Approved: May 7, 2008
Date

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 19, 2008, in Room 123-S of the Capitol.

All members were present except:
Senator Donald Betts, Jr. - excused

Committee staff present:
Jill Wolters, Senior Assistant, Revisor of Statutes
Kristen Clarke Kellems, Assistant Revisor of Statutes
Audrey Dunkel, Kansas Legislative Research Department
Julian Efird, Kansas Legislative Research Department
Leah Robinson, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Jarod Waltner, Kansas Legislative Research Department
Melinda Gaul, Chief of Staff, Senate Ways & Means
Mary Shaw, Committee Assistant

Conferees appearing before the committee:
Duane Goossen, Director, Division of the Budget and Secretary, KS Dept. of Administration
Ron Gardner, Kansas Coalition of Public Retirees
Linda Hubbard, Retired, Kansas Department of Labor
Senator Anthony Hensley
Ed Klumpp, on behalf of the Kansas Association of Chiefs of Police, Kansas Peace Officers and the Retired Firefighters
Dr. Harry Ludwick, Executive Director, Kansas Association of Retired School Personnel
Bill Layes, Kansas Coalition of Public Retirees
Terry Forsyth, Kansas National Education Association

Others attending:
See attached list.

The Chairman turned the Committee's attention to discussion of:

SB 417–Establishing a housing development grant program; waiving certain requirements for rural housing incentive district creation

Senator Schodorf moved, with a second by Senator Kelly, to remove the contents of **HB 2541** and amend the provisions of **SB 417** into **Senate Substitute for HB 2541**. Motion carried on a voice vote.

Senator Kelly moved, with a second by Senator Goodwin, to recommend **Senate Substitute for HB 2541** favorable for passage. Motion carried on a roll call vote.

Copies of the Kansas Legislative Research Department Budget Analysis Report for FY 2008 and FY 2009 were available to the committee.

Subcommittee reports on:

Kansas Department of Health and Environment - Health (Attachment 1)

Subcommittee Chairwoman Vicki Schmidt reported that the subcommittee on the Kansas Department of Health and Environment - Health concurs with the Governor's recommendation in FY 2008 with an adjustment and concurs with the Governor's FY 2009 recommendation with adjustments and observations.

MINUTES OF THE Senate Ways and Means Committee at 10:40 A.M. on March 19, 2008, in Room 123-S of the Capitol.

Senator Taddiken moved, with a second by Senator V. Schmidt, to amend the subcommittee report on the Kansas Department of Health and Environment - Health in FY 2009, Item No. 4, to delete contingent upon **SB 584** becoming law, and if it does, put positions/funding in the Department of Agriculture. Motion carried on a voice vote.

Senator V. Schmidt moved, with a second by Senator Kelly, to adopt the subcommittee report on the Kansas Department of Health and Environment - Health in FY 2008 and FY 2009 as amended. Motion carried on a voice vote.

Kansas Department of Health and Environment - Environment

Subcommittee Chairwoman Vicki Schmidt reported that the subcommittee on the Kansas Department of Health and Environment - Environment concurs with the Governor's recommendation in FY 2008 and concurs with the Governor's FY 2009 recommendation with adjustments and observations.

Senator McGinn moved, with a second by Senator V. Schmidt, to amend the subcommittee report on the Kansas Departemnt of Health and Environment (Environment) and request program updates on how much money was spent and how it was spent by Omnibus. Motion carried on a voice vote.

Senator V. Schmidt moved, with a second by Senator Schodorf, to adopt the subcommittee report on the Kansas Department of Health and Environment - Health in FY 2008 and FY 2009 as amended. Motion carried on a voice vote.

The Chairman opened the public hearing on:

SB 661--KPERS three-year cost-of-living increase for certain retirants

The Chairman welcomed the following conferees:

Duane Goossen, Director, Division of the Budget and Secretary, Kansas Department of Administration, spoke in support of **SB 661** (Attachment 2). Director Goossen explained that **SB 661** implements the Governor's proposal to provide a 1.0 percent KPERS cost-of-living-adjustment in each of the next three years. He addressed a chart attached to his testimony concerning how the cost of the proposed COLA increases fit in with payments already made to the KPERS system.

Ron Gardner, Kansas Coalition of Public Retirees, testified in support of **SB 661** (Attachment 3). Mr. Gardner noted that the last adjustment in retiree benefits was in 1998, ten years ago. This issue has become critical for those on fixed income. Mr. Gardner mentioned rising costs on food, health care, medicine, utilities, gasoline and that makes a huge problem for retirees.

Linda Hubbard, Retired, Kansas Department of Labor, testified as a proponent on **SB 661** (Attachment 4). Ms. Hubbard examples of real people where they are facing difficulty with no COLA increases. She pointed out that none of these people want a hand out, but only to receive a reasonable return from the investment they made in their retirement system.

Senator Anthony Hensley testified in support of **SB 661** (no written testimony was submitted). Senator Hensley explained that this would be a multi-year adjustment which has not been done before. He noted that there has been no COLA in ten years. This would help people with increased costs in healthcare, medicines, utilities, gas and food.

Ed Klumpp, on behalf of the Kansas Association of Chiefs of Police, Kansas Peace Officers and the Retired Firefighters, spoke in support of **SB 661** (Attachment 5). Mr. Klumpp explained that the Kansas Associations of Chiefs of Police, the Kansas Peace Officers Association and the Kansas Sheriffs Association met in February to discuss legislative issues in the current session and voted on identified legislative priorities. They see it as a critical need.

MINUTES OF THE Senate Ways and Means Committee at 10:40 A.M. on March 19, 2008, in Room 123-S of the Capitol.

Dr. Harry Ludwick, Executive Director, Kansas Association of Retired School Personnel, testified as a proponent on **SB 661** (Attachment 6). Dr. Ludwick mentioned that during almost 11 years retirees have lost over 27 percent of their buying power. Passing **SB 661** would not make them whole, but a 1 percent raise for the next three years will show them that the State of Kansas has not discarded their retirees.

Bill Layes, of the Kansas Coalition of Public Retirees, and retired from the Kansas Department of Labor, spoke in support of **SB 661** (Attachment 7). Mr. Layes mentioned that it has been ten years since KPERS retirees have been granted any COLA, since 1998. During this time, inflation has risen dramatically in the U. S. economy. **SB 661** would help with these rising costs.

Terry Forsyth, Kansas National Education Association, testified in support of **SB 661** (Attachment 8). Mr. Forsyth mentioned that the current retired, as a group, desperately need the assistance a COLA would provide given the current economic status of the country. KNEA urges support of **SB 661.**

The Chairman closed the public hearing on **SB 661**.

The meeting adjourned at 12:15 p.m. The next meeting was scheduled for March 20, 2008.

SENATE WAYS AND MEANS
GUEST LIST

Date March 19, 2008

NAME	REPRESENTING
[illegible]	Division of the Budget
Bill Layes	Retired
Ed Klumpp	KACP & KPOA
Ernie Claudel	KARSP | Coalition
Ron Gardner	Kansas Coalition of Public Retirees
Dennis Phillips	KSCFF
Larry Daugherty	Retired - ~~KARSP~~ KARSP
Sandy Daugherty	Retired - KARSP
Paul Boling	retired - KPERS
David [illegible]	KPERS - Coalition
John Sabater	
Erik Wisner	KS Dept of AG
[illegible]	Kearney & Assoc
Guy Ellis	Retired - COLA
Suzanne Wikle	KS Action for Children
Doug Bowman	CCECDS
Richard Drury	RETIRED
Lyman Miller	Retired,
Ed Rodmor	"
Bob Ramsey	" fireman
Ferne Ramsey	" state
George Wheeler	Retired Police FOP
Lynda Wheeler	KARSP - COLA - KPERS

SENATE WAYS AND MEANS
GUEST LIST

Date 3-19-08

NAME	REPRESENTING
Joyce Funk	KARSP- COLA-KPERS
Virgil Funk	KARSP - COLA - KPERS
Larry W Reed	KARSP - Cola KPERS
Ron Seeber	Hein Law Firm
TERRY FORSYTH	KNEA
Dale Rowley	Retired-KP&F
[illegible]	Retired TFD
Irene Hopkins	Retired KPER Cola
James L Hopkins	Retired T.F.D. -Cola
Gary Oyler	Retired Topeka, Fire Dept Cola
Duane Goossen	DOB
Glenn Deck	KPERS
Harvey S. [illegible]	KARSP
GARY ADKINS	SEAK
Linda Hubbard	SEAK - Coalition - Retired-COLA
Jeff Bottenberg	KSA
~~Ed Klumpp~~	~~KACP~~
Doris Wills	Retired KPERS COLA
John Mitchell	KDHE
Dick Morrissey	KDHE
Aaron Dunkel	KDHE
Susan Kang	KDHE
Vicki Lynn Helsel	Budget

SENATE WAYS AND MEANS
GUEST LIST

Date 3-19-08

NAME	REPRESENTING
Mark Boranyak	Capitol Strategies

FY 2008 and FY 2009

SENATE WAYS AND MEANS SUBCOMMITTEE

Department of Health and Environment-Health
Department of Health and Environment-Environment

