

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chair Sharon Schwartz at 9:00 A.M. on January 24, 2007, in Room 514-S of the Capitol.

All members were present except:
Representative Kevin Yoder- excused

Committee staff present:
Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Becky Krahl, Legislative Research Department
Aaron Klaassen, Legislative Research Department
Julian Efird, Legislative Research Department
Jim Wilson, Revisor of Statutes
Nikki Feuerborn, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the committee:
Duane Goossen, Secretary, Department of Administration
Duncan Friend, Department of Administration
Reginald L. Robinson, President, Kansas Board of Regents

Others attending:
See attached list.

- Attachment 1 Requested information from Helen Pedigo, Kansas Sentencing Commission
- Attachment 2 Presentation on Financial Management System Needs Assessment by Duane Goossen
- Attachment 3 Presentation on Deferred Maintenance Issues by Reginald Robinson

Representative Bethell moved to introduce legislation regarding licensing for the Board of Adult Care administration. The motion was seconded by Representative Kelsey. Motion carried.

Representative Lane moved to introduce legislation regarding the death penalty. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Lane moved to introduce legislation regarding powers and duties of guardians. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Feuerborn moved to introduce legislation regarding moving firefighters into the Kansas Police and Firefighters Retirement System from the Kansas Public Employees Retirement System. The motion was seconded by Representative Lane. Motion carried.

Representative Powell moved to introduce legislation concerning the Department of Wildlife and Parks with regard to public hunting land. The motion was seconded by Representative Beamer. Motion carried.

Written testimony in answer to questions presented to the Kansas Sentencing Commission on January 18, 2007, was received from Helen Pedigo, Kansas Sentencing Commission, and distributed to the Committee (Attachment 1).

Chair Schwartz recognized Duane Goossen, Secretary, Department of Administration, who presented testimony on the Financial Management System Needs Assessment (Attachment 2). Mr. Goossen stated that the current financial management, known as STARS, is antiquated causing agencies across state government to voice an interest in a replacement of the system. He stated that a consulting firm was hired to study the present financial management system and make recommendations for improvements. The study was completed in December 2006 and

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on January 24, 2007, in Room 514-S of the Capitol.

recommends the replacement of the current financial management system with a consolidated system to include all state agencies except the Board of Regents system. It is estimated that over time, a new system will save money for the State. The replacement cost is estimated at \$40 million. The Governor's FY 2008 budget proposal has dedicated \$4.4 million to begin the project.

It is anticipated that several sources of funding could be available for the project:

- Use an ongoing appropriations from the Legislature to the Department of Administration budget.
- Draw funds from each state agency that would have been spent on the current financial management system or a replacement system.

Mr. Goossen stated that it is important to provide funding for upgrades and maintenance of a new system to avoid the same situation as is present with the current system.

Responding to a question from the Committee concerning the involvement of the Regent universities in the new system, Duncan Friend, Project Manager for the Study, Department of Administration, stated that the consulting firm looked at the possibility of including the Regent universities in the new system and concluded that it was in the best interest of the State to focus on the other 102 branch agencies and not integrate the Regent universities into the system.

Mr. Goossen stated that there is approximately \$2.4 million of funding available in the Department of Administration FY 2007 budget as a result of savings on bonding issues concerning the Statehouse renovation project, which could be directed toward the new financial management system.

The Committee voiced concern about:

- Excluding the Regent universities from inclusion in the new financial management system and provide the state with a complete integrated system.
- Feasibility of using savings from the bonding for the Statehouse Renovation Project to fund the new financial management system.
- Whether or not the State would actually realize a savings of \$27.6 million over the next 11 years as a result of a new financial management system.

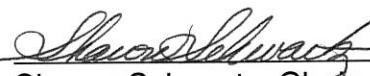
The Chair recognized Reginald Robinson, President & CEO, Kansas Board of Regents, who presented an overview of Deferred Maintenance concerning the 6 universities in the Regents system (Attachment 3). Mr. Robinson stated that the estimate of \$727 million represents the funding necessary to address the backlog of maintenance issues at the Regent universities.

Responding to questions from the Committee, Mr. Robinson commented:

- There are insufficient funds available to address the backlog of maintenance items.
- Athletic facilities in which admissions are collected, are included in the estimate.
- Community colleges were not included in the projection because they are not a part of the Regents system and have a different role in the system; however, the Board is open to expansion to include the community colleges.
- The Regents would be interested in any information that indicates that funding has been used inappropriately by the Regent universities.

Because of time restraints and the number of additional questions from the Committee, Chair Schwartz requested that President Robinson return to the Committee at a future date to address additional issues and questions. A list of Committee concerns and questions will be developed and provided to President Robinson before his return appearance.

The meeting was adjourned at 10:50 a.m. The next meeting of the Committee will be held at 9:00 a.m. on January 25.


Sharon Schwartz, Chair



KANSAS


KANSAS SENTENCING COMMISSION

Honorable Ernest L. Johnson, Chairman
Attorney General Paul Morrison, Vice Chairman
Helen Pedigo, Executive Director

KATHLEEN SEBELIUS, GOVERNOR

MEMORANDUM

To: House Appropriations Committee
Representative Sharon Schwartz, Chair

From: Helen Pedigo, Executive Director 

Date: January 23, 2007

Re: Follow-up to Adult Population Projections Testimony, January 18, 2007

In response to questions asked during my testimony last week, I offer the following:

In response to a question by Representative Powell, the citizenship of offenders follows:

In FY 2006, of 10,989 offenders sentenced in Kansas, 376 offenders were non-U.S. citizens and 10,613 offenders were U.S. citizens. Of this number,

- 93 (24.7%) received prison sentence;
- 17 (4.5%) received jail sentence;
- 233 (62.0%) were sentenced to probation and
- 33 (8.8%) were sentenced to drug treatment.
- Of the probation and treatment offenders (266), whose severity levels were:
 - 23 (8.6%) D3;
 - 88 (33.1%) D4;
 - 13 (4.9%) N5;
 - 3 (1.1%) N6;
 - 34 (12.8%) N7;
 - 15 (5.6%) N8;
 - 31 (11.7%) N9;
 - 19 (7.1%) N10 and
 - 40 (15.0%) nongrid (will be excluded from this impact because their imprisonment is jail sentence).
 - The average underlying prison sentence for those on the sentencing grids was 14 months.

HOUSE APPROPRIATIONS

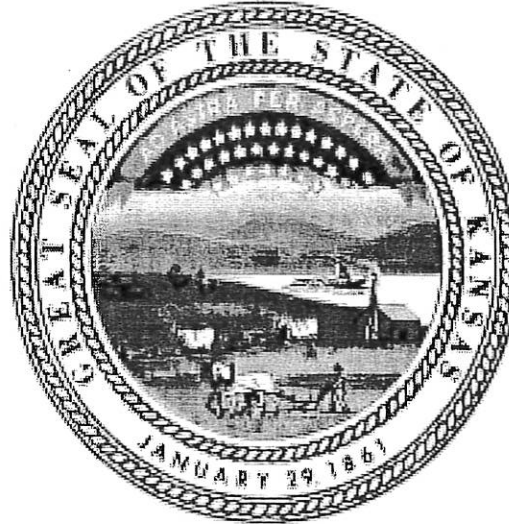
DATE 1-24-2007
ATTACHMENT 1

In response to a question asked by a Representative regarding why the number of beds projected for drug crimes increases when the number of admissions has decreased:

- The average sentence length of Drug Severity Level I guideline sentences increased by 15.6 months during FY 2006 compared with that of FY 2005 but demonstrated a significant decrease of 22.1 months when compared to FY 2002 data. The number of admissions to this severity level remained stable with only an increase of 5 offenders in FY 2006 when compared with that of FY 2005, but demonstrated a decrease of 64 offenders compared with those admitted in FY 2002. The decrease reflects the implementation of Senate Bill 123 effective on November 1, 2003, under which drug possession offenders convicted of K.S.A. 65-4160 or K.S.A. 65-4162 are all sentenced to drug Severity Level IV, no matter if the offense is the first time or subsequent possession offense.
- In FY 2006, the average sentence length of Drug Severity Level II increased by 8 months and 8.7 months respectively when compared with sentences at that severity level observed in FY 2005 and FY 2002. The admissions to Drug Severity Level II increased by 9 offenders compared to those in FY 2006 but decreased by 60 offenders compared to those in FY 2002. This decrease reflects the implementation of Senate Bill 123, as well.
- No significant change was identified in the average guideline sentence length of Drug Severity Level III. The average sentence length observed in FY 2006 increased by 0.8 month compared to that of FY 2005 and increased by 2.5 months compared with that of FY 2002. However, the admissions to this level in FY 2006 increased by 47 and 45 respectively compared with those of FY 2005 and FY 2002.
- The average length of sentence of Drug Severity Level IV in FY 2006 did not fluctuate much, decreasing by 1.3 months and 0.2 month respectively when compared with sentences at that severity level observed in FY 2005 and FY 2002. Nevertheless, admissions to Drug Severity Level IV increased by 78 offenders and 206 offenders respectively compared with those in FY 2005 and in FY 2002. This growing tendency results from the implementation of Senate Bill 123 including the impact from SB 123 probation condition violators. In FY 2006, 132 probation condition violators under SB 123 drug treatment programs were revoked to prison.

I hope this information is helpful to you. Please contact me if you have other questions.

State of Kansas



Financial Management System Needs Assessment

House Appropriations Committee
January 24, 2007

HOUSE APPROPRIATIONS

DATE 1-24-2007
ATTACHMENT 2

Contents

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- Project Overview/Status
- Findings and Recommendations
- Next Steps
- Questions

Project Overview

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- Update of 2001 FMS Needs Assessment performed by Accenture.
- Project conducted from mid-September 2006 through mid-December 2006. Worked with Salvaggio, Teal, and Associates (STA) as consulting partner who have performed similar work in six other states.
- Scope: Update system requirements, business case, and develop recommendations regarding best practices for implementing a new statewide FMS
- Oversight by 13-member steering committee representing all branches of state government
- Over 200 individuals and 50 agencies participated in some form (requirements gathering, interface meetings, financial analysis/surveys, etc.)

Findings and Recommendations

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- The State should proceed with a project to acquire and implement a statewide Financial Management System.
- Recommended Scope
 - General Ledger (including Grant Accounting and Cost Allocation), Accounts Payable, Procurement, Asset Management, Budget Development Integration (3 options), Reporting/Data Warehouse
 - Maintain investment in SHARP, Regents Institutions continue to interface
- Implementation Approach/Timeline
 - Big Bang (all agencies go-live simultaneously), 21 month implementation
- Project Timeframe
 - Proposed 18 months of pre-implementation activities with implementation phase beginning October 1, 2008 and go-live on July 1, 2010. Actual dates dependent upon decision on mid-year vs. FY-end go-live and duration of pre-implementation phase.
- Governance using steering committee similar to needs assessment
- Project will require 50 state staff and 33 consultants at peak

Findings and Recommendations

Estimated Benefits

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- System Savings
 - Total of approximately \$27,600,000 in estimated annual systems cost savings reported over 11-year estimating period
- Process Improvement Benefits
 - FTE-based benefits estimated at \$3.5 million annually after discounting
 - Non-FTE-based benefits estimated at \$3 million annually (procurement and postage savings)
- Approximately \$5.7 million annually in benefits beginning with second full year of implementation
- Payback in Year 12 (go-live in Year 4)
- STA feels process improvements and system savings shown in study are significantly understated

Findings and Recommendations

Estimated Implementation Costs

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Category	Amount
Consulting Fees	\$ 27,371,600
Cost of State Employee "Backfilling"	\$ 5,265,246
Software License Fee	\$ 4,000,000
Software Maintenance Fees (1st year)	\$ 800,000
Facilities/Other (incl. bar-coding equip. for Asset Mgmt)	\$ 1,250,000
Technical Platform/Infrastructure (<i>during implementation</i>)	\$ 2,040,000
Total Cost of Implementation	\$ 40,726,846

Key Assumptions: \$210/hr average consulting rate, 100% backfill of 50 state staff at \$33.85/hr (\$50,000 salary; 30% benefits; 1,920 hours per year), total cost of implementation accurate to within +/-10%; the figures above do not include an amount for contingency.

Findings and Recommendations

Estimated Ongoing Costs

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- Infrastructure
 - Estimate of \$1,200,000 per year
- Annual software maintenance fees
 - Estimate of \$824,000 in FY2011 and assumes 3% increase each year thereafter
- Staffing
 - Estimate of \$1,820,000 per year to provide ongoing support, training, and operations
- Upgrades
 - Assumes an application software upgrade will be required in Year 7 and Year 11 at an estimated cost of \$5,053,134 for each upgrade.

Findings and Recommendations

Funding Approach

0-2

- Addressed in Governor's Budget 2008 Recommendations
- Proposed Funding Components
 - Ongoing Appropriation for Department of Administration
 - One-time contributions from state agencies in Fiscal Year 2009 and 2010
 - Ongoing Cost Recovery Fee charged to agencies upon implementation to cover ongoing maintenance and upgrades

Findings and Recommendations

Pre-Implementation Activities

6-2-9

Highlights from Implementation Best Practices section of report:

- Formalize pre-implementation governance structure and organization as a project and then staff appropriately
- Perform organizational change readiness assessment
- Develop/initiate staffing approach for implementation
- Document State's "As Is" business processes
- Perform data cleansing activities
- Review and evaluate existing chart of accounts
- Conduct analysis to determine how to best address SHARP time and effort functionality
- Decide on procurement approach, then execute RFP development, evaluation, award for software/services

Project Status

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- All project deliverables completed and approved by State
- Presented results to sponsors and steering committee
- Final report posted to public project Web site at <http://da.ks.gov/ar/fms/>
- Filed final project reports with Kansas Information Technology Office (KITO)
- Scheduled to present results during January to various stakeholder groups involved in study

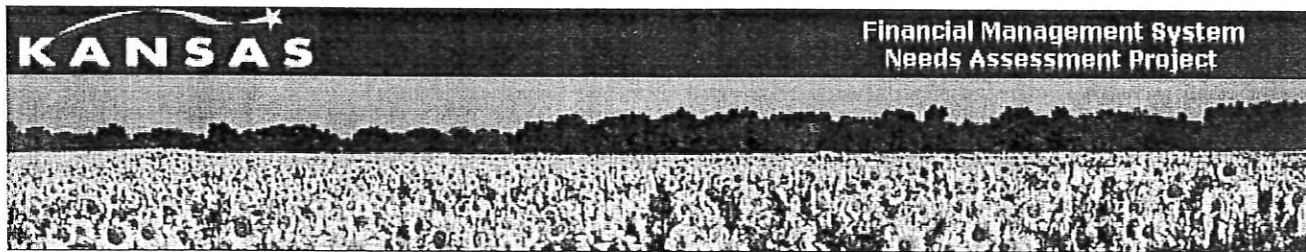
Next Steps

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- Hold meeting of Focus Group participants to present study results and recognize their contributions
- Present study results to stakeholder groups and obtain feedback
- Work with Legislature to obtain approval
- Use Web site to continue to provide updates and other pertinent information as available

Ongoing Project Information

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KANSAS Financial Management System Needs Assessment Project

For more information, please contact:

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The State of Kansas recently completed a study to assess agency and central needs for a statewide financial management system (FMS). The goal of the study was to identify and evaluate the cost-benefit of various alternatives for meeting those needs, including the possibility of acquiring a new statewide FMS. The study was facilitated by Department of Administration staff, assisted by the consulting firm of Salvaggio, Teal, and Associates from Austin, Texas and completed on December 15, 2006.

This web site provides historical information about the project, including a copy of the final report. Please check back for periodic updates!

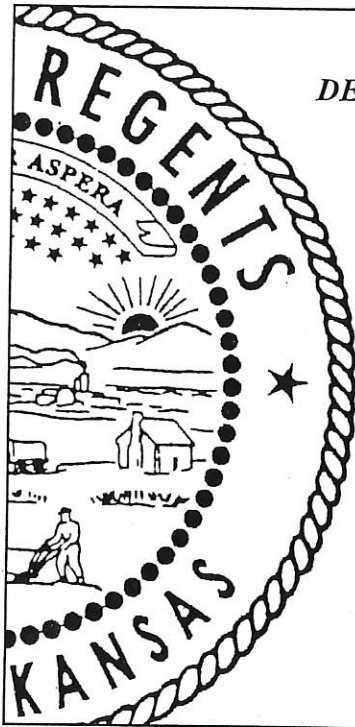
Final Report
The final report from the Needs Assessment Study is now available.

- [Executive Summary \[pdf\]](#)
- [Statewide Financial Management Needs Assessment Study Update \(includes Executive Summary\) \[pdf\]](#)
- [Appendices \[pdf\]](#)

Project Steering Committee

- [Steering Committee Minutes - January 4, 2007 \(.pdf\)](#)
- [Steering Committee Presentation - January 4, 2007 \(MS Powerpoint\)](#)
- [Steering Committee Minutes - November 30, 2006 \(.pdf\)](#)
- [Steering Committee Presentation - November 30, 2006 \(MS Powerpoint\)](#)

<http://da.ks.gov/ar/fms/>



DEFERRED MAINTENANCE OVERVIEW

Reginald L. Robinson, President & CEO

Kansas Board of Regents

House Appropriations Committee

Wednesday, January 24, 2007

Deferred Maintenance...



Not An Actual University Building. For Dramatic Purposes Only.

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HOUSE APPROPRIATIONS

DATE 1-24-2007

ATTACHMENT 3

What is Deferred Maintenance?

Definitions:

- **Deferred:** To put off to a future time.
- **Maintenance:** Care or upkeep.

The 6 state universities are in a serious state of disrepair because important maintenance needs have simply been deferred due to a lack of state funding.

The state universities face a daunting and increasingly dangerous maintenance backlog of \$727 million – a figure that continues to grow.



Deferred Maintenance Includes:

- Unreliable Electrical Components
- Falling Stones From Buildings
- Collapsing Utility Tunnels
- Shifting Building Foundations
- Stone Masonry Deterioration
- Sewer Line Replacements
- Dangerous High Voltage Switches
- Leaking Steam Lines
- Uneven Floors
- Leaking Roofs
- Deteriorated Windows
- Old Water Lines
- Obsolete Heating & Air Conditioning Systems
- Unstable Soil Conditions



Statewide Deferred Maintenance:

Kansas State University	\$254.1 million
The University of Kansas	\$209.1 million
The University of Kansas Medical Center	\$75.6 million
Pittsburg State University	\$58.6 million
Emporia State University	\$44.7 million
Wichita State University	\$44.1 million
Fort Hays State University	\$40.9 million

TOTAL: \$727 million



Why Should University Building Maintenance Be Addressed?

- Our state universities continue to experience record enrollments, serving almost 90,000 students annually.

- Campus facilities frequently do not meet student needs. Students are preparing for an increasingly challenging and competitive job market in buildings that are vastly out-dated.

- The state's commitment to higher education is an important factor when businesses consider moving to Kansas, or when Kansas businesses consider expanding. Investment in our university infrastructure is vital if we are to meet the education needs of the new global economy.



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Students Consider Buildings When Choosing A University:

In a recent nationwide study, 73% of students said facilities related to their major were "extremely" or "very important" in deciding where they would attend college.

The State of Kansas must commit to providing a high quality university learning environment if we intend to keep the best and brightest students in Kansas.



These Are State-Owned Buildings & Taxpayer Assets:

2 out of every 3 buildings that the State of Kansas owns can be found on the 6 state university campuses.

These 567 state university buildings represent 20.5 million sq. ft. that are sited on 2,250 maintained acres. To put this amount of space into perspective, 20.5 million sq. ft. is the equivalent of about 356 football fields.

The replacement value of these buildings, including utilities and infrastructure, is \$4.5 billion. The State of Kansas has a responsibility to protect and properly maintain this valuable taxpayer asset.

80% of the total state university building inventory is at least 20 years old, and the primary factors leading to the current state of deferred maintenance are a lack of funding coupled with the age of the buildings.



State University Building Facts:

	Oldest Building On Campus	Average Building Age
Emporia State University	1900	40 years
Fort Hays State University	1904	48 years
Kansas State University	1874	57 years
Pittsburg State University	1908	42 years
The University of Kansas	1863	47 years
The University of Kansas Medical Center	1924	37 years
Wichita State University	1904	37 years
State University Average:		47 years



Recent History:

□ A 2004 study indicated that the state universities faced a deferred maintenance backlog of \$584 million.

□ By 2006, this backlog increased to \$727 million due to a significant increase in construction inflation, increased age of the buildings, and more importantly, because of the continued under-funding of building maintenance by the State of Kansas.

□ A 2005 study by the State Legislature's Division of Post Audit confirmed this under-funding, and noted that the 1996 "Crumbling Classrooms" initiative, which provided an important short-term funding solution, did not represent new state funding.



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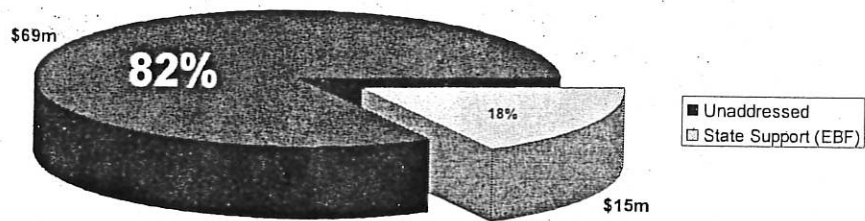
How Much Funding Is Needed Each Year?

- ❑ To prevent the \$727 million maintenance backlog from growing, \$84 million per year is required to adequately maintain the state university campuses. Unfortunately, the State of Kansas only provided \$15 million this year.
- ❑ It is important to note that the Educational Building Fund (a statewide property tax), the primary revenue source for state university maintenance, was first levied in 1941 at a level of 0.25 mills. It was raised to its current level of 1.0 mill in 1955 (during the Eisenhower Administration) – over 50 years ago.



ANNUAL SUPPORT FOR STATE UNIVERSITY BUILDINGS

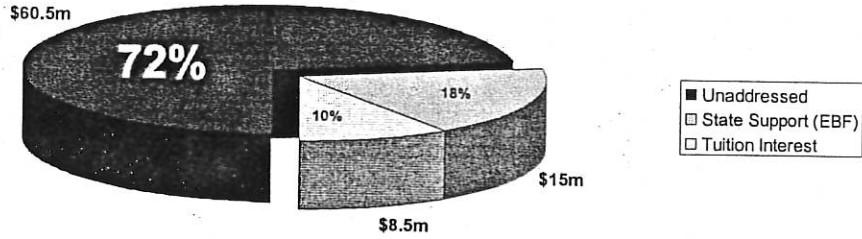
Today (FY '07), 82% of Required Annual Maintenance Cannot Be Performed*



