

MINUTES OF THE HOUSE APPROPRIATIONS

The meeting was called to order by Chairman Kevin Yoder at 9:05 a.m. on January 12, 2010, in Room 346-S of the Capitol.

All members were present, except:

- Representative Donohoe - Excused
- Representative Kelley - Excused

Committee staff present:

- Jim Wilson, Office of the Revisor of Statutes
- Nobuko Folmsbee, Office of the Revisor of Statutes
- Alan Conroy, Kansas Legislative Research Department
- J.G. Scott, Kansas Legislative Research Department
- Heather O'Hara, Legislative Research Department
- Jonathan Tang, Legislative Research Department
- Kathy Holscher, Committee Assistant, Appropriations Committee

Others attending:

See attached list.

- Attachment 1 House Appropriations Committee Rules
- Attachment 2 Legislative Fiscal Analyst Assignments - FY 2010
- Attachment 3 Appropriations Update and Overview of FY 2011 Recommendations
- Attachment 4 Summary of Governor's Recommended FY 2010 Budget Adjustments
- Attachment 5 Office of the Securities Commissioner Investor Education Fund
- Attachment 6 Kansas Department of Transportation FY 2010 Budget Reductions
- Attachment 7 Kansas Contractors Association FY 2010 Budget Reductions
- Attachment 8 Office of Judicial Administration FY 2010 Budget Supporting the Governor's Supplemental Request

Chair Yoder welcomed Committee members to the first meeting of the 2010 Session and introduced the committee members. He noted that Representative Schultz has been temporarily appointed to replace Representative Donohoe who will be returning to the committee later in the session.

Representative Williams moved to introduce legislation limiting texting and cell phone use. The motion was seconded by Representative Feuerborn. The motion carried.

Representative Tafanelli moved to introduce legislation streamlining the legislative budget process as recommended by the governor's efficiency commission. The motion was seconded by Representative Merrick. The motion carried.

Representative Mast moved to introduce legislation eliminating foster care contracts. The motion was seconded by Representative Merrick. The motion carried.

Chair Yoder reviewed the House Appropriations Committee Rules, (Attachment 1).

J.G. Scott, Kansas Legislative Research Department, introduced staff members and a copy of the Legislative Fiscal Analyst Assignments was distributed, (Attachment 2).

Committee members received a copy of the Appropriations Update, (Attachment 3), which contains an overview of the Governor's budget recommendations for FY 2011.

J.G. Scott presented the Summary of Governor's Recommended FY 2010 Budget Adjustment Requiring Legislative Action - **HB 2416**, (Attachment 4). The recommended budget adjustments total \$90,554,984.

J.G. Scott responded to questions from committee members regarding unencumbered funds and transportation fund transfers.

CONTINUATION SHEET

Minutes of the House Appropriations Committee Meeting on January 12, 2010, in Room 346-S of the Capitol.

Rick Fleming, General Counsel, Office of the Securities Commissioner, reviewed the handout on the Office of the Securities Commissioner Investor Education Fund, (Attachment 5). The fund balance as of December 31, 2009, was \$5.3 million, which was received from auction rate securities cases, and approximately \$1.1 million in fund payments that have not been received to date. Settlements are expected to be received within the next few weeks. He stated that sweeping funds was not an issue as this is not a licensing fee fund, it is a penalty fund. He suggested that the committee refrain from using the term reimbursement when referring to transfer of funds. And, he recommended using the fund transfer of \$5 million for educational funding efforts where needed.

Rick Fleming responded to questions from committee members in regards to traditional expenses, fund balance, and outstanding payments.

Jerry Younger, Deputy Secretary for Engineering and State Transportation, Kansas Department of Transportation, presented information on the impact of FY 2010 Budget Reductions, (Attachment 6). He reviewed revenue losses, prior budget reductions and the impact to the public. Due to allotments, the department is down approximately 290 positions; construction projects were suspended or delayed, other operating expenses were reduced and preservation program reductions which cut lettings by \$95 million in order to capture \$45.5 million in cash. The anticipated State Highway Fund ending balance for FY 2010 is \$2 million.

Deputy Secretary Younger responded to questions from committee members regarding paving material; state, federal and American Recovery and Reinvestment Act (ARRA) revenue sources. He stated that if additional money was available with a second stimulus plan preservation projects would be the priority. With the governor's projected reductions the state funding would total \$732 million, with \$300 million from federal funds and no funding from ARRA in FY 2011 with the last project completion date of March.

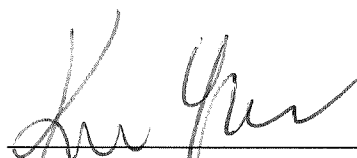
Bob Totten, Public Affairs Director, Kansas Contractors Association, presented testimony on FY 2010 Highway Program Budget Cuts, (Attachment 7).

Jerry Sloan, Budget and Fiscal Officer, Judicial Branch, presented testimony supporting the Governor's Supplemental Request, (Attachment 8). He discussed the impact of a \$5 million shortfall and noted that 97% of the Judicial Branch budget represents personnel. Mr. Sloan stated that staffing reductions have already resulted in 193 employee positions eliminated, which has created backlogs and coverage issues. He discussed the option of furloughs during the remainder of FY 2010 and emphasized the need for a quick decision with only 11 payroll periods remaining.

Jerry Sloan responded to questions from committee members in regards to addressing a potential \$5 million shortfall. He stated that consideration included closing small county courts; closing business to the public 1 - 2 hours per day; furloughs 1 day per week with additional days near the end of the fiscal year or 1 week per month; and the time line with the Omnibus bill which resulted in \$60 million cut. He noted that if the Governor's supplemental budget of \$5 million is reinstated and a hiring freeze is implemented it may only be necessary to implement a furlough(s) for 1 - 2 days, otherwise it may be at least 7 - 9 furlough days.

The next meeting is scheduled for January 13, 2010.

The meeting was adjourned at 10:28 a.m.



