

## MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on February 5, 2009, in Room 545-N of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Kansas Legislative Research Department  
Michael Steiner, Kansas Legislative Research Department  
Estelle Montgomery, Kansas Legislative Research Department  
Amy Deckard, Kansas Legislative Research Department  
Julian Efird, Kansas Legislative Research Department  
Jill Wolters, Office of the Revisor of Statutes  
Daniel Yoza, Office of the Revisor of Statutes  
Melinda Gaul, Chief of Staff  
Shirley Jepson, Committee Assistant

Conferees appearing before the committee:

Duane Goossen, Secretary, Department of Administration  
Carol Foreman, Deputy Secretary, Department of Administration

Others attending:

See attached list.

### **Introduction of Legislation**

Senator Teichman moved to introduce legislation concerning low income family postsecondary savings accounts incentive program (9rs0739). The motion was seconded by Senator Kelly. Motion carried on a voice vote.

Senator Teichman moved to introduce legislation concerning emergency medical services (EMS) board, authorizing the assessment of civil penalties (9rs0114). The motion was seconded by Senator Schodorf. Motion carried on a voice vote.

Senator Schmidt moved to introduce legislation concerning pharmacies and exchanging medications. The motion was seconded by Senator Kelly. Motion carried on a voice vote.

Senator Schmidt moved to introduce legislation concerning Department of Corrections and Juvenile Justice Authority with regard to the payment rate. The motion was seconded by Senator Schodorf. Motion carried on a voice vote.

Senator McGinn moved to introduce legislation concerning cities and rural water districts. The motion was seconded by Senator Schodorf. Motion carried on a voice vote.

Senator Schodorf moved to introduce legislation to create the Kansas tourism corporation (9rs0731). The motion was seconded by Senator Teichman. Motion carried on a voice vote.

Senator Emler moved to introduce legislation concerning EMS and subpoena authority (9rs0113). The motion was seconded by Senator McGinn. Motion carried on a voice vote.

Senator Emler moved to introduce legislation concerning EMS and criminal history record checks (9rs0112). The motion was seconded by Senator Taddiken. Motion carried on a voice vote.

Senator Emler moved to introduce legislation concerning EMS duties of emergency medical services board (9rs0111). The motion was seconded by Senator Vratil. Motion carried on a voice vote.

Senator Emler moved to introduce legislation concerning EMS related to amending and repealing existing statute (9rs0063). The motion was seconded by Senator Teichman. Motion carried on a voice vote.

## CONTINUATION SHEET

Minutes of the Senate Ways And Means Committee at 10:30 a.m. on February 5, 2009, in Room 545-N of the Capitol.

Duane Goossen, Secretary, Department of Administration, appeared before the Committee and requested the introduction of trailer legislation concerning the placing of a moratorium on state payments to the Kansas Public Employees Retirement System (KPERs) Death & Disability Fund as proposed in the Governor's Budget Recommendations for FY 2010.

Senator Taddiken moved to introduce legislation concerning the moratorium on state payment to the KPERs Death and Disability Fund (9rs0534). The motion was seconded by Senator Teichman. Motion carried on a voice vote.

### **Referral of Bill**

**SB 196** was referred to the KPERs Issues Subcommittee.

### **Presentation on State Employee Health Insurance Moratorium**

Duane Goossen, Secretary, Department of Administration, provided an overview of the Governor's Budget Recommendation (GBR) for placing a 7-pay period moratorium on agency payments into the State Employee Health Insurance Plan in FY 2010 (Attachment 1). Mr. Goossen noted that the state's health insurance plan runs on a calendar year basis and is funded through employee and state agency contributions. The moratorium on state agency payments will allow for a reduction of \$32.0 million in State General Fund (SGF) expenditures. The expenses for the plan during 2008 were \$28.6 million greater than revenue. It is anticipated that this trend will continue through 2009. Mr. Goossen stated that a 7-pay period moratorium on payments into the fund will deplete the balance further, leaving an estimated balance of \$101 million by the end of calendar year 2009.

Responding to questions from the Committee, Mr. Goossen stated that the Plan is funded with approximately 95 percent state contributions and approximately 5 percent employee contributions. For the first three years of the plan, expenses were flat; however, as expenses have increased, balances are being depleted. Mr. Goossen indicated that benefits will not be reduced during the 7-month moratorium. It is anticipated that there will need to be adjustments to the plan in CY 2011 or CY 2012 to avoid a negative balance.

The Committee voiced concern with placing a moratorium on state agency payments but continuing to charge state employees at the same rate. Mr. Goossen stated that the plan is reviewed and adjustments made on a yearly basis. There are 3 ways to adjust the plan, either through the employer contribution, employee contribution or benefits in the plan. In recent years, a co-pay has been added to some parts of the plan that lowers the overall cost of the plan for the employee. Mr. Goossen indicated that there are several non-state agencies, mainly at the local level, who participate in the State Employee Health Insurance Plan.

- The Committee requested information on how other states and other governmental entities provide health insurance plans for their employees.

A reserve calculation table prepared by the Kansas Health Policy Authority on the State Employee Health Plan was distributed to the Committee (Attachment 2).

### **Debt Restructuring Plan for FY 2009 and FY 2010**

Duane Goossen, Secretary, Department of Administration, provided an overview of debt restructuring on a portion of the state's bonded indebtedness as part of the Governor's plan to improve the balance in the SGF (Attachment 3). The proposal would still pay interest from the SGF, but FY 2009 and FY 2010 principal payments will be deferred and spread over the remaining years of the loan. The bond restructuring lowers expected debt service payments by \$14.0 million in FY 2009 and by \$39.0 million in FY 2010.

Steve Weatherford, President, Kansas Development Finance Authority, responded to questions from the Committee, stating that the bond restructuring would affect only those bonds being paid from the SGF. The restructuring would extend the date of maturity on some of the bonds to the year 2035. Over the life of the bonds, the restructuring of the 3 bond issues presently being considered, will cost an additional \$629,449 to the state in additional interest. Mr. Weatherford provided additional information on the debt analysis

## CONTINUATION SHEET

Minutes of the Senate Ways And Means Committee at 10:30 a.m. on February 5, 2009, in Room 545-N of the Capitol.

(Attachment 4).

Julian Efird, Legislative Research Department, provided an analysis of the debt restructuring as recommended by the Governor (Attachment 5).

### **Overview of the New State Employee Pay Plan**

Carol Foreman, Deputy Secretary, Department of Administration, presented an overview of the State Employee Pay Plan as developed with the assistance and extensive study by the Hay Group in 2007 and enacted with legislation passed by the 2008 Legislature (Attachment 6).

### **Adjournment**

The next meeting is scheduled for February 9, 2009.

The meeting was adjourned at 12:00 p.m.