

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Stephen Morris at 10:30 a.m. on March 17, 2003, in Room 123-S of the Capitol.

All members were present except: All present

Committee staff present:

Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Melissa Calderwood, Kansas Legislative Research Department
Carolyn Rampey, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Assistant Revisor of Statutes
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Janet Chubb, Assistant Secretary of State
Senator Bill Buntin
Jim Cates, KMAJ Radio, Topeka

Others attending: See attached list

Bill Introduction

Senator Feleciano moved, with a second by Senator Barone, a conceptual bill introduction regarding providing an exemption to the ban on certain former state officers and employees right to be employed by or contract with certain person or businesses. Motion carried on a voice vote.

Copies of the Kansas Legislative Research Department Budget Analysis Report for FY 2003 and FY 2004 were distributed to the committee.

Subcommittee reports on:

Attorney General (Attachment 1)

Subcommittee Chairman Adkins reported that the Subcommittee concurs with the recommendation of the Governor for FY 2003.

Subcommittee Chairman Adkins reported that the Subcommittee concurs with the recommendation of the Governor with exceptions and comments for FY 2004.

Senator Adkins moved, with a second by Senator Downey, to adopt the subcommittee budget report for the Attorney General for the FY 2003 and FY 2004 budget. Motion carried on a voice vote. Senator Jackson and Senator Jordan abstained from voting on the motion.

State Treasurer (Attachment 2)

Subcommittee Chairman Adkins reported that the Subcommittee concurs with the recommendation of the Governor for FY 2003.

CONTINUATION SHEET

Subcommittee Chairman Adkins reported that the Subcommittee concurs with the recommendation of the Governor with comments and observations for FY 2004.

Senator Adkins moved, with a second by Senator Schodorf, to adopt the subcommittee budget report for the State Treasurer for the FY 2003 and FY 2004 budget. Motion carried on a voice vote.

Bill Introductions

Senator Adkins moved, with a second by Senator Bunten, to introduce a bill regarding the transfer of the Division of Accounts and Reports in the Department of Administration to the State Treasurer's Office. Motion carried on a voice vote.

Senator Kerr moved, with a second by Senator Jackson, to introduce a bill to transfer the Information Network of Kansas to Kansas, Inc. (3rs0940). Motion carried on a voice vote.

Chairman Morris called the committee's attention to discussion of:

SB 50--State employee voluntary leave purchase program

Chairman Morris welcomed Karen Watney, Department of Administration, who detailed a letter from Jack Rickerson, Director, Division of Personnel Services (Attachment 3). Ms. Watney explained two options: pre-tax and after-tax implications. Primary components of each option were highlighted in the written testimony. The Department also provided a balloon amendment in the letter that reflects an informal revenue code Section 125 program. Committee questions and discussion followed.

Chairman Morris suggested holding the bill at this time and requested an amendment from the Division of Personnel Services using Option Two.

Chairman Morris called the committee's attention to discussion of:

SB 239--Secretary of state fees for certain services and publications

Staff distributed a chart regarding revenue, expenditures and selected Secretary of State fees (Attachment 4).

Chairman Morris recognized Janet Chubb, Assistant Secretary of State, who explained a letter from Secretary of State Ron Thornburgh (Attachment 5). Ms. Chubb mentioned that as a result of the corrected fiscal note of March 10, 2003, stating that **SB 239** would have a \$418,991 negative effect upon the state general fund and suggested amendments detailed in the testimony. She also explained that the Secretary of State is extremely reluctant to suggested these changes, because the effect upon the fiscal integrity of their programs, particularly the elections and legislative matters program is severe. Ms. Chubb also noted that the Secretary believes that elections should be funded by the State General Fund, not their business customers. Copies of the Secretary of State Draft of Possible FY 2004 Fee Increases, dated March 17, 2003, were distributed (Attachment 6).

Senator Schodorf moved, with a second by Senator Downey, to move the amendments requested by the Secretary of State for **SB 239** to delete all but sections 4, 6 and 8 and amend section 6, line 8, from \$2.00 to \$1.00, the current language. Motion carried on a voice vote.

Senator Schodorf moved, with a second by Senator Downey, to recommend **SB 239** favorable for passage as amended. Motion carried on a roll call vote.

Chairman Morris opened the public hearing on:

SB 49--State employee fiscal bonus program

Staff briefed the committee on the bill.

CONTINUATION SHEET

Senator Bill Bunten testified in support of **SB 49** (Attachment 7). Senator Bunten explained that **SB 49** was first introduced in the House of Representatives by Representative Jim Cates in the mid-1990's as an effort to encourage fiscal responsibility by State employees and to reward them for judicious management of their agency appropriations. He detailed additional information in his written testimony.

Jim Cates, talk show host employed by AM 1440 KMAJ radio and also served in the Kansas Senate for a brief period and two terms in the House of Representatives, testified in support of **SB 49** (Attachment 8). Mr. Cates explained that this concept has worked in the private sector and noted that by rewarding state employees that return unused monies to the state, resulting in significant savings, money that can be returned to taxpayers or money that can be used to fund other needs. An example was provided in his written testimony.

There being no further conferees to come before the committee, the Chairman closed the public hearing on **SB 49**.

The meeting adjourned at 11:45 a.m. The next meeting is scheduled for March 18, 2003.

**SENATE WAYS AND MEANS COMMITTEE
GUEST LIST**

DATE March 17, 2003

NAME	REPRESENTING
Derek Sontag	KS AG Office
Jacy Shaffer	KS AG Office
Peggy Nanna	Treasurer's Office
Jeff Wagoner	" "
Susan Erickson	Outsido Connection Inc.
Nancy Bryant	SOS
Julie	SOS
Art Anderson	-ft-
Julia Thomas	DOP
Mike Sandy	Hodgeman Co

House Budget Committee Report

Agency: Attorney General

Bill No.

Bill Sec.

Analyst: Rampey

Analysis Pg. No. Vol. 2-1161

Budget Page No. 63

<u>Expenditure Summary</u>	<u>Agency Estimate FY 03</u>	<u>Governor's Recommendation FY 03</u>	<u>Budget Committee Adjustments</u>
All Funds:			
State Operations	\$ 9,214,256	\$ 8,794,001	\$ 0
Aid to Local Units	8,827,622	5,199,179	0
Other Assistance	3,750,000	3,750,000	0
Subtotal—Operating	\$ 21,791,878	\$ 17,743,180	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 21,791,878	\$ 17,743,180	\$ 0
State General Fund:			
State Operations	\$ 5,481,100	\$ 5,262,951	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	\$ 5,481,100	\$ 5,262,951	\$ 0
Capital Improvements	0	0	0
TOTAL	\$ 5,481,100	\$ 5,262,951	\$ 0
FTE Positions	95.0	95.0	0.0
Non FTE Uncl. Perm. Pos.	18.0	18.0	0.0
TOTAL	113.0	113.0	0.0

Agency Estimate/Governor's Recommendation

The Attorney General estimates expenditures of \$21,791,878 in FY 2003, of which \$5,481,000 is from the State General Fund and \$16,310,778 is from federal and other special revenue funds. The State General Fund amount is an increase of \$506,441 over the approved amount due to the Attorney General's authority to reappropriate savings from the prior year. The amount is offset by the August 2002 allotment reduction of \$124,045 and a decision not to spend in FY 2003 but to carry forward into FY 2004 \$89,751 from the State General Fund.

