

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Representative Kenny Wilk at 9:00 a.m. on February 13, 2002, in Room 514-S of the Capitol.

All members were present except: Representative McCreary, Excused

Committee staff present: Amy Kramer, Legislative Research
Becky Krahl, Legislative Research
Alan Conroy, Legislative Research
Paul West, Legislative Research
Deb Hollon, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Representative Ward Loyd
Representative Ray Cox
Gary Brunk, Kansas Action for Children
Jack Brier, KS Development Finance Authority

Others attending: See Attached

Representative Campbell moved for the introduction of legislation concerning agreement for administration regarding jurisdiction at the local level. Motion was seconded by Representative Hermes. Motion carried.

Representative Hermes moved to introduce legislation concerning local government investment authority regarding thirty year treasury bonds. Motion was seconded by Representative Neufeld. Motion carried.

Hearing on HB 2593-Kansas development finance authority, securitization of tobacco litigation settlement receipts; bonds

Representative Ward Loyd presented testimony in favor of the proposed tobacco securitization authority which would create a public-private corporation, the Great Plains Tobacco Settlement Financing Corporation, under the umbrella of the Kansas Development Finance Authority (Attachment 1). The management of the corporation would be comprised of six compensated legislators and five compensated KDFA directors. All proceeds derived from any securitization would be deposited into the Kansas Endowment for Youth Fund which was created by the Legislature in 1999. What happens to the money in the KEY Fund would be a matter of public policy for decision by the members of the Legislature.

Representative Ray Cox, who served on a select committee to study the impact of such securitization, said that in 1999 he was opposed to the bill but has since changed his mind and is in total support of the proposed measure which would guarantee a revenue stream to the state for at least 20 years. At this point, even though the tobacco companies have agreed to continue payments for an indefinite period of years, there could be bankruptcy and reorganization among the companies which would definitely alter the payments. There is also the implication that foreign countries will be entering into lawsuits against tobacco companies and this would drain their assets.

Committee members pointed out that raising cigarette taxes by \$.65 would alter the market thus lowering the tobacco companies ability to continue their settlement payments as well as what impact that could have on the bond rating. There was also reluctance to look to the tobacco money, either by direct payment or through the sale of bonds, as a temporary budgeting solution for the state. The Committee discussed the expense of using the bond market and the option of asking the investment advisors of KPERS to look at securitizing the money bonds as an investment opportunity which would translate that the state would not have the expense of brokerage fees.

Gary Brunk, Kansas Action for Children, appeared before the Committee in opposition to any plan that would use tobacco funds for short-term fiscal problems for the state (Attachment 2). This money was ear-marked

for children's plan and it should remain intact for that purpose.

Jack Brier, Kansas Development Finance Authority, appeared as neutral before the Committee and stated that if they believed that the state would receive 100% of the tobacco revenues under the master settlement agreement, then there is no reason to consider why these funds should be securitized and take a net present value of that amount. The five basic risks that could occur to skew the funding plan:

1. The miracle cure for addiction of nicotine.
2. The issue of those who roll their own cigarettes.
3. Whether or not the tobacco companies will continue to pay as they have agreed to pay.
4. The concentration of revenues based on one source, one industry.
5. At some point in the future, foreign countries will have some success in the lawsuits and the impact that might have.

This legislation does not securitize any source of revenue; it creates a framework which is designed with the board comprised of 11 persons spending whatever time and effort it takes to determine whether or not and at what time a securitization, a partial securitization, or no securitization should occur. This would also require approval of the State Finance Council. The corporation would be created so bond purchasers would understand that the state of Kansas would have no direct affiliation, no guarantee either implied, understood, or any circumstances.

In response to a Committee request for the current present value of the future receipts to Kansas under the master settlement agreement, Mr. Brier and Alan Conroy of Legislative Research reported that the estimated payments over the next 20 years would be \$1.6 billion. The tobacco companies agreed in the master settlement agreement to pay forever. Bonds cannot be issued for more than 20 years, and whether this would disturb the remainder of the payment would be part of the financing structure.

Representative Spangler voiced strong opposition to the bill stating it is wrong for the citizens of Kansas to pay for money to bond brokers without knowing the full cost. If the proposed cigarette tax is imposed, the bonds will not be A bonds because tobacco consumption will go down. If the cost is 3% for \$700 million or the total amount of \$1.6 billion for twenty years, this would cost the state a great deal of money by causing unnecessary finance charges for money that is already owned by the state.

Mr. Brier pointed out that on Page 10, Section 4, Subsection c, of the bill there was a section which was added last year which becomes a policy issue for the Legislature dealing with the Kansas Development Finance Authority ([Attachment 3](#)). This agency is not supported by appropriations but rather from the fees from transactions, both for the state and for others. Missouri has authorized their financing authority to be able to do multiple jurisdiction bond financing which includes hospitals which are in Kansas. Kansas does not have that authority. The opportunity for financing was lost last year for the fly-over bridge in Argentine district of Kansas City because one-half was in Missouri. Mr. Brier again explained that this section has nothing to do with securitization, but is a public policy issue.

The Kansas Development Finance Authority does not use the competitive bidding process under any circumstances. All contracts are on a negotiated basis whether they are with bond lawyers or investment bankers. This includes the Secretary of Administration who actually sells the assets to the subsidiary corporation. The eleven-member corporate board would make the investment decisions.

In response to questions, Mr. Brier stated that from his experience in serving on the KPERS board more than ten years ago, there have investment advisors who have their own authority to invest based upon their expertise in foreign, fixed income, or domestic equities. KPERS no longer makes their own investments.

Representative Spangler requested that Mr. Brier, in his role as a conferee on this bill, contact the investment advisors of KPERS and ask them if they are interested in doing a swap of assets for this debt ratio, what that would cost us, what KPERS would charge, and set that up as a policy alternative. This could be set up quicker, it would not be a rigorous procedure as the State Finance Council and transfer the funds the state is scheduled to receive for a swap of dollars. Representative Nichols asked for Mr. Brier to provide examples of what other states have received who have securitized their tobacco settlements. He also voiced concern about setting up a corporation which would have the ultimate power of deciding upon the length of time of securitization and the basis for it. Mr. Brier replied that in all the transactions that have occurred a structure that is identical from one jurisdiction to another, no matter the location.

Chairman Wilk closed the hearing on **HB 2593**.

Representative Schwartz, Chairperson of the Agriculture and Natural Resources Committee, presented the Budget Committee report on the Governor's budget recommendations for the Kansas Department of Agriculture for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 with observations (Attachment 4). Motion was seconded by Representative Klein. Motion carried.

Representative Schwartz, Chairperson of the Agriculture and Natural Resources Committee, presented the Budget Committee report on the Governor's budget recommendations for the Kansas Department of Agriculture for FY 2003 and moved for the adoption of the Budget Committee recommendations for FY 2003 with comments (Attachment 4). Motion was seconded by Representative Klein. Motion carried.

Representative Schwartz, Chairperson of the Agriculture and Natural Resources Committee, presented the Budget Committee report on the Governor's budget recommendations for the Animal Health Department for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 (Attachment 4). Motion was seconded by Representative Klein. Motion carried.

Representative Schwartz, Chairperson of the Agriculture and Natural Resources Committee, presented the Budget Committee report on the Governor's budget recommendations for the Animal Health Department for FY 2003 and moved for the adoption of the Budget Committee recommendations for FY 2003 with observations (Attachment 4). Motion was seconded by Representative Klein. Motion carried.

Representative Klein of the Agriculture and Natural Resources Committee, presented the Budget Committee report on the Governor's budget recommendations for the Kansas State Fair for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 (Attachment 4). Motion was seconded by Representative Schwartz. Motion carried.

Representative Klein of the Agriculture and Natural Resources Committee, presented the Budget Committee report on the Governor's budget recommendations for the Kansas State Fair for FY 2003 and moved for the adoption of the Budget Committee recommendations for FY 2003 with observations (Attachment 4). Motion was seconded by Representative Schwartz. Motion carried.

Representative Klein of the Agriculture and Natural Resources Committee, presented the Budget Committee report on the Governor's budget recommendations for the Kansas Water Office for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 (Attachment 4). Motion was seconded by Representative Schwartz. Motion carried.

Representative Klein of the Agriculture and Natural Resources Committee, presented the Budget Committee report on the Governor's budget recommendations for the Kansas Water Office for FY 2003 and moved for the adoption of the Budget Committee recommendations for FY 2003 adjustments and notations (Attachment 4). Motion was seconded by Representative Schwartz. Motion carried.

Representative Schwartz, Chairperson of the Agriculture and Natural Resources Committee, presented the Budget Committee report on the Governor's budget recommendations for the State Conservation Commission for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 (Attachment 4). Motion was seconded by Representative Klein. Motion carried.

Representative Schwartz, Chairperson of the Agriculture and Natural Resources Committee, presented the Budget Committee report on the Governor's budget recommendations for the State Conservation Commission for FY 2003 and moved for the adoption of the Budget Committee recommendations for FY 2003 with recommendations (Attachment 4). Motion was seconded by Representative Klein. Motion carried.

Copies of the State Water Plan Expenditures were distributed to Committee members (Attachment 5).

Chairman Wilk adjourned the meeting at 10:25 a.m. The next meeting is scheduled for Thursday, February 14, 2002.

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MEMORANDUM

**TO: Rep. Kenny Wilk, Chairman
 Members, House Appropriation Committee**

**RE: Testimony in Support of House Bill 2593
 Tobacco Securitization Bill**

DATE: February 13, 2002

In the waning days of Session 2001 we requested the preparation of a bill which would create a structure to permit tobacco securitization. That measure was introduced through your committee, and reported favorably for passage. Because of a shortness of time it was determined not to work the measure on the floor of the House, and H.B. 2593 has accordingly been returned for further deliberation.

This is a public policy proposal of compelling significance, at least in my mind. As currently situated the state of Kansas is at the mercy of the tobacco industry not to falter, not to restructure, but to continue business as usual for years to come, and regularly pay according to the terms of the tobacco settlement agreement struck in November, 1998 between the attorneys general of 46 states and five of the country's largest tobacco firms. The economy can turn on what appears to be a dime. The basket of one's investment eggs can be dropped, ala Enron. We owe it to our fellow Kansans to protect, and to have the ability to diversify, our investment in this settlement.

I have a further concern regarding the tobacco industry, which stems from a growing number of foreign governments which have now taken note of the tobacco litigation and settlement, and are now filing lawsuits in United States courts in an effort to get U.S. tobacco companies to pay for the treatment of sick smokers. A copy of law review article is attached for your consideration. Who knows the likelihood of the plaintiffs' success, at least initially. But this is how it all started in the first place – one action at a time, without end, until it was a flood, and the industry was forced to capitulate.

Nothing about House Bill 2593 requires any restructuring of the tobacco settlement, nor does it require the securitization of a single cent of settlement proceeds. It does, however, create the authority by which such might be done in the event those more knowledgeable than I should determine that must be done, in whole or in part.

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 ATTACHMENT 1

The peanut of the measure is that we create a public-private corporation under the umbrella of Kansas Development Finance Authority (KDFA), the management of which is vested in a board of directors comprised of the five KDFA directors and six legislators. There are three appointed by each the Speaker and the President, with not more than two of either houses appointees being members of the majority party.

The bill would amend the KDFA statute to add a section authorizing the creation of the "Great Plains Tobacco Settlement Financing Corporation" (Great Plains TSFC), effective upon approval of articles of incorporation by KDFA (we may wish to add requirement for additional, joint approval by LCC).

This Legislature in 1999 enacted H.B. 2558 to create three endowment funds from the tobacco lawsuit settlement: the Kansas Endowment for Youth (KEY) Fund, the Children's Initiatives Fund and the Children's Initiatives Accountability Fund. Although restructured in part, the funds are to be used to provide additional money for programs, projects and improvements that are beneficial to the physical and mental health, welfare, safety and overall well-being of the children of our state. This measure supports that public policy by requiring that all proceeds derived from any securitization be deposited into the KEY Fund.

The following is a general outline and discussion of the bill, and I have highlighted certain of the provisions that may be deemed to be of significance.

Sec. 1 (a) Definitions

The following are a list of the terms defined for purposes of the act.

(1). *Asset Sale Agreement (ASA)* – the agreement between the state as seller of tobacco assets, and the Great Plains TSFC as purchase of the tobacco assets.

(2). *Finance Corporation (FC)* – Great Plains TSFC

(3). *Residual Assets (RA)* – what's left (not sold/securitized)

(4). *State Tobacco Settlement Receipts (STSR)* – all moneys payable to the state per the master settlement agreement without regard to sale of any portion thereof

(5). *Tobacco Assets (TA)* – right, title and interest in an to portion of STSR sold to Great Plains TSFC

(6). *Master Settlement Agreement (MSA)* – the settlement agreement which

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resolved the litigation and from which STSRs flow

(7). *Tobacco Asset Payments (TAP)* – amounts paid or payable to Great Plains TSFC

(b) The secretary of administration is authorized to sell to FC all or part of tobacco settlement receipts with proceeds to be deposited in the KS endowment for youth (KEY) fund.

(c) The sale of tobacco assets is a true sale, not a pledge or other security interest for any borrowing by the state.

(d) After sold, the state had no right, title, or interest in or to such assets

(e) Pledges and agreements by state for benefit of holders of any bonds in which a FC has included such pledge and agreement.

(f) Secretary has to get approval of state finance council prior to entering into any sale agreement.

(g) Sales are by negotiation and exempt from competitive bid requirements

(h) The district court of Shawnee County has exclusive jurisdiction over any issue arising with regard to K DFA-authority actions

(i) Tobacco receipts, assets, and asset payments classified as general intangibles within meaning of Kansas Uniform Commercial Code.

Sec. 2 Amends K.S.A. 38-2101

(a) *No changes*. It is the provision that established the KEY fund

(b) *No changes in otherwise current law, but adds provisions that* all moneys to be deposited in the youth fund. This subsection adds that funds received pursuant to a sale of STSRs by the secretary of administration as authorized by Section 1 and its amendments shall also be deposited in the KEY fund.

(c) *No changes*. This provision abolished the children's health care programs fund and transferred all moneys in that fund to the youth fund.

Sec. 3 Amends K.S.A. 2000 Supp. 74-8904

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(a) through (z) lay out the authority's powers; *current law, no change*, subject to the following.

(e) Amends to include the power to acquire, hold, and dispose of real and personal property "of any nature, tangible or intangible."

(v) Amends by deleting "subsidiary" corporation language and replacing with "affiliate" corporation under K.S.A. 17-6001 *et seq.* Also adds that each such affiliate corporation has the power to contract with authority to do all things necessary and convenient to carry out the purposes of such affiliate corporation.

(1) changes subsidiary to affiliate

(2) changes subsidiary to affiliate, and provides that an affiliate corp shall have and may exercise any power of authority, including issuance of bonds; adds that any affiliate may contract with the authority to carry out purposes of the corporation; no need to file articles w/ secretary of state;

(3) creates the great plains tobacco settlement financing corporation (GPTSFC)¹ **for purposes of:**

- (1) receiving portion or all of tobacco assets (TA) from state
- (2) transferring, selling, pledging, assigning, or conveying TAs
- (3) entering into contracts, including trusts, regarding the TAs
- (4) issuing bonds
- (5) issuing other obligations secured by all or a portion of TAs

Board of directors composed of members of the board of KDFFA (5), plus six legislators, three appointed by the Speaker (not more than two being members of majority party), and three by the President (not more than two being members of majority party).

Each member of BOD gets legislative pay

Filing of articles of incorporation not required, although effective date of commencement of authority for Great Plains TSFC does not commence until and unless articles of incorporation are approved by KDFFA..

(w) through (z) Add to the authority's power the power to establish trusts, make secured or

¹ "a public body politic and corporate and an independent instrumentality of the state exercising essential public functions"

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unsecured loan for housing projects, and assist, coordinate, administer, and participate with governmental entities and other public and private entities of other statutes.

The authority is designated as the only entity in the state which may conduct public hearings of the applicable governmental unit required by section 147(f) of the Internal revenue Code of 1986. The Governor is the only entity who may be the applicable government unit. The authority decides if financing should proceed after the hearing.

Sec. 4 Amends K.S.A. 2000 Supp. 74-8905

(h) Gives Great Plains TSFC authorization to issue bonds for purpose of acquiring tobacco assets. Can also use to pay expenses of authorizing and issuing the bonds, paying interest on the bonds, purchasing bond insurance, and funding reserves.

Sec. 5 Amends K.S.A. 74-8909

Amends to include affiliate corporations organized pursuant to Subsection (v) of 74-8904

Sec. 6 Amends K.S.A. 2000 Supp. 74-8927

(b) The state treasurer shall credit all revenues from (a) to the redevelopment bond fund which is established and is to be held in the state treasury.



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CourtLink check on the latest U.S. District Court lawsuits

Brazilian City Joins List of Foreign Entities Suing U.S. Cigarette Makers

Matthew Haggman Miami Daily Business Review January 11, 2002



image: Aixa Montero-Green/Miami Daily Business Review Joel Perwin

In the latest cigarette-related lawsuit on behalf of a foreign government, the Brazilian city of Pernambuco is trying to get U.S. tobacco companies to pay for the treatment of sick smokers.

The suit, filed Dec. 28, joins more than 20 other cases brought by foreign governments against cigarette makers in Miami-Dade circuit court. It alleges unjust enrichment, fraud, gross negligence and a variety of other claims. Other governments that have filed similar suits include the Russian Federation, Honduras, Tajikistan and several states in Brazil.

The lawsuits are part of an ongoing effort to hold cigarette makers accountable for harm allegedly caused in other countries, just as plaintiffs are seeking to hold them accountable in the United States. The litigation campaign, which is being spearheaded by Miami's Podhurst Orseck Josefsberg Eaton Meadow Olin & Perwin and which includes other law firms around the country, is modeled on the successful effort by U.S. states to recover payments for smoking-related Medicaid costs.

But while the legal arguments in these suits mirror those made by the states, foreign governments so far have not found a welcome reception in state and federal courts in this country. The claims have foundered over the issue of whether governments rather than individuals have suffered harm.

"I am not optimistic," says Richard A.

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Daynard, president of the Tobacco Control Resource Center at Northeastern University in Boston, who has been heavily involved in litigation efforts against cigarette makers. "We have been encouraging foreign governments to sue in their own country."

Such pessimism can be explained by the tobacco industry's recent legal victories. Last May, the U.S. Court of Appeals for the D.C. Circuit dismissed complaints by Guatemala, Nicaragua and Ukraine alleging fraud and conspiracy on the part of cigarette makers in connection with federal racketeering and antitrust laws.

Then, in November, Miami-Dade Circuit Judge Bernard Shapiro dismissed two lawsuits filed by Podhurst Orseck on behalf of Venezuela and the Brazilian state Espirito Santo. And a case brought on behalf of Ecuador in Judge Paul Siegel's court was voluntarily withdrawn by Podhurst Orseck.

Because the three lawsuits that failed in Miami are largely identical to the other pending cases by foreign governments in Miami-Dade circuit court, the prospects of success seem to be diminishing.

In what appears to be an effective strategy, tobacco company lawyers have succeeded - through a procedure called multidistrict litigation -- in getting all federal cases brought by foreign governments heard in U.S. District Court for the District of Columbia. Due to the unfavorable federal appellate decision in May, that district court must dismiss such cases.

Not surprisingly, industry attorneys are attempting to have the Miami-Dade circuit court cases removed to federal court, swept up to the U.S. District Court for the District of Columbia, and dismissed.

"Since the settlement [in November 1998] with the states, American courts have thrown the engine in reverse," Daynard says. "All of the arguments that courts previously accepted are suddenly questionable."

It's not just foreign governments that are losing against the cigarette industry. HMOs and labor unions in the U.S. also have failed in efforts to recoup the costs of treating smoking-related illness. The industry's decades-long aura of invincibility in the courtroom may be returning.

"The plaintiffs' lawyers know that federal courts in this country will not tolerate these lawsuits, and [Judge Shapiro's] decision suggests their reception in state courts should be no different," William S. Ohlemeyer, Philip Morris vice president and associate general counsel, said following the November ruling.

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Yet the Podhurst firm still insists it can win, and demonstrated its faith by filing the new suit last month. "We think we're right, so we're fighting and working very hard," says Joel Perwin, the partner at Podhurst Orseck who is handling the appellate side of the litigation, while associate Steven Marks handles the trial effort. "We won't slow down until we have a dispositive ruling by an appellate court."

Perwin says his firm plans to appeal Judge Shapiro's dismissal in the Venezuela case to the 3rd District Court of Appeal in Miami.

The plaintiffs' difficulties arise from an old legal doctrine called "remoteness." Attorneys in the Medicaid litigation filed by the states were able to circumvent that defense, but it now appears a formidable roadblock for foreign governments. Generally, remoteness doctrine says a plaintiff, for instance a government, cannot successfully sue based on harm to a third party, but instead must be able to demonstrate direct damages.

The tobacco companies have cited this doctrine in arguing that people, not governments, are the only ones who can claim harm. They also have contended that the Medicaid lawsuits were successful only because of special statutes enacted by state legislatures, such as Florida's Medicaid Third-Party Liability Act, which allowed the state to seek damages without suffering direct harm.

The courts have been swayed by the remoteness argument. "Every appellate court, regardless of the plaintiff, has ruled the claim too remote, too indirect, too derivative," says Kenneth Parsigian, a partner at Goodwin Procter in Boston who's been leading the tobacco defense in the Miami-Dade Circuit Court cases.

Perwin insists, however, that foreign governments are directly harmed by injuries to their citizens who suffer smoking-related ailments. In fact, he notes, the government is the only party which incurs the health care costs, because, unlike in the United States, the governmental clients he represents pay for their citizens' health care.

"When health care is free, the individual has no claim because he did not pay the cost," says Perwin. "Only the entity who has paid the cost has a claim."

Furthermore, he argues, it's "completely false" that the states' Medicaid lawsuits were successful merely because of statutes like the Medicaid Third-Party Liability Act. "It was only a handful of cases in the state litigation that relied on state statutes," he

says.

Nevertheless, the foreign governments appear to face an uphill fight in the Miami courts. "Logically, the foreign government cases should work," Daynard says. "The court allowed state cases to go forward. But now courts are essentially acting as if there were no state cases."



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**Testimony in Opposition to House Bill No. 2593
House Committee on Appropriations
February 13, 2002**

Submitted by Gary Brunk, Executive Director

I am testifying against House Bill No. 2593.

The enactment in 1999 of Senate Substitute for House Bill No. 2558, the bill creating the Kansas Endowment for Youth Fund, the Children's Initiatives Fund, and the Children's Cabinet, put Kansas at the forefront of states seeking to respond creatively to the 1998 Master Tobacco Settlement.

Kansas Action for Children supported HB 2558 because we thought that it was a forward-looking bill that had great potential for measurable improvements in child well-being. By making a commitment to a long-term investment in children, the Kansas Legislature not only did the right thing, it did the smart thing.

We continue to think that HB 2558 is a smart investment in our state's future, and we believe Kansas voters agree. We know that voters believe in investing in prevention. In a poll of frequent voters conducted last summer, 61 percent said prevention should have a higher priority than treatment or punishment. But even more to the point, the most informed voters in Kansas said by a margin of seven to one that they want every dollar of the tobacco settlement to go to support services for children.

Let me put this on the table as clearly as I can: HB 2593 says that all proceeds from securitization would be deposited in the KEY Fund. Kansas Action for Children believes that it will be almost impossible for this or a future Legislature to resist using that pool of money to get the state out of its short-term fiscal problems.

We fear that securitizing the proceeds from the tobacco settlement could easily amount to abandoning one of the most innovative and promising policy initiatives in years. I urge you to maintain your commitment to children and oppose HB 2593.

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ATTACHMENT 2



Jack Brier

From: Todd Fraizer
Sent: Thursday, July 19, 2001 8:49 AM
To: Jack Brier; Rebecca Floyd; Amy Johnson
Subject: Missouri Border Jumper: Local Deal Will Set Up Five-State Hospital Pool



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THE BOND BUYER

REGIONAL NEWS

July 18, 2001

Missouri Border Jumper: Local Deal Will Set Up Five-State Hospital Pool

By Yvette Shields

CHICAGO - Sisters of Mercy Health System will return to the tax-exempt market on Tuesday after a six-year absence when it prices \$380 million of auction rate securities through the **Missouri Health and Educational Facilities Authority**. The proceeds will finance capital needs at its 17 hospitals in five states.

The transaction marks the highly rated system's first-time use of the auction rate mode, which allows the borrower to forgo a liquidity facility as the paper has no put feature. The structure includes three tranches with different remarketing periods in order to offer investors some diversity - 7-day, 28-day, and 35-day resets, according to **Kathleen Costine**, senior managing director at **Bear, Stearns & Co.**, which is working on the deal. **Ambac Assurance Corp.** is expected to provide insurance.

Finance officials working on the transaction believe they have several strong selling points in their favor. In

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addition to the system's ratings being among the highest for not-for-profit health care borrowers, Sisters of Mercy has in recent years tapped cash-on-hand to finance capital work. It carries only a small debt load of about \$160 million of floating rate and fixed rate securities. "In many respects this is a new name in the market," Costine said.

The opportunity to buy the debt of a rare borrower and the system's overall fiscal health should give the deal an edge, according to several investors.

"There's enough demand from short-cash people to absorb the issue," said **Patrick Morrissey**, managing director at **Banc One Investment Advisers**. However, he added that the deal could price cheaper than non-hospital issue auction-rate debt.

The transaction is the second so-called cross-border deal for the Missouri authority. Most states either won't sell bonds for hospital systems to finance projects at their facilities in other states or will approve a rare one on a case-by-case basis.

However, the Missouri Legislature last year gave the authority powers to do cross-border transactions at the request of several issuers including Sisters of Mercy and **SSM Healthcare** - the first to take advantage of the new issuing powers in a deal that priced in April.

The ability to issue debt through one state to benefit facilities in another provided the incentive for Sisters of Mercy, which has hospitals in Missouri, **Mississippi**, **Oklahoma**, **Texas**, and **Kansas**, to turn to the market to raise capital. The move allows the system to improve cash flow levels over time.

In addition, the benefits of the deal go beyond the convenience and cost savings of using one issuer.

"The beauty for us goes beyond not having to deal with more issuers," said **James Jaacks**, chief financial officer of the system. "It allows us to create a captive bond pool and finance shorter-lived assets."

Sisters of Mercy will pool about \$300 million of the transaction's proceeds from which its hospitals can borrow for capital expenditures. Hospitals are expected to borrow money from the pool to purchase short-term assets, such as equipment and improved technology.

The bonds to be issued carry a final maturity in 2031.

Under the federal tax code on tax-exempt issuance, the average life of the bond can't exceed the life of the asset by 20%. But by creating the cross-border pool, the system will be able to recycle the debt so as not to violate the tax code. When one hospital pays back into the pool, a hospital in another state can borrow. If the system had to borrow through one state, it could not have created such a pool.

"I have ultimate flexibility in recycling these funds," Jaacks said.

By tapping the municipal market, Jaacks said he anticipates a \$10 million improvement in the system's cash flow figures by fiscal 2003.

In conjunction with the upcoming sale, **Moody's Investors Service** affirmed the system's Aa1 rating. **Standard & Poor's** has not yet published a report on the upcoming issue. It has previously rated the system AA-plus, but it has a negative outlook on the credit.

Sisters of Mercy is the highest rated credit among Moody's not-for-profit health borrowers. While its position remains strong and stable, analysts did note that the system's "risk profile" has been heightened because 54% of its operating cash flow comes from two markets in which Mercy does not command a leading market share. Other factors include an increased debt load, weakened liquidity, and the cost of future capital projects.

While Sisters of Mercy's diverse market lends a strong hand to its cash flows in its own home state, where it has struggled to gain an edge.

In the 1990s, Sisters of Mercy sought to secure a broader share of the **St. Louis** market with the creation of Unity Health. The subsidiary joined a number of hospitals in the St. Louis area, including Mercy's St. John's; **St. Anthony** and the hospital it operates, Alexian Brothers; and **St. Luke's Episcopal-Presbyterian Hospital**.

All parties at the time viewed the consolidation as a wise move. It allowed the lower-rated St. Anthony and St. Luke's to align themselves with a more highly rated system, and Sisters of Mercy was able to gain a greater presence in St. Louis.

But the other hospitals' philosophies on service delivery and management clashed with Sisters of Mercy, and the expected fiscal improvements never materialized. St. Anthony and Alexian Brothers pulled out of Unity in June 2000, and in March St. Luke's left.

The financial impact has been minimal, but it has left the system with a much smaller piece of the St. Louis market and forces Sisters of Mercy's hospital there, St. John's, to compete with its former partner in Unity, St. Luke's.

Standard & Poor's last review of the credit in February 2000 revised the outlook to negative, citing the heightened business risks faced by the system. The risks included problems with Unity, lagging operating performance, and reduced liquidity due to capital spending.

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2002 AGRICULTURE AND NATURAL RESOURCES BUDGET COMMITTEE


Department of Agriculture
Kansas State Fair
State Conservation Commission
Kansas Water Office
Animal Health Department


Representative Sharon Schwartz, Chairperson

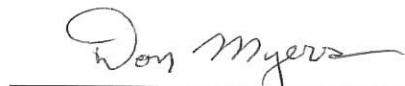

Representative Vaughn Flora


Representative Alan Goering


Representative Carl Holmes


Representative Tom Klein

Representative Bill McCreary


Representative Don Myers

HOUSE APPROPRIATIONS

DATE 2/13/02

ATTACHMENT 4

House Budget Committee Report

Agency: Department of Agriculture **Bill No.** 2743 **Bill Sec.** 43
Analyst: Kramer **Analysis Pg. No.** 3 **Budget Pg. No.** 49

Expenditure Summary	Agency Request FY 2002	Governor Recommendation FY 2002	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 20,488,804	\$ 21,198,804	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 20,488,804	\$ 21,198,804	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 20,488,804	\$ 21,198,804	\$ 0
State General Fund:			
State Operations	\$ 10,086,303	\$ 10,086,303	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	\$ 10,086,303	\$ 10,086,303	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 10,086,303	\$ 10,086,303	\$ 0
FTE Positions	302.5	302.5	0.0
Non-FTE Unclass. Perm. Positions	15.2	15.2	0.0
TOTAL	317.7	317.7	0.0

Agency Request/Governor's Recommendation

The Department of Agriculture estimates FY 2002 expenditures of \$20,488,804, which is an increase of \$497,636 (2.5 percent) from the amount approved by the 2001 Legislature.

The Governor recommends \$21,198,804 for FY 2002 operating expenditures which is an increase of \$1,207,636 (6.0 percent) from the amount approved by the 2001 Legislature. The Governor concurs with the agency's estimated request and adds \$710,000 for a federal Speciality Crops Grant. The grant was awarded after the submission of the agency FY 2002 budget request and may be used for special projects designated by the federal government.

House Budget Committee Recommendations

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

1. The Budget Committee commends the agency for pursuing a \$710,000 Speciality Crops Block Grant from the United States Department of Agriculture. In coordination with the Agricultural Products Development Division of the Department of Commerce and Housing, the grant will be used for the following programs:
 - Sponsor an agricultural terrorism conference;
 - KDA organic certification for meat processing;
 - WIC Farmers Market Nutrition Program/Senior's Farmers Market Program (if possible);
 - Basic research for manure composting project; and
 - Individual competitive grants for speciality crop producers.

House Budget Committee Report

Agency: Department of Agriculture **Bill No.** - - **Bill Sec.** - -

Analyst: Kramer **Analysis Pg. No.** 3 **Budget Pg. No.** 49

Expenditure Summary	Agency Request FY 2003	Governor Recommendation FY 2003	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 20,970,521	\$ 20,223,221	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 20,970,521</u>	<u>\$ 20,223,221</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 20,970,521</u></u>	<u><u>\$ 20,223,221</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 10,360,319	\$ 9,811,542	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal - Operating	<u>\$ 10,360,319</u>	<u>\$ 9,811,542</u>	<u>\$ 0</u>
Capital Improvements	0	0	0
TOTAL	<u><u>\$ 10,360,319</u></u>	<u><u>\$ 9,811,542</u></u>	<u><u>\$ 0</u></u>
FTE Positions	304.5	300.5	0.0
Non-FTE Unclass. Perm. Positions	<u>14.2</u>	<u>14.2</u>	<u>0.0</u>
TOTAL	<u><u>318.7</u></u>	<u><u>314.7</u></u>	<u><u>0.0</u></u>

Agency Request/Governor's Recommendation

The Department of Agriculture requests \$20,970,521 for FY 2003 operating expenditures which is an increase of \$481,717 (2.4 percent) from the FY 2002 estimate. The request includes \$10,360,319 from the State General Fund, which is an increase of \$274,016 from the FY 2002 request and \$10,610,202 from federal and special revenue funds which is an increase of \$207,701 from the FY 2002 request. The agency also requests \$13,826,195 for salaries and wages for 318.7 positions (304.5 FTE positions and 14.2 non-FTE unclassified permanent positions) which is an increase of \$74,788 (0.5 percent) from the FY 2002 estimate. The agency's four percent reduced resources package is a \$403,434 reduction in State General Fund expenditures. The package includes a reduction of services in the water resources program and statistical services subprogram including leaving nine FTE positions unfunded and abandoning membership in the National Association of State Departments of

Agriculture.

