

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Marc Rhoades on March 14, 15 & 16, in Room 346-S of the Capitol.

All members were present

Committee staff present:

Nobuko Folmsbee, Office of the Revisor of Statutes
Alan Conroy, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Jarod Waltner, Kansas Legislative Research Department
Shirley Morrow, Kansas Legislative Research Department
Cindy O'Neal, Administrative Assistant, Appropriations Committee
Kathy Holscher, Committee Assistant, Appropriations Committee

Others attending:

See attached list.

- Attachment 1 FY 2012 Budget Committee Report – KPERS, Lieutenant Governor, Office of the Governor and Secretary of State
- Attachment 2 FY 2012 Budget Committee Report - State Treasurer
- Attachment 3 FY 2012 Budget Committee Report, Kansas Corporation Commission, Kansas State Fair Board, Department of Agriculture, Animal Health Department and State Conservation Commission
- Attachment 4 Kansas Feral Swine Control Program
- Attachment 5 **HB 2374** – Proposed Amendment
- Attachment 6 **HB 2014**- Bill Explanation for FY 2011
- Attachment 7 Capital-Journal publication – Feral Hogs
- Attachment 8 Garden City Telegram publication - Independent Living Audit
- Attachment 9 Savings Associated with ERO no. 40 – Legislative Research Department
- Attachment 10 FY 2008 – FY 2012 Kansas Department of Agriculture Budget Summary
- Attachment 11 FY 2012 Budget Committee Report – Kansas Corporation Commission
- Attachment 12 FY 2012 Budget Committee Report – Legislative Coordinating Council, Legislative Research Department, Revisor of Statutes and Legislative Division of Post Audit
- Attachment 13 FY 2012 Court of Tax Appeals Budget Committee Report
- Attachment 14 FY 2012 Emergency Medical Services Board Budget Committee Report
- Attachment 15 FY 2011 Adjutant General Budget Committee Report
- Attachment 16 Disaster Relief Budget Forecast FY 2011 & FY 2012
- Attachment 17 FY 2012 Adjutant General Budget Committee Report

HB 2374: An act making and concerning appropriations for the fiscal years ending June 20, 2011 and June 30, 2012

Chairman Rhoades call the meeting to order at 9:07 a.m. He welcomed committee members and reviewed the meeting agenda.

Chairman Rhoades made a motion to introduce legislation that would abolish the KAN-Ed. The motion was seconded by Representative McLeland. Motion carried.

Representative McLeland, Chair, House General Government Budget Committee, presented the FY 2012 Kansas Public Employee Retirement System (KPERS) Budget Committee Report (Attachment 1). The Budget Committee concurred with the Governor's recommendation with the following notations: noted that adequate funding to KPERS has not been provided, noted that the Pensions and Benefits committee is under review to solve the funding issue, noted that the agency paid the interest only from SGF for the

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House Appropriations Committee at March 14,15 & 16 , in Room 346-S of the Capitol.
Check Bond Payment.

Representative McLeland made a motion to adopt the FY 2012 KPERS Budget Committee Report. The motion was seconded by Representative DeGraaf.

Representative McLeland responded to questions from committee members. He stated that even with the increased employer contribution the KPERS payment is not enough to cover the indebtedness and the debt continues to grow. The return on the KPERS investment, unfunded liability and projected growth was discussed. The need for an investment strategy was emphasized and it was noted that the bill in committee would raise the employer contribution by 1%.

Faith Loretto, KPERS, responded to questions from committee members. She stated that the board is currently conducting an Asset Liability Study. This study is conducted every three years to look at the asset allocation to see where we are with current market conditions and reallocate asset strategies in-line with the market projections, risk tolerances, needs and projected return on the KPERS investments. The assumption used for projections has been 8%, she noted. It was noted that an Experienced Study is also conducted and should be available in the next few months, she added.

The motion to adopt the Budget Committee Report was renewed. Motion carried.

Representative McLeland, Chair, House General Government Budget Committee, presented the FY 2012 Office of the Lieutenant Governor Budget Committee Report (Attachment 1). The Budget Committee concurred with the Governor's recommendation.

