

Approved: 03/22/94  
Date

## MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Rochelle Chronister at 7:00 a.m. on March 18, 1994 in Room 514-S of the Capitol.

All members were present except: Rep. Gilbert Gregory, excused

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

Conferees appearing before the committee: none

Others attending: See attached list

Chairman Chronister opened the meeting by calling for a motion introducing a bill dealing with the Buffalo Soldiers Veterans Memorial. (See Attachment 1). Rep. Helgerson so moved, seconded by Rep. Kline and carried.

The committee was to consider subcommittee reports appropriating monies for agency budgets detailed in **SB 679**. Rep. Helgerson read the reports for the FY 94 and FY 95 Human Rights Commission budgets. (See Attachment 2). Rep. Mead moved for adoption of the reports. The motion was seconded by Rep. Helgerson and carried by the committee.

The FY 94 and FY 95 subcommittee reports were given by Rep. Lowther for the Commission on Governmental Standards & Conduct's agency budgets. (See Attachment 3). Rep. Lowther made a motion to adopt the reports. Rep. Reinhardt seconded the motion and it carried.

Rep. Lowther gave the subcommittee's FY 94 recommendations for the Kansas Corporation Commission and Rep. Dean read the FY 95 report. (See Attachment 4). Rep. Dean moved to adopt both reports. Rep. Reinhardt seconded the motion and it carried.

Rep. Heinemann read the FY 94 and FY 95 reports for the Citizens' Utility Ratepayer Board (CURB) containing the subcommittee's recommendations for that agency. (See Attachment 5). Rep. Lowther moved for adoption of the FY 94 and FY 95 reports. His motion carried with Rep. Heinemann's second.

Rep. Heinemann read the KPERS (Kansas Personnel Employee Retirement System) FY 94 and FY 95 reports. (See Attachment 6). He then made a motion to adopt the reports. The motion was seconded by Rep. Teagarden and carried.

Rep.s Lowther and Reinhardt read the subcommittee recommendations for the Department of Administration's FY 94 and FY 95 budgets. (See Attachment 7). Rep. Everhart made a motion to strike the subcommittee's recommendation in FY 95 report Item #3 which encouraged the Secretary of Administration to take action on her own adopting the provisions contained in SB 778 with regard to employee leave. Rep. Dean seconded her motion which failed on a vote of 5-10. Rep. Lowther moved to adopt the FY 94 and FY 95 reports. Rep. Dean seconded the motion and it carried.

Rep. Pottorff moved to pass and favorably recommend SB 679 as it had been amended by the committee.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, Room 514-S of the Capitol, at 7:00 a.m. on March 18, 1994.

motion which failed on a vote of 5-10. Rep. Lowther moved to adopt the FY 94 and FY 95 reports. Rep. Dean seconded the motion and it carried.

Rep. Pottorff moved to pass and favorably recommend **SB 679** as it had been amended by the committee. Rep. Minor seconded her motion and it carried.

Staff from the Legislative Research Department had provided handouts for members on the status of the State Water Plan and Economic Development Initiative Funds. (See Attachments 8 & 9).

No further business appearing before the committee, the meeting was adjourned at 8:25 a.m. The next meeting is scheduled for March 21, 1994.

# 1994 Appropriation Committee Guest List

1	NAME	ORGANIZATION
2	Margaret Williams	KPERs
3	John G. Hume	"
4	Michael Brungardt	Ks Human Rts Comm.
5	Robert G. Say	Ks Human Rts Comm.
6	Brandon L. Myers	" " " "
7	Pat Higgins	D of A
8	Susan Deltzen	Display Adm.
9	Cindy Hermis	KCGSC
10	Carol Williams	KCGSC
11	D. Kettler	D of A
12	Tom Day	KCC
13	Norma Hudson	KCC
14	Beth Runnbaun	CULB
15	B. Mariani	Dept of Adm.
16	Sharon Boyland	SPX
17	Van Langford	DOB
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Fri, Mar 18, 1994

## HOUSE BILL NO.

By Committee on Appropriations

AN ACT relating to veterans memorials; authorizing a memorial to veterans of the 9th and 10th cavalry units which are known as the Buffalo Soldiers; amending sections 2 and 3 of 1994 Senate Bill No. 529 and repealing the existing sections.

Be it enacted by the Legislature of the State of Kansas:

New Section 1. (a) A memorial to veterans of the 9th and 10th cavalry units, which are known as the Buffalo Soldiers, may be placed on the grounds of the statehouse. If constructed, the memorial authorized by this section shall be located south of the statehouse at a site to be selected by the capitol area plaza authority. The memorial authorized by this section shall be constructed in accordance with design and architectural drawings reviewed by the division of facilities management of the department of administration and approved by the capitol area plaza authority. Additions and modifications to the memorial authorized by this section shall be constructed in accordance with design and architectural drawings reviewed by the division of facilities management of the department of administration and approved by the capitol area plaza authority. The state preservation officer shall serve in an advisory capacity to the capitol area plaza authority regarding the memorial authorized by this section.

(b) The selection of an architect for the memorial authorized by this section shall be made by the veterans memorial advisory committee and shall not be subject to the advertising and architectural selection provisions of K.S.A. 75-430a and 75-1250 et seq., and amendments thereto. The construction of the project for the memorial authorized by this section shall be competitively bid pursuant to applicable statutes or regulations in effect at that time.



Sec. 2. Section 2 of 1994 Senate Bill No. 529 is hereby amended to read as follows: Sec. 2. (a) There is hereby established the veterans memorial advisory committee which shall be composed of nine members as follows:

(1) Eight representatives of veterans organizations each appointed by the governor, with no more than two representatives selected from a single veterans organization; and

(2) the secretary of administration, or the secretary's designee.

(b) Each veterans organization may submit a list of at least three names for consideration by the governor in making an appointment. The governor shall consider each such list if timely submitted and may appoint from among those listed.

(c) The veterans memorial advisory committee shall serve in an advisory role to the secretary of administration and the capitol area plaza authority with regard to matters concerning ~~the memorial~~ memorials to veterans on the statehouse grounds. The veterans memorial advisory committee may also make recommendations to the governor and legislature regarding appropriate activities memorializing or commemorating veterans. The advisory committee may solicit grants, gifts, contributions and bequests for the memorial and shall remit all moneys so received for deposit in the state treasury to the credit of the veterans memorial fund in accordance with section 3 of 1994 Senate Bill No. 529, and amendments thereto.

(d) The members of the advisory committee shall organize annually by electing a chairperson and vice-chairperson. The advisory committee shall meet at least once each year upon call of the chairperson. The secretary of administration, or the secretary's designee, shall serve as secretary for the advisory committee. Members of the advisory committee appointed by the governor under this section shall serve at the pleasure of the governor.

Sec. 3. Section 3 of 1994 Senate Bill No. 529 is hereby amended to read as follows: Sec. 3. (a) The secretary of

administration is hereby authorized to receive grants, gifts, contributions or bequests made for the purpose of financing the construction ~~of--the--veterans--memorial--and--its--upkeep~~ and maintenance of memorials to veterans which are located on the grounds of the statehouse.

(b) There is hereby established in the state treasury the veterans memorial fund. Expenditures from the fund may be made for the purposes of constructing, updating and repairing the ~~memorial~~ memorials to veterans which are located on the grounds of the statehouse, for other purposes related to memorializing and honoring veterans and for such other purposes as may be specified with regard to any grant, gift, contribution or bequest. All such expenditures shall be authorized by the veterans memorial advisory committee and made upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary of administration or the secretary's designee. No public funds shall be used to construct or maintain the veterans memorial authorized by section 1 of 1994 Senate Bill No. 529, and amendments thereto, or the veterans memorial authorized by section 1 of this act, and amendments thereto. Construction of the veterans memorial authorized by section 1 of 1994 Senate Bill No. 529, and amendments thereto, shall not commence until the veterans memorial fund contains sufficient funds to complete the construction and to repair reasonably foreseeable damage to ~~the~~ such memorial. Construction of the veterans memorial authorized by section 1 of this act, and amendments thereto, shall not commence until the veterans memorial fund contains sufficient funds to complete the construction and to repair reasonably foreseeable damage to such memorial.

(c) Interest attributable to investment of moneys in the fund shall be credited to the veterans memorial fund. On or before the 10th day of each month, the director of accounts and reports shall transfer from the state general fund to the veterans memorial fund the amount of money certified by the

pooled money investment board. Prior to the 10th day of each month, the pooled money investment board shall certify to the director of accounts and reports the amount of money equal to the proportionate amount of all the interest credited to the state general fund for the preceding month, pursuant to K.S.A. 75-4210a, and amendments thereto, that is attributable to moneys in the veterans memorial fund. Such amount of money shall be determined by the pooled money investment board based on: (1) The average daily balance of moneys in the veterans memorial fund during the preceding month as certified to the board by the director of accounts and reports; and (2) the average interest rate on repurchase agreements of less than 30 days' duration entered into by the pooled money investment board for that period. On or before the fifth day of each month, the director of accounts and reports shall certify to the pooled money investment board the average daily balance of moneys in the veterans memorial fund during the preceding month.

Sec. 4. Sections 2 and 3 of 1994 Senate Bill No. 529 are hereby repealed.

Sec. 5. This act shall take effect and be in force from and after its publication in the Kansas register.

## SUBCOMMITTEE REPORT

**Agency:** Kansas Human Rights Commission      **Bill No.** --

**Bill Sec.** --

**Analyst:** Robinson

**Analysis Pg. No.** 867

**Budget Page No.** 326

<u>Expenditure Summary</u>	<u>Agency Est. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,379,119	\$ 1,379,119	\$ --
Special Revenue Funds	443,140	427,167	--
TOTAL	<u>\$ 1,822,259</u>	<u>\$ 1,806,286</u>	<u>\$ --</u>
 FTE Positions	 40.0	 40.0	 --

### Agency Estimate/Governor's Recommendation

The Commission estimates FY 1994 operating expenditures of \$1,822,259, an increase of \$19,222 over the amount approved by the 1993 Legislature as adjusted by State Finance Council action. The request includes a State General Fund supplemental of \$167,818 to make up for a loss of federal funds. The FY 1994 request includes \$1,379,119 from the State General Fund, \$423,918 from federal EEOC and HUD funds, and \$19,222 from other funds.

The Governor recommends FY 1994 expenditures totaling \$1,806,286, a reduction of \$15,973 from the amount estimated by the agency. The Governor concurs with the agency's request for supplemental funding of \$167,818 from the State General Fund.

### Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the Governor.

### Senate Committee Recommendation

Concur.

### Senate Committee of the Whole Recommendation


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

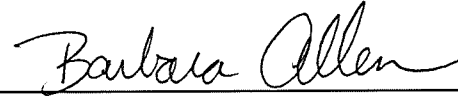
ATTACHMENT 2

<u>Expenditure Summary</u>	<u>Senate Adj. FY 94</u>	<u>Senate Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ --	\$ 1,379,119	\$ --
Special Revenue Funds	--	427,167	--
TOTAL	<u>\$ --</u>	<u>\$ 1,806,286</u>	<u>\$ --</u>
FTE Positions	--	40.0	--

#### House Subcommittee Recommendation

The House Subcommittee concurs with the recommendation of the Senate.

  
Representative Bob J. Mead  
Subcommittee Chair

  
Representative Barbara Allen

  
Representative Kent Glasscock

  
Representative Gilbert Gregory

  
Representative Henry M. Helgersen, Jr.

## SUBCOMMITTEE REPORT

Agency: Kansas Human Rights Commission Bill No. 679

Bill Sec. 4

Analyst: Robinson

Analysis Pg. No. 867

Budget Page No. 326

<u>Expenditure Summary</u>	<u>Agency Req. FY 95</u>	<u>Gov. Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,877,259	\$ 1,391,168	\$ --
Special Revenue Funds	530,150	557,289	--
TOTAL	<u>\$ 2,407,409</u>	<u>\$ 1,948,457</u>	<u>\$ --</u>
FTE Positions	60.0	45.0	(2.0)

### Agency Request/Governor's Recommendation

The Commission requests a total of \$2,407,409 for FY 1995, an increase of \$585,150 over the revised FY 1994 amount. The request includes funding of \$1,877,259 from the State General Fund and \$530,150 from federal funds. The request includes funding for 60.0 FTE positions, an increase of 20.0 over the number authorized for FY 1994. The Commission requests that 5.0 special projects positions be made permanent FTE, and requests an additional 15.0 new FTE positions.

The Governor recommends FY 1995 expenditures of \$1,948,457, a reduction of \$458,952 from the agency request. The Governor concurs with the agency's request to make the 5.0 special projects positions permanent, but does not recommend the addition of any other new positions. The Governor's recommendation includes \$125,000 to allow the agency to contract with individuals to prepare and investigate complaints.

### Senate Subcommittee Recommendation

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

1. Reduce the FTE position limitation by 2.0 FTE. The Governor's recommendation includes the conversion of 5.0 special projects positions (4.0 Investigators and 1.0 clerical position) to FTE positions. During its testimony to the Subcommittee, the agency indicated that it is in the process of planning and implementing some internal changes that are designed to better handle the existing case backlog. The Subcommittee believes that it would be appropriate to wait for one year and see how these changes impact the backlog of open cases before making all five positions permanent. At the same time, the Subcommittee recognizes that new filings are continuing to increase at a high rate. Therefore, the Subcommittee recommends concurring with the Governor regarding three of the special projects positions (2.0 Investigators and 1.0 clerical position). The Subcommittee recommends continuation of the remaining

two investigator positions as special projects positions until the impact of the agency's internal changes can better be determined.

2. The Subcommittee wishes to commend the agency on some of the changes it is considering regarding the backlog of open cases. Among the items mentioned by the agency is a third party mediation program. Under this program, the agency could contract with a privately funded non-profit corporation for the mediation of complaints. The agency is currently exploring this possibility with Kansas Legal Services. In addition, the agency noted its interest in H.B. 2574, which provides for the establishment of dispute resolution centers. The agency obviously recognizes that in times of limited financial resources, it is necessary to search for other methods of carrying out the functions and responsibilities imposed on the agency and should be commended for its efforts.
3. The Subcommittee recommends that the agency prepare some cost-benefit information regarding cases done on a contractual basis for the U.S. Department of Housing and Urban Development (HUD). The cases prepared by the agency for HUD bring in revenue of approximately \$1,100 to \$1,300 per case. The agency was unable to state, however, precisely what the preparation of those cases under the strict guidelines established by HUD costs the agency. The Subcommittee recommends that the House Subcommittee considering the agency's budget review the cost-benefit analysis to determine whether the contract with HUD is, in fact, advantageous to the agency and the state.
4. The Subcommittee reviewed the following performance measures submitted by the agency.

	<u>Actual FY 90</u>	<u>Actual FY 91</u>	<u>Actual FY 92</u>	<u>Actual FY 93</u>
Cases Filed	1,182	1,080	1,457	1,776
Cases Closed	1,206	1,115	1,176	1,418
Monetary Recovery	\$285,171	\$307,900	\$435,483	\$490,183
Staff Size	40.0	40.0	39.0	40.0

#### **Senate Committee Recommendation**

The Senate Committee concurred with the recommendation of the Subcommittee with the following clarification:

1. With regard to item number 1, above, the Committee recommends waiting for one year before making a determination as to whether the positions remaining as special projects should be made permanent.



### Senate Committee of the Whole Recommendation


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


<u>Expenditure Summary</u>	<u>Senate Adj. FY 95</u>	<u>Senate Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ --	\$ 1,391,168	\$ --
Special Revenue Funds	--	557,289	--
TOTAL	<u>\$ --</u>	<u>\$ 1,948,457</u>	<u>\$ --</u>
FTE Positions	(2.0)	43.0	--

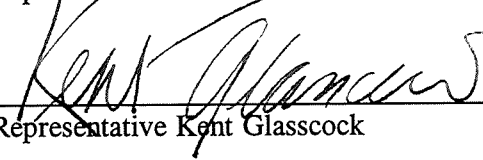
### House Subcommittee Recommendation

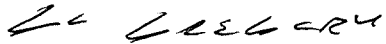
The House Subcommittee concurs with the recommendations of the Senate with the following observations:

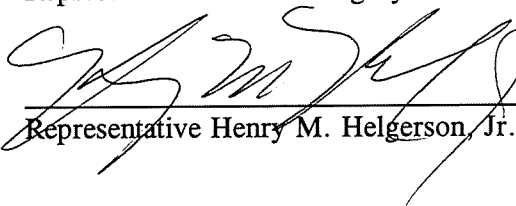
1. At the request of the Senate Subcommittee, the agency prepared a cost-benefit analysis regarding cases done on a contractual basis for the U.S. Department of Housing and Urban Development (HUD). The analysis showed that for fiscal years 1993 and 1994, the per-case costs to the agency were greater than the amount received from HUD. This was largely due to the fact that the agency lost credit for 34 cases in FY 1993, primarily because the cases were not completed in 100 days as required by the contract. The housing unit within the agency was created at the beginning of FY 1993, and some time was lost due to the training of the staff concerning the provisions of the housing law and how to satisfy the preparation requirements of case files for HUD. The agency believes that the problems with HUD have been resolved and that, beginning in FY 1995, the agency will actually begin to receive more than the cost it incurs in investigating those cases.
2. The Subcommittee notes that the Governor's recommendation includes funding of \$125,000 which would allow the agency to contract some of its investigative duties. The Subcommittee believes that some substantial cost savings could ultimately result from contracting out some investigations and encourages the agency to contract out as much of the work as possible.
3. The Subcommittee reviewed the mission statements and performance measures submitted by the agency, and requested that the agency prepare a list of definite strategies it will pursue during the coming year to more effectively deal with its backlog of open cases. The strategies submitted by the agency, as well as the mission statement and performance measures submitted by the agency are attached to this report.

  
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Representative Bob J. Mead  
Subcommittee Chair

  
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Representative Barbara Allen

  
\_\_\_\_\_  
Representative Kent Glasscock

  
\_\_\_\_\_  
Representative Gilbert Gregory

  
\_\_\_\_\_  
Representative Henry M. Helgeson, Jr.

# **KANSAS HUMAN RIGHTS COMMISSION**

## **Agency Mission:**

The Kansas Human Rights Commission is mandated by Kansas Statutes (K.S.A. 44-1001 et. seq.) to "eliminate and prevent discrimination." The agency is responsible for enforcing both the Kansas Act Against Discrimination and the Kansas Age Discrimination in Employment Act. The Kansas Act Against Discrimination (KAAD) protects citizens from discrimination in employment, housing, and public accommodations. Charges of alleged discrimination may be filed on the basis of race, religion, color, sex, disability, national origin or ancestry. In addition, charges of discrimination on the basis of familial status may be filed in housing cases. The Kansas Age Discrimination in Employment Act (KADEA) protects any individual 18 or over from discrimination in employment on the basis of age. Both laws protect those who have filed a complaint, participated in the investigation of a complaint or opposed actions believed to be in violation of the Act(s) from retaliation for such actions. Anyone claiming to be aggrieved has the right to file a complaint charging discrimination under the laws of Kansas.

