

MINUTES

Legislative Post Audit Committee November 18, 2008

The meeting was called to order by Chair Derek Schmidt at 10:05 a.m. in Room 785 of the Docking Building. Committee members present:

Senator Derek Schmidt, Chair	Representative Virgil Peck, Jr., Vice-Chair
Senator Les Donovan	Representative Tom Burroughs
Senator Nick Jordan	Representative Peggy Mast
Senator Chris Steineger	Representative Tom Sawyer

Approval of Minutes

Senator Steineger moved approval of the September 17, 2008, minutes. Representative Mast seconded the motion; motion carried.

Completed Performance Audits

Department of Health and Environment: Reviewing Issues Related to the Permitting Process in the Bureau of Air and Radiation. This audit was presented by Heidi Zimmerman, Auditor. The audit showed that entities that emit specified levels of pollutants into the air must obtain an air-quality permit from the Kansas Department of Health and Environment. The only significant change the Department has made to the air-quality construction permit process in the last year has been the addition of a carbon dioxide emission estimate for every application. This addition has not lengthened the time it takes to approve a construction permit. In recent years, the Department has implemented a number of streamlining activities to reduce permit processing times. These changes have resulted in a decrease in construction permit approval time by 51% (from an average of 63 days in fiscal year 2003 to an average of 31 days in fiscal year 2008). The basic construction permitting process Kansas uses is similar to the process five other states use, although there are a few differences. For example, most of the other states don't calculate a carbon dioxide estimate for every construction permit application.

Calendar year 2008 had more upper-management turnover than any of the past 10 years. As of July 2008, five upper-management positions had turned over in 2008; the next highest number of positions that turned over in any year was four, back

in 1999 and 2000. This increase is agency wide, and much of the increase can be attributed to retirements.

Aaron Dunkel, Deputy Secretary of Health and Environment, was present with prepared remarks and was available to answer questions. Also present to answer questions were: Yvonne Anderson, General Counsel; Rick Burnette, Director of Bureau of Air and Radiation; John Mitchell, Director for the Division of Environment; Susan Cain, Assistant Secretary for Policy and External Affairs; and Marian Massoth, Section Chief, Bureau of Air and Radiation.

Representative Mast requested additional information from the Department, including a list of the states that regulate carbon dioxide and a list of the businesses that would be impacted if the State began regulating greenhouse gas emissions.

Representative Mast moved to accept the audit and Senator Jordan seconded the motion. Motion carried.

This audit will be distributed to the Senate Utilities and House Energy and Utilities Committees, the House Select Committee on Energy and Environment, the Joint Committee on Administrative Rules and Regulations, the Joint Committee on Energy and Environmental Policy, and the Senate Ways and Means and House Appropriations Committees. Representative Mast requested that the audit also be sent to the House and Senate Natural Resources Committees.

Illegal Immigrants: Reviewing Studies That Have Assessed Their Economic Impact. This audit was presented by Katrin Osterhaus, Principal Auditor. Researchers generally agree that the main areas where illegal immigrants increase governmental costs are education, healthcare, and criminal justice, but that illegal immigrants also pay property, sales, and some income taxes to offset governmental costs. It appears that most of the financial burden of illegal immigration is borne at the state and local level because illegal immigrants qualify for few federally funded benefits. The two most comprehensive studies staff reviewed concluded that the costs of illegal immigrants outweighed the revenues at the state and local level. Several less-comprehensive studies showed more mixed results because they focused on different levels of government or don't consider all major costs or revenues attributable to illegal immigrants. Illegal immigrants tend to be concentrated in low-skill, low-education industries such as farming, cleaning, and construction. National job market studies staff reviewed showed that illegal immigrants have a negative impact on wages and job opportunities of low-skilled, least-educated native-born workers. Overall, Kansas-specific information is sparse: State agencies generally haven't tried to identify specific costs or revenues attributable to illegal immigrants for Kansas. Similarly, neither the Kansas Department of Labor, nor any of the

Kansas Universities have tried to study the economic effect of illegal immigration for this State.

There were no agencies audited, therefore no one responded to this audit.

Senator Steineger moved to accept the audit and Representative Mast seconded the motion. Motion carried.

This audit will be distributed to the House and Senate Federal and State Affairs Committees; the House Veterans, Military, and Homeland Security Committee; and the House and Senate Commerce Committee.

Completed Financial-Compliance Audit

Kansas Lottery, Fiscal Year 2008. This audit was conducted jointly by the CPA firms of Allen Gibbs & Houlik and Berberich Trahan and Company, under contract with Legislative Post Audit. The audit was presented by Karen Linn, Berberich Trahan and Company. This audit of the Kansas Lottery for fiscal year 2008 is required by State law. The audit found that the Lottery fairly presented its financial statements and met applicable legal requirements. Ms. Linn distributed copies of her presentation and answered members' questions.

Carolyn Brock, Lottery Comptroller, and Keith Kocher, Assistant Attorney General, also were available to answer questions.

The audit will be distributed to the House and Senate Federal and State Affairs Committees, and the House Appropriations and Senate Ways and Means Subcommittees on Lottery/Racing and Gaming.

Consideration of Audit Topics

Leo Hafner, Deputy Legislative Post Auditor, took the Committee through the list of possible audit topics.

Representative Jim Morrison addressed the Committee requesting approval of legislative request #3 pertaining to the Behavioral Sciences Regulatory Board.

After discussion, Senator Steineger made a motion to approve legislative request #14, Motor Vehicle Travel. Senator Donovan suggested that the scope be changed to include looking into purchasing program cars for State use. Senator Steineger concurred. Senator Steineger also moved to approve efficiency audit #2,

Low-Priority Programs, and #4, Agency Data Centers. Senator Donovan seconded the motion, motion passed.

Senator Schmidt moved to approve efficiency audit #8, State Agency Staffing, and legislative request #5, State Inspection Functions, and to designate the Inspections audit as an efficiency topic. Representative Sawyer seconded the motion, motion passed.

Representative Sawyer moved to authorize efficiency audit topic #5, State Contracts. Senator Steineger seconded the motion. Motion passed.

Legislative Post Audit Operations

Out of State Travel Requests. At Senator Schmidt's suggestion, the Committee decided to defer approval of out-of-State travel until a later date, in view of the State's worsening financial situation.

Status of follow-up items. Rick Riggs updated the members on the status follow-up items from previous meetings. Randy Tongier told members that the issues identified during federal officials' review of the fiscal year 2005 Statewide Single Audit were in the process of being resolved.

Budget update. Leo Hafner gave a brief overview of the Division's expenditures for fiscal year 2009.

Status of audits requested and approved. Senator Schmidt asked if efficiency audit #2 regarding Low-Priority Programs could be moved ahead of any already approved audit that had not be started yet. Leo Hafner indicated that he believed that would be possible.

Date of the Next Meeting

The Chair reminded the Committee the next meeting date will be Friday, December 19, 2008, which also will include the holiday luncheon. The meeting was adjourned by the Chair at 11:55 a.m.

(All handouts and other documents referred to in these minutes are on file with Legislative Post Audit.)