

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Representative Kenny Wilk at 9:00 a.m. on March 12, 2002, in Room 514-S of the Capitol.

All members were present except: Representative Peterson, Excused

Committee staff present: Amy Kramer, Legislative Research
Becky Krahl, Legislative Research
Alan Conroy, Legislative Research
Leah Robinson, Legislative Research
Deb Hollon, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Charles Hagemester, Congressional Medal of Honor recipient
Stoney Wages, Executive Director of Kansas DAV
Representative Tom Sloan
Jack Brier, KDFFA

Others attending: See Attached

Representative Pottorf moved for the introduction of legislation regarding privatized public records. Motion was seconded by Representative Stone. Motion carried.

Representative Wilk moved for the introduction of legislation relating to schools and USD general funds. Motion was seconded by Representative Neufeld. Motion carried.

Representative Nichols moved for the introduction of a House Concurrent Resolution which would amend the Kansas Constitution to provide for all tobacco litigation settlement proceeds to be credited to the KEY fund. Motion was seconded by Representative Ballard. Motion carried.

Chairman Wilk welcomed to the Committee Charles Chris Hagemester, Leavenworth, who was awarded the Congressional Medal of Honor for his actions during the Vietnam war.

Representative Shriver, member of the General Government and Human Resources Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the Kansas Commission on Veterans Affairs (including the Kansas Soldiers' Home and the Kansas Veterans' Home) for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 with a notation (Attachment 1). Motion was seconded by Representative Pottorff. Motion carried.

Representative Shriver, member of the General Government and Human Resources Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the Kansas Commission on Veterans Affairs (including the Kansas Soldiers' Home and the Kansas Veterans' Home) for FY 2003 and moved for the adoption of the Budget Committee recommendations for FY 2003 with notations (Attachment 1). Motion was seconded by Representative Pottorff.

During the discussion on shrinkage rate, the Committee requested the ratios of direct care staff to patients in long-term care and the shrinkage rate assigned to that area. Budget Committee members reported that the Kansas Soldiers' Home and the Kansas Veterans' Home were operating at minimal levels and if this is lowered, these clients would have to be placed in the Medicaid arena in nursing homes.

Stoney Wages, Executive Director of the Kansas Commission on Veterans Affairs discussed with the Committee the results of the recommended closure of veterans' offices in Lawrence and Independence. This would cause veterans to have to drive long distances to other offices and could definitely be a detriment to the educational program for veterans.

Representative Ballard moved to amend the report by adding that there will be a review of Item 2 of the Senate recommendations for the FY 2003 Budget Committee recommendations for the Kansas Soldiers' Home and the Kansas Veterans' Home. Motion was seconded by Representative Feuerborn. Motion carried.

Representative Spangler moved to amend the Budget Committee report by restoring \$440,844 to the State General Fund and allocate this for the Kansas Soldiers' Home in Dodge City. Motion was seconded by Representative Klein. Motion failed.

Representative Spangler moved to amend the Budget Committee report by recommending \$30,000 be transferred from the Coordinated Public Transportation Assistance Fund in the Department of Transportation to the Kansas Commission on Veterans Affairs to fund the purchase of a wheel-chair lift van for the Kansas Veterans' Home. Motion was seconded by Representative Pottorff. Motion carried.

Representative Shriver moved to adopt the General Government and Human Resources Budget Committee report for the Kansas Commission on Veterans Affairs (including the Kansas Soldiers' Home and the Kansas Veterans' Homes) for FY 2003 as amended. Motion was seconded by Representative Pottorff. Motion carried.

Hearing on HB 2635–Kansas Development Finance Authority authorized to issue bonds to finance certain electric transmission lines and appurtenances

Representative Tom Sloan explained that this bill was referred to both the Utilities and Appropriations Committees. The Utilities Committee had held hearings and passed the bill out favorably with the recommendation for the inclusion of the language in **HB 2712** to be included in **HB 2635**. Also included in the testimony was an amendment to be added to the language of **HB 2712** (Attachment 2).

A fiscal note explaining the purpose of the bill, its limitations, effects, and negligible fiscal impact was presented (Attachment 3).

Written testimony was presented by Kelly Harrison, Vice-President of Regulatory Affairs of Westar Energy (Attachment 4).

Jack Brier, Kansas Development Finance Authority, explained that this would be a venture whereby counties and small communities can join together, partner with a vendor, and request K DFA assistance in the financing of broad-band technology for consumers in the area. K DFA would have the option of issuing the bonds and the state would not be liable in any way. The degree of financial responsibility of counties and communities to the vendor would be structured in the agreement. Mr. Brier said K DFA could require bond insurance, credit enhancements and debt service reserves. Insurance for such projects might prove to be too expensive for small communities and, in case of failure, mill levies would have to be raised in case of failure. The bonds would be funded by the fees paid by customers. The cost would be less to consumers if bonds go through K DFA for tax exemptions and due to the lower interest rates.

The Committee requested language that would explain the legislative intent if the project should fail and bankruptcy of the private enterprise develops.

Chairman Wilk closed the hearing on **HB 2635**.

Chairman Wilk appointed a subcommittee to study the proposed legislature further: Representative Larry Campbell, Chairman, Representative Tom Klein, and Representative Lloyd Stone.

Representative Pottorff, Chairperson of the General Government and Human Resources Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the Department of Administration (including Public Broadcasting Council) for FY 2002 and moved for the adoption of the Budget Committee recommendations for FY 2002 (Attachment 5). Motion was seconded by Representative Stone. Motion carried.

The Committee noted that public TV in the Missouri budget has been shifted to the Education budget.

Representative Pottorff, Chairperson of the General Government and Human Resources Budget Committee, presented the Budget Committee report on the Governor's budget recommendations for the Department of Administration (including Public Broadcasting Council) for FY 2003 and moved for the adoption of the

Budget Committee recommendations for FY 2003 with observations (Attachment 5). Motion was seconded by Representative Stone. Motion carried.

Chairman Wilk announced **Sub SB 508 Emergency medical services board, financial support, authorizing certain transfers**, has been assigned to the Public Safety Budget Committee.

Representative Campbell moved for the adoption of the minutes of February 21 and 22, 2002, as presented. Motion was seconded by Representative Stone. Motion carried.

**2002 GENERAL GOVERNMENT AND HUMAN
RESOURCES BUDGET COMMITTEE**

Commission on Veterans Affairs/Homes



Representative Jo Ann Pottorff, Chairperson



Representative Ralph Ostmeyer



Representative Annie Kuether



Representative Marti Crow



Representative Joe Shriver



Representative Lloyd Stone



Representative Lee Tafanelli

HOUSE APPROPRIATIONS

DATE 3/12/02

ATTACHMENT 1

Senate Subcommittee Report

Agency: Commission on Veterans Affairs
(including the Kansas Soldiers' Home
and the Kansas Veterans' Home)

Bill No. 457

Bill Sec. 32

Analyst: Hollon

Analysis Pg. No. Vol. I - 567

Budget Page No. 461

<u>Expenditure Summary</u>	<u>Agency Est. FY 02</u>	<u>Gov. Rec. FY 02</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 13,251,656	\$ 12,156,375	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 13,251,656</u>	<u>\$ 12,156,375</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 4,564,213	\$ 3,794,070	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 4,564,213</u>	<u>\$ 3,794,070</u>	<u>\$ 0</u>
FTE Positions	555.3	555.3	0.0
Non-FTE Unclass. Perm. Positions	5.0	5.0	0.0
TOTAL	<u>560.3</u>	<u>560.3</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The agency estimates FY 2002 operating expenditures of \$13,251,656 (\$4,564,213 SGF) which is a decrease of \$515,401 from the approved budget. The estimate includes: \$10,068,808 for salaries and wages; \$1,781,171 for contractual services; \$1,187,091 for commodities; and \$214,586 for capital outlay.

