

Senate Subcommittee Report

Agency: Department of Administration

Bill No. SB 422

Bill Sec. 19

Analyst: Wu

Analysis Page No. Vol. 1, p. 279

Budget Page No. 16

| Expenditure Summary | Agency Request FY 2023 | Governor Recommendation FY 2023 * | Senate Subcommittee Adjustments |
|--------------------------------|------------------------------|--------------------------------------|------------------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ 114,381,404 | \$ 103,172,758 | \$ - |
| Federal Funds | 716,899 | 716,899 | - |
| Other Funds | 43,346,335 | 39,461,845 | - |
| <i>Subtotal</i> | <u>\$ 158,444,638</u> | <u>\$ 143,351,502</u> | <u>\$ -</u> |
| Capital Improvements: | | | |
| State General Fund | \$ 44,635,669 | \$ 147,252,457 | \$ - |
| Federal Funds | - | - | - |
| Other Funds | 11,991,788 | - | - |
| <i>Subtotal</i> | <u>\$ 56,627,457</u> | <u>\$ 147,252,457</u> | <u>\$ -</u> |
| TOTAL | <u>\$ 215,072,095</u> | <u>\$ 290,603,959</u> | <u>\$ -</u> |

FTE positions

462.7

470.7

0.0

* Does not reflect GBA No. 2, Item 7, which transfers \$10.0 million from SGF revenue to the State Health Insurance Plan Reserve Fund. The figures represented in this table reflect appropriations for expenditures and not revenue received.

Agency Request

The **agency** requests \$215.1 million in on-budget expenditures and 89.0 on-budget FTE positions for FY 2023, including \$159.0 million SGF, \$36.1 million from the ELARF, and \$15.9 million in transfers from the State Highway Fund. This represents a reduction of \$1.9 million, or 0.9 percent, below the agency's revised estimate in FY 2022.

The request includes an overall reduction of \$2.0 million for changes in debt service expenditures. Of that amount, there is an increase of \$3.5 million SGF, offset by reductions of \$4,031 from the ELARF and \$5.5 million in transfers from the State Highway Fund. There are five sets of bonds included within this adjustment: (1) Statehouse Renovation Bonds (\$2.3 million reduction), which were issued for the renovation of the Kansas Statehouse; (2) Series 2015A (\$1.0 million increase), which includes four debt service refunding bonds, debt service for the John Redmond Reservoir, and debt service for a University of Kansas Medical Center health education building; (3) Series 2015G (\$3.3 million reduction), which is the State's portion of the National Bio and Agro-Defense Facility (NBAF) located in Manhattan, Kansas; (4) Series 2020R (\$3.1 million reduction), which refunded bonds related to renovations of the Kansas Statehouse, the NBAF, and public broadcasting facilities; and (5) Series 2021P (\$5.8 million increase), which refunded bonds related to renovations of the Kansas Statehouse, the NBAF, Kansas State Fairgrounds, and Kansas Department of Wildlife and Parks facilities.

The request also includes \$89.5 million in off-budget expenditures and 373.7 off-budget FTE

positions, which are categorized as such to avoid double counting payments from one state agency to another. For FY 2023, off-budget expenditures increase by \$1.8 million, or 2.0 percent, above the FY 2022 revised estimate. The increase is primarily due to higher expenditures for workers' compensation claims (\$420,387) and building rent (\$863,500).

Governor's Recommendation

The **Governor** recommends \$290.6 million in on-budget expenditures and 96.9 on-budget FTE positions for FY 2023, including \$250.4 million SGF, \$36.1 million from the ELARF, and no State Highway Fund appropriations. This represents an increase of \$75.5 million, or 26.0 percent, above the agency request.

The most significant increase is attributable to the Governor's recommendation to appropriate \$120.0 million SGF for the rehabilitation and repair of the Docking State Office Building. The 2021 Legislature added language authorizing the Department of Administration to issue up to \$120.0 million in bonds for the Docking Building, subject to approval from the State Finance Council. Incorporating recommendations from the Joint Committee on State Building Construction, the State Finance Council approved the renovation of the Docking Building into a three-story building with office and meeting space. The Office of the Governor indicates this proposal would utilize the budget surplus to fund the project in its entirety rather than incurring additional debt.

