

Approved: 4-10-97

Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Phil Kline at 12:20 p.m. on March 31, 1997 in Room 514-S of the Capitol.

All members were present except: Representative Farmer - Excused
Representative Edmonds - Excused
Representative Holmes - Excused
Representative Kejr - Excused
Representative Packer - Excused
Representative Toplikar - Excused
Representative Minor - Excused
Representative Nichols - Excused
Representative Reinhardt - Excused
Representative Peterson - Excused

Committee staff present: Alan Conroy, Russell Mills, Stuart Little, Legislative Research Department;
Bruce Kinzie, Mike Corrigan, Revisor of Statutes Office;
Marcia Ayres, Appropriations Secretary; Helen Abramson, Administrative Aide

Conferees appearing before the committee: Mr. William E. Lewis, Pooled Money Investment Board
Secretary Charles E. Simmons, Department of Corrections
The Honorable Ed McKechnie, Representative, 3rd District
Major General James F. Rueger, Adjutant General

Others attending: See attached list

The minutes of March 11 were distributed to the members for review. Also distributed was another letter from the Kansas County Treasurers' Association regarding **SB 125** and an updated EDIF handout for FY 97 and FY 98 dated 3/31/97.

Hearing on SB 238 - Public moneys, market rates, bidding for investment accounts

Mr. Lewis. Bill Lewis, chairman of the Pooled Money Investment Board, spoke in support of **SB 238** which would allow banks to obtain state funds on a daily basis at current market rates versus a quarterly or annual allocation at artificially calculated rates and would improve the efficiency of the investment of state funds. (Attachment 1)

Mr. Lewis also distributed written testimony from James S. Maag, senior vice president of the Kansas Bankers Association, stating support of **SB 238** because the association believes the proposed amendments are positive for the state and the banking industry. (Attachment 2)

Questions followed and the hearing was closed.

Hearing on SB 124 - Donation of surplus state property

Secretary Simmons. The Secretary appeared in support of **SB 124** which would authorize donation of state surplus property under certain circumstances. Currently, donation is not an option and property must be discarded if it is determined to have no reuse value. The operation of the State Surplus Property program is the responsibility of Kansas Correctional Industries, and the department urged passage of this bill which is identical to **HB 2149** previously passed by the House this year. (Attachment 3)

After one question, the hearing was closed.

A motion was made by Representative McKechnie, seconded by Representative Pottorff, to pass SB 124 and

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS, Room 514-S Statehouse, at 1:30 P.M. on March 31, 1997.

place it on the consent calendar. No discussion. The motion carried.

Hearing on HB 2351 - Establishing the armory building fund

Representative McKechnie. Representative Ed McKechnie testified in favor of **HB 2351** which creates the armory building fund and requires a local, non-state match of funds for expenditures from the fund to further enhance the use of federal monies procured and allows the National Guard a tool to plan new construction. (Attachment 4)

Major General Rueger. The Adjutant General appeared in support of **HB 2351** which would permit the National Guard to progress into the twenty first century in a posture of readiness by keeping the armory infrastructure stable. (Attachment 5)

After a few questions, the hearing was closed.

A motion was made by Representative Spangler, seconded by Representative Landwehr, to pass **HB 2351** and place it on the consent calendar. No discussion. The motion carried.

Chairperson Kline asked the committee to review the Senate bills heard on March 27th.

A motion was made by Representative McKechnie, seconded by Representative Pottorff, to amend **SB 14** by adopting the Wagaman amendment which would change the words, "shall be held in trust for the exclusive benefit of participants and their beneficiaries" to "shall be held in accordance with section 457 of the U.S. Internal Revenue Code for the exclusive benefit of participants and their beneficiaries," in Lines 32 and 33 of page 2. No discussion. The motion carried.

A motion was made by Representative Shriver, seconded by Representative Ballard, to pass **SB 14** as amended. No discussion. The motion carried.

A motion was made by Representative McKechnie, seconded by Representative Ballard, to pass **SB 15** and place it on the consent calendar. No discussion. The motion carried.

A motion was made by Representative Landwehr, seconded by Representative O'Connor, to pass **SB 16** and place it on the consent calendar. No discussion. The motion carried.