Kevin Yoder, Chair

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: January 12, 2010

NAME	REPRESENTING
Mark Boranyak	Capitol Strategies
Debra Tristano	FHSU
Walt Eckles	KS Chamber of Commerce
Minda Smith	KACCT
Ulgene Bottenberg	KDOL
June Rose	KCSL
Kathy Belot	SPS
Mark J. Carr	Strat. Com of KS
Kathleen Setzler Hippert	KSBHA
Julia Mowers	KSBHA
Mary Jane Stankevicy	KGFA
Peter Adomson	TFI
Bernie Koch	KEPC
Hedi Peingle	TFI
Kim Fowler	Judicial Branch
Jerry Sloan	"
Ethan Erickson	KDOT
Jerry Younger	KDOT
Bruce Wilk	Via Christi

HOUSE APPROPRIATIONS COMMITTEE RULES

1. In any case where committee rules do not apply, House Rules shall govern. All powers, duties and responsibilities not addressed herein are reserved to the chair.
2. Cellular phones and other electronic devices with audible tones are prohibited in the Appropriations Committee Room, unless audible tones or ringers are disabled.
3. The chair shall determine the committee agenda, including scheduling and the order of business.
4. The chair reserves the right to limit testimony that is cumulative in nature and may limit testimony, when necessary, to a specific number of minutes.
5. Committee members shall not address conferees until and unless permission is granted by the chair.
6. The chair reserves the right to limit questioning of conferees by committee members in the interest of time and in the interest of fairness to conferees and other committee members.
7. No conferee shall be interrupted during the presentation of their testimony, except with the permission of the chair.
8. Questioning of a conferee shall be limited to the subject matter on the agenda for the day, except as may otherwise be allowed by the chair.
9. Committee members shall not be approached during a committee hearing or deliberations by anyone other than fellow legislative members or legislative staff.
10. No bill or resolution shall be taken up for a committee vote unless announced by the chair.
11. A motion requires a second to be in order.
12. A substitute motion is in order, but no additional substitute motion shall be in order until the prior substitute motion is disposed of.
13. Amendments to motions are not in order except upon consent of the member making the motion and his or her second.
14. A motion to table or take from the table shall be in order only when such item is on the agenda or is taken up by the chair. The motion requires a simple majority of those present and is, unless otherwise determined by the chair, non-debatable.
15. There shall be no recording, audibly, photographically or otherwise, of committee voting except by the committee secretary.
16. A request from any member that their vote be recorded shall be granted.
17. Granting excused absences is reserved to the chair.
18. The chair reserves the right to take such action as may be necessary to prevent disruptive behavior in the committee room during hearings and deliberations.
19. Adjournment is reserved to the chair.

Appropriations Committee
Date 1-12-10
Attachment 1

LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2010

J. G. SCOTT (6-4397)

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 422 Legislative Coordinating Council
 425 Legislative Research Department
 428 Legislature
 540 Division of Post Audit
 579 Revisor of Statutes

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 622 Secretary of State
 082 Attorney General
 252 Governor
 446 Lieutenant Governor
 Coordinator, Budget Data

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 561 Board of Regents
 246 Fort Hays State University
 379 Emporia State University
 367 Kansas State University
 367 KSU-Veterinary Medical Center
 367 KSU-Agricultural Extension
 385 Pittsburg State University
 682 University of Kansas
 683 University of Kansas Medical Center
 715 Wichita State University
 Coordinator, Joint Committee on State
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 350 Juvenile Justice Authority
 325 Beloit Juvenile Correctional Facility
 355 Atchison Juvenile Correctional Facility
 412 Larned Juvenile Correctional Facility
 352 Kansas Juvenile Correctional Complex
 178 Office of Administrative Hearings
 016 Abstracters Board
 543 Real Estate Appraisal Board
 549 Real Estate Commission
 291 Home Inspection Registration Board
 663 Board of Technical Professions
 700 Board of Vet. Medical Examiners

REAGAN CUSSIMANIO (6-4443)

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 349 Judicial Council

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 331 Insurance Department
 694 Comm. Veterans Affairs/Soldiers
 Home/Veterans Home
 270 Health Care Stabilization Board
 of Governors
 261 Kansas Guardianship Program
 625 Securities Commissioner
 159 Department of Credit Unions
 094 Bank Commissioner
 058 Commission on Human Rights

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 171 Health Policy Authority
 Coordinator, Children's Initiatives Fund

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 122 Citizen's Utility Ratepayer Board

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 173 Department of Administration
 604 School for the Blind
 610 School for the Deaf
 450 Kansas Lottery
 553 Racing and Gaming Commission
 176 Kansas Development Finance Authority
 328 Board of Indigents' Defense Services
 028 Accountancy Board
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 276 Department of Transportation
 034 Adjutant General
 280 Highway Patrol
 083 Attorney General-Kansas Bureau
 of Investigation
 234 State Fire Marshal
 529 Commission on Peace Officers Standards
 and Training
 Coordinator, Joint Committee on Information
 Technology
 Coordinator, Fiscal Database

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 039 Department on Aging
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 494 Osawatomie State Hospital
 555 Rainbow Mental Health Facility
 363 Kansas Neurological Institute
 507 Parsons State Hospital
 247 Governmental Ethics Commission
 100 Board of Barbering
 149 Board of Cosmetology
 204 Mortuary Arts Board
 266 Kansas Board of Examiners in Fitting
 and Dispensing of Hearing Instruments

HEATHER O'HARA (6-7792)

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 710 Department of Wildlife and Parks
 046 Department of Agriculture
 709 Kansas Water Office
 055 Animal Health Department
 373 Kansas State Fair Board
 634 State Conservation Commission
 Coordinator, Water Plan Fund

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 565 Department of Revenue
 300 Department of Commerce
 562 Kansas Court of Tax Appeals
 360 Kansas Inc.
 371 Kansas Technology Enterprise Corp.
 365 Kansas Public Employees
 Retirement System (KPERs)
 Coordinator, Economic Development
 Initiatives Fund

JONATHAN TANG (8-7260)

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 434 State Library
 359 Kansas Arts Commission
 288 State Historical Society
 670 State Treasurer
 206 Emergency Medical Services Board
 482 Board of Nursing
 102 Behavioral Sciences Regulatory Board
 105 Board of Healing Arts
 488 Optometry Board
 531 Board of Pharmacy
 167 Dental Board

JAROD WALTNER (8-7041)

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 521 Department of Corrections
 177 Ellsworth Correctional Facility
 195 El Dorado Correctional Facility
 313 Hutchinson Correctional Facility
 400 Lansing Correctional Facility
 408 Larned Correctional Facility
 581 Norton Correctional Facility
 660 Topeka Correctional Facility
 712 Winfield Correctional Facility
 626 Sentencing Commission
 523 Parole Board

Appropriations Committee

Date 12-10Attachment 2-1

LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2010

Abstracters Board **CHRISTINA ALLEN (6-2802)**
 Accountancy Board **CODY GORGES (6-3184)**
 Adjutant General **AARON KLAASSEN (6-4396)**
 Administration, Department of **CODY GORGES (6-3184)**
 Administrative Hearings, Office of **CHRISTINA ALLEN (6-2802)**
 Aging, Department on **ESTELLE MONTGOMERY (6-4409)**
 Agriculture, Department of **HEATHER O'HARA (6-7792)**
 Animal Health Department **HEATHER O'HARA (6-7792)**
 Arts Commission, Kansas **JONATHAN TANG (8-7260)**
 Atchison Juvenile Correctional Facility **CHRISTINA ALLEN (6-2802)**
 Attorney General **LEAH ROBINSON (6-4447)**

