

House Select Committee on Tobacco Settlement Funds

March 25, 1999
Room 531-N. Statehouse

Members Present

Representative David Adkins, Chairperson
Representative Garry Boston
Representative Marti Crow
Representative Phyllis Gilmore
Representative Henry Helgerson
Representative Ed McKechnie
Representative Melvin Neufeld
Representative Rocky Nichols
Representative Shari Weber

Staff Present

Alan Conroy, Kansas Legislative Research Department
Carolyn Rampey, Kansas Legislative Research Department
Jim Wilson, Office of the Revisor of Statutes

Conferees

Darrell Treff, Director, Pooled Money Investment Board
Melissa Ness, Kansas Children's Service League
Lynn Stennett, Executive Director of the Kansas Children's Trust Fund

Pooled Money Investment Board (PMIB)

Darrell Treff gave the Committee an overview of the PMIB, which invests idle state funds. He told the Committee that the PMIB handles more than 100 state funds, including the Highway Fund (approximately \$0.5 billion) and the Health Care Stabilization Fund (approximately \$200.0 million). The PMIB also provides funds to Kansas banks, estimated to currently total about \$130.0 million. The function of the PMIB is both to advise and manage the funds.

Mr. Treff explained that an investment priority for public money is safety and liquidity so that the funds are available when the state needs the money. Generally, state funds are invested in short-term investments, with the average for idle funds being 130-day maturity instruments. Highway Fund investments tend to be longer (560 days) because the cash flow needs for these funds are not as immediate.

According to Mr. Treff, the return on the investment of state funds was 5.53 percent in FY 1997, 5.73 percent in FY 1998, and 5.41 percent for the first eight months in FY 1999. The rate at the end of March is 5.0 percent. The investment policy is to invest 35 percent of the state's idle funds in government agency securities, 45 percent in commercial paper, 5 percent in bank certificates of deposit, and 15 percent in overnight repurchase instruments. The riskiest investment the PMIB can make, based on statutory limitations, is in commercial paper.

Mr. Treff told the Committee that the PMIB has its own in-house investment counsel. Highway funds are managed separately because they have a different charter and may be invested differently from other state funds. Investment of the Health Care Stabilization Fund also is handled separately.

Kansas Children's Trust Fund

Melissa Ness and Lynn Stennett discussed the history of funding for child abuse and neglect and activities leading up to the creation of the Advisory Committee on Children and Families on July 1, 1997. Copies of Ms. Stennett's presentation are available in the Legislative Research Department.

Ms. Stennett told the Committee that the Kansas Family and Children Trust Fund is funded by marriage license fees, an appropriation from the State General Fund, and federal funding. The Trust Fund also seeks private grants.

Staff Handouts

The staff reviewed the composition of the Kansas Water Authority and the Kansas Technology Enterprise Corporation to give the Committee an idea of models that could be used to create a new children's authority.

Committee Discussion

Representative Adkins informed the Committee that the Governor and several members of the Senate appear not to be interested in creating a trust fund to receive tobacco money and are satisfied with the current provision to credit half of the money to the State General Fund and use the other half for children's initiatives. He also said that the Senate Ways and Means Committee proposes to make a loan from the PMIB to the Children's Health Care Programs Fund to pay for programs in FY 2000 and then repay the loan when the tobacco money is received in FY 2001.

Representatives Adkins suggested that effort had to be made to develop a proposal that would be acceptable to the Governor and to the Senate. He said that one option is to keep the present law, but tighten the definition of what the money could be used for so that tobacco money could not be used simply to replace money from the State General Fund. Committee members generally agreed that the tobacco money should not be considered just another state revenue source, but should be maximized and clearly dedicated to specific purposes that affect children.