A motion was made by Representative Ballard, seconded by Representative Landwehr, to approve the minutes of March 11. The motion carried.

The meeting adjourned at 1:05 p.m.

The next meeting is scheduled for April 1, 1997.

March 31, 1997

TESTIMONY - SENATE BILL NO. 238
HOUSE APPROPRIATIONS COMMITTEE

WILLIAM E. LEWIS, CHAIRMAN
POOLED MONEY INVESTMENT BOARD

Background:

In 1992, with the implementation of the Municipal Investment Pool, there was some concern that State moneys might not continue to be available to Kansas banks for investment in local economies. Due to this concern, an apportionment method was quickly devised to ensure the availability of funds to banks. History has shown that, the requirement by banks for State funds is not as great as anticipated (currently about \$100M) and that the merger of banks into larger entities increases the probability of creating a liquidity problem for the State under the current apportionment method. The current statute establishes a procedure that is difficult in its definition, cumbersome in its administration, and sets artificial market rates for State funds.

Proposed Legislation:

This requested legislation redefines and simplifies the method of providing funds to State banks. It is being proposed in order to:

- Eliminate potential State liquidity problems due to the current apportionment method,
- Clarify the method of placing State funds with banks by eliminating the current problematic apportionment calculation,
- More efficiently and effectively provide idle funds to the benefit of the State and local banks,
- Place State funds at market rates.

This proposed legislation allows banks to obtain State funds on a daily basis at current market rates versus a quarterly or annual allocation at artificially calculated rates and improves the efficiency of the investment of State funds.

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The KANSAS BANKERS ASSOCIATION
A Full Service Banking Association

March 31, 1997

TO: House Committee on Appropriations
RE: **SB 238** - Investment of state moneys

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before the committee in support of **SB 238** which makes several amendments to the public funds statutes. The State Affairs Committee of our Association has reviewed **SB 238** and the committee believes the proposed amendments are positive for the state and the banking industry.


In a state like Kansas where raising capital has always been a challenge, it is very important that financial institutions have a reasonable opportunity to receive local and state deposits. Those funds constitute a significant part of the deposit base for many community banks throughout Kansas and are key to the agricultural and small business lending activities of those banks.

For many years state law has required that state idle funds be offered to Kansas banks based on a formula involving the relationship between a bank's capital and the total capital of all Kansas banks. In 1992 when the public funds laws underwent major revision there were adjustments made in how this formula was to be administered. For a variety of reasons, those adjustments have not worked to the benefit of the state or the banks and have been very difficult to administer.

Therefore, we believe the changes proposed in **SB 238** are a more practical way to accomplish the same legislative intent, *i.e.*, give Kansas banks an opportunity to make reasonable bids for state moneys and encourage the investment of state moneys in Kansas. The ability to access state moneys on a daily basis will be more efficient and practical than the present method of quarterly offerings which may or may not occur at a time when the banks need additional deposits.

We also believe the other amendments in **SB 238** which move the statutory reference for local public funds from Chapter 75 of the statute books to Chapter 12 is positive. At some point we would like to see the Legislature revisit the issue of benchmark rates for local funds. We believe it would be to the benefit of all parties involved to have one set of benchmark rates for both state and local funds.

Again we appreciate the opportunity to discuss the provisions of **SB 238** with the committee and we stand ready to assist in providing any additional information which might be necessary for your deliberations on the bill.


James S. Maag
Senior Vice President

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DEPARTMENT OF CORRECTIONS
OFFICE OF THE SECRETARY
Landon State Office Building
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(913) 296-3317

Bill Graves
Governor

Charles E. Simmons
Secretary

MEMORANDUM

Date: March 31, 1997
To: House Appropriations Committee
From: Charles E. Simmons, Secretary
Subject: Senate Bill 124

I am appearing today in support of SB 124, a bill authorizing donation of state surplus property under certain circumstances. The bill is identical to HB 2149, which passed the House on March 10, 1997 by a vote of 118-2.

The operation of the State Surplus Property program, which is located at Forbes Field, is the responsibility of Kansas Correctional Industries. It is a self-supporting program employing nine inmates and five employees.

