

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chair Melvin Neufeld at 9:00 a.m. on March 21, 2003, in Room 514-S of the Capitol.

All members were present except: Representative Barbara Ballard - excused
Representative Rocky Nichols - excused

Committee staff present: J. G. Scott, Legislative Research Department
Julian Efird, Legislative Research
Robert Waller, Legislative Research
Leah Robinson, Legislative Research
Amy Deckard, Legislative Research
Paul West, Legislative Research
Becky Krahl, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Shirley Jepson, Committee Secretary

Conferees appearing before the committee: Representative Kenny Wilk
Representative John Edmonds
Representative Eric Carter
Joyce Cussimano, Children's Cabinet
John Wood, First Albany Corporation
Colonel Adam King, Adjutant General's Office
Alan Cobb, Coalition for Opportunity
Janet Chubb, Secretary of State's Office

Others attending: See attached

- Attachment 1 **HB 2412** Testimony by Representative Kenny Wilk
- Attachment 2 **HB 2412** Testimony by Representative John Edmonds
- Attachment 3 **HB 2412** Testimony by Representative Eric Carter
- Attachment 4 **HB 2412** Testimony by Joyce Cussimano, Children's Cabinet
- Attachment 5 **SB 240** Testimony by Colonel Adam Cobb, Adjutant General
- Attachment 6 **SB 223** Testimony by Alan Cobb, Coalition for Opportunity
- Attachment 7 **HB 2128** Amendment
- Attachment 8 **HB 2128** Testimony by Janet Chubb, Assistant Secretary of State

HB 2412:--Kansas Development Finance Authority (KDFA); securitization of tobacco litigation settlement receipts and bonds.

Paul West, Legislative Research Department, explained the bill, which authorizes the securitization of tobacco litigation settlement receipts and bonds. The legislation creates the "Great Plains Tobacco Settlement Corporation" and authorizes the Secretary of Administration to sell all or a portion of the state tobacco settlement receipts to the Corporation.

The Chair recognized Representative Kenny Wilk, Proponent for **HB 2412**, who presented written testimony and provided a list of key provisions of the bill (Attachment 1). Representative Wilk responded to questions from the Committee, stating that this bill addresses only the securitization of the moneys and does not address how the money will be spent. An amendment which has been proposed, would state that if the State Finance Council took any funds for deposit to the State General Fund, it would be considered a loan and would need to be paid back to the Kansas Endowment for Youth. Representative Wilk noted that under this bill, the Legislature would set up the mechanism for the securitization of the settlement but would not authorize or require the securitization of said receipts. The Legislature would still manage the expenditures and interest on the funds. As the legislation is written, three House members and three Senate members would serve on the board of the Corporation.

The Chair recognized Representative John Edmonds, Proponent for **HB 2412**, who presented written

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS at 9:00 a.m. on March 21, 2003, in Room 514-S of the Capitol.

testimony concerning utilization of the bond proceeds from the tobacco bond securitization (Attachment 2). Representative Edmonds requested an amendment to the bill to dedicate all or a portion of the bond proceeds from the tobacco securitization to help stabilize the Kansas Public Employee Retirement System (KPERs). Responding to a question, Representative Edmonds stated that this payment would be a one-time payment to the KPERs fund and would help to fulfill the state's obligation.

The Chair recognized Representative Eric Carter, proponent for **HB 2412**, who presented written testimony (Attachment 3). There were no questions from the Committee.

The Chair recognized Joyce Cussimano, Executive Director of the Children's Cabinet, who presented written testimony giving some background on the establishment of the Kansas Children's Cabinet and the purpose of the Kansas Endowment for Youth (KEY) fund (Attachment 4). In answer to a question from the Committee, Ms. Cussimano noted that the Kansas Children's Cabinet does not have a position on the securitization on the funds.

In response to questions concerning the a recent California settlement, the Chair recognized John Wood, First Albany Corporation, a leading underwriter of these types of securities. Mr. Wood indicated that California received approximately \$3 billion from the securitization of their tobacco settlement. California is currently planning another issue in the range of \$2.5 to \$3 billion in the near future.

The Chair closed the Hearing on **HB 2412**.

SB 240--Insurance Coverage for Armories

The Chair opened the Hearing on **SB 240** and recognized Robert Waller, Legislative Research Department, who explained the bill, concerning the Adjutant General having authorization to self-insure certain armories.