The Governor also recommends ending extraordinary transfers from the Kansas Department of Transportation beginning in FY 2023. For the Department of Administration, this includes an increase of \$15.9 million SGF and a corresponding decrease of \$15.9 million in transfers from the State Highway Fund. The \$15.9 million allocated to this agency funds debt service payments for the state, and adopting the recommendation would result in such payments being primarily made from the SGF instead.

The recommendation also includes a reduction of \$45.2 million SGF to account for the Governor's proposal to pay off Series 2015A (\$27.8 million SGF) and Series 2015G (\$17.4 million SGF) bonds in FY 2022. If those bonds are paid off in FY 2022, then those budgeted expenditures would not continue into FY 2023 and onward.

The recommendation also includes an increase of \$724,814 SGF and 8.0 FTE positions for the Office of Public Advocates. This includes expenditures for the KanCare Ombudsman (\$224,814 SGF, 3.0 FTE positions) and the Division of the Child Advocate (\$500,000 SGF, 5.0 FTE positions).

The recommendation also includes \$89.5 million in off-budget expenditures and 373.7 off-budget FTE positions, which is the same as the agency request for FY 2023.

Senate Subcommittee Recommendation

The **Subcommittee** concurs with the Governor's recommendation for FY 2023.

Senate Committee Recommendation

The **Committee** concurs with the Subcommittee's recommendation for FY 2023 with the following adjustments:

1. Delete \$60.0 million SGF for the Docking State Office Building for FY 2023. 2021 SB 159 authorized the Department of Administration to issue up to \$120.0 million in bonds for the project. The Governor's recommendation includes an appropriation of \$120.0 million SGF in FY 2022 to pay the entire amount up front.
2. Add language to change the Budget Stabilization Fund from a no limit fund to an appropriated fund with a \$0 limitation for FY 2023.

Senate Committee of the Whole Recommendation (Sub. for SB 444)

The **Committee of the Whole** concurs with the Committee's recommendation for FY 2023.

House Budget Committee Report

Agency: Department of Administration **Bill No.** 2588 **Bill Sec.** 19
Analyst: Wu **Analysis Page No.** Vol. 1, p. 279 **Budget Page No.** 16

| Expenditure Summary | Agency Request FY 2023 | Governor Recommendation FY 2023 | House Budget Committee Adjustments |
|--------------------------------|------------------------------|---------------------------------------|--|
| Operating Expenditures: | | | |
| State General Fund | \$ 114,381,404 | \$ 103,172,758 | \$ 15,000 |
| Federal Funds | 716,899 | 716,899 | - |
| Other Funds | 43,346,335 | 39,461,845 | - |
| <i>Subtotal</i> | <u>\$ 158,444,638</u> | <u>\$ 143,351,502</u> | <u>\$ 15,000</u> |
| Capital Improvements: | | | |
| State General Fund | \$ 44,635,669 | \$ 147,252,457 | \$ - |
| Federal Funds | - | - | - |
| Other Funds | 11,991,788 | - | - |
| <i>Subtotal</i> | <u>\$ 56,627,457</u> | <u>\$ 147,252,457</u> | <u>\$ -</u> |
| TOTAL | <u>\$ 215,072,095</u> | <u>\$ 290,603,959</u> | <u>\$ 15,000</u> |
| FTE positions | 462.7 | 470.7 | 0.0 |

Agency Request

The **agency** requests \$215.1 million in on-budget expenditures and 89.0 on-budget FTE positions for FY 2023, including \$159.0 million SGF, \$36.1 million from the ELARF, and \$15.9 million in transfers from the State Highway Fund. This represents a reduction of \$1.9 million, or 0.9 percent, below the agency's revised estimate in FY 2022.

The request includes an overall reduction of \$2.0 million for changes in debt service expenditures. Of that amount, there is an increase of \$3.5 million SGF, offset by reductions of \$4,031 from the ELARF and \$5.5 million in transfers from the State Highway Fund. There are five sets of bonds included within this adjustment: (1) Statehouse Renovation Bonds (\$2.3 million reduction), which were issued for the renovation of the Kansas Statehouse; (2) Series 2015A (\$1.0 million increase), which includes four debt service refunding bonds, debt service for the John Redmond Reservoir, and debt service for a University of Kansas Medical Center health education building; (3) Series 2015G (\$3.3 million reduction), which is the State's portion of the National Bio and Agro-Defense Facility (NBAF) located in Manhattan, Kansas; (4) Series 2020R (\$3.1 million reduction), which refunded bonds related to renovations of the Kansas Statehouse, the NBAF, and public broadcasting facilities; and (5) Series 2021P (\$5.8 million increase), which refunded bonds related to renovations of the Kansas Statehouse, the NBAF, Kansas State Fairgrounds, and Kansas Department of Wildlife and Parks facilities.