Surplus property disposition options became an issue in September 1996 when publicity was generated in Wichita regarding property being thrown away from the Wichita State Office Building. The property at issue was being disposed of in accordance with state law, because statutory authority does not exist for state agencies to donate property of little or no monetary value. Under current law, if state surplus property is determined to have re-use value, it is offered for sale to eligible agencies for a period of 30 days. If no eligible agency wishes to re-use the property, it is next offered for sale to the public at large. If the property cannot be sold, or it is determined from the outset to have no re-use value, donation to public or non-profit agencies is not currently an option. The property must be discarded.

SB 124 would authorize the following additional options for disposing of state surplus property:

- direct sale to a junkyard;
- donation to a 501(c)(3) not-for-profit organization;

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- donation to entities eligible to receive federal surplus property, such as public health, education and social services agencies.

Donation of state surplus property could only occur after the director of the State Surplus Property program has determined that the property has a current value of less than \$500 and has given the state agency permission to dispose of the property locally.

The Department of Corrections supports SB 124 and requests that the committee report the bill favorably.

CES:jj

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TOPEKA

HOUSE OF
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS

MEMBER: APPROPRIATIONS
 SUB-COMMITTEE ON CORRECTIONS AND
 PUBLIC SAFETY
 RULES AND JOURNAL
 NATIONAL CONFERENCE OF STATE
 LEGISLATURES FISCAL AFFAIRS AND
 OVERSIGHT COMMITTEE
 JOINT COMMITTEE ON LEGISLATIVE
 POST AUDIT

March 31, 1997

HB 2351

Mr. Chairman, members of the committee, thank you for the opportunity to testify in favor of HB 2351. This bill creates a mechanism for the Legislature, working with the Kansas National Guard, to make a long-term commitment to our armed services.

HB 2351 creates the armory building fund and requires a local, non-state 1 to 1 match of funds for expenditures from the fund. This is to further enhance the use of federal monies procured and to allow the National Guard a tool with which to plan new construction.

I will not belabor you with the minuet details of the sad state of disrepair most of Kansas' Armories suffer. After my service on the State Building Committee and reviewing many facilities all across this state, you can sum it up to say, "they need help." I was privileged to visit Panama and Honduras with the Guard during the past two years and was impressed with the dedication of our Kansas soldiers and their mission of carrying democracy to remote regions of the world. They deserve and need appropriate facilities to continue this important and vital mission.

While the role of the United States military in the post-cold war world may be believed by some to be diminished, the role of the ready reserve is further emphasized. As the budget cutters in Washington look to reduce strength, one of the items considered is the condition of facilities. Kansas can help keep our National Guard units intact with a reasonable commitment of funds to maintain and improve our Armory facilities.

Keeping our Guard strong brings money into Kansas, provides opportunities for our young men and women and most importantly keeps Kansas and America strong. HB 2351 assists with that commitment and should be passed in order for the Legislature to consider using it next year.

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Bill Graves,
Governor

STATE OF KANSAS
THE ADJUTANT GENERAL

2800 S.W. TOPEKA BLVD.
TOPEKA, KANSAS 66611-1287



Major General James F. Rueger
Adjutant General

What you get for 39 days as a National Guard Soldier...

52% of the Combat Forces

72% of the Field Artillery

Over 60% of the Service Support

These percents may even increase due to a recent study's conclusion that 72% of the public favored cutting defense another 20%, if the savings would go to improving education, fighting crime, and cutting the deficit. The reason this becomes more important, is that the United States is returning to a militia based nation, and the cost to maintain the National Guard is about 25% that of the active forces. With an ever increasing responsibility, we must continue to provide an infrastructure that keeps abreast of equipment modernization and recruiting needs. The Kansas taxpayers currently contribute about 3% of the funding to maintain the Kansas National Guard.

A majority of our 59 state owned armories in Kansas are at least 40 years old; many with original doors, windows, heating systems, plumbing fixtures, electrical fixtures, and roofs. Many armories are in need of repairs to insure their structural integrity as well as repairs to insure the security of the equipment they house. Considering most of the armories still have the original electrical fixtures, windows and heating units, the utility efficiency of these buildings is barely tolerable. We owe it to the nation, as well as to the citizens of Kansas, to keep the armory infrastructure stable and not allow it to crumble.