The Chair recognized Colonel Adam King, Adjutant General's Office, who presented written testimony in favor of **SB 240** (Attachment 5). In response to a question from the Committee, Colonel King indicated they have two outstanding bonds in the amount of \$4,000,000; two issuances of \$2,000,000 each. These bonds will be paid out over a number of years.

The Chair closed the Hearing on **SB 240**.

Representative Feuerborn moved to pass SB 240 favorably. Seconded by Representative Merrick.

With the permission of the second, Representative Feuerborn amended his motion to pass SB 240 and to recommend that it be placed on the consent calendar. Motion carried.

SB 223--State agency purchasing procedures; reverse auctioning electronic procurement process

The Chair opened the Hearing on **SB 223** and recognized Leah Robinson, Legislative Research Department, who explained the bill which relates to State purchasing procedures; providing review of contracts under the non-competitive bid exceptions; reverse auctioning. The bill places a threshold of \$5,000 on contracts that have to be included in quarterly reports to the Legislative Coordinating Council, Senate Ways and Means Committee, and the House Appropriations Committee pertaining to supplies or services that are procured through grant funds, consortiums or other governmental entities and other requirements.

Alan Cobb, spokesperson for the Coalition for Opportunity which is a group of Kansas manufacturers who employ more than 400 people who are blind and/or disabled. Mr. Cobb presented testimony in favor of **SB 223** (Attachment 6).

The Committee requested Mr. Cobb to provide information on how much has been spent and how much has been purchased from the blind and disabled in the last few years.

Mr. Cobb indicated that there would be a "proviso" regarding Reverse Auction provided by the Revisor of Statutes and placed in the appropriate place in the **SB 223**. The Committee will return to the bill later after

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the Revisor has studied the bill and developed the proviso.

The Chair closed the Hearing on **SB 223**.

Hearing on HB 2128—Amendments to statues relating to distribution of certain publications and documents by the Secretary of State


Amy Deckard, Legislative Research Department, presented information on Amendments to HB 2128, concerning the distribution of the Kansas Register and Kansas Administrative Regulations, not only in electronic format, but also provide that paper copies be available from the Secretary of State's office (Attachment 7).

Janet Chubb, Assistant Secretary of State, presented testimony regarding electronic publication of the Kansas Register and the Kansas Administrative Regulations, state documents which are currently distributed in hard copy format (Attachment 8). Ms. Chubb stated that the purpose of this legislation is to cut publishing costs and to redirect fees for these publications to a fee fund so that the office may support itself instead of relying on state general fund appropriations. Ms. Chubb did not know the dollar amount of savings on copies to go to the Legislators, however, the net result with others would be approximately \$71,000 savings to the SGF. The Committee voiced concern that the bill would limit access to this information by persons who did not have access to computers and would be charged a fee for a paper copy. Ms. Chubb had no comments as to the impact of this legislation on the State Printer.

The hearing on **HB 2128** was closed.

Representative Landwehr moved to introduce legislation relating to the senior pharmacy assistance program. The motion was seconded by Representative Bethel. Motion carried.

The meeting was adjourned.



Melvin Neufeld, Chair

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: *March 21, 2003*

NAME	REPRESENTING
<i>Maj Gen Greg Gardner</i>	<i>Adjutant General</i>
<i>Col ADAM KING</i>	<i>" " Dept</i>
<i>Vicki Lynn Helsel</i>	<i>Budget</i>
<i>Nancy Lindberg</i>	<i>KS Children's Campaign</i>
<i>Denny Burgess</i>	<i>Burgess + ASSAC</i>
<i>Andy Sloan</i>	<i>KAC</i>
<i>Paul Bell</i>	<i>GBBA</i>
<i>ALAN COBB</i>	<i>KCO</i>
<i>May Ellen Conler</i>	<i>Envision</i>
<i>Karl Peter John</i>	<i>KS Taxpayers Network</i>
<i>Lindsay Campbell</i>	<i>Inter-Damron</i>
<i>Lynette L. Jeffers</i>	<i>KSR</i>
<i>Chris Howe</i>	<i>ADMINISTRATIVE / PURCHASES</i>
<i>Hank Henry</i>	<i>Guest of Terry Henry</i>
<i>Jennifer McLeod</i>	<i>guest of Joe McLeod</i>
<i>Joyce A Cussimano</i>	<i>KS Children's Cabinet</i>

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

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COMMITTEE ASSIGNMENTS
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Financial Institutions
Joint Committee on Economic
Development

CHAIRMAN
House Economic Development Committee

Testimony
HB 2412
March 14, 2003

Mr. Chairman and members of the committee. Thank you for hearing HB 2412. HB 2412 pertains to potentially securitizing the tobacco settlement funds. This is not a new bill to the Appropriation Committee, but I believe it is the first time the full committee has taken up the subject. Two years ago a similar bill was assigned to a special select committee. Though the select committee never took formal action, the content of HB 2412 is mostly the work product of that select committee.

