

Approved: 5-18-92
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson George Teagarden at 8:10 a.m. p.m. on May 1, 1992 in room 514-S of the Capitol.

All members were present except: All present.

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:

None.

Others attending: See attached list

INTRODUCTION OF BILLS

Chairman Teagarden asked the Committee approval for introduction of a bill to finance the General Government agencies in HB 2707 that was killed by the House Committee of the Whole on April 30, 1992. Representative Chronister moved to introduce the bill as requested. Seconded by Representative Wisdom. Motion carried.

Chairman Teagarden called for final action on the following bills:

SB 766 - K DFA authority authorized to issue bonds for capital equipment purchases by public television and radio stations.

The chairman explained that SB 766 authorizes the public broadcasting stations to utilize bonds to purchase equipment. Representative Chronister moved that SB 766 be recommended favorably for passage. Seconded by Representative Wisdom. Motion carried.

HB 3210 - Concerning the pooled money investment board.

Representative Chronister moved that a technical amendment to the title of HB 3210 be adopted. Seconded by Representative Wisdom. Motion carried. Representative Patrick moved that HB 3210, as amended, be recommended favorably for passage. Motion carried.

HB 3207 - Governor's capital improvements for higher education institutions.

Chairman Teagarden directed staff to explain the handout and spreadsheet which show the Joint Committee on State Building Construction Capital Improvement Option 4 plans regarding HB 3207. (Attachment 1). The Building Committee recommended funding for the reconstruction of Hoch Auditorium at Kansas State University, the renovation and expansion of Farrell Library at Kansas State, the Kansas Technology Center at Pittsburg State University, and the Physical Sciences Building at Fort Hays State University, along with capital improvements at KUMC, WSU, ESU, Historical Society, School for the Deaf and School for the Blind. The total projected costs for these improvements is \$157,138,379.

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, room 514-S Statehouse, at 8:10 a.m. on May 1, 1992.

Staff stated they would provide the annualized cost for utilities and FTE positions needed to Representative Heinemann when it is compiled. Representative Kline moved to introduce a substitute bill for HB 3207 to include the recommended capital improvement items by the Joint Committee on State Building Construction and funding to come from disproportionate share and placed into a special capital improvement fund. Representative Vancrum recommended division of the motion between the recommended projects by the Joint Committee on State Building Construction and the proposal to create a special capital improvements fund. The Chair ruled the question divided. On Representative Kline's motion to introduce a substitute bill for HB 3207 to include the recommendations of the State Building Construction Committee, Representative Helgerson expressed concern regarding the funding of these projects. He asked for a report and an analysis of how these capital improvement projects fit together from the Building Committee. The Chairman explained to Representative Helgerson that these projects have been reviewed and explained to the Committee in previous meetings. Further discussion followed regarding funding for all recommended projects. To allow for a quicker planning process on two projects if that proves feasible, a substitute motion was made by Representative Vancrum to transfer \$1 million out of the FY94 into FY93 for Hoch Auditorium at Kansas University and to transfer \$1 million out of the FY94 into FY93 for Farrell Library at Kansas State University. Seconded by Representative Hochhauser. The substitute motion carried.

The chairman recessed the meeting at 9:05 a.m. and will reconvene upon first adjournment of the House.

The meeting reconvened at 12:07 p.m.

Representative Kline moved to introduce a substitute bill for HB 3207 to include the recommended capital improvement items, as amended, by the Joint Committee on State Building Construction and funding to come from disproportionate share and placed into a special capital improvement fund. Seconded by Representative Chronister. A substitute motion was made by Representative Pottorff to amend the proposed capital improvements at Wichita State University by transferring \$300,000 EBF from FY96 to FY95 and an additional \$150,000 in disproportionate share dollars for FY93 for the repair of McKinley Hall ventilation system. Seconded by Representative Helgerson. The substitute motion carried. Representative Kline moved to introduce a substitute bill for HB 3207 to include the recommended capital improvement items, as amended, by the Joint Committee on State Building Construction with funding to come from disproportionate share and placed into a special capital improvement fund. Seconded by Representative Chronister. Motion carried.

