certain services by KPERS board of trustees

HB 2537 – Appointment of officers and employees by KPERS board

HB 2538– KPERS, participating employer to certify member contributions upon retirement and responsible for any overpayments

HB 2542– Retirement, KPERS, benefits, technical compliance amendments

Chairman Wilk appointed a subcommittee for review of **HB 2555** and **HB 2556** naming Representative Neufeld as Chairman with the following members: Representatives Landwehr, Ballard, Bethell, and Nichols.

Chairman Wilk reopened the Committee consideration of the Budget Committee report on the Governor's budget recommendations for the Department of Commerce and Housing FY 2002 which was being heard on March 12, 2001.

Representative Campbell withdrew his motion to amend the Budget Committee report by deleting Items 2 and 3. Representative Nichols withdrew his second.

Representative Schwartz moved to amend the Budget Committee report by recommending the restoration of the funding for the Certified Development Companies to \$475,000 as originally funded in the FY 2000 budget and that the funds come from the EDIF. Motion was seconded by Representative Campbell. Motion carried.

Staff distributed copies of the updated report on the Economic Development Initiatives Fund (Attachment 1).

Representative Schwartz distributed copies of a presentation paper supporting the restored funding for Kansas Certified Development Companies (Attachment 2).

Copies of a letter from Randy L. Speaker, Director of Housing, Kansas Department of Commerce & Housing were distributed (Attachment 3).

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

Representative Stone presented the Budget Committee report on the Governor's budget recommendations for Kansas, Inc., for FY 2001 and moved for the adoption of the Budget Committee recommendations for FY 2001. Motion was seconded by Representative Shriver. Motion carried.

Representative Stone presented the Budget Committee report on the Governor's budget recommendations for Kansas, Inc., for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 with recommendations. Motion was seconded by Representative Shriver. Motion carried.

Representative Shriver presented the Budget Committee report on the Governor's budget recommendations for Kansas Technology Enterprise Corporation for FY 2001 and moved for the adoption of the Budget Committee recommendations for FY 2001. Motion was seconded by Representative Stone. Motion carried.

Representative Shriver presented the Budget Committee report on the Governor's budget recommendations for Kansas Technology Enterprise Corporation for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 with the noted recommendations. Motion was seconded by Representative Pottorff. Motion carried.

Representative Pottorff presented the Budget Committee report on the Governor's budget recommendations for the Governmental Ethics Commission for FY 2001 and moved for the adoption of the Budget recommendations for FY 2001 (Attachment 4). Motion was seconded by Representative Stone. Motion carried.

Representative Pottorff presented the Budget Committee report on the Governor's budget recommendations for the Governmental Ethics Commission for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 with a notation (Attachment 4). Motion was seconded by Representative Stone. Motion carried.

Representative Pottorff presented the Budget Committee report on the Governor's budget recommendations for the Governmental Ethics Commission for FY 2003 and moved for the adoption of the Budget Committee recommendations for FY 2003 (Attachment 4). Motion was seconded by Representative Stone. Motion carried.

Representative Stone presented the Budget Committee report on the Governor's budget recommendations for the Department of Human Resources for FY 2001 and moved for the adoption of the Budget Committee recommendations for FY 2001 with the noted observations (Attachment 5). Motion was seconded by Representative Pottorff. Motion carried.

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

The Committee noted that expenditures from the Workers Compensation Fee Fund covers the 2 FTE's for the Department of Health and Environment although the funding stays in the Department of Human Resources.

Representative Shriver presented the Budget Committee report on the Governor's budget recommendations for the Kansas Commission on Veterans Affairs for FY 2001 and moved for the adoption of the Budget Committee recommendations for FY 2001 with notations (Attachment 5). Motion was seconded by Representative Potorff. Motion carried.

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

The Budget Committee explained that the numbers may seem high as this is due to the renovation at Winfield. A census count of the Veteran's Homes in Winfield and Dodge City was requested from the Budget Division.

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

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

The Committee discussed the need for an improved telephony system as many of the clients of KPERS are not comfortable using computers to access their data.

Representative Pottorff presented the Budget Committee report on the Governor's budget recommendations for the Department of Administration for FY 2001 and moved for the adoption of the Budget Committee recommendations for FY 2001 (Attachment 7) 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 Administration for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 with noted observations (Attachment 7) Motion was seconded by Representative Stone.

Representative Nichols moved to conceptually amend the Budget Committee report on the Governor's budget recommendations for the Department of Administration for FY 2002 to include language requesting that the Department of Administration develop a plan to extend the hours of the motor pool dispatch office using existing resources to enable state employees to obtain a state vehicle either before or after normal working hours. The report should be returned to the Committee before Omnibus. Motion was seconded by Representative Pottorff. Motion carried.

Representative Pottorff moved for the adoption of the Budget Committee report on the Governor's budget recommendations for the Department of Administration for FY 2002 as amended and with the noted observations. (Attachment 7). Motion seconded by Representative Shriver. Motion carried.

Discussion and Committee action on SB 321—Abandoned oil and gas well fund, extending certain transfers

Written testimony was received from: Ken Peterson, Kansas Petroleum Council (Attachment 8).
Tom Day, Kansas Corporation Commission (Attachment 9).

Tom Day, Kansas Corporation Commission, explained to the Committee the extended effort the KCC uses in an attempt to track those companies or persons responsible for the abandoned oil and gas wells.

Chairman Wilk closed the hearing on **SB 321**.

Representative Stone moved to pass the bill and report it favorably. Motion was seconded by Representative Feuerborn. Motion carried.

The meeting was adjourned at 11:00 a.m. The next meeting is scheduled for March 14, 2001.

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: MARCH 13, 2001

NAME	REPRESENTING
Ron Caches	KPTS
Greg Watt	Emporia State
Jane Scott	ESU
Karen Watson	DofA
Jack Hawn	KPERS
Glenn Dert	KPERS
Melinda Gaul	DOB
Stephanie Buchanan	DOB
Stoney Wagner	KCVVA
Steve Goodman	Kansas Soldiers' Home
Wayne Bo Hica	KCVVA
Christina Pingry	KCVVA - Ks Veterans Home
Gerald Schindler	KDHR
Randy Speake	KDOCH
Shirley Brecken	KDOCH
Dubby Walker	Texas Inc.
Sammy Walker	CCC
Ed Walker	Cow Shoes
Lori Rost	KTEC

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 3/13/01

NAME	REPRESENTING
Rich Bendis	KTEC
Pat Higgins	DofA
JOE FRETTON	DofA / FACILITIES MGMT
Jon Herman	DUSE Dept of Admin
Bruce Roberts	Disc DofA
Mike Huffles	Ks. Gov't Consulting

Economic Development Initiatives Fund

<u>Agency/Program</u>	<u>Governor's Recommendation 2002</u>	<u>House Committee Adjustments FY 2002</u>	<u>Senate Committee Adjustments FY 2002</u>
Department of Commerce and Housing ⁽¹⁾			
Agency Operations	\$ 8,729,936		
Small Business Development Centers	485,000		
Certified Development Companies	400,000		
Kansas Industrial Training/Retraining	3,600,000		
Trade Show Promotion Grants	150,000		
Community Capacity Building Grants	197,000		
Economic Opportunity Initiative Fund	3,500,000		
Existing Industry Expansion	500,000		
Tourism Promotion Grants	1,052,100		
Mid-America World Trade Center	0		
Mainstreet Grant and Development Prog.	216,800		
Agriculture Product Development	540,000		
Training Equipment Grants	277,500		
Travel Information Centers	115,000		
Motion Picture and Television Rebate	75,000		
Eisenhower Museum Grant	0		
National Teachers Hall of Fame	0		
HOME Program	530,000		
Subtotal - KDCH	<u>\$ 20,368,336</u>		
Kansas Technology Enterprise Corporation ⁽¹⁾			
Agency Operations	\$ 1,431,781		
Centers of Excellence	4,350,000		
Research Matching Grants	1,216,000		
Business Innovative Research Grants	76,000		
State Small Business Innovation Research	440,000		
Special Projects	79,303		
Commercialization Grants	1,450,000		
Mid-America Manufact. Tech. Center	1,000,059		
EPSCoR	3,000,000		
Subtotal - KTEC	<u>\$ 13,043,143</u>		
Kansas, Inc. ⁽¹⁾	\$ 343,267		
Board of Regents ⁽¹⁾			
Matching Grants - AVTS	\$ 200,000		
Post-secondary Aid - AVTS	6,882,965		
Capital Outlay Aid - AVTS	2,700,000		
Comprehensive Grant Program	250,000		
Subtotal - Regents	<u>\$ 10,032,965</u>		
Department of Education			
Ag in the Classroom	\$ -		
Challenger Learning Center			
Subtotal - Dept. of Education	<u>\$ -</u>		
Historical Society	\$ -		
Department of Administration			
Public Television Grants	\$ -		
State Water Plan Fund	\$ 2,000,000		
Wildlife and Parks - Local Gov. Outdoor Recreation	\$ 500,000	\$ 330,000	
State Fair			
Capital Improvements			
Operating Expenses			
Subtotal - State Fair	<u>\$ -</u>		
Adjutant General - Kansas National Guard Educational Asst.	\$ -		
Arts Commission - Operating Expenses	\$ -		
State Library - Grants to Local Libraries	\$ -	\$ 170,000	
TOTAL TRANSFERS AND EXPENDITURES	\$ 46,287,711	\$ 500,000	

EDIF Resource Estimate

	<u>Governor's Recommendation FY 2002</u>	<u>House Committee Adjustments FY 2002</u>	<u>Senate Committee Adjustments FY 2002</u>
Beginning Balance	\$ 85,134	\$ 25,842	\$ 25,842
Gaming Revenues	42,500,000	-	-
Other Income	750,000	-	-
Total Available	<u>\$ 43,335,134</u>	<u>\$ 25,842</u>	<u>\$ 25,842</u>
Less: Expenditures and Transfers	46,287,711	500,000	-
ENDING BALANCE	\$ (2,952,577)	\$ (3,426,735)	\$ (2,926,735)

1) Does not include expenditures from prior year EDIF allocations.

Economic Development Initiatives Fund

<u>Agency/Program</u>	<u>Governor's Recommendation FY 2001</u>	<u>House Committee Adjustments FY 2001</u>	<u>Senate Committee Adjustments FY 2001</u>
Department of Commerce and Housing ⁽¹⁾			
Agency Operations	\$ 8,609,757	(25,842)	(25,842)
Small Business Development Centers	485,000		
Certified Development Companies	400,000		
Kansas Industrial Training/Retraining	3,600,000		
Trade Show Promotion Grants	150,000		
Community Capacity Building Grants	197,000		
Economic Opportunity Initiative Fund	3,500,000		
Existing Industry Expansion	500,000		
Tourism Promotion Grants	1,052,100		
Mid-America World Trade Center	42,000		
Mainstreet Grant and Development Prog.	216,800		
Agriculture Product Development	540,000		
Training Equipment Grants	277,500		
Travel Information Centers	15,000		
Motion Picture and Television Rebate	75,000		
Eisenhower Museum Grant	300,000		
National Teachers Hall of Fame	100,000		
HOME Program	533,022		
Subtotal - KDCH	<u>\$ 20,593,179</u>	<u>\$ (25,842)</u>	<u>\$ (25,842)</u>
Kansas Technology Enterprise Corporation ⁽¹⁾			
Agency Operations	\$ 1,308,863		
Centers of Excellence	4,325,000		
Research Matching Grants	1,246,000		
Business Innovative Research Grants	76,000		
State Small Business Innovation Research	440,000		
Special Projects	79,303		
Commercialization Grants	1,156,664		
Mid-America Manufact. Tech. Center	950,931		
EPSCoR	3,200,000		
Subtotal - KTEC	<u>12,782,761</u>		
Kansas, Inc. ⁽¹⁾	\$ 336,949		
Board of Regents ⁽¹⁾			
Matching Grants - AVTS	\$ 200,000		
Post-secondary Aid - AVTS	6,882,981		
Capital Outlay Aid - AVTS	2,700,000		
Comprehensive Grant Program	250,000		
Subtotal - Regents	<u>\$ 10,032,981</u>		
Department of Education			
Ag in the Classroom	\$ 30,000		
Challenger Learning Center	50,000		
Subtotal - Dept. of Education	<u>\$ 80,000</u>		
Historical Society	\$ 95,000		
Department of Administration			
Public Television Grants	\$ 350,000		
State Water Plan Fund	\$ 2,000,000		
Wildlife and Parks - Local Gov. Outdoor Recreation	\$ 500,000		
State Fair			
Capital Improvements	\$ 100,000		
Operating Expenses	134,000		
Subtotal - State Fair	<u>\$ 234,000</u>		
Adjutant General - Kansas National Guard Educational Asst.	\$ 50,000		
Arts Commission - Operating Expenses	\$ 119,110		
State Library - Grants to Local Libraries	\$ 170,000		
TOTAL TRANSFERS AND EXPENDITURES	\$ 47,343,980	\$ (25,842)	\$ (25,842)
EDIF Resource Estimate	Revised Gov. Rec. FY 2001	House Committee Adjustments FY 2001	Senate Committee Adjustments FY 2001
Beginning Balance	\$ 3,779,114	-	0
Gaming Revenues	42,500,000	-	0
Other Income ⁽²⁾	1,150,000	-	0
Total Available	<u>\$ 47,429,114</u>		<u>0</u>
Less: Expenditures and Transfers	47,343,980	\$ (25,842)	\$ (25,842)
ENDING BALANCE	\$ 85,134	\$ 110,976	\$ 110,976

1) Does not include expenditures from prior year EDIF allocations.
2) Other Income includes \$400,000 transferred from the Partnership Fund and \$750,000 of interest earnings.

Rep. Sharon Schwartz #146

Representative Schwartz
Page 2
March 8, 2001

During FY 2000, statewide a total of 234 businesses were funded that will create/retain 1,658 jobs with a total public/private investment of \$98,809,928.

Kansas, Inc. did a three-year analysis of the assistance provided by certified development companies for the fiscal years 1995, 1996, and 1997. The results were 707 assisted projects, 3,776 jobs created/retained, and total investments of \$191,522,803. **CDCs return \$134 in dollars invested for every \$1 of State performance grant dollars, and created/retained one job for every \$2,015 in State performance grant dollars (see enclosed study).**

Total performance grant dollars remained unchanged from 1991 to 1999. In 2000, 16% (\$75,000 cut/\$475,000 prior year's funding) was cut from the performance grant dollars going to the CDCs. Over the last 10 years, the CDCs funding has been cut 26% (\$123,935/\$598,935) due to no increase in funding based solely on cost of living (CoL) increases (see attached Cost of Living Analysis for details). Combining these two elements, **CDCs have lost 42% (\$198,935/\$475,000) of their funding over the last 10 years.**

The restoration of lost funding is vital to the CDCs, the businesses we serve, and the State's future economy. Performance grant dollars that are cut affect each CDCs ability to provide services. Examples include, but are not limited to, **reducing its travel that decreases the number of clients served and therefore the number of approved projects AND employee turnover that affects the quality of the services offered and therefore the number of approved projects.**

The Kansas Certified Development Companies are asking that you help in the restoration of the \$75,000 cut from last year's budget, and make up part of the lost constant real dollars based on the CoL analysis. **The CDCs are asking for a total budget of \$575,000.**

Since the KACDC does not have a State office, each development company works together on statewide issues. This makes it more difficult to keep the legislature informed on the value and accomplishments of the KACDC. The KACDC has been trying to get its funding increased for several years. Unfortunately the KACDC seems to be in a reactive situation when it comes to changing legislative funding. For example, we do not know who recommended the \$400,000 funding level last year, or this year. The KACDC has worked with the KDOC&H regarding increasing the KACDC funding for years, with no success. I believe KDOC&H values the services offered by the KACDC, but sees the KACDC as competition for funding of its own internal divisions.

