

Approved: 1/20/93
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Rochelle Chronister at 1:30 p.m. on Tuesday, January 12, 1993 in Room 514-S of the Capitol.

All members were present except: Rep. JoAnn Pottorff (excused absence)

Committee staff present: Debra Duncan, Legislative Research Department
Alan Conroy, Legislative Research Department
Jim Wilson, Revisor of Statutes
Sharon Schwartz, Administrative Aide
Jerry Cole, Committee Secretary
Mike Leitch, Intern

Conferees appearing before the committee:

Gloria Timmer, Director of the Budget

Others attending: see attached list.

Chairman Chronister opened the meeting by making introductions to the committee of the Legislative Research Dept., Revisor of Statutes, and her personal administrative staff. She also welcomed the eight new committee members, as well as the returning members and said that she looked forward to a productive session.

Representative Fred Gatlin made a motion to introduce the Governor's Bills on the budget. The motion was seconded by Representative Helgerson and then carried.

Chairman Chronister reminded the committee that the Research fiscal staff would be extremely busy during the next few weeks and asked that they not be bothered if at all possible. A list of subcommittee budget assignments was then distributed. Chairman Chronister reviewed the committee meeting agenda for the week of January 11-15 and the following week of the January 18-22, 1993.

Gloria Timmer, Director of the Budget, presented an overview of the Governor's FY 94 Budget Report. (Attachment 1). Ms. Timmer stated that Kansas, as a state, was doing quite well economically in comparison to the remaining 49. Also mentioned was the step movement, longevity, and a reduction in retirement contributions for all state employees. Along with this increase came an increase in total state spending from \$6.08 million in FY 93 to \$6.65 million in FY 94.

Ms. Timmer noted that the State General Fund ending balance was \$228.4 million or 7.2% of total expenditures. She elaborated to the committee members that the governor was required by the legislature to balance the budget and they had just exceeded that amount by .2%.

A number of questions were directed to Ms. Timmer on the School Finance Fund. In particular, there was discussion on the proposed \$75.0 million transfer to that fund. The federal government had essentially deferred some of the assistance payments that it had budgeted to the state. This payment was a one time allocation and was being placed in the state's Budget Stabilization Fund. That same \$75 million would go into school finance for FY 1995.

During discussion on the Governor's maintenance of support for social service programs Ms. Timmer provided some elaboration on the downsizing of the Youth Centers at Beloit and Atchison with funding provided for the Community Day Reporting Program. She stated the day reporting will make downsizing for the Youth Centers possible. This same downsizing will allow some double coverage of various cottages within those centers which remain open.

In reviewing the State Gaming Revenues it was made evident that there was a substantial increase in lottery revenues from \$25,500,000 in FY 1993 to \$32,160,000 in FY 1994. Ms. Timmer pointed out for the committee that racing, however, was experiencing a slight decrease. As a total, these transfers were on the rise.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, Room 514-S Statehouse, at 1:30 p.m. on Tuesday, January 12, 1993.

Some of the Governor's other Budget Highlights were covered. There was to be an additional \$3.0 million for the Dept. of Health and Environment to complete an immunization drive to inoculate all children under the age of two. Ms. Timmer also stated that the average mileout for Kansas Highway Patrol vehicles was 90,000 miles on the average. Expenditures for vehicles in 1993 was 1.5 million and in 1994 1.4 million. She said those figures were about average for the Highway Patrol.

Representative Mead had a bill request for the committee and said that it dealt in general with KanWork. This bill would establish a quasi-governmental entity away from SRS in which it would contract out its work.

The meeting was adjourned at 3:10 pm. The next meeting is scheduled for Wednesday, January 13, 1993 at 1:30 p.m. in 514-S.