The Commission is responsible for investigating all complaints filed. It is also responsible for holding public hearings when it is unsuccessful in conciliation of cases where the investigation has indicated there is probable cause to credit the allegations of the complaint. In addition to its enforcement/compliance activities, the Commission is also required by law (KAAD) to educate the public on civil rights laws, on what constitutes discrimination, how to obtain redress, and how acts of discrimination can be avoided.

## **Performance Measures:**

The identification of valid and reliable performance indicators to show whether the agency is accomplishing its mission to "eliminate and prevent discrimination" is very difficult. There is no reliable quantitative method that we know of for measuring discrimination. For example, does an increase in the number of complaints being filed mean there is an increase in the number of discriminatory acts, or does it mean that because of advancements in communication technology and a successful outreach program, more citizens seek out the agency for redress or, perhaps society is in a more aggressive and litigious mood than ten years ago. By the same reasoning, does a decrease in the number of complaints being filed indicate a decrease in the number of discriminatory acts, or does it mean the education and outreach program is unsuccessful and citizens do not know where and how to obtain redress or, perhaps they have lost faith in the ability of the State to protect their

rights? Does a high rate of case closures per month mean a successful investigative program, or does it mean lower quality investigative work? The correct answers to these and other similar questions are rather nebulous and difficult to answer.

There are some common factors, however, most often used by this agency and other similar agencies, that provide some insight on agency performance. The following chart shows some factors in agency performance over the past twelve years:

Fiscal Year	Staff Size	Cases Filed	Cases Closed	Monetary Recovery	Agency Budget
82	46.2	1,112	1,351	\$201,959	\$1,129,839
83	45.7	939	1,278	86,969	1,115,134
84	42.7	1,233	1,035	182,714	1,171,751
85	41.7	1,260	1,119	301,383	1,238,886
86	42.7	1,266	1,117	192,000	1,224,159
87	41	1,182	1,367	171,549	1,285,230
88	41	1,130	1,083	253,955	1,287,604
89	40	1,349	1,107	199,014	1,380,777
90	40	1,182	1,206	285,171	1,436,105
91	40	1,080	1,115	307,900	1,482,560
92	39	1,457	1,176	435,483	1,471,609
93	* 40	1,776	1,418	490,183	1,658,074

A number of conclusions may be drawn from the information in this chart. One interesting factor is the relationship between the enactment of new legislation giving broader jurisdiction and the number of complaints filed. For example, in FY 83 only 939 complaints were filed. On July 1, 1983, the Kansas Age Discrimination in Employment Act became effective which is probably the cause for the significant increase in FY 94 of 1,233 complaint filings. The next two years, FY 85 and FY 86, saw an increase in the number of complaints filed, then began a decline, except for FY 89, to a low of 1,098 in FY 91. The sharp increase in FY 92 and FY

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\* Does not include two special project positions

Kansas Human Rights Commission  
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93, we feel, is a reflection of the FY 91 and FY 92 amendments which greatly broadened the Agency's jurisdiction. In comparing budget costs to the number of cases closed, in FY 82 it cost an average of \$836 per case closure, while in FY 93, that cost would be \$1,169 per case closure, an increase of \$333 per case. However, considering costs of living, inflation, and increased salaries, the difference may be meaningless.

Historically, the Commission feels it has made significant progress in its efforts to eliminate and prevent discrimination. However, discrimination in Kansas and across the nation has changed and is constantly changing. Until FY 92, race had always been the leading basis for alleged discrimination. Now, however, sex discrimination is the leading basis, followed by disability, then race. New laws are passed and new case law is established, thus creating new social and economic pressure upon society. The Commission has discovered that while incidents of blatant discrimination due to race and ancestry have greatly decreased, discrimination is probably just as prevalent as a decade ago. However, it now occurs on a different basis and in a much more subtle, sophisticated form but has just as devastating economic and moral impact on the victims.

The expanded jurisdiction of the Commission to cover physical and mental disability, and familial status in housing, greatly increases the Commission's work load and its role in society. Due to these and many other factors, discrimination today is difficult to prove and to measure and requires a highly skilled professional staff and sufficient operating expenses to support the staff. Therefore, in the long term, we feel the Commission will continue to play a significant and expanding role in the declared policy of the State of Kansas, that is to eliminate and prevent discrimination, in whatever form it may appear.

# KANSAS HUMAN RIGHTS COMMISSION

## Agency Mission

The Mission of the Kansas Human Rights Commission is to eliminate and prevent discrimination and assure equal opportunities in the State of Kansas in all employment relations, to eliminate and prevent discrimination, segregation or separation, and assure equal opportunities in all places of public accommodations and in housing. The Agency Mission and purpose is established by the Kansas Act Against Discrimination, the Kansas Age Discrimination in Employment Act, and the Administrative Rules and Regulations.

The Agency has two programs, the Compliance and Education Program and Office of Hearing Examiner.

## Compliance and Education

### A. Mission

To eliminate and prevent discrimination in employment, public accommodations, and housing.

### B. Objectives

1. To maintain a statewide, aggressive education program to inform all citizens on what constitutes discrimination, the effects of unlawful discrimination, how to prevent discrimination, and how to obtain redress.
2. To provide prompt, professional, and appropriate service to all citizens who contact the agency for help.
3. To maintain an effective and efficient Intake service to reduce the number of non-jurisdictional and frivolous complaints.
4. To provide, through our Preliminary Investigation Conference Unit (PIC), the opportunity for early resolution of the complaint, within sixty days of the filing of the complaint.
5. On cases not resolved through the PIC Unit, to conduct a prompt and thorough investigation of all allegations in every complaint filed.
6. To render a timely and appropriate determination, well supported by evidence, of Probable Cause or No

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Probable Cause on all cases submitted to Commissioners for such determination.

7. To conduct a timely and effective conciliation effort on all cases determined to be Probable Cause.
8. To expeditiously refer to the Office of Hearing Examiner all Probable Cause cases in which conciliation efforts have failed.
9. To cooperate with all local, city, and county Human Rights agencies in their enforcement efforts to eliminate and prevent discrimination.
10. To cooperate and maintain good relations with Federal enforcement agencies, primarily the Equal Employment Opportunity Commission (EEOC) and the United States Department of Housing and Urban Development (HUD).
11. To cooperate with other state agencies and officials in their internal efforts to eliminate and prevent discrimination.
12. To encourage and maintain a positive relationship with Members of the Kansas Legislature and the Office of the Governor to encourage support for the Agency's budget and Legislative initiatives.
13. To reduce, and at some point in the future, eliminate the inventory of open cases awaiting investigation.

C. Strategies

1. Carry out a continuing, statewide education program.
2. Maintain an effective internal staff education and training program to keep abreast of current law and constantly evolving case law.
3. Maintain an employee awards and recognition program to encourage maximum effort and increase morale.
4. Maintain an effective recruiting program and selection process to assure a high-quality, professional staff.



5. Maintain an effective Employee Performance Evaluation system with clearly defined standards and expectations to assure a high-quality work product and sense of fairness.
6. Maintain an effective case monitoring and tracking system to insure confidentiality of information, timely processing, and currency of case status.
7. Maintain a professional, cohesive, and proactive management staff to assure efficiency in operations, and quality of work product.
8. Encourage employee input on increasing productivity, quality, and efficiency, and promote a spirit of teamwork.
9. Continue the internal audit and review of all agency case processing procedures, in management's on-going effort to "reinvent" agency procedures to achieve maximum effectiveness and efficiency.

Office of Hearing Examiner

A. Mission

1. To eliminate unlawful discriminatory employment, public accommodations, and housing practices in the State of Kansas by means of remedial orders. The Office of Hearing Examiner performs the adjudicatory functions for the Commission. When the Commission notifies the Hearing Examiner that a case has been approved for Public Hearing, it becomes the responsibility of the Hearing Examiner to schedule and preside over such quasi-judicial hearings and submit to the Commission an initial order (proposed findings of fact, conclusions of law and order) for the Commission's consideration. The Hearing Examiner also acts to encourage and facilitate voluntary agreements without the necessity for formal hearing.

B. Objectives

1. To expedite cases through the public hearing process and provide timely justice.
2. To schedule pre-hearing proceedings so that the public hearing can be held within sixty (60) days

after notification of hearing, given the schedules of the parties and their counsel.

3. To submit an initial order (proposed findings of fact, conclusion of law and order) to the Commission within thirty (30) days after the receipt of relevant transcripts and briefs.

C. Strategies

1. Since the proceedings of the Hearing process are strictly governed by statute and the Administrative Rules and Regulations, there is little flexibility to develop and carry out particular strategies.

**KANSAS HUMAN RIGHTS COMMISSION**

**FINANCIAL INFORMATION**

	FY 94		FY 95	
	Agency Request	Governor's Recommendation	Agency Request	Governor's Recommendation
Compliance & Education	1,686,768	1,670,692	2,277,584	1,831,228
Hearing Examiner	116,269	116,372	129,825	117,229
HUD Incentive	19,222	19,222	-0-	-0-
Total	1,822,259	1,806,286	2,407,409	1,948,457
Funding Source				
State General Funds	1,379,119	1,379,119	1,877,259	1,391,168
Federal Funds	423,918	407,945	530,150	557,289
HUD Incentive	19,222	19,222	-0-	-0-
Total	1,822,259	1,806,286	2,407,409	1,948,457
FTE	45	* 40	60	45

\* Does not include five (5) special project positions

(Note) Since the submission of the budget request in September 1993, the agency has modified its request for FY 94 and FY 95, and now concurs with the Governor's recommendation for both years.

## AGENCY INTERNAL OPERATIONAL STRATEGIES FOR FY 95

1. Carry out a continuing, aggressive, statewide education program.

We know of no way to quantify or to empirically measure what effect the education program will have upon the number of complaints being filed in the future. However, it seems reasonable to assume that at some point in the future, a strong education program directed at potential respondents will reduce incidents of discrimination, and the resulting complaints.

### Education Program Budget

There is no separate budget for the education program. The program is carried out by one fulltime staff member, titled Informational/Educational Representative II. We would estimate the costs of the education program to be as follows:

	<u>FY 93</u>	<u>FY 94</u>	<u>FY 95</u>
Salary & Wages	\$30,662	*\$23,458	\$29,960
Operating Expenses	3,560	3,727	3,810
Publications	4,518	5,585	5,685
Totals	<u>\$38,740</u>	<u>\$32,770</u>	<u>\$39,455</u>

\*This position was vacant for 3 months in FY 94 because the former staff person took a promotional position in another state agency.

2. Develop more effective screening at the complaint Intake Section.

Effective intake screening is directed toward preventing the filing of non-jurisdictional, frivolous complaints. The main problem, however, is that in many instances it is not possible to make that kind of determination at intake. Also, the agency must be very careful in the screening process so as to not violate a person's rights to file a complaint under the KAAD. The broad language of the statute states at 44-1005(a), "Any person claiming to be aggrieved by an alleged unlawful employment practice or by an alleged unlawful discriminatory practice may, personally or by an attorney-at-law, make, sign and file with the Commission a verified complaint. . ."

Developing effective screening methods is an ongoing process, which we feel is already having an impact on our caseload. For FY 94, the agency projected an average of 166 cases per month, based upon the number of filings in the last quarter of FY 93. However, as of the end of January, we are receiving an

Operational Strategies  
Page Two

average of 154 complaints per month. If this trend continues we would receive approximately 132 less cases in FY 94 than we had anticipated. We are hopeful our efforts will show a similar trend in FY 95.

3. Develop, in conjunction with Kansas Legal Services, a third party mediation program financed by private funds.

This is a program that is working in New York and several other areas and is a very real possibility for this agency. The program is still in the planning stages and it may not have any impact on FY 95. The results depend completely upon how many cases there are in which the parties are willing to use the process. In the New York project, 50-80 % of all cases going through the process are resolved. Based upon the results of their program, we may be able to resolve perhaps 90-100 cases in a year. This is, at this point, certainly open to surmise.

4. Backlog Review Project.

This project was commenced in September, 1993. The 100 oldest cases in the backlog of open cases, are pulled from the files and reviewed to determine if there any circumstances that have arisen since the case was placed in backlog, that would now make it possible to effect a proper closure. If so, appropriate steps are taken to close the case. If not, the complainant and respondent are again given the opportunity to let the agency assist them in resolving the case.

This project has had modest success, and has resulted in an average of (3) additional case closures per month. We expect this to continue into FY 95, though we may have to modify the number of cases reviewed each month as we reach the newer cases in the files. In addition to the case closures that have resulted, there is a positive, yet unmeasurable result, in that we have again maintained contact with the complainant, and in some instances gained valuable information that can be used later.

5. Increase Overall Agency Investigator Production.

The question on whether to increase Investigator annual performance standards is currently being studied by management staff, and several possibilities are being considered. This is a very sensitive matter for the agency, since any increase in production requirements immediately raises questions, perceptions, and even accusations that the agency is "watering

Operational Strategies  
Page Three

down" its investigations to achieve numbers of closures. We have maintained, and will continue to maintain the integrity and thoroughness of our investigation, and we will not sacrifice the quality of our work to achieve numbers. However, since on an agency average the Investigators are already producing significantly higher numbers of cases annually than required by current production standards, an increase in minimum performance standards may not produce significantly more cases. There are other measures also being considered, such as Employee Awards and Recognition Program, closer supervisor involvement in the investigations, increased technical training of staff, and to encourage a spirit of teamwork to accomplish the overall agency goals.

Management's goal in FY 95 with regard to this matter is to increase overall agency production through a combination of efforts that are primarily operational in nature, and are already within the scope and authority of management.

6. Monitoring Court Filings.

The agency is now, on a routine basis, monitoring the filing of civil cases in the district courts, to more quickly identify cases that can be properly closed due to filing in district court. This effort will not appreciably affect the overall backlog, but will assure a more timely action to close cases that would eventually be identified and closed at a later date.

RGL:ch

## SUBCOMMITTEE REPORT

**Agency:** Commission on Governmental  
Standards and Conduct

**Bill No. --**

**Bill Sec. --**

**Analyst:** Robinson

**Analysis Pg. No. 857**

**Budget Page No. 216**

<u>Expenditure Summary</u>	<u>Agency Est. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 270,118	\$ 270,118	\$ --
Special Revenue Fund	72,485	67,154	5,331
<b>TOTAL</b>	<u><u>\$ 342,603</u></u>	<u><u>\$ 337,272</u></u>	<u><u>\$ 5,331</u></u>
 FTE Positions	 6.0	 6.0	 --

### Agency Estimate/Governor's Recommendation

For FY 1994, the Commission estimates expenditures of \$342,603, as approved by the 1993 Legislature as adjusted for State Finance Council action. The Governor recommends \$337,272, a reduction of \$5,331 from the agency's revised estimate.

### Senate Subcommittee Recommendation

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

1. Restore funding of \$5,331 from the Governmental Standards and Conduct Fee Fund. The Governor's recommendation included a reduction in contractual services. The Commission indicated that it was currently involved in litigation and was in need of the funding. In addition, the agency indicated that it will need additional funding for communications in FY 1994. All state, county, and local candidates will receive several mailings during the fiscal year, and according to the agency it has already expended 80 percent of what was budgeted for communications. The Subcommittee's recommendation restores the same level of funding as approved by the 1993 Legislature.

### Senate Committee Recommendation

Concur.

ATTACHMENT 3



### Senate Committee of the Whole Recommendation

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

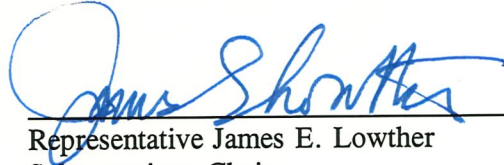
<u>Expenditure Summary</u>	<u>Senate Adj. FY 94</u>	<u>Senate Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ --	\$ 270,118	\$ --
Special Revenue Fund	5,331	72,485	--
TOTAL	<u>\$ 5,331</u>	<u>\$ 342,603</u>	<u>\$ --</u>
FTE Positions	--	6.0	--

### House Subcommittee Recommendation

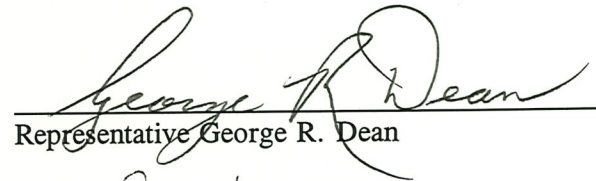
The House Subcommittee concurs with the recommendations of the Senate.

The status of the Governmental Standards and Conduct fee fund, based on the House Subcommittee's recommendation is set out below:

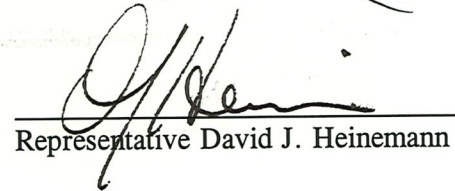
<u>Resource Estimate</u>	<u>Actual FY 93</u>	<u>Estimated FY 94</u>
Beginning Balance	\$ 50,697	\$ 14,519
Net Receipts	<u>83,845</u>	<u>65,990</u>
Total Funds Available	\$ 134,542	\$ 80,509
Less: Expenditures	<u>120,023</u>	<u>72,485</u>
Ending Balance	<u>\$ 14,519</u>	<u>\$ 8,024</u>




Representative James E. Lowther  
Subcommittee Chair



Representative George R. Dean



Representative David J. Heinemann



Representative Richard R. Reinhardt

# SUBCOMMITTEE REPORT

**Agency:** Commission on Governmental Standards and Conduct

**Bill No.** 679

**Bill Sec.** 3

**Analyst:** Robinson

**Analysis Pg. No.** 857

**Budget Page No.** 216

<u>Expenditure Summary</u>	<u>Agency Req. FY 95</u>	<u>Gov. Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 551,549	\$ 291,630	\$ 28,000
Special Revenue Fund	41,451	61,355	--
<b>TOTAL</b>	<u>\$ 593,000</u>	<u>\$ 352,985</u>	<u>\$ 28,000</u>
FTE Positions	*	6.0	--

\* The agency requests that the FTE position limitation be removed for FY 1995.

## Agency Request/Governor's Recommendation

The Commission requests FY 1995 expenditures of \$593,000, an increase of \$250,397 (73.1 percent) above the revised FY 1994 estimate. Requested increases over the revised FY 1994 amount include the following: \$185,252 for salaries and wages; \$42,035 for contractual services; \$2,110 for commodities; and \$21,000 for capital outlay.