The Armory Building Fund would allow for funding to be provided to remedy the problems facing the armories throughout Kansas. This fund would also offer an avenue to fund expansion of present armories or funding to provide new armories in areas with expanding or higher priority missions. This bill furnishes the taxpayers of Kansas a safeguard by providing the Joint Committee on State Building Construction be consulted and approve any expenditures, yet the fund would permit the Adjutant General's Department to progress into the twenty first century in a posture of readiness.

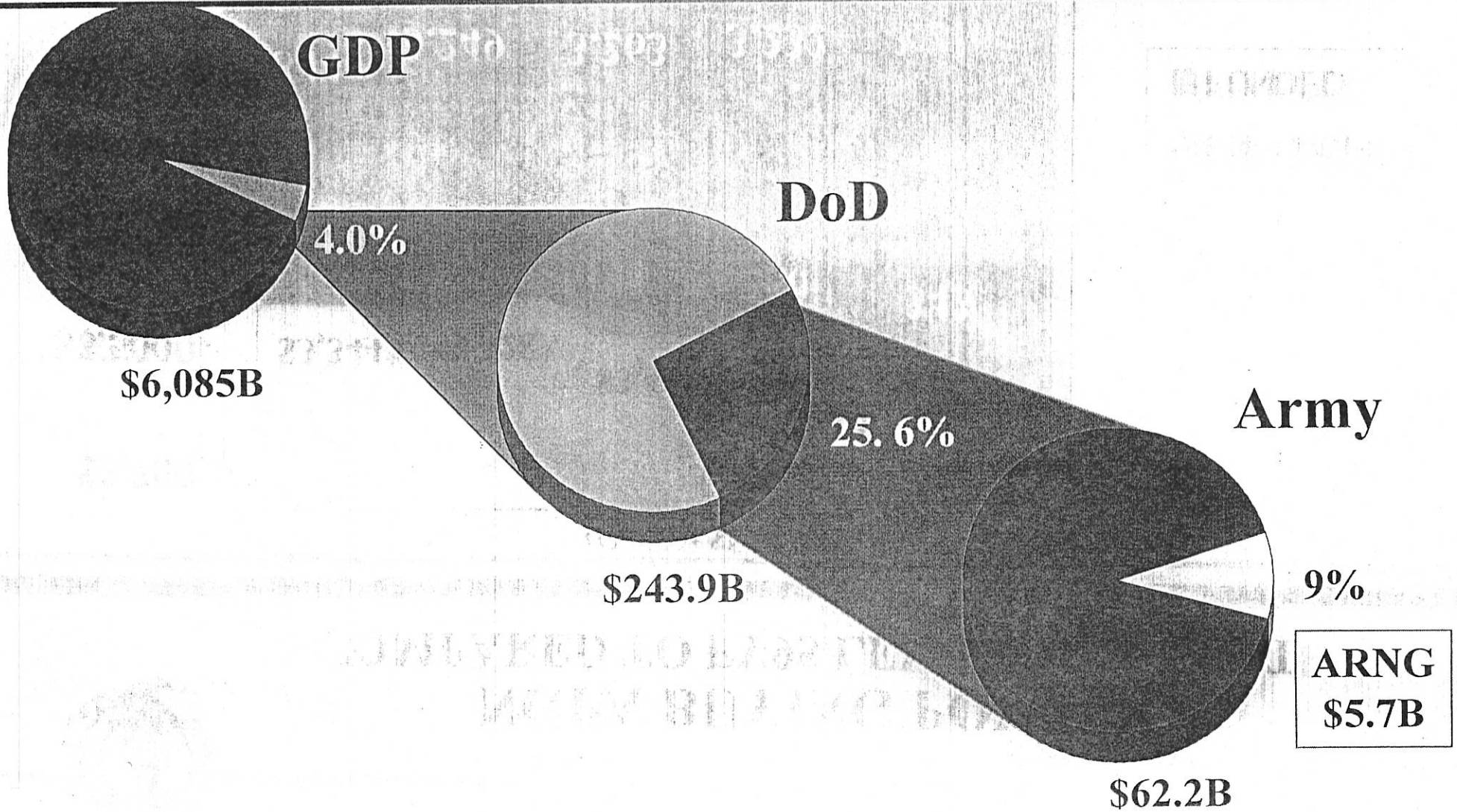
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A Guard in Transition

