

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 10:30 a.m. March 15, 2011, in Room 548-S of the Capitol.

All members were present

Committee staff present:

Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
David Wiese, Office of the Revisor of Statutes
Alan Conroy, Director, Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Legislative Research Department
Aaron Klaassen, Senior Fiscal Analyst, Legislative Research Department
Dorothy Hughes, Fiscal Analyst, Legislative Research Department
Brea Short, Intern, Senator McGinn's Office
Jan Lunn, Committee Assistant
Josh Lewis, Chief of Staff

Conferees:

Daniel Yoza, Office of the Revisors of Statute
Rob Fillion, Executive Director, Smoky Hill Development Corporation
Jill Wolters, Office of the Revisors of Statute
Chad Austin, Vice President, Government Relations, Kansas Hospital Authority
Viola Riffin, Director of Healthcare Services of the Department of Corrections from Kansas University
Dan Morin, Kansas Medical Society

See attached list for others attending.

Bill Introductions

Senator McGinn moved introduction of a bill concerning lodging inspections (#rs0028). The bill was seconded by Senator Schmidt and carried on voice vote

HB 2258 – Conveyance of land in Ellsworth County

Daniel Yoza, Office of the Revisor of Statutes, briefed committee members on **HB 2258**. The bill authorizes SRS to convey by quitclaim deed a tract of real estate in Ellsworth County to the Evangelical Lutheran Good Samaritan Society (Attachment 1).

Rob Fillion, Executive Director of the Smoky Hill Development Corporation, was present to testify in support of **HB 2258**. The Smoky Hill Development Corporation is a 501 (c) 6 private-public organization, dedicated to the economic prosperity of Ellsworth County. The bill removes the deed restrictions placed on the property currently owned and operated by the Good Samaritan Ellsworth Campus. It allows Good Samaritan to sell property to Smoky Hill Development Corporation for a price of \$100. The bill would allow the purchase to move forward, to bring the property to the tax role, and to create development opportunities. Mr. Fillion elaborated that the State retains the mineral rights (Attachment 2).

Written testimony submitted:

Representative Steven Johnson (Attachment 3)

Senator McGinn closed the hearing on **HB 2258**.

Senator Emler moved favorable passage of **HB 2258** as amended by House Committee. Senator Kelly seconded the motion, which carried on a voice vote.

SB 199 -- Inmates in correctional facilities; medicaid eligibility

Jill Wolters, Office of the Revisor of Statutes, indicated the purpose of the bill is to direct Kansas Health Policy Authority (KHPA), in consultation with the Department of Corrections (DOC), to pursue available federal Medicaid funding for medical care provided to inmates in public institutions. The bill directs KHPA to submit a report on its progress to obtain federal funding to the Joint Committee on Health Policy Oversight during the 2011 interim (Attachment 4).

CONTINUATION SHEET
MINUTES OF THE WAYS AND MEANS COMMITTEE on March 15, 2011, 10:30 a.m. 548-S

Chad Austin, Kansas Hospital Association, spoke in opposition to **SB 199**, expressing concern regarding the policy implications in the bill (Attachment 5). He indicated Medicaid rates to providers are already below the actual cost of providing care. Losses are exacerbated when providing care to inmates because of additional expenses (security, transportation, increase in Emergency Room usage) associated with treatment.

Viola Riggin, Director of Healthcare Services for the Department of Corrections/Juvenile Justice Authority from Kansas University, was in the audience, and provided clarification. She indicated there is a contractual agreement with Correct Care Solutions to pay for outpatient services for adult and juvenile inmates. She indicated, in her opinion, the bill has merit and could reap savings for the State of Kansas. Considerable discussion was heard concerning hospitals that contract for inpatient care of inmates and those that do not, professionals who contract for providing care to inmates and those who do not, and other pertinent issues (no written testimony submitted).

Dan Morin, Kansas Medical Society, acknowledged the financial challenges facing the state. He expressed concern from the physician community relative to **SB 199**. He reported the majority of physicians in the State participate in the Medicaid network. Medicare, Medicaid, and Tricare rates are below the cost of providing care to a patient. Together these publicly funded programs cover over 30 percent of Kansas residents. It is predicted that in 2013, that figure will grow to 42 percent. The concern is an attrition of providers who may not be able to absorb the influx of patients at lower reimbursement rates (no written testimony submitted).

It was the consensus of committee members to draft a letter to forward to the Kansas Health Policy Authority, Juvenile Justice Authority and the Department of Corrections. The letter would direct agencies to collaborate in the process of gathering information/facts and to submit a follow-up report to the Senate Ways and Means Committee.

Senator McGinn closed the hearing on **SB 199**.

Investor Education Fund

Aaron Jack, Securities Commissioner, was present to brief committee members on the state's Investor Education Fund (Attachment 6). This fund was established as a result of a settlement from a securities investigation. The Securities Commissioner is allowed to develop and implement investor education initiatives to inform the public in investing in securities. Kansas' portion of the settlement discussed was approximately \$800,000. Various educational programs have been presented in the past: education on securities fraud, financial literacy programs, educating senior citizens groups, media campaigns, and youth financial literacy programs. The Commissioner's website has a report for which funds have been spent; it can be accessed at: http://www.ksc.ks.gov/opinion/Investor_Ed_Report.pdf. Committee members encouraged the Commissioner to publicize the availability of grant funding to schools and other eligible entities. Committee members requested a summary of revenues, expenditures, transfers, and a listing of grants awarded for the Investor Education Fund.

Staff Briefing on Budget Items Considered Non-Reportable

J.G. Scott, Chief Fiscal Analyst of the Legislative Research Department, was present to discuss those items considered non-reportable expenditures (off-budget) and how they impact the state's budget. Mr. Scott distributed information concerning reportable expenditures and non-reportable (off-budget) expenditures (Attachment 7) with a table listing those expenditures and associated monies (by agency) in FY 2011 and for FY 2012. He reported that some of the non-reportable expenditures are the result of policy decisions.

Included in Mr. Scott's written testimony was a table exhibiting selected off-budget and non-reportable expenditures and demand transfers (SGF expenditure) which were changed to revenue transfers (non-SGF expenditure) accompanied by the year removed/started, the original amount, and the FY 2011 estimate.

CONTINUATION SHEET

MINUTES OF THE WAYS AND MEANS COMMITTEE on March 15, 2011, 10:30 a.m. 548-S

Considerable discussion ensued in which committee members requested additional information on selected revenue transfers including for what purpose the money (in the following funds) is used, the initial purpose for creating the funds, and who is being taxed.

- Spirit Aerosystems Incentive
- Cessna Incentive
- Senior Services Trust Fund
- Rental Motor Vehicles Excise Tax Fund
- Homestead Property Tax Refunds
- State Housing Trust Fund

Senator Vratil distributed an article from The Wichita Eagle from March 14, 2011, in which the headline is: “‘Off budget’ items exceed \$1.3 billion in Kansas budget” (Attachment 8).

A suggestion was heard that a Subcommittee be created to evaluate non-reportable/off-budget items.

Subcommittee Report on Board of Pharmacy

Senator McGinn reported that in review of Subcommittee reports, the Board of Pharmacy Subcommittee report had not been adopted (refer to February 18, 2011 minutes).

Senator Schmidt moved to remove from the table the Board of Pharmacy Subcommittee report. Senator Francisco seconded the motion, which carried on a voice vote.

Senator Schmidt moved to amend the Board of Pharmacy Subcommittee report by transferring \$150,000, from the Board of Pharmacy Fee Fund, into a special litigation fund account in FY 2011. The motion was seconded by Senator Huntington, which carried on a voice vote.

Senator Schmidt moved to adopt the Board of Pharmacy Subcommittee report as amended. Senator Huntington seconded the motion, which carried on a voice vote.

The meeting was adjourned at 11:50 a.m.

**SENATE WAYS AND MEANS
GUEST LIST
March 15, 2011**

NAME	AFFILIATION
Chad Thomas	DOB
Christopher	DOB
Jeff Anpin	Division of the Budget
Gary Haukmark	SPS
Rob Siedlecki	Sej
Dani Onions	Intern, Kuttala
Shawn Knecht	Department of Administration (DLP) program
Erin MacAdam	Page
Dave Ranney	KHI News
Rob Fillion	Smoky Hill Development Corp.
Steven Johnson	KS House Dist 108
Shannon Sims	KSC
Steve Wasson	✓
Aaron Tare	✓
Scott Brunner	KHPA
Dustin Meyer	KHPA
Nate Lindsey	Kearney + Associates
Glenn Frisbie	Pivot Budget
Colin Therassot	ACHCK
KAVIS LOWE	LITTLE GOV'T RELATIONS
TIM VAN ZANDT	Saint Luke's Health System
Chad Austin	KHA
Matt Teletzuk	KUSOP
James Roe	KCSL
Miranda Breon	Intern - Schodorf
Harry Campbell	KMHK

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MEMORANDUM

To: The Senate committee on Ways and Means
From: Daniel Yoza, Assistant Revisor
Date: March 15, 2011
Re: House bill 2258

House bill 2258 authorizes the Department of SRS to convey by quitclaim deed, without consideration, a tract of real estate in Ellsworth county. This piece of real estate will be conveyed to the evangelical lutheran good samaritan society.

Subsection (b) requires that the deed conveying the property must be approved by the attorney general, and will be executed by the secretary of SRS.

Mineral rights will be retained by the state, with the caveat that the exercise of the mineral rights must not damage the surface or improvements to the real estate.

This conveyance is not subject of K.S.A. 75-6609 or 75-6611, which require an appraisal and survey before sale of state property.

The effective date of this bill is July 1, 2011.

Senate Ways and Means
Date:
Attachment:

03/15/11
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The Smoky Hill Development Corporation is the economic development arm of Ellsworth County. We are a 501 (c) 6, private-public organization, dedicated to the economic prosperity of Ellsworth County. This legislation will allow us to further our mission of promoting Ellsworth County and working towards a creating a more stable tax base.

House Bill 2258, at it's most simple form removes the deed restrictions placed on the property currently owned and operated by the Good Samaritan Ellsworth Campus. The current restrictions limit the activity on the property to providing care to the aged and infirmed. This service is being provided in an outstanding fashion by Good Samaritan as they are currently operating.

The Bill in the larger perspective allows Good Samaritan to 'sell' the property to Smoky Hill Development Corporation. Included in your packet is the purchase agreement that Good Samaritan and Smoky Hill Development Corporation have negotiated to allow the property to be developed. This is not an eminent domain situation, but a transfer of property that has been initiated by the 'seller'.