The Governor recommends FY 2002 operating expenditures of \$12,156,375 (\$3,794,070 SGF) which is a decrease of \$1,610,682 from the approved budget. The recommendation includes: \$9,096,017 for salaries and wages; \$1,714,138 for contractual services; \$1,131,634 for commodities; and \$214,586 for capital outlay.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the Governor's recommendation.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee's recommendation.

House Budget Committee Report

Agency: Commission on Veterans Affairs
(including the Kansas Soldiers' Home
and the Kansas Veterans' Home)

Bill No. 2743

Bill Sec. 32

Analyst: Hollon

Analysis Pg. No. 567

Budget Page No. 461

Expenditure Summary	Agency Est. FY 02	Gov. Rec. FY 02	House Budget Committee Adjustments
All Funds:			
State Operations	\$ 13,251,656	\$ 12,156,375	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 13,251,656</u>	<u>\$ 12,156,375</u>	<u>\$ 0</u>
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State Operations	\$ 4,564,213	\$ 3,794,070	\$ 0
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House Budget Committee Recommendations

The House Budget Committee concurs with the Governor's recommendation with the following notation:

1. The House Budget Committee expresses concern about the Governor's recommended shrinkage rate for the Soldiers' Home of 14.7 percent and the agency's statement that such a shrinkage rate could force employee furloughs or layoffs. The Budget Committee recommends review of additional funding of \$205,569 SGF at Omnibus to reduce the shrinkage rate from 14.7 percent to 10.0 percent.

Senate Subcommittee Report

Agency: Commission on Veterans' Affairs
(including the Kansas Soldiers' Home
and the Kansas Veterans' Home)

Bill No. 640

Bill Sec. 28

Analyst: Hollon

Analysis Pg. No. Vol. I - 567 **Budget Page No.** 461

Expenditure Summary	Agency Req. FY 03	Gov. Rec. FY 03	Senate Subcommittee Adjustments
All Funds:			
State Operations	\$ 17,969,474	\$ 14,098,276	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 17,969,474</u>	<u>\$ 14,098,276</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 8,501,579	\$ 4,603,024	\$ 0
Aid to Local Units	0	0	0
Other Assistance	0	0	0
TOTAL	<u>\$ 8,501,579</u>	<u>\$ 4,603,024</u>	<u>\$ 0</u>
FTE Positions	573.3	555.3	0.0
Non-FTE Unclass. Perm. Positions	5.0	5.0	0.0
TOTAL	<u>578.3</u>	<u>560.3</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

The agency requests FY 2003 operating expenditures of \$17,969,474 (\$8,501,579 SGF) which is an increase of \$4,717,818 from the FY 2002 estimate. The request includes: \$12,438,986 for salaries and wages; \$3,343,806 for contractual services; \$1,802,707 for commodities; and \$383,975 for capital outlay.

The Governor recommends FY 2003 operating expenditures of \$14,098,276 (\$4,603,024 SGF) which is an increase of \$1,941,901 from the FY 2002 recommendation. The recommendation includes: \$9,718,588 for salaries and wages; \$2,544,006 for contractual services; \$1,451,707 for commodities; and \$383,975 for capital outlay.

Senate Subcommittee Recommendations

The Senate Subcommittee concurs with the Governor's recommendation with the following notations:

1. The Subcommittee acknowledges the opening of the first state veterans' cemetery at Ft. Dodge in September, 2002, and the fact that the Governor recommended only the federal portion (\$17,745) of the agency's enhancement request of \$108,938 (\$91,193 SGF) and 3.0 FTE positions for the operations of the Ft. Dodge and WaKeeney cemeteries. The Subcommittee recommends that remainder of the agency's enhancement request be reviewed as a priority for funding at Omnibus should additional revenue become available.
2. The Subcommittee makes the observation that the Governor's recommendation includes a reduction of \$70,980 SGF to reflect the closure of the Veterans Services Representative offices in Lawrence and Independence. The closure of two offices was a part of the agency's submitted reduced resources budget, but the specific offices to be closed had not been determined. The offices in Lawrence and Independence generate approximately \$3.4 million in federal funds for the veterans of 13 counties. The Subcommittee believes that the agency should be allowed to determine which offices should be closed and recommends that restoration of the item be reviewed as a priority for funding at Omnibus should additional revenue become available.
3. The Subcommittee expresses concern regarding the recommended FY 2003 shrinkage rates at the Veterans' Home (20.0 percent for administration/10.0 percent for all other positions) and the Soldiers' Home (19.8 percent). The agency has stated that meeting the recommended shrinkage rates would require the use of a hiring freeze or employee furlough. While not taking action at this time, the Subcommittee believes that the situation should be monitored closely to avoid the potential of lost accreditation due to staff reductions.
4. The Subcommittee recognizes the difficulties experienced by the agency in recruiting and retaining nursing staff at the Soldiers' Home and the Veterans' Home. It is the agency's belief that the salaries at the two Homes are far below those of similar state agencies. The Subcommittee recommends that the Division of Personnel Services conduct a salary comparison analysis of staff from various state agencies in similar positions and with similar experience levels. The Subcommittee further recommends that the results of the analysis be used to determine the best method to make the Homes more competitive with surrounding businesses including the possibility of reclassifying nursing staff at the Homes in a manner similar to that done with nursing staff within the Department of Social and Rehabilitation Services (SB 509).
5. The Subcommittee notes the agency's enhancement request of \$26,285 SGF for an additional Security Officer FTE position at the Soldiers' Home. The Home has only one security officer responsible for 110 buildings and approximately 400 residents and staff. This one individual will also be responsible for the Veterans' Cemetery and the equipment kept at that location when it opens.

6. The Subcommittee also notes the enhancement request of \$1,121,140 SGF to open the third of four buildings at the Veterans' Home and that the amount was updated to \$1,517,118 SGF subsequent to the budget submission. The amount covers nine months of operation in FY 2003 and is adjusted for an estimated \$262,873 in Veterans Administration per diem payments typically delayed for the first eight months of operation until a federal inspection has been made.
7. The Subcommittee recommends that the Ways and Means Committee give serious consideration to the transfer of \$30,000 from the Coordinated Public Transportation Assistance Fund in the Department of Transportation to the Commission on Veterans' Affairs to fund the purchase of a wheel-chair lift van for the Kansas Veterans Home. The residents of the Veterans Home often have medical appointments in Wichita and the mileage of the present van is over 175,000 miles. The Coordinated Public Transportation Assistance Fund was established to financially assist transportation systems which provide coordinated transportation services to elderly persons, persons with disabilities and the general public.
8. The Subcommittee commends the agency for its exemplary job in maintaining operations in light of limited resources.

Senate Committee Recommendation

The Senate Committee concurs with the Subcommittee's recommendation with the following adjustment:

1. Transfer \$30,000 from the coordinated Public Transportation Assistance Fund in the Department of Transportation to the Commission on Veteran's Affairs (Item 7 above).
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House Budget Committee Report

Agency: Commission on Veterans' Affairs
(including the Kansas Soldiers' Home
and the Kansas Veterans' Home)

Bill No. 3008

Bill Sec. 28s

Analyst: Hollon

Analysis Pg. No. 567

Budget Page No. 461

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TOTAL	578.3	560.3	0.0

Agency Request/Governor's Recommendation

The agency requests FY 2003 operating expenditures of \$17,969,474 (\$8,501,579 SGF) which is an increase of \$4,717,818 from the FY 2002 estimate. The request includes: \$12,438,986 for salaries and wages; \$3,343,806 for contractual services; \$1,802,707 for commodities; and \$383,975 for capital outlay.