Representative Patrick provided the Committee members with a handout recommending an amendment to HB 3207 (Attachment 2) regarding debt obligations at selected state agencies. Representative Patrick moved to pay off the callable loans which include: PMIB Loans Outstanding, Certificates of Participation and Master Lease Purchases, Other Agency Installment Purchase Obligations, and K DFA Financing totalling \$89,919,000 in disproportionate share dollars and place this amount in a special escrow account. Seconded by Representative Chronister. In response to a question from Representative Helgerson, Representative Patrick stated that the amount of revenue would vary each year. If we were to refinance the bonds we now have, we would not be tax exempt according to IRS. Legally, we cannot prepay the bonds we now have due to certain provisions. In answer to several Committee members concerns, Representative Patrick stated that if this recommendation is approved, this would generate \$17, 661,000 cash flow over the next 10 to 20 years. This would also free up \$17 million SGF in FY93. The agencies would continue to make the payments to the special fund. The State would be the banker and the amount of payments would be transferred back to the SGF. This amount of money could be built into the base budget. After considerable discussion the motion carried.

Representative Chronister moved to amend HB 3207 by substituting a new bill and recommended that Sub HB 3207 be passed favorably. Seconded by Representative Lowther. Motion carried. Representative Helgerson is recorded as voting no.

HB 2598 - KP&F service connected death and disability.

Representative Wisdom moved that HB 2598 be recommended favorably for passage. Seconded by Representative Adam. Motion carried.

Meeting adjourned at 1:10 p.m. The next meeting will be May 4, 1992 at 1:30 p.m. in room 514-S.

JOINT COMMITTEE ON STATE BUILDING CONSTRUCTION
 CAPITAL IMPROVEMENT OPTION 4 (Planning Funds for FY 96 projects) -- Disproportionate Share

Institution/Project	Total Project Cost	FY 1992 SGF	FY 1992 Other	FY 1993 SGF	FY 1993 Other	FY 1994 SGF	FY 1994 Other	FY 1995 SGF	FY 1995 Other	FY 1996 EBF	FY 1996 Other	FY 1997 EBF	FY 1997 Other
UNIVERSITY OF KANSAS													
Reconstruct Hoch Auditorium	\$18,000,000	\$500,000	--	\$500,000	--	\$9,000,000	--	\$8,000,000	--	--	--	--	--
Murphy Hall Addition	7,798,000	--	--	--	--	--	--	--	--	150,000	--	--	--
KANSAS STATE UNIVERSITY													
Farrell Library Renovation													
State	18,000,000	--	--	--	--	6,000,000	--	6,400,000	--	5,600,000	--	--	--
Gifts	5,000,000	--	--	--	1,000,000	--	4,000,000	--	--	--	--	--	--
Bonds	5,000,000	--	--	--	--	--	--	--	5,000,000	--	--	--	--
Subtotal	28,000,000	--	--	--	1,000,000	6,000,000	4,000,000	6,400,000	5,000,000	5,600,000	--	--	--
PITTSBURG STATE UNIVERSITY													
Ks. Technology Center													
State	8,700,000	--	--	--	--	1,000,000	--	3,000,000	--	4,000,000	--	700,000	--
Federal	9,000,000	--	--	--	5,700,000	--	3,300,000	--	--	--	--	--	--
Gifts	8,000,000	--	--	--	1,000,000	--	3,000,000	--	4,000,000	--	--	--	--
Subtotal	25,700,000	--	--	--	6,700,000	1,000,000	6,300,000	3,000,000	4,000,000	4,000,000	--	--	--
FORT HAYS STATE UNIVERSITY													
Physical Sciences Building													
State	8,000,000	--	--	3,000,000	--	5,000,000	--	--	--	--	--	--	--
Federal	3,726,000	--	--	--	3,726,000	--	--	--	--	--	--	--	--
Subtotal	11,726,000	--	--	3,000,000	3,726,000	5,000,000	--	--	--	--	--	--	--
KU MEDICAL CENTER													
Nursing Education Building	9,500,000	--	--	--	--	--	--	--	--	150,000	--	--	--
WICHITA STATE UNIVERSITY													
Chemistry Bldg. & Central Energy Plant Expansion	32,927,359	--	--	--	--	--	--	--	--	300,000	--	--	--
EMPORIA STATE UNIVERSITY													
Remodel Beach Music Hall	3,155,620	--	--	--	--	--	--	--	--	100,000	--	--	--
HISTORICAL SOCIETY													
Ctr. for Historical Research	12,277,000	--	--	12,277,000	--	--	--	--	--	--	--	--	--
SCHOOL FOR THE DEAF													
Emery Hall (80%)	6,240,000	--	--	--	287,000	--	2,776,500	--	2,776,500	--	400,000	--	--
SCHOOL FOR THE BLIND													
Track/Handicap Accessibility	130,000	--	--	--	130,000	--	--	--	--	--	--	--	--
Irwin Building Renovation & Demoliti	1,631,200	--	--	--	79,600	--	775,800	--	575,800	--	200,000	--	--
Prototype Student Group Home	53,200	--	--	--	53,200	--	--	--	--	--	--	--	--
Subtotal	1,814,400	--	--	--	262,800	--	775,800	--	575,800	--	200,000	--	--
GRAND TOTAL	\$157,138,379	\$500,000	\$0	\$15,777,000	\$11,975,800	\$21,000,000	\$13,852,300	\$17,400,000	\$12,352,300	\$10,300,000	\$600,000	--	--