The Governor recommends \$20,223,221 for FY 2003 operating expenditures which is a decrease of \$975,583 (4.6 percent) from the FY 2002 recommendation and a decrease of \$747,300 (3.6 percent) from the agency's FY 2003 request. The recommendation includes \$9,811,542 from the State General Fund, which is a decrease of \$274,761 from the FY 2002 estimate and \$10,411,679 from federal and special revenue funds which is a decrease of \$700,822 from the FY 2002 estimate. The Governor also recommends \$13,502,041 for salaries and wages for 314.7 positions (300.5 FTE positions and 14.2 non-FTE unclassified permanent positions) which is a decrease of \$249,366 (1.8 percent) from the FY 2002 estimate. The Governor recommends a reduced resources package of \$387,144 from all sources (\$403,434 SGF) including the replacement of \$16,290 from the State General Fund with special revenue funding. The package includes a reduction of services in the water resources program and statistical services subprogram including leaving nine FTE positions unfunded.

House Budget Committee Recommendations

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

1. The Budget Committee appreciates the efforts of the agency to provide the committee with extensive information regarding the operations of the agency.

House Budget Committee Report

Agency: Animal Health Department **Bill No. –** **Bill Sec. –**
Analyst: Kramer **Analysis Pg. No. 20** **Budget Pg. No. 61**

Expenditure Summary	Agency Request FY 2002	Gov. Rec. FY 2002	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 2,005,232	\$ 2,005,232	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	\$ 2,005,232	\$ 2,005,232	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 2,005,232	\$ 2,005,232	\$ 0
State General Fund:			
State Operations	\$ 628,999	\$ 628,999	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	\$ 628,999	\$ 628,999	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 628,999	\$ 628,999	\$ 0
FTE Positions	31.0	31.0	0.0
Non-FTE Unclass. Perm. Positions	0.0	0.0	0.0
TOTAL	31.0	31.0	0.0

Agency Request/Governor's Recommendation

The Animal Health Department estimates \$2,005,232 for FY 2002 operating expenditures, which is a decrease of \$600 from the amount approved by the 2001 Legislature. The decrease results from adjustments in fee funding.

The Governor recommends \$2,005,232 for FY 2001 operating expenditures. The recommendation is a decrease of \$600 from the amount approved by the 2001 Legislature and is consistent with the amount estimated by the agency.

House Budget Committee Recommendations

The Budget Committee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Animal Health Department **Bill No. --** **Bill Sec. --**

Analyst: Kramer **Analysis Pg. No. 20** **Budget Pg. No. 61**

Expenditure Summary	Agency Request FY 2003	Gov. Rec. FY 2003	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 2,198,515	\$ 2,090,004	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 2,198,515	\$ 2,090,004	\$ 0
State General Fund:			
State Operations	\$ 764,965	\$ 616,995	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 764,965	\$ 616,995	\$ 0
FTE Positions	33.0	31.0	0.0
Non-FTE Unclass. Perm. Positions	0.0	0.0	0.0
TOTAL	33.0	31.0	0.0

Agency Request/Governor's Recommendation

The Animal Health Department requests \$2,198,515 for FY 2003 operating expenditures, which is an increase of \$193,283 (9.6 percent) above the FY 2002 estimate. The request includes \$764,965 from the State General Fund, which is 43.8 percent of the total request, and \$1,433,550 from special revenue funds, which is 65.2 percent of the total request. The request also includes \$1,391,771 for salaries and wages for 33.0 FTE positions, which is an increase of \$142,364 (11.4 percent) over the FY 2002 estimate. The request includes an enhancement package of \$131,976 from the State General Fund. The agency's 4 percent reduced resource package of \$25,160 from the State General Fund includes reductions in travel from the Animal Disease Control and Animal Facilities Inspection programs.

The Governor recommends \$2,090,004 for FY 2003 operating expenditures, which is an increase of \$84,772 (4.2 percent) from the FY 2002 estimate. The recommendation is a decrease of \$108,511 (4.9 percent) from the enhanced agency's FY 2003 request, and the recommendation is an increase of \$23,465 (1.1 percent) from the agency's FY 2003 current

services budget request. The Governor recommends \$616,995 from the State General Fund, which is 29.5 percent of the total FY 2003 operating expenditures recommendation, and \$1,473,009 from special revenue funds, which is 70.5 percent of the total recommendation. The recommendation also includes \$1,288,260 for salaries and wages for 31.0 FTE positions, which is an increase of \$38,853 (3.1 percent) over the FY 2002 estimate. The Governor does not recommend the agency's enhancement or reduced resources packages. The Governor recommends an increase of \$23,465 from the State General Fund to fully fund group health insurance and to implement a six-month moratorium on contributions to the KPERS death and disability fund.

House Budget Committee Recommendations

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

1. The Budget Committee encourages the agency to explore the feasibility of conducting biannual feedlot inspections in an effort to reduce agency expenditures.

House Budget Committee Report

Agency: Kansas State Fair

Bill No. --

Bill Sec. --

Analyst: Kramer

Analysis Pg. No. 37

Budget Page No. 167

Expenditure Summary	Agency Estimate FY 2002	Governor's Recommendation FY 2002	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 3,490,312	\$ 3,388,865	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal – Operating	\$ 3,490,312	\$ 3,388,865	\$ 0
Capital Improvements	628,898	628,898	0
TOTAL	<u>\$ 4,119,210</u>	<u>\$ 4,017,763</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 134,000	\$ 132,952	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal – Operating	\$ 134,000	\$ 132,952	\$ 0
Capital Improvements	0	0	0
TOTAL	<u>\$ 134,000</u>	<u>\$ 132,952</u>	<u>\$ 0</u>
FTE Positions	22.0	22.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u>22.0</u>	<u>22.0</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The Kansas State Fair estimates \$3,490,312 for FY 2002 operating expenditures which is a decrease of \$836,123 (19.3 percent) from the amount approved by the 2001 Legislature. The estimate includes \$134,000 from the State General Fund and \$3,350,946 from the State Fair Fee Fund, and includes \$1,343,555 in salaries and wages to fund 22.0 FTE positions. The decrease is due to poor fair attendance related to the Hutchinson natural gas explosions, the Hepatitis A outbreak in Reno County, and the September 11 attacks which occurred during the fair.

The Governor recommends \$3,388,865 for FY 2002 operating expenditures which is a decrease of \$937,570 (21.7 percent) from the amount approved by the 2001 Legislature. The recommendation includes \$132,952 from the State General Fund and \$3,255,913 from the State Fair Fee Fund, and includes \$1,338,189 in salaries and wages to fund 22.0 FTE positions. The decrease

is due to poor fair attendance related to the Hutchinson natural gas explosions, the Hepatitis A outbreak in Reno County, and the September 11 attacks which occurred during the fair.

House Budget Committee Adjustments

The Budget Committee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Kansas State Fair

Bill No. --

Bill Sec. --

Analyst: Kramer

Analysis Pg. No. 37

Budget Page No. 167

Expenditure Summary	Agency Request FY 2003	Governor's Recommendation FY 2003	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 4,203,989	\$ 3,920,389	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal – Operating	\$ 4,203,989	\$ 3,920,389	\$ 0
Capital Improvements	1,296,546	1,296,546	0
TOTAL	\$ 5,500,535	\$ 5,216,935	\$ 0
State General Fund:			
State Operations	\$ 137,404	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal – Operating	\$ 137,404	\$ 0	\$ 0
Capital Improvements	300,000	300,000	0
TOTAL	\$ 437,404	\$ 300,000	\$ 0
FTE Positions	24.0	22.0	0.0
Non FTE Uncl. Perm. Positions	0.0	0.0	0.0
TOTAL	24.0	22.0	0.0

Agency Request/Governor's Recommendation

The Kansas State Fair requests \$4,203,989 for FY 2003 operating expenditures which is an increase of \$703,677 (20.4 percent) from the FY 2002 estimate. The request includes \$1,465,869 in salaries and wages for 24.0 FTE positions which is an increase of \$122,341 (9.1 percent) from the FY 2002 estimate. Included in the request is enhancements totaling \$162,384 (\$46,384 State Fair Fee Fund, \$116,000 EDIF) for two FTE positions and for increased advertising expenditures.

The Governor recommends \$3,920,389 for FY 2003 operating expenditures which is an increase of \$531,524 (15.7 percent) from the FY 2002 estimate. The request includes \$1,438,185 in salaries and wages for 22.0 FTE positions which is an increase of \$531,524 (15.7 percent) from the FY 2002 estimate. The Governor does not recommend the enhancements.

House Budget Committee Recommendation

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

1. The Budget Committee is concerned to see a drop in attendance, especially grandstand attendance, in recent years. Even though unusual circumstances caused the attendance decline for the 2001 fair, the Budget Committee notes that these declines will have a significant impact on the State Fair Fee Fund.
2. The Budget Committee notes the shifting of funds from the State Fair Capital Improvements Fund to the State Fair Fee Fund in FY 2002. The State Fair is authorized to annually transfer a minimum of five percent of their total gross receipts from the State Fair Fee Fund to the State Fair Capital Improvements Fund (SCIF) (K.S.A. 2-223). A matching State General Fund transfer not to exceed \$300,000 annually is also authorized. In FY 2002, the fair transferred \$155,033 (five percent) to the SCIF, but transferred \$300,000 from the SCIF back to the fee fund with the intent transferring the \$300,000 back to the SCIF in FY 2003. The Budget Committee is concerned that the agency is borrowing from its capital improvements fund to finance general operation of the fair.
3. The Budget Committee notes HB 2609 which authorizes the State Fair Board to conduct negotiations and enter into contracts for placement of a hotel and convention center on the State Fairgrounds. The Budget Committee is concerned about the potential financial liability the state may incur with the passage of this bill.

House Budget Committee Report

Agency: Kansas Water Office

Bill No. 2743

Bill Sec. --

Analyst: Kramer

Analysis Pg. No. 65

Budget Page No. --

<u>Expenditure Summary</u>	<u>Agency Est. FY 02</u>	<u>Governor's Recommendation FY 02</u>	<u>Budget Committee Adjustments</u>
All Funds:			
State Operations	\$ 7,219,774	\$ 7,219,774	\$ 0
Aid to Local Units	0	0	0
Other Assistance	45,000	45,000	0
TOTAL	<u>\$ 7,264,774</u>	<u>\$ 7,264,774</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 1,418,942	\$ 1,418,942	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 1,418,942</u>	<u>\$ 1,418,942</u>	<u>\$ 0</u>
FTE Positions	22.5	22.5	0.0
Non FTE Uncl. Perm. Positions	1.0	1.0	0.0
TOTAL	<u>23.5</u>	<u>23.5</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The Kansas Water Office estimates operating expenditures for FY 2002 of \$7,264,774 which is an increase of \$1,168,963 (19.2 percent) from the amount approved by the 2001 Legislature. The State General Fund estimate is consistent with the approved amount. The increase results primarily from an increase in contractual services for the planned purchase of storage space at Kanopolis Lake.

The Governor recommends operating expenditures for FY 2002 of \$7264,774 which is consistent with the agency's estimate.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Kansas Water Office

Bill No. --

Bill Sec. --

Analyst: Kramer

Analysis Pg. No. 65

Budget Page No. 469

Expenditure Summary	Agency Request FY 2003	Governor's Recommendation FY 2003	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 5,750,057	\$ 5,582,407	\$ 0
Aid to Local Units	0	0	0
Other Assistance	45,000	45,000	0
TOTAL	\$ 5,795,057	\$ 5,627,407	\$ 0
State General Fund:			
State Operations	\$ 1,432,008	\$ 1,390,084	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 1,432,008	\$ 1,390,084	\$ 0
FTE Positions	22.5	22.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	22.5	22.5	0.0

Agency Request/Governor's Recommendation

The Kansas Water Office requests \$5,795,057 for FY 2003 operating expenditures which is a decrease of \$1,469,717 (20.2 percent) from the FY 2002 estimate. The request includes \$1,432,008 from the State General Fund, \$2,771,225 from the State Water Plan Fund, and \$1,591,824 from all other funds (including \$1,499,509 from the Water Marketing Fund). The decrease is due to the planned purchase of water storage at Kanopolis Lake that occurred in FY 2002. The agency requests \$1,394,361 in salaries and wages for 22.5 FTE positions, a decrease of \$33,271 (2.3 percent) from the FY 2002 estimate.

The Governor recommends \$5,627,407 for FY 2003 operating expenditures which is a decrease of \$1,637,367 (22.5 percent) from the FY 2002 estimate. The recommendation includes \$1,390,084 from the State General Fund, \$2,652,558 from the State Water Plan Fund, and \$1,584,765 from all other funds (including \$1,500,316 from the Water Marketing Fund). The decrease is due to the planned purchase of water storage at Kanopolis Lake that occurred in FY 2002. The Governor recommends \$1,410,676 in salaries and wages for 22.5 FTE positions, a decrease of \$16,956 (1.2 percent) from the FY 2002 estimate.

House Budget Committee Recommendation

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

1. The Budget Committee recommends the following provisos and anticipates their inclusion in the FY 2003 appropriations bill which has not yet been introduced. In the event that the provisos are not contained in the bill, the Budget Committee recommends their addition.
 - a) A proviso that prohibits purchasing more water storage. The Committee notes the concern regarding the water storage space in the Milford, Perry, and Tuttle Creek Lakes. The Corps of Engineers could use a maximum of six feet of water from these lakes for navigational purposes so long as the State of Kansas, through the Kansas Water Office, has not called the remaining storage space into service. As a means to remind the Corps of Engineers of the State's potential to exercise its right to this water, the Water Office has requested over the past several years funds to call the water into use in case of drought. Neither the Kansas Water Authority nor the Governor has recommended funding for this water storage space. The Committee is concerned that the agency's annual request is not enough to convince the Corps of the State's interest in this water storage space. Therefore, the Committee wishes to state that should the Corps notify the Kansas Water Office of its intent to use water for navigational purposes on the Missouri River, the agency should take steps to protect the State's interests and, if necessary, notify the Legislature of the need for appropriate action.
 - b) A proviso authorizing the Water Office to transfer money from the sub-accounts of the Water Supply Storage Assurance District Fund to the Water Marketing Fund. Each year the agency receives money from the water assurance districts to repay the State General Fund for the amortized cost of purchasing storage space in federal reservoirs. For accounting purposes, these funds are credited to the district sub-accounts. The money is then transferred to the Water Marketing Fund in order to make repayments to the State General Fund for moneys previously advanced for the payment of water storage space which has been transferred to the Water Assurance Program. The Water Office has routinely made these transfers each fiscal year for the past several years. However, the Division of Accounts and Reports has determined that the agency does not have specific authority to make these transfers. This proviso is necessary for the agency to track the transfer of money, and to be able to make these transfers for more reasons than simply the repayment of the State General Fund (e.g. administration and enforcement expenses).
 - c) A proviso authorizing the agency to borrow money from the Pooled Money Investment Board (PMIB) to stabilize the water marketing rate and to provide for temporary cash flow shortages in the water marketing fund. The Water Marketing Program supplies water to municipal and industrial users. The Water Marketing Fund receives the water fees from this program and makes payments to the U.S. Corps of Engineers for water storage and to the State General Fund for capital and interest payments. This transfer is a partial prepayment on the loan from the State General Fund. Over time the Water Marketing Fund has been collecting an internal reserve to reduce the effect of any dramatic water rate increases. By making a prepayment, the future cost of paying off the loan will decrease and could cause a small decrease in water rates. Since the Water Marketing Program operates on a calendar year rather than a fiscal year, this transfer could cause some short term cash flow difficulties. To help alleviate this concern, the Committee

recommends allowing the Water Office to obtain a short term loan from the Pooled Money Investment Board to meet the financial obligations of the Water Marketing Program.

- d) A proviso creating a fund for receiving and passing through local match funds for federal cost-share programs. These are federal programs which provide planning assistance to states and other entities and technical assistance to state, tribes, and other entities. A one-to-one match of state to federal dollars is required.
2. The Budget Committee recommends that the water in the Cedar Bluff Reservoir under the control of the Kansas Water Office not be released for environmental, domestic, municipal, industrial, and irrigation purposes.

House Budget Committee Report

Agency: State Conservation Commission **Bill No.** 2743

Bill Sec. 44

Analyst: Kramer

Analysis Pg. No. 51

Budget Page No. 109

Expenditure Summary	Agency Estimate FY 2002	Governor's Recommendation FY 2002	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 2,358,727	\$ 2,358,727	\$ 0
Aid to Local Units	2,072,000	2,072,000	0
Other Assistance	8,063,201	8,063,201	0
TOTAL	\$ 12,493,928	\$ 12,493,928	\$ 0
State General Fund:			
State Operations	\$ 612,365	\$ 612,365	\$ 0
Aid to Local Units	0	0	0
Other Assistance	6,000,000	6,000,000	0
TOTAL	\$ 6,612,365	\$ 6,612,365	\$ 0
FTE Positions	14.5	14.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	14.5	14.5	0.0

Agency Estimate/Governor's Recommendation

The State Conservation Commission estimates \$12,493,928 for FY 2002 operating expenditures which is an increase of \$642,869 (5.4 percent) from the approved budget. The increase is due to adjustments in federal funding.

The Governor recommends \$12,493,928 for FY 2002 operating expenditures, which is an increase of \$642,869 from the approved budget and is consistent with the agency estimate.

House Budget Committee Recommendations

The Budget Committee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: State Conservation Commission Bill No. --

Bill Sec. --

Analyst: Kramer

Analysis Pg. No. 51

Budget Page No. 109

Expenditure Summary	Agency Request FY 2003	Governor's Recommendation FY 2003	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 2,044,681	\$ 1,919,635	\$ 0
Aid to Local Units	1,846,500	1,452,811	0
Other Assistance	8,180,130	7,600,242	0
TOTAL	\$ 12,071,311	\$ 10,973,242	\$ 0
State General Fund:			
State Operations	\$ 702,210	\$ 600,594	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 702,210	\$ 600,594	\$ 0
FTE Positions	15.5	15.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	15.5	15.5	0.0

Agency Request/Governor's Recommendation

The State Conservation Commission requests \$12,071,311 for FY 2003 expenditures which is a decrease of \$422,617 (3.4 percent) from the FY 2002 estimate. The request includes \$702,210 from the State General Fund, \$10,931,334 from the State Water Plan Fund, and \$437,767 from all other funds.

The Governor recommends \$10,973,242 for total FY 2003 operating expenditures which is a decrease of \$1,520,686 (12.2 percent) from the FY 2002 recommendation and a decrease of \$1,098,069 from the agency's FY 2003 request. The recommendation includes \$600,594 from the State General Fund, \$9,933,311 from the State Water Plan Fund, and \$439,337 from all other funds.

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

1. Add a proviso capturing lapsed State Water Plan Funds over \$300,000 from the Water Resources Cost-Share and Non-Point Source Pollution subprograms and utilize those funds for enhancements to the Total Maximum Daily Loads and Water Resources Cost-Share subprograms. The Budget Committee notes that this proviso is a proactive way to enhance water conservation, water quality, and irrigation water use efficiency. The enhancement would provide a financial incentive to irrigation water use efficiency. The enhancement would provide a financial incentive to irrigators to retrofit irrigation water use meters to more accurately report and manage water use.

DEPARTMENT OF AGRICULTURE

Expenditure	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
All Funds:					
State Operations	\$ 18,079,788	\$ 20,488,804	\$ 21,198,804	\$ 20,970,521	\$ 20,223,221
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
Subtotal - Operating	\$ 18,079,788	\$ 20,488,804	\$ 21,198,804	\$ 20,970,521	\$ 20,223,221
Capital Improvements	0	0	0	0	0
TOTAL	\$ 18,079,788	\$ 20,488,804	\$ 21,198,804	\$ 20,970,521	\$ 20,223,221
State General Fund:					
State Operations	\$ 9,927,899	\$ 10,086,303	\$ 10,086,303	\$ 10,360,319	\$ 9,811,542
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
Subtotal - Operating	\$ 9,927,899	\$ 10,086,303	\$ 10,086,303	\$ 10,360,319	\$ 9,811,542
Capital Improvements	0	0	0	0	0
TOTAL	\$ 9,927,899	\$ 10,086,303	\$ 10,086,303	\$ 10,360,319	\$ 9,811,542
Other Funds:					
State Operations	\$ 8,151,889	\$ 10,402,501	\$ 11,112,501	\$ 10,610,202	\$ 10,411,679
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
Subtotal - Operating	\$ 8,151,889	\$ 10,402,501	\$ 11,112,501	\$ 10,610,202	\$ 10,411,679
Capital Improvements	0	0	0	0	0
TOTAL	\$ 8,151,889	\$ 10,402,501	\$ 11,112,501	\$ 10,610,202	\$ 10,411,679
Percentage Change:					
Operating Expenditures:					
All Funds	(30.6)%	13.3%	17.3%	2.4%	(4.6)%
State General Fund	(3.4)%	1.6%	1.6%	2.7%	(2.7)%
FTE Positions	303.2	302.5	302.5	304.5	300.5
Non FTE Uncl. Perm. Pos.	17.2	15.2	15.0	14.2	14.0
TOTAL	320.4	317.7	317.5	318.7	314.5

AGENCY OVERVIEW

The State Department of Agriculture is charged to administer food safety, consumer and environmental protection, and water resource allocation laws and programs fairly, equitably, and reasonably, for the benefit of the citizens of Kansas and the agricultural community. The Department consists of five programs: Administrative Services and Support; Food Safety and Consumer Protection; Water Resources; Agricultural Laboratories; and, Environmental Protection. Since 1995, the statutory head of the Department is the Secretary of Agriculture, who is appointed by the Governor of Kansas. The Secretary is assisted by an advisory State Board of Agriculture, which consists of nine members appointed by the Governor. The Department is funded through four primary sources: the State General Fund, federal grants, the State Water Plan Fund, and fee funds.

BUDGET TRENDS

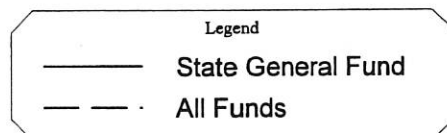
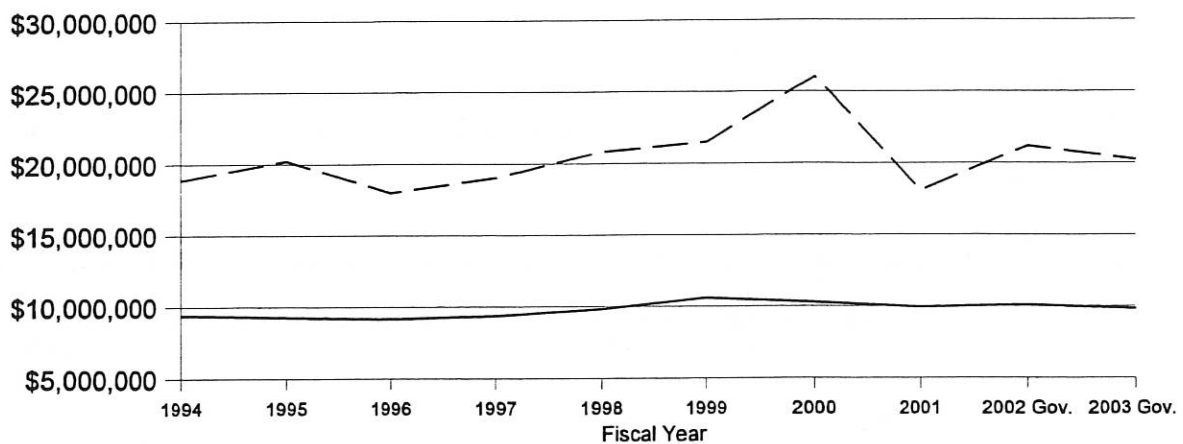
OPERATING EXPENDITURES FY 1994-FY 2003

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
1994	\$ 9,390,906	5.0%	\$ 18,879,509	9.3%	326.5
1995	9,282,675	(1.2)%	20,234,671	7.2%	327.5
1996	9,147,613	(1.5)%	17,993,719	(6.2)%	322.8
1997	9,355,216	2.3%	19,023,240	5.7%	305.8
1998	9,827,535	5.0%	20,829,170 *	9.5%	311.0
1999	10,599,141	7.9%	21,502,556	3.2%	304.0
2000	10,282,060	(3.0)%	26,034,491	21.1%	310.5
2001	9,927,899	(3.4)%	18,079,788 **	(30.6)%	303.2
2002 Gov. Rec.	10,086,303	1.6	21,198,804	17.3	302.5
2003 Gov. Rec.	9,811,542	(2.7)	20,223,221	(4.6)	300.5
Ten-Year Change					
Dollars/Percent	\$ 420,636	4.5%	\$ 1,343,712	7.1%	(26.0)

* Includes \$201,266 that was spent phasing out the Grain Inspection Department. These expenses are not related to the operation of the Department of Agriculture.

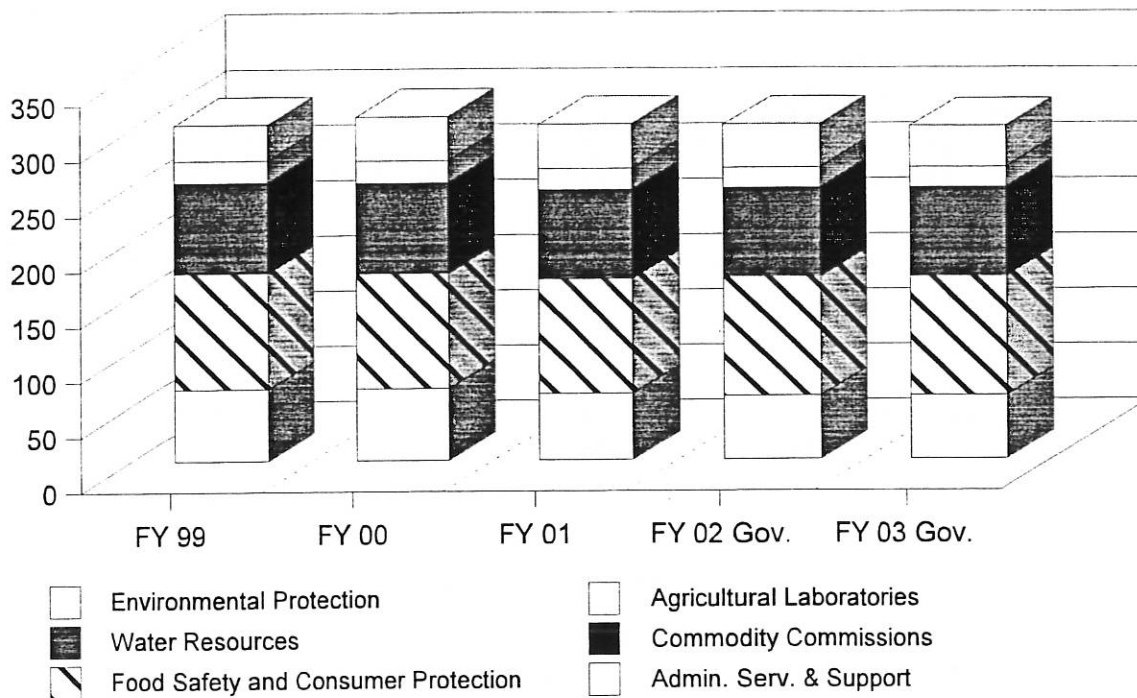
** The significant decrease results from the 2000 Legislature's decision to privatize the Grain Commodity Commissions Program.

OPERATING EXPENDITURES FY 1994-FY 2003



Full-Time Equivalent (FTE) Positions by Program. The following graph and table reflect FTE positions authorized for the agency by program from FY 1999 to FY 2003.

FTE Positions by Program — FY 1999-FY 2003



Program	FY 1999	FY 2000	FY 2001	FY 2002 Gov.	FY 2003 Gov.
Administrative Services and Support	64.6	64.7	59.7	57.0	57.0
Food Safety and Consumer Support	105.5	104.6	104.0	108.0	108.0
Commodity Commissions*	1.4	1.3	0.0	0.0	0.0
Water Resources	80.5	80.5	80.5	80.5	80.5
Agricultural Laboratories	20.0	20.0	19.0	18.0	18.0
Environmental Protection	32.0	39.4	40.0	39.0	37.0
TOTAL	304.0	310.5	303.2	302.2	300.5

* This program was privatized beginning in FY 2001.

BUDGET OVERVIEW

A. FY 2002 — Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2001 Legislature	Agency Est. FY 2002	Agency Change From Approved	Gov. Rec. FY 2002	Gov. Change From Approved
State General Fund	\$ 10,086,303	\$ 10,086,303	\$ 0	\$ 10,086,303	\$ 0
All Other Funds	9,904,865	10,402,501	497,636	11,112,501	1,207,636
TOTAL	\$ 19,991,168	\$ 20,488,804	\$ 497,636	\$ 21,198,804	\$ 1,207,636
FTE Positions	303.5	302.5	(1.0)	302.5	(1.0)
Other Unclass. Positions	14.2	15.2	1.0	15.2	1.0
TOTAL	317.7	317.7	0.0	317.5	0.0

The agency requests funding for FY 2002 of \$20,488,804 which is an increase of \$497,636 (2.5 percent) from the amount approved by the 2001 Legislature. The request includes:

- **State General Fund**
 - \$10,086,303
 - Consistent with the approved amount
- **All Other Funds**
 - \$10,402,501
 - Increase of \$497,636 (5.0 percent) from the approved amount
 - Net increase due to fee fund adjustments

The Governor recommends funding for FY 2002 of \$21,198,804 which is an increase of \$1,207,636 (6.0 percent) from the amount by the 2001 Legislature. The recommendation includes:

- **State General Fund**
 - \$10,086,303
 - Consistent with the approved amount
- **All Other Funds**
 - \$11,112,501
 - Increase of \$1,207,636 (12.2 percent) from the approved amount
 - Net increase due to fee fund adjustments

B. FY 2003 — Budget Year

CHANGE FROM FY 2002		
	Agency Request	Governor's Recommendations
Dollar Change:		
State General Fund	\$ 274,016	\$ (274,761)
All Other Funds	207,701	(700,822)
TOTAL	<u>\$ 481,717</u>	<u>\$ (975,583)</u>
Percent Change:		
State General Fund	2.7%	(2.7)%
All Other Funds	2.0	(6.3)
TOTAL	<u>2.4%</u>	<u>(4.6)%</u>
FTE Positions	2.0	(2.0)
Other Unclass. Positions	(1.0)	(1.0)
TOTAL	<u>1.0</u>	<u>(3.0)</u>

The agency requests funding for FY 2003 of \$20,970,521 which is an increase of \$481,717 (2.4 percent from the FY 2002 estimate). The request includes:

- **State General Fund**
 - ▶ \$10,360,319 or 49.4 percent of the agency request
 - ▶ Increase of \$274,016 (2.7 percent) from the FY 2002 estimate
 - ▶ Increase due to enhancement request detailed below
- **All Other Funds**
 - ▶ \$10,610,202 or 50.6 percent of the agency request
 - ▶ Increase of \$207,701 (2.0 percent) from the FY 2002 estimate
 - ▶ Increase due to enhancement request detailed below

The Governor recommends funding for FY 2003 of \$20,223,221 which is a decrease of \$975,583 (4.6 percent) from the FY 2002 estimate. The recommendation includes:

- **State General Fund**
 - ▶ \$9,811,542 or 48.5 percent of the Governor's recommendation
 - ▶ Decrease of \$274,761 (2.7 percent) from the FY 2002 estimate
 - ▶ Decrease includes the reduction of other operating expenditures and leaving four unfunded positions in the Statistical Services sub-program and leaving five unfunded positions in the Water Resources Program
- **All Other Funds**
 - ▶ \$10,411,679 or 51.5 percent of the Governor's recommendation
 - ▶ Decrease of \$700,822 (6.3 percent) from the FY 2002 estimate
 - ▶ Decrease includes a reduction in fees and a reduction in State Water Plan Fund expenditures

FY 2003 Enhancements

Enhancement	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Kansas/Colorado Compact Compliance	\$ 164,176	\$ 235,198	4.0	\$ 0	0	0.0
Water Use Report Administration	0	100,000	0.0	0	0	0.0
Shrinkage Adjustment	110,289	130,384	0.0	0	0	0.0
TOTAL	\$ 274,465	\$ 465,582	4.0	\$ 0	0	0.0

Enhancement Detail

- ▶ **Kansas/Colorado Compact Compliance.** The agency requests \$235,198 (\$164,176 SGF and \$71,022 SWPF) to fund 4.0 additional FTE and related other operating expenditures for the increasing tasks related to the Arkansas River Compact Administration (ARCA). The nature and complexity of the tasks and outcomes of the Kansas versus Colorado process is demanding more staff resources, and at a higher technical level, than can be provided with existing resources. The agency requests that out years funding be provided through the litigation settlement.
- ▶ **The Governor** does not recommend the enhancement.

