

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on February 15, 2010, in Room 548-S of the Capitol.

All members were present except:

Senator Carolyn McGinn - excused

Committee staff present:

Michael Steiner, Kansas Legislative Research Department
Cody Gorges, Kansas Legislative Research Department
Lauren Douglass, Kansas Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Theresa Kiernan, Office of the Revisor of Statutes
Melinda Gaul, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the Committee:

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERs),

Other attending:

See attached list.

Subcommittee report on Citizens Utility Ratepayer Board

Senator Vratil, Chair of the Subcommittee, presented the Subcommittee report on the Governor's budget recommendation for the Citizens Utility Ratepayer Board (CURB) for FY 2011 and moved for the adoption of the Subcommittee recommendation on CURB for FY 2011 (Attachment 1). The motion was seconded by Senator Lee. Motion carried on a voice vote.

The Subcommittee noted that CURB is a fee-funded agency with no funding from the State General Fund (SGF).

Subcommittee report on Kansas Corporation Commission

Senator Vratil, Chair of the Subcommittee, presented the Subcommittee report on the Governor's budget recommendation for the Kansas Corporation Commission (KCC) for FY 2011 and moved for the adoption of the Subcommittee recommendation on KCC for FY 2011 (Attachment 1). The motion was seconded by Senator Apple. Motion carried on a voice vote.

The Subcommittee noted that KCC is a fee-funded agency with no funding from the SGF. Responding to questions from the Committee, the Subcommittee indicated that the balances in the fee funds are remaining stable with no anticipated increase in fees in the near future. The Subcommittee also noted that the agency may not receive the full \$50 million of American Recovery and Reinvestment Act (ARRA) funds because the funds must be committed by the end of 2 years. The Subcommittee indicated that the ARRA funding is a loan program, as opposed to a grant program.

Subcommittee report on Kansas Public Employees Retirement System (KPERs)

Senator Vratil, Chair of the Subcommittee, presented the Subcommittee report on the Governor's budget recommendation for the Kansas Public Employees Retirement System (KPERs) for FY 2011 and moved for the adoption of the Subcommittee recommendation on KPERs for FY 2011 (Attachment 2). The motion was seconded by Senator Teichman. Motion carried on a voice vote

Responding to a question from the Committee, Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERs), explained that the outside investment managers for the KPERs funds are paid by contract on a percentage of invested assets.

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on February 15, 2010, in Room 548-S of the Capitol.

Action on SB 405 - Municipalities; legal notices; web sites alternative.

Senator Vratil moved to recommend SB 405 favorably for passage. The motion died for lack of a second.

Some members of the Committee expressed a desire to continue discussion of the topic; however, with revised language and in another piece of legislation.

The Chairman closed any further action on **SB 405.**

Adjournment

The next meeting is scheduled for February 16, 2010.

The meeting was adjourned at 11:05 a.m.

**SENATE WAYS AND MEANS COMMITTEE
GUEST LIST**

DATE: February 15, 2010

NAME	REPRESENTING
Michael Byington	KABVI
Doug Anstett	KPA
LARRY R BAKER	LKM
TERRY FORSYTH	KNEA
KOB MEHLK	KEARNEY & ASSOC.
Shannon Bell	LGR
Cassie Sparks	Intern-Sen. Brownlee
Janice Mouton King	KCC
Shonda Smith	KCC
SEAN MURPHY	CAPITOL STRATEGIES
Shonda Smith	CURB
David Spring	CURB

FY 2011

SENATE WAYS AND MEANS SUBCOMMITTEE

Kansas Corporation Commission
Citizens' Utility Ratepayer Board



Senator John Vratil, Chair



Senator Pat Apple



Senator Janis Lee

Senate Ways & Means Cmte
Date 2-15-2010
Attachment 1

Senate Subcommittee Report

Agency: Citizens' Utility Ratepayer Board

Bill No. - -

Bill Sec. - -

Analyst: Douglass

Analysis Pg. No. - -

Budget Page No. 37

Expenditure Summary	Agency Request FY 2011	Governor Recommendation FY 2011	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	816,904	807,710	0
Subtotal	<u>\$ 816,904</u>	<u>\$ 807,710</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>\$ 816,904</u></u>	<u><u>\$ 807,710</u></u>	<u><u>\$ 0</u></u>
FTE positions	6.0	6.0	0.0
Non FTE Uncl. Perm. Pos.	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
TOTAL	<u><u>6.0</u></u>	<u><u>6.0</u></u>	<u><u>0.0</u></u>

Agency Request

The **agency** requests FY 2011 operating expenditures of \$816,094, all from the Utility Regulatory Fee Fund. The request is a decrease of \$95,192, or 10.4 percent, below the revised FY 2010 estimate. The decrease is attributed to FY 2009 funds that the agency carried forward and has budgeted for contractual services in FY 2010. Consequently, the FY 2011 request for contractual services is decreased by \$103,087, which is partially offset by increases in salaries and wages due to higher health insurance costs.

Governor's Recommendation

The **Governor** recommends FY 2011 operating expenditures of \$807,710, all from the Utility Regulatory Fee Fund, which is a decrease of \$9,194, or 1.1 percent, below the agency's FY 2011 request and a decrease of \$104,386, or 11.4 percent, below the Governor's FY 2010 recommendation. The Governor's recommendation to reduce contractual services expenditures by \$9,194 will bring the agency's FY 2011 budget into balance. As submitted, the agency's budget had a negative fee fund balance of \$9,194.

Senate Subcommittee Recommendation

The **Senate Subcommittee** concurs with the Governor's FY 2011 recommendation with the following notation:

1. The Subcommittee notes that 20.0 percent of this agency's revenue is transferred to the State General Fund annually, which is generally true of other fee funded agencies.

Senate Subcommittee Report

Agency: Kansas Corporation Commission

Bill No. - -

Bill Sec. - -

Analyst: Douglass

Analysis Pg. No. - -

Budget Page No. 25

Expenditure Summary	Agency Request FY 2011	Governor Recommendation FY 2011	Senate Subcommittee Adjustments
Operating Expenditures:			0
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	24,463,075	23,966,674	0
Subtotal	<u>\$ 24,463,075</u>	<u>\$ 23,966,674</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>\$ 24,463,075</u></u>	 <u><u>\$ 23,966,674</u></u>	 <u><u>\$ 0</u></u>
 FTE positions	 216.0	 214.0	 0.0
Non FTE Uncl. Perm. Pos.	<u>6.5</u>	<u>6.5</u>	<u>0.0</u>
TOTAL	<u><u>222.5</u></u>	<u><u>220.5</u></u>	<u><u>0.0</u></u>

Agency Request

The **agency** requests a FY 2011 budget of \$24.5 million, all from special revenue funds, which is a decrease of \$2.8 million, or 10.4 percent, below the revised FY 2010 estimate. The request includes enhancement funding of \$499,000, all from special revenue funds for the replacement of 26 agency vehicles. Absent the enhancement requests, the FY 2011 request is \$24.0 million, which is a decrease of \$3.3 million, or 12.2 percent, below the revised FY 2010 estimate. The decrease of \$2.8 million below the revised FY 2010 estimate is attributed to one-time expenditures in FY 2010, such as enhancement funding for the 2010 Project and KETA funding. For FY 2011, KETA will request funding independently.

Governor's Recommendation

The **Governor** recommends a FY 2011 budget totaling \$24.0 million, all from special revenue funds, which is a decrease of \$496,401, or 2.0 percent, below the agency's FY 2011 request and a decrease of \$3,325,819, or 12.2 percent, below the Governor's FY 2010 recommendation. The recommendation does not include the \$400,000 transfer from the State General Fund to the Abandoned Oil and Gas Well Fund, but it does include \$100,000 for KETA funding for FY 2011.

In addition, the Governor recommends the transfer of \$1.5 million in agency fee fund balances to the State General Fund in FY 2011. Specifically, the Governor recommends the transfer of \$350,000 from the Public Service Regulation Fund, \$25,000 from the Gas Pipeline Fee Fund, \$500,000 from the Conservation Fee Fund, \$20,000 from the In-Service Education Fund, \$25,000 from the Petroleum Violation Escrow Fund, and \$350,000 from the Motor Carrier Fee Fund.

Senate Subcommittee Recommendation

The **Senate Subcommittee** concurs with the Governor's FY 2011 recommendation with the following notations:

1. While the agency's increase in expenditures compared to previous fiscal years will be borne by special revenue funds, some would consider this to be a tax increase.
2. The agency recently was awarded approximately \$50 million in American Recovery and Reinvestment Act (ARRA) funding, which will continue to be spent into FY 2012. A brief description of the programs currently being developed with federal ARRA funding follows.

Efficiency Kansas - \$38,284,000

- Loan Program (\$34.0 million). A new revolving loan fund for cost-effective energy-efficiency improvements in homes and small businesses will allow Kansans to access financing from partner banks and partner utilities for 100 percent of approved project costs at low interest. The State Treasurer's Office will assist with disbursement of loans through the partner banks. Project costs will be based on an energy audit performed by a qualified energy auditor.
- Administration (\$1.4 million). Temporary staff has already been hired to assist with the implementation of this program and additional temporary staff may be needed depending on the demands of the program.
- Marketing Initiative (\$500,000). A statewide campaign will promote the loan program to the public and potential bank partners.
- Rebates to Banks for Loan Fees (\$481,000). \$250 rebates will be available to partner banks to offset the origination costs for Efficiency Kansas loans.
- Rebates for Efficiency Kansas Energy Audits (\$350,000). \$350 rebates will be offered to the first 1,000 participants who elect to implement projects approved through this program to offset the costs of the energy audit.
- Energy Auditor Training and Scholarships (\$250,000). In order to meet the demand for energy auditors, financial support will be provided to qualified energy auditor training institutions and approximately 100 scholarships will be awarded for those institutions.
- Equipment for New Energy Auditors (\$250,000). To minimize start-up costs for newly-trained auditors, approximately 50 equipment packages will be available to the training institutions, who will then offer the packages to approved auditors.

