

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Stephen Morris at 10:35 a.m. on February 17, 2004, in Room 123-S of the Capitol.

All members were present.

Committee staff present:

J. G. Scott, Chief Fiscal Analyst, Kansas Legislative Research Department
Michele Alishahi, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Jill Wolters, Senior Assistant, Revisor of Statutes
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

None

Others attending:

See Attached List.

Bill Introductions

Senator Downey moved, with a second by Senator Helgerson, to introduce a bill concerning physical therapy (3rs 1945). Motion carried on a voice vote.

Senator Helgerson moved, with a second by Senator Downey, to introduce a bill regarding a Developmental disabilities institutions closure commission (3rs1981). Motion carried on a voice vote.

Senator Barone moved, with a second by Senator Downey, to introduce a conceptual bill requested by Senator Corbin regarding sales tax remittance credit, income tax credit, waiver of penalty and time for returns and payment of tax. Motion carried on a voice vote.

Copies of the Kansas Legislative Research Department Budget Analysis Report for FY 2004 and FY 2005 were available to the committee.

Subcommittee reports on:

State Board of Tax Appeals (Attachment 1)

Subcommittee Chairman Schodorf reported that the subcommittee on the State Board of Tax Appeals concurs with the Governor's recommendation in FY 2004 with notations and concurs with the Governor's FY 2005 recommendations with adjustments and notations.

Senator Schodorf moved, with a second by Senator Helgerson, to adopt the subcommittee budget report on the State Board of Tax Appeals in FY 2004 and FY 2005. Motion carried on a voice vote.

Kansas Department of Commerce Kansas Technology Enterprise Corporation (KTEC) Kansas, Inc. (Attachment 2)

Subcommittee Chairman Kerr reported that the subcommittee on the Kansas Department of Commerce concurs with the Governor's recommendation in FY 2004 and concurs with the Governor's FY 2005 recommendations with adjustments and comments.

CONTINUATION SHEET

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE at 10:35 a.m. on February 17, 2004, in Room 123-S of the Capitol.

Senator Kerr moved, with a second by Senator Helgerson, to adopt the subcommittee budget report on the Kansas Department of Commerce in FY 2004 and FY 2005. Motion carried on a voice vote.

Subcommittee Chairman Kerr reported that the subcommittee on Kansas, Inc., concurs with the Governor's recommendation in FY 2004 with an exception and concurs with the Governor's FY 2005 recommendations with exceptions and notations.

Senator Downey moved, with a second by Senator Helgerson, to add language in Item No. 3, FY 2005, to recognize the efforts Kansas, Inc. has made in partnership with the University of Kansas Policy Center for a study to provide an another piece of information regarding the status of Kansas businesses. Motion carried on a voice vote.

Senator Kerr moved, with a second by Senator Jackson, to adopt the subcommittee budget report on Kansas, Inc., in FY 2004 and FY 2005 as amended. Motion carried on a voice vote.

Subcommittee Chairman Kerr reported that the subcommittee on Kansas Technology Enterprise Corporation concurs with the Governor's recommendation in FY 2004 and concurs with the Governor's FY 2005 recommendations with exceptions and comments.

Senator Kerr, with a second by Senator Helgerson, to adopt the subcommittee budget report on Kansas Technology Enterprise Corporation in FY 2004 and FY 2005. Motion carried on a voice vote.

Copies of the Economic Development Initiatives Fund (EDIF), Senate Ways and Means Committee Adjustments, Reflects Committee Action through February 16, 2004 (Attachment 3) and the Economic Development Initiatives Fund, Senate Subcommittee on Commerce, Kansas Inc., and KTEC Adjustments to the Governor's Recommendation (Attachment 4).

Kansas Lottery

Kansas Racing and Gaming Commission (Attachment 5)

Subcommittee Chairperson Schodorf reported that the subcommittee on the Kansas Lottery concurs with the Governor's recommendation in FY 2004 with observations and concurs with the Governor's FY 2005 recommendations with exceptions.

Senator Downey moved, with a second by Senator Jackson, to transfer \$2,000,000 of the approximately \$4.4 million additional revenue for SGRF in FY 2004 on or before July 15, 2004 to the Economic Development Initiatives Fund and tag for Wichita State University for NIAR. Motion carried on a voice vote.

Senator Barone moved, with a second by Senator Schodorf, to adopt the subcommittee budget report on the Kansas Lottery in FY 2004 and FY 2005 as amended. Motion carried on a voice vote.

Subcommittee Chairperson Schodorf reported that the subcommittee on the Kansas Racing and Gaming Commission concurs with the Governor's recommendation in FY 2004 with an adjustment and concurs with the Governor's FY 2005 recommendations with adjustments.

Senator Salmans moved, with a second by Senator Bunten, to amend the subcommittee report on the Kansas Racing and Gaming Commission to re-introduce **SB 6**. Motion failed on a voice vote.

Senator Schodorf moved, with a second by Senator Jordan, to adopt the subcommittee budget report on the Kansas Racing and Gaming Commission in FY 2004 and FY 2005. Motion carried on a voice vote.

The meeting adjourned at 11:50 a.m. The next meeting is scheduled for February 18, 2004.

FY 2004-FY 2005

Ways and Means Subcommittee Report

Board of Tax Appeals



Senator Jean Schodorf, Chairperson



Senator Henry M. Helgerson

Senate Ways and Means
2-17-04
Attachment 1

Senate Subcommittee Report

Agency: State Board of Tax Appeals **Bill No.** **Bill Sec.**
Analyst: Alishahi **Analysis Pg. No.** **Budget Page No. 69**

Expenditure Summary	Agency Estimate FY 04	Governor's Recommendation FY 04	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 1,524,630	\$ 1,524,630	\$ 0
Other Funds	130,058	130,058	0
TOTAL	\$ 1,654,688	\$ 1,654,688	\$ 0
FTE Positions	26.0	26.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	26.0	26.0	0.0

Agency Estimate/Governor's Recommendation

The **agency's** estimate for FY 2004 operating expenditures of \$1,654,688 is an increase of \$61,156 (3.8 percent) from the approved budget. The State General Fund estimate of \$1,524,630 is an increase of \$285,938 (23.1 percent) from the approved amount. The agency's estimate includes a supplemental request totaling \$200,000 from the State General Fund.

The **Governor's** recommendation for FY 2004 operating expenditures of \$1,654,688 is an increase of \$61,156 (3.8 percent) from the approved budget. The State General Fund recommendation of \$1,524,630 is an increase of \$285,938 (23.1 percent) from the approved amount. The Governor's recommendation includes the supplemental request totaling \$200,000 from the State General Fund; and is consistent with the agency's FY 2004 estimate.

