

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 March 8, 1994 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Scott Rothe, Legislative Research Department
Pat Mah, Legislative Research Department
Kathy Porter, Legislative Research Department
Julian Efird, Legislative Research Department
Diane Duffy, Legislative Research Department
Tim Colton, 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 585 -- APPROPRIATIONS FOR FY 95, STATE PUBLIC SAFETY AGENCIES AND YOUTH CENTERS

A copy of the subcommittee reports on SB 585 as amended by the Senate Ways and Means Committee thus far was distributed to members (Attachment 7).

Kansas Parole Board

Senator Lawrence presented the FY 94 and FY 95 subcommittee reports on the Parole Board (Attachment 1). Senator Salisbury noted that the Board had the acquisition of computers as a high priority and expressed concern that the Board had not used its appropriation for that purpose. In answer to a question, staff stated that the reallocation of \$3,001 in FY 95 was recommended by the Governor to reduce the new appropriation and is not related to moneys appropriated for computer acquisition.

It was moved by Senator Lawrence and seconded by Senator Brady that the FY 94 and FY 95 subcommittee reports on the Parole Board be adopted. The motion carried on a voice vote. The Chairman noted that the subcommittee reports on the youth centers would be presented at a later date.

SB 633 -- APPROPRIATIONS FOR FY 95, HOMESTEAD TAX REFUNDS, DEPARTMENT OF HUMAN RESOURCES, COMMISSION ON VETERANS AFFAIRS, DEPARTMENT OF HEALTH AND ENVIRONMENT, DEPARTMENT ON AGING, HEALTHY KIDS CORPORATION AND CORPORATION FOR CHANGE

Department of Health and Environment

The Chairman noted that the subcommittee reports for the Department had been amended and adopted on February 18, 1994. Senator Morris moved, Senator Salisbury seconded, that the FY 95 subcommittee report be further amended by deleting the Committee amendment offered on February 18 (Attachment 7-22), by placing a proviso on the agency's State General Fund operating appropriations so that the agency cannot raise by more than 10 percent for FY 95 any of the current wastewater permit fees which are established by K.A.R. 28-16-56b and that all moneys collected from the fees go to the State General fund, and by recommending that a 1994 interim study be conducted regarding the Department's wastewater permit programs, with specific attention given to any changes made or proposed by the Department in the amount of fees collected for these programs and that the fee structure for any other programs that are administered by the Department's Bureau of Water be included in the interim study. In answer to a question, staff noted that the proposed amendment would essentially place a cap on the fees which would be deposited in the SGF and would concur with the amount recommended by the Governor for operations. Senator Salisbury voiced her concern about funding programs by fees rather than funding from general revenues. The motion carried on a voice vote.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on March 8, 1994.

Senator Petty moved that the FY 95 subcommittee report be amended by recommending that grant moneys totaling \$31,709 (half the costs of the year program) be shifted from the existing grant programs to a separate line item to continue the Teen Pregnancy Prevention project in Shawnee County and that Shawnee County provide a 50% match for this purpose. Senator Petty testified that the information from the Department of Health and Environment indicates that there has been a 23% reduction in the teen pregnancy rate in Shawnee County over the first two years of the project.

In discussion, it was determined that the Shawnee County and Cowley County three year grant projects have just completed their third year of operation and the two remaining three year grant projects which will begin their third year in FY 95 are in Sedgwick and Geary counties. It was noted that to accomplish Senator Petty's amendment, the grant moneys for the Geary and Sedgwick county projects would have to be halved.

Senator Rock commended the project in Cowley County and stated that he believed that Cowley County would provide a 50% match for continuation of the project.

Members voiced concern about taking money from existing projects that have not yet completed the third year of the grant. Senator Rock offered a substitute motion which was seconded by Senator Petty to amend the FY 95 subcommittee report by adding \$57,792 from the State General Fund (half the amount necessary to continue the grants at the same level as the current year) to continue the Teen Pregnancy Prevention projects in Shawnee and Cowley counties. The motion included a requirement that the counties provide a dollar for dollar match to continue the projects.

Senator Vancrum expressed concern about the state moving toward a 50% match on some of these grant projects at the end of the grant period. Members expressed their opinion that if programs are worthwhile, communities need to take them over.

The substitute motion to amend carried on a voice vote.

Senator Salisbury moved to amend item 2 of the FY 95 subcommittee report by deleting \$130,633 of the \$839,684 from the SGF to finance salary expenses of 24.6 special projects positions, and by asking that the second House review this item (Attachment 2). Senator Vancrum seconded the motion for the purpose of discussion. In answer to a question, Senator Salisbury stated that the proposed amendment addresses only the 24.6 FTE positions created in FY 94 and deletes \$130,633 from the SGF appropriation for salaries. The motion failed on a show of hands.

Human Resources

Senator Salisbury moved, Senator Morris seconded that item 1 of the FY 95 report (Attachment 7-6) be amended by the substitute proviso contained in Attachment 3.

It was noted that the Department of Labor cited concerns that the original proviso would involve legal implications and potential loss of large amounts of federal moneys. Some members expressed concern that the substitute proviso might have the same potential. In answer to questions, Senator Salisbury stated that the purpose of the substitute proviso is to coordinate employment and job training services and to have the lines of service delivery areas redrawn to reflect market needs.

The motion carried on a voice vote.

It was moved by Senator Morris and seconded by Senator Kerr that SB 633 as amended be recommended favorable for passage. Senator Karr indicated that he would vote no on the motion because he believed the potential existed for jeopardizing federal dollars with the inclusion of the proviso on the Employment Security Administration Fund. The motion carried on a roll call vote.

SB 590 -- APPROPRIATIONS FOR FY 95, STATE BOARD OF REGENTS AND HIGHER EDUCATION INSTITUTIONS

The Chairman reminded members that there was a motion and a second to amend the systemwide issues portion of SB 590 by providing faculty funding for all regents institutions at 94% in relation to peer institutions. He voiced his opinion that it would not be equitable to create an imbalance in the level of funding without guarantees that adjustments would be made in the future.

Members noted that the average percentage faculty salary increase at KSU-Salina is greater than Emporia and nearly as high as Fort Hays State University (Attachment 4). It was indicated that an adjustment might be offered on the Senate floor. The motion carried on a voice vote.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on March 8, 1994.

It was moved by Senator Salisbury and seconded by Senator Vancrum that SB 590 be amended by shifting \$664,535 in FY 95 from the SGF to the EDIF to fund the following Centers of Excellence: the Advanced Manufacturing Institute at KSU, Higuchi Bioscience Center at KU, and the National Institute for Aviation Research at WSU (See Attachment 5).

It was noted that an amendment could be offered on the Senate floor to address estimating agricultural land use values at KSU.

Senator Karr moved, Senator Vancrum seconded, that SB 590 as amended be recommended favorable for passage. The motion carried on a roll call vote.

The Chairman had documents which were prepared by Mr. John Frieden, attorney for the military retirees, distributed to Committee members. (Attachment 6)

Senator Brady moved, Senator Lawrence seconded that the minutes of February 28, March 1 and 2 be approved. The motion carried on a voice vote.

The next meeting is scheduled for March 9, 1994.

GUEST LIST

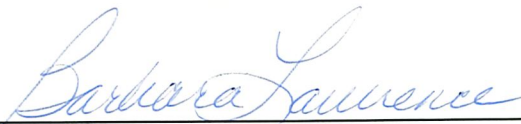
COMMITTEE: SENATE WAYS AND MEANS

DATE: March 8, 1994

[illegible]

SENATE SUBCOMMITTEE RECOMMENDATIONS

Kansas Parole Board
S.B. 718; S.B. 585



Senator Barbara Lawrence, Chairperson



Senator William Brady

SWAM
March 8, 1994
Attachment 1

SUBCOMMITTEE REPORT

Agency: Kansas Parole Board

Bill No. --

Bill Sec. --

Analyst: Efird

Analysis Pg. No. 889

Budget Page No. 468

<u>Expenditure Summary</u>	<u>Agency Est. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
State General Fund:			
State Operations	\$ 728,206	\$ 725,215	\$ --
FTE Positions	13.0	13.0	--

Agency Estimate/Governor's Recommendation

The revised expenditures are identical with the appropriated funding of \$728,206 which is available in the current fiscal year. These expenditures reflect an increase of 6.0 percent over actual FY 1993 expenditures. However, some of the expenditures are attributable to costs incurred last fiscal year but for which the agency must pay out of FY 1994 funds since it overspend its FY 1993 approved budget.

The Governor's recommendations include reductions of \$2,991 from expenditures, with the savings reappropriated to next fiscal year to reduce new financing. The Governor's recommendation allows a 5.5 percent increase in expenditures payable in FY 1994 over last fiscal year's amount expended.

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommended expenditures and makes the following additional recommendation:

1. Suggest that the House Subcommittee review why funding for computerizing the agency was not available in FY 1994 in the amount recommended by the 1993 Legislature. The Senate Subcommittee believes the following narrative describes the situation: The Subcommittee notes that the 1993 Legislature lapsed \$17,811 in FY 1993 which the Senate Subcommittee originally had recommended for computerizing the agency, and further provided an additional \$17,811 in FY 1994 funding for this purpose. In FY 1993, the lapse of \$17,811 allowed the agency \$687,273 for expenditures rather than \$705,084 originally approved for last fiscal year. It should be noted that when one member of the Parole Board's term expired on March 31, 1993, the agency had to pay \$6,080 (excluding benefits) for accrued vacation leave which had not been budgeted.

In FY 1994, the 1993 Legislature mandated a 1.0 percent cut in SGF appropriations, and consequently the Parole Board had a reduction of \$7,340, which reduced its current approved funding to \$728,206. For this fiscal year, the agency indicates that it chose to reduce its planned computer-related allocation by \$9,234 to reflect FY 1993 expenses for which it had to pay in FY 1994 out of this fiscal year's

appropriation. The agency also indicates that it shifted \$5,000 of the original computer-related allocation to travel and subsistence this fiscal year. The Subcommittee concludes that a net of \$3,577 of the original \$17,811 may remain allocated for computer-related acquisitions in FY 1994. To date, the agency has spent \$2,743 for computer-related equipment.

The Subcommittee expresses concern about the agency potentially overspending its FY 1994 funding, especially since the Governor's recommendation includes \$3,001 of FY 1994 funding to be reappropriated to FY 1995. The Subcommittee expects the agency to not expend more than \$725,215 as recommended by the Governor for FY 1994, even though it may legally spend the additional \$3,001 this fiscal year. However, the Subcommittee would not be inclined to add supplemental SGF financing in FY 1995 if the agency spends any of its reappropriation. Likewise, the agency should manage its year-end closing prudently to ensure that all FY 1994 expenses are paid with FY 1994 funds in order to avoid the situation it faced this fiscal year when it had to pay \$9,234 of FY 1993 bills.

SUBCOMMITTEE REPORT

Agency: Kansas Parole Board

Bill No. 585

Bill Sec. 4

Analyst: Efird

Analysis Pg. No. 889

Budget Page No. 468

<u>Expenditure Summary</u>	<u>Agency Req. FY 95</u>	<u>Gov. Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
State General Fund: State Operations	\$ 775,177	\$ 746,592	\$ --
FTE Positions	13.0	13.0	--

Agency Overview

The Board has several responsibilities associated with its primary function of conducting parole hearings at which time it must determine whether inmates may be released from prison prior to completion of their sentences. The Board is required to conduct an initial, informational hearing with newly admitted inmates shortly after their incarceration. The Board conducts public comment session three time monthly in three locations (Wichita, Kansas City and Topeka) in order to receive public input regarding the release of parole-eligible inmates. In addition to conducting parole hearings, the Board also must conduct revocation hearings if violations of parole conditions occur. Finally, the Board is required to review clemency and pardon applications, and to make recommendations to the Governor.

The Board indicates that with enactment of sentencing guidelines by the 1992 Legislature, it appears that some reduction in the activity of the Board will occur in several years as the number of inmates sentenced under the former indeterminate system decrease. The Board estimates that approximately two-thirds of the inmates who were incarcerated prior to July 1, 1993, will continue under the present system, and that the other one-third, or approximately 1,900 inmates, will be subject to release based on time served. The Department of Corrections announced that 1,210 inmates had been released as of December 31, 1993, under the new guidelines.

Under the new sentencing guidelines system, the Board must issue certificates of release and supervision conditions for inmates released under the new system, regardless of whether they were sentenced under the old indeterminant system or the new determinant system. In addition, inmates who violate these releases by not complying with the conditions of parole or post release-supervision must be reviewed by the Board for possible revocation of their release.

Agency Request/Governor's Recommendation

The Board requests expenditures to maintain operations at current levels next fiscal year. The Board's budget request does not reflect any adjustments in its workload due to sentencing guidelines. Expenditures would increase 6.5 percent over the agency's FY 1994 estimate.

The Governor's recommendations maintain the Board's FY 1995 operations at current levels, allowing for an increase of 2.9 percent over the FY 1994 recommended expenditures and continued staffing of 13.0 FTE positions (including five Board members and eight support staff).

Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommended expenditures and makes the additional recommendations:

1. Identify a policy question about paying for accrued annual leave when an unclassified Board member separates or retires from state service. Personnel Services Policy Statement No. 39 (effective July 1, 1992) provides for crediting time served as an elected official toward the length of service calculations for persons subsequently appointed to positions in the executive branch. A copy of that policy is attached to this Subcommittee Report. The Subcommittee believes that clarifying legislation is needed in this area to provide that former elected officials who did not accrue annual leave time as part of elected positions shall not be credited with any prior service for calculating leave time. The current schedule for calculating leave time based on prior service also is attached to this Subcommittee Report (see Article 9 from K.A.R. 1-9-4). Three Board members' appointments will expire in the next 15 months.
2. Direct the Parole Board to advise the 1995 Legislature if separations or retirements occurring in FY 1995 have any fiscal impact which the agency's budget can not absorb, and for the 1995 Session to consider any supplemental State General Fund appropriation if a problem occurs and is documented adequately. The Subcommittee has reviewed the agency's projections about prospective separations, but believes that the assumptions and calculations may not accurately reflect what may happen next fiscal year since there are too many unknown variables at this time.

DEPARTMENT OF ADMINISTRATION
DIVISION OF PERSONNEL SERVICES

PERSONNEL SERVICES POLICY STATEMENT NO. 39

SUBJECT: Crediting time served as an elected official towards length of service calculations for persons subsequently appointed to positions in the Executive Branch.

REFERENCE: K.S.A. 75-2935, K.S.A. 75-3223, and K.A.R. 1-2-46.