The Governor recommends expenditures of \$17,743,180 in the current year, of which \$5,262,951 is from the State General Fund. The Governor's recommendation reflects the August 2002 allotment which reduced the Attorney General's budget by \$124,045 and further reduces the State General Fund amount by \$218,150 due to the November 2002 allotment and by another \$89,751 that the agency had intended to carry forward into FY 2004. The most significant change in the Governor's recommendation is the transfer of federally-funded programs for victims services and grants from the Office of the Attorney General to the Office of the Governor. The transfer was pursuant to Executive Directive No. 02-336, which was issued in December of 2002. The fiscal

*Senate Ways and Means
3-17-03
Attachment 1*

effect of the action is that \$3,830,548 in federal funding in FY 2003 has been removed from the Attorney General's budget and transferred to the Governor's Office. (That amount of money is only for the remainder of FY 2003. The full-year total for FY 2004 is \$7,603,391.)

The Governor recommends \$946,204 for water litigation with Colorado and \$566,105 for water litigation with Nebraska, which are the amounts estimated by the agency.

House Budget Committee Recommendations

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

House Committee Recommendation

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

Senate Subcommittee Report

Agency: Attorney General

Bill No.

Bill Sec.

Analyst: Rampey

Analysis Pg. No. Vol. 2-1161

Budget Page No. 63

<u>Expenditure Summary</u>	<u>Agency Estimate FY 03</u>	<u>Governor's Recommendation FY 03</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 9,214,256	\$ 8,794,001	\$ 0
Aid to Local Units	8,827,622	5,199,179	0
Other Assistance	3,750,000	3,750,000	0
Subtotal—Operating	\$ 21,791,878	\$ 17,743,180	\$ 0
Capital Improvements	0	0	0
TOTAL	<u>\$ 21,791,878</u>	<u>\$ 17,743,180</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 5,481,100	\$ 5,262,951	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	\$ 5,481,100	\$ 5,262,951	\$ 0
Capital Improvements	0	0	0
TOTAL	<u>\$ 5,481,100</u>	<u>\$ 5,262,951</u>	<u>\$ 0</u>
FTE Positions	95.0	95.0	0.0
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TOTAL	<u>113.0</u>	<u>113.0</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The Attorney General estimates expenditures of \$21,791,878 in FY 2003, of which \$5,481,000 is from the State General Fund and \$16,310,778 is from federal and other special revenue funds. The State General Fund amount is an increase of \$506,441 over the approved amount due to the Attorney General's authority to reappropriate savings from the prior year. The amount is offset by the August 2002 allotment reduction of \$124,045 and a decision not to spend in FY 2003 but to carry forward into FY 2004 \$89,751 from the State General Fund.

The Governor recommends expenditures of \$17,743,180 in the current year, of which \$5,262,951 is from the State General Fund. The Governor's recommendation reflects the August 2002 allotment which reduced the Attorney General's budget by \$124,045 and further reduces the State General Fund amount by \$218,150 due to the November 2002 allotment and by another \$89,751 that the agency had intended to carry forward into FY 2004. The most significant change

in the Governor's recommendation is the transfer of federally-funded programs for victims services and grants from the Office of the Attorney General to the Office of the Governor. The transfer was pursuant to Executive Directive No. 02-336, which was issued in December of 2002. The fiscal effect of the action is that \$3,830,548 in federal funding in FY 2003 has been removed from the Attorney General's budget and transferred to the Governor's Office. (That amount of money is only for the remainder of FY 2003. The full-year total for FY 2004 is \$7,603,391.)

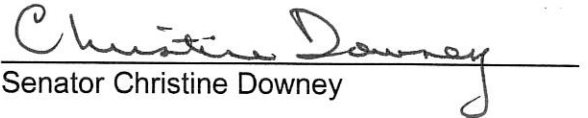
The Governor recommends \$946,204 for water litigation with Colorado and \$566,105 for water litigation with Nebraska, which are the amounts estimated by the agency.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the recommendations of the Governor.



Senator David Adkins, Subcommittee Chair



Senator Christine Downey

House Budget Committee Report

Agency: Attorney General

Bill No.

Bill Sec.

Analyst: Rampey

Analysis Pg. No. Vol. 2-1161

Budget Page No. 63

<u>Expenditure Summary</u>	<u>Agency Request FY 04</u>	<u>Governor's Recommendation FY 04</u>	<u>Budget Committee Adjustments</u>
All Funds:			
State Operations	\$ 8,986,091	\$ 7,627,215	\$ 0
Aid to Local Units	9,004,622	1,787,735	0
Other Assistance	3,750,000	3,750,000	0
Subtotal—Operating	\$ 21,780,713	\$ 13,164,950	\$ 0
Capital Improvements	0	0	0
TOTAL	<u>\$ 21,780,713</u>	<u>\$ 13,164,950</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 5,213,157	\$ 4,200,785	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
Subtotal—Operating	\$ 5,213,157	\$ 4,200,785	\$ 0
Capital Improvements	0	0	0
TOTAL	<u>\$ 5,213,157</u>	<u>\$ 4,200,785</u>	<u>\$ 0</u>
FTE Positions	95.0	95.0	0.0
Non FTE Uncl. Perm. Pos.	18.0	18.0	0.0
TOTAL	<u>113.0</u>	<u>113.0</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

The Attorney General requests a total of \$21,780,713 for FY 2004, of which \$5,213,157 is from the State General Fund. The requested budget includes \$545,000 for water litigation with Colorado and \$960,000 for Nebraska. In general, the budget as submitted is a maintenance budget which contains no new initiatives.

The Governor recommends \$13,164,950 for FY 2004, of which \$4,200,785 is from the State General Fund. The recommended State General Fund reduction from FY 2003 is comprised of an overall 5.0 percent reduction of \$262,372 to the agency's operating budget and a \$750,000 reduction from the Attorney General's allocated budget for water litigation. The sizable drop in expenditures from other funds is due to the transfer of six victims rights programs to the Governor's office. The total federal funding transferred is \$7,603,391 in FY 2004. The Governor recommends no funding for Colorado water litigation in FY 2004 and \$412,002 for Nebraska water litigation.

Under the Governor's FY 2004 **statutory budget recommendation**, the Governor's recommendation for the Attorney General's budget would have to be reduced by an additional \$884,341.

House Budget Committee Recommendations

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

1. The Budget Committee expresses its resolve that Kansas be committed to providing adequate funding to conclude water litigation with the states of Colorado and Nebraska. The Colorado case is nearing completion and a settlement with Nebraska has been reached. However, under the Governor's recommendations, no funding is available for Colorado water litigation in FY 2004 and recommended funding for Nebraska litigation of \$412,002 is less than half of what was requested.

The Budget Committee understands that the outside counsel in both cases has agreed to wait until monetary damages are received from Colorado to be reimbursed for services rendered in FY 2003 and the Attorney General is hopeful that the agreement can be extended into FY 2004. Nevertheless, the Budget Committee believes the Attorney General should be given maximum flexibility in the budget to transfer funds from one State General Fund account to another in order to make payments that cannot be anticipated at this time. In the past, it has been the practice of the Attorney General to request an Executive Directive from the Governor to transfer money from one water litigation account to the other as necessary. Under the Budget Committee's recommendation, the Attorney General on his own authority could transfer money from any of the agency's four State General Fund accounts to the other: The operating expenditures account (funding for regular agency operating expenditures, funded at \$3,706,483 by the Governor), the litigation costs account (additional funding for litigation expenses, funded at \$81,100 by the Governor), the Colorado water litigation account (no funding recommended by the Governor), and the Nebraska water litigation account (funded at \$412,002 by the Governor).

