

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 27, 2002, in Room 514-S of the Capitol.

All members were present except: Representative Neufeld, Excused
Representative Peterson, Excused

Committee staff present: Amy Kramer, Legislative Research
Alan Conroy, Legislative Research
Julian Efird, Legislative Research
Deb Hollon, Legislative Research
Becky Krahl, Legislative Research
Audrey Nogle, Legislative Research
Robert Waller, Legislative Research
Paul West, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Duane Goossen, Division of the Budget
Jerry Sloan, Office of the Judiciary
Glenn Deck, Kansas Public Employees Retirement System
Bobbi Mariani, Division of Personnel

Others attending: See Attached

Hearing, Discussion and Action on SB 619--State finance council, voting procedures

Duane Goossen, Director of the Division of the Budget, explained that the State Finance Council is required to have a unanimous vote of its members in order to release funds for declared emergencies. This has caused difficulty when members of the Council are not available for voting as was the case this past winter during the ice storm. The Adjutant General was able to adjust different budgets in order to meet the disaster situation at that time. The Director of the Budget does have the authority to transfer \$16,000,000 during emergency situations. This bill would allow voting by proxy by any of the nine member Council within a specific time period.

Chairman Wilk closed the hearing on **SB 619**.

Representative Landwehr moved to amend the bill by inserting the language of **HB 2612**, the biennial budget bill, in the bill. Motion was seconded by Representative Feuerborn. Motion carried.

Representative Landwehr moved to report the bill favorably as amended. Motion was seconded by Representative Feuerborn. Motion carried.

Hearing on HB 3014--State officers and employees reduction of salary; computation of retirement

Jerry Sloan, Office of Judicial Administration, testified in support of the bill and offered an amendment which would protect state employees retirement benefits should they be furloughed (Attachment 1). Furloughs in the Judicial Branch are very possible both in FY 2002 and FY 2003.

Bobbi Mariani, Division of Personnel, Department of Administration, informed the Committee that if the shrinkage rates are increased to the amount being currently considered by the Legislature, it would force agencies into a furlough situation. They cannot hold enough positions open to meet the request. If agencies are forced into furloughing several thousand employees, many of which will be retirement eligible, then the Kansas Public Employees Retirement System (KPERS) needs to address the issues of:

- Does the employer still the cost of their contribution at the higher rate?
- Does KPERS assume this cost?

Glenn Deck, Executive Director of KPERS, explained that if furloughing would be applied, it would be necessary for him to know the level of furloughs before a cost could be determined. The bigger consideration for KPERS is the administrative piece of this proposal. Their antiquated computer system does not give credit based on annual salary; it is built from the employee's contribution. Contributions go into an employee account, then an employer account, and then it is grossed up to the salary. If KPERS is required to give credit for a higher salary, KPERS will have to program their system very differently which will be possible working with Accounts and Reports and DISC. The time frame could present some problem areas but they are not insurmountable. They would prefer that the contributions be made into the system on behalf of the employee for the higher salary so there would be no cost issue and no system implementation.

Mrs. Mariani said the state would have to do programming changes to make the whole of the contribution go on the employer's side. Choosing either the contribution going on the employer's side or the employee's side, will require either the state or KPERS to make a major programming change. It appears that the Legislature is increasing the shrinkage which will force the furloughs, and then are asking that the employer pay the contribution. Mrs. Mariani said the Division of Personnel did not want the employees impacted at all, neither by furloughs nor otherwise.

Chairman Wilk closed the hearing and assigned **HB 3014** to the General Government and Human Resources Budget Committee for further study.

Discussion and Action on HB 2991–Firefighter Training Program

This was described as enabling legislation which would set the program in place but no funds would be allocated at this time. This is an extension and expansion of a 1949 law for the training of firefighters. The University of Kansas is willing to accept this program and it will be funded at this time through grants and gifts. (Attachment 2).

Representative Minor moved to report the bill favorably for passage. Motion was seconded by Representative Newton. Motion carried.

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

Representative Campbell presented and moved for the adoption of the Subcommittee Report on HB 2635 (Attachment 3). Motion was seconded by Representative Stone. Motion carried.

Also presented was an amendment recommended by the Subcommittee (Attachment 4).

The Committee discussed the exemption of ad valorem taxes by cities who would issue bonds through the KDFA and how this would impact the state general fund and erode the tax base. The fiscal impact of this legislation cannot be determined until a bonding rate is set.

Chairman Wilk adjourned the meeting at 9:25 a.m. The next meeting is scheduled for March 28, 2002.

