

Approved: 03 / 25 / 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 March 17, 1993 in Room 514-S of the Capitol.

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

Committee staff present: Leah Robinson, Legislative Research Department
Timothy Colton, Legislative Research Department
Pat Mah, Legislative Research Department
Carolyn Rampey, Legislative Research Department
Kathy Porter, Legislative Research Department
Julian Efird, Legislative Research Department
Jim Wilson, Revisor of Statutes
Jerry Cole, Committee Secretary
Sharon Schwartz, Administrative Assistant

Conferees appearing before the committee:

Others attending: See attached list

Rep. Gross made a motion for approval of the minutes as presented for March 9, 10 and 11. Rep. Helgerson seconded the motion and it carried.

Rep. Bradley moved to pass and favorably recommend the substitute for **HB 2211** as it was amended by the committee. Rep. Kline seconded the motion and it carried.

Chairman Chronister turned the committee's attention to **SB 41** and opened the floor to subcommittee reports for that bill. Rep. Lowther moved adoption of the subcommittee recommendations for the Commission on Governmental Standards & Conduct for FY 93 and FY 94. (See Attachment 1). Rep. Heinemann seconded the motion and it carried. Rep. Mead presented the subcommittee report for the Kansas Human Rights Commission budgets. (See Attachment 2). Rep. Blumenthal moved to grant the additional 8 Full-Time Equivalent (FTE) positions which the agency had originally requested and the motion was seconded by Rep. Gross. Rep. Helgerson made a substitute motion for a 100 hour post audit to be performed with regard to the positions suggested and that the report be performed and completed in time for omnibus consideration. Rep. Glasscock seconded his motion and it carried. Rep. Mead moved adoption of the subcommittee reports for the FY 93 and FY 94 Kansas Human Rights Commission Board as it had been amended. Rep. Helgerson seconded the motion and it carried. Rep. Lowther moved adoption of the subcommittee reports for the Kansas Corporation Commission FY 93 and 94 budgets. (See Attachment 3). Rep. Heinemann seconded the motion and it carried. Rep. Bradley made a motion to delete the attorney FTE position added in the FY 94 report for the Citizens' Utility Ratepayer Board (CURB). (See Attachment 4). Rep. Glasscock seconded the motion and it failed. Rep. Heinemann moved adoption of the FY 93 and FY 94 subcommittee recommendations for CURB. Rep. Dean seconded the motion and it carried. Rep. Gross made a motion to adopt the subcommittee report for the FY 93 and 94 Department of Administration budgets. (See Attachment 5). Rep. Lowther seconded the motion and it carried. Rep. Gatlin moved to strike recommendation #2 from the FY 94 Kansas Public Employees Retirement System budget which called for the transfer of \$329,429 from the State General Fund. (See Attachment 6). Rep. Pottorff seconded the motion which failed on a vote of 8-12. Rep. Heinemann moved to adopt the subcommittee reports for the FY 93 and FY 94 KPERS budgets. Rep. Dean seconded the motion and it carried. Rep. Heinemann made a motion for a recommendation of an interim study on school district finance in relation to KPERS be included in the bill. Rep. Dean seconded the motion and it carried. Rep. Teagarden made a motion to pass and favorably recommend **SB 41** from the committee. The motion carried with Rep. Heinemann seconding. Chairman Chronister adjourned the meeting at 2:57 p. m.

The next meeting is scheduled for March 18, 1993.

GUEST LIST

COMMITTEE: HOUSE APPROPRIATIONS

DATE: MAR. 17, 1993

[illegible]

SUBCOMMITTEE REPORT

Agency: Commission on Governmental
Standards and Conduct

Bill No. --

Bill Sec. --

Analyst: Mah

Analysis Pg. No. 882

Budget Page No. 216

<u>Expenditure Summary</u>	<u>Agency Est. FY 93</u>	<u>Gov. Rec. FY 93</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 230,748	\$ 230,738	\$ --
Special Revenue Fund	123,561	123,571	--
Total	<u>\$ 354,309</u>	<u>\$ 354,309</u>	<u>\$ --</u>
FTE Positions	6.0	6.0	--

Agency Estimate/Governor's Recommendation

The Commission estimates current year expenditures of \$354,309, a reduction of \$1,057 from the authorized budget of \$355,366. Financing for the budget includes \$230,748 from the State General Fund and \$123,561 from a fee fund established by 1991 H.B. 2454 (Kansas Commission on Governmental Standards and Conduct Fee Fund). The Commission reallocated four of its FTE staff positions to different jobs classes and approved salary upgrades in the current year. K.S.A. 25-4119a authorizes the Commission to set the salaries of its staff, which are not subject to approval by the Governor except for the Executive Director. The Commission says that the staff positions were reallocated because of employees' expanding job responsibilities. The Commission's current year estimate includes \$292,970 for salaries and wages and \$61,339 for other operating expenditures.

The Governor concurs with the Commission's revised current year estimate of \$354,309 for operating expenditures.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

Senate Committee Recommendation

The Senate Committee concurs with the recommendation of the Subcommittee.

Senate Committee of the Whole Recommendation

The Senate Committee of the Whole concurs with the recommendation of the Committee.

<u>Expenditure Summary</u>	<u>Senate Adj. FY 93</u>	<u>Senate Rec. FY 93</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ --	\$ 230,738	\$ --
Special Revenue Fund	--	123,571	--
Total	<u>\$ --</u>	<u>\$ 354,309</u>	<u>\$ --</u>
FTE Positions	--	6.0	--

House Subcommittee Recommendation

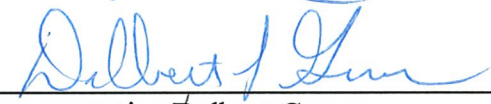
The House Subcommittee concurs with the recommendation of the Senate.



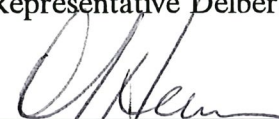
Representative James Lowther
Subcommittee Chair



Representative George Dean



Representative Delbert Gross



Representative David Heinemann

SUBCOMMITTEE REPORT

Agency: Commission on Governmental
Standards and Conduct

Bill No. 41

Bill Sec. 3

Analyst: Mah

Analysis Pg. No. 882

Budget Page No. 216

<u>Expenditure Summary</u>	<u>Agency Req. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Senate Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 333,438	\$ 257,511	\$ 15,000
Special Revenue Fund	65,356	60,445	12,000
Total	<u>\$ 398,794</u>	<u>\$ 317,956</u>	<u>\$ 27,000</u>
FTE Positions	6.0	6.0	--

Agency Request/Governor's Recommendation

The Commission requests an FY 1994 budget of \$398,794. The request includes an increase of \$44,485 over the current year estimate. The additional funds would provide for salary increases for existing FTE staff positions; capital outlay purchases for two microcomputers with monitors and two laser printers; and anticipated increases in various other operating expenses. Included in the FY 1994 request is \$61,210 (\$60,220 for salaries and \$990 for new phone lines) to continue the employment of three special project positions that were added by the 1992 Legislature for a one-year period. The positions were added for the current year because of 1989 legislation which impacts the agency, especially in election years. The legislation brought certain local candidates and their treasurers under the Campaign Finance Act. Continued employment of the special project positions is requested to allow for completion of campaign finance report audits. The FY 1994 request also includes an annual base pay increase of \$5,000 plus a 2.5 percent merit increase of \$1,188 for the unclassified Executive Director. A 2.5 percent unclassified merit pool of \$3,713 also is requested to provide for salary increases for the remaining 5.0 FTE unclassified staff members in FY 1994. Financing for the budget includes \$333,438 from the State General Fund and \$65,356 from the Kansas Commission on Governmental Standards and Conduct Fee Fund, of which \$311,296 is for salaries and wages and \$87,498 is for other operating expenditures. The Commission also requests that a "no limit" be placed on expenditures from the Kansas Commission on Governmental Standards and Conduct Fee Fund in FY 1994.

The Governor's FY 1994 recommendation of \$317,956 reduces the Commission's request by \$80,838. Adjustments were made to salary and wage expenditures to delete funding for continuing the employment of three special project positions and for providing an annual base salary increase of \$5,000 for the Executive Director. Included in the recommendation is an unclassified merit pool of 2.5 percent for the Commission's 6.0 FTE unclassified employees. The Governor's recommendation of \$72,688 for all other operating expenditures reduces the Commission's request by \$14,810, including \$2,918 for communications, \$2,512 for travel and subsistence, and \$9,380 for

computer equipment. The Governor does not approve the request to make the Commission's fee fund a "no limit" fund beginning in FY 1994.

Senate Subcommittee Recommendation

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

1. Add \$1,000 from the Governmental Standards and Conduct Fee Fund to provide for travel costs to send the Commission's Executive Director to the Annual Council on Governmental Ethics Laws Conference. The Subcommittee believes that it is important for the Commission to maintain contact with persons from other states whose work responsibilities are in the area of administering ethics laws. Such contact provides the Commission with the opportunity to bring new ideas to the Legislature for review and consideration.
2. Add \$26,000 to continue the employment of one of three special projects positions. Financing for the position would be from the State General Fund (\$15,000) and the Commission's Fee Fund (\$11,000). The 1992 Legislature provided for three special projects positions in the current year because of 1989 legislation which significantly impacts the Commission. This legislation brought certain local candidates and their treasurers under the Campaign Finance Act. The Subcommittee was told that the Commission provided oversight over 2,150 candidates in the 1992 election as compared to 736 in the 1990 election. In addition, the Subcommittee was told that reports of lobbyists to the Commission have significantly increased because of 1991 legislation. To provide for this vast change in workload, the Subcommittee believes that additional staff for the Commission is necessary. The Subcommittee understands that the recommended special projects position will work as a report auditor on local campaign finance reports.
3. Make a technical adjustment to make the FY 1994 appropriations bill (S.B. 41) conform to the Governor's intent. (The reappropriation in the bill includes moneys that have been lapsed by the Division of Accounts and Reports, Department of Administration, because of a 1.0 percent reduction approved by the 1992 Legislature.)

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee.

Senate Committee of the Whole Recommendation

The Senate Committee of the Whole concurs with the recommendation of the Committee.