Attached to my testimony you will find bullet points highlighting the key provisions of the bill. I want to stress a few additional points.

1. This legislation is permissive, not mandatory in nature. It merely sets up a mechanism to allow securitization if the professionals involved in the evaluation of the issue would make such a recommendation.
2. I think it is prudent and financially responsible to authorize such an evaluation of our tobacco settlement funds.
3. It would be my intent, should this legislation become law, and should any part of the tobacco settlement funds be securitized, that all proceeds ultimately reside in the Kansas Endowment for Youth fund.
4. If any or part of the tobacco funds are securitized, and if the State Finance Council exercised authority to direct any of the proceeds to the State General Fund (for ending balance purposes only), such funds should be identified as a loan and subject to full repayment to the KEY with interest. (Additional clarification in the bill might be appropriate for this point.)

I realize that the subject of securitization is complex and uncomfortable. I want to state clearly that I do not believe securitizing any or part of the tobacco settlement funds is a long-term solution to our huge state budget problem. If the securitization was to occur and a loan made to assist with the SGF ending balance challenge, securitization could be one part of what is sure to be a very complicated formula that leads us back to financial stability. I do feel having some plan for a SGF ending balance is critical to the budget process and the operation of state government.

Thank you for your time and attention.

HOUSE APPROPRIATIONS

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ATTACHMENT 1

Key Provisions of House Bill No. 2412

- Creates the Great Plains Tobacco Settlement Corporation (the “Corporation”) pursuant to the provisions of the Kansas Development Finance Authority Act (the “Act”).
- Authorizes the Secretary of Administration to sell to the Corporation, pursuant to negotiation, all or a portion of the state tobacco settlement receipts (“TSRs”) upon approval by the State Finance Council, and to execute and deliver an asset sale agreement (the “Asset Sale”).
- The Agreement shall provide that the purchase price payable to the State shall consist of the net proceeds of bonds issued by the Corporation.
- The Agreement shall provide for a “true sale” and absolute transfer of the property so transferred giving the State no further interest in or rights to the portion of the Tobacco Assets sold to the Corporation. Further provides that the escrow agent for the MSA shall transfer the designated portion of the sold Tobacco Assets directly to the Corporation.
- Provides flexibility to the Secretary of Administration in structuring the sale of Tobacco Assets, including ability to provide for residual moneys or excess tobacco payments to be paid to the state if determined to be desirable.
- Provides that all moneys received pursuant to the sale of the TSRs to the Corporation shall be deposited in the state treasury to the credit of the Endowment KEY fund, except as may otherwise be directed by the State Finance Council in accordance with the provisions of Section 1 and amendments thereto, which provide that the State Finance Council may direct deposit of moneys into the state general fund for use as determined by the State Finance Council.
- Amends the Act to provide for the establishment of *affiliate* corporations with such powers as may be necessary to implement the provisions of the Act (existing language refers to the formation of subsidiary corporations), including the corporation.
- Provides for the composition of the board of directors of the Corporation to include the five members of KDFA, three members of the house of representatives, appointed by the speaker of the house of representatives, and three members of the senate, appointed by the president of the senate.
- Sets forth the corporate purposes of the Corporation to include the purchase of TSRs from the State, and the issuance and sale of bonds.
- Provides for legal separation of the assets and liabilities of the Corporation from KDFA.
- Provides that the Corporation must may not be dissolved, consolidated or merged with any other entity while any bonds issued by the Corporation are outstanding.

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

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JOHN T. EDMONDS

112TH DISTRICT

CHAIRMAN, TAXATION COMMITTEE

Testimony on HB 2412

Securitization of tobacco litigation settlement receipts, bonds

Chairman Neufeld and Members of the Appropriations Committee:

I appreciate the opportunity to testify today on the utilization of the bond proceeds from the tobacco bond securitization authorized in HB 2412.

