

## MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 a.m. on February 12, 2004 in Room 514-S of the Capitol.

All members were present.

### Committee staff present:

Alan Conroy, Legislative Research  
J. G. Scott, Legislative Research  
Amy VanHouse, Legislative Research  
Leah Robinson, Legislative Research  
Michele Alishahi, Legislative Research  
Audrey Dunkel, Legislative Research  
Julian Efird, Legislative Research  
Carolyn Rampey, 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 Bonnie Huy, Chair of Joint Committee on Special Claims Against the State  
Dr. Bill Wolff, Legislative Research Department  
Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERs)

### Others attending:

See Attached List.

- Attachment 1 Amendment to **HB 2675**
- Attachment 2 Budget Committee reports on Kansas Human Rights Commission, Kansas Corporation Commission and Citizens' Utility Ratepayer Board
- Attachment 3 2004 House Appropriations Committee Rules
- Attachment 4 Update on KPERs Long-Term Funding and KPERs State/School Group

Representative Bethell moved to introduce legislation to move the registry of the nurse aides, medical aides, and health aides from Department of Health and Environment to Board of Nursing. The motion was seconded by Representative Feuerborn. Motion carried.

### Hearing on HB 2675 - Claims against the state.

The Chair recognized Representative Bonnie Huy, Chair of the Joint Committee on Special Claims Against the State, who stated that the Special Claims Committee reviewed a large number of claims from inmates resulting in Committee approval of \$183 in claims.

Dr. Bill Wolff, Legislative Research Department, presented an explanation of **HB 2675**, the work product of the Joint Committee on Special Claims Against the State. Due to the elimination of funding of the Ombudsman for Corrections, Dr. Wolff indicated that the Department of Corrections (DOC) agreed to review all cases, whereas previously DOC would have only looked at claims over \$500. In response to a question concerning the claim by Canon USA, Dr. Wolff stated that billing for copier materials had not been filed in a timely manner and resulted in the payment being requested in the wrong fiscal year. In order for the company to get paid, it was necessary to file a claim against the State. Dr. Wolff noted that there are two proposed technical amendments to the bill to correct the spelling of the city of La Harp and a correction to an inmate's address.

Because the statute allows for the cancellation of all outstanding warrants which have not been processed within five years, the Committee was requested to act on several requests for re-issuance of expired warrants (Attachment 1). Dr. Wolff indicated that the statute also allows for a penalty to be assessed for replacement of outstanding warrants. Action is necessary from the Committee disallowing or addressing the penalty when

CONTINUATION SHEET

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE at 9:00 a.m. on February 12, 2004 in Room 514-S of the Capitol.

the warrant is for a considerable amount and the penalty would appear to be excessive. Dr. Wolff indicated that most warrants are re-issued from the expired warrants fund; however, it will be necessary to research these requests to make a final determination as to the specific fund.

Representative Feuerborn moved to amend **HB 2675** by authorizing the re-issuance of outstanding warrants for American United Life Insurance Company in the amount of \$11,203.33 and Travelers Insurance Company in the amount of \$48,949.62, upon determination of the funding source, with no penalty for the reissuance; and to authorize technical corrections to **HB 2675** as necessary. The motion was seconded by Representative Ballard. Motion carried.

The Chair closed the hearing on **HB 2675**.

Representative Bethell moved to pass **HB 2675** favorably as amended. The motion was seconded by Representative Minor. Motion carried.

Vice-Chairman Shultz assumed the Chair of the Committee and requested budget reports from the House Agriculture and Natural Resources Budget Committee.

Representative Osborne, member of the House Agriculture and Natural Resources Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Kansas Human Rights Commission for FY 2004 and moved for the adoption of the Budget Committee recommendation with notations for FY 2004 (Attachment 2). Motion was seconded by Representative Schwartz. Motion carried.

Representative Osborne, member of the House Agriculture and Natural Resources Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Kansas Human Rights Commission for FY 2005 and moved for the adoption of the Budget Committee recommendation with notations for FY 2005 (Attachment 2). Motion was seconded by Representative Gatewood. Motion carried.

Representative Gatewood, member of the House Agriculture and Natural Resources Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the State Corporation Commission for FY 2004 and moved for the adoption of the Budget Committee recommendation FY 2004 (Attachment 2). Motion was seconded by Representative Schwartz. Motion carried.

Representative Gatewood, member of the House Agriculture and Natural Resources Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the State Corporation Commission for FY 2005 and moved for the adoption of the Budget Committee recommendation with adjustments and comments for FY 2005 (Attachment 2). Motion was seconded by Representative Schwartz.

A member of the Committee questioned the act of approving provisos without being provided actual copies of the proviso and requested the Chair to make a ruling (see copy of Committee rules-Attachment 3). The Budget Committee stated that since it met to work this budget, the Budget Committee has determined that the first three provisos in Item No. 6 are included in the Governor's recommendation and can be removed from the recommendation.