Bank Commissioner **DYLAN DEAR (1-0515)**
 Barbering, Board of **ESTELLE MONTGOMERY (6-4409)**
 Behavioral Sciences Regulatory Board **JONATHAN TANG (8-7260)**
 Beloit Juvenile Correctional Facility **CHRISTINA ALLEN (6-2802)**

Citizen Utility Ratepayer Board **LAUREN DOUGLASS (6-7250)**
 Commerce, Department of **MICHAEL STEINER (6-4181)**
 Corrections, Department of **JAROD WALTNER (8-7041)**
 Cosmetology, Board of **ESTELLE MONTGOMERY (6-4409)**
 Credit Unions, Department of **DYLAN DEAR (1-0515)**

Dental Board **JONATHAN TANG (8-7260)**

Education, State Department of **REAGAN CUSSIMANIO (6-4443)**
 El Dorado Correctional Facility **JAROD WALTNER (8-7041)**
 Ellsworth Correctional Facility **JAROD WALTNER (8-7041)**
 Emergency Medical Services Board **JONATHAN TANG (8-7260)**
 Emporia State University **AUDREY DUNKEL (6-3183)**

Fair Board, Kansas State **HEATHER O'HARA (6-7792)**
 Fire Marshal, State **AARON KLAASSEN (6-4396)**
 Fort Hays State University **AUDREY DUNKEL (6-3183)**

Governmental Ethics Commission **ESTELLE MONTGOMERY (6-4409)**
 Governor **LEAH ROBINSON (6-4447)**
 Guardianship Program, Kansas **DYLAN DEAR (1-0515)**

Healing Arts, Board of **JONATHAN TANG (8-7260)**
 Health and Environment, Department of **LEAH ROBINSON (6-4447)**
 Health Care Stabilization Bd. of Gov. **DYLAN DEAR (1-0515)**
 Health Policy Authority, Kansas **AMY DECKARD (6-4429)**
 Hearing Instruments, Kansas Board of Examiners
 in Fitting and Dispensing of **ESTELLE MONTGOMERY (6-4409)**
 Highway Patrol **AARON KLAASSEN (6-4396)**
 Home Inspection Registration Board **CHRISTINA ALLEN (6-2802)**
 Human Rights, Commission on **DYLAN DEAR (1-0515)**
 Hutchinson Correctional Facility **JAROD WALTNER (8-7041)**

Indigents' Defense Services, Board of **CODY GORGES (6-3184)**
 Insurance Department **DYLAN DEAR (1-0515)**

Judicial Branch **REAGAN CUSSIMANIO (6-4443)**
 Judicial Council **REAGAN CUSSIMANIO (6-4443)**
 Juvenile Justice Authority **CHRISTINA ALLEN (6-2802)**

Kansas Bureau of Investigation (Attorney Gen.) **AARON KLAASSEN (6-4396)**
 Kansas Corporation Commission **LAUREN DOUGLASS (6-7250)**
 Kansas Development Finance Authority **CODY GORGES (6-3184)**
 Kansas Juvenile Correctional Complex **CHRISTINA ALLEN (6-2802)**
 Kansas Inc. **MICHAEL STEINER (6-4181)**
 Kansas Lottery **CODY GORGES (6-3184)**
 Kansas Neurological Institute **ESTELLE MONTGOMERY (6-4409)**
 Kansas Public Employees Retirement System **MICHAEL STEINER (6-4181)**
 Kansas State University **AUDREY DUNKEL (6-3183)**
 KSU-Agricultural Extension **AUDREY DUNKEL (6-3183)**
 KSU-Veterinary Medical Center **AUDREY DUNKEL (6-3183)**
 Kansas Technology Enterprise Corp. **MICHAEL STEINER (6-4181)**

Labor, Department of **DYLAN DEAR (1-0515)**
 Lansing Correctional Facility **JAROD WALTNER (8-7041)**
 Lamed Correctional Facility **JAROD WALTNER (8-7041)**
 Lamed Juvenile Correctional Facility **CHRISTINA ALLEN (6-2802)**
 Lamed State Hospital **ESTELLE MONTGOMERY (6-4409)**
 Legislative Coordinating Council **J. G. SCOTT (6-4397)**
 Legislative Research Department **J. G. SCOTT (6-4397)**
 Legislature **J. G. SCOTT (6-4397)**
 Lieutenant Governor **LEAH ROBINSON (6-4447)**

Mortuary Arts Board **ESTELLE MONTGOMERY (6-4409)**

Norton Correctional Facility **JAROD WALTNER (8-7041)**
 Nursing, Board of **JONATHAN TANG (8-7260)**

Optometry Board **JONATHAN TANG (8-7260)**
 Osawatomie State Hospital **ESTELLE MONTGOMERY (6-4409)**

Parole Board **JAROD WALTNER (8-7041)**
 Parsons State Hospital **ESTELLE MONTGOMERY (6-4409)**
 Peace Officers Standards and Training **AARON KLAASSEN (6-4396)**
 Pharmacy, Board of **JONATHAN TANG (8-7260)**
 Pittsburg State University **AUDREY DUNKEL (6-3183)**
 Post Audit, Division of **J. G. SCOTT (6-4397)**

Racing and Gaming Commission **CODY GORGES (6-3184)**
 Rainbow Mental Health Facility **ESTELLE MONTGOMERY (6-4409)**
 Real Estate Appraisal Board **CHRISTINA ALLEN (6-2802)**
 Real Estate Commission **CHRISTINA ALLEN (6-2802)**
 Regents, Board of **AUDREY DUNKEL (6-3183)**
 Revenue, Department of **MICHAEL STEINER (6-4181)**
 Revisor of Statutes **J. G. SCOTT (6-4397)**

School for the Blind **CODY GORGES (6-3184)**
 School for the Deaf **CODY GORGES (6-3184)**
 Secretary of State **LEAH ROBINSON (6-4447)**
 Securities Commissioner **DYLAN DEAR (1-0515)**
 Sentencing Commission **JAROD WALTNER (8-7041)**
 Social and Rehabilitation Services, Dept. of **AMY DECKARD (6-4429)**
 State Conservation Commission **HEATHER O'HARA (6-7792)**
 State Historical Society **JONATHAN TANG (8-7260)**
 State Library **JONATHAN TANG (8-7260)**
 State Treasurer **JONATHAN TANG (8-7260)**

Tax Appeals, Kansas Court of **MICHAEL STEINER (6-4181)**
 Technical Professions, Board of **CHRISTINA ALLEN (6-2802)**
 Topeka Correctional Facility **JAROD WALTNER (8-7041)**
 Transportation, Department of **AARON KLAASSEN (6-4396)**

University of Kansas **AUDREY DUNKEL (6-3183)**
 University of Kansas Medical Center **AUDREY DUNKEL (6-3183)**

Veterans Affairs/Soldiers Home/Veterans Home **DYLAN DEAR (1-0515)**
 Veterinary Medical Examiners, Board of **CHRISTINA ALLEN (6-2802)**

Water Office, Kansas **HEATHER O'HARA (6-7792)**
 Wichita State University **AUDREY DUNKEL (6-3183)**
 Wildlife and Parks, Department of **HEATHER O'HARA (6-7792)**
 Winfield Correctional Facility **JAROD WALTNER (8-7041)**

Appropriations Update
January 11, 2010

The *Governor's Budget Report for FY 2011* was presented to the 2010 Legislature and discussed by the Governor during his State of the State message on Monday, January 11, 2010. The recommendations will be incorporated into appropriations bills for consideration by the Legislature. If you have any questions about any information in this report, please contact Alan Conroy, Director, J.G. Scott, Chief Fiscal Analyst, Audrey Dunkel, Principal Fiscal Analyst, or Leah Robinson, Principal Fiscal Analyst, at (785) 296-3181.

Overview of FY 2011 Recommendation

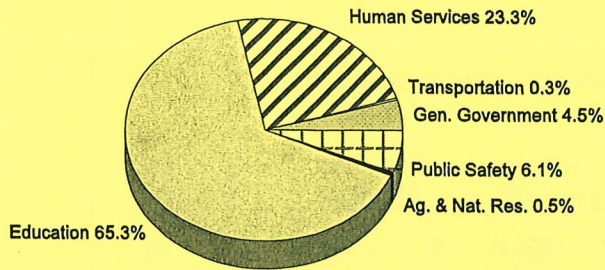
The Governor recommends expenditures of **\$13.7 billion** from all funding sources in FY 2011, including expenditures of **\$5.8 billion** from the State General Fund:

- ◆ State General Fund expenditures **increase** by 7.0 percent, or \$380.0 million.
- ◆ Expenditures from all funding sources **decrease** by \$771.1 million, or 5.3 percent.
- ◆ The Governor's budget provides for an **ending balance** of \$0 in FY 2011.
- ◆ Recommended State General Fund **expenditures exceed revenues** by \$0.4 million.
- ◆ The Governor recommends a number of revenue enhancements for FY 2011, including a three-year 1.0 percent (from 5.3 percent to 6.3 percent) increase in both the state **sales and compensating use taxes**, estimated to provide an additional \$308.2 million to the State General Fund (and an additional \$43.1 million to the State Highway Fund). The Governor also recommends increasing the **state tax imposed on a pack of cigarettes** from \$.79 to \$1.34 (estimated to increase revenues by \$52.0 million), and to increase the state tax rate on **other tobacco products** from 10.0 percent to 40.0 percent (estimated to raise an additional \$17.5 million in FY 2011).
- ◆ The Governor also recommends a number of adjustments to the **State General Fund transfers** included in the November Consensus Revenue estimates for both FY 2010 and FY 2011. The FY 2010 recommended adjustments increase estimated revenue to the State General Fund by \$98.0 million, and the FY 2011 recommended adjustments would increase estimated revenue by \$274.5 million. Some of the adjustments were included in the Governor's July and November 2009 budget allotments, but require legislative action to take effect. The major adjustment in both years are transfers from the State Highway Fund to the State General Fund (an additional \$80.0 million in FY 2010, and \$105.0 million in FY 2011). The recommendation for FY 2011 also includes: suspending the machinery and business equipment transfer (\$44.0 million), capping the annual transfer to the Bioscience Authority (\$35.0 million), stopping the scheduled repayment of prior year transfers to the Department of Transportation, the Insurance Department, and the Department of Health and Environment (\$34.6 million), and suspending the deferred maintenance transfer to the State Board of Regents (\$15.0 million).

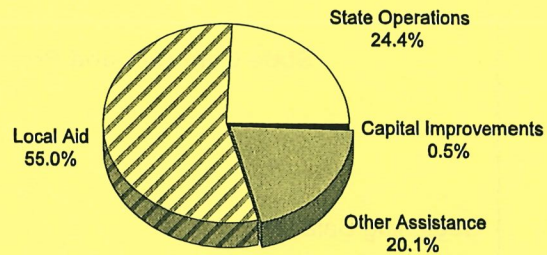
- ◆ **FY 2011 State General Fund expenditures** for the Department of Education increase \$178.9 million (6.3 percent), and increase for the Department of Social and Rehabilitation Services, the Health Policy Authority, and Department on Aging by \$133.4 million, or 11.5 percent. In addition, State General Fund expenditures for the Board of Regents and the Regents institutions increase by \$10.0 million (1.3 percent) in FY 2011. In most cases, part of the increase in FY 2011 reflects the expenditure of significantly higher amounts from American Recovery and Reinvestment Act (ARRA) funding in FY 2010. Not as much ARRA funding is projected to be available to offset State General Fund expenditures in FY 2011.
- ◆ The Governor recommends FY 2011 expenditures of \$426.5 million from **federal ARRA funding**, a reduction of \$587.4 million (57.9 percent) from the FY 2010 recommended total of \$1.0 billion. The Governor's November 2009 State General Fund allotment included the expenditure of **approximately \$92.0 million more** in FY 2010 than approved by the 2009 Legislature, to offset State General Fund expenditures.
- ◆ The Governor recommends no general salary increase for FY 2011. The Governor's recommendation does include continuation of the **state employee pay plan adjustments** approved by the 2008 Legislature for those classified employees who are considered under market level for their job classifications. The 2008 Legislature approved expenditure of \$8.5 million, all from the State General Fund, in FY 2011 for these upgrades, and the Governor's recommendation leaves that amount in place. The Governor also recommends longevity bonus payments for eligible state employees in FY 2011, at the rate of \$50 per year of service for each year over 10 years, with a cap at 25 years of service. These expenditures are estimated at \$14.4 million, with \$6.0 million from the State General Fund.
- ◆ The recommendation reduces **FTE positions** by 64.0 from FY 2010 to FY 2011.

The following two charts illustrate the Governor's recommended FY 2011 State General Fund expenditures by function of government and by category of expenditure. Education (including local school aid and Regents universities) receives 65.3 percent of the State General Fund expenditures in the Governor's recommendations. Aid to local units comprises the largest category of expenditure in the Governor's budget with over half of the FY 2011 State General Fund budget (55.0 percent) distributed to local units of government, primarily through local school aid.