As you know, from the Kansas Public Employees Retirement System (KPERs) briefings and reports, KPERs financial condition is deteriorating and it has a major long-term funding problem. Last week Speaker Mays announced the creation of the House Select Committee on Pensions. In making this announcement the Speaker said, "There is a storm rising on the horizon for our retirees unless we act to protect the fund this year. If the Legislature does not act soon, the financial problem will more than double."

This new select committee, of which I am Chair and a number of you are members, is charged with studying the issues surrounding KPERs and charting a secure course for those funds. I have attached for your information a summary of KPERs actuarial valuation and funding projections which show that the unfunded liability is rapidly increasing.

I have not received a copy of the fiscal note on HB 2412, which would estimate the amount of bond proceeds that can be raised through the securitization of the tobacco payments. However, it is my understanding that several investment banking firms have estimated full securitization alternatives that would produce a range of \$600 million to \$750 million in net proceeds.

I respectfully request you consider amending this bill to dedicate all or a portion of the bond proceeds from this tobacco securitization to help pay down the State/School group unfunded liability. This significant source of funding would enable us to take a major step forward in closing the KPERs funding gap and ensuring the System's financial health.

I would be pleased to answer any questions.

A handwritten signature in black ink, appearing to read "John Edmonds", is written over a faint circular stamp.

John Edmonds
Chairman
House Select Committee on Pensions

HOUSE APPROPRIATIONS

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ATTACHMENT 2

**Actuarial Valuation and Funding Projections
Kansas Public Employees Retirement System**

Summary of 12-31-01 Actuarial Valuation by Milliman USA

- In fiscal year 2005, the State should be contributing 7.69 percent of compensation to pay for benefits promised to existing and former members. The statutory (capped) employer rate for this group is scheduled to be 4.78 percent. This difference has resulted in a long-term funding shortfall, and the State's annual contribution would need to increase by approximately \$100 million to contribute at the full actuarial rate.
- The total Unfunded Actuarial Liability (UAL) for the System increased by \$475 million from the prior year to \$1.8 billion. The breakdown of this UAL by group is as follows:

Group/Plan	Amount (in millions)
KPERS	
State/School group	\$1,506
Local group	185
TIAA	20
Subtotal KPERS	1,711
Kansas Police and Fire (KP&F)	59
Judges	<u>10</u>
Total	\$1,780

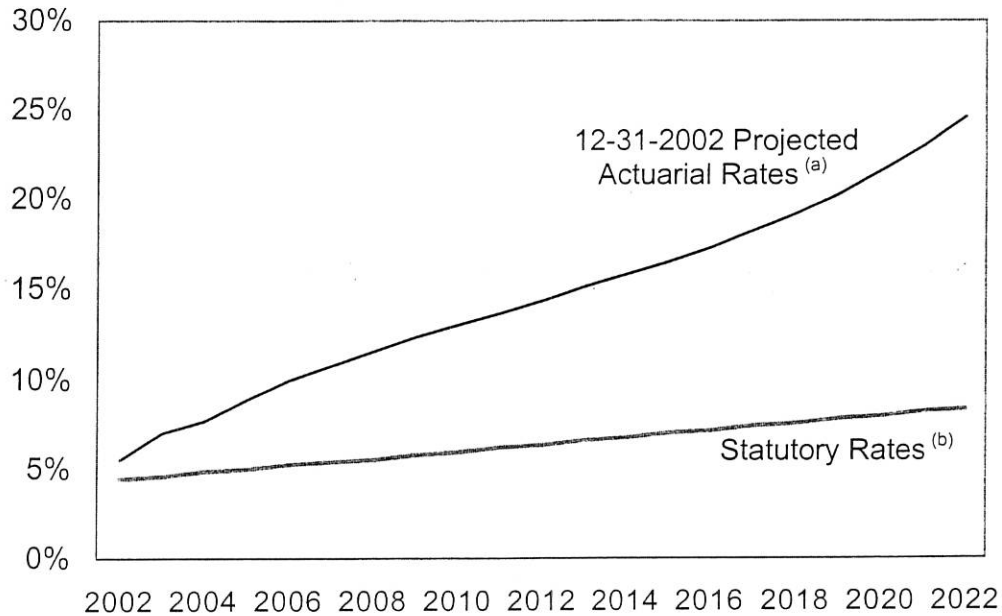
- Absent an increase in future contribution levels the UAL is projected to increase steadily over the next 10 years to over \$4 billion:
- The actuary concluded in the December 31, 2001 valuation report, "As the System's actuary we strongly recommend action be taken to increase future contributions to a level which will restore the System to actuarial balance. Due to recent negative investment experience and the delayed reflection of market experience in the actuarial value of assets, it is expected that additional actuarial losses will be reflected in the unfunded actuarial liability over the next few years, which will in turn exacerbate the long term funding concerns. It is in the System's best financial interest for additional contributions to begin as soon as possible...."

