

## MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Marc Rhoades at 7:12 a.m. on March 21, 2011, in Room 346-S of the Capitol.

All members were present

Committee staff present:

Jim Wilson, Office of the Revisor of Statutes  
Nobuko Folmsbee, Office of the Revisor of Statutes  
Alan Conroy, Kansas Legislative Research Department  
J.G. Scott, Kansas Legislative Research Department  
Jarod Waltner, Kansas Legislative Research Department  
Shirley Morrow, Kansas Legislative Research Department  
Cindy O'Neal, Administrative Assistant, Appropriations Committee  
Kathy Holscher, Committee Assistant, Appropriations Committee

Others attending:

See attached list.

- Attachment 1 House Committee Adjustments as of March 18, 2011
- Attachment 2 Proposed Amendment to Reduce Selected State Employees Salaries
- Attachment 3 Kansas Corporation Commission – AARA update

Chairman Rhoades welcomed committee members and reviewed the meeting agenda. He stated that the Senate will be working the Mega Bill next week. With the committee recommendation to date the ending balance is \$44 million for FY 2012 or \$22 million below the Governor's recommendation, he added. Committee members received copies of the House Committee Adjustments as of March 18, 2011 for FY 2011, FY 2012 and FY 2013 (Attachment 1)

### **HB 2383: An act making and concerning appropriations for fiscal years ending June 30, 2011, 2012, 2013, 2014, 2015, and 2016.**

Representative Gatewood made a motion for an amendment to reinstate the funding for KAN-ED for FY 2012. The motion was seconded by representative Schwartz.

Representative Gatewood stated that USF funds that have been unspent and KAN-ED connects to over 440 members throughout the state and primarily in rural communities.

The motion was renewed. Motion failed.

Representative Gatewood made a motion for an amendment to remove \$5 million from the Fair Fares Program into SGF. The motion was seconded by Representative Schwartz.

Discussion followed by committee members regarding the program's economic impact in the state. Representative Schwartz stated that the Budget Committee Report recognized a lack of over-sight and accountability as a result of the performance audit, and recommended that the Legislature enact new procedures to ensure greater accountability and oversight of REAP.

The motion was renewed. Motion carried.

Representative Crum reported that \$2.3 million in the Governor's Ambulatory Health Plan from FY 2011 into the State General Fund (SGF) was the same action approved by the committee when the Social Rehabilitation Services budget was worked. This would require committee action to withdraw the committee's prior action and would not reflect a duplicate adjustments, he stated.

Representative Crum made a motion to withdraw the \$2.3 million savings in FY 2011 from SGF for Ambulatory Health Plan for FY 2011 and would accept the Governor's recommended allotment. The motion was seconded by Representative Kelley. Motion carried.

Representative Peck made a motion for an amendment to reduce legal services for prisoners to \$200,000.

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pg. 41 – line 24 of **HB 2383**. The motion was seconded by Representative Donohoe.

Representative Peck noted that legal services for Prisoner's, Inc. is a non-profit organization receiving SGF funding.

The motion was renewed. Motion carried.

Representative Kelley made a motion for an amendment to delete the expenditure for state issued cell phones by 50%, resulting in a \$1.75 million savings. The motion was seconded by Representative DeGraaf.

Discussion followed by committee members on determining agency needs and any impact the reduction would have on programs or services.

The motion was renewed. Motion carried.

Committee members received a copy of the Proposed Amendment to reduce Selected State Employees Salaries (Attachment 2), which was reviewed by Representative DeGraaf. He stated the amendment would reduce SGF portion of salaries of state officers by 7.5% and all other employees with salaries in excess of \$100,000 for FY 2012, employees making less than \$40,000 would receive no salary reduction, and employees making \$40,000 to \$100,000 would receive a salary (straight line) reduction from zero to 7.5%. He noted SGF savings for the amendment would be \$19 million for FY 2012.

Representative DeGraaf made a motion to approve the proposed amendment. The motion was seconded by Representative Peck.

Discussion followed by committee members regarding the proposed formula. It was noted that the effective date is upon approval of **HB 2383** and would continue through FY 2012.

J.G. Scott, Legislative Research Department, responded to questions from committee members. He stated that the reduction for an employee making \$45,000 would be \$281 or .06% for the year.

The motion was renewed. Motion carried.

Representative Ballard, Representative Carlin, Representative Feuerborn, Representative Gatewood and Representative Gordon requested the recording of their votes in opposition of the motion to be included in the minutes.

Representative McLeland made a motion for an amendment that reflects all salaried dollars are used for salaries and any salaried dollars that are not used for salaries would go into the SGF. The motion was seconded by Representative Brown.