- ▶ **Water Use Report Administration.** The agency requests \$100,000 from the State Water Plan Fund to acquire personnel and related expenses to address water flow meter and other related problems. Water use report forms are required to be filed by law with the data used for compliance enforcement, water planning, and management. Many errors in the reports are due to water flow meter problems which often require field visits to resolve. This is done cooperatively with the US Geological Survey (USGS), and \$50,000 of the proposed enhancement would be funded with the USGS from the State Water Plan.
- ▶ **The Governor** does not recommend the enhancement.

- ▶ **Shrinkage.** The agency requests \$130,384 including \$110,289 SGF to reduce the budgeted shrinkage rate by one percent in all programs not exclusively funded by fees. The agency has a lower number of vacant positions than experience in previous years, which according to the agency, is causing greater difficulty in maintaining the higher rate.
- ▶ **The Governor** does not recommend the enhancement.

FY 2003 Reduced Resource Package (2 percent)

Reduction	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Reduce services in Water Resources Program	\$ (187,372)	\$ (187,372)	0.0	\$ 0	\$ 0	0.0
Abandon membership in the National Association of State Departments of Agriculture	(14,345)	(14,345)	0.0	0	0	0.0
TOTAL	\$ (201,717)	\$ (201,717)	0.0	\$ 0	\$ 0	0.0

FY 2003 Reduced Resource Package (4 percent)

Reduction	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Reduce services in Water Resources Program	\$ (230,863)	\$ (230,863)	0.0	\$ (243,808)	\$ (243,808)	0.0
Reduce services in Statistical Services Program	(158,226)	(158,226)	0.0	(143,336)	(143,336)	0.0
Abandon membership in the National Association of State Departments of Agriculture	(14,345)	(14,345)	0.0	0	0	0.0
TOTAL	\$ (403,434)	\$ (403,434)	0.0	\$ (387,144)	\$ (387,144)	0.0

Reduced Resource Package Detail

- ◆ **Reduce services in Water Resources Program.** This package reduces SGF expenditures by \$187,372 with a 2 percent reduction or \$230,863 with a 4 percent reduction. The 2 percent reduction leaves 4 positions unfunded and the 4 percent reduction leaves 5 positions unfunded. According to the agency, impacts of the package include increased processing times for applications, lack of quality control of water use reports and water use data, and the reassignment of interstate compact administration duties to staff with full work loads.
- ◆ **The Governor** recommends the reduction of \$243,808 from the State General Fund for the Water Resources Program. The reduction leaves 5.0 FTE positions unfunded.
- ◆ **Reduce services in the Statistical Services Program.** This package reduces SGF expenditures by \$158,226 with a 4 percent reduction. The package leaves 4 positions unfunded and reduces other operating expenditures. Impacts of the package include elimination of KSU Chemical Use, KSU Use Value, Soybean Variety, and Horticulture surveys; elimination of the Commodity Commission direct mailings; elimination of the Hay Directory; reductions in the Custom Rates and Wheat Varieties surveys; and reductions in the Kansas Farm Facts and County Profiles.
- ◆ **The Governor** recommends the reduction of other operating expenditures and leaving four positions unfunded in the Statistical Services Program for a reduction of \$143,336 from the State General Fund.
- ◆ **Abandon membership in the National Association of State Departments of Agriculture (NASDA).** This package reduces SGF expenditures by \$14,345 in the 2 percent and 4 percent reductions. This package cancels KDA's membership in NASDA and eliminates KDA's
- ◆ **The Governor** does not recommend the reduction.

participation in all NASDA meetings. The impact of this package includes the loss of KDA's ability to provide input into agricultural policy which is either formulated or adopted at a national level including the input of the Kansas perspective on policy matters to important Congressional committees.

Kansas Savings Incentives Program (KSIP) Expenditures.

Program	Salary Bonuses	Professional Dev. Training	Technology Equipment	TOTAL
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There are no KSIP expenditures planned for this agency.

Governor's Recommended Salary and Wage Adjustments. Under the Governor's FY 2003 salary and wage recommendations:

- Funding is provided to **annualize the FY 2002 salary increase** which provided for a 3.0 percent base salary adjustment with 1.5 percent effective at the beginning of the fiscal year and 1.5 percent effective half way through the fiscal year. Funding is provided in FY 2003 for annualization of the second 1.5 percent increase for the entire fiscal year.
- **No classified step movement, base salary adjustments or unclassified merit pool** increases are recommended for FY 2003.
- Full funding is provided for **longevity bonus payments** in FY 2003.
- The Governor recommends full funding for the **group health insurance rate increases** certified by the Health Care Commission for FY 2003.
- The Governor's FY 2003 recommendation includes a six-month moratorium for the first half of the fiscal year on employer contributions to the **KPERS Death and Disability Fund**.

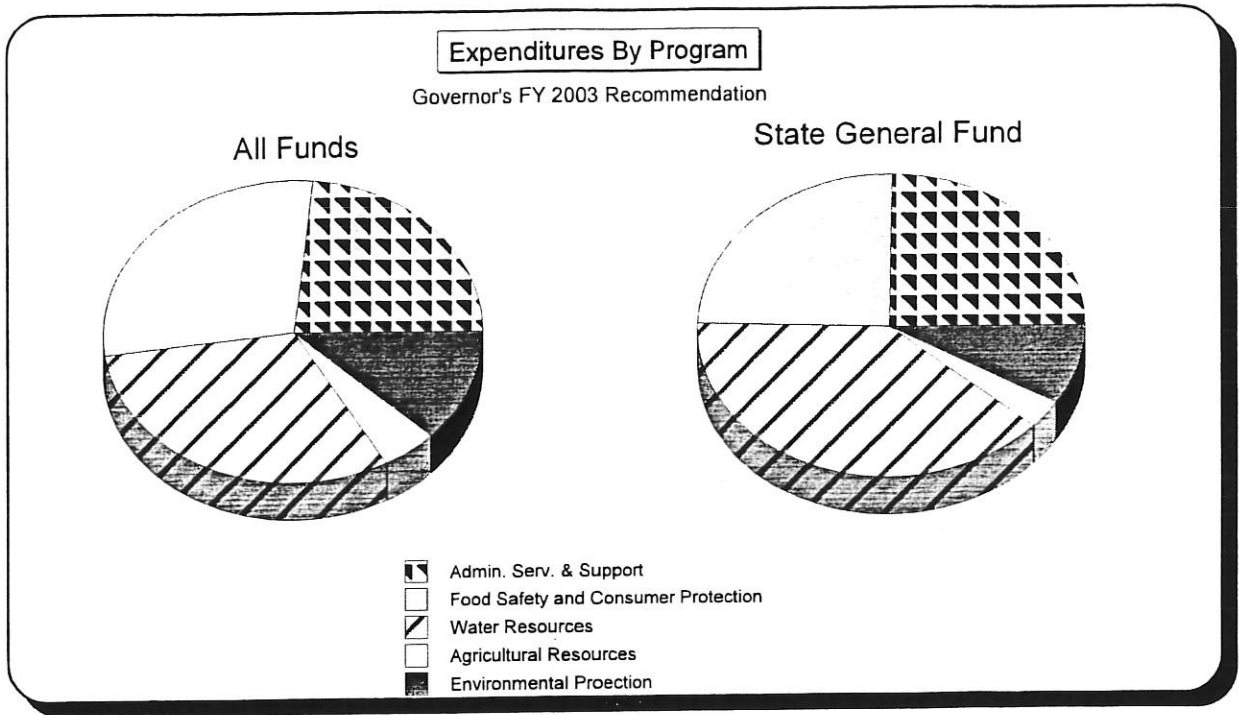
Of the total recommended salaries and wages of \$13,502,041, the Governor's recommended FY 2003 salary and wage adjustments total \$532,813 and are reflected in the table below:

Program	Annualization of FY 2002 Salary Increase	Longevity	Group Health Insurance Increases	Death and Disability Adjustment
Admin. Serv. And Support	\$ 33,858	\$ 22,580	\$ 45,570	\$ (6,018)
Food Safety & Consumer Prot.	61,107	39,800	86,266	(10,777)
Water Resources	60,499	35,720	70,616	(10,746)
Agricultural Laboratories	9,909	6,800	14,843	(1,758)
Environmental Protection	28,769	20,080	30,514	(4,819)
TOTAL	\$ 194,142	\$ 124,980	\$ 247,809	\$ (34,118)

Summary of Operating Budget FY 2001 – FY 2003

	Actual FY 2001	Agency Request				Governor's Recommendation			
		Revised FY 2002 Est.	FY 2003 Request	Dollar Change From FY 02	Percent Change From FY 02	Revised FY 2002 Rec.	FY 2003 Rec.	Dollar Change From FY 02	Percent Change From FY 02
By Program:									
Admin. Serv. and Support	\$ 3,682,934	\$ 4,795,190	\$ 4,872,707	\$ 77,517	1.6%	\$ 5,505,190	\$ 4,742,707	\$ (762,483)	(13.9)%
Food Safety & Consumer Prot.	5,471,862	5,852,778	5,821,301	(31,477)	(0.5)%	5,852,778	5,858,682	5,904	0.1%
Water Resources	5,382,248	6,355,173	6,869,020	513,847	8.1%	6,355,173	6,202,819	(152,354)	(2.4)%
Agricultural Laboratories	929,116	959,910	989,017	29,107	3.0%	959,910	994,714	34,804	3.6%
Environmental Protection	2,613,628	2,525,753	2,418,476	(107,277)	(4.2)%	2,525,753	2,424,299	(101,454)	(4.0)%
TOTAL	\$ 18,079,788	\$ 20,488,804	\$ 20,970,521	\$ 481,717	2.4%	\$ 21,198,804	\$ 20,223,221	\$ (975,583)	(4.6)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 13,270,616	\$ 13,751,407	\$ 13,826,195	\$ 74,788	0.5%	\$ 13,751,407	\$ 13,502,041	\$ (249,366)	(1.8)%
Contractual Services	4,182,766	6,272,796	6,736,901	464,105	7.4%	6,982,796	6,382,489	(600,307)	(8.6)%
Commodities	264,171	279,445	319,423	39,978	14.3%	279,445	291,553	12,108	4.3%
Capital Outlay	362,235	185,156	88,002	(97,154)	(52.5)%	185,156	47,138	(138,018)	(74.5)%
Debt Service	0	0	0	0	0.0%	0	0	0	0.0%
Subtotal – Operations	\$ 18,079,788	\$ 20,488,804	\$ 20,970,521	\$ 481,717	2.4%	\$ 21,198,804	\$ 20,223,221	\$ (975,583)	(4.6)%
Aid to Local Units	0	0	0	0	0.0%	0	0	0	0.0%
Other Assist., Grants, Benefits	0	0	0	0	0.0%	0	0	0	0.0%
TOTAL	\$ 18,079,788	\$ 20,488,804	\$ 20,970,521	\$ 481,717	2.4%	\$ 21,198,804	\$ 20,223,221	\$ (975,583)	(4.6)%
Financing:									
State General Fund	\$ 9,927,899	\$ 10,086,303	\$ 10,360,319	\$ 274,016	2.7%	\$ 10,086,303	\$ 9,811,542	\$ (274,761)	(2.7)%
All Other Funds	8,151,889	10,402,501	10,610,202	207,701	2.0%	11,112,501	10,411,679	(700,822)	(6.3)%
TOTAL	\$ 18,079,788	\$ 20,488,804	\$ 20,970,521	\$ 481,717	2.4%	\$ 21,198,804	\$ 20,223,221	\$ (975,583)	(4.6)%

BUDGET DETAIL



Program	FY 2003 Gov. Rec. All Funds	FY 2003 Gov. Rec. SGF
Administrative Services and Support	\$ 4,742,707	\$ 2,439,957
Food Safety and Consumer Protection	5,858,682	2,411,820
Water Resources	6,202,819	3,828,801
Agricultural Laboratories	994,714	306,954
Environmental Protection	2,424,299	824,010
TOTAL	\$ 20,223,221	\$ 9,811,542

A. Administrative and Statistical Services

The Administrative Services and Support Program provides the general policy, outreach, coordination and management functions for the agency. The Administrative subprogram includes the Office of the Secretary, Central Fiscal and Record Center, personnel, legal, automation and telecommunications, research, and information and education. The Records Center subprogram processes all licenses, permits, registrations, and certifications that the agency issues. The Statistical Services and Support subprogram (the Kansas Agricultural Statistics Service) collects, analyzes and disseminates state agricultural information.

ADMINISTRATIVE AND STATISTICAL SERVICES SUMMARY OF EXPENDITURES FY 2001-FY 2003					
Item	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Salaries and Wages	\$ 2,442,128	\$ 2,413,967	\$ 2,413,967	\$ 2,468,491	\$ 2,358,783
Contractual Services	1,171,439	2,314,310	3,024,310	2,347,580	2,327,288
Commodities	54,259	55,913	55,913	56,636	56,636
Capital Outlay	15,108	11,000	11,000	0	0
TOTAL—Oper. Expend.	<u>\$ 3,682,934</u>	<u>\$ 4,795,190</u>	<u>\$ 5,505,190</u>	<u>\$ 4,872,707</u>	<u>\$ 4,742,707</u>
FTE Positions	59.7	57.0	57.0	57.0	57.0
Non FTE Uncl. Perm. Pos.	1.5	1.5	1.0	1.5	1.0
TOTAL	<u>61.2</u>	<u>58.5</u>	<u>58.0</u>	<u>58.5</u>	<u>58.0</u>

All Funds -- Five-Year Expenditures (Actual or Gov. Rec.)

Fiscal Year	Expenditure (Approximate)
FY 99	4,200,000
FY 00	3,800,000
FY 01	4,000,000
FY 02	5,800,000
FY 03	5,000,000

Important Issues in This Program

- ◆ **The agency requests** funding for FY 2003 of \$4,872,707 which is an increase of \$77,517 (1.6 percent) from the FY 2002 estimate.
- ◆ **The Governor recommends** funding for FY 2003 of \$4,742,707 which is a decrease of \$762,483 (13.9 percent) from the FY 2002 estimate.
- ◆ **State General Fund** - \$2,579,038 or 52.9 percent of the program request.
- ◆ **State General Fund** - \$2,439,957 or 51.4 percent of the program recommendation.
- ◆ **Salaries and Wages** funding for FY 2003 totals \$2,468,491 which is an increase of \$54,524 (2.3 percent) from the FY 2002 estimate.
- ◆ **The Governor recommends** salaries and wages expenditures of \$2,358,783 which is a decrease of \$55,184 (2.3 percent) from the FY 2002 estimate. The recommendation includes leaving four positions unfunded in the Statistical Services program.

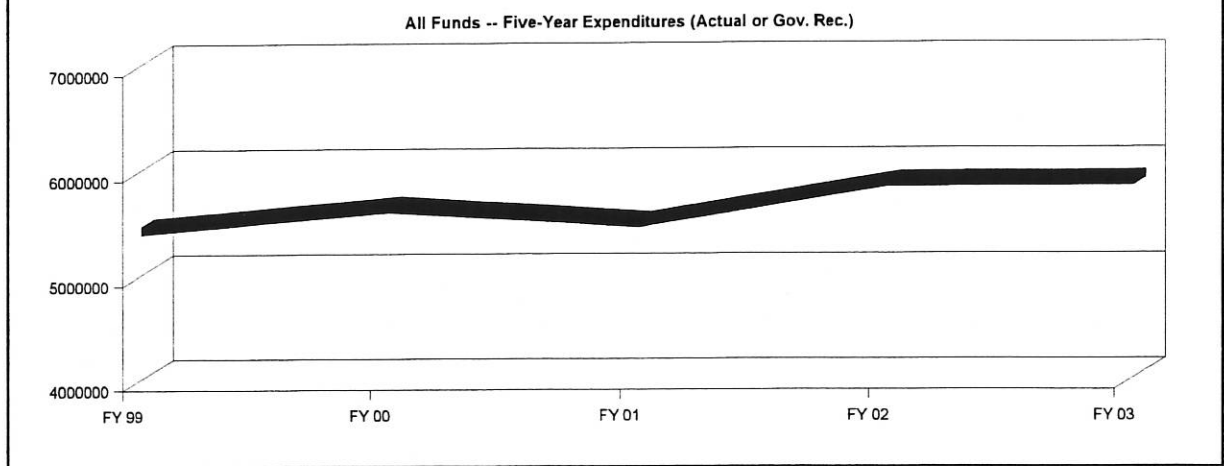
◆ **Other Operating Expenditures** funding for FY 2003 totals \$2,404,216 which is an increase of \$22,993 (1.0 percent) from the FY 2002 estimate. The request includes \$1,727,555 for fees-professional services.

◆ **The Governor recommends** other operating expenditures of \$2,383,924 which is a decrease of \$707,299 (22.9 percent) from the FY 2002 estimate. The recommendation is consistent with the agency request with the exception of a reduction of \$20,292 SGF in the Statistical Services program.

B. Food Safety and Consumer Protection

The Food Safety and Consumer Protection Program provides public safety and consumer protection functions through regulation of the production and sale of meat, poultry, dairy products, eggs, agricultural grains, seeds and feeding stuffs. The program also ensures the accuracy of weighing and measuring devices in commerce. This program's purpose is twofold: to protect the consumer, and to benefit the agriculture industry by maintaining a climate of consistency and confidence in the marketplace. The program includes these subprograms: Meat and Poultry Inspection, Dairy Inspection, Agricultural Commodities Assurance Program (ACAP), Weights and Measures, and Grain Warehouse Inspection.

FOOD SAFETY AND CONSUMER PROTECTION SUMMARY OF EXPENDITURES FY 2001-FY 2003					
Item	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Salaries and Wages	\$ 4,096,950	\$ 4,252,109	\$ 4,252,109	\$ 4,339,846	\$ 4,377,227
Contractual Services	1,333,706	1,438,271	1,438,271	1,413,665	1,413,665
Commodities	38,381	44,348	44,348	46,590	46,590
Capital Outlay	2,825	118,050	118,050	21,200	21,200
TOTAL - Oper. Expend.	\$ 5,471,862	\$ 5,852,778	\$ 5,852,778	\$ 5,821,301	\$ 5,858,682
FTE Positions	104.0	108.0	108.0	108.0	108.0
Non FTE Uncl. Perm. Pos.	4.0	1.0	1.0	0.0	0.0
TOTAL	108.0	109.0	109.0	108.0	108.0



Important Issues in This Program

◆ **The agency requests** funding for FY 2003 of \$5,821,301 which is a decrease of \$31,477 (0.5 percent) from the FY 2002 estimate.

◆ **The Governor recommends** funding for FY 2003 of \$5,858,682 which is an increase of \$5,904 (0.1 percent) from the FY 2002 estimate.

- ◆ **State General Fund** - \$2,400,332 or 41.2 percent of the program request.
- ◆ **Salaries and Wages** funding for FY 2003 totals \$4,339,846 which is an increase of \$87,737 (2.1 percent) from the FY 2002 estimate.
- ◆ **Other Operating Expenditures** funding for FY 2003 totals \$1,481,455 which is a decrease of \$119,214 (7.4 percent) from the FY 2002 estimate. The request includes decreases in capital outlay and in-state travel expenditures.
- ◆ **State General Fund** - \$2,411,820 or 41.2 percent of the program recommendation.
- ◆ **The Governor recommends** salaries and wages expenditures of \$4,377,227 which is an increase of \$125,118 (2.9 percent) from the FY 2002 estimate. The recommendation is an increase of \$37,381 from the agency request.
- ◆ **The Governor concurs** with the agency request.

C. Water Resources

The goal of the Division of Water Resources is to control, conserve, regulate, allot, and aid in the distribution of the state's water resources. This is accomplished through the administration of state laws, interstate river compacts, and several assigned programs. Programs in the Division include Water Management Services, Water Appropriation, Water Structures, and State Water Plan Implementation.

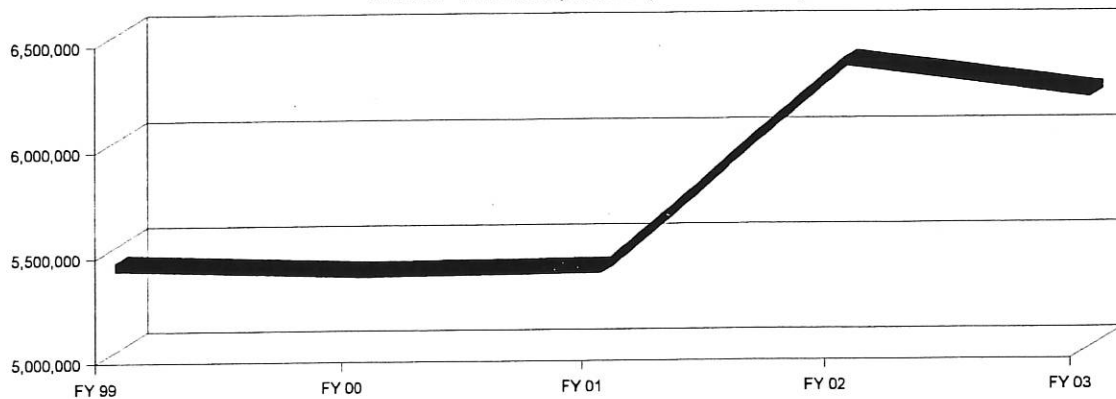
Activities in the Water Management Services Program include staff management and training, budget preparation, representation of Kansas on interstate river basin compacts, data entry for the Water Rights Information System, development and management of Geographic Information Systems, and cooperation with other water-related agencies. The Water Appropriation Program regulates the state's water resources to assure a long term, substantial water supply. The Water Structures Program regulates human activities that affect the flow of rivers and streams.

The State Water Plan Subprogram conducts a variety of projects with State Water Plan Funding. One project is the Sub-basin Water Resources Management Program, which aims to identify the decline in groundwater in Kansas river basins and to develop management strategies to reverse the decline in groundwater. Currently three basins are being studied (the Middle Arkansas, the Upper Arkansas, the Pawnee Buckner, and the Solomon River Basin). Since FY 1998, the Management Program was suspended indefinitely in the Upper Republican River Basin, because the Attorney General filed suit against the State of Nebraska to enforce the Republican River Compact. Another project concerns interstate water issues in which Kansas has an interest, including the support for the chief engineer in administering provisions of the four interstate river compacts to which the State of Kansas is a signatory. The third project deals with flood plain management which provides technical assistance to individuals, local governments, and the National Flood Insurance Program on watershed planning and flood management issues.

**WATER RESOURCES
SUMMARY OF EXPENDITURES FY 2001-FY 2003**

Item	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Salaries and Wages	\$ 4,078,006	\$ 4,440,921	\$ 4,440,921	\$ 4,428,567	\$ 4,165,220
Contractual Services	999,291	1,790,151	1,790,151	2,284,855	1,950,735
Commodities	65,368	71,195	71,195	92,796	64,926
Capital Outlay	239,583	52,906	52,906	62,802	21,938
TOTAL - Oper. Expend.	\$ 5,382,248	\$ 6,355,173	\$ 6,355,173	\$ 6,869,020	\$ 6,202,819
FTE Positions	80.5	80.5	80.5	84.5	80.5
Non FTE Uncl. Perm. Pos.	11.7	12.7	13.0	12.7	13.0
TOTAL	92.2	93.2	93.5	97.2	93.5

All Funds -- Five-Year Expenditures (Actual or Gov. Rec.)



Important Issues in This Program

- ◆ **The agency requests** funding for FY 2003 of \$6,869,020 which is an increase of \$513,847 (8.1 percent) from the FY 2002 estimate.
- ◆ **The Governor recommends** funding for FY 2003 of \$6,202,819 which is a decrease of \$152,354 (2.4 percent) from the FY 2002 estimate. The recommendation includes decreases in State General Fund and State Water Plan Fund financing.
- ◆ **State General Fund** - \$4,225,795 or 61.5 percent of the program request.
- ◆ **State General Fund** - \$3,828,801 or 61.7 percent of the program recommendation.
- ◆ **Salaries and Wages** funding for FY 2003 totals \$4,428,567 which is a decrease of \$12,354 (0.3 percent) from the FY 2002 estimate. The request includes an enhancement of 4.0 FTE positions for compliance of the Kansas/Colorado compact.
- ◆ **The Governor recommends** salaries and wages expenditures of \$4,165,220 which is a decrease of \$275,701 (6.2 percent) from the FY 2002 estimate. The recommendation includes leaving five positions unfunded.
- ◆ **Other Operating Expenditures** funding for FY 2003 totals \$2,440,453 which is an increase of \$526,201 (27.5 percent) from the FY 2002 estimate. The request includes \$1,486,182 in
- ◆ **The Governor recommends** other operating expenditures of \$2,037,819 which is an increase of \$123,347 (6.4 percent) from the FY 2002

fees - professional services, of which \$100,000 from the State Water Plan Fund is an enhancement request for water use report administration.

estimate. The recommendation includes a net increase in fees for professional services.

D. Agricultural Laboratories

The Agricultural Laboratories Program provides analytical services necessary to enforce the regulatory functions of the Department. Analysis of inspection samples collected are performed in the following areas: meat and poultry products, dairy products, fertilizer, feed stuffs, agricultural liming materials, agricultural chemicals, livestock remedies, seeds, pesticide formulations, and pesticide residues.

AGRICULTURAL LABORATORIES SUMMARY OF EXPENDITURES FY 2001-FY 2003					
Item	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Salaries and Wages	\$ 653,454	\$ 685,553	\$ 685,663	\$ 700,906	\$ 706,603
Contractual Services	180,396	192,052	192,052	192,433	192,433
Commodities	77,331	80,995	80,995	95,678	95,678
Capital Outlay	17,935	1,200	1,200	0	0
TOTAL - Oper. Expend.	\$ 929,116	\$ 959,910	\$ 959,910	\$ 989,017	\$ 994,714
FTE Positions	19.0	18.0	18.0	18.0	18.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0
Total	19.0	18.0	18.0	18.0	18.0

All Funds -- Five-Year Expenditures (Actual or Gov. Rec.)

Fiscal Year	Expenditure
FY 99	1,250,000
FY 00	1,100,000
FY 01	1,000,000
FY 02	1,050,000
FY 03	1,080,000

Important Issues in This Program

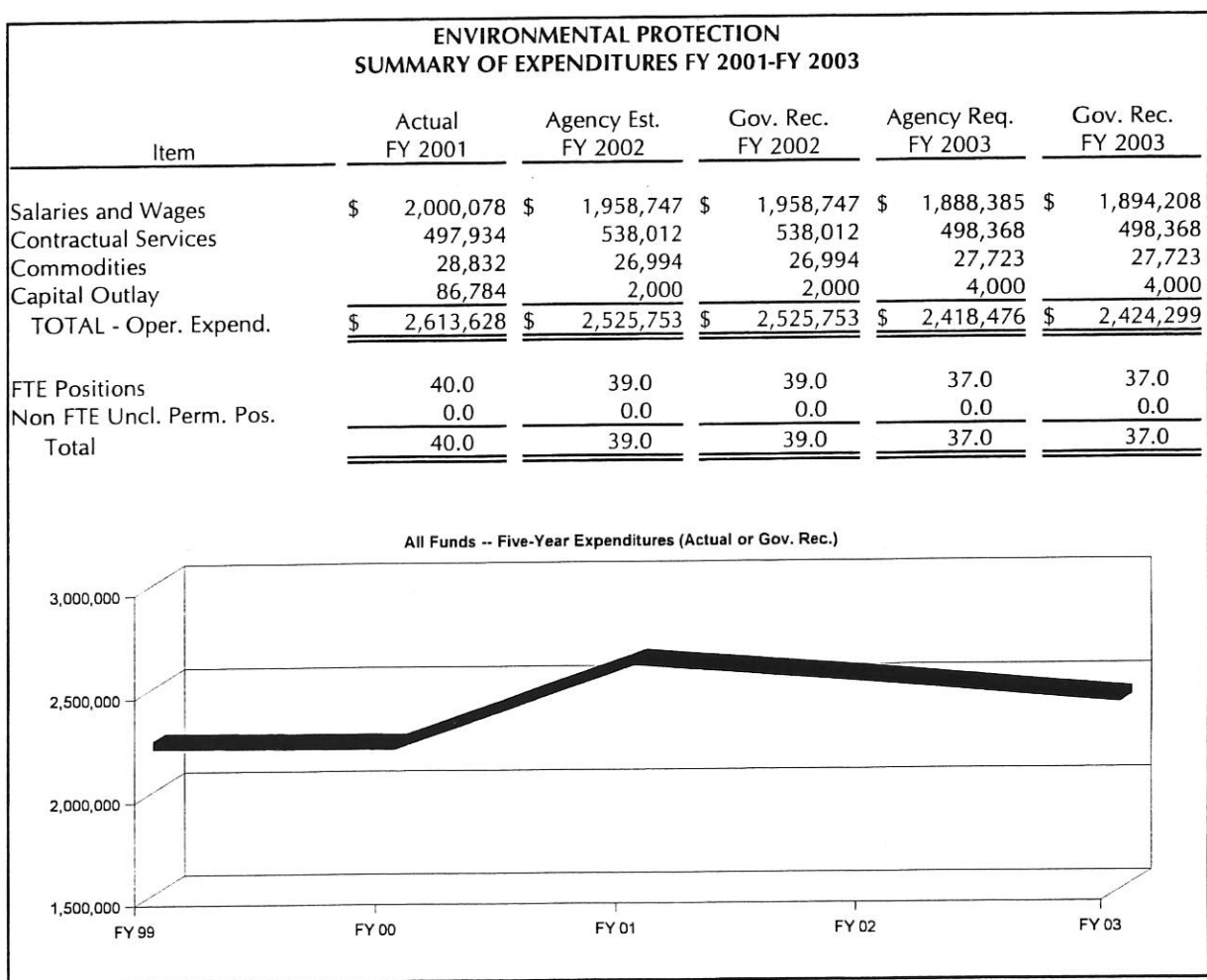
- ◆ **The agency requests** funding for FY 2003 of \$989,017 which is an increase of \$29,107 (3.0 percent) from the FY 2002 estimate.
- ◆ **The Governor recommends** funding for FY 2003 of \$994,714 which is an increase of \$34,804 (5.1 percent) from the FY 2002 estimate.
- ◆ **State General Fund** - \$309,449 or 31.3 percent of the program request.
- ◆ **The Governor recommends** \$306,954 or 30.9 percent of the program recommendation.

- ◆ **Salaries and Wages** funding for FY 2003 totals \$700,906 which is an increase of \$15,243 (2.2 percent) from the FY 2002 estimate.
- ◆ **Other Operating Expenditures** funding for FY 2003 totals \$288,111 which is an increase of \$13,864 (5.1 percent) from the FY 2002 estimate. The request includes \$145,950 in rents and \$89,048 in professional and scientific supplies.

- ◆ **The Governor recommends** salaries and wages expenditures of \$706,603 which is an increase of \$20,940 (3.1 percent) from the FY 2002 estimate.
- ◆ **The Governor concurs** with the agency request.

E. Environmental Protection

The Environmental Protection Program works to ensure the protection and health of the state's natural cultivated plant resources and the environment. The program ensures that pesticides are properly distributed and used. The program is comprised of two subprograms: Pesticide and Fertilizer, and Plant Protection and Weed Control.



Important Issues in This Program

- ◆ **The agency requests** funding for FY 2003 of \$2,418,476 which is a decrease of \$107,277 (4.2 percent) from the FY 2002 estimate.

- ◆ **The Governor recommends** funding for FY 2003 of \$2,424,299 which is a decrease of \$101,454 (6.5 percent) from the FY 2002 estimate.

- ◆ **State General Fund** - \$845,705 or 35.0% of the program request.
- ◆ **Salaries and Wages** funding for FY 2003 totals \$1,888,385 which is a decrease of \$70,362 (3.6 percent) from the FY 2002 estimate.
- ◆ **Other Operating Expenditures** funding for FY 2003 totals \$530,091 which is a decrease of \$36,915 (6.5 percent) from the FY 2002 estimate. The request includes a decrease in in-state travel, fees for professional services, and other contractual services.

- ◆ **State General Fund** \$824,010 or 34.0 percent of the program recommendation.
- ◆ **The Governor recommends** salaries and wages expenditures of \$1,894,208 which is a decrease of \$64,539 (3.3 percent) from the FY 2002 estimate.
- ◆ **The Governor concurs** with the agency request.