Assumptions:

1. Anticipated savings of \$2,000,000 from favorable bids on KSU Plant Sciences Project and KUMC Research Building project; and projected EBF balances.
2. PSU Technology Center reduced by \$2,000,000 based on a shorter construction period as compared to the original project timeline.
3. Projects for School for the Deaf and School for the Blind are funded from SIBF.
4. EBF balances may be adequate to begin preliminary planning on other Regents capital improvement projects: KU -- Murphy Hall; KUMC -- Nursing Education Bldg.; WSU -- Chemistry Building & Central Energy Plant Expansion; ESU -- Remodel Beach Music Hall.

HA
 5-1-92
 Attachment 1

SELECTED DEBT OBLIGATIONS

(Thousands of Dollars)

	Principal Balance 6/30/92	Callable **	FY 1993 Debt Service	
			General Fund	All Funds
PMIB Loans Outstanding				
Purchase/Renovation of Landon SOB	\$ 11,755	Unrestricted	\$ --	\$ 1,675
State Printing Plant	2,660	Unrestricted	--	267
Correctional Industries -- Meat Packing	86	Unrestricted	--	25
KUMC Animal Research	3,830	Unrestricted	--	500
Corrections -- El Dorado and Larned	✓ 24,401	Unrestricted	2,393	2,393
Subtotal	\$ 42,732		\$ 2,393	\$ 4,860
Certificates of Participation and Master Lease Purchases				
	\$ 26,956 *	***	\$ 715	\$ 9,722
Other Agency Installment Purchase Obligations				
	\$ 20,321 *	Varies	\$ 253	\$ 2,944
KDFA Financing				
Wichita State Office Building	\$ ✓ 3,930	Callable	\$ 135	\$ 135
Capital Improvements -- Department of Administration	1,255	8-1-95	--	165
Energy Conservation	4,410	3-1-97	572	572
KBI Office Building	3,685	4-1-95	319	319
Insurance Department	1,765	8-1-97	132	37
Correctional Facility	32,795	8-1-95	3,490	3,490
Larned Mental Health Correctional Facility	13,920	2-1-96	1,453	1,453
Wichita Work Release	1,680	8-1-96	164	164
Ellsworth Facility (B)	10,025	8-1-98	700	700
Ellsworth Facility (C)	7,515	8-1-95	1,013	1,013

11,339 *25,574*

* Total agency obligations, including both principal and interest as of June 30, 1991.

** Premium may be required.

*** 1986 COP -- can prepay without penalty -- pays off May, 1993.
 1987 COP -- can prepay after April, 1992 without penalty.
 MLP -- 2 percent prepayment penalty.

