

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:30 A.M. on February 18, 2005 in Room 123-S of the Capitol.

All members were present except:

Senator Donald Betts- excused  
Senator Vicki Schmidt- excused

Committee staff present:

Norman Furse, Revisor of Statutes  
J. G. Scott, Kansas Legislative Research Department  
Audrey Dunkel, Kansas Legislative Research Department  
Susan Kannarr, Kansas Legislative Research Department  
Matt Spurgin, Kansas Legislative Research Department  
Melissa Calderwood, Kansas Legislative Research Department  
Judy Bromich, Administrative Analyst  
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Senator Dennis Pyle  
Scott Brunner, Director of Medical Policy, Kansas Department of Social and Rehabilitation Svcs.

Others attending:

See attached list.

Chairman Umbarger opened the public hearing on:

**SB 226--Providing for health expenditure accounts and a state match**

Staff briefed the committee on the bill.

The Chairman welcomed Senator Dennis Pyle, who testified in support of **SB 226** (Attachment 1). Senator Pyle explained that **SB 226** is conceptually designed to encourage personal responsibility and perhaps help address some of the burden placed upon state government to meet rising health care costs. He noted that in its current form, participation is voluntary. Senator Pyle also noted that **SB 226** does have a cost; however, he indicated that the potential for savings far outweigh the cost. Committee questions and discussion followed.

Information was distributed by Staff regarding Earned Income Tax Credit, 2005 Legislator Briefing Book (Attachment 2).

Chairman Umbarger welcomed Scott Brunner, Director of Medical Policy, Kansas Department of Social and Rehabilitation Services, who spoke as a neutral party in regard to **SB 226** (Attachment 3). Mr. Brunner explained that the bill provides an opportunity for persons who received a federal earned income credit payment within the last 12 months and who have been eligible for Medicaid for all or part of that 12 month period to establish a health expenditure account. He indicated that to give these persons an incentive to establish these accounts, the bill directs the state to match 10 percent of whatever is deposited into such an account. Mr. Brunner explained the effect the bill would have in determining a person's Medicaid eligibility. He also noted that the Department does not believe that the state contributions to health expenditure accounts can be structured to qualify for federal match. Committee questions and discussion followed.

There being no further conferees to come before the committee, the public hearing was closed on **SB 226**.

Copies of the Kansas Legislative Research Department Budget Analysis Report for FY 2005 and FY 2006 were available to the committee.

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:30 A.M. on February 18, 2005 in Room 123-S of the Capitol.

**Subcommittee budget report on:**

**Kansas Department of Commerce**  
**Kansas Technology Enterprise Corporation (KTEC)**  
**Kansas, Inc. (Attachment 4)**

Subcommittee Chairman David Wysong provided opening remarks regarding the Kansas Department of Commerce and reported that the subcommittee on the Kansas Department of Commerce concurs with the Governor's recommendation in FY 2005 with observation and concurs with the Governor's FY 2006 recommendations with adjustments and observations.

Senator Teichman moved, with a second by Senator Kelly, that the opening remarks made by Senator Wysong be made a part of the subcommittee report on the Kansas Department of Commerce. Motion carried on a voice vote.

Subcommittee Chairman David Wysong provided opening remarks regarding Kansas Technology Enterprise Corporation (KTEC) and reported that the subcommittee on the Kansas Technology Enterprise Corporation (KTEC) concurs with the Governor's recommendation in FY 2005 with comment and concurs with the Governor's FY 2006 recommendations with adjustments.

Senator Morris moved, with a second by Senator Teichman, to amend the subcommittee report on the Kansas Technology Enterprise Corporation in FY 2005 to add \$125,000 Economic Development Initiative Funds. Motion carried.

Subcommittee Chairman David Wysong provided opening remarks regarding Kansas, Inc., and reported that the subcommittee on the Kansas Department of Commerce concurs with the Governor's recommendation in FY 2005 and concurs with the Governor's FY 2006 recommendations with adjustments and observation.

Chairman Umbarger held the adoption of the subcommittee reports on the Kansas Department of Commerce, Kansas Technology Enterprise Corporation (KTEC), and Kansas, Inc., until the next meeting in order to include the opening remarks made by Subcommittee Chairman David Wysong regarding KTEC and Kansas, Inc.

