

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Kevin Yoder at 9:05 a.m. on January 28, 2010, in Room 346-S of the Capitol.

All members were present except:

Representative Owen Donohoe- 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
Heather O'Hara, Kansas Legislative Research Department
Jonathan Tang, Kansas Legislative Research Department
Stephen Huggins, Chief of Staff, Appropriations Committee
Kathy Holscher, Committee Assistant, Appropriations Committee

Conferees appearing before the Committee:

See attached list

Others attending:

See attached list.

- Attachment 1 Juvenile Justice Authority Budget Overview
- Attachment 2 Kansas, Inc. Economic Update
- Attachment 3 **HB 2442**
- Attachment 4 Representative Tafanelli - Testimony **HB 2442**
- Attachment 5 Senator Derek Schmidt - Testimony **HB 2442**
- Attachment 6 J. Kent Eckles - Testimony **HB 2442**
- Attachment 7 Wichita Independent Business Assn. Testimony
- Attachment 8 Americans for Prosperity Testimony
- Attachment 9 Kansas Veterinary Medical Association
- Attachment 10 Kansas Association of Realtors

J. Russell Jennings, Commissioner, Kansas Juvenile Justice Authority, presented the agency's budget overview, (Attachment 1). He stated that with the Governor's budget recommendation for FY 2011, the total budget cuts in State General Fund (SGF) represents a 20.29% reduction over the past two years. Mr. Jennings noted that the system is in a delicate balance, and here is a risk of losing group home providers as a result of the reduced rate they have received from the state.

Mr. Jennings responded to questions from committee members. He stated that meetings were held with the Governor and budget director regarding a balanced budget for FY 2010, and 140 positions were eliminated in Beloit and Atchison. As requested, he will provide the committee with additional information regarding the impact of reduced staffing and programs that have been eliminated, Mr. Jennings discussed the terms of agreement for contractual arrangements, and data collection for program effectiveness to measure outcomes. He reviewed bed space and placement issues that could occur with additional budget cuts.

Stan Ahlerich, President, Kansas, Inc., provided an economic update, (Attachment 2). He discussed factors that have impacted the depth of the recession. Mr Ahlerich stated that Manufacturing represents approximately 42% of the gross state product and Kansas ranks 9th among the oil and natural gas producing states in the nation. It will be a slow and long process to recovery. Kansas is in a good position to bring in new businesses due to the balanced tax structure, retaining and growing smaller businesses are real opportunities for the state. Stop thinking about jobs but think about creating wealth to help our businesses, he suggested.

HB 2442 - Kansas streamlining government act.

Jim Wilson, First Revisor of Statutes, Office of Revisor of Statutes, presented an overview of **HB 2442**, (Attachment 3).

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:05 a.m. on January 28, 2010, in Room 346-S of the Capitol.

Mr. Wilson responded to questions from committee members regarding the composition, authority and financial compensation of the Commission.

Representative Tafanelli, presented testimony as a proponent of **HB 2442**, (Attachment 4). He stated that the independent commission would provide an unbiased opportunity for the Kansas Legislature to restructure the state government in order to be more efficient and responsive to meet the challenges of the future.

Senator Derek Schmidt, Majority Leader, provided testimony as a proponent of **HB 2442**, (Attachment 5). He reviewed the establishment of the Executive Reorganization Orders (ERO). This bill would place an independent process that would review the structure of the government for recommendations and provide an opportunity for savings. This would be a systematic method for accessing the effectiveness and accountability of state agencies, he added.

Senator Schmidt responded to questions from committee members. He discussed the rationale for holding closed Commission meetings. Committee members expressed concern for holding closed door sessions and the need for further discussion and clarification and composite of the committee, including fee funded agencies in the bill. Senator Schmidt stated that this bill would bring forth recommendations for the legislature, and input from both the public and stakeholders. Mr. Wilson responded to committee questions regarding the Commission's access to agency information. He stated that the bill was broadly written with the intent that the Commission gather pertinent information in order to act in an informed manner. The commission is not granted subpoena authority, as this authority is granted through the Legislative Post Audit.

Chairman Yoder referred to the written testimony that was distributed to committee members from the Kansas Chamber of Commerce (Attachment 6), Wichita Independent Business Association, (Attachment 7), and Americans for Prosperity, (Attachment 8). All of which are proponents of the bill, he noted.


Gary Reser, Kansas Veterinarian Medical Association, presented testimony on **HB 2442**, (Attachment 9). A opponent of this bill only due to the wording in Section 6, Mr. Reser stated. He recommended excluding any agency, board or commission that is exclusively fee funded from HB 2442.

Luke Bell, Kansas Association of Realtors (KAR), presented neutral testimony on **HB 2442**, (Attachment 10). He stated that KAR strongly supports the intent of **HB 2442**, with the recommendation to change the language in a new Section 6, as previously discussed and not Section 2.

Chairman Yoder stated that the committee meeting tomorrow will include hearing on **HB 2403**.

The next meeting is scheduled for January 29, 2010.

The meeting was adjourned at 11:00 a.m.



Kevin Yoder, Chair

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: January 28, 2010

| NAME | REPRESENTING |
|-------------------|-----------------|
| JEREMY S BARCLAY | |
| Jackson Lindsey | Hein Law |
| Sten Ahlefeld | Kansas, Inc |
| Don Kaber | Kansas, Inc |
| Stacey Worlington | KDA |
| Max Foster | SCC |
| Minda Marsh | KCCAT |
| Nancy Duke | KCCAT |
| Tom Day | KCC |
| RJ Wilson | KOSE |
| Matt Casey | CBT |
| Jessie Noble | KDHE |
| Barb Conant | KIDOA |
| Tom Thull | OSBC |
| ROB MEALY | KENNEY & Assoc. |
| Julio P | |
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| | |

TESTIMONY ON JUVENILE JUSTICE AUTHORITY AGENCY BUDGET OVERVIEW
TO THE HOUSE APPROPRIATIONS COMMITTEE
BY COMMISSIONER J. RUSSELL JENNINGS
KANSAS JUVENILE JUSTICE AUTHORITY
JANUARY 28, 2010



J. Russell Jennings
Commissioner
785-296-0042
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Appropriations Committee
Date 1-28-10
Attachment 1-1

During fiscal year 2009 and fiscal year 2010, the Kansas Juvenile Justice Authority (JJA) experienced significant budget reductions through both legislative action and allotment by the Governor. A number of extraordinary steps were taken in order to meet the budget reductions including the closure of two state juvenile correctional facilities. In spite of these reductions, the juvenile justice system in Kansas remains relatively stable. Continued reductions will further erode the ability of the juvenile justice system to sustain the progress made in recent years and will create an environment where the ability to provide for public safety will be compromised.

In July 2007, there were four operating juvenile correctional facilities. Three of the facilities, Atchison, Larned and Topeka were male facilities and Beloit served as the state facility for females. The FY09 approved budget for juvenile correctional facilities was \$33.3 million. In December 2008, operations at the Atchison Juvenile Correctional Facility were suspended in order to meet required reductions in agency budget. In July 2009, the Governor's allotment resulted in operations at the Beloit Juvenile Correctional Facility being suspended with the female offenders being moved to the renovated west campus of the Topeka facility. All youth committed to a juvenile correctional facility are now confined on one of two campuses, Larned and Topeka. The FY10 adjusted budget for juvenile correctional facility operations now stands at \$25.8 million, a \$7.5 million reduction or 22.4% below the FY09 approved budget. Additional reductions in the FY11 Governor's proposed budget will lead to a total reduction of \$7.78 million or 23.3% over the two-year period for juvenile correctional facility operations.

Operations at the Beloit Juvenile Correctional Facility ceased on August 18, 2009. The 22 girls in residence were moved to the west campus of the Kansas Juvenile Correctional Complex in Topeka. One maintenance employee remains at the Beloit facility to operate the high-pressure boiler system. SB 357 and HB 2450 were introduced this session to transfer the Beloit property to the City of Beloit. The City of Beloit and Mitchell County have worked over the past months to develop a community use for the property. The property was originally given by the City of Beloit to the State for purpose of building the Girl's Industrial School in the late 1800's. JJA sees no future state agency use for the property and encourages the transfer in order to avoid ongoing expenses for utility and maintenance.