Jim Morford, former Ellsworth Director of Good Samaritan, approached members of our organization with the idea of finding development opportunities for the property. Unfortunately, because of deed restrictions, development was not an option. Good Samaritan realizes that what is good for the community is good for their organization, and my organization believes the inverse is also true. Working together for a few years, we have found this is the best possible solution to finding potential businesses that would like to locate at the junction of HWY 156 & HWY 14.

As the property currently sits, there are no property taxes being paid because of the religious affiliation of Good Samaritan. This bill would allow the 'purchase' to move forward and bring the property, not only on the tax rolls, but available to increased property value as it is developed.

Testimony from:

Rob Fillian

Senate Ways and Means

Date:

Attachment:

03/15/11

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DEED OF REAL ESTATE

Pursuant to the authority granted by Senate Bill 172 of the 1959 Session of the Kansas legislature, the State Board of Social Welfare, by this deed made the 9 day of July, 1959, and in consideration of the sum of Twenty Thousand and Ten Dollars (\$20,010.00), the receipt of which is acknowledged, hereby grants, bargains, sells and conveys all of the right, title and interest of the State Board of Social Welfare in the following real estate to the Senior Christian Community Centers, Inc., of Ellsworth County, Kansas, a Kansas corporation, its successors and assigns forever, subject to an existing lease to the Evangelical Lutheran Samaritan Society:

Southwest Quarter (SW $\frac{1}{4}$) of Section Twenty-Nine (29), Township Fifteen (15), Range Eight (8), except that portion thereof used for cemetery purposes. Situated in Ellsworth County, Kansas.

Saving and excepting from the above grant all minerals and mines under the described land, with power for the State Board of Social Welfare, its successors and assigns, to take all usual, necessary, or convenient means for working, getting, laying up, dressing, making merchantable, and taking away the mines and minerals, including the right of ingress and egress at any point on the above described real estate to accomplish the above powers.

Should the Senior Christian Community Centers, Inc., its successors and assigns, cease to use, operate and maintain the described real estate for charitable purposes as a home for the aged or infirm, the interest granted said corporation, its successors and assigns, by this instrument shall automatically determine and revert to the

~~State Board of Social Welfare, its successors and assigns.~~

STATE BOARD OF SOCIAL WELFARE OF KANSAS

By: Wm. W. Moneypeny
Chairman

A C K N O W L E D G M E N T

State of Kansas, Shawnee County, ss:

BE IT REMEMBERED, That on this 7 day of July, A.D. 1959, before me, the undersigned, a Notary Public in and for the County and State aforesaid, came William W. Moneypeny, Chairman, State Board of Social Welfare of Kansas, who is personally known to me to be the same person who executed the within instrument of writing and such person duly acknowledged the execution of the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal, the day and year last above written.

NOTARIAL SEAL

Viola M. Schwantes
Notary Public

Term Expires February 11, 1963

Viola M. Schwantes

A P P R O V A L

The above and foregoing Real Property Deed is hereby approved as to form by me this 6 day of July, 1959.

John Anderson
John Anderson, Attorney General,
State of Kansas.

STATE OF KANSAS } ss
ELLSWORTH COUNTY }

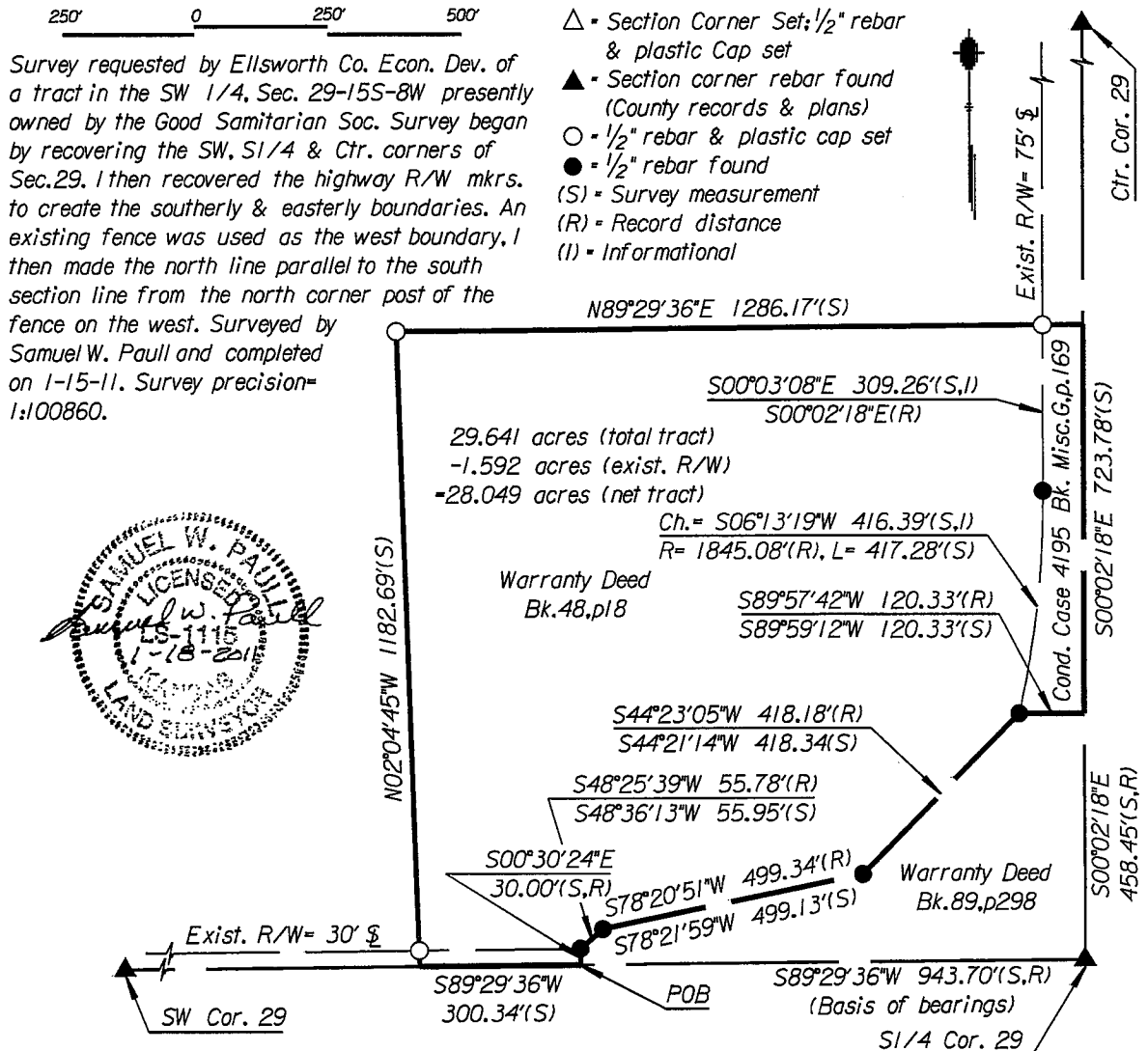
This instrument was filed for record on the 1
19 day of August A.D., 1959

at 2:00 o'clock P.M. and recorded in v. u

45 of Deeds p. 3

John Anderson

Official compared with record



A tract of land in the Southwest Quarter of Section 29, Township 15 South, Range 8 West of the 6th P.M. in Ellsworth County, Kansas described as follows: COMMENCING at the Southeast Corner of said Quarter Section, thence on an assumed bearing of South 89 degrees 29 minutes 36 seconds West, 943.70 feet along the south line of said Quarter Section to the POINT OF BEGINNING; FIRST COURSE, thence South 89 degrees 29 minutes 36 seconds West, 300.34 feet along the south line of said Quarter Section; SECOND COURSE, thence North 02 degrees 04 minutes 45 seconds West, 1182.69 feet; THIRD COURSE, thence North 89 degrees 29 minutes 36 seconds East, 1286.17 feet to the east line of said Quarter Section; FOURTH COURSE, thence South 00 degrees 02 minutes 18 seconds East, 723.78 feet along the east line of said Quarter Section; FIFTH COURSE, thence South 89 degrees 59 minutes 12 seconds West, 120.33 feet to the existing westerly K-14/K-156 right of way; SIXTH COURSE, thence South 44 degrees 21 minutes 14 seconds West, 418.34 feet along said westerly right of way; SEVENTH COURSE, thence South 78 degrees 21 minutes 59 seconds West, 499.13 feet along said westerly right of way; EIGHTH COURSE, thence South 48 degrees 36 minutes 13 seconds West, 55.95 feet along said westerly right of way to the existing northerly township road right of way; NINTH COURSE, thence South 00 degrees 30 minutes 24 seconds East, 30.00 feet to the south line of said Quarter Section and the point of beginning. The above described tract contains 29.641 acres, which includes 1.592 acres of existing right of way, resulting in a tract of 28.049 acres, more or less.

76-14a01. Use of certain property in Ellsworth county as hospital for aged; rules and regulations. The land, tenements and appurtenances used by the Mother Bickerdyke annex near the city of Ellsworth in Ellsworth county and described as the southwest quarter (SW 1/4) of section twenty-nine (29) township fifteen (15) range eight (8), except the portion thereof used for cemetery purposes, the title to which is not vested in the state of Kansas, and all personal property belonging to and being used by said Mother Bickerdyke annex which has not been transferred to the Kansas soldiers' home under section 5 [*] of this act, are hereby placed under the control of the state board of social welfare, as of August 1, 1951, to be used as a hospital for aged persons who are chronically ill, under such rules and regulations as the state board of social welfare shall prescribe.

History: L. 1951, ch. 86, § 6; June 30.

Said institution shall
be known as the
"Ellsworth home for
aged."

76-14a02. Leasing of home; term; disposition of proceeds. The state board of social welfare is hereby authorized and empowered to lease, upon such terms and conditions as it shall deem advisable, the property known as the Ellsworth home for the aged, or any part thereof for the purpose of providing a home for the aged to the Evangelical Lutheran Good Samaritan Society for a period of not to exceed fifty years. All rents received from any such lease shall be paid into the state treasury and the state treasurer shall credit the same to the general fee fund of the Ellsworth home for the aged.

History: L. 1953, ch. 414, § 1; L. 1955, ch. 384, § 1; June 30.