The meeting adjourned at 11:30 a.m. The next meeting is scheduled for February 21, 2005.



Home Address:  
2979 KINGFISHER RD.  
HIAWATHA, KANSAS 66434  
(785) 742-3780

Capitol Office:  
STATE CAPITOL, ROOM 128-S  
TOPEKA, KANSAS 66612  
(785) 296-7379

STATE OF KANSAS  
SENATE CHAMBER



COMMITTEE ASSIGNMENTS  
MEMBER: LOCAL GOVERNMENT  
NATURAL RESOURCES  
UTILITIES  
JOINT COMMITTEE ON SPECIAL CLAIMS  
AGAINST THE STATE

**Dennis Pyle**

February 18, 2005

Mr. Chairman, members of the committee,

Thank you, for the opportunity to testify concerning SB 226.

A wise man once said-

“A discerning mind gets knowledge and the ear of the wise seeks information”.

“He who states his case first seems right until another comes to examine him”.

SB 226 is conceptually designed to encourage personal responsibility and to perhaps help address some of the burden placed upon state government to meet rising health care costs. Concerning HSA's, the Flint Hills Center for Public Policy stated “giving individuals more choice and control over their health care makes good sense. It leads to lower costs and more control over the kinds of care they prefer”. SB 226 will hopefully also do just that.

In its current form, participation is voluntary.

SB 226 is a new venture with potential to save the state funds both now and in the future, while hopefully encouraging those eligible to use their own initiative and financial resources towards preventative measures or other costs. “Getting these families in a health insurance program would encourage them to seek checkups and preventative care that might reduce serious illnesses. That, in turn, may lower the state's cost for their care”, Lawrence Journal World.

SB 226 does have a cost. However, the potential for savings far outweighs the cost.

You should have a fiscal statement. (Point out incentive and savings differential)

Mr. Chairman, members of the committee, again- thank you for this opportunity.

I will stand for questions.

*Senate Ways and Means  
02-18-05  
Attachment 1*

## Income Tax

- **Earned Income Tax Credit**

Enacted by the federal government in the 1970s to assist the working poor, especially those with children, this form of income tax credit also is available in:

16 states (including Kansas) and the District of Columbia.

The majority of the states piggyback directly off of the federal law and allow a fixed percentage of the available federal credit.

Kansas credit: 15 percent of federal credit.

Enacted in Kansas in 1998 at 10 percent of federal credit.

Later expanded to 15 percent of federal credit in 2002.

Highest state Earned Income Tax Credit allowed:  
Wisconsin (43 percent of federal credit for taxpayers with three or more children).

Lowest state Earned Income Tax Credit allowed: Maine (4.92 percent of federal credit).

Federal Program (and Kansas Program via Piggyback) are Indexed

### *Eligibility Requirements (tax year 2003):*

- "Earned Income" of
  - (a) \$11,490 or less (or \$12,490 if married filing jointly) with no children;
  - (b) \$30,338 or less (or \$31,338 if married filing jointly) \$26,473 or less with one child;
  - (c) \$34,458 or less (or \$35,458 if married filing jointly) with two or more children
- Credit cannot be claimed if investment income exceeds \$2,650

*Kansas EITC (tax year 2002 data): \$41.1 million*

*163,100 claims*

*Average Kansas EITC claim: \$252*

#### *Examples:*

- (1) Single mom, 2 kids, \$16,000 modified adjusted gross income: \$558 Kansas EITC.
- (2) Elderly couple, \$23,000 modified adjusted gross income: Not eligible.
- (3) Disabled individual, \$9,000 modified adjusted gross income: \$25 Kansas EITC.

- **Additional Personal Exemption**

Legislation enacted in 1989 provided for an additional personal exemption (currently \$2,250) for taxpayers filing as a single head-of-household. The value of this exemption for a taxpayer in the 3.5 percent marginal bracket is approximately

\$79 in reduced income tax liability.

- **Food Sales Tax Rebate Credit**

Enacted in the late 1970s to help reduce the regressivity of the sales tax as it relates to food purchases, this program was turned into a refundable income tax credit in 1998, which substantially increased the participation rate.