Representative Gatewood moved to strike the paragraph pertaining to the first three provisos in Item No. 6 of the House Agriculture and Natural Resources Budget Committee recommendation for the State Corporation Commission for FY 2005. The motion was seconded by Representative Schwartz. Motion carried.

The Committee voiced a concern with reference to Item No. 7 of the Budget Committee's report. The Budget Committee noted that no money was transferred to the Abandoned Oil and Gas Well Plugging Fund from the State Water Plan Fund in FY 2004 and no transfer was recommended in FY 2005. The Budget Committee felt it is important to continue the goal of maintaining and improving the quality of the water in Kansas.

Representative Shriver moved to strike Item No. 7 from the Budget Committee recommendation on the State Corporation Commission for FY 2005. The motion was seconded by Representative Klein. Motion failed.

CONTINUATION SHEET

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE at 9:00 a.m. on February 12, 2004 in Room 514-S of the Capitol.

Representative Gatewood moved for the adoption of the Budget Committee recommendation as amended on the State Corporation Commission for FY 2005. Motion was seconded by Representative Osborne. Motion carried. Representative Shriver requested to be recorded as voting "no".

Representative Schwartz, Chair of the House Agriculture and Natural Resources Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Citizens' Utility Ratepayer Board for FY 2004 and moved for the adoption of the Budget Committee recommendation for FY 2004 (Attachment 2). Motion was seconded by Representative Osborne. Motion carried.


Representative Schwartz, Chair of the House Agriculture and Natural Resources Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Citizens' Utility Ratepayer Board for FY 2005 and moved for the adoption of the Budget Committee recommendation with comments for FY 2005 (Attachment 2). Motion was seconded by Representative Osborne.

Representative Schwartz moved to delete Item No. 2 of the Budget Committee recommendation for the Citizens' Utility Ratepayer Board for FY 2005. The motion was seconded by Representative Osborne. Motion carried.

Representative Schwartz renewed the motion to adopt the Budget Committee report as amended on the Citizens' Utility Ratepayer Board for FY 2005. The motion was seconded by Representative Osborne. Motion carried.

Vice-Chair Shultz recognized Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS), who presented information on the KPERS Long-Term Funding and KPERS State/School Group (Attachment 4). Mr. Deck noted that the issuance of pension obligation bonds will assist in restoring the financial health of the KPERS fund; however, the unfunded liability of the KPERS fund is approximately \$1 million per year and is projected to continue to grow.

The meeting was adjourned at 10:35 a.m. The next meeting of the Committee will be held at 9:00 a.m. on February 13, 2004.

  
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Melvin Neufeld, Chairman

# HOUSE APPROPRIATIONS COMMITTEE

February 12, 2004

9:00 A.M.

NAME	REPRESENTING
Bill Minner	Ks. Human Rights Commission
Jan Sides	SEAR/AARP
Didilegn Helsen	DOB
Juan Murphy	KCC
Mary Beth Green	KPERS
Leld Brunel	KPERS
Jan Edwards	KASIB
Diane Gjerstad	USD 259
Charlie Kell	Hein Law Firm
Robert Hollar	KHRC
Brandon Myers	KHRC
Glenn Deck	KPERS
Dan Springs	Cwb
Jacox Manfred Page	KCC
Rae Anne Davis	SRS
Phil Kueser	KFB
Debbie Kueser	KFB
Debra Hayes	KFB
<del>CA. Hays</del>	<del>KFB</del>

1 facilities operations account of the state general fund for loss of claimant's  
2 personal property while claimant was in the care, custody and control of  
3 the personnel at the Hutchinson correctional facility, to the following  
4 claimant:

5 Alan E. White, #6011666  
6 PO Box 1568  
7 Hutchinson, KS 67504-1568..... \$9.19

8 (f) The department of corrections is hereby authorized and directed  
9 to pay the following amount from the supervision fees fund as reimburse-  
10 ment for post-release supervision fees erroneously deducted from claimant's  
11 account, to the following claimant:

12 Charles Earl Simmons  
13 1331 Rowland  
14 Kansas City, KS 66104 ..... \$118.00

15 ~~Sec. 7. (a) Except as otherwise provided by this act, the director of~~  
16 ~~accounts and reports is hereby authorized and directed to draw warrants~~  
17 ~~on the state treasurer in favor of the claimants specified in this act, upon~~  
18 ~~vouchers duly executed by the state agencies directed to pay the amounts~~  
19 ~~specified in such sections to the claimants or their legal representatives~~  
20 ~~or duly authorized agents, as provided by law.~~

21 (b) The director of accounts and reports shall secure prior to the  
22 payment of any amount to any claimant, other than amounts authorized  
23 to be paid pursuant to section 2 as motor-vehicle fuel tax refunds or as  
24 transactions between state agencies as provided by this act, a written  
25 release and satisfaction of all claims and rights against the state of Kansas  
26 and any agencies, officers and employees of the state of Kansas regarding  
27 their respective claims.

28 ~~Sec. 8. This act shall take effect and be in force from and after its~~  
29 ~~publication in the Kansas register.~~

Sec. 7. The department of administration is hereby authorized and directed to pay the following amount from the canceled warrants payment fund for payment of an expired warrant, to the following claimant: American United Life Ins. Co., P.O. Box 5207, Topeka, KS, 66605-0207.....\$11,203.33

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FY 2004 and FY 2005

House Agriculture and Natural Resources Budget Committee

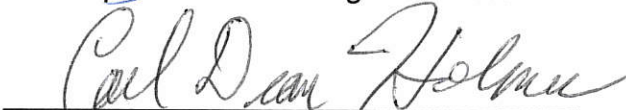
Kansas Human Rights Commission  
Kansas Corporation Commission  
Citizens' Utility Ratepayer Board

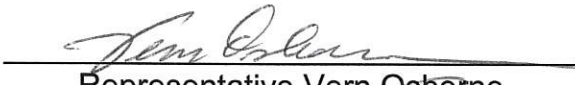
  
Representative Sharon Schwartz, Chair

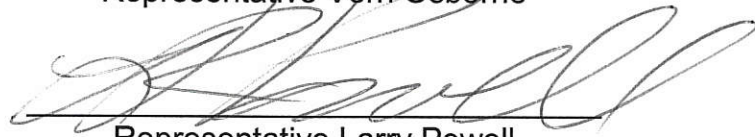
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Representative Vaughn Flora



  
Representative Doug Gatewood

  
Representative Carl Holmes

  
Representative Vern Osborne

  
Representative Larry Powell

  
Representative Tom Thull

HOUSE APPROPRIATIONS

DATE 2-12-2004  
ATTACHMENT 2

## House Budget Committee Report

**Agency:** Kansas Human Rights Commission    **Bill No.** \_\_\_\_\_    **Bill Sec.** \_\_\_\_\_  
**Analyst:** Alishahi    **Analysis Pg. No.** \_\_\_\_\_    **Budget Page No.** 66

Expenditure Summary	Agency Estimate FY 04	Governor's Recommendation FY 04	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 1,497,229	\$ 1,394,643	\$ 0
Other Funds	357,997	396,497	0
<b>TOTAL</b>	<b>\$ 1,855,226</b>	<b>\$ 1,791,140</b>	<b>\$ 0</b>
FTE Positions	36.0	36.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
<b>TOTAL</b>	<b>36.0</b>	<b>36.0</b>	<b>0.0</b>

### Agency Estimate/Governor's Recommendation

The **agency's** estimate for FY 2004 operating expenditures of \$1,855,226 is an increase of \$141,284 (8.2 percent) from the approved budget. The State General Fund estimate of \$1,497,229 is an increase of \$159,784 (11.9 percent) from the approved budget. The agency's estimate includes two supplemental requests totaling \$102,546 from the State General Fund.

The **Governor's** recommendation for FY 2004 operating expenditures of \$1,791,140 is an increase of \$77,198 (4.5 percent) from the approved budget. The State General Fund recommendation of \$1,394,643 is an increase of \$57,198 (4.3 percent) from the approved budget. The Governor's recommendation is \$64,086 (3.4 percent) less than the agency's FY 2004 revised estimate; and does not include the two supplemental requests.

### House Budget Committee Recommendations

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

1. The House Budget Committee commends the agency for its outstanding work in resolving discrimination cases as the number of open cases has dropped from a high of 2,768 in FY 1995 to 548 in FY 2003. The processing time for each case has also declined from 22.0 months in FY 1995 to 6.3 months in FY 2003.
2. The House Budget Committee commends the agency for receiving national recognition by the International Association of Official Human Rights Agencies as one of the top five Human Rights Organizations in the United States.
3. The House Budget Committee commends the agency for its excellent work in keeping its State General Fund expenditures from increasing no more than \$116,077 (9.1 percent) from FY 1995 to the FY 2005 Governor's Budget Report.