The status of the Commission's Fee Fund, based on the recommendations of the Senate is shown below:

Governmental Standards and Conduct Fee Fund			
Resource Estimate	Actual FY 92	Senate Rec. FY 93	Senate Rec. FY 94
Beginning Balance	\$ 0	\$ 50,697	\$ 7,721
Net Receipts	59,415	80,595	65,990
Total Funds Available	\$ 59,415	\$ 131,292	\$ 73,711
Less: Expenditures	8,618	123,571	72,445
Nonreportable Exp.	100	--	--
Ending Balance	<u>\$ 50,697</u>	<u>\$ 7,721</u>	<u>\$ 1,266</u>

Expenditure Summary	Senate Adj. FY 94	Senate Rec. FY 94	House Subcommittee Adjustments
State Operations:			
State General Fund	\$ 15,000	\$ 272,511	\$ --
Special Revenue Fund	12,000	72,445	24,471
Total	<u>\$ 27,000</u>	<u>\$ 344,956</u>	<u>\$ 24,471</u>
FTE Positions	--	6.0	--

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendation of the Senate, with the following adjustments and comments:

1. Add \$24,471 from the Governmental Standards and Conduct Fee Fund to provide for operating costs of the Commission. The Subcommittee recommends that \$6,266 of the recommended funds be used for the purchase of two computers and two laser printers. A proviso will be added to the bill to reflect this recommendation. The remaining recommended funding of \$18,205 is to be used to pay the salary of two special projects positions. The 1992 Legislature approved funding to provide for a total of three special project positions for FY 1993. The Senate recommended \$26,000 (\$15,000 from the State General Fund) to continue the employment of one of the positions in FY 1994. The Subcommittee's recommendation provides for funding to continue the employment of the other two special projects positions. The recommendation is based on a revised estimate by the Commission. The Commission says that the costs to continue the

employment of all three special projects positions is \$44,205 instead of the \$60,220 proposed for salary expenses in the Commission's original budget document. The Subcommittee notes that its recommendation assumes passage of H.B. 2531, which provides for additional revenues by increasing fees being paid to the Commission. Based upon information from the Commission, passage of the legislation will provide additional revenues in FY 1994 of \$50,960 over the current law estimate of \$62,130. The Subcommittee further recommends that, if the legislation has not passed to provide for the recommended additional revenues for the Commission, alternate sources of financing to cover the recommended \$24,471 be reviewed in the Omnibus Bill.

2. The Subcommittee was told that the Commission is authorized to charge for its various publications. An official from the Commission said that such charges have not been implemented. Following the Subcommittee's discussion of the Commission's budget, the Subcommittee received a copy of a press release relating to charges being imposed for various 1992 campaign finance data collected by the Commission. The Subcommittee directs the Executive Director of the Commission to give a full report to the 1994 Legislature comparing all charges being imposed to actual costs for compiling various campaign finance materials, as well as for other publications produced by the Commission.



Representative James Lowther
Subcommittee Chair



Representative George Dean



Representative Delbert Gross



Representative David Heinemann

SUBCOMMITTEE REPORT

Agency: Kansas Human Rights Commission Bill No. 62

Bill Sec. New

Analyst: Robinson

Analysis Pg. No. 896

Budget Page No. 324

<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	\$ 1,118,004	\$ 1,111,120	\$ --
Special Revenue Funds	564,711	564,711	21,562
	<u>\$ 1,682,715</u>	<u>\$ 1,675,831</u>	<u>\$ 21,562</u>
FTE Positions	40.0	40.0	--

Agency Estimate/Governor's Recommendation

The Commission estimates FY 1993 operating expenditures of \$1,682,715, an increase of \$57,003 above the currently approved budget. The net increase consists of a reduction of \$41 in approved State General Fund expenditures and an increase of \$57,044 in expenditures from federal funds. The budget provides funding for 40.0 FTE positions, the currently authorized number. The FY 1993 estimate of expenditures includes \$63,544 from HUD Incentive Funds, a special federal program to promote education about fair housing.

The Governor recommends FY 1993 expenditures of \$1,675,831, a reduction of \$6,884 (all from the State General Fund) from the amount estimated by the agency. The reductions are in travel and subsistence and fees--professional services.

Senate Subcommittee Recommendation

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

1. Increase the expenditure limitation on the Conversion of Materials and Equipment Fund from \$0 to \$629. This will provide funding for the agency to pay higher than anticipated utility bills in the Wichita office.
2. Increase the expenditure limitation on the agency's federal funds by \$20,933 from \$501,167 to \$522, 100. The Governor recommended reductions of \$6,884 from the State General Fund appropriation. These reductions were in travel and subsistence (\$5,610), and fees--professional services (\$1,274). The agency requested that the \$6,884 reduction in State General Fund financing be replaced by available federal funds. According to the agency, the travel funding is essential for on-site investigations. The reduction recommended by the Governor for fees-professional services represents the approximate cost of

ATTACHMENT 2

transcripts for two public hearings. In addition, the agency indicates that, to date, it has not experienced the turnover it anticipated for FY 1993. With no additional turnover in FY 1993, the agency projects that it will be short \$14,049 for salaries and wages. The Subcommittee recommends that the agency have the authority to expend federal funds to meet this potential shortfall.

Senate Committee Recommendation

Concur.


Senate Committee of the Whole Recommendation

Concur.

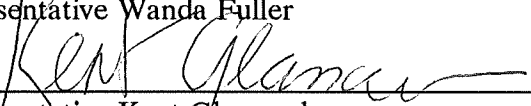
<u>Expenditure Summary</u>	<u>Senate Adj. FY 93</u>	<u>Senate FY 93</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ --	\$ 1,111,120	\$ --
Special Revenue Funds	21,562	586,273	--
	<u>\$ 21,562</u>	<u>\$ 1,697,393</u>	<u>\$ --</u>
FTE Positions	--	40.0	--

House Subcommittee Recommendation


The House Subcommittee concurs with the recommendations of the Senate.

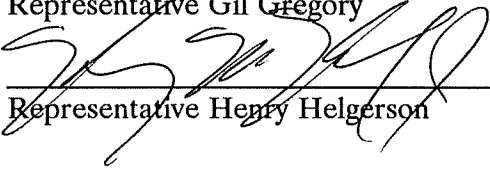


Representative Bob Mead
Subcommittee Chair

Representative Wanda Fuller


Representative Kent Glasscock



Representative Gil Gregory


Representative Henry Helgeson

SUBCOMMITTEE REPORT

Agency: Kansas Human Rights Commission Bill No. 41

Bill Sec. 4

Analyst: Robinson

Analysis Pg. No. 896

Budget Page No. 324

<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	\$ 1,836,915	\$ 1,204,204	\$ --
Special Revenue Funds	607,239	587,730	--
	<u>\$ 2,444,154</u>	<u>\$ 1,791,934</u>	<u>\$ --</u>
FTE Positions	60.0	40.0	--

Agency Request/Governor's Recommendation

The agency requests a total of \$2,444,154 for FY 1994, an increase of \$761,439 over the revised FY 1993 estimate. The budget includes funding of \$1,836,915 from the State General Fund and \$607,239 from federal funds. The request includes funding for 60.0 FTE positions, an increase of 20.0 over the currently approved number. The request would convert 2.0 Special Projects positions approved for FY 1993 to FTE, and add an additional 18.0 FTE. The 20.0 FTE requested include 4.0 Office Assistant II positions, 1.0 Office Assistant III position, 11.0 Civil Rights Investigators I (\$300,960), 1.0 Intergroup Activities Specialist, 2.0 Civil Rights Supervisor positions, and 1.0 Staff Attorney.

The Governor recommends FY 1994 expenditures of \$1,791,934 for the Commission, a reduction of \$652,220 from the amount requested. The reductions are in salaries and wages (\$497,349), contractual services (\$87,335), commodities (\$3,342), and capital outlay (\$64,194). The Governor does not recommend the addition of 20.0 FTE positions, but does recommend the continuation of the 2.0 Special Projects positions from FY 1993 to FY 1994, and an additional 3.0 Special Projects (Investigator I) positions for FY 1994.

Senate Subcommittee Recommendation

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

1. The Subcommittee shares the serious concerns of the agency in addressing the backlog of cases currently pending before the Commission. In its testimony to the Subcommittee, the Commission noted that if an individual filed a complaint this month, it would be approximately 15 months before the Commission could begin a full investigation. The agency requested that the Subcommittee recommend 3.0 Special Projects Investigator I positions in addition to the three recommended by the Governor. The agency indicated that even with 6.0 new

Investigators, the Commission would expect to completely eliminate the case backlog by the year 2014.

The Subcommittee recognizes the severity of the problems outlined by the agency and believes that there are essentially two alternatives available to address the concerns of the Commission. The first would be a large addition of staff with a corresponding large addition of State General Fund moneys. The other alternative would be an attempt to modify or redefine the duties of the Commission or its investigation methods.

The Subcommittee recommends, however, that neither of these alternatives be undertaken without a great deal of further information. For that reason, the Subcommittee recommends that the Legislative Division of Post Audit be requested to conduct a performance audit of the functions and duties of the Commission and report to the 1994 Legislature. With that report, the 1994 Legislature could explore a better solution to the problems faced by the agency and determine the resources necessary for the Commission to accomplish its objectives.

2. The Subcommittee notes, that according to information provided by the agency, that the nature of complaints being received by the agency has changed dramatically. In FY 1991, for example, 337, or 31.2 percent, of all cases filed were based on race discrimination, and 336, or 31.1 percent, of cases filed were sex discrimination cases. Physical handicap/disability cases constituted only 6.6 percent of all case filings. In FY 1992, by contrast, 526, or 36.1 percent, were sex discrimination cases, and 276, or 18.9 percent, were disability cases. Race discrimination cases constituted 29.4 percent of the FY 1992 filings. The increases in disability and sex discrimination case filings may well be the result of increased awareness stemming from passage of the Americans with Disabilities Act (ADA) and the media coverage surrounding the Clarence Thomas hearings, and the Subcommittee believes that those complaints may, at some point, reach a plateau and begin to level off. If that is in fact the case, the backlog facing the agency might not continue to grow at such a rapid pace.

Senate Committee Recommendation

Concur.

Senate Committee of the Whole Recommendation

Concur.

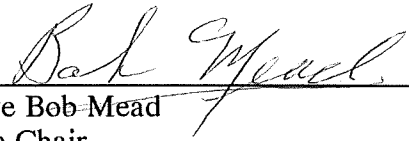
<u>Expenditure Summary</u>	<u>Senate Adj. FY 94</u>	<u>Senate Rec. FY 94</u>	<u>House Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ --	\$ 1,204,204	\$ --
Special Revenue Funds	--	587,730	--
	<u>\$ --</u>	<u>\$ 1,791,934</u>	<u>\$ --</u>
FTE Positions	--	40.0	--

House Subcommittee Recommendation

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

1. The House Subcommittee is in general agreement with the Senate that a Post Audit study on the Human Rights Commission would be beneficial. The Subcommittee recommends, however, that the audit requested be a shorter (100 hours or less) audit focusing specifically on methods of realizing greater efficiencies and listing options which would provide for better resolution of existing caseloads.
2. The House Subcommittee recommends the introduction of legislation to provide for a \$10 filing fee to be collected when a complaint is filed. The fee would be refunded if the complainant prevails on his or her complaint. In addition, the Subcommittee recommends legislation which would require the Human Rights Commission, by rule and regulation, to develop a fee schedule and would give the agency authority to assess a fee on a respondent who has been determined to be in violation of discrimination laws.

It is the intention of the Subcommittee, should this legislation be enacted, to add 3.0 special projects Investigator positions to assist in eliminating the backlog of existing complaints. While the Subcommittee recognizes that the Human Rights Commission is facing serious caseload difficulties, the Subcommittee does not wish to recommend additional State General Fund financing without a funding mechanism to raise the additional amount necessary. The addition of the 3.0 special projects positions would be an appropriate item for Omnibus consideration.



