

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on February 20, 2006 in Room 514-S of the Capitol.

All members were present except:

Representative Bonnie Huy - excused
Representative Tom Sawyer - excused

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Becky Krahl, Legislative Research Department
Matt Spurgin, Legislative Research Department
Amy Deckard, Legislative Research Department
Audrey Dunkel, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Assistant
Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Gwen Martin, Sunflower Solutions
Shelia Lampe, Sunflower Solutions
Roger Werholtz, Secretary, Department of Corrections (KDOC)
Kevin Graham, Attorney General's Office
Representative Forrest Knox

Others attending:

See attached list.

- Attachment 1 Testimony on **HB 2688** by Gwen Martin, Woodson County
- Attachment 2 Testimony on **HB 2688** by Shelia Lampe, Sunflower Solutions
- Attachment 3 Testimony on **HB 2688** by Roger Werholtz, Secretary, KDOC
- Attachment 4 Testimony on **HB 2688** by Kevin Graham, Attorney General's Office
- Attachment 5 Testimony on **HB 2688** by Representative Knox
- Attachment 6 Written Testimony on **HB 2688** by Chris Kollman, Stockton, Kansas
- Attachment 7 Written Testimony on **HB 2688** by Sister Therese Bangert, Kansas Catholic Conference
- Attachment 8 Written Testimony on **HB 2688** by Mike Jennings, Legislative Chair, Kansas County and District Attorneys Association
- Attachment 9 Budget Committee reports on Kansas Commission on Veterans' Affairs; Department of Commerce; Kansas, Inc.; KTEC

Hearing on HB 2688 - Correctional facilities constructed by private companies.

Becky Krahl, Legislative Research Department, provided an overview of **HB 2688**.

Chairman Neufeld recognized Gwen Martin, Woodson County Commissioner and a member of the Taskforce for Sunflower Solutions, who presented testimony in support of **HB 2688** ([Attachment 1](#)). A booklet compiled by the Taskforce was distributed to the Committee (copy available in Kansas Legislative Research Department). Responding to a question from the Committee, Ms. Martin indicated that the private prison is proposed to be centrally located within a five-county area and felt that staffing would not be a problem.

The Chairman recognized Shelia Lampe, Chairperson of the Sunflower Solutions Taskforce, who presented testimony in support of **HB 2688** ([Attachment 2](#)). Ms. Lampe stated that the facility would be built to accommodate from 200 - 500 beds with the decision on the number of beds to be determined by the Department of Corrections.

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on February 20, 2006 in Room 514-S of the Capitol.

Chairman Neufeld recognized Roger Werholtz, Secretary, Department of Corrections (KDOC), who provided written testimony, appeared in a neutral position on **HB 2688** and answered questions from the Committee (Attachment 3). Secretary Werholtz indicated that KDOC would discourage the construction of a 200-bed facility. He explained that staffing for a 500-bed facility would employ approximately 186-220 employees. The Secretary noted that the estimated cost of an addition of 512 medium-security beds at the El Dorado Correctional facility would cost approximately \$19.7 million as well as approximately \$900,000 one-time start-up costs with annual operating costs of approximately \$8.5 million. Additionally, the construction cost for a new 500-bed facility is estimated at \$51- \$53 million (specifically in Woodson and Rooks counties), \$2.6 million in start-up costs and an annual cost of approximately \$10.5 million. Secretary Werholtz indicated that **HB 2688** incorporates safeguards, oversights and cost guarantees that were not included in **SB 243**, similar legislation addressed during the 2005 Session. With regard to prison breaks, the Secretary indicated that KDOC would intervene and costs would be assessed against the private firm.

The Chair recognized Kevin Graham, Attorney General's Office, who presented testimony in support of **HB 2688** (Attachment 4). Mr. Graham indicated that the beds in the private prison would be available to the State of Kansas and the Department of Corrections should there be a need. Mr. Graham felt that the state has been adjusting the law to accommodate more prisoners as opposed to building more bed space. He indicated that if a capital crime is committed at the private prison facility, it would be prosecuted by the State of Kansas.

Chairman Neufeld recognized Representative Knox, who presented testimony in support of **HB 2688** with attached information received from Ray Allen, Texas House of Representatives (Attachment 5). Representative Knox indicated that a positive relationship with the Department of Corrections is important to the success of the private prison. Representative Knox felt that the private prison is important to Woodson County because of the economic impact to the county, positive outcomes and the impact to the State from the facility being placed on the tax rolls.

- With regard to additional amendments to the legislation, the Committee requested a review of the legislation to determine how prosecution costs are addressed if a crime is committed at the private prison.

Written testimony in support of **HB 2688** was provided by:

Chris Kollman, Stockton, Kansas (Attachment 6).

Sister Therese Banqert, Kansas Catholic Conference (Attachment 7).

Mike Jennings, Legislative Chair, Kansas County and District Attorneys Association (Attachment 8).

Chairman Neufeld closed the hearing on **HB 2688**.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Kansas Commission on Veterans' Affairs for FY 2006 and moved for the adoption of the Budget Committee recommendation for FY 2006 (Attachment 9). The motion was seconded by Representative Yoder. Motion carried.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Kansas Commission on Veterans' Affairs for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 9). The motion was seconded by Representative Yoder. Motion carried.

Responding to a question from the Committee concerning the employment agreement of the veteran's service organizations, Representative Tafanelli, Chairman of the Select Committee on Veterans' Affairs, indicated that Committee is reviewing the employment agreement and may propose legislation to work toward a grant program to be administered through the veteran's service organizations.

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on February 20, 2006 in Room 514-S of the Capitol.

Representative Yoder, member of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Department of Commerce for FY 2006 and moved for the adoption of the Budget Committee recommendation for FY 2006 (Attachment 9). The motion was seconded by Representative Pottorff. Motion carried.

Representative Yoder, member of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for the Department of Commerce for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 9). The motion was seconded by Representative Lane.

Representative Yoder moved to amend the Budget Committee report on the Department of Commerce for FY 2007 to request a review of vehicle purchases at Omnibus. The motion was seconded by Representative Lane. Motion carried.

Representative McLeLand moved to amend the Budget Committee report on the Department of Commerce for FY 2007 by removing the After School Grant Program funding of \$750,000 State General Fund (SGF) and \$1,250,000 All Funds for a review at Omnibus. The motion was seconded by Representative Hutchins. Motion carried.

Representative Yoder moved to adopt the Budget Committee report on the Department of Commerce for FY 2007 as amended. The motion was seconded by Representative Lane. Motion carried.

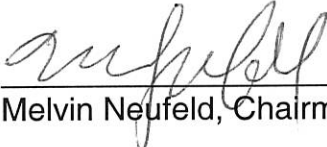
Representative Lane, member of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for Kansas, Inc. for FY 2006 and moved for the adoption of the Budget Committee recommendation for FY 2006 (Attachment 9). The motion was seconded by Representative Yoder. Motion carried.

Representative Lane, member of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for Kansas, Inc. for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 9). The motion was seconded by Representative Pottorff. Motion carried.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for KTEC for FY 2006 and moved for the adoption of the Budget Committee recommendation for FY 2006 (Attachment 9). The motion was seconded by Representative Yoder. Motion carried.

Representative Pottorff, Chair of the General Government and Commerce Budget Committee, presented the Budget Committee report on the Governor's budget recommendation for KTEC for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 9). The motion was seconded by Representative Yoder. Motion carried.

The meeting was adjourned at 10:55 a.m. The next meeting of the Committee will be held at 9:00 a.m. on February 21, 2006.



Melvin Neufeld, Chairman

HOUSE APPROPRIATIONS COMMITTEE

February 20, 2006

9:00 a.m.

NAME	REPRESENTING
JAY Leedy	Woodson County
Allen Martin	Woodson County
Sheila Lampe	Woodson County
Nellie Lingo	Woodson County
Loelie Wilhite	Woodson County
MARK Borsnyak	CAPITOL STRATEGICS
Jack Newcomb	Woodson Co
Ron Call	Woodson Co
Stewart Braden	Woodson County
Debra Hylton	Kassels Inc
Janice Cude	Woodson Co
David Waddell	Woodson County
Andy Shaw	Kearney & Associates
Ways Vllie	KCVA
Mr. Par	KCVA
Jim Fiedler	KAVA
Cathy Ch	KDOC
Rae Anne Davis	"
Loeera Helli	KDOC
JP Smart	Stockton, Community
Dodie Wellhear	CIA
KEVIN GRAMM	AG

Good Morning. I am Gwen Martin, Woodson County Commissioner, and I thank you for the opportunity to speak before you today on in behalf of HB 2688, location of private prisons for the State of Kansas. Woodson County has a long history in working to change the legislation that prevents private prisons from operating in our state. As elected officials we have something in common, we all want to do our best for our communities and for our state. There is one thing that the citizens of the State of Kansas can be assured of, crime is not going away. I don't need to stand here and explain why we need more prison bed space or how private prisons can save you money, you have had that testimony and you know better than anyone the statistics. The way the State of Kansas deals with criminals can be partnered with the privatized prison industry and become a win-win situation for all, especially with the bill in front of you today.

I would like to explain to you why Woodson County would make a good partner with the State of Kansas, and a private prison corporation, if you would allow HB2688 to pass. Woodson County has a long and successful history with the Toronto Honor Camp. Having a minimum security prison in our county has allowed the cities of Toronto, and Yates Center to use labor to help in saving tax dollars for various jobs performed, both recently and in the past. The Woodson County Commissioners have used labor from the Honor Camp to help renovate our historic courthouse. The Cross Timbers State Park (formerly Toronto State Park) still uses labor from the Toronto Honor Camp to help in reducing the cost of maintaining the park. Our citizens are used to seeing the prisoners in our communities and understand the rehabilitation process. Most understand that a percentage of minimum security prisoners were once medium security, and have been downgraded due to good behavior. The acceptance of a medium security private prison would be assured, in a countywide vote, in part due to the good working relationship with the Department of Corrections that is already established.

In the last eight years, the Department of Transportation has upgraded our roads leading into Yates Center from north to south and from east to west. Highway 75 leading south has been widened and the dangerous "Buffalo" curves have been taken out. Highway 54 east from El Dorado has been upgraded and a new bridge was placed just inside the Woodson county line. Completed last fall, a geo metric improvement grant allowed the city of Yates Center to replace and widen the crossroads of highways 54 and 75, making it a safe route to travel. Due to our location and exceptional roads from Topeka and from El Dorado, the Department of Corrections could oversee the operations of the medium security private prison in Yates Center, the Toronto Honor Camp and the maximum security prison in El Dorado, from one location, and possibly save costs on transporting prisoners.

The city of Yates Center has shown a progressive approach in upgrading their infrastructure with an eye toward the future growth of the city that includes planning for a large facility. They are prepared and look forward to a working relationship with the State of Kansas, the Department of Corrections, and the management of the private prison corporation. The Woodson County Board of County Commissioners would like to assure you that they stand united with the city of Yates Center and would welcome the opportunity to work with the State of Kansas, the management of the private prison corporation, and continue our successful relationship with the Department of Corrections.

In the book that we provided for you today there are answers to questions that have been frequently asked. One question that has personally disturbed me is "Why does Woodson County only go after a private prison?" At times it seems that the person asking the question is really disturbed that a community would welcome a private prison. I would like to state very clearly that we consider the prison industry, as it is today, an honorable institution that is rehabilitating people that are not so honorable. The golden rule as these people know it could state "Do unto others before they do unto you". The industry does it's best to teach the accepted version "Do unto others as you would have them do unto you". I quote that particular rule because it is written on our courthouse entrance, placed over a hundred years ago. We believe in the rehabilitation of prisoners, and we believe that the private prison industry, in partnership with the Department of Corrections and the State of Kansas, can accomplish this task together.

Thank you once more for this opportunity to speak before you. I would be happy to answer any questions you may have for me.

HOUSE APPROPRIATIONS

DATE 2-20-2006
ATTACHMENT 1

Good Morning Chairman Neufeld and members of the committee. I am Shelia Lampe, Chairman of the Sunflower Solutions Taskforce, and on their behalf we would like to thank you for allowing us once again to stand before you and testify. Last year we were allowed to come before you on behalf of SB 243; now we are here on behalf of HB 2688.

Twenty-two years ago a committee was formed to follow up on a new concept of Private Prisons. In that said amount of time we have seen and worked with 4 Governors, 3 Senators and 5 Representatives. We have inched along the way slowly. The good part of this process is we now know how the legislative process works; the bad part is we know how the legislative process works! Through the years we have continued to work and evolve our communities. We have toured Private and State owned facilities, watched as the industry has grown and worked their way through the growing pains. We as a community, in this time span have also built relationships within the industry and within our regional area. We have watched closed minds be opened by education, through holding public hearings, and visiting one on one with people. We believe the Private Prison is a concept whose time has come to be put in place.

To coin a phrase, we are not looking for a silver bullet. This is not an over night quick fix; we look at this opportunity as a corner stone. We have not just given up and sat back to wait another year. Woodson County has continued to work on economic development and has learned to work as a region not as just a county or a community. We have been involved with Q.U.A.D. Enterprise Facilitation for 4 years, and in that time span our small business base has grown. Our sales tax has remained stable and continues to grow. The revenues generated in the 5 counties of Woodson, Greenwood, Chautauqua, Elk and Wilson has been around 4 million dollars. This prison would be a corner stone to build on and continue to help grow our economies. The rural areas have, out of necessity, learned to blur the boundaries of county lines and work as a region. We support and have the support of 13 counties in Southeast Kansas simply because we know that everyone benefits. I am not going to repeat what you have heard in the past. The packets you have received have demographics, labor force pool and our assets. It also contains letters of support both present and past. We feel our history is very import for you to know so that you may understand where we are coming from as well as where we hope to be in the future.

I would like to address two questions that I have recently been asked;

Q: What makes you think a private industry would locate in Woodson County if the bill is passed?

A: We have maintained through the many years a good working relationship with our friends at GEO Corporation. Representatives have attended our town meetings and answered questions; they know the value of the time, effort and money that has been put into this project. Once again it comes down to relationships and hard work. Our equity is our commitment and communities dedication to continue to evolve our infrastructures, our school and economic development programs.

Q: Why hasn't Yates Center/Woodson County gone after industry or other such companies?

A: The answer is: We have found that building our small business have worked better for us, we do not chase smoke stacks simply because we have found that it doesn't work for us. We have our neighbors to the east in Allen County, and Coffey County to north that have developed that economic base and we support them as they support us in our endeavors.

We hope that lessons can be learned here, to learn to blur the lines when it is for the good of the whole and work together. We encourage you pass this bill and let us move toward the future. Many of the Task Force members sit here with me today and are willing to answer any questions that need to be addressed.

Thank you for your time.

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ATTACHMENT 2

KANSAS

KANSAS DEPARTMENT OF CORRECTIONS
ROGER WERHOLTZ, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

Testimony on HB 2688
to
The House Appropriations Committee

By Roger Werholtz
Secretary
Kansas Department of Corrections

February 20, 2006

I would like to preface my comments regarding private correctional facilities with my opinion that it is preferable for a state to operate its own correctional facilities whenever possible. In addition to the management of the facility regarding the day to day operations and emergency responses, state ownership of the facility allows the State to change the mission or operation of a facility without having to take into consideration the property and contract rights of a private entity. Secondly, any excess capacity of the state's correctional facilities may be leased to other jurisdictions, but on terms and in accordance with the regulations, operational orders, standards and policies that the Department of Corrections controls. **Finally, private prisons cannot operate more efficiently or less expensively than capacity added to existing state prisons.** Due to the savings from expansion of existing facilities and the **benefit to the state in having the flexibility to respond to changing needs and changing directions from the legislature without any need to renegotiate contracts and costs for services**, I believe the state's correctional interests are best served through maintaining state operation of our corrections capacity.

However, if the legislature should make a different decision and approve the establishment and operation of one or more private for profit prisons in the state, I believe that the department must be given the tools to properly protect the interests of the state and the safety of the general public. Last year, I proposed to the Senate the amendments to SB 243 made during the 2005 Session that would accomplish that. The proposed amendments were incorporated into SB 243 which are identical to the provisions of HB 2688 and substantially fill the gaps we have identified in making this change in policy as workable as possible. I am appreciative of the consideration given to those suggestions we made.

If the decision is made to authorize private prisons in Kansas, you can be assured that the Department of Corrections will make a good faith effort to see that that policy succeeds, and that the public safety and economic interests of the state are well served. **I would also hope that the**

legislature will be alert and resist any attempts, now or in the future, to weaken the regulatory authority or increase the obligations of the state to private prison operators that are established in the current version of the legislation. In particular, HB 2688 limits the maximum amount the department can pay for a bed in a facility authorized by this legislation to "90% of the department's average per capita operating costs for the previous fiscal year for comparable state correctional facilities and services" (see page 2 lines 20 through 24). This is consistent with legislative policy in limiting reimbursement to county jails to exclude administrative overhead, capital construction and depreciation, etc. There are ample tools at the legislature's disposal to insure that the Department of Corrections fulfills its obligations in good faith. I would hope that, if you approve this legislation, operators of private for profit prisons will be held to the same standards.

I have attached a history of privatization relative to the department as background for the Committee.

March, 2005

History of privatization in Kansas

1988-Department of Corrections contracted with a company (VIP) for operation of community residential centers in Topeka and Wichita. The contract was terminated in 1989 due to the failure of the contractor to deliver services in compliance with the terms of the contract.

HB 2835 was considered in the 1990 session but was not enacted. It would have permitted the creation of regional prison authorities by cities or counties with the power to construct or purchase prison facilities.

SB 748 (1990 Legislature): Provides that, unless authorized by Kansas statute, local units of government and private entities are prohibited from authorizing, constructing, owning, or operating any type of correctional facility for the placement or confinement of inmates from any agency of another state until such time as the Legislature has reviewed and provided a public policy regarding such activity. Provisions expire July 1, 1991.

Studied by interim Special Committee on Judiciary (1990): Committee recommended that the moratorium on the construction of private prisons to house prisoners from other states be extended indefinitely. The Committee questioned the economic feasibility of the plans, the potential exposure of local governments or the state to civil liability, and that the proposal raised the basic issue of the fundamental role of government. As a result of the interim study HB No. 2003 was introduced in the 1991 session to extend the moratorium indefinitely. KSA 75-52,133 enacted, providing that no city, county or private entity shall authorize, construct, own or operate any type of correctional facility for the placement of inmates from any agency of another state.

March, 1994: Attorney General Opinion 94-27 issued. Opinion concludes that with some narrowly drawn exceptions, cities, counties and private entities are prohibited from authorizing, constructing, owning or operating a correctional facility for the placement or confinement of inmates from any agency of another state. There is no constitutional or statutory impediment which would prevent a city, county or the state from contracting with a private entity for the construction or operation of a jail or correctional facility for the placement or confinement of persons held pursuant to Kansas law.

1997: HB 2576(e)-Ch. 192 Sec. 45 Session Laws: preparation and issue of request for proposals for design, construction, and operation of a 200 bed medium security facility and a 200 bed low cost special management unit; bidders could bid on both projects; DOC could submit proposals. Award based on review of updated inmate population projections and approval of the state finance council.

RFP issued in June 1997 (assisted in preparation by Richard Crane, national expert on privatization)

Responses received August 1997

Review of inmate population projections resulted in a recommendation to defer additional capacity expansion to the 1999 session. No award made of a contract from the RFP.

1997: HB 2571 would permit any county to "construct, own or operate any type of correctional facility for the placement or confinement of inmates from the department of corrections and any agency of another state." HB 2571 was not passed.

Privatization was discussed in the 10 year Strategic Development Plan prepared for the state in January, 1998.

1998-KDOC issued an RFP for operation of a female conservation camp. The DOC contracted with GRW for operation of the camp. First inmates were accepted at LWCC in January, 2000.

2001-DOC enters into a contract with Corrections Corporation of America for the placement of inmates at a facility in Burlington, Colorado. Inmates are placed in that facility for a 7 month period ending in June, 2002.

2002 (November)-DOC issues RFP for medium security offender housing. This results in a contract entered into in December 2003 for the placement of inmates at a facility operated by Civigenics in Limestone County, Texas. Inmates are placed there in January, 2004. DOC discontinued use of this contract in early 2005 as the overall inmate census decreased.

2004: SB 275 proposed. Bill would have permitted use of privately constructed and operated correctional facilities for the incarceration of offenders from other states. Bill was not enacted.

2005: Bill concerning prison privatization considered but not enacted during the 2005 session.

2005 (September): DOC entered into a contract with Corrections Corporation of America to house inmates, as needed, at a facility in Burlington, Colorado. As of February, 2006 the DOC has not had to utilize this contract.

2006: Labette County has notified GRW of an intent to terminate the management contract for the Labette Correctional Conservation Camp effective July 1, 2006.



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February 20, 2006

HOUSE APPROPRIATIONS COMMITTEE

Testimony in Support of
House Bill No. 2688
Kevin A. Graham
Office of the Attorney General

Dear Chairman Neufeld and Members of the Committee:

Thank you for allowing me to appear before you on behalf of Attorney General Phill Kline and offer testimony in support of HB 2688, a bill which would allow the State of Kansas to obtain when needed additional prison resources through contracts with private corporations.

As members of the House Appropriations Committee you are called upon to make difficult, often thankless, yet critical decisions regarding how the State of Kansas will expend the taxpayer's money. One of the most critical decisions you must make each year involves the level of funding to be approved for prison resources. While the latest estimates from the Kansas Sentencing Commission indicate the prison population for the State of Kansas will not exceed our current bedspace capacity within the next two years, the Commission's projections do show the need for additional bedspace capacity in the near future – particularly in the need for medium and maximum security prison beds. This reality leaves the Kansas legislature in the position of making the choice between finding ways to increase our prison bedspace capacity to cover the need or to weaken Kansas' criminal laws thus allowing more felony offenders to avoid imprisonment.

On a number of occasions spanning approximately the past decade the Kansas legislature has been faced with the prospect of dealing with shortfalls in available prison bedspace versus projected prison capacity needs. In recent years the legislature has approved funding for limited construction of new prison beds within the Kansas Department of Corrections, which has been beneficial and was certainly needed. However, far too often the legislature has been swayed to respond to prison bedspace projections by attempting "other options" such as reclassifying offenses to leave criminals in the county jails, shortening or eliminating periods of postrelease supervision or even options that led to the early release of felons directly from Kansas prisons.

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Legislators have been so overwhelmed with concerns about the “costs of a prison bed” that they have been obscured from examining the real costs of allowing violent and repeat felony offenders on the streets of our state where they may commit additional crimes and rack up additional victims. We can no longer afford to allow concerns over corrections costs to drive our public policy; we must concentrate on serious, effective public policy for corrections and then find the most efficient means of funding those policy goals.

Enactment of HB 2688 would authorize the construction and operation of one or more private contract prisons within the State of Kansas. While the bill would not guarantee that a private contract prison would be constructed in Kansas, the bill would provide the legal authority for such construction and provide the Secretary of Corrections with suitable authority to license, monitor and regulate such a facility if built. As the members of the committee are aware, there is already at least one Kansas community (Woodson County/Yates Center area) which has expressed a great deal of interest in developing a private prison, and it is likely additional communities may welcome such an option for jobs and economic development as well.

HB 2688 presents an opportunity for the State of Kansas to explore options for dealing with prison overcrowding issues which may prove more economically efficient than construction of a state owned/operated facility. The bill also presents an opportunity for Kansas communities to develop further economic opportunities for their citizens. Perhaps most importantly, HB 2688 provides the State of Kansas with the opportunity for new resources and options for the future without mandating that the State make use of those resources if the State later determines there is a better course.

On behalf of Attorney General Phill Kline, I encourage the Committee to support HB 2688 and to recommend the bill favorably for passage.

Respectfully,

Kevin A. Graham
Assistant Attorney General
Director of Legislative Affairs

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

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FORREST J. KNOX

Hearing for

HB 2688 – Private Contract Prison Act

House Appropriations Committee

20 February 2006

Chairman Neufeld and Committee members:

HB 2688 is the culmination of many years effort and is the work of many people. It includes the Senate amendments made to last year's SB 243. Most of these were at the suggestion of the Secretary of Corrections.

Many states now take advantage of the flexibility and efficiency of private contract prisons. Much experience has been gained at the expense of other states. Kansas now stands in a position to take advantage of the experience of others. In just one instance I would ask you to consider a letter that I have submitted as written testimony from Ray Allen, former Chair of the Corrections Committee of the Texas House of Representatives. He speaks of the necessity of a strategic partnership between the Department of Corrections and contract providers. HB 2688 is the foundation of such a partnership.

As I have toured Kansas correctional facilities, and spoken with many of the wardens and staff, and sat, last year, on the House Corrections and Juvenile Justice Committee, I have found the Kansas Department of Corrections to be quite impressive. Our Secretary of Corrections and his staff are some of the best there is, I'm certain. I claim to be no expert. Most of you have far more experience and knowledge than I.

HB 2688 lays down the framework that will enable Kansas to start to move down this road in a very deliberative and conservative manner. Kansas is not obligated to house any prisoners in such a facility but the Secretary of Corrections has total authority to license, monitor and regulate not just every aspect of the operations of the private contract facility, but of the design and construction of it also. And the cost of this oversight is paid by the facility. The Secretary has final say on the prisoners that are housed from out of state. The liability for these prisoners is the prison owners with Kansas being protected

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from responsibility for virtually any foreseeable eventuality. The facility and programs must meet the same standards as existing public facilities in Kansas.

While Kansas is not compelled to house any prisoners at such a facility, we can requisition space at the time that it is needed. Kansas would only be required to pay a maximum of 90% of the average cost per bed at state owned facilities. Cities and counties that possess prison space that meets the states requirements would be given first consideration for needed space. If a private contract prison is ever sold the state has right of first refusal on the facility.

We already have a great track record of private contract prison facilities in Kansas. Corrections Corporation of America currently operates a major penal facility in Leavenworth that houses federal prisoners. I understand that it recently doubled its capacity. This partnership seems to be performing exceptionally well for both the owners and the federal government. It is also an asset to the local communities and the staff is better paid than at our state facilities, I am told.

A second success story is found down in my neighborhood, in Labette County. The juvenile boot camp is a success for the owners, for the local community and for those incarcerated. They are doing a better job than at many publicly owned counterparts, from what I here.

I would like to address how a prison can fit in a small community. Here again, we have experience in Kansas with this in Rooks County at the Stockton correctional facility. This is a 20 year old success story of how the community has benefited in many ways from the prison. Of course, there are always set backs but the Department of Corrections and the community have worked together to solve these problems and everybody has gained, the state, the community, and the Department of Corrections. This partnership has shown the merits of such an arrangement.

Another example is in Woodson County – you knew I would get to Woodson County. The Toronto correctional facility is another success story of the Kansas Department of Corrections and the local community. Labor from this minimum security facility helps make Toronto Lake a great success for the whole area. Also, the town of Toronto, Kansas gains much from this arrangement.

While HB 2688 in no way dictates any preferred location in the state, Woodson County has for many years taken the lead in pushing for private contract prisons. Yates Center, in the center of Woodson County, is centrally located among the population centers of eastern Kansas. It is also centrally located among the prisons of eastern Kansas.

Yates Center is within about 30 miles of six major area towns, with a labor force between adjacent counties of more than 25,000 workers, over 1500 of these being available for work immediately. Thirteen southeast Kansas counties support the building of a prison in Woodson County. Just for the record, Yates Center is prepared to site such a facility, having the infrastructure currently in place.

So, why now? Why this bill this year? What has changed? Well, we all know what has changed. Public safety is the number one duty of government and the number one concern of Kansans. In recent years we tried to gain prison beds by being soft on crime. It worked for a couple years. But now the public outcry has reached the ears of the states elected officials. Woodson County's neighbor, Greenwood County, lost their sheriff just over a year ago to meth pushers. Sex offenders are preying on our children. Treatment facilities are failing to reform the serious, repeat offenders. The public is calling for stiffer penalties. The number of estimated future prison beds required by legislation before the legislature this year is staggering.

Private contract prisons, which are tightly regulated by our own superb Department of Corrections, would give another degree of flexibility to our Secretary of Corrections and to state government. This is not the only answer. Expansions will doubtless be needed at state facilities. But, private prisons can come on line much quicker, and with private investment. We would not need to house our prisoners out of state, giving the economic boost to our own citizens and perhaps to economically disadvantaged parts of the state, Woodson County for example, and all this at a lower cost per bed, with the flexibility of not having to fill every bed with state prisoners, and not having to pay for unused overhead.

Referring again to the letter from Mr. Allen, he speaks of renegotiating bids, in 2003, on 23,000 existing privatized beds, resulting in a savings of \$50 million. The average costs run about \$34 per day per inmate and this includes medical care.

The time has come. HB 2688 does not compel any action but allows the Secretary of Corrections another option. I request that you give serious consideration of HB 2688 and pass it out favorably so we can continue, though cautiously, down this path.



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House

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Ray Allen and Associates

House Appropriations Committee, Kansas State Legislature

February 20, 2006

Hearing on

HB 2688 – Private Contract Prison Act

Written testimony submitted by,

Ray Allen

Texas House of Representatives 1993-2006 (Retired January 20, 2006)

Chair of Corrections Committee 2003-2004

Chair County Affairs Committee 2005-2006

Immediate past Chair American Legislative Exchange Council

Task Force on Criminal Justice 2002-2006

Sent to:

Rep. Forrest Knox, Kansas House of Representatives

I hope you are able to pass a good privatization bill. It has been my experience that the private sector can play an extremely productive role in corrections, but I will say it doesn't happen automatically with the passage of a bill. A variety of hurdles have to be dealt with effectively.

BACKGROUND

A well run corrections system requires a great deal of flexibility, especially as regards capacity. In addition to having sufficient bed space to house offenders, the system needs additional space to house disciplinary problem inmates, those who are ill, and flexible space for those whose transfers are required due to illness, court appearances, and, sometimes, special requests by members of the Legislature. Remember that the number of inmates flowing into the system is not within the control of corrections officials, and that they and they alone will be judged by whether the system runs smoothly, without escapes, riots, accusations regarding use of force, etc. These difficult and complex factors lead to an understandable attitude from those charged with the responsibility for prisons: they want total, unquestioned control of all facilities and all factors that might ultimately lead to problems they will have to clean up.

That makes corrections officials extremely conservative in the classic sense of the word; that is, they have a strong bias in favor of the status quo. Changes of any kind to the system create opportunity for important security issues to fall through the cracks and create upheaval, chaos, and ultimately political trouble for the state's Department of Corrections.

Despite your state's need for additional prison beds, I would be quite surprised if the Department of Corrections were leading the effort to create privatized prison beds. Most state systems have preferred to house overflow inmates in county jails where there exists an indigenous political accountability system (local elected officials) with shared political risks in case something goes wrong.

The downside of this politically motivated conservative approach is that cost savings are more difficult to obtain, that county jails most often are ill-equipped to offer inmate program services such as job training, substance abuse programming, evidence-based life skills and cognitive behavior therapies—all of which are proven to reduce recidivism by offenders. Finally, the speedy response, innovation and efficiencies possible with the private sector are lost.

KANSAS' NEED

Your state's *urgent* need is more prison beds. However, it is extremely important to you as a policy maker to understand that the urgent need is not always synonymous with needs which are *important* as well as urgent. For example, it is important that the new capacity be efficient in order to avoid wasting future resources which will be needed for future urgent priorities like health care, education, transportation, and economic development. It is equally important that the new beds serve a purpose larger than mere reduction of immediate population pressure, especially since the addition of new beds could be dedicated to programs which alleviate future problems. States all across the country are beginning to realize that they face significant risk of federal lawsuits over the availability and quality of mental health care and physical health care.

Further, the availability of evidence-based recidivism reduction strategies including drug and alcohol treatment, correctional industries work programs such as Kansas' PIE private sector work program partnerships virtually demands that policy makers get better value for the money you invest in prison beds. If Kansas is like Texas (and other states facing similar challenges), Kansas could contract for prison beds with treatment programs such as those described above at costs comparable to or less than those of county jail beds which provide no services.

In crafting legislation for privatization, it is important not to lose sight of the ultimate goal: a corrections system in which **strategic partnerships between the Kansas Department of Corrections and contract providers function harmoniously together** to assure the most efficient delivery of corrections services to a selected population of offenders, at the lowest possible costs in a manner which absolutely assures that security and public safety is always the top priority.

SUMMARY

A successful bill must strike a balance between the legitimate needs of the state for accountability and control of circumstances which could impact the state's interests, and the flexibility and freedom of operations necessary for private sector partners to innovate in operations and programming in order to achieve cost savings and efficiencies. The state must grow to trust the ability of its private sector partners. The private sector partners must grow to trust that the state will not arbitrarily use its power to inhibit operations aimed at providing services at over the long term with a reasonable expectation of return on investment.

Forrest, the above is my own personal opinion, not colored by any other influence and learned at a pretty high cost here in Texas where we now have more than 23,000 beds under private contract to the state. It has been a bumpy road, and we still face more miles of bumpy roads in the future. Nevertheless, the private sector is performing an important role which is pretty well integrated into the system. Let me offer a personal example of what I mean.

Following a series of working group sessions in 2003 in which as Chair of Corrections, I forced the Department of Corrections to meet and work with private sector prison providers regarding contract issues, Texas let new bids on all 23,000 privatized beds. The result of the Department's new bid procedures yielded more than \$50 million in savings to the state because the private prison companies were able to show the state how they could lower their bids by the removal of arbitrary and unnecessary bid conditions previously required by the state.

I'll repeat for the sake of clarity: ***the bids of late 2003 came in \$50 million less than the bids which were in force at the time of our working groups for the same 23,000 privatized beds.***

Further, typical operations costs for private beds (including medical care) average around \$34 per day, per inmate under the state's current limited programming strategy. I think our current strategy which severely limits services and treatment programs is a bad one, but there can be little doubt that privatized prisons have yielded significant cost savings to the state of Texas. My recollection is that the current cost of privatized beds in Texas is roughly half the current cost of state beds in Kansas. One contract by a private sector provider for the most basic incarceration services pays \$ 18 per day excluding medical costs.

Don't be discouraged. This is an important step for any state. Your Department of Corrections has legitimate concerns whenever changes are proposed, and they need to be carefully weighed as you contemplate changes in policy. Remember, too, that in order to attract competent and stable private sector partners, they need a great deal of flexibility in how they carry out the mission you give them. It's a worthy goal to pursue, one that has reaped significant benefits here in Texas for more than a decade.

Sincerely,

Ray Allen
(972) 814-4947

rayallen@swbell.net

Rep. Melvin Neufeld, Chairman
House Appropriations Committee
State Capital Building
Topeka, KS 66612

20 February 2006

RE: Testimony on 2006 House Bill 2688

Dear Chairman & Committee Members:

I am Chris Kollman from Stockton, Kansas. For over twenty years, I have been involved in the economic development efforts of my community serving on the Stockton Leadership Delegation to Topeka each year and as the Secretary/Treasurer of the Stockton Industrial Development Corporation. My involvement with the correctional facility in Stockton began with the effort to establish the facility in 1987. I offer my experience and observations concerning the impact a State facility has on a small, rural community.

The Correctional facility in Stockton has capacity for approximately 120 inmates. It is a minimum security facility that sends work crews out each day to perform projects for local government entities and non-profit organizations. The facility employs 33 individuals and another 5 hold contract jobs. 26 employees live in Rooks County and the other employees live in Ellis, Phillips, Graham, Osborne and Smith Counties. The annual payroll is approximately \$1,000,000.00 which has a huge impact on our economy. The employment at the correctional facility is nearly 10% of the total jobs available in Stockton.

Inmate labor helps keep our mill levy down while allowing us to maintain quality services and improve our public owned property. In fiscal year 2002, the City of Stockton used 4,987 hours of inmate labor valued at \$67,324.00 and saved 13 mills in ad valorem taxes. Work crews perform projects in Rooks, Phillips, Graham, Ellis, Osborne, Smith, Rush, Trego, Norton, Russell and Barton County. They have helped with projects at Old Fort Hays; the National Guard Armories at Smith Center, Hays and Phillipsburg; Public improvement projects for the cities of Nicodemus, Hays, Ellis, Logan, Plainville, Damar, Speed, Wakeeney and Hill City; Fair Boards in 5 counties; area State Parks and help with disaster relief.

After the devastating tornado last spring in Stockton, inmate work crews were on the scene helping local volunteers clear debris, which allowed emergency vehicles to use the city streets. The community sponsored a barbeque at the facility a few weeks later to show our appreciation. An ice cream social is provided to the inmates in December of each year to thank them for their contribution to the community through out the year.

The minimum security facility in Stockton is truly a State-County-City success story. The State created jobs in a depressed region of Kansas and provided a work force for local governments to improve infrastructure without increasing local Ad Valorem taxes.

I hope this testimony is helpful to the Committee.

Sincerely,

Chris L. Kollman
420 N. Ash
Stockton, KS 67669

HOUSE APPROPRIATIONS

DATE 2-20-2006
ATTACHMENT 6



6301 ANTIOCH • MERRIAM, KANSAS 66202 • PHONE/FAX 913-722-6633 • WWW.KSCATHCONF.ORG

**House Appropriations
February 20, 2006
Testimony in opposition to HB 2688
Kansas Catholic Conference - Sister Therese Bangert**

In 2004, the Kansas Legislature passed a law setting up the 3R Commission. An initial report from that commission has been made available to legislators. The Commission is still working on a final report. Their work has peaked interest with the national JEHT Foundation that could put substantial grant money into Kansas for the purpose of strengthening reentry programs for inmates.

The JEHT Foundation has pointed out the interest in Kansas leaders in reentry. This interest includes Senator Sam Brownback, the legislature through the support of the 3R's Commission and the Secretary of Corrections.

Shouldn't the legislature have available the full 3R report before taking the drastic step of extending private prisons in Kansas?

In December 2000, the United States Conference of Catholic Bishops (USCCB) released a statement titled **Responsibility, Rehabilitation and Restoration - A Catholic Perspective on Crime and Criminal Justice**. It is a thoughtful and pastoral document noting that response to crime in the United States is a moral test for our nation and a challenge for our Church. I spoke further of this document in my testimony last year.

I just want to repeat this morning how the document addresses the policy of private prisons and I quote, **"We bishops question whether private, for-profit corporations can effectively run prisons. The profit motive may lead to reduced efforts to change behaviors, treat substance abuse, and offer skills necessary for reintegration into the community."**

With this document in mind and with the efforts to expand programs for successful reentry the Kansas Catholic Conference asks you to oppose HB 2688.

Thank you for hearing this testimony.

MOST REVEREND RONALD M. GILMORE, S.T.L., D.D.
DIOCESE OF DODGE CITY

MOST REVEREND JOSEPH F. NAUMANN, D.D.
Chairman of Board
ARCHDIOCESE OF KANSAS CITY IN KANSAS

MOST REVEREND PAUL S. COAKLEY, S.T.L., D.D.
DIOCESE OF SALINA

MOST REVEREND MICHAEL O. JACKELS, S.T.D.
DIOCESE OF WICHITA

MICHAEL P. FARMER
Executive Director

MOST REVEREND EUGENE J. GERBER, S.T.L., D.D.
BISHOP EMERITUS - DIOCESE OF WICHITA

MOST REVEREND GEORGE K. FITZSIMONS, D.D.
BISHOP EMERITUS - DIOCESE OF SALINA

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Kansas County & District Attorneys Association

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TO: Melvin Neufeld, Chair, and the Members of the House Committee on Appropriations

FROM: Mike Jennings, Legislative Chair, Kansas County and District Attorneys Association

RE: Written Testimony in support of House Bill 2688, Private Prisons

DATE: February 20, 2006

On behalf of the Kansas County and District Attorneys Association, thank you for this opportunity to state our support of H.B. 2688, the private prison bill.

The need for additional bed space in our state prison system is clear. The Department of Corrections (DOC) has been at or near capacity for some time, particularly for higher security, long-term inmates. The Sentencing Commission projections indicate that the pressure for additional beds in these security categories will continue for several years.

The Sentencing Commission projections show that our prison population will rise to well above 10,000 inmates in the next ten years. This increase does not include any of the current legislation that is under consideration by the 2006 legislature. SB 334 and HB 2576 both legislate increased penalties for certain sex offenders. Both of these bills have a fiscal impact to the state of nearly 1,000 inmates over the next ten years.

Having the ability to utilize bed space at a private facility is a promising solution to meeting, at least in part, the need for additional DOC bed space. Private prisons have been in use for many years. The Federal Bureau of Prisons and several states, including Kansas (Leavenworth), already have contracts utilizing privately owned and operated prisons. Indeed, the State of Kansas has in the recent past housed a substantial number of inmates at private prisons in other states. That should speak volumes as to the suitability, ethics, and other concerns raised by critics of private prisons. Calling these facilities private is correct in that the construction costs are not public expenses. But the facilities must comply with the requirements of the Kansas Department of Corrections and in this very important sense they are public.

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The prison business, whether state owned or privately owned, has been perceived as a bad news business. All prisons whether public or private have had problems with assaults, staff morale and staff turnover. How safe does a public corrections officer feel when Kansas continues to run at or near capacity in all of their facilities? Public prison employee's morale and turnover is a critical issue that private prisons will help address. Having a private prison facility in Kansas would mean easier visitation for family, easier reintegration for the inmate and lower transportation costs when compared to utilizing out-of-state private prisons.

House Bill 2688 is an option-only bill. There is no mandatory language in the bill that would require the State of Kansas to build a private prison. It gives the DOC the flexibility to research, consult with, and approve any private prisons built in the state. House Bill 2688 is good public policy that would help to relieve the capacity issues at the state prisons as well as address the ever increasing rise in crime in our communities. The private prison option would provide a cost-effective alternative that would allow our legislature to make sound policy decisions concerning what criminals should be behind bars instead of which criminals do we not have room for.

FY 2006 and FY 2007

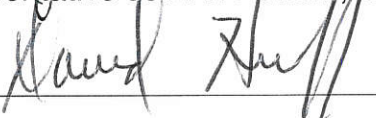
**Kansas Commission on Veterans' Affairs
Department of Commerce
Kansas Inc.
KTEC**



Representative Jo Ann Pottorff, Chair



Representative Richard Carlson



Representative David Huff

Representative Annie Kuether



Representative Harold Lane



Representative Clark Shultz



Representative Kevin Yoder

HOUSE APPROPRIATIONS

DATE 2-20-2006
ATTACHMENT 9

House Budget Committee Report

Agency: Commission on Veterans' Affairs **Bill No. --**

Bill Sec. --

Analyst: Deckard

Analysis Pg. No. Vol. II - 1463

Budget Page No. 425

Expenditure Summary	Agency Estimate FY 06	Gov. Rec. FY 06	House Budget Committee Adjustments
Operating Expenditures			
State General Fund	\$ 8,387,027	\$ 7,911,184	\$ 0
Other Funds	9,891,409	9,910,716	0
Subtotal – Operating	\$ 18,278,436	\$ 17,821,900	\$ 0
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	1,304,857	1,304,857	0
Subtotal – Capital Improvements	\$ 1,304,857	\$ 1,304,857	\$ 0
TOTAL	\$ 19,583,293	\$ 19,126,757	\$ 0
FTE Positions			
	557.8	557.8	0.0
Non FTE Uncl. Perm. Pos.			
	0.0	0.0	0.0
TOTAL	557.8	557.8	0.0

Agency Estimate

The agency estimates \$18,278,436, including \$8,387,027 from the State General Fund, for FY 2006 operating expenditures. The estimate is an increase of \$394,309 or 2.2 percent above the approved amount. The estimate includes \$875,843 from the State General Fund in supplemental requests and a reduction in the amount of funds estimated in per diem reimbursements from the federal Veterans Administration.

Governor's Recommendation

The Governor recommends \$17,821,900, including \$7,911,184 from the State General Fund, for FY 2006 operating expenditures. The recommendation does include the addition of \$400,106 from the State General Fund to account for the decrease in anticipated federal funding, but does not include the addition of the agency's supplemental requests.

House Budget Committee Recommendation

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

House Budget Committee Report

Agency: Commission on Veterans' Affairs **Bill No. --**

Bill Sec. --

Analyst: Deckard

Analysis Pg. No. Vol. II-1463

Budget Page No. 425

<u>Expenditure Summary</u>	<u>Agency Request FY 07</u>	<u>Gov. Rec. FY 07</u>	<u>House Budget Committee Adjustments</u>
Operating Expenditures			
State General Fund	\$ 8,760,046	\$ 7,674,816	\$ (32,800)
Other Funds	<u>9,994,679</u>	<u>10,118,071</u>	<u>0</u>
Subtotal – Operating	\$ 18,754,725	\$ 17,792,887	\$ (32,800)
Capital Improvements			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	<u>8,377,998</u>	<u>8,377,998</u>	<u>0</u>
Subtotal – Capital Improvements	\$ 8,377,998	\$ 8,377,998	\$ 0
TOTAL	<u><u>\$ 27,132,723</u></u>	<u><u>\$ 26,170,885</u></u>	<u><u>\$ (32,800)</u></u>
FTE Positions			
FTE Positions	557.8	557.8	0.0
Non FTE Uncl. Perm. Pos.	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>557.8</u></u>	<u><u>557.8</u></u>	<u><u>0.0</u></u>

Agency Request

The agency requests \$18,754,725, including \$8,760,046 from the State General Fund, for FY 2007 operating expenditures. The request is an increase of \$476,289 or 2.6 percent above the FY 2006 revised estimate. The request includes enhancement packages totaling \$1,477,084 all from the State General Fund. Without the enhancement packages, the request would be a decrease of \$1,001,795 or 5.5 percent below the FY 2006 revised estimate. The request includes funding for 26 payroll periods in FY 2007, while the FY 2006 estimate contains funding for 27 payroll periods.

Governor's Recommendation

The Governor recommends \$17,792,887, including \$7,674,816 from the State General Fund, for FY 2007 operating expenditures. The recommendation is a decrease of \$29,013 or 0.2 percent below the FY 2006 recommendation and a decrease of \$961,838 or 5.1 percent below the agency's request. The Governor recommends a portion totaling \$192,402 of the agency's enhancement requests including: \$71,310 to fund additional veterans service representatives; \$11,500 for training for veterans service representatives; \$72,792 in operating expenditures for the Fort Riley cemetery; \$32,800 for the purchase of two minivans for the Kansas Soldiers Home; and \$4,000 for the Persian Gulf War Veterans Health Initiative Board. Additionally the recommendation includes the addition of \$278,868, including \$155,476 from the State General Fund, for the 2.5 percent base salary adjustment for state employees, and the addition of \$13,976 from the State General Fund for the trade reclassification.

9-3

House Budget Committee Recommendation

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

- FY 2007 Baseline Budget.** To establish a baseline FY 2007 budget, the FY 2006 budget, as approved by the 2005 Legislature, was adjusted to reflect salary adjustments (removal of the 27th payroll period funding included in FY 2006, annualization of the FY 2006 phased in 2.5 percent base salary adjustment and statutorily required adjustments for Kansas Public Employees Retirement System (KPERs) rates, KPERs death and disability insurance, and longevity). In addition, adjustments were made for required debt service payments, revenue transfers, and consensus items including school finance funding and caseload estimates for the Department of Social and Rehabilitation Services, the Department of Administration, the Department on Aging, and the Board of Indigents' Defense Services. Finally, adjustments were made for one-time items which impact specific agency budgets.

For this agency, the FY 2006 approved budget totaled \$18,279,607, including \$7,511,078 from the State General Fund. The approved budget was reduced by a net total of \$8,165,463, including \$370,271 from the State General Fund to establish a baseline budget for FY 2007. The reductions included \$233,185 in salary adjustments and \$41,000 in one-time adjustments.

- Comparison of FY 2007 Baseline Budget to Governor's Recommendation.** The table below reflects the difference between the Governor's recommendation and the baseline budget.

	SGF	All Funds
Governor's Recommendation	\$ 7,674,816	\$ 26,170,885
Baseline Budget	7,304,545	18,005,422
Dollar Difference	<u>\$ 370,271</u>	<u>\$ 7,795,192</u>
<i>Percent Difference</i>	<i>4.8%</i>	<i>29.8%</i>

The following table reflects items included in the Governor's recommendation which differ from the baseline budget.

	SGF	All Funds
Base Salary Adjustment	\$ 155,817	\$ 279,209
Enhancements	222,402	222,402
Increase in Capital Improvements	0	7,982,518
Trade Retention Incentive	13,976	13,976
Reduction in Operational Expenditures	0	(10,667)
Other Net Adjustments	(21,924)	(321,975)
TOTAL	<u>\$ 370,271</u>	<u>\$ 8,165,763</u>

- Vehicle Purchase.** Delete \$32,800 from the State General Fund, to remove funding recommended by the Governor to replace two high mileage vehicles. The Budget Committee recommends the agency's purchase of vehicles be reviewed at Omnibus.

9-4

House Budget Committee Report

Agency: Department of Commerce

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. Vol. I-582

Budget Page No. 89

Expenditure	Agency Estimate FY 06	Governor Rec. FY 06	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 229,602	\$ 234,602	\$ 0
Other Funds	107,177,354	107,806,354	0
Subtotal	\$ 107,406,956	\$ 108,040,956	\$ 0
Capital Improvements	521,500	521,500	0
TOTAL	\$ 107,928,456	\$ 108,040,956	\$ 0
FTE Positions	423.1	423.1	0.0
Non FTE Uncl. Perm. Pos.	23.1	23.1	0.0
TOTAL	446.2	446.2	0.0

Agency Estimate

The **agency** estimates FY 2006 operating expenditures of \$107.4 million, including \$229,602 from the State General Fund, and 423.1 FTE positions, an increase of \$1.2 million or 1.1 percent above FY 2005 actual expenditures. The increase in expenditures reflects additional funding for the 27th payroll period in FY 2006 and supplemental requests of \$771,000, partially offset by reduction in aid to local units of government in the Community Development Program due to reduced federal Community Development Block Grant funds.

Governor's Recommendation

The **Governor** recommends FY 2006 expenditures of \$108.0 million, including \$234,602 from the State General Fund, and 423.1 FTE Positions. The recommendation is an increase of \$1.8 million or 1.7 percent all funds and a reduction of \$2,744 or 1.2 percent State General Fund from FY 2005 actual expenditures.

The **Governor's** recommendation is an increase of \$634,000 all funds from the agency FY 2006 estimate. The Governor does not recommend the supplemental requests, but adds \$1.4 million for Spirit Aerosystems, Inc. in workforce development, and \$5,000 State General Fund for the Kansas Commission on Disability Concerns Youth Leadership Forum.

House Budget Committee Recommendation

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

House Budget Committee Report

Agency: Department of Commerce

Bill No. --

Bill Sec. --

Analyst: Dunkel **Analysis Pg. No.** Vol. II-582

Budget Page No. 89

Expenditure	Agency Request FY 07	Governor Rec. FY 07	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 225,835	\$ 5,209,701	\$ 0
Other Funds	102,160,743	104,705,126	(37,500)
Subtotal	\$ 102,386,578	\$ 109,914,827	\$ (37,500)
Capital Improvements	65,000	65,000	0
TOTAL	\$ 102,451,578	\$ 109,978,827	\$ 0
FTE Positions	423.1	423.1	0.0
Non FTE Uncl. Perm. Pos.	23.1	23.1	0.0
TOTAL	446.2	446.2	0.0

Agency Request

The **agency** requests FY 2007 operating expenditures of \$102.4 million, including \$225,835 State General Fund, and 423.1 FTE positions. The request is a decrease of \$5.0 million or 4.7 percent below the revised FY 2006 estimate. The request includes Economic Development Initiatives Fund (EDIF) operating grant expenditures of \$16.8 million, an increase of \$5,071 above the revised estimate and SGF expenditures of \$225,835, a decrease of \$3,767 or 1.6 percent below the FY 2006 estimate. The request includes enhancement requests totaling \$1.4 million EDIF.

Governor's Recommendation

The **Governor** recommends FY 2007 expenditures of \$109.9 million, including \$5.2 million from the State General Fund. The recommendation is an increase of \$1.9 million or \$1.7 percent all funds and \$5.0 million State General Fund above the FY 2006 recommendation.

The **Governor's** recommendation is an increase of \$7.5 million or 7.4 percent all funds and \$5.0 million State General Fund above the agency estimate. The Governor adds \$4.0 million for energy programs, \$1.25 million for the After School Grant Program, \$2.8 million for the Spirit Aerosystems, Inc. bond payments, \$225,000 to continue efforts to prevent closure or downsizing of Kansas military bases, \$470,270 for a 2.5 percent cost of living increase and \$237,500 in agency requested enhancements.

House Budget Committee Recommendation

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

9-6

1. **FY 2007 Baseline Budget.** To establish a baseline FY 2007 budget, the FY 2006 budget, as approved by the 2005 Legislature, was adjusted to reflect salary adjustments (removal of the 27th payroll period funding included in FY 2006, annualization of the FY 2006 phased in 2.5 percent base salary adjustment and statutorily required adjustments for Kansas Public Employees Retirement System (KPERS) rates, KPERS death and disability insurance, and longevity). In addition, adjustments were made for required debt service payments, revenue transfers, and consensus items including school finance funding and caseload estimates for the Department of Social and Rehabilitation Services, the Department of Administration, the Department on Aging, and the Board of Indigents' Defense Services. Finally, adjustments were made for one-time items which impact specific agency budgets.

For this agency, the FY 2006 approved budget totaled \$93,129,693, including \$229,602 from the State General Fund. The approved budget was reduced by a net total of \$15,983,617 including a reduction of \$2,890 from the State General Fund to establish a baseline budget for FY 2007. The reductions included \$315,488 in salary adjustments and \$13,501,087 in one-time adjustments, partially offset by an increase of \$2,798,018 for debt service payments.

2. **Comparison of FY 2007 Baseline Budget to Governor's Recommendation.** The table below reflects the difference between the Governor's recommendation and the baseline budget.

	<u>SGF</u>	<u>All Funds</u>
Governor's Recommendation	\$ 5,209,701	\$ 109,914,827
Baseline Budget	<u>226,712</u>	<u>109,634,810</u>
Dollar Difference	<u>\$ 4,982,989</u>	<u>\$ 280,017</u>
<i>Percent Difference</i>	<i>95.6%</i>	<i>0.3%</i>

The following table reflects items included in the Governor's recommendation which differ from the baseline budget.

	<u>SGF</u>	<u>All Funds</u>
Base Salary Adjustment	\$ 3,866	\$ 479,270
Youth Leadership Forum	5,000	5,000
After School Grant Program	750,000	1,250,000
Energy Enhancement	4,000,000	4,000,000
KEOIF Enhancement	0	160,000
Center for Entrepreneurship	0	40,000
BRAC Enhancement	225,000	225,000
Vehicle Replacement	0	37,500
Maintenance Position Reclassification	0	2,479
Impact Program Shift to Reportable Budget	0	(10,228,571)
Shift of AJLA Program from Department of Labor to Department of Commerce	0	(3,272,030)
Reduced Community Development Block Grant Funds	0	3,297,370
Other Misc. Adjustments	(877)	4,283,999
TOTAL	<u>\$ 4,982,989</u>	<u>\$ 280,017</u>

3. The House Budget Committee recommends a reduction of \$37,500, including \$22,500 from the EDIF for the purchase of three vehicles by the agency.
4. The House Budget Committee recommends review of the agency's reduced resource packages during Omnibus.
5. The House Budget Committee recommends review of adding \$190,000 for the Older Kansans Employment Program (OKEP) during Omnibus. OKEP is a state-funded program designed to provide older Kansans, 55 and over, with an employment placement service. Emphasis is placed on providing permanent full time or part time jobs in the private sector, including non-traditional patterns of employment. Although unemployed older Kansans who are most in need receive priority, OKEP participants are not required to spend down to poverty before receiving services.

9-8

House Budget Committee Report

Agency: Kansas, Inc.

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. Vol 1 - 602

Budget Page No. 249

Expenditure	Agency Req. FY 06	Governor Rec. FY 06	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	507,668	507,668	0
TOTAL	\$ 507,668	\$ 507,668	\$ 0
FTE Positions	4.5	4.5	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	5.5	5.5	0.0

Agency Estimate

The **agency** estimates FY 2006 operating expenditures of \$507,668, a reduction of \$9,569 or 1.9 percent below FY 2005 actual expenditures. The change reflects an 18.9 percent reduction in salaries and wages expenditures offset by a 28.0 percent increase in expenditures for contractual services. This shift is due to the hiring of an interim president on a contractual basis while the agency completes its nationwide search for a new president.

Governor's Recommendation

The **Governor** concurs with the agency estimate.

House Budget Committee Recommendation

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

43503--(2/17/6(4:10PM))

9-9

House Budget Committee Report

Agency: Kansas, Inc.

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. Vol 1 - 602

Budget Page No. 249

Expenditure	Agency Req. FY 07	Governor Rec. FY 07	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	576,266	585,656	0
TOTAL	<u>\$ 576,266</u>	<u>\$ 585,656</u>	<u>\$ 0</u>
FTE Positions	4.5	4.5	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	<u>5.5</u>	<u>5.5</u>	<u>0.0</u>

Agency Estimate

The **agency** requests operating expenditures of \$576,266 for FY 2007, an increase of \$68,598 or 13.5 percent above the FY 2006 estimate. The increase is reflected in salaries and wages for the hiring of a new policy analyst in the second quarter of the fiscal year and the shift of the president's salary from contractual services to salaries and wages.

Governor's Recommendation

The **Governor** recommends operating expenditures of \$585,656 for FY 2007, an increase of \$77,988 or 15.4 percent above the FY 2006 recommendations and \$9,390 or 1.6 percent above the agency request. The increase above the agency's request reflects additional funding of \$9,390, including \$6,602 from the EDIF, for a base salary adjustment.

House Budget Committee Recommendation

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

1. **FY 2007 Baseline Budget.** To establish a baseline FY 2007 budget, the FY 2006 budget, as approved by the 2005 Legislature, was adjusted to reflect salary adjustments (removal of the 27th payroll period funding included in FY 2006, annualization of the FY 2006 phased in 2.5 percent base salary adjustment and statutorily required adjustments for Kansas Public Employees Retirement System (KPERs) rates, KPERs death and disability insurance, and longevity). In addition, adjustments were made for required debt service payments, revenue transfers, and consensus items including school finance funding and caseload estimates for the Department of Social and Rehabilitation Services, the Department of Administration, the Department on Aging, and the Board of Indigents' Defense Services. Finally, adjustments were made for one-time items

which impact specific agency budgets.

For this agency, the FY 2006 approved budget totaled \$568,226. The approved budget was reduced by a net total of \$7,307 to establish a baseline budget for FY 2007. The reductions included \$7,307 in salary adjustments.

2. **Comparison of FY 2007 Baseline Budget to Governor's Recommendation.**
The table below reflects the difference between the Governor's recommendation and the baseline budget.

	<u>SGF</u>	<u>All Funds</u>
Governor's Recommendation	\$ 0	\$ 585,656
Baseline Budget	<u>0</u>	<u>560,919</u>
Dollar Difference	<u>\$ 0</u>	<u>\$ 24,737</u>
<i>Percent Difference</i>	--	4.2%

The following table reflects items included in the Governor's recommendation which differ from the baseline budget.

	<u>SGF</u>	<u>All Funds</u>
Base Salary Adjustment	\$ 0	\$ 9,390
Statutory Evaluation Enhancement	0	25,000
Miscellaneous Adjustments	<u>0</u>	<u>(9,653)</u>
TOTAL	<u>\$ 0</u>	<u>\$ 24,737</u>

3. The House Budget Committee recommends review of the agency enhancement request for \$25,000 from the EDIF to complete statutorily required evaluations of the Kansas Center for Entrepreneurship and the Bioscience Authority during Omnibus. The Governor funded the enhancement request from the Kansas, Inc. Private Fund instead of the EDIF. The agency expressed concern about the funding precedent set by the recommendation.

House Budget Committee Report

Agency: KTEC

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. Vol 1 - 611

Budget Page No. 269

Expenditure	Agency Req. FY 06	Governor Rec. FY 06	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	14,322,190	14,322,190	0
TOTAL	\$ 14,322,190	\$ 14,322,190	\$ 0
FTE Positions	28.8	28.8	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	29.8	29.8	0.0

Agency Estimate

The **agency** estimates FY 2006 expenditures of \$14.3 million, an increase of \$450,615 or 3.2 percent above FY 2005 actual expenditures. The increase is found primarily in other assistance, for commercialization activities including increases in incubator support, support for the national BIO conference, and a study identifying state-of-the-art business incubation. In addition, funds were held from June to August for an EPSCoR project due to matching fund timing.

Governor's Recommendation

The **Governor** concurs with the agency estimate.

House Budget Committee Recommendation

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

43507--(2/17/6(4:09PM))

House Budget Committee Report

Agency: KTEC

Bill No. --

Bill Sec. --

Analyst: Dunkel

Analysis Pg. No. Vol 1 - 611

Budget Page No. 269

Expenditure	Agency Req. FY 07	Governor Rec. FY 07	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	14,385,719	13,881,905	0
TOTAL	\$ 14,385,719	\$ 13,881,905	\$ 0
FTE Positions	28.8	28.8	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	29.8	29.8	0.0

Agency Estimate

The **agency** requests FY 2007 expenditures of \$14.4 million, an increase of \$63,529 or 0.4 percent above the FY 2006 estimate. The increase reflects enhancement requests totaling \$550,000, offset by reductions for one-time expenditures in FY 2006.

Governor's Recommendation

The **Governor** recommends FY 2007 expenditures of \$13.9 million for KTEC, a reduction of \$440,285 or 3.1 percent below the FY 2006 recommendation and a reduction of \$503,814 or 3.5 percent below the agency FY 2007 request. The Governor does not recommend the agency enhancement requests, but adds \$46,186, including \$46,026 EDIF for a 2.5 percent base salary adjustment. The reduction also reflects the adjustment for the one-time payment of a 27th payroll period in FY 2006.

House Budget Committee Recommendation

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

- FY 2007 Baseline Budget.** To establish a baseline FY 2007 budget, the FY 2006 budget, as approved by the 2005 Legislature, was adjusted to reflect salary adjustments (removal of the 27th payroll period funding included in FY 2006, annualization of the FY 2006 phased in 2.5 percent base salary adjustment and statutorily required adjustments for Kansas Public Employees Retirement System (KPERS) rates, KPERS death and disability insurance, and longevity). In addition, adjustments were made for required debt service payments, revenue transfers, and consensus items including school finance funding and caseload estimates for the Department of Social and Rehabilitation Services, the Department of Administration, the Department on Aging, and the Board of

Indigents' Defense Services. Finally, adjustments were made for one-time items which impact specific agency budgets.

For this agency, the FY 2006 approved budget totaled \$14,967,649. The approved budget was reduced by a net total of \$33,486 to establish a baseline budget for FY 2007. The reductions included \$33,486 in salary adjustments and a one time adjustment of \$1,103,819 all funds for reduced federal funding in the Mid-America Manufacturing Technology Center (MAMTC) program due to Colorado and Wyoming creating their own programs.

2. **Comparison of FY 2007 Baseline Budget to Governor's Recommendation.**

The table below reflects the difference between the Governor's recommendation and the baseline budget.

	<u>SGF</u>	<u>All Funds</u>
Governor's Recommendation	\$ 0	\$ 13,881,905
Baseline Budget	<u>0</u>	<u>13,830,344</u>
Dollar Difference	<u>\$ 0</u>	<u>\$ 51,561</u>
<i>Percent Difference</i>	--	0.4%

The following table reflects items included in the Governor's recommendation which differ from the baseline budget.

	<u>SGF</u>	<u>All Funds</u>
Base Salary Adjustment	\$ 0	\$ 46,186
Miscellaneous Adjustments	0	5,375
TOTAL	<u>\$ 0</u>	<u>\$ 51,561</u>