

House Budget Committee Report

Agency: Kansas Department of Commerce **Bill No.** House Sub. SB 4

Bill Sec. 35

Analyst: Mariani

Analysis Pg. No. 1457

Budget Page No. 72

Expenditure Summary	Agency Estimate FY 2015	Governor Recommendation FY 2015	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 250,000	\$ 245,000	\$ 0
Other Funds	127,251,793	125,985,198	(3,250,000)
Subtotal	<u>\$ 127,501,793</u>	<u>\$ 126,230,198</u>	<u>\$ (3,250,000)</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	195,000	195,000	0
Subtotal	<u>\$ 195,000</u>	<u>\$ 195,000</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 127,696,793</u></u>	<u><u>\$ 126,425,198</u></u>	<u><u>\$ (3,250,000)</u></u>
FTE positions	149.6	149.6	0.0
Non FTE Uncl. Perm. Pos.	119.1	119.1	0.0
TOTAL	<u><u>268.7</u></u>	<u><u>268.7</u></u>	<u><u>0.0</u></u>

Agency Estimate

The **agency** requests a revised estimate for FY 2015 operating expenditures of \$127.5 million, including \$250,000 from the State General Fund and \$19.3 million from the Economic Development Initiative Fund (EDIF). The estimate is an all funds increase of \$5.6 million, or 4.6 percent, and an EDIF increase of \$5.5 million, or 40.1 percent, above the amount approved by the 2014 Legislature. The State General Fund amount is an increase of \$5,000, or 2.2 percent, above the approved amount adjusted by the Governor's December 9th allotment. The EDIF increase was due entirely to a appropriation of money that was not spent in FY 2014 and shifted to FY 2015. The EDIF reappropriated funding will be largely used for agency operations (\$1.5 million), Rural Opportunity Grants (\$3.3 million), and Medicaid Reform Employment Incentives (\$448,128). The budget includes 149.6 FTE positions, a decrease of 14.6 FTE positions below, and 119.1 non-FTE unclassified positions, an increase of 14.1 non-FTE unclassified positions above, the approved FY 2015 number. The agency states that due to the nature of its grant and federal funding it is replacing classified positions with non-FTE unclassified positions.

The Governor's December 9th allotment, which was applied after the agency submitted its budget, reduced the agency's FY 2015 approved amount for the State General Fund by \$5,000 in the other assistance expenditures for the Global Trade Services grants.

Governor's Recommendation

The **Governor** recommends FY 2015 operating expenditures of \$126.2 million, including \$18.8 million from EDIF and \$245,000 from the State General Fund. The recommendation is an all funds decrease of \$571,595, or 0.4 percent, an EDIF decrease of \$446,893, or 2.3 percent, and a State General Fund decrease of \$5,000, or 2.0 percent, below the agency's revised estimate.

The Governor concurs with the agency request with the following exceptions.

- Reduction of \$153,304, all from special revenue funds including \$33,602 from the Economic Development Initiatives Fund (EDIF) as a result of the Governor's State General Fund allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.
- Reduction of \$5,000, as a result of the Governor's State General Fund allotment of 4.0 percent to Cabinet and other State General Funded agencies in FY 2015. This allotment will be managed by a reduction in the grants for the Global Trade Services program in FY 2015.
- Reduction of \$274,000 from the EDIF as a result of the Governor's allotment plan. This reduces the agency's operating grant from EDIF and will result in a decrease in administrative expenditures.
- Reduction of \$139,291, all from reappropriated EDIF, for the Innovation Growth Program.

House Sub. for Senate Bill 4

House Sub. for SB 4 adopted the Governor's recommendation for FY 2015.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation with the following adjustment:

1. The Committee recommends a decrease of \$3.0 million in the Rural Opportunity Zones and a decrease of \$250,000 in the Department of Commerce operating grant, all from the Economic Development Initiatives Fund (EDIF), from the reappropriated funds in FY 2015. This action will increase the amount anticipated for the ending balance in the Economic Development Initiatives Fund. The Committee notes the agency reappropriated a total of \$5.5 million in EDIF funding for those two program areas (\$1.2 million operating grant and \$3.5 million Rural Opportunity Zones) of FY 2014 funding which was not expended and shifted to FY 2015. The Committee also notes its understanding that both programs are not anticipated to need the full amount reappropriated in FY 2015.

The Committee further notes the EDIF ending balance is decreasing and would be negative in FY 2017 with the currently proposed appropriations for the fund. The

Committee further notes that the Rural Opportunity Zones Program and the agency operating grant, or any other programs funded from EDIF, could still be funded from the EDIF ending balance in FY 2016 and FY 2017 if the need was demonstrated.

House Committee Recommendation

The **Committee** concurs with the Budget Committee’s recommendation with the following adjustment:

1. Decrease the reduction of Economic Development Initiatives Fund for the Rural Opportunity Zones to \$2.0 million for FY 2015.

