Approved _	2-1	1-85	
ripproved =		Date	

MINUTES OF THE House COMMITTEE ON	Ways and Means
The meeting was called to order by	Bill Bunten at Chairperson
1:30 xx./p.m. on Wednesday, February	6, 19_85in room 514-S of the Capitol.
All members were present except: Representative	Duncan (excused)

Committee staff present:

Gloria Timmer, Legislative Research Laura Howard, Legislative Research Jim Wilson, Office of the Revisor Sharon Schwartz, Administrative Assistant Nadine Young, Committee Secretary

Conferees appearing before the committee:

Art Griggs, Chief Attorney, Department of Administration Others present (Attachment I)

Chairman called the meeting to order at 1:30 p.m. and asked Art Griggs to give a summary of the bills being heard today. A list of those bills with a brief description of each is included as (Attachment II).

HB 2127 -- an act concerning the payment of tuition and other educational expenses of certain personnel of state agencies; amending K.S.A. 75-5519 and repealing the existing section. The bill would allow agencies to repay tuition costs to state employees after completion of a course and if the employee has received a grade acceptable to the agency.

Representative Heinemann moved that HB 2127 be recommended favorably for passage. Seconded by Representative Chronister. Motion carried.

HB 2129 -- establishes a state surplus property program to be held in conjunction with the federal surplus property sales in Kansas. No additional funding or personnel is required. (Attachment III)

Representative Heinemann moved that HB 2129 be recommended favorably for passage. Seconded by Representative Teagarden. The motion carried.

HB 2130 -- an act relating to the state civil service board; concerning qualifications and compensation of members; amending K.S.A. 75-2929a and 75-2929b and repealing the existing sections. (Attachment IV).

This bill changes the statutes to permit civil service board members to be re-appointed to the board in spite of congressional re-districting. Also raises compensation level of board. Fiscal note is \$6,700.

Representative Heinemann moved that HB 2130 be recommended favorably for passage. Seconded by Representative Luzzati. Motion carried.

HB 2133 -- an act concerning the Kansas civil service act; relating to performance ratings of persons in the classified service thereunder; amending K.S.A. 75-2943 and 75-2949e and repealing the existing sections.

Representative Heinemann suggested that committee hold up on this bill to see if discussions in the pay plan reveal anything relevant to the bill.

Dr. Mike Harder explained that state employees have objected to the many levels of performance ratings and generally dislike the word "standard". This is one of the reasons for the revision.

No action was taken on the bill.

#### CONTINUATION SHEET

MINUTES OF THE	House	COMMITTEE ON _	Ways	and N	leans	
room <u>514-S</u> , Statehou	ıse, at <u>1:30</u>	axx./p.m. on	Wednesday, Fe	bruar	:y 6	

HB 2132 -- an act concerning state tax levies for institutions; prescribing certain accounting procedures therefor. In brief, the bill allows the adjustment of educational and institutional building fund levies in order to even out payments to contractors. A spread sheet and a summary sheet were submitted to substantiate the figures on projected expenditures and cash balances. (Attachment V)

Representative Rolfs moved that HB 2132 be recommended favorably for passage. Seconded by Representative Fuller. The motion carried.

HB 2131 -- an act authorizing the secretary of administration to enter into certificate of participation financing arrangements (Attachment VI). This bill would provide for Department of Administration to pool together current installment/purchase agreements into one marketable package, resulting in reduced interest.

There was considerable discussion on this subject, the main issue being a question of legislative versus executive powers. It was felt that the legislature needs some kind of "check" against the executive branch. Representative Rolfs made a conceptual motion that we grant the authority to the Finance Council to approve Certificates of Participation before they are issued. Representative Chronister seconded. Representative Shriver agreed with the motion, but suggested it be changed to read "with the advice and consent of the coordinating council".

Chairman announced that since there is a question of whether or not there is an infringement, that HB 2131 will be put on "hold" and the committee will take it up again on Monday, February 11. Because of the time, HB 2125 also will be moved to Monday, February 11.

Chairman announced there is no meeting scheduled for Thursday or Friday, and reminded the committee members that all fee agency analysis work is complete and he encouraged members to use the next two days to work on them. Friday is the deadline for having them reported out of committee.

Meeting adjourned at 3:00 p.m.

## Date 2-6-85

Name	Address	Representing
Ric Hahma	Topeka	KSRA
Nich Roach	Topeka	Dept. of Homin - PURCHASES
Gerald L Merryman	Topeka	Dept et Admin - Rushuses
Sue Moustein	Topeka	Doptof Admin - Personnel
BUD PIERCE	TOPERA	DEPT OF HOWARDS
Same O'Aroa.	10 places	On to Pourse.
floyd De 7 18 offered		D. Ils
KEVIN DAVIS	( )	DoA
WALTER DARLING	THEM	Div. of Buscar
Nancy Echols	Lopeka	Dept. of Adm, Div, Per, Svs,
Harold Gibbon	Jopeha.	Dept of Olden Develor Hogh
Gennie, Williams	Topeka	Div & Budget
Holm Brankley	Jopel Ka	Kac · · ·
WARREN CORMAN		BD, OF REGENTS
	·	
		——————————————————————————————————————
		2/6/85

## STATE OF KANSAS DEPARTMENT OF ADMINISTRATION

JOHN CARLIN, Governor

Marvin A. Harder, Secretary of Administration
Room 263-E, Capitol Building
(913) 296-3011

#### **MEMORANDUM**

TO:

House Ways and Means Committee

FROM:

Arthur H. Gras, Department of Administration

DATE:

February 6, 1985

SUBJECT:

Summary of Department of Administration Legislation

The following is a brief description of the bills being heard today.