KANSAS ASSOCIATION OF CERTIFIED DEVELOPMENT COMPANIES

Statewide Fiscal Year 2000 Accomplishments (July 1, 1999 to June 30, 2000)

	Projects	Jobs	Public Funds	Private Funds
Avenue Area Inc.	23	75	\$125,000	\$3,424,050
Citywide Development	11	63	\$1,753,800	\$1,898,700
Eastern Kansas Economic Development Group	36	243	\$841,000	\$11,738,820
Four Rivers Development	10	70	\$2,621,100	\$1,027,316
Great Plains Development	23	152	\$2,807,062	\$2,676,965
Johnson County CDC	12	88	\$3,049,740	\$3,694,067
McPherson County	16	61	\$461,400	\$2,566,234
Mid-America, Inc.	28	391	\$12,195,174	\$12,954,067
Mo-Kan Development, Inc.	2	25	\$853,352	\$993,368
Pioneer County Development	17	121	\$4,262,000	\$11,855,783
South Central Kansas Economic Development	42	267	\$5,771,783	\$6,438,891
Wakarusa Valley Development, Inc.	14	102	\$3,702,310	\$1,938,105
Total	234	1,658	\$37,603,562	\$61,206,366

= 108.8M.

JOHNSON
COUNTY
**CERTIFIED
DEVELOPMENT**
COMPANY

Oak Park Bank Building, Ste 214
11111 W. 95th St. Overland Park, KS 66214
Ph (913) 599-1717 Fax (913) 599-6430
jccdc@gvi.net

Attn: We produce similar accomplishments

To get this to you promptly, I am mailing the enclosed without a formal letter.

every year.

David Long
Date

Rep: Sharon Schwartz #106



KANSAS DEPARTMENT
of COMMERCE & HOUSING
HOUSING DEVELOPMENT DIVISION

BILL GRAVES, GOVERNOR
GARY SHERRER, LT. GOVERNOR/SECRETARY

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(785) 296-5865 Fax: (785) 296-8985
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www.kansascommerce.com
e-mail: housing@kdoch.state.ks.us

March 13, 2001

Chairperson Wilk & Members
House Appropriations Committee
Kansas Legislature

Dear Chairperson Wilk & Members of the Committee

I would like to address the question raised by Representative Spangler during Monday's meeting of the House Appropriations Committee. Representative Spangler inquired about the impact on Section 8 Rental Subsidies that are administered by local Public Housing Agencies (PHAs) should the Kansas Department of Commerce & Housing be allowed to administer HAP contracts on behalf of HUD. There are several types of Section 8 Rental Assistance. The PHAs receive direct Section 8 Certificates and Vouchers that are tenant based. An eligible tenant applies direct to the PHA for this assistance. They then receive a list of properties that are eligible for inclusion in the program. The tenant then enters into a lease with the landlord who has pre-approved the Section 8 Certificate or Voucher. When the tenant leaves, the rental subsidy leaves also.

The HAP contract administration activities that HUD has asked the Kansas Department of Commerce & Housing to take responsibility for is different than PHA administered rental subsidies. In this case, the subsidy is provided directly to a particular rental housing development through the HAP contract between the owner and HUD. It is a project based rental subsidy. Both programs use similar qualifying criteria as related to tenant eligibility.

In conclusion, there will be no adverse effect upon PHA rental subsidy programs should the Kansas Department of Commerce & Housing be allowed to administer the project based HAP contracts. In addition, per Representative Nichol's request for a detailed plan, I have supplied copies of HUD's request for proposals and our application to you and Representatives Pottorff and Nichols. If any of the members of the Committee wish to review the proposed activities in more detail, I will be pleased to provide them a copy as well.

If I can be of further assistance please contact me at (785) 296-2954.

Sincerely,

Randy L. Speaker
Director of Housing

HOUSE APPROPRIATIONS

DATE 3/13/01
ATTACHMENT #3

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

FY 2001 and FY 2002

Governmental Ethics Commission



Representative Jo Ann Pottorff, Chairperson



Representative Richard Alldritt



Representative Annie Kuether



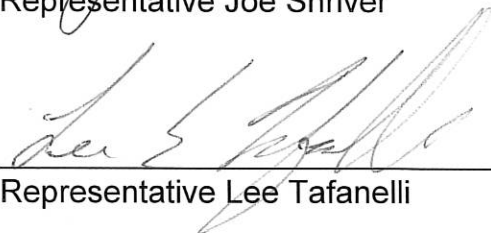
Representative Ralph Ostmeyer



Representative Joe Shriver



Representative Lloyd Stone



Representative Lee Tafanelli

HOUSE APPROPRIATIONS

DATE 3/13/01
ATTACHMENT #4

Senate Subcommittee Report

Agency: Governmental Ethics Commission

Bill No.

Bill Sec.

Analyst: Hollon

Analysis Pg. No. 1338

Budget Page No. 498

Expenditure Summary	Agency Request FY 01	Governor's Recommendation FY 01	Senate Subcommittee Adjustments
State Operations:			
State General Fund	\$ 401,035	\$ 401,035	\$ 0
Special Revenue Funds	148,192	148,187	0
TOTAL	\$ 549,227	\$ 549,222	\$ 0
FTE Positions	9.0	9.0	0.0
Unclassified Temp. Positions	0.5	0.5	0.0
TOTAL	9.5	9.5	0.0

Agency Request/Governor's Recommendation

The agency estimates operating expenditures for FY 2001 of \$549,227 which is equal to the amount approved by the 2000 Legislature. The estimate includes \$434,746 for salaries and wages, \$104,356 for contractual services, \$4,925 for commodities, and \$5,200 for capital outlay.

The Governor recommends operating expenditures for FY 2001 of \$549,222 which is a decrease of \$5 from the approved budget. The recommendation includes \$434,741 for salaries and wages, \$103,194 for contractual services, \$4,925 for commodities, and \$6,362 for capital outlay.

Senate Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendation with the following notation:

1. The Subcommittee expresses concern regarding the uncertain effect on the agency of rising natural gas prices. This uncertainty is due to the agency's quarterly billing cycle for utilities.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee recommendation.

Senate Committee of the Whole

The Senate has not yet considered this budget.

House Budget Committee Report

Agency: Governmental Ethics Commission

Bill No. ---

Bill Sec. ---

Analyst: Hollon

Analysis Pg. No. 1338

Budget Page No. 498

Expenditure Summary	Agency Est. FY 01	Gov. Rec. FY 01	House Budget Committee Adjustments
State Operations:			
State General Fund	\$ 401,035	\$ 401,035	\$ 0
Special Revenue Funds	148,192	148,187	0
TOTAL	<u>\$ 549,227</u>	<u>\$ 549,222</u>	<u>\$ 0</u>
FTE Positions	9.0	9.0	0.0
Other Unclassified Positions	0.5	0.5	0.0
TOTAL	<u>9.5</u>	<u>9.5</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The agency estimates operating expenditures for FY 2001 of \$549,227 which is equal to the amount approved by the 2000 Legislature. The estimate includes \$434,746 for salaries and wages, \$104,356 for contractual services, \$4,925 for commodities, and \$5,200 for capital outlay.

The Governor recommends operating expenditures for FY 2001 of \$549,222 which is a decrease of \$5 from the approved budget. The recommendation includes \$434,741 for salaries and wages, \$103,194 for contractual services, \$4,925 for commodities, and \$6,362 for capital outlay.

House Budget Committee Recommendations

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

Senate Subcommittee Report

Agency: Governmental Ethics Commission

Bill No.

Bill Sec.

Analyst: Hollon

Analysis Pg. No. 1338

Budget Page No. 498

Expenditure Summary	Agency Estimate FY 02	Governor's Recommendation FY 02	Senate Subcommittee Adjustments*
State Operations:			
State General Fund	\$ 419,324	\$ 428,409	\$ (8,659)
Special Revenue Funds	143,568	143,457	(424)
TOTAL	\$ 562,892	\$ 571,866	\$ (9,083)
FTE Positions	9.0	9.0	0.0
Unclassified Temp. Positions	0.5	0.5	0.0
TOTAL	9.5	9.5	0.0

* The entire reduction is for the Governor's salary adjustments.

Agency Estimate/Governor's Recommendation

The agency requests operating expenditures for FY 2002 of \$562,892 which is an increase of \$13,665 (2.5 percent) from the FY 2001 estimate. The request includes \$440,403 for salaries and wages, \$103,880 for contractual services, \$5,025 for commodities, and \$13,584 for capital outlay.

The Governor recommends operating expenditures for FY 2002 of \$571,866 which is an increase of \$22,644 (4.1 percent) from the FY 2001 recommendation. The recommendation includes \$449,377 for salaries and wages, \$103,880 for contractual services, \$5,025 for commodities, and \$13,584 for capital outlay.

Senate Subcommittee Recommendations

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

1. Delete \$9,083 (\$8,659 SGF) for the Governor's pay plan adjustments.
2. The Subcommittee notes the increased postage rate and the possibility of the need for a supplemental appropriation during the 2002 Legislative Session.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee recommendation.

Senate Committee of the Whole

The Senate has not yet considered this budget.

House Budget Committee Report

Agency: Governmental Ethics Commission

Bill No. —

Bill Sec. —

Analyst: Hollon

Analysis Pg. No. 1338

Budget Page No. 498

Expenditure Summary	Agency Req. FY 02	Gov. Rec. FY 02	House Budget Committee Adjustments
State Operations:			
State General Fund	\$ 419,324	\$ 428,409	\$ 0
Special Revenue Fund	143,568	143,457	0
TOTAL	<u>\$ 562,892</u>	<u>\$ 571,866</u>	<u>\$ 0</u>
FTE Positions	9.0	9.0	0.0
Other Unclassified Positions	0.5	0.5	0.0
TOTAL	<u>9.5</u>	<u>9.5</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

The agency requests operating expenditures for FY 2002 of \$562,892 which is an increase of \$13,665 (2.5 percent) from the FY 2001 estimate. The request includes \$440,403 for salaries and wages, \$103,880 for contractual services, \$5,025 for commodities, and \$13,584 for capital outlay.

The Governor recommends operating expenditures for FY 2002 of \$571,866 which is an increase of \$22,644 (4.1 percent) from the FY 2001 recommendation. The recommendation includes \$449,377 for salaries and wages, \$103,880 for contractual services, \$5,025 for commodities, and \$13,584 for capital outlay.

House Budget Committee Recommendations

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

1. The Budget Committee commends the agency for its use of technology rather than FTE positions in meeting the increased demands and responsibilities placed upon it. The Budget Committee notes that the agency has maintained a limitation of 9.0 FTE positions since FY 1997.

33410(2/27/1{9:00AM})

Senate Subcommittee Report

Agency: Governmental Ethics Commission

Bill No.

Bill Sec.

Analyst: Hollon

Analysis Pg. No. 1338

Budget Page No. 498

Expenditure Summary	Agency Estimate FY 03	Governor's Recommendation FY 03	Senate Subcommittee Adjustments*
State Operations:			
State General Fund	\$ 436,097	\$ 458,165	\$ (12,172)
Special Revenue Funds	126,949	116,326	0
TOTAL	\$ 563,046	\$ 574,491	\$ (12,172)
FTE Positions	9.0	9.0	0.0
Unclassified Temp. Positions	0.5	0.5	0.0
TOTAL	9.5	9.5	0.0

* Entire reduction for the Governor's salary adjustments.

Agency Estimate/Governor's Recommendation

The agency requests operating expenditures for FY 2003 of \$563,046 which is an increase of \$154 from the FY 2002 request. The request includes \$446,720 for salaries and wages, \$100,726 for contractual services, \$5,125 for commodities, and \$10,475 for capital outlay.

The Governor recommends operating expenditures for FY 2003 of \$574,491 which is an increase of \$2,625 (0.5 percent) from the FY 2002 recommendation. The recommendation includes \$458,165 for salaries and wages, \$100,726 for contractual services, \$5,125 for commodities, and \$10,475 for capital outlay.

Senate Subcommittee Recommendation

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

1. Delete \$12,172 SGF for the Governor's pay plan adjustments.
2. The Subcommittee notes the increased postage rate and the possibility of the need for a supplemental appropriation during the 2002 Legislative Session.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee recommendation.

Senate Committee of the Whole

The Senate has not yet considered this budget.

House Budget Committee Report

Agency: Governmental Ethics Commission

Bill No. ---

Bill Sec. ---

Analyst: Hollon

Analysis Pg. No. 1338

Budget Page No. 498

Expenditure Summary	Agency Req. FY 03	Gov. Rec. FY 03	House Budget Committee Adjustments
State Operations:			
State General Fund	\$ 436,097	\$ 458,165	\$ 0
Special Revenue Fund	126,949	116,326	0
TOTAL	<u>\$ 563,046</u>	<u>\$ 574,491</u>	<u>\$ 0</u>
FTE Positions	9.0	9.0	0.0
Other Unclassified Positions	0.5	0.5	0.0
TOTAL	<u>9.5</u>	<u>9.5</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

The agency requests operating expenditures for FY 2003 of \$563,046 which is an increase of \$154 from the FY 2002 request. The request includes \$446,720 for salaries and wages, \$100,726 for contractual services, \$5,125 for commodities, and \$10,475 for capital outlay.

The Governor recommends operating expenditures for FY 2003 of \$574,491 which is an increase of \$2,625 (0.5 percent) from the FY 2002 recommendation. The recommendation includes \$458,165 for salaries and wages, \$100,726 for contractual services, \$5,125 for commodities, and \$10,475 for capital outlay.