Selected Performance Measures			
Measure	Actual FY 2001	Estimate FY 2002	Current Service FY 2003
Administrative and Statistical Services			
Number of inactive legal cases	356	300	300
Number of agricultural statistical publications released	115	110	100
Food Safety and Consumer Protection			
Number of Grade A dairy farm inspections	3,073	2,453	2,385
Number of egg samples collected	54,304	75,000	75,000
Number of animals condemned	649	625	625
Number of Karnal bunt samples collected	380	250	250
Number of small scales inspected	545	190	190
Number of retail fuel meter tests	22,742	23,000	23,000
Percent of accurate fuel meters	95.0%	96.0%	96.0%
Number of licensed elevators examined	250	250	250
Water Resources			
Number of water use permits reviewed by technical staff:			
New Applications	646	650	650
Change Applications	794	800	800
Number of high-hazard dams rated as unsafe	12	26	22
Agricultural Laboratories			
Number of feed and fertilizer samples tested	1,396	1,500	1,600
Number of meat and poultry samples tested	1821	2000	2100
Percent of employees cross-trained for additional lab duties	47.0%	50.0%	56.0%
Days of equipment downtime	24	20	16
Environmental Protection			
Number of sites surveyed for exotic pests	1,310	1,300	1,300
Number of chemigation system inspections	713	700	700

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ANIMAL HEALTH DEPARTMENT

Expenditure	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
All Funds:					
State Operations	\$ 1,846,451	\$ 2,005,232	\$ 2,005,232	\$ 2,198,515	\$ 2,090,004
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
Subtotal - Operating	\$ 1,846,451	\$ 2,005,232	\$ 2,005,232	\$ 2,198,515	\$ 2,090,004
Capital Improvements	0	0	0	0	0
TOTAL	\$ 1,846,451	\$ 2,005,232	\$ 2,005,232	\$ 2,198,515	\$ 2,090,004
State General Fund:					
State Operations	\$ 631,336	\$ 628,999	\$ 628,999	\$ 764,965	\$ 616,995
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
Subtotal - Operating	\$ 631,336	\$ 628,999	\$ 628,999	\$ 764,965	\$ 616,995
Capital Improvements	0	0	0	0	0
TOTAL	\$ 631,336	\$ 628,999	\$ 628,999	\$ 764,965	\$ 616,995
Other Funds:					
State Operations	\$ 1,215,115	\$ 1,376,233	\$ 1,376,233	\$ 1,433,550	\$ 1,473,009
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
Subtotal - Operating	\$ 1,215,115	\$ 1,376,233	\$ 1,376,233	\$ 1,433,550	\$ 1,473,009
Capital Improvements	0	0	0	0	0
TOTAL	\$ 1,215,115	\$ 1,376,233	\$ 1,376,233	\$ 1,433,550	\$ 1,473,009
Percentage Change:					
Operating Expenditures:					
All Funds	9.7%	8.6%	8.6%	9.6%	4.2%
State General Fund	(0.7)	(0.4)	(0.4)	21.6	(1.9)
FTE Positions					
FTE Positions	31.0	31.0	31.0	33.0	31.0
Non FTE Unclass. Permanent	0.0	0.0	0.0	0.0	0.0
TOTAL	31.0	31.0	31.0	33.0	31.0

AGENCY OVERVIEW

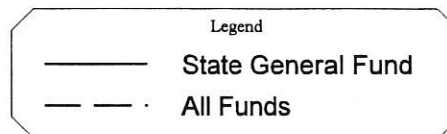
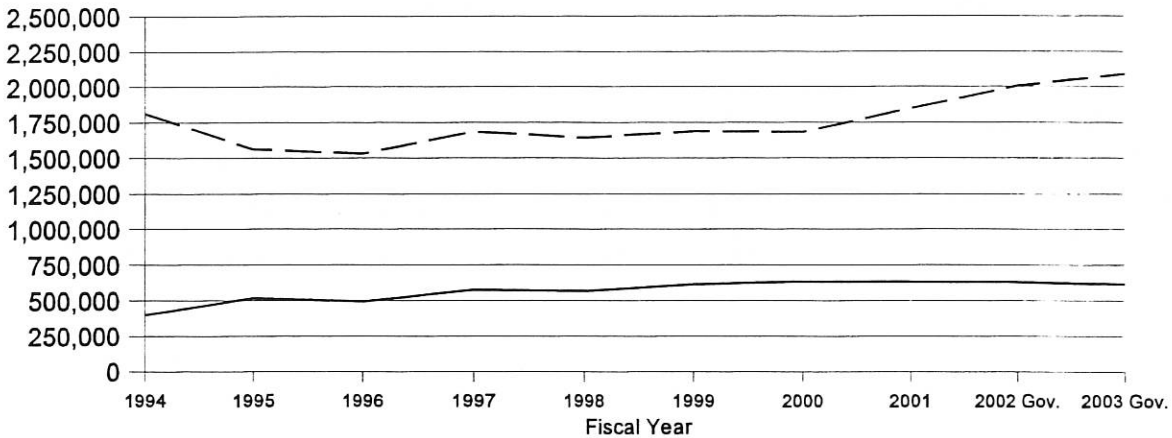
The mission of the Animal Health Department is to ensure the public health, safety, and welfare of Kansas' citizens and enhance the economic viability of the state's livestock production; to regulate facilities that produce, sell, or harbor companion animals; to direct an effective brand registration and inspection program and to identify ownership of lost or stolen livestock; and to inform the public of the status of the health of livestock in the state. The agency is directed by the Kansas Livestock Commissioner who is appointed by the seven-member Animal Health Board. In 1999, Kansas achieved Brucellosis Free and Pseudorabies Free status. The agency also provides free health inspection services at the State Junior Dairy Show, the Kansas State Fair, the Kansas Junior Livestock Show, and other state-sponsored shows and fairs.

BUDGET TRENDS

OPERATING EXPENDITURES FY 1994-FY 2003

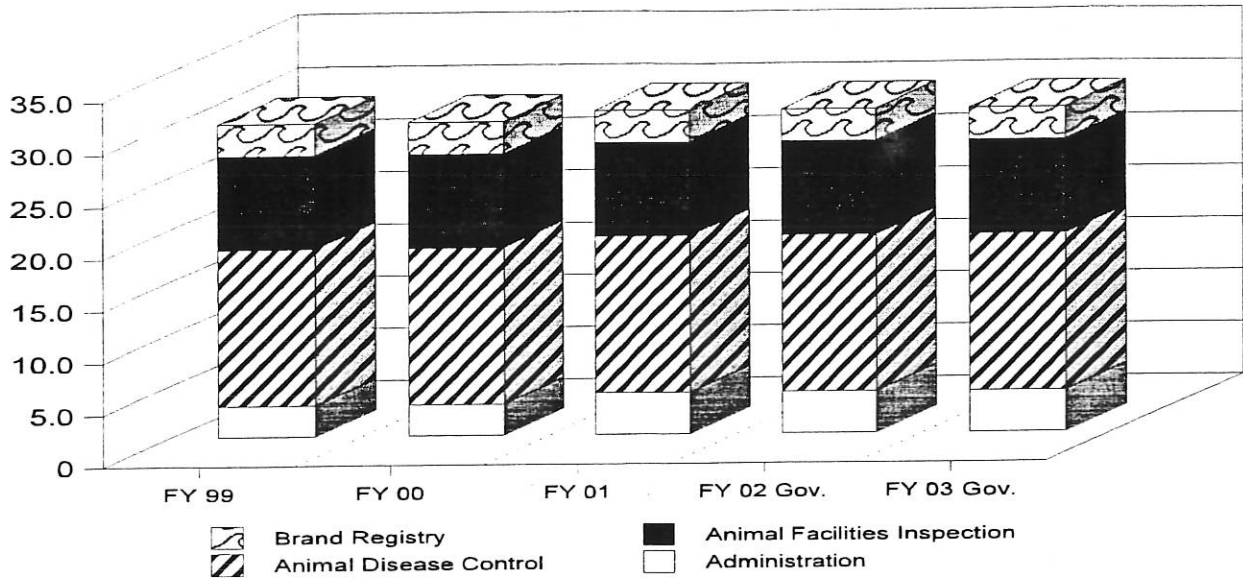
Fiscal Year	SGF	% Change	All Funds	% Change	FTE
1994	\$ 399,614	0.2%	\$ 1,813,505	5.9%	29.5
1995	517,741	29.6%	1,562,485	(8.9)%	29.5
1996	492,310	(4.9)%	1,532,774	(7.2)%	29.0
1997	577,660	17.3%	1,685,706	10.0%	29.0
1998	567,127	(1.8)%	1,642,637	(2.6)%	29.0
1999	615,053	8.5%	1,687,660	2.7%	30.0
2000	635,537	3.3%	1,682,611	(0.3)%	30.0
2001	631,336	(0.7)%	1,846,451	9.7%	31.0
2002 Gov. Rec.	628,999	(0.4)%	2,005,232	8.6%	31.0
2003 Gov. Rec.	616,995	(1.9)%	2,090,004	4.2%	31.0
Ten-Year Change Dollars/Percent	\$ 217,381	54.4%	\$ 276,499	15.2%	1.5

OPERATING EXPENDITURES FY 1994-FY 2003



Full-Time Equivalent (FTE) Positions by Program. The following graph and table reflect FTE positions authorized for the agency by program from FY 1999 to FY 2003.

FTE Positions by Program—FY 1999-FY 2003



Program	FY 1999	FY 2000	FY 2001	FY 2002 Gov.	FY 2003 Gov.
Administration	3.0	3.0	4.0	4.0	4.0
Animal Disease Control	15.0	15.0	15.0	15.0	15.0
Animal Facilities Inspection	9.0	9.0	9.0	9.0	9.0
Brand Registry	3.0	3.0	3.0	3.0	3.0
TOTAL	30.0	30.0	31.0	31.0	31.0

BUDGET OVERVIEW

A. FY 2002—Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2001 Legislature	Agency Est. FY 2002	Agency Change From Approved	Gov. Rec. FY 2002	Gov. Change From Approved
State General Fund	\$ 628,999	\$ 628,999	\$ 0	\$ 628,999	\$ 0
All Other Funds	1,376,833	1,376,233	(600)	1,376,233	(600)
TOTAL	\$ 2,005,832	\$ 2,005,232	\$ (600)	\$ 2,005,232	\$ (600)
FTE Positions	31.0	31.0	0.0	31.0	0.0

The Animal Health Department estimates funding for FY 2002 of \$2,005,232 which is a decrease of \$600 from the FY 2002 approved amount. The estimate includes \$628,999 from the State General Fund which is consistent with the approved amount. The agency estimates expenditures of \$1,376,233 from all other funds which is a decrease of \$600 (0.03 percent) from the approved amount. The decrease is due to fee fund adjustments.

The Governor concurs with the agency estimate.

B. FY 2003 — Budget Year

CHANGE FROM FY 2003		
	Agency Request	Governor's Recommendations
Dollar Change:		
State General Fund	\$ 135,966	\$ (12,004)
All Other Funds	57,317	96,776
TOTAL	\$ 193,283	\$ 84,772
Percent Change:		
State General Fund	21.6%	(1.9)%
All Other Funds	4.2	7.0
TOTAL	9.6%	4.2%
FTE Positions	2.0	0.0

The Animal Health Department requests funding for FY 2003 of \$2,198,515 which is an increase of \$193,283 (9.6 percent) from the FY 2002 estimate. The request includes \$764,965 from the State General Fund which is an increase of \$135,966 (21.6 percent) from the FY 2002 estimate. The increase is primarily due to an enhancement request of \$131,976 which is detailed below.

The Governor recommends funding for FY 2003 of \$2,090,004 which is an increase of \$84,772 (4.2 percent) from the FY 2002 estimate. The recommendation includes \$616,995 from the State General Fund which is a decrease of \$12,004 (1.9 percent) from the FY 2002 estimate. The Governor recommends expenditures from all other funds of \$1,473,009 which is an increase of \$96,776 (7.0 percent) from the FY 2002 estimate.

FY 2003 Enhancements						
Enhancement	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Shift attorney funding from special revenue to SGF	\$ 61,624	\$ 61,624	0.0	\$ 0	\$ 0	0.0
Additional 2.0 Animal Facility Inspectors	65,352	65,352	2.0	0	0	0.0
Relinquishment fee to pounds and shelters	5,000	5,000	0.0	0	0	0.0
TOTAL	<u>\$ 131,976</u>	<u>\$ 131,976</u>	<u>2.0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0.0</u>

Enhancement Detail

- **Shift Attorney funding from Special Revenue to State General Fund.** The agency requests funding of \$61,624 SGF to continue to fund an attorney FTE. The position was approved during the 1999 legislative session and was funded with special revenue funds. The special revenue funds have been declining and can no longer support the position. However, the agency believes it is necessary to keep this staff position to adequately handle the number of prosecutions in which the agency is currently involved.
- **Additional 2.0 Animal Facility Inspectors.** The agency requests funding of \$65,352 SGF and 2.0 FTE for additional animal facility inspectors. With increasing numbers of inspection refusals, problem facilities, and prosecutions, it is increasing difficult to meet the goals and objectives of the Animal Facilities Inspection program with current staffing levels.
- **Relinquishment fee to pounds and shelters.** The agency requests funding of \$5,000 SGF to pay a relinquishment fee for animals held in state custody which are surrendered to a humane society for housing and care. In most circumstances, humane societies charge a fee of \$7 to \$10 to accept an animal from the general public. The pounds and shelters have not yet charged the state this fee, but they have asked the agency to consider providing compensation.
- **The Governor** does not recommend the enhancement.
- **The Governor** does not recommend the enhancement.
- **The Governor** does not recommend the enhancement.

FY 2003 Reduced Resource Package

Reduction	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Reduce travel in Animal Disease Control Program	\$ (13,550)	\$ (13,550)	0.0	\$ 0	\$ 0	0.0
Reduce travel in Animal Facilities Inspection Program	(11,610)	(11,610)	0.0	0	0	0.0
TOTAL	\$ (25,160)	\$ (25,160)	0.0	\$ 0	\$ 0	0.0

Reduced Resource Package Detail

- Reduce travel in Animal Disease Control Program.** This package reduces SGF expenditures by \$13,500 with a reduction of 38,714 miles of in-state travel. It would delete 384 inspections based on a approximately 100 miles of travel per inspection. This decrease would allow the agency to inspect only 54 of the 384 licensed feedlots in the state.
- Reduce travel in Animal Facility Inspection Program.** This package reduces SGF expenditures by \$11,610 with a reduction of 33,171 miles of in-state travel. It would delete 524 inspections based on an average of 63.23 miles of travel per inspection. According to the agency, this decrease would impair the progress the agency has made in reducing the number of non-compliant kennels in the state.
- The Governor** does not recommend the reduced resource package.
- The Governor** does not recommend the reduced resource package.

Kansas Savings Incentives Program (KSIP) Expenditures.

Program	Salary Bonuses	Professional Dev. Training	Technology Equipment	TOTAL
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There are no KSIP expenditures planned for this agency.

Governor's Recommended Salary and Wage Adjustments. Under the Governor's FY 2003 salary and wage recommendations:

- Funding is provided to **annualize the FY 2002 salary increase** which provided for a 3.0 percent base salary adjustment with 1.5 percent effective at the beginning of the fiscal year and 1.5 percent effective half way through the fiscal year. Funding is provided in FY 2003 for annualization of the second 1.5 percent increase for the entire fiscal year.
- **No classified step movement, base salary adjustments or unclassified merit pool** increases are recommended for FY 2003.
- Full funding is provided for **longevity bonus payments** in FY 2003.
- The Governor recommends full funding for the **group health insurance rate increases** certified by the Health Care Commission for FY 2003.
- The Governor's FY 2003 recommendation includes a six-month moratorium for the first half of the fiscal year on employer contributions to the **KPERS Death and Disability Fund**.

Of the total recommended salaries and wages of \$1,288,260 the Governor's recommended FY 2003 salary and wage adjustments total \$49,441 and are reflected in the table below:

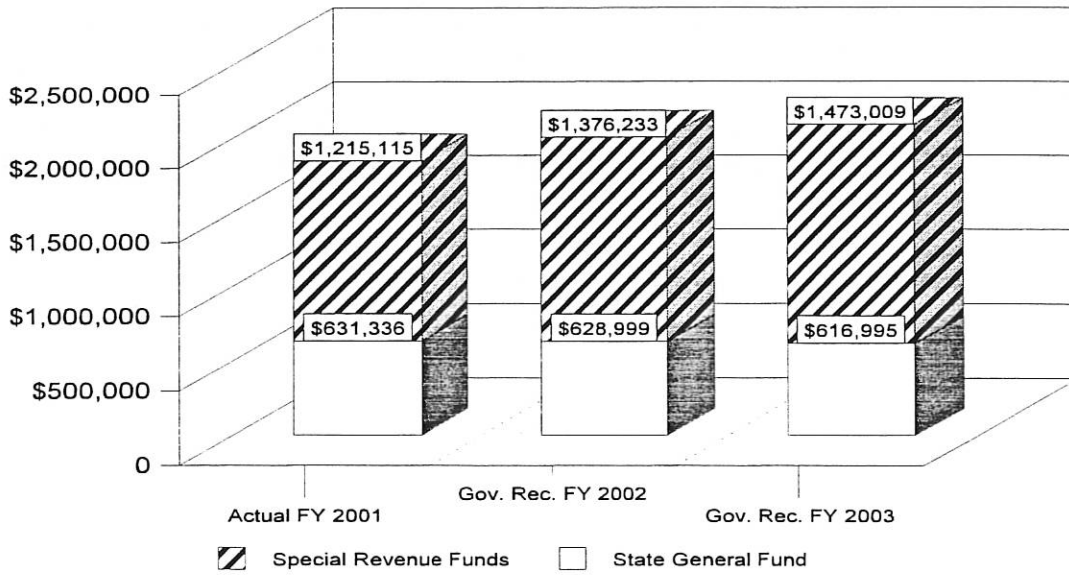
Program	Annualization of FY 2002 Salary Increase	Longevity	Group Health Insurance Increases	Death and Disability Adjustment
Administration	\$ 3,087	\$ 1,560	\$ 2,992	\$ (545)
Animal Disease Control	7,336	5,280	13,781	(1,488)
Animal Facilities Inspection	4,362	1,840	7,323	(771)
Brand Registration	1,511	1,000	2,441	(268)
TOTAL	\$ 16,296	\$ 9,680	\$ 26,537	\$ (3,072)

C. Fee Funds Analysis. The Animal Health Department is financed from a variety of sources, including the State General Fund and fee funds. The fee funds can be grouped in three areas: regulation of small animal breeders, regulation of animal disease, and brand regulation and inspection. Based on the agency's request, fee funds would finance 68.6 percent of the budget in FY 2002 and 65.2 percent in FY 2003. The Governor's recommendation would use fee funds to finance 68.6 percent of the budget in FY 2002 and 70.5 percent in FY 2003. The table below depicts the funding status for the Department.

Animal Health Department—Plan for Financing

Financing Plan	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
State General Fund	\$ 631,336	\$ 628,999	\$ 628,999	\$ 764,965	\$ 616,995
Special Revenue Funds:*					
Livestock Market Brand Inspection	\$ 94,557	\$ 123,324	\$ 123,324	\$ 148,281	\$ 155,271
Veterinary Inspection Serv.	189,639	192,286	192,286	192,286	192,286
Livestock Brand Fee Fund	150,760	170,200	170,200	176,385	185,035
Animal Disease Control	532,114	620,204	620,204	630,249	644,807
Legal Services Fee Fund	0	5,000	5,000	5,000	5,000
County Option	20,140	17,500	17,500	17,500	17,500
Animal Dealer Fee Fund	227,905	247,719	247,719	263,849	273,110
Subtotal—Special Rev.	<u>\$ 1,215,115</u>	<u>\$ 1,376,233</u>	<u>\$ 1,376,233</u>	<u>\$ 1,433,550</u>	<u>\$ 1,473,009</u>
TOTAL Operating	<u>\$ 1,846,451</u>	<u>\$ 2,005,232</u>	<u>\$ 2,005,232</u>	<u>\$ 2,198,515</u>	<u>\$ 2,090,004</u>
Percentage of operating expenditures funded by:					
State General Fund	34.2%	31.4%	31.4%	34.8%	29.5%
Special Revenue Funds	65.8%	68.6%	68.6%	65.2%	70.5%

* All special revenue funds for this agency are currently approved in FY 2002 as "no limit" funds. The Governor recommends that the funds retain that designation for FY 2003.



The Animal Disease Control Fund (which is also used to finance a portion of the Administration program) receives funds from annual fees from the following licenses and permits: garbage feeding facility (\$15); disposal plant (\$525); vehicle permit to transport dead animals (\$75); feedlot operation (\$75 to \$750); public livestock market (\$40); veterinary inspection fees of .07 cents per head for cattle sold through a public livestock market; livestock dealers (\$75), and several other fees. All fees have been increased to the statutory maximum. A summary of the resource estimate including the agency's request and the Governor's recommendation is detailed below:

Animal Disease Control Fund	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Beginning Balance	\$ 609,165	\$ 642,913	\$ 642,913	\$ 565,209	\$ 563,863
Net Receipts	565,862	542,500	542,500	542,500	542,500
Total Funds Available	\$ 1,175,027	\$ 1,185,413	\$ 1,185,413	\$ 1,107,709	\$ 1,106,363
Less: Expenditures	532,114	620,204	620,204	630,249	644,807
Transfers Out	0	0	1,346	0	0
Ending Balance	\$ 642,913	\$ 565,209	\$ 563,863	\$ 477,460	\$ 461,556
Ending Balance as a Percentage of Expenditures	120.8%	91.1%	90.9%	75.8%	71.6%

The Animal Dealer Fee Fund (which is also used to finance a portion of the Administration program) receives license and registration fees, including the following: animal breeder premises, animal distributor, retail breeder, out-of-state distributor, pet shop operator, or research facility (\$150 with USDA license or \$300 without USDA license); pound or animal shelter (\$200); hobby breeder or boarding or training kennel (\$75); and closing permit (\$50). The resource estimate for the fund, including the agency's request and the Governor's recommendations, are detailed below:

Animal Dealer Fee Fund	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Beginning Balance	\$ 277,118	\$ 255,557	\$ 255,557	\$ 211,338	\$ 210,947
Net Receipts	206,344	203,500	203,500	200,000	200,000
Total Funds Available	\$ 483,462	\$ 459,057	\$ 459,057	\$ 411,338	\$ 410,947
Less: Expenditures	227,905	247,719	247,719	263,849	273,110
Transfers Out	0	0	391	0	0
Ending Balance	\$ 255,557	\$ 211,338	\$ 210,947	\$ 147,489	\$ 137,837
Ending Balance as a Percentage of Expenditures	112.0%	85.3%	85.2%	55.9%	50.5%

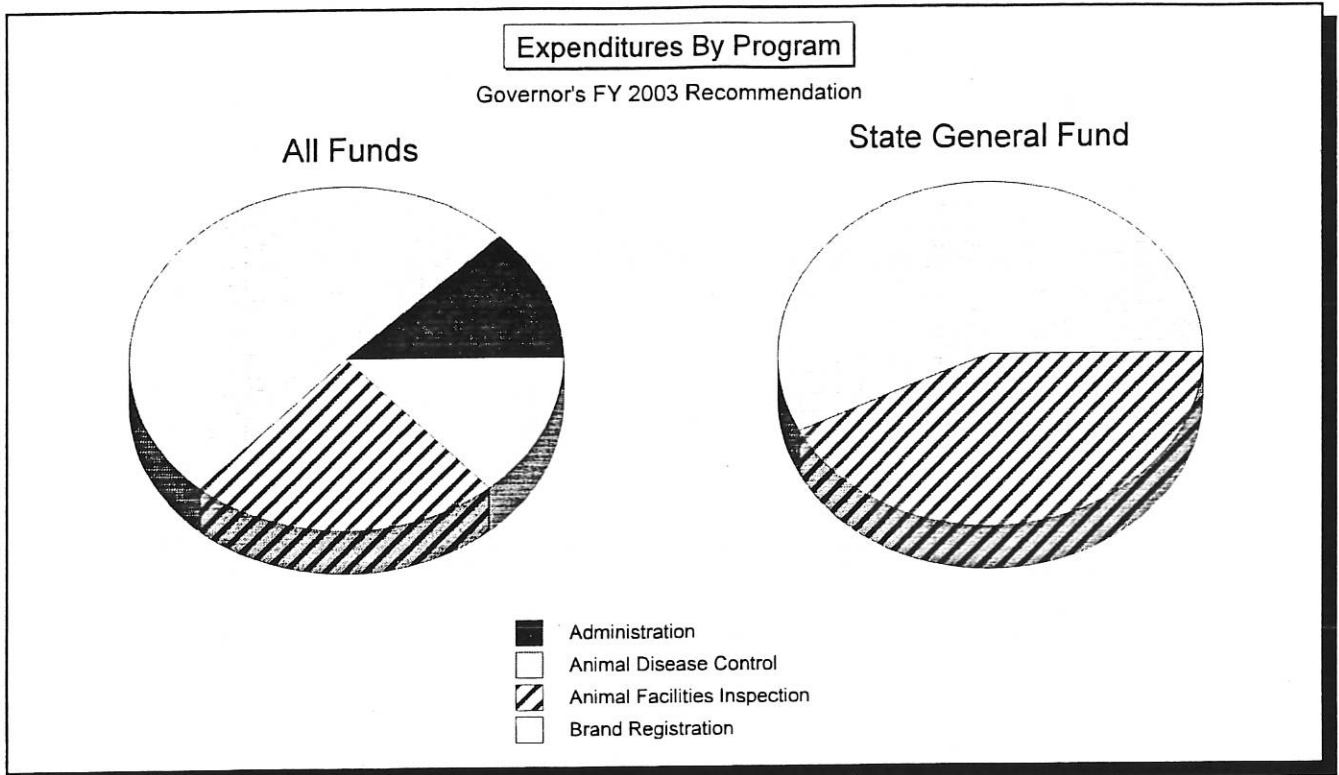
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Summary of Operating Budget FY 2001 - FY 2003

	Actual FY 2001	Agency Request				Governor's Recommendation			
		FY 2002 Estimate	FY 2003 Request	Dollar Change From FY 02	Percent Change From FY 02	FY 2002 Rec.	FY 2003 Rec.	Dollar Change From FY 02	Percent Change From FY 02
By Program:									
Administration	\$ 229,305	\$ 246,997	\$ 311,031	\$ 64,034	25.9%	\$ 246,997	\$ 264,512	\$ 17,515	7.1%
Animal Disease Control	912,615	1,035,609	1,044,359	8,750	0.8%	1,035,609	1,062,981	27,372	2.6%
Animal Facilities Inspection	430,304	455,199	564,294	109,095	24.0%	455,199	481,507	26,308	5.8%
Brand Registration	274,227	267,427	278,831	11,404	4.3%	267,427	281,004	13,577	5.1%
TOTAL	\$ 1,846,451	\$ 2,005,232	\$ 2,198,515	\$ 193,283	9.6%	\$ 2,005,232	\$ 2,090,004	\$ 84,772	4.2%
By Major Object of Expenditure:									
Salaries and Wages	\$ 1,105,916	\$ 1,249,407	\$ 1,391,771	\$ 142,364	11.4%	\$ 1,249,407	\$ 1,288,260	\$ 38,853	3.1%
Contractual Services	706,614	714,865	763,493	48,628	6.8%	714,865	739,506	24,641	3.4%
Commodities	29,303	30,315	36,941	6,626	21.9%	30,315	55,928	25,613	84.5%
Capital Outlay	4,618	10,645	6,310	(4,335)	(40.7)%	10,645	6,310	(4,335)	(40.7)%
Debt Service	0	0	0	0	0.0%	0	0	0	0.0%
Subtotal - Operations	\$ 1,846,451	\$ 2,005,232	\$ 2,198,515	\$ 193,283	9.6%	\$ 2,005,232	\$ 2,090,004	\$ 84,772	4.2%
Aid to Local Units	0	0	0	0	0.0%	0	0	0	0.0%
Other Assistance	0	0	0	0	0.0%	0	0	0	0.0%
TOTAL	\$ 1,846,451	\$ 2,005,232	\$ 2,198,515	\$ 193,283	9.6%	\$ 2,005,232	\$ 2,090,004	\$ 84,772	4.2%
Financing:									
State General Fund	\$ 631,336	\$ 628,999	\$ 764,965	\$ 135,966	21.6%	\$ 628,999	\$ 616,995	\$ (12,004)	(1.9)%
All Other Funds	1,215,115	1,376,233	1,433,550	57,317	4.2%	1,376,233	1,473,009	96,776	7.0%
TOTAL	\$ 1,846,451	\$ 2,005,232	\$ 2,198,515	\$ 193,283	9.6%	\$ 2,005,232	\$ 2,090,004	\$ 84,772	4.2%

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BUDGET DETAIL



Program	FY 2003 Gov. Rec. All Funds	FY 2003 Gov. Rec. SGF
Administration	\$ 264,512	\$ 0
Animal Disease Control	1,062,981	353,637
Animal Facilities Inspection	481,507	263,358
Brand Registration	281,004	0
TOTAL	\$ 2,090,004	\$ 616,995

A. Administration

The Administration Program includes the general supervision of administrative functions such as personnel, accounting, and records.

ADMINISTRATION PROGRAM SUMMARY OF EXPENDITURES FY 2001-FY 2003					
Item	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Salaries and Wages	\$ 203,770	\$ 214,681	\$ 214,681	\$ 279,015	\$ 219,838
Contractual Services	19,925	22,618	22,618	26,606	26,606
Commodities	2,942	3,053	3,053	3,600	16,258
Capital Outlay	2,668	6,645	6,645	1,810	1,810
Total—Oper. Expend.	<u>\$ 229,305</u>	<u>\$ 246,997</u>	<u>\$ 246,997</u>	<u>\$ 311,031</u>	<u>\$ 264,512</u>
FTE Positions	4.0	4.0	4.0	4.0	4.0

All Funds Five-Year Expenditures (Actual or Gov. Rec.)

Fiscal Year	Expenditure
FY 99	175,000
FY 00	175,000
FY 01	240,000
FY 02	255,000
FY 03	275,000

Important Issues in This Program

- ◆ **The agency requests** funding for FY 2003 of \$311,031 which is an increase of \$64,034 (25.9 percent) from the FY 2002 estimate.
- ◆ **The Governor recommends** funding for FY 2003 of \$264,512 which is an increase of \$17,515 (7.1 percent) from the FY 2002 estimate.
- ◆ **State General Fund** - \$61,624 or 19.8 percent of the program request.
- ◆ **State General Fund** - The Governor does not recommend expenditures from the State General Fund.
- ◆ **Salaries and Wages** funding for FY 2003 totals \$279,015 which is an increase of \$64,334 (30.0 percent) from the FY 2002 estimate. The request includes \$61,624 for an enhancement to fund an attorney position from the State General Fund.
- ◆ **The Governor recommends** salaries and wages for FY 2003 of \$219,838 which is an increase of \$5,157 (2.4 percent) from the FY 2002 estimate. The recommendation includes adjustments for annualization of the FY 2002 increase, longevity, group health insurance, and death and disability.
- ◆ **Other Operating Expenditures** funding for FY 2003 totals \$32,016 which is a decrease of \$300 (0.9 percent) from the FY 2002 estimate. The request includes \$10,000 for in-state travel, \$6,450 for communication, and \$6,356 in rents.
- ◆ **The Governor recommends** other operating expenditures for FY 2003 of \$44,674 which is an increase of \$12,358 (38.2 percent) from the FY 2002 estimate. The Governor concurs with the

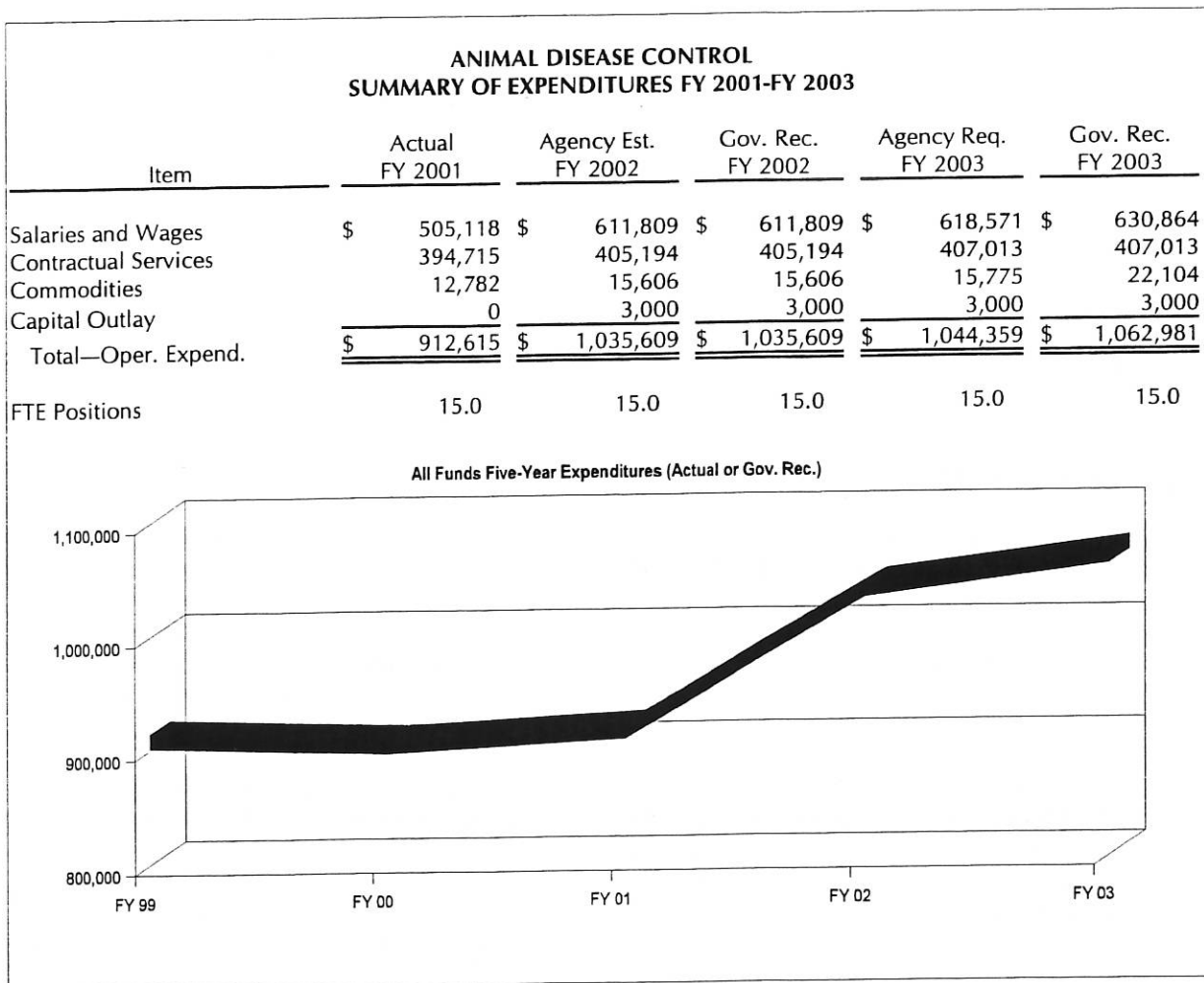
agency request with the exception of an additional \$12,658 in commodities.

