

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Kevin Yoder at 9:10 a.m. on February 24, 2010, in Room 346-S of the Capitol.

All members were present.

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, 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:

Steve Weatherford, Kansas Development Finance Authority - opponent

Others attending:

See attached list.

- Attachment 1 Budget Committee Report on Kansas, Inc. and Kansas Technology Enterprise Corporation
- Attachment 2 KTEC Budget Cut Impact
- Attachment 3 Budget Committee Report on Kansas Guardianship Program and Health Care Stabilization Fund Board of Governors.
- Attachment 4 Budget Committee Report on Kansas Lottery and Kansas Racing and Gaming Commission
- Attachment 5 **HB 2355** Overview, Office of the Revisor of Statutes
- Attachment 6 **HB 2355** Fiscal Note
- Attachment 7 State Debt Service and Bond Indebtedness Report6
- Attachment 8 **HB 2355** Testimony - Kansas Development Finance Authority

Representative Merrick made a motion to introduce legislation regarding the establishment of a legislative council. The motion was seconded by Representative Whitman. Motion carried.

Representative Burroughs made a motion to introduce legislation regarding workers compensation relating to cap on the benefits. The motion was seconded by Representative Dillmore. Motion carried.

Representative Yoder made a motion to introduce legislation regarding child protection from brain damage in sports. The motion was seconded by Representative Merrick. Motion carried.

Representative Yoder made a motion to introduce legislation creating a school district budget equity fund. The motion was seconded by Representative Merrick. Motion carried.

Representative Yoder made a motion to introduce legislation regarding a school district temporary economic recovery act. The motion was seconded by Representative Merrick. Motion carried.

Representative Faber, Chair, House Agriculture and Natural Resources Budget Committee, presented the FY 2011 Kansas, Inc. Budget Committee Report, (Attachment 1). The Budget Committee concurs with the Governor's recommendation.

Representative Faber made a motion to approve the FY 2011 Kansas, Inc. Budget Committee Report. The motion was seconded by Representative Williams.

Representative Faber responded to questions from committee members. He presented an overview of the

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:10 a.m. on February 24, 2010, in Room 346-S of the Capitol.

agency and stated that two different funding sources are included in this budget, the Information Network of Kansas funds, and the Economic Development Initiatives Fund,(EDIF). Representative Faber noted the 9.3% budget increase represents increased cost of employee benefits, and includes the director's salary, which was previously paid from contractual services.

Representative Faber renewed the motion. Motion carried.

Representative Faber, Chair, House Agriculture and Natural Resources Budget Committee, presented the FY 2011, Kansas Technology Enterprise Corporation (KTEC) Budget Committee Report. The Budget Committee concurs with the Governor's recommendation with the following adjustments: delete \$500,000 from the EDIF; transfer \$173,250 from the EDIF for Kansas Department of Agriculture programs; transfer \$326,750 from the EDIF to the Interstate Water Litigation account.

Representative Faber made a motion to approve the FY 2011 Kansas Technology Enterprise Corporation Budget Committee Report. The motion was seconded by Representative Whitham.

Representative Gatewood discussed the potential impact of KTEC budget cuts, (Attachment 2).

Representative Gatewood made a substitute motion to delete items one, two and three from the Budget Committee Report. The motion was seconded by Representative Williams.

Discussion followed by committee members regarding the need to grow the economy by creating jobs and encouraging economic development. Concern was expressed regarding the recommendation to transfer funds between programs contained within the House Agriculture and Natural Resources Budget. Budget reductions and the impact on federal funds was discussed. It was noted that the National Institute for Aviation Research (NIAR) receives a nine to one return from federal dollars, investments by local aircraft companies and other companies.

Representative Faber responded to questions from committee members. Representative Faber stated that budget reductions would be determined by the agency, and he expressed concern for adequate funds for potential water litigation.

Representative Gatewood reviewed the findings of the interim report. This report provided an intensive look into KTEC operations, and commended the agency for accomplishments made regionally and state-wide. He stated that the cost for litigation should not be as expensive as initially expected. Representative Gatewood discussed the impact on the state from monies generated by research programs and businesses incubators.

Representative Gatewood renewed the motion. Motion carried.

Representative Faber made a motion to approve the FY 2011 Kansas Technology Enterprise Corporation Budget Committee Report as amended. Motion carried.

Representative Rhoades, Vice-Chair, Social Services Budget Committee, presented the FY 2011 Kansas Guardianship Program Budget Committee Report, (Attachment 3). The Budget Committee concurs with the Governor's recommendation: add \$34,632 from State General Fund for review at Omnibus.

Representative Rhoades responded to questions from committee members. He stated that the budget increase represents increases in employee benefits. It was noted that the volunteer guardians' stipends have been reduced from \$30 to \$28, and the significant cost to the state without this program.

Representative Rhoades made a motion to approve the FY 2011 Kansas Guardianship Program Budget Committee Report. The motion was seconded by Representative Mast. Motion carried.

Representative Crum, Member, Social Services Budget Committee, presented the FY 2011 Health Care Stabilization Budget Committee Report. The Budget Committee concurs with the Governor's recommendation with the following recommendation and notation: add 1.0 FTE position; the unfunded

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:10 a.m. on February 24, 2010, in Room 346-S of the Capitol.

liability with discontinued reimbursements; and review the issue of reimbursements at Omnibus.

Representative Mast stated that if **SB 414** passes, item two in the Budget Committee recommendations would not be necessary. With litigation increasing, the temporary position would become permanent, she noted.

Representative Crum made a motion to approve the FY 2011 Health Care Stabilization Budget Committee Report. The motion was seconded by Representative Mast. Motion carried.

Representative Dillmore, Member, House General Government Budget Committee, presented the FY 2011 Kansas Lottery Budget Committee Report, (Attachment 4). The Budget Committee concurs with the Governor's recommendation with the following notation: the entire agency funding is from special revenue; and the transfer of proceeds into the State General Funds; and recent successes.

Representative Dillmore made a motion to approve the FY 2011 Kansas Lottery Budget Committee Report. The motion was seconded by Representative Burroughs.

Discussion followed by committee members regarding unclaimed prizes. Budgeting for auditors and security staff has been included in the budget, with the intent to hire these positions upon project completion in FY 2011, Representative Dillmore noted. The expanded lottery revenue estimates and shrinkage rates were reviewed.

Ed Van Petten, Executive Director, Kansas Lottery, stated that there is a prize fund and operating fund. Sales have increased 2.5 % over last year. He noted that there is no unclaimed prize fund, and over \$68 million was transferred to the State General Fund. Increased funding from FY 2010 to FY 2011 reflects an increase in lottery ticket sales which increases the contractual services side, as well as the expected increased revenues from the Southwest Zone, Mr. Van Petten noted.

Representative Dillmore renewed the motion. Motion carried.

Representative Hineman, Member, House General Government Budget Committee, presented the FY 2011 Kansas Racing and Gaming Commission Budget Committee Report, (Attachment 4). The Budget Committee concurs with the Governor's recommendation with the following notation: agency entirely funded from special revenue funds; funding requests withdrawn due to casino that did not open; approval of south central gaming zone; and establishment of an audit process.

Representative Hineman made a motion to approve the FY 2011 Kansas Racing and Gaming Commission Budget Committee Report. The motion was seconded by Representative Whitham.

Discussion followed by committee members regarding the loan repayment deadline of 2012. Representative Hineman stated that the commission provides regulatory oversight of operational gaming facilities. Concern was expressed for the need to make budget reductions and agencies requesting additional staff. Representative Hineman will provide staffing information, as requested.

Don Cawby, Deputy Director, Kansas Racing and Gaming Commission, reviewed **SB 66**. The commission regulates technical operations, he stated.

Representative Hineman renewed the motion. Motion carried.

HB 2355 - Limitation on outstanding principal of state general fund bonded debt

Jim Wilson, First Assistant Revisor, Office of Revisor of Statutes, presented an overview of **HB 2355**, (Attachment 5) and (Attachment 6)

Mr. Wilson and JG Scott, Chief Fiscal Analyst, Kansas Legislative Research Department, responded to questions from committee members regarding bonding limitations. It was noted that bonds issued and paid for by the highway funds would not be included. A funding package was put in place several years ago in case

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:10 a.m. on February 24, 2010, in Room 346-S of the Capitol.

federal funding came in below the level projected. Bonding authority was issued to the agency and would be paid from the State General Fund. The 20% ratio, and the time frame for determining consensus revenue estimates was discussed.

Dr. Julian Efird, Principal Analyst, Kansas Legislative Research Department, presented information on the state debt service and bond indebtedness, (Attachment 7).

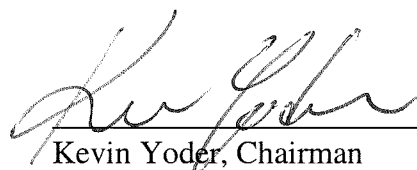
Dr. Efird responded to questions from committee members. He stated that this bill would place a cap for each fiscal year on the amount of State General Fund bonds equal to 20% of State General Fund revenues. He discussed the estimated debt to revenue ratios for FY 2010 and FY 2011.

Steve Weatherford, Kansas Development Finance Authority an opponent of **HB 2355**, presented testimony, (Attachment 8).

Mr. Weatherford responded to questions from committee members. He stated that he would provide information regarding ideas on establishing a debt policy, as requested. Over half of the state's outstanding debt is a result of two major highway programs. Major policy decisions included the capitol restoration, unfunded liability in the pension system, and repayment of funds borrowed from the highway fund, and reduced federal dollars. Over \$4 billion in state debt currently exists, Mr. Weatherford added.

The next meeting is scheduled for February 25, 2010.

The meeting was adjourned at 11:04 a.m.



Kevin Yoder, Chairman

FY 2011

HOUSE AGRICULTURE AND NATURAL RESOURCES BUDGET COMMITTEE

Kansas, Inc.
Kansas Technology Enterprise Corporation (KTEC)



Representative John Faber, Chair



Representative Carl Holmes



Representative Larry Powell, Vice-Chair




Representative Bill Light



Representative Sydney Carlin,
Ranking Minority Member



Representative Steve Lukert



Representative John Grange

Representative Jerry Williams

Appropriations Committee
Date 2-24-10
Attachment 1-1

House Budget Committee Report

Agency: Kansas, Inc.

Bill No. HB 2706

Bill Sec. 58

Analyst: Steiner

Analysis Pg. No. - -

Budget Page No. 76

| Expenditure Summary | Agency Request FY 2011 | Governor Recommendation FY 2011 | House Budget Committee Adjustments |
|--------------------------|------------------------------|---------------------------------------|--|
| Operating Expenditures: | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 576,438 | 558,180 | 0 |
| Subtotal | <u>\$ 576,438</u> | <u>\$ 558,180</u> | <u>\$ 0</u> |
| Capital Improvements | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 0 | 0 | 0 |
| Subtotal | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| TOTAL | <u><u>\$ 576,438</u></u> | <u><u>\$ 558,180</u></u> | <u><u>\$ 0</u></u> |
| FTE positions | 4.5 | 4.5 | 0.0 |
| Non FTE Uncl. Perm. Pos. | 1.0 | 1.0 | 0.0 |
| TOTAL | <u><u>5.5</u></u> | <u><u>5.5</u></u> | <u><u>0.0</u></u> |

Agency Request

The **agency** requests requests \$576,438 for FY 2011 operating expenditures, an increase of \$49,164, or 9.3 percent, above the FY 2010 estimate. The estimate includes \$365,162 from the Economic Development Initiatives Fund (EDIF) and \$211,276 from the Kansas, Inc. Private Fund.