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The Governor's allotment order in November required JJA to reduce the per diem rate for Medicaid and non-Medicaid covered purchase of services by 10%. Approximately 100 different contract service providers have felt the 10% reduction, which was implemented on January 1, 2010. The reduction in rate resulted in the YRCII contractor at the former Atchison Juvenile Correctional Facility, G4S, to ask that the contract with JJA be terminated. Youth residents at the Atchison Youth Residential Center were removed from the facility and were placed in other residential placements. December 18th was the final day of YRCII operations at Atchison.

| Change from FY 09 to FY 11, SGF Only | | | | | | |
|---|---------------------|--------------------|-----------------------------|---------------------|--------------------------------|----------------|
| | FY 2009 Approved | FY 2011 Request | FY 11 Gov Adjustments | FY 11 Gov Rec | Inc/(Dec) FY 09 to FY 11 | % Change |
| Operations | 3,924,996 | 3,683,033 | - | 3,683,033 | (241,963) | -6.16% |
| MIS | 1,166,542 | 1,158,092 | (50,000) | 1,108,092 | (58,450) | -5.01% |
| Grad. Sanc. | 16,721,809 | 16,202,355 | (1,793,716) | 14,408,639 | (2,313,170) | -13.83% |
| Incentive* | 1,000,000 | 627,311 | (627,311) | - | (1,000,000) | -100.00% |
| AYRC | - | 396,142 | (396,142) | - | - | N/A |
| Total CO | 22,813,347 | 22,066,933 | (2,867,169) | 19,199,764 | (3,613,583) | -15.84% |
| KJCC | 15,257,019 | 17,037,443 | (181,089) | 16,856,354 | 1,599,335 | 10.48% |
| AJCF | 5,549,957 | - | - | - | (5,549,957) | -100.00% |
| BJCF | 4,005,685 | - | - | - | (4,005,685) | -100.00% |
| LJCF | 8,546,491 | 8,990,783 | (271,198) | 8,719,585 | 173,094 | 2.03% |
| Total JCFs | 33,359,152 | 26,028,226 | (452,287) | 25,575,939 | (7,783,213) | -23.33% |
| Total | 56,172,499 | | (3,319,456) | 44,775,703 | (11,396,796) | -20.29% |

Table 1 illustrates budget reductions for JJA since the FY09 approved budget through the Governor's FY11 budget recommendation. Table 1 represents all agency budgeted expenses except for consensus caseload and community prevention grant funding. The JJA caseload budget pays for all residential placements other than detention services. Community prevention grants are supported by the Children's Initiative Fund.

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The caseload budget for JJA was reduced by 10% through allotment in November. The remainder of the juvenile justice system budget reductions over the past eighteen months represents a 16.74% reduction from the approved FY09 budget to the present level of the FY10 budget. The Governor's budget recommendation for FY11 will increase the total budget reductions over the two fiscal years to a 20.29% SGF reduction.

Restoration of the 10% Medicaid and purchase of service budget reduction is critical in order to restore stability to the system of providers JJA contracts with to provide residential care. JJA is dependent upon private providers to provide YRCII, group home, services for youth ordered by the court removed from home for community residential placement. Several YRCII's ceased operations as a result of their inability to maintain financial viability. Additional group homes will close if the rates are not restored. The number of beds under contract with JJA currently is adequate to meet demand; however, significant loss of additional bed space will result in a lack of adequate resources for the placement of youth. Increased number of youth in juvenile detention centers and juvenile correctional facilities at a much higher cost per day of care will result if capacity within YRCII's does not meet demand.

Kansas, Inc. Presentation to the House Appropriations Committee

Economic Update

January 28, 2010



About Kansas, Inc.



- Strategic Planning
 - *Leveraging our Foundations and Designing the Future: A Kansas Economic Renaissance*
- Research and Analysis
- Evaluation and Benchmarking
 - Commerce, KTEC, KBA, NetWork Kansas






1

Appropriations Committee
Date 1-28-10
Attachment 2-1


2-2



“All Economic Development is Personal”



2

Economic Outlook



- The U.S. economy is transitioning from the deepest and longest post-WWII recession (which bordered on the depression side) to an economy that will likely be characterized by subdued but positive growth for the rest of this year and next.
- After four consecutive quarters of negative growth, there are forward-looking indicators that have each, individually, signaled the end of past recessions and points toward further positive economic activity.
- Most of the key drivers to this substantial decline are showing marked signs of improvement. In terms of likely importance...
 - Non-agency mortgage market collapse bottomed in March
 - Falling home prices are mixed but clearly decelerating in the hardest hit areas
 - Systematic banking collapse has largely been taken off the table by time and TARP
 - Tight credit conditions improving rapidly for credit-worthy risks
 - The acceleration in unemployment has begun to slow substantially
 - The global equity swoon bottomed over the November to March time frame
 - Oil prices have been more than halved

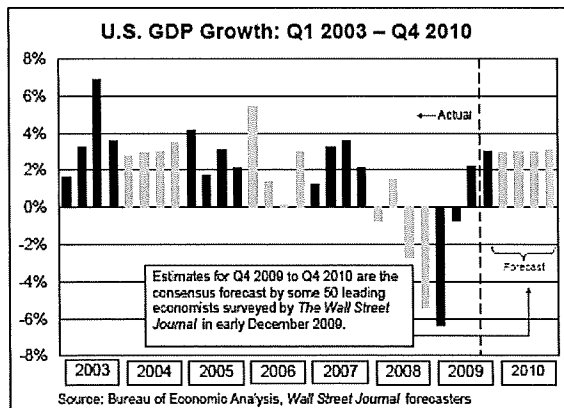


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Economic Outlook

- Still, huge headwinds persist. The rapid growth in both household and business debt that drove most of this decade's economic expansion will continue to contract while the Fed replaces credit with money creation and Congress stimulates with deficit spending.
- Key wildcards – the dollar, equity markets, how quickly home prices firm up and avoiding either outright deflation or spiraling inflation.

Gross Domestic Product

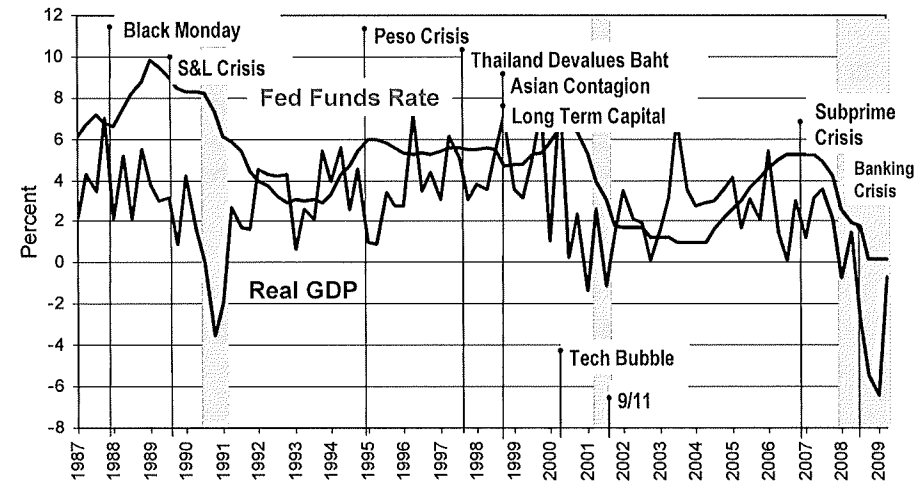


- U.S. GDP rose at an annual rate of 2.2% in Q3 2009 compared to Q2 2009
- Each month, the Wall Street Journal surveys some 50 leading economists. In the most recent survey, released December 11th, the consensus was that GDP would grow around 3% in 2010.
- There was broad agreement that there is a slow recovery for the jobs market

- GDP is the output of goods and services produced by labor and property located in the country, measuring the size of an economy and how fast it is growing.

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Crisis Management (shaded columns represent recessions)