Representative McLeland made a motion to adopt the FY 2012 Office of the Lieutenant Governor Budget Committee Report. The motion was seconded by Representative DeGraaf. Motion carried.

Representative McLeland, Chair, House General Government Budget Committee, presented the FY 2012 Office of the Governor Budget Committee Report (Attachment 1). The Budget Committee concurred with the Governor's recommendation with the following observation: noted concerns with funding domestic violence prevention grants.

Representative McLeland made a motion to adopt the FY 2012 Office of the Governor Budget Committee Report. The motion was seconded by Representative DeGraaf.

Representative DeGraaf made a substitute motion that would add language to look at the 5% reduction in the Domestic Violence program at Omnibus. The motion was seconded by Representative Brown.

Leah Robinson, Legislative Research Department, responded to questions from committee members regarding Domestic Violence program. She stated that this represents approximately \$3.6 million or more than half of the operating budget.

The substitute motion was renewed. Motion carried.

Discussion continued regarding salaries, staffing issues and transition funding. A review of the Lieutenant Governor's responsibilities was reviewed.

The motion to adopt the Budget Committee Report as amended was renewed. Motion carried.

Representative McLeland, Chair, House General Government Budget Committee, presented the FY 2012 Secretary of State Budget Committee Report (Attachment 1). The Budget Committee concurred with the Governor's recommendation with the following observations: noted that a number of proposed Constitutional amendments have been introduced and are under consideration by the Legislature and recommends the suspension of the statutory requirement to remit 20% or up to a maximum of \$200,000 of the fee receipts to the State General Fund.

Representative McLeland made a motion to adopt the FY 2012 Secretary of State Budget Committee Report. The motion was seconded by Representative DeGraaf.

Discussion followed by committee members regarding printing ballots and the costs involved with this publication.

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The motion was renewed. Motion carried.

Representative DeGraaf, Vice-Chair, General Government Budget Committee, presented the FY 2012 Kansas Human Rights Commission Budget Committee Report (Attachment 1). The Budget Committee concurred with the Governor's recommendation with the following observation: noted the Governor's recommendation for transferring the agency to the Office of the Attorney General.

Representative DeGraaf made a motion to adopt the FY 2012 Kansas Human Rights Commission Budget Committee Report. The motion was seconded by Representative McLeland.

Discussion followed by committee members regarding staffing and reorganization issues.

The motion was renewed. Motion carried.

Representative McLeland, Chair, General Government Budget Committee, presented the FY 2012 State Treasurer Budget Committee Report, (Attachment 2). The Budget Committee concurred with the Governor's recommendation with the following adjustment: delete \$300,000 from special revenue funds.

Representative McLeland made a motion to adopt the FY 2012 State Treasurer Budget Committee Report. The motion was seconded by Representative DeGraaf.

Discussion followed by committee members regarding the savings to SGF from the recommended elimination of matching funds for the Scholarship program.

Representative Denning made a motion to for an amendment to add language to the report that would add 2 FTE positions as was included in the Senate Budget committee Report. The motion was seconded by Representative Ballard. Motion carried.

The motion to adopt the FY 2012 State Treasurer Budget Committee Report was renewed as amended. Motion carried.

