

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 9:30 am on Thursday, April 23, 2020, via Zoom video conferencing.

All members were present

Committee staff present:

Amy Deckard, Legislative Research Department
David Wiese, Office of Revisor of Statutes
Jill Wolters, Office of Revisor of Statutes
Matthew Moore, Legislative Research Department
Nancy Fontaine, Committee Assistant
Scott Abbott, Office of Revisor of Statutes
J.G. Scott, Legislative Research Department
Dylan Dear, Legislative Research Department
David Fye, Legislative Research Department
John Hess, Legislative Research Department
Aaron Klaassen, Legislative Research Department
Megan Leopold, Legislative Research Department
Amit Patel, Legislative Research Department
Victoria Potts, Legislative Research Department
Murl Riedel, Legislative Research Department
Norma Volkmer, Legislative Research Department
Steven Wu, Legislative Research Department
Martin de Boer, Legislative Research Department
Charles Dupre, Legislative Research Department
Matthew Willis, Legislative Research Department
Chris Courtwright, Legislative Research Department
Zach Fridell, Office of Revisor of Statutes
Laura Pryor, Chief of Staff

Conferees appearing before the Committee:

Ashley Goss, Kansas Department of Health and Environment
Secretary Delia Garcia, Kansas Department of Labor
Larry Campbell, Director of the Budget

Others in attendance:

No list available

Welcome/Video Conferencing Expectations

Chairperson McGinn welcomed members and staff to this video conference meeting and read a

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statement provided by Jill Wolters, Office of the Revisor of Statutes, to confirm the rules of using Zoom for this meeting. ([Attachment 1](#))

Chairperson added that this meeting is informational only and the members will not be taking any actions at this time.

Update on COVID-19

Ashley Goss, Deputy Secretary of Public Health for the Kansas Department of Health and Environment, provided an update on COVID-19 regarding the current number of cases, hospitalizations and deaths. There are a number of clusters of cases in some areas most of which are in correctional and nursing facilities. She indicated that we may see an uptick in the number of cases but this will be due to an increase in testing. The stay-at-home order has provided quite a bit of success and they are hoping that within the next week the number of cases will peak and start to go down. KDHE did receive some federal funding to help with response to the virus. Ms. Goss responded to questions from Committee members.

Update on Unemployment Services – Secretary of Labor

Secretary Delia Garcia, Department of Labor, provided an update on Unemployment Services. There has been an unprecedented number of claims. They are using a mainframe system to process the claims and this presents some challenges including painstaking review and testing of code to implement changes in the length of time people can draw benefits as well as the amount of benefits allowed. They also use a web-based system for the public to use creating additional difficulties with speed of the interface with the mainframe. The Labor Department is also short on customer service representatives(CSRs) to help those seeking benefits as the demand has been relatively light for several years. They are dealing with this by working with other state departments and the Office of the Governor to increase the number of representatives. They are also hiring back prior CSRs and other employees who had been considered non-essential to help with customer support. The Secretary also discussed the CARES Act and the aspects of it that impact the Labor Department. Secretary Garcia responded to questions from Committee members. ([Attachment 2](#))

Federal Funding for COVID-19 Briefing – KLRD

Amy Deckard, Kansas Legislative Research Department, provided information on federal funding relating to COVID-19. The funding chart that was distributed electronically displays funds relating to the federal bills that have been passed. Ms. Deckard noted that it does not include funding sent directly to individual Kansans. ([Attachment 3](#))

Ms. Deckard then addressed the memo that was also distributed electronically to members. **SB 66** passed earlier this session appropriated \$65 million from the State General Fund for COVID-19 relief. There is language in the bill that, if Medicaid Expansion is not passed by the 2020 Legislature, \$17.5 million of those funds will be transferred to the State Finance Council for a Corona Virus prevention fund in FY 2021. ([Attachment 4](#))

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Thus far there have been three federal bills passed and there is action on a fourth bill. The largest source of funding for the state is the CARES Act, which was signed into law on March 27th. These funds may only be used for necessary expenditures incurred due to the public health emergency and may not be used to directly fill any revenue shortfalls. Ms. Deckard continued her briefing by discussing the major highlights of the memo and then responded to questions from Committee members.

John Hess, Kansas Legislative Research Department, responded to questions regarding education funding from Committee members.