Updated Funding Projections

- For calendar year ended December 31, 2002 the System's portfolio returned negative 6.9 percent and the System's assets declined from \$9.1 billion to \$8.2 billion.
- This additional decline in assets when coupled with the prior year investment losses will result in another significant increase in the UAL in the December 31, 2002 actuarial valuation which will be completed in July.



Kansas Public Employees Retirement System State/School Employer Contribution Rate Projection



(a) 12-31-2002 Projected Actuarial Rates based on actuarial valuation as of 12-31-2001, investment performance through 12-31-2002, and assumed annual investment return of flat 8 percent beginning 1-1-2003.

(b) Current Statutory Rates increase by .02 percent annually.

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TOPEKA

HOUSE OF
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TESTIMONY BEFORE HOUSE COMMITTEE ON APPROPRIATIONS
IN SUPPORT OF HB 2412

- I. Rationale
 - A. Payment risk –
 - 1. Variability of current receipts
 - 2. Default risk
 - 3. Revenue projections based on projected smoking trends
 - 4. transfer risk to willing investors, but pay a premium (like insurance)
 - B. Market Saturation
 - 1. Discount rate (interest; tax-free rate vs. taxable rate; risk)
 - 2. every state's offering is different
 - 3. Tailor our "small" offering to best meet market demand
 - C. Economy –
 - 1. Relation of tax policy and spending on economy
 - 2. immediate transfer of wealth from non-Kansas investors into Kansas right when we need it most
- II. Structure of the Offering
 - A. tax-exempt – limited to capital expenses
 - B. taxable – not limited to capital expenses
 - C. Structure to best meet market demand
 - D. retail sales not desirable – default risk
- III. Allocation of proceeds
 - A. Fiscal discipline
 - B. don't put into SGF (negative impact on bond rating)
 - C. KPERS, prisons
 - D. Create a fund or reallocate to KEY Fund

HOUSE APPROPRIATIONS

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ATTACHMENT 3

KANSAS CHILDREN'S CABINET AND TRUST FUND



415 sw 8th avenue, 1st floor
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TESTIMONY Re: House Bill 2412 To the House Appropriations Committee March 21, 2003

Mr. Chairman and members of the Committee, thank you for the opportunity to testify on House Bill 2412. I am Joyce Cussimano, Executive Director of the Children's Cabinet and my testimony is intended to provide you information on the background and purpose of funds associated with the master tobacco settlement. I hope this is helpful in your deliberations on this bill.

The 1999 legislation enacted in response to the Master Tobacco Settlement, established the Children's Cabinet to make recommendations regarding the uses of the resulting funds. Tobacco Settlement receipts are estimated at \$1.6 billion over 25 years, although the settlement is in perpetuity. KSA 38-2101 established the Kansas Endowment for Youth Fund as an investment account to provide a source of funding for children's programs in the event Master Tobacco Settlement payments diminished. In addition, the Children's Initiative Fund was established by K.S.A. 38-2102 as a resource to provide "additional funding for programs, projects, improvements, services and other purposes directly or indirectly beneficial to the ... overall well-being of children in Kansas..." Each year a sum of money is transferred from the KEY Fund to the Children's Initiatives Fund for expenditure. By law, the annual expenditure was capped in FY 2003 at \$45,000,000 plus an annual 2.5 percent inflation factor, pending availability of funds.

Testimony to the Children's Cabinet from state policy-makers, experts on children's issues and others led Children's Cabinet members to focus the expenditure of funds on programs that impact children ages birth to five. As a result, agencies such as the Kansas Department of Health and Environment, Social and Rehabilitation Services, Juvenile Justice Authority, Kansas State Department of Education and the University of Kansas Medical Center annually receive a total of \$48,711,868 to support programs for young children. I have attached the detail of these FY 2003 appropriations for your information

Thank you for the opportunity to speak and I will respond to any questions the committee may have.