GUEST LIST

COMMITTEE: HOUSE APPROPRIATIONS

DATE: Jan. 12, 1993

[illegible]

State of Kansas

**Overview Presentation
of the
Governor's FY 1994
Budget Report**

January 1993

This document, prepared by the Division of the Budget, represents an outline and supporting tables for oral presentations to provide an overview of the Governor's FY 1994 Budget recommendations. For additional details regarding the Governor's recommended budget, please refer to Volume 1 and Volume 2 of the *FY 1994 Governor's Budget Report*.

State of Kansas

Economic Performance

Percent Change in Employment, June 1991 to June 1992

| <u>Rank</u> | <u>Percent</u> | <u>U.S. Average</u> |
|-------------|----------------|---------------------|
| 4 | 2.2% | -0.5% |

Percent Change in Personal Income, First Quarter 1991 - 1992

| <u>Rank</u> | <u>Percent</u> | <u>U.S. Average</u> |
|-------------|----------------|---------------------|
| 11 | 5.6% | 4.1% |

Percent Change in Per Capita Income, 1990 - 1991

| <u>Rank</u> | <u>Percent</u> | <u>U.S. Average</u> |
|-------------|----------------|---------------------|
| 18 | 3.1% | 2.4% |

Economic Forecasts

| | <u>CY 1992</u> | <u>CY 1993</u> | <u>CY 1994</u> |
|------------------------|----------------|----------------|----------------|
| Personal Income Growth | 4.7% | 5.0% | 5.7% |
| Inflation (CPI-U) | 3.1% | 3.4% | 3.3% |

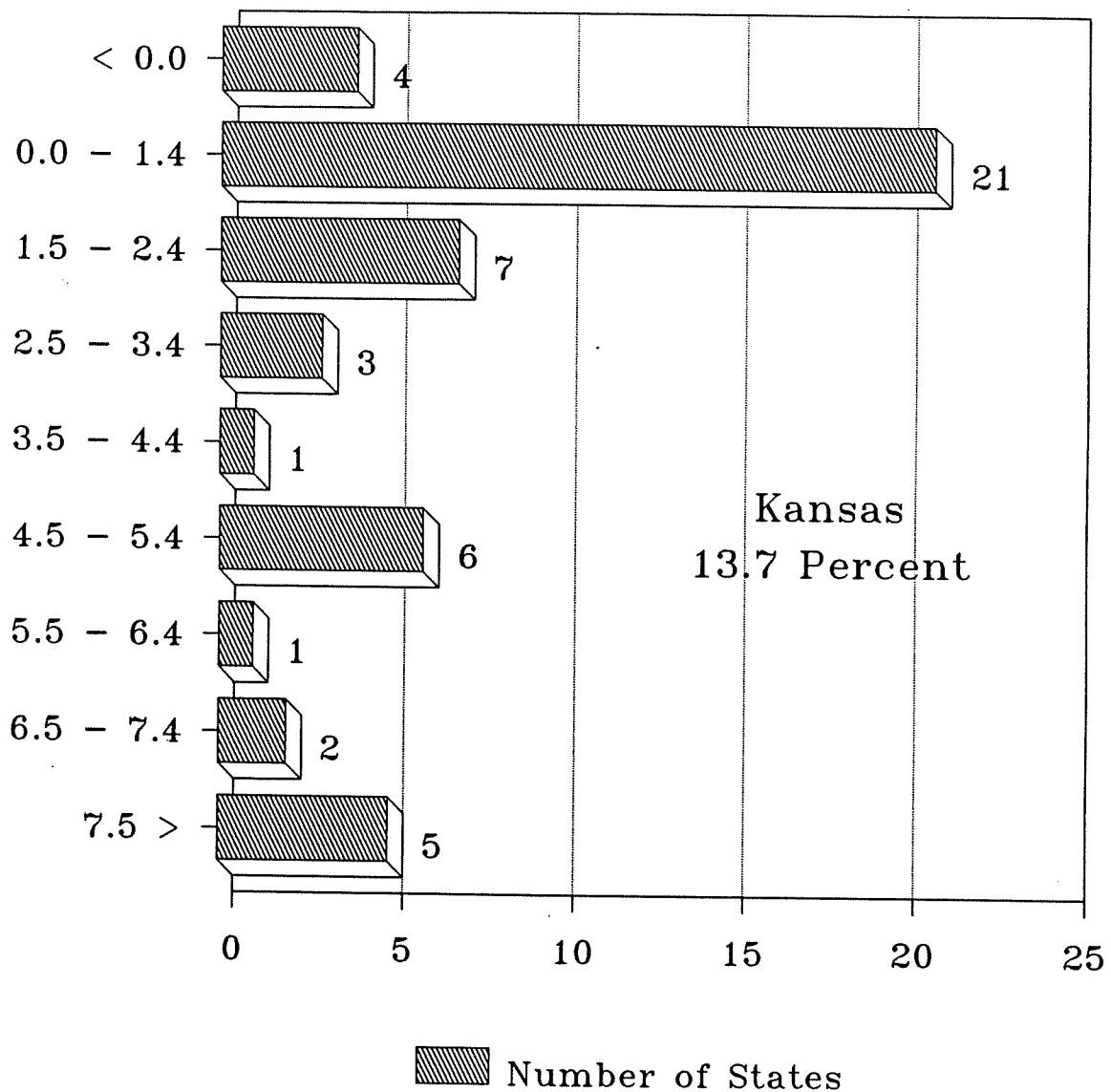
| | <u>FY 1992</u> | <u>FY 1993</u> | <u>FY 1994</u> |
|---------------------------|----------------|----------------|----------------|
| Applicable Interest Rates | | | |
| Investments - Banks | -- | 4.1% | 4.3% |
| Securities | -- | 4.5% | 4.5% |