House Budget Committee Recommendations

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

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

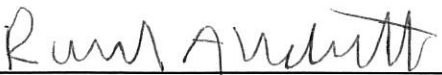
FY 2001 and FY 2002

Department of Human Resources

Commission on Veterans Affairs/Homes



Representative Jo Ann Pottorff, Chairperson



Representative Richard Alldritt



Representative Annie Kuether



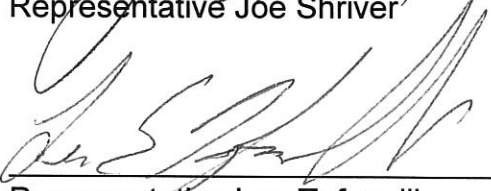
Representative Ralph Ostmeyer



Representative Joe Shriver



Representative Lloyd Stone



Representative Lee Tafanelli

HOUSE APPROPRIATIONS

DATE 3/13/01

ATTACHMENT #5

Senate Subcommittee Report

Agency: Department of Human Resources

Bill No. 342

Bill Sec. 16

Analyst: Lovin

Analysis Pg. No. 376

Budget Page No. 225

Expenditure Summary	Agency Est. FY 01	Gov. Rec. FY 01	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 48,079,876	\$ 48,079,876	\$ 77,000
Aid to Local Units	364,160	364,160	0
Other Assistance	194,697,745	194,697,745	0
Subtotal	<u>\$ 243,141,781</u>	<u>\$ 243,141,781</u>	<u>\$ 77,000</u>
Capital Improvements	300,000	300,000	0
TOTAL	<u><u>\$ 243,441,781</u></u>	<u><u>\$ 243,441,781</u></u>	<u><u>\$ 77,000</u></u>
State General Fund:			
State Operations	\$ 2,234,505	\$ 2,234,505	\$ 0
Aid to Local Units	364,160	364,160	0
Other Assistance	1,324,695	1,324,695	0
TOTAL	<u><u>\$ 3,923,360</u></u>	<u><u>\$ 3,923,360</u></u>	<u><u>\$ 0</u></u>
Other Funds:			
State Operations	\$ 45,845,371	\$ 45,845,371	\$ 77,000
Aid to Local Units	0	0	0
Other Assistance	193,373,050	193,373,050	0
Subtotal	<u>\$ 239,218,421</u>	<u>\$ 239,218,421</u>	<u>\$ 77,000</u>
Capital Improvements	300,000	300,000	0
TOTAL	<u><u>\$ 239,518,421</u></u>	<u><u>\$ 239,518,421</u></u>	<u><u>\$ 77,000</u></u>
FTE Positions	964.3	964.3	0.0
Other Unclassified Positions	38.0	38.0	0.0
TOTAL	<u><u>1,002.3</u></u>	<u><u>1,002.3</u></u>	<u><u>0.0</u></u>

Agency Est./Governor's Recommendation

The agency estimate for State General Fund financing in FY 2001 is \$3,923,360 which is the amount approved by the 2000 Legislature including reappropriations. The agency estimate for all other funds, not including capital improvements, is \$239,218,421 which is an increase of \$22,695,301 (10.5 percent) over the amount approved by the 2000 Legislature. The increase is mainly due to an estimated \$23,000,000 increase in unemployment benefits. This amount is offset by a partial reduction in other funds.

The Governor concurs with the agency request.

Senate Subcommittee Recommendation

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

1. **Add \$77,000** in Other Funds for the OSHA Consultation program; the program requires a 10 percent match which the agency will absorb. The Subcommittee expects to see an increase from the number of private sector consultations made and public entity inspections made for workplace safety in FY 2000. In FY 2000, the number of private consultations made under the federal contract were 810 and the number of public sector inspections made were 268.
2. The Subcommittee expects the development of the "KDHR Dashboard," which is KDHR's version of performance measures, to increase them and cause the performance measures to be a better reflection of the activity of the programs involved.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee's recommendation.

Senate Committee of the Whole Recommendation

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

House Budget Committee Report

Agency: Kansas Department of Human Resources **Bill No.** 2545

Bill Sec. 16

Analyst: Lovin

Analysis Pg. No. 37 **Budget Page No.** 225

Expenditure Summary	Agency Est. FY 01	Gov. Rec. FY 01	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 48,079,876	\$ 48,079,876	\$ 0
Aid to Local Units	364,160	364,160	0
Other Assistance	194,697,745	194,697,745	0
Subtotal	<u>\$ 243,141,781</u>	<u>\$ 243,141,781</u>	<u>\$ 0</u>
Capital Improvements	300,000	300,000	0
TOTAL	<u><u>\$ 243,441,781</u></u>	<u><u>\$ 243,441,781</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 2,234,505	\$ 2,234,505	\$ 0
Aid to Local Units	364,160	364,160	0
Other Assistance	1,324,695	1,324,695	0
TOTAL	<u><u>\$ 3,923,360</u></u>	<u><u>\$ 3,923,360</u></u>	<u><u>\$ 0</u></u>
Other Funds:			
State Operations	\$ 45,845,371	\$ 45,845,371	\$ 0
Aid to Local Units	0	0	0
Other Assistance	193,373,050	193,373,050	0
Subtotal	<u>\$ 239,218,421</u>	<u>\$ 239,218,421</u>	<u>\$ 0</u>
Capital Improvements	300,000	300,000	0
TOTAL	<u><u>\$ 239,518,421</u></u>	<u><u>\$ 239,518,421</u></u>	<u><u>\$ 0</u></u>
FTE Positions	964.3	964.3	0.0
Other Unclassified Positions	38.0	38.0	0.0
TOTAL	<u><u>1,002.3</u></u>	<u><u>1,002.3</u></u>	<u><u>0.0</u></u>

Agency Est./Governor's Recommendation

The agency estimate for State General Fund financing in FY 2001 is \$3,923,360 which is the amount approved by the 2000 Legislature including re-appropriations. The agency estimate for all other funds, not including capital improvements, is \$239,218,421 which is an increase of \$22,695,301 (10.5 percent) over the amount approved by the 2000 Legislature. The increase is mainly due to an estimated \$23,000,000 increase in unemployment benefits. This amount is offset by a partial reduction in other funds.

The Governor concurs with the agency request.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation with the following observations.

1. The Budget Committee notes the importance of the Kansas Workforce Development System. In small communities job training and workforce development can be critical to the community's survival.
2. The Budget Committee notes the contribution being made by the Advisory Commissions within the Kansas Department of Human Resources. The Kansas Commission on Disability Concerns, the Kansas Advisory Committee on Hispanic Affairs, the Kansas African-American Advisory Commission, and the Kansas Office of Native American Affairs have also been working in cooperation with one another to enhance the lives and employment opportunities of the diverse groups they represent.

Senate Subcommittee Report

Agency: Department of Human Resources

Bill No. 348

Bill Sec. 49

Analyst: Lovin

Analysis Pg. No. 376

Budget Page No. 225

Expenditure Summary	Agency Req. FY 02	Gov. Rec. FY 02	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 51,642,567	\$ 50,310,409	\$ (1,145,129) *
Aid to Local Units	359,175	325,000	0
Other Assistance	200,900,000	204,100,000	0
TOTAL	<u>\$ 252,901,742</u>	<u>\$ 254,735,409</u>	<u>\$ (1,145,129)</u>
State General Fund:			
State Operations	\$ 3,783,039	\$ 1,829,172	\$ (43,466)
Aid to Local Units	359,175	325,000	0
Other Assistance	0	0	0
TOTAL	<u>\$ 4,142,214</u>	<u>\$ 2,154,172</u>	<u>\$ (43,466)</u>
Other Funds:			
State Operations	\$ 47,859,528	\$ 48,481,237	\$ (1,101,663)
Aid to Local Units	0	0	0
Other Assistance	200,900,000	204,100,000	0
TOTAL	<u>\$ 248,759,528</u>	<u>\$ 252,581,237</u>	<u>\$ (1,101,663)</u>
FTE Positions	968.3	964.3	0.0
Other Unclassified Positions	38.0	38.0	0.0
TOTAL	<u>1,006.3</u>	<u>1,002.3</u>	<u>0.0</u>

* The reduction includes the removal of the Governor's pay plan adjustments totaling \$1,247,229, this includes \$43,466 from the State General Fund. Absent the pay plan reduction, the Subcommittee's recommendation reflects an increase of \$102,100.

Agency Req. /Governor's Recommendation

The agency requests \$252,901,742 in operating expenditures for FY 2002, \$9,759,961(4.0 percent) more than the agency's FY 2001 estimate. This is based on the agency estimate of additional unemployment benefits mainly due to inflationary increases in the average weekly benefit amount.

Also included in the agency's requests are two enhancements: \$2,000,000 from the State General Fund for the Kansas Workforce Development System (KansasJobLink.com), for continued development and maintenance; and 4.0 FTE and \$171,211 from the State General Fund for the Kansas Apprenticeship Council.

The Governor recommends \$254,735,409 in operating expenditures for FY 2002, an increase of \$1,833,667 (or 0.7 percent) over the agency request. The increase reflects the Governor's recommended pay plan adjustments. The Governor does not recommend the enhancements.

Senate Subcommittee Recommendation

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

1. **Delete \$1,247,229** including \$43,466 from the State General Fund, based on the recommendation to delete funding for the Governor's pay plan adjustments from individual agency budgets. This includes an annualized 3.0 percent base salary increase (\$730,778), unclassified merit (\$67,801), and longevity bonus (\$448,650).
2. **Add \$102,100** from Other Funds, the Subcommittee was informed the Governor added 2.0 FTE positions to the Department of Health and Environment's (KDHE) budget to be funded by the Department of Human Resources. These positions will collect data on safety in the workplace and collect data allowing for the development of policy for the Workers Compensation maximum medical fee schedule.
3. The Subcommittee requests the Joint Committee on Economic Development review other state's Workforce Development plans and compare to what Kansas has in place. The Subcommittee feels workforce development is a key to economic development.
4. The Subcommittee notes the work being done by Barbara Reavis, who is the Coordinator/Liaison for the Kansas Workforce Investment Partnership (KWIP). As the Coordinator, Ms. Reavis facilitates the KWIP board meetings, informs the Board on the current law, and acts as a liaison between state government, various state agencies, and the local boards. The Subcommittee hopes this will result in better coordination, efficiency, and use of our workforce development dollars.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee's recommendation.

Senate Committee of the Whole Recommendation

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

House Budget Committee Report

Agency: Kansas Department of Human Resources **Bill No. 2557**

Bill Sec. 49

Analyst: Lovin

Analysis Pg. No. 376

Budget Page No. 225

Expenditure Summary	Agency Req. FY 02	Gov. Rec. FY 02	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 51,642,567	\$ 50,310,409	\$ 102,100
Aid to Local Units	359,175	325,000	0
Other Assistance	200,900,000	204,100,000	0
Subtotal - Operating	\$ 252,901,742	\$ 254,735,409	\$ 102,100
Capital Improvements	230,000	230,000	0
TOTAL	\$ 253,131,742	\$ 254,965,409	\$ 102,100
State General Fund:			
State Operations	\$ 3,783,039	\$ 1,829,172	\$ 0
Aid to Local Units	359,175	325,000	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 4,142,214	\$ 2,154,172	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 4,142,214	\$ 2,154,172	\$ 0
Other Funds:			
State Operations	\$ 47,859,528	\$ 48,481,237	\$ 102,100
Aid to Local Units	0	0	0
Other Assistance	200,900,000	204,100,000	0
Subtotal - Operating	\$ 248,759,528	\$ 252,581,237	\$ 102,100
Capital Improvements	230,000	230,000	0
TOTAL	\$ 248,989,528	\$ 252,811,237	\$ 102,100
FTE Positions	968.3	964.3	0.0
Other Unclassified Positions	38.0	38.0	0.0
TOTAL	1,006.3	1,002.3	0.0

Agency Req./Governor's Recommendation

The agency requests **\$252,901,742** for operating expenditures in FY 2002, this is an increase of \$9,759,961 (4.0 percent) over the agency's FY 2001 estimate. The increase is based on the agency estimate of additional unemployment benefits due to inflationary increases in the average weekly benefit amount. Also included in the agency's request are two enhancements: \$2,000,000 from the State General Fund for the Kansas Workforce Development System (KansasJobLink.com),

for continued development and maintenance; and 4.0 FTE and \$171,211 from the State General Fund for the Kansas Apprenticeship Council.

The Governor recommends \$254,735,409 in operating expenditures for FY 2002, and increase of \$1,833,667 (0.7 percent) over the agency request and an increase of \$11,593,628 (4.8 percent) over the Governor's FY 2001 recommendation. The Governor does not recommend the enhancements.

House Budget Committee Recommendation

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

1. **Add \$102,100** from Other Funds (Workers Compensation Fee Fund). The House Budget Committee was informed the Governor added 2.0 FTE positions to the Department of Health and Environment's (KDHE) budget to be funded by the Department of Human Resources. These positions will collect data on safety in the workplace and collect data allowing for the development of policy for the Workers Compensation maximum medical fee schedule.

Senate Subcommittee Report

Agency: Kansas Commission on
Veterans Affairs

Bill No. ---

Bill Sec. --

Analyst: Lovin

Analysis Pg. No. 407

Budget Page No. 447

Expenditure Summary	Agency Est. FY 01	Gov. Rec. FY 01	Subcommittee Adjustments
All Funds:			
State Operations	\$ 13,974,489	\$ 11,029,947	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 13,974,489	\$ 11,029,947	\$ 0
Capital Improvements	4,612,833	3,812,833	601,071
TOTAL	\$ 18,587,322	\$ 14,842,780	\$ 601,071
State General Fund:			
State Operations	\$ 7,939,865	\$ 5,199,921	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 7,939,865	\$ 5,199,921	\$ 0
Capital Improvements	30,342	0	0
TOTAL	\$ 7,970,207	\$ 5,199,921	\$ 0
Other Funds:			
State Operations	\$ 6,034,624	\$ 5,830,026	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 6,034,624	\$ 5,830,026	\$ 0
Capital Improvements	4,582,491	3,812,833	601,071
TOTAL	\$ 10,617,115	\$ 9,642,859	\$ 601,071
FTE Positions	454.8	460.8	3.0
Other Unclassified Positions	4.8	4.8	0.0
TOTAL	459.6	465.6	3.0

Agency Est./Governor's Recommendation

The agency's revised FY 2001 estimate for operating expenditures is \$13,974,489. This is a decrease of \$616,993 or 4.2 percent from the amount approved by the 2000 Legislature. The request includes:

- An increase from the **State General Fund of \$2,765,368** including,
 - \$60,693 for Veterans Services, to fund 2.0 additional FTE
 - \$809,531 for the Kansas Soldiers Home
 - \$1,847,919 for the Kansas Veterans Home for operations
 - the increase of State General Fund is mainly due to KVH needing to cover the shortage from the Home's fee fund because the per diem reimbursement from the federal government has not been sent; it is anticipated to be received February/March 2001
 - \$47,255 for the State Veterans Cemeteries, for the contracting of specific duties at the cemeteries

The Governor recommends for the current year operating expenditures \$11,029,947 and an additional 6.0 in FTE, the recommendations includes:

- State General Fund—\$5,199,921 or 47.1 percent of the total operating expenditures request
- Special revenue funds—\$5,830,026 or 52.9 percent of the total operating expenditures request

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations with the following adjustments and comments.

1. The Subcommittee notes the one cent increase in postage is not included in the supplemental request and could have an impact in FY 2002.
2. The Subcommittee notes the Community Based Outpatient Clinic (CBOC) is a NO-Limit fund and appears to be doing well. Also concerning the CBOC, pharmaceuticals are increasing in cost but this will not affect the State General Fund because these costs are covered by the Veterans Administration.
3. The Subcommittee was informed the Kansas Soldiers Home will need \$18,000 in a supplemental appropriation to cover the pay increases recommended during the 2000 Session for the remainder of FY 2001 and recommends reviewing this issue during Omnibus. Also, the Subcommittee recommends adding 3.0 FTE at KSH, with no funding, for nursing positions needed to meet the new VA direct care staffing requirement of 2.5 hours per day, per patient.
4. **Add \$601,071** from the State Institutions Building Fund (SIBF) for the Soldier's Home Facilities Conservation Improvement Projects (FCIP), this is the amount lapsed in the Governor's recommendation. The Superintendent believes federal funds can be obtained at a rate of 65/35 state match for many of the projects. The funds being recommended by the Subcommittee would be used for the state match.
5. The Subcommittee notes the possibility of the Kansas Veterans Home at Winfield (KVH) changing 40 Domiciliary beds to Nursing beds. There is a greater need for the Nursing beds and these beds generate higher fees. This would have a slight impact on SGF, because of staffing requirements. However, this is only a consideration at this stage and must be approved by the VA first.

