

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on February 16, 2006 in Room 514-S of the Capitol.

All members were present except:

- Representative Becky Hutchins - excused
- Representative Bill McCreary - excused
- Representative Shari Weber - excused
- Representative Jerry Henry - excused
- Representative Tom Sawyer - excused

Committee staff present:

- Alan Conroy, Legislative Research Department
- J. G. Scott, Legislative Research Department
- Becky Krahl, Legislative Research Department
- Matt Spurgin, Legislative Research Department
- Audrey Dunkel, Legislative Research Department
- Julian Efird, Legislative Research Department
- Mike Corrigan, Revisor of Statutes
- Nikki Feuerborn, Administrative Assistant
- Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

- Jim Garner, Secretary, Department of Labor

Others attending:

See attached list.

- Attachment 1 Budget Committee report on Department of Labor
- Attachment 2 Overview of Lottery and Transfers
- Attachment 3 Overview of Economic Development Initiatives Fund (EDIF)

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Department of Labor for FY 2006 and moved for the adoption of the Budget Committee recommendation for FY 2006 (Attachment 1). The motion was seconded by Representative Lane. Motion carried.

Responding to a question from the Committee regarding the call centers issue, the Chairman recognized Jim Garner, Secretary of the Department of Labor. Secretary Garner stated that the agency is working to put together a plan addressing the needs for the call centers for the Unemployment Insurance Division with the possibility of moving out of leased space into state-owned space. Secretary Garner noted that there is a bill in U. S. Congress at the present time that could change the way unemployment insurance funded buildings can be used and give the states more latitude in the process. The Secretary noted that the agency is scheduled to give a full report to the Joint Committee on State building Construction in March.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Department of Labor for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 1). The motion was seconded by Representative Lane. Motion carried.

Julian Efird, Legislative Research Department, presented an overview of the Lottery Sales and Transfers to the State and the State General Fund (SGF) for the past ten years (Attachment 2).

Audrey Dunkel, Legislative Research Department, presented an overview of the Economic Development Initiatives Fund (EDIF) and the Revenue Flow (Attachment 3).

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on February 16, 2006 in Room 514-S of the Capitol.

Representative Landwehr moved to approve the Committee minutes as written of February 7, February 8, February 9 and February 10. The motion was seconded by Representative Ballard. Motion carried.

HR 2949 was referred to Agriculture and Natural Resources Budget Committee.

The meeting was adjourned at 9:40 a.m. The next meeting of the Committee will be held at 9:00 a.m. on February 17, 2006.




Melvin Neufeld, Chairman

FY 2006 and FY 2007

GENERAL GOVERNMENT AND COMMERCE BUDGET COMMITTEE

DEPARTMENT OF LABOR



Representative Jo Ann Pottorff, Chair



Representative Richard Carlson




Representative David Huff

Representative Annie Kuether



Representative Harold Lane



Representative Clark Shultz



Representative Kevin Yoder

HOUSE APPROPRIATIONS

DATE 2-16-2006
ATTACHMENT 1

House Budget Committee Report

Agency: Department of Labor **Bill No.**

Bill Sec.

Analyst: Spurgin

Analysis Pg. No. Vol. II-1203

Budget Page No. 271

Expenditure Summary	Agency Estimate FY 2006	Governor's Recommendation FY 2006	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 419,154	\$ 419,154	\$ 0
Other Funds	352,618,597	352,618,597	0
Subtotal - Operations	<u>\$ 353,037,751</u>	<u>\$ 353,037,751</u>	<u>\$ 0</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	0
Other Funds	854,650	1,204,650	0
Subtotal - Capital Improvements	\$ 854,650	\$ 1,204,650	\$ 0
TOTAL	<u>\$ 353,892,401</u>	<u>\$ 354,242,401</u>	<u>\$ 0</u>
FTE Positions	600.2	600.2	0.0
Non FTE Uncl. Perm. Pos.	26.0	26.0	0.0
TOTAL	<u>626.2</u>	<u>626.2</u>	<u>0.0</u>

Agency Estimate

The **agency** estimates current year operating expenditures of \$353,037,751, a decrease of \$60,114,290 (14.6 percent) below the approved amount. The agency estimates FY 2006 State General Fund expenditures of \$419,154, an increase of \$76,706 (22.4 percent) above the approved amount. The revised current year budget request reflects the transfer of the America's Joblink Alliance Program from the Kansas Department of Labor to the Kansas Department of Commerce to more closely follow the workforce development programs that had already been transferred to Commerce as part of 2004 ERO No. 31.