Vicki Schmidt

Senator Vicki Schmidt, Chair

Laura Kelly

Senator Laura Kelly

Jean Schodorf

Senator Jean Schodorf

Senate Ways and Means
3-19-08
Attachment 1

House Budget Committee Report

Agency: Department of Health and Environment - Health **Bill No.** HB 2947 **Bill Sec.** 31

Analyst: Robinson **Analysis Pg. No.** Vol. I-192 **Budget Page No.** 173

Expenditure Summary	Agency Estimate FY 2008	Governor's Recommendation FY 2008	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	$ 34,204,925	$ 33,862,634	$ 0
Other Funds	127,033,235	127,131,872	0
TOTAL	**$ 161,238,160**	**$ 160,994,506**	**$ 0**
FTE Positions	416.9	414.9	0.0
Non FTE Uncl. Perm. Pos.	168.4	168.4	0.0
TOTAL	585.3	583.3	0.0

Agency Estimate

The **agency** estimates FY 2008 expenditures of $161.2 million, including $34.2 million from the State General Fund for the Division of Health. This amount is an increase of $7.6 million, or 4.9 percent, above the approved amount. Of the amount, $4.2 million is attributable to State General Fund reappropriated amounts. The remainder is the result of fee fund and federal fund adjustments, and three supplemental requests totaling $342,291, all from the State General Fund, for the Y-FIRE program, expanded newborn screening, and lead hazard prevention.

Governor's Recommendation

The **Governor** recommends FY 2008 expenditures of $161.0 million, including $33.9 million from the State General Fund, for the Division of Health. The recommendation includes supplemental funding of $98,637, all from special revenue funds, for the Y-FIRE program. The funding for the Y-FIRE program comes from a transfer from the Fire Marshal Fee Fund of the State Fire Marshal's Office. The Governor does not recommend the other supplemental requests made by the agency.

House Budget Committee Recommendation

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

House Committee Recommendation

The House Committee concurs with the recommendations of the Budget Committee.

Senate Subcommittee Report

Agency: Department of Health and Environment - Health **Bill No.** SB 655 **Bill Sec.** 31

Analyst: Robinson **Analysis Pg. No.** Vol. I - 192 **Budget Page No.** 173

Expenditure Summary	Agency Estimate FY 2008	Governor's Recommendation FY 2008	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	$ 34,204,925	$ 33,862,634	$ 0
Other Funds	127,033,235	127,131,872	(98,637)
TOTAL	**$ 161,238,160**	**$ 160,994,506**	**$ (98,637)**
FTE Positions	416.9	414.9	0.0
Non FTE Uncl. Perm. Pos.	168.4	168.4	0.0
TOTAL	585.3	583.3	0.0

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Governor's Recommendation

The **Governor** recommends FY 2008 expenditures of $161.0 million, including $33.9 million from the State General Fund, for the Division of Health. The recommendation includes supplemental funding of $98,637, all from special revenue funds, for the Y-FIRE program. The funding for the Y-FIRE program comes from a transfer from the Fire Marshal Fee Fund of the State Fire Marshal's Office. The Governor does not recommend the other supplemental requests made by the agency.

Senate Subcommittee Recommendation

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

1. **Y-FIRE Program.** Delete $98,637, all from special revenue funds, for the Y-FIRE (Youth Fire Safety, Intervention, Resources and Education) program. The program and 1.0 FTE position were transferred from the State Fire Marshal's

Office to the agency by the 2007 Legislature but no funding was included in the agency's budget for the program. The Governor's recommendation for FY 2008 transfers $98,637 from the Fire Marshal Fee Fund of the State Fire Marshal's Office to KDHE to fund the program. The agency suggested, and the Subcommittee recommends, the program be transferred back to the State Fire Marshal's Office.

House Budget Committee Report

Agency: Department of Health and Environment - Health **Bill No.** HB 2946 **Bill Sec.** 29

Analyst: Robinson **Analysis Pg. No.** Vol. I-192 **Budget Page No.** 173

Expenditure Summary	Agency Request FY 2009	Governor's Recommendation FY 2009	House Budget Committee Adjustments*
Operating Expenditures:			
State General Fund	$ 43,859,145	$ 29,496,965	$ (178,370)
Other Funds	127,074,039	128,448,772	(659,484)
TOTAL	**$ 170,933,184**	**$ 157,945,737**	**$ (837,854)**
FTE Positions	299.3	296.3	0.0
Non FTE Uncl. Perm. Pos.	138.6	138.6	0.0
TOTAL	437.9	434.9	0.0

*Of the Budget Committee's recommended reduction, the entire amount is related to pay plan adjustments.

Agency Request

The **agency** estimates FY 2009 expenditures of $170.9 million, including $43.9 million from the State General Fund, for the Division of Health. This amount is an increase of $9.7 million, or 6.0 percent, above the revised current year estimate. The request includes enhancements totaling $14.5 million, all from the State General Fund, and 3.0 FTE new positions. Absent the requested enhancements, the request would be a reduction of $4.8 million below the revised current year request.

Governor's Recommendation

The **Governor** recommends FY 2009 expenditures of $157.9 million, including $29.5 million from the State General Fund, for the Division of Health. The recommendation is a decrease of $3.0 million, or 1.9 percent, below the FY 2008 recommendation from all funding sources and a State General Fund decrease of $4.4 million, or 12.9 percent, below the revised the current year estimate. The Governor's recommendation includes enhancement funding of $637,146, including $91,000 from the State General Fund. The Governor recommends $216,000, including $91,000 from the State General Fund, to replace 15 vehicles. Also recommended is $321,654, all from the Children's Initiatives Fund, for expanded newborn screening, and the transfer of $99,492 from the Fire Marshal Fee Fund of the State Fire Marshal's Office to the agency for the Y-FIRE program. In addition, the Governor recommends $663,504, including $135,565 from the State General Fund, for a 2.5 percent base salary increase and $227,818, including $52,170 from the State General Fund, for an increase for those employees whose salaries are under market value.

House Budget Committee Recommendation

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

1. **State Employee Pay Increases.** Delete $663,504, including $135,565 from the State General Fund, to reduce the 2.5 percent base salary adjustment recommended by the Governor to 1.5 percent.

2. **Longevity Pay for Classified Employees.** Delete $174,350, including $42,805 from the State General Fund, to eliminate longevity pay for classified employees. The movement to a market pay compensation system, along with base salary adjustments, will shift the emphasis on state employee compensation to performance and away from a system based on length of service.

3. **Y-FIRE Program.** The Budget Committee notes that the Governor's recommendation includes a transfer of $99,492 from the Fire Marshal Fee Fund of the State Fire Marshal's Office to the Department of Health and Environment for the Y-FIRE (Youth Fire Safety, Intervention, Resources and Education) program. The program and 1.0 FTE position were transferred from the State Fire Marshal's Office to the agency by the 2007 Legislature but no funding was included in the agency's budget for the program. The Budget Committee was informed that this transfer is anticipated to be an ongoing transfer to fund the program and believes that this is appropriate funding source.

4. **Enhancement Requests.** The Budget Committee notes four enhancements which were requested by the agency and not recommended by the Governor. The Budget Committee recommends further review of these requests during Omnibus, when the Legislature will have updated State General Fund revenue estimates. The four enhancements are:

   a. ***Part C Infant Toddler (Tiny-K) Services.*** The agency requested $1.0 million, all from the State General Fund, for the Tiny-K program. This program serves children ages birth to two years of age with disabilities and their families. Similar services are provided to children ages three to five through the State Department of Education. Based on the current count of children receiving services, the agency indicates that a funding increase of $2.1 million (from the State General Fund or the Children's Initiatives Fund) would be required to mirror the formula used for children ages three to five. The agency's request was for half that amount. Infant toddler services are funded in FY 2008 at $8.6 million, including $4.7 million from the State General Fund and the Children's Initiatives Fund, and are recommended at the same level in FY 2009.

   b. ***Regional Dental Hubs.*** The agency requested $210,000, all from the State General Fund, for growth and development of regional dental hubs. Development of the regional dental hubs began in FY 2007 to increase oral health capacity in the safety net clinics. The requested funding would be used for completion and development of the dental hub sites identified in the first round of dental hub funding.

   c. ***Primary Safety Net Clinics.*** The agency requested $154,350, all from the State General fund, for increased funding for primary safety net clinics. The funding was requested to assist the clinics with the rising costs of providing services in underserved communities. In addition, the Budget Committee heard testimony from the Kansas Association for the Medically Underserved (KAMU). The organization has proposed a plan, estimated to cost between $6.1 and $8.6 million, to: accommodate a 10 to 20 percent increase in patient visits for uninsured persons; provide additional outreach efforts for enrolling eligible individuals in Medicaid and HealthWave; allow for increased recruitment of physicians and dentists; provide a capital financing grant program; and provide support for technical training and training activities.

d. ***Coordinated School Health Program.*** The agency requested $1.8 million, all from the State General Fund, for a statewide, comprehensive coordinated school health program. In 2003, Kansas received a five year grant from the Centers for Disease Control and Prevention to focus efforts on increased physical activity, nutrition, decreased tobacco use, and obesity prevention and reduction. The program, a joint effort between the agency and the State Department of Education, impacts 224 schools, and over 80,000 students in 39 counties. An application for a new five year grant was made, but not received, by the agency.

