

Approved: 5-18-92
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson George Teagarden at 1:40 p.m. on April 29, 1992 in room 514-S of the Capitol.

All members were present except: Representative Adam. (Excused).

Committee staff present: Ellen Piekalkiewicz, Legislative Research Department
Debra Duncan, Legislative Research Department
Jim Wilson, Revisor of Statutes
Sue Krische, Administrative Aide
Rose Baker, Committee Secretary

Conferees appearing before the committee:

Gloria Timmer, Director of Budget
Bill Caton, President, KDFA
Dale Anderson, General Manager, KTWU
Zoel Parenteau, KPTS, Wichita

Others attending: See attached list

HB 3207 - Capital improvements for higher education institutions.

Gloria Timmer, Director of Budget, briefly explained HB 3207. This bill would appropriate funding for certain capital improvement projects for the University of Kansas, Fort Hays State University, Pittsburg State University, and Kansas State University. The Governor recommended funding for the capital improvement projects from the retroactive disproportionate share dollars for FY92 and FY93. Director Timmer responded to questions from Representative Patrick regarding the funding for Farrell Library. Director Timmer stated that the state's portion is \$18 million, the student fees portion is \$5 million, and bonds and gifts portion is \$5 million.

Director Timmer stated that payments of the disproportionate share funds for the capital improvement projects are to be received quarterly and paid in full by December 1993. When these payments are received, they are placed in the SRS fee fund.

HB 3208 - State budget stabilization fund.

Gloria Timmer, Director of Budget, presented testimony in support of HB 3208. (Attachment 1). In answer to questions, Director Timmer stated that a budget stabilization fund would assure that the SGF remains solvent in the event of unanticipated reductions in revenues. This fund would be established with a \$75 million disproportionate share dollars transfer in FY93 and all interest earned would be transferred to the State Housing Trust Fund. Director Timmer stated that determination of funding the on-going costs on a year by year basis would be determined by the legislature.

In an answer to a question from Representative Patrick, Director Timmer stated that, by law, this bill cannot exceed a balance of \$75 million. Representative Vancrum suggested a provision to restrict the expenditures applied to this bill. Representative Patrick expressed concern regarding the ending balance and recommended a proviso to tighten up this bill and require a balance on hand.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, room 514-S Statehouse, at 1:40 p.m. on April 29, 1992.

SB 766 - Kansas development finance authority authorized to issue bonds for capital equipment purchases by public television and radio stations.

Bill Caton, President, KDFA, presented testimony in support of SB 766. (Attachment 2). Mr. Caton briefly explained SB 766. He stated that state match money is required in order for stations to qualify for federal grants from the U.S. Department of Commerce for the purchase of certain types of equipment. Without some type of appropriation, the needed bonds would be difficult to sell. Mr. Caton stated that there is approximately a \$2,735,000 need and the breakdown would be \$1,367,000 federal grant and a \$1,367,000 state match with an annual payment of \$295,000 for seven years. The total cost of the issuance will be \$1,759,000.

Dale Anderson, General Manager, KTWU, presented testimony in support of SB 766 (Attachment 3).

Zoel Parenteau, KPTS, Wichita, presented testimony in favor of SB 766 (Attachment 4).

Meeting adjourned at 2:30 p.m. The next scheduled meeting will be April 30, 1992 at 1:00 p.m.

STATE OF KANSAS



DIVISION OF THE BUDGET

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JOAN FINNEY, GOVERNOR
GLORIA M. TIMMER, Director

M E M O R A N D U M

TO: House Committee on Appropriations
FROM: *Gloria Timmer*, Director of the Budget
DATE: April 29, 1992
SUBJECT: Budget Stabilization Fund

This testimony on HB 3208 will provide an explanation of budget stabilization funds, rationale for the establishment of a fund in Kansas and a brief explanation of the provisions of HB 3208.

Budget stabilization funds, in general, are constitutionally or statutorily mandated funds established to protect the solvency of the overall state operating or general fund. These funds usually are not established to assure positive cashflow for operating or general funds but to provide a means to comply with balanced budget requirements in the event of unanticipated declines in revenue receipts. A balanced budget is required in all but one state. Commonalities among the various stabilization funds implemented by other states is an established mechanism to fund the reserve account initially, restrictions on how the reserve can be used for expenditures and mechanisms to re-establish the reserve account at the authorized level after expenditure from the fund.