Oil and Gas

| | | | |
|-------------------------------|-----------|-----------|-----------|
| Oil Price (avg. per bbl.) | \$18.94 | \$19.00 | \$19.00 |
| Taxable Production (000 bbl.) | 37,227 | 32,760 | 30,870 |
| Gas Price (avg. per mcf) | \$1.33 | \$1.60 | \$1.55 |
| Gas Taxable Value (000) | \$753,112 | \$914,640 | \$903,263 |

State Comparison FY 1993 Projected Ending Balances as a Percent of Expenditures

Percent



State General Fund Revenue Estimate

In Thousands

| Source | FY 1992 | | FY 1993 | | FY 1994 | |
|------------------------|---------------|-----------------------|---------------|-----------------------|---------------|-----------------------|
| | <u>Amount</u> | <u>Percent Change</u> | <u>Amount</u> | <u>Percent Change</u> | <u>Amount</u> | <u>Percent Change</u> |
| Motor Carrier Property | \$9,972 | 9.0 | \$9,700 | (2.7) | \$10,000 | 3.1 |
| Income Taxes: | | | | | | |
| Individual | \$938,320 | 6.6 | \$1,135,000 | 21.0 | \$1,170,000 | 3.1 |
| Corporation | 169,118 | (8.7) | 190,000 | 12.3 | 204,000 | 7.4 |
| Financial Institutions | 25,171 | 2.8 | 43,600 | 73.2 | 30,000 | (31.2) |
| Domestic Insurance Co. | 608 | 3.7 | 650 | 6.9 | 675 | 3.8 |
| Total Income Taxes | \$1,133,218 | 3.9 | \$1,369,250 | 20.8 | \$1,404,675 | 2.6 |
| Inheritance | \$52,540 | 2.6 | \$54,000 | 2.8 | \$56,000 | 3.7 |
| Excise Taxes: | | | | | | |
| Retail Sales | \$801,200 | 5.0 | \$1,035,000 | 29.2 | \$1,080,000 | 4.3 |
| Compensating Use | 100,616 | (0.8) | 121,000 | 20.3 | 124,000 | 2.5 |
| Cigarette | 53,486 | 1.3 | 51,000 | (4.6) | 50,000 | (2.0) |
| Tobacco Prod. | 2,063 | 14.1 | 2,200 | 6.6 | 2,350 | 6.8 |
| Cereal Malt Beverage | 2,939 | (4.9) | 3,000 | 2.1 | 2,850 | (5.0) |
| Liquor Gallonage | 12,419 | 2.3 | 12,800 | 3.1 | 13,000 | 1.6 |
| Liquor Enforcement | 23,403 | 10.3 | 24,600 | 5.1 | 25,000 | 1.6 |
| Club, Caterer, D.E. | 4,046 | 7.2 | 4,400 | 8.7 | 4,500 | 2.3 |
| Corporate Franchise | 10,183 | 6.6 | 10,400 | 2.1 | 10,700 | 2.9 |
| Severance | 79,021 | (11.6) | 84,600 | 7.1 | 82,400 | (2.6) |
| Total Excise Taxes | \$1,089,375 | 3.0 | \$1,349,000 | 23.8 | \$1,394,800 | 3.4 |
| Other Taxes: | | | | | | |