B. Animal Disease Control

The Animal Disease Control program works to control and eradicate diseases and conditions affecting the health of livestock and other domestic animals in the state. The primary focus of the program involves brucellosis, swine pseudorabies, tuberculosis, and equine infectious anemia in Kansas livestock. Division staff includes 3.0 state veterinarians, 5.0 livestock investigators and 7.0 office staff.

In the fall of 1993, in cooperation with USDA Veterinary Services, the Animal Health Department launched an intense effort to eradicate brucellosis. On July 1, 1999, the U.S. Department of Agriculture (USDA) granted "Free" status to Kansas regarding bovine brucellosis eradication. This status will allow Kansas cattle to move interstate without a current brucellosis test, saving cattle producers many dollars for testing. Surveillance for brucellosis will continue at livestock markets as the disease can be imported into the state at any time.

On August 1, 1999, porcine pseudorabies was eradicated from the state, putting Kansas in stage V of the National Pseudorabies Eradication Program. This allows breeding swine to move interstate without negative tests or certification. USDA maintains surveillance for this disease at slaughter plants. Kansas is also classified as a tuberculosis free state by USDA Veterinary Services.



Important Issues in This Program

- ◆ **The agency requests** funding for FY 2003 of \$1,044,359 which is an increase of \$8,750 (0.8 percent) from the FY 2002 request.
- ◆ **State General Fund** - \$347,491 or 33.3 percent of the program request.
- ◆ **Salaries and Wages** funding for FY 2003 totals \$618,571 which is an increase of \$6,762 (1.1 percent) from the FY 2002 estimate.
- ◆ **Other Operating Expenditures** funding for FY 2003 totals \$425,788 which is an increase of \$1,998 (0.5 percent) from the FY 2002 estimate. The request includes \$255,000 for professional services fees and \$82,343 for in-state travel.
- ◆ **The Governor recommends** funding for FY 2003 of \$1,062,981 which is an increase of \$27,372 (2.6 percent) from the FY 2002 estimate.
- ◆ **State General Fund** - \$353,637 or 33.3 percent of the program recommendation.
- ◆ **The Governor recommends** salaries and wages for FY 2003 of \$630,864 which is an increase of \$19,055 (3.1 percent) from the FY 2002 estimate. The recommendation includes adjustments for annualization of the FY 2002 increase, longevity, group health insurance, and death and disability.
- ◆ **The Governor recommends** other operating expenditures of \$432,117 which is an increase of \$8,317 (2.0 percent) from the FY 2002 estimate. The Governor concurs with the agency request with the exception of an additional \$6,329 in other supplies.

C. Animal Facilities Inspection

Through the Animal Facilities Inspection Program, the Department is responsible for the licensing and inspection of all pet shops, animal dealers, animal dealer premises, research facilities, and pounds and shelters. The Department also registers hobby breeders and boarding kennels, except kennels operated by a licensed veterinarian.

ANIMAL FACILITIES INSPECTION PROGRAM SUMMARY OF EXPENDITURES FY 2001-FY 2003					
Item	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Salaries and Wages	\$ 283,261	\$ 313,861	\$ 313,861	\$ 383,856	\$ 325,056
Contractual Services	132,892	129,882	129,882	162,692	138,705
Commodities	12,391	10,456	10,456	16,246	16,246
Capital Outlay	1,760	1,000	1,000	1,500	1,500
Total—Oper. Expend.	\$ 430,304	\$ 455,199	\$ 455,199	\$ 564,294	\$ 481,507
FTE Positions	9.0	9.0	9.0	11.0	9.0

All Funds Five-Year Expenditures (Actual or Gov. Rec.)

Fiscal Year	Expenditure
FY 99	380,000
FY 00	380,000
FY 01	450,000
FY 02	470,000
FY 03	500,000

Important Issues in This Program

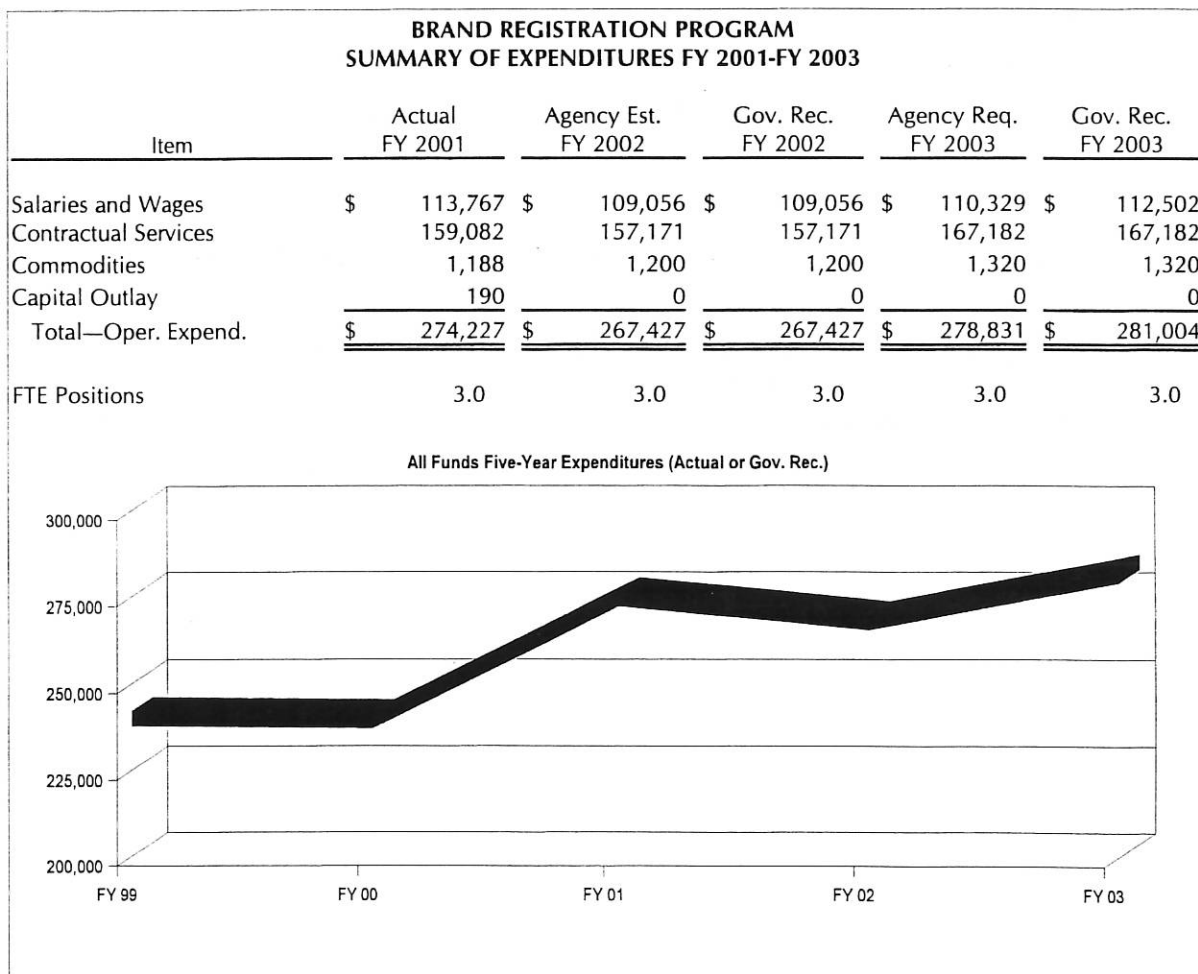
- ◆ **The agency requests** funding for FY 2003 of \$564,294 which is an increase of \$109,095 (24.0 percent) from the FY 2002 estimate.
- ◆ **The Governor recommends** funding for FY 2003 of \$481,507 which is an increase of \$26,308 (5.8 percent) from the FY 2002 estimate.
- ◆ **State General Fund** - \$355,850 or 63.1 percent of the program request.
- ◆ **State General Fund** - \$263,358 or 54.7 of the program recommendation.
- ◆ **Salaries and Wages** funding for FY 2003 totals \$383,856 which is an increase of \$69,995 (22.3 percent) from the FY 2002 estimate. The request includes \$65,352 SGF for an enhancement request of 2.0 new Animal Facility Inspector FTEs.
- ◆ **The Governor recommends** salaries and wages for FY 2003 of \$325,056 which is an increase of \$11,195 (3.6 percent) from the FY 2002 estimate. The recommendation includes adjustments for annualization of the FY 2002 increase, longevity, group health insurance, and death and disability. The Governor does not recommend the requested new positions.

◆ **Other Operating Expenditures** funding for FY 2003 totals \$180,438 which is an increase of \$39,100 (27.7 percent) from the FY 2002 estimate. The request includes \$5,000 in fees - other services for an enhancement request for relinquishment fees to pounds and shelters. Also included is \$82,000 for in-state travel.

◆ **The Governor recommends** other operating expenditures of \$156,451 which is an increase of \$15,113 (10.7 percent) from the FY 2002 estimate. The Governor concurs with the agency request with the exception of a decrease of \$23,987 in contractual services. The Governor does not recommend the requested \$5,000 for relinquishment fees to pounds and shelters.

D. Brand Registration

The Brand Division registers livestock brands and records brand registrations. The Brand Registration program also administers the estray law, with two special investigators who work with local law enforcement agencies to recover lost or stolen livestock.



Important Issues in This Program

◆ **The agency requests** funding for FY 2003 of \$278,831 which is an increase of \$11,404 (4.3 percent) from the FY 2002 estimate. The program is entirely funded by fees.

◆ **The Governor recommends** funding for FY 2003 of \$281,004 which is an increase of \$13,577 (5.1 percent) from the FY 2002 estimate. The program is entirely funded by fees.

◆ **Salaries and Wages** funding for FY 2003 totals \$110,329 which is an increase of \$1,273 (1.2 percent) from the FY 2002 estimate.

◆ **The Governor recommends** salaries and wages for FY 2003 of \$112,502 which is an increase of \$3,446 (3.2 percent) from the FY 2002 estimate. The recommendation includes adjustments for annualization of the FY 2002 increase, longevity, group health insurance, and death and disability.

◆ **Other Operating Expenditures** funding for FY 2003 totals \$168,502 which is an increase of \$10,131 (6.4 percent) from the FY 2002 estimate. The request includes \$113,313 for other services fees and \$37,000 for in-state travel.

◆ **The Governor concurs** with the agency request.

Selected Performance Measures			
Measure	Actual FY 2001	Estimate FY 2002	Current Service FY 2003
Cattle tested for brucellosis	48,303	50,000	50,000
Percent of infected herds depopulated	100.0%	100.0%	100.0%
Percent of failed routine animal facility inspections	23.0%	23.0%	23.0%
Number of brands recorded	19,577	18,936	18,036

KANSAS STATE FAIR

Expenditure	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
All Funds:					
State Operations	\$ 3,948,682	\$ 3,490,312	\$ 3,388,865	\$ 4,203,989	\$ 3,920,389
Aid to Local Units	0	0	0	0	0
Other Assistance	719	0	0	0	0
Subtotal—Operating	\$ 3,949,401	\$ 3,490,312	\$ 3,388,865	\$ 4,203,989	\$ 3,920,389
Capital Improvements	477,944	628,898	628,898	1,296,546	1,296,546
TOTAL	\$ 4,427,345	\$ 4,119,210	\$ 4,017,763	\$ 5,500,535	\$ 5,216,935
State General Fund:					
State Operations	\$ 0	\$ 134,000	\$ 132,952	\$ 137,404	\$ 0
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
Subtotal—Operating	\$ 0	\$ 134,000	\$ 132,952	\$ 137,404	\$ 0
Capital Improvements*	450,000	0	0	300,000	300,000
TOTAL	\$ 450,000	\$ 134,000	\$ 132,952	\$ 437,404	\$ 300,000
Other Funds:					
State Operations	\$ 3,948,682	\$ 3,356,312	\$ 3,255,913	\$ 4,066,585	\$ 3,920,389
Aid to Local Units	0	0	0	0	0
Other Assistance	719	0	0	0	0
Subtotal—Operating	\$ 3,949,401	\$ 3,356,312	\$ 3,255,913	\$ 4,066,585	\$ 3,920,389
Capital Improvements	27,944	628,898	628,898	996,546	996,546
TOTAL	\$ 3,977,345	\$ 3,985,210	\$ 3,884,811	\$ 5,063,131	\$ 4,916,935
Percentage Change:					
Operating Expenditures:					
All Funds	10.1%	(11.6)%	(14.2)%	20.4%	15.7%
State General Fund	(100.0)	—	—	2.5	(100.0)
FTE Positions					
FTE Positions	22.0	22.0	22.0	24.0	22.0
Non FTE Perm. Uncl. Pos.	0.0	0.0	0.0	0.0	0.0
TOTAL	22.0	22.0	22.0	24.0	22.0

* Includes a demand transfer from the State General Fund.

AGENCY OVERVIEW

In 1913, the Kansas Legislature declared the official State Fair to be located in Hutchinson, which had been donated to the state by the citizens of Reno County. Effective March 1995, the Kansas State Fair Board consists of the Secretary of Agriculture; the Secretary of Commerce and Housing; the Director of Extension of Kansas State University; one person, appointed by the Governor, from three persons nominated by the Kansas Chamber of Commerce and Industry; one person, appointed by the Governor, from three persons nominated by the Travel Industry Association of Kansas; one person, appointed by the Governor, from three persons nominated by the Kansas Fairs Association; one member of the Kansas Technology Enterprise Corporation Board of Directors; and six persons, appointed by the Governor, with at least one person coming from each extension district, and all persons being involved in agricultural production or agribusiness.

The State Fair is managed by a full-time general manager. An assistant general manager and 20 other staff members comprise the permanent staff. The State Fair employs approximately 600 additional employees during the Fair, which takes place beginning the Friday following Labor Day and lasts for ten days.

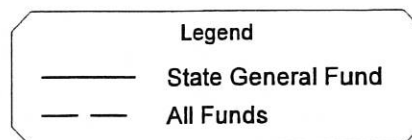
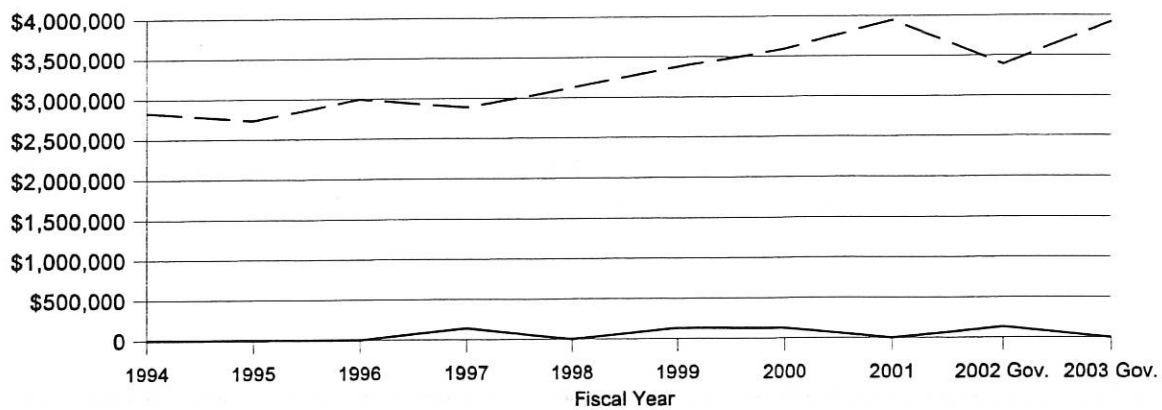
BUDGET TRENDS

OPERATING EXPENDITURES FY 1994-FY 2003

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
1994	\$ 0	-	\$ 2,832,536	2.8%	17.0
1995	0	-	2,735,058	(3.4)%	17.0
1996	0	-	2,996,562	9.6%	17.0
1997	138,679	-	2,888,967	(3.6)%	18.0
1998	0	(100.0)%	3,119,245	8.0%	18.0
1999	131,865*	-	3,376,646	8.3%	18.0
2000	123,750	(6.2)%	3,587,042	6.2%	18.0
2001	0	(100.0)%	3,949,401	10.1%	22.0
2002 Gov. Rec.	132,952	-	3,388,865	(14.2)%	22.0
2003 Gov. Rec.	0	(100.0)%	3,920,389	15.7%	22.0
Ten-Year Change Dollars/Percent	\$ 0	-	\$ 1,087,853	38.4%	5.0

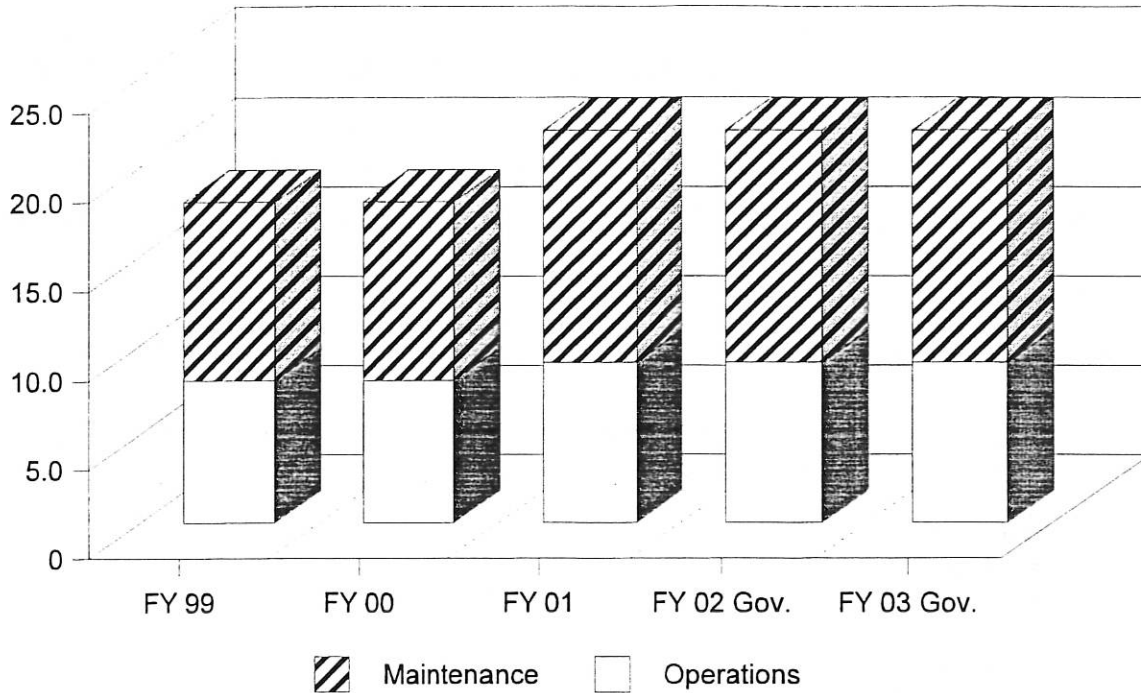
* Includes \$6,865 of interest on the debt service for the grandstand renovation.

OPERATING EXPENDITURES FY 1994-FY 2003



Full-Time Equivalent (FTE) Positions by Program. The following graph and table reflect FTE positions authorized for the agency by program from FY 1999 to FY 2003.

FTE Positions by Program—FY 1999-FY 2003



Program	FY 1999	FY 2000	FY 2001	FY 2002 Gov.	FY 2003 Gov.
Operations	8.0	8.0	9.0	9.0	9.0
Maintenance	10.0	10.0	13.0	13.0	13.0
TOTAL	18.0	18.0	22.0	22.0	22.0

BUDGET OVERVIEW

A. FY 2002—Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2001 Legislature	Agency Est. FY 2002	Agency Change From Approved	Gov. Rec. FY 2002	Gov. Change From Approved
State General Fund	\$ 132,952	\$ 134,000	\$ 1,048	\$ 132,952	\$ 0
All Other Funds	4,193,483	3,356,312	(837,171)	3,255,913	(937,570)
TOTAL	\$ 4,326,435	\$ 3,490,312	\$ (836,123)	\$ 3,388,865	\$ (937,570)
FTE Positions	22.0	22.0	0.0	22.0	0.0

The State Fair estimates funding for FY 2002 of \$3,490,312 which is a decrease of \$836,123 (19.3 percent) from the approved amount. The estimate includes:

- **State General Fund**
 - \$134,000
 - Increase of \$1,048 (0.8 percent) from the approved amount
- **All Other Funds**
 - \$3,356,312
 - Decrease of \$837,171 (20.0 percent) from the approved amount

The Governor recommends funding for FY 2002 of \$3,388,865 which is a decrease of \$937,570 (21.7 percent) from the approved amount. The recommendation includes:

- **State General Fund**
 - \$132,952
 - Consistent with the approved amount
- **All Other Funds**
 - \$3,255,913
 - Decrease of \$937,570 (22.4 percent) from the approved amount

B. FY 2003—Budget Year

CHANGE FROM FY 2002		
	Agency Request	Governor's Recommendations
Dollar Change:		
State General Fund	\$ 3,404	\$ (132,952)
All Other Funds	710,273	664,476
TOTAL	<u>\$ 713,677</u>	<u>\$ 531,524</u>
Percent Change:		
State General Fund	2.5%	(100.0)%
All Other Funds	21.2	20.4
TOTAL	<u>20.4%</u>	<u>15.7%</u>
FTE Positions	2.0	0.0

The State Fair requests funding for FY 2003 of \$4,203,989 which is an increase of \$713,677 (20.4 percent) from the FY 2002 estimate. The request includes:

- **State General Fund**
 - \$137,404 or 3.3 percent of the request
 - Increase of \$3,404 (2.5 percent) from the FY 2002 estimate
- **All Other Funds**
 - \$4,066,585 or 96.7 percent of the request
 - Increase of \$710,273 (21.2 percent) from the FY 2002 estimate

The Governor recommends funding for FY 2003 of \$3,920,389 which is an increase of \$531,524 (15.7 percent) from the FY 2002 estimate. The entire recommendation is funded through the State Fair Fee Fund.

FY 2003 Enhancements						
Enhancement	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Office Assistant II position	\$ 0	\$ 21,264	1.0	\$ 0	\$ 0	0.0
Grounds Maintenance Supervisor II position	0	25,120	1.0	0	0	0.0
Additional Advertising funding	0	116,000	0.0	0	0	0.0
TOTAL	<u>\$ 0</u>	<u>\$ 162,384</u>	<u>2.0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0.0</u>

Enhancements Detail

- ◆ **Office Assistant II position.** The agency requests \$21,264 from the State Fair Fee Fund and the addition of 1.0 FTE for an office assistant II position. The position is requested due to the growth of the commercial exhibits department. Currently, the position is filled by an unclassified temporary employee, which according to the agency, results in high turnover. The conversion to an FTE position will add stability to the position.
- ◆ **The Governor** does not recommend the enhancement.

- ◆ **Grounds Maintenance Supervisor II position.** The agency requests \$25,120 from the State Fair Fee Fund and the addition of 1.0 FTE for a grounds maintenance supervisor II position. The fairgrounds consist of 280 acres which need continual landscaping attention. This landscaping work will become more important as the Facilities Master Plan is implemented.
- ◆ **The Governor** does not recommend the enhancement.

- ◆ **Advertising Funding.** The agency requests \$116,000 from the Economic Development Initiatives Fund (EDIF) to implement a state-wide advertising program. Attendance at the 2001 fair was severely impacted by the Hutchinson natural gas explosions, the Reno County Hepatitis A outbreak, and the September 11 attack which occurred during the fair. Additional advertising funding would be used to increase fair attendance.
- ◆ **The Governor** does not recommend the enhancement.

FY 2003 Reduced Resources Package						
Reduction	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
This agency was not required to submit a reduced resources package.						

Kansas Savings Incentives Program (KSIP) Expenditures.				
Program	Salary Bonuses	Professional Dev. Training	Technology Equipment	TOTAL
No KSIP expenditures are planned for this agency.				

Governor's Recommended Salary and Wage Adjustments. Under the Governor's FY 2003 salary and wage recommendations:

- Funding is provided to **annualize the FY 2002 salary increase** which provided for a 3.0 percent base salary adjustment with 1.5 percent effective at the beginning of the fiscal year and 1.5 percent effective half way through the fiscal year. Funding is provided in FY 2003 for annualization of the second 1.5 percent increase for the entire fiscal year.
- **No classified step movement, base salary adjustments or unclassified merit pool** increases are recommended for FY 2003.
- Full funding is provided for **longevity bonus payments** in FY 2003.
- The Governor recommends full funding for the **group health insurance rate increases** certified by the Health Care Commission for FY 2003.
- The Governor's FY 2003 recommendation includes a six-month moratorium for the first half of the fiscal year on employer contributions to the **KPERS Death and Disability Fund**.

Of the total recommended salaries and wages of \$1,438,185, the Governor's recommended FY 2003 salary and wage adjustments total \$37,967 and are reflected in the table below:

<u>Program</u>	<u>Annualization of FY 2002 Salary Increase</u>	<u>Longevity</u>	<u>Group Health Insurance Increases</u>	<u>Death and Disability Adjustment</u>
Operations	\$ 6,152	\$ 1,960	\$ 10,839	\$ (1,058)
Maintenance	6,075	5,080	10,064	(1,145)
TOTAL	<u>\$ 12,227</u>	<u>\$ 7,040</u>	<u>\$ 20,903</u>	<u>\$ (2,203)</u>

C. Agency Financing

The State Fair's operating costs are financed primarily from fee funds consisting of receipts from fair and non-fair activities. Generally, the State General Fund financing has been used only for capital improvements or major maintenance projects.

State Support

- **The State Fair requests \$118,512** for operating expenditures in FY 2003 from the Economic Development Initiatives Fund (EDIF). The agency had EDIF expenditures of \$134,000 in FY 2001, and does not have EDIF expenditures budgeted for FY 2002. The agency requests expenditures from the State General Fund for operating expenditures of \$134,000 in FY 2002 and \$137,404 in FY 2003.
- Recent history of state support for operations:
 - FY 2001: \$134,000 from the EDIF
 - FY 2000: \$123,750 from the State General Fund, and \$35,000 from the EDIF
 - FY 1998: \$115,000 from the EDIF
 - FY 1997: \$138,679 from the State General Fund
 - FY 1996: \$114,000 from the EDIF
- **The Governor recommends** expenditures of \$132,952 from the State General Fund for operating expenditures in FY 2002. The Governor does not recommends SGF or EDIF support for FY 2003.

Fee Fund Analysis

The State Fair has one main operating fee fund: the State Fair Fee Fund. In 1998, the Legislature, at the request of the State Fair Board, passed HB 2792 which combined the State Fair Fee Fund and its Non-Fair Fee Fund into a single fund from which all expenditures, both State Fair related and non-related, would be paid out. This was done to reduce accounting costs. The agency continues to account for revenues and expenditures for each area at the sub-program level. State Fair receipts include: gate admissions, grandstand admissions, exhibitors fees, concessions fees and percentages, and parking and camping fees. Non-Fair period receipts include: admissions to the Hutchinson National Auto Races, rental of buildings and grounds, concessions fees and percentages, and camping fees.

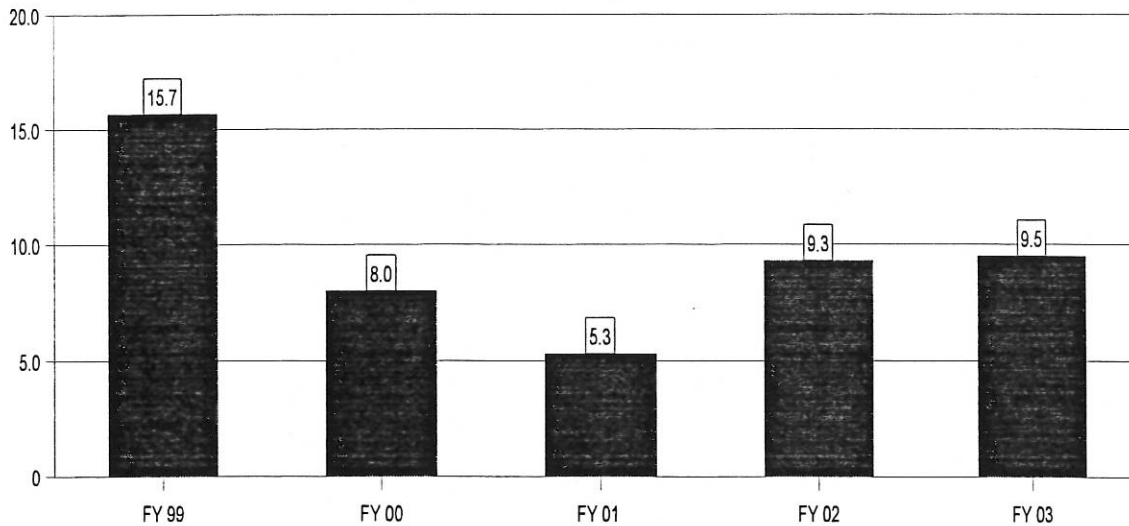
For FYs 1996-2002, all agency fee funds were approved as no-limit funds, providing for unlimited expenditures from these funds. The agency requests that the State Fair Fee Fund retain this no-limit status in FY 2003. The following table shows the status of the State Fair Fee Fund based upon the Fair's request and the Governor's recommendations.

State Fair Fee Fund

Resource Estimate	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Beginning Balance	\$ 275,911	\$ 202,346	\$ 202,346	\$ 70,764	\$ 310,764
Receipts	4,048,563	3,303,014	3,603,014	4,406,448	4,406,448
Total Available	\$ 4,324,474	\$ 3,505,360	\$ 3,805,360	\$ 4,477,212	\$ 4,717,212
Subtract:					
Expenditures	\$ 3,714,522	\$ 3,350,946	\$ 3,255,913	\$ 3,901,689	\$ 3,920,390
Nonreportable Expenditures ^a	107,606	83,650	83,650	115,014	115,014
Transfer to SCIF ^b	300,000	0	155,033	300,000	300,000
Total Subtracted from Fund	\$ 4,122,128	\$ 3,434,596	\$ 3,494,596	\$ 4,316,703	\$ 4,335,404
Ending Balance	\$ 202,346	\$ 70,764	\$ 310,764	\$ 160,509	\$ 381,808
Ending Bal. as a % of Expend. ^c	5.3%	2.1%	9.3%	4.0%	9.5%

- a) Sales tax collected by the State Fair
- b) State Fair Capital Improvement Fund.
- c) Does not include transfer to SCIF.

