

## MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on January 19, 2010, in Room 548-S of the Capitol.

All members were present.

## Committee staff present:

Alan Conroy, Kansas Legislative Research Department  
 J. G. Scott, Kansas Legislative Research Department  
 Michael Steiner, Kansas Legislative Research Department  
 Dylan Dear, Kansas Legislative Research Department  
 Reagan Cussimano, Kansas Legislative Research Department  
 Amy Deckard, Kansas Legislative Research Department  
 Audrey Dunkel, Kansas Legislative Research Department  
 Cody Gorges, Kansas Legislative Research Department  
 Aaron Klaassen, Kansas Legislative Research Department  
 Heather O'Hara, Kansas Legislative Research Department  
 Leah Robinson, Kansas Legislative Research Department  
 Jarod Waltner, Kansas Legislative Research Department  
 Christina Allen, Kansas Legislative Research Department  
 Jill Wolters, Office of the Revisor of Statutes  
 Daniel Yoza, Office of the Revisor of Statutes  
 Melinda Gaul, Chief of Staff  
 Shirley Jepson, Committee Assistant  
 James Fisher, Intern

## Conferees appearing before the Committee:

Jeffrey Conway, Legislative Liaison, Department of Commerce  
 Kevin Karr, Interim Chief Executive Officer, Kansas Technology Enterprise Corporation (KTEC)  
 Jerry Sloan, Judicial Branch Budget and Fiscal Officer

## Others attending:

See attached list.

**Introduction of Legislation**

Senator Vratil moved to introduce legislation concerning school districts; enacting the temporary education economic recovery act (9rs1464). The motion was seconded by Senator Schmidt. Motion carried on a voice vote.

**Hearing on SB 350 - Supplemental appropriations for FY 2010 for various state agencies.**

J. G. Scott, Legislative Research Department, provided an overview of **SB 350** (Attachment 1). Mr. Scott explained that **SB 350** is the rescission bill, addressing adjustments proposed by the Governor to balance the FY 2010 budget as a result of declining state revenues. The adjustments addressed in **SB 350** require the approval of the Legislature. Included in the bill are total revenue transfers of \$92.8 million and total expenditure adjustments of \$2.245 million for a total State General Fund (SGF) impact of \$90.5 million.

- The Committee requested additional information on the budgets of the Legislative agencies, what reductions have already been made and proposed reductions.

Jeffrey Conway, Legislative Liaison, Department of Commerce, presented testimony on reductions taken by the agency in meeting the required budget adjustments (Attachment 2). Traci Herrick, Chief Financial Officer, Department of Commerce, was also present to answer questions from the Committee.

The Committee noted a concern as to whether programs are routinely evaluated to determine whether a program is successful and funding eliminated in those incidences where the program is not successful.

## CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on January 19, 2010, in Room 548-S of the Capitol.

The Committee requested additional information from the Department of Commerce:

- Fluctuations of total full-time-equivalency employees, beginning in FY 2008, authorized positions and how many were filled.
- Explanation of differences between the FY 2009 budget and reductions taken in FY 2009 and FY 2010 appropriations.
- Additional information on contract office in foreign countries - what services are authorized at the present time and where duplications may exist.

Kevin Karr, Interim Chief Executive Officer, Kansas Technology Enterprise Corporation (KTEC), presented testimony on the effects of budget reductions to KTEC (Attachment 3). Responding to questions from the Committee, Mr. Karr stated that the \$1 million carry-forward funds were a result of a \$400,000 matching funding for a federal grant to the University of Kansas where the federal funding did not become available. The remaining funds were a result of less investment activity and less expenditures. Mr. Karr noted that stipends paid to young entrepreneurs in the past have been eliminated in the current fiscal year.

Written testimony was received from the Office of the Securities Commissioner (Attachment 4) and Office of Judicial Administration (Attachment 5).

At the request of the Committee, Jerry Sloan, Judicial Branch Budget and Fiscal Officer, responded to questions from the Committee. Mr. Sloan indicated that the Judicial Branch budget for FY 2008 was approximately \$102 million SGF, approximate budget for FY 2009 was \$107.5 million and approximate budget for FY 2010 was \$98 million - a reduction of approximately 10 percent between FY 2009 and FY 2010. The Governor's adjustments for the FY 2010 budget includes a \$5 million appropriation for the Judicial Branch. Mr. Sloan noted that it may be necessary to enact employee furloughs; however, is not known at this time. A hiring freeze is currently in place. The Committee noted that the constitution prohibits the reduction of judges' salaries during their term of office.

- The Committee requested a breakdown of the Judicial Branch budget.

Chairman Emler asked if any other person or agency - proponent, opponent or neutral, wished to appear before the Committee to address **SB 350**. No one came forward.

- The Committee requested information on the number of times and the total funds that have been transferred from Department of Transportation (KDOT) revenues.

**The hearing on SB 350 was closed.**

### **Committee Discussion**

The Committee requested the following additional information:

- Detailed information on the Governor's recommended revenue transfers and expenditures - what programs will be affected by the transfers and expense reductions.
- Daily cost of the Legislature in session, total costs of legislators, staff and expenses.
- The programs or projects that will be cut from KDOT to achieve the \$80 million revenue transfer.

Discussion and possible action will continue on Wednesday, January 20, 2010.

### **Adjournment**

The next meeting is scheduled for January 20, 2010.

The meeting was adjourned at 11:40 a.m.

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE: January 19, 2010

NAME	REPRESENTING
Ethan Erickson	ISDOT
Jerry Younger	KDOT
STEVE WASSOM	SECURITIES Comm.
Brendan Yorky	Budget
Patricia Campbell	Sen. Teichman
Jimmie Roe	KCSL
Emily Meissen-Sebelius	Kansas Health Institute
Hannah Sanders	KHPA
R.J. Wilson	KOSE
GARY ALLSUP	KS Housing
Steve Weatherford	KEH Housing
Kendra Hanson	Hein Law Firm
John Kiephaber	Ks. Chiropractic Assn.
Jan Bruning	OP Chamber
Nora Lockton	Greater KC Chamber
Cathy Bennett	Greater KC Chamber
Bernie Koch	KEPC
Gene Albers	KACO
April Holman	Kansas Action for Children
MARK DEBETTI	KNBA
Deby [Signature]	Kansas Inc
Terry Sloan	Judicial Branch
[Signature]	Budget

SENATE WAYS AND MEANS COMMITTEE

GUEST LIST

DATE: January 19, 2010

NAME	REPRESENTING
Kelli Kirkwood	KLA
Linda Fund	Ks. Assoc. Corpor. Coll. Trustees
Sean Milver	CAPITOL STRATEGIES
Rod Menly	KENNEDY & ASSO.
Matt Casy	GBA
Tom Bruno	BRUNO & ASSOCS.
Joe Cardenhire	WILLIAM JEE JEN
ALAN BURT	SECRETARY OF STATE
Shannon Bell	LGR
Keith Bradshaw	JJA
Kelsey Nypke	KNIA&W
Joe Mosimann	PMCA
DAVID HUTCHINGS	KANSAS BUREAU OF INVESTIGATION



**Summary of Governor's Recommended FY 2010 Budget Adjustments  
Requiring Legislative Action - SB 350**

**Revenue Transfers**

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

**Expenditures**

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

Senate Ways &amp; Means Cmte

Date 1-19-2010Attachment 1

# Senate Ways & Means Committee

January 19, 2010

## Kansas Department of Commerce – FY 2010 Allotment Summary

	Senate Reductions	Governor's July Allotments	Governor's November Allotments
<u>Agriculture Marketing</u> <ul style="list-style-type: none"> <li>• 1.5 FTE reduces our impact on assisting businesses to promote their products within the state</li> <li>• Promotions, sponsorships, and administrative costs</li> </ul>	(\$ 138,170)		(\$ 23,242)
<u>Business Development</u> <ul style="list-style-type: none"> <li>• Contractual services and professional services contracts</li> <li>• Administrative costs for Kansas Business Appreciation program, Women &amp; Minority Business program, Film Commission, Steps to Success Guide program, E-Survey program, and Certified Development Corporations</li> <li>• 1 FTE supporting 1<sup>st</sup> Stop Clearinghouse, and Kansas Match Program</li> </ul>	(\$ 302,598)	(\$ 61,010)	(\$ 27,393)
<u>Community Development</u> <ul style="list-style-type: none"> <li>• Administrative costs for Offices of Rural Opportunity, Main Street programs, and Kansas Small Business Development Centers, and NetWork KS</li> </ul>	(\$ 375,234)	(\$ 40,000)	(\$ 97,021)
<u>Legal Services</u> <ul style="list-style-type: none"> <li>• 1.0 FTE for KCDC eliminates support of the disabled for emergency preparedness</li> <li>• Eliminates KYLF Grant and administrative costs</li> </ul>	(\$ 39,449)	(\$ 9,323)	(\$ 13,698)
<u>Office of the Secretary</u> <ul style="list-style-type: none"> <li>• Business grants and the Strong Military Bases Program</li> </ul>	(\$ 75,776)	(\$ 7,500)	(\$ 39,684)
<u>Operations</u> <ul style="list-style-type: none"> <li>• 6 FTE supporting Fiscal, Marketing, and Building Maintenance and administrative costs for HR and IT</li> </ul>	(\$ 416,152)	(\$ 66,567)	(\$ 112,771)
<u>Trade Development</u> <ul style="list-style-type: none"> <li>• 1.5 FTE and contract costs for Japan and European offices</li> <li>• Reduction in marketing costs which help Kansas companies expand their business around the world</li> </ul>	(\$ 124,000)	(\$ 50,600)	(\$ 32,262)
<u>Travel &amp; Tourism</u> <ul style="list-style-type: none"> <li>• 1 FTE and administrative costs for Travel Information Centers, marketing and research</li> </ul>	(\$ 240,176)	(\$ 65,000)	(\$ 62,490)
<u>Workforce Development</u> <ul style="list-style-type: none"> <li>• Discontinuation of the Wheat Harvest Program</li> <li>• Operational support and program funds for KS Industrial Training/Retraining (KIT/KIR) programs and Older Kansans Employment Program (OKEP)</li> </ul>	(\$ 404,026)		(\$ 91,439)
<b>TOTAL REDUCTION</b>	<b>(\$ 2,115,581)</b>	<b>(\$ 300,000)</b>	<b>(\$ 500,000)</b>

FY 2009	FY 2010 Appropriated	Governor July Allotments	Governor November Allotments	Revised FY 2010
\$ 17,806,371	\$17,052,308	\$ (300,000)	\$ (500,000)	\$16,252,308

Senate Ways & Means Cmte

Date 1-19-2010

Attachment 2





KANSAS TECHNOLOGY  
ENTERPRISE CORPORATION

### **KTEC BUDGET SUMMARY**

January 19, 2010

- Since the initial round of budget cuts in FY09, KTEC has been cut **43%** from \$12 million to \$6.9 million (prior to consideration of the current allotments).
- The Governor's proposed allotment, should it be approved by the legislature, would further reduce the KTEC budget by \$250,000, another **3.6%**.
- The KTEC Board established a strategic task force, which has assessed all programs, refined focus and will continue to drive the vision of the organization on an ongoing basis.
- KTEC recently led development of a functional matrix that clarifies roles among practitioners of economic and business development programs and services in the state (including Dept of Commerce, KBA, KSBDC, Network Kansas and KTEC). This effort will serve to avoid duplication and increase collaboration among our economic development partners.
- The Special Committee on KTEC, led by Senator Wysong and Rep. Lana Gordon, gave a positive review of the organization. The full committee report was issued January 11, 2010.

Senate Ways & Means Cmte

Date 1-19-2010

Attachment 3

# KTEC Funding History

	FY 08 Allocated	FY 09 Allocated	FY 10 Revised
Operations	1,870,276	1,636,168	1,282,564
Centers of Excellence	3,042,627	2,958,044	2,246,863
Grants - EPSCoR/Star	2,145,333	1,888,563	1,250,000
Investment	1,468,612	1,132,684	775,000
Entrepreneurial Centers	1,519,000	1,400,930	1,009,607
MAMTC	1,390,674	1,362,149	545,000
Pipeline	610,000	628,606	501,534
Consulting	555,122	641,330	396,303
<b>Total</b>	<b>\$12,601,644</b>	<b>\$11,648,474</b>	<b>\$8,006,871</b>
<b>State Budget Allocation</b>			<b>7,000,000</b>
Carry Forward			1,006,871



# KANSAS

OFFICE OF THE SECURITIES COMMISSIONER

MARK PARKINSON, GOVERNOR  
CHRIS BIGGS, COMMISSIONER

For Immediate Release

August 5, 2009

## Brokerage Firms Finalize Agreements to Settle Auction Rate Securities Case

Topeka, Kansas – Kansas Securities Commissioner Chris Biggs announced today that four brokerage firms have paid the State of Kansas more than \$5 million to settle allegations that the firms' securities dealers misled Kansas investors about the safety of the auction-rate securities (ARS) market. In addition to the monetary penalties, the settlement agreements require the firms to complete and confirm their repurchase of auction-rate securities from clients.

The firms who have finalized settlement agreements with the Kansas Securities Commissioner are Banc of America Securities (\$2,834,089.62), Merrill Lynch (\$959,555.69) Wachovia Securities (\$633,090.35), and Citigroup Global Markets (\$600,143.78). According to Commissioner Biggs, similar settlement agreements with several other firms are expected in the coming months, although the amounts of fines have not yet been determined.

The fine amounts represent Kansas' pro-rata share of settlements negotiated by a multistate task force of state regulators formed by the North American Securities Administrators Association (NASAA). During the investigation, regulators discovered that the firms' securities dealers failed to adequately inform customers and train employees on the risks associated with buying auction-rate securities. Although marketed and sold to investors as safe, liquid, and cash-like investments, auction rate securities are actually long-term investments subject to a complex auction processes that failed in early 2008, leading to illiquidity and lower interest rates for investors.

"In conjunction with our colleagues from other states, we are holding these firms accountable for engaging in unethical behavior by selling auction rate securities to investors without full disclosure of the risks involved," Biggs said. "These cases send a strong message that states will not tolerate unethical and unlawful behavior."

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The Office of the Kansas Securities Commissioner is charged with administration and enforcement of the Kansas Uniform Securities Act. The Office investigates and prosecutes securities fraud, the offer or sale of unregistered securities, and the offer or sale of securities by unlicensed stockbrokers or investment advisers. For more information and investor education resources, visit [www.ksc.ks.gov](http://www.ksc.ks.gov).

Contact: Chris Biggs, Commissioner, (785) 296-3307

618 S. KANSAS AVENUE, TOPEKA, KS 66603  
Voice 785-296-3307 Fax 785-296-6872 Investor Services  
[www.dontgetscammed.org](http://www.dontgetscammed.org)

Senate Ways & Means Cmte

Date 1-19-2010

Attachment 4

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

**Auction Rate Securities Cases**

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

**Other Significant Cases**

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

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

4-2



State of Kansas

## Office of Judicial Administration

Kansas Judicial Center  
301 SW 10<sup>th</sup>

Topeka, Kansas 66612-1507

(785) 296-2256

Senate Ways and Means  
Tuesday, January 19, 2010

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

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

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

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

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

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

Senate Ways & Means Cmte  
Date 1-19-2010  
Attachment 5