

## MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairperson Marc Rhoades at 9:00 a.m. on Thursday, January 12, 2012 in room 364-S of the Capitol.

All members were present except:

Representative Lane - excused

Committee staff present:

Alan Conroy, Director, Legislative Research Department  
J.G. Scott, Chief Fiscal Analyst, Legislative Research Department  
Dylan Dear, Senior Fiscal Analyst, Legislative Research Department  
Michael Wales, Fiscal Analyst, Legislative Research Department  
Jim Wilson, First Assistant, Office of Revisor of Statutes  
Jill Wolters, Senior Assistant Revisor, Office of Revisor of Statutes  
Nobuko Folmsbee, Senior Assistant Revisor, Office of Revisor of Statutes  
Cindy O'Neal, Administrative Assistant, Appropriations Committee  
Kathy Holscher, Committee Assistant, Appropriations Committee

Others in attendance:

See attached list.

Chairman Rhoades welcomed committee members and reviewed the meeting agenda. New committee member, Ward Cassidy was introduced.

*Representative Gatewood made a motion to introduce legislation regarding the Kansas Equine Education Promotion Board. The motion was seconded by Representative Feuerborn. Motion carried.*

## CONTINUATION SHEET

Minutes of the HOUSE APPROPRIATIONS Committee at 9:00 a.m. on Thursday, January 12, in room 346-S of the Capitol.

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Alan Conroy, Director, Legislative Research Department, presented an update on the Budget and Consensus Revenue Estimates for FY 2011, FY 2012 and FY 2013 (Attachment 1). He stated that the Actual FY 2011 receipts represent a 1.9 % increase or \$107 million above the April revenue estimates, which was primarily due to individual income tax receipts. A review of the Consensus Revenue Estimates followed. Alan Conroy discussed projections for FY 2012 and FY 2013 as related to Kansas personal income, employment, agriculture, oil and gas and inflation rates. He stated that the FY 2013 estimate is approximately \$46 million above the revised FY 2012 amount, which was a result of State General Fund (SGF) transfers from the State Highway Fund, expanded gaming receipts, and tax receipts. He noted that the transfer of funds from the SGF to the Bio Science Authority will be made later this year. The projected ending balance for SGF is approximately \$450 million or 7.2% over the revised FY 2012 estimates. In response to committee member's questions, Alan Conroy stated that the date of the SGF transfer to the Bio Science Authority has not been determined and the timeframe for federal matching dollars.

Steve Anderson, Director of Budget, Office of the Governor presented an overview of the FY 2013 Governor's Budget Report (Attachment 2). He stated that the FY 2013 budget recommendations exceed the 7.5% ending balance. Steve Anderson reported that no highway fund transfers will be used, ELARF money will be used to pay down debt, investments have been targeted in higher education and commitments to program beneficiaries will be met. A review of a five year budget forecast followed. He stated that the new K-12 school finance proposal would be effective in FY 2014. A review of the school finance costs for general State aid, maintenance of effort requirements, technical education formula and promoting postsecondary institutions in order to increase access and program enhancements followed. A review of public safety issues followed. He noted that an additional trooper class would be funded, repairs to the KBI headquarters, the addition of a criminal investigation unit, enhanced forensic lab at Washburn University, establishment of fund for future disasters, consolidate regulation and investigation of law enforcement officers under the Attorney General and addressing short-term prison capacity needs. He reviewed the Governor's Budget recommendation regarding Health and Human Services. The KanCare managed care model for the state's Medicaid system would represent a \$32.1 million estimated savings, consensus caseloads would be fully funded, expansion of the Sexual Predator Treatment Program, facility and program funding and proposed reorganization in relation to Medicaid Reform were highlighted in the Governor's budget. Additional areas reviewed included the Voluntary Retirement Incentive Program, banking regulations, Creative Industries Commission, marketing State of Kansas agricultural products and Wildlife, Parks and Tourism funding and debt reduction. The Governor's Tax Plan would provide fiscal stability, create prosperity and growth potential, he added. In order to help finance this plan the elimination of the two-year severance tax exemption on wells producing more than 50 barrels per day, the sales and use tax rates would remain at the current levels, the corporate income tax rate would remain unchanged. The impact would positively impact the low income individuals.

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Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

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A review of how Kansas compares to other states regarding to personal income tax rates followed.

Steve Anderson responded to questions from committee members. He stated that an economic impact statement and cost benefit analysis would be required of the Arts Commission. He noted that the Kansas Arts Commission funding of \$200,000 would be restored in the Governor's Budget and would be placed under the New Creative Industries Commission in the Department of Commerce. The loss of federal match funding for the Arts Commission was discussed. Discussion followed regarding debt repayment from gaming funds, transfer of two CPOST positions to the Attorney General's Office. The transportation funding from sales and use tax rates would be retained at the current level, he noted. The competitive bid process for Medicaid providers, the impact of the severance tax and enhanced funding for oil wells was reviewed. The debt pay off for the Kansas State Fair and increased revenue options is under review, he noted. The Kansas Bio Science Authority forensic audit has not been conducted to date.

Chairman Rhoades thanked Mr. Anderson for his presentation and reviewed the agenda for the next committee meeting. He asked members to contact him regarding topics or presenters they would be interested in hearing from in committee meetings.

The meeting adjourned at 10:01 a.m.