**SGF Expenditures by Function
FY 2011 Governor's Recommendation**



**SGF Expenditures by Major Purpose
FY 2011 Governor's Recommendation**



Recommended Current Year Budget Changes

The Governor's revised FY 2010 recommendation is an increase of \$1.4 billion from all funding sources, and a State General Fund decrease of \$162.6 million, from the amount approved by the 2009 Legislature. A number of the FY 2010 recommended decreases were included in the Governor's July and November 2009 State General Fund allotments. These allotments, through a series of recommended revenue adjustments and expenditure reductions, are intended to increase the FY 2010 State General ending balance by \$391.6 million. Approximately \$90.5 million of the recommended allotment adjustments require legislative authorization. Major adjustments in the *Governor's Budget Report* (including the allotments) are reflected below:

- An increase of \$1.1 billion, all from special revenue (mainly federal) funds, in the budget of the **Department of Labor**, primarily for increases to estimated unemployment benefits.
- An increase of \$110.6 million from all funding sources in the budget of the **Kansas Department of Transportation**, largely for adjustments to capital improvement projects.
- An increase of \$91.9 million from all funding sources in the budgets of the **Department of Social and Rehabilitation Services and the state hospitals**, primarily reflecting additional federal funds expenditures and caseload increases. **State General Fund expenditures for SRS and the hospitals decrease by \$19.2 million.**
- An increase of \$61.3 million from all funding sources in the budgets of the **Kansas Board of Regents and the Regents institutions**, primarily reflecting additional special revenue fund expenditures. **State General Fund expenditures for the Board and the institutions decrease by \$17.7 million.**

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 The status of the State General Fund, based on the recommendations of the Governor, is reflected in the following profile.

State General Fund Profile-Governor's Recommendation In Millions			
	Actual FY 2009	Gov. Rec. FY 2010	Gov. Rec. FY 2011
Beginning Balance	\$ 526.6	\$ 49.7	\$ 0.4
Receipts (Nov. 2009 Consensus)	5,587.4	5,300.7	5,178.5
(Less Adjustments in Governor's Rec.)	0.0	101.1	652.2
Adjusted Receipts	<u>5,587.4</u>	<u>5,401.8</u>	<u>5,830.7</u>
Total Available	6,114.0	5,451.5	5,831.1
Expenditures	<u>6,064.4</u>	<u>5,451.1</u>	<u>5,831.1</u>
Ending Balance	<u>\$ 49.7</u>	<u>\$ 0.4</u>	<u>\$ 0.0</u>
Ending Balance as a % of Expenditures	0.8%	0.0%	0.0%
Adjusted Receipts in Excess of Expenditures	(\$477.0)	(\$49.3)	(\$0.4)
% Change from Prior Year:			
Adjusted Receipts	(1.9)%	(3.3)%	7.9%
Expenditures	(0.6)%	(10.1)%	7.0%

Additional information on the Governor's budget recommendation and the requests made by state agencies will be presented in the Legislative Budget Analysis to be presented to the Legislature after the legislative fiscal staff completes its analysis.

**Summary of Governor's Recommended FY 2010 Budget Adjustments
Requiring Legislative Action - HB 2416**

Revenue Transfers

Department of Transportation		\$	80,000,000
Securities Commissioner			5,000,000
EDIF Agencies			
Commerce	\$	800,000	
Kansas, Inc.		10,000	
Kansas Technology Enterprise Corporation		390,000	
Kansas Housing Resource Corporation		2,000,000	
Unencumbered Funds		4,600,000	
			<u>7,800,000</u>
<i>Subtotal Revenue</i>		\$	<u>92,800,000</u>

Expenditures

Legislative Agencies			
Legislative Coordinating Council	\$	86,885	
Legislative Research Department		426,615	
Revisor of Statutes		649,379	
Legislature		1,366,648	
Legislative Post Audit		225,457	
			<u>(2,754,984)</u>
Judiciary			5,000,000
<i>Subtotal Expenditures</i>		\$	<u>2,245,016</u>
Total		\$	<u><u>90,554,984</u></u>

Appropriations Committee
Date 1-12-10
Attachment 4

**OFFICE OF THE SECURITIES COMMISSIONER
INVESTOR EDUCATION FUND
K.S.A. 17-12a601**

Auction Rate Securities Cases

Firm	Kansas Portion	Date of Order
Wachovia Securities	\$633,090	June 10, 2009
Citigroup	\$600,144	June 17, 2009
Bank of America	\$2,834,090	July 13, 2009
Merrill Lynch	\$959,556	July 16, 2009
RBC Capital Markets	\$22,535	September 4, 2009
JPMorgan Chase	\$76,571	November 6, 2009
Credit Suisse	\$535,858	January 6, 2010 (awaiting payment)
Deutsche Bank	\$30,903	January 8, 2010 (awaiting payment)
Morgan Stanley	\$187,076	Not issued yet
Wells Fargo	?	Not issued yet
Stifel Nicolaus	?	Not issued yet
TOTAL	\$5,125,986 received \$753,837+ pending	

Other Significant Cases

Firm	Penalty	Date of Order
Main Street Securities	\$95,000	June 2, 2009
Merrill Lynch	\$419,935	Not issued yet

Balance of Investor Education Fund (as of Dec. 31)	\$ 5,362,187
Payments to be received	<u>\$ 1,173,772</u>
Total	\$ 6,535,959

Appropriations Committee
Date 1-12-10
Attachment 5



**Presentation to the
House Appropriations Committee**

Regarding the FY 2010 Budget Reductions

January 12, 2010

1



Agenda

FY 2010 Revenue Losses and Prior Reductions

Governor's Allotments

Impact to the Public

Construction Spending

Additional Transfers?

2

Appropriations Committee
Date 1-12-10
Attachment 6-1

2-9



Revenue Losses

State Highway Fund Revenue Adjustments	FY 2010
Reduction in Motor Fuel Tax receipts; Motor Vehicle Registration Fees; State Sales Tax	-\$52 M
SGF Loan Repayment	-\$31 M
Continue Funding the KHP	-\$36 M
SGF CTP Debt Transfer	-\$25 M
SCCHF Transfer	-\$ 5 M
Governor's 1 st Round of Allotments	-\$30 M
Governor's 2 nd Round of Allotments	-\$50 M
TOTAL	-\$229 M

➤ The agency originally anticipated State Revenue receipts of \$811 million in FY 2010.

3



Prior Budget Reductions

- Previously eliminated 136 FTE positions
 - Agency accelerated FTE reduction plan in FY 2009 due to budget reductions
 - Eliminated remaining 37 FTE positions rather than retain to help finish CTP projects
 - This has reduced agency salary needs over \$6 Million

4

Prior Budget Reductions

- To compensate for the revenue loss:
 - Construction projects were suspended and delayed in FY 2009; resulting in cash savings in FY 2010.
 - Originally crafted FY 2010 construction budget to match available resources
 - Federal economic recovery (ARRA) funding was used for a portion of the K-61 project.
- The agency has seen some benefit from lower than anticipated construction costs due to the economic downturn.

5

Governor's Allotments

- **KDOT will “Reduce maintenance and operations and transfer funds” for a total of \$80.0 Million in FY 2010.**
 - Accomplished by:
 - Reducing Agency Ops Budget by 8.9% (\$24.9 M)
 - Reduced Salaries \$5.9 M
 - » 8% Shrinkage Rate
 - » Holding Positions Vacant & OT Discouraged
 - Reducing Other Operating Expenses by \$19.0 M
 - » Indefinitely postponing two transportation studies
 - » Cut equipment purchases in half
 - » Reduced travel 30%

6

h-9



Governor's Allotments cont.

- **KDOT will "Reduce maintenance and operations and transfer funds" for a total of \$80.0 Million in FY 2010.**
 - Accomplished by:
 - Reducing the Preservation Program (\$91 M)
 - Cutting lettings \$91 million to capture \$45.5 M in cash
 - » Primarily Encompasses Resurfacing Actions
 - Indefinitely postponing Wichita ITS Expansion Project (\$6.8 M)
 - Captures \$3.4 M in cash

7



Governor's Allotments

- **Preservation Reductions**
 - Projects pay out over several fiscal years

(\$ Millions)	Budget	Payouts		
Fiscal Year	2010	2010	2011	2012
Sub. Maint.	\$91	\$45.5	\$36.4	\$9.1

 - Must reduce Lettings \$91 Million to capture \$45.5 million in cash
 - Similar pay out savings for ITS project
- **Anticipated FY 2010 Available Ending Balance for the SHF**
 - **\$2 Million**

8

Impact to the Public

- Snow and Ice services will be less than what public is used to.
- No longer accepting applications for the following:
 - Economic Development Program
 - Geometric Improvement Program
 - Loans from the Transportation Revolving Fund

9

Impact to the Public

- Preservation Program Reductions
 - Program is meant to preserve and maintain the Highway System
 - Agency will apply lighter preservation actions and maintain fewer miles
 - Highway System will deteriorate at a faster pace
 - Will cost more in the long run to return the system to a “good condition”

10

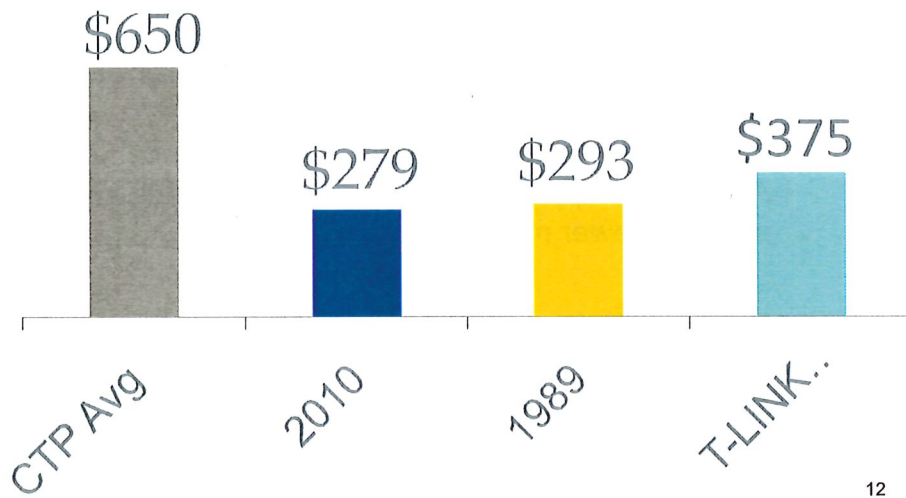


Impact to the Public

- Unable to address ad-hoc locally promoted improvements
 - I-70/K-7: Canaan Drive Improvement Project
 - Added a second left turn from the exit ramp
 - K-61 Hutchinson
 - Added pedestrian bridge at the request of the City, Union Valley School, and the Dillon Nature Center
 - US-283 in Trego County
 - Changed type of paving material to accommodate request of business owner and county



Construction Spending



Additional Transfers?

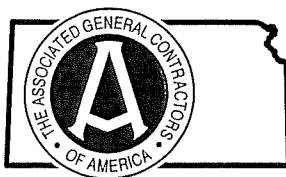
- Ability to absorb further transfers is limited
 - Would require agency to halt all remaining preservation projects - **TODAY**
 - Approximately \$61 M of Lettings remaining
 - Once projects are let
 - Potential for cash savings is lost
 - Further drastic cuts to our operating budget will impact Snow and Ice activities

13

Questions

14

KANSAS CONTRACTORS ASSOCIATION



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Great Bend, Kansas

BRIAN HANSEN, Vice President
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Kingman, Kansas

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Testimony

By the Kansas Contractors Association

before the House Appropriations Committee regarding

cuts in the Highway Program

January 12, 2010

Mr. Chairman and members of the House Appropriations Committee, I am Bob Totten, Public Affairs Director for the Kansas Contractors Association. Our organization **represents over 300 companies** who are involved in the construction of highways and water treatment facilities in Kansas and the Midwest.

Today, I want to thank you for allowing me to testify about highway funding and the concerns our organization has about continued cuts in KDOT's budget and how that effects our industry. We are very much aware of the economic concerns in the state and in the nation so I want to make sure you understand we know the problems the state faces.

At the same time, I want to make sure you are aware how a cut in funding equates to our area of the economy.

Appropriations Committee
Date 1-12-10
Attachment 7-1

According to KDOT, there have been cuts of \$229 million dollars from their budget this year. As a result, KDOT will have spent almost \$200 million dollars less on highway construction in FY 2010 than was originally planned.

KDOT has already told you they can reduce the budget slated for highway construction however the road system will deteriorate. In addition when KDOT has to bring the system back up to adequate standards it will be more costly. The basic premise is similar to your house.... you have to constantly take care of it, or it soon falls apart.

In addition to the effect the cuts have on the pavement and condition of the road system, the loss of that money also means there will be a loss of construction jobs for the coming year. Using figures and information gleaned from KU and K-State studies, that means there will be a loss of about 10,000 jobs due to the cuts in the program. Those are jobs that in essence pay income tax and help support other areas of government through their paying of sales taxes, property taxes and income taxes.

To help you understand how a highway project affects an area, I brought with me a poster about a highway project on US-81 from Concordia north to the Nebraska line US 81. This \$17.2 million dollar project had over 180 sub contractors and employed 288 people at an average salary of \$14.73 an hour. This project is similar to many that have occurred in the past 20 years...a lot of people are employed on the job...being well paid and providing necessary assistance to the general contractor in getting the project completed.

To further illustrates the point of the impact, I have attached a letter from Jake Klaver of Klaver Construction of Kingman, Kansas This letter is several years ago on a

project in Wabaunsee county but it details how much his company spent on food, lodging and other materials while his crews were working on a job building a culvert in NE Kansas.