House Committee Recommendation

The House Committee concurs with the recommendations of the Budget Committee with the following adjustments:

1. Delete items 1 and 2 of the Budget Committee's report and insert the following pay plan language:

   Pay Plan Adjustments. Delete $1,065,672, including $230,540 from the State General Fund, to remove the following pay plan adjustments recommended by the Governor. Pay plan adjustments will be considered in a separate bill.

   a. ***State Employee Pay Increases.*** Delete $663,504, including $135,565 from the State General Fund, to remove the amount recommended by the Governor for the 2.5 percent base salary adjustment.

   b. ***Classified Employee Pay Plan.*** Delete $227,818, including $52,170 from the State General Fund, to remove the amount recommended by the Governor for FY 2009 pay increases for basic vocational classes and for those employees identified as having the most disparity relative to market rate.

   c. ***Longevity Pay.*** Delete $174,350, including $42,805 from the State General Fund, to remove the amount recommended by the Governor for longevity bonus payments.

2. **Enhancement Requests.** Modify item 4 of the Budget Committee report to include Omnibus consideration of $1.3 million, all from the State General Fund, for the breast and cervical cancer Early Detection Works (EDW) program. The EDW program helps low-income, uninsured, and underserved women gain access to early detection screening services for breast and cervical cancers.

Senate Subcommittee Report

Agency: Department of Health and Environment - Health **Bill No.** SB 658 **Bill Sec.** 29

Analyst: Robinson **Analysis Pg. No.** Vol. I - 192 **Budget Page No.** 173

Expenditure Summary	Agency Request FY 2009	Governor's Recommendation FY 2009	Senate Subcommittee Adjustments*
Operating Expenditures:			
State General Fund	$ 43,859,145	$ 29,496,965	$ (3,108,495)
Other Funds	127,074,039	128,448,772	(3,555,540)
TOTAL	**$ 170,933,184**	**$ 157,945,737**	**$ (6,664,035)**
FTE Positions	299.3	296.3	(39.0)
Non FTE Uncl. Perm. Pos.	138.6	138.6	0.0
TOTAL	437.9	434.9	(39.0)

*Of the Senate Subcommittee's recommended reduction, $1,065,672, including $230,540 from the State General Fund, is related to pay plan adjustments.

Agency Request

The **agency** requests FY 2009 expenditures of $170.9 million, including $43.9 million from the State General Fund, for the Division of Health. This amount is an increase of $9.7 million, or 6.0 percent, above the revised current year estimate. The request includes enhancements totaling $14.5 million, all from the State General Fund, and 3.0 FTE new positions. Absent the requested enhancements, the request would be a reduction of $4.8 million below the revised current year request.

Governor's Recommendation

The **Governor** recommends FY 2009 expenditures of $157.9 million, including $29.5 million from the State General Fund, for the Division of Health. The recommendation is a decrease of $3.0 million, or 1.9 percent, below the FY 2008 recommendation from all funding sources and a State General Fund decrease of $4.4 million, or 12.9 percent, below the revised the current year estimate. The Governor's recommendation includes enhancement funding of $637,146, including $91,000 from the State General Fund. The Governor recommends $216,000, including $91,000 from the State General Fund, to replace 15 vehicles. Also recommended is $321,654, all from the Children's Initiatives Fund, for expanded newborn screening, and the transfer of $99,492 from the Fire Marshal Fee Fund of the State Fire Marshal's Office to the agency for the Y-FIRE program. In addition, the Governor recommends $663,504, including $135,565 from the State General Fund, for a 2.5 percent base salary increase and $227,818, including $52,170 from the State General Fund, for an increase for those employees whose salaries are under market value.

Senate Subcommittee Recommendation

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

1. **Pay Plan Adjustments.** Delete $1,075,672, including $240,540 from the State General Fund, to remove the following pay plan adjustments recommended by the Governor. Pay plan adjustments will be considered in a separate bill.

   a. ***State Employee Pay Increases.*** Delete $663,504, including $135,565 from the State General Fund, to remove the amount recommended by the Governor for the 2.5 percent base salary adjustment.

   b. ***Classified Employee Pay Plan.*** Delete $237,818, including $62,170 from the State General Fund, to remove the amount recommended by the Governor for FY 2009 pay increases for basic vocational classes and for those employees identified as having the most disparity relative to market rate.

   c. ***Longevity Pay.*** Delete $174,350, including $42,805 from the State General Fund, to remove the amount recommended by the Governor for longevity bonus payments.

2. **Vehicles.** Delete $216,000, including $91,000 from the State General Fund, recommended by the Governor to replace 15 vehicles for review during Omnibus.

3. **Y-FIRE Program.** Delete $99,492, and 1.0 FTE position for the Y-FIRE (Youth Fire Safety, Intervention, Resources and Education) program. The program and 1.0 FTE position were transferred from the State Fire Marshal's Office to the agency by the 2007 Legislature but no funding was included in the agency's budget for the program. The Governor's recommendation for FY 2009 transfers $99,492 from the Fire Marshal Fee Fund of the State Fire Marshal's Office to KDHE to fund the program. The agency suggested, and the Subcommittee recommends, the program and the 1.0 FTE position be transferred back to the State Fire Marshal's Office.

4. **2008 SB 584.** Delete $2.4 million, including $251,955 from the State General Fund, and 38.0 FTE positions to reflect the Senate's passage of 2008 SB 584, which transfers the authority for the regulation of food, food service, and lodging from the Department of Health and Environment to the Department of Agriculture.

5. **Newborn Screening.** Delete $326,675, all from the Children's Initiatives Fund, to delete funding for expanded newborn screening for review during Omnibus. The Subcommittee notes that the Governor's FY 2009 recommendation for expanded newborn screening totals $2.2 million, all from the Children's Initiatives Fund. **Of this amount, $1.9 million is in the Division of Environment and $326,675 is in the Division of Health**. The Subcommittee requests that prior to Omnibus, the agency provide a comprehensive, line-item report on expenditures to date for the program and on planned expenditures for the program in FY 2009.

6. **Domestic Violence Grant Funding.** Delete $2.5 million, all from the State General Fund, in domestic violence grant funding. The Subcommittee was informed that, through an oversight, the Governor's budget recommendation for the Department of Health and Environment includes $2.5 million, all from the

State General Fund, in domestic violence grants and training funding which was intended to have been transferred to the Governor's Office budget. The funding was added to the Governor's Office budget, but not removed from the KDHE budget. A Governor's Budget Amendment to correct the recommendation is also anticipated.

7. **Enhancement Requests.** The Subcommittee notes three enhancements which were requested by the agency and not recommended by the Governor. The Subcommittee recommends further review of these requests during Omnibus, when the Legislature will have updated State General Fund revenue estimates. The three enhancements are:

   a. ***Part C Infant Toddler (Tiny-K) Services.*** The agency requested $1.0 million, all from the State General Fund, for the Tiny-K program. This program serves children ages birth to two years of age with disabilities and their families. Similar services are provided to children ages three to five through the State Department of Education. Based on the current count of children receiving services, the agency indicates that a funding increase of $2.1 million (from the State General Fund or the Children's Initiatives Fund) would be required to mirror the formula used for children ages three to five. The agency's request was for half that amount. Infant toddler services are funded in FY 2008 at $8.6 million, including $4.7 million from the State General Fund and the Children's Initiatives Fund, and are recommended at the same level in FY 2009.

   b. ***Primary Safety Net Clinics.*** The agency requested $154,350, all from the State General fund, for increased funding for primary safety net clinics. The funding was requested to assist the clinics with the rising costs of providing services in underserved communities. In addition, the Subcommittee heard testimony from the Kansas Association for the Medically Underserved (KAMU). The organization has proposed a plan, estimated to cost between $6.1 and $8.6 million, to: accommodate a 10 to 20 percent increase in patient visits for uninsured persons; provide additional outreach efforts for enrolling eligible individuals in Medicaid and HealthWave; allow for increased recruitment of physicians and dentists; provide a capital financing grant program; and provide support for technical training and training activities.

   c. ***Coordinated School Health Program.*** The agency requested $1.8 million, all from the State General Fund, for a statewide, comprehensive coordinated school health program. In 2003, Kansas received a five year grant from the Centers for Disease Control and Prevention to focus efforts on increased physical activity, nutrition, decreased tobacco use, and obesity prevention and reduction. The program, a joint effort between the agency and the State Department of Education, impacts 224 schools, and over 80,000 students in 39 counties. An application for a new five year grant was made, but the funding was not received by the agency. This program is one of the cornerstones of health reform, as recommended by the Kansas Health Policy Authority (KHPA). The KHPA plan calls for $550,728, all from the State General Fund, to expand the program.

8. **Personnel Issues.** During its review of the agency's budget, the Subcommittee requested information on recent executive leadership changes, and changes in mid-level management positions over the last four years. Two responses from the agency addressing these issues are attached for the Committee's consideration.