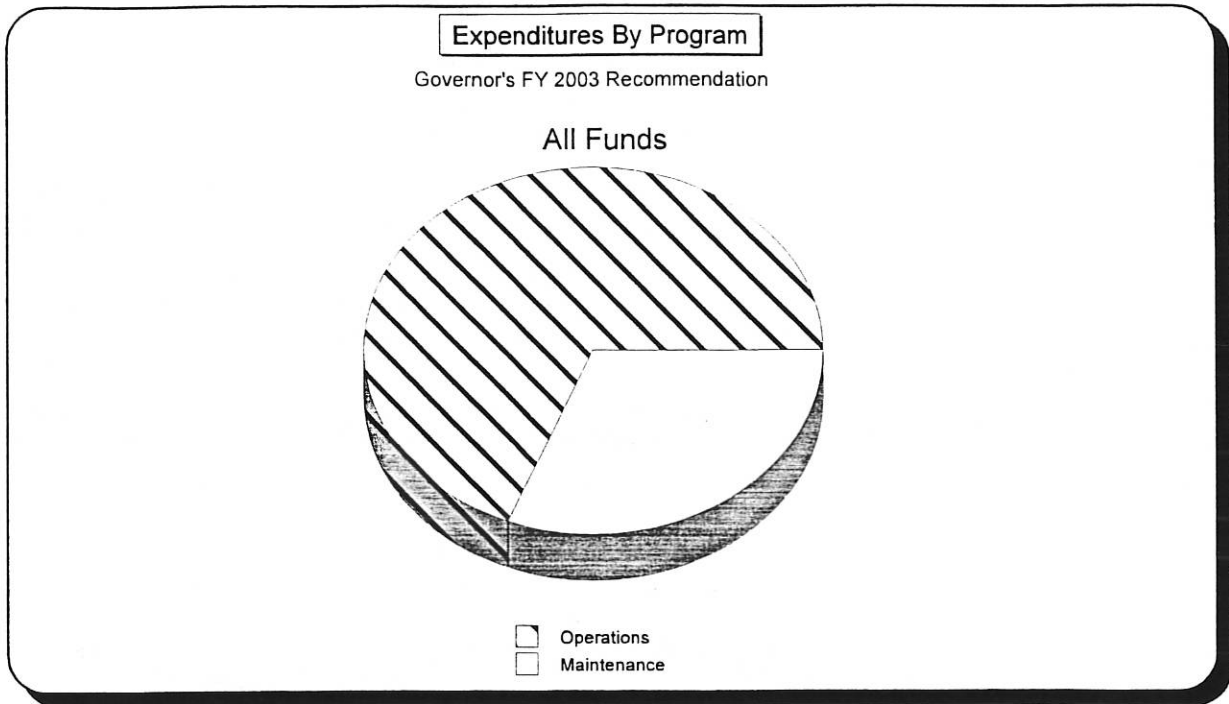
Ending Balance Percentage of Expenditures



SUMMARY OF OPERATING BUDGET FY 2001 – FY 2003

	Agency Request				Governor's Recommendation				
	Actual FY 2001	Agency Estimate FY 2002	Request FY 2003	Dollar Change From FY 02	Percent Change From FY 02	FY 2002 Rec.	FY 2003 Rec.	Dollar Change From FY 02	Percent Change From FY 02
By Program:									
Operations	\$ 2,827,299	\$ 2,530,943	\$ 2,969,703	\$ 438,760	17.3%	\$ 2,429,862	\$ 2,708,220	\$ 278,358	11.5%
Maintenance	1,122,102	959,369	1,234,286	274,917	28.7%	959,003	1,212,169	253,166	26.4%
TOTAL	\$ 3,949,401	\$ 3,490,312	\$ 4,203,989	\$ 713,677	20.4%	\$ 3,388,865	\$ 3,920,389	\$ 531,524	15.7%
By Major Object of Expenditure:									
Salaries and Wages	\$ 1,290,599	\$ 1,343,555	\$ 1,465,869	\$ 122,341	9.1%	\$ 1,338,189	\$ 1,438,185	\$ 99,996	7.5%
Contractual Services	2,251,875	1,865,990	2,276,505	410,515	22.0%	1,769,909	2,020,589	250,680	14.2%
Commodities	341,306	261,767	311,615	49,848	19.0%	261,767	311,615	49,848	19.0%
Capital Outlay	64,902	19,000	150,000	131,000	689.5%	19,000	150,000	131,000	689.5%
Debt Service	0	0	0	0	0.0%	0	0	0	0.0%
Subtotal—Operations	\$ 3,948,682	\$ 3,490,312	\$ 4,203,989	\$ 713,677	20.4%	\$ 3,388,865	\$ 3,920,389	\$ 531,524	15.7%
Aid to Local Units	0	0	0	0	0.0%	0	0	0	0.0%
Other Assistance	719	0	0	0	0.0%	0	0	0	0.0%
TOTAL	\$ 3,949,401	\$ 3,490,312	\$ 4,203,989	\$ 713,677	20.4%	\$ 3,388,865	\$ 3,920,389	\$ 531,524	15.7%
Financing:									
State General Fund	\$ 0	\$ 134,000	\$ 137,404	\$ 6,404	2.5%	\$ 132,952	\$ 0	\$ (132,952)	(100.0)%
All Other Funds	3,949,401	3,356,312	4,066,585	710,273	21.2%	3,255,913	3,920,389	664,476	20.4%
TOTAL	\$ 3,949,401	\$ 3,490,312	\$ 4,203,989	\$ 713,677	20.4%	\$ 3,388,865	\$ 3,920,389	\$ 531,524	15.7%

BUDGET DETAIL



Program	FY 2003 Gov. Rec. All Funds	FY 2003 Gov. Rec. SGF
Operations	\$ 2,708,220	\$ 0
Maintenance	1,212,169	0
TOTAL	\$ 3,920,389	\$ 0

A. Operations Program

The Operations Program includes all administrative functions of the agency, including personnel, human resources, finance, and accounting. The program has 9.0 FTE positions, including the General Manager, Operations Manager, Space Sales Director, two Office Assistants, Finance Director, Accounting Specialist, Competitive Exhibits Director, and the Special Events Director. The main expenses in this program are found in contractual services, where the Fair has expenses for the entertainers, advertising, and various publications.

OPERATIONS PROGRAM SUMMARY OF EXPENDITURES FY 2001-FY 2003					
Item	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Salaries and Wages	\$ 819,311	\$ 858,703	\$ 853,703	\$ 901,713	\$ 890,230
Contractual Services	1,795,475	1,507,190	1,411,109	1,880,440	1,630,440
Commodities	190,205	158,050	158,050	158,550	158,550
Capital Outlay	21,589	7,000	7,000	29,000	29,000
Other Assistance	719	0	0	0	0
Total—Oper. Expend.	<u>\$ 2,827,299</u>	<u>\$ 2,530,943</u>	<u>\$ 2,429,862</u>	<u>\$ 2,969,703</u>	<u>\$ 2,708,220</u>
FTE Positions	9.0	9.0	9.0	10.0	9.0

All Funds-Five-Year Expenditures (Actual or Gov. Rec.)

Fiscal Year	Expenditure (Approximate)
FY 99	2,500,000
FY 00	2,600,000
FY 01	2,950,000
FY 02	2,500,000
FY 03	2,800,000

Important Issues in This Program

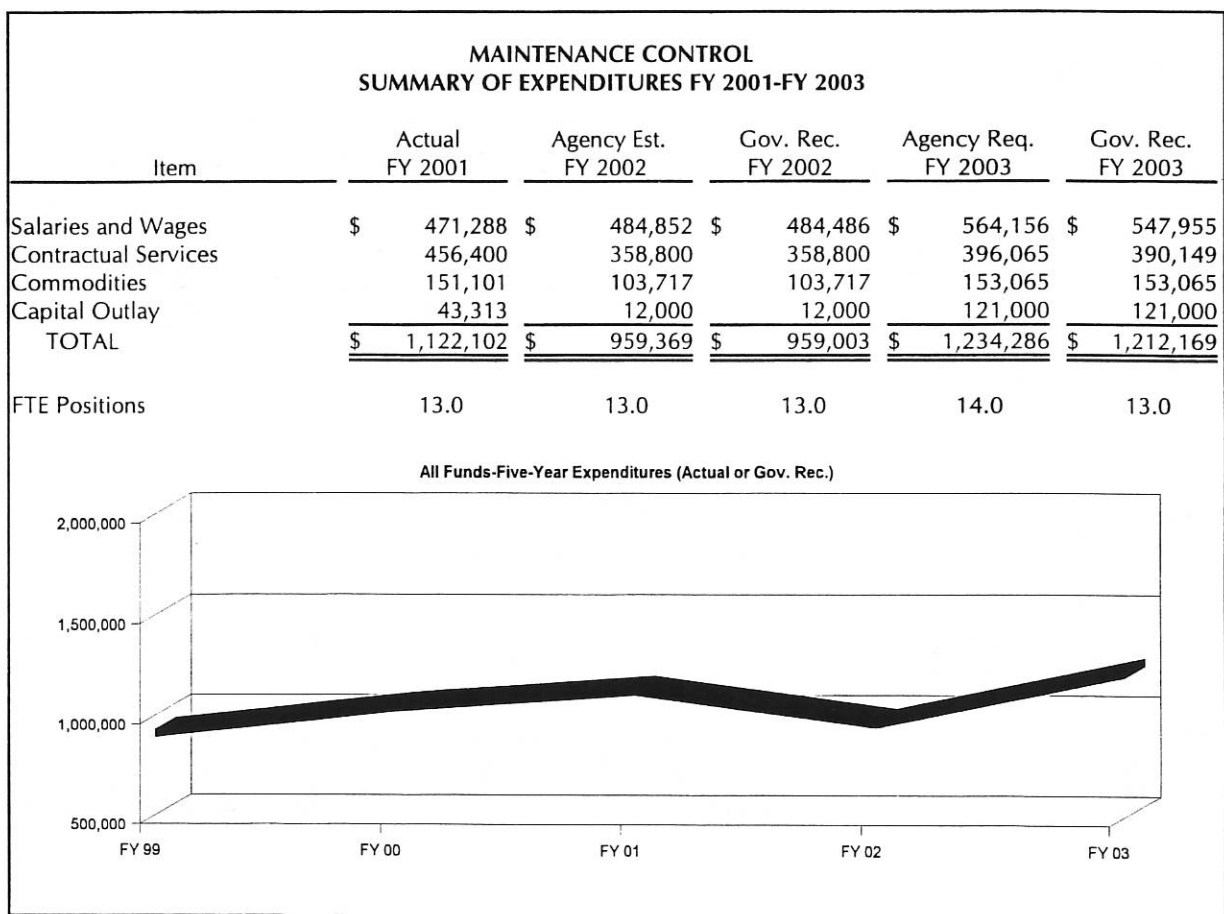
- ◆ **The agency requests** funding for FY 2003 of \$2,969,703 which is an increase of \$438,760 (17.3 percent) from the FY 2002 estimate.
- ◆ **The Governor recommends** funding for FY 2003 of \$2,708,220 which is an increase of \$278,358 (11.5 percent) from the FY 2002 recommendation. The recommendation is a decrease of \$261,483 from the agency request.
- ◆ **Salaries and Wages** funding for FY 2003 totals \$901,713 which is an increase of \$43,010 (5.0 percent) from the FY 2002 estimate. The request includes an enhancement of \$21,264 and 1.0 FTE for an office assistant II position.
- ◆ **The Governor recommends** funding for FY 2003 of \$890,230 which is an increase of \$36,527 (4.3 percent) from the FY 2002 recommendation. The recommendation is a decrease of \$11,483 from the agency request, and includes adjustments for the annualization of the FY 2002 salary plan, longevity, group health insurance, and death and disability.

◆ **Other Operating Expenditures** funding for FY 2003 totals \$2,067,990 which is an increase of \$395,750 (23.7 percent) from the FY 2002 estimate. The request includes an enhancement of \$100,000 from the EDIF for additional advertising expenditures. Major expenditures include \$1,025,000 for fees - professional services, \$179,000 for fees - other services, and \$97,000 for other supplies.

◆ **The Governor recommends** funding for FY 2003 of \$1,817,990 which is an increase of \$241,831 (15.3 percent) from the FY 2002 recommendation. The recommendation is a decrease of \$250,000 from the agency request which represents a reduction in advertising expenditures.

B. Maintenance Program

The Maintenance Program addresses all aspects of maintaining the physical plant at the fairgrounds, including 95 buildings, capital equipment, and approximately 280 acres of grounds. Maintenance is performed by people in thirteen full-time positions, along with part-time and temporary staff hired immediately prior to the Fair. In addition, the program utilizes 30 inmates from the Hutchinson Correctional Facility (HCF); these inmates are overseen by 3 correctional officers, whose salaries are reimbursed to HCF by the Fair.



Important Issues in This Program

◆ **The agency requests** funding for FY 2003 of \$1,234,296 which is an increase of \$274,917 (28.7 percent) from the FY 2002 estimate.

◆ **The Governor recommends** funding for FY 2003 of \$1,212,169 which is an increase of \$253,166 (26.4 percent) from the FY 2002 recommendation. The recommendation is a decrease of \$22,117 from the agency request.

◆ **Salaries and Wages** funding for FY 2003 totals \$564,156 which is an increase of \$79,304 (16.4 percent) from the FY 2002 estimate. The request includes an enhancement of \$25,120 and 1.0 FTE for a grounds maintenance supervisor II position.

◆ **The Governor recommends** funding for FY 2003 of \$547,955 which is an increase of \$63,469 (13.1 percent) from the FY 2002 recommendation. The recommendation is a decrease of \$16,201 from the FY 2003 agency request, and includes adjustments for the annualization of the FY 2002 salary plan, longevity, group health insurance, and death and disability.

◆ **Other Operating Expenditures** funding for FY 2003 totals \$670,130 which is an increase of \$195,613 (41.2 percent) from the FY 2002 estimate. Major expenditures include \$240,000 for utilities and \$55,000 for repairing and servicing.

◆ **The Governor recommends** funding for FY 2003 of \$664,214 which is an increase of \$189,697 (40.0 percent) from the FY 2002 recommendation. The recommendation is a decrease of \$5,916 from the FY 2003 agency request, which represents reductions in advertising and repair and service of machinery.

C. Capital Improvements

Expenditures:	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Master Plan Improvements	\$ 0	\$ 27,775	\$ 27,775	\$ 696,546	\$ 696,546
Capital Maintenance and Repair	477,944	601,123	601,123	170,530	170,530
Meadowlark Building Air Conditioning	0	0	0	429,470	429,470
TOTAL	<u>\$ 477,944</u>	<u>\$ 628,898</u>	<u>\$ 628,898</u>	<u>\$ 1,296,546</u>	<u>\$ 1,296,546</u>
Plan for Financing:					
State General Fund:					
SGF Demand Transfer	\$ 300,000	\$ 0	\$ 0	\$ 300,000	\$ 300,000
ADA, EPA and Fire Safety	150,000	0	0	0	0
Subtotal	<u>\$ 450,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 300,000</u>
All Other Funds:					
Master Plan Local Match	\$ 0	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
State Fair Cap. Improvement Fund	21,668	228,898	228,898	696,546	696,546
Grants	0	100,000	100,000	0	0
EDIF	6,276	0	0	0	0
Subtotal	<u>27,944</u>	<u>628,898</u>	<u>628,898</u>	<u>996,546</u>	<u>996,546</u>
TOTAL	<u>\$ 477,944</u>	<u>\$ 628,898</u>	<u>\$ 628,898</u>	<u>\$ 1,296,546</u>	<u>\$ 1,296,546</u>

Selected Performance Measures					
Measure	Actual FY 1999 (1998 Fair)	Actual FY 2000 (1999 Fair)	Actual FY 2001 (2000 Fair)	Estimate FY 2002 (2001 Fair)	Current Service FY 2003 (2002 Fair)
Grandstand Attendance	61,301	51,987	44,393	23,529	54,500
Fair Week Attendance	358,159	352,257	353,120	281,084	360,000
Number of Non-Fair Events	259	262	250	260	275

STATE CONSERVATION COMMISSION

Expenditure	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
All Funds:					
State Operations	\$ 1,476,590	\$ 2,358,727	\$ 2,358,727	\$ 2,044,681	\$ 1,919,635
Aid to Local Units	2,070,500	2,072,000	2,072,000	1,846,500	1,452,811
Other Assistance	6,716,300	8,063,201	8,063,201	8,180,130	7,600,242
Subtotal - Operating	\$ 10,263,390	\$ 12,493,928	\$ 12,493,928	\$ 12,071,311	\$ 10,973,242
Capital Improvements	0	0	0	0	0
TOTAL	\$ 10,263,390	\$ 12,493,928	\$ 12,493,928	\$ 12,071,311	\$ 10,973,242
State General Fund:*					
State Operations	\$ 594,441	\$ 612,365	\$ 612,365	\$ 702,210	\$ 600,594
Aid to Local Units	0	0	0	0	0
Other Assistance	4,750,000	6,000,000	6,000,000	0	0
Subtotal - Operating	\$ 5,344,441	\$ 6,612,365	\$ 6,612,365	\$ 702,210	\$ 600,594
Capital Improvements	0	0	0	0	0
TOTAL	\$ 5,344,441	\$ 6,612,365	\$ 6,612,365	\$ 702,210	\$ 600,594
Other Funds:					
State Operations	\$ 882,149	\$ 1,746,362	\$ 1,996,362	\$ 1,342,471	\$ 1,319,041
Aid to Local Units	2,070,500	2,072,000	2,072,000	1,846,500	1,452,811
Other Assistance	1,966,300	2,063,201	1,813,201	8,180,130	7,600,796
Subtotal - Operating	\$ 4,918,949	\$ 5,881,563	\$ 5,881,563	\$ 11,369,101	\$ 10,372,648
Capital Improvements	0	0	0	0	0
TOTAL	\$ 4,918,949	\$ 5,881,563	\$ 5,881,563	\$ 11,369,101	\$ 10,372,648
Percentage Change:					
Operating Expenditures:					
All Funds	(3.2)%	21.7%	21.7%	(3.4)%	(12.2)%
State General Fund	(19.2)	23.7	23.7	(89.4)	(90.9)
FTE Positions					
FTE Positions	13.5	14.5	14.5	15.5	15.5
Non FTE Perm. Uncl. Pos.	0.0	0.0	0.0	0.0	0.0
TOTAL	13.5	14.5	14.5	15.5	15.5

* Includes a demand transfer in FY 2001 and FY 2002 designated as being financed by the State General Fund portion of the State Water Plan Fund. In FY 2003, the transfer is budgeted as a revenue transfer.

AGENCY OVERVIEW

The State Conservation Commission was established by the Kansas Legislature in 1937 to promote soil and water conservation in Kansas. Major responsibilities of the Commission include the following: aid to conservation districts (established by the 1963 Legislature); watershed dam construction (1978); watershed planning assistance (1958); water-resource cost share (1979); Multipurpose Small Lakes Program (1985); Water Right Purchase Program (1988); non-point source pollution control (1989); riparian and wetland protection (1989); the Land Conservation and Reclamation Program (1994); and the Water Quality Buffer Initiative Program (1998).

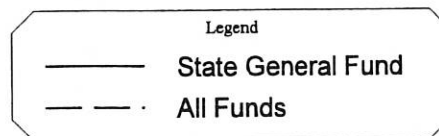
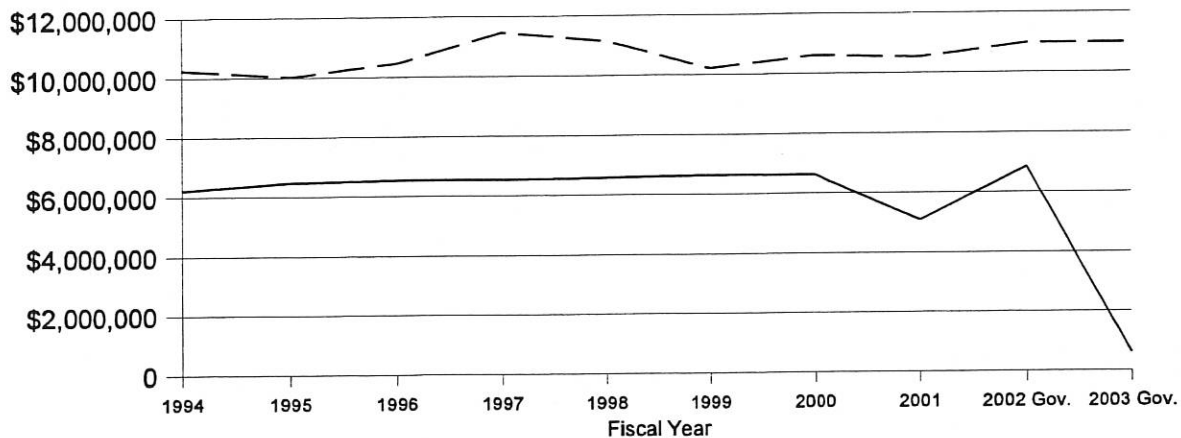
BUDGET TRENDS

OPERATING EXPENDITURES FY 1994-FY 2003

Fiscal Year	SGF*	% Change	All Funds	% Change	FTE
1994	\$ 6,224,707	0.2%	\$ 10,256,981	1.4%	11.0
1995	6,460,364	3.8%	10,030,304	(2.2)%	11.0
1996	6,533,040	1.1%	10,464,990	4.3%	14.0
1997	6,525,870	(0.1)%	11,456,940	9.5%	14.0
1998	6,576,804	0.8%	11,148,105	(2.7)%	14.0
1999	6,640,399	1.0%	10,216,567	(8.4)%	13.5
2000	6,611,465	(0.4)%	10,605,811	3.8%	13.5
2001	5,344,441	(19.2)%	10,263,390	(3.2)	13.5
2002 Gov. Rec.	6,612,365	23.7%	12,493,928	21.7	14.5
2003 Gov. Rec.	600,594	(90.9)%	10,973,242	(12.2)	15.5
Ten-Year Change					
Dollars/Percent	\$ (5,624,113)	(90.4)%	\$ 716,261	7.0%	4.5

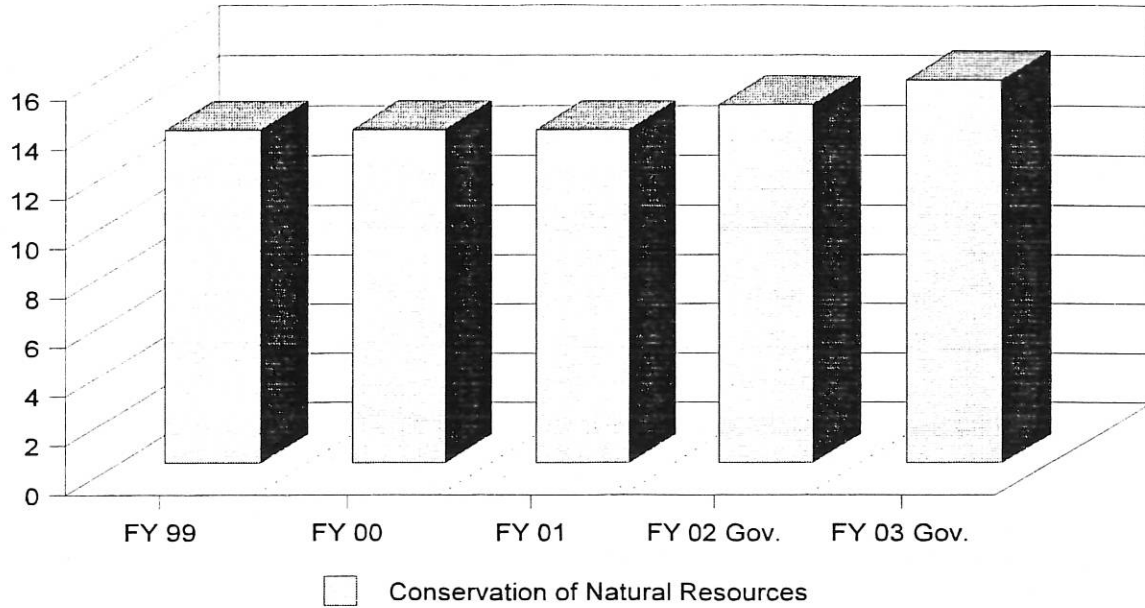
* Includes a demand transfer in FY 2001 and FY 2002 designated as being financed by the State General Fund portion of the State Water Plan Fund. In FY 2003, the transfer is budgeted as a revenue transfer.

OPERATING EXPENDITURES FY 1994-FY 2003



Full-Time Equivalent (FTE) Positions by Program. The following graph and table reflect FTE positions authorized for the agency by program from FY 1999 to FY 2003.

FTE Positions by Program—FY 1999–FY 2003



Program	FY 1999	FY 2000	FY 2001	FY 2002 Gov.	FY 2003 Gov.
Conservation of Natural Resources	13.5	13.5	13.5	14.5	15.5

BUDGET OVERVIEW

A. FY 2002—Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2001 Legislature	Agency Est. FY 2002	Agency Change From Approved	Gov. Rec. FY 2002	Gov. Change From Approved
State General Fund	\$ 6,612,365	\$ 6,612,365	\$ 0	\$ 6,612,365	\$ 0
All Other Funds	5,238,694	5,881,563	642,869	5,881,563	642,869
TOTAL	\$ 11,851,059	\$ 12,493,928	\$ 642,869	\$ 12,493,928	\$ 642,869
FTE Positions	14.5	14.5	0.0	14.5	0.0

The State Conservation Commission estimates funding for FY 2002 of \$12,493,928 which is an increase of \$642,869 (5.4 percent) from the amount approved by the 2001 Legislature. The agency estimates \$6,612,365 from the State General Fund which is consistent with the approved amount and includes a demand transfer of \$6,000,000 designated for the State Water Plan Fund. The estimate for all other funds expenditures is \$5,881,563 which is an increase of \$642,869 (12.3 percent) from the approved amount. The increase is due to adjustments in federal funding.

The Governor concurs with the agency estimate.

B. FY 2003—Budget Year

CHANGE FROM FY 2002				
	Agency Request	Governor's Recommendations	Adjusted for Transfer* Agency Request	Governor's Recommendations
Dollar Change:				
State General Fund	\$ (5,910,155)	\$ (6,011,771)	\$ 89,845	\$ (11,771)
All Other Funds	5,487,538	4,491,085	(512,462)	(1,508,915)
TOTAL	\$ (422,617)	\$ (1,520,686)	\$ 422,617	\$ (1,520,686)
Percent Change:				
State General Fund	89.4%	(90.9)%	14.7%	(1.9)%
All Other Funds	93.3	76.4	(4.3)	(12.7)
TOTAL	(3.4)%	(12.2)%	(3.4)%	(12.2)%
FTE Positions	0.0	1.0	0.0	1.0

* Demand transfer is considered a revenue transfer in FY 2002 for comparative purposes.

The State Conservation Commission requests funding for FY 2003 of \$12,071,311 which is a decrease of \$422,617 (3.4 percent) from the FY 2002 estimate. The request includes State General Fund expenditures of \$702,210 which is an increase of \$89,845 (14.7 percent) from the FY 2002 estimate excluding the \$6,000,000

transfer to the State Water Plan Fund. All other funds expenditures total \$11,369,101 which is a decrease of \$512,462 (4.3 percent) from the FY 2002 estimate including the transfer to the State Water Plan Fund. The decrease results from a reduction of \$277,898 in State Water Plan Fund expenditures and a reduction of \$234,564 in all other funds expenditures.

The Governor recommends funding for FY 2003 of \$10,973,242 which is a decrease of \$1,520,686 (12.2 percent) from the FY 2002 estimate. The request includes State General Fund expenditures of \$600,594 which is a decrease \$11,711 (1.9 percent) from the FY 2002 estimate excluding the transfer to the State Water Plan Fund. All other funds expenditures total \$10,372,648 which is a decrease of \$1,508,915 (12.7 percent) from the FY 2002 estimate including the transfer to the State Water Plan Fund. The decrease results from a reduction of \$1,275,921 in State Water Plan Fund expenditures and a reduction of \$232,994 in all other funds expenditures.

FY 2003 Enhancements						
Enhancement	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Total Maximum Daily Loads	\$ 0	\$ 176,567	0.0	\$ 0	\$ 0	0.0
Water Resources Cost-Share Subprogram	0	150,000	0.0	0	0	0.0
Water Rights Purchase Subprogram	0	277,767	0.0	0	0	0.0
Environmental Scientist IV position	57,311	57,311	1.0	0	0	0.0
Office Assistant III position	14,096	14,096	0.0	0	0	0.0
Watershed Project Specialist	0	39,615	1.0	0	39,615	1.0
TOTAL	\$ 71,407	\$ 715,356	2.0	\$ 0	\$ 39,615	1.0

Enhancements Detail

- ◆ **Total Maximum Daily Loads.** The agency requests \$176,567 from the State Water Plan Fund to reduce non-point source pollution and improve water quality conditions. The enhancement would increase the agency's ability to implement the necessary assistance to address water quality impairments in the watersheds where TMDLs have been established.

◆ **The Governor** does not recommend the enhancement.
- ◆ **Water Resources Cost-Share Subprogram.** The agency requests \$150,000 from the State Water Plan Fund for the Water Resources Cost-Share Subprogram. The enhancement would provide a financial incentive to irrigators to retrofit irrigation water use meters to more accurately report and manage water use.

◆ **The Governor** does not recommend the enhancement.
- ◆ **Water Rights Purchase Subprogram.** The agency requests \$277,767 from the State Water Plan Fund for the Water Rights Purchase Subprogram. The enhancement includes the state's share of the cost of water rights in response to an application for Groundwater Management District Number 5.

◆ **The Governor** does not recommend the enhancement.

- ◆ **Environmental Scientist IV position.** The agency requests \$57,311 from the State General Fund to fund an Environmental Scientist IV position. The position would be a new FTE and would assist in the implementation of Total Maximum Daily Loads.
- ◆ **Office Assistant III position.** The agency requests \$14,096 from the State General Fund to fund a currently unfunded Office Assistant III position. The position would be utilized during peak processing periods.
- ◆ **Watershed Project Specialist.** The agency requests \$39,615 from the Environmental Protections Agency Grant to fund a new unclassified temporary FTE position for a Watershed Project Specialist. The position would coordinate the development of the database of various assessments and geomorphic definitions of naturally occurring stable stream corridors across Kansas. The grant would fund the position for three years.

- ◆ **The Governor** does not recommend the enhancement.
- ◆ **The Governor** does not recommend the enhancement.
- ◆ **The Governor concurs** with the agency request.

FY 2003 Reduced Resources Packages						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Salaries and OOE reduction	\$ (24,725)	\$ (24,725)	0.0	\$ (24,725)	\$ (24,725)	0.0

Reduced Resources Package Detail

- ◆ **The agency recommends** a reduced resources package of \$24,725 from the State General Fund. The funding for one FTE position would be eliminated as well as a reduction in travel and subsistence. All out-of-state travel would be suspended and in-state travel would be reduced to essential services. Communications and postage costs would also be reduced, which could delay payments to landowners and local entities for completed projects.
- ◆ **The Governor recommends** reduced resources of \$24,725 from the State General Fund in operating expenditures due to constraints on State General Fund revenue.

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Kansas Savings Incentives Program (KSIP) Expenditures.

Program	Salary Bonuses	Professional Dev. Training	Technology Equipment	TOTAL
There are no KSIP expenditures planned for this agency.				

Governor's Recommended Salary and Wage Adjustments. Under the Governor's FY 2003 salary and wage recommendations:

- Funding is provided to **annualize the FY 2002 salary increase** which provided for a 3.0 percent base salary adjustment with 1.5 percent effective at the beginning of the fiscal year and 1.5 percent effective half way through the fiscal year. Funding is provided in FY 2003 for annualization of the second 1.5 percent increase for the entire fiscal year.
- **No classified step movement, base salary adjustments or unclassified merit pool** increases are recommended for FY 2003.
- Full funding is provided for **longevity bonus payments** in FY 2003.
- The Governor recommends full funding for the **group health insurance rate increases** certified by the Health Care Commission for FY 2003.
- The Governor's FY 2003 recommendation includes a six-month moratorium for the first half of the fiscal year on employer contributions to the **KPERS Death and Disability Fund**.

