

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson August Bogina at 11:00 a.m. on February 22, 1993 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Leah Robinson, Legislative Research Department  
Scott Rothe, Legislative Research Department  
Norm Furse, Revisor of Statutes  
Judy Bromich, Administrative Assistant  
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Charles R. Heckart, Mayor of Osawatomie  
Thomas Sipe, City Manager, Osawatomie  
Gloria Timmer, Director, Division of the Budget, Department of Administration  
Ron Nitcher, Comptroller, Department of Insurance  
Ted Ayres, General Counsel & Director of Governmental Relations, Board of Regents  
James Cobler, Director, Division of Accounts and Reports, Department of Administration  
Lee Hamm, Director, Kansas Grain Inspection Department  
Tom Tunnell, Executive Vice President of the Kansas Grain and Feed Association  
Senator Robert Vancrum  
Nancy Echols, Division of Personnel Services, Department of Administration  
Brad Avery, Kansas Association of Public Employees

Others attending: See attached list

**SB 146 - SECRETARY OF SOCIAL AND REHABILITATION SERVICES AUTHORIZED TO CONVEY CERTAIN STATE PROPERTY LOCATED IN MIAMI COUNTY**

Senator Doug Walker introduced the Mayor of Osawatomie, Mr. Charles Heckart, and the City Manager, Mr. Thomas Sipe. Mr. Heckart distributed and reviewed Attachment 1. The Mayor acknowledged that three communities view the hospital site as an opportunity for economic development, and all three are vying for the site. Senator Walker noted that the reversionary provision is in the bill in the event the Miami County Interlocal does not choose this site for the development of a medical facility.

The Chairman closed the hearing on SB 146.

**SB 241 - STATE GENERAL FUND TRANSFER TO WORKERS COMPENSATION FUND ELIMINATED**

Gloria Timmer appeared in support of **SB 241** and reviewed Attachment 2. Senator Salisbury expressed her understanding that the current level of balances in the fund is important to pay the claims that are in the system, and that the number of claims is increasing. Ms. Timmer stated that the money that is currently transferred from the State General Fund has not supported the Workers' Compensation Fund for the last two years.

Mr. Ron Nitcher appeared on behalf of the Insurance Department and reviewed Attachment 3. He noted that expenditures from the Workers' Compensation Fund in FY93 will be approximately \$40 million, allowing for a carryforward balance of approximately \$8 million for FY94. It is estimated that FY94 expenditures from the

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on February 22, 1993.

fund will total \$48.8 million. Mr. Nitcher told the Committee that the bill is "workable" for the Department, but noted that it shifts the burden of the payment of the \$4 million from the State General Fund to insurance carriers and self-insurers. According to Mr. Nitcher, the enactment of **SB 241** will increase workers' compensation insurance rates by 1 to 1.5%. In answer to a question, he noted that the increase in rates over the past two years is attributable to increased assessments on insurance companies.

The Chairman declared the hearing closed on **SB 241**.

### **SB 267 - TEACHER SCHOLARSHIP PROGRAM, REPAYMENT FUND CREATED**

Attachment 4 was distributed and reviewed by Mr. Ted Ayres, who appeared in support of **SB 267**. In answer to a question, Mr. Ayres stated that **HB 2024** provides for the creation of separate funds for the nursing scholarship program. He noted that **SB 267** would not require additional FTEs.

It was moved by Senator Rock and seconded by Senator Salisbury that **SB 267** be recommended favorable for passage. The motion carried on a voice vote.

### **SB 6 - ALLOCATION OF COSTS FOR SERVICES PROVIDED FOR CERTAIN STATE AGENCIES**

Mr. James Cobler appeared before the Committee and reviewed Attachment 5. It was noted that **SB 6** was the result of an interim study whose charge was to review problems with the fee funds within the Grain Inspection Department. Chairman Bogina requested that Mr. Cobler provide a chart summarizing the fees and the A-87 charges for members. In answer to a question, Mr. Cobler indicated that if the Department uses A-87, it would have a net impact of \$2.4 million loss on the SGF because of the "unallowable" costs (Attachment 5-2). If a new allocation were formulated that would include all support services, the Department would be able to charge off those costs to the agencies so the impact on the SGF would be less.

Director of the Kansas State Grain Inspection Department, Mr. Lee Hamm, appeared before the Committee and reviewed Attachment 6, pointing out the Department's income and expense statement provided on page 6 of that attachment. Mr. Hamm told members that the fee fund balances of the Department total \$1.2 million and will fall to \$597,000 by the end of this fiscal year if whole grain analyzers are purchased. In answer to a question, Mr. Hamm stated that warehouse inspections have consistently been a problem and that Kansas is the only state that does not support warehouse auditing.

Chairman Bogina told members that the interim committee had reviewed the inspection problem within the Department but **SB 6** covers the whole spectrum of fee agencies. Senator Vancrum suggested studying the possibility of continuing the regulation that there be a state license requirement based upon federal inspections. Senator Karr noted that we may need to address the question of whether federal inspections are used or whether funds should be appropriated to examine state licensed warehouses to assure that producers are protected.

Mr. Tom Tunnell provided copies of Attachment 7 for members and noted that because of competition from the private sector the inspection division probably will not be able to compensate for the losses incurred by the warehouse division. He stated that if the state wants to continue requiring that elevator be licensed and bonded, a source of revenue will need to be found. If **SB 6** accomplishes that goal, the Kansas Grain and Feed Association supports the intent of the bill.

The Chairman requested that a copy of the House subcommittee report be provided to members. He closed the hearing on **SB 6**. (Documents requested of the Department of Administration are Attachments 14, 15 and 16.)

### **SB 186 - LIMITS ON STATE PERSONNEL, EXCEPTIONS, GOVERNOR APPROVAL TO FILL CERTAIN POSITIONS**

Senator Vancrum distributed and reviewed copies of Attachment 8. Senator Vancrum told members that the provisions of **SB 186** would apply to fee funds, to positions requested to implement major programs, to all federally funded positions, and to positions added through private grants. There was some discussion regarding the legislative versus the executive responsibility for controlling the number of state employees.

Nancy Echols appeared before the Committee on behalf of the Department of Administration in opposition to

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on February 22, 1993.

**SB 186.** She provided copies of Attachment 9 which she reviewed for the Committee. Senator Vancrum pointed out that the bill exempts the legislative and executive branches of government and intermittent and temporary positions.

The Chairman closed the hearing on **SB 186**.

### **SB 185 - STATE EMPLOYEE FISCAL BONUS PROGRAM**

Senator Vancrum testified in favor of **SB 185** and reviewed copies of Attachment 10.

Mr. Brad Avery appeared on behalf of the Kansas Association of Public Employees in support of **SB 185** and provided Attachment 11. He reviewed several questions the Association had regarding the bill (see attachment). Concern was expressed that agencies might overestimate projections to appear more efficient.

Nancy Echols appeared on behalf of the Department of Administration to address concerns regarding **SB 185** (Attachment 12).

Attachment 13, provided by the Department of Administration, was distributed to members.

The Chairman closed the hearing on **SB 185**.

### **APPROVAL OF MINUTES**

Senator Morris moved, Senator Rock seconded, approval of the minutes for February 16, 17, and 18, 1993. The motion carried on a voice vote.

### **INTRODUCTION OF BILLS**

It was moved by Senator Lawrence and seconded by Senator Rock that bill draft 3 RS 1130 as requested by Senator Praeger be introduced. The motion carried on a voice vote.

The Chairman adjourned the meeting at 12:00 P.M.  
The next meeting is scheduled for February 23, 1993.



## GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: Feb. 22, 1993

[illegible]





CITY OF OSAWATOMIE  
Main at Fifth  
Osawatomie, Kansas 66064  
913-755-2146

The Kansas Senate Ways and Means Committee

Senator August Bogina, Jr., Chairperson	
Senator Alicia L. Salisbury, Vice Chairperson	
Senator Dave Kerr	Senator Richard R. Rock, Jr.
Senator Jerry Moran	Senator Marge Petty
Senator Barbara Lawrence	Senator Bill Brady
Senator Robert Vancrum	Senator Gerald Karr
Senator Steve Morris	

Statement of Charles R. Heckart  
Mayor, City of Osawatomie, Kansas

February 22, 1993

Senate Bill No. 146 introduced by Senator Walker will authorize the Secretary of Social and Rehabilitation Services to convey a parcel of land currently held by Osawatomie State Hospital to the Miami County Interlocal Agency. This agency was formed with the expressed purpose of developing a medical facility jointly owned by Olathe Medical Center, a private not-for-profit hospital, and Miami County to provide services to the people of Miami County and adjoining counties.

The Miami County Commission is committed to replacing the current Miami County Hospital due to the natural deterioration of age and the increasing difficulties in meeting the requirements of modern day standards and efficiencies in healthcare delivery.

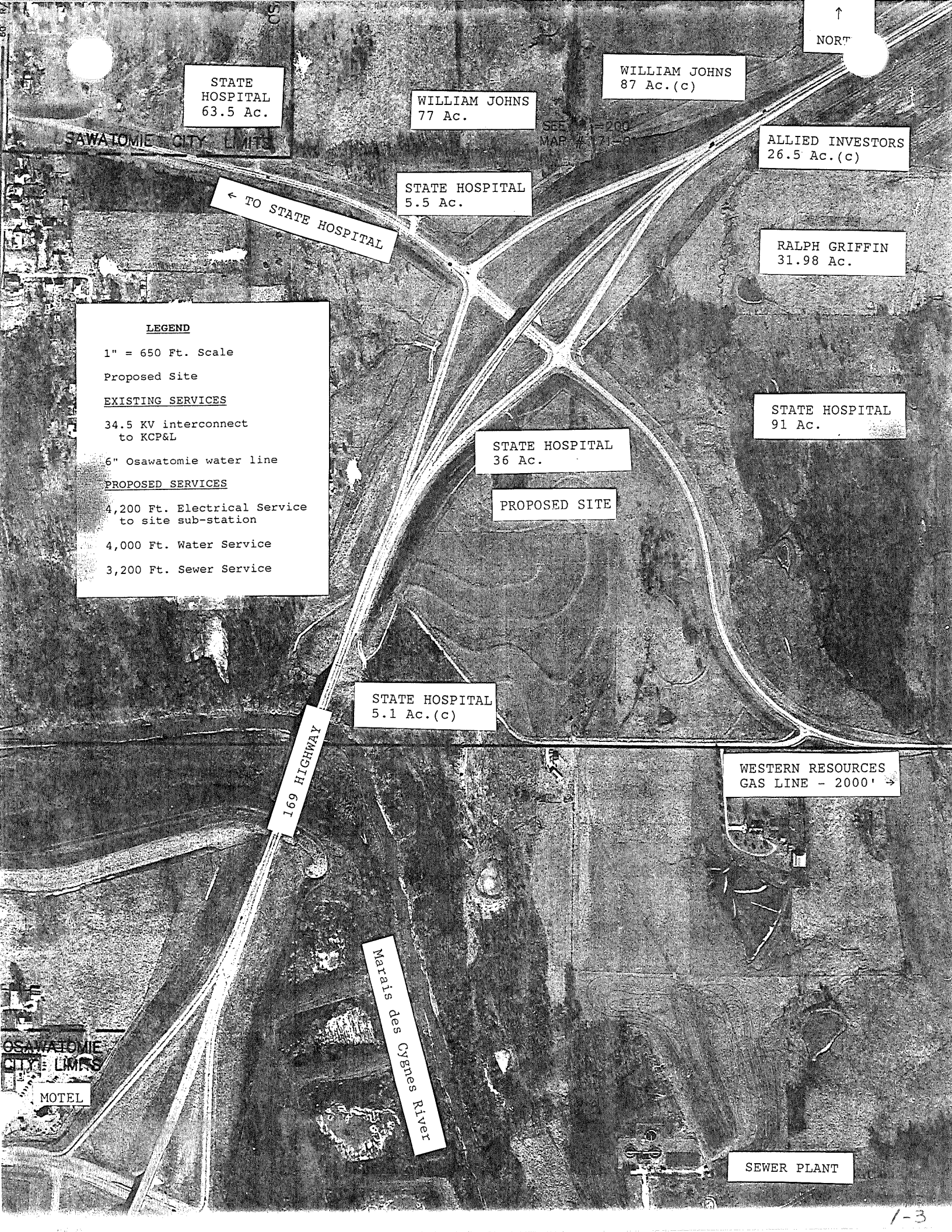
We ask that the Committee consider and recommend a "Do Pass" on Senate Bill No. 146 for the following reasons:

SWAM  
February 22, 1993  
Attachment 1

- . The proposed site has been isolated from the main State Hospital campus of 494 acres since the construction of U S Highway 169 in 1976. The property is not in use nor has there been expressed any future utilization plans. The State also owns an additional 300 acres directly north of the main campus.
- . The conveyance of the property to the interlocal agency would be a significant factor in the overall cost structure and thereby lessen the financial requirements to the tax payer and fees for service to patrons.
- . The site has immediate access to U.S. Highway 169 and is far enough south to extend services into Linn and Anderson Counties.
- . The state also owns an additional 91 acres to the immediate northeast of the proposed site. The value of this property to the state would be significantly enhanced by the new hospital as well as the extension of city services to the area making it extremely attractive to private developers.
- . Further development in the area would be an economic advantage to any of the State Hospital's 622 employees desiring to locate closer to their work as well as proximity to the services provided by the new hospital.
- . The convenience and potential cost savings to the State Hospital resulting from a co-located medical facility capable of providing both emergency and routine services.

We appreciate the opportunity to testify and respectfully request your favorable consideration.





NORTH

STATE  
HOSPITAL  
63.5 Ac.

WILLIAM JOHNS  
77 Ac.

WILLIAM JOHNS  
87 Ac.(c)

ALLIED INVESTORS  
26.5 Ac.(c)

RALPH GRIFFIN  
31.98 Ac.

STATE HOSPITAL  
91 Ac.

STATE HOSPITAL  
36 Ac.

PROPOSED SITE

STATE HOSPITAL  
5.1 Ac.(c)

WESTERN RESOURCES  
GAS LINE - 2000' →

SEWER PLANT

LEGEND

1" = 650 Ft. Scale

Proposed Site

EXISTING SERVICES

34.5 KV interconnect  
to KCP&L

6" Osawatimie water line

PROPOSED SERVICES

4,200 Ft. Electrical Service  
to site sub-station

4,000 Ft. Water Service

3,200 Ft. Sewer Service

← TO STATE HOSPITAL

169 HIGHWAY

Mais des Cygnes River

MOTEL



STATE OF KANSAS



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DIVISION OF THE BUDGET

Room 152-E  
State Capitol Building  
Topeka, Kansas 66612-1504  
(913) 296-2436  
FAX (913) 296-0231

Joan Finney  
Governor

Gloria M. Timmer  
Director

M E M O R A N D U M

TO: Senator August Bogina, Jr., Chairperson, Senate Committee  
on Ways and Means

FROM: Gloria M. Timmer, Director of the Budget

DATE: February 22, 1993

SUBJECT: Testimony on SB 241

I appear in support of passage of SB 241. The main effect of this bill is to eliminate the demand transfer of up to \$4.0 million from the State General Fund to the Workers' Compensation Fund made on July 1 of each year.

This bill would not alter the annual assessment on workers compensation insurance carriers and self-insurers in FY 1994. Since FY 1992, this transfer has not been required to finance fund expenditures but has served as a temporary loan that allowed for sufficient cashflow in the fund in the first few months of the fiscal year. For FY 1992 and FY 1993, language was included in the Insurance Department's appropriation bill which required the \$4.0 million transfer to be repaid in the same year the transfer was made. The Insurance Department has verified that this transfer is no longer needed for cashflow purposes as the Workers' Compensation Fund has adequate reserves to meet its expenses.

The bill also would move up the date when the Commissioner of Insurance imposes the annual assessment on workers compensation insurance carriers and self-insurers to June 1 and the date the assessment is payable to July 1. This change of date would aid the cashflow management of the Workers' Compensation Fund.

I would be happy to answer any questions.

Attachment 2

Testimony by  
Ron Nitcher, Kansas Insurance Department  
Before the Senate Ways and Means Committee  
Senate Bill No. 241

K.S.A. 1992 44-566a currently requires that expenditures from the Workers' Compensation Fund be funded by a maximum \$4 million annual transfer from the state general fund and an annual assessment on all insurance companies, self-insurers and group-funded pools authorized to insure workers compensation payments in Kansas. The law requires the \$4 million transfer to be made each year on July 1. The annual assessment is to be imposed by the Commissioner of Insurance on July 1 and it is payable on October 1.

Senate Bill No. 241 proposes to permanently eliminate the \$4 million transfer from the general fund to the Workers' Compensation Fund. In order to compensate for the loss in revenue on July 1 which is typically needed by the Workers' Compensation Fund in order to have sufficient funds to operate at the beginning of each fiscal year, this bill also proposes to move up the date when the assessment is to be made and the date the assessment is due. Under this proposal, the Commissioner would be required to make the annual assessment on or before June 1 while the assessment would be payable on the following July 1.

For Fiscal Years 1992 and 1993, language was included in the Insurance Department's appropriation bills which required the \$4 million transfer to be repaid to the general fund in the same fiscal year in which the transfer was made. (In FY 1992 the amount had to be on November 1 and in FY 1993 the amount had to be repaid on October 1.) Although the transfer had to be repaid, the "loan" of the \$4 million for three or four months did ensure that the Workers' Compensation Fund had adequate cash on hand to operate at the beginning of each fiscal year while assessments on insurance carriers and self-insurers were being paid. As occurred last year and again this year, the enactment of Senate Bill No. 241 will increase the annual assessment on insurance carriers and self-insurers by \$4 million. For FY 1993, our assessment totaled \$48 million.

The National Council on Compensation Insurance, which is the national rating organization for all insurance companies writing workers compensation insurance in the state, has advised the Insurance Department in the past that the elimination of the \$4 million transfer has the effect of increasing workers compensation rates charged to Kansas employers by 1 to 1.5%.

SWAM  
February 22  
Attachment 3

Chairman Bogina and Members of the Committee:

My name is Ted D. Ayres and I am here representing the Kansas Board of Regents. I appear to offer comments relative to Senate Bill 267 and seek your support relative thereto. I appreciate this opportunity to provide information and share discussion with members of the Committee.

K.S.A. 74-32,107 creates the Teacher Scholarship Program Fund (TSPF) which receives (1) moneys returned because of non-attendance or discontinued attendance and (2) repayments of scholarships plus interest. The commingling of these two types of revenue in a single fund complicates bookkeeping and frustrates attempts to readily identify monies that are available. To eliminate commingling, Senate Bill 267 creates a Teachers' Scholarship Repayment Fund.

This additional fund would simplify bookkeeping for our Student Assistance personnel. Perhaps more significantly, the funds would improve the identification and tracking of moneys which would be available to supplant state general fund appropriations. This would be of great benefit to our office, as well as budget analysts in the Statehouse, trying to determine the amount and sources of program financing for the ensuing budget year.

Your attention and consideration is appreciated. I would be happy to stand for questions.

TED D. AYRES  
General Counsel and Director of  
Governmental Relations

SWAM  
February 22, 1993  
Attachment 4





**DEPARTMENT OF ADMINISTRATION**  
DIVISION OF ACCOUNTS AND REPORTS

JOAN FINNEY  
Governor

JAMES R. COBLER  
Director of Accounts and Reports

February 22, 1993

900 Jackson, Room 251  
Landon State Office Building  
Topeka, KS 66612-1220  
(913) 296-2311  
FAX (913) 296-6841

The Honorable August "Gus" Bogina, Jr., Chairman  
Senate Ways and Means Committee  
State Capitol - Room 120-S  
Topeka, Kansas 66612

Dear Senator Bogina:

My comments for testimony regarding the allocation of costs for services provided to state agencies, Senate Bill 6, are as follows:

**General Comments:**

Present Law: K.S.A. 1992 Supp. 75-3170a requires that 20% of receipts of certain special revenue funds be deposited to the State General Fund to reimburse the state for "accounting, auditing, budgeting, legal, payroll, personnel and purchasing services and any and all other state governmental services" rendered on behalf of the agency.

Generally, this 20% credit to the State General Fund is limited to \$200,000 per fund in a given fiscal year, with a few specific exceptions, such as reduced limits to \$100,000 for certain funds as noted within the legislation.

Proposed Law: SB 6 requires performance of an annual analysis to determine the difference between the cost of support services provided and the amount paid for such services under the 20% rule.

The purpose of this comparison is to ensure that agency payments for support services match their share of the cost of such services.

Any differences between the amount paid for services and the actual allocation of the cost of these services will be transferred between the special revenue fund(s) and the State General Fund so that the State General Fund is reimbursed for, but not more than, the full cost of support service provided.

SWAM  
February 22, 1993  
Attachment 5

The Honorable August "Gus" Bogina, Jr., Chairman  
Senate Bill No. 6  
February 22, 1993

The bill specifies that the allocation of costs to each special revenue fund is to be based upon United States Office of Management and Budget (OMB) Circular A-87.

Concerns with A-87 as the Basis for Comparison: OMB Circular A-87 excludes the following costs from the allocation process as "unallowable": (1) capital expenditures, (2) interest expense, and (3) other general government costs including costs of the Legislative, Judicial and Executive branch agencies to include the Legislative Council, Legislative Research, the Legislature, the Legislative Educational Planning Committee, Post Audit, Revisor of Statutes, the Governor's and Lieutenant Governor's offices, the Judicial Council and the Judicial agency.

In addition, expenditures of the Secretary of Administration's office and certain costs of the Treasurer are disallowed. Other expenditures of the State paid under the Tort Claims Act such as settlements under the Fair Labor Standards Act, Americans with Disabilities Act and other areas are not included in the A-87 plan. Thus, many costs for central and general government services will not be reimbursed under this method of allocation.

Annually the Division of Accounts and Reports sends each agency written notification of the A-87 cost allocation. Such notification has not in the past informed agencies that the allocation excludes certain costs. Because of this, it is likely that agency managers would conclude that an overcharge for central services had occurred. The Division of Accounts and Reports will provide a more explanatory letter in the future.

#### Estimated Costs:

To Include All Support Service Costs in the Allocation: The current statewide cost allocation plan prepared by the contracted firm of David M. Griffith & Associates, Ltd. (Griffith), is sufficient to meet the requirements of SB 6 as it is now written. However, if all of the central service costs are to be included in a cost allocation to each agency, additional information will be required. Griffith has provided an annual cost estimate of \$4,000 to extend their services to produce a plan which will: (1) include costs normally excluded due to OMB Circular A-87 restrictions, and (2) identify central service indirect costs for every state agency.

State General Fund: There is concern about the effect SB 6 will have on the revenues to the State General Fund. A sample

The Honorable August "Gus" Bogina, Jr., Chairman  
Senate Bill No. 6  
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comparison, similar to that required in the bill, was performed based on FY 1992 receipts and cost allocations. The estimated cost to the State General Fund is \$2,414,000 of moneys to be returned to the special revenue funds.