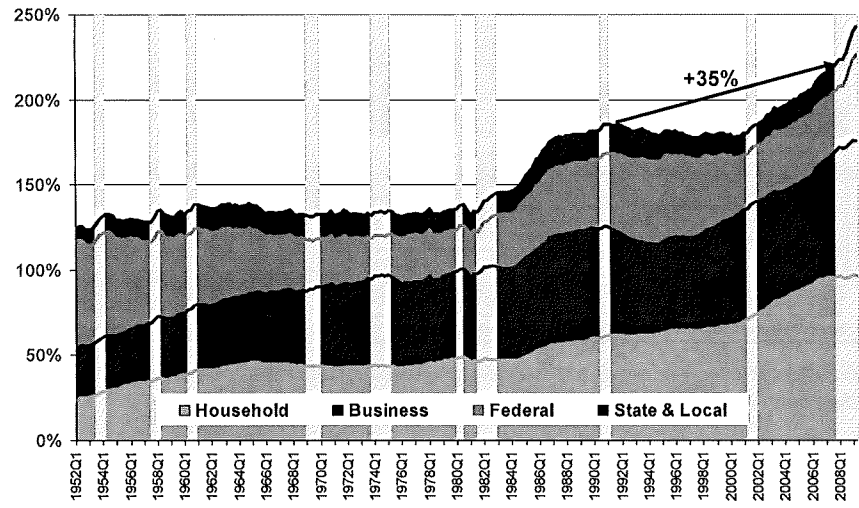


Real GDP is annualized quarterly

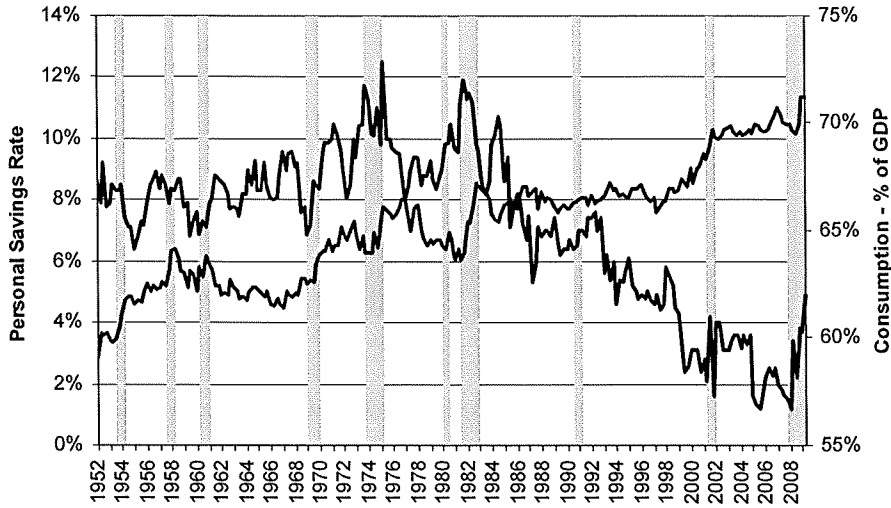


Recent U.S. Growth Largely Debt-Financed

Non-Financial Debt - % of GDP

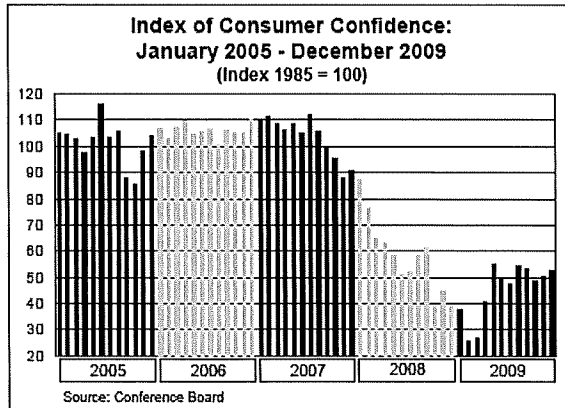


Savings vs. Consumption



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Consumer Confidence



- Consumer confidence rose to 52.9 in December 2009, from a revised 50.6 in November 2009
- Expectations for the short-term future increased to the highest level in two years

- This index is based on a monthly survey of 5,000 U.S. households, designed to gauge the financial health, spending power, and confidence of the average consumer. The index is designed to predict future consumer spending.

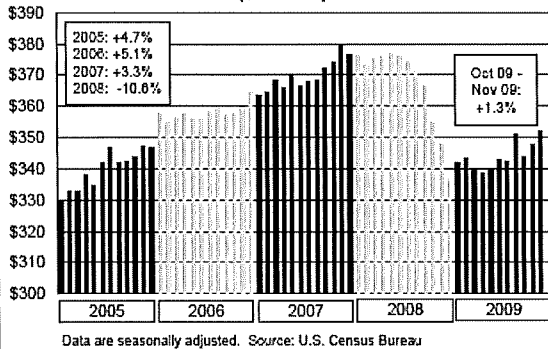
Kansas, Inc.

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Retail Sales

Retail Sales: January 2005 - November 2009
(billions)



Data are seasonally adjusted. Source: U.S. Census Bureau

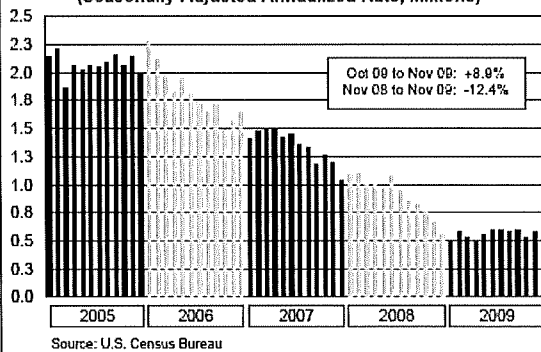
- Total retail sales were up 1.3% (\$4.5 billion) in November 2009 from October 2009. They were up 1.3% from November 2008 as well. (\$1.9 billion of the \$4.5 billion was gasoline)
- Personal consumption accounts for approximately 70 percent of U.S. GDP. Thus, the health of the economy depends largely on how much “stuff” individuals buy.

- A monthly survey of 5,000 retailers of all types to track the dollar value of physical merchandise.



Housing Starts

U.S. Housing Starts: January 2005 - November 2009
(Seasonally-Adjusted Annualized Rate, Millions)



Source: U.S. Census Bureau

- Capping the worst year for housing since the end of WWII, U.S. housing starts fell 4%
- During 2009 an estimated 554,000 homes were started, down 39% from 2008’s total of 906,000 and the lowest since 1995
- Housing starts are down 75% from their peak in 2006
- The inventory of new homes has been at record highs – industry has been working to slash unsold properties; as of November 2009 new homes on market had fallen to just 235,000, the fewest since 1971

- Housing directly accounts for around 5 percent of the overall economy and has large spillover effects on other sectors, since individuals buying new homes tend to spend on other goods.



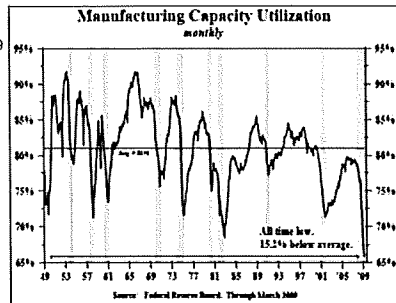
2-6

Economic Slack Reaches Record Levels



- On a year over year basis, the decline in employment is the largest since the current data series began.
- The broader “U6” under-employment rate that includes the “less active” or “part-time” workers who want to work full time reached an all time high of 15.6%.
- The Fed projects unemployment to unfortunately approach at least the 10% level. That may actually be too low.

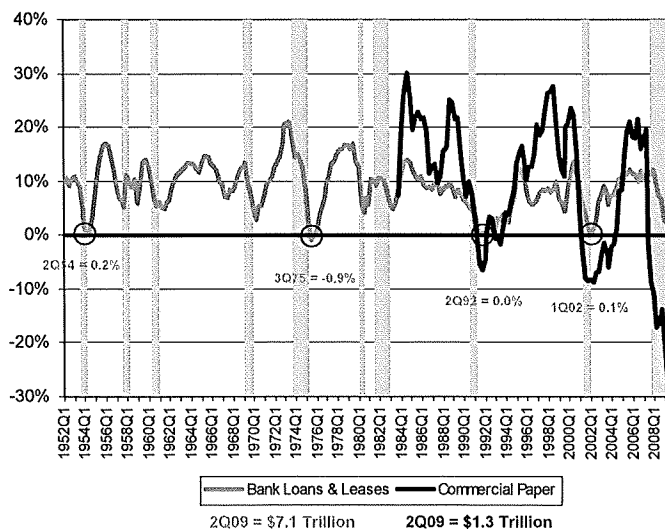
- While workers are being laid off, plants are shutting down (think big three).
- In addition, recent investment in energy exploration, mining capacity, and utility infrastructure, sparked by the run up in commodity prices, has exacerbated the economic slack with capacity utilization at an all time low.
- It is hard to inflate when property values are declining and wage growth is decelerating or even nonexistent.



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Credit Has Contracted

U.S. Commercial Bank Lending & Commercial Paper – Y-O-Y % Change



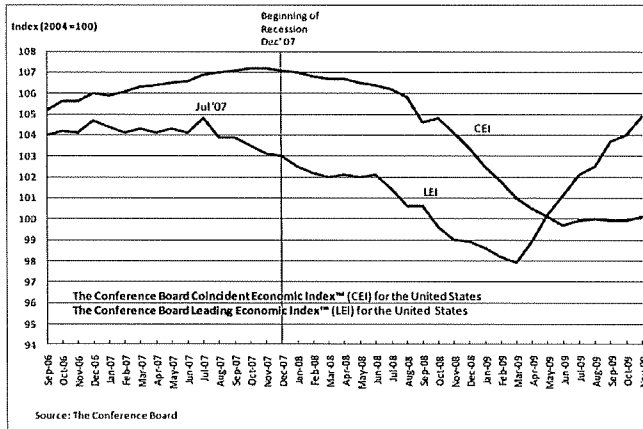
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Some Potentially Positive Economic Indicators

- Leading Economic Indicator
- ISM Manufacturing Index
- Initial Claims for Unemployment



Leading Economic Indicator

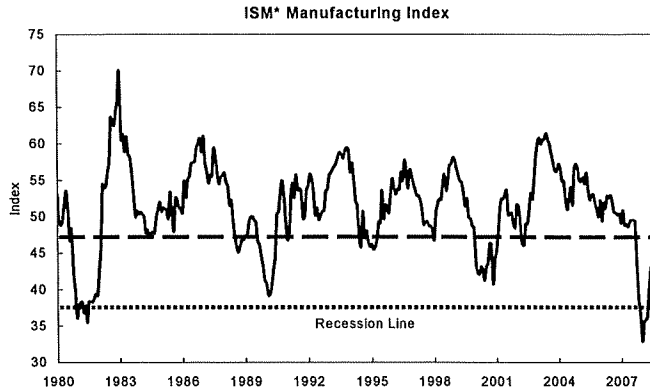


- The LEI increased 0.9 percent in November, 0.3 percent in October, and 1.2 percent in September.
- Improving financial conditions, labor market indicators and housing permits have contributed to the LEI's recent gains.

