

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Steve Morris at 10:40 a.m. on February 20, 2001 in Room 123-S of the Capitol.

All members were present except: Senator Nick Jordan - excused

Committee staff present:

Alan Conroy, Chief Fiscal Analyst, Kansas Legislative Research Department
Amory Lovin, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Rae Anne Davis, Kansas Legislative Research Department
Amy Kramer, Kansas Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Assistant Revisor, Revisor of Statutes Office
Julie Weber, Administrative Assistant to the Chairman
Mary Shaw, Committee Secretary

Conferees appearing before the committee: None

Others attending: See attached guest list

The following information was distributed from Bobbi Mariani, Director, Division of Personnel Services, Department of Personnel Services regarding:

- Number of IT and Facilities Related Positions (Attachment 1)
- Response to question by Senator Huelskamp regarding the Department of Administration to summarize interactive video rates for the past five years (Attachment 2)

Subcommittee reports on:

Kansas Department of Revenue (Attachment 3)

Chairman Morris reported that the Subcommittee concurs with the Governor's recommendations in FY 2001.

Chairman Morris reported that the Subcommittee concurs with the Governor's recommendations in FY 2002 with adjustments and recommendations as listed in the subcommittee report.

Senator Feleciano moved, with a second by Senator Salmans, to accept the Subcommittee budget report on the Department of Revenue. Motion carried by a voice vote.

Kansas Lottery (Attachment 4)

Senator Salmans reported that the Subcommittee concurs with the Governor's recommendations in FY 2001. The Senator noted that the Subcommittee recommends review during the Omnibus period of the lottery sales and transfer amounts. The trends to date in FY 2001 suggest later review would be prudent since sales determine the amount of transfers to the State Gaming Revenues Fund (SGRF) and to the State General Fund (SGF) for amounts that are in addition to \$50.0 million.

Senator Salmans reported that the Subcommittee concurs with the Governor's recommendations for FY 2002 with adjustments and recommendations as listed in the subcommittee report.

Committee questions and discussion followed. Senator Downey distributed the following information:

- U. S. Lotteries' Online System Contracts (Attachment 5)
- Kansas Lottery Sales and Advertising, FY 1991-2002 (Attachment 6)

CONTINUATION SHEET

Senator Salmans moved, with a second by Senator Feleciano, to put a proviso in the Subcommittee report on the Kansas Lottery to instruct the Lottery staff to keep the Legislature informed of any changes in the management of the GTECH Corporation. Motion carried by a voice vote.

Senator Salmans moved, with a second by Senator Barone, to accept the Subcommittee budget report as amended on the Kansas Lottery. Motion carried by a voice vote.

Kansas Racing and Gaming Commission (Attachment 7)

Senator Salmans reported that the Subcommittee concurs with the Governor's recommendations in FY 2001.

Senator Salmans reported that the Subcommittee concurs with the Governor's recommendations in FY 2002 and makes additional adjustments and recommendations as listed in the subcommittee report.

Discussion followed regarding Item Number 2 regarding legislation to repeal a statutory provision that allows Commissioners to be paid \$2,000 per month.

Senator Salmans moved, with a second by Senator Schodorf, to accept the Subcommittee budget report on the Kansas Racing and Gaming Commission. Motion carried by a voice vote.

Board of Tax Appeals (Attachment 8)

Chairman Morris reported that the Subcommittee concurs with the Governor's recommendations in FY 2001.

Chairman Morris reported that the Subcommittee concurs with the Governor's recommendations in FY 2002 with changes and comments as listed in the subcommittee report.

Senator Feleciano moved, with a second by Senator Jackson, to accept the Subcommittee budget report on the Board of Tax Appeals. Motion carried by a voice vote.

Kansas Department of Commerce and Housing (Attachment 9)

Senator Kerr reported that the Subcommittee concurs with the recommendations of the Governor for FY 2001 with a change as listed in the subcommittee report.

Senator Kerr reported that the Subcommittee concurs with recommendations of the Governor for FY 2002 with changes and comments as listed in the subcommittee report.

Kansas, Inc. (Attachment 10)

Senator Kerr reported that the Subcommittee concurs with the Governor's recommendation for FY 2001.

Senator Kerr reported that the Subcommittee concurs with the Governor's recommendation for FY 2002 with comments as listed in the subcommittee report.

Kansas Technology Enterprise Corporation (Attachment 11)

Senator Kerr reported that the Subcommittee concurs with the recommendations of the Governor for FY 2001.

Senator Kerr reported that the Subcommittee concurs with the Governor's recommendation for FY 2002 with change and comment as listed in the subcommittee report.

CONTINUATION SHEET

Senator Barone moved, with a second by Senator Kerr, to amend the subcommittee report and refer a study regarding the aviation industry to an interim committee as referenced in the KTEC subcommittee budget report for FY 2002, Page 3, Item Number 2, last paragraph. Motion carried by a voice vote.