## House Budget Committee Report

**Agency:** Kansas Human Rights Commission      **Bill No.**      **Bill Sec.**  
**Analyst:** Alishahi      **Analysis Pg. No.**      **Budget Page No. 66**

Expenditure Summary	Agency Estimate FY 05	Governor's Recommendation FY 05	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 1,614,079	\$ 1,392,724	\$ 0
Other Funds	341,500	429,341	0
<b>TOTAL</b>	<b>\$ 1,955,579</b>	<b>\$ 1,822,065</b>	<b>\$ 0</b>
FTE Positions	36.0	36.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
<b>TOTAL</b>	<b>36.0</b>	<b>36.0</b>	<b>0.0</b>

### Agency Estimate/Governor's Recommendation

The **agency's** request for FY 2005 operating expenditures of \$1,955,579 is an increase of \$100,353 (5.4 percent) from the FY 2004 estimate. The State General Fund request of \$1,614,079 is an increase of \$116,850 (7.8 percent) from the FY 2004 estimate. The agency's request includes two enhancement requests totaling \$242,124 from the State General Fund.

The **Governor's** recommendation for FY 2005 operating expenditures of \$1,822,065 is an increase of \$30,925 (1.7 percent) from the FY 2004 recommendation. The State General Fund recommendation of \$1,392,724 is a decrease of \$1,919 (0.1 percent) from the FY 2004 recommendation. The Governor recommends a 3.0 percent base salary increase of \$34,780 (\$25,393 from the State General Fund), and a BEST reduction of \$4,670 (\$4,624 from the State General Fund) in contractual services, commodities, and capital outlay. The Governor's recommendation is \$133,514 (6.8 percent) less than the agency's FY 2005 request; and does not include the two enhancement requests.

Under the Governor's FY 2005 **statutory budget recommendation**, the Governor's recommendation for the agency's budget would have to be reduced by an additional \$206,265.

### House Budget Committee Recommendations

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

1. Since the FY 2005 appropriations bill is not yet available, the House Budget Committee wants to make sure the following proviso's remain in the bill:



- a. Any unencumbered balance in the operating expenditures account and in the contract investigative services account in excess of \$100 be reappropriated to the operating expenditures account; expenditures for official hospitality not exceed \$150; and expenditures for mediation services contracted with the Kansas Legal Services shall be made only upon certification that private monies are available to match the state's monies at a rate of \$1 of private monies for \$3 of state monies;
- b. Expenditures may be made from the annual banquet fund for operating expenditures for the Commission's annual banquet including official hospitality; and
- c. Expenditures may be made from the education and training fund for operating expenditures for the Commission's education and training programs for the general public.

## House Budget Committee Report

**Agency:** State Corporation Commission **Bill No.**

**Bill Sec.**

**Analyst:** Deckard

**Analysis Pg. No.** 672

**Budget Page No.** 105

Expenditure Summary	Agency Estimate FY 04	Governor's Recommendation FY 04	House Budget Committee Adjustments
<b>Special Revenue Funds:</b>			
State Operations	\$ 16,245,620	\$ 16,847,691	\$ 0
Aid to Local Units	540,985	540,985	0
Other Assistance	0	0	0
<b>TOTAL</b>	<b>\$ 16,786,605</b>	<b>\$ 17,388,676</b>	<b>\$ 0</b>
<b>FTE Positions</b>			
FTE Positions	212.0	212.0	0.0
Non FTE Uncl. Perm. Pos.	5.5	5.5	0.0
<b>TOTAL</b>	<b>217.5</b>	<b>217.5</b>	<b>0.0</b>

### Agency Estimate/Governor's Recommendation

The **agency's** FY 2004 estimate is \$16,786,605, an increase of \$810,594 or 5.1 percent from the approved amount. The increase is attributable to an increase in federal funds and fee funds.

The **Governor** recommends \$17,388,676, an increase of \$1,412,665 from the approved amount. The Governor concurs with the agency's estimate and adds an additional \$602,071 for well plugging and remediation costs from the Abandoned Oil and Gas Well Fund.

### House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation.

## House Budget Committee Report

**Agency:** State Corporation Commission **Bill No.**

**Bill Sec.**

**Analyst:** Deckard

**Analysis Pg. No.** 672

**Budget Page No.** 105

Expenditure Summary	Agency Request FY 05	Governor's Recommendation FY 05	House Budget Committee Adjustments
Special Revenue Funds:			
State Operations	\$ 17,789,809	\$ 18,456,733	\$ 220,000
Aid to Local Units	540,985	540,985	0
Other Assistance	0	0	0
<b>TOTAL</b>	<b>\$ 18,330,794</b>	<b>\$ 18,997,718</b>	<b>\$ 220,000</b>
FTE Positions	214.0	212.0	0.0
Non FTE Uncl. Perm. Pos.	5.5	6.5	0.0
<b>TOTAL</b>	<b>219.5</b>	<b>218.5</b>	<b>0.0</b>

### Agency Request/Governor's Recommendation

The **agency** requests an FY 2005 expenditure limitation of \$18,330,794, an increase of \$1,544,189 or 9.2 percent from the FY 2004 estimate. In addition, the agency is requesting two additional FTE positions in the Transportation Division, Motor Carrier/ Railroad Safety section. The agency's request includes three enhancement packages: Restore Consultant Services and Training, \$948,821; Increase Number of Investigators in Motor Carrier/Railroad Safety Section, \$150,464; and Kansas Corporation Commission (KCC) Information Technology (IT) Replacement Plan, \$78,096.