**Additional Concerns:**

**Time Restraints:** The cost determination proposed under SB 6 cannot be performed as it is now written.

New Section 1 (f) requires the Secretary, beginning with the fiscal year ending June 30, 1993, to "...make a determination of allocation of costs for such fiscal year (emphasis added) in accordance with the United States office of management and budget, circular A-87...".

The cost allocation data is required for certification, "no later than October 31 of each year", of the difference in costs allocated and the receipts actually credited in accordance with the 20% provisions.

Under the current procedure the A-87 report for FY 1993 data is not required prior to December 31 and it is doubtful if volume data, specifically required for the allocation basis, could be provided by the central service agencies for the FY 1993 operations in time to prepare the plan by the October 31 deadline.

However, under the federal procedure the cost allocation plans prepared in accordance with OMB A-87 utilize the actual expenditures of the fiscal year two years prior to the year in question with roll forward adjustments for prior year variances. When the actual fiscal year expenditures are known, a comparison to the cost allocation plan for that year is performed and any differences are adjusted on future years' plans.

**Example:** The FY 1993 actual "budget" expenditures and FY 1993 allocation basis "volume data" will be the basis for the FY 1995 cost allocation plan with adjustments for variances in expenditures from the FY 1991 data. The FY 1993 plan was due to the federal government by December 31, 1991 and was based on FY 1991 expenditures. This procedure has been recognized because proposed FY 1993 Budget Recommendations on expenditures are not available until a much later date and agencies must also prepare in advance an agency cost allocation plan using data from the statewide cost allocation plan as well as agency cost and allocation basis "volume data". The federal



The Honorable August "Gus" Bogina, Jr., Chairman  
Senate Bill No. 6  
February 22, 1993

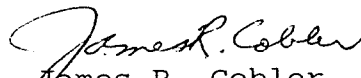
government must then approve the State's plan and, at a later point in time, the agency cost allocation plan. Consequently, it is likely that such approvals will not occur before June 30, 1994. In addition, data for certain of the allocation basis "volume data" require detailed analysis and are not immediately provided by agencies.

**Effects on the Operations and Responsibilities of the Division of Accounts and Reports:**

If the language mandated in SB 6 is clarified to make the duties feasible, by allowing utilization of the FY 1991 data for the FY 1993 plan, the implementation of the bill will impact the operations and responsibilities of the Division of Accounts and Reports. However, it is anticipated that these procedures would be performed by the Contractor, supported by existing staff given the **current** level of duties and responsibilities. **However, passage of SB 6 and any other bill which increases the duties of the assigned section, will require an additional head count.**

If you need additional information, please contact me.

Very truly yours,



James R. Cobler, Director  
Division of Accounts and Reports

JRC:SLF:cv

THE STATE OF KANSAS

JOAN FINNEY  
GOVERNOR



LEE HAMM  
DIRECTOR

INSPECTION POINTS

ATCHISON	KANSAS CITY
COLBY	SALINA
DODGE CITY	TOPEKA
HUTCHINSON	WICHITA

GRAIN INSPECTION DEPARTMENT

GENERAL OFFICE

700 Jackson, Suite 800, P.O. Box 1918, Topeka, Kansas 66601-1918

INSPECTION DIVISION

WAREHOUSE DIVISION

PHONE (913) 296-3451



Chairman Bogina and members of the committee. I am Lee Hamm, Director of the Kansas State Grain Inspection Department.

Senate Bill 6 is the result of an interim study requested by our agency, at the request of our Advisory Board, to find a solution to our problems.

I will not go into all the detail I did before the interim committee. I have attached to this testimony a copy of my testimony at that time plus a copy of the interim report for your convenience.

While Senate Bill 6 was not our idea and I'm not sure it is the total solution to our problems of declining revenue. If this is what the committee wishes to do we support it and say thank you. I feel if this happens we are going to need some assurance that the costs charged us for State services are fair and reasonable.

I do believe it would be much simpler and cleaner just to agree to help our agency from the general fund for the loss we incur in our regulatory Warehouse Division plus some help for Administration.

SWAM  
February 22, 1993  
Attachment 6

Our agency is not a very visable agency. We lack the cheering section of education or one of the social programs, and not that these aren't important. We feel our agency is important too. Normally the elevator people in the grain trade are the only ones, who on a daily basis, come into contact with us. Yet we affect the lives of not only these but also every producer of grain in the State of Kansas. We know the grain business is vital to a healthy economy in Kansas. The activities of the Kansas State Grain Inspection Department are vital to a vigorous, healthy grain trade in Kansas. Our official inspections are the basis upon which grain is bought and sold. Without our state warehouse laws, because the Federal Warehouse law is permissive only, all kinds of unscrupulous operations could spring up. This would not be good for the producer or the honest operators we have at the present time.

We remind the committee that the interest earned on our idle funds, which goes into the general fund, would pay for the cost of services provided by the State. We are asking you for a solution to the problems our agency faces. We feel it can no longer be put off.



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## PROPOSAL NO. 19 -- GRAIN INSPECTION DEPARTMENT

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Proposal No. 19 directed the Legislative Budget Committee to "review financing of and funding options for the Kansas State Grain Inspection Department, focusing on the possible reasons for declining revenues and declining fee fund balances."

### BACKGROUND

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The Director of the Grain Inspection Department requested an interim study to address the financial difficulties being experienced by the agency. During the 1992 Legislative Session, a Senate Ways and Means Subcommittee noted its concern with the fee fund balances of the agency. The Subcommittee stated that reductions in the agency's expenditure limitation would not be appropriate and did not recommend, in light of existing economic conditions, any State General Fund support for the agency.

### COMMITTEE ACTIVITIES

The Committee heard testimony from the Director of the Grain Inspection Department, the Chairman of the Grain Advisory Commission, and representatives of the Kansas Grain and Feed Association and the Kansas Cooperative Council.

The Director of the Grain Inspection Department highlighted some of the changes which have taken place in the grain industry in the last few years which have impacted on the Department's operations and on its financial condition. The Director noted that the Acreage Reduction Program has taken thousands of acres out of production. He also noted that the farm program and the lowering of the loan rate on grains has emptied storage bins to the point that virtually all Commodity Credit Corporation wheat is gone. Elevators had depended on the income from the storage of this wheat for years. In addition, many consolidations and buy-outs have taken place. In 1980, 669 elevators were licensed in the state, while presently 405 elevators are licensed. The mergers that have taken place reduce the income of the agency's warehouse division. In addition, more in-house grading is done by the larger elevators and more grain is being shipped between company elevators without an official grade.

The Director also noted that the agency is now being confronted with a new unofficial grain grading company that has recently begun operations in Kansas City, Missouri. He indicated that currently the only detrimental effect of this company is on the Atchison inspection station, one of eight inspection stations statewide. The Director noted that as an official state agency, the Grain Inspection Department is hampered in several ways in competing with private grain grading companies. He noted that the agency's rate schedule takes time to change, and stated that because the agency has been designated as an official grain grading agency, it is regulated by the Federal Grain Inspection Service (FGIS) and the agency's inspectors and equipment must meet certain standards and requirements. He noted that the inspection stations undergo constant reviews by FGIS and the Department is assessed fees by FGIS to help pay for the oversight. In addition, the Director noted that employees of the Grain Inspection Department are covered by the classified state system, and so the Department's costs are not as flexible.

The Director noted that the warehouse division has been unable to generate sufficient revenue to cover its expenses and the warehouse division has been dependent on support from the inspections division. That

division, however, has also been experiencing decreasing revenues and, as a result, the agency's cash reserves are being rapidly depleted.

The other conferees indicated that they were supportive of the Department's proposal to limit the maximum amount credited to the State General Fund from the agency's fees to \$100,000, a reduction of \$100,000 from the current maximum. In addition, the Department requested that it be allowed to receive the interest on its idle funds, rather than such interest being credited to the General Fund.

## CONCLUSIONS AND RECOMMENDATIONS

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The Committee discussed possible solutions to the financial problems being faced by the agency. The Committee has concluded that an appropriate solution extends beyond the Grain Inspection Department. The Committee recommends legislation which would continue the 20 percent credit to the State General Fund from special revenue funds. The Committee recommends, however, that the Department of Administration be required to make a determination of the actual value of services provided to state agencies according to the purposes established under K.S.A. 75-3170a. That statute provides for the 20 percent charge to fee agencies for, "accounting, auditing, budgeting, legal, payroll, personnel and purchasing services, and any and all other state governmental services, which are performed on behalf of the state agency involved by other state agencies which receive appropriations from the state general fund to provide such services." At the end of each fiscal year, any special revenue fund which has actually used less in services than has been credited to the State General Fund would be reimbursed the difference between the actual amount of services provided and the amount credited. Conversely, any special revenue fund which has used more administrative services than the amount which has been credited to the State General Fund would be required to credit additional moneys to the State General Fund. \_\_\_\_ B. \_\_\_\_ contains these recommendations.

Respectfully submitted,

\_\_\_\_\_, 1992

Sen. August Bogina, Jr., Chairperson  
Legislative Budget Committee

Rep. Henry Helgersen, Vice-Chairperson  
Rep. Sheila Hochhauser  
Rep. James Lowther  
Rep. George Teagarden

Sen. Paul Burke  
Sen. Gerald Karr

TESTIMONY BEFORE THE BUDGET COMMITTEE

July 20, 1992

Chairman Bogina, Representative Helgerson and members of the committee. I am Lee Hamm, Director of Kansas Grain Inspection Department.

The history of the Grain Inspection Department goes back, as you know, to 1897 when the grain industry requested that the department be established. The legislature acted on this request by establishing the department and 10 years later in response to further industry needs the Warehouse Division of the Kansas State Grain Inspection Department was established. We are proud of the 95-year history of service and accountability. Our laws have been copied by other states and even by the Federal Government.

The purpose of the request for a study is to bring to the attention of the legislature our financial problems and other external problems, and hopefully together we can find satisfactory solutions.

I cannot stress enough the changes that have taken place in the grain industry in the last few years which have impacted our agency heavily. The Acreage Reduction Program has taken thousands of acres out of production. The market-oriented farm program and the subsequent lowering of the loan rate on grains has emptied the storage bins of our grain industry to a point that virtually all Commodity Credit Corporation wheat is gone. Elevators had depended on the income from the storage of this wheat for years. Today is a totally different picture.

Elevators must depend on merchandising for their profit and in a highly competitive business, they are trying to cut all expenses possible.



Because of these changes in the industry, many consolidations and buyouts have taken place. Our licensed elevators have gone from 669 in 1980 to 405 at the present time, though the number of bushels in storage capacity has remained about the same. We were receiving full license fees on the 669. With the functional unit regulation, the mergers that have taken place reduce the income of our warehouse division. More in-house grading is being done by the larger elevators and more grain is being shipped between company elevators without official grade. We have not yet had enough experience to know just how the new unit train rates announced by Santa Fe Railroad, just before harvest, will have on our business. This was a special rate to the gulf on 15 or more cars loaded at the country elevator. This would bypass our terminal elevators. The terminals are where most of our 8 inspection stations are located.

We operate Inspection Stations at Kansas City with 22 positions, Wichita with 25 positions, Topeka with 12 positions, Atchison with 11 positions, Salina with 24 positions, Hutchinson with 17 positions, Dodge City with 7 positions and Colby with 6 positions. Employee position numbers have gone from 234 in 1981 to 150 at the present time. Most of this change has been made possible by our contract samplers.

