

Approved: July 3, 2001
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Kenny Wilk at 10:23 a.m. on April 23, 2001, in Room 514-S of the Capitol.

All members were present

Committee staff present: Alan Conroy, Legislative Research
Rae Anne Davis, Legislative Research
Amy Kramer, Legislative Research
Leah Robinson, Legislative Research
Robert Chapman, Legislative Research
Carolyn Rampey, Legislative Research
Robert Waller, Legislative Research
Julian Efrid, Legislative Research
Tom Severn, Legislative Research
Debra Hollon, Legislative Research
Audrey Nogle, Legislative Research
Amory Lovin, Legislative Research
Paul West, Legislative Research
Kathie Sparks, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee:

Others attending: See Attached

The following documents were distributed and explained by staff:

- House Recommendations, KLRD Memo and Governor's Budget Amendment No. 1, April 22, 2001, 7:06 p.m. (Attachment 1)
- House Appropriations Leadership Budget Proposal, April 18, 2001 (Attachment 2)
- House Appropriations Leadership Budget Proposal and Committee Adjustments, April 23, 2001, 9:13 a.m. (Attachment 3)
- State Water Plan Fund, FY 2002, April 19, 2001 (Attachment 4)
- Additional House Budget Adjustments, April 23, 2001, 2:55 p.m. (Attachment 5)
- Children's Initiatives Fund (Tobacco) FY 2001 and FY 2002, April 16, 2001, 7:43 p.m. (Attachment 6)
- Economic Development Initiatives Fund FY 2001 and FY 2002, April 22, 2001, 7:41 p.m. (Attachment 7)
- House Recommendations, KLRD Memo and Governor's Budget Amendment No. 1, April 23, 2001, 15:05 p.m. (Does not include information from Attachment 5) (Attachment 8)

House Appropriations Leadership Budget Proposal and Committee Adjustments (Attachment 3).

The Committee discussed the following items:

- State General Fund Expenditure Reductions—\$10 million by delaying paying SRS providers by 7 days. This has been the practice by SRS at the end of the fiscal year previously. This would apply only to the large providers, not to the 10,000 small providers who depend on prompt payment for existence. Some years it has been more than \$10 million and some years less, depending upon the caseloads.
- \$.7 million by reducing EDIF funding in the Department of Commerce and Housing for tourism grant by \$700,000 and shift that amount from the EDIF to the State General Fund.
- State General Fund Expenditure Enhancements—\$9 million to restore KPERS death and disability.

The currently balance in the death and disability fund is \$159 million. Annual claims are averaging \$38 million. The funding ratio is 80 to 85%. This is not an actuarial reserve fund, this is a pay-as-you-go system. If the death and disability fund was not funded for 24 months, the ratio would probably dip into the 70th percentile.

Children's Initiatives Fund (Tobacco) FY 2001 and FY 2002 (Attachment 6)

- The projected ending balance in the Trust Fund for FY 2002 was expected to be \$20 million but due to the lower received payments, the balance is expected to be \$8.7 million. Chairman Wilk announced the House position would be to start with \$1.9 million which has not been allocated.
- **SB 57** deleted the \$212,000 from the Children's Initiatives Fund. The House position was by proviso stating that the \$212,000 could be pulled from the Smart Start by the agency. The funding is not in the SGF for that match.
- Discussion of prior committee action to remove \$208,555 in SGF from the Department of Revenue to operate a smoking cessation program. Those dollars would transfer over to SRS with the legislative intent to have SRS absorb this cost out of their budget. A footnote should be added in this regard. (See Attachment 1, Page 4, Department of Revenue–SGF Transfer–in FY 2002, transfer to the SGF from the Cigarette and Tobacco Products Registration Fund \$208,555 and from the Central Stores Fund \$50,000).
- Children's Cabinet Accountability Fund–Part of the charge of the Children's Cabinet is to audit and determine the effectiveness, success, or failure of each program funded with the Tobacco money. This is contract money to hire persons to perform this requirement.

Economic Development Initiatives Fund FY 2001 and FY 2002 (Attachment 7)

This document reflects the Governor's Budget Amendment No. 1 which shifts some federal money to the EDIF for relocation costs. The other change is in the Department of Commerce and Housing—a reduction of \$51,200 in the Motion Picture and Television Rebate which means a balance of \$23,800 in FY 2001.