The Conference Board LEI index is based on key variables intended to forecast future economic activity. These variables have historically trended downward before a recession and upward before an expansion.



ISM Manufacturing Index



□ Economic activity in the manufacturing sector expanded in December for the fifth consecutive month to 55.6, signaling growth.

□ Overall, the recovery in manufacturing is continuing, but there are still some industries mired in the downturn.

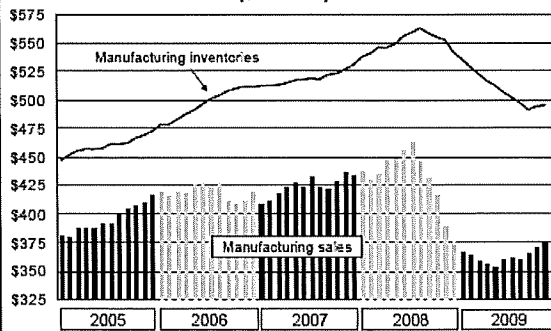
□ *The Manufacturing ISM (Institute for Supply Management) Report On Business® is based on data compiled from purchasing and supply executives nationwide.*



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Manufacturing Inventories and Sales

Manufact. Sales & Inventories: Jan. 2005 - Nov. 2009
(\$ Billions)



Data are seasonally-adjusted. Source: U.S. Census Bureau

□ Seasonally-adjusted manufacturing sales rose 1.0% in November 2009 from October 2009, while manufacturing inventories rose 0.2%, marking the second straight monthly increase after 13 straight monthly declines

□ *Manufacturers don't want to hold too much inventory, because it costs money to store it, and it can become obsolete or spoil. Moreover, inventory earns no return on investment. But manufacturers don't want too little inventory either, or they could lose sales.*

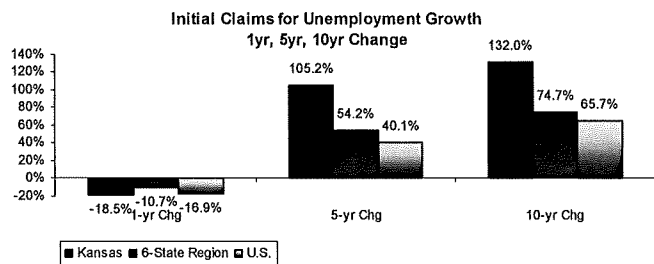


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Initial Claims for Unemployment

| | Dec-09 | Dec-08 | Dec-04 | Dec-99 | 1-yr Chg | 5-yr Chg | 10-yr Chg |
|----------------|-----------|-----------|-----------|-----------|----------|----------|-----------|
| Kansas | 30,571 | 37,533 | 14,896 | 13,179 | -18.5% | 105.2% | 132.0% |
| 6-State Region | 211,688 | 237,019 | 137,286 | 121,204 | -10.7% | 54.2% | 74.7% |
| U.S. | 2,775,917 | 3,341,040 | 1,981,809 | 1,675,634 | -16.9% | 40.1% | 65.7% |

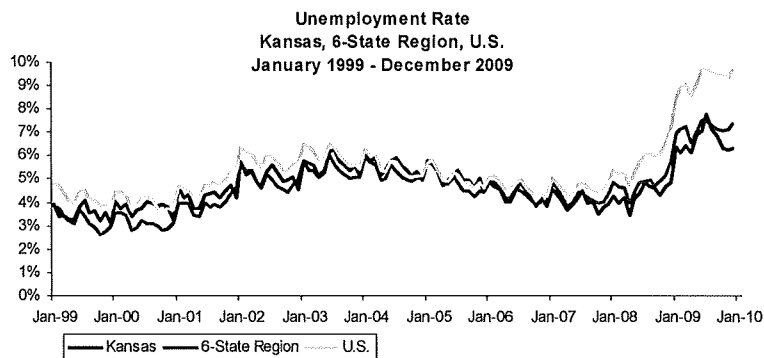


- Initial Claims for Unemployment have decreased since 2008. Kansas claims are below their high in December 2008 of 37,500.
- *Initial claims for unemployment typically rise as the economy moves into recession and fall as the economy recovers. Claims traditionally peak in the winter months of November, December and January.*

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Unemployment & Unemployment Rate

| | Dec-09 | Dec-08 | Dec-04 | Dec-99 | 1-yr Chg | 5-yr Chg | 10-yr Chg |
|--------------------|------------|------------|-----------|-----------|----------|----------|-----------|
| Kansas | 95,126 | 73,009 | 72,381 | 43,760 | 30.3% | 31.4% | 117.4% |
| 6-State Region | 842,548 | 658,649 | 567,264 | 316,849 | 27.9% | 48.5% | 165.9% |
| U.S. | 14,740,000 | 10,999,000 | 7,599,000 | 5,245,000 | 34.0% | 94.0% | 181.0% |
| Kansas (%) | 6.3% | 4.9% | 5.0% | 3.1% | 1.4% | 1.3% | 3.2% |
| 6-State Region (%) | 7.4% | 5.7% | 5.1% | 3.0% | 1.7% | 2.3% | 4.4% |
| U.S. (%) | 9.7% | 7.1% | 5.1% | 3.7% | 2.6% | 4.6% | 6.0% |



- U.S. unemployment at 9.7% during December 2009, approximately 14.7 million.

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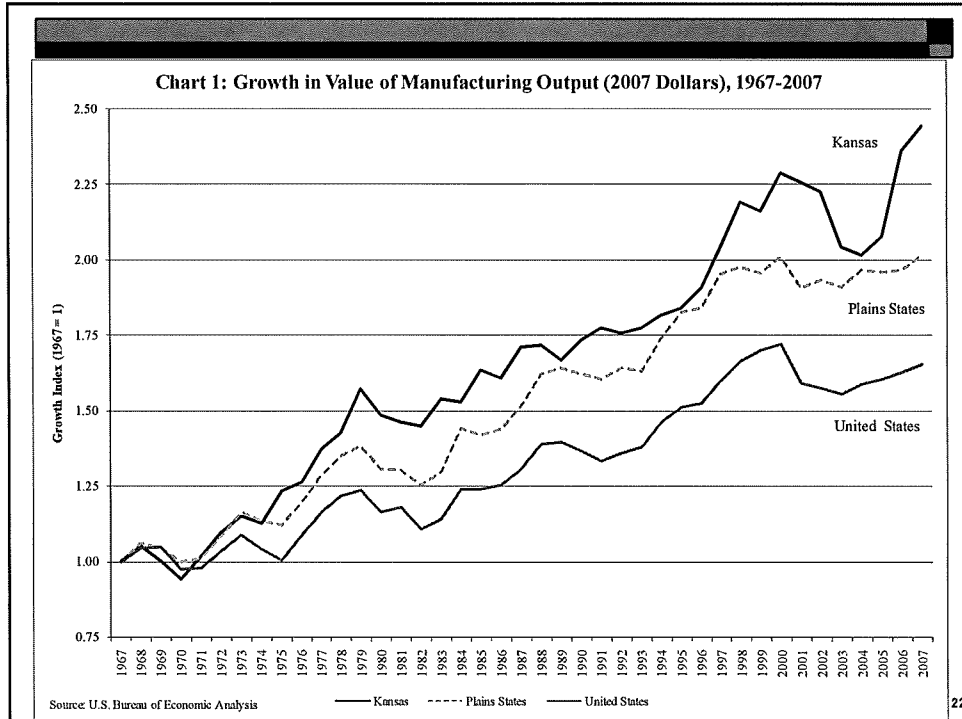
Kansas Business Sectors

- Manufacturing – Aerospace and General
- Professional, Scientific & Technical Services
- Energy and Natural Resources
- Rural Development and Agriculture

Manufacturing – Aerospace and General

- **Aerospace** – The aircraft industry experienced significant losses, with more than 12,000 employee layoffs announced in the Wichita MSA between October 2008 and November 2009, but, the pace has slowed. (WSU CEDBR Economic Outlook)
- **General** – Manufacturing employment decreased 13.9 percent from November 2009 to November 2008 in Kansas, to 161,400 employees, a loss of 26,100 employees. (U.S. Bureau of Labor Statistics)

2-12



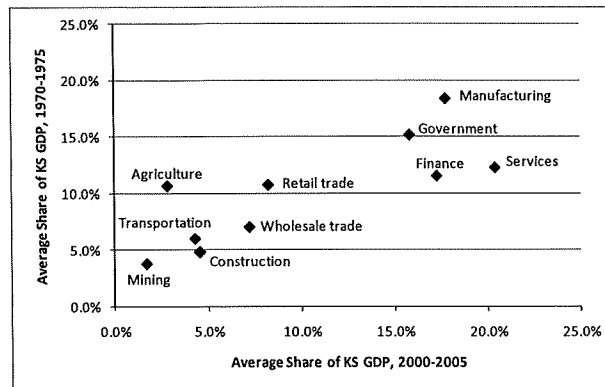
Professional, Scientific and Technical Services

- Service sector employment decreased 1.0 percent from November 2009 to November 2008 in Kansas, to 269,400 employees, a loss of 2,600 employees. (U.S. Bureau of Labor Statistics)
- Areas covered -
 - Engineering
 - Communications
 - Technology
 - Financial Fields
 - Healthcare
 - Skilled Trades
 - Etc.

