

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Kenny Wilk at 9:00 a.m. on January 25, 2001 in Room 514-S of the Capitol.

All members were present except: Representative Doug Spangler

Committee staff present: Alan Conroy, Legislative Research
Rae Anne Davis, Legislative Research
Amy Kramer, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Secretary Dean Carlson, Department of Transportation
Jeff Bottenberg, Kansas Peace Officers' Association
Peggy Hanna, Assistant State Treasurer

Others attending: See Attached

Jeff Bottenberg, Legislative Counsel for the Kansas Peace Officers' Association, requested the introduction of legislation which would allow several of their members to retire with full benefits after completing 32 years of credited services but have not reached 55 years of age (Attachment 1). Retirement is now allowed at age 55 with 20 years of credited services.

Representative Lloyd Stone moved for the introduction of the proposed legislation. Motion was seconded by Representative Melvin Neufeld. Motion carried.

Secretary Dean Carlson, Department of Transportation, presented an overview of the FY 2000-2009 Comprehensive Transportation Program (Attachment 2).

Hearing on HB 2017 - Kansas postsecondary education savings program expense fund

Paul West, Legislative Research Department, explained the bill which would abolish the postsecondary education savings program trust fund and in its place create the postsecondary education savings program expense fund. There would be no changes in the program other than the name change.

Peggy Hanna, Assistant State Treasurer, appeared on behalf of the State Treasurer in support of the bill which would change the name of the Kansas Postsecondary Education Savings Program trust fund to an expense fund as it more accurately reflects the operations of the program of the Office of the State Treasurer (Attachment 3). This fee fund is needed to record the receipt and disbursement of the money. At this point all monies are deposited and invested with American Century and they refund the allocated expenditures incurred by Treasurer's Office. American Century was chosen as the investment firm as their response to the RFP best fit the design and goals of the program.

Concern was expressed by some Committee members that this proposed change might expand expenses of the program. The plan is that as of July 1, 2001, the moneys will be on deposit from American Century to pay salaries and other operating expenses of the program. Previously, operating expenses were taken out of the State General Fund and then reimbursed. The Committee requested Ms. Hanna to provide a flow chart of the dollars which move through in this program.

Chairman Wilk declared the hearing of **HB 2017** closed.

Representative Ballard moved to pass the bill out favorably. The motion was seconded by Representative Campbell. Motion carried.

Action on HB 2036 - rules and regulations filing act; time of filing; disposal by Secretary of State of copies of documents adopted by reference

Representative Neufeld moved that the bill be reported favorably and placed on the Consent Calendar. Motion was seconded by Representative Campbell. Motion carried.

The meeting was adjourned at 10:45 a.m. The next meeting is scheduled for January 30, 2001.

COMMITTEE GUEST LIST

DATE: 4/25/01

NAME	REPRESENTING
Melinda Gault	Div. of Budget
Aaron Dunkel	Div. of Budget
Woody Meeks	Ks. Agg Prod. Assn.
Greg N. Watts	Emporia State
Krisen Brandt	Emporia State
Doug Smith	Pinegar-Smith Company.
PEGGY HANNA	State Treasurer's Office
Blanche Parks	State Treasurer's Office

Polsinelli | Shalton | Welte

A Professional Corporation

Memorandum

TO: THE HONORABLE KENNY WILK, CHAIRMAN
HOUSE APPROPRIATIONS COMMITTEE

FROM: JEFF BOTTENBERG, LEGISLATIVE COUNSEL
KANSAS PEACE OFFICERS' ASSOCIATION

RE: PROPOSED AMENDMENT TO K.S.A. 74-4957

DATE: JANUARY 23, 2001

Mr. Chairman, Members of the Committee, my name is Jeff Bottenberg and I appear today on behalf of the approximately 3,700 members of the Kansas Peace Officers' Association ("KPOA"). We appreciate this opportunity to introduce our proposal for legislation.

Our proposal would amend the Kansas Police and Fireman's Retirement System ("KP&F") to allow several of our members to retire with full benefits after completing 32 years of credited service. Currently a member in "Tier 1" of KP&F may retire at age 55 with 20 years of credited service. However some of our members have been participating in KP&F for 32 years, thereby reaching the maximum amount of credited service, yet they may not retire for two more years until they reach age 55.

At the time of the hearing, members of the KPOA will provide the Committee a full analysis of the proposal and why we believe such proposal is deserving of your committee's favorable consideration.

HOUSE APPROPRIATIONS

DATE 1/25/01
ATTACHMENT 1

Thus, on behalf of my client, I respectfully request that the attached proposal be introduced by the House Appropriations Committee. If you have any questions, please feel free to contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jeff Bottenberg". The signature is written in a cursive style with a large initial "J" and "B".