Senate Subcommittee Recommendation

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

1. The Senate Subcommittee understands that the newly established Board of Tax Appeals Filing Fee Fund is not projected to generate the \$300,000 in revenue for FY 2004 set forth by the 2003 Legislature. It was brought to the attention of the Senate Subcommittee that year to date the agency has collected approximately \$44,835 in fees. The agency estimates that an additional \$44,835 in fees will also be collected in the remaining five months of FY 2004. The Senate Subcommittee understands that the Filing Fee Fund will generate approximately \$89,670 for the current fiscal year, which is \$210,330 less than the anticipated target of \$300,000 approved by the 2003 Legislature. The Senate Subcommittee was informed that HB 2005 gave the Board the authority to administer, through rules and regulations, filing fees for certain types of cases filed with the agency's Regular Division, and exempted single family residential property from filing fees

and limited the fee for not-for-profit organizations to \$10 or less for property with a valuation of \$100,000 or less. In addition, it was brought to the attention of the Senate Subcommittee that, although it is not included in the statute, the Board exempted agricultural lands from filing fees as well. The Senate Subcommittee understands that it is difficult to estimate the amount of filing fees that may be generated because of the number of cases filed each year vary. The Senate Subcommittee also appreciates the agency's concern that raising fees too high will prevent people from appealing their cases. However, the Senate Subcommittee recommends that the agency increase its filing fees and add fees to properties that it chose not to charge a filing fee, such as for agricultural lands, with the intention that such efforts will assist the agency in generating more revenue for the Filing Fee Fund.

The Senate Subcommittee also notes that the Legislature and the Governor expects the agency to raise approximately \$300,000 or 20.0 percent of the funds necessary to finance its operations through special revenue funds. The Senate Subcommittee feels that the filing fees should be based on the costs of the agency and set at a level that will generate the required amount. The Senate Subcommittee therefore recommends that legislation be introduced to change the exemptions placed on the filing fees schedule in order to enable the Filing Fee Fund to generate the \$300,000 in revenue anticipated by the Legislature and the Governor.

In addition, the Senate Subcommittee was informed that there have been instances when individuals have refused to pay fees once their cases have been filed or have filed a protest in response for having to pay fees. The Senate Subcommittee strongly expresses the opinion that when legislators and the general public object to the idea that there should be any fee at all for an appealing evaluation, to the point where some people have protested a small \$2.00 fee for their evaluation, they affect the agency's ability to raise revenue and is part of the reason why it is necessary to increase the fee schedule. The Senate Subcommittee feels that the filing fees are reasonable for all people and that charging fees is a prudent and appropriate means of raising revenue for the agency.

2. The Senate Subcommittee notes that, although the Filing Fee Fund has not generated the \$300,000 expected for FY 2004, the agency will have enough revenue for operating expenditures as long as it receives the \$200,000 State General Fund supplemental request recommended by the Governor. The Senate Subcommittee was given a breakdown of the \$200,000 supplemental request. The agency intends to utilize \$145,000 for salaries, \$35,000 for Small Claims hearing officers, and \$20,000 for rent.
3. The Senate Subcommittee acknowledges the agency's office space dilemma. The Senate Subcommittee was informed that the agency vacated 1,800 square feet of office space in the Docking State Office Building with the understanding that the Department of Revenue, Division of Property Valuation would take over the unoccupied area. However, currently, the agency continues to have control over the area and is paying rent on it, even though it does not utilize the office space. The Senate Subcommittee feels that it is not right for the agency to pay \$20,300 per year in rent for 1,800 square feet of office space that it is not currently occupying, especially when the agency is struggling to raise funds through its filing fees. The Senate Subcommittee strongly recommends the agency get a written commitment from the Division of Property Valuation to take over the office space. The Senate Subcommittee also recommends the agency send a letter to the Department of Administration to inform them that the agency

does not need the office space, that it has been vacated, and that it is ready for the Division of Property Valuation to take over the space. Finally, the Senate Subcommittee recommends the agency request a response from the Department of Administration as soon as possible.

4. The Senate Subcommittee notes that even though the agency's workload has remained fairly constant, its number of FTE positions has decreased from 37.0 in FY 1999 to 26.0 in FY 2004. In addition, the agency had four vacant FTE positions in FY 2003 and has five vacant FTE positions in FY 2004 that have not been filled due to a lack of funding. The Senate Subcommittee was informed that recently the agency learned that two additional employees will be leaving the agency. The Senate Subcommittee understands that the agency will have 19.0 FTE positions filled and 7.0 FTE positions vacant in the near future; and that the agency has decided to wait and see how its budget hearings progress before it decides whether to fill the two vacant positions.

The Senate Subcommittee notes that the agency has cross-trained its staff members to work in the Regular and the Small Claims Divisions; and that the agency has changed several of its internal processes to make better use of its staff and resources. The Senate Subcommittee recognizes the agency's effort to operate more efficiently and its ability to handle a steady workload with a reduced staff. However, the Senate Subcommittee also realizes that the agency is at a point where some of its processes have slowed down due to a decrease in staff. The Senate Subcommittee was made aware that the agency is not reviewing tax exemption applications as quickly as it had in the past. The agency also foresees problems keeping pace with docketing and scheduling of small claims during the small claims busy season of May, June, July, and early August.

5. The Senate Subcommittee understands that the agency's files from 1997 to 1999 have been closed and are ready to be microfilmed. The Senate Subcommittee was informed that in the past the agency contracted with Norton Correctional Facility for microfilming. Norton Correctional Facility estimates that it will cost approximately \$115,000 to microfilm the files from 1997 to 1999. The Senate Subcommittee notes that the Department of Revenue estimates that it can do the microfilming for \$38,000 to \$50,000. The Senate Subcommittee realizes that the agency does not have the funds to microfilm the files at this time, but will do so at the end of the fiscal year if it has the revenue. The Senate Subcommittee recommends the agency utilize the less expensive services offered by the Department of Revenue in microfilming the closed files.
6. The Senate Subcommittee recognizes that the 2003 Legislature lapsed \$100,000 from the agency's FY 2003 budget in anticipation that two board members would be eliminated in January 2003. The Senate Subcommittee was made aware that the two board members were not eliminated until May 22, 2003 and that no funds were reinstated to cover the salaries of the two board members from January to May 22, 2003. The Senate Subcommittee understands that the agency paid the two board members a total of \$112,938, and consequently had to defer until FY 2004 payment of \$43,584 rent owed to the Department of Administration for FY 2003.

