

Approved: May 8, 2009

Date

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Kevin Yoder at 1:37 p.m. on April 30, 2009, in Room 143-N of the Capitol.

All members were present except:

Representative Tom Sawyer- excused

Committee staff present:

Jim Wilson, Office of the Revisor of Statutes
Christina Butler, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Kelly Cure, Chief of Staff
Kathy Holscher, Committee Assistant

Conferees appearing before the Committee:

Representative Kleeb - Proponent
Representative Burgess - Proponent
Representative Otto - Proponent
Bob Vancrum, Geographic Solutions, Inc. - Proponent
Chris Howe, Division of Purchases - Opponent

Others attending:

See attached list.

HB 2403 - Transparency and accountability in purchasing and state spending act.

Introduction of Legislation

Representative Brunk requested introduction of legislation to restore the sales tax exemption for Goodwill Industries or Easter Seals.

Representative Watkins made a motion to introduce legislation for the restoration of sales tax exemption for Goodwill Industries or Easter Seals. The motion was seconded by Representative Mast. Motion carried.

Representative Kleeb provided testimony on **HB 2403**, (Attachment 1). This expanded act places emphases on the importance of fairness, and would maximize results and minimize expenditures. The need to review, investigate and analyze the current bidding process for contracting services and products with vendors or suppliers was recommended. And, annual reporting, which would include vendor specific detailed information, would be submitted to House Appropriations and Senate Ways and Means committees by the state purchasing department on or before January 12.

Representative Kleeb responded to questions by Committee members regarding the bidding process, Interstate Commerce laws, privatization and outsourcing opportunities.

Representative Burgess provided testimony on **HB 2403**. Reference was made to the state rental car contract, which was awarded to an out-of-state vendor. This proviso would enhance the process and reduce costs.

Representative Otto provided testimony on **HB 2403**. Concerns were expressed regarding the fairness and transparency of the bidding process, and work opportunities for Kansas contractors.

Bob Vancrum, Geographic Solutions, Inc., provided testimony on **HB 2403**, (Attachment 2). As a strong proponent of this bill, Mr. Vancrum discussed concerns for the procedures involved with requests for proposals, (RFP). He emphasized the need for Section 5, which would authorize the legislative coordinating council to appoint a special committee that would review and evaluate opportunities for outsourcing or privatizing governmental operations and programs.

Chris Howe, Director of Purchases, Department of Administration, provided testimony on **HB 2403**,

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(Attachment 3). An overview of the purchasing process was provided. An explanation of sealed bids and negotiated procurements was reviewed.

Mr. Howe responded to questions from Committee members regarding privatization, contract time frames, reverse options and utilizing temporary positions.

The hearing on **HB 2403** was closed.

The meeting recessed at 2:32 p.m. for the purpose of Caucus.

Chairman Yoder called the meeting back to order at 2:55 p.m.

SB 22 - H Sub. For S 22 by Committee on Appropriations - Omnibus appropriation act and omnibus reconciliation spending limit bill for the 2009 regular session.

Representative Watkins made a motion to remove the contents of **SB 22** and insert the contents from **HB 2022**. The motion was seconded by Representative Whitham. Motion carried.

Representative Watkins reviewed the Proposal to Solve the \$138.7 Million Shortfall, (Attachment 4). It was noted that the \$4.2 million in KSIP funds and \$5.1 million in fee fund reductions would be repaid in FY 2012. The 5 percent salary reduction recommendation would effect every state employee, with the exception of the Board of Regents due to the requirements of the American Recision and Recovery Act. The tax amnesty program allows back taxes to be repaid without penalty if paid within a specific time frame. The total SGF savings is \$173.7 million and a projected ending balance of \$35 million.

Representative Watkins made a motion to adopt the proposal. The motion was seconded by Representative Whitham.

Representative Watkins responded to questions from Committee members regarding salary reductions in order to keep people employed and avoid layoffs.. The April 17th consensus estimates and the obligation to balance the state budget was reviewed. Not all fee funds would be swept and this would not have a negative impact on the agencies. It was noted that decoupling was not a part of this plan and with the maintenance of effort, cuts would not be possible without the risk of losing stimulus dollars. Committee members recommended restoring employee wages, if receipts improve, as a priority at the beginning of the next legislative session.

Representative Watkins amended the motion to give flexibility and authority to the Secretary of the Division of Budgets as needed for cash flow purposes within the fee funded agencies. This amendment was approved by Representative Whitham as the second to the motion.

Committee members discussed: KTEC funding; the need for tax committee proposals before making additional cuts; wage reductions; and the possibility of the Board of Regents 5 percent reduction in FY 2012. It was noted that any budget cuts to K-12 and higher education can not be disproportionate in accordance with the American Recision and Recovery Act.

The meeting recessed at 3:45 for House Session.

Chairman Yoder called the meeting back to order at 5:31 p.m.

Committee members continued discussion on **SB 22 - H Sub. For SB 22** in regards to the impact on employee contributions on their KPERS contribution, and options for the loan repayment with a 5 percent reduction in FY 2012 in the Board of Regents budget.

Jim Wilson, Office of the Revisors, stated that retirement contributions are calculated by employee wages.

Representative Watkins amended the previous motion to apply the 5 percent reduction from the Board of Regents FY 2010 budget, which would go into the agency's tuition stabilization fund. The amendment was

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approved by Representative Whitham as the second of the motion.

Representative Watkins responded to questions from Committee members. It was noted that the amendment would be included in the motion which would keep the tuition flat and not have an impact on the stimulus money or effect the bottom line of the SGF.

Representative Watkins renewed the motion as amended to adopt **SB 22**. Motion carried.

Representative McLeland made a motion for a proviso for **SB 22** regarding any information received by the Executive Chief Information Technology Officer, regarding projects that have been downgraded, must notify the Joint Committee on Information Technology within 48 hours of receiving the information. The motion was seconded by Representative Mast. Motion Carried.

Representative McLeland made a motion for a provision for **SB 22** regarding Executive Chief Information Technology Office quarterly reports which would be required to be completed 15 days after the end of each quarter, and a report to submitted to the Joint Committee on Information Technology within 30 days at the end of each quarter. The motion was seconded by Representative Watkins. Motion carried.

Discussion followed by Committee members regarding the need for this proviso to be in bill form next year.

Representative Watkins made a motion for favorable passage of **SB 22** with technical amendments by the Office of the Revisors. The motion was seconded by Representative Whitham. Motion carried.

The next meeting is on call of the Chair.

The meeting was adjourned at 5:55 p.m.

Kevin Yoder, Chairman