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: 3/27/02

NAME	REPRESENTING
G. Mariani	DefA
Karen Watney	DefA
Elaine Schwartz	KDoA
Cornie Huesen	KDoA
Dunn Mitty	SOS
Kim Fowler	Judicial Branch
Jerry Sloan	Judicial Branch
Melinda Gaul	DOB
Jim KEATINGE	KSFFA
Carole Jordan	Ks Dept of Ag
Faith Loretto	Dept. of Admin.
Nancy Bryant	SOS
Stuart Little	Westar Energy
Sarah Henry	my Dad - Jerry Henry
Sheli Sweeney	KDoA



State of Kansas

Office of Judicial Administration

Kansas Judicial Center

301 SW 10th

Topeka, Kansas 66612-1507

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House Appropriations

Thursday, March 27, 2002

Testimony on HB 3014

Jerry Sloan

Mr. Chairman and Members of the Committee:

I appear in support of HB 3014. We had originally requested the introduction of this concept last year in HB 2598 which was on General Orders in the House as the session ended. It turned out to be unnecessary last year so was stricken from the calendar as the 2001 session ended. HB 3014 is identical to that bill.

The intent of HB 3014 is that should it be necessary to furlough state employees due to budgetary shortfalls, they would not also be impacted by a reduction in retirement benefits forever.

While not all may retire as early as possible, there are currently 212 non-judicial employees in the Judicial Branch who would be eligible to retire within the next four years. Without some protection similar to what is included in HB 3014, these employees could find their retirement, not just their current salary, adversely impacted by a furlough.

This bill is not drafted to only apply to Judicial Branch employees. I have received input that suggested some clarifying amendments and I have attached a copy of those suggestions. I would certainly defer to the Revisors to improve in any way on this concept.

HOUSE APPROPRIATIONS

DATE 3/27/02

ATTACHMENT 1

2
3 HOUSE BILL No. 3014

4
5 By Committee on Appropriations

6
7 3-8

8
9 AN ACT concerning reduction of salaries of certain state officers and
10 employees; relating to computation of retirement benefits for such
11 officers and employees; amending K. S. A. 74-49,115 and repealing the
12 existing section.

13
14 *Be it enacted by the Legislature of the State of Kansas:*

15 Section 1. K. S. A. 74-49,115 is hereby amended to read as follows:
16 74-49,115. (a) When the ~~rate of compensation~~ for any officer or employee

17 of the state is reduced pursuant to law or ~~when such officer or employee~~
18 ~~voluntarily agrees to reduce such officer or employee's rate of compen-~~
19 ~~sation for the period commencing on January 1, 1987, and ending on June~~
20 ~~30, 1987, the amount of salary which would have been paid if the rate of~~
21 ~~compensation had not been reduced shall continue to be included as~~
22 ~~compensation for all purposes of computing retirement and pension ben-~~
23 ~~efits and death and disability benefits as provided in article 26 of chapter~~
24 ~~20 and article 49 of chapter 74 of the Kansas Statutes Annotated earned~~
25 ~~by such [salaried] officer or employee as provided by the Kansas public~~
26 ~~employees retirement system, the Kansas police and firemen's retirement~~
27 ~~system and the retirement system for judges. Subject to the approval of~~
28 ~~the secretary of administration, the director of accounts and reports shall~~
29 ~~prescribe procedures for the payment and remittance of employer and~~
30 ~~employee contributions by the state agency employing such employees.~~

by furlough

31 (b) The provisions of subsection (a) shall not be applicable to [salary]
32 reductions attributable to: (1) Voluntary demotions of employees in the
33 classified service; (2) deferred compensation pursuant to the plan au-
34 thorized by K. S. A. 75-5523 and amendments thereto; or (3) to salary
35 reductions attributable to the cafeteria plan authorized by K. S. A. 75-6512
36 and amendments thereto.

[compensation]

37 (c) For the purposes of this section, " officer" and " employee" means
38 any officer or employee of the state, any member of the legislature or any
39 employee of an institution under the supervision of the board of regents.
40 Sec. 2. K. S. A. 74-49,115 is hereby repealed.

41 Sec. 3. This act shall take effect and be in force from and after its
42 publication in the Kansas register.

STATE OF KANSAS



LARRY L. CAMPBELL
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COMMITTEE ASSIGNMENTS
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MEMBER: APPROPRIATIONS
TOURISM
PUBLIC SAFETY BUDGET
CORRECTIONS & JUVENILE JUSTICE

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TOPEKA
HOUSE OF
REPRESENTATIVES

March 13, 2002

Rep. Kenny Wilk, Chairman
House Appropriations Committee

Mr. Chairman,

Your subcommittee on Public Safety held hearings on HB 2991. HB 2991 adds definition and better outlines the legal authority over a state-wide Firefighter Training Program.

HB 2991 was sponsored by the Kansas Fire Service Alliance and is an effort to expand on K.S.A. 76-327 enacted in 1949. The underlying desire is to provide training that is more consistent (uniform) and more accessible to the volunteers in smaller communities.

The proponents were:

Kansas State Firefighters Association
John Lloyd, President, Kansas Association of Fire Chiefs
Glenn Pribbenow, Director Fire Service Training, University of Kansas
Dennis Thrower, Fire Chief, City of McPherson.

There were no opponents.

The bill does not establish a funding source recognizing the State's financial environment. The bill was requested with that understanding and the belief that needed organization and planning could still occur until a possible funding source could be identified.

Your subcommittee recommends approval.