Senate Subcommittee Report

Agency: State Board of Tax Appeals

Bill No.

Bill Sec.

Analyst: Alishahi

Analysis Pg. No.

Budget Page No. 69

Expenditure Summary	Agency Estimate FY 05	Governor's Recommendation FY 05	Senate Subcommittee Adjustments*
Operating Expenditures:			
State General Fund	\$ 1,262,779	\$ 1,294,199	\$ (31,694)
Other Funds	300,628	293,214	0
TOTAL	\$ 1,563,407	\$ 1,587,413	\$ (31,694)
FTE Positions	26.0	26.0	26.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	26.0	26.0	26.0

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

Agency Estimate/Governor's Recommendation

The **agency's** request for FY 2005 operating expenditures of \$1,563,407 is a decrease of \$91,281 (5.5 percent) from the FY 2004 estimate. The State General Fund request of \$1,262,779 is a decrease of \$261,851 (17.2 percent) from the FY 2004 estimate.

The **Governor's** recommendation for FY 2005 operating expenditures of \$1,587,413 is a decrease of \$67,275 (4.1 percent) from the FY 2004 recommendation. The State General Fund recommendation of \$1,294,199 is a decrease of \$230,431 (15.1 percent) from the FY 2004 recommendation. The Governor recommends a 3.0 percent base salary increase of \$31,694 from the State General Fund, and a BEST reduction of \$7,688 in contractual services, commodities, and capital outlay. The Governor's recommendation is \$24,006 (1.5 percent) more than the agency's FY 2005 request.

Under the Governor's FY 2005 **statutory budget** recommendation, the Governor's recommendation for the agency's budget would have to be reduced by an additional \$191,673 State General Fund.

Senate Subcommittee Recommendation

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

1. **Pay Plan Adjustment** - Delete \$31,694 from the State General Fund, to remove pay plan funding recommended by the Governor (a 3.0 percent base salary adjustment for all state employees) for consideration in a separate bill.

2. The Senate Subcommittee notes that the Governor's recommendation reflects the 2003 Legislature's original estimate that the Filing Fee Fund will generate approximately \$300,000 for the budget year. It was brought to the attention of the Senate Subcommittee that the agency anticipates the filing fees to generate approximately \$125,000 for FY 2005. The Senate Subcommittee understands that the agency's rent increased by \$36,000 beginning in FY 2004; and that the agency may not have the necessary funds in FY 2005 to cover the additional \$36,000 in rent. The Senate Subcommittee was made aware that if the Filing Fee Fund does not generate the anticipated amount for FY 2005, the agency will need a supplemental request for \$200,000 from the State General Fund. However, the Senate Subcommittee hopes that the introduction and possible passage of legislation that will enable the agency to change its filing fee schedule will allow the agency to collect enough revenue in the Filing Fee Fund to meet FY 2005 operating expenditures without a supplemental request.
3. The Senate Subcommittee understands that Sedgewick County is considering abolishing its Hearing Officer Panel. The Senate Subcommittee was made aware that the elimination of the Hearing Officer Panel will increase the number of appeals in the agency's Small Claims Division by approximately 1,500 to 2,000 and possibly even more. The Senate Subcommittee realizes that if the Hearing Officer Panel is abolished in Sedgewick County, it will result in an added expense for the agency.

Senate Ways and Means Subcommittee Reports

on

Department of Commerce

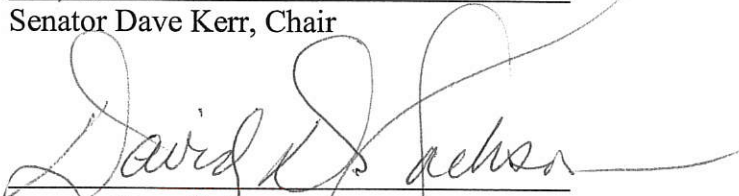
Kansas Technology Enterprise Corporation (KTEC)

Kansas, Inc.

FY 2004 and FY 2005



Senator Dave Kerr, Chair



Senator Dave Jackson



Senator Henry Helgersen

Senate Subcommittee Report

Agency: Department of Commerce

Bill No.

Bill Sec.

Analyst: Kannarr

Analysis Pg. No. Vol. I, 634 **Budget Page No.** 87

Expenditure Summary	Agency Estimate FY 2004	Governor's Recommendation FY 2004	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 11,490,044	\$ 11,490,044	\$ 0
Aid to Local Units	26,272,549	26,272,549	0
Other Assistance	25,737,189	25,737,189	0
TOTAL	\$ 63,499,782	\$ 63,499,782	\$ 0
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0
FTE Positions	108.5	108.5	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	109.5	109.5	0.0

Agency Estimate/Governor's Recommendation

The **agency** estimate for FY 2004 of \$63,499,782 is an increase of \$7,069,230, 12.5 percent, from the amount approved by the 2003 Legislature. The estimated expenditures from the Economic Development Initiatives Fund (EDIF) are an increase of \$608,509 from the approved budget. The EDIF request includes a re-appropriation of \$538,551.

The **Governor** concurs with the agency estimate for FY 2004.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Department of Commerce

Bill No.

Bill Sec.

Analyst: Kannarr

Analysis Pg. No. Vol. I, 634

Budget Page No. 87

Expenditure Summary	Agency Request FY 2005	Governor's Recommendation FY 2005	Senate Subcommittee Adjustments*
All Funds:			
State Operations	\$ 11,368,062	\$ 13,804,036	\$ (1,244,450)
Aid to Local Units	25,512,549	25,663,727	0
Other Assistance	19,277,346	19,359,100	0
TOTAL	\$ 56,157,957	\$ 58,826,863	\$ (1,244,450)
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0
FTE Positions	108.5	108.5	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	108.5	108.5	0.0

*Includes a reduction of \$144,450, including \$121,731 from the Economic Development Initiatives Fund for deletion of the Governor's recommended pay plan adjustments.

Agency Request/Governor's Recommendation

The **agency** requests a budget of \$56,157,957 for FY 2005, a decrease of \$7,341,825, 11.6 percent, from the FY 2004 estimate. The request includes \$13,798,476 from the EDIF, a decrease of \$363,577, 2.6 percent, from the FY 2004 estimate. The agency requests one enhancement of \$126,000 from the EDIF.

The **Governor** recommends FY 2005 operating expenditures of \$58,826,863 including \$16,368,030 from the EDIF. The recommendation is a decrease of \$4,672,919, 7.4 percent, from the FY 2004 recommendation and an increase of \$2,668,906, 4.8 percent, above the agency request. Included in the recommendation is funding for the requested enhancement package (\$126,000), additional funding for the Governor's Economic Revitalization Plan (\$2,910,000), reductions for Budget Efficiency and Savings Teams recommendations (\$140,228) and reduction for a portion of the agency's reduced resource package (\$245,316).