According to the National Association of State Budget Officers, 34 states have some form of a budget stabilization or "rainy day" fund. Kansas is not included in this list as our current law providing for the State Cash Operating Reserve Fund has no provisions to restrict expenditures or transfers from the fund to cover revenue shortfalls. Approximately ten states have used the balance of their budget stabilization fund in FY 1992 to offset declines in general receipts as a result of the lingering recession.

HA
4-29-92
Attachment 1

When reviewing general receipt data from other states and the performance of the Consensus Revenue Estimating Group, it becomes apparent that a budget stabilization fund for the state of Kansas would be a prudent method to reduce the necessity for current year budget rescissions and assure that the State General Fund remains solvent in the event of unanticipated reductions in revenues.

The following table details the percent reductions of State General Fund revenue receipts as compared to the current estimate. This is based on data provided in the January 1992 issue of *State Policy Reports*.

<u>State</u>	<u>Percent Shortfall</u>	<u>State</u>	<u>Percent Shortfall</u>
Maryland	8.5%	Connecticut	3.4%
Montana	8.5	Kentucky	3.4
New Hampshire	8.4	Arizona	3.0
Maine	6.7	Nevada	3.0
Florida	5.6	Ohio	2.9
Georgia	5.1	Michigan	2.3
Rhode Island	4.4	Illinois	2.0
Arkansas	4.3	Tennessee	2.0
California	4.1	New York	1.7
S. Carolina	4.1	New Jersey	1.6
Washington	4.0	Mississippi	0.7
Virginia	3.7	New Mexico	0.6
Minnesota	3.5	Indiana	0.5

As a means of providing perspective, a decrease in revenue of 2.0 percent from the current FY 1993 consensus revenue estimate would result in a shortfall of slightly over \$50.0 million. The performance of the Consensus Group for the original estimate has ranged from errors of a positive 11.0 percent to shortfalls of 14.7 percent. The average margin of error has been 4.3 percent when the outlying data are omitted.

Implementation of a budget stabilization fund and process, given the above data, would appear to be prudent. Establishing such a process provides both the Governor and the Legislature an option to offset reductions in anticipated receipts in addition to the current option of mid or current year recessions. Mid-year rescissions tend to destabilize state government, as they require service reductions, expenditure postponements and payment schedule adjustments.

HB 3208 creates a State Budget Stabilization Fund for the state of Kansas. Monies in the fund would be used to replenish the State General Fund in the case of specified revenue shortfalls.

The act allows for the transfer of monies from the State Budget Stabilization Fund to the State General Fund. The transfer would be made when the Director of the Budget certifies that the joint estimate of revenue to the State General Fund for the current fiscal year, made on or before April 4, is less than the preceding joint estimate of revenue. The director may certify the transfer of an amount not to exceed the difference between the two estimates.

The bill also establishes a mechanism for funding unanticipated expenditure needs. The three types of emergency or unexpected situations that allow expenditure from the fund are:

1. Repair or replacement of any state building or equipment damaged by an act of nature or other extreme emergency
2. Settlement of a legal claim against the state
3. Any other expenditure made necessary by extreme emergency.

The law would require that any expenditure for the above purposes from the fund must be contained in a separate appropriation bill with no other authorized expenditures.

The Budget Stabilization Fund would be established with a \$75.0 million transfer in FY 1993 from the Social Welfare Fund. All interest earned on the Budget Stabilization Fund would be transferred on the 10th of each month to the State Housing Trust Fund.

Three separate mechanisms exist in the bill to transfer additional amounts from the State General Fund to the Budget Stabilization Fund. In no case can these transfers be more than the amount necessary to provide a balance in the Budget Stabilization Fund of up to \$75.0 million. These mechanisms are:

1. The amount of revenue estimated for the State General Fund in the current fiscal year on or before each April 4 that is more than the amount estimated for the current year at the November estimate.
2. The amount of revenue received in the State General Fund for a fiscal year that exceeds the amount estimated for the fiscal year at the April estimate.
3. Any unencumbered balance in the State General Fund on June 30 that exceeds \$100.0 million.