The Governor recommends FY 2003 operating expenditures of \$14,098,276 (\$4,603,024 SGF) which is an increase of \$1,941,901 from the FY 2002 recommendation. The recommendation includes: \$9,718,588 for salaries and wages; \$2,544,006 for contractual services; \$1,451,707 for commodities; and \$383,975 for capital outlay.

House Budget Committee Recommendations

The House Budget Committee concurs with the Governor's recommendation with the following notations:

1. The House Budget Committee expresses concern over the Governor's recommended shrinkage rate for the Soldiers' Home of 19.8 percent and the

agency's statement that such a shrinkage rate could force employee furloughs or layoffs. The Budget Committee recommends review of additional funding of \$440,844 SGF at Omnibus to reduce the shrinkage rate from 19.8 percent to 10.1 percent.

2. The Budget Committee recommends that the Appropriations Committee give serious consideration to the transfer of \$30,000 from the Coordinated Public Transportation Assistance Fund in the Department of Transportation to the Commission on Veterans' Affairs to fund the purchase of a wheel-chair lift van for the Kansas Veterans Home. The residents of the Veterans Home often have medical appointments in Wichita and the mileage of the present van is over 175,000 miles. The Coordinated Public Transportation Assistance Fund was established to financially assist transportation systems which provide coordinated transportation services to elderly persons, persons with disabilities and the general public.

3. The Budget Committee notes that the Veterans' Cemeteries at Fort Dodge and WaKeeney are scheduled to begin operations in September, 2002, and Summer, 2003, respectively. The Cemetery subprogram does not currently have funding or staff to operate these cemeteries. The Budget Committee believes that it is essential that veterans be laid to rest with the dignity and honor that is their due and recommends review of \$118,000 SGF and 3.0 FTE positions at Omnibus to properly fund and staff the Cemetery subprogram.

4. The Budget Committee makes the observation that the state faces a potential repayment of \$3.6 million to the federal government if the remaining two buildings at the Veterans' Home are not opened. The federal construction grant was awarded for four buildings of which two have been opened. The agency requested an enhancement of \$1,121,140 SGF to open a third building and updated the amount to \$1,517,118 SGF subsequent to the budget submission. The amount covers nine months of operation in FY 2003 and is adjusted for an estimated \$262,873 in Veterans Administration per diem payments typically delayed for the first eight months of operation until a federal inspection has been made. The Budget Committee also notes that lower admission rates could decrease the federal per diem rate paid, which would increase the cost to the state for operation of the facility. In addition the Veterans' Home is at capacity for nursing beds and a delay in opening Funston Hall would have an overall effect on service to the veteran population of Kansas.

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HOUSE OF
REPRESENTATIVES

March 8, 2002

Testimony on HB 2635 – House Appropriations Committee

Mr. Chairman, Members of the Committee:

The House Utilities Committee strongly supports HB 2635 to permit the Kansas Development Finance Authority to, in partnership with the state's electric utility companies, issue revenue bonds to finance construction and upgrades of electric transmission lines and associated facilities.

You may recall that during the 2001 Session the Legislature passed several bills to stimulate the construction of electric generation plants in Kansas. Included in the bills was a provision for KDFA to issue bonds to finance the pollution control devices. Since passage of our 2001 bills, construction of one power plant has been announced and several other plants are in the discussion phase.

HB 2635 recognizes two facts: 1) that constructing power plants without improving our ability to "move" the power is counter productive, and 2) the state assumes no financial risk because KDFA arranges financing for projects based on their partner's ability to make debt payments. In this case, the state's utilities must establish satisfactory proof to KDFA and prospective bond purchasers that repayment will be made as scheduled.

Passage of HB 2635 better positions Kansas to remain a net energy exporter in the coming decades with the attendant energy security for our citizens and net cash payments coming to our taxpaying utilities.

Mr. Chairman, Committee Members, a companion bill (HB 2712) was heard in the Utilities Committee to permit KDFA financing of broadband facilities for community-private sector partnerships in areas that otherwise will not receive such services. There was no objection to the underlying premise that we have a legislative responsibility to prevent a digital "divide" between large population centers and small. A concern was expressed by the telecommunications industry that KDFA broadband projects not compete with any private sector initiatives.

Because the original bill envisioned that the public-private sector partnership was limited to under served areas, Utility Committee leaders worked with all sectors of the telecommunications industry to further clarify the bill's language.

HOUSE APPROPRIATIONS

DATE 3/12/02
ATTACHMENT 2

Telecommunications representatives have agreed to the proposed amendment that we request you add to HB 2635. League of Municipalities and Association of Counties representatives support for the effort to make broadband capability financially affordable (and therefore available) to rural communities.

Because of the time demands related to other telecommunications bills in our Committee, the agreement on HB 2712 was reached too late for our Committee to fully consider the bill before the "Turn Around" deadline. Therefore, because both bills were double referred to the Utilities and Appropriations Committees, we request that you "meld" the two utility-Kansas Development Finance Authority bills together.

Thank you for the opportunity to testify before you. I will attempt to answer any questions you may have.



Carl D. Holmes
Chairman



Tom Sloan
Vice Chairman



Laura McLure
Ranking Minority Member



Kansas Telecommunications Industry Association
700 SW Jackson Street Suite 704
Topeka Kansas 66603-3758
VOICE/TDD 785-234-0307
FAX 785-234-2304

March 12, 2002

Representative Tom Sloan
Room 446-N
State Capitol Building
Topeka, Kansas 66612

Dear Tom:

On behalf of the members of the KTIA, I am writing to communicate our support for amending HB 2712 as outlined below.

Specifically, we support replacing subsection (i) of the bill with the following language:

(i) The authority may issue bonds for the purpose of financing the construction of broadband technology facilities in areas of the state that do not have access to broadband services. The bond issue may include one or more cities, counties, or school districts but any such cities, counties, or school districts must contract with a private sector participant for the construction, maintenance, and operation of the broadband facilities. In no event shall the authority issue such bonds to construct facilities which would provide telecommunications or broadband services in competition with existing services provided by the private sector. Bonds issued pursuant to this subsection shall be exempt from the provisions of clause (2) of subsection (a).

With the inclusion of this language, the KTIA believes that HB 2712 would fulfill its intent while at the same time protecting the interests of those telecommunications companies that are working to deploy broadband facilities in areas of our state with limited market demand.

With enactment of HB 2712, as proposed to be amended above, telecommunications companies would have another tool in their toolboxes when broadband technology deployment is needed in an area where economic realities challenge such an investment.

We hope that by lending our support for the amendment, you will be successful in working with the members of the House Appropriations Committee to recommend HB 2712 favorably for passage.

Yours very truly,

A handwritten signature in black ink, appearing to read 'Rob Hodges', is written over the closing text.

