

Approved: 02/23/93
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Rochelle Chronister at 1:30 p.m. on February 15, 1993 in Room 514-S of the Capitol.

All members were present except: Rep. Wanda Fuller (excused absence)

Committee staff present: Alan Conroy, Legislative Research Department
Julian Efird, Legislative Research Department
Paul West, Legislative Research Department
Ellen Piecalkiewicz, Legislative Research Department
Jerry Cole, Committee Secretary
Sharon Schwartz, Administrative Assistant

Conferees appearing before the committee:

Others attending: See attached list

Subcommittee reports were to be given for **HB 2063**. Rep. Lowther made a motion to adopt the subcommittee reports for the FY 93 & FY 94 Kansas Lottery budget. (See Attachment 1). Rep. Dean seconded the motion and it was carried.

Rep. Dean made a motion to adopt the subcommittee reports for the FY 93 & FY 94 Kansas Racing Commission budgets. (See Attachment 2). Rep. Lowther seconded the motion and it was carried.

During the presentation of the FY 94 Department of Commerce and Housing budgets (See Attachment 3), Rep. Helgeson suggested a discussion on SGF cutbacks in order to safeguard state spending. (See Attachment 4). Subsequent to the discussion Rep. Helgeson made a motion for a 3% reduction in SGF expenditures to all budgets. Rep. Glasscock seconded the motion. On a vote for the motion, it failed 5-11.

Rep. Lowther made a motion to adopt the subcommittee reports for FY93 & FY 94 Department of Commerce & Housing budgets. (See Attachment 3). Rep. Heinemann seconded the motion. The motion carried with Rep. Helgeson opposing its passage. Rep. Dean made a motion, seconded by Rep. Heinemann, to introduce legislation called for in paragraph #4 of the FY 94 subcommittee report. The motion carried.

Rep. Gross made the presentation of the subcommittee reports for the FY 93 and FY 94 Kansas, Inc. budgets. (See Attachment 5). During the presentation, Rep. Gatlin made a motion calling to strike the first paragraph of the subcommittee's recommendations for FY 94. The motion was seconded by Rep. Helgeson and carried. Rep. Blumenthal made a motion for paragraph #1 to be included in the report for omnibus consideration. His motion was seconded by Rep. Heinemann and carried. Rep. Gross then made a motion for adoption of the FY 93 and FY 94 subcommittee reports as they were amended. Rep. Dean seconded his motion and it carried.

Rep. Heinemann made a motion to adopt the subcommittee reports for FY 93 and FY 94 Kansas Technological Enterprise Corporation budgets. (See Attachment 6). The motion was seconded by Rep. Lowther and carried.

Rep. Gatlin made a motion to adopt the subcommittee reports for the FY 93 & FY 94 State Board of Tax Appeals budgets. (See Attachment 7). The motion was seconded by Rep. Edlund and carried.

Rep. Gatlin presented the subcommittee reports for the FY 93 and FY 94 Board of Revenue budgets. Rep.

CONTINUATION SHEET

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

Dean made a motion to strike \$900,000 from the FY 93 budget and it was seconded by Rep. Gross. After some discussion, Rep. Dean revised his motion to reduce the FY 93 budget by \$429,000 and do a needs analysis for the proposed figure. The motion failed. Rep. Blumenthal made a motion to coordinate the agency's identification digitizing plan with the Department of Corrections. Rep. Gatlin seconded the motion and it was carried. Rep. Gatlin then made a motion to adopt the subcommittee reports for the two budgets as they were amended by the committee. The motion was seconded by Rep. Hochhauser and carried with Rep. Helgersen in opposition to its passage. Attachment 8

Rep. Pottorff made a motion that the committee pass **HB 2063** through the committee with favorable recommendations as it was amended. The motion was seconded by Rep. Teagarden and carried. Rep. Helgersen was opposed to its passage.

Chairman Chronister adjourned the meeting at 3:40 p.m. The next meeting is scheduled for February 16, 1993.

GUEST LIST

COMMITTEE: HOUSE APPROPRIATIONS

DATE: FEB. 15, 1993

[illegible]

SUBCOMMITTEE REPORTS

Kansas Lottery

Kansas Racing Commission

H.B. 2087 (FY 1993) and H.B. 2063 (FY 1994)



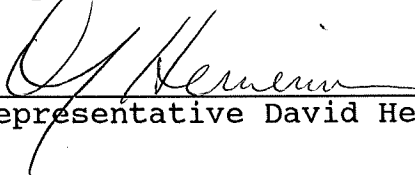
Representative James Lowther
Subcommittee Chairperson



Representative George Dean



Representative Delbert Gross



Representative David Heinemann

SUBCOMMITTEE REPORT

Agency: Kansas Lottery

Bill No. 2087

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 293

Budget Page No. 446

<u>Expenditure Summary</u>	<u>Agency Est. FY 93</u>	<u>Gov. Rec. FY 93</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 13,614,256	\$ 13,826,905	\$ --
Prizes & Retailer Commissions	<u>43,957,504</u>	<u>46,720,918</u>	<u>--</u>
Total -- Operating	<u>\$ 57,571,760</u>	<u>\$ 60,547,823</u>	<u>\$ --</u>
FTE Positions	99.0	99.0	--
Gaming Revenue Fund Transfers	\$ 24,000,000	\$ 25,500,000	\$ --

Agency's FY 1993 Estimate

The agency's revised estimate for the current fiscal year includes an increase in projected sales, with a net estimate of \$80.0 million, compared with \$75.0 million approved previously. The agency's revised budget reflects a net decrease in state operations expenditures of almost \$1.3 million from the approved amount. Most of the reduction is attributed to reducing FY 1993 estimated expenditures for a new computer hardware and software system from \$1.4 million to \$500,000 to reflect the first installment payment for the new computer system. Transfers of \$24.0 million to the State Gaming Revenues Fund (SGRF) are based on 30 percent of sales as provided by statute, or \$1.5 million higher than the estimate adopted by the 1992 Legislature.

Governor's FY 1993 Recommendation

The Governor's recommendations for FY 1993 assume \$85.0 million in net lottery sales. The increase in sales is attributed to the new Club Keno on-line game. The Governor's recommendations for state operations reflect a net decrease in expenditures of over \$1.0 million from the approved amount. The decrease is attributed primarily to reducing by \$900,000 FY 1993 estimated expenditures for a new computer hardware and software system. Transfers of \$25.5 million to the SGRF are recommended.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations and makes the following additional recommendation and comments:

1. Review during the Omnibus period the acquisition of a new computer hardware and software system, and determine in which fiscal year(s) expenditures will be

Attachments

made and in what amount(s). The Lottery has legal authority to spend up to \$1.4 million in FY 1993 based on the 1992 appropriations bill. Even though the Governor's recommendations include only \$500,000 in FY 1993 for payments, no reduction in the approved expenditure limitation is recommended by the Governor in 1993 H.B. 2087. The Subcommittee addresses this situation in its FY 1994 recommendations (see item 3).