Senate Subcommittee Recommendation

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

1. **Pay Plan Adjustment**—Delete \$144,450, including \$121,731 from the Economic Development Initiatives Fund, to remove pay plan funding recommended by the Governor (a 3.0 percent base salary adjustment for all state employees) for consideration in a separate bill.
2. **State Brand and Image**—Delete \$1,900,000 EDIF from the Governor's recommendation of \$2,100,000 EDIF for a State Brand and Image enhancement as part of the Economic Revitalization Package for this agency. The remaining \$200,000 allows the agency to begin planning efforts. The Subcommittee recommends the agency return to the Legislature with a comprehensive design for implementation of the new brand and image concept developed during the planning phase. The design should include detailed estimates for future spending needs. After the agency presents an acceptable plan, presumably next session, financing for the implementation will be considered.
3. **Kansas Center for Entrepreneurship**—Add \$800,000 EDIF for funding of the Kansas Center for Entrepreneurship created by 2004 S.B. 393 currently under consideration. Of this amount, \$300,000 is intended to help fund a contract to operate the Center. The remaining \$500,000 is intended as seed money for the Kansas Community Entrepreneurship Fund with the understanding that it will be used to encourage foundation and federal investments. The Subcommittee is encouraged that the bill, in its current form, contains a requirement that Kansas, Inc. perform an evaluation of the effectiveness of this initiative after three years. The Subcommittee has been informed that Kansas, Inc. intends to develop an evaluation plan at the outset of the program to ensure that mechanisms are in place to provide information for the evaluation.
4. **BEST Transfers from the EDIF**—Although it makes no changes to the BEST transfers, the Subcommittee strongly disagrees with the policy of transferring funds intended for the specific purpose of economic development to the State General Fund to be used for other purposes. However, the Subcommittee believes this agency has enough internal flexibility to accommodate such transfers without interfering with the performance of its mission.
5. **Economic Growth Act**—The Subcommittee discussed the importance of the Economic Growth Act, 2004 HB 2647, currently under consideration. The Subcommittee notes that the funding mechanism in this bill represents a significant policy shift in that it returns future revenues generated by the bioscience industry to the industry to support future growth. The Subcommittee urges members of the Senate Ways and Means Committee to seriously consider the implications and effects of this legislation on future state revenues and financing decisions as it proceeds through the Legislative process.

Senate Subcommittee Report

Agency: Kansas, Inc. **Bill No.** **Bill Sec.**
Analyst: Kannarr **Analysis Pg. No.** Vol. I , 665 **Budget Page No.** 281

<u>Expenditure Summary</u>	<u>Agency Estimate FY 2004</u>	<u>Governor's Recommendation FY 2004</u>	<u>Senate Subcommittee Adjustments*</u>
All Funds:			
State Operations	\$ 448,985	\$ 448,985	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 448,985	\$ 448,985	\$ 0
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0
FTE Positions	4.0	4.0	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	5.0	5.0	0.0

* Although there is no total expenditure change, the Subcommittee recommendation adds \$40,000 EDIF to partially restore a lapse and decreases funding from other funds.

Agency Estimate/Governor's Recommendation

The **agency** requests FY 2004 funding of \$448,985, a decrease of \$4,703, or 1.0 percent, from the amount approved by the 2003 Legislature. The requested funding is an increase of \$88,801, or 24.7 percent, from FY 2003. The requested EDIF expenditures are \$243,985, a decrease of \$7,516 from actual FY 2003 expenditures. Spending from other agency resources is increased to compensate for the decrease in EDIF.

The **Governor** concurs with the agency estimate for total expenditures but shifts funding of \$40,303 from the EDIF to other agency funds and lapses the EDIF amount re-appropriated from FY 2003.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following exception:

1. Add \$40,000 EDIF to substantially restore the lapse of \$40,303 recommended by the Governor, and reduce expenditures from other funds by the same amount.

Senate Subcommittee Report

Agency: Kansas, Inc. **Bill No.** **Bill Sec.**
Analyst: Kannarr **Analysis Pg. No.** Vol. I, 665 **Budget Page No.** 281

<u>Expenditure Summary</u>	<u>Agency Request FY 2005</u>	<u>Governor's Recommendation FY 2005</u>	<u>Senate Subcommittee Adjustments*</u>
All Funds:			
State Operations	\$ 433,588	\$ 441,435	\$ 89,700
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 433,588	\$ 441,435	\$ 89,700
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0
FTE Positions	4.0	4.0	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	5.0	5.0	0.0

* Includes a reduction of \$10,300, including \$5,752 from the Economic Development Initiatives Fund for deletion of the Governor's recommended pay plan adjustments.

Agency Request/Governor's Recommendation

The **agency** requests expenditures of \$433,588, a decrease of \$15,397, or 3.4 percent, from the revised FY 2004 request. Economic Development Initiatives Fund (EDIF) expenditures of \$210,154, are a decrease of \$33,311, or 13.7 percent, from FY 2004. Spending from the agency's private account is increased to compensate for decreased EDIF expenditures. The agency makes no enhancement request.

The **Governor** recommends expenditures of \$441,435, including \$215,906 from the EDIF. The recommendation is an overall increase of \$7,847 from the agency request and an EDIF increase of \$5,752, or 2.7 percent. The recommendation includes the agency base budget request, the addition of \$10,300 for salary plan adjustments and a reduction of \$2,453 for BEST recommendations from agency special revenue funds.

Senate Subcommittee Recommendation

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

1. **Salary Plan**—Delete \$10,300, including \$5,752 from the EDIF, to remove pay plan funding recommended by the Governor (a 3.0 percent bas salary adjustment for all state employees) for consideration in a separate bill.
2. **Research Funding**—Add \$100,000 EDIF to support a research agenda at the agency. The Subcommittee anticipates this funding will help the agency leverage additional private funding.
3. **Research Mission**—The Subcommittee is recommending additional research resources for the agency on the belief that the agency can be an integral part of the State's efforts to foster economic development. The agency was created with a mission to provide research to evaluate the effectiveness of economic development efforts and serve as an advisor to the state and its partners. This research function was intended to help policymakers craft effective programs and make sound decisions based on empirical evidence. The agency's research could be used not only in decisions to begin new initiatives or programs but also to critically evaluate current activities to potentially bring about mid-course corrections or improvements. The intention is not to have such evaluations be adversarial in nature but as a critical element to help the State direct its resources effectively. The Subcommittee believes that the agency has not been fully utilized in the past and that the additional funding for research in FY 2005 will help the agency fulfill its original mission.