Jeff Bottenberg

JSB
Attachment

AN ACT concerning the Kansas police and firemen's retirement system; relating to years of credited service; amending K.S.A. 2000 Supp. 74-4957 and repealing the entire section

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

Section 1. K.S.A. 2000 Supp. 74-4957 is hereby amended to read as follows:

74-4957. Normal retirement date; early retirement; eligibility; employment after retirement with previous employer. (1) The normal retirement date for a member of the system who is appointed or employed prior to July 1, 1989, and who does not make an election pursuant to K.S.A. 74-4955a and amendments thereto shall be the first day of the month coinciding with or following termination of employment not followed by employment with any participating employer within 30 days and the attainment of age 55 and the completion of 20 years of credited service, *or the completion of 32 years of credited service regardless of the age of the member.* Any member may retire on such member's normal retirement date or on the first day of any month thereafter.

(2) *Early retirement.* Any member who is appointed or employed prior to July 1, 1989, and who does not make an election pursuant to K.S.A. 74-4955a and amendments thereto may retire before such member's normal retirement date on the first day of any month coinciding with or following termination of employment not followed by employment with any participating employer within 30 days and the attainment of age 50 and the completion of 20 years of credited service.

(3) Notwithstanding the provisions of subsections (1) and (2) of this section and K.S.A. 74-4955a, 74-4957a, 74-4958a, 74-4960a, 74-4963a and 74-4964a and amendments thereto, the normal retirement date for any member who was, up to the entry date of such member's employer, covered by a pension system under the provisions of K.S.A. 13-14a01 to 13-14a14, inclusive, or 14-10a01 to 14-10a15, inclusive, and amendments thereto, shall be the first day of the month coinciding with or following the attainment of age 50 and the completion of 25 years of credited service.

(4) In no event shall a member be eligible to retire until such member has been a contributing member of the system for 12 months of participating service, and shall have given such member's employer prior notice of retirement.

(5) If a retirant who retired on or after July 1, 1994, is employed, elected or appointed in or to any position or office for which compensation for service is paid in an amount equal to \$15,000 or more in any one such calendar year, by the same state agency or the same police or fire department of any county, city, township or special district or the same sheriff's office of a county during the final two years of such retirant's participation, such retirant shall not receive any retirement benefit for any month for which such retirant serves in such position or office. The participating employer shall report to the system within 30 days of when the compensation paid to the retirant is equal to or exceeds any limitation provided by this section. Any retirant employed by a participating employer in the Kansas police and firemen's retirement system shall

not make contributions nor receive additional credit under such system for such service except as provided by this section. Upon request of the executive secretary of the system, the secretary of revenue shall provide such information as may be needed by the executive secretary to carry out the provisions of this act.

Section 2. K.S.A. 2000 Supp. 74-4957 is hereby repealed.

Section 3. This act shall take effect and be in force from and after its publication in the statute book.