SUBCOMMITTEE REPORT

Agency: Kansas Lottery

Bill No. 2063

Bill Sec. 4

Analyst: Efird

Analysis Pg. No. 293

Budget Page No. 446

<u>Expenditure Summary</u>	<u>Agency Req. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 17,103,672	\$ 16,178,328	\$ (499,650)
Prizes & Retailer Commissions	<u>67,529,500</u>	<u>59,988,100</u>	<u>--</u>
Total -- Operating	<u>\$ 84,633,172</u>	<u>\$ 76,166,428</u>	<u>\$ (499,650)</u>
FTE Positions	99.0	99.0	--
Gaming Revenue Fund Transfers	\$ 36,060,000	\$ 32,160,000	\$ --

Agency's FY 1994 Request

The agency estimates net lottery sales of \$120.2 million next fiscal year. Expenditures for state operations would increase almost \$3.5 million over the revised FY 1993 estimate. Most of the increase is attributed to additional expenditures for paying additional fees to the on-line vendor due to increased sales of Club Keno. Transfers to the SGRF in FY 1994 are estimated at \$36.1 million, an increase of \$12.1 million more than the current fiscal year estimate, based on 30.0 percent of retail sales.

Governor's FY 1994 Recommendation

The Governor estimates net lottery sales of \$107.2 million next fiscal year, with the increase attributed to additional Club Keno sales. Expenditures for state operations would increase almost \$2.4 million over the revised FY 1993 recommendation. Much of the increase is attributed to paying additional fees for the on-line vendor's commission due to increased sales of Club Keno. Transfers to the SGRF in FY 1994 are estimated at slightly less than \$32.2 million.

House Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations and makes the following adjustments as well as other recommendations:

1. Reduce advertising and promotions expenditures by \$349,650 to reflect the level of sales recommended by the Governor, rather than the amount requested by the Lottery if sales were more than \$120 million.

2. Reduce estimated communications expenditures by \$150,000 to reflect a new contract with Southwest Bell for telecommunications services associated with on-line lotto and keno games.
3. Appropriate three line items, one account for salaries and wages, a second account for computer system hardware and software payments (for two AS/400 computers and ACCLAIMS software), and a third account for all other operating expenses (excluding on-line communications and on-line vendor commissions which should be no limit accounts as recommended by the Governor) for expenditures from the Lottery Operating Fund.
4. Note the Lottery's proposal to contract with an outside vendor to provide automated vending machines to sell lottery tickets. The Lottery requests a no limit fund to pay commissions to the manufacturer of instant ticket vending machines and has proposed legislation which would allow the Lottery to enter into agreements with manufacturers of instant ticket vending machines to place and maintain such machines with certain Lottery retailers across the state. The services to be provided by the vendor, as described by the Lottery, would be as follows: the vendor would load tickets into the machines; would maintain distribution and inventory records; would provide all servicing and preventative maintenance of the machines; would collect money from the terminals by removing a locked compartment and replacing with another locked compartment; and would deposit the money, accompanied by a sales report, in an escrow account controlled by the Lottery.

The Subcommittee expresses concern about these types of player activated devices, especially since those under 18 years of age would have access to such machines without anyone monitoring sales to minors. The Committee may wish to have the Chairperson request the Attorney General to review this proposal in light of current law to determine if the Lottery might proceed without additional legislation which is has requested this Session.

The Subcommittee is concerned about a number of other issues involved with contracting with an outside vendor to provide such services, and believes that this proposal should be studied carefully to determine its full implications. The Subcommittee does not recommend a no limit line item to pay commissions of vending machines suppliers. The Subcommittee was told that California recently purchased \$37 million worth of these vending machines and concludes that these gambling devices represented a different type of technology (low tech) as contrasted with video lottery machines (high tech).

SUBCOMMITTEE REPORT

Agency: Kansas Racing Commission

Bill No. 2087

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 298

Budget Page No. 476

<u>Expenditure Summary</u>	<u>Agency Est. FY 93</u>	<u>Gov. Rec. FY 93</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 3,589,533	\$ 2,919,399	\$ --
Other Assistance	<u>819,725</u>	<u>819,725</u>	<u>--</u>
Total -- Operating	<u>\$ 4,409,258</u>	<u>\$ 3,739,124</u>	<u>\$ --</u>
FTE Positions	50.5	41.5	--
Gaming Revenue Fund Transfers	\$ 6,014,203	\$ 6,184,000	\$ --

Agency's FY 1993 Estimate

The Racing Commission requests an increase of \$66,432 in its expenditure limitation for state operations financed by the State Racing Fund. The Commission indicates that increased salary financing is needed to supplement \$1,097,452 of approved salary funding. The revised FY 1993 expenditures for state operations include \$630,852 of operating expenses and 10.0 new FTE positions for a Pittsburg race track, funded by the 1992 Legislature, based on an opening date of October 21, 1992. However, the track currently is expected to open in September of 1993. The Commission also estimates a decrease of almost \$1.1 million in the FY 1993 transfer to the State Gaming Revenues Fund (SGRF), compared with the FY 1992 transfer. The decrease is attributable to declines in parimutuel handles at the Kansas City and Wichita tracks.

Governor's FY 1993 Recommendation

The Governor recommends a reduction of \$414,134 in approved expenditures for state operations financed by the State Racing Fund. The Governor's recommendation deletes funding for Pittsburg in the current fiscal year, except for one staff position in Topeka and travel costs. The Governor reduces 9.0 FTE positions. The track in Pittsburg is anticipated to open in September 1993, according to the Governor's recommendations. The Governor's estimates include a decrease of almost \$1.0 million in the FY 1993 transfer the State Gaming Revenues Fund (SGRF), compared with the FY 1992 transfer. The Governor's estimates exclude revenue from Pittsburg in FY 1993, but include additional revenues projected from Kansas City and Wichita that would offset partially the loss of revenue originally estimated from Pittsburg when its opening was anticipated in November of 1992.

House Subcommittee Recommendations

The Subcommittee concurs with the Governor's recommendations, and makes the following comments and additional recommendations:

1. Note that a line item for a computer system upgrade was included in the FY 1993 appropriations bill and that legal authority to expend \$38,760 for a computer equipment, contingent upon meeting the provisions included in Section 6(a) of Chapter 327 of the *1992 Session Laws of Kansas*. No computer-related expenditures are recommended by the Governor in FY 1993, but the FY 1993 line item authority is not recommended for repeal by the Governor in 1993 H.B. 2087. However, the Governor does recommend expenditures in FY 1994 for upgrading the same computer system. The Subcommittee directs that this situation be reviewed during the Omnibus period to determine whether a computer upgrade, if warranted, should be undertaken in FY 1993 or FY 1994. The Subcommittee addresses this issue in its FY 1994 report (see item 3).
2. Note that the Governor reduces the FY 1993 salaries and wages expenditures, but does not recommend a reduction in the line item limitation authorizing \$1,081,716 for expenditures from the State Racing Fund in this fiscal year. The Subcommittee reviewed the agency's appeal of the Governor's recommendation of \$1,021,240 for salaries and wages from the State Racing Fund. The Subcommittee concludes that projected FY 1993 expenditures for salaries and wages will be greater than the Governor's estimate, but less than the current approved limitation. Since no reduction of expenditure authority was included in 1993 H.B. 2087 to reflect the Governor's recommended expenditures, the Subcommittee recommends no action need be taken at this time since the agency may legally expend from the State Racing Fund based on its current approved limitation for salaries and wages. This item should be reviewed during the Omnibus period to determine if current projects for staff expenses are realized, and if further action is needed.