- H.B. 2125 Civil Service and Other Personnel Matters -This bill modifies several Civil Service Act
  statutes and related personnel statutes. The
  majority of the changes were suggested by the
  Division of Personnel Services and constitute
  minor revisions.
- H.B. 2127 Payment of Tuition Expenses -- In cases where a state agency agrees to pay the tuition expenses of an employee, current law requires that the payment be made directly to the educational institution. Because some state agencies prefer to reimburse an employee after successful completion of the course, the bill allows tuition payments to be made either directly to the educational institution or reimburse the employee.
- H.B. 2129 <u>Surplus Property</u> -- This bill establishes a state surplus property program and prescribes general powers and duties relating thereto.
- H.B. 2130 Kansas Civil Service Board -- This bill would permit the reappointment of Board members in cases where Congressional district redistricting has resulted in two Board members being in the same new district. The bill also increases compensation from \$35 to \$70 per day and provides compensation for certain travel days and the chairperson.

2/6/85

House Ways and Means Committee February 6, 1985 Page Two

- H.B. 2131 Certification of Participation Financing -This bill would expressly provide for the Secretary of Administration to be the centralized authority to arrange for certificate of participation financing for all state agencies.
- H.B. 2132 Educational Building Fund -- This bill is designed to address the recent cash flow problems of the Educational Building Fund. The bill permits the director of accounts and reports to treat anticipated revenues to the Educational Building Fund and Institutional Building Fund on an accrual basis.
- H.B. 2133 Performance Evaluations -- This bill amends civil service statutes relating to performance evaluations and paves the way for timely changes in personnel regulations relating to performance evaluations.

AHG:cm



### DEPARTMENT OF ADMINISTRATION Division of Purchases

JOHN CARLIN, Governor NICHOLAS B. ROACH, Director of Purchases

Room 165-173 N. State Office Building Topeka, Kansas 66612-1573 (913) 296-2376

TO: Ways and Means Committee, House of Representatives,

FROM: Nicholas B. Roach, Director of Purchases Well Voca

DATE: February 6, 1985

RE: House Bill No. 2129

Background information relative to the need for this legislation should include that this bill would allow those non-state political subdivisions, as well as not-for-profit, tax exempt units throughout the state to acquire State Surplus Property items only after no State Agency has expressed any interest in the specific items.

The 1984 Legislature added one position to the Division of Purchases staff to analyze the feasibility and basis of establishing a state surplus property program. The position was filled in September, and an on-site review of the State Surplus Property Program in Missouri was conducted. Missouri was chosen because of proximity, as well as the fact that they operate one of the more successful State and Federal Surplus Property operations, utilizing shared facilities.

Historically, 65% of the revenue generated by the Federal Surplus Property Program in Kansas has been from sales to other than state agencies. With state agencies having in essence final right of refusal, the access of the state surplus property to the non-state customers of the Federal Surplus Property Program appears to be an excellent opportunity to assist those entities, and, at the same time, expeditiously liquidate surplus property belonging to the State.

If there is no purchaser of the surplus property from either a state agency, or those eligible units, public auctions or sealed bids will be accomplished (to the best interest of the state), and all property will be disposed of within a suitable timeframe. Missouri disposes of all items declared surplus by one of these means prior to an average of eighteen months possession.

2/6/85



## DEPARTMENT OF ADMINISTRATION Division of Purchases

JOHN CARLIN, Governor NICHOLAS B. ROACH, Director of Purchases

Room 165-173 N. State Office Building Topeka, Kansas 66612-1573 (913) 296-2376

TO: Ways and Means Committee, House of Representatives

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DATE: February 6, 1985

RE: House Bill No. 2129

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#### STATE OF KANSAS



### DEPARTMENT OF ADMINISTRATION Division of Personnel Services

JOHN CARLIN, Governor NORMAN HANSON, Director of Personnel Services

State Office Building Topeka, Kansas 66612-1595

#### MEMORANDUM

DATE:

February 6, 1985

TO:

House Ways and Means Committee

FROM:

Norman Hanson, Director, Division of Personnel Services

RE:

Explanation of H.B. 2130

Following is a summary of the changes that H.B. 2130 would make in the Kansas Civil Service Act.

Section 1(a). The words that are stricken are clean-up amendments.

Section 1(b). The change would permit the reappointment of members of the State Civil Service Board in cases where a member resides in the same Congressional district as another member as a result of Congressional redistricting.

Section 1(c). The amendments strike obsolete, inoperative language.

Section 2(b). The changes are clarifications.

Section 2(c). The change would permit the director of personnel services to designate a person to serve as secretary of the State Civil Service Board if the director chooses not to perform this function personally. For a number of years after the Civil Service Act was passed in 1941, the number of appeals to the Board, and the other items of business before the Board, were of a volume that the director could handle the secretary functions for the Board along with his other duties. This is no longer the case. The Board, or Board members serving as hearing examiners, met on 34 days in FY 1984.