Representative Bob Mead
Subcommittee Chair

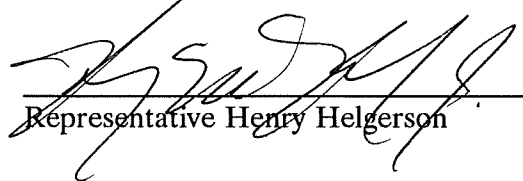
Representative Wanda Fuller



Representative Kent Glasscock



Representative Gil Gregory



Representative Henry Helgerson

SUBCOMMITTEE REPORT

Agency: Kansas Corporation Commission Bill No. -- Bill Sec. --
 Analyst: Rampey Analysis Pg. No. 889 Budget Page No. 134

Expenditure Summary	Agency Est. FY 93	Governor's Rec. FY 93	Subcommittee Adjustments
All Special Revenue Funds:			
State Operations	\$ 11,269,978	\$ 11,008,165	\$ --
Other Assistance	882,365	882,365	--
Total	<u>\$ 12,152,343</u>	<u>\$ 11,890,530</u>	<u>\$ --</u>
FTE Positions	224.0	224.0	--

Agency Estimate/Governor's Recommendation

The Kansas Corporation Commission (KCC) estimates expenditures of \$12,152,343, which include requests for expenditure limitation increases on the Motor Carrier License Fee Fund of \$17,492 for authorized salary plan adjustments and approval to spend a total of \$151,000 from the Conservation Fee Fund for expenditures in two areas that were not approved by the 1992 Legislature: First, the conservation division is holding hearings that concern the Hugoton natural gas field. Those hearings are being held in Wichita, which means that Commission members and Topeka-based staff have travel-related expenditures. Extra expenses are being incurred for the rent of meeting rooms, court reporter services, and fees for expert consultants. The total increase requested for the Hugoton hearings is \$91,000 and consists of \$16,000 for travel and subsistence, \$15,000 for rent, \$50,000 for a consulting engineer, and \$10,000 for court reporter services. The second component of the request totals \$60,000 and is for money to pay a consultant to do a needs analysis of the KCC in connection with a proposal to microfilm and convert to electronic images many of the Commission's records, particularly those maintained in Wichita by the conservation division.

The Governor recommends expenditures of \$11,890,530, a reduction of \$261,813 from the Commission's estimate. The reduction involves deleting a salary contingency pool of \$201,723 that the 1992 Legislature added for special projects and temporary employees. In addition, the Governor does not approve the request for a \$60,000 expenditure limitation increase for a consultant to help the Commission develop an electronic imaging project. The Governor approves an expenditure limitation increase of \$91,000 for additional costs associated with the Hugoton natural gas field hearings. In addition, the Governor approves the requested expenditure limitation increase of \$17,492 on the Motor Carrier License Fee Fund. (The adjustment corrects an error and accurately reflects legislative intent.)

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the Governor, with the following exception:

1. The Commission asked for and the Governor approved an expenditure limitation increase of \$91,000 for expenses associated with hearings being held in Wichita that concern the Hugoton natural gas field. Applications filed on behalf of operators in the Hugoton field request that the Commission make fundamental changes in how the field is regulated. Because the field is the largest in Kansas and one of the largest in the country, the economic impact of changes in how the field is regulated could be immense.

The hearings, which began in August, 1992, were expected to last six weeks. It now appears they could run through May and perhaps longer. The expenditure limitation approved by the Governor covers expenses only through January.

The Commission informed the Subcommittee it needs additional expenditure authority, but needs more time to develop its estimate. Because of the importance of the hearings, the Subcommittee recommends that the Commission's request be fully funded and included in the Omnibus Bill. (All costs associated with the hearing will be assessed back to the parties involved.)

Senate Committee Recommendation


The Senate Committee concurs with the recommendations of the Subcommittee.

Senate Committee of the Whole Recommendation


The Senate Committee of the Whole concurs with the recommendations of the Committee.

House Subcommittee Recommendation


The House Subcommittee concurs with the recommendation of the Senate.



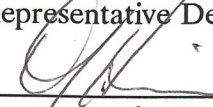
Representative Jim Lowther
Subcommittee Chair



Representative George Dean



Representative Delbert Gross



Representative Dave Heinemann

SUBCOMMITTEE REPORT

Agency: Kansas Corporation Commission Bill No. 41 Bill Sec. 5

Analyst: Rampey Analysis Pg. No. 889 Budget Page No. 134

<u>Expenditure Summary</u>	<u>Agency Req. FY 94</u>	<u>Governor's Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
All Special Revenue Funds:			
State Operations	\$ 14,283,634	\$ 11,635,299	\$ --
Other Assistance	890,000	700,000	--
Total	<u>\$ 15,173,634</u>	<u>\$ 12,335,299</u>	<u>\$ --</u>
FTE Positions	248.0	224.0	--

Agency Request/Governor's Recommendation

For FY 1994, the Kansas Corporation Commission (KCC) requests expenditures of \$15,173,634. Of that amount, \$9,705,113 is estimated for salaries, of which \$562,068 (plus fringe benefits) is for 24.0 new FTE positions. An additional amount of \$1,274,221 is for capital outlay, a large part of which (\$1,073,071) is related to various new and ongoing information management projects. Also included is \$890,000 for KCC projects funded from the Energy Grants Management Fund (oil overcharge money).

The Governor recommends expenditures of \$12,335,299 in FY 1994, a reduction of \$2,838,335 from the request. The Governor does not approve the addition of any new positions (for which \$562,068, plus fringe benefits, was requested) and does not recommend \$381,810 (plus fringe benefits) for a salary contingency pool. The Governor recommends \$316,787 for capital outlay, not \$1,274,221 as requested, and reduces the Commission's request for projects funded from oil overcharge money from \$890,000 to \$700,000.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the Governor, with the following exceptions:

1. Retain the current total expenditure limitations on the Commission's three main special revenue funds that support agency operations, but place an aggregate limit on the funds to give the Commission the flexibility to shift among them. Currently, it is common for the Commission to ask the Legislature to adjust expenditure limitations on the Public Service Regulation Fund, the Motor Carrier License Fees Fund, and the Conservation Fee Fund in the Omnibus Bill to reflect the most recent estimates of receipts to each fund. When the Legislature is not in session, the only adjustments that can be made are by the State Finance Council, which can increase an expenditure limitation but not decrease it.

The Subcommittee recommends that an aggregate limitation of \$11,012,246 be placed on the three funds. (That amount is the sum of the individual expenditure limitations approved by the Governor.) The Commission then would be able to shift expenditures among the three funds, subject to the aggregate limitation and subject to any other restrictions that exist on purposes for which dedicated revenues may be spent.

2. Encourage the Commission to continue to explore ways to share with other states the cost of Washington-based counsel that monitors regulatory activity at the federal level. (There is \$75,000 in the Commission's FY 1994 budget to pay the contract for the counsel.) It is the Subcommittee's opinion that, in those cases when Kansas' interests coincide with the interests of other states, a cost-sharing arrangement could be possible.
3. Recommend the introduction of legislation to statutorily authorize two existing positions in the unclassified service. (During the Commission's 1991 sunset review, it was discovered that specific authorization for two existing positions to be unclassified is lacking.) The positions are an Interagency Coordinator and a Petroleum Engineer in the conservation division.
4. Recommend the introduction of legislation to authorize the Commission to assess the utilities directly involved when the Commission intervenes in a matter before a federal regulatory body. At the present time, the Commission is able to recover its costs when it intervenes at the federal level by spreading an assessment among all the utilities it regulates. The proposed legislation would enable the Commission to assess only those utilities directly involved in the intervention.

Because the statute that would be amended also relates to the Citizens' Utility Ratepayer Board (CURB), the Subcommittee recommends an amendment to explicitly state CURB's authority to assess utilities for the cost of its operations. Legislation enacted in 1991 makes it clear that CURB has the authority to set its own budget (subject to legislative approval) and that its funding source is assessments against public utilities (the same as the Corporation Commission). The Subcommittee's proposed amendment would not change existing practice, but would clarify legislative intent.

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee.

Senate Committee of the Whole Recommendation

The Senate Committee of the Whole concurs with the recommendations of the Committee.

<u>Expenditure Summary</u>	<u>Senate Adj. FY 94</u>	<u>Senate Rec. FY 94</u>	<u>House Sub. Adjustments</u>
All Special Revenue Funds:			
State Operations	\$ --	\$ 11,635,299	\$ 380,000
Other Assistance	--	700,000	120,000
Total	<u>\$ --</u>	<u>\$ 12,335,299</u>	<u>\$ 500,000</u>
FTE Positions	--	224.0	--

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Senate, with the following adjustments and comments:

1. The Commission has informed the Subcommittee it will receive \$120,000 in additional in oil overcharge funds for expenditure in FY 1994. Because oil overcharge expenditures are made from a "no limit" account, it is not necessary for the Legislature to adjust the Commission's appropriations bill. It is customary, however, for the Commission to keep the Legislature informed about how oil overcharge funds will be spent.

According to the Commission, the \$120,000 will be used to convert approximately 80 public delivery and service vehicles from gasoline to compressed natural gas. The money will be matched by an estimated \$96,000 from grant applicants.


2. Authorize the expenditure of an additional \$380,000 for an emergency salary contingency fund. The FY 1992 Legislature approved a contingency fund for FY 1993, but the Governor deleted it in both the current year and in the request for FY 1994. The Subcommittee believes the fund is a good idea and recommends that it be restored for FY 1994. The purpose of the fund would be to enable the Commission to hire temporary or special projects employees to help handle the workload resulting from an unexpected rate filing or other unforeseen event. The money could be used only for salaries. Utilities would not be assessed until expenditures from the fund were made. (Up until the time the Governor recommended that the FY 1993 contingency fund of \$201,367 be deleted, the Commission had made no expenditure or assessment in connection with the fund.)

While it is true that the Commission has the option of going to the State Finance Council for increased expenditure authority when an unforeseen event occurs, months often elapse between Finance Council meetings. In the meantime, the Commission faces a deadline of 240 days between the time a rate case is filed and the time it must issue an order. The Subcommittee believes the salary contingency fund is a reasonable solution to the Commission's need for flexibility.

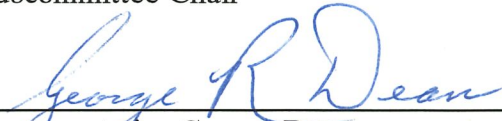
3. The Subcommittee calls attention to the Commission's request for a Governor's Budget Amendment to add 4.0 FTE new positions and to authorize the expenditure of \$60,000 for a consultant to assist with a proposed project to convert documents to electronic images.

The four positions are among 24.0 FTE new positions the Commission requested for FY 1994 that were not recommended by either the Governor or the Senate. The Commission has appealed to the Governor to reconsider adding four of the positions: two Office Assistants II, a Secretary II, and an Environmental Technical IV, at a total cost of \$88,591 for salaries and fringe benefits. The electric imaging consultant originally was requested for the current year, but is now requested for FY 1994. The Commission requests the consultant's assistance in developing a project to convert to electronic images more than six million pages of records that currently are stored in more than 180 file cases by the conservation division in Wichita.

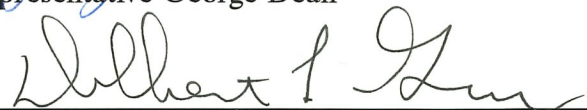
The Subcommittee recommends that the four positions and the consultant be considered later in the Session when the Governor's response to the Commission's request to amend her budget is known.