Senate Subcommittee Report

Agency: Kansas Technology
Enterprise Corporation

Bill No.

Bill Sec.

Analyst: Kannarr

Analysis Pg. No. Vol. I, 653 **Budget Page No.** 299

<u>Expenditure Summary</u>	<u>Agency Estimate FY 2004</u>	<u>Governor's Recommendation FY 2004</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 2,650,673	\$ 2,650,673	\$ 0
Aid to Local Units	0	0	0
Other Assistance	11,944,629	11,944,329	0
TOTAL	<u>\$ 14,595,302</u>	<u>\$ 14,595,302</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FTE Positions	29.0	29.0	0.0
Non FTE Uncl. Perm. Pos.	17.0	17.0	0.0
TOTAL	<u>46.0</u>	<u>46.0</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The **agency** estimates current year expenditures of \$14,595,302, a net decrease of \$822,075, or 5.3 percent, from actual FY 2003 expenditures. Expenditures from the Economic Development Initiatives Fund (EDIF) represent a decrease of \$898,538, or 7.2 percent, from FY 2003. The revised estimate is a net increase of \$299,188 (546,620 EDIF) from the budget approved by the 2003 Legislature.

The **Governor** concurs with the agency estimate.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

Senate Subcommittee Report

Agency: Kansas Technology
Enterprise Corporation (KTEC)

Bill No.

Bill Sec.

Analyst: Kannarr

Analysis Pg. No. Vol. I, 635 **Budget Page No.** 299

<u>Expenditure Summary</u>	<u>Agency Request FY 2005</u>	<u>Governor's Recommendation FY 2005</u>	<u>Senate Subcommittee Adjustments*</u>
All Funds:			
State Operations	\$ 2,818,975	\$ 2,609,607	\$ (49,266)
Aid to Local Units	0	0	0
Other Assistance	13,656,109	11,857,109	200,000
TOTAL	\$ 16,475,084	\$ 14,466,716	\$ 150,734
State General Fund:			
State Operations	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0
FTE Positions	29.0	29.0	0.0
Non FTE Uncl. Perm. Pos.	17.0	17.0	0.0
TOTAL	46.0	46.0	0.0

* Includes a reduction of \$49,266, including \$45,561 from the Economic Development Initiatives Fund for deletion of the Governor's recommended pay plan adjustments.

Agency Request/Governor's Recommendation

The **agency's** requested FY 2005 budget of \$16,475,084 is an increase of \$1,879,782, or 12.9 percent, from the revised FY 2004 estimate. The agency requests expenditures of \$13,320,309 from the Economic Development Initiatives Fund (EDIF), an increase of \$1,825,203, or 15.9 percent. The budget includes enhancements totaling \$2,339,000 from the EDIF. Absent enhancements, the budget request of \$14,136,084 is a decrease of \$359,218, 2.5 percent, from the FY 2004 estimate.

The **Governor** recommends an FY 2005 budget of \$14,466,716 including \$11,310,217 from the EDIF. The recommendation includes the addition of \$300,000 EDIF for a new Bioscience Authority program, \$49,266 for the statewide pay plan and a reduction of \$18,634 (\$16,653 EDIF) for BEST reductions.

Senate Subcommittee Recommendation

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

1. **Pay Plan Adjustment**—Delete \$49,266, including \$45,561 from the Economic Development Initiatives Fund (EDIF), to remove pay plan funding recommended by the Governor (a 3.0 percent base salary adjustment for all state employees) for consideration in a separate bill.
2. **Commercialization Enhancement**—Add \$200,000 EDIF to support and rebuild commercialization efforts.
3. **Cooperation Efforts**—The Subcommittee compliments KTEC, Kansas, Inc. and the Department of Commerce on the higher level of cooperation and communication than has occurred in the past. In particular, the Subcommittee commends the leadership of the agencies for fostering this environment which is beneficial to the state's economic development efforts.
4. **EDIF Balance**—The Subcommittee notes that its actions on the Department of Commerce, Kansas, Inc. and KTEC budgets results in a balance of \$933,044 in the EDIF based on the Governor's recommendation. If salary plan adjustments are excluded, the ending balance in FY 2005 is estimated to be \$760,000. The Subcommittee suggests that the Ways and Means Committee may consider this as a funding source for the National Institution for Aviation Research (NIAR) at Wichita State University.

**Economic Development Initiatives Fund
Senate Ways and Means Committee Adjustments
Reflects Committee Action through February 16, 2004**

Agency/Program	Governor's Recommendation FY 2004	Sen. Comm. Adjustments FY 2004	Governor's Recommendation FY 2005	Sen. Comm. Adjustments FY 2005
Department of Commerce				
Operating Grant	\$ 14,162,053		\$ 16,368,030	
Kansas Economic Opportunity Initiative Fund	2,975,000		3,225,000	
Kansas Existing Industry Expansion Program	423,246		300,000	
Subtotal - Commerce	\$ 17,560,299		\$ 19,893,030	\$ -
Kansas Technology Enterprise Corporation				
University & Strategic Research	\$ 5,486,622		\$ 5,549,751	
Commercialization	1,375,994		1,316,589	
Mid-America Manuf. Tech. Center (MAMTC)	1,533,177		1,480,960	
Product Development	1,468,030		1,404,652	
Operations	1,631,283		1,558,265	
Subtotal - KTEC	\$ 11,495,106		\$ 11,310,217	\$ -
Kansas, Inc.				
Operations	\$ 203,162		\$ 215,906	
Board of Regents				
Tech. Innovation & Internship Prog. - AVTS	\$ 185,483		\$ 180,500	
Post-secondary Aid - AVTS	10,331,250		6,957,162	
Vocational Education	2,565,000		2,565,000	
National Guard Educational Assistance	-		-	
Wichita State University - Aviation Research	1,000,000		-	2,000,000
Subtotal - Regents	\$ 14,081,733		\$ 9,702,662	\$ 2,000,000
Kansas Water Office				
Water Education for Teachers (WET) Project				\$ 10,000
State Water Plan Fund Transfer	\$ 1,900,000		\$ 2,000,000	
BEST Transfers	\$ -		\$ 106,760	
Death and Disability Transfers	29,877		0	
TOTAL TRANSFERS AND EXPENDITURES	\$ 45,270,177	\$ -	\$ 43,228,575	\$ 2,010,000
EDIF Resource Estimate				
Beginning Balance	\$ 1,403,082	\$ 1,403,082	396,575	\$ 396,575
Gaming Revenues	42,432,000	42,432,000	42,432,000	42,432,000
Export Loan Guarantee Fund	789,086	789,086	-	-
Other Income*	1,042,584	1,042,584	400,000	400,000
Total Available	\$ 45,666,752	\$ 45,666,752	43,228,575	\$ 43,228,575
Less: Expenditures and Transfers	45,270,177	45,270,177	43,228,575	45,238,575
ENDING BALANCE	\$ 396,575	\$ 396,575	-	\$ (2,010,000)

* Other income includes interest, transfers, reimbursements and released encumbrances.