- Kansas Technology Enterprise Corporation (KTEC). It was pointed out that the \$700,000 cut is a “wash” because when the expenses were decreased, the money was transferred to the SGF.

Representative Kline moved to amend House position for the Economic Development Initiatives Fund for FY 2002 by adding \$250,000 to the budget of the Adjutant General for the Kansas National Guard Educational Assistance program to aid in the recruitment and retention of personnel. The funding source is to be the Department of Commerce and Housing. Motion was seconded by Representative Minor. Motion carried.

Staff explained to the Committee that the Governor's budget deals with the EDIF, the Water Plan, the Children's Initiative's Plan differently in that it appropriates the money to the agencies similar to the way the SGF is done. In previous years the money was transferred to a new or existing special revenue fund within each agency. The Governor's budget is viewed as a simplified approach. The real policy impact is in the Department of Commerce and Housing. Kansas Economic Opportunities Initiatives Fund (KEOIF) is a statutory fund which has always existed separately and the Governor's Budget does not use it in that form. The Governor's Budget lists an account within the EDIF for KEOIF and adds a proviso authorizing compliance with all of the laws which are in the statutes for KEOIF. The effect is twofold: 1) If there is a shortfall in the EDIF, it would not come from KEOIF as the fund that was supposed to receive that loss is not being used; and 2) the Department's operations are affected because the Department knowingly encumbers more grants from this fund than they are going to use. They end up releasing the money and it stays in the fund and the pool is then used over a multiple year period because of the way the projects come in. Loan payments are also deposited in this KEOIF fund, and are swept back into the EDIF.

- Centers of Excellence (KTEC) exist at the University of Kansas, KUMC, Wichita State University, Kansas State University, and Pittsburg State University. Even though \$4,325,000 is budgeted for the Centers of Excellence, the money is not sent directly to the Board of Regents, but comes through K-Tech.

Representative Neufeld moved to amend the Economic Development Initiatives Fund to keep Kansas Economic Opportunity and Kansas Existing Industry Expansion Fund (KEIFP) in their original format and

reject the Governor's recommendations regarding the operation of the funds. Motion was seconded by Representative Nichols. Motion carried.

Representative Schwartz moved to amend the Economic Development Initiatives Fund funding the Local Government Outdoor Recreational Grants in the amount of \$300,000 from the EDIF. Motion was seconded by Representative Klein. Motion failed.

Currently the Governor is shifting the payment of grants through federal funding which requires years of reporting and is much harder to access, in fact, almost impossible for small communities who do not have professional grant writers available for their use. Also the federal money is not returned to the local communities for two to three years after the grant is received. This type of federal grant money is limited in use as it cannot be used for renovation, only new construction, for which the community has an on-going commitment to maintain even if the use of the facility has expired.

Representative Spangler moved to amend the Economic Development Initiatives Fund by removing \$100,000 from the agency operations budget for FY 2002 of the Kansas Technology Enterprise Corporation. Motion was seconded by Representative Klein. Motion carried.

Representative Spangler moved to amend the Economic Development Initiatives Fund by reducing the budget of the Research Matching Grants of KTEC by \$100,000. Motion was seconded by Representative Landwehr. Motion carried.

Representative Spangler moved to amend the Economic Development Initiatives Fund by reducing the budget of the Business Innovative Research Grants of KTEC by \$6,000 and Special Projects by \$9,333. Motion was seconded by Representative Nichols. Motion carried.

Representative Spangler moved to amend the Economic Development Initiatives Fund by reducing the budget of the State Small Business Innovation Research of KTEC by \$100,000. Motion was seconded by Representative Landwehr. Motion carried.

Representative Spangler moved to amend the Economic Development Initiatives Fund by reducing the budget of the Commercialization Grants of KTEC by \$300,000. Motion was seconded by Representative Toplikar. Motion carried.

Representative Spangler moved to amend the Economic Development Initiatives Fund by reducing the budget of the Mid-America Manufacturing Technical Center of KTEC by \$100,000. Motion was seconded by Representative Landwehr. Motion carried.

Representative Spangler moved to amend the Economic Development Initiatives Fund by reducing the budget of EPSCoR of KTEC by \$200,000. Motion was seconded by Representative Landwehr. Motion failed.

Representative Spangler moved to amend the Economic Development Initiatives Fund by transferring the budget for the Centers of Excellence from KTEC to the Board of Regents and reducing the funding by 10%. Motion was seconded by Representative Campbell. Division of the motion was requested

On Part 1 of Representative Spangler's motion to amend the Economic Development Initiatives Fund report by removing the Centers of Excellence from the KTEC budget and fund the Board of Regents \$4,350,000 directly for the Centers of Excellence. Motion carried.