House Committee Recommendation

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

1. To accomplish Item 1, recommend that provisos be included in the FY 2004 appropriations bill to authorize the transfer by the Attorney General of money from the State General Fund to funds for water litigation with the states of Colorado and Nebraska. In addition, in order to make the authority to transfer State General Fund monies from any State General Fund account for the Attorney General to State General Fund accounts for water litigation permanent, recommend the introduction of legislation to accomplish that purpose.

The Governor recommends \$13,164,950 for FY 2004, of which \$4,200,785 is from the State General Fund. The recommended State General Fund reduction from FY 2003 is comprised of an overall 5.0 percent reduction of \$262,372 to the agency's operating budget and a \$750,000 reduction from the Attorney General's allocated budget for water litigation. The sizable drop in expenditures from other funds is due to the transfer of six victims rights programs to the Governor's office. The total federal funding transferred is \$7,603,391 in FY 2004. The Governor recommends no funding for Colorado water litigation in FY 2004 and \$412,002 for Nebraska water litigation.


Under the Governor's FY 2004 **statutory budget recommendation**, the Governor's recommendation for the Attorney General's budget would have to be reduced by an additional \$884,341.

Senate Subcommittee Recommendations

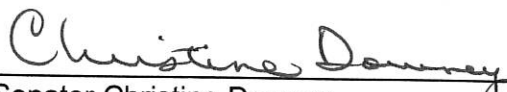
The Senate Subcommittee concurs with the recommendations of the Governor, with the following exceptions and comments:

1. The Subcommittee commends the Attorney General for his effort to partially honor his pledge to shift \$500,000 from the Office of the Attorney General to the Kansas Bureau of Investigation (KBI). Pursuant to the agency's plan, the Subcommittee recommends the transfer of \$80,000 from the State General Fund in the Attorney General's operating budget to the KBI to, in part, fund a special KBI agent's assignment to the Kansas City area FBI Cyber-Crime Task Force. The agency indicated that the funds are to be transferred from the agency's furniture and travel budgets and from funds realized as a result of other agency efficiencies. (The agency has budgeted \$259,400 for travel in FY 2004, of which \$154,400 is for in-state travel and \$105,000 is for out-of-state travel. No expenditures are budgeted for furniture.) The Subcommittee urges the agency to identify the funds necessary to fully honor the Attorney General's pledge.
2. During the 2002 Legislative Session, the Kansas House passed HR 6003, which requires the Attorney General to bring legal action to determine when life begins. The resolution, as amended by the House, specifically states that such an action must be initiated by the Attorney General on or after February 1, 2003. Although the Subcommittee requested it, the Subcommittee was not provided with information sufficient to determine the cost of such an action or when such an action would proceed. While the Subcommittee believes limited resources within the agency could be better used fighting crime and fraud, the House's request must be honored by the agency pursuant to KSA 75-702, which requires the Attorney General to defend the state when the state is an interested party and to do so when required by the Governor or by any branch of the Legislature. The Subcommittee recommends legislation be introduced to amend KSA 75-702 to require the Attorney General to initiate legal action only upon the approval of a concurrent resolution by both houses of the Legislature. Further, prior to consideration of the Omnibus Bill, the Subcommittee directs the agency to provide the Subcommittee with a detailed budget and specific timetable regarding any and all legal proceedings pursuant to 2002 HR 6003. The budget provided should identify any plan to retain outside counsel, experts, or consultants to assist in the case and a breakdown of the cost of all aspects of the legal action.

3. The Subcommittee requested the Attorney General to provide it with a copy of any policies or guidelines the agency has adopted for selecting outside counsel to represent the state. After reviewing the information received, the Subcommittee has concerns that the agency has not taken sufficient action to insulate it from claims that decisions concerning the appointment of outside counsel may be primarily motivated by political considerations. The Subcommittee recommends close legislative oversight of this area of agency expenditures.
4. The Subcommittee notes the recent resignation of University of Kansas Law Dean Steve McAllister as State Solicitor. Dean McAllister brought a wealth of valuable experience to this post. We commend Dean McAllister for his exemplary service to Kansas during his tenure as State Solicitor.
5. The Subcommittee expresses its concerns about the qualifications of the head of the Attorney General's consumer protection division. The consumer protection division is responsible for enforcement of a number of state laws, including the state's Consumer Protection Act. The division's activities are among the most visible that are performed by the Attorney General's Office and the Subcommittee believes it should be headed by someone whose qualifications and fitness for the job are unquestioned.



Senator David Adkins, Subcommittee Chair

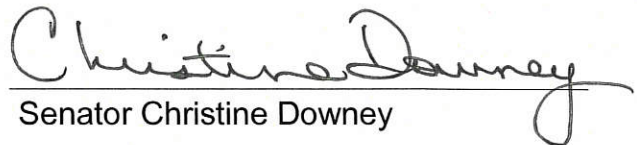


Senator Christine Downey

FY 2003 and FY 2004
Senate Subcommittee Report
State Treasurer



Senator David Adkins
Chair



Senator Christine Downey

House Budget Committee Report

Agency: State Treasurer

Bill No. Sub. for HB 2026

Bill Sec. 12,13

Analyst: Calderwood

Analysis Pg. No. Vol. 2-1194

Budget Page No. 419

Expenditure Summary	Agency Estimate FY 03	Governor's Recommendation FY 03	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 3,727,466	\$ 3,664,906	\$ 0
Aid to Local Units	109,003,579	66,016,211	0
Other Assistance	9,000,000	9,000,000	0
TOTAL	\$ 121,731,045	\$ 78,681,117	\$ 0
State General Fund:			
State Operations	\$ 1,546,348	\$ 1,483,788	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 1,546,348	\$ 1,483,788	\$ 0
FTE Positions	55.5	55.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	55.5	55.5	0.0

Agency Estimate/Governor's Recommendation

State Operations

The Treasurer's current year estimate of state operations expenditures totals \$3,727,466, an increase of \$10,504 from the approved budget. State General Fund expenditures total \$1,546,348, an increase of \$11,315 from the approved budget. Net other changes increase all other fund expenditures by \$694,343. The agency requested FTE positions are consistent with the 2002 Legislature approved amount of 55.5 FTE positions.

The Governor recommends a current year state operations budget of \$3,664,906 (including \$1,493,788 from State General Fund financing) which is a decrease of \$62,560 from the agency's estimate. The \$62,560 decrease is the second allotment of the State General Fund which was assessed after the agency submitted its budget. Salaries are reduced by \$62,560 from the agency's FY 2003 estimate. The Governor's August 15, 2002 allotment for the Treasurer was \$34,882 (2.0 percent). The Governor concurs with the agency's workforce estimate.

Local Aid

The Treasurer's current year estimate of aid to local units of government expenditures totals \$109,003,579, an increase of \$694,343 in special revenue funds from the approved budget. The Kansas Speedway Bond Financing Fund was not factored into the approved budget, representing an anticipated increase of \$731,443. The Tax Increment Financing Revenue Replacement Fund is anticipated to decrease by \$37,000 from the approved amount of \$995,000.

The Governor's recommendation for local aid payments reflects the November 2002 recommendation to withhold the second demand transfer to counties and cities. The LAVTRF payment totaled \$26,246,722, while the CCRSF payment totaled \$16,740,646.

Other Assistance

Unclaimed Property Payments. Beginning in FY 2001, the State Treasurer's budget reflects the payment of monies, which are held by the state until their rightful owners are found, as a reportable budget expenditure. Prior to that time, these payments were considered as part of the nonreportable budget. For FY 2003, the State Treasurer estimates that these payments will total \$9,000,000.

The Governor concurs with the agency's current year estimate.

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation for FY 2003.

House Committee Recommendation

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

House Committee of the Whole Recommendation

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

Senate Subcommittee Report

Agency: State Treasurer

Bill No. Sub. for HB 2026

Bill Sec. 12,13

Analyst: Calderwood

Analysis Pg. No. Vol. 2-1194

Budget Page No. 419

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All Funds:			
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Other Assistance	9,000,000	9,000,000	0
TOTAL	<u><u>\$ 121,731,045</u></u>	<u><u>\$ 78,681,117</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 1,546,348	\$ 1,483,788	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u><u>\$ 1,546,348</u></u>	<u><u>\$ 1,483,788</u></u>	<u><u>\$ 0</u></u>
FTE Positions	55.5	55.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u><u>55.5</u></u>	<u><u>55.5</u></u>	<u><u>0.0</u></u>

Agency Estimate/Governor's Recommendation

State Operations

The Treasurer's current year estimate of state operations expenditures totals \$3,727,466, an increase of \$10,504 from the approved budget. State General Fund expenditures total \$1,546,348, an increase of \$11,315 from the approved budget. Net other changes increase all other fund expenditures by \$694,343. The agency requested FTE positions are consistent with the 2002 Legislature approved amount of 55.5 FTE positions.

The Governor recommends a current year state operations budget of \$3,664,906 (including \$1,493,788 from State General Fund financing) which is a decrease of \$62,560 from the agency's estimate. The \$62,560 decrease is the second allotment of the State General Fund which was assessed after the agency submitted its budget. Salaries are reduced by \$62,560 from the agency's FY 2003 estimate. The Governor's August 15, 2002 allotment for the Treasurer was \$34,882 (2.0 percent). The Governor concurs with the agency's workforce estimate.

Local Aid

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The Governor concurs with the agency's current year estimate.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation for FY 2003.

House Budget Committee Report

Agency: State Treasurer

Bill No.

Bill Sec.

Analyst: Calderwood

Analysis Pg. No. Vol. 2-1194

Budget Page No. 419

Expenditure Summary	Agency Request FY 04	Governor's Recommendation FY 04	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 3,771,794	\$ 3,692,298	\$ 0
Aid to Local Units	134,007,943	23,083,943	0
Other Assistance	9,200,000	9,200,000	0
TOTAL	\$ 146,979,737	\$ 35,976,241	\$ 0
State General Fund:			
State Operations	\$ 1,555,041	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 1,555,041	\$ 0	\$ 0
FTE Positions	55.5	55.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	55.5	55.5	0.0

Agency Request/Governor's Recommendation

State Operations

The agency requests a FY 2004 state operations budget of \$3,771,794, which represents an increase of \$44,328 from the current year estimate. The agency FY 2004 budget estimate totals \$146,979,737. Requested State General Fund financing of \$1,555,041 represents an increase of \$8,693 (0.6 percent) from the current year recommendation.

The Governor recommends a FY 2004 state operations budget of \$3,692,298, an increase of \$27,392 from the current year recommendation. The Governor does not recommend any State General Fund support for the agency. The Governor recommends an amount equal to the agency's SGF request to be funded from the Unclaimed Property Expense Fund. The Governor adjusts this request to \$1,475,545 to reflect inclusion of the 5.0 percent reduced resources package, a decrease of \$79,496 from the agency request.

Local Aid

The estimate for payments to local units of government totals \$134,007,943, an increase of \$25,004,364, from the current year. The demand transfers to local units of government are projected by the Consensus Revenue Estimating Group to total \$111.0 million in FY 2004. Local Ad Valorem Tax Reduction Fund (LAVTRF) payments are estimated to be \$63.1 million under current law, an increase of \$10.6 million (20.1 percent) from the current year estimate. County and City Revenue Sharing Fund (CCRSF) payments are estimated to total \$47.9 million under current law, an increase of \$14.4 million (43.0 percent) from the current year estimate. **The FY 2004 estimates assume no cap on payment growth. Special revenue fund** payments to local units of government are estimated to total \$23,083,943 in FY 2004, an increase of \$55,100 (2.4 percent) from the current year. Increase are associated with the Local Alcoholic Liquor Fund (\$50,000), the Tax Increment Revenue Financing Replacement Fund (\$5,000), and the Racing Admissions Tax (\$100).

The Governor recommends \$23,083,943 for payments to local units of government, a decrease of \$42,932,268 from the current year recommendation. The FY 2004 recommendation is a decrease of \$110,924,000 (82.8 percent) from the agency FY 2004 estimate. **The Governor** does not recommend payment of the **LAVTRF** or the **CCRSF** transfers during the budget year. **The Governor** concurs with the agency's estimate for other special revenue fund payments to local units of government in FY 2004.

Other Assistance

The agency estimates that **unclaimed property payments** will total \$9,200,000 in FY 2004, an increase of \$200,000 (2.2 percent) from the current year. **The Governor** concurs.

House Budget Committee Recommendation

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

1. The Budget Committee notes that the Treasurer will be a solely fee-funded agency in FY 2004. The Budget Committee expresses its concern about the Governor's recommendation to supplant \$1,475,545 in State General Fund monies with a fee on unclaimed property claims, a fee estimated by the agency at 25 percent and the Governor at 17 percent. The Budget Committee recommends review of the FY 2004 state operations financing for the Treasurer at Omnibus.

House Committee Recommendation

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

House Committee of the Whole Recommendation

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

Senate Subcommittee Report

Agency: State Treasurer

Bill No.

Bill Sec.

Analyst: Calderwood

Analysis Pg. No. Vol. 2-1194

Budget Page No. 419

Expenditure Summary	Agency Request FY 04	Governor's Recommendation FY 04	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 3,771,794	\$ 3,692,298	\$ 0
Aid to Local Units	134,007,943	23,083,943	0
Other Assistance	9,200,000	9,200,000	0
TOTAL	\$ 146,979,737	\$ 35,976,241	\$ 0
State General Fund:			
State Operations	\$ 1,555,041	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 1,555,041	\$ 0	\$ 0
FTE Positions	55.5	55.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	55.5	55.5	0.0

Agency Request/Governor's Recommendation

State Operations

The agency requests a FY 2004 state operations budget of \$3,771,794, which represents an increase of \$44,328 from the current year estimate. The agency FY 2004 budget estimate totals \$146,979,737. Requested State General Fund financing of \$1,555,041 represents an increase of \$8,693 (0.6 percent) from the current year recommendation.

The Governor recommends a FY 2004 state operations budget of \$3,692,298, an increase of \$27,392 from the current year recommendation. The Governor does not recommend any State General Fund support for the agency. The Governor recommends an amount equal to the agency's SGF request to be funded from the Unclaimed Property Expense Fund. The Governor adjusts this request to \$1,475,545 to reflect inclusion of the 5.0 percent reduced resources package, a decrease of \$79,496 from the agency request.

Local Aid

The estimate for payments to local units of government totals \$134,007,943, an increase of \$25,004,364, from the current year. The demand transfers to local units of government are projected by the Consensus Revenue Estimating Group to total \$111.0 million in FY 2004. Local Ad Valorem Tax Reduction Fund (LAVTRF) payments are estimated to be \$63.1 million under current law, an increase of \$10.6 million (20.1 percent) from the current year estimate. County and City Revenue Sharing Fund (CCRSF) payments are estimated to total \$47.9 million under current law, an increase of \$14.4 million (43.0 percent) from the current year estimate. **The FY 2004 estimates assume no cap on payment growth. Special revenue fund** payments to local units of government are estimated to total \$23,083,943 in FY 2004, an increase of \$55,100 (2.4 percent) from the current year. Increase are associated with the Local Alcoholic Liquor Fund (\$50,000), the Tax Increment Revenue Financing Replacement Fund (\$5,000), and the Racing Admissions Tax (\$100).

The Governor recommends \$23,083,943 for payments to local units of government, a decrease of \$42,932,268 from the current year recommendation. The FY 2004 recommendation is a decrease of \$110,924,000 (82.8 percent) from the agency FY 2004 estimate. **The Governor** does not recommend payment of the **LAVTRF** or the **CCRSF** transfers during the budget year. **The Governor** concurs with the agency's estimate for other special revenue fund payments to local units of government in FY 2004.

Other Assistance

The agency estimates that **unclaimed property payments** will total \$9,200,000 in FY 2004, an increase of \$200,000 (2.2 percent) from the current year. **The Governor** concurs.

Senate Subcommittee Recommendation

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

1. The Subcommittee expresses concern with the Governor's FY 2004 recommendation to remove all State General Fund monies from the budgets of a number of statewide elected officials, including the Treasurer. These officials, as public office holders, owe a duty of service to all Kansans, and not all of the responsibilities of each office are well-suited to collection of fees for services performed. The Subcommittee is concerned that the shift to a fee-funded structure might place undue emphasis on only those services which, in effect, generate revenue to operate the agency at the expense of other activities which work to the benefit of a broader segment of the population. In spite of these concerns, the Subcommittee recognizes the pressures on the State General Fund and reluctantly concurs with the recommendation.

2. The Subcommittee believes that any effort to fund this agency or any other agency entirely from a surcharge on unclaimed property claims paid is unrealistic. The state already retains interest from unclaimed property earned during the time the property is held by the state with the principal held in the State General Fund to enhance the cash position of the state. Although the agency administers the Unclaimed Property Fund, it does not receive any interest earned from the fund to offset its administrative expenses. The Subcommittee believes that if the budget were allowed to use interest earnings from the Unclaimed Property Fund to support the operation of the agency that administers the fund, it could, indeed, be self-supporting. The Subcommittee opposes the imposition of any additional fees charged to the owners of property held by the state as a condition of claiming property.
3. Although the Governor's original recommendation reflected the need to replace \$1,475,545 in funding which would have traditionally come from the State General Fund, adjustments proposed by the agency reduce that amount to \$1,253,245. The agency believes that it can achieve \$207,300 in savings through position reallocation to fee funds and additional funding of \$15,000 is available from the Pooled Money Investment Board to more accurately reflect the Board's Information Technology usage.
4. The Subcommittee recommends that consideration be given to the option that the Treasurer and the Division of Accounts and Reports of the Department of Administration be combined under the direction of the Treasurer. The Subcommittee notes the Accounts and Reports FY 2004 reportable budget of \$1,002,879, including \$752,699 in State General Fund monies and 27.0 FTE positions, and the nonreportable FY 2004 budget of \$4,551,503, with 78.0 FTE positions. While additional fees may be required, efficiencies may be achieved in this recommendation. The Subcommittee notes that this option would require the introduction of legislation.

To further explore this option, the Subcommittee will conduct a meeting of the Department of Administration and the Treasurer to discuss the implications of this option. The Subcommittee recommends further review of these funding alternatives at Omnibus.



KANSAS

JACK RICKERSON, DIRECTOR

DEPARTMENT OF ADMINISTRATION
DIVISION OF PERSONNEL SERVICES

KATHLEEN SEBELIUS, GOVERNOR
HOWARD R. FRICKE, SECRETARY

March 13, 2003

The Honorable Steve Morris
Senate Ways and Means Committee
123-S, State Capitol Building
Topeka, KS 66612

Dear Mr. Chairman,

Thank you for the opportunity to meet with you on Monday regarding Senate Bill 50. The following points address the questions raised during our conversation.

1. If this program is established under Section 125 of the internal revenue code it requires that the leave be forfeited or paid out "on or before" the end of the tax year. Under the Section 125 plan, purchased leave cannot be carried over.
2. Employees could cash out their purchased leave at any time, however, all non-elective leave (accumulated vacation leave) would have to be used first under Section 125.
3. There would be no limitation on the increments of leave taken, except exempt FLSA requirements.
4. The State of Kansas cafeteria benefits plan could be amended to either allow the employee to cash out any unused deferred salary at the end of the tax year or have the money returned to the state general fund. Section 125 allows this option for leave purchase programs.

We also briefly discussed pre-tax and after-tax implications. The attached bullet points highlight the primary components of each option. It is our opinion that employees will view the pre-tax option as the greater benefit. Therefore, the attached balloon amendment reflects a Section 125 program.

Please let me know if you have other questions about these issues, I am available at your convenience and can be reached at 296-2541.

Sincerely,

A handwritten signature in black ink that reads "Jack Rickerson".

Jack Rickerson, Director
Division of Personnel Services

Senate Ways and Means
3-17-03
Attachment 3

SB 50 Options

Option 1: Establish the program under Section 125 of the Internal Revenue Code

- Provides a statutory exception to the constructive receipt doctrine.
- Allows employees to purchase vacation leave (elective vacation leave) on a pre-tax basis which will defer taxation until the leave is used rather than when it is accrued.
- Requires that the leave must either be forfeited or paid out “on or before” the end of the tax year. Balances could not be carried forward from year to year.
- Plan document may be written to either allow cash out of unused elective leave or the leave could be forfeited and the funds transferred to the state general fund.
- Elective leave may only be used after all non-elective leave (employer provided accrued leave) has been used. Unless all non-elective leave had been used, elective leave could not be used in a furlough situation
- No limitations on what increments the leave could be used except for exempt FLSA requirements.
- Requires employee to elect to purchase the days prior to the beginning of the Plan Year.

Option 2: Establish the program on an after-tax basis

- No statutory exception to the constructive receipt doctrine. Employees’ taxes increase even though salary is reduced.
- The employee has set aside an amount of money in a non-interest bearing account that has already been taxed to purchase leave at a later point in time. The amount of leave is reduced when the employee earns a higher rate of pay at the time leave is used.
- Leave would be available for an employee to use during any furlough period.
- Does not require the use of accumulated leave prior to the use of purchased leave.
- The employee could cash out their unused leave anytime during the year. Unused purchased leave could be carried over to the new year. This increases the employer’s vacation payout liability.

