

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Marc Rhoades at 9:05 a.m. on January 20, 2011, in Room 346-S of the Capitol.

All members were present:

Representative Denning – Excused
Representative Lane - Excused
Representative Shultz - Excused

Committee staff present:

Alan Conroy, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Jim Wilson, Office of the Revisor of Statutes
Nobuko Folmsbee, Office of the Revisor of Statutes
Jarod Waltner, Kansas Legislative Research Department
Shirley Morrow, Kansas Legislative Research Department
Cindy O'Neal, Administrative Assistant, Appropriations Committee
Kathy Holscher, Committee Assistant, Appropriations Committee

Others attending:

See attached list.

- Attachment 1 Department of Transportation Overview
- Attachment 2 Department of Labor Overview

Chairman Rhoades welcomed committee members and reviewed the committee agenda for today's meeting, and stated that the committee will begin work on **HB 2014** on Monday, January 24, 2011.

Representative McLeland made a motion to introduce legislation that would eliminate the state match for new construction for K-12 . The motion was seconded by Representative DeGraaf. Motion carried.

Representative Kleeb made a motion to introduce legislation that would create a privatization process in the state. The motion was seconded by Representative DeGraaf. Motion carried.

Deb Miller, Secretary, Department of Transportation, presented an overview of the department, (Attachment 1). She emphasized the importance of the department's role regarding community connections, and moving the economy forward, and safety. Secretary Miller reviewed the Comprehensive Highway Program (CHP), Interim Projects, and the Comprehensive Transportation Program (CTP), which focused on the preservation of our state roads and highways. A review of the State Highway revenue and expenditures followed. A major funding source comes from the Motor Fuels Tax and Federal funds, and expenditures are primarily due to highway construction projects and local programs such as snow removal, minor patching and mowing. She explained the budget process involved for new construction projects and debt service payments. An overview of the T-Works program was provided. This program allocation of \$7.9 million provides for preservation, modification and expansion for transit, aviation, rail, and special city and county highway initiatives fund (SCCHIF) services. She noted that this program is geared toward economic growth in jobs and investments through an improved bid selection process, re-tooled programs and expanded partnerships. Secretary Miller discussed the State Highway Fund transfer of \$200 million to the State General Fund. Secretary Miller reviewed staffing issues and stated that under the Governor's budget proposal an additional 138 unfilled positions will be eliminated.

Secretary Miller responded to questions from committee members. She stated that in FY 2004, the debt service was refinanced at a value savings to the state and will be paid out in FY 2013. A review of unfilled positions, Hwy 69, US 169 projects, and management expenses followed.

Karin Brownlee, Acting Secretary, Department of Labor, presented an overview of the activities within the department, (Attachment 2). In 2010, over \$1.2 billion was paid out in unemployment insurance benefits and she referred to the tiers for compensation and extended benefits. Due to the unprecedented workload, there is a need to implement new strategies for improvement to address responses to claimant inquires, she stated. The Unemployment Insurance Modernization project (UIM) has saved the state \$300,000 annually in operating costs due to payments no longer in check form but through debit cards, enhanced fraud detection, automatic registration and customer service survey for future enhancements. Areas for

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future development included: providing excellent customer service, on-line customer service is available 24 hours and seven days per week, and an improved server environment to handle the volume of calls. Acting Secretary Brownlee reviewed the trust fund, which was depleted in FY 2009. Over \$755 million has been paid out from the Kansas employers fund and over \$350 million has been paid out in borrowed federal dollars. An interest payment will come due in September, which could come from an additional surcharge from employers or the elimination of the waiting week for benefits. Kathy Sparks, Deputy Secretary, Kansas Department of Labor, stated that this surcharge would represent an estimated .01% increase for employers. Worker's Compensation claims have continued to decline, Acting Secretary Brownlee noted.

Acting Secretary Brownlee introduced Inayat Noormohmad, Director of Labor Market Information Systems & Unemployment Insurance Division, Kansas Department of Labor. He reviewed the impact on the job market due to the recession, and he compared data for current and prior recession unemployment insurance claims. Inayat Noormohmad noted that the decline in benefits from 2009 to 2010 was due to shifts from state to federal benefit programs. Due to the depletion of the trust fund, it was necessary to borrow \$88.2 million, an additional \$3 million was borrowed yesterday, and an estimated \$100 - \$130 million will need to be borrowed by the end of 2011, he reported. He added that the interest payment on borrowed federal dollars will be due in September, and that there is no deadline for repaying the principal unless state has borrowed federal money within two consecutive months in January.

Acting Secretary Brownlee and Inayat Noormohmad responded to questions from committee members regarding procedures for following up on claimants employment seeking efforts, benefits charged to the employer and federal dollars borrowed for computer projects. It was noted that a review of data was necessary for the department to adequately investigate and reduce fraudulent claims.

The meeting was adjourned at 10:35 a.m.

Marc Rhoades, Chairman