On Part 2 of Representative Spangler's motion to amend the Economic Development Initiatives Fund report by reducing the budgeted \$4,350,000 by 10% (\$435,000) for the Centers of Excellence, the Committee discussed the report received from the Division of Accounts and Reports which indicated the Centers for Excellence were not receiving the total amount budgeted for them. The Centers had received \$3,552,215 which does not correspond with the Governor's Revised Recommendations of FY 2001 which was \$4,345,000. The Committee questioned if the money was being used for administrative costs for KTEC.

Representative Spangler withdrew his motion with the permission of the second, Representative Campbell.

Representative Neufeld moved to reduce the agency operations of the Department of Housing and Commerce in the FY 2002 budget to that of the FY 2001 budget, for a reduction of \$120,000. Motion was seconded by Representative Nichols. Motion carried.

Chairman Wilk recessed the meeting at 12:45 p.m.

The Committee was called back to order at 3:25 p.m. on April 23, 2001.

Representative Campbell moved to reduce by 10% the budgeted \$4,350,000 (\$435,000) for the Centers of Excellence for a total amount of \$3,915,000. Motion was seconded by Representative Spangler. Motion failed.

Representative Neufeld moved to adopt the presented Additional House Budget Adjustments (Attachment 5) with the exception of Item 3 regarding adding Level V foster care for the Juvenile Justice Authority. Motion was seconded by Representative Nichols. Motion carried.

The Committee discussed the item which would reduce \$20.0 million annually from the State General Fund demand transfer to the State Highway Fund through FY 2009 and issue \$277 million in bonds to replace the loss of revenue to the Comprehensive Transportation Plan. This bonding issue would allow the Department of Transportation to continue at its present level.

It was pointed out that the \$250,000 reduction of state operations in the Kansas Department of Agriculture will cause the reduction of eight to ten field positions in the areas of food safety, granting permits for vital sanitary provisions for international trade, environmental protection, plant protection, and water permits.

Some Committee members voiced objections to the addition of \$500,000 for the Legislature, the dilution of the State Highway Fund by diverting sales tax receipts and bonding state government general debt, the taking away of the property tax relief portion for community colleges, and the reduction of demand transfers to the State Water Plan Fund.

Representative Spangler moved to add a proviso to the Additional House Budget Amendments (Attachment 5) in HB 2504 regarding the rerouting of Highway K-7 through Bonner Springs to allow more local control by the City of Bonner Springs over the design of the project. Motion was seconded by Representative Toplikar. Motion failed.

Chairman Wilk recessed the meeting at 4:15 p.m. The meeting was called back to order at 5:30 p.m.

Discussion and Action on HB 2504

Representative Klein moved to replace the \$500,000 in the State Water Plan Fund which was reduced in the Additional House Budget Adjustments (Attachment 5) with funds from the LIEP program in KDHE. Motion was seconded by Representative Schwartz. Motion carried

County health departments use the LIEP program to plan for sanitation projects e.g. set up the regulations and rules for septic systems. Some counties use the money for testing well water and/or plugging abandoned wells.

Staff pointed out in the Governor's Budget the Department of Commerce and Housing area of the Economic Development Initiatives Fund there are only two accounts: agency operations and aid to local units and grants and assistance. In the Governor's Budget there has previously been one line item in the KTEC budget but this year it is agency operations and grants and assistance. KTEC has less flexibility than in previous years and the Department of Commerce and Housing has much more accounting flexibility with this proposal.

The Subcommittee on EDIF recommended using the Governor's policy decision of having two line items for KTEC and two line items for the Department of Commerce and Housing.

Representative Neufeld moved to transfer the remaining balance of \$515,000 in the EDIF fund to the SGF. Motion was seconded by Representative Light.

Representative Shriver made a substitute motion to transfer the balance of \$515,000 in the EDIF fund into an Air Fare Reduction Fund. Motion was seconded by Representative Pottorff. Motion failed.

Representative Nichols made a substitute motion to appropriate the balance of \$515,000 in the EDIF fund to fund the vocational technical schools and reduce such funding from the SGF. Motion was seconded by Representative Neufeld. Motion carried.

