

Approved \_\_\_\_\_

3-26-87

Date

MINUTES OF THE House COMMITTEE ON Appropriations

The meeting was called to order by Bill Buntten at \_\_\_\_\_  
Chairperson

1:30 ~~am~~/p.m. on Wednesday, March 18, 1987 in room 514-S of the Capitol.

All members were present except: Representatives Duncan, Shriver, Goossen, Hoy, Helgerson, Turnquist - all excused

Committee staff present: Gloria Timmer, Research  
Scott Rothe, Research  
Jim Wilson, Revisors Office  
Sharon Schwartz, Administrative Aide  
Nadine Young, Committee Secretary

Conferees appearing before the committee:  
Representative Williams  
Ted Ayres, General Counsel, Board of Regents  
Dick Mann, University of Kansas  
Gary Sherrer, 4th Financial Corporation  
Dr. Ed Flentje, Secretary of Department of Administration  
Guest List (Attachment 1)

HB 2558 - relating to financing of state capital improvements.

Dr. Flentje addressed the committee and explained the provisions of the bill (Attachment 2). He said that state government's planning, management and financing of capital improvements leave room for improvement and passage of this bill would grant the Department of Administration more authority in this area. It would establish a "pay as you use" policy in financing capital requirements. In summation, the bill identifies alternatives for financing methods.

Chairman moved to HB 2500 - concerning reduction of salaries of state officers and employees; relating to effect on retirement benefits thereof.

Representative Williams reviewed for the committee the provisions of the bill. The bill was first heard in Pensions, Investments and Benefits Committee where it was amended to add clarification language pertaining to effective date of eligibility. Fiscal note is approximately \$2,126.

Art Griggs, Assistant Secretary of Department of Administration submitted a proposed amendment (Attachment 3), Representative Wisdom moved for adoption of the amendment, seconded by Representative Ott. The motion carried.

Representative Wisdom then moved that HB 2500, as amended, be recommended favorable for passage. Seconded by Representative Ott. Motion carried.

Turning back to HB 2558, chairman entertained a motion for action on the bill. Representative Chronister moved to amend the bill by striking language, "it allows for state Finance Council as an alternate means of approval". It was seconded by Representative Teagarden. The motion carried.

Representative Heinemann asked if there would be any consideration given to involving the Joint State Building Committee. Chairman suggested this amendment be proposed on the floor. Representative Buntten moved that HB 2558 as amended be recommended favorable for passage. Seconded by Representative Turnquist. Motion carried.

HB 2411 - concerning retirement benefits for officers and employees of the state Board of Regents and institutions thereunder.

Representative Williams explained the bill and provided written testimony (Attachment 4).

Ted Ayres, Kansas Board of Regents, testified in support of the bill (see Attachment 5). The Board has asked for a revision to allow the institutions

CONTINUATION SHEET

MINUTES OF THE House COMMITTEE ON Appropriations,  
room 514-S, Statehouse, at 1:30 ~~am~~ p.m. on Wednesday, March 18, 19 87

flexibility to hire top quality people. The Board also has proposed that the 2-year waiting period be reduced to one year. Mr. Ayres said, "we endorse the amendment by the committee on P,I&B, we think this is an incentive and it is no cost to the state".

Dick Mann, University of Kansas, endorsed the proposals made by Ted Ayres and Representative Williams. He said that for those people hired who are already in a vested program, the rule should be to permit immediate participation. In order to maintain a competitive edge, it is important to be able to offer a good retirement program.

HB 2498 - relating to public moneys; concerning affilitate banks.

Gary Sherrer of 4th Financial Corporation asked the committee's support of the bill which has no fiscal impact. The bill was amended by Committee on P,I&B. Representative Fuller moved that HB 2498 be recommended favorable for passage. Representative Mainey seconded. Motion carried.

Chairman turned to final action on HB 2557, 2559 and 2556 which were heard in committee on 3-17-87.

Representative Heinemann moved that HB 2557 be recommended favorable for passage. Seconded by Representative Chronister. Motion carried.

Representative Heinemann moved that HB 2559, as amended by Representative Vancrum, be recommended favorable for passage. Seconded by Representative Fuller. Motion carried.

Representative Ott moved that HB 2556 be recommended favorable for passage. Representative Wisdom seconded. Discussion followed and Representatives Brady and Vancrum expressed concerns about the bill. Chairman Bunten announced that a vote would not be taken today and the bill would be taken up later. Representative Mainey suggested that Jim Wilson report back on the other decisions that were made by the Economic Development committee.

Meeting adjourned at 2:30 p.m.

GUESTS

Date 3-18-87

Name	Address	Representing
Robert W. Peterson	Box 4 Wichita, KS	Bank IV
GARY SHERRER	Box 4 Wichita	Fourth Financial Corp.
C.D. Schwab	700 Jackson	" " "
Mauri Trickett	611 Row	IBM
Tom Lynch	Topeka	Do Admin
John House	Topeka	SRS
Paul Spencer	Topeka	SRS
Ken Coles	Topeka	K-NEA
Dick Mann	223 Strong Hill	KU
TED D. AYRES	TOPEKA	KS, BOARD OF REGENTS
Marlene Kern	Lawrence	KU
Allen Bell	Topeka	DOA
Peggy Johnson	Topeka	SRS
Cheri Dodson	Topeka	KAPPE
Jackie Ulrich	Emporia	Intern

Statement on House Bill No. 2558  
House Committee on Appropriations  
H. Edward Flentje  
March 18, 1987

Kansas state government has major policy commitments and long-term financial obligations to its capital infrastructure. The current value of capital stock owned by state government could run as high as \$3 to \$4 billion or more. State government spends annually over \$300 million on capital improvements, debt service, and capital equipment. Outstanding debt used to underwrite capital assets ranges to \$400 million and more.

State policy makers will be facing an increasing array of demands for capital improvements needed for the delivery of state services. A partial list would include:

1. new correctional facilities;
2. a new hospital wing at Larned State Hospital;
3. community facilities for the mentally retarded;
4. implementation of the state water plan and the basin plans;
5. office facilities in Shawnee County and in regional locations;
6. state's share of national guard armories;
7. preventive maintenance of existing state facilities;
8. wildlife and park improvements.

The availability of federal assistance to underwrite these improvements is on the decline.

Given the magnitude of our capital infrastructure, its importance to the delivery of state services, and growing demands for capital improvements, the manner in which state government plans, manages, and finances capital assets has serious shortcomings. For example, we lack adequate information, such as consistent reporting on capital leases, the value and depreciation of capital assets, and the long-term obligations of state government, which would form the foundation for improved planning of capital improvements. Many agencies with debt-financing authority lack expertise in the execution of that authority. Other agencies facing substantial capital requirements, such as those in corrections, office facilities, or social services, lack authority to finance those improvements. Cash flow from building funds is often not managed in ways that will facilitate capital construction and at the same time meet state obligations. In sum, state government's planning, management, and financing of capital improvements leave room for improvement.

We are taking steps to improve this situation in areas in which we have authority to do so, for example,

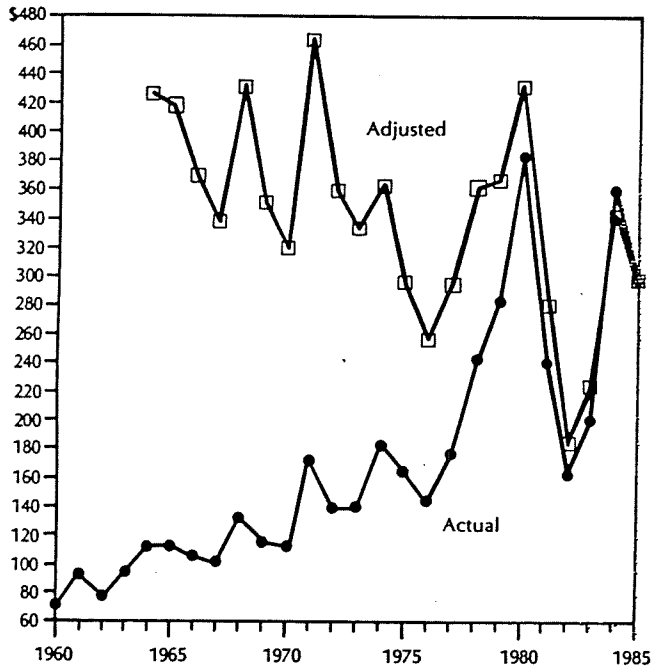
in improving the quality of information, in managing funds, and in developing expertise.