C. LOANS OUTSTANDING

The Pooled Money Investment Board loaned moneys from the State Treasury's Balance to the Department of Administration for the purchase of the Landon State Office Building Facility at 900 Jackson Street, Topeka, to provide for the payment of the costs of making renovations at this facility, and for the construction of a new printing plant; to the Department of Corrections for the purchase of certain property located in Jefferson County and for construction of new correctional and mental health facilities at El Dorado and Larned; to the Kansas Water Office to provide the earnest money required as part of a memorandum of understanding between the State and the United States Department of the Army concerning the purchase of municipal and industrial water supply storage; and to the State Board of Regents to construct and equip a facility for the care of and clinical research on animals at the University of Kansas Medical Center.

SCHEDULE OF LOANS OUTSTANDING
(EXPRESSED IN THOUSANDS)

<u>DESCRIPTION OF DEBT, AMOUNT AND DATE INCURRED</u> <u>BY AGENCY</u>	<u>BALANCES</u> <u>JULY 1, 1990</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCES</u> <u>JUNE 30, 1991</u>
<u>Enterprise Funds</u>				
<u>Emporia State University</u>				
U.S.D.E. Bond Prepayment Loan \$545, April 1, 1987	\$ 428	\$ ---	\$ 46	\$ 382
<u>Internal Service Funds</u>				
<u>Department of Administration</u>				
Purchase of Landon State Office Building \$11,245, March 11, 1983	9,558	---	562	8,996
Renovation of Landon State Office Building \$4,530, July 11, 1986	3,739	---	199	3,540
<u>Department of Administration-</u> <u>Division of Printing</u>				
Construction of State Printing Plant \$3,857, July 16, 1984	2,781	---	59	2,722
<u>Department of Corrections-</u> <u>Correctional Industries</u>				
Purchase of Property in Jefferson County, Kansas \$175, May 29, 1986	118	---	16	102
<u>Special Revenue Funds</u>				
<u>Kansas Water Office</u>				
Water Supply Storage Assurance \$4,000, July 1, 1987	4,000	---	---	4,000
<u>Capital Projects Funds</u>				
<u>University of Kansas Medical Center</u>				
Animal Research Facility \$4,300, Dec. 15, 1986	4,072	---	123	3,949
<u>Department of Corrections-</u> <u>Correctional Industries</u>				
New Correctional and Mental Health Facilities for El Dorado and Larned \$990, March 9, 1990 thru May 25, 1990 \$24,010 Sept. 10, 1990 thru Jan. 4, 1991	990	24,010	1,318	23,682
Total Loans Outstanding	\$ 25,686	\$ 24,010	\$ 2,323	\$ 47,373

C. LOANS OUTSTANDING (CONCLUDED)

Annual Debt Service requirements to maturity for loans outstanding are as follows:
(Expressed in Thousands)

FISCAL YEAR	PRINCIPAL				TOTAL PRINCIPAL REQUIRED	TOTAL INTEREST REQUIRED	TOTAL AMOUNT REQUIRED
	ENTERPRISE FUNDS	INTERNAL SERVICE FUNDS	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS			
1992	\$ 51	\$ 858	\$ ---	\$ 481	\$ 1,390	\$ 3,425	\$ 4,815
1993	55	875	---	518	1,448	3,363	4,811
1994	60	905	---	560	1,525	3,247	4,772
1995	66	932	---	603	1,601	3,125	4,726
1996	71	960	---	651	1,682	2,998	4,680
THEREAFTER	79	10,830	4,000	24,818	39,727	28,533	68,260
TOTAL	\$ 382	\$ 15,360	\$ 4,000	\$ 27,631	\$ 47,373	\$ 44,691	\$ 92,064

D. CERTIFICATES OF PARTICIPATION AND BLANKET FINANCING PAYABLES

During fiscal year 1987 the State issued the 1986 Certificates of Participation in the principal amount of \$35,720,000. The 1986 Certificates of Participation had an outstanding principal balance of \$11,475,000 as of June 30, 1991.