Governor's Recommendation

The **Governor** recommends FY 2011 operating expenditures of \$558,180, including \$346,904 from the Economic Development Initiatives Fund. The recommendation is an all funds reduction of \$18,258, or 3.2 percent, and an Economic Development Initiatives Fund reduction of \$18,258, or 5.0 percent, from the agency's FY 2011 request. The reduction is a result of increased shrinkage achieved by holding open the policy analyst position for FY 2011.

House Budget Committee Recommendation

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

House Budget Committee Report

Agency: KTEC

Bill No. HB 2706

Bill Sec. 59

Analyst: Steiner

Analysis Pg. No. - -

Budget Page No. 75

| Expenditure Summary | Agency Request FY 2011 | Governor Recommendation FY 2011 | House Committee Adjustments |
|--------------------------------|------------------------------|---------------------------------------|--------------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 12,464,950 | 7,854,950 | (500,000) |
| Subtotal | <u>\$ 12,464,950</u> | <u>\$ 7,854,950</u> | <u>\$ (500,000)</u> |
| Capital Improvements | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 0 | 0 | 0 |
| Subtotal | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| TOTAL | <u><u>\$ 12,464,950</u></u> | <u><u>\$ 7,854,950</u></u> | <u><u>\$ (500,000)</u></u> |
| FTE positions | 14.7 | 14.7 | 0.0 |
| Non FTE Uncl. Perm. Pos. | 0.0 | 0.0 | 0.0 |
| TOTAL | <u><u>14.7</u></u> | <u><u>14.7</u></u> | <u><u>0.0</u></u> |

Agency Request

The **agency** requests FY 2011 operating expenditures of \$12,464,950, including \$10,600,000 from the Economic Development Initiatives Fund. The request is an increase of \$2,388,121, or 23.7 percent, above the FY 2010 revised estimate. The request includes three enhancement packages totaling \$3,740,000. Without the enhancement packages, the request would be a decrease of \$1,351,879, or 13.4 percent, below, the FY 2010 revised estimate. The FY 2011 request includes a decrease of \$343,000, all from the Economic Development Initiatives Fund, for Entrepreneurial Centers, PIPELINE program, and EPSCoR.

Governor's Recommendation

The **Governor** recommends FY 2011 operating expenditures of \$7,854,950, including \$5,990,000 from the Economic Development Initiatives Fund. The recommendation is a decrease of \$1,971,879, or 20.1 percent, below the Governor's FY 2010 recommendation and a decrease of \$4,610,000, or 37.0 percent, below the agency's FY 2011 request. The Governor reduced the agency's Product Investment Financing, or investments, program by \$600,000 for FY 2011. Additionally, the Governor reduced the agency's Commercialization Program by \$143,000 and imposed a further reduction of \$127,000 on agency expenditures for information technology expenses.

House Budget Committee Recommendations

The **House Budget Committee** concurs with the Governor's recommendation with the following adjustments:

1. Delete \$500,000, all from the Economic Development Initiatives Fund (EDIF), for FY 2011.
2. Transfer \$173,250, all from the Economic Development Initiatives Fund (EDIF), to the Kansas Department of Agriculture for the following programs:
 - \$6,250 for the agency's membership in the Missouri River Association of State Tribes (MoRAST) in FY 2011. MoRAST is a regional interstate organization formed by joint resolution of the Governors of Wyoming, Montana, North Dakota, South Dakota, Nebraska, Iowa, and Kansas;
 - \$20,000 for the Agriculture Statistics Program in FY 2011 to fund two livestock market reports;
 - \$75,000 for the Grain Warehouse Program and Dairy Inspection Program for FY 2011; and
 - \$72,000 for the Dairy Inspection Program for FY 2011.
3. Transfer \$326,750, all from the Economic Development Initiatives Fund (EDIF), to the Interstate Water Litigation account of the State General Fund in the Kansas Attorney General's Office for FY 2011.



KANSAS TECHNOLOGY
ENTERPRISE CORPORATION

Potential impact of \$500,000 KTEC budget cut to WSU and Sedgwick County

EPSCoR projects at WSU:

\$60,000 reduction in state funds and loss of \$300,000 federal and industry matching funds.

National Institute for Aviation Research:

\$90,000 reduction in state funds and loss of \$500,000 in federal matching funds. KTEC funds are typically used by NIAR to seed the development of new initiatives units within the center, such as the Environmental Testing Laboratory.

Total potential fiscal impact to the university (state and matching funds combined):

\$950,000

Agency Impact on Sedgwick County:

Over the past two years, KTEC funded programs have helped create and save 532 jobs in Sedgwick County.

Appropriations Committee

Date 2-24-10

Attachment 2

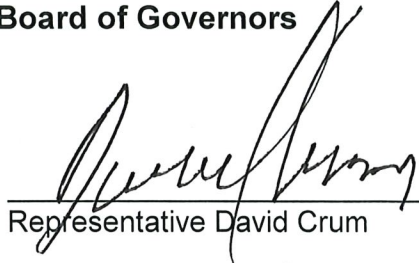
FY 2011

SOCIAL SERVICES BUDGET COMMITTEE

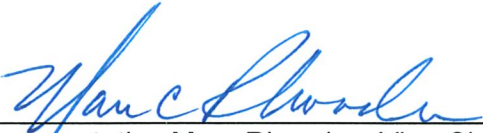
Kansas Guardianship Program
Health Care Stabilization Fund Board of Governors