1955
+ 50
2005

eight (8), except the portion thereof used for cemetery purposes. The board of social welfare shall solicit sealed bids by public notice inserted in one publication in the Kansas register. Sale of such property shall be made to the highest responsible bidder who submits a bid within 30 days after publication of such notice, except that in no case shall such property be sold for less than the sum of \$20,000. The conveyance of said property shall provide for the retention by the state of Kansas of all mineral rights in and under such property, together with ingress and egress thereto for production of any oil, gas, or other mineral, and shall also provide for the reversion of said title to the state of Kansas in the event said property ceases to be used, operated and maintained by said society for charitable purposes as a home for the aged or infirm. The deed to said property shall be approved by the attorney general, and shall be executed by the chairperson of the board of social welfare and duly acknowledged by the chairperson before an officer authorized by law to take acknowledgments. The amount received from the sale of said property shall be credited to the state general fund.

History: L. 1959, ch. 328, § 1; L. 1981, ch. 324, § 31; Jan. 1, 1982.

76-14a04. Lease for exploration or production of oil, gas or other minerals on certain property; money received credited to state general fund. (a) The secretary of social and rehabilitation services is hereby authorized and empowered to execute any lease upon such terms and conditions deemed advisable by the secretary, for the exploration or production of any oil, gas or other minerals retained by the state of Kansas in and under the property in Ellsworth county described as the southwest quarter of section 29, township 15, range eight, except the portion thereof used for cemetery purposes, as provided in K.S.A. 76-14a03.

(b) The amount of money received from such lease including any money received for the production of any oil, gas or other minerals shall be credited to the state general fund.

(c) The property described in subsection (a) is deemed to be under the control of the secretary for purposes of executing such leases for the exploration or production of any oil, gas or other minerals.

History: L. 1982, ch. 342, § 1; May 13.

Article 15.—NORTON STATE HOSPITAL; TUBERCULOSIS HOSPITAL (CHANUTE)

Cross References to Related Sections:

Support of outpatients, see 76-170, 76-1510b.

Jurisdiction conferred on secretary of social and rehabilitation services, see 76-12a06.

Admission and rights of persons admitted, see 76-12b01 et seq.

76-1501.

History: R.S. 1923, 76-1501; Repealed, L. 1943, ch. 282, § 5; March 30.

Source or prior law:

L. 1911, ch. 295, § 4; L. 1913, ch. 302, § 4; Revised, 1923.

76-1502. Institution established. Laws 1913, chapter 302, sections 6 and 8, included by reference. [Provided for the selection of a site for the Kansas sanatorium for tubercular patients, the transfer of title to the site to the state and for the erection of buildings. Section 8 of the act provided for a proclamation by the governor opening the sanatorium.]

History: R.S. 1923, 76-1502.

Source or prior law:

L. 1911, ch. 295, §§ 6, 8.

Research and Practice Aids:

Hospitals — 2.

C.J.S. Hospitals § 4.

76-1502a. Name. The name of the Kansas sanatorium for tubercular patients located at Norton, Kansas, is hereby changed to the Norton state hospital. On and after the effective date of this act, any reference in the laws of this state to the "Kansas sanatorium for tubercular patients" or words of similar import shall be deemed to be made to the Norton state hospital.

History: L. 1967, ch. 476, § 1; July 1.

76-1502b. Norton state hospital fee fund created; deposits and expenditures, how made; remittance required. The superintendent of Norton state hospital shall remit all moneys received by or for him or her from charges made under K.S.A. 59-2006 and other operations of such institution, to the state treasurer at least monthly. Upon receipt of any such remittance the state treasurer shall deposit the entire amount thereof in the state treasury and the same shall be credited to the Norton state hospital fee fund. All expenditures from such fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pur-

STATE OF KANSAS

SESSION LAWS, 1959

PASSED AT THE FIFTY-EIGHTH REGULAR SESSION—THE SAME
BEING THE FORTY-FIRST BIENNIAL SESSION—
OF THE LEGISLATURE OF THE STATE
OF KANSAS



Date of Publication of this Volume
June 30, 1959

PRINTED IN
THE STATE PRINTING PLANT
TOPEKA, KANSAS
1959



27-8665

2-10

CHAPTER 328

STATE BOARD OF SOCIAL WELFARE TO SELL THE ELLSWORTH
HOME FOR THE AGED

Senate Bill No. 172

AN ACT authorizing the sale of property known as the Ellsworth home for the aged, and providing certain conditions and restrictions on the conveyance thereof.

Be it enacted by the Legislature of the State of Kansas:

SECTION 1. The state board of social welfare is hereby authorized and empowered to sell the property known as the Ellsworth home for the aged, and more particularly described as the southwest quarter (SW $\frac{1}{4}$) of section twenty-nine (29), township fifteen (15), range eight (8), except the portion thereof used for cemetery purposes. The board of social welfare shall solicit sealed bids by public notice inserted in one publication in the official state paper. Sale of such property shall be made to the highest responsible bidder who submits his bid within thirty (30) days after publication of such notice, except that in no case shall such property be sold for less than the sum of twenty thousand dollars (\$20,000). The conveyance of said property shall provide for the retention by the state of Kansas of all mineral rights in and under such property, together with ingress and egress thereto for production of any oil, gas, or other mineral, and shall also provide for the reversion of said title to the state of Kansas in the event said property ceases to be used, operated and maintained by said society for charitable purposes as a home for the aged or infirm. The deed to said property shall be approved by the attorney general, and shall be executed by the chairman of the board of social welfare and duly acknowledged by him before an officer authorized by law to take acknowledgments. The amount received from the sale of said property shall be credited to the state general fund.

SEC. 2. This act shall take effect and be in force from and after its publication in the official state paper.

Approved March 13, 1959.

Published in the official state paper March 19, 1959.

2-11

STATE OF KANSAS

1981 SESSION LAWS OF KANSAS

[Prepared in accordance with K.S.A. 1980 Supp. 45-310]

PASSED DURING THE 1981 REGULAR SESSION OF THE
SIXTY-NINTH LEGISLATURE OF THE STATE OF KANSAS

Date of Publication of this Volume
July 1, 1981

2-12

76-515. Before entering into any such oil, gas or other mineral lease upon such land, the board of regents shall give not less than ~~thirty~~ 30 days public notice of its intention to lease said lands by a publication in the ~~official state paper~~ *Kansas register*. Leases shall be made only upon competitive bids and shall be awarded to the highest responsible bidder. The right to reject any and all bids for leases shall be reserved by the board of regents. All leases made under the provisions of this act shall be executed by the ~~chairman~~ *chairperson* of the board of regents and attested by the secretary of said ~~the~~ board.

Sec. 30. K.S.A. 76-6a25 is hereby amended to read as follows: 76-6a25. Prior to the issuance of any bonds under authority of this act and after the adoption of a resolution authorizing any bonds hereunder, the board shall cause to be published once in the ~~official state paper of the state of Kansas~~ *register* a notice to all persons interested that it has determined to issue bonds under authority of this act. The notice shall state the amount or maximum amount of bonds to be issued pursuant to such resolution, together with a brief statement of the purposes for which the proceeds are to be used, and further, that unless an action to contest the legality of the proposed bonds shall be filed in a court of law within ~~thirty~~ 30 days from the date of such publication, the right to contest the legality of any bonds issued in compliance with the proceedings taken by said board prior to the date of such publication and the right to contest the validity of the provisions of such proceedings shall cease to exist and no court shall thereafter have authority to inquire into such matters. After the expiration of said ~~thirty~~ 30 days, no one shall have any right to commence an action contesting the validity of such bonds or the provisions of such proceedings and all such bonds shall be conclusively presumed to be legal, and no court shall thereafter have authority to inquire into such matters.

Sec. 31. K.S.A. 76-14a03 is hereby amended to read as follows: 76-14a03. The state board of social welfare is hereby authorized and empowered to sell the property known as the Ellsworth home for the aged, and more particularly described as the southwest quarter (SW $\frac{1}{4}$) of section twenty-nine (29), township fifteen (15), range eight (8), except the portion thereof used for cemetery purposes. The board of social welfare shall solicit sealed bids by public notice inserted in one publication in the ~~official state paper~~ *Kansas register*. Sale of such property shall be made to the highest responsible bidder who submits ~~his or her~~ a bid within ~~thirty (30)~~ 30 days after publication of such notice, except that in no case shall such property be sold for less than the sum of ~~twenty thousand dollars (\$20,000)~~ \$20,000. The convey-

[Ch. 324]

ance of said property shall provide for the retention by the state of Kansas of all mineral rights in and under such property, together with ingress and egress thereto for production of any oil, gas, or other mineral, and shall also provide for the reversion of said title to the state of Kansas in the event said property ceases to be used, operated and maintained by said society for charitable purposes as a home for the aged or infirm. The deed to said property shall be approved by the attorney general, and shall be executed by the ~~chairman~~ chairperson of the board of social welfare and duly acknowledged by ~~him or her~~ the chairperson before an officer authorized by law to take acknowledgments. The amount received from the sale of said property shall be credited to the state general fund.

Sec. 32. K.S.A. 76-1935a is hereby amended to read as follows: 76-1935a. The custodian of the members and patients trust fund at the Kansas soldiers' home shall notify the executive director of the Kansas veterans' commission of any moneys which are under ~~his or her~~ the custodian's charge belonging to members who have died intestate, without known heirs or designated beneficiaries for funds on deposit, and the ~~said~~ executive director shall publish a notice for two consecutive weeks in the ~~official~~ state paper *Kansas register* which shall state the name of each deceased member, ~~his or her~~ their last known home address and the amount of the deposit remaining in the account of such former member; and such notice shall further state that unless interested persons appear and file a legitimate claim therefor within one year after the date of the last publication of such notice, said amount or amounts will be transferred to the general fees fund of the soldiers' home to help defray unrecovered costs connected with the maintenance and operation of ~~said the~~ soldiers' home and for accounting, auditing, budgeting, legal, payroll, personnel and purchasing services which are performed on behalf of ~~said~~ such agency by other state agencies.

Unless a party entitled thereto shall make claim within the time stated in the notice, the balance in any former member's fund as so published for which no claim is made as prescribed herein shall be transferred as hereinabove provided. Thereafter, unless a claim is filed with the veterans' commission within two years after such transfer is made, no claim may be made or filed for such former member's fund. ~~Provided, except~~ that a person under legal disability during the two-year period may file a claim within one year after removal of the disability. The veterans' commission is hereby authorized to make payments to claimants it shall determine are entitled thereto, if such claims otherwise comply with the terms of this act; and such payments shall be authorized

2-14

March 14, 2011

To: Members of the Committee on Ways and Means
From: Representative Steven Johnson
Re: HB 2258

House Bill 2258 is a simple bill that lifts a deed restriction on a portion of property owned by Good Samaritan in Ellsworth. Good Samaritan is a nursing, assisted living and senior housing facility.

