

Approved: February 16, 2000
Date

MINUTES OF THE SENATE WAYS & MEANS COMMITTEE.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on February 11, 2000 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Chief Fiscal Analyst, KLRD
Rae Anne Davis, KS Legislative Research Department
Debra Hollon, KS Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Asst. Revisor of Statutes
Judy Bromich, Administrative Assistant to the Chairman
Ronda Miller, Committee Secretary

Conferees appearing before the committee:

Others attending: See attached list

Senator Salmans reviewed the FY 2001 subcommittee report for the **Citizens Utility Ratepayer Board**. (Attachment 1) Members spent some time discussing the enhancements that were requested by the agency but not addressed in the subcommittee report. Subcommittee members stated that they had not discussed what balances should be in the fee fund and did not want to change their recommendations at this time regarding the agency's requested enhancements.

Senator Salmans reviewed the FY 2001 subcommittee report on the **Governmental Ethics Commission**. (Attachment 2) Subcommittee members reiterated their concern about the declining balance in the agency's fee fund. Senator Salmans moved, Senator Jordan seconded that the subcommittee report be amended to include a chart demonstrating the status of ending balances in the agency's fee fund over the last 4 or 5 years. The motion to amend carried on a voice vote.

The FY 2001 subcommittee report on the **Kansas Human Rights Commission** was reviewed by Senator Downey. (Attachment 3)

The FY 2001 subcommittee report on the **Department of Administration** was reviewed by Senator Salisbury. (Attachment 4) In response to an concern regarding the subcommittee's recommendation to eliminate the Municipal Accounting and Training Services Office, Senator Salisbury noted that the subcommittee scheduled a public hearing and no one testified on this issue. She said that the Division of Accounts and Reports had prioritized their activities and this recommendation was the result of a difficult decision made by the Division.

There was discussion about the budget, the number of reports and the efficiency of the Performance Review Board. (Item 6 of Attachment 4-4) Senator Salisbury noted the investment of \$876,000 between FY 97 and the current year has resulted in potential cumulative savings of \$2.7 million.

Chairman Kerr reviewed the FY 2001 subcommittee report on the **Kansas Public Employees Retirement System**. (Attachment 5) He noted that recommendations 1-5 were agency enhancements that the Governor denied but the subcommittee believed would provide paybacks. In reviewing item 6, he stated that the subcommittee learned that the KPERS Board of Trustees decided to treat the \$30 million in proceeds from litigation settlement as market gain and put it into the smoothing pool. He said that the result of that would mean that only \$10 million would be recognized in FY 2001. The Chairman stated that he believed the Board was attempting to keep the unfunded liability looking as large as possible to keep pressure on the Legislature to add funds.

Senator Downey reviewed the minority report and noted the inclusion of a copy of the resolution which

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was passed in January and a chart of the projected impact of the one-year freeze on employer contributions. (Attachment 5, 6-9) In response to the statement, "The news KPERS recently announced about settlements totaling over \$40 million, with approximately \$30 million to be received by KPERS as net proceeds after paying expenses and legal fees, should be good news for all members, active and retired," Chairman Kerr stated that the unfunded liability exists within the KPERS fund and there's no responsibility on the part of retirees to pay that off. He added that the method of treatment by the majority report will benefit all members, not just the retired.

In answer to a question, Meredith Williams, Executive Secretary of KPERS, stated that the litigation proceeds in the accounting statements are reflected at full value upon receipt; the smoothing methodology only applies to actuarial computations made once a year to project future employer contribution rates. He stated that the financial statements of the retirement system have no smoothing methodology attached to them and never have.

Senator Downey stated that she objected to two issues:

- she believes that many KPERS members thought that retirement funds had been lost to them through poor investments and the litigation proceeds should be put back in for them.
- she believes that the Legislature needs to "stand on principle" and adhere to the policy made to fund COLA adjustments made in 1993 and 1998.

It was noted that losses due to poor investments and the enhanced benefits in 1993 and 1998 had all been used to calculate the general unfunded liability in KPERS.

In answer to a question, a representative from KPERS stated that regardless of whether the subcommittee report is adopted, the \$30 million will go to the KPERS General Fund will be invested in the same way.

It was moved by Senator Salisbury and seconded by Senator Salmans that the FY 2001 subcommittee reports on the Citizens Utility Ratepayer Board, the Kansas Human Rights Commission, and the Department of Administration, and the FY 2001 Governmental Ethics Commission subcommittee report as amended be adopted. The motion carried on a voice vote.

Senator Lawrence moved, Senator Salisbury seconded that the FY 2001 subcommittee report on the Kansas Public Employees Retirement System be adopted. The motion carried on a voice vote.

It was moved by Senator Salisbury and seconded by Senator Morris that bill draft 9rs 2071 as requested by the subcommittee on the Department of Administration be introduced. The motion carried on a voice vote.

A motion was offered by Senator Jordan and seconded by Senator Gilstrap to approve the minutes of the February 9 meeting. The motion carried on a voice vote.

The Chairman adjourned the meeting at 12:25 p.m. The next meeting will be February 14, 2000.