2/6/85

(Continued)

House Ways and Means Committee February 6, 1985 Page Two - H.B. 2130

Section 2(d). This change would increase the per diem compensation the state pays members of the Civil Service Board. The present per diem of \$35 a day for each meeting day was established years ago when the Board met about once a month.

In the past five years, the number of meeting days has doubled - from 17 in FY 1979 to 34 in FY 1984. Thirty four days is the equivalent of a month and a half of full-time employment. And this does not include additional days on which the Board members travel to and from meetings.

The proposed change in Subsection (d) would give the members \$70 per diem for each meeting day, \$35 per diem for travel days to and from meetings (if the travel is on a day other than a meeting day and if the member resides more than 100 miles from the meeting place), and in addition, would authorize payment of \$200 a month to the chairperson, who has to be, and is, available for consultation over the phone with the Board's secretary or attorney three or four times a week or more.

The Department wishes to pay the \$35 per diem for travel days because it has one Board member who spends five hours traveling to a meeting and five hours returning home, and two members who travel three hours to, and three hours from, a meeting. This travel time, plus the increasing number of meeting days, makes service on the Board very time consuming for members in Southern, Central, and Western Kansas.

The Department of Administration estimates that the proposed change in compensation for Board members will cost about \$6.700 more per fiscal year than does the per diem authorized by present law.

FY 1985

KANSAS EDUCATIONAL BUILDING FUND

COMPARISON OF ESTIMATED RESOURCES AND DEMANDS

(000's)

	Post 1984 Session Estimate	Revised Estimate	GBR Estimate
Unencumbered Cash Balance 6/30/84 Receipts - General Property Tax	207	2,428	2,428
Prior Year Taxes Due	4,598	4,335	4,335
First Payment of 1984 Levy	7,130	6 <b>,</b> 720	6,720
Receipts - Motor Vehicles Tax	1,278	1,440	1,440
Total Receipts	13,006	12,495	12,495
Total Resources	13,213	14,923	14,923
Expenditures			
Reappropriations		2,339	1,4451
New Appropriations	<u>13,117</u>	13,117	$12,857^2$
Total Expenditures	13,117	15,456	14,302
Unencumbered Cash Balance 6/10/85	96	(533)	621

- 1) Reflects lapses of \$108,037 and deferral of KEBF expenditures of \$785,841 for major maintenance projects until FY 1986.
- 2) Reflects lapse of \$260,000 from appropriation of \$1,570,000 for construction of classroom, laboratory and office building at Kansas Technical Institute.

2/4/85 A

#### Proposed Year-End Unencumbered Balances Kansas Educational Building Fund 1)

June	30,	1985	\$621,209
June	30,	1986	968,143
June	30,	1987	503,143
June	30,	1988	499,620
June	30,	1989	500,120
June	30,	1990	500,120

<sup>1)</sup> Balances assume implementation of five-year capital improvements plan as reflected in <u>Governor's Budget Report</u>.

