

Approved 2-11-85
Date

MINUTES OF THE House COMMITTEE ON Ways and Means

The meeting was called to order by Bill Buntin at
Chairperson

1:30 ~~am~~/p.m. on Wednesday, February 6, 19 85 in room 514-S of the Capitol.

All members were present except: Representative Duncan (excused)

Committee staff present: Gloria Timmer, Legislative Research
Laura Howard, Legislative Research
Jim Wilson, Office of the Revisor
Sharon Schwartz, Administrative Assistant
Nadine Young, Committee Secretary

Conferees appearing before the committee:

Art Griggs, Chief Attorney, Department of Administration
Others present (Attachment I)

Chairman called the meeting to order at 1:30 p.m. and asked Art Griggs to give a summary of the bills being heard today. A list of those bills with a brief description of each is included as (Attachment II).

HB 2127 -- an act concerning the payment of tuition and other educational expenses of certain personnel of state agencies; amending K.S.A. 75-5519 and repealing the existing section. The bill would allow agencies to repay tuition costs to state employees after completion of a course and if the employee has received a grade acceptable to the agency.

Representative Heinemann moved that HB 2127 be recommended favorably for passage. Seconded by Representative Chronister. Motion carried.

HB 2129 -- establishes a state surplus property program to be held in conjunction with the federal surplus property sales in Kansas. No additional funding or personnel is required. (Attachment III)

Representative Heinemann moved that HB 2129 be recommended favorably for passage. Seconded by Representative Teagarden. The motion carried.

HB 2130 -- an act relating to the state civil service board; concerning qualifications and compensation of members; amending K.S.A. 75-2929a and 75-2929b and repealing the existing sections. (Attachment IV).

This bill changes the statutes to permit civil service board members to be re-appointed to the board in spite of congressional re-districting. Also raises compensation level of board. Fiscal note is \$6,700.

Representative Heinemann moved that HB 2130 be recommended favorably for passage. Seconded by Representative Luzzati. Motion carried.

HB 2133 -- an act concerning the Kansas civil service act; relating to performance ratings of persons in the classified service thereunder; amending K.S.A. 75-2943 and 75-2949e and repealing the existing sections.

Representative Heinemann suggested that committee hold up on this bill to see if discussions in the pay plan reveal anything relevant to the bill.

Dr. Mike Harder explained that state employees have objected to the many levels of performance ratings and generally dislike the word "standard". This is one of the reasons for the revision.

No action was taken on the bill.

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Ways and Means,
room 514-S, Statehouse, at 1:30 ~~am~~ p.m. on Wednesday, February 6, 1985

HB 2132 -- an act concerning state tax levies for institutions; prescribing certain accounting procedures therefor. In brief, the bill allows the adjustment of educational and institutional building fund levies in order to even out payments to contractors. A spread sheet and a summary sheet were submitted to substantiate the figures on projected expenditures and cash balances. (Attachment V)

Representative Rolfs moved that HB 2132 be recommended favorably for passage. Seconded by Representative Fuller. The motion carried.

HB 2131 -- an act authorizing the secretary of administration to enter into certificate of participation financing arrangements (Attachment VI). This bill would provide for Department of Administration to pool together current installment/purchase agreements into one marketable package, resulting in reduced interest.

There was considerable discussion on this subject, the main issue being a question of legislative versus executive powers. It was felt that the legislature needs some kind of "check" against the executive branch. Representative Rolfs made a conceptual motion that we grant the authority to the Finance Council to approve Certificates of Participation before they are issued. Representative Chronister seconded. Representative Shriver agreed with the motion, but suggested it be changed to read "with the advice and consent of the coordinating council".

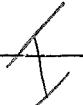
Chairman announced that since there is a question of whether or not there is an infringement, that HB 2131 will be put on "hold" and the committee will take it up again on Monday, February 11. Because of the time, HB 2125 also will be moved to Monday, February 11.

Chairman announced there is no meeting scheduled for Thursday or Friday, and reminded the committee members that all fee agency analysis work is complete and he encouraged members to use the next two days to work on them. Friday is the deadline for having them reported out of committee.

Meeting adjourned at 3:00 p.m.

Date 2-6-85

Name	Address	Representing
Ric Hoban	Topeka	K.S.B.A.
Nicko Rasch	Topeka	Dept. of Admin. - Purchases
Gerald L Merryman	Topeka	DEPT. of Admin. - Purchases
Sue Mauslein	Topeka	Dept. of Admin. - Personnel
Bud Pierce	TOPEKA	DEPT. of Human Resources
Saney O'Grady	Topeka	Div. A - Personnel
Lloyd D. Zwick	"	Dills
KEVIN DAVIS	"	D.O.A.
WALTER DARLING	TOPEKA	Div. of Budget
Nancy Eckols	Topeka	Dept. of Adm., Div. Per. Sys.
Harold Gibson	Topeka	Dept. of Adm. Div. Per. Sys.
Dennis Williams	Topeka	Div. of Budget
Robin Bradley	Topeka	KCC
WARREN CORMAN	"	BD. OF REGENTS

2/6/85 

STATE OF KANSAS
DEPARTMENT OF ADMINISTRATION
JOHN CARLIN, Governor
Marvin A. Harder, Secretary of Administration
Room 263-E, Capitol Building
(913) 296-3011

MEMORANDUM

TO: House Ways and Means Committee

FROM: Arthur H. Griggs, Department of Administration

DATE: February 6, 1985

SUBJECT: Summary of Department of Administration Legislation

The following is a brief description of the bills being heard today.

- H.B. 2125 Civil Service and Other Personnel Matters -- This bill modifies several Civil Service Act statutes and related personnel statutes. The majority of the changes were suggested by the Division of Personnel Services and constitute minor revisions.
- H.B. 2127 Payment of Tuition Expenses -- In cases where a state agency agrees to pay the tuition expenses of an employee, current law requires that the payment be made directly to the educational institution. Because some state agencies prefer to reimburse an employee after successful completion of the course, the bill allows tuition payments to be made either directly to the educational institution or reimburse the employee.
- H.B. 2129 Surplus Property -- This bill establishes a state surplus property program and prescribes general powers and duties relating thereto.
- H.B. 2130 Kansas Civil Service Board -- This bill would permit the reappointment of Board members in cases where Congressional district redistricting has resulted in two Board members being in the same new district. The bill also increases compensation from \$35 to \$70 per day and provides compensation for certain travel days and the chairperson.

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- H.B. 2131 Certification of Participation Financing -- This bill would expressly provide for the Secretary of Administration to be the centralized authority to arrange for certificate of participation financing for all state agencies.
- H.B. 2132 Educational Building Fund -- This bill is designed to address the recent cash flow problems of the Educational Building Fund. The bill permits the director of accounts and reports to treat anticipated revenues to the Educational Building Fund and Institutional Building Fund on an accrual basis.
- H.B. 2133 Performance Evaluations -- This bill amends civil service statutes relating to performance evaluations and paves the way for timely changes in personnel regulations relating to performance evaluations.

AHG:cm



DEPARTMENT OF ADMINISTRATION
Division of Purchases

JOHN CARLIN,
Governor
NICHOLAS B. ROACH,
Director of Purchases

Room 165-173 N.
State Office Building
Topeka, Kansas 66612-1573
(913) 296-2376

TO: Ways and Means Committee, House of Representatives

FROM: Nicholas B. Roach, Director of Purchases

DATE: February 6, 1985

RE: House Bill No. 2129

Background information relative to the need for this legislation should include that this bill would allow those non-state political subdivisions, as well as not-for-profit, tax exempt units throughout the state to acquire State Surplus Property items only after no State Agency has expressed any interest in the specific items.

The 1984 Legislature added one position to the Division of Purchases staff to analyze the feasibility and basis of establishing a state surplus property program. The position was filled in September, and an on-site review of the State Surplus Property Program in Missouri was conducted. Missouri was chosen because of proximity, as well as the fact that they operate one of the more successful State and Federal Surplus Property operations, utilizing shared facilities.

Historically, 65% of the revenue generated by the Federal Surplus Property Program in Kansas has been from sales to other than state agencies. With state agencies having in essence final right of refusal, the access of the state surplus property to the non-state customers of the Federal Surplus Property Program appears to be an excellent opportunity to assist those entities, and, at the same time, expeditiously liquidate surplus property belonging to the State.

If there is no purchaser of the surplus property from either a state agency, or those eligible units, public auctions or sealed bids will be accomplished (to the best interest of the state), and all property will be disposed of within a suitable timeframe. Missouri disposes of all items declared surplus by one of these means prior to an average of eighteen months possession.

2/6/85

III

DEPARTMENT OF ADMINISTRATION
Division of PurchasesJOHN CARLIN,
Governor
NICHOLAS B. ROACH,
Director of PurchasesRoom 165-173 N.
State Office Building
Topeka, Kansas 66612-1573
(913) 296-2376

TO: Ways and Means Committee, House of Representatives

FROM: Nicholas B. Roach, Director of Purchases *Nick Roach*

DATE: February 6, 1985

RE: House Bill No. 2129

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X-tra

STATE OF KANSAS



DEPARTMENT OF ADMINISTRATION
Division of Personnel Services

JOHN CARLIN,
Governor
NORMAN HANSON,
Director of Personnel Services

State Office Building
Topeka, Kansas 66612-1595

M E M O R A N D U M

DATE: February 6, 1985
TO: House Ways and Means Committee
FROM: Norman Hanson, Director, Division of Personnel Services
RE: Explanation of H.B. 2130

Following is a summary of the changes that H.B. 2130 would make in the Kansas Civil Service Act.

Section 1(a). The words that are stricken are clean-up amendments.

Section 1(b). The change would permit the reappointment of members of the State Civil Service Board in cases where a member resides in the same Congressional district as another member as a result of Congressional redistricting.

Section 1(c). The amendments strike obsolete, inoperative language.

Section 2(b). The changes are clarifications.

Section 2(c). The change would permit the director of personnel services to designate a person to serve as secretary of the State Civil Service Board if the director chooses not to perform this function personally. For a number of years after the Civil Service Act was passed in 1941, the number of appeals to the Board, and the other items of business before the Board, were of a volume that the director could handle the secretary functions for the Board along with his other duties. This is no longer the case. The Board, or Board members serving as hearing examiners, met on 34 days in FY 1984.

(Continued)

2/6/85

A handwritten signature, possibly "H", written in ink.

Section 2(d). This change would increase the per diem compensation the state pays members of the Civil Service Board. The present per diem of \$35 a day for each meeting day was established years ago when the Board met about once a month.

In the past five years, the number of meeting days has doubled - from 17 in FY 1979 to 34 in FY 1984. Thirty four days is the equivalent of a month and a half of full-time employment. And this does not include additional days on which the Board members travel to and from meetings.

The proposed change in Subsection (d) would give the members \$70 per diem for each meeting day, \$35 per diem for travel days to and from meetings (if the travel is on a day other than a meeting day and if the member resides more than 100 miles from the meeting place), and in addition, would authorize payment of \$200 a month to the chairperson, who has to be, and is, available for consultation over the phone with the Board's secretary or attorney three or four times a week or more.

The Department wishes to pay the \$35 per diem for travel days because it has one Board member who spends five hours traveling to a meeting and five hours returning home, and two members who travel three hours to, and three hours from, a meeting. This travel time, plus the increasing number of meeting days, makes service on the Board very time consuming for members in Southern, Central, and Western Kansas.

The Department of Administration estimates that the proposed change in compensation for Board members will cost about \$6,700 more per fiscal year than does the per diem authorized by present law.

FY 1985
KANSAS EDUCATIONAL BUILDING FUND
COMPARISON OF ESTIMATED RESOURCES AND DEMANDS
(000's)

	<u>Post 1984 Session Estimate</u>	<u>Revised Estimate</u>	<u>GBR Estimate</u>
Unencumbered Cash Balance 6/30/84	207	2,428	2,428
Receipts - General Property Tax			
Prior Year Taxes Due	4,598	4,335	4,335
First Payment of 1984 Levy	7,130	6,720	6,720
Receipts - Motor Vehicles Tax	1,278	1,440	1,440
Total Receipts	<u>13,006</u>	<u>12,495</u>	<u>12,495</u>
Total Resources	13,213	14,923	14,923
Expenditures			
Reappropriations	--	2,339	1,445 ¹⁾
New Appropriations	13,117	13,117	12,857 ²⁾
Total Expenditures	<u>13,117</u>	<u>15,456</u>	<u>14,302</u>
Unencumbered Cash Balance 6/10/85	96	(533)	621

- 1) Reflects lapses of \$108,037 and deferral of KEBF expenditures of \$785,841 for major maintenance projects until FY 1986.
- 2) Reflects lapse of \$260,000 from appropriation of \$1,570,000 for construction of classroom, laboratory and office building at Kansas Technical Institute.

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V A

Proposed Year-End Unencumbered Balances
Kansas Educational Building Fund 1)

June 30, 1985	\$621,209
June 30, 1986	968,143
June 30, 1987	503,143
June 30, 1988	499,620
June 30, 1989	500,120
June 30, 1990	500,120

1) Balances assume implementation of five-year capital improvements plan as reflected in Governor's Budget Report.

State of Kansas
 Kansas Educational Building Fund--Forecast of Transactions
 Fiscal Year 1986

Exhibit B

As of 31-Jan-85

Transactions	July	August	September	October	November	December	January	February	March	April	May	June	Total
Resources - beginning period													
Unencumbered Cash	621,109	(6,092,793)	(6,028,293)	(5,213,263)	(5,076,521)	(5,068,022)	(5,068,022)	(2,411,359)	(1,126,289)	56,937	56,937	968,043	
Encumbrances	1,146,951	9,781,604	8,291,995	7,104,878	6,318,636	5,408,913	4,491,211	4,841,506	3,806,572	2,771,638	1,756,704	886,260	
Total Unexpended Cash	1,768,060	3,688,811	2,263,702	1,891,615	1,242,115	340,891	(576,811)	2,430,147	2,680,283	2,828,575	1,813,641	1,854,303	
Add: Revenue#													
Ad Valorem	2,870,208	225,050	796,918	212,004	109,807		3,719,311	1,285,070	991,526		662,106		10,872,000
Motor Vehicle	395,115	35,911	214,572	121,198	95,152		137,352		191,700		249,000		1,440,000
Total Revenue	3,265,323	260,961	1,011,490	333,202	204,959	0	3,856,663	1,285,070	1,183,226	0	911,106	0	12,312,000
Total Cash Available	5,033,383	3,949,772	3,275,192	2,224,817	1,447,074	340,891	3,279,852	3,715,217	3,863,509	2,828,575	2,724,747	1,854,303	
Projected Expenditures													
Misc. Enc. 7-1-85		11,318	11,317	11,317	11,317	11,317	6,187						62,773
Est. Expenditures Reappropriations		141,453	141,451	141,451	141,451	141,451	78,584						785,841
FY 1984 Construction Projects:													
682-02-55 E. B. Allen Hospital Phase III	274,739												274,739
FY 1985 Construction Projects:													
367-74 Chem/Biochem Bldg		138,481			138,481								276,962
385-92 Yates Roof Replacement	45,500	45,500	46,000	15,000									152,000
68201-61 Science Library PrePlan	35,377												35,377
715-81 Ablah Library	172,500	172,500											345,000
FY 1986 Construction Projects:													
246- Martin Allen Hall Renov		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	26,910	42,990	429,900
367- Nichols Gym Equip		147,500	147,500										295,000
367- Greenhouses Const.	97,400	97,400	97,400	97,400	97,400	97,400	97,400	97,400	97,400	97,400			974,000
367- Chem/Biochem								270,000	270,000	270,000	270,000	120,000	1,200,000
367- Weber Hall	166,000	166,000	174,000	166,000	166,000	166,000	166,000	166,000	166,000	166,000	132,000	200,000	2,000,000
379- Plumb Hall Life Safety	50,000	50,000	50,000	50,000	50,000	50,000							250,000
653- Telephone System		20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000				160,000
68201- Haworth Hall Add.	212,875	212,875	212,875										638,625
68201- Const/Equip Science Lib	53,181	53,190	53,181	53,181	53,181	53,181	53,181	53,181	53,181	53,181	53,181	65,000	650,000
68201- Renovate Snow Hall		16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	18,000	180,000
68202- Applegate Energy Ctr.		106,200	106,200	106,200	106,200	106,200	106,200	106,200	106,200	106,200	106,200	118,000	1,180,000
715- Ablah Library	237,000	238,500	238,500	237,000	237,000	237,000	237,000	237,000	237,000	237,000	237,000	290,000	2,900,000
715- Remodel College of Business		28,953	28,953	28,953	28,953	28,953	28,953	28,953	28,953	28,953	28,953	32,170	321,700
Total Expenditures	1,344,572	1,686,070	1,383,577	982,702	1,106,183	917,702	849,705	1,034,934	1,034,934	1,014,934	870,444	886,160	13,111,917
Projected Unexpended Cash Balance	3,688,811	2,263,702	1,891,615	1,242,115	340,891	(576,811)	2,430,147	2,680,283	2,828,575	1,813,641	1,854,303	968,143	
Encumbrances													
Encumbrance - beg. period	1,146,951	9,781,604	8,291,995	7,104,878	6,318,636	5,408,913	4,491,211	4,841,506	3,806,572	2,771,638	1,756,704	886,260	
Add: New Encumbrances													
Est. Enc/Expend Misc Reapprop		196,461	196,460	196,460	196,460								785,841
FY 1986 Construction Projects:													
246- Martin Allen Hall Renov	429,900												429,900
367- Nichols Gym Equip.	295,000												295,000
367-77 Greenhouses Const.	974,000												974,000
367- Chem/Biochem								1,200,000					1,200,000
367- Weber Hall	2,000,000												2,000,000
379- Plumb Hall Life Safety	250,000												250,000