Representative Schwartz, Chair, House Agriculture and Natural Resources Budget Committee, presented the FY 2012 Budget Committee Report for the Animal Health Department, Department of Agriculture and State Conservation Commission (Attachment 3). She reported that these departments have now been combined under the Executive Reorganization Order (ERO) no. 40 to the Department of Agriculture. The Budget Committee concurred with the Governor's recommendation with the following adjustments and notations: noted that if the Governor's ERO is not approved by the Legislature, the Budget Committee recommended the departments remain as independent state agencies and review funding and FTE positions during Omnibus, emphasized the essential programs of the Agriculture programs, add \$20,000 from special revenue funds for Livestock Market Reporting, which would be reviewed prior to the final action of the FY 2012 appropriations bill, add \$45,000 for the State Water Plan Fund for streamage monitoring, add \$179,785 from special revenue funds for vehicle replacement, add \$175,000 from special revenue funds for eradication of feral swine, add \$75,000 from special revenue funds for the Grain Warehouse Inspection Program, add \$28,000 from the motor pool fund for replacement of truck, add language requiring the agency's services performed in the Grain Warehouse Inspection Program will not be compromised by budget reductions, add language requiring allowing the Department of Agriculture to pro-rate license fees and/or alter license due dates as needed, add language creating the Compliance Education Fee Fund, add proviso language detailing expenditures within the State Water Plan Fund projects, add language allowing unencumbered balance from FY 2011 in excess of \$100 in the State Water Plan Fund projects, to be re-appropriated to those projects in FY 2012, add proviso language for up to 6% of the FY 2012 appropriation from the water resources cost share account of the State Water Plan Fund as included in the FY 2011 appropriation bill, review at Omnibus the possible addition of language authorizing the agency expenditures from the Water Transition Program to the Conservation Reserve Enhancement Program (CREP) allowing for any unencumbered balance in the excess of \$100 to be re-appropriated to CREP for FY 2012, review at Omnibus funding for an additional veterinary position for the Animal Disease Control Program, encouraged the Secretary of Agriculture to work closely with the transferred agencies to ensure the continuation of their missions, requested the introduction of legislation concerning feral swine, and appreciated the Administration and Secretary's focus on the department with enhancing efficiencies and improving customer service to the agriculture community and public.

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House Appropriations Committee at March 14,15 & 16 , in Room 346-S of the Capitol.
Representative Schwartz made a motion to adopt the FY 2012 Budget Committee Report for the Department of Agriculture The motion was seconded by Representative Carlin.

Representative Brown made a motion for an amendment to remove item #6 deleting the helicopter program and allow for an open hunting season for the eradication of feral swine. The motion was seconded by Representative Kelly.

Representative Schwartz reviewed the Kansas Feral Swine Control Program (Attachment 4). Discussion followed by committee members and concerns were expressed regarding the increased feral swine population, the spread of animal disease, destruction of land/crop and illegal hunting operations.

Chairman Rhoades stated that the committee will continue discussion on the Budget Committee Report at tomorrow's committee meeting.

The meeting was adjourned at: 10:58 a.m.

The committee meeting reconvened at 1:45 p.m.

Committee members received a copy of the Proposed Amendment to **HB 2374** (Attachment 5) and Bill Explanation for FY 2011 **HB 2014** (Attachment 6) Chairman Rhoades provided an overview of the amendment, which would lapse \$85.9 million in SGF for K-12 education, add \$49.3 million in SGF for human services caseloads and delete the classified state employee undermarket pay of \$8.5 million from SGF and \$16.4 million from all funds.

Representative Mast made a motion to amend language into **HB 2374**. The motion was seconded by Representative Crum.

Discussion followed by committee members regarding the work of the Conference Committee in regards to the House and Senate positions.

The motion was renewed. Motion carried.

Representative Schwartz made a motion to amend language in **HB 2374** to remove \$300,000 from the Water Depository Fund into the State Water Plan Fund. The motion was seconded by Representative Lane. Motion carried.

Representative Kelley made a motion for an amendment to restore the funding for subscriptions and membership dues. The motion was seconded by Representative Brown. Motion carried.

Representative Mast made a motion to pass **HB 2374** favorable for passage as amended. The motion was seconded by Representative Brown. Motion carried.

The meeting was adjourned at: 2:09 p.m.

March 15, 2011

Chairman Rhoades called the meeting to order at 9:08 a.m and reviewed the meeting agenda. He noted that an article on feral hogs published in the Topeka Capital-Journal on March 13, 2011 (Attachment 7) and an article from the Garden City Telegram regarding the Independent Living audit (Attachment 8) was distributed to committee members.

Discussion continued from the March 14th meeting regarding the motion to amend item No. 6 in the Department of Agriculture Budget Committee Report regarding the feral swine eradication.

The motion to amend the Budget Committee Report was renewed. Motion failed.

Committee members continued discussion on the Department of Agriculture Budget Committee Report regarding the ERO, vehicle replacement and staffing issues. A copy of the Savings Associated with the ERO no. 4, (Attachment 9) was distributed to committee members and reviewed. It was noted that funding for additional staff would come from existing resources.