*Eligibility Requirements (tax year 2003):*

- Modified Adjusted Gross Income of \$26,300 or less; and
- Someone in Household is
  - (a) Age 55 or above; or
  - (b) A dependent under age 18; or
  - (c) Blind; or
  - (d) Otherwise disabled

**Entitlement Based on Income, Number in Household, and Filing Status**

**Program Expanded, Enhanced in 1998 and again in 2002; Now A Refundable Credit**

Refund Amounts:

- \$72 per person in qualifying households with income of \$13,150 or less;
- \$36 per person in qualifying households with income of \$26,300 or less
- Single head-of-household filers get an extra \$72 or \$36 to dovetail with the additional personal exemption policy decision.

*Kansas Food Refunds (tax year 2002 data): \$32.2 million*

*269,700 claims*

*Average claim: \$119*

Examples:

- (1) Single mom, 2 kids, \$16,000 income: \$144 income tax credit.
- (2) Elderly couple, \$23,000 income: \$72 income tax credit.
- (3) Disabled individual, \$9,000 income: \$72 income tax credit.

Kansas Department of

# Social and Rehabilitation Services

Gary Daniels, Acting Secretary

**Senate Ways and Means Committee**  
February 18, 2005

**Senate Bill 226 - Medical Expenditure Account**

**Division of Health Care Policy**  
Scott Brunner, Director of Medical Policy/Medicaid  
785.296.3981

For additional information contact:  
Public and Governmental Services Division  
Kyle Kessler, Director of Legislative and Media Affairs

Docking State Office Building  
915 SW Harrison, 6<sup>th</sup> Floor North  
Topeka, Kansas 66612-1570  
phone: 785.296.0141  
fax: 785.296.4685  
[www.srskansas.org](http://www.srskansas.org)

Senate Ways and Means  
02-18-05  
Attachment 3



**Kansas Department of Social and Rehabilitation Services  
Gary Daniels, Acting Secretary**

Senate Ways and Means Committee  
February 18, 2005

**Senate Bill 226 - Medical Expenditure Account**

Chairman Umbarger and members of the Committee, thank you for the opportunity to testify before you today on SB 226. The bill provides an opportunity for persons who received a federal earned income credit payment within the last 12 months and who have been eligible for Medicaid for all or part of that 12 month period to establish a health expenditure account. To give these persons an incentive to establish these accounts, the bill directs the state to match 10% of whatever is deposited into such an account.

The bill identifies SRS as the agency to administer the payment of match and directs the agency to adopt rules regarding paying the match amount and to structure the accounts in such a way so that the amount the state pays in as match qualifies for federal match.

SRS supports the concept of encouraging people to set aside funds to cover medical expenses. We believe this is one way to help bridge the difficult gap from Medicaid coverage to private insurance coverage for low income working families.

Health expenditure accounts established under this bill would be counted as an asset when determining a person's Medicaid eligibility. However, asset limitations do not apply to most families, poverty level children, children covered by the state children's health insurance program, and pregnant women covered by Medicaid. It is also possible that exemptions could be established for other eligibility groups that take advantage of this bill.

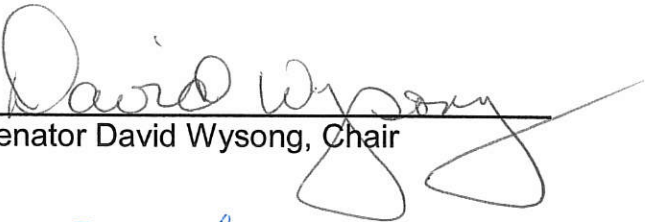
However, Social and Rehabilitation Services does not believe that the state contributions to health expenditure accounts can be structured to qualify for federal match. This is because the money would go directly to the individual who would use the funds to pay health care expenses directly without securing Medicaid or Healthwave eligibility or processing medical claims through the single state Medicaid and SCHIP agency. Such direct payment processes are not allowable under CMS rules for claiming federal match. In addition, this would violate the federal cash management act.


Thank you for allowing me to testify before you today. I would be happy to answer any questions you may have.

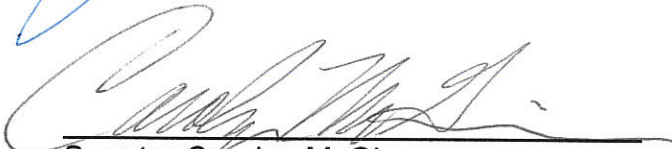


Senate Ways and Means  
Subcommittee Report on  
Department of Commerce  
Kansas Technology Enterprise Corporation (KTEC)  
Kansas, Inc.