We have been and continue to be impacted by the changes going on in the industry. We are being confronted with a new independent, unofficial grain grading company that has just, in the last few months, begun operations in Missouri at Kansas City. At the present they are only affecting our operations in Atchison, but the threat of further inroads is ever present.

As an official state agency, we are hampered in several ways in competing with them. We have a rate schedule that takes time to change. As an Official Agency, designated by the U.S. Department of Agriculture, we are regulated by the Federal Grain Inspection Service

(F.G.I.S.). Our inspectors are licensed by them and our equipment must meet certain standards and requirements. Our inspection stations undergo constant reviews by F.G.I.S. We are assessed fees by F.G.I.S. to help pay for this oversight and they are talking about passing more of their costs of operation on to us. As a state agency, our employees are under the classified state system. We are not as flexible and our overhead is higher because of all this. Our fees are comparable to those official agencies around us and are not much above the unofficial grade service.

We have requested an Attorney General's opinion as to the interpretation of K.S.A. 34-107 which states that the Kansas Grain Inspection Department "shall have exclusive control of the inspection, sampling, sampling for inspection and weighing of grain in all places where inspection, sampling, sampling for inspection or weighing is or shall be established under this act," and as it relates to 34-101 which has the same language but uses the word "official." We are awaiting a response to this request.

K.S.A. -126 sets out the policy of the State of Kansas concerning high-quality grain. "It is declared to be the policy of the state of Kansas to: (1) promote the production of high quality grain, (2) promote storage and handling practices which will assist in the maintenance of grain quality and promote the marketing of grain of high quality to both domestic and foreign buyers. The objective of this policy is to provide greater economic incentives for production and sale of high quality grain." This policy is just as relative today, if not more so, than when originally written. We need to preserve an official, unbiased, third party system of grain inspection in Kansas, not only for the producer, but for the industry. It has been stated that without a good grain inspection system, prices to producers are lowered.

We are seeing our cash reserves being depleted rapidly. We do get worried when these drop below \$1.5 million. One crop failure and then we are gone.

F.G.I.S. is saying that by January 1, 1994, we will have to have the new N.I.R.T. whole grain protein machines in operation. These cost about \$25,000 each for our 8 stations and a spare for breakdown. That is a \$225,000 investment we have to make.

Our agency being a fee-funded agency contributes 20% to the General Fund, up to \$200,000. We have been contributing the \$200,000 each year. The State also receives the interest from our reserve fund. Figuring an interest rate of an average 7.26% straight line for the last five years, the state has earned about \$726,000 on our reserve funds. If you want to compound the interest, it would be \$1 million.

Being a new kid on the block with this agency, it hasn't taken long for it to become apparent that we are on a collision course with disaster if changes are not made.

We realize some more adjustments in our work force may need to be made in light of what is happening in the industry and we are in the process of beginning this as soon as we get the harvest rush out of the way. You realize in a classified system that this process is not done overnight.

Our Warehouse Division in its regulatory oversight role has not been able to generate enough revenue to cover expenses. We cannot increase fees any more without more of the warehousemen going over to a Federal license which may cost a little less than the State license now.



I'm proud of our Warehouse Division. I believe it to be the best in the nation. The importance of their work in protecting depositor losses cannot be stressed too much. We have been averaging 1.5 inspections of our warehouses a year. By law, we are required to do at least 1 a year. We have recently had one man retire and another resign to take another job, and unless the legislature tells us otherwise we are going to try to get along without rehiring these positions. We want the legislature to understand it will cut down on the number of inspections we can do per year, but we believe we can do the 1 per year required by law.

Now with the downturn in the Grain Inspection Division and with losses occurring there, we can no longer, nor do I think we should be expected to, pick up the losses which occur every year in our Warehouse Division.

We are suggesting that to alleviate the problem, the Legislature make a commitment to make up the losses from the General Fund which we are experiencing in our Warehouse Division. We think the State has a heck of a deal going here. Your costs for providing our agency services I think I saw somewhere as being assigned at \$79,067. We are paying \$200,000, plus another \$71,000 interest you earn on our revolving fund. There are those who feel the \$200,000 you receive on our fee funds should be lowered to \$100,000, and that interest earned on our revolving fund be credited to our account.

We plan to operate as efficiently as possible in the system under which we are controlled. We want to respond to the demands and needs of the industry in an ever-changing environment. To do this, we feel we need the help of the legislature. We are the only state in the nation, except one, that does not use General Fund monies to support their grain warehouse division.

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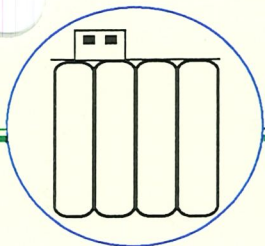
KANSAS STATE GRAIN INSPECTION DEPARTMENT  
INCOME AND EXPENSE STATEMENT  
AS OF JANUARY 31, 1993

1

6-10

<u>FEE:</u>	<u>CASH AND ACCOUNTS RECEIVABLE INCOME</u>	<u>OTHER INCOME</u>	<u>F.G.I.S. USER FEE INCOME</u>	<u>SURPLUS GRAIN</u>	<u>TOTAL REVENUE</u>	<u>OPERATING EXPENSE</u>	<u>F.G.I.S. USER FEE EXPENSE</u>	<u>ADMIN. EXPENSE</u>	<u>TOTAL EXPENSE</u>	<u>GENERAL FUND*</u>	<u>GAIN OR (DEFICIT)</u>
ATCHISON	\$ 82,663.76	\$ 56,081.12	\$3,780.10	\$ 1,404.54	\$143,929.52	\$228,983.69	\$ 3,836.10	\$ 5,160.08	\$237,979.87	\$ 9,160.00	\$(103,210.35)
COLBY	245,549.03	18,208.24	12,040.60	3,257.24	279,055.11	201,599.47	11,375.55	15,304.73	228,279.75	17,760.00	33,015.36
DODGE CITY	293,974.07	36,743.77	16,055.95	4,458.81	351,232.60	203,555.77	16,124.95	18,323.56	238,004.28	22,360.00	90,868.32
HUTCHINSON	277,805.33	7,930.48	13,323.80	4,968.22	304,027.83	300,334.71	13,164.15	17,323.13	330,821.99	19,360.00	(46,154.16)
KANSAS CITY	314,029.83	6,827.45	13,699.75	2,005.00	336,562.03	377,879.25	15,110.60	19,587.25	412,577.10	21,440.00	(97,455.07)
SALINA	558,110.56	16,228.19	27,099.95	8,810.47	610,249.17	478,682.78	25,835.60	34,804.23	539,322.61	38,860.00	32,066.56
TOPEKA	219,706.58	13,660.58	8,709.00	2,469.21	244,545.37	225,558.83	8,372.50	13,707.56	247,638.89	15,580.00	(18,673.52)
WICHITA	511,501.39	10,161.19	19,637.75	9,226.21	550,526.54	430,283.26	19,620.25	31,890.71	481,794.22	35,060.00	33,672.32
 <u>OTHER:</u>											
WAREHOUSE	311,473.86	9,193.11			320,666.97	384,364.33		19,411.74	403,776.07	20,420.00	(103,529.10)
 <b>TOTALS</b>	<b>\$2,814,814.41</b>	<b>\$175,034.13</b>	<b>\$114,346.90</b>	<b>\$36,599.70</b>	<b>\$3,140,795.14</b>	<b>\$2,831,242.09</b>	<b>\$113,439.70</b>	<b>\$175,512.99</b>	<b>\$3,120,194.78</b>	<b>\$200,000.00</b>	<b>\$(179,399.64)</b>

\*20% paid on actual cash (which was received for services subject to the 20% deduction) deposited with the State Treasurer



## KANSAS GRAIN AND FEED ASSOCIATION

STATEMENT OF THE  
KANSAS GRAIN AND FEED ASSOCIATION  
BEFORE THE  
SENATE WAYS AND MEANS COMMITTEE  
REGARDING S.B. 6  
SEN. GUS BOGINA, CHAIRMAN  
FEBRUARY 22, 1993

Chairman Bogina and Members of the Committee, thank you for the opportunity to present the views of the Kansas Grain and Feed Association regarding S.B. 6. I am Tom R. Tunnell, Executive Vice President of the Kansas Grain and Feed Association. Our Association is a voluntary not-for-profit trade association with members representing the entire spectrum of the grain storage, handling and processing industry in Kansas. Included in our membership are country and terminal elevators and flour mills which are owned by individuals, corporations and farm cooperatives.

A majority of the grain elevators represented by our association are licensed under the Kansas Grain Warehouse law, administered by the Kansas Grain Inspection Department. Additionally, all use the services offered by the grain inspection division of the department.

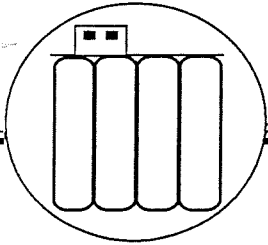
As Director Hamm has stated, S.B. 6 is the product of a study this past summer by the Special Budget Committee on the funding of the Kansas Grain Inspection Department. As I understand it, the purpose of the legislation is to provide for the unused portion of the \$200,000 currently charged the Department by the State to be returned which could be used to

help alleviate the financial crisis the Department now faces. The amount of additional funding to the Department S.B. 6 might provide is uncertain. However, this committee and the legislature must understand that the Kansas Grain Inspection Department is now in a funding death spiral and unless a solution is found soon the Department may cease to exist.

Our industry has dutifully paid higher grain inspection fees over the past several years to offset losses incurred by the warehouse division. Now, with competition available from a private inspection service, our member elevators may no longer be willing to do this. Further exacerbating the funding situation for the department is that the state does take \$200,000 annually plus it keeps all the interest on the reserve account (which in my opinion is tantamount to double taxation).

Our association favors S.B. 6 in its current or amended form if it would provide funding relief for the Department. Thank you and I would be willing to answer any questions.





# KANSAS GRAIN AND FEED ASSOCIATION

September 10, 1992

STATEMENT TO THE  
KANSAS LEGISLATIVE INTERIM  
BUDGET COMMITTEE

By

TOM R. TUNNELL, Executive Vice President

Kansas Grain and Feed Association

September 10, 1992

Mr. Chairman and Members of the Legislative Budget Committee:

I am Tom R. Tunnell, Executive Vice President of the Kansas Grain and Feed Association. Our Association is a voluntary trade Association representing all facets of grain storage, handling and processing in Kansas. Member firms include cooperative and independently owned country and terminal elevators as well as flour mills and multi-national grain exporters. Obviously our members have a great interest in the future funding of the Kansas Grain Inspection Department.

On July 20, 1992, KGID Director Lee Hamm gave you an overview of the funding dilemma facing the department. To focus your attention on some of the problems Hamm articulated in his testimony, consider the following:

**KGID**

- 1) All services provided by KGID are paid for by user fees—NO taxpayer funds are used;
- 2) KGID pays \$200,000 per year to the state general fund for personnel and legal assistance. Service provided to KGID by state last year cost the state \$79,067;
- 3) State keeps all interest from the department's reserve fund;
- 4) Kansas is the only state that does not provide general fund funding of warehouse division.

**Warehouse Division**

- 1) Law requires elevators be state or federally licensed;
- 2) State law requires one warehouse examination per year;
- 3) State license fees already equal or exceed federal fees;
- 4) State licensed facilities dropped from 669 in 1980 to 405 in 1992;
- 5) In FY1992 Warehouse Division lost \$133,325.77.

