

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 Tuesday, March 6, 2012 in 548-S of the Capitol.

Senator Schmidt was excused and Senator Masterson was absent.

Committee staff present:

Jan Lunn, Committee Assistant
Melinda Gaul, Chief of Staff, Senator McGinn's Office
Eli Johns, Intern, Senator McGinn's Office
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:

Debra Zehr, President/CEO, Leading Age Kansas
Laura M. O'Neil, RN, BSN, Administrator, Frankfort Community Care Home
John Grace, Consultant, Grace Team
Dianne Powell, RN, Allied Health Career Training, LLC

Hearing on **SB 427 – Kansas housing loan deposit program; expanding the program to include the building or rehabilitation of adult care homes**

Jill Wolters, Officer of the Revisor of Statutes, briefed committee members on **SB 427**, which would add adult care homes to the list of eligible dwellings that qualify to participate in the Housing Loan Deposit Program. These homes would be eligible for a loan amortized over a 20-year period. Current law provides only for loans to build new houses or rehabilitate existing houses, and provides for a maximum amortization of five years. (Attachment 1)

Debra Zehr, President/CEO of Leading Age Kansas, spoke in support of **SB 427** (Attachment 2). Ms. Zehr indicated that many adult care homes were built many years ago making them difficult and costly to maintain and operate. Many need to modernize and diversify their services; a major barrier to rehabilitation is the lack of affordable capital. **SB 427** would provide opportunities for adult care homes to access needed funding.

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Laura M. O’Neil, Administrator, Frankfort Community Care Home, spoke about the changing needs in maintaining adult care homes. She indicated that many homes do not have the amenities most desired: private rooms with bathrooms and showers, internet access, and other services, which currently do not exist. The passage of **SB 427** would enable private adult care homes to update structures and better serve their communities (Attachment 3).

John Grace, Grace Team Consultant, provided examples of two adult care homes who had taken advantage of low interest loans from the United States Department of Agriculture (USDA) Rural Development program. He encouraged favorable passage of **SB 427** because it would help these facilities secure low interest loans to transition to new programs and buildings to serve the elderly. (Attachment 4)

Diane Powell, Allied Health Career Training, discussed the challenges the Anthony Community Care Center faced in maintaining a facility built in the mid-1960’s. During her employment at the Care Center, she described the efforts to care for clients in a building riddled with up-keep issues and limited funding for renovation or rehabilitation. She encouraged favorable passage of **SB 427**. (Attachment 5)

Scott Gates, General Counsel for the Kansas State Treasurer’s Office, was in the audience and described how the current program works (no written testimony). He indicated that at the current time, there is approximately \$1 million in existing loans out of the available \$60 million; utilization has been moderate. Several years ago, the program set aside \$30 million for southeast Kansas communities due to flooding; Mr. Gates reported there have been several loans granted to southeast Kansas communities. He elaborated that an additional change in the bill several years ago was to utilize the term “rehabilitation” in statute rather than “remodel;” however, the term has not been defined in rules or regulations.

Senator Umbarger clarified reasons for the under-utilization of the program in southeast Kansas could have been due to cash flow issues for residents in these communities. Discussion was heard concerning the ability of residents from Harveyville or Reading (recent tornado-struck communities) to apply for loans from this particular program. Mr. Gates affirmed that anyone statewide could use the program as long as funds are available within the program. The current minimum interest rate is 0.5 percent; the lender can lend to the borrower up to 4 percent over the current minimum interest rate.

Chairperson McGinn closed the hearing on **SB 427**.

Subcommittee report on the Department of Administration:

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Senator Teichman reported that the Subcommittee concurred with the Governor's FY 2012 recommendation.

For FY 2013, the Subcommittee concurred with the Governor's recommendation with notations and adjustments:

1. Delete \$601,261, all from the Public Broadcasting Digital Conversion Debt Service account of the Expanded Lottery Act Revenue Fund (ELARF), in FY 2013. The deletion of this amount will allow the payment of digital conversion debt service bond payments scheduled for FY 2013 but does not result in an accelerated payment schedule.
2. Add \$459,311, from ELARF, for public broadcasting equipment requests in FY 2013. The majority of the funds will support \$290,700 for Radio Kansas to construct a new station in the Council Gove area. The agency indicates that the funds will be matched by the federal government and will provide initial broadcasting service to 10,660 Kansans who do not currently have access to public broadcasting. The remaining funds would be used for maintenance of existing infrastructure.
3. Delete \$740,050, all from the State Fair Bonded Debt Service Account of ELARF in FY 2013. This amount will delay accelerated repayment of the bonds for the State Fair Master Plan. The Kansas Development Finance Authority indicates that the State Fair bonds may be called in whole or in part and this reduction leaves in excess of \$10 million in accelerated debt service payments for the State Fair.
4. Delete \$483,885, all from the State General Fund (SGF), to replace the Docking chillers in FY 2013.
5. Add \$483,885, from ELARF, to replace the Docking chillers in FY 2013.
6. Delete \$398,115, SGF, for Capitol complex rehabilitation and repair in FY 2013.
7. Add \$398,115, ELARF, for Capitol complex rehabilitation and repair in FY 2013.
8. Add \$620,800, SGF, to partially grant the agency enhancement request of \$920,800 for Literacy and Educational Development in public broadcasting. The agency indicates that the funds support public broadcasting initiatives targeted to improving literacy and reading rates in Kansas and provide incentives to expand access to educational programming for children in their preschool and early learning years.
9. Add \$261,200, from SGF, to partially grant the agency enhancement request of \$561,200 for Rural and Economic Development in public broadcasting in FY 2013. The agency indicates that the funds support public broadcasting initiatives-geared toward the culture, economic and community base of the rural and frontier segment of Kansas communities.

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10. The Subcommittee notes that with the \$600,000 identified in the Governor's budget for Public Broadcasting, the full enhancement requests for Literacy and Educational Development and Rural and Economic Development would be funded.
11. The Kansas Public Broadcasting Council testified in committee meetings that literacy and achievement of reading standards, rural and economic development and infrastructure (equipment) are the primary strategic areas of service focus. Its FY 2013 request indicates the level of investment the council needs to continue their efforts and services in these strategic areas. The Subcommittee further notes that public broadcasting efforts have been necessary to extend critical information services to underserved areas, enhance the rural opportunity zones, and aid in early education.
12. The Subcommittee commends the efforts of the Department of Administration and the Division of the Budget in leveraging resources which have become available through the implementation of the SMART accounting system to develop an enhanced real-time performance management system. The Subcommittee further encourages any agencies which have not taken the opportunity to utilize the system to evaluate how the tools may fit within their organizational structure and strongly consider implementation.
13. The Subcommittee further commends the Secretary of Administration for embarking on a reorganization of the Department of Administration with the goal of reducing administrative overhead and aligning the functional purposes of the Department with its organization and management structure. The Subcommittee eagerly awaits the outcome of the finalized reorganization in order to apply those lessons learned to other agencies.

A committee requested further information on bullet point #9, and specifically, if the addition of \$261,200 would enable all rural communities to receive the networking. Senator Teichman indicated that without the funding, the Council Grove area could not be covered.

With the regard to the SMART accounting system, Dylan Dear, Legislative Research Department, responded that approximately 30 state agencies have implemented the SMART system; new agencies are implementing daily.

A committee member expressed concern regarding the transfer of funds from the State Fair Bonded Debt Service Account in ELARF, particularly since another Subcommittee had transferred additional funds from that account during the previous week. Senator Teichman reported the fund still contained a \$10 million balance. A request was made for additional information from Legislative Research Department to detail the State Fair Bonded Debt Service Account in order to ensure adequate balances exist and the debt service payments schedule.

Chairperson McGinn indicated final approval of the Subcommittee Report would be considered on March 7.

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The meeting adjourned at 11:45 a.m.

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