SENATE BILL No. 50

By Senator Bunten

1-22

AN ACT concerning state employee compensation and benefits; establishing a state employee voluntary leave purchase program; ~~prescribing certain powers and duties for the secretary of administration and the director of accounts and reports.~~

vacation

administration by the secretary of administration under the cafeteria benefits plan; provisions and procedures; amending K.S.A. 75-6512 and repealing the existing section.

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

Section 1. Sections 1 through 4, and amendments thereto shall be known and shall be cited as the state employee voluntary leave purchase program act.

vacation

Sec. 2. As used in this act:

(a) "Director" means the ~~director of accounts and reports.~~

Secretary

(b) "Employee" means any person who is an officer or employee of the state in the classified service or unclassified service under the Kansas civil service act, other than persons who are employed on a seasonal or temporary basis or who are officers or employees whose salary is fixed by statute.

secretary of administration

(c) "Participant" means an eligible employee who has entered into an agreement with the ~~director~~ as provided in section 3, and amendments thereto, to defer an amount of the employee's salary or compensation under the state employee voluntary leave purchase program.

secretary
vacation

(d) "State" means the state of Kansas and any state agency as defined in subsection (3) of K.S.A. 75-3701, and amendments thereto.

(e) "State employee voluntary leave purchase program" means a program developed and approved as provided in this act under which an employee agrees to receive reduced compensation and to set aside a specified amount of salary or compensation which would be otherwise payable to such employee who, subject to the approval of the appointing authority, may be granted up to 10 days of unpaid leave during which such set aside compensation shall be available for withdrawal for use as income by such employee.

Subject to the provisions of appropriations acts, the secretary is hereby authorized to establish and administer a state employee voluntary vacation leave purchase program as part of the cafeteria plan established under K.S.A. 75-6512, and amendments thereto, pursuant to the provisions of section 125 of the federal internal revenue code of 1986 for officers or employees of the state who are qualified to participate in the state health care benefits program. Subject to the provisions of subsection (c) of K.S.A. 75-6512, and amendments thereto, the state employee voluntary vacation leave purchase program shall be in effect and available for eligible employees not later than January 1, 2004. In accordance with this section, the secretary shall establish the provisions and procedures of such plan and shall inform all eligible state officers and employees of such provisions and procedures.

Sec. 3. (a) ~~The director is authorized and directed to establish a state employee voluntary leave purchase program.~~

secretary

(b) The ~~director~~ is authorized to enter into a voluntary agreement with any employee whereby the ~~director~~ agrees to defer and deduct each payroll period a portion of the employee's salary or compensation from

1 the state in accordance with the state employee voluntary leave purchase
 2 program. The ~~director~~ shall be authorized to grant to such employee not
 3 more than 10 days of unpaid leave, subject to approval by the appointing
 4 authority, during the period of the agreement. The appointing authority
 5 shall require use of accumulated ~~annual~~ leave before approval of any such
 6 unpaid leave. Pursuant to this act and such agreements the ~~director~~ is
 7 authorized to ~~deduct~~ amounts authorized in such agreements from the
 8 salary or compensation of such employee each payroll period, ~~as part of~~
 9 ~~the system of regular payroll deduction.~~

10 (c) The minimum amount and the maximum amount which may be
 11 deferred in any one payroll period shall be established by rules and reg-
 12 ulations adopted under section 4, and amendments thereto.

13 (d) Any reduction in compensation for any person pursuant to the
 14 state employee voluntary leave purchase program shall not reduce the
 15 compensation of such person for purposes of the employment security
 16 law, workers compensation act or purposes of determining contributions
 17 and benefits under the Kansas public employees retirement system or
 18 any retirement system administered by the board of trustees of the Kansas
 19 public employees retirement system.

20 ~~(e) The director is hereby authorized to establish a state employee~~
 21 ~~voluntary leave purchase program fund in the state treasury in which shall~~
 22 ~~be placed temporarily all compensation deferred and deducted in ac-~~
 23 ~~cordance with this act, as provided for in any agreement between an~~
 24 ~~employee and the director.~~

25 Sec. 4. The secretary of administration, upon the recommendation
 26 of the director, shall adopt rules and regulations, in the manner provided
 27 in K.S.A. 75-3706, and amendments thereto, for the implementation and
 28 administration of this act. The ~~director~~ shall maintain such accounts and
 29 records as are necessary and appropriate to the efficient operation of this
 30 act.

31 ~~Sec. 5.~~ This act shall take effect and be in force from and after its
 32 publication in the statute book.

vacation
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~~Sec. 5.~~ K.S.A. 75-6512 is hereby amended to read as follows: K.S.A. 75-6512. (a) Subject to the provisions of appropriations acts, the secretary of administration is hereby authorized to establish and administer a cafeteria plan pursuant to the provisions of section 125 of the federal internal revenue code of 1986 which shall be available to persons who are officers or employees of the state and who are qualified to participate in the state health care benefits program and which shall include, but not be limited to, provisions under which such officers and employees may agree to receive reduced compensation and (1) have the state's contribution under K.S.A. 75-6508, and amendments thereto, cover costs of dependent benefit coverage or other benefits under the state health care benefits program which would otherwise be payable by such officers and employees, (2) receive benefits under the state employee dependent care assistance program under K.S.A. 75-6520, and (3) receive benefits under the state employee voluntary vacation leave purchase program pursuant to provisions of

(b) Any reduction in compensation for any person pursuant to any such cafeteria plan shall not reduce the compensation of such person for purposes of the employment security law, workers compensation act or the purposes of determining contributions and benefits under the Kansas public employees retirement system or any retirement system administered by the board of trustees of the Kansas public employees retirement system.

(c) Implementation of any such cafeteria plan and any additions or deletions thereto shall be subject to approval of the secretary of administration to assure adequate data processing resources therefor within the division of information systems and communications of the department of administration.

Sec. 6. K.S.A. 75-6512 is hereby repealed.

Sec. 7.

SB 239 Secretary of State's Office

	FY 2004	FY 2005
Revenue		
Special Revenue Fund	\$ 1,218,991	\$ 1,898,991
State General Fund	(418,991)	(418,991)
Overall	\$ 800,000	\$ 1,480,000
Expenditures		
Special Revenue Funds	\$ 800,000	\$ 1,600,000
State General Fund	(800,000)	(1,600,000)
Overall	\$ 0	\$ 0

Receipts from these publications, the notary fees, and all but \$1 from the annual reports currently go to the State General Fund. SB 239 would allow them to be deposited in the agency's special revenue fund.

	FY 2004 State General Fund	FY 2004 Agency Special Revenue Funds Proposal	FY 2005 State General Fund	FY 2005 Agency Special Revenue Funds Proposal
Selected Secretary of State Fees				
Notary Fees	\$ (150,000)	\$ 150,000	\$ (150,000)	\$ 150,000
Annual Reports	(90,000)	90,000	(90,000)	90,000
Information Fees	-	800,000	-	1,480,000
Publications	(178,991)	178,991	(178,991)	178,991
TOTAL	\$ (418,991)	\$ 1,218,991	\$ (418,991)	\$ 1,898,991
Publications				
Session Laws	\$ (46,869)	\$ 46,869	\$ (46,869)	\$ 46,869
KARs	(71,113)	71,113	(71,113)	71,113
KSAs	(60,982)	60,982	(60,982)	60,982
Journals	(27)	27	(27)	27
TOTAL	\$ (178,991)	\$ 178,991	\$ (178,991)	\$ 178,991

A reduction of one half of State General Fund **expenditures** or \$800,000 for FY 2004 is reflected in the *Governor's Budget Report*, however, the reduced State General Fund **receipts** as proposed in this bill are not. The Governor's Budget Recommendation assumes the agency will be totally fee funded in FY 2005, annualized this would be a \$1.6 million State General Fund reduction in the agency's budget. This bill will allow the agency to raise additional special revenue funds to replace this State General Fund reduction.