# State of Kansas Kansas Educational Building Fund—Forecast of Transactions Fiscal Year 1986

As of 31-Jan-85

Transactions	July	August	September	October	November	December	January	February	March	April	May	June	Total
Resources - beginning period													
Unencumbered Cash			(6,028,293)								56,937	968,043	
Encumbrances	1,146,951	9,781,604	8,291,995	7,104,878	6,318,636	5,408,913	4,491,211	4,841,506	3,806,572	2,771,638	1,756,704	886,260	NO. AND AND THE STO THE STO THE STO THE STO
Total Unexpended Cash	1,768,060	3,688,811	2,263,702	1,891,615	1,242,115	340,891	(576,811)	2,430,147	2,680,283	2,828,575	1,813,641	1,854,303	
Add: Revenue#	delign other which come come come come come come come come	view said date tiving upon clash activ made (clish unon state and	to pain along trans value state state state state state state state state	STEE COLUMN GUIS AGUS GUIS COLUMN GUIS COLUMN STEEL COLUM	mer days take white table days also date table table	ness pero men cuel esto timo cui sul segui negli esto cinto esto.	hand vider class which have notice which drawn vides frame and	EDIS (DES CALLS ASSES MAJOR CORP. COLUMN COMO. SIGNA (SIGN.) CALLS (SIGN	400 (000 KES 500 600 (000 800 KES 500 500 FES	THE PARTY WITH THE SIZE SIZE SIZE SIZE SIZE SIZE SIZE SIZ			
Ad Valorem	2,870,208	225,050	796,918	212,004	109,807		3,719,311	1,285,070	991,526		662,106		10,872,000
Motor Vehicle	395,115	35,911		121,198	95,152		137,352	andre states great states attack states states states states states states	191,700	tion gaing within third state gave many distin with white sarra-	249,000	DOS AGOS ANNO ANNO SIANO SIGNO SIGNO SIGNO SIGNO SIGNO SIGNO AND ANNO ANNO	1,440,000
Total Revenue	3,265,323	260,961	1,011,490	333,202	204,959	0	3,856,663	1,285,070	1,183,226	0	911,106	0	12,312,000
Total Cash Available	5,033,383	3,949,772	3,275,192	2,224,817	1,447,074	340,891	3,279,852	3,715,217	3,863,509	2,828,575	2,724,747	1,854,303	
Med also are the time that the time time that the time time that the time time time time time time time tim	t times report stock trigger with trapp of the yolds, dates week storm with	este until som unsu num sels som digs med sims nme st	the error titler driver strike stated prints regar passe stated prints stated	when could write cross state glob with clear artist steem (with withe	and with love other size outs also three also have also use	o must mage trans passe passe select state from mage man man man	pres them draps tigger static signs chast states charp states acted	and each class case have also have eight trans eight with eight	GATS WITH TOTAL STARS JACKS WARE VALUE WHILE WARE WITH THE STARS OF	the time and other sole wife that other time and time does	NATIONAL STATE THAT THE PART THE THE COTT ONE THE WAY	NO DES CONTRET UNIT AND THE THE THE THE THE THE	ness also also also that will also best also sell also sell also sell.
Projected Expenditures													
Misc. Enc. 7-1-85		11,318	11,317	11,317	11,317	11,317	6,187						62,773
Est. Expenditures Reappropriations FY 1984 Construction Projects:		141,453		141,451	141,451	141,451	78,584						785,841
682-02-55 E. B. Allen Hospital												ě	
Phase III FY 1985 Construction Projects:	274,739												274,739
367-74 Chem/Biochem Bldg		138,481			138,481								276,962
	AE EOD	45,500	46,000	15,000	130,701								152,000
385-92 Yates Roof Replacement	45,500	43,300	40,000	13,000									35,377
68201-61 Science Library PrePlan	35,377	470 500											
715-81 Ablah Library	172,500	172,500											345,000
FY 1986 Construction Projects:											*		
246- Martin Allen Hall Renov		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	26,910	42,990	429,900
367- Nichols Gym Equip		147,500	147,500										295,000
367- Greenhouses Const.	-97,400	97,400		97,400	97,400	97,400	97,400	97,400	97,400	97,400			974,000
367- Chem/Biochem		,	,					270,000	270,000	270,000	270,000	120,000	1,200,000
367- Weber Hall	166,000	166,000	174,000	166,000	166,000	166,000	166,000	166,000	166,000	166,000	132,000	200,000	2,000,000
379- Plumb Hall Life Safety	50,000	50,000		50,000	50,000	100,000	I we set y set set to	,	,	,	,,		250,000
	20,000			20,000	20,000	20,000	20,000	20,000	20,000				160,000
653- Telephone System	040 075	20,000		20,000	20,000	20,000	20,000	20,000	20,000				638,625
68201- Haworth Hall Add.	212,875	212,875				ED 404	FD 454	ED 404	ED 404	50 404	ED 404	/E 000	
68201- Const/Equip Science Lib	53,181	53,190		53,181	53, 181	53, 181	53,181	53,181	53,181	53, 181	53,181	65,000	650,000
68201- Renovate Snow Hall		16,200		16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	18,000	180,000
68202- Applegate Energy Ctr.		106,200	106,200	106,200	106,200	106,200	106,200	106,200	106,200	106,200	106,200	118,000	1,180,000
715- Ablah Library	237,000	238,500	238,500	237,000	237,000	237,000	237,000	237,000	237,000	237,000	237,000	290,000	2,900,000
715- Remodel College of Busines		28,953		28,953	28,953	28,953	28,953	28,953	28,953	28,953	28,953	32,170	321,700
Tatal Cunandituras		4 494 070	4 707 577	020 700	4 404 499	917,702	2/0 705	4 024 024	1,034,934	1 014 924	870,444	ጸጸል 4ልበ	13,111,917
Total Expenditures	1,344,3/2	1,000,0/0	1,303,377	70£,/UĽ	1, 100, 103	THE STATES	077,703	174077707	170077707	191179707	0/01777	was an experience on the second	S BANT Y E E E Y E E E
			4 884 4 4	4 040 445	200 201	/EW/ 0.441	0 400 447	0 /00 000	0 000 575	4 040 /44	4 954 900	0/0 485	
Projected Unexpended Cash Balance	3,688,811	2,263,702	1,891,615	1,242,115	340,891	(3/6,811)	2,430,14/	2,680,283	۲,628,3/3	1,813,641	1,024,303	700, 143	n disar saan taan saah elija food saar saar elija elija saar saar elija disar
Encumbrances									8	B 881 185	4 70 4 70 4	001 010	
Encumbrance - beg. period	1,146,951	9,781,604	8,291,995	7,104,878	6,318,636	5,408,913	4,491,211	4,841,506	3,806,572	2,771,638	1,/56,/U4	886,260	
Add: New Encumbrances					-								
		104 114	196,460	196,460	196,460								785,841
Est. Enc/Expend Misc Reapprop		196,461	170,400	170,400	170,400								7 Wary W 1 1
FY 1986 Construction Projects:													429,900
246- Martin Allen Hall Renov	429,900												
367- Nichols Gym Equip.	295,000												295,000
367-77 Greenhouses Const.	974,000									. 1			974,000
367- Chem/Biochem							1,200,000			5/1/8	5-IB		1,200,000
367- Weber Hall	2,000,000									2/6/0	L		2,000,000
soften c rese of to 1 1 1 to 6 do	- I man it may												250 000