**FY 2000-2009 COMPREHENSIVE
TRANSPORTATION PROGRAM (CTP)
UPDATE**

**Presentation to
House Appropriations Committee
January 25, 2001**

**E. Dean Carlson
Secretary
Kansas Department of Transportation**

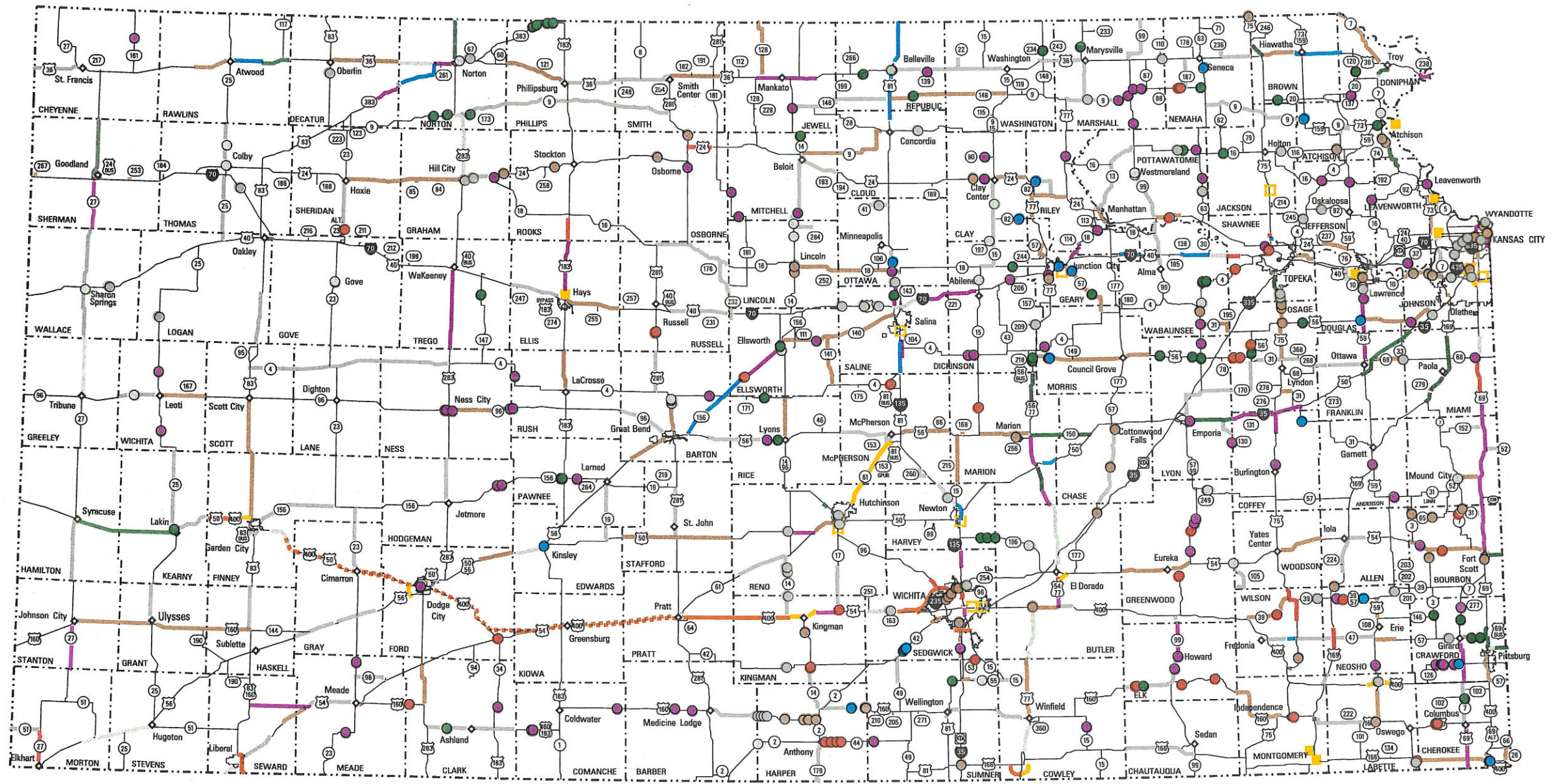
HOUSE APPROPRIATIONS

DATE 1/25/01

ATTACHMENT 2

FY 2000-2009 COMPREHENSIVE TRANSPORTATION PROGRAM

2-2



	2000	2001	2002	2003	2004 - 2009	2000	2001
Bridge	●	●	●	●	●	●	●
Roadway	—	—	—	—	—	—	—

Substantial Maintenance Projects are selected one year at a time, and the remainder of the CTP Substantial Maintenance projects have not been selected.

- System Enhancement Projects**
- Interchanges
 - Corridors & Bypasses
 - Corridor Studies
 - Preliminary Engineering and /or Right of Way Only

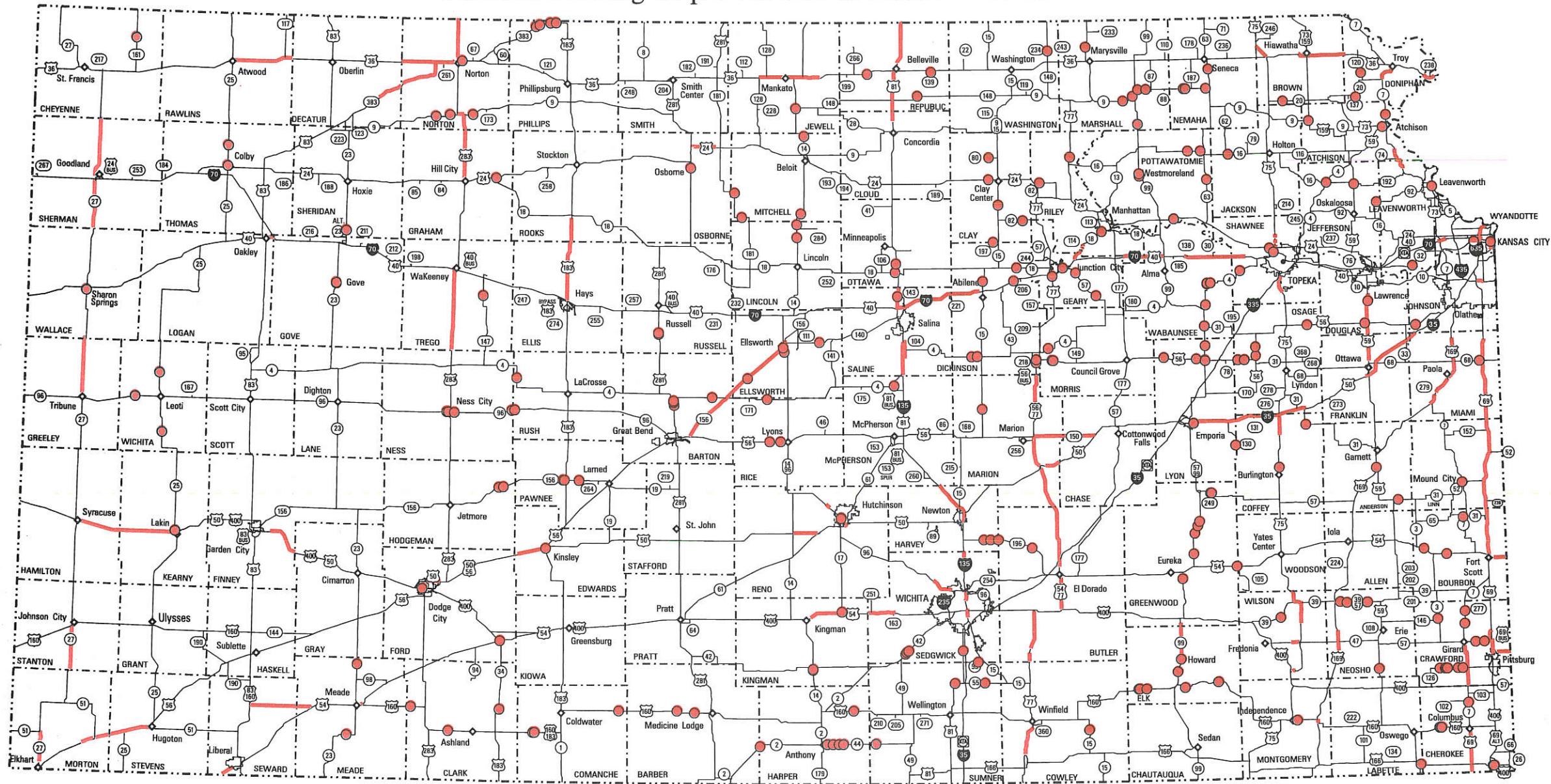
PREPARED BY THE
KANSAS DEPARTMENT OF TRANSPORTATION
BUREAU OF TRANSPORTATION PLANNING
 CTP092800B2.DGN OCTOBER 10, 2000
 USING CANIS'S DATABASE 06/00
 BPM CTP DATA 07/01/00