**Grain Inspection Division**

- 1) Grain Inspection Service is official and is supervised by FGIS;
- 2) Permissive service, i.e. grain trade has choice whether to use;
- 3) In FY1992 the Inspection Division lost \$318,442;
- 4) An unofficial service has begun in Kansas City providing price competition to KGID.

As you can see, with new competition coming from unofficial grain inspection companies the department's funding dilemma only becomes more exacerbated. At their meeting on August 15, 1992, the KGFA board of directors decided that in the near term the state of Kansas should at least be willing to reduce the annual amount charged KGID from \$200,000 to \$100,000 and begin paying interest on the department's reserve account. As of June 30, 1992, the department's reserve account was \$1,756,919 down \$451,768 from the same date last year.

In closing the Kansas grain industry has dutifully paid for all services provided by KGID plus paying several hundreds of thousands of dollars to the state general fund over the years. Now the department is in serious financial condition and it is our industry's belief that it is time for the state to start helping fund the department.

Thank you for your attention.

STATE OF KANSAS

BOB VANCNUM

SENATOR, ELEVENTH DISTRICT

OVERLAND PARK, LEAWOOD,

STANLEY, STILWELL, IN

JOHNSON COUNTY

9004 W. 104TH STREET

OVERLAND PARK, KANSAS 66212

(913) 341-2609



TOPEKA

COMMITTEE ASSIGNMENTS

VICE-CHAIRMAN: ENERGY AND NATURAL RESOURCES

MEMBER: WAYS AND MEANS

JUDICIARY

SENATE CHAMBER

STATE CAPITOL

TOPEKA, KANSAS 66612-1504

(913) 296-7361

TESTIMONY OF SENATOR BOB VANCNUM  
TO  
THE SENATE WAYS AND MEANS COMMITTEE  
SENATE BILL 186  
FEBRUARY 22, 1993

The second bill that I am testifying on today is a very straightforward bill. It simply provides that a Governor cannot increase the total number of state employees above the number employed on January 1, 1993, unless (1) such increases are offset by reductions in other positions (2) the increase is given specific prior written approval by the Governor or (3) the position has to do with law enforcement correction, probation, parole or child support enforcement. This is a fairly simple bill that does require some oversight or accountability in managing the total number of positions in the classified and unclassified service by the Governor.

It may perhaps be argued that the Governor always has oversight through the Governor's recommendation on these issues. The truth is that in many of our state departments, positions are created either by federal funding fee funding or special projects positions without any specific plan on the part of the Governor or anyone else to address the overall growth in the number of state employees.

It is true that the governor has actually reduced in her original recommendation the total number of positions authorized for FY '94. This does not remove the reason for the bill. It may actually mean that this is an ideal time to clamp on a lid. My citizens feel it is long since time that we should say enough is enough. The number of state employees in Kansas in the 1980's, grew at a rate several times the rate of growth in either our population or our tax base. In fact we led the midwest in such growth. We tend to create new position in budgets without ever considering whether all existing positions are really needed. We need a much strong mechanism for addressing this problem and that is the reason for Senate Bill 186.

I will of course be happy to respond to any questions.

SWAM  
February 22, 1993  
Attachment 8



Testimony To The  
SENATE WAYS AND MEANS COMMITTEE

By  
Nancy M. Echols  
Division of Personnel Services  
Department of Administration

Monday, February 22, 1993  
RE: Senate Bill 186

Mr. Chairperson, members of the committee, thank you for this opportunity to present testimony regarding Senate Bill 186. My name is Nancy Echols, and I am the Director of the Division of Personnel Services in the Department of Administration.

Senate Bill 186 requires the written approval of the Governor to fill positions in the classified and unclassified service under the Kansas Civil Service Act in the executive branch of state government. The bill also sets a limit on the total number of state employees in all branches of government, with some positions being excluded.

Based on the current rate of all types of appointments, in the executive branch, the Governor would be receiving an average of 1,249 requests per month. This would include unclassified faculty at the institutions under the Board of Regents. This average does not reflect student employees, where the appointments are as high as 5,000 annually. Each approval would then have to be filed with the Secretary of State. These procedures would place a heavy burden on

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February 22, 1993  
Attachment 9

the Governor's Office as well as the Office of the Secretary of State.

This process may also cause a delay in filling positions. If the Governor had to authorize every appointment, the state might continually be operating short-handed, and agency management could not react appropriately in the event an emergency or temporary appointment was needed.

Delays in filling positions could hinder productivity, efficiency and services provided. These delays could be especially detrimental to health, safety and social service functions. These types of agencies must be able to respond quickly to the needs of their clientele, but cannot control the number of clients they serve.

This legislation would also limit the number of persons employed in the classified and unclassified service under the Kansas Civil Service Act in all state agencies, including legislative and judicial branches. This would actually result in a decrease in the current number of state employees because positions are related to full-time equivalents (FTE). Currently, the number of employees exceeds the number of positions by 2,136 due to part-time employees and job sharing. If Senate Bill 186 passes, reducing the number of persons to equate to the FTE would have to be done by attrition or more likely layoffs.

By allowing no flexibility in workforce size, the state would not be able to respond to future service needs of the public. Requiring the Governor's signature for every appointment would only increase unnecessary paperwork and decrease efficiency in state government.

Thank you for allowing me this time. I would be happy to answer any questions.

BOB VANCURUM

SENATOR, ELEVENTH DISTRICT

OVERLAND PARK, LEAWOOD,

STANLEY, STILWELL, IN

JOHNSON COUNTY

9004 W. 104TH STREET

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(913) 341-2609



TOPEKA

SENATE CHAMBER

STATE CAPITOL

TOPEKA, KANSAS 66612-1504

(913) 296-7361

COMMITTEE ASSIGNMENTS

VICE-CHAIRMAN: ENERGY AND NATURAL RESOURCES

MEMBER: WAYS AND MEANS

JUDICIARY

TESTIMONY OF SENATOR BOB VANCURUM  
TO  
SENATE WAYS AND MEANS COMMITTEE  
SENATE BILL 185  
FEBRUARY 22, 1993

Senate Bill 185 would establish a new incentive bonus plan to reward all employees in an agency who work together to reduce their agency's expenditures below the amount actually appropriated for a given fiscal year. It is essentially similar to House Bill 2661 that passed the House late in last session.

The bill is modeled as much as is feasible after successful profit sharing plans that are used in private business to reward employees for working more efficiently and generating more to the bottom line. The bill does exclude from bonus calculation all amounts for aid to local government, capital improvements, bond and debt service, lease payments and contract payments, on the theory that savings in these areas probably were not due to additional efforts or creativity on the part of the employees of the agency.

Although the agency head retains the discretion as to whether to pay the bonus with respect to a given year, the bonus, if paid, must be divided among all eligible officers and employees of the agency pro-rata based upon their proportionate compensation, and it cannot exceed 10% of the amount by which actual spending is reduced under the amount appropriated.

There has been a lot of misinformation about this bill over the last several years. I agree that the fiscal note is difficult if not impossible to determine since it depends upon the amount any agency is able to reduce their budget. I would also agree that as tight as the budgets have been this year, it is unlikely that any bonuses will be paid. There has been a suggestion in the past that it is unclear who administers the program. I do not understand nor agree with this criticism. It is very clear that as the bill is drafted the agency head will have sole discretion over the administration of the program.

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February 22, 1993

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Another criticism that surfaced in past years was that an agency head who was planning to retire might choose to destroy the long term effectiveness of his agency by holding open positions, blocking any purchases and thereby pocketing a severance pay bonus when he wouldn't be around to pick up the pieces in the following year. The bill does contain language that delays any payments under the plan until the following March 1. This should at least make the agency head suffer through the next year.

It is true that there is a state employee merit bonus plan in effect. I'm not suggesting that we repeal this plan or bonus payments to employees who make cost saving suggestions. As I see it the two plans are entirely compatible. The other plan is entirely discretionary with the agency, and does allow some direct incentive for those that make suggestions as to savings that do not affect others. However, some of the best cost saving suggestions affect many more employees than the one who makes the suggestion and in fact may effect every employee in the agency who will have to work harder or do without some piece of equipment or upgrade in furniture, etc. In short, I think this may be a much more effective bonus program than the earlier one but I see no reason to have it replace the existing merit bonus plan. Some have suggested that perhaps we should put the administration of this plan with the same commission that administers the merit bonus plan. This is certainly an option to be considered. I think it would hurt the plan to take away the control the agency had over the program.

There has been a suggestion by KAPE that the bill should be amended to require the agency head to make the distribution unless there is a determination made by the Governor or some other third party because of unforeseen demand upon the agency the bonus should not be made. I think the suggestion has some merit and should be considered by the committee. I believe that KAPE is here to support the bill with one amendment. I have not taken time to line up proponents because I think the concept is pretty well known in the legislature and has wide support in the public.



1300 South Topeka Avenue Topeka, Kansas 66612 913-235-0262 Fax 913-235-8788

TESTIMONY ON SB 185 OF BRAD E. AVERY  
EXECUTIVE DIRECTOR  
KANSAS ASSOCIATION OF PUBLIC EMPLOYEES

The Kansas Association of Public Employees has traditionally favored measures which provide incentives to state employees to work more efficiently and thereby produce benefits for the State of Kansas and themselves.

The Association therefore supports SB 185, with certain reservations that I will discuss.

By making a cash distribution of a percentage of unexpended appropriations, the bill would allow employees to share in the fruit of their efforts to save taxpayer money when agency expenditures were less than appropriations within a given fiscal year.

On a broader scale, the idea is similar to the employee award program now in existence which bestows cash awards of up to \$5,000.00 upon individual employees who provide ideas that save an agency money. That program is administered by the Employee Award Board, which makes the determination of whether a money-saving idea submitted by an individual to an agency merits a cash award. If the Board so determines, the employee is entitled to 10 percent of the amount saved



up to \$5,000.00.

It has been my personal experience that the program has generated ideas that have saved agencies hundreds of thousands of dollars. Unfortunately, its major flaw is that the law does not make the agency which has benefitted from the idea supply the award money once the Board has made a determination that an employee is eligible. I have personally represented two individuals before the Claims Against the State Committee because the Board had made an award but the agencies involved would not pay it.

Similarly, SB 185 does not make bonus payments mandatory. Its current language states that the agency may make them and does not specify any conditions under which the payments would be or not be made. I am sure most people would agree that the prospect of financial award can be a disincentive if employees make an effort to save money but there is no payoff at the end.

KAPE therefore proposes that the language attached to this statement be substituted in Section 1(a). It would require that bonus payments be made by the agency unless unforeseen demands upon its budget arose. Any determination that payments not be made would be the responsibility of the governor 30 days prior to the end of the state fiscal year.

Although the option is given to the governor of not making payments, he or she would be wise to withhold them only under truly exceptional circumstances that the employees of the agency can understand.

Upon reviewing the formula for distributing the bonus payments stated in subsection (c), it is KAPE's position that it would be fairer and simpler to determine the amount of bonus payment by simply dividing the amount of money available by the number of employees eligible to participate

As pointed out earlier, there are currently incentive programs for individuals who are able to make money-saving suggestions. If this bill is designed to award overall efficiency, the distribution of bonus payments should not discriminate based upon the level of income.

A third factor to consider is whether in large agencies, its various components should be awarded or not awarded based upon their individual performances rather than the agency's as a whole. Facilities such as state hospitals or correctional facilities often function as separate agencies, even though they are also part of a larger unit.

The bill currently does not define a "state agency," and it would be wise for the committee to consider whether major components of larger agencies should be treated separately. It is our experience that employees consider themselves first as an employee of the institution where they work and second an employee of the larger agency.