Senator Kerr moved, with a second by Senator Downey, to accept the Subcommittee budget reports for the Kansas Department of Commerce and Housing, Kansas, Inc. and Kansas Technology Enterprise Corporation (KTEC) as amended. Motion carried by a voice vote.

Bill Introduction

Senator Kerr explained that he would like to introduce a bill concerning joint committees by changing memberships, in some cases removing designations such as members having to come from certain committees, in a few instances change the ratio of members between the parties in greater recognition of the present balance between the two political parties, eliminate one joint committee and change the name of another, and include other cleanup items.

Senator Kerr moved, with a second by Senator Jackson, to introduce a bill (1rs1036) concerning legislative committees composition and appointment. Motion carried by a voice vote.

The meeting was adjourned at 12:00 noon. The next meeting is scheduled for February 21, 2001.

**SENATE WAYS AND MEANS COMMITTEE
GUEST LIST**

DATE February 20, 2001

NAME	REPRESENTING
Jim Conant	KDOR
Steve Beck	KDOR
LANNY McMANUS	KDOR
Tom Hoff	Ks. Lottery
GARY SAVILLE	✓ ✓
TRACY Diel	KRGC/SGA
Charles LeBay	KRGC
SHARPEY BOWEN	KRGC
Sherry Brown	KDOC & H
Fred T. Schwan	KDOC & H
Doug Behander	KTEC
Roni Post	KTEC
Beth Brough	KTEC
Robb Wilby	Kansas Inc
Charles Torker	Kansas Inc.
Tony Folsom	BOTA
Kyle Kerber	DOB
Milae Huffles	Ks. Gov't Consulting
Stephanie Buchanan	DOB
Julie Thomas	DOB
Ed Van Petten	KSL



<http://da.state.ks.us>

DEPARTMENT OF ADMINISTRATION
Division of Personnel Services

BILL GRAVES
Governor

DAN STANLEY
Secretary of Administration

BOBBI MARIANI
Director of Personnel Services
900 S.W. Jackson, Room 951-S
Landon State Office Building
Topeka, KS 66612-1251
(785) 296-4278
FAX (785) 296-0756

MEMORANDUM

TO: Senator Morris, Chairman
Ways and Means

FROM: Bobbi Mariani, Director *BM*

DATE: February 12, 2001

SUBJECT: Number of IT and Facilities Related Positions

Attached are the two reports requested by Senator Barone during my testimony on Senate Bill 96 last Thursday, February 8th. Senator Barone requested information on positions comparable to Corrections' Director of Capital Improvement, as well as Information Technology positions.

There are no unique job classes or titles for the functions requested. The reports are based upon resources identifying positions through methods other than job title and class. Please contact me should you have any questions regarding these reports. Thank you again for the opportunity to have appeared before your committee on this subject.

Enclosure: Salaries of Selected Facilities-Related Positions
Salaries of Current Information Technology Advisory Board (ITAB) Members

Salaries of Selected Facilities-Related Positions

Agency Number	Agency Name	Name	Job Title	Classified / Unclassified	Biweekly Rate	Annual Rate
173	Department of Administration, Div. Of Architectural Services	Thaine Hoffman	Head of Div of State Agency	Unclassified	\$2,927.20	\$76,107.20
173	Department of Administration, Div. Of Architectural Services	Barry W Greis	Architect III	Unclassified	\$2,325.77	\$60,470.02
173	Department of Administration, Div. Of Facilities Management	William Groth	Architect Consultant	Temporary Special Project	\$2,204.64	\$57,320.64
350	Juvenile Justice Authority	James A McKinley	Architect III	Unclassified	\$2,365.38	\$61,499.88
521	Department of Corrections	Michael E Gaito	Director of Capital Improvements	Temporary Special Project	\$2,590.41	\$67,350.66
561	Board of Regents	Eric S King	Director of Facilities	Unclassified	\$3,062.00	\$79,612.00
629	Department of Social and Rehabilitation Services	Gary Lashell	Building Systems Engineer III	Classified	\$2,238.40	\$58,198.40
652	Department of Education	Edward P Kotlinski	Architect III	Unclassified	\$2,376.92	\$61,799.92