SUBCOMMITTEE REPORT

Agency: Kansas Racing Commission

Bill No. 2063

Bill Sec. 5

Analyst: Efird

Analysis Pg. No. 298

Budget Page No. 476

<u>Expenditure Summary</u>	<u>Agency Req. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 3,726,910	\$ 3,606,461	\$ 120,713
Other Assistance	<u>713,307</u>	<u>713,307</u>	<u>--</u>
Total -- Operating	<u>\$ 4,440,307</u>	<u>\$ 4,319,768</u>	<u>\$ 120,713</u>
FTE Positions	57.5	50.5	7.0
Gaming Revenues Fund Transfers	\$ 5,547,360	\$ 6,013,559	\$ --

Agency's FY 1994 Request

For state operations, the Racing Commission requests an increase of slightly more than \$137,000 and an increase of 7.0 FTE positions. Increased financing is divided between the State Racing Fund and the Racing Reimbursable Expense Fund, with a net decrease anticipated from all other funds. The Commission also estimates a decrease of almost \$500,000 in the FY 1994 transfer to the SGRF.

Governor's FY 1994 Recommendation

For state operations, the Governor recommends an increase of \$687,062 in expenditures and an increase of 9.0 FTE positions, mostly associated with the opening of the Pittsburg race track. Increased financing is divided between the State Racing Fund and the Reimbursable Fund, with a net decrease anticipated from all other funds. Nine positions for Pittsburg also are included in the Governor's recommendations for FY 1994. The Governor estimates a decrease of over \$170,000 in FY 1994 for transfer to the SGRF.

House Subcommittee Recommendations

The Subcommittee concurs with the Governor's FY 1994 recommendations and makes the following adjustments as well as other comments and recommendations:

1. Add 7.0 FTE positions and financing of \$120,713 from the Racing Reimbursable Expense Fund to allow the Commission to employ veterinary technicians as state workers to assist the animal health officers at the tracks. The Subcommittee understands that the animal health officers are paid from the Racing Reimburs-

able Expense Fund and believes this source of funding (for which the tracks are billed) would be the most appropriate funding. The Racing Commission had sought funding for these positions from the State Racing Fund. The Subcommittee believes that State Racing Fund revenues which ultimately flow to the State Gaming Revenues Fund (SGRF), if not expended for other purposes, must be maintained at least at the level estimated by the Governor in FY 1994. Any increases in expenditures from the State Racing Fund would decrease the transfers to the SGRF.

2. Note that funding of \$38,760 for a computer system upgrade is recommended by the Governor in FY 1994 for upgrading the same computer system for which legal authority exists to spend the same amount in FY 1993. This matter should be addressed during the Omnibus period to determine in which year, if warranted, the expenditure should be made.
3. Appropriate salaries and wages and other operating expenses for the State Racing Fund as two line item accounts with limitations on expenditures; also appropriate the upgrade of the computer system as a separate line item account since the Governor recommends expenditures in FY 1994, with provision making expenditures subject to approval by the State Finance Council and that no expenditures shall be made until a needs analysis is submitted to the Joint Committee on Computers and Telecommunications (JCCT) and a recommendation by the JCCT is transmitted to the State Finance Council certifying that the Racing Commission has complied with this stipulation.
4. Note that the 1992 Legislature authorized in statute the County Fair Horse Racing Benefit Fund and provided for one-third of simulcasting parimutuel tax receipts to be deposited in this new fund. The Commission fails to include expenditures from this fund in the FY 1993 or FY 1994 budget. Through December 31, 1992, \$211,146 had been deposited in the State Treasury and credited to this fund. The Governor's recommendations do not include recommended expenditures from this fund in either FY 1993 or FY 1994. However, no line item was included in 1993 H.B. 2067 and the Subcommittee recommends that a \$0 limitation for the fund be added to the FY 1994 appropriation bill to reflect the Governor's recommendation. The FY 1993 appropriation bill set a \$0 limitation and remains in effect for this fiscal year.
5. Recommend that the Committee request the Chairperson to ask that the Chairperson of the Legislative Post Audit Committee authorize and direct a 100 hour audit to examine certain records in the custody of the State Racing Commission, including but not necessarily limited to the annual race track reviews prepared for the Racing Commission by its staff and the financial statements provided by the two existing race tracks. The Subcommittee has been told that the existing tracks are having financial problems, and that a variety of measures have been proposed (such a freezing or even reducing the parimutuel tax rate on the one hand and paying for the proposed seven vet techs out of the State Racing Fund rather than for the tracks to pay their salaries) to financially assist the tracks. The Subcommittee believes that a 100 hour audit would allow the Post Auditor to determine if financial records and other information are available in the Racing Commission office to enable the Post Auditor to either

make judgements if there is a basis for reported financial problems; or alternatively for the Post Auditor to recommend that further audit work will be required to provide the Legislature with an assessment of the financial condition of the two race tracks.

The Subcommittee is concerned about the potential adverse effects on the parimutuel tax and the loss of revenue for the State Gaming Revenues Fund, especially since any changes in the tax rates which might be enacted this Session could negatively affect the Governor's revenue projections for FY 1994, estimates with which the Subcommittee has concurred and upon which it has based its expenditure recommendations for many other agencies and programs in state government which are financed from the Economic Development Initiatives Fund.

6. The Subcommittee recommends introducing a bill to require an annual financial audit of the Kansas Racing Commission and of the financial statements of the race tracks. This financial audit requirement is imposed on the Lottery, but not on this agency. Such an audit would address the concerns raised by the Subcommittee in item 5, and also provide a review of the revenues and expenditures of the Racing Commission itself.

SUBCOMMITTEE REPORT

Agency: Commerce and Housing

Bill No. 2087

Bill Sec. 10

Analyst: Piekalkiewicz

Analysis Pg. No. 308

Budget Page No. 114

Expenditure	Agency Est. FY 93	Governor's Rec. FY 93	House Sub. Adjustments
All Funds:			
State Operations	\$ 9,208,534	\$ 9,166,698	\$ --
Aid and Other Assistance	40,621,731	40,621,731	300,000
TOTAL	<u>\$ 49,830,265</u>	<u>\$ 49,788,429</u>	<u>\$ 300,000</u>
State General Fund:			
State Operations	\$ 2,789,497	\$ 2,740,968	\$ --
Aid and Other Assistance	--	--	--
TOTAL	<u>\$ 2,789,497</u>	<u>\$ 2,740,968</u>	<u>\$ --</u>
Economic Development Initiatives Fund:			
State Operations	\$ 4,527,950	\$ 4,544,653	\$ --
Aid and Other Assistance	4,430,894	4,430,894	300,000
TOTAL	<u>\$ 8,958,844</u>	<u>\$ 8,975,547</u>	<u>\$ 300,000</u>
FTE Positions	115.5	114.5	--

Agency Estimate/Governor's Recommendation

In the current year the agency's estimate of \$48,830,265 is funded by \$2,789,497 from the State General Fund, \$8,958,844 from the EDIF, and \$38,081,924 from other funds. The agency requests expenditure limitation increases of \$634,577 from the Oil Overcharge Weatherization fund, \$949,125 from the Community Services Block Grant (CSBG) fund and \$560,965 from the Weatherization Block Grant fund. The agency requests that its position limitation authority be increased by 1.0 FTE position to allow the agency to hire an Office Assistant IV to perform administrative duties associated with the State of Kansas Investments in Lifelong Learning (SKILL) program. The agency does not request supplemental funding, since the position would be funded, if approved, within available State General Fund and SKILL fund resources.