6. The Subcommittee notes the KCVA will need authority to spend the funds that will be sent from the VA as reimbursement for the Ft. Dodge Cemetery planning. The Subcommittee requests the State Finance Council release these funds when received, for planning at the next proposed cemetery site. The Subcommittee encourages the continued funding of these sites for upkeep and maintenance. The Federal Government paid for the land and approximately \$300,000 worth of equipment to construct the cemeteries (which the cemeteries will keep), with the expectation of the State funding the future maintenance.
7. The Subcommittee notes the Kansas Veterans Home has not yet received the VA per diem reimbursement, and recommends this item be flagged for Omnibus. If the reimbursement has not been received by May 2001, the Home indicates it will need additional funding via a supplemental appropriation to complete the year. Further, the Subcommittee requests the Chairman of the Ways and Means Committee to send a letter to the Kansas Congressional Delegation in Washington, D.C., requesting help in expediting the per diem reimbursement, if the funds have not been received by May 2001. The home has been caring for Veterans since May of 2000.
8. The Subcommittee requests the committee to consider at Omnibus adding 1.0 FTE for the requested Deputy Director position in the Veterans Service/Central Office if funds are available. The Subcommittee notes that the Kansas Commission on Veterans Affairs has reclassified 2.0 FTE positions from KVH for Veterans Services and has the ability to reclassify more if needed.
9. The breakdown of the veteran population in the State of Kansas is attached for reference. See attachment #1.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee's recommendation with the following adjustment.

- Refer Item No. 4 to Senate Subcommittee on Capital Improvements.

Senate Committee of the Whole Recommendation

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

House Budget Committee Report

Agency: Kansas Commission on Veterans Affairs

Bill No. 2545

Bill Sec. 17

Analyst: Lovin

Analysis Pg. No. 407

Budget Page No. 447

<u>Expenditure Summary</u>	<u>Agency Est. FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>House Budget Committee Adjustments</u>
All Funds:			
State Operations	\$ 13,974,489	\$ 11,029,947	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 13,974,489</u>	<u>\$ 11,029,947</u>	<u>\$ 0</u>
Capital Improvements	4,612,833	3,812,833	0
TOTAL	<u><u>\$ 18,587,322</u></u>	<u><u>\$ 14,842,780</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 7,939,865	\$ 5,199,921	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>7,939,865</u>	<u>5,199,921</u>	<u>0</u>
Capital Improvements	30,342	0	0
TOTAL	<u><u>\$ 7,970,207</u></u>	<u><u>\$ 5,199,921</u></u>	<u><u>\$ 0</u></u>
Other Funds:			
State Operations	\$ 6,034,624	\$ 5,830,026	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 6,034,624</u>	<u>\$ 5,830,026</u>	<u>\$ 0</u>
Capital Improvements	4,582,491	3,812,833	0
TOTAL	<u><u>\$ 10,617,115</u></u>	<u><u>\$ 9,642,859</u></u>	<u><u>\$ 0</u></u>
FTE Positions	454.8	460.8	0.0
Other Unclassified Positions	4.8	4.8	0.0
TOTAL	<u><u>459.6</u></u>	<u><u>465.6</u></u>	<u><u>0.0</u></u>

Agency Est./Governor's Recommendation

The agency's revised FY 2001 estimate for operating expenditures is \$13,974,489. This is a decrease of \$616,993 or 4.2 percent from the amount approved by the 2000 Legislature. The request includes:

5-13

- An Increase to the **State General Fund of \$2,765,368** including,
 - \$60,693 for Veterans Services, to fund 2.0 additional FTE
 - \$809,531 for the Kansas Soldiers Home
 - \$1,847,919 for the Kansas Veterans Home for operations
 - the increase of State General Fund is mainly due to KVH needing to cover the shortage from the Home's fee fund because the per diem reimbursement from the federal government has not been sent; it is anticipated to be received February/March 2001
 - \$47,255 for the State Veterans Cemeteries, for the contracting of specific duties at the cemeteries

The Governor recommends for the current year operating expenditures \$11,029,947 and an additional 6.0 in FTE, the recommendations includes:

- State General Fund-\$5,199,921 or 47.1 percent of the total operating expenditures request
- Special revenue funds-\$5,830,026 or 52.9 percent of the total operating expenditures request

House Budget Committee Recommendation

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

1. The House Budget Committee notes the Kansas Veterans Home has not yet received the VA per diem reimbursement, and recommends this item be flagged for Omnibus. The home has been caring for Veterans since opening in May of 2000. If the reimbursement has not been received by May 2001, the Home indicates it will need additional funding via a supplemental appropriation, of not more than \$82,000, to complete FY 2001.
2. The House Budget Committee notes apparent discrepancies between inspections done by the Kansas Department of Health and Environment (KDHE) and the Veterans Administration (VA). The Kansas Veterans Home in Winfield received a good inspection report from the VA approximately two weeks after KDHE halted admissions to the home because in their opinion KVH was not maintaining patient care plans adequately.
3. The House Budget Committee commends the work done by Dr. Lea Steele on the Persian Gulf War Health Initiative Program. The study completed by Dr. Steele on Persian Gulf War Syndrome has been published by the American Journal of Epidemiology.

Senate Subcommittee Report

Agency: Kansas Commission on
Veterans Affairs

Bill No.

Bill Sec.

Analyst: Lovin

Analysis Pg. No. 407

Budget Page No. 447

Expenditure Summary	Agency Req. FY 02	Gov. Rec. FY 02	Subcommittee Adjustments
All Funds:			
State Operations	\$ 19,131,792	\$ 13,797,507	\$ (300,686) *
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 19,131,792</u>	<u>\$ 13,797,507</u>	<u>\$ (300,686)</u>
Capital Improvements	8,750,424	8,023,587	0
TOTAL	<u><u>\$ 27,882,216</u></u>	<u><u>\$ 21,821,094</u></u>	<u><u>\$ (300,686)</u></u>
State General Fund:			
State Operations	\$ 9,506,141	\$ 4,620,810	\$ (251,702)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 9,506,141</u>	<u>\$ 4,620,810</u>	<u>\$ (251,702)</u>
Capital Improvements	18,587	0	0
TOTAL	<u><u>\$ 9,524,728</u></u>	<u><u>\$ 4,620,810</u></u>	<u><u>\$ (251,702)</u></u>
Other Funds:			
State Operations	\$ 9,625,651	\$ 9,176,697	\$ (48,984)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 9,625,651</u>	<u>\$ 9,176,697</u>	<u>\$ (48,984)</u>
Capital Improvements	8,731,837	8,023,587	0
TOTAL	<u><u>\$ 18,357,488</u></u>	<u><u>\$ 17,200,284</u></u>	<u><u>\$ (48,984)</u></u>
FTE Positions	564.8	552.8	3.0
Other Unclassified Positions	4.4	4.4	0.0
TOTAL	<u><u>569.2</u></u>	<u><u>557.2</u></u>	<u><u>3.0</u></u>

* Removal of the Governor's employee pay plan adjustments; a reduction of \$300,686, including \$251,702 from the State General Fund.

Agency Req./Governor's Recommendation

The agency's FY 2002 operating expenditures request of \$19,131,792 is an increase of \$5,157,303 or 36.9 percent over FY 2001. The request includes:

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- **State General Fund**
 - \$9,506,141 or 49.7 percent of the total FY 2002 operating request
- **Special Revenue Funds**
 - \$9,625,651 or 50.3 percent of the total FY 2002 operating request
- **Salaries and Wages**
 - \$15,329,728 (including fringe benefits) for 564.8 FTE positions and 4.4 Other Unclassified Positions, an increase of \$4,774,728 (45.2 percent) and 110.4 FTE positions over the FY 2001 estimate

The agency included in the enhancement amounts funds which would be used to reclassify existing positions.

- **Operating Expenditures for the Kansas Veterans Home** of \$10,961,949
 - including \$5,500,078 from the **State General Fund** (50.2 percent of the total Kansas Veterans Home (KVH) operating request)
 - \$5,461,871 from the KVH Fee Fund (49.8 percent of total KVH operating request)
 - including \$8,924,104 for salaries and wages for 356.0 FTE positions, an increase of 92.0 FTE positions

The Governor recommends total operating expenditures of \$13,797,507, an increase of \$2.8 million or (25.1 percent) from the FY 2001 recommendation. The Governor's recommendation is a decrease of \$5.3 million (27.9 percent) from the agency's request. The recommendation includes:

- **State General Fund**
 - \$4,620,810 or 33.5 percent of the total FY 2002 operating recommendation
- **Special Revenue Funds**
 - \$9,176,697 or 66.5 percent of the total FY 2002 operating recommendation
- **Salaries and Wages**
 - \$11,436,332 (including fringe benefits) for 552.8 FTE and 4.4 other unclassified positions
- **Kansas Veterans Home** total operating expenditures of \$6,536,000
 - \$1,586,566 from the State General Fund (24.3 percent of the total KVH operating request)
 - \$4,949,434 from the Veterans Home Fee Fund (75.7 percent of the total KVH operating request)
 - including \$5,703,600 for salaries and wages for 356.0 FTE positions

Senate Subcommittee Recommendation

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

1. Delete \$300,686 (including \$251,702 from the SGF) for the Governor's recommended pay plan adjustments; including (\$206,566) for classified base merit increase, (\$13,021) for unclassified merit increase, (\$81,099) for longevity bonus payments.
2. The Subcommittee notes the nurses salaries at the Kansas Soldiers Home cannot be increased without a study by the Division of Personnel Services, as requested

by the agency. However, the Subcommittee notes that in order for KSH to be able to recruit and retain RN's, LPN's, and Healthcare workers the Division of Personnel Services has stated that they have the ability to increase the steps at which the nurses and healthcare workers are hired in at.

3. The Subcommittee recommends adding 3.0 FTE positions (as in FY 2001) at the Kansas Soldiers Home and shifting \$85,000 from the agency's contractual services request for FY 2002 to salaries and wages to fund three nursing positions. These funds have been budgeted for Contract Nurses through an agency and the Subcommittee as well as the Home's Superintendent feel the above recommendation will be the most efficient use of these funds, because of the high cost of agency nurses and the inherent unreliability of contractual positions. The Subcommittee notes the VA now requires 2.5 hours of direct care staff per patient, per 24 hour period, 7 days per week and if the facility has more than 60 beds (KSH has over 60) the Nursing Supervisor may not be counted as staff providing direct care. In order to provisionally meet the requirements KSH assured inspectors they were requesting 3.0 additional FTE in direct care staff. If these positions are not obtained it will threaten the continued receipt of the VA reimbursement which accounts for 50 percent of the Home's budget.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee's recommendation.

Senate Committee of the Whole Recommendation

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

House Budget Committee Report

Agency: Kansas Commission on Veterans Affairs

Bill No. 2557

Bill Sec. 50

Analyst: Lovin

Analysis Pg. No. 407

Budget Page No. 447

Expenditure Summary	Agency Req. FY 02	Gov. Rec. FY 02	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 19,131,792	\$ 13,797,507	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 19,131,792</u>	<u>\$ 13,797,507</u>	<u>\$ 0</u>
Capital Improvements	8,750,424	8,023,587	0
TOTAL	<u><u>\$ 27,882,216</u></u>	<u><u>\$ 21,821,094</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 9,506,141	\$ 4,620,810	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 9,506,141</u>	<u>\$ 4,620,810</u>	<u>\$ 0</u>
Capital Improvements	18,587	0	0
TOTAL	<u><u>\$ 9,524,728</u></u>	<u><u>\$ 4,620,810</u></u>	<u><u>\$ 0</u></u>
Other Funds:			
State Operations	\$ 9,625,651	\$ 9,176,697	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 9,625,651</u>	<u>\$ 9,176,697</u>	<u>\$ 0</u>
Capital Improvements	8,731,837	8,023,587	0
TOTAL	<u><u>\$ 18,357,488</u></u>	<u><u>\$ 17,200,284</u></u>	<u><u>\$ 0</u></u>
FTE Positions	564.8	552.8	0.0
Other Unclassified Positions	4.4	4.4	0.0
TOTAL	<u><u>569.2</u></u>	<u><u>557.2</u></u>	<u><u>0.0</u></u>

Agency Req./Governor's Recommendation

The agency's FY 2002 operating expenditures request of \$19,131,792 is an increase of \$5,157,303 or 36.9 percent over FY 2001. The request includes:

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- \$9,506,141 from the State General Fund
- \$9,625,651 from Special Revenue Funds
- \$15,329,728 for Salaries and Wages, funding 569.2 positions
- \$5,671,015 for operations at the Kansas Soldiers Home at Ft. Dodge
- \$10,961,949 for operations at the Kansas Veterans Home at Winfield.

The Governor recommends \$13,797,507 for operating expenditures in FY 2002, an increase of \$2.8 million over the FY 2001 recommendation. The recommendation includes:

- \$4,620,810 from the State General Fund
- \$9,176,697 from Special Revenue Funds
- \$11,436,332 for Salaries and Wages, funding 557.2 positions
- \$5,023,900 for operations at the Kansas Soldiers Home
- \$6,536,000 for operations at the Kansas Veterans Home.

House Budget Committee Recommendations

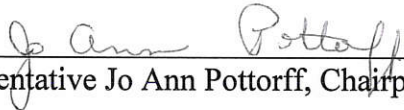
The House Budget Committee concurs with the Governor's recommendation, with the following observations:


1. The House Budget Committee recommends the issue of shrinkage rates at Kansas Veterans Home (KVH) and Kansas Soldiers Home (KSH) being reduced be considered during Omnibus.
2. The House Budget Committee recommends the issue of funding needed for the planning of veterans cemeteries be reviewed by the Joint Committee on State Building Construction and be considered for funding at Omnibus.
3. The House Budget Committee recommends the issue of a Safety and Security Office at KSH be reviewed during Omnibus, this position would require \$24,445 from the State General Fund for FY 2002.

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


KPERS

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 3/13/01
ATTACHMENT # 6

Senate Subcommittee Report

Agency: Kansas Public Employees Retirement System **Bill No.** 342

Bill Sec. –

Analyst: Efird

Analysis Pg. No. 1322

Budget Page No. 309

Expenditure Summary	Agency Estimate FY 01	Governor's Recommendation FY 01	Subcommittee Adjustments
State Operations	\$ 35,822,561	\$ 35,822,561	\$ (3,785,996)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Total--Operations	\$ 35,822,561	\$ 35,822,561	\$ (3,785,996)
<u>Financing Summary</u>			
KPERS Fund	\$ 35,162,561	\$ 35,162,561	\$ (3,355,032)
Non-KPERS Funds	660,000	660,000	(430,964)
Total--All Funds	\$ 35,822,561	\$ 35,822,561	\$ (3,785,996)
FTE Positions	80.0	80.0	0.0
Other Unclassified	0.0	0.0	0.0
TOTAL	80.0	80.0	0.0

Agency Estimate/Governor's Recommendation

The approved budget at the end of the 2000 Legislature totaled \$35,385,342 in reportable expenditures. The **agency's revised estimate in FY 2001** is \$35,822,561.