Good Samaritan purchased a quarter section of land from the state in 1959. They currently operate on a fraction of those acres. Rather than continue to tie up the entire quarter, Good Samaritan wishes to provide an opportunity to make the best use of the property.

In the 1959 purchase, the state retained mineral rights and a clause returning the property to the state should Good Samaritan cease to operate, for charitable purposes, a home for the aged or infirmed. Bill 2258 retains the mineral rights for the state, but will grant clear title to roughly 29 acres on the southwest corner of the quarter to Good Samaritan.

Senate Ways and Means
Date:
Attachment:

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Office of Revisor of Statutes
300 S.W. 10th Avenue
Suite 024-E, Statehouse
Topeka, Kansas 66612-1592
Telephone (785) 296-2321 FAX (785) 296-6668

MEMORANDUM

To: Chairperson McGinn and members of the Senate Ways and Means Committee
From: Jill Ann Wolters, Senior Assistant Revisor
Date: March 15, 2011
Subject: SB 199, correctional inmates, financing of medical care

Pursuant to Senate Bill No. 199, the Kansas health policy authority(KHPA), in consultation with the department of corrections (DOC), shall pursue available federal medicaid funding for medical care provided to inmates in a public institution.

DOC shall provide necessary information to KHPA for the applications for waivers or any other approval for federal financial participation from the centers for medicare and medicaid services.

KHPA shall submit a report on progress of its attempt to obtain federal funding to the joint committee on health policy oversight during the 2011 interim.

The act would take effect upon publication in the Kansas register.

Senate Ways and Means
Date:
Attachment:

03/15/11
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Tom Bell
President and CEO

TO: Senate Ways and Means Committee

FROM: Chad Austin
Vice President, Government Relations

DATE: March 15, 2011

RE: Senate Bill 199

The Kansas Hospital Association appreciates the opportunity to provide comments on Senate Bill 199. The proposed legislation directs the Kansas Health Policy Authority to pursue federal Medicaid funds for medical care provided to persons who are inmates of a public institution.

The Centers for Medicare and Medicaid Services (CMS) has issued clarification and guidance regarding Medicaid coverage policy for inmates of a public institution. In their letter, CMS officials indicate that Federal Financial Participation (FFP) is available to those inmates that are determined Medicaid eligible under the specific state's requirements and are admitted as an inpatient in a hospital, nursing facility, juvenile psychiatric facility, or intermediate care facility. Medicaid eligibility in Kansas is available to children under the age of 19, parents or caregivers of children, pregnant women, and the elderly and persons with disabilities.

The Kansas Hospital Association and its members have deep concerns regarding the policy implications of Senate Bill 199. Those concerns include the following:

- Medicaid provider rates are already significantly below the actual costs of providing care to the typical Medicaid beneficiary. These losses are exacerbated when dealing with prison inmates due to the extra expenses associated with their treatment.
- Access for care may be disrupted because providers will be unwilling to treat Medicaid eligible inmates (or any inmates); thus, increasing costs related to such items as transportation and personnel.
- Rather than continuing the coordination of care with the Kansas Department of Corrections and Correct Care Solutions, inmates will be presenting at the hospital's emergency room for treatment.

Senate Ways and Means
Date:
Attachment:

03/15/11
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- The Kansas Department of Corrections has contracted with a third party to provide basic medical services to inmates. The contractual relationship between KDOC and the third party most likely is above the Medicaid rate equivalent.
- As required under the Affordable Care Act, Medicaid eligibility will be significantly expanded in 2014; thus, the percentage of inmates eligible for Medicaid will be increased.

For the reasons stated above, the Kansas Hospital Association respectfully opposes the passage of Senate Bill 199.

109 SW 9th Street, Suite 600
Topeka, KS 66612



phone: 785-296-3307
fax: 785-296-6872
Investor Services: 1-800-232-9580
www.ksc.ks.gov

Aaron Jack, Commissioner

Office of the Securities Commissioner

Sam Brownback, Governor

March 15, 2011

Senator Carolyn McGinn
Kansas State Capitol, Room 545-S
300 SW 10th St.
Topeka, KS 66612

Madam Chair and Committee,

Thank you for the invitation to address your committee this morning. It is a privilege to be here today to discuss the Kansas Securities Commission's Investor Education Fund.

For your convenience I have submitted three additional documents along with my testimony:

- (1) The press release issued by my predecessor on October 29, 2010 announcing the settlement with Goldman Sachs & Co.
- (2) The Consent to Administrative Order by Goldman Sachs & Co. signed by its Managing Director, Norman Feit, on October 21, 2010.
- (3) A report showing where monies in the Investor Education Fund have been used in the recent past.

The Investor Education Fund is authorized under the Kansas Uniform Securities Act and it is specifically discussed in K.S.A. 17-12a601(d).

The Commissioner is allowed to develop and implement investor education initiatives to inform the public about investing in securities, with particular emphasis on the prevention and detection of securities fraud.

The Commissioner may collaborate with public and nonprofit organizations with an interest in investor education. However, the Commissioner may not require participation or monetary contributions of a registrant in an investor education program.

The Commissioner may also receive payments designated to be credited to the Investor Education Fund as a condition in settlements of cases arising out of investigations or examinations.

Respectfully,

A handwritten signature in cursive script that reads "Aaron Jack".

Aaron Jack
Kansas Securities Commissioner

Senate Ways and Means

Date:

03/15/11

Attachment:

6



OFFICE OF THE SECURITIES COMMISSIONER

Mark Parkinson, Governor
Marc S. Wilson, Commissioner

www.ksc.ks.gov

For immediate release
October 29, 2010

Megan Bottenberg
785.296.5017

Kansas Securities Commissioner reaches settlement agreement with Goldman, Sachs & Co., Other Wall Street Giants

\$800,000 Settlement is for Unethical Marketing of Auction Rate Securities

Kansas Securities Commissioner Marc Wilson announced an \$800,000 settlement agreement with Goldman, Sachs & Co. as part of an auction rate securities investigation. The case alleged Goldman, Sachs & Co. misled Kansas investors about the safety and liquidity of the auction rate securities (ARS) market.

"This settlement sends a strong message to Goldman Sachs and other Wall Street firms that Kansas investors demand integrity from securities dealers," said the Commissioner. "Full and truthful disclosure is a cornerstone without which markets cannot function. If firms do not meet these high standards, we will take action on behalf of Kansas investors."

During the investigation, regulators discovered that the firm's securities dealers failed to adequately inform customers and train employees on the risks associated with purchasing ARS. Although marketed and sold to investors as safe, liquid and cash-like investments, ARS are actually long-term investments. They are subject to a complex auction process that failed in early 2008 when the firms marketing ARS stopped providing liquidity to the market. Investors not only saw lower returns, but they were also unable to access their money for current needs.

"At critical times, Kansas investors and small businesses were not able to access their own money, and that is completely unacceptable," said the Commissioner. "It is our hope these things never happen, but when abuses like this occur our job is to be the advocate for Kansas investors and level the playing field."

The settlement also obligates Goldman Sachs to other remediation for investors. The fine paid by the firm will be placed in the Kansas Investor Education Fund. The fund gives grants to organizations which provide fraud prevention and financial literacy services and otherwise helps KSC carry out its investor education legislative mandate.

The Office of the Kansas Securities Commissioner has also reached settlement agreements with 11 other firms in similar cases, with fines totaling more than \$5.9 million. These previous settlements made their way to the State General Fund.

The settlements were negotiated by multi-state task forces of state securities regulators under the auspices of the North American Securities Administrators Association (NASAA).

FIRM	FINE	DATE
Wachovia Securities LLC	\$633,090	June 10, 2009
Citigroup Global Markets, Inc.	\$600,144	June 17, 2009
Banc of America Securities, LLC Banc of America Investment Services Inc.	\$2,834,090	July 13, 2009
Merrill Lynch, Pierce, Fenner and Smith, Inc.	\$959,556	July 16, 2009
RBC Capital Markets Corporations	\$22,535	September 4, 2009
JPMorgan Chase & Co.	\$76,571	November 6, 2009
Credit Suisse Securities LLC	\$535,858	January 6, 2010
Deutsche Bank Securities Inc.	\$30,903	January 8, 2010
Morgan Stanley & Co. Inc.	\$187,076	July 26, 2010
Stifel, Nicolaus & Company, Inc.	\$13,598	August 19, 2010
Wells Fargo Investments, LLC	\$3,829	September 1, 2010
Goldman, Sachs & Co.	\$789,932	October 25, 2010

###

The mission of the Office of the Kansas Securities Commissioner is to protect and inform Kansas investors, to promote integrity and full disclosure by issuers and securities professionals, to investigate and prosecute fraud and to foster capital formation. More detailed information may be found at www.ksc.ks.gov.

**BEFORE THE SECURITIES COMMISSIONER
OF THE STATE OF KANSAS**

In the matter of:)	
)	Docket No. 10 E 029
GOLDMAN, SACHS & CO.,)	KSC No. 2010-5737
)	
)	CONSENT ORDER
Respondent.)	
_____)	

WHEREAS, Goldman, Sachs & Co. ("Goldman Sachs" or "Respondent") is a broker-dealer registered in the State of Kansas; and

WHEREAS, the Office of the Kansas Securities Commissioner has been a part of coordinated investigations into Goldman Sachs' activities in connection with the marketing and sale of auction rate securities ("ARS"); and

WHEREAS, Goldman Sachs has cooperated with regulators conducting the investigations by responding to inquiries, providing documentary evidence and other materials, and providing regulators with access to facts relating to the investigations; and

WHEREAS, Goldman Sachs has advised regulators of its agreement to resolve the investigations relating to its marketing and sale of ARS to individual investors; and

WHEREAS, Goldman Sachs agrees to take certain actions described herein and to make certain payments; and

WHEREAS, Goldman Sachs admits to the jurisdiction of the Office of the Kansas Securities Commissioner and consents to the entry of this Administrative Consent Order (the "Order" or "Consent Order"); and

WHEREAS, Goldman Sachs waives compliance with the provisions of the Kansas Administrative Procedure Act K.S.A. 77-501 *et seq*; and

WHEREAS, Goldman Sachs elects to permanently waive any right to a hearing and appeal under the Kansas Administrative Procedure Act, K.S.A. 77-501 *et seq.*, and the Act for

Judicial Review and Civil Enforcement of Agency Actions, K.S.A. 77-601 et seq., with respect to this Consent Order;

WHEREAS, Goldman Sachs acknowledges, without admitting or denying the Findings of Fact and Conclusions of Law contained in this Order, and consents to the entry of this Order by the Securities Commissioner.

