

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairperson Ron Ryckman at 9:00am on Tuesday, January 20, 2015, 112-N of the Capitol.

All members were present except:

Representative Jerry Henry – Excused

Representative John Edmonds – Excused

Committee staff present:

J.G. Scott, Legislative Research Department

Dylan Dear, Legislative Research Department

Andy Chiamopoulos, Legislative Research Department

Nobuko Folmsbee, Office of Revisor of Statutes

Jill Wolters, Office of Revisor of Statutes

Melinda Gaul, Administrative Assistant

Jane Clouse, Legislative Administrative Services

Conferees appearing before the Committee:

No conferees present

Others in attendance:

[See Attached List](#)

Introduction of Proposed Legislation

Chairman Ryckman called the meeting to order at 9:00 a.m., and he reviewed the agenda for the committee meeting.

Representative Carlin made a motion to introduce proposed legislation 15rs0015 regarding revenge pornography. Representative Ballard seconded the motion. Motion carried.

Informational briefing:

Secretary King, Kansas Department of Transportation, introduced staff members, and provided the Budget Overview of the department([Attachment 1](#)). The department provides a statewide transportation system to meet the needs of Kansas by providing safety, managing resources and economic growth. He noted that 85 percent of Kansas bridges are in good condition and 85 percent of pavement preservation for interstate and 80 percent of non-interstate are in good condition. The T-Works Programs include preservation, modernization, and expansion for transit, aviation, rail and special City and County gas funds. A review of the department's completed projects followed. He stated that \$29 million in savings has been realized to date through the Kansas Turnpike Association Partnership. The department's budget reflects \$110 million in transfers to the Kansas Highway Patrol and Department of Revenue to support agency operations. A realized savings of \$39 million through refinancing bond debt was experienced. He emphasized the importance of the .4 percent sales tax revenue for the department. Without this source of revenue, some of the projects would be discontinued that are important as a dedicated source of revenue for bonding. A review of the agency's operational budget, total available revenues, and expenditures for FY 2016 and FY 2017 followed by Secretary

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King. ([Attachment 2](#))

Secretary King and Deputy Secretary Younger responded to questions from committee members. Secretary King noted that quarterly meetings are held with the bonding agencies to review transfer and long-term dedicated revenue sources. \$297 million of T-Works projects for FY 2015 and FY 2016 will be delayed to take with cash flow. As requested by a committee member, additional information regarding sales tax and compensation tax will be forthcoming. Secretary King stated that in the reserve bonds, revenue is three times the amount of the debt service and the current bond rate is 18 percent. The .4 sales tax revenue generates approximately \$200 million. The KTA debt is approximately \$200 million with a goal that in five years there would be no further debt issued for KTA, and to retire long-term debt.

JG Scott, Legislative Research Department, responded to questions regarding revenue transfers and he stated that this is determined by a statutory formula through a dedicated revenue source.

Informational briefing:

Alan Conroy, Executive Director, Kansas Public Employees Retirement System (KPERS), presented an agency overview and the FY 2016 and FY 2017 Budget ([Attachment 3](#)). KPERS is a trust fund with board oversight and fiduciary standards and accountability of investing assets and ensuring benefits are available to beneficiaries. He reviewed the KPERS partners and membership information, which serves more than 289,000 members and over 1,500 employers. Over half of the 155,446 active members are school district employees. Retirees and beneficiaries benefits paid in FY 2014 was approximately \$1.5 billion, he noted. The unfunded actuarial liability, which is the debt of the employer, decreased from \$10.3 billion to \$9.8 billion. The funded ratio increased from 56% to 60%. The long-term investment of 8 percent on return in investment performance is an assumption. The long-term funding projection is that KPERS would be 100% funded by the end of the amortization period of FY 2033. A review of employer/employee contributions followed, which reflects employer contributions at 63.9 percent and employee contributions at 30.8 percent. Total contributions for FY 2014 were \$1.1 billion, he noted. The Governor's Allotments includes reducing employer contribution rate from 11.27 percent to 8.65 percent for the last six months in FY 2015, \$52 million in SGF reductions or approximately \$58 million reduction to the KPERS Trust Fund contributions. The Legislature will have to enact the rate change as the Governor's allotment authority only removes dollars, he added. \$1.5 billion in pension obligation bonds was recommended in the Governor's budget, which would be taxable bonds, and the debt service would be \$90 - 95 million per year. Bond rates are currently low, it was noted. A review of the pension obligation bonds followed. The additional contributions from bond proceeds could the lower employer contribution rates in the future. This would not include debt service on the pension obligation bonds which would be paid from another source. The investment return on the 2004 pension obligation bond has exceeded the bond rate by more than \$174 million, as of September 30, 2014, Mr. Conroy noted. A review of the Governor's re-amortization recommendations followed. If extended over 10 years, the amortization period would reduce the employee contribution rate short-term but increase the long-term costs, and keep the funded ratio lower resulting in higher unfunded actuarial liabilities over a longer

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period of time. And, additional funding from the Expanded Lottery Act Revenue Fund (ELARF) would be eliminated. An overview of the FY 2014 Actual expenditures, Board of Trustees authority, KPERS 457 funds followed. Mr. Conroy reviewed the Governor's FY 2016 and FY 2017 Budget Recommendations. Total expenditures for FY 2016 is \$1.76 billion and \$1.8 billion in FY 2017 for KPERS, administration expenditures of \$13.1 million in FY 2016 and \$13.6 million in FY 2017 and recommended that KPERS continue at the same level of service to members.

Mr. Conroy responded to questions from committee members regarding the cash balance plan that became effective on January 1, 2015. This is a shared risk plan for both the employee and employer, he noted. Additional discussion regarding the debt service followed. Mr. Conroy referred to Exhibit A regarding the Cost Study for Proposed Changes to KPERS State/School Funding ([Attachment 4](#)). He stated that only employees who began employment prior to July 1, 1993 would be eligible to use sick or annual leave payment calculations toward their KPERS benefit. The cost for moving the amortization schedule out 10 years would be approximately \$9 billion more in payments. The debt service bond would include the principal and interest from year one. Legislation determines the state/school rate contribution, as well as the plan sponsor of employer contributions.

Closing Remarks

Representative Ryckman reviewed the agenda for the next committee meeting. He announced that Representative Edmonds submitted his resignation as Vice Chair and committee member. His resignation letter was read to committee members, as it was submitted to the Speaker of the House, Ray Merrick.

Meeting adjourned: 10:40 a.m.