Salaries of Current Information Technology Advisory Board (ITAB) Members

1-3

Agency Number	Agency Name	Name	Job Title	Classified / Unclassified	Biweekly Rate	Annual Rate
034	Adjutant General	Steve Armstrong	Information Resource Specialist II	Classified	\$1,753.60	\$45,593.60
039	Department on Aging	Steve Johnson	Information Resource Manager	Unclassified	\$2,956.66	\$76,873.10
046	Department of Agriculture	Hank Sipple	Information Resource Manager II	Classified	\$2,029.60	\$52,769.60
083	Kansas Bureau of Investigation	Ron Rohrer	Information Resource Manager	Unclassified	\$2,925.62	\$76,066.12
143	Kansas Corporation Commission	Jon McKenzie	Information Resource Manager II	Classified	\$2,183.20	\$56,763.20
173	Department of Administration	Don Heiman	Head of Division of State Agency	Unclassified	\$3,509.06	\$91,235.56
246	Fort Hays State University	David Schmidt	Director/Asst. Professor	Unclassified	\$2,742.15	\$71,295.90
264	Department of Health and Environment	Jim Rousseau	Information Resource Manager	Unclassified	\$2,884.62	\$75,000.12
276	Department of Transportation	Ben Nelson	Information Resource Manager III	Classified	\$2,788.00	\$72,488.00
288	Historical Society	Pat Michaelis	Public Service Executive II	Classified	\$1,981.60	\$51,521.60
296	Department of Human Resources	William Sanders	Head of Division of State Agency	Unclassified	\$2,735.39	\$71,120.14
300	Department of Commerce and Housing	Jeff Conrad	Information Resource Specialist III	Classified	\$1,981.60	\$51,521.60
331	Insurance Department	Denise Moore	Director of Information Systems	Unclassified	\$2,463.97	\$64,063.22
350	Juvenile Justice Authority	Janee Roche	Information Resource Manager	Unclassified	\$2,529.84	\$65,775.84
365	KPERS	Cathy Adams	Information Resource Officer	Unclassified	\$2,300.00	\$59,800.00
422	Legislative Administrative Services	Dave Larson	Director of Computer Services	Unclassified	\$2,773.49	\$72,110.74
450	Kansas Lottery	Dave Mackey	Director of Administration	Unclassified	\$2,692.00	\$69,992.00
521	Department of Corrections	Carlos Usera	Information Resource Manager	Unclassified	\$2,856.20	\$74,261.20
540	Legislative Post Audit	Allen Foster	Principal Auditor	Unclassified	\$2,590.40	\$67,350.40
561	Board of Regents	Jerry Niebaum	Asst Vice Chancellor/Vice Pres.	Unclassified	\$2,800.96	\$72,824.96
565	Department of Revenue	Tim Blevins	Chief Information Officer	Unclassified	\$3,846.16	\$100,000.16
579	Revisor of Statutes	Bud Champney	Computer Systems Analyst	Unclassified	\$2,928.00	\$76,128.00
622	Secretary of State	Debbie Garman	Data Processing Manager	Unclassified	\$2,692.31	\$70,000.06
629	Social and Rehabilitation Services	Steve Patterson	Information Resource Manager	Unclassified	\$3,646.63	\$94,812.38
652	Department of Education	Sal Tayani	Head of Division of State Agency	Unclassified	\$3,019.23	\$78,499.98
677	Judicial	vacant	Director of Information Systems	Unclassified	\$3,386.65	\$88,052.99*
682	University of Kansas	Marilu Goodyear	Vice Chancellor	Unclassified	\$5,576.92	\$145,000.00
683	University of Kansas Medical Center	Jim Bingham	Associate Vice Chancellor	Unclassified	\$4,880.04	\$126,881.04
710	Wildlife and Parks	John Spurgeon	Management Systems Analyst II	Classified	\$1,981.60	\$51,521.60



DEPARTMENT OF ADMINISTRATION
Division of Information Systems and Communications

BILL GRAVES
Governor

DAN STANLEY
Secretary of Administration

DON HEIMAN
Director
900 S.W. Jackson, Room 751
Landon State Office Building
Topeka, KS 66612-1275
(785) 296-3463
FAX (785) 296-1168
<http://da.state.ks.us/>

February 16, 2001

Senator Stephen R. Morris
Chairman
Senate Ways and Means
120-S, Statehouse

Dear Senator Morris:

This week Senator Huelskamp asked the Department of Administration to summarize interactive video rates for the past five years. From FY97 to FY 2000 the rate was \$30 per hour per site connected. In January 2001 the rate increased to \$62 per hour. This rate appeared in budget instructions issued by the Division of Budget in June last year. The following discussion explains the increase.

In order to take advantage of softening rates for long distance in 1995 DISC rebid its network. The rebid provided tremendous savings to State agencies. In 1998, the long distance rates were again negotiated resulting in more savings. Over the past five years the savings averaged \$830,336 per year from previous levels.

To take advantage of these savings, DISC removed all long distance traffic from its leased AT&T backbone network. The effect of this change was to reduce to \$0 long distance's share of the AT&T backbone network used for voice, data, and video. When all long distance traffic was removed, the fixed cost of the backbone was moved to the remaining data and video traffic. Thus, the effect was to increase the fixed cost allocated to video.

When the cost shift occurred, video users were faced with a rate increase to offset the share of the backbone previously taken by voice traffic. In addition to the shift of fixed costs, video usage remained low and in recent years the usage actually declined. When usage drops, then fixed costs are shared by fewer users and the rate increases.

In FY 1999 DISC asked the video users to form a customer council to review our costs and our concern about declining use. The Council also reviewed the cost to buy interactive video from other third party providers. The third party costs were between \$75 - \$120 hour. As an option, users developed an interim plan to use the KU Med Center's video switch. This switch was paid from internal funds at the Med Center. Thus users could piggyback off this investment in the short term. Work is underway to help defer a portion of the Medical Center's cost to support video users. Finally, the users agreed to pay \$62 per hour if they used the AT&T backbone and switch at DISC.