COMPREHENSIVE TRANSPORTATION PROGRAM FY 2000-2009

Major Modification Interstate and Non-Interstate and Priority Bridge Only

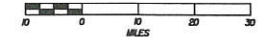
Assumes Funding as per HB2071 as Passed 4-30-99

2-3



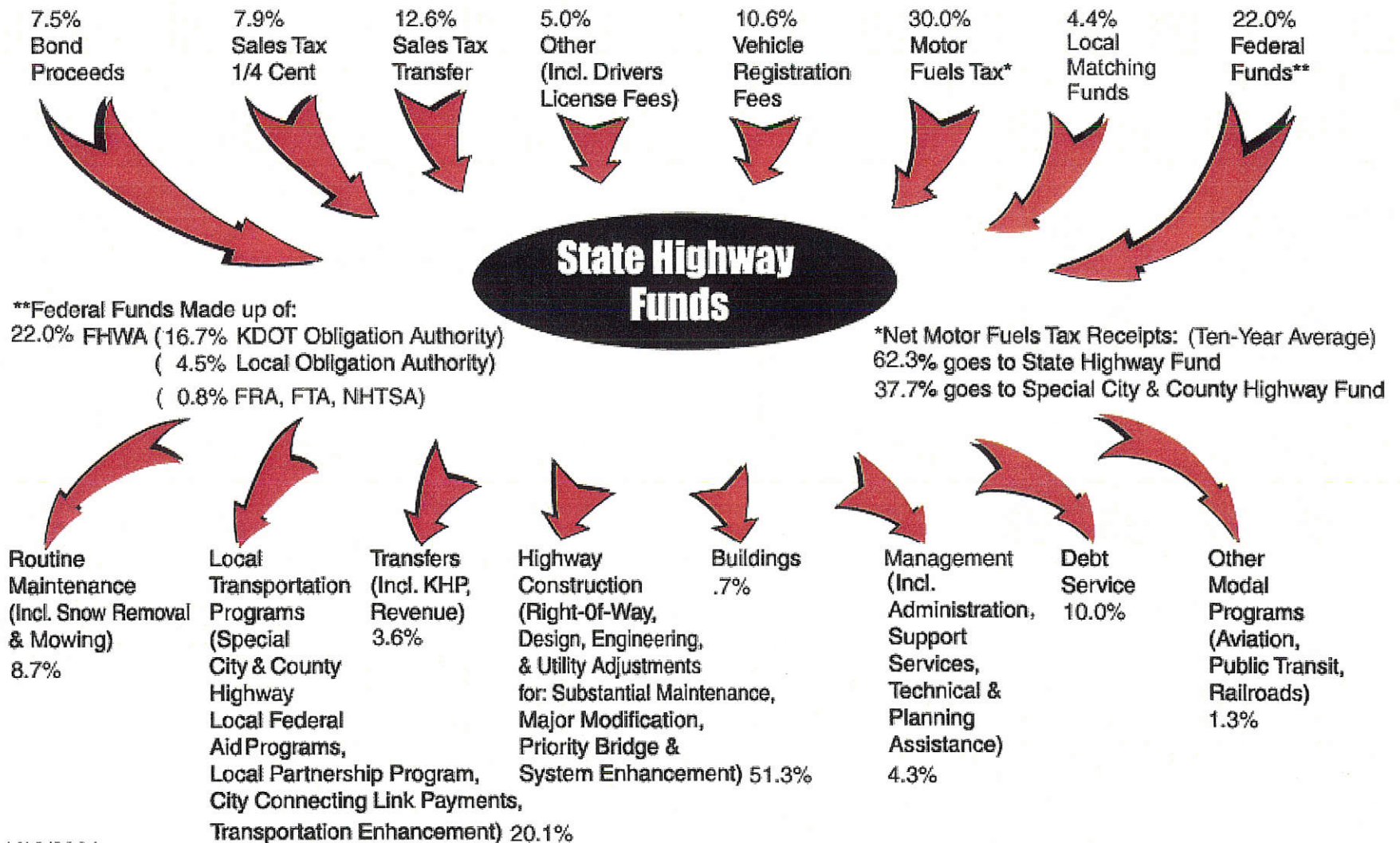
See project list for more specific project information.
 See separate list for explanation of changes from
 2000 annual report map.

