

## MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:10 a.m. on December 15, 2009, in Room 545-N of the Capitol.

## Members absent:

Senator Vicki Schmidt (chairing a National Advisory Panel in Washington, D.C.)

## Committee staff present:

Alan Conroy, Kansas Legislative Research Department  
J. G. Scott, Kansas Legislative Research Department  
Michael Steiner, Kansas Legislative Research Department  
Estelle Montgomery, Kansas Legislative Research Department  
Christina Butler, Kansas Legislative Research Department  
Reagan Cussimano, Kansas Legislative Research Department  
Dylan Dear, Kansas Legislative Research Department  
Amy Deckard, Kansas Legislative Research Department  
Audrey Dunkel, Kansas Legislative Research Department  
Cody Gorges, Kansas Legislative Research Department  
Jonathan Tang, Kansas Legislative Research Department  
Jarod Waltner, Kansas Legislative Research Department  
Jill Wolters, Office of the Revisor of Statutes  
Daniel Yoza, Office of the Revisor of Statutes  
Jim Wilson, Office of the Revisor of Statutes  
Shirley Jepson, Committee Assistant

## Conferees appearing before the Committee:

Duane Goossen, Secretary, , Department of Administration  
Glenn Deck, Executive Director, Kansas Public Employees Retirement System  
Deb Miller, Secretary, Department of Transportation,  
Andrew Allison, Acting Executive Director, Kansas Health Policy Authority  
Don Jordan, Secretary, Department of Social and Rehabilitation Services  
Roger Werholtz, Secretary, Department of Corrections  
Jim Garner, Secretary, Department of Labor

## Others attending:

See attached list.

**Introduction of Proposed Legislation**

Senator Vratil moved to introduce legislation to enact transfers and implement appropriation changes as proposed by the Governor (9rs1278). The motion was seconded by Senator Lee. Motion carried on a voice vote.

Senator Taddiken moved to introduce legislation relating to crimes and punishments prohibiting text messaging on a cell phone while operating a vehicle (9rs1177). The motion was seconded by Senator Teichman. Motion carried on a voice vote.

**Review of Human Services Caseloads, School Finance Estimates, and Consensus Revenue Estimates**

Amy Deckard, Legislative Research Department, presented a review of Human Services Consensus Caseload Estimates for FY 2010 and FY 2011 (Attachment 1). Adjustments to the budgets as approved by the 2009 Legislature include the following:

- The estimate for FY 2010 is increased by \$24.3 million from the State General Fund (SGF) and \$40.2 million from all funding sources. The All Funds increase is due largely to increased estimates for Mental Health services, regular medical expenditures and Temporary Assistance to Families expenditures.
- The estimate for FY 2011 is increased by \$118.4 million from the SGF and \$52.6 million from all funding sources. The portion of expenditures anticipated to be funded by the federal government for the Medicaid program has decreased due to the end of the American Recovery and Reinvestment Act

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- (ARRA) funding at the end of December 2010.
- The combined increase for FY 2010 and FY 2011 is an all funds increase of \$91.8 million and a State General Fund (SGF) increase of \$142.7 million.

Responding to a question from the Committee, Ms. Deckard noted that the federal reimbursement rate under ARRA was a 70 percent federal/30 percent state match. When the funding from ARRA ceases in December 2010, the federal match will return to a 60/40 percent match.

Reagan Cussimano, Legislative Research Department, presented an overview of School Finance Estimates including revisions based on the November 2009 estimates ([Attachment 2](#)). Additional information, as requested by the Committee, was provided by Ms. Cussimano ([Attachment 3](#)). Major items include:

- Increase of \$100.2 million in general state aid above the approved budget mainly due to increase student enrollment of approximately 6,000 students, decrease in assessed valuation and increase in the number of students eligible for free and reduced lunch.
- Increase of \$41.8 million in supplemental state aid due to decrease in estimated local taxes.
- Increase of \$6.7 million in Capital Improvement Aid due to increase state obligation bonds totaling \$847.0 million passed in the November 2009 election.
- Decrease of \$3.6 million in Kansas Public Employees Retirement System (KPERs) due to the July allotment being reflected in the estimates.
- Increase of \$13.5 million for 26,500 full-time equivalency (FTE) special education students.