As the following table shows, video usage is quite small. If the usage increased, then, the rate will decline. Hopefully, recent interest in remote distance learning and telemedicine can help lower the rate by increasing the use of the backbone. In a fixed cost environment, rates are highly sensitive to usage. The State benefited significantly from the decisions to remove voice traffic from the network, but the video users experienced a greater share of fixed costs. Overall, the cost for voice, data, and video has declined significantly. However, the internal shift of costs to video users resulted in an increase in their rate and a large decrease in long distance rates.

DISC Video Services FY 1997 – FY 2001

Year	Hours	Rate	Total Revenue
FY 1997	6,710	\$30	\$201,302
FY 1998	5,331	30	297,892
FY 1999	7,142	30	272,413
FY 2000	6,018	30	183,324
FY 2001	3,797	30/62	162,928

Currently, the video rate affects 40 sites with four of these sites accounting for 90% of the use. Again, more sites and use can resolve the rate problem. Today, there simply is not enough aggregated demand (use) to offset the fixed cost for a central service. DISC's projected under recovery of costs for video this year is \$386,000. For this reason, we are making every effort to gracefully transition users to third party providers.

In closing, our rates are annually audited by the Federal government. Under their rules, we cannot subsidize the video rate. This places me in a difficult situation. We are required to pass along savings (36% in long distance) and increase the video rate. Overall, our rates for DISC services and our cost savings history have been excellent. In 1998 for example, Gartner Group published an extensive report on DISC network rates. The research showed DISC rates were best of class. Their benchmark compared DISC rates to other States and to many Fortune 100 firms.

I want to assure you, the video usage and corresponding rate problem is my highest priority. Thank you for your concern and understanding.

Sincerely,



Donald C. Heiman
Director, DISC

2001-2002 COMMERCE/REVENUE SUBCOMMITTEE


Department of Revenue



Senator Tim Huelskamp



Senator Paul Feleciano, Jr.



Senator Stephen Morris, Chairman



Senator Larry Salmans

Senate Ways and Means
2-20-01
Attachment 3

Senate Subcommittee Report

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

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 1268

Budget Page No. 371

Expenditure Summary	Agency Est. FY 01	Governor's Recommendation FY 01	Senate Subcommittee Adjustments
State Operations	\$ 69,335,225	\$ 69,115,172	\$ 0
Aid to Local Units	5,267,500	5,267,500	0
Other Assistance	2,500,000	2,500,000	0
Total-Operations	\$ 77,102,725	\$ 76,882,672	\$ 0
<u>Financing Summary</u>			
State General Fund	\$ 32,397,234	\$ 32,291,725	\$ 0
DOV Operating Fund	30,665,637	30,456,224	0
All Other Funds	14,039,854	13,134,723	0
Total-All Funds	\$ 77,102,725	\$ 75,882,672	\$ 0
FTE Positions	1,162.0	1,162.0	0.0
Unclassified Temp. Positions	0.0	0.0	0.0
TOTAL	1,162.0	1,162.0	0.0

Agency Est./Governor's Recommendation

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

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

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

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

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

Senate Subcommittee Recommendations

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

Senate Subcommittee Report

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

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 1268

Budget Page No. 371

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

Note: Includes a reduction of \$1,365,064 from all other funds for the Governor's employee salary plan adjustments. Absent the Subcommittee's adjustment to the Governor's salary plan, the total adjustment is a reduction of \$0 from all other funds.

Agency Req./Governor's Recommendation

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

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

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

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

Senate Subcommittee Recommendations

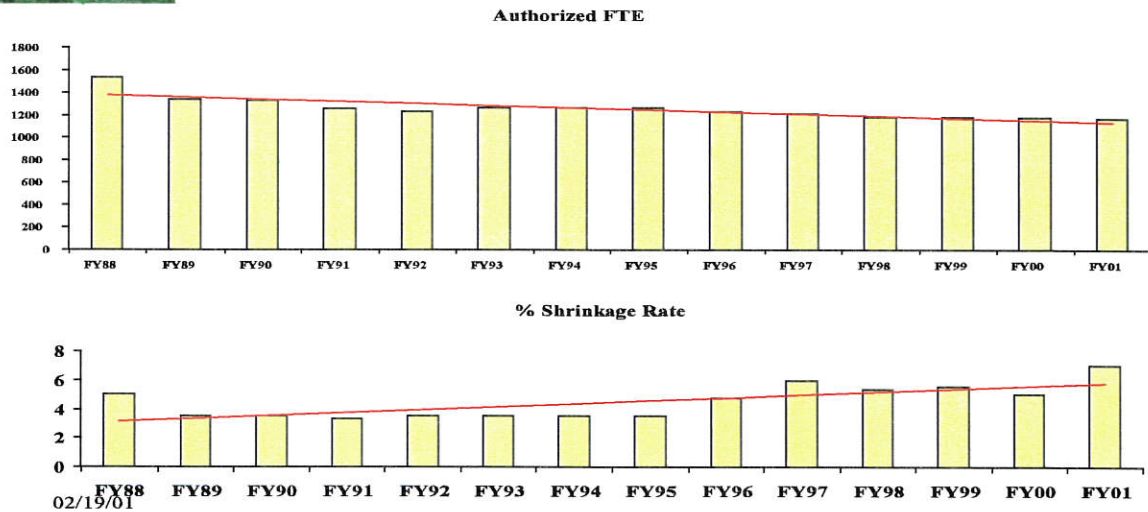
The Subcommittee concurs with the Governor's recommendations in FY 2002 and makes the following additional adjustments and recommendation:

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

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



KDOR Staffing Trend



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

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

3. Recommend review during Omnibus of new procedures to finance the State General Fund portion of the agency. The Secretary of Revenue was asked to develop a response and other alternatives for review at that time. One example of a new procedure that the Secretary will use as a starting point is outlined below and represents only one possible model:
 - a. Establish a Department of Revenue (DOR) Operating Fund.
 - b. Provide for monthly transfers from the State General Fund into the new DOR Operating Fund based on a fixed percentage of tax and other revenues collected by the agency.

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

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

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

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

The Subcommittee believes that a new method of financing agency operations, such as the example noted in the previous item, would provide an incentive and reward for the agency to enhance efforts to collect these accounts receivable, in

addition to performing its routine duties of collecting, processing, and distributing taxes and other revenues.

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

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

6. Express disappointment in the agricultural land use-value study recently made available to legislators. Funding of \$100,000 for the study was added by the Legislature in the FY 2000 budget. The Senate Subcommittee in 1999 expressed concern about the continued difficulty in developing and implementing proper valuations for agricultural land. The 1999 Senate Subcommittee had recommended that the funding be used for a study by an independent consultant to evaluate the existing Kansas system, how other states approach agricultural land valuation issues, and what best practices might be applied to the Kansas system.
7. Monitor the proposed online motor vehicle registration project and the Governor's recommended financing of \$500,000 in FY 2002 from the VIPs/CAMA Fund. Although the proposed project was reviewed by the Joint Committee on Information Technology last fall, the Subcommittee expressed concern about whether the project could be accomplished within the time frame and budget of \$500,000.
8. Review during Omnibus the status of the Electronic Databases Fee Fund regarding its projected ending balances in FY 2001 and FY 2002. The 1996 Legislature created the Electronic Databases Fee Fund and authorized the fund to receive fees charged for providing access to or furnishing copies of data constituting public records in the Vehicle Information Processing System (VIPs), the Kansas Computer Assisted Mass Appraisal system (CAMA), and other electronic database systems of the Department. KSA 1999 Supp. 74-2022 provides that all moneys credited to the fund shall be expended for operating expenditures, including expenditures for capital outlay, operation, maintenance,

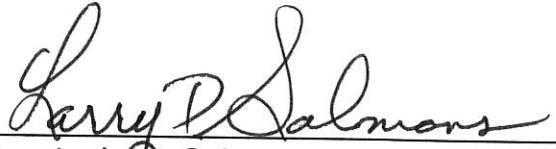
or improvement of these database systems, including the costs incurred to provide access to or to furnish copies of public records in such database systems. The Subcommittee notes that the \$1.0 million plus balance could be transferred to the State General Fund to enhance revenues, since the agency and Governor do not utilize these balances.

Electronic Databases Fee Fund

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

2001-2002 COMMERCE/REVENUE SUBCOMMITTEE

Lottery Commission



Senator Larry Salmans, Chairman



Senator Jim Barone

A

Senator Nick Jordan

Senate Ways and means
2-20-01
Attachment 4

Senate Subcommittee Report

Agency: Kansas Lottery

Bill No. --

Bill Sec. –

Analyst: Efird

Analysis Pg. No. 1309

Budget Page No. 345

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

Agency Est./Governor's Recommendation

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

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

Senate Subcommittee Recommendation

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

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

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

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

* In millions.

Senate Subcommittee Report

Agency: Kansas Lottery

Bill No. --

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 1309

Budget Page No. 345

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

Note: Includes a reduction of \$97,937 from all other funds for the Governor's employee salary plan adjustments. Absent the Subcommittee's adjustment to the Governor's salary plan, the total adjustment is a reduction of \$0 from all other funds.