Bridge ●
 Roadway —



PREPARED BY THE
 KANSAS DEPARTMENT OF TRANSPORTATION
 BUREAU OF TRANSPORTATION PLANNING
 CTP092000ADGN OCTOBER 3, 2000
 USING CANSYS DATABASE 06/00
 BPM CTP DATA 07/01/00

Kansas Department of Transportation Fund Sources and Uses FY 2000-2009



1/12/2001

Fund Sources

- **Estimated total funds for the ten-year CTP have increased from the original House Bill 2071 (May 1999) estimate.**
 - **\$12.7 billion HB2071 estimate**
 - **\$13.1 billion 12/99 estimate**
 - **\$13.4 billion 1/01 estimate (FY 00 actual)**

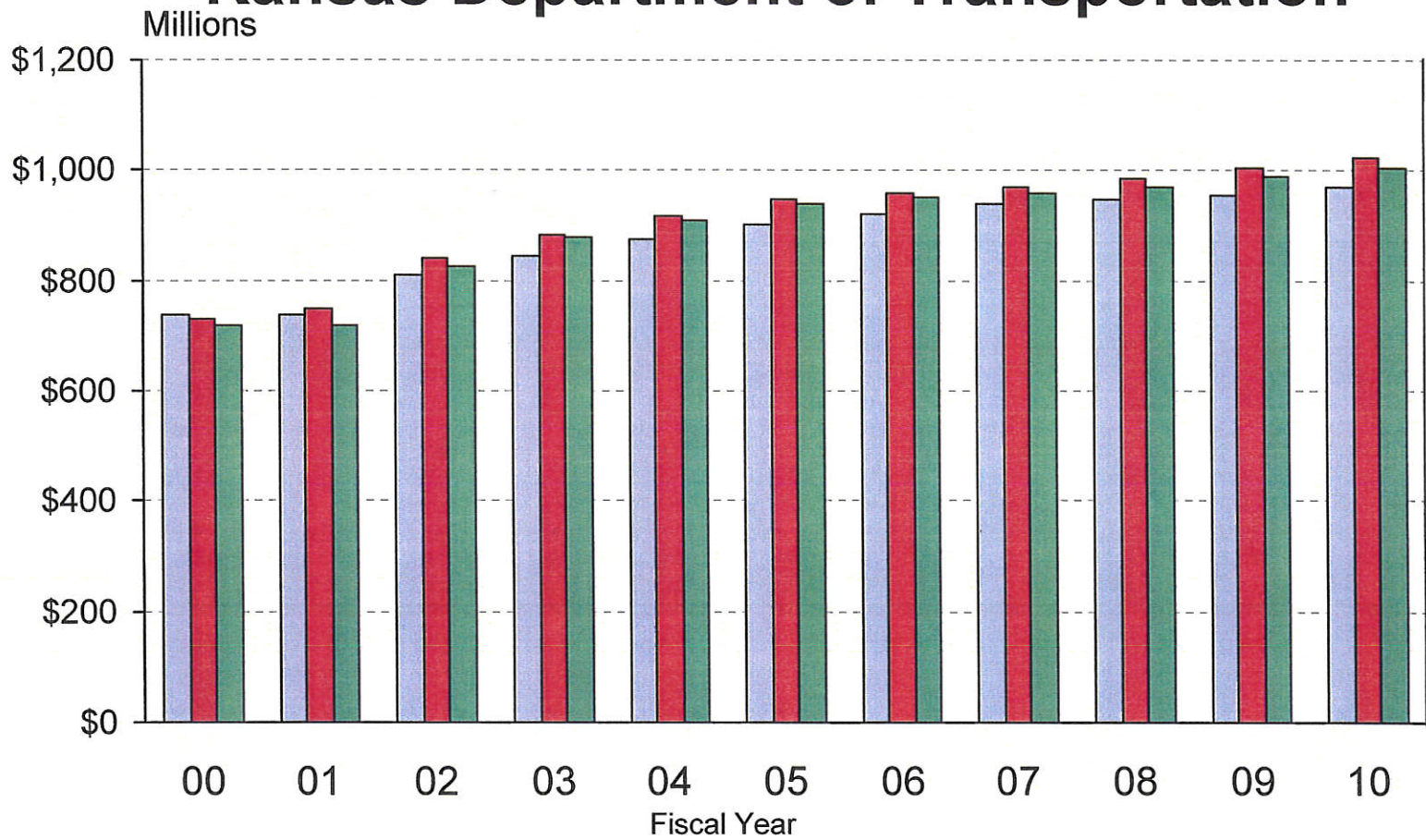
Fund Sources (continued)