The additional reasons for the increase include an increase in salaries and wages for the rising cost of fringe benefits.

The **Governor** recommends FY 2005 expenditures of \$18,997,718, an increase of \$1,609,042 from the FY 2004 recommendation. The recommendation is an increase of \$666,924 from the agency's FY 2005 request. The Governor recommends the inclusion of two of the agency's enhancement requests, \$948,821 to restore contractual services, and \$78,096 for the agency's information technology plan. In addition, the Governor is recommending a reduction of \$6,640 a part of the moratorium on new vehicle purchases. The \$6,640 will be transferred from the agency's Motor Carriers License Fee Fund to the State General Fund. The Governor is also recommending an increase of \$586,769 for well plugging expenditures, including a revenue transfer of \$367,000 from the State Water Plan Fund to the Abandoned Oil and Gas Well Plugging Fund. The transfer is \$33,000 less than the amount requested by the agency. In addition, the Governor does not recommend the transfer of \$400,000 from the State General Fund for well plugging activities. The recommendation also includes the transfer of \$40,000 and 1.0 non-FTE unclassified permanent position from the Department of Administration for the Facility Conservation Improvement Program. The Governor is also recommending that \$150,000 be expended from the Public Service Regulation Fee Fund for operating expenses associated with the Kansas Energy Council (KEC) formerly known as the State Energy Resources Coordination Council (SERCC). The Governor also included the addition of \$305,945 for the three percent pay plan increase and the reduction of \$258,686 for the BEST recommendations.

## House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation with the following adjustments and comments:

1. The House Budget Committee notes the proposed transfer of the remaining Railroad Authority to the Kansas Department of Transportation (KDOT). The transfer of the authority will eliminate many duplicated processes between the two agencies and eliminate outdated statutes to allow for a more efficient and effective process. There is no impact on the agency's budget.
2. The House Budget Committee wishes to commend the agency for working with the KDOT to reduce duplication of effort.
3. The House Budget Committee notes that it is their understanding that Congress has appropriated \$50,000 in FY 2005 to fund the Kansas One Call Program. The House Budget Committee directs the agency that if for some reason the federal money was not received, the agency should fund the program from within existing resources.
4. The House Budget Committee wishes to alert the Committee to the future funding issues that will be experienced by the Energy Division. Since 1983, the KCC has been administering the Petroleum Violation Escrow (PVE) funds. To date, over \$54 million has been sent to the State of Kansas and \$14 million in interest has been generated. The PVE funds are anticipated to be depleted in FY 2006 or shortly thereafter. Once this occurs, the agency will not have a source of matching funds to federal energy grants. Current activities funded by energy grants are energy conservation improvements and long-term energy management to school buildings, energy building code development, home energy rating systems, wind power education, energy conservation and educational activities, etc.
5. The House Budget Committee urges the agency to continue to search for all possible sources of funding including private grant funds.
6. The House Budget Committee has not seen the appropriations bill and wants to insure that the following provisos included in last sessions bill are included again:
  - Authorization to expend federal funds;
  - Inservice education workshop expenditure authorization; and
  - Authorization for well-plugging expenditures.

The House Budget Committee adds a proviso to allow the agency to transfer more funds to the abandoned oil and gas well plugging fund from the conservation fee fund upon approval of the Director of the Budget.

7. The House Budget Committee notes that the abandoned oil and gas well plugging is a particular area of concern as the number of wells that could be plugged will decline without the transfer of funds into this program (Attachment A). The House Budget Committee transfers an additional \$220,000 from the State Water Plan Fund (Circle K Line item is reduced by \$220,000) to the Abandoned Oil and Gas Well Plugging Fund and increases the expenditure limitation by \$220,000. The House Budget Committee notes that the 1996 Legislature passed and the 2001 Legislature reaffirmed the Abandoned Oil and Gas Well Plugging initiative with the goal of maintaining and improving the

quality of the water in Kansas. For every year that the initiative is not funded, there is an increase in the possibility of pollution in the public water supplies.

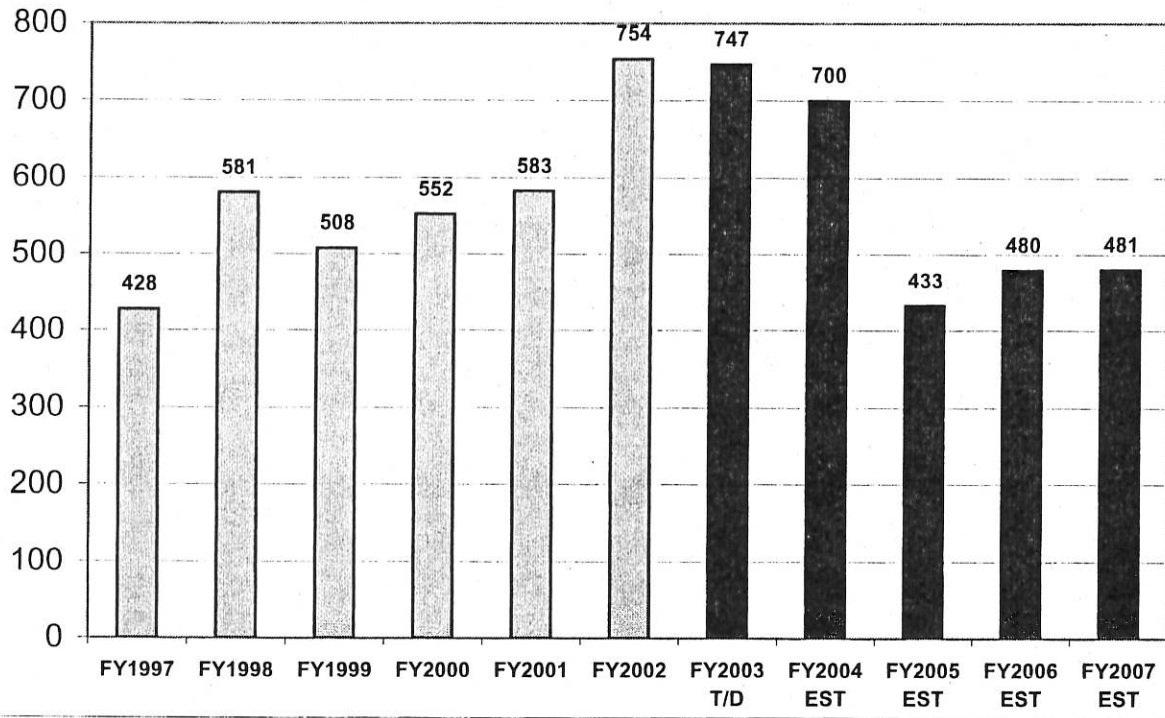
**Narrative Information – DA 400**

Division of the Budget  
State of Kansas

Agency Kansas Corporation Commission  
Program Conservation Division

629

**KCC ABANDONED WELL PLUGGING OPERATIONS  
NUMBER OF WELLS PLUGGED / FORECAST  
(Transfers Not Restored)**



Graph reflects KCC well plugging if State General Fund and State Water Plan funds are not restored. Also, includes additional transfers from the Conservation Fee Fund in FY2004-FY2007.

Attachment A

Data Source: KCC Conservation Well Project Tracking System

# House Budget Committee Report

**Agency:** Citizens' Utility Ratepayer Board **Bill No.**

**Bill Sec.**

**Analyst:** Deckard

**Analysis Pg. No. 688**

**Budget Page No. 85**

Expenditure Summary	Agency Estimate FY 04	Governor's Recommendation FY 04	House Budget Committee Adjustments
Special Revenue Funds:			
State Operations	\$ 611,868	\$ 611,868	\$ 0
FTE Positions	5.0	5.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	5.0	5.0	0.0

## Agency Estimate/Governor's Recommendation

The **agency** estimates FY 2004 expenditures at \$611,868, an increase of \$27,656 or 4.7 percent from the approved amount. The entire amount is the carry forward balance for consulting fees. The agency is allowed to "carry forward" to FY 2004 any unused balances in the Utility Regulatory Fee Fund for consulting fees from the previous years as stated in 2003 SB 6, sec 39 (a).

The **Governor** recommends \$611,868 for FY 2004, the same amount as the agency's FY 2004 estimate. The recommendation is an increase of \$27,656 from the approved amount. The increase is due to the carry forward balance for consulting fees.

## House Budget Committee Recommendation

The House Budget Committee concurs with the Governor's recommendation.

## House Budget Committee Report

**Agency:** Citizens' Utility Ratepayer Board **Bill No.**

**Bill Sec.**

**Analyst:** Deckard

**Analysis Pg. No.** 688

**Budget Page No.** 85

Expenditure Summary	Agency Request FY 05	Governor's Recommendation FY 05	House Budget Committee Adjustments
Special Revenue Funds:			
State Operations	\$ 630,949	\$ 637,691	\$ 0
FTE Positions	5.0	5.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
<b>TOTAL</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>

### Agency Request/Governor's Recommendation

The **agency** requests an FY 2005 expenditure limitation of \$630,949, an increase of \$19,081 or 3.1 percent from the FY 2004 estimate. The request includes an enhancement package of \$36,400 for professional services to allow the agency to engage outside consultants as needed. The request also includes funding for 5.0 FTE positions and five board members.

The **Governor** recommends \$637,691 for FY 2005 expenditures, which is an increase of \$25,823 from the FY 2004 recommendation. The recommendation is an increase of \$6,742 from the agency's FY 2005 request. The recommendation includes an increase of \$8,442 for the three percent pay plan increase and a decrease of \$1,700 for the BEST recommendations. In addition, the Governor did recommend the agency's enhancement request for \$36,400 for professional services.

### House Budget Committee Recommendation

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

1. The House Budget Committee commends the agency for its work on its new website: <http://curb.kcc.state.ks.us> which was fully functional as of September 1, 2003. In the first five months of operation, the site has received 1,682 visits and 9,919 hits;
2. The House Budget Committee continues to include the proviso allowing the agency to carry forward its unused balance of consulting fees in FY 2005; and
3. The House Budget Committee notes that there are several important upcoming cases that CURB will need to be involved with, and notes that it is essential that the agency have sufficient authorization, especially in contractual services, to allow them to respond in a timely manner.



**COMMITTEE RULES**  
**2004**  
**KANSAS HOUSE APPROPRIATIONS COMMITTEE**

1. In any case where committee rules do not apply, House Rules shall govern. All powers, duties and responsibilities not addressed herein are reserved to the Chairman.
2. Cellular phones are prohibited in the House Appropriations Committee room, unless audible tones or ringers are disabled.
3. A substitute motion is in order, but no additional substitute motion shall be in order until the prior substitute motion is disposed of.
4. Amendments to motions are not in order except upon consent of the member making the motion and his or her second.
5. A motion to table or take from the table shall be in order only when such item is on the agenda or is taken up by the Chairman. The motion requires a simple majority and is, unless otherwise determined by the Chairman, non-debatable.
6. The intent of all motions regarding provisos or policy shall be submitted in writing with copies available for Committee members and staff.
7. Adjournment is reserved to the Chairman.

**HOUSE APPROPRIATIONS**

DATE 2-12-2004  
ATTACHMENT 3

# KPERS Long-Term Funding

In recent years, the Kansas Public Employees Retirement System's highest priority has been the development of a comprehensive plan to address the long-term retirement funding shortfall. The System's most recent actuarial valuation, dated December 31, 2002, indicated that:

- Total unfunded actuarial liability (UAL) = \$2.8 billion
  - State/School Group UAL = \$2.2 billion
  - Local Group UAL = \$340 million
- Overall funded ratio = 77.6%
  - State/School Group funded ratio = 75.6%
  - Local Group funded ratio = 81.7%

Between 2000 and 2002, the rate at which the UAL increased and actuarial projections of significantly higher employer contribution rates made it clear that funding improvements were needed.

## 2003 Legislation

In HB 2014, the 2003 Legislature increased the annual statutory cap on the State/School Group's employer contribution rate from 0.2% to:

- 0.4% in FY 2006 (Additional \$7.2 million)
- 0.5% in FY 2007 (Additional \$18.5 million)
- 0.6% in FY 2008 and subsequent years (Additional \$34.1 million)

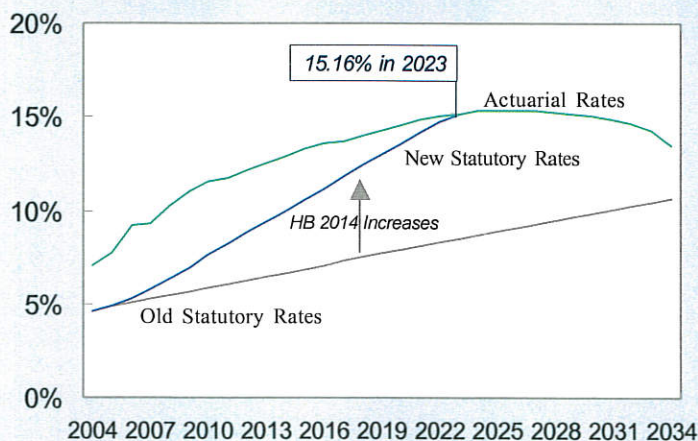
These increases were a significant step toward restoring the State/School Group's financial health. To further reduce the State/School Group's UAL, HB 2014 authorized the issuance of a maximum of \$500 million in pension obligation bonds subject to an extensive review and approval process.