Economic Development Initiatives Fund
Senate Subcommittee on Commerce, Kansas, Inc., and KTEC Adjustments to the Governor's Recommendation

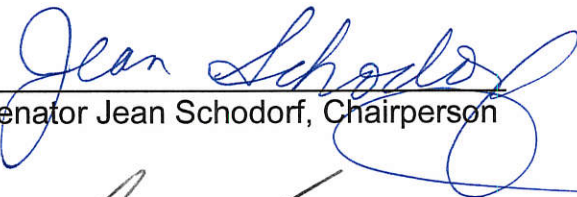
Agency/Program	Governor's Recommendation FY 2004	Senate Sub. Adjustments FY 2004	Governor's Recommendation FY 2005	Senate Sub. Adjustments FY 2005	Amt. of Adjust. Due to Salary Plan
Department of Commerce					
Operating Grant	\$ 14,162,053		\$ 16,368,030	\$ (1,221,731)	\$ (121,731)
Kansas Economic Opportunity Initiative Fund	2,975,000		3,225,000		
Kansas Existing Industry Expansion Program	423,246		300,000		
Subtotal - Commerce	\$ 17,560,299		\$ 19,893,030	\$ (1,221,731)	\$ (121,731)
Kansas Technology Enterprise Corporation					
University & Strategic Research	\$ 5,486,622		\$ 5,549,751		
Commercialization	1,375,994		1,316,589	154,439	\$ (45,561)
Mid-America Manuf. Tech. Center (MAMTC)	1,533,177		1,480,960		
Product Development	1,468,030		1,404,652		
Operations	1,631,283		1,558,265		
Subtotal - KTEC	\$ 11,495,106		\$ 11,310,217	\$ 154,439	\$ (45,561)
Kansas, Inc.					
Operations	\$ 203,162	\$ 40,000	\$ 215,906	\$ 94,248	\$ (5,752)
Board of Regents					
Tech. Innovation & Internship Prog. - AVTS	\$ 185,483		\$ 180,500		
Post-secondary Aid - AVTS	10,331,250		6,957,162		
Vocational Education	2,565,000		2,565,000		
National Guard Educational Assistance	-		-		
Wichita State University	1,000,000		-		
Subtotal - Regents	\$ 14,081,733		\$ 9,702,662		
State Water Plan Fund Transfer	\$ 1,900,000		\$ 2,000,000		
BEST Transfers	\$ -		\$ 106,760		
Death and Disability Transfers	29,877		0		
TOTAL TRANSFERS AND EXPENDITURES	\$ 45,270,177	\$ 40,000	\$ 43,228,575	\$ (973,044)	\$ (173,044)
EDIF Resource Estimate					
Beginning Balance	\$ 1,403,082	\$ 1,403,082	396,575	\$ 356,575	356,575
Gaming Revenues	42,432,000	42,432,000	42,432,000	42,432,000	42,432,000
Export Loan Guarantee Fund	789,086	789,086	-	-	-
Other Income*	1,042,584	1,042,584	400,000	400,000	400,000
Total Available	\$ 45,666,752	\$ 45,666,752	43,228,575	\$ 43,188,575	43,188,575
Less: Expenditures and Transfers	45,270,177	45,310,177	43,228,575	42,255,531	42,428,575
ENDING BALANCE	\$ 396,575	\$ 356,575	-	\$ 933,044	\$ 760,000

* Other income includes interest, transfers, reimbursements and released encumbrances.

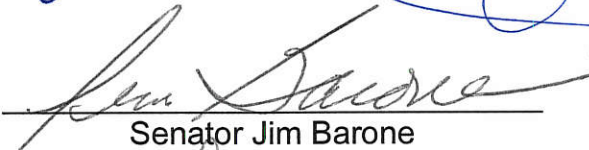
SENATE SUBCOMMITTEE REPORTS

**Kansas Lottery
Kansas Racing and Gaming Commission**

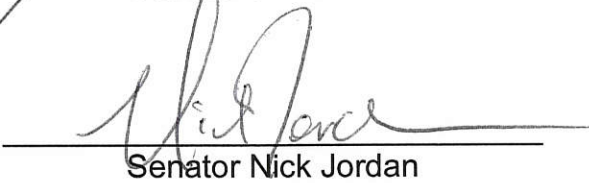
FY 2004 and FY 2005



Senator Jean Schodorf, Chairperson



Senator Jim Barone



Senator Nick Jordan

Senate Ways and Means
2-17-04
Attachment 5

Senate Subcommittee Report

Agency: Kansas Lottery

Bill No.

Bill Sec.

Analyst: Efirid

Analysis Pg. No. 583

Budget Page No. 321

Expenditure	Agency Est. FY 04	Governor Rec. FY 04	Subcommittee Adjustment
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	0
Other Funds	56,539,750	56,539,750	0
TOTAL—Reportable	\$ 56,539,750	\$ 56,539,750	\$ 0
FTE Positions			
Reportable Budget	87.0	87.0	0.0
Non FTE Perm. Uncl. Pos.	4.0	4.0	0.0
TOTAL	91.0	91.0	0.0

Agency Request/Governor's Recommendation

Sales are estimated by the **agency** at \$212.3 million, with approximately \$2.0 million attributed to the two instant scratch games designated to benefit veterans' programs. Administrative costs are requested at \$20,555,398. These administrative expenditures are appropriated as both limited and non-limited line items. Costs of sales, such as instant ticket printing, on-line communications charges, and on-line vendor payments are appropriated as no limit line items. Other agency operating costs, such as advertising and personnel, are paid from a limited account. No adjustment in the approved expenditure limitation of \$8,704,864 is requested. Administrative expenses are financed from the Lottery Operating Fund accounts for limited and no limit expenditures. Prizes are paid from the Lottery Prize Fund. Staffing is maintained at 87.0 FTE positions. The agency estimates State Gaming Revenues Fund (SGRF) transfers totaling \$63,324,255.