ROB HODGES
President

PROPOSED AMENDMENT TO HOUSE BILL NO. 2635

(As Amended by House Committee)

On page 2, after line 7, by inserting:

"Sec. 2. K.S.A. 2001 Supp. 74-8905 is hereby amended to read as follows: 74-8905. (a) The authority may issue bonds, either for a specific activity or on a pooled basis for a series of related or unrelated activities or projects duly authorized by a political subdivision or group of political subdivisions of the state in amounts determined by the authority for the purpose of financing projects of statewide as well as local importance as defined pursuant to K.S.A. ~~12-1744~~ 12-1774, and amendments thereto, capital improvement facilities, educational facilities, health care facilities and housing developments. Nothing in this act shall be construed to authorize the authority to issue bonds or use the proceeds thereof to:

(1) Purchase, condemn or otherwise acquire a utility plant or distribution system owned or operated by a regulated public utility;

(2) finance any capital improvement facilities, educational facilities or health care facilities which may be financed by the issuance of general obligation or utility revenue bonds of a political subdivision, except that the acquisition by the authority of general obligation or utility revenue bonds issued by political subdivisions with the proceeds of pooled bonds shall not violate the provisions of the foregoing; or

(3) purchase, acquire, construct, reconstruct, improve, equip, furnish, repair, enlarge or remodel property for any swine production facility on agricultural land which is owned, acquired, obtained or leased by a corporation, limited liability company, limited partnership, corporate partnership or trust.

Nothing in this subsection (a) shall prohibit the issuance of bonds by the authority when any statute specifically authorizes the issuance of bonds by the authority or approves any activity or project of a state agency for purposes of authorizing any such

issuance of bonds in accordance with this section and provides an exemption from the provisions of this subsection (a).

(b) The authority may issue bonds for activities and projects of state agencies as requested by the secretary of administration. No bonds may be issued pursuant to this act for any activity or project of a state agency unless the activity or project either has been approved by an appropriation or other act of the legislature or has been approved by the state finance council acting on this matter which is hereby characterized as a matter of legislative delegation and subject to the guidelines prescribed in subsection (c) of K.S.A. 75-3711c, and amendments thereto. When requested to do so by the secretary of administration, the authority may issue bonds for the purpose of refunding, whether at maturity or in advance of maturity, any outstanding bonded indebtedness of any state agency. The revenues of any state agency which are pledged as security for any bonds of such state agency which are refunded by refunding bonds of the authority may be pledged to the authority as security for the refunding bonds.

(c) The authority may issue bonds for the purpose of financing industrial enterprises, agricultural business enterprises, educational facilities, health care facilities and housing developments, or any combination of such facilities, or any interest in facilities, including without limitation leasehold interests in and mortgages on such facilities. No less than 30 days prior to the issuance of any bonds authorized under this act with respect to any project or activity which is to be undertaken for the direct benefit of any person or entity which is not a state agency or a political subdivision, written notice of the intention of the authority to provide financing and issue bonds therefor shall be given by the president of the authority to the governing body of the city in which the project or activity is to be located. If the project or activity is not proposed to be located within a city, such notice shall be given

to the governing body of the county. No bonds for the financing of the project or activity shall be issued by the authority for a one-year period if, within 15 days after the giving of such notice, the governing body of the political subdivision in which the project or activity is proposed to be located shall have adopted an ordinance or resolution stating express disapproval of the project or activity and shall have notified the president of the authority of such disapproval.

(d) The authority may issue bonds for the purpose of establishing and funding one or more series of venture capital funds in such principal amounts, at such interest rates, in such maturities, with such security, and upon such other terms and in such manner as is approved by resolution of the authority. The proceeds of such bonds not placed in a venture capital fund or used to pay or reimburse organizational, offering and administrative expenses and fees necessary to the issuance and sale of such bonds shall be invested and reinvested in such securities and other instruments as shall be provided in the resolution under which such bonds are issued. Moneys in a venture capital fund shall be used to make venture capital investments in new, expanding or developing businesses, including, but not limited to, equity and debt securities, warrants, options and other rights to acquire such securities, subject to the provisions of the resolution of the authority. The authority shall establish an investment policy with respect to the investment of the funds in a venture capital fund not inconsistent with the purposes of this act. The authority shall enter into an agreement with a management company experienced in venture capital investments to manage and administer each venture capital fund upon terms not inconsistent with the purposes of this act and such investment policy. The authority may establish an advisory board to provide advice and consulting assistance to the authority and the management company with respect to the management and administration of each venture capital fund and

the establishment of its investment policy. All fees and expenses incurred in the management and administration of a venture capital fund not paid or reimbursed out of the proceeds of the bonds issued by the authority shall be paid or reimbursed out of such venture capital fund.

(e) The authority may issue bonds in one or more series for the purpose of financing a project of statewide as well as local importance in connection with a redevelopment plan that is approved by the authority in accordance with K.S.A. 2001 Supp. 74-8921 and 74-8922, and amendments thereto.

(f) After receiving and approving the feasibility study required pursuant to K.S.A. 2001 Supp. 74-8936, and amendments thereto, the authority may issue bonds in one or more series for the purpose of financing a multi-sport athletic project in accordance with K.S.A. 2001 Supp. 74-8936 through 74-8938, and amendments thereto. If the project is to be constructed in phases, a similar feasibility study shall be performed prior to issuing bonds for the purpose of financing each subsequent phase.

(g) The authority may issue bonds for the purpose of financing resort facilities, as defined in subsection (a) of K.S.A. 32-867, and amendments thereto, in an amount or amounts not to exceed \$30,000,000 for any one resort. The bonds and the interest thereon shall be payable solely from revenues of the resort and shall not be deemed to be an obligation or indebtedness of the state within the meaning of section 6 of article 11 of the constitution of the state of Kansas. The authority may contract with a subsidiary corporation formed pursuant to subsection (v) of K.S.A. 74-8904, and amendments thereto, or others to lease or operate such resort. The provisions of K.S.A. 32-867, 32-868, 32-870 through 32-873 and 32-874a through 32-874d, and amendments thereto, shall apply to resorts and bonds issued pursuant to this subsection.

(h) The authority may use the proceeds of any bond issues herein authorized, together with any other available funds, for

venture capital investments or for purchasing, leasing, constructing, restoring, renovating, altering or repairing facilities as herein authorized, for making loans, purchasing mortgages or security interests in loan participations and paying all incidental expenses therewith, paying expenses of authorizing and issuing the bonds, paying interest on the bonds until revenues thereof are available in sufficient amounts, purchasing bond insurance or other credit enhancements on the bonds, and funding such reserves as the authority deems necessary and desirable. All moneys received by the authority, other than moneys received by virtue of an appropriation, are hereby specifically declared to be cash funds, restricted in their use and to be used solely as provided herein. No moneys of the authority other than moneys received by appropriation shall be deposited with the state treasurer.

(i) The authority may issue bonds for the purpose of financing the construction of broadband technology facilities in areas of the state which do not have access to broadband services. The bond issue may include one or more cities, counties or school districts but any such cities, counties or school districts must contract with a private sector participant for the construction, maintenance and operation of the broadband facilities. In no event shall the authority issue such bonds to construct facilities which would provide telecommunications or broadband services in competition with existing services provided by the private sector. Bonds issued pursuant to this subsection shall be exempt from the provision of clause (2) of subsection (a).

(j) Any time the authority is required to publish a notification pursuant to the tax equity and fiscal responsibility act of 1982, the authority shall further publish such notification in the Kansas register.

~~(j)~~ (k) Any time the authority issues bonds pursuant to this section, the authority shall publish notification of such

issuance at least 14 days prior to any bond hearing in the official county newspaper of the county in which the project or activity financed by such bonds are located and in the Kansas register.

Sec. 3. K.S.A. 2001 Supp. 74-8905 is hereby repealed.";

By renumbering section 2 as section 4;

In the title, in line 10, by striking all after "concerning"; in line 11, by striking all before the period and inserting "the Kansas development finance authority; authorizing issuance of bonds for certain purposes; amending K.S.A. 2001 Supp. 74-8905 and repealing the existing section"

STATE OF KANSAS



DIVISION OF THE BUDGET
State Capitol Building, Room 152-E
Topeka, Kansas 66612-1575
(785) 296-2436
FAX (785) 296-0231
<http://da.state.ks.us/budget>

Bill Graves
Governor

Duane A. Goossen
Director

January 31, 2002

HOUSE APPROPRIATIONS

DATE 3/12/02

ATTACHMENT 3

The Honorable Carl Holmes, Chairperson
House Committee on Utilities
Statehouse, Room 115-S
Topeka, Kansas 66612

Dear Representative Holmes:

SUBJECT: Fiscal Note for HB 2635 by House Committee on Utilities

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2635 is respectfully submitted to your committee.

HB 2635 would allow the Kansas Development Finance Authority (K DFA) to issue revenue bonds used to finance electrical transmission line construction, upgrades, or right-of-way acquisition. Only those transmission lines already capable of carrying or being upgraded to carry 115 kilovolts of electricity or more would be eligible for these types of bonds. Transmission lines with a 115 kilovolt capacity are used to transfer bulk electricity from generating stations to large substations or between substations.

Specifically, bonds could be issued to construct towers, poles, and other necessary structures that would be used to transfer electricity in bulk. The bonds also could be issued to acquire the right-of-way for transmission lines capable of carrying 115 kilovolts of electricity. The bonds issued under this legislation would be paid from revenues derived from the use of the transmission lines and would be exempt from all county and municipal taxes. The only state tax that would apply to these bonds would be the estate tax.

HB 2635 provides tax exemptions from state, county, and city income and sales taxes and the fiscal effect cannot be estimated. However, the specifics of the bill indicate that rural cities and counties would be affected the most because they have the most transmission lines that are not capable of carrying at least 115 kilovolts of electricity. Larger metropolitan areas already have these types of lines. If this bill were passed, potential tax revenue would not be realized.

House Appropriations
March 12, 2002
Attachment 3

The Honorable Carl Holmes, Chairperson
January 31, 2002
Page 2—2635fn

HB 2635 would not affect state expenditures. According to the Kansas Development Finance Authority, the fees generated by issuing these types of bonds would offset any expenses incurred. The Citizens' Utility Ratepayer Board and the Kansas Corporation Commission state that their budgets would not be affected by the passage of this bill. Any fiscal effect resulting from the passage of HB 2635 is not reflected in *The FY 2003 Governor's Budget Report*.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Tom Day, KCC
Beth Runnebaum, CURB
Pat Higgins, K DFA, Administration



**Written testimony provided to the
House Appropriations Committee
By Kelly Harrison, Vice President, Regulatory Affairs
Westar Energy
March 12, 2002**

Westar Energy appreciates the committee's efforts to promote a positive business environment for utilities. We support House Bill 2635.

The transmission system is the backbone of our utility. An effective transmission system allows us to move large amounts of electricity between our plants and the cities in Kansas. Growth in the state will require upgrading our system and possibly building new transmission facilities. Uncertainty about how the new transmission facilities will be paid for and questions about the status of Regional Transmission Organizations (RTO) have a significant impact on whether new investments in these very expensive facilities can be made. The authorization of bonds to finance costs related to construction, purchase and installation of transmission facilities would benefit Westar Energy and its customers.

Having the ability to use the Kansas Development Finance Authority as a source of revenue bonds when it comes time to upgrade our transmission system will be a helpful tool. Access to these bonds will reduce some of the challenges that face such a major project. An even larger challenge is the ability to promptly recover the investment costs for large, expensive transmission projects. The structure for recovery of these costs also should be reviewed.

Because in some cases improvements to the transmission system are required to remove congestion and improve the efficiency of the system, we believe this legislation should make clear that upgrading existing facilities as well as improvements to substations and switch yards are eligible under the provisions of this bill.

As you consider ways to remove barriers to investments or create incentives for these investments, we suggest that you look at the return on equity authorized. Language similar to KSA 66-117(d) could be used. KSA 66-117(d) allows a utility to request and the Kansas Corporation Commission to grant an additional return on equity (from 0.5 percent to 2 percent additional ROE) on investments by a utility to encourage conservation.

Westar Energy appreciates the actions of this committee as we work together in finding ways to provide safe, reliable electricity to Kansans. House Bill 2635 is a step in the right direction and has the support of Westar Energy.

2002 GENERAL GOVERNMENT AND HUMAN RESOURCES BUDGET COMMITTEE

Department of Administration
(inc. Public Broadcasting)


Representative Jo Ann Pottorff, Chairperson

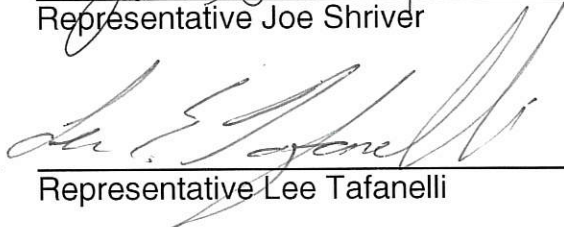

Representative Ralph Ostmeyer


Representative Annie Kuether


Representative Marti Crow


Representative Joe Shriver


Representative Lloyd Stone


Representative Lee Tafanelli

HOUSE APPROPRIATIONS

DATE 3/12/02
ATTACHMENT 5

Senate Subcommittee Report

Agency: Department of Administration

Bill No. 457

Bill Sec. 25

Analyst: Robinson

Analysis Pg. No. Vol. I-301

Budget Page No. 13

<u>Expenditure Summary</u>	<u>Agency Estimate FY 02</u>	<u>Governor's Recommendation FY 02</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 21,816,123	\$ 21,590,605	\$ 0
Aid to Local Units	634,945	586,634	0
Other Assistance	3,312,635	3,285,105	0
Subtotal—Operating	\$ 25,763,703	\$ 25,462,344	\$ 0
Capital Improvements	3,932,307	4,002,711	0
TOTAL	<u>\$ 29,696,010</u>	<u>\$ 29,465,055</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 20,810,945	\$ 20,585,427	\$ 0
Aid to Local Units	384,945	336,634	0
Other Assistance	2,278,905	2,251,375	0
Subtotal—Operating	\$ 23,474,795	\$ 23,173,436	\$ 0
Capital Improvements	3,379,449	3,449,853	0
TOTAL	<u>\$ 26,854,244</u>	<u>\$ 26,623,289</u>	<u>\$ 0</u>
Other Funds:			
State Operations	\$ 1,005,178	\$ 1,005,178	\$ 0
Aid to Local Units	250,000	250,000	0
Other Assistance	1,033,730	1,033,730	0
Subtotal—Operating	\$ 2,288,908	\$ 2,288,908	\$ 0
Capital Improvements	552,858	552,858	0
TOTAL	<u>\$ 2,841,766</u>	<u>\$ 2,841,766</u>	<u>\$ 0</u>
Percentage Change:			
All Funds	9.6%	8.3%	0.0%
State General Fund	12.4%	11.0%	0.0%
FTE Positions:			
Reportable Budget	275.0	275.0	0.0
Nonreportable Budget	604.0	604.0	0.0
Subtotal—FTE	879.0	879.0	0.0
Non-FTE Uncl. Perm. Pos.	6.0	6.0	0.0
TOTAL	<u>885.0</u>	<u>885.0</u>	<u>0.0</u>

Agency Estimate/Governor's Recommendation

The agency's current year estimate of reportable operating expenditures is \$25.8 million, a net reduction of \$0.8 million from the approved budget. Major changes from the approved budget include:

1. A requested State General Fund **supplemental appropriation** of \$100,266 for to restore funding eliminated from the Division of Personnel Services in FY 2002.
2. Debt service interest reductions totaling \$213,721 from the State General Fund.
3. A reduction of \$14,149 from the State General Fund for Public Broadcasting Council debt service on the digital conversion project.

The Governor recommends a current year reportable operating budget of \$25.5 million, a net decrease of \$230,955 from the agency's estimate. The Governor does not recommend the State General Fund supplemental for the Division of Personnel Services, and captures additional debt service savings of \$75,841 on the Public Broadcasting Council digital conversion project. In addition, the Governor recommends a reduction of \$125,252 from the State General Fund in Policy Analysis Initiatives (a pool of money to allow the Governor to appoint task forces on areas of interest).

Nonreportable Budget. The current year nonreportable operating budget is estimated to be \$101.3 million, a net reduction of \$3.4 million from the approved budget. The major adjustments from the approved budget include a \$3.0 million reduction in expenditures in the Division of Information Systems and Communications (DISC), largely the result of projects budgeted to be completed in FY 2002 actually being completed in FY 2001.

The Governor concurs with the agency's revised FY 2002 nonreportable estimate of expenditures.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the Governor.

Senate Committee Recommendation

The Senate Committee concurs with the recommendations of the Subcommittee.

Senate Committee of the Whole Recommendation

The Senate has not yet considered this budget.

House Budget Committee Report

Agency: Department of Administration

Bill No. 2743

Bill Sec. 25

Analyst: Robinson

Analysis Pg. No. Vol. I -301

Budget Page No. 13

Expenditure Summary	Agency Estimate FY 2002	Governor's Recommendation FY 2002	Budget Committee Adjustments
All Funds:			
State Operations	\$ 21,816,123	\$ 21,590,605	\$ 0
Aid to Local Units	634,945	586,634	0
Other Assistance	3,312,635	3,285,105	0
Subtotal—Operating	\$ 25,763,703	\$ 25,462,344	\$ 0
Capital Improvements	3,932,307	4,002,711	0
TOTAL	\$ 29,696,010	\$ 29,465,055	\$ 0
State General Fund:			
State Operations	\$ 20,810,945	\$ 20,585,427	\$ 0
Aid to Local Units	384,945	336,634	0
Other Assistance	2,278,905	2,251,375	0
Subtotal—Operating	\$ 23,474,795	\$ 23,173,436	\$ 0
Capital Improvements	3,379,449	3,449,853	0
TOTAL	\$ 26,854,244	\$ 26,623,289	\$ 0
Other Funds:			
State Operations	\$ 1,005,178	\$ 1,005,178	\$ 0
Aid to Local Units	250,000	250,000	0
Other Assistance	1,033,730	1,033,730	0
Subtotal—Operating	\$ 2,288,908	\$ 2,288,908	\$ 0
Capital Improvements	552,858	552,858	0
TOTAL	\$ 2,841,766	\$ 2,841,766	\$ 0
Percentage Change:			
All Funds	9.6%	8.3%	0.0%
State General Fund	12.4%	11.0%	0.0%
FTE Positions:			
Reportable Budget	275.0	275.0	0.0
Nonreportable Budget	604.0	604.0	0.0
Subtotal—FTE	879.0	879.0	0.0
Non-FTE Uncl. Perm. Pos.	6.0	6.0	0.0
TOTAL	885.0	885.0	0.0

Agency Estimate/Governor's Recommendation

The agency's current year estimate of reportable expenditures is \$25.8 million, a net reduction of \$0.8 million from the approved budget. Major changes from the approved budget include:

1. A requested State General Fund **supplemental appropriation** of \$100,266 for to restore funding eliminated from the Division of Personnel Services in FY 2002.
2. Debt service interest reductions totaling \$213,721 from the State General Fund.
3. A reduction of \$14,149 from the State General Fund for Public Broadcasting Council debt service on the digital conversion project.

The Governor recommends a current year reportable operating budget of \$25.5 million, a net decrease of \$230,955 from the agency's estimate. The Governor does not recommend the State General Fund supplemental for the Division of Personnel Services, and captures additional debt service savings of \$75,841 on the Public Broadcasting Council digital conversion project. In addition, the Governor recommends a reduction of \$125,252 from the State General Fund in Policy Analysis Initiatives (a pool of money to allow the Governor to appoint task forces on areas of interest).

Nonreportable Budget. The current year nonreportable operating budget is estimated to be \$101.3 million, a net reduction of \$3.4 million from the approved budget. The major adjustments from the approved budget include a \$3.0 million reduction in expenditures in the Division of Information Systems and Communications (DISC), largely the result of projects budgeted to be completed in FY 2002 actually being completed in FY 2001.

The Governor concurs with the agency's revised FY 2002 nonreportable estimate of expenditures.

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor.

Senate Subcommittee Report

Agency: Department of Administration

Bill No. 640

Bill Sec. 19

Analyst: Robinson

Analysis Pg. No. 301

Budget Page No. 13

<u>Expenditure Summary</u>	<u>Agency Request FY 03</u>	<u>Governor's Recommendation FY 03</u>	<u>Senate Subcommittee Adjustments</u>
All Funds:			
State Operations	\$ 22,432,722	\$ 21,631,811	\$ 0
Aid to Local Units	626,263	585,547	0
Other Assistance	3,631,416	3,257,231	0
Subtotal—Operating	<u>\$ 26,690,401</u>	<u>\$ 25,474,589</u>	<u>\$ 0</u>
Capital Improvements	5,411,315	2,810,315	0
TOTAL	<u><u>\$ 32,101,716</u></u>	<u><u>\$ 28,284,904</u></u>	<u><u>\$ 0</u></u>
State General Fund:			
State Operations	\$ 21,380,999	\$ 20,570,444	\$ 0
Aid to Local Units	376,263	335,547	0
Other Assistance	2,497,686	2,123,501	0
Subtotal—Operating	<u>\$ 24,254,948</u>	<u>\$ 23,029,492</u>	<u>\$ 0</u>
Capital Improvements	5,281,000	2,680,000	0
TOTAL	<u><u>\$ 29,535,948</u></u>	<u><u>\$ 25,709,492</u></u>	<u><u>\$ 0</u></u>
Other Funds:			
State Operations	\$ 1,051,723	\$ 1,061,367	\$ 0
Aid to Local Units	250,000	250,000	0
Other Assistance	1,133,730	1,133,730	0
Subtotal—Operating	<u>\$ 2,435,453</u>	<u>\$ 2,445,097</u>	<u>\$ 0</u>
Capital Improvements	130,315	130,315	0
TOTAL	<u><u>\$ 2,565,768</u></u>	<u><u>\$ 2,575,412</u></u>	<u><u>\$ 0</u></u>
Percentage Change:			
All Funds	3.6%	0.0%	0.0%
State General Fund	3.3%	(0.6)%	0.0%
FTE Positions:			
Reportable Budget	278.0	276.0	0.0
Nonreportable Budget	608.2	605.2	0.0
Subtotal—FTE	<u>886.2</u>	<u>881.2</u>	<u>0.0</u>
Non-FTE Uncl. Perm. Pos.	6.0	6.0	0.0
TOTAL	<u><u>892.2</u></u>	<u><u>887.2</u></u>	<u><u>0.0</u></u>

Agency Request/Governor's Recommendation

The agency requests an FY 2003 reportable operating budget of \$26.7 million, an increase of \$926,698 (3.6 percent) from the current year estimate.

- The request includes \$523,454 and 2.0 FTE positions for operating budget enhancements.

- **Absent these enhancements**, the agency's request would be \$26.2 million, an increase of \$403,244 (1.6 percent) from the current year.
- The agency submitted a **reduced resources package** of adjustments totaling \$990,087.

The Governor recommends an FY 2003 **reportable** operating budget of \$25.5 million, an increase of \$12,245 (0.0 percent) from the current year.

- The Governor's recommendation includes reductions of \$977,520 in reduced resources packages.
- The recommendation includes a net increase of 1.0 FTE position from the current year.

Nonreportable Budget

The agency requests an FY 2003 **nonreportable** operating budget of \$103.0 million, an increase of \$1.6 million (1.6 percent) from the current year.

- The request includes \$1.0 million and 5.0 FTE positions for enhancements.
- **Absent the requested enhancements**, the agency's request would be an increase of \$0.6 million (0.6 percent) from the current year.

The Governor recommends an FY 2003 **nonreportable** budget of \$102.7 million, an increase of \$1.3 million (1.3 percent) from the current year.

- The recommendation includes the net increase of 1.2 FTE positions.
- The recommendation includes enhancements of \$175,000.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the recommendations of the Governor with the following observations:

1. The Subcommittee notes that during the 2001 Legislative session, the Omnibus bill included a provision increasing the in-house design fee charged by the Division of Architectural Services from 6 percent to 8 percent. SB 374, recommended by the Legislative Budget Committee, and approved by the Senate Ways and Committee on January 29, 2002, included a section which would statutorily establish the fee at 6 percent. The Subcommittee recommends that the bill, which is currently on General Orders, be re-referred to the Senate Ways and Committee to adjust the fee to 8 percent. In the alternative, the Subcommittee recommends that the Chair offer a floor amendment to the bill to make the adjustment from 6 to 8 percent. This fee should be distinguished from the 1 percent fee charged on all capital improvement projects. This fee is charged to smaller agencies with no in-house design staff for services provided by the Division of Architectural Services. A survey conducted by the Division indicated the average fee in the private sector was approximately 10.5 percent.

2. The Public Broadcasting Council, during its presentation to the Subcommittee, noted two capital equipment projects that it had identified as critical needs. Specifically, \$114,099 is requested as matching funds for the two equipment items. One is \$75,475 for replacement of a transmitter for High Plains Public Radio in Garden City and the other is \$38,624 for replacement of an antenna for Radio Kansas at Hutchinson. These projects are only two on a list of several equipment needs identified by the Council. These projects are at the top of the list, however, because of the critical need for their replacement. The antenna at Radio Kansas actually suffered complete failure in December 2001, and the station is broadcasting at substantially reduced power. The Subcommittee is very supportive of the Council and its need to replace this equipment. The funding requested would match federal funding available for the projects. Given the current constraints on the budget, however, the Subcommittee recognizes that there are simply no funds available to meet these needs. Should additional revenue become available, the Subcommittee recommends that consideration be given to funding these two very worthy projects.
3. The Subcommittee notes that the Governor's recommendation for Public Broadcasting Council operating grants includes a reduction of 4.0 percent from the FY 2002 level. The Council indicated that, in recognition of the State's current fiscal situation, it is willing to accept the reduction. The Subcommittee commends the Council for its acceptance of this reduction, but is concerned about the impact that this will have on the Council's base budget in FY 2004. To insure that this does not occur, the Subcommittee recommends appropriating funding for Public Broadcasting Council operating grants in **FY 2004**, at the FY 2003 current services base request level. This would require the appropriation of \$2,078,009 in FY 2004.
4. The Subcommittee also notes that, according to the Public Broadcasting Council, the state owns a large amount of fiber optic cable resources that are currently not being utilized. The Subcommittee recommends that the issue of usage of this fiber optic network by the Public Broadcasting Council and other entities, such as the KAN-ED network, should be examined further. According to the agency, the Division of Information Systems and Communications will meet with the Council to outline available opportunities.
5. The Subcommittee notes that the legislation recommended by the Governor during the 2001 Legislative Session, which would have abolished the Performance Review Board, was not enacted by the 2001 Legislature, although all funding for operations of the Board was eliminated. No request or recommendation for funding is reflected in the agency's budget for FY 2002 or FY 2003, but the Subcommittee supports the concept of enacting legislation to statutorily eliminate the duties of the Board. The Subcommittee was informed that the Governor is preparing legislation which would accomplish this and expresses its support for the proposed legislation.
6. The Subcommittee was informed of the merger of two divisions within the agency, the Division of Architectural Services and the Division of Facilities Management. The merger is expected to generate savings in the long term, but no savings have been identified for FY 2002 or FY 2003. The Subcommittee commends the agency for taking steps to streamline the operations of the agency, and recommends that the Subcommittee reviewing the agency's budget during the 2003 Legislative session further examine the savings expected to be generated by this action.
7. The Subcommittee also commends the agency and, in particular, its former Chief Information Officer on the designation of Kansas as the 2001 e-government leader by the 2001 Digital State Survey. Conducted by the Center for Digital Government and the Progress and Freedom Foundation, the fourth annual, four part study measured eight

distinct sectors of digital technologies in state government: law enforcement and the courts; social services; e-commerce/business regulation; taxation/revenue; digital democracy; management and administration; education; and GIS/transportation. Scores from all four surveys were combined and tallied and each state received a ranking based on its overall score. The State of Kansas, along with the state of Illinois, tied for first place in the survey. Kansas moved up from a second place rating the year before.

8. The Subcommittee also spent considerable time exploring the issue of Capitol Complex security. While the Subcommittee believes the threat of terrorist activity around the Capitol Complex is fairly remote, the Subcommittee is concerned that the present security measures in place are far from sufficient to address the catastrophic consequences which could result from such an event. The Subcommittee explored numerous issues with the Division of Facilities Management and was informed regarding other potential options and the costs related to those options. The Subcommittee feels strongly that critical security issues should not be overlooked simply because of a tight budget year. The Subcommittee is encouraged by the fact that security issues are being addressed and incorporated into the Statehouse renovation plans, but remains concerned with the nature of current existing measures.
9. The Subcommittee commends the agency on a number of other efforts it has made to streamline the delivery of services it provides to the citizens of Kansas. Among them:
 - a. The Department has been proactive in developing on-line employee self-service applications. According to the Department, these applications are popular with both job applicants and employees because of the ease with which they can access information. They provide administrative cost reductions both at the agency and departmental levels due to elimination of mailing and printing costs and the elimination of duplicative data entry. Current on-line applications include: the Employment Summary, which allows current and prospective employees to apply directly to agencies on-line; Benefits Open Enrollment for group health insurance and flexible spending accounts; the Total Compensation Statement, which communicates not only direct compensation but all of the money the state as an employer pays on behalf of employees for Social Security, retirement, life insurance, etc.; and the Entrance and Exit Survey, designed to obtain feedback from employees. The agency indicates that the next large-scale application will be the employee on-line Payroll Advice. The on-line advice will provide the identical pay related information and messaging capabilities as the current printed advice, again saving printing and mailing costs.
 - b. The Department has not bid out the deferred compensation program since it was initially awarded to Aetna. A Request for Information (RFI) was recently released to determine the most competitive and cost effective administrative and management fees of variable investment accounts in the state of Kansas deferred compensation plan. These fees are paid by employees and have a direct effect on the earnings potential for the participants in the plan.
 - c. The Department recently completed surveys regarding cellular telephones in state agencies to explore opportunities for cost savings from developing statewide purchasing contracts. The Division of Purchases is coordinating with the Western States Contracting Alliance to establish access to such contracts for Kansas government. Savings should be expected both from lower pricing and from administrative efficiencies.
 - d. A Request for Proposal (RFP) was recently issued seeking professional consulting services to assist in establishing criteria for selecting office and other workspace.

Specifically, the RFP includes the following deliverables: criteria for determining when space consolidation with other agencies is appropriate; general criteria for determining when the state should lease, lease-purchase, buy, or build; presentation and assistance in the evaluation of computer models that calculate and compare the costs of lease, lease-purchase, buy, and build options; and implementation and training on the computer model selected to perform those calculations.

10. The Subcommittee was informed that the Division of Facilities Management is planning to put together a template for other agencies to use in reporting information to the Department regarding a number of issues, including cellular telephone policies, and emergency evacuation plans.
11. The Subcommittee met with the Criminal Justice Information System (CJIS) coordinator after noting concerns raised by the Sentencing Commission regarding the lack of a consolidated budget for the project. The Coordinator indicated that he had recently completed a project budget for CJIS, and would work on an operating budget for the project.

Senate Committee Recommendation

The Senate Committee concurs with the recommendation of the Subcommittee with the following adjustments:

1. Amend item 3 of the Subcommittee report to delete the appropriation of funding for the Public Broadcasting Council. Instead, the Committee recommends that the Governor and the 2003 Legislature give serious consideration to funding the Public Broadcasting operating grant at the FY 2003 current services level.
2. Amend item 7 of the Subcommittee report to delete the name of the individual mentioned in the item.

Senate Committee of the Whole Recommendation

The Senate has not yet considered this budget.

House Budget Committee Report

Agency: Department of Administration

Bill No. 3008

Bill Sec. 19

Analyst: Robinson

Analysis Pg. No. Vol. I-301

Budget Page No. 13

Expenditure Summary	Agency Request FY 2003	Governor's Recommendation FY 2003	Budget Committee Adjustments
All Funds:			
State Operations	\$ 22,432,722	\$ 21,631,811	\$ 0
Aid to Local Units	626,263	585,547	0
Other Assistance	3,631,416	3,257,231	0
Subtotal—Operating	\$ 26,690,401	\$ 25,474,589	\$ 0
Capital Improvements	5,411,315	2,810,315	0
TOTAL	<u>\$ 32,101,716</u>	<u>\$ 28,284,904</u>	<u>\$ 0</u>
State General Fund:			
State Operations	\$ 21,380,999	\$ 20,570,444	\$ 0
Aid to Local Units	376,263	335,547	0
Other Assistance	2,497,686	2,123,501	0
Subtotal—Operating	\$ 24,254,948	\$ 23,029,492	\$ 0
Capital Improvements	5,281,000	2,680,000	0
TOTAL	<u>\$ 29,535,948</u>	<u>\$ 25,709,492</u>	<u>\$ 0</u>
Other Funds:			
State Operations	\$ 1,051,723	\$ 1,061,367	\$ 0
Aid to Local Units	250,000	250,000	0
Other Assistance	1,133,730	1,133,730	0
Subtotal—Operating	\$ 2,435,453	\$ 2,445,097	\$ 0
Capital Improvements	130,315	130,315	0
TOTAL	<u>\$ 2,565,768</u>	<u>\$ 2,575,412</u>	<u>\$ 0</u>
Percentage Change:			
All Funds	3.6%	0.0%	0.0%
State General Fund	3.3%	(0.6)%	0.0%
FTE Positions:			
Reportable Budget	278.0	276.0	0.0
Nonreportable Budget	608.2	605.2	0.0
Subtotal—FTE	886.2	881.2	0.0
Non-FTE Uncl. Perm. Pos.	6.0	6.0	0.0
TOTAL	<u>892.2</u>	<u>887.2</u>	<u>0.0</u>

Agency Request/Governor's Recommendation

The agency requests an FY 2003 **reportable** operating budget of \$26.7 million, an increase of \$926,698 (3.6 percent) from the current year estimate.

1. The request includes \$523,454 and 2.0 FTE positions for operating budget **enhancements**.

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2. **Absent these enhancements**, the agency's request would be \$26.2 million, an increase of \$403,244 (1.6 percent) from the current year.
3. The agency submitted a **reduced resources package** of adjustments totaling \$990,087.

The Governor recommends an FY 2003 **reportable** operating budget of \$25.5 million, an increase of \$12,245 (0.0 percent) from the current year.

1. The Governor's recommendation includes reductions of \$977,520 in reduced resources packages.
2. The recommendation includes a net increase of 1.0 FTE position from the current year.

Nonreportable Budget

The agency requests an FY 2003 **nonreportable** operating budget of \$103.0 million, an increase of \$1.6 million (1.6 percent) from the current year.

1. The request includes \$1.0 million and 5.0 FTE positions for enhancements.
2. **Absent the requested enhancements**, the agency's request would be an increase of \$0.6 million (0.6 percent) from the current year.

The Governor recommends an FY 2003 **nonreportable** budget of \$102.7 million, an increase of \$1.3 million (1.3 percent) from the current year.

1. The recommendation includes the net increase of 1.2 FTE positions.
2. The recommendation includes enhancements of \$175,000.

House Budget Committee Recommendation

The House Budget Committee concurs with the recommendations of the Governor with the following observations:

1. The Budget Committee notes that the legislation recommended by the Governor during the 2001 Legislative Session, which would have abolished the Performance Review Board, was not enacted by the 2001 Legislature, although all funding for operations of the Board was eliminated. No request or recommendation for funding is reflected in the agency's budget for FY 2002 or FY 2003, but the Subcommittee supports the concept of enacting legislation to statutorily eliminate the duties of the Board. A bill currently in Senate Commerce Committee (Senate Bill No. 620) would accomplish this and the Budget Committee expresses its support for the legislation.
2. The Budget Committee was informed of the merger of two divisions within the agency, the Division of Architectural Services and the Division of Facilities Management. The merger is expected to generate savings in the long term, but

no savings have been identified for FY 2002 or FY 2003. The Budget Committee commends the agency for taking steps to streamline the operations of the agency, and recommends that the Budget Committee reviewing the agency's budget during the 2003 Legislative session further examine the savings expected to be generated by this action.

3. The Budget Committee also notes its concerns with the issue of Capitol Complex security. While the Budget Committee believes the threat of terrorist activity around the Capitol Complex is fairly remote, the Budget Committee is concerned that the present security measures in place are far from sufficient to address the catastrophic consequences which could result from such an event. The Budget Committee feels strongly that critical security issues should not be overlooked simply because of a tight budget year. The Budget Committee is encouraged by the fact that security issues are being addressed and incorporated into the Statehouse renovation plans, but remains concerned with the nature of current existing measures.
4. During the presentation made by the Public Broadcasting Council, it was noted that following the events of September 11, major policymakers at the federal level and in other nations sought and obtained a great deal of valuable information about the Al Qaeda terrorist network and Osama bin Laden from the extensive background information compiled for the PBS television series *Frontline*. The Budget Committee commends the Corporation for Public Broadcasting and the Kansas Public Broadcasting Council for their consistent objective coverage of major news events.