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Professional, Scientific and Technical Services

Industry Shares of Kansas GDP, 1970-75 vs. 2000-05



Source: U.S. Bureau of Economic Analysis



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Energy and Natural Resources

- The Kansas oil and gas industry is nearly a \$6.3 billion industry.(KIOGA)
- Nationally, Kansas ranks 9th among the 31 oil producing states and 9th among the 32 natural gas producing states. (KIOGA)
- Over 2,800 permits to drill oil and gas wells were issued in 2009 in Kansas. (KIOGA)
- The global financial crisis in late 2008 and 2009 eroded oil and natural gas demand and prices – oil prices fell 76 percent, only to make a small recovery during the latter half of 2009 and natural gas prices have fallen 59 percent and have yet to see a recovery. (KIOGA)
- Kansas ranks among the top-10 in wind energy production and potential.



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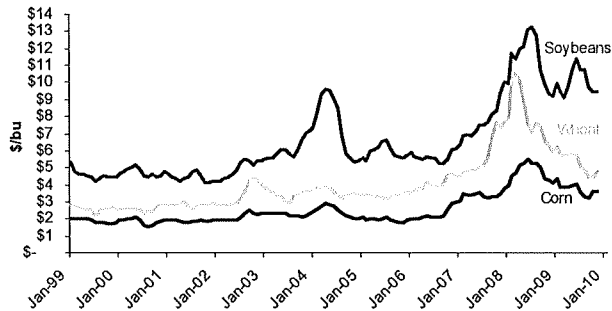
Rural Development and Agriculture

- Agricultural outlook improved in October and November 2009 with rising commodity prices. Despite reports of above-average corn and soybean yields, grain prices have risen due to improved export activity and a delay in the fall harvest. Wet weather pushed back the fall harvest in all District states and slowed winter wheat planting. (KCFED)
- Cattle and hog prices have edged up, but remained below breakeven prices due to rising feed costs. District contacts reported further reductions in livestock supplies through herd liquidations. (KCFED)
- District bankers reported having ample funds for creditworthy borrowers and expected farmland values to hold steady in coming months. (KCFED)

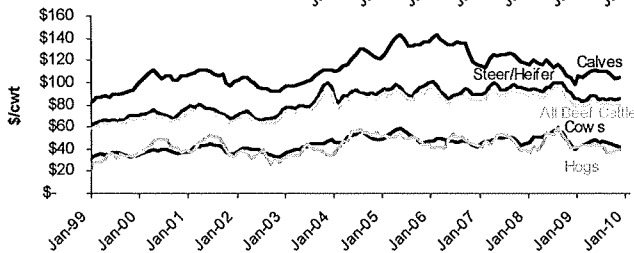


Rural Development and Agriculture

U.S. Crop Prices



U.S. Livestock Prices

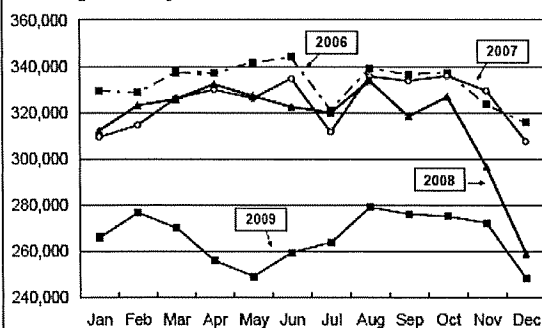


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Other Economic Indicators

U.S. Railroad Traffic

Average Weekly U.S. Rail Carloads: All Commodities



Data are weekly average originations for each month, exclude U.S. operations of CN and CP, and reflect revisions from original reporting. Source: AAR Weekly Railroad Traffic

- U.S. freight railroads originated an average of 248,259 carloads per week in December 2009.
- Down 4.1% from December 2008 and down 17.6% from December 2007
- Rail traffic always falls sharply in late December due to the holidays. This year, unusually heavy early-season snow in parts of the country also negatively affected rail traffic

□ Freight railroading is a *“derived demand”* industry – demand for rail service occurs as a result of demand elsewhere in the economy for the products that railroads haul. Thus, rail traffic is a useful gauge of the health of the overall economy.

91-c

U.S. RAIL TRAFFIC: ANNUAL TOTALS*

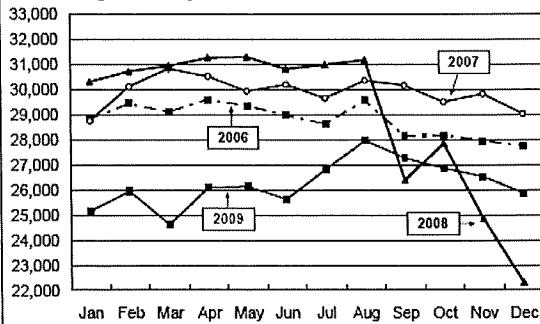
| Commodity | 2009 | 2008 | 2007 | Difference | | % Change | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|---------------|---------------|
| | | | | '09-'08 | '09-'07 | '09-'08 | '09-'07 |
| Agricultural & food products | 1,906,858 | 2,152,785 | 2,151,692 | -245,927 | -244,834 | -11.4% | -11.4% |
| Grain | 1,037,889 | 1,210,066 | 1,179,881 | -172,177 | -141,992 | -14.2% | -12.0% |
| Farm products excl. grain | 41,844 | 50,649 | 52,441 | -8,805 | -10,597 | -17.4% | -20.2% |
| Grain mill products (1) | 426,468 | 444,729 | 466,916 | -18,261 | -40,448 | -4.1% | -8.7% |
| Food products | 400,657 | 447,341 | 452,454 | -46,684 | -51,797 | -10.4% | -11.4% |
| Chemicals and petroleum | 1,643,656 | 1,823,896 | 1,888,967 | -180,240 | -245,311 | -9.9% | -13.0% |
| Chemicals | 1,365,923 | 1,511,412 | 1,555,539 | -145,489 | -189,616 | -9.6% | -12.2% |
| Petroleum products | 277,733 | 312,484 | 333,428 | -34,751 | -55,695 | -11.1% | -16.7% |
| Coal | 6,651,700 | 7,461,335 | 7,218,757 | -809,635 | -567,057 | -10.9% | -7.9% |
| Forest products | 492,846 | 653,351 | 740,294 | -160,505 | -247,448 | -24.6% | -33.4% |
| Primary forest products (2) | 79,742 | 110,185 | 123,329 | -30,443 | -43,587 | -27.6% | -35.3% |
| Lumber & wood products | 118,980 | 178,375 | 225,802 | -59,395 | -106,822 | -33.3% | -47.3% |
| Pulp & paper products | 294,124 | 364,791 | 391,163 | -70,667 | -97,039 | -19.4% | -24.8% |
| Metallic ores and metals | 644,603 | 1,125,447 | 1,253,192 | -480,844 | -608,589 | -42.7% | -48.6% |
| Metallic ores (3) | 173,241 | 346,951 | 336,262 | -173,710 | -163,021 | -50.1% | -48.5% |
| Coke | 143,744 | 193,108 | 284,046 | -49,364 | -140,302 | -25.6% | -49.4% |
| Primary metal products (4) | 327,618 | 585,388 | 632,884 | -257,770 | -305,266 | -44.0% | -48.2% |
| Motor vehicles & parts | 537,958 | 809,786 | 1,028,460 | -271,828 | -490,502 | -33.6% | -47.7% |
| Nonmetallic minerals & prod. | 1,331,914 | 1,681,161 | 1,842,169 | -349,247 | -510,255 | -20.8% | -27.7% |
| Crushed stone, gravel, sand | 759,648 | 975,118 | 1,069,793 | -215,470 | -310,145 | -22.1% | -29.0% |
| Nonmetallic minerals (5) | 242,836 | 285,404 | 312,241 | -42,568 | -69,405 | -14.9% | -22.2% |
| Stone, clay & glass prod. (6) | 329,430 | 420,639 | 460,135 | -91,209 | -130,705 | -21.7% | -28.4% |
| Other | 603,454 | 755,125 | 755,951 | -151,671 | -152,497 | -20.1% | -20.2% |
| Waste & scrap materials (7) | 356,872 | 488,829 | 504,985 | -131,957 | -148,113 | -27.0% | -29.3% |
| All other carloads | 246,582 | 266,296 | 250,966 | -19,714 | -4,384 | -7.4% | -1.7% |
| TOTAL ALL CARLOADS | 13,812,989 | 16,462,886 | 16,879,482 | -2,649,897 | -3,066,493 | -16.1% | -18.2% |
| Trailers | 1,640,672 | 2,478,890 | 2,594,680 | -838,218 | -954,008 | -33.8% | -36.8% |
| Containers | 8,239,930 | 9,021,088 | 9,407,168 | -781,158 | -1,167,238 | -8.7% | -12.4% |
| TOTAL ALL INTERMODAL | 9,880,602 | 11,499,978 | 12,001,848 | -1,619,376 | -2,121,246 | -14.1% | -17.7% |

- (1) - flour, animal feed, corn syrup, corn starch, soybean meal, etc. (5) - phosphate rock, rock salt, crude sulphur, clay, etc.
 (2) - wood raw materials such as pulpwood and wood chips (6) - cement, ground earths or minerals, gypsum products, etc.
 (3) - overwhelmingly iron ore, but some aluminum ore, copper ore, etc. (7) - scrap metal and paper, construction debris, ashes, etc.
 (4) - primarily iron & steel products; some aluminum, copper, etc.

*Data are originations. Includes BNSF, CSX, KCS, NS, UP, Birmingham Southern, Florida East Coast, Lake Superior & Ishpeming, and Paducah & Louisville. Does not include CN's and CP's U.S. operations. Source: AAR *Weekly Railroad Traffic*

U.S. Railroad Traffic – Chemical Focus

Average Weekly U.S. Rail Carloads of Chemicals



Data are weekly average originations for each month, exclude U.S. operations of CN and CP, and reflect revisions from original reporting. Source: AAR Weekly Railroad Traffic

- U.S. rail carloads of chemicals averaged 25,882 per week in December 2009, up 16.0% from December 2008 and down 9.7% from December 2007
- U.S. chemical carloadings have fallen for 4 straight months
- Shipments in the chemical industry were approximately \$689 billion in 2008 (around \$515 billion if pharmaceuticals are excluded)

□ *Since most chemicals are used in the production of other goods, the chemical industry's fortunes tend to rise and fall with the economy as a whole, especially manufacturing.*

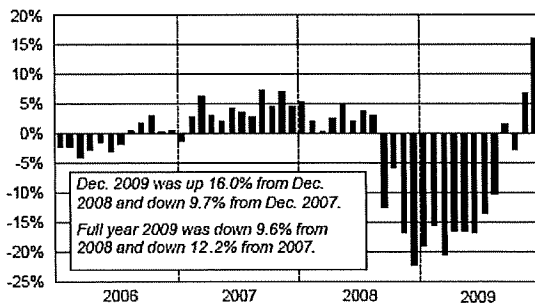


Source: Rail Time Indicators

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U.S. Railroad Traffic – Chemical Focus

% Change in U.S. Rail Carloads of Chemicals From Same Month Previous Year: Jan. 2006 - Dec. 2009



Dec. 2009 was up 16.0% from Dec. 2008 and down 9.7% from Dec. 2007.
Full year 2009 was down 9.6% from 2008 and down 12.2% from 2007.

Data are based on originations, exclude U.S. operations of CN and CP, and reflect revisions to original reporting. Source: AAR Weekly Railroad Traffic

- More than half of all railroad chemical tonnage consists of **various industrial chemicals**
- **Plastic materials and synthetic resins** account for more than ¼ of rail chemical tonnage
- Most of the rest consists of various types of **fertilizers** and other **agricultural chemicals**.

□ *Since most chemicals are used in the production of other goods, the chemical industry's fortunes tend to rise and fall with the economy as a whole, especially manufacturing.*




Source: Rail Time Indicators

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81-2

Conclusions

- Economic data is sobering.
- There are signs of an incremental recovery.
- Long-term is optimistic?


 **Kansas, Inc.**

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End of Slideshow

- Questions/Comments?

www.kansasinc.org

 **Kansas, Inc.**

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Office of Revisor of Statutes

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MEMORANDUM

To: Chairman Yoder and members of the Committee on Appropriations
From: Jim Wilson, First Assistant Revisor of Statutes
Date: January 28, 2010
Subject: 2010 House Bill No. 2442

HB 2442 would enact the Kansas Streamlining Government Act and establish the Kansas Streamlining Government Commission, composed of seven members, within the legislative branch of state government. [HB 2442, §3]

The purposes of the act are to “improve the performance, streamline the operations, improve the effectiveness and efficiency, and reduce the operating costs of the executive branch of state government by reviewing state programs, policies, processes, original positions, staffing levels, agencies, boards and commissions, identifying those that should be eliminated, combined, reorganized, downsized or otherwise altered, and recommending proposed executive reorganization orders, executive orders, legislation, rules and regulations, or other actions to accomplish such changes and achieve such results.” [HB 2442, §1(b)]

The act provides for appointment of and prescribes qualifications for the members of the Commission. The President and the Majority and Minority Leaders of the Senate and the Speaker and the Majority and Minority Leaders of the House of Representatives, and the Governor would each appoint one member of the Commission. Each member must be a citizen of the United States of America and a resident of Kansas. Not more than five members may be affiliated with the same political party. [HB 2442, §3]

A member (1) may not hold, or have held within three preceding years, any paid position with a state agency or local governmental entity in Kansas or with any state or federal governmental entity. (2) may not be a party to a contract with a state agency or local governmental entity in Kansas or an employee of an entity that is a party to such a contract, and (3) may not be a lobbyist and may not be or become engaged in lobbying under the state governmental ethics law or any federal law. [HB 2442, §3]

Members would serve without compensation, but would receive subsistence allowances, mileage and other expenses as provided for legislators. [HB 2442, §3(g)]

Four members constitute a quorum for meetings and actions by the Commission require the

23
ative vote of a majority of all members. Less than a quorum may conduct hearings, but no action n
be taken at such a meeting. [HB 2442, §3]

The Commission could meet at any time and in any place within Kansas. It could recess in closed meetings in accordance with the open meetings act to conduct discussion and deliberations, but all votes would be required to be taken in open meeting. [HB 2442, §4(a)] The Commission may require executive agencies to preserve and make available records and documents. [HB 2442, §4(b)] Legislative staff agencies would provide assistance upon request, including the conduct of audits. [HB 2442, §5]

Section 6 grants the Commission authority to review any agency, board, commission or program of the executive branch of state government. All state agencies of the executive branch of state government are required to cooperate fully with the Commission in the discharge of its duties.

Section 7 charges the Commission to make such recommendations for changes to the executive branch of state government as it determines appropriate. Upon completion of its review of any aspect of the executive branch of state government, the commission may recommend: (1) The abolition of any program, agency, board or commission; (2) the reorganization or combination of any state program, agency, board or commission; (3) a change in any state procedure or process; and (4) such other changes deemed appropriate to fulfill the Commission's purposes.

Section 8 sets forth that recommendations may include that any executive agency use existing authority to change policies, procedures or organization and that the Governor issue an executive directive, executive order or executive reorganization order to change policies, procedures or organization. The Commission is to submit a report by September 1, 2010, December 31, 2010, September 1, 2011, and December 31, 2011, to the Governor and the Legislature. The legislature's support and approval of the Commission's recommendations would be expressed by adoption of a concurrent resolution.

The bill includes a policy that the House of Representatives and the Senate each adopt rules for the proceedings to provide specific procedures for the consideration and action on any resolutions introduced in support of any recommendations of the commission. The rules adopted for this purpose should include procedures to provide that no such resolution shall be subject to amendment during consideration by the body and final action on such resolution shall be by roll call vote.

The Commission would be abolished and the act would expire on December 31, 2011, by Section 9.

The remaining sections amend the Kansas Whistleblower Act [K.S.A. 2009 Supp. 75-2973] to include the Commission as an "auditing agency" and the Open Meetings Act [K.S.A. 2009 Supp. 75-4319] to permit the Commission to close meetings for discussions, deliberations and testimony in the discharge of duties under the act. [HB 2442, §4(a)(2)]

State of Kansas
Kansas House of Representatives



Representative Lee Tafanelli
47th District

300 SW 10th, Room 50-S
Topeka, KS 66612

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Testimony on HB 2442
Before the House Appropriations Committee
By Rep. Lee Tafanelli
January 28, 2010

Chairman Yoder and Honorable Committee Members,

Thank you for this opportunity to provide testimony in support of House Bill 2442. This legislation would create an independent commission to carefully review and then recommend how, when and if state government programs or agencies should be consolidated, overhauled or even eliminated. Funding for the commission would come from existing Legislative budgets.

As you are well aware, our state is in its fourth straight year of declining revenues. That, combined with recent spending decisions made by the Legislature and Governor, has created a budget crisis. Much has been done to try and reduce state spending in the last year. Still, there is a \$400 million budget gap.

Every session we lawmakers debate budgets, voting up or down ideas to fund our current system. There have been attempts to cut spending, eliminate programs, or redirect state resources. But more often than not, those ideas met with defeat. Why? Because there is too much politics defending the current system. Too much lobbying effort is put into maintaining legacy funding and programs. To change our state government for the better to meet current and future needs of Kansans, I believe we must attempt to remove some of the politics from the process.

Overhauling the state bureaucracy is just like realigning military bases after the Cold War — everybody knows it needs to be done, but nobody can agree where to start. As the federal BRAC process proved, this kind of independent commission proved to be a step in the right direction and a look to the future needs of the Department of Defense in meeting our future challenges for our National Security.

Members of the Kansas Government Streamlining Commission would be appointed by legislative leadership and the current governor. Any changes would be implemented by a gubernatorial executive order.

This bill prohibits anyone serving on the commission who has worked in state or federal government in the last three years or anyone who works as a lobbyist. The only special interest that would be served by this commission is the special interest of all Kansans.

If we do this right, the Kansas Legislature can restructure our state government — making it stronger, more efficient, and more responsive to the needs of future generations of Kansans.

Thank you again for the opportunity to appear before you in support of HB 2442. As always, I stand ready for your questions.

A handwritten signature in black ink, appearing to read "Lee Tafanelli", written over a horizontal line.

Appropriations Committee
Date 1-28-10
Attachment 4

Capitol Office

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Senator Derek Schmidt
Majority Leader

Committee Assignments

Chair: Confirmation Oversight
Vice Chair: Assessment & Taxation
Judiciary
Organization Calendar & Rules
Member: Legislative Post Audit
Interstate Cooperation
Message Only (800) 432-3924
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Testimony in Support of House Bill 2442
Presented to the House Appropriations Committee
by Senator Derek Schmidt

January 28, 2010

Mr. Chairman, members of the committee, thank you for this opportunity to testify today.

For well over a year, Representative Tafanelli and I have been in discussion, along with others, about how we could encourage during these difficult budget times a more in-depth review of the state's bureaucratic structures. One need only walk the halls of the Statehouse to know that everybody has an idea about a state agency, department, office, position, program or other component that should be realigned, eliminated, consolidated, overhauled or otherwise changed.

There is near-universal agreement that there are ways to make our state bureaucracy more efficient, and in the process less costly and more effective.

The problem is that there is no consensus on what changes ought to rise to the top of the list.

That's an inherent problem in our representative democracy, where all 165 of us represent individual constituencies with different priorities, different interests and different needs.

The founders of our state foresaw the difficulty in the legislature dealing with questions about the organization of the state bureaucracy. That's why they wrote into our Kansas Constitution a special power for the governor to issue Executive Reorganization Orders (ERO). The ERO is a constitutional tool specifically designed to give a governor power, unless overridden by the legislature, to restructure the bureaucracy.

Almost every new governor tends to use the ERO power early in his or her administration to put his or her imprint on the structure of the bureaucracy. In my memory, Governor Sebelius did and so did Governor Graves.

It is likely that our next governor will do the same. Kansas will have a new governor in January 2011, one year from now. So the timing is right for all of us to begin laying the groundwork for bureaucratic changes that could be considered by the new governor in the early exercise of his or her ERO authority.

That's why this proposal is timely. Establishment of the Kansas Streamlining Government Commission at this time would put in place an orderly, independent process to review the structure of state government and to make recommendations for change to the new governor and to the legislature. The final decision whether to implement changes still would rest with the people's elected representatives, but I believe that the early process of developing consensus on recommended changes is likely to result in a more collaborative approach to the exercise of the ERO authority.

While the mechanics proposed in this bill may be unique to Kansas, the concept is not. This idea of using an independent commission to review politically difficult issues has its roots in the federal base-closing process adopted by Congress after the Cold War. It works, and I believe applying it in this case would be a benefit to Kansas taxpayers and to all Kansans who expect us to engage in periodic review of the state's bureaucratic structures rather than simply accepting the way things are because "we've always done it that way."

Thank you for your consideration, and I would be happy to stand for questions.

Appropriations Committee
Date 1-28-10
Attachment 5



**Written Testimony before the House Appropriations Committee
HB 2442 – Establishing the Kansas Streamlining Government Commission
Presented by J. Kent Eckles, Vice President of Government Affairs**

Thursday, January 28th, 2010

The Kansas Chamber of Commerce appreciates the opportunity to present testimony in favor of HB 2442, which would establish the Kansas Streamlining Government Commission.

Our Annual CEO Poll and Membership Survey both indicated a strong desire of employers throughout Kansas to encourage the legislature to implement a host of government efficiency suggestions for all levels of government. With ever decreasing and precious tax dollars available, it is imperative those dollars are spent in the most efficient and transparent manner possible.

Kansas residents and businesses simply cannot afford our state government any longer so the state must begin to prepare for an impending “reset of state government.” The Kansas Streamlining Government Commission is an idea whose time has come.

This coming state government reset will no doubt be extremely difficult considering the spending binge the state was on immediately preceding this recession. During the last decade, states increased their spending by an average of 6% per year, topping out at 8% during 2007-08 – Kansas included. Much of the government institutions built up in those years will now have to be dismantled.

States such as Indiana - which made the same tough choices years ago that Kansas faces now - are in a much better position to attract jobs and grow their tax base. Simply put, the cost of doing business is much lower when state government is streamlined.

Kansans are currently seeing first-hand the political impulse to protect government largess and how it leads many states to aggravate their dilemma. 29 states have raised taxes, often on businesses, serving only to chase them and their tax payments away and into the open arms of states like the aforementioned Indiana. If efficiencies are not found and the tax burden is increased on Kansas employers, many will surely close up shop and seek out low-cost, enterprise-friendly environments in other states.

We urge the Committee to pass favorably House Bill 2442 to make the state more efficient and effective with limited taxpayer dollars.

The Kansas Chamber, with headquarters in Topeka, Kansas, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium, and large employers all across Kansas. Please contact me directly if you have any questions regarding this testimony.



Appropriations Committee
Date 1-28-10
Attachment 6



Wichita Independent Business Association

THE VOICE OF INDEPENDENT BUSINESS

**House Committee on Appropriations
Written Testimony in Support of HB 2442
By: Tim F. Witsman**

January 28, 2010

Historically, the members of the Wichita Independent Business Association (WIBA) have long desired a reduction in state government expenditures and therefore support the creation of the Kansas Streamlining Government Commission as set out in HB 2442. We believe it is wise for the Kansas Legislature to create a commission charged with providing an independent review of state agencies and applaud its goals of streamlining state operations, improving the effectiveness and efficiency of government, and ultimately reducing the operating costs of state government.

Over the past year, WIBA members have striven to eliminate waste in their businesses in order to put their expenses in line with their revenues and remain competitive in this down economic time. The establishment of an independent commission would put require a group of individuals to focus on reviewing government structure and its spending and empower them to make recommendations on the best way to bring Kansas government in line with its revenue.

In addition to costs savings, this commission has the potential to simplify the process of dealing with Kansas government at all levels. Kansas small business owners spend countless hours complying with government rules, regulations and agency directives. Simplification and less government intrusion has been another longstanding position of WIBA. HB 2442 has the potential to save not only the State of Kansas significant money, but significant time and money for Kansas businesses.

Thank you for the opportunity to submit written comments on behalf of the members of the Wichita Independent Business Association. If you have any questions or comments regarding this testimony, please contact our lobbyists, Natalie Bright and Marlee Carpenter at 785.783.7111.

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Appropriations Committee
Date 1-28-10
Attachment 7



Testimony in Support of House Bill 2442
House Appropriations Committee
January 28, 2010

Mr. Chairman and members of the committee,

I am proudly before you today, representing the nearly 40,000 members of Americans for Prosperity-Kansas.

AFP supports HB 2442, which establishes the Kansas Streamlining Government Commission. The proposal creates a BRAC-style independent commission that would recommend state agencies and programs for consolidation, overhaul or elimination.

With the existence of an anticipated \$400 million budget shortfall, it's critical that our state does everything in its power to reduce spending and increase efficiency. AFP finds it difficult to believe that waste no longer exists in state government, and we hope this commission proves to be a useful tool in rooting out redundancies and excesses in state spending.

The current budget crisis provides a platform for discussion on how our state can reform the way we spend taxpayer dollars in Topeka. In addition to the Kansas Streamlining Government Commission proposal, lawmakers should consider zero-based budgeting, spending constraints and creating a budget stabilization fund.

Debate continues on whether inefficient and wasteful spending still occurs within state government. Until the legislature adopts proposals designed to directly address this point of contention, it will be near impossible to identify to what extent inefficiencies truly exist.

What we do know is that state general fund spending increased 40% between FY 2004 and FY 2009, a staggering clip that AFP and others said simply could not be sustained. Additionally, talk of increasing the tax burden on Kansas families and businesses is hard to understand considering our high tax burden compared to neighboring states.

This is the opportune time for the legislature to inform Kansans that it's taking steps to ensure that every taxpayer dollar sent to Topeka is being spent wisely. Passage of HB 2442 is a step in the right direction.

Derrick Sontag
State Director



816 SW Tyler, Suite 200, Topeka, KS 66612-1635 ■ (785) 233-4141 ■ FAX: (785) 233-2534

Testimony
House Appropriations Committee
Presented by Kansas Veterinary Medical Association
Thursday, Jan. 28, 2010

Chairman Yoder, members of the House Appropriations Committee, thank you for the opportunity to appear today and testify on H.B. 2442.

The Kansas Veterinary Medical Association (KVMA) advocates on behalf of the Kansas veterinary profession through legislative and regulatory representation and educational, communications, and public awareness programs.

The KVMA certainly agrees with the concept of “streamlining” state government, but feels strongly that some elements of the bill would not result in “streamlining” and that agencies that are exclusively fee funded and receive no State General Fund (SGF) funding should be excluded from H.B. 2442.

The KVMA supports the amendment being offered by the Kansas Association of Realtors to New Sec. 2 (d) of H.B. 2442 (new language in **bold**):

(d) “state agency” means any state agency in the executive branch of state government **that is not funded exclusively through fee funds;**

It has been the impression of the KVMA over the years that the Kansas Board of Veterinary Examiners, a smaller, exclusively fee funded state agency, is extremely efficient in its operations.

The Kansas Board of Veterinary Examiners does not take any State General Fund money and, in fact, transfers twenty per cent of its fee funds to the State General Fund. This could be lost to the SGF if the agency was eliminated.

Last year, an additional \$65,000 was transferred from veterinary fee funds into the State General Fund, one third of the agency’s fee fund balance.

Of course these additional transfers result in funding for other state programs outside of the purpose of veterinary fee funds, that is to license, regulate, and oversee the Kansas veterinary profession and to protect the public and health, safety, and welfare.

Under H.B. 2442, the Commission would have the authority to recommend legislation to eliminate, combine, reorganize, and downsize certain state agencies, boards, and commissions.

Appropriations Committee
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Attachment 9-1

e-6

The KVMA also strongly believes in the validity and necessity of licensing and regulating the Kansas veterinary profession and protecting the public health, safety, and welfare through the Kansas Board of Veterinary Examiners, a managerially disciplined and fiscally responsible regulatory body.

The KVMA is deeply concerned that if the Kansas Board of Veterinary Examiners was eliminated or merged with another state agency the result would be a loss of the very specific expertise needed to regulate the veterinary profession, fewer inspections and other services to licensees, and , most importantly, less veterinary client and patient protection.

Finally, the KVMA might point out its concern with New Sec. 4. (a) (2) "recess in closed or executive meetings." It is the KVMA feeling that all deliberations of the Commission should be held in public in their entirety.

Once again, the KVMA asks the Committee to make the above mentioned amendment to H.B.2442 in New Sec. 2. (d).

Thank you for the opportunity to appear before the Committee.

Respectfully submitted,

Gary Reser
KVMA executive vice president



Luke Bell
Vice President of Governmental Affairs
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Email: lbell@kansasrealtor.com

To: House Appropriations Committee

Date: January 28, 2010

Subject: **HB 2442** -- Establishing the Kansas Streamlining Government Commission and Providing for an Independent Review of Executive Branch State Agencies

Chairman Yoder and members of the House Appropriations Committee, thank you for the opportunity to appear today on behalf of the Kansas Association of REALTORS® to offer neutral testimony on the provisions of **HB 2442**. Through the comments expressed herein, it is our hope to provide additional legal and public policy context to the discussion on this issue.

KAR has faithfully represented the interests of the nearly 9,000 real estate professionals and over 700,000 homeowners in Kansas for the last 90 years. In conjunction with other organizations involved in the housing industry, the association seeks to increase housing opportunities in this state by increasing the availability of affordable and adequate housing for Kansas families.

HB 2442 would establish the Kansas Streamlining Government Commission that would seek to streamline the operations and improve the efficiency of state government by reviewing state agencies, boards and commissions. At the conclusion of the process outlined in **HB 2442**, the Commission would have the authority to recommend legislation to eliminate, combine, reorganize and downsize certain state agencies, boards and commissions.

KAR Strongly Supports the Intent Behind **HB 2442** to Help Prevent Future Budget and Spending Crises by Identifying Long-Term State General Fund Efficiencies and Savings

First, we would like to emphasize that we strongly support the intent behind the provisions of **HB 2442** to streamline the operations and improve the efficiency of state agencies. Given the current budget and spending crisis facing the Kansas Legislature, we believe it is vitally important for the Kansas Legislature to consider any legislation that would result in state general fund (SGF) savings over both the short and long horizon.

In the past eight years, the Kansas Legislature has swept nearly \$800,000 from the real estate fee fund administered by the Kansas Real Estate Commission to pay for unrelated programs funded through the state general fund in other parts of the state budget. As a result, the Kansas Real Estate Commission has been forced to increase licensing fees on real estate professionals, which is an indirect tax increase on the individuals and small businesses that make up the real estate industry.

Unfortunately, it is clear the status quo in our budgeting process is not functioning properly when the state is forced to raid regulatory fee funds to pay for programs funded through the state general fund. If the Kansas Streamlining Government Commission is able to identify any efficiencies and savings from the agencies funded by the state general fund, we are hopeful that this will help end the Kansas Legislature's recent habit of raiding regulatory board fee funds for SGF spending.

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2-01

KAR Strongly Opposes Any Proposals to Eliminate Regulatory Agencies Funded Exclusively Through Fee Funds That Receive No SGF Funding (Such as the Kansas Real Estate Commission)

In order to maximize the long-term SGF savings that can be achieved through the process outlined in **HB 2442**, we believe the main thrust of the Kansas Streamlining Government Commission should be to review the operations of state agencies that are funded through appropriations from the state general fund. As a result, we believe this process should not include a review of fee-funded regulatory agencies that are exclusively funded by fee funds and receive absolutely no appropriations or funding from the state general fund.

Under the definition of “state agency” in section 2(d) of **HB 2442**, we believe the new commission would have the authority to review “any state agency in the executive branch of state government.” In our opinion, a fee-funded regulatory agency that receives no appropriations or funding from the state general fund could fit within this definition of the term “state agency” as it is currently written.

As a profession, we strongly believe in the need for the licensing of real estate professionals and the necessity of an independent Kansas Real Estate Commission to regulate our profession. If the Kansas Real Estate Commission was eliminated or merged with another state agency, we believe this would result in less consumer protection, decreased services for real estate licensees and a regulatory body that lacks the expertise necessary to properly regulate the real estate industry.

By including state agencies that are exclusively funded through fee funds and receive absolutely no funding from the state general fund, we believe the current language of **HB 2442** in section 2(d) strays from the core mission of the concept to identify long-term SGF savings to help prevent future budget and spending crises. Accordingly, we would respectfully request the following amendment to section 2(d) of **HB 2442** (new language in **bold and underlined font**):

(d) “state agency” means any state agency in the executive branch of state government **that is not funded exclusively through fee funds**;

Eliminating Fee-Funded Regulatory Agencies Funded Exclusively Through Fee Funds That Receive No SGF Funding Would Actually Result in a Reduction of Revenue to the State General Fund

Under **K.S.A. 75-3170a**, the Kansas Real Estate Commission (and all other fee-funded regulatory agencies) is obligated to transfer 20% of all fees and other funds (up to \$200,000 each fiscal year) to the state general fund. This transfer is allegedly to reimburse the state for all “accounting, auditing, budgeting, legal, payroll, personnel and purchasing services and any and all other state governmental services” provided to the Kansas Real Estate Commission.

In addition to the nearly \$200,000 transferred to the state general fund in Fiscal Year 2009 pursuant to **K.S.A. 75-3170a**, the Kansas Real Estate Commission also paid another \$50,233.79 directly to the Department of Administration for these same services that were supposedly covered by the transfer required in **K.S.A. 75-3170a**. Even though we have no idea exactly how the \$200,000 transferred pursuant to the statute is allocated in the state general fund, it is clear that these funds are used as revenue to fund other state programs that are funded through the state general fund.

For all the foregoing reasons, we would urge the committee to carefully consider the full effects and implications of including fee-funded regulatory agencies that are not funded by the state general fund in the list of state agencies that can be reviewed by the Commission. Once again, thank you for the opportunity to provide comments on **HB 2442** and I would be happy to respond to any questions at the appropriate time.