In the Governor's Budget Amendment, reference was made to a two-thirds vote of the Legislature for approval of any expenditure or transfer from the Budget Stabilization Fund. This provision has been eliminated in the bill upon the advice of the Revisor of Statutes' Office. This was replaced by the requirement for a separate bill.

I urge you to consider HB 3208 favorably for passage. A stabilization fund, such as the one in this bill, represents a major structural improvement to the state of Kansas' budget process. As an example, if the fund would have been in place in FY 1992, \$18.0 million would have been available for the reconstruction of Hoch Auditorium based on the act of God provision and \$13.4 million could have been transferred to the State General Fund to offset the reduction in the April consensus revenue estimate. I thank you for this opportunity to testify and would stand for any questions.

1594



KANSAS

KANSAS DEVELOPMENT FINANCE AUTHORITY

Joan Finney
Governor

Wm. F. Caton
President

DATE: April 29, 1992

TO: House Appropriations Committee

FROM: Wm. F. Caton, Acting President
Kansas Development Finance Authority

SUBJECT: Testimony on Senate Bill 766 - An Act Concerning the Kansas Public Broadcasting Commission Authorizing the Issuance of Bonds by KDFA to Provide the State Match for Equipment Purchases for Public Radio and Television Stations

This bill allows KDFA to issue bonds, in cooperation with the Public Broadcasting Commission (PBC), to provide the state match necessary to match federal grant money for public radio and television stations. This state match money is required in order for stations to qualify for federal grants from the U.S. Department of Commerce (USDOC) for the purchases of certain types of equipment. Examples of the types of equipment eligible for federal grants are: decoders for the handicapped, satellite receivers, production studio and control room equipment.

Stations currently work with the PBC for annually appropriated state general fund (SGF) moneys set aside to assist in funding the state match. The stations' needs have exceeded the amount of money available through the PBC, leaving stations to fund all or a portion of the state match through local fund raising or other means. Many times these efforts to fund the match at the local level fall short, leaving federal grant money "on the table" that gets reallocated to another state that can fund the match. The stations lose out because they can't access the federal grant money and they are that much further away from purchasing much needed equipment.

The bonds issued by KDFA would be used to fund the state match required to enable public broadcasting stations to purchase equipment also using federal grant money. From a discussion with Virgil Basgall, of the PBC, the stations should contribute 10%.

House Appropriations Committee

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The bonds would be tax exempt bonds "subject to annual SGF appropriations" by the Legislature to the PBC. KDFA would work with the stations, the PBC and Bond Counsel to draw up any agreements necessary for the PBC and the stations, including all bond documents. The "subject to annual appropriation" structure has been used to finance other state projects.

Bonds could be issued to take care of the station's immediate equipment needs for a three year period. In discussions with representatives from the stations, any equipment needs projections beyond that seem difficult due to the constant changes in technology and cost.

After discussions with the stations, a long term option to also explore would be the development of a non-matchable equipment lease-purchase program for the stations. Many times there are equipment needs of the stations that are as high if not a higher priority than equipment that is eligible for the federal match. This second option could require some changes to S.B. 766.

KDFA has expertise in equipment lease purchase programs, including financing needs for stations that are affiliated with regents institutions. This bill would give KDFA the authority to provide financing for all of the stations that are overseen by the PBC. KDFA also has experience with a program that funds a state match needed for federal dollars, administering a loan program for municipalities' waste water treatment projects.

This bill allows the public television and radio stations to update antiquated equipment and maximize the amount of federal grant dollars available to Kansas. This bill is a positive step forward in meeting the needs of stations that meet the needs of Kansans.