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Representative Brown made a substitute motion for the department to report at Omnibus the impact of a reduction of 50 FTE positions. The motion was seconded by Representative Sullentrop. Motion failed.

The Kansas Department of Agriculture Budget Summary for FY 2008 – FY 2012 was distributed and reviewed with committee members (Attachment 10). Chairman Rhoades stated that the enhancements of the committee's work reflects a reduction in SGF, which will be reviewed and discussed when the committee works the Mega bill.

The motion to adopt the FY 2012 Department of Agriculture Budget Committee Report was renewed. Motion carried.

Representative Schwartz, Chair, Agricultural and Natural Resources Budget Committee, presented the Kansas State Fair FY 2012 Budget Committee Report (Attachment 3). The Budget Committee concurred with the Governor's recommendation with the following notations: commended the accomplishments of the State Fair, encouraged a Legislative Livestock Fitting and Showing event, noted that funding in accordance to K.S.A. 2-223 has not been transferred to the State Fair Capital Improvements Fund from SGF, noted two roofs on the grounds are leaking and there is no maintenance funding for this replacement.

Representative Schwartz made a motion to adopt the Kansas State Fair FY 2012 Budget Committee Report. The motion was seconded by Representative Lane.

Discussion followed by committee members regarding the increase in SGF. It was noted that this represents debt service principal.

Christina Allen, Legislative Research Department, provided an explanation of the debt service principal. She discussed the terms of the bond payments, and stated that additional information on prior experience reflecting increases, the total bond indebtedness and amortization schedule be provided to the committee. The Governor's State Fair Capital Improvement Plan included \$159,00 from EDIF to make these payments, which leave a zero ending balance in FY 2012, she added.

Alan Conroy, Legislative Research Department, discussed the bond issuance and stated that this is a SGF obligation. It was noted that changes in the funding mechanism would result in re-issuance of bonds.

Discussion followed by committee members regarding admittance, vendor fees, and the economic factors.

Representative Kleeb made a substitute motion for the board to look into revenue enhancements of 50% to replace 50% of the SGF. The motion was seconded by Representative Mast.

It was noted that more information would be needed before taking action on this amendment by committee members.

The motion to amend was withdrawn as approved by the second of the motion.

The motion to adopt the FY 2012 State Fair Budget Committee Report was renewed. Motion carried.

Representative Schwartz, Chair, House Agriculture and Natural Resources Budget Committee, presented the FY 2012 Kansas Corporation Commission Budget Committee Report (Attachment 11). The Budget Committee concurred with the Governor's recommendation with the following adjustments: add \$116,100 from the Conservation fee fund to replace six vehicles, recommended a proviso regarding the deposit of fines and penalties into SGF, noted the intent of the Legislature for SGF for the abandoned oil and gas well plugging program and encouraged the commission to research how ARRA funds are expended in other states.

Representative Schwartz made a motion to adopt the FY 2012 Kansas Corporation Commission Report. The motion was seconded by Representative Carlin.

Discussion followed by committee members regarding the ARRA funds.

Representative Kleeb made a substitute motion for a thorough review and imbedding process for opportunities for some of the ARRA funding for energy savings for state purposes and report back to the committee by Omnibus. The motion was seconded by Representative Carlin. Motion carried.

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Representative DeGraaf made a motion to remove item no. 1 which would delete the request for Conservation fee funds enhancements. The motion was seconded by Representative Brown. Motion carried.

Additional information was requested by committee members regarding the states plugging of abandoned oil and gas wells, and determining factors for vehicle replacement requests.

The motion to approve the Budget Committee Report as amended was renewed. Motion carried.

Chairman Rhoades stated that the committee will reconvene upon adjournment of the House.

The meeting was adjourned at: 10:58 a.m.

Chairman Rhoades called the meeting to order at 12:55 p.m and reviewed the meeting agenda.

Representative Rhoades, Chair, Legislative Budget Committee, presented the FY 2012 Legislative Coordinating Council Budget Committee Report, (Attachment 12). The Budget Committee concurred with the Governor's recommendation with the following adjustment: delete \$43,680 for SGF and 1 FTE position eliminating the Director of Computer Services position.

Representative Rhoades made a motion to adopt the FY 2012 Legislative Coordinating Council Budget Committee Report. The motion was seconded by Representative Mast.

Discussion followed by committee members, regarding signatures missing on the report that were not in agreement with the committee recommendation, and the department's recommendation for only one one experienced position working with the KLISS system.

The motion was renewed. Motion carried.

Representative Rhoades, Chair, Legislative Budget Committee, presented the FY 2012 Legislature Budget Committee Report (Attachment 12). The Budget Committee concurred with the Governor's recommendation.

Representative Rhoades made a motion to adopt the FY 2012 Legislature Budget Committee Report. The motion was seconded by Representative Mast.

Discussion followed by committee members. It was noted that the per diem increased from \$107 to \$123, which includes wages and health benefits.

Representative McLeland made a motion for an amendment requesting a report from staff at Omnibus regarding their ability to support the KLISS system in the future. The motion was seconded by Representative Mast. Motion carried.

The motion was renewed to adopt the Budget Committee Report as amended. Motion carried.

Representative Rhoades, Chair, Legislative Budget Committee, presented the FY 2012 Legislative Research Department Budget Committee Report (Attachment 12). The Budget Committee concurred with the Governor's recommendation with the following adjustment: add \$220,000 form SGF to fund costs for redistricting, excluding additional computer equipment.

Representative Rhoades made a motion to adopt the FY 2012 Legislative Research Department Budget Committee Report. The motion was seconded by Representative Mast.

Discussion followed by committee members regarding redistricting, which was added as required by the Constitution, and three temporary positions have been added to work with the existing equipment and mapping responsibilities.

The motion was renewed. The motion carried.

Representative Rhoades, Chair, Legislative Budget Committee, presented the FY 2012 Office of the

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House Appropriations Committee at March 14,15 & 16 , in Room 346-S of the Capitol. Revisor of Statutes Budget Committee Report (Attachment 12). The Budget Committee concurred with the Governor's recommendation with the following adjustment: add \$100,000 form SGF to staff the agency for drafting legislation in a timely manner.

Representative Rhoades made a motion to adopt the FY 2012 Office of the Revisor of Statutes Budget Committee Report. The motion was seconded by Representative Mast.

Discussion followed by committee members regarding staff responsibilities.

Mary Ann Torrence, Revisor of Statutes, Office of Revisor of Statutes, responded to questions from committee members regarding compensatory time and job responsibilities. The Revisors are salaried positions and do not receive overtime pay, she noted.

The motion was renewed. Motion carried.

Representative Rhoades, Chair, Legislative Budget Committee, presented the FY 2012 Legislative Post Audit Budget Committee Report (Attachment 12). The Budget Committee concurred with the Governor's recommendation with the following adjustment: add \$437,587 for SGF to fully staff the agency in order to provide audits in a timely manner.

Representative Rhoades made a motion to adopt the FY 2012 Legislative Post Audit Budget Committee Report. The motion was seconded by Representative Mast.

Discussion followed by committee members regarding staffing issues, and timely and efficient audits.

Representative Feuerborn made a substitute motion to add 5 FTE positions for funding school audits. The motion was seconded by Representative Gatewood.

Discussion followed by committee members regarding the amendment.

Chairman Rhoades stated that the committee will meet at 8:30 a.m., March 16 to continue discussion on the amendment.

The meeting adjourned at: 1:36 p.m.

March 16, 2010

Chairman Rhoades called the meeting to order at 8:40 a.m.

Chairman Rhoades made a motion to introduce legislation regarding classified and unclassified positions. The motion was seconded by Representative Kelley. Motion carried.

Discussion continued regarding the substitute motion to add 5 FTE positions to the Legislative Division of Post Audit.

Representative Feuerborn renewed the motion. Motion failed.

Representative Brown made a motion for an amendment to add language requesting the Legislative Division of Post Audit to look at contracting for services. The motion was seconded by Representative Sullentrop. Motion failed.

J.G. Scott, Office of the Revisor of Statutes, responded to questions from committee members regarding salary and benefits. Discussion continued regarding maintaining the same level of funding as the prior year.

Representative Kelley made a substitute motion to revert to the Governor's recommendation. The motion was seconded by Representative Peck.

Committee members continued discussion regarding efficiencies, timely completion of audits and identifying specific agency needs.

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Representative Kelley made a motion to withdraw the amendment, which was approved by the second of the motion.

Representative Kelley made a substitute motion to delete \$300,000 which would add \$137,587 from the SGF to staff the agency. The motion was seconded by Representative Mast. Motion failed.

Representative Schwartz made a substitute motion to add \$337,587 which would reduce the amount by \$100,000 from SGF to staff the agency. The motion was seconded by Representative Ballard. Motion carried.

Representative Pottorff has requested that her vote in opposition of the motion be recorded in the minutes.

The motion to adopt the Legislative Post Audit Budget Committee Report as amended. Motion carried.

Representative McLeland, Chair, House General Government Budget Committee, presented the Court of Tax Appeals FY 2012 Budget Committee Report (Attachment 13). The Budget Committee concurred with the Governor's recommendation with the following adjustment: add language authorizing the creation of a commission to study the loser-pay option regarding decisions rendered by the agency.

Representative McLeland made a motion to adopt the FY 2012 Budget Committee Report for the Court of Tax Appeals. The motion was seconded by Representative DeGraaf.

Discussion followed by committee members regarding the impact on increased filing fees, staffing issues and the composition of the recommended commission.

The motion was renewed. Motion carried.

Representative Peck, Chair, House Transportation and Public Safety Budget Committee, presented the FY 2012 Emergency Medical Services Board Budget Committee Report (Attachment 14). The Budget Committee concurred with the Governor's recommendations with the following adjustments and notations: add 1 FTE position, recommended the suspension of the statutory requirement to remit 20% or up to a maximum of \$200,000 of the fee receipts, and discussed longevity bonuses and possibly reducing payments from \$50 to \$40 per year of service.

Representative Peck made a motion to adopt the FY 2012 Emergency Medical Services Board Budget Committee Report. The motion was seconded by Representative Gatewood.

Discussion followed by committee members regarding the addition of 1 FTE position, which would be a fee funded position. It was noted that raising fee funds to off-set the unfunded liability may be an option and concern was expressed regarding the budget impact of the unfunded liability on KPERS.

J.G. Scott, Legislative Research Department, responded to questions from committee members regarding salaries and benefits. He noted that the percentage for KPERS contributions would come from fee funds and would not impact the SGF.

The motion was renewed. Motion carried.

Representative Gatewood, Member, House Transportation and Public Safety Budget Committee, presented the FY 2011 Adjutant General Budget Committee Report, (Attachment 15). The Budget Committee concurred with the Governor's recommendation with the following adjustment and notations: add \$50 million for disaster relief funding, noted the agency's request for \$10.9 million for FY 2011 expenditures, and noted the significance for public safety of the interoperable communication system.

Representative Gatewood made a motion to adopt the FY 2011 Adjutant General Budget Committee Report. The motion was seconded by Representative Feuerborn.

Representative Gatewood responded to questions from committee members regarding disaster relief funds

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House Appropriations Committee at March 14,15 & 16 , in Room 346-S of the Capitol. and eligibility requirements. Members received a copy of the General Applicant Budget Forecast for FY 2011 & FY 2012, (Attachment 16). It was noted that the state match is 10% to the 15% match by local communities and the federal match is 75% for qualified disaster aid for public buildings. It was noted that discussion is underway to look at a dedicated funding system for growth opportunities for disaster relief for current debt and going forward, which is presently funded from SGF. A member stated that \$10.9 million payment is due from the state in FY 2011, the committee recommendation is for a \$5 million payment and the Governor would have the authority to make a \$5 million allotment for the remaining balance due.

Representative Kelley made a motion to delete the addition of \$50 million, including \$5 million from SGF for disaster relief funding. The motion was seconded by Representative Mast.

Discussion continued by committee members. It was noted that any new construction would be rebuilt at the previous level and would not cover additional improvement costs. The agency went back to the State Finance Council in FY 2011 and was approved for an additional \$10 million or 40% of the projects pending for payment, which was based on critical needs of the communities impacted.

The motion was renewed. Motion carried.

Representative Gatewood responded to additional questions from committee members state military operations reductions. He stated that a portion is included in the reduced resources package, which includes the closure of 18 armories.

Representative Gatewood renewed that motion to adopt the FY 2011 Adjutant General Budget Committee report as amended. Motion carried.

Representative Peck, Chair, House Transportation and Public Safety Budget Committee, presented the FY 2012 Adjutant General Budget Committee Report (Attachment 15). The Budget Committee concurred with the Governor's recommendation with the following notations: Executive Order 11-05 appoints the Adjutant General as the Homeland Security Adviser for the state, significance for public safety with the Interoperable Communications System Project, discussed the longevity bonus reduction from \$50 to \$40 per year of service.

Representative Peck made a motion to adopt the FY 2012 Adjutant General Budget Committee Report. The motion was seconded by Representative Pottorff. Motion carried.

Representative Peck, Chair, House Transportation and Public Safety Budget Committee, presented the FY 2012 Department of Transportation Budget Committee Report (Attachment 17). The Budget Committee concurred with the Governor's recommendation with the following adjustments and notations: delete \$2.7 million for the State Highway Fund for vehicle replacements, noted the agency has \$1.78 billion in outstanding debt, noted the FY 2002 & FY 2004 Legislators borrowed from the State Highway Fund and \$63.4 million has not been repaid to date, noted that Senate Sub. for **HB 2360** increased sale and compensating use tax from 5.3% to 6.3%, noted the Governor's recommendation reduces the FTE limitation by 197 vacant FTE positions, noted significance for public safety of the Interoperable Communications System Project, and discussed the reduction for longevity bonus payments from \$50 to \$40 per year of service.

Representative Peck made a motion to adopt the FY 2012 Transportation and Public Safety Budget Committee Report. The motion was seconded by Representative Gatewood.

Representative Peck responded to questions from committee members. It was noted that the fuel tax is a dedicated fund paid at the refinery and not a part of the SGF. He stated that there are 2,967.5 FTE filled and funded positions in FY 2012 and 3,113.5 FTE positions for FY 2011. The Governor's recommendation reduced 197 FTE positions which were vacant positions. 51 FTE positions were unfunded and 146 FTE positions were funded. The bonding authority that has not been let to date is 18% of the incoming revenue of approximately \$325 million. Reference was made by a committee member regarding the impact of the Governor's recommendations on pg. 5 of the Budget Committee Report and concern was expressed for moving dollars from the State Highway Fund to fund the SGF.

Representative McLeland made a motion for an amendment to eliminate the department's bonding authority for FY 2012. The motion was seconded by Representative DeGraaf.

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Discussion continued by committee members regarding the economic impact of the motion. It was noted that the state owes \$170 million for a comprehensive highway plan from from bonding for FY 1989. A committee member reviewed the Build America Bonds. It was noted that these are 25 year modified series bonds whereas 20 years are in interest payments and 5 years principle and interest payments are made at an interest rate of 2.99%. The concern for the debt repayment for highway projects that have been completed for a long period of time was expressed. \$325 million in bonds were to be let in FY 2012 and the Governor's recommendation was to transfer \$200 million from the department into the SGF, which includes a \$50 million advance in bond proceeds. The total expenditure for the Comprehensive Transportation Program was initially \$13 billion.

Deb Miller, Secretary, Department of Transportation, responded to questions from committee members. She stated \$325 million in Build America Bonds has been issued. Bonds issued can only be spent on qualified expenditures, which are recalculated and reviewed by the rating agencies and others for accountability. Debt issued goes toward transportation projects and there is no correlation between the Build America Bonds and the \$200 million transfer. Program costs were re-estimated over a 10 year period with a savings of \$200 million that could be captured. No additional debt would be issued than what was originally planned. However if the \$50 million debt was moved up to FY 2012 construction projects could be let. The bond indebtedness to date is approximately 13% of the total revenues collected by the department and bond proceeds are deposited in the State Highway Fund she added. A review of the long-term highway projects and funding for these projects, and revenue streams for the State Highway Fund was provided by Secretary Miller. She stated that under the Kansas Constitution motor fuels and registration can only be used for road and bridge purposes. The secretary added that the \$200 million used by the Governor for SGF would be back-filled over time and will capture savings with inflation coming from all State Highway funds. The primary goal of the T-WORKS legislation was to protect the investment already made in the State Highway system. The inflationary rate for FY 2012 is 3.5% and 4.5 % in FY 2014, Secretary Miller stated.

Chairman Rhoades stated committee work will continue upon adjournment of the House.

The committee recessed at: 11:02 a.m.

Chairman Rhoades called the meeting to order at 11:50 a.m.

Discussion on the amendment for the Department of Transportation Budget Committee Report for FY 2012 regarding bond issuance and ratings, payments and cash flow issues as related to maintaining safe highway projects.

Representative McLeland renewed the motion to amend. Motion failed.

Representative Crum made a motion for an amendment that no bonding authority for the department would be approved in FY 2012 without the approval of the Finance Council. The motion was seconded by Representative DeGraaf. Motion carried.

Representative DeGraaf made a motion for an amendment that would cap the department's bonding authority to \$1.6 billion for FY 2012 and cap the bonding authority to 13% of the department's cash flow. The motion was seconded by Representative Brown.

Discussion followed by committee members regarding the bonding authority amendment. It was noted that bonds are being paid off from the previous 10 year programs, which would free up additional borrowing if needed. This statutory requirements to change the cash flow percentage would require a proviso, and the need to grow the economy was emphasized.

The motion was renewed. Motion failed.

Representative Feuerborn made a motion for an amendment that the sweep of \$200 million would be changed to \$200 million borrowed from the State Highway fund for the SGF and would be paid back in FY 2013. The motion was seconded by Representative Lane. Motion carried.

Representative Brown made a substitute motion to eliminate the transfer, now referred to as a loan, in the FY 2012 budget. The motion was seconded by Representative Donohoe.

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Discussion followed by committee members regarding the motion. It was noted that the repayment for the money borrowed for the SGF would not impact the FY 2012 budget. Continued borrowing from the department's budget concerns was expressed.

Representative Brown withdrew the motion as approved by the second to the motion.

Discussion continued regarding the department's ability to do their jobs without micro-managing was expressed and suggestions on innovative ideas to fill the budget shortfalls was encouraged by committee members.

Representative DeGraaf made a substitute motion to move \$150 million off of the transfer as opposed to \$200 million. The motion was seconded by Representative Brown.

Discussion followed by committee members regarding the \$50 million remaining with the department to cover cash flow issues.

Secretary Miller responded to questions from committee members and stated that there would be no reason to address this if \$150 million was transferred to the department.

Discussion continued by committee members. It was noted that this motion would represent a shortfall of \$50 million in the Governor's recommendation and if the Senate does nothing further this would represent an \$85 million budget shortfall.

The motion was renewed. Motion failed.

Representative DeGraaf requested his vote in favor of the motion be reflected in the committee minutes.

Secretary Miller responded to questions from committee members regarding inflation, and stated that compared to the inflationary rate of the 1970' s substantial increased costs and less revenue would be realized resulting in a reduced construction program.

Representative DeGraaf made a motion for an amendment to change \$2.7 million to \$4.7 million from the State Highway fund which would allow the department \$700,000 for purchase or repairs to vehicles. The motion was seconded by Representative Donohoe. Motion failed.

Representative DeGraaf requested his vote in favor of the motion be reflected in the committee minutes.

Representative Peck renewed the motion to adopt the FY 2012 Department of Transportation Budget Committee Report as amended. Motion carried.

Chairman Rhoades stated that the committee will meet tomorrow. He reviewed expectations when addressing amendments by agency, and the intention to get to an positive ending balance.

Meeting adjourned at: 12:41 p.m.

Marc Rhoades, Chairman