NOW, THEREFORE, the Office of the Kansas Securities Commissioner, as administrator of the Act, hereby enters this Order.

FINDINGS OF FACT

1. Auction rate securities are long-term bonds issued by municipalities, corporations, and student loan companies, or perpetual equity instruments issued by closed-end mutual funds that pay an interest rate that resets periodically through a bidding process known as a Dutch auction.

2. Goldman Sachs participated in the marketing and sale of ARS.

3. Goldman Sachs acted as an underwriter and as the auction broker-dealer for certain issues of auction rate securities. When acting as sole manager, Goldman Sachs was the only firm that could submit bids into the auction on behalf of its clients and/or other broker-dealers who wanted to buy and/or sell any auction rate securities in such auctions. When acting as lead manager, Goldman Sachs was the primary firm that could submit bids into the auction, but other auction broker-dealers were able to submit orders on behalf of their clients as well. Goldman Sachs received revenue in connection with auction rate securities, including an underwriting fee representing a percentage of total issuance and a fee for managing the auctions.

4. Goldman Sachs conveyed to certain clients that ARS were secure, liquid securities that were a suitable alternative for cash management purposes. It did so through its sales force, some of whom represented to certain investors that auction rate securities were highly liquid, safe investments for cash management purposes.

5. These representations were misleading as to certain investors. Auction rate securities were in fact different from cash and money market funds. As discussed above, the liquidity of an auction rate security relied on the successful operation of the Dutch auction process. In the event of a failed auction, investors cannot sell their auction rate securities in that auction and are potentially stuck holding long-term investments, not money market instruments. As discussed below, starting in the Fall of 2007, the auction rate securities market faced dislocation and an increased risk of auction failure.

6. Since it began participating in the auction rate securities market, Goldman Sachs submitted "cover" bids, purchase orders for the entirety of an auction rate security issue for which it acted as the sole or lead auction manager. Such "cover" bids were Goldman Sachs proprietary orders that would be filled, in whole or in part, if there was otherwise insufficient demand in an auction. When Goldman Sachs purchased auction rate securities through "cover" bids, those auction rate securities were then owned by Goldman Sachs and the holdings were recorded on Goldman Sachs' balance sheet. For risk management purposes, Goldman Sachs imposed limits on the amounts of securities its Municipal Money Markets unit could hold (which included Goldman Sachs' auction rate securities holdings).

7. Because many investors could not ascertain how much of an auction was filled through Goldman Sachs "cover" bids, those investors could not determine if auctions were clearing because of normal marketplace demand, or because Goldman Sachs was making up for the lack of demand through "cover" bids. Many investors were also not aware that the liquidity of the auction rate securities was dependent upon Goldman Sachs' continued use of "cover" bids. While Goldman Sachs could track its own inventory as a measure of the supply and demand for its auction rate securities, many investors had no comparable ability to assess the operation of the auctions. There was no way for those investors to monitor supply and demand in the market or to assess when broker-dealers might decide to stop supporting the market, which could cause its collapse.

8. In August of 2007, the credit crisis and other deteriorating market conditions began to strain the auction rate securities market. Some institutional investors withdrew from the market, decreasing demand for auction rate securities.

9. The resulting market dislocation should have been evident to Goldman Sachs. When client demand for its auction rate securities declined, Goldman Sachs' "cover" bids filled the increasing shortfall, thereby sustaining the impression for certain investors that auctions managed by Goldman Sachs were functioning. As a result, Goldman Sachs' auction rate securities inventory grew significantly, requiring Goldman Sachs to raise its risk management limits for its Municipal Money Markets business (which included auction rate securities) several times.

10. From the Fall of 2007 through early February of 2008, demand for auction rate securities continued to erode and Goldman Sachs' auction rate securities inventory increased significantly. Goldman Sachs was aware of the increasing strains in the auction rate securities market, and increasingly questioned the viability of the auction rate securities market. Goldman Sachs did not disclose these increasing risks of owning or purchasing auction rate securities to all of its clients.

11. In February of 2008, Goldman Sachs and other firms stopped supporting auctions. Without the benefit of "cover" bids, the auction rate securities market collapsed, leaving certain investors who had been led to believe that these securities were liquid, safe investments appropriate for managing short-term cash needs, holding long-term or perpetual securities that could not be sold at par value until and if the auctions cleared again.

Failure to Supervise

12. Goldman Sachs did not adequately supervise certain of its salespeople to ensure that all of the firm's clients would be sufficiently apprised of ARS, the mechanics of the auction process, and the potential illiquidity of ARS, including the fact that Goldman Sachs may stop submitting "cover" bids, as discussed above.

II.

CONCLUSIONS OF LAW

13. The Office of the Kansas Securities Commissioner has jurisdiction over this matter pursuant to the Kansas Uniform Securities Act (the "Act").

14. The Securities Commissioner finds that the above conduct subjects Goldman Sachs to sanctions under K.S.A. 17-12a412(d)(13) (unethical practice in the offer and sale of securities), and K.S.A. 17-12a412(d)(9) (failure to supervise) of the Act.

15. Nothing in this Order shall be construed as a finding or admission of fraud.

16. The Securities Commissioner finds the following relief appropriate and in the public interest.

III.

ORDER

On the basis of the Findings of Fact, Conclusions of Law, and Goldman Sachs' consent to the entry of this Order, for the sole purpose of settling this matter, prior to a hearing and without admitting or denying any of the Findings of Fact or Conclusions of Law,

IT IS HEREBY ORDERED:

17. This Order concludes the investigation by the Office of the Kansas Securities Commissioner and any other action that the Office of the Kansas Securities Commissioner could commence under applicable Kansas law on behalf of the State of Kansas as it relates to Goldman Sachs' marketing and sale of auction rate securities to Goldman Sachs' Eligible Investors, as defined below.

18. This Order is entered into solely for the purpose of resolving the investigation into Goldman Sachs' marketing and sale of auction rate securities, and is not intended to be used for any other purpose.

19. This Order shall be binding upon Respondent Goldman Sachs and its successors and assigns as well as to successors and assigns of relevant affiliates with respect to all

conduct subject to the provisions above and all future obligations, responsibilities, undertakings, commitments, limitations, restrictions, events, and conditions.

20. Goldman Sachs shall cease and desist from violating the Kansas Uniform Securities Act and will comply with the Kansas Uniform Securities Act in connection with the marketing and sale of ARS.

21. Goldman Sachs shall pay the sum of seven hundred and eighty-nine thousand, nine hundred and thirty-one dollars and sixty-five cents (\$789,931.65) to the Office of the Kansas Securities Commissioner, as a CIVIL MONETARY PENALTY pursuant to K.S.A. 17-12a412(c), to be deposited in the Investor Education Fund, K.S.A. 17-12a601(d), which amount constitutes the State of Kansas' proportionate share of the state settlement amount of twenty-two million, five hundred thousand dollars (\$22,500,000.00), which shall be payable to the State of Kansas within ten (10) days of the date on which this Order is entered.

22. In the event another state securities regulator determines not to accept Goldman Sachs' settlement offer, the total amount of the payment to the State of Kansas shall not be affected.

Requirement to Repurchase ARS from Retail ARS Investors

23. Goldman Sachs shall have provided liquidity to Eligible Investors by offering to buy back Eligible ARS that since February 11, 2008, have not been auctioning, at par, in the manner described below.

24. "Eligible ARS," for the purposes of this Order, shall mean auction rate securities purchased from Goldman Sachs on or before February 11, 2008.

25. "Eligible Investors," for the purposes of this Order, shall mean:

- i. Natural persons (including their IRA accounts, testamentary trust and estate accounts, custodian UGMA and UTMA accounts, and guardianship accounts);

- ii. Legal entities forming investment vehicles for closely related individuals including but not limited to IRA accounts, Trusts, Family Limited Partnerships, and other legal entities performing a similar function;
- iii. Charities and non-profits with Internal Revenue Code Section 501(c) status that purchased Eligible ARS from Goldman Sachs; and
- iv. Small Businesses that purchased Eligible ARS from Goldman Sachs. For purposes of this provision, "Small Businesses" shall mean Goldman Sachs clients not otherwise covered in paragraphs 25(i) and (ii) above that had \$10 million or less in assets in their accounts with Goldman Sachs, net of margin loans, as determined by the client's aggregate household position(s) at Goldman Sachs as of August 31, 2008, or, if the client was not a client of Goldman Sachs as of August 31, 2008, as of the date that the client terminated its client relationship with Goldman Sachs. Notwithstanding any other provision, "Small Businesses" does not include broker-dealers or banks acting as conduits for their customers.

26. Goldman Sachs shall have offered to purchase, at par plus accrued and unpaid dividends/interest, from Eligible Investors their Eligible ARS that since February 11, 2008, have not been auctioning ("Buyback Offer"), and explain what Eligible Investors must do to accept, in whole or part, the Buyback Offer. The Buyback Offer shall have remained open until at least November 12, 2008 ("Offer Period"). Goldman Sachs may extend the Offer Period beyond this date.

27. Goldman Sachs shall have undertaken its best efforts to identify and provide notice to Eligible Investors who invested in Eligible ARS that since February 11, 2008, have not been auctioning, of the relevant terms between Goldman Sachs and the Office of the Kansas Securities Commissioner.

28. Eligible Investors may have accepted the Buyback Offer by notifying Goldman Sachs at any time before midnight, Eastern Time, November 12, 2008, or such later date and time as Goldman Sachs may extend the Offer Period. For Eligible Investors who accepted the Buyback Offer within the Offer Period, Goldman Sachs shall have purchased the Eligible ARS on or before November 17, 2008 (or a later date if an offer period is extended). For Eligible Investors who accepted the Buyback Offer within the Offer period but custodied their Eligible ARS away from Goldman Sachs, Goldman Sachs shall repurchase the Eligible ARS upon receipt of assurance reasonably satisfactory to Goldman Sachs from the Eligible Investor's current financial institution that the bidding rights associated with the Eligible Auction Rate Securities will be transferred to Goldman Sachs and transfer of the Eligible ARS.

29. No later than December 31, 2009, any Eligible Investor who for good cause (including but not limited to incapacity or failure to receive the notice provided for in paragraph 27) did not accept the Buyback Offer pursuant to paragraph 28 above, shall be entitled to sell their Eligible ARS, at par, to Goldman Sachs for (30) days after establishing such good cause, and Goldman Sachs shall purchase such Eligible Investor's Eligible ARS promptly.

30. No later than October 20, 2008, Goldman Sachs shall have established a dedicated toll-free telephone assistance line, with appropriate staffing, to provide information and to respond to questions from clients concerning the terms of the settlement between Goldman Sachs and the Office of the Kansas Securities Commissioner.