One area in which we lack authority is in financing capital improvements, and House Bill 2558 is intended to address this situation. House Bill 2558 authorizes the secretary of administration to coordinate financial planning of capital improvements and to finance capital improvements subject to approval by the legislature or the state finance council.

House Bill 2558 would make two changes in existing policy: first, it would assign the secretary of administration authority for coordinating financial planning of capital improvements; and second, it would establish legislative intent that a "pay as you use" policy should be available as an alternative for financing correctional facilities, office facilities, or other capital requirements. In other words, as a financing option, those capital requirements could be financed over the life of the improvement.

Source: Kansas Policy Choices, pp. 129-131.

Figure 4.1  
Capital Improvement Expenditures from All Funds,  
Actual and Adjusted Dollars, 1960-85 (in millions)



Source: *Governor's Budget Report, FY 1962-FY 1987.*  
Note: In adjusted dollars, 1985 = 100.

Figure 4.2  
Capital Improvement Expenditures as a Percentage  
of State Expenditures from All Funds, 1960-85

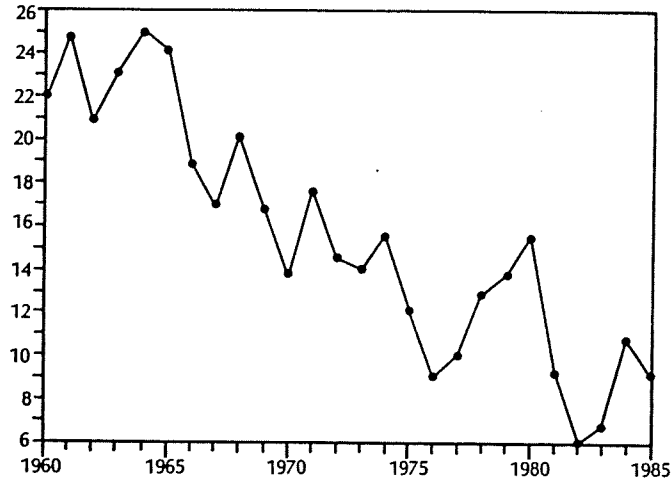
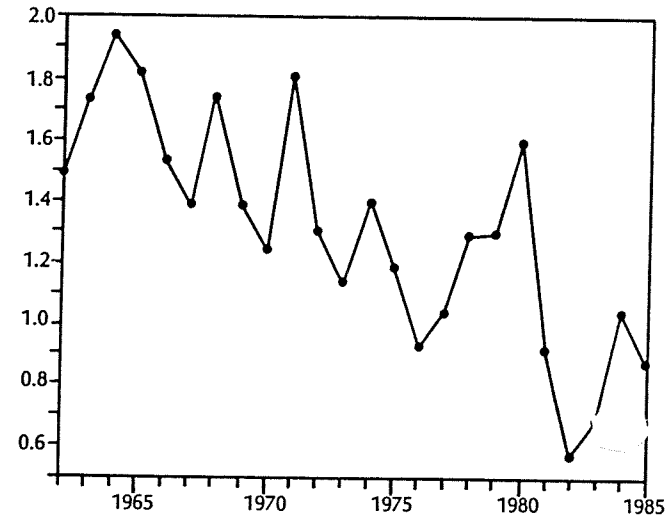


Figure 4.3  
Capital Improvement Expenditures from All Funds as a  
Percentage of Kansas Personal Income, 1962-85



**HOUSE BILL No. 2500**

By Committee on Pensions, Investments and Benefits

2-25

0018 AN ACT concerning reduction of salaries of state officers and  
0019 employees; relating to effect on retirement benefits thereof.