Senate Subcommittee Report

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Other Funds	127,251,793	125,985,198	3,250,000
Subtotal	<u>\$ 127,501,793</u>	<u>\$ 126,230,198</u>	<u>\$ 3,250,000</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	195,000	195,000	0
Subtotal	<u>\$ 195,000</u>	<u>\$ 195,000</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 127,696,793</u></u>	<u><u>\$ 126,425,198</u></u>	<u><u>\$ 3,250,000</u></u>
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TOTAL	<u><u>268.7</u></u>	<u><u>268.7</u></u>	<u><u>0.0</u></u>

Agency Estimate

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the 2014 Legislature. The State General Fund amount is an increase of \$5,000, or 2.2 percent, above the approved amount adjusted by the Governor's December 9th allotment. The EDIF increase was due entirely to a appropriation of money that was not spent in FY 2014 and shifted to FY 2015. The EDIF reappropriated funding will be largely used for agency operations (\$1.5 million), Rural Opportunity Grants (\$3.3 million), and Medicaid Reform Employment Incentives (\$448,128). The budget includes 149.6 FTE positions, a decrease of 14.6 FTE positions below, and 119.1 non-FTE unclassified positions, an increase of 14.1 non-FTE unclassified positions above, the approved FY 2015 number. The agency states that due to the nature of its grant and federal funding it is replacing classified positions with non-FTE unclassified positions.

The Governor's December 9th allotment, which was applied after the agency submitted its budget, reduced the agency's FY 2015 approved amount for the State General Fund by \$5,000 in the other assistance expenditures for the Global Trade Services grants.

Governor's Recommendation

The **Governor** recommends FY 2015 operating expenditures of \$126.9 million, including \$18.8 million from EDIF and \$245,000 from the State General Fund. The recommendation is an all funds decrease of \$571,595, or 0.4 percent, an EDIF decrease of \$446,893, or 2.3 percent, and a State General Fund decrease of \$5,000, or 2.0 percent, below the agency's revised estimate.

The Governor concurs with the agency request with the following exceptions.

- Reduction of \$153,304, all from special revenue funds, including \$33,602 from the Economic Development Initiatives Fund (EDIF) as a result of the Governor's State General Fund allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.
- Reduction of \$5,000, as a result of the Governor's State General Fund allotment of 4.0 percent to Cabinet and other State General Funded agencies in FY 2015. This allotment will be managed by a reduction in the grants for the Global Trade Services program in FY 2015.
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- Reduction of \$139,291, all from reappropriated EDIF, for the Innovation Growth Program.

House Sub. for Senate Bill 4

House Sub. for SB 4 adopted the Governor's recommendation for FY 2015.

Senate Subcommittee Recommendation

The **Subcommittee** concurs with the Governor's recommendation.

Senate Committee Recommendation

The **Committee** concurs with the Subcommittee's recommendation.

Senate Committee of the Whole Recommendation

The **Committee of the Whole** concurs with the Committee's recommendation.

Conference Committee Recommendation

The **Conference Committee** concurs with the Governor's recommendation with the following adjustments:

1. Delete \$2.0 million, all from the Economic Development Initiatives Fund, for the Rural Opportunity Zone Program in FY 2015.
2. Delete \$250,000, all from the Economic Development Initiatives Fund, for the agency operating grant in FY 2015.

	Governor's Recommendation FY 2015	Legislative Action	Legislative Approved FY 2015	Governor's Veto FY 2015	Final Legislative Approved FY 2015
All Funds					
State Operations	\$ 25,244,434	\$ (250,000)	\$ 24,994,434	\$ 0	\$ 24,994,434
Aid to Local Units	19,534,794	0	19,534,794	0	19,534,794
Other Assistance	82,150,970	(2,000,000)	80,150,970	0	80,150,970
Subtotal- Operations	\$ 126,930,198	\$ (2,250,000)	\$ 124,680,198	\$ 0	\$ 124,680,198
Capital Improvements	195,000	0	195,000	0	195,000
TOTAL	<u>\$ 127,125,198</u>	<u>\$ (2,250,000)</u>	<u>\$ 124,875,198</u>	<u>\$ 0</u>	<u>\$ 124,875,198</u>

State General Fund

State Operations	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0	0	0
Other Assistance	245,000	0	245,000	0	245,000
Subtotal-Operating	\$ 245,000	\$ 0	\$ 245,000	\$ 0	\$ 245,000
Capital Improvements	0	0	0	0	0
TOTAL	<u>\$ 245,000</u>	<u>\$ 0</u>	<u>\$ 245,000</u>	<u>\$ 0</u>	<u>\$ 245,000</u>

FTE Positions	149.6	0.0	149.6	0.0	149.6
Non-FTE Unclass. Perm. Pos.	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>149.6</u>	<u>0.0</u>	<u>149.6</u>	<u>0.0</u>	<u>149.6</u>