Review of Client Accounts

31. For a period of two years from the date of this Order, upon request from any firm that is repurchasing auction rate securities, upon receipt from the repurchasing firm of (i) the names of any Goldman Sachs clients that may hold ARS subject to the repurchasing firm's repurchase offer, (ii) the CUSIPs of the Eligible ARS, (iii) the clients'

Goldman Sachs' account number(s) (if known to the repurchasing firm), and (iv) the date those ARS were transferred to Goldman Sachs (if known to the repurchasing firm), Goldman Sachs shall take reasonable steps to provide notice to those clients of the repurchasing firm's repurchase offer.

Relief for Investors Who Sold Below Par

32. By November 12, 2008, Goldman Sachs shall have undertaken its best efforts to identify any Eligible Investor who sold Eligible ARS below par between February 11, 2008, and August 21, 2008, and shall have paid any such Eligible Investor the difference between par and the price at which the Eligible Investor sold the Eligible ARS.

Reimbursement for Related Loan Expenses

33. Goldman Sachs shall have made best efforts to identify Eligible Investors who took out loans from Goldman Sachs, between February 11, 2008, and March 19, 2010, that were secured by Eligible ARS that were not successfully auctioning at the time the loan was taken out from Goldman Sachs, and paid interest associated with the auction rate securities based portion of those loans in excess of the total interest and dividends received on the auction rate securities during the duration of the loan. Goldman Sachs shall have reimbursed such clients for the excess expense, plus reasonable interest thereon. Such reimbursement shall have occurred no later than March 31, 2010.

Claims for Consequential Damages

34. Goldman Sachs shall consent to participate in a special arbitration ("Arbitration") for the exclusive purpose of arbitrating any Eligible Investor's consequential damages claim arising from their inability to sell Eligible ARS. Goldman Sachs shall have provided written notice to Eligible Investors of the terms of the Arbitration process on or before November 12, 2008.

35. The Arbitration shall be conducted by a single public arbitrator (as defined by section 12100(u) of the NASD Code of Arbitration Procedures for Customer Disputes, eff. April 16, 2007), under the auspices of FINRA. Goldman Sachs will pay all applicable forum and filing fees. Any Eligible Investors who choose to pursue such claims in the Arbitration shall bear the burden of proving that they suffered consequential damages and that such damages were caused by their inability to access funds invested in Eligible Auction Rate Securities.

36. In the Arbitration, Goldman Sachs shall be permitted to defend itself against such claims; provided, however, that Goldman Sachs shall not contest in these arbitrations liability related to the sale of auction rate securities, or use as part of its defense any decision by an Eligible Investor not to borrow money from Goldman Sachs.

37. Eligible Investors seeking consequential damages who elect to use the special arbitration process provided for herein shall not be eligible for punitive or special damages.

38. Eligible Investors who elect to utilize the special arbitration process set forth above are limited to the remedies available in that process and may not bring or pursue a claim against Goldman Sachs or in any case where Goldman Sachs is an underwriter relating to Eligible Auction Rate Securities in another forum.

Institutional Investors

39. Goldman Sachs shall endeavor to work with issuers and other interested parties, including regulatory and governmental entities, to expeditiously provide liquidity solutions for institutional investors not covered by paragraph 23 above that purchased auction rate securities from Goldman Sachs prior to February 11, 2008 ("Institutional Investors").

40. Beginning November 12, 2008, and within 45 days of the end of each Goldman Sachs fiscal quarter thereafter, Goldman Sachs shall have submitted a written report

to the Illinois Securities Department or other representative specified by the North American Securities Administrators Association ("NASAA") outlining Goldman Sachs' progress with respect to its obligations pursuant to this Order. Goldman Sachs shall have, at the option of the Illinois Securities Department or other representative specified by NASAA, conferred with such representative on a quarterly basis to discuss Goldman Sachs' progress to date. Such quarterly reports and conferences shall have continued until December 31, 2009. Following every quarterly report, the representative shall have advised Goldman Sachs of any concerns regarding Goldman Sachs' progress, and, in response, Goldman Sachs shall have discussed how Goldman Sachs plans to address such concerns. The reporting or meeting deadlines may be amended with written permission from the Illinois Securities Department or other representative specified by NASAA.

Relief for Municipal Issuers

41. Goldman Sachs shall promptly refund to municipal issuers refinancing fees paid to Goldman Sachs for the refinancing or conversion of their auction rate securities that occurred between February 11, 2008, and the date of this Order, where Goldman Sachs acted as underwriter for the initial primary offering of the auction rate securities between August 1, 2007, and February 11, 2008. Nothing in this Order precludes the Office of the Kansas Securities Commissioner from pursuing any other civil action that may arise with regard to auction rate securities other than the marketing and sale of auction rate securities to retail investors.

42. Goldman Sachs agrees to waive any right to indemnification and/or claims of contribution, and/or other similar remedies with respect to any costs, expenses, or losses in connection with this Order that Goldman Sachs may have against any municipal issuers that issued securities through Goldman Sachs in the primary market, including any student loan authority.

Additional Considerations

43. Nothing herein shall preclude the State of Kansas its departments, agencies, boards, commissions, authorities, political subdivisions and corporations, other than the Office of the Securities Commissioner and only to the extent set forth in paragraph 17 above (collectively, "State Entities"), and the officers, agents or employees of State Entities from asserting any claims, causes of action, or applications for compensatory, nominal and/or punitive damages, administrative, civil, criminal, or injunctive relief against Goldman Sachs in connection with certain auction rate securities practices at Goldman Sachs.

44. This Order shall not disqualify Goldman Sachs or any of its affiliates or current or former employees from any business that they otherwise are qualified or licensed to perform under applicable state law and this Order is not intended to form the basis for any disqualification.

45. To the extent applicable, this Order hereby waives any disqualification from relying upon the registration exemptions or registration safe harbor provisions that may be contained in the federal securities laws, the rules and regulations thereunder, the rules and regulations of self regulatory organizations or any states' or U.S. Territories' securities laws. In addition, this Order is not intended to form the basis for any such disqualifications. In addition, this Order is not intended to form the basis of a statutory disqualification under Section 3(a)(39) of the Securities Exchange Act of 1934.

46. Except in an action by the Securities Commissioner to enforce the obligations of Goldman Sachs in this Order, this Order may neither be deemed nor used as an admission of or evidence of any alleged fault, omission, or liability of Goldman Sachs in any civil, criminal, arbitration, or administrative proceeding in any court, administrative agency, or tribunal. For any person or entity not a party to this Order, this Order does not limit or create any private right against Goldman Sachs including, without limitation with respect to the use of any e-mails or other documents of Goldman Sachs or of others concerning the

marketing and/or sales of auction rate securities, limit or create liability of Goldman Sachs, or limit or create defenses of Goldman Sachs to any claims.

47. This Order and any dispute related thereto shall be construed and enforced in accordance with, and governed by, the laws of the State of Kansas without regard to any choice of law principles.

48. Evidence of a violation of this Order proven in a court of competent jurisdiction shall constitute prima facie proof of a violation of the Act in any civil action or proceeding hereafter commenced by the Office of the Kansas Securities Commissioner against Goldman Sachs.

49. Should the Office of the Kansas Securities Commissioner prove in a court of competent jurisdiction that a material breach of this Order by Goldman Sachs has occurred, Goldman Sachs shall pay to the Office of the Kansas Securities Commissioner the cost, if any, of such determination and of enforcing this Order including without limitation legal fees, expenses, and court costs.

50. If Goldman Sachs fails to make the payment specified in paragraph 21, the Office of the Kansas Securities Commissioner may, at its sole discretion, pursue any legal remedies, including but not limited to initiating an action to enforce the Order, revoking Goldman Sachs' registration within the state, or terminating this Order.

51. If in any proceeding, after notice and opportunity for a hearing, a court of competent jurisdiction, including an administrative proceeding by a state securities administrator, finds that there was a material breach of this Order, the Securities Commissioner, at its sole discretion, may terminate the Order. If Goldman Sachs defaults on any other obligation under this Order, the Securities Commissioner may, at its sole discretion, pursue legal remedies to enforce the Order or pursue an administrative action, including but not limited an action to revoke Goldman Sachs' registration within the state. Goldman Sachs agrees that any statute of limitations or other time related defenses applicable to the subject of

the Order and any claims arising from or relating thereto are tolled from and after the date of this Order. In the event of such termination, Goldman Sachs expressly agrees and acknowledges that this Order shall in no way bar or otherwise preclude the Office of the Kansas Securities Commissioner from commencing, conducting, or prosecuting any investigation, action, or proceeding, however denominated, related to the Order, against Goldman Sachs, or from using in any way any statements, documents, or other materials produced or provided by Goldman Sachs prior to or after the date of this Order, including, without limitation, such statements, documents, or other materials, if any, provided for purposes of settlement negotiations, except as may otherwise be provided in a written agreement with the Office of the Kansas Securities Commissioner.

52. Goldman Sachs shall cooperate fully and promptly with the Office of the Kansas Securities Commissioner and shall use its best efforts to ensure that all the current and former officers, directors, trustees, agents, members, partners, and employees of Goldman Sachs (and of any of Goldman Sachs' parent companies, subsidiaries, or affiliates) cooperate fully and promptly with the Office of the Kansas Securities Commissioner in any pending or subsequently initiated investigation, litigation, or other proceeding relating to auction rate securities and/or the subject matter of the Order. Such cooperation shall include, without limitation, and on a best efforts basis:

- (a) production, voluntarily and without service of subpoena, upon the request of the Office of the Kansas Securities Commissioner, of all documents or other tangible evidence requested by the Office of the Kansas Securities Commissioner and any compilations or summaries of information or data that the Office of the Kansas Securities Commissioner requests that Goldman Sachs (or the Goldman Sachs' parent companies, subsidiaries, or affiliates) prepare, except to the extent such production would require the disclosure of information protected by the attorney-client and/or work product privileges;

(b) without the necessity of a subpoena, having the current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners, and employees of Goldman Sachs (and of any of the Goldman Sachs' parent companies, subsidiaries, or affiliates) attend any Proceedings (as hereinafter defined) in the State of Kansas or elsewhere at which the presence of any such persons is requested by the Office of the Kansas Securities Commissioner and having such current (and making all reasonable efforts to cause the former) officers, directors, trustees, agents, members, partners, and employees answer any and all inquiries that may be put by the Office of the Kansas Securities Commissioner to any of them at any proceedings or otherwise, except to the extent such production would require the disclosure of information protected by the attorney-client and/or work product privileges; "Proceedings" include, but are not limited to, any meetings, interviews, depositions, hearings, trials, grand jury proceedings, or other proceedings;

(c) fully, fairly, and truthfully disclosing all information and producing all records and other evidence in its possession, custody, or control (or the possession, custody, or control of the Goldman Sachs parent companies, subsidiaries, or affiliates) relevant to all inquiries made by the Office of the Kansas Securities Commissioner concerning the subject matter of the Order, except to the extent such inquiries call for the disclosure of information protected by the attorney-client and/or work product privileges; and

(d) making outside counsel reasonably available to provide comprehensive presentations concerning any internal investigation relating to all matters in the Order and to answer questions, except to the extent such presentations or

questions call for the disclosure of information protected by the attorney-client and/or work product privileges.