WFC:lb

cc: Carol Kelpin, KDFA
Virgil Basgall, DISC

Testimony Before the House
Committee on Appropriations
Concerning Senate Bill 766

Presented by
Dale N. Anderson
General Manager - KTWU - Channel 11
April 29, 1992
314-South, State Capitol

Bill S-766

It is a pleasure to appear before you in support of Senate Bill 766. This legislation, as amended by the Senate, would permit the Kansas Development Finance Authority to issue bonds to public radio and television stations serving Kansans to provide matching financial support when competing for federal equipment grants. The level of such bonding authority and the appropriations required remain subject to legislative review and approval.

Without question, the passage of Senate Bill 766 would be very valuable in meeting the future equipment needs of the public television stations. For instance, KTWU should begin actual construction on a new facility in early 1993. This new state-of-the-art KTWU facility will be located on the Washburn University campus, will cost approximately \$2 Million, and will be funded by gifts from various sources including individuals, foundations, and corporate and university support.

In anticipation of the completion of this new building, KTWU will present to the State Legislature, through the Kansas Public Broadcast Commission in early 1993, a proposal requesting financial assistance to help achieve an upgrade of the station's equipment at an approximate cost of \$500,000. With the passage of Senate Bill 766, we would hope to be able to secure near, if not the maximum possible local dollar match for federal NTIA-PTFP grant in acquiring this much needed equipment. A tentative list of such equipment is attached, as well as KTWU-NTIA/PTFP approved grants since 1977.

HA
4-29-92
Attachment 3

Senate Bill 766 combines the elements of flexibility and legislative control regarding KDFA's bonding authority. Most importantly, Senate Bill 766 will provide the state supported public radio and television stations an instrument to receive the maximum federal grants for major equipment purchases.

Thank you very much for hearing this testimony. Your passage of Senate Bill 766 will be another very positive step in assuring Kansans continuous quality public broadcasting.

EQUIPMENT LIST

1. Audio, video routing switcher	\$ 71,180
2. Master control switcher	58,700
3. Sync/pulse generator	31,700
4. Audio/video/subcarrier distribution system	23,000
5. Intercom and communications equipment	30,000
6. Wave form and picture monitoring equipment	28,000
7. Studio lighting units/control panel	100,000
8. Stereo generator and transmitting equipment	<u>80,250</u>
TOTAL	\$ 422,830

PREVIOUS NTIA GRANTS

Previous National Telecommunications
Information Agency - Public Television
Facilities Program Grants to KTWU Since 1977

<u>Equipment Received</u>	<u>Grant No.</u>	<u>Year</u>	<u>Total Grant Cost</u>	<u>NTIA Share</u>	<u>KTWU Share</u>	<u>State Share</u>	<u>Total Local Share</u>
KTWU Transmitter	3397	1977	421,807	275,000	46,807*	100,000	146,807
Iola/Moran translator	3191	1983	248,250	186,187		62,063	62,063
Prod. Equipment	6052	1986	125,748	94,300	5,698	25,750	31,448
4850 Tape recorders	8214	1988	55,015	27,508	9,507	18,000	27,507
Still Store and Aural exciter	9264	1989	<u>62,110</u>	<u>31,055</u>	<u>12,422</u>	<u>18,633</u>	<u>31,055</u>
Total			912,930	614,050	74,434	224,446	298,880

* Includes the Channel 11 Club gift of \$15,000

Testimony of Zoel Parenteau
KPTS, Hutchinson/Wichita
April 29, 1992
before the
HOUSE APPROPRIATIONS COMMITTEE
in support of
SB 766

NEED:

KPTS supports this initiative to explore ways for public television and radio stations to be assisted by the state in order to acquire replacement equipment essential to our continued operations.

Attached find KPTS's projected equipment replacement needs for FY1992-1995. The items eligible for federal matching grants are indicated by asterisks.

As you can see, our station's replacement costs could total as much as \$420,697 over the next three fiscal years. To acquire the equipment eligible for federal matching funds would require an estimated \$160,207.

STRATEGY:

The subcommittee for SB 506 indicated their interest in maximizing available federal funds as part of the rationale for this approach. We concur with that objective.

However, the Kansas Public Broadcasting Commission is recommending that the state fund only 80% of the local matching needed should this become a reality. This would, in part, frustrate the intention of maximizing federal support through this effort.