Ms. Cussimano noted that these estimates were made prior to the Governor's November 2009 allotment.

J. G. Scott, Legislative Research Department, presented an update of Transfers In and Out of the SGF ([Attachment 4](#)). Mr. Scott noted that the review is presented because of the significant increase in transfers in and out of the SGF of approximately \$257 million. Major differences between FY 2010 and FY 2011 transfers into the SGF include:

- \$3 million KPERs Death & Disability 4-mo. Moratorium in FY 2010; zero in FY 2011.
- \$54 million from Expanded Lottery Act Revenues Fund (ELARF), mainly privilege fees, to the SGF in FY 2010; zero in FY 2011.
- \$14 million from the KEY fund in FY 2010 that will not be available in FY 2011.
- \$25 million from the State Highway Fund in FY 2010 that will not be available in FY 2011.

Major transfers out of the SGF that were not made in FY 2010 include:

- \$6 million to the State Water Plan Fund in FY 2011.
- \$15 million for the Board of Regents' Infrastructure Maintenance Fund in FY 2011.
- Additional \$30 million or \$70 million total estimate to the Biosciences Initiative in FY 2011.
- \$43.9 million for the Business Machinery Slider in FY 2011.
- Approximately \$44.7 million for loan repayments to various agencies for FY 2011.

Alan Conroy, Legislative Research Department, presented an update on the State Budget Outlook, SGF Receipts Estimates for FY 2010 and FY 2011, Unemployment Rates for October 2009 and SGF Receipts July through November, FY 2010 ([Attachment 5](#)). Mr. Conroy noted that the Consensus Revenue Estimating (CRE) Group met on November 5, 2009, to review estimated revenues and make projections for the future of the State. Mr. Conroy stated that a great deal of uncertainty remains for the Kansas economy. It is underlined by very little projected growth in income and the expectation that unemployment will continue to increase during 2010. Research by the Federal Reserve indicates that Kansas has exited every recession later than the nation-as-a-whole. Total SGF receipts through November of FY 2010 were \$280.8 million, or 12.6 percent, below FY 2009 for the same period. Tax receipts only through November, FY 2010 were below the same period for FY 2009 by \$221.2 million, or 10.2 percent. The State is currently experiencing an unprecedented 4-year period of reduction in SGF tax receipts.

### **Update on Expanded Lottery Act Revenue**

Cody Gorges, Legislative Research Department, presented an update on the Expanded Lottery Act Revenues Fund (ELARF) ([Attachment 6](#)). Mr. Gorges noted that the Boot Hill Casino and Resort in Ford County is opening on December 15, 2009, resulting in a half-year of revenue in FY 2010 with a full-year of revenue anticipated in FY 2011 to be deposited in ELARF. One-time Privilege fees of \$50 million in FY 2010 from

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Wyandotte County and Sumner County have been received, deposited and earning interest at this time. This funding will not be available in FY 2011. It is not anticipated that the facilities in Wyandotte and Sumner Counties will be operating until FY 2012. At this time, there are no applicants who have meant the minimum investment requirements for a facility in Crawford/Cherokee County.

- The Committee requested information on where the interest on the privilege fees is deposited.

### **Update on Governor's Allotments, Response to Budget Shortfall**

Duane Goossen, Secretary, Department of Administration, presented an update on the Governor's allotments and solutions to address the current deficient in state revenues, fund and balance the FY 2010 budget, and proposed actions that will require the Legislature's approval ([Attachment 7](#)). The Governor's plan will reduce General State Aid to school to the FY 2006 funding level. In addition, the Governor will not propose a school funding supplemental bill to the 2010 Legislature. Mr. Goossen noted that the requirements for ARRA school funding requires the states to fund K-12 education at the FY 2006 level unless the state requests a waiver. There are no clear rules as to how the funding is calculated and differs from state to state. A number of transfers are also included in the Governor's proposal which require action by the Legislature.

### **Overview of K-12 Education and Regents and Institutions Funding**

Reagan Cussimano, Legislative Research Department, presented an overview of K-12 funding ([Attachment 8](#)). The overview includes the Governor's July and November allotments made within the Department of Education. The current SGF and federal economic stimulus funds Base State Aid Per Pupil (BSAPP) in FY 2010 is \$4,012 per pupil, a decrease of \$268 per pupil below the FY 2010 amount of \$4,280 as approved by the 2009 Legislature.

The Committee noted that these actions may result in a need for increased of funding at the local level.

Audrey Dunkel, Legislative Research Department, presented an overview of Postsecondary Education System Funding ([Attachment 9](#)). Ms. Dunkel stated that tuition rates at the regent universities for FY 2010 have increased between 3.9 percent and 8.5 percent.

- The Committee requested additional information on how the Board of Regents allocated funding to the Regent universities and how funding was distributed to the technical colleges and schools.

### **Review the Impact of FY 2010 Budget Reductions on Selected Agencies**

Glenn, Deck, Executive Director, Kansas Public Employees Retirement System (KPERs), presented a long-term funding update on KPERs ([Attachment 10](#)). Mr. Deck stated that it is important to address the unfunded liability issue as soon as possible.

Deb Miller, Secretary, Department of Transportation, presented information regarding the FY 2010 Budget Reductions, including FY 2010 revenue losses and prior reductions, the Governor's allotments, impact to the public, construction spending and the effect of future reductions ([Attachment 11](#)). Secretary Miller noted a concern that if there were additional transfers from the State Highway Fund (SHF) to the SGF, they would effect the state's credit rating, causing an increase in interest rates and liquidity fees. The Secretary stated that it is anticipated that less federal funding will be available to the state during FY 2010.

Andrew Allison, Acting Executive Director, Kansas Health Policy Authority (KHPA), presented an update on the Impact of Budget Reductions in FY 2009 and FY 2010 ([Attachment 12](#)). Mr. Allison stated that there is a concern that future spending reductions may not support compliance with Federal rules.

Don Jordan, Secretary, Department of Social and Rehabilitation Services (SRS), presented an update on FY 2010 Budget Reductions ([Attachment 13](#)). Secretary Jordan stated that further budget reductions is a concern because SRS is required to perform certain statutory duties tied to protection and safety such as investigating child and adult abuse; caring for children committed to the Secretary's custody and providing care and treatment to persons committed to the state psychiatric hospitals, the state security hospital, and the sexual

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predator treatment program, as well as services tied to federal programs and funding. The Secretary noted that the agency is seeing an increase in applications for food stamps.

Roger Werholtz, Secretary, Department of Corrections, presented an update on Proposed Reductions to Achieve FY 2010 Allotments, FY 2010 Budget Adjustments and FY 2010/2011 Budget Requests (Attachment 14). Secretary Werholtz stated that the Department anticipates a need for increased facilities in FY 2011.

Jim Garner, Secretary, Department of Labor (KDOL), presented an update on agency's budget concern (Attachment 15). Secretary Garner stated that KDOL is primarily federal and fee funded. Because of the increase in applications for unemployment benefits, the Secretary noted that funds in the Unemployment Benefit Trust Fund, from which unemployment benefits are paid, are almost depleted. The agency paid out over \$70 million in benefits in each of June and July. The current balance is approximately \$110 million and it is anticipated that the balance will be depleted in January 2010. The agency will request a loan from the Federal government in the amount of \$260-\$270 million for the first quarter of CY 2010. The loan is interest-free; however, the principal will need to be repaid at a future date. It is anticipated that the agency will continue to request quarterly loans from the federal government throughout CY 2010 and into CY 2011. Secretary Garner noted that 2007 legislation which reduced unemployment rates paid into the system included a trigger-mechanism indicating that if the balance in the unemployment benefit fund fell below a certain amount, the unemployment rates would revert back to pre-2007 rates. Because this threshold has been realized, unemployment rates will revert back to the pre-2007 rates on January 1, 2010. This will help to increase the balance in the fund; however, will not result in sufficient funds to cover benefits being paid out at this time..

### **Chairman's Request**

Chairman Emler requested that Committee members present items of concern to be addressed during the 2010 Legislative Session to the Chairman's office at any early date.

### **Adjournment**

The meeting was adjourned at 3:45 p.m..