

MINUTES

HOUSE APPROPRIATIONS COMMITTEE

October 12-13, 2009
Room 143-N—Statehouse

Members Present

Representative Kevin Yoder, Chairman
Representative Jason Watkins, Vice-chairman
Representative Barbara Ballard
Representative Sydney Carlin
Representative David Crum
Representative Peter DeGraaf
Representative Owen Donohoe
Representative John Faber
Representative Bill Feuerborn
Representative Doug Gatewood
Representative Jerry Henry
Representative Don Hineman
Representative Mitch Holmes
Representative Harold Lane
Representative Peggy Mast
Representative Marc Rhoades (Monday only)
Representative Lee Tafanelli
Representative Jeff Whitham
Representative Jerry Williams

Members Absent

Representative Tom Burroughs (Monday only)
Representative Kasha Kelley (Monday only)
Representative Joe McLeland

Staff Present

Alan Conroy, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Christina Butler, Kansas Legislative Research Department
Jim Wilson, Office of the Revisor of Statutes
Nobuko Folmsbee, Office of the Revisor of Statutes
Jason Long, Office of the Revisor of Statutes

Jill Wolters, Office of the Revisor of Statutes
Florence Deeter, Committee Secretary

Conferees

Dr. Andy Tompkins, Dean of the College of Education, Pittsburg State University
Patricia Brady, Director of Long Term Care, Sellers Dorsey, Inc., Philadelphia,
Pennsylvania
Joe Tilghman, Chairperson, Kansas Health Policy Authority
Martin Kennedy, Acting Secretary, Kansas Department on Aging
Dr. Art Hall, Executive Director, Center for Applied Economics, School of Business,
University of Kansas
Dave Kerr, Secretary, Kansas Department of Commerce
Thomas V. Thornton, President and CEO, Kansas Biosciences Authority
Kevin Carr, Interim CEO, Kansas Technology Enterprise Corporation
Sandy Johnson, CEO, Mid-American Manufacturing Technology Center
Arturo Perez, Program Principal, National Conference of State Legislatures, Denver,
Colorado
Robert J. Vancrum, Vancrum Law Firm, LLC
Tim Gray, Director, Waste Remedies, Inc.
Dave Mosby, Senior Consultant, Talisen Technologies, Inc.

Others Attending

See attached list.

Monday, October 12 Morning Session

Chairman Yoder called the meeting to order at 10:04 a.m. He welcomed Representative Dillmore as the newest member of the Committee and expressed appreciation for the hospitality provided by Representative Peter DeGraaf and his wife, Karen.

State General Fund Receipts

Alan Conroy, Director, Kansas Legislative Research Department, provided an overview of FY 2010 State General Fund (SGF) receipts through September, 2009, stating that total receipts for the first quarter of FY 2010 were 7.7 percent below estimates ([Attachment 1](#)). He noted that \$31 million in tax refunds were delayed until FY 2010 to ensure a positive year-end balance in July 2009 for the SGF. His report included additional details regarding corporate franchise tax, individual income tax, financial institutions income, insurance premiums, and estate and retail sales tax sources. Responding to a question, Mr. Conroy stated that SGF receipts through September 2009 total \$197.7 million, or 14.4 percent, below the same period last year.

Mr. Conroy commented on the status of the SGF by showing comparisons of budgets dating from 2008-2012 ([Attachment 2](#)). He noted the additional adjustments used to achieve a zero ending balance for FY 2010 and the estimated amounts for FY 2011 and FY 2012. He indicated the Consensus Revenue Estimating Group will meet in November to make additional adjustments and revisions. Mr. Conroy answered a question regarding the \$31 million in unpaid taxes by stating that the Kansas Department of Revenue has been more aggressive in pursuing collections during the past few months. Mr. Conroy said that the stimulus money (federal American Recovery and Reinvestment Act of 2009) contained in the 2011 budget totals \$300 million and, should the Legislature choose to maintain the same level of funding as in previous years, it would require replacing \$100 million in the budget.

School Consolidations and Efficiencies

Dr. Andy Tompkins, Dean of the College of Education, Pittsburg State University, provided information regarding school consolidation ([Attachment 3](#)). He included in his testimony the cost savings in school consolidations and referred to a 1992 report by Barbara Hinton, Post Auditor, in which she included efficiencies gained by closing schools, increasing class size and reducing the number of teachers. He provided data from the Kansas State Department of Education showing school districts which unified or disorganized, the year of consolidation and/or closure, and the combined budget years. Dr. Tompkins said there is very little savings gained in having schools share superintendents. Responding to a question on administrative cost saving across the state he agreed to research the question and report back to the Committee.

Dr. Tompkins provided succinct comments on educational instruction twenty years from now, saying that technology could provide new forms of instruction through the internet with real-time interaction between a class and teacher. He concluded his remarks by stating that individual school boards need to decide the parameters for their communities.

Maximizing Federal Health Care Funds

Patricia Brady, Director of Long Term Care, Sellers Dorsey, Inc., Philadelphia, Pennsylvania, said that Sellers Dorsey is a national healthcare consulting firm which focuses on revenue to maximize Medicaid financing and health reform programs ([Attachment 4](#)). She reported that Sellers Dorsey has worked with several states and care-provider facilities in designing and modifying various assessment models. She serves as the liaison between persons advocating government standards and those who are community providers. Ms. Brady indicated that the basis of revenue maximization lies in implementing program policies that enhance federal participation in the Medicaid program. She commented on specific areas for maximization and the regulatory requirements for the use of funds. Ms. Brady provided a list of potential revenue strategies for consideration in Kansas. Ms. Brady then responded to questions.

Nursing Home Financing

Joe Tilghman, Chairperson, Kansas Health Policy Authority (KHPA), reported on the potential of a Nursing Home Provider Tax in the Kansas Medicaid program ([Attachment 5](#)). He noted that currently 41 states have some form of provider tax in place regarding their respective Medicaid programs. Mr. Tilghman said a workgroup was convened to hear opinions from various entities whose information could help KHPA formulate a model for SGF savings. His testimony included the advantages and disadvantages of proposed options that will be presented to the Legislature and the

Governor. Mr. Tilghman assured the Committee that the workgroup is striving to produce the best possible model.

Written testimony from Martin Kennedy, Acting Secretary, Kansas Department on Aging, was distributed to members of the Committee ([Attachment 6](#)).

The Chairman recessed the meeting until 9:00 a.m. on Tuesday, October 13, 2009.

Afternoon Session

Appropriations subcommittees were scheduled to meet during the afternoon session.

Tuesday, October 13 Morning Session

The Chairman called the meeting to order at 9:10 a.m. and outlined the agenda for the day.

Kansas Public Employees Retirement System Funding Issues

Dr. Art Hall, Executive Director, Center for Applied Economics, School of Business, University of Kansas, provided an executive summary of the Kansas Public Employees Retirement System (KPERs) and said the unfunded liabilities in the system doubled last year from \$5 to \$10 billion ([Attachment 7](#)). He considers KPERs insolvent and a solution needs to be found to achieve actuarial balance. A graph showing comparisons among states reveals Kansas has dropped far below the safe level established by the federal government ([Attachment 8](#)). He said moving to a defined-contribution plan, which would apply primarily to new employees, would be a more predictable system. Dr. Hall presented a comparison between the defined-benefit plan that KPERs has in place and the defined-contribution plan used by the Regents. He indicated that both plans contain similar benefits; however, requiring new employees to come under a Regents-like system has the potential of greater financial stability for the state.

Dr. Hall will provide the Committee with fiscal note information on a possible move to 401K plans.

Overview of Economic Development Activity and Economic Status of Kansas

Dave Kerr, Secretary, Kansas Department of Commerce, said Kansas unemployment numbers have moved up and down the scale and now stand at 7.1 percent, which is 2-2.5 points below the national average of 9.7 percent. He indicated that unemployment will trail economic recovery and until a 2.5 percent annualized GDP is realized, unemployment will not improve. Mr. Kerr provided data on the actual change in percentages in all Kansas industries and service-provider jobs ([Attachment 9](#)). He commented on the areas of recruitment, retention and expansion of

businesses in Kansas and listed various projects the Department of Commerce is pursuing. Mr. Kerr said some new companies require access to capital funds to facilitate locating in Kansas.

Mr. Kerr elaborated on the number of new jobs, businesses and opportunities for employment presently located and/or retained in Kansas. He said the Department of Commerce is continually looking for capital investment opportunities. Looking at trade development he said this is the fourth consecutive year of record-setting exports for Kansas. Mr. Kerr lauded the national recognition which Kansas has received; one magazine selected Kansas as one of the nation's top ten most competitive states for capital investment.

Mr. Kerr reported on a Governor's Round Table event begun in September 2009 for the purpose of gathering information from business and labor leaders across the state. Regional meetings are held quarterly to determine how the economy is impacting business, industry and communities. A preliminary report indicates upturns in the re-hiring of employees.

Status Report on the Kansas Biosciences Authority, Including the National Bio and Agro-Defense Facility

Thomas V. Thornton, President and CEO, Kansas Biosciences Authority (KBA), expressed appreciation to the Legislature for the opportunity given KBA to pursue its mission of advancing Kansas as a national leader in the bioscience arena. He said KBA works to advance research, develop the infrastructure for bioscience, and foster the formation and growth of bioscience companies in Kansas. Mr. Thornton submitted data on the funding and timeline of the National Bio and Agro-Defense Facility (NBAF) conference agreement ([Attachment 10](#)). He reported that in 2004 there were 130 million research and development projects conducted; that number increased last year to 253 million and ranked the agency third in the country in the area of research and development. He noted that at present, bio science companies have attracted \$37 million in private venture investments and over \$7 million in federal small business innovation research grants.

Mr. Thornton said the KBA invested \$177 million to establish 32 projects; approximately \$227 million has been provided since the inception of NBAF. He said KBA has created 1,151 jobs and attracted more than \$110 million in private capital ventures. He indicated that the lawsuit regarding NBAF was dismissed without prejudice. Commenting on the construction at Kansas State University, Mr. Thornton said ground-breaking will begin in August 2010, after an epidemiological study, which is a standard procedure of the area. An evaluation by the National Academy of Sciences must be in place to begin construction.

Mr. Thornton said the KBA receives no funds through the American Recovery and Reinvestment Act of 2009 (ARRA), however, the agency is assisting Kansas Bio Science companies listed under the ARRA in pursuing opportunities outlined in that program. He said that the primary barrier to the success of Bio Science development is the lack of private capital investment.

Status Report on Kansas Technology Enterprise Corporation

Kevin Carr, Interim CEO, Kansas Technology Enterprise Corporation (KTEC), presented a perspective on the purpose of KTEC, stating that the organization seeks to stimulate innovative business entrepreneurship ([Attachment 11](#)). He said college graduates hold the opinion that self-employment provides a more secure future position than full-time work with a corporation, and young people are doing start-up companies at a faster rate than their middle-aged counterparts.

Mr. Carr explained the allocation of current year budget reductions, stating \$1 million in funds carried over from FY 2009 to FY 2010 will provide some stability. He said KTEC provides support for companies seeking to create jobs; many have great technology, however, funds to initiate that business are not easily available. Mr. Carr commented on grant programs, including the Experimental Program to Stimulate Competitive Research (EPSCoR) and the Strategic Technology Research Fund (STAR), both of which are federally based. He explained the PIPELINE program focuses on identifying high potential technology entrepreneurs, coordinating their training, and providing resources and mentors to facilitate future economic growth in Kansas.

Mr. Carr said KTEC has an investment program which provides pre-bank financing and pre-venture capital for small companies who are developing innovative products and are in the early stages of moving products into a full-fledged business. He reported that a tax incentive through Angel Tax Credits reduces risk to an investor and makes investment into the company more financially enticing. Mr. Carr said the estimated effect of the investment program on the Kansas economy has great potential.

Mr. Carr submitted KTEC's response to the Kansas, Inc., evaluation as seen in (Attachment 12).

Status Report on the Mid-American Manufacturing Technology Center

Sandy Johnson, CEO, Mid-American Manufacturing Technology Center (MAMTC), spoke on the importance of manufacturing, stating that one hundred percent of all job growth in America comes from small and medium-sized companies (Attachment 13). Her report includes the number of manufacturers in Kansas, the number of employees and the average wage paid in the state. Ms. Johnson stated MAMTC's promise to small and mid-sized Kansas manufacturers is to help them develop and implement plans for reducing costs by 20 percent and growing top-line sales by 20 percent. She commented on the positive impact MAMTC has had during the past two years, showing the success of the agency. Ms. Johnson said that growing all Kansas businesses by ten employees would result in an increase of 39,000 employees and \$1.8 billion increase in payroll.

Afternoon Session

Overview of Legislative Budget Processes in Other States

Arturo Perez, Program Principal, National Conference of State Legislatures (NCSL), Denver, Colorado, introduced a research paper, *The Power of the Purse: Legislatures That Write State Budgets Independently of the Governor*, by Ronald Snell, written originally for the Kansas Legislature in June 2007 (Attachment 14). He commented on the budget committee structure of four states – Arizona, Colorado, Oklahoma, and Texas, saying three of the legislatures have a budget process that is as centralized as the executive branch process in their respective states. Oklahoma differs in that the entire membership of the legislature is actively involved in the budget process.

Mr. Perez directed attention to the budget and calendar cycles of various legislatures. A table showing the average number of appropriations bills introduced and the entity that writes bills to be introduced is included in his testimony. He provided a chart on the timing of agency budget requests and the maximum time the legislature or a committee has to consider the budget. Mr. Perez noted

the structure and size of appropriation standing committees ([Attachment 15](#)). The budgeting procedure for each state is available on ([Attachment 16](#)).

Mr. Perez commented on state finances saying, that states are preparing to adopt their budgets earlier this year than previously. He reported there is a total of \$144 billion in budget cuts nationwide. Mr. Perez indicated that sometime later this month NCSL will have a full and comprehensive report of state revenues since July 2009. He said early reports show revenue is trending downward in income, tax returns, and sales. Mr. Perez said about 21 states have implemented furloughs and layoffs of employees.

Mr. Perez will provide Committee members and staff with information packets from NCSL on performance-based budgeting.

Review of Budget Process Reform Legislation Pending from the 2009 Session

J. G. Scott, Legislative Research Department, provided an overview of House and Senate bills pertaining to the budget process and explained the implications of each bill ([Attachment 17](#)).

Capitol Restoration Review

Barry Greis, Statehouse Architect, addressed the Committee on the present status of renovation to the Capitol ([Attachment 18](#)). He provided a timeline for reintegration of the representatives presently located in the Docking Building, spoke about the relocation of the State Library, and explained the combining of committee rooms in the Docking Building. Mr. Greis commented on the work being done on the exterior of the Capitol, the north wing visitor center and the interior rotunda. He quoted the total expenditures as of June 30, 2009, to be about \$169 million.

Mr. Greis will provide the Committee with information on the amount of interest being paid on the bonds. He offered members a tour of the Capitol following adjournment of the Committee.

Potential Budget Solutions

Robert J. Vancrum, Vancrum Law Firm, LLC, spoke to the Committee on budget solutions related to building operations and savings on waste ([Attachment 19](#)). He introduced two men whose consulting business expertise has saved money for both public and private entities. He said their proposed model could save the state up to \$15-\$20 million in ongoing costs.

Tim Gray, Director of Waste Remedies, Inc., has led and maintained the firm's business development and consulting programs for five years with employees in St. Louis, Missouri, and Des Moines, Iowa ([Attachment 20](#)). He said Kansas is paying for much more trash service than necessary and Waste Remedies has tools to analyze and implement reduced costs for waste services. He responded to a member's question by stating that a two-ton waste container designed to hold ten tons, and making five trips per day at a cost of \$200 per trip is not cost effective.

Dave Mosby, Senior Consultant for Talisen Technologies, Inc., addressed the Committee on the topic of energy consumption in state operations, utilities and real estate ([Attachment 21](#)). He gave examples of the work done for Missouri's 34 million square feet of real estate. His aggressive work to reduce the escalating costs incurred by the state resulted in over \$20 million savings annually in the area of real estate, facility operations, construction and energy expenditures. Mr.

Mosby explained that information is gained through a secure communication system and interfaced with an access portal where specific data related to expended energy is analyzed resulting in significant savings. His testimony included numerical results in savings. Mr. Mosby responded to a Committee member's question stating that a baseline is established per square foot on commodities, gas, electricity, space, and energy consumption. The cost savings is then based on that information.

The Chairman recognized Representative Crum who presented data on programs and sub-programs administered the Kansas Department of Social and Rehabilitation Services including the agency's requests for funds and the Governor's recommendations (Attachment 22). His report expands on the information provided to subcommittees. The Chairman recommended the information be kept for future reference.

Committee Bill Introductions

Representative Donohoe inquired about the issue of catastrophic aid previously discussed in the Education Committee and requested the Legislative Education Planning Committee be apprised of any upcoming bill introduction by the Post Audit Committee.

Representative Watkins moved that a bill be introduced regarding performance-based budgets. Representative DeGraaf seconded the motion. The motion passed.

Representative Watkins made a motion that a bill be introduced creating a Sunset Commission. Representative Donohoe seconded the motion. The motion passed.

Representative Yoder moved that a bill be introduced that would repeal the statute requiring a judge in each county, and have the assignment of judges determined by the Judicial Branch. Representative Feuerborn seconded the motion. The motion passed.

Representative Feuerborn made a motion that a bill be introduced to change district magistrate judges to district judge positions. Representative Watkins seconded the motion. The motion passed.

Chairman Yoder again expressed appreciation for the hospitality provided by Representative Peter DeGraaf and his wife, Karen. He thanked Committee members for their participation and noted the tour of the building with Barry Greis.

The next meeting is tentatively scheduled for November 17 and 18, 2009.

The meeting was adjourned at 4:15 p.m.

Prepared by Florence Deeter
Edited by Amy Deckard and Christina Butler

Approved by Committee on:

November 24, 2009

(Date)

HOUSE APPROPRIATIONS COMMITTEE

GUEST LIST

DATE: October 12, 2009

NAME	REPRESENTING
Whitney Juman	WBO, PA
Dodie Wellstear	USA/KS, KAFP, KCSOV
Missy Taylor	KFE
April Holman	Kansas Action for Children
Debby [unclear]	Kansas TV
Dick/Koehler	KDWP
Mark Tallman	KTSB
Cheryl Semmel	USA/Kansas
Andy [unclear]	Pott State
MaH Casey	GBA
Barend Koops	Hein Law Firm
Carie [unclear]	KAMU
Jenni Phillipin	KSCFF
Cynthia Smith	SOC Health System
Sean Muese	Capital Strategies
Bill Bay	Cap. Chelver
Cindy Luxem	KHCA
Gary Post	Lyon Co

HOUSE APPROPRIATIONS COMMITTEE

GUEST LIST

DATE: October 13, 2009

NAME	REPRESENTING
Brend Koops	Hein Law Firm
Paul Soutar	Kansas Watchdog.org
John Stamm	Self
Karin Kingsley	Coalition of Kansas Public Retirees
Jerry Kingsley	Coalition of Kansas Public Retirees
Dennis Phillips	KSCFF
Ed Redmon	KSCFF
Ed Klumpf	KACP/KPOP
ANNE McELVE HUGHES	SKIL
Mark Heim	KWO
Ann L. Dillchunt	SELF
Merlin Steahn	Public Retirees
TERESA Strahn	Public Retirees
Leky Rice	Coalition of Kansas public retirees
Nodie Wulshear	USA/KS, KAAP, KCSOU
Debby McLean	Kansas Inc
L. Therese Blangert	Ks. Cath. Conf
Maury Gault	DOA
John Gault	KMUC

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October 9, 2009

To: Legislative Budget Committee

STATE GENERAL FUND RECEIPTS July through September, FY 2010

For the first four months of FY 2010, estimates of State General Fund (SGF) receipts are based upon the consensus estimates of April 17, 2009, as subsequently adjusted for legislation enacted after that date.

Total receipts for July through September, the first three months or quarter of FY 2010, were \$98.2 million or 7.7 percent below the estimate. The component of total SGF receipts from taxes only was \$100.1 million or 7.8 percent below the estimate. However, it is important to note that \$31.0 million in tax refunds that should have been paid in FY 2009 were delayed until July, FY 2010, to help ensure the State General Fund ended the fiscal year with a positive balance. Excluding the payment of the delayed refunds, the total receipts amount for the fiscal year to date would have been a negative \$67.2 million, or 5.3 percent. The component of total SGF receipts from taxes only would be \$69.1 million, or 5.4 percent, below the estimate.

Tax sources that exceeded the estimate by more than \$1.0 million were corporate franchise (\$3.6 million) and motor carriers (\$1.5 million).

Tax sources that fell below the estimate by more than \$1.0 million were individual income (\$84.0 million or 12.5 percent), corporation income (\$13.2 million or 20.3 percent), insurance premiums (\$3.8 million), financial institutions income (\$2.4 million or 42.1 percent), estate (\$1.9 million or 52.2 percent), and retail sales (\$1.5 million or 0.3 percent).

September receipts reflect the first quarter's experience for FY 2010. The month's receipts include the first estimated payment of individual income taxes for the fiscal year. As such, September receipt balances are more of an indicator of the economic activity of the state than only one month's receipts. Individual withholding through September was \$17.3 million or 9.3 percent less than the same period last fiscal year. Estimated individual income tax payments through September were below the same period in FY 2009 by \$28.0 million or 32.5 percent. Corporate income tax receipts also were below the estimate, when compared with actual receipts of last fiscal year for the same period, corporate income tax receipts are \$20.9 million or 28.7 percent below FY 2009. In reference to the \$31.0 million in delayed refunds from FY 2009 to FY 2010, \$26.0 million was in individual income taxes and \$2.0 million was in corporate income taxes.

Interest and agency earnings were below the estimate by \$1.0 million and \$1.5 million, respectively. Net transfers were \$4.3 million less than anticipated.

*Appropriations
10-12-09 Attachment 1*

Total SGF receipts through September of FY 2010 are \$197.7 million, or 14.4 percent, below FY 2009 for the same period. Tax receipts only for the same period were below FY 2009 by \$175.5 million, or 12.9 percent. Again, excluding the delayed tax refunds, total receipts would be \$144.5 million, or 10.6 percent, below the same period in FY 2009. Tax receipts only (excluding the delayed tax refunds) would be \$166.7 million, or 12.1 percent, below the same period in FY 2009.

This report excludes the July 1 deposit to the SGF of \$700 million pursuant to issuance of a Certificate of Indebtedness. The Certificate will be discharged prior to the end of the fiscal year.

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STATE GENERAL FUND RECEIPTS

September, FY 2010

(dollar amounts in thousands)

	Actual	FY 2010			Percent increase relative to:	
	FY 2009	Estimate*	Actual	Difference	FY 2009	Estimate
Property Tax:						
Motor Carriers	\$ 4,141	\$ 1,550	\$ 3,072	\$ 1,522	(25.8)%	98.2%
Income Taxes:						
Individual	\$ 655,276	\$ 670,000	\$ 585,985	\$ (84,015)	(10.6)%	(12.5)%
Corporation	72,675	65,000	51,819	(13,181)	(28.7)	(20.3)
Financial Inst.	6,303	5,700	3,302	(2,398)	(47.6)	(42.1)
Total	\$ 734,253	\$ 740,700	\$ 641,107	\$ (99,593)	(12.7)%	(13.4)%
Estate Tax	\$ 10,421	\$ 3,600	\$ 1,722	\$ (1,878)	(83.5)%	(52.2)%
Excise Taxes:						
Retail Sales	\$ 440,921	\$ 430,000	\$ 428,502	\$ (1,498)	(2.8)%	(0.3)%
Comp. Use	62,096	44,000	44,748	748	(27.9)	1.7
Cigarette	30,186	26,000	26,820	820	(11.2)	3.2
Tobacco Prod.	1,427	1,500	1,649	149	15.5	9.9
Cereal Malt Bev.	568	600	582	(18)	2.4	(3.1)
Liquor Gallonage	4,674	4,700	4,624	(76)	(1.1)	(1.6)
Liquor Enforce.	13,375	14,000	13,626	(374)	1.9	(2.7)
Liquor Drink	2,245	2,400	2,120	(280)	(5.6)	(11.7)
Corp. Franchise	4,387	2,400	5,975	3,575	36.2	148.9
Severance	51,057	15,000	15,708	708	(69.2)	4.7
Gas	30,578	7,500	7,675	175	(74.9)	2.3
Oil	20,479	7,500	8,033	533	(60.8)	7.1
Total	\$ 610,935	\$ 540,600	\$ 544,353	\$ 3,753	(10.9)%	0.7%
Other Taxes:						
Insurance Prem.	\$ (1,342)	\$ (3,400)	\$ (7,237)	\$ (3,837)	--	112.9%
Miscellaneous	355	350	265	(85)	(25.5)	(24.4)
Total	\$ (987)	\$ (3,050)	\$ (6,972)	\$ (3,922)	--	128.6%
Total Taxes	\$ 1,358,764	\$ 1,283,400	\$ 1,183,281	\$ (100,119)	(12.9)%	(7.8)%
Other Revenue:						
Interest	\$ 14,710	\$ 6,400	\$ 5,446	\$ (954)	(63.0)%	(14.9)%
Transfers (net)	\$ (7,162)	\$ (23,910)	\$ (19,609)	\$ 4,301	173.8	(18.0)
Agency Earnings and Misc.	\$ 9,879	\$ 10,900	\$ 9,424	\$ (1,476)	(4.6)	(13.5)
Total	\$ 17,427	\$ (6,610)	\$ (4,740)	\$ 1,870	(127.2)%	(28.3)%
TOTAL RECEIPTS	\$ 1,376,191	\$ 1,276,790	\$ 1,178,541	\$ (98,249)	(14.4)%	(7.7)%

* Consensus estimate as of April 17, 2009, as subsequently adjusted for legislation enacted after that date.
Excludes \$700 million to the State General Fund due to an issuance of a Certificate of Indebtedness.

NOTES: Details may not add to totals due to rounding.

Appropriations
10-12-09 Attachment 2

Approved Expenditures by 2009 Legislature, as Adjusted for Underspending and Shifting from FY 2009 to FY 2010
 Governor's Allotments in FY 2010 (\$90.1 million) - Generally 2.0 Percent
 School Aid Payments Delayed from FY 2009 to FY 2010 (\$73.0 million)
 April Consensus Revenue Estimates Adjusted for Legislation; 1.0 Percent Growth in Revenue in FY 2011 and 2.0 Percent in FY 2012;
 Revenues Further Adjusted for Actual Receipts for FY 2009; Actual Receipts for July through September, 2009 (FY 2010)
 Tax Refunds (\$31.0 million) Delayed from FY 2009 to FY 2010

**STATUS OF THE STATE GENERAL FUND
 FY 2008-FY 2012
 (In Millions)**

	Actual FY 2008	Actual FY 2009	Revised FY 2010	Estimated FY 2011	Estimated FY 2012
Beginning Balance	\$ 935.0	\$ 526.6	\$ 64.1	\$ -	\$ (0.0)
Receipts (April, 2009 Consensus Revenue Estimate)	5,693.4	5,709.7	5,535.9	5,547.7	5,624.0
Subtotal- Approved Receipts	\$ 6,628.4	\$ 6,236.3	\$ 5,600.0	\$ 5,547.7	\$ 5,624.0
Less FY 2009 Actual Receipts Below Estimate	-	(120.7)	-	-	-
July through September, 2009 (FY 2010) Actual Receipts	-	-	(67.2)	(67.2)	(67.2)
Delay FY 2009 Tax Refunds to FY 2010	-	-	(31.0)	-	-
Total Available Revenue	\$ 6,628.4	\$ 6,115.6	\$ 5,501.8	\$ 5,480.5	\$ 5,556.8
Expenditures	6,101.8	6,266.6	6,009.8	6,256.9	6,360.5
Federal Economic Stimulus Legislation	-	(102.8)	(396.2)	(297.3)	-
Subtotal - Approved Expenditures	6,101.8	6,163.8	5,613.6	5,959.6	6,360.5
Less FY 2009 Underspending and Shifting to FY 2010	-	(39.3)	35.0	-	-
Less Governor's Allotments (generally 2.0 percent)	-	-	(90.1)	-	-
Delay FY 2009 School Aid Payments to FY 2010	-	(73.0)	73.0	-	-
Additional Adjustments to Achieve a Zero Ending Balance	-	-	(129.7)	(479.1)	(803.7)
Total Adjusted Expenditures	6,101.8	6,051.5	5,501.8	5,480.5	5,556.8
Ending Balance	\$ 526.6	\$ 64.1	\$ -	\$ (0.0)	\$ (0.0)
Ending Balance as a Percentage of Expenditures	8.6%	1.1%	0.0%	0.0%	0.0%
Approved Receipts in Excess of Approved Expenditures	\$ (408.4)	\$ (454.1)	\$ (77.7)	\$ (411.9)	\$ (736.5)
Adjusted Receipts in Excess of Adjusted Expenditures	\$ (408.4)	\$ (462.5)	\$ (64.1)	\$ (0.0)	\$ 0.0

Assumptions:

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Assumptions:

1. Expenditures as approved by the 2009 Legislature, as adjusted for underspending and shifting of expenditures from FY 2009 to FY 2010. Plus Governor's allotments of generally 2.0 percent in FY 2010 and delay of school aid payments from FY 2009 to FY 2010.
2. April, 2009 Consensus Revenue estimates for FY 2009 and FY 2010, further adjusted for legislative action. Plus, adjustment for May and June actual receipts. In addition, delay of FY 2009 tax refunds (\$31.0 million) to FY 2010.
3. Estimated federal economic stimulus impact - revenue (loss of \$86.5 million) and expenditures (savings of \$796.3 million) as reflected in the approved budget.
4. Caseloads include adjustments within the budgets of the Department of Social and Rehabilitation Services, Kansas Health Policy Authority, Department on Aging, Juvenile Justice Authority, and the Department of Education.
5. Expenditures in FY 2011 and FY 2012 increase for human services caseloads (\$60 million), KPERS employer contribution increases (\$42 million), and state employee market pay (\$8.5 million).
6. Revenue estimates increase 1.0 percent in FY 2011 and 2.0 percent in FY 2012, less repayment of previous loans to the SGF (\$34.7 million) for KDOT, Underground Petroleum Fund, and the Waste Tire Management Fund in both FY 2011 and FY 2012.

Kansas Legislative Research Department
September 16, 2009

October 12, 2009

TO: Kansas House Appropriations Committee
FROM: Andy Tompkins
SUBJECT: Information Related to School Consolidation

In the past 18 years, there have been two studies initiated by the legislature on school consolidation. The first was completed in 1992 by Legislative Post Audit and the second was completed in 2001 by Augenblick and Myers at the request of the legislature in Senate Bill 171 in 1999.

One of the conclusions in the 1992 report from Barbara Hinton in response to the audit question "Have other states found that consolidating school districts resulted in cost savings?" was as follows: "The states we surveyed and the articles published on this subject generally reported that consolidating school districts may result in minor savings in administrative costs, but significant savings will occur only when schools are closed, class sizes are increased, and the number of teachers is reduced. The states we surveyed had not required districts to consolidate, but had encouraged consolidation through financial incentives or through expanded curriculum and staffing requirements."

The study in 2001 by Augenblick and Myers utilized two approaches to the issue. "The first approach focuses on districts with relatively low levels of pupil performance and relatively high levels of per pupil spending." "The second approach to identify districts that might benefit from reorganization focuses on districts that are either too small or too large, given what researchers and practitioners believe, to offer an appropriate curriculum, extra-curricular opportunities, and a safe, nurturing environment." From their research, they identified target districts and recommended that the legislature give the Kansas State Board of Education authority to enact their recommendations. This proposal was presented to a joint meeting of the House and Senate Education committees and a joint sub-committee was formed. No recommendations were ever made by the sub-committee or any action taken on the proposal.

The current legislative policy on this issue is to encourage local districts to consider consolidating or disorganizing. The incentive that you have provided to local districts is that the consolidated districts are guaranteed the combined budgets for three to five years depending on the size of the smallest district being consolidated. This policy was enacted beginning in 2002 through Senate Bill 551. The results of this policy are captured in the attached "History of Unified School District Consolidations" provided by the Kansas State Department of Education.

It appears to me that the current policy has been effective in making progress on this issue. Even though the decisions are very difficult, local school boards have responded. I believe there is fairly solid support in the educational community for this approach. I would recommend if you want to change the current policy that you first visit with your constituents and colleagues to see if there is support or interest in changing the policy. If you ultimately decide to change your approach, I would suggest that you initiate some type of objective study to guide you in decision making.

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History of Unified School District Consolidations

Unified School Districts	Year Consolidation/Closure	Years for Combined Budget
USD 280 and USD 281 (USD 281)	July 1, 2002	2002-03, 2003-04, 2004-05, 2005-06
USD 317 and USD 318 (new USD 105)	July 1, 2003	2003-04, 2004-05, 2005-06, 2006-07
USD 302 and USD 304 (new USD 106)	July 1, 2003	2003-04, 2004-05, 2005-06, 2006-07
USD 301 Nes Tre La Go Disorganized and closed with most of their students going into USD #106 Western Plains	Effective July 1, 2005, USD 301 disorganized and transferred territory to USDs #106, 208, 293, 303, and 482.	n/a
USD 295 Disorganized and closed	Effective July 1, 2006, USD 295 disorganized and transferred territory to 211 Norton, 294 Oberlin, and 412 Hoxie.	n/a
USD 104 and USD 278 (new USD 107 Rock Hills)	July 1, 2006	2006-07, 2007-08, 2008-09
USD 221 and USD 222 (new USD 108 Washington Co. Schools)	July 1, 2006	2006-07, 2007-08, 2008-09
USD 427 and USD 455 (new USD 109 Republic County)	July 1, 2006	2006-07, 2007-08, 2008-09
USD 238 and USD 324 (new USD 110 Thunder Ridge Schools)	July 1, 2008	2008-09, 2009-10, 2010-11
USD 425 and USD 433 (new USD 111 Doniphan West Schools)	July 1, 2009	2009-10, 2010-11, 2011-12, 2012-13 (2008 Senate Bill 531)
USD 279 Disorganized and closed	Effective July 1, 2009, USD 279 Jewell disorganized and transferred territory to USD 107 Rock Hills and USD 273 Beloit.	2009-10, 2010-11, 2011-12

*Appropriations
10-12-09 Attachment 4*



SELLERS DORSEY
Redefining the possibilities™

Revenue Maximization: Opportunities for the State of Kansas

Pat Brady, Director of Long Term Care

Sellers Dorsey

October 12, 2009



Sellers Dorsey

Revenue Maximization Experience



Pat Brady

- ▶ 19 Years private sector insurance and managed care experience
 - ▶ Customer service, claims processing and managed care consulting experience

- ▶ Served with the Rendell Administration for 3 years as Bureau Director and Deputy Secretary for Long Term Living Programs with Commonwealth of Pennsylvania
 - ▶ Led effort to obtain approval of nursing home assessment
 - ▶ Led effort to revise nursing home rate setting process
 - ▶ Integral part of cabinet level team that developed strategic plan for long term living

- ▶ Joined Sellers Dorsey in 2006
 - ▶ Long-Term Care
 - ▶ Revenue Maximization

Sellers Dorsey

- ▶ National Healthcare Consulting Firm with a special focus on Medicaid.
- ▶ Experience in 30 states designing and negotiating major Medicaid financing and health reform programs.
- ▶ Senior staff consisting of many former state Medicaid officials.
- ▶ Understand the need for win-win solutions
- ▶ Bring experience in policy, politics, and private sector healthcare.

Sellers Dorsey – Revenue Maximization

- ▶ Worked in a dozen states on Revenue Maximization initiatives.

- ▶ Focus on large-scale financing mechanisms, not individual claims
 - ▶ Provider Assessments
 - ▶ Certified Public Expenditures
 - ▶ Upper Payment Limit Programs
 - ▶ Identification of state-only funding of healthcare eligible for Federal Medicaid match.
 - ▶ Identification of revenue sources to serve as the state share of Medicaid payments.

- ▶ Helped state clients draw down billions of dollars in additional Federal Medicaid revenues over the last 10 years.

- ▶ None of the Federal dollars Sellers Dorsey has helped its clients draw down have ever been the subject of a disallowance.



Sellers Dorsey – Provider Assessments

- ▶ Sellers Dorsey has worked on the following types of provider assessments:
 - ▶ Nursing Homes
 - ▶ Hospitals
 - ▶ Medicaid Managed Care Organizations
 - ▶ ICFsMR

- ▶ Sellers Dorsey has worked on provider assessments in the following states:
 - ▶ California
 - ▶ Colorado
 - ▶ District of Columbia
 - ▶ Illinois
 - ▶ Mississippi
 - ▶ New Jersey
 - ▶ Pennsylvania

Sellers Dorsey – Provider Assessments

- ▶ In provider assessment engagements, Sellers Dorsey has been involved in the following tasks:
 - ▶ Designing and modifying the assessment model.
 - ▶ Briefing legislators, providers, and other stakeholders.
 - ▶ Drafting public notices, state plan amendments, waiver requests, state legislation, local ordinances.
 - ▶ Participating in discussions with the Federal Centers for Medicare and Medicaid Services.
 - ▶ Conducting upper payment limit calculations.
 - ▶ Assisting with implementation, including invoicing and collection of the assessment.
 - ▶ Serving as the liaison between government officials and the provider community.

State Budget Picture



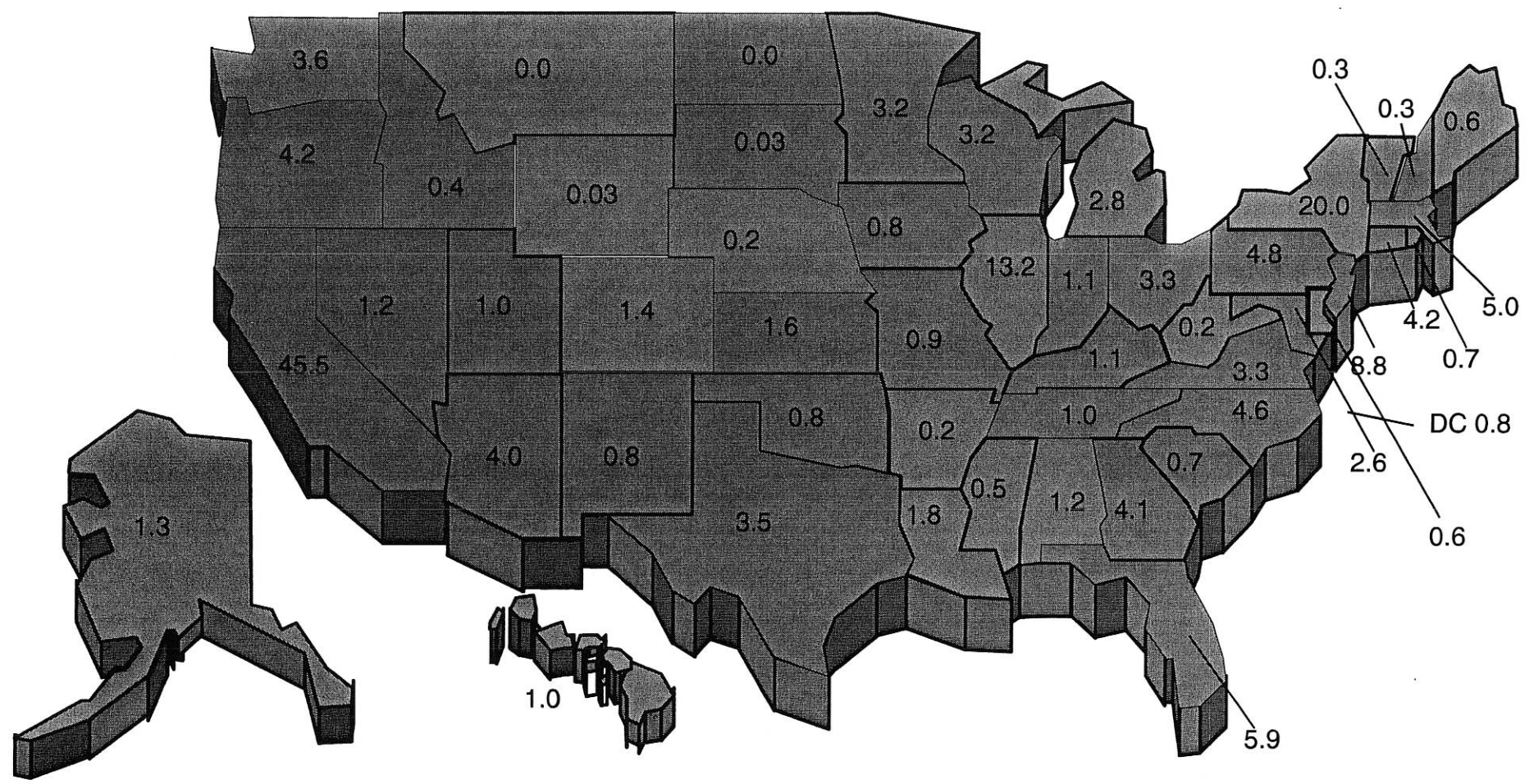
State Budgets and the Need for Increased Revenue

- ▶ States across the country are facing significant revenue shortfalls.
- ▶ Difficult economic climate has increased the need for services.
- ▶ End of ARRA funding as of January 2011.
- ▶ Potential for required expansion of Medicaid programs related to National Healthcare Reform.

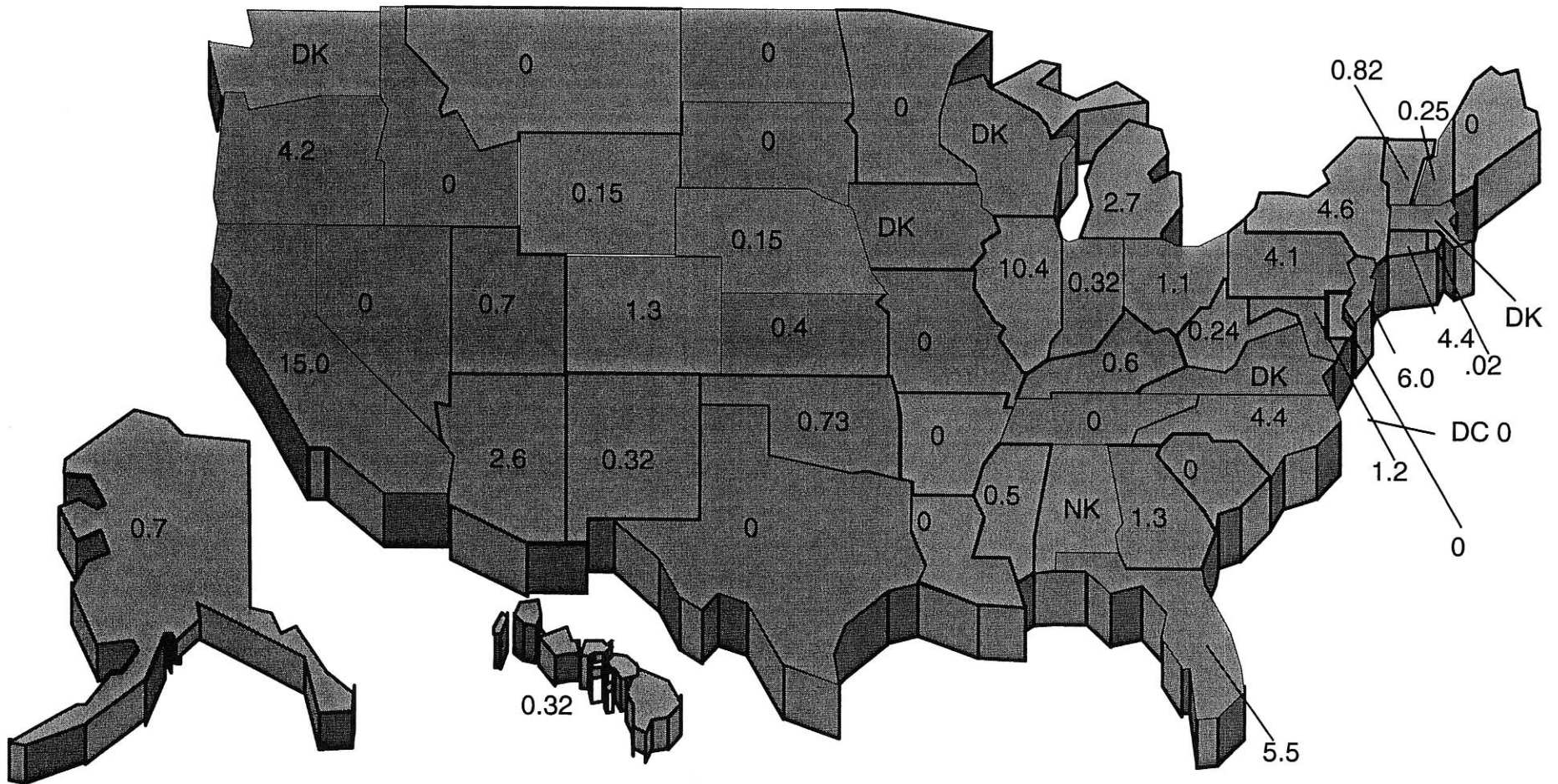


21-11

States w/FY 2010 Budget Gaps - \$168 Billion Total



Projected 2011 Budget Deficits



Center on Budget and Policy Priorities; 09/03/09
 DK means the estimate of the gap not available.



X-1-H

Revenue Maximization



Revenue Maximization Basics

- ▶ Revenue Maximization is implementing program policies that increase federal participation in the Medicaid program.
- ▶ States reduce their general revenue requirements.
- ▶ States seek to minimize negative impact.
- ▶ Provider assessments have 2 main parts, the assessment itself and the use of the revenue.

Areas of Revenue Maximization

- ▶ Provider Assessments
- ▶ Upper Payment Limit Programs
 - ▶ Nursing Homes
 - ▶ Hospitals
 - ▶ Physicians
- ▶ Certified Public Expenditure Programs
 - ▶ Securing Federal matching funds for all Medicaid costs of public providers.
- ▶ Identification of State-Only Spending Eligible for Federal Matching Funds
- ▶ Identification of Revenue Sources to Serve as the State Share of Medicaid Payments

Provider Assessments – Regulatory Requirements

- ▶ Section 1903(w) of the Social Security Act allows states to tax nineteen classes of health care providers including:
 - ▶ Nursing Homes
 - ▶ ICFsMR
 - ▶ Managed Care Plans
 - ▶ Hospitals

- ▶ Assessments must meet the following federal requirements:
 - ▶ Broad-Based: Levied on all members of the class.
 - ▶ Uniform: Levied at the same rate on all assessed entities.
 - ▶ No hold harmless: Cannot guarantee that assessed entities will be made whole.
 - ▶ Waivers: The broad-based and uniform requirements can be waived by the Federal government.

- ▶ Maximum rate of assessment is 5.5% of net patient revenue.



4-11

Provider Assessments – Use of Funds

- ▶ Funds raised by a provider assessment can be used as the state share of Medicaid payments to providers.
 - ▶ Pay the Medicaid portion of the assessment.
 - ▶ Increase or maintain provider rates.
 - ▶ Replace state general fund revenue.
 - ▶ Use funds for healthcare reform.

4-19

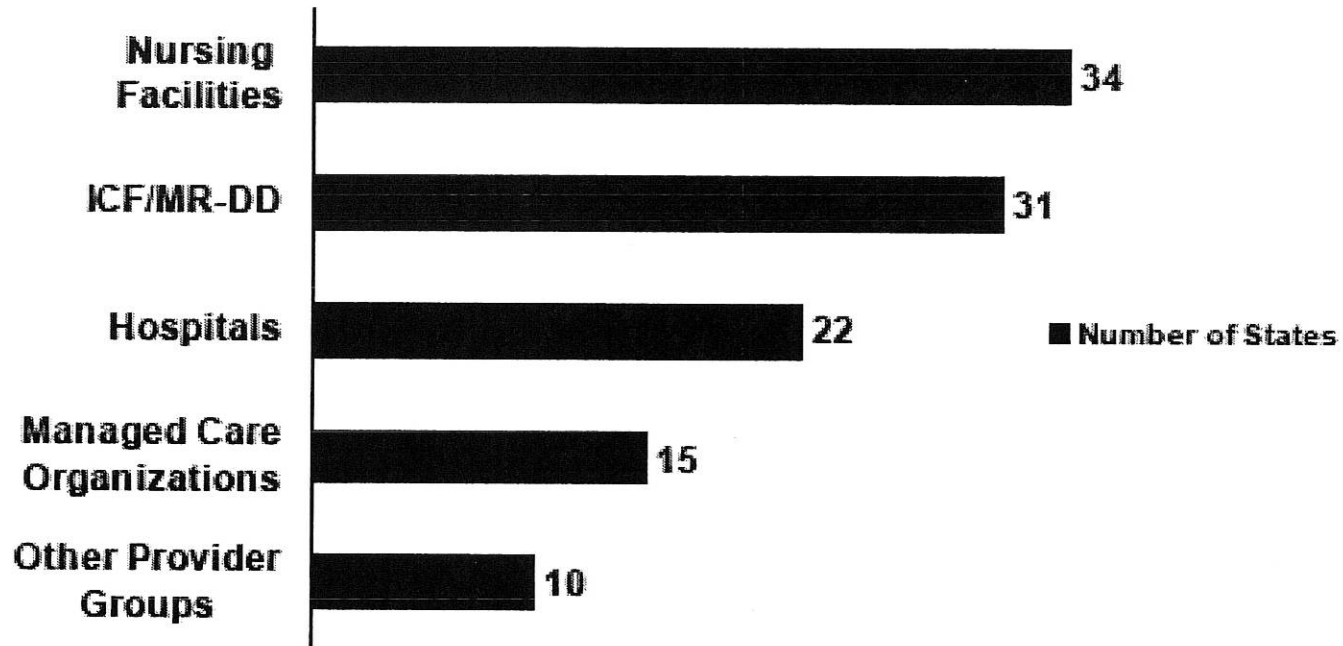
Provider Assessments – Approvals

- ▶ Required approvals
 - ▶ State legislature
 - ▶ Federal Centers for Medicare and Medicaid Services

- ▶ 43 states and the District of Columbia have received approval for at least one provider assessment.

02-4

Medicaid Provider Assessments in FY 2009



SOURCE: KCMU survey of Medicaid officials in 50 states and DC conducted by Health Management Associates, September 2008.

**KAISER COMMISSION ON
Medicaid and the Uninsured**



4-21

Nursing Home Provider Assessments

- ▶ 34 states currently have nursing home assessments:
 - ▶ AK, AL, AR, CA, CT, DC, GA, IL, IA, KY, LA, MD, MA, ME, MI, MN, MS, MO, MT, NC, NH, NJ, NV, NY, OH, OK, OR, PA, RI, TN, UT, VT, WV, WI

- ▶ 3 states currently designing/implementing nursing home assessments:
 - ▶ CO, FL, ID

- ▶ Nursing homes generally have high Medicaid populations, making them good candidates for an assessment.

Nursing Home Provider Assessments - Structure

- ▶ Applied to beds, days, or revenue
- ▶ Possible to exclude public providers and Medicare revenue without a waiver
- ▶ Single rate or tiered
 - ▶ One rate or multiple rates
 - ▶ Tiered assessments require a waiver
- ▶ Broad-based or Limited
 - ▶ Assessment can apply to all nursing homes in the state, a geographic region or to select nursing homes.
 - ▶ Non-broad based assessments require a waiver.



4-23

Nursing Home Provider Assessments - Realities

- ▶ CMS is reviewing provider assessments more closely than they have in the past.
- ▶ There will be winners and losers.
 - ▶ Nursing homes with higher Medicaid utilization will tend to be “winners.”
 - ▶ Nursing homes with low Medicaid utilization will tend to be “losers.”
 - ▶ Tax and payment structure can be altered to minimize losers and the extent of their losses.



427

Lessons Learned



4-25

Lessons Learned

- ▶ Use structure to minimize losers
- ▶ Make sure there are benefits to various parties – state, providers, consumers
- ▶ Allow for flexibility in legislation while providing assurances on how funding is used
- ▶ Take care of cash flow
- ▶ Talk early and often to CMS
- ▶ Use grass roots efforts to explain the program and its benefits to provider community and other interested parties
- ▶ Communicate, communicate, communicate



Other Potential Revenue Maximization Opportunities



Additional Potential Revenue Maximization Strategies for Kansas

4-27

- ▶ Provider Assessments
 - ▶ ICFMR Assessment
 - ▶ Local Government Provider Assessments
 - ▶ Non-Healthcare Related Provider Assessments
 - ▶ Home and Community Based Waiver Services
- ▶ Physician Upper Payment Limit Program
- ▶ Revisions to Hospital UPL Calculations
- ▶ Medicaid Claiming for Eligible Residents of State Veterans' Nursing Homes
- ▶ Ensuring Public Providers are Capturing Available Federal Medicaid Match up to Full Cost
- ▶ Full Assessment of All Opportunities



SE-h

For more information, please contact:

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Coordinating health & health care
for a thriving Kansas



House Appropriations Committee
Consideration of the Nursing Home Provider Tax

October 12, 2009

Joe Tilghman
Chairman of the Board
Kansas Health Policy Authority

Chairman Yoder and Members of the House Appropriations Committee:

My name is Joe Tilghman. I am a retired federal employee with 34 years experience working with the Medicare and Medicaid programs at the federal level. I am currently the chairman of the Kansas Health Policy Authority Board.

I am here this morning to testify regarding the consideration of a Nursing Home Provider Tax in the Kansas Medicaid program.

This issue has been simmering in Kansas for a number of years, and rather than simply walk away from it, the KHPA Board chose to look at it earlier this year. We felt this was appropriate in light of the current budget problems confronting the State and the possibility of this becoming a source of additional federal revenue to the State.

In the way of background the most current data I have shows that 41 states have one or more forms of a provider tax in place for their respective Medicaid programs:

- 30 have a nursing home tax
- 18 have a hospital tax (including Kansas)
- 22 have an ICF-MR tax
- 14 have an HMO tax

Workgroup

We convened a workgroup to look at this issue about six months ago. It is chaired by myself and the Secretary of the Department of Aging, initially Secretary Greenlee, then Secretary Kennedy after her departure. It

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Fax: 785-296-4813

State Employee Health Plan:

Phone: 785-368-6361
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State Self Insurance Fund:

Phone: 785-296-2364
Fax: 785-296-6995

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includes representatives from both the for-profit and non-profit state associations, as well as the Medicaid waiver community. Staff from KHPA and KDOA also participate. All meetings have been open to the public.

The purpose of the workgroup was to determine what a nursing home provider tax should look like in the State of Kansas if the legislature and Governor decide to consider this revenue source as a way to mitigate the current budget shortfalls.

To be clear: the Board is not necessarily endorsing such a tax, but rather putting forward an option that we feel is a good model for such a tax if the legislature and Governor choose to go this route.

If we do put forth such a model, it will be a product of the KHPA Board. As such it will be a non-partisan product and will not represent any consensus from the workgroup members, but only the consensus of the KHPA Board.

Workgroup Criteria

While we are not looking for consensus from the participants, we did want to hear their concerns and, where possible, address these in the modeling. By informing ourselves of their concerns we hope to mitigate as much as practical any adverse impact on residents or providers.

The model we will put forth must be approvable by the federal government, i.e., CMS.

The model must meet the policy goals of KDOA, which has the program lead in this area; however, we will not ask KDOA or the Governor's Office to endorse the model although they are welcome to do so. We will not put forward a model that KDOA objects to from a policy viewpoint.

The model should provide savings in State General Funds if practical.

Where we are today

The KHPA Board reviewed two possible models at our September 15 meeting and directed the workgroup to help blend these two models for presentation of a single "final" model for consideration at our November 17 meeting. (There is no Board meeting in October.) The workgroup is meeting this afternoon to review the blended model.

My best guess is that the KHPA Board will forward a suggested model to the legislature following its meeting on November 17.

I can't give you any specifics right now on what this model will look like; however, I can lay out in very broad brush strokes what it will likely accomplish as well as the primary pros and cons of adopting it. Keep in mind, I can't really get "into the weeds" because both the workgroup and the Board have yet to weigh in on the blended model.

I'm going to do this in three pieces. The first piece will lay out in very rough terms the likely trajectory of nursing home payments in the Medicaid program if nothing is done in terms of adopting a provider tax. The second piece will lay out the "pros" of adopting the likely model. And the last piece will lay out the "cons". Keep in mind, at this point these are my personal views and that other parties may present a different perspective ... and that this is still very much a work in progress.

What the world will likely look like if we do nothing

Secretary Kennedy can provide you a better glimpse into the crystal ball in this area, but in very broad terms my understanding is that the Medicaid rates for nursing homes were frozen last year due to budget concerns, and could be at risk again this year. KDOA estimates that an inflationary adjustment for Medicaid payments to nursing homes would cost around \$16 million in SFY 2011 (about \$6.5 million in SGF).

Increases in funding for the Home and Community Based Services Waivers for the frail elderly and developmentally disabled are also at risk.

This will probably not lead to access problems in nursing homes, but could cause some problems (such as waiting lists) in the waiver programs. The world doesn't fall apart, but it certainly doesn't get better ... and it will likely get a bit tougher for providers and some waiver recipients.

The nursing home and waiver programs will essentially be "on hold", with no new initiatives to improve quality, reduce the number of unused beds, or expand (or possibly even maintain) the number of people using the waivers.

PROs of a Provider Tax

1) The model will likely generate at least \$16 million in revenues from the nursing home tax itself. This, in turn, will generate another \$24 million in matching federal funds, for a total of about **\$40 million in new Medicaid funds** – and this will be done at no cost to State General Funds.

The option we put forward will likely propose that 80 -85% of this funding be returned to the nursing home community. This means that in return for the \$16 million they pay in the new tax, they get back between \$30 – 34 million. Roughly double what they put in. The Secretary of Aging would have final responsibility for how this funding would be used, but it would likely go towards inflationary adjustments in the Medicaid rates and to drive quality improvements. We also anticipate that the Secretary of Aging would consider input from an advisory council in coming to his decisions regarding the use of these revenues, and that this advisory council would look a great deal like the workgroup we've been dealing with for the past six months.

The remaining balance, \$6 – 10 million would be directed to the HCBS waiver programs.

2) The model will **meet the policy goals of KDOA** in three ways:

- A. By taxing certified beds it will encourage providers to reduce the number of unused beds in the state. This will result in long term savings in health costs.
- B. It will provide a means to promote quality improvements in nursing homes using incentive payments.
- C. It is designed in such a way as to encourage providers to accept more Medicaid residents.

3) The model will provide a new revenue stream to **fund the appropriate inflationary adjustment in Medicaid payments to nursing homes** which entails a total cost of approximately \$16 million. Absent the nursing home tax, this adjustment would either not take place due to budget constraints or, if implemented, would cost \$6.5 million in SGF. Additionally the model would provide \$5 million to drive quality improvements in nursing home care.

4) The model would provide **\$6 – 10 million in new funding for Home and Community Based Waiver services** for the elderly frail and/or developmentally disabled. Absent this funding these services will likely be cut or held at current levels. Depending on how these funds are used it could save \$2.5 – 4 million in SGF or

expand the use of these services without the use of any additional SGF..

5) We can give you a 99% assurance that any model we put forth *will be approvable by CMS*. However, we will also caution that such approval goes through some very hard scrutiny and that any tinkering with the model may jeopardize its approval by CMS. That's not to say you can't tinker with it, but to strongly suggest that you involve the experts in KDOA to make sure any changes will, in fact, be allowed. As an aside, from the viewpoint of an old fed, I've been very impressed with the expertise KDOA has in this area.

CONS

Now to switch to the downside of the model.

1) The "for profit" nursing homes will likely support the new tax, as will the waiver community (although the waiver folks will likely be more supportive if they receive 20% of the funds rather than 15%). However, the "non-profit" nursing homes will likely continue to oppose any such tax. They have expressed two general concerns during our meetings:

A. Some nursing homes may have to raise their rates to private pay patients since they would like to charge private pay patients less than the Medicaid rate. This is a valid concern, although it is important to note that the option we are developing with the help of KDOA staff allows some of the increases in Medicaid rates to be exempt from the the rule that Medicaid must be lowest payer, and

B. There will be winners and losers, with the losers being those homes with small Medicaid populations. Federal laws for health care taxes virtually require that there will be some losers. I would add that KDOA staff have worked pretty hard to assure that there are many more winners than losers, and that those losses are minimized.

2) There are still details to work out as to how to structure incentive payments to promote quality improvements and there is a question as to whether we are putting enough money on the table to really drive quality improvements. Personally, I'm not too concerned about this and feel confident we can work something out. There are lots of options out there – and whatever we do is going to be better than doing nothing to promote quality care.

Summary

The state has wrestled for years with the concept of a tax on nursing homes. If this were an easy choice, the state would have moved forward long ago. The state's success in providing home and community based services helps lower the role of Medicaid in financing nursing home services, and this may make these sorts of taxes a little more difficult. Clearly there are at least some trade-offs involved in a nursing home tax, and the KHPA Board acknowledges those trade-offs. However, in a year in which state funding for health care services will be at risk, we felt it was important to put options on the table that might help fill the gap.

Our plan is to complete work on an option and present it to the Legislature and the Governor for consideration. We will not promote the option, but I'm sure our staff and KDOA's staff will be available to support the process and to make sure you have the information you need.

This concludes my testimony and I will be happy to stand for questions.

**House Appropriations Committee
October 12, 2009****Summary of the work and discussions of the
KHPA Nursing Facility Provider Assessment Advisory Group**

Mr. Chairman and members of the committee, thank you for the opportunity to appear before you today. My name is Martin Kennedy and I serve as Acting Secretary of the Kansas Department on Aging. The department has been involved in discussions on provider assessments for the past year. We view a Medicaid provider assessment for nursing facilities as one way to address the funding needs of nursing homes in this time of fiscal scarcity.

The Kansas Health Policy Authority (KHPA) Board created an advisory group late in 2008 to review nursing facility provider assessment options. Because the Kansas Department on Aging manages the nursing facility program, the Authority asked that Secretary Greenlee co-chair the advisory group charged with reviewing this issue. I continued in this role after my appointment as Acting Secretary last summer.

The advisory group and a technical committee have met several times over the past months to get input and prepare possible provider assessment options. The KHPA Board reviewed the work of the advisory group in September and suggested a provider assessment proposal for consideration at its November 17, 2009 KHPA board meeting. The following are features of the most recent proposal outline.

- Use a broad-based assessment based on licensed beds
- Exclude state operated nursing homes and nursing facilities for mental health
- Generate approximately \$15.97 million by assessing most providers \$725 per licensed bed
- Split the assessment revenue 85% to 15% between the Medicaid nursing facility program and other Medicaid long-term care programs
- Increase NF program reimbursement \$33.38 million with adjustments for
 - Removing the 85% occupancy rule
 - Passing through the Medicaid share of the assessment
 - Applying an inflation factor to all costs
 - Increasing incentive payments
 - Spending up to \$1,000,000 on a satisfaction survey program
- The estimated fiscal impact to Nursing Facilities includes

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Attachment 6
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- 314 homes (91%) would have a net gain
- 28 homes (8%) would have a net loss
- 2 homes (1%) neutral

- Other Medicaid long-term care programs would gain \$5.98 million

The nursing facility program, like all state programs, faces funding constraints in the future. A provider assessment structured like this one offers an alternative to address the program's funding needs. However, at this point the Department on Aging has not taken a position on any particular provider assessment bill and does not have this issue as part of its legislative agenda for 2010.

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Supporting Regional Economic Development through Analysis and Education

THE CENTER FOR
APPLIED ECONOMICS

THE FUNDING CRISIS IN THE
KANSAS PUBLIC EMPLOYEES
RETIREMENT SYSTEM

Barry W. Poulson
Professor of Economics
University of Colorado

and

Senior Fellow
Center for Applied Economics
University of Kansas
School of Business

Arthur P. Hall
Executive Director
Center for Applied Economics
University of Kansas
School of Business

Technical Report 09-0904
September 2009

Attachment 7
Appropriations
10-13-09

About The Center for Applied Economics

The KU School of Business established the Center for Applied Economics in February of 2004. The mission of the Center for Applied Economics is to help advance the economic development of the state and region by offering economic analysis and economic education relevant for policy makers, community leaders, and other interested citizens. The stakeholders in the Center want to increase the amount of credible economic analysis available to decision makers in both the state and region. When policy makers, community leaders, and citizens discuss issues that may have an impact on the economic development potential of the state or region, they can benefit from a wide array of perspectives. The Center focuses on the contributions that markets and economic institutions can make to economic development. Because credibility is, in part, a function of economic literacy, the Center also promotes economics education.

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EXECUTIVE SUMMARY

The Kansas Public Employees Retirement System (KPERS) is experiencing a funding crisis. The recent collapse of financial markets has resulted in a significant decrease in the value of the KPERS portfolio. But, the funding crisis in KPERS is not just the result of problems in financial markets. The problems in this defined-benefit pension plan have emerged over several decades, and are symptomatic of the poor incentive structure guiding the governance of many defined-benefit public pension plans. The financial market turmoil has exacerbated these problems, but KPERS is facing a long-run deterioration in its funding status.

The Kansas legislature has enacted several reforms over the past decade to address the KPERS funding problems. These reforms have included changes in benefits, increased contribution rates, and administrative changes. Unfortunately, these reforms have failed to address the fundamentally flawed incentive structure built into the KPERS defined-benefit plan.

This study explores current and past funding shortfalls in KPERS and the inherent challenges associated with the governance of defined-benefit pension plans. The study examines different measures of the magnitude of the funding shortfalls and the past legislative attempts to provide remedies.

Some of the key facts and issues are:

- A sharp decrease in the value of assets in the KPERS system last year caused the funding ratio to fall to 49 percent. Unfunded liabilities in the system doubled, from about \$5 billion to \$10 billion.
- Assuming an eight percent return on assets, Kansas-government employers would have to significantly increase contribution rates to bring the KPERS system into actuarial balance. This would be difficult for state and local employers that are experiencing a revenue shortfall.
- KPERS is bankrupt under current operating assumptions. Using more realistic assumptions regarding the expected rate of return on

assets, it is highly unlikely that the KPERS system will achieve actuarial balance over the appropriate time frame.

- The solution to the funding crises in KPERS will require fundamental reform. Everything should be on the table, including changes in benefits and increased employee contribution rates, as well as increased employer contribution rates. The governments of Kansas should also explore a complete shift to a defined-contribution arrangement, similar to the one used by the Kansas Regents system (and most private employers).

FLAWS IN THE DESIGN OF THE KPERS SYSTEM

Flaws in the design of the KPERS system can be traced to an asset smoothing methodology used to smooth the effects of market fluctuations. The smoothing methodology is used to determine the actuarial value of assets.

KPERS assumes that it will earn an eight percent return on assets in the long run.¹ This estimated return on assets is used to determine the actuarial value of assets. KPERS sets a range around the actual market value of assets. The estimated actuarial value of assets can be no less than 80 percent and no more than 120 percent of the actual market value of assets.

Since the estimated value of assets on December 31, 2008 was in excess of 120 percent of the actual market value of assets, the actuarial value of assets was set at the upper limit of 120 percent of the actual market value of assets. The following table shows the actual market value and actuarial value of assets on that date.

The actuarial value of assets reported was almost \$2 billion higher than the actual market value of assets on that date. The asset smoothing methodology determines the timing when actual market experience is recognized in the financial statements. Unfunded liabilities not recognized in the current accounting period will be recog-

Table 1

Market and Actuarial Value of Assets in the KPERS System (millions of dollars)

	Market Value	Actuarial Value
Assets, December 31, 2007	\$14,168	\$13,433
Employer and Member Contributions	683	683
Benefit Payments and Expenses	(1,017)	(1,017)
Investment Income	(3,978)	407
Preliminary Asset Value, December 31, 2008	\$9,856	\$13,506
Application of Smoothing Methodology	N/A	(1,678)
Final Asset Value, December 31, 2008	\$9,856	\$11,828

Source: Kansas Public Employees Retirement System (2009A) p.4.

Table 2

Kansas Public Employees Retirement System Investment Performance Report Total Portfolio Net Asset Value \$9,814.9 Million December 31, 2008

Portfolio	Asset Value Millions	Current Position Percent	Target Value Percent
Domestic Equity	2621.8	27.8	28.0
International Equity	1653.4	17.8	22.0
Global Equity	469.9	5.0	5.0
Real Estate	799.5	8.1	10.0
Alternative Investment	397.8	4.0	6.0
Subtotal for Equity Assets	5942.4	62.7	71.0
Fixed Income	1998.7	18.7	14.0
Real Return	1412.3	14.4	14.0
Cash Equivalent	453.7	4.2	1.0
Subtotal for Fixed Income Assets	3864.7	37.3	29.0

Source: Kansas Public Employees Retirement System (2009D) p.1.

nized in financial statements in future years. Since employer contribution rates are set based on the actuarial value of assets in the current accounting period, some of the losses in the current accounting period are deferred to future years.

Flaws in the design of the KPERS system are also linked to the assumed rate of return on assets of eight percent. Actuaries generally recommend an assumed rate of return on assets substantially below eight percent. For example, the Employees Retirement Income Security Act (ERISA) recommends that private employers assume a 6.1 percent return on assets in private pension plans.

Because KPERS assumes an eight percent return on assets, it must invest in a diversified portfolio of assets including equities as well as fixed income assets. The higher the ratio of equities relative to fixed income assets the more volatility the portfolio is likely to experience. Because of this volatility, some economists question the use of equities in public pension plans.²

Like many state and local pension plans across the country, the Kansas Public Employee Retirement System (KPERS) has experienced a drastic decline in its investment portfolio valuation. As of December 31, 2008 the market value of assets held in KPERS was \$9.9 billion.³ This was a decrease of \$4.3 billion from the December 31, 2007 figure of \$14.2 billion.⁴ The annualized dollar weighted rate of return for 2008 measured on the market value of assets was -28.5 percent.⁵

The KPERS asset allocation reported in Table 2 reveals a portfolio heavily weighted toward equities. The target share for equities is 71 percent, and for fixed income assets is 29 percent. The current position reported in Table 1 is less risky than the target portfolio because of the sharp drop in value for equities over the past year—illustrating precisely why such a high target share for equities can cause volatility.

We can compare the volatility in the KPERS plan with that in the California Public Employees Retirement System (CALPERS). CALPERS reported a 23 percent decline in the value of assets in the system over the past year.⁶ Moody's Investors Services reports that it put the triple-A rating of CALPERS on review for downgrade

for the first time.⁷ Moody's is also considering a downgrade in the triple-A rating of the California State Teachers Retirement System. A lower rating for these pension plans will mean increased borrowing costs for state and local jurisdictions in California.⁸

KPERS reported a sharper decrease in the value of assets in the system than that for the CALPERS system over the same time period. Thus Kansas should expect a similar downgrade in the bonds issued by the KPERS system.

UNFUNDED ACTUARIAL LIABILITIES (UAL)

The Government Accounting Standards Board (GASB) sets standards for reporting pension and other post employment benefit (OPEB) plans offered by state and local governments.

Unfunded liabilities in pension and OPEB plans must be reported as debt in financial statements of state and local jurisdictions. Further, these standards require that state and local governments show progress toward eliminating unfunded liabilities over a 30-year amortization period. If pension and OPEB plans fail to meet these standards, actuaries must report that the plans are not in actuarial balance. Bond rating agencies, such as Standard and Poor's, take this information into account in rating the bonds issued by state and local government.

GASB standards require that pension funds report two schedules of information regarding the funding status of the plans: (1) The Schedule of Funding Progress and (2) The Actuarial Contribution Rate.

The following table shows the funded ratio and the unfunded actuarial liability using both the market value of assets and the actuarial value of assets over the past six years. The unfunded actuarial liabilities more than doubled from \$4,817 billion to \$10,250 billion in the past year using the market value of assets. The funding ratio fell to 49 percent based on the market value of assets.

The unfunded liability in the KPERS system is equal to about eight percent of state gross domestic product. To put this in perspective, the total state debt in Kansas is equal to about five percent of gross state product.

Using the actuarial value of assets rather than the market value of assets shows less deterioration in the funded status of the system over the past year. However, asset smoothing impacts only the timing of when the actual market experience of assets is recognized. The actuarial value of assets exceeds the market value of assets by 20 percent. This means that \$2 billion in unfunded liabilities is not recognized in these financial statements and will only be recognized in financial statements in future years.

CONTRIBUTION RATES

The actuarial process is the basis for determining employer and employee contributions into the pension plan. To meet GASB standards, the pension plan must calculate an actuarial contribution rate that will eliminate unfunded liabilities in the system within a 30-year amortization period. The actuarial contribution rate is a schedule of employer contributions required to meet this standard. The actuarial contribution rate includes two components:

- A 'normal cost' for that portion of projected liabilities allocated by the actuarial cost method for service of members during the year following the valuation date.
- An 'unfunded actuarial contribution' to cover the excess of projected liabilities over the actuarial value of assets.

As a result of legislation enacted in 1993, the KPERS system calculates a statutory contribution rate. The purpose was to set statutory payments as a level percentage of payroll to pay off unfunded liabilities in the system over a 40 year amortization period. The legislation set a cap on the amount by which the statutory contribution rate could increase each year. This statutory cap, which has been changed periodically, is currently 0.60% for all KPERS systems.⁹

Due to these statutory caps, the statutory contribution rates for State, School, and Local employers have fallen well below the actuarial contribution rates. The shortfall between these rates is 2.36 percent, 6.19 percent, and

Table 3

Unfunded liabilities and Funded Ratio Using Market and Actuarial Value of Assets

	2003	2004	2005	2006	2007	2008
Using Market Value of Assets						
Funded Ratio	71%	71%	72%	76%	75%	49%
Unfunded Actuarial Liability	\$3,586	\$4,742	\$4,543	\$4,184	\$4,817	\$10,250
Using Actuarial Value of Assets						
Funded Ratio	75%	70%	69%	69%	71%	59%
Unfunded Actuarial Liability	\$3,586	\$4,743	\$5,152	\$5,364	\$5,552	\$8,279

Source: Kansas Public Employees Retirement System (2009A) p.6.

Table 4

Actuarial and Statutory Contribution Rates, December 31, 2008 Valuation

System	Actuarial	Statutory	Difference
State	11.13%	8.77%	2.36%
School	14.96%	8.77%	6.19%
Local	10.42%	6.74%	3.68%
Police and Fire	17.88%	17.88%	0%
Judges	26.38%	26.38%	0%

Source: Kansas Public Employees Retirement System (2009A) p.7.

3.68 percent, respectively, for the State, School and Local Systems.¹⁰

To meet GASB standards, the KPERS system must demonstrate that the statutory contribution rate will converge with the actuarial contribution rate within a 30-year amortization period. Given the assumptions in these projections, the dates when the statutory and actuarial contribution rates converge are 2022 for the State Group and 2020 for the Local Group. The statutory and actuarial contribution rates for the School Group do not converge within the amortization period. The School System is not in actuarial balance with respect to either GASB standards, or the statutory requirements set in the 1993 legislation.¹¹

The investment losses in 2008 have caused a serious deterioration in the funded status of the KPERS system. \$2 billion of these losses are not accounted for in estimating the above actuarial contribution rates due to the smoothing of asset values. To underscore the impact of these market losses, contribution rates are calculated based on the market value of assets. Table 5 compares the actuarial contribution rates with these contribution rates based on market values of assets. Using market valuation of assets, the employer contribution rate for the State/School System would have to increase to 16.5 percent, almost double the statutory contribution rate. The employer contribution rate for the Police and Fire

System would have to increase from 17.88 percent to 20.86 percent.¹²

No one can predict the future returns on assets in the KPERS system. However, the assumption of an eight percent return on assets to determine contribution rates must be questioned. The return on assets in 2008 was -28.5 percent. Compared to an assumed rate of return of eight percent, the gap between the actual return and assumed return in 2008 was 37 percent. If future returns on assets continue to fall below the assumed eight percent rate of return, the funded status of the system will deteriorate further. In those circumstances, it is possible that none of the KPERS systems would be in actuarial balance or meet GASB standards over a 30-year amortization period.

UNSATISFACTORY LEGISLATIVE REFORMS

KPERS faces a clear funding crises. Over the years, the Kansas legislature has enacted a number of well-intentioned reforms that have failed to bring actuarial balance to the system. It is important to understand why these reforms have failed in order to move forward with reforms that will bring actuarial balance to the system.

The stated objective of the 1993 reforms was “to establish contribution rates that over time will remain relatively level, as a percentage of payroll, and to pay off

Table 5

Contribution Rates Using Actuarial and Market Valuations, December 31, 2008

	State/School		KP&F	
	Actuarial	Market	Actuarial	Market
Actuarial Liability	\$14,492	\$14,492	\$2,098	\$2,098
Asset Value	8,252	6,877	1,480	1,233
Unfunded Actuarial Liability	6,240	7,615	618	865
Funded Ratio	57%	47%	71%	59%
Contribution Rate				
Normal Cost Rate	8.53%	8.53%	14.71%	14.71%
Unfunded Actuarial Liability Payment	9.56%	11.62%	9.70%	12.68%
Total	18.09%	20.15%	24.41%	27.39%
Employee Rate	4.00%	4.00%	6.53%	6.53%
Employer Rate	14.09%	16.15%	17.88%	20.86%

Source: Kansas Public Employees Retirement System (2009A) p.8.

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Why the KPERS Funding Crises may be Worse when Evaluated by Private Pension Plan Requirements

A recent study by the National Bureau of Economic Research (NBER) suggests that the funding status in KPERS and other public pension funds is worse than reported (Novy-Marx and Rauh 2009). These pension systems are likely to experience significant funding shortfalls in future years, even if the economy recovers and financial markets stabilize. These funding shortfalls will impose a heavy burden on future generations.

The potential for future funding shortfalls in pension plans can be estimated from future assets and future liabilities. Future liabilities are estimated based on the current actuarial value of liabilities, the discount rate employed by the plan, and the amortization period. Future assets are estimated based on the expected growth rate and volatility of the plan's assets.

The NBER study of a sample of state pension plans finds that future under funding in these plans is actually greater than that reported in their financial statements because of the accounting rules used to estimate future assets and future liabilities in the system.

The NBER study, and other studies as well, point out that the eight percent average discount rate used by KPERS and other state pension systems is almost certainly too high (Novy-Marx and Rauh 2009; Barclays Global Investors 2004). This discount rate assumption is based on Government Accounting Standards Board (GASB) ruling 25 and Actuarial Standards of Practice (ASOP) item 27. These standards require a discount rate determined by the accrued return on pension plan assets. Critics argue that the discount rate should be based on the market risk inherent in the system

the unfunded liability by the 2033 valuation."¹³ The statutory contribution rate was set below the actuarial contribution rate. As a result, the dollar amount of unfunded liabilities was scheduled to increase during the initial years of the amortization period. Payments on the unfunded liabilities were scheduled to increase four percent per year. Given the actuarial assumptions at that time, the statutory contribution rate was projected to converge with the actuarial contribution rate, and unfunded liabilities would be paid off within the amortization period.

Table 6 traces unfunded liabilities in the KPERS system since the 1993 reforms. In the 1990s, the funding status of KPERS followed the projections made in the 1993 legislation. Indeed, in the late 1990s, the funding ratio improved significantly due to strong returns in the investment portfolio. However, these actuarial assumptions proved to be overly optimistic.

KPERS reported that: "By the early 2000s, it became clear that the planned employer rate increases were insufficient to fund the benefits, creating a long term funding shortfall."¹⁴

The deterioration of the funding status of KPERS began with the recession in 2001. Over the next five years, the funding ratio fell—declining below 70 percent from 2004 to 2006. After a brief recovery above 70 percent in 2007, the funding ratio fell again, and is now below 50 percent.

In response to this deterioration, in the funding status of the system a number of reforms have been enacted in recent years. The 1993 legislation set a cap on the annual rate of increase in statutory contributions, and that cap has been increased several times. In 2003, the legislature increased the cap on the State/School employer contribution from 0.20 percent to 0.40 percent in FY 2006, 0.50 percent in FY 2007 and 0.60 percent in FY 2009 and beyond. It also changed the methodology used to determine contribution rates.

In 2007, the legislature changed the benefit structure for new employees to reduce costs in the system. These changes included:

- First Day Membership in KPERS.
- Stricter eligibility requirements for pension benefits.

liabilities (Novy-Marx and Rauh 2009; Gold 2002; Bader and Gold 2004).

Support for the critics' position comes from the discount rate used in private pension plans (Novy-Marx and Rauh 2009). In contrast to government pension plans, private pension plans use a discount rate applied to liabilities that is a blend of corporate bond yields and Treasury bond yields. The NBER study uses a lower discount rate to estimate the present value of future liabilities in their sample of state pension systems. In 2005, the present value of liabilities in these state plans—based on an eight percent discount rate—is estimated at \$2.5 trillion. Using the Municipal bond rate to determine the discount rate results in an estimated present value of liabilities equal to \$3.1 trillion; using the Treasury rate as the discount rate, the present value of the liabilities is estimated at \$4.0 trillion (Novy-Marx and Rauh 2009).

- Averaging salaries over a longer time period in determining final average salary (FAS).
- Two percent annual automatic cost of living (COLA) adjustment in benefits at age 65.
- Increased employee contribution rates.

The legislature has also enacted some reforms that have increased costs in the system.

In 2007, the legislature eliminated “year of service” requirements for all non-school members. It also decreased vesting requirements for current employees from 10 years to five years.¹⁵ In 2008, the legislature provided a \$300 one-time benefit payment to all retirees (and their joint survivors) who retired on or before July 1, 1998, and who had ten or more years of service credit.¹⁶

In 2009, the legislature enacted minor changes in the pension system (via HB 2072, as amended in the Senate). However, the funding crises in the system went unaddressed.

The sharp fall in the funding ratio and the increase in unfunded liabilities motivated KPERS leadership to

Table 6

Summary of Historical Changes in Total System Unfunded Actuarial Liabilities as of December 31, 2008 Valuation. (\$ in millions)

Year	Change in Unfunded Actuarial Liabilities, using June 30 Valuations	Change in Unfunded Actuarial Liabilities, using December 31 Valuations	Total cumulative Unfunded Actuarial Liabilities, December 31, 2008
1994	\$537		
1995	(25)		
1996	(36)		
1997	(68)		
1998	215		
1999	(194)		
2000	(164)	\$72	
2001		475	
2002		1048	
2003		757	
2004		1157	
2005		409	
2006		211	
2007		188	
2008		2727	\$8279

Source: Kansas Public Employees Retirement System(2008) p. 14, and Kansas Public Employees Retirement System (2009A) p.4.

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Using these lower discount rates to estimate the present value of future liabilities results in much higher estimates of unfunded liabilities in these state pension plans. In their financial statements, these public pension plans estimate unfunded liabilities at \$312 billion. The NBER study estimates unfunded liabilities at \$901 billion using the Municipal bond discount rate and \$1.9 trillion using the U.S. Treasury discount rate. Unfunded liabilities as a ratio of assets in the plans is estimated at 41 percent and 86 percent, respectively, for these lower discount rates (Novy-Marx and Rauh 2009).

One way to assess the magnitude of the funding crises in state pension plans is to use the same government standards as those applied to private defined-benefit pension plans. Private defined-benefit pension plans are considered 'safe' by government standards if they have enough assets to support at least 80 percent of pension benefit obligations (Life and Health Insurance News.com 2009). In 2008, only nine percent of a sample of state and local government pension plans met this standard (Munnell, A. H., J. Aubrey, and D. Muldoon 2008).

Private defined-benefit pension plans are considered 'critical' if the value of assets in the plan is 65 percent or less of pension benefit obligations (Life and Health Insurance News.com 2009). This year more than half of state and local government pension plans are likely to fall in this 'critical' category. A number of states have already seen this ratio fall below 50 percent this year, including Connecticut, West Virginia, and Indiana (Wall Street Journal 2009C). As of December 2008, the KPERS system has also fallen into this critical category.

The most important finding in the NBER study is the prospect of future under-funding in state pension plans based on more realistic discount rates. Using a 15-year amortization period, the NBER study estimates, conservatively, that there

acknowledge a funding crisis. In January of 2009, Glenn Deck, executive director of KPERS, presented this testimony before the House Select Committee on KPERS:

"Projections indicate that the combined State/School group is not in actuarial balance and will not reach the [actuarial required contribution] rate during the remainder of the amortization period with a level 8% return assumption."¹⁷

He reported that unprecedented market declines have impacted the long-run funding status of the system. Deck recommended that the legislature consider options to increase employer contribution rates, and that KPERS continue to monitor the funding status of the system:

"Options for increasing statutory employer contribution caps in future years need to be considered to bring the System back into actuarial balance over the long term."¹⁸

UNSATISFACTORY INCENTIVES

Defined-benefit retirement plans do not align the incentives of employers and employees as well as defined-contribution plans (like that used by the Kansas Regents System). Defined-benefit plans can defer promised benefits and their cost into the uncertain future. Defined-contribution plans match expected future benefits to current contributions to better align current incentives.

The KPERS system continues to offer pension benefits superior to that available to employees in the private sector.¹⁹ Elected officials have significantly increased employer contributions to KPERS—contributions that will increase taxpayer liability for many decades. The assumption of KPERS executives appears to be that government-employers in Kansas will continue to increase employer contribution rates to the level necessary to bring the system into actuarial balance. However, there is growing evidence that the legislature will encounter constraints from taxpayers in continuing to pursue this option.

Even with the assumption of an eight percent return on assets, employer contribution rates into the State/School system would have to double; and, employer contribution rates into other parts of the system would have to increase in excess of 20 percent of payroll. This would require hundreds of millions of dollars in additional

employer contributions into the KPERS system, a difficult step in a year when state and local jurisdictions are experiencing a revenue shortfall. If the assumption of an eight percent return on assets is unrealistic, as many economists argue, and the system earns a lower rate of return on assets, actuarial balance may not be achieved even with the higher employer contribution rates.

Increasing employer contribution rate into the KPERS system will require some combination of higher taxes and decreased public services. Across the country citizens are no longer willing to bear the costs imposed by public sector pension funds. Legislators are facing taxpayer resistance to funding pension plan imbalances.

A good example is the California Public Employees' Retirement System (CALPERS). CALPERS reports that the sharp drop in the funding ratio will require an increase in employer contribution rate between two percent and four percent of payroll.²⁰

Even with increased employer contribution rates, California legislators are encountering constraints in funding CALPERS. Moody's Investor Services reports that it put the triple-A rating of CALPERS on review for downgrade for the first time. The review reflects the deterioration in the funding status of CALPERS, and of the California state government.

State payments into CALPERS are a major source of the shortfall in the state budget. California voters rejected, by a two to one margin, Governor Schwarzenegger's proposal to solve the budget crises by, among other things, increasing taxes \$16 billion, and issuing more debt.²¹ Governor Schwarzenegger has called California's pension system "unsustainable". He is proposing changes in the pension system, including increas-

is a 50 percent chance of under-funding greater than \$750 billion; a 25 percent chance of under-funding greater than \$1.75 trillion; and a 10 percent chance that under-funding will exceed \$2.48 trillion. These estimates do not include any under-funding in other post employment benefit (OPEB) plans in these state pension systems (Novy-Marx and Rauh 2009).

ing the age at which public employees are eligible for retirement benefits.²²

The funding crises in KPERS is actually worse than that in CALPERS. KPERS has experienced a sharper decline in the value of assets, and a greater deterioration in funding status of the system. Kansas legislators should expect to encounter constraints in funding KPERS similar to that in California. A downgrade in KPERS bonds would impact borrowing costs of state and local jurisdictions.

Achieving actuarial balance will require fundamental reform of the KPERS system. Across the country state and local jurisdictions are enacting reforms in pension plans similar to those introduced in the private sector. In the long run, the most effective way to eliminate unfunded liabilities is to require new employees to enroll in a defined-contribution plan—a plan like the one used by the Kansas Regents. As employees in the defined-contribution plan replace those retiring from the defined-benefit plan, unfunded liabilities are eliminated.

Current employees in the defined-benefit plan must begin to share the burden of unfunded liabilities in the plan along with employers. This requires modifications in benefits to reduce costs. It also requires increased employee contribution rates to share costs equally with employers. Current employees in the defined-benefit plan should be given the option of enrolling in the defined-contribution plan. For employees who choose to remain in the defined-benefit plan, employee contribution rates must increase to share in the cost of that plan equally with employers. This will permit the state to begin to earmark a greater share of contributions to pay off unfunded liabilities in the system. A future paper by the authors of this study will explore these proposed reforms of KPERS in greater depth.

CONCLUSION

KPERS is a public pension system that is ultimately the responsibility of Kansas taxpayers. Taxpayers are already liable for \$10 billion in unfunded liabilities, and they will have to pay for any future unfunded liabilities incurred in the system. The key finding of the study is that the KPERS system will not be in actuarial balance over the thirty year amortization period set in GASB standards. This means that KPERS will continue to accumulate unfunded liabilities for the foreseeable future. It is highly likely that KPERS will continue to impose a heavy tax burden on future generations. The result will be an intergenerational transfer of wealth from future generations to the present generation through the pension system.

Kansas citizens may well ask how they got into this KPERS mess. The explanation is that the people making these pension decisions do not have to bear the cost. The KPERS Board and the unions who represent public sector employees negotiated benefits for those employees that they could not afford. Elected officials charged with oversight of the state pension system failed to fulfill their charge to oversee the system. As a result, taxpayers will be paying taxes to finance these benefits long after these decision makers have left. Without reform, spending on almost every other state-funded program will have to be cut, or taxes increased. It is simply not fair for Kansas citizens and the Kansas Legislature to sanction such an intergenerational transfer of wealth through the pension system.

The poor incentive structure will continue as long as the KPERS pension plan is based on defined-benefits rather than defined-contributions. Third parties will continue to negotiate pension benefits and costs under a defined benefit plan. The reality is that Kansas citizens cannot do much about the funding crises that already exists in KPERS; but, they can stop the bleeding by enacting fundamental reforms in the state pension system.

In response to the funding crises, KPERS executives recommend that the legislature continue to muddle along with the defined-benefit pension plan. The position taken

in this paper is that bringing the KPERS system into actuarial balance will require more fundamental reform. Everything should be on the table, including changes in plan structure, changes in benefits, increased employee contribution rates, and increased employer contribution rates.

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FOOTNOTES

- 1 Kansas Public Employees Retirement System (2009A), p.2.
- 2 For a discussion of the arguments against this high ratio of stocks in public pension funds see Bader and Gold (2004).
- 3 Kansas Public Employees Retirement System (2009A) p.4.
- 4 Ibid.
- 5 Ibid.
- 6 Wall Street Journal (2009E).
- 7 Ibid.
- 8 Ibid.
- 9 Kansas Public Employees Retirement System (2009A) p.6-7.
- 10 Ibid
- 11 Ibid.
- 12 Kansas Public Employees Retirement System (2009A) p.8.
- 13 Kansas Public Employees Retirement System (2009A), p.6.
- 14 Kansas Public Employees Retirement System (2009B), p.1.
- 15 *Ibid.*
- 16 Kansas Public Employees Retirement System (2009A), 2008 Comprehensive Annual Financial Report, Fiscal Year ended, June 30, 2008
- 17 Kansas Legislature (2009A), "Minutes of the House Select Committee on KPERS Committee," House of Representatives, January 29.
- 18 Kansas Legislature (2009A p.1).
- 19 For a comparison of the pension benefits offered in public and private sector pension plans see Passantino and Summers (2005).
- 20 Wall Street Journal (2009E).
- 21 *Ibid.*
- 22 Ibid



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Issues Related to the Funding of the Kansas Public Employees Retirement System

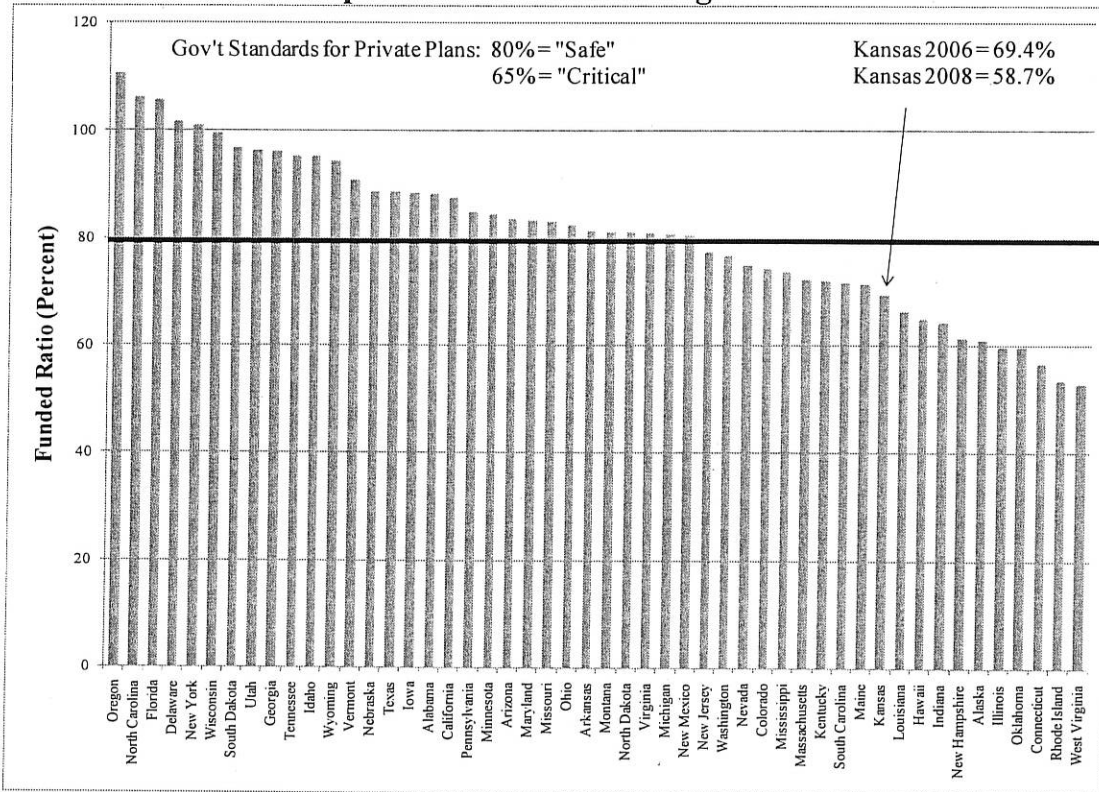
Discussion before the House Appropriations Committee

Art Hall, Executive Director
 Center for Applied Economics, KU School of Business
 October 13, 2009

Major Themes:

- KPERS currently faces a 30-year unfunded liability of about \$10 billion (or about \$9,225 per current Kansas household).
- From a fiscal policy and budgeting perspective, KPERS-like defined-benefit retirement plans will always create more uncertainty than defined-contribution plans (like the one implemented by the Kansas Board of Regents).
- Gradually moving the KPERS system to a defined-contribution system (via new employees) offers a holistic way to eliminate the problem of KPERS underfunding while offering government employees a competitive total compensation package.

A Comparison of State Funding Ratios for 2006



Appropriations
 10-13-09 Attachment 8

A Comparison of KPERS and Regents

KPERS Defined-Benefit Formula (vested after 5 years):

$$\begin{array}{ccccccc} \text{Final Average Salary} & \times & \text{Years of Service} & \times & \text{Statutory Multiplier} & = & \text{Annual Benefit} \\ (\$40,000) & & (30 \text{ years}) & & (1.75\%) & & (\$21,000) \end{array}$$

Multipliers:

Judges = 3.5%

Police & Fire = 2.5%

All Other = 1.75%

Source of Funds:

Employee contributions: Tier 1 = 4% of payroll; Tier 2 (7/1/09) = 6% of payroll

Investments: Assumed 8% rate of return

Employer contributions: Changes annually based on actuarial calculations

Supplemented by optional deferred compensation plan (a so-called 457 plan)

Regents Defined-Contribution (unclassified personnel):

- Mandatory participation after one year of service
- Employee contribution = 5.5%
- Employer contribution = 8.5%
- All contributions vest immediately
- Funds inaccessible until leave employment from Regents, then rollover
- Many investment options
- Current investment providers: TIAA-CREF and ING (same vendor for 457 plan)

A Comparison of Employer Contribution Rates

KPERS Group	Actuarially Required	Statutory	Regents	Required less Regents
State	11.13%	8.77%	8.5%	2.63%
School	14.96%	8.77%	8.5%	6.46%
Local	10.42%	6.74%	8.5%	1.92%
Police & Fire	17.88%	17.88%	8.5%	9.38%
Judges	26.38%	26.38%	8.5%	17.88%

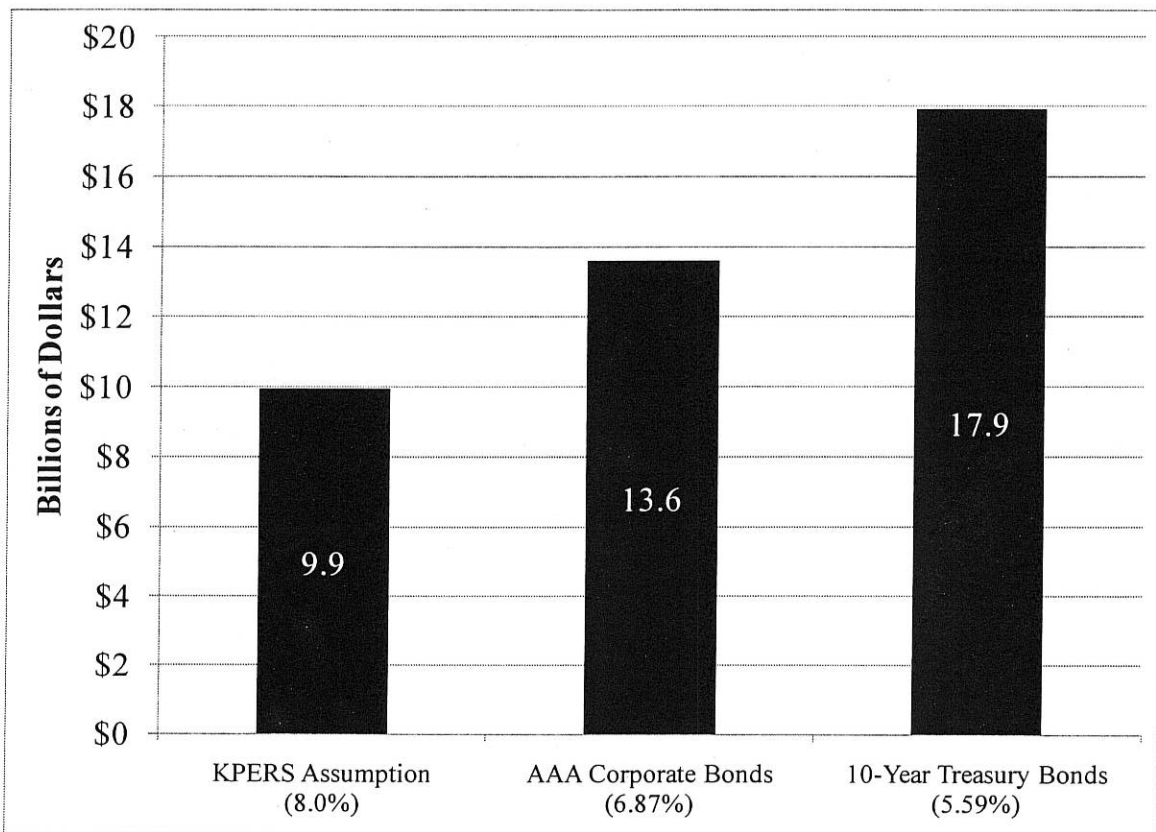
Implementing a Regents-like defined-contribution system:

- eliminates the addition of new long-term liabilities
- frees resources to fund requirements
- provides fiscal predictability related to compensation

Operating Issues Related to KPERS

- The recent turmoil in financial markets has had a major impact on KPERS and many other state (and private) pension systems.
- However, the deterioration of funding in KPERS has resulted from the cumulative impact of key assumptions and policy choices that occurred many years ago:
 - The assumption of an 8% return on investments (even though it is compliant)
 - 1993 caps on employer contribution rates (presumably for fiscal predictability), revised upward in 2003.

Present Value of a \$100 Billion Liability due in 30 Years (Average Interest Rates since 1990)



- For taxpayers, the rate of return assumption has huge implications. Consequently, defined-benefit plans, which must predict the future, will always generate taxpayer uncertainty.
- A defined-contribution plan will eventually eliminate compensation-related fiscal uncertainty yet fairly compensate government employees.
- But there is no free lunch. Current promises must be kept.

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**Presentation to the Committee on
House Appropriations Budget**

Testimony presented by David D. Kerr, Secretary
Kansas Department of Commerce
October 13, 2009

*Appropriations
10-13-09 Attachment 9*

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Kansas Department of Commerce
**Presentation to the House Committee on
House Appropriations Budget**

Kansas Nonfarm Jobs

	<u>Over the Year Change</u>			
	<u>August</u> <u>'09</u>	<u>August</u> <u>'08</u>	<u>Actual</u>	<u>%</u>
Kansas*				
All Industries	1,321.0	1,370.1	-49.1	-3.6
Goods Producing	235.0	261.5	-26.5	-10.1
Mining and Logging	10.3	10.1	0.2	2.0
Construction	59.1	67.9	-8.8	-13.0
Manufacturing	165.6	183.5	-17.9	-9.8
Service-Providing	1,086.0	1,108.6	-22.6	-2.0
Trade, Transportation & Utilities	253.9	263.9	-10.0	-3.8
Information	36.8	38.4	-1.6	-4.2
Financial Activities	72.7	73.7	-1.0	-1.4
Professional & Business Services	136.5	149.7	-13.2	-8.8
Education & Health Services	175.0	175.3	-0.3	-0.2
Leisure & Hospitality	117.5	118.7	-1.2	-1.0
Other Services	54.3	53.6	0.7	1.3
Government	239.3	235.3	4.0	1.7

*Seasonally unadjusted. Data in thousands.

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Kansas Department of Commerce
**Presentation to the Committee on
House Appropriations Budget**

Business Development
(Retention, Expansion & Recruitment)

Business Recruitment:

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Total Projects	43	34	41
Jobs	6,880	5,845	8,431
New	6,698	4,311	4,931
Retained	182	1,534	3,500
Capital Investment	\$780 million	\$1,105 million	\$613million

Business Retention and Expansion:

	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
Total Projects	209	234	196
New Jobs	6,772	6,814	4,779
Average Hourly Wage	\$15.34	\$14.78	\$16.02
Retained Jobs	5,609	NA	4,567
Capital Investment	\$1.42 billion	\$1.55 billion	\$1.12 billion

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Kansas Department of Commerce
**Presentation to the House Committee on
House Appropriations Budget**

**Business Development
(Retention, Expansion & Recruitment)**

- Some significant projects in **FY 2009**:
 - Black and Veatch engineering in Overland Park
 - Siemens wind turbines in Hutchinson
 - Coleman distribution plant in Gardner
 - Home Depot distribution in Topeka
 - Flight Safety aircraft maintenance in Wichita
 - Garmin in Olathe
 - NCO Group customer service in Lenexa

Capital Investment/Jobs

\$115 M -- 500 new/2,800 retained
\$30 M -- 400 new
\$43 M -- 70 new/110 retained
\$26 M -- 300 new
\$148 M -- 253 new
\$confidential -- 895 new
\$9.8M -- 725 new

- Some significant projects in **FY 2010 (YTD)**:
 - General Motors in Kansas City, KS
(added 3rd shift by relocating jobs from other US locations)
 - Sara Lee in Kansas City, KS
 - Apria Healthcare in Overland Park
 - CEVA Biomune in Lenexa
 - FedEx SmartPost in Olathe
 - Kansas City Steak in Kansas City, KS

1,000+ new
\$148.5M -- 250 new
\$13.2M -- 400 new/150 retained
\$13M -- 81 new
\$11.2 M -- 69 new
\$10M -- 35 new/166 retained

9.5

Kansas Department of Commerce
**Presentation to the House Committee on
House Appropriations Budget**

Trade Development

- Kansas businesses exported \$12.75 billion in 2008 (calendar year) – FY09
 - Fourth consecutive year of record setting exports
 - 21% increase over 2007 (calendar year)
 - Top export categories: 1) Aircraft (\$3.95B), 2) Industrial machinery (\$1.53B) and 3) Cereals/Grains (\$1.23B)
 - Top export partners: 1) Canada (\$2.6B), 2) Mexico (\$1.4B) and 3) Japan (\$853M)
- International investment projects (FY09)
 - Created 490 new jobs (Siemens, Karatzis and Integris)
 - \$47.6 million in capital investment
- FY2010 (YTD) highlights
 - Kansas businesses exported \$5.0 billion (2009 calendar year to date)
 - Projects announced in FY10 will create 94 new jobs and \$18.5 million in capital investment.
 - Taiwan Flour Millers commit to purchase 1.7 million metric tons of Kansas Hard Red Winter Wheat, valued at \$425 million in 2010-11.

Kansas Department of Commerce
**Presentation to the House Committee on
House Appropriations Budget**

National Recognition

Kansas Named:

- **Top 10 Pro-business state by Pollina Corporate Real Estate.**
 - Kansas was ranked **no. 7**; Nebraska (No. 10) was the only Top 10 mid-western state
 - Analyzes all 50 states based upon 22 factors controlled by the state government, including taxation, human resources, economic incentive programs, economic development efforts and infrastructure
 - 2nd consecutive year that Kansas has been rated as a Top 10 state

- **Facilities Magazine** selection of Kansas as a **Top 10 state for bioscience.**
 - Ranked as the 9th best state
 - Second consecutive year as a top 10 state

- **No. 7 spot in CNBC's annual America's Top States for Business report.**
 - Moved up from the # 11 spot last year
 - Examines 40 measures of competitiveness
 - Kansas ranked among the **Top 10 in four -- workforce, transportation, economy and cost of living**

- **Site Selection magazine** chose Kansas as **one of the nation's Top 10 most competitive states for capital investment**

Testimony of Tom Thornton

President and Chief Executive Officer, Kansas Bioscience Authority
Hearing of the House Appropriations Committee
October 13, 2009

- With the Kansas Economic Growth Act of 2004, the legislature took a bold step to establish the Kansas Bioscience Authority and vest it with unique tools to aggressively position our state as a bioscience leader.
- With the vision, mandate, dedicated resources, independence, and flexibility you provided, we have accomplished extraordinary things.
- Our research base is expanding. We have asserted ourselves in key bioscience clusters. Kansas entrepreneurs are developing cutting edge products to fight cancer, osteoporosis and other health care challenges. Foreign companies and researchers are moving to Kansas. Investors nationally are betting on Kansas companies.
- Just a few years into our state's concentrated pursuit of bioscience leadership, the Kansas bioscience economy is getting the national attention it deserves.
- The federal government recognized our state's strength in animal health research and industry, selecting Kansas State University as the preferred location for a \$650 million research laboratory that will protect the American food supply and agriculture economy.
- A national site selection magazine highlighted Kansas' success by ranking us #9 in the nation for biotechnology, alongside powerhouses such as California, Massachusetts, and Illinois.
- Our state's hard work is paying off, yet this success was not inevitable or by accident. We've been taking on skeptics with our state's spirit of innovation and intense focus on our areas of strength.

How we're making progress

- An entrepreneur recently said the KBA is increasingly viewed as smart money. We are smart money because, like a venture investor, we have adopted an investment strategy with several key elements.
- The KBA's investments are **focused**. The KBA is focusing in key clusters, like animal health, drug discovery, and bioenergy, in which Kansas has the opportunity for undisputed national leadership.

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Attachment 10

- The KBA **diversifies**: We emphasize research, commercialization and expansion. No one of these alone will get us to national leadership. We must invest in each, and each supports the other.
- KBA investments are **game-changing**: We are looking to invest in disruptive technologies in a dynamic industry.
- The KBA investment process is highly **evaluative**: Each application is subject to a rigorous evaluation by KBA staff and the board of directors.
- The KBA serves as a **strategic partner**: We are not a fire-and-forget organization. The KBA is committed to provide strategic assistance to every investment we make to ensure its ultimate success.
- The KBA is oriented around **outcomes**: We expect a return on investments for the state, measured by such factors as increased federal R&D investment, venture capital investment, and job creation.

Remarkable outcomes

- In FY 2009, the KBA committed \$177 million to 32 projects. The authority has committed a total of \$227 million since its inception. As a public authority, we are committed to making investments that are outcomes focused, and we can show strong returns since our inception:
 - 1,150 new jobs
 - \$110 million in capital expenditures in Kansas
 - More than \$35 million in new R&D investments
 - More than \$40 million in equity investment
- And these outcomes don't account for projected outcomes over the next five years as investment milestones are met. When those are included, the numbers will jump dramatically.
- KBA investments have returned \$6.2 in economy activity for every \$1 dollar invested.

Bioscience leading the state's economic recovery

- So where do we go from here?
 - **Maximizing the momentum** of the National Bio and Agro-Defense Facility and Arthropod-Borne Animal Disease Research Laboratory
 - **Supporting industry-driven R&D** with Kansas Bioscience Centers of Innovation that will make commercialization of new products, innovative services, and advanced technologies a top priority

- Bringing **cutting-edge cancer treatments closer to home** and **building an international reputation for excellence**
- Getting Kansas bioscience **companies venture ready** with the KBA's Heartland BioVentures business assistance initiative
- Putting Kansas on the national **bioscience venture capital** map
- I want to congratulate the legislature for having the foresight to lay the foundation for a 21st century economy — a bioscience foundation that today can lead the state's economic recovery.
- I also strongly encourage your continued commitment to this endeavor.
- In times gone by, the plow and reaper and the establishment of the nation's first land grant research university opened up the greatest agricultural area in the world and laid the economic foundation for the nation's heartland.
- Today, Kansas' pioneering spirit lives on in its world-class bioscience researchers and entrepreneurs.
- As other states pull back from innovation investments, Kansas has the rare opportunity to stay the course and vault ahead, accelerating our economic recovery and yielding benefits in improved health and economic growth for decades to come.
- Especially in challenging economic times, we must not retreat from the vision, mandate, and resources that are helping Kansas achieve big outcomes and making a real impact in the state. Instead, we must seize opportunity.
- Over the next two years, for example, more than 1,500 people will go to work building the National Bio and Agro-Defense Facility, and others will come from all over the country to conduct urgently needed research to protect American agriculture.
- Kansas is on the right track. From research, to commercialization, to cluster expansion, we're asserting our leadership in the biosciences. Equally as important, we have become a community. Researchers are collaborating with researchers and companies; companies are solving national challenges and attracting capital, and companies all across Kansas are expanding.

NBAF Conference Agreement: Funding Breakdown and Timelines

- The Conference agreement included \$32 million for NBAF, broken down as follows:
 - \$5 million for studies.
 - \$4 million for technical assistance at DHS (salaries and expenses).
 - \$18 million for site preparation and completion of the engineering and design.
 - \$5 million for construction of the Central Utility Plant (CUP).
- The \$27 million for studies, technical assistance, and site prep can be obligated immediately after the President signs the bill at DHS' discretion. **In other words, the restrictions on construction funding do not apply to the first \$27 million.**
- DHS can continue what they've already started in Manhattan, regardless of the studies that need to be undertaken in the bill. They can finish clear the site, finish the design of the facility, and pay their employees regardless of the various studies that they need to perform.
- The \$5 million that is included in the bill to begin construction of the CUP will not be available until 30 days after the last of the following four studies is completed:
 - DHS must complete a risk mitigation assessment for the Manhattan site that will include 1) specific plans on how to mitigate the possibility of an accidental release of pathogens from NBAF and 2) specific modeling for the spread of FMD were such a release to occur so that it can be best responded to.
 - The National Academy of Sciences will then undertake a review (in the form of a "Letter Report") that can last no longer than 4 months on the risk mitigation assessment to ensure that DHS is taking into account everything that they should.
 - DHS must present a plan to establish emergency response plans with state and local governments in the case of an accidental release.
 - DHS must describe the procedure that will be used by USDA to issue permits to conduct FMD research on the mainland (NOTE: Per the last Farm Bill, USDA has the authority to issue such permits).

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- DHS does not plan to use any construction money until at the earliest the late summer of next year, thereby giving them and the National Academy of Sciences plenty of time to finish their studies.
- **THE BOTTOM LINE: This bill keeps NBAF on schedule, lets them do the work that they need to do to prepare for construction, and allows for the commencement of construction next year.**



Appropriations

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House Appropriations Committee

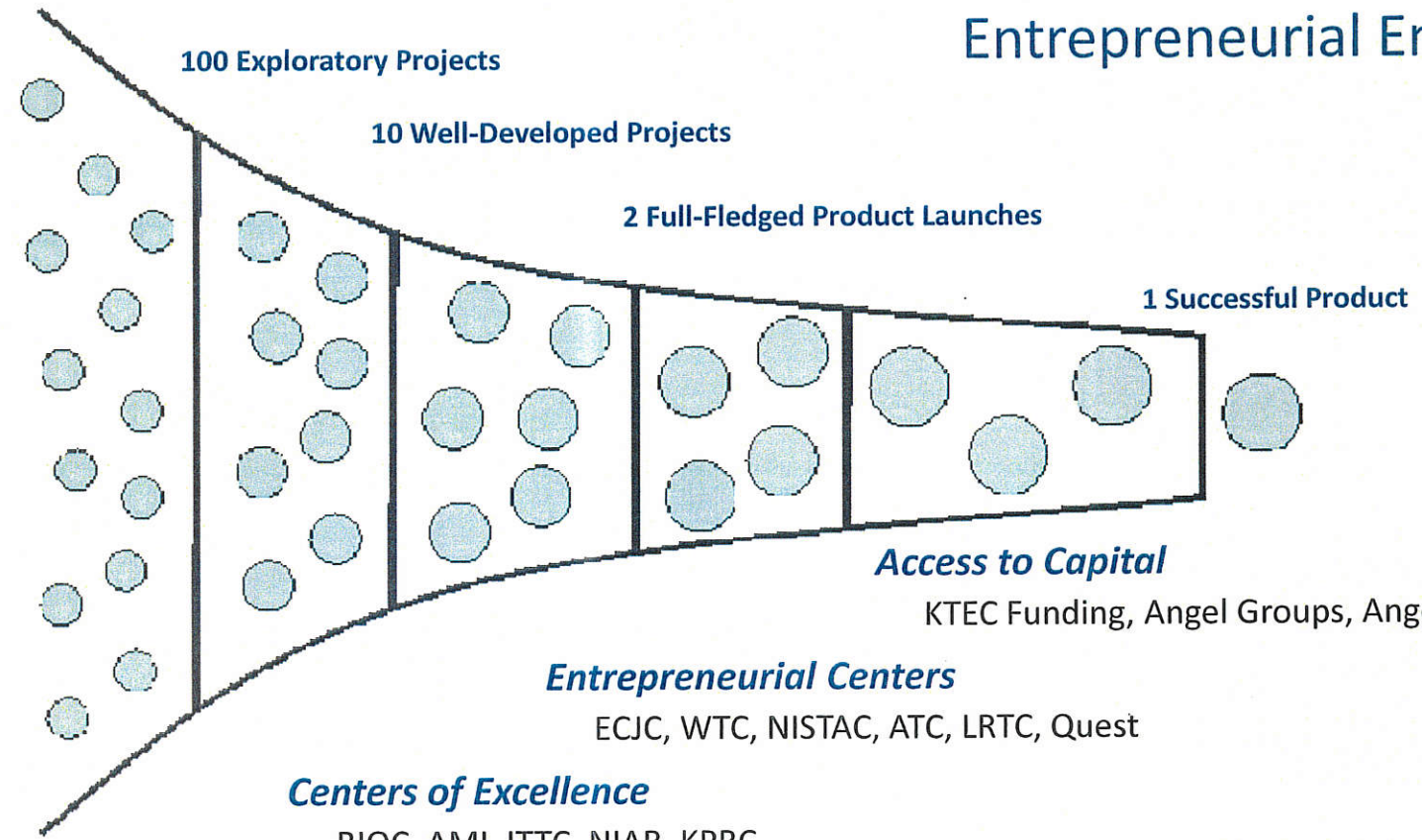
October 13, 2009

Need for Technology Entrepreneurism

- According to a recent survey conducted by the Kauffman Foundation, more than 70 percent of voters say the health of the economy depends on the success of entrepreneurs, and a full 80 percent want to see the government use its resources to actively encourage entrepreneurship in America.
- Jobs created by tech companies pay two times the average salary of non-technology jobs.
- Half of all new college graduates now believe that self-employment is more secure than a full-time job. Today, 80% of the colleges and universities in the U.S. now offer courses on entrepreneurship; 60% of Gen Y business owners consider themselves to be serial entrepreneurs, according to Inc. magazine. Tellingly, 18 to 24-year-olds are starting companies at a faster rate than 35 to 44-year-olds. And 70% of today's high schoolers intend to start their own companies, according to a Gallup poll. Wall Street Journal, May19, 2009.
- Microsoft, FedEx, IHOP, CNN, Hyatt, Wikipedia, GE, and Burger King are all examples of companies that were founded in the midst of recessions.

Entrepreneurial Environment

3,000 Raw Ideas



100 Exploratory Projects

10 Well-Developed Projects

2 Full-Fledged Product Launches

1 Successful Product

Access to Capital

KTEC Funding, Angel Groups, Angel Tax Credits

Entrepreneurial Centers

ECJC, WTC, NISTAC, ATC, LRTC, Quest

Centers of Excellence

BIOC, AMI, ITTC, NIAR, KPRC

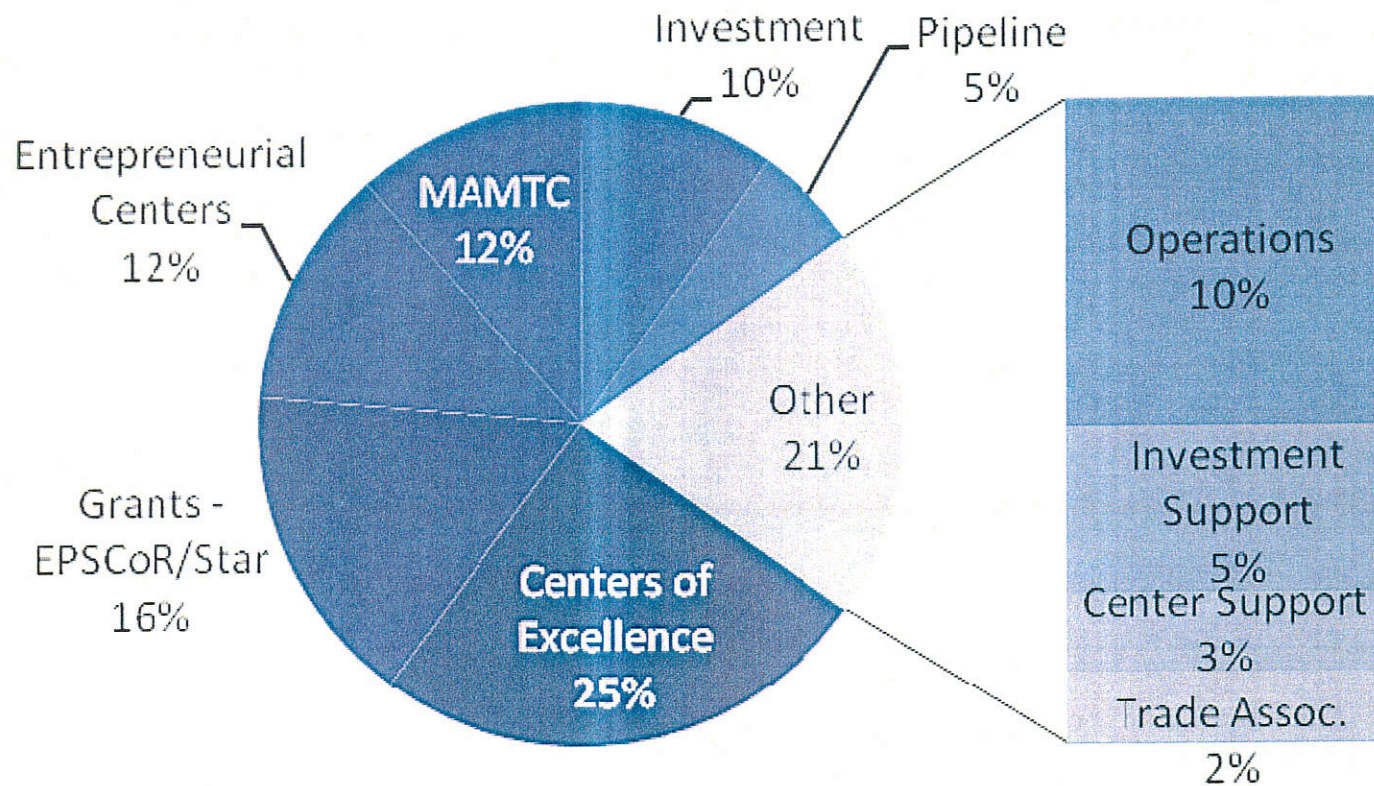
Access to Grants

EPSCoR, STAR, Proof of Concept

Entrepreneurial Education - PIPELINE

Manufacturers Positioned for Growth - MAMTC

FY09 \$11.6MM Allocation



KTEC Funding



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	FY 09 Allocated	FY 10 Approved	FY 11 Base	FY11 % reduction	FY 11 Submission
Total Budget	11,600,000	8,000,000	6,900,000	6,555,000	10,600,000
Operations					
Salaries	1,159,516	824,390			
Total Operations	1,672,510	1,282,564	1,300,000	1,300,000	1,400,000
Center Peer Review	13,895	9,310			
AMI	616,534	468,566			
BIOC	1,040,411	520,206			
ITTC	540,219	410,567			
KPRC	300,946	228,719			
NIAR	446,038	338,989			
unallocated	-	270,507			
Total Centers	2,958,044	2,246,863	1,716,000	1,716,000	2,073,000
Grant Programs	1,888,563	1,250,000	700,000	500,000	1,200,000
Investment	1,132,684	775,000	600,000	600,000	1,500,000
Total Incubators	1,328,430	1,009,607	1,000,000	957,000	1,200,000
MAMTC	1,362,149	545,000	1,000,000	1,000,000	1,400,000
Pipeline	592,264	501,534	400,000	300,000	500,000
Consulting	641,330	396,303	144,000	144,000	500,000
Total	11,648,474	8,006,871	6,860,000	6,517,000	9,773,000
New Cluster Initiatives					827,000
Total Budget					10,600,000

Allocation of Current Year Budget Reductions

- \$1 million was carried over from FY 2009 to FY2010, stemming primarily from two things:
 - The planned \$400,000 commitment for NSF EPSCoR was delayed from Q4 FY09 to Q1 FY10 due to a delay by the federal agency.
 - Investment activity slowed down significantly in Q3 and Q4. It has picked back up again during Q1 of the current year.
- Expense Allocation temporarily holds the critical components of the innovation network together in survival mode.
- A few functions were eliminated, including Entrepreneurs-in-Residence and two staff positions.
- The MAMTC program, although quite successful, was reduced by 60% since it had available reserves to cover most of the reduction.
 - In order for MAMTC to remain functional, funds must be restored in the budget year.
- Most other programs and services were reduced between 25% and 30%.
- The corporation has also decided to phase out funding for trade associations and is seeking to transition certain functions in the bioscience arena.



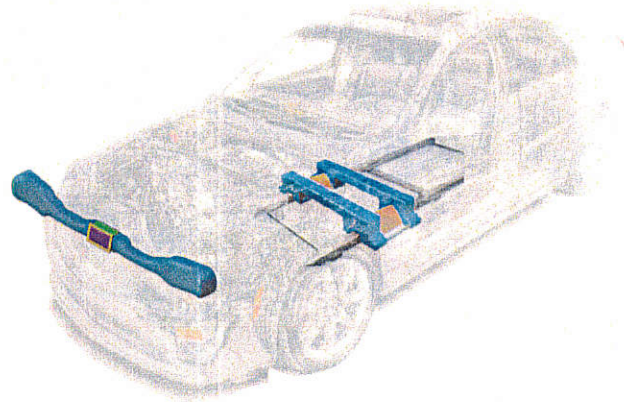
Measuring Wand for Automotive Body Repair – Salina, KS

CEO – Jan Srack

Patented wand measures auto bodies needing repair.

The wand is wireless, handheld designed to capture & document 3D images of collision damaged vehicles.

Matrix software compares the image with factory specs to determine repair estimates & specifications (within 2mm).



KTEC Involvement

Pipeline class of 08

Wichita Entrepreneurial Center involved since late 07

KTEC Tax Credits – \$600K over 2 years

KTEC Investment - \$100K in 2008

Results:

Total capital raised to date - \$4.2MM

Revenue - \$200K in 2009 to \$3.8MM in 2011

Jobs – 4 in 2009 to 8 in 2010

FINANCIAL PROJECTIONS

Units Sold		18	89	256
Sales	2008	2009	2010	2011
Wand Gross Revenue	-	270,000	1,335,000	3,840,000
Software Gross Revenue	-	-	19,800	117,700
Total Revenue	-	270,000	1,354,800	3,957,700

KANSAS TECHNOLOGY ENTERPRISE CORPORATION ECONOMIC IMPACT FOR FY 2006 THROUGH FY 2009

Commercialization	FY 2006	FY 2007	FY 2008	FY 2009	Total
New Jobs	294	420	504	501	1,719
Saved Jobs	258	366	429	408	1,461
Start-up Companies	15	17	20	8	60
Sales Revenues (in 000)	152,736	197,877	207,260	315,681	\$873,554
Private \$ Leveraged (in 000)	50,797	43,366	46,169	56,947	\$197,279
Federal \$ Leveraged (in 000)	85,731	63,799	93,903	124,750	\$368,183
Return On Investment (ROI):					
KTEC (\$ to 1)	0.73	0.96	1.00	1.57	1.06
Private \$ Invested in KS vs KTEC (\$ to1)	31.34	23.12	46.85	126.54	42.00
Federal \$ Invested in KS vs KTEC (\$ to 1)	12.28	8.22	14.19	21.99	13.84
Companies Assisted	168	258	209	161	796
Counties Impacted	38	47	39	35	

Impact of Reduced Funding

- Reduction in capacity to assist entrepreneurs will reduce productivity resulting in limited job creation, capital attraction and state revenue in the years ahead.
- The KTEC Network is an integrated set of organizations and programs. Reduction or elimination of any program impacts the entire system.
- Several programs attract significant federal matching dollars. 2009 KTEC programs matched \$22 per KTEC dollar.
- Most of the KTEC Network is operated through small offices geographically dispersed to assist Kansans throughout the state. Small reductions of budget to these offices will result in loss of staff to provide assistance.
- KTEC and its Network have helped Kansas establish credibility and build momentum in the entrepreneurial community . This momentum and credibility would be damaged under a significantly reduced budget.

Grant Programs

EPSCoR - The Experimental Program to Stimulate Competitive Research (EPSCoR) is a federal program aimed at improving the competitiveness of academic research in states that have not historically fared well in attracting federal research funds. Through EPSCoR, small state grants leverage much larger federal grants for advanced research at Ph.D.-granting Regents universities. Kansas is eligible to compete in the following EPSCoR competitions, all of which require matches from the state:

- Department of Defense (DOD)
- Department of Energy (DOE)
- Environmental Protection Agency (EPA)
- National Aeronautics Space Administration (NASA)
- National Science Foundation (NSF)

The **STAR** Fund (Strategic Technology Research) is an extension of EPSCoR. The fund is used to support projects which may not receive federal EPSCoR funding per se, but have potential to attract significant other federal or industry leverage and create commercial spin-offs in the state.

	EPSCoR & SBIR		
	2007	2008	2009
New Jobs	25	27	15
Jobs Saved/Retained			
Total Jobs	25	27	15
Federal \$ Leveraged	\$31,323,331	\$25,370,121	\$19,328,196
Industry \$ Leveraged	\$1,816,058	\$1,595,772	\$1,824,511

University Centers of Excellence

The Centers of Excellence are university-based research centers with an economic development component at the heart of their mission. Each has its own technology specialization. The Centers conduct innovative research and provide technical assistance with the overlapping aims of creating new companies, strengthening existing companies, and serving as an expert resource to other KTEC programs and the state. Centers are focused on the discovery stages of innovation and producing leading edge technologies and also function as product designers and developers for small companies. They serve the state as a driver of innovation as well as a source for highly skilled employees. The Centers provide the following services to client companies: basic and applied research, product and process development, technical consulting, training, seminars, and networking.

<u>2007-2008-2009</u>	<u>Funding</u>	<u>New Jobs</u>	<u>Jobs Saved</u>	<u>Total Jobs</u>	<u>Total Revenues</u>	<u>Capital from Angels & VC's</u>
Centers						
Advanced Manufacturing Institute	\$1,896,338	383	104	487	\$262,276,158	\$8,521,580
Biotechnology Innovation & Optimization Center	\$2,145,178	12	29	41	\$1,574,206	\$13,530,731
Higuchi Bioscience Center	\$1,087,000	13	30	43	\$1,062,434	\$14,663,311
Information & Telecommunication Technology Center	\$1,713,854	36	12	48	\$12,204,326	\$2,270,000
Kansas Polymer Research Center	\$930,762	5	5	10	\$6,881,487	\$600,223
National Institute for Aviation Research	\$1,399,499	33	15	48	\$8,378,400	\$662,723
	\$9,172,631	482	195	677	\$292,377,011	\$40,248,568

Entrepreneurial Centers

The program is comprised of an established network of Entrepreneurial Centers focused on high-tech start-ups throughout the state. Such start-ups come not only from the entrepreneurial community at large, but also from businesses formed around patents from technology created by the state universities.

The entrepreneurial network provides a continuum of services that include:

- Corporate organization
- Recruitment of management team
- Market analysis
- Stock offerings
- Revenue and business modeling
- Capital formation including “road show” presentations to investors
- Shared tenant services
- Direct seed capital investment
- Marketing strategy formulation
- Sales organization establishment

2007-2008-2009

<u>Entrepreneurial Centers</u>	<u>Funding</u>	<u>New Jobs</u>	<u>Jobs Saved</u>	<u>Total Jobs</u>	<u>Total Revenues</u>	<u>Capital from Angels & VC's</u>
Alliance for Technology Commercialization	\$174,000	10	32	42	\$18,014,844	\$3,553,500
Enterprise Center of Johnson County	\$900,000	126	62	188	\$48,940,024	\$28,125,962
Lawrence Regional Technology Center	\$924,000	103	163	266	\$56,359,044	\$78,530,717
National Institute for Strategic Technology Acquisition & Commercialization	\$900,000	38	19	57	\$23,032,904	\$2,750,500
Quest Business Center	\$105,000	12	1	13	\$5,422,427	\$0
Wichita Technology Corporation	\$945,000	117	115	232	\$81,205,335	\$23,889,159
	\$3,948,000	406	392	798	\$232,974,578	\$136,849,838

KTEC PIPELINE

KTEC PIPELINE focuses on entrepreneur development - creating leaders who can build and scale businesses and drive economic growth for years to come. The program is unique as it focuses on the business opportunity along with the entrepreneur. PIPELINE is designed to identify high potential technology entrepreneurs, match them with the best available training, resources and mentors and facilitate their dynamic growth in Kansas.

PIPELINE fellowship participants are provided with an intensive training program in how to grow entrepreneurial ventures. They are also linked with mentors and business coaches based in both Kansas and across the U.S. In addition to the focus on the “class” of innovators, the program works with alums, mentors and youth throughout the state on an ongoing basis and provides two-day training courses that benefit significant numbers of Kansans.

	2009
New Jobs	79
Jobs Saved/Retained	82
Total Jobs	<u>161</u>
Total Revenues	\$26,402,374
Capital from Angels & VC	\$2,945,000
Federal \$ Leveraged	\$500,000

PIPELINE's first year of operation was 2007 – 2009 is the first fiscal year for surveys

Access To Capital

Investments

The Investment Program provides funds to new and existing small Kansas companies for the purpose of completing technology development and entering into the early stages of translating products into a business. The stage of KTEC investment is not only pre-bank financing, but also pre-venture capital, as the private equity market does not typically invest in product development and market entry. The role of such financing is to buffer the risk which small companies incur when developing innovative products, giving Kansas a broader pipeline of potential high growth companies.

	2007	2008	2009	TOTAL
New Jobs	133	260	83	476
Jobs Saved/Retained	101	49	76	226
Total Jobs	234	309	159	702
Total Revenues	\$69,131,820	\$117,206,494	\$84,537,609	\$270,875,923
Capital from Angels & VC	\$29,159,979	\$33,967,057	\$24,455,063	\$87,582,099
Federal \$ Leveraged	\$370,703	\$1,607,414	\$154,768	\$2,132,885

Access To Capital

Angel Tax Credits

The program provides angel tax credits to new and existing small Kansas companies for the purpose of attracting capital investment. The cost of researching and developing new technology with global market potential far exceeds the means of most entrepreneurs. The program promotes angel investing into Kansas early-stage companies through a tax incentive. The incentive effectively reduces the risk to the investor, making the overall investment into the company more financially attractive.

	2005	2006	2007	2008	Total (from inception)
Total Angel Tax Credits Issued	\$1,932,500	\$1,833,833	\$3,002,701	\$6,606,083	\$13,375,117
Number of Investors Receiving Credits	98	121	129	218	566
Number of Companies Receiving Investments	12	17	16	28	73
Total Capital Raised	\$9,245,753	\$27,656,188	\$44,486,719	\$37,437,499	\$118,826,159
Total Annual Payroll	\$5,814,987	\$7,695,310	\$15,559,743	\$22,426,253	\$51,496,293
Total Revenue	\$5,804,987	\$17,864,942	\$38,347,350	\$57,409,422	\$119,426,701
Jobs					
<i>New Jobs</i>	37	33	55	122	247
<i>Preserved Jobs</i>	60	9	19	48	136
Total	97	42	74	170	383
Estimated Effect on the Kansas Economy (factor of 2.5)	243	105	185	425	958
					16

Mid-America Manufacturing Technology Center (MAMTC)

MAMTC is a not-for-profit corporation (subsidiary of KTEC) established to assist Kansas small and mid-sized manufacturers. Funded by KTEC, the federal government and client fees, MAMTC is committed to helping Kansas manufacturers. MAMTC serves all existing Kansas manufacturers that have from one to 500 employees.

MAMTC helps close the loop on research, innovation and entrepreneurial support by ensuring that products are manufactured in Kansas. MAMTC operates the Kansas Innovation Marketplace as one of only four state sites on the National Innovation Marketplace. MAMTC trains universities, inventors and entrepreneurs to translate their technology into business language. The marketplace allows manufacturers to search through the technologies for new products to bring to market. Additionally it can connect suppliers, who have often depended on one customer for years or decades, to large manufacturers in new industries, thus allowing them to diversify and grow.

	2007	2008	2009
New Jobs	113	103	155
Jobs Saved/Retained	253	358	223
Total Jobs	366	461	378
Total Revenues	\$57,686,404	\$33,793,180	\$42,541,681
Federal \$ Leveraged	\$1,485,264	\$1,611,847	\$1,746,200
Cost Savings	\$8,745,200	\$9,624,460	\$14,476,490
Industrial Plant & Equipment	\$16,884,000	\$14,615,842	\$17,022,428

KTEC Board of Directors

David Brant *

Sr. Vice-President Product Engineering
Cessna Aircraft Corporation
Wichita

Thomas Cohen
Principal
Johnson Capital
Overland Park

Dr. Bruce Dallman
Dean of the College of Technology
Pittsburg State University
Pittsburg

Kyle L. Elliott *

Partner / IP Patent Attorney
Spencer Fane Britt & Browne
Kansas City

Representative Doug Gatewood
Kansas Legislature
Columbus

Ted Haggart *

President
Douglas County Bank
Lawrence

Senator Tom Holland *

Kansas Legislature
Baldwin City

Secretary David Kerr *

Kansas Dept. of Commerce
Topeka

Tom Lauerman *

Private Investor
Leawood

Dr. J. David McDonald *

Associate Provost for Research
Wichita State University
Wichita

Senator Carolyn McGinn

Kansas Legislature
Sedgwick

Robert Murdock

President
Osage Investors I, LLC
Hutchinson

House Speaker Michael O'Neal

Kansas Legislature
Hutchinson

Linda Reinhardt

Erie

Acting Secretary Joshua Svaty

Kansas Dept. of Agriculture
Ellsworth

Ron Trewyn

Vice President for Research
Kansas State University
Manhattan

Rusty Wilson

President
Wilson Management
Manhattan

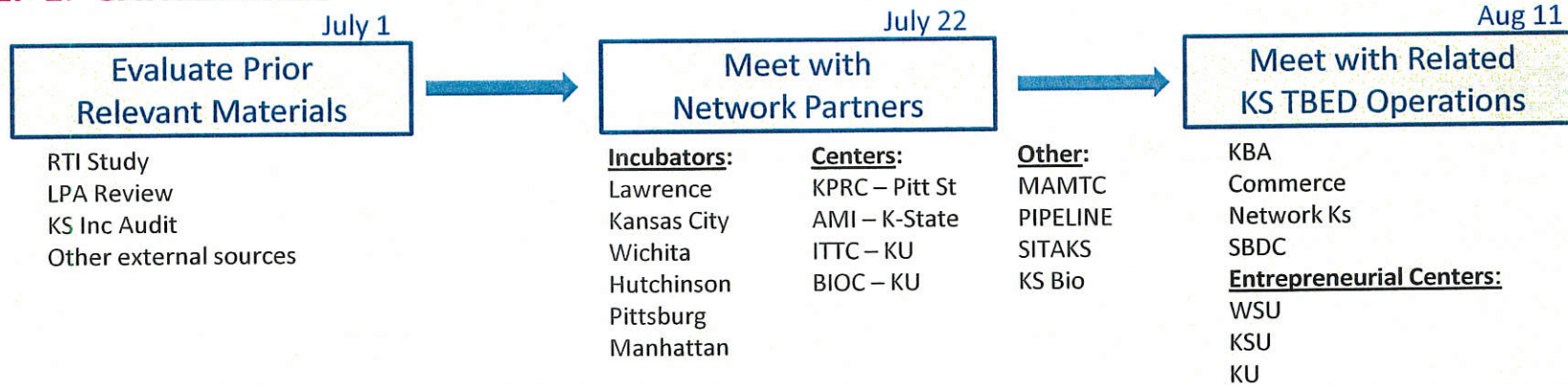
* Strategic Task Force Members

6-11



Strategic Planning Task Force Process

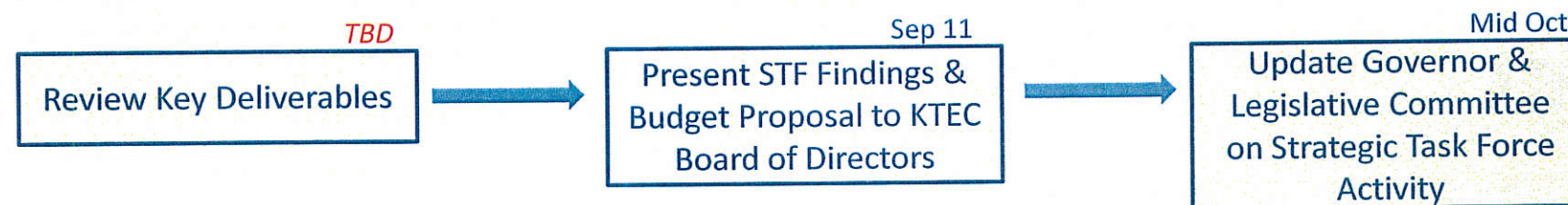
STEP 1: GATHER DATA



STEP 2: CREATE DRAFT PLAN & FUTURE PROCESS



STEP 3: PREPARE STRATEGIC TASK FORCE RECOMMENDATION



11-20



Brainstorming Results:

Definition of KTEC Success

Entrepreneurial Development

- Retain graduates work force entrepreneurs
- Network – access to VCs, angels, capital, business development
- Training – market validation
- PIPELINE value proposition
- KTEC investment
- Expertise & business development
- Increase office space

Increase Capital Availability

- Facilitate 3rd party capital
- KTEC investment
- Attract national & state capital

Technology Adoption

- Get tech out of university to entrepreneur
- Match companies to new technology

Technology Cluster Growth

- KTEC fund research focused on creating businesses
- Stimulate technology
- Facilitate networking
- Create spin outs & develop funding source for cluster
- Focused grants

Measurements

Short Term -

- Number of start-ups v. nation by industry
- Number of hours of incubator support
- Warrants Issued to put for business incubator assistance
- Number of entrepreneurs participating
- New commercialized products
- New companies created
- Total capital raised by KTEC companies
- Number of active angels involved and making active investments
- Number of companies funded

Long Term -

- Job creation
- New revenue generation
- High % of successful companies
- Return on Investment
- KTEC dollar leverage

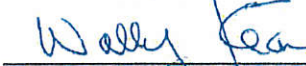
Kansas Tech-Based Economic Development

	What	Eminent Scholars	Proof of Concept Grant	Matching Grants (SBIR/STTR)	Matching Grants (DOE, NIH, DOD, etc) - EPSCoR State Match	Matching Grants (DOE, NIH, DOD, etc) - Other State Match	Inter-Institutional Research	Cancer Research	Research Innovations Translated to Marketable Products	Capital Expenditures (Bldgs/Equip)	Capital (Equity) Investment	Capital Needs Assessment/Assistance	Business Assistance - Strategy /Bus Plan Writing /Mkt Analysis	Business Assistance - Licenses/Permits/Filings	Entrepreneurial Education/Collaboration	Workforce, CDC, Mainstreet & Other Training	Equity Investment Tax credits	Job Creation & Capital Ex Tax Credits	Loans with a Match from CDC, KS Mainst or Other Public Sector Entity	Loans without Required Match	Facilitate Access to State Resources	Retention & Expansion Programs	Retention & Expansion Direct Services (mkt analysis, strategy, etc)	Business Recruitment	Workforce Training
Who																									
Med/Large Businesses									Comm		SBDC	SBDC	NetW	SBDC	Comm		Comm		Comm			Comm	SBDC	Comm	Comm
Small Businesses									NetW		SBDC	SBDC	NetW	SBDC	Comm		Comm	NetW	Comm			Comm	SBDC	Comm	Comm
Entrepreneurs - Start-ups:																									
Non High Tech/Bio									NetW		SBDC	SBDC	NetW	SBDC	Comm		Comm	NetW	Comm			Comm	SBDC	Comm	Comm
High tech		KTEC	KTEC							KTEC	KTEC	KTEC	NetW	KTEC		KTEC	Comm		Comm						
Bio Start-ups/Companies		KBA	KBA			KBA	KBA	KBA		KBA			NetW	KTEC		KTEC	Comm		Comm			KBA			
Research:																									
Universities		KBA		KBA	KTEC	KBA	KBA	KBA	KTEC	KBA															
Bio Centers of Innovation		KBA	KBA	KBA		KBA	KBA	KBA	KBA	KBA															


 David D. Kerr, Secretary of Commerce


 Kevin Carr, KTEC Interim CEO


 Tom Thorntor, President and CEO KBA


 Wally Kearns, KSBDC State Director


 Steve Radley, Director Network Kansas

Kansas Department of Commerce
 Kansas Bioscience Authority
 Kansas Technology Enterprise Corp.
 Network KS (thru CDCs, Regional Foundations & KS Mainstreet)
 Small Business Development Center

Overlap KTEC&KBA - under discussion
 All Economic Development Agencies Listed

**KTEC's Response to the Kansas, Inc. Evaluation
Legislative Interim Session
October 2009**

1. Thomas P. Miller & Associates (TPMA) recommendations:

The TPMA assessment supports KTEC remaining intact, separate from other agencies and fully functioning. The assessment validates the mission and accomplishments, and at the same time makes a series of actionable recommendations. Among the important recommendations is that KTEC not be dismantled or folded into other agencies.

Further recommendations:

2. KTEC should continue to identify unique technology clusters in Kansas around which the innovation economy can be built. Some interviewees identified animal health, embedded systems, and plastics as potential opportunities.

KTEC Response:

- KTEC formed a Strategic Planning Task Force in June, which includes the following members; Kevin Carr, KTEC Interim CEO; Board Chair Kyle Elliott, Spencer Fane Brit & Browne; Board members David Kerr, Secretary of Commerce; Senator Tom Holland; Tom Lauerman, entrepreneur; David Brant, Cessna Aircraft; Dr. David McDonald, Wichita State University; and Ted Haggart, Douglas County Bank. The task force identified cluster development as one of the four focus areas for the agency. KTEC has started developing the next cluster by applying for an EDA grant and setting aside funds to match that grant. The grant funds will be used to hire a consultant to evaluate Kansas resources. The technology cluster strategy development will assess both urban and rural capabilities to help determine the best statewide cluster to focus limited resources.
- In September, KTEC started a full evaluation of the Centers of Excellence. The Centers have been asked for a variety of information and will present findings to the Strategic Planning Task Force on November 13th. The purpose of the exercise is to determine each Center's alignment with KTEC's strategy going forward, to evaluate performance to date, and to assess funding requirements.

KTEC Centers of Excellence:

- Advanced Manufacturing Institute (AMI) at Kansas State University focuses on product design and engineering, automation, and manufacturing process development, and technology development and commercialization.
- Biotechnology Innovation & Optimization Center (BIOC) at the University of Kansas provides a centralized focus for moving technologies into the private sector from pharmaceutical and biomedical research on both the Lawrence and Medical Center campuses.
- Information & Telecommunication Technology Center (ITTC) at the University of Kansas is focused on the areas of computing, communications, and sensors.
- Kansas Polymer Research Center (KPRC) at Pittsburg State University focuses on design, testing, and development of products and processes with respect to polymers and plastics.
- National Institute of Aviation Research (NIAR) at Wichita State University serves the aviation industry in Kansas by providing research, training, product development, and testing facilities.

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3. KTEC needs to establish a clear and uniform set of metrics, collect and maintain information that supports these metrics, and regularly report progress. Metrics should reflect outcomes rather than activities.

KTEC Response:

- It is unclear why there is a recommendation regarding metrics, as the assessment did not include interviews with staff or examination of documents related to measurement processes and results. KTEC gathers a well-defined set of verifiable annual economic impact data, which is published in the annual report on the web site.
- It was evident in the assessment that KTEC staff needed to improve reporting of metrics to the board. Historically, metrics were provided to the board as a component of the annual report. Beginning September 11, 2009, the metrics are now reviewed annually in detail at the board meeting immediately following the conclusion of the survey process. This review should help ensure that the board has a better awareness and understanding of the KTEC metrics, as well as an opportunity to ask questions and have direct impact on the process.
- Companies receiving KTEC support are surveyed annually. This information is summarized by staff and is used along with quarterly reports and client meetings to track client progress and customize services. Indicators are new jobs, saved jobs, payroll, revenues, and capital infusion.
- Angel Tax Credit companies are surveyed annually. Information is summarized and shared with the Governor, Legislature and KTEC Board. The companies are surveyed on new jobs, saved jobs, payroll, revenues, and capital infusion.
- Manufacturing program clients are surveyed one year after project completion, in accordance with a process set by the federal co-sponsor of the program. Metrics include cost saving in production, investment in plant, equipment and information systems, investment in workforce training, new sales, retained sales, new jobs created, and retained jobs.
- Performance metrics are also collected on the Centers of Excellence, Business Assistance Incubators, the PIPELINE program, and EPSCoR/Star Fund recipients.

	Grant Programs	Centers of Excellence	Entrepreneurial Centers	KTEC Investments	Angel Tax Credits	Pipeline	MAMTC
New Jobs							
Saved Jobs							
Payroll							
Revenue							
Capital Infusion							
Companies Assisted							
Federal Leverage							
Industry Leverage							
Cost Savings in Production							
Costs Avoided							
Investment in Work Force Training							
Plant & Equip Investment							
New Sales							
Retained Sales							
Number of Proposals							
Number of Participating Students							

4. KTEC could better serve its stakeholders and foster a more entrepreneurial culture in Kansas by posting all annual reports, schedules, minutes, etc. online, as would providing more materials to board members in advance of meetings.

KTEC Response:

- Since April, KTEC has posted all annual reports, the last three years of minutes, and future schedules on the KTEC.com web site. Board materials are supplied at least two days prior to the board meeting and posted on the new board intranet site.
- KTEC and other technology-based economic development agencies created a collaboration matrix to help the Legislature. This document provides the Administration and Kansas citizens a better understanding of how all of the agencies work together to provide tech-based economic development.

5. KTEC needs mechanisms in place to assure that the Board of Directors is fulfilling its fiduciary role and is operating in accordance to statute. Encourage Board members and their delegates (e.g., members of the Board Investment Committee) to take a more active role in decision-making. For example, investment recommendations should be presented by an Investment Committee member, rather than by KTEC staff. The committee is responsible for making the recommendation; KTEC staff is responsible for managing the process and providing information and analytical support as requested by the Board.

KTEC Response:

- KTEC surveyed all board members prior to the June meeting to ensure their needs were understood and being met. An action plan was put in place and most of the raised items were addressed prior to the September board meeting. The action plan and steps taken were presented to the board at the September meeting. The board will be surveyed bi-annually as to its satisfaction on this action.
- KTEC developed an intranet site for board members that includes: Committee charters, board contact information, meeting materials, meeting dates, reference materials, and other relevant board data. This site is actively maintained and archives prior meeting information for easy access.
- At the June KTEC Board meeting, board members were placed on each KTEC committee to ensure more committee participation by the board.
- The KTEC board formed a Strategic Planning Task Force in June that presented a renewed strategy to the board in August. The task force is comprised of eight members: Kevin Carr, KTEC Interim CEO; KTEC Board Chair Kyle Elliott, Spencer Fane Brit & Browne; ; Board members David Kerr, Secretary of Commerce; Senator Tom Holland; Tom Lauerman, entrepreneur; David Brant, Cessna Aircraft; Dr. David McDonald, Wichita State University; and Ted Haggart, Douglas County Bank. Strategy discussion in August led to the board's approval of the budget submission to the administration at the September board meeting.

6. Provide thorough and adequate information to the Board well in advance of board meetings to enable them to be appropriately informed. Board members must be informed to be able to fulfill their statutory duties.

KTEC Response:

KTEC posts all materials that require board approval to the board intranet site two days in advance of each meeting.

7. Maintain the integrity of the Board nomination and selection process.

KTEC Response:

- The process is controlled by the Legislature and Governor. No problems related to the nomination and selection process were cited in the report.

8. Build Board capacity to ensure that entrepreneurs, technology experts, intellectual property attorneys, and financial experts are represented on the board. Structure the board with at least one entrepreneur who never has (and probably never will) go to KTEC for funding. Implement a rotation system for the Investment Committee so that expertise is developed and concerns about closed group decision-making are allayed. Consider downsizing the board and create a Governor's Technology Roundtable that meets the political needs for balance.

KTEC Response:

The charter of the Investment Committee was amended in June to include a term limit for all members. Five new committee members have been added since May. The current committee includes four board members.

The Board is comprised of members with the expertise specified by statute, and there is significant expertise on the board. For example:

- Entrepreneur Tom Lauerma co-founded GeoAccess in 1991. He and his business partner grew the software company to more than 300 employees. In 1999 Lauerma was named the Ernst & Young Entrepreneur of the Year, was recent President of the Kansas City-based Entrepreneurial Exchange, and is the 2009 recipient of Pipeline's "Entrepreneurial Leadership Award". He is currently an investor in, and serves as board member and board advisor to many private companies. Tom has been on the KTEC board since 2006.
- Intellectual property attorney Kyle Elliott is a licensed patent attorney and certified mediator. Since graduating from the University of Kansas School of Law in 1992, Kyle has devoted his career exclusively to intellectual property law. Kyle has been on the KTEC board since 2006 and on the KTEC Investment Committee since 2002.
- Financial expert Ted Haggart is President and CEO of Douglas County Bank. Before joining DCB, Ted was President of Union National/Commerce Bank in Manhattan and Senior Vice President of First National Bank in Salina. He also was an economics professor at Kansas State University, Executive Director of the Kansas Economic Education Council and an economist for the U.S. Senate Budget Committee. Ted has been on the KTEC board since 2001 and has chaired business incubator boards in both Manhattan and Lawrence.

9. Work with existing companies to identify "orphan" technologies and identify employee mentors/interns/students that could develop them to the proof-of-concept stage.

KTEC Response:

KTEC's Proof of Concept (POC) program has been in existence for two years. KTEC has funded projects at WSU, KSU and KU totaling over \$100,000.

10. Leverage existing entrepreneurship programs and consider extending the Pipeline brand to meet needs of entrepreneurs at different stages of development.

KTEC Response:

KTEC will continue to evaluate services directed to the entrepreneur. The report recognizes the fact that the KTEC PIPELINE has garnered significant praise and support of national thought leaders. The program supports entrepreneurs in several stages of development and has extended its offerings "upstream" through creation of

primer programs available to any Kansas entrepreneur and to high school students through collaboration with the Youth Entrepreneurs of Kansas.

Closing Comments:

While we believe it is important to provide clarifications on some of the key issues, we appreciate the recognition of the many positives noted in the report. KTEC has taken measures to deal with the issues addressed in the report and looks forward to continuing to evolve and help solidify Kansas' position in the innovation-based economy.

Sincerely,

Kevin M. Carr

Kevin Carr
Interim President & CEO
KTEC

Status Report
Mid-America Manufacturing Technology Center
(MAMTC)

October 13, 2009



What Do These Have in Common?

Aviation
Value Added Agriculture
Bio Fuels
Biomedical
Life Sciences
Animal Health
Automotive

At the end of the day something has to be made thus.....
manufactured



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Why Manufacturing is Important?

- \$1.00 in manufactured goods generates \$1.37 of additional economic activity
- Manufacturers responsible for 70% of all private sector R&D
- Manufacturing productivity gains 2.5 times greater than other economic sectors
- Manufacturing employees 25% of all scientists and 40% of all engineers

MAMTC
The Manufacturing Edge

Why Small and Medium Mfg Important

- Small and medium manufacturers are defined as under 500 employees
- Small manufacturers are the foundation for most supply-chains
- Approximately 350,000 small manufacturers account for over half the total value of U.S. production and represent almost 99 percent of all manufacturing establishments.
- 100% of all new jobs in America come from small and medium sized companies. *SBA*

MAMTC
The Manufacturing Edge

Why Small and Medium Mfg Important

Proctor and Gamble anticipate that 50% of new ideas will come from outside the company by 2011 and increase of over 35%

Boeing states on average, dollars contracted to suppliers currently represent 60% to 70% of total product cost. For some programs in the future, suppliers may represent 85% to 90% of total product cost

70% of the parts in Aviation OEM final products are produced by small and medium sized manufacturers



Kansas Manufacturing

4700 Manufacturers in Kansas

48% located in rural communities

81.5% have < 50 employees

< 2% have > 500 employees

2005 – 91% of Exports

2007 – 15% of Kansas GDP

166,600 Employees July 2009

\$47,577 Average Mfg Wage vs. \$35,689 Average State Wages

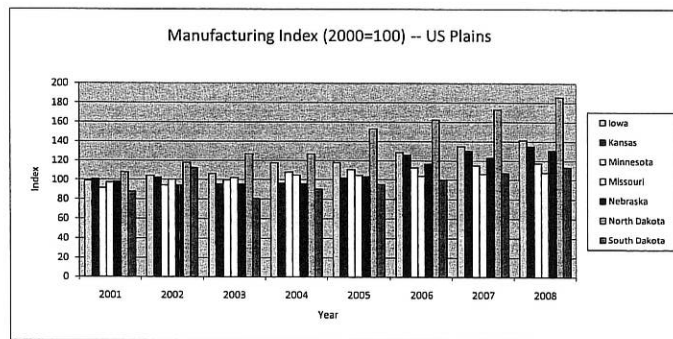


Manufacturing Employees

January 1 1990	175,000
January 1, 1999	209,000
July 1, 2008	188,300
July 1, 1009	166,600



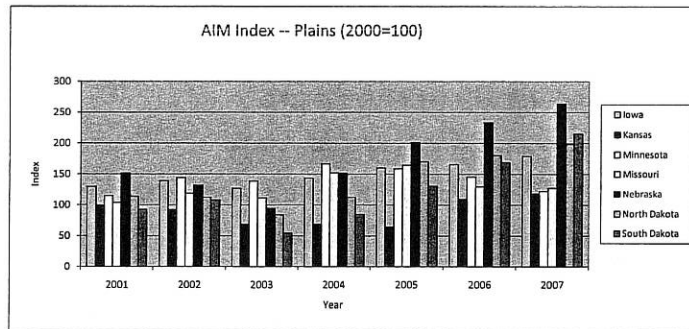
Manufacturing Index



Highest	Southwest Region	150
Lowest	Great Lakes Region	100
Kansas		137



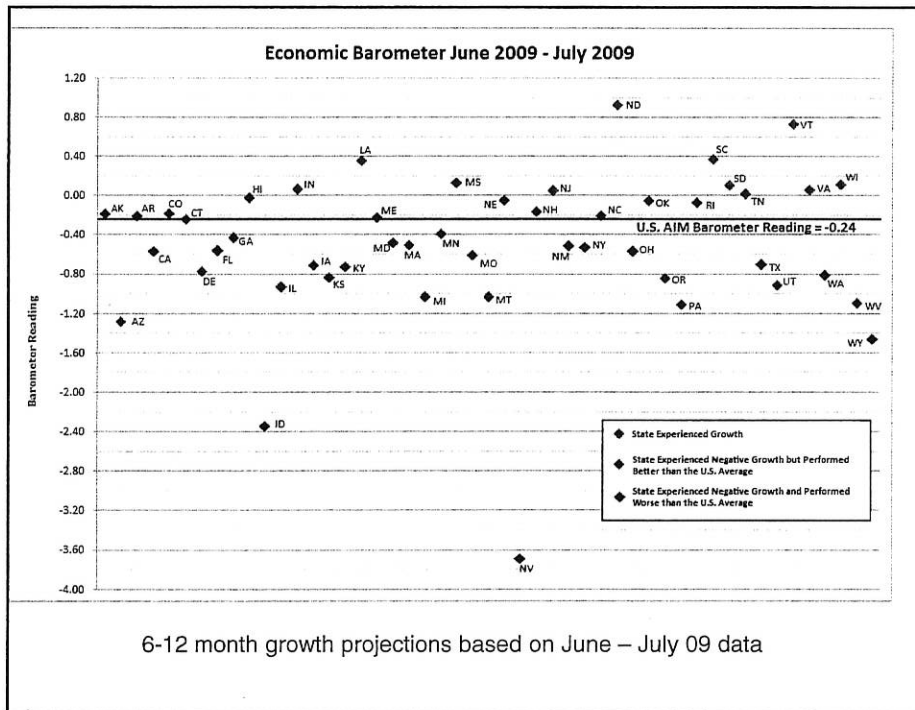
Aerospace Industrial Manufacturing Index (Product)



Highest
Lowest

Nebraska
Kansas

260
120



Structure

MAMTC is a 501C3

MAMTC is a subsidiary of KTEC

MAMTC is an affiliate of NIST/MEP

National Institute of Standards and
Technology/Manufacturing Extension Partnership

MAMTC receives state and federal \$ and charges
clients for completed projects

MAMTC is not a spend down program



MAMTC Vision

Be the trusted business and technical advisor for manufacturers
in the state of Kansas and a strategic partner of choice within
the economic development community.

MAMTC Mission

Mamtc will improve the competitiveness of small and medium
sized manufacturers to create a stronger business community
and stronger Kansas economy.



MAMTC's Promise

MAMTC's promise to small and mid-sized Kansas manufacturers – to help them develop and implement plans for reducing costs by at least 20% . . . **AND** for growing top-line sales by 20%.

To win in the new global economy . . . we must work both sides of the balance sheet. More importantly . . . we must teach small manufacturing companies how to identify cost reduction and growth opportunities themselves. We must provide them with the world's top scientific methods for increasing sales . . . and decreasing costs.



Bottom – Line Savings

Process Improvement - LEAN

Advanced Quality Systems – ISO, AS9100

Safety Management Systems

Green Sustainability – Energy & Environmental

MAMTC Now



Top Line Growth

Kansas Innovation Marketplace

Connection of new inventions to KS mfgs

Growth Services

New products, new markets & new messages

Leadership Services

Shop floor to the Board room

Manufacturability of New Products / Innovations



Tech Based Economic Development

Close the Loop

Inventions RARELY SHIP

- • 80% of MIT "signed deals" never ship
- • 1% of University disclosures end up shipping

95% of all Breakthroughs since World War II have come from small and mid sized companies.

Small companies are significantly more likely to get to "first sale"

- Study of 1,397 MIT Licensed Patents (1980 - 1996)



MAMTC Impacts

FY 07 – FY 09

Total Survey Respondents	281
Sales Created or Retained	\$138,759,785
Cost Savings	\$31,245,140
Investments	\$55,954,049
Jobs Created or Retained	1150
Payroll Associated w/ Jobs	\$51,750,000
Impacts per respondent	\$988,288



MAMTC Impacts

FY 07 - FY 09

- Completed fee based projects in 45 counties
- Over \$1 million in economic impacts reported in 24 counties
- Over 1500 clients served
- Served clients in 68 counties FY 09



Growing Kansas Manufacturers

81.5 % less than 50 employees

Grow by 3 employees
11,700 employees
½ billion in payroll

Grow by 10 employees
39,000 employees
1.8 billion in payroll



Kansas Small and Medium Sized Manufacturers Need Our Help

- KIT/KIR - \$ shrinking avg \$300-\$700 per trainee
- DOL funding – targeted to displaced workers
- Impact Grants – targeted to larger companies > 250 employees
- Other states trying to diversify into aviation manufacturing





NATIONAL CONFERENCE of STATE LEGISLATURES

The Forum for America's Ideas

Leticia R. Van de Putte, R. Ph.
State Senator
Texas
President, NCSL

Stephen R. Miller
Chief, Legislative Reference Bureau
Wisconsin
Staff Chair, NCSL

William T. Pound
Executive Director

The Power of the Purse: Legislatures That Write State Budgets Independently of the Governor

Ronald Snell

National Conference of State Legislatures

July 2007

Introduction

Control of taxation and appropriations is the foundation of legislative power. Medieval English kings called parliaments when they needed to raise money. American colonial assemblies used their control of fiscal policy to extract concessions from royal governors decades before the American Revolution. The state budget reform movement of the early 20th century somewhat reduced legislative control of state budgets in the interest of central policy direction and oversight, but the budget process remains central in all legislatures. A few state legislatures continue to hold the balance of power over the budget vis-à-vis their governors. This report focuses on four legislatures—those in Arizona, Colorado, Oklahoma and Texas—where the legislature is primarily responsible for the state budget. Creation of a state budget is a demanding task in terms of legislators' time and legislative resources. This report describes the principal tasks these legislatures undertake and the time, schedule and resources legislative budgets require.

A. Which legislatures develop independent budgets?

All state constitutions require that the state legislature enact appropriations in order for money to be spent from the treasury. In that sense all legislatures control state budgets. In reality, governors' power to propose a budget gives them the upper hand in many states. But there are states where the legislature dominates the process to the extent of producing a full alternative to the governor's proposed budget.

Denver
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Denver, Colorado 80230
Phone 303.364.7700 Fax 303.364.7800

Washington
444 North Capitol Street, N.W. Suite 515
Washington, D.C. 20001
Phone 202.624.5400 Fax 202.737.1069 Website www.ncsl.org

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Arizona, Colorado, Oklahoma and Texas all have a long tradition of independent legislative budgeting, and they are discussed in this report for the light they shed on the processes involved and the demands such legislative budgeting makes in terms of legislators' time and legislative resources.

The differences among these states make it clear that strong legislative budgeting is possible in many different environments. Texas, with a biennial session calendar and biennial budget, has tended to add special sessions in recent years. Colorado and Oklahoma have annual sessions and annual budgets. Arizona has annual sessions and provides agencies with annual or biennial budgets depending largely upon the size of the agency budget in question.

In all four of these states, the legislative budgeting practices described in this report have existed for more than a quarter-century and have persisted despite significant changes in the partisan control of one or both houses in the legislature and of the governor's office.

B. What is the budget committee structure?

The Arizona, Colorado, and Texas legislatures make use of small, powerful joint budget planning bodies—the Arizona Joint Legislative Budget Committee (JLBC), the Colorado Joint Budget Committee (JBC) and the Texas Legislative Budget Board (LBB). These three legislatures can be said to have a budget process that is nearly as centralized as the executive branch process in their states. Each of these legislatures also has an appropriations committee in each chamber that must approve the work of the joint budget planning body to move it ahead. These committees review and generally accept the recommendations that come from the joint committee. In Colorado the principal review occurs in the party caucuses in each chamber.

In each of these states, the chairs of the appropriations committee are members of the joint budgeting body, and have a vested interest in seeing that the committee endorses their previous work. The committees receive the budget after a great deal of time and work has gone into it, and are not necessarily in a position to offer extensive alternatives. Committee and floor debate may result in numerous amendments, but not necessarily much change. In Colorado in 2007, Representatives and Senators offered more than 100 amendments to the budget recommended by the Joint Budget Committee, but relatively few were adopted. One restraint upon adopting such amendments is the Colorado House rule that amendments to increase spending must identify a funding source for the increase, in order to maintain the balance of the budget.

Oklahoma offers a completely different, highly decentralized model that brings the entire membership of the legislature into active involvement. The Oklahoma Legislature does not name a joint standing committee, and the House and Senate processes for writing a budget differ substantially.

Under the system the House of Representatives used in 2007, the House Appropriations and Budget Committee has no subcommittees (except for the Revenue and Taxation Subcommittee). Instead, the other nine House standing committees work through 25 subcommittees to make recommendations on agency budgets to the Appropriations and Budget Committee, which drafts the budget. Almost every, if not every, House member has the opportunity to participate directly in the creation of part of the budget.

Oklahoma Senate budget participation is also inclusive. The Senate Appropriations Committee, which includes nearly half the Senate, works through six subcommittees which among them include all Senators. At the end of the process, every Senator is made a member of one of the subcommittees of the General Conference Committee on Appropriations, which resolves the final budget with the House. In effect, every Oklahoma legislator can participate directly in budget authorship.

The number of legislators in these four states is shown in figure 1, and the size of the membership of the joint budget groups and the budget and appropriations committees appears in figure 2. Oklahoma's subcommittee membership is not listed.

Figure 1. Number of State Legislators, 2007

State	Total Membership	House of Representatives	Senate
Arizona	90	60	30
Colorado	100	65	35
Oklahoma	149	101	48
Texas	181	150	31

Figure 2. Membership of Joint and Chamber Appropriations Committees, 2007

State	Committee	House of Representatives	Senate
Arizona	Joint Legislative Budget Committee	8	8
	Appropriations Committees	17	11
Colorado	Joint Budget Committee	3	3
	Appropriations Committees	13	10
Oklahoma*	Appropriations Committees	9	16
Texas	Legislative Budget	5	5

	Board		
	Appropriations Committees	29	15
*In the Oklahoma House of Representatives, the nine other standing committees make budget recommendations to the House Appropriations and Budget Committee.			

The Arizona JLBC, the Texas LBB, and the Colorado JBC have similar responsibilities with regard to the state budget: each prepares a proposed state budget for legislative consideration. In each of those three states, the membership of the joint body overlaps with that of the separate committees in the two chambers.

- The JLBC in Arizona consists of the chairs of the House and Senate appropriations committees, who chair JLBC in rotation, the finance (tax) committee chairs from each house, the majority leaders from each house, and five other members of the appropriations committee of each house (16 members in all).
- In Colorado, the JBC consists of the chairs of the House and Senate appropriations committees, who chair the joint committee in rotation, one additional majority member and one minority member from each of the two appropriations committees (six members in all).
- The Texas LBB includes the lieutenant governor and the speaker of the House as joint chairs, the chairs of the House Appropriations and Ways and Means committees, the chair of the Senate Finance Committee, two additional members from the House, and three additional members from the Senate (10 members in all).

Although the joint bodies in those three states do not act as committees of reference, the overlapping chairmanships and the use of the same staff provides ties between the joint committees that draft the budget and the committees of reference in the two chambers.

C. What is the role of pre-session budget hearings?

- Arizona legislators do not hold pre-session budget hearings. With direction from the Joint Legislative Budget Committee chairs, staff draft a budget on the basis of agency documents before the legislative session begins in January.
- The Colorado Joint Budget Committee meets four days a week in November and December for staff briefings and formal agency budget hearings.
- Oklahoma House standing committees and subcommittees begin hearings in October, first focusing on agency performance reports and moving on to budget requests when those are provided to the Legislature in October. Senate appropriations subcommittees hold hearings throughout November and December on agency performance reports and budget requests.
- The Texas Legislative Budget Board staff hold interim hearings with agencies in accord with legislators' directions, traditionally without legislators' direct involvement.

Legislators have been more involved in pre-session hearings in the last two rounds (2004 and 2006).

D. When is the budget actually drafted?

- In Arizona, the staff prepare a detailed budget in the late fall under the direction of the co-chairs of the Joint Legislative Budget Committee and the chamber leadership. The governor's budget is released within five days of the beginning of the legislative session, and JLBC staff then prepare a line-by-line comparison of the JLBC budget and the governor's budget for appropriations committee hearings in January. The JLBC staff prepare a budget book similar to a governor's budget book.
- The Colorado Joint Budget Committee focuses on supplemental appropriations for the current fiscal year in January, and the staff produce supplemental appropriations bills that the committee reports to the appropriation committees. In February and March, the staff make recommendations to the committee on every line item in the budget. As the JBC makes decisions, staff draft an omnibus appropriations bill (known as the Long Bill) by March 31. When the Joint Budget Committee approves the Long Bill, it is reported to the House and Senate appropriations committees and is discussed in the four legislative caucuses.
- The Oklahoma staff prepare the budget in the form of shell bills in January for formal introduction in late January. Each chamber prepares bills for each agency. The final number of bills and their content is decided in conference committee at the end of the legislative session.
- The Texas Legislative Budget Board staff hold joint hearings with the governor's budget staff on agency budget requests beginning in August. The staff prepare a budget under the direction of the joint chairs of the budget board and submit it to the board over one or more days. The budget is introduced in both chambers in January.

E. What staff resources are required?

- The Arizona Joint Legislative Budget committee staff consists of about 30 professional analysts. Their work includes economic and revenue forecasting, fiscal notes on legislation and ballot issues, performance evaluation, and analysis of state taxation issues and policies.
- The Colorado Joint Budget Committee staff includes 15 professional analysts. Their work is limited specifically to analysis of appropriations requests, preparing appropriations bills, and reports on appropriations. Their work does not include economic forecasting, tax legislation, performance reviews or fiscal notes, which are the responsibility of other legislative staff.

- Oklahoma has separate fiscal staffs for the House of Representatives and the Senate. The House has 10 fiscal policy analysts, including the director. The Senate has seven fiscal policy analysts including the director. Senate staff responsibilities are similar to those of the Colorado staff, plus analysis of agency performance reports. House fiscal staff, in addition, review executive branch revenue data and make independent estimates, and prepare fiscal notes on all bills at each stage of their process.
- The Texas Legislative Budget Board staff includes about 110 professional staff, plus 40 administrative and technical support personnel. These numbers reflect a very large state budget (the third highest state general fund budget, after California and New York) and an unusual number of responsibilities. These include direction and oversight of the strategic planning process for all state agencies, state econometric forecasting, performance reviews of school districts and institutions of higher education, and writing fiscal notes for all proposed legislation.

E. What access do legislatures have to executive branch budget materials?

- Arizona's Joint Committee staff receive agency budget requests from the governor's budget office when the agencies submit their requests to the budget office on September 1 or shortly thereafter.
- The Colorado General Assembly receives the governor's budget request for the coming fiscal year on November 1. The Joint Budget Committee does not have access to individual agencies' initial budget requests, which are provided only to the executive budget agency, but holds hearings with each agency before session begins based upon the agency requests as approved by the governor.
- The Oklahoma Legislature receives individual agency budget requests and performance reports on October 1. The governor's formal budget recommendation is made to the Legislature on the first day of session in February. Staff have continuous access to all actual expenditures, fund balances, and cash balances, from a consolidated state accounting system.
- The Texas Legislative Budget Board receives agency budget requests at the same time as the governor in August, and the staff hold hearings on the requests jointly with the executive budget staff.

F. How is the budget base, or starting point, calculated?

- The Arizona Joint Legislative Budget Committee's *Budget Book* begins its recommendations for the new budget with the previous year's appropriation level. That base is adjusted to remove one-time appropriations and make adjustments for institutional population or caseload growth for agencies like corrections, human services, K-12 and higher education. The base is also adjusted for the costs of public employee health

insurance and pensions, and sometimes for state employee pay. The result is referred to as the "JLBC baseline."

- The Colorado Joint Budget Committee's base is the previous level of appropriations reduced by one-time appropriations. The committee may agree to make across-the-board adjustments to the base, but inflationary adjustments, increases to reflect case load or institutional population growth, and state personnel costs are treated as separate decisions and are not initially built into the base. The committee considers but does not necessarily accept the governor's recommendations for adjustments to the base.
- In the Oklahoma Legislature, the House and the Senate calculate the budget base differently. The Senate's base is the current-year budget minus one-time appropriations with no other adjustments. The House staff calculate a "maintenance of effort" base that makes some additional adjustments, such as the adjusting for changes in federal funds to agencies and annualizing the cost of programs, personnel expenses, debt service costs and the like where necessary.
- The Texas Legislative Budget Board staff construct a current-services base. It includes the existing level of appropriations, less any one-time appropriation, plus adjustments for population or caseload changes for agencies like corrections, human services, K-12 and higher education. It also includes adjustments for personnel costs, but not necessarily the full amounts that agencies request.

Acknowledgments

This report was originally written for the Kansas Legislature in June 2007. It is partially based upon the NCSL report *Legislative Budget Procedures* and documents published on the four legislatures' Web sites. Its distinctive information is attributable to the following legislative fiscal officers, who took time from crowded schedules for interviews, reviewing a draft report, and answering follow-up questions: Janice Buchanan, Director, House Fiscal Division Oklahoma Legislature; Randy Dowell, Director, Senate Fiscal Division, Oklahoma, John O'Brien, Director, Texas Legislative Budget Board; Richard Stavneak, Director, Joint Legislative Budget Committee, Arizona; and John Zeigler, Staff Director, Joint Budget Committee, Colorado General Assembly.

Table 1: BUDGET CYCLE**DECEMBER 2008**

Jurisdiction	Annual Budget	Biennial Enactment of Two 12-Month Budgets	Biennial Enactment of a 24-Month Budget	Fiscal Year Begins First Day of:
Alabama	x	—	—	October
Alaska	x	—	—	July
Arizona	—	x*	—	July
Arkansas*	—	x	—	July
California	x	—	—	July
Colorado	x	—	—	July
Connecticut	—	x	—	July
Delaware	x	—	—	July
Florida	x	—	—	July
Georgia	x	—	—	July
Hawaii	—	x	—	July
Idaho	x	—	—	July
Illinois	x	—	—	July
Indiana	—	x	—	July
Iowa	x	—	—	July
Kansas	x*	—	—	July
Kentucky	—	x	—	July
Louisiana	x	—	—	July
Maine	—	x	—	July
Maryland	x	—	—	July

Massachusetts	x	—	—	July
Michigan	x	—	—	October
Minnesota	—	x	—	July
Mississippi	x	—	—	July
Missouri	x*	—	—	July
Montana	—	x	—	July
Nebraska	—	x	—	July
Nevada	—	x	—	July
New Hampshire	—	x	—	July
New Jersey	x	—	—	July
New Mexico	x	—	—	July
New York	x	—	—	April
North Carolina	—	x	—	July
North Dakota	—	—	x	July
Ohio	—	x	—	July
Oklahoma	x	—	—	July
Oregon	—	—	x	July
Pennsylvania	x	—	—	July
Rhode Island	x	—	—	July
South Carolina	x	—	—	July
South Dakota	x	—	—	July
Tennessee	x	—	—	July
Texas	—	x	—	September
Utah	x	—	—	July
Vermont	x	—	—	July

Virginia	—	x*	—	July
Washington	—	—	x	July
West Virginia	x	—	—	July
Wisconsin	—	x	—	July
Wyoming	—	—	x	July
American Samoa (N/R)	—	—	—	-
District of Columbia	x	—	—	October
Guam	x	—	—	July
Northern Mariana Islands	x	—	—	July
Puerto Rico	x	—	—	July
Total: States	29	17	4	
Total: States and Territories	33	17	4	

Source: National Conference of State Legislatures, December 2008

***Notes:**

Arizona-- Laws 2002, Ch. 210 (S.B. 1436) converted the state's budgeting cycle into a "bifurcated" budget beginning with the FY 2004 budget. Under the bifurcated system, most state agencies will have a biennial budget in which each odd-numbered year they will receive a separate appropriation for each of the next two fiscal years. Larger state agencies will have an annual budget.

Arkansas-- A constitutional amendment adopted by Arkansas voters in November 2008 provides for annual legislative sessions and annual appropriation bills beginning in 2010. The added legislative session will occur in even numbered years and will be limited to 30 days unless a 3/4 majority agrees to extend it for a maximum of 15 days. It will be limited to appropriations bills unless a 2/3 majority agrees to consider a bill on another topic.

Kansas—The legislature enacts an annual budget; however, 20 small fee boards (regulatory agencies) are budgeted biennially through two annual budgets.

Missouri—The operating budget is annual, and the capital budget is biennial.

Virginia—The budget is adopted for a biennium, but is amended in the second year of the biennium.

Table 2: Legislative Budget Calendar

State or other Jurisdiction	Budget Guidelines Sent to Agencies	Agency Requests Submitted to Governor	Agency Hearings Held	Governor Submits Budget to Legislature	Legislature Adopts Budget	Fiscal Year Begins
Alabama	September	November	January	February	February/ May	October
Alaska	July	October	November	December	May	July
Arizona	June 1	September 1	November/ December	January	January/ April	July
Arkansas †	March	July	August	September/ December	January/ April	July
California	May/ November	September	September/ November	January 10	June 15*	July
Colorado	June	August 1-15	August/ September	November 1	May	July
Connecticut	July	September	February	February	May/June	July
Delaware	August	October/ November	October/ November	January	June 30	July
Florida	June	September	November	January	April/May	July
Georgia	May	September	November/ December	January	March	July
Hawaii	July/August	September	November	December	April	July
Idaho	June	September	—	January	March	July
Illinois	September	October/ November	November/ December	February	May	July
Indiana	May	August	September/ November	January	April	July
Iowa	June	October 1	November/ December	January	April/May	July
Kansas	June	September	November	January	May	July
Kentucky †	July	October	—	January	April	July
Louisiana	September	November	February	February	June	July
Maine	July	September	October/ December	January	June	July
Maryland	June	August 31	October/ November	January	April	July
Massachusetts	August	October	October	January	June	July
Michigan	October	November	December	*	July	October
Minnesota	May/June	October 15	September/ October	January (4th Tuesday)	May	July
Mississippi	June	August	—	November 11	—	July
Missouri	July	October	—	January	April/May	July
Montana †*	January 31/ August 1	May/ September 1	May-June/ September- October	January	April	July
Nebraska	July	September	January/ February	January	April	July
Nevada †	May/June	September	September/ December	January	June	July
New Hampshire	August	October	November	February	May	July
New Jersey	July/August	October	—	January	June	July

Table 2: Legislative Budget Calendar

State or other Jurisdiction	Budget Guidelines Sent to Agencies	Agency Requests Submitted to Governor	Agency Hearings Held	Governor Submits Budget to Legislature	Legislature Adopts Budget	Fiscal Year Begins
New Mexico	July	September	September/December	January	February/ March	July
New York	July	September	October/ November	January	March*	April
North Carolina	January	August	September/ November	February	June	July
North Dakota † Ohio	March July	June/July September/ October	July/October October/ November	December February*	January/ April June	July July
Oklahoma	July	October	October/ December	February (1st Monday)	May (last Friday)	July
Oregon †	January/July	September	September/ November	January	January/ June	July
Pennsylvania	August	October	December/ January	February*	June	July
Rhode Island	July	October	November/ December	February	June	July
South Carolina	August	October	—	January	June	July
South Dakota	June/July	September	September/ October	December	March	July
Tennessee	August	October	November	January*	April/May	July
Texas †	March	July/ November	July/ September	January	May	September
Utah	July	September	October/ November	December	February	July
Vermont	September	October	November/ December	January	May	July
Virginia	April/August	June/ October	September/ October	December	March/ April	July
Washington	April	September	—	December	April/May*	July
West Virginia	July	September	October/ November	January	March	July
Wisconsin	June	September	—	January	June/July	July
Wyoming	May 15	September	By November 20	December	March	July
American Samoa (N/R)	—	—	—	—	—	—
District of Columbia (N/R)	—	—	—	—	—	—
Guam (N/R)	—	—	—	—	—	—
Puerto Rico	August	December	December/ January	February	May	—
Northern Mariana Islands (N/R)	—	—	—	—	*	—
U.S. Virgin Islands (N/R)	—	—	—	—	—	—

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Source: National Association of State Budget Officers, *Budget Processes in the States*, September 1997; and National Conference of State Legislatures update, December 1997.

Key:

† = States with biennial legislative sessions

— = Not available

N/R = No response

***Notes:**

California—While the constitution requires that the legislature adopt the budget by June 15, the conference committee may exercise jurisdiction later than that, depending upon progress of budget negotiations.

Michigan—The governor must present the budget to the Legislature within 30 days after the Legislature convenes in regular session, except in a year in which a newly elected governor is inaugurated into office, when 60 days are allowed.

Montana—Montana uses an executive planning process (EPP) for proposals to provide new services, add full-time employees, change program services, or alter funding sources. The earlier dates reflect this process, which is linked with the regular budget in the September 1 submittal.

New York—A budget has not been adopted by the beginning of the fiscal year (April 1) for a number of years.

Ohio—Budget submission is delayed until mid-March when the governor has been elected for his or her first term of office.

Pennsylvania—The budget is submitted in March when the governor has been elected for his or her first term of office.

Tennessee—The budget may be submitted by March 1 during the first year of a governor's term.

Washington—There are limits on the regular session length—the budget must be adopted 30 days before the fiscal period.

Northern Mariana Islands—The Legislature is required to take final action on the proposed budget no later than 30 days before the beginning of the new fiscal year.

REPORT TO THE
NATIONAL ASSOCIATION OF LEGISLATIVE FISCAL
OFFICES

LEGISLATIVE FISCAL OFFICE STAFF
SURVEY: FY 2008

March 2008



National Conference of State Legislatures

Fiscal Affairs Program
7700 East First Place
Denver, CO 80230
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Table 1. Budget Analysts

State	Office	Entry Level	Mid Level	Senior Level	Notes
		Number of Staff	Number of Staff	Number of Staff	
Alabama	Legislative Fiscal Office		3	3	
Alaska	Legislative Finance Division	3		2	
Arkansas	Bureau of Legislative Research	2	5	1	
Colorado	Joint Budget Committee	6	2	4.6	
Connecticut	Office of Fiscal Analysis	3	9	2	
Delaware	Office of Controller General		4	1	
Florida	House of Representatives House Policy and Budget Council		3		
	Senate Appropriations Committee	3	11	6	
Hawaii	House Committee on Finance	5	2		
Iowa	Fiscal Services Division	3	3	8	
Kentucky	Office of Budget Review	2	6	9	
Louisiana	Legislative Fiscal Office	1	7	4	
Maine	Office of Fiscal & Program Review, Legislative Council	0	4.5	1	
Maryland	Department of Legislative Services	14	2	3	
Michigan	House Fiscal Agency	2	3	9	
	Senate Fiscal Agency		10	2	
Minnesota	House Fiscal Analysis Department	2	1	8	
	Senate Office of Counsel, Research & Fiscal Analysis	1	2	6	
Mississippi	Joint Legislative Budget Committee	1	5	3	
Missouri	Senate Appropriations Committee	2	2	1	
Montana	Legislative Fiscal Analyst Office		4	5	
Nebraska	Legislative Fiscal Office	1		8	
Nevada	Fiscal Analysis Division	10		5	
New Hampshire	Legislative Budget Assistant Office	0	3	1	
New Mexico	Legislative Finance Committee	3	4	9	
North Carolina	Fiscal Research Division	15	7	11	
North Dakota	Legislative Council	2	1		
Ohio	Legislative Service Commission				
Oklahoma	Senate Fiscal Division	3	2	1	
Oregon	Legislative Fiscal Office	4	3	8	
	Legislative Revenue Office				
Rhode Island	House Fiscal Advisor	4	2	2	
South Carolina	Senate Finance Committee	1	2	3	
	House Ways and Means Committee		9		

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15
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Table 1. Budget Analysts

State	Office	Entry Level	Mid Level	Senior Level	Notes
		Number of Staff	Number of Staff	Number of Staff	
Tennessee	Office of Legislative Budget Analysis	10	0	1	
Texas	Legislative Budget Board	3	10	11	
Vermont	Joint Fiscal Office	2	3	2	
Washington	Senate Ways and Means Committee	2	2	7	
West Virginia	Budget Division, Legislative Auditor's Office				
Wisconsin	Legislative Fiscal Bureau	6	15	8	
Wyoming	Legislative Service Office		1	1	

Source: National Conference of State Legislatures survey of legislative fiscal offices, 2008.

9/1-10
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Table 2. Economists and Revenue Analysts

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State	Office	Entry Level	Mid Level	Senior Level	Notes
		Number of Staff	Number of Staff	Number of Staff	
Alabama	Legislative Fiscal Office				
Alaska	Legislative Finance Division				
Arkansas	Bureau of Legislative Research				
Colorado	Joint Budget Committee				
Connecticut	Office of Fiscal Analysis	1	2	1	
Delaware	Office of Controller General				
Florida	House of Representatives House Policy and Budget Council		1		
	Senate Appropriations Committee				
Hawaii	House Committee on Finance				
Iowa	Fiscal Services Division			1	
Kentucky	Office of Budget Review	1	3	6	
Louisiana	Legislative Fiscal Office			1	
Maine	Office of Fiscal & Program Review, Legislative Council				
Maryland	Department of Legislative Services	7	5	7	
Michigan	House Fiscal Agency		1	1	
	Senate Fiscal Agency		1	1	
Minnesota	House Fiscal Analysis Department				
	Senate Office of Counsel, Research & Fiscal Analysis				
Mississippi	Joint Legislative Budget Committee	1			
Missouri	Senate Appropriations Committee				
Montana	Legislative Fiscal Analyst Office		1	2	
Nebraska	Legislative Fiscal Office			1	
Nevada	Fiscal Analysis Division	2		1	
New Hampshire	Legislative Budget Assistant Office				
New Mexico	Legislative Finance Committee		1	1	
North Carolina	Fiscal Research Division			2	
North Dakota	Legislative Council				
Ohio	Legislative Service Commission				
Oklahoma	Senate Fiscal Division				
Oregon	Legislative Fiscal Office				
	Legislative Revenue Office	2		2	
Rhode Island	House Fiscal Advisor				
South Carolina	Senate Finance Committee				
	House Ways and Means Committee				
Tennessee	Office of Legislative Budget Analysis	1			
Texas	Legislative Budget Board	1	2	2	
Vermont	Joint Fiscal Office		1	1	
Washington	Senate Ways and Means Committee	1	1	1	
West Virginia	Budget Division, Legislative Auditor's Office				
Wisconsin	Legislative Fiscal Bureau				
Wyoming	Legislative Service Office				

Table 3. Clerical or Support Staff

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State	Office	Number of Staff
Alabama	Legislative Fiscal Office	4
Alaska	Legislative Finance Division	
Arkansas	Bureau of Legislative Research	2
Colorado	Joint Budget Committee	2
Connecticut	Office of Fiscal Analysis	4
Delaware	Office of Controller General	2
Florida	House of Representatives House Policy and Budget Council	3
	Senate Appropriations Committee	6
Hawaii	House Committee on Finance	
Iowa	Fiscal Services Division	6
Kentucky	Office of Budget Review	3
Louisiana	Legislative Fiscal Office	3
Maine	Office of Fiscal & Program Review, Legislative Council	2
Maryland	Department of Legislative Services	10
Michigan	House Fiscal Agency	5
	Senate Fiscal Agency	4
Minnesota	House Fiscal Analysis Department	
	Senate Office of Counsel, Research & Fiscal Analysis	
Mississippi	Joint Legislative Budget Committee	4
Missouri	Senate Appropriations Committee	1
Montana	Legislative Fiscal Analyst Office	1.5
Nebraska	Legislative Fiscal Office	2
Nevada	Fiscal Analysis Division	6
New Hampshire	Legislative Budget Assistant Office	
New Mexico	Legislative Finance Committee	6
North Carolina	Fiscal Research Division	2
North Dakota	Legislative Council	
Ohio	Legislative Service Commission	
Oklahoma	Senate Fiscal Division	
Oregon	Legislative Fiscal Office	2
	Legislative Revenue Office	1
Rhode Island	House Fiscal Advisor	
South Carolina	Senate Finance Committee	
	House Ways and Means Committee	4
Tennessee	Office of Legislative Budget Analysis	2
Texas	Legislative Budget Board	8
Vermont	Joint Fiscal Office	5
Washington	Senate Ways and Means Committee	3
West Virginia	Budget Division, Legislative Auditor's Office	
Wisconsin	Legislative Fiscal Bureau	1
Wyoming	Legislative Service Office	

Source: National Conference of State Legislatures survey of legislative fiscal offices, 2008.

Table 2. Economists and Revenue Analysts

State	Office	Entry Level	Mid Level	Senior Level	Notes
		Number of Staff	Number of Staff	Number of Staff	
Source: National Conference of State Legislatures survey of legislative fiscal offices, 2008.					

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Sunset Boards, Committees or Commissions in the States

Alabama

41-20-4

Review and evaluation of agencies; select joint sunset committee

Delaware

29 Del. C. 10201, 10203

Sunset committee establishment and composition

Florida

11.902, 11.918

Joint legislative sunset committee

Missouri

23.259

Sun setting of programs, duties of legislative research committee,
Missouri Sunset Act

Oklahoma

74 Okla. St. 3915

Evaluation criteria for House or Senate sunset committee

Texas

Government Code 326.003

Cooperation between legislative agencies. State Auditor's Office,
Legislative Budget Board, and Sunset Advisory Commission

Source: NCSL survey of states, 2009

14-20

Table 3: AVERAGE NUMBER OF APPROPRIATIONS BILL(S)

State or other Jurisdiction	Single	Multiple †
Alabama	—	42: Two major, 40 minor
Alaska	—	3
Arizona	—	2: One for the operating budget and one for the capital budget
Arkansas	—	500
California	■	—
Colorado	■	—
Connecticut	■	—
Delaware	■	—
Florida	—	6: One in the House, five in the Senate
Georgia	■	—
Hawaii	—	4: One for the Legislature, one for the judiciary, one for the executive branch and one for the Office of Hawaii Affairs
Idaho	—	90: All individual agency appropriations bills
Illinois	—	2-8
Indiana	■	—
Iowa	—	20
Kansas	■	—
Kentucky	—	3: An omnibus bill for each branch of government
Louisiana	—	4*: One for general appropriations, one for legislative expenses, one for judicial expenses, one for ancillary expenses
Maine	—	2: A unified budget bill and a highway fund bill
Maryland	—	2: One for the operating budget and one for the capital budget
Massachusetts	■	—
Michigan	—	17: Thirteen bills for operating departments and agencies and the judicial branch, one bill for capital outlays and three education bills (K-12, higher education and community colleges)
Minnesota	—	10: Nine plus one tax bill
Mississippi	—	120: Twenty to 25 major; the rest minor, such as for regulatory boards
Missouri	—	17-18
Montana	—	70: One omnibus bill and other capital projects and miscellaneous bills
Nebraska	—	6: Long session: one main budget bill, one for constitutional officers' salary, one for legislators' salary, one for capital construction, one for deficit, one for state employee salary 2: Short session: one or two bills
Nevada	—	6
New Hampshire	—	2: One for the operating budget and one for the capital budget
New Jersey	■	—
New Mexico	—	7: A "Feed Bill," which funds the Legislature, General Appropriation Act, Education Appropriation Act, Highway and Transportation Act, Fair Commission Appropriation Act, Game and Fish Department Appropriation Act and Court Appropriation Act
New York	—	10-30

Table 3: AVERAGE NUMBER OF APPROPRIATIONS BILL(S)

State or other Jurisdiction	Single	Multiple †
North Carolina	—	3*: One for the continuation budget, one for the expansion budget and one for the capital budget
North Dakota	—	50
Ohio	—	6-8
Oklahoma	—	30-40
Oregon	—	100
Pennsylvania	—	60: The omnibus bill plus others for private museums, universities and hospitals
Rhode Island	■	—
South Carolina	■	—
South Dakota	—	One omnibus bill and 40 to 60 individual spending bills
Tennessee	■	—
Texas	■	—
Utah	—	2: One for education and one for the rest of state government
Vermont	—	3: An omnibus appropriations bill, one capital bill and one transportation capital bill
Virginia	■	—
Washington	■	—
West Virginia	■	—
Wisconsin	■	—
Wyoming	■	—
American Samoa (N/R)	—	—
District of Columbia (N/R)	—	—
Guam	■	—
Northern Mariana Islands	■	—
Puerto Rico	■	—
U.S. Virgin Islands (N/R)	—	—
Total: States	18	32
Total: States and Territories	21	32

Source: National Conference of State Legislatures, December 1997.

Key:

† = This count does not include companion bills or supplemental bills.

— = Not applicable

N/R = No response

***Notes:**

Louisiana—Total does not include "Final Judgment Bills" (suits against the state).

North Carolina—In 1997, for the first time, the continuation, expansion and capital budgets were combined into one bill.

Table 4: Entity that Writes the Appropriations Bill(s) to Be Introduced in the Legislature

State or other Jurisdiction	Executive Branch	Senate Appropriations Committee Staff	Assembly or House Appropriations Committee Staff	Nonpartisan Fiscal Staff Office	Other
Alabama	■	—	—	—	—
Alaska	■	—	—	—	—
Arizona	—	—	—	■*	—
Arkansas	—	—	—	■	—
California	■	—	—	—	—
Colorado	—	—	—	■*	—
Connecticut	■	—	—	—	—
Delaware	—	—	—	■*	—
Florida	—	■	■	—	—
Georgia	—	—	—	■	—
Hawaii	■	—	—	—	—
Idaho	—	—	—	■	—
Illinois	■	—	—	—	—
Indiana	—	—	—	—	■*
Iowa	—	■*	■*	—	—
Kansas	■	—	—	—	—
Kentucky	■*	—	—	—	—
Louisiana	■	—	—	—	—
Maine	■	—	—	—	—
Maryland	■	—	—	—	—
Massachusetts	■	—	—	—	—
Michigan	■	—	—	—	—
Minnesota	■*	—	—	—	—
Mississippi	—	■*	■*	—	—
Missouri	■	—	—	—	—
Montana	■*	—	—	—	—
Nebraska	■*	—	—	—	*
Nevada	—	—	—	■	—
New Hampshire	—	—	—	■	—
New Jersey	—	■*	■*	■*	—
New Mexico	—	—	—	■*	—
New York	■	—	—	—	—
North Carolina	—	—	—	—	■*
North Dakota	■	—	—	—	—
Ohio	—	—	—	■	—
Oklahoma	—	■*	■*	—	■
Oregon	■*	—	—	—	—
Pennsylvania	■*	■*	■*	—	—
Rhode Island	■	—	—	—	—
South Carolina	—	—	■	—	—
South Dakota	—	—	—	■	—
Tennessee	■	—	—	—	—
Texas	—	—	—	■*	—
Utah	—	—	—	■*	—
Vermont	■	—	—	—	—
Virginia	■	—	—	—	—
Washington	■	—	—	—	—
West Virginia	■	—	—	—	—
Wisconsin	■*	—	—	—	—
Wyoming	—	—	—	■*	—
American Samoa (N/R)	—	—	—	—	—
District of Columbia (N/R)	—	—	—	—	—
Guam	—	—	—	■*	—
Northern Mariana	—	—	■*	—	—

Table 4: Entity that Writes the Appropriations Bill(s) to Be Introduced in the Legislature

State or other Jurisdiction	Executive Branch	Senate Appropriations Committee Staff	Assembly or House Appropriations Committee Staff	Nonpartisan Fiscal Staff Office	Other
Islands					
Puerto Rico	■	—	—	—	—
U.S. Virgin Islands (N/R)	—	—	—	—	—
Total: States	28	6	7	15	3
Total: States and Territories	29	6	8	16	3

Source: National Conference of State Legislatures, December 1997.

Key:

— = Not applicable

N/R = No response

***Notes:**

Arizona—Staff of the Joint Legislative Budget Committee prepare the appropriations bills introduced in the Legislature.

Colorado—Staff of the Joint Budget Committee prepare the appropriations bill introduced in the General Assembly.

Delaware—The Office of the Comptroller General prepares the appropriations bills introduced in the General Assembly.

Indiana—The Budget Committee, which consists of four legislators and the state budget director, reviews requests and makes a recommendation for appropriations.

Iowa—The Senate and House appropriations committees introduce the bills in their respective chambers. The Legislative Fiscal Bureau is the primary staff for the appropriations committees; the actual drafting is completed by the Legislative Service Bureau.

Kentucky—The executive branch drafts the proposed act for the executive branch, the chief justice for the judicial branch, and the Legislative Research Commission for the legislative branch.

Minnesota—The executive branch writes bills for introduction. The House and Senate staff write the bills for each body—they may include much of the language from the executive branch bills.

Mississippi—Both the Senate and the House write appropriations bills. Half the bills start in the Senate, half in the House.

Montana—The executive budget bill is ignored. Legislative staff write all subsequent general appropriations acts.

Nebraska—In the unicameral Legislature, the Appropriations Committee may introduce new bills if the governor's bills are not used.

New Jersey—The Senate and Assembly appropriations committees each act to revise the governor's appropriation recommendations and the Office of Legislative Services drafts separate bills for introduction in each house, at the direction of the chairs.

New Mexico—The executive branch shall write the budget to be introduced until 1997 and the Legislative Finance Committee staff shall do so after 1997.

North Carolina—The Bill Drafting Division, a nonpartisan legislative office serving both houses, writes the appropriations bills that are introduced in the General Assembly.

Oklahoma—The Senate introduces appropriations bills for half the state agencies; the House introduces the other half. The following year the House introduces bills for the agencies the Senate introduced the previous year, etc.

Oregon—The executive branch writes the recommended executive budget through legislative counsel.

Pennsylvania—The appropriations bill is written by the executive branch, Senate appropriations staff and House appropriations staff. As a practice, the General Assembly can write its own if necessary.

Texas—A joint legislative agency, the Legislative Budget Board, writes the budget to be introduced in the Legislature.

Utah—Under the direction of the Executive Appropriations Committee.

Wisconsin—The executive branch controls content, but the bill is actually drafted by the Legislative Reference Bureau.

Wyoming—Nonpartisan fiscal staff is the Joint Appropriations Committee staff.

Guam—Unicameral Legislature—Committee on Finance and Taxation.

Northern Mariana Islands—All appropriations bills must originate in the House of Representatives.

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Table 5: TIMING OF LEGISLATIVE RECEIPT OF AGENCY BUDGET REQUESTS

State or other Jurisdiction	Never †	Before Executive Budget Prepared	After Budget Prepared but Before Submission	After Budget Submitted to Legislature	Other
Alabama	—	■	—	—	—
Alaska	■	—	—	—	—
Arizona	—	■	—	—	—
Arkansas	—	—	—	—	■*
California	■	—	—	—	—
Colorado	—	—	—	—	■*
Connecticut	—	■*	—	—	—
Delaware	—	■	—	—	—
Florida	—	■	—	—	—
Georgia	—	■	—	—	—
Hawaii	■	—	—	—	—
Idaho	—	■*	—	—	—
Illinois	■	—	—	—	—
Indiana	—	■	—	—	—
Iowa	—	—	■	—	—
Kansas	—	■	—	—	—
Kentucky	—	■	—	—	—
Louisiana	—	■	—	—	—
Maine	—	—	—	■	—
Maryland	■*	—	—	—	—
Massachusetts	—	—	—	—	■*
Michigan	■*	—	—	—	—
Minnesota	■	—	—	—	—
Mississippi	—	■*	—	—	—
Missouri	—	■	—	—	—
Montana	—	■*	—	—	—
Nebraska	—	■	—	—	—
Nevada	—	■*	—	—	—
New Hampshire	—	■	—	—	—
New Jersey	—	■*	—	—	—
New Mexico	—	■	—	—	—
New York	—	■	—	—	—
North Carolina	—	—	—	■	—
North Dakota	—	■	—	—	—
Ohio	—	■	—	—	—
Oklahoma	—	■*	—	—	—
Oregon	—	■	—	—	—
Pennsylvania	■	—	—	—	—
Rhode Island	—	■	—	—	—
South Carolina	—	—	—	—	■*
South Dakota	—	■	—	—	—
Tennessee	—	■	—	—	—
Texas	—	■	—	—	—
Utah	—	■	—	—	—
Vermont	—	—	—	■	—
Virginia	—	—	—	—	■*
Washington	—	■	—	—	—
West Virginia	—	■	—	—	—
Wisconsin	—	■	—	—	—
Wyoming	—	—	■	—	—

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Table 5: TIMING OF LEGISLATIVE RECEIPT OF AGENCY BUDGET REQUESTS

State or other Jurisdiction	Never †	Before Executive Budget Prepared	After Budget Prepared but Before Submission	After Budget Submitted to Legislature	Other
American Samoa (N/R)	—	—	—	—	—
District of Columbia (N/R)	—	—	—	—	—
Guam	—	—	—	■	—
Northern Mariana Islands	—	—	—	—	■*
Puerto Rico	■	—	—	—	—
U.S. Virgin Islands (N/R)	—	—	—	—	—
Total: States	8	32	2	3	5
Total: States and Territories	9	32	2	4	6

Source: National Conference of State Legislatures, December 1997.

Key:

- † = The legislature receives the executive budget only, not individual agency budget requests.
- = Not applicable
- N/R = No response

***Notes:**

- Arkansas**—Agency requests are submitted at the same time the executive budget is submitted to the legislature.
- Colorado**—By statute, all departments' requests are submitted to the Joint Budget Committee by November 1. The final executive budget is due to the General Assembly in January.
- Connecticut**—Agency requests are received by the Office of Fiscal Analysis at the same time as the Office of Policy Management (governor's budget office) per statute (Sec. 4-77).
- Idaho**—The Legislative Budget Office and the Executive Budget Office receive the agency budget requests at the same time. Two copies are delivered September 1.
- Maryland**—Although the General Assembly does not formally receive agency requests, requests customarily are submitted to legislative staff on a confidential basis.
- Massachusetts**—Agencies make official budget requests to the executive branch. However, the budget director for the executive branch also is directed by statute to forward these requests to the Legislative Committee on Ways and Means.
- Michigan**—Supporting documentation varies by department or agency and is sometimes made available before the executive budget, but often later. There is no standard.
- Mississippi**—Agency budget requests are available August 1, before the executive budget is prepared and before the Legislative Budget Office prepares its recommendation.
- Montana**—Legislative staff, by statute, receive a copy of agency requests at the same time they are transmitted to the governor.
- Nevada**—Requests come to the Fiscal Division at the same time as to the Budget Division. The executive budget as submitted includes the agency request.
- New Jersey**—The Legislative Budget and Finance Office is supposed to receive agency requests by October 1. In reality, they are received well after that date, and some are never received.
- Oklahoma**—Both the Legislature and the governor receive the agency budget requests at the same time (October 1).
- South Carolina**—Cabinet agency requests are received when the governor presents the executive budget. Independent agency budget requests are received earlier.
- Virginia**—Budget requests are received by the legislature late in the process of preparing the executive budget.
- Northern Mariana Islands**—Under the constitutional mandate on the unified budget, budgets are submitted only to the Legislature. Agencies, which are autonomous in nature (self-generating revenues), also submit their budgets to the budget office for informational purposes only; these budgets are included as a separate component of the unified budget package submission.

Table 6: MAXIMUM TIME LEGISLATURE OR COMMITTEE HAS TO CONSIDER THE BUDGET

State or other Jurisdiction	Maximum Number of Weeks Legislature Has to Consider Budget (from time governor submits budget until the end of legislative session)	Maximum Number of Weeks Appropriations/Finance Committee Has to Consider the Budget
Alabama	15	N/A
Alaska	Varies*	*
Arizona	8-10*	6
Arkansas	24	12
California	20	20*
Colorado	*	*
Connecticut	Odd year-17; even year-13	Odd year-11; even year-7
Delaware	22	6
Florida	9*	15*
Georgia	Varies*	5-6
Hawaii	15	9
Idaho	No limit	No limit
Illinois	No requirement, 16-18	No requirement, 9-14
Indiana	16	House-9, Senate-5, Conf. Committee-2
Iowa	13-15*	*
Kansas	No limit	Varies*
Kentucky	8	5-6
Louisiana	*	4*
Maine	*	*
Maryland	10	5
Massachusetts	26	15-20
Michigan	33*	21*
Minnesota	15-16	15-16*
Mississippi	12-16*	11-15*
Missouri	Varies*	*
Montana	20	11*
Nebraska	Long session-21; Short session-13	Long session-16; Short session-9
Nevada	No limit	No limit
New Hampshire	16-17	Varies
New Jersey	20	16-18*
New Mexico	Odd year-8.6; Even year-4.3	Odd year-7.7; Even year-3.4
New York	10*	10*
North Carolina	No limit	No limit
North Dakota	Varies*	Varies*
Ohio	8-10	8-10
Oklahoma	16	12-14
Oregon	New governor-24; Incumbent-32	New governor-24; Incumbent-26
Pennsylvania	18	18
Rhode Island	No limit	No limit
South Carolina	22*	House-8; Senate-6
South Dakota	12	6-7
Tennessee	12-16*	3
Texas	*	No limit*
Utah	6	5
Vermont	No limit	House 8-10; Senate 10-12

Table 6: MAXIMUM TIME LEGISLATURE OR COMMITTEE HAS TO CONSIDER THE BUDGET

State or other Jurisdiction	Maximum Number of Weeks Legislature Has to Consider Budget (from time governor submits budget until the end of legislative session)	Maximum Number of Weeks Appropriations/Finance Committee Has to Consider the Budget
Virginia	Even year-12; Odd year-10*	Even year-9; Odd year-7
Washington	*	*
West Virginia	No limit	No limit
Wisconsin	22*	18
Wyoming	12	10*
American Samoa (N/R)	—	—
District of Columbia (N/R)	—	—
Guam	No limit	No limit
Northern Mariana Islands	5 months*	5 months*
Puerto Rico	No limit	No limit
U.S. Virgin Islands (N/R)	—	—

Source: National Conference of State Legislatures, December 1997.

Key:

- = **Not available**
- N/A = **Not applicable**
- N/R = **No response**

***Notes:**

Alaska—The budget is to be submitted December 15; the Legislature convenes on the second or third Monday in January; regular session is limited to 120 days. Theoretically, the fiscal committees have the entire session to consider the budget. Recent practice, however, is for the first body to pass the general appropriations bill for the operating budget by the 90th day of the session.

Arizona—The Legislature has a goal of enacting the budget by the 65th day of a 100-day session.

California—Fiscal committees have jurisdiction over budget bills from the time of introduction (January 10) until time of House (floor) action, which is usually early June. The conference committee exercises jurisdiction from time of floor action until the constitutional deadline for budget bill passage (June 15) or later, depending upon progress of budget negotiations.

Colorado—The Joint Budget Committee begins budget considerations in early or mid-November and introduces a budget bill several weeks before the end of the legislative session. This occurs in late March or early April. The appropriations committees and party caucuses review the budget bill for approximately two weeks.

Florida—Before the beginning of session, bills can be "pre-introduced" and committees do meet on an interim schedule. The appropriations committees hold intensive budget hearings beginning a month or two before the start of session. The 15-week timeframe for the committees includes these hearings.

Georgia—The legislature convenes on the second Monday in January; regular session is limited to 40 legislative days.

Iowa—The General Assembly has until the end of the session to consider the budget: even years—late April, odd years—early May. Technically, the fiscal committees have from the time the governor delivers the budget message until the end of session to consider the budget.

Kansas—Consideration of the "regular" appropriations bill is subject to a self-imposed schedule and varies accordingly. The budget, as a whole, typically is considered throughout the session and the wrap-up or omnibus bill is often the last or nearly the last bill to be enacted.

Louisiana—Typically, both House and Senate committees have approximately four weeks each in a regular session to consider the budget. The Legislature is limited to the length of the session.

Maine—In each first regular session (odd-numbered years), the Legislature has until mid-June. In 1997, the current services (C.S.) budget was enacted in late March. Through the early to mid-

1990s, the C.S. budget was enacted in late June (or later). Also in the first regular session, the Appropriations Committee receives the current services and supplemental budgets in January. Each must be finalized by mid-May (statutory adjournment).

Michigan—The Legislature may consider the budget from the time of submission until the beginning of the fiscal year (February to October). The Appropriations/Finance Committee may consider the budget from submission in February until July 4, the traditional ending of the budget process.

Minnesota—A conference committee can and does meet until day of adjournment in odd-numbered budget years.

Mississippi—The Legislature has 16 weeks in the first year of a four-year administration to consider the budget. In the second, third and fourth years, the Legislature has 12 weeks to consider it. The fiscal committee has 15 weeks in the first year of a four-year administration and 11 weeks in the second, third and fourth years.

Missouri—The governor must submit the budget within 30 days of convening the session (Const. Article IV, Section 24). The session convenes the first Wednesday after the first Monday in January (Article III, Section 20). No appropriations bill may be considered after 6:00 P.M. on the first Friday after the first Monday in May (Article III Section 25).

Montana—Eight weeks in joint subcommittee; three weeks additional to complete in House Appropriations Committee.

New Jersey—Sixteen to 18 weeks are available, but committees typically use 10 to 12 weeks for formal deliberation.

New York—This represents the time period from the beginning of the session to the start of the fiscal year (April 1).

North Dakota—The governor submits his proposed budget to the Legislative Assembly at its two- to three-day organizational session in December in even years. The Legislative Assembly goes into session the first Tuesday in January of odd years. The 1997 session completed its work on April 11, 1997 (98 calendar days). The first house usually has until the 31st legislative day to consider the budget. The second house usually has until the 48th legislative day to consider the budget. Conference committees made up of members from both houses often work on the budget up to the last legislative day.

South Carolina—State law provides that the executive budget must be presented to the General Assembly within five days after the beginning of each regular session, which begins the second Tuesday in January.

Tennessee—There is no limit. Usually 12 weeks in even years, and 16 weeks in odd years from legislative receipt of the budget to passage.

Texas—The regular session is limited to 140 calendar days, beginning the second Tuesday in January of odd-numbered years. The fiscal year begins on September 1. If the budget is not adopted in regular session, the governor calls a special session (30-day limit). The committees have no specific limit, but the House and Senate usually have passed their bills by the 15th week (105 days) to allow four or five weeks for the work of the conference committee and final passage of the general appropriations bill.

Virginia—The governor must pre-file the budget bill by December 20 of each year. In even-numbered years, the session runs 60 days. In odd years, it runs 30 days. The legislature has from December 20 until adjournment *sine die* to consider the budget.

Washington—There are limits on the regular session length—the budget must be adopted 30 days before the fiscal period.

Wisconsin—The Legislature has until June 30 or upon passage of the budget.

Wyoming—Hearings are held in one-week sessions. Usually one is held in December and one in January. Then, the committee finalizes the budget in a week to 10 days at the end of January.

Northern Mariana Islands—Under P.L. 3-68, the governor must submit a balanced budget to the Legislature no later than six months before the beginning of the new fiscal year. The Legislature is required to take final action on the proposed budget no later than 30 days before the beginning of the new fiscal year.

Table 7: Appropriations Standing Committees—Structure and Size**December 2008**

Introduction: Data in the table are for legislative sessions in 2008, and are for 2007 sessions for states that did not hold a regular session in 2008.

Jurisdiction	Appropriations or Budget Committees				Joint Appropriations or Budget Committees			
	Assembly or House		Senate		Assembly or House		Senate	
	No. of Members	% of Total	No. of Members	% of Total	No. of Members	% of Total	No. of Members	% of Total
Alabama*	15-C	14%	18-C	51%	—	—	—	—
Alaska	11-C	28	7-C	35	—	—	—	—
Arizona	17	42	11	37	8	13%	8	27%
Arkansas	—	—	—	—	28	28	28	80
California*	27	34	13	33	8	10	8	20
Colorado*	13	20	10	29	3	5	3	9
Connecticut	—	—	—	—	43	29	12	33
Delaware*	10	24	6	28	10	24	6	28
District of Columbia*	—	—	5-C	38	—	—	—	—
Florida*	35-C	29	17-C	43	—	—	—	—
Georgia*	73	41	33	59	—	—	—	—
Hawaii	19-C	37	12-C	48	—	—	—	—
Idaho	10	14	10	29	10	14	10	29
Illinois*	64	54	28	47	—	—	—	—
Indiana	25-C	25	12	24	—	—	—	—
Iowa	25	25	24	48	—	—	—	—
Kansas	23	18	13	33	—	—	—	—
Kentucky	29-C	29	18-C	47	—	—	—	—

Louisiana*	24	23	14	36	25	24	15	38
Maine	—	—	—	—	10*	7	3*	9
Maryland	26	18	15-C	32	—	—	—	—
Massachusetts	31-C	19	17-C	43	—	—	—	—
Michigan	30	27	17	45	—	—	—	—
Minnesota*	40	30	18	12	—	—	—	—
Mississippi	31	25	26	50	7	5	7	13
Missouri*	24	15	10	29	—	—	—	—
Montana	19	19	19	38	—	—	—	—
Nebraska*	—	—	9	18	—	—	—	—
Nevada*	14	33	7	33	—	—	—	—
New Hampshire	26-C	6	7	29	—	—	—	—
New Jersey*	12-C	15	14-C	35	3	4	3	7
New Mexico*	18	26	10-C	24	8	11	8	19
New York	34-C	23	33-C	53	—	—	—	—
North Carolina*	94	78	50	100	—	—	—	—
North Dakota	25	27	14	30	—	—	—	—
Ohio	31	31	13	39	—	—	—	—
Oklahoma	9-C	9	16	33	—	—	—	—
Oregon	—	—	—	—	9	15	12	40
Pennsylvania	35	17	26	52	—	—	—	—
Rhode Island	16-C	21	10-C	26	—	—	—	—
South Carolina	25-C	20	23-C	50	—	—	—	—

South Dakota*	9	13	9	26	9	13	9	26
Tennessee*	28-C	28	11-C	33	10	10	7	21
Texas*	29	19	15-C	48	5	3	5	16
Utah*	—	—	—	—	10	13	10	34
Vermont*	10	7	7	23	5	4	5	17
Virginia*	24	24	16-C	40	—	—	—	—
Washington*	34	35	21-C	43	—	—	—	—
West Virginia	25-C	25	17-C	50	—	—	—	—
Wisconsin	—	—	—	—	8-C	8	8-C	24
Wyoming*	7	12	5	17	*	—	*	—
American Samoa	7	33	4	27	—	—	—	—
Guam*	—	—	11-C	52	—	—	—	—
Northern Mariana Islands	11-C	61	6-C	33	—	—	—	—
Puerto Rico	22-C	43	11-C	39	—	—	—	—
U.S. Virgin Islands*	—	—	7	47	—	—	—	—

Source: State legislatures' websites, reviewed in 2008.

Key:

— = Not applicable

C = Combined appropriations and revenue jurisdiction

***Notes:**

Alabama—Information in the chart is for the House Government Appropriations and the Senate Finance and Taxation/General Fund Committees. The House Education Appropriations Committee (15 members) is responsible for education appropriations. In the Senate, there are two other money committees: the Senate Finance and Taxation/Education Committee (13 members), and the Fiscal Responsibility and Accountability Committee (11 members).

California—Information in the chart is for the Assembly Budget Committee and the Senate Budget and Fiscal Review Committee. There is also an Assembly Appropriations Committee (17 members) and a Senate Appropriations Committee (15 members). The jurisdiction of the appropriations committees is less general than that of the budget committees. The joint Legislative Budget Committee appoints the Legislative Analyst.

Colorado—The joint committee identified in the table is the Joint Budget Committee (JBC). Its members sit on their respective appropriations committee but not on other standing committees. The JBC chair and vice chair are from separate chambers and preside in their respective appropriations committees. The Joint Budget Committee composes the state budget and is the principal deliberating body on the budget. The major responsibility of the appropriations committees is to review the fiscal impact of new legislation. Non-JBC members of the appropriations committees may serve on other standing committees.

Delaware—The Joint Finance Committee comprises the House Appropriations Committee and the Senate Finance Committee. The only tasks of the Joint Finance Committee are to complete a budget bill and grant-in-aid bill.

District of Columbia—The Council is unicameral.

Florida—House information in the table is for the House Policy and Budget Council, which drafts and hears the House appropriations bill and tax bills. Committees within other House councils make policy and appropriations recommendations to the House Policy and Budget Council for the appropriations bill (as of 2008). The other councils all consider both policy and fiscal issues themselves and in the committees that are included under each council. Senate information in the table is for the Senate Fiscal Policy and Calendar Committee, whose 17 members include the members of seven issue-specific appropriations committees (not subcommittees) and the Finance and Tax Committee.

Georgia—Committees meet jointly for hearings only.

Illinois—A total of 64 members serve on the five House appropriations committees for K-12 education, higher education, general services, human services and public safety. Twenty-eight Senators serve on three appropriations committees. In both chambers, some members serve on more than one appropriations committee.

Louisiana—The House and Senate appropriations committees combine to form the Joint Legislative Committee on the Budget, which also includes the chair of the House Ways and Means Committee and the chair of the Senate Revenue and Fiscal Affairs Committee or their designees. There is also a Joint Committee on Capital Outlay.

Maine—The Joint Standing Committee on Appropriations and Financial Affairs reviews the entire budget, including all revenue legislation that affects the budget.

Minnesota—The House Finance Committee (40 members) coordinates budget work. Fourteen Finance Divisions report to it on budget issues. The Finance Divisions have between 13 and 24 members each, and every member of the House is a member of at least one Finance Division. Some Finance Divisions combine policy and budget work. A few of the divisions have budget or policy subcommittees. Budget bills are considered by the House Ways and Means Committee (29 members), after the bills have passed the House Finance Committee. It acts as budget reconciliation committee. In 2008, 12 legislators were members of both Finance and Ways and Means. The Senate Finance Committee (18 members) reports bills directly to the floor of the Senate. It has 10 budget divisions, some of which have subdivisions and subcommittees, and which can include legislators who are not members of the Finance Committee. There is a separate Senate Capital Investment Committee; in the House, capital investment is a Finance Division of the House Finance Committee.

Missouri—Data in the table for the House represent the Committee on the Budget, which assigns bills to the six appropriations committees and reports to the floor bills recommended to it by the appropriations committees. In 2008, there were six appropriations committees, each with 10 members: Agriculture and Natural Resources, Education, General Administration, Health, Mental Health and Social Services, Public Safety and Corrections, and Transportation and Economic Development. The Committee on the Budget is made up of chairs and other members of the appropriations committees. Thirty-seven percent of House members serve on an appropriation committee.

Montana—Data are for the 2007 session; no regular session in 2008.

Nebraska—Unicameral Legislature.

Nevada—Data are for the 2007 session; no regular session in 2008. The Assembly Ways and Means Committee and the Senate Finance Committee meet jointly for pre-session budget hearings, but there is no standing joint committee.

New Jersey—The New Jersey Assembly (the equivalent of the House of Representatives in other states) has separate Appropriations and Budget Committees. Each committee has 12 members. The chair of each is a member of the other committee but otherwise they have separate membership. The Appropriations Committee meets year round. The Budget Committee holds budget hearings in the spring. Both have joint budget and tax jurisdiction, but the Budget Committee deals with revenue increase proposals and legislation that is associated with the state budget. The Senate Budget and Appropriations Committee combines the jurisdictions that the two Assembly committees hold. A Joint Budget Oversight Committee (three members from each chamber) has a variety of oversight responsibilities such as transfers of appropriations during the fiscal year, review of bond refinancing proposals and oversight responsibilities.

New Mexico—The joint committee identified in the table is the Legislative Finance Committee, an interim committee that proposes the state budget, has oversight functions, carries out performance reviews, and supervises the legislative fiscal staff. It does not meet during the legislative session.

North Carolina— Each chamber has an appropriations committee ("full committee") and seven subcommittees. The House and Senate subcommittees meet jointly for informational hearings at the beginning of session, but budget development occurs in subcommittees first in one chamber, then in the other. Lead on the budget moves from one chamber to the other each biennium. Every member of the House of Representatives is a member of a budget subcommittee or the revenue committee; every Senator is a member of a budget subcommittee.

South Dakota— House and Senate committees meet jointly for agency hearings and construction of the General Appropriations Act. Joint subcommittees may be appointed for special studies. Other appropriations bills are considered by the two chambers appropriations committees serially.

Tennessee—The joint committee identified in the table is the Joint Fiscal Review Committee, which oversees staff who write fiscal notes and carry out other fiscal studies, reviews certain state contracts, and has other fiscal responsibilities. It does not exercise jurisdiction over the budget. A distinctive feature is that its membership is elected by the two chambers, not appointed by leadership.

Texas—The joint committee identified in the table is the Legislative Budget Board (LBB). The board is a permanent joint committee that develops budget and policy recommendations for appropriations for all agencies of state government, as well as fiscal notes on proposed legislation. LBB usually does not meet during the session. It is made up of the lieutenant governor (presiding officer of the Senate), House speaker, and chairs of Senate Finance, Senate State Affairs, House Appropriations and House Ways and Means committees. LBB also conducts program and performance evaluations and reviews on state and local governments, and has authority under certain conditions to revise the budget in the interim.

Utah—The Joint Executive Appropriations Committee establishes policy guidelines for 10 joint appropriations committees. Executive Appropriations includes 10 members from each chamber, including majority and minority leaders. The individual joint committees range in size from eight to 15 members and among them include all legislators. Executive Appropriations hears committee recommendations and oversees preparation of the final appropriations legislation.

Vermont—The joint committee identified in the table is the Joint Fiscal Committee, which oversees the fiscal staff and has certain study and oversight functions. It can exercise budget review during the interim.

Virginia—Committees meet jointly for hearings only.

Washington—Data in the chart for the House are for the House Appropriations Committee. The House also has a separate Capital Budget Committee with 22 members. The functions are combined in the Senate Ways and Means Committee.

Wyoming— The House and Senate committees sit in joint sessions to review the executive budget, conduct hearings and compose the appropriations bill. Appropriations committees also meet jointly during the interim.

Guam—Unicameral Legislature.

U.S. Virgin Islands—Unicameral Legislature.

Table 14
Budgeting Procedures

State	Budget Approach:				State Appropriates Federal Funds	State Appropriates All Non- Federal Funds	State Appropriates All Funds to Public Universities	State Has Permanent/ Continuous Appropriations	Budget Reflects GAAP	Statutory Procedures if No Budget Passed by Beginning of Fiscal Year
	Program	Incremental	Zero or Modified Zero-Base	Performance Budgeting						
Alabama	X	X	-	-	X	X	-	X	-	-
Alaska	-	X	-	X	X	X	-	-	X	-
Arizona*	X	X	-	-	X	-	-	X	-	-
Arkansas	-	X	-	-	X	X	-	-	X	-
California*	X	X	X	-	X	X	-	X	-	X
Colorado*	X	X	X	-	X	X	-	X	-	-
Connecticut*	X	X	-	-	-	-	-	-	-	-
Delaware	X	X	X	-	-	-	-	-	-	-
Florida	X	X	X	X	X	X	-	-	-	-
Georgia	X	-	X	X	X	X	-	-	X	-
Hawaii	X	X	-	X	X	-	-	-	-	-
Idaho*	X	-	-	-	X	X	-	X	-	-
Illinois	X	X	-	-	X	-	-	X	X	-
Indiana	-	X	-	X	X	-	-	X	-	-
Iowa	X	-	X	X	X	X	X	-	X	-
Kansas	X	X	-	-	X	X	-	X	-	-
Kentucky*	X	X	-	-	X	X	X	-	-	-
Louisiana	X	-	-	X	X	X	-	-	-	-
Maine	-	X	X	-	X	X	-	-	-	-
Maryland*	X	X	X	X	X	X	X	-	-	X
Massachusetts*	X	X	-	-	X	X	-	X	-	X
Michigan*	X	X	X	X	X	X	X	-	X	X
Minnesota*	X	X	-	X	X	X	X	X	-	-
Mississippi	X	X	-	-	X	X	-	-	X	-
Missouri*	-	X	X	X	X	X	-	-	-	-
Montana	X	X	X	X	X	-	-	X	X	-
Nebraska*	X	X	-	X	X	X	X	-	-	-
Nevada	X	X	-	-	X	X	-	-	-	-
New Hampshire	-	X	-	X	X	X	-	X	-	-
New Jersey*	X	-	-	-	X	X	-	-	X	-
New Mexico*	X	X	-	X	-	X	-	-	X	-
New York	X	X	-	-	X	X	X	-	X	-
North Carolina	X	X	-	X	X	-	-	-	X	-
North Dakota	X	X	X	-	X	-	-	X	-	-
Ohio*	X	-	X	-	X	-	-	-	X	-
Oklahoma*	X	X	X	X	-	X	-	X	-	-
Oregon*	X	-	X	X	X	X	X	-	-	-
Pennsylvania*	X	-	-	-	X	X	-	-	-	-
Rhode Island*	X	X	-	-	X	X	X	-	X	X
South Carolina*	X	X	X	X	X	-	-	-	-	-
South Dakota	X	X	-	-	X	X	X	X	-	-
Tennessee*	X	X	-	-	X	X	-	-	-	-
Texas*	X	-	-	X	X	X	-	-	-	-
Utah	X	X	-	-	X	X	-	-	X	-
Vermont*	X	X	-	X	X	X	-	-	-	-
Virginia	X	X	-	X	X	X	X	-	-	-
Washington	-	X	-	X	X	-	-	-	X	-
West Virginia*	X	X	-	-	X	-	-	-	-	-
Wisconsin*	X	X	-	X	X	X	X	X	-	X
Wyoming	X	X	X	X	X	X	-	X	X	-
TOTAL	43	41	17	25	46	37	12	17	17	6

* See Notes to Table 14

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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October 13, 2009

To: House Appropriations Committee
From: J.G. Scott, Chief Fiscal Analyst, and
Jim Wilson, First Assistant Revisor

Selected Budget Process Bills from the 2009 Legislative Session

HB 2273 - Zero Based Budget (General Government Budget Committee)

- would require the Director of the Budget to develop and implement a zero based budget process for all state agencies requesting a state appropriation;
- would commence with the FY 2012 cycle and applied on a six-year cycle;
- agencies must provide a description of each activity performed for which an appropriation is made or requested, the legal basis for performing the activity and an itemized justification for the amount requested to perform the activity.

HB 2320 - Budget Stabilization Reserve Fund (Senate Ways and Means)

- would transfer on August 1 an amount equal to the excess of actual revenue collected above the consensus revenue estimate of the preceding state fiscal year;
- the Reserve Fund would retain its own interest earnings;
- if the balance in the Reserve Fund is equal to 20 percent for authorized expenditures and demand transfers for the previous fiscal year, no additional monies would be transferred;
- may transfer monies back from the Reserve Fund to the State General Fund if General Fund revenues are less than the prior year, up to the amount of the difference, but not more than 50 percent of the Reserve Fund.

HB 2360 - Change of Budget Dates (Senate Ways and Means)

- would accelerate the date of submission of *The Governor's Budget Report* to the first Monday in December;

- would accelerate the agency's required date of submission to the Governor to September 1;
- would accelerate the Director of the Budget's required date to provide budget recommendations to the agencies to October 10;
- required the Governor to distribute a copy of *The Governor's Budget Report* to each member, or member-elect in an election year, of the Legislature.

HB 2317 - Expand Agencies that Must Submit Budgets (General Government Budget Committee)

- would require the Kansas Turnpike Authority, the Information Network of Kansas, the Kansas Development Finance Authority, including the Housing Resources Corporation and the Bioscience Authority to submit budgets to the Governor (Division of the Budget) and the Legislature (Legislative Research) for review.

SCR 1614 - Constitutional Budget Stabilization Fund (House Appropriations)

- would require an amount equal to 0.25 percent of all state revenues collected in the 12 months preceding June 30 of each year be transferred to a Budget Stabilization Fund;
- Federal funds are exempt from the requirement;
- the Legislature would have the authority to provide for more savings, but the budget stabilization fund could not fall below the constitutionally mandated minimum of 0.25 percent of all state revenues, except federal sources;
- amounts in the Budget Stabilization Fund could be invested, with the earnings deposited into the fund;
- the Legislature could transfer money out of the Budget Stabilization Fund only through special legislation by a three fifths vote;
- whenever the balance in the budget stabilization fund exceeds 5.0 percent of total state revenues, excluding federal funds, the Legislature could transfer out any amount exceeding that 5.0 percent by a simple majority vote.

SB 168 - Salaries are a Priority and Salary Funding Must be Spent on Salaries (Law)

- requires that all funds budgeted for salaries, wages, compensation, and employer's benefit contributions for full-time equivalent positions be spent on those specific expenditures;
- requires that agencies give priority to payment of employee salaries over all other expenditures when a state agency processes payments through the State Treasury.

HCR 5019 - Revenue, Expenditure and Assessment Limitation (House Taxation)

- would require a 2/3 super majority of each house to pass bills for new or increased taxes;
- spending and revenue limitations would be imposed on the state;
 - spending limited to maximum percentage increase based on increases in the Consumer Price Index and increases in population;
 - spending limit could be exceeded by a law passed by 2/3 super majority of each house;
 - total revenue increases limited based on the percentage increase in the CPI and in population and applied to the total revenue limitation for the preceding fiscal year, with adjustment for decreasing government revenues or changing duties.
- would require an Emergency Reserve Fund from any revenues exceeding the total revenue limitation for a fiscal year at a balance equaling 3.0 percent of the total revenue limitation for the ensuing fiscal year:
 - may be used only in cases of extraordinary circumstances or events requiring immediate expenditures to preserve the public health, safety and general welfare, not including any revenue or budget shortfall.
- would require a Budget Stabilization Reserve Fund from any remaining "excess" revenues of up to 7.0 percent of the total revenue limitation for the ensuing fiscal year, to be used only if total revenue for a fiscal year is less than the total revenue for the prior fiscal year, in an amount of not more than the difference between the total revenues for such fiscal years to be transferred from this Fund to the State General Fund;
- remaining "excess" state revenues are to be refunded on a pro rata basis to the taxpayers who paid the taxes;
- temporary borrowing or transfers of other moneys in the State Treasury would be limited by requiring repayment during the same fiscal year .

SB 311 - Allotment Change (House Appropriations)

- would prohibit the Governor from imposing an allotment on the State General Fund though allotments could still be applied against special revenue funds;
- would allow for across the board State General Fund reductions on authorized expenditures and demand transfers to bring the projected ending balance to zero:
 - State General Fund ending balance to be estimated by the Director of the Budget and the Director of Legislative Research
 - exceptions to the State General Fund reductions are debt service payments, Kansas Public Employees Retirement System school employer contributions and payments for the School District Capital Improvements Fund;
 - reductions require State Finance Council approval.

- would change the \$100.0 million threshold reductions to 3.5 percent of budgeted expenditures, as jointly estimated by the Directors of the Budget and Legislative Research:
 - would allow varying selective reductions be applied to appropriations and demand transfers;
 - would apply when it is determined that ending balances are above zero but below 3.5 percent of authorized expenditures and demand transfers;
 - exceptions to the State General Fund reductions are debt service payments, Kansas Public Employees Retirement System school employer contributions and payments for the School District Capital Improvements Fund
 - ending balance calculations may not include any expenditures from the State General Fund for disasters or emergencies that receive a federal disaster declaration designation;
 - State Finance Council approval is required.

SB 296 - Additional Requirements for Federal American Recovery and Reinvestment Act (ARRA) Funding (Senate Ways and Means)

- would require Executive Branch state agencies anticipating receipt of federal monies under the Act to report the following information:
 - amount of federal funding anticipated;
 - date when monies are anticipated to be received;
 - whether the money is to be allocated through an existing or new federal program;
 - current levels of state funding for the agency that would be affected by the federal monies received through ARRA;
 - whether additional appropriation authority would be necessary to expend the federal money;
 - whether any additional state employees are necessary to administer the federal money, and if so, how many would be required a provides that the position be classified as temporary;
 - any requirements imposed by ARRA, such as matching or cost sharing requirements or deadlines on spending the money;
 - time or other conditions under which all or part of the funding ends under ARRA; and
 - a plan detailing how the money received will be expended and how it will address the absence of such funding;

- would prohibit the Governor or state agency from applying for any funding under ARRA without prior approval of the State Finance Council, which would be authorized to address this issue at any time.

SB 2355 - Bond Outstanding Principle Payment Limitation (House Appropriations)

- would limit the proportion of the estimated outstanding principle balance of SGF bonded debt for the fiscal year to 20.0 percent of the estimated State General Fund revenue.

STATEHOUSE PRESERVATION & RESTORATION PROJECT A.9117

House Appropriations Committee

Project Update

October 13, 2009

143-North 3:00 PM

Barry Greis, Statehouse Architect

SOUTH WING

- South Wing Furniture Installation and Occupancy Schedule.
 - Ground Floor November 17th to November 26th
 - 1st Floor November 27th to December 4th
 - 2nd Floor December 4th to December 11th
 - 3rd Floor December 11th to December 22nd
 - 4th Floor December 22nd to December 31st
 - 5th Floor December 31st to January 11th
- State Library will relocate before 2010 Session to the Southwest Quadrant with an attached / enclosed / secured walkway to West Wing 1st Floor entrance. Remaining collection items will be located off site in leased space.
- 4th Floor to 5th Floor grand staircase has begun installation. Highest priority of Life Safety items is the stairway installation for exiting.
- Docking State Office Building 7th Floor will have some relocation of Herman Miller partitions for the remaining Legislators. Estimated 44 Representatives in DSOB.
- Combine 2 committee rooms in Docking State Office Building 7th Floor West Wing and create a 23 person temporary committee room (rooms 785 and 786).
- Expand 2 committee rooms to 21 members in Docking State Office Building 7th Floor rooms 711 and 783.

EXTERIOR MASONRY and NORTH STAIR RE-ASSEMBLY

- JE Dunn Construction Company, Mark I, masonry sub-contractor, has completed the exterior masonry repairs of the South Wing and south elevation of West Wing. Will remove Phase I scaffolding in November 2009. Bird deterrents will begin in November 2009.
- Scaffolding has been relocated for Phase II to north side of West Wing and North Wing. Repairs will continue through August 2010.
- Scaffolding will be relocated for Phase III to North and East Wings beginning January 2010.
- Work will continue toward Drum (below Copper Dome) and re-installation of North Stair (exterior grand staircase) through November 2011.

NORTH WING / VISITOR CENTER / ROTUNDA (interior)

- North Wing Selective Demolition and Material purchases package A has begun. Demolition work begins in January 2010.
- North Wing / Visitor Center / Rotunda package B bids will be received at the end of November 2009. Work is planned to begin in June 2010.

EXPENDITURES TO DATE

STARS reports total expenditures of \$168,925,225.81 through June 30, 2009. End of fiscal year accounting.

Stand for questions.



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Robert J. Vancrum

TESTIMONY TO THE HOUSE APPROPRIATIONS COMMITTEE
Robert Vancrum, Vancrum Law Firm LLC
October 13, 2009

**RE: Building Operations and Waste Savings – Short AND Long Term
Budget Solutions**

Chairman Yoder and Other Honorable Representatives :

Thank you for the opportunity to testify today. Clearly Kansas is facing a budget crisis that far exceeds even those of mid 80's and early 90s and is more than a cyclical downturn. The challenge is to find savings in the budget that hurt no public need for services and that will be sustainable in every sense of the word.

I have told Chairman Yoder, other legislators, and members of the executive branch that there are many steps that can be taken in this regard. The first two ideas are the products of the consulting expertise of the two men I am about to introduce, both of whom possess incredible track records in saving money for both private and public entities (though I acknowledge such methods are cutting edge for public entities and will require close cooperation and buy-in from the agencies involved.

Nothing here should be taken as criticism of any particular division or particular agency. Most do a very fine job with the staff they have and one year budget they are given. But State department heads really get no reward for risk taking. That's only part of the problem. These ideas take legislative and elected executive branch people with both vision and leadership – tough in a part time citizen's legislature where turnover is great.

The first gentleman is from Waste Remedies (see bio). The second is David Mosby of Talisen Technologies. (see bio) Together they will show you a way to save \$15-20 million in on-going state costs. You could of course use

only Mr. Gray's strategy with virtually no risk or outlay of state funds. But I believe you'll see it is better to invest those savings back and obtain 15-20 times the savings!

Waste Savings for the State of Kansas

The State of Kansas spends at least \$3,000,000 a year on waste disposal¹. In the private sector, firms hire Waste Remedies to reduce these costs by 35% to 55% and compensate the consulting firm by sharing the savings over a multi-year contract.

Based on a range of trash spend, net of its fees, Waste Remedies would expect to save the State a minimum of \$500,000 and more likely over \$1.5 million a year and benefits the environment in the process.

Waste Remedies gathers detailed data on waste services and feeds this into its models to identify inefficiencies and savings opportunities.

The firm buys in bulk on behalf of more than 400,000 people (usually via their employer or landlord) in 39 States, including Kansas, and is therefore able to obtain discounts on trash service.

Tools to reduce costs for the State

- Price: As an example, some waste hauling services are being bought by the State at very competitive prices but some pricing is twice as high as those Waste Remedies can negotiate
- Recycling: Increased recycling and selling recyclables for market prices can create substantial reductions in trash costs
- Logistics: Kansas is paying for much more trash service than needed. Eliminating unnecessary collections will make a material reduction in expense. As an example, most of the garbage compactors Waste Remedies has been able to obtain data on disposal volumes, are hauled to the landfill at least twice as often as necessary. Waste Haulers charge the taxpayer as much as \$300 each time they haul. Remote monitors installed and managed by Waste Remedies would eliminate this inefficiency.

No Risk Proposition

Waste Remedies does not charge upfront for its services, instead it is paid by retaining a share of the savings it identifies and implements. This aligns the firm with its clients need to reduce costs. If the State were to retain the firm's services, costs could only go down. One popular way to share waste savings is for Waste Remedies to cut a single check to its clients for the amount saved, net of its fees.

¹ Waste, Disposal, Hazardous Waste, Document Destruction, Salvage, Recycling, etc... Source: Kanview

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Environmental Benefit

More efficient waste programs benefit the environment as well as the budget through

- Increased recycling
- Lower CO2 footprint – trash trucks get 3mpg, eliminating unnecessary service makes a material reduction carbon and other vehicle emissions.

Bio

Tim Gray: Investor in and director of Waste Remedies. Gray grew up in Northern Ireland, he has lived in St. Louis MO for the past eight years. In 2006 he, Henry Edmonds and Advantage Capital bought Waste Remedies in a management buyout. In 2008 Gray became a US citizen. He has led the firm's business development and consulting programs for five years and is dedicated to matching the need to benefit the environment with the need for economic efficiency.

Waste Remedies

Waste Remedies is a 12 year old environmental consulting firm specializing in cutting trash costs for its clients, which include pension funds, hedge funds, the nation's largest apartment landlord and America's largest manufactured home community owner. It does not haul trash or dispose of it but applies its models and market knowledge to identify savings programs and work for its customers to implement them. The firm employs 12 people in St. Louis, MO and 4 in Des Moines, IA.

Testimony
Of
David Mosby

Mr. Chairman, Members of the Committee, my name is David Mosby, I am a Senior Consultant for Talisen Technologies a Facilities Information Management firm in St Louis Missouri. Between Jan 2005 and December 2007 I was appointed by the Governor to serve as Director of the Division of Facilities Management; Design and Construction. I was responsible for all aspects of the state of Missouri's 34 million square feet Real Estate portfolio.

The Problem:

Between 2000 and 2005 the State of Missouri experienced a rapid increase in the cost of energy, escalating real estate costs and an ever increasing deferred maintenance backlog. Effectively, the real estate portfolio was out of control. Early in 2005 we began an aggressive enterprise wide program to place the portfolio under control. Focusing on the integration of data, visual analysis, and collaboration of staff, not only did we regain control of the portfolio costs but generated significant savings.

The Solution:

The Missouri solution (Enterprise Sustainability Platform) is a visionary approach to managing a portfolio of facilities from a global and total cost of ownership perspective. The key to the platform is providing executives, managers, and workers the right information on a real time basis to make correct decisions. This solution has allowed the State of Missouri to make significant savings; over \$20 million annually in the areas of real estate, facility operations, construction and energy expenditures. Information flows from various applications connected through secure communications to a global access portal. Based on "role", individuals access information on their particular site, facility or function (i.e. energy) and are able to drill down into detailed information.

Data that can be leveraged through the portal is almost limitless and can be tailored to the particular need. The State of Missouri's portal provides access to detailed information in the broad categories of space, utilities, operations and maintenance, energy and capitol planning. This information is displayed in various "cockpits" that are designed to provide the user a powerful view of the data through graphical interface.

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The ESP is considered low cost when compared other offerings in the industry. Unlike many traditional Energy Savings Contract programs, which are offering 7 to 15 year returns on investment and focus on retrofits, Talisen's ESP, the return on investment was less than two years with the focuses on leveraging new technologies and changing the operational paradigm.

The Results:

Budget reductions resulting from savings:

	Annual	One Time
Real Estate	\$ 14.3 M	\$ 20.9 M
Operations	\$ 3.3 M	
Utility	\$ 3.0 M	

Cost avoidances resulting from savings:

	Annual	One Time
Operations	\$ 0.8 M	
Utility	\$ 3.0 M	
TOTAL	\$ 24.4 M	\$ 20.9 M

Department of Social and Rehabilitation Services

	Actual FY 2008	Agency Request				Governor's Recommendation			
		Estimate FY 2009	Request FY 2010	Dollar Change from FY 09	Percent Change from FY 09	Rec. FY 2009	Rec. FY 2010	Dollar Change from FY 09	Percent Change from FY 09
By Program:									
Administration									
Operations	\$ 9,451,510	\$ 10,909,080	\$ 11,732,718	\$ 823,638	7.6%	\$ 10,356,325	\$ 10,478,764	\$ 122,439	1.2%
Information Technology	26,722,715	25,175,704	44,570,002	19,394,298	77.0%	25,163,255	24,685,253	(478,002)	(1.9)%
Administration Total	\$ 36,174,225	\$ 36,084,784	\$ 56,302,720	\$ 20,217,936	56.0%	\$ 35,519,580	\$ 35,164,017	\$ (355,563)	(1.0)%
Strategic Development	\$ 2,484,706	\$ 2,606,723	\$ 2,565,474	\$ (41,249)	(1.6)%	\$ 2,592,068	\$ 2,506,679	\$ (85,389)	(3.3)%
Integrated Services Delivery									
ISD Administration	\$ 12,288,886	\$ 13,169,230	\$ 13,484,641	\$ 315,411	2.4%	\$ 13,130,535	\$ 13,337,834	\$ 207,299	1.6%
ISD Assistance									
TAF Summary	48,044,991	44,919,365	44,919,365	0	0.0%	48,209,440	50,812,736	2,603,296	5.4%
TAF Employment	11,202,796	12,356,133	12,356,133	0	0.0%	12,356,133	12,356,133	0	0.0%
Grandparents as Caregivers	648,389	884,520	1,165,320	280,800	31.7%	746,520	0	(746,520)	(100.0)%
General Assistance	8,982,037	9,504,000	9,504,000	0	0.0%	9,600,000	7,113,771	(2,486,229)	(25.9)%
Other Assistance	19,492,350	21,485,247	16,402,836	(5,082,411)	(23.7)%	48,657,442	15,588,263	(33,069,179)	(68.0)%
Rehab Case Services	18,736,122	21,726,692	21,686,352	(40,340)	(0.2)%	21,726,692	21,686,352	(40,340)	(0.2)%
Rehab Services, Grants	287,610	566,409	566,409	0	0.0%	746,409	566,409	(180,000)	(24.1)%
Rehab Sers Indep Living	2,658,092	2,647,362	2,640,972	(6,390)	(0.2)%	2,647,362	2,640,972	(6,390)	(0.2)%
Subtotal ISD Assistance	\$ 110,052,387	\$ 114,089,728	\$ 109,241,387	\$ (4,848,341)	(4.3)%	\$ 144,689,998	\$ 110,764,636	\$ (33,925,362)	(23.4)%
Child Care									
Child Care Assistance	\$ 78,060,250	\$ 81,840,000	\$ 94,405,439	\$ 12,565,439	15.4%	\$ 81,840,000	\$ 80,114,979	\$ (1,725,021)	(2.1)%
Care Quality, Early Head Start	14,441,864	14,950,808	14,960,808	10,000	0.1%	14,950,808	14,960,808	10,000	0.1%
Subtotal Child Care	92,502,114	96,790,808	109,366,247	12,575,439	13.0%	96,790,808	95,075,787	(1,715,021)	(1.8)%
Child Support Enforcement	\$ 242,790	\$ 26,439,233	\$ 26,359,842	\$ (79,391)	(0.3)%	\$ 26,407,015	\$ 26,233,699	\$ (173,316)	(0.7)%
Rehab Services									
Rehab Services Admin	\$ 2,489,609	\$ 2,703,986	\$ 2,668,872	\$ (35,114)	(1.3)%	\$ 2,683,783	\$ 2,590,011	\$ (93,772)	(3.5)%
Blind Services Admin	2,226,697	2,538,056	2,564,135	26,079	1.0%	2,519,450	2,482,168	(37,282)	(1.5)%
DDS Services Admin	13,673,138	14,749,247	15,093,065	343,818	2.3%	14,729,247	14,858,490	129,243	0.9%
Subtotal Rehab Services	\$ 18,389,444	\$ 19,991,289	\$ 20,326,072	\$ 334,783	1.7%	\$ 19,932,480	\$ 19,930,669	\$ (1,811)	0.0%
Children and Family Services									
CFP Admin	\$ 6,165,435	\$ 5,343,054	\$ 5,438,004	\$ 94,950	1.8%	\$ 5,311,323	\$ 5,329,222	\$ 17,899	0.3%
Protection Reporting Center	692,300	593,569	592,892	(677)	(0.1)%	587,411	562,370	(25,041)	(4.3)%
Family Services	1,733,801	2,090,657	2,090,657	0	0.0%	2,090,657	2,146,258	55,601	2.7%
Family Preservation	10,238,911	10,230,083	10,230,083	0	0.0%	10,230,083	10,469,515	239,432	2.3%

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Department of Social and Rehabilitation Services

7-60

	Actual FY 2008	Agency Request				Governor's Recommendation			
		Estimate FY 2009	Request FY 2010	Dollar Change from FY 09	Percent Change from FY 09	Rec. FY 2009	Rec. FY 2010	Dollar Change from FY 09	Percent Change from FY 09
By Program:									
Other CFP Grants/Contracts	\$ 3,678,855	\$ 3,793,320	\$ 3,520,810	\$ (272,510)	(7.2)%	\$ 3,793,320	\$ 3,518,994	\$ (274,326)	(7.2)%
Community Funding	1,766,796	1,726,332	1,726,332	0	0.0%	1,726,332	1,601,259	(125,073)	(7.2)%
Foster Care Contract	142,622,094	160,081,744	160,081,744	0	0.0%	157,509,392	138,199,105	(19,310,287)	(12.3)%
Non-cust behav manage serv	79,314	0	0	0	--	0	0	0	--
Adoption contract	3,913,872	3,132,176	3,132,176	0	0.0%	3,132,176	0	(3,132,176)	(100.0)%
Permanent Guardianship	913,632	1,126,157	1,328,379	202,222	18.0%	1,126,157	1,328,379	202,222	18.0%
Adoption support	24,783,517	27,652,882	30,841,865	3,188,983	11.5%	27,652,882	31,219,205	3,566,323	12.9%
CFP Indep Living	2,267,068	2,267,328	2,138,450	(128,878)	(5.7)%	2,267,328	1,861,624	(405,704)	(17.9)%
<i>Subtotal Children & Family Services</i>	<i>198,855,595</i>	<i>218,037,302</i>	<i>221,121,392</i>	<i>3,084,090</i>	<i>1.4%</i>	<i>215,427,061</i>	<i>196,235,931</i>	<i>(19,191,130)</i>	<i>(8.9)%</i>
Children's Cabinet	16,549,137	21,983,651	31,934,393	9,950,742	45.3%	21,983,651	21,926,290	(57,361)	(0.3)%
Field Operations	148,698,660	152,281,746	153,246,206	964,460	0.6%	150,967,462	146,861,426	(4,106,036)	(2.7)%
Integrated Svc. Delivery Total	\$ 581,029,876	\$ 640,799,336	\$ 653,145,787	\$ 12,346,451	1.9%	\$ 667,345,359	\$ 608,439,982	\$ (58,905,377)	(8.8)%
Disability and Behavioral Health Services									
DBHS Administration	\$ 2,953,354	\$ 3,087,590	\$ 3,086,476	\$ (1,114)	0.0%	\$ 3,068,101	\$ 3,014,037	\$ (54,064)	(1.8)%
Mental Health Services									
MH Administration	\$ 98,389,815	\$ 76,596,652	\$ 85,035,956	\$ 8,439,304	11.0%	\$ 74,782,900	\$ 69,556,404	\$ (5,226,496)	(7.0)%
MH PAHP	174,149,155	158,532,704	158,532,704	0	0.0%	166,737,972	170,488,198	3,750,226	2.2%
PRTFs	29,434,293	30,958,020	30,958,020	0	0.0%	34,262,028	34,851,060	589,032	1.7%
PRTFs Demo Grant	4,530	1,923,370	1,923,370	0	0.0%	1,923,370	1,923,370	0	0.0%
NFMH	14,484,069	14,604,510	14,604,510	0	0.0%	15,210,674	15,500,000	289,326	1.9%
<i>Subtotal Mental Health Services</i>	<i>\$ 316,461,862</i>	<i>\$ 282,615,256</i>	<i>\$ 291,054,560</i>	<i>\$ 8,439,304</i>	<i>3.0%</i>	<i>\$ 292,916,944</i>	<i>\$ 292,319,032</i>	<i>\$ (597,912)</i>	<i>(0.2)%</i>
Addiction and Prev Services									
AAPS Admin	\$ 24,924,266	\$ 28,080,725	\$ 27,889,014	\$ (191,711)	(0.7)%	\$ 28,071,159	\$ 27,551,724	\$ (519,435)	(1.9)%
AAPS Substance Abuse Treat	24,519,559	23,453,094	23,453,094	0	0.0%	21,336,200	21,554,124	217,924	1.0%
<i>Subtotal Addiction and Prev Services</i>	<i>\$ 49,443,825</i>	<i>\$ 51,533,819</i>	<i>\$ 51,342,108</i>	<i>\$ (191,711)</i>	<i>(0.4)%</i>	<i>\$ 49,407,359</i>	<i>\$ 49,105,848</i>	<i>\$ (301,511)</i>	<i>(0.6)%</i>
Community Supports and Services									
CSS Admin	\$ 29,594,440	\$ 28,822,407	\$ 28,832,584	\$ 10,177	0.0%	\$ 28,810,500	\$ 26,788,051	\$ (2,022,449)	(7.0)%
CDDO TCM	17,918,768	16,728,000	16,728,000	0	0.0%	16,900,000	16,932,000	32,000	0.2%
CSS Positive Behavior Support	6,875	255,300	255,300	0	0.0%	255,300	255,300	0	0.0%
ICF/MR	16,605,934	18,612,517	14,434,429	(4,178,088)	(22.4)%	18,612,517	14,434,429	(4,178,088)	(22.4)%
CSS Special Grants	320,281	452,584	453,036	452	0.1%	452,027	450,968	(1,059)	(0.2)%
CSS HI Rehab Hospital	8,498,292	6,480,000	6,480,000	0	0.0%	7,895,784	7,895,784	0	0.0%

Department of Social and Rehabilitation Services

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	Actual FY 2008	Agency Request				Governor's Recommendation			
		Estimate FY 2009	Request FY 2010	Dollar Change from FY 09	Percent Change from FY 09	Rec. FY 2009	Rec. FY 2010	Dollar Change from FY 09	Percent Change from FY 09
By Program:									
Independent Living Grants	\$ (22,472)	\$ 2,500	\$ 2,500	\$ 0	0.0%	\$ 2,500	\$ 2,500	\$ 0	0.0%
Real Choice Systems Grant	363,457	839,345	839,943	598	0.1%	839,345	838,080	(1,265)	(0.2)%
Money Follows Person Demo	72,817	131,095	4,309,693	4,178,598	3187.5%	130,433	4,307,464	4,177,031	3,202.4%
HCBS DD Waiver	274,843,417	289,368,912	302,749,624	13,380,712	4.6%	289,843,578	285,148,867	(4,694,711)	(1.6)%
HCBS Autism Waiver	16,096	1,247,504	3,575,984	2,328,480	186.7%	1,247,504	1,247,504	0	0.0%
HCBS PD Waiver	109,427,549	121,821,503	130,479,262	8,657,759	7.1%	128,418,119	108,121,376	(20,296,743)	(15.8)%
HCBS HI Waiver	8,774,567	8,036,517	8,036,517	0	0.0%	8,036,517	8,036,517	0	0.0%
HCBS TA Waiver	121,260	21,573,307	21,573,307	0	0.0%	21,573,307	21,573,307	0	0.0%
<i>Subtotal Community Supports and Services</i>	<i>\$ 466,541,281</i>	<i>\$ 514,371,491</i>	<i>\$ 538,750,179</i>	<i>\$ 24,378,688</i>	<i>4.7%</i>	<i>\$ 523,017,431</i>	<i>\$ 496,032,147</i>	<i>\$ (26,985,284)</i>	<i>(5.2)%</i>
DD Council	\$ 606,538	\$ 1,025,446	\$ 1,028,022	\$ 2,576	0.3%	\$ 1,025,446	\$ 1,019,309	\$ (6,137)	(0.6)%
Disability & Behavioral Health Services Total	\$ 836,006,860	\$ 852,633,602	\$ 885,261,345	\$ 32,627,743	3.8%	\$ 869,435,281	\$ 841,490,373	\$ (27,944,908)	(3.2)%
GRAND TOTAL	\$ 1,479,731,964	\$ 1,532,124,445	\$ 1,540,972,606	\$ 65,150,881	4.3%	\$ 1,574,892,288	\$ 1,487,601,051	\$ (87,291,237)	(0.1)%