KANSAS

DEPARTMENT OF HEALTH
AND ENVIRONMENT

Kathleen Sebelius, Governor
Roderick L. Bremby, Secretary

www.kdheks.gov

February 15, 2008

Senator Vicki Schmidt
Chair
Senate Ways and Means
Budget Subcommittee
State Capitol, Room 142-E
Topeka, Kansas 66612

Dear Senator Schmidt:

Pursuant to your request during our budget hearing this afternoon, I am providing information regarding recent KDHE executive leadership transitions.

Our organization is made up of two operating divisions, Environment and Health. Within the Environment division we have five bureaus and the health and environmental laboratories. Of the seven executive leadership positions, we have experienced two transitions (retirements) in the past six months. Dr. Ron Hammerschmidt, division director, retired this month after 27 years in service to the state. Dr. Hammerschmidt will begin working for the EPA – Region VII. Clark Duffy, air and radiation bureau director, retired in December with 29 years of service to the state.

The Health division is comprised of four bureaus, three centers and four offices. Of the 12 executive leadership positions, we have experienced two transitions during the last six months. Dr. Howard Rodenberg transitioned (involuntary) recently. Dr. Lorne Phillips, director of the center for health and environmental statistics, retired in December, after 28 years of service to the state.

The support units consist of the Administration, Legal, Human Resources, Office of Management and Budget and Information Technology. Of the eight executive leadership positions in the support units above, we have not experienced any transitions during the last six months.

CURTIS STATE OFFICE BUILDING, 1000 SW JACKSON ST., STE. 540, TOPEKA, KS 66612-1368
Voice 785-296-0461 Fax 785-368-6368

In summary, of 28 executive leadership positions in the agency, four (4) positions have transitioned during the last six months. Three of the four were transitions due to retirements, and one due to involuntary separation.

If you have questions or need additional information, please do not hesitate to contact me at 785.296.0461.

Sincerely,

Roderick L. Bremby
Secretary

C: Sandy Weeks, Human Resources Director

KANSAS
DEPARTMENT OF HEALTH AND ENVIRONMENT

Kathleen Sebelius, Governor
Roderick L. Bremby, Secretary

www.kdheks.gov

MEMORANDUM

To: Leah Robinson, Principal Fiscal Analyst
Kansas Legislative Research Department

From: Aaron Dunkel, Deputy Secretary
Kansas Department of Health and Environment

Re: KLRD Request – Severed Management Staff 2/21/2004 to Present

Date: March 10, 2008

Per your request of February 21, 2008 I have put together the attached spreadsheet, which should answer the following questions:

In the last four years:

1) How many have left and which positions?
2) Did they retire or resign?
3) If they retired, how long had they worked for the state, how many points did they have, and if known, are they working somewhere else?
4) What were their salaries when they left?

You also asked some additional questions regarding individuals who have departed in the last 12 months. Those responses are as follows:

1) Who has taken their place and what qualifications do they have to fill the position?
    a. Of the four positions vacated in the prior 12 months only one, that of the Director of the Bureau of Air and Radiation has been filled with permanent staff. That position has been filled with Mr. Rick Brunetti, who began functioning in that role on March 1, 2008. Mr. Brunetti has a degree in Chemistry and has been with the agency since 1992. He has worked as an Environmental Technician IV (1992-1994) and as our District Environmental Administrator in the North Central District Office in Salina (1994-2008). The other three positions vacated in the last twelve months; the Director of the Division of Health, the Director of the Center

OFFICE OF THE SECRETARY
Curtis State Office Building, 1000 SW Jackson St., Ste. 540, Topeka, KS 66612-1368
Voice 785-296-0461 • Fax: 785-368-6368

for Health and Environmental Statistics, and the Director of the Division of Environment; are the subjects of nationwide searches and are currently being filled by interim directors.

2) If the responsibilities have been assumed by an existing position, what savings have been generated as a result?
    a. As a result of these four positions being vacated, and assuming that they will not be filled for the balance of the fiscal year, these vacancies will produce $122,289 in salary savings ($84,521 SGF, $37,768 Other Funds). These savings are reflected in our budget as part of the shrinkage amount for the agency, budgeted in FY 2008 at $2,301,162 SGF and $2,799,240 Other Funds. These salary savings represent 3.7 percent of our budgeted SGF shrinkage and 1.3 percent of our budgeted Other Funds shrinkage.

1-16

Mid and Upper Level Management Positions Vacated 02/21/2004 to Present

Effective:	Working Title	Title	Departure Salary	Action/Reason	Previous Bureau/Reason for Leaving	LOS for Retiree	Points for Retiree	Retiree currently working?
11/06/04	Chief Financial Officer	Head of Division	$66,950.00	Resign / Other	Leaving State Service			
12/17/04	Director, Bureau of Environmental Field Services	Pub Svc Exec IV	$64,168.00	Retirement	Retirement	31 years	99	Contracted with KDHE
07/14/06	Director, Bureau of Epi & Disease Prevention	Public Svc Exec IV	$62,113.74	Transfer	Trans. To Legislative Research			
09/29/06	Public Information Officer	Dir of Communications	$43,049.76	Transfer	To Ks Adjutant General			
10/13/06	Director, Customer Service	Head of Division	$69,993.06	Retirement	Retirement	27 years	82	Yes
01/26/07	Deputy Secretary	Deputy Secretary	$92,000.00	Transfer	Transfer to Atty Gen Office			
01/26/07	Hays,Patrick L	Public Svc Exec II	$70,137.60	Retirement	Retirement	25 years	86	No
02/09/07	Director, KDHE Laboratories	Public Svc Exec IV	$77,313.60	Resign / Other	Leaving State Service			
12/15/07	Director, Center for Health ad Environmental Stats	Public Svc Exec IV	$84,843.20	Retirement	Retirement	28 years	96	Yes
12/31/07	Director, Bureau of Air & Radiation	Director	$74,340.00	Retirement	Retirement	23 years	82	Unknown
01/03/08	Director, Division of Health	Head of Division	$165,000.00	Resign / Other	Leaving State Service			
02/15/08	Director, Division of Environment	Head of Division	$95,035.46	Retirement	Retirement	27 years	84	Yes

House Budget Committee Report

Agency: Department of Health and Environment - Environment **Bill No.** HB 2947 **Bill Sec.** 32

Analyst: Robinson **Analysis Pg. No.** Vol. I-192 **Budget Page No.** 173

Expenditure Summary	Agency Estimate FY 2008	Governor's Recommendation FY 2008	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	$ 11,871,927	$ 11,719,652	$ 0
Other Funds	59,208,850	59,208,850	0
TOTAL	**$ 71,080,777**	**$ 70,928,502**	**$ 0**
FTE Positions	398.6	398.6	0.0
Non FTE Uncl. Perm. Pos.	62.0	62.0	0.0
TOTAL	460.6	460.6	0.0

Agency Estimate

The **agency** estimates FY 2008 expenditures of $71.1 million, including $11.9 million from the State General Fund for the Division of Environment. This amount is a decrease of $730,575, or 1.0 percent, below the approved amount. Of the amount, $88,757 is attributable to State General Fund reappropriated amounts, and $136,234 is attributable to State Water Plan Fund reappropriated amounts. The remainder is the result of fee fund and federal fund adjustments, and a supplemental request totaling $152,275, all from the State General Fund, for lead hazard prevention.

Governor's Recommendation

The **Governor** recommends FY 2008 expenditures of $70.9 million, including $11.7 million from the State General Fund, for the Division of Environment. The recommendation is a reduction of $152,275 from the agency's estimate and does not include the supplemental funding requested by the agency.

House Budget Committee Recommendation

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

House Committee Recommendation

The House Committee concurs with the recommendations of the Budget Committee.

Senate Subcommittee Report

Agency: Department of Health and Environment - Environment **Bill No.** SB 655 **Bill Sec.** 32

Analyst: Robinson **Analysis Pg. No.** Vol. I-192 **Budget Page No.** 173

Expenditure Summary	Agency Estimate FY 2008	Governor's Recommendation FY 2008	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	$ 11,871,927	$ 11,719,652	$ 0
Other Funds	59,208,850	59,208,850	0
TOTAL	**$ 71,080,777**	**$ 70,928,502**	**$ 0**
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Governor's Recommendation

The **Governor** recommends FY 2008 expenditures of $70.9 million, including $11.7 million from the State General Fund, for the Division of Environment. The recommendation is a reduction of $152,275 from the agency's estimate and does not include the supplemental funding requested by the agency.

Senate Subcommittee Recommendation

The Senate Subcommittee concurs with the Governor's recommendation.

House Budget Committee Report

Agency: Department of Health and Environment - Environment **Bill No.** HB 2946 **Bill Sec.** 30

Analyst: Robinson **Analysis Pg. No.** Vol. I-192 **Budget Page No.** 173

Expenditure Summary	Agency Request FY 2009	Governor's Recommendation FY 2009	House Budget Committee Adjustments*
Operating Expenditures:			
State General Fund	$ 13,794,721	$ 9,674,232	$ (275,143)
Other Funds	59,924,034	62,195,319	(631,410)
TOTAL	**$ 73,718,755**	**$ 71,869,551**	**$ (906,553)**
FTE Positions	400.6	398.6	0.0
Non FTE Uncl. Perm. Pos.	59.0	59.0	0.0
TOTAL	459.6	457.6	0.0

*Of the Budget Committee's recommended reductions, $906,553, including $259,399 from the State General Fund, is related to pay plan adjustments.