The Governor's recommendation for FY 1993 of \$49,788,429 represents a reduction of \$41,836 from the agency's estimate. The Governor concurs with the expenditure limitation increases. The Governor's recommendation does not include authorization for the requested Office Assistant IV.

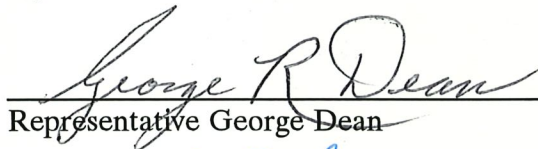
House Subcommittee Recommendation

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

1. Add \$300,000 from the EDIF for the KIT/KIR programs in FY 1993. The Subcommittee recommends a proviso with the following restrictions: require that companies demonstrate that the workers to be trained under the KIR program face imminent displacement because of obsolete skills; limit the training under the KIR program to training on equipment directly related to the manufacturing process or the provision of services; and limit the maximum per worker for the KIT program to \$2,000 and \$1,000 for the KIR program. Add language in the FY 1994 bill allowing the agency to carry forward any unexpended balance of the \$300,000 for the KIT/KIR program to FY 1994.



Representative Jim Lowther
Subcommittee Chairman



Representative George Dean



Representative Delbert Gross



Representative David Heinemann

SUBCOMMITTEE REPORT

Agency: Commerce and Housing/Kansas
Development Finance Authority

Bill No. 2063

Bill Sec. 6-7

Analyst: Piekalkiewicz

Analysis Pg. No. 308

Budget Page No. 114

Expenditure	Agency Req. FY 94	Governor's Rec. FY 94	House Sub. Adjustments
All Funds:			
State Operations	\$ 11,597,536	\$ 9,256,088	\$ --
Aid and Other Assistance	44,788,348	39,255,740	50,000
TOTAL	<u>\$ 56,385,884</u>	<u>\$ 48,511,828</u>	<u>\$ 50,000</u>
State General Fund:			
State Operations	\$ 2,480,407	\$ 2,246,866	\$ --
Aid and Other Assistance	460,150	548,687	--
TOTAL	<u>\$ 2,940,557</u>	<u>\$ 2,795,553</u>	<u>\$ --</u>
Economic Development Initiatives Fund:			
State Operations	\$ 6,897,576	\$ 4,905,133	\$ --
Aid and Other Assistance	8,390,172	5,130,172	50,000
TOTAL	<u>\$ 15,287,748</u>	<u>\$ 10,035,305</u>	<u>\$ 50,000</u>
FTE Positions	131.5	115.5	--

Agency Request/Governor's Recommendation

The Department for FY 1994 requests \$56,385,884 of which \$2,940,557 is from the State General Fund, \$15,287,748 is from the EDIF and \$38,157,579 is from other funds. The total request represents a 13.2 percent increase over the current year estimate of \$49,830,265. Included in the request is funding for an additional 17 positions; \$165,000 for additional trade service contracts; \$1,214,986 for increased tourism marketing; \$1,000,000 in additional funding for the KIT/KIR program; \$1,000,000 for the capitalization of the Kansas Basic Enterprise Loan program; and \$1,200,000 for a new grant program for micro-enterprises. For the HOME program, the agency requests \$4,875,000 in federal funds to be matched with \$460,150 from the State General Fund and \$758,600 from the State Housing Trust Fund.

The Governor's recommendation for FY 1994 of \$48,511,828 represents a reduction of \$7,874,056 from the agency's request and a net reduction of \$1,276,601 from FY 1993 due to a reduction in federal housing funds. The Governor's recommendation includes funding for one of the requested new positions, an Accountant II (\$29,787, federal funds) for the Low Income Housing Tax Credit program. The Governor's recommendation does not increase funding for trade service contracts, for tourism marketing, or for the requested increase for the KIT/KIR program. For the HOME program, the Governor concurs with the agency's request of \$4,875,000 from federal funds but recommends \$548,687 from the State General Fund and \$670,063 from the State Housing Trust

Fund for the state match. Funding of \$1,000,000 from the EDIF is recommended by the Governor as a transfer to the Kansas Development Finance Authority to capitalize the requested Kansas Basic Enterprise Loan program (the transfer is contained in Section 7 of the bill).

House Subcommittee Recommendation

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

1. Under the Community Development Block Grant program, the Kansas Department of Commerce awards grants in five categories: economic development, community improvement, planning, urgent need and housing. The Subcommittee recommends that the Department give priority to awards for economic development.
2. The Subcommittee recommends that the Department release \$75,000 in prior year encumbrances from the EDIF. Of the total amount released, \$50,000 is recommended for communication costs for the Tourism Division. The agency requested an additional \$75,000 over the current year for the mailing of tourism information packets. The number of requests for the packets is anticipated to increase.
3. The 1992 Legislature appropriated \$100,000 from the EDIF for the Department to develop a database of program performance indicators to enable the Department to respond to requests regarding the effectiveness of programs. The Department to date has had difficulty in finding a person to conduct the database development and therefore, the Subcommittee recommends that the Department be allowed to carry forward from FY 1993 to FY 1994 any unexpended balance for database development.
4. Recommend the introduction of legislation to establish the *Kansas Economic Emergency Projects (KEEP)* Fund to fund unanticipated expenditure needs. Moneys in the Fund would be used only to provide the State with a pool of funds for strategic intervention to address economic benefit or loss due to: (a) the major expansion of an existing Kansas employer; (b) the potential location in Kansas of a major employer; (c) the departure or substantial reduction of employees of a major Kansas employer; (d) the closure of a major state facility; and (e) the award of a significant federal or private sector economic development grant, requiring a state match.

In addition, the fund could be used to make transfers to the Economic Development Initiatives Fund in the event that receipts from lottery and racing do not sustain approved expenditure levels.

The Subcommittee recommends that expenditures from the KEEP Fund shall be made only when the following conditions are met:


- a. The Secretary of Commerce and Housing, the President of Kansas, Inc., and the President of KTEC certify that economic conditions warrant an infusion

of funds for strategic intervention by the state. The transfer from the Fund to the appropriate state agency shall be made either by the Finance Council or by approval of the House and Senate.

- b. The Secretary of Commerce and Housing, the President of Kansas, Inc., and the President of KTEC certify that economic development incentives are required to attract or to prevent the departure of a major employer to or from Kansas. The transfer from the Fund to the appropriate state agency shall be made either by the Finance Council or by approval of the House and Senate.
- c. A transfer may be approved by the Finance Council or the full legislature to the Economic Development Initiatives Fund from the KEEP Fund when the Director of the Budget and the Director of Legislative Research certify that receipts to the Economic Development Initiatives Fund are insufficient to meet approved expenditure levels.

The Subcommittee recommends that the KEEP Fund be established with a \$5.0 million transfer from the Economic Development Initiatives Fund.

- 5. Allow the agency to reappropriate any unexpended balance of the \$300,000 recommended for the KIT/KIR program to FY 1994.
- 6. Late in the process, the Subcommittee received from the Department a priority listing of additional budget items to be funded from the EDIF. Since the Subcommittee did not have the time to review these priority items, the Subcommittee requests that the Senate Subcommittee review the list.



