

Approved: Feb. 28, 1994  
Date

**MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.**

The meeting was called to order by Chairperson August Bogina at 11:00 a.m. on February 22, 1994 in Room 123-S of the Capitol.

All members were present except: Senator Petty, who was excused

Committee staff present: Alan Conroy, Legislative Research Department  
Leah Robinson, Legislative Research Department  
Kathy Porter, Legislative Research Department  
Julian Efird, Legislative Research Department  
Norm Furse, Revisor of Statutes  
Judy Bromich, Administrative Assistant  
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

**SB 679 -- APPROPRIATIONS FOR FY 95, KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM, COMMISSION ON GOVERNMENTAL STANDARDS AND CONDUCT, HUMAN RIGHTS COMMISSION, CORPORATION COMMISSION, CITIZENS' UTILITY RATEPAYER BOARD AND DEPARTMENT OF ADMINISTRATION**

**Kansas Corporation Commission**

Senator Kerr reviewed the FY 94 and FY 95 subcommittee reports (Attachment 1). In discussing the possible furlough mentioned in the FY 94 report, Chairman Bogina inquired if the subcommittee considered recommending that administrative employees be furloughed, rather than field officer employees, in light of environmental concerns. Senator Kerr noted that the subcommittee did not focus on that possibility.

It was moved by Senator Kerr and seconded by Senator Morris that the FY 94 and FY 95 subcommittee reports for the Kansas Corporation Commission be adopted. The motion carried on a voice vote.

**Citizens' Utility Ratepayer Board**

The FY 94 and FY 95 subcommittee reports (Attachment 2) were reviewed by Senator Kerr. There was no discussion. Senator Kerr moved, Senator Morris seconded, that the FY 94 and FY 95 subcommittee reports for the Citizens' Utility Ratepayer Board be adopted. The motion carried on a voice vote.

**Commission on Governmental Standards and Conduct**

Senator Morris presented the FY 94 and FY 95 subcommittee reports (Attachment 3). It was moved by Senator Morris and seconded by Senator Rock that the FY 94 and FY 95 subcommittee reports be adopted. The motion carried on a voice vote.

**Kansas Human Rights Commission**

The FY 94 and FY 95 subcommittee reports (Attachment 4) were reviewed by Senator Morris. It was moved by Senator Vancrum and seconded by Senator Morris that the fourth sentence of item 1 in the FY 95 report (Attachment 4-2) be amended by deleting the words "...making all five positions permanent" and substituting the words "before deciding if all five positions are permanently needed." The motion carried on a voice vote.

Senator Morris moved, Senator Lawrence seconded, that the FY 94 subcommittee report and the FY 95 subcommittee report as amended be adopted. The motion carried on a voice vote.

**Kansas Public Employees Retirement System**

Senator Rock presented the FY 94 and FY 95 subcommittee reports (Attachment 5). In discussing the FY 94 report, Chairman Bogina stated that the KPERS School contribution is in the KPERS budget for FY 94, but the Governor shifts it to the Department of Education budget in FY 95. The amount for the KPERS School contribution in FY 95 is \$59,894,000.

## CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on February 22, 1994.

In answer to questions, staff noted that there was a line item appropriation of \$11,092,000 for investment-related fees for the System's financial managers and the subcommittee provided detail to illustrate how that figure was determined through contractual obligations. It was noted that the total of the subcommittee's adjustments in FY 95 was \$414,338. In answer to Senator Kerr's question regarding fees for direct placement management, Meredith Williams, Executive Director of KPERS, told members that the direct placement management fees total \$2.48 million. The \$600,000 recommended by the subcommittee covers fees for engineers and attorneys when there's an environmental concern over property the System desires to sell. The off budget items not reflected in the \$600,000 are for commingled investments the System has. He stated that there have been no new direct placements since the spring of 1991 and none is under consideration.

Senator Rock asked that Meredith Williams inform members on the status of the KPERS litigation since Mr. Ring's death. Mr. Williams stated that he has a meeting scheduled with the executor of the estate. The estate has some claim on KPERS for any recoveries that come in the future which will need to be negotiated. The KPERS Board of Trustees is interested in continuing the litigation and want to retain the level of expertise that has been developed. In an attempt to accomplish that, they have directed Mr. Tom Gibbs, the number one person working on the team below Mr. Ring, to lead the effort on an interim basis. Mr. Tom Murray has been directed to explore the options available to the Board of Trustees in pursuing the litigation. Those options include contracting with another attorney who has a background similar to Mr. Ring's, parceling the cases out, or getting the contingency out and paying expenses on an hourly basis.

The agency's budget request for FY 95 summarized in the performance based budget format was distributed to members. (Attachment 6).

Senator Rock moved, Senator Morris seconded, that the FY 94 and FY 95 subcommittee reports be adopted. The motion carried on a voice vote.

### **Department of Administration**

Senator Vancrum reviewed the FY 94 report found in Attachment 7. In answer to questions regarding the first recommendation in the FY 94 report, staff explained that the Governor last year recommended all four phases of the Comprehensive Classification and Job Rate Study for FY 94 and FY 95 in a separate bill. The legislature funded the first two phases in FY 94 in the Omnibus Appropriations Bill. In FY 95 the Governor recommended the final two phases and included the funding in the Department of Administration. The subcommittee's recommendation deletes the provisions and funding for the final two phases from the budget of the Department of Administration and places them in a separate piece of legislation. Senator Karr noted that he had signed the subcommittee report, but had concerns about another piece of legislation "hanging out there."

Senator Salisbury reviewed the FY 95 subcommittee report which is also found in Attachment 7. The Chairman told members that the subcommittee on the University of Kansas Medical Center had reviewed problems associated with video conferencing. He noted that the video conference equipment will be at capacity in the last quarter of FY 94. It was moved by Senator Morris and seconded by Senator Vancrum that the FY 95 subcommittee report be amended by authorizing the Division of Information Systems and Communications to make expenditures from the Information Technology Reserve Fund for a multi point control unit to be used primarily by KUMC for services. The motion carried on a voice vote.

Senator Karr moved, Senator Brady seconded, that the FY 95 report be amended by including the Governor's recommendation to adjust the motor pool fleet by the addition of \$8,070 for the purchase of vehicles and \$42,619 for provide fuel, repair and service for the recommended vehicles. The motion carried on a voice vote.

It was moved by Senator Vancrum and seconded by Senator Salisbury that the FY 94 subcommittee report and the FY 95 subcommittee report as amended be adopted. The motion carried on a voice vote.

Senator Lawrence moved, Senator Salisbury seconded, that SB 679 as amended be recommended favorable for passage. The motion failed on a roll call vote.

### **APPROVAL OF MINUTES**

Senator Salisbury moved, Senator Karr seconded, that the minutes of February 17 be approved. The motion carried on a voice vote.

The meeting was adjourned at 12:10 P.M.

The next meeting is scheduled for February 23, 1994.



## GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: Feb. 22, 1994

[illegible]

## 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.

SWAM  
February 22, 1994  
Attachment 1

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.



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Senator Dave Kerr  
Subcommittee Chair



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Senator Marge Petty

## 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.



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Senator Dave Kerr  
Subcommittee Chair



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Senator Marge Petty

## 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.

  
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Senator Dave Kerr  
Subcommittee Chair

  
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Senator Marge Petty



## 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>\$ 342,603</u>	<u>\$ 337,272</u>	<u>\$ 5,331</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.

  
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Senator Stephen Morris  
Subcommittee Chair

  
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Senator Bill Brady

## 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	--
TOTAL	<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.

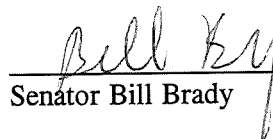
### **Senate Subcommittee Recommendation**

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.



Senator Stephen Morris  
Subcommittee Chair



Senator Bill Brady



## 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

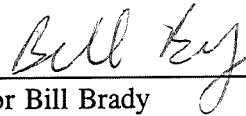
The Commission estimates FY 1994 operating expenditures of \$1,822,259, an increase of \$19,222 over the amount approved by the 1993 Legislature as adjusted by State Finance Council action. The request includes a State General Fund supplemental of \$167,818 to make up for a loss of federal funds. The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

  
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Senator Stephen Morris  
Subcommittee Chair

  
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Senator Bill Brady

## 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

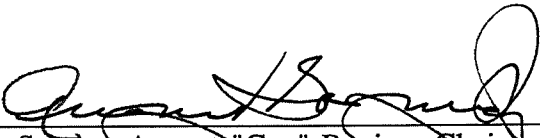
  
\_\_\_\_\_  
Senator Stephen Morris  
Subcommittee Chair

  
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Senator Bill Brady



**SENATE SUBCOMMITTEE RECOMMENDATIONS**

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



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Senator August "Gus" Bogina, Chairperson



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Senator Steve Morris



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Senator Richard Rock

SWAM  
February 22, 1994  
Attachment 5

## SUBCOMMITTEE REPORT

Agency: Kansas Public Employees Retirement System Bill No. 718

Bill Sec. 5

Analyst: Efirid

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	<u>281,348,246</u>	<u>281,348,246</u>	<u>--</u>
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 at a cost of \$20,000.
2. Add an investment manager universe database at a cost of \$11,796.
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	Subcommittee Adj. FY 94	Subcommittee 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)	10,293,000
Direct Placement Management Expenses	600,000	--	600,000
Custodial Bank Fees--Expenses	755,000	--	755,000
Investment Consultant Fees	187,000	--	187,000
Investment Related Litigation Expenses	1,050,000	--	1,050,000
Total--Investment Related Expenses	<u>\$ 16,565,198</u>	<u>\$ --</u>	<u>\$ 6,565,198</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 received 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. 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 average for school salary increases is 4.3 percent, thus increasing the base on which KPERS contributions are calculated. 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>

## 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	<u>299,520,620</u>	<u>299,520,620</u>	<u>--</u>
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.



## Kansas Public Employees Retirement System

February 7, 1994

To: Members, Senate Ways & Means Subcommittee on KPERS Budget

Senator August "Gus" Bogina, Jr., P.E., Chairman  
Senator Stephen R. Morris  
Senator Richard R. Rock

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 185,000 members and almost 1,300 participating employers. Assets at December 31, 1993 were just under \$5.4 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. Two draft mission statements are currently under consideration. The short version states:

*The mission of the Kansas Public Employees Retirement System is to administer and be accountable for the plan of retirement, insurance, and disability benefits that the State of Kansas provides its public servants and their beneficiaries, to conduct business in a courteous and effective manner, to comply strictly and fairly with the law, and to adhere to the highest standards of fiduciary and professional care.*

The more detailed draft provides:

*The Kansas Public Employees Retirement System provides retirement and related benefits to covered employees of participating employers in accordance with Kansas law. Exercising the prudent expert standard of fiduciary care, the Board of Trustees invests the System's assets for the sole purpose of providing benefits,*

*exclusively for members and their beneficiaries. The System maintains accurate service and contribution records, from which it furnishes reliable benefit information and processes timely benefit payments, always in a caring, professional and effective manner, for members and their beneficiaries. The System also responds promptly to the questions and concerns of legislators, participating employers, employee groups, State and local government officials, and members of the general public. Finally, the System itself is a participating employer, providing its dedicated staff members with career development opportunities in the context of an ethical and professional work environment.*

## **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 January, 2,656 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 December, the time-weighted rate of return was 6.2 percent for the current fiscal year and 13.6 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. Within the next several weeks, KPERS' first time reporting system will be 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>
<b><u>Expenditures by Program</u></b>		
Operations	\$ 4,315,29	\$ 4,053,176
Benefits	281,348,246	299,520,620
Local Employer Costs	54,232,172	-
Investments	16,565,198	17,213,158
Total	\$ 356,460,911	\$ 320,786,954
<b><u>Expenditures by Fund</u></b>		
State General Fund	\$ 54,232,172	\$ -
KPERS Fund	302,228,739	320,786,954
	\$ 356,460,911	\$ 320,786,954

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

FTE

76

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**KPERS Budget Request**

	<u>FY94</u>	<u>FY95</u>
<b><u>Expenditures by Program</u></b>		
Operations	\$ 4,361,108	\$ 4,139,742
Benefits	281,348,246	299,520,620
Local Employer Costs	54,232,172	-
Investments	16,565,198	17,627,497
Total	\$ 356,506,724	\$ 321,287,859
<b><u>Expenditures by Fund</u></b>		
State General Fund	\$ 54,232,172	\$ -
KPERS Fund	302,274,552	321,287,859
	\$ 356,506,724	\$ 321,287,859

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

FTE	76	78
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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, the Retirement System requests a revision to 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 will allow the Retirement System to sell a real estate asset and pay the contractual disposition fee.

The expenditure limitation for *Investment consultant fees* may need to be adjusted for both the current year and Fiscal Year 1995. The Board is currently receiving proposals for an independent review of its asset allocation process. Costs are uncertain at this point in time. Additionally, the Board will be reviewing its asset transition plan at the February meeting. One or more manager searches and the associated fees may need to be moved from the current year to Fiscal Year 1995. The Senate Ways & Means Subcommittee on KPERS Budget will be formally advised of the Board's final decisions in these areas.

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 \$5.4 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.

Information Resource Management The Retirement System is currently in the final stages of acquiring an upgrade to its microcomputer and CASE programming software. Given the pricing volatility in these areas, the Retirement System will advise the Senate Ways & Means Subcommittee on KPERS Budget of the final costs associated with these acquisitions.

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 Analysis software and an Investment Manager Universe Database (\$20,000), increased real estate taxes on the Capital 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.

Fiscal Year 1995 Appealed Items The Board of Trustees respectfully requests that the Senate Ways & Means Subcommittee on KPERS Budget consider its initial budget request for an additional \$86,566 in expenditure authority for Fiscal Year 1995. These funds would 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.

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 185,000 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



# 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>	<u>2,315,348</u>	<u>2,315,348</u>	--
Subtotal -- Operating	30,322,387	29,174,250	--
Capital Improvements	<u>1,531,019</u>	<u>1,531,019</u>	--
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	<u>764,231</u>	<u>1,164,231</u>	--
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

*SWAM*  
*February 22, 1994*  
*Attachment 7*

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.

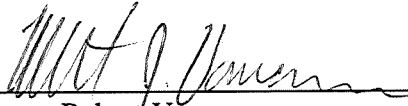
### Senate Subcommittee Recommendation

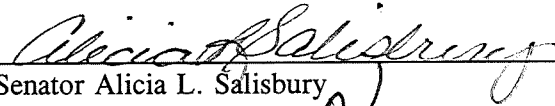
The Senate Subcommittee concurs with the recommendations of the Governor with the following adjustments:

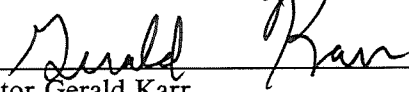
1. Delete provisions from the appropriations bill relating to implementation of the final phases of the Comprehensive Classification and Job Rate Study (CCJRS). The Subcommittee recommends the introduction of legislation which would include all provisions relating to the CCJRS.
2. **Personnel/Payroll 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.

  
\_\_\_\_\_  
Senator Robert Vancrum  
Subcommittee Chairperson

  
\_\_\_\_\_  
Senator Alicia L. Salisbury

  
\_\_\_\_\_  
Senator Gerald Karr

## 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	15,800,000	15,800,000	--
Total -- Operating	\$ 82,479,686	\$ 80,846,673	\$ --
Capital Improvements	1,475,275	1,475,275	--
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



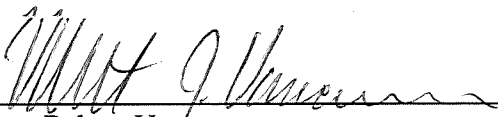
agencies. The Subcommittee received testimony that this is an option that the Secretary is exploring.

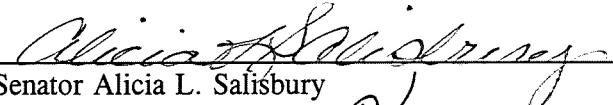
- Amounts which may be transferred from other state agencies are exempt from the \$2,000,000 expenditure limitation. This would include any transfers from Regents institutions which may choose to participate in the personnel/payroll project and any fees which may be charged to other state agencies, as 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.

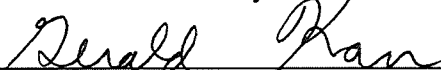
The Subcommittee's recommendation does not increase expenditures, because all expenditures would be from funds already included in the Governor's recommendation. The recommendation is intended to ensure that all expenditures for the personnel/payroll project will be made from one fund, that expenditures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

  
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Senator Robert Vancrum  
Subcommittee Chairperson

  
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Senator Alicia L. Salisbury

  
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Senator Gerald Karr