Agency Request

The **agency** estimates FY 2009 expenditures of $73.7 million, including $13.8 million from the State General Fund, for the Division of Environment. This amount is an increase of $2.6 million, or 3.7 percent, above the revised current year estimate. The request includes enhancements totaling $3.5 million, including $3.0 million from the State General Fund, and 3.0 FTE new positions. Absent the requested enhancements, the request would be a reduction of $1.5 million below the revised current year request.

Governor's Recommendation

The **Governor** recommends FY 2009 expenditures of $71.9 million, including $9.7 million from the State General Fund, for the Division of Environment. The recommendation is an increase of $941,109, or 1.3 percent, above the FY 2008 recommendation from all funding sources and a State General Fund decrease of $2.0 million, or 17.5 percent, below the revised the current year estimate. The Governor's recommendation includes enhancement funding of $755,934, including $15,744 from the State General Fund. The Governor recommends $211,200, including $15,744 from the State General Fund, to replace 13 vehicles. Also recommended is $544,734, all from the Children's Initiatives Fund, for expanded newborn screening. In addition, the Governor recommends $663,009, including $178,366 from the State General Fund, for a 2.5 percent base salary increase and $186,822, including $50,870 from the State General Fund, for an increase for those employees whose salaries are under market value.

House Budget Committee Recommendation

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

1. **State Employee Pay Increases.** Delete $663,009, including $178,366 from the State General Fund, to reduce the 2.5 percent base salary adjustment recommended by the Governor to 1.5 percent.

2. **Longevity Pay for Classified Employees.** Delete $243,544, including $81,033 from the State General Fund, to eliminate longevity pay for classified employees. The movement to a market pay compensation system, along with base salary adjustments, will shift the emphasis on state employee compensation to performance and away from a system based on length of service.

3. **Vehicles.** Delete $15,744 from the State General Fund, and authorize expenditures of the same amount from special revenue funds, related to vehicle purchases. The Governor recommends a total of $211,200, including $15,744 from the State General Fund for the purchase of 13 vehicles. Although this recommendation deletes the amount recommended from the State General Fund, the Budget Committee recommends that the agency be allowed to purchase all of the vehicles, should sufficient special revenue funds be available.

4. **Provisos.** The Budget Committee recommends the introduction of legislation to include four provisos, traditionally included in the appropriations bill, in law. The agency identified 17 separate provisos in its most recent appropriations bill. The Budget Committee recommends that four of these provisos, concerning expenditures from the Health and Environment Training Fee Fund - Environment, the Driving Under the Influence Equipment Fee Fund, the Nuclear Safety Emergency Preparedness Special Revenue Fund, and the Health and Environment Publication Fee Fund-Environment, would be more appropriately reflected in substantive law. In addition, the Budget Committee recommends that the agency continue to review existing provisos and make recommendations to the Budget Committee during the 2009 Session for other provisos which could be included in substantive law.

The four provisos included in the Budget Committee recommendations are listed below:

(a). *Provided*, That expenditures may be made from the health and environment training fee fund—environment for acquisition and distribution of division of environment program literature and films and for participation in or conducting training seminars for training employees of the division of environment of the department of health and environment, for training recipients of state aid from the division of environment of the department of health and environment and for training representatives of industries affected by rules and regulations of the department of health and environment relating to the division of environment: *Provided further*, That the secretary of health and environment is hereby authorized to fix, charge and collect fees in order to recover costs incurred for such acquisition and distribution of literature and films and for the operation of such seminars: *And provided further*, That such fees may be fixed in order to recover all or part of such costs: *And provided further*, That all moneys received from such fees shall be deposited in the state treasury in accordance with the provisions of KA 75-4215 and amendments thereto and shall be credited to the health and environment training fee fund—environment:

And provided further, That, in addition to the other purposes for which expenditures may be made by the department of health and environment for the division of environment from moneys appropriated from the health and environment training fee fund—environment for fiscal year 2008, expenditures may be made by the department of health and environment from the health and environment training fee fund—environment for fiscal year 2008 for agency operations for the division of environment.

(b). *Provided*, That expenditures from the driving under the influence equipment fund may be made only for the purpose of purchasing blood or breath alcohol concentration testing equipment, and other related expenditures.

(c). *Provided*, That all moneys received from the adjutant general from the nuclear safety management fee fund of the adjutant general shall be credited to the nuclear safety emergency preparedness special revenue fund of the department of health and environment—division of environment.

(d). *Provided*, That expenditures from the health and environment publication fee fund—environment shall be made only for the purpose of paying the expenses of publishing documents as required by KA 75-5662 and amendments thereto.

House Committee Recommendation

The House Committee concurs with the recommendations of the Budget Committee, with the following adjustment:

1. Delete items 1 and 2 of the Budget Committee's report and insert the following pay plan language:

   Pay Plan Adjustments. Delete $1,093,375, including $310,269 from the State General Fund, to remove the following pay plan adjustments recommended by the Governor. Pay plan adjustments will be considered in a separate bill.

   a. ***State Employee Pay Increases.*** Delete $663,009, including $178,366 from the State General Fund, to remove the amount recommended by the Governor for the 2.5 percent base salary adjustment.

   b. **Classified Employee Pay Plan.** Delete $186,822, including $50,870 from the State General Fund, to remove the amount recommended by the Governor for FY 2009 pay increases for basic vocational classes and for those employees identified as having the most disparity relative to market rate.

   c. ***Longevity Pay.*** Delete $243,544, including $81,033 from the State General Fund, to remove the amount recommended by the Governor for longevity bonus payments.

Senate Subcommittee Report

Agency: Department of Health and Environment - Environment **Bill No.** SB 658 **Bill Sec.** 30

Analyst: Robinson **Analysis Pg. No.** Vol. I-192 **Budget Page No.** 173

Expenditure Summary	Agency Request FY 2009	Governor's Recommendation FY 2009	Senate Subcommittee Adjustments*
Operating Expenditures:			
State General Fund	$ 13,794,721	$ 9,674,232	$ (326,013)
Other Funds	59,924,034	62,195,319	(2,878,464)
TOTAL	**$ 73,718,755**	**$ 71,869,551**	**$ (3,204,477)**
FTE Positions	400.6	398.6	0.0
Non FTE Uncl. Perm. Pos.	59.0	59.0	0.0
TOTAL	459.6	457.6	0.0

* Of the Budget Committee's recommended reductions, $1,093,375, including $310,269 from the State General Fund, is related to pay plan adjustments.

Agency Request

The **agency** estimates FY 2009 expenditures of $73.7 million, including $13.8 million from the State General Fund, for the Division of Environment. This amount is an increase of $2.6 million, or 3.7 percent, above the revised current year estimate. The request includes enhancements totaling $3.5 million, including $3.0 million from the State General Fund, and 3.0 FTE new positions. Absent the requested enhancements, the request would be a reduction of $1.5 million below the revised current year request.

Governor's Recommendation

The **Governor** recommends FY 2009 expenditures of $71.9 million, including $9.7 million from the State General Fund, for the Division of Environment. The recommendation is an increase of $941,109, or 1.3 percent, above the FY 2008 recommendation from all funding sources and a State General Fund decrease of $2.0 million, or 17.5 percent, below the revised the current year estimate. The Governor's recommendation includes enhancement funding of $755,934, including $15,744 from the State General Fund. The Governor recommends $211,200, including $15,744 from the State General Fund, to replace 13 vehicles. Also recommended is $544,734, all from the Children's Initiatives Fund, for expanded newborn screening. In addition, the Governor recommends $663,009, including $178,366 from the State General Fund, for a 2.5 percent base salary increase and $186,822, including $50,870 from the State General Fund, for an increase for those employees whose salaries are under market value.

Senate Subcommittee Recommendation

The Senate Subcommittee Committee concurs with the Governor's recommendation, with the following adjustments and observations:

1. **Pay Plan Adjustments.** Delete $1,093,375, including $310,269 from the State General Fund, to remove the following pay plan adjustments recommended by the Governor. Pay plan adjustments will be considered in a separate bill.

   a. ***State Employee Pay Increases.*** Delete $663,009, including $178,366 from the State General Fund, to remove the amount recommended by the Governor for the 2.5 percent base salary adjustment.

   b. ***Classified Employee Pay Plan.*** Delete $186,822, including $50,870 from the State General Fund, to remove the amount recommended by the Governor for FY 2009 pay increases for basic vocational classes and for those employees identified as having the most disparity relative to market rate.

   c. ***Longevity Pay.*** Delete $243,544, including $81,033 from the State General Fund, to remove the amount recommended by the Governor for longevity bonus payments.

2. **Vehicles.** Delete $211,200, including $15,744 from the State General Fund, recommended by the Governor to replace 13 vehicles for review during Omnibus.