0020 *Be it enacted by the Legislature of the State of Kansas:*

0021 Section 1. (a) ~~Any amount by which the salary of any officer~~  
0022 or employee of the state is reduced pursuant to law or ~~any~~  
0023 ~~amount by which~~ such officer or employee voluntarily agrees to

0024 reduce such officer or employee's salary for the period com-  
0025 mencing on January 1, 1987, and ending on June 30, 1987, shall  
0026 continue to be included as compensation for all purposes of  
0027 computing retirement and pension benefits and death and dis-  
0028 ability benefits as provided in article 26 of chapter 20 and article  
0029 49 of chapter 74 of the Kansas Statutes Annotated earned by such  
0030 salaried officer or employee as provided by the Kansas public  
0031 employees retirement system, the Kansas police and firemen's  
0032 retirement system and the retirement system for judges.

0033 (b) The provisions of subsection (a) shall not be applicable to  
0034 salary reductions attributable to: (1) Voluntary demotions of  
0035 employees in the classified service; (2) deferred compensation  
0036 pursuant to the plan authorized by K.S.A. 75-5523 and amend-  
0037 ments thereto; or (3) to salary reductions attributable to the  
0038 cafeteria plan authorized by K.S.A. 1986 Supp. 75-6512 and  
0039 amendments thereto.

0040 (c) For the purposes of this section, "officer" and "em-  
0041 ployee" means any officer or employee of the state, any member  
0042 of the legislature or any employee of an institution under the  
0043 supervision of the board of regents.

0044 Sec. 2. This act shall take effect and be in force from and  
0045 after its publication in the statute book.

When the rate of compensation for

when

rate of compensation

the amount of salary which would have been paid  
if the rate of compensation had not been reduced

Subject to the approval of the secretary of  
administration, the director of accounts and  
reports shall prescribe procedures for the  
payment and remittance of employer and employee  
contributions by the state agency employing such  
employees.

Attachment 3  
House Appropriations 3/18/87



Remarks of Rep. Vern Williams Before  
House Appropriations Committee  
In Support of HB 2411, As Amended

Wednesday, March 18, 1987  
---1:30 p.m., Room 514 S.---

HB 2411 was introduced in response to a Performance Audit Report of the Legislative Post Audit Committee, conducted last November, with respect to entry into retirement annuity plans at the Regents' institutions.

Normally, there is a two-year waiting period before becoming eligible to enter the Regents' annuity retirement plan. However, if an employee has a valid retirement contract with one of four accepted companies when employment begins or if the employee has worked for two years of the last five years for an employer covered by KPERS, he or she is immediately eligible to enter the Regents' annuity retirement plan.

The auditors discovered that in their interpretation of statutory requirements

practices for determining eligibility varied widely between schools and were inconsistently applied from time to time at the same school.

Some employees were advised to obtain a contract number before starting to work (often the day before) thus becoming immediately eligible. Other employees did not have this same knowledge, and were required to wait two years before becoming eligible.

The auditors found that most Regents' schools counted an employee's prior service if it was at least half-time and in a permanent position. This is consistent with KPERS requirements. The KU Med Center counted all prior service including either student employment or less-than-half-time. A Ft. Hays official, on the other hand, said his understanding was that only prior service at a Regents' school could be counted.

The auditors concluded that failure to

meet legislative intent cost the General Fund an estimated \$250,000 annually.

A more obvious conclusion is that, because the schools have different practices concerning entrance into retirement annuity plans, new employees are not being treated with policies that are uniform and consistent. HB 2411 attempts to clarify legislative intent and to treat new employees equitably.

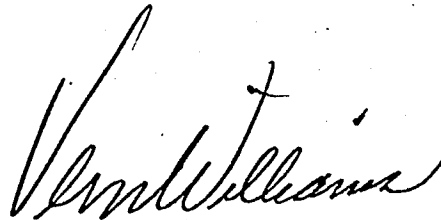
HB 2411 (lines 39 through 48) removes any uncertainty by requiring that:

1. A new employee must have been covered by a valid retirement annuity contract to which contribution had been made, either by the employee or his employer, for at least one year prior to employment by the school. This puts everyone on the same footing and prevents someone becoming eligible simply by applying for an annuity contract immediately before employment.

2. All periods of prior employment occurred when such person was in employment where he either participated or was eligible to participate in KPERS including time spent in fulfilling KPERS' one year waiting period. This effectively eliminates student or part-time employment.

Also at the request of the Board of Regents, provision was added (lines 56 through 63) to allow voluntary employee participation in a tax sheltered annuity offered through the university.

The Board of Regents' have made some suggestions which are incorporated in the bill as amended by the House Pensions Committee. I have discussed with Ted Ayres, General Counsel, some additional revisions which, I believe, he will be presenting to you today. Except for a possible negative fiscal note, the size of which I do not know, I have no quarrel with the additional changes.



Rep. Vern Williams (R)-Wichita

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

ROOM 545-N -- STATEHOUSE

Phone 296-3181

March 18, 1987

TO: Representative Vernon Williams

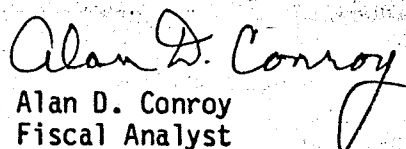
Office No. 431-N

RE: Fringe Benefits on Reduced Salaries

You had requested the potential fiscal impact for the state to pay the full cost of maintaining pension, retirement, death, or disability benefit levels on state employees who have voluntarily reduced their salaries by 3.8 percent. The pension or retirement plans include KPERS for state employees and TIAA-CREF for Regents' employees.

The estimated total cost to the state, assuming a January 18, 1987 effective date, would be \$2,126. This assumes the state would pay the employee's share on the amount of reduction only for retirement, pension, death, and disability benefits. Based on information supplied by the Department of Administration the cost to maintain the benefit level for regular state employees would be approximately \$1,200. The cost to maintain the benefit level for the presidents, chancellor, and two individuals in the Board of Regents' office would be \$926.

I hope this information is helpful to you. If I may provide additional assistance, please let me know.

  
Alan D. Conroy  
Fiscal Analyst

ADC/pb

TESTIMONY  
ON HOUSE BILL 2411

Ted D. Ayres  
Kansas Board of Regents  
March 18, 1987

I am here to testify in support of House Bill 2411. The Board of Regents supports an amendment of the existing retirement statute for two reasons: (i) to clarify the eligibility requirements for the Regents retirement plan, and (ii) to provide the Regents institutions with more flexibility in recruiting and hiring top quality people.

In reference to the bill before you, I would like to propose two revisions. In line 0034, I would suggest changing the waiting period from two years to one year. This would be consistent with the waiting period imposed for participants in the KPERS plan. This would provide greater incentive/flexibility with reference to hiring. It is also a fair and reasonable waiting period.

In reference to lines 0034-0041, I would propose the following revision:

" . . . if at the time of the commencement of employment the person has a vested interest in a valid retirement program resulting from full-time employment or is covered by a valid retirement annuity contract issued by a company described in subsection (2) to which such person or such person's employer on such person's behalf has been making contributions for at least one year . . . ."

These revisions would serve to provide our institutions with the flexibility to hire an experienced individual who did not hold an annuity from one of the four existing plans now available to employees at our institutions.

I have discussed these revisions with Representative Williams and I believe I can tell you that he supports the objectives of these suggested revisions.