Of the total recommended salaries and wages of \$690,297, the Governor's recommended FY 2003 salary and wage adjustments total \$21,673 and are reflected in the table below:

Program	Annualization of FY 2002 Salary Increase	Longevity	Group Health Insurance Increases	Death and Disability Adjustment
Conservation of Natural Resources	\$ 9,447	\$ 3,440	\$ 10,355	\$ (1,569)

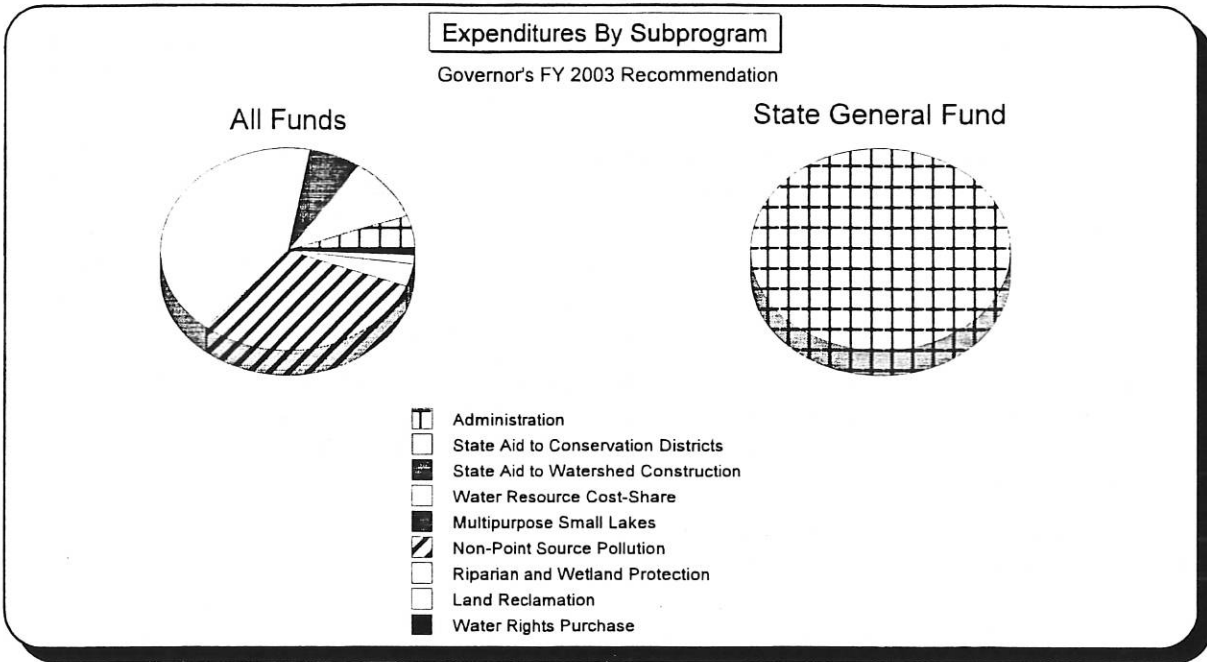
Summary of Operating Budget FY 2001- FY 2003

	Actual FY 2001	Agency Request			Governor's Recommendation				
		Revised FY 2002 Estimate	FY 2003 Request	Dollar Change From FY 02	Percent Change From FY 02	Revised FY 2002 Rec.	FY 2003 Rec.	Dollar Change From FY 02	Percent Change From FY 02
By Program:									
Conservation of Natural Resources	\$ 10,263,390	\$ 12,493,928	\$ 12,071,311	\$ (422,617)	(3.4)%	\$ 12,493,928	\$ 10,973,242	\$ (1,520,686)	(12.2)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 603,336	\$ 655,482	\$ 752,918	\$ 97,436	14.9%	\$ 655,482	\$ 690,297	\$ 34,815	5.3%
Contractual Services	845,811	1,672,131	1,264,608	(407,523)	(24.4)%	1,672,131	1,208,383	(463,748)	(27.7)%
Commodities	16,363	16,114	22,155	6,041	37.5%	16,114	20,955	4,841	30.0%
Capital Outlay	11,080	15,000	5,000	(10,000)	(66.7)%	15,000	0	(15,000)	(100.0)%
Debt Service	0	0	0	0	0.0%	0	0	0	0.0%
Subtotal - Operations	\$ 1,476,590	\$ 2,358,727	\$ 2,044,681	\$ (314,046)	(13.3)%	\$ 2,358,727	\$ 1,919,635	\$ (439,092)	(18.6)%
Aid to Local Units	2,070,500	2,072,000	1,846,500	(225,500)	(10.9)%	2,072,000	1,452,811	(619,189)	(29.9)%
Other Assistance	6,716,300	8,063,201	8,180,130	116,929	1.5%	8,063,201	7,600,796	(462,405)	(5.7)%
TOTAL	\$ 10,263,390	\$ 12,493,928	\$ 12,071,311	\$ (422,617)	(3.4)%	\$ 12,493,928	\$ 10,973,242	\$ (1,520,686)	(12.2)%
Financing:									
State General Fund*	\$ 5,344,441	\$ 6,612,365	\$ 702,210	\$ (5,910,155)	(89.4)%	\$ 6,612,365	\$ 600,594	\$ (6,011,771)	(90.9)%
State Water Plan Fund	4,767,557	5,209,232	10,931,334	5,722,102	109.8%	5,209,232	9,933,311	4,724,079	90.7%
All Other Funds	151,392	672,331	437,767	(234,564)	(34.9)%	672,331	439,337	(232,994)	(34.7)%
TOTAL	\$ 10,263,390	\$ 12,493,928	\$ 12,071,311	\$ (422,617)	(3.4)%	\$ 12,493,928	\$ 10,973,242	\$ (1,520,686)	(12.2)%

* Includes a demand transfer in FY 2001 and FY 2002 designated as being financed by the State General Fund portion of the State Water Plan Fund. In FY 2003, the transfer is budgeted as a revenue transfer.

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BUDGET DETAIL



Subprogram	FY 2003 Gov. Rec. All Funds	FY 2003 Gov. Rec. SGF
Administration	\$ 600,594	\$ 600,594
Water Quality Buffer Initiative	536,634	0
State Aid to Conservation Districts	1,042,500	0
Multipurpose Small Lakes	0	0
Non-Point Source Pollution	3,150,000	0
Riparian and Wetland Protection	399,996	0
Water Resource Cost-Share	4,329,744	0
State Aid to Watershed Construction	705,000	0
Water Rights Purchase	69,433	0
Land Reclamation	139,341	0
TOTAL	\$ 10,973,242	\$ 600,594

A. Conservation of Natural Resources

The Conservation of Natural Resources program consists of 15.5 FTE positions and includes ten subprograms:

1. The Administration Subprogram is headed by an executive director, and provides administrative, clerical, and accounting support. It also provides guidance and planning assistance to conservation districts, watershed districts, and other local units of government.
2. The State Aid to Conservation Districts Subprogram provides a match for contributions to the operating budgets of the 105 local conservation districts (refer to K.S.A. 2-1907). The maximum amount of state assistance is limited by statute to \$10,000 per district.
3. The Watershed Dam Construction Subprogram provides cost share assistance to watershed and drainage districts in the construction of flood detention or grade stabilization dams. The subprogram assists in watershed planning and develops non-structural projects that reduce flood damage.
4. The Water Resources Cost-Share Subprogram provides financial assistance to private landowners for the construction of enduring water conservation structures. The current emphasis of the program is the implementation of the Governor's Water Quality Initiative, achieving Total Maximum Daily Loads and targeted irrigation water conservation practices.
5. The Multipurpose Small Lakes Subprogram assists local entities in need of water supply, flood reduction, and recreational facilities by providing state financial assistance for the full development of a planned flood control or water supply site.
6. The Non-Point Source (NPS) Pollution Subprogram provides assistance to locally developed voluntary programs, targeted specifically at non-point source pollutants. The subprogram provides financial assistance to local landowners for projects and provides technical assistance to develop area non-point source control programs.
7. The Kansas Water Quality Buffer Initiative was established by the 1998 Legislature (K.S.A. 2-1915). This subprogram provides supplemental rental payments on a per acre basis to landowners in targeted areas of the Kansas-Lower Republican River Basin who have enrolled lands in the federal Conservation Reserve Program (CRP). In return for these state payments, landowners agree to establish riparian forest or vegetative buffer strips on acres adjacent to creeks, streams, or other areas experiencing run-off. The Commission enters into ten- to fifteen-year contracts which provide for annual payments. Annual payments are subject to annual legislative appropriations.
8. The Riparian and Wetland Protection Subprogram promotes the voluntary protection and restoration of riparian and wetland areas by providing planning assistance to landowners through conservation districts in development of protection plans and by conducting project demonstrations. The types of demonstration projects include: soil bio-engineered stream bank stabilization, riparian restoration, riparian protection through fencing and alternative water supply for livestock, and wetland restorations.
9. The 1994 Legislature established the Land Reclamation Subprogram, which began in FY 1996 to provide for the reclamation and conservation of land affected by the surface mining of minerals and industrial materials other than coal, oil, or gas. Aggregate producers must be licensed and each active site must be registered and have an approved reclamation plan. The subprogram is supported by fees for licenses and site registrations.
10. The Water Rights Purchase Subprogram, authorized through K.S.A. 2-1908, 2-1915, and 82a-707, provides grant assistance to local governments and conservation districts of up to 80 percent of the purchase price of water rights from private individuals. After purchase, the water rights are returned to the custodial care of the state and will not be available for future purchase.

Expenditures by Subprogram

Subprogram	Actual FY 2001	Agency Request				Governor's Recommendation				
		Agency Estimate FY 2002	Request FY 2003	Dollar Change From FY 02	Percent Change From FY 02	Gov. Rec. FY 2002	Gov. Rec. FY 2003	Dollar Change From FY 02	Percent Change From FY 02	Change from Agency FY 2003
Administration	\$ 609,077	\$ 612,365	\$ 702,210	\$ 89,845	14.7%	\$ 612,365	\$ 600,594	\$ (11,711)	(1.9)%	\$ (101,616)
Water Quality Buffer Initiative	70,383	505,134	536,634	31,500	6.2%	505,134	536,634	31,500	6.2%	0
State Aid to Conservation Districts	1,035,500	1,038,000	1,042,500	4,500	0.4%	1,038,000	1,042,500	4,500	0.4%	0
Multipurpose Small Lakes	230,000	230,000	0	(230,000)	(100.0)%	230,000	0	(230,000)	(100.0)%	0
Non-Point Source Pollution	2,910,375	3,471,715	3,500,000	28,285	0.8%	3,471,715	3,150,000	(321,715)	(9.3)%	(350,000)
Riparian and Wetland Protection	200,000	550,134	399,065	(151,069)	(27.4)%	550,134	399,996	(150,138)	(27.3)%	931
Water Resource Cost-Share	4,266,299	5,079,950	4,600,000	(479,950)	(9.4)%	5,079,950	4,329,744	(750,206)	(14.8)%	(270,256)
State Aid to Watershed Construction	805,000	805,000	805,000	0	0.0%	805,000	705,000	(100,000)	(12.4)%	(100,000)
Water Rights Purchase	0	69,433	347,200	277,767	400.1%	69,433	69,433	0	0.0%	(277,767)
Land Reclamation	136,756	132,197	138,157	5,960	4.5%	132,197	139,341	7,144	5.4%	1,184
Total	\$ 10,263,390	\$ 12,493,928	\$ 12,071,311	\$ (422,617)	(3.4)%	\$ 12,493,928	\$ 10,973,242	\$ (1,520,686)	(12.2)%	\$ (1,098,069)

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- ◆ **Water Quality Buffer Initiative.** The agency requests \$536,634 for the Water Quality Buffer Initiative subprogram including \$386,634 from the State Water Plan Fund and \$150,000 from the Buffer Participation Incentive Fund. The request is an increase of \$31,500 (6.2 percent) from the FY 2002 estimate.
- ◆ **Aid to Conservation Districts.** The agency requests \$1,042,500 from the State Water Plan Fund for the aid to conservation districts subprogram. The entire request is for aid to local units.
- ◆ **Non-Point Source Pollution.** The agency requests \$3,500,000 from the State Water Plan Fund for the non-point source pollution subprogram. The request is a decrease of \$28,285 (0.8 percent) from the FY 2002 estimate and includes \$625,727 in contractual services, \$3,948 in commodities, and \$2,870,325 in other assistance.
- ◆ **Riparian and Wetland Subprogram.** The agency requests \$399,065 for the riparian and wetland subprogram including \$250,000 from the State Water Plan Fund and \$149,610 from the Federal Riparian and Wetland Areas Project Fund. The request is a decrease of \$151,069 (27.4 percent) from the FY 2002 estimate and includes a reduction of \$90,524 from the Riparian and Wetland Areas Project Fund and the elimination of \$60,000 from the Riparian Participation Incentives Fund.
- ◆ **Water Resources Cost Share.** The agency requests \$4,600,000 from the State Water Plan Fund for the Water Resources Cost Share subprogram. The request is a decrease of \$479,950 (9.4 percent) from the FY 2002 estimate and includes \$206,084 in contractual services, \$1,165 in commodities, and \$4,392,751 in other assistance.
- ◆ **Watershed Dam Construction.** The agency requests \$805,000 from the State Water Plan Fund for the watershed dam construction subprogram. The request is consistent with the FY 2002 estimate and includes \$1,000 in contractual services and \$804,000 in aid to local units.
- ◆ **Water Rights Purchase.** The agency requests \$347,200 from the State Water Plan Fund for the water rights purchase subprogram which is an increase of \$277,767 (400.1 percent) from the
- ◆ **The Governor concurs** with the agency request.
- ◆ **The Governor concurs** with the agency request.
- ◆ **The Governor recommends** funding for FY 2003 of \$3,150,000 which is a decrease of \$321,715 (9.3 percent) from the FY 2002 estimate. The recommendation is a decrease of \$350,000 from the agency request.
- ◆ **The Governor recommends** funding for FY 2003 of \$399,996 for the riparian and wetland subprogram including \$250,000 from the State Water Plan Fund and \$149,996 from the Federal Riparian and Wetland Areas Project Fund. The recommendation is a decrease of \$150,138 (27.3 percent) and an increase of \$931 from the agency request.
- ◆ **The Governor recommends** funding for FY 2003 of \$4,329,744 for the water resources cost share subprogram which is a decrease of \$750,206 (14.8 percent) from the FY 2002 estimate. The recommendation is a decrease of \$270,256 from the agency request.
- ◆ **The Governor recommends** funding for FY 2003 of \$705,000 for the watershed dam construction subprogram which is a decrease of \$100,000 (12.4 percent) from the FY 2002 estimate. The recommendation is a decrease of \$100,000 from the agency request.
- ◆ **The Governor recommends** funding for FY 2003 of \$69,433 for the water rights purchase subprogram which is consistent with the FY 2002 estimate. The recommendation is a decrease of \$277,767 from the agency request.

FY 2002 estimate. The entire request is for other assistance.

◆ **Land Reclamation.** The agency requests \$138,157 from the Land Reclamation Fee Fund for the land reclamation subprogram. The request is an increase of \$5,960 (4.5 percent) from the FY 2002 estimate and includes \$92,827 in salaries and wages, \$40,530 in contractual services, and \$4,800 in commodities.

◆ **The Governor recommends** funding for FY 2003 of \$139,341 from the Land Reclamation Fee Fund for the land reclamation subprogram. The recommendation is an increase of \$7,144 (5.4 percent) from the FY 2002 estimate and is an increase of \$1,184 from the agency request.

Selected Performance Measures				
	Actual FY 2000	Actual FY 2001	Estimate FY 2002	Estimate FY 2003
Number of conservation districts receiving assistance	105	97	97	97
Number of new dams constructed for flood control protection, grade stabilization, and other purposes	11	12	11	12
Number of cost-share contracts approved	10,500	11,199	11,500	11,500
Acres of filter strips planted	1,195	2,557	9,936	14,936
Number of counties with approved non-point source pollution project work plans	89	94	99	100

KANSAS WATER OFFICE

Expenditure	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
All Funds:					
State Operations	\$ 6,017,178	\$ 7,219,774	\$ 7,219,774	\$ 5,750,057	\$ 5,582,407
Aid to Local Units	0	0	0	0	0
Other Assistance	0	45,000	45,000	45,000	45,000
Subtotal - Operating	\$ 6,017,178	\$ 7,264,774	\$ 7,264,774	\$ 5,795,057	\$ 5,627,407
Capital Improvements	0	0	0	0	0
TOTAL	<u>\$ 6,017,178</u>	<u>\$ 7,264,774</u>	<u>\$ 7,264,774</u>	<u>\$ 5,795,057</u>	<u>\$ 5,627,407</u>
State General Fund:					
State Operations	\$ 1,444,495	\$ 1,418,942	\$ 1,418,942	\$ 1,432,008	\$ 1,390,084
Aid to Local Units	0	0	0	0	0
Other Assistance	0	0	0	0	0
Subtotal - Operating	\$ 1,444,495	\$ 1,418,942	\$ 1,418,942	\$ 1,432,008	\$ 1,390,084
Capital Improvements	0	0	0	0	0
TOTAL	<u>\$ 1,444,495</u>	<u>\$ 1,418,942</u>	<u>\$ 1,418,942</u>	<u>\$ 1,432,008</u>	<u>\$ 1,390,084</u>
Other Funds:					
State Operations	\$ 4,572,683	\$ 5,800,832	\$ 5,800,832	\$ 4,318,049	\$ 4,192,323
Aid to Local Units	0	0	0	0	0
Other Assistance	0	45,000	45,000	45,000	45,000
Subtotal - Operating	\$ 4,572,683	\$ 5,845,832	\$ 5,845,832	\$ 4,363,049	\$ 4,237,323
Capital Improvements	0	0	0	0	0
TOTAL	<u>\$ 4,572,683</u>	<u>\$ 5,845,832</u>	<u>\$ 5,845,832</u>	<u>\$ 4,363,049</u>	<u>\$ 4,237,323</u>
Percentage Change:					
Operating Expenditures:					
All Funds	(1.9)%	20.7%	20.7%	(20.2)%	(22.5)%
State General Fund	(0.7)	(1.8)	(1.8)	0.9	(2.0)
FTE Positions					
FTE Positions	22.5	22.5	22.5	22.5	22.5
Non FTE Unclass. Permanent	5.0	1.0	1.0	0.0	0.0
TOTAL	<u>27.5</u>	<u>23.5</u>	<u>23.5</u>	<u>22.5</u>	<u>22.5</u>

AGENCY OVERVIEW

The Kansas Water Office is the water planning, policy coordination, and marketing agency for the state. It is administered by a Director, who is appointed by the Governor. The 23-member Kansas Water Authority advises the Governor, the Legislature, and the Director on policy issues. The Kansas Water Office and the Water Authority were created by the 1981 Legislature as successors to the Kansas Water Resources Board. The Water Office is responsible for administering the State Water Plan Act, the State Water Plan Storage Act, the Kansas Weather Modification Act, and the Water Assurance Act. The 2001 Legislature gave the agency authority to adopt rules and regulations for the Multipurpose Small Lakes program.

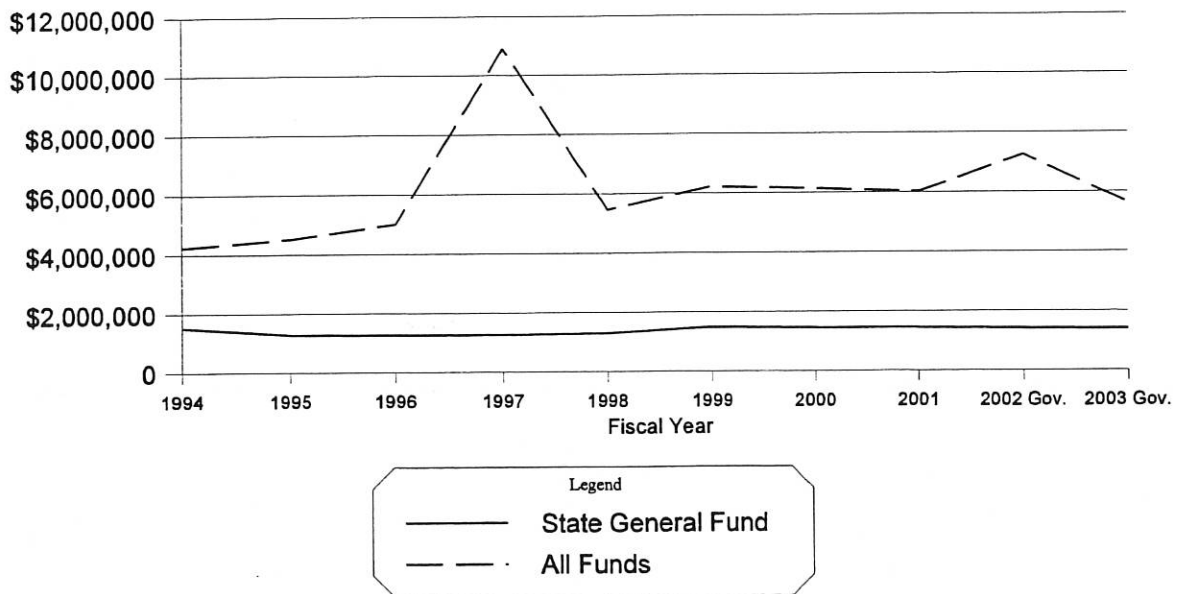
BUDGET TRENDS

OPERATING EXPENDITURES FY 1994-FY 2003

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
1994	\$ 1,517,943	3.0%	\$ 4,240,438	(7.9)%	22.0
1995	1,273,603	(16.1)%	4,510,342	6.4%	22.0
1996	1,258,848	(1.2)%	5,001,832	10.9%	22.0
1997*	1,257,469	(0.1)%	10,917,176	118.3%	22.0
1998	1,296,512	3.1%	5,460,477	(50.0)%	21.5
1999	1,491,528	15.0%	6,216,981	13.9%	21.5
2000	1,455,410	(2.4)%	6,134,601	(1.3)%	22.5
2001	1,444,495	0.7%	6,017,178	(1.9)%	22.5
2002 Gov. Rec.**	1,418,942	(1.8)%	7,264,774	20.7%	22.5
2003 Gov. Rec.	1,390,084	(2.0)%	5,627,407	(22.5)%	22.5
Ten-Year Change					
Dollars/Percent	\$ (127,859)	(8.4)%	\$ 1,386,969	32.7%	0.5

- * The all funds increase was due to the purchase of additional water storage space from the Water Supply Storage Acquisition Financing Fund.
- ** The all funds increase is due to the planned purchase of additional water storage space at Kanopolis Lake.

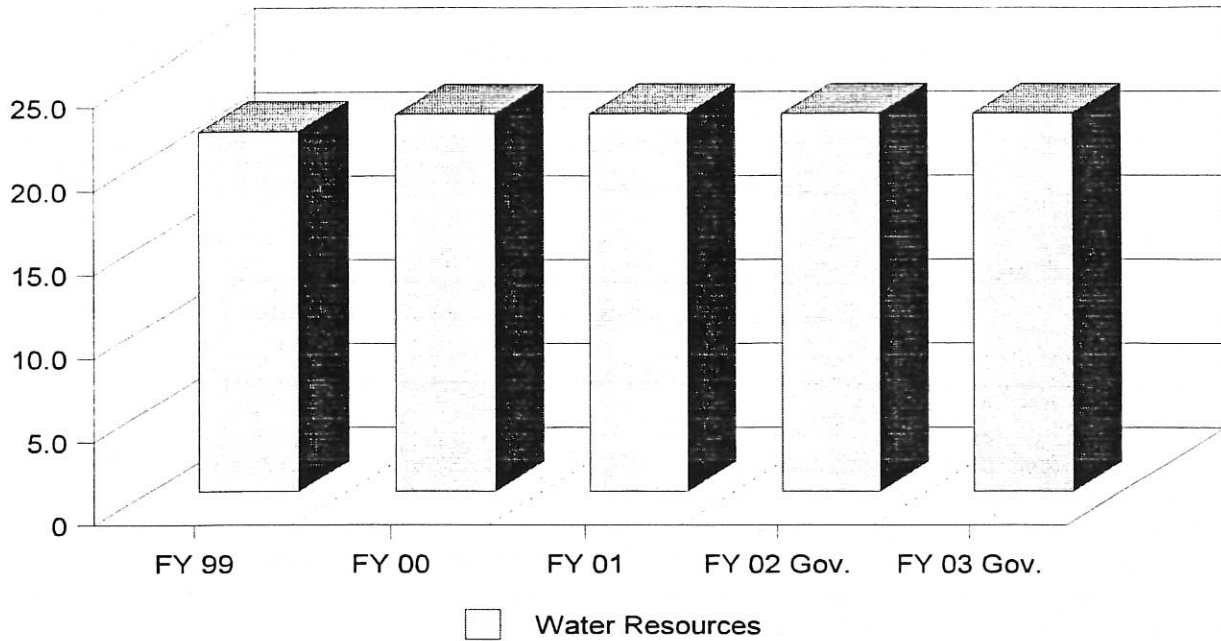
OPERATING EXPENDITURES FY 1994-FY 2003



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Full-Time Equivalent (FTE) Positions by Program. The following graph and table reflect FTE positions authorized for the agency by program from FY 1999 to FY 2003.

FTE Positions by Program—FY 1999-FY 2003



Program	FY 1999	FY 2000	FY 2001	FY 2002 Gov.	FY 2003 Gov.
Water Resources	21.5	22.5	22.5	22.5	22.5

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BUDGET OVERVIEW

A. FY 2002—Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2001 Legislature	Agency Est. FY 2002	Agency Change From Approved	Gov. Rec. FY 2002	Gov. Change From Approved
State General Fund	\$ 1,418,942	\$ 1,418,942	\$ 0	\$ 1,418,942	\$ 0
All Other Funds	4,676,869	5,845,832	1,168,963	5,845,832	1,168,963
TOTAL	\$ 6,095,811	\$ 7,264,774	\$ 1,168,963	\$ 7,264,774	\$ 1,168,963
FTE Positions	22.5	22.5	0.0	22.5	0.0
Other Unclass. Pos.	5.0	1.0	(4.0)	1.0	(4.0)
TOTAL	27.5	23.5	(4.0)	23.5	(4.0)

The Water Office estimates funding for FY 2002 of \$7,264,774 which is an increase of \$1,168,963 (19.2 percent) from the amount approved by the 2001 Legislature. The agency estimates State General Fund expenditures of \$1,418,942 which is consistent with the amount approved by 2001 Legislature. Other funds expenditures are estimated at \$5,845,832 which accounts for the \$1,168,963 increase. The increase results primarily from an increase in contractual services for the planned purchase of storage space at Kanopolis Lake. The increase is funded through federal grant receipts and the State Conservation Storage Supply Fund.

The Governor concurs with the agency request.

B. FY 2003—Budget Year

CHANGE FROM FY 2002		
	Agency Request	Governor's Recommendations
Dollar Change:		
State General Fund	\$ 13,066	\$ (28,858)
All Other Funds	(1,482,783)	(1,608,509)
TOTAL	\$ (1,469,717)	\$ (1,637,367)
Percent Change:		
State General Fund	0.9%	(2.0)%
All Other Funds	(25.4)	(27.5)
TOTAL	(20.2)%	(22.5)%
FTE Positions		
Other Unclass. Positions	(1.0)	(1.0)
Total	(1.0)	1.0)

The Water Office requests funding for FY 2003 of \$5,795,057 which is a decrease of \$1,469,717 (20.2 percent) from the FY 2002 estimate. The request includes funding of \$1,432,008 from the State General Fund, \$2,771,225 from the State Water Plan Fund, and \$1,591,824 from all other funds. The decrease is primarily observed in contractual services due to a one-time expenditure for storage at Kanopolis Lake in FY 2002 and a decrease in Water Marketing Fund expenditures. The agency also requests the financing of the Kansas Water Authority be shifted from the State General Fund to the State Water Plan Fund.

The Governor recommends funding for FY 2003 of \$5,627,407 which is a decrease of \$1,637,367 (22.5 percent) from the FY 2002 estimate. The request includes funding of \$1,390,084 from the State General Fund, \$2,652,558 from the State Water Plan Fund, and \$1,584,765 from all other funds. The decrease is primarily attributed to a one-time expenditure for storage at Kanopolis Lake in FY 2002.

FY 2003 Enhancements							
Enhancement	Agency Request			Governor's Recommendation			
	SGF	All Funds	FTE	SGF	All Funds	FTE	
The agency requests no enhancements packages.							

FY 2003 Reduced Resource Package							
Reduction	Agency Recommendation			Governor's Recommendation			
	SGF	All Funds	FTE	SGF	All Funds	FTE	
2 Percent Reduction:							
Reduce Federal Cost-Share line item	\$ (28,640)	\$ (28,640)	0.0	\$ 0	\$ 0	0.0	
4 Percent Reduction:							
Reduce Federal Cost-Share line item	\$ (57,280)	\$ (57,280)	0.0	\$ 0	\$ 0	0.0	

Reduced Resources Detail

- Reduce Federal Cost-Share Line Item.** With a reduction in State General Funds, the agency would leave one staff position unfunded (one support staff with a 2 percent reduction or one technical or administration position with a 4 percent reduction). The agency recommends the shifting of State Water Plan Funds to agency operations (\$28,640 for a 2 percent reduction or \$57,280 for a 4 percent reduction) with a subsequent reduction in the Federal Cost-share line item.
- The Governor** does not recommend the reduction package. The Governor recommends a reduction of \$29,122 in contractual services, \$13,642 in commodities, and \$14,516 in capital outlay for a total reduction of \$57,280.

Kansas Savings Incentives Program (KSIP) Expenditures.				
Program	Salary Bonuses	Professional Dev. Training	Technology Equipment	TOTAL
There are no KSIP expenditures planned for this agency.				

Governor's Recommended Salary and Wage Adjustments. Under the Governor's FY 2003 salary and wage recommendations:

- Funding is provided to **annualize the FY 2002 salary increase** which provided for a 3.0 percent base salary adjustment with 1.5 percent effective at the beginning of the fiscal year and 1.5 percent effective half way through the fiscal year. Funding is provided in FY 2003 for annualization of the second 1.5 percent increase for the entire fiscal year.
- No classified step movement, base salary adjustments or unclassified merit pool** increases are recommended for FY 2003.
- Full funding is provided for **longevity bonus payments** in FY 2003.
- The Governor recommends full funding for the **group health insurance rate increases** certified by the Health Care Commission for FY 2003.
- The Governor's FY 2003 recommendation includes a six-month moratorium for the first half of the fiscal year on employer contributions to the **KPERS Death and Disability Fund**.

Of the total recommended salaries and wages of \$1,410,676, the Governor's recommended FY 2003 salary and wage adjustments total \$47,272 and are reflected in the table below:

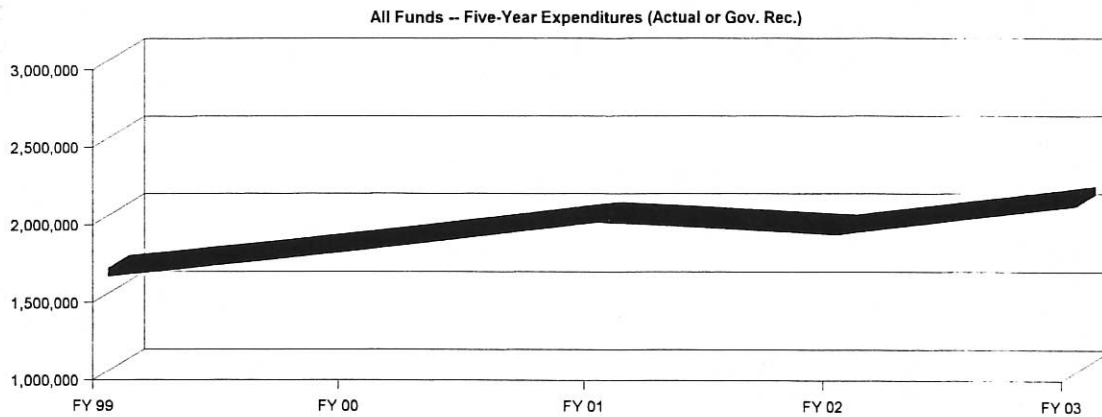
Program	Annualization of FY 2002 Salary Increase	Longevity	Group Health Insurance Increases	Death and Disability Adjustment
Water Resources	\$ 18,317	\$ 12,640	\$ 19,419	\$ (3,104)

C. Fee Funds Analysis

Water Marketing Fund. Under the federal Water Supply Act of 1958, federal reservoirs constructed in Kansas for the purpose of flood control were authorized to include storage space for municipal and industrial water supplies. In 1961, the Kansas Legislature provided financial assurance for inclusion of water storage in the federal reservoirs constructed in the state. The 1991 Legislature modified the financing of the Water Marketing Program by creating the Water Marketing Fund; the Fund received an initial capitalization of \$975,000 from the State Water Plan Fund and \$408,977 from the State Conservation Storage Water Supply Fund. It receives the receipts from the water marketing program. The fund is then responsible for payments to the federal government, transfers to the State Conservation Storage Water Supply Fund, and transfers to the State General Fund for program administration and repayment of the shortfall between receipts and expenditures during the early years of the program. The table below summarizes receipts, expenditures, and transfers for the Water Marketing Fund, based on the Governor's recommendations.

Water Marketing Fund	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Beginning Balance	\$ 2,201,356	\$ 1,979,953	\$ 1,979,953	\$ 2,064,115	\$ 2,064,052
Net Receipts	1,175,669	2,260,000	2,260,000	2,260,000	2,260,000
Total Funds Available	\$ 3,377,025	\$ 4,239,953	\$ 4,239,953	\$ 4,324,115	\$ 4,324,052
Less: Expenditures	1,397,072	1,917,696	1,917,759	1,499,509	1,500,316
Non-reportable expend.	0	163,142	163,142	89,190	89,190
Transfers Out	0	95,000	95,000	400,000	400,000
Ending Balance	<u>\$ 1,979,953</u>	<u>\$ 2,064,115</u>	<u>\$ 2,064,052</u>	<u>\$ 2,335,416</u>	<u>\$ 2,334,546</u>

Ending Balance as a Percentage of Expend.	141.7%	107.6%	107.6%	155.7%	155.6%
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WATER MARKETING PROGRAM TWENTY-FIVE YEAR PROJECTIONS

The Kansas Water Office is required by statute (KSA 82a-920) to submit to the Legislature a 25-year revenue and expenditures projection associated with water management projects.