FY 2005 and FY 2006

  
\_\_\_\_\_  
Senator David Wysong, Chair

  
\_\_\_\_\_  
Senator Jay Emler

  
\_\_\_\_\_  
Senator Carolyn McGinn

  
\_\_\_\_\_  
Senator Donald Betts

## Senate Subcommittee Report

**Agency:** Department of Commerce

**Bill No. –**

**Bill Sec. --**

**Analyst:** Kannarr

**Analysis Pg. No.** 1391

**Budget Page No.** 89

Expenditure Summary	Agency Estimate FY 2005	Governor's Recommendation FY 2005	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 266,554	\$ 261,838	\$ 0
Other Funds	92,933,984	92,458,075	0
Subtotal - Operating	\$ 93,200,538	\$ 92,719,913	\$ 0
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	152,660	152,660	0
Subtotal - Cap. Impr.	\$ 152,660	\$ 152,660	\$ 0
<b>TOTAL</b>	<b>\$ 93,353,198</b>	<b>\$ 92,872,573</b>	<b>\$ 0</b>
FTE Positions	389.1	389.1	0.0
Non FTE Perm. Uncl. Pos.	16.0	16.0	0.0
Total	405.1	405.1	0.0

### Agency Estimate/Governor's Recommendation

The **agency** estimates FY 2005 operating expenditures of \$93,200,538 and 389.1 FTE positions, a decrease of \$3,968,315 or 4.1 percent from the amount approved by the 2004 Legislature. The decrease in expenditures is largely a result of a re-budgeting process for programs transferred into the agency. The estimate includes EDIF operating grant expenditures of \$15,725,465, an increase of \$18,005 from the amount approved by the 2004 Legislature and SGF expenditures of \$266,554, the same as the approved amount. Current year expenditures reflect additional responsibilities placed upon the agency as a result of:

- ERO 31 which merged the Employment and Training Division of the Department of Human Resources (now the Department of Labor) with the Department of Commerce effective July 1, 2004. The merger resulted in a transfer of \$39,212,786, including \$237,350 from the SGF, and 280.6 FTE positions.
- Passage of the Kansas Economic Growth Act and other legislation. Additional responsibilities include the administration of the Center for Entrepreneurship, the Community Entrepreneurship Fund, Rural Business Development Tax Credits,

the Agritourism Promotion Act, the Downtown Redevelopment Act, an Athletic Commission and STAR Bond revisions.

The **Governor** recommends current year operating expenditures of \$92,719,913, including \$15,594,817 from the Economic Development Initiatives Fund (EDIF) and \$261,838 from the State General Fund. The recommendation is a decrease of \$480,625 from the agency estimate and a decrease of \$4,448,940 from the approved budget. The recommendation includes the application of a 2.5 percent shrinkage rate for the entire agency which accounts for the entire decrease of \$480,625 from the agency estimate.

### **Senate Subcommittee Recommendation**

The Senate Subcommittee concurs with the recommendations of the Governor, with the following observation:

1. **Change from FY 2005 Approved.** The Subcommittee notes that the Governor's FY 2005 revised recommendation is a State General Fund decrease of \$4,716 or 1.7 percent below the FY 2005 State General Fund amount approved by the 2004 Legislature.

## Senate Subcommittee Report

**Agency:** Department of Commerce

**Bill No. --**

**Bill Sec. --**

**Analyst:** Kannarr

**Analysis Pg. No.** 1391

**Budget Page No.** 89

Expenditure Summary	Agency Estimate FY 2006	Governor's Recommendation FY 2006	Senate Subcommittee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 266,554	\$ 231,885	\$ (10,875)
Other Funds	93,145,250	93,138,849	(1,139,605)
Subtotal - Operating	\$ 93,411,804	\$ 93,370,734	\$ (1,150,480)
<b>Capital Improvements:</b>			
State General Fund	\$ 0		\$ 0
Other Funds	521,500	521,500	0
Subtotal - Cap. Impr.	\$ 521,500	\$ 521,500	\$ 0
<b>TOTAL</b>	<b>\$ 93,933,304</b>	<b>\$ 93,892,234</b>	<b>\$ (1,150,480)</b>
FTE Positions	390.1	389.1	0.0
Non FTE Perm. Uncl. Pos.	16.0	16.0	0.0
Total	406.1	405.1	0.0

