Approved: January 26, 2015

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairperson Ron Ryckman at 9:00 am on Tuesday, January 13, 2015, 112-N of the Capitol.

All members were present except:
Representative Mark Hutton – Excused
Committee staff present:
J.G. Scott, Legislative Research Department
Dylan Dear, Legislative Research Department
Andy Chiamopoulos, Legislative Research Department
Nobuko Folmsbee, Office of Revisor of Statutes
Kathy Holscher, Kansas Legislative Committee Assistant
Jill Wolters, Office of Revisor of Statutes
Melinda Gaul, Administrative Assistant
Conferees appearing before the Committee:
No conferees present
Others in attendance:
See Attached List

Staff introduction
Chairman Ryckman welcomed committee members. Staff introductions followed.

Consensus Revenue Estimate
Chris Courtwright, Legislative Research Department, provided an overview of the Consensus Revenue Estimate process. He noted that the estimating process has recently been extended to include a three year fiscal consensus cycle.

Mr. Courtwright presented an overview of State General Fund (SGF) Receipts Estimates for FY 2015, FY 2016 and FY 2017 (Attachment 1) . The FY 2015 estimate represents a decrease of $205.9 million below the April 2014 estimate and reflects a revised estimate of $5.7 billion in receipts for FY 2014. The FY 2015 revised estimate is $5.8 billion, or an increase of $42.7 million attributable to the new income tax law and net change in transfers from the SGF. For FY 2017, an increase of $65.2 million in SGF receipts is projected. A review of the economic forecast included expected growth in the Gross Domestic Product, volatile energy prices and rising global tensions. Personal income is projected to increase by 3.8 percent, he noted. The impact of the individual income tax for FY 2013 reflects a $730 million reduction in SGF receipