

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Kevin Yoder at 9:15 a.m. on March 19, 2009, in Room 143-N of the Capitol.

All members were present.

Committee staff present:

Nobuko Folmsbee, Office of the Revisor of Statutes
Christina Butler, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Kelly Cure, Chief of Staff
Kathy Holscher, Committee Assistant

Conferees appearing before the Committee:

Derrick Sontag, Americans for Prosperity - Proponent

Others attending:

See attached list.

- Attachment 1 Moody's Public Finance Summary
- Attachment 2 Americans for Prosperity Testimony

HB 2355 - Limitation on outstanding principal of state general fund bonded debt.

Julian Efird, Kansas Legislative Research Department, stated that **HB 2355** would place a cap on the outstanding debt on state bonds that are pledged to be paid from SGF. This is a cap of 20 percent of the estimated SGF revenue for the same physical year that the bonded indebtedness on principal was calculated. The bill requires that the calculation is based on the estimated SGF debt for the next physical year by the total estimated revenue on or before December of the same year. The Governor's recommendation for FY 2010 estimated the bond state balance as of June 30, 2010 would be \$1 billion, and the estimated revenue for the same physical year is \$6.15 billion. The ratio for the next physical year is estimated at 16.3 percent. Committee members reviewed the report on state bonded indebtedness from Moody's Public Finance Summary as of April, 2008, (Attachment 1)

Reagan Cussimano, Legislative Research Department, responded to questions from Committee members. She stated that the Governor's recommendation includes \$80 million from SGF for capital improvement aid for FY 2010.

Julian Efird, noted that this amount was included in the debt ratio. The total debt is over \$4 billion. \$1 billion is pledged to SGF, which includes some highway funds in the revised budget. Bond revenues are pledged by KDOT and paid by designated revenue streams. Major recipients of outstanding bonds pledged by SGF include: the Board of Regents; Department of Administration's Capitol restoration project; Department of Corrections for facility issues; KPERS pension; and Armory programs within the Adjutant General's Office. Outstanding bonds that have been approved but not let include: Board of Regents community college loans; Capitol building renovations; KSU proposed facility; and Department of Corrections expanded prison capacity.

Audrey Dunkel, Kansas Legislative Research Department, responded to questions from Committee members. She stated that bonding authority allows access for deferred maintenance for community colleges and secondary colleges. Colleges pay the principle and the state pays the interest on these bonds. A bill was drafted to appropriate money for those payments.

Julian Efird, responded to questions from Committee members. He stated that bond ratings from designated streams that go into the highway funds include motor fuel tax and other assessments. Authority to issue general fund bonds may be necessary when other revenue resources, such as ELARF, are not available. The Governor's recommendation shifted \$53 million in bond principle payment from the SGF to a non-general fund source.

CONTINUATION SHEET

Minutes of the House Appropriations Committee at 9:15 a.m. on March 19, 2009, in Room 143-N of the Capitol.

Chairman Yoder stated that **HB 2355** is the same legislation that passed in the House last year and is re-proposed for this session.

Derrick Sontag, State Director, Americans for Prosperity, presented testimony in support of **HB 2355**, (Attachment 2). He stated with the current bond indebtedness, the SGF would need to decline by \$5 billion in order to exceed the cap of 20 percent. The debt per capita and debt as a percent of personal income was compared to other states.

Derrick Sontag responded to questions from Committee members. He stated that the total bond indebtedness is \$4 billion, and 44 percent of this indebtedness is for targeted highway bonds. Debt affordability, target ratios and cost benefit analysis for projects should be evaluated in order to address critical needs in the long-term planning process and debt repayment plans. It was noted that the recent bond rating has stayed stable.

●Information requested

Data on the impact of tax cuts on the economy

Rural areas effected by tax policies

The hearing on **HB 2355** was closed.

HCR 5016 - Urging Kansas school districts to use carefully the federal stimulus funds received.

Nobuko Folmsbee, Office of the Revisor of Statutes, provided information on **HCR 5016**. This bill states that Kansas will receive \$875 million (on a one-time basis) in federal economic stimulus funds for educational purposes. Approximately \$600 million of the stimulus money will be expended for primary and secondary education. SGF receipts projected shortfall of 23 percent in FY 2012, could result in the reduction of appropriation of state money for school districts. School districts were encouraged to find ways to stretch every dollar and to not spend such funds to finance on-going projects, to be responsible stewards of the school funds, and to establish or increase balances in contingency reserve funds.

Representative DeGraaf provided testimony in support of **HCR 5016**. This bill encourages school boards to recognize potential shortfalls in funding for FY 2012, as they prepare to utilize federal stimulus money.

Representative DeGraaf responded to questions from Committee members regarding the use of federal stimulus money, as determined by local school boards in preparation for substantial shortfall projections in FY 2012.

Chairman Yoder discussed the upcoming Committee schedule and expressed appreciation to Legislative Research and the Office of the Revisors staff for their hard work throughout the session.

The next meeting is scheduled on call of the Chair.

The meeting was adjourned at 10:28 a.m.

Kevin Yoder, Chairman