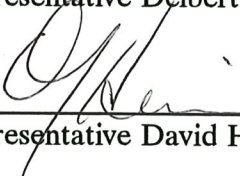
Representative Jim Lowther
Subcommittee Chairman



Representative George Dean



Representative Delbert Gross



Representative David Heinemann

State General Fund Expenditures - FY 1994

Governor's Recommendations	\$ 3.163 billion
Less Adjustments:	
KPERS - School	(54.8) million
Debt Service (Corrections, KBI, etc.)	(4.5) million
Revised State General Fund Expenditures for FY 1994	\$ 3.104 billion
Less Three Percent	\$ (93.1 million)

STATE GENERAL FUND FINANCE

In Millions

	FY 1993			FY 1994		
	KLRD Profile	Governor	Difference	KLRD Profile	Governor	Difference
Beginning Balance	\$140.5	\$140.5	0	\$351.4	\$373.9	\$22.5
Receipts						
Consensus Est.	2,950.8	2,950.8	0	3,035.5	3,035.5	0
Governor's Adj.	—	(0.3)	(0.3)	—	(7.8) ^a	(7.8)
Total	2,950.8	2,950.4	(0.4)	3,035.5	3,027.7	(7.8)
Expenditures						
Approp.-Gen./Supp. Aid	616.1	601.3	(14.8)	967.7	954.6	(13.1)
Demand Trans. to SDFP	365.0	365.0	0	375.0	375.0	0
Subtotal, Gen./Supp. Aid	981.1	966.3	(14.8)	1,342.7	1,329.6	(13.1)
Demand Transfers to:						
SDCIF	4.5	4.5	0	11.0	11.0	0
SHF	76.3	76.3	0	82.2	82.2	0
LAVTRF	39.3	39.3	0	42.1	42.1	0
CCRSF	30.2	30.2	0	31.9	31.9	0
CCHF	9.6	9.6	0	9.9	9.9	0
WCF	4.0	4.0	0	4.0	0	(4.0)
All Other Expend.	1,594.9	1,586.8	(8.1)	1,641.5	1,666.7	25.2
Total	2,739.9 ^b	2,717.0 ^c	(22.9)	3,165.3	3,173.4 ^c	8.1
Ending Balance	351.4	373.9	22.5	221.6	228.2	6.6
% of Expend.	12.8%	13.8%		7.0%	7.2%	
Receipts in Excess of Expend.	210.9	233.4	22.5	(129.8)	(145.7)	(15.9)

- a) Includes \$10 million revenue transfer to the School District Finance Fund (SDFP).
- b) Reflects Governor's budget amendment dated 1/28/93. Otherwise, this is the amount authorized by the 1992 Legislature adjusted for State Finance Council action on the pay plan, shifting of expenditures from FY 1992 to FY 1993, actual and revised estimates of demand transfers, and the revised estimate of supplemental general aid to school districts (a reduction of \$1.631 million from the amount appropriated).
- c) Includes Governor's budget amendment of 1/28/93 and further slight adjustments for actual data on a few demand transfers.

Increase in "All Other Expenditures," FY 93 to FY 94	46.6	79.9	33.3
Difference between KLRD and Governor, FY 93			(8.1)
Difference between KLRD and Governor, FY 94			25.2
Difference between KLRD and Governor "All Other Expenditures," FY 94			25.2
Beginning balance difference			22.5
Receipts Difference			(7.8)
School aid "savings" (Governor)			13.1
Eliminate transfer to WCF (Governor's rec.)			4.0
Increase in ending balance			(6.6)
			25.2

Kansas Legislative Research Department
February 8, 1993

STATE GENERAL FUND -- FY 1990-FY 1996
(In Thousands)

	Actual FY 1990	Actual FY 1991	Actual FY 1992	Gov. Rec. FY 1993	Gov. Rec. FY 1994	Projected FY 1995	Projected FY 1996
Beginning Balance	\$ 371,358	\$ 272,910	\$ 162,236	\$ 140,475	\$ 372,736	\$ 228,347	\$ 93,321
Receipts	\$ 2,300,496	\$ 2,382,321	\$ 2,465,807	\$ 2,950,400 ^b	\$ 3,027,700 ^b	\$ 3,163,947	\$ 3,290,505
Percent Increase	3.2%	3.6%	3.5%	19.7%	2.9% ^d	4.5%	4.0%
Expenditures:							
Department of Education	\$ 949,918	\$ 997,459	\$ 971,182	\$ 1,202,105	\$ 1,574,256	\$ 1,637,226	\$ 1,702,715
Board of Regents & Institutions	389,260	404,830	405,741	416,998	437,311	454,803	472,996
Dept. of Social and Rehab. Services	384,230	400,819 ^x	399,919 ⁺	376,358	418,644	435,390	452,806
Dept. of Corrections & Institutions	122,357	136,182	148,493	156,737	161,521	167,982	174,701
SRS Hospitals	90,081	76,396	74,973	72,071	63,948	66,506	69,166
Dept. of Transportation	73,687	83,423	87,793	85,569	92,095	95,779	99,610
State Treasurer	63,820	67,366	69,848	72,074	76,840	79,914	83,110
Judicial Branch	54,531	54,768	56,410	57,836	59,617	62,002	64,482
KPERS-School	41,037	46,812	49,792	52,941	54,833	57,026	59,307
All Other	231,322	227,363	227,118	225,450	233,024	242,345	252,039
TOTAL	<u>\$ 2,400,243</u>	<u>\$ 2,495,418</u>	<u>\$ 2,491,269</u>	<u>\$ 2,718,139^c</u>	<u>\$ 3,172,089^c</u>	<u>\$ 3,298,973^f</u>	<u>\$ 3,430,932^f</u>
Percent Increase	11.1%	4.0%	(0.2)%	9.1%	16.7%	4.0%	4.0%
Ending Balance	\$ 272,910	\$ 162,236	\$ 140,475 ^a	\$ 372,736	\$ 228,347	\$ 93,321	\$ (47,106) ^g
Ending Balance as a Percentage of Expenditures	11.4%	6.5%	5.6%	13.7%	7.2% ^e	2.8% ^e	0.0% ^e
Receipts in Excess of Expenditures	\$ (99,736)	\$ (113,097)	\$ (25,462)	\$ 232,261	\$ (144,389)	\$ (135,026)	\$ (140,427)

a) Includes \$3.7 million of released encumbrances.

b) Consensus estimate of November 16, 1992, adjusted slightly by Governor's recommendations.

c) Governor's recommendations for FY 1993 and FY 1994.

d) The growth rate in FY 1994 would be about 4.5 percent if the estimate for FY 1993 were adjusted for two large amounts of one-time revenue. These two large one-time revenue events include (1) an acceleration of the financial institutions privilege tax and (2) additional individual income taxes due to the timing of the recently enacted rate increase.

e) Targeted minimum ending balance percentage required under current law (K.S.A. 1991 Supp. 75-6702) is 7.0 percent for FY 1994 and 7.5 percent for FY 1995 and beyond. This projection assumes a change in this law.

f) All expenditures are projected to increase 4 percent.

g) Current law would prohibit a negative ending balance.