The **Governor** concurs with FY 2004 revised estimates. The Governor concurs with transfers from the Lottery Operating Fund to the SGRF of \$63,324,255 in FY 2004. The 2003 Legislature approved transferring \$782,800 from the Lottery Operating Fund to the State General Fund (SGF) in FY 2004, and the Governor concurs with the FY 2004 SGF transfer. The 2003 Legislature also authorized transfer of unencumbered KSIP funds in FY 2004 to the SGF. An amount of \$52,450 was transferred to the SGF in FY 2004.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation, and makes the following observation:

1. Anticipate a revised FY 2004 estimate of transfers to the SGRF (and ultimately to the SGF) due to sales higher than recommended by the Governor this fiscal year. Sales that have resulted in transfers of \$4.4 million higher than for the same period last fiscal year lead the Subcommittee to believe as much as \$6.0 million in additional transfers, all of which will accrue to the SGF, may occur in FY

2004. This matter should be reviewed during the Omnibus period in April 2004. Also, in FY 2004, the Veterans Game is expected to yield \$638,000, with \$500,000 already transferred in January and \$138,000 scheduled for transfer in June 2004. This amount is part of the higher transfers anticipated by the Subcommittee since the Governor's recommendation for the Veteran's Game is \$551,255 in FY 2004, compared with the estimated \$638,000.

Senate Subcommittee Report

Agency: Kansas Lottery

Bill No.

Bill Sec.

Analyst: Efirid

Analysis Pg. No. 583

Budget Page No. 321

Expenditure	Agency Req. FY 05	Governor Rec. FY 05	Subcommittee Adjustment*
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	0
Other Funds	57,456,399	56,896,966	(108,846)
TOTAL--Reportable	<u>\$ 57,456,399</u>	<u>\$ 56,896,966</u>	<u>\$ (108,846)</u>
FTE Positions			
Reportable Budget	87.0	87.0	0.0
Non FTE Perm. Uncl. Pos.	4.0	4.0	0.0
TOTAL	<u>91.0</u>	<u>91.0</u>	<u>0.0</u>

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

Agency Request/Governor's Recommendation

Sales are estimated by the **agency** at \$215.5 million, with approximately \$2.5 million attributed to the two instant scratch game designated to benefit veterans' programs. Administrative costs are requested at \$20,903,501. Included in the FY 2005 amount is \$542,800 that was previously reduced and transferred to the SGF in FY 2004. An expenditure limitation of \$9,280,601 is requested for administrative expenses subject to a fixed amount appropriation. Staffing is maintained at 87.0 FTE positions. The **agency** estimates State Gaming Revenues Fund (SGRF) transfers of \$63,973,255 in FY 2005.

The **Governor** concurs with FY 2005 requests, with the following exceptions: add \$108,846 for salary plan adjustments and reduce \$668,277 for BEST recommendations, for a net decrease of \$559,431 in the agency's requested budget. The **Governor** concurs with transfers from the Lottery Operating Fund to the SGRF of \$63,973,255 in FY 2005. The Governor's BEST adjustments total \$668,277, and the **Governor** recommends transferring the savings to the SGF in FY 2005. In addition, the Governor recommends reducing the Lottery Operating Fund's balance by \$500,000 and transferring the \$500,000 to the SGF in FY 2005.

Under the Governor's FY 2005 **statutory budget** recommendation, the Governor's recommendation for this agency's budget would have to be reduced by an additional \$0 State General Fund. This agency has no State General Fund financing.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation, with the following exceptions:

1. Delete \$108,846, including \$0 from the State General Fund, to remove pay plan funding recommended by the Governor (a 3.0 percent base salary adjustment for all state employees) for consideration in a separate bill.
2. Note the transfers recommended by the Governor, including the direct SGF transfer amounts of \$835,250 in FY 2004 and \$1,168,277 in FY 2005. For FY 2005, \$668,277 is attributed to BEST adjustments and \$500,000 is to reduce the Lottery Operating Fund's balance under the Governor's recommendation.

	Actual FY 2003	Gov. Rec. FY 2004	Gov. Rec. FY 2005
Transfers:			
Regular	\$ 62,494,603	\$ 62,773,000	\$ 63,250,000
Veterans	0	551,255	723,255
Subtotal*	\$ 62,494,603	\$ 63,324,255	\$ 63,973,255
One-Time SGF	0	835,250	1,168,277
TOTAL	<u>\$ 62,494,603</u>	<u>\$ 64,159,505</u>	<u>\$ 64,641,532</u>

* SGRF transfers.

Senate Subcommittee Report

Agency: Kansas Racing and Gaming Commission

Bill No.

Bill Sec.

Analyst: Efirid

Analysis Pg. No. 594

Budget Page No. 333

Expenditure	Agency Est. FY 04	Governor Rec. FY 04	Subcommittee Recommendation
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	0
Other Funds	6,362,392	6,300,606	0
TOTAL	<u>\$ 6,362,392</u>	<u>\$ 6,300,606</u>	<u>\$ 0</u>
FTE Positions			
Reportable Budget	66.0	67.0	(1.0)
Non FTE Perm. Uncl. Pos.	9.0	9.0	0.0
TOTAL	<u>75.0</u>	<u>75.0</u>	<u>(1.0)</u>

Agency Estimate/Governor's Recommendation

There is a net decrease in overall expenditures in the revised **agency** request, primarily due to a reduction of \$124,500 in the estimated payments for other assistance. Staffing requested is 1.0 FTE position less than the approved level. No expenditure limitation adjustment is requested for the State Racing Fund. The **Governor** concurs with the revised agency estimate and increases shrinkage by \$61,786 in part to address a new position added but never filled.

The **agency** estimates State Gaming Revenues Fund (SGRF) transfers totaling \$153,827 in FY 2004. The Governor recommends transfers from the State Racing Fund to the SGRF of \$265,613 in FY 2004. The **Governor's** recommendation includes \$61,786 for a shrinkage adjustment, \$50,000 to reduce the fund's cash balance, and \$153,827 from the revised agency estimate.

The 2003 Legislature approved transferring \$300,000 from the Horse Fair Racing Fund to the State General Fund (SGF) in FY 2004 and the agency includes that amount of \$300,000 in its revised FY 2004 request. The **Governor** concurs with the FY 2004 transfer of \$300,000 to the SGF.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation and makes the following adjustment:

1. Reduce the FTE positions for the State Gaming Agency by 1.0 in order to accurately reflect the correct number of staff as recommended in Governor's Budget Amendment No. 1 Item 2 that recommends the same change for FY 2005 as a technical correction to the State Gaming Agency's FTE limitation.