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653-	Telephone System	160,000													160,000
68201-	Haworth Hall Add.	638,625													638,625
68201-	Const/Equip Science Lib	650,000													650,000
68201-	Renovate Snow Hall	180,000													180,000
68202-	Applegate Energy Ctr.	1,180,000													1,180,000
715-	Ablah Library	2,900,000													2,900,000
715-	Remodel College of Busines	321,700													321,700

	Total New Encumbrances	9,979,225	196,461	196,460	196,460	196,460	0	1,200,000	0	0	0	0	0	0	11,965,066
	Deduct: Payments	1,344,572	1,686,070	1,383,577	982,702	1,106,183	917,702	849,705	1,034,934	1,034,934	1,014,934	870,444	886,160	886,160	13,111,917
	Encumbrance cancellations												100	100	

	Encumbrances - end period	9,781,604	8,291,995	7,104,878	6,318,636	5,408,913	4,491,211	4,841,506	3,806,572	2,771,638	1,756,704	886,260	0	0	
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	Unencumbered Cash Balance	(6,092,793)	(6,028,293)	(5,213,263)	(5,076,521)	(5,068,022)	(5,068,022)	(2,411,359)	(1,126,289)	56,937	56,937	968,043	968,143		
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	Appropriation Lapses													100	100
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	Unencumbered Balance of Appropriations	1,985,841	1,789,380	1,592,920	1,396,460	1,200,000	1,200,000	0	0	0	0	0	0	0	0
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Ad Valorem and Motor Vehicle tax collections are required by statute to be remitted by the counties on March 5, May 20, July 20, September 5, October 31 and January 20 of each year.

367-77 Greenhouses Const.	974,000													974,000
367- Chem/Biochem							1,200,000							1,200,000
367- Weber Hall	2,000,000													2,000,000
379- Plumb Hall Life Safety	250,000													250,000
653- Telephone System	160,000													160,000
68201- Haworth Hall Add.	638,625													638,625
68201- Const/Equip Science Lib	650,000													650,000
68201- Renovate Snow Hall	180,000													180,000
68202- Applegate Energy Ctr.	1,180,000													1,180,000
715- Ablah Library	2,900,000													2,900,000
715- Remodel College of Busines	321,700													321,700

Total New Encumbrances	9,979,225	196,461	196,460	196,460	196,460	0	1,200,000	0	0	0	0	0	0	11,965,066
Deduct: Payments	1,344,572	1,686,070	1,383,577	982,702	1,106,183	917,702	849,705	1,034,934	1,034,934	1,014,934	870,444	886,160	13,111,917	
Encumbrance cancellations												100	100	

Encumbrances - end period	9,781,604	8,291,995	7,104,878	6,318,636	5,408,913	4,491,211	4,841,506	3,806,572	2,771,638	1,756,704	886,260	0		
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Unencumbered Cash Balance	(4,707,001)	(4,867,551)	(4,849,439)	(4,924,701)	1,813,991	1,813,991	751,343	751,343	943,043	943,043	1,192,043	968,143		
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Appropriation Lapses													100	100
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Unencumbered Balance of Appropriations	1,985,841	1,789,380	1,592,920	1,396,460	1,200,000	1,200,000	0	0	0	0	0	0		
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Ad Valorem and Motor Vehicle tax collections are required by statute to be remitted by the counties on March 5, May 20, July 20, September 5, October 31 and January 20 of each year.

STATE OF KANSAS
DEPARTMENT OF ADMINISTRATION
JOHN CARLIN, Governor
PATRICK J. HURLEY, Secretary of Administration
Room 263-E, Capitol Building
(913) 296-3011

MEMORANDUM

TO: House Ways and Means Committee

FROM: Arthur H. Griggs, Chief Attorney

DATE: February 5, 1985

SUBJECT: Information on Certificate of Participation Financing

In October 1984, the Department of Administration refinanced various installment purchase agreements for computing equipment under the control of the Division of Information Systems and Communications. The contract was entered into pursuant to 1984 S.B. 725 (L. 1984, Ch. 308) which permits the use of a financial services negotiating committee to arrange for financial services. This was the first time that a Kansas state agency had utilized a certificate of participation financing arrangement. The refinancing resulted in a reduced interest expense savings to DISC of approximately \$190,000.

General Description of Certificate Financing

An investor that buys a certificate of participation is, in effect, buying a part of a state agency's equipment lease/purchase contract (installment purchase contract) and receives a portion of the State's payments. The attraction of certificates to investors is that the interest portion of the State's payments are exempt from federal income taxation. Under federal tax laws, an equipment lease/purchase obligation is given basically the same type of tax treatment as a bond issued by a state or municipality. The principal difference between a bond and a certificate of participation is that the former, unlike a certificate of participation, does not have a provision that permits the agreement to be terminated without penalty if the Legislature fails to appropriate funds in a future fiscal year in an amount sufficient to make the scheduled payments. When certificates are sold to investors, the proceeds are held by a trustee bank. The trustee pays the equipment vendors, receives the State's periodic payments and pays the certificate holders.

2/6/85

VI

Details of DISC Refinancing

In order to solicit refinancing proposals from bidders for the DISC refinancing, the Department of Administration first obtained from the vendors of the existing equipment (IBM, Telex and Sperry) the October 1, 1984 purchase option prices on equipment DISC was buying under installment purchase agreements. Many state installment purchase contracts contain this purchase option feature whereby the state agency, rather than continuing to make periodic payments for the duration of the installment purchase contract (generally 36 to 84 months), can elect to outright purchase the equipment at specified prices during the duration of the agreement. Utilizing this purchase option price and the current monthly payment level and number of months remaining on the existing obligations, the Department identified items of equipment that appeared to have a good potential for savings if refinanced. The winning bidder's interest rate was 8.5%. The total of the purchase option prices for the equipment that was refinanced was \$1,660,314; this amount was paid to IBM, Telex and Sperry from the funds raised by the sale of certificates of participation. If the Department had continued to pay the installments to the three vendors rather than refinancing, the total amount paid from October 1984 through the duration of the installment purchase contracts would have been \$2,155,542 versus \$1,964,400 which will be paid out under the refinancing.

Reasons for the Savings

Three primary factors contributed to the reduced interest expense obtained by the DISC refinancing. First, interest earnings on the funds held by the trustee bank helped lower the State's interest cost to 8.5%. Certificates of participation were sold in an amount approximately 15% more than necessary to pay the purchase option price of the equipment to the original vendors. This additional amount was placed in a reserve fund held by a trustee bank. The reserve fund is a comfort to purchasers of the certificates because the reserve fund can be used to make lease payments if the lessee is late in making payment. The reserve fund is an advantage to the State because the interest earnings go to reduce the State's interest expense. In the DISC refinancing, the reserve fund was invested in a U.S. Treasury obligation yielding 11 3/4% which matures at approximately the time

the new lease is paid out. Thus, the difference between the State's 8.5% interest expense rate and the reserve funds interest earnings lowers the overall interest expense. Similarly, the State realized interest earnings by the fact that the purchasers of the certificates are paid annually while the lease payments are made monthly. The monthly payments, from the time the trustee receives them from the State and until they are paid to the certificate holders, are earning 9.75% which inures to the State's benefit.

The other two factors that contributed to the lower interest expense of the DISC refinancing were:

- (1) a shorter payment schedule -- over three-fourths of the dollar volume of the equipment was changed from a remaining payment period of 60 months or more, to a 48-month payment schedule; and
- (2) larger monthly payments -- DISC's monthly payment was increased from \$33,985 to \$40,925.

Summary

This pilot project for certificates of participation financing has demonstrated that such financing can significantly reduce the State's interest expense. While the DISC transaction involved only refinancing of existing equipment, the lower interest expense derived from certificate of participation financing also can be used for new equipment procurements. The Department of Administration is currently gathering data for a new certificate of participation financing this spring which will be available for both refinancing of existing equipment and new equipment procurements. Although the size of the next certificate financing will not be established until further data is obtained from state agencies, the amount could be in the range of \$15 to \$25 million or more.

Because of the relative newness of this type of financing in Kansas and the importance the Ways and Means Committees will play in this type of financing, the Department of Administration has not proceeded with a second certificate of participation financing until having an opportunity to discuss this project with the House and Senate Ways and Means Committees.

DEPARTMENT OF ADMINISTRATION
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M E M O R A N D U M

TO: All State Agencies

FROM: Marvin A. Harder
Secretary of Administration *M.A. Harder*

DATE: January 17, 1985

RE: Installment Purchases of Equipment

The Department of Administration is continuing its efforts to provide state agencies a lower interest rate for installment purchase (lease/purchase) contracts for equipment. This lower interest rate is attainable by the use of Certificate of Participation financing.

Using this method of financing, in October of 1984 the Department obtained an 8.5% interest rate for the refinancing of various data processing equipment. This contrasts with IBM's current rate of approximately 10%, and higher interest rates charged by some equipment vendors and third-party leasing companies. This financing method can be used either to refinance existing equipment contracts at a lower rate, or for obtaining new equipment at a more favorable interest rate than equipment vendors or third-party leasing companies may offer.

By combining the financing needs of state agencies into one certificate financing, the potential for obtaining the best possible interest rate is maximized. In order to accomplish this, the assistance of all agencies involved with installment purchase contracts is needed. It is hoped that by July 1985, the next certificate financing can be in place. However, in order to structure this financing, we will first need to obtain from interested agencies the following information.

For new equipment:

- 1) the estimated purchase price;
- 2) estimated number of months of payments; and
- 3) approximate monthly payment you feel your budget will permit.

A form is attached which may be used to provide the above information for any new equipment your agency may acquire between now and June 30, 1986, which you plan to pay for over a period of 24 months or more.

For existing equipment that is currently on an installment purchase or lease/purchase agreement, the following information is needed if the equipment has a monthly payment of at least \$100 and the existing contract will carry-over into fiscal year 1987:

- 1) number of payments remaining (specify if monthly, annual, etc.);
- 2) size of each payment; and
- 3) the purchase option price as of July 1, 1985.

If the existing contract does not have an attached schedule of the purchase option price for different time periods, you may need to obtain the purchase option price by contacting the current vendor or leasing company.

Many agencies that supplied information on existing equipment in response to the September 19 memo from the Director of Purchases did not provide the purchase option price (prepayment schedule). If your agency has not supplied this piece of data, we ask that you obtain the purchase option price for a July 1, 1985 payment date.

To provide the requested information, a form to be used for new equipment and a form to be used for existing equipment are attached. Please feel free to provide them in several submissions as you obtain the data for various equipment. While it is hoped that the information can be provided by February 28, you may submit the information after that date. The completed forms and any questions relating to this project, should be sent to:

Division of Purchases
State Office Building, Room 165-N
Topeka, Kansas 66612

Attention: Gerald Merryman
296-2376
KANSAN 561-2376

NEW EQUIPMENT
(To be acquired by end of FY 1986)

State Agency

Name & Phone No. of
Contact Person

Equipment Description	Estimated Purchase Price	Estimated # of Months of Payments	Approximate Amount Budgeted Per Monthly Payment

EXISTING EQUIPMENT

State Agency

Name & Phone Number
of Contact Person

General Description of Equipment	Number of Payments Remaining	Current Monthly Payment (specify if payment is other than monthly)	Purchase Option Price as of July 1, 1985

REPORTS OF STANDING COMMITTEES

Your committee on Ways and Means

Recommends that HB 2127

"AN Act concerning the payment of tuition and other educational expenses of certain personnel of state agencies; amending K.S.A. 75-5519 and repealing the existing section.

be passed.

Bill Hunter Chairman.

REPORTS OF STANDING COMMITTEES

Your committee on Ways and Means

Recommends that HB 2129

"AN ACT establishing a state surplus property program; prescribing powers, duties and functions relating thereto; disposition of revenues.

be passed.

Bill Auster Chairman.

REPORTS OF STANDING COMMITTEES

Your committee on Ways and Means

Recommends that HB 2130

"AN ACT relating to the state civil service board; concerning qualifications and compensation of members; amending K.S.A. 75-2929a and 75-2929b and repealing the existing sections.

be passed.

Bill Austin Chairman.