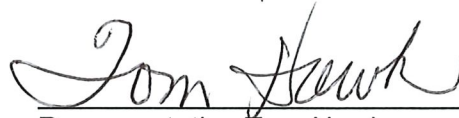
Representative Peggy Mast, Chair



Representative David Crum



Representative Marc Rhoades, Vice-Chair



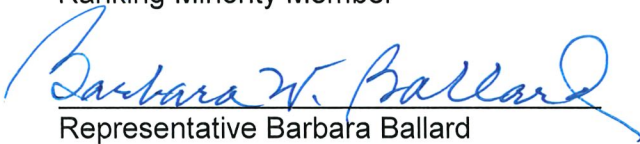
Representative Tom Hawk



Representative Jerry Henry,
Ranking Minority Member



Representative Mike Kiegerl



Representative Barbara Ballard



Representative Forrest Knox

Appropriations Committee

Date 2-24-10

Attachment 3-1

House Budget Committee Report

Agency: Kansas Guardianship Program

Bill No. --

Bill Sec. --

Analyst: Dear

Analysis Pg. No. -- Budget Page No. Vol 2, 263

| Expenditure Summary | Agency Request FY 2011 | Governor Recommendation FY 2011 | House Budget Committee Adjustments |
|--------------------------|--------------------------------|---------------------------------------|--|
| Operating Expenditures: | | | |
| State General Fund | \$ 1,159,395 | \$ 1,124,763 | \$ 34,632 |
| Other Funds | 0 | 0 | 0 |
| Subtotal | <u>\$ 1,159,395</u> | <u>\$ 1,124,763</u> | <u>\$ 34,632</u> |
| Capital Improvements | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 0 | 0 | 0 |
| Subtotal | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| TOTAL | <u><u>\$ 1,159,395</u></u> | <u><u>\$ 1,124,763</u></u> | <u><u>\$ 34,632</u></u> |
| FTE positions | 11.0 | 11.0 | 0.0 |
| Non FTE Uncl. Perm. Pos. | 0.0 | 0.0 | 0.0 |
| TOTAL | <u><u>11.0</u></u> | <u><u>11.0</u></u> | <u><u>0.0</u></u> |

Agency Request

The **agency** requests \$1,159,395, all from the State General Fund, for FY 2011 operating expenditures. The request is an increase of \$4,994, or 0.4 percent, above the FY 2010 revised estimate. The increase is attributed to salaries and wages expenditures predominantly related to expenses for group health insurance benefits. The increase is partially offset by reductions in contractual services and commodities by reducing communications costs and expenses for general office supplies.

Governor's Recommendation

The **Governor** recommends FY 2011 operating expenditures of \$1,124,763, an increase of \$4,994, or 0.4 percent, above the FY 2010 Governor's recommendation. The recommendation is a decrease of \$34,632, or 3.0 percent, below the agency's FY 2011 estimate. The Governor's recommendation carries the FY 2010 reductions in stipends forward into FY 2011.

House Budget Committee Recommendation

The **Committee** concurs with the Governor's recommendation with the following recommendations and notations:

1. Add \$34,632, all from the State General Fund, to prevent a reduction in stipends paid for out of pocket expenses to volunteer guardians and conservators from \$30 to \$28. This will hold the FY 2011 budget at the amount requested by the agency without implementation of the reduced resource package.
2. The Budget Committee further recommends that the Legislature revisit the decision to provide the additional State General Fund amount identified in item 1 at Omnibus and examine where cuts have been made in other agencies to offset this increase.

House Budget Committee Report

Agency: Health Care Stabilization Fund
Board of Governor's

Bill No. --

Bill Sec. --

Analyst: Dear

Analysis Pg. No. --

Budget Page No. Vol 2, 43

| Expenditure Summary | Agency Request FY 2011 | Governor Recommendation FY 2011 | House Budget Committee Adjustments |
|--------------------------------|------------------------------|---------------------------------------|--|
| Operating Expenditures: | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 36,542,940 | 35,130,178 | 0 |
| Subtotal | <u>\$ 36,542,940</u> | <u>\$ 35,130,178</u> | <u>\$ 0</u> |
| Capital Improvements | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 0 | 0 | 0 |
| Subtotal | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| TOTAL | <u><u>\$ 36,542,940</u></u> | <u><u>\$ 35,130,178</u></u> | <u><u>\$ 0</u></u> |
| FTE positions | 17.0 | 17.0 | 1.0 |
| Non FTE Uncl. Perm. Pos. | 0.0 | 0.0 | 0.0 |
| TOTAL | <u><u>17.0</u></u> | <u><u>17.0</u></u> | <u><u>1.0</u></u> |

Agency Request

The **agency** requests FY 2011 operating expenditures of \$36,542,940 from the Health Care Stabilization Fund, an increase of \$1,377,369 or 3.9 percent, above the revised FY 2010 agency estimate. Of the request, \$2,256,290 is for the Administrative Program, while the remaining \$34,286,650 is for the payment of claims and claims related expenses. The increase in expenditures is primarily attributable to increased legal defense costs and proposed information technology upgrades at the agency.

Governor's Recommendation

The **Governor** recommends \$35,130,178 in operating expenditures for FY 2011, an amount equivalent to the FY 2010 Governor's recommendation. The Governor's recommendation is \$1,412,762, or 3.9 percent, below the agency's FY 2011 request. The decrease from the agency's requested budget is attributable to a recommendation against implementation of the proposed enterprise management system and an elimination of the projected increases in legal fees for the claims program. The Governor also recommends that the transfers to the Health Care Stabilization Fund from the State General Fund for payments to the KU residents, faculty and graduate medical education students be stopped. The total impact of stopping these transfers is estimated to be approximately \$2.5 million.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation with the following recommendations and notations:

1. Add 1.0 FTE position to the Health Care Stabilization Fund position limitation in order to add an employee to respond to Kansas Open Records requests. The position is currently filled by a temporary legal assistant and that position would be made permanent. The agency suggested and the Budget Committee recommends that \$40,046 be shifted from agency capital outlay budget to salaries and wages in FY 2011. This action will accommodate the new expense with no change in the expenditure limitation for the administration program.
2. The Budget Committee has grave concerns regarding the impact of discontinuing reimbursements to the Health Care Stabilization Fund from the State General Fund for claims paid on behalf of Kansas University Medical Center residents and faculty. The Budget Committee notes that a continuation of this practice will create an unfunded liability within the Health Care Stabilization fund of an additional \$2.5 million.
3. The Budget Committee recommends that the Legislature revisit the issue of reimbursements to the Health Care Stabilization Fund at Omnibus to determine if funds are available in the State General Fund in the amount of \$2.5 million to once again begin paying these claims.

FY 2011


HOUSE GENERAL GOVERNMENT BUDGET COMMITTEE

Kansas Lottery
Kansas Racing and Gaming Commission


Representative Jeff Whitham, Chair


Representative Gene Suellentrop

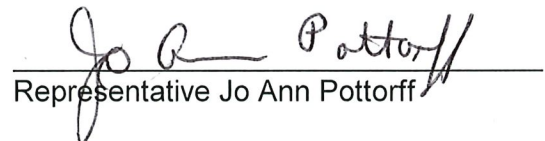
Representative Kasha Kelley, Vice-Chair


Representative Nile Dillmore


Representative Tom Burroughs,
Ranking Minority Member


Representative Milack Talia


Representative Don Hineman


Representative Jo Ann Pottorff

Appropriations Committee
Date 2-24-10
Attachment 4-1

Senate Subcommittee Report

Agency: Kansas Lottery

Bill No.

Bill Sec.

Analyst: Gorges

Analysis Pg. No.

Budget Page No. 75

| Expenditure Summary | Agency Request FY 2011 | Governor Recommendation FY 2011 | Senate Subcommittee Adjustments |
|--------------------------|---------------------------|------------------------------------|------------------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 83,337,639 | 78,348,339 | 0 |
| Subtotal | \$ 83,337,639 | \$ 78,348,339 | \$ 0 |
| Capital Improvements | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 0 | 0 | 0 |
| Subtotal | \$ 0 | \$ 0 | \$ 0 |
| TOTAL | \$ 83,337,639 | \$ 78,348,339 | \$ 0 |
| FTE positions | 99.0 | 99.0 | 0.0 |
| Non FTE Uncl. Perm. Pos. | 0.0 | 0.0 | 0.0 |
| TOTAL | 99.0 | 99.0 | 0.0 |

Agency Request

The agency requests a FY 2011 budget totaling \$83.3 million, an increase of \$17.7 million, or 26.9 percent, above the FY 2010 revised request. All expenditures requested would come from special revenue funds. The agency estimates gaming facility operators will be accepted to run, on behalf of the state, one casino in each of the northeast and the south central gaming zones. The increase is primarily attributed to this activity. The agency also requests enhanced funding for six replacement vehicles, totaling \$119,200. Without the enhancements, the agency's request is \$17.6 million, or 26.7 percent, above the agency's revised FY 2010 request. The request includes 99.0 FTE positions, an increase to the FTE limitation of 10.0 positions. All new positions would be in in the Expanded Lottery program.

Governor's Recommendation

The Governor recommends a FY 2011 budget totaling \$78.3 million, an increase of \$12.9 million, or 19.6 percent, above the FY 2010 recommendation. When compared to the agency's request, the Governor's recommendation is a reduction of \$4,989,300, or 6.0 percent. The Governor does not recommend enhanced funding for vehicles. The recommendation includes additional reductions to salaries and wages designed to encourage the agency to meet the recommended \$72.0 million transfer to the State Gaming Revenues Fund. The Governor also reduced the amount of payments made to the southwest gaming zone casino group based on updated estimates.

Senate Subcommittee

The **Senate Subcommittee** concurs with the Governor's recommendation with the following notations:

1. The Subcommittee notes this agency is entirely funded from special revenue funds.
2. The Subcommittee notes that the agency transfers regular lottery proceeds into the State Gaming Revenues Fund. For FY 2011, the Governor recommended a total transfer of \$72.0 million. Any amount transferred above \$50.0 million is transferred to the State General Fund. Of the amount transferred into the State Gaming Revenues Fund, \$80,000 is transferred into the Problem Gambling and Addictions Grant Fund. The remainder is transferred into three funds: 85.0 percent to the Economic Development Initiatives Fund; 10.0 percent to the Correctional Institutions Building Fund; and 5.0 percent to the Juvenile Detention Facilities Fund. The Subcommittee further notes that the Governor's recommended transfer of \$72.0 million into the State Gaming Revenues Fund is an ambitious goal, but heard testimony from the agency that it is making its best efforts to achieve the transfer amount.
3. The Subcommittee notes the agency's recent success with new "Variable Imaged" pulltabs. The Subcommittee heard that sales of the old style pulltabs averaged approximately \$5,000 per week. Sales of the variable imaged pulltabs have been averaging over \$180,000 per week. The Subcommittee notes, with appreciation, the agency's willingness to offer new games as a means to generate more revenue on behalf of the state.

Senate Committee on Ways and Means Recommendation

The **Senate Committee on Ways and Means** concurs with the Senate Subcommittee recommendation.

House Budget Committee Report

Agency: Kansas Lottery

Bill No.

Bill Sec.

Analyst: Gorges

Analysis Pg. No.

Budget Page No. 42

| Expenditure Summary | Agency Request FY 2011 | Governor Recommendation FY 2011 | House Budget Committee Adjustments |
|--------------------------|-----------------------------|------------------------------------|---------------------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 83,337,639 | 78,348,339 | 0 |
| Subtotal | <u>\$ 83,337,639</u> | <u>\$ 78,348,339</u> | <u>\$ 0</u> |
| Capital Improvements | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 0 | 0 | 0 |
| Subtotal | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| TOTAL | <u><u>\$ 83,337,639</u></u> | <u><u>\$ 78,348,339</u></u> | <u><u>\$ 0</u></u> |
| FTE positions | 99.0 | 99.0 | 0.0 |
| Non FTE Uncl. Perm. Pos. | 0.0 | 0.0 | 0.0 |
| TOTAL | <u><u>99.0</u></u> | <u><u>99.0</u></u> | <u><u>0.0</u></u> |

Agency Request

The agency requests a FY 2011 budget totaling \$83.3 million, an increase of \$17.7 million, or 26.9 percent, above the FY 2010 revised request. All expenditures requested would come from special revenue funds. The agency estimates a gaming facility operating group will be accepted to run one casino in each of the northeast and the south central gaming zones. The increase is primarily attributed to this activity. The agency also requests enhanced funding for six replacement vehicles, totaling \$119,200. Without the enhancements, the agency's request is \$17.6 million, or 26.7 percent above the agency's revised FY 2010 request. The request includes 99.0 FTE positions, an increase of 10.0 positions. All new positions are in the Expanded Lottery program.

Governor's Recommendation

The Governor recommends a FY 2011 budget totaling \$78.3 million, an increase of \$12.9 million, or 19.6 percent, above the FY 2010 recommendation. When compared to the agency's request, the Governor's recommendation is a reduction of \$4,989,300, or 6.0 percent. The Governor does not recommend enhanced funding for vehicles. The recommendation includes additional reductions to salaries and wages designed to encourage the agency to meet the recommended \$72.0 million transfer. The Governor also reduced the amount of payments made to the Southwest Gaming Zone casino group based on updated estimates.

House Budget Committee

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

Senate Subcommittee Report

Agency: Kansas Racing and Gaming Commission

Bill No.

Bill Sec.

Analyst: Gorges

Analysis Pg. No.

Budget Page No. 77

| Expenditure Summary | Agency Request FY 2011 | Governor Recommendation FY 2011 | Senate Subcommittee Adjustments |
|--------------------------------|------------------------------|---------------------------------------|---------------------------------------|
| Operating Expenditures: | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 9,441,582 | 8,140,134 | 0 |
| Subtotal | \$ 9,441,582 | \$ 8,140,134 | \$ 0 |
| Capital Improvements | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 0 | 0 | 0 |
| Subtotal | \$ 0 | \$ 0 | \$ 0 |
| TOTAL | \$ 9,441,582 | \$ 8,140,134 | \$ 0 |
| FTE positions | 96.5 | 73.5 | 0.0 |
| Non FTE Uncl. Perm. Pos. | 0.0 | 0.0 | 0.0 |
| TOTAL | 96.5 | 73.5 | 0.0 |

Agency Request

The **agency** requests a FY 2011 budget totaling \$9,441,582, all from special revenue funds. The request is an increase of \$2,451,254, or 35.1 percent, above the agency's FY 2010 revised budget request. The agency has several enhancement requests totaling \$1,301,448. Most of the enhancements are related to casino regulatory activity in the northeast and south central gaming zones. **Without the enhancements**, the agency's request is an increase of \$1,149,806, or 16.4 percent, above the current year revised estimate. The remaining increase is due to regulatory activity for a full year of operation at the casino in the southwest gaming zone. The request includes 96.5 FTE positions, an increase of 23.0 positions. The increase in positions is due to the agency's enhancement requests.

Governor's Recommendation

The **Governor** recommends \$8.1 million, all from special revenue funds, for FY 2011. The recommendation is an increase of \$1.2 million, or 16.4 percent, above the Governor's FY 2010 recommendation. This is related to increases in casino regulation charged to the gaming facility operator in the southwest gaming zone for the first full year in which the casino is open. Additional increases are related to background checks and other regulatory duties necessary for the gaming facility operators in the northeast and south central gaming zones. The recommendation does not including any enhancement funding.

Senate Subcommittee Recommendation

The **Senate Subcommittee** concurs with the Governor's recommendation with the following notations:

1. The Subcommittee notes this agency is entirely funded from special revenue funds.
2. The Subcommittee notes this agency asked for \$1.1 million, all from special revenue funds, for regulatory responsibilities at casino facilities within the northeast gaming zone and the south central gaming zone. The request included an increase of 22.0 in the agency's FTE limitation. When the agency submitted their budget, they included the enhancement funding, and positions, to allow flexibility in the event that both casinos opened in FY 2011. The agency withdrew the request when it became evident neither casino would open in FY 2011.
3. The Subcommittee heard testimony concerning the time line for the casino in the south central gaming zone. Assuming the gaming facility operator contract is approved by the Kansas Lottery, the contract will proceed to the Lottery Gaming Review Board. If the operator is approved by the Review Board, the agency will begin extensive background checks on the gaming facility operator group. In total, once the contract is approved by the Kansas Lottery, final approval will take between three to four more months. The Subcommittee requests the agency do all it can to expedite the process.
4. The Subcommittee notes that no specific state auditing process has been created to monitor the agency. The Subcommittee recommends some form of audit process be established, or conducted, to ensure the agency's accountability in its regulatory activities. Because of the impact of the casinos on the state, transparency in the regulatory process is vital to ensure all aspects of the regulation of the new casinos are reasonable and performed efficiently.

Senate Committee on Ways and Means Recommendation

The **Senate Committee on Ways and Means** concurs with the Senate Subcommittee recommendation.

House Committee Report

Agency: Kansas Racing and Gaming Commission

Bill No.

Bill Sec.

Analyst: Gorges

Analysis Pg. No.

Budget Page No. 77

| Expenditure Summary | Agency Request FY 2011 | Governor Recommendation FY 2011 | House Budget Committee Adjustments |
|--------------------------|--------------------------------|---------------------------------------|--|
| Operating Expenditures: | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 9,441,582 | 8,140,134 | 0 |
| Subtotal | <u>\$ 9,441,582</u> | <u>\$ 8,140,134</u> | <u>\$ 0</u> |
| Capital Improvements | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 0 | 0 | 0 |
| Subtotal | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$ 0</u> |
| TOTAL | <u><u>\$ 9,441,582</u></u> | <u><u>\$ 8,140,134</u></u> | <u><u>\$ 0</u></u> |
| FTE positions | 96.5 | 73.5 | 0.0 |
| Non FTE Uncl. Perm. Pos. | 0.0 | 0.0 | 0.0 |
| TOTAL | <u><u>96.5</u></u> | <u><u>73.5</u></u> | <u><u>0.0</u></u> |

Agency Request

The **agency** requests a FY 2011 budget totaling \$9,441,582, all from special revenue funds. The request is an increase of \$2,451,254, or 35.1 percent, above the agency's FY 2010 revised budget request. The agency has several enhancement requests totaling \$1,301,448. Most of the enhancements are related to casino regulatory activity in the northeast and south central gaming zones. **Without the enhancements**, the agency's request is an increase of \$1,149,806, or 16.4 percent, above the current year revised estimate. The remaining increase is due to regulatory activity for a full year of operation at the casino in the southwest gaming zone. The request includes 96.5 FTE positions, an increase of 23.0 positions. The increase in positions is due to the agency's enhancement requests.

Governor's Recommendation

The **Governor** recommends \$8.1 million, all from special revenue funds, for FY 2011. The recommendation is an increase of \$1.2 million, or 16.4 percent, above the Governor's FY 2010 recommendation. Increases in expenditures are related to increases in casino regulation charged to gaming facility operator in the southwest gaming zone for the first full year in which the casino is open. Additional increases are related to background checks and other regulatory duties necessary for the gaming facility operators in the northeast and south central gaming

zones. In particular, the increase is due to one full year of regulation at the southwest gaming zone. The recommendation does not including any enhancement funding.

House Budget Committee

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

Office of Revisor of Statutes
300 S.W. 10th Avenue
Suite 24-E, Statehouse
Topeka, Kansas 66612-1592
Telephone (785) 296-2321 FAX (785) 296-6668

MEMORANDUM

To: Chairman Yoder and Members of the House Appropriations Committee
From: Jim Wilson, First Assistant Revisor of Statutes
Date: February 24, 2010
Subject: 2009 House Bill No. 2355

HB 2355 would impose a maximum limit on the outstanding principal balance of State General Fund bonded debt issued by the Kansas Development Finance Authority for any fiscal year. The total amount of outstanding debt for state bonds pledged to be paid from appropriations from the State General Fund would be limited to not more than 20% of the estimated State General Fund revenues for the same fiscal year.

The act would prohibit the Kansas Development Finance Authority from issuing any bonds during a fiscal year that would cause or otherwise result in the outstanding principal balance of State General Fund bonded debt, as calculated pursuant to this section, to exceed the maximum limit for such fiscal year.

By December 4 of each fiscal year, the Kansas Development Finance Authority is required to consult with the Director of the Budget and certify to the Secretary of Administration and the Director of Legislative Research the estimated outstanding principal balance of State General Fund bonded debt as of June 30 of the ensuing fiscal year. The Governor is required to publish the estimated outstanding principal balance of State General Fund bonded debt as of June 30 of such fiscal year in the Governor's Budget Report for such ensuing fiscal year.

The estimated State General Fund revenue for a fiscal year is defined to be the most recent joint estimate of revenue to the State General Fund for the fiscal year determined under K.S.A. 75-6701, and amendments thereto. On or before each December 4 and each April 20, the Director of the Budget and the Director of Legislative Research determine a joint estimate for the current fiscal year and the ensuing fiscal year, which are often referred to as the "consensus revenue estimates."

The bill would take effect upon publication in the Kansas Register.

Appropriations Committee
Date 2-24-10
Attachment 5

March 11, 2009

The Honorable Kevin Yoder, Chairperson
House Committee on Appropriations
Statehouse, Room 142-W
Topeka, Kansas 66612

Dear Representative Yoder:

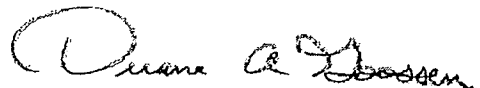
SUBJECT: Fiscal Note for HB 2355 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2355 is respectfully submitted to your committee.

HB 2355 would limit the maximum amount of bonded debt backed by the State General Fund authorized by the Legislature and issued by the Kansas Development Finance Authority (KDFA). The amount would be fixed so that the proportion of the estimated outstanding principal balance for the fiscal year does not exceed 20.0 percent of the estimated State General Fund revenue. By December 4 of each year, KDFA would certify to the Secretary of Administration and the Director of Legislative Research the estimated outstanding balance of State General Fund bonded debt as of June 30 for the following fiscal year. The information would be included in *The Governor's Budget Report* for the ensuing fiscal year. The bill would take effect on its publication in the *Kansas Register*.

Any fiscal effect associated with HB 2355 would depend on the amount of authorized bonds backed by the State General Fund that were issued and State General Fund revenue. For example, based on the information in *The FY 2010 Governor's Budget Report*, the estimated principal balance on June 30, 2010 will be \$1,004.5 million and the estimated State General Fund revenue would be \$6,154.1 million. That would make the outstanding principal balance 16.3 percent of revenues. If State General Fund revenues declined to \$5.0 billion, the state would exceed the 20.0 percent limit without issuing any additional bonds. The bill does not include a penalty for exceeding the limit other than prohibiting the issuance of any additional bonds backed by the State General Fund.

Sincerely,



Duane A. Goossen
Director of the Budget

cc: Pat Higgins, Administration
Alan Conroy, Legislative Research
Nancy Wolfe, KDFA

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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February 24, 2010

To: House Committee on Appropriations
From: Julian Efird, Principal Analyst
Re: HB 2355, State Debt Service and Bond Indebtedness

The *Governor's Budget Report* includes recommended payments of \$350,183,764 in FY 2011, including \$96,122,661 from the State General Fund (SGF), for debt service principal and interest. This is an increase of \$37,603,437, including \$36,376,501 from the SGF, from the revised FY 2010 recommendation. The increased payments in FY 2011 may be attributed in part to the Governor's plan, approved by the 2009 Legislature, for budgetary relief through debt restructuring in which new bonds were issued to make FY 2010 principal payments for SGF indebtedness. Planned refinancing in FY 2010 was estimated to achieve \$39.0 million in budgetary relief. Most of the increased debt service in FY 2011 includes the Governor's recommendations for reporting a number of debt service payments for which principal was paid from bond proceeds in FY 2010 and not categorized as reportable debt service in the Indebtedness of the State Schedules (pp. 206-214) in Volume 1 of the *Governor's Budget Report*. Payments from bond proceeds typically are treated as non-reportable when expenditures from bond proceeds occur, and then the principal and interest payments are reflected as reportable expenditures later in the state accounting system to avoid double-counting such transactions.

Governor's Recommended Debt Service Payments

| On-Budget | Actual FY 2009 | Gov. Rec. FY 2010 | Gov. Rec. FY 2011 | FY 10-FY 11 Change |
|--------------|-------------------|----------------------|----------------------|-----------------------|
| SGF | \$ 77,915,095 | \$ 59,746,160 | \$ 96,122,661 | \$ 36,376,501 |
| AOF | 208,410,461 | 250,126,958 | 250,657,795 | 530,837 |
| Subtotals | \$ 286,325,556 | \$ 309,873,118 | \$ 346,780,456 | \$ 36,907,338 |
| | | | | |
| Off-Budget | | | | |
| AOF | 3,446,412 | 2,707,209 | 3,403,308 | 696,099 |
| Grand Totals | \$ 289,771,968 | \$ 312,580,327 | \$ 350,183,764 | \$ 37,603,437 |

The state's debt service payments reflect an underlying bond indebtedness that will total an estimated \$3.67 billion in FY 2011, including an estimated \$1.08 billion of debt pledged from the State General Fund, according to Volume 1 of the *Governor's Budget Report*. Most of the recent growth in SGF bond indebtedness may be attributed to three areas: \$500 million in pension obligation bonds, \$215 million in Capitol restoration bonds, and \$209.5 million in comprehensive transportation program bonds. Much of the all other funds (AOF) debt also reflects the comprehensive transportation program bonds pledged from the State Highway Fund.

HB 2355 would place a cap for each fiscal year on the amount of SGF bonds outstanding (as measured by principal indebtedness) equal to 20 percent of the SGF revenues. In other words, the bond debt divided by current revenue must be equal to a 20 percent ratio or less in each fiscal year. In FY 2010, for instance, the fiscal note for HB 2355 estimated last year that based on the FY 2010 Governor's Budget Report, with an estimated principal balance of \$1.0045 billion and estimated revenue of \$6.1541 billion, the ratio would be 16.3 percent in FY 2010. The FY 2011 Governor's Budget Report includes an estimated principal balance of \$1.0844 billion and estimated revenue of \$5.8306 billion, with a resulting ratio of 18.6 percent for SGF debt to revenues in FY 2011.

TESTIMONY BEFORE THE HOUSE APPROPRIATIONS COMMITTEE
REGARDING HB 2355 PRESENTED BY
STEPHEN R. WEATHERFORD, PRESIDENT
KANSAS DEVELOPMENT FINANCE AUTHORITY
FEBRUARY 24, 2010

Mr. Chairman and members of the committee, thank you for the opportunity to testify today regarding HB 2355.

Tomorrow, KDFA expects to close a State General Fund (SGF) backed bond transaction that funds a portion of the State's cost share for the National Bio and Agro-Defense Facility (NBAF) being constructed by the Department of Homeland Security in Manhattan, Kansas. These bonds were authorized by a strong majority of the 2008 Legislature. If HB 2355 had been passed in the 2009 Legislature, KDFA would have been unable to issue these bonds, effectively stalling the NBAF project.

Currently, the Legislature has outstanding SGF backed bond authorizations for three projects: the ongoing State Capitol renovation in the amount of \$38 million passed by the 2009 Legislature; \$60 million in subsidized interest loans to community colleges and technical schools for deferred maintenance passed by the 2007 Legislature (currently suspended by the Governor's budget); and, up to \$75 million in additional cost share for NBAF. Based on the November 2009 consensus revenue estimate none of those bonds could be issued under HB 2355.

KDFA believes that any metrics used to regulate or constrain SGF backed debt should be based upon a multi-year cash flow impact on the SGF rather than only a single snapshot of the State's finances as proposed in HB 2355. KDFA also believes that legislation seeking to ration or limit SGF backed debt should address the authorization process of such debt by the Legislature. Otherwise, by placing the constraining action on KDFA, the Legislature potentially cedes its power to the Secretary of Administration who must first request issuance of any debt authorized to be issued for state activities or projects, and the KDFA Board of Directors who together might be forced to subjectively determine which SGF debt financed projects should proceed and which should not.

KDFA believes that legislation affixing a hard cap on the amount of SGF backed debt reduces the State's flexibility in pursuing policies that will potentially benefit the State. Investment in projects like NBAF has the potential to pay multiple dividends over the State's investment of funds by supporting the creation of new jobs and businesses that support the NBAF project. Jobs, that will encourage expansion of the Kansas economy and will result in additional tax revenues to the state and to local governments. Renovation of the State Capitol represents a policy choice intended to serve many generations. Repairing important state infrastructure today preserves those facilities for use today and for decades to come and reduces the ultimate cost of maintaining these important facilities.

In implementing a hard cap the Legislature should be prepared to forego opportunities such as NBAF or the Capitol restoration project or not implement a hard cap and instead use a guideline. Rating agencies take a dim view at policy limits that are set and then subsequently exceeded.

The majority of projects funded by KDFA are not backed by the State General Fund. Instead, these projects are paid from fees or dedicated revenues. Projects funded in this manner include various facilities for the Regents Institutions, such as fee funded parking projects or housing or student union projects funded by dedicated student fees or pledges of revenue produced by the facilities. These projects are reviewed each year by the requesting agency, their budget analyst and legislative committees to determine if they remain viable. Once authorized and debt issuance is requested by the underlying borrower, KDFA works with the borrower to determine if in fact revenues are sufficient to issue bonds in the authorized amount. If revenues do not appear sufficient, the project is either canceled, delayed until revenue projections are sufficient, or modified to match the revenue streams.

KDFA appreciates the important policy decisions that this piece of Legislation attempts to address and is supportive of the Legislature developing a more systematic approach to capital budgeting and debt financing. However, we do not support HB 2355 as it is currently drafted, but would be pleased to assist and/or provide input in developing a debt policy for the State.

Appropriations Committee
Date 2-24-10
Attachment 8