Representative Jim Lowther
Subcommittee Chair



Representative George Dean



Representative Delbert Gross



Representative Dave Heinemann

SUBCOMMITTEE REPORT

Agency: Citizens' Utility Ratepayer Board **Bill No.** -- **Bill Sec.** --

Analyst: Rampey **Analysis Pg. No.** 902 **Budget Page No.** 110

<u>Expenditure Summary</u>	<u>Agency Est. FY 93</u>	<u>Gov. Rec. FY 93</u>	<u>Subcommittee Adjustments</u>
State Operations: Special Revenue Fund	\$ 312,876	\$ 312,222	\$ --
FTE Positions	3.0	3.0	--

Agency Estimate/Governor's Recommendation

The Citizens' Utility Ratepayer Board (CURB) estimates expenditures of \$312,876 in FY 1993, which is the amount approved by the 1992 Legislature. The Governor recommends expenditures of \$312,222, a reduction of \$654 from the approved amount.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the recommendations of the Governor.

Senate Committee Recommendations

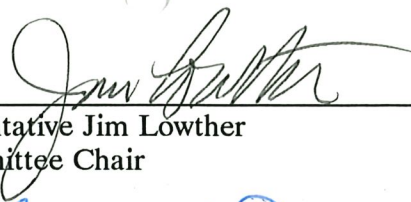
The Senate Committee concurs with the recommendations of the Subcommittee.

Senate Committee of the Whole

The Senate Committee of the Whole concurs with the recommendations of the Committee.

House Subcommittee Recommendations

The House Subcommittee concurs with the recommendations of the Senate.



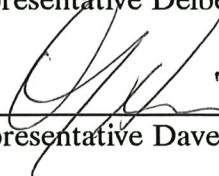
Representative Jim Lowther
Subcommittee Chair



Representative George Dean



Representative Delbert Gross



Representative Dave Heinemann

SUBCOMMITTEE REPORT

Agency: Citizens' Utility Ratepayer Board Bill No. 41

Bill Sec. 6

Analyst: Rampey

Analysis Pg. No. 902

Budget Page No. 110

<u>Expenditure Summary</u>	<u>Agency Req. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
State Operations:			
Special Revenue Fund	\$ 442,598	\$ 353,190	\$ --
FTE Positions	4.0	4.0	--

Agency Request/Governor's Recommendation

The Citizens' Utility Ratepayer Board (CURB) requests authority to spend \$442,598 in FY 1994. The increase is accounted for primarily by a renewed request for a new position and by a request to increase the amount available for contracts with economists, accountants, and other professionals who assist the Board in rate cases.

The Governor recommends expenditures of \$353,190, a reduction of \$89,408 from the Board's request. The most significant reduction is in fees for consultants, for which \$235,000 was requested and \$150,000 is recommended. The Governor approves the request for a new position.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the Governor, with the following exceptions:

1. Change the new position recommended by the Governor from an attorney to an economist. CURB has made three requests for an additional professional position: during the 1991 Session an attorney was requested, during the 1992 Session an economist was requested, and during the current session an attorney is requested. (The 1991 and 1992 requests were not approved.) In reviewing the Board's expenditures in FY 1992, the Subcommittee notes that more than \$25,000 was paid to economists who were hired under contract to the Board. In the Subcommittee's opinion, giving the Board the ability it needs to analyze the economic aspect of issues before it is a higher priority than adding another attorney. This is particularly true because the Kansas Corporation Commission plans to implement Integrated Resource Planning (IRP) which will require a more extensive analysis of utility proposals in order to evaluate the extent to which utilities are meeting consumer needs by promoting more efficient uses of energy. It is the Subcommittee's intention that the economist be hired at the salary level approved by the Governor for the attorney (\$29,328, plus fringe benefits).

2. Recommend the introduction of legislation relating to procedures CURB should follow in contracting for professional services. As long as CURB was part of the State Corporation Commission, it fell under the same procedure as the Commission with regard to entering into contracts for consultants (K.S.A. 66-1513). When CURB became a separate agency for budgetary purposes in FY 1993, the Attorney General ruled that it must follow procedures that apply to all other agencies. Because CURB is subject to some of the same circumstances as the Commission with respect to its involvement in rate cases and its use of consultants, the Subcommittee recommends that the statutes be amended so that, once again, CURB would be subject to the same guidelines as the Commission.

Senate Committee Recommendations

The Senate Committee concurs with the recommendations of the Subcommittee.

Senate Committee of the Whole

The Senate Committee of the Whole concurs with the recommendations of the Committee.

House Subcommittee Recommendations

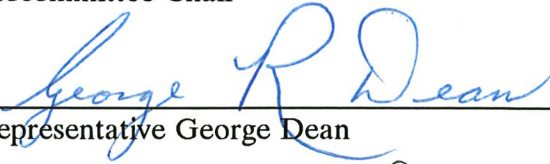
The House Subcommittee concurs with the Senate, with the following exception:

1. Change the new economist position recommended by the Senate back to a new attorney position, as requested by the Board and recommended by the Governor. Twice in the last three years the Board has requested an attorney. (In FY 1993 it requested an economist.) The request for an attorney in FY 1994, which was approved by the Governor, came after the Board experienced a loss of continuity and expertise when the position of Consumer Counsel was vacant several months in FY 1992. That experience reaffirmed the Board's conviction that it needs another attorney. The Subcommittee believes the Board is the best judge of its personnel needs and notes that the Board has the ability to contract for economic consultants when that particular expertise is needed. (The Board paid \$31,552 for economic consultants in FY 1992.)

The Subcommittee recommends that the attorney be a special projects employee in FY 1994 and that the 1994 Legislature consider whether the position should become permanent when CURB's FY 1995 budget is reviewed.



Representative Jim Lowther
Subcommittee Chair



Representative George Dean



Representative Delbert Gross



Representative Dave Heinemann

SUBCOMMITTEE REPORT

Agency: Department of Administration

Bill No. 62

Bill Sec. 10

Analyst: Porter

Analysis Pg. No. 927

Budget Page No. 22

<u>Expenditure</u>	<u>Agency Est. FY 93</u>	<u>Governor's Rec. FY 93</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 20,838,868	\$ 21,035,269	\$ --
Aid to Local Units	6,603,113	5,527,524	--
Other Assistance	<u>37,000</u>	<u>37,000</u>	<u>--</u>
Subtotal -- Operating	\$ 27,478,981	\$ 26,599,793	\$ --
Capital Improvements	<u>1,633,480</u>	<u>1,633,480</u>	<u>--</u>
Total	<u>\$ 29,112,461</u>	<u>\$ 28,233,273</u>	<u>\$ --</u>
State General Fund:			
State Operations	\$ 19,624,579	\$ 19,775,115	\$ --
Capital Improvements	<u>1,302,680</u>	<u>1,302,680</u>	<u>--</u>
Total	<u>\$ 20,927,259</u>	<u>\$ 21,077,795</u>	<u>\$ --</u>
FTE Positions			
Reportable	371.2	373.7	--
Nonreportable	<u>540.8</u>	<u>538.3</u>	<u>--</u>
TOTAL	<u>912.0</u>	<u>912.0</u>	<u>--</u>

Note: In addition to the reportable budget summarized above, the Department of Administration submits a nonreportable budget. Nonreportable expenditures are expenditures of funds which have been received by the Department of Administration as fees or services funds collected from other agencies. These amounts are included as reportable operating expenditures in the budgets of the state agencies using Department of Administration services. If these amounts were to be included as reportable expenditures within the Department of Administration budget, it would constitute a double reporting of the expenditures.

Nonreportable Budget

<u>Expenditure</u>	<u>Agency Est. FY 93</u>	<u>Governor's Rec. FY 93</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 60,972,340	\$ 61,053,472	\$ --
Other Assistance	<u>15,850,780</u>	<u>14,850,780</u>	<u>--</u>
Subtotal -- Operating	\$ 76,823,120	\$ 75,904,252	\$ --
Capital Improvements	<u>2,359,561</u>	<u>2,359,561</u>	<u>--</u>
TOTAL	<u>\$ 79,182,681</u>	<u>\$ 78,263,813</u>	<u>\$ --</u>

Agency Estimate/Governor's Recommendation

FY 1993 Reportable Expenditure Summary. The Department estimates FY 1993 reportable operating expenditures of \$27,478,981, an increase of \$2,482,049 above the amount approved by the 1992 Legislature, as adjusted for Finance Council action (\$24,996,932). The majority of the increase reflects an increase of \$2,226,047 in the amount distributed as aid to local units of government, most of which is federal funding distributed as grants for anti-drug and criminal justice initiatives. State General Fund financing of \$19,624,579 included in the estimate reflects a reduction of \$961,997 from the \$20,586,576 approved by the 1992 Legislature. The FY 1993 estimate includes a total of 371.2 FTE positions, an increase of 1.4 positions above the 369.8 reportable positions approved by the 1992 Legislature. However, the agency estimate includes a total (reportable and nonreportable) of 912.0 FTE positions, as approved by the 1992 Legislature. The FY 1993 estimate includes funding of \$1,302,680 for capital improvements, an increase of \$62,630 above the FY 1993 approved amount of \$1,240,050. The increase reflects a shift to FY 1993 of funding approved in previous years.

Governor's Recommendation. The Governor recommends FY 1993 reportable operating expenditures of \$26,599,793, a reduction of \$879,188 from the agency estimate. The recommendation includes financing of \$19,775,115 from the State General Fund, an increase of \$150,542 above the agency estimate. The increase reflects a variety of adjustments from the agency estimate, including an increase of \$168,725 from the amount requested for an engine overhaul to the executive aircraft. The recommendation would provide funding to overhaul both engines of the aircraft in FY 1993, rather than overhauling one engine in FY 1993 and one in FY 1994, as the agency estimate and request reflect. The recommendation also includes a reduction of \$1,075,589 from the amount requested for grants to local units of government for anti-crime and criminal justice initiatives, which was made to avoid double counting expenditures. Some of the grant money is included as expenditures in the budgets of other state agencies. The recommended reportable FTE limitation of 373.7 is an increase of 2.5 above the agency estimate; however, the recommended total reportable and nonreportable FTE limitation remains at 912.0, the number approved by the 1992 Legislature. The recommendation reflects shifts between divisions and between the reportable and nonreportable budgets. The Governor concurs with the agency estimate for capital improvement expenditures of \$1,302,680.

FY 1993 Nonreportable Budget Summary. The agency estimates FY 1993 nonreportable operating expenditures of \$75,904,252, an increase of \$5,743,850 above the amount of \$71,079,270 approved by the 1992 Legislature. Funding estimated for state operations (\$60,972,340) is an increase of \$1,059,070 above the amount approved by the 1992 Legislature. Funding of \$15,850,780 estimated for other assistance (Workers Compensation claims and funding to allow payments to the federal government under provisions of the Federal Cash Management Act of 1990 for interest earned on federal funds by the State) is an increase of \$4,684,780 above the amount approved by the 1992 Legislature. The estimate includes funding for 540.8 FTE positions, a reduction of 1.4 FTE positions from the approved level of 542.2. However, the agency estimate includes a total (reportable and nonreportable) of 912.0 FTE positions, as approved by the 1992 Legislature. The FY 1993 estimate includes funding of \$2,359,561 for capital improvements, an increase of \$1,179,691 above the \$1,179,870 approved by the 1992 Legislature. The increase reflects a shift to FY 1993 of funding approved in previous years.