Tying a potential bonus payment to the performance of the agency as a whole would likely lessen the incentive to achieve specific savings within an entity that has its own separate identity.

Section 1(a) There is hereby established a state employee fiscal bonus program for the purpose of encouraging efficiency and economy in state government operations. Except as otherwise provided in this section, each state agency which has expenditures and encumbrances of moneys which were appropriated for the fiscal year ending June 30, 1984, or any fiscal year thereafter that are less than the amount authorized for such fiscal year by appropriation act, including any supplemental authorization for such fiscal year by appropriation act, shall make bonus payments to eligible officers and employees of such agency in accordance with this section, unless prevented from doing so as the result of unforeseen demands upon the agency's budget. Any determination that the agency not make said payments shall be made by the governor no later than 30 days preceding the end of the state fiscal year.



**Testimony To The  
WAYS AND MEANS COMMITTEE**

**By  
Nancy M. Echols  
Division of Personnel Services  
Department of Administration**

**Monday, February 22, 1993  
RE: Senate Bill 185**

Ms. Chairperson, members of the committee, thank you for this opportunity to present testimony regarding Senate Bill 185. My name is Nancy Echols and I am the Director of the Division of Personnel Services in the Department of Administration.

Senate Bill 185 establishes a state employee fiscal bonus program. This bill provides that each state agency may make bonus payments to eligible officers and employees of that agency if the agency expenditures were less than the fiscal year appropriations. The total amount available for bonus payments would be ten percent of the actual savings. Since agency participation in the program is not mandatory, employees of those agencies not participating would not receive bonus payments. Discretionary participation defeats the purpose of the Civil Service Act and could be viewed as discriminatory.

If the agency participates, the bill further stipulates that the total bonus amount would be distributed among all eligible agency employees. The bonus payment for each employee would be the amount equal to that portion of the bonus amount that has the same relationship to the total bonus amount as the employee's compensation to the total

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February 22, 1993  
Attachment 12

compensation of eligible employees, or ten percent of the employee's annual salary, whichever is less.

The bonus is considered compensation and would be subject to employee and employer payroll tax deductions except for KPERS. Additionally, the Fair Labor Standards Act would consider the bonus payment as regular pay which would increase the overtime pay rate for non-exempt employees.

This formula for calculating employee bonus amounts does not take into consideration which employees were more productive nor does it directly reward employees who may have contributed to the agency savings. The bill as stated rewards all employees of an agency. Therefore, employees of a division that overspent their appropriation are rewarded equally with employees of a division that saved the agency money.

Additionally, this bonus program rewards employees of small agencies more because their salaries would be a larger portion of the agency's compensation costs. Therefore, those employees would receive a larger portion of the agency bonus amount than employees of larger agencies who may have had greater savings. For example, an employee earning \$20,000 would receive a higher percentage of the bonus in an agency with compensation costs of \$150,000 than in an agency with compensation costs of \$5,000,000.

Finally, the bonus program may cost more to implement and manage than employees would receive in actual payout. For example, if an agency with 100 employees expended \$75,000 less than authorized, the bonus pool is ten percent of \$75,000 or \$7,500. If each employee's percent of salary to total salary averages approximately .5 percent, then each employee, assuming they are eligible, would receive only a \$37.50 bonus payment before normal payroll deductions. The actual bonus to employees may be very little while the administrative costs may be significant. Administrative costs include initial payroll processing changes and the actual on-going processing of bonus checks. Each agency participating in the program would have to determine eligible employees and calculate bonus payments.

Thank you for allowing me this time. I would appreciate your consideration of the issues I have presented and be happy to answer any questions you may have.



**DEPARTMENT OF ADMINISTRATION**  
**DIVISION OF ACCOUNTS AND REPORTS**

JOAN FINNEY  
Governor

JAMES R. COBLER  
Director of Accounts and Reports

900 Jackson, Room 251  
Landon State Office Building  
Topeka, KS 66612-1220  
(913) 296-2311  
FAX (913) 296-6841

February 22, 1993

The Honorable August "Gus" Bogina, Jr., Chairman  
Senate Ways and Means Committee  
State Capitol - Room 120-S  
Topeka, Kansas 66612

Dear Senator Bogina:

My comments for testimony regarding the state employee fiscal bonus program, Senate Bill 185, are as follows:

**General Comments:**

It is assumed that the Division of Accounts and Reports will be responsible for a portion of the duties mandated in SB 185, although there is no authority granted in the language of the bill for either the Secretary of Administration nor the Director of Accounts and Reports to establish procedures or regulations for implementation of the program or to pay the bonuses from either the payroll or accounting systems.

The bill does not specify who will be responsible for resolving policy issues or disputes regarding the bonus recipients or for performing the calculation methods used in determining the bonus.

The proposed legislation must be in accordance with K.S.A. 75-3731 which issues a mandate for the Director of Accounts and Reports to "...examine and audit every receipt, account, bill, claim, refund and demand on the funds in the state treasury arising from activities carried on by state agencies." It further states that the administrative head of state agencies or his or her authorized representative shall certify that "...the amount claimed is correct...and unpaid."

**Issues Related to Administration of the Bonus Program:**

On the surface, the language of the bill appears to present a straightforward definition of what constitutes "savings" for use in computing employee bonuses. However, from a practical standpoint determining actual "savings" may prove much more

SWAM  
February 22, 1993  
Attachment 13

The Honorable August "Gus" Bogina, Jr., Chairman  
Senate Bill No. 185  
February 22, 1993  
Page 2

difficult. The following are several issues which should be considered before passage of the legislation:

Issue #1: "Savings" per SB 185 may in fact not truly represent savings at all since the State of Kansas does not employ a full accrual accounting basis for expenditures.

**Example:** Assume an agency purchases office supplies periodically to fill its usage needs for a given period of time. If one of these purchases is normally toward the end of a fiscal year the entire expenditure comes from current fiscal year funds even though some portion of the benefit of the expenditure actually is realized in the next fiscal year. If an administrative decision is made to delay the purchase of the supplies until the next fiscal year and thus avoid using current year funds, artificial savings in the current year would result. In this case "savings" as defined in SB 185 would occur (and bonuses potentially paid), but only as a result of delayed expenditures not as a result of "true savings".

Issue #2: While it is a simple matter to calculate the difference between authorized expenditures and actual expenditures including encumbrances, problems arise when attempting to remove certain expenditures specifically excluded from the definition of "savings" in the bill.

**Example:** The exclusions for aid to local units, capital improvements, and bond and other debt service payments including reserves can be identified within the central accounting system because they are specific types of expenditures which represent specific expenditure subobjects within the accounting system.

The exclusions for lease and other payments for contractual obligations, and monies restricted by statute or contract are of a more general nature which cannot readily be identified because they occur in various expenditure classifications within the central accounting system which also include expenditures which are not excluded within the definition of the bill.

Issue #3: The bill does not address or define the criteria or procedures to be used to evaluate whether or not "savings" is actually a result of management of operations and activities of the agency or to evaluate the causes of savings that would be considered outside the control of the agency.

Without clear explanations for these items the definition of "savings" is susceptible to broad interpretations which could



The Honorable August "Gus" Bogina, Jr., Chairman  
Senate Bill No. 185  
February 22, 1993  
Page 3

materially affect the computed amount of bonus payments to employees.

Issue #4: The bill does not mandate the implementation of the bonus program. Rather it is the individual agency's choice as stated in the following language, "If a state agency decides (emphasis added) to make bonus payments under this section...".

Inequities could result between state employees which perform the same duties for the same amount of pay but who work for different agencies.

**Effects on the Operations and Responsibilities of the Division of Accounts and Reports:**

SB 185 will have a significant impact on the operations and responsibilities of the Division of Accounts and Reports, specifically within the Payroll Section. There would be additional workload on Payroll Section staff and implementation would require modifications to both the statewide KIPPS payroll system and the Regents payroll system(s).

There would also be additional workload created in identifying, programming, and reporting the "savings" for use in computation of bonus payments. The staffing resources required cannot be determined at this time because of the issues discussed previously in regard to determination of "savings" and would require a further detailed analysis of the bill's requirements.

**Estimated Cost:**

General: The cost estimate provided herein relates only to the necessary changes within the KIPPS payroll system to accommodate bonus payments, and does not include an estimate of the costs of identifying and reporting the amount of "savings" to be used as a basis for the bonus computation.

Programming: Preliminary estimates from the Division of Information Systems and Communications for the required programming modifications to the KIPPS payroll system indicate that central management system cost \$56,160 for recognition and expansion of income categories.

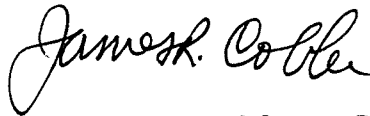
No estimate is provided for the cost of modifications to the seven Regents payroll system(s) to accommodate bonus payments.

The Honorable August "Gus" Bogina, Jr., Chairman  
Senate Bill No. 185  
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Page 4

Programming costs related to identifying and gathering data not currently available could be significant but cannot be estimated at this time.

If you need additional information, please contact me.

Very truly yours,

A handwritten signature in cursive script, reading "James R. Cobler".

James R. Cobler, Director  
Division of Accounts and Reports

JRC:SLF:cv

DEPARTMENT OF ADMINISTRATION  
DIVISION OF ACCOUNTS AND REPORTS  
ESTIMATED COMPARISON OF STATEWIDE COST ALLOCATION PLAN TO SGF DEPOSITS UNDER REQUIREMENTS OF SB #6  
FOR FISCAL YEAR ENDING JUNE 30, 1992