3. **Newborn Screening.** Delete $1.9 million, all from the Children's Initiatives Fund, to delete funding for expanded newborn screening for review during Omnibus. The Subcommittee notes that the Governor's FY 2009 recommendation for expanded newborn screening totals $2.2 million, all from the Children's Initiatives Fund. **Of this amount, $1.9 million is in the Division of Environment and $326,675 is in the Division of Health**. The Subcommittee also requests that prior to Omnibus, the agency provide a comprehensive, line-item report on expenditures to date for the program and on planned expenditures for the program in FY 2009.

KANSAS
DIVISION OF THE BUDGET

Kathleen Sebelius, Governor
Duane A. Goossen, Director

http://budget.ks.gov

MEMORANDUM

TO: Senate Committee on Ways & Means

FROM: Duane A. Goossen, Director of the Budget

DATE: March 19, 2008

SUBJECT: SB 661

Thank you for the opportunity to testify today.

SB 661 implements the Governor's proposal to provide a 1.0 percent KPERS cost-of-living-adjustment in each of the next three years.

If enacted, the FY 2009 COLA would be the first permanent COLA for KPERS retirees in the last ten years. The proposal is constructed to be affordable within the state budget, but also constructed to fully pay the cost of the COLA and thus not add to the long-term liabilities of KPERS.

The proposed FY 2009 COLA would apply to KPERS members who retired prior to July 1, 2007, the FY 2010 COLA to members who retired prior to July 1, 2008, and the FY 2011 COLA to members who retired prior to July 1, 2009.

The FY 2009 COLA requires a $6.4 million increase into the base amount of state payments to the KPERS system. The increase in the base payment must be maintained for 15 years. The FY 2010 COLA requires an additional $6.7 million increase in the base, and the FY 2011 COLA a $7.1 million increase. The attached chart shows how the cost of the proposed COLA increases fit in with payments already made to the KPERS system.

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e-mail: duane.goossen@budget.ks.gov

Senate Ways and Means
3-19-08
Attachment 2

KPERS Contributions by the State of Kansas

(Dollars in Millions)

	School Payroll Contrib.	State Payroll Contrib.	Pension Obligation Bond Pmts.	Governor's KPERS COLA Proposal	Total State Contributions	Combined Payroll Contrib. Rate
FY 2000	87.3	33.2	--	--	120.5	4.19%
FY 2001	93.2	33.7	--	--	126.9	3.97%
FY 2002	109.4	39.6	--	--	149.0	4.78%
FY 2003	113.6	40.2	--	--	153.8	4.98%
FY 2004	123.7	42.3	--	--	166.0	4.58%
FY 2005	142.5	46.9	--	--	189.4	5.47%
FY 2006	169.7	55.0	10.0	--	234.7	6.07%
FY 2007	200.4	64.2	15.0	--	279.6	6.77%
FY 2008	221.4	71.8	26.1	--	319.3	7.37%
FY 2009	249.4	79.3	36.1	6.4	371.2	7.97%
FY 2010*	276.2	87.8	36.1	13.1	413.2	8.57%
FY 2011*	304.4	96.8	36.1	20.2	457.5	9.17%
FY 2012*	334.1	106.2	36.1	20.2	496.6	9.77%
FY 2013*	365.2	116.1	36.1	20.2	537.7	10.37%

* *Assumes a 3.0 percent payroll growth rate each year for both state and school groups.*

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e-mail: duane.goossen@budget.ks.gov

TESTIMONY
BY
THE KANSAS COALITION OF PUBLIC RETIREES

Before the Senate Ways and Means Committee
March 19, 2008

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

My name is Ron Gardner and I am here today speaking on behalf of the thirty-eight State and local associations and organizations that are KPERS dependent and make up the Kansas Coalition of Public Retirees. I appreciate the opportunity to present to you our position on obtaining a cost-of-living adjustment, for all KPERS retirees. The Coalition members listed on page three of this document represent over 65,000 Kansas Public Retirees from all professions and occupations under the KPERS umbrella. This includes KPERS (State group, Local group, and School group), KP&F (Kansas Police and Fire), and the System for Judges. The presenters that follow me will represent the different sections of the overall KPERS system. We are here today to stand in SUPPORT of SB 661. While falling short of what is actually needed, the modest increase provided by SB 661, over the next three years, will help offset some of the escalating costs of essential daily living expenses.

The last adjustment in retiree benefits was in 1998, ten years ago. Since 1998 inflation, according to CPI statistics, has increased by 27 percent, yet in the face of these rising costs, KPERS benefits remain trapped at the 1998 levels. Most would agree that the threat of inflation poses a serious threat to the health, welfare and financial security of retirees. The KPERS motto, taken from the cover of the 2007 annual report, is "Working today for a secure tomorrow". We believe that periodic or annual COLA adjustments are critical to help obtain that security by countering the serious consequences of inflation. While the "Bonus" of $300 granted by the 2007 Legislature was appreciated by approximately 28,000 who received it, the other 37,000 who did not are even further behind. SB 661 will provide modest relief for all retirees not a bonus for less than half.

The latest U.S. Department of Labor inflation numbers reveal the extent to which those on fixed income are being affected by inflation. The June 2006 to June 2007 CPI figures show double digit increases on basic food items. Add to that the rising cost of health care, medicine, utilities and gasoline and you can see retirees have a huge problem. These are basic items not frivolous expenditures. Over time, with no

Senate Ways and Means
3-19-08
Attachment 3

adjustment, some of these essential items and services could become unaffordable. This is very concerning when basic items are increasing at double digit rates far out pacing the assumed rate of 4 percent. It has become apparent that this issue has become critical for those on fixed income.

According to the 2007 KPERS annual financial report, the average monthly benefit is $1,000. The one percent increase allowed by SB 661 would increase the average by $10 or $120 per year. While that increase is miniscule, compared to the 27 percent already lost by inflation over the last ten years, it would at the very least show that the legislature has not forgotten its retired public employees. Due to the reasons stated through out this document it is our opinion that the legislature needs to make the COLA issue a top priority.

In closing Mr. Chairman, the Kansas Coalition of Public Retirees respectfully asks for your committees support and leadership for the passage of SB 661. The 65,000 plus Public Retirees thank you for your time and consideration on this critical issue. With that Mr. Chairmen, I would be pleased to stand for questions.

Ron Gardner
(913) 782-8175

MEMBERS OF THE COALITION OF KANSAS RETIRED PUBLIC EMPLOYEES

1. KARSP (Kansas Association of Retired School Personnel)
2. KNEA
3. KNEA Retired
4. PECK (Public Employees Coalition of Kansas)
5. SEAK (State Employees Association of Kansas)
6. USA of KS (United School Administrators)
7. KSCFF (Kansas State Council of Fire Fighters)
8. Kansas Fire Service Alliance
9. KAPE (Kansas Association of Public Employees)
10. Fraternal Order of Police (Topeka Chapter)
11. Kansas State Fraternal Order of Police
12. Kansas Association of Chief's of Police
13. Kansas Peace Officers Association
14. Kansas Retiree's / Kansas Ret
15. Kansas Sheriff's Association
16. Kansas City, KS Retired Fire & Police
17. KAEOP (Kansas Association of Educational Office Professionals)
18. Kansas District Judges Association
19. Kansas District Magistrate Judges Association
20. Kansas Association of Counties
21. Kansas Association of Community Colleges
22. Kansas Association of School Boards
23. Kansas Department of Labor Retirees
24. Kansas Correctional Officers Association
25. Kansas State High School Activities Association
26. Kansas State Troopers Association
27. Kansas Counties and District Attorneys Association
28. League of Kansas Municipalities
29. Association of Retired KPERS Employees
30. Association of Retired Highway Employees
31. Association of Retired City of Topeka Employees
32. Association of Department of Education Employees
33. Association of Retired Insurance Department Employees
34. Olathe District Schools Retired Employees Association
35. Johnson County Association of Retired School Personnel (JCARSP)
36. Leavenworth Area Retired School Personnel
37. Kansas Association of District Court Clerks & Administrators
38. HERO (Health and Environment Retirees)

(As of March 10, 2008)

Chairman: Dennis Phillips
Email: djpiaff83@yahoo.net Phone: (785) 554-3442
Vice-Chairman: Ernie Claudel
Email: eclaudel1@comcast.net Phone: (913) 782-5139 or (913) 481-6923
Secretary: Sharon McDorman

Testimony

Before the Senate Ways and Means Committee
March 19, 2008

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to appear before you today on a topic of great importance to over 65,000 KPERS retirees. My name is Linda Hubbard and I retired from the Kansas Department of Labor on April 1, 2006 after a career of 32 ½ years with the State of Kansas. For every one of those years (including the first year I was employed because I "bought" that service credit back), I contributed 4% of my salary to the Kansas Public Employees Retirement System.

You have heard statistics from other speakers regarding the loss of buying power suffered by KPERS annuitants in the past 10 years. I would like to put a human face on these numbers and give you some specific examples of what people who had long careers as public servants are now facing. Because I don't want to embarrass these people and because they aren't looking for pity or sympathy, I will not refer to them by their actual names but these are real people—not made-up examples:

LN worked for the State of Kansas for 28 years, retiring in February, 1991 at age 65. Her KPERS monthly benefit is $682.63 after her supplemental insurance is taken out of her benefit. She also receives Social Security of $944.70 for a total monthly income of $1627.33. The rent on her retirement apartment is $580/month, leaving about $1,050 for her groceries, utility bills, medical appointments and medications.