Agency Req./Governor's Recommendation

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

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

Senate Subcommittee Recommendation

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

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

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

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

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

S. Lotteries' Online System Contracts

	Online Vendor	Contract Value (\$M)	Online Vendor Fee	Length	Contract Began	Contract Ends	Renewal Options
Arizona	GTECH	36.00	4.9854% of online sales	5 yrs.	Sep-99	Sep-02	2 (1 yr.)
California (1)	GTECH	170.00	2-2.3% of online sales	5 yrs.	Oct-98	Oct-03	Exercised
Colorado (2)	GTECH	95.00	3.6% (online sales) & 0.568% (instant)	9 yrs.	Oct-95	Oct-04	Exercised
Connecticut	SciGames	45.00	0.995% of instant & online sales	5 yrs.	May-98	May-03	5 (1 yr.)
D.C. (3)	LTE	80-92.00	3.8% of total sales	10 yrs.	Nov-99	Nov-09	
Delaware	AWI	51.00	5.45% of instant & online sales	8+ yrs.	Jun-94	Sep-02	Exercised
Florida	AWI	180.00	1.85% of online sales	5+ yrs.	Oct-99	Dec-04	2 (2 yrs.)
Georgia	GTECH	N/A	2.99% of online sales	10 yrs.	May-93	Jun-03	Exercised
Idaho (4)	GTECH	9.60	2.99% of online sales & \$26,000/wk. for related fees	4 yrs.	Feb-99	Feb-03	4 (1 yr.)
Illinois	GTECH	N/A		5 yrs.	Oct-02	Oct-07	
Indiana	AWI	84.00	3.94% of online sales	7 yrs.	Aug-99	Aug-06	3 (1 yr.)
Iowa	GTECH	N/A		6+ yrs.	Oct-94	Jun-01	1 (2 yr.)
	SciGames	40.00		7 yrs.	Jul-01	Jun-08	
Kansas	GTECH	35.00	6.93-6.45% of online sales	5 yrs.	Jul-97	Jun-02	1 (3 yr.)
Kentucky	GTECH	47.90	3.43% of online sales	5 yrs.	Apr-97	Apr-02	5 (1 yr.)
Louisiana	GTECH	54.29	4.85%-4.325% of online sales	8 yrs.	Jun-97	Jun-05	5 (1 yr.)
Maine	GTECH	N/A		10 yrs.	Jul-90	Jun-00	
	SciGames	N/A		6 yrs.	Jul-01	Jun-07	2 (2 yrs.)
Maryland (5)	AWI	53.00	0.789% of online sales	5 yrs.	Aug-96	Sep-06	Exercised
Massachusetts	GTECH	66.80	N/A	Purchase			
Michigan	GTECH	260.00	Variable	7.5 yrs.	Jun-98	Jan-06	3 (1 yr.)
Minnesota	AWI	37.50	6.86% of online sales	5 yrs.	Aug-97	Aug-02	5 yrs.
Missouri (6)	GTECH	33.99	3.52% of online sales	5 yrs.	Jul-96	Jun-03	Exercised
Montana	Autotote	24.30	8.35% of instant & online sales	7 yrs.	Mar-99	Mar-06	Exercised
Nebraska (7)	GTECH	29.88	9.13% of online sales	10 yrs.	Jul-94	Jul-04	Exercised
N. Hampshire	SciGames	31.20	2.22% of instant & online sales	6 yrs.	Jul-00	Jun-06	2 (2 yrs.)
New Jersey (8)	GTECH	78.40	0.92% (online sales); 1.4% (instant)	5 yrs.	Nov-96	Nov-06	Exercised
New Mexico (9)	GTECH	17.70	5.25%-10.35% of online sales (scale)	7 yrs.	Jun-96	Jun-03	5 (1 yr.)
New York	GTECH	196.90	1.525% of online sales	9 yrs.	Feb-93	Feb-02	Exercised
		194.90	N/A	5 yrs.	Mar-02	Feb-07	3 (1 yr.)
Ohio (10)	GTECH	112.02	1.6346% of online sales	8 yrs.	Oct-93	Jun-01	Exercised
Oregon	GTECH	40.87	4.82%-4.42% of online sales (Yr. 1-5); 3% instant (over \$125M)	5 yrs.	Jul-98	Jun-03	2 (2 yr.) & 1 yr.
Pennsylvania	AWI	276.00	1.697% of online & instant sales	6+ yrs.	Jan-99	Dec-05	3 (1 yr.)
R. Island (11)	GTECH	30.00	4.4% (online sales); 1.75% (instant)	5 yrs.	Aug-97	Aug-02	5 (1 yr.)
South Dakota	AWI	13.00	14.098% of online sales	6+ yrs.	Nov-99	Aug-06	3 (1 yr.)
Texas	GTECH	N/A	3.781%-3.05% of sales (scale)	10+ yrs.	Mar-92	Aug-02	Exercised
Vermont	SciGames	17.0-20.0	N/A	6 yrs.	Jul-00	Jun-06	2 (2 yrs.)
Virginia	SciGames	13.10	Purchase				
	GTECH	N/A	Terminals	3 yrs.			
Washington	GTECH	75.50	1.922% of online sales	8 yrs.	Jul-96	Jun-04	
West Virginia	AWI	39.00	3.98% of online & instant sales	5 yrs.	Jul-00	Jun-05	2 (1 yr.)
Wisconsin (12)	GTECH	51.12	Fixed fee & 0.2% of online sales	5 yrs.	May-97	May-02	2 (1 yr.)
	GTECH	4.58	Fixed fee & 0.1% of instant sales	5 yrs.	May-97	May-02	2 (1 yr.)

