

## MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Kenny Wilk at 11:40 a.m. on May 2, 2001, in Room 514-S of the Capitol.

All members were present

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

Conferees appearing before the committee: Dr. Kim Wilcox, Board of Regents  
Harold Stones, Office of Congressman Pat Roberts

Others attending: See Attached

Chairman Wilk distributed copies of a Scope Statement for a proposed performance uadit by the Division of Post Audit, The Division of Information Systems and Communications: Reviewing Issues Relating to Rate Charges, Expenditures, and Costs (Attachment 1). He pointed out that there are many unanswered questions regarding the rates charged state agencies for their services, the monetary reserves being accumulated by DISC, possible savings by outsourcing certain functions, the leasing of equipment vs. purchasing computer systems, etc. A performance audit would address these and other pertinent concerns.

Representative Landwehr moved for the House Committee on Appropriations to request that the Legislative Post Audit Committee authorize a performance audit of DISC in accordance with the Scope Statement, to be completed in the next 18 to 24 months. Motion was seconded by Representative Neufeld. Motion carried.

Chairman Wilk presented copies of proposed legislation concerning the State Board of Regents relating to a research initiative for state educational institutions establishing the regents research facilities enhancement fund (Attachment 2).

Dr. Kim Wilcox, Office of the State Board of Regents, presented testimony in support of such legislation which would allow the Board of Regents to undertake an initiative for the expansion and development of research activities and opportunities at state institutions including the building and remodeling of research facilities. It was pointed out that this proposed legislation does not authorize bonding.

Harold Stones informed the Committee that there is federal grant money available for "bricks and mortar" in the area of research and development.

Representative Pottorff moved to amend **HB 2524** by striking the existing language in **HB 2524** and inserting the language found in lrs1336 as a substitute bill (Attachment 2). Motion was seconded by Representative Ballard. Motion carried.

Representative Pottorff moved to pass **Substitute for HB 2524** as amended. Motion was seconded by Representative Ballard. Motion carried.

The meeting was adjourned at 12:15 p.m.

**DRAFT  
SCOPE STATEMENT**

**The Division of Information Systems and Communications:  
Reviewing Issues Relating to Rate Charges, Expenditures, and Costs**

DISC was created in 1984 to provide efficient and effective electronic information processing and technical management services to all State agencies. It provides a number of central computing, networking, and communications services. DISC is organized into 4 subprograms funded exclusively through off-budget charges for services to other State agencies—administration, customer services, information services, and telecommunications. DISC also has a Bureau of Administration Systems that implements and maintains the agency's own internal information systems. These systems include the State's personnel and payroll system (SHARP), the State's accounting and reporting system (STARS), the State's central budgeting system, and others.

State agencies spent about \$40 million in fiscal year 2000 for the centralized services DISC provides. In addition, DISC spent an additional \$6.3 million that year for its own reportable expenditures. In fiscal year 2000 it had a total of 40.5 authorized positions; that number increased to 45 positions in fiscal year 2001.

Legislative questions have been raised about several aspects of DISC's operations, including the rates DISC is charging State agencies for services versus the amounts it has negotiated with vendors to pay for those services, where those "excess" moneys are going, and what they are being (or will be) used for. One concern expressed in this area is that DISC is building up reserves to replace computer equipment, but it also receives direct funding from the Legislature to pay for that equipment. Other questions have been raised about the potential savings if DISC were to outsource some or all of its functions, including leasing rather than buying computer systems. A performance audit to address these areas would answer the following questions:

1. **How do the rates DISC is charging State agencies compare with vendors' charges to DISC for those services, and what are the "excess" revenues being used for?** To answer this question, we would select a sample of DISC vendor contracts for telecommunications, support, and other services. For each contracted service, we would determine what DISC is charged, and how much DISC in turn charges State agencies for that service. In any instance where the agency appears to be making money on the service, we would determine how the "excess" revenue is used, paying particular attention to funds not being used for current operations. In addition, we would survey a sample of large corporations and other state governments to determine how a sample of Kansas agency charges compare to corresponding charges in other enterprises.
2. **What opportunities exist for reducing Statewide data processing and telecommunications costs through outsourcing, leasing, or other strategies?** For this question, we would look specifically at the money-saving potential of outsourcing selected DISC functions, and of leasing vs. owning major elements of the State's data-processing and telecommunications infrastructure. We would compare DISC's practices with those of other states and major corporations, and, if possible, would attempt to assess whether DISC is following best practices in these areas. As part of this analysis, we would examine other potential cost-cutting strategies, such as using more contract employees, replacing some KANS-A-N telecommunications services with Internet-based telephone service, and the like. We would perform other testwork as needed.

**Estimated time to complete:** 12-14 weeks

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## For Consideration by Committee on Appropriations

AN ACT concerning the state board of regents; relating to a research initiative for state educational institutions; establishing the regents research facilities enhancement fund.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) The state board of regents is hereby authorized and directed to authorize state educational institutions under the control and supervision of the state board of regents to undertake an initiative for the expansion and development of research activities and opportunities at state educational institutions, including research capital improvement projects for new research buildings and facilities and major remodeling of existing buildings and facilities. The state board of regents shall authorize the planning and development of proposals by state educational institutions for the initiative for such new and enhanced research activities, programs and research capital improvements. The state board of regents shall prepare and present proposals for research capital improvement projects to the legislature, the joint committee on state building construction, the committee on appropriations of the house of representatives, the ways and means committee of the senate and other appropriate public and private entities for participation in the initiation and financing and providing debt service support for such proposals and projects, including soliciting and receiving federal grants, private endowments, gifts, private research grants and non-state moneys.

(b) There is hereby established in the state treasury the regents research facilities enhancement fund which shall be administered by the state board of regents. All moneys in the regents research facilities enhancement fund shall be used for transfers or other allocations to state educational institutions in accordance with the provisions of appropriation acts for debt service for approved research capital improvements initiated under this section in addition to research overhead funds and other revenues from federal grants, private endowments, gifts,

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private research grants and non-state moneys to the state educational institutions for such improvements, except that such transfers or other allocations to state educational institutions from the regents research facilities enhancement fund shall be for a specified period of not to exceed five years for each such research capital improvement. All expenditures from the regents research facilities enhancement fund shall be made in accordance with the provisions of appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the state board of regents or by a person authorized by the state board of regents.

Sec. 2. This act shall take effect and be in force from and after its publication in the statute book.