Kansas Legislative Research Department

February 4, 1993

Prepared at the request of Representative Henry Helgeson

** misleading for does not reflect use of disproportionate care*

SUBCOMMITTEE REPORT

Agency: Kansas, Inc.

Bill No. New

Bill Sec. New

Analyst: Piekalkiewicz

Analysis Pg. No. 333

Budget Page No. 378

<u>Expenditure Summary</u>	<u>Agency Est. FY 93</u>	<u>Gov. Rec. FY 93</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 186,534	\$ 187,513	\$ --
EDIF	1,600,874	1,600,874	25,700
Other Funds	141,559	142,041	--
TOTAL	<u>\$ 1,928,967</u>	<u>\$ 1,930,428</u>	<u>\$ 25,700</u>
FTE Positions	4.5	4.5	--

Agency Estimate/Governor's Recommendation

The agency's State General Fund estimate for the current year represents a \$1,501 increase over the amount approved by the 1992 Legislature. The 1992 Legislature approved \$1.5 million from the EDIF to match federal funding under the Experimental Program to Stimulate Competitive Research (EPSCoR) in support of basic scientific research. The Governor recommends an increase of \$1,461 in operating expenditures over the agency's estimate. The Governor concurs with the agency's estimate of \$1.5 million from the EDIF for the EPSCoR match.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's recommendation for FY 1993, with the following adjustment:

1. Add \$25,700 from the EDIF to allow Kansas, Inc. to contract for a study of the impact of the anticipated Wichita area job losses. It is hoped that the results of the study would assist the State in formulating effective short and long-term responses that could lead to economic recovery and job creation in South Central Kansas. The analysis would enable the State and local governments to design intervention strategies to aid the workers and area businesses facing economic hardship because of the employment losses. The \$25,700 is recommended as an emergency supplemental. The Subcommittee recommends that the \$25,700 not be subject to the private match of 33 percent which Kansas, Inc. is required to raise for every state dollar received.


Representative Jim Lowther
Subcommittee Chairman


Representative George Dean


Representative Delbert Gross


Representative David Heinemann

SUBCOMMITTEE REPORT

Agency: Kansas, Inc.

Bill No. 2063

Bill Sec. 8

Analyst: Piekalkiewicz

Analysis Pg. No. 333

Budget Page No. 378

<u>Expenditure Summary</u>	<u>Agency Req. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 195,651	\$ 188,873	\$ --
EDIF	1,603,374	1,605,995	40,000
Other Funds	147,281	145,233	--
TOTAL	<u>\$ 1,946,306</u>	<u>\$ 1,940,101</u>	<u>\$ 40,000</u>
FTE Positions	4.5	4.5	--

Agency Request/Governor's Recommendation

The agency request of \$1,946,306 for operating expenses is a net increase of \$17,339, or 4.0 percent in FY 1994 over FY 1993. Included in the FY 1994 request is an increase \$21,202 to total \$136,001 to support contractual research designed to coordinate and evaluate economic development efforts in the state. In FY 1994, Kansas Inc. is proposing to contract for the following topics: Kansas industry clusters, competitiveness of Kansas firms, and the effect of government expenditures on growth.

Kansas, Inc. requests \$1,500,000 in FY 1994 from the EDIF to match federal funding in support of basic scientific research at the state's public research universities, which is the same amount as in the current year.

For FY 1994, the Governor's recommendation for operating expenses totals \$1,940,101, which is a net reduction of \$6,205 from the agency's request. The Governor reduces the contractual research request by \$5,463 and capital outlay by \$3,500.

House Subcommittee Recommendation

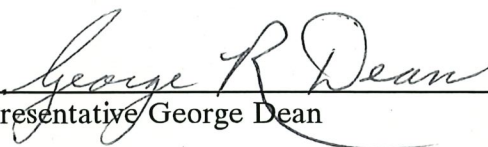
The House Subcommittee concurs with the Governor's recommendation for FY 1994, with the following adjustment:

1. Add \$40,000 from the EDIF to allow Kansas, Inc. to contract for a study of the economic impact of the anticipated closure of a state mental retardation hospital. It is hoped that the results of the study would assist the State in formulating effective short and long-term responses that could lead to economic recovery and job creation in the community in which the closure takes place. The analysis would enable the State and local governments to design intervention strategies to aid the workers and area businesses facing economic hardship due to the

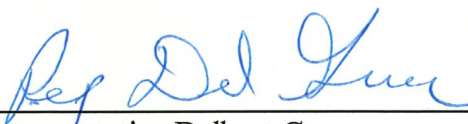
employment losses. The Subcommittee recommends that the \$40,000 not be subject to the private match of 33 percent which Kansas, Inc. is required to raise for every state dollar received.



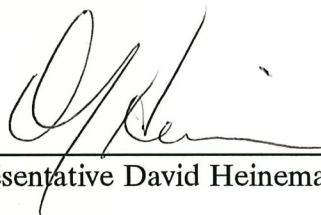
Representative Jim Lowther
Subcommittee Chairman



Representative George Dean



Representative Delbert Gross



Representative David Heinemann

SUBCOMMITTEE REPORT

Agency: Kansas Technology
Enterprise Corporation

Bill No. 2063

Bill Sec. 9

Analyst: Piekalkiewicz

Analysis Pg. No. 336

Budget Page No. 408

<u>Expenditure Summary</u>	<u>Agency Req. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 2,738,988	\$ 2,505,172	\$ 500,000
Other Assistance	15,950,627	11,626,727	1,235,000
Total	<u>\$ 18,689,615</u>	<u>\$ 14,131,899</u>	<u>\$ 1,735,000</u>
Eco. Dev. Initiatives Fund			
State Operations	\$ 2,638,988	\$ 2,405,172	\$ 500,000
Other Assistance	11,850,627	7,526,727	1,235,000
Total	<u>\$ 14,489,615</u>	<u>\$ 9,931,899</u>	<u>\$ 1,735,000</u>
FTE Positions	11.0	11.0	--

Agency Request/Governor's Recommendation

The agency's request for FY 1994 of \$18,689,615 (\$14,489,615, EDIF) represents a \$7,212,952 increase over the current year estimate of \$11,476,663. The agency requests increases of \$369,854 for the Applied Research Matching Grants, \$785,000 for the Centers of Excellence, \$500,000 for Research Equipment Matching Grants. The agency also requests \$4.0 million to recapitalize the Ad Astra Fund. The Governor recommends \$14,131,899 (\$9,931,899, EDIF) for FY 1994, which is a reduction of \$4,557,716 from the agency's request. The Governor's recommendation does not contain the requested increases for the Applied Research Matching Grants, Centers of Excellence or the Research Matching Grants. The Governor's recommendation contains \$1.5 million to recapitalize the Ad Astra Fund.

House Subcommittee Recommendation

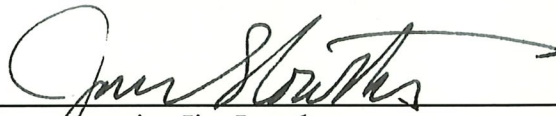
FY 1993. The House Subcommittee concurs with the Governor's recommendation for FY 1993.

FY 1994. The House Subcommittee concurs with the Governor's recommendation for FY 1994, with the following adjustments:

1. Add \$785,000 from the EDIF for the Centers of Excellence to total \$4.5 million. The current year estimate for the Centers is \$3,715,000. Grants are awarded by KTEC to the Centers on a competitive basis.

