

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 10:30 a.m. on January 21, 2011, in Room 548-S of the Capitol.

Senators Emler, Masterson, Schmidt and Taddiken excused

Committee staff present:

Jill Wolters, Office of the Revisor of Statutes  
Daniel Yoza, Office of the Revisor of Statutes  
David Wiese, Office of the Revisor of Statutes  
Alan Conroy, Director, Legislative Research Department  
J. G. Scott, Chief Fiscal Analyst, Legislative Research Department  
Aaron Klaassen, Senior Fiscal Analyst, Legislative Research Department  
Dorothy Hughes, Fiscal Analyst, Legislative Research Department  
Brea Short, Intern, Senator McGinn's Office  
Jan Lunn, Committee Assistant  
Josh Lewis, Chief of Staff

Conferees appearing before the Committee:

Tim Shallenburger, President, Kansas Development Finance Authority  
Tracy Streeter, Director, Kansas Water Office

Others attending:

See attached list.

#### **Finalization of Committee and Conferee Rules**

Senator McGinn distributed the "Committee and Conferee Rules" (Attachment 1) for the 2011 Session.

#### **Bill Introductions**

There were no bill introductions.

#### **Water Plan Update**

Chairperson McGinn introduced Tracy Streeter, Director, Kansas Water Office. Mr. Streeter distributed handouts outlining his testimony (Attachment 2) and the "Kansas Water Authority – 2011 Annual Report to the Governor and Legislature" which can be found at the Kansas Water Authority website at:

[http://www.kwo.org/Reports%20&%20Publications/Rpt\\_2011\\_KWA\\_Rpt\\_Governor\\_Legislature\\_DRAFT.pdf](http://www.kwo.org/Reports%20&%20Publications/Rpt_2011_KWA_Rpt_Governor_Legislature_DRAFT.pdf).

Mr. Streeter reported on the Governor's FY 2011 budget recommendation as well as the FY 2012 budget which includes the reinstatement of funds to assist with contractual obligations and address sedimentation issues at area lakes. In FY 2012, the State General Fund (SGF) demand transfer is excluded from the Governor's recommendations. Mr. Streeter described various programs/appropriations included and eliminated from the FY 2012 budget. Various legislative or policy recommendations for FY 2012 were reviewed by Mr. Streeter including:

- Expanding access to storage at Kanapolis Reservoir;
- Authorizing the Water Office to grant certain easements adjacent to navigable streams;
- Creation of a dam rehabilitation program within the State Conservation Commission to address dam safety issues; and
- Creating a permanent Water Transition Assistance Program.

Senator McGinn requested clarification relative to the transfer of monies resulting from the House amendment to **SB 572**. Mr. Streeter responded that clarifying language was included in a supplemental bill (2011 Session) which provides authority to expend funds.

Senator McGinn questioned from what funding source the Local Environmental Protection Program was taken; Mr. Streeter indicated eliminated dollars came from the state's portion of the Water Plan Fund.

Senator Teichman described a situation in her district in which a constituent purchased property without knowledge of an existing dam. She inquired whether the proposed dam rehabilitation program would prevent this type of recurrence. Paul Graves, assistant chief engineer from the Division of Water Resources, responded that in real estate transactions the purchaser is

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responsible for due diligence; there is no existing program or service requiring notification of a dam on property.

Responding to Senator Umbarger's question relating to funding restoration for the Neosho Basin, Mr. Streeter reported that \$464,630 is being restored. Of that amount, \$80,000 will be paid to the Corps of Engineers for operation and maintenance obligations, and the remainder will be transferred to continue the John Redmond reservoir for stream bank stabilization.

Senator Huntington inquired whether there are Kansas communities who could suffer excessively due to 2012 budget constraints. Mr. Streeter explained that while previous efforts related to mitigating reservoir sedimentation have been inadequate to fully address existing issues, there is no imminent threat. The most immediate concern would be a significant drought which would impact negatively the State of Kansas.

### **Debt Structure**

Tim Shallenberger, President, Kansas Development Finance Authority (KDFA) was present to discuss the current debt structure (Attachment 3). Mr. Shallenberger indicated he was selected to fill the position in the KDFA last week; therefore, he would defer to staff to present the information. Jim MacMurray, CFA, and Finance Vice President of the KDFA, was introduced.

Mr. MacMurray reviewed the 2010 Debt Study as prepared by the KDFA. He provided background related to the study and indicated the document contains a 9-year history of trends. He discussed the State General Fund (SGF) debt service as a percentage of expenditures (2011), terminology and nomenclature, as well as the total outstanding debt composition (fee supported, self-supporting, and tax-supported). Mr. MacMurray reported that of the three types of debt, tax-supported debt comprises the majority.

Senator McGinn requested that KDFA furnish a 30-year historical chart containing total outstanding debt and its components. Mr. MacMurray indicated he would furnish that information at a later date.

Mr. MacMurray elaborated that of the tax-supported debt, the great majority is represented by Kansas Department of Transportation (KDOT), SGF debt is second, and other debt such as educational fund and special revenue fund debt follows. Additional commentary was delivered related policy decisions contributing to SGF debt.

Authorized debt issuances in FY 2010 and 2011 accompanied by the appropriate repayment security were discussed. Senator McGinn asked for clarification related to the Water Litigation Bond – Attorney General in the amount of \$19 million included in SGF debt. Rebecca Floyd, general counsel for the Kansas Development Finance Authority, reported that there was legislative authorization to issue a bond (Ch 165 Sec 49 (i) of the 2010 Session). However, discussion did not occur with the KDFA at that time; she reported that KDFA would have recommended another option. Senator Vratil questioned whether that authorization could be rescinded; Ms. Floyd indicated that rescission was a potential action.

Mr. MacMurray reviewed a report produced by Moody's in which several debt ratios for all fifty states are calculated and tabulated. He discussed Kansas' results compared to other states.

Senator Kelly inquired why Kansas has a higher debt ratio than Oklahoma (with significantly less net tax debt per capita). Mr. MacMurray indicated he would provide that information at a later time. He elaborated the weakest area in Kansas is its pension status. Senator Kelly asked for Mr. MacMurray to provide the criteria and accompanying rankings for all metrics.

Senator Kultala asked if there was a special tax credit or liability for the \$325 million KDOT "Build America" bonds issues in 2010. Mr. MacMurray responded the economic incentive for these bonds is:

- they are sold as taxable bonds to an investor;
- they are administered as if they are tax exempt; and
- a 35 percent interest rate subsidy is provided.

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Senator Umbarger requested information related to the total sum of funds removed from the KDOT budget compared to the bonded indebtedness incurred in attempts to replace funding. Mr. MacMurray will furnish the information at a later time.

Senator McGinn adjourned the meeting at 11:51 a.m.