The **Governor concurs** with the **revised FY 2001 request**. The State Finance Council approved an increase in expenditure and FTE position limitations at a December 2000 meeting that adopted the revised FY 2001 budget which included additions of \$660,000 and 1.0 FTE position for investing non-KPERS funds. Reductions of \$222,781 in FY 2001 estimates for the KPERS Fund were not addressed by the State Finance Council. The Governor's FY 2001 recommendations concur with the agency identified reductions in the KPERS Fund expenditures totaling \$222,781.

Senate Subcommittee Recommendation

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

1. Reduce \$1,200,000 of financing for the technology project and authorize expenditures in FY 2002. Currently, \$2,283,913 is authorized in FY 2001 and the agency indicates that it will spend only \$1,083,913 this fiscal year. To complete

its project, the agency requests FY 2002 expenditures of \$1.2 million for the technology project.

2. Reduce \$2,155,032 for paying managers who invest KPERS monies based on investment performance below targets in FY 2001.
3. Reduce \$430,964 for paying managers who invest non-KPERS monies based on investment performance below targets in FY 2001.

Senate Committee Recommendation

The Committee concurs.

House Budget Committee Report

Agency: Kansas Public Employees Retirement System **Bill No.** 2545

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 1322

Budget Page No. 309

Expenditure Summary	Agency Estimate FY 01	Governor's Recommendation FY 01	Budget Committee Adjustments
State Operations	\$ 35,822,561	\$ 35,822,561	\$ (3,785,996)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Total--Operations	\$ 35,822,561	\$ 35,822,561	\$ (3,785,996)
Financing Summary			
KPERS Fund	\$ 35,162,561	\$ 35,162,561	\$ (3,355,032)
Non-KPERS Funds	660,000	660,000	(430,964)
Total--All Funds	\$ 35,822,561	\$ 35,822,561	\$ (3,785,996)
FTE Positions	80.0	80.0	0.0
Other Unclassified	0.0	0.0	0.0
TOTAL	80.0	80.0	0.0

Agency Estimate/Governor's Recommendation

The approved budget at the end of the 2000 Legislature totaled \$35,385,342 in reportable expenditures. The agency's revised estimate in FY 2001 is \$35,822,561.

The Governor concurs with the revised FY 2001 request. The State Finance Council approved an increase in expenditure and FTE position limitations at a December 2000 meeting that adopted the revised FY 2001 budget which included additions of \$660,000 and 1.0 FTE position for investing non-KPERS funds. Reductions of \$222,781 in FY 2001 estimates for the KPERS Fund were not addressed by the State Finance Council. The Governor's FY 2001 recommendations concur with the agency identified reductions in the KPERS Fund expenditures totaling \$222,781.

House Budget Committee Recommendation

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

1. Reduce \$1,200,000 of financing for the technology project and authorize expenditures in FY 2002. Currently, \$2,283,913 is authorized in FY 2001 and the agency indicates that it will spend only \$1,083,913 this fiscal year. To complete its project, the agency requests FY 2002 expenditures of \$1.2 million for the technology project.
2. Reduce \$2,155,032 for paying managers who invest KPERS monies based on investment performance below targets in FY 2001.
3. Reduce \$430,964 for paying managers who invest non-KPERS monies based on investment performance below targets in FY 2001.
4. Commend the new Executive Secretary for the professionalism that he brings to the job and for the manner in which he has conducted himself when working with legislators. Members appreciated the opportunity to work with Mr. Deck and anticipate a long and enduring working relationship with the chief representative for the KPERS Board of Trustees.

Senate Subcommittee Report

Agency: Kansas Public Employees Retirement System **Bill No. 348**

Bill Sec. 37

Analyst: Efird

Analysis Pg. No. 1322

Budget Page No. 309

<u>Expenditure Summary</u>	<u>Agency Request FY 02</u>	<u>Governor's Recommendation FY 02</u>	<u>Subcommittee Adjustments</u>
State Operations	\$ 36,712,453	\$ 36,485,546	\$ (2,987,401)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Total--Operations	<u>\$ 36,712,453</u>	<u>\$ 36,485,546</u>	<u>\$ (2,987,401)</u>
<u>Financing Summary</u>			
KPERS Fund	\$ 34,987,453	\$ 34,847,546	\$ (1,818,586)
Non-KPERS Funds	1,725,000	1,638,000	(1,168,815)
Total--All Funds	<u>\$ 36,712,453</u>	<u>\$ 36,485,546</u>	<u>\$ (2,987,401)</u>
FTE Positions	84.0	80.0	4.0
Other Unclassified	0.0	0.0	0.0
TOTAL	<u>84.0</u>	<u>80.0</u>	<u>4.0</u>

Note: Includes a reduction of \$111,404 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 \$2,875,997 from all other funds.

Agency Request/Governor's Recommendation

The **agency's budget request in FY 2002** reflects a net increase of 2.5 percent in operating costs. Included in the budget are a reduction of \$175,108 for KPERS financing and an increase of \$1,065,000 for non-KPERS financing, compared with the current year revised budget request. Additional staffing of 4.0 FTE positions also is requested next fiscal year.

The **Governor's FY2002 recommendations** provide for a net increase of 1.9 percent in operating expenditures. The Governor's recommendations include a reduction of \$315,015 from KPERS funds and an increase of \$978,000 from non-KPERS funds, compared with the recommended FY 2001 budget. No increase in staffing is recommended.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations and makes the following additional adjustments. Many of the following Subcommittee recommendations, beginning with item

six, are made to increase the agency's flexibility in order to respond in a timely manner to its customers and environment. KPERS presented a number of management strategies which the Subcommittee believes will improve its efficiency and increase the service to its members. The Joint Committee on Pensions, Investments and Benefits had reviewed a KPERS proposal to establish it as an "authority" modeled after the Kansas Turnpike Authority or University of Kansas Hospital Authority. The Joint Committee had recommended that KPERS develop other alternatives to improve its ability to respond to members' needs in a timely manner and to adapt to its rapidly changing environment. The agency presented a proposal to the Subcommittee for its consideration in reviewing the agency's budget. Most KPERS alternatives were incorporated into the Subcommittee's report. Below, the first five items reflect the more traditional budget adjustments, followed by the flexibility recommendations of the Subcommittee.

1. Remove \$111,404 recommended by the Governor for salary plan financing. Additional funding for unclassified merit is included in the unclassified salary base recommended by the Governor that would be in addition to the basic salary plan financing. This additional funding of \$25,746 should be removed as a technical adjustment in the Governor's recommendations. Total reductions would be \$137,150.
2. Add \$1.2 million in expenditures to continue the technology projection in FY 2002. This amount represents funding already appropriated in the current fiscal year that would carry over for expenditure next fiscal year in completing the project. This project is designed to improve workflow management and to provide a data base management system with digital documents.
3. Reduce \$3,078,682 in expenditures for paying managers who invest KPERS monies based on a revised agency estimate.
4. Reduce \$968,815 in expenditures for paying managers who invest non-KPERS monies based on a revised agency estimate.
5. Reduce \$200,000 in expenditures from agency operations for administrative expenses associated with managing non-KPERS monies as included in a revised agency estimate.
6. Add expenditures of \$147,246, including \$111,266 for salaries and benefits plus \$35,981 for other operating expenses, for 4.0 new FTE positions to assist in the member services area. KPERS projections indicate an increase in the number of active/inactive members from 173,734 in FY 2000 to 201,451 in FY 2005 and to 253,897 in FY 2010. KPERS projections also indicate an increase in retired members from 53,141 in FY 2000 to 62,341 in FY 2005 and to 74,284 in FY 2010. With an increasing workload in member services, the additional staff is justified. Additional demands on members services will be addressed in FY 2002 by adding new staff in the areas of the Infoline (telephone), service buybacks, withdrawals and refunds, and a new partial lump sum option to retiring members. The Joint Committee on Pensions, Investments and Benefits, at the conclusion of the 2000 Interim study, had expressed concern that until the service levels for existing programs administered by KPERS staff are addressed and improved, no additional responsibilities should be assigned to that organization. The Subcommittee recommendation addresses some of the concern about enhancing service levels, at least those needing most urgent attention.
7. Add \$50,000 for a consultant services contract to assist KPERS in addressing its telephony needs and developing a plan to improve services to members. From September 1999 to

September 2000, the agency was unable to answer all incoming calls. Although the number of calls answered each month averaged between 5,000 and 7,000, the total number of incoming calls ranged between 9,000 and 15,000 for most months. The Subcommittee believes that abandoned calls need to be addressed, and that this study is expected to produce a workable solution to the agency's telephone needs. Implementation of the solution should come after the completion of the information technology project in FY 2002.

8. Change all of the dollar amount limitations to no limit items in the Governor's FY 2002 recommended appropriations bill for agency operations and investment related services. In addition, provide for subaccounts to differentiate KPERS funded expenditures from non-KPERS funded expenditures within agency operations and investment related services. Currently, only KPERS funded expenditures for retirement benefit payments, the group insurance reserve fund, and the optional death benefit plan reserve fund are allowed to be expended on a no limit basis. The non-KPERS funds all have no limit expenditure authority. KPERS does not depend upon State General Fund appropriations to pay for operating expenses. Currently, KSA2000 Supp. 74-4921(1) provides that monies in the KPERS Fund "shall be used solely for the exclusive purpose of providing benefits to members and member beneficiaries and **defraying reasonable expenses of administering the fund.**" KSA 2000 Supp. 74-4922(d) provides authority to establish an expense reserve and this reserve "**shall be charged with payments of all expenses incurred in connection with the administration of the system.**"

The KPERS Board of Trustees has a fiduciary responsibility and current law would ensure that its budget would include "reasonable expenditures" in discharging its responsibilities.

9. Delete the FTE limitation of 80.0 recommended by the Governor in FY 2002 from the appropriations bill and allow KPERS to hire staff as needed, with the Board of Trustees to determine the appropriate level of staffing. Other state agencies, such as the Legislature, the Governor's Office, Judicial Branch, and Board of Regents institutions, are allowed this flexibility by not imposing an FTE limitation in an appropriations bill. The Legislature has allowed KPERS to add staff over the last 10 years, generally as requested.
10. Recommend introduction of a bill to modify statutory provisions establishing a limited list of unclassified positions. KSA 74-4908(6) prescribes eligible positions in the unclassified service. The Subcommittee recommends delegating to the KPERS Board of Trustees this responsibility. It is anticipated that the Board will continue 12 existing staff positions in the unclassified service and will have the flexibility to add new positions as either classified or unclassified staff. Recently, the State Finance Council in December 2000 authorized KPERS a new investment analyst to assist with non-KPERS investments. This position should be in the unclassified service and in order to establish that new position, a change is required in the current law listing which KPERS staff may be in the unclassified service. The Subcommittee recommendation will accommodate the present need as well as future needs. This Subcommittee recommendation will not affect existing classified staff who will continue in the classified service. The Board of Trustees will determine which positions in the classified service, when they become vacant, should be placed in the unclassified service. Likewise, when new positions are established, the Board of Trustees will determine which new positions will be classified and which will be unclassified. The Board of Trustees, in turn, will continue to be authorized to set the salaries of the unclassified staff as is the practice under current law.

11. Recommend introduction of a bill to exempt KPERS from the current state procurement negotiating provisions in KSA 75-37,102, as required in KSA 2000 Supp. 75-37,130 et seq (Professional Services Sunshine Act), and to allow the long-standing practice for the Board of Trustees to conduct negotiations with the different management firms with which it contracts for investment and other services. The Subcommittee believes that an unintended consequence of 2000 HB 2627, which enacted the Professional Services Sunshine Act, is caused by a failure to exempt KPERS from the procurement negotiating statute. Other state agencies, such as the Board of Governors of the Health Care Stabilization Fund, and all other state agencies (such as the Department of Transportation) which contract for architectural services, engineering services, construction management or ancillary services pursuant to other referenced statutes, were exempted since there are specific statutes governing the procedures for selecting these types of contractors. KPERS plans to follow all other procedures in the public bidding law (KSA 75-37,102), except that the Board of Trustees, and not a procurement negotiating committee, would be responsible for deciding with which firms and on what terms a contract should be negotiated. This change is especially important since these firms invest million of dollars of KPERS funds. The Board has a fiduciary responsibility and is governed by separate statutes (KSA 2000 Supp. 74-4921). Until last year, this practice of allowing the Board to act as its own procurement negotiating committee has been followed, based on a waiver allowed by the Director of Purchases. With the recent change in law by 2000 HB 2627, the Director of Purchases rescinded that waiver. This Subcommittee recommendation would codify the exemption for KPERS and allow the Board of Trustees to negotiate contracts under the same guidelines as established in KSA 75-37,102 in order to ensure competitive public bidding as envisioned by the Professional Services Sunshine Act.

12. Monitor these recommended changes to determine if KPERS flexibility is improved. These recommendations will not reduce the budgetary or financial information provided by KPERS. The Subcommittee expects KPERS to continue submitting its annual budget request as required by law, and for the review process to result in recommendations by the Governor and the Legislature about KPERS operations. KPERS will continue to have appropriations recommended by the Governor and approved by the Legislature after budgetary review of its operations. KPERS will continue to be included in appropriations bills that must be passed by the Legislature and approved by the Governor. Among the financial reports that KPERS currently prepares and provides on a monthly basis, the Subcommittee recommends that whenever the Board approves any change in any budget items previously reviewed and approved by the Legislature, that the change be identified in the monthly financial information summaries prepared by the Board of Trustee's Chief Fiscal Officer. A copy of the most recent report is attached to this Subcommittee Report for the Committee's review.

Senate Committee Recommendation

The Committee concurs.