- \$43,092 of reappropriated funds from the State General Fund are budgeted in the Unemployment Insurance Program;
- The agency has budgeted \$33,614 of State General Fund KSIP money, as well as \$979,044 in KSIP funds from the Workers Compensation Fee Fund (\$876,955) and the Workers Compensation Fee Fund Industrial Safety (\$102,089).

The agency's Unemployment Insurance benefit payments projection has decreased by \$57.2 million dollars. The agency credits an improving economy and lower unemployment in the reduced estimate of Unemployment Insurance benefit payments.

The America's Joblink Alliance Program was transferred to the Department of Commerce on July 3, 2005. This transfer further reduced the estimated operating expenditures.

Governor's Recommendation

The **Governor** concurs with the agency's estimate for FY 2006.

House Budget Committee Recommendation

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

1. The Budget Committee notes that the agency has purchased the Eastman Building on the grounds of the former Topeka State Hospital. The Budget Committee notes that once this building is remodeled and ready for occupancy, it will house the Topeka call center for the Unemployment Insurance Division. This operation is currently working in leased space at the Ramada Inn in Topeka, which costs the agency \$74,112 per year. There is also the possibility that this building could be utilized to consolidate all call center operations into a location owned by the agency. While the agency owns the building where the Wichita call center is located, the Kansas City call center is in leased space which costs about \$54,000 per year.

House Budget Committee Report

Agency: Department of Labor **Bill No.**

Bill Sec.

Analyst: Spurgin

Analysis Pg. No. Vol. II-1203

Budget Page No. 271

Expenditure Summary	Agency Request FY 2007	Governor's Recommendation FY 2007	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 337,744	\$ 368,141	\$ 0
Other Funds	365,472,967	367,857,231	(66,454)
Subtotal - Operations	365,810,711	368,225,372	(66,454)
Capital Improvements:			
State General Fund	\$ 0	\$ 0	0
Other Funds	467,000	467,000	0
Subtotal - Capital Improvements	\$ 467,000	\$ 467,000	0
 TOTAL	 \$ 366,277,711	 \$ 368,692,372	 \$ (66,454)
 FTE Positions	 600.2	 600.2	 0.0
Non FTE Uncl. Perm. Pos.	26.0	26.0	0.0
TOTAL	626.2	626.2	0.0

Agency Request

The **agency** requests budget year operating expenditures of \$365,810,711, an increase of \$12,772,960 (3.6 percent) above the revised current year estimate. The FY 2007 request for State General Fund expenditures is \$337,744, a decrease of \$81,410 (19.4 percent) below the FY 2006 estimate.

The State General Fund expenditures requested by the agency are a decrease of \$81,410 (19.4 percent) below the revised FY 2006 estimate. The request for FY 2006 reflects several one-time expenditures such as \$43,092 State General Fund expenditures from reappropriated funds as well as \$33,614 in KSIP expenditures. Additionally, the FY 2006 budget included \$7,661 from the State General Fund for the 27th payroll period in FY 2006. Excluding the reappropriated funds, KSIP expenditures, and the additional payroll expenses from the State General Fund in the FY 2006 estimate, the FY 2007 State General Fund expenditures reflect an increase of \$2,957 (0.9 percent).

The agency's Unemployment Insurance (UI) benefit payments projection for FY 2006 increased by \$15,000,000 (3.6 percent) above the revised current year estimate. The agency reports most of this increase being attributed to an increase in the average weekly benefit amount.

The requested amount has budgeted \$270,000 of federal Reed Act funds to pay the State Treasurer for handling unemployment benefit warrants and electronic fund transfers.

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Governor's Recommendation

The **Governor** recommends operating expenditures of \$368,225,372 for FY 2007, an increase of \$15,187,621 (4.3 percent) above the current year recommendation. The increase is partially offset by the fact that FY 2007 will have the customary 26 payroll periods, and not the additional 27th payroll period that occurs in FY 2006; however, the recommendation for salaries and wages still reflects an increase of \$184,286 (0.7 percent).