*Annual Requirement = \$84 million

ANNUAL SUPPORT FOR STATE UNIVERSITY BUILDINGS

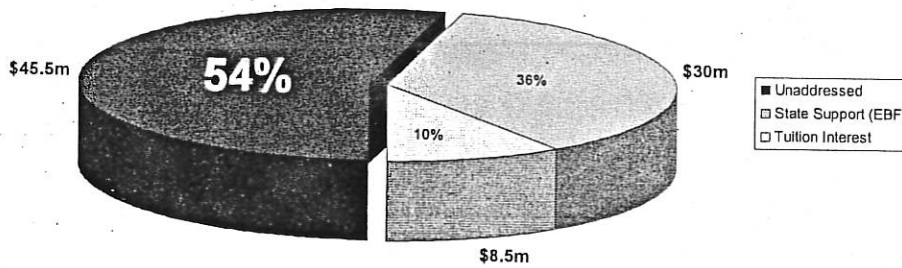
Next Year (FY '08), 72% of Required Annual Maintenance Will Go Unaddressed*



*Annual Requirement = \$84 million

ANNUAL SUPPORT FOR STATE UNIVERSITY BUILDINGS (FY'08)

Senate Bill 30 (Final Action Consideration by House Today)



*Annual Requirement = \$84 million

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FY 2008 Budget Request:

- The Board requested that Governor Sebelius include a 25% down payment (\$175-\$200 million) in her FY 2008 budget recommendations to address this growing problem.

- While the Governor did not include a down payment in her budget recommendations, she did commit to developing and submitting a multi-year, comprehensive deferred maintenance plan by the end of the month.



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New Board of Regents Policy:

Last week the Board of Regents formally addressed the following important issues:

- Modified "Deficiencies" List (\$663 million).
- Development of Campus Project List (first \$200 million).
- New Building Accountability Principles:
 - Project Oversight.
 - Fund Allocation.
 - Future Maintenance Needs of New Buildings.
 - Space Utilization.



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Coordinated Institutions:

This past Fall, 18 of the state's 19 Community Colleges and Washburn University hired a private facilities consultant to provide facility condition assessments for the buildings on those campuses. The report identified the following:

- A \$149.5 million deferred maintenance backlog exists on the campuses of 18 of the state's 19 Community Colleges (*note: this figure includes Southwest Kansas Technical School*).

- A \$22.9 million deferred maintenance backlog exists on the campus of Washburn University.



This Problem Is Not Unique To Kansas:

Nationwide deferred maintenance backlog estimates vary from \$26 to \$50 billion. However, other states have recently taken proactive steps towards addressing this issue:

<u>Capital Improvements In Other States (Since 2000):</u>	
Alaska:	\$236.8 million (2002)
Arkansas:	\$250 million (2006)
California:	\$17.4 billion (2006 & 2002)
<u>Missouri:</u>	<u>\$350 million (proposed 2007)</u>
New Mexico:	\$308 million (2006, 2004, & 2002)
North Carolina:	\$3.1 billion (2000)
<u>Oklahoma:</u>	<u>\$500 million (2005)</u>
Rhode Island:	\$166 million (2004 & 2000)
Virginia:	\$900.5 million (2002)



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In Conclusion:

- The state university campuses are in a serious state of disrepair, and duct tape can no longer fix this growing problem.

- Every homeowner knows that routine maintenance and repair only becomes more expensive and more dangerous the longer it is ignored. This problem only gets more expensive the longer it goes unaddressed.

- The State of Kansas, which owns the buildings on the state university campuses, must fulfill its responsibility as a landlord and preserve these valuable state assets.



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For More Information Please Visit:

www.kansasregents.org/maintenance.html

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