During fiscal year 1988, Certificates of Participation dated December 1, 1987, in the amount of \$16,280,000 were issued pursuant to a lease purchase agreement between the State, as lessee, and the Kansas Finance Development Authority, as lessor, with Merchants National Bank of Topeka as trustee. The 1987 Certificates of Participation had an outstanding principal balance on June 30, 1991 of \$6,315,000. The agencies make payments for the equipment to the Department of Administration's Certificates of Participation funds which are used in connection with the State's Certificates of Participation financing. The agencies payments are capitalized at the time of payment as an addition to the fixed assets' accountability records. The purchases of the equipment from the Certificates of Participation funds are not capitalized in the combined general purpose financial statements. (See Note 1)

SCHEDULE OF CERTIFICATES OF PARTICIPATION
(EXPRESSED IN THOUSANDS)

DESCRIPTION OF DEBT, AMOUNT AND DATE ISSUED BY AGENCY	BALANCES			BALANCES JUNE 30, 1991
	JULY 1, 1990	INCREASES	DECREASES	
<u>Certificates of Participation</u>				
<u>Capital Projects Fund</u>				
<u>Department of Administration</u>				
1986 Certifications of Participation Lease Payment Fund Issued \$35,720, August, 1986 5.50% to 7.10%	\$ 15,885	\$ ---	\$ 4,410	\$ 11,475
1987 Certifications of Participation Lease Payment Fund Issued \$16,280, December, 1987 5.25% to 6.70%	9,595	---	3,280	6,315
Total Certificates of Participation	\$ 25,480	\$ ---	\$ 7,690	\$ 17,790
<u>Department of Administration</u>				
Blanket Financing Payables (a)				17,193
Total Certificates of Participation and Blanket Financing Payables				\$ 34,983

E. WATER SUPPLY STORAGE IN FEDERAL RESERVOIRS (CONCLUDED)

Annual Debt Service requirements to maturity for Water Supply Storage Debt are as follows:
(Expressed in Thousands)

FISCAL YEAR	TOTAL PRINCIPAL REQUIRED	TOTAL INTEREST REQUIRED	TOTAL AMOUNT REQUIRED
1992	\$ 244	\$ 555	\$ 799
1993	251	547	798
1994	259	539	798
1995	268	531	799
1996	276	523	799
THEREAFTER	15,359	10,021	25,380
TOTAL	\$ 16,657	\$ 12,716	\$ 29,373

F. MISCELLANEOUS LONG-TERM OBLIGATIONS OUTSTANDING

SCHEDULE OF MISCELLANEOUS LONG-TERM OBLIGATIONS
(EXPRESSED IN THOUSANDS)

DESCRIPTION OF DEBT AND AMOUNT ISSUED BY AGENCY	BALANCES JULY 1, 1990	INCREASES	DECREASES	BALANCES JUNE 30, 1991
<u>Certificates of Participation with Third Party</u> <u>State General Fund</u>				
<u>Department of Administration</u>				
Executive Aircraft (a) \$1,735	\$ 1,208	\$ ---	\$ 162	\$ 1,046
Total Certificates of Participation with Third Party	\$ 1,208	\$ ---	\$ 162	\$ 1,046
<u>DESCRIPTION OF OBLIGATION</u> <u>(By Fund Type and Agency)</u>	<u>Outstanding</u> <u>June 30, 1991</u>			
<u>Trust and Agency Fund</u>				
<u>Department of Administration</u>				
Worker's Compensation for State Employees (b)	15,009			
<u>Internal Service Fund</u>				
<u>Department of Administration</u>				
KPL Property Purchase	156			
<u>Various Funds and Agencies</u>				
Other Lease Purchase Agreements with Vendors	10,700			
Total Miscellaneous Long-Term Obligations	\$ 25,865			

- (a) A lease with option to purchase agreement was made during fiscal year 1987 by the Department of Administration with funding provided through issuance of Certificates of Participation by Public Leasing Corporation.
- (b) The State, as self-insurer, provides for statutory workers' compensation and medical payments for state employees injured in the line of duty. The present value of future payments on reported claims is the estimated amount as shown above.

G. KANSAS DEVELOPMENT FINANCE AUTHORITY FINANCING

The Kansas Development Finance Authority (the Authority) is an independent instrumentality of the State which was created (K.S.A. 74-8901 et seq) for the primary purpose of enhancing the ability of the State to finance capital improvements and improving access to long-term financing for state agencies, political subdivisions, public and private organizations and businesses. The Authority was the financing facilitator for the 1987 Certificates of Participation issue. In addition to the Certificates of Participation, the Department of Administration and the Department of Corrections are committed to payments amounting to the principal stated plus the interest due thereon to the Authority for the following bonds which were issued by the Authority. When the obligation is paid in full, the property becomes the property of the State.

