

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chair Sharon Schwartz at 9:00 A.M. on January 24, 2008, in Room 514-S of the Capitol.

All members were present except:

- Representative Masterson - excused.
- Representative Yoder - excused.

Committee staff present:

- Alan Conroy, Legislative Research Department
- J. G. Scott, Legislative Research Department
- Reed Holwegner, Legislative Research Department
- Cody Gorges, Legislative Research Department
- Julian Efird, Legislative Research Department
- Audrey Dunkel, Legislative Research Department
- Jim Wilson, Revisor of Statutes
- Nobuko Folmsbee, Revisor of Statutes
- Nikki Feuerborn, Chief of Staff
- Shirley Jepson, Committee Assistant

Conferees appearing before the committee:

- Representative Kenny Wilk
- Diane Duffey, Vice-President, Board of Regents
- Steve Martino, Executive Director, Racing and Gaming Commission

Others attending:

See attached list.

- Attachment 1 Expansion of Public-Private Partnership by Representative Wilk
- Attachment 2 Update on Deferred Maintenance
- Attachment 3 Overview of Racing and Gaming Commission

University Foundations - Expanded Public Private Partnership

Representative Kenny Wilk presented an overview of a proposal for expansion of the partnership between the Board of Regent universities' Foundations and the Kansas Pooled Money Investment Board (PMIB) whereby the Foundation would invest funds from the Pooled Money Investment Fund (PMIF), including state funds, tuition and research/grants (Attachment 1). The approach is proposed because of the rate of return realized by the Foundations on their investments as opposed to the rate of return realized by PMIB. For the period June 2007 through December 2007, the rate of return realized by PMIB was 5.27 per cent. The rate of return for this same period of time by the universities Foundation's asset allocation produced a return of approximately 9 per cent.

Representative Wilk stated that if such a proposal moves forward, negotiations would need to take place between the State and the Regent universities to address all aspects of the partnership. It is proposed, to guard against the potential loss of principal, that legislation could address the establishment of a reserve account for the protection of the principal. In addition, incentives and rewards could be put in place for the universities who choose to partner. Representative Wilk felt that this concept is an opportunity to offer an advantage for both the universities and the State.

Responding to questions from the Committee, Representative Wilk indicated that involvement by the universities:

- Should not be mandated but rather offer the universities to "opt-in";
- Funds should be invested in a conservative portfolio;
- Average earnings that would have been realized from investment of PMIF, would be returned to that fund;
- A need to address tax credits;
- There would be no fiscal note to the State.

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on January 24, 2008, in Room 514-S of the Capitol.

The Committee voiced a concern with regard to the open meetings law in reference to the Foundations' meetings and requested that Jim Wilson, Revisor of Statutes, review the statutes.

Update on Deferred Maintenance

Diane Duffy, Vice-President, Board of Regents, presented an update on deferred maintenance at the Regent universities, as well as the implementation of **Substitute for HB 2237**, enacted during the 2007 Legislative Session, which provided \$90 million in direct state funding over a period of 5 years to address the deferred maintenance issue at the state universities (Attachment 2).

Ms. Duffy stated that the Board of Regents has approved 5-year maintenance project plans for each of the state universities with the allocated funding. In addition, steps have also been taken to implement the bond program as authorized by the legislation for Washburn University, the 19 community colleges, and the 5 technical colleges. Ms. Duffy noted that a disadvantage of the bond program for the smaller community and technical colleges, is that the date of maturity on the bonds which may not exceed 8 years. This is a cause for concern and the Board of Regents may recommend moving to a 20-year payback schedule.

Racing and Gaming Commission

Steve Martino, Executive Director, Racing and Gaming Commission, presented an overview of the Racing and Gaming Commission and implementation of **SB 66** (Attachment 3). Mr. Martino noted that security staff will be increased to provide 24-hour law enforcement at gaming facilities with costs to be reimbursed by each facility. Mr. Martino stated that permanent rules and regulations for the gaming facilities are in the process of being developed. In addition to approval by the Racing and Gaming Commission, the regulations will be reviewed and approved by the Department of Administration, Attorney General, and the Legislative Rules and Regulations Committee.

In response to a question from the Committee regarding approval of the rules and regulations, Jim Wilson, Revisor of Statutes, stated that law enacted by the Legislature provides for the authority of the Rules and Regulations Committee to make recommendations on subjects brought before them. The Legislature or a legislator may attempt to change the rules and regulations either by introducing legislation or through a court of law. Mr. Martino noted that the Racing and Gaming Commission holds a public hearing where individuals may present recommendations and opinions regarding the proposed rules and regulations.

With regard to the 5-year restrictive covenant as part of the Code of Conduct, Mr. Martino indicated that he thought a violation would be difficult to enforce in a court of law. However, the Commission felt it was important to include the language and would hope that it would be adhered to by former commission members, employees, or agents.

In response to a question with reference to the Woodland facility, Mr. Martino stated that the facility plans to renovate a portion of the present facility to house the gaming section with the intent of building a permanent facility in the future that would house both the racing and gaming functions. At this time, no gaming contract has been signed for either the Woodland or Camptown facilities with the Racing and Gaming Commission.

The meeting was adjourned at 10:35. The next meeting of the Committee will be held on January 29, 2008.

Sharon Schwartz, Chair