Human Services Consensus Caseload Memo – KLRD

Megan Leopold, Kansas Legislative Research Department, provided an update on Human Services Consensus Caseloads for FY 2020 and FY 2021. The caseload estimates include expenditures for Temporary Assistance for Families, the Reintegration/Foster Care Contracts, KanCare Regular Medical Assistance and KDADS Non-KanCare. The estimate for FY 2020 is an increase of \$12.4 million from all funding sources and State General Fund decrease of \$106.1 million compared to the FY 2020 approved. The estimate for FY 2021 is a decrease of \$21.8 million from all funding sources and State General Fund increase of \$65.2 million above the FY 2021 approved. The combined estimate for FY 2020 and FY 2021 is an all funds decrease of \$9.4 million and a State General Fund decrease of \$40.9 million below the approved amount. Ms. Leopold responded to questions from Committee members. ([Attachment 5](#))

Norma Volkmer, Kansas Legislative Research Department, responded to questions regarding foster care from Committee members.

GBAs – Director of the Budget

Larry Campbell, Director of the Budget, provided an overview of Governor's Budget Amendment (GBA) Number 1, which included the following items:

1. Human Services Caseloads adjustments
2. Home and Community Based Services adjustments
3. Consensus Revenue Estimate adjustments

Mr. Campbell indicated that he expects there will be two more GBAs as they sort through the requirements of federal funding guidance and then he responded to questions from Committee members. ([Attachment 6](#))

CRE Update – KLRD

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Chris Courtwright, Legislative Research Department, provided an overview of the most recent Consensus Revenue Estimates, which were determined at a meeting held last Monday. He has been doing this for 34 years and has never experienced anything like what we are seeing due to COVID-19. ([Attachment 7](#))

The tax date was pushed back from April 15th to July 15th, which decelerated income from FY 2020 into FY 2021. This further complicated an already difficult assessment. Another late breaking issue for them to consider was enactment of the federal CARES Act. The Kansas Department of Revenue estimated that the Act would reduce FY 2021 receipts by around \$70 million.

When the Consensus Revenue Group met Monday they had to take into account all this uncertainty and determined the best way forward is assume the middle of the bell shaped curve. Reality may be either much better or much worse than what the group discussed and there will be a great deal to untangle as we move into FY 2021. The CRE Group also discussed the issue of what does "recovery" mean. Even when people go back to work and can interact more socially and economically there will still be a new normal because of the impact of this on society as a whole.

State General Fund receipts as of the end of March had been up from the November estimate but none of the impact of the COVID-19 crisis had shown up. A great deal of their effort was spent trying to figure out the impact during the final quarter of this fiscal year on the major tax sources. They estimated that the amount of the shortfall anticipated will more than offset the amount we were ahead through March and that about \$645 million of receipts that otherwise would have come in in FY 2020 will now be pushed to FY 2021.

The U.S. Real Gross Domestic Product growth for CY 2020 has been slashed and CY 2021 has also been reduced but is estimated to be in a positive status. The Kansas Real Gross State Product is estimated to decline by 4.7 percent in CY 2020 but to remain at 1.8 percent for CY 2021. U.S. Personal Income growth rates have also been cut. Kansas Personal Income is expected to decline for both CY 2020 and CY 2021.

Mr. Courtwright continued by discussing the key economic sectors of agriculture as well as oil and natural gas. The COVID-19 pandemic has had a negative impact on agriculture futures. There may be some assistance from the CARES Act but many of the final rules are not known yet. In the energy sector, both gas and oil production is down and the price of oil has collapsed greatly impacting estimates.

By far the biggest downward adjustment for the two fiscal years combined is in individual income tax. Sales tax receipts were cut by a cumulative \$205 million. Compensating Use Tax may continue to remain strong into the future as more people buy on-line.

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In summary, Mr. Courtwright believed it is more useful to focus on the bottom line for both FY 2020 and FY 2021 together. All Consensus estimates are based on current law and there is still ongoing uncertainty about U.S. health, foreign, trade and tax policy as well as volatility due to the impact of COVID-19 on global and domestic markets. Mr. Courtwright responded to questions from Committee members.

SGF Profile – KLRD

J.G. Scott, Director of the Kansas Legislative Research Department, discussed the current SGF Profile, which may be found at the end of the Consensus Revenue Estimates Memo. The previous ending balances were healthy enough to get us through the end of FY 2020 but current revenue estimates are significantly less than previously anticipated. This profile does not include any of the funding related to federal funding for COVID-19 response. Mr. Scott responded to questions from Committee members and discussed the Governor's allotment authority.

Overview of Omnibus Items – KLRD

Amy Deckard drew members' attention to the memo that was distributed that includes items for Omnibus consideration. ([Attachment 8](#))

Final Comments

Chairperson McGinn expressed her appreciation to the staff members from the Kansas Legislative Research Department and the Kansas Legislative Office of Information Services who worked to put this meeting together as she feels it is important for the members to be up-to-date if the Legislature does reconvene for a veto session.

Chairperson McGinn adjourned the meeting at 12:55 pm.