**Kansas Lottery Sales and Advertising
FY 1991-2002**

	Sales	Marketing & Advertising	Pct. Of Sales
FY 1991	70,335,238	2,182,460	3.1%
FY 1992	77,039,724	2,480,034	3.2%
FY 1993	114,106,622	2,388,454	2.1%
FY 1994	152,630,064	2,493,139	1.6%
FY 1995	171,317,309	2,003,492	1.2%
FY 1996	182,665,573	2,503,850	1.4%
FY 1997	184,392,014	2,416,750	1.3%
FY 1998	191,128,147	2,730,792	1.4%
FY 1999	197,880,866	2,529,116	1.3%
FY 2000	194,744,214	2,028,905	1.0%
FY 2001 Gov. Rec.	200,000,000	2,973,054	1.5%
FY 2002 Gov. Rec.	200,000,000	3,200,000	1.6%

Source: Kansas Lottery Budgets FY 1993-2002

06-Feb-01

Anthony Husky

Senate Ways and Means
2-20-01
Attachment 6

2001-2002 COMMERCE/REVENUE SUBCOMMITTEE

Racing and Gaming Commission



Senator Larry Salmans, Chairman

Senator Nick Jordan



Senator Jim Barone

Senate Ways and means
2-20-01
Attachment 7

Senate Subcommittee Report

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

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 1297

Budget Page No. 357

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

Agency Est./Governor's Recommendation

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

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

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

Senate Subcommittee Recommendation

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

Senate Subcommittee Report

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

Bill Sec. --

Analyst: Efirid

Analysis Pg. No. 1297

Budget Page No. 357

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

Note: Includes a reduction of \$73,862 from all other funds for the Governor's employee salary plan adjustments. Absent the Subcommittee's adjustment to the Governor's salary plan, the total adjustment is a reduction of \$0 from all other funds.

Agency Req./Governor's Recommendation

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

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

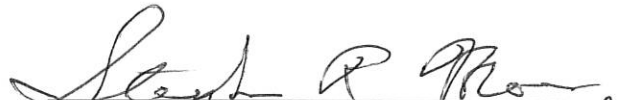
Senate Subcommittee Recommendation

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

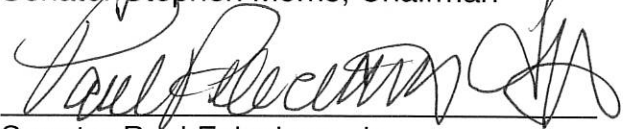
1. Remove the Governor's recommended salary plan financing of \$73,862, including \$49,687 from the racing program and \$24,175 from the tribal gaming program.
2. Introduce legislation to repeal a statutory provision that allows Commissioners to be paid \$2,000 per month. Current law allows the Governor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

2001-2002 COMMERCE/REVENUE SUBCOMMITTEE

Board of Tax Appeals



Senator Stephen Morris, Chairman



Senator Paul Feleciano, Jr.

Senate ways and means
2-20-01
Attachment 8

Senate Subcommittee Report

Agency: Board of Tax Appeals

Bill No. --

Bill Sec. --

Analyst: Kramer

Analysis Pg. No. 1286 Budget Page No. 413

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

Agency Estimate/Governor's Recommendation

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

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

Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Board of Tax Appeals

Bill No. --

Bill Sec. --

Analyst: Kramer

Analysis Pg. No. 1286

Budget Page No. 413

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

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

Agency Request/Governor's Recommendation

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

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

Subcommittee Recommendation

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

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

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

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

Note: Numbers may not add due to rounding.

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

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

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

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

Board of Tax Appeals cases are from Johnson County. Alternatively, 14.5 percent of the state's property value is in Sedgwick County, but 8.5 percent of cases are from Sedgwick County. This difference may be attributed to Sedgwick County's HOP system.

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

2001-2002 COMMERCE/REVENUE SUBCOMMITTEE

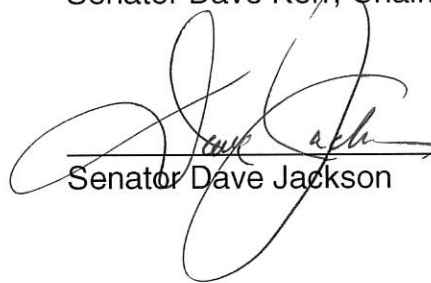
Department of Commerce and Housing
Kansas Inc.
Kansas Technology Enterprise Corporation



