

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairperson Ron Ryckman at 9:00 am on Tuesday, January 26, 2016, 112-N of the Capitol.

All members were present except:

Representative Amanda Grosserode – Excused

Committee staff present:

Kathy Holscher, Kansas Legislative Committee Assistant

David Fye, Legislative Research Department

Jennifer Ouellette, Legislative Research Department

Jill Wolters, Office of Revisor of Statutes

Daniel Yoza, Office of Revisor of Statutes

J.G. Scott, Legislative Research Department

Melinda Gaul, Administrative Assistant

Conferees appearing before the Committee:

No conferees present

Others in attendance:

[See Attached List](#)

Bill introductions

Chairman Ryckman called the meeting to order.

Representative Schwartz made a motion to introduce the Rescission Bill for FY 2016. Representative Suellentrop seconded the motion. Motion carried.

Representative Schwartz made a motion to introduce the Supplemental Bill for FY 2017 budget. Representative Suellentrop seconded the motion. Motion carried.

Representative Henry made a motion to introduce legislation regarding minimum staffing requirements for state agencies. Representative Ballard seconded the motion. Motion carried.

Representative Henry made a motion to introduce legislation regarding working conditions of state employees. Representative Ballard seconded the motion. Motion carried.

Presentation on: Current and Upcoming Audits - Scott Frank, Legislative Post Audit

Scott Frank, Legislative Post Audit, presented information on Audit Reports Issued in 2015 by Subject

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Area([Attachment 1](#)) , He stated that a 2012 audit of the Juvenile Correctional Complex identified several areas that were recommended for improvement. The 2015 audit concluded that all but two recommendations have been corrected. The concern for direct surveillance of staff continues to be an issue, he noted. A review of the Larned State Hospital's Sexual Predator Treatment program followed. It is projected that the population continues to grow, and will out grow the physical capacity and labor capacity, with a projection that the population will double by 2025. He emphasized the need to address these issues in the near future. Due to staffing shortages, the field audits for fraud and abuse were suspended within the Kansas Public Employee Retirement System (KPERS). Data from the Department of Revenue and KPERS reflected eligibility concerns for disability benefits, as well as benefit contributions by teachers, in larger school districts, who are not teaching but are working for the local teachers' association. To date, the Department of Revenue, KPERS and Department of Labor are working in collaboration to continue to monitor eligibility requirements. A review of the Star Bonds followed. The boundaries of the redevelopment district would generate more taxes over time and may be an area for further committee review, he noted. An overview of the Racing and Gaming Commission and the evaluation of selected regulatory process and standards followed. Mr. Frank acknowledge the Marais des Cygnes school districts' efficiencies. In regards to the Kansas Eligibility Enforcement System (KEES), it was noted that this project is years behind the projected deadline and over budget by \$40 - 45 million, with 80 to 85 percent of the costs to be paid by the federal government. A review of the security controls in selected state agencies followed. As these are confidential computer-security audits, no public report is available. The state's financial ending balances are down and the certificate of indebtedness is up, which may have an impact on bond ratings, he stated. It was noted that committee members received audit information on Foster Care and Adoption in Kansas([Attachment 2](#)) , and Substance Abuse Programs ([Attachment 3](#)) .

Mr. Frank responded to questions from committee members. Regarding the KPERS unfunded liability issues, he noted that retirement trends were reviewed. However, there were no audit recommendations made. Concerns are primarily within the local plans, he added. The state's executive branch has a cap on accrued leave benefits. Based on estimates of recent trends, the KPERS unfunded liability will not be a high exposure. Regarding the KPERS field audits, he stated that having auditors in the field reduces the risk of under payment or over payment - ensuring the proper administration of the fund. Other check and balances are in place prior to an employees retirement. It was noted that the Star Bonds issue and audit information will be presented and discussed in the House Tax Committee. Mr. Frank stated additional information will be provided regarding the KPERS Disability program, as requested by a committee member.

Chairman Ryckman and various committee members thanked Mr. Frank for his work on the Alvarez and Marsal's efficiency study, as well as his update on recent audits.