Representative Neufeld moved to amend the House position for the Children's Initiatives Fund by \$500,000 for a Level V foster care plan that would be used instead of having a rate increase. The agencies involved would submit a plan to provide additional services for higher level need children to pay for additional special services. The plan would be presented to the Joint Committee on Corrections and Juvenile Justice Oversight before January 1, 2002. This plan should be included with the original House position education package in the Children's Initiatives Fund. Motion was seconded by Representative Nichols. Motion carried.

Representative Neufeld moved to amend the House position for the Children's Initiatives Fund for FY 2002 by not appropriating \$212,000 from the State General Fund to fund the federal prevention grants but rather include a proviso to fund such grants through Smart Start. Motion was seconded by Representative Landwehr. Motion carried.

Representative Feuerborn moved to amend the House position for the Children's Initiatives Fund by deleting the funding in Juvenile Justice Authority of the proposed pilot Pregnancy Maintenance and Parenting Fund for FY 2002 in the amount of \$150,000. Motion was seconded by Representative Klein. Motion carried.

It was explained that the deletion of the proposed pilot Pregnancy Maintenance and Parenting Fund would not garner any SGF funds as this is a dollar for dollar matching program, with the communities making the original commitment. The Juvenile Justice Authority will make the location decisions.

Representative Hermes moved to reconsider the Feuerborn amendment. Motion was seconded by Representative Landwehr. Motion carried.

Upon reconsideration, the Feuerborn motion failed.

Staff distributed updated House Recommendations (Attachment 8). This does not include the recommendations adopted by the Committee from Additional House budget Adjustments (Attachment 5).

Representative Pottorff moved to amend the updated House Recommendations (Attachment 7) by adding a proviso to the Department of Administration which would allow state agencies to operate in a manner similar to the retail credit merchants in the private sector and spread the cost of accepting credit cards to all customers as a cost of doing business. The proviso would state "In addition to any other expenditures authorized for FY 2002 by any state agency which is named in this or any other appropriations act in the 2001 regular session of the legislature, which imposes or collects fees, tuitions, or other charges. Each such state agency is hereby authorized to make expenditures from money appropriated for FY 2002 from the State General Fund or any other special revenue fund, a fixed charge to collect additional fees on all transactions regarding of method of payments to recover the estimated cost incurred for such payments of fees, tuitions, or other charges which additional fees are to be fixed, charged, or collected, provided that all moneys received for such additional fees shall be deposited in the state treasury and credited to the appropriate clearing fund for payment of transactional cost to the agency in the same manner as the fees, tuitions, or other charges for which the payment transaction was conducted. Motion was seconded by Representative Stone. Motion carried.

Representative Pottorff moved to amend by adding a proviso to House Recommendations (Attachment 8), to ask the Department of Administration to conduct a pilot program to allow one or more state agencies to acquire all printing, binding and related services in the commercial market. Motion was seconded by Representative Stone.

The Committee was reminded of a 1998 or 1999 Legislative Post Audit which reported that for every dollar which is diverted from the state printing office, there is a considerable loss of additional state dollars. The conclusion of the post audit was that there should be more state agencies using the Division of Printing. Perhaps this could be a pilot project for the Board of Regents which has difficulty having all the printing done in Topeka and then transported to the needed location.

Representative Nichols made a substitute motion to amend the House Recommendations (Attachment 8) to authorize the Department of Administration to develop a pilot project within a selected agency to compare printing costs by commercial printing firms and printing by the Division of Printing. The Department of Administration is to report their findings to the Legislative Coordinating Council, Legislative Post Audit Committee, the House Committee on Appropriations, and the Senate Committee on Ways and Means. Motion was seconded by Representative Shriver. Motion carried.

Representative Shriver moved for the introduction of a bill to eliminate the Kansas Lottery Commission on

July 1, 2002. Motion was seconded by Representative Nichols. Motion carried.

Representative Kline moved to delete the last item under the Department of Commerce and Housing in the House Recommendations (Attachment 8) in the amount of \$170,528 as that bill has not passed and is currently in a conference committee. The amount would be restored in the budget if the bill is passed. Motion seconded by Representative Landwehr. Motion carried.

Representative Neufeld moved to add a proviso to the House Recommendations (Attachment 8) that the Vision Program of the SRS budget is for FY 2002 and FY 2003. Motion seconded by Representative Landwehr. Motion carried.

