Approved: April 19, 2007
Date

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:35 A.M. on March 5, 2007, in Room 123-S of the Capitol.

All members were present.

Committee staff present:
Jill Wolters, Senior Assistant, Revisor of Statutes
Mike Corrigan, Assistant Revisor, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Becky Krahl, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Melinda Gaul, Chief of Staff, Senate Ways & Means
Mary Shaw, Committee Assistant

Conferees appearing before the committee:
Glenn Deck, Executive Director, Kansas Public Employees Retirement System
Jim Edwards, on behalf of Mark Tallman, Kansas Association of School Boards
Mark Desetti, Kansas National Education Association
Tommy Britney, Worker, Lansing Correctional Facility (written)
Cheryl Semmel, Executive Director, United School Administrators of Kansas (written)

Others attending:
See attached list.

Subcommittee reports on:

Animal Health Department
Kansas State Fair (Attachment 1)

Subcommittee Chair Mark Taddiken reported that the subcommittee on the Animal Health Department concurs with the Governor's recommendation in FY 2007 and concurs with the Governor's FY 2008 recommendation with adjustments.

Senator Taddiken moved, with a second by Senator Teichman, to adopt the subcommittee budget report on the Animal Health Department in FY 2007. Motion carried on a voice vote.

Senator Emler moved, with a second by Senator Schodorf, to adopt the subcommittee budget report on the Animal Health Department in FY 2008. Motion carried on a voice vote.

Subcommittee Chair Mark Taddiken reported that the subcommittee on the Kansas State Fair concurs with the Governor's recommendation in FY 2007 and concurs with the Governor's FY 2008 recommendation with adjustments.

Senator Teichman moved, with a second by Senator Schodorf, to adopt the subcommittee budget report on the Kansas State Fair in FY 2007. Motion carried on a voice vote.

Senator Schodorf moved, with a second by Senator Teichman, to adopt the subcommittee budget report on the Kansas State Fair in FY 2008. Motion carried on a voice vote.

MINUTES OF THE Senate Ways and Means Committee at 10:35 A.M. on March 5, 2007, in Room 123-S of the Capitol.

Kansas Corporation Commission
Citizens' Utility Ratepayer Board (Attachment 2)

Subcommittee Chair Carolyn McGinn reported that the subcommittee on the Kansas Corporation Commission concurs with the Governor's recommendation in FY 2007 and concurs with the Governor's FY 2008 recommendation with adjustments and notations.

Senator Steineger moved, with a second by Senator Kelly, to adopt the subcommittee budget report on the Kansas Corporation Commission in FY 2007 and in FY 2008. Motion carried on a voice vote.

Subcommittee Chair Carolyn McGinn reported that the subcommittee on the Citizens' Utility Ratepayer Board concurs with the Governor's recommendation in FY 2007 and concurs with the Governor's FY 2008 recommendation with adjustment.

Senator McGinn moved, with a second by Senator Kelly, to adopt the subcommittee budget report on the Citizens' Utility Ratepayer Board in FY 2007 and in FY 2008. Motion carried on a voice vote.

The Chairman opened the public hearing on:

SB 362--Enacting the Kansas Public Employees Retirement System Act of 2009

Staff briefed the committee on the bill.

A memorandum was distributed to the Committee from the Office of the Revisor of Statutes summarizing **SB 362** and **SB 364** (Attachment 3). Copies of the Report of the Joint Committee on Pensions, Investments, and Benefits to the 2007 Kansas Legislature were distributed (copies available in the Kansas Legislative Research Department).

Chairman Umbarger welcomed Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS) who testified as a proponent on **SB 362** (Attachment 4). Mr. Deck explained that since 2001 and 2002 when actuarial projections indicated that KPERS was not in actuarial balance, KPERS' Board and staff have worked closely with the Joint Committee on Pensions, Investments and Benefits to address the funding shortfall and develop a long-term funding plan. The Plan has been comprehensive, multi-year, incremental approach involving funding increases, actuarial changes and plan design review.

Key steps that have been implemented as a part of the plan include:

- Scheduled series of employer rate increases which began in FY 2006.
- Pension obligation bonds of $500 million issued in February 2004 with $440.2 million in net proceeds to KPERS and debt service paid through the State General Fund.
- Actuarial components implemented by adopting Entry Age Normal cost method and modifying mortality assumptions.

Mr. Deck explained the Plan Design Recommendations. In conclusion, Mr. Deck mentioned that recognizing the tenuous nature of KPERS' funding coupled with demographic projections, the KPERS Board of Trustees supports the **SB 362** plan design for future employees. He noted that the **SB 362** plan would:

- Improve KPERS' long-term financial security by establishing an affordable mix of employer and employee contribution rates that ensure the System's financial soundness over the long term.
- Provide benefits that, when combined with Social Security and personal savings, sustain retiree's standard of living in retirement.

- Align plan design and benefits for future public employees with demographic projections for longevity and working careers.

Jim Edwards, on behalf of Mark Tallman, Kansas Association of School Boards, provided comments on **SB 362** (Attachment 5) that would create a new system of retirement benefits for school districts and other public employees beginning in 2009. It was noted that they trust the KPERS Board of Trustees has found a balance that is competitive with other public and private sector retirement plans.

Mark Desetti, Kansas National Education Association, shared concerns about **SB 362** (Attachment 6). Mr. Desetti explained that specifically they oppose the following changes:

- the final average salary calculation going from three years to five years
- the increase in the employee contribution, and
- the elimination of the 85 point rule for retirement.

Mr. Desetti also provided comments on **SB 364** in his testimony on **HB 362**.

Chairman Umbarger closed the public hearing on **SB 362**.

The Chairman opened the public hearing on:

SB 364--Permanent COLA for certain KPERS retirants and increase in employee contributions related thereto

Staff briefed the committee on the bill.

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERS), testified in support of **SB 364** and provided a legislative data sheet on the bill (Attachment 7). He explained that the additional funding required to pay for the **SB 364** COLA would be derived from two sources: the employee rate increase from 4 to 6 percent and local employer contribution rates.

Please refer to the testimony of Mark Desetti under the testimony of **SB 362.**

Written testimony on **SB 362** was submitted by the USA Kansas United School Administrators of Kansas (Attachment 8) and Tommy Britney, worker at Lansing Correctional Facility (Attachment 9).

The public hearing was closed on **SB 364.**

The meeting adjourned at 12:05 p.m. The next meeting is scheduled for March 6, 2007.

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST
Date March 5, 2007

Name	Representing
Mike Reecht	Gaches Braden
Brendan Yorkey	Budget
Ben Cleeves	DOB
Anna Staatz	Topeka Capital Journal
Mary Beth Green	KPERS
Glenn Deck	KPERS
Susan Duffy	KCC
Jackie Montfort Payne	KCC
Gary Adkins	SEAK
Richard Samniego	Kearney & Assoc.
Jim O'Sides	AARP
Howard Smith	Pittsburg State University
Lindsey Douglas	Hein Law Firm
Mary Jane Stankiewicz	Seaboard
Jerry Sloan	Judicial Branch
Kim Fowler	Judicial Branch
[illegible]	Legislative intern
Calli Rockefeller	Legislative intern
Mark Tomb	LKM
Dennis Phillips	KSCFF
Mark Desetti	KNEA
Dodie Wellshear	USA/Kansas
Jim Edwards	KASB

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST
Date March 5, 2007

Name	Representing
MARK BORANYAK	CAPITOL STRATEGIES
Beth Runnebaum	CURB
Shonda Titsworth	CURB
David Springe	
ED KLUMPP	KS ASSOC OF CHIEFS OF POLICE

FY 2007 and FY 2008

SENATE WAYS AND MEANS SUBCOMMITTEE

Animal Health Department

Kansas State Fair

Mark Taddiken

Senator Mark Taddiken, Chair

Laura Kelly

Senator Laura Kelly

Carolyn McGinn

Senator Carolyn McGinn

Senate Ways and Means
3-5-07
Attachment 1

House Budget Committee Report

Agency: Kansas Animal Health Department **Bill No.** HB -- **Bill Sec.** --

Analyst: Krahl **Analysis Pg. No.** Vol. I - 25 **Budget Page No.** 59

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	$ 874,929	$ 814,072	$ 0
Other Funds	1,935,065	1,935,065	0
Subtotal - Operating	$ 2,809,994	$ 2,749,137	$ 0
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 2,809,994	$ 2,749,137	$ 0
FTE Positions	33.0	33.0	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	34.0	34.0	0.0

Agency Estimate

The Animal Health Department estimates FY 2007 operating expenditures of $2,809,994, a decrease of $10,417, or 0.4 percent, below the approved amount. The estimate includes State General Fund expenditures of $874,929, an increase of $62,109, or 7.6 percent, above the approved amount. The revised estimate include supplemental requests totaling $60,857 from the State General Fund to replace two vehicles and salaries and wages overtime for staff. The all other fund expenditures of $1,935,065 are a decrease of $72,526, or 3.6 percent, and are due to a decrease in federal funds. The FY 2007 estimate include: $1,797,329 for salaries and wages to fund 34.0 positions; $668,669 for contractual services; $66,830 for commodities; $44,353 for capital outlay; and $232,813 for aid to local units.

Governor's Recommendation

The Governor recommends FY 2007 operating expenditures of $2,749,137, a decrease of $71,274, or 2.5 percent, below the approved amount. The Governor does not recommend the supplemental requests. The recommendation include State General Fund expenditures of $814,072, an increase of $1,252, or 0.2 percent, above the approved amount. The all other funds expenditures of $1,935,065, are a decrease of $71,274, or 3.6 percent, below the approved amount. The recommendation include: $1,767,472 for salaries and wages to fund 34.0 positions; $668,669 for contractual services; $66,830 for commodities; $13,353 for capital outlay; and $232,813 for aid to local units.

House Budget Committee Recommendation

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

House Committee

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

Senate Subcommittee Report

Agency: Kansas Animal Health Department **Bill No.** SB 358 **Bill Sec.** 52

Analyst: Krahl **Analysis Pg. No.** Vol. I - 25 **Budget Page No.** 59

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	$ 874,929	$ 814,072	$ 0
Other Funds	1,935,065	1,935,065	0
Subtotal - Operating	$ 2,809,994	$ 2,749,137	$ 0
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 2,809,994	$ 2,749,137	$ 0
FTE Positions	33.0	33.0	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	34.0	34.0	0.0

Agency Estimate

The Animal Health Department estimates FY 2007 operating expenditures of $2,809,994, a decrease of $10,417, or 0.4 percent, below the approved amount. The estimate includes State General Fund expenditures of $874,929, an increase of $62,109, or 7.6 percent, above the approved amount. The revised estimate includes supplemental requests totaling $60,857 from the State General Fund to replace two vehicles and salaries and wages overtime for staff. The all other funds expenditures of $1,935,065 are a decrease of $72,526, or 3.6 percent, and is due to a decrease in federal funds. The FY 2007 estimate includes: $1,797,329 for salaries and wages to fund 34.0 FTE positions; $668,669 for contractual services; $66,830 for commodities; $44,353 for capital outlay; and $232,813 for aid to local units.

Governor's Recommendation

The Governor recommends FY 2007 operating expenditures of $2,749,137, a decrease of $71,274, or 2.5 percent, below the approved amount. The Governor does not recommend the supplemental requests. The recommendation includes State General Fund expenditures of $814,072, an increase of $1,252, or 0.2 percent, above the approved amount. The all other funds expenditures of $1,935,065, is a decrease of $71,274, or 3.6 percent, below the approved amount. The recommendation includes: $1,767,472 for salaries and wages to fund 34.0 FTE positions; $668,669 for contractual services; $66,830 for commodities; $13,353 for capital outlay; and $232,813 for aid to local units.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Kansas Animal Health Department **Bill No.** HB -- **Bill Sec.** --

Analyst: Krahl **Analysis Pg. No.** Vol. 1-25 **Budget Page No.** 59

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	$ 1,014,560	$ 830,157	$ 0
Other Funds	1,784,922	1,850,723	(65,801)
Subtotal - Operating	$ 2,799,482	$ 2,680,880	$ (65,801)
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 2,799,482	$ 2,680,880	$ (65,801)
FTE Positions	35.0	33.0	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	36.0	34.0	0.0

Agency Request

The Animal Health Department requests FY 2008 operating expenditures of $2,799,482, a decrease of $10,512, or 0.4 percent, below the FY 2007 estimate. The request includes State General Fund expenditures of $1,014,560, an increase of $139,631,or 16.0 percent, above the FY 2007 estimate. The FY 2008 request includes enhancement requests totaling $214,403 from the State General Fund. The enhancements include: $27,757 for salaries and wages overtime; $44,778 for office furniture and equipment; $10,000 for shelter and pound fees; $10,000 for boarding and veterinary bills; and $121,868 for two additional Agriculture Inspector II positions. Without the enhancement package, the FY 2008 request is $2,585,079, a decrease of $224,915, or 8.0 percent, below the FY 2007 revised estimate. The request include: $1,950,408 for salaries and wages to fund 36.0 positions; $706,362 for contractual services; $68,126 for commodities; and $74,586 for capital outlay.

Governor's Recommendation

The Governor recommends FY 2008 operating expenditures of $2,680,880, a decrease of $68,257, or 2.5 percent, below the FY 2007 recommendation and a decrease of $118,602, or 4.2 percent, below the agency's request. The recommendation includes State General Fund expenditures of $830,157, an increase of $16,085, or 2.0 percent, above the FY 2007 recommendation and includes enhancement requests of: $20,000 for office equipment; $5,000 for shelter and pound fees; and $5,000 for boarding and veterinary bills. The recommendation also includes $65,801, for the Governor's recommended pay plan adjustment. The recommendation include: $1,900,934 for salaries and wages to fund 34.0 positions; $691,820 for contractual services; $68,126 for commodities; and $20,000 for capital outlay.

House Budget Committee Recommendation

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

1. Delete $65,801 from special revenue funds for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees , a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for pay plan adjustments and longevity payments will be considered later.

2. The Budget Committee notes that the Department is not adequately staffed to sufficiently complete kennel inspections. The agency requested $121,868 from the State General Fund for two additional Agriculture Inspector II positions and equipment. This request includes salaries and wages plus benefits for $43,759 each; two trucks at $14,500 each; two laptops, printers and software at $4,900; two cameras for $300; and two cell phones and internet connections for $150. These positions would enable the agency to meet the goals and objectives set out in the Animal Facilities Inspection Program and during the last fiscal year, completed inspections increased by 219 inspections. Currently the Department is behind by 336 routine and re-inspections. In addition, the Department received 325 complaints during the last fiscal year.

3. The Budget Committee wishes to review at Omnibus the need for feral swine management. Additional funding of $94,127 would add one employee position to increase the ability to work with landowners to control and operationally remove the feral swine. The employee would be based in Southeast Kansas which has the highest feral swine population in the State. The funding would also increase aerial hunting which is the fastest way to remove large numbers of feral swine.

4. The Budget Committee recommends the continued inclusion of the following proviso:

   a. Provided, that expenditures shall be made by the Kansas animal health department for the operating expenditures account of the state general fund to establish a feral swine monitoring and reporting system, which shall include collection of reports by a toll-free telephone number, postcard or electronic communication through the internet to the Kansas animal health department, and the Kansas animal health department shall maintain a database of information collected through such feral swine monitoring and reporting system, which shall also be made available to the Kansas pork industry to accomplish the goal of eradicating feral swine; Provided further; that the Kansas animal health department shall compile quarterly reports of the information collected through such feral swine monitoring and reporting system and shall make such information available to the public and the Kansas pork industry; and provided further that the Kansas animal health department shall incorporate methods intended to control and eradicate feral swine, including, but not limited to, aerial hunting, trapping, snaring and the establishment of a bounty program.

House Committee Recommendation

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

House Committee Recommendation

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

Senate Subcommittee Report

Agency: Kansas Animal Health Department **Bill No.** SB 357 **Bill Sec.** 83

Analyst: Krahl **Analysis Pg. No.** Vol. 1-25 **Budget Page No.** 59

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	$ 1,014,560	$ 830,157	$ 69,127
Other Funds	1,784,922	1,850,723	(65,801)
Subtotal - Operating	$ 2,799,482	$ 2,680,880	$ 3,326
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 2,799,482	$ 2,680,880	$ 3,326
FTE Positions	35.0	33.0	0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	36.0	34.0	0.0

Agency Request

The Animal Health Department requests FY 2008 operating expenditures of $2,799,482, a decrease of $10,512, or 0.4 percent, below the FY 2007 estimate. The request includes State General Fund expenditures of $1,014,560, an increase of $139,631,or 16.0 percent, above the FY 2007 estimate. The FY 2008 request includes enhancement requests totaling $214,403 from the State General Fund. The enhancements include: $27,757 for salaries and wages overtime; $44,778 for office furniture and equipment; $10,000 for shelter and pound fees; $10,000 for boarding and veterinary bills; and $121,868 for two additional Agriculture Inspector II positions. Without the enhancement package, the FY 2008 request is $2,585,079, a decrease of $224,915, or 8.0 percent, below the FY 2007 revised estimate. The request includes: $1,950,408 for salaries and wages to fund 36.0 FTE positions; $706,362 for contractual services; $68,126 for commodities; and $74,586 for capital outlay.

Governor's Recommendation

The Governor recommends FY 2008 operating expenditures of $2,680,880, a decrease of $68,257, or 2.5 percent, below the FY 2007 recommendation and a decrease of $118,602, or 4.2 percent, below the agency's request. The recommendation includes State General Fund expenditures of $830,157, an increase of $16,085, or 2.0 percent, above the FY 2007 recommendation and includes enhancement requests of: $20,000 for office equipment; $5,000 for shelter and pound fees; and $5,000 for boarding and veterinary bills. The recommendation also includes $65,801, for the Governor's pay plan adjustment. The recommendation includes: $1,900,934 for salaries and wages to fund 34.0 FTE positions; $691,820 for contractual services; $68,126 for commodities; and $20,000 for capital outlay.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following adjustments:

1. Delete $65,801, all from special revenue funds, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for the pay plan adjustments and longevity will be considered later.

2. Delete $20,000 from the State General Fund for the replacement of various office equipment and review at Omnibus. The Department requested additional enhancements of $24,778 from the State General Fund for the replacement of office equipment, computers, printers and a copy machine.

3. Delete $5,000 from the State General Fund, for boarding and veterinary bills. The Department requested the enhancement to cover boarding and veterinary bills incurred during litigation.

4. The Subcommittee concurs with the enhancement of $5,000 from the State General Fund for the pound and shelter relinquishment fees. The Department inspects facilities and if the safety and welfare of animals are in danger, Kansas law requires the Department to seize the animals and many are placed in licensed humane societies. The non-profit humane societies then take over

veterinary care, feeding and daily care of the animals at their own cost. In FY 2006, 812 animals were removed from 21 facilities and placed in humane societies. This enhancement would allow the department to pay the humane societies for taking in state-seized animals.

5. Add $94,127 from the State General Fund in FY 2008, to contract with the United States Department of Agriculture (USDA) Wildlife Services for an additional position based in Southeast Kansas for the continuing program to control and eradicate feral swine. According to the USDA Wildlife Services, the feral swine population in Kansas is considerably larger than anticipated. Evidence of feral swine can be found in at least 26 counties, ranging from less than 100 animals to nearly 2,000 in one area in Southeast Kansas. The Subcommittee requests the Department maintain a separate feral swine program to track the expenditures. The Department is to report to the Senate Agriculture Committee, House Agriculture and Natural Resources Committee and Senate Ways and Means Agriculture Subcommittee on the progress and future needs of the program. The Subcommittee also recommends the introduction of a bill to allow the Animal Health Department to collect fees from livestock and pork producers to fund the feral swine eradication program.

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House Budget Committee Report

Agency: Kansas State Fair **Bill No.** HB -- **Bill Sec.** --

Analyst: Krahl **Analysis Pg. No.** Vol. I - 63 **Budget Page No.** 165

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	$ 467,251	$ 467,251	$ 0
Other Funds	5,126,410	5,126,410	(95,384)
Subtotal - Operating	$ 5,593,661	$ 5,593,661	$ (95,384)
Capital Improvements:			
State General Fund	$ 3,555,727	$ 3,555,727	$ 0
Other Funds	7,713	7,713	0
Subtotal - Capital Improvements	$ 3,563,440	$ 3,563,440	$ 0
TOTAL	$ 9,157,101	$ 9,157,101	$ (95,384)
FTE Positions	23.0	23.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	23.0	23.0	0.0

Agency Estimate

The Kansas State Fair estimates FY 2007 operating expenditures of $5,593,661, an increase of $367,340, or 7.0 percent, above the approved amount and includes funding for 23.0 positions. The estimate includes State General Fund expenditures of $467,251, the same as the approved amount. The revised 2007 estimate includes a supplemental request of $95,384 from the Economic Development Initiatives Fund (EDIF) for increased utility costs and increased State Fair Fee Fund expenditures of $271,956. The revised estimate include: $1,521,478 for salaries and wages to fund 23.0 positions; $2,599,146 for contractual services; $230,786 for commodities; $75,000 for capital outlay and $1,167,251 for debt service interest. The State Fair also requests a 2007 capital improvements supplemental request of $100,000 from the State General Fund for building maintenance and repair. The capital improvements estimate also includes $2,375,727 from the State General Fund, for the construction of a new sheep and swine barn. Attendance at the 2006 Kansas State Fair was 343,225, an increase of 18,520, or 5.7 percent, above the 2005 State Fair.

Governor's Recommendation

The Governor concurs with the agency's revised estimate.

House Budget Committee Recommendation

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

1. Delete $95,384 from the Economic Development Initiative Fund for the supplemental request for increased utility costs and review at Omnibus.

House Committee

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

Senate Subcommittee Report

Agency: Kansas State Fair **Bill No.** SB 358 **Bill Sec.** 53

Analyst: Krahl **Analysis Pg. No.** Vol. I - 63 **Budget Page No.** 165

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	$ 467,251	$ 467,251	$ 0
Other Funds	5,126,410	5,126,410	0
Subtotal - Operating	$ 5,593,661	$ 5,593,661	$ 0
Capital Improvements:			
State General Fund	$ 3,555,727	$ 3,555,727	$ 0
Other Funds	7,713	7,713	0
Subtotal - Capital Improvements	$ 3,563,440	$ 3,563,440	$ 0
TOTAL	$ 9,157,101	$ 9,157,101	$ 0
FTE Positions	23.0	23.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	23.0	23.0	0.0

Agency Estimate

The Kansas State Fair estimates FY 2007 operating expenditures of $5,593,661, an increase of $367,340, or 7.0 percent, above the approved amount and includes funding for 23.0 FTE positions. The estimate includes State General Fund expenditures of $467,251, the same as the approved amount. The revised 2007 estimate includes a supplemental request of $95,384 from the Economic Development Initiatives Fund for increased utility costs and increased State Fair Fee Fund expenditures of $271,956. The revised estimate includes: $1,521,478 for salaries and wages to fund 23.0 FTE positions; $2,599,146 for contractual services; $230,786 for commodities; $75,000 for capital outlay and $1,167,251 for debt service interest. The State Fair also requests a 2007 capital improvements supplemental request of $100,000 from the State General Fund for building maintenance and repair. The capital improvements estimate also includes $2,375,727 from the State General Fund, for the construction of a new sheep and swine barn. Attendance at the 2006 Kansas State Fair was 343,225, an increase of 18,520 or 5.7 percent above the 2005 State Fair.

Governor's Recommendation

The Governor concurs with the agency's revised estimate.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Kansas State Fair **Bill No.** HB -- **Bill Sec.** --

Analyst: Krahl **Analysis Pg. No.** Vol. 1-63 **Budget Page No.** 165

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	$ 428,884	$ 428,884	$ 0
Other Funds	5,198,233	5,114,200	(81,284)
Subtotal - Operating	$ 5,627,117	$ 5,543,084	$ (81,284)
Capital Improvements:			
State General Fund	$ 1,120,000	$ 1,120,000	$ 0
Other Funds	689,057	196,556	(111,525)
Subtotal - Capital Improvements	$ 1,809,057	$ 1,316,556	$ (111,525)
TOTAL	$ 7,436,174	$ 6,859,640	$ (192,809)
FTE Positions	23.0	23.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	23.0	23.0	0.0

Agency Request

The Kansas State Fair requests 2008 operating expenditures of $5,627,117, an increase of $33,455, or 0.6 percent, above the 2007 revised estimate and includes funding for 23.0 FTE positions. The 2008 request includes State General Fund expenditures of $428,884, a decrease of $38,367, or 8.2 percent, below the FY 2007 estimate. The request include operating enhancements of $260,153, all from the Economic Development Initiatives Fund (EDIF) for increased marketing and promotion, an economic impact study, enhanced exhibit premiums and increased utility costs in FY 2008. Without the enhancement requests, the 2008 operating request is $5,366,964, a decrease of $226,697, or 4.1 percent, below the FY 2007 revised estimate. The 2008 request includes a capital improvements enhancement of $579,190 from the Economic Development Initiatives Fund for alternative energy sources. The request include: $1,543,464 for salaries and wages to fund 23.0 positions; $2,648,678 for contractual services; $231,091 for commodities; $75,000 for capital outlay; and $1,128,884 for debt service interest.

Governor's Recommendation

The Governor recommends FY 2008 operating expenditures of $5,543,084, a decrease of $50,577, or 0.9 percent, below the FY 2007 recommendation and a decrease of $84,033, or 1.5 percent, below the State Fair's request. The recommendation includes State General Fund expenditures of $428,884, a decrease of $38,367, or 8.2 percent, below the FY 2007 recommendation and is the same as the State Fair's request. The recommendation includes

$110,000 from the Economic Development Initiatives Fund for marketing and promotion, an economic impact study and enhanced exhibit premiums. The recommendation also includes a capital improvements enhancement of $111,525 from the Economic Development Initiatives Fund for alternative energy sources. The Governor's FY 2008 recommendation includes the addition of $41,284, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. The recommendation include: $1,584,748 for salaries and wages to fund 23.0 positions; $2,498,525 for contractual services; $231,091 for commodities; $75,000 for capital outlay; and $1,153,720 for debt service interest.

House Budget Committee Recommendation

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

1. Delete $41,284 from special revenue funds, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for pay plan adjustments and longevity payments will be considered later.

2. Delete $40,000 from the Economics Development Initiatives Fund for an economic impact and demographic study of the State Fair and non-fair activities and review at Omnibus.

3. Delete $111,525 from the Economics Development Initiatives Fund for alternative energy enhancements to the Fairgrounds. This includes the two 50-kilowatt wind turbines; a solar thermal heat system; and electrical sub-metering equipment.

4. The Budget Committee requests that the State Fair consider alternative options for displaying exhibits, especially the quilt display. The Budget Committee recommends the State Fair look at how other state fairs display quilts and determine the best fashion in which all quilts can be exhibited with care and opportunity for better presentation.

5. The Budget Committee wishes to commend the Kansas State Fair for positively managing the continuous growth of the fair exhibits, attractions and fair attendance and complements the State Fair on the continuing improvements appreciated and enjoyed by all who attend the State Fair and non-fair events.

House Committee

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

Senate Subcommittee Report

Agency: Kansas State Fair **Bill No.** SB 357 **Bill Sec.** 84

Analyst: Krahl **Analysis Pg. No.** Vol. 1-63 **Budget Page No.** 165

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	$ 428,884	$ 428,884	$ 0
Other Funds	5,198,233	5,114,200	(81,284)
Subtotal - Operating	$ 5,627,117	$ 5,543,084	$ (81,284)
Capital Improvements:			
State General Fund	$ 1,120,000	$ 1,120,000	$ 0
Other Funds	689,057	196,556	0
Subtotal - Capital Improvements	$ 1,809,057	$ 1,316,556	$ 0
TOTAL	$ 7,436,174	$ 6,859,640	$ (81,284)
FTE Positions	23.0	23.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	23.0	23.0	0.0

Agency Request

The Kansas State Fair requests 2008 operating expenditures of $5,627,117, an increase of $33,455, or 0.6 percent, above the 2007 revised estimate and includes funding for 23.0 positions. The 2008 request includes State General Fund expenditures of $428,884, a decrease of $38,367 or 8.2 percent below the FY 2007 estimate. The request includes operating enhancements of $260,153, all from the Economic Development Initiatives Fund (EDIF) for increased marketing and promotion, an economic impact study, enhanced exhibit premiums and increased utility costs in FY 2008. Without the enhancement requests, the 2008 operating request is $5,366,964, a decrease of $226,697, or 4.1 percent, below the FY 2007 revised estimate. The 2008 request includes a capital improvements enhancement of $579,190 from the Economic Development Initiatives Fund for alternative energy sources. The request include: $1,543,464 for salaries and wages to fund 23.0 positions; $2,648,678 for contractual services; $231,091 for commodities; $75,000 for capital outlay; and $1,128,884 for debt service interest.

Governor's Recommendation

The Governor recommends FY 2008 operating expenditures of $5,543,084, a decrease of $50,577, or 0.9 percent, below the FY 2007 recommendation and a decrease of $84,033, or 1.5 percent, below the State Fair's request. The recommendation includes State General Fund expenditures of $428,884, a decrease of $38,367, or 8.2 percent, below the FY 2007 recommendation and is the same as the State Fair's request. The recommendation includes $110,000 from the Economic Development Initiatives Fund for marketing and promotion, an economic impact study and enhanced exhibit premiums. The recommendation also includes a capital improvements enhancement of $111,525 from the Economic Development Initiatives Fund for alternative energy sources. The Governor's FY 2008 recommendation includes the addition of $41,284, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. The recommendation includes: $1,584,748 for salaries and wages to fund 23.0 positions; $2,498,525 for contractual services; $231,091 for commodities; $75,000 for capital outlay; and $1,153,720 for debt service interest.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following adjustments:

1. Delete $41,284, all from special revenue funds, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for the pay plan adjustments and longevity payments will be considered later.

2. Delete $40,000 from the Economic Development Initiatives Fund for the economic impact study and review at Omnibus. The Subcommittee notes that the economic impact study would be useful in generating corporate sponsorship of the State Fair. The last economic impact study was completed in 1996.

3. The Subcommittee notes that the new sheep and swine barn will be completed this summer and welcomes the new and improved facility to the fairgrounds.

4. The Subcommittee notes the increased State Fair attendance in 2006. The 2006 State Fair had an increase of 18,520 or 5.7 percent over the 2005 State Fair for a total of 343,225 in fair attendance. In addition, over 230 non-fair events are held each year, attracting an additional 175,000 people to the fairgrounds.

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FY 2007 and FY 2008

SENATE WAYS AND MEANS SUBCOMMITTEE

Kansas Corporation Commission

Citizens' Utility Ratepayer Board

Senator Carolyn McGinn, Chair

Senator Jay Emler

Senator Chris Steineger

Senate Ways and Means
3-5-07
Attachment 2

House Budget Committee Report

Agency: Kansas Corporation Commission **Bill No.** HB 2541 **Bill Sec.** 19

Analyst: Krahl **Analysis Pg. No.** Vol. II - 1091 **Budget Page No.** 111

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	19,711,521	19,711,521	0
Subtotal - Operating	$ 19,711,521	$ 19,711,521	$ 0
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 19,711,521	$ 19,711,521	$ 0
FTE Positions	214.0	214.0	0.0
Non FTE Uncl. Perm. Pos.	6.5	6.5	0.0
TOTAL	220.5	220.5	0.0

Agency Estimate

The Kansas Corporation Commission estimates FY 2007 operating expenditures of $19,711,521, an increase of $93,902, or 0.5 percent, above the approved amount. The estimate does not include any State General Fund expenditures. The majority of the increase is estimated to be expended on costs associated with plugging abandoned oil and gas wells. The revised estimate does not include any supplemental requests or Kansas Savings Incentive Program (KSIP) expenditures. The estimate include: $12,393,965 for salaries and wages to fund 220.5 positions; $6,284,156 for contractual services; $469,299 for commodities; $268,150 for capital outlay and $295,951 for aid to local units.

Governor's Recommendation

The Governor concurs with the agency's revised estimate.

House Budget Committee Recommendation

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

House Committee

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

Senate Subcommittee Report

Agency: Kansas Corporation Commission **Bill No.** SB 358 **Bill Sec.** 19

Analyst: Krahl **Analysis Pg. No.** Vol.11 - 1091 **Budget Page No.** 87

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	19,711,521	19,711,521	0
Subtotal - Operating	$ 19,711,521	$ 19,711,521	$ 0
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 19,711,521	$ 19,711,521	$ 0
FTE Positions	214.0	214.0	0.0
Non FTE Uncl. Perm. Pos.	6.5	6.5	0.0
TOTAL	220.5	220.5	0.0

Agency Estimate

The State Corporation Commission estimates FY 2007 operating expenditures of $19,711,521, an increase of $93,902, or 0.5 percent, above the 2006 approved amount. The estimate does not include any State General Fund expenditures. The majority of the increase is estimated to be expended on costs associated with plugging abandoned oil and gas wells. The revised estimate does not include any supplemental requests or Kansas Savings Incentive Program (KSIP) expenditures. The estimate includes: $12,393,965 for salaries and wages to fund 220.5 FTE positions; $6,284,156 for contractual services; $469,299 for commodities; $268,150 for capital outlay and $295,951 for aid to local units.

Governor's Recommendation

The Governor concurs with the agency's revised estimate.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Kansas Corporation Commission **Bill No.** HB 2542 **Bill Sec.** 39

Analyst: Krahl **Analysis Pg. No.** Vol. II - 1091 **Budget Page No.** 111

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	$ 175,000	$ 1,177,742	$ (1,002,742)
Other Funds	20,018,609	20,098,978	(569,309)
Subtotal - Operating	$ 20,193,609	$ 21,276,720	$ (1,572,051)
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 20,193,609	$ 21,276,720	$ (1,572,051)
FTE Positions	214.0	214.0	0.0
Non FTE Uncl. Perm. Pos.	6.5	6.5	0.0
TOTAL	220.5	220.5	0.0

Agency Request

The Kansas Corporation Commission requests FY 2008 operating expenditures of $20,193,609, an increase of $482,088, or 2.4 percent, above the FY 2007 estimate. The request include $175,000 from the State General Fund for the Kansas Energy Council. The 2008 request includes enhancement requests totaling $588,940, all from special revenue funds. Without the enhancements, the request is $19,605,569, a decrease of $105,952, or 0.5 percent, below the FY 2007 estimate. The FY 2008 request includes: $13,012,959 for salaries and wages to fund 220.5 positions; $6,249,326 for contractual services; $461,538 for commodities; $393,835 for capital outlay; and $75,951 for aid to local units.

Governor's Recommendation

The Governor recommends FY 2008 operating expenditures of $21,276,720, an increase of $1,565,199, or 7.9 percent, above the FY 2007 recommendation and an increase of $1,083,111, or 5.4 percent, above the State Corporation Commission's request. The recommendation includes State General Fund expenditures of $1,177,742, including $2,742 for the Governor's pay plan, $175,000 for the Kansas Energy Council and $1.0 million for the Kansas Electric Transmission Authority (KETA). The recommendation includes all other funds expenditures of $20,098,978, an increase of $387,457, or 2.0 percent, above the FY 2007 recommendation. The recommendation includes $467,051 for the Governor's recommended pay plan adjustment, $100,000 for the Kansas

Energy Council and $105,000 for the replacement of six vehicles. The FY 2008 recommendation includes: $13,059,070 for salaries and wages to fund 220.5 positions; $6,249,326 for contractual services; $461,538 for commodities; $330,835 for capital outlay; and $1,175,951 for aid to local units.

House Budget Committee Recommendation

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

1. Delete $467,051, including $2,742 from the State General Fund, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for pay plan adjustments and longevity payments will be considered later.

2. Delete $105,000 from special revenue funds to remove funding for purchase of six vehicles. Funding for vehicles will be considered at Omnibus.

3. Delete $1.0 million from the State General Fund for the planning and construction of an electric transmission line and create a new special revenue fund called KETA Development Fund. Transfer $1.0 million from the State General Fund on July 1, 2007 to the KETA Development Fund. This will allow for a clear and separate means of tracking the funds to account for the repayment of the $1.0 million from the Kansas Electric Transmission Authority (KETA).

House Committee

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

Senate Subcommittee Report

Agency: Kansas Corporation Commission **Bill No.** SB 357 **Bill Sec.** 39

Analyst: Krahl **Analysis Pg. No.** Vol. 11-1091 **Budget Page No.** 111

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	$ 175,000	$ 1,177,742	$ (177,742)
Other Funds	20,018,609	20,098,978	(321,509)
Subtotal - Operating	$ 20,193,609	$ 21,276,720	$ (499,251)
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 20,193,609	$ 21,276,720	$ (499,251)
FTE Positions	214.0	214.0	0.0
Non FTE Uncl. Perm. Pos.	6.5	6.5	0.0
TOTAL	220.5	220.5	0.0

Agency Request

The Kansas Corporation Commission (KCC) requests FY 2008 operating expenditures of $20,193,609, an increase of $482,088, or 2.4 percent, above the FY 2007 estimate. The request includes $175,000 from the State General Fund for the Kansas Energy Council. The 2008 request includes enhancement requests totaling $588,940, all from special revenue funds. Without the enhancements, the request totals $19,605,569, a decrease of $105,952, or 0.5 percent, below the FY 2007 estimate. The FY 2008 request includes: $13,012,959 for salaries and wages to fund 220.5 positions; $6,249,326 for contractual services; $461,538 for commodities; $393,835 for capital outlay; and $75,951 for aid to local units.

Governor's Recommendation

The Governor recommends FY 2008 operating expenditures of $21,276,720, an increase of $1,565,199, or 7.9 percent, above the FY 2007 recommendation and an increase of $1,083,111, or 5.4 percent, above the State Corporation Commission's request. The recommendation includes State General Fund expenditures of $1,177,742, including $2,742 for the Governor's pay plan, $175,000 for the Kansas Energy Council and $1.0 million for the Kansas Electric Transmission Authority (KETA). The recommendation includes all other funds of $20,098,978, an increase of $387,457, or 2.0 percent, above the FY 2007 recommendation and includes $467,051for the

Governor's recommended pay plan adjustment, $100,000 for the Kansas Electric Transmission Authority and $105,000 for the replacement of six vehicles. The FY 2008 recommendation includes: $13,059,070 for salaries and wages to fund 220.5 positions; $6,249,326 for contractual services; $461,538 for commodities; $330,835 for capital outlay; and $1,175,951 for aid to local units.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following adjustments and notation:

1. Delete $467,051, including $2,742 from the State General Fund, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for pay plan adjustments and longevity payments will be considered later.

2. Delete $32,200 from special revenue funds to remove funding for the purchase of two vehicles. Funding of $72,800 from special revenue funds remains for the agency to purchase four vehicles.

3. Delete $175,000 from the State General Fund, for the Kansas Energy Council operating costs. The Subcommittee recommends the Kansas Energy Council funding continue to be funded from the Public Service Regulation Fund as in past years.

4. Add $175,000 from the Public Service Regulation Fund to continue funding for the Kansas Energy Council.

5. Review at Omnibus the current status of the Motor Carrier Fee Fund. The agency is awaiting federal action in implementing the Unified Carrier Registration (UCR) program, which replaces the Single State Registration System (SSRS) that expired December 2006. This program will give the KCC authority to send and collect renewals from motor carriers for calendar year 2007. If this extension is not granted, the KCC may not have sufficient financial resources available to carry out the Transportation Division activities.

6. The Subcommittee notes the $1.0 million from the State General Fund, and $100,000 operating expenditures from the Public Service Regulation Fund for the Kansas Electric Transmission Authority (KETA) for the purpose of planning the construction of an electric transmission line. A new transmission line could allow wind-generated electricity to be transmitted to major population centers. The funds will only be expended if no other entity chooses to build the line identified by KETA. If expenditures are made, the State General Fund will be repaid over a 10-year period. KCC is to provide to the subcommittee an update next year on KETA's progress in the planning for electric transmission lines.

House Budget Committee Report

Agency: Citizens' Utility Ratepayer Board **Bill No.** HB 2541 **Bill Sec.** 20

Analyst: Krahl **Analysis Pg. No.** Vol. II - 1107 **Budget Page No.** 87

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	762,967	762,967	0
Subtotal - Operating	$ 762,967	$ 762,967	$ 0
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 762,967	$ 762,967	$ 0
FTE Positions	6.0	6.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	6.0	6.0	0.0

Agency Estimate

The Citizens' Utility Ratepayer Board (CURB) estimates FY 2007 operating expenditures of $762,967, an increase of $26,761, or 3.6 percent, above the approved amount. The increase is due to unexpended money in professional services in FY 2006. CURB is allowed to carry forward any unused balances in consulting fees from the previous year but can only use this money for contracts on consultants. CURB receives no State General Funds and is funded through assessments to the utility companies which are ultimately paid for in the utility rates of the consumers CURB represents. The FY 2007 estimate include: $416,172 for salaries and wages for 6.0 positions; $340,625 for contractual services; $2,510 for commodities; and $3,660 for capital outlay.

Governor's Recommendation

The Governor concurs with the agency's revised estimate.

House Budget Committee Recommendation

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

House Committee

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

Senate Subcommittee Report

Agency: Citizens' Utility Ratepayer Board **Bill No.** SB 358 **Bill Sec.** 20

Analyst: Krahl **Analysis Pg. No.** Vol. 11 - 1107 **Budget Page No.** 87

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	762,967	762,967	0
Subtotal - Operating	$ 762,967	$ 762,967	$ 0
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 762,967	$ 762,967	$ 0
FTE Positions	6.0	6.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	6.0	6.0	0.0

Agency Estimate

The Citizens' Utility Ratepayer Board estimates FY 2007 operating expenditures of $762,967, an increase of $26,761, or 3.6 percent, above the 2006 approved amount. The increase is due to unexpended money in professional services in FY 2006. CURB is allowed to carry forward any unused balances in consulting fees from the previous year but can only use this money for contracts on consultants. CURB receives no State General Funds and is funded through assessments to the utility companies that are then paid for in the utility rates of the consumers CURB represents. The FY 2007 estimate includes: $416,172 for salaries and wages for 6.0 FTE positions; $340,625 for contractual services; $2,510 for commodities; and $3,660 for capital outlay.

Governor's Recommendation

The Governor concurs with the agency's revised estimate.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Citizens' Utility Ratepayer Board **Bill No.** HB 2542 **Bill Sec.** 40

Analyst: Krahl **Analysis Pg. No.** Vol. II - 1107 **Budget Page No.** 87

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	780,280	796,792	(16,512)
Subtotal - Operating	$ 780,280	$ 796,792	$ (16,512)
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 780,280	$ 796,792	$ (16,512)
FTE Positions	6.0	6.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	6.0	0.0	0.0

Agency Request

The Citizens' Utility Ratepayer Board (CURB) requests FY 2008 operating expenditures of $780,280, an increase of $17,313, or 2.3 percent, above the FY 2007 estimate. The request includes an enhancement of $35,274 for salary increases for professional and support staff. The request include: $456,123 for salaries and wages for 6.0 positions; $317,807 for contractual services; $2,600 for commodities; and $3,750 for capital outlay.

Governor's Recommendation

The Governor recommends FY 2008 operating expenditures of $796,792, an increase of $33,825, or 4.4 percent, above the FY 2007 recommendation and an increase of $16,512, or 2.1 percent, above the CURB request. The Governor concurs with CURB's request with the addition of $16,512 for the Governor's recommended pay plan adjustment. The recommendation includes: $472,635 for salaries and wages for 6.0 positions; $317,807 for contractual services; and $2,600 for commodities; and $3,750 for capital outlay.

House Budget Committee Recommendation

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

1. Delete $16,512, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for pay plan adjustments and longevity payments will be considered later.

House Committee

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

Senate Subcommittee Report

Agency: Citizens' Utility Ratepayer Board **Bill No.** SB 357 **Bill Sec.** 40

Analyst: Krahl **Analysis Pg. No.** Vol. 11 - 1107 **Budget Page No.** 87

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	$ 0	$ 0	
Other Funds	780,280	796,792	(16,512)
Subtotal - Operating	$ 780,280	$ 796,792	$ (16,512)
Capital Improvements:			
State General Fund	$ 0	$ 0	$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	$ 0	$ 0	$ 0
TOTAL	$ 780,280	$ 796,792	$ (16,512)
FTE Positions	6.0	6.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	6.0	0.0	0.0

Agency Request

The Citizens' Utility Ratepayer Board requests FY 2008 operating expenditures of $780,280, an increase of $17,313, or 2.3 percent, above the FY 2007 estimate. The request includes an enhancement of $35,274 for salary increases for professional and support staff. The request includes: $456,123 for salaries and wages for 6.0 FTE positions; $317,807 for contractual services; $2,600 for commodities; and $3,750 for capital outlay.

Governor's Recommendation

The Governor recommends FY 2008 operating expenditures of $796,792, an increase of $33,825, or 4.4 percent, above the FY 2007 recommendation and an increase of $16,512, or 2.1

percent, above the CURB request. The Governor concurs with CURB's request with the addition of $16,512 for the Governor's pay plan adjustment. The recommendation includes: $472,635 for salaries and wages for 6.0 FTE positions; $317,807 for contractual services; and $2,600 for commodities; and $3,750 for capital outlay.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation with the following adjustment:

1. Delete $16,512, all from special revenue funds, for the 1.5 percent base salary adjustment and a 2.5 percent step movement for classified employees, a 4.0 percent merit pool for unclassified employees, and the longevity enhancement. Funding for pay plan adjustments and longevity payments will be considered later.

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REVISOR OF STATUTES
JAMES A. WILSON III, ATTORNEY
FIRST ASSISTANT REVISOR
GORDON L. SELF, ATTORNEY
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OFFICE OF REVISOR OF STATUTES
KANSAS LEGISLATURE

Legal Consultation—
Legislative Committees and Legislators
Legislative Bill Drafting
Legislative Committee Staff
Secretary—
Legislative Coordinating Council
Kansas Commission on
Interstate Cooperation
Kansas Statutes Annotated
Editing and Publication
Legislative Information System

MEMORANDUM

TO: Senate Committee on Ways and Means
FR: Office of Revisor of Statutes
RE: Bill summary of Senate Bill No. 362 and 364
DA: March 5, 2007

SUMMARY

Senate Bill No. 362 provides the implementing legislation to carry out the recommendations of the Joint Committee on Pensions, Investments and Benefits from the 2006 interim with regard to an alternative retirement plan for state, school and local public employees. The Joint Committee requested a bill be introduced to enact a plan developed by the Board of Trustees of the Kansas Public Employees Retirement System with suggested changes as directed by the Joint Committee. The resulting bill enacts the Kansas Public Employees Retirement System Act of 2009. In addition, the Joint Committee recommended that a second bill be introduced that would provide for a permanent COLA for current KPERS members along with an increase in employee contributions to help pay for the COLA. This recommendation is contained in Senate Bill No. 364.

This memorandum provides a summary of the two bills, brief comments on the structure of the two bills and a section by section summary of the two bills.

In drafting the new alternative KPERS plan, in consultation with KPERS, the decision was made to not amend existing statutes but rather to set out the provisions for the new plan in separate, new sections. The new plan would incorporate by reference parts of the existing KPERS law when necessary. In addition, it is made clear that all provisions of the existing KPERS law would apply to those employees of the new plan unless specifically provided in the new act that the existing provisions did not apply. With regard to employees who are covered by the new act, when a conflict existed between the provisions of the new act and the provisions of the existing KPERS law, it is stated that the new act will control. It was deemed unnecessary to repeat the myriad of provisions of the existing KPERS law that would continue to apply to the employees covered under the new act

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Senate Ways and Means
3-5-07
Attachment 3

that would not be changed by the implementation of this new act. The new act does not apply to members of the system who are employed by a participating employer prior to July 1, 2009.

There are benefit enhancements to existing members of KPERS in Senate Bill No. 362, and the permanent COLA provision is contained in Senate Bill No. 364.

Senate Bill No. 362:

Section 1--General provisions.

This section provides the title of the act as the Kansas Public Employees Retirement System Act of 2009.

The act is effective on and after July 1, 2009.

The KPERS board is charged with administering the new act and should do so in the same manner that the board administers the existing KPERS law unless otherwise required to do so by the new act.

The existing KPERS law will apply to the new act unless specifically provided otherwise in the new act. In fact, the new act is made part of and supplemental to the existing law subject to certain specified differentiations. With regard to those employees covered under the new act, when a conflict exists between the provisions of the existing law and the new act, the new act shall control and no legal or contractual rights shall inure to the benefit of those employees under the existing KPERS law. In that circumstance, the new act provides those employees with their legal and contractual rights.

The new act does not apply to members of KPERS employed by a participating employer prior to July 1, 2009.

Section 2--Definitions.

This section provides definitions of key terms for the new act and specifies that other terms not specifically defined in the new act shall have the same meanings as provided in the existing KPERS law.

Subsection (a)(2) defines compensation and provides a compensation cap to be set at 7.5% before participating employers are billed for high final average salaries that jump in the final two years of service which results in higher retirement benefits.

Subsection (a)(3) defines employee to mean employees first employed by a participating employer on or after July 1, 2009. The term includes school employees. All employees of a new participating employer who affiliates on or after July 1, 2009, are defined as employees and subject to the new act.

Subsection (a)(5) provides that the final average salary of a member of the new plan shall be the average highest annual salary paid to such member for any five years of participating service.

Subsection (a)(6) defines first employed to mean:
(1) An employee who has not been an employee of any state, school or local participating employer prior to July 1, 2009;
(2) an employee who is a former member of the system and who withdrew contribution accounts before July 1, 2009, and who is employed by a participating employer on or after July 1, 2009; and
(3) an employee who was an inactive, non-vested member and who is again employed by a participating employer on or after July 1, 2009.

Section 3--Employee membership.

This section provides first day of employment membership for all employees of a participating employer who are first employed on and after July 1, 2009, and for employees of participating employers who first affiliates on and after July 1, 2009. Elected officials who are first elected on or after July 1, 2009, may elect to be a member of the new system.

Section 4--Normal retirement date.

The normal retirement date of members under the new plan whereby they may retire without any reduction in benefits shall be age 65 or age 60 with the completion of 30 years of credited service.

Section 5--Participating service multiplier.

For a member under the new plan who retires after their normal retirement date, the amount for participating service shall be equal to the total of 1.75% of the member's final average salary multiplied by the number of years of participating service to be used in calculating such member's annual retirement benefit.

Section 6--Reduction for early retirement.

A member who retires before their normal retirement date but has attained age 55 with the completion of 10 years of participating service shall receive a retirement benefit which has been actuarially reduced for such early retirement. Such actuarial reduction shall be set by the KPERS board.

A member who retires before their normal retirement date but has attained age 55 with the completion of 30 years of participating service shall receive a retirement benefit which is equal to the average of the normal retirement benefit calculated under the new plan and the early retirement benefit calculated in this section.

Section 7--Security officers.

This section provides normal retirement dates for security officers that are different from those for other members of the new plan. A similar difference in retirement dates exists as well under the existing KPERS retirement plan.

Section 8--Vesting.

Members of the new plan shall be granted a vested retirement benefit in the system when they have completed five years of credited service at the time of termination.

Section 9--Retirement benefit options.

Members of the new plan may elect any of the options available to members of the existing plan, except that if a lump-sum payment is chosen, the member is limited to a payment that is equal to 10%, 20% or 30% of the actuarial present value of their benefit; and if the member elects any joint and survivor option, they shall have their annual retirement benefit determined and reduced by an amount recommended by the KPERS actuary.

Section 10-- Employee contributions.

Employee contributions for members under the new plan shall be an amount equal to 6% of such member's compensation.

Section 11--Employer contributions.

Employer contributions under the new plan shall be the same as under the existing plan. This section provides that employer contributions under the new plan shall not be less than the 6% employee contribution rate.

Section 12--Future adjustments of employee and employer contribution rates.

Once the employer rate of contribution equals the actuarially-determined rate of contribution, if the KPERS board upon the basis of the annual actuarial valuation recommends an increase in the actuarially-determined estimate of the rate of contribution, the legislature reserves the right to increase the employer rate of contribution to allow state, school and local employers and employees to share equally in any additional contribution rate of contribution actuarially required to fund the system.

Section 13-- COLA

Provides for a permanent 2% COLA for members of the new plan. The COLA would commence July 1, 2010, and would be paid on that date and each July 1 thereafter.

Section 14-- First day membership for employees under the existing KPERS plan.

Eliminates the one-year waiting period for membership for current employees of participating employers of the existing plan and provides for first day membership for such employees.

Section 15-- Vesting for employees under the existing KPERS plan.

Provides that commencing July 1, 2009, members of the existing plan shall be granted a vested retirement benefit in the system when they have completed five years of credited service at the time of termination.

Senate Bill No. 364:

This bill is a companion bill to Senate Bill No. 362 that provides a permanent 2% COLA for members of the existing KPERS plan. The COLA would commence July 1, 2010, and would be paid on that date and each July 1 thereafter. It would be applicable to any member who retired after July 1, 2009.

The bill would also require the employee contribution rate to be 6% of the member's compensation for all payroll periods commencing after July 1, 2009.

Kansas Public Employees
Retirement System

Retirement Plan Design – Senate Bill 362

Senate Ways and Means Committee ▪ *March 5, 2007*

Senate Ways and Means
3-5-07
Attachment 4

4-8

Background

Since 2001 and 2002 when actuarial projections indicated KPERS was not in actuarial balance, KPERS' Board and staff have worked closely with the Joint Committee on Pensions, Investments and Benefits to address the funding shortfall and develop a long-term funding plan.

- Plan has been comprehensive, multi-year, incremental approach involving **funding** increases, **actuarial changes**, and **plan design** review.

Key steps that have been implemented as part of the plan include:

- Scheduled series of **employer rate increases** which began in FY 2006.
- **Pension obligation bonds** of $500 million issued in February 2004 with $440.2 million in net proceeds to KPERS and debt service paid through State General Fund.
- **Actuarial components** implemented by adopting Entry Age Normal cost method and modifying mortality assumptions.

4-3

Background

Although employer rate increases and issuance of pension obligation bonds have improved KPERS' funding projections, significant challenges remain.

- KPERS funding leveraged for the next 10-15 years until employer contributions reach actuarially-required levels (ARC).
  - State Group ARC = 7.38% in 2010
  - Local Group ARC = 8.42% in 2015
  - School Group ARC = 12.82% in 2019
- Any future investment returns below the 8 percent assumed investment target will negatively impact funding projections.
- State's employer contributions for the State and School Groups are expected to increase from 1.5 percent to 2.0 to 3.5 percent of State budget.
- Demographic projections indicate:
  - Current retirement rules create incentives for most experienced and marketable employees to leave in their early- to mid-50s.
  - KPERS members retiring in 2036 expected to live (and collect benefits) about two years longer than those who retire in 2006.
  - Ratio of active, contributing members to retired members expected to decline from current level of 2.4 active members for each retiree to about 1.67 in 2020.

4-4

Plan Design Review History

As the final piece of the long-term funding plan for KPERS, the Joint Committee on Pensions, Investments and Benefits has been considering plan design changes for **future** members during the last five years.

- In 2002 and 2003 interims, the Joint Committee on Pensions, Investments and Benefits reviewed employees' contractual rights and options for changing plan design.
- In 2004 interim, the Joint Committee reviewed various plan design alternatives that would reduce long-term costs. The Joint Committee endorsed alternative retirement plan for **future members only** designed to provide a basic defined benefit plan along with an optional defined contribution component.
- This alternative was introduced in the 2005 Session as Senate Bill 281. Senate Ways and Means Subcommittee and full Committee held hearings on the bill and KPERS proposed a number of amendments to the bill.
- SB 281 carried over to 2006 Session, and KPERS recommended that action be deferred pending completion and consideration of a comprehensive analysis of plan design.

2006 Plan Design Review

Beginning in January 2006, the KPERS Board of Trustees, staff and actuary began developing an analytical framework and timetable for completing a comprehensive and systematic review of retirement plan design.

- During the spring and summer of 2006, the Board of Trustees examined KPERS' funding status and outlook, demographic projections, key plan design objectives and features, cost projections and a range of plan design alternatives (including defined benefit and defined contribution components).
- The Board's plan design recommendations to 2006 Joint Committee included recommendations on general objectives and features and a modification of the current plan design for future employees.

During the 2006 interim, the Joint Committee reviewed and discussed extensive information about KPERS' funding, demographic, plan design and cost projections.

- The Joint Committee recommended the retirement plan design outlined in SB 362 for state, school and local employees who begin work on or after July 1, 2009.

9-4

Plan Design Recommendations

Recommended Plan Design Objectives

- **Financial Soundness** - Establish actuarial funding plan with an affordable mix of employer & employee contribution rates that ensures financial soundness of the plan over the long term.
- **Retirement Benefit Adequacy** - Provide benefits that, when combined with Social Security and personal savings, sustain the retiree's standard of living in retirement.
- **Workforce Incentives** - Provide sufficient incentives to attract and retain high quality employees as part of the total compensation and benefits package.

Recommended Plan Design Features

- Direct greater emphasis and resources toward encouraging personal savings.
- Increase the normal retirement age above current levels.
- Reduce incentives for members to retire early.
- Provide earlier membership and vesting for all employees.
- Protect the purchasing power of KPERS retirement benefits over time.

Tradeoffs and compromises required to balance competing objectives and develop benefits for members of different ages, salaries and years of service.

Plan Design Bill - SB 362

Following the 2006 interim study, the Joint Committee on Pensions, Investments and Benefits approved the introduction of SB 362 providing modified benefits for future KPERS members.

- SB 362 incorporates the KPERS Board of Trustees recommendations as modified by the Joint Committee.

The new plan design will apply to:

- KPERS-covered employees first employed on or after July 1, 2009.
- Former members who withdraw their contribution accounts before July 1, 2009, and again commence membership after that date.
- Former, non-vested members who left KPERS-covered positions with less than 10 years of service but have not withdrawn contributions.

SB 362 also includes two enhancements for current employees, first-day membership for those hired between July 1, 2008, and June 30, 2009, and five-year vesting effective July 1, 2009.

Plan Design - Future Members

	Current Plan	SB 362/HB 2558 Plan
▪ Membership	Employed before 7-1-09	Employer on or after 7-1-09
▪ First-Day Membership	School members only	State, school & local members
▪ Vesting	10 years	5 years
▪ Retirement Multiplier	1.75%	1.75%
▪ Normal Retirement Eligibility	Age 65 Age 62 with 10 years 85 Point Rule	Age 65 with 5 years Age 60 with 30 years
▪ Early Retirement Eligibility	Age 55 with 10 years	Age 55 with 10 years
▪ Early Retirement Reductions	Subsidized for ages 55-64	Subsidized with 30 years only
▪ Final Average Salary Definition	Average of 3 or 4 highest yrs (depending on hire date)	Average of 5 highest yrs

4-9

Plan Design - Future Members

	Current Plan	SB 362/HB 2558 Plan
▪ Compensation Caps	15%	7.5%
▪ Partial-Lump Sum Option	10, 20, 30, 40, or 50%	10, 20, or 30%
▪ Joint Survivor Factors	Specified in statute	Set actuarially by KPERS Board
▪ Cost-of-living adjustments	Ad hoc only	Automatic, annual 2% at age 65
▪ Employee Contributions	4%	6%
▪ Employer Contributions	Based on actuarial valuation subject to statutory caps	Based on actuarial valuation subject to statutory caps May not be less than 6%
▪ Future Cost Increases	Employer-paid	May be shared equally by employers and employees once actuarially-required rates are reached

4-10

Plan Design - Existing Members

The SB 362 plan design will not affect retirement eligibility and rules for current members.

- Current members may continue to retire at age 65, age 62 with 10 years of service, and with 85 "points."
- These retirement benefits and eligibility considered contractual in nature and cannot be changed.

SB 362 does provide two benefit enhancements for current members:

- first-day (immediate) membership for State and local workers employed between July 1, 2008, and June 30, 2009, and
- five-year vesting for members employed before July 1, 2009.

These changes are intended to provide current employees with membership and vesting provisions similar to the SB 362 provisions for future employees.

SB 362 Savings Estimates

The most significant impact of SB 362 will be the projected contribution savings for state and local employers associated with the modified plan design for future employees.

- Plan design changes for future employees will not significantly impact reaching the actuarially-required rates, but will significantly reduce liabilities and employer contributions beginning in 15 to 20 years.
- State savings projected to be $2.6 billion through 2033.
- Local employer savings projected to be $1 billion through 2033.

	KPERS State & School Groups		KPERS Local Group	
	Current Plan	**SB 362 Plan**	**Current Plan**	**SB 362 Plan**
Total Employer Contributions (through 2033, estimated)	$ 16.4 billion	$ 13.8 billion	$ 4.4 billion	$ 3.4 billion
Savings versus Current Plan (through 2033, estimated)	n/a	$ 2.6 billion	n/a	$ 1.0 billion

4-12

SB 362 Savings Estimates (cont).

The State's projected costs, including detailed information for select years, for the KPERS State and School Groups are under the current plan design and the SB 362 plan design are summarized below.

Plan Design Cost Estimates for State & School Groups

		Current Plan	SB 362 Plan
Actuarially-Required Employer Contribution Rate (ARC Rate)		12.82%	11.75%
ARC Date		FY 2019	FY 2017
Employer Contributions	FY 2010	$ 296 million	$ 296 million
	FY 2011	328	328
	FY 2012	361	361
	FY 2013	395	395
	FY 2014	432	432
	FY 2015	470	470
	FY 2020	658	592
	FY 2025	767	639
	FY 2030	846	611
Totals thru 2033		$ 16.4 billion	$ 13.8 billion

Est. Savings = $2.6 billion

4-13

SB 362 Cost Estimates

The SB 362 enhancements for existing members will have cost impacts for the State and local employers.

First-Day Membership (for those hired during FY 2008)

- One-time increase of $2.6 million for the State in fiscal year 2008.
- Division of Budget estimates $1.3 million from State General Fund and $1.3 million from other funds.
- No impact on KPERS unfunded actuarial liability.

Five-Year Vesting (for existing members effective July 1, 2009)

	Increase in...		
	Unfunded Actuarial Liability (UAL)	**Actuarial Employer Contribution Rate**	**FY 2009 Employer Contributions**
State Group	$2 million	0.14%	$1.4 million
School Group	$7 million	0.09%	$2.8 million
Subtotal, State	$9 million	0.09%	$4.2 million
Local Group	$4 million	0.18%	$2.6 million

Conclusion

Recognizing the tenuous nature of KPERS' funding coupled with demographic projections, the KPERS Board of Trustees supports the SB 362 plan design for future employees. The SB 362 plan would:

- Improve KPERS' long-term financial security by establishing an affordable mix of employer and employee contribution rates that ensure the System's financial soundness over the long term.
- Provide benefits that, when combined with Social Security and personal savings, sustain our retiree's standard of living in retirement.
- Align plan design and benefits for future public employees with demographic projections for longevity and working careers.

4-15

Appendix

- **Early Retirement Reduction Factors**
- **Retirement Income & Replacement Ratio Estimates**
- **Correctional Officer Retirement Eligibility**

Early Retirement Reduction Factors

Members who do not qualify for normal, or full, retirement benefits may retire early and receive reduced benefits beginning at age 55 (with at least 10 years of service). Assuming a monthly benefit of $1,000 before the early retirement reduction factor is applied, early retirement benefits under the current plan and the SB 362 and HB 2558 plans are summarized below.

	Current Plan[a]		SB 362 & HB 2558 Plans[b]			
	All early retirements		*Members with < 30 yrs of service*		*Members with > 30 yrs of service*	
Retirement Age	**Factor**	**$1,000 benefit reduced to...**	**Factor**	**$1,000 benefit reduced to...**	**Factor**	**$1,000 benefit reduced to...**
55	59%	$ 590	37%	$ 370	70%	$ 700
56	66%	$ 660	40%	$ 400	73%	$ 730
57	74%	$ 740	44%	$ 440	76%	$ 760
58	81%	$ 810	49%	$ 490	79%	$ 790
59	88%	$ 880	54%	$ 540	82%	$ 820
60	95%	$ 950	59%	$ 590	100%	$ 1,000
61	98%	$ 980	66%	$ 660	100%	$ 1,000
62			73%	$ 730	100%	$ 1,000
63			81%	$ 810	100%	$ 1,000
64			90%	$ 900	100%	$ 1,000

(a) Under current plan, early retirement benefits are reduced 0.2% for each month between ages 60-62 plus 0.6% for each month between ages 55-60. These reductions are "subsidized" meaning the reductions for early retirement are less than the full actuarial reductions.

(b) Under SB 362 and HB 2558 plans, early retirement benefit reductions would be subsidized only for members retiring early with 30 or more years of service. Early retirement benefits would be actuarially reduced for members retiring with less than 30 years of service.

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Retirement Income & Replacement Ratios

At Retirement	Current Plan KPERS	Current Plan Social Security	Current Plan Total	SB 362 Plan KPERS	SB 362 Plan Social Security	SB 362 Plan Total
Age 55 w/ 30 years ▪ Current Plan: 85 Points	$1,684 51%	$0 0%	$1,684 51%	$1,178 35%	$0 0%	$1,178 35%
Age 62 w/ 22 years ▪ Average retiree	$1,235 37%	$746 22%	$1,981 59%	$901 27%	$746 22%	$1,647 49%
Age 65 w/ 30 years ▪ Career employee	$1,684 51%	$1,009 30%	$2,693 81%	$1,684 51%	$1,009 30%	$2,693 81%

(a) Assumes employee retires at listed age and service with a final salary of $40,000 ($3,333 monthly).

(b) Income replacement ratio refers to percent of pre-retirement income provided by retirement benefits. Financial planners generally recommend minimum income replacement ratios of 70% to 80% from all sources (Social Security, employer plans, and personal savings).

Retirement Income & Replacement Ratios

10 Years After Retirement	Current Plan KPERS	Current Plan Social Security	Current Plan Total	SB 362 Plan KPERS	SB 362 Plan Social Security	SB 362 Plan Total
Age 55 w/ 30 years ▪ Current Plan: 85 Points	$1,684 38%	$951 21%	$2,635 59%	$1,437 32%	$951 21%	$2,388 53%
Age 62 w/ 22 years ▪ Average Retiree	$1,235 28%	$1,003 22%	$2,238 50%	$1,099 25%	$1,003 22%	$2,102 47%
Age 65 w/ 30 years ▪ Career Employee	$1,684 38%	$1,356 30%	$3,040 68%	$2,052 46%	$1,356 30%	$3,408 76%

(a) Assumes employee retires at listed age and service with a final salary of $40,000 ($3,333 monthly).

(b) Income replacement ratio refers to percent of pre-retirement income provided by retirement benefits. Financial planners generally recommend minimum income replacement ratios of 70% to 80% from all sources (Social Security, employer plans, and personal savings).

Retirement Income & Replacement Ratios

15 Years After Retirement	Current Plan: KPERS	Current Plan: Social Security	Current Plan: Total	SB 362 Plan: KPERS	SB 362 Plan: Social Security	SB 362 Plan: Total
Age 55 w/ 30 years ▪ Retiree w/ 85 Points	$1,684 33%	$1,103 21%	$2,787 54%	$1,586 31%	$1,103 21%	$2,689 52%
Age 62 w/ 22 years ▪ Average retiree	$1,235 24%	$1,162 22%	$2,397 46%	$1,213 24%	$1,162 22%	$2,375 46%
Age 65 w/ 30 years ▪ Career employee	$1,684 33%	$1,572 30%	$3,256 63%	$2,266 44%	$1,572 30%	$3,838 74%

(a) Assumes employee retires at listed age and service with a final salary of $40,000 ($3,333 monthly).

(b) Income replacement ratio refers to percent of pre-retirement income provided by retirement benefits. Financial planners generally recommend minimum income replacement ratios of 70% to 80% from all sources (Social Security, employer plans, and personal savings).

Retirement – Correctional Officers

Under the current plan, certain State correctional officers may retire with unreduced benefits earlier than other KPERS members.

	Normal Retirement	Early Retirement
C 55 Group (corrections officers and supervisors)	Age 55 with 3 years of service immediately preceding retirement or "85 points"	Age 50 with 10 years of service
C 60 Group (support personnel who have regular contact with inmates)	Age 60 with 3 years of service immediately preceding retirement or "85 points"	Age 55 with 10 years of service

The additional cost of correctional officers' retirement provisions is added to the State employer rate to determine the required employer rates for correctional officers.

12-4

Retirement – Correctional Officers (SB 362)

Under the SB 362 plan, the "85 point" rule for normal retirement eligibility will be eliminated for all members, including correctional officers.

- The retirement rules for correctional officer retirement eligibility under SB 362 are summarized in the following table.

	Normal Retirement	Early Retirement
C 55 Group (corrections officers and supervisors)	Age 55 with: a) 3 years of service immediately preceding retirement, and b) 10 years of service.	Age 50 with 10 years of service
C 60 Group (support personnel who have regular contact with inmates)	Age 60 with: a) 3 years of service immediately preceding retirement, and b) 10 years of service.	Age 55 with 10 years of service

Under the SB 362 plan, the additional cost of correctional officers' retirement provisions would continue to be added to the State's employer rate to determine the required employer rates for correctional officers.

KANSAS ASSOCIATION OF SCHOOL BOARDS

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Testimony on **SB 362**
before the
Senate Ways and Means Committee

by

Mark Tallman, Assistant Executive Director/Advocacy
Kansas Association of School Boards

March 5, 2007

Mr. Chairman, Members of the Committee:

The Kansas Association of School Boards appreciates the opportunity to comment on **SB 362**, which would create a new system of retirement benefits for school districts and other public employees beginning in 2009.

KASB members have adopted the following position on KPERS issues: *"The employers' cost of any retirement or program benefits mandated by the state should be fully and directly funded by the state. KASB opposes making KPERS a non-contributory system. KASB believes the Legislature should consider changes in the KPERS system to reduce the need for state general fund support, providing that benefits remain appropriate to attract and retain qualified employees."*

It has become clear the cost of addressing both the "unfunded actuarial liability" of the current KPERS system and the future costs of providing the current level of benefits will be very high. KASB believes the employers' cost should be borne by the state, rather than local school districts, because school district have no ability to control the cost of benefits set by the state. But we recognize this cost requires the state to spend dollars not available for other state expenditures, including support for current school districts operations. In effect, we face a trade-off between future retirement benefits and current expenditures including salaries and benefits. Furthermore, the option to retire at a relatively early age contributes to the educator shortage facing Kansas schools.

The state is already committed to a substantial increase in KPERS contributions. It seems reasonable to expect that new employees entering the system pay a higher contribution rate and somewhat later retirement age in order to maintain benefit levels similar to the current plan. We trust the KPERS Board of Trustees has found a balance is competitive with other public and private sector retirement plans.

Thank you for your consideration.

Senate Ways and Means
3-5-07
Attachment 5

KANSAS NATIONAL EDUCATION ASSOCIATION / 715 SW 10TH AVENUE / TOPEKA, KANSAS 66612-1686

Mark Desetti, testimony
Senate Ways and Means Committee
March 5, 2007

Senate Bill 362

Thank you for the opportunity to share our concerns about **Senate Bill 362**, the proposal for a two-tiered KPERS system.

While we understand the impetus for this bill, we oppose the proposed changes to the retirement system it contains.

In the teaching profession, Kansas is at a crossroads. We have a very high percentage of our teachers over the age of fifty and rapidly approaching retirement, enrollment in teacher training programs has been declining for several years, our attrition rate is around 10% per year for the first three years of teaching, and veteran teacher salaries sit at 36th in the nation when adjusted for regional cost of living. Health care costs continue to skyrocket and some Kansas school districts either offer no health insurance plan at all or pay nothing towards the premium. So at a time when it is becoming more and more difficult to entice young people into the teaching profession, we are faced with a bill that tells them their retirement system will provide a smaller benefit for more years of service than their older colleagues receive.

Specifically, we oppose the following changes:

- the final average salary calculation going from three years to five years,
- the increase in the employee contribution, and
- the elimination of the 85 point rule for retirement.

Collectively these three provisions show that new employees will take home a smaller percentage of their paychecks and work longer for a smaller benefit. We think that's wrong.

While we appreciate the addition of a regular COLA beginning at age 65, this COLA is funded with an increase in the employee contribution. In other words, the employee is paying up front for a COLA later. The impact of this provision is a 50% increase in employee contributions for every year of work in return for a 2% increase each year that he or she lives beyond age 65.

It is also interesting to note that while this bill passes an immediate 2% increase in the contribution rate for employees, employer contribution rate increases are capped at 0.6% in any given year. And while employees have no ability to reduce their contribution rate, the legislature can do so any time it pleases.

We grant you that the state is gradually increasing the employer contribution and some day may come up to the actuarial rate. But this is exactly what has caused the problem to become so acute. The state has never fully covered the employer contribution, depending far too often on market returns to cover the deficit.

The change in the calculation of final average salary from three years to five sounds almost benign but in reality is quite troublesome. The result would be to lower the final benefit to the retiree because the final average salary will be lower.

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3-5-07
Attachment 6

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The help you are looking for in this plan comes entirely from the employee. He/she will see a contribution increase of 50%, there will be reduction in the calculation of benefit, and if he/she opts for an early retirement there is an even greater reduction in benefit.

We are faced then with a bill that will require people to work longer with less take-home pay for a smaller benefit. I hope you understand our difficulty in supporting such a plan.

All this said, we understand the dilemma you are in. The challenge before you is indeed awesome. We applaud the attention you are giving to KPERS and hope that you will consider the impact of each individual change on the ability of the state and our schools to recruit and retain a highly qualified, skilled workforce.

As for **Senate Bill 364**, we know that current employees want a COLA built into their retirement plan. This bill would have current employees pay for that COLA now. I imagine if you are within a few years of retirement this looks like a darn good deal. If you are a first or second year teacher, it's not such a deal. A second year teacher earning $30,000 would see a decrease of $600 in their income. That's a pretty significant hit.

We appreciate this examination of how to provide a COLA. We are here every year with current retirees trying to persuade the Legislature to give an ad-hoc COLA and that is frustrating. We believe you must address the COLA situation for current and future retirees.

Finally we would like to point out what we might call "legislative schizophrenia." I have spent a lot of time in the House and Senate Tax Committees this year and, while the state is faced with on-going costs and some significant funding needs – KPERS and the Regent's deferred maintenance are just two – we are very concerned about the tendency to rush passage of a multitude of tax cuts before providing for the needs of Kansas citizens.

There is becoming an ever greater disconnect between tax policy and funding needs in Kansas. If the Legislature has a real interest in solving the KPERS problem then perhaps it is time to hold off on tax cuts and seriously examine the entire Kansas tax system. It is time to take a comprehensive look at the tax system to ensure that it provides a stable stream of revenue to meet the needs of the state, that it has balance among tax sources, and that it is fair to both citizens and businesses.

Kansas Public Employees Retirement System

Legislative Data Sheet

2007 Senate Bill 364

Sponsored by Joint Committee on Pensions, Investments and Benefits.

Effects of Bill

SB 364 provides that the KPERS **employee** contribution rate would increase from 4 percent to 6 percent on July 1, 2009. KPERS members retiring from active service after July 1, 2009, would receive an automatic, annual 2 percent increase in their benefits beginning at age 65. The annual COLA adjustment would be made each July 1 to eligible retirees. In addition to attaining age 65, retirees would need to be retired for at least one year before becoming eligible for the COLA.

Fiscal Impact

The additional funding required to pay for the SB 364 COLA would be derived from two sources: the employee rate increase from 4 to 6 percent plus increases in state and local employer contribution rates. As shown in the table below, the employer rate increase and resulting additional employer contributions would vary by KPERS membership group.

Estimated Fiscal Impact of SB 364
Cost Estimate, 2% COLA for Active Members

	Increase in Unfunded Actuarial Liability (UAL)	Contribution Rate Increase		Estimated First Year Employer Contributions
		Employee	Employer	
KPERS State Group	$ 171 million	2.00%	0.66%	$ 6.6 million
KPERS School Group	591 million	2.00%	0.81%	26.2 million
Subtotal, State & School	**$ 762 million**	**2.00%**	**0.76%**	**$ 32.8 million**
KPERS Local Group	$ 182 million	2.00%	0.38%	$ 5.6 million

These cost estimates are based on membership data and actuarial assumptions used in the Retirement System's December 31, 2005, actuarial valuation. The estimates also assume that future retirement patterns will not change and that the UAL increase will be amortized over the 28 years remaining in KPERS current amortization period.

The Retirement System could implement SB 364 within currently approved staffing and operating expenditure levels.

Date: March 2, 2007

KPERS
Kansas Public Employees Retirement System

Senate Ways and Means
3-5-07
Attachment 7

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Testimony on SB 362
Senate Ways and Means Committee
March 5, 2007

Thank you for the opportunity to present written comments on SB 362, which would make changes to the Kansas public employees retirement system (KPERS).

The mission of United School Administrators of Kansas (USA|Kansas*), through collaboration of member associations, is to serve, support, and develop educational leaders and to establish USA|Kansas as a significant force to improve education.

First and foremost, administrators share concerns about the KPERS unfunded liability issue and recognize that certain measures must be taken to maintain the solvency of the retirement system. We appreciate your efforts to identify potential solutions and support the intent of SB 362. Specifically, administrators support maintaining the funding commitments for individuals currently enrolled in KPERS and support implementing changes to the program at a specified future date. We also recognize that increasing the points for retirement from 85 to 90 is a viable strategy to maintain solvency as the number of individuals retiring continues to increase.

However, if Kansas is going to attract and retain highly qualified professionals in the public sector – including teachers and administrators – we must openly recognize that the retirement program is often a critical recruitment tool when competing with the salaries offered in the private sector.

We feel compelled to raise certain unintended consequences that may arise as a result of the changes proposed in SB 362. We offer this information for consideration as you deliberate on KPERS reform.

Kansas, not unlike other states throughout the country, is struggling with the teacher and administrator shortage. Recruiting and retaining quality teachers and administrators into the education profession remains a challenge. Making changes to the retirement program at a specified date in the future, for new employees entering the system, is a prudent action and is consistent with supporting efforts to ***retain*** teachers and administrators currently in the profession.

However, a clear dilemma that SB 362 presents is, that in the midst of the growing teacher and administrators shortage in Kansas, the proposed changes will not likely help ***recruit*** new teachers and administrators – in fact, certain provisions may exacerbate the problem. Small and rural school districts struggling with declining enrollment and recruiting and retaining

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teachers continue to struggle. Increasing the KPERS contribution from four (4) to six (6) percent would likely impact their budgets and their ability to remain competitive may impact those districts most.

While we realize that the increased contribution may be necessary, increasing the contribution by one (1) percent [to five percent] instead of two (2) percent would be a more prudent course of action.

As the teacher and administrator shortage increases, the "marketplace" for teachers is becoming increasingly competitive. The increased KPERS contribution may appear to have a limited impact on recruitment practices; however, when coupled with other recent changes, this may significantly and adversely impact districts.

As part of the KPERS reform discussion, administrators also ask that you reconsider the rule on hiring retired teachers and administrators. Because of the competitive climate, many school districts are currently hiring *retired, highly qualified* teachers and administrators. As the result of changes made last year, districts are – in many cases – encumbering the entire cost (13 percent), resulting in an increased expenditure for districts. In other instances, negotiations for teachers and administrators hinge on who will bear the burden of this expense.

Again, administrators share concerns about the KPERS unfunded liability issue and recognize that certain measures must be taken to maintain the solvency of the retirement system. Education administrators also remain committed to ensuring that each and every child in Kansas receives a quality education that will help them reach their potential and become successful, productive adults. We know that recruiting and retaining the highest quality teachers and administrators is critical to meeting this commitment.

Thank you for your continued support, for your partnership, and for recognizing the value in investing in education and programs that support of education in Kansas.

*USA|Kansas represents more than 2,000 individual members and ten member associations:

Kansas Association of Elementary School Principals (KAESP)
Kansas Association of Middle School Administrators (KAMSA)
Kansas Association of School Administrators (KASA)
Kansas Association of School Business Officials (KASBO)
Kansas Association of School Personnel Administrators (KASPA)
Kansas Assoc for Supervision and Curriculum Development (KASCD)
Kansas Association of Special Education Administrators (KASEA)
Kansas Association of Secondary School Principals (KASSP)
Kansas Council of Career and Technical Education Administrators (KCCTEA)
Kansas School Public Relations Association (KanSPRA)

Good morning. Thank you for allowing me a few minutes to speak on the issue we are faced with today, and the reality of KPERS in my life as a state employee. My name is Tommy Britney I currently work at Lansing Correctional Facility,

KPERS is the pension system for state employees, counties, school districts and most cities, including Lawrence, except for public safety workers. With $12.2 billion in assets, KPERS invests on behalf of 250,000 members - approximately one in 12 Kansans. Currently, KPERS members can retire as early as age 55 if they have 30 years of service. State employees currently contribute 4% to KPERS and the state contributes 4.58%. The state contribution is expected to increase to 7.48% in the year 2010, while the employee contribution is proposed this year to increase from 4% to 6%..

Gov. Kathleen Sebelius has proposed a 4 percent salary increase for state employees in addition to the first expansion of "longevity bonuses" in nearly 20 years. However, the governor did NOT recommend to the 2007 Legislature a cost-of-living increase for thousands of people receiving benefits from the Kansas Public Employees Retirement System. State government has about 42,000 employees, making their retirement benefits a key budget decision for legislators each year.

It is important for all legislators to remember, however, that KPERS recipients have not received a cost-of-living increase since 1998, which calculates to nearly 10 years of static benefits that do not reflect the changes in our reality. The last COLAs were a 3% increase in 1998 and a one-time check of one-half of one month's benefit in 2000. This lack of an increase is all the more reason for our Legislature to support the working families of Kansas.

Current employees should not worry about being able to retire. We should know and trust that our benefits are safe and guaranteed. Because of the lack of a cost of living increase in nearly 10 years, such questions are on the minds of the more than 40,000 Kansas state employees, and I am sure it weighs just as heavy on the other 210,000 enrollees. I urge the legislature to pass this long overdue, one-time 3 percent cost-of- living adjustment for KPERS retirees. Such an increase would cost a mere $22 million, ensuring that those employees retain benefits that are necessary in today's economy. The Kansas state employees and retirees in KPERS should not come last in the budgeting process.

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