House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation with the following adjustments and observations"

1. **FY 2007 Baseline Budget.** To establish a baseline FY 2007 budget, the FY 2006 budget, as approved by the 2005 Legislature, was adjusted to reflect salary adjustments (removal of the 27th payroll period funding included in FY 2006, annualization of the FY 2006 phased in 2.5 percent base salary adjustment and statutorily required adjustments for Kansas Public Employees Retirement System (KPERs) rates, KPERs death and disability insurance, and longevity). In addition, adjustments were made for required debt service payments, revenue transfers, and consensus items including school finance funding and caseload estimates for the Department of Social and Rehabilitation Services, the Department of Administration, the Department on Aging, and the Board of Indigents' Defense Services. Finally, adjustments were made for one-time items which impact specific agency budgets.

For this agency, the FY 2006 approved budget totaled \$413,152,041, including \$342,448 from the State General Fund. The approved budget was reduced by a net total of \$62,026,944 including \$3,796 from the State General Fund to establish a baseline budget for FY 2007. The reductions included \$749,482 in salary adjustments, and \$167,412 in one-time adjustments, partially offset by an increase of \$51,474 for debt service payments.

2. **Comparison of FY 2007 Baseline Budget to Governor's Recommendation.** The table below reflects the difference between the Governor's recommendation and the baseline budget.

	<u>SGF</u>	<u>All Funds</u>
Governor's Recommendation	\$ 368,141	\$ 367,857,231
Baseline Budget	<u>338,692</u>	<u>351,125,097</u>
Dollar Difference	<u>\$ 29,449</u>	<u>\$ 16,726,134</u>
<i>Percent Difference</i>	<i>8.0%</i>	<i>4.5%</i>

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The following table reflects items included in the Governor's recommendation which differ from the baseline budget.

	<u>SGF</u>	<u>All Funds</u>
Base Salary Adjustment	\$ 5,397	\$ 594,875
Debt Service Principal and Interest	0	1,943,849
Unemployment Insurance Benefit Increases	0	15,000,000
Other Net Adjustments	<u>24,052</u>	<u>(812,590)</u>
TOTAL	<u>\$ 29,449</u>	<u>\$ 16,726,134</u>

3. Delete \$66,454 from special revenue funds recommended by the Governor to replace five vehicles. The Budget Committee recommends reviewing vehicle purchases at Omnibus.

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February 15, 2006

LOTTERY SALES AND TRANSFERS

<u>Fiscal Year</u>	<u>Sales</u>	<u>Transfers To State*</u>	<u>Transfers To SGF</u>
2005	\$ 206,982,907	\$ 65,409,441	15,409,441
2004	224,457,166	70,217,944	18,217,944
2003	202,942,874	62,500,000	12,500,000
2002	190,083,880	60,494,603	10,494,603
2001	184,727,159	56,535,258	6,535,258
2000	192,560,800	59,646,911	9,646,911
1999	198,920,985	59,333,464	9,333,464
1998	192,017,310	60,304,388	10,304,388
1997	185,356,681	56,658,134	6,658,134
1996	182,113,628	58,114,547	8,114,547

* Note: By statute, amounts greater than \$50.0 million transferred to the State Gaming Revenues Fund during a fiscal year are transferred to the State General Fund. An exception occurred in FY 2004 when the Legislature authorized a one-time \$2.0 million transfer from the Lottery Operating Fund directly to the Economic Development Initiatives Fund.

HOUSE APPROPRIATIONS

DATE 2-16-2006
ATTACHMENT 2

Economic Development Initiatives Fund (EDIF) Overview

The statutes governing the EDIF provide that it shall be used to finance programs "... supporting and enhancing the existing economic foundation of the state and fostering growth ... to the state's economic foundation." With the exception of a statutory \$2.0 million transfer from the EDIF to the State Water Plan Fund, the Legislature annually appropriates the EDIF for individual projects and programs deemed to support and enhance the state's economic foundation.

The EDIF is funded through the State Gaming Revenue Fund (SGRF). A portion of state revenue from both the Lottery and parimutuel wagering is transferred to the SGRF. That fund is used essentially as a holding fund from which further transfers are made on a monthly basis. No more than \$50.0 million may be credited to the SGRF in any fiscal year. Amounts in excess of \$50.0 million are credited to the State General Fund.

The initial transfers from the State Gaming Revenue Fund, which began in 1986, were as follows:

1. County Reappraisal Fund (until June 30, 1989) - 30.0%
2. Split between Juvenile Detention Facilities Fund and Correctional Institutions Building Fund (Actual amount to be determined by appropriations act) - 10.0%
3. Economic Development Initiatives Fund (to be increased to 90.0% as of July 1, 1989) - 60.0%

During the 1988 Session, the Legislature delayed the increase in the transfer to the EDIF until July 1, 1990.

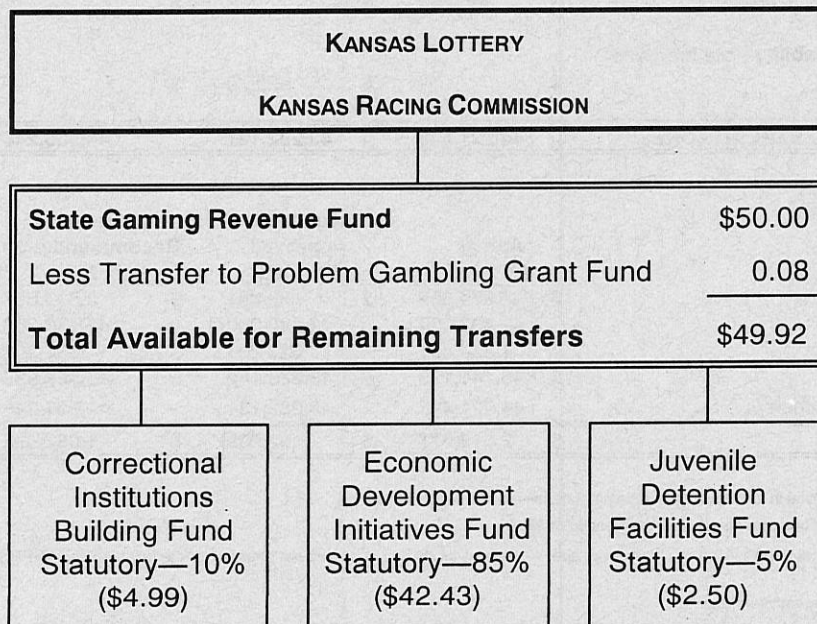
During the 1994 Session, the Legislature changed the transfers as of July 1, 1995 to the following:

1. Correctional Institutions Building Fund - 10.0%
2. Juvenile Detention Facilities Fund - 5.0%
3. Economic Development Initiatives Fund - 85.0%

During the 2000 Session, the Legislature changed the transfers to the following:

1. Economic Development Initiatives Fund—\$42,432,000;
2. Correctional Institutions Building Fund—\$4,992,000;
3. Juvenile Detention Facilities Fund—\$2,496,000; and
4. Problem Gambling Grant Fund—\$80,000.

**ECONOMIC DEVELOPMENT INITIATIVES FUND
Revenue Flow
(In Millions)**



**ECONOMIC DEVELOPMENT INITIATIVES FUND
FY 2005 - FY 2007**

Agency/Program	Actual FY 2005	Final Legislative Approved FY 2006	Governor's * Recommendation FY 2006	Governor's Recommendation FY 2007
Department of Commerce				
Operating Grant	\$ 14,789,751	\$ 15,599,249	\$ 16,164,976	\$ 15,701,164
Older Kansans Employment Program	239,430	239,430	239,430	230,481
Kansas Economic Opportunity Initiative Fund	3,225,000	3,000,000	3,000,000	3,160,000
Kansas Existing Industry Expansion Program	300,000	-	-	-
Subtotal - Commerce	\$ 18,554,181	\$ 18,838,679	\$ 19,404,406	\$ 19,091,645
Kansas Technology Enterprise Corporation				
Operations	\$ 1,618,422	\$ 1,648,518	\$ 1,732,543	\$ 1,698,695
University & Strategic Research	5,677,796	5,550,950	5,449,891	5,345,205
Commercialization	1,379,494	1,715,082	2,116,334	1,790,249
Mid-America Manuf. Tech. Center (MAMTC)	1,474,359	1,586,478	1,528,152	1,547,788
Product Development	1,214,951	1,386,562	1,519,030	1,519,030
Subtotal - KTEC	\$ 11,365,022	\$ 11,887,590	\$ 12,345,950	\$ 11,900,967
Kansas, Inc.				
Operations	\$ 315,894	\$ 379,671	\$ 379,671	\$ 382,085
Kansas Racing and Gaming Commission				
Racing Operations	\$ -	\$ -	\$ -	\$ 200,000 2
Social and Rehabilitation Services				
Child Support Enforcement Call Center	\$ -	\$ -	\$ -	\$ 340,000 3
Board of Regents				
Tech. Innovation & Internship Prog. - AVTS	\$ 183,696	\$ 180,500	\$ 180,749	\$ 180,500
Post-secondary Aid - AVTS	6,957,162	6,957,162	6,957,162	6,957,162
Capital Outlay - AVTS	2,565,000	2,565,000	2,565,000	2,565,000
KSU - ESARP	300,000	300,000	300,000	- 4
Wichita State University - Aviation Research	1,828,778	-	292,058	- 4
Subtotal - Regents & Universities	\$ 11,834,636	\$ 10,002,662	\$ 10,294,969	\$ 9,702,662
Kansas Arts Commission				
Local Arts Grants	\$ 35,000	\$ -	\$ -	\$ -
Kansas Water Office				
Water Education for Teachers Project	\$ 10,000	\$ -	\$ -	\$ -
State Conservation Commission				
Conservation Easement Matching Funds	\$ -	\$ 31,250	\$ 31,250	\$ 311,500 5
Multipurpose Small Lakes (Horse Thief Reservoir)	-	50,000	50,000	- 8
Subtotal - State Conservation Commission	\$ -	\$ 81,250	\$ 81,250	\$ 311,500
State Fair				
Largest Classroom	\$ -	\$ -	\$ -	\$ 19,960 6
Ticket Marketing	-	-	-	50,000 7
Subtotal - State Fair	\$ -	\$ -	\$ -	\$ 69,960
State Water Plan Fund Transfer	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Budget Efficiency and Savings Team Transfers	\$ 106,760	\$ -	\$ -	\$ -
Pay Plan and KPERS Death and Disability Rate Increase Transfer	\$ -	\$ 92,279 1	\$ -	\$ -
TOTAL TRANSFERS AND EXPENDITURES	44,221,493	43,282,131	44,506,246	43,998,819

EDIF Resource Estimate	Actual FY 2005	Legislative Approved FY 2006	Governor's Recommendation FY 2006	Governor's Recommendation FY 2007
Beginning Balance	\$ 2,974,689	\$ 168,881	\$ 2,519,677	\$ 1,082,692
Gaming Revenues	42,432,000	42,432,000	42,432,000	42,432,000
Other Income**	1,334,481	637,261	637,261	500,000
Total Available	\$ 46,741,170	\$ 43,238,142	\$ 45,588,938	\$ 44,014,692
Less: Expenditures and Transfers	44,221,493	43,282,131	44,506,246	43,998,819
ENDING BALANCE	\$ 2,519,677	\$ (43,989)	\$ 1,082,692	\$ 15,873

* Unless otherwise noted, increases in agency total in the Governor's recommendation reflect reappropriations.

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

- This amount is transferred to the State General Fund as part of a transfer of special revenue funds from amounts not required for the pay plan and KPERS death and disability rates increase due to adjustments by the Legislature.
- The Governor recommends this funding for agency operations.
- The Governor recommends this item as a one-time expenditure to establish a child Support Enforcement Customer Service Center. The funding will be matched with \$1.32 million from the federal Child Support Enforcement Administration Fund, for total FY 2007 expenditures of \$2.0 million.
- These expenditures have been shifted to the State General Fund.
- The Governor's recommendation reflects a full year of funding for multiple projects in FY 2007. The FY 2006 funding covered only one project.
- The Governor recommends this item to assist teachers in planning and organizing educational Field Trips to the Kansas State Fair for children from preschool to college level, with the majority if the students being elementary school age.
- The Governor recommends this item to enhance outreach ticket marketing by providing upgrades to the agency's website, multi-cultural day at the State Fair featuring entertainment from various ethnic groups, as well as increased radio, television, and print advertising.
- Expenditures for this project are now completely funded from the State Water Plan Fund.