653- Telephone System 68201- Haworth Hall Add. 68201- Const/Equip Science Lib 68201- Renovate Snow Hall 68202- Applegate Energy Ctr. 715- Ablah Library 715- Remodel College of Busines	160,000 638,625 650,000 180,000 1,180,000 2,900,000 321,700	4											160,000 638,625 650,000 180,000 1,180,000 2,900,000 321,700
Total New Encumbrances  Deduct: Payments  Encumbrance cancellations	9,979,225 1,344,572	196,461 1,686,070	196,460 1,383,577	196,460 982,702	196,460 1,106,183	917,702	1,200,000 849,705	0 1,034,934	0 1,034,934	0 1,014,934	0 870,444	886,160 100	11,965,066 13,111,917 100
Encumbrances - end period	9,781,604	8,291,995	7,104,878	6,318,636	5,408,913	4,491,211	4,841,506	3,806,572	2,771,638	1,756,704	886,260	0	erre verd vage victe verde ville finde victe cond vice victe van fin Victe victe vic
Unencumbered Cash Balance	(6,092,793)	(6,028,293)	(5,213,263)	(5,076,521)	(5,068,022)	(5,068,022)	(2,411,359)	(1,126,289)	56,937	56,937	968,043 =======	968,143	
Appropriation Lapses												100	100
Unencumbered Balance of Appropriations	1,985,841	1,789,380	1,592,920	1,396,460	1,200,000	1,200,000	were most scan after lead wide spain spain leads spain spain.				0	0	
# Ad Valorem and Motor Vehicle tax the counties on March 5, May 20, January 20 of each year.					ted by							P	

# State of Kansas Kansas Educational Building Fund — Accrued Revenue Projection Fiscal Year 1986

As of 31-Jan-85

-	[ransactions	July	Hugust	September	or cone.	MOVEMBEL	December	January	February	March	April	May	June	Total
F	Resources - beginning period													
	Unencumbered Cash			(4,867,551)						751,343	943,043	943,043	1,192,043	
-	Encumbrances	1,146,951	9,781,604	8,291,995	7,104,878	6,318,636	5,408,913	4,491,211	4,841,506	3,806,572	2,771,638	1,756,704	886,260	tions with their state time rate time with time when simple
7	Total Unexpended Cash	1,768,060	5,074,603	3,424,444	2,255,439	1,393,935	7,222,904	6,305,202	5,592,849	4,557,915	3,714,681	2,699,747	2,078,303	
f	Accrued Receivables-Bal. End	1,385,792	1,160,742	363,824	151,820	6,882,013	6,882,013	3,162,702	1,877,632	886,106	886,106	224,000	0	
	Transactions/Adjustments Revenue Collections	4,256,000 (2,870,208)	(225,050)	(796,918)	(212,004)	6,840,000 (109,807)	(0)	(3,719,311)	(1,285,070)	(991,526)	, (0)	(662,106)		10,872,000 (10,872,000)
F	Revenue# Ad Valorem Motor Vehicle	2,870,208 395,115	225,050 35,911	796,918 214,572	212,004 121,198	109,807 95,152		3,719,311 137,352	1,285,070	991,526 191,700		662,106 249,000		10,872,000
1	Total Accrued Receivables & Revenue	4,651,115	35,911	214,572	121,198	6,935,152	0	137,352	NAME AND DESCRIPTION OF THE PART OF THE PA	191,700	TO 100 PERSON CONT CONT CONT CONT CONT CONT CONT CO	249,000	(224,000)	12,312,000
7	Total Cash Available	6,419,175	5,110,514	3,639,016	2,376,637	8,329,087	7,222,904	6,442,554	5,592,849	4,749,615	3,714,681	2,948,747	1,854,303	man ngan panti dilat dika 1984 (ant onto dani man man
-		cum desp data sinsk film fant men mek citer som juge synt	N THE WAY CHE WITH CHE WAY AND THE THE THE WAY	ig une cau had and days dust also state lage town thu	enne enni unito della usuri (cerì enno delle esce tred ame filari	can's year made wine desig wells that mile made majo when well,	eann cuan amu ainn aidd finn <sup>a ma</sup> ll sonn cuan agun anns anns	a pang maga agan caga pang tamb pang mata cyan cing tama dala	is quite come misto partic findre direti fillult milita fillult diffice fillult.	their state while while have allow such their filter filter filter filter.	METER COURT STOOL	time data anna time sella pinel esta time time time esta esta e	per sole fine rolls than sole over entry their sole sole field sign i	ing ago and water that bell dink ange alone from wise day
P	Projected Expenditures												3	10 770
-	Misc. Enc. 7-1-85		11,318		11,317	11,317	11,317	6, 187						62,773
	Est. Expenditures Reappropriations FY 1984 Construction Projects:		141,453	141,451	141,451	141,451	141,451	78,584						785,841
1	682-02-55 E. B. Allen Hospital													
	Phase III	274,739												274,739
-	TY 1985 Construction Projects:	6/79/07												L/T3/9/
	367-74 Chem/Biochem Bldg		138,481			138,481								276,962
	385-92 Yates Roof Replacement	45,500	45,500	46,000	15,000	130,701								152,000
	68201-61 Science Library PrePlan	35,377	47,700	40,000	17,000									35,377
	715-81 Ablah Library	172,500	172,500											345,000
	Y 1986 Construction Projects:		10.000	40.000	40.000	40.000	45 555	40.000	40.000	40.000	40.000	01.010	10.000	400,000
	246- Martin Allen Hall Renov		40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	26,910	42,990	429,900
	367- Nichols Gym Equip	07 400	147,500	147,500	22 100	07 400	87 400	07 400	22 122	07 400	07 400			295,000
	367- Greenhouses Const.	97,400	97,400	97,400	97,400	97,400	97,400	97,400	97,400	97,400	97,400	070 000	100 000	974,000
	367- Chem/Biochem	4// 505	4// 000	474 000	444 000	444 000	444 000	411 000	270,000			270,000		1,200,000
	367- Weber Hall	166,000	166,000	174,000	166,000	166,000	166,000	166,000	166,000	166,000	166,000	132,000	200,000	2,000,000
	379- Plumb Hall Life Safety 653- Telephone System		50,000	50,000	50,000	50,000	20,000	20 000	20,000	20,000				250,000 160,000
	653- Telephone System 68201- Haworth Hall Add.	212,875	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000				638,625
	68201- Const/Equip Science Lib		212,875 53,190	212,875 53,181	53, 181	53,181	53, 181	53, 181	53,181	53, 181	53, 181	53,181	65,000	650,000
		23, 10 1	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	16,200	18,000	180,000
	68202- Applegate Energy Ctr.			106,200	106,200	106,200	106,200	106,200	106,200	106,200	106,200	106,200	118,000	1,180,000
		237,000			237,000	237,000	237,000	237,000	237,000	237,000	237,000	237,000		2,900,000
	715- Remodel College of Business				28,953	28,953	28,953	28,953	28,953	28,953	28,953	28,953		321,700
-	namenta verrage el Destiles:	ear from some class and class with time from some class class come	tion but II I and but	to be g f whi	Tens had "y" I and "had"	Sout fail 9 F and fail and and also stay you are not	The last of 2 and last one			\$100 keV \$ 1 mV keV		ton tod 🏌 l ad bal	terf fam (f. 1 f. fal) ann sen dan mit han ma nav ang ago ana mas ann	with 1 7 7 WW
	Total Expenditures	1,344,572	1,686,070	1,383,577	982,702	1,106,183	917,702	849,705	1,034,934	1,034,934	1,014,934	870,444	886,160	13,111,917
P	Projected Unexpended Cash Balance	5,074,603	3,424,444	2,255,439	1,393,935	7,222,904	6,305,202	5,592,849	4,557,915	3,714,681	2,699,747	2,078,303	968,143	
E	Encumbrances	The same of the sa	The same state along the same state and	And the same will see that the same will say the same same	The second secon	and the same and the same same same same same		The same of the same of	were remay was which patter them addits things came and eight	and the same and t	and the same and the same that the same than the		and the same of the same said that the said that	The same room with still dies their star
	Encumbrance - beg. period	1,146,951	9,781,604	8,291,995	7,104,878	6,318,636	5,408,913	4,491,211	4,841,506	3,806,572	2,771,638	1,756,704	886,260	
	Add: New Encumbrances	ne sta see see see tes	one one same same our	the con also with next discr	est two data has then you	SID THE SHE MAY MAY THE	MA DE 100 ME 100 ME		BOTH MATE BEGIN BEGIN BASIN	ana ana ana ana ana ana a	ON NOW NOW GAR NAME NOW .	ager and other other state water a	non non men and and and	NAV NAM SAM MAIN ANA AMAR
			196.461	196,460	196.460	196.460								785,841
	FY 1986 Construction Projects:		trans that	irwy two	rwy two	truey that								, was just 1
	246- Martin Allen Hall Renov	429,900												429,900
	mim all the minutes													mmm mmm