HOUSE APPROPRIATIONS

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ATTACHMENT 4

FY 2003 Final Funding

<u>Agency/Program</u>	<u>Amount</u>		
Department of Health and Environment		Children's Medicaid Increases	3,000,000
Healthy Start	250,000	Immunization outreach	500,000
Infants and Toddlers Program	500,000	Family Preservation	2,750,000
Smoking Prevention Program	500,000	Grants to CMHC's (children's programs)	2,000,000
Immunizations		Experimental wrap-around services	228,000
Subtotal-KDHE	1,250,000	Physically Disabled Services	0
		Subtotal-SRS	24,828,000
Juvenile Justice Authority		Department of Education	
Prevention Program Grants	6,000,000	Parent Education	2,500,000
Graduated Sanctions Grants	2,000,000	Four-Yr-Old-At-Risk Programs	4,500,000
Subtotal-JJA	8,000,000	Vision Research	300,000
		Special Education	1,225,000
Department of Social and Rehabilitation Services		Subtotal-KSDE	8,525,000
Children's Mental Health Initiative	1,800,000	University of Kansas Medical Center	
Family Centered System of Care	5,000,000	Tele-KidCare	250,000
Community Services-Child Welfare	2,600,000	Pediatric Biomedical Research	2,000,000
Therapeutic Preschool	1,000,000	Subtotal-KU Medical Center	2,250,000
Child Care Services	1,400,000	Transfer to State General Funds	3,858,868
HealthWave	1,000,000		
Cabinet Expenses	0	Total	\$48,711,868
Smart Start Kansas	3,000,000		
Research/Accountability	550,000		



Making a difference for Kansas children.

March 21, 2003

To: The House Appropriations Committee
From: Gary Brunk
Re: House Bill 2412

Kansas Action for Children, Inc.
3360 SW Harrison | Topeka, KS 66611
P 785-232-0550 | F 785-232-0699
kac@kac.org | www.kac.org

Kansas Action for Children opposes enactment of House Bill 2412.

The enactment in 1999 of Senate Substitute for House Bill No. 2558, the bill creating the Kansas Endowment for Youth Fund, the Children's Initiatives Fund, and the Children's Cabinet, put Kansas at the forefront of states seeking to respond creatively to the 1998 Master Tobacco Settlement.

Kansas Action for Children supported HB 2558 because we thought that it was a forward-looking bill that had great potential for measurable improvements in child well-being. By making a commitment to a long-term investment in children, the Kansas Legislature not only did the right thing, it did the smart thing.

HB 2412 puts at risk that smart decision.

Proponents argue that selling to investors our share of the tobacco settlement protects us from a potential drop in estimated revenue. Such a shortfall could be the result of declines in profits due to lower sales or the outcome of pending court cases.

That argument ignores a fundamental fact: Investors will only buy based on careful analysis that demonstrates it is profitable, and profit can only be made if revenues are greater than what investors pay to buy the right to those revenues. Unless state government has figured out a way to outsmart investors who are looking to make a significant profit, it seems extremely unlikely that securitization is a good deal for Kansas.

Securitization will result in Kansas receiving much less than the projected revenues from the Master Settlement. In fact, states that have securitized only received 30 to 40 cents for each dollar of projected revenue. It is also important to note that the original projections were based on estimates of payments over the first 25 years of the settlement, but payments could very well continue much beyond 25 years. Securitization gives all that potential revenue to others instead of to the people of Kansas.

We understand that HB 2412 does not securitize the tobacco settlement. What this bill does is open wide the door to securitization and removes the decision to securitize from the regular legislative process. If securitization is good public policy, why not have the full Legislature debate it?

EXECUTIVE DIRECTOR

Gary Brunk

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A Member of the National
Association of Child Advocates

3
4-2

HB 2412 also allows the State Finance Council to deposit the proceeds from the sale of tobacco assets in the state general fund, opening wide a second door that will allow the state to walk away from the promise to invest in the well-being of children. Using the settlement to patch holes in the budget because of the state's fiscal crisis will be very tempting, and certainly a lot easier to do than developing a long-term solution to our fiscal woes.

We urge the members of this committee to reject HB 2412.

House Appropriations Committee
Testimony Supporting Senate Bill 240
Major General Greg Gardner, The Adjutant General,
March 21, 2003

Mr. Chairman, thank you for the opportunity to testify today.