Governor's Recommendation. The Governor recommends FY 1993 nonreportable operating expenditure authority of \$75,904,252, a reduction of \$918,868. The recommendation does

not include the \$1,000,000 expenditure authority requested to allow payments to the federal government for interest earned on federal funds by the State, and includes a net increase of \$81,132 for all other expenditures. The recommended nonreportable FTE limitation of 538.3 is a reduction of 2.5 from the agency estimate; however, as noted previously, the recommended total reportable and nonreportable FTE limitation remains at 912.0, the number approved by the 1992 Legislature. The Governor concurs with the agency estimate for nonreportable capital improvement expenditures of \$2,359,561.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendations with the following adjustments:

Reportable Budget

1. The Subcommittee notes that, as a result of consolidating its Unisys and MVS data centers, the Division of Information Systems and Communications (DISC) identified four positions which could be eliminated from the DISC budget. These positions were reallocated to other divisions within the Department during FY 1993, including 1.0 FTE Building Construction Inspector position for the Division of Architectural Services. The Subcommittee recommends that the 1.0 FTE Building Construction Inspector position reallocated to Architectural Services in FY 1993 be designated as a limited term position.

The Subcommittee notes that the limited term Building Construction Inspector positions are recommended to accommodate an increase in inspection activities related to building construction projects approved by the 1992 Legislature. The Subcommittee notes that this increased demand appears to be temporary in nature and that the positions should be eliminated when the demand for inspection of construction projects declines.

2. The Subcommittee concurs with Budget Amendment No. 1, Item 19, which would amend the appropriations bill to reflect the Governor's recommendation regarding executive aircraft operations. Although the Governor recommends a total of \$303,725 (including \$215,622 appropriated in previous years and a supplemental appropriation of \$88,103) to overhaul both engines of the aircraft in FY 1993, the appropriations bill authorizes a supplemental appropriation of \$85,925, or \$2,178 less than the amount recommended by the Governor.
3. The Subcommittee was informed that the agency proposes to replace the Legal Services subprogram's Wang computer system with a personal computer-based local area network costing approximately \$36,000. The proposed purchase would occur in FY 1993 and would be financed with FY 1994 funding budgeted for maintenance and repairs for the Wang system. The Subcommittee notes that this proposal is under review by the Joint Committee on Computers and Telecommunications, and makes no specific recommendation regarding this proposal pending review by the Joint Committee.

4. The Subcommittee received information regarding the cost of insuring state buildings. State General Fund financing of \$247,500 is included in the FY 1993 budget for this purpose and \$250,000 is included in the FY 1994 budget. After assessing the value and condition of all state-owned buildings, the Department sought bids for the cost of insuring all state buildings with a value greater than \$100,000, assuming a \$500,000 deductible per occurrence. The agency received only one bid, which would have provided coverage for all state-owned buildings at a cost of \$580,000. The Department determined that the bid it received did not meet specifications and that the best alternative is to rebid the project. The Secretary of Administration is exploring several alternatives, including the possibility of a higher per occurrence deductible and insuring only those buildings with a value of greater than \$500,000 or a value of greater than \$1,000,000. It is anticipated that the Department will receive bids on or around May 1 and that some type of insurance coverage for state-owned buildings will be in place by the end of FY 1993.

Nonreportable Budget

1. The Subcommittee notes that the agency estimate and Governor's recommendation for FY 1993 for the Division of Information Systems and Communications (DISC) include authorization for the purchase of a used computer processing unit (CPU) to replace the Amdahl 5890 processor currently used by DISC. DISC states that, although the Amdahl has had its memory upgraded to the maximum capacity of 512 megabytes, the Amdahl is expected to be at full capacity by May 1993. The used CPU is expected to cost approximately \$2.5 million, to be financed with a cash payment of \$1,226,093 and financing of the remaining balance over a five year period. The \$1,226,093 cash payment would be made within approved FY 1993 funding. This funding is available within the DISC budget because of one-time savings resulting from renegotiation of the agency's telecommunications budget.

The Subcommittee concurs with the proposed purchase of the used CPU, subject to the following recommendations. The Subcommittee was informed that the Amdahl unit is composed of several computers linked together into a single unit and that it would be possible to sell half of the Amdahl unit for an estimated sale price of \$360,000. The remaining half of the Amdahl would be used to replace the department's IBM 3084 processor, which currently provides electronic mail to DISC network customers. The Subcommittee recommends that DISC attempt to sell half of the Amdahl unit and apply the sale proceeds to the remaining cost of the CPU purchase. To allow the agency to expend the anticipated proceeds from the sale of half of the Amdahl unit to reduce the principal due on the used CPU, the Subcommittee recommends that the expenditure limitation on the Information Technology Reserve Fund be increased by \$360,000 in FY 1994.

The Subcommittee's approval also is based on the expectation that state agencies will continue to utilize DISC services and that the increased utilization of DISC services which agencies have projected will result in lower DISC rates for all users. The Subcommittee was informed that, for the past three years, DISC has been working with those state agencies using SUPRA, which is the oldest of the

three data bases used by DISC. DISC announced that it would move away from using SUPRA because vendor support is no longer available for the system. DISC notified users that it would continue to provide as much support as possible to users who could not migrate from SUPRA, but that migration to its other data bases (DB2 and ADABAS) was the preferable alternative. The Subcommittee was informed that, rather than migrating to the other data bases available from DISC, some agencies are utilizing another data base on their own mini computers. The Subcommittee does not agree in general with movement away from the centralized services provided by DISC. The Subcommittee recommends that DISC provide as much support as possible within existing resources to those agencies migrating from the SUPRA data base.

The Subcommittee further notes that this recommendation is subject to review by the Joint Committee on Computers and Telecommunications (JCCT).

Senate Committee Recommendation

The Senate Committee concurs with the recommendation of the Senate Subcommittee.

Senate Committee of the Whole Recommendation

The Senate Committee of the Whole concurs with the recommendation of the Senate Committee.

<u>Expenditure</u>	<u>Senate Adj. FY 93</u>	<u>Senate Rec. FY 93</u>	<u>House Sub. Adjustments</u>
All Funds:			
State Operations	\$ --	\$ 21,035,269	\$ --
Aid to Local Units	--	5,527,524	--
Other Assistance	--	37,000	--
Subtotal -- Operating	\$ --	\$ 26,599,793	\$ --
Capital Improvements	--	1,633,480	--
Total	<u>\$ --</u>	<u>\$ 28,233,273</u>	<u>\$ --</u>
State General Fund:			
State Operations	\$ --	\$ 19,775,115	\$ --
Capital Improvements	--	1,302,680	--
Total	<u>\$ --</u>	<u>\$ 21,077,795</u>	<u>\$ --</u>
FTE Positions			
Reportable	--	373.7	--
Nonreportable	--	538.3	--
TOTAL	--	<u>912.0</u>	--

Nonreportable Budget

<u>Expenditure</u>	<u>Senate Adj. FY 93</u>	<u>Senate Rec. FY 93</u>	<u>House Sub. Adjustments</u>
All Funds:			
State Operations	\$ --	\$ 61,053,472	\$ --
Other Assistance	--	14,850,780	--
Subtotal -- Operating	\$ --	\$ 75,904,252	\$ --
Capital Improvements	--	2,359,561	--
TOTAL	<u>\$ --</u>	<u>\$ 78,263,813</u>	<u>\$ --</u>

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Senate Committee with the following adjustments:

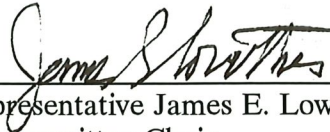
Nonreportable Budget

1. The Subcommittee received additional information regarding the proposed purchase of a used computer processing unit (CPU) by the Division of Information Systems and Communications (DISC). As noted in the Senate Subcommittee report, the Amdahl 5890 processor currently used by DISC is expected to be at full capacity by May 1993 and additional computer capacity is needed for state computer operations. Funding for the purchase is available within the DISC budget because of one-time savings resulting from the renegotiation of the agency's telecommunications budget.

The Subcommittee was informed that market prices for used computer equipment are subject to frequent price fluctuations. Rather than the \$2.5 million purchase price reported to the Senate Subcommittee, it appears that a replacement CPU with the required capacity could be purchased for approximately \$1.75 million and that the current resale value of half of the Amdahl 5890 appears to be closer to \$150,000 to \$200,000 rather than the \$360,000 reported to the Senate Subcommittee.

The Subcommittee concurs with the proposed purchase of a used CPU and with allowing the agency to attempt to sell half of the Amdahl 5890 unit. The Subcommittee recommends that the agency be given the latitude to use the anticipated proceeds from the sale to reduce the principal due on the used CPU or to finance a portion of the hardware or software costs for the personnel/payroll system. The Subcommittee recommends that the FY 1994 expenditure limitation on the Information Technology Reserve Fund be adjusted downward to allow the agency to expend a maximum of \$250,000 of sale proceeds. The Subcommittee notes that the Joint Committee on Computers and Telecommunications (JCCT) is scheduled to review this issue at its next meeting and that the

JCCT recommendation could be reviewed either by the Conference Committee on this bill or as an Omnibus item.



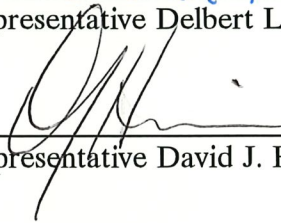
Representative James E. Lowther
Subcommittee Chair



Representative George R. Dean



Representative Delbert L. Gross



Representative David J. Heinemann

SUBCOMMITTEE REPORT

Agency: Department of Administration

Bill No. 41

Bill Sec. 7

Analyst: Porter

Analysis Pg. No. 927

Budget Page No. 22

<u>Expenditure</u>	<u>Agency Req. FY 94</u>	<u>Governor's Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 22,085,981	\$ 21,128,318	\$ (539,286)
Aid to Local Units	6,595,964	5,456,627	--
Other Assistance	37,740	37,740	--
Subtotal -- Operating	\$ 28,719,685	\$ 26,622,685	\$ (539,286)
Capital Improvements	1,004,000	940,574	--
Total	<u>\$ 29,723,685</u>	<u>\$ 27,563,259</u>	<u>\$ (539,286)</u>
State General Fund:			
State Operations	\$ 20,605,966	\$ 19,310,710	\$ (539,286)
Capital Improvements	946,000	400,000	--
Total	<u>\$ 21,551,966</u>	<u>\$ 19,710,710</u>	<u>\$ (539,286)</u>
FTE Positions			
Reportable	383.7	371.2	--
Nonreportable	<u>550.8</u>	<u>543.8</u>	--
TOTAL	<u>934.5</u>	<u>915.0</u>	--

Note: In addition to the reportable budget summarized above, the Department of Administration submits a nonreportable budget. Nonreportable expenditures are expenditures of funds which have been received by the Department of Administration as fees or services funds collected from other agencies. These amounts are included as reportable operating expenditures in the budgets of the state agencies using Department of Administration services. If these amounts were to be included as reportable expenditures within the Department of Administration budget, it would constitute a double reporting of the expenditures.

Nonreportable Budget

<u>Expenditure</u>	<u>Agency Req. FY 94</u>	<u>Governor's Rec. FY 94*</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 63,638,325	\$ 62,516,091	\$ 313,170
Other Assistance	17,300,000	15,800,000	--
Subtotal -- Operating	\$ 80,938,325	\$ 78,316,091	\$ 313,170
Capital Improvements	2,347,057	2,276,752	--
TOTAL	<u>\$ 83,285,382</u>	<u>\$ 80,592,843</u>	<u>\$ 313,170</u>

* Includes adjustment for Budget Amendment No. 1, Item 18, which adds \$221,809 for motor pool expenditures.

