

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Stephen Morris at 10:40 a.m. on February 21, 2002 in Room 123-S of the Capitol.

All members were present except: Senator Dave Kerr - excused

Committee staff present:

Alan Conroy, Chief Fiscal Analyst, Kansas Legislative Research Department  
Deb Hollon, Kansas Legislative Research Department  
Martha Dorsey, Kansas Legislative Research Department  
Julian Efird, Kansas Legislative Research Department  
Audrey Nogle, Kansas Legislative Research Department  
Michael Corrigan, Assistant Revisor of Statutes  
Judy Bromich, Assistant to the Chairman  
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Claire Homitzky, Kansas Rural Center  
Marianne Deagle, Health Care Policy, Department of Social and Rehabilitation Services

Others attending: See attached list

Senator Adkins moved, with a second by Senator Jordan, to approve the minutes of the February 4, February 5 and February 6, 2002 committee meetings. Motion carried on a voice vote.

Subcommittee report on:

**Kansas Public Employees Retirement System (KPERS) (Attachment 1)**

Senator Adkins reported for Subcommittee Chairman Kerr that the Subcommittee concurs with the Governor's recommendations for FY 2002 with additional adjustments as listed in the subcommittee budget report.

Senator Adkins reported for Subcommittee Chairman Kerr that the Subcommittee concurs with the Governor's recommendations for FY 2003 with additional adjustments as listed in the subcommittee budget report.

Senator Adkins moved, with a second by Senator Downey, to adopt the subcommittee budget report on Kansas Public Employees Retirement System (KPERS) for the FY 2002 and FY 2003 budget. Motion carried on a voice vote.

Chairman Morris opened the public hearing on:

**SB 604--Appropriations for FY2003 for WIC farmer's market nutrition program for department of health and environment**

Staff briefed the Committee on the bill.

Claire Homitzky, Kansas Rural Center, testified in support of **SB 604** (Attachment 2). Ms. Homitzky mentioned in her testimony that the WIC Farmers' Market Nutrition Program is a federal grant program that provides vouchers to nutritionally at-risk women, infants and children for the purchase of fresh fruits and vegetables at farmers' markets. She explained that 30 percent non-federal dollars are required to match the 70 percent dollars in order to implement the program in the State; therefore, a pilot program with a total cost of \$100,000.00 requires only \$30,000.00 in non-federal match.

CONTINUATION SHEET

Committee questions and discussion followed. Senator Huelskamp requested that Department look at current programs that could be used as a match and check with the Secretary of the Department of Health and Environment. Chairman Morris thanked Ms. Homitzky for appearing before the Committee.

There being no further conferees to come before the Committee, the Chairman closed the public hearing on **SB 604**.

Senator Barone moved, with a second by Senator Feleciano, to recommend **SB 604** favorably for passage. Motion carried on a roll call vote.

Chairman Morris opened the public hearing on:

**SB 618--State institutions building fund, revenue bond debt service for capital improvements of the department of social and rehabilitation services**

Staff briefed the Committee on the bill.

Marianne Deagle, Health Care Policy, Department of Social and Rehabilitation Services, testified in favor of **SB 618** (Attachment 3). Ms. Deagle explained that **SB 618** authorizes the use of funds from the State Institutions Building Fund (SIBF) for payment of debt service on revenue bonds. She also noted that these bonds would be used to finance capital improvement projects, all subject to appropriation by the Legislature.

Committee questions and discussion followed. Chairman Morris thanked Ms. Deagle for appearing before the Committee. There being no further conferees to come before the Committee, the Chairman closed the public hearing on **SB 618**.

Senator Barone moved, with a second by Senator Feleciano, a conceptual amendment for revenue bonds issued for a new state security hospital on the grounds of the Larned State Hospital. Motion carried on a voice vote.

Senator Feleciano moved, with a second by Senator Schodorf, to recommend **SB 618** favorably for passage as amended. Motion carried on a roll call vote.

The meeting was adjourned at 11:30 a.m. The next meeting is scheduled for February 22, 2002.