2. Note that transfers from the State Racing Fund in FY 2004 have totaled \$9,565 to date, and that the Governor recommends total FY 2004 transfers of \$265,613, a net difference of \$256,048. Because of possible cash flow problems in FY 2005, confirm that the appropriations bill makes the correct remaining transfer this fiscal year and, if necessary, correct the amount in the bill.

Senate Subcommittee Report

Agency: Kansas Racing and Gaming Commission

Bill No.

Bill Sec.

Analyst: Efirid

Analysis Pg. No. 594

Budget Page No. 333

Expenditure	Agency Req. FY 05	Governor Rec. FY 05	Subcommittee Recommendation*
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	0
Other Funds	6,621,543	6,437,554	(95,624)
TOTAL	\$ 6,621,543	\$ 6,437,554	\$ (95,624)
FTE Positions			
Reportable Budget	67.0	68.0	(1.0)
Non FTE Perm. Uncl. Pos.	9.0	9.0	0.0
TOTAL	76.0	76.0	(1.0)

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

Agency Request/Governor's Recommendation

Several enhancements, including 1.0 FTE position and general office moving expenses, result in a 4.1 percent increased budget request by the **agency**. Excluding \$244,817 associated with enhancements, the net budget request increase is \$14,334, or slightly more than 0.2 percent. Absent any enhancement financing, the expenditures from the State Racing Fund would be the same in the FY 2004 and FY 2005 requests. The **Governor** concurs with the agency requests, with the following adjustments in FY 2005. Salary plan financing of \$72,282 is added, and funds of \$53,562 and 1.0 FTE new position also are added. Shrinkage is increased by \$65,016 and BEST adjustments of \$23,342 also are reflected in the Governor's recommendations for FY 2005.

The **agency** estimates State Gaming Revenues Fund (SGRF) transfers of \$0 in FY 2005. The Governor recommends transfers from the State Racing Fund to the SGRF at \$115,016 in FY 2005. The Governor's recommendation includes \$65,016 for a shrinkage adjustment and \$50,000 to reduce the fund's cash balance.

The **Governor's** BEST adjustments total \$23,342, and the Governor recommends transferring \$11,845 of the savings to the SGF in FY 2005, including \$308 from the Racing Reimbursable Expense Fund, \$565 from the Horse Fair Racing Benefit Fund, and \$10,972 from the State Racing Fund. Excluded from the transfers is \$11,497 from the Tribal Gaming Fund.

Senate Subcommittee Recommendation

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

1. Delete \$95,624, of which none is from the State General Fund, \$32,501 from the State Gaming Operations, and \$63,123 from Racing Operations, to remove pay plan funding recommended by the Governor (a 3.0 percent base salary adjustment for all state employees) for consideration in a separate bill.
2. Concur with the Governor to add funding for an attorney, but recommend a bill to amend current law in order to authorize the new position as a third Assistant Attorney General. Adding a third attorney in the Racing and Gaming Commission will allow the State Gaming Agency its own legal counsel. However, since the other two attorneys who work for the Racing Agency are authorized in KSA 74-8809 as Assistant Attorney General positions and the statute limits the agency to "no more than two such unclassified attorneys who shall be assigned to the Commission to assist in all matters, including enforcement of the Tribal Gaming Act," the Subcommittee believes amending current law is prudent in this case. Under the Governor's recommendation, the State Gaming Agency attorney would be hired as an unclassified staff, but the agency did not seek a statutory amendment in order to employ that attorney as a third Assistant Attorney General.
3. Reduce the FTE positions for the State Gaming Agency by 1.0 in order to accurately reflect the correct number of staff as recommended in Governor's Budget Amendment No. 1 Item 2 as technical correction to the State Gaming Agency's FTE limitation.
4. Concur with the Governor on total expenditures of \$1,650,753 for the Tribal Gaming Fund, but change a no limit account to an account with an expenditure limitation on the Tribal Gaming Fund. Currently, only the State Racing Fund in this agency is recommended to be appropriated with an expenditure limitation and all other funds in the agency have "no limit" appropriations. The Subcommittee notes that the Governor recommends BEST adjustments in FY 2005, but no funds are transferred to the SGF from the Tribal Gaming Fund. An expenditure limitation provides a means of adjustment to enforce the Governor's BEST expenditure recommendations to parallel the adjustments to the State Racing Fund which has both its expenditure limitation reduced by BEST adjustments in FY 2005 and the savings transferred to the SGF. In the case of the Tribal Gaming Fund where no transfer of BEST savings is recommended in FY 2005, the tribes will have a reduced assessment in FY 2006 if all the money collected is not spent in FY 2005. The Subcommittee notes an unbudgeted FY 2003 and FY 2004 expenditure for information technology of \$48,965 for a server based computer network with high speed internet access. FY 2003 expenses were \$40,714 and FY 2004 expenses were \$8,250 for hardware, software and DISC materials and labor. The Subcommittee does not object to the expenditure, but cites it as an example of the flexibility enjoyed previously by the State Gaming Agency with no limit on its expenditures from the Tribal Gaming Fund.
5. Note the State Racing Fund FY 2004 and FY 2005 ending balances are decreasing from the historical ending balance of \$300,000. Previously, the Legislature since the 1980s had authorized a \$300,000 ending balance in order to provide a cash balance sufficient to cover costs of closing out racing operations in an orderly manner if one or more tracks were to close. Such a situation arose when Camptown Race Track closed and the Commission had expenses for a number of months as those operations were terminated. The following fee fund analysis shows the impact on net receipts and ending balances of the Governor's

recommendations which anticipate transferring \$265,613 in FY 2004 and \$115,016 in FY 2005 to the SGRF.

State Racing Fund Resource Estimate	Actual FY 2003	Agency Estimate FY 2004	Gov. Rec. FY 2004	Agency Request FY 2005	Gov. Rec. FY 2005
Beginning Balance	\$ 563,935	\$ 448,822	\$ 448,822	\$ 291,538	\$ 244,995
Net Receipts	2,652,445	2,909,273	2,797,487	3,063,100	2,937,112
Total Funds Available	\$ 3,216,380	\$ 3,358,095	\$ 3,246,309	\$ 3,354,638	\$ 3,182,107
Less: Expenditures	2,767,558	3,066,557	3,001,314	3,063,100	3,047,161
Ending Balance	<u>\$ 448,822</u>	<u>\$ 291,538</u>	<u>\$ 244,995</u>	<u>\$ 291,538</u>	<u>\$ 134,946</u>
Ending Balance as Percent of Expenditures	16.2%	9.5%	8.2%	9.5%	4.4%