Agency Request/Governor's Recommendation

FY 1994 Reportable Budget Summary. The agency requests a total of \$28,719,685 for operating expenditures in FY 1994, an increase of \$1,240,704 above the FY 1993 estimate. The majority of the increase (\$1,100,592) is for salaries and wages. The request includes \$22,605,966 from the State General Fund. A total of 17.0 new FTE positions are requested for the reportable budget, including 1.0 for the General Administration Program, 9.0 for the Division of Accounts and Reports, 3.0 for the Division of Personnel Services, and 4.0 for Architectural Services. The FY 1994 request also includes \$1,004,000 for capital improvement projects, to be funded from the State General Fund (\$946,000) and the Buildings and Grounds Fund (\$58,000).

Governor's Recommendation. The Governor recommends FY 1994 reportable operating expenditures funding of \$26,622,685, a reduction of \$2,097,000 from the agency request. Of the reduction, \$1,139,337 is from federal drug funds and \$504,817 is from the agency request for salaries and wages. The recommendation includes \$19,310,710 from the State General Fund, a reduction of \$1,295,256 from the agency request for State General Fund financing. Although the budget requests of the majority of the Department's divisions included separate State General Fund accounts for salaries and wages and other operating expenses, the appropriations bill for the agency includes one State General Fund line item appropriation for each of the divisions. Of the requested new positions, the Governor recommends funding for the 1.0 position requested for the General Administration Program (one of four positions reallocated to other divisions from DISC in FY 1993), 3.0 of the 4.0 positions requested for Architectural Services (1.0 beginning in FY 1993 as one of four positions transferred to other divisions from DISC in FY 1993, and 2.0 additional limited term positions in FY 1994). As in FY 1993, shifting between the reportable and nonreportable budget has occurred, resulting in a recommended reportable FTE limitation of 371.2 FTE positions. The Governor recommends \$940,574 for capital improvement projects in FY 1994, a reduction of \$63,426 from the agency request. The Governor recommends the creation of a new fund, the General Facilities Building Fund, to be financed from the dedication of 15 percent of gaming revenue receipts. Of the recommendation, \$482,574 is financed from the General Facilities Building Fund, \$400,000 is financed from the State General Fund, and \$58,000 is financed from the Buildings and Grounds Fund.

FY 1994 Nonreportable Budget Summary. The agency requests FY 1994 nonreportable operating expenditure authority of \$80,938,325, an increase of \$4,115,205 above the FY 1993 estimate. Of the increase, \$2,665,985 is requested for state operations and \$1,449,220 is requested for other assistance. The agency request for 550.8 nonreportable FTE positions reflects the shifts noted above and the addition of 5.5 new FTE positions, including 4.5 new FTE positions for the Division of Personnel Services (4.0 positions for the Workers Compensation subprogram and a 0.5 FTE position for the Employee Management Services subprogram), and an Office Assistant III position for the Legal Services subprogram. The agency requests nonreportable funding of \$2,347,057 for capital improvements in FY 1994.

Governor's Recommendation. The Governor recommends FY 1994 nonreportable expenditure authority of \$78,094,282, a reduction of \$2,844,043. Of the reduction, \$1,500,000 is from the agency request for expenditure authority to allow payments to the federal government for interest earned on federal funds by the State. Nonreportable expenditures totaling \$1,179,492 requested for the Wichita State Office Building are not recommended. Other recommended adjustments total a net amount of \$164,551. The Governor recommends that \$463,379 of the State's allotted second stage oil overcharge fund be used to establish video conferencing facilities in the Wichita State Office Building and the Landon State Office Building for use by all state agencies. The intent of the project

is to reduce travel to meetings by state employees. The State's application for the project was approved by the U.S. Department of Energy subsequent to the agency's budget submission. The Governor recommends a total of 543.8 nonreportable positions for FY 1994. As noted above, the recommendation reflects shifts between the reportable and nonreportable budgets. The recommendation includes the 1.0 new Office Assistant III position requested for the Legal Services subprogram. One of 4.0 FTE positions transferred from DISC in FY 1993 was transferred to the Workers Compensation subprogram for an Insurance Claims Investigator II position. The Governor does not recommend the additional 3.5 positions requested for FY 1994. The Governor recommends nonreportable funding of \$2,276,752 for capital improvements in FY 1994, a reduction of \$70,305 from the agency request.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendations with the following adjustments:

Reportable Budget

1. Increase the agency-wide reportable budget turnover rate from the 2.9 percent recommended by the Governor to 3.9 percent and delete \$139,286 from the State General Fund. This would impose the same turnover rate included in the FY 1993 recommendation. Reductions of the following amounts are recommended from the agency's divisions: Accounts and Reports, \$32,590; Architectural Services, \$16,922; Central Management Systems Operations, \$19,987; Division of the Budget, \$9,214; Facilities Management, \$18,005; General Administration, \$3,812; Personnel Services, \$26,158; and Purchases, \$12,598.
2. The Subcommittee concurs with Budget Amendment No. 1, Item 17, which would add a proviso to the appropriations bill authorizing an unclassified position for the Director of Facilities Management. This proviso must be included annually in the appropriations bill because the position is not authorized by statute. However, the proviso was inadvertently omitted from the FY 1994 appropriations bill.
3. The Subcommittee received testimony regarding the ongoing personnel/payroll needs study and consultant's report. The FY 1993 budget includes \$100,000 to fund a consultant's needs analysis study for the personnel/payroll project. FY 1994 funding of \$500,000 (\$100,000 nonreportable Accounting Services Recovery Fund and \$400,000 State General Fund) is included in the agency budget to begin implementation of the second phase of the project, which was expected to include some initial costs of implementing the recommendations of the study.

The Subcommittee notes that the consultant's study, which was dated January, 1993, evaluated the following five alternatives for the state's personnel/payroll system: continuing with the present KIPPS system (with no "hard dollar," or actual additional cost to the state); enhancing the KIPPS (Kansas Integrated Personnel and Payroll System) system on the current Unisys environment (with a five year hard dollar cost of \$17,811,432); developing a custom system on a new environment (with a five year hard dollar cost of \$24,701,800); developing a new

system with a mainframe type of package (with a five year hard dollar cost of \$15,276,400); and developing a new system with a client/server type of package (with a five year hard dollar cost of \$15,586,296).

The fifth alternative was recommended by the consultants as the alternative which would offer the ability to move the State from 1970s technology (the KIPPS system) to 1990s technology, would reduce the long term reliance on mainframe computing, would reduce the long term user training costs, and would improve user flexibility. The five year costs of implementing the project are noted below.

<u>Cost Component</u>	<u>FY 1994</u>	<u>FY 1995</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
Hardware/Shared Resources	\$ 189,900	\$ 464,250	\$ 1,114,113	\$ 1,187,575	\$ 1,192,659
Software	701,200	115,600	119,300	123,000	126,900
Systems Support and Indirect Cost	38,000	0	0	0	0
System Development and Installation	<u>4,096,800</u>	<u>4,674,100</u>	<u>1,442,900</u>	<u>0</u>	<u>0</u>
TOTAL	<u>\$ 5,025,900</u>	<u>\$ 5,253,950</u>	<u>\$ 2,676,313</u>	<u>\$ 1,310,575</u>	<u>\$ 1,319,559</u>

TOTAL FIVE YEAR HARD COST: \$15,586,296

The Subcommittee notes that the \$500,000 included in the FY 1994 budget for beginning implementation of the project does not approach the estimated first year cost of \$5,025,900. In the absence of a funding source for the remainder of the implementation costs, the Subcommittee recommends that the \$400,000 recommended from the State General Fund be deleted from the agency budget. The Subcommittee notes that this action does not indicate a lack of support for a phase-out of the KIPPS system and movement toward 1990s technology for the personnel/payroll system. The Subcommittee further notes that this project will be reviewed by the Joint Committee on Computers and Technology, and the Joint Committee's recommendation would be referred to the House Subcommittee.

Nonreportable Budget

1. Increase the agency-wide nonreportable budget turnover rate from the rate of 3.2 percent recommended by the Governor to 3.5 percent and delete a total of \$46,830. This would impose the same turnover rate included in the FY 1993 recommendation. Reductions are recommended from the following funds: Information Technology Fund, \$26,988; State Building Operating Fund, \$7,662; Accounting Service Recovery Fund, \$8,961; and Intragovernmental Printing Service Fund, \$3,219.
2. As noted in the FY 1993 report, increase the expenditure limitation on the Information Technology Reserve Fund by \$360,000 in FY 1994 to allow the

agency to expend the anticipated proceeds from the sale of half of the Amdahl unit to reduce the principal due on the used CPU.

3. The Subcommittee concurs with Budget Amendment No. 1, Item 18, which would increase the expenditure limitation on the Motor Pool Service Fund by \$221,809, from \$2,393,663 to \$2,615,472. The amendment would allow the purchase of 18 new vehicles for the central motor pool so that travel previously authorized as private car mileage for the Board of Agriculture and the Kansas Public Employees Retirement System (KPERs) could be converted to motor pool mileage. Also included in the amount recommended is funding for motor vehicle parts and accessories, travel, and repairs and servicing. According to the amendment, these vehicles were inadvertently omitted from the recommendation.

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Senate Subcommittee with the following additions:

1. The Senate Committee recommends a Legislative Post Audit study of the central motor pool. The study should include an examination of motor pool purchasing practices and procedures, as well as a review of motor pool utilization by state agencies to determine if current practices promote the most cost effective means of travel by state agencies.

Senate Committee of the Whole Recommendation

The Senate Committee of the Whole concurs with the recommendation of the Senate Committee.

Senate Subcommittee on Capital Improvements Recommendation

The Senate Subcommittee concurs with the Governor's recommendations with the following adjustments:

1. Rather than the \$206,574 recommended from the General Facilities Building Fund (GFBF) for rehabilitation and repair of the statehouse, judicial center, and Governor's residence, the Subcommittee recommends State General Fund financing of \$125,000 for rehabilitation and repair. This recommendation is subject to review by the Joint Committee on State Building Construction.
2. Delete \$101,000 recommended from the GFBF to finance a program statement and schematic design for Memorial Hall renovation.
3. Rather than the \$175,000 recommended from the GFBF for statehouse dome cleaning and renovation, the Subcommittee recommends \$116,800 from the State General Fund for remedial and repair work to the dome.

4. Make a technical adjustment to the bill to add \$1,063,260 from the State Buildings Depreciation Fund for window replacement for the Landon State Office Building. This project was recommended by the Governor but was inadvertently omitted from the bill. The Subcommittee recommends that the agency used double-paned or other energy efficient windows for the project.
5. The Subcommittee recommends that the debt service payment for construction of the printing plant be reduced from the \$290,265 recommended by the Governor to \$90,265. Although the payment due is \$90,265, the agency had proposed increasing the payment to reduce the principal owed. The Subcommittee recommends that the additional funding be returned to state agencies using the printing plant through reduced rates for printing services.