SCHEDULE OF KANSAS DEVELOPMENT FINANCE AUTHORITY FINANCING
(EXPRESSED IN THOUSANDS)

DESCRIPTION OF OBLIGATION, TOTAL AMOUNT AND DATE INCURRED (By Fund Type and Agency)	BALANCES <u>JULY 1, 1990</u>		<u>INCREASES</u>		<u>DECREASES</u>		BALANCES <u>JUNE 30, 1991</u>
<u>Internal Service Funds</u>							
<u>Department of Administration</u>							
Wichita State Office Building KDFA Series A \$4,535, Dec. 1, 1987 7.40% to 8.40%	\$	4,350	\$	---	\$	205	\$ 4,145
<u>Capital Improvement Projects</u>							
KDFA Series E \$1,340, Aug. 1, 1990 6.50% to 5.90%	\$	---	\$	1,340	\$	---	\$ 1,340
<u>Energy Conservation</u>							
KDFA Series H \$4,415, Nov. 1, 1990 6.70% to 5.90%	\$	---	\$	4,415	\$	---	\$ 4,415
<u>Capital Projects Funds</u>							
<u>Kansas Bureau of Investigation</u>							
KBI Office Building KDFA Series F Issued \$3,855, Sept. 15, 1989 6.50% to 7.10%	\$	3,855	\$	---	\$	80	\$ 3,775
<u>Department of Corrections</u>							
New Correctional Facility Project KDFA Series C Issued \$34,940, Nov. 15, 1989 6.00% to 7.00%		34,940		---		690	34,250

G. KANSAS DEVELOPMENT FINANCE AUTHORITY FINANCING (CONCLUDED)

SCHEDULE OF KANSAS DEVELOPMENT FINANCE AUTHORITY FINANCING (CONCLUDED)
(EXPRESSED IN THOUSANDS)

DESCRIPTION OF OBLIGATION, TOTAL AMOUNT AND DATE INCURRED (By Fund Type and Agency)	BALANCES			BALANCES JUNE 30, 1991
	JULY 1, 1990	INCREASES	DECREASES	
<u>Capital Projects Funds</u>				
<u>Department of Corrections - Continued</u>				
Larned Mental Health Facility Project K DFA Series B Issued \$14,500, May 1, 1990 6.40% to 7.50%	14,500	---	---	14,500
Wichita Work Release Center Project K DFA Series F Issued \$1,740, Aug 3, 1990 6.75% to 8.00%	---	1,740	---	1,740
<u>Trust and Agency Funds</u>				
<u>Department of Corrections</u>				
Ellsworth Correctional Work Facility K DFA Series B \$10,025, September 1, 1988 7.50% to 7.75%	10,025	---	---	10,025
Ellsworth Correctional Work Facility K DFA Series C \$10,135, October 1, 1988 5.75% to 7.25%	8,585	---	520	8,065
Total Obligations	\$ 76,255	\$ 7,495	\$ 1,495	\$ 82,255

Annual Debt Service requirements to maturity for Kansas Development Finance Authority Financing are as follows:
(Expressed in Thousands)

FISCAL YEAR	PRINCIPAL			TOTAL PRINCIPAL REQUIRED	TOTAL INTEREST REQUIRED	TOTAL AMOUNT REQUIRED
	INTERNAL SERVICE FUNDS	TRUST & AGENCY FUNDS	CAPITAL PROJECTS FUNDS			
1992	\$ 305	\$ 550	\$ 2,185	\$ 3,040	\$ 5,607	\$ 8,647
1993	670	585	2,335	3,590	5,404	8,994
1994	735	625	2,505	3,865	5,167	9,032
1995	780	665	2,685	4,130	4,914	9,044
1996	845	715	2,875	4,435	4,640	9,075
THEREAFTER	6,565	14,950	41,680	63,195	26,493	89,688
TOTAL	\$ 9,900	\$ 18,090	\$ 54,265	\$ 82,255	\$ 52,225	\$ 134,480