

## Senate Subcommittee Report

**Agency:** Department of Administration

**Bill No.** SB 514

**Bill Sec.** 37

**Analyst:** Wu

**Budget Analysis Vol. 1, Pg. 274**

**GBR Vol. 2, Pg. 16**

Expenditure Summary	Agency Estimate FY 2024	Governor Recommendation FY 2024*	Senate Subcommittee Adjustments
<b>Operating Expenditures:</b>			
State General Fund	\$ 103,401,036	\$ 560,401,036	\$ (450,000,000)
Federal Funds	1,589,043	1,589,043	-
Other Funds	41,083,009	36,200,613	-
<i>Subtotal</i>	<u>\$ 146,073,088</u>	<u>\$ 598,190,692</u>	<u>\$ (450,000,000)</u>
<b>Capital Improvements:</b>			
State General Fund	\$ 31,147,724	\$ 79,206,386	\$ (47,658,662)
Federal Funds	9,465,879	9,465,879	-
Other Funds	250,000	5,132,396	-
<i>Subtotal</i>	<u>\$ 40,863,603</u>	<u>\$ 93,804,661</u>	<u>\$ (47,658,662)</u>
<b>TOTAL</b>	<u><u>\$ 186,936,691</u></u>	<u><u>\$ 691,995,353</u></u>	<u><u>\$ (497,658,662)</u></u>

FTE positions\*\* 474.1 474.1 0.0

\* *Note:* Includes the Governor's Budget Amendment (GBA) No. 1, Items 1-4, to add \$497.7 million SGF to address state debt in FY 2024 instead of for FY 2025.

\*\* *Note:* This number represents both on- and off-budget FTE positions.

### Agency Estimate

The **agency** submits a revised estimate of \$186.9 million in on-budget expenditures and 106.2 on-budget FTE positions in FY 2024, including \$134.5 million SGF and \$36.1 million from the Expanded Lottery Act Revenues Fund (ELARF). This represents a decrease of \$29.1 million below the amount approved by the 2023 Legislature.

The decrease is primarily due to revising the payment schedule for the **renovation of the Docking State Office Building** such that the majority of the \$40.0 million in federal American Rescue Plan Act (ARPA) State Relief Fund expenditures originally planned for FY 2024 was distributed in FY 2023 instead. While this results in a \$36.9 million decrease from the amount approved by the 2023 Legislature, total project costs have not changed and the agency still anticipates project completion around May 2025.

The decrease is offset by an additional \$6.3 million in planned expenditures from the ARPA State Relief Fund for three capital improvement projects. These projects were all recommended by the Strengthening People and Revitalizing Kansas (SPARK) Executive Committee and approved by the State Finance Council. These projects include **replacing outdated air handling equipment in the Capitol Complex** (\$1.5 million), **enhancing physical security in the Capitol Complex** (\$1.6 million), and **deferred maintenance for the State Printing Plant** (\$3.3 million).

The revised estimate also includes a request to **increase the SGF expenditure limitation on official hospitality for the Office of the Secretary of Administration** (from \$2,000 to \$6,000) **and the Office of Public Advocates** (from \$1,000 to \$3,000). The agency does not request additional funding for this purpose, and planned expenditures are equal to the amount approved by the 2023 Legislature.

The revised estimate also includes \$94.2 million in off-budget expenditures and 367.9 off-budget FTE positions. These represent services rendered for, and financed by, other state agencies, and are categorized this way to avoid double counting payments from one state agency to another. While the Department of Administration incurs off-budget expenses in almost all programs, the majority of these expenditures are in the Office of Facility and Property Management; Office of Printing, Central Mail, and Surplus; and the Office of the State Employee Health Benefits Program.

### **Governor's Recommendation**

The **Governor** recommends \$692.0 million in on-budget expenditures and 106.2 on-budget FTE positions in FY 2024, including \$639.6 million SGF and \$36.1 million from ELARF. The Governor concurs with the agency's revised estimate but recommends three additions, totaling \$505.1 million SGF, detailed below.

*First*, the Governor recommends \$7.0 million SGF to **create a centralized electronic credentials verification system pursuant to 2023 SB 66**, which enacted the Interstate Teacher Mobility Compact (Compact). The Compact requires state licensing bodies to provide paper-based and verified electronic credentials to all credential holders. To facilitate this, the Compact also requires the Secretary of Administration to develop and implement a license verification portal for the purpose of verifying or reporting license statuses. During the 2023 Session, the agency indicated it would need to implement both (1) a licensing verification portal, and (2) a centralized system to comply with the Compact. 2023 SB 25 included \$84,000 SGF to develop the portal. This recommendation reflects costs to develop the centralized system.

*Second*, the Governor recommends \$400,000 SGF to **expand the Office of Printing, Surplus and Central Mail's operations to scan mail for anomalies prior to delivery**. This recommendation includes \$150,000 to purchase mail scanning equipment and \$250,000 to create a dedicated structure for this purpose. The Governor indicates this is in response to the white powder event in June 2023, where letters containing a suspicious white powder were sent to state legislators and public officials.

*Lastly*, the Governor recommends \$497.7 million SGF to **address the indebtedness of the State**. These items were originally recommended for FY 2025, but GBA No. 1, Items 1-4, shifts them to FY 2024 instead. The majority of this amount would be applied to revenue bonds originally issued to improve the funded status of the Kansas Public Employees Retirement System (KPERs), while the remainder would address bonds that refinance prior obligations for capital improvements projects. The recommendation includes the following parts:

- **\$450.0 million SGF** to retire debt across **Series 2015H** and **2021K** KPERs pension obligation bonds in consultation with the Kansas Development Finance Authority as to determine the most economical method to do so.
- **\$20.0 million SGF** to call and pay off the remaining balance of **Series 2016H** bonds, which refinanced prior obligations for a variety of capital improvement projects, such as the Kansas Law Enforcement Training Center and Capitol Complex.

- **\$23.0 million SGF** to negotiate a tender offer and pay off debt obligations on **Series 2020K** bonds, which transferred ownership of the Curtis State Office Building and the Department for Children and Families (DCF) Topeka Service Center from the Topeka Public Building Commission to the State of Kansas.
- **\$4.7 million SGF** to defease and pay off the remaining balance of Series 2020S bonds, which refinanced prior obligations for the National Bio and Agro-Defense Facility and renovations to the Kansas Statehouse.

### **Joint Committee on State Building Construction Recommendation**

The Joint Committee concurs with the Governor's recommendation in FY 2024.

### **Senate Subcommittee Recommendation**

The **Subcommittee** concurs with the Governor's recommendation in FY 2024, with the following adjustments:

1. Delete \$497.7 million SGF to not adopt the Governor's recommendation to address the indebtedness of the State. This includes \$450.0 million SGF for KPERs pension obligation bonds and \$47.7 million for bonds related to capital improvement projects.

The Subcommittee requests additional information from the agency on the mechanisms to pay off these bonds and recommends the Senate Committee on Ways and Means review such information prior to finalization of the budget.

2. Delete language increasing the SGF expenditure limitation on official hospitality for the Office of the Secretary of Administration and the Office of Public Advocates in FY 2024, and review prior to finalization of the budget.

### **Senate Committee Recommendation**

The **Committee** concurs with the Subcommittee's recommendation in FY 2024.

### **Senate Committee of the Whole Recommendation (Sub. for SB 514)**

The **Committee of the Whole** concurs with the Committee's recommendation in FY 2024.

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*Lastly*, the Governor recommends \$497.7 million SGF to **address the indebtedness of the State**. These items were originally recommended for FY 2025, but GBA No. 1, Items 1-4, shifts them to FY 2024 instead. The majority of this amount would be applied to revenue bonds originally issued to improve the funded status of the Kansas Public Employees Retirement System (KPERS), while the remainder would address bonds that refinance prior obligations for capital improvements projects. The recommendation includes the following parts:

- **\$450.0 million SGF** to retire debt across **Series 2015H** and **2021K** KPERS pension obligation bonds in consultation with the Kansas Development Finance Authority as to determine the most economical method to do so.

- **\$20.0 million SGF** to call and pay off the remaining balance of **Series 2016H** bonds, which refinanced prior obligations for a variety of capital improvement projects, such as the Kansas Law Enforcement Training Center and Capitol Complex.
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### **Joint Committee on State Building Construction Recommendation**

The Joint Committee concurs with the Governor's recommendation in FY 2024.

### **House Budget Committee Recommendation**

The **Budget Committee** concurs with the Governor's recommendation in FY 2024, with the following adjustments:

1. Concur with GBA No. 1, Items 1-3, to add \$47.7 million SGF to address the following debt obligations in FY 2024 instead of FY 2025:
  - **\$20.0 million SGF** to call and pay off the remaining balance of **Series 2016H** bonds, which refinanced prior obligations for a variety of capital improvement projects.
  - **\$23.0 million SGF** to negotiate a tender offer and pay off debt obligations on **Series 2020K** bonds, which transferred ownership of the Curtis State Office Building and the DCF Topeka Service Center.
  - **\$4.7 million SGF** to defease and pay off the remaining balance of **Series 2020S** bonds, which refinanced prior obligations for the National Bio and Agro-Defense Facility and renovations to the Kansas Statehouse.
2. Add language requiring the State Finance Council approve expenditures for Series 2020K (\$23.0 million SGF) and 2020S (\$4.7 million SGF) payments before funds are released in FY 2024. The Budget Committee notes these bonds are not callable for 100 percent of the principal amount until beyond FY 2025.
3. Do not concur with GBA No. 1, Item 4, and delete \$450.0 million SGF in FY 2024 to not retire additional debt across **Series 2015H** and **2021K** KPERS pension obligation bonds.
4. Add \$500,000 SGF to provide additional security for Jewish centers of faith in FY 2024. Potential uses of this funding include, but are not limited to, expanding license plate reader cameras, installing bullet-resistant film on windows, and setting up limestone blocks for anti-vehicle perimeter control.

5. Add language authorizing the receipt of gifts, grants, bequests, and donations to the Friends of Cedar Crest Endowment Fund and allow for use of endowment funds in FY 2024.
6. Add language authorizing the Governor's Residence Advisory Commission to expend funds from existing resources to explore the possibility of renovating Cedar Crest in FY 2024. Additionally, add language increasing membership of the Commission to include the First Vice President of the Friends of Cedar Crest Association.

#### **House Committee Recommendation**

The **Committee** concurs with the Budget Committee's recommendation in FY 2024.

#### **House Committee of the Whole Recommendation (Sub. for HB 2273)**

The **Committee of the Whole** concurs with the Committee's recommendation in FY 2024, with the following adjustment:

1. Transfer \$155,106 from the SGF to the Cafeteria Benefits Fund in FY 2024 to prohibit cost-sharing requirements for diagnostic and supplementary breast examinations for state employees.