Rep. Larry Campbell

Rep. Doug Gatewood

Rep. Kathe Lloyd

Rep. Bill Feuerborn

Rep. Steve Huebert

Rep. Melvin Minor

Rep. Dean Newton

HOUSE APPROPRIATIONS

DATE 3/27/02
ATTACHMENT 2

Session of 2002

**House Budget Committee Report on House Bill 2635
To House Committee on Appropriations**

Issue

HB 2635, as amended, authorizes the Kansas Development Finance Authority (KDFA) to issue revenue bonds to finance the construction, upgrades, and acquisition of right-of-way electrical transmission lines and appurtenances. The bill also authorizes the KDFA to issue revenue bonds to finance regional broadband technology facilities' projects to extend broadband to Kansas communities. Bonds issued would be paid from revenues derived from the use of the transmission lines and would be exempt from all county and municipal taxes, but not from the estate tax.

HB 2635 was introduced by the Committee on Utilities in recognition of ways to provide incentives in building or upgrading transmission lines and appurtenances and addressing constraints on the current transmission system. HB 2635, as introduced, defined appurtenances of electric transmission lines as towers and poles. The Committee amended the bill to include substations and other structures and equipment necessary for the bulk transfer of electricity. During the hearing, the question arose as to whether bond proceeds would be used for out-of-state transmission improvements. The KDFA testified that bond proceeds are not authorized for out-of-state improvements. The fiscal note for HB 2635 indicates that passage of the bill would not affect state expenditures. According to KDFA, the fees generated by issuing these types of bonds would offset any expenses incurred.

HB 2635 was referred to the House Committee on Appropriations in an amended form, which included all the provisions in HB 2712. HB 2712 had been examined in the House Committee on Utilities, but was tabled due to confusion as to the provisions and purposes of the bill. HB 2712 amended KSA 2001 Supp. 74-8905 by adding a provision granting authority to the KDFA to issue bonds to finance regional broadband technology facilities' projects to extend broadband to Kansas communities.

Questions

One of the major questions the Budget Committee dealt with was whether authorizing bonds was exclusive to public purposes, and not private purposes. The Committee was briefed by the KDFA on the frequency and range of bonds used for purposes other than public building improvements or construction, and learned that other cases exist, like the remodeling of Stormont Vail Hospital, that are not part of state or municipal government. The Budget Committee discussed whether authorizing bonds was an action solely reserved for public use, even when state funds were not obligated in future bond payments.

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DATE 3/27/02

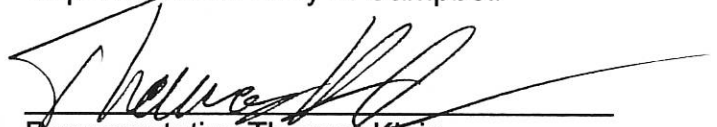
ATTACHMENT 3

House Budget Recommendation

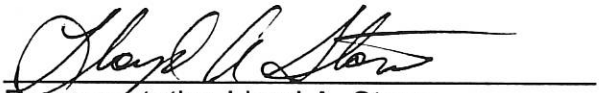
The House Budget Committee recommends HB 2635 to the Committee on Appropriations. The recommendation is based on an appropriations standpoint and not on a policy standpoint. The Budget Committee believes that authorizing the KDFSA to issue bonds for private purposes is permissible only when state funds are not obligated in repayment of such bonds.



Representative Larry L. Campbell



Representative Thomas Klein



Representative Lloyd A. Stone

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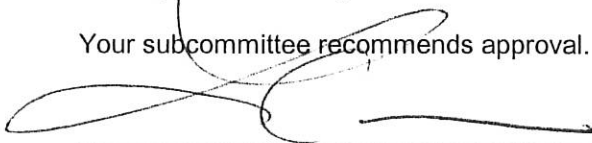
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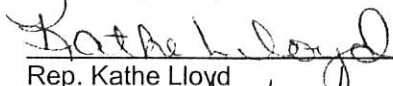
There were no opponents.

The bill does not establish a funding source recognizing the State's financial environment. The bill was requested with that understanding and the belief that needed organization and planning could still occur until a possible funding source could be identified.

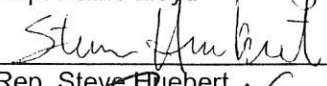
Your subcommittee recommends approval.



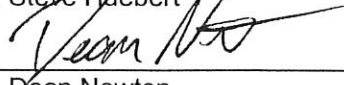
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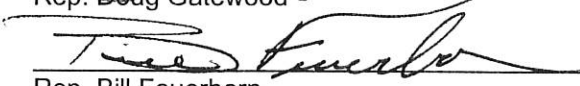
Rep. Steve Huebert



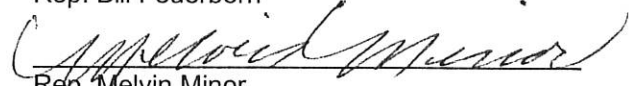
Rep. Dean Newton



Rep. Doug Gatewood



Rep. Bill Feuerborn



Rep. Melvin Minor

3-3
~~HOUSE APPROPRIATIONS~~
DATE 3/18/02
ATTACHMENT 4

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

HOUSE APPROPRIATIONS

DATE 3/27/02ATTACHMENT 4

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"