- **Changes are due to:**
 - **Addition of federal demonstration funds earmarked for specific projects.**
 - **Addition of local matching funds for the System Enhancement Program.**
 - **Interest earnings are higher in part because favorable market conditions have resulted in the bond sales occurring earlier in the program than originally anticipated.**

Fund Sources (continued)

- **Changes (continued):**
 - **State Consensus and Highway Revenue Estimate Groups last year adjusted state revenue estimates upward, but have since revised estimates back down.**
 - **Sales Tax Transfers for FY 2000 and FY 2001 were reduced \$66 million from statutory amounts by the 2000 Legislature, reducing state revenues for the program. An additional \$25 million reduction for FY 2002 has been proposed by the Governor.**

Estimated CTP State Revenues Kansas Department of Transportation



At time of 99 HB2071 December 99 Est FY 2000 Actual, January 2001 Est.

Excludes Federal Aid, Local Funds, and Bonding

Includes State Highway Fund, Special City and County Highway Fund,
Bond Proceeds Fund, Debt Service Fund, and others

Fund Use

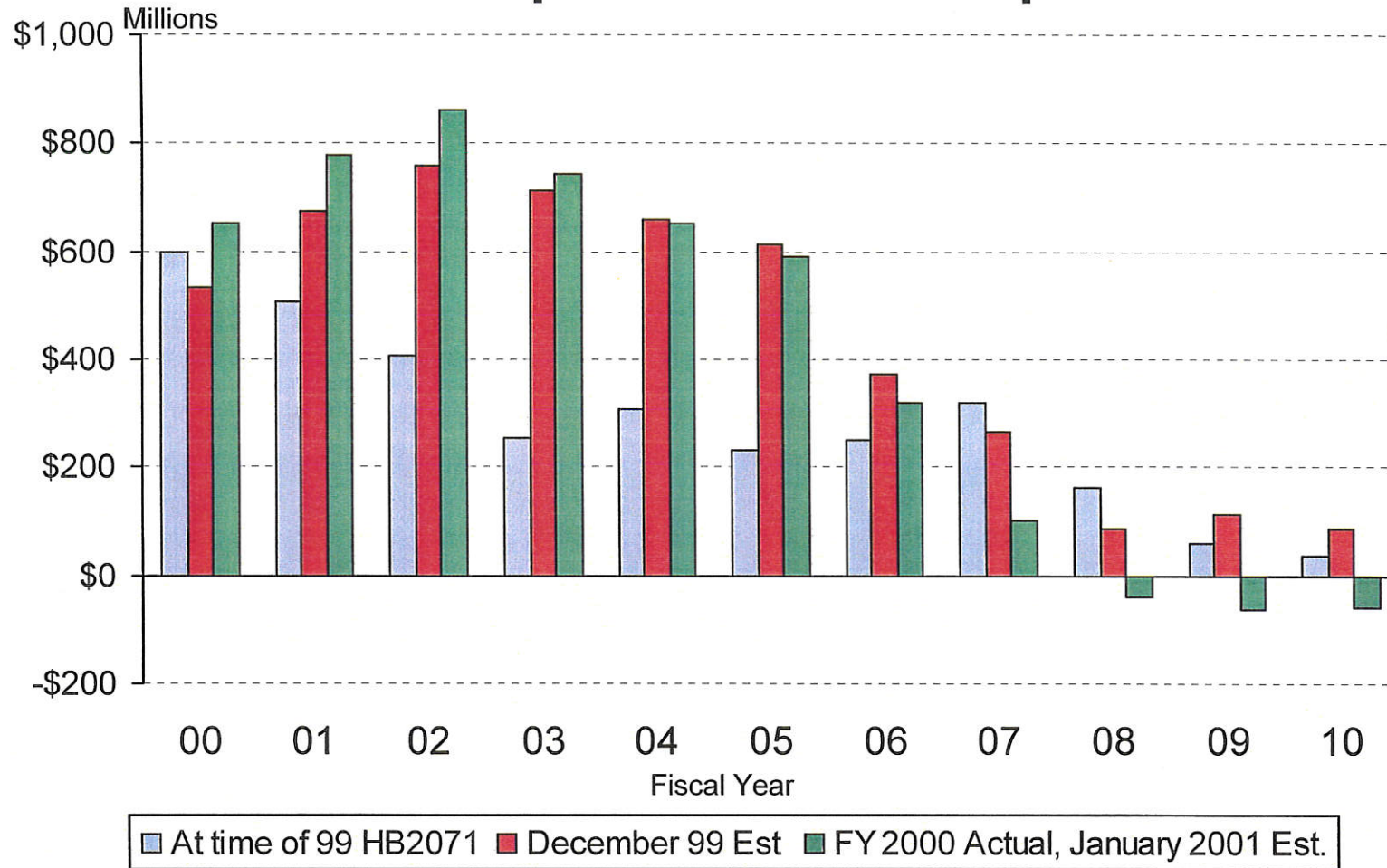
- **The estimated ten-year CTP total program cost has increased from the original House Bill 2071 (May 1999) estimate.**
 - **\$12.9 billion HB2071 estimate**
 - **\$13.3 billion 12/99 estimate**
 - **\$13.6 billion 1/01 estimate (FY 00 actual)**