The request also includes \$89.5 million in off-budget expenditures and 373.7 off-budget FTE positions, which are categorized as such to avoid double counting payments from one state agency to another. For FY 2023, off-budget expenditures increase by \$1.8 million, or 2.0 percent, above the FY 2022 revised estimate. The increase is primarily due to higher expenditures for workers' compensation claims (\$420,387) and building rent (\$863,500).

Governor's Recommendation

The **Governor** recommends \$290.6 million in on-budget expenditures and 96.9 on-budget FTE positions for FY 2023, including \$250.4 million SGF, \$36.1 million from the ELARF, and no State Highway Fund appropriations. This represents an increase of \$75.5 million, or 26.0 percent, above the agency request.

The most significant increase is attributable to the Governor's recommendation to appropriate \$120.0 million SGF for the rehabilitation and repair of the Docking State Office Building. The 2021 Legislature added language authorizing the Department of Administration to issue up to \$120.0 million in bonds for the Docking Building, subject to approval from the State Finance Council. Incorporating recommendations from the Joint Committee on State Building Construction, the State Finance Council approved the renovation of the Docking Building into a three-story building with office and meeting space. The Office of the Governor indicates this proposal would utilize the budget surplus to fund the project in its entirety rather than incurring additional debt.

The Governor also recommends ending extraordinary transfers from the Kansas Department of Transportation beginning in FY 2023. For the Department of Administration, this includes an increase of \$15.9 million SGF and a corresponding decrease of \$15.9 million in transfers from the State Highway Fund. The \$15.9 million allocated to this agency funds debt service payments for the state, and adopting the recommendation would result in such payments being primarily made from the SGF instead.

The recommendation also includes a reduction of \$45.2 million SGF to account for the Governor's proposal to pay off Series 2015A (\$27.8 million SGF) and Series 2015G (\$17.4 million SGF) bonds in FY 2022. If those bonds are paid off in FY 2022, then those budgeted expenditures would not continue into FY 2023 and onward.

The recommendation also includes an increase of \$724,814 SGF and 8.0 FTE positions for the Office of Public Advocates. This includes expenditures for the KanCare Ombudsman (\$224,814 SGF, 3.0 FTE positions) and the Division of the Child Advocate (\$500,000 SGF, 5.0 FTE positions).

The recommendation also includes \$89.5 million in off-budget expenditures and 373.7 off-budget FTE positions, which is the same as the agency request for FY 2023.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation for FY 2023 with the following adjustments:

1. Add \$15,000 SGF to reimburse the Friends of Cedar Crest Association for expenditures related to a potential gubernatorial transition for FY 2023. This amount would be in addition to the \$150,000 SGF allocated to the Division of the Budget for gubernatorial transition expenditures, as required by KSA 75-137 and already included in the Governor's recommendation.
2. Transfer \$500,000 from SGF to the Digital Imaging Program Fund for FY 2023 to replace revenue otherwise received from the vehicle of modernization surcharge. Under current law, a \$4 surcharge is applied when vehicles are registered with the Department of Revenue's Division of Vehicles. The Governor's recommendation includes a proposal to eliminate the surcharge but legislative action is required to enact the change. HB 2567, which passed the House Committee of the Whole on February 22, 2022, includes language to eliminate the surcharge. Additionally, bills in the House Committee on Appropriations (HB 2693) and Senate Committee on Ways and Means (SB 488 and SB 512) also include language to eliminate the surcharge.

House Committee Recommendation

The **Committee** concurs with the Budget Committee's recommendation for FY 2023 with the following adjustments:

1. Delete \$120.0 million SGF for the Docking State Office Building for FY 2023 and review at Omnibus.

House Committee of the Whole Recommendation (House Sub. for Sub. for SB 267)

The **Committee of the Whole** concurs with the Committee's recommendation for FY 2023.