On a personal note, I can tell you what it meant to me when I had a good construction job one summer in NE Kansas. When I graduated from high school, I worked a summer as a yard helper and flag person. We were not trained as they are now...but I can tell you I earned enough money to pay for my books and tuition for the Fall and Spring semesters at KU. I have attached the checks for my tuition on Spring semester. Education was a lot cheaper then but the ratio of paychecks to tuition is about the same.

Being a flag person is not a hard job and I believe that any of you could do the job if necessary...and the point I am making is that you can make good money if you want to through a public works program similar to the highway program. That is why when you make cuts in KDOT's construction budget it effects a lot of people.

Now I have talked to you about employees as I think of those as being affected the most. But our companies are also affected in this equation of reductions. Our members have a lot of "iron" or equipment sitting in their yards not doing anything when there is not a substantial road program. And if there is no work to be done, they sell it. What that means to your local counties that you represent is that there is less equipment on the tax rolls to be taxed and therefore local government again will have less money to use to operate in their areas.

So even though I am sure you will go ahead and approve what the governor has suggested as the state has to make reductions ...I think you need to realize that

these reductions will have consequences. Early on with the fact that there will be more people unemployed. In the construction arena nationwide the unemployment rate in construction is over 18 percent. In Kansas we don't track that information but I know that figure is in that ballpark.

In addition, we won't see the effects of these cuts in the unemployment rates until later this Spring. Most of our employees don't work in the snow and use their vacations and unemployment insurance to tide them over this March or April...but this year it will be different. They won't have a job to go back to...and that means Kansas will experience a spike in unemployment. To you, you will see it as a number but for the person that doesn't have a job...it will be a terrible blow to him/her and his family. I thank you for your attention and would be glad to answer questions if I may.

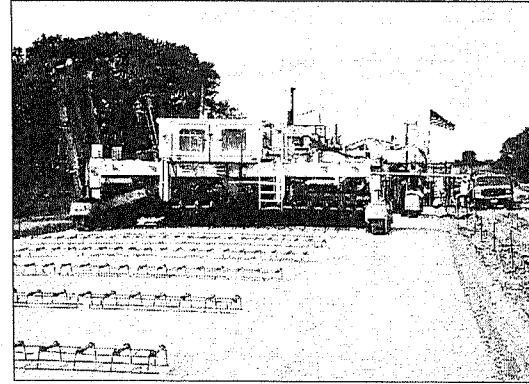
A.M. Colson & Son
 Abram Ready-Aids
 Ackerman True Value Supply
 Ad-Vantage Sign & Graphic
 Air Tool & Equipment
 Airgas - Tulsa
 All Lane Inc.
 All Road Hardware
 Alloy Welding Supply
 Alsop Sand Co.
 American Express
 APAC-Kansas
 Arco Supply
 Asiana Oil Company
 AT&T - Omaha
 AT&T Wireless Services
 Atwoods - Farm Plan
 Auslin's Conoco
 B & B Sign Co.
 Bel Villa Restaurant
 Best Western - Glenpool Inn
 Best Western - Tradewinds Ctl
 Best Western Bel Villa
 Best Western Candlelight Inn
 Blade-Fanpire Publishing
 Brown & Brown
 Capital City Radiator
 Card Services
 Carter-Waters
 Chemical Line
 Christensen Oil Co. Inc.
 City Of Belleville
 C-K & W Supply
 Clarence Tire Service
 CMI Corporation
 Concrete Accessories Co.
 Construction Rental Inc.
 County General Qual. Farm City
 Crane Rental Salina
 Cross - Midwest Tire
 Crouse Tire & Wheel
 Culbertson Heating & Air Conditioning
 Custom Data Products
 D & D Equipment
 Darr Equipment Co.
 Department Of Public Safety
 Dodge Carroll Electronics Inc.
 Duffinger Disposal Service
 Ebert Construction Co.

Kansas Highway Construction

Benefits Hundreds of Businesses & Jobs

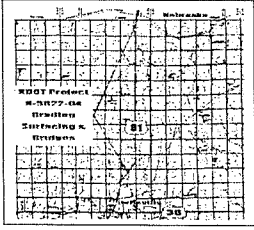
District 2 —K-5022-04 2 Miles North of Concordia to Nebraska State Line

Eggers Motor Service & Sales
 EIS Communications
 Eric Dunstan Trucking
 Euclid Chemical Company
 Everett's
 Farber Bag
 Farmers Coop Assoc Lawrence
 Farmway Co-Op
 Fastenal Company
 Federal Express Corporation
 Feres Rental
 First National Bank, Belleville
 Fly Ash Management
 Foley Equipment Co.
 Fossil Service
 Franks Uniforms
 Fred Jones Wholesale Parts
 Fuel Managers
 Fulson Brothers
 Gary Johnson Trucking
 Gas & Shop (Quality Petroleum)
 GCR Topeka Truck Tire Center
 GCR Tulsa Truck Tire Center
 GCR West Tulsa Truck Tire Ctr.
 Geo W Hays & Son
 Gerard Tank & Steel
 Gilson Company
 Granger Company (WW)
 Grant Manufacturing
 Groendyke Transport
 Grover's Do It Best
 Gunter & Zimmerman
 Haisala Concrete Tools
 Hamm
 Hampel Oil Distributors
 Hannebaum Grain Co.
 Harding Glass - Topeka
 Harris & Son Trash Recycling
 Heartland Cement Co.
 Hebron Journal-Register
 Herbert Feed & Grain Company
 Hertz Equipment Rental
 Houfale Co.
 Homestore - Concordia
 Horizon Hydraulics
 Howard Johnson

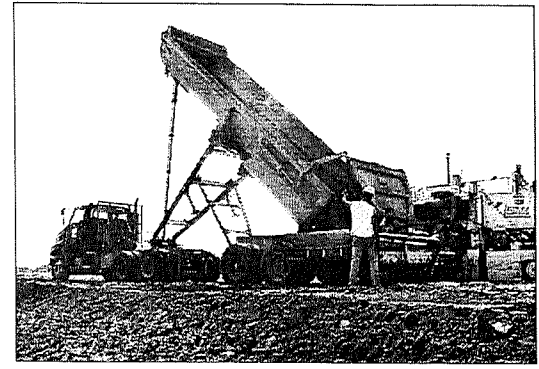


O'Reilly Auto Parts
 P. B. Houdale Co.
 Palmer Truck & Trailer Rep.
 Pavers Inc.
 Pelites Foundry
 Penhall Dia. Products
 Phillips 66 Company
 Radio Inc.
 Rasure Lumber Company
 Reliable Auto Service
 Republic County Hospital
 Republic County Solid Waste Dept
 Richardson Associates
 Rubber Belting And Hose
 Rubber Material & Supply Co.
 Rural Gas
 S.D. Radiator Repair
 Safety-Kleen Corp.
 Salina Journal
 Salina Scale Sales & Service, Inc
 Salisbury Supply Co.