367- Nichols Gym Equip.

367-77 Greenhouses Const.	974,000												974,000
367- Chem/Biochem 367- Weber Hall	2,000,000						1,200,000						1,200,000 2,000,000
379- Plumb Hall Life Safety	250,000												250,000
653- Telephone System	160,000												160,000
68201- Haworth Hall Add.	638,625												638,625
68201- Const/Equip Science Lib	650,000												650,000
68201- Renovate Snow Hall	180,000												180,000
68202- Applegate Energy Ctr.	1,180,000												1,180,000
715- Ablah Library 715- Remodel College of Busines	2,900,000 321,700												2,900,000 321,700
713 Remodel College of Dustries	JL 1,700	H to the sign sign sec as											351,700
Total New Encumbrances	9,979,225	196,461	196,460	196,460	196,460	0	1,200,000	0	0	0	0	0	11,965,066
Deduct: Payments	1,344,572	1,686,070	1,383,577	982,702	1,106,183	917,702	849,705	1,034,934	1,034,934	1,014,934	870,444		13,111,917
Encumbrance cancellations												100	100
Encumbrances - end period	9 784 ADA	A 204 905	7,104,878	L 248 L7L	5 ANR 042	A 404 244	A 8/14 504	2 904 572	2 774 428	4 754 704	886,260	П	no acts band with third with altest made days sade diret wither
	7,701,004	1276.73777d	7,104,070	0,010,000	2,700,710	77777611	7,071,300	3,000,3/6	£1//1,000	1,/20,/04	000,200	U	neg urgan hard within Girol seller Silver weren stjere body older dwell
Unencumbered Cash Balance	(4,707,001)	(4,867,551)	(4,849,439)	(4,924,701)	1,813,991	1,813,991	751,343	751,343	943,043	943,043	1,192,043	968,143	
WE THAT ON THE REP AND AND THE REP AND AND THE REP AND	in place that help have been start than bein shad shad to	no title latin tille latin tills latin tills bed tills little och at	n neis after face some dates eigen mass eigen facili siche etwa som	n maa hadh adha saad acha Mar min-chai haga agaa awa ad	Their state their allias count often filled with other stade wither the	of edite died right does had good good area also are to	The state of the s	art film white price september film film price period about deep where see	as recursioned colour scolar period filter colour states falled following states and are consisted following access patter recent areas falled scots access following states followed the colour scots access following access fol	mer man yege hand halfe flagt was tilled halfe flagt f	and called the control of the contro	ace along within facts within facts within 2000 within facts within	that pages within the first find action closed within finding
Appropriation Lapses												100	100
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Unencumbered Balance of	4 095 9/4	4 790 790	4 502 020	4 20/ //5	4 200 000	4 200 000				0	п	п	
Appropriations	1,985,841	1,789,380	1,592,920	1,396,460	1,200,000	1,200,000	U	0	0	0		U	Die neig oon geel 100 vloo sool vine dels eels sool offer
						The same of the same of the same of the same of				AND DESCRIPTION OF THE PART OF THE PART OF THE PART OF			

