

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Stephen Morris at 10:30 a.m. on January 22, 2002 in Room 123-S of the Capitol.

All members were present except: All present

Committee staff present:

Ben Barrett, Director, Kansas Legislative Research Department
Alan Conroy, Chief Fiscal Analyst, Kansas Legislative Research Department
Debra Hollon, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Audrey Nogle, Kansas Legislative Research Department
Julian Efirid, Kansas Legislative Research Department
Robert Waller, Kansas Legislative Research Department
Trevor Steinert, Kansas Legislative Research Department
Carolyn Rampey, Kansas Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Assistant Revisor of Statutes
Theresa Kiernan, Assistant Revisor of Statutes
Judy Bromich, Assistant to the Chairman
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Stephen McElhaney, William M. Mercer, Incorporated
Dr. Kim A. Wilcox, Executive Director, Kansas Board of Regents
Dan Hermes, DCCCA, Incorporated (written testimony)
Kay McFarland, Chief Justice, Supreme Court of Kansas (written testimony)
Duane A. Goossen, Director, Division of the Budget
Charles E. Simmons, Secretary, Department of Corrections

Others attending: See attached list

Bill Introductions

Senator Feleciano moved, with a second by Senator Jordan, to introduce two bills requested by the Department of Social and Rehabilitation Services. The first bill would allow the Department of Social and Rehabilitation Services to use additional tools to manage continually increasing drug costs (1rs1371) and the second bill would authorize the Department of Social and Rehabilitation Services to fix and collect fees from parents or other legally responsible individuals for services the Department provides to their children (1rs 1582). Motion carried on a voice vote.

Chairman Morris mentioned that the Senate Ways and Means Subcommittee Assignments were distributed to the Committee members (Attachment 1).

Chairman Morris welcomed Stephen McElhaney of William Mercer, Incorporated, who presented the Actuarial Audit of the Kansas Public Employees Retirement System (KPERS) Executive Summary (Attachment 2). The purpose of the audit was to perform an independent verification and analysis of the assumptions, procedures and methods used by Milliman USA in preparing the valuation. Mr. McElhaney noted in his testimony that based upon a thorough review of the December 31, 2000, actuarial valuation report, William Mercer, Inc., was pleased to report that they found the work to be reasonable and performed in accordance with generally accepted actuarial principles and practices. A copy of the full report from the William Mercer, Inc., Actuarial Audit of the Kansas Public Employees Retirement System, January 2002 is attached (Attachment 3). Committee questions and discussion followed.

Regarding the three areas of Mortality Assumptions listed on page 3 of the testimony, Senator Barone requested that these areas be quantified so as to know how substantial of a shortfall this is or not. Chairman Morris noted that the end of January would be the end of the contract period with William Mercer, Inc., and inquired if they would obtain this information or if the KPERS actuary should obtain

CONTINUATION SHEET

this information. Mr. McElhane mentioned that they would need to look into it. Chairman Morris thanked Mr. McElhane for appearing before the Committee.

Chairman Morris opened the public hearing on:

SB 386 – KPERS funding of unfunded obligations of certain benefits of employees of regents' institutions for prior service

Staff briefed the Committee on the bill.

Chairman Morris welcomed Dr. Kim Wilcox, Executive Director, Kansas Board of Regents, who spoke in favor of **SB 386**. Dr. Wilcox mentioned that **SB 386** deals with the TIAA KPERS transfer and he explained a couple of points in regard to the state universities. Dr. Wilcox mentioned that the proposed bill would move approximately \$5.8 million dollars out of the university budgets along with the commitment against those funds. Dr. Wilcox expressed concern and thought that this is an important consideration regarding the actual timing piece. The second point related to the cluster of changes that they are trying to effect at the Board of Regents among all 36 institutions, primarily the state universities. He mentioned that the Board has proposed, and they are all moving ahead with, an operating grant format for the state universities. He noted that to be true to an operating grant philosophy, any reduction in cost whatever the source, the perspective should be part of that operating grant as well. No written testimony was provided. Committee questions and discussion followed.

The Chairman closed the public hearing on **SB 386**.

Bill Introduction

Chairman Morris welcomed Ben Barrett, Director, Kansas Legislative Research Department, who explained proposed school finance law amendments pertaining to the Contingency Reserve Fund and Local Option Budget determinations (Attachment 4). Committee questions and discussion followed. Senator Adkins moved, with a second by Senator Huelskamp, to introduce a bill concerning school districts; relating to school finances (1rs1684). Motion carried on a voice vote. Senator Feleciano and Senator Schodorf requested to be recorded as voting “No.”

Chairman Morris opened the public hearing on:

SB 385 – Supplemental appropriations and adjustments for FY 2002 for state agencies

Staff briefed the Committee on the bill.

Chairman Morris mentioned that written information was received regarding **SB 385** from Kay McFarland, Chief Justice, Supreme Court of Kansas (Attachment 5) and Dan Hermes, DCCCA, Inc. Lobbyist (Attachment 6).

Duane A. Goossen, Director, Division of the Budget, appeared before the Committee to express the Governor's opposition to **SB 385** which reduces the current year State General Fund budget (Attachment 7). Director Goossen further explained that the FY 2002 budget was already adjusted during a very long wrap-up session last Spring. He noted that the Governor believes the approved FY 2002 budget is inadequate, especially in the area of education, and should not be lowered further.

Senator Kerr asked that Director Goossen remind the Committee of some easy measures that were taken two years ago. Director Goossen explained that two years ago, at the beginning of the legislative session, reductions were agreed upon in state agency budgets which was approximately a 1-1/2 percent recision. Senator Kerr requested that agencies that receive a significant amount of money from sources other than the State General Fund be looked at and calculate what portion it would be of the State General Fund.

Charles E. Simmons, Secretary, Department of Corrections, appeared before the Committee in opposition to **SB 385** (Attachment 8). Secretary Simmons noted that reductions of this magnitude made in this manner would represent a retreat from sound correctional policy and practice in the state. This would continue in FY 2003, since the reductions would be more than twice the level that would occur under the

CONTINUATION SHEET

Governor's current resources budget.

Committee questions and discussion followed. Chairman Morris thanked all conferees for appearing before the Committee and stated that the hearing on **SB 385** would be continued the following day, Wednesday, January 23, 2002. The Chairman said that the Committee would try to meet in the Old Supreme Courtroom, Room 313-S, for the next meeting.

The meeting was adjourned at 12:15 p.m. The next meeting is scheduled for January 23, 2002.