The agency's FY 1995 request includes salaries and wages funding of \$456,892. The Commission currently has a 6.0 FTE position limitation. The request would provide an additional \$104,352 (including fringe benefits) for full-time personnel. The Commission requests that the FTE limitation be removed to provide the agency with greater flexibility and discretion to employ the positions most suitable for the agency's needs. The agency indicates that these positions would most likely be Financial Investigators and would include at least one Secretary I position. In addition, the Commission asks that \$106,166 be appropriated for special projects positions. The Commission also requests the discretion to determine the type and quantity of the special projects positions within the limits of funding. The agency's request would provide for monthly Commission meetings. The Commission is required by statute to meet at least quarterly.

Financing for the FY 1995 budget includes \$551,549 from the State General Fund and \$41,451 from the Kansas Commission on Governmental Standards and Conduct Fee Fund. To provide for greater flexibility, the Commission is requesting that the fee fund be appropriated as a "no limit" fund.

For FY 1995, the Governor recommends a total of \$352,985, a reduction of \$240,015 from the amount requested by the agency. The Governor's recommendation includes \$291,630 from the State General Fund and \$61,355 from the Kansas Commission on Governmental Standards and Conduct Fee Fund. The Governor does not recommend any of the new full-time positions requested by the agency, and does not recommend that the agency's FTE position limitation be removed. Funding of \$23,510 is

included for one special project position. The Governor recommends an expenditure limitation of \$61,555 on the agency's fee fund.

### **Senate Subcommittee Recommendation**

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

1. Add \$20,000 from the State General Fund for special projects positions. This would bring the total for special projects positions to \$43,510. In the 1993 Omnibus bill, the 1993 Legislature added \$9,102 from the State General Fund for funding of special projects positions, bringing the total approved for special projects positions to \$35,102. The Governor vetoed the \$9,102 contained in the Omnibus bill. The agency reported actual FY 1993 expenditures of \$38,000 for special projects positions and the recommended funding will provide for the same staffing level utilized by the agency for the 1992 elections.
2. Add \$8,000 from the State General Fund for postage. For FY 1993, the previous election year cycle, the agency spent over \$16,000 for postage. The Governor's recommendation allows the agency to budget \$8,000 for postage in FY 1995. The Subcommittee's recommendation for postage expenditures in FY 1995 would almost restore postage to actual FY 1993 levels.
3. The Subcommittee notes that in recent years, the jurisdiction of the Commission has been expanded substantially. The Campaign Finance Act was extended to the local level in 1989. This legislation included all county and first class city candidates and all political committees which support or oppose the local level candidate. Increases to the agency's budget have not kept pace over the years with the responsibilities imposed upon it. It is the feeling of the Subcommittee that the responsibilities for the local candidates should either be removed from the Commission's jurisdiction or the agency should be provided adequate staffing and resources to address that additional responsibility.

### **Senate Committee Recommendation**

Concur.

### **Senate Committee of the Whole Recommendation**

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

<u>Expenditure Summary</u>	<u>Senate Adj. FY 95</u>	<u>Senate Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 28,000	\$ 319,630	\$ --
Special Revenue Fund	--	61,355	--
TOTAL	<u>\$ 28,000</u>	<u>\$ 380,985</u>	<u>\$ --</u>
FTE Positions	--	6.0	--

\* The agency requests that the FTE position limitation be removed for FY 1995.

### House Subcommittee Recommendation

The House Subcommittee concurs with the recommendation of the Senate, with the following adjustment and observations:

1. The Senate Subcommittee noted the expansion of the Commission's responsibilities to include all county and first class city candidates, and observed that the agency should either be adequately funded or some of the added responsibilities should be removed from the jurisdiction of the agency. The Subcommittee recommends the introduction of legislation to remove all county and first class city candidates and all political committees which support or oppose the local level candidates. In the event that the legislation recommended in item 2, below, is not enacted, this proposed legislation would reduce the amount of resources necessary to allow the agency to function adequately.
2. 1993 H.B. 2531, recommended by the House Appropriations Committee, would raise filing fees on some candidates for state, county, and local offices and would also raise registration fees for political action committees and lobbyists. The bill was amended by the House Committee on Governmental Organization and Elections and substantially amended by the House Committee of the Whole. The bill passed the House on March 25, 1993. The bill was sent to the Senate and referred to the Senate Committee on Elections, Congressional and Legislative Apportionment and Governmental Standards on March 26, 1993. To date, there have been no hearings on H.B. 2531 in the Senate Committee.

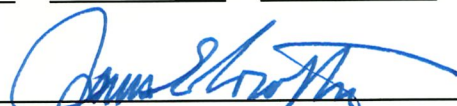
As the recommendation of the Senate currently stands, there will be a negative balance in the fee fund at the end of FY 1995. The Governor's recommendation for FY 1995 included the expenditure of all funds estimated to be credited to the agency's fee fund. The Senate recommendation for increased expenditures in FY 1994 reduces the carry forward balance of the fund into FY 1995. As a result, the ending balance is projected to be negative at the end of FY 1995. The House Subcommittee concurs with the Senate recommendation for increased FY 1994 expenditures, and notes that the passage of H.B. 2531 or other similar legislation would alleviate concerns with regard to the ending balance for FY 1995.

In addition to encouraging the Senate Elections, Congressional and Legislative Apportionment and Governmental Standards Committee to conduct hearings on H.B. 2531, the Subcommittee recommends the introduction of legislation identical to that contained in H.B. 2531, as introduced by the House Appropriations Committee. The Subcommittee recommends that the bill become effective on publication in the *Kansas Register*, rather than publication in the statute book. It is the belief of the Subcommittee that one reason for the Senate's reluctance to hear the bill may be the floor amendments added by the House Committee of the Whole. Those amendments include a requirement that a Statement of Fair Campaign Practices be mailed to each candidate prior to an election. The House Subcommittee believes that the addition of this amendment may have been detrimental to the passage of the bill by the full Legislature.

The agency indicated that the bill recommended for introduction would provide revenues amounting to \$10,840 in FY 1994 and \$25,000 in FY 1995. The passage of the legislation would alleviate the shortfall projected in the fee fund for FY 1995. Because the Committee is familiar with the contents of the recommended bill, the Subcommittee further recommends that the bill, when it is drafted, be referred directly to the floor for debate.

The status of the fee fund, based on the recommendation of the Subcommittee, is shown below.

<u>Resource Estimate</u>	<u>Actual FY 93</u>	<u>Estimated FY 94</u>	<u>Estimated FY 95</u>
Beginning Balance	\$ 50,697	\$ 14,519	\$ 8,024
Net Receipts	83,845	65,990	48,000
Total Funds Available	\$ 134,542	\$ 80,509	\$ 56,024
Less: Expenditures	120,023	72,485	61,355
Ending Balance	<u>\$ 14,519</u>	<u>\$ 8,024</u>	<u>\$ (5,331)</u>

  
Representative James E. Lowther  
Subcommittee Chair

  
Representative George R. Dean

  
Representative David J. Heinemann

  
Representative Richard R. Reinhardt

## SUBCOMMITTEE REPORT

Agency: Kansas Corporation Commission

Bill No. --

Bill Sec. --

Analyst: Rampey

Analysis Pg. No. 861

Budget Page No. 134

<u>Expenditure Summary</u>	<u>Agency Est. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
All Special Revenue Funds:			
State Operations	\$ 11,732,566	\$ 11,755,222	\$ --
Aid to Local Units	128,497	128,497	--
Other Assistance	646,264	646,264	--
Total	<u>\$ 12,507,327</u>	<u>\$ 12,529,983</u>	<u>\$ --</u>
FTE Positions	225.0	225.0	--

### Agency Overview

The State Corporation Commission is responsible for regulating rates and overseeing other aspects of the operations of approximately 195 electric, natural gas, telephone, and water utilities. It regulates approximately 23,901 motor carriers, railroads, and liquid pipelines. It is responsible for enforcing regulations pertaining to the conservation of crude oil and natural gas and the protection of fresh and usable water. It also is involved in developing the state's energy policy and administers federally-funded energy conservation projects that promote the efficient use of energy, including programs funded by oil overcharge money.

### Agency Estimate/Governor's Recommendation

The Commission estimates expenditures of \$12,507,327. The Governor recommends expenditures of \$12,529,983, an increase of \$22,656. The increase primarily is due to State Finance Council action in December, 1993, to implement the classification study for Information Technology job classes.

### Senate Subcommittee Recommendations

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

1. More than one year ago, it became apparent that receipts to the Conservation Fee Fund were declining and that the assessment on oil marketed or used and on gas produced would have to be increased. Industry officials, once informed of the condition of the Fund, were cooperative in helping design the fee increase. The Conservation Fee Fund is a major source of revenue to finance operations of the Kansas Corporation Commission. Of the approved state operations budget for FY 1994, more than \$5.0 million, or 43 percent, is financed from the Fund.

ATTACHMENT 4



Apparently because of a reluctance to increase fees on the depressed oil industry, or perhaps because of a failure to appreciate the seriousness of an impending revenue shortfall, the Commission delayed raising fees until December, 1993. The Commission may have waited too long because the Subcommittee was informed that revenues to the Fund may be inadequate to meet expenses for the next several months. As a result, the Commission is in the process of developing a furlough plan and may have to begin reducing the hours worked by employees in the conservation division beginning in March. Because details of the plan had not been developed or approved by the Department of Administration when the Subcommittee made its review, it is not known that the furlough is a certainty, which employees will be affected, or how long the furlough will be in place. According to the agency, it is not likely that the furlough will extend into FY 1995.

The furlough, which apparently is unprecedented among state agencies, potentially could affect 87.5 employees of the conservation division who are located in Topeka and at the Commission's field offices in Wichita, Chanute, Dodge City, and Hays. In addition to the hardship a furlough would create for the employees affected, the work performed by the field offices would suffer. According to the agency, the workload of the division often increases during times when the oil industry is depressed because of the environmental problems that occur when wells are abandoned.

The Subcommittee believes it is a serious matter when a state agency suffers a revenue shortfall that has the potential of reducing its level of activity and causing employees to be furloughed. For that reason, the Subcommittee requests that the House Appropriations Subcommittee that next reviews this budget make it a priority to monitor developments relating to the shortfall, including a review of any furlough plan that is implemented. The House Subcommittee also should review updated Conservation Fee Fund receipts and expenditures to determine if the expected influx of new revenues as a result of the increased fees is, in fact, realized to the extent currently estimated.

## **Senate Committee of the Whole**

### **House Subcommittee Recommendations**

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

1. The Subcommittee spent considerable time reviewing issues relating to a shortfall in revenues to the Conservation Fee Fund that has the potential of causing employees to be furloughed and most certainly will affect certain activities normally performed by the Commission's conservation division. The implementation in December, 1993, of higher fees on oil and gas production resulted in additional revenues to the Conservation Fee Fund beginning in late February. Estimates presented to the Subcommittee indicate that it is possible a furlough will not have to be implemented and that there will be a balance in the Fund at the end of the fiscal year of almost

\$600,000. (That amount is what the Commission considers a desirable minimum for the Fund, which generally has receipts of more than \$5.0 million a year and finances more than 40 percent of the Commission's operations.) The Commission estimates that receipts to the Fund in FY 1995 will total slightly more than \$5.3 million.

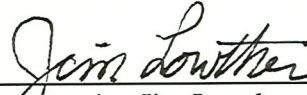
In the event that the new fees do not generate enough additional revenue to avert a serious cash flow problem in the remaining months of the current fiscal year, the Commission has filed a furlough plan with the Department of Administration for its required approval. The plan would furlough each of the employees in the conservation division one day a week until the condition of the Fund improves. (The division is authorized 87.5 FTE employees.) The Subcommittee sincerely hopes that the furlough can be avoided.

The Subcommittee was informed that last fall the Commission implemented several cost-savings measures when it realized a shortfall was likely. Expenditures for well plugging activities, which are normally around \$500,000 a year, will be limited to \$300,000 in FY 1994. Seven and one-half vacant positions in the conservation division are not being filled, which will generate salary savings of more than \$150,000. Reductions in other operating expenditures, particularly for travel and capital outlay, will generate additional savings of approximately \$190,000. In all, the approved expenditure level from the Fund of slightly more than \$5.0 million is expected to be reduced by more than \$500,000.

While the Subcommittee recognizes that it is necessary to force savings in FY 1994 in order to avoid more serious problems, it is concerned that some activities of the Commission will be performed at a reduced level. For example, limiting expenditures for well plugging to \$300,000 (which will plug between 60 and 110 wells) is unfortunate at a time when the depressed state of the oil industry sometimes results in wells being abandoned. (The Subcommittee was informed that all but \$38,000 of the \$300,000 allocated for well plugging activities has been spent.) Therefore, the Subcommittee recommends that a transfer of \$300,000 be made from the State Budget Stabilization Fund to the Conservation Fee Fund in FY 1994, to be paid back in FY 1995. The purpose of the transfer would be to make \$200,000 available to the Commission for well plugging for the remainder of the fiscal year so that well plugging activities will not cease entirely until the next fiscal year. (Estimated expenditures for well plugging before the shortfall were approximately \$500,000.) In addition, the transfer would make \$100,000 available to avert any possibility of a furlough in FY 1994 and for other necessary expenditures to allow the conservation division to perform its functions. Without the transfer, activities in FY 1994 would be jeopardized and the Conservation Fee Fund would be so depleted at the end of the year that, even though revenues are beginning to build, activities in FY 1995 also could be threatened.

It is the Subcommittee's intention to remain informed about the condition of the Conservation Fee Fund through the remainder of the Session. In this connection, it notes that the Legislative Post Audit Committee has approved a 100-hour audit that focuses on the questions of whether the Commission adequately managed its cash flow in FY 1994 knowing the condition of the Fund and whether the Commission's expenditures to-date in FY 1994 from the Fund have been appropriate in light of the impending shortfall. In addition, the long-term effect of the curtailment of

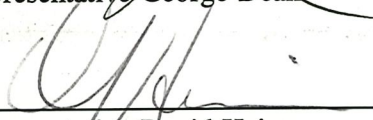
conservation division activities during FY 1994 should be reviewed by the 1995 Legislature in the context of the Commission's mission and the extent to which the shortfall in the Conservation Fee Fund will affect the performance of the conservation division.



Representative Jim Lowther  
Subcommittee Chair



Representative George Dean



Representative David Heinemann



Representative Richard Reinhardt

## SUBCOMMITTEE REPORT

**Agency:** Kansas Corporation Commission

**Bill No.** 679

**Bill Sec.** 5

**Analyst:** Rampey

**Analysis Pg. No.** 861

**Budget Page No.** 134

<u>Expenditure Summary</u>	<u>Agency Req. FY 95</u>	<u>Gov. Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
All Special Revenue Funds:			
State Operations	\$ 13,236,202	\$ 12,523,601	\$ (210,000)
Aid to Local Units	--	--	--
Other Assistance	750,000	750,000	--
Total	<u>\$ 13,986,202</u>	<u>\$ 13,273,601</u>	<u>\$ (210,000)</u>
FTE Positions	227.0	225.0	--

### Agency Request/Governor's Recommendation

The Commission requests authority to spend \$13,986,202, an increase of \$1,478,875 over its estimate for the current year. Included in the request are two new positions and a total of \$970,630 for capital outlay, of which \$420,000 is associated with a proposal to computerize paper records maintained by the conservation division and to create a computerized link among the Commission's field offices.

The Governor recommends expenditures of \$13,273,601 in FY 1995, a reduction of \$712,601 from the Commission's request. The Governor does not approve the requested new positions. The Governor reduces the amount for capital outlay from \$970,630 requested to \$653,996, which includes \$420,000 for the conservation division database and networking project.

### Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the Governor's recommendations, with the following exception and comments:

1. Delete \$210,000 in capital outlay for the conservation division database and networking project, making a total of \$210,000 available for the project. The Subcommittee was informed that federal grants may be available and encourages the Commission to use the approved amount of expenditure authority to secure these federal funds on a matching basis. If the Commission is unsuccessful in obtaining any federal funding, the approved amount would permit the agency to begin the database and networking project on a phased-in basis.
2. The Subcommittee notes that the Commission requested \$522,240 for consultant fees in FY 1995, an increase of \$165,650 over the estimate of \$356,590 in the current year. The Subcommittee understands the need of the Commission to augment its permanent staff with attorneys, engineers, auditors, and other professionals who provide expertise the staff lacks.

Nevertheless, the Subcommittee continues to encourage the Commission to explore ways to coordinate activities with other states, especially with regard to monitoring activities at the federal level, in order to pool resources and possibly reduce its costs for consultants. The Subcommittee intends to monitor this area of expenditure, with particular attention to whether increased costs for consultants are due to greater use of consultants or to increases in the rates consultants charge. (The Commission has been asked to make detailed information about its expenditures for consultants available to the House Appropriations Subcommittee that reviews its budget.)

3. The Subcommittee asks the Commission to make available to it and to the House Appropriations Subcommittee that will review its budget a report on projects funded from the Energy Grants Management Fund (oil overcharge funds). As the receipt of these funds comes to an end, the Subcommittee is interested in seeing an assessment of what the projects have accomplished and what their effect has been on energy use in Kansas.

### Senate Committee of the Whole

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

<u>Expenditure Summary</u>	<u>Senate Adj. FY 1995</u>	<u>Senate Rec. FY 1995</u>	<u>House Subcommittee Adjustments</u>
All Special Revenue Funds:			
State Operations	\$ (210,000)	\$ 12,313,601	\$ (105,000)
Other Assistance	--	750,000	--
TOTAL	<u>\$ (210,000)</u>	<u>\$ 12,063,601</u>	<u>\$ (105,000)</u>
FTE Positions	--	225.0	--

### House Subcommittee Recommendations

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

1. Delete \$105,000 in capital outlay for the conservation division database and networking project, leaving \$105,000 available for the project. The Subcommittee considers the plan to computerize and link the records of the Commission's field offices worthwhile. However, because of the shortfall in revenues to the Conservation Fee Fund from which this project would be funded, the Subcommittee recommends that all but \$105,000 for the project be deleted. The remaining amount will enable the Commission to apply for matching federal grants for the project and to begin implementation on a phased-in basis.

In addition, add a proviso to the Commission's appropriations bill to specify that before any expenditure can be made for this project, including the acquisition of new


hardware and software, the Joint Committee on Computers and Telecommunications shall review the proposed acquisitions and project implementation.

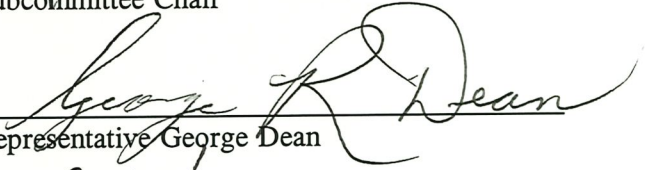
2. Amend the Commission's appropriations bill (S.B. 679) to provide that the \$300,000 transferred to the Conservation Fee Fund in FY 1994 from the State Budget Stabilization Fund be transferred back by the end of FY 1995. As explained in the FY 1994 report, the Subcommittee considers the transfer necessary in order to avert the possibility of a furlough and to maintain a normal level of operations in areas such as well plugging that the Subcommittee considers important.


The Legislature should be aware that, even though higher revenues are beginning to come into the Conservation Fee Fund from a recent fee increase imposed by the Commission, it is possible that the Fund could still be in trouble in FY 1995. There are several reasons for this, including the depressed state of the oil industry and the possibility that a recent order of the Commission that would have resulted in greater fees from natural gas production will be stayed. Because of this, the Subcommittee has used conservative estimates of fee fund receipts that probably understate revenues that actually will be received. The Subcommittee also has asked the Commission to identify areas of savings in FY 1995 that could be realized if the same problems the Commission is experiencing in the current year begin to occur in FY 1995. The Commission has indicated that, if necessary, it could generate approximately \$200,000 in salary savings, primarily by continuing to hold vacant 7.5 FTE positions that have not been filled this year due to the shortfall. In addition, the Commission believes it could save an additional \$200,000 in other operating expenses, primarily in the areas of travel, contractual and professional fees, and capital outlay.

Based on estimates reviewed by the Subcommittee, even if receipts to the Conservation Fee Fund do not exceed the most conservative estimates, it should be possible for the Commission to operate in FY 1995 without a furlough, pay \$300,000 back to the State Budget Stabilization Fund, and conduct well plugging activities at a level that is considered normal (approximately \$500,000 per year.) If the Commission's situation does not improve in FY 1995, the 1995 Legislature can consider making adjustments to the Commission's budget or to the payback schedule.

3. The House Subcommittee notes the Commission's concern that the recommended amount for agency operating expenditures, which the Commission characterizes as maintenance level, would not permit expenditures for consultants in the requested amount of \$522,240, an increase of \$165,650 over the current year. The Subcommittee points out that the request is based on an assumption that the number of rate filings and other activities will increase in FY 1995 and that greater expenditures for consultants will be necessary. If available funding for consultants proves to be inadequate, the Commission can come before the 1995 Legislature and ask for additional expenditure authority in this area.

  
\_\_\_\_\_  
Representative Jim Lowther  
Subcommittee Chair

  
\_\_\_\_\_  
Representative George Dean

  
\_\_\_\_\_  
Representative Dave Heinemann

  
\_\_\_\_\_  
Representative Richard Reinhardt

## SUBCOMMITTEE REPORT

**Agency:** Citizens' Utility  
Ratepayer Board

**Bill No.** 679

**Bill Sec.** 6

**Analyst:** Rampey

**Analysis Pg. No.** 882

**Budget Page No.** 110

<u>Expenditure Summary</u>	<u>Agency Req. FY 95</u>	<u>Gov. Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
State Operations: Special Revenue Fund	\$ 377,210	\$ 362,715	\$ (965)
FTE Positions	3.0	3.0	--

### Agency Overview

The Citizens' Utility Ratepayer Board (CURB) is a five-member board appointed by the Governor to represent residential and small commercial utility ratepayers in proceedings before the Kansas Corporation Commission and in appeals of Commission decisions. It was created in 1988 as part of the Commission but became separate for budgetary purposes in FY 1993. CURB's revenues come from assessments levied against certain public utility companies.

### Agency Request/Governor's Recommendation

**FY 1994.** The Board estimates expenditures of \$353,190 in the current year, as approved. The Governor concurs with the Board's estimate.

**FY 1995.** The Board estimates expenditures of \$377,210, an increase of \$24,020 over its estimate for the current year. The Governor recommends expenditures of \$362,715, a reduction of \$14,495 from CURB's request.

### Senate Subcommittee Recommendations

**FY 1994.** The Senate Subcommittee concurs with the recommendations of the Governor.

**FY 1995.** The Senate Subcommittee concurs with the recommendations of the Governor, with the following exception:

1. Delete \$965 for travel, for a total of \$10,500. The recommended amount is an increase of \$505 (5.1 percent) over the estimate for travel in the current year.

### Senate Committee Recommendations

**FY 1994.** The Senate Committee concurs with the recommendations of the Subcommittee.

**FY 1995.** The Senate Committee concurs with the recommendations of the Subcommittee.



## Senate Committee of the Whole

**FY 1994.** The Senate Committee of the Whole concurs with the recommendations of the Committee.

**FY 1995.** The Senate Committee of the Whole concurs with the recommendations of the Committee.

## House Subcommittee Recommendations

**FY 1994.** The House Subcommittee concurs with the recommendations of the Senate.

**FY 1995.** The House Subcommittee concurs with the recommendations of the Senate, with the following comments:

1. The Subcommittee notes that the clearly-stated mission of the Board and its estimate of savings of \$50.0 million to Kansas ratepayers since 1989 lend themselves to a program and performance orientation with regard to budget analysis. It is the Subcommittee's expectation that the performance model of budget analysis will be closely followed in subsequent years.
2. The Subcommittee suggests that CURB more actively solicit input and assistance from a broader spectrum of the utility ratepayers it represents. As the advocate of residential and small commercial utility ratepayers, the Board is in a position to speak for a large segment of the public. In the Subcommittee's opinion, the Board should take a more holistic approach to defining its mission.

  
\_\_\_\_\_  
Representative Jim Lowther  
Subcommittee Chair

  
\_\_\_\_\_  
Representative George Dean

  
\_\_\_\_\_  
Representative Dave Heinemann

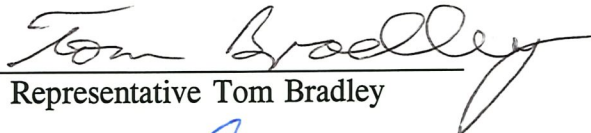
  
\_\_\_\_\_  
Representative Richard Reinhardt

## HOUSE SUBCOMMITTEE RECOMMENDATIONS

Kansas Public Employees Retirement System (KPERS)  
S.B. 718; S.B. 679



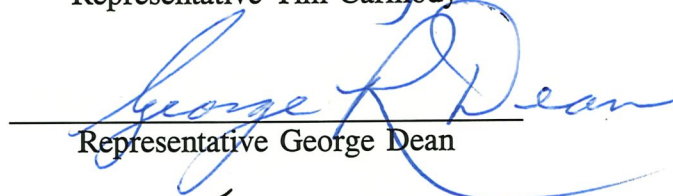
Representative David Heinemann, Chairperson



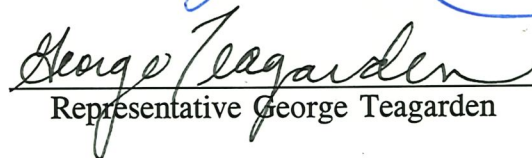
Representative Tom Bradley



Representative Tim Carmody



Representative George Dean



Representative George Teagarden

## SUBCOMMITTEE REPORT

**Agency:** Kansas Public Employees  
Retirement System

**Bill No.** 718

**Bill Sec.** 5

**Analyst:** Efird

**Analysis Pg. No.** 872

**Budget Page No.** 388

<u>Expenditure Summary</u>	<u>Agency Est. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 20,901,416	\$ 20,880,493	\$ 31,796
State Aid	54,232,172	54,232,172	1,575,850
Other Assistance	281,348,246	281,348,246	--
Total--Operating	<u>\$ 356,481,834</u>	<u>\$ 356,460,911</u>	<u>\$ 1,607,646</u>
FTE Positions	76.0	76.0	--
State General Fund:			
KPERS--School	\$ 54,232,172	\$ 54,232,172	\$ 1,575,850

### Agency Estimate/Governor's Recommendation

The revised budget for the current fiscal year is \$48.6 million higher than the approved expenditures for the Kansas Public Retirement System (KPERS). For state operations, the KPERS Board requests an expenditure limitation increase of \$20,923 to pay the administrative expenses associated with agency operations. No additional positions are requested in FY 1993. For state aid, the agency requests a supplemental State General Fund (SGF) appropriation of \$373,334 million to pay the state's obligation for public school employees' retirement costs. For other assistance, the current estimate for retirement benefits and other payments is \$48.2 million higher than estimated last year prior to the Legislature enacting 1993 H.B. 2211 and H.B. 2549 which provide for enhanced benefits.

The Governor concurs with the KPERS revisions with one exception. For state operations, the Governor recommends no change in the expenditure limitation for agency operations. For state aid and other assistance, the Governor concurs with the agency's estimates, including a supplemental appropriation of \$373,334 from the State General Fund for KPERS -- School.

### Senate Subcommittee Recommendation

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

1. Add \$20,000 for the acquisition of manager analysis software and an investment manager universe database.
2. Add \$11,796 for Capitol Tower Office Building taxes.

3. Adjust the estimated investment-related fees, based on information provided by the KPERS staff, for contracts with the System's financial managers as indicated below:

	Gov. Rec. FY 94	Subc. Adj. FY 94	Subc. Rec. FY 94
Direct Placement Management Fees	\$ 2,480,000	\$ --	\$ 2,480,000
Real Estate Management Fees	1,000,000	200,000	1,200,000
Publicly Traded Securities Management Fees	10,493,198	(200,000)	10,293,198
Direct Placement Investment Expenses	600,000	--	600,000
Custodial Bank Fees--Expenses	755,000	--	755,000
Investment Consultant Fees	187,000	--	187,000
Investment Related Litigation Expenses	<u>1,050,000</u>	<u>--</u>	<u>1,050,000</u>
Total--Investment Related Expenses	<u>\$ 16,565,198</u>	<u>\$ --</u>	<u>\$ 16,565,198</u>

4. Monitor the final costs of upgrading microcomputer and CASE programming software, with a report on these acquisitions expected later this Session. The second house Subcommittee may receive information about this matter.
5. Request the second house Subcommittee to update information about manager searches and the associated fees which may need to be shifted from FY 1994 to FY 1995.
6. Monitor the investment-related fees which may need to be adjusted in FY 1994 and in FY 1995, depending upon Board action in its review of the asset allocation process and other adjustments in contracts with managers.
7. Increase the estimated expenditures for the KPERS--School employer contribution by \$1,575,850 from the State General Fund in FY 1994 for funding additional costs of covered school district employees. The average for school salary increases is 4.3 percent, thus increasing the base on which KPERS contributions are calculated. An average increase of 3.5 percent had been assumed earlier. In addition, a number of 630 hour school employees have been added as covered workers and the salary base has been further enlarged for calculating KPERS contributions. The Subcommittee notes that \$1,072,811 previously appropriated for FY 1991 and FY 1992 KPERS--School will be returned to the State General Fund since it will not be expended for prior year costs as originally encumbered.

For FY 1995, the revised estimate for KPERS--School is \$2,833,622 above the Governor's recommended State General Fund financing, based on growth of 7.3 percent. Three factors are noted: the higher FY 1994 salary base, projected salary increases of 3.0 percent and enrollment growth of 1.5 percent, and an increased KPERS contribution rate. The Subcommittee recommends that the Governor submit a Budget Amendment addressing both FY 1994 and FY 1995 cost increases for KPERS--School, and therefor takes no action in regard to FY 1995 at this time since another Senate Subcommittee will review this item in March after the House considers the Department of Education budget which includes this item for FY 1995.

The following table shows the revised estimates for KPERS--School:

# EMPLOYER CONTRIBUTION PAID BY STATE

	<u>Projections</u>
FY 1991 Unencumbered SGF	\$ 569,550
FY 1992 Unencumbered SGF	<u>503,261</u>
Total SGF Cash Balance	<u>\$ 1,072,811</u>
FY 1994 Gov. Rec. SGF	\$ 54,232,172
FY 1994 Rev. Est. SGF	<u>55,808,022</u>
Difference FY 1994	<u>\$ 1,575,850</u>
FY 1995 Gov. Rec. SGF	\$ 57,060,378
FY 1995 Rev. Est. SGF	<u>59,894,000</u>
Difference FY 1995	<u>\$ 2,833,622</u>

## Senate Committee Recommendations

The Senate Committee concurs.

<u>Expenditure Summary</u>	<u>Senate Rec. FY 94</u>	<u>House Sub. Adjustments</u>	<u>House Sub. Rec. FY 94</u>
All Funds:			
State Operations	\$ 20,912,289	\$ (83,254)	\$ 20,829,035
State Aid	55,808,022	--	--
Other Assistance	281,348,246	--	281,348,246
Total--Operating	<u>\$ 358,068,557</u>	<u>\$ (83,254)</u>	<u>\$ 302,177,281</u>
FTE Positions	76.0	--	76.0
State General Fund:			
KPERS--School	\$ 55,808,022	\$ --	\$ 55,808,022

## House Subcommittee Recommendation

The Subcommittee concurs with the Senate recommendations and make the following additional adjustments in FY 1994:

1. Adjust the estimated investment related fees for the System's financial managers as indicated by the KPERS staff as noted in the table below for FY 1994:

	<u>Senate Rec.</u>	<u>House Sub. Adj.</u>	<u>House Sub. Rec.</u>
Direct Placement Management Fees	\$ 2,480,000	\$ --	\$ 2,480,000
Real Estate Management Fees	1,200,000	(170,000)	1,030,000
Publicly Traded Securities Management Fees (see detail below)	10,293,198	(125,000)	10,168,198
Direct Placement Investment Expenses	600,000	150,000	750,000
Custodial Bank Fees--Expenses	755,000	--	755,000
Investment Consultant Fees	187,000	50,000	237,000
Investment Related Litigation Expenses	<u>1,050,000</u>	<u>--</u>	<u>1,050,000</u>
Total--Investment Related Expenses	<u>\$ 16,565,198</u>	<u>\$ (95,000)</u>	<u>\$ 16,470,198</u>

Adjustments included in the estimates for publicly traded securities management fees are noted in the following table for the different firms receiving payments in FY 1994. The reduction of \$95,000 in the line item limitation for publicly traded securities management fees is the result of a number of revised estimates in current fee charges which the House Subcommittee was told have taken place since the Senate considered this agency. It should be noted that the following estimates for contract payments are not appropriated as individual line items, but rather are the elements which comprise the line item subaccount in the above table, "publicly traded securities management fees," which currently has a dollar amount limitation established. The following figures reflect estimates of fees made on three different occasions, with the House Subcommittee estimate being the latest figures for this fiscal year.

	<u>Gov. Est.</u>	<u>Senate Est.</u>	<u>House Sub. Est.</u>
Alliance Capital Management	\$ 549,313	\$ 452,553	\$ 463,214
Delaware Investment Advisors	1,141,726	153,696	156,396
Julius Baer Investment Mgmt	465,708	517,936	517,576
Loomis Sayles & Co. (Equity)	643,711	78,095	78,095
Loomis Sayles & Co. (Fixed)	1,521,434	1,292,928	1,282,148
Nomura Capital Management	646,737	598,165	671,926
Pacific Investment Mgmt. Co.	1,664,929	1,711,438	1,698,869
Payden & Rygel	439,281	348,858	341,520
Pilgrim, Baxter, et al	972,414	1,008,598	995,481
Pilgrim, Baxter, et al Growth	44,732,780	527,577	512,749
Provident Investment Counsel	1,448,146	1,406,243	1,393,673
Wells Fargo Nikko (Equity)	137,043	170,403	142,013
Wells Fargo Nikko (Fixed)	388,976	537,138	509,642
Brinson Partners	--	557,688	637,176
Capital Guardian	--	225,793	195,761
Wells Fargo Nikko (Low Tilt)	--	89,479	60,899
Boston Co. (Core Fixed)	--	64,168	35,000
Lazard Freres (Active Non U.S.)	--	254,026	230,189
Bankers Trust (EAFE Index)	--	73,561	45,477
Morgan Stanley (Int'l Equity Active)	--	224,856	200,395
International Fixed (new)	--	--	--
Total Publicly Traded	<u>\$ 10,493,197</u>	<u>\$ 10,293,198</u>	<u>\$ 10,168,198</u>

2. Change the format of the appropriations for KPERS. The Subcommittee understands that reforms instituted after the KPERS problems of the 1980s led to changes in the budget format and the manner in which line item limits were appropriated. The Subcommittee believes that changes instituted by the KPERS Board and staff, and the amount of detailed budget information made available (as noted above in the revised contract fees for investment advisors) would lessen the need for an excessive number of line item accounts in the appropriations bills. Accordingly, the Subcommittee recommends that a single line item limitation for investment related expenses be maintained in FY 1994, but that all subaccounts within this account be changed from a dollar amount limitation to a no limit subaccount, including the categories of direct placement management fees, real estate management fees, publicly traded securities management fees, direct placement investment program, custodial bank fees and expenses, investment consultant fees, and investment related litigation expenses. This change will allow KPERS the flexibility of making adjustments in expenditure estimates for the subaccounts without having to seek legislative or State Finance Council approval, while maintaining an overall expenditure limitation on investment related expenses which may be increased with approval by the Legislature or State Finance Council.
3. Add \$11,746 for increased postal and telecommunication costs in the current fiscal year due to a greater number of inquiries regarding retirement. This increase results from passage of 1993 H.B. 22111 last year.
4. Confirm that no increase in expenditures above the approved estimate will result from the upgrade in computer hardware and software this fiscal year.

## SUBCOMMITTEE REPORT

Agency: Kansas Public Employees  
Retirement System

Bill No. 679

Bill Sec. 2

Analyst: Efird

Analysis Pg. No. 872

Budget Page No. 388

<u>Expenditure Summary</u>	<u>Agency Req. FY 95</u>	<u>Gov. Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 21,330,631	\$ 21,266,334	\$ 476,838
State Aid	57,060,378	a)	--
Other Assistance	299,520,620	299,520,620	--
Total--Operating	<u>\$ 377,911,629</u>	<u>\$ 320,786,954</u>	<u>\$ 476,838</u>
FTE Positions	78.0	76.0	--
State General Fund:			
KPERS--School	\$ 57,060,378	\$ a)	\$ --

- a) **Note:** The Governor includes funding for the KPERS--School employer contributions in the Department of Education's FY 1995 budget.

### Agency Overview

The Kansas Public Retirement System (KPERS) administers three statewide coverage groups: KPERS (regular and school employees), Kansas Police and Firemen's Retirement System, and Kansas Retirement System for Judges, each of which includes various subgroups. All coverage groups are defined benefit, contributory plans and have as members most public employees in Kansas. KPERS also administers several other employee benefit and retirement programs: a public employee death and disability benefits program; an optional term life insurance program; a Kansas City Kansas annuitant program; and a legislative employees retirement program.

There are four major programs within the KPERS budget: (1) Operations which handles the daily administrative activities of the System; (2) Benefits which distributes all retirement payments made by the System; (3) Assumption of Local Employer Cost which pertains to the school employers contributions; and Investment Related Expenses which allows monitoring of investment related fees and contracts.

Materials provided by the KPERS staff which address the mission and objectives of the System are attached to this subcommittee report.

### Agency Request/Governor's Recommendation

The agency estimates a net increase of \$21.4 million in FY 1995 expenditures. For state operations, an increase of \$429,215 is requested, primarily due to higher contract fees for consultants and advisors. For state aid, an increase of over \$2.8 million is estimated for paying the state's obligation for



public school employee retirement costs. For other assistance, the FY 1995 estimate for retirement and other benefit payments is an increase of almost \$18.2 million over the current fiscal year.

The Governor's recommendations result in a net decrease of almost \$35.7 million in operating expenditures next fiscal year as a result of shifting the KPERS--School payments to the Department of Education's budget. For state operations, the Governor concurs with the estimate for investment-related expenses and maintains staffing at the current level. For other assistance, the Governor concurs with increased benefit payments.

### Senate Subcommittee Recommendation

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

1. Add \$45,000 for either a consultant contract or a special project position, instead of a full-time management analyst position, as part of the Board's plan to upgrade the quality of services provided to members and employers.
2. Add \$17,500 for personal computers and related software as part of the Board's plan to upgrade the quality of services provided to members and employers.
3. Adjust the estimated investment-related fees for the System's financial managers as indicated by the KPERS staff as noted in the table below for FY 1995:

	<u>Gov. Rec.</u>	<u>Subcommittee Adj.</u>	<u>Subcommittee Rec.</u>
Direct Placement Management Fees	\$ 2,480,000	\$ --	\$ 2,480,000
Real Estate Management Fees	1,513,300	--	1,513,300
Publicly Traded Securities Management Fees (see detail below)	10,677,858	414,338	11,092,196
Direct Placement Management Expenses	600,000	--	600,000
Custodial Bank Fees--Expenses	775,000	--	775,000
Investment Consultant Fees	117,000	--	117,000
Investment Related Litigation Expenses	<u>1,050,000</u>	<u>--</u>	<u>1,050,000</u>
Total--Investment Related Expenses	<u>\$ 17,213,158</u>	<u>\$ 414,338</u>	<u>\$ 17,627,496</u>

Adjustments included in the publicly traded securities management fees are noted in the following table for the different firms included in FY 1995:

	Gov. Rec.	Subcommittee Adj.	Subcommittee Rec.
Alliance Capital Management	\$ 496,663	\$ (50,251)	\$ 446,412
Delaware Investment Advisors	--	--	--
Julius Baer Investment Mgmt	602,725	(14,252)	588,473
Loomis Sayles & Co. (Equity)	--	--	--
Loomis Sayles & Co. (Fixed)	540,999	291,937	832,936
Nomura Capital Management	509,480	59,644	569,124
Pacific Investment Mgmt. Co.	1,052,496	335,357	1,387,853
Payden & Rygel	293,019	27,570	320,589
Pilgrim, Baxter, et al	871,580	261,699	1,133,279
Pilgrim, Baxter, et al Growth	417,264	171,859	589,123
Provident Investment Counsel	1,275,437	316,937	1,592,374
Wells Fargo Nikko (Equity)	146,834	10,779	157,613
Wells Fargo Nikko (Fixed)	713,598	(161,628)	551,970
Brinson Partners	792,029	65,395	857,424
Capital Guardian	248,769	21,288	270,057
Wells Fargo Nikko (Low Tilt)	82,090	536	82,626
Boston Co. (Core Fixed)	350,832	(123,564)	227,268
Lazard Freres (Active Non U.S.)	735,856	(226,256)	509,600
Bankers Trust (EAFE Index)	356,778	(221,177)	135,601
Morgan Stanley (Int'l Equity Active)	588,684	(167,300)	421,384
International Fixed (new)	602,725	(184,235)	418,490
Total Publicly Traded	<u>\$ 10,677,858</u>	<u>\$ 414,338</u>	<u>\$ 11,092,196</u>

Note that in the current fiscal year report the Subcommittee requested the second house Subcommittee to monitor these fees and the other investment-related expenses which may need to be adjusted further both in FY 1994 and in FY 1995, depending upon Board action in its review of the asset allocation process and searches for other managers.

#### Senate Committee Recommendations

The Senate Committee concurs.

<u>Expenditure Summary</u>	<u>Senate Rec. FY 95</u>	<u>House Sub. Adjustments</u>	<u>House Sub. Rec. FY 95</u>
All Funds:			
State Operations	\$ 21,743,172	\$ 22,500	\$ 21,765,672
State Aid	a)	--	a)
Other Assistance	299,520,620	--	299,520,620
Total--Operating	<u>\$ 321,263,792</u>	<u>\$ 22,500</u>	<u>\$ 321,286,292</u>
FTE Positions	76.0	--	76.0
State General Fund:			
KPERS--School	\$ a)	\$ --	\$ a)

a) Note: KPERS--School funding for employer contributions is included in the Department of Education's FY 1995 budget.

### House Subcommittee Recommendation

The Subcommittee concurs with the recommendations of the Senate for FY 1995 and makes the following additional comments and adjustments:

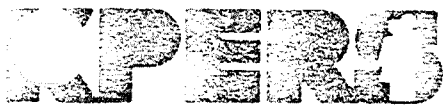
1. Add \$22,500 for costs related to Trustee education in order for Board members to attend educational seminars.
2. Change the appropriations bill format to reflect only a single line item expenditure limitation for the investment related expenses, providing that the categories of direct placement management fees, real estate management fees, publicly traded securities management fees, direct placement investment program, custodial bank fees and expenses, investment consultant fees, and investment related litigation expenses are included within such an expenditure limit. The Subcommittee's rationale was given in item 2 of its FY 1994 report.
3. Urge the Joint Committee on Pensions, Investments and Benefits to study the KPERS--School costs and the causes for the dramatic increases in the State General Fund expenditures required for this program. The Subcommittee is concerned about the persistent supplemental funding requests in recent years for which the Legislature must add millions of dollars to fund actions taken by local school boards in granting pay increases and in encouraging retirements of school administrators, teachers and other personnel through incentives which increase the state costs for KPERS--School. Since the state assumes all costs of the KPERS--School program on behalf of the local employer, the Subcommittee is distressed that there is no control over the actions of the Unified School District, Community College or Area Vocational School boards. Some examples of abuses relative to retirements which were brought to the Subcommittee's attention are included in Attachment 1. In one example, for instance, a school administrator received in excess of a \$500 monthly increase in retirement benefits. The Subcommittee plans to address some of these issues in separate legislation which it has considered. However, the Subcommittee also

recommends that whenever the school finance law is revisited, the Legislature ought to consider incorporating the KPERS--School funding into the formula as a component of finance.

4. Attachment 2 includes the information provided by KPERS in regards to performance based budgeting.

## Common KPERS Loopholes

- Paying early retirement incentive bonuses immediately prior to retirement inflates the member's final average salary. (Possible Corrective Action: Legislation specifying that such payments are not subject to KPERS contributions and are not to be included in final average salary computations.)
- Reporting previous non-compensation reimbursements, i.e. car allowance, as compensation in the years immediately preceding retirement inflates the member's final average salary. (Possible Corrective Action: Legislation specifying that such reimbursements are not subject to KPERS contributions and are not to be included in final average salary computations.)
- Establishing membership after many years of not reporting the employee as being in a covered retirement position. Usually done when the member is at or near retirement age. This practice does not allow the Retirement System to invest the employer and member contributions over the career of the member. (Possible Corrective Action: Legislation requiring the employer to pay the total actuarial cost of such earlier service, over and above the mandated member contribution.)
- Existing administrative procedure allows credits for additional quarters of compensation for members who purchase service credit through a double or triple deduction. This practice can inflate final average salary higher than the member's current salary if lump-sum payments (sick and annual leave, etc.) are included in the final paycheck. (Possible Corrective Action: House Bill No. 3067.)
- Excluding compensation under an IRS 125 plan before including such compensation for KPERS purposes in the four years prior to retirement inflates the member's final average salary. (Possible Corrective Action: Legislation specifying that such reimbursements are not subject to KPERS contributions and are not to be included in final average salary computations.)
- Designating support personnel as KP&F members by local KP&F employers creates inequities among members performing similar duties for similar employers. For example, Highway Patrol dispatchers are enrolled as KPERS members while some local law enforcement agencies enroll secretarial personnel in the KP&F system. (Possible Corrective Action: Legislation specifying that KP&F membership is available only to public safety personnel who have a minimum number of hours of special training.)



## Kansas Public Employees Retirement System

March 15, 1994

Attachment

To: Members, House Appropriations Subcommittee on KPERS

Representative David J. Heinemann, Chair  
Representative Tom Bradley  
Representative Tim Carmody  
Representative George R. Dean  
Representative George Teagarden

I appreciate the opportunity to present the Retirement System's Fiscal Year 1995 budget request for your review. The request is summarized below in the requested Performance-Based Budget Model format.

### Mission Statement

The Retirement System currently has over 186,000 members and almost 1,300 participating employers. Assets at January 31, 1994 were just over \$5.5 billion. Over 43,000 retired Kansas public servants receive monthly benefit checks totaling \$22.9 million, approximately \$530 per retired member per month.

The statutory purpose of the Retirement System is contained in K.S.A. 74-4901:

*The purpose of this act is to provide an orderly means whereby employees of the participating employers who have attained retirement age as herein set forth may be retired from active service without prejudice and without inflicting a hardship upon the employees retired, and to enable such employees to accumulate reserves for themselves and their dependents to provide for old age, death and termination of employment, and for the purpose of effecting economy and efficiency in the administration of governmental affairs.*

The KPERS Board of Trustees, through its Long-Range Planning Subcommittee, is currently involved in restating the KPERS mission. The Board is considering the following mission statement drafted by the Long-Range Planning Subcommittee:

*The Kansas Public Employees Retirement System is responsible for the administration of the plan of retirement and other benefits provided by law for Kansas public employees and their beneficiaries.*

*Our mission is*

- to conduct business in a courteous and effective manner,*
- to comply strictly and fairly with plan provisions, and*
- to adhere to the highest standards of fiduciary and professional care.*

## Objectives

The Retirement System has three primary objectives:

- Maintain accurate member and System records;
- Provide timely, accurate benefit payments; and
- Invest the System's assets in a prudent, productive manner.

The Retirement System seeks to accomplish its objectives in an effective, cost efficient fashion.

The Retirement System is tracking its administrative expenses as a percentage of benefit payments and as a percentage of assets. Administrative expenses as a percentage of benefit payments are expected to decline from 1.61 percent in Fiscal Year 1993, to 1.55 percent in the current year, to 1.38 percent in Fiscal Year 1995. As a percentage of assets, administrative expenses are expected to decline from .083 percent in Fiscal Year 1993 to .074 percent in Fiscal Year 1995.

Through February, 2,783 members retired as compared to 2,492 in all of Fiscal Year 1993. Benefit checks continue to be processed and distributed in a timely fashion.

Investment performance is most frequently measured by the time-weighted rate of return. Fiscal Year 1993 was an outstanding year with a time-weighted rate of return of 14.7 percent, up from 12.8 percent in Fiscal Year 1992. Through January, the time-weighted rate of return was 9.3 percent (not annualized) for the current fiscal year and 15.5 percent for the latest 12 months. Investment expenses, as a percentage of assets, are projected to decline from .336 percent in Fiscal Year 1993, to .304 percent in the current year, to .296 percent in Fiscal Year 1995.

## Strategies

The Board of Trustees adopted the first KPERS Strategic Plan in early 1993. This planning document ensures that the System's resources are deployed in an organized manner and provides a benchmark for measuring administrative performance. KPERS staff are currently working to upgrade the Strategic Plan to incorporate the measures envisioned in the new Performance-Based Budget Model.

The Retirement System's Fiscal Year 1992 emphasis was, of necessity, reasserting control of the investment function. As we move forward, the investment staff will continue to refine its oversight and reporting capabilities while working to further reduce its reliance on outside consultants.

The focus shifted in Fiscal Year 1993 to the fiscal management function. That staff is now producing timely, accurate information that is used as a management tool. I am pleased to report that the Retirement System's *Annual Report*, including audited financial statements, was issued on a timely basis for the first time in three years. The fiscal management staff will document its procedures in the current year.

The information resource function is the Retirement System's current focus. KPERS is in the midst of upgrading its minicomputer hardware and software. The emphasis is on developing documented, integrated, and user-friendly applications, particularly the Claims System for calculating benefit payments. KPERS' first time reporting system is now on-line.

Member and employer services will be emphasized in Fiscal Year 1995. At present, KPERS is unable to effectively track transactions and determine error rates. Our undocumented procedures include too many unnecessary manual computations and an absolute blizzard of paper. Fiscal Year 1995 will see the development of streamlined procedures for processing and tracking member and employer transactions.

The Retirement System will continue its efforts to obtain comparative cost/performance data from other state-wide pension systems.

#### Financial Information

##### Governor's Recommendations

	<u>FY94</u>	<u>FY95</u>
<u>Expenditures by Program</u>		
Operations	\$ 4,315,295	\$ 4,053,176
Benefits	281,348,246	299,520,620
Local Employer Costs	54,232,172	-
Investments	16,565,198	17,213,158
Total	<u>\$ 356,460,911</u>	<u>\$ 320,786,954</u>
<u>Expenditures by Fund</u>		
State General Fund	\$ 54,232,172	\$ -
KPERS Fund	302,228,739	320,786,954
	<u>\$ 356,460,911</u>	<u>\$ 320,786,954</u>

Note: The Assumption of Local Employer Costs is funded through the State General Fund. All other expenditures are from Retirement Funds.

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**KPERS Budget Request**  
**(reflects Senate Subcommittee action)**

	<u>FY94</u>	<u>FY95</u>
<b><u>Expenditures by Program</u></b>		
Operations	\$ 4,347,091	\$ 4,115,676
Benefits	281,348,246	299,520,620
Local Employer Costs	55,808,022	-
Investments	16,565,198	17,627,497
<b>Total</b>	<u>\$ 358,068,557</u>	<u>\$ 321,263,793</u>
<b><u>Expenditures by Fund</u></b>		
State General Fund	\$ 55,808,022	\$ -
KPERS Fund	302,260,535	321,263,793
	<u>\$ 358,068,557</u>	<u>\$ 321,263,793</u>

Note: The Assumption of Local Employer Costs is funded through the State General Fund. All other expenditures are from Retirement Funds.

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**Nonfinancial Barriers**

The Retirement System is unaware of any nonfinancial barriers that will prevent it from implementing the strategies and achieving the objectives outlined above.

**Other Matters**

Investment Expenses Investment expenses for Fiscal Year 1995 are now based on the assumption of ten percent growth in the fund during both the current fiscal year and Fiscal Year 1995. The growth in the publicly traded portfolios requires an increase in the Fiscal Year 1995 expenditure limitation for *Publicly traded securities management fees* of \$414,339, to a new total of \$11,092,197.

Additionally, at the request of the Retirement System, the Senate revised the current year expenditure limitations by decreasing the limitation for *Publicly traded securities management fees* by \$200,000 and increasing the limitation for *Real estate management fees* by an equal amount. This change was intended to allow the Retirement System to sell a real estate asset and pay the contractual disposition fee. The Retirement System asks the House Appropriations Subcommittee on KPERS to consider several adjustments to the Senate-approved expenditure limitations for investment expenses in the current fiscal year. First, another month of market experience indicates that the expenditure limitation for *Publicly traded securities management fees* can be reduced an additional \$125,000 to \$10,168,198. Subsequent to the Senate action, KPERS liability for a real estate disposition fee has been ascertained to be \$30,000. Accordingly, the current year expenditure

limitation for *Real estate management fees* can be reduced \$170,000 to \$1,030,000.

The Retirement System requests that the current year expenditure limitation for *Investment consultant fees* be increased \$50,000 to \$237,000 to cover the anticipated additional cost of an independent review of its asset allocation process. This review is being conducted in response to questions raised by the Joint Committee on Pensions, Investments and Benefits. The Board of Trustees will take final action on this matter at its April 8 meeting. The House Appropriations Subcommittee on KPERS will be formally advised of the Board's final decision in this area. Finally, the Retirement System requests that the current year expenditure limitation for *Direct placement investment expenses* be increased \$150,000 to \$750,000. This requested increase is largely driven by the costs involved in the Merchandise Mart bankruptcy action. In total, KPERS requests of the House Appropriations Subcommittee on KPERS would result in reducing total investment-related expenditure limitations by \$95,000 from the Senate-approved level to \$16,470,198.

Board Education The Board of Trustees at its January 28 meeting took action to formally request both a supplemental appropriation in the current year and an addition to its original Fiscal Year 1995 budget request in the amount of \$22,500. Both amounts are intended to fund Trustee educational seminars. The Board believes that the fiduciary responsibilities associated with the \$5.5 Retirement System require that Trustees remain well-informed on all aspects of pension investing. Trustees are particularly concerned that they be exposed to the views of other consultants and advisors. The Senate Subcommittee expressed support for the concept of Board continuing education but did not act to appropriate funds for the activity. The Board still feels that the ever-changing marketplace requires that Trustees be well-informed and that formal educational opportunities beyond the Board's monthly meetings are necessary to keep abreast of the market developments.

Information Resource Management The Retirement System is currently in the final stages of acquiring an upgrade to its microcomputer and CASE programming software. At the time of the Senate hearings on KPERS budget request, KPERS was concerned that the total costs of the approved acquisitions would be above the amounts appropriated for the current year. Please be advised that the Retirement System is now confident that the approved acquisitions can be covered by existing current year appropriations.

Current Year Supplemental Request The Board's original budget request included additional expenditures of \$45,813 in the current year. This supplemental request was intended to fund the acquisition of Manager Style Analysis software and an Investment Manager Universe Database (\$20,000), increased real estate taxes on the Capitol Tower office building (\$11,746), and increased costs for telephone and postage usage (\$14,067). The software and database acquisitions will allow the Retirement System to continue to lessen its dependence on consultants; the Fiscal Year 1995 budget request reflects this acquisition through a substantial reduction in estimated consultant fees. Senate action added the software (\$20,000) and real estate tax (\$11,746) amounts to the current year appropriations.

Fiscal Year 1995 Appealed Items The Board of Trustees asked the Senate Ways & Means Subcommittee on KPERS Budget to consider its initial budget

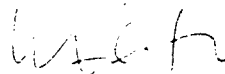
Members, House Appropriations Subcommittee on KPERS  
March 15, 1994  
Page 6

request for an additional \$86,566 in expenditure authority for Fiscal Year 1995. These funds were requested to enable the Retirement System to add a management analyst position and an office supervisor position. Additionally, \$17,500 of the amount would be used to acquire 5 personal computers and related software. The two positions and the personal computers are essential elements in the Board's plan to upgrade the quality of services provided to members and employers. In response, the Senate added \$45,000 for either a consultant contract or a special project position and \$17,500 for personal computers and related software.

I again appreciate the opportunity to present this information for your consideration. The Retirement System's Board of Trustees and staff remain committed to focusing their collective efforts on serving the needs of the System's 186,000 members. We continue to emphasize accountability in all of our efforts as we pursue our goal of being the most efficient provider of quality pension plan services.

Your consideration of these matters is appreciated. Should you have any questions or require any additional information, I am available at your convenience.

Sincerely,



Meredith Williams  
Executive Secretary

cc: Julian Efird

# KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

## INVESTMENT PERFORMANCE REPORT

### For The Period Ending January 31, 1994

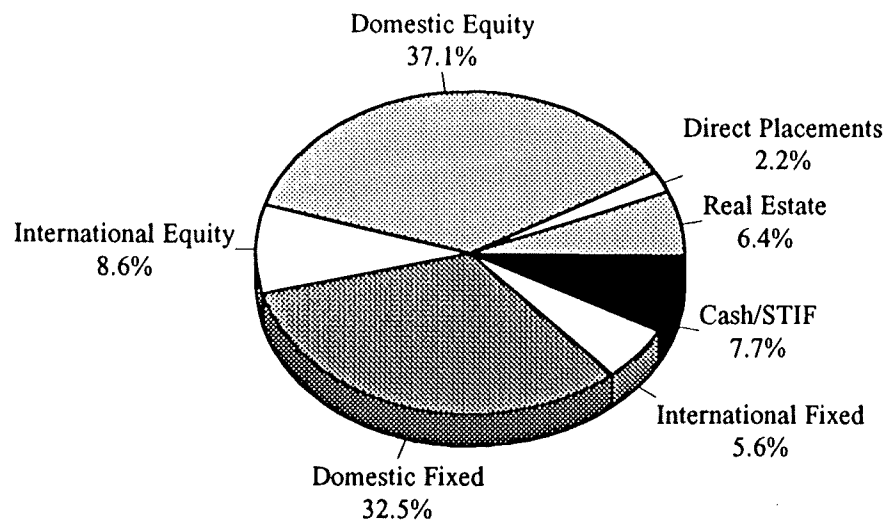
Time-Weighted Return	Latest Quarter*	Fiscal Year To Date*	Latest 12 Months	Latest 3 Years	Latest 5 Years
Total Portfolio	3.1%	9.3%	15.5%	12.5%	11.1%
Domestic Equity Portfolio	3.6%	11.4%	14.9%	18.8%	15.5%
Int'l Equity Portfolio	6.4%	19.6%	40.8%	9.0%	7.6%
Domestic Fixed Portfolio	1.6%	6.0%	13.4%	15.0%	12.8%
Int'l Fixed Portfolio	1.2%	5.4%	16.5%	14.8%	11.2%
Real Estate Portfolio	2.6%	5.7%	8.0%	(3.9%)	(0.1%)
Alternative Investment Portfolio	4.2%	7.5%	12.5%	0.0%	2.3%
Cash Equivalents Portfolio	0.9%	2.7%	5.0%	7.1%	8.0%

\* Not Annualized

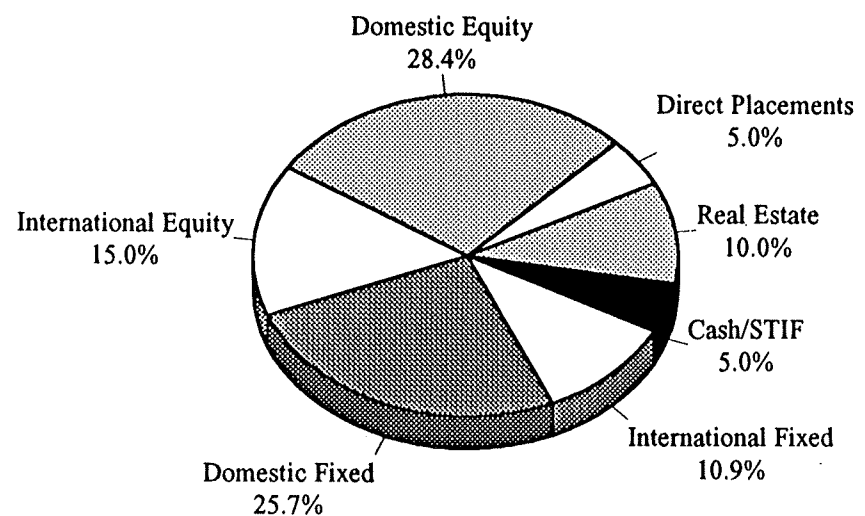
## ASSET ALLOCATION

Total Portfolio Net Asset Value \$5,530.9 Million as of 1/31/94

### Current Allocation



### Target Allocation\*\*



\*\* Target Allocation As Of January 28, 1994

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# KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

## INVESTMENT PERFORMANCE REPORT

March, 1994

	<u>1/31/94 Net Asset Value</u> (millions) (2)	<u>Time Weighted Total Return (1)</u>				
		<u>Latest Quarter</u>	<u>Fiscal YTD</u>	<u>Latest 12 Months</u>	<u>Latest 3 Years</u>	<u>Latest 5 Years</u>
<b>TOTAL FUND</b>	<b>\$5,530.9 (4)</b>	<b>3.1%</b>	<b>9.3%</b>	<b>15.5%</b>	<b>12.5%</b>	<b>11.1%</b>
Policy Index (3)		2.1%	6.2%	13.6%	10.8%	10.1%
Consumer Price Index		0.3%	1.2%	2.5%	2.8%	3.8%
 <b>Total Domestic Equity Portfolio</b>	 <b>2,031.9</b>	 <b>3.6%</b>	 <b>11.4%</b>	 <b>14.9%</b>	 <b>18.8%</b>	 <b>15.5%</b>
KPERS Equity Benchmark (5)		3.2%	8.4%	12.4%	15.3%	NA
 <b>Total International Equity Portfolio</b>	 <b>496.2</b>	 <b>6.4%</b>	 <b>19.6%</b>	 <b>40.8%</b>	 <b>9.0%</b>	 <b>7.6%</b>
KPERS International Equity Benchmark (6)		3.4%	8.3%	42.7%	8.3%	-0.5%
 <b>Total Domestic Fixed Income Portfolio</b>	 <b>1,820.4</b>	 <b>1.6%</b>	 <b>6.0%</b>	 <b>13.4%</b>	 <b>15.0%</b>	 <b>12.8%</b>
Lehman Brothers Aggregate Index		1.0%	4.1%	9.1%	11.0%	11.3%
 <b>Total International Fixed Income Portfolio</b>	 <b>316.9</b>	 <b>1.2%</b>	 <b>5.4%</b>	 <b>16.5%</b>	 <b>14.8%</b>	 <b>11.2%</b>
Salomon Non-U.S. Government Bond Index		1.1%	6.0%	14.1%	10.7%	10.2%
 <b>Total Real Estate Portfolio</b>	 <b>332.3</b>	 <b>2.6%</b>	 <b>5.7%</b>	 <b>8.0%</b>	 <b>-3.9%</b>	 <b>-0.1%</b>
NCREIF Real Estate Index (7)		1.1%	0.4%	-1.9%	-3.8%	-0.1%
 <b>Total Alternative Investments Portfolio</b>	 <b>119.7</b>	 <b>4.2%</b>	 <b>7.5%</b>	 <b>12.5%</b>	 <b>0.0%</b>	 <b>2.3%</b>
S&P 500 Index + 8%		NA	NA	20.8%	23.2%	21.7%
 <b>Total Cash Equivalents Portfolio (8)</b>	 <b>412.9</b>	 <b>0.9%</b>	 <b>2.7%</b>	 <b>5.0%</b>	 <b>7.1%</b>	 <b>8.0%</b>
Merrill Lynch 1-3 Yr. Gov'ts. Index		1.0%	2.7%	5.0%	7.7%	8.7%

### NOTES:

- (1) Time weighted total return includes income and changes in market value. The latest quarter/fiscal year to date results are not annualized.
- (2) Net Asset Value is the market value of investments plus accrued receivables less accrued payables. The cash portion of the portfolio is managed by Payden & Rygel.
- (3) The Policy Index reflects the asset allocation policies that have been in place since June 30, 1986. The current allocation is the allocation approved on January 28, 1994. This asset allocation mix is: 28.4% KPERS Equity Benchmark, 15% KPERS International Equity Benchmark, 25.7% Lehman Aggregate Bond Index, 10.9% Salomon Non-U.S. World Government Bond Index, 10% NCREIF Real Estate Index, and 10% U.S. Treasury Bills. The prior allocations and the associated indices are available upon request.
- (4) The total net asset value of the fund also includes miscellaneous assets of \$.6 million.
- (5) The KPERS Equity Benchmark is defined as the S&P 500 Index, less the stocks of companies classified as banking institutions, savings and loan associations, or credit unions. Prior to January 1, 1994, the stocks of companies engaged in business in South Africa were also excluded.
- (6) The KPERS International Equity Benchmark is defined as the Morgan Stanley EAFE Index, less the stocks of companies classified as banking institutions, savings and loan associations, or credit unions. Prior to January 1, 1994, the Benchmark only excluded the stocks of companies engaged in business in South Africa.
- (7) The NCREIF Real Estate Index lags one quarter and is updated quarterly. The returns shown are for the period ending 9/30/93.
- (8) The Total Cash Equivalents return includes the real estate and direct placement funding accounts.

# SUBCOMMITTEE REPORT

Agency: Department of Administration

Bill No. 718

Bill Sec. 4 and 17

Analyst: Porter

Analysis Pg. No. 1060

Budget Page No. 22

<u>Expenditure</u>	<u>Agency Est. FY 94</u>	<u>Governor's Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 20,919,595	\$ 20,583,542	\$ --
Aid to Local Units <sup>a</sup>	7,087,444	6,275,360	--
Other Assistance <sup>a</sup>	2,315,348	2,315,348	--
Subtotal -- Operating	30,322,387	29,174,250	--
Capital Improvements	1,531,019	1,531,019	--
TOTAL	<u>\$ 31,853,406</u>	<u>\$ 30,705,269</u>	<u>\$ --</u>
State General Fund:			
State Operations	\$ 18,581,343	\$ 18,761,831 <sup>b</sup>	\$ --
Aid to Local Units <sup>a</sup>	121,249	121,249	--
Other Assistance <sup>a</sup>	502,746	502,746	--
Capital Improvements	764,231	1,164,231	--
TOTAL	<u>\$ 19,969,569</u>	<u>\$ 20,550,057</u>	<u>\$ --</u>
FTE Positions:			
Reportable	371.0	369.0	--
Nonreportable	<u>550.0</u>	<u>547.7</u>	--
TOTAL	<u>921.0</u>	<u>916.7</u>	--

- a) FY 1993 and FY 1994 State General Fund expenditures for aid to local units reflect the amount of the operating grant to public television station KTWU. FY 1993 and FY 1994 State General Fund other assistance expenditures reflect the total amounts for operating grants to public television stations KPTS, KCPT, and KOOD. Among other items, expenditures for other assistance from all funds in those years reflect equipment grant amounts for public television stations. These grants were made through the Public Broadcasting Commission, which was not attached to the Department of Administration in those years. The FY 1995 agency request and FY 1995 Governor's recommendation reflect expenditures for the Public Broadcasting Council, which is attached to the Department of Administration.
- b) The \$180,488 increase in state operations State General Fund financing recommended by the Governor above the agency estimate in FY 1994 reflects an increase of \$234,095 to correct the amount estimated for payments for energy conservation debt service. That increase is offset by various reductions from the agency estimates for state operations financed from the State General Fund.

## Agency Estimate/Governor's Recommendation

**Reportable Budget Summary.** The Department estimates FY 1994 reportable operating expenditures of \$30,322,387, an increase of \$2,152,889 above the amount approved by the 1993 Legislature (\$28,169,498), as adjusted for Finance Council action and adjusted for Public Broadcasting Commission expenditures. The majority of the increase reflects an increase of \$1,084,584 in the amount distributed as aid to local units of government, most of which is federal funding distributed as grants for

anti-drug and criminal justice initiatives. State General Fund financing of \$18,581,343 included in the estimate reflects a reduction of \$179,458 from the \$18,760,801 approved by the 1993 Legislature.

The Governor recommends FY 1994 reportable operating expenditures of \$29,174,250, a reduction of \$1,148,137 from the agency estimate. The recommendation includes financing of \$18,761,831 from the State General Fund, an increase of \$180,488 above the agency estimate. Of the \$180,488 SGF increase, \$30,595 would finance the SGF portion of the Information Technology job classes reclassification effective December 18, 1993, which was not included in the agency budget request. The increase reflects a reduction of \$58,467 from the agency estimate for salaries and wages and an increase of \$238,955 above the agency estimate for other operating expenditures. The recommendation also reflects a reduction of \$812,084 from the amount requested for grants to local units of government for anti-crime and criminal justice initiatives, which was made to avoid double counting expenditures. Some of the grant money is included as expenditures in the budgets of other state agencies.

### Nonreportable Budget

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

#### Nonreportable Budget FY 1994

<u>Expenditure</u>	<u>Agency Est. FY 94</u>	<u>Governor's Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 60,700,640	\$ 60,858,472	\$ --
Other Assistance	<u>15,800,000</u>	<u>15,800,000</u>	<u>--</u>
Total -- Operating	\$ 76,500,640	\$ 76,658,472	\$ --
Capital Improvements	<u>1,978,956</u>	<u>1,978,956</u>	<u>--</u>
TOTAL	<u>\$ 78,479,596</u>	<u>\$ 78,637,428</u>	<u>\$ --</u>

**Nonreportable Budget Summary.** The agency estimates FY 1994 nonreportable operating expenditures of \$76,500,640, a reduction of \$2,279,765 from the amount of \$78,780,405 approved by the 1993 Legislature. The entire reduction is from the amount estimated for state operations. Funding estimated for other assistance (\$15,800,000) (Workers Compensation claims) is in the amount approved by the 1993 Legislature.

The Governor recommends FY 1994 nonreportable operating expenditure authority of \$76,658,472, an increase of \$157,832 above the agency estimate. The recommendation reflects a shift of expenditures from the reportable budget to the nonreportable budget.

### **Senate Subcommittee Recommendation**

The Senate Subcommittee concurs with the recommendations of the Governor with the following adjustments:

1. Delete provisions from the appropriations bill relating to implementation of the final phases of the Comprehensive Classification and Job Rate Study (CCJRS). The Subcommittee recommends the introduction of legislation which would include all provisions relating to the CCJRS.
2. **Personnel/Payroll Project.** The Subcommittee includes a more extensive review of this issue in its 1995 report. For FY 1994, the Subcommittee recommends that State General Fund expenditures for the personnel/payroll project be identified in a proviso attached to the State General Fund appropriation for the General Administration Program and for the Central Management Information Systems subprogram. SGF expenditures anticipated for the project in FY 1994 total \$413,000; in addition to this amount, the agency hopes to generate additional SGF savings of \$276,000 from other sources, but is unable to commit these amounts to the project until savings are realized.

The Subcommittee's recommendation has no fiscal impact, since all expenditures would be from funds already included in the Governor's recommendation. The Subcommittee's intent is to identify within the appropriations bill SGF expenditures for the personnel/payroll project.

3. Amend the proviso on the nonreportable Dependent Care Assistance Program Fund. Although the fund is a no-limit fund, a proviso limits expenditures for salaries and wages and other operating expenditures. Among the expenditures from this fund are payments for contractual services made for third-party administration of flexible spending accounts for state employees. Payments to the administrator are based on the number of reimbursement claims filed by participants. Because the number of reimbursement claims that will be made to participants of the flexible spending program is unknown until the end of each fiscal year, the precise amount of payments to the third-party administrator is also unknown. The Subcommittee recommends that payments to the third-party administrator be exempted from the expenditure limitation imposed in the proviso.

### **Senate Committee Recommendation**

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

### **Senate Committee of the Whole Recommendation**

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



**Reportable Budget  
FY 1994**

<u>Expenditure</u>	<u>Senate Adj. FY 94</u>	<u>Senate Rec. FY 94</u>	<u>House Sub. Adjustments</u>
All Funds:			
State Operations	\$ --	\$ 20,583,542	\$ --
Aid to Local Units	--	6,275,360	--
Other Assistance	--	2,315,348	--
Subtotal -- Operating	--	29,174,250	--
Capital Improvements	--	1,531,019	--
TOTAL	<u>\$ --</u>	<u>\$ 30,705,269</u>	<u>\$ --</u>
State General Fund:			
State Operations	\$ --	\$ 18,761,831	\$ --
Aid to Local Units	--	121,249	--
Other Assistance	--	502,746	--
Capital Improvements	--	1,164,231	--
TOTAL	<u>\$ --</u>	<u>\$ 20,550,057</u>	<u>\$ --</u>
FTE Positions:			
Reportable	--	369.0	--
Nonreportable	--	547.7	--
TOTAL	--	<u>916.7</u>	--

**Nonreportable Budget  
FY 1994**

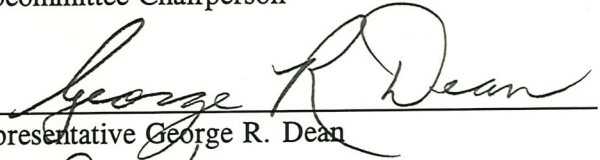
<u>Expenditure</u>	<u>Senate Adj. FY 94</u>	<u>Senate Rec. FY 94</u>	<u>House Sub. Adjustments</u>
All Funds:			
State Operations	\$ --	\$ 60,858,472	\$ --
Other Assistance	--	15,800,000	--
Total -- Operating	\$ --	\$ 76,658,472	\$ --
Capital Improvements	--	1,978,956	--
TOTAL	<u>\$ --</u>	<u>\$ 78,637,428</u>	<u>\$ --</u>

**House Subcommittee Recommendation**

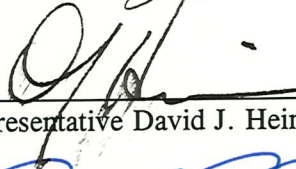
The House Subcommittee concurs with the recommendations of the Senate Committee.