Senator Dave Kerr, Chairman



Senator Christine Downey



Senator Dave Jackson

Senate ways and means
2-20-01
Attachment 9

Senate Subcommittee Report

Agency: Kansas Department of
Commerce and Housing

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1212

Budget Page No. 93

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

Agency Est./Governor's Recommendation

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

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

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

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

Senate Subcommittee Recommendation

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

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

Senate Subcommittee Report

Agency: Kansas Department of
Commerce and Housing

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1212

Budget Page No. 93

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

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

Agency Req./Governor's Recommendation

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

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

- **SGF**

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

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

- **EDIF**

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

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

- **Other Funds**

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

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

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

Senate Subcommittee Recommendation

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

1. Delete \$ 173,778 (including \$120,602 from the EDIF) for the Governor's recommended pay plan adjustments for classified base increase (\$113,662), longevity (\$39,681) and an unclassified merit pool (\$20,434).
2. Delete \$200,000 from the State General Fund for the grant to the Eisenhower Center. The Governor's recommendation includes \$400,000 from the State

General Fund for this grant. The Eisenhower Center has received state dollars in both FY 2000 and FY 2001. In both years, the grant was \$300,000 from the EDIF. The Subcommittee believes that in order to save General Fund dollars in FY 2002, this grant can be spread out over two years and that EDIF balances in FY 2003 may allow for the grant to be funded from the EDIF rather the State General Fund.

3. Add \$37,300,034 (all other funds) and 13.0 FTE for administration of Section 8 contract administration. This includes \$1,800,034 for state operations and \$35.5 million for other assistance. The United States Department of Housing and Urban Development (HUD) is no longer going to administer Section 8 housing contracts and has offered Kansas the contract to administer the contracts for those units located in Kansas. Fees generated from this activity will cover the cost of these new positions as well as other overhead costs. If the Department does not contract with HUD, another entity will be administering the Kansas contracts, either a housing corporation or another state.

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

4. The Subcommittee believes that the Department of Commerce and Housing is a good agency in which to do a trial of an EDIF block grant process. The activities of the Department have clear performance measures. A block grant from the EDIF to fund these activities could be tied to performance expectations and the various programs could be used as economic development tools as the need for a particular type of service arises, not based on a set budget each year. The clearly defined and measurable outcomes would allow the Legislature to review the effectiveness of a block grant process. The Subcommittee recommends that the Secretary present a plan for such a trial to the Joint Committee on Economic Development during the 2001 interim.
5. The Subcommittee notes that the Governor's recommendation for the Department of Commerce and Housing includes \$16,391,336 from the EDIF. Due to an oversight, the Governor's Budget Recommendation overspends the EDIF by \$2.9 million in FY 2002. The Subcommittee recommends that the funding from the EDIF be reviewed during Omnibus to make sure that adequate resources exist to cover all obligations.

Pursuant to 2000 Supp. KSA 74-50,151, in the event of insufficient balances in the EDIF, the director of accounts and reports is directed to transfer the amount required to fulfill the obligations of the EDIF from the Kansas Economic Opportunity Initiatives Fund (KEOIF) to the EDIF. The Subcommittee notes that

the Governor's recommendation for KEOIF in FY 2002 is \$3.5 million, if the EDIF revenues and expenditures remain as they are budgeted today, KEOIF activities will be severely crippled in FY 2002.

Senate Subcommittee Report

Agency: Kansas, Inc.

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1240

Budget Page No. 303

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

Agency Est./Governor's Recommendation

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

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

*Senate ways and means
2-20-01
Attachment 10*

The Governor concurs.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Kansas, Inc.

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1240

Budget Page No. 303

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

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

Agency Req./Governor's Recommendation

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

- The entire request is funded from the **Economic Development Initiatives Fund**
 - the FY 2002 request is a decrease of 7.9 percent from the FY 2001 budget
 - this is due to the statewide strategic plan being done in FY 2001
 - the request includes \$10,000 for an enhancement
 - the request includes \$240,018 for salaries and wages
 - for 4.0 FTE positions

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

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

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

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor with the following comment.

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

Senate Subcommittee Report

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

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1250

Budget Page No. 323

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

Agency Est./Governor's Recommendation

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

*Senate Ways and Means
2-20-01
Attachment 11*

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

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

Senate Subcommittee Recommendation

The Subcommittee concurs with the recommendations of the Governor.

Senate Subcommittee Report

Agency: Kansas Technology
Enterprise Corporation

Bill No.

Bill Sec.

Analyst: Davis

Analysis Pg. No. 1250 **Budget Page No.** 323

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

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

Agency Req./Governor's Recommendation

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

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

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

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

Senate Subcommittee Recommendation

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

1. Delete \$42,130 (from the EDIF) for the Governor's recommended pay plan adjustments for an unclassified merit pool.

2. The Subcommittee recognizes that enormous opportunity continues to be available in the area of technology commercialization investments. However, these extraordinary opportunities cannot be undertaken within KTEC's present budget which is constrained by the limited state resources available for economic development. The Subcommittee recognizes that Kansas is missing tremendous opportunities. The need for seed and venture capital are most obvious.

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

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

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

3. The Subcommittee notes that the Governor's recommendation for KTEC includes \$13,046,887 from the EDIF. Due to an oversight, the Governor's Budget Recommendation overspends the EDIF by \$2.9 million in FY 2002. The Subcommittee recommends that the funding from the EDIF be reviewed during Omnibus to make sure that adequate resources exist to cover all obligations.