<sup>#</sup> Ad Valorem and Motor Vehicle tax collections are required by statute to be remitted by the counties on March 5, May 20, July 20, September 5, October 31 and January 20 of each year.

## STATE : KANSAS DEPARTMENT OF ADMINISTRATION

JOHN CARLIN, Governor

PATRICK J. HURLEY, Secretary of Administration

Room 263-E, Capitol Building

(913) 296-3011

#### **MEMORANDUM**

TO:

House Ways and Means Committee

FROM:

Arthur H. Griggs, Chief Attorney

DATE:

February 5, 1985

SUBJECT:

Information on Certificate of Participation Financing

In October 1984, the Department of Administration refinanced various installment purchase agreements for computing equipment under the control of the Division of Information Systems and Communications. The contract was entered into pursuant to 1984 S.B. 725 (L. 1984, Ch. 308) which permits the use of a financial services negotiating committee to arrange for financial services. This was the first time that a Kansas state agency had utilized a certificate of participation financing arrangement. The refinancing resulted in a reduced interest expense savings to DISC of approximately \$190,000.

#### General Description of Certificate Financing

An investor that buys a certificate of participation is, in effect, buying a part of a state agency's equipment lease/purchase contract (installment purchase contract) and receives a portion of the State's payments. The attraction of certificates to investors is that the interest portion of the State's payments are exempt from federal income taxation. Under federal tax laws, an equipment lease/purchase obligation is given basically the same type of tax treatment as a bond issued by a state or municipality. The principal difference between a bond and a certificate of participation is that the former, unlike a certificate of participation, does not have a provision that permits the agreement to be terminated without penalty if the Legislature fails to appropriate funds in a future fiscal year in an amount sufficient to make the scheduled payments. When certificates are sold to investors, the proceeds are held by a trustee bank. The trustee pays the equipment vendors, receives the State's periodic payments and pays the certificate holders.

2/6/85

House Ways and Means Committee February 5, 1985 Page 2

#### Details of DISC Refinancing

In order to solicit refinancing proposals from bidders for the DISC refinancing, the Department of Administration first obtained from the vendors of the existing equipment (IBM, Telex and Sperry) the October 1, 1984 purchase option prices on equipment DISC was buying installment purchase agreements. Many installment purchase contracts contain this purchase option feature whereby the state agency, rather than continuing to make periodic payments for the duration of the installment purchase contract (generally 36 to 84 months), can elect to outright purchase the equipment at specified prices during the duration of the agreement. Utilizing this purchase option price and the current monthly payment level and number of months remaining on existing obligations, the Department identified items of equipment that appeared to have a good potential for savings if refinanced. The winning bidder's interest rate was 8.5%. The total of the purchase option prices for the equipment that was refinanced was \$1,660,314; this amount was paid to IBM, Telex and Sperry from the funds raised by the sale of certificates of participation. If the Department had continued to pay the installments to the three vendors rather than refinancing, the total amount paid from October 1984 through the duration of the installment purchase contracts would have been \$2,155,542 versus \$1,964,400 which will be paid out under the refinancing.

#### Reasons for the Savings

Three primary factors contributed to the reduced interest expense obtained by the DISC refinancing. First, interest earnings on the funds held by the trustee bank helped lower the State's interest cost to 8.5%. Certificates of participation were sold in an amount approximately 15% more than necessary to pay the purchase option price of the equipment to the original vendors. This additional amount was placed in a reserve fund held by a trustee bank. The reserve fund is a comfort to purchasers of the certificates because the reserve fund can be used to make lease payments if the lessee is late in making payment. The reserve fund is an advantage to the State because the interest earnings go to reduce the State's interest expense. In the DISC refinancing, the reserve fund was invested in a U.S. Treasury obligation yielding 11 3/4% which matures at approximately the time

House Ways and Means Committee February 5, 1985 Page 3

the new lease is paid out. Thus, the difference between the State's 8.5% interest expense rate and the reserve funds interest earnings lowers the overall interest expense. Similarly, the State realized interest earnings by the fact that the purchasers of the certificates are paid annually while the lease payments are made monthly. The monthly payments, from the time the trustee receives them from the State and until they are paid to the certificate holders, are earning 9.75% which inures to the State's benefit.