| Insurance Prem. | \$83,669 | 12.0 | \$81,400 | (2.7) | \$87,000 | 6.9 |
| Miscellaneous | 909 | 24.4 | 1,000 | 10.0 | 1,000 | 0.0 |
| Total Other Taxes | \$84,578 | 12.1 | \$82,400 | (2.6) | \$88,000 | 6.8 |
| Total Taxes | \$2,369,683 | 3.7 | \$2,864,350 | 20.9 | \$2,953,475 | 3.1 |
| Other Revenues: | | | | | | |
| Interest | \$42,751 | (30.4) | \$47,000 | 9.9 | \$49,240 | 4.8 |
| Net Transfers | 11,699 | -- | 288 | -- | (14,101) | -- |
| Agency Earnings | 41,673 | (0.7) | 38,800 | (6.9) | 39,100 | 0.8 |
| Total Other Revenue | \$96,123 | (1.7) | \$86,088 | (10.4) | \$74,239 | (13.8) |
| Total Receipts | \$2,465,807 | 3.5% | \$2,950,438 | 19.7% | \$3,027,714 | 2.6% |

Consensus Estimate with downward adjustments of \$7,778,481 recommended by the Governor.

Governor's Budget Priorities

- No state tax increases
- Maintain essential state services within existing resources
- Full funding of 1992 school finance package
- Continued improvement in the property tax appraisal process
- Maintain support for social service programs
- Improvement of employee retirement benefits
- Base increase for current retirees
- Funding for the final phases of the Comprehensive Classification and Job Rate Study
- Base salary increase for all state employees
- Continue the Comprehensive Highway Program

State General Fund Summary

| | <u>FY 1991</u> | <u>FY 1992</u> | <u>FY 1993 Recommended</u> | <u>FY 1994 Recommended</u> |
|-------------------------------------|----------------|----------------|--------------------------------|--------------------------------|
| Adjusted Balance | \$275.3 | \$165.9 | \$140.5 | \$372.8 |
| Revenues | \$2,382.3 | \$2,465.8 | \$2,950.4 | \$3,027.7 |
| Total Available | \$2,657.6 | \$2,631.7 | \$3,090.9 | \$3,400.5 |
| Expenditures | \$2,495.4 | \$2,491.3 | \$2,718.1 | \$3,172.1 |
| Ending Balance | \$162.2 | \$140.5 | \$372.8 | \$228.4 |
| <i>As a Percent of Expenditures</i> | <i>6.5%</i> | <i>5.6%</i> | <i>13.7%</i> | <i>7.2%</i> |
| Percent Change from Prior Year | | | | |
| <i>Revenues</i> | <i>3.6%</i> | <i>3.5%</i> | <i>19.7%</i> | <i>2.6%</i> |
| <i>Expenditures</i> | <i>4.0%</i> | <i>-0.2%</i> | <i>9.1%</i> | <i>16.7%</i> |