## Subcommittee Report

**Agency:** Kansas Public Employees Retirement System (KPERS)      **Bill No.** 457      **Bill Sec.** --

**Analyst:** Efirid      **Analysis Pg. No.** 359      **Budget Page No.** 307

| Expenditure Summary      | Agency<br>Est.<br>FY 02 | Governor's<br>Recommendation<br>FY 02 | Senate<br>Subcommittee<br>Adjustments |
|--------------------------|-------------------------|---------------------------------------|---------------------------------------|
| State Operations         | \$ 30,244,196           | \$ 30,244,196                         | \$ (2,702,422)                        |
| Other Assistance         | 627,996,216             | 627,996,216                           | 0                                     |
| Total-All Funds          | <u>658,240,412</u>      | <u>658,240,412</u>                    | <u>(2,702,422)</u>                    |
| <br>                     |                         |                                       |                                       |
| FTE Positions            | 85.0                    | 84.0                                  | 1.0                                   |
| Non FTE Uncl. Perm. Pos. | 0.0                     | 0.0                                   | 0.0                                   |
| TOTAL                    | <u>85.0</u>             | <u>84.0</u>                           | <u>1.0</u>                            |

### Agency Est./Governor's Recommendation

**Agency Estimate.** The approved reportable budget (that excludes nonreportable benefits in the category of other assistance) at the end of the 2001 Legislature totaled \$33,657,429 in state operations expenditures. The revised estimate in FY 2002 is \$30,244,196, with reductions primarily attributed to lower investment manager costs. State operations expenditures are treated as reportable and those costs include both agency operations and investment related fees which are paid to investment managers and consultants who assist the KPERS Board of Trustees with managing the System's investment portfolio and performing related tasks. In FY 2002, the Legislature approved expenditure limitations to differentiate KPERS and non-KPERS agency operations. Expenditure limitations were established in FY 2002 at \$6,327,726 for KPERS agency operations and \$255,000 for non-KPERS agency operations. No limitations were established in FY 2002 for investment-related fees or for a technology project. Unexpended financing in FY 2001 was allowed to carry over without limit for a technology project. No FTE limitation was set for the agency in order to allow flexibility in hiring and adding personnel as needed. The agency requests 1.0 additional position in FY 2002 above the approved number of 84.0 FTE positions. A base six-month salary of \$19,978 is included for a State Auditor II. The reductions in state operations are attributed to lower fees for investment managers that results from reduced earnings on investments. The agency's revised FY 2002 budget does not require an increase in the current approved expenditure limitations for agency operations: \$6,327,726 for KPERS agency operations and \$237,590 for non-KPERS agency operations. Absent from the agency's revised budget request is \$133,758 in KSIP funding. That money may be spend for statutorily prescribed purposes, and is not subject to any expenditure limitation or other restrictions.

**Governor's Recommendations.** The Governor concurs with the revised FY 2002 budget request, and adds back \$32,000 from the SGF for paying the first-year cost of the KSRS legislation, with an off-setting reduction in KPERS Fund estimated spending for benefits, making the amount non-reportable as other benefits are treated. The Governor's recommendations do not include in

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Attachment 1*

FY 2002 spending of \$133,758 from KSIP funding. No adjustment in the KPERS limited agency operations accounts is recommended in FY 2002, and any money in the KSIP account may be spent in addition to the expenditure limitation imposed in FY 2002. The Governor's recommendations do not include an additional 1.0 FTE position, but six months of funding for the new position is part of the Governor's recommended salaries and wages budget in FY 2002.

### Senate Subcommittee Recommendation

The Committee concurs with the Governor's recommendations and makes the following additional adjustments:

1. Based on KPERS staff reports, make the following adjustments in FY 2003: reduce \$800,000 in financing for the technology project due to delays and carryover money to FY 2003; reduce \$1,974,350 in fees paid to investment managers due to a decline in financial markets; reduce \$50,000 in non-KPERS funded administrative costs; and reduce \$11,830 in non-KPERS funded investment-related expenses.
2. Add \$133,758 in KSIP money that the agency may legally expend, but for which the Governor's recommendations for expenditures do not account in the recommended FY 2002 spending.
3. Add 1.0 FTE position for an Auditor II that the agency requests and for which the Governor concurs with adding half-year financing but fails to add the FTE.