FY97 BUDGET

5-2



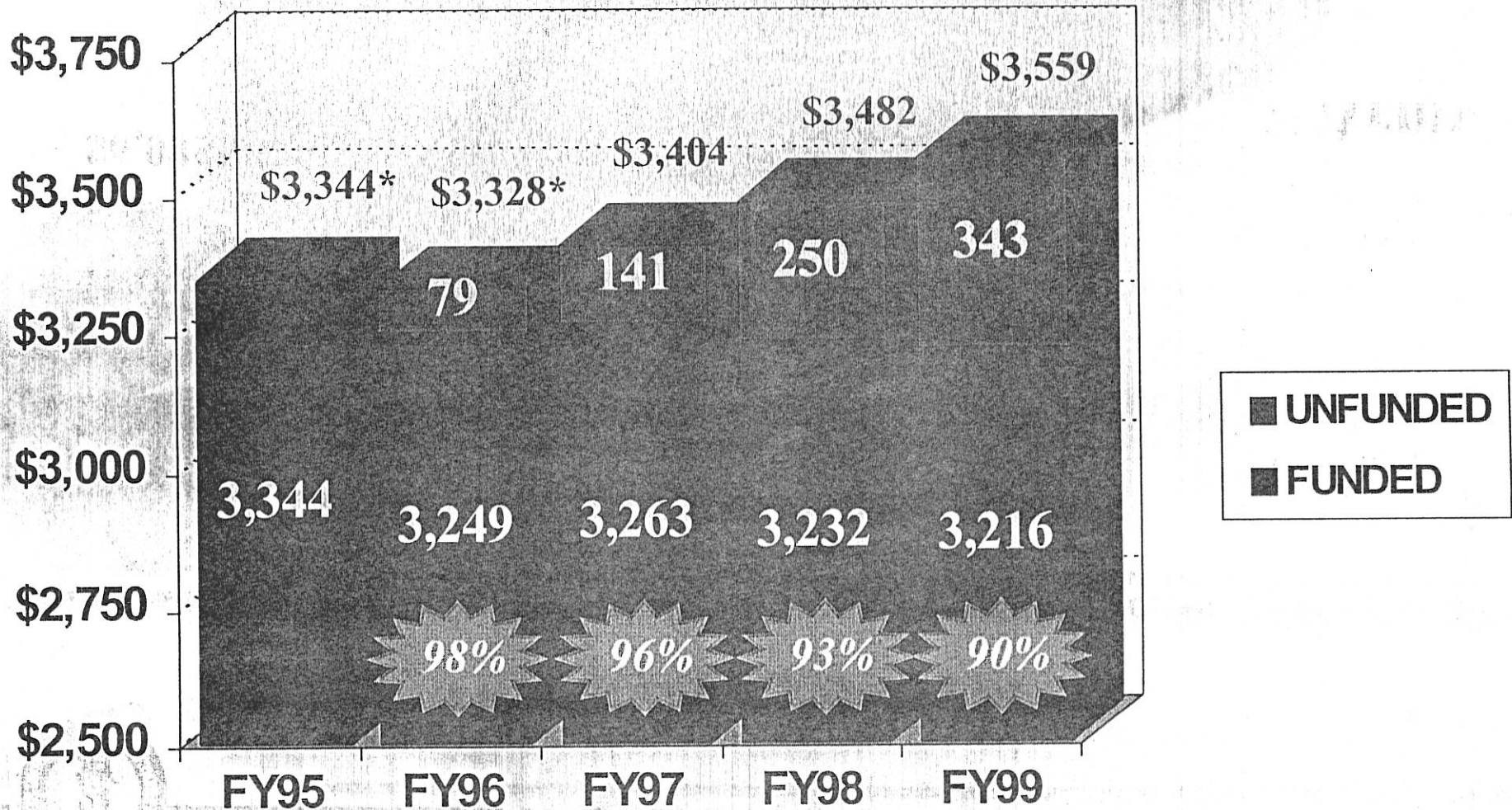


A Guard in Transition

NGPA BUYING POWER COMPARED TO FY95 LEVEL OF EFFORT

5-3

(Current \$Million)



1/2/97 * DC NOT INCLUDE COUNTERDRUG PROGRAM (DP)