ATTACHMENT 6

2. Add \$250,000 from the EDIF for Applied Research Matching Grants. KTEC has allocated \$1,130,146 in FY 1993 for such grants and requested an increase of \$369,854 for a total of \$1,500,000 in FY 1994. Funding of \$1,009,613 was recommended by the Governor. The Subcommittee recommendation brings the total recommended amount to \$1,259,613.
3. Recommend the introduction of legislation to include in the focus of the Kansas Agricultural Value Added Processing Center (KVAC) the emerging industry of industrial agriculture. The Governor's recommendation for KTEC includes \$250,000 from the EDIF for an industrial agriculture project to be administered by KTEC. The Subcommittee recommends that if the proposed legislation is passed, the \$250,000 be shifted to the KVAC line item during the Omnibus Session.
4. Add an additional \$500,000 from the EDIF for a total of \$750,000 for KTEC's commercialization project. KTEC will utilize the commercialization funds to form partnerships with the private sector and the federal government for the purpose of creating innovative organizations. The organizations will consist of pre-incubators and incubators and will contain resources needed by new-start businesses. Start-up costs for new technology related businesses will be reduced and the possibility for business success significantly improved.
5. Add \$200,000 from the EDIF to match a federal grant of \$280,000 from the U.S. Forest Service to conduct a statewide forest inventory in Kansas.



Representative Jim Lowther
Subcommittee Chairman



Representative George Dean



Representative Delbert Gross



Representative David Heinemann

SUBCOMMITTEE REPORT

Agency: State Board of Tax Appeals

Bill No. 2087

Bill Sec. New

Analyst: West

Analysis Pg. No. 304

Budget Page No. 562

<u>Expenditure Summary</u>	<u>Agency Est. FY 93</u>	<u>Gov. Rec. FY 93</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,606,955	\$ 1,606,955	\$ --
Other Funds	8,000	8,000	--
TOTAL	<u>\$ 1,614,955</u>	<u>\$ 1,615,048</u>	<u>\$ --</u>
FTE Positions	36.0	36.0	--

Agency Request/Governor's Recommendation

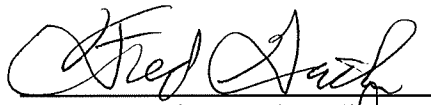
The agency's current year estimate represents a decrease of \$12,025 from the State General Fund in salaries (\$4,025) and other operating expenses (\$8,000) from the approved budget.

The Governor concurs with the agency's current year estimate.


House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's current year recommendation, with the following adjustment:

1. In order to allow the agency flexibility in the efficient utilization of available resources, authorize State General Fund expenditures from the agency's salaries and wages and other operating expenditures line items as if they were a single line item.


Representative Fred Gatlin
Subcommittee Chairperson

Representative Richard J. Edlund


Representative Shelia Hochhauser

SUBCOMMITTEE REPORT

Agency: State Board of Tax Appeals

Bill No. 2063

Bill Sec. 2

Analyst: West

Analysis Pg. No. 304

Budget Page No. 562

<u>Expenditure Summary</u>	<u>Agency Req. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,733,128	\$ 1,679,277	\$ (500)
Other Funds	14,000	20,000	--
TOTAL	<u>\$ 1,747,128</u>	<u>\$ 1,699,277</u>	<u>\$ (500)</u>
FTE Positions	36.0	36.0	--

Agency Request/Governor's Recommendation


The agency's FY 1994 request allows continuation of operations at the same level of service as the current year. Travel funding of \$74,013 includes \$25,309 for appraisal and administrative training for agency personnel. Requested equipment includes \$7,200 for a computerized legal research system.

The Governor recommends an FY 1994 budget of \$1,699,277, a decrease of \$47,851 from the agency's request. Recommended travel funding of \$60,710 includes \$16,000 for training classes and seminars. The Governor concurs with the agency's request of \$7,200 for a computerized legal research system.

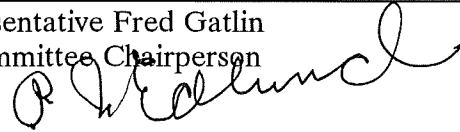
House Subcommittee Recommendations

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

1. Make technical adjustments to H.B. 2063 to reflect the Governor's intent.
2. The Subcommittee has been informed that the agency is contracting with the Information Network of Kansas (I.N.K.) as a pilot program in lieu of purchasing a computerized legal research system. The Subcommittee recommends a reduction of \$500 from the agency's budget, leaving \$6,700 of the \$7,200 originally budgeted for the legal research system to finance the costs of accessing I.N.K.



Representative Fred Gatlin
Subcommittee Chairperson



Representative Richard J. Edlund



Representative Shelia Hochhauser

SUBCOMMITTEE REPORT

Agency: Department of Revenue

Bill No. 2087

Bill Sec. 9

Analyst: West

Analysis Pg. No. 281

Budget Page No. 492

Expenditure	Agency Est. FY 93	Governor's Rec. FY 93	Subcommittee Adjustments
All Funds:			
State Operations	\$ 59,254,028	\$ 58,774,946	\$ --
Aid and Assistance	11,766,027	11,766,027	--
Total	<u>\$ 71,020,055</u>	<u>\$ 70,540,973</u>	<u>\$ --</u>
State General Fund:			
State Operations	\$ 28,020,714	\$ 27,113,441	\$ --
Aid and Assistance	--	--	--
Total	<u>\$ 28,020,714</u>	<u>\$ 27,113,441</u>	<u>\$ --</u>
FTE Positions	1,258.0	1,258.0	--

Agency Estimate/Governor's Recommendation

1. **State Operations.** The agency's current year estimate of state operations expenditures represents a net increase of \$730,646 from the approved budget. Salary expenses show a net increase of \$5,659, including decreases of \$1,212 from the State General Fund and \$1,081 from the Division of Vehicles (DOV) Operating Fund. Other operating expenses are increased by \$724,987. The agency requests a State General Fund supplemental appropriation of \$900,000 to partially finance a \$1,200,000 consulting services contract. The contractor is to assist the Department in the implementation, training, and documentation associated with the Accounts Receivable Management System (ARMS). DOV Operating Fund expenditures are reduced by \$423,978, while expenditures from other special revenue funds are increased by \$248,965.

The Governor's recommendation of current year state operations expenditures is a decrease of \$509,082 from the agency's estimate. Salaries are reduced by \$8,082 (\$7,273 State General Fund, \$809 DOV Operating Fund) to reflect revised fringe benefit calculations. Other operating expenses are reduced by \$471,000 from the agency's estimate associated with a decrease to \$729,000 in funding for the ARMS consulting contract. The Governor does not recommend the State General Fund supplemental appropriation requested by the agency. Expenditures from the DOV Operating Fund for other operating expenditures are increased by \$429,000 from the agency's estimate. The Governor recommends an expenditure limitation increase of \$3,132 to \$30,740,545 on the DOV Operating Fund.

2. **Aid and Assistance.** The agency's current year estimate for aid to local units of government and other assistance represents a net decrease of \$466,231 from the approved budget. Increased expenditures are anticipated from the Bingo Tax Fund (\$35,000) and the County Drug Tax Fund (\$90,000). Reduced expenditures are anticipated from the Special County Mineral Production


Tax Fund (\$550,000), the Sand Royalty Fund (\$3,000), and for ethyl alcohol production incentives (\$38,231).