Representative James E. Lowther  
Subcommittee Chairperson



Representative George R. Dean



Representative David J. Heinemann



Representative Richard R. Reinhardt

## SUBCOMMITTEE REPORT

**Agency:** Department of Administration

**Bill No.** 679

**Bill Sec.** 7

**Analyst:** Porter

**Analysis Pg. No.** 1060

**Budget Page No.** 22

<u>Expenditure</u>	<u>Agency Req. FY 95</u>	<u>Governor's Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 22,632,155	\$ 21,193,307	\$ 7,500
Aid to Local Units	7,156,407	6,760,775	--
Other Assistance	<u>3,282,638</u>	<u>2,377,533</u>	<u>(586,555)</u>
Subtotal -- Operating	33,071,200	30,331,615	(579,055)
Capital Improvements	<u>998,390</u>	<u>983,790</u>	<u>--</u>
TOTAL	<u>\$ 34,069,590</u>	<u>\$ 31,315,405</u>	<u>\$ (579,055)</u>
State General Fund:			
State Operations	\$ 20,539,973	\$ 19,515,704	\$ --
Aid to Local Units	180,270	--	--
Other Assistance	1,058,517	586,555	(586,555)
Capital Improvements <sup>a</sup>	<u>378,390</u>	<u>983,790</u>	<u>--</u>
TOTAL	<u>\$ 22,157,150</u>	<u>\$ 21,086,049</u>	<u>\$ (586,555)</u>
FTE Positions:			
Reportable	370.5	364.5	4.0
Nonreportable	<u>558.5</u>	<u>551.2</u>	<u>(1.0)</u>
TOTAL	<u>929.0</u>	<u>915.7</u>	<u>3.0</u>

- a) Of the total \$998,390 requested for capital improvements in FY 1995, \$620,000 of the request is the debt service payment for energy conservation improvement projects. This funding is from the State General Fund, but it is paid into the Energy Conservation Improvement Fund. Because the funding was requested from the Energy Conservation Improvement Fund, *The Governor's Budget Report* includes this amount as a request from other funds rather than from the State General Fund. The Governor recommends the debt service payment from the State General Fund.

### Agency Request/Governor's Recommendation

**Reportable Budget Summary.** The agency requests a total of \$33,071,200 for operating expenditures in FY 1995, an increase of \$2,748,813, or 9.1 percent, above the FY 1994 estimate. Increases from the FY 1994 estimate are requested for salaries and wages (\$625,323), other operating expenditures (\$1,087,237), aid to local units (\$68,963), and other assistance (\$967,290).

The Governor recommends FY 1995 reportable operating expenditures funding of \$30,331,615, a reduction of \$2,739,585 from the agency request. Reductions are recommended from the agency requests for salaries and wages (\$379,800), other operating expenditures (\$1,059,048), aid to local units (\$395,632), and other assistance (\$905,105). The Governor recommends \$776,415 for the personnel/payroll project in FY 1995 and concurs with the FY 1997 estimate of \$253,000.

## Nonreportable Budget

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

### Nonreportable Budget -- FY 1995

<u>Expenditure</u>	<u>Agency Req. FY 95</u>	<u>Governor's Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 66,679,686	\$ 65,046,673	\$ --
Other Assistance	<u>15,800,000</u>	<u>15,800,000</u>	<u>--</u>
Total -- Operating	\$ 82,479,686	\$ 80,846,673	\$ --
Capital Improvements	<u>1,475,275</u>	<u>1,475,275</u>	<u>--</u>
TOTAL	<u>\$ 83,954,961</u>	<u>\$ 82,321,948</u>	<u>\$ --</u>

**Nonreportable Budget Summary.** The agency requests FY 1995 nonreportable operating expenditure authority of \$82,479,686, an increase of \$5,979,046 above the FY 1994 estimate. Of the increase, \$1,906,507 is requested for rental payments and moving costs for eleven state agencies relocating to the Wichita State Office Building early in FY 1995. The entire increase is requested for state operations. The amount requested for other assistance is the same amount estimated for FY 1994, which is \$15,800,000.

The Governor recommends FY 1995 nonreportable expenditure authority of \$80,846,673, a reduction of \$1,633,013 from the agency request. The Governor concurs with the agency request for nonreportable expenditures totaling \$1,906,507 associated with the Wichita State Office Building. Reductions are recommended from the agency requests for commodities (\$67,041) and capital outlay (\$1,650,955), and increases are recommended to the agency requests for salaries and wages (\$83,212) and contractual services (\$1,771). The recommendation for salaries and wages also includes full-year funding for the salary adjustments for the implementation of the Comprehensive Classification and Job Rate Study for the Information Technology classes, which had an FY 1994 nonreportable budget six months cost of \$206,961.

### Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the Governor with the following adjustments:

1. **Personnel/Payroll Project.** The Subcommittee received extensive testimony on the ongoing personnel/payroll system client server initiative. A consultant's study, dated January 1993, evaluated five alternatives for the state's personnel/payroll system before concluding that developing a new system with a client/server type of package would be the alternative which would offer the ability to move the State from 1970s technology (the current Kansas Integrated Personnel and Payroll System, or KIPPS)

to 1990s technology, would reduce the long-term reliance on mainframe computing, would reduce the long term user training costs, and would improve user flexibility. The consultant's study estimated the five year "hard dollar," or total additional cost to the State, as \$15,586,296. The Secretary of Administration testified that the cost should be less than this amount and that the University of Kansas, the University of Kansas Medical Center, and Kansas State University have expressed interest in sharing in the system and participated in preparing the request for proposal (RFP) for the system. The project is still in the bidding stage, and total project cost is not known at this time.

The Subcommittee concurs with the Governor's recommendation for personnel/payroll project funding, which includes \$626,415 SGF within the Office of the Secretary Subprogram, \$310,000 SGF within the Central Management Information Systems Subprogram, nonreportable expenditures of \$54,000 from the DISC Information Technology Reserve Fund, and \$150,000 from the Accounting Services Recovery Fund. In addition to those amounts, which total \$1,140,415, the agency hopes to generate additional SGF savings of \$213,585 from other sources, but is unable to commit these amounts to the project until savings are realized. The amounts noted for FY 1995 total \$1,354,000.

The Subcommittee intends that all expenditures for the personnel/payroll be subject to Legislative review and that all expenditures from any source be clearly identified. To accomplish these objectives, the Subcommittee makes the following recommendations:

- All expenditures for the personnel/payroll project are to be made from the personnel/payroll project program of the Computer Services Recovery Fund (CSRF). Expenditures from the personnel/payroll project program are to be reported in object code detail.
- Amounts to be expended for the personnel/payroll project from the State General Fund, other reportable funds, and nonreportable funds are to be transferred into the personnel payroll project program of the CSRF so that total expenditures may be readily identified. The Secretary may transfer from any item of appropriation for this purpose. Funding transferred into the CSRF but not expended within a fiscal year may be carried forward into the next fiscal year.
- All expenditures anticipated from the State General Fund are identified in a proviso attached to the SGF appropriation for the General Administration program; however, in addition to this amount, the Secretary is authorized to make transfers of additional amounts if savings are realized.
- Expenditures from the CSRF are limited to \$2,000,000 in FY 1995. This includes the \$1,345,000 noted above, and in addition allows the agency some flexibility and incentive to achieve additional budgetary savings to apply to this project. Expenditures may exceed \$2,000,000 with State Finance Council approval.
- The Secretary of Administration is authorized by proviso to fix, charge, and collect fees for central computer system development services to other state

agencies. The Subcommittee received testimony that this is an option that the Secretary is exploring.

- Amounts which may be transferred from other state agencies are exempt from the \$2,000,000 expenditure limitation. This would include any transfers from Regents institutions which may choose to participate in the personnel/payroll project and any fees which may be charged to other state agencies, as noted in the preceding item.
- The Subcommittee acknowledges that some expenditures for capital outlay (primarily software) will be necessary and that the Secretary of Administration may need to enter into financing agreements to obtain the necessary capital outlay within available resources. The Secretary is authorized to enter into financing agreements for capital outlay expenditures; however, any expenditures related to debt service payments for the financing of capital outlay not included in the plan presented to the Subcommittee are subject to appropriations in FY 1995 and future years.

The Subcommittee's recommendation does not increase expenditures, because all expenditures would be from funds already included in the Governor's recommendation. The recommendation is intended to ensure that all expenditures for the personnel/payroll project will be made from one fund, that expenditures will be identified by object code, and that all expenditures will be reported.

2. The Subcommittee concurs with Governor's Budget Amendment No. 1, Item 1, which restores 4.0 FTE positions inadvertently omitted from the Governor's recommendation. The Subcommittee also deletes 1.0 FTE position which was overstated in the Governor's recommendation. As introduced, the appropriations bill includes the correct FTE limitation and no adjustment to the bill is needed for this purpose.
3. Delete provisions from S.B. 679 relating to transfers required by the federal Cash Management Act of 1990. Substantive legislation passed by the 1993 Legislature provides for these transfers and the transfer language included in S.B. 679 is superfluous.
4. As in FY 1994, delete provisions from the appropriations bill relating to funding and implementation of the final phases of the Comprehensive Classification and Job Rate Study (CCJRS). The Subcommittee recommends the introduction of legislation which would include all provisions relating to the CCJRS.
5. Delete funding for the Public Broadcasting Council. Funding for the Council is appropriated in 1994 H.B. 2640 (other education). 1993 S.B. 350 replaced the Kansas Public Broadcasting Commission with the Kansas Public Broadcasting Council and established a statutory formula for funding distribution. Although 1993 S.B. 350 specifies that funding for the Public Broadcasting Council is to be appropriated to the Department of Administration, the Senate Ways and Means and House Appropriations Committees agreed that, because of their familiarity with the provisions of 1993 S.B. 350, the House and Senate Subcommittees which reviewed the Public Broadcasting Commission budget during the 1993 Session would review the Public Broadcasting Council budget during the 1994 Session.

6. The Subcommittee notes that the FY 1995 budget request for the Division of Architectural Services includes a proposal to increase fees charged for services provided by the division. Currently, the division charges a fee equivalent to 6 percent of the construction costs for projects for which the division provides design services and a fee equivalent to 1 percent of the estimated cost of each capital improvement project for which the division provides architectural, engineering, or management services, regardless of the project's funding source. Prior to FY 1993, the 1 percent fee was allowed only on those projects financed from the State Institutions Building Fund (SIBF) and the Educational Building Fund (EBF). The division proposed to increase the 1 percent fee to 1.25 percent and the 6 percent fee to 7 percent. The agency estimates that the fee increase would result in an additional \$175,690 in fee collections in FY 1995. The Governor does not include the fee increase in the FY 1995 budget recommendation. The fees are set in a proviso on the Architectural Services Recovery Fund in S.B. 679. The Subcommittee recommends that the Joint Committee on State Building Construction study and make a recommendation on this issue.
7. As in FY 1994, amend the proviso on the nonreportable Dependent Care Assistance Program Fund. Although the fund is a no-limit fund, a proviso limits expenditures for salaries and wages and other operating expenditures to \$143,783. Among the expenditures from this fund are payments for contractual services made for third-party administration of flexible spending accounts for state employees. Payments to the administrator are based on the number of reimbursement claims filed by participants. Because the number of reimbursement claims that will be made to participants of the flexible spending account is unknown until the end of each fiscal year, the precise amount of payments to the third-party administrator is also unknown. The Subcommittee recommends that payments to the third-party administrator be exempted from the expenditure limitation imposed in the proviso.
8. Authorize additional expenditures of \$7,500 from the no-limit Purchasing Fees Fund for funding for publishing notices to bidders in the *Kansas Register* prior to negotiating for procurements. The agency requested no funding for this purpose in FY 1995. S.B. 531 would eliminate the requirement that bids be advertised; however, current law requires this notice. The Subcommittee recommends that this be considered as an Omnibus item if S.B. 531 is enacted into law.

#### **Senate Subcommittee on Capital Improvements**

The Senate Subcommittee on capital improvements concurs with the recommendations of the Senate Subcommittee with the following adjustments:

1. Shift funding of \$363,790 recommended by the Governor from the State General Fund to the State Budget Stabilization Fund for the following projects:

Rehabilitation and Repair -- Statehouse, Judicial Center, and Governor's Residence	\$ 83,000
Fire Alarm, Security, and Life/Safety Systems Upgrade -- Statehouse	30,790
Americans with Disabilities Act (ADA) Compliance Projects for State Agencies	250,000

In addition, the Subcommittee adds \$250,000 from the State Budget Stabilization Fund for ADA projects for state agencies, for total ADA projects funding of \$500,000.

### **Senate Committee Recommendation**

The Senate Committee concurs with the recommendations of the Senate Subcommittees with the following adjustments:

1. The Committee concurs with Governor's Budget Amendment No. 1, Item 1, which authorizes additional expenditure authority of \$8,070 for the purchase of motor pool vehicles and \$42,619 for fuel and repair services for motor pool vehicles. These adjustments are recommended to match the number of motor pool miles recommended in other agency budgets.
2. Authorize expenditures from the nonreportable Information Technology Reserve Fund for a multi-point control unit, which would be used to provide additional video conferencing capability for the University of Kansas Medical Center (KUMC). The equipment would be necessary to allow KUMC to expand its nurse practitioner program to two additional rural sites.

### **Senate Committee of the Whole Recommendation**

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

1. Restore provisions relating to funding and implementation of the final phases of the Comprehensive Classification and Job Rate Study (CCJRS), including funding of \$3,034,486 from the State General Fund. These provisions were included in the appropriations bill, as introduced. The Senate Subcommittee recommended the introduction of legislation which would include all provisions relating to the CCJRS (S.B. 824). (Staff Note: Although the funding for implementation of the CCJRS is now included in this bill, the funding is to be released by the State Finance Council and is not funding related to operations of the Department of Administration. Therefore, this amount is not reflected in any of the funding charts included in this Subcommittee report.)
2. Add a provision to the proviso attached the to appropriation for the Division of Architectural Services which would exempt projects funded from non-governmental sources from fees currently assessed by the Division. Currently, the Division of Architectural Services is authorized to charge a fee equivalent to 6 percent of the



construction costs for projects for which the Division provides design services and a fee equivalent to 1 percent of the estimated cost of each capital improvement project for which the Division provides architectural, engineering, or management services, regardless of the project's funding source.

**Reportable Budget  
FY 1995**

<u>Expenditure</u>	<u>Senate Adj. FY 95</u>	<u>Senate Rec. FY 95</u>	<u>House Sub. Adjustments</u>
All Funds:			
State Operations	\$ 7,500	\$ 21,200,807	\$ (2,000)
Aid to Local Units	--	6,760,775	--
Other Assistance	<u>(586,555)</u>	<u>1,790,978</u>	<u>--</u>
Subtotal -- Operating	(579,055)	29,752,560	(2,000)
Capital Improvements	<u>250,000</u>	<u>1,233,790</u>	<u>--</u>
TOTAL	<u>\$ (329,055)</u>	<u>\$ 30,986,350</u>	<u>\$ (2,000)</u>
State General Fund:			
State Operations	\$ --	\$ 19,515,704	\$ (2,000)
Aid to Local Units	--	--	--
Other Assistance	<u>(586,555)</u>	<u>--</u>	<u>--</u>
Capital Improvements	<u>(363,790)</u>	<u>620,000</u>	<u>--</u>
TOTAL	<u>\$ (950,345)</u>	<u>\$ 20,135,704</u>	<u>\$ (2,000)</u>
FTE Positions:			
Reportable	4.0	368.5	--
Nonreportable	<u>(1.0)</u>	<u>550.2</u>	<u>--</u>
TOTAL	<u>3.0</u>	<u>918.7</u>	<u>--</u>

**Nonreportable Budget -- FY 1995**

<u>Expenditure</u>	<u>Senate Adj. FY 95</u>	<u>Senate Rec. FY 95</u>	<u>House Sub. Adjustments</u>
All Funds:			
State Operations	\$ --	\$ 65,046,673	\$ --
Other Assistance	<u>--</u>	<u>15,800,000</u>	<u>--</u>
Total -- Operating	\$ --	\$ 80,846,673	\$ --
Capital Improvements	<u>--</u>	<u>1,475,275</u>	<u>--</u>
TOTAL	<u>\$ --</u>	<u>\$ 82,321,948</u>	<u>\$ --</u>

**House Subcommittee Recommendation**

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

1. The Subcommittee reviewed FY 1995 funding for the agency and notes that, excluding step movement and longevity, State General Fund financing for this agency increases a total of \$271,048 from FY 1994 to FY 1995. The Subcommittee notes that the following items account for increased SGF expenditures of \$386,952 in FY 1995:
  - Beginning in FY 1995, security services for Cedar Crest are transferred to the Department of Administration budget. These expenditures were included in the Kansas Highway Patrol budget in previous years. A total of \$174,452 SGF is budgeted for this item in FY 1995.
  - Gubernatorial transition expenditures of \$120,000 SGF are budgeted for FY 1995.
  - The FY 1995 budget includes \$40,000 SGF for the five-year inspection for the executive aircraft.
  - Insurance for state buildings increases \$52,500 SGF from FY 1994 to FY 1995, from \$247,500 to \$300,000.

In addition to these items, the Division of Architectural Services was able to finance a greater portion of its FY 1994 state operations from the Architectural Services Recovery Fund because of an increase in state building projects, including FY 1994 projects financed from the Kansas Special Capital Improvements Fund. Because these increased one-time fee receipts were expended in FY 1994, the FY 1995 budget for the Division of Architectural Services includes an additional \$299,063 in SGF financing above the FY 1994 budgeted amount.

The Subcommittee concludes that, but for these items, State General Fund financing for this agency would be significantly less in FY 1995 than in FY 1994.

2. During its discussion of the budget for the Division of Printing, the Subcommittee noted that legislators often receive copies of annual reports and other publications from state agencies. Although the Subcommittee acknowledges that curtailing this practice would not be within the control or purview of the Division of Printing and that annual reports to the Legislature are sometimes required by statute, the Subcommittee recommends that state agencies examine this practice and attempt to reduce the number of reports and other documents mailed to individual legislators. Agencies could file the reports centrally with specified legislative offices or could notify legislators that specific reports are available upon request.
3. The Subcommittee discussed current policy regarding overtime compensation for state employees. Currently, some agencies allow overtime payments for any time the employee is in pay status in excess of 40 hours per week, regardless of whether the employee has taken annual, sick, or compensatory leave during that work week. The Subcommittee notes that S.B. 778 (Senate Governmental Organization) would require that any rule and regulation relating to overtime compensation for state employees adopted by the Secretary of Administration shall provide that only hours actually worked may be considered in determining whether overtime compensation is due and the amount of overtime compensation due, whether in the form of overtime pay or compensatory time off in lieu of overtime pay. The Subcommittee

supports S.B. 778 and further notes that, in the event S.B. 778 is not enacted, the Secretary could still implement the provisions of S.B. 778 by rule and regulation. The Subcommittee encourages the Secretary to take this action, if necessary.