As part of the Adjutant General's Department cost savings review, we identified a potential opportunity we believe might save money and pose minimal risk to the state.

KSA 48-323 requires all Kansas National Guard armories controlled by the Kansas Military Board to have fire and extended coverage insurance. Currently, 60 armories and various other Kansas National Guard buildings are covered by this mandatory insurance. Since asking you to consider repealing this law, we found it is essentially redundant. Once this statute is repealed then another statute probably takes effect. KSA 74-4718 requires the Department of Administration to carry fire and extended coverage insurance unless particular buildings are specifically exempted in accordance with KSA 74-4720.

In FY 2000, the annual cost to insure these facilities was approximately \$75,000 with a \$1,000 deductible. However, after 9-11, even though acts of terrorism are not covered in our insurance, the rates rose 260% to over \$195,000 a year, and the deductibles rose from \$1,000 to \$25,000 for wind/hail and \$5,000 for other perils. Since 1996, we have spent just under \$800,000 on armory insurance and have collected only \$36,000 in damages – that's less than 5%. In addition, if the new insurance deductibles had been in place since 1996, we would have received only \$5,000 in damages or less than 1% return.

To pay this legal obligation, we used our only source non-fixed costs, that is, our Armory Maintenance/Repair funds. Our agency was historically under-funded in this area and that is why three years ago you passed the Aging Armories Bond Bill to help us renovate and bring them up to codes. Each year since then, our Armory maintenance funds have been cut. Therefore, we have focused the Bond funds to compensate, but this budget now leaves us with only about \$0.26 per square foot to maintain our facilities while the industry average is probably 15 times that much. Clearly our facilities will continue to deteriorate with that level of funding.

At first, we thought we could save a lot with this insurance initiative and it could go back into our desperately short maintenance funds, but the more we delve into the insurance initiative, the less we think we will save. Here is where we think we are now. If the Department of Administration includes our facilities under the statewide umbrella without significantly raising their costs, then we can save. If they exempt our Armories from the requirement for insurance and essentially leave them self-insured, then we can save some. However, we know we must insure enough Armories to serve as collateral for our bond issues. Now with what we are being told about how insurance companies feel about state business, we are afraid we might not save much of anything by insuring fewer facilities with higher deductibles. Therefore, the recommended budget you have harvests \$50,000 of the savings from this initiative and really means our minimal Armory repair funds once again take a hit.

Regardless of how little it might save, since we find there are redundant laws in this situation, we request you favorably consider Senate Bill 240.

We will be happy to answer any of your questions.

HOUSE APPROPRIATIONS

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ATTACHMENT 5

Coalition for Opportunity

Testimony of Alan Cobb On behalf of the Coalition for Opportunity Regarding SB 223

March 21, 2002

Mr. Chairman, and members of the Committee,

I am Alan Cobb, representing the Coalition for Opportunity, a group of Kansas manufacturers employing more than 400 people who are blind and disabled.

It has long been the state policy to have state government agencies, state universities and school districts purchase the products manufactured by the disabled citizens of Kansas. The State Use Law can be found at K.S.A. 75-3317 through 75-3322.

The products manufactured are available for review in a catalog printed annually, listing all product details and prices.

We do not object to the provisions of SB 223.

We do believe that it is appropriate to review the State Use law. It has been some time since there has been a full review of the policy, law and the method of applying the State Use statutes. However, in the mean time, in order to simply clarify, we suggest that following language be added to this bill at the appropriate place that gives assurances the Kansas Use Law will be applied.

“Subject to the provisions of K.S.A. 75-3317 through 75—3322 . . .”

It is our concern that while nothing in this bill exempts any actions from the State Use law, the bill will make it easier for state agencies, state universities and school districts to overlook the current requirements of the State Use Law.

I appreciate this opportunity to address you and I am happy to stand for questions.

Envision
KETCH
Cartridge King of Kansas
McPherson Industries
Flint Hills Services
Center Industries Corporation
TECH
OCCK
Community Cartridges

HOUSE APPROPRIATIONS

DATE 3-21-2003
ATTACHMENT 6

HB 2128

Amendment to Section 1(f)

Any publication requirements under this section may be accomplished by providing the information in an electronic format; however, the secretary of state shall provide a paper copy of the register upon request to any person listed in subsection (d).