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

### Agency Request/Governor's Recommendation

The **agency** requests FY 2006 operating expenditures of \$93,411,804 and 390.1 FTE positions. The request is an increase of \$211,266 or 0.2 percent from the revised FY 2005 estimate. The request includes EDIF operating grant expenditures of \$16,384,915, an increase of \$659,450 from the revised estimate and SGF expenditures of \$266,554, the same amount as FY 2005. The agency requests an enhancement package of \$662,729 and 1.0 FTE position funded from the EDIF. Absent the enhancement package, the agency's FY 2006 request of \$92,749,075 is a decrease of \$451,463 or 0.5 percent from the revised FY 2005 estimate.

The **Governor** recommends FY 2006 expenditures of \$93,370,734, including \$15,904,548 from the EDIF and \$231,885 from the SGF. The recommendation is an all funds decrease of \$41,070, an EDIF decrease of \$480,367, and an SGF decrease of \$34,669 from the agency request. The Governor does not recommend the agency's enhancement package of \$662,729 EDIF in the Trade Development Division. The Governor reduces the transfer from the EDIF to the Kansas

Economic Opportunity Initiatives Fund (KEIOF) from \$3,225,000 to \$3,000,000 and eliminates the \$300,000 transfer from the Kansas Existing Industry Expansion Fund. These adjustments only affect agency revenues and are not reflected in expenditures. The recommendation also includes other adjustments totaling \$40,808 to other operating expenditures

### Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the Governor, with the following adjustments and observations:

1. **Pay Plan Adjustment.** Delete \$440,211, including \$4,151 from the State General Fund, to remove pay plan funding recommended by the Governor (a 2.5 percent base salary adjustment for all state employees) for consideration in a separate bill.
2. **Other Salary and Wage Adjustments.** Delete \$710,269, including \$6,724 from the State General Fund, to remove funding recommended by the Governor for the 27th payroll period (\$652,098), and for the Kansas Public Employees Retirement System (KPERS) death and disability increase (\$58,171) for later Committee consideration.
3. **Change from FY 2005 Approved.** The Subcommittee notes that the Governor's FY 2006 recommendation is a State General Fund decrease of \$34,669 or 13.0 percent below the FY 2005 State General Fund amount approved by the 2004 Legislature. Absent the above pay plan and salary and wage adjustments, the recommendation is a decrease of \$23,794, or 8.9 percent below the approved amount.

## Senate Subcommittee Report

**Agency:** Kansas Technology Enterprise Corporation

**Bill No. –**

**Bill Sec. --**

**Analyst:** Kannarr

**Analysis Pg. No.** Vol. 2, pg. 1411

**Budget Page No.** 295

Expenditure Summary	Agency Estimate FY 2005	Governor's Recommendation FY 2005	Senate Subcommittee Adjustments
Operating Expenditures:			
Economic Development Initiatives Fund (EDIF)	\$ 11,951,927	\$ 11,823,383	\$ 0
Other Funds	3,147,307	3,139,102	0
<b>TOTAL</b>	<b>\$ 15,099,234</b>	<b>\$ 14,962,485</b>	<b>\$ 0</b>
FTE Positions	28.8	28.8	0.0
Non FTE Perm. Uncl. Pos.	2.0	2.0	0.0
<b>Total</b>	<b>30.8</b>	<b>30.8</b>	<b>0.0</b>

### Agency Estimate/Governor's Recommendation

The **agency's** revised estimate for FY 2005 is \$15,099,234 including \$11,951,927 from the EDIF. The revised estimate is an increase of \$452,518 or 3.1 percent above the amount approved by the 2004 Legislature. The estimate includes a reappropriation from the EDIF of \$461,710.

The **Governor** recommends current year expenditures of \$14,962,485, including \$11,823,383 from the EDIF. The recommendation is an all funds increase of \$315,769, or 2.2 percent, and an EDIF increase of \$333,166, or 2.9 percent, above the approved budget. The recommendation is an all funds decrease of \$136,749, or 0.9 percent, and an EDIF decrease of \$128,544, or 1.1 percent, below the agency's revised estimate.