Briefing by staff on:

Shirley Morrow, Legislative Research Staff, presented information on the Interim Committee Report on the Joint Committee on State Building Construction ([Attachment 4](#)) . The committee studies, reviews and makes recommendations on all five-year capital improvement plans, leases, land sales and

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statutory required reports by agencies. An overview of the committee's recommendation and supplement requests by agencies, followed. Additional committee recommendations included: the State Gaming Revenues Fund distribution to 12.5 percent to the Correctional Institutions Building Fund and 82.5 percent to Economic Development Initiative Fund (EDIF); the Department of Administration pursue legislation to repeal the statute requiring Excessive Energy Use Report; rejected a lease in Chanute for the Department of Children and Families and recommended a comprehensive plan prepared by the Department of Administration for possible efficiencies in co-locating, review available facilities and possible new construction.

Shirley Morrow responded to questions from committee members. It was noted that the Department of Administration provided an informational update on the Energy Center project. The Building committee recommended additional information from the department regarding the negotiation efforts that had not been completed and project costs. To date, this information has not been presented to the committee, she responded. It was noted by a committee member that the department proceeded to go forward with the project without the Building committee's review of options, and the bid was 75 percent higher than originally projected. Reference was made to the Central Business District project on the Kansas University Campus at a cost of \$350 million, secured through leased/purchase financing. It was noted the process is not a statutory requirement, however, concerns were expressed for the lack of legislative oversight and the possibility of the state encumbering the bond debt. It was suggested that legislation was needed to avoid off-balance sheet financing in the future, and the immediate need to look at limitations and structure. Concern was expressed for leasing authority, debt limit and the state's obligation. In response to authorized leasing of property, Jill Wolters, Office of Revisor of Statutes, stated that lease agreements for any portion of the state university and Board of Regents can be made without legislative approval. This falls within the executive or administrative authority to manage their campus, she added. In regards to the debt limit for the Curtis building, it was noted that more is owed on than the value of this building, whereas, the Landon building is owned debt free. In regards to the Board of Regents, Ms. Wolters noted that the regents have not requested state funds for the project, as no-limit funds are being used. In response to questions by committee members, Shirley Morrow replied that state does not approve school bonds. Regarding the KBI request of \$334,000 for the parking garage at the 17th street building, she stated that not all employees were relocating to the new lab facility at Washburn University.

Discussion continued by committee members regarding the legislature's role with appropriating state funds and project oversight and emphasis was placed on the need for clearly written statutes. In response to a question from a committee member, Jill Wolters stated that the Board of Regents have the ability to encumber debt without legislative approval, however, they cannot sell property without legislative approval.

Chairman Ryckman stated that representatives from Kansas University met with the Interim Budget Committee on November 9, 2015. There was nothing in the audit that reflected non-compliance issues within the statutes, only concern that the state should have a voice in the process. A bill will be forthcoming to address this issue, he added. The recommendation was made for the legislature to have

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the authority to obtain information and documentation promptly on the Kansas University project for review and analysis. The information regarding the KU Campus Corporation, the by-laws, authority, cash flow and repayment structure. Chairman Ryckman stated that the project has been let and the documents have been signed. The information requested would be helpful to have for the bill going forward, he added.

Closing remarks

Chairman Ryckman discussed the indebtedness occurring outside of the legislative process and the need to review as many of these areas as possible to improve procedures and working with the agencies to identify the best solutions. It is the legislatures responsibility to provide guidance, oversight and accountability to the tax payers, he stated.

The Rescission and Supplemental bill have been introduced this morning, he stated. The Budget Chairs have been asked to schedule informational hearings on adjustments already passed in the FY 2016 and FY 2017 budget and review the major changes in the budget recommendations. A hearing and possible action on these bills will be held next week. 105 Alvarez and Marsal recommendations have been given to the perspective committees for review, which will be discussed in the Appropriations Committee for possible recommendations.

The Chairman introduced the new Emporia State University President, Allison Garrett.

Representative Proehl made a motion to approve the minutes from the January 19 and January 20, 2016 committee meetings. Representative Highland seconded the motion. Motion carried.

Meeting adjourned at: 10:15 a.m.