The Committee discussed the proposed base reduction for Osawatomie State Hospital of \$2,117,625 due to the lack of money in the institutions fee fund. It was noted that Larned State Hospital received no reductions. It was determined that if special education funding came through the Department of Education there would be more available funding for the hospital.

Representative Neufeld moved to amend the House Recommendations (Attachment 8) in the SRS budget area by transferring \$1,612,828 from the Department of Education for special education services in the state hospitals rather than funding this through fee funds and SGF. Motion was seconded by Representative Landwehr. Motion carried.

This will reduce the amount of money for special education going to schools by \$1.6 million and is a reduction from the Governor's special education recommendations. The Subcommittee was urged to find another revenue source to fund the state hospitals.

Representative Shriver moved to amend the House Recommendations (Attachment 8) by adding a proviso requesting the Legislative Coordinating Council to authorize an interim study and a policy review of school districts issuing bonds for recreational facilities which may not be entirely for school district purposes as the state is required to pay a percentage of the total cost of such facilities. Motion was seconded by Representative Landwehr. Motion carried.

Representative Landwehr moved to amend the House Recommendations (Attachment 8) by adding a proviso that requires the Department of Education to prepare a report on the gifted programs listing the moneys spent, outcomes, number of children served, demographics, teacher qualifications, curriculum, activities involved, and the time students spent in the program. This is to be prepared on an individual school basis and is to be made available by the 2002 Legislature. Motion was seconded by Representative Light. Motion failed.

Representative Nichols moved to modify the proviso regarding the Board of Regents (last item on Additional House Budget Adjustments, Attachment 5) in that expenditures of these funds should be made only upon approval by the State Finance Council. The dollars would still flow to faculty salary enhancements. Motion was seconded by Representative Neufeld. Motion carried.

Staff pointed out there is a typographical error on Page 19 of House Recommendations (Attachment 8) under the University of Kansas Medical Center. In the transfer to SGF, the Fire Marshal fee fund should not be listed as a contributing fee fund.

Representative Campbell moved to add a proviso stating that for budgeting purposes only, each state agency shall provide a report regarding FY 2003 budget estimates for all substance abuse treatment, prevention, and education programs to the Office of Prevention of the Department of Social and Rehabilitation Services and at the same time to the Division of the Budget and to the Legislative Research Department that identifies funding that will be requested from SGF and SRF to fund prevention programs. Motion was seconded by Representative Feuerborn. Motion carried.

Chairman Wilk recessed the meeting at 7:15 p.m. The meeting was called back to order at 7:30 p.m.

Staff reported that their calculations at this point do not point to unsolvable budget problems in FY 2003 by the adoption of the current working document for FY 2002.

Representative Schwartz moved to amend the budget of the Department of Wildlife and Parks found in House Recommendations (Attachment 8) in FY 2001 reducing the House base reduction by funding the \$404,142 out of the Wildlife and Parks fee funds which was to be used for the Steve Lloyd Wetlands Project. Motion

was seconded by Representative McCreary. Motion carried.

Representative Schwartz moved to amend the budget by funding the Local Outdoor Grant and Recreational Program in the amount of \$195,000 from the Waste Tire Fee Fund by transferring that amount into the State General Fund. Motion was seconded by Representative McCreary. Motion carried.

Chairman Wilk moved for the introduction of the bills recommended by the Revisor's staff concerning reconciliation of conflicting amendments to existing sections of the Kansas Statutes Annotated or recommended to make technical or "cleanup" amendments that correct matters or are otherwise required to technically effectuate legislative enactments. Motion was seconded by Representative Nichols. Motion carried.

Representative Neufeld moved to authorize the Revisor of Statutes to make any technical corrections to **SB 57** regarding bonding issues. Motion was seconded by Representative Nichols. Motion carried.

Chairman Wilk moved to amend the bill by adding a proviso instructing the Legislative Coordinating Council to explore the development of a bonus plan for the fiscal staff in Legislative Research Department and the Office of Revisor of Statutes by looking in the budgets of the Legislative Coordinating Council, the Revisor of Statutes, Legislative Research Department, and the Legislature to find the appropriate funds within existing resources. Motion was seconded by Representative Nichols. Motion carried.

Representative Neufeld moved for the favorable passage of the Omnibus Appropriations Act and the omnibus reconciliation and spending limit bill for the 2001 regular session and **Substitute for HB 2504** as amended. Motion was seconded by Representative Nichols. Motion carried.

The meeting was adjourned at 7: 45 p.m.