As you can see from our projected needs for all types of equipment -- both eligible and ineligible for federal assistance -- we will still have to find over \$100,000 to obtain those other essential items for which neither federal nor state assistance is available.

Stations will be hard put to shift dollars away from replacing, for example, a furnace or air conditioner, without which both personnel and equipment would suffer, in order to "maximize" the federal assistance. Therefore, we would urge you to stay with the subcommittee's objective and assist stations in funding the entire local matching needed to replace the equipment, or to consider providing assistance through this program toward purchasing of the ineligible equipment as well.

HA
4-29-92
Attachment 4

KPTS CAPITAL NEEDS FY92-95

EQUIPMENT	FY 1992	FY 1993	FY 1994	FY 1995	PTFP ELIG*
Dodge van	15,000				
Computer	1,000				
S-VHS Video recorders (4)	22,728				
Office Furniture	1,200				
Air conditioner	1,100				
VSWR Bridge	500				
AG-A750 Edit Controller *	1,650				1,650
Dimmer board (studio)	2,000				
Turbo card (Ace editor)	6,655				
VHS Recorder (master control)	600				
Graphic generator	2,000				
Microwave dish modification	6,900				6,900
Color monitors (master 2) *		4,000			4,000
Digital effects		35,000			
Office furniture		2,500			
Proc-amp *		3,000			3,000
S-VHS Recorders (2) *		11,364			11,364
Ikegami mon (dual) *		4,000			4,000
Chyron 111B *		20,000			20,000
Collins microwave *		32,000			32,000
Vectorscope *			6,500		6,500
TEK waveform *			3,600		3,600
Pan dual mon (13) *			5,500		5,500
Office furniture			2,500		
Furnace (studio)			5,000		
TEK 650 mon *			4,000		4,000
Ikegami color mon (2) *			7,500		7,500
Studio M/R lights *				3,500	3,500
TEK 528A waveform (3) *				3,500	3,500
TST 444 Buffer amp (2) *				1,000	1,000
Zenith 25" mon *				400	400
Office furniture				2,500	
Ampex VPR 80 (3) *				195,000	195,000
Conrac B&W Mon (3) *				3,500	3,500
Sony PVM1220 Mon *				3,500	3,500
	61,333	111,864	34,600	212,900	320,414
FY 1992-1995 total	420,697				
Less PTFP (1/2 Eligible)	160,207				
Local funds needed	260,490				

EQUIPMENT	PURPOSE OF EQUIPMENT
Dodge van	Replace unsafe production vehicle
Computer	Replace typist computer
S-VHS Video recorders (4)	Replace worn out broadcast players
Office Furniture	Replace worn-out (RWO)
Air conditioner	Replace at Transmitter building
VSWR Bridge	Needed for transmission line tests
AG-A750 Edit Controller *	Assemble editing of station breaks
Dimmer board (studio)	Permit dimming of lighting
Turbo card (Ace editor)	Speed up editing time
VHS Recorder (master control)	Permit VHS taping/dubbing
Graphic generator	Prepare video graphics
Microwave dish modification	Recent new FCC requirement
Color monitors (master 2) *	RWO
Digital effects	First video effects capability
Office furniture	RWO
Proc-amp *	RWO
S-VHS Recorders (2) *	RWO broadcast players
Ikegami monitors (dual) *	RWO
Chyron 111B *	RWO, used for weather warnings
Collins microwave *	RWO studio-transmitter link
Vectorscope *	RWO for measuring broadcast signal
TEK waveform *	RWO wave form monitor in master control
Panasonic dual mon (13) *	RWO
Office furniture	RWO
Furnace (studio)	RWO
TEK 650 monitor *	RWO master control monitor
Ikegami color monitor (2) *	RWO used in M.C./Prod/Tape room
Studio M/R lights *	RWO
TEK 528A waveform (3) *	RWO waveform monitor in tape room
TST 444 Buffer amp (2) *	RWO audio monitors
Zenith 25" mon *	RWO studio color monitor
Office furniture	RWO
Ampex VPR 80 (3) *	RWO 1" videotape machines
Conrac B&W monitors (3) *	RWO used in tape room
Sony PVM1220 monitors *	RWO color monitor in director's booth