Calendar Year	Estimated Revenue					Estimated Expenditures			
	General Fund Deposits	Water Marketing Fund Deposits	Dev. Fund Deposits	Estimated Annual Revenue	Cumulative Revenue	Capital Cost Principal & Interest	Operation and Maintenance	Total Annual Expenditure	Cumulative Expenditures
					\$33,140,528				\$ 8,942,393
2001	\$219,336	\$1,745,672	\$0	\$1,965,008	\$35,105,536	\$ 785,033	\$ 1,132,663	\$ 1,917,696	\$ 10,860,089
2002	156,135	1,519,469	311,762	1,987,366	37,092,902	785,033	666,199	1,451,232	12,311,321
2003	210,364	1,572,765	314,299	2,097,428	39,190,330	785,033	719,495	1,504,528	13,815,849
2004	220,328	1,626,061	203,180	2,049,569	41,239,899	785,033	772,791	1,557,824	15,373,673
2005	230,271	1,679,357	167,489	2,077,117	43,317,016	785,033	826,087	1,611,120	16,984,793
2006	209,035	1,732,652	132,248	2,073,935	45,390,951	785,033	879,383	1,664,416	18,649,209
2007	218,860	1,785,948	97,442	2,102,250	47,493,201	785,033	932,679	1,717,712	20,366,921
2008	229,805	1,839,244	62,752	2,131,801	49,625,002	785,033	985,974	1,771,007	22,137,938
2009	240,792	1,892,540	27,795	2,161,127	51,786,129	785,033	1,039,270	1,824,303	23,962,231
2010	251,781	1,939,670	0	2,191,451	53,977,580	785,033	1,092,566	1,877,599	23,839,830
2011	262,770	1,959,363	0	2,222,133	56,199,713	785,033	1,145,862	1,930,895	27,770,725
2012	273,759	1,979,393	0	2,253,152	58,452,865	785,033	1,199,158	1,984,191	29,754,916
2013	284,748	1,999,740	0	2,284,488	60,737,353	785,033	1,252,454	2,037,487	31,792,403
2014	295,737	2,020,343	0	2,316,080	63,053,433	785,033	1,305,750	2,090,783	33,883,186
2015	306,726	2,041,190	0	2,347,916	65,401,349	785,033	1,359,046	2,144,079	36,027,265
2016	317,715	2,062,292	0	2,380,007	67,781,356	785,033	1,412,342	2,197,375	38,224,640
2017	328,704	2,319,908	214,413	2,862,025	70,643,381	785,033	1,465,638	2,250,671	40,475,311
2018	339,693	2,372,203	212,664	2,924,560	73,567,941	785,033	1,518,934	2,303,967	42,779,278
2019	350,682	2,425,499	213,813	2,989,994	76,557,935	785,033	1,572,229	2,357,262	45,136,540
2020	361,671	2,478,795	670,547	3,511,013	80,068,948	785,033	1,625,525	2,410,558	47,547,098
2021	373,226	2,532,091	663,781	3,569,098	83,638,046	785,033	1,678,821	2,463,854	50,010,952
2022	384,780	2,585,387	766,767	3,736,934	87,374,980	785,033	1,732,117	2,517,150	52,528,102
2023	396,353	2,638,665	760,110	3,795,128	91,170,108	785,033	1,785,413	2,570,446	55,098,548
2024	565,535	2,534,333	752,841	3,822,709	95,022,817	785,033	1,838,709	2,623,742	57,722,290
2025	693,232	2,471,487	744,958	3,909,677	98,932,494	785,033	1,892,005	2,677,038	60,399,328
2026	701,726	3,253,093	725,250	4,680,069	103,612,563	785,033	1,945,301	2,730,334	63,129,662

The Water Office has made the following four assumptions in preparing the 25-year projections of revenue and expenditures for the Water Marketing Plan:

- Projections do include potential new and unidentified users but do not include new storage called into service.
- Base operation and maintenance costs are projected to increase by 8 percent per year from the base year of 1999. However, the projections do not include special one-time costs which may cause a spike in costs during the year.
- Revenue from the Cottonwood-Neosho River Water Assurance District Number 3 is included in the revenue estimates for the Water Marketing Program.
- The 14 water marketing contracts which expire during this period after the end of their 40-year term are assumed to be renewed, but the rate change will not be capped at 10 cents.

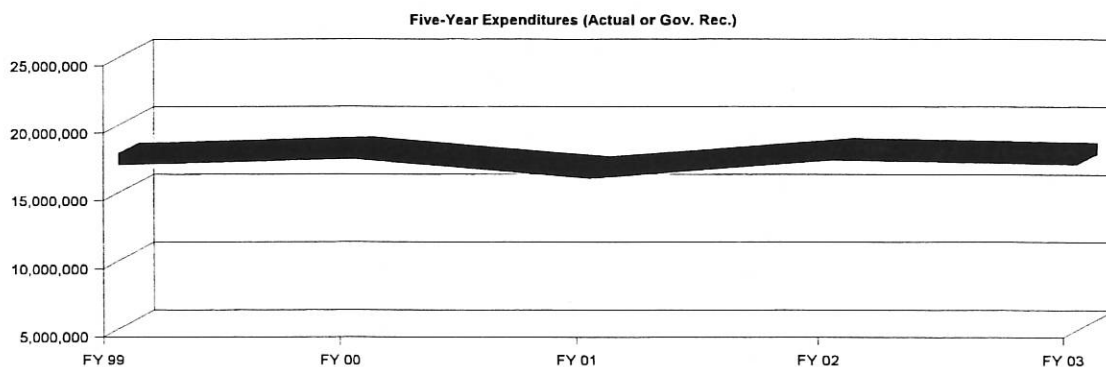
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STATE WATER PLAN FUND

The State Water Plan Fund (SWPF) was created by the 1989 Legislature for the purpose of implementing the State Water Plan (KSA 82a-903). Subject to appropriations acts, the fund may be used for the establishment and implementation of water-related projects or programs and related technical assistance. KSA 82a-951(a) provides that the fund may not be used for replacing full-time FTE positions of any state agency, or for any recreational projects which do not meet the goals and objectives set forth in the State Water Plan. The fund is supported by a water protection fee levied on public, industrial, and stock water users; a per ton tax on fertilizer; a registration fee on pesticides; certain fines levied by the Department of Health and Environment; sand royalties (beginning in FY 1996); and annual demand transfers of \$6,000,000 from the State General Fund and \$2,000,000 from the Economic Development Initiatives Fund. The table below summarizes the status of the SWPF.

	Actual FY 2001	Gov. Rec. FY 2002	Gov. Rec. FY 2003
Beginning Balance	\$ 2,431,325	\$ 2,550,678	\$ 494,477
Adjustments:			
Released Encumbrances	1,613,995	0	300,000
Transfer to State General Fund*	0	(250,000)	0
Add Receipts:			
State General Fund Transfer	\$ 4,750,000	\$ 6,000,000	\$ 6,000,000
Economic Development Fund Transfer	2,000,000	2,000,000	2,000,000
Municipal Water Fees	3,610,375	3,603,419	3,550,000
Industrial Water Fees	1,392,046	1,225,000	1,235,000
Stock Water Fees	368,180	334,880	315,000
Pesticide Registration Fees	910,300	910,000	910,000
Fertilizer Registration Fees	3,039,987	3,311,597	3,038,000
Pollution Fines	31,650	75,000	75,000
Sand Royalty Receipts	390,456	375,000	405,000
Subtotal—Receipts	<u>\$ 16,492,994</u>	<u>\$ 17,834,896</u>	<u>\$ 17,528,000</u>
TOTAL AVAILABLE	<u>\$ 20,538,314</u>	<u>\$ 20,135,574</u>	<u>\$ 18,322,477</u>
Less: Expenditures			
State Conservation Commission	\$ 9,517,557	\$ 11,209,232	\$ 9,933,311
Kansas Water Office	3,043,402	2,770,944	2,652,558
Department of Wildlife and Parks	50,000	50,000	50,000
Department of Agriculture	925,362	1,024,933	933,936
Department of Health and Environment	4,051,315	4,135,988	4,044,675
Kansas Corporation Commission	400,000	400,000	400,000
University of Kansas	0	50,000	50,000
Subtotal: Expenditures	<u>\$ 17,987,636</u>	<u>\$ 19,641,097</u>	<u>\$ 18,064,480</u>
ENDING BALANCE	<u>\$ 2,550,678</u>	<u>\$ 494,477</u>	<u>\$ 257,997</u>

*The FY 2001 SGF transfer was reduced to \$4,500,000, However, \$4,750,000 was actually transferred. The \$250,000 transfer in FY 2002 corrects for the error.

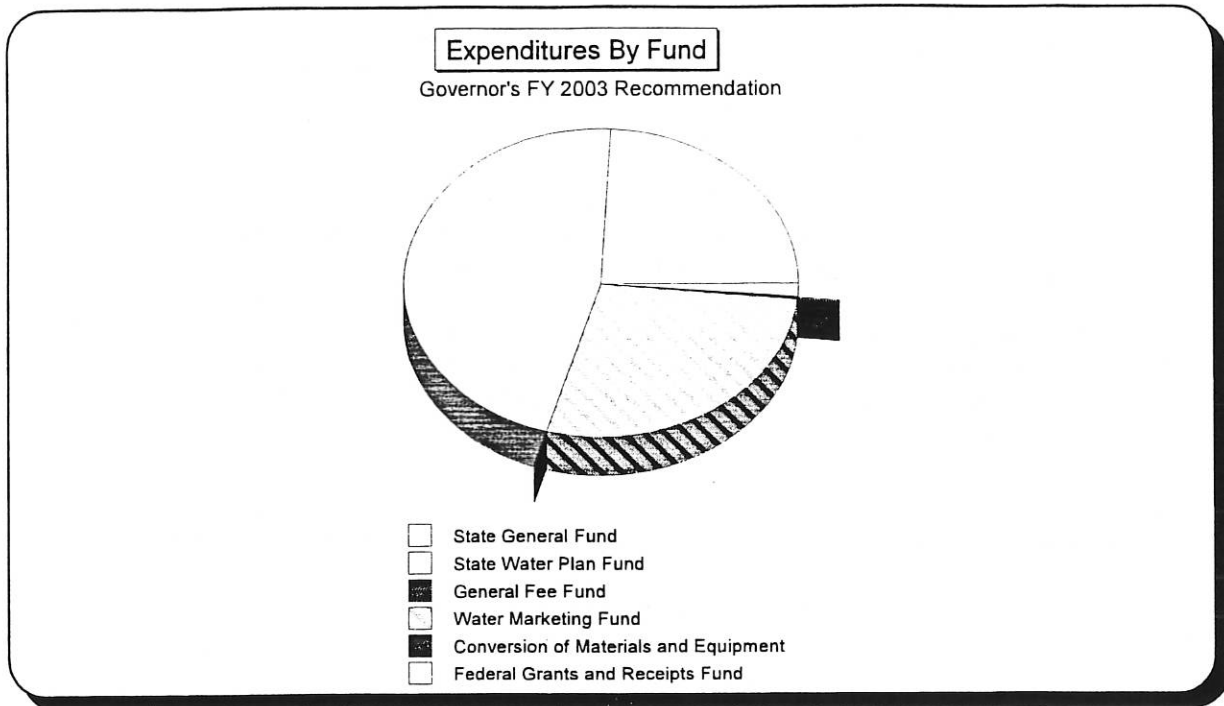


Summary of Operating Budget FY 2001-FY 2003

	Actual FY 2001	Agency Request				Governor's Recommendation			
		Revised FY 2002 Estimate	FY 2003 Request	Dollar Change From FY 02	Percent Change From FY 02	Revised FY 2002 Rec.	FY 2003 Rec.	Dollar Change From FY 02	Percent Change From FY 02
By Program:									
Water Resources	\$ 6,017,178	\$ 7,264,774	\$ 5,795,057	\$ (1,469,717)	(20.2)%	\$ 7,264,774	\$ 5,627,407	\$ (1,637,367)	(22.5)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 1,376,942	\$ 1,427,632	\$ 1,394,361	\$ (33,271)	(2.3)%	\$ 1,427,632	\$ 1,410,676	\$ (16,956)	(1.2)%
Contractual Services	4,322,063	5,466,461	4,037,624	(1,428,837)	(26.1)%	5,466,461	3,881,817	(1,584,644)	(29.0)%
Commodities	17,485	27,230	27,230	0	0.0%	27,230	13,588	(13,642)	(50.1)%
Capital Outlay	48,846	34,540	29,032	(5,508)	(15.9)%	34,540	14,516	(20,024)	(58.0)%
Debt Service	251,842	263,911	261,810	(2,101)	(0.8)%	263,911	261,810	(2,101)	(0.8)%
Subtotal - Operations	\$ 6,017,178	\$ 7,219,774	\$ 5,750,057	\$ (1,469,717)	(20.4)%	\$ 7,219,774	\$ 5,582,407	\$ (1,637,367)	(22.7)%
Aid to Local Units	0	0	0	0	0.0%	0	0	0	0.0%
Other Assistance	0	45,000	45,000	0	0.0%	45,000	45,000	0	0.0%
TOTAL	\$ 6,017,178	\$ 7,264,774	\$ 5,795,057	\$ (1,469,717)	(20.2)%	\$ 7,264,774	\$ 5,627,407	\$ (1,637,367)	(22.5)%
Financing:									
State General Fund	\$ 1,444,495	\$ 1,418,942	\$ 1,432,008	\$ 13,066	0.9%	\$ 1,418,942	\$ 1,390,084	\$ (28,858)	(2.0)%
State Water Plan Fund	3,043,402	2,770,944	2,771,225	281	0.0%	2,770,944	2,652,558	(118,386)	(4.3)%
All Other Funds	1,529,281	3,074,888	1,591,824	(1,483,064)	(48.2)%	3,074,888	1,584,765	(1,490,123)	(48.5)%
TOTAL	\$ 6,017,178	\$ 7,264,774	\$ 5,795,057	\$ (1,469,717)	(20.2)%	\$ 7,264,774	\$ 5,627,407	\$ (1,637,367)	(22.5)%

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BUDGET DETAIL



Fund	FY 2003 Gov. Rec.
State General Fund	\$ 1,390,084
State Water Plan Fund	2,652,558
General Fee Fund	4,000
Water Marketing Fund	1,500,316
Conversion of Materials and Equipment	4,000
Federal Grants and Receipts Fund	76,449
TOTAL	\$ 5,627,407

A. Water Resources

The Water Resources Program is divided into three separate subprograms:

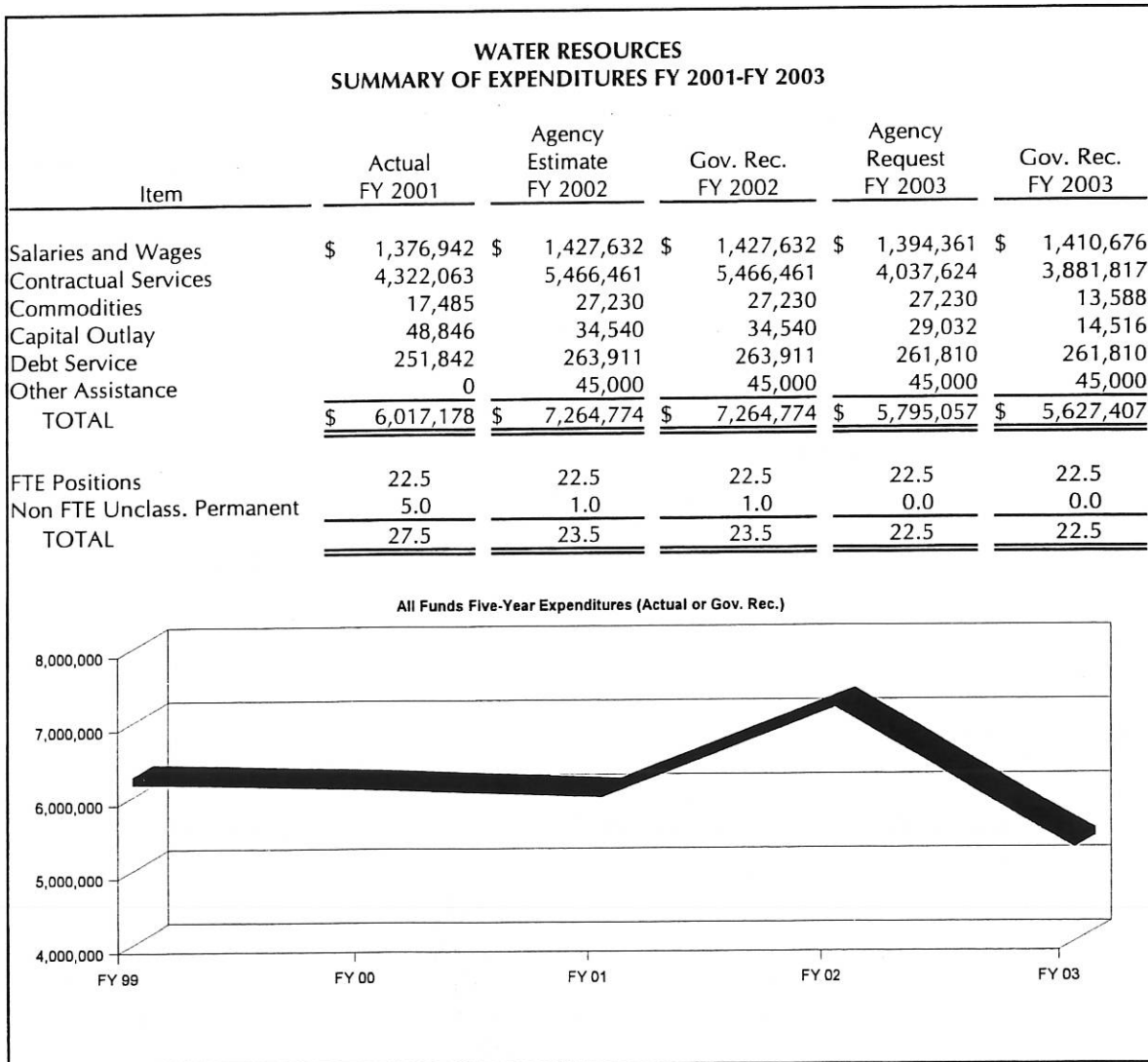
1. **Water Office Operations.** The Water Office Operations subprogram provides administrative services for the agency.
2. **Public Water Supply Contracts.** The Public Water Supply Contracts subprogram contracts with the federal government for the purchase of storage space in federal reservoirs, funds the construction of needed water supply storage space in small lake projects, and sells water controlled by the state to meet the long-range goals of the State Water Plan. Expenditures in this program are almost entirely financed from the fees of water users. An exception was the 1994 Legislature's appropriation of \$13,621,120 from the State General Fund to pay the capital costs for the purchase of additional water storage under the terms of a 1985 Memorandum of Understanding (MOU) with the Corps of Engineers. The agency

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expended the second part of these funds (\$5,744,416) in FY 1996. The MOU of 1985 expired on July 1, 1996. The 1994 Legislature also provided statutory authority for the Water Office to borrow any additional funding necessary to complete the purchase of all available storage (K.S.A. 82a-1370). The Water Office again loaned those funds from the Pooled Money Investment Board (PMIB). The same statute provided that principal and interest on the loan be made from the following sources in descending order of priority: (1) fee revenue from water users, (2) the State Water Plan Fund, (3) the Economic Development Initiatives Fund, and (4) the State General Fund.

The Water Office is working with the Corps of Engineers to gain control of water supply storage in Kanopolis Lake. A draft contract is working through the Corps of Engineers system, and completion of a final contract is anticipated in FY 2002.

3. **Kansas Water Authority.** The Kansas Water Authority is responsible for the general policy direction of the State Water Plan. The Authority approves federal contracts, sets the price of water, and evaluates the results of approved contracts. The thirteen-member Authority meets quarterly.



Important Issues in This Program

- ◆ **The agency requests** funding for FY 2003 of \$5,795,057 which is a decrease of \$1,469,717 (20.2 percent) from the FY 2002 estimate.
- ◆ **Salaries and Wages** funding for FY 2003 totals \$1,394,361 which is a decrease of \$33,271 (2.3 percent) from the FY 2002 estimate.
- ◆ **Other Operating Expenditures** funding for FY 2003 totals \$4,355,696 which is a decrease of \$1,436,446 (24.8 percent) from the FY 2002 estimate. The decrease primarily results from a one-time purchase of water storage at Kanopolis Lake. The request includes \$1,967,262 for other services fees and \$1,782,947 for other contractual services.
- ◆ **Water Marketing Program** funding for FY 2003 total \$1,499,509 from the Water Marketing Fund. This is a decrease of \$418,187 (21.8 percent) from the FY 2002 estimate. Water Marketing Program expenditures are used to meet all contractual obligations with the federal government for principal and interest payments and operation and maintenance payments.
- ◆ **The Governor recommends** funding for FY 2003 of \$5,627,407 which is a decrease of \$1,637,367 (22.5 percent) from the FY 2002 estimate.
- ◆ **The Governor recommends** salaries and wages funding for FY 2003 of \$1,410,676 which is a decrease of \$16,956 (1.2 percent) from the FY 2002 estimate.
- ◆ **The Governor recommends** other operating expenditures funding for FY 2003 of \$4,171,731 which is a decrease of \$1,620,411 (28.0 percent) from the FY 2002 estimate. The decrease primarily results from a one-time purchase of water storage at Kanopolis Lake. The recommendation is a decrease of \$217,013 from the FY 2003 agency request.
- ◆ **The Governor recommends** funding for the Water Marketing Program of \$1,500,316 which is a net increase of \$807 from the FY 2003 agency request. The net increase results from the increase in health insurance rates and the extension of the moratorium on death and disability.

State Water Plan Fund Expenditures

Expenditures	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	Gov. Rec. FY 2003
Agency/Program					
<i>State Conservation Commission</i>					
Water Quality Buffer Initiative	\$ 70,383	\$ 265,134	\$ 265,134	\$ 386,634	\$ 386,634
Aid to Conservation Districts	1,035,500	1,038,000	1,038,000	1,042,500	1,042,500
Multipurpose Small Lakes	230,000	230,000	230,000	0	0
Nonpoint Source Pollution Asst.	2,910,375	3,471,715	3,471,715	3,500,000	3,150,000
Riparian and Wetland Program	200,000	250,000	250,000	250,000	250,000
Water Resources Cost Share	4,266,299	5,079,950	5,079,950	4,600,000	4,329,744
Watershed Dam Construction	805,000	805,000	805,000	805,000	705,000
Water Rights Purchase	0	69,433	69,433	347,200	69,433
Total—Conservation Commission	\$ 9,517,557	\$ 11,209,232	\$ 11,209,232	\$ 10,931,334	\$ 9,933,311
<i>Kansas Water Office</i>					
Assessment and Evaluation	\$ 199,400	\$ 200,000	\$ 200,000	\$ 250,000	\$ 230,000
Federal Cost-Share Programs	250,000	250,000	250,000	180,000	160,285
GIS Administrative Support	17,800	0	0	0	0
GIS Data Access and Support Center	159,500	143,773	143,773	81,824	76,824
GIS Data Base Development	250,000	250,000	250,000	250,000	225,000
Groundwater Condition Evaluation	70,000	0	0	0	0
MOU-Storage Operations & Maintenance	430,927	437,833	437,833	390,715	390,715
Ogallala Aquifer Institute	0	45,000	45,000	45,000	40,000
PMIB Loan Payment for Storage	268,895	263,991	263,991	261,810	261,810
Public Information	30,000	30,000	30,000	40,000	35,000
Stream Gauging Program	377,628	416,000	416,000	392,448	392,448
Technical Assistance to Water Users	440,116	440,795	440,795	451,298	436,298
Water Planning Process	0	55,552	55,552	164,077	154,077
Water Resource Education	60,000	60,000	60,000	60,000	55,000
Weather Modification	345,563	178,000	178,000	178,000	173,000
Kansas Water Authority	0	0	0	26,053	22,101
Kansas River Study	143,573	0	0	0	0
Total—Kansas Water Office	\$ 3,043,402	\$ 2,770,944	\$ 2,770,944	\$ 2,771,225	\$ 2,652,558
<i>Wildlife and Parks</i>					
River Recreation	\$ 0	\$ 0	\$ 0	\$ 100,000	\$ 0
Stream Monitoring	50,000	50,000	50,000	50,000	50,000
Total—Wildlife & Parks	\$ 50,000	\$ 50,000	\$ 50,000	\$ 150,000	\$ 50,000
<i>Department of Agriculture</i>					
Floodplain Management	\$ 70,267	\$ 136,578	\$ 136,578	\$ 143,068	\$ 143,042
Best Management Practices	50,000	0	0	0	0
Interstate Water Issues	215,092	243,905	243,905	313,264	242,552
Subbasin Water Resources Management	590,003	644,450	644,450	748,525	548,342
Total—Dept. of Agriculture	\$ 925,362	\$ 1,024,933	\$ 1,024,933	\$ 1,204,857	\$ 933,936
<i>Health and Environment</i>					
Assessment of Sediment Quality	\$ 0	\$ 50,000	\$ 50,000	\$ 0	\$ 0
Contamination Remediation	1,396,240	1,397,506	1,397,506	1,400,000	1,351,840
Local Environmental Protection Program	1,799,789	1,800,000	1,800,000	1,800,000	1,800,000
Nonpoint Source Program	490,925	434,335	434,335	428,112	431,043
TMDL Initiatives	254,830	454,147	454,147	511,792	461,792
Use Attainability Analysis	109,531	0	0	0	0
Total—Health & Environment	\$ 4,051,315	\$ 4,135,988	\$ 4,135,988	\$ 4,139,904	\$ 4,044,675
KCC—Well Plugging	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
University of Kansas—Geological Survey	\$ 0	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Total Water Plan Expenditures	\$ 17,987,636	\$ 19,641,097	\$ 19,641,097	\$ 19,647,320	\$ 18,064,480

State Water Plan Fund Expenditures

Expenditures

Agency/Program	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	KWA Rec. FY 2003	Gov. Rec. FY 2003
<i>State Conservation Commission</i>						
Water Quality Buffer Initiative	70,383	265,134	265,134	386,634	336,634	386,634
Aid to Conservation Districts	1,035,500	1,038,000	1,038,000	1,042,500	1,042,500	1,042,500
Multipurpose Small Lakes	230,000	230,000	230,000	-	-	-
Nonpoint Source Pollution Asst.	2,910,375	3,471,715	3,471,715	3,500,000	3,150,000	3,150,000
Riparian and Wetland Program	200,000	250,000	250,000	250,000	250,000	250,000
Water Resources Cost Share	4,266,299	5,079,950	5,079,950	4,600,000	4,329,744	4,329,744
Watershed Dam Construction	805,000	805,000	805,000	805,000	705,000	705,000
Water Rights Purchase	-	69,433	69,433	347,200	69,433	69,433
Total--Conservation Commission	\$ 9,517,557	\$ 11,209,232	\$ 11,209,232	\$ 10,931,334	\$ 9,883,311	\$ 9,933,311
<i>Kansas Water Office</i>						
Assessment and Evaluation	199,400	200,000	200,000	250,000	230,000	230,000
Federal Cost-Share Programs	250,000	250,000	250,000	180,000	160,267	160,285
GIS Administrative Support	17,800	-	-	-	-	-
GIS Data Access and Support Center	159,500	143,773	143,773	81,824	76,824	76,824
GIS Data Base Development	250,000	250,000	250,000	250,000	225,000	225,000
Groundwater Condition Evaluation	70,000	-	-	-	-	-
MOU - Storage Operations and Maintenance	430,927	437,833	437,833	390,715	405,448	390,715
Ogallala Aquifer Institute	-	45,000	45,000	45,000	40,000	40,000
PMIB Loan Payment for Storage	268,895	263,991	263,991	261,810	261,810	261,810
Public Information	30,000	30,000	30,000	40,000	35,000	35,000
Stream Gauging Program	377,628	416,000	416,000	392,448	392,448	392,448
Technical Assistance to Water Users	440,116	440,795	440,795	451,298	436,298	436,298
Water Planning Process	-	55,552	55,552	164,077	154,077	154,077
Water Resource Education	60,000	60,000	60,000	60,000	55,000	55,000
Weather Modification	345,563	178,000	178,000	178,000	173,000	173,000
Kansas Water Authority	-	-	-	26,053	26,053	22,101
Kansas River Study	143,573	-	-	-	-	-
Total--Kansas Water Office	\$ 3,043,402	\$ 2,770,944	\$ 2,770,944	\$ 2,771,225	\$ 2,671,225	\$ 2,652,558
<i>Department of Wildlife and Parks</i>						
River Recreation	-	-	-	100,000	100,000	-
Stream (Biological) Monitoring	50,000	50,000	50,000	50,000	50,000	50,000
Total--Department of Wildlife and Parks	\$ 50,000	\$ 50,000	\$ 50,000	\$ 150,000	\$ 150,000	\$ 50,000
<i>Department of Agriculture</i>						
Floodplain Management	70,267	136,578	136,578	143,068	142,290	143,042
Best Management Practices	50,000	-	-	-	-	-
Interstate Water Issues	215,092	243,905	243,905	313,264	240,016	242,552
Subbasin Water Resources Management	590,003	644,450	644,450	748,525	543,254	548,342
Total--Department of Agriculture	\$ 925,362	\$ 1,024,933	\$ 1,024,933	\$ 1,204,857	\$ 925,560	\$ 933,936
<i>Department of Health and Environment</i>						
Assessment of Sediment Quality	-	50,000	50,000	-	-	-
Contamination Remediation	1,396,240	1,397,506	1,397,506	1,400,000	1,350,000	1,351,840
Local Environmental Protection Program	1,799,789	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000
Nonpoint Source Program	490,925	434,335	434,335	428,112	428,112	431,043
TMDL Initiatives	254,830	454,147	454,147	511,792	461,792	461,792
Use Attainability Analysis	109,531	-	-	-	-	-
Total--Department of Health and Environment	\$ 4,051,315	\$ 4,135,988	\$ 4,135,988	\$ 4,139,904	\$ 4,039,904	\$ 4,044,675
KCC--Well Plugging	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
University of Kansas--Geological Survey	\$ -	\$ 50,000	\$ 50,000	\$ 50,000	\$ 40,000	\$ 50,000
Total Water Plan Expenditures	\$ 17,987,636	\$ 19,641,097	\$ 19,641,097	\$ 19,647,320	\$ 18,110,000	\$ 18,064,480

State Water Plan Resource Est.	Actual FY 2001	Agency Est. FY 2002	Gov. Rec. FY 2002	Agency Req. FY 2003	KWA Rec. FY 2003	Gov. Rec. FY 2003
Beginning Balance	\$ 2,431,325	\$ 2,550,678	\$ 2,550,678	\$ 147,581	\$ 582,000	\$ 494,477
Adjustments						
Released Encumbrances	1,613,995	-	-	300,000	300,000	300,000
Transfer to State General Fund	-	(250,000)	(250,000)	-	-	-
Revenues						
State General Fund Transfer	4,750,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
Economic Development Fund Transfer	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Municipal Water Fees	3,610,375	3,550,000	3,603,419	3,550,000	3,550,000	3,550,000
Industrial Water Fees	1,392,046	1,225,000	1,225,000	1,235,000	1,235,000	1,235,000
Stock Water Fees	368,180	325,000	334,880	315,000	315,000	315,000
Pesticide Registration Fees	910,300	910,000	910,000	910,000	910,000	910,000
Fertilizer Registration Fees	3,039,987	3,038,000	3,311,597	3,038,000	3,038,000	3,038,000
Pollution Fines and Penalties	31,650	75,000	75,000	75,000	75,000	75,000
Sand Royalty Receipts	390,456	375,000	375,000	405,000	405,000	405,000
Total Receipts	16,492,994	\$ 17,498,000	\$ 17,834,896	\$ 17,528,000	\$ 17,528,000	\$ 17,528,000
Total Available	20,538,314	\$ 19,798,678	\$ 20,135,574	\$ 17,975,581	\$ 18,410,000	\$ 18,322,477
Less Expenditures	17,987,636	19,651,097	19,641,097	19,647,320	18,110,000	18,064,480
Ending Balance	2,550,678	\$ 147,581	\$ 494,477	\$ (1,671,739)	\$ 300,000	\$ 257,997

HOUSE APPROPRIATIONS
DATE 2/13/02
ATTACHMENT 5