AGY #	AGENCY NAME	FUND #	FUND NAME	ACTUAL 20% DEPOSITS TO SGF YTD 6/30/92	PERCENTAGE OF ALLOCATION APPLICABLE TO SPECIFIC FUND	ESTIMATED TRANSFER (WHERE ( ) = DUE FROM SGF)
016	ABSTRACTERS' BOARD OF EXAMINERS	2700	ABSTRACTERS FEE FUND	\$ 3,983.00	\$ 4,772.00	\$ 789.00
028	BOARD OF ACCOUNTANCY	2701	ACCOUNTANCY FEE FUND	45,900.40	7,268.00	(38,632.40)
046	BOARD OF AGRICULTURE	2582	KANSAS CORN COMMISSION FUND	13,820.00	12.44	(13,807.56)
		2583	KANSAS GRAIN SORGHUM COMMISSION FUND	7,800.00	12.44	(7,787.56)
		2584	KANSAS SOYBEAN COMMISSION FUND	18,430.00	12.44	(18,417.56)
			TOTAL AGENCY	40,050.00	37.32	(40,012.68)
094	BANK COMMISSIONER	2811	BANK COMMISSIONER FEE FUND	200,000.00	21,966.53	(178,033.47)
100	KANSAS BOARD OF BARBERING	2704	BARBER EXAMINERS FEE FUND	25,522.90	7,882.00	(17,640.90)
102	BEHAVIORAL SCIENCES REGULATORY BOARD	2730	BEHAVIORAL SCIENCES REGULATORY BD FUN	82,115.40	23,073.00	(59,042.40)
105	STATE BOARD OF HEALING ARTS	2705	HEALING ARTS FEE FUND	199,993.00	17,775.00	(182,218.00)
143	CORPORATION COMMISSION	2019	PUBLIC SERVICE REGULATION FUND	200,000.00	51,505.81	(148,494.19)
		2023	GAS PIPELINE INSPECTION FEE FUND	2,545.25	2,207.59	(337.66)
		2130	CONSERVATION FEE FUND	200,000.00	49,579.44	(150,420.56)
			TOTAL AGENCY	402,545.25	103,292.84	(299,252.41)
149	KANSAS STATE BOARD OF COSMETOLOGY	2706	COSMETOLOGY FEE FUND	69,376.16	18,430.00	(50,946.16)
159	STATE DEPARTMENT OF CREDIT UNIONS	2026	CREDIT UNION FEE FUND	150,278.83	9,063.00	(141,215.83)
167	DENTAL BOARD	2708	DENTAL BOARD FEE FUND	33,249.20	7,814.00	(25,435.20)
204	STATE BOARD OF MORTUARY ARTS	2709	MORTUARY ARTS FEE FUND	33,689.75	7,266.00	(26,423.75)
258	GRAIN INSPECTION DEPARTMENT	2037	GRAIN INSPECTION FEE FUND	200,000.00	79,067.00	(120,933.00)
266	BOARD OF EXAMINERS OF HEARING AID DISP	2712	HEARING AID BOARD FEE FUND	3,200.00	6,223.00	3,023.00
288	STATE HISTORICAL SOCIETY	2234	LAND SURVEY FEE FUND	2,215.85	89.68	(2,126.17)
296	DEPARTMENT OF HUMAN RESOURCES	2124	WORKMENS' COMPENSATION FEE FUND	200,000.00	3,050.49	(196,949.51)
		2128	BOILER INSPECTION FEE FUND	71,381.11	266.55	(71,114.56)
			TOTAL AGENCY	271,381.11	3,317.04	(268,064.07)
391	KANSAS WHEAT COMMISSION	2071	KANSAS WHEAT COMMISSION FEE FUND	59,950.00	15,057.00	(44,893.00)
454	CONSUMER CREDIT COMMISSIONER	2078	CONSUMER CREDIT FEE FUND	91,552.16	9,042.00	(82,510.16)
482	BOARD OF NURSING	2716	BOARD OF NURSING FEE FUND	176,285.08	18,355.13	(157,929.95)
488	BOARD OF OPTOMETRY EXAMINERS	2717	OPTOMETRY FEE FUND	9,429.20	4,334.00	(5,095.20)
531	BOARD OF PHARMACY	2718	BOARD OF PHARMACY FEE FUND	78,382.80	8,580.00	(69,802.80)
549	REAL ESTATE COMMISSION	2721	REAL ESTATE FEE FUND	129,986.99	6,204.47	(123,782.52)
		2731	APPRAISER FEE FUND	38,303.03	694.39	(37,608.64)
			TOTAL AGENCY	168,290.02	6,898.86	(161,391.16)
597	SAVINGS AND LOAN DEPARTMENT	2820	SAVINGS AND LOAN FEE FUND	37,454.05	6,612.00	(30,842.05)
622	SECRETARY OF STATE	2664	UNIFORM COMMERCIAL CODE FEE FUND	179,079.15	29,127.85	(149,951.30)
625	OFFICE OF THE SECURITIES COMMISSIONER	2162	SECURITIES ACT FEE FUND	200,000.00	16,362.00	(183,638.00)
628	DEPT. OF SOCIAL AND REHABILITATION SERV.	2599	ALCOHOL AND DRUG ABUSE FEE FUND	1,155.00	0.00	(1,155.00)
663	STATE BOARD OF TECHNICAL PROFESSIONS	2729	TECHNICAL PROFESSIONS FEE FUND	57,822.00	9,645.00	(48,177.00)
677	JUDICIAL BRANCH	2724	BAR ADMISSION FEE FUND	21,962.06	1,167.75	(20,794.31)
		2725	COURT REPORTER FEE FUND	510.75	0.00	(510.75)
			TOTAL AGENCY	22,472.81	1,167.75	(21,305.06)
700	BOARD OF VETERINARY EXAMINERS	2727	VETERINARY EXAMINERS FEE FUND	20,332.40	8,859.00	(11,473.40)
				\$ 2,865,705.52	\$ 451,377.00	\$ (2,414,328.52)

SiwAM  
February 22, 1993  
Attachment 14

## SUBCOMMITTEE REPORT

Agency: Grain Inspection Department

Bill No. 2087

Bill Sec. 14

Analyst: Robinson

Analysis Pg. No. 369

Budget Page No. 224

<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	\$ 6,058,583	\$ 5,846,462	\$ 59,950
State General Fund	--	--	--
TOTAL	<u>\$ 6,058,583</u>	<u>\$ 5,846,462</u>	<u>\$ 59,950</u>
FTE Positions	150.0	150.0	--

### Agency Estimate/Governor's Recommendation

The agency requests a total of \$6,058,583 (excluding federal fees remitted) for FY 1993, an increase of \$253,000 over the amount approved. The agency indicates that a supplemental request of \$253,000 is necessary to comply with regulations of the Federal Grain Inspection Service (FGIS). The funds would be used to acquire ten whole grain analyzers and ten serial type printers to be used in conjunction with the whole grain analyzers. The FGIS has notified the Grain Inspection Department that the equipment must be purchased by June 30, 1993 for the agency to be in compliance with FGIS regulations. The equipment is used to determine the protein content of wheat and the protein and oil content of soybeans. The equipment is more accurate than the equipment currently used. The request would provide one machine for each of the eight field offices and would provide one backup machine each for the eastern and western halves of the state.

The Governor recommends FY 1993 expenditures of \$5,846,462 (excluding federal fees remitted), a reduction of \$212,141 from the amount requested by the agency. Recommended reductions are in the areas of salaries and wages (\$161,521), and capital outlay (\$50,600). The Governor recommends \$202,400 for the purchase of eight whole grain analyzers and serial printers (one for each of the eight field offices).

### House Subcommittee Recommendation

The House Subcommittee concurs with the recommendation of the Governor, with the following adjustment:

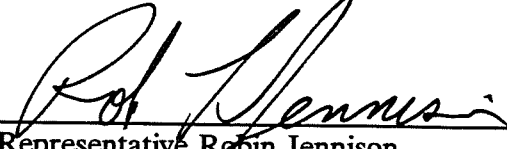
1. Increase the expenditure limitation on the Grain Inspection Fee Fund by \$59,950 to allow the Department to purchase one whole grain analyzer in addition to the eight recommended by the Governor. This would provide one backup machine in addition to the machines located in the field offices. In addition, the Department informed the Subcommittee that the cost of the machines and printers had increased from the \$25,300 estimated by the agency at the time of

SWAM  
February 22, 1993  
Attachment 15

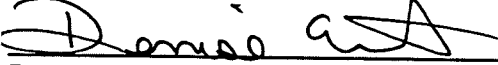
its budget submission to \$29,150. The Subcommittee's recommendation would provide an increase of \$3,850 per machine for the eight machines recommended by the Governor and \$29,150 for one additional machine.

The status of the fee fund, based on the recommendations of the Subcommittee is as follows:

<u>Resource Estimate</u>	<u>Actual FY 92</u>	<u>Agency Est. FY 93</u>
Beginning Balance	\$ 1,684,298	\$ 1,432,688
Net Receipts	5,040,922	5,525,333
Total Funds Available	\$ 6,725,220	\$ 6,958,021
Less: Expenditures	5,113,914	5,906,412
Federal Fees Remitted	178,618	220,000
Ending Balance	<u>\$ 1,432,688</u>	<u>\$ 831,609</u>

  
Representative Robin Jennison  
Subcommittee Chair

  
Representative Betty Jo Charlton

  
Representative Denise Everhart



## SUBCOMMITTEE REPORT

**Agency:** Grain Inspection Department

**Bill No.** 2086

**Bill Sec.** 4

**Analyst:** Robinson

**Analysis Pg. No.** 369

**Budget Page No.** 224

<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	\$ 5,386,656	\$ 5,616,330	\$ --
State General Fund	289,237	--	--
TOTAL	<u>\$ 5,675,893</u>	<u>\$ 5,616,330</u>	<u>\$ --</u>
FTE Positions	137.0	137.0	--

### Agency Request/Governor's Recommendation

The Grain Inspection Department requests FY 1994 expenditures of \$5,675,893 (excluding federal fees remitted), a reduction of \$382,690 from the revised FY 1993 estimate. For FY 1994, the Department proposes to eliminate 13.0 FTE positions, including 11.0 FTE in the Warehouse Division, and 2.0 in the Inspections Division. The positions proposed to be eliminated are two Grain Inspectors III, six Grain Weighers I, two Keyboard Operators I, one Agricultural Laboratory Technician I, and two Warehouse Examiners II. These 13.0 positions are currently vacant. The Department is requesting \$289,237 from the State General Fund.

For FY 1994, the Governor recommends expenditures of \$5,616,330 (excluding federal fees remitted), a reduction of \$59,563 from the agency's request. The Governor does not recommend any State General Fund financing for the agency.

### House Subcommittee Recommendation

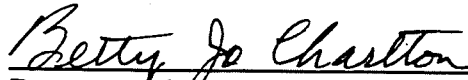
The House Subcommittee concurs with the recommendations of the Governor, with the following observation:

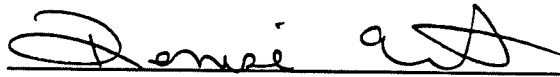
1. The House Subcommittee notes the agency's serious concerns with its fee fund balances. The Subcommittee does not believe, however, that State General Fund support for the agency would be appropriate at this time. The Subcommittee recommends an interim study on the continued need for a state-run warehouse program in light of the availability of federal licensing. The Subcommittee is aware that there could be substantial complications involved with discontinuing the state warehouse program, but believes that these potential problems could be better addressed during an interim study.

The status of the fee fund, based on the recommendations of the Subcommittee is as follows:

<u>Resource Estimate</u>	<u>Actual FY 92</u>	<u>Estimated FY 93</u>	<u>Estimated FY 94</u>
Beginning Balance	\$ 1,684,298	\$ 1,432,688	\$ 831,609
Net Receipts	5,040,922	5,525,333	5,530,817
Total Funds Available	<u>\$ 6,725,220</u>	<u>\$ 6,958,021</u>	<u>\$ 6,362,426</u>
Less: Expenditures	5,113,914	5,906,412	5,616,330
Federal Fees Remitted	178,618	220,000	210,000
Ending Balance	<u><u>\$ 1,432,688</u></u>	<u><u>\$ 831,609</u></u>	<u><u>\$ 536,096</u></u>

  
\_\_\_\_\_  
Representative Robin Jennison  
Subcommittee Chair

  
\_\_\_\_\_  
Representative Betty Jo Charlton

  
\_\_\_\_\_  
Representative Denise Everhart



DEPARTMENT OF ADMINISTRATION  
DIVISION OF ACCOUNTS AND REPORTS

JOAN FINNEY  
Governor

JAMES R. COBLER  
Director of Accounts and Reports

900 Jackson, Room 251  
Landon State Office Building  
Topeka, KS 66612-1220  
(913) 296-2311  
FAX (913) 296-6841

September 3, 1992

Ms. Diane Duffy  
Legislative Research Department  
Room 545-N, State Capitol  
Topeka, Kansas 66612

Dear Ms. Duffy:

RE: Indirect Cost Transactions

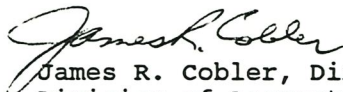
Pursuant to your request, we are forwarding a report of General Fund deposit made in FY 1992 which represents 20% of fees collected pursuant to K.S.A. 75-3170 by "fee" agencies. Also enclosed are several page excerpts from the David M. Griffith report of the allocated cost to the Grain Inspection Department for FY 1992 based on FY 1990 actual expenditures and a copy of the letter notice to them of the amount in the David M. Griffith report. You should bear in mind that the Griffith cost study was completed to comply with Federal Government guidelines in OMB Circular A-87 which does not allow for all costs. The state-wide cost study utilizes a two step allocation process:

First Allocation - Includes the actual operating expenditures for the agency, plus all allocated costs from other central service agencies which have been identified up to that point. Excluded from the allocation process are the unallowable items as defined by OMB A-87 such as capital expenditures, interest expense, and other general government costs including costs of the Legislature, Judicial, and Executive Branch agencies such as the Governor's Office, 50% of the Secretary of Administration's Office, 50% of the Legal Section, and a portion of the Division of Budget. This allocation step includes a cross allocation of costs to other central service agencies as well.