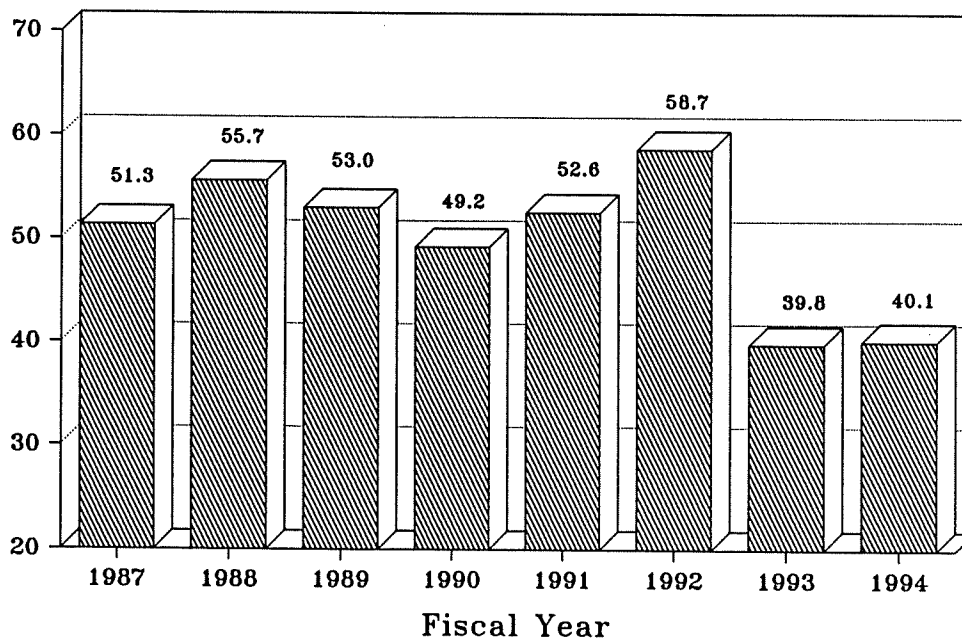
Totals may not add because of rounding. The Adjusted Balance includes released encumbrances.

balanced budget at @ 7%

Full Funding of School Finance Package

- Maintain property tax relief
- Increased support of \$369.8 million to fund estimated general, supplemental and capital improvement aid
- Retain all aspects of current law including the budget per pupil amount and the protest petition provision of local option budgets

Average Operating Mill Levies
Local Option Levies beginning in FY 1993



Proposed \$75.0 million Transfer to the School Finance Fund

FY 1995 Scenario without \$75 Million Transfer

| | <u>FY 1993</u> | <u>FY 1994</u> | <u>FY 1995</u> |
|-------------------------------------|----------------|----------------|----------------|
| Adjusted Balance | \$140.5 | \$372.8 | \$228.4 |
| Revenues | \$2,950.4 | \$3,027.7 | \$3,156.9 |
| Total Available | \$3,090.9 | \$3,400.5 | \$3,385.3 |
| Expenditures: | \$2,718.1 | \$3,128.6 | \$3,172.1 |
| Reclassification Costs | -- | 3.3 | 3.9 |
| School Finance Adjustment | -- | 40.2 | 45.3 |
| Total Expenditures | \$2,718.1 | \$3,172.1 | \$3,221.2 |
| Ending Balance | \$372.8 | \$228.4 | \$164.1 |
| <i>As a Percent of Expenditures</i> | <i>13.7%</i> | <i>7.2%</i> | <i>5.1%</i> |