<u>Expenditure</u>	<u>Senate Adj. FY 94</u>	<u>Senate Rec. FY 94</u>	<u>House Sub. Adjustments</u>
All Funds:			
State Operations	\$ (539,286)	\$ 20,589,032	\$ 400,000
Aid to Local Units	--	5,456,627	--
Other Assistance	--	37,740	--
Subtotal -- Operating	\$ (539,286)	\$ 26,083,399	\$ 400,000
Capital Improvements	(240,774)	699,800	--
Total	<u>\$ (780,060)</u>	<u>\$ 26,783,199</u>	<u>\$ 400,000</u>
State General Fund:			
State Operations	\$ (539,286)	\$ 18,771,424	\$ 400,000
Capital Improvements	241,800	641,800	--
Total	<u>\$ (297,486)</u>	<u>\$ 19,413,224</u>	<u>\$ 400,000</u>
FTE Positions			
Reportable	--	--	--
Nonreportable	--	--	--
TOTAL	--	--	--

Nonreportable Budget

<u>Expenditure</u>	<u>Senate Adj. FY 94</u>	<u>Senate Rec. FY 94</u>	<u>House Sub. Adjustments</u>
All Funds:			
State Operations	\$ 313,170	\$ 62,829,261	\$ (110,000)
Other Assistance	--	15,800,000	--
Subtotal -- Operating	\$ 313,170	\$ 78,629,261	\$ (110,000)
Capital Improvements	--	2,076,752	--
TOTAL	<u>\$ 313,170</u>	<u>\$ 80,706,013</u>	<u>\$ (110,000)</u>

House Subcommittee Recommendation

The House Subcommittee concurs with the recommendations of the Senate Committee of the Whole with the following adjustments:

Reportable Budget

1. Restore \$400,000 from the State General Fund for partial implementation of the personnel/payroll system. This funding was included in the Governor's recommendation but was deleted by the Senate Subcommittee because there was no available funding source for the remainder of the first year costs of implementing the system, which are estimated to be \$5,025,900.

The Subcommittee was informed that the Secretary of Administration has explored several funding alternatives, including eliminating or delaying other expenditures authorized within the Department budget, utilizing the proceeds from the sale of half of the agency's Amdahl CPU, and negotiating with Regents institutions for partial funding of the system software. The Subcommittee was also informed that, when the project is bid on the open market, the cost of system development and installation could decrease. The Subcommittee encourages the agency to continue to explore these alternatives, and particularly encourages participation by the Regents institutions.

The Subcommittee notes that this project is under review by the Joint Committee on Computers and Telecommunications and recommends that the Department prepare a report on its progress for the Conference Committee on this bill.

2. Make a technical adjustment to the appropriations bill to reflect the recommendations of the Senate.

Nonreportable Budget

1. The Subcommittee reviewed state agency expenditures for motor pool and private vehicle mileage. The Subcommittee notes that the Department of Administration has instituted internal guidelines which are intended to promote the cost efficient use of motor pool vehicles and to allow the use of privately owned vehicles only when that is the most efficient or cost effective alternative. Employees may use private vehicles with the authorization of a division director or the director's designee and be reimbursed at the rate established by K.A.R. 1-18-1a (a) (the private vehicle reimbursement rate) only when a motor pool vehicle is not available or is inefficient, when use of a motor pool vehicle would be more expensive than a private vehicle, or when a specially equipped van for an employee with a disability is required. Employees wishing to use a privately owned vehicle for official state business under any other circumstances would be reimbursed only at the current mileage rate for a compact state motor pool vehicle. The Subcommittee recommends that these guidelines be adopted by all state agencies. The Subcommittee acknowledges that full implementation of

these guidelines by state agencies could increase the number of vehicles purchased annually for the motor pool.

2. The Subcommittee notes that the agency budget includes Second Stage Oil Overcharge funding of \$463,379 to establish video conferencing facilities in the State Office Building in Wichita and the Landon State Office Building for use by all state agencies. The Subcommittee recommends that these facilities be designed to accommodate possible use by Legislative Committees and Interim Committees.
3. As noted in the FY 1993 report, adjust the expenditure limitation on the Information Technology Reserve Fund to allow the agency to expend a maximum of \$250,000 of the anticipated proceeds from the sale of half of the Amdahl CPU.



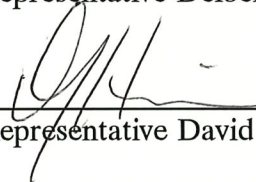
Representative James E. Lowther
Subcommittee Chair



Representative George R. Dean



Representative Delbert L. Gross

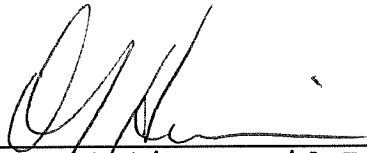


Representative David J. Heinemann

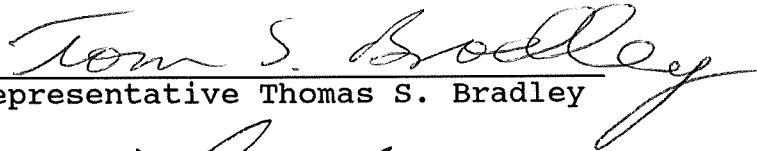
SUBCOMMITTEE REPORTS

**Kansas Public Retirement System
(KPERS)**

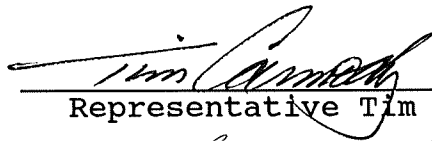
S.B. 62 (FY 1993) and S.B. 41 (FY 1994)



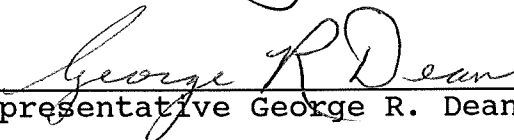
Representative David J. Heinemann
Subcommittee Chairperson



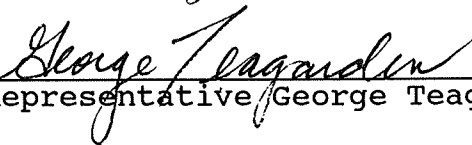
Representative Thomas S. Bradley



Representative Tim Carmody



Representative George R. Dean



Representative George Teagarden

SUBCOMMITTEE REPORT

Agency: Kansas Public Employees Retirement System (KPERS) Bill No. 62

Bill Sec. 9

Analyst: Efird

Analysis Pg. No. 792

Budget Page No. 384

<u>Expenditure Summary</u>	<u>Agency Req. FY 93</u>	<u>Gov. Rec. FY 93</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 22,432,833	\$ 22,233,301	\$ (2,006,279)
State Aid	52,941,200	52,941,200	346,333
Other Assistance	<u>222,622,502</u>	<u>222,622,502</u>	<u>--</u>
Total--Operating	<u>\$ 297,996,535</u>	<u>\$ 297,797,003</u>	<u>\$ (1,659,946)</u>
FTE Positions	73.0	74.0	(1.0)
State General Fund:			
KPERS--School	\$ 52,941,200	\$ 52,941,200	\$ 346,333

Agency Request/Governor's Recommendation

The revised budget for the current fiscal year is almost \$13.0 million higher than the approved expenditures for the Kansas Public Retirement System (KPERS). For state operations, the KPERS Board requests an expenditure limitation increase of \$238,528 to pay the administrative expenses associated with agency operations. No additional positions are requested in FY 1993. For state aid, the agency requests a supplemental State General Fund (SGF) appropriation of over \$3.4 million to pay the state's obligation for public school teacher retirement costs. For other assistance, the current estimate for retirement benefits and other payments is \$9.3 million higher than estimated for the 1992 Legislature.

The Governor's recommendations would allow an increase of almost \$12.8 million higher than approved expenditures. For state operations, the Governor recommends an increase of \$38,996 in the expenditure limitation for agency operations. One new full-time attorney is included in the Governor's recommendations for agency staffing. For state aid and other assistance, the Governor concurs with the agency's estimates, including a supplemental appropriation of \$3.4 million from the State General Fund for KPERS -- School.

Senate Subcommittee Recommendation

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

1. Add \$346,333 from the State General Fund to the Governor's recommended supplemental in order to finance the revised estimate for KPERS--School, based on projections as of February 17, 1993, made by staff from the Legislative Research Department, KPERS, and State Department of Education. The Governor's supplemental appropriation of \$3,432,626 is included in S.B. 62, and the Subcommittee recommendation would provide a total of \$3,778,959 in FY 1993 to meet the state's obligation.
2. Delete 1.0 FTE position for a new attorney in FY 1993, but allow funding of \$22,547 to be used to pay part of the estimated \$50,000 cost of a contract with general counsel. The 1992 Legislature approved the \$50,000 for outside legal counsel fees.
3. Shift \$50,000 in expenditures for general counsel from the agency operations line item account to the investment related litigation expenses line item account in order to more appropriately reflect the category of expenditures.
4. Concur with the KPERS proposed internal shifts of funding for agency operations which result in a net savings of \$45,453 in FY 1993, which is reflected as a reduction in the Governor's recommended expenditures.
5. Adjust the estimated fees, based on information provided by the KPERS staff, for contracts with the System's financial managers as indicated below:

	Gov. Rec. FY 93	Subcommittee Adjustment FY 93	Recommended FY 93
Direct Placement Management Fees	\$ 3,250,000	\$ (370,000)	\$ 2,880,000
Real Estate Management Fees	2,345,560	(629,488)	1,716,072
Publicly Traded Securities Management Fees	8,768,693	474,505	9,243,198
Direct Placement Management Expenses	400,000	200,000	600,000
Custodial Bank Fees--Expenses	1,500,000	(805,000)	695,000
Investment Consultant Fees	318,000	(66,833)	251,167
Investment Related Litigation Expenses	<u>1,764,010</u>	<u>(764,010)</u>	<u>1,000,000</u>
Subtotal--Investment Related Expenses	<u>\$ 18,346,263</u>	<u>\$ (1,960,826)</u>	<u>\$ 16,385,437</u>

6. Delete the provision in S.B. 62 authorizing a transfer in FY 1993 from the State General Fund to KPERS. The Governor concurs with transferring \$329,430 in FY 1993 from the State General Fund to the KPERS Fund as requested by the KPERS Board. The 1992 Legislature transferred \$329,429 from the KPERS Fund to the State General Fund for reimbursement of expenses associated with the Legislature's Joint Committee on KPERS Investment Practices. The KPERS Board believes that the transfer was an inappropriate use of KPERS money and seeks to have the money transferred back from the State General Fund to the KPERS Fund.

Senate Committee Recommendation

The Committee concurs and makes the following adjustment:

1. Delete item 1 of the Subcommittee Report, reducing \$346,333 State General Fund, pending a Governor's Budget Amendment.

House Subcommittee Recommendation

The House Subcommittee concurs with the Senate and makes the following additional adjustments:

1. Add \$346,333 from the State General Fund for KPERS -- School based on estimates of February 17, 1993, prepared by the State Department of Education, KPERS, and Legislative Research Department staff. This amount is in addition to the Governor's recommended supplemental appropriation of \$3,432,626 this fiscal year, bring the total supplemental to \$3,778,959, with financing from the State General Fund.
2. Adjust the estimated fees by adding expenditure authority of \$105,682 more than recommended by the Senate, based on information provided by the KPERS staff, for contracts with the System's financial managers as indicated below:

	<u>Senate Recommendation</u>	<u>House Subcommittee Adjustment</u>	<u>House Subcommittee Recommendation</u>
Real Estate Mgmt. Fees	\$ 1,716,072	\$ 105,682	\$ 1,821,754

3. Add a proviso for the accounts used to pay the KPERS direct placement investment managers concerning indemnification agreements.