Summary of Senate Committee Actions

<u>Reportable Expenditures</u>	<u>Governor's Recommendations</u>	<u>Committee Adjustments</u>	<u>Committee Recommendations</u>
KPERS Funded			
Administration	\$ 6,130,480	\$ 1,260,096	\$ 7,390,576
Investments	28,717,066	(3,078,682)	25,638,384
Subtotal	<u>\$ 34,847,546</u>	<u>\$ (1,818,586)</u>	<u>\$ 33,028,960</u>
Non-KPERS Funded			
Administration	455,000	(200,000)	255,000
Investments	1,183,000	(968,815)	214,185
Subtotal	<u>\$ 1,638,000</u>	<u>\$ (1,168,815)</u>	<u>\$ 469,185</u>
TOTAL-All Funds	<u><u>\$ 36,485,546</u></u>	<u><u>\$ (2,987,401)</u></u>	<u><u>\$ 33,498,145</u></u>

House Budget Committee Report

Agency: Kansas Public Employees Retirement System Bill No. 2557

Bill Sec. 37

Analyst: Efirid

Analysis Pg. No. 1322

Budget Page No. 309

Expenditure Summary	Agency Request FY 02	Governor's Recommendation FY 02	Budget Committee Adjustments
State Operations	\$ 36,712,453	\$ 36,485,546	\$ (2,923,873)
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Total--Operations	<u>\$ 36,712,453</u>	<u>\$ 36,485,546</u>	<u>\$ (2,923,873)</u>
<u>Financing Summary</u>			
KPERS Fund	\$ 34,987,453	\$ 34,847,546	\$ (1,755,058)
Non-KPERS Funds	1,725,000	1,638,000	(1,168,815)
Total--All Funds	<u>\$ 36,712,453</u>	<u>\$ 36,485,546</u>	<u>\$ (2,923,873)</u>
FTE Positions	84.0	80.0	2.0
Other Unclassified	0.0	0.0	0.0
TOTAL	<u>84.0</u>	<u>80.0</u>	<u>2.0</u>

Agency Request/Governor's Recommendation

The agency's budget request in FY 2002 reflects a net increase of 2.5 percent in operating costs. Included in the budget are a reduction of \$175,108 for KPERS financing and an increase of \$1,065,000 for non-KPERS financing, compared with the current year revised budget request. Additional staffing of 4.0 FTE positions also is requested next fiscal year.

The Governor's FY2002 recommendations provide for a net increase of 1.9 percent in operating expenditures. The Governor's recommendations include a reduction of \$315,015 from KPERS funds and an increase of \$978,000 from non-KPERS funds, compared with the recommended FY 2001 budget. No increase in staffing is recommended.

House Budget Committee Recommendation

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

1. Add \$1.2 million in expenditures to continue the technology projection in FY 2002. This amount represents funding already appropriated in the current fiscal year that would carry over for expenditure next fiscal year in completing the project. This project is designed to improve workflow management and to provide a data base management system with digital documents.
2. Reduce \$3,078,682 in expenditures for paying managers who invest KPERS monies based on a revised agency estimate.
3. Reduce \$968,815 in expenditures for paying managers who invest non-KPERS monies based on a revised agency estimate.
4. Reduce \$200,000 in expenditures from agency operations for administrative expenses associated with managing non-KPERS monies as included in a revised agency estimate.
5. Add expenditures of \$73,624, including \$55,633 for salaries and benefits plus \$17,991 for other operating expenses, for 2.0 new FTE positions to assist in the member services area. KPERS projections indicate an increase in the number of active/inactive members from 173,734 in FY 2000 to 201,451 in FY 2005 and to 253,897 in FY 2010. KPERS projections also indicate an increase in retired members from 53,141 in FY 2000 to 62,341 in FY 2005 and to 74,284 in FY 2010. With an increasing workload in member services, the additional staff is justified. Additional demands on members services will be addressed in FY 2002 by adding new staff in the areas of the Infoline (telephone) and a new partial lump sum option to retiring members.
6. Add \$50,000 for a consultant services contract to assist KPERS in addressing its telephony needs and developing a plan to improve services to members. From September 1999 to September 2000, the agency was unable to answer all incoming calls. Although the number of calls answered each month averaged between 5,000 and 7,000, the total number of incoming calls ranged between 9,000 and 15,000 for most months. Any plan for future enhancements and expenditures for a new telephony system should be presented to the Legislature for review.
7. Make technical corrections in the appropriations bill, such as correcting \$75,000 for bonus awards to \$91,540 per the Governor's recommendation in FY 2002.
8. Change the recommended dollar amount specific expenditure limitation for the investment manager fees account to no limit in the appropriations bill.
9. Delete the FTE limitation for KPERS in the appropriations bill to reflect more flexibility in hiring needed staff. However, the recommended dollar amount specific expenditure limitation for the agency operations account should be maintained in order to control overall spending.
10. Amend the appropriations bill to reflect accounts for spending KPERS and non-KPERS money. In addition, monitor the forgoing recommended changes to determine if KPERS flexibility is improved. These recommendations will not reduce the budgetary or financial information provided by KPERS. The Budget Committee concurs with the Senate recommendation that whenever the Board approves any change in any budget items previously reviewed and approved by the Legislature, especially related to staffing and new positions, that the change be identified in the monthly financial information summaries prepared by the Board of Trustee's Chief Fiscal Officer and subsequently be transmitted to the Joint Committee on Pensions, Investments and Benefits.

Summary of House Budget Committee Actions

<u>Reportable Expenditures</u>	<u>Governor's Recommendations</u>	<u>Budget Committee Adjustments</u>	<u>Budget Committee Recommendations</u>
KPERS Funded			
Administration	\$ 6,130,480	\$ 1,323,624	\$ 7,454,104
Investments	<u>28,717,066</u>	<u>(3,078,682)</u>	<u>25,638,384</u>
Subtotal	\$ 34,847,546	\$ (1,755,058)	\$ 33,092,488
Non-KPERS Funded			
Administration	455,000	(200,000)	255,000
Investments	<u>1,183,000</u>	<u>(968,815)</u>	<u>214,185</u>
Subtotal	\$ 1,638,000	\$ (1,168,815)	\$ 469,185
TOTAL-All Funds	\$ 36,485,546	\$ (2,923,873)	\$ 33,561,673

**KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
INVESTMENT LITIGATION
ALLOCATION OF RECOVERABLE EXPENSES, FEES AND PROCEEDS
AS OF FEBRUARY 22, 2001**

TOTAL SETTLEMENT PROCEEDS TO DATE	\$ 69,181,811
LESS: REIMBURSABLE EXPENSES TO KPERS	9,243,204
LESS: CONTINGENT FEES TO ATTORNEYS	<u>18,389,650</u>
TOTAL FEES AND EXPENSES	<u>(27,632,853)</u>
NET TO KPERS AFTER FEES AND EXPENSES	<u>\$ 41,548,958</u>

KPERS

February 22, 2001

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
Investment Litigation
Summary of Payments and Recoveries
as of February 22, 2001

Date	KLG Fees	KLG Expenses	Document Depository	Other	Total Fees & Expenses	Litigation Recoveries	Net to KPERS
FY 91			\$ 171,273		\$171,273		\$ (171,273)
FY 92	\$ 180,212	\$ 578,776	533,623	\$ 33,934	1,326,545	\$2,000,000	502,182
FY 93		353,790	127,550		481,340		20,842
FY 94		298,896	156,919		455,815		(434,973)
FY 95		1,396,263	140,631	2,100	1,538,994		(1,973,967)
FY 96	2,572,578	1,274,430	126,562	-	3,973,570	10,125,000	4,177,462
FY 97	2,506,364	830,426	126,309		3,463,099	7,900,000	8,614,363
FY 98	2,863,097	972,745	93,072		3,928,914	7,267,173	11,942,622
FY 99	-	1,433,459	113,797		1,547,256	374,638	10,770,005
Jul-99		22,778	9,146		31,924		10,738,081
Aug-99		23,119	9,571		32,691		10,705,390
Sep-99		25,263	9,341		34,605		10,670,785
Oct-99		25,144	9,674		34,818		10,635,968
Nov-99		34,924	9,292		44,217		10,591,751
Dec-99		42,952	9,098		52,050		10,539,701
Jan-00			9,918		9,918		10,529,783
Feb-00			9,118		9,118	1,525,000	12,045,665
Mar-00	10,267,399	55,681	10,059		10,333,139	40,000,000	41,712,526
Apr-00		30,706	9,517		40,224		41,672,303
May-00			9,669		9,669		41,662,634
Jun-00		60,670	9,177		69,847		41,592,787
Jul-00		-	9,438		9,438		41,583,349
Aug-00		-	9,584		9,584		41,573,765
Sep-00		-	9,606		9,606		41,564,159
Nov-00		7,701	-		7,701		41,556,458
Feb-01			7,500		7,500		41,548,958
	\$18,389,650	\$7,467,723	\$1,739,446	\$36,034	\$27,632,853	\$69,181,811	\$41,548,958

1 Includes Callan settlement of \$1,900,000, and J.W. O'Conner \$6,000,000 settlement.

2 Includes Cohen Brame & Smith settlement of \$490,000, Sharoff Foods settlement of \$467,116, Jabara and Peters, Gamm settlement of \$375,000,

Boatmans settlement of \$2,903,836, Christopher Steel settlements of \$1,000,000, \$1,201,049.58, \$20,171.09 and \$250,000, George K. Baum settlement of \$600,000, and Frank Victor settlement of \$50,000, Emblem litigation.

3 Reimer, Shinski, Crew, Messick & Hart settlement of \$374,638.24.

4 Affinity settlements of \$1.5M, \$25,000.

5 Includes settlement of \$40M.

KPERC

February 22, 2001

**GENERAL GOVERNMENT AND HUMAN
RESOURCES BUDGET COMMITTEE**

FY 2001 and FY 2002

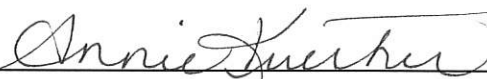
**Department of Administration
(Including Public Broadcasting)**



Representative Jo Ann Pottorff, Chairperson



Representative Richard Alldritt



Representative Annie Kuether



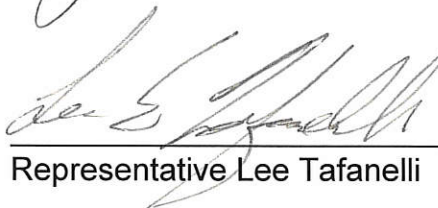
Representative Ralph Ostmeyer



Representative Joe Shriver



Representative Lloyd Stone



Representative Lee Tafanelli

HOUSE APPROPRIATIONS

DATE 3/13/01

ATTACHMENT # 7

Senate Subcommittee Report

Agency: Department of Administration

Bill No. 342

Bill Sec. 11

Analyst: Robinson

Analysis Pg. No. 1365

Budget Page No. 13

<u>Expenditure Summary</u>	<u>Agency Estimate FY 01</u>	<u>Gov. Rec. FY 01</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 20,627,556	\$ 20,460,481	\$ 0
Aid to Local Units	487,222	487,222	0
Other Assistance	4,095,001	3,891,381	0
Subtotal-Operating	<u>25,209,779</u>	<u>24,839,084</u>	<u>0</u>
Capital Improvements	3,337,859	3,628,585	0
TOTAL	<u><u>\$ 28,547,638</u></u>	<u><u>\$ 28,467,669</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 19,716,150	\$ 19,549,075	\$ 0
Aid to Local Units	267,222	267,222	0
Other Assistance	2,074,820	1,871,200	0
Subtotal-Operating	<u>\$ 22,058,192</u>	<u>\$ 21,687,497</u>	<u>\$ 0</u>
Capital Improvements	2,988,167	3,094,593	0
TOTAL	<u><u>\$ 25,046,359</u></u>	<u><u>\$ 24,782,090</u></u>	<u><u>\$ 0</u></u>
FTE Positions			
Reportable Budget	288.9	288.9	0.0
Nonreportable Budget	585.5	585.5	0.0
Subtotal-FTE Positions	<u>874.4</u>	<u>874.4</u>	<u>0.0</u>
Other Unclassified Positions	14.7	14.7	0.0
TOTAL	<u><u>889.1</u></u>	<u><u>889.1</u></u>	<u><u>0.0</u></u>

Agency Estimate/Governor's Recommendation

The agency's current year estimate of reportable expenditures is \$25.2 million, a net increase of \$851,903 from the approved budget. Major changes from the approved budget include: a requested State General Fund **supplemental appropriation** of \$203,620 for debt service payments on bonds authorized by the 2000 Legislature for conversion of public broadcasting stations to digital technology; funding of \$631,398 in the General Administration program, largely due to payments made under the Federal Cash Management program; and a downward reduction of \$133,745 in funds the Division of Personnel Services expects to receive from Unified School Districts participating in the group health insurance plan.

7-2

The Governor recommends a current year reportable operating budget of \$24.8 million, a net decrease of \$370,695 from the agency's estimate. The Governor does not recommend the State General Fund supplemental for the Public Broadcasting Council's requested debt service payment, because the bonds will not be issued until after the 2001 Legislative Session. The Governor's other adjustments largely adjust fringe benefit calculations and provide for slight shrinkage adjustments in some programs.

Nonreportable Budget. The agency estimates a current year nonreportable operating budget of \$97.76 million, a net increase of \$1.18 million from the approved budget. The major adjustments from the approved budget include increases in expenditures in the Division of Facilities Management (including increased motor pool fuel costs and annualization of operating costs for Memorial Hall), partially offset by reductions in anticipated workers' compensation costs. **The Governor** recommends a current year nonreportable operating budget of \$97.81 million, a slight increase (\$48,853) from the agency's estimate.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the Governor.

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee.

Senate Committee of the Whole Recommendation

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

House Budget Committee Report

Agency: Department of Administration

Bill No. 2545

Bill Sec. 11

Analyst: Robinson

Analysis Pg. No. 1365

Budget Page No. 13

Expenditure Summary	Agency Estimate FY 01	Gov. Rec. FY 01	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 20,627,556	\$ 20,460,481	\$ 0
Aid to Local Units	487,222	487,222	0
Other Assistance	4,095,001	3,891,381	0
Subtotal-Operating	<u>25,209,779</u>	<u>24,839,084</u>	<u>0</u>
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House Budget Committee Recommendation

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

Senate Subcommittee Report

Agency: Department of Administration

Bill No. 348

Bill Sec. 41

Analyst: Robinson

Analysis Pg. No. 1365

Budget Page No. 13

<u>Expenditure Summary</u>	<u>Agency Request FY 02</u>	<u>Gov. Rec. FY 02</u>	<u>Senate Subcommittee Adjustments*</u>
All Funds:			
State Operations	\$ 20,978,988	\$ 21,435,024	\$ (376,274)
Aid to Local Units	522,154	558,687	0
Other Assistance	4,235,132	3,909,503	0
Subtotal-Operating	<u>25,736,274</u>	<u>25,903,214</u>	<u>(376,274)</u>
Capital Improvements	2,857,864	2,659,864	0
TOTAL	<u><u>\$ 28,594,138</u></u>	<u><u>\$ 28,563,078</u></u>	<u><u>\$ (376,274)</u></u>
State General Fund:			
State Operations	\$ 19,995,803	\$ 20,444,438	\$ (364,623)
Aid to Local Units	302,154	338,687	0
Other Assistance	2,564,951	2,239,322	0
Subtotal-Operating	<u>\$ 22,862,908</u>	<u>\$ 23,022,447</u>	<u>\$ (364,623)</u>
Capital Improvements	2,773,000	2,480,000	0
TOTAL	<u><u>\$ 25,635,908</u></u>	<u><u>\$ 25,502,447</u></u>	<u><u>\$ (364,623)</u></u>
FTE Positions			
Reportable Budget	292.9	280.9	0.0
Nonreportable Budget	611.5	598.5	0.0
Subtotal-FTE Positions	<u>904.4</u>	<u>879.4</u>	<u>0.0</u>
Other Unclassified Positions	14.3	14.3	0.0
TOTAL	<u><u>918.7</u></u>	<u><u>893.7</u></u>	<u><u>0.0</u></u>

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

Agency Request/Governor's Recommendation

The agency requests an FY 2002 **reportable** operating budget of \$25.7 million, an increase of \$526,495 (2.1 percent) from the current year estimate. The request includes \$720,744 for budget enhancements. **The Governor** recommends an FY 2002 **reportable** operating budget of \$25.9 million, an increase of \$1.1 million (4.3 percent) from the current year. The Governor's recommendation includes the elimination of the Performance Review Board at the end of FY 2001. Current year funding for the Board is recommended at \$291,570. The recommendation includes a net decrease of 8.0 FTE positions from the current year recommendation, which reflects the shift of 5.0 FTE positions in General Administration, the Division of Personnel Services and the Division of Purchases

from the reportable to nonreportable budgets, and the elimination of 3.0 FTE positions related to the Governor's recommendation to eliminate the Performance Review Board.