### Summary of Adjustments:

| <u>FY 2002 Reportable Expenditures</u> | <u>Governor's Recommendations</u> | <u>Subcommittee Adjustments</u> | <u>Subcommittee Recommendations</u> |
|--|-----------------------------------|---------------------------------|-------------------------------------|
| <b>KPERS Funded</b>                    |                                   |                                 |                                     |
| Administration                         | \$ 6,327,726                      | \$ 0                            | \$ 6,327,726                        |
| KSIP-Admin.                            | 0                                 | 133,758                         | 133,758                             |
| Audit                                  | 32,500                            | 0                               | 32,500                              |
| Technology Project                     | 1,202,000                         | (800,000)                       | 402,000                             |
| Investments                            | 22,311,412                        | (1,974,350)                     | 20,337,062                          |
| Subtotal                               | \$ 29,873,638                     | \$ (2,640,592)                  | \$ 27,233,046                       |
| <b>Non-KPERS Funded</b>                |                                   |                                 |                                     |
| Administration                         | \$ 237,590                        | \$ (50,000)                     | \$ 187,590                          |
| Investments                            | 132,968                           | (11,830)                        | 121,138                             |
| Subtotal                               | \$ 370,558                        | \$ (61,830)                     | \$ 308,728                          |
| <b>TOTAL-All Funds</b>                 | <b>\$ 30,244,196</b>              | <b>\$ (2,702,422)</b>           | <b>\$ 27,541,774</b>                |
| FTE Positions                          | 84.0                              | 1.0                             | 85.0                                |



## Subcommittee Report

**Agency:** Kansas Public Employees Retirement System (KPERs)      **Bill No.**      **Bill Sec.**

**Analyst:** Efird      **Analysis Pg. No.** 359      **Budget Page No.** 307

| <u>Expenditure Summary</u> | <u>Agency<br/>Req.<br/>FY 03</u> | <u>Governor's<br/>Recommendation<br/>FY 03</u> | <u>Senate<br/>Subcommittee<br/>Adjustments</u> |
|----------------------------|----------------------------------|--|--|
| State Operations           | \$ 31,464,457                    | \$ 31,326,761                                  | \$ (1,634,069)                                 |
| Other Assistance           | <u>658,902,429</u>               | <u>658,902,429</u>                             | <u>0</u>                                       |
| Total-All Funds            | <u><u>690,366,886</u></u>        | <u><u>690,229,190</u></u>                      | <u><u>(1,634,069)</u></u>                      |
| <br>                       |                                  |  |  |
| FTE Positions              | 86.0                             | 84.0   | 1.0  |
| Non FTE Uncl. Perm. Pos.   | <u>0.0</u>                       | <u>0.0</u>                                     | <u>0.0</u>                                     |
| TOTAL                      | <u><u>86.0</u></u>               | <u><u>84.0</u></u>                             | <u><u>1.0</u></u>                              |

### Agency Req./Governor's Recommendation

KPERs requests an increase of 4.0 percent in state operations expenditures. In addition to 1.0 FTE audit position added in FY 2002, the agency requests a second new audit position in FY 2003 for reviewing employer reporting and contributions. Estimated cost is \$71,190 for the second new position. Replacing the current computer system is anticipated to take place over a three-year period, with initial funding of \$122,500 requested in FY 2003. The remaining amount of increased expenditures is attributed to paying higher fees to investment managers and other professionals with contracts to provide services for KPERs.

The Governor's FY 2003 recommendations do not include additional money for requested enhancements, nor do the recommendations include additional FTE positions for two new auditors. However, the Governor recommends \$128,030 in salaries and wages that would be in addition to the agency base FY 2003 budget request, including \$19,787 to annualize the salary of 1.0 FTE position identified as an Auditor II. No funding is provided for the second new auditor position. The remaining amount for salaries and wages would fund the Governor's recommended adjustments in FY 2003. Increased expenditures as requested by the agency also are recommended for investment managers and other professionals with contracts to provide services for KPERs.

### Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendations and makes the following additional adjustments:

1. Add first-year financing of \$122,500 for replacing the computer system over three years at an estimated total cost of \$367,500. In addition, based on KPERs staff reports, make the following adjustments in FY 2003:
  - a. add \$800,000 in carryover financing for the technology project;

- b. reduce \$2,497,627 in fees paid to investment managers due to a decline in financial markets; reduce \$50,000 in non-KPERS funded administrative costs; and
  - c. reduce \$8,942 in non-KPERS funded investment-related expenses.
2. Note that the Special 2003 Death and Disability Plan Employer Contribution Fund had non-SGF money that originally was appropriated from special revenue funds in FY 2002 for the employer contribution to the KPERS Group Life Insurance and Long-Term Disability Benefits Program. The 2001 Legislature suspended two quarters of payments in FY 2002, and recaptured the non-SGF money that was not required for payments by transferring the money to this fund. As of December 18, 2001, the balance in the fund totaled \$1,065,538 in money that was reduced from state agency non-SGF accounts. A \$0 expenditure limitation was placed on this fund in FY 2002. The Subcommittee understands that the Governor's FY 2003 appropriations bill will transfer the balance in this fund to the State General Fund on July 1, 2002, to enhanced the SGF balance by \$1,065,538.
  3. Note that funding for six months of employer payments to the KPERS Group Life Insurance and Long-Term Disability Benefits Program under the Governor's recommended expenditures was reduced from agency FY 2003 budgets, and that substantive legislation must be introduced to authorize a six month moratorium proposed by the Governor. Failure to enact legislation will result in agencies having to pay the contribution out of existing FY 2003 resources.
  4. Add 1.0 FTE position for an Auditor II that the agency requests and for which the Governor concurs with adding financing but fails to add the FTE.

**Summary of Adjustments:**

| <u>FY 2003 Reportable Expenditures</u> | <u>Governor's Recommendations</u> | <u>Subcommittee Adjustments</u> | <u>Subcommittee Recommendations</u> |
|--|-----------------------------------|---------------------------------|-------------------------------------|
| <b>KPERS Funded</b>                    |                                   |                                 |                                     |
| Administration                         | \$ 6,452,053                      | \$ 122,500                      | \$ 6,574,553                        |
| Audit                                  | 32,500                            | 0                               | 32,500                              |
| Technology Project                     | 502,000                           | 800,000                         | 1,302,000                           |
| Investments                            | <u>23,984,707</u>                 | <u>(2,497,627)</u>              | <u>21,487,080</u>                   |
| Subtotal                               | \$ 30,971,260                     | \$ (1,575,127)                  | \$ 29,396,133                       |
| <b>Non-KPERS Funded</b>                |                                   |                                 |                                     |
| Administration                         | \$ 242,228                        | \$ (50,000)                     | \$ 192,228                          |
| Investments                            | <u>113,273</u>                    | <u>(8,942)</u>                  | <u>104,331</u>                      |
| Subtotal                               | \$ 355,501                        | \$ (58,942)                     | \$ 296,559                          |
| <b>TOTAL--All Funds</b>                | <b><u>\$ 31,326,761</u></b>       | <b><u>\$ (1,634,069)</u></b>    | <b><u>\$ 29,692,692</u></b>         |
| FTE Positions                          | 84.0                              | 1.0                             | 85.0                                |





Senator Dave Kerr, Chairperson



Senator David Adkins



Senator Christine Downey

Testimony on Senate Bill 604  
to  
Senate Ways and Means Committee

Presented by Claire Homitzky  
Kansas Rural Center

February 21, 2002

Chairperson Morris and members of the Senate Ways and Means Committee, I am pleased to appear before you today to testify in support of Senate Bill 604.

The WIC Farmers' Market Nutrition Program (WIC FMNP or FMNP) is a federal grant program that provides vouchers to nutritionally at-risk women, infants and children for the purchase of fresh fruits and vegetables at farmers' markets.

One objective of the WIC FMNP is to encourage the long-term use of fresh fruits and vegetables and the resulting benefits of balanced health. In fiscal year 2000, 39 jurisdictions, including 33 states, the District of Columbia, one territory and four Indian Tribal Organizations (ITOs) participated in the WIC FMNP. Surveys conducted in these areas clearly indicate that the program positively influenced the food selection and consumption habits of WIC participants. For example: 71% ate more fruits and vegetables because of the program; 80% said they plan to eat more fresh fruits and vegetables year round; 44% bought a fresh fruit or vegetable they had never eaten before; and, 43% learned a new way to prepare or cook fresh fruits and vegetables.

Another objective of the program is to increase the awareness and use of farmers' markets and increase the income of the farmers who vend at them.

53% of the recipients spent money in addition to their FMNP vouchers at the farmers' market; 73% of participants reported that they would continue shopping at the farmers' market even if they were no longer to receive vouchers; 90% of farmers surveyed said that the FMNP increased their farmers' market sales; and, 35% of farmers surveyed said they grew a wider variety of fruits and vegetables and increased their production to meet FMNP demands.

Fruit and vegetable producers are reimbursed for the face value of the vouchers. This additional income to farmers generated by the FMNP is subject to state and local sales taxes, as well as the appropriate state and federal income taxes, thereby providing a positive revenue stream to the state.

The WIC FMNP attracts significant federal funding to participating jurisdictions. Thirty percent (30%) non-federal dollars are required to match 70% federal dollars in order to implement this program in our state. Therefore, a pilot program with a total cost of \$100,000 requires only \$30,000 in non-federal match. Since no more than 17% of the total programmatic cost could be devoted to administrative fees, more than \$80,000 remains for distribution to the program's clientele. Assuming vouchers are distributed in \$20.00 increments, over 4,000 different persons would be served by this pilot project.

Thank you for the opportunity to appear before the Senate Ways and Means Committee. I will be pleased to respond at this time to any questions members of the Committee may have regarding this topic.

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Claire Homitzky  
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Abilene, KS 67410

Phone (785) 263-9857  
Email homitzky@ikansas.com

*Senate Ways and Means  
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Attachment 2*

Kansas Department of Social and Rehabilitation  
Services

Janet Schalansky, Secretary



Docking State Office Building  
915 SW Harrison, 6<sup>th</sup> Floor North  
Topeka, Kansas 66612-1570

*for additional information, contact:*

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Senate Ways and Means Committee  
February 21, 2002 at 10:30 a.m.

Senate Bill 618

Health Care Policy  
Marianne Deagle  
785.296.3773

Senate Ways and Means  
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Attachment 3

Kansas Department of Social and Rehabilitation Services  
Janet Schalansky, Secretary

Senate Ways and Means Committee  
February 21, 2002 at 10:30 a.m.

**Senate Bill 618**

Mr. Chairman and members of the committee, Senate Bill 618 authorizes the use of funds from the State Institute Building Fund (SIBF) for payment of debt service on revenue bonds. These bonds would be used to finance capital improvement projects, all subject to appropriation by the legislature.

This bill will allow the legislature to appropriate SIBF money to SRS to pay for the debt service on the bonds issued for the construction of the new State Security Hospital, authorized in the Capitol Improvement appropriation. The legislature passed similar legislation in 1996 for the Crumbling Classrooms program and in 2000 for the construction of a new Juvenile Detention Facility at Larned.

SB 618 will provide flexibility for use of funds to pay the debt service on the revenue bonds issued to finance the new State Security Hospital. Currently, only State General Fund or State Fee Fund money could be used to pay the bond debt.

Mr. Chairman I would be glad to answer any questions you have on this matter.