### Senate Subcommittee Recommendation

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

1. **Shrinkage Adjustment.** The Subcommittee notes that the Governor's recommendation includes a reduction of \$136,7149, including \$128,544 from the Economic Development Initiatives Fund to reflect a 7.0 percent shrinkage rate on the agency. Neither the FY 2005 approved budget nor the agency's revised estimate included shrinkage. The result is that the agency is now expected to

arrived at a 7.0 percent shrinkage rate in the short time that remains in the current fiscal year which will cause significant operational problems for the agency.

The Subcommittee was informed that in order to accommodate the recommendation, KTEC will have to forgo the hiring of a critical position intended to expedite the commercialization of life science research and support the fledgling bioscience initiative. The agency reports that it has been in discussion with this particularly qualified individual for some time and was expecting to announce the hiring in March. Because the shrinkage rate will carry forward into FY 2006, the agency is unsure when or if it will be able to hire this individual. The Subcommittee received information that the individual being considered lives in Kansas and has very particular qualifications for the position including 15 years of high-level scientific and commercialization experience in pharmaceuticals and bioscience. The individual has widely recognized expertise in expediting and facilitating commercialization in the biosciences with an understanding of all aspects of the business in addition to scientific knowledge and is well connected to local, national and international resources. Further, the agency indicated that this individual's capabilities are exactly what it would seek if we had to go out and search the industry for someone who could fill the specified role.

The Subcommittee does not support the unanticipated inclusion of shrinkage funding and recommends a review at Omnibus to determine if it is possible to restore some or all of the shrinkage reduction and allow the agency to move forward with the hiring of this position.



## Senate Subcommittee Report

**Agency:** Kansas Technology  
Enterprise Corporation

**Bill No. –**

**Bill Sec. --**

**Analyst:** Kannarr

**Analysis Pg. No.** Vol. 2, pg. 1411

**Budget Page No.** 295

Expenditure Summary	Agency Request FY 2006	Governor's Recommendation FY 2006	Senate Subcommittee Adjustments
Operating Expenditures:			
Economic Development Initiatives Fund (EDIF)	\$ 12,445,588	\$ 11,911,056	\$ (111,858)
Other Funds	<u>3,081,456</u>	<u>3,080,777</u>	<u>(3,408)</u>
<b>TOTAL</b>	<b><u>\$ 15,527,044</u></b>	<b><u>\$ 14,991,833</u></b>	<b><u>\$ (115,266)</u></b>
FTE Positions	28.8	28.8	0.0
Non FTE Perm. Uncl. Pos.	<u>2.0</u>	<u>2.0</u>	<u>0.0</u>
Total	<u><u>30.8</u></u>	<u><u>30.8</u></u>	<u><u>0.0</u></u>

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

### Agency Estimate/Governor's Recommendation

The **agency** requests \$15,527,044 for operating expenditures in FY 2006, including \$12,445,588 from the EDIF. The request is an all funds increase of \$427,810 or 2.8 percent above the revised FY 2005 estimate and an EDIF increase of \$493,661 or 4.1 percent. The request includes an enhancement package of \$950,000 from the EDIF.

The **Governor** recommends FY 2006 expenditures of \$14,991,833, including \$11,911,056 from the EDIF. The recommendation is an all funds decrease of \$535,211, or 3.4 percent, and an EDIF decrease of \$534,532, or 4.3 percent, below the agency request. The recommendation includes \$435,755 from the EDIF to support commercialization efforts and \$115,266, including \$111,858 from the EDIF for salary plan adjustments.

### Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the Governor, with the following adjustments:

1. **Pay Plan Adjustment.** Delete \$44,064 to remove pay plan funding recommended by the Governor (a 2.5 percent base salary adjustment for all state employees) for consideration in a separate bill.
2. **Other Salary and Wage Adjustments.** Delete \$71,202 to remove funding recommended by the Governor for the 27th payroll period (\$65,267), and for the Kansas Public Employees Retirement System (KPERs) death and disability increase (\$5,935) for later Committee consideration.