## Pension Obligation Bonds

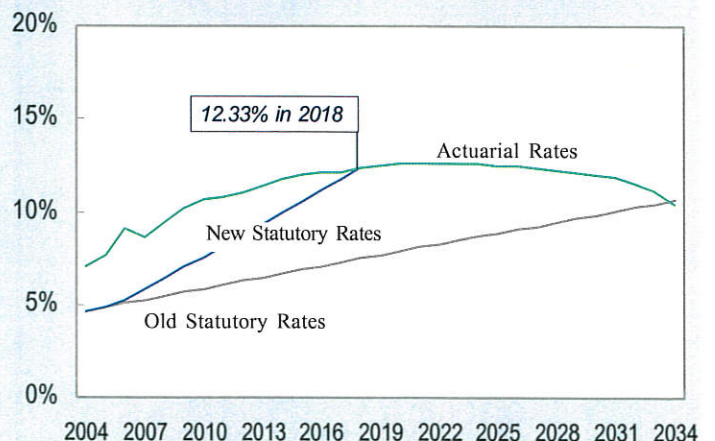
On February 2, 2004, the State Finance Council approved the \$500 million pension obligation bond issue.

- POBs to be issued late this month.
- Approximately \$434 million in proceeds for the KPERS Fund.
- Estimated true interest cost (TIC) = 5.621%.
- Projected value of approximately \$4.5 billion over the lifetime of the bonds.
- Debt service payments paid from the State General Fund.
- State General Fund debt service payments = \$10 million in FY 2006, \$15 million in FY 2007, \$27.5 million in FY 2008.

**Projected Employer Contribution Rates  
State/School Group Without POBs**



**Projected Employer Contribution Rates  
State/School Group With POBs**



The System's unfunded actuarial liability will continue to increase until the HR 2014 rates catch up with the actuarially required rates. These UAL increases will be less drastic than the **HOUSE APPROPRIATIONS** HB 2014 increases and issuance of the pension obligation bonds.

DATE 2-12-2004  
ATTACHMENT 4

## 2004 Legislation

The Joint Committee on Pensions, Investments and Benefits was charged with developing a long-term funding plan for the Retirement System during the 2003 interim. In addition to recommending issuance of the POBs, the Committee made three recommendations (included in HB 2502):

- Allow the KPERS Board of Trustees to establish the actuarial cost method and unfunded actuarial liability amortization method and period for all three systems.
- Increase the KPERS Local Group employer contribution rates by the HB 2014 levels for the State/School Group (0.4% in calendar year 2006, 0.5% in 2007 and 0.6% in 2008).
- Split the KPERS State/School Group for actuarial calculations and determination of employer contribution rates.

# KPERS State/School Group

KPERS members employed by the State of Kansas, unified school districts, community colleges, and vocational-technical colleges have been grouped together for actuarial calculations and determination of employer contribution rates since 1987.

## Background

1961 — KPERS created for State and local employees.

1971 — Kansas School Retirement System merged into KPERS but was a separate group for actuarial purposes.

1987 — The Legislature passed legislation combining the School and Non-School groups.

1988 — The Legislature established two KPERS employer contribution rates, a State rate (State/School Group) and a Local rate (Local Group).

## State/School Group Data

In recent years, the Joint Committee on Pensions, Investments and Benefits has discussed the potential impacts of splitting the State/School Group into two groups. At the Joint Committee's request, the Retirement System's most recent actuarial valuation, dated December 31, 2002, included separate results for the State Group and the School Group. The following information was included in the valuation report for information purposes only.

	State Group	School Group	Combined State/School Group
<b>Total Members</b>	<b>43,793</b>	<b>134,132</b>	<b>177,925</b>
— Active Members	24,934	80,109	105,043
— Retired Members	13,247	29,151	42,398
— Inactive Members	5,612	24,872	30,484
<b>Unfunded Actuarial Liability</b>	<b>\$105.5 million</b>	<b>\$2.1 billion</b>	<b>\$2.2 billion</b>
<b>Funded Ratio</b>	<b>95.6%</b>	<b>68.3%</b>	<b>75.6%</b>
<b>Employer Statutory Rate (FY 2006)</b>	<b>5.27%</b>	<b>5.27%</b>	<b>5.27%</b>
<b>Employer Actuarial Rate (FY 2006)</b>	<b>5.89%</b>	<b>10.18%</b>	<b>9.14%</b>
<b>Employer Contributions (FY 2005)</b>	<b>\$47.6 million<sup>(a)</sup></b>	<b>\$139.6 million<sup>(a)</sup></b>	<b>\$187.2 million<sup>(a)</sup></b>

(a) Includes employer contributions of 0.6 percent for death and disability benefits.

## 2004 Legislation

HB 2502 (sponsored by the Joint Committee) provides for splitting the State/School Group into separate groups for actuarial purposes and employer rate calculations only.

- The State of Kansas would continue to be responsible for making employer contributions for the School Group.
- If this legislation is adopted, decisions will need to be made regarding the allocation of the pension obligation bond proceeds to the State Group, the School Group, or some combination of both groups.