RON THORNBURGH
Secretary of State



First Floor, Memorial Hall
120 SW 10th Ave.
Topeka, KS 66612-1594
(785) 296-4564

STATE OF KANSAS

To: Senator Morris, Chair
Senator Adkins, Vice-chair
Ways and Means Committee Members
From: Nancy Bryant, Janet Chubb
Re: SB 239
Date: March 17, 2003

As a result of the corrected fiscal note of March 10, 2003, stating that the SB 239 would have a \$418,991 negative effect upon the state general fund, we request the following amendments to the bill:

- delete all but sections 4, 6 and 8
- amend section 6, line 8, from \$2 to \$1, the current language

The Secretary of State is extremely reluctant to suggest these changes, because the effect upon the fiscal integrity of our programs, particularly the elections and legislative matters program is severe. He believes elections should be funded by SGF, not our business customers.

However, retention of section 4 in SB 239 would allow us to recover part of the SGF we would lose in 2004 and part of the \$1.7 million SGF we would lose in 2005. We realize the committee only is considering the FY 2004 budget, but to ensure stability and fiscal integrity, we must begin to fund 2005 at the end of FY 2004. \$1.7 million dollars is a big hit to our small agency.

The amendment to section 6 would return the annual report fee provision to its current status but put it in statute instead of proviso.

Section 8, providing for publication in the *Kansas Register* will permit us to set the fees, begin the rule and regulation process and restore some of our funding within the next four or five months.

We urge the committee's favorable consideration of SB 239 and these amendments.

Senate Ways and Means
3-17-03
Attachment 5

Secretary of State					
Draft--Possible FY 04 Fee Increases					
March 17, 2003					
Division/Activity	Apprx Number of Annual Filings	Current Charge	New Fee	Current Charge + New Fee	Revenue from New Fee
Administration					
Apostille	5,400	\$ 5.00	\$ 5.00	\$ 10.00	\$ 27,000.00
Athlete agent	5	\$ 1,000.00	\$ 15.00	\$ 1,015.00	\$ 75.00
Authentication	3,500	\$ 5.00	\$ 5.00	\$ 10.00	\$ 17,500.00
Health care card provider	5	\$ 250.00	\$ 15.00	\$ 265.00	\$ 75.00
Labor union agent (business agent) filing	246	\$ 12.50	\$ 5.00	\$ 17.50	\$ 1,230.00
Notary	15,000	\$ 10.00	\$ 5.00	\$ 15.00	\$ 75,000.00
Summons	125	\$ 40.00	\$ 5.00	\$ 45.00	\$ 625.00
Administration Total					\$ 121,505.00
Business Entities					
<i>Initial Filings:</i>					
Articles - for profit	4,329	\$ 75.00	\$ 5.00	\$ 80.00	\$ 21,645.00
Articles - not for profit	865	\$ 20.00	\$ -	\$ 20.00	\$ -
Foreign application	1,662	\$ 100.00	\$ 5.00	\$ 105.00	\$ 8,310.00
Professional association	216	\$ 75.00	\$ 5.00	\$ 80.00	\$ 1,080.00
Domestic limited partnership	723	\$ 150.00	\$ 5.00	\$ 155.00	\$ 3,615.00
Foreign limited partnership	108	\$ 150.00	\$ 5.00	\$ 155.00	\$ 540.00
Business trust partnership	0	\$ 50.00	\$ 3.00	\$ 53.00	\$ -
Domestic limited liability company	5,031	\$ 150.00	\$ 5.00	\$ 155.00	\$ 25,155.00
Foreign limited liability company	749	\$ 150.00	\$ 5.00	\$ 155.00	\$ 3,745.00
General partnership	47	\$ 20.00	\$ 5.00	\$ 25.00	\$ 235.00
Limited liability partnership	112	\$ 150.00	\$ 5.00	\$ 155.00	\$ 560.00
Name reservation	835	\$ 20.00	\$ 1.00	\$ 21.00	\$ 835.00
Warehouse bonds	32	\$ 25.00	\$ 1.00	\$ 26.00	\$ 32.00
Trademarks/service marks	440	\$ 25.00	\$ 1.00	\$ 26.00	\$ 440.00
Consent to jurisdiction	100	\$ 20.00	\$ 1.00	\$ 21.00	\$ 100.00
<i>Subsequent Filings:</i>					
Amendments	5,226	\$ 20.00	\$ 4.00	\$ 24.00	\$ 20,904.00
Dissolutions/cancellations	1,170	\$ 20.00	\$ 4.00	\$ 24.00	\$ 4,680.00
Revoc of voluntary dissolution	2	\$ 20.00	\$ 4.00	\$ 24.00	\$ 8.00
Withdrawal	480	\$ 20.00	\$ 4.00	\$ 24.00	\$ 1,920.00
Merger or consolidation	382	\$ 20.00	\$ 4.00	\$ 24.00	\$ 1,528.00
Reinstatement	6,057	\$ 20.00	\$ 4.00	\$ 24.00	\$ 24,228.00
<i>Domestic Annual Reports:</i>					
For profit corporation	41,559	\$40.00-\$5,000	\$ 5.00	\$45.00-\$5,005	\$ 207,795.00
Not for profit corporation	12,623	\$40.00	\$ -	\$ 40.00	\$ -
Professional association	2,444	\$40.00-\$5,000	\$ 5.00	\$45.00-\$5,005	\$ 12,220.00
Limited partnership	1,930	\$40.00-\$5,000	\$ 5.00	\$45.00-\$5,005	\$ 9,650.00
Business trust	4	\$40.00-\$5,000	\$ 5.00	\$45.00-\$5,005	\$ 20.00
Limited liability company	16,355	\$40.00-\$5,000	\$ 5.00	\$45.00-\$5,005	\$ 81,775.00
Limited liability partnership	245	\$40.00-\$5,000	\$ 5.00	\$45.00-\$5,005	\$ 1,225.00