Discussion followed by committee members regarding the issue of shrinkage, agency flexibility and adequate time for agencies to prepare budgets. It was noted that the amendment would allow for budgeted salaries that are not expended for a position that remains open but unfilled would go into the SGF.

The motion was renewed. Motion carried.

Representative Brown made a motion that would amend the language to exempt the Judiciary Branch. The motion was seconded by Representative DeGraaf.

Representative Brown responded to questions from committee members. He stated that the courts were concerned for furloughs and the need to keep the courts open with the flexibility to do so.

The motion was renewed. Motion failed.

Representative Ballard made a motion for an amendment to restore \$300,000 from the SGF for the Nutrition program if other funding sources are not identified by the secretary. The motion was seconded by Representative Feuerborn.

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Discussion followed by committee members and it was suggested that a funding update would be reviewed at Omnibus.

The motion was renewed. Motion failed.

Representative Sullentrop made a motion for an amendment to delete \$778,518 from the Judicial Council for performance reviews and transfer \$278,518 to the Department on Aging, and transfer \$500,000 to the Judicial Branch which would be transferred to the SGF and eliminate 3 FTE positions. The motion was seconded by Representative Donohoe.

Discussion followed by committee members regarding the impact of the elimination of the Judicial Performance Review Board.

Alan Conroy, Legislative Research Department, responded to questions by committee members. He stated that by statute some fees are collected, placed in SGF and allocated to the Judicial Branch. It was noted that 3.5% of the docket fees collected to into this program.

The motion was renewed. Motion carried.

Representative Lane made a motion for an amendment to reduce employee contribution for health care contributions by 10% for non-tobacco users. The motion was seconded by Representative Feuerborn. Motion failed.

Representative McLeland made a motion for an amendment that would reduce the Municipal University Operating Grant to \$5.543 million or by 50% . The motion was seconded by Representative Mast.

Representative McLeland responded to questions by committee members. He responded that this grant funding is for Washburn University, with is the only municipal university in the state. The savings captured would go into the SGF, he added.

The motion was renewed. Motion carried.

Representative Brown made a motion for an amendment that would take the FY 2012 budget of the SGF portion to the FY 2011 budget, representating a zero increase over FY 2011. The motion was seconded by Representative Donohoe.

Alan Conroy, Legislative Research Department, responded to questions from committee members. He responded that this amendment would hold the caseloads harmless in order to get to a 6.2% reduction. The Governor's budget recommendation from FY 2012 over FY 2011 represents a \$245 million increase and the propoportunately the balance of the SGF agencies would be reduced to get back to zero. The total for FY 2012 would at the FY 2011 level and zero increase in SGF spending. He stated that the FY 2016 Governor's projection reflects a 6% growth in revenue and a budget shortfall of \$502 billion.

Discussion followed by committee members. It was noted this amendment would impact all agencies and reducing budgets to get to a zero balance. Committee members suggestions included additional information in order to understand the full impact this reduction would have on agencies. It was noted that reductions of this size could be addressed on the House floor and importance of the budget committee process was emphasized.

The motion was renewed. Motion failed.

Representative Kelley made a motion for an amendment that state employee travel arrangements are to be made on state issued credit cards allowing the state to capture travel rewards for use towards future travel. The motion was seconded by Representative Peck.

Representative Kelley responded to questions from committee members. She stated that sales tax is not charged to state issued credit cards, and that the points would be tracked by the Department of Administration.

The motion was renewed. Motion carried.

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Representative DeGraaf made a motion for an amendment for a global change to all fee funded agencies where spending authority was increased solely to capture the 20% surcharge, this same amount would be reduced back so that the spending authority has not been granted to the fee funded agencies for the 20% surcharge. The motion was seconded by Representative McLeland.

Representative DeGraaf responded to committee members questions. He stated that the money would stay with the agency. The amendment would be a consistent and a global change for the fee funded agency's and would limit their spending authority. He noted that there was confusion at the time budget reports were presented and a consistent application of this process was not in place at the time of budget committee reports. This amendment has no impact on the SGF only to define that the agency's spending authority is not necessary, the agency keeps the money in their account, and encourages the agency to lower fees, he added.

The motion was renewed. Motion carried.

Representative Schwartz reviewed information regarding American Recovery and Reinvestment Act (ARRA) funding for deferred maintenance capital improvement projects. Members received a copy of the response from the Kansas Corporation Commission (Attachment 3). It was noted that a project list for committee review has been requested.