The Governor concurs with the agency's current year estimate for aid and assistance payments.


House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's current year recommendation, with the following observation:

1. The Subcommittee has been informed that although the Governor's recommendation for the ARMS consulting contract is \$471,000 below the agency's request, the agency should have a workable system by March. Any remaining components for ARMS can be done in house. The agency also informed the Subcommittee that the collection of delinquent taxes is up over the historical trend, even though ARMS has not been working at full capacity.



Representative Fred Gatlin
Subcommittee Chair



Representative Richard J. Edlund



Representative Sheila Hochhauser

SUBCOMMITTEE REPORT

Agency: Department of Revenue

Bill No. 2063

Bill Sec. 3

Analyst: West

Analysis Pg. No. 492

Budget Page No. 492

Expenditure	Agency Req. FY 94	Revised Governor's Rec. FY 94	Subcommittee Adjustments
All Funds:			
State Operations	\$ 59,403,289	\$ 55,742,053	\$ (339,619)
Aid and Assistance	18,296,000	9,296,000	--
Total	<u>\$ 77,699,289</u>	<u>\$ 65,038,053</u>	<u>\$ (339,619)</u>
State General Fund:			
State Operations	\$ 31,420,891	\$ 28,820,626	\$ (339,619)
Aid and Assistance	--	--	--
Total	<u>\$ 31,420,891</u>	<u>\$ 28,820,626</u>	<u>\$ (339,619)</u>
FTE Positions	1,301.0	1,269.0	--

Agency Request/Governor's Recommendation

1. **State Operations.** The agency's FY 1994 state operations request reflects a net increase of \$149,261 when compared to the revised current year estimate. Expenditures would be increased from the State General Fund (\$3,400,177) and the Economic Development Initiatives Fund (EDIF) (\$300,000), and reduced from the DOV Operating Fund (\$3,551,444). Net other changes would increase total expenditures by \$528.

The Governor's revised FY 1994 state operations recommendation is a reduction of \$3,661,236 from the agency's request. Compared to the agency's FY 1994 request, reductions are recommended in financing from the State General Fund (\$2,600,265), the DOV Operating Fund (\$783,933), and the EDIF (\$300,000). Financing from other funding sources is increased by \$22,962 from the agency's request. Decreases from the agency's requests are recommended in capital outlay (\$1,429,420), salaries (\$1,003,802), data processing fees (\$641,773), educational classes (\$300,000), travel (\$151,352), and communications (\$127,979). Net other changes reduce the Governor's recommendation by \$6,960 from the agency's request.

2. **FTE Positions.** The agency's FY 1994 request of 1,301.0 FTE positions represents a net increase of 43.0 from the current year. The agency proposes the elimination of 7.0 FTE clerical positions from the Motor Vehicle program. New positions are requested for the Collections program (4.0 FTE -- \$90,573, including fringe benefits), the Taxation program (12.0 FTE -- \$335,789, including fringe benefits), and the Property Valuation program (32.0 FTE -- \$1,112,506, including fringe benefits). An additional 2.0 FTE positions are inadvertently included in the Taxation program.

The Governor's FY 1994 recommendation supports 1,269.0 FTE positions, a net increase of 11.0 FTE positions from the current year. The Governor concurs with the agency's proposal to eliminate 7.0 FTE clerical positions from the Motor Vehicles program. In addition, the Governor recommends \$605,945 (including fringe benefits) for 18.0 FTE new positions for the Property Valuation program.

3. Aid and Assistance. The agency's FY 1994 request for aid to local units of government and other assistance is a net increase of \$6,529,973 from the current year. The agency requests an increase of \$9,000,000 from the EDIF (from \$3,000,000 to \$12,000,000) for county reappraisal aid and drug tax payments are estimated to increase by \$30,000, from \$150,000 to \$180,000. Incentive payments for the producers of ethyl alcohol are not included in the FY 1994 request due to the scheduled expiration of the program at the end of FY 1993.

The Governor concurs with the agency's request for aid and assistance payments in FY 1994 with the exception of county reappraisal aid. The Governor's FY 1994 recommendation includes \$3,000,000 from the EDIF to maintain county reappraisal aid at the current level of funding.

House Subcommittee Recommendation

The House Subcommittee concurs with the Governor's FY 1994 recommendation, with the following adjustments:

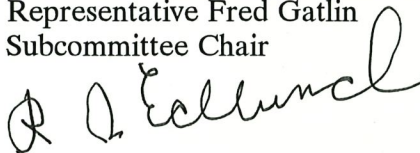
1. The Subcommittee learned that the agency is exploring the possibility of utilizing digital ortho photography in lieu of traditional aerial photography for the reflight of the state. The Subcommittee was informed that utilization of this technology can produce results which are more accurate and less expensive than traditional processes. In addition to the aforementioned, the Subcommittee learned that there is the possibility that other state, federal, and private entities may be willing to share in the expense of this process since the resulting data will have uses applicable to many organizations. The Subcommittee notes that the Director of Property Valuation is a member of the Geographic Information Systems (GIS) Policy Board and the Subcommittee would stress the importance of coordinated and compatible GIS data bases, not only between state agencies but between all levels of government. The Subcommittee strongly recommends the agency pursue the use of digital ortho photography to the extent possible and aggressively pursue cost sharing possibilities with other entities.
2. The Subcommittee notes that the Division of Property Valuation is responding to the court order of the Third Judicial District Court and has addressed most if not all of the areas of concern identified by Judge Bullock. The Subcommittee is impressed with the operation of the Division and the performance of the Division's Director.
3. The Subcommittee notes that \$816,801 of the recommended increase in expenditures from FY 1993 to FY 1994 is associated with increased fees charged by the Division of Information Systems and Communications (DISC), Department of Administration. The Subcommittee was informed that DISC fees have recently varied to a great extent each fiscal year, in part to operational practices and in part to billing requirements with federally financed programs. This roller

coaster variation of fees does not allow the agency, the Governor, nor the Legislature to adequately plan budgets from year to year. The Subcommittee recommends that the Legislative Division of Post Audit be requested to review this issue and make recommendations which would lead to more stabilized DISC rates.

4. Reduce State General Fund financed salaries by \$294,430 and other operating expenditures by \$45,189 to reflect an average delay of six months in hiring the 18.0 FTE new positions recommended by the Governor for the Division of Property Valuation. The Subcommittee was informed that it may take up to six months to find the individuals with the proper qualifications to fill the positions. The Subcommittee notes that although the Governor's FY 1994 recommendation is a net increase of 11.0 FTE positions from the current year, the recommended staffing level of 1,269.0 is a net reduction of 59.5 FTE positions from the agency's approved FY 1990 staffing of 1,328.5 and that staffing for programs not under the Division of Motor Vehicles has been reduced by 70.5 FTE over the period of FY 1990 through FY 1993. The Subcommittee was informed that the agency is developing a strategic business plan which may identify positions which could be eliminated in FY 1995. The Subcommittee also received the pledge of the Secretary of Revenue that she will be looking to eliminate positions as the agency re-engineers its operations.



Representative Fred Gatlin
Subcommittee Chair



Representative Richard J. Edlund



Representative Sheila Hochhauser