- Comprehensive Rate Design (\$1 million). With the assistance of a consultant, the KCC will work to develop a comprehensive, collaborative planning process to redesign utility rate structures to achieve new goals of energy efficiency and environmental protection.

**Energy Efficiency and Conservation Block Grant (EECBG) -
\$9,593,000 (contingent on Department on Energy approval)**

- Renewable Energy Grants (\$3.8 million). Grants will be awarded to local units of government that did not receive direct block grant allocations for renewable electrical generation projects. Projects may include wind, solar, biomass, or fuel cells. The grants will cover 25 percent of approved project costs, up to \$250,000.
- Facilities and Conservation Improvement Program (FCIP) Expansion (\$3.2 million). The existing FCIP helps to finance energy conservation improvements in state, municipal, county, and educational facilities. FCIP connects local units of government and school districts with pre-approved, private energy service companies (ESCOs) that evaluate the facility, identify energy-saving opportunities, and recommend a turn-key package of upgrades to be financed through the projected utility bill savings. ARRA funds will be used to expand FCIP in two ways:
 - Energy-Savings Project Grants (\$2.2 million). Grants of up to \$150,000 will fund projects that do not meet the 30-year payback period required by statute or are considered too small by ESCOs and are thus ineligible under the current FCIP.
 - Rebates (\$1 million). Rebates of up to \$40,000 will be used to offset start-up costs for cities and counties that use FCIP to upgrade public buildings.
- Energy Managers for Local Units of Government (\$2.6 million). This program will provide a stipend to local units of government to enable them to hire energy managers for up to three years.

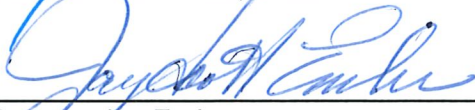
FY 2011

SENATE WAYS AND MEANS SUBCOMMITTEE

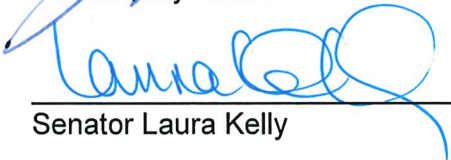
Kansas Public Employees Retirement System



Senator John Vratil, Chair



Senator Jay Emler



Senator Laura Kelly

Senate Ways & Means Cmte
Date 2-15-2010
Attachment 2

Senate Subcommittee Report

Agency: Kansas Public Employees
Retirement System

Bill No. --

Bill Sec. --

Analyst: Steiner

Analysis Pg. No. --

Budget Page No. Vol 1 - 74

Expenditure Summary	Agency Request FY 2011	Governor Recommendation FY 2011	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 3,213,748	\$ 3,213,748	\$
Other Funds	40,326,982	40,326,982	
Subtotal	<u>\$ 43,540,730</u>	<u>\$ 43,540,730</u>	<u>\$ 0</u>
Capital Improvements			
State General Fund	\$	\$	\$
Other Funds			
Subtotal	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 TOTAL	 <u><u>\$ 43,540,730</u></u>	 <u><u>\$ 43,540,730</u></u>	 <u><u>\$ 0</u></u>
 FTE positions	 87.3	 87.3	 0.0
Non FTE Uncl. Perm. Pos.	1.0	1.0	0.0
TOTAL	<u><u>88.3</u></u>	<u><u>88.3</u></u>	<u><u>0.0</u></u>

Agency Request

The **agency** requests operating expenditures of \$43,540,730, including \$3,213,748 from the State General Fund. The request is an all funds increase of \$4,116,492, or 10.4 percent, and a State General Fund increase of \$2,574,614, or 403.0 percent, above the FY 2010 estimate. The State General Fund increase is a result of the agency paying both the principal and interest portion of the KPERS 13th Check bond. The all other funds increase is largely due to an increase in the professional fees associated with KPERS investments. The agency does assume an 8.0 percent investment return for FY 2011.

Governor's Recommendation

The **Governor** concurs with the agency estimate.

Senate Subcommittee Recommendation

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

1. The Subcommittee notes the agency has 87.3 FTE positions and three vacant positions and none of the agency's FTE positions are funded through the State General Fund. All agency operating expenses, which include salaries and wages, are funded entirely through the KPERs Trust Fund.