PH retired five years ago from the City of Topeka after a 37 year career in a wastewater treatment plant. His pension from KPERS today is $1700—as it was the day he retired—although it will now buy only ¾ of what it would when he first retired. His wife is still working in order to pay for their health insurance.

DW retired in 1994 after a 34 year teaching career (with a masters degree). In 1995, his pension amount was $1995/month—in 2007, his pension was $2058/month. Just to keep up with inflation, he would have needed a pension amount of $3354/month (a shortfall of $1296/month).

ER received his first pension check in 1979 in the amount of $700 (monthly). For the 19 years from 1979 to 1998, his pension check increased to $1640/month. In the last nine years (1998-2007) his KPERS check has increased by $0 while the Consumer Price Index shows a loss of nearly 27% in purchasing power.

DF worked for the City of Topeka for 36 years, retiring in 1986. His KPERS pension check is $944/month supplemented by Social Security of $1085. His Blue Cross/Blue Shield Plan 65 premium is $124/month and Humana Prescription D premium is $88. He pays rent of $567/month leaving him $1250 for all other monthly expenses including food, gasoline, utilities, other medical expenses such as co-pays on medicine and car expenses. He says he is "making it but has nothing for extras".

Again, I would like to point out that none of these people are looking for sympathy. They simply want to receive a reasonable return from the investment they made in their retirement system. We would like to point out that we paid into the KPERS system all the time we were working as teachers, fire and police personnel, judges and state and city workers. Many of us were assured during our working careers that "we know you don't make huge salaries, but you will have a good pension when you retire". It is humiliating for retired public servants to have to appear before the Kansas Legislature each year and beg for a small increase in their pension benefit. In many instances, the cost of health insurance has risen so rapidly as to consume or nearly consume a pensioner's entire benefit payment, particularly if they have been retired for a number of years.

We urge the members of this committee to pass this modest increase of 1% for each of the next three fiscal years with a 'do pass' recommendation to the full Senate for immediate action.

I would be happy to answer any questions you might have. Thank you.

Testimony to the Senate Ways and Means Committee
In Support of SB661
On Behalf of the
Kansas Association of Chiefs of Police
And
Kansas Peace Officers Association
Presented by Ed Klumpp

March 19, 2008

On behalf of all current and future public retirees under the state retirement systems, and specifically on behalf of all Kansas law enforcement officers and firefighters covered by the KP&F Retirement System, we adamantly support SB661 and the authorization of a COLA for KPERS retirees. We understand the significant fiscal impact of this bill and we support any reasonable method to fund a COLA for retirees over a three year period as provided in SB661. The Kansas Association of Chiefs of Police, the Kansas Peace Officers Association, and the Kansas Sheriffs Association met in February to discuss legislative issues in the current session and voted on identified legislative priorities. This was one of four priorities for the associations for this legislative session. We see it as a critical need.

The COLA is important legislation and is drastically needed by many former state employees and their families whose retirement dollars have dwindled over the years to poverty levels. A 1% COLA per year over three years will provide a modest but much appreciated relief to the deteriorated buying power of the people who worked diligently for the people of Kansas for many years.

There are many examples of law enforcement and firefighter retirees or beneficiaries who find themselves struggling on the dwindling retirement buying power. For example, there is the widow of Trooper Pribbenow who we are told is now receiving around $600 per month in retirement benefits. Trooper Pribbenow was assigned to the Kansas Turnpike on the night of July 11, 1981, when he stopped a vehicle for a speeding violation. Unknown to him, the driver was a wanted felon and during the initial contact with the driver Trooper Pribbenow was shot and killed. The sacrifice made that night by Trooper Pribbenow and his family while he served to protect the citizens of Kansas deserves more than a poverty level retirement benefit for his widow 27 years later. What would that retirement benefit had been had Trooper Pribbenow been able to complete his career to his normal retirement if his life had not been taken away while serving the people of Kansas?

Unlike other KPERS retirees, KP&F retirees do not have social security contributions deducted. For most of these retirees there are no social security benefits to supplement the KP&F retirement benefits. Until not too many years ago KP&F participants did not have Medicare deductions so most of the retirees under KP&F today are not eligible for those federal benefits either. If a retiree did have enough social security quarters from

Senate Ways and Means
3-19-08
Attachment 5

other jobs, there is a significant penalty reducing the social security payments due to our retirement benefits.

Like law enforcement officers, firefighters also perform high risk duties. Duty related injury, sometimes resulting in disability, is not unusual. Duty related deaths occasionally occur for both fields of service. There are also examples of firefighters who have been forced into disability retirement or surviving families suddenly faced with greatly reduced income after a duty related death. In some cases, those retirees retired with under a $1000 a month benefit which has only grown minimally with the random and infrequent COLAs granted over the years.

We appreciate the attention of the legislature the past couple of years to the needs of the retirees. We appreciate the recognition and recognition of the COLA problem by the legislature as they created the KPERS 2009 retirement program which will ultimately provide for ongoing COLAs for employees hired under the new program. But there are many existing retirees and retiree beneficiaries who are in dire need of the financial assistance a COLA will offer. It has been many years since a COLA was provided to KPERS retirees. It is time to again make that commitment to the Kansans who committed their careers to government service. Not only for those who daily put their lives on the line providing public safety protection but to all the government workers who provided the wide variety of public service to make Kansas what it is today.

We strongly encourage you to support Kansas government retirees by recommending SB661 favorably for passage.

Ed Klumpp

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Legislative Committee Chair-Kansas Peace Officers Association

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REPORT to the

SENATE WAYS AND MEANS COMMITTEE

March 19, 2008

Mr. Chairman and members of the Committee, my name is Harvey Ludwick and I am Executive Director of the Kansas Association of Retired School Personnel. Our organization has a membership of over 4,200 retirees with 42 local units throughout Kansas.

As has been mentioned, we seek a raise for Kansas Public Retirees. The last raise was given to retirees who had retired prior to July 1, 1997 almost 11 years ago.

During that almost 11 years retirees have lost over 27% of their buying power. Passing S.B. 661 will not make them whole, but a 1% raise for the next 3 years will show them that the State of Kansas has not discarded its retirees. We also appreciate the distribution of funds that is set out in SB. 661 that is more equitable to each retiree.

As an educator representing educators, I would like to devote my time to the School group of KPERS.

First, you may have heard that the old Kansas Teachers Retirement System came into KPERS broke, thus negatively affecting a possible COLA raise.

The former KTRS was merged with KPERS in 1971. In 1972 a 5% COLA was given, followed by a major COLA increase in 1973 (for a retiree retired over 11years, the COLA was a 32% increase). If the system was in such bad shape because of the entry of the KTRS, why would they have considered a COLA?

During the next 26 years, if the teacher's entry was causing a short fall, why would the legislature give 17 COLA increases? It stands to reason that at some point from 1971 to 1998, the fund, due to continued payment of school (employees), would have been balanced. If it wasn't, it was because the State (employer) after receiving advise from its actuary, chose not to pay its obligated amount (which we know is a fact).

Secondly, some people will argue that a defined benefit plan, such as KPERS cannot have a cost-of-living adjustment since it is a guaranteed plan.

We would point out the following:

The passage of SB362, during the 2007 session, gives new hires an annual permanent 2% COLA upon their retirement. That new law says that a COLA can be given.

Senate Ways and Means
3-19-08
Attachment 6

Social Security is a defined benefit plan. It's annual permanent COLA is based on the CPI.

According to the 2006 Public Funds Survey, thirty-two States with similar plans currently have permanent cost-of-living adjustments based on the CPI, a set percent, or a combination of several factors.

Last but definitely not least, the State of Kansas has since 1971 given 17 raises. The precedence has been set by past legislators. They realized that the cost of living does go up.

During a meeting of the November 6th meeting of the Joint Committee on Pensions, Investments, and Benefits, a witness was asked, "Where do we get the money?" I would like to speak to that.

The estimated cost for the first year of SB 661 would be $6.4 million. For those of us who do not often consider figures at this magnitude, if a billion dollars were $1,000, a million would be $6.40.

The KPERS (System) for the 2007 fiscal year recognized a net investment gain of $2.162 billion, for the 2006 fiscal year a net investment gain of $1.354 billion and for the 2005 fiscal year a $1.223 billion net investment gain. Much of that "profit" was interest revenue and some of that interest revenue was from the payments made by Kansas Retirees. Don't you think it would be good to give the retirees a little back on the 4% they paid in.

In addition, KPERS reports that the market value of assets is nearly 10% higher than the actuarial value. This "asset smoothing method" and the delayed reflection of market experience in the actuarial value of assets results in approximately $2. Billion not computed in the UAL.

However, if you feel that the actuarial liability of future retirees is more important that the present retirees then place the COLA raise for retirees as the #1 priority for state funding. After waiting their turn for over 10 years, these loyal public retirees who served you and Kansas need and deserve a raise. The great majority of retirees (85-90%) make their retirement home in Kansas and pay millions of dollars in property and sales tax.