The agency requests an FY 2002 **nonreportable** operating budget of \$105.6 million, an increase of \$7.8 million (8.0 percent) from the current year. The request includes \$2.3 million and 24.0 FTE position for enhancements. An additional 2.0 FTE positions are shifted from the reportable budget to the nonreportable budget. **The Governor** recommends an FY 2002 **nonreportable** budget of \$104.7 million, an increase of \$6.9 million (7.0 percent) from the current year. The recommendation includes the shift of 5.0 FTE positions from the reportable budget to the nonreportable budget, and the addition of 8.0 new FTE positions related to recommended enhancements.

Senate Subcommittee Recommendation

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

1. Delete \$376,274 including \$364,623 from the State General Fund, to remove the Governor's recommended reportable pay plan adjustments for longevity bonus payments (\$119,592), an annualized 3.0 percent classified base salary increase (\$210,275), and an annualized 3.0 percent unclassified merit pool (\$46,407) from individual agency budgets for consideration in a separate bill.
2. The Subcommittee notes that the Governor's recommendation includes elimination of the Performance Review Board at the end of FY 2001. The Board was established by the 1996 Legislature to examine governmental functions and recommend whether they should be privatized, eliminated, retained, or modified. As a basis for the Governor's recommendation, Volume 1 of the *Governor's Budget Report* indicates: "Its role in state government in the four years of its existence has not been well defined. Some of its functions appear to overlap those of Legislative Post Audit. And the Board's organizational location in the Department of Administration has been a poor fit." Given the recent emphasis placed on public-private partnerships for the delivery of services to the people of the state of Kansas, the Subcommittee is very supportive of the mission and goals of the Performance Review Board. The Subcommittee believes, however, that without the support of the executive branch, there is very little chance that the Board, as presently structured, can succeed. While concurring with the recommendation of the Governor, the Subcommittee challenges the Governor and the Department of Administration to seek other methods for achieving the necessary and valuable goals of the Board.
3. The Subcommittee is supportive of the Governor's recommendation to provide an additional \$100,000 from the State General Fund for increased grants to the Public Broadcasting Council in FY 2002. The Subcommittee notes that the Council had requested an additional \$296,301 for grants in addition to the current services amount of \$1,978,009. In addition, the Subcommittee notes that not only did the Council participate in the one percent current year State General Fund reduction approved by the 2000 Legislature, FY 2001 grants were funded at a 6.0

percent reduction from the requested current services level, actually reducing per capita state funding for grants from \$.81 in FY 2000 to \$.75 in FY 2001. The Governor's recommendation for FY 2002 provides funding of approximately \$.79 per capita, approximately where the Council's current services funding would normally have been expected to be last fiscal year. The Subcommittee is very supportive of the efforts of the Public Broadcasting Council, and notes in particular that in many areas of the State the only news concerning the activities of the Legislature comes from the Council's public radio and television stations. For those reasons, the Subcommittee recommends concurring with the recommendations of the Governor to provide total FY 2002 grants of \$2,078,009 to the Council.

4. The Subcommittee discussed shifting State General Fund expenditures to agency special revenue funds and was satisfied that the Governor's recommendations have maximized the use of special revenue funds. In some instances, the funds have been utilized to the point of causing some concern with cashflow. As an example, fee fund analyses for two nonreportable funds, the state buildings operating fund (to which rents collected from state agencies to provide maintenance and upkeep of buildings are deposited), and the architectural services recovery fund (into which a 1.0 percent fee for all capital improvement projects is deposited), are reflected below:

State Buildings Operating Fund

	Actual FY 2000	Gov. Rec. FY 2001	Gov. Rec. FY 2002
Beginning Balance	\$ 7,210,994	\$ 5,352,835	\$ 0
Net Receipts	16,463,244	16,492,352	21,079,976
Total Available	<u>\$ 23,674,238</u>	<u>\$ 21,845,187</u>	<u>\$ 21,079,976</u>
Expenditures	18,321,403	21,845,187	21,079,976
Ending Balance	<u><u>\$ 5,352,835</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>
Ending Balance as a % of Expenditures	29.2%	0.0%	0.0%

Architectural Services Recovery Fund

	Actual FY 2000	Gov. Rec. FY 2001	Gov. Rec. FY 2002
Beginning Balance	\$ 970,843	\$ 530,342	\$ 631,324
Net Receipts	933,056	1,725,626	1,192,400
Total Available	<u>\$ 1,903,899</u>	<u>\$ 2,255,968</u>	<u>\$ 1,823,724</u>
Expenditures	1,373,557	1,624,644	1,688,553
Ending Balance	<u><u>\$ 530,342</u></u>	<u><u>\$ 631,324</u></u>	<u><u>\$ 135,171</u></u>
Ending Balance as a % of Expenditures	38.6%	38.9%	8.0%

5. The Subcommittee notes that the new Signature Building is scheduled to be ready for occupancy in the summer of 2001. The Department of Health and Environment, the Board of Regents, the Department of Commerce and Housing, and the

Office of the Secretary of Administration are planning to move from their current locations to the new facility during the summer and fall. As a result, there will be increased costs in two categories: rent or other ongoing costs; and one time expenditures related to moving, telecommunications connections, and purchase of furniture and equipment. Expenditures for rent or other ongoing costs are reflected in the budgets of the affected agencies. The total costs for the one-time expenditures is estimated at \$662,511, including \$637,476 from the State General Fund. Under the Governor's recommendation, all of the State General Fund portion of the one-time costs are recommended in the budget of the Department of Administration so that expenses under this category can be managed for maximum cost effectiveness. The remaining \$25,035 from special revenue funds is included in the budget of the Department of Commerce and Housing. The following table reflects expenditures estimated for the relocation.

<u>Agency</u>	<u>State General Fund</u>	<u>All Funds</u>
Health and Environment		
Moving, including rotary files	\$ 197,500	\$ 197,500
Telecommunications costs	40,000	40,000
Board of Regents		
Moving	17,240	17,240
Board room furnishings	15,000	15,000
Commerce and Housing		
Moving, including AS/400	64,375	89,410
Department of Administration		
Debt Finance All Furniture	303,361	303,361
TOTAL	<u>\$ 637,476</u>	<u>\$ 662,511</u>

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee.

Senate Committee of the Whole Recommendation

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

House Budget Committee Report

Agency: Department of Administration

Bill No. 2557

Bill Sec. 41

Analyst: Robinson

Analysis Pg. No. 1365

Budget Page No. 13

Expenditure Summary	Agency Request FY 02	Gov. Rec. FY 02	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 20,978,988	\$ 21,435,024	\$ 0
Aid to Local Units	522,154	558,687	0
Other Assistance	4,235,132	3,909,503	0
Subtotal-Operating	<u>25,736,274</u>	<u>25,903,214</u>	<u>0</u>
Capital Improvements	2,857,864	2,659,864	0
TOTAL	<u><u>\$ 28,594,138</u></u>	<u><u>\$ 28,563,078</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 19,995,803	\$ 20,444,438	\$ 0
Aid to Local Units	302,154	338,687	0
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Capital Improvements	2,773,000	2,480,000	0
TOTAL	<u><u>\$ 25,635,908</u></u>	<u><u>\$ 25,502,447</u></u>	<u><u>\$ 0</u></u>
FTE Positions			
Reportable Budget	292.9	280.9	0.0
Nonreportable Budget	611.5	598.5	0.0
Subtotal-FTE Positions	<u>904.4</u>	<u>879.4</u>	<u>0.0</u>
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TOTAL	<u><u>918.7</u></u>	<u><u>893.7</u></u>	<u><u>0.0</u></u>

Agency Request/Governor's Recommendation

The agency requests an FY 2002 **reportable** operating budget of \$25.7 million, an increase of \$526,495 (2.1 percent) from the current year estimate. The request includes \$720,744 for budget enhancements. **The Governor** recommends an FY 2002 **reportable** operating budget of \$25.9 million, an increase of \$1.1 million (4.3 percent) from the current year. The Governor's recommendation includes the elimination of the Performance Review Board at the end of FY 2001. Current year funding for the Board is recommended at \$291,570. The recommendation includes a net decrease of 8.0 FTE positions from the current year recommendation, which reflects the shift of 5.0 FTE positions in General Administration, the Division of Personnel Services and the Division of Purchases from the reportable to nonreportable budgets, and the elimination of 3.0 FTE positions related to the Governor's recommendation to eliminate the Performance Review Board.

The agency requests an FY 2002 **nonreportable** operating budget of \$105.6 million, an increase of \$7.8 million (8.0 percent) from the current year. The request includes \$2.3 million and 24.0 FTE position for enhancements. An additional 2.0 FTE positions are shifted from the reportable budget to the nonreportable budget. **The Governor** recommends an FY 2002 **nonreportable** budget of \$104.7 million, an increase of \$6.9 million (7.0 percent) from the current year. The recommendation includes the shift of 5.0 FTE positions from the reportable budget to the nonreportable budget, and the addition of 8.0 new FTE positions related to recommended enhancements.

House Budget Committee Recommendation

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

1. The Budget Committee expresses concern with the executive aircraft. Given the recent tragedy involving the Governor of Missouri, the Budget Committee believes it may be time to explore the issue of replacement of the aircraft. The plane, a 1985 twin-engine Beechcraft King Air 300, was purchased following authorization by the 1986 Legislature. Purchase of the plane was financed over a ten-year period, using a certificate of participation. The total cost of the plane, including interest over the ten-year period, was just under \$2.5 million. The executive aircraft debt was paid off in FY 1995. The aircraft engines are overhauled every 3,600 hours, with both engines scheduled for overhaul in FY 2003 at a total cost of \$600,000. According to information provided by the Department, the Chief Pilot has identified equipment additions and upgrades which could be made to the existing aircraft which would improve safety and passenger comfort, and could cost between \$600,000 and \$750,000. The Budget Committee was informed that the Department has held many internal discussions about the executive aircraft, but, largely due to budget constraints, did not put forth a plan for upgrade of the existing plane or acquisition of a replacement aircraft. The Budget Committee feels strongly that this issue needs to be considered and requests that the Department develop a plan, either to upgrade or replace the existing plane, and report the details of the plan to the Budget Committee for consideration during Omnibus.
2. The Budget Committee notes that the new Signature Building is scheduled to be ready for occupancy in the summer of 2001. The Department of Health and Environment, the Board of Regents, the Department of Commerce and Housing, and the Office of the Secretary of Administration are planning to move from their current locations to the new facility during the summer and fall. As a result of the relocation of the Department of Health and Environment, there will be approximately 52,000 square feet of space available in the Landon State Office Building for other state agencies. Plans currently call for housing the Division of the Budget in a portion of that space as the first phase of Statehouse renovation begins. The Department also indicated that it was in the process of surveying state agencies in the downtown Topeka area which are nearing the end of leases in privately owned facilities in an attempt to identify those agencies most suited to

relocating to the Landon Building. The Department is in the process of developing a request for a Governor's Budget Amendment to provide moving expenses for those agencies selected to relocate to the Landon Building.

The Budget Committee notes that the possibility exists that 13.0 FTE positions will be added to the budget of the Department of Commerce and Housing related to administration of Section 8 contract administration. Should this occur, space allotted to the Department of Commerce and Housing in the Signature Building would not be sufficient to accommodate this addition. The Budget Committee recommends that the Department of Administration consider this possibility in planning for the usage of space in the Landon Building.

3. Regarding the Public Broadcasting Council, the Budget Committee is troubled by the fact that, although the federal government has mandated that all television stations begin to provide digital broadcasting services, very little federal funding has been made available to assist public television stations in meeting this mandate. During calendar year 2000, public television stations KTWU, KCPT, and KPTS submitted federal grant applications totaling \$3.4 million for digital conversion projects. At the time, the Council anticipated that it would receive \$1.8 million from the federal government to assist with these projects. Of the anticipated amount, however, the three stations received a total of only \$303,000. The Chairman of the Council informed the Budget Committee that the Council was seeking the Governor's assistance in obtaining support for additional funding from the Kansas Congressional delegation. The Budget Committee encourages the Council to proceed with these efforts.
4. The Budget Committee notes that the area of the state served by Smoky Hills Public Television closely mirrors the service area of Fort Hays State University (FHSU) and encourages those entities to work together whenever possible to provide services and information to the people they serve. The Budget Committee notes the close working relationship between KTWU in Topeka and Washburn University, and while recognizing that the licensing structure of the two stations is different (KTWU is actually licensed to Washburn University while Smoky Hills is incorporated as a community licensed public television station), encourages FHSU and Smoky Hills to pursue a similar working relationship that could prove mutually beneficial to both of them.
5. The Budget Committee was informed that some state employees have expressed concern about the hours of operation of the motor pool dispatch office. The office is open between the hours of 7:30 a.m. and 4:30 p.m. and most state employees, to obtain a state vehicle, must take time out of their regular work days to make the arrangements. This is particularly difficult when an employee is required to leave early in the morning before the facility is open. The Budget Committee recommends that the agency consider lengthening the hours of operation of the dispatch office to allow employees to make arrangements and pick up their vehicles outside of the regular work day.

Joint Statement by the Kansas Petroleum Council,
The Kansas Independent Oil and Gas Association,
And the Eastern Kansas Oil and Gas Association

In Support of Senate Bill 321

Presented to the House Appropriations Committee

March 13, 2001

Mr. Chairman and Members of the Committee, thank you for allowing us to offer these comments in support of Senate Bill 321, a seven-year extension of the state's abandoned well-plugging program.

The 1996 Kansas Legislature created the well-plugging fund, a landmark piece of legislation that addressed not only the decades-old problem of abandoned oil and gas wells, but also established an unprecedented requirement that operators meet specific financial assurance requirements. The financial assurance requirements are meant to prove that operators have the resources necessary to plug the wells they drill.

Enactment of the plugging fund, House Substitute for Senate Bill 755, was not an easy task. With a sharp nudge from Gov. Graves, however, the bill passed after considerable negotiations involving several dedicated legislators, the leaders of industry trade associations and administration officials.

The successful program should be extended. Senate Bill 321 ensures that the Conservation Division of the Kansas Corporation Commission can continue to address abandoned wells that threaten groundwater. Many of these wells were drilled in the pre-regulatory days of the state's oil and gas industry. The state did not get into the situation overnight, and it will take some time to adequately address the problem. Senate Bill 321 is the proper answer.

Thank you for your consideration.