53. In the event Goldman Sachs fails to comply with paragraph 23 of the Order, the Office of the Kansas Securities Commissioner shall be entitled to specific performance, in addition to any other available remedies.

54. The Office of the Kansas Securities Commissioner has agreed to the terms of this Order based on, among other things, the representations made to the Office of the Kansas Securities Commissioner by Goldman Sachs, its counsel, and the Office of the Kansas Securities Commissioner's own factual Investigation. To the extent that any material representations are later found to be materially inaccurate or misleading, this Order is voidable by the Securities Commissioner in its sole discretion.

IT IS SO ORDERED BY THE COMMISSIONER.

Entered at Topeka, Kansas, this 25th day of October, 2010.

/s/ Marc S. Wilson
Marc S. Wilson
Securities Commissioner
State of Kansas

**CONSENT TO ENTRY OF ADMINISTRATIVE ORDER BY
GOLDMAN, SACHS & CO.**

Goldman, Sachs & Co. ("Goldman Sachs") hereby acknowledges that it has been served with a copy of this Consent Order, has read the foregoing Order, is aware of its right to a hearing and appeal in this matter, and has waived the same.

Goldman Sachs admits the jurisdiction of the Office of the Kansas Securities Commissioner, neither admits nor denies the Findings of Fact and Conclusions of Law contained in this Order, and consents to entry of this Order by the Securities Commissioner, as settlement of the issues contained in this Order.

Goldman Sachs states that no promise of any kind or nature whatsoever was made to it to induce it to enter into this Order and that it has entered into this Order voluntarily.

Norman Feit represents that he is Managing Director of Goldman Sachs and that, as such, has been authorized by Goldman Sachs to enter into this Order for and on behalf of Goldman Sachs.

DATED this 21st day of October, 2010.

GOLDMAN, SACHS & CO.

By: /s/ Norman Feit

Title: Managing Director

STATE OF New York)

)

County of New York)

SUBSCRIBED AND SWORN TO before me this 21st day of October, 2010.

/s/ Norma A. Gerald
Notary Public

My commission expires:

August 15, 2010

Office of the Securities Commissioner of Kansas
Revenue and Expenditures
Actual FY2008, FY2009, FY2010 & FYTD2011

	Actual			
	FY2008	FY2009	FY2010	FYTD2011
<u>Investor Education Fund - No Limit</u>				
Revenue				
Fines and Settlements	\$ 49,427	\$ 1,371,924	\$ 4,930,308	\$ 1,018,230
Total Revenue	49,427	1,371,924	4,930,308	1,018,230
Expenditures				
Salaries and Benefits	-	-	-	26,255
Contractual Services:				
Other State Agencies	7,513	9,116	-	478
Outside	37,424	27,220	9,552	22,202
Commodities	15,603	12,825	1,504	654
Official Hospitality	168	1,509	843	-
Capital Outlay	563	-	2,269	3,772
Grants, Claims, Shared Revenue & State Aid	-	20,000	30,000	60,450
Total Expenditures	61,271	70,670	44,168	113,811
Revenue in Excess of Expenditures	(11,844)	1,301,254	4,886,140	904,419
Beginning Fund Balance	166,356	154,512	1,455,766	1,341,906
Transfers to General Fund	-	-	(5,000,000)	(1,250,000)
Ending Fund Balance	\$ 154,512	\$ 1,455,766	\$ 1,341,906	\$ 996,325

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March 15, 2011

To: Senate Ways and Means Committee

From: Alan D. Conroy, Director;

J.G. Scott, Chief Fiscal Analyst

Re: Off-Budget Items

You had requested general information on what makes an item off-budget and how does that impact the state budget.

State Expenditures

State expenditures are separated into two categories: reportable and non-reportable (or off-budget).

- **Reportable expenditures** are direct cash outlays and encumbrances for salaries and wages; other operating expenditures (rent, printing, travel, etc.), payments to local units of governments (school districts, cities, counties, etc.), assistance to individuals (welfare payments, unemployment benefit payments, etc.), and capital improvements (new building construction and renovations) by state agencies.
- **Non-reportable (off-budget) expenditures** are not reflected in the state budget for a variety of reasons. Some examples include:
 - Department of Administration — Certain expenditures of the Department of Administration are called "off-budget." These expenditures are monies spent in many state agencies' budgets for printing services; for example, monies are spent, again, to operate the Department of Administration's State Printing Plant. The agencies' costs are treated as reportable and the Printing Plant's as non-reportable to avoid counting the same dollars twice. These non-reportable expenditures are included separately in the Governor's budget reports, but are not included in the state expenditure totals. The Department of Administration's off-budget expenditures in FY 2009 are estimated to be \$100.9 million and include 590 full-time-equivalent positions.
 - **Other funds** – Other non-reportable expenditures are clearing and suspense funds, revolving funds, inmate or patient benefit and trust funds, bond proceeds, and non-expense items, such as refunds. Bond proceeds are not included in the *Governor's Budget Report*, except for those of the Comprehensive Transportation Program.

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- **Policy decisions to exclude certain expenditures from the budget**
 - Over the years, there have been different policy decisions, usually recommended by the Governor and accepted by the Legislature, to remove certain expenditures from the state budget. Examples would include:
 - University of Kansas Hospital Authority (\$170.9 million in FY 2000);
 - KPERS retirement benefits (\$978.4 million in FY 2009);
 - Bioscience Authority (\$47.0 million in FY 2009);
 - Homestead Property Tax refunds (\$51.0 million in FY 2002);
 - Regents Faculty of Distinction Program (\$4.2 million in FY 2009); and
 - State Housing Trust Fund (\$4.0 million).
- The KU Hospital Authority and the Biosciences Authority were established as quasi-governmental entities by the Legislature and their budgets are not reviewed by the Legislature. KPERS retirement benefits were excluded since some of the employer contributions, which make up part of the KPERS Fund would have been previously reflected in the state budget. The decisions to exclude some of the other above items from the state budget are not clearly stated in any documentation that I could find.
 - Demand transfers to revenue transfers — Starting in 2003, several State General Fund demand transfers were switched to State General Fund revenue transfers. This has the effect of taking those expenditures out of the State General Fund 7.5 percent ending balance calculation and lowering State General Fund expenditures. For example, in FY 2003 the Local Ad Valorem Tax Reduction Fund (\$52.5 million) was switched to a revenue transfer. The \$52.5 million was taken out of State General Fund receipts and transferred to a special revenue fund (with the same expenditure purpose) and expended as special revenue fund dollars, rather than a State General Fund dollar. Other examples of State General Fund revenue transfers would include the School District Capital Improvement Fund (\$74.2 million in FY 2009) and the Property Tax Reimbursement to Local Taxing Subdivisions (the "slider") (\$44.8 million in FY 2009).

Attached to this memorandum is a table reflecting selected non-reportable expenditures and previous State General Fund expenditures that were shifted off-budget or not reflected in the state budget. On that same table, there is a listing of demand transfers that were switched to revenue transfers. In addition, there is additional detailed information about selected agencies' non-reportable expenditures.

I hope this information responds to your inquiry. If you would like additional information or if you need clarification, please let me know.

Selected Non-reportable and Off budget expenditures for State Agencies

Department of Administration:

Non-reportable expenditures for the Department of Administration include expenditures for services performed for other state agencies and are reflected in the reportable expenditures of other state agencies.

For Fiscal Year 2011:

- Total non-reportable expenditures recommended by Governor : \$94,883,538
- Total non-reportable expenditures requested by the Agency : \$94,883,538

Non-reportable expenditures recommended by the Governor by Program:

- Administration - \$1,109,583
- Printing and Surplus Property - \$5,499,818
- Accounts and Reports - \$11,230,833
- DISC - Off Budget - \$45,685,283
- Personnel Services - Off Budget - \$346,885
- Facilities - Off Budget - \$28,609,302
- Debt Service - Off Budget - \$1,711,834
- Capital Improvements - \$690,000; including, \$400,000 for Special Maintenance and Repair, \$75,000 for the Printing Plant, \$50,000 for rehab and repair in Surplus Property, \$165,000 for parking lot and sidewalk maintenance.

Non-reportable expenditures requested by the agency are identical to the Governor's recommendation for FY 2011.

For Fiscal Year 2012:

- Total non-reportable expenditures recommended by Governor : \$99,200,736
- Total non-reportable expenditures requested by the Agency : \$99,179,836

Non-reportable expenditures recommended by the Governor by Program:

- Administration - \$1,104,782
- Printing and Surplus Property - \$5,339,185
- Accounts and Reports - \$13,708,896
- DISC - Off Budget - \$47,398,446
- Personnel Services - Off Budget - \$351,875
- Facilities - Off Budget - \$29,635,421
- Debt Service - Off Budget - \$1,641,231
- Capital Improvements - \$690,000; including, \$400,000 for Special Maintenance and Repair, \$75,000 for the Printing Plant, \$50,000 for rehab and repair in Surplus Property, \$165,000 for parking lot and sidewalk maintenance.

Department of Agriculture:

Allow the Department of Agriculture to purchase a vehicle for up \$28,000, all from the motor pool fund, for a non-reportable/off budget expenditure for replacement of an agency pickup truck that currently has 180,000 miles. The motor pool fund gains receipts from fees paid by agency programs for use of the agency's vehicles. This fund is also used to pay for vehicle maintenance and repair. The request would purchase a new four door half-ton 4x4 pick up for use in areas where 2 wheel-drive would not be adequate.

- FY 2012 Agency Estimate - \$28,000

Office of Administrative Hearings:

Funding for the Office of Administrative Hearings is derived entirely from other state agencies that provide adjudicative proceedings in accordance with the Kansas Administrative Procedures Act. Larger state agencies are billed based upon contracts entered into with the Office of Administrative Hearings, while smaller agencies pay an hourly rate of \$72 per hour for services. The contracts provided take into account the level of service provided and the amount of cases that are filed with the Office of Administrative Hearings, and the agency's expenditures are budgeted at the amount of anticipated fees charged to other state agencies for contracted services.