Amendment to Section 9(d)

The publication requirements under (a) of this section may be accomplished by providing the information in an electronic format; however, the secretary of state shall provide a paper copy of the Kansas administrative regulations upon request to any person listed in subsection (a).

HOUSE APPROPRIATIONS

DATE 3-21-2003
ATTACHMENT 7

AMENDMENT TO HB 2128

45-107. Session laws; sales; disposal of certain inventory. (a) The secretary of state shall sell copies of the session laws at the per volume price for such copies fixed by the secretary of state under this section. The secretary of state shall remit all moneys received under this section to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the ~~state general fund~~ *information and copy service fee fund*.

(b) Whenever the inventory of copies of any volume of the session laws exceeds 100 and a later volume of the session laws has been published, the secretary of state may dispose of copies of such volume without making a charge therefor until the inventory of such volume is reduced to 100 copies. When the inventory of any volume of the session laws is 100 copies or less, the secretary of state, with the approval of the revisor of statutes, may dispose of copies from such inventory without making a charge therefor.

(c) The secretary of state shall fix by rules and regulations the per volume price for copies of the session laws sold under this section to recover the costs of printing, binding and , storing *and delivering* such volumes. The secretary of state shall revise all such prices from time to time as necessary for the purposes of covering and recovering such costs.

75-436. Sale and disposition of session laws, Kansas statutes annotated, journals of senate and house of representatives and Kansas administrative regulations; fees for postage and delivery fixed and collected by secretary of state; proceeds credited to state general fund.

(a) The secretary of state shall fix, charge and collect fees to recover the costs of delivery, including postage and handling, which are incurred in connection with the sale of volumes of the session laws, volumes and sets of the Kansas Statutes Annotated, including the cumulative supplements thereto, volumes of the permanent journals of the senate and house of representatives and volumes and sets of the Kansas administrative regulations, including the annual supplements thereto. All such fees shall be fixed by rules and regulations adopted by the secretary of state.

(b) The secretary of state shall remit all moneys received from fees and charges under this section to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the ~~state general~~ *information and copy service fee fund*.

TESTIMONY OF THE SECRETARY OF STATE
TO THE HOUSE APPROPRIATIONS COMMITTEE
ON HB 2128

MARCH 21, 2003

Chair Neufeld and Members of the committee:

The Secretary of State appreciates the opportunity to testify in support of HB 2128, a bill requested by the Secretary of State. The purpose of HB 2128 is to cut publishing costs in the Secretary of State's Office and to redirect fees for publications to a fee fund so that our office may support itself instead of relying on state general fund appropriations.

The Secretary of State produces and publishes the *Kansas Register* and the *Kansas Administrative Regulations*. HB 2128 strikes any references to printed paper publications in the law, and adopts a specific statement allowing the Secretary of State to produce these publications in an electronic format. The Secretary of State is required by law to provide free copies of both the *Kansas Register* and the *Kansas Administrative Regulations* to many individuals and groups, mostly public officers, government agencies, schools, and libraries. If the Secretary of State were able to provide these required publications in a cheaper format-such as internet access or compact disc-our office could reduce the costs of printing and delivering these publications.

HB 2128 also allows for electronic submission of materials to the *Kansas Register* by adopting technology-neutral language governing the format and the procedures for submitting materials to the *Register*. The bill further eliminates

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the necessity of appointing a liaison before submitting materials to the *Kansas Register*.

Although the Secretary of State does not produce the *Kansas Statutes Annotated*, the Secretary of State distributes this publication. HB 2128 codifies the proviso passed in 2002 Omnibus Budget Act, which offers legislators one set of *Kansas Statutes Annotated* instead of two sets. The Secretary of State would deliver to each legislator a full set upon first election or appointment and one set of supplements on an annual basis.

Lastly, HB 2128 allows the Secretary of State to set fees for the *Kansas Administrative Regulations* to recover our costs of producing them, and allows our office to retain the fees. The amendment will allow our office to begin implementing the Governor's recommendation that the Secretary of State become a fee-funded agency. For the same reason, the Secretary of State is requesting an amendment to HB 2128 to also allow our office to collect and retain fees for production and distribution of the *Kansas Session Laws*. The amendment also allows the Secretary of State to recoup the delivery expenses incurred in delivering all publications that originate from the Secretary of State's Office. I have attached a copy of that proposed amendment.

I would be happy to answer any questions.

Janet Chubb, Assistant Secretary of State

AMENDMENT TO HB 2128

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