POLICY/PROCEDURE:

1. Time served as an elected official shall be credited to length of service for employees who are appointed to the classified or unclassified service in the Executive Branch.
 - A. Service as a State Representative or Senator shall be credited at the rate of one month of service for every two-month period served in office.
 - B. Service as a Judge in the State District Courts, State Court of Appeals or State Supreme Court shall be credited with length of service for the time served in office.
 - C. Service as a Statewide elected official shall be credited with length of service for the time served in office.
2. Agencies with employees affected by this policy will be responsible for the completion of the KIPPS file maintenance adjustment for the employees' length of service record.
3. The provisions of this policy statement shall not apply to board and commission members who are subject to K.S.A. 75-3223.

EFFECTIVE DATE: July 1, 1992

Post-It™ brand fax transmittal memo 7871		# of pages > 1
To	Julian E. Bird	
From	Nancy Echols	
Co.		
Dept.		
Phone #	4278	
Fax #	3824	

ARTICLE 9

Hours; Leaves; Employee-Management Relations

1-9-13. Payment for accumulated vacation leave and compensatory time credits upon separation. (a) Except as provided in subsection (b), any employee who resigns or is otherwise separated from the service shall be paid for that employee's accumulated vacation leave and compensatory time credits at the same time the employee is paid for the last day at work. Pay for an employee's vacation leave or compensatory time credit shall be calculated using the rates set forth in K.A.R. 1-5-21 and, with respect to overtime eligible employees, the provisions of K.A.R. 1-5-24(f)(4). Pay for such vacation or compensatory time credit shall be a lump sum addition to the employee's last paycheck.

(b) Each employee who retires from the service shall be paid for that employee's accumulated vacation leave and compensatory time credits. For the purpose of calculating the payment for leave credit earned as provided for in this regulation, the date of the employee's retirement from the service may be the employee's last day actually worked, or if the employee chooses, the last day in pay status.

(1) If the employee elects to use the last day actually worked, pay for the employee's vacation leave, holiday pay, or compensatory time as of the date of retirement shall be calculated using the rates set forth in K.A.R. 1-5-21 and, with respect to overtime eligible employees, the provisions of K.A.R. 1-5-24(f)(4).

(2) If the employee elects to use the last day in pay status, the employee shall continue to accrue leave and holidays and shall be paid in the regular manner until all vacation leave, holiday pay, or compensatory time is exhausted.

(c) This regulation shall be effective on or after February 1, 1993. (Authorized by K.S.A. 75-3747; implementing K.S.A. 75-3746; effective May 1, 1979; amended May 1, 1984; amended May 1, 1985; amended, T-86-36, December 11, 1985; amended, T-87-11, May 1, 1986; amended August 3, 1992.)

1-9-14. Transfer of leave credits. (a) When an employee transfers from one state agency to another, his or her accumulated vacation and sick leave credits shall be transferred with the employee. The new agency may require that the transferring employee work six (6) months in that agency before he or she uses vacation leave.

(b) When an employee separates from one agency and is appointed to another agency on the following working day (the separation and appointment being other than a transfer), the employee's accumulated vacation and sick leave shall be transferred with the employee.

(c) If the employee has any compensatory time credits at the time of the transfer or other separation, he or she shall be paid for such credits by the agency from which he or she is transferring. (Authorized by K.S.A. 75-3747; effective May 1, 1979.)

ARTICLE 9

Hours; Leaves; Employee-Management Relations

(b) Use of unauthorized leave shall be entered into the employee's personnel and time records in the agency. Habitual or flagrant use of unauthorized leave shall be grounds for disciplinary action, including dismissal.

(c) When an employee takes unauthorized leave, the appointing authority shall determine whether use of accumulated leave credits shall be allowed, whether leave without pay shall be granted, or, in a case of habitual or flagrant use of unauthorized leave, whether a salary decrease, suspension, demotion, dismissal, or other disciplinary action shall be proposed or taken. (Authorized by K.S.A. 75-3747; effective May 1, 1979.)

1-9-4. Vacations. (a)(1) Each permanent, probationary, and conditional employee in the classified service, excluding those who are on temporary or emergency appointments, shall be entitled to vacation with pay which shall be earned and accumulated in accordance with this regulation. The maximum vacation credits earned each payroll period and the maximum amount of vacation credits that may be accumulated are as follows:

TABLE A

Vacation Leave Earnings Schedule for Employees Paid Monthly or Semi-Monthly

<u>Length of Service</u>	<u>Maximum Monthly Vacation Credits</u>	<u>Maximum Accumulation</u>
Less than 5 years	8 hrs. per payroll period*	144 hours (18 working days)
5 years and less than 10 years	10 hrs. per payroll period*	176 hours (22 working days)
10 years and less than 15 years	12 hrs. per payroll period*	208 hours (26 working days)
15 years and over	14 hrs. per payroll period*	240 hours (30 working days)

2. Delete \$130,633 from the State General Fund which the agency has identified as part of \$839,684 that will be used in FY 1995 to finance salary expenses of 24.6 special projects positions. As previously discussed in this FY 1995 report, the agency added these positions through its own initiative. The Committee's recommendation is prompted by the lack of justification by the agency for adding positions or for making organizational shifts within the Department which has resulted in significant fiscal impact to the state. The Committee asks the second house to review this item and suggests, as one possible alternative, that, unless adequate justification is provided, it consider removing any privilege the agency has to expend moneys on its own by putting expenditure limitations on each of the agency's various funds.

SWAM
march 8, 1994
Attachment 2

Attach a proviso to the no limit Employment Security Administration Fund which would limit expenditures to 75 percent of estimated FY 1995 expenditures from the Employment Security Administration Fund. The funds would return to a no limit status provided that prior to January 1, 1995 the Department of Human Resources submits to the Joint Committee on Economic Development a comprehensive plan for the creation of pilot projects in four separate areas of the state to place the current personnel of Job Service, KanWork, JTPA, and other DHR training and employment programs under complete authority of a regional manager. The Department of Human Resources shall also submit a plan to the Senate Committee^{PLACE} and House Economic Development committees before March 1, 1995, that will reorganize the JTPA's service delivery areas as recommended in the Kansas Inc. report to the Joint Committee on Economic Development, effective July 1, 1995.

PAUL/pb

SWAM
march 8, 1994
Attachment 3

Average Faculty Salaries by Academic Rank
Combined 9 and 12-Month Appointments – FY 1993
 (With 12-Month Salaries Converted to 9-Month Salaries)
 Instructional, Research, and Public Service Faculty

	<u>KU</u>	<u>KSU</u>	<u>KSU-SCT</u>	<u>KSUVMC</u>	<u>WSU</u>	<u>ESU</u>	<u>PSU</u>	<u>FHSU</u>	<u>SYSTEM</u>
Professors	476	399	12	29	101	67	104	84	1,272
Average Salary	\$57,938	\$53,697	\$40,885	\$62,621	\$55,528	\$43,525	\$45,211	\$44,637	\$53,684
Assoc. Prof.	297	305	10	19	154	67	76	56	984
Average Salary	\$42,198	\$41,216	\$36,360	\$49,114	\$41,729	\$39,040	\$38,110	\$37,761	\$41,111
Assist. Prof.	204	302	8	35	188	78	70	71	956
Average Salary	\$36,694	\$35,961	\$39,143	\$43,066	\$36,101	\$33,026	\$33,108	\$32,529	\$35,728
Instructors	6	71	7	5	24	26	4	21	164
Average Salary	\$26,572	\$28,996	\$30,522	\$28,062	\$23,939	\$23,676	\$26,720	\$27,588	\$27,125
Total All Ranks	983	1,077	37	88	467	238	254	232	3,376
Average Salary	\$48,582	\$43,561	\$37,325	\$49,964	\$41,533	\$36,653	\$39,460	\$37,729	\$43,645

Source: Kansas Board of Regents.

In addition to the 3.0 percent salary increase for unclassified positions, the Board proposes a merit pool of \$9.3 million for ranked faculty and "those directly involved in the instructional experience."

The Governor recommends \$11.1 million for the merit pool, of which \$9.3 million is from tuition receipts and \$1.8 million is from the State General Fund "to improve salaries of teaching faculty." The Governor's recommendation is an increase of \$1.8 million over the Board's proposal.

Faculty Salary Enhancement – Regents Request								
Institution	<i>Ranked</i> Estimated Faculty Base	Regents Request			Governor's Recommendation			
		Allocation	Partnership Increase	Total Increase*	Allocation	Partnership Increase	Total Increase**	
KU	\$ 54,815,728	\$ 3,151,000	→ 5.7%	8.7%	\$ 3,740,977	6.8%	9.3%	
KUMC-Education	38,894,035	433,560	→ 1.1	4.1	514,738	1.3	3.8	
KSU	41,797,131	1,656,000	→ 4.0	7.0	1,966,061	4.7	7.2	
KSU-ESARP	20,888,923	798,000	→ 3.8	6.8	947,413	4.5	7.0	
KSU-Salina	1,687,745	184,000	→ 10.9	13.9	218,451	12.9	15.4	
KSU-Vet.Med.	6,294,605	200,000	→ 3.2	6.2	237,447	3.8	6.3	
WSU	23,236,023	1,880,000	→ 8.1	11.1	2,232,002	9.6	12.1	
ESU	10,663,164	221,000	→ 2.1	5.1	262,379	2.5	5.0	
FHSU	10,264,626	411,000	→ 4.0	7.0	487,954	4.8	7.3	
PSU	13,058,370	391,000	→ 3.0	6.0	464,209	3.6	6.1	
TOTAL	\$221,600,350	\$ 9,325,560	4.2%	7.2%	\$ 11,071,631	5.0%	7.5%	

* Includes 3.0 percent basic unclassified salary increase.
 ** Includes 2.5 percent basic unclassified salary increase.

IV. Changes in Enrollments

The table below reflects two computations of enrollment that are typically made and used in discussions of higher education. Headcount enrollment is simply an unduplicated count of the number of students enrolled at a particular time. Full-time equivalent enrollment is derived from the number of student credit hours in which students

geographic areas which are not close to Centers of Excellence. KTEC awards \$150,000 each to the Western Kansas Technology Corporation (WKTC), headquartered in Great Bend with satellite locations in Garden City and Hays, serving manufacturers in Western Kansas; and Tech-Industry Consultants (TIC), based in Lenexa, primarily serving companies in Johnson, Leavenworth, and Wyandotte counties. Both offices are governed by a separate board of directors.

3. Centers of Excellence. KTEC's FY 1995 request for the Centers of Excellence totals \$4,500,000, an increase of 2.5 percent over estimated FY 1994 expenditures. In addition to the EDIF funding appropriated to KTEC's budget, three of the Centers, created prior to KTEC, receive line-item funding in their respective university appropriations totaling \$642,391. For FY 1994, these three centers received the following amounts from the EDIF: Advanced Manufacturing Institute at KSU (\$213,919); Higuchi Bioscience Center at KU (\$222,639) and National Institute for Aviation Research at WSU (\$205,833). For FY 1994, the Legislature approved \$4,392,333 from the EDIF for the Centers in KTEC's budget. Funding allocations made by KTEC to the Centers of Excellence are based directly on performance evaluation results. Of the total amount appropriated, \$3,923,194 was allocated as core Center funding and \$469,139 was reserved for special project awards. The center name, university location, center's focus, and FY 1994 KTEC core award are as follows:

3. For FY 1995, the Governor recommends \$4,267,386, which is \$124,947, or 2.8 percent, less than the amount approved for FY 1994 for the Centers of Excellence.

Centers of Excellence			
Center	University	Focus	FY 94 Award
Advanced Manufacturing Institute (AMI)	KSU	Integrated Design Manufacturing and Assembly, Expert Systems, Advanced Materials	\$ 800,000
Center for Excellence in Computer-Aided Systems Engineering (CECASE)	KU	Computer-Aided Analysis, Engineering Systems Design, Software Development	\$ 640,000
Center for Design, Development, Production	Pittsburg	Woods, Plastics, Printing	\$ 460,000
Higuchi Bioscience Center (HBC)	KU	Pharmaceutical: Bioanalysis, Chemistry, Drug Delivery, Molecular Engineering	\$1,243,194
National Institute for Aviation Research (NIAR)	Wichita	Aviation: Aerodynamics, Safety, Manufacturing	\$ 780,000

**KANSAS MILITARY RETIREE LITIGATION
ATTORNEYS' STEERING COMMITTEE**

FRIEDEN, HAYNES & FORBES
John C. Frieden, Esq.
400 S.W. 8th Street, Suite 409
P. O. Box 639
Topeka, KS 66601

NIEWALD, WALDECK & BROWN
Kenton C. Granger, Esq.
1200 Main Street, Suite 4100
Kansas City, MO 64105

DAVIS, BEALL, MCGUIRE & THOMPSON, CHTD.
Terrance A. Lober, Esq.
117 Cherokee
Leavenworth, KS 66048

ROGER M. THEIS, ESQ.
9411 Shannon Way Court
Wichita, KS 67206

DEAR RETIREE AND/OR SPOUSE:

This letter is a follow up to our notice which you should have recently received explaining the status of the above litigation. As we indicated, Judge Adrian Allen issued a ruling on December 17, 1993 that the Shawnee County District Court did not have jurisdiction to determine whether military retirees or their respective spouses should receive refunds from 1984 through 1991. This ruling reversed an opinion which he issued in 1989 which held that it was not necessary for you to exhaust administrative remedies. Many have speculated that the reason the State continually urged the Court to require exhaustion was because it believed that a great number of retirees would not utilize the administrative process by filing requests for refund, amend up to eight years of tax returns and appeal to the Director of Taxation, Kansas State Board of Tax Appeals and the courts. We intend to appeal that ruling to the Kansas Supreme Court.

We have been frequently asked whether you will automatically be entitled to a refund if you exhaust your administrative remedies. Unfortunately, the answer is no. The probability is that you will be denied refund relief even for each year before 1992 and will end up back in Court once exhaustion is completed. We anticipate then filing a new lawsuit and essentially raising the same issues which we thought Judge Allen was going to rule on the latter part of December 1993. Those issues essentially revolve around the question or whether or not you are entitled to refunds for the years 1984-1991.

Keep in mind that we are going to appeal Judge Allen's ruling to the Kansas Supreme Court and, if necessary, to the Supreme Court of the United States. However, we believe that it is necessary for you and all other retirees to fully pursue the administrative process as a protective measure. This will be a time consuming and expensive task. Depending on how the courts rule, if you do not exhaust your administrative remedies, it is possible that you will not receive any refunds despite the fact that the State illegally exacted the tax from you. Since this would be an extraordinarily unjust result, we urge you not to let the State get by with such unconscionable conduct.

We have been requested by the Kansas Military Retirees for Tax Fairness to establish a simplified process to exhaust administrative remedies in an effort to make certain that it is done properly and that the correct legal issues are raised at each step. We have agreed to do this but it is necessary to make a minimum charge to cover costs relating to tax preparers, mailing, printing, travel, copying, newspaper advertisements, attorney fees, etc. After discussing this with numerous retirees, we have determined a reasonable initial charge would be \$75.00 for each enlisted retiree and \$150.00 for each officer retiree. This charge should be sufficient to pay expenses through the hearing before the Director of Taxation. If further administrative and/or judicial proceedings are required, additional costs and expenses will be incurred to prosecute your claim(s). The precise amount of such costs and expenses is presently unknown, but we will pursue all reasonable efforts to consolidate claims and streamline the process to keep future expenditures as low as possible. You will be separately billed for any such further costs and expenses in one of more additional lump sum payment(s). We understand that some of you may not be in a position to make payment of this amount at this time. If you are unable to make full payment now, please let us know and we will try to work with you. We are also aware that many of you may be at various stages of the administrative process and that some of you may require more effort than others. The overall costs have been estimated based on attempting to preserve the rights of as many retirees as possible and since the costs would not differ substantially from one retiree to another, we concluded that it was fair to charge an initial lump sum.

If we are ultimately successful in Court, the average refund will be \$3,500. Interest continues to accrue at 12 percent per annum. Keep in mind that we have already been successful in stopping the State from imposing this illegal tax in the future which has saved the class of retirees approximately \$8.5 million per year since 1992.

In order for us to help you, it will be necessary for you to sign the enclosed Power of Attorney and Retainer Agreement. This will enable us to enter an appearance on your behalf, amend and/or review up to eight years of tax returns, file a request for refund, calculate accrued interest and otherwise represent you. We have already secured the services of tax preparers to assist us. All information received from you including information in the tax returns will be considered strictly confidential.

We should be able to get access to your returns from the State Department of Revenue if we have a properly signed power of attorney. Some of you have already amended returns and filed requests for refunds and you are at various stages of the process. Since we have not seen your request, we do not know whether the proper grounds for relief have been made or whether the filing has been done correctly. If you have filed and want us to represent you, please send us all the documents you filed and any correspondence you have received from the Department of Revenue. We

SWAM
March 8, 1994
Attachment 6

will then review the filing for accuracy and represent you through the process. Hopefully, it will not be necessary for any of you to come to Topeka for any of the hearings. This should be able to be handled by us and our designated tax preparers.

If your request for refund has been set for hearing or if you have already had a hearing, please contact us immediately.

If we are successful in ultimately obtaining refunds for you, which we believe will be decided by either the Supreme Court of Kansas or the Supreme Court of the United States, we are requesting a contingency fee which is contained in the enclosed retainer agreement. We will deduct any payment(s) you have made for allowable expenses from the gross amount of any recovery and we will deduct any payment(s) you have made for a partial attorney's fee from our contingency fee. If a class is subsequently certified in a new action, or if an appellate court reverses Judge Allen and the existing Class remains certified, we will apply to the court for an award of attorney's fees and expenses to be paid by each person who benefits from any class action recovery. Such an award would be made by the court at the conclusion of the case on the basis of what is deemed to be fair and reasonable under the circumstances.

Finally, success depends in large part on how fast we can get your tax returns amended and requests for refunds made. If we are successful in extending the statute of limitations, we anticipate we will have no more than six months to get everything on file and for those of you who have already filed but may have done so incorrectly, to get amendments on file for you.

Please act promptly because it is important to move as fast as possible. If you desire our assistance, please: (1) Complete the power of attorney by filling in your name, social security number, address and signing your name (fill in the date); (2) Sign the enclosed retainer agreement; (3) Write a check to us in the amount of \$75.00 if you are an enlisted retiree and \$150.00 if you are a retired officer; and (4) Mail items (1), (2) and (3) to us in the stamped, self-addressed envelope which is enclosed.

Some of you have previously responded to our notice that was mailed in late December 1993. If you do not want personal assistance from us, we nevertheless strongly recommend that you now pursue and exhaust the administrative refund process. If you properly filed timely amended returns and refund claims for each year before 1992 that you paid Kansas income tax on military retired pay and timely requested a hearing for each denied claim, you should fully pursue the remainder of the administrative process. If you previously filed amended returns and refund claims but did not request a hearing within the time specified, you should now appeal each denial by requesting a hearing. While the Department of Revenue's position is that such retirees are barred from further pursuing these claims, we disagree for a variety of reasons and strongly encourage retirees to request such hearings. It should not be necessary to file new amended returns and refund claims unless they have been destroyed by the Department of Revenue.

If you have not filed any amended returns and refund claims for any year from 1984 through 1991, you should do so as soon as possible for each tax year in this period for which you paid Kansas income tax on military retired pay. The current statute of limitations for tax year 1990 will not expire until April 15, 1994. The current statute of limitations for tax year 1991 will not expire until April 15, 1995. The Department of Revenue's position is that any retiree who has not timely filed amended returns and refund claims for any year in the period from 1984 through 1989 is now barred by the statute of limitations from receiving refunds for that time frame. For a variety of reasons, we strongly disagree and encourage all such retirees to immediately file amended returns and/or refund claims for each tax year from 1984 through 1989 for which you paid Kansas income tax on military retired pay.

If you choose to proceed without legal assistance, please be further advised that all refund claims should specify the legal basis for the relief you seek and include a request for statutory interest. You need to comply with all procedural requirements and deadlines, and to participate in (or obtain continuances of) conferences and hearings which are scheduled, to avoid the potential loss of your rights through default or inaction on your part. You should also pay careful attention to and be prepared to respond to numerous legal arguments currently being made by the Department of Revenue in an effort to defeat the refund claims of military retirees.

As you may already know, you have the constitutional right as a citizen to petition state government officials for the redress of grievances. If you are dissatisfied with the discriminatory treatment of military retirees in this State, please share those views with your state senator and representative as well as Governor Finney. Senator Lana Oleen and a number of other state legislators have been actively working on your behalf and need your active support to achieve an acceptable legislative solution to this matter. We are also actively seeking a reasonable and appropriate legislative solution to the refund question this year and would appreciate any assistance you can give us. If you desire to communicate with your state senator and representative, you can find out their name, address and telephone number from your county election commissioner.

It has been an honor for us to represent you in the past and we feel we will ultimately prevail in this litigation.

Very truly yours,

John C. Frieden
FRIEDEN, HAYNES & FORBES
P. O. Box 639
Topeka, Kansas 66601
Lead Counsel for the Plaintiff Class

AGREEMENT

In re: Refund Litigation for Tax Years 1984-1991 and related matters including administrative proceedings

Name: _____
(Rank/Pay Grade)

Address: _____

_____, _____
(City) (State) (Zip Code)

Telephone: () - _____

I hereby retain Frieden, Haynes & Forbes, 400 S.W. 8th Street, Suite 409, Topeka, Kansas 66603, as my attorneys to represent me in connection with the above matter, and to represent me in any case, or cases, or claims including administrative matters arising out of the above. My said attorneys agree to work in my interest to the best of their ability. I hereby authorize them to commence and/or prosecute such actions, claims for refunds or amended returns as in their judgment they deem to be in my best interest. As their fee, it is agreed that they shall have and retain 22-1/2 percent of any and all amounts received as a result of the administrative process and/or judicial proceedings, whether by settlement or otherwise, after deduction of allowable expenses. If a recovery is made by judgment, settlement or otherwise in any action which is certified as a class, my attorneys will apply for an award of reasonable attorney's fees and expenses from class members who benefit in the recovery. The amount of any such award will be established by the court on the basis of what is fair, just and reasonable, and my attorneys will credit me for any attorney's fees I have paid. In addition, it is agreed that as a part of their fees and to cover certain expenses which will be incurred in tax preparation, mailing, printing, travel, copying, newspaper advertisements, the attorneys will receive an initial sum of \$75.00 if I am enlisted retiree or \$150.00 if I am officer retiree which I am enclosing with this agreement (hereinafter referred to as "initial lump sum payment"). Any portion of the initial lump sum payment or any additional lump sum payment(s) in excess of what my attorneys consider to be reasonable expenses shall be retained by them as a partial attorney's fee.

The initial lump sum payment is expected to be sufficient to process and prosecute my claim(s) through the Director of Taxation. If further administrative and/or judicial proceedings are required, I agree to pay such additional expenses as my attorneys deem necessary and appropriate to pursue such further proceedings. The precise amount of such expenses is presently unknown, but my attorneys will make every reasonable effort to keep such expenses as low as possible. Any such further expenses shall be separately billed to me as one or more additional lump sum payment(s).

I UNDERSTAND THAT SHOULD THE CASE OR MATTER NOT RESULT IN A RECOVERY, I WILL OWE NOTHING EXCEPT AS ABOVE STATED FOR MY ATTORNEY'S TIME OR SERVICE.

I agree that my attorneys may withdraw at any time after reasonable notice to me. I agree to keep them advised as to my whereabouts at all times and to cooperate at all times in the preparation of my claim, case or cases.

In previous matters the firms of Kenton C. Granger, Esq. of Niewald, Waldeck & Brown; Terrance A. Lober, Esq. of Davis, Beall, McGuire & Thompson, Chtd.; Roger M. Theis, Esq., have been involved and we understand they will continue to be involved and will share in the contingency fee hereinabove provided on a basis that is fair and equitable.

Accepted by me this _____ day of _____, 1994.

Frieden, Haynes & Forbes

By: _____

**LIMITED POWER OF ATTORNEY, DECLARATION OF REPRESENTATIVE
AND CONSENT TO RELEASE OF CONFIDENTIAL INFORMATION**

That I, _____, residing in the City of _____, County of _____,
State of _____, do hereby nominate, constitute and appoint on behalf of myself and any deceased
spouse the law firm of FRIEDEN, HAYNES & FORBES, Topeka, Kansas, or their duly authorized representative, as my true
and lawful attorney-in-fact, to act for me and in my name, place and stead as hereinafter set forth:

1. To represent me before the Kansas Department of Revenue, Director of Taxation, Kansas Board of Tax Appeals
or their duly authorized representatives, including all court proceedings and administrative matters or steps required to
be taken under Kansas law and/or regulations in connection with state taxation of military retired pay before 1992,
including but not limited to any issues arising out and/or in connection with *Davis v. Michigan Dept. of Treasury*, 489
U.S. 803 (1989); *Barker v. Kansas*, 112 S.Ct. 1619 (1992); *Harper v. Virginia Dept. of Taxation*, 113 S.Ct. 2510 (1993).
To execute all documents and take all actions deemed by them appropriate to fully and completely represent me. To
commence and prosecute any actions or proceedings for recovery or refund of taxes paid and to compromise or settle such
actions or proceedings and agree to and execute all necessary settlement documents including a release of claim(s).

2. To execute any request for a tax refund or other document associated therewith and represent me in connection
with any request for income tax refund(s) for the years 1984, 1985, 1986, 1987, 1988, 1989, 1990 and 1991 (circle year
or years).

3. To execute amended tax returns for each tax year circled above and to execute all other documents and power
to take all other actions deemed by them appropriate in filing, processing and prosecuting such amended tax returns and
any requests for refunds resulting therefrom. The execution of amended tax returns is hereby given to any representative
designated by my attorneys.

4. To receive, inspect and copy any and all confidential tax information of mine or any deceased spouse I may have
and to perform any and all acts that I could perform with respect to the tax matters above described and to have complete
access to all files and records which they may request concerning each tax year circled above, including, but not limited,
to any request for refunds and/or amended tax returns for those relevant years I may have filed.

5. To receive check(s) in payment of any refund of State of Kansas taxes. I hereby direct the State of Kansas and
Department of Revenue to issue any such refund check(s) payable to both me and Frieden, Haynes & Forbes.

6. It is my intent that my attorneys-in-fact have each and every power necessary to allow them to request tax refunds
and prosecute those requests to completion in my stead and without any further authorization, signature or consent by me.

7. I hereby declare that this Power of Attorney shall be and remain in full force and effect until such time as such
powers are later revoked by me in writing.

8. It is my further intent that this Power of Attorney be a durable one and not be affected by my subsequent disability
or incapacity. This Power of Attorney shall also include any estate of which I am the administrator, executor or heir-at-
law.

9. I hereby specifically authorize and direct the State of Kansas, its agencies and employees to disclose to the law
firm of Frieden, Haynes & Forbes, or any representative thereof, any and all confidential information for each tax year
circled above regarding me or any deceased spouse, estate or otherwise I may have, and consent to them inspecting,
receiving and copying, such information. It is my intent that this authorization include tax returns and documents
associated therewith or related thereto.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of _____, 1994.

Name: _____
Date of Birth: _____
Social Security No: _____
Address: _____

KANSAS MILITARY RETIREE LITIGATION ATTORNEYS' STEERING COMMITTEE

FRIEDEN, HAYNES & FORBES

John C. Frieden, Esq.
400 S. W. 8th Street, Suite 409
P. O. Box 639
Topeka, KS 66601
Telephone: (913) 232-7266

DAVIS, BEALL, McGUIRE & THOMPSON, Chtd.

Terrance A. Lober, Esq.
117 Cherokee
Leavenworth, KS 66048
Telephone: (913) 682-3822

NI EWALD, WALDECK & BROWN

Kenton C. Granger, Esq.
1200 Main Street, Suite 4100
Kansas City, MO 64105
Telephone: (816) 471-7000

Roger M. Theis, Esq.

9411 Shannon Way Court
Wichita, KS 67206
Telephone: (316) 682-7381

TO: WHOM IT MAY CONCERN

SUBJECT: Keyton Barker, et al. v. State of Kansas, et al., Case Nos. 89-CV-666 and 89-CV-1100 (District Court of Shawnee County, Kansas)

This letter is an attempt to answer numerous inquiries which we have recently received regarding the class action seeking to obtain refunds of unlawful taxes paid on military retirement benefits for tax years 1984 and 1991. We are fully aware from letters and telephone calls that there exists some confusion regarding the rights of class members and the status of this class action (which is now commonly referred to as the federal military retirement income tax refund litigation or Barker case).

Background and Parties

The class action entitled Keyton Barker, et al. v. State of Kansas, et al., Case Nos. 89-CV-666 and 89-CV-1100, was filed in the District Court of Shawnee County, Kansas (the "Court") on April 17, 1989. The Court subsequently certified the litigation as a class action which is brought on behalf of:

"All retired members of the federal or United States armed forces who are recipients of federal armed forces retirement benefits (under applicable provisions of Title 10 or Title 14 of the United States Code) subject to Kansas state income taxation during one or more of the tax years from 1984 through 1991 and, where applicable, their respective spouses, who have filed or will file joint Kansas state income tax returns during one or more of the tax years from 1984 through 1991" [hereinafter referred to as "the Class"].

The named plaintiffs are retired members of the United States Armed Forces and joint taxpayer spouses who have been subject to Kansas income taxation during tax years 1984 through 1991. The plaintiffs have been designated by the Court to serve as representatives of the Class consisting of more than 14,000 federal military retirees during each tax year in issue and, where applicable, their joint taxpayer spouses.

The district court has determined that the plaintiffs have retained qualified, experienced and capable counsel to represent them and all members of the Class. The district court has also designated such counsel to serve as counsel for the Class.

The defendants include the State of Kansas, the Kansas Department of Revenue, the Kansas Secretary of Revenue and the Kansas Director of Taxation.

On March 28, 1989, the United States Supreme Court ruled that the Michigan Income Tax Act violated Title 4, Section 111 of the United States Code and the constitutional doctrine of intergovernmental tax immunity "by favoring retired state and local government employees over retired federal employees." This opinion of the United States Supreme Court is reported as Davis v. Michigan Department of Treasury, 489 U.S. 803, 109 S.Ct. 1500 (1989).

On April 17, 1989, the plaintiffs initiated this litigation against the State of Kansas and other defendants alleging, in relevant part, that discriminatory Kansas income taxation of military retired pay violated Title 4, Section 111 of the United States Code and constitutional principles of intergovernmental tax immunity. On behalf of themselves and all members of the Class, the plaintiffs claimed entitlement to declaratory and injunctive relief against differential taxation, income tax refunds and statutory interest (at the rate of 12 percent per year until paid) since tax year 1984, and reasonable attorney's fees and costs.

On December 19, 1989, the District Court of Shawnee County, Kansas denied the defendants' motion to dismiss this litigation for lack of subject matter jurisdiction, and ruled that military retirees were not required to pursue or exhaust futile and inadequate administrative refund remedies within the Kansas Department of Revenue or Board of Tax Appeals. As stated above, the court also certified the litigation as a class action; certified the Plaintiff Class; and designated class counsel. As originally certified by the Court and later amended by stipulation, the Class includes all military retirees [and, where applicable, their joint taxpayer spouses] who were subject to Kansas income taxation during one or more years from 1984 through 1991, regardless of whether any effort has been made to file and pursue amended income tax returns or income tax refund claims with the Kansas Department of Revenue.

On October 31, 1990, the Court reiterated that the plaintiffs had preserved their rights to income tax refunds, but entered judgment upholding the constitutionality of the Kansas Income Tax Act as applied to military retirement benefits. The plaintiffs immediately appealed that determination to the Kansas Supreme Court. On July 12, 1991, the Kansas Supreme Court affirmed the decision of the district court in a unanimous opinion reported as Barker v. State of Kansas, 249 Kan. 186, 815 P.2d 46 (1991), which concluded that differential taxation of military retired pay did not violate federal or state law.

The plaintiffs subsequently appealed to the United States Supreme Court by filing a petition for a writ of certiorari on October 10, 1991, which was granted on November 27, 1991. Oral argument was held before the United States Supreme Court on March 3, 1992 following the submission of extensive legal briefs.

On April 21, 1992, the United States Supreme Court unanimously reversed the decision of the Kansas Supreme Court and held that differential taxation of military retired pay in Kansas was inconsistent with the nondiscrimination clause of 4 U.S.C. § 111. The opinion of the United States Supreme Court is reported as Barker v. Kansas, 112 S.Ct. 1619 (1992). The United States Supreme Court also remanded this case to Kansas state court for further proceedings not inconsistent with its opinion.

In direct response to the United States Supreme Court's decision in Barker, the State of Kansas enacted legislation [Senate Bill No. 215 (1992)] which exempts military retired pay from Kansas income taxation after, but not before, December 31, 1991. The Kansas Department of Revenue has estimated the fiscal impact of this exemption as saving military retirees in Kansas approximately \$8.5 million in state income taxes per year beginning with tax year 1992. However, no legislation has been passed or enacted which would require the State of Kansas to refund any income taxes paid on account of military retired pay before tax year 1992.

On June 18, 1993, the United States Supreme Court ruled that, in all cases still open on direct review, every court must give full retroactive effect to its decision in Davis v. Michigan Department of Treasury. Harper v. Virginia Department of Taxation, ___ U.S. ___ (No. 91-794, June 18, 1993).

In Harper v. Virginia Department of Taxation, the United States Supreme Court did not enter judgment for the federal retirees because "federal law does not necessarily entitle them to a refund." The Harper case was remanded to the Supreme Court of Virginia to resolve questions of state law bearing upon appropriate relief consistent with both the mandate of equal treatment and the Due Process Clause of the Fourteenth Amendment. Similar issues have been raised in the Barker case.

This class action litigation has been pending before the District Court of Shawnee County on remand since June of 1992 to determine whether the plaintiffs and members of the Class are entitled to a refund of income taxes, together with statutory interest, paid to the State of Kansas on or on account of military retired pay for one or more tax years from 1984 through 1991. The defendants have denied liability for tax refunds; sought dismissal of the plaintiffs' claims for income tax

sought decertification of these proceedings as a class action; and sought ruling that each member of the class must exhaust administrative remedies. The Kansas Secretary of Revenue and other taxing officials have consistently stated that no income tax refunds can be paid to any member of the Class absent a final judicial decision on the issue or legislative action.

On July 6, 1993, the plaintiffs filed a supplemental motion for summary judgment seeking an order from the Court directing the payment of income tax refunds and interest for the period from 1984 through 1991. This refund motion has not been decided.

This morning, on December 17, 1993, the District Court of Shawnee County, Kansas dismissed the pending claims of military retirees for a refund of unlawful Kansas income taxes paid to the State for tax years 1984 through 1991. Notwithstanding its previous rulings that pursuit and exhaustion of administrative remedies before the Director of Taxation and the Board of Tax Appeals is not required to obtain income tax refunds, the court concluded today that the failure of military retirees to exhaust the administrative refund process deprived the court of jurisdiction. The plaintiffs intend to appeal this adverse determination as soon as possible.

If you are a federal military retiree or joint taxpayer spouse and paid Kansas income tax on account of military retired pay for one or more years from tax year 1984 through 1991, counsel for the class of military retirees strongly recommend that you immediately submit amended tax returns [Form K 40X] and/or refund claims to the Kansas Director of Taxation for each year that you paid the illegal tax from 1984 through 1991. **IN ORDER TO PRESERVE YOUR RIGHTS, WE STRONGLY URGE YOU TO CONTACT US IMMEDIATELY REGARDLESS OF WHETHER OR NOT YOU HAVE PREVIOUSLY FILED AMENDED RETURNS OR REFUND CLAIMS. PLEASE ACT IMMEDIATELY.** In our view, considerations of due process require that military retirees be afforded a reasonable period of time [perhaps as much as six months] in which to now pursue and exhaust the administrative refund process. If you have any questions or require assistance in protecting your rights as a member of the Class of military retirees, please advise us in writing.

Rights of Class Members

We realize that the overwhelming majority of you have not attempted to pursue your administrative remedies in light of the Court's previous decision. Our recommendations to file refund claims, to request hearings before the Director of Taxation upon denial of claims, and to exhaust the administrative process are precautionary measures which should be pursued pending our appeal.

Recently, many of you have received communications from the Department of Revenue denying requests for refunds and advising you of your right to appeal to the Director of Taxation. Some retirees have also received notices of prehearing conferences. If you have received any such communications from the Department of Revenue and require further advice regarding your rights in the context of this class action litigation, feel free to contact us.

You should know, however, that if you fall within the definition of the Class, you are currently a member of the Class regardless of whether you have attempted to pursue or exhaust the administrative refund remedy before State taxing authorities. If you are a member of the Class, your rights may be determined by any final judgment rendered in this litigation, whether favorable or unfavorable, or by any settlement approved by the District Court of Shawnee County, Kansas. If you so desire, you may enter an appearance in this case through legal counsel of your choice at your own expense. If you do not appear through your own counsel, your interests will continue to be represented by the plaintiffs and their counsel, as designated counsel for the Class.

Inquiries or Communications

All inquiries or communications regarding this correspondence, including any questions regarding the status of the class action litigation and the rights of Class members to secure refunds should be sent in writing to class counsel at any one of the above addresses and we will provide you with a prompt response.

Claims, Costs and Attorney's Fees

The Court has not yet determined whether the Class is entitled to tax refunds for the period from tax year 1984 through 1991. In the event of a final judgment or a settlement is approved by the Court which entitles members of the Class to refunds, if you are a member of the Class you will be entitled to participate in any recovery of tax refunds and interest with other Class members provided that you filed a Kansas income tax return and paid Kansas income tax on military retired pay for one or more years from 1984 through 1991.

You will not have to pay any of the costs of this litigation, except to the extent that any recovery obtained on behalf of the Class is reduced by an amount approved by the Court to cover the reasonable and necessary costs of the litigation, including reasonable attorney's fees and expenses. Any award of attorney's fees and expenses must be approved by the Court after a hearing, and will be equitably apportioned among members of the Class who will benefit from the litigation. If there is a recovery, the Court will determine and approve the manner in which refunds shall be paid to Class members. If there is no recovery in the litigation, you will not be required to pay anything for costs, attorney's fees or expenses.

Retention of Records

Class members should retain all Kansas and federal income tax returns, including Forms W-2P and/or 1099-R, for calendar years 1984 through 1991, inclusive.

Prospects for Settlement

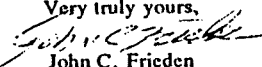
Since 1989, seventeen (17) states have either resolved or are close to resolving their federal retirement income tax litigation by the payment of refunds and interest to federal military and civilian retirees. Only six (6) states, including Kansas, persist in refusing to recognize the right of federal military or civilian retirees to a refund of unlawfully collected income taxes.

Between September and November of 1993, the plaintiffs engaged in confidential discussions with the Kansas Secretary of Revenue in an effort to settle this litigation in a fair, just and equitable manner. These settlement discussions were terminated by the plaintiffs on November 29, 1993 after it became apparent that the State has no genuine interest in resolving the refund question by agreement. The State's final offer to settle this class action for twenty-five cents on each dollar of its liability for tax refunds and interest was perceived by the plaintiffs to be grossly inadequate and evidence of bad faith. Therefore, the prospects for settlement are very poor, at best.

Conclusion

We realize this action has been pending for a considerable period of time and we want to assure you that we are doing everything reasonably necessary to obtain a final determination of all pending issues as soon as possible. Absent a settlement of this case, however, we expect that the litigation will continue in court for one to two additional years before its final resolution. You should know that you have a constitutional right to contact your Senators, Representatives and the Office of the Governor if you feel aggrieved by the actions of the State.

If you have any questions, please do not hesitate to contact us by letter at any one of the above addresses and we will provide you with a prompt response. Please provide us with your telephone number in any correspondence.

Very truly yours,

John C. Frieden
FRIEDEN, HAYNES & FORBES
P. O. Box 639
Topeka, Kansas 66601
913/232-7266
Lead Counsel for the Plaintiff Class

SUBCOMMITTEE REPORT

Agency: Department of Revenue --
Homestead Property Tax Refunds

Bill No. 718

Bill Sec. 13

Analyst: West

Analysis Pg. No. 817

Budget Page No. 512

<u>Expenditure Summary</u>	<u>Agency Est. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
State General Fund: Homestead Tax Refunds	\$ 8,920,000	\$ 8,920,000	\$ --
FTE Positions	--	--	--

Agency Estimate/Governor's Recommendation

The agency's current year estimate of \$8,920,000 is an increase of \$505,000 from the budget approved by the 1993 Legislature. The increase in estimated expenditures is primarily attributable to a \$10.54 increase in the amount of the average FY 1994 refund compared to the estimate utilized by the 1993 Legislature. A State General Fund supplemental appropriation of \$1,572,021 is requested in order to finance the current year estimate. The difference in the increase in estimated expenditures (\$505,000) and the requested supplemental (\$1,572,021) is attributable to increased FY 1993 expenditures above the approved FY 1993 estimate. The Governor concurs with the agency's estimate.

Senate Subcommittee Recommendation

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

1. The Subcommittee recommends that the House Subcommittee for this agency review year-to-date expenditures to determine if all of the recommended supplemental appropriation is required.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee's recommendation.

SUBCOMMITTEE REPORT

Agency: Department of Revenue --
Homestead Property Tax Refunds

Bill No. 633

Bill Sec. 2

Analyst: West

Analysis Pg. No. 817

Budget Page No. 512

<u>Expenditure Summary</u>	<u>Agency Req. FY 95</u>	<u>Gov. Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
State General Fund:			
Homestead Tax Refunds	\$ 8,700,000	\$ 8,700,000	\$ --
FTE Positions	--	--	--

Agency Request/Governor's Recommendation

The agency requests \$8,700,000 for Homestead Property Tax refunds in FY 1995, representing an estimated decrease of 1,200 (2.6 percent) in the number of refunds claimed and a 12 cent increase in the amount of the average refund. The agency's estimate is based on the number of returns filed for the previous calendar year (CY 1992) and estimated changes in income levels and tax levies. The Governor concurs with the agency request.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's FY 1995 recommendation.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee's recommendation.

SUBCOMMITTEE REPORT

Agency: Department of Human Resources

Bill No. 718

Bill Sec. 15

Analyst: West

Analysis Pg. No. 819

Budget Page No. 302

Expenditure	Agency Est. FY 94	Governor's Rec. FY 94	Subcommittee Adjustments
All Funds:			
State Operations	\$ 43,743,658	\$ 43,545,212	\$ 31,284
Local Aid	--	--	--
Other Assistance	269,504,938	299,504,938	--
Subtotal	\$ 313,248,596	\$ 343,050,150	\$ 31,284
Capital Improvements	492,050	492,050	--
TOTAL	\$ 313,740,646	\$ 343,542,300	\$ 31,284
State General Fund:			
State Operations	\$ 1,034,847	\$ 1,028,942	\$ --
Other Assistance	4,938	4,938	--
TOTAL	\$ 1,039,785	\$ 1,033,880	\$ --
FTE Positions	925.5	916.5	--

Agency Estimate/Governor's Recommendation

The agency's estimate for FY 1994 operating expenditures of \$313,248,596 is a net decrease of \$12,852,236 from the approved budget.

The Governor's recommendation for FY 1994 operating expenditures of \$343,050,150 is a net increase of \$29,801,544 from the agency's estimate including a \$30,000,000 increase in unemployment insurance payments and a decrease of \$198,446 in state operations.

State General Fund. The agency's estimate of FY 1994 State General Fund (SGF) expenditures reflects the approved budget. The Governor's current year recommendation of SGF expenditures is a decrease of \$5,905 from the agency's estimate.

Other Funds. The agency estimates that FY 1994 expenditures from federal and special revenue funding sources will be \$312,208,881, a net decrease of \$12,852,236 from the approved budget. Unemployment insurance benefits are estimated to be \$251,000,000, a reduction of \$22,000,000. Grants under the federal Job Training Partnership Act (JTPA) are increased from \$10,100,000 to \$18,400,000 due to a special discretionary grant primarily associated with flood relief efforts. Special revenue fund financed state operations are increased by \$847,764, with the major change being a \$929,666 increase in employment security administration expenditures. Net other changes decrease total expenditures by \$81,902.

The Governor recommends FY 1994 expenditures from federal and special revenue fund financing of \$342,016,270, a net increase of \$29,807,389 from the agency's estimate. Recommended unemployment insurance payments of \$281,000,000 are a \$30,000,000 increase from the agency's estimate. Salaries and wage financing is reduced by \$202,541 for revised fringe benefits calculations and retirement reductions pursuant to the provisions of H.B. 2211. Other operating expenses are increased from the agency's estimate by \$10,000. The Governor recommends an expenditure limitation increase of \$15,596, from \$283,006 to \$298,602, on the Federal Indirect Cost Offset Fund.

FTE Positions. The agency's estimate of 925.5 FTE positions is the approved level of staffing. The Governor's recommendation of 916.5 reflects the elimination of 9.0 FTE positions due to the retirement reduction provisions of H.B. 2211.

Capital Improvements. The agency's current year estimate of \$492,050 for FY 1994 capital improvements includes a requested supplemental appropriation of \$150,000 from the Penalty and Interest Fund for handicapped accessibility renovations to the agency's facilities statewide.

The Governor concurs with the agency's capital improvement estimate, including the requested supplemental appropriation.

Senate Subcommittee Recommendation

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

1. As a technical adjustment, restore \$31,284 from the Employment Security Administration Fund to restore a special project position inadvertently omitted from the Governor's recommendation.
2. The Subcommittee notes that capital improvements for this agency will be addressed by the Senate Subcommittee on S.B. 528.

Senate Committee Recommendation

The Senate Committee concurs with the recommendation of the Subcommittee.

SUBCOMMITTEE REPORT

Agency: Department of Human Resources

Bill No. 633

Bill Sec. 3

Analyst: West

Analysis Pg. No. 819

Budget Page No. 302

Expenditure	Agency Req. FY 95	Governor's Rec. FY 95	Subcommittee Adjustments
All Funds:			
State Operations	\$ 46,383,348	\$ 45,156,921	\$ 8,889
Other Assistance	228,105,000	228,105,000	--
Subtotal	\$ 274,488,348	\$ 273,261,921	\$ 8,889
Capital Improvements	201,276	201,276	--
TOTAL	\$ 274,689,624	\$ 273,463,197	\$ 8,889
State General Fund:			
State Operations	\$ 1,196,929	\$ 998,516	\$ 4,625
Other Assistance	5,000	5,000	--
TOTAL	\$ 1,201,929	\$ 1,003,516	\$ 4,625
FTE Positions	960.5	929.5	--

Agency Request/Governor's Recommendation

New Initiatives. The agency's FY 1995 budget request includes the following new initiatives and program expansions:

- Workers Compensation.** The agency requests \$1,327,604 from the Workmen's Compensation Fee Fund for 33.0 FTE new positions for further implementation of workers compensation reform passed by the 1993 Legislature. The request includes \$1,008,256 for salaries for the 33.0 positions and other operating expenses of \$319,348. The Governor recommends \$502,325 from the Workmen's Compensation Fee Fund for salaries (\$437,325) and other operating expenses (\$65,000) for 13.0 FTE new positions for the Workers Compensation program.
- Apprenticeship.** State General Fund financing of \$53,324 is requested for 1.0 FTE new position (\$35,429) and other operating expenses (\$17,895) for increased enforcement of the state's child labor laws. The Governor does not recommend funding for the requested new position.
- Hispanic Affairs.** State General Fund financing of \$29,235 is requested to restore staffing for the Hispanic Affairs program to the FY 1992 level of 4.0 FTE positions. The Governor does not recommend funding for the requested new position.

Senate Subcommittee Recommendation

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

1. Attach a proviso on the no limit Employment Security Administration Fund and each of the Job Training Partnership Act (JTPA) Funds which would limit expenditures on those funds to 25 percent of estimated FY 1995 expenditures. On October 1, the funds would return to a no limit status provided that the Department of Human Resources submits to Kansas Inc. a comprehensive plan for the creation of pilot projects in four separate areas of the state to consolidate training and employment services in one office in each area under complete authority of a regional manager to be effective on October 1, 1994; and provided that the Department of Human Resources reorganizes the JTPA's service delivery areas (SDA) and reconfigures all regional and service delivery areas to conform with these new boundaries, including the establishment of new regional employment and training councils to coordinate all applicable programs to be effective October 1, 1994.

In its presentation to the Joint Committee on Economic Development, Kansas Inc. noted that coordinated workforce training is perhaps the key to the state's future economic well being, but that training and employment services often are provided in an uncoordinated manner which results in wasted resources, both human and economic. The recommendation of a Kansas Inc. workforce training task force are incorporated in the proviso and have been recognized by the Department of Human Resources, Division of Employment and Training, as appropriate strategies.

2. As a technical adjustment, amend S.B. 633 to reflect the Governor's recommendation of 929.5 FTE positions.
3. Reduce Workmen's Compensation Fee Fund financing for the new positions recommended by the Governor by \$29,258. The Subcommittee has been informed that the funding recommended by the Governor would support 13.0 FTE Special Investigator positions. The agency has proposed that three of the new positions be used for clerical and support staff instead.
4. Add \$33,532 from the Workmen's Compensation Fee Fund to correct errors in the agency's budget submission on the salaries of the Medical Administrator and Attorney II positions in the Workers Compensation program.
5. The Subcommittee notes that K.S.A. 74-715 creates the Workmen's Compensation Fee Fund. The Subcommittee recommends an amendment to an appropriate bill to statutorily change the name to the Workers' Compensation Fee Fund.
6. Add \$4,625 from the State General Fund to permit the Commission on Disability Concerns to expand their office space at 1430 S.W. Topeka. The Subcommittee reviewed the office space currently used and needed by the Commission and concurs with the Commission that the existing space is inadequate. The Subcommittee has been informed that additional space is available at the Commission's current location.

7. The Subcommittee notes that the performance analysis of the Advisory Committee on Hispanic Affairs recommended by the 1993 Legislature should be completed around March 15 and recommends that the study's findings and recommendations be considered by the House Subcommittee or in the Omnibus bill, as well as the request to restore staffing to the FY 1992 level.
8. The Subcommittee has reviewed the methods for calculating overtime at the agency and notes that the agency bases any overtime compensation on actual hours worked and does not allow employees to pyramid overtime claims through the use of annual leave.
9. The Subcommittee notes that FY 1995 capital improvements for this agency will be addressed by the Senate Subcommittee on S.B. 528.

Senate Committee Recommendation

The Senate Committee concurs with the recommendation of the Subcommittee.

SUBCOMMITTEE REPORT

Agency: Kansas Commission on
Veterans Affairs

Bill No. --

Bill Sec. --

Analyst: Porter

Analysis Pg. No. 832

Budget Page No. 606

<u>Expenditure</u>	<u>Agency Est. FY 94</u>	<u>Governor's Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
Operating Expenditures:			
State General Fund	\$ 1,477,369	\$ 1,466,719	\$ --
Federal Funds	102,367	102,367	--
Total	<u>\$ 1,579,736</u>	<u>\$ 1,569,086</u>	<u>\$ --</u>
FTE Positions	54.0	54.0	--

Although appropriations for the Kansas Commission on Veterans Affairs (KCVA) and the Kansas Soldiers' Home are combined, the two agencies are separated for purposes of the budget analysis. The KCVA has supervisory authority over the Soldiers' Home.

Agency Estimate/Governor's Recommendation

The agency estimates FY 1994 total expenditures from all funds of \$1,579,736, a reduction of \$7,551 from the \$1,587,287 approved by the 1993 Legislature. The Division of the Budget recommendation for the FY 1994 pay plan reduced \$7,627 from the approved State General Fund appropriation for this agency; however, the State Finance Council does not make negative adjustments. The FY 1994 estimate reflects an increase of \$76 above the FY 1994 approved level as adjusted for the FY 1994 pay plan, as recommended by the Division of the Budget. The estimated expenditures from federal funds remain at \$102,367, which is the level approved by the 1993 Legislature. The estimate reflects an FY 1994 salaries and wages turnover rate of 4.0 percent.

The Governor recommends FY 1994 expenditures of \$1,569,086, which reflects a reduction of \$10,650 from the agency estimate for salaries and wages. The recommendation includes a salaries and wages turnover rate of 4.6 percent and also reflects a reduction of \$1,104 pursuant to 1993 H.B. 2211 due to an FY 1994 retirement.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

Senate Committee Recommendation

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

SUBCOMMITTEE REPORT

Agency: Kansas Commission on
Veterans Affairs

Bill No. 633

Bill Sec. 4

Analyst: Porter

Analysis Pg. No. 832

Budget Page No. 606

<u>Expenditure</u>	<u>Agency Req. FY 95</u>	<u>Governor's Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
Operating Expenditures:			
State General Fund	\$ 1,589,755	\$ 1,457,568	\$ 5,934
Federal Funds	98,000	98,000	--
Total	<u>\$ 1,687,755</u>	<u>\$ 1,555,568</u>	<u>\$ 5,934</u>
FTE Positions	57.0	54.0	--

Although appropriations for the Kansas Commission on Veterans Affairs (KCVA) and the Kansas Soldiers' Home are combined, the two agencies are separated for purposes of the budget analysis. The KCVA has supervisory authority over the Soldiers' Home.

Agency Request/Governor's Recommendation

The Commission requests FY 1995 expenditures of \$1,687,755, an increase of \$108,019, or 6.8 percent, above the FY 1994 estimate. The majority of the requested increase (\$103,883) is for salaries and wages. The request includes 3.0 additional FTE positions: a Veterans Service Representative I (\$23,037, including fringe benefits), an Office Assistant II (\$18,542, including fringe benefits), and a Management Analyst II (\$35,834, including fringe benefits). The request reflects a salaries and wages turnover rate of 3.0 percent. For FY 1995, the agency requests \$26,995 to continue its agency computerization project. The 1993 Legislature approved \$40,362 (not adjusted for the 1.0 percent SGF reduction) for agency computerization in FY 1994. As of January 1994, the agency notes that it has made only minor expenditures for computer equipment to date in FY 1994 because of a concern about the agency salaries and wages turnover rate.

The Governor recommends FY 1995 expenditures of \$15,555,568, a reduction of \$132,187 from the agency request. The Governor does not recommend any of the requested new positions and does not recommend funding for the requested computer equipment. The recommendation includes a salaries and wages turnover rate of 4.6 percent.

Senate Subcommittee Recommendation

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

1. Add \$5,934 from the State General Fund to reduce the salaries and wages turnover rate from 4.6 percent to 4.2 percent. The Subcommittee notes that this adjustment will bring the agency turnover rate closer to the rate of turnover experienced in previous years and will help to offset the effect of retirements anticipated in FY 1995.

Senate Committee Recommendation

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

SUBCOMMITTEE REPORT

Agency: Kansas Soldiers' Home

Bill No. --

Bill Sec. --

Analyst: Porter

Analysis Pg. No. 837

Budget Page No. 606

<u>Expenditure</u>	<u>Agency Est. FY 94</u>	<u>Governor's Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,606,342	\$ 1,602,366	\$ --
General Fees Fund	2,557,201	2,557,201	--
Benefit and Gift Fund*	14,660	14,660	--
Fed. Oil Overcharge Fund	--	--	--
Subtotal	\$ 4,178,203	\$ 4,174,227	\$ --
Capital Improvements:			
State Inst. Bldg. Fund	\$ 780,414	\$ 780,414	\$ --
State General Fund	--	--	--
GRAND TOTAL	<u>\$ 4,958,617</u>	<u>\$ 4,954,641</u>	<u>\$ --</u>
FTE Positions	134.8	134.8	--
Average Census	220	233	--

* Since FY 1992, the agency has paid for cable television for the Home's residents from the agency Benefit and Gift Fund.

Agency Estimate/Governor's Recommendation

The Kansas Soldiers' Home estimates FY 1994 operating expenditures of \$4,178,203, a reduction of \$404 from the amount approved by the 1993 Legislature as adjusted for State Finance Council action.

The Governor recommends FY 1994 expenditures of \$4,174,227, a reduction of \$3,976 from the agency estimate.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

Senate Committee Recommendation

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

SUBCOMMITTEE REPORT

Agency: Kansas Soldiers' Home

Bill No. 633

Bill Sec. 4

Analyst: Porter

Analysis Pg. No. 837

Budget Page No. 606

<u>Expenditure</u>	<u>Agency Req. FY 95</u>	<u>Governor's Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
State Operations:			
State General Fund	\$ 1,783,160	\$ 1,578,052	\$ 14,041
General Fees Fund	2,567,407	2,607,408	--
Benefit and Gift Fund*	17,160	17,160	--
Fed. Oil Overcharge Fund	--	--	--
Subtotal	\$ 4,367,727	\$ 4,202,620	\$ 14,041
Capital Improvements:			
State Inst. Bldg. Fund	\$ 403,440	\$ 200,000	\$ 50,000
State General Fund	--	--	--
GRAND TOTAL	<u>\$ 4,771,167</u>	<u>\$ 4,402,620</u>	<u>\$ 64,041</u>
FTE Positions	137.8	137.8	
Average Census	220	237	

* Since FY 1992, the agency has paid for cable television for the Home's residents from the agency Benefit and Gift Fund.

Agency Request/Governor's Recommendation

The agency requests FY 1995 expenditures of \$4,367,727, an increase of \$189,524, or 4.5 percent, above the FY 1994 estimate.

Included in the FY 1995 request are 3.0 additional FTE positions, a licensed nursing home administrator and 2.0 FTE Health Care Assistant positions. Funding for the nursing home administrator and half year funding for 4.0 FTE Service Assistant positions was approved by the 1993 Legislature, but the positions were designated as special projects positions rather than FTE.

The Governor recommends FY 1995 expenditures of \$4,202,620, a reduction of \$165,107 from the agency request. Reductions are recommended from the agency requests for salaries and wages (\$101,549), utilities (\$5,858), and capital outlay (\$57,700). The Governor recommends the 3.0 FTE positions requested by the agency to replace special projects positions approved by the 1993 Legislature.

Senate Subcommittee Recommendation

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

1. Add \$14,041 from the State General Fund to reduce the salaries and wages turnover rate from 4.6 percent to 4.2 percent. The Subcommittee notes that this adjustment will bring the agency turnover rate closer to the rate of turnover experienced in previous years and will help to offset the effect of retirements anticipated in FY 1995.
2. Add \$50,000 from the State Institutions Building Fund (SIBF) for capital improvements for the Soldiers' Home. The Subcommittee notes that the Governor's recommendation of \$200,000 is a reduction of \$203,440 from the agency request of \$403,440 for capital improvement projects. The Subcommittee further notes that this additional capital improvements funding may supplant some state operations expenditures for maintenance and repair at the Soldiers' Home. The Subcommittee intends that, as funding permits, the Soldiers' Home will utilize \$15,000 of funding approved for the Soldiers' Home to purchase laptop computers, software, and related equipment for the Kansas Commission on Veterans Affairs. The Commission had requested \$26,995 for its ongoing computerization project, but the Governor does not recommend any funding for this purpose.

Senate Committee Recommendation

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

SUBCOMMITTEE REPORT

Agency: Department of Health
and Environment

Bill No. 718

Bill Sec. 14

Analyst: Mah

Analysis Pg. No. 990

Budget Page No. 234

Expenditure	Agency* Est. FY 94	Governor's Rec. FY 94	Subcommittee Adjustments
All Funds:			
State Operations	\$ 84,058,878	\$ 84,627,947	\$ 34,200
Aid to Local Units	21,690,855	21,590,855	(29,743)
Other Assistance	25,570,000	25,570,000	--
Total	<u>\$ 131,319,733</u>	<u>\$ 131,788,802</u>	<u>\$ 4,457</u>
State General Fund:			
State Operations	\$ 19,835,709	\$ 19,801,046	\$ --
Aid to Local Units	5,867,184	5,867,184	--
Other Assistance	--	--	--
Total	<u>\$ 25,702,893</u>	<u>\$ 25,668,230</u>	<u>\$ --</u>
FTE Positions	764.0	762.0	--
Special Projects Positions	158.6	158.6	1.0

* Includes two special projects positions and \$1,884,650 from mostly federal funds approved by the State Finance Council after the budget document was submitted.

Agency Estimate/Governor's Recommendation

After adjustments to include mostly federal funds approved by the State Finance Council for three items, the Department's total estimated budget for the current year is \$131.3 million, an increase of \$2.7 million over the approved budget. The Department anticipates expenditures of \$29.8 million instead of the \$27.7 million approved for the federal supplemental food program for Women, Infants, and Children (WIC). The funds are used for nutrition education as well as for monthly food vouchers of prescribed foods. Also, besides small amounts of additional expenditures in several fee and federal funds, the Department is requesting \$317,244 in additional expenditures from fees imposed on those owning facilities that emit air pollution. The moneys would be expended from the Air Quality Fee Fund and would be used for paying the salaries of existing staff. The Department reports that these additional moneys are needed for two reasons. First, anticipated federal receipts will be about \$76,000 less than originally budgeted for the current year. The second reason is that financing shifts have been made which have created the need for additional funds to pay for this program. The Department has gone through a significant reorganization in the last year, the result being that duties have been shifted so that two subprograms, the Water Quality and the Right-To-Know subprograms, have been abolished and four new subprograms have been created. The four new subprograms are: Administrative Appeals, Early Childhood Council, Office of Science and

Support, and District Operations. The Department also reports that, as a result of passage of 1993 S.B. 118 last session, a new subprogram called Office of Health Care Information has been established. The legislation created a seven-member health care governing board for developing policy with regard to the collection of health data and procedures for ensuring confidentiality and security of the data collected. Presently, only one existing staff member has been assigned to this subprogram. For the upcoming fiscal year, the Department requests 6.0 new FTE staff positions for this subprogram, including two who would have duties relating to the subprogram but would be assigned for administrative purposes to another subprogram. Finally, the Department reports that the current year will complete the Department's two-year mass campaign project called "Operation Immunize." The focus of the campaign has been age appropriate immunizations of newborn to two year olds. The current year estimate for vaccine purchases of \$2.9 million will drop to a more historic amount of \$1.3 million next fiscal year.

The Governor recommends total expenditures of \$131.8 million for the current year, an increase of \$469,069 from the Department's revised estimate. These additional moneys include new federal receipts for assistance due to the 1993 flood and for two new three-year grant programs. A total of \$1.7 million in federal flood related grants was approved by State Finance Council for the Department's budget since last session. The Governor also recommends additional federal flood relief moneys of \$750,120 that have been allocated to the Department by the federal government since the State Finance Council met in December, 1993. The Governor concurs with the agency's request for additional expenditure authority of \$317,244 from the Air Quality Fee Fund and from four other funds for smaller amounts. The recommendation includes additional expenditure authority of \$7,259 that was not part of the agency's request. Also, the recommendation includes expending receipts of moneys received from the two new three-year federal grants mentioned above that were approved by the Governor through Executive Directives issued late last year. One is for a statewide Breast and Cervical Cancer Control program and the other is for a statewide program to prevent the use of tobacco and its subsequent negative health impact. One major change from the agency's revised estimate is a reduction of \$500,000 in expenditures from the Department's Water Plan Special Revenue Fund. The Governor's recommendation reflects a carryforward balance of the \$500,000, which is then used to fund FY 1995 recommended expenditures totaling to \$4.1 million. Of the amount reduced, \$100,000 is in the local environmental grants to counties and the remaining is in the Department's Bureau of Environmental Remediation.

Position Changes. The agency's revised current year estimate provides for 764.0 FTE positions, the same number as was approved by the Legislature last session. The estimate also provides for 158.6 special projects positions (adjusted to reflect two positions added by State Finance Council action) for an increase of 24.6 positions above those reviewed by the 1993 Legislature. The Department reports that most of the positions are federally or fee funded. Only six positions are identified by the Department as being funded in part or all by the State General Fund.

The Governor concurs with the agency's request for special projects positions. However, the Governor's recommendation provides for additional special projects positions above the Department's estimate through moneys approved by Executive Directives. The recommendation reflects \$224,216 being added for salary expenses to be expended for the previously mentioned Tobacco Control and Breast and Cervical Cancer programs. The number of positions to be funded from these moneys is left up to the Department. With regard to FTE positions, the Governor reduces the Department's approved FTE count by 2.0 positions. The positions are reduced due to legislation passed last year that limits the filling of positions left vacant by employees who retire. The recommendation reflects two positions that have been permanently lost by the Department due to the legislation. Salary savings from these and other positions temporarily left vacant by employees who retired are recouped in the Governor's recommendation.

Senate Subcommittee Recommendations

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

1. Delete \$30,543 in federal funds for the aid program for adolescent health promotion and teen pregnancy prevention. The Department reports that the current year estimate was overstated by this amount.
2. Add \$35,000 from federal funds for expenditures related to the Department's program for technical and financial support to local health departments that provide AIDS testing and counseling. The agency reports that the \$35,000 of grant moneys was inadvertently left out of the Department's budget request. Of the \$35,000, \$800 is to be used to provide more aid to local health departments and \$34,200 is to pay for salary and operating expenses of a new special projects position. The agency indicates that the special projects position would be for one year unless federal funding is available to continue the position.
3. Shift recommended financing of \$62,500 for aid to local units for the Hazardous and Solid Waste Collection program from the Environmental Permit Fee Fund to the Hazardous Waste Collection Fund. The agency reports that the request for financing from the Environmental Permit Fee Fund was inadvertent.
4. Make any technical amendments to the appropriations bill necessary to reflect the Governor's recommendation.

Committee Recommendations

The Committee concurs with the Subcommittee's recommendation.

SUBCOMMITTEE REPORT

Agency: Department of Health
and Environment

Bill No. 633

Bill Sec. 5

Analyst: Mah

Analysis Pg. No. 990

Budget Page No. 234

Expenditure	Agency Req. FY 95	Governor's Rec. FY 95	Subcommittee Adjustments
All Funds:			
State Operations	\$ 92,728,795	\$ 86,354,399	\$ (164,903)
Aid to Local Units	23,878,643	22,894,889	220,000
Other Assistance	27,420,000	27,470,000	(50,000)
Total	<u>\$ 144,027,438</u>	<u>\$ 136,719,288</u>	<u>\$ 5,097</u>
State General Fund:			
State Operations	\$ 24,426,881	\$ 20,022,775	\$ (438,107)
Aid to Local Units	7,309,646	5,875,892	--
Other Assistance	--	--	--
Total	<u>\$ 31,736,527</u>	<u>\$ 25,898,667</u>	<u>\$ (438,107)</u>
FTE Positions	912.5	931.1	(96.5)
Special Projects Positions	113.6	12.5	96.5

Agency Request/Governor's Recommendation

The Department requests a total budget of \$144.0 million in FY 1995, an increase of \$12.7 million over the current year revised estimate. Of the increase, \$8.7 million (\$4.6 million from the State General Fund) is for state operations and \$2.2 million is requested to provide for additional aid to local governments (\$1.4 million from the State General Fund). The additional aid would be used by several of the Department's programs, including the Home Visitor/Healthy Start program, the Primary Health Care Projects program, and the General Environmental Health Grants program. The Department requests several initiatives for FY 1995, including some that relate to proposed new or increased fees. Some of the proposed initiatives are enhancing the Department's new Office of Health Care Information subprogram; collecting proposed fees to charge for expedited vital statistics information services; establishing a new Community Based Health Promotion program; expanding the Department's Food, Drug, and Lodging subprogram; establishing a new Childhood Lead Poisoning Prevention subprogram; expanding the Department's Immunization program; implementing a Tuberculosis Elimination Plan; collecting fees to cover costs of newborn screening services for metabolic diseases; establishing a lead abatement certification program; expanding the Department's Air Quality program; and collecting fees to expand several of the Department's water related programs.

The Governor recommends a total budget of \$136.7 million in FY 1995, a reduction of \$7.3 million from the agency's request. Of the \$7.3 million, the recommendation reduces \$5.8 million from the State General Fund. Requested operating expenditures are reduced by \$6.4 million and local aid expenditures by almost \$1.0 million. Included in the Governor's recommendation are moneys to finance an inventory of existing services to be used in the development of a health care information database and

proposed fees which are to be used to finance an initiative for recovering costs of screening newborn infants for metabolic diseases. Also, the Governor's recommendation provides moneys for implementing a Tuberculosis Elimination Plan; expanding the Department's Air Quality program; and establishing a lead abatement certification program. Finally, with regard to two new three-year federal grants approved by Executive Directive in the current year, the FY 1995 recommendation provides for expending federal moneys for a Tobacco Control program, but the continued use of federal grant moneys for the statewide Breast and Cervical Cancer Control program is not part of the recommended expenditures.

Position Changes. The Department requests a total of 912.5 FTE positions and 113.5 special projects positions in FY 1995 as compared to 764.0 FTE positions and 158.6 special projects positions in the current year. The drop in special projects positions reflects a proposed shift of 43 approved positions to FTE positions. Also, two special projects positions approved by the State Finance Council in the current year were not budgeted for in FY 1995 by the Department. Included in the request are 105.5 new FTE positions and one special projects position. The positions are requested to provide staffing for the Department's various proposed initiatives.

The Governor recommends a total of 26.0 new FTE positions in FY 1995. However, seven of these positions are recommended to provide for continuing staff that were added in the current year by State Finance Council action (two positions) and an Executive Directive issued for a Tobacco Control program (five positions). Further, the Governor shifts all but 12.5 existing special projects positions to FTE positions in FY 1995. The result of the Governor's recommendation is 931.1 FTE positions and 12.5 special projects positions. Information from the Governor's staff says that low morale and high turnover have occurred with the current system because individuals who are in special projects positions are not getting paid as much as those in the classified service even though job duties and responsibilities are the same. Finally, the Governor recommends that the position limitation for the Department be removed for FY 1995. According to the Governor's staff, this recommendation will provide the Department with flexibility to respond to federal funding opportunities and take away the present system that fails to reflect an accurate number of full-time positions in the Department.

Senate Subcommittee Recommendations

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

1. Shift financing of \$372,000 for operating expenses from the State General Fund to other funding sources that are to be determined by the Department. The Subcommittee notes that there has been significant growth in this Department with regard to federal and fee generated receipts collected without the benefit of reducing the amount of State General Fund moneys used to finance this agency. The Subcommittee knows that shifts are possible because the Department has made shifts in the current year which have resulted in a request that the expenditure limitation for the Air Quality Fee Fund be increased by \$317,244. These additional moneys from the Air Quality Fee Fund are for no new enhancements; rather the moneys are needed to pay for salaries of staff that last year the Legislature fully funded. Some of the moneys (\$76,000) are needed because of a shortfall in federal receipts, but the Department created the need for most of the additional Air Quality Fee Fund moneys because various approved funding revenues were shifted to pay for other operating expenditures of the Department. Further, the Subcommittee notes that the Legislature has given this agency financing flexibility by placing expenditure limitations of "no limit" on a large portion of the Department's many funds. A review of the Department's budget has shown the Subcommittee that the Department

can be creative in using this flexibility. The Subcommittee asks the Department to use its creativity to make shifts that will result in savings to the State General Fund and to report to the Legislature during the 1994 Session on its plans to accomplish the task. Certainly one option for creating savings is in the Department's communication expenditures. Expenditures for communications are estimated at \$1,559,956 in the current year, an increase of \$334,193 or 27.3 percent over actual FY 1993 expenses.

2. Instead of shifting 143.1 special projects positions to FTE positions as was recommended by the Governor, the Subcommittee recommends that 56.6 special projects positions be shifted to FTE positions. A table showing the Subcommittee's recommended position shifts is attached to the back of this report. The Subcommittee reviewed each special projects position and does not believe that sufficient reason exists to authorize all of the recommended shifts. Further, the Subcommittee notes that some positions the Governor recommends for shifting were added by the Department through its own initiative and that some State General Fund moneys are used to finance the positions. (Just for the current year, the amount of funds needed from the Department's various funds to finance positions added by the Department is significant. Using a rough figure of \$25,000 for the annual salary cost of each position added indicates that the fiscal impact is \$615,000.) Also, the Subcommittee observes that the Governor includes in her recommendation shifts of positions paid for from short-term grants or federal programs. Therefore, the Subcommittee further recommends that 7.0 new FTE positions recommended by the Governor in FY 1995 be special projects positions instead. The positions are to provide for staffing of defined new projects which are based on financing from two three-year federal grants (five for a tobacco control project and two for a maternal and child state systems development initiative). When all of the recommended positions changes in the FY 1995 report are included, the net result of the Subcommittee's recommendation is 834.6 FTE positions and 109.0 special projects positions as compared to the Governor's recommendation of 931.1 FTE positions and 12.5 special projects positions. Also, the Subcommittee recommends that an FTE position limitation be included in the appropriations bill. The Governor recommended that no FTE position limitation be imposed for the Department in FY 1995. The Subcommittee believes that the position limitation is necessary to provide for oversight over the number of FTE positions for this Department. The Department already can add special projects positions over those approved by the Legislature and has done so frequently. Information indicates that the Department added in the current year 24.6 special projects positions above those approved by the Legislature last year. (The Department's ability to add special projects positions would not be affected by the Subcommittee's recommended position limitations.) Finally, the Subcommittee recommends that a proviso be added to the appropriations bill which specifies that 111.5 of the total number of FTE positions (834.6) being recommended by the Subcommittee are limited-term FTE positions. The Subcommittee understands and expects that these positions will be abolished and the FTE count for the Department subsequently lowered as the respective funding source for each position is no longer available.
3. Shift financing of \$65,873 from the State General Fund to the Sponsored Project Overhead Fund. The moneys are for costs associated with moving the Department's database files from the mainframe computer of the Division of Information Systems and Communications of the Department of Administration to the Department's AS 400 computer. The Governor's recommendation allows for use of State General

Fund moneys for this project, but the Department proposed financing this one-time cost from the Sponsored Project Overhead Fund.

4. Add \$146,412 and three special projects positions in FY 1995 to reflect the Department's anticipated expenditures from a "no limit" fund (Breast and Cervical Cancer Program--Federal Fund) established by the Governor in November, 1993, through Executive Directive No. 93-213. The Executive Directive authorizes the agency to expend new federal grant moneys to establish a statewide Breast and Cervical Cancer Control program. The grant is for a three-year period. The Governor's recommendation includes expenditures for the grant moneys in the current year, but no expenditures are included in FY 1995.
5. Delete \$139,582 (\$139,348 from a proposed new special revenue fund and \$234 from the State General Fund) and 3.0 new FTE positions recommended by the Governor to provide for a newborn cost recovery program for the state mandated screening of newborn infants for inborn error of metabolism diseases (phenylketonuria and galactosemia) and for congenital hypothyroidism. The Governor finances the initiative mostly from new revenues that would be generated through the passage of legislation that currently is pending (\$139,348 from the new revenues). Since the recommended financing for this initiative depends on passage of legislation (1994 S.B. 519), the Subcommittee wishes to give further consideration to this item during the Omnibus session if the legislation that will actually generate the revenues to pay for it is enacted.
6. Delete \$171,733 (\$46,051 from the Sponsored Project Overhead Fund and \$125,682 from potential federal moneys) for contractual services for implementing a new certification program for those whose jobs involve abatement of lead-based paint. The Governor's recommendation finances most of this new initiative from a federal grant that the agency has yet to receive. The agency is in the process of completing its application for federal grant moneys from the Environmental Protection Agency (EPA). The agency reports that once a state certification program is in place, the state will be eligible to receive moneys from the United States Department of Housing and Urban Development (HUD). The Subcommittee was told that information from the Governor's staff indicates that financing for this initiative in future years is to come from fee revenues generated as a result of legislation being proposed to the 1994 Legislature (1994 H.B. 2667). Since recommended and future financing for this initiative is uncertain at this time, the Subcommittee recommends that financing for this initiative be reviewed during the Omnibus session if there is passage of legislation that will assure a financing source for future funding.
7. Shift financing of \$55,000 for the aid program for health and prevention projects from the Governor's Council on Fitness Gift and Donation Fund to a new fund called the Capacity Building for Tobacco Prevention and Control--Federal Fund. The agency reports that the \$55,000 will come from a new federal grant just received. The grant moneys are to be credited to this new federal fund which the Governor created through an Executive Directive in December, 1993.
8. Add \$220,000 from fee funds for the District Coroners Grant program, which was established by passage of 1993 H.B. 2008 last year. Moneys come from surcharges imposed on death certificate copies and are to be used to pay for district coroner expenses. The law requires that these moneys be collected by the Department of

Health and Environment and distributed to counties for district coroner expenses. Neither the Governor or the agency budgeted for this program in FY 1995.

9. Delete \$50,000 from the Water Plan Special Revenue Fund for the aid program for the Rural Water Association. The recommendation will provide for total funding of \$150,000 (all from the Water Plan Fund) in FY 1995. This will be the fourth year for this on-site technical assistance program for public water supplies. This program is intended to be self-supporting on a fee basis after five years of state assistance. Therefore, the Rural Water Association needs to become more dependent on other funding sources.
10. Shift recommended financing of \$50,000 for aid to local units for the Hazardous and Solid Waste Collection program from the Environmental Permit Fee Fund to the Hazardous Waste Collection Fund. The agency reports that the request for financing from the Environmental Permit Fee Fund was inadvertent.
11. Review during the Omnibus session the amount of federal flood relief moneys that have been received and expended by the agency. The expenditure authority given to the agency assumes that all of the moneys will be expended in the current year. However, the moneys were given on a federal fiscal year basis, which means that the grant moneys could extend over more than one state fiscal year. The expenditure authority given in the current year may need to be shifted to FY 1995 to allow the agency to continue to make use of the grant moneys.
12. Amend the appropriations bill to continue the current practice which provides for a separate State General Fund account for each approved aid-to-local units program. The Governor lumped the State General Fund appropriations for all but one of the approved aid programs into one line item.
13. Amend the appropriations bill so that eleven existing funds remain as separate funds. The Governor combined four existing funds into one new fund and another seven existing funds into a second new fund. The Subcommittee finds no benefit to the Legislature or the State of Kansas by merging these funds.
14. Amend the appropriations bill so that, like all other funds, total recommended expenditures from the Department's State Water Plan Fund are reflected in the bill instead of just the amount of recommended new receipts that are to be expended. Further, delete the proviso on this Fund which gives the agency the authority to expend all prior year receipts in this Fund. The proviso is not necessary since both new and old receipts to the Fund are expected to be expended in FY 1995. Like the Governor's recommendation, the Subcommittee's recommendation provides for a carry-forward balance of \$0 at the end of FY 1995.
15. Amend the appropriations bill so that a new fund called Other Grants Fund can receive new grants of only up to \$150,000 instead of \$250,000. The Other Grants Fund was recommended by the Governor in an effort to reduce the need to create a new fund for each new grant that the Department receives. Since the Subcommittee is unsure as to the number of grants that is likely to be credited to this fund in any one year, the Subcommittee wishes to reduce the size of grants that will go to the fund in order to evaluate in the next year whether the commingling of new grants will still allow for acceptable tracking of each grant's anticipated expenditures.
16. Make any technical amendments to the appropriations bill necessary to reflect the Governor's recommendation.

Committee Recommendation

The Committee concurs with the Subcommittee's recommendations, with the following exception:

1. Place a limit of \$200,000 per year on the amount of fees that can be collected from confined cattle feedlots. In order to accomplish this, create a new fee fund to which the fees would be credited. (Currently, fees collected for confined cattle feedlots are credited to the State General Fund.) In addition, limit operating expenditures from the new fee fund to not more than \$200,000 per year. (The Committee's recommendation would be implemented by the addition of a proviso in the Department's appropriations bill or by the introduction of legislation.)

The Committee also recommends that a 1994 interim study be conducted regarding the Department's wastewater permit programs, with specific attention given to any changes made or proposed by the Department in the amount of fees collected for these programs.

94-0008776.01

Positions Recommended for Shift from Special Projects Positions to FTE

Program	Positions	Number	
		Regular	Limited Term
General Management			
General Services	Shift to regular FTE 1.0 Accountant II and shift to limited-term FTE 1.0 Office Assistant II	1.0	1.0
Legal Services	Shift to regular FTE 1.0 Attorney II and 1.0 Attorney I. Also, shift to limited-term FTE 1.0 Secretary II	2.0	1.0
Administrative Appeals	Shift to regular FTE 1.6 Attorneys	1.6	0.0
Division of Information			
Communication Services	Shift to limited-term FTE 1.0 Computer Systems Analyst created by Omnibus 1992 for Tuberculosis work	0.0	1.0
Division of Health			
Chronic Disease and Health Promotion	Shift to limited-term FTE 2.0 Epidemiologists	0.0	2.0
Health Facil. Licensure	Shift to regular FTE 1.0 Attorney I and 1.0 Office Specialist	2.0	0.0
Bureau of Disease Control	Shift to limited-term FTE 1.0 Epidemiologist, 1.0 Disease Intervention Specialist, and 1.0 Public Health Nurse V	0.0	3.0
Children with Special Needs	Shift to limited-term FTE 1.0 Public Health Nurse V	0.0	1.0
Maternal, Infant, Child	Shift to limited-term FTE 1.0 Public Health Nurse VI	0.0	1.0
Division of Environment			
Waste Management	Shift to regular FTE 11.0 positions (1.0 Engineer Associate I, 2.0 Geologist II, 2.0 Environmental Scientist I, 1.0 Environment Scientist V, 3.0 Environmental Technician II and III, 1.0 H&E Program Analyst, and 1.0 Water Consultant Engineer)	11.0	0.0
Bureau of Water	Shift to limited-term 1.0 Environmental Technician III	0.0	1.0
Surface Mining	Shift to regular FTE 1.0 Environmental Technician IV	1.0	0.0
Bureau of Remediation	Shift to limited-term FTE 9.0 positions (5.0 Environmental Geologist I, 3.0 Environmental Technician III, and 1.0 Environmental Technician IV)	0.0	9.0
District Operations	Shift to limited-term FTE 13.0 positions (6.0 Environmental Engineer III and 1.0 Environmental Technician IV for Solid Waste and 6.0 Environmental Scientist V for Water Plan)	0.0	13.0
Laboratory			
Laboratory Improvement	Shift to limited-term FTE 5.0 positions (4.0 Laboratory Improvement Specialists and 1.0 Research Analyst II)	0.0	5.0
TOTAL		18.6	38.0

COMBINED TOTAL -- 56.6

SUBCOMMITTEE REPORT

Agency: Department on Aging

Bill No. 718

Bill Sec. 16

Analyst: Robinson

Analysis Pg. No. 803

Budget Page No. 50

<u>Expenditure Summary</u>	<u>Agency Est. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 1,884,330	\$ 1,888,572	\$ --
Aid and Other Assistance	16,417,233	16,417,233	--
TOTAL	<u>\$ 18,301,563</u>	<u>\$ 18,305,805</u>	<u>\$ --</u>
State General Fund:			
State Operations	\$ 1,027,346	\$ 1,031,588	\$ --
Aid and Other Assistance	4,456,778	4,456,778	--
TOTAL	<u>\$ 5,484,124</u>	<u>\$ 5,488,366</u>	<u>\$ --</u>
FTE Positions	31.0	31.0	--

Agency Estimate/Governor's Recommendation

The agency estimates FY 1994 expenditures of \$1,884,330 for state operations, a reduction of \$6,409 from the amount approved by the 1993 Legislature, as adjusted for Finance Council action. The State General Fund estimate of \$1,027,346 is a reduction of \$4,242 from the approved amount. The estimate of expenditures from federal funds totals \$856,984, a reduction of \$2,167 from the approved amount. The agency estimates FY 1994 expenditures of \$16,417,233 for local aid and other assistance, a reduction of \$1,097,359 from the amount approved by the 1993 Legislature.

The Governor recommends FY 1994 state operations expenditures of \$1,888,572, an increase of \$4,242 over the amount estimated by the agency, and concurs with the agency's revised FY 1994 estimate for local aid and other assistance expenditures.

Senate Subcommittee Recommendation

The Subcommittee concurs with the recommendations of the Governor.

Senate Committee Recommendation

Concur.

SUBCOMMITTEE REPORT

Agency: Department on Aging

Bill No. 633

Bill Sec. 6

Analyst: Robinson

Analysis Pg. No. 803

Budget Page No. 50

<u>Expenditure Summary</u>	<u>Agency Req. FY 95</u>	<u>Gov. Rec. FY 95</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 2,097,715	\$ 1,806,456	\$ (15,000)
Aid and Other Assistance	17,590,477	16,241,270	41,716
TOTAL	<u>\$ 19,688,192</u>	<u>\$ 18,047,726</u>	<u>\$ 26,716</u>
State General Fund:			
State Operations	\$ 1,255,756	\$ 965,349	\$ (15,000)
Aid and Other Assistance	5,930,373	4,540,868	41,716
TOTAL	<u>\$ 7,186,129</u>	<u>\$ 5,506,217</u>	<u>\$ 26,716</u>
FTE Positions	34.5	32.0	(1.0)

Agency Request/Governor's Recommendation

The agency requests total FY 1995 expenditures of \$19,688,192, an increase of \$1,386,629 from the revised FY 1994 estimate. The request includes \$2,097,715 for state operations and \$17,590,477 for local aid and other assistance. The agency's state operations request includes funding for 3.5 new FTE positions: 1.0 Computer Systems Analyst II; 1.0 Social Service Administrator II; 1.0 Office Specialist; and a 0.5 FTE Secretary I. The agency's FY 1995 request for local aid and other assistance includes funding of \$5,930,373 from the State General Fund and \$11,660,104 from other funds.

The Governor recommends FY 1995 expenditures of \$18,047,726, a reduction of \$1,640,466 from the amount requested by the agency. The Governor recommends FY 1995 state operations expenditures of \$1,806,456, a reduction of \$291,259 from the agency's request. The recommendation includes funding for the addition of 1.0 FTE Computer Systems Analyst II position. The Governor's FY 1995 recommendation for local aid and other assistance totals \$16,241,270, a reduction of \$1,349,207 from the amount requested by the agency. The recommendation includes funding of \$4,540,868 from the State General Fund and \$11,700,402 from other funds.

Senate Subcommittee Recommendation

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

1. Reduce the agency's FTE position limitation by 1.0 FTE. The agency indicated that the Computer Systems Analyst II position, requested by the agency and recommended by the Governor, would assist the agency in developing an integrated

management information services plan. The goal of the plan would be to allow the agency to integrate data from the area agencies and data within the Department into an electronic system. The new position would spend a great deal of time in the field providing technical assistance to the area agencies and their grantees. The agency indicated that this system should be at least partially operational within one year. It is the recommendation of the Subcommittee, therefore, that the Computer Systems Analyst II position be a special projects position, and that the progress of the project be revisited by the 1995 Legislature for a determination as to the continued need for the position.

2. Add \$21,716 from the State General Fund for capital outlay at nutrition sites. The agency requested \$150,000 for this item in FY 1995, and the Governor did not recommend any funding. The amount of \$21,716 matches the revised FY 1994 estimate for capital outlay at nutrition sites. The Subcommittee was informed that, with no money available for capital outlay, funding for any necessary equipment replacement at nutrition sites would have to come from funding designated for meals.
3. Delete funding of \$15,000 from the State General Fund for operational costs associated with the Healthy Lifestyle promotion. The agency indicated that it has budgeted \$27,000 for evaluation of the promotion. The Subcommittee encourages the agency to explore a more economical method of evaluation of the project.
4. Add \$20,000 from the State General Fund for the Retired Senior Volunteer Program (RSVP). The Subcommittee notes that \$17,820 is budgeted from the State General Fund for support of the program in FY 1994. While this is a small portion of the total funding for the program, the Subcommittee is of the opinion that the program is worthy of continued State General Fund support.
5. The Subcommittee reviewed the recent evaluation of the Senior Care Act (SCA) for FY 1993. The report noted that, overall, 27 percent of the SCA clients interviewed indicated that they would not be able to remain in their homes without SCA services. The report indicated that the total cost of the SCA program during FY 1993 was \$761,122. The evaluation calculated savings to the state by determining the number of days that the state did not have to pay its share of the Medicaid reimbursement because SCA programs were keeping disabled elderly out of nursing homes. With a savings of \$15.91 per day, it was determined that SCA prevented 67,473 total days of institutionalization. This a savings to the state of \$1,073,495. When compared to the total cost of the SCA program for the state, the net savings to Kansas during FY 1993 was \$311,373.

The Subcommittee commends the Department on Aging for its operation of the Senior Care Act. The SCA is clearly in the vanguard of programs designed to keep elderly Kansans in their homes as long as possible. The results of the study indicate that the program has been a positive factor in improving the quality of life for older Kansans.

6. The Subcommittee notes that a study is currently being conducted to address long term care in Kansas. The Subcommittee hopes that the study will focus on ways to improve the currently fragmented service delivery system and eliminate any potential

duplication of administrative costs. In addition, it would be helpful if the issue of shifting funding or programs from the Department of Social and Rehabilitation Services (SRS) to the Department on Aging were addressed. The Subcommittee urges the Secretaries of Aging and SRS and staffs to take active roles in the direction the study takes, as those agencies will ultimately be responsible for implementing the recommendations of the study.

Senate Committee Recommendation

Concur.

SUBCOMMITTEE REPORT

Agency: Kansas Healthy Kids Corporation

Bill No. 718

Bill Sec. New

Analyst: Howard

Analysis Pg. No. 843

Budget Page No. 268

<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	\$ 170,303	\$ 170,303	\$ (60,000)
Special Revenue Fund	43,441	43,441	--
Subtotal -- State	<u>\$ 213,744</u>	<u>\$ 213,744</u>	<u>\$ (60,000)</u>
Private Gifts and Grants	--	--	--
TOTAL	<u><u>\$ 213,744</u></u>	<u><u>\$ 213,744</u></u>	<u><u>\$ (60,000)</u></u>
FTE Positions	2.0	2.0	--

Agency Estimate/Governor's Recommendation

The Corporation estimates expenditures of \$213,744 in FY 1994, a reduction of \$63,029 from the amount approved by the 1993 Legislature. However, the agency's estimate from state funds exceeds the estimate by \$4,609. The 1993 Legislature assumed expenditure of \$67,638 in private funds. Actual FY 1993 expenditures were \$79,642, a reduction of \$79,097 from the approved amount. The Corporation was approved No Limit expenditure authority from the Healthy Kids Trust Fund for FY 1994. No position limitation was established for the agency.

The Governor concurs with the agency estimate for FY 1994.

Senate Subcommittee Recommendation

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

1. The Subcommittee received testimony from the Executive Director of the Kansas Healthy Kids Corporation stating the Corporation's recommendation that the Kansas Healthy Kid's Corporation statute be repealed effective July 1, 1994 due to the Corporation's inability to meet its fundraising goals to support the three pilot projects which had been scheduled for implementation in FY 1995. Although the Corporation received commitments of \$246,171 towards three pilot projects (estimated at a total cost of \$650,000), this amount of funding is sufficient only to operate a pilot project in Shawnee Mission. The Corporation estimates it would need an additional \$400,000 to conduct the other two pilot projects (in Abilene and Hutchinson) and to evaluate the program.

The Corporation reports that it made contact with more than 120 private fundraising donors, but experienced significant fundraising limitations. These limitations include:

- the prospect of a national health plan;
- no long-term commitment to continue the program;
- commitments to the Caring Program for Children by the two largest health foundations in Kansas;
- lack of state Medicaid expansion for children; and
- unavailability of federal demonstration funds.

The Board of Directors directed the Executive Director in December to seek funding of \$400,000 from the Legislature for the pilot projects. However, discussion before the Joint Committee on Health Care Decisions for the 1990s indicated little support for funding for the pilot projects. On January 26, 1994, the Board of Directors approved a resolution calling for dissolution of the corporation.

The Executive Director is currently working on "spinning off" the Shawnee Mission school district pilot project with agreements from the school district to move forward on the project. The Corporation is currently waiting to hear from Humana Health Care and the Overland Park Regional Medical Center, the major donors, to see if they will go forward with the project. If the project continues, the Executive Director of the Corporation has volunteered to handle outreach, enrollment and eligibility determination. Subsequently, she will be involved in tasks associated with closing the office and dissolving the non-profit corporation, with plans to have the office closed by June 1, 1994.

1994 Senate Bill 746 would repeal the Kansas Healthy Kids Program Act and transfer moneys in the Healthy Kids Trust Fund to the State General Fund.

The Subcommittee recommends the deletion of \$60,000 from the State General Fund at this time and would note for the Committee that approximately \$127,500 will be transferred from the Trust Fund to the State General Fund as of July 1, 1994 upon passage of S.B. 746.

Senate Committee Recommendation

The Sente Committee concurs with the recommendations of the Subcommittee.

SUBCOMMITTEE REPORT

Agency: Kansas Healthy Kids Corporation

Bill No. 633

Bill Sec. 7

Analyst: Howard

Analysis Pg. No. 843

Budget Page No. 268

Expenditure Summary	Agency Req. FY 95	Gov. Rec. FY 95	Subcommittee Adjustments
State Operations:			
State General Fund	\$ 0*	\$ 135,205	\$ (135,205)
Special Revenue Fund	217,621	82,316	(82,316)
Subtotal -- State	\$ 217,621	\$ 217,521	\$ (217,521)
Private Gifts and Grants	430,222	429,314	(429,314)
TOTAL	\$ 647,843	\$ 646,835	\$ (646,835)
FTE Positions	2.0	2.0	(2.0)

* The agency requests a transfer of \$135,205 from the State General Fund to the Healthy Kids Trust Fund in FY 1995.

Agency Request/Governor's Recommendation

The Corporation requests expenditures of \$217,621 from state funds in FY 1995, including expenditure of \$82,216 in funds carried forward from FY 1994, and \$135,205 in new state funds transferred to the Healthy Kids Trust Fund. The agency also estimates expenditure of \$430,222 in private funds for the implementation of pilot projects in three school districts. The agency requests No Limit Expenditure authority for the Healthy Kids Trust Fund and asks that the requested state funding be transferred to that Trust Fund.

The Governor recommends total expenditures in FY 1995 of \$646,835, a reduction of \$1,008 from the agency request. The reduction reflects a change to salaries and benefits due to revised health insurance rates. The recommendation includes \$217,521 in state funds, including expenditure of \$82,316 in funds carried forward from FY 1994, and \$135,205 in a new direct State General Fund appropriation. The recommendation estimates expenditures of \$429,314 in private funds in FY 1995. The recommendation is made with the intention of the Corporation meeting the statutory goal of developing and funding three pilot projects that would provide school based health insurance programs to 464 uninsured children in FY 1995.

Senate Subcommittee Recommendation

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

1. Strike this section from the bill since the Healthy Kids Corporation will not be operational in FY 1995. This recommendation will reduce SGF expenditures by \$135,205 from the Governor's recommendation.

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee.

SUBCOMMITTEE REPORT

Agency: Corporation for Change

Bill No. --

Bill Sec. --

Analyst: Howard

Analysis Pg. No. 848

Budget Page No. 146

<u>Expenditure Summary</u>	<u>Agency Est. FY 94</u>	<u>Gov. Rec. FY 94</u>	<u>Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 591,204	\$ 591,204	\$ --
Aid to Locals	774,362	774,362	--
Total -- Operating	<u>\$ 1,365,566</u>	<u>\$ 1,365,566</u>	<u>\$ --</u>
State General Fund:			
State Operations	\$ --	\$ --	\$ --
Aid to Locals	189,090	189,090	--
	<u>\$ 189,090</u>	<u>\$ 189,090</u>	<u>\$ --</u>
FTE Positions	--*	--*	--

* The Governor recommends no position limitation for this agency but assumes 7.5 positions would be funded.

Agency Request/Governor's Recommendation

The Corporation estimates expenditures of \$1.4 million in FY 1994, including \$189,090 from the State General Fund as approved by the 1993 Legislature. The estimate includes \$310,212 from marriage license fees and federal funds for the family and children's trust fund; \$221,620 from birth certificate fees for the permanent families fund; and \$636,816 from private foundation funding.

The 1993 Legislature approved no limit expenditure authority for the Corporation from the Family and Children Investment Fund, into which the agency's revenues are deposited. The Legislature established certain expenditure limits on the family and children trust account (\$750,000) and the permanent families account (\$450,000) of the Fund, but established those limits at approximately twice the amount of estimated expenditure in order to allow the agency flexibility in receipt and expenditure of private funds.

The Governor concurs with the agency's estimated expenditures in FY 1994.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the Governor.

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee.

SUBCOMMITTEE REPORT

Agency: Corporation for Change

Bill No. 633

Bill Sec. 8

Analyst: Howard

Analysis Pg. No. 848

Budget Page No. 146

Expenditure Summary	Agency Req. FY 95	Gov. Rec. FY 95	Subcommittee Adjustments
All Funds:			
State Operations	\$ 589,014	\$ 585,192	\$ 74,873
Aid to Locals	1,788,594	807,049	--
Total -- Operating	<u>\$ 2,377,608</u>	<u>\$ 1,392,241</u>	<u>\$ 74,873</u>
State General Fund:			
State Operations	\$ 179,177	\$ --	\$ 74,873
Aid to Locals	1,159,290	177,745	--
	<u>\$ 1,338,467</u>	<u>\$ 177,745</u>	<u>\$ 74,873</u>
FTE Limit	--*	--*	5.0

- * The Governor recommends no position limitation for this agency but assumes 7.5 positions would be funded.

Agency Request/Governor's Recommendation

The Corporation requests a budget of \$2,377,608 in FY 1995, an increase of \$1,012,042 from the FY 1994 estimate. The request includes funding of \$1,338,467 from the State General Fund, \$523,537 from marriage license and birth certificate fees, \$68,951 from federal child abuse funds, and \$446,652 from private grant funds. The State General Fund request includes \$189,090 associated with continuation of family and children trust fund grants, \$970,200 for four pilot family court projects, and \$179,176 in State General Fund dollars for a portion of the Corporation's operating costs in FY 1995.

The Governor recommends expenditures of \$1,392,241 in FY 1995, a reduction of \$958,367 from the agency request. The recommendation includes \$177,745 from the State General Fund for the family and children trust fund grants to match federal funds (\$68,951), and the remainder from special revenue (\$523,537) and private (\$622,008) funds. The Governor's recommendation makes four adjustments to the agency's request:

- The Governor does not recommend \$970,200 from the State General Fund requested by the agency for family courts.
- The Governor does not recommend State General Fund of \$179,176 to fund a portion of the Corporation's operating budget, but recommends the Corporation continue managing its overhead from grant funding.
- The Governor reduces State General Fund support for family and children trust fund grants by \$11,345 to \$177,745, which would match federal child abuse prevention grants.

- The Governor reduces salary and wage expenditures by \$3,822 to adjust for differences in fringe benefit calculation.

The Governor's recommendation assumes operation of 40 local *Blueprint* planning councils in FY 1995 (an increase from 35 in FY 1994 and 28 in FY 1993), 4,500 technical assistance contacts (an increase from 3,500 in FY 1994 and 2,500 in FY 1993) and funding of 32 prevention projects, the same number as in FY 1993 and FY 1994.

Senate Subcommittee Recommendation

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

1. Establish an FTE limit of 5.0 positions for this agency (Executive Director, Director of Research and Accountability, Business Manager, Director of Local Initiatives, and Model Projects Coordinator). This reflects the core staffing of the Corporation which should be consistent over the life of the agency. Remaining staff (currently the equivalent of 2.5 positions) would be authorized as special project positions as specific needs and projects arise.
2. Reduce the limit on expenditures from the family and children trust account of the family and children investment fund from \$750,000 to \$500,000, and reduce the limit on the permanent families account of that fund from \$450,000 to \$350,000. The revised limits more accurately reflect projected expenditures and still provide the agency some added flexibility.
3. Add \$74,873 from the State General Fund for Corporation for Change operations in FY 1995. The recommended amount would fund the rental overhead costs of the agency (\$29,877), the salary of the business manager (\$30,996), and travel expenditures associated with the Board and Advisory Committee (\$14,000). The recommendation is intended to demonstrate the state's commitment to systems reform to the foundations providing the majority of funding for the Corporation. The Subcommittee would note that these State General Fund dollars are in addition to over \$500,000 in dedicated fees used to fund grants for child abuse prevention, foster care review boards and court appointed special advocate programs.

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee.