

## MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:40 A.M. on March 12, 2007, in Room 123-S of the Capitol.

All members were present except:

Senator Carolyn McGinn - excused  
Senator Chris Steineger - excused

Committee staff present:

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

Conferees appearing before the committee:

Joan Wagnon, Kansas Department of Revenue  
John Pinegar, Western Kansas Development Organization  
Matt Traster, Grant County Commissioner  
Gary Baker, Hugoton (written)

Others attending:

See attached list.

Copies of the Kansas Legislative Research Department Budget Analysis report for FY 2007 and FY 2008 were available to the committee.

### **Subcommittee reports on:**

#### **Kansas Department on Aging (Attachment 1)**

Subcommittee Chair Jean Schodorf reported that the subcommittee on the Kansas Department on Aging concurs with the Governor's recommendation in FY 2007 and concurs with the Governor's FY 2008 recommendation with adjustments and notations.

Senator Kelly moved, with a second by Senator V. Schmidt, to adopt the subcommittee budget report on the Kansas Department on Aging in FY 2007. Motion carried on a voice vote.

Senator Wysong moved, with a second by Senator Schodorf, to amend the subcommittee budget report on the Kansas Department on Aging in FY 2008 to consider Item No. 2 in Omnibus. Motion carried on a voice vote.

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

#### **Kansas Lottery**

#### **Racing and Gaming Commission (Attachment 2)**

Subcommittee Chair Jean Schodorf reported that the subcommittee on the Kansas Lottery concurs with the Governor's recommendation in FY 2007 with adjustments and comments and concurs with the Governor's FY 2008 recommendation with adjustments and comments.

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:40 A.M. on March 12, 2007, in Room 123-S of the Capitol.

Senator Barone moved, with a second by Senator Emler to adopt the subcommittee budget report on the Kansas Lottery 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 Kansas Lottery in FY 2008. Motion carried on a voice vote.

Subcommittee Chair Jean Schodorf reported that the subcommittee on the Kansas Racing and Gaming Commission concurs with the Governor's recommendation in FY 2007 with adjustments and comments and concurs with the Governor's FY 2008 recommendations with exceptions and comments.

Senator Barone moved, with a second by Senator Schodorf, to adopt the subcommittee budget report on the Kansas Racing and Gaming Commission in FY 2007. Motion carried on a voice vote.

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

**Kansas Public Employees Retirement System Budget (Attachment 3)**

Subcommittee Chair Steve Morris reported that the subcommittee on the Kansas Public Employees Retirement System Budget concurs with the Governor's revised recommendations in FY 2007 and concurs with the Governor's FY 2008 recommendations with adjustment and other comments.

Senator Morris moved, with a second by Senator Wysong, to adopt the subcommittee budget report on the Kansas Public Employees Retirement System Budget in FY 2007 and FY 2008. Motion carried on a voice vote.

**Kansas Public Employees Retirement System Issues (Attachment 4)**

Subcommittee Chair Steve Morris reported that the subcommittee on the Kansas Public Employees Retirement System Issues held hearings on March 6 and 7, 2007, on **SB 180**, **SB 335** and **SB 371**. The subcommittee recommended that **SB 180**, **SB 335** and **SB 371** be considered favorable by the full committee with amendments for each of the bills. The subcommittee also recommended an interim study by the Joint Committee on Pensions, Investments and Benefits for **SB 339**.

Senator Morris moved, with a second by Senator Wysong, to adopt the subcommittee budget report on the Kansas Public Employees Retirement System Issues presented to the full committee on March 12, 2007. Motion carried on a voice vote.

Senator Morris moved, with a second by Senator Wysong, to amend **SB 180** and add clarification that earnings are to be exempt from state taxes (Attachment 5). Motion carried on a voice vote.

Senator V. Schmidt moved, with a second by Senator Barone, to amend **SB 180** to remove reference to the State Board of Regents Retirement Plan leaving reference in the bill to the Kansas Public Employees Retirement Plan, the Kansas Police and Fireman's Retirement Plan, and the Retirement Plan for Judges which are part of the Kansas Public Employees Retirement System (Attachment 6). Motion carried on a voice vote.

Senator Morris moved, with a second by Senator Barone, to recommend **SB 180** favorable for passage as amended. Motion carried on a roll call vote.

Senator Wysong moved, with a second by Senator Kelly, a balloon amendment (Attachment 7) regarding **SB 335** to provide for divestment from direct and indirect holdings in companies with such operations, except in the case of passively managed commingled funds when the estimate of costs of divestments exceeds a

CONTINUATION SHEET

MINUTES OF THE Senate Ways and Means Committee at 10:40 A.M. on March 12, 2007, in Room 123-S of the Capitol.

threshold test. Motion carried on a voice vote.

Senator Barone moved, with a second by Senator Kelly, to recommend SB 335 favorable for passage as amended. Motion carried on a roll call vote.

Senator Wysong moved, with a second by Senator Kelly, to amend SB 371 to allow certain members of the Kansas Police and Fireman's (KP&F) Retirement System with 21 years or more years of service who are disabled and who have children, to have retirement benefits calculated in the same manner as disabled members without children. Motion carried on voice vote.

Senator Morris moved, with a second by Senator Wysong, to recommend SB 371 favorable for passage as amended. Motion carried on a roll call vote.

The Chairman opened the public hearing on:

**SB 378--Authorizing certain interlocal agreements which allow the sharing of revenue based on growth in assessed valuation of real and personal property**

Staff briefed the committee on the bill.

The Chairman welcomed the following conferees.

Joan Wagon, Secretary, Kansas Department of Revenue, testified in support of **SB 378** (Attachment 8). Secretary Wagon explained that, as Chair of the Kansas Advisory Council on Intergovernmental Relations, that they support the bill because it is another way that counties can come together to solve local problems. She also noted that when several counties became interested in combining their resources for undertaking economic development projects and current statutory language was explicit enough, the Kansas Department of Revenue suggested clarifying the provisions of K.S.A. 12-2901 which they support.

John Pinegar, representing the Western Kansas Development Organization comprised of the Boards of County Commissioners of Grant, Morton, Stanton and Stevens counties, spoke in support of **SB 378** (Attachment 9). Mr. Pinegar explained that the bill makes it explicitly clear that counties may agree to pursue economic development activities and share the costs and benefits of such collective action by sharing revenues, which are produced from the common enterprise without fear of protracted litigation.

Madison Traster, Board of County Commission and Western Kansas Development Organization - Grant County, spoke in favor of **SB 378** (Attachment 10). Mr. Traster mentioned that the bill strengthens the ability of Kansas counties to work together utilizing the "Interlocal Cooperation Act" and the proposed legislation makes it clear that two or more counties may agree to work collectively to pursue economic development activities and share in the new revenue generated from those efforts.

The Chairman recognized Senator Morris who emphasized that the bill provides a way for counties to work together regionally and not be in competition with each other. The bill is innovative and is a form of volunteer consolidation.

Written testimony was submitted by Gary Baker, Board of County Commission, Stevens County (Attachment 11).

A hearing for **SB 365** originally scheduled for this meeting was postponed to another day and time.

The meeting adjourned at 12:00 p.m. The next meeting is scheduled for March 13, 2007.

SENATE WAYS AND MEANS COMMITTEE  
GUEST LIST

Date March 12, 2007

Name	Representing
Amy Remond	DOB
Jeff Arpin	Division of the Budget
Sean Tomb	D. Vision of the Budget
Diane Gjerstad	Wichita Public Schools
Carla Finke	KAMU
Chris Tilden	KDHE
Philip A. Hudney	Patrick J. Hudney & Co.
Heidi Pickereil	Midland Care Connection - FACE
John Pinegar	Western Kansas Development Org.
Madron Raster	Grant Co. Comm.
Patricia S. Raster	Grant Co.
John Frieder	Western Kan. Dev. Org.
Kevin Fowler	Western Kansas Development Org.
Bessie Clark	Shawnee Co. Health Agency
Val Renault	KS. Assoc. for medically underserved
Patricia Spencer	SetHA
Cara Cramer-Greene	KAMU
Ken Secker	Hein Law Firm
Lindsey Douglas	Hein Law Firm
MARK BORNYAK	CAPITOL STRATEGIES
Mike Hupples	KAMU
Joan Ferguson	KDOR
Tommy Sebas	
Ed Van Pelt	Lottery
Carol Brock	Lottery

SENATE WAYS AND MEANS COMMITTEE  
GUEST LIST


Date March 12, 2007

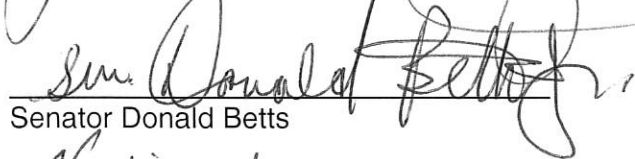
Name	Representing
John McElroy	K3BA
Charles LeBy	KRCC
STEPHEN MARTINO	KR6C
Mark Doseff	KNEA
Glenn Deck	KPERS
Cathy Seemle	KDOA
Barb Coxart	KDOA
Marty Kennedy	KDOA
Will Dees	Federico Consulting
CRAIG KABERLINE	K4A
Nancy Pierce	KHCN
Ethan Erickson	KDOT
Tavis DeBook	KDOA
Mary Sloan	KAHSA
Richard Crum	KDOR
Shannon Jones	SILCR

FY 2007 and FY 2008

SENATE WAYS AND MEANS SUBCOMMITTEE

Department on Aging

  
\_\_\_\_\_  
Senator Jean Schodorf, Chair

  
\_\_\_\_\_  
Senator Donald Betts

  
\_\_\_\_\_  
Senator Vicki Schmidt

Senate Ways and means  
3-12-07  
Attachment 1

# House Budget Committee Report

**Agency:** Department on Aging **Bill No.** HB 2541

**Bill Sec.** 31

**Analyst:** Deckard

**Analysis Pg. No.** Vol. I-133

**Budget Page No.** 37

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 182,770,465	\$ 180,022,435	\$ 0
Other Funds	289,033,657	284,036,769	0
Subtotal - Operating	\$ 471,804,122	\$ 464,059,204	\$ 0
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	\$ 0	\$ 0	\$ 0
 TOTAL	 \$ 471,804,122	 \$ 464,059,204	 \$ 0
FTE Positions			
	208.0	208.0	0.0
Non FTE Uncl. Perm. Pos.			
	9.5	9.5	0.0
TOTAL	217.5	217.5	0.0

## Agency Estimate

The Department estimates FY 2007 operating expenditures of \$471,804,122, including \$182,770,465 from the State General Fund. The estimate is an increase of \$6,400,768, or 1.4 percent, above the amount approved by the 2006 Legislature. The increase includes a State General Fund increase of \$2,468,840, or 1.4 percent. Included in the estimate is a supplemental request of \$432,795, including \$278,980 from the State General Fund, for a reduction in shrinkage. The estimate also includes KSIP expenditures of \$361,903 and \$9,907 from the State General Fund for the annualization of the pay plan approved by the 2006 Legislature. Additionally, the estimate includes an unlimited State General Fund reappropriation of \$3,095,821. This was partially offset by a decrease in the amount estimated for nursing facility expenditures of \$1,277,771 from the State General Fund. The balance of the increase is attributable to an increase of federal funds.

## Governor's Recommendation

The Governor recommends FY 2007 operating expenditures of \$464,059,204, including \$180,022,435 from the State General Fund. The recommendation is a decrease of \$1,344,150 below the amount approved by the 2006 Legislature. The recommendation is a decrease of \$7,744,918 below the agency's estimate. The Governor does not recommend the agency's supplemental request of \$432,795. Additionally, the Governor recommends a reduction of \$7,054,263, including \$2,340,120 from the State General Fund, for a decrease in nursing facility expenditures and makes an general reduction of \$257,860, including \$128,930 from the State General Fund.

### House Budget Committee Recommendation

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

### House Committee Recommendation

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

### Senate Subcommittee Report

**Agency:** Department on Aging **Bill No.** SB 358

**Bill Sec.** 31

**Analyst:** Deckard

**Analysis Pg. No.** Vol. I-133

**Budget Page No.** 37

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	Senate Subcommittee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 182,770,465	\$ 180,022,435	
Other Funds	289,033,657	284,036,769	
Subtotal - Operating	<u>\$ 471,804,122</u>	<u>\$ 464,059,204</u>	<u>\$ 0</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	
Other Funds	0	0	
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 471,804,122</u></u>	<u><u>\$ 464,059,204</u></u>	<u><u>\$ 0</u></u>
FTE Positions	208.0	208.0	0.0
Non FTE Uncl. Perm. Pos.	9.5	9.5	0.0
<b>TOTAL</b>	<u><u>217.5</u></u>	<u><u>217.5</u></u>	<u><u>0.0</u></u>

### Agency Estimate

The Department estimates FY 2007 operating expenditures of \$471,804,122, including \$182,770,465 from the State General Fund. The estimate is an increase of \$6,400,768, or 1.4 percent above the amount approved by the 2006 Legislature. The increase includes a State General Fund increase of \$2,468,840, or 1.4 percent. Included in the estimate is a supplemental request of \$432,795, including \$278,980 from the State General Fund, for a reduction in shrinkage. The estimate also includes KSIP expenditures of \$361,903 and \$9,907 from the State General Fund for the annualization of the pay plan approved by the 2006 Legislature. Additionally, the estimate includes an unlimited State General Fund reappropriation of \$3,095,821. This was partially offset



by a decrease in the amount estimated for nursing facility expenditures of \$1,277,771 from the State General Fund. The balance of the increase is attributable to an increase of federal funds.

### **Governor's Recommendation**

The Governor recommends FY 2007 operating expenditures of \$464,059,204, including \$180,022,435 from the State General Fund. The recommendation is a decrease of \$1,344,150 below the amount approved by the 2006 Legislature. The recommendation is a decrease of \$7,744,918 below the agency's estimate. The Governor does not recommend the agency's supplemental request of \$432,795. Additionally, the Governor recommends a reduction of \$7,054,263, including \$2,340,120 from the State General Fund, for a decrease in nursing facility expenditures and makes an general reduction of \$257,860, including \$128,930 from the State General Fund.

### **Senate Subcommittee Recommendation**

The Senate Subcommittee concurs with the Governor's recommendation.

# House Budget Committee Report

**Agency:** Department on Aging **Bill No.** HB 2542

**Bill Sec.** 53

**Analyst:** Deckard

**Analysis Pg. No.** Vol. I-133

**Budget Page No.** 37

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 191,268,899	\$ 186,350,601	\$ (3,242,470)
Other Funds	298,220,434	286,982,651	(5,094,119)
Subtotal - Operating	<u>\$ 489,489,333</u>	<u>\$ 473,333,252</u>	<u>\$ (8,336,589)</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 489,489,333</u></u>	<u><u>\$ 473,333,252</u></u>	<u><u>\$ (8,336,589)</u></u>
<b>FTE Positions</b>	211.0	211.0	(3.0)
<b>Non FTE Uncl. Perm. Pos.</b>	9.5	9.5	0.0
<b>TOTAL</b>	<u><u>220.5</u></u>	<u><u>220.5</u></u>	<u><u>(3.0)</u></u>

## Agency Request

The Department requests FY 2008 operating expenditures of \$489,489,333, including \$191,268,899 from the State General Fund. This is an increase of \$17,685,211 from all funding sources, or 3.7 percent, above the FY 2007 revised estimate. The request includes twelve enhancement packages totaling \$24,243,300, including \$10,975,418 from the State General Fund. Without the enhancement packages, the Department's request is a decrease of \$6,558,089, or 1.4 percent, below the FY 2007 revised estimate. The majority of the decrease is in the Long Term Care Program and is attributable to decreases in the nursing facility and HCBS/FE waiver expenditures due to the last week of FY 2006 payments being made in FY 2007, partially offset by increases in PACE and Targeted Case Management expenditures.

## Governor's Recommendation

The Governor recommends FY 2008 operating expenditures of \$473,333,252, including \$186,350,601 from the State General Fund. The recommendation is an increase of \$9,274,048, or 2.0 percent, above the FY 2007 recommendation. The increase includes a State General Fund increase of \$6,328,166, or 3.5 percent. The recommendation is a decrease of \$16,156,081, or 3.3 percent, below the agency's request. The Governor recommends \$7,943,421, including \$3,080,308 from the State General Fund, of the agency's enhancement requests which total \$24,243,300, including \$10,975,418 from the State General Fund. The Governor's FY 2008 recommendation includes the addition of \$358,316, including \$162,162 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. Additionally, the

Governor recommends the elimination of the Long Term Care Loan and Grant program, which the agency requested in the amount of \$214,068, and reduces official hospitality by \$450. The Governor also recommends the addition of \$2,815,000 from the State General Fund to reflect the most recent matching requirement for federal funding for Medicaid expenditures.

### **House Budget Committee Recommendation**

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

1. Delete \$358,316, including \$162,162 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 \$209,034, including \$135,872 from the State General Fund, to remove recommended funding to replace 28 vehicles for consideration at Omnibus.
3. Delete \$255,673 from the State General Fund and 3.0 FTE positions for the addition of three new health facility surveyors for review at Omnibus. The Department indicated these positions would be used to survey facilities which are not regulated by the federal government.
4. Delete \$3,318,500, including \$1,313,794 from the State General Fund, for the addition of oral health services for individuals on the Home and Community Based Services for the Frail Elderly (HCBS/FE) waiver in FY 2008 for review at Omnibus. The funding would allow for preventive dental care and the purchase of dentures for individuals on the waiver. The preventive dental care was added as a service for the home and community based service waivers offered by the Department of Social and Rehabilitation Services (SRS) in FY 2007.

The Budget Committee notes it received testimony that indicated SRS is waiting on approval from the federal Centers for Medicaid and Medicare Services (CMS) for approval to add the preventive dental care services to the home and community based services waivers. Prior to the implementation of the benefits for the HCBS/FE waiver, this approval would also have to be in place for the Department on Aging. The Department indicated that prior to submitting a plan amendment, the funding stream for the benefits would have to be approved. The Department indicated that it anticipated waiting at least 90 days for approval, but that the process could take significantly longer. Additionally, the Budget Committee noted its concern that individuals on the waiver will not be able to find a dentist who participates as a Medicaid provider. The Budget Committee directed the Department to talk to the dental association and the state dental officer regarding capacity issues and any other implementation issues, especially the current payment system. The Budget Committee directs the Department to report back at Omnibus regarding capacity issues and the result of the conversations. Further, the Budget Committee noted that it appeared that SRS and the Kansas Health Policy Authority (KHPA) are still experiencing issues with dental billing and payment rates, and that more investigation into the issue may be needed by all concerned parties. The Budget Committee encourages the department to involve the state dental officer at the Department of Health and Environment (KDHE) for their perspective. Additionally, the Budget Committee requests that the Department

review the estimate for expenditures for this benefit, as it would not be implemented for the entire fiscal year due to the above mentioned items.

5. Delete \$3,695,066, including \$874,969 from the State General Fund, for increases in reimbursement rates for the HCBS/FE waiver and to meet the projected increases in caseload in the waiver for review at Omnibus. The Budget Committee notes the benefits of this program which allows individuals requiring assistance to stay in their home instead of being placed in a nursing facility. The Budget Committee wishes to review at Omnibus the other enhancement items that the agency requested for the HCBS/FE waiver. These include:
  - \$720,800, including \$285,384 from the State General Fund, for a Rapid Referral and Case Management system;
  - \$581,758, including \$230,318 from the State General Fund, for 24 hour service delivery for individuals receiving waiver services;
  - \$5,321,011, including \$2,106,588 from the State General Fund, to provide companion services to individuals receiving waiver services; and
  - an additional \$5,503,285, including \$2,766,658 from the State General Fund, to increase reimbursement rates for the waiver and to meet the projected increases in caseload.
  
6. Delete \$500,000 from the State General Fund for the Senior Care Act for review at Omnibus. The Senior Care Act is a state only funded program which provides home and community based services for those individuals over the age of 60 who have not yet exhausted their financial resources. The Budget Committee wishes to review at Omnibus the other enhancement items that the agency requested for the Senior Care Act. These include:
  - \$360,400 from the State General Fund, for a Rapid Referral and Case Management system;
  - \$200,000 from the State General Fund for expedited services for individuals who would otherwise have to wait for eligibility determination; and
  - \$278,800 from the State General Fund to provide services for additional individuals on the Senior Care Act.
  
7. The Budget Committee notes that the Program of All Inclusive Care for the Elderly (PACE) is a proven program that saves the state money through the payment of a capitated rate for services. The Budget Committee notes that a commitment was made to expand the program in Topeka, which is operated by Midland Care Connection. The program is currently authorized for 75 slots and is requesting another 75 slots for the program for FY 2008. The Budget Committee recommends a review at Omnibus for the addition of \$1.15 million, including \$455,285 from the State General Fund, in FY 2008 for this expansion.

In addition, the Department is requesting an additional location for the program to be located in Wyandotte County. The Budget Committee notes that there is significant private funds being committed to this development, up to a potential

of \$1.0 million each from the Sisters of Charity, SWOPE Healthcare Services, and Via Christi. Testimony indicated that within five years, the program in Wyandotte County could grow to provide services to 500 individuals. The Budget Committee recommends a review at Omnibus, as this type of program typically takes at minimum 18 months to begin operation, as it requires federal approval. The Budget Committee recommends that the Committee consider approval of 80 slots starting in FY 2009 with the goal of adding 80 additional slots each fiscal year for up to seven years, for a total of 500 slots. The Budget Committee notes that approval would be needed this Legislative Session for the project to move forward for implementation in FY 2009. Additionally, the Budget Committee notes the commitment by the private sector, and the need for the public sector to commit to the project. The Budget Committee notes that the Department requested an enhancement of \$795,000, including \$314,741 from the State General Fund, for 50 slots for this location in FY 2008.

8. The Budget Committee recommends a review at Omnibus of the proposal from the Kansas Foundation for Medical Care, Inc., to establish two grant programs at the Department on Aging to be operated by the Foundation:
  - \$204,218 for Community Collaborative/Coalition which would develop and facilitate community collaborative/coalitions focused on healthcare quality improvement through increased continuity and coordination of care; and
  - \$152,126 for individualized nursing home technical assistance program to operate in nine nursing facilities on a voluntary basis to improve the quality of care.
  
9. The Budget Committee recommends that the addition of \$1.0 million from the State General Fund in FY 2008 for the nutrition program be considered at Omnibus.

This amount includes \$500,000 to replace food previously received via the commodities program operated by the United States Department of Agriculture (USDA), in both the entitlement and bonus commodities. Under the current federal language, which was approved this fall, the state nutrition providers will have lost access to donated commodities previously available from the USDA. In place of these commodities, the providers will have additional cash passed through to them by the Department on Aging, but will have to buy the food on the commercial market, which will be at a significantly increased rate. The Budget Committee recommends that these funds, if approved be distributed according to the number of meals served instead of using the current funding formula.

The remaining \$500,000 would be used to increase the amount of funding for the meals provided by these entities. The Budget Committee received testimony that nutrition is the backbone of all services being provided to individuals and helps keep people in their homes for as long as is feasible. Additionally, the increase in the cost of gas is creating challenges for the Meals on Wheels programs, and the Budget Committee notes testimony that in the future some programs may have to pay for the delivery, as volunteers become harder to recruit. Additionally, the Budget Committee notes that for many of those individuals receiving meal service, it is the only personal contact they have during the day, which provides both companionship and a daily security check. The additional funds could be used for food costs, labor costs or

delivery costs. The Budget Committee recommends that these funds, if approved be distributed according to the number of meals served instead of using the current funding formula.

10. The Budget Committee notes its concern that the Governor's recommendation includes using the interest obtained from repayments into the Partnership Grant Program of \$214,068 as state matching funds for the HCBS/FE waiver in FY 2008. The use of this funding in areas other than the Partnership Grant Program limits the agency's ability to innovate. The Budget Committee recommends that in the future the interest remain in the program for use as grants and recommends a review at Omnibus of the use of these funds in FY 2008.
11. The Budget Committee recommends that the Department on Aging work to increase the collaboration between the Department and KDHE, especially in an effort to reconcile survey processes between the two agencies; and invite KDHE to participate in joint provider training and all other training and activities that are applicable.
12. The Budget Committee recommends that the Department consider implementation of the following items recommended by the Kansas Association of Homes and Services for the Aging regarding survey and enforcement:
  - Establishment of a Long Term Care Physician Advisory Council;
  - Provide training on new requirements/guidelines before implementation;
  - Revisit flexibility of state in imposition of most severe sanctions;
  - Outsource Post-Inspection Provider Questionnaire to identify the Department's internal system problems while protecting provider anonymity;
  - Improve the technical assistance program at the Department;
  - Make changes to increase provider confidence in the Informal Dispute Resolution process:
    - Remove surveyor peer from panel.
    - Provide complete instructions to the panel about their options for disposition of deficiencies.
  - Re-examine splitting the long term care regulatory oversight function between the Department on Aging and KDHE.
13. Additionally, the Budget Committee notes the following items submitted as suggestions by the Kansas Health Care Association:
  - Recommend that the Department on Aging add resident and staff satisfaction surveys to the Quality Incentive Program;
  - Recommend that annual rebasing for nursing facility reimbursement rates (2007 HB 2144) be considered;

- Make staff retention, turnover, and training a priority in the state, including increasing the number of nurse educators;
  - Recognize the issue of capital improvements in bringing older homes into quality living spaces;
  - Encourage investment in information technology through loans or tax credits;
  - Promote personal responsibility and choice in long term care planning; and
  - Examine the reimbursement disparity between rural acute and long term care providers.
14. The Budget Committee notes that FY 2007 nursing facilities expenditures were reduced by \$2.79 million from all funding sources below the approved amount during the November 2006 Consensus Caseload process. The amount estimated for FY 2008 expenditures for this purpose is an increase of \$2.8 million from all funding sources above the revised FY 2007 amount.

### **House Committee Recommendation**

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

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## Senate Subcommittee Report

**Agency:** Department on Aging **Bill No.** SB 357

**Bill Sec.** 53

**Analyst:** Deckard

**Analysis Pg. No.** Vol. I-133

**Budget Page No.** 37

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	Senate Subcommittee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 191,268,899	\$ 186,350,601	\$ (1,475,956)
Other Funds	298,220,434	286,982,651	(2,200,860)
Subtotal - Operating	\$ 489,489,333	\$ 473,333,252	\$ (3,676,816)
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 489,489,333</b>	<b>\$ 473,333,252</b>	<b>\$ (3,676,816)</b>
<b>FTE Positions</b>			
FTE Positions	211.0	211.0	0.0
Non FTE Uncl. Perm. Pos.	9.5	9.5	0.0
<b>TOTAL</b>	<b>220.5</b>	<b>220.5</b>	<b>0.0</b>

### Agency Request

The Department requests FY 2008 operating expenditures of \$489,489,333, including \$191,268,899 from the State General Fund. This is an increase of \$17,685,211 from all funding sources, or 3.7 percent, above the FY 2007 revised estimate. The request includes twelve enhancement packages totaling \$24,243,300, including \$10,975,418 from the State General Fund. Without the enhancement packages, the Department's request is a decrease of \$6,558,089, or 1.4 percent, below the FY 2007 revised estimate. The majority of the decrease is in the Long Term Care Program and is attributable to decreases in the nursing facility and HCBS/FE waiver expenditures due to the last week of FY 2006 payments being made in FY 2007, partially offset by increases in PACE and Targeted Case Management expenditures.

### Governor's Recommendation

The Governor recommends FY 2008 operating expenditures of \$473,333,252, including \$186,350,601 from the State General Fund. The recommendation is an increase of \$9,274,048, or 2.0 percent, above the FY 2007 recommendation. The increase includes a State General Fund increase of \$6,328,166, or 3.5 percent. The recommendation is a decrease of \$16,156,081, or 3.3 percent, below the agency's request. The Governor recommends \$7,943,421, including \$3,080,308 from the State General Fund, of the agency's enhancement requests which total \$24,243,300,



including \$10,975,418 from the State General Fund. The Governor's FY 2008 recommendation includes the addition of \$358,316, including \$162,162 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. Additionally, the Governor recommends the elimination of the Long Term Care Loan and Grant program, which the agency requested in the amount of \$214,068, and reduces official hospitality by \$450. The Governor also recommends the addition of \$2,815,000 from the State General Fund to reflect the most recent matching requirement for federal funding for Medicaid expenditures.

### **Senate Subcommittee Recommendation**

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

1. Delete \$358,316, including \$162,162 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 \$3,318,500, including \$1,313,794 from the State General Fund, to add oral health services, including dentures, for individuals receiving services through the Home and Community Based Services for the Frail Elderly (HCBS/FE) waiver in FY 2008.

Additionally, the Subcommittee notes that the Kansas Health Policy Authority (KHPA) requested funding for oral health services in its budget submission. The Subcommittee requests clarification regarding the issue of oral health services, including the benefits implemented by the Department of Social and Rehabilitation Services (SRS) for the home and community based services waivers administered by that Department in FY 2007.

The Subcommittee notes that if the enhancement requested by HPA passes, only a portion of the enhancement request of Department on Aging would still be required. It is the understanding of the Subcommittee that the portion of the Department on Aging enhancement request for the purchase of dentures for individuals on the waiver is unique.

3. Review the purchase of 28 replacement vehicles at the cost of \$209,034, including \$135,872 from the State General Fund, at Omnibus.
4. Consider the addition of \$1,081,200, including \$645,764 from the State General Fund, in FY 2008, for a rapid referral and early intervention system for hospital discharge planners and community-based care managers at Omnibus.
5. The Subcommittee notes that the Program of All Inclusive Care for the Elderly (PACE) is a proven program that saves the state money through the payment of a capitated rate for services. The Subcommittee recommends that an expansion of the program in Topeka, which is operated by Midland Care Connection, be reviewed at Omnibus. The program is currently authorized for 75 slots and is requesting another 75 slots for the program in FY 2008. The

additional slots will cost \$1.15 million, including \$455,285 from the State General Fund, in FY 2008.

The Department is requesting an additional PACE program to be located in Wyandotte County. The Subcommittee notes that there is significant private funds being committed to this development, up to a potential of \$1.0 million each from the Sisters of Charity, SWOPE Healthcare Services, and Via Christi. Testimony indicated that within five years, the program in Wyandotte County could grow to provide services to 500 individuals. The Subcommittee notes that this type of program typically takes at least 18 months to begin operation, as it requires federal approval. The Subcommittee recommends the approval of 80 slots at the Wyandotte location starting in FY 2009. The Subcommittee notes that approval would be needed this Legislative Session for the project to move forward for implementation in FY 2009.

6. The Subcommittee notes that there are significant issues affecting the nutrition providers funded through the Department on Aging and wishes to review additional funding for this item at Omnibus.

The Subcommittee notes the providers previously received items via the commodities program operated by the United States Department of Agriculture (USDA), in both the entitlement and bonus commodities program. Under the current federal language, which was approved this fall, the state nutrition providers will lose access to donated commodities previously available from the USDA. In place of these commodities, the providers will have additional cash passed through to them by the Department on Aging, but will have to buy the food on the commercial market, which will be at a significantly increased rate. The Subcommittee notes testimony it received that Kansas and seven other states were particularly affected by this policy decision.

The Subcommittee notes that the proposed increase in federal minimum wage has the potential to significantly increase the costs incurred by the nutrition providers as they traditionally have employed many individuals at this level.

Additionally, testimony from the nutrition providers indicated that without additional funding, several providers will have to close their doors. The testimony specifically cited the provider in Hutchinson, who serves 10 counties, and the provider who serves Atchison and Washington counties.

7. The Subcommittee notes 2007 HB 2535 would deposit adult care home license fees into a newly created fund instead of into the State General Fund. If this bill is signed into law, the Subcommittee wishes to review appropriating the funds at Omnibus.
8. The Subcommittee notes the proviso included in the Governor's recommendation for the "money follows the person" program which limits those individuals transferred from nursing facilities to the community under this program to 80 individuals.
9. The Subcommittee notes that the Senior Care Act is a state only funded program which provides home and community based services for those individuals over the age of 60 who have not yet exhausted their financial resources. As of December 31, 2007, the waiting list for services from this program was 178 individuals.

10. The Subcommittee encourages the Department on Aging to add staff and resident satisfaction surveys to the Quality Incentive Program.

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FY 2007 and FY 2008

**SENATE WAYS AND MEANS SUBCOMMITTEE**

**Lottery Commission  
Racing and Gaming Commission**



Senator Jean Schodorf, Chair



Senator Jim Barone



Senator Jay Emler

Senate Ways and Means  
3-12-07  
Attachment 2

# House Budget Committee Report

**Agency:** Kansas Lottery

**Bill No.** HB 2541

**Bill Sec.** 24

**Analyst:** Efird

**Analysis Pg. No.** Vol. II - 992

**Budget Page No.** 309

<u>Expenditure Summary</u>	<u>Agency Estimate FY 07</u>	<u>Governor's Recommendation FY 07</u>	<u>House Budget Committee Adjustments</u>
<b>Operating Expenditures:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	55,462,452	55,462,452	0
Subtotal - Operating	<u>\$ 55,462,452</u>	<u>\$ 55,462,452</u>	<u>\$ 0</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 55,462,452</u></u>	<u><u>\$ 55,462,452</u></u>	<u><u>\$ 0</u></u>
<b>FTE Positions</b>	81.0	81.0	6.0
<b>Non FTE Uncl. Perm. Pos.</b>	6.0	6.0	0.0
<b>TOTAL</b>	<u><u>87.0</u></u>	<u><u>87.0</u></u>	<u><u>6.0</u></u>

## Agency Estimate

The agency requests revised FY 2007 expenditures of \$55.5 million and a reduction of 5.0 FTE positions to 81.0 FTE. The agency estimates sales of \$247.5 million and transfers to the State Gaming Revenues Fund of \$70.0 million, of which \$20.0 million would ultimately be transferred to the State General Fund under current law.

## Governor's Recommendation

The Governor concurs with expenditures of \$55.5 million and a reduction of 5.0 FTE positions. The Governor concurs with the sales estimate of \$247.5 million and recommends an increase in transfers to the State Gaming Revenues Fund of \$72.0 million. The Governor recommends \$22.0 million to be transferred to the State General Fund, including \$1.0 million from veterans games.

## House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommended expenditures of \$55.5 million in FY 2007, but makes the following adjustments and comments:

1. Reduce the Governor's estimate of State General Fund revenue from the Lottery that exceeds the consensus revenue estimate in FY 2007, pending official revisions from the consensus revenue estimating group in April 2007, and review at Omnibus any revisions in State General Fund revenue estimate that the consensus revenue group may adopt. The Governor's estimate would be reduced \$2,000,000 in FY 2007 based on the Budget Committee recommendation, with the State General Fund to receive \$20.0 million of revenue in FY 2007. The Budget Committee would note that the Governor's recommendation does not assume any increase above the agency's sales estimate in FY 2007, and may overstate the amount of money that may be transferred without forcing the Lottery to reduce expenditures for operating expenses, such as advertising.
2. Add 6.0 FTE positions in FY 2007 as a technical correction to fix a mistake in the Governor's Budget Report that is being corrected in the FY 2007 supplemental appropriations bill, according to information received from the Division of the Budget.

### House Committee Recommendation

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

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### Senate Subcommittee Report

**Agency:** Kansas Lottery      **Bill No.** SB 358      **Bill Sec.** 24  
**Analyst:** Efird      **Analysis Pg. No.** Vol. II – 992      **Budget Page No.** 309

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	Senate Subcommittee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	55,462,452	55,462,452	0
Subtotal - Operating	<u>\$ 55,462,452</u>	<u>\$ 55,462,452</u>	<u>\$ 0</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 55,462,452</u></u>	<u><u>\$ 55,462,452</u></u>	<u><u>\$ 0</u></u>
FTE Positions	81.0	81.0	6.0
Non FTE Uncl. Perm. Pos.	6.0	6.0	0.0
<b>TOTAL</b>	<u><u>87.0</u></u>	<u><u>87.0</u></u>	<u><u>6.0</u></u>

## **Agency Estimate**

The agency requests revised FY 2007 expenditures of \$55.5 million and a reduction of 5.0 FTE positions to 81.0 FTE. The agency estimates sales of \$247.5 million and transfers to the State Gaming Revenues Fund of \$70.0 million, of which \$20.0 million would ultimately be transferred to the State General Fund under current law.

## **Governor's Recommendation**

The Governor concurs with expenditures of \$55.5 million and a reduction of 5.0 FTE positions. The Governor concurs with the sales estimate of \$247.5 million and recommends an increase in transfers to the State Gaming Revenues Fund of \$72.0 million. The Governor recommends \$22.0 million to be transferred to the State General Fund, including \$1.0 million from veterans games.

## **Senate Subcommittee Recommendation**

The Subcommittee concurs with the Governor's recommended expenditures of \$55.5 million in FY 2007, but makes the following adjustments and comments:

1. Reduce the Governor's estimate of State General Fund revenue from the Lottery that exceed the consensus revenue estimate in FY 2007, pending official revisions from the consensus revenue estimating group in April 2007, and review at Omnibus any revisions in State General Fund revenue estimate that the consensus revenue group may adopt. The Governor's estimate would be reduced \$1,000,000 in FY 2007 based on the consensus estimates, with the State General Fund to receive \$38.0 million of revenue in FY 2007 rather than \$39.0 million in the Governor's estimate. The Budget Committee would note that the Governor's recommendation does not assume any increase above the agency's sales estimate in FY 2007, and may overstate the amount of money that may be transferred without forcing the Lottery to reduce expenditures for operating expenses, such as advertising. The FY 2007 amount includes \$16.3 million that inadvertently was not transferred in FY 2006.
2. Add 6.0 FTE positions in FY 2007 as a technical correction to fix a mistake in the Governor's Budget Report.

## House Budget Committee Report

**Agency:** Kansas Lottery

**Bill No.** HB 2542

**Bill Sec.** 44

**Analyst:** Efird

**Analysis Pg. No.** Vol. II - 992

**Budget Page No.** 309

<u>Expenditure Summary</u>	<u>Agency Request FY 08</u>	<u>Governor's Recommendation FY 08</u>	<u>House Budget Committee Adjustments</u>
<b>Operating Expenditures:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	<u>57,065,632</u>	<u>57,198,530</u>	<u>(304,898)</u>
Subtotal - Operating	<u>\$ 57,065,632</u>	<u>\$ 57,198,530</u>	<u>\$ (304,898)</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 57,065,632</u></u>	<u><u>\$ 57,198,530</u></u>	<u><u>\$ (304,898)</u></u>
<b>FTE Positions</b>	<u>81.0</u>	<u>81.0</u>	<u>6.0</u>
<b>Non FTE Uncl. Perm. Pos.</b>	<u>6.0</u>	<u>6.0</u>	<u>0.0</u>
<b>TOTAL</b>	<u><u>87.0</u></u>	<u><u>87.0</u></u>	<u><u>6.0</u></u>

### Agency Request

The agency requests expenditures of \$57.1 million and 81.0 FTE positions. Sales are estimated at \$255.5 million, an increase from this fiscal year's agency estimate. Transfers to the State Gaming Revenues Fund would total \$72.5 million, with \$22.5 million to be transferred to the State General Fund under current law.

### Governor's Recommendation

The Governor recommends expenditures of \$57.2 million and 81.0 FTE positions. The Governor concurs with the estimated sales of \$255.5 million and recommends transfers to the State Gaming Revenues Fund of \$75.0 million. Transfers to the State General Fund are recommended for \$25.0 million in FY 2008, including \$1.0 million from veterans games.

### House Budget Committee Recommendation

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

1. Delete \$168,898, all from special revenue funds, for the 1.5 percent base salary adjustment and 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 will be considered later.

2. Delete \$136,000, all from special revenue funds, for replacement motor vehicles that will be considered during Omnibus.
3. Reduce the Governor's estimate of State General Fund revenue from the Lottery that exceeds the consensus revenue estimate in FY 2008, pending official revisions from the consensus revenue estimating group in April 2007, and review at Omnibus any revisions in State General Fund revenue estimate that the consensus revenue group may adopt. The Governor's estimate would be reduced \$3,000,000 in FY 2008 based on the Budget Committee recommendation, with the State General Fund to receive \$22.0 million of revenue in FY 2008. The Budget Committee would note that the Governor's recommendation does not assume any increases above the agency's sales estimate in FY 2008, and may overstate the amount of money that may be transferred without forcing the Lottery to reduce expenditures for operating expenses, such as advertising.
4. Add 6.0 FTE positions in FY 2008 as a technical correction to fix a mistake in the *Governor's Budget Report* that is being corrected in the FY 2008 mega appropriations bill, according to information from the Division of the Budget.

### **House Committee Recommendation**

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

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### Senate Subcommittee Report

**Agency:** Kansas Lottery

**Bill No.** SB 357

**Bill Sec.** 44

**Analyst:** Efird

**Analysis Pg. No.** Vol. II – 992

**Budget Page No.** 309

<u>Expenditure Summary</u>	<u>Agency Request FY 08</u>	<u>Governor's Recommendation FY 08</u>	<u>Senate Subcommittee Adjustments</u>
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	<u>57,065,632</u>	<u>57,198,530</u>	<u>(168,898)</u>
Subtotal - Operating	<u>\$ 57,065,632</u>	<u>\$ 57,198,530</u>	<u>\$ (168,898)</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 TOTAL	 <u>\$ 57,065,632</u>	 <u>\$ 57,198,530</u>	 <u>\$ (168,898)</u>
 FTE Positions	 81.0	 81.0	 6.0
Non FTE Uncl. Perm. Pos.	<u>6.0</u>	<u>6.0</u>	<u>0.0</u>
TOTAL	<u>87.0</u>	<u>87.0</u>	<u>6.0</u>

#### Agency Request

The agency requests expenditures of \$57.1 million and 81.0 FTE positions. Sales are estimated at \$255.5 million, an increase from this fiscal year's agency estimate. Transfers to the State Gaming Revenues Fund would total \$72.5 million, with \$22.5 million to be transferred to the State General Fund under current law.

#### Governor's Recommendation

The Governor recommends expenditures of \$57.2 million and 81.0 FTE positions. The Governor concurs with the estimated sales of \$255.5 million and recommends transfers to the State Gaming Revenues Fund of \$75.0 million. Transfers to the State General Fund are recommended for \$25.0 million in FY 2008, including \$1.0 million from veterans games.

#### Senate Subcommittee Recommendation

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

1. Delete \$168,898, all from special revenue funds, for the 1.5 percent base salary adjustment and 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 will be considered later.
2. Reduce the Governor's estimate of State General Fund revenue from the Lottery that exceeds the consensus revenue estimate in FY 2008, pending official revisions from the consensus revenue estimating group in April 2007, and review at Omnibus any revisions in State General Fund revenue estimate that the consensus revenue group may adopt. The Governor's estimate would be reduced by \$2,000,000 in FY 2008 based on the consensus estimates, with the State General Fund to receive \$23.0 million of revenue in FY 2008 rather than \$25.0 million in the Governor's estimate. The Budget Committee would note that the Governor's recommendation does not assume any increases above the agency's sales estimate in FY 2008, and may overstate the amount of money that may be transferred without forcing the Lottery to reduce expenditures for operating expenses, such as advertising.
3. Add 6.0 FTE positions in FY 2008 as a technical correction to fix a mistake in the *Governor's Budget Report*.
4. Review at Omnibus proposed increases in the statutory transfer of \$80,000 to the Problem Gambling Grant Fund and consider a minimum transfer of at least \$190,000 for FY 2008. The Subcommittee heard testimony about the problem and lack of funding, including a request for an annual transfer of \$380,000 included in HB 2478.

## House Budget Committee Report

**Agency:** Kansas Racing and Gaming Commission    **Bill No.** HB 2541

**Bill Sec.** 25

**Analyst:** Efird

**Analysis Pg. No.** Vol. II - 1003

**Budget Page No.** 321

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 39,829	\$ 39,829	\$ 0
Other Funds	5,952,153	5,840,948	91,446
Subtotal - Operating	<u>\$ 5,991,982</u>	<u>\$ 5,880,777</u>	<u>\$ 91,446</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 TOTAL	 <u><u>\$ 5,991,982</u></u>	 <u><u>\$ 5,880,777</u></u>	 <u><u>\$ 91,446</u></u>
FTE Positions	67.0	67.0	0.0
Non FTE Uncl. Perm. Pos.	9.0	9.0	0.0
TOTAL	<u><u>76.0</u></u>	<u><u>76.0</u></u>	<u><u>0.0</u></u>

### Agency Estimate

The agency requests expenditures of slightly less than \$6.0 million, including \$39,829 from the State General Fund, and a total of 67.0 FTE positions for gaming and racing operations. The agency requests an increase of \$99,659 in the expenditure limitation for the State Racing Fund, primarily for contractual expenses associated with drug testing for dogs and horses at parimutuel meets.

### Governor's Recommendation

The Governor recommends expenditures of \$5.8 million, including \$39,829 from the State General Fund, and a total of 67.0 FTE positions. The Governor's recommendation maintains a \$2,700,000 expenditure limitation for the State Racing Fund established by the 2006 Legislature and also reduces the estimated revenues to the State Racing Fund in FY 2007.

Not included in the Governor's FY 2007 recommendation for revenue and expenditure adjustments are adjustments authorized under contingency procedures established by the 2006 Legislature and approved by the Governor after the 2006 Session. Section 61 of Chapter 216 of the 2006 *Session Laws of Kansas* delegates authority to the Director of the Budget, acting in consultation with the Director of Legislative Research, to approve transfers from other agency racing funds if cash flow problems develop in the State Racing Fund. To date in FY 2007, the procedures

were invoked once in November 2006 to transfer \$200,000 into the State Racing Fund. Additional transfers are anticipated before June 30, 2007, with a \$200,000 transfer expected in February 2007 and another transfer of \$150,000 expected in April 2007.

### **House Budget Committee Recommendation**

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

1. Do not make any transfers during FY 2007 from the Kansas Greyhound Breeding Development Fund to the State Racing Fund or any other fund. The Governor's recommendation in FY 2007 prohibited transfers to the Greyhound Tourism Fund in the Department of Commerce.
2. Increase the expenditure limitation by \$91,446 for the State Racing Fund in FY 2007 to ensure drug testing of race animals. This action will allow drug testing expenditures of \$311,000 (instead of \$219,554 in the Governor's recommendation). Actual FY 2006 drug testing costs were \$303,332. The Budget Committee notes that revenue may not be sufficient to fund the higher level of expenditures, and recommends reviewing the cash flow projections during Omnibus.

### **House Committee Recommendation**

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

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## Senate Subcommittee Report

**Agency:** Kansas Racing and Gaming Commission    **Bill No.** SB 358

**Bill Sec.** 25

**Analyst:** Efird

**Analysis Pg. No.** Vol. II – 1003

**Budget Page No.** 321

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	Senate Subcommittee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 39,829	\$ 39,829	\$ 0
Other Funds	<u>5,952,153</u>	<u>5,840,948</u>	<u>91,446</u>
Subtotal - Operating	<u>\$ 5,991,982</u>	<u>\$ 5,880,777</u>	<u>\$ 91,446</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 TOTAL	 <u><u>\$ 5,991,982</u></u>	 <u><u>\$ 5,880,777</u></u>	 <u><u>\$ 91,446</u></u>
 FTE Positions	 67.0	 67.0	 0.0
Non FTE Uncl. Perm. Pos.	<u>9.0</u>	<u>9.0</u>	<u>0.0</u>
TOTAL	<u><u>76.0</u></u>	<u><u>76.0</u></u>	<u><u>0.0</u></u>

### Agency Estimate

The agency requests expenditures of slightly less than \$6.0 million, including \$39,829 from the State General Fund, and a total of 67.0 FTE positions for gaming and racing operations. The agency requests an increase of \$99,659 in the expenditure limitation for the State Racing Fund, primarily for contractual expenses associated with drug testing for dogs and horses at parimutuel meets.

### Governor's Recommendation

The Governor recommends expenditures of \$5.8 million, including \$39,829 from the State General Fund, and a total of 67.0 FTE positions. The Governor's recommendation maintains a \$2,700,000 expenditure limitation for the State Racing Fund established by the 2006 Legislature and also reduces the estimated revenues to the State Racing Fund in FY 2007.

Not included in the Governor's FY 2007 recommendation for revenue and expenditure adjustments are adjustments authorized under contingency procedures established by the 2006 Legislature and approved by the Governor after the 2006 Session. Section 61 of Chapter 216 of the 2006 *Session Laws of Kansas* delegates authority to the Director of the Budget, acting in consultation with the Director of Legislative Research, to approve transfers from other agency racing

funds if cash flow problems develop in the State Racing Fund. To date in FY 2007, the procedures were invoked once in November 2006 to transfer \$200,000 into the State Racing Fund. Additional transfers are anticipated before June 30, 2007, with a \$200,000 transfer expected in February 2007 and another transfer of \$150,000 expected in April 2007.

### **Senate Subcommittee Recommendation**

The Subcommittee concurs with the Governor's recommendation and makes the following adjustments and comments:

1. Increase the expenditure limitation by \$91,446 for the State Racing Fund in FY 2007 to ensure drug testing of race animals. This action will allow drug testing expenditures of \$311,000 (instead of \$219,554 recommended by the Governor). Actual FY 2006 drug testing costs were \$303,332. The Budget Committee notes that revenue may not be sufficient to fund the higher level of expenditures, and recommends reviewing the cash flow projections during Omnibus.

# House Budget Committee Report

**Agency:** Kansas Racing and Gaming Commission    **Bill No.** HB 2542

**Bill Sec.** 45

**Analyst:** Efird

**Analysis Pg. No.** Vol. II - 1003

**Budget Page No.** 321

<u>Expenditure Summary</u>	<u>Agency Request FY 08</u>	<u>Governor's Recommendation FY 08</u>	<u>House Budget Committee Adjustments</u>
<b>Operating Expenditures:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	6,015,727	6,110,318	(192,339)
Subtotal - Operating	<u>\$ 6,015,727</u>	<u>\$ 6,110,318</u>	<u>\$ (192,339)</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 6,015,727</u></u>	<u><u>\$ 6,110,318</u></u>	<u><u>\$ (192,339)</u></u>
FTE Positions	67.0	67.0	0.0
Non FTE Uncl. Perm. Pos.	9.0	9.0	0.0
<b>TOTAL</b>	<u><u>76.0</u></u>	<u><u>76.0</u></u>	<u><u>0.0</u></u>

## Agency Request

The agency requests expenditures of \$6.0 million and 67.0 FTE positions for racing and gaming operations. The agency estimates a shortfall in revenue to the State Racing Fund in FY 2008 and requests supplemental financing of \$690,119 from other sources to maintain operations at present levels.

## Governor's Recommendation

The Governor recommends expenditures of \$6.1 million and staffing of 67.0 FTE positions. The Governor recommends supplementing the State Racing Fund financing with \$700,000 from the Economic Development Initiatives Fund (EDIF) in FY 2008. The Governor's recommendation does not include any emergency transfer procedures such as those established in FY 2007 for addressing problems with cash flow to the State Racing Fund.

## House Budget Committee Recommendation

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



1. Delete \$152,339 from special revenue funds for the 1.5 percent base salary adjustment and 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 will be considered later.
2. Delete \$40,000 from special revenue funds for replacement motor vehicles in Gaming Operations that will be considered during Omnibus.
3. Delete \$700,000 from the Economic Development Initiatives Fund for consideration during Omnibus.
4. Increase the expenditure limitation on the State Racing Fund from \$2,220,234 recommended by the Governor to \$2,920,234 in FY 2008 to offset the reduction of \$700,000 of EDIF financing. The Budget Committee notes that revenues may not be sufficient to fund the higher level of expenditures, and recommends reviewing the cash flow projections during Omnibus.
5. Do not make any transfers during FY 2008 from the Kansas Greyhound Breeding Development Fund to the State Racing Fund or any other fund. The Governor's recommendation in FY 2008 is to transfer \$39,000 to the State Racing Fund.
6. Review during Omnibus the issue of compensation for the five Commissioners who serve on the Racing and Gaming Commission. The Budget Committee recommends that the Governor's Office provide a report on any changes to the current compensation that may be planned to be implemented since the Governor sets the Commissioner's compensation level under statutory authority. The Budget Committee does not intend to reduce or lower compensation of current Commissioners due to the importance of their work for the parimutuel industry, but the Budget Committee does want a report at Omnibus with options for adjustments to Commissioner's compensation that might be implemented as the membership on the Commission changes and new Commissioners are appointed to serve. The current compensation of \$2,000 per month per Commissioner requires expenditures of \$120,000 per year from the State Racing Fund.
7. The Budget Committee recommends introduction of a bill to increase the parimutuel tax rate from 3/18 to 4/18 of the takeout. The tax rate adjustment would be coupled with an increase in the take-out rate to 25 percent which the Racing and Gaming Commission would adopt. The results of these changes would raise approximately \$984,043 of revenue for the State Racing Fund and \$340,586 for the Horse Fair Racing Benefit Fund over 12 months after being implemented.

### **House Committee Recommendation**

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

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### Senate Subcommittee Report

**Agency:** Kansas Racing and Gaming Commission **Bill No.** SB 357

**Bill Sec.** 45

**Analyst:** Efird

**Analysis Pg. No.** Vol. II – 1003

**Budget Page No.** 321

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	Senate Subcommittee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	6,015,727	6,110,318	(152,339)
Subtotal - Operating	<u>\$ 6,015,727</u>	<u>\$ 6,110,318</u>	<u>\$ (152,339)</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 6,015,727</u></u>	<u><u>\$ 6,110,318</u></u>	<u><u>\$ (152,339)</u></u>
FTE Positions	67.0	67.0	0.0
Non FTE Uncl. Perm. Pos.	9.0	9.0	0.0
<b>TOTAL</b>	<u><u>76.0</u></u>	<u><u>76.0</u></u>	<u><u>0.0</u></u>

### Agency Request

The agency requests expenditures of \$6.0 million and 67.0 FTE positions for racing and gaming operations. The agency estimates a shortfall in revenue to the State Racing Fund in FY 2008 and requests supplemental financing of \$690,119 from other sources to maintain operations at present levels.

### Governor's Recommendation

The Governor recommends expenditures of \$6.1 million and staffing of 67.0 FTE positions. The Governor recommends supplementing the State Racing Fund financing with \$700,000 from the Economic Development Initiatives Fund (EDIF) in FY 2008. The Governor's recommendation does not include any emergency transfer procedures such as the ones established in FY 2007 for addressing problems with cash flow to the State Racing Fund.

## Senate Subcommittee Recommendation

The Subcommittee concurs with the Governor's recommendation with the following exceptions and comments:


1. Delete \$152,339 from special revenue funds for the 1.5 percent base salary adjustment and 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 will be considered later.
2. Delete \$700,000 from the Economic Developments Initiatives Fund (EDIF) for consideration during Omnibus. The Subcommittee notes other actions that have overspent this funding source in FY 2008 and would defer review of this funding source until Omnibus.
3. Increase expenditures from the State Racing by \$700,000 in FY 2008 to offset the reduction of \$700,000 in EDIF financing. The Subcommittee notes that revenues may not be sufficient to fund the higher level of expenditures, and recommends reviewing the cash flow projections during Omnibus. HB 2554 would increase the parimutuel tax and provide an additional \$900,000 for the State Racing Fund. The bill remains in the House Federal and State Affairs Committee without a hearing scheduled as of March 9, 2007.
4. Review \$40,000 from special revenue funds for two replacement motor vehicles in Gaming Operations at Omnibus.

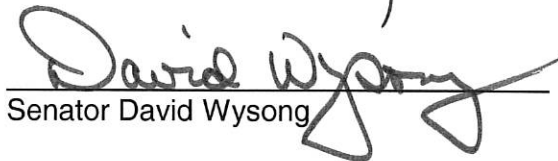
FY 2007 and FY 2008

SENATE WAYS AND MEANS SUBCOMMITTEE

Kansas Public Employees Retirement System Budget

  
\_\_\_\_\_  
Senator Stephen Morris, Chair

  
\_\_\_\_\_  
Senator Laura Kelly

  
\_\_\_\_\_  
Senator David Wysong

Senate Ways and means  
3-12-07  
Attachment 3

## House Budget Committee Report

**Agency:** Kansas Public Employees Retirement System    **Bill No.** HB 2541    **Bill Sec.** 17

**Analyst:** Efird    **Analysis Pg. No.** Vol. II - 979    **Budget Page No.** 255

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 3,511,748	\$ 3,511,748	\$ 0
Other Funds	907,917,028	907,917,028	0
Subtotal - Operating	\$ 911,428,776	\$ 911,428,776	\$ 0
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	\$ 0	\$ 0	\$ 0
<b>TOTAL</b>	<b>\$ 911,428,776</b>	<b>\$ 911,428,776</b>	<b>\$ 0</b>
FTE Positions	85.3	85.3	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
<b>TOTAL</b>	<b>85.3</b>	<b>85.3</b>	<b>0.0</b>

### Agency Estimate

The agency's revised estimate includes a net increase of \$44.7 million in expenditures, primarily for increased benefits payments of \$42.0 million to KPERS retirees and their beneficiaries. The agency indicates that a third phase of a technology project originally anticipated to be completed by the end this fiscal year will carry over \$1.0 million to FY 2008 when completion is projected, and this adjustment represents a reduction in FY 2007 expenditures. Finally, an additional \$3.3 million in fees for investment managers increase expenditures. The agency's revised estimate includes \$3.5 million for approved bond payments financed from the State General Fund.

### Governor's Recommendation

The Governor concurs with the revised estimate that increases expenditures by \$44.7 million, primarily for retirement benefit payments. The Governor also concurs with bond payments of \$3.5 million from the State General Fund for pension obligation bonds.

### House Budget Committee Recommendation

The Budget Committee concurs with the Governor's revised FY 2007 recommendation.

## House Committee Recommendation

The Committee concurs with the Budget Committee's recommendation.

## Senate Subcommittee Report

**Agency:** Kansas Public Employees Retirement System    **Bill No.** SB 358    **Bill Sec.** 17

**Analyst:** Efird    **Analysis Pg. No.** Vol. II – 979    **Budget Page No.** 255

Expenditure Summary	Agency Estimate FY 07	Governor's Recommendation FY 07	Senate Subcommittee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 3,511,748	\$ 3,511,748	\$ 0
Other Funds	907,917,028	907,917,028	0
Subtotal - Operating	<u>\$ 911,428,776</u>	<u>\$ 911,428,776</u>	<u>\$ 0</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 911,428,776</u></u>	<u><u>\$ 911,428,776</u></u>	<u><u>\$ 0</u></u>
FTE Positions	85.3	85.3	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
<b>TOTAL</b>	<u><u>85.3</u></u>	<u><u>85.3</u></u>	<u><u>0.0</u></u>

### Agency Estimate

The agency's revised estimate includes a net increase of \$44.7 million in expenditures, primarily for increased benefits payments of \$42.0 million to KPERS retirees and their beneficiaries. The agency indicates that a third phase of a technology project originally anticipated to be completed by the end this fiscal year will carry over \$1.0 million to FY 2008 when completion is projected, and this adjustment represents a reduction in FY 2007 expenditures. Finally, an additional \$3.3 million in fees for investment managers increase expenditures. The agency's revised estimate includes \$3.5 million for approved bond payments financed from the State General Fund.

### Governor's Recommendation

The Governor concurs with the revised estimate that increases expenditures by \$44.7 million, primarily for retirement benefit payments. The Governor also concurs with bond payments of \$3.5 million from the State General Fund for pension obligation bonds.

### **Senate Subcommittee Recommendation**

The Subcommittee concurs with the Governor's revised FY 2007 recommendation.

## House Budget Committee Report

**Agency:** Kansas Public Employees Retirement System    **Bill No.** HB 2542    **Bill Sec.** 37

**Analyst:** Efird    **Analysis Pg. No.** Vol. II - 979    **Budget Page No.** 255

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	House Budget Committee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 3,214,217	\$ 3,217,217	\$ 0
Other Funds	965,807,948	965,998,380	(1,881,182)
Subtotal - Operating	<u>\$ 969,022,165</u>	<u>\$ 969,215,597</u>	<u>\$ (1,881,182)</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 969,022,165</u></u>	<u><u>\$ 969,215,597</u></u>	<u><u>\$ (1,881,182)</u></u>
FTE Positions	85.3	85.3	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
<b>TOTAL</b>	<u><u>85.3</u></u>	<u><u>85.3</u></u>	<u><u>0.0</u></u>

### Agency Request

The agency's request includes an increase of \$57.6 million, primarily for benefits payments to KPERS retirees and their beneficiaries. Enhancements comprise a total of \$1.9 million of the agency's FY 2008 budget request, with a total increase of \$3.2 million above FY 2007 for agency operations as the result of another \$1.0 million of approved technology funds carrying over to FY 2008. Three technology enhancements are included in FY 2008 expenditures, with two of the enhancements requiring additional funding in FY 2009. The agency's request also includes \$3.2 million from the State General Fund for bond payments.

### Governor's Recommendation

The Governor recommends an increase in expenditures of \$57.8 million, concurring with the requested \$2.9 million increase for technology projects, including \$1.9 million for technology projects enhancements. The Governor adds funding for a 2.5 step movement and a 1.5 percent base salary adjustment for classified employees, a 4.0 percent unclassified salary pool, and longevity bonus payments for classified employees. The Governor concurs with the \$3.2 million from the State General Fund for bond payments.



## House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation, with the following exceptions:

1. Delete \$190,432 from special revenue funds for the 1.5 percent base salary adjustment and 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 funding for two of the three technology enhancement projects, including platform consolidation (\$1,117,750) and security enhancements (\$573,000) which also would have had FY 2009 expenditures associated with them. The Budget Committee will review these requested projects at Omnibus. The Budget Committee concurs with the Governor's recommended funding of \$247,425 in FY 2008 for disaster recovery. The Budget Committee wishes to commend KPERS staff for keeping the Joint Committee on Information Technology informed about its different projects and enhancements. Other agencies should follow this example. However, with a carry over of \$1.0 million into FY 2008 for an on-going technology project, the Budget Committee is reluctant at this time to add the additional enhancement funding for two more projects that have multiyear costs. The Budget Committee notes that platform consolidation has estimated two-year costs of \$1,662,500 and security enhancements have estimated two-year costs of \$979,000. Both projects should be considered in the FY 2009 budget after the agency completes its multiyear, multimillion dollar project in FY 2008.
3. Appropriate \$80.0 million from the State General Fund that is to be deposited into the State Debt Reduction Fund under provisions in 2007 SB 30, as amended by the House Committee of the Whole, for the purpose of reducing a portion of the \$3.5 billion unfunded actuarial liability of the KPERS school group. The impact of this recommendation will reduce State General Fund contributions for KPERS school payments by an estimated \$343.1 million over the period through FY 2033. The cost-savings of this action would be greater than prepaying or decreasing future pension obligation bond payments that is authorized by the House Committee of the Whole amendments to SB 30. Information provided by KPERS staff is included.

**Kansas Public Employees Retirement System  
Additional Employer Contributions - KPERS School Group**

Impact of Accelerated Employer Contributions – KPERS School Group  
\$80 Million Additional Employer Contributions in FY 2008<sup>(a)</sup>

	<i>Current Projections</i>	<i>Projections with Add'l \$80M in FY 2008</i>
<b>Projected Actuarially - Required Employer Contribution Rate (ARC Rate)</b>	12.82%	12.27%
<b>Projected ARC Date</b>	2019	2018
<b>Estimated Employer Contributions</b>		
<b>FY 2008</b>	\$179.35 million	\$259.35 million
<b>FY 2009</b>	\$201.14 million	\$201.14 million
<b>FY 2010</b>	\$225.21 million	\$225.21 million
<b>FY 2011</b>	\$259.06 million	\$259.96 million
<b>FY 2012</b>	\$293.09 million	\$293.09 million
<b>FY 2013</b>	\$327.26 million	\$327.26 million
<b>FY 2014</b>	\$362.51 million	\$362.51 million
<b>FY 2015</b>	\$399.65 million	\$399.65 million
<b>FY 2016</b>	\$439.63 million	\$439.63 million
<b>FY 2017</b>	\$481.74 million	\$481.74 million
<b>FY 2018</b>	\$529.32 million	\$524.47 million
<b>FY 2019</b>	\$561.37 million	\$547.86 million
<b>FY 2020</b>	\$585.34 million	\$570.37 million
<b>FY 2021</b>	\$608.50 million	\$591.45 million
<b>FY 2022</b>	\$629.14 million	\$610.42 million
<b>FY 2023</b>	\$650.09 million	\$630.73 million
<b>FY 2024</b>	\$670.52 million	\$649.90 million
<b>FY 2025</b>	\$691.03 million	\$669.48 million
<b>FY 2026</b>	\$711.07 million	\$688.32 million
<b>FY 2027</b>	\$730.51 million	\$706.94 million
<b>FY 2028</b>	\$748.19 million	\$723.08 million
<b>FY 2029</b>	\$764.34 million	\$738.30 million
<b>FY 2030</b>	\$777.80 million	\$750.78 million
<b>Total thru FY 2033</b>	\$14,465.11 million	\$14,122.06 million
<b>Savings versus Current Plan</b>	n/a	\$343.05 million

(a) Based on results of 12-31-05 actuarial valuation and assume additional FY 2008 employer contributions of \$80 million.

## House Committee Recommendation

The Committee concurs with the Budget Committee Report, except for item 3, and instead recommends the following:

1. If 2007 SB 30, as amended by the House Committee of the Whole, is passed and if the provision to transfer \$80.0 million from the State General Fund to the State Debt Reduction Fund established by the bill, the Legislature should consider the alternative in item 3 of the Budget Committee Report that recommends use of the funding to reduce the KPERS unfunded actuarial liability rather than reducing the pension obligation bond debt.

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## Senate Subcommittee Report

**Agency:** Kansas Public Employees Retirement System    **Bill No.** SB 357    **Bill Sec.** 37

**Analyst:** Efird    **Analysis Pg. No.** Vol. II – 979    **Budget Page No.** 255

Expenditure Summary	Agency Request FY 08	Governor's Recommendation FY 08	Senate Subcommittee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 3,214,217	\$ 3,217,217	\$ 0
Other Funds	965,807,948	965,998,380	(190,432)
Subtotal - Operating	<u>\$ 969,022,165</u>	<u>\$ 969,215,597</u>	<u>\$ (190,432)</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>TOTAL</b>	<u><u>\$ 969,022,165</u></u>	<u><u>\$ 969,215,597</u></u>	<u><u>\$ (190,432)</u></u>
FTE Positions	85.3	85.3	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
<b>TOTAL</b>	<u><u>85.3</u></u>	<u><u>85.3</u></u>	<u><u>0.0</u></u>

### Agency Request

The agency's request includes an increase of \$57.6 million, primarily for benefits payments to KPERS retirees and their beneficiaries. Enhancements comprise a total of \$1.9 million of the agency's FY 2008 budget request, with a total increase of \$3.2 million above FY 2007 for agency operations as the result of another \$1.0 million of approved technology funds carrying over to FY 2008. Three technology enhancements are included in FY 2008 expenditures, with two of the

enhancements requiring additional funding in FY 2009. The agency's request also includes \$3.2 million from the State General Fund for bond payments.

### **Governor's Recommendation**

The Governor recommends an increase in expenditures of \$57.8 million, concurring with the requested \$2.9 million increase for technology projects, including \$1.9 million for technology projects enhancements. The Governor adds funding for a 2.5 step movement and a 1.5 percent base salary adjustment for classified employees, a 4.0 percent unclassified salary pool, and longevity bonus payments for classified employees. The Governor concurs with the \$3.2 million from the State General Fund for bond payments.

### **Senate Subcommittee Recommendation**

The Subcommittee concurs with the Governor's recommendation, with the following adjustment and other comments:

1. Delete \$190,432 from special revenue funds for the 1.5 percent base salary adjustment and 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 will be considered later.
2. Note the ongoing technology project and related expenditures for additional projects. The agency estimates expenditures for the ongoing portion of the technology project at \$1,965,715 in FY 2007 and \$1,000,000 in FY 2008. The FY 2007 expenditures include the costs of completing the core system replacement phase (\$365,715) plus beginning the service enhancement phase (\$1.6 million). The FY 2008 expenditures include the costs of completing the service expansion phase (\$1.0 million) which will conclude the current approved project. In addition, the agency requests three enhancements in FY 2008 costing a total of \$1,938,175. Based on the agency's estimates, FY 2008 enhancements would total \$1,938,175 and FY 2009 expenditures would include \$950,750 to complete the enhancements. The Governor concurs with FY 2007 and FY 2008 expenditures for the technology-related projects.
3. Note the increasing state payments for KPERS contributions. The Governor's budget recommendations for all state agencies and for the Department of Education's KPERS school payments appropriation reflect increases in the employer contribution rates for KPERS retirement benefits. The Governor concurs with the required statutory retirement contribution rate increase which rises 0.6 percent for KPERS state and school groups, increasing to 5.77 percent in FY 2007 and 6.37 percent in FY 2008. The annual statutory increase in expenditures by the state in terms of employer contributions is anticipated to raise annual payments from \$186.5 million in FY 2006 to \$470.4 million in FY 2015, an increase of \$283.9 million over 10 years.
4. Note the increasing KPERS benefits payments. In FY 1997, benefits payments totaled \$397.0 million. By FY 2002, benefits payments increased to \$636.0 million. The FY 2008 recommended expenditures for benefits payments exceed \$965.9 million. This growth indicates the impact of more eligible KPERS employees retiring and of retirees living longer. Payment of benefits will exceed \$1.0 billion by FY 2010, if not sooner. The Subcommittee points out that at least

85.0 percent of the benefits payments are to retirees and their beneficiaries living in Kansas, with a significant impact on the economy of the state.


5. Note the death and long-term disability benefits program that KPERs administers for state and local employers electing coverage for public employees. This program is not included in the agency's budget request as it is considered off-budget and nonreportable, with administration by a contracted agent. Since 1966, the Death and Long-Term Disability Benefits Program has provided death and disability benefits for active KPERs members and unclassified employees of the Board of Regents and its institutions. Employers currently contribute a statutory rate of 1.0 percent of covered payroll to pay for basic group life insurance and long-term disability protection, which is an increase from the previous 0.6 percent. The 2005 Legislature adopted a number of changes in the program in order to make it self-sustaining on a pay-as-you-go basis. There have been two rate increases that were approved by the 2005 Legislature, the first one effective July 1, 2005, with a rate of 0.8 percent, and the second increase effective July 1, 2006, that instituted the 1.0 percent rate for covered payroll. Employees do not pay for the basic benefits, but employees may choose to purchase additional optional term life insurance on an individual basis. The following table presents the cash flow for the Group Insurance Reserve Fund that reflects the financial activity associated with the death and disability benefits plan. The Subcommittee is pleased that the ending balance is beginning to grow as a result of the rate increase since the future liability exceeds \$190.0 million and additional reserves will be needed to help meet these expenses.

<b>Kansas Public Employees Retirement System</b>			
<b>Group Insurance Reserve</b>			
<b>FY 2006-FY 2008</b>			
	Actual FY 2006	Projected FY 2007	Projected FY 2008
Group Insurance Reserve- Beginning of Year	\$ 13,931,707	\$ 9,841,275	\$ 15,220,461
<b>Additions:</b>			
Employer Contributions	\$ 44,312,665	\$ 57,946,676	\$ 60,264,543
Investment Income	456,880	491,407	720,752
Total- Additions	<u>\$ 44,769,545</u>	<u>\$ 58,438,083</u>	<u>\$ 60,985,295</u>
<b>Deductions:</b>			
Disability	\$ (35,432,347)	\$ (38,560,639)	\$ (39,481,210)
Basic Group Life Insurance	(13,427,630)	(14,498,258)	(15,186,665)
Total-Deductions	<u>\$ (48,859,977)</u>	<u>\$ (53,058,897)</u>	<u>\$ (54,667,875)</u>
Group Insurance Reserve- End of Year	\$ 9,841,275	\$ 15,220,461	\$ 21,537,881

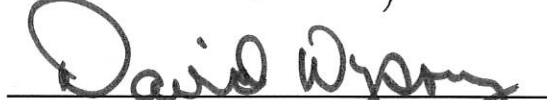
2006 Session

SENATE WAYS AND MEANS SUBCOMMITTEE

Kansas Public Employees Retirement System Issues  
March 12, 2007 Report

  
\_\_\_\_\_  
Senator Stephen Morris, Chair

  
\_\_\_\_\_  
Senator Laura Kelly

  
\_\_\_\_\_  
Senator David Wysong

The Subcommittee held hearings on March 6 and 7, 2007, for the three bills noted below. Following deliberations, the Subcommittee considered amendments to each of the bills and makes recommendations for amendments to each bill as noted:

**SB 180** would ensure that lump sum distributions shall retain their state tax exempt status after being rolled over into qualified retirement accounts. The Subcommittee believes the intent of the original legislation authorizing partial lump sum distributions was for the distributions to be exempt from state taxes.

Amendments are recommended to remove reference to the Board of Regents Retirement Plan from the bill, and to leave reference in the bill to the Kansas Public Employees Retirement Plan, the Kansas Police and Fireman's Retirement Plan, and the Retirement Plan for Judges which are part of the Kansas Public Employees Retirement System. The Subcommittee notes the original partial lump sum legislation on addressed KPERS distributions and not Regents.

**SB 335** would prohibit the investment of funds by the Kansas Public Employees Retirement System in certain companies with business operations in Sudan. The Subcommittee endorses the policy of divestment and recommends this legislation to direct such actions by the KPERS Board of Trustees.

Amendments are recommended to provide for divestment from direct and indirect holdings in companies with such operations, except in the case of passively managed commingled funds when the estimate costs of divestment exceeds a threshold test. The Subcommittee believes that in at least one instance the costs of divestment would be detrimental to the Trust Fund and that exceptions should be allowed in such cases where justified. Periodic reports to the Joint Committee on Pensions, Investments and Benefits will be require if exceptions to divestment are approved by the Board of Trustees.

**SB 371** would allow purchase of service credit by certain members of the Kansas Public Employees Retirement System for breaks in service due to serving in peace-keeping missions of the United Nations. The Subcommittee feels that this purchase at full actuarial cost to the individuals would be good public policy and consistent with other service credit purchases previously authorized by the Legislature.

Amendments are recommended to allow certain members of the Kansas Police and Fireman's (KP&F) Retirement System with 21 or more years of service, who are disabled and who have children, to have retirement benefits calculated in the same manner as disabled members without children. The Subcommittee believes this is an issue of equity and should be addressed in an affirmative manner by legislation.

## **Senate Subcommittee Recommendation**

The Subcommittee recommends the following bills, with amendments noted for each bill, for favorable consideration by the Committee:

SB 180, as amended, be passed.

SB 335, as amended, be passed.

SB 371, as amended, be passed.

The Subcommittee also recommends an interim study by the Joint Committee on Pensions, Investments and Benefits for the following bill:

SB 339 would allow local units of government to elect coverage under the Kansas Public Employees Retirement System for a retirement option similar to the state correctional officer group authorized in current law.



# SENATE BILL No. 180

By Joint Committee on Pensions, Investments and Benefits

1-25

Proposed Subcommittee Amendments  
to Senate Bill No. 180

Proposed Amendments  
to Senate Bill No. 180

z180c2

Senate Ways and Means  
3-12-07  
Attachment 5

9 AN ACT concerning retirement and pensions; relating to taxation of cer-  
10 tain benefits; exemptions; amending K.S.A. 74-4923 and repealing the  
11 existing section.  
12

13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 74-4923 is hereby amended to read as follows: 74-  
15 4923. (a) No alteration, amendment or repeal of this act shall affect the  
16 then existing rights of members and beneficiaries but shall be effective  
17 only as to rights which would otherwise accrue under this act as a result  
18 of services rendered by an employee after the alteration, amendment or  
19 repeal. This subsection shall not apply to any alteration or amendment of  
20 this act which provides greater benefits to members or beneficiaries, but  
21 any increase of benefits shall only be applicable to benefits payable on  
22 the first day of the month coinciding with or following the effective date  
23 of the alteration or amendment.

24 (b) Any annuity, benefits, funds, property or rights created by, or  
25 accruing to any person under the provisions of K.S.A. 74-4901 et seq. or  
26 74-4951 et seq., and amendments thereto, *including, but not limited to,*  
27 *for all taxable years beginning after December 31, 2000, amounts received*  
28 *as a lump-sum payment at retirement as provided by K.S.A. 74-4918, 74-*  
29 *4964 or 74-4964a, and amendments thereto, and all earnings thereof, and*  
30 *amounts received as a lump-sum or annuitized payment from the retire-*  
31 *ment plan sponsored and maintained by the state board of regents pur-*  
32 *suant to K.S.A. 74-4925, and amendments thereto, and all earnings*  
33 *thereof, shall be exempt from any tax of the state of Kansas or any political*  
34 *subdivision or taxing body of the state, and such lump-sum payment at*  
35 *retirement and such amount received as a lump-sum or annuitized pay-*  
36 *ment shall retain such tax exempt status even if a retirant elects to roll*  
37 *over such lump-sum payment at retirement or such amount received as a*  
38 *lump-sum or annuitized payment into a qualified retirement account*  
39 *whether segregated from or commingled with other retirement funds; shall*  
40 *not be subject to execution, garnishment or attachment, or, except as*  
41 *otherwise provided, any other process or claim whatsoever; and shall be*  
42 *unassignable, except that within 30 days after the death of a retirant the*  
43 *lump-sum death benefit payable to a retirant's beneficiary pursuant to*

, and all earnings thereof,

, and earnings,

# SENATE BILL No. 180

By Joint Committee on Pensions, Investments and Benefits

Proposed Subcommittee Amendments  
to Senate Bill No. 180

1-25

9 AN ACT concerning retirement and pensions; relating to taxation of cer-  
10 tain benefits; exemptions; amending K.S.A. 74-4923 and repealing the  
11 existing section.

12  
13 *Be it enacted by the Legislature of the State of Kansas:*

14 Section 1. K.S.A. 74-4923 is hereby amended to read as follows: 74-  
15 4923. (a) No alteration, amendment or repeal of this act shall affect the  
16 then existing rights of members and beneficiaries but shall be effective  
17 only as to rights which would otherwise accrue under this act as a result  
18 of services rendered by an employee after the alteration, amendment or  
19 repeal. This subsection shall not apply to any alteration or amendment of  
20 this act which provides greater benefits to members or beneficiaries, but  
21 any increase of benefits shall only be applicable to benefits payable on  
22 the first day of the month coinciding with or following the effective date  
23 of the alteration or amendment.

24 (b) Any annuity, benefits, funds, property or rights created by, or  
25 accruing to any person under the provisions of K.S.A. 74-4901 et seq. or  
26 74-4951 et seq., and amendments thereto, *including, but not limited to,*  
27 *for all taxable years beginning after December 31, 2000, amounts received*  
28 *as a lump-sum payment at retirement as provided by K.S.A. 74-4918, 74-*  
29 *4964 or 74-4964a, and amendments thereto, and all earnings thereof, and*  
30 ~~amounts received as a lump sum or annuitized payment from the retire-~~  
31 ~~ment plan sponsored and maintained by the state board of regents pur-~~  
32 ~~suant to K.S.A. 74-4925, and amendments thereto, and all earnings~~  
33 ~~thereof~~ shall be exempt from any tax of the state of Kansas or any political  
34 subdivision or taxing body of the state, *and such lump-sum payment at*  
35 *retirement and such amount received as a lump sum or annuitized pay-*  
36 *ment* shall retain such tax exempt status even if a retirant elects to roll  
37 over such lump-sum payment at retirement ~~for such amount received as a~~  
38 ~~lump sum or annuitized payment~~ into a qualified retirement account  
39 whether segregated from or commingled with other retirement funds; shall  
40 not be subject to execution, garnishment or attachment, or, except as  
41 otherwise provided, any other process or claim whatsoever; and shall be  
42 unassignable, except that within 30 days after the death of a retirant the  
lump-sum death benefit payable to a retirant's beneficiary pursuant to

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SENATE BILL No. 335

Proposed Subcommittee Amendments to Senate Bill No. 335.

By Senators Betts and Haley and Allen, Barone, Brownlee, Bruce, Francisco, Gilstrap, Hensley, Huelskamp, Journey, Kelly, Lee, Lynn, McGinn, Ostmeyer, Palmer, Petersen, Pyle, D. Schmidt, Schodorf, Steineger and Wysong

2-7

12 AN ACT concerning the Kansas public employees retirement system;
13 relating to investment standards; prohibited investments; divestment,
14 conditions and procedures.

15
16 Be it enacted by the Legislature of the State of Kansas:

17 Section 1. (a) As used in sections 1 and 2, and amendments thereto:

18 (1) "Active business operations" means a company engaged in busi-
19 ness operations that provide revenue to the government of Sudan or a
20 company engaged in oil-related activities;

21 (2) "board" means the board of trustees of the Kansas public em-
22 ployees retirement system;

23 (3) "business operations" means maintaining, selling or leasing equip-
24 ment, facilities, personnel, or any other apparatus of business or com-
25 merce in Sudan, including the ownership or possession of real or personal
26 property located in Sudan;

27 (4) "company" means a sole proprietorship, organization, association,
28 corporation, partnership, venture or other entity, its subsidiary or affiliate
29 that exists for profitmaking purposes or to otherwise secure economic
30 advantage. "Company" also means a company owned or controlled, either
31 directly or indirectly, by the government of Sudan, that is established or
32 organized under the laws of or has its principal place of business in the
33 republic of the Sudan;

34 (5) "complicity" means the taking of actions which have directly sup-
35 ported or promoted the genocidal campaign in Darfur;

36 (6) "energy or power-related operations" means any business oper-
37 ation that involves a project commissioned by the national electricity cor-
38 poration of Sudan or similar Sudanese entity whose purpose is to facilitate
39 energy or power generation and delivery;

40 (7) "government of Sudan" means the government of Sudan or its
41 instrumentalities;

42 (8) "invest" or "investment" means the purchase, ownership or con-
43 trol of stock of a company, association or corporation, the capital stock of

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1 a mutual water company or corporation, bonds issued by the government  
2 or a political subdivision of Sudan, corporate bonds or other debt instru-  
3 ments issued by a company, or the commitment of funds or other assets  
4 to a company, including a loan or extension of credit to that company;

5 (9) "KPERs fund" means the Kansas public employees retirement  
6 fund created pursuant to the provisions of K.S.A. 74-4921, and amend-  
7 ments thereto;

8 (10) "military equipment" means weapons, arms or military defense  
9 supplies;

10 (11) "mineral extraction activities" includes, but is not limited to, the  
11 exploring, extracting, processing, transporting or wholesale selling or trad-  
12 ing of elemental minerals or associated metal alloys or oxides or ore;

13 (12) "oil-related activities" means, but is not limited to, the export of  
14 oil, extracting or producing oil, exploration for oil, or the construction or  
15 maintenance of a pipeline, refinery, or other oil field infrastructure;

16 (13) "research firm" means a reputable, neutral third-party research  
17 firm;

18 (14) "substantial action" means a boycott of the government of Su-  
19 dan, curtailing business in Sudan until that time described in subsection  
20 (m), selling company assets, equipment or real and personal property  
21 located in Sudan, or undertaking significant humanitarian efforts in the  
22 eastern, southern, or western regions of Sudan; and

23 (15) "Sudan" means the republic of the Sudan, a territory under the  
24 administration or control of the Sudan, including, but not limited to, the  
25 Darfur region, or an individual, company, or public agency located in  
26 Khartoum, northern Sudan, or the Nile River Valley that supports the  
27 republic of the Sudan.

28 (b) The board shall not invest KPERs funds in a company with busi-  
29 ness operations in Sudan that meets all of the following criteria:

30 (1) The company is engaged in active business operations in Sudan.  
31 If that company is not engaged in oil-related activities, that company also  
32 lacks significant business operations in the eastern, southern and western  
33 regions of Sudan; and

34 (2) either of the following apply:

35 (A) The company is engaged in oil-related activities, mineral extrac-  
36 tion activities or energy or power-related operations, or contracts with  
37 another company with business operations in the oil, mineral extraction,  
38 energy and power sectors of Sudan, and the company failed to take sub-  
39 stantial action related to the government of Sudan because of the Darfur  
40 genocide; or

41 (B) the company has demonstrated complicity in the Darfur  
42 genocide.

43 (c) Notwithstanding subsection (b), the board shall not invest KPERs

1 funds in a company that supplies military equipment within the borders  
 2 of Sudan. If a company provides equipment within the borders of Sudan  
 3 that may be readily used for military purposes, including, but not limited  
 4 to, radar systems and military-grade transport vehicles, there shall also be  
 5 a strong presumption against investing in that company unless that com-  
 6 pany implements safeguards to prevent the use of that equipment for  
 7 military purposes.

8 (d) (1) The board may contract with a research firm or firms to de-  
 9 termine those companies that have business operations in Sudan. Such  
 10 research firm or firms may obtain aggregate data on a majority of com-  
 11 panies with business operations in Sudan. On or before September 30,  
 12 2007, such research firm or firms may report any findings to the board  
 13 and may submit further findings to the board if there is a change of  
 14 circumstances in Sudan.

15 (2) In addition to the reports described in subsection (d)(1), the board  
 16 shall take all of the following actions no later than September 30, 2007:

17 (A) Review publicly available information regarding companies with  
 18 business operations in Sudan;

19 (B) contact other institutional investors that invest in companies with  
 20 business operations in Sudan; and

21 (C) send written notice to a company with business operations in  
 22 Sudan that the company may be subject to this section.

23 (e) (1) The board shall determine, by the next applicable board  
 24 meeting and based on the information and reports described in subsec-  
 25 tion (d), if a company meets the criteria described in subsection (b) or  
 26 (c). If the board plans to invest or has investments in a company that  
 27 meets the criteria described in subsection (b) or (c), that planned or ex-  
 28 isting investments shall be subject to subsections (g) and (h).

29 (2) Investments of the board in a company that does not meet the  
 30 criteria described in subsection (b) or (c) or does not have active business  
 31 operations in Sudan are not subject to subsection (h), provided that the  
 32 company does not subsequently meet the criteria described in subsection  
 33 (b) or (c) or engage in active business operations. The board shall identify  
 34 the reasons why that company does not satisfy the criteria described in  
 35 subsection (b) or (c) or does not engage in active business operations in  
 36 the report to the joint committee on pensions, investments and benefits  
 37 described in subsection (i).

38 (f) (1) Notwithstanding subsection (e), if the board's investment in a  
 39 company described in subsection (b) or (c) is limited to investment via  
 40 an externally and actively managed commingled fund, the board shall  
 41 contact that fund manager in writing and request that the fund manager  
 42 remove that company from the KPERS fund as described in subsection  
 43 (h). If the KPERS fund or account manager creates a fund or account

The board shall not be required to divest passively managed commingled funds when the estimated annual costs of divestment exceed five percent of the total value of scrutinized companies with active business operations held in the fund and the ratio holds for at least six months time. Such an estimate should be submitted in a report to the joint committee on pensions, investment, and benefits before the exemption is exercised. The report should be updated semi-annually thereafter as applicable.

(2)

1 devoid of companies described in subsection (b) or (c), the transfer of  
 2 board investments from the prior fund or account to the fund or account  
 3 devoid of companies with business operations in Sudan shall be deemed  
 4 to satisfy subsection (h).

(3)

5 (2) If the board's investment in a company described in subsection  
 6 (b) or (c) is limited to an alternative fund or account, the alternative fund  
 7 or account manager creates an actively managed commingled fund that  
 8 excludes companies described in subsection (b) or (c), and the new fund  
 9 or account is deemed to be financially equivalent to the existing fund or  
 10 account, the transfer of board investments from the existing fund or ac-  
 11 count to the new fund or account shall be deemed to satisfy subsection  
 12 (h). If the board determines that the new fund or account is not financially  
 13 equivalent to the existing fund, the board shall include the reasons for  
 14 that determination in the report described in subsection (i).

(4)

15 (3) The board shall make a good faith effort to identify any private  
 16 equity investments that involve companies described in subsection (b) or  
 17 (c) or are linked to the government of Sudan. If the board determines  
 18 that a private equity investment clearly involves a company described in  
 19 subsection (b) or (c) or is linked to the government of Sudan, the board  
 20 shall consider, at its discretion, if those private equity investments shall  
 21 be subject to subsection (h). If the board determines that a private equity  
 22 investment clearly involves a company described in subsection (b) or (c)  
 23 or is linked to the government of Sudan and the board does not take  
 24 action as described in subsection (h), the board shall include the reasons  
 25 for its decision in the report described in subsection (i).

26 (g) Except as described in subsection (f) or subsection (e)(2), the  
 27 board, in the board's capacity of shareholder or investor, shall notify any  
 28 company described in subsection (e)(1) that the company is subject to  
 29 subsection (h) and permit that company to respond to the information  
 30 and reports described in subsection (d). The board shall request that the  
 31 company take substantial action no later than 90 days from the date the  
 32 board notified the company under this subsection. If the board deter-  
 33 mines that a company has taken substantial action or has made sufficient  
 34 progress towards substantial action before the expiration of that 90-day  
 35 period, that company shall not be subject to subsection (h). The board  
 36 shall, at intervals not to exceed 90 days, continue to monitor and review  
 37 the progress of the company until that company has taken substantial  
 38 action in Sudan. A company that fails to complete substantial action or  
 39 continue to make sufficient progress towards substantial action by the  
 40 next time interval shall be subject to subsection (h).

41 (h) If a company described in subsection (e)(1) fails to complete sub-  
 42 stantial action by the time described in subsection (g), the board shall  
 43 take the following actions:

1 (1) The board shall not make additional or new investments or renew  
2 existing investments in that company.

3 (2) The board shall liquidate the investments of the board in that  
4 company no later than 18 months after this subsection applies to that  
5 company. The board shall liquidate those investments in a manner to  
6 address the need for companies to take substantial action in Sudan and  
7 consistent with the board's fiduciary responsibilities as provided in K.S.A.  
8 74-4921, and amendments thereto.

9 (i) On or before June 30, 2008, and every year thereafter, the board  
10 shall file a report with the joint committee on pensions, investments and  
11 benefits. The report shall describe the following:

12 (1) A list of investments the board has in companies with business  
13 operations in Sudan, including, but not limited to, the issuer, by name,  
14 of the stock, bonds, securities and other evidence of indebtedness;

15 (2) a detailed summary of the business operations a company de-  
16 scribed in subsection (i)(1) has in Sudan and whether that company sat-  
17 isfies all of the criteria in subsection (b) or (c);

18 (3) whether the board has reduced KPERS fund investments in a  
19 company that satisfies the criteria in subsection (b) or (c);

20 (4) if the board has not completely reduced KPERS fund investments  
21 in a company that satisfies the criteria in subsection (b) or (c), when the  
22 board anticipates that the board will reduce all investments in that com-  
23 pany or the reasons why a sale or transfer of investments is inconsistent  
24 with the fiduciary responsibilities of the board as provided in K.S.A. 74-  
25 4921, and amendments thereto;

26 (5) any information described in subsection (e); and

27 (6) a detailed summary of investments that were transferred to funds  
28 or accounts devoid of companies with business operations in Sudan as  
29 described in subsection (f).

30 (j) If the board voluntarily sells or transfers all KPERS fund invest-  
31 ments in a company with business operations in Sudan, this section shall  
32 not apply except that the board shall file a report with the legislature  
33 related to that company as described in subsection (i).

34 (k) Nothing in this section shall require the board to take action as  
35 described in this section unless the board determines, in good faith, that  
36 the action described in this section is consistent with the fiduciary re-  
37 sponsibilities of the board as provided in K.S.A. 74-4921, and amend-  
38 ments thereto.

39 (l) Subsection (h) shall not apply to any of the following:

40 (1) Investments in a company that is primarily engaged in supplying  
41 goods or services intended to relieve human suffering in Sudan;

42 (2) investments in a company that promotes health, education, jour-  
43 nalist or religious activities in or welfare in the western, eastern or south-

1 ern regions of Sudan; and

2 (3) investments in a United States company that is authorized by the  
3 federal government to have business operations in Sudan.

4 (m) This section shall remain in effect only until one of the following  
5 occurs, and as of the date of that action, is repealed:

6 (1) The government of Sudan halts the genocide in Darfur for 12  
7 months as determined by both the department of state and the congress  
8 of the United States; or

9 (2) the United States revokes its current sanctions against Sudan.

10 New Sec. 2. Present, future and former board members jointly and  
11 individually, state officers and employees, research firms described in  
12 subsection (d) of section 1, and amendments thereto, and investment  
13 managers under contract with the Kansas public employees retirement  
14 system shall be indemnified from the state general fund and held harm-  
15 less by the state from all claims, demands, suits, actions, damages, judg-  
16 ments, costs, charges and expenses, including court costs and attorney's  
17 fees, and against all liability, losses and damages of any nature whatsoever  
18 that these present, future or former board members, officers, employees,  
19 research firms or contract investment managers shall or may at any time  
20 sustain by reason of any decision to restrict, reduce or eliminate invest-  
21 ments pursuant to section 1, and amendments thereto.

22 Sec. 3. This act shall take effect and be in force from and after its  
23 publication in the statute book.



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March 12, 2007

To: Senate Ways and Means Committee

Re: Testimony on **SB 378** – *Concerning property taxation; relating to growth in assessed valuation; authorizing certain interlocal cooperation agreements, provisions.*

I appear here today in support of SB 378, both as Chair of the Kansas Advisory Council on Intergovernmental Relations and for the Department of Revenue.

Local governments have long enjoyed the ability to work together through interlocal agreements. In fact, I have some personal experience with creating the Joint Economic Development Organization (JEDO) in Shawnee County to facilitate city and county coming together to promote economic development and to oversee the utilization of the ½ cent sales tax dedicated to that effort.

When several counties became interested in combining their resources for undertaking economic development projects, questions were raised as to whether the current statutory language was explicit enough. That was the point where our department became involved. The suggestion was made to clarify the provisions of 12-2901 which the department supports. Particularly, if bond financing could be used, the clarifying language in this bill will be very important.

KACIR supports this bill because it is another way that counties can come together to solve local problems. Our council has consistently supported removing legislative barriers to consolidation, cooperation and collaboration. This innovative legislation will be useful, not only to counties that want to work together and believe they cannot at this time, but also as a stimulus to other county groups to show ways they can collaborate on large economic development projects.

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**Testimony**  
**Before the Senate Committee on Ways and Means**  
**Senate Bill No. 378**  
**March 12, 2007**  
**Western Kansas Development Organization**  
**John D. Pinegar**

Mr. Chairman and members of the Senate Committee on Ways and Means, thank you for allowing me to testify today. I am John Pinegar and represent Western Kansas Development Organization, which is comprised of the Boards of County Commissioners of Grant, Morton, Stanton and Stevens counties.

The Legislature has authorized counties, under existing Kansas law, to establish interlocal cooperation agreements to provide more efficient government services and promote local economic development efforts. The elected Boards of County Commissioners of Grant, Morton, Stanton and Stevens counties have unanimously entered into an interlocal cooperation agreement for economic development purposes. Their goal is to work together to recruit and attract businesses to locate in that region. Collectively, by combining resources and working cooperatively, they are optimistic of being successful in business development. The counties desire to share new revenue generated from those projects they work together to attract.

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Interlocal cooperation agreements are permitted under current law and the counties are currently legally authorized by interpretation to share revenue. However, their legal counsel recommends and the Kansas Department of Revenue concurs, it would be beneficial for the Kansas Legislature to expressly and clearly authorize by law the counties ability to share revenue. Clarification and specific statutory authorization for counties to share revenue would mitigate future uncertainty. SB 378 makes it explicitly clear that counties may agree to pursue economic development activities and share the costs and benefits of such collective action by sharing revenues, which are produced from the common enterprise without fear of protracted litigation.

SB 378 makes it clear that certain powers and authority, which counties can exercise individually under current law, may also be exercised by counties collectively in accordance with the Interlocal Cooperation Act.

Thank you for allowing me to offer testimony on this important matter and I am pleased to answer questions.

**Testimony Before the House Committee on Taxation  
Supporting House Bill No. 378  
Madison Traster  
Board of County Commission  
And  
Western Kansas Development Organization  
Grant County, Kansas  
March 12, 2007**

Chairperson Umbarger, and members of the Senate Committee on Ways and Means, my name is Madison Traster. I have been a resident of Southwest Kansas for over 53 years. I am currently serving in my 10<sup>th</sup> year as a member of the Grant County Commission. I am also chairman of Western Kansas Development Organization.

Several years ago, the Boards of County Commissioners in Hamilton, Grant, Morton, Stanton and Stevens counties began informally meeting on a quarterly basis, to discuss matters of common interest and to learn from one another about efficient ways the needs of our citizens could be met in a responsible manner. Collectively, we've learned together and accomplished good things.

An outgrowth from the meetings was the counties desired to have the ability, when appropriate, to work in a collaborative fashion and join forces to bring combined strength to retain existing jobs, stimulate existing businesses growth and encourage new businesses to locate in our counties.

Senate Bill No. 378 strengthens the ability of Kansas counties to work together utilizing the "Interlocal Cooperation Act" and the proposed legislation makes it clear two

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or more counties may agree to work collectively to pursue economic development activities and share in the new revenue generated from those efforts.

Thank you for allowing me to speak in favor of Senate Bill 378 and I am pleased to answer any questions.

**Testimony Before the Senate Committee on Ways & Means  
Supporting Senate Bill 378  
Gary Baker  
Board of County Commission  
Stevens County, Kansas  
March 12, 2007**

Chairperson Umbarger, and members of the Senate Committee on Ways & Means, my name is Gary Baker. I am a third generation resident of southwest Kansas, currently residing in Hugoton, Kansas. I serve as a member of the Steven County Board of Commissioners.

I am submitting written testimony in behalf of the County Commissioners of Morton, Stanton and Stevens counties to express our collective and unanimous support for Senate Bill 378. This legislation would be an important and useful economic development tool for our counties.

Commissioner Traster and John Pinegar have presented our rationale for the bill. I'd like to add, our region is predominantly well suited to attracting agricultural related businesses. There is aggressive competition from our neighbors to the South, in Oklahoma and Texas, where local and state governments have joined together to provide attractive financial incentives to attract new agricultural related business and industry.

Senate Bill 378 simply strengthens existing Kansas law, makes explicit provisions for counties to work together on economic development initiatives and stipulates the benefits derived from those efforts can be shared by mutual agreement.

I apologize to the Committee for not being able to personally appear. I am grateful for your allowing me to offer written testimony. Thank you for your consideration.

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