FY 1995 Scenario with \$75 Million Transfer

| | <u>FY 1993</u> | <u>FY 1994</u> | <u>FY 1995</u> |
|-------------------------------------|----------------|----------------|----------------|
| Adjusted Balance | \$140.5 | \$372.8 | \$228.4 |
| Revenues | \$2,950.4 | \$3,027.7 | \$3,156.9 |
| Total Available | \$3,090.9 | \$3,400.5 | \$3,385.3 |
| Expenditures: | \$2,718.1 | \$3,128.6 | \$3,172.1 |
| Reclassification Costs | -- | 3.3 | 3.9 |
| School Finance Adjustment | -- | 40.2 | (29.7) |
| Total Expenditures | \$2,718.1 | \$3,172.1 | \$3,146.2 |
| Ending Balance | \$372.8 | \$228.4 | \$239.1 |
| <i>As a Percent of Expenditures</i> | <i>13.7%</i> | <i>7.2%</i> | <i>7.6%</i> |

The FY 1995 scenarios assume a four percent revenue growth above the Consensus Estimate and no changes in expenditures except the listed adjustments.

Continued Improvement in the Property Appraisal System

- Addition of 18.0 FTE positions to strengthen state review of county appraisals and to ensure appraisals reflect fair market value and statewide consistency
- \$3.0 million in local aid to counties to assist with the continuing cost of property appraisal
- Improve County appraisals by financing a four year program to update an aerial map of the State of Kansas
- Provide adequate resources for the Board of Tax Appeals to reduce significantly appeal case backlog by the end of 1994

Maintain Support of Social Service Programs

- Full implementation of KanWork to meet federal mandates
- Funding of caseload growth for medical and cash assistance programs
- Maintain a \$25.0 million SRS Contingency Fund ending balance
- Provide State General Fund support to replace one-time revenues utilized in FY 1993
- Full funding of Mental Health Reform
- Funding for the phase-in of initiatives approved by the 1992 Legislature
- Funding of services to prevent growth of foster care caseloads
- Downsizing of the Youth Centers at Beloit and Atchison with funding provided for the Community Day Reporting Program

489 new positions

Day reporting to downsize Youth Centers

Double coverage to orders making open

Improvement to Retirement Benefits and Options

- Reduce employee contributions to KPERS from 4.0 to 3.5 percent of compensation
- Increase the service multiplier for members of KPERS, KP&F and Judges retirement systems
- Increase the employer contribution from 8.0 to 9.0 percent of compensation for unclassified Regents' employees
- Provide an increase in the base benefits for current retirees ranging from 5.0 to 15 percent depending on years of service
- Increase the death benefit for dependents of retirees from \$2,500 to \$4,000
- Allow retirement for KPERS members at age 62 with 10 years of service or any age when the age plus years of service equal 85

Funding of Reclassification and Job Rate Study

- Reclassification of health care workers, teachers and engineers at the beginning of FY 1994
- Information Technologists are scheduled for reclassification in the middle of FY 1994
- Reclassification of accountants, social workers and attorneys at the beginning of FY 1995
- Administrative and management employees reclassified in the middle of FY 1995

Employee Compensation

- Fund all step movement and longevity payments for classified state employees
- Provide an additional base salary increase for classified employees of 1.5 percent
- Provide a merit pool for all unclassified employees excluding Regents' and elected officials of 4.0 percent
- Fund a merit pool for all unclassified employees of the Board of Regents and Regents' Universities of 3.0 percent
- Allow base salary increases of 1.5 percent for all elected officials

20.9
10.9 longevity
14.4 for all state
2.5 unclassified

46
or
1/2 state
senior
fund

Comprehensive Highway Program

- Maintenance of the funding structure to support the program
- \$306.3 million for capital improvements, including construction, maintenance and bridge projects

- does not include bonds 196 93 289.9 94 expenditures*
- \$127.9 million for city and county aid for transportation assistance and construction and repair of roads and bridges

