Approved: February 1, 2012
(Date)

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairperson Marc Rhoades at 9:00 AM on Monday, January 23, 2012 in 346-S of the Capitol.

All members were present except:
Sharon Schwartz - excused

Committee staff present:
J.G. Scott, Chief Fiscal Analyst, Legislative Research Department
Dylan Dear, Senior Fiscal Analyst, Legislative Research Department
Michael Wales, Fiscal Analyst, Legislative Research Department
Jill Wolters, Senior Assistant Revisor, Office of Revisor of Statutes
Nobuko Folmsbee, Senior Assistant Revisor, Office of Revisor of Statutes
Cindy O'Neal, Administrative Assistant
Kathy Holscher, Committee Assistant

Others in attendance:
See attached list.

Chairman Rhoades welcomed members and presenters. A review of the meeting agenda followed.

Representative Trimmer presented an overview of the KPERS Study Commission Minority Report (Attachment 1). He discussed the costs and benefits with the plan designs for defined benefit, defined contribution or hybrid plan alternatives, and the unfunded liability risk. The contents of HB 2194 would remove the cap on the actuarial rate and would pay down the unfunded liability fund by FY 2035. Bonding a portion of the unfunded liability was discussed by the commission, he noted. The data shows that the defined contribution plan will cost more in the future, he stated.

Representative Trimmer reviewed a chart and graph containing comparative data (Attachment 2). A defined benefit system would provide less cost to the employer, as the employee contribution and rate of return would off-set the system's payment. A modeling rate structure of 4% for employer contributions was reviewed. It was noted that the KPERS down-slide was in part for underfunding the defined benefit system and the actuarial rate was not paid, resulting in an unfunded liability. The proposal would not be cost effective; the defined benefit system would provide better employee benefits in the long-term, under the defined contribution system there would not be a benefit to the employer or employee.

Representative Trimmer responded to questions from committee members. Under the new plan employees would pay 6% and the employer would pay 1% for the first year and .50% for the following five years with a match of approximately 4%. HB 2194 would remove the 6% defined benefit cap and would require the actuarial rate payment. KPERS costs are approximately $44 per employee and the defined benefit plan would cost the state $15 billion, he stated.

Representative Gatewood stated that additional information was requested from Mr. Johnson, regarding the state contribution level as compared to the actuarial level. The information was provided to committee members (Attachment 3). In FY 2005 the state was 3% below the actuarial required level, he noted.

Representative Trimmer noted that retirement benefits are determined by the best three years wages. Actuaries informed the commission that for most state employees they would not benefit by averaging additional years and this would not improve the state's unfunded liability position. He stated that the objective is to mitigate risk for the tax payers, the state and employees. HB 2194 may be an economical and efficient alternative to what the commission is looking at for a defined contribution plan when fully funded, it was noted.

Tracy Streeter, Director, Kansas Water Office, provided an overview of the Kansas Water Office 2012 Annual Report. A review of the Kansas Water Authority Members and area districts followed. The State Water Plan Fund revenue estimates and expenditure recommendations were discussed. He stated that the base budget reflects fees and transfers of $13.9 million. A review of the water plan fees, fines and royalties followed. It was noted that due to the recession and shortage of State General Funds (SGF), approximately one-third of the $6 million revenue for water projects has not been deposited in the water fund. The Water Authority recommended that the SGF dollars would be placed in one program and one initiative that would reduce nutrient and sediment run-off into our water sources. It was the intent for expanded gaming revenues to fund water projects as related to infrastructure. An update on the governor's summit in July regarding the Ogallala aquifer followed. The Kansas Water Appropriation Act reflects that without just cause water rights would be deemed abandoned and would terminate for non-use of a water right. Creating local enhanced management areas is another component of the governor's budget and is contained in SB 310, he noted. An explanation of multi-year flex accounts and the Water Banking Act followed. It was noted that due to the 10% fee requirement this has not been utilized. The Water Banking Act moves the water around from other areas and could be a tool for horizontal drilling and also within the oil and gas industry, he added.

Director Streeter responded to questions from committee members. He stated that the concept of a reverse blow pipeline is currently being discussed. The decreases in revenues were primarily due to SGF reductions in the Governor's budget and sand royalty receipts. The Governor's budget includes $900,000 for the Water Transition Assistance Program and $100,000 for the Reservoir Data Analysis System, which would be funded by the State Water Plan Fund. Collaborative efforts with down-stream neighbors and water rights for fracking were discussed. The purchase of water rights was reviewed as related to industrial use. It was Director Streeter's understanding that disaster appropriations are reportedly in place for repairs to levees eligible for core funding.

Chairman Rhoades reviewed the agenda for the next meeting.

The meeting was adjourned at 10:27 a.m.