Division/Activity	Apprx Number of Annual Filings	Current Charge	New Fee	Current Charge + New Fee	Revenue from New Fee
<i>Foreign Annual Reports:</i>					
For profit corporation	11,754	\$40.00-\$5,000	\$ 5.00	\$45.00-\$5,005	\$ 58,770.00
Not for profit corporation	477	\$40.00	\$ 5.00	\$45.00	\$ 2,385.00
Limited partnership	622	\$40.00-\$5,000	\$ 5.00	\$45.00-\$5,005	\$ 3,110.00
Business trust	36	\$40.00-\$5,000	\$ 5.00	\$45.00-\$5,005	\$ 180.00
Limited liability partnerships	46	\$40.00-\$5,000	\$ 5.00	\$45.00-\$5,005	\$ 230.00
Limited liability company	2,172	\$40.00-\$5,000	\$ 5.00	\$45.00-\$5,005	\$ 10,860.00
<i>Miscellaneous:</i>					
Penalties	5,628	\$ 75.00	\$ 5.00	\$ 80.00	\$ 28,140.00
Certified copies	2,100	\$ 7.50	\$ 2.50	\$ 10.00	\$ 5,250.00
Certificate of good standing	14,166	\$ 7.50	\$ 7.50	\$ 15.00	\$ 106,245.00
Certified business entity history	48	\$ 7.50	\$ 2.50	\$ 10.00	\$ 120.00
Certificate of fact	264	\$ 7.50	\$ 7.50	\$ 15.00	\$ 1,980.00
Letter of status	408	\$ 5.00	\$ 1.00	\$ 6.00	\$ 408.00
Business Entity Total					\$ 649,923.00
Elections & Legislative Matters					
<i>Candidate Filings/Campaign Finance Report Fee: (numbers based on last election and rounded to a minimum of \$1)</i>					
U.S. Senator (2 for 6 yrs)	1	\$ 1,451.00	\$ 25.00	\$ 1,476.00	\$ 25.00
U.S. Representative (9 for 2 yrs)	5	\$ 1,451.00	\$ 25.00	\$ 1,476.00	\$ 112.50
Governor/Lt. Governor (5 for 4 yrs)	1	\$ 1,225.00	\$ 25.00	\$ 1,250.00	\$ 31.25
Attorney General (4 for 4 yrs)	1	\$ 853.00	\$ 20.00	\$ 873.00	\$ 20.00
Secretary of State (2 for 4 yrs)	1	\$ 742.00	\$ 20.00	\$ 762.00	\$ 10.00
State Treasurer (3 for 4 yrs)	1	\$ 742.00	\$ 20.00	\$ 762.00	\$ 20.00
Insurance Commissioner (4 for 4 yrs)	1	\$ 742.00	\$ 20.00	\$ 762.00	\$ 20.00
State Senator (105 for 4 yrs)	26	\$ 70.00	\$ 20.00	\$ 90.00	\$ 525.00
State Representative (226 for 2 yrs)	113	\$ 50.00	\$ 20.00	\$ 70.00	\$ 2,260.00
District Attorney (9 for 4 yrs)	2	\$ 973.00	\$ 20.00	\$ 993.00	\$ 45.00
District Judge (55 for 2 yrs)	28	\$ 973.00	\$ 20.00	\$ 993.00	\$ 550.00
District Magistrate Judge (31 for 2 yrs)	16	\$ 100.00	\$ 10.00	\$ 110.00	\$ 155.00
Presidential Preference Primary	0	\$ 100.00	\$ 10.00	\$ 110.00	\$ -
State Board of Education (11 for 4 yrs)	3	\$ 25.00	\$ 5.00	\$ 30.00	\$ 13.75
<i>Lobbyists:</i>					
Lobbyist Filing w/1 badge	1,000	\$ 35.00	\$ 5.00	\$ 40.00	\$ 5,000.00
Elections & Leg Matters Total					\$ 8,787.50
AGENCY TOTAL					\$ 780,215.50

Home Address:
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TOPEKA, KANSAS 66611
(785) 266-6514

Capitol Office:
STATE CAPITOL, ROOM 460-E
TOPEKA, KANSAS 66612
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SENATOR BILL BUNTEN

COMMITTEE ASSIGNMENTS:

Member: COMMERCE
EDUCATION
LEGISLATIVE POST AUDIT
WAYS AND MEANS

**TESTIMONY
ON
SB 49**

**SENATE WAYS AND MEANS COMMITTEE
March 17, 2003**

Mr. Chairman and members of the Committee:

Thank you for this opportunity to testify in support of SB 49.

Mr. Jim Cates is a businessman, a former County chairman of the Shawnee County Republican Party, a former member of the House of Representatives and the Kansas Senate, and a very popular radio talk show host on KMAJ radio in Topeka. He is on the air for three hours each week day morning and has that time periods most popular show in the city.

Mr. Cates is a fiscal conservative who, during his terms in the House and Senate, was cautious in his support of increased spending and unsympathetic toward increased taxes.

His efforts to be frugal are well remembered by House members, and his efforts to save tax dollars are recalled by many former members as well.

This bill before you today was first introduced in the House by Representative Cates in the mid 90's as an effort to encourage fiscal responsibility by state employees and to reward them for judicious management of their agencies appropriations.

It's provisions, simply stated, provide that if an agency does not spend all of its appropriation, then 90% of the amount saved is returned to the fund from which the appropriation was made, and 10% is distributed as bonuses to the agencies employees. No bonus may exceed 10% of an employees salary and the bonuses are

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distributed according to the percentage of an individuals salary to the agencies total salaries.

Ways and Means members know well that spending rises as the fiscal year ends since the non-spending of an agencies budget signals the legislature that a reduction in spending may be warranted. The result is that the money is spent, not saved.

This bill would encourage frugal management of agency appropriations because it rewards employees who avoid unnecessary spending. Additionally, rather than no savings, 90% of unspent appropriations are retained in the state treasury.

Bill Buntten

Good morning,

My name is Jim Cates. I currently am a talk show host employed by AM 1440 KMAJ radio. I have hosted a talk show in Topeka for the past five years.

Several years ago I had the privilege of serving in the Senate for a brief period, and served two terms in the House.

I learned how to deal with rejection and frustration while serving in the legislature, as I can't remember authoring anything that passed. So I hope I'm not jinxing Senate Bill 49 by standing before you and asking for its passage. Wasteful government spending has been, and continues to be, a challenge.

Several people will blame some of the programs passed that have a sizable fiscal note, while others blame government employees. The bottom line is we have created a system that encourages wasteful government spending.

When a department or agency is assigned a budget, our current system encourages our state employees to spend all monies given, and penalizes rather than rewards a department for returning money to the general fund.

For example we have all witnessed new carpet, new furniture, out-of-state trips, computer upgrades—all toward the end of the fiscal year if there is money left to spend. The fear is that next year's budget will be *reduced* if money is returned to the state. This is not the fault of our state employees. The blame rests with the system we have created.

We can solve this problem by taking a concept that has worked in the private sector: by rewarding our state employees that return unused monies to the state, resulting in significant savings, money that can be returned to our taxpayers or money that can be used to fund other needs. The idea is a simple one.

For example, if a department is assigned a \$1 million budget, and the department only spends \$900,000, that will leave \$100,000 unspent; 90% of the leftover money could be returned to the general fund, and the remaining 10% could be used to reward our employees with a year-end bonus, for making government more cost-efficient. Bonuses could be limited to no more than 10% of an employee's salary. A \$5000 bonus to an employee making \$50,000 and a \$2000 bonus to an employee making \$20,000 should provide the inducement for all employees to look for ways to cut needless spending.

Passage of Senate Bill 49 should prove to be a win-win for everyone. Our state employees will benefit as a result of their year-end bonuses. Our taxpayers benefit as a result of the reduction of government spending. Our citizens in need benefit because more will be available to fund needed programs. Will this work in all areas of government? Possibly not, but it will work in enough areas for all to reap the rewards of a streamlined cost-efficient government.

I urge the passage of Senate Bill 49.

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