Fund Use (continued)

- **Increases are due to:**
 - **Changes in Major Modification and Priority Bridge project cost estimates including the addition of federal demonstration funds earmarked for specific projects.**
 - **Addition of local matching funds for the System Enhancement Program.**
 - **Increased disbursements from the Special City and County Highway Funds due to estimated increases in motor fuel tax collections.**
 - **Debt service costs have increased due to early bond sales.**

2716

Estimated CTP Ending Cash Balances Kansas Department of Transportation



Numbers include dollars necessary to pay construction contracts let during the CTP but will be completed after June 30, 2009 and to meet the debt service and operating cash flow requirements.

Assumes continued Federal Aid matching, Substantial Maintenance, and Agency Operations beyond FY 2009

Includes State Highway Fund, Special City and County Highway Fund, Bond Proceeds Fund, Debt Service Fund, and others

01-12-01

Questions

- **How can revenue estimates be higher than originally anticipated, yet the estimated ending cash balance estimate has decreased?**
 - **Local contributions to the System Enhancement Program increase KDOT's revenues but also increase expenditures by a like amount.**
 - **Federal demonstration funds can only be spent on specific projects.**
 - **Increased interest revenue from early bond sales is offset by increased debt service during the CTP.**

Questions (continued)

- **Why are ending cash balances so high in the early years of the program, and why can't that money be diverted for other purposes?**
 - **The CTP is a ten-year plan. The revenue needs of the program were spread over the full ten years, and the interest earnings on those revenues was considered when calculating the amount of revenues needed.**
 - **While KDOT constructs projects as quickly as possible many expenditures can't be made until the end of the program.**
 - **Diversion of revenues early in the program has a negative impact larger than the diversion itself because of the reduced interest earnings.**

Questions (continued)

- **What is the status of CTP bond sales?**
 - **Bond Sales**
 - **September 1999** **\$325 million**
 - **October 2000** **\$150 million**
 - **November 2000** **\$200 million**
 - **Future Sales**
 - **Balance remaining** **\$325 million**
 - **Sales subject to market conditions**

Questions (continued)

- **Why is it beneficial to sell bonds early when it results in increased debt service through FY 2009?**
 - **By selling the bonds early, KDOT is able to use the proceeds to pay for construction costs which would otherwise have been paid for by state revenues. Those state revenues are then invested until needed to pay for projects later in the program.**
 - **Under current market conditions, KDOT is able to earn more money on invested state revenues than it pays on the bonds.**
 - **The total interest paid on the bonds is not increased. The amount paid out of future revenues after the end of the CTP is decreased.**
 - **Under current market conditions, selling the bonds early reduces the risk of higher interest rates in the future.**

Questions (continued)

- **Why were the System Enhancement (SE) project cost estimates submitted by project sponsors increased?**
 - **Estimates were submitted in FY 2000 dollars and had to be adjusted for inflation to reflect the actual estimated letting year. Most projects will be let to construction in the latter years of the CTP because of size and complexity. In addition, projects had to be modified to include appropriate design criteria and all required project components and to ensure that cost estimates were appropriate. Highest potential costs had to be estimated so that adequate funds are available to construct projects as promised. Specific alignments, project scopes, new bridge locations, and right of way requirements are not known at this time, all of which have a substantial impact on cost.**

Questions (continued)

- **Why were “freeway standards” used for some SE projects when project sponsors requested “expressway standards”?**
 - **Freeway standards were used for initial SE estimated costs so that adequate funds would be available to construct the projects should the freeway option be recommended as a result of the project development and design process. For major corridors such as US-54 and K-61, freeway standards must be considered to ensure that traffic and safety issues are addressed both at the time the facility is built and in the future as traffic and development along the corridor increases. Input from SE project sponsors and the public will be an important part of the design process along with engineering and safety considerations.**

Questions (continued)

- **What is the difference between a freeway and an expressway?**
 - **Both are multilane divided highways; the difference is the degree of “access control.” Freeways allow access only at grade separated interchanges; expressways allow access at public roads via at-grade intersections. The tradeoffs are safety, capacity, and function (freeways) versus cost (expressways). Some expressways may warrant a freeway in the future based on anticipated traffic and growth, and in those cases additional access control and right-of-way considerations may be a part of initial construction. For expressways that are built without future access control considerations, conversion to a freeway in the future may be cost prohibitive.**

Questions (continued)

- **What are some other factors that affect project costs in addition to freeway versus expressway standards?**
 - **Whether the roadway is constructed along the existing highway alignment or a new alignment has an impact on project cost. Several factors affect this decision including existing highway condition and geometrics, detour availability and cost, tradeoffs between right of way acquisition along the existing alignment versus new alignment, environmental and socio-economic issues, local road jurisdiction considerations, and engineering factors such as topography, water drainage, railroad crossings, and cross roads. All of these issues, costs, and tradeoffs must be examined during the project development and design process.**

Questions (continued)

- **Will additional SE projects be funded?**
 - **Funding projects beyond the original 29 SE projects depends on the status of the already selected projects and the amount of money available. It will be several years before it is known whether additional SE funds will be available due to cost savings. KDOT's estimates are just that- estimates. If money becomes available over the life of the program because of cost savings on the 29 SE projects, careful consideration will be given as to where those additional dollars should be allocated. The first priority would be to make sure that the originally selected projects are fully funded. Several projects were only partially funded, and those projects would need to be reviewed to see if there would be other work that could or should be done.**

Questions (continued)

- **What is the status of the SE program?**
 - **KDOT met with all project sponsors during the month of August and met internally on all projects during August and September. Staff has continued to meet with project sponsors and discuss project details as city/county/state agreements are developed and project development and design begins. Design consultant selection has begun on many of the projects. It is critical to the success of the SE program that KDOT work hand-in-hand with the local governments that sponsored the projects and, in many cases, are providing local matching funds.**

Questions (continued)

- **Why have Major Modification and Priority Bridge project cost estimates increased?**
 - In late 1998 when KDOT made its initial projections for the CTP, the expenditure estimates were based on what was known about the anticipated projects at the time. Projects had been identified but development had only just begun on the majority of projects, and neither scopes nor schedules had been finalized. Since then, KDOT has been able to further investigate and research many of the projects as detailed project design has progressed. Two years later, based on this improved information, KDOT has refined its project cost estimates, and in many cases these estimates are higher than the initial estimates. KDOT must balance current and future project needs against design life and cost.

CTP Update Summary

- There are no excess revenues.
- The margin between success and failure is getting thinner. Revenue changes will impact the program.
- KDOT is committed to the CTP as envisioned by House Bill 2071 and will carefully manage the available funds.



STATE OF KANSAS

Tim Shallenburger

TREASURER

900 SW JACKSON ST. SUITE 201
TOPEKA, KANSAS 66612-1235

TELEPHONE
(785) 296-3171

January 25, 2001

Chairman Kenny Wilk and members
House Appropriation Committee

Thank you for allowing me to appear in support of HB2017. This bill makes a minor technical amendment to K.S.A. 75-648 which was enacted during the 1999 Legislative session as a part of Senate Bill 45 that created the Kansas Postsecondary Education Savings Program.

The Legislature in the original legislation gave the State Treasurer broad authority as the administrator of the Program. The Treasurer could choose to perform all functions of the program in-house or contract with a third party provider for any or all of the those functions. In any case the Treasurer must, according to State and Federal law, be closely involved in many of the policy decisions pertaining to the program, such as setting investment strategies and marketing. The Treasurer has contracted with American Century Investments of Kansas City Missouri to provide account administration, customer service, marketing and investment services for the Program, now known as Learning Quest Savings Program.

Because the statutory language is so broad, it includes some references that do not accurately reflect the processes currently being used to operate the Program. K.S.A. 75-648 (a) (1) creates the Kansas Postsecondary Education Savings Program trust fund which, if the Treasurer was receiving deposit dollars from the account holders, would be used to account for those moneys in the State's central accounting system. Since the depositors' dollars are received and invested directly by American Century, there is no need to make accounting entries into the State's accounting system. Therefore, the "trust fund" created by K.S.A. 75-648(a)(1) is not needed.

However, because this Program is fee-funded beginning in fiscal year 2002 and because the State Treasurer does have administrative costs directly related to the Program, a fee fund is needed within the state treasury to record the receipt and disbursement of those moneys.

This bill requests that you abolish the postsecondary education savings program trust fund and in its place create the postsecondary education savings program expense fund.

Thank you.

State Treasurer Tim Shallenburger
by Peggy Hanna, Assistant State Treasurer

HOUSE APPROPRIATIONS

DATE 1/25/01
ATTACHMENT 3