*Federal govt allotting money to highway program
-is included*

Gaming Revenues

State Gaming Revenues Fund Transfers

| | <u>FY 1992</u> | <u>FY 1993</u> | <u>FY 1994</u> |
|-------------------------|---------------------|---------------------|----------------------|
| Transfers In | | | |
| Lottery | \$25,647,019 | \$25,500,000 | \$32,160,000 |
| Racing | 7,103,667 | 6,184,000 | 6,013,559 |
| Subtotal | <u>\$32,750,686</u> | <u>\$31,684,000</u> | <u>\$38,173,559</u> |
| Transfers Out | | | |
| EDIF <i>Economic</i> | \$29,475,617 | \$28,515,600 | \$24,812,813 |
| CIBF <i>Development</i> | 3,275,069 | 3,168,400 | 7,634,712 |
| GFBF | -- | -- | 5,726,034 |
| Total | <u>\$32,750,686</u> | <u>\$31,684,000</u> | <u>\$38,173,559</u> |

Transfers from the Economic Development Initiatives Fund

| | <u>FY 1993</u> | <u>FY 1994</u> |
|----------------------|---------------------|---------------------|
| State Water Plan | \$2,000,000 | \$2,000,000 |
| Commerce and Housing | 8,773,729 | 10,035,305 |
| KTEC | 8,341,938 | 9,931,899 |
| Education | 3,550,000 | 4,000,000 |
| Revenue | 3,000,000 | 3,000,000 |
| Agriculture | 275,004 | 274,996 |
| Kansas, Inc. | 1,600,874 | 1,605,995 |
| Other Agencies | <u>1,681,602</u> | <u>478,700</u> |
| Total | <u>\$29,223,147</u> | <u>\$31,326,895</u> |

Expenditures from Gaming Revenue Sources

- Capitalization of the Kansas Basic Enterprises Loan Guarantee Fund of \$1.0 million
- \$1.5 million for re-capitalization of the Ad Astra Fund
- Continued MAMTC support of \$1.0 million to leverage \$4.2 million in federal funds
- Funding of \$1.5 million to match federal grants through the EPSCoR Program
- Funding for capital improvement programs from the General Facilities Building Fund of \$2.7 million
- Capital Improvement Projects of \$3.8 million for Correctional Institutions made available from the increased transfer

Education Recommendations

- Expansion of the Parent Education Program from 193 to 250 local school districts
- Funding for development and implementation of three of the six assessment tests for elementary and secondary education students
- ~~Funding for grants to local school districts for interactive video equipment in the Dept. of Administration~~ → to school districts
- State aid increase of 3.0 percent for Community Colleges and Area Vocational-Technical Schools
- General Use increase of 5.0 percent for Regents Institutions
- Funding for two major rural health care initiatives at the University of Kansas Medical Center
- 4.0 percent increase in the state grant for Washburn University any given

Water Plan Fund Expenditures

| | <u>FY 1992</u> | <u>FY 1993</u> | <u>FY 1994</u> |
|-------------------------|----------------|----------------|----------------|
| Conservation Commission | \$9,967,871 | \$11,711,708 | \$10,408,558 |
| Board of Agriculture | 120,288 | 360,408 | 648,489 |
| Health and Environment | 2,847,976 | 3,664,389 | 4,867,276 |
| University of Kansas | 200,000 | 200,000 | 913,083 |
| Kansas Water Office | 1,781,880 | 1,418,000 | 1,179,787 |
| Wildlife and Parks | 2,500,612 | 1,365,000 | 1,116,579 |
| Kansas State University | 3,102 | -- | -- |
| Total | \$17,421,729 | \$18,719,505 | \$19,133,772 |

Other Budget Highlights

- No statewide layoffs or furloughs
- \$3.0 million for the Department of Health and Environment to complete immunization drive to inoculate all 0 - 2 year olds
- State funding in Commerce and Housing of \$1.2 million to generate \$4.9 million of federal HOME funding
- Funding from the State Water Plan for a comprehensive initiative to examine declining groundwater in 5 of the state's 12 water basins
- Average mileout of 90,000 miles for all Highway Patrol vehicles
- Funding of \$2.3 million to facilitate implementation of Sentencing Guidelines

KB
Dept. of Corr.