Ken Peterson
Kansas Petroleum Council

Robert E. Krehbiel
KIOGA

Jim Allen
EKOGA

HOUSE APPROPRIATIONS

DATE 3/13/01
ATTACHMENT #8

Testimony of Tom Day
State Corporation Commission
Before the House Appropriations Committee
March 13, 2001
Senate Bill 321

Good morning, Chairman Wilk and members of the committee. I am Tom Day, with the State Corporation Commission. I am appearing here today to testify in support of Senate Bill 321. This bill is identical to HB 2524 for which I testified before you on February 28, 2001.

During the 1996 legislative session House Substitute for SB 755 created the Abandoned Well / Site Remediation Fund. The purpose of the fund was to provide additional funding to the Kansas Corporation Commission Conservation Division with which to address the problem of both abandoned oil and gas wells and exploration and production related contamination sites. In addition to the creation of the fund the legislation also established very specific financial assurance requirements for oil and gas operators within the State of Kansas.

Prior to the start of the 1996 legislative session the Division estimated that there were some 48,700 abandoned oil and gas wells located in the State for which there was no potentially responsible party available to plug the wells. A very large number of these wells dated back to a time prior to the development of comprehensive regulation or to the pre-regulatory era of the very early oil and gas industry in Kansas. Early analysis of this well data suggested that some 14,750 of these wells could ultimately be ranked as Priority I wells. These Priority I wells would be further subdivided by the level of threat that they posed to either water or environmental resources of the State. The Conservation Division's 2001 annual report on this fund and its activity with regard to this fund shows that the current inventory of abandoned oil and gas wells in Kansas now stands at 12,629 wells. Of those 11,879 wells are ranked as Priority I wells. A total of 9,319 wells from the total inventory still require plugging operations. 8,605 of those wells left to be plugged are Priority I wells. The distribution of remaining Priority I wells requiring plugging operations by action level is: Level A - 424 wells, Level B - 2,005, and Level C - 6,176. The Division is currently plugging approximately 550 or more abandoned oil and gas wells per year under this program (Figure 1). A priority schedule developed by the Division gives the highest priority to wells in the Priority I, Level A class of wells.

The physical process of locating and plugging these wells can in some cases be fairly daunting. KCC field staff locates the wells through lease inspections which generally follow a review of historical data or requests for inspections by landowners. Once courthouse records and Commission files have been checked to verify that no viable person or entity is available to plug the well the staff prepares a recommendation for plugging with State funds based on a priority ranking system. The documents prepared by staff include actual well locations as determined by global positioning system (GIS) surveys, as well as specifications for plugging operations, and specifications for equipment to be utilized by licensed plugging contractors. The Conservation Division works through the Division of Purchasing of the Department of Administration who in turn notices plugging projects for competitive bid.

The actual process of capping wells involves a number of different kinds of specialized equipment including truck mounted rigs for removing old casing and high pressure pumping equipment used to place cement plugs in the well. The downturn in the oil and gas industry during 1998 and 1999 resulted in the loss of some critical service vendors in the oil and gas industry and has made it difficult in some cases to locate qualified vendors. Most of the wells in

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ATTACHMENT # 9

the abandoned well inventory are located in the eastern part of the state where the oil and gas industry first began exploration and development. Wells in those areas are generally shallow and less expensive to plug. The Conservation Division's most recent data indicates plugging costs for eastern Kansas wells to average approximately \$2400 / well. Western Kansas wells, which are deeper and require more complex plugging procedures, average approximately \$7,200 / well to plug. Very complex downhole conditions in any area can of course drive these costs to much higher per well sums.

I would note here that the problem of abandoned and orphaned oil and gas wells is not a problem just in Kansas. Most of the mature oil and gas producing states have significant numbers of abandoned oil and gas wells with which to deal with. Some examples from other states with inventories of abandoned oil and gas wells which requiring plugging are : Texas - 17,000 wells; Kentucky - 12,000 wells; Pennsylvania - 7,600 wells; and Illinois - 4,940 wells just to list a few (Figure 2). Because of the action taken by the Kansas legislature in 1996 in addressing this issue with the creation of this well plugging program Kansas ranks second only to Texas in the number of abandoned oil and gas wells being plugged per year under a state regulatory program. (Figure 3).

During the debate on this issue during the 1996 legislative session there were projections provided that suggested that the most serious wells (Priority I, Level A wells) could be eliminated or reduced to a manageable number within an approximate six year time frame. The analysis included assumptions as to the number of wells added to the inventory each year, the effect of increased regulatory oversight, increased costs of plugging over time and depth of wells plugged, as well as other factors. While the Conservation Division is on trend to reach the goal of eliminating or controlling the number of those most serious wells in the inventory by the date of the current sunset of this program (July 1, 2002), much remains to be done in dealing with the remainder of the wells left to be plugged. Many of these wells, while not as serious a threat as the Priority I Level A wells, still pose an ongoing or potential threat to water resources.

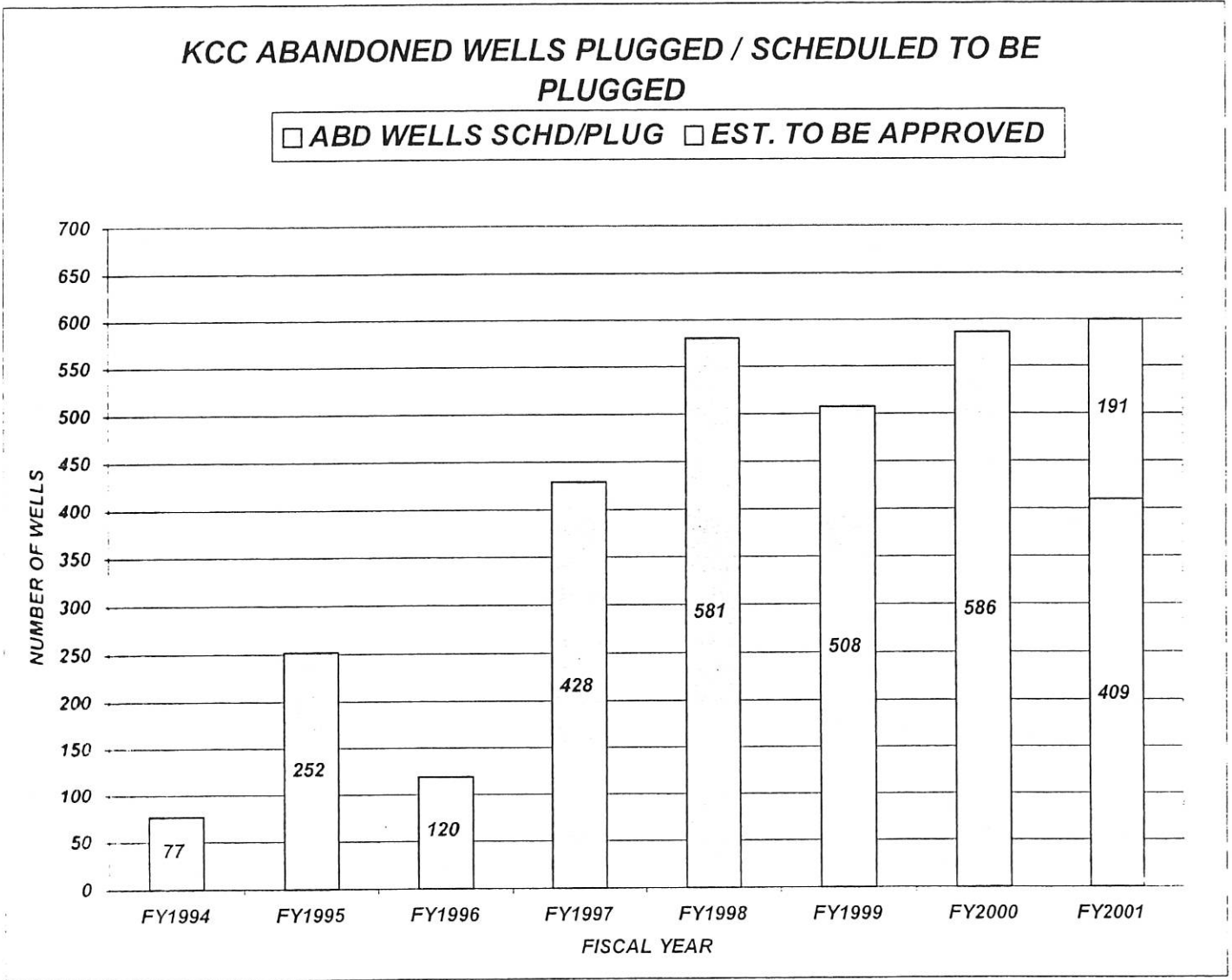
As none of the monies in the fund are to be used to hire additional personnel the Conservation Division has attempted to respond to this increase in regulatory activity and plugging oversight without any corresponding increases in the number of FTE's allocated to the Division. The Division has met that commitment during the first four years of the program. In July of this year we did hire a project coordinator to assist our field staff with processing plugging requests and coordinating bidding procedures with the Division of Purchasing of the Department of Administration. That position has allowed us to increase the number of plugging requests being processed and the current Division goal is to plug or schedule plugging operations on approximately 600 wells during FY 2001. As the current sunset date is set at July 1, 2002 we have filled the position as a temporary unclassified position. If the sunset date is extended we would contemplate asking that the position be made a permanent classified position.

In summary the Abandoned Oil and Gas Well / Site Remediation program has been successful in plugging more than 2100 wells during FY 1997 through FY 2000. The Division is on track to plug or schedule plugging operations on approximately 600 abandoned oil and gas wells in FY 2001. Authorization for continuation of this program beyond the current sunset date of July 1, 2002 as proposed by SB 321 will allow the Conservation Division to continue to address the ongoing and potential threats to the water and natural resources of the State of Kansas from these types of abandoned wells.

Should the members of the Committee have any questions I would be glad to address them.

Kansas Corporation Commission
Conservation Division
Exhibits SB 321

Figure 1



(Source: KCC Conservation Division)

Figure 2

(From: KCC, IOGCC, TRRC)

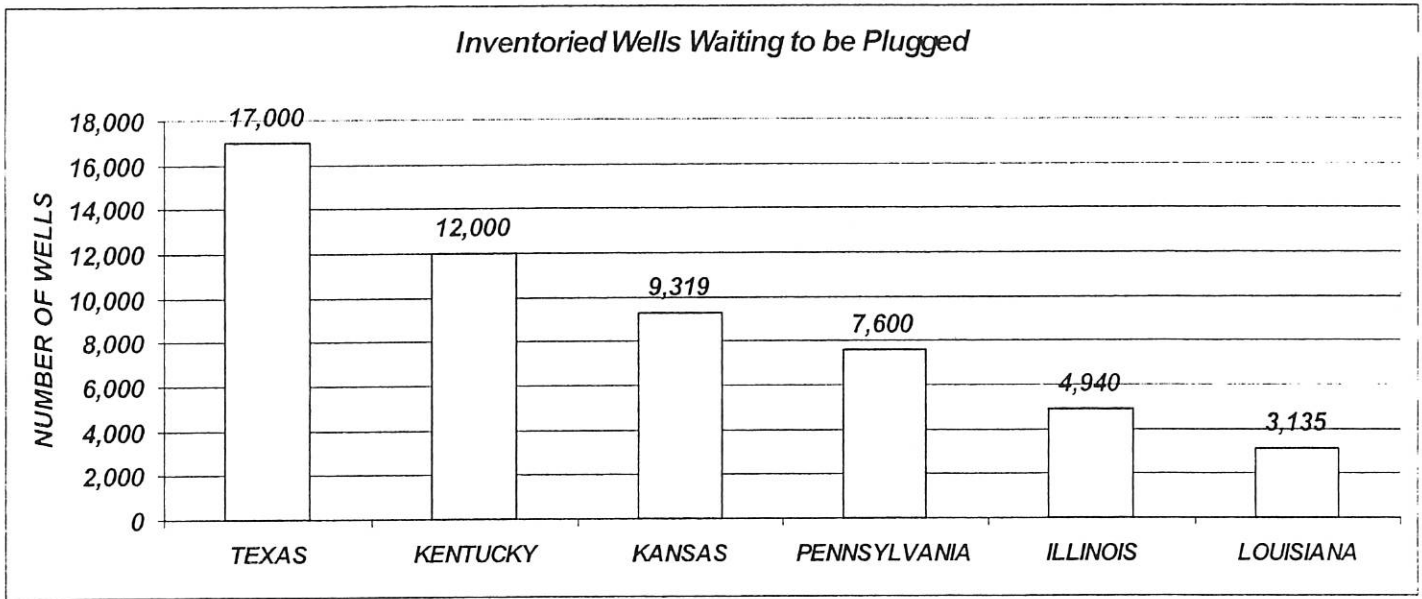
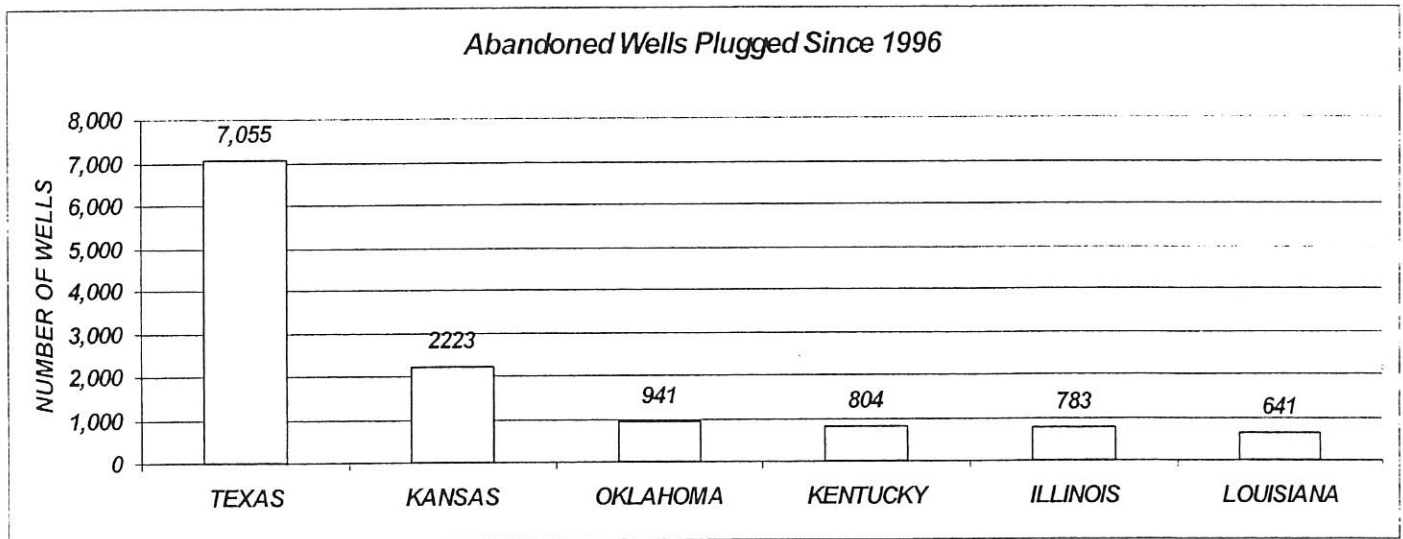


Figure 3

(From: KCC, IOGCC, TRRC)



(*Kansas Plugged well totals FY96-FY2000)