

Approved: April 26, 2012

(Date)

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 10:30 AM on Wednesday, February 1, 2012 in 548-S of the Capitol.

All members were present.

Committee staff present:

Jan Lunn, Committee Assistant
Melinda Gaul, Chief of Staff, Senator McGinn's Office
Eli Johns, Intern, Senator McGinn's Office
Alan Conroy, Director, Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Legislative Research Department
Michael Steiner, Senior Analyst, Legislative Research Department
Bobbi Mariani, Fiscal Analyst, Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
David Wiese, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes

Conferees appearing before the Committee:

Kenneth Buchele
Steve Anderson, Director, Division of the Budget
Kim Fowler, Budget and Fiscal Officer of Judicial Administration
Susan Somers, Executive Director, Board of Accountancy

Others in attendance:

See attached list.

There were no bill introductions.

Confirmation Hearing for Mr. Kenneth Buchele, Appointment to the Board of Directors, Kansas Bioscience Authority for a term to expire March 15, 2015

Mr. Ken Buchele discussed with committee members his appointment to the Board of Directors of the Kansas Bioscience Authority (KBA). He provided a description of his educational background, professional experience, and his service to various boards and organizations within his community ([Attachment 1](#)). In light of the recent KBA controversy, Mr. Buchele disclosed he has known Secretary of Agriculture Dale Rodman since college, and that he became acquainted with David Vranicar, Interim President and CEO of KBA, as a co-worker at Birch Telecom.

In response to committee members' questions, Mr. Buchele indicated:

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

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- He has read the recent KBA audit in depth, and in his opinion, the audit identified no systemic problems. Many of the identified violations occurred early in the organization's history; he believes the audit recommendations have been, or will be adopted, by the KBA Board of Directors.
- With regard to board management and oversight, Mr. Buchele emphasized the importance of creating systems with appropriate checks and balances.

Senator Teichman moved to recommend to the full Senate, Mr. Kenneth Buchele, for appointment to the Kansas Bioscience Authority Board of Directors; Senator Schodorf seconded the motion, which passed on a voice vote.

Hearing on **SB 311–Supplemental appropriations for FY 2012 and FY 2013 for various state agencies**

Steve Anderson, Director of the Division of Budget, spoke in support of the Governor's budget recommendations. (Attachment 2) He reported that the budget contains an addition of \$60.1 million, from the SGF, to the current budget as follows:

- \$24.6 million to fund general state aid consensus estimates for K-12 schools.
- \$20.8 million to fund health and human caseload consensus estimates.
- \$7.0 million to fund FY 2012 KPERS school obligations within FY 2012.
- \$4.2 million for prior weather related disasters.
- \$1.8 million to finance inmate healthcare and offender programs.
- \$1.2 million for funding operations at state parks affected last year by heat and algae.
- \$213,805 for the sex predator treatment program at Larned State Hospital
- \$64,500 for the KBI to make needed repairs at the headquarters.

In addition, Mr. Anderson requested the Senate Ways and Means Committee make a technical amendment to the introduced bill. The original bill inadvertently omitted SGF funding for the Juvenile Justice Authority to finance estimated caseloads for FY 2012. This amount was included in the revised budget; it was excluded from the bill draft and should be added at line 37 on page 14 of the bill. Mr. Anderson suggested language for the amendment.

There has also been an identified issue concerning the Judicial Branch and lower than estimated fee revenue; he encouraged further discussion through the budget process.

Mr. Anderson indicated his office is preparing a budget amendment that will shift \$2.0 million, all from the Economic Development Initiatives Fund (EDIF) from FY 2013 to

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FY 2012 within the Department of Commerce. The Legislature appropriated this funding in the North Central Kansas Air Passenger Service Support Fund in Kansas Department of Transportation's (KDOT) budget; this funding was not accessed in support of passenger service through the Manhattan Airport. This funding is now being transferred to be made available through the Department of Commerce.

Responding to questions, Mr. Anderson indicated:

A committee member requested clarification since SRS is deleting \$22.9 million in FY 2012, including \$9 million from the SGF, to adjust the revised human services consensus, and how that relates to the \$5.2 million below for the Kansas Health Solutions contract. Mr. Anderson indicated it was felt that could be absorbed within the existing budget.

Overflow hospital contracts will become unfunded at the end of the year (\$160,000); the Governor believed that deficit could be absorbed within the existing budget. Mr. Anderson indicated budget revisions have occurred since leadership at SRS has changed. Chairperson McGinn expressed her concern relating to funding for crisis beds as well. Additional information will be provided by Mr. Anderson.

Concern was expressed for fee boards who did not realize funding for various line items would be deleted. Mr. Anderson clarified the process for budget submissions and the appeals process. He indicated all agencies go through the same process; he could not answer why fee boards were unaware of budgeted reductions. Several senators asked specific questions regarding reductions for the Board of Pharmacy and the Board of Healing Arts; Mr. Anderson responded that the Division of Budget felt these agencies could operate more efficiently; he could not identify specific programs or services to delete or reduce. Again, when asked, Mr. Anderson responded that his office did not have the authority to reduce or limit services or programs within an agency; his authority is to reduce or control expenditures. The agency is expected to fiscally manage within the expenditure limits. Chairperson McGinn directed committee member's attention to the information furnished by the Legislative Research Department, which indicated the reduction in the Board of Healing Arts was: \$98,000 to reduce the medical director contract, to delay computer equipment replacement, and to reduce office expenditures.

When asked concerning the funding specifics of the training program at the Larned State Hospital facility for the Sexual Predator Treatment Program (\$213,805), Mr. Anderson could not respond. He will provide detailed information regarding for what purpose this money is designated (i.e., staffing, supplies, and other categories of expenditures). In addition, Mr. Anderson was asked to respond why the funding was allocated at this time instead of FY 2013.

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When asked if any contingency plan has been developed for state parks, should similar revenue reductions occur for fiscal year 2013, Mr. Anderson responded that with paying off the Wildscape debt from Expanded Lottery Act Revenue Fund (ELARF), approximately \$900,000 will be freed up and available for Wildlife and Parks. Mr. Anderson indicated he would clarify how that funding is limited; however, he believed it to be usable for state parks. In addition, Mr. Anderson reported that \$900,000 would be recurring for the life of the bonds.

A committee member asked Mr. Anderson whether or not he had communicated with various agencies prior to making recommendations. Mr. Anderson responded that agencies go through a standard budget process, there is an appeal process; many agencies did not appeal.

A committee member pointed out that several fee boards had increases in either positions or funds; therefore, dialogue had to occur with fee boards. Again a question was posed as to reasons fee boards were surprised by the Division of Budget's reductions. Mr. Anderson commented he was surprised that agencies appeared to be caught off guard; there is a standard budget process including an appeal process that is available to all agencies.

A committee member noted an increase in funding for the Office of the State Banking Commissioner, Mr. Anderson confirmed that fact and elaborated that investigation with representatives from the banking industry indicated quality banking regulators were being trained in Kansas and then hired by the private sector; therefore the Division of Budget increased the expenditure authority to this agency to bring banking regulator compensation up to similar levels in the marketplace in order to slow the migration of state employees to the private sector jobs. In follow-up, a Senator asked Mr. Anderson to contrast his statements with an appeal from the Board of Credit Unions to the Governor's office to reinstate a position due to a voluntary retirement; the position was reinstated in FY 2012 but not for FY 2013. Mr. Anderson submitted that the voluntary retirement program was through the Department of Administration, the appeal process pre-dated the budget recommendations. The committee member emphasized the importance of dialogue between agencies, especially when timing of processes and programs conflict; a review of the situation was requested. Mr. Anderson will follow-up with committee members following his review.

A committee member expressed appreciation to the Division of Budget for providing the Office of the State Banking Commissioner with funding for market adjustments and inquired whether this same process was applied to other state agencies, such as KDOT, who face the same problem. The committee member asked Mr. Anderson to review reasons why the Five Year Up-to-Market Plan was instituted, and the necessity to address

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compensation and employee retention in Kansas. Mr. Anderson indicated his willingness to review that issue.

A committee member indicated that she would provide Mr. Anderson with further information about funding promised to mental health clinics, only to discover, when the budget was released, the funding was excluded. Following receipt of the information from the senator, Mr. Anderson indicated he would review and respond to the issue.

When asked concerning the \$1.2 million funding to the State Wildlife and Parks, Mr. Anderson responded this is to replace lost fee revenue due to the drought, which was unanticipated. The funding is designated for contractual services, commodities and capital outlay; a committee member inquired what capital outlay projects were funding targets (which lakes and what projects). Mr. Anderson responded he would follow-up at a later time.

With the regard to the Sexual Predator Treatment program, Mr. Anderson clarified that \$213,000 is from the State General Fund (SGF); there is funding for capital improvement, which comes from other funding sources. **SB 311** includes all-funds; Mr. Anderson's report relates to SGF.

When asked concerning the lapse of funding (\$42,000) from the Children's Cabinet, Mr. Anderson indicated he would follow up and provide from what program the funds were lapsed.

Kim Fowler, Budget and Fiscal Officer of the Judicial Administration, requested an amendment to **SB 311**. (Attachment 3) She testified that last year, the decision was made to increase the judicial surcharge by 25 percent in hopes an additional \$2 million in revenue would be generated to offset a SGF reduction of \$2 million. Whether the economy or the surcharge is responsible, case filings are down 10 percent; therefore, a \$1 million salary shortfall exists. In addition, \$400,000 revenue reduction from docket fees was experienced.

In order to complete the non-judicial employee payroll in FY 2012, a supplemental appropriation of \$1.4 million, SGF, has been requested. If the \$1.4 million supplemental request is not funded, the courts would close for approximately 5-6 days.

In response to a question concerning when the downward trend was identified, Ms. Fowler indicated it was unknown during the budget process and identified during late January 2012.

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Ms. Fowler could not respond whether the economy or the increase in the surcharge was the cause for the revenue reduction. A poverty affidavit is available for citizens who may not have the funds to file.

Susan Somers, Executive Director from the Board of Accountancy, discussed the \$25,000 increase appropriated during the 2011 Session, which allowed the agency to contract for an outside disciplinary attorney (Attachment 4). For FY 2012, a \$5,000 reduction was proposed by the Division of Budget for contract counsel. In response to a question from a committee member as to what conversation occurred between the Division of Budget and the agency, Ms. Sommers reported there was no conversation. A budget increase of \$25,000 was submitted (and approved during the 2011 Session), when the budget recommendation was returned, there was a \$5,000 decrease in FY 2012 and a \$6,500 decrease in FY 2013; an appeal was submitted. Ms. Somers requested the reinstatement of \$5,000 to the FY 2012 Board of Accountancy budget.

Senator Emler submitted an amendment for consideration which funds water for employees in the Capitol building. The amendment allows state agencies to expend available funds to purchase bottled water contained in water dispensers/coolers, if available funding exists.

The meeting was adjourned at 11:49 a.m.