## Senate Subcommittee Report

**Agency:** Kansas, Inc.

**Bill No. --**

**Bill Sec. --**

**Analyst:** Kannarr

**Analysis Pg. No.** 1423

**Budget Page No.** 255

Expenditure Summary	Agency Estimate FY 2005	Governor's Recommendation FY 2005	Senate Subcom- mittee Adjustments
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	0
Economic Development Initiatives Fund (EDIF)	315,906	315,906	0
Other Funds	231,316	231,316	0
<b>TOTAL - Operating</b>	<b>\$ 547,222</b>	<b>\$ 547,222</b>	<b>\$ 0</b>
FTE Positions	4.0	4.0	0.0
Non FTE Perm. Uncl. Pos.	1.0	1.0	0.0
<b>Total</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>

### Agency Estimate/Governor's Recommendation

The **agency** estimates FY 2005 operating expenditures of \$547,222 , an increase of \$5,787 or 1.1 percent above the amount approved by the 2004 Legislature. The estimate includes EDIF expenditures of \$315,906 which is equal to the approved amount. The remainder of financing is from private funds generated by the agency for research and education. The FY 2005 budget continues the trend of requiring the use of these private funds for salaries and operating expenses.

The agency has been required to allocate portions of the private funds account to pay for operational expenses due to decreases in support from the EDIF over the last several years. Statutorily, the state is required to fund salaries and operating expenses and the agency is required to attract private sector contributions and grant for research and educational programs.

The **Governor** concurs with the agency's revised FY 2005 estimate.

### Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the Governor.

## Senate Subcommittee Report

**Agency:** Kansas, Inc.

**Bill No. --**

**Bill Sec. --**

**Analyst:** Kannarr

**Analysis Pg. No. 1423**

**Budget Page No. 255**

Expenditure Summary	Agency Estimate FY 2006	Governor's Recommendation FY 2006	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 50,000	\$ 0	\$ 0
Economic Development Initiatives Fund (EDIF)	354,432	382,615	(14,086)
Other Funds	229,923	190,834	(10,911)
<b>TOTAL - Operating</b>	<b>\$ 634,355</b>	<b>\$ 573,449</b>	<b>\$ (24,997)</b>
FTE Positions	4.5	4.5	0.0
Non FTE Perm.	1.0	1.0	0.0
Uncl. Pos.			
<b>Total</b>	<b>5.5</b>	<b>5.5</b>	<b>0.0</b>

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

### Agency Estimate/Governor's Recommendation

The **agency** estimates FY 2005 operating expenditures of \$547,222 , an increase of \$5,787 or 1.1 percent above the amount approved by the 2004 Legislature. The estimate includes EDIF expenditures of \$315,906 which is equal to the approved amount. The remainder of financing is from private funds generated by the agency for research and education. The FY 2005 budget continues the trend of requiring the use of these private funds for salaries and operating expenses.

The agency has been required to allocate portions of the private funds account to pay for operational expenses due to decreases in support from the EDIF over the last several years. Statutorily, the state is required to fund salaries and operating expenses and the agency is required to attract private sector contributions and grant for research and educational programs.

The **Governor** concurs with the agency's revised FY 2005 estimate.

### Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the Governor, with the following adjustments and observation:

1. **Pay Plan Adjustment.** Delete \$9,579, to remove pay plan funding recommended by the Governor (a 2.5 percent base salary adjustment for all state employees) for consideration in a separate bill.
2. **Other Salary and Wage Adjustments.** Delete \$15,418 to remove funding recommended by the Governor for the 27th payroll period (\$14,191), and for the Kansas Public Employees Retirement System (KPERs) death and disability increase (\$1,227) for later Committee consideration.
3. **Indicators of the Kansas Economy.** In addition to developing a proactive research agenda that identifies critical issues that will impact Kansas's economic future, Kansas, Inc. initiated the Indicators of the Kansas Economy (IKE) project that provides a set of variables to capture the current status and likely future direction of the state economy. Research on IKE, which began in July, is nearing completion and expected to be released March 1, 2005.
4. **Private Funding.** The Subcommittee congratulates Kansas, Inc.'s initiative on finding \$100,000 in funds from outside sources to match the \$100,000 appropriated by the 2004 Legislature to support an expanded research agenda. The Subcommittee believes it is important to find ways for private/public financing.