Representative Schwartz made a motion to for an amendment to review ARRA funding for regent deferred maintenance capital improvement projects at Omnibus. The motion was was seconded by Representative Kelley. Motion carried.

Chairman Rhoades stated that the committee will reconvene following the recess of the House.

Meeting adjourned at 10:57 a.m.

Chairman Rhoades called the meeting to order at 12:27 p.m.

Representative Schwartz made a motion to move **HB 2383** favorable for passage as amended. The motion was seconded by Representative Pottorff.

Representative Sullentrop made a substitute motion to restore \$105,378 from the SGF to fund 1 FTE position for the Judicial Council. The motion was seconded by Representative Gatewood. Motion carried.

Discussion followed by committee members regarding continued amendments to **HB 2383**.

Representative Kelley made a motion for an amendment to add \$8.4 million in FY 2011 and \$9 million in FY 2012 in all funds to be moved back on budget for the correctional industries. The motion was seconded by Representative Donohoe.

Representative Kelley stated some of this is a new money stream that needs to be added to the bottom line, as this was an off-budget item in the Governor's recommendation that should be reviewed.

The motion was renewed. Motion carried.

Representative Kelley made a motion for an amendment to move \$5 million for EDIF for the Fair Fares program to the SGF. The motion was seconded by Representative Brown. Motion carried.

Representative Kelley made a motion for an amendment to adjust the transfer to the Kansas Bio Science Authority of \$35 million to \$30 million. The motion was seconded by Representative Donohoe.

Representative Kelley noted that there have been concerns raised with this department. Discussion followed by committee members regarding the importance of this department and its ability to help build the economy. A list of questions submitted by the subcommittee have not been responded to by this department and would be helpful to review at Omnibus, it was noted.

Representative Kelley withdrew the motion, which was approved by the second to the motion.

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Chairman Rhoades made a motion for an amendment to close government at 3:00 p.m. on Fridays. The motion was seconded by Representative Brown.

Chairman Rhoades stated this would represent a \$21.1 million savings to the state in salaries and wages, and \$1.5 million savings to the state for utility use.

Discussion followed by committee members regarding all of the reductions to date that have been made to employee salary and benefits, scheduling flexibility for agencies and employees.

Chairman Rhoades withdrew the motion, which was approved by the second to the motion.

Chairman Rhoades stated that he will be meeting with department secretaries to look at cost savings ideas, i.e. shorten work weeks, KPERS and overtime.

Representative Schwartz renewed the motion to move **HB 2383** as amended. The motion was seconded by Representative Pottorff.

Discussion followed by committee members. It was noted that additional budget cuts could be made on the floor and further amendments will be forthcoming.

The motion was renewed. Motion failed.

Representative Brown made a motion for an amendment that would reduce the Base State Aid Per Pupil by \$75 or \$50 million of base. The motion was seconded by Representative Donohoe.

Representative Brown responded to questions from committee members regarding the impact on individual school districts. He stated that this recommendation would effect the FY 2012 budget and allows districts adequate time to plan for the reduction. It was noted that the Governor's recommendation would take the base to \$3780.

Reagan Cussimano, Legislative Research Department, responded to questions from committee members. The EduJobs funds of \$85.9 million was used to supplant SGF. In previous year's budgets approximately \$55 million was in Special Education in Part B ARRA funds, which was used FY 2010 to supplant SGF again. \$16 million added in FY2012 to meet maintenance of effort requirements. She stated that Special Education dollars cannot be used for other purposes and has no flexibility for use other than for Special Education purposes.

The motion was renewed. Motion failed.

Representative Kelley reviewed a tax recommendation for the House Transportation Budget Committee Report.

Representative Kelley made a motion for an amendment that the \$20 million for FY 2011 and beyond years projected in state highway tax dollars would go back into the SGF. Representative Brown seconded the motion.

Representative Kelley responded to questions from committee members. She stated that the amendment is \$20 million in addition to reductions already recommended.

Discussion followed by committee members. It was noted that \$325 million was approved in committee for bonding authority for the TWORKS program, and this would reduce the ability to handle the debt service. A proviso was passed last week allowing \$50 million in bonding authority in FY 2012 with the approval of the State Finance Council. The transfer of \$200 million to the SGF was a borrowed amount, with \$50 million in bonding authority with the approval of the Finance Council. The current debt for the Kansas Department of Transportation is \$1.7 million.

The motion was renewed. Motion failed.

Representative DeGraaf made the motion to table further discussion and action on **HB 2383** until tomorrow's committee meeting. The motion was seconded by Representative Sullentrop. Motion carried.

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The meeting adjourned at: 2:32 p.m.

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Marc Rhoades, Chairman