

MINUTES OF THE HOUSE GENERAL GOVERNMENT BUDGET COMMITTEE

The meeting was called to order by Chairman Jason Watkins at 1:37 p.m. on March 16, 2009, in Room 531-N of the Capitol.

All members were present.

Committee staff present:

Jim Wilson, Office of the Revisor of Statutes
Cody Gorges, Kansas Legislative Research Department
Jonathan Tang, Kansas Legislative Research Department
Ellen Martinez, Committee Assistant

Conferees appearing before the Committee:

Dennis McKinney, State Treasurer
Duane Goossen, State Budget Director
Jane Carter, Kansas Organization of State Employees

Others attending:

See attached list.

The hearing on **HB 2331 - State treasurer; investment of state moneys** was opened.

Jim Wilson, Office of the Revisor of Statutes, provided the committee with an overview of the bill.

Dennis McKinney, State Treasurer (Attachment 1 & 2) testified that this bill will ensure that the state receives a minimum return on three Linked deposit programs. The Treasurer's Office loans state idle funds to banks so that banks can use the funds to make loans to consumers at a lower rate for agricultural production, remediation of agricultural pollution, and affordable housing. Treasurer McKinney also explained a balloon amendment addressing two technical drafting errors.

There were no opponents.

The hearing on **HB 2331** was closed.

The hearing on **HB 2360 - State budget, estimates of state agencies, report of governor's budget recommendations, date submitted to legislature** was opened.

Jim Wilson, Office of the Revisor of Statutes, provided the committee with an overview of the bill.

Duane Goossen, State Budget Director (Attachment 3), neutral on the bill, did not provide written testimony. He asked the committee to use caution when making date changes to the budget reporting date cycles. This bill would compress the process and make it difficult to make budget recommendations.

There were no opponents to this bill.

The hearing on **HB 2360** was closed.

The hearing on **HB 2370 - Priority for payment of salaries and wages for state officers and employees payroll** was opened.

Jim Wilson, Office of the Revisor of Statutes, provided the committee with an overview of the bill.

Jane Carter, Kansas Organization of State Employees (Attachment 4) testified as a proponent of the bill. This bill would ensure that state employees receive paychecks for work done. Committee members questioned the conferee regarding the perception of union members over the crisis with paychecks in February.

There were no opponents to this bill.

CONTINUATION SHEET

Minutes of the House General Government Budget Committee at 1:37 p.m. on March 16, 2009, in Room 531-N of the Capitol.

The hearing on HB 2370 was closed.

The next meeting is scheduled for March 18, 2009.

The meeting was adjourned at 02:20 p.m.



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STATE OF KANSAS
Dennis McKinney
TREASURER

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H.B. 2331

General Government Budget Committee

March 10, 2009

The Treasurer's Office currently runs three Linked deposit programs in which we loan state idle funds to banks so that the banks can use the funds to make loans to consumers at a lower rate for agricultural production, remediation of agricultural pollution, and affordable housing. The rate for the state's loan to the banks is set at 2% below what the state earns on its other investments, which is called the market rate. The banks can then loan the funds out at up to 2% above market rate giving them a 4% spread on the loan. When the market rate is below 2%, the state receives no interest for these deposits

I requested this bill to ensure that the state receives a minimum return on these deposits when the state's other investments earn less than 2%, as they currently are. The state currently has just under \$50 million loaned out to banks at 0% interest in these three linked deposit programs. The programs authorize deposits of up to \$120 Million. Ensuring a minimum .50% return on these deposits would bring in additional revenue of approximately \$250,000 based on current utilization and up to \$600,000 if these programs were completely full.

I have attached to my testimony a balloon amendment addressing two technical drafting errors. We would like the interest rate for agricultural remediation loans to reset twice a year to make them consistent with the other two programs. Also, the minimum .50% rate needs to take effect whenever the market rate is below 2.5 % because of the 2% spread between the linked deposit rate and the market rate.

I have discussed this proposal with the Kansas Bankers Association, and they understood that it is inappropriate to ask the state to make these loans for free. I'd be glad to answer any questions you have about these programs or this proposal.

General Government Budget Com.
Attachment 1
Date 3-16-09

HOUSE BILL No. 2331

By Committee on Appropriations

2-11

9 AN ACT concerning investment of state moneys; relating to the state
10 treasurer; amending K.S.A. 2-3705 and K.S.A. 2008 Supp. 75-4272 and
11 75-4280 and repealing the existing sections.

12

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

14 Section 1. K.S.A. 2-3705 is hereby amended to read as follows: 2-
15 3705. (a) If sufficient moneys are not available for a remediation linked
16 deposit, applications may be considered in the order received when mon-
17 eys are once again available, subject to a review by the lending institution.

18 (b) Upon acceptance, the state treasurer shall certify to the director
19 of investments the amount required for a remediation linked deposit loan
20 package and the director of investments shall place a remediation linked
21 deposit in the amount certified by the state treasurer with the eligible
22 lending institution at an interest rate which is 2% below the market rate,
23 as determined under K.S.A. 75-4237, and amendments thereto, and
24 which shall be recalculated on the first business day of each calendar year

January and July of

25 using the market rate then in effect. *The minimum interest rate shall be*
26 *.50%, if the market rate is below 2%.* When necessary, the state treasurer

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27 may request the director of investments to place such remediation linked
28 deposit prior to acceptance of a remediation linked deposit loan package.
29 (c) The eligible lending institution shall enter into a remediation
30 linked deposit agreement with the state treasurer. Such agreement shall
31 include requirements necessary to implement the purposes of the re-
32 mediation linked deposit loan program. Such requirements shall include
33 an agreement by the eligible lending institution to lend an amount equal
34 to the remediation linked deposit to eligible persons at an interest rate
35 that is not more than 2% above the market rate, as determined under
36 K.S.A. 75-4237, and amendments thereto, and which shall be recalculated
37 on the first business day of each calendar year using the market rate then
38 in effect. The agreement shall include provisions for the remediation
39 linked deposit to be placed for a maturity considered appropriate in co-
40 ordination with the underlying remediation linked deposit loan. The
41 agreement shall include provisions for the reduction of the remediation
42 linked deposit in an amount equal to any payment of loan principal by
43 the eligible person.

General Government Budget Com.

Attachment 2

Date 3-16-09

1 Sec. 2. K.S.A. 2008 Supp. 75-4272 is hereby amended to read as
2 follows: 75-4272. (a) The state treasurer may accept or reject an agricul-
3 tural production loan deposit loan package based on the state treasurer's
4 evaluation of whether the loan to the eligible agricultural borrower meets
5 the purposes of this act. If sufficient funds are not available for an agri-
6 cultural production loan deposit, then the applications may be considered
7 in the order received when funds are once again available subject to a
8 review by the lending institution.

9 (b) Upon acceptance, the state treasurer shall certify to the director
10 of investments the amount required for such agricultural production loan
11 deposit loan package and the director of investments shall place an ag-
12 ricultural production loan deposit in the amount certified by the state
13 treasurer with the eligible lending institution at an interest rate, which is
14 2% below the market rate provided in K.S.A. 75-4237, and amendments
15 thereto, and which shall be recalculated on the first business day of Jan-
16 uary and July of each year using the market rate then in effect. *The min-*
17 *imum interest rate shall be .50%, if the market rate is below 2%.* When .50
18 necessary, the state treasurer may request the director of investments to
19 place such agricultural production loan deposit prior to acceptance of an
20 agricultural production loan deposit loan package.

21 (c) The eligible lending institution shall enter into an agricultural pro-
22 duction loan deposit agreement with the state treasurer, which shall in-
23 clude requirements necessary to implement the purposes of the Kansas
24 agricultural production loan deposit program. Such requirements shall
25 include an agreement by the eligible lending institution to lend an amount
26 equal to the agricultural production loan deposit to eligible agricultural
27 borrowers at an interest rate which is not more than 4% greater than the
28 interest rate on agricultural production loan deposits as provided in sub-
29 section (b), except that for agricultural production loans made commenc-
30 ing on the effective date of this act and ending June 30, 2003, such interest
31 rate shall be 4%. Such rate shall be recalculated on the first business day
32 of January and July of each year using the market rate then in effect. The
33 agreement shall include provisions for the agricultural production loan
34 deposit to be placed for a maturity considered appropriate in coordination
35 with the underlying agricultural production loan. The agreement shall
36 include provisions for the reduction of the agricultural production loan
37 deposit in an amount equal to any payment of loan principal by the eligible
38 agricultural borrower.

39 Sec. 3. K.S.A. 2008 Supp. 75-4280 is hereby amended to read as
40 follows: 75-4280. (a) The state treasurer may accept or reject a housing
41 loan deposit loan package based on the state treasurer's evaluation of
42 whether the loan to the eligible developer borrower meets the purposes
43 of this act. If sufficient funds are not available for a housing loan deposit,

1 then the applications may be considered in the order received when funds
2 are once again available subject to a review by the lending institution.

3 (b) Upon acceptance, the state treasurer shall certify to the director
4 of investments the amount required for such housing loan deposit loan
5 package and the director of investments shall place a housing loan deposit
6 in the amount certified by the state treasurer with the eligible lending
7 institution at an interest rate, which is 2% below the market rate provided
8 in K.S.A. 75-4237, and amendments thereto, and which shall be recal-
9 culated on the first business day of January and July of each year using
10 the market rate then in effect. *The minimum interest rate shall be .50%,*
11 *if the market rate is below 2%.* When necessary, the state treasurer may
12 request the director of investments to place such housing loan deposit
13 prior to acceptance of a housing loan deposit loan package.

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14 (c) The eligible lending institution shall enter into a housing loan
15 deposit agreement with the state treasurer, which shall include require-
16 ments necessary to implement the purposes of the Kansas housing loan
17 deposit program. Such requirements shall include an agreement by the
18 eligible lending institution to lend an amount equal to the housing loan
19 deposit to eligible developer borrowers at an interest rate which is not
20 more than 4% greater than the interest rate on housing loan deposits as
21 provided in subsection (b). Such rate shall be recalculated on the first
22 business day of January and July of each year using the market rate then
23 in effect. The agreement shall include provisions for the housing loan
24 deposit to be placed for a maturity considered appropriate in coordination
25 with the underlying housing loan. The agreement shall include provisions
26 for the reduction of the housing loan deposit in an amount equal to any
27 payment of loan principal by the eligible developer borrower.

28 Sec. 4. K.S.A. 2-3705 and K.S.A. 2008 Supp. 75-4272 and 75-4280
29 are hereby repealed.

30 Sec. 5. This act shall take effect and be in force from and after its
31 publication in the statute book.

Kansas Budget Cycle

	June	July	August	September	October	November	December	January	February	March	April	May
State Agencies	Prepare 5-year capital improvement plans for submission July 1		Prepare budgets in budget system & submit to Budget Division & Legislative Research							Review budgets & request amendments to update the Governor's recommendations		
Governor & Budget Division	Budget Division issues instructions & allocations to agencies in developing budget requests	Budget Division conducts agency budget training, analyzes capital projects, & makes on-site agency visits		Budget staff analyzes agency budget requests & makes preliminary recommendations	Budget Division recommendations provided to agencies & agency appeals are heard	Governor develops recommendations to the Legislature & Budget Division prepares budget documents	Governor submits <i>Budget Report</i> to Legislature by 8th calendar day of the Session (21st day for new Governor)		Budget Division prepares fiscal notes on legislative bills, drafts introduced version of appropriation bills, tracks legislative adjustments to Governor's recommendations, & prepares amendments to Governor's original recommendations for the Omnibus Bill		Budget Division reconciles final budget numbers with legislative fiscal staff & prepares post-session report	
Consensus Revenue Estimating Group					Project State General Fund revenues						Project State General Fund revenues	
Legislative Fiscal Staff	Legislative fiscal staff prepares <i>Fiscal Facts, Appropriations Report</i> , & works with interim legislative committees			Legislative fiscal staff analyzes agency budget requests, begins to prepare Budget Analysis, & continues to work with interim committees			Fiscal staff analyzes Governor's budget recommendations & completes the Budget Analysis	Legislative fiscal staff works with subcommittees & budget committees of Senate Ways & Means & House Appropriations on finalizing the budget	Fiscal staff prepares items for Omnibus Bill consideration & works with Legislature to develop Omnibus Bill	Legislative fiscal staff reconciles final budget numbers with Budget Division & prepares post-session report		
Legislature	Legislative interim committees review assigned topics; House Appropriations, Senate Ways & Means, Legislative Post Audit, & State Building Committee tour state (October of odd numbered years)						Subcommittees of House Appropriations & Senate Ways & Means begin review of agency budgets	Appropriations bills are reviewed & acted upon in the House & Senate	Conference Committees resolve differences in appropriations bills	Omnibus Bill considered & acted upon	Legislature adjourns	

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A New Day... A Better Way... For State Employees

TO: Chairman Watkins and Members of the General Government Budget Committee

FROM: Jane Carter, Executive Director

DATE: March 16, 2009

RE: Proponent Testimony, HB 2370

On behalf of the 11,000 executive branch employees represented by the Kansas Organization of State Employees I am here today to offer testimony in support of House Bill 2370. As the only certified, State recognized employee organization for state employees in the executive branch, we appreciate this opportunity to prioritize state employees in Kansas.

Past practice has proven that state employees bear the burden of any crisis in the budget. For years, state employees have been the last to be funded and the first to be cut. State employees have helped balance the budget in the past. We continue to work with unacceptable benefits and strikingly low salaries. Times are tough, but even during relatively good years, the budget has always been balanced on the back of state workers.

These are financially troubling times for everyone, and state employees should not be worried about receiving their hard earned pay check. The regrettable events last month should be avoided, and state employees should not be put in middle of any dispute.

House Bill 2370 is a good step in the right direction for state employees in Kansas. The Legislature should put employees first rather than a final end note. State employees continue to do their work, and ensure that Kansas works, regardless of low pay. However, state employees are leaving their positions due to an overwhelming work load, insufficient benefits, and embarrassingly low wages. The last thing employees should have to worry about is receiving a pay check for work already performed.

House Bill 2370 puts employees first, and ensures that paychecks are delivered first. It is commendable that the Legislature is taking this step, and KOSE urges the Committee to support this legislation.