SUBCOMMITTEE REPORT

Agency: Kansas Public Employees Retirement System (KPERS) Bill No. 41

Bill Sec. 2

Analyst: Efird

Analysis Pg. No. 792

Budget Page No. 384

<u>Expenditure Summary</u>	<u>Agency Req. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 21,319,571	\$ 21,110,782	\$ (963,356)
State Aid	56,585,755	54,833,041	--
Other Assistance	<u>233,109,678</u>	<u>233,109,678</u>	<u>--</u>
Total--Operating	<u>\$ 311,015,004</u>	<u>\$ 309,053,501</u>	<u>\$ (963,356)</u>
FTE Positions	73.0	74.0	--
State General Fund:			
KPERS--School	\$ 56,585,755	\$ 54,833,041	\$ --

Agency Request/Governor's Recommendation

The agency estimates a net increase of \$13.0 million in FY 1994 expenditures. For state operations, a reduction of \$1.1 million is estimated for administrative expenses and investment related expenses, primarily due to reduced contract fees for consultants and advisors. For state aid, an increase of over \$3.6 million is estimated for paying the state's obligation for public school teacher retirement costs. For other assistance, the FY 1994 estimate for retirement benefits and other payments is an increase of almost \$10.5 million over the current fiscal year.

The Governor's recommendations would allow an increase of almost \$11.3 million in operating expenditures next fiscal year. For state operations, a reduction of \$1.1 million is recommended for administrative expenses and other investment related expenses, primarily consultant and advisor fees. Included in the Governor's recommendations is 1.0 FTE position for a new attorney added in FY 1993. For state aid, the Governor recommends an increase of almost \$1.9 million in FY 1994 for KPERS -- School, to be financed from the State General Fund. The Governor concurs with estimated benefits payments next fiscal year.

Senate Subcommittee Recommendations

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

1. Appropriate the line item accounts identified in the 1992 appropriations bill in order to provide for continuity in the appropriations format established last year by the Legislature.

2. Add \$28,000 for a new copy machine which the Subcommittee concludes will help agency personnel work more efficiently by avoiding delays waiting for copier output.
3. Adjust the estimated costs for contracts with the System's financial managers as indicated below to reflect savings of \$991,356 as reported by the KPERS staff:

	Gov. Rec. FY 94	Subcommittee Adjustment FY 94	Recommended FY 94
Direct Placement Management Fees	\$ 2,880,000	\$ (288,000)	\$ 2,592,000
Real Estate Management Fees	1,765,000	(801,365)	963,635
Publicly Traded Securities Management Fees	9,470,189	793,009	10,263,198
Direct Placement Management Expenses	400,000	200,000	600,000
Custodial Bank Fees--Expenses	645,000	110,000	755,000
Investment Consultant Fees	192,000	(55,000)	137,000
Investment Related Litigation Expenses	2,000,000	(950,000)	1,050,000
Subtotal--Investment Related Expenses	<u>\$ 17,352,189</u>	<u>\$ (991,356)</u>	<u>\$ 16,360,833</u>

4. Note that, in addition to the consultant fees noted above, the KPERS budget includes information about off-budget expenses which are never recorded in the State Treasury as expenditures, but which represent other fees or commissions paid to financial consultants. The Subcommittee points out that two firms, Lehndorff & Babson and Provident Investment Counsel, were identified in the budget. The former was paid \$667,941 in FY 1992 as non-cash expenses. In FY 1992, the other firm, Provident Investment Counsel, was paid \$814,076 as non-cash expenses for its management of the PIC-Stellar Fund. The Subcommittee directs that KPERS staff report to the House Subcommittee, in writing, any other fees (such as those paid to the O'Conner Group) which are paid as non-cash expenses. KPERS staff also should report in writing the names of firms and the amounts of commissions which are paid as off-budget expenses for the financial consultants.
5. Delay any action on the KPERS needs analysis for computerization enhancements pending a Governor's Budget Amendment which will be requested at the direction of the Board of Trustees. The Subcommittee also directs that the KPERS needs analysis be submitted to the Joint Committee on Computers and Telecommunications for its review in order that this matter may be revisited during the Omnibus period. The budget information relative to the costs associated with the enhancements, which was provided by KPERS staff, indicates that expenses in FY 1993 are estimated at \$83,978 and in FY 1994 are estimated at \$297,341. An additional \$86,256 is estimated in FY 1995, for a three year total of \$467,691 for implementing the needs analysis recommendations.
6. Note a problem about indemnification which needs to be addressed by the House Subcommittee or during Omnibus, if necessary. KPERS is working with legal counsel to determine a means of handling through appropriations language, possibly by proviso, that situation. A report by the KPERS staff on this problem will be made later this session as the information is developed.

7. Recommend that the Division of the Budget and KPERS discontinue using the functional administrative categories of KPERS--School and KPERS, KP&F, and Judges as budgeted programs since the prorations no longer seem to serve any useful purposes. The State Department of Education was consulted and concurred that the administrative categories are not need since costs are no longer allocated.
8. Recommend that a bill be introduced to repeal the statutory rates for KPERS contributions in order that each rate may be set annually, based on actuarial estimates. The Subcommittee's main concern is that the rate for KPERS--School is fixed by law at 3.3 percent for FY 1994 and subsequent fiscal years. However, the actuarial rate, which has been adopted by the KPERS Board of Trustees, based on reports of its actuarial consultant, is 3.1 percent in FY 1994 and FY 1995. The Governor's FY 1994 recommendation of \$54,833,041 for KPERS--School is based upon 3.3 percent and upon the assumption that there will be no increase in teachers' salaries for the 1993-94 school year. The Subcommittee reviewed a revised estimate as of February 17, 1993, which projects that the Governor's recommended amount in FY 1994 would be \$1,676,504 underfunded. The revised projection indicates that \$56,509,545 will be required in FY 1994, based on the current statutory contribution rate of 3.3 percent and average teachers' salary increases of 5.0 percent for 1993-94.

If the same assumptions are applied and a contribution rate of 3.1 percent were used, then the projected FY 1994 expenditures for the KPERS--School contribution would be \$53,084,725. Because of the potential savings in the FY 1994 amount required, the Subcommittee defers recommending any additional State General Fund financing at this time, and recommends reviewing the situation during Omnibus.

9. Note litigation revenues and expenses as reported by KPERS and shown below:

	<u>FY 1991</u> <u>Actual</u>	<u>FY 1992</u> <u>Actual</u>	<u>FY 1993</u> <u>Estimate</u>
Revenues:			
Commerce Bank	\$ --	\$ 2,001,376	\$ --
Expenses:			
Kansas Litigation Group	\$ --	\$ 883,447	\$ 750,000
Reproduction Systems Inc.	171,273	825,597	2,707
Xerox Corporation	--	662	247,293
Other	<u>2,557</u>	<u>5,503</u>	<u>--</u>
Total Expenses	<u>\$ 173,830</u>	<u>\$ 1,715,209</u>	<u>\$ 1,000,000</u>

Senate Committee Recommendation

The Senate Committee concurs.

House Subcommittee Recommendation

The House Subcommittee concurs with the Senate and makes the following additional adjustments:

1. Add \$1,676,504 from the State General Fund for KPERS -- School based on estimates of February 17, 1993, prepared by the State Department of Education, KPERS, and Legislative Research Department staff. This amount is in addition to the Governor's recommended appropriation of \$54,833,041 this fiscal year, bringing the total appropriation to \$56,509,545, with financing from the State General Fund.
2. Transfer \$329,429 from the State General Fund to the KPERS Fund in order to reverse the transfer made by the 1992 Legislature which intended to reimburse the State General Fund for the expenses associated with the Legislature's Joint Committee on KPERS Investment Practices. The Governor had recommended the reverse transfer in FY 1993, the Senate had deleted the proposed reverse transfer, and the House Subcommittee reinstates the transfer, to be effective on July 1, 1993, at the start of FY 1994.
3. Adjust the estimated fees by adding expenditure authority totaling \$316,365 more than the Senate, based on information provided by the KPERS staff, for contracts with the System's financial managers as indicated below:

	Senate Rec.	House Subcommittee Adj.	House Subcommittee Rec.
Publicly Traded Securities Mgmt Fees	\$ 10,263,198	\$ 230,000	\$ 10,493,198
Investment Consultant Fees	137,000	50,000	187,000
Real Estate Mgmt. Fees	963,635	36,365	\$ 1,000,000

4. Add a proviso for the accounts used to pay the KPERS direct placement investment managers concerning indemnification agreements.
5. Reduce \$28,000 added by the Senate for a copy machine and add \$61,404 for other administrative expenses, including \$3,105 for postage to mail survey documents, \$8,999 for printing of a third issue of *KPERS Papers*, \$13,300 for travel and subsistence, and \$36,000 for estimated data processing fees to be paid to DISC next fiscal year.
6. Clarify the intend of the Senate Subcommittee's recommendation in item 7 regarding possible discontinuation of certain budget categories. The House Subcommittee believes that KPERS -- School expenditures are part of the same category as school finance in the grand scheme and that expenditures for KPERS -- School must be reflected in the agency's request, Governor's recommendation, and legislative adjustment as part of the education category in order to portray the amount of the State's financial support for public education. Prior to any modifications being approved and implemented by the Division of the Budget, the Director of the Budget should consult with the Director of the Legislative Research Department about this matter which the Subcommittee considers of great importance, especially in maintaining continuity and consistency of both historical and future data which are categorized as educational expenses. Until the Director of the Legislative Research Department apprises this House Subcommittee that any such discontinuance with have no harmful effect on

tracking school finance expenditures, no changes should be undertaken without legislative approval.

The Subcommittee wishes to point out that in addition to the \$3,600 in per pupil state funding which is provided to local school districts, the State also picks up 100.0 percent of the employer costs for KPERS -- School retirement payments. In FY 1994, based on estimated KPERS -- School payments of \$56,509,545, the estimated state cost translates to \$132 of additional per pupil state aid.

7. Note that KPERS has reported additional information as requested by the Senate Subcommittee in its item 4 for actual and anticipated expenditures considered off-budget. Off-budget expenditures are those revenue reductions which are non-reportable expenditures that are incurred at the property or entity level and are never reflected in the State Treasury. The following table reports that data:

	<u>FY 1992 Actual</u>	<u>FY 1993 To Date</u>	<u>FY 1994 Estimated</u>
L&B Core Group	\$ 667,941	\$ 326,212	\$ 675,000
O'Conner Retail Prop- erty Trust	238,902	119,339	240,000
Provident - Stellar Fund	814,076	409,626	875,000
Pilgrim <i>et al.</i> Limited Partner	2,643,133	1,752,982	--
Total	<u>\$ 4,364,052</u>	<u>\$ 2,608,159</u>	<u>\$ 1,790,000</u>

The Subcommittee points out that funds paid to these managers are considered revenue reductions and are incurred at the property or entity level. The table above represents a complete listing of compensation received by real estate and publicly traded securities managers for their services. The managers' fees are deducted before distributions are made to shareholders, such as KPERS.