Second Allocation - A second allocation is performed to insure that the benefit of allocating central service costs is fully recognized. This is done by reallocating the cross allocation of costs within the central service agencies that occurred in the first allocation to agencies and is done subsequent to the agency's first allocation.

If you have any questions about these reports, please let us know.

Very truly yours,

  
James R. Cobler, Director  
Division of Accounts & Reports

JRC:MEE:cv

Enclosures

SWAM  
February 22, 1993  
Attachment 16

FY1992 20/80 SPLIT TO THE STATE GENERAL FUND

Per DAFR8930

AGY	FUND	FUND NAME	STATE GENERAL FUND YTD AMOUNT
016	2700	Abstracters Fee Fund	\$ 3,983.00
028	2701	Accountancy Fee Fund	45,900.40
046	2582	Kansas Corn Commision Fund	13,820.00
046	2583	Kansas Grain Sorghum Commission Fund	7,800.00
046	2584	Kansas Soybean Commission Fund	18,430.00
094	* 2811	Bank Commissioner Fee Fund	200,000.00
100	2704	Barber Examiners Fee Fund	25,522.90
102	2730	Behavioral Sciences Regulatory Board Fund	82,115.40
105	2705	Healing Arts Fee Fund	199,993.00
143	2019	Public Service Regulation Fund	200,000.00
143	2023	Gas Pipeline Inspection Fee Fund	2,545.25
143	2130	Conservation Fee Fund	200,000.00
149	2706	Cosmetology Fee Fund	69,376.16
159	2026	Credit Union Fee Fund	150,278.83
167	2708	Dental Board Fee Fund	33,249.20
204	2709	Mortuary Arts Fee Fund	33,689.75
258	2037	Grain Inspection Fee Fund	200,000.00
266	2712	Hearing Aid Board Fee Fund	3,200.00
288	* 2234	Land Survey Fee Fund	2,215.85
296	2124	Workmens' Compensation Fee Fund	200,000.00
296	2128	Boiler Inspection Fee Fund	71,381.11
391	2071	Kansas Wheat Commission Fee Fund	59,950.00
454	2078	Consumer Credit Fee Fund	91,552.16
482	2716	Board of Nursing Fee Fund	176,285.08
488	2717	Optometry Fee Fund	9,429.20
531	2718	Board of Pharmacy Fee Fund	78,382.80
549	2721	Real Estate Fee Fund	129,986.99
549	2731	Appraiser Fee Fund	38,303.03
597	2820	Savings & Loan Fee Fund	37,454.05
622	* 2664	Uniform Commercial Code Fee Fund	179,079.15
625	* 2162	Securities Act Fee Fund	200,000.00
628	* 2599	Alcohol & Drug Abuse Fee Fund	1,155.00
663	2729	Technical Professions Fee Fund	57,822.00
677	* 2724	Bar Admission Fee Fund	21,962.06
677	2725	Court Reporter Fee Fund	510.75
700	2727	Veterinary Examiners Fee Fund	20,332.40

STATE GENERAL FUND 20/80 SPLIT YTD AMOUNT \$ 2,865,705.52

\*These funds have 100% direct deposits to the State General Fund as well as 20/80 split deposits.

STATE-WIDE COST ALLOCATION PLAN  
FOR FISCAL YEAR ENDING JUN 30, 1992

Exhibit A

Dept. of Administration									
Sec. of Admin.						Accts. & Reports	Accts. & Reports		
Employ. Office	Archit. Services*	Purchas.	Personn.	Budget Analysis	Payroll	Admin. Acctg.	Treasurer	Total	
ADJUTANT GENERAL	-863	258	23453	10739	20127	8524	27434	1864	91536
AGING	-192	125	3000	3688	21169	900	8271	276	37237
AGRICULTURE	-1846	677	15092	40711	32492	2047	32132	3056	124361
ANIMAL HEALTH	-240	62	4348	4341	12859	1220	10528	1321	34439
ATTORNEY GENERAL	-335	187	6859	5036	15423	2556	21712	3914	55352
BOARD OF REGENTS	-96	299	4644	1567	9902	1065	3777	232	21390
BUR OF INVESTIG	-983	329	19817	21582	17321	6478	31	560	65135
CIVIL RIGHTS	-240	49	3839	4875	9049	1574	1772	92	21010
CONSERVATION	-48	187	10486	1017	28173	593	5679	355	46442
CORP COMM	-1654	403	13328	20846	35404	5100	59013	8171	140611
CORR VOC TRNG CTR	-623	0	934	-7091	-5829	2181	5602	166	-4660
CORRECTIONS	0	1559	51088	48792	61380	20949	56204	3326	243298
CORRECTIONS INDUSTF	-3715	0	-11789	6938	0	-22174	14	-2824	-33550
CRIME VICTIMS	-24	0	3287	-237	-3934	-361	39	-1355	-2585
ECONOMIC DEVELOP	-575	277	19003	13855	18554	3571	14606	1664	70955
EDUCATION	-1103	49	12238	22363	28863	6365	77340	4085	150200
EMPORIA STATE	-3739	203	51270	57268	14248	37652	59837	4127	220866
ELLSWORTH CORR	-263	-75	26596	33103	6111	7672	7841	683	81668
FIRE MARSHAL	-215	62	4003	4755	9998	860	3909	-75	23297
FT HAYS STATE	-3692	349	43900	56441	14248	39134	49035	4178	203593
GRAIN INSPECTION	-1031	685	37818	19871	8183	3027	8401	2113	79067
HEALTH & ENVIR	-3787	2030	-6240	91212	37044	23214	87478	16216	247167
HIGHWAY PATROL	-3692	1466	24384	113475	25651	35953	27041	2321	226599
HISTORICAL SOC	-863	299	13089	17584	27526	4422	14800	1157	78014
HUMAN RESOURCES	-5513	1601	21409	108798	9273	24546	61766	74284	296164
HUTCHINSON CORR	0	0	7909	14159	5631	6122	6895	378	41094
INDIGENTS DEFENSE	-288	-45	3470	7637	21169	2403	16283	1125	51754
INDUSTR REFORM	-2277	0	44860	48778	15223	11064	14715	691	133054
KAN ARTS COMM	-48	62	3818	1141	23695	869	2599	254	32390
KANSAS TECH COLL	-551	0	16699	9590	25108	5104	19484	1730	77164
KAN WATER OFFICE	-144	0	3485	2714	27224	2014	2220	846	38359
KSU	-25842	1881	221069	349202	10766	234922	265656	39934	1097588
KU	-25531	4943	134804	378367	12667	233637	192318	16285	947490
KUMC	-27782	935	-81259	470083	45771	291349	152858	21190	873145
LANSING CORR	-551	0	3585	-6278	-5829	1788	11091	150	3956
LARNED ST HOSP	-5490	0	36013	117718	14697	29417	23884	1743	217982
LEGIS EDUC	0	0	2179	0	0	155	283	-3	2614
LIBRARY	-144	-25	4398	3224	5796	705	5011	1288	20253
NEUROLOGICAL INST	-4722	0	24971	115732	10543	35880	37817	1959	222180
NORTON CORR	0	0	18805	22348	5631	8587	7437	337	63145
NORTON ST HOSP	-1582	0	-7801	-18006	-8679	-22365	35	-682	-59080
OSAWAT ST HOSP	-3787	0	38048	80993	12573	27546	19671	2010	177054
PARSONS ST HOSP	-3069	-1057	17324	66572	8419	18724	17427	1084	125424
PENITENTIARY	-4027	0	31118	-45830	26273	14841	30889	1020	54284
PITTSBURG STATE	-3596	29	43820	57842	14248	36916	58128	4005	211392
RAINBOW MNTL HLTH	-743	0	7788	15247	10449	2683	4246	336	40006
RECEPT & DIAG	-671	0	-3641	-7642	-5829	6662	5918	241	-4962
SCH FOR DEAF	-1006	0	13037	14495	9273	4290	20767	384	61240
SCH FOR VIS HAND	-528	0	13555	7900	17999	3811	12326	380	55443
SOLDIERS HOME	-815	0	-1697	-9278	-5829	-8650	125	-563	-26707
SRS	-17308	8085	91438	448667	71844	161571	990481	76969	1831747
TECH ENTERPRISE	-9293	-75	2663	682	15014	435	1800	79	11305
TOPEKA CORR	0	0	10008	23217	5313	0	0	0	38538
TOPEKA ST HOSP	-4050	0	22776	77502	10449	21827	22893	1608	153005
TRANSPORT	-18962	468	79719	410994	13749	99508	165439	34393	785308
VETERANS SVCS	-335	-242	13588	32982	2352	13092	7756	1168	70381
VOCATIONAL EDUC	-24	0	2546	117	2872	313	746	30	6600
WICHITA STATE	-9446	965	12115	136457	11625	75299	59505	5645	292165
WILDLIFE & PARKS	-2375	266	35599	52463	25871	16530	79018	14512	221884
WINFIELD CORR	0	0	7909	10029	5631	4213	3510	174	31466
WINFIELD ST HOSP	-5994	0	34448	127130	14793	26171	30499	1657	228704
YOUTH CTR-ATCH	-719	0	21336	14810	-6234	3309	4941	236	37679
YOUTH CTR-BELOIT	-600	0	20441	12288	-6234	2660	4038	190	32783
YOUTH CTR-TOPEKA	-1246	0	8420	28267	-6234	9149	13134	450	51940
ALL OTHER	385914	1239	313084	586156	856911	112960	131556	151777	2539597
TOTALS	167036	28510	1668303	4359998	1767946	1712579	3087661	514917	13306950

\* Lease Management Costs Only.



CENTRAL SVC DEPARTMENTS	(204) MORTUARY ARTS	(206) EMS BOARD	(234) FIRE MARSHALL	(246) FT HAYS	(247) PUBLIC DISCL	(252) GOVERNOR	(258) GRAIN INSP
BUILDING USE CH						\$11,644	
EQUIPMENT DEPRE							
SECRETARY OF AD	24-		215-	3,692-	24-	168-	1,031-
BUILDING AND GR						51,861	
ACCOUNTS AND RE							
ACCOUNTING SYST							
DATA PROCESSING							
ADMINISTRATIVE	603	1,826	3,141	39,221	268	2,302	6,738
PAYROLL	119	1,153	860	39,134	245-	2,412	3,027
ACCOUNTING AND	146	443	762	9,523	65	167,591	1,636
MUNICIPAL ACCOU		5	6	291	1	9	27
LEASING		62	62	349			685
PURCHASING	2,502	6,559	4,003	43,900	3,218	4,560	37,818
PERSONNEL	241	1,431	4,755	56,441	471	1,933	19,871
BUDGET	2,872	2,125	9,998	14,248	2,445	5,427	8,183
(570) TREASURER	807	1,282	75	4,178	38	139	2,113
TOTAL FIXED	\$7,266	\$14,886	\$23,297	\$203,593	\$6,237	\$247,710	\$79,067