Salvador Cisneros
 Sanders Saws
 Satchie Selters Inc
 Schmidlein Electric Inc
 Schwab-Eaton
 Sherry Laboratories
 Shores Bus Auto Supply
 Smokey Hill
 Snous State Ford
 Spillman's Septic Tank Pumping
 Spraying Systems Co.
 Stanton Wholesale Electric Co.
 Start-Rite Auto Electric
 Sunsource
 Superior Signals
 Tetraxon
 Tescendorf Welding & Machine
 Texaco
 TFM Communications
 The G.W. Van Keppel Company
 Topeka Electric Motor Repair
 Topeka Trailer Repair
 Tow Service Inc.
 Tralfon Inc.
 Transwood
 Triplett
 Truck Parts & Equip. - Wichita
 Truck Repairs (Water - Ltr)
 Tulsa Auto Collection
 Tulsa Freightliner
 Twin Valley Implement
 Unique Design
 United Parcel Service
 United Rentals
 Us K1 Welding & Repair
 Wakeeney Truck Line
 Walthers Oil Company
 White Star Machinery & Supply
 Whitney Plumbing
 Williams Drilling Co.
 Womack Sunshine Ford Mercury



Highway construction jobs created by Kansas' multi-year transportation programs have a ripple effect in the economy. During the past two programs, more than 100,000 construction jobs were created or sustained. Additionally, road projects create and retain local jobs beyond the construction crews. Shown here are the many companies that received business through this KDOT project.



Gross payroll*	\$ 1,443,540
Total man hours	98,000
Average wage per hour	\$ 14.73
Total number of people employed	288
Percent of employees with health insurance	16%

*Includes benefits

IBT
 Illinois Aggregate
 Image Pro Digital Systems
 Industrial Splicing Co.
 Inform
 J & E Auto Supply
 JRN Telephone Co. Inc.
 Jensen Tire & Service
 Kallman's Travel Center
 Kansas Dept. Of Health & Environment
 Kansas State University, Salina
 Kansas Turnpike Authority
 Kerley & Sears
 Kirby-Smith Machinery
 Knopke Equipment & Sales
 Knox Supply
 Koch Excavating
 L.J. Webb
 Lacy-Regehr Motors
 Laird Noller Ford Topeka
 Lamait-Mulock-Condion Co.
 Langley Recycling Of Topeka
 Larry Jones Trucking
 Lou Barker
 Loves Auto Supply
 LS Instruments
 Magnum Diamond & Machinery Inc
 Mark L. MacIntyre
 Mark Rite Lines
 Martin Tractor Co.
 Material Control
 Maxwell Supply Of Tulsa
 Melton Motor Co.
 Merz Brothers
 Mid-America Truck Equip
 Midway Ford Truck Center
 N.C.K. Electric Cooperative
 Napa Auto Parts - Concordia
 Negus Sons
 North Central Office Supply
 Northern Safety Co.
 OfficeMax Inc.
 OK Tire Service Co.
 Oklahoma Transportation Auth.

KOSE

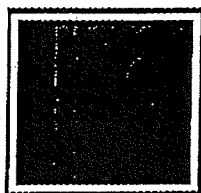
CONSTRUCTION CO.

KANSAS
 DEPARTMENT OF TRANSPORTATION



KANSAS
 CONTRACTORS
 ASSOCIATION

District 2 —K-5022-04 2 Miles North of Concordia to Nebraska State Line (Republic County)



KLAVER

CONST. COMPANY, INC.

February 4, 2002

Rep. Vern Osborne
State Capitol Building
Room 110-S
Topeka KS 66612

Re: KDOT Projects in Wabaunsee County

Dear Rep. Osborne:

We are writing to encourage your support of significant highway funding during the current legislative session. We realize the budget shortfalls the state is facing this year create a daunting job for the legislature, but would like to point out what a strong highway program means to the state and, more specifically, to your district.

During the year 2001, our company was involved in two Wabaunsee County KDOT projects, on which we spent, conservatively, \$154,721. As a subcontractor, our company did the box culvert construction which represented only a small portion of each job. This sum can be broken down as follows: \$119,589 on ready-mix concrete; \$23,905 on motels; \$11,227 on meals; and an untold but significant amount on fuel at local outlets (we don't break out fuel by job). We want to emphasize that this money was spent entirely within your district.

We think it is important to note that we are a relatively small company (annual sales of about \$10 million) and primarily a subcontractor. Knowing that we are such a small part of the highway construction industry in Kansas, one can easily understand what a significant impact the total highway program has on the state's economy as a whole.

We understand this is a difficult time for Kansas and that there are many worthy programs competing for limited dollars. We ask, however, that during your deliberations you keep in mind that funds spent on highway construction are not only an investment in the future, they also significantly and positively impact the local economies which are the beneficiaries of the projects, and this in turn multiplies itself many times throughout the state's economy as a whole. Last, but certainly not least, a robust highway program creates jobs which in turn create taxpayers.

P. O. Box 272
Kingman, Kansas 67068
(316) 532-3183
(316) 532-2924 Fax





State of Kansas

Office of Judicial Administration

Kansas Judicial Center
301 SW 10th
Topeka, Kansas 66612-1507

(785) 296-2256

House Appropriations
Tuesday, January 12, 2010

Testimony Supporting Governor's Supplemental Request Jerry Sloan, Judicial Branch Budget and Fiscal Officer

Thank you for this opportunity to testify in support of the Governor's recommended supplemental appropriation of \$5 million for the Judicial Branch. Without this, the Judicial Branch will need to implement drastic measures in the very near future.

As with most entities funded by the State General Fund, the Judicial Branch's FY 2010 was reduced during the 2009 legislative session. Due to some misunderstanding, the reduction turned out to be more than most people intended. This supplemental brings the reduction more in line with what had been envisioned.

However, even with this supplemental appropriation, the amount available would be substantially less than what had been requested for a Judicial Branch maintenance budget. As you are aware, the Judicial Branch budget is approximately 97% personnel, so staffing has been severely impacted to make the reductions. Among the more significant reductions that have been made is eliminating 193 employees, many of whom had worked for years, who were less than half-time employees and implementing an extremely hard hiring freeze with almost no exceptions. These actions have created coverage problems and backlogs and in fact 38 district courts are closed to the public for some parts of the day to process filings more efficiently. Even with the Governor's supplemental recommendation, these cut-backs will continue.

The only remaining option to save a significant amount of money during the remainder of this fiscal year is furloughs, or required, unpaid leave. Even with this supplemental, we may be required to have some furlough days before the end of fiscal year, but the supplemental recommended would offset the potential for 20 additional furlough days.

Since including the payroll period we are in today, there are only 11 payroll periods remaining. I am requesting a favorable, and quick, response to this request.

Appropriations Committee
Date 1-12-10
Attachment 8