The other two factors that contributed to the lower interest expense of the DISC refinancing were:

- (1) a shorter payment schedule -- over three-fourths of the dollar volume of the equipment was changed from a remaining payment period of 60 months or more, to a 48-month payment schedule; and
- (2) larger monthly payments -- DISC's monthly payment was increased from \$33,985 to \$40,925.

#### Summary

This pilot project for certificates of participation financing has demonstrated that such financing can significantly reduce the State's interest expense. While the DISC transaction involved only refinancing of existing equipment, the lower interest expense derived from certificate of participation financing also can be used for new equipment procurements. The Department of Administration is currently gathering data for a new certificate of participation financing this spring which will be available for both refinancing of existing equipment and new equipment procurements. Although the size of the next certificate financing will not be established until further data is obtained from state agencies, the amount could be in the range of \$15 to \$25 million or more.

Because of the relative newness of this type of financing in Kansas and the importance the Ways and Means Committees will play in this type of financing, the Department of Administration has not proceeded with a second certificate of participation financing until having an opportunity to discuss this project with the House and Senate Ways and Means Committees.



## DEPARTMENT OF ADMINISTRATION Office of the Secretary

JOHN CARLIN, Governor MARVIN A. HARDER, Secretary of Administration

#### MEMORANDUM

Room 263-E State Capitol Building Topeka, Kansas 66612 (913) 296-3011

TO:

All State Agencies

FROM:

Marvin A. Harder

Secretary of Administration

DATE:

January 17, 1985

RE:

Installment Purchases of Equipment

The Department of Administration is continuing its efforts to provide state agencies a lower interest rate for installment purchase (lease/purchase) contracts for equipment. This lower interest rate is attainable by the use of Certificate of Participation financing.

Using this method of financing, in October of 1984 the Department obtained an 8.5% interest rate for the refinancing of various data processing equipment. This contrasts with IBM's current rate of approximately 10%, and higher interest rates charged by some equipment vendors and third-party leasing companies. This financing method can be used either to refinance existing equipment contracts at a lower rate, or for obtaining new equipment at a more favorable interest rate than equipment vendors or third-party leasing companies may offer.

By combining the financing needs of state agencies into one certificate financing, the potential for obtaining the best possible interest rate is maximized. In order to accomplish this, the assistance of all agencies involved with installment purchase contracts is needed. It is hoped that by July 1985, the next certificate financing can be in place. However, in order to structure this financing, we will first need to obtain from interested agencies the following information.

#### For new equipment:

1) the estimated purchase price;

2) estimated number of months of payments; and

3) approximate monthly payment you feel your budget will permit.

All State Agencies January 17, 1985 Page Two

A form is attached which may be used to provide the above information for any new equipment your agency may acquire between now and June 30, 1986, which you plan to pay for over a period of 24 months or more.

For <u>existing</u> equipment that is currently on an installment purchase or lease/purchase agreement, the following information is needed if the equipment has a monthly payment of at least \$100 and the existing contract will carry-over into fiscal year 1987:

- number of payments remaining (specify if monthly, annual, etc.);
- size of each payment; and
- 3) the purchase option price as of July 1, 1985.

If the existing contract does not have an attached schedule of the purchase option price for different time periods, you may need to obtain the purchase option price by contacting the current vendor or leasing company.

Many agencies that supplied information on existing equipment in response to the September 19 memo from the Director of Purchases did not provide the purchase option price (prepayment schedule). If your agency has not supplied this piece of data, we ask that you obtain the purchase option price for a July 1, 1985 payment date.

To provide the requested information, a form to be used for new equipment and a form to be used for existing equipment are attached. Please feel free to provide them in several submissions as you obtain the data for various equipment. While it hoped that the information can be provided by February 28, forms and any questions relating to this project, should be sent to:

Division of Purchases State Office Building, Room 165-N Topeka, Kansas 66612

Attention: Gerald Merryman 296-2376 KANSAN 561-2376

,	t	a	te	Agency

## NEW EQUIPMENT (To be acquired by end of FY 1986)

Name & Phone No. of Contact Person

Equipment Description	Estimated Purchase Price	Estimated # of Months of Payments	Approximate Amount Budgeted Per Monthly Payment		
	:				

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Name & Phone Number of Contact Person

General Description of Equipment	Number of Payments Remaining	Current Monthly Payment (specify if payment is other than monthly)	Purchase Option Price as of July 1, 1985
		·	

#### REPORTS OF STANDING COMMITTEES

Your committee on

Ways and Means

Recommends that

HB 2127

"An Acr concerning the payment of tuition and other educational expenses of certain personnel of state agencies; amending K.S.A. 75-5519 and repealing the existing section.

be passed.

Dies Hunter Chairman.

#### REPORTS OF STANDING COMMITTEES

Your committee on

Ways and Means

Recommends that

HB 2129

"An Acr establishing a state surplus property program; prescribing powers, duties and functions relating thereto; disposition of revenues.

be passed.

Nice Sunta Chairman.

#### REPORTS OF STANDING COMMITTEES

Your committee on

Ways and Means

Recommends that

HB 2130

"An Acr relating to the state civil service board; concerning qualifications and compensation of members; amending K.S.A. 75-2929a and 75-2929b and repealing the existing sections.

be passed.

Dies Senten Chairman.