In conclusion, Mr. Chairman and committee, thank you for hearing us today. I will stand for any questions you may have.

Senate Ways and Means Committee
Selected KPERS Statistics Related to SB 661
Testimony by William H. Layes of Kansas Coalition of Public Retirees
March 19, 2008

Good Morning Mr. Chairman and members of the Committee. Thank you for scheduling this important hearing on SB 661. My name is William Layes and I am a retired State of Kansas employee with 35 years of service with the Kansas Department of Labor, KDOL. I appear before you this morning to report on some recent facts about KPERS and ask your support for SB 661. SB 661 would provide a one percent cost-of-living increase in KPERS benefits to retirees in each of SFY's 2009 through 2011. A 1.0 percent annual increase would not nearly match the pace of inflation in recent years. However, it is a very positive step and would be welcomed by the 65,000 current KPERS retirees.

I believe it is important to review some facts as they relate to the KPERS system and the record of payments to current retirees. First, according to the **KPERS Annual Report for 2007** of those KPERS retirees receiving benefits, nearly one-third (31.1%) receive monthly benefits of less than $400, and slightly more than half (53.9 %) receive less than $800. I believe it is also important to note that the employer AND THE EMPLOYEE made contributions to the KPERS fund over the course of their career with employee contributions mandated.

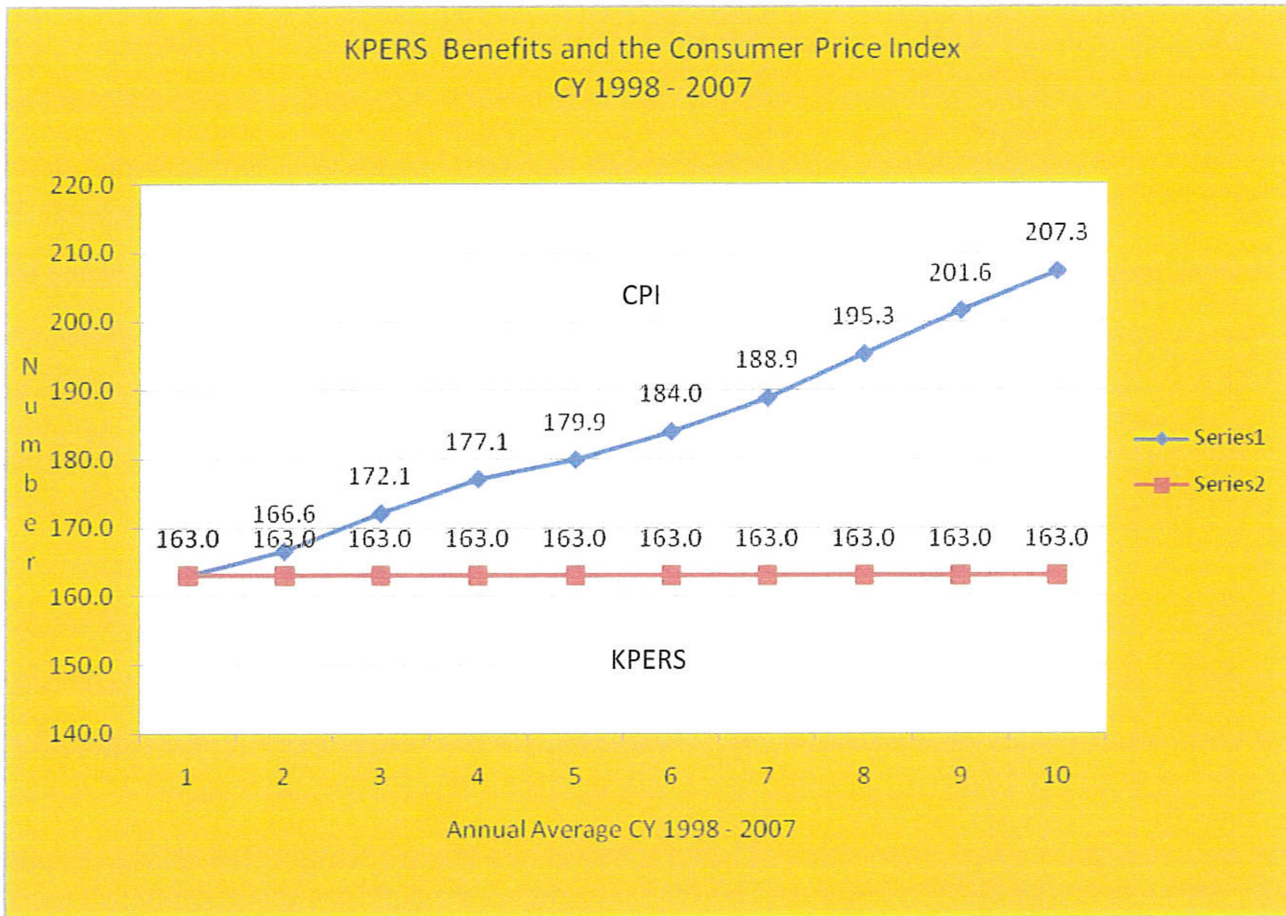
It has been 10 years since KPERS retirees were granted any Cost-of-Living increase, 1998. During this period, inflation has risen dramatically in the U. S. economy. The Consumer Price Index (CPI) is the primary tool used by private industry and government to measure inflation. Movements in the CPI since 1998 (date of last COLA) are shown in the graph attached to this testimony. The graph (attached to this testimony) illustrates that the annual CPI has risen from 163.0 in 1998 to 207.3 in 2007. This represents an increase of 27.2 percent. Simply stated, this means that a KPERS retiree, without benefit of any increase in retirement payment, has lost 27 percent in purchasing power since 1998. A basic and necessary grocery item that once cost $1.63 in 1998 has now risen to $2.07 in 2008. Rising prices at the market, escalating oil costs, and growing medical expenses present difficult challenges to those on fixed KPERS benefits. The situation has become critical for KPERS retirees.

Can the KPERS fund afford the cost of SB 661? In speaking about KPERS investments for SFY 2007 Page 9 of the **KPERS Annual Report for 2007** reads in part, "*The System's return rate was 18.0 percent for the fiscal year, exceeding our long-term actuarial target of 8 percent.*" The report goes on to report that, "*for the last decade, KPERS has a ten-year annual return average of 8.8 percent*". The SFY 2007 rate of 18.0 percent translates into some very impressive earnings. Page 130 of the Annual Report lists net investment income for SFY 2007 of **$2,162,081,472.** The fiscal note on SB 661 estimates the cost of this legislation at **$6.4** Million for SFY 2009. Obviously, KPERS employees have an interest in maintaining the solvency of the KPERS fund. The Coalition of Public Retirees believes however, that the fund is sufficiently solvent to meet the additional costs of SB 661. It is past time to grant a KPERS COLA!

Inflationary increases are only expected to continue in the future. This problem is not going away. SB 661 would help with these rising costs. SB 661 would grant a modest 1.0 percent increase in KPERS benefits in each of the next three State fiscal years. Clearly, SB 661 will not solve all the problems with the rising costs of inflation nor would it repair all the inflationary damage since 1998. It is however, a start. It would place a very modest amount of additional benefits in the hands of KPERS retirees at a time when it is desperately needed.

Mr. Chairman, this concludes my testimony. Thank you for scheduling this important hearing on SB 661. I urge this committee to act favorably on SB 661. I would be pleased to answer questions you may have.

Senate Ways and Means
3-19-08
Attachment 7


KPERS Benefits and the Consumer Price Index
CY 1998 - 2007
Number
CPI
KPERS
Series1
Series2
Annual Average CY 1998 - 2007
220.0
210.0
200.0
190.0
180.0
170.0
160.0
150.0
140.0
1
2
3
4
5
6
7
8
9
10
163.0
166.6
172.1
177.1
179.9
184.0
188.9
195.3
201.6
207.3

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

Terry Forsyth
Testimony
Senate Ways and Means Committee
March 19, 2008

Senate Bill 661

Mr. Chairman and members of the Committee thank you for the opportunity to share our support for **Senate Bill 661**. This proposal would implement a 1% Cost of Living Adjustment each year for a three year period.

The KNEA Legislative Priorities include continuing to work to provide an adequate income for all the retired educators we serve by instituting a regular cost of living adjustment for KPERS retirees. With that goal in mind we are a member of a coalition of KPERS retirees who seek this COLA for current retirees.

The legislature over the past few years has addressed the needs of certain retirees with a $300 one time payment. You have also addressed future retires with changes to the KPERS system which go into effect in July of 2009. The current retired, as a group, desperately need the assistance a COLA would provide given the current economic status of our country. More than half the states have regular COLAS. Kansas retirees have no provision to meet the diminishing buying power through inflation. Kansas has no guaranteed COLA and as previously mentioned, only a few ad hoc ones have been given over the years.

We support the COLA with the recognition that a 1% COLA is far below the current rate of inflation. While we understand that the state has entered some financially trying times, we must urge you to support this minimum effort on behalf of our retirees.

We would urge your support and favorable passage of SB 661.

Senate Ways and Means
3-19-08
Attachment 8

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