

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Marc Rhoades at 9:00 a.m. on January 28, 2011, in Room 346-S of the Capitol.

All members were present except:

- Representative Donohoe – excused
- Representative Gatewood – excused
- Representative Sullentrop - excused

Committee staff present:

- Jim Wilson, Office of the Revisor of Statutes
- 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 Kansas University Fire & Rescue Training Institute – Annual Report
- Attachment 2 Kansas Development Finance Authority - Debt Study

Chairman Rhoades welcomed committee members. He stated that the Kansas University Fire and Rescue Training Annual Report has been distributed, (Attachment 1), and reviewed today's meeting agenda.

Representative Gordon made a motion to introduce proposed legislation for uniform accounting and reporting for school districts. The motion was seconded by Representative Brown. Motion carried.

Representative Mast made a motion to introduce legislation regarding the Veterans Benefit Lottery Game and Veterans Administration. The motion was seconded by Representative Crum. Motion carried.

Tim Shallenburger, President, Kansas Development Finance Authority, presented an overview of the department. He introduced Rebecca Floyd, General Council and Jim MacMurray, Senior Vice-President of Finance, Kansas Development Finance Authority. President Shallenburger pointed out two specific areas that have an impact on bond ratings; systematic problems with the budget and the Kansas Public Employees Retirement System, (KPERS).

Jim MacMurray, Vice-President of Finance, Kansas Development Finance Authority, presented an overview of the Debt Study Report, (Attachment 2). He stated that this report reflects the state's projected debt position on June 30, 2010. This report provides relevant financial data that will assist policymakers with the budgeting process. He stated that the revenue bonds are the largest component of the state's ongoing obligations, and a review the components of these bonds followed. The revenue bond outstanding debt is approximately \$2.3 billion, which includes tax-supported debt from the Highway Fund, State General Fund (SGF) and other funds for bonds secured by the Educational Building Fund and Special Revenue Funds. It is anticipated that this amount will be closer to \$4.5 billion next year due primarily to the authorization of the T-Works Program in the State Highway Fund. The SGF debt is approximately \$1.2 billion. The largest contributors to the debt service comes from KPERS, Capitol Restoration Project and a previous bond transaction for the Comprehensive Transportation Program, which totals approximately \$950 million, he noted. He reviewed the tables contained in the report which included prior legislation on the authorized issuance of debt. Vice-President MacMurray reviewed the components of the Moody's Investor Services Report and stated that Kansas falls within the mid-range of the matrix. Standard and Poors and Moody's credit ratings influences interest rates for borrowers, it was noted.

Jim MacMurray and Rebecca Floyd, Kansas Development Finance Authority, (KDFA) responded to questions from committee members. It was noted that there is no outstanding balance for the new Kansas Wildlife and Parks Office, and that the director of the Kansas Housing Resource Council is appointed by

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KDFA and is solely a fee funded agency. The process of determining interest rates, amortization schedules and bond maturity levels was reviewed. Estimates for the Capitol restoration project are \$35 million over 20 years and are based on current bond ratings, it was noted. Discussion followed regarding communities that may be in financial distress and the need for local government to fulfill obligations. Jim MacMurray stated that the KDFA is a facilitator of state debt approved by the legislature. He reviewed the Kansas Public Employees Retirement System (KPERS) bond, which were sold at 30 year fixed rate with net proceeds at \$440 million with the intent for a better return on this investment over the long-term. Structural balances and finding long-term solutions for funding KPERS was emphasized. Rebecca Floyd discussed compliance and administrative processes in order for bonds to remain in compliance with Internal Revenue and the Exchange Commission's requirements, and she reviewed the department's State and Private Activity fee schedules.

Chairman Rhoades reviewed the agenda for next week's committee meetings.

The meeting was adjourned at 10:05 a.m.

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Marc Rhoades, Chairman