4. The Subcommittee notes that S.B. 532 (reported favorably as amended by Senate Ways and Means on March 7, 1994) would allow the Secretary of Administration to organize the Department of Administration in the manner the Secretary deems most efficient. The Secretary would be authorized to transfer powers, duties, and functions among the organizational units within the Department. The authority to reorganize would include the authority to abolish organizational units and to consolidate powers, duties, and functions. All transfers and reorganizations would be subject to approval by the Governor. The Subcommittee believes that the enactment of S.B. 532 would encourage efficiencies within the Department of Administration. The Subcommittee recommends an interim study to review the suggested transfers and reorganizations.
5. The Subcommittee reviewed the budget for administration and claims for the Workers Compensation Self-Insurance Fund. The Subcommittee notes that the same amount is budgeted for claims in both FY 1994 and FY 1995. The Subcommittee questions whether the behavior-based health and safety program included in workers compensation legislation enacted by the 1993 Legislature could result in fewer work place injuries and whether the amount needed for claims would therefore be decreased in FY 1995. The Subcommittee recommends that the agency review this issue and determine whether the workers compensation rates included in all agency budgets could be adjusted downward for FY 1995.
6. The Subcommittee requested an update on the retirement reductions required by 1993 H.B. 2211. As of March 2, 1994, the following reductions of positions and funds have been achieved:

**Positions:**

Retirements Filed	(497.3)	
Retirements Restored	322.0	
Net Reduction	(175.3)	(35.3 % Reduction)

**Funding:**

Captured Savings:

State General Fund	\$1,718,863
All Funds	\$4,478,182

7. The Subcommittee notes that authorization for the final two phases of the Comprehensive Classification and Job Rate Study (CCJRS) and a State General Fund appropriation of \$3,034,486 were included in the appropriations bill for this agency, as introduced. The Senate Subcommittee recommended that these provisions be deleted from this bill and recommended the introduction of a separate bill (S.B. 824) including all provisions relating to the CCJRS. However, all provisions relating to the CCJRS, including SGF funding, were restored by the Senate Committee of the Whole. The Subcommittee recommends that all provisions relating to the CCJRS, including funding, be deleted from the bill. (Staff Note: Although the funding for implementation of the CCJRS is now included in this bill, the funding is to be

released by the State Finance Council and is not funding related to operations of the Department of Administration. Therefore, this amount is not reflected in any of the funding charts included in this Subcommittee report.)

8. Delete \$2,000 from the State General Fund which is budgeted for the Governor's Wichita satellite office.
9. The Subcommittee expresses its concern with the need for fiber optic service to each county seat in Kansas. The Subcommittee recommends that the request for proposal (RFP) for the calendar year (CY) 1996 KANS-A-N contract require all bidders for the 1996 KANS-A-N contract to submit two bid proposals: one to provide basic KANS-A-N service, with specified enhancements; and a second bid to ensure that the CY 1996 KANS-A-N contract will make fiber optic services available to every county seat in Kansas and that fiber optic services will commence within a reasonable time after July 1, 1996. The Subcommittee further expresses a preference for full motion video service, as opposed to compressed video service. The proposals may include inter-cooperative agreements between telecommunications companies. Although the KANS-A-N contract would include only fiber optic service for the state KANS-A-N system, the Subcommittee believes that, once the fiber optic network is in place, fiber optic services would be established and could be available for other users. In addition, the Department of Administration will express the Subcommittee's concern about the availability of fiber optic service to the Kansas Inc. Telecommunications Action Planning Committee. The Subcommittee recommends that the Department of Administration report on the results of the KANS-A-N contract bids and the progress of fiber optic service to the Joint Committee on Computers and Telecommunications (JCCT) and the 1995 Legislature.
10. The Subcommittee recommends that the Department study the issue of providing lightning protection for state-owned buildings. The Department should submit its findings and proposals to the Joint Committee on State Building Construction and to the 1995 Legislature.
11. The Subcommittee notes the Senate Committee of the Whole recommendation which would amend the proviso attached to the Architectural Services Recovery Fund to make only **government funded** capital improvement projects subject to the 1 percent fee assessed by the Division of Architectural Services. Currently, the proviso allows the Division to assess a fee equivalent to 1 percent of the estimated cost of each capital improvement project for which the Division provides architectural, engineering, or management services, **regardless of the project's funding source**. The Subcommittee does not disagree with this recommendation, but would amend the proviso to clarify that capital improvement projects funded from private funds, *i.e.*, any funds derived from gifts, bequests, or donations made by a private sector entity, are exempt from the 1 percent fee.



Representative James E. Lowther  
Subcommittee Chairperson



Representative George R. Dean



Representative David J. Heinemann



Representative Richard R. Reinhardt



**EXPENDITURES FROM THE RESOURCES OF THE STATE WATER PLAN FUND**

<u>Bill No.</u>	<u>Agency/Program</u>	<u>Governor's Rec. FY 94</u>	<u>Governor's Rec. FY 95</u>	<u>House Rec. FY 95</u>	<u>Senate Rec. FY 95</u>
H.B. 2753	State Conservation Commission				
	Conservation District Aid	\$ 778,700	\$ 780,171	\$ 780,171	\$ 780,171
	Watershed Dam Construction	1,261,102	1,865,000	1,865,000	1,865,000
	Multipurpose Small Lakes	1,171,151	--	--	--
	Nonpoint Source Pollution Asst.	1,687,327	1,000,000	1,400,000	1,163,513
	Land Treatment Cost Share	5,725,896	5,400,000	5,400,000	5,400,000
	Riparian and Wetland Program	100,000	150,000	150,000	150,000
	Conservation District Prog. Coord.	--	--	--	39,121
	<b>Total - Conservation Commission</b>	<b>\$ 10,724,176</b>	<b>\$ 9,195,171</b>	<b>\$ 9,595,171</b>	<b>\$ 9,397,805</b>
H.B. 2753	Kansas Water Office				
	Water Related Research	\$ 557,700	\$ 495,000	\$ 495,000	\$ 495,000
	GIS Resource Manager	47,815	50,103	50,103	50,103
	GIS Data Base Development	300,000	280,000	280,000	280,000
	GIS Data Support Center	120,000	120,000	120,000	120,000
	Geography Resource Center	50,000	--	--	--
	Natural Resource Education	--	50,000	50,000	50,000
	Conservation Educational Assist.	--	75,000	75,000	75,000
	Conservation Plan Technical Asst.	75,000	150,000	150,000	150,000
	Stream Gaging Program	3,928	--	--	294,372
	<b>Total - Kansas Water Office</b>	<b>\$ 1,154,443</b>	<b>\$ 1,220,103</b>	<b>\$ 1,220,103</b>	<b>\$ 1,514,475</b>
H.B. 2753	Wildlife and Parks				
	Cheyenne Bottoms Renovation	\$ 1,839,568	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
	Hillsdale Reservoir Facilities	29,651	--	--	--
	Dam Maintenance & Repair	--	500,000	--	--
	Cheney Reservoir Riprap	275,000	--	--	--
	Lake Crawford Dam	39,108	--	--	--
	Easement Aquisition	100,000	50,000	50,000	50,000
	Biological Assessment	13,400	74,200	74,200	74,200
	<b>Total - Wildlife and Parks</b>	<b>\$ 2,296,727</b>	<b>\$ 1,624,200</b>	<b>\$ 1,124,200</b>	<b>\$ 1,124,200</b>
S.B. 590	University of Kansas Dakota Aquifer Study	\$ 200,000	\$ 200,000		\$ 200,000
H.B. 2753	Board of Agriculture				
	Conservation Plan Coordination	\$ 118,640	\$ --	\$ --	\$ --
	Interstate Water Issues	136,071	142,959	133,641	133,641
	Subbasin Management Plan	575,286	904,759	697,801	697,801
	Water Res. Info. Sys. Conversion	--	--	216,276	216,276
	<b>Total - Board of Agriculture</b>	<b>\$ 829,997</b>	<b>\$ 1,047,718</b>	<b>\$ 1,047,718</b>	<b>\$ 1,047,718</b>
S.B. 633	Health and Environment				
	Contamination Remediation	\$ 2,489,579	\$ 1,500,000		\$ 1,500,000
	Local Environmental Protection	1,620,000	2,150,000		2,100,000
	Nonpoint Source Program	256,352	466,661		466,661
	<b>Total - Health and Environment</b>	<b>\$ 4,365,931</b>	<b>\$ 4,116,661</b>	<b>\$ --</b>	<b>\$ 4,066,661</b>
<b>TOTAL EXPENDITURES</b>		<b>\$ 19,571,274</b>	<b>\$ 17,403,853</b>	<b>\$ 12,987,192</b>	<b>\$ 17,350,859</b>

\* Includes expenditures from prior year allocations from the State Water Plan Fund



# STATUS OF THE STATE WATER PLAN FUND

	<u>Governor's Rec. FY 94</u>	<u>Governor's Rec. FY 95</u>	<u>House Rec. FY 95</u>	<u>Senate Rec. FY 95</u>
BEGINNING BALANCE	\$ 857,433	\$ 947,752	\$ 947,752	\$ 947,752
RECEIPTS:				
State General Fund	\$ 5,760,000	\$ 5,932,800	\$ 6,000,000	\$ 5,932,800
EDIF	1,980,000	2,000,000	2,000,000	2,000,000
Public Water Supply Fees	3,000,000	3,200,000	3,200,000	3,200,000
Industrial Water Use Fees	1,300,000	1,300,000	1,300,000	1,300,000
Stock Water Use Fees	275,000	275,000	275,000	275,000
Fertilizer Inspection Fees	2,300,000	2,012,500	2,012,500	2,012,500
Pesticide Registration Fees	764,500	749,200	749,200	749,200
Fines	57,277	51,541	51,541	51,541
Subtotal — Receipts	\$ 15,436,777	\$ 15,521,041	\$ 15,588,241	\$ 15,521,041
TOTAL AVAILABLE	\$ 16,294,210	\$ 16,468,793	\$ 16,535,993	\$ 16,468,793
LESS TRANSFERS:				
State Conservation Commission	\$ 9,654,544	\$ 8,495,171	\$ 8,731,658	\$ 8,534,292
Kansas Water Office	1,152,981	1,219,731	1,219,731	1,514,103
Wildlife and Parks	995,000	1,574,200	1,074,200	1,074,200
University of Kansas	200,000	200,000		200,000
Board of Agriculture	600,000	1,047,718	1,047,718	1,047,718
Health and Environment	2,743,933	3,616,661		3,566,661
Subtotal — Transfers	\$ 15,346,458	\$ 16,153,481	\$ 12,073,307	\$ 15,936,974
ENDING BALANCE	\$ 947,752	\$ 315,312	\$ 4,462,686	\$ 531,819



STATUS OF THE ECONOMIC DEVELOPMENT INITIATIVES FUND

Bill No.	Agency/Program	Governor's Rec. FY 94	Governor's Rec. FY 95	House Rec. FY 95	Senate Rec. FY 95
H.B.2731	Department of Commerce and Housing				
	Salaries and Wages	\$ 1,384,250	\$ 1,411,335	\$ 1,705,435	\$ 1,411,335
	Other Operating Expenditures	3,693,840	3,755,737	3,830,737	3,870,737
	Small Business Development Centers	321,750	325,000	325,000	325,000
	Certified Development Companies	470,250	475,000	475,000	475,000
	Kansas Industrial Training/Retraining	2,227,500	2,227,500	2,727,500	2,727,500
	Trade Show Promotion Grants	272,420	247,420	247,420	247,420
	Strategic Planning/Action Grants	440,550	440,550	440,550	690,550
	Kansas Quality Improvement Network	84,300	85,000	85,000	85,000
	Capital Resource Network	5,000	--	--	--
	Economic Initiative Opportunity Fund	1,485,000	--	--	1,500,000
	High Performance Incentive Grants	--	--	75,000	75,000
	Boot Hill Tourism Grant	--	--	--	100,000
	Tourism Grants	1,029,600	279,600	279,600	429,600
	Kansas Partnership Fund	990,000	--	--	--
H.B.2653	Travel Information Center Repairs	--	24,000	24,000	--
H.B.2653	Olathe Travel Center	267,300	750,000	750,000	--
	Subtotal - KDCH	\$ 12,631,580	\$ 10,001,142	\$ 10,945,242	\$ 11,917,142
H.B.2731	Kansas Technology Enterprise Corporation				
	Agency Operations	\$ 784,736	\$ 830,681	\$ 830,681	\$ 830,681
	Centers of Excellence	4,362,333	4,267,386	4,267,386	4,267,386
	Research Matching Grants	1,259,613	1,259,613	1,259,613	1,259,613
	Business Innovative Research Grants	25,000	25,000	50,000	25,000
	Training Equipment Grants	150,000	150,000	150,000	150,000
	Industrial Liaison Program	300,000	300,000	300,000	300,000
	Seed Capital	1,500,000	1,500,000	1,500,000	1,500,000
	Special Projects	173,000	103,000	103,000	103,000
	Commercialization	500,000	520,218	900,000	900,000
	Innovative Technology Program (ITEC)	50,000	120,000	95,000	95,000
	Agricultural Value Added Center	875,048	880,281	880,281	880,281
	Mid-America Manufact. Tech. Center	990,000	1,000,000	1,000,000	1,000,000
	Telecommunications Grants	125,000	125,000	125,000	100,000
	EPSCoR	See Kan Inc	See Kan Inc	See Kan Inc	2,000,000
	Subtotal - KTEC	\$ 11,104,730	\$ 11,081,179	\$ 11,480,961	\$ 13,410,961
H.B.2731	Kansas, Inc.				
	Agency Operations	\$ 104,935	\$ 116,889	\$ 116,889	\$ 123,480
	EPSCoR	1,500,000	2,000,000	2,000,000	See KTEC
	Subtotal - Kansas, Inc.	\$ 1,604,935	\$ 2,116,889	\$ 2,116,889	\$ 123,480
H.B.2731	Department of Revenue - Appraisal Aid	\$ 2,970,000	\$ 3,000,000	\$ 3,000,000	\$ 3,000,000
H.B.2753	Board of Agriculture				
	Market Promotion and Development	\$ 321,744	\$ 321,707	\$ 321,707	\$ 321,707
	Equine Industry Survey	--	--	--	45,000
	Hog Marketing	24,750	--	--	--
	Subtotal - Agriculture	\$ 346,494	\$ 321,707	\$ 321,707	\$ 366,707
H.B.2753	State Fair - Agency Operations	\$ 99,000	\$ 99,000	\$ 99,000	\$ 134,000
H.B.2753	Dept. of Wildlife and Parks - Cap. Improv.	\$ 1,393,511	\$ 402,337	\$ 602,337	\$ 602,337
H.B.2701	Department of Education				
	At-Risk/Innovative Program Assist.	\$ 1,485,000	\$ 1,485,000	\$ 1,485,000	\$ --
	Matching Grants - AVTS	495,000	495,000	495,000	--
	Postsecondary Aid - AVTS	4,962,870	11,850,000	11,850,000	--
	Capital Outlay Aid - AVTS	990,000	1,500,000	1,500,000	--
	Cultural Arts Center	24,750	--	25,000	--
	Foundation for Agriculture	24,750	--	25,000	--
	Subtotal - Education	\$ 7,962,370	\$ 15,330,000	\$ 15,380,000	\$ --
H.B.2640	School for the Blind - Accessible Arts	\$ 148,500	\$ 150,000	\$ 150,000	\$ 150,000
H.B.2640	Kansas Arts Commission - Prog. Grants	\$ 1,024,850	\$ 1,024,650	\$ 1,024,650	\$ 1,124,650
H.B.2640	Historical Society				
	Agency Operations	\$ 29,700	\$ 19,700	\$ 19,700	\$ 19,700
	Funston Home	--	--	24,500	24,500
	Capital Improvements	682,959	--	--	--
	Humanities Council Grant	--	--	--	80,000
	Subtotal - Historical	\$ 712,659	\$ 19,700	\$ 44,200	\$ 124,200
H.B.2640	State Library				
	Literacy Grants	\$ 277,200	\$ 277,200	\$ 277,200	\$ 277,200
	Library Grants	973,077	--	429,965	973,077
	Talking Book Equipment Grant	105,668	--	--	--
	Operating Grant	3,663	--	--	--
	Kansas Library Catalog Grant	--	429,965	--	--
	Subtotal - State Library	\$ 1,359,608	\$ 707,165	\$ 707,165	\$ 1,250,277
H.B.2640	Dept. of Administration - Public Broadcasting Grants	\$ 420,327	\$ --	\$ 588,776	\$ 588,776
S.B. 590	Board of Regents and Regents Institutions				
	Council on Economic Education	\$ 39,600	\$ --	\$ --	\$ 40,000
	Centers of Excellence	642,391	--	--	664,535
	Subtotal - Regents Institutions	\$ 681,991	\$ --	\$ --	\$ 704,535
79-4804	State Water Plan Fund	\$ 1,980,000	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
	Other State Agencies (details on back)	\$ 6,346,487	\$ --	\$ --	\$ --
TOTAL TRANSFERS AND EXPENDITURES		\$ 50,806,822	\$ 46,253,769	\$ 48,440,927	\$ 35,497,065
EDIF Resource Estimate					
	Beginning Balance	\$ 12,571,409	\$ 4,183,795	\$ 7,110,380	\$ 7,110,380
	Lottery Transfers	36,506,914	33,971,538	34,871,538	34,421,538
	Racing Transfers	5,266,501	4,860,000	4,471,967	4,471,967
	Other Income	645,793	125,000	125,000	125,000
	Total Available	\$ 54,990,617	\$ 43,140,333	\$ 46,578,884	\$ 46,128,884
	Less: Expenditures and Transfers	50,806,822	46,253,769	48,440,927	35,497,065
	ENDING BALANCE	\$ 4,183,795	\$ (3,113,436)	\$ (1,862,043)	\$ 10,631,819

-- Difference between House and Senate Recommendations



STATUS OF THE ECONOMIC DEVELOPMENT INITIATIVES FUND

OTHER STATE AGENCIES (NO FY 1995 EDIF FINANCING)

<u>Agency/Program</u>	<u>Governor's Rec. FY 94</u>
Dept. of Social and Rehab. Services – KanWork	\$ 2,475,000
KDFA – Enterprise Loan Guarantee Fund	\$ 990,000
Board of Regents and Regents Institutions	
Study of KUMC	\$ 49,500
KSU – ESARP	1,355,200
University General Research	942,187
KUMC Integrated Computer System	346,500
KSU – Forest Survey	188,100
Subtotal – Regents Institutions	\$ 2,881,487
<b>TOTAL – OTHER STATE AGENCIES</b>	<b>\$ 6,346,487</b>

FY 1994 SUPPLEMENTAL APPROPRIATIONS

	<u>Governor's Rec. FY 94</u>	<u>House Rec. FY 94</u>	<u>Senate Rec. FY 94</u>
Department of Commerce and Housing			
Kansas Industrial Training/Retraining	\$ --	\$ 300,000	\$ 300,000
Kansas, Inc.			
EPSCoR	\$ 15,000	\$ 15,000	\$ 15,000