Since agencies requesting OAH services account for the expenditure of funds related to hearings, the entire OAH budget is non-reportable.

Agency Estimated Expenditures:

- FY 2010 Actual - \$854,182
- FY 2011 Agency Estimate - \$910,472
- FY 2012 Agency Estimate - \$932,092

Attorney General:

The program administers grants for the e-911 program which is shown as reportable in the Department of Administration budget. The Governor's recommendation moved the program from the Governor's Office to the Attorney General for FY 2012.

- FY 2012 Agency Estimate -\$6,675,445 (E-911 grant administration)

Governor's Office:

The program administers grants for the e-911 program which is shown as reportable in the Department of Administration budget. The Governor's recommendation moved the program from the Governor's Office to the Attorney General for FY 2012. The Program was reportable within the Department of Administration.

- FY 2011 Agency Estimate -\$6,775,401 (E-911 grant administration)

Department of Health and Environment-Division of Health Care Finance:

State Workers Compensation – Expenditures for Workers Compensation assessments is included in individual agency budgets, so payments through KDHE are non-reportable.

- FY 2012 Agency Estimate -\$27,281,291- (Only-in Health Policy Authority)

State Employee Health Plan – Expenditures for employer contributions are reflected in individual agency budgets, so claims through KDHE are off budget with administration expenditures of \$1.2 million are non-reportable.

- FY 2012 Agency Estimate -\$531,048,906 (Only-in Health Policy Authority in FY 2011)

Kansas Department of Corrections:

Kansas Correctional Industries is an off budget enterprise within the Department of Corrections. KCI is entirely self-supported from the manufacture and sale of products and services purchased by various state and local agencies.

- FY 2011 Governor's Recommendation - \$8,485,417
- FY 2012 Governor's Recommendation - \$9,062,356.

Health Care Stabilization Fund:

In both years, \$29.2 million is in the Administration program for insurance principal and premium payments and accrued interest purchased, and \$600,000 is in the Claims program for claims and benefits payments. These are all non-expense dollars because they do not have any budgetary implications; they are dollars intended for future payment of claims.

- FY 2011 Governor's Recommendation - \$29.8 million
- FY 2012 Governor's Recommendation - \$29.8 million

Kansas Commission on Veteran's Affairs:

KCVA's Medicaid expenditures are considered off-budget according to IBARS. The reason is that the dollars are already counted once as part of Department on Aging, since it reimburses Medicaid nursing facility expenditures.

- FY 2011 Governor's Recommendation - Soldiers' Home Medicaid Fund: \$130,216
- FY 2011 Governor's Recommendation - Veterans' Home Medicaid Fund: \$180,000
- FY 2012 Governor's Recommendation - Soldiers' Home Medicaid Fund: \$158,647
- FY 2012 Governor's Recommendation - Veterans' Home Medicaid Fund: \$190,000

Kansas Public Employee Retirement System:

Non-reportable expenditures for KPERS include expenditures for retirement contributions and are reflected in the reportable expenditures of other state agencies. These expenditures include retirement benefits, death and disability, optional life insurance, and contribution returns.

- FY 2010 Actual - \$1,112,355,583
- FY 2011 Governor's Recommendation - \$1,192,142,864
- FY 2012 Governor's Recommendation - \$1,278,235,164

Department of Social and Rehabilitation Services:

Food Assistance provides individuals with less than 130.0 percent of the federal poverty level with assistance with food costs. Food Assistance expenditures are not shown in the state budget, for an off budget all federal expenditures.

- FY 2010 Actual - \$383,275,641 for 259,609 individuals
- FY 2011 Agency Estimate- \$462,234,076 for 305,800 individuals
- FY 2012 Agency Estimate - \$540,049,021 for 352,000 individuals

Department of Transportation:

Non-reportable expenditures for the Kansas Department of Transportation (KDOT) include expenditures from bond funds when the money is initially spent for construction projects. The debt service for the bonds is reflected as reportable when the principal and interest payments are made by KDOT. The magnitude of non-reportable spending by KDOT is significant with \$428.5 million in expenditures for FY 2011. Assistance expenditures are not shown in the state budget, for an off budget all federal expenditures.

For Fiscal Year 2011:

- Total non-reportable expenditures recommended by the Governor: \$428,475,596

Non-reportable expenditures recommended by the Governor by Program:

- **Management:** \$251,500, and include expenditures from the conference fees account (\$250,000) and the remittance of collected sales tax (\$1,500);
- **Local Support Program:** \$38.0 million, which includes payments for the Rail Loan Program and transfers to other state agencies for safety programs;
- **Maintenance:** \$1.0 million for interagency transfers, including motor fuel sales and for radio purchases;
- **Construction Program:** \$389.2 million for reimbursements to the Kansas Department of Revenue, enhanced traffic control with the Kansas Highway Patrol, and bond proceeds and debt service. Bond proceeds and debt service make up the majority of the non-reportable category in this program totaling \$388.1 million.

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Expenditures shifted to off budget/Selected revenue transfers

	Year removed/ started	Original Amount	FY 2011 Estimate
Kansas Public Employees Retirement Benefits	1999	\$ 472,547,000	\$ 1,192,142,864
University of Kansas Hospital Authority	2000	170,924,000	-
Senior Services Trust Fund	2002	51,000,000	-
Homestead Property Tax Refunds	2002	14,100,000	42,900,000
Regents Faculty of Distinction Program	2004	336,962	1,553,160
Local Alcoholic Liquor Fund	2005	20,100,000	26,000
Cabela's Bond Financing	2005	8,000,000	Complete
Regents Research Corporation Bonds	2005	3,064,068	9,947,317
Rental Motor Vehicles Excise Tax Fund	2005	2,800,000	3,200,000
Kansas Speedway Bond Financing	2005	1,600,000	Complete
Biosciences Authority	2006	19,889,268	35,000,000
Spirit Aerosystems Incentive	2006	3,400,000	3,724,860
Eaton MDH Spec. Qual. Industrial Mfgr Fund	2008	600,000	327,659
State Housing Trust Fund	2009	4,000,000	-
Cessna Incentive	2009	1,150,000	Complete
Correctional Industries	2011	8,120,417	8,120,417
LearJet Bond Financing	2011	3,000,000	3,000,000
Siemens Bond Financing	2011	200,000	200,000

Demand transfers (State General Fund expenditure) changed to revenue transfers (non-State General Fund expenditure)

Local Ad Valorem Tax Reduction Fund	2003	\$ 52,500,000	\$ -
School District Capital Improvement Fund	2003	47,216,000	97,176,844
County and City Revenue Sharing Fund	2003	33,500,000	-
Special City and County Highway Fund	2003	11,200,000	-
State Water Plan Fund	2003	6,000,000	1,348,245
Property Tax Reimb. to Local Tax Subdiv.	2008	25,860,360	-



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Monday, March 14, 2011

Posted on Mon, Mar. 14, 2011

'Off budget' items exceed \$1.3 billion in Kansas budget

BY JOHN MILBURN
Associated Press

TOPEKA — The official Kansas budget is more than 1,000 pages long and shows the state collecting and spending about \$6 billion in fees and taxes.

Throw in federal funds and revenue from a few other sources and that figure jumps to more than \$14 billion.

But not shown in the budget is some \$1.3 billion in government programs and expenditures — and the figure is growing.

Those expenditures are considered off-budget but are still a function of Kansas government. Legislators don't typically see an accounting for those dollars as the budget bill is debated. But unless they are members of the House or Senate budget committees, few legislators ask enough questions to shed light on the true spending picture.

"I don't think we give nearly enough scrutiny to the off-budget items," said Senate Vice President John Vratil, R-Leawood and a member of the Senate's budget committee. "They just never come to our attention unless there's a problem."

The problem this year is Kansas faces a projected \$493 million shortfall in the 2012 budget. Republican Gov. Sam Brownback has ordered a spending freeze and asked legislators to make cuts. Those reductions are coming from the state general fund, the only source of revenue controlled by legislators.

In some cases, off-budget expenditures are reviewed by public entities established over the past 60 years, such as the Kansas Turnpike Authority, University of Kansas Hospital and the Kansas Biosciences Authority. Others are expenditures approved to help stimulate economic growth, such as financial assistance to aviation firms to retain jobs.

Legislators said a 90-day session leaves little time to review all of government. But Vratil and Rep. Bill Feuerborn say, at the very least, a cursory review should be conducted on every spending item, on or off the budget.

"We have some issues and some assets, really, that at this time maybe the state needs to look at," said Feuerborn, D-Garnett. "My concern is that once it goes off-budget, if you can ask for information and they may or may not get it. You just lose total control of it. As a state, we shouldn't be doing that."

The governor's budget proposal contains some hints of the off-budget details. Officials with the state Division of Budget say legislators can always ask for more data, but few do.

The real figure for state government can approach \$22 billion in a given year. That includes any money that touches the state treasury, from pension payments to taxes collected by local units of government returned almost immediately.

Agencies also charge one another for services, such as printing, maintenance and technology, provided by divisions of the Department of Administration.

Budget officials count revenue once when it is appropriated to an agency, then it goes off-budget when it is spent for such services, which may change hands multiple times within state government. This is done for accounting purposes, but legislators say it masks true spending.

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Brownback spokeswoman Sherriene Jones-Sontag said the governor "supports greater transparency in how taxpayer dollars are spent and would support a legislative review."

Doug Anstaett, president of the Kansas Press Association, said elected officials in Kansas, for the most part, earn an "A" or "B" for open government, but there are moments when they default to denying the public access.

Anstaett cites the House Republicans, who voted to close some caucus meetings to the public and media. He said the decision makes little sense considering the party controls the governor's office and has supermajorities in both houses of the Legislature.

"It always seems when push comes to shove, far too many of our public officials bail out on openness," Anstaett said. "They don't trust the public to be able to hear the truth, let alone deal with it."

Anstaett said the state has taken transparency a bit to the extreme in an effort to make the tracking of state expenditures easier for the public. He served on the Kansas Public Finance Transparency Board, which resulted in the development of KanView, an online database of state spending.

He said it opened up "huge amounts of information" on salaries and purchases. As a result, Anstaett said, special interest groups use the figures to argue that state funds are being "spent wisely, hoarded or wasted."

"So what we have now is more numbers that are politicized by either side of the debate," Anstaett said. "That's not necessarily helpful to the process of understanding where we spend our money, and why."

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