Conference Committee Recommendation (House Sub. for Sub. for SB 267)

The **Conference Committee** concurs with the Governor's recommendation for FY 2023 with the following adjustments:

1. Delete \$60.0 million SGF for the Docking State Office Building for FY 2023 and add language lapsing up to \$60.0 million SGF if federal funding is received in excess of \$60.0 million.
2. Add \$15,000 SGF to reimburse the Friends of Cedar Crest Association for expenditures related to a potential gubernatorial transition for FY 2023. This amount would be in addition to the \$150,000 SGF allocated to the Division of the Budget for gubernatorial transition expenditures, as required by KSA 75-137 and already included in the Governor's recommendation.

3. Transfer \$500,000 from SGF to the Digital Imaging Program Fund for FY 2023 to replace revenue otherwise received from the vehicle of modernization surcharge.
4. Add language to change the Budget Stabilization Fund from a no limit fund to an appropriated fund with a \$0 limitation for FY 2023.

Omnibus Action (HB 2510)

1. Adopt GBA No. 2, Item 7, to add language to transfer \$10.0 million from the SGF to the State Health Insurance Plan Reserve Fund for FY 2023.
2. Add \$150,000 SGF to provide Capitol Complex housekeeping staff with a 5.0 percent salary adjustment for FY 2023.
3. Appropriate a no-limit Kansas Gold Star Families Memorial Fund created in SB 330 for FY 2023.
4. Appropriate a no-limit Kansas Suffragist Memorial Fund created in SB 479 for FY 2023.

State Finance Council

1. Add \$370,660, including \$270,001 SGF, for a 5.0 percent salary adjustment for most state employees for FY 2023. This adjustment excludes statewide elected officials, current beneficiaries of the 24/7 pay plan, with other specific limitations for employees who receive salary adjustments in other portions of the appropriations bill.

| | Governor's Recommendation FY 2023 * | Legislative Action | Legislative Approved FY 2023 | Governor's Veto FY 2023 | Final Legislative Approved FY 2023 |
|------------------------------|---|------------------------|------------------------------------|-------------------------------|---|
| All Funds | | | | | |
| State Operations | \$ 142,941,502 | \$ (59,479,340) | \$ 83,462,162 | \$ 0 | \$ 83,462,162 |
| Aid to Local Units | 250,000 | 0 | 250,000 | 0 | 250,000 |
| Other Assistance | 160,000 | 15,000 | 175,000 | 0 | 175,000 |
| <i>Subtotal - Operations</i> | <i>\$ 143,351,502</i> | <i>\$ (59,464,340)</i> | <i>\$ 83,887,162</i> | <i>\$ 0</i> | <i>\$ 83,887,162</i> |
| Capital Improvements | 147,252,457 | 0 | 147,252,457 | 0 | 147,252,457 |
| TOTAL | \$ 290,603,959 | \$ (59,464,340) | \$ 231,139,619 | \$ 0 | \$ 231,139,619 |

State General Fund

| | | | | | |
|-----------------------------|-----------------------|------------------------|-----------------------|-------------|-----------------------|
| State Operations | \$ 103,172,758 | \$ (59,579,999) | \$ 43,592,759 | \$ 0 | \$ 43,592,759 |
| Aid to Local Units | 0 | 0 | 0 | 0 | 0 |
| Other Assistance | 0 | 15,000 | 15,000 | 0 | 15,000 |
| <i>Subtotal - Operating</i> | <i>\$ 103,172,758</i> | <i>\$ (59,564,999)</i> | <i>\$ 43,607,759</i> | <i>\$ 0</i> | <i>\$ 43,607,759</i> |
| Capital Improvements | 147,252,457 | 0 | 147,252,457 | 0 | 147,252,457 |
| TOTAL | \$ 250,425,215 | \$ (59,564,999) | \$ 190,860,216 | \$ 0 | \$ 190,860,216 |

| | | | | | |
|---------------|-------|-----|-------|-----|-------|
| FTE Positions | 470.7 | 0.0 | 470.7 | 0.0 | 470.7 |
|---------------|-------|-----|-------|-----|-------|

* Does not reflect GBA No. 2, Item 7, which transfers \$10.0 million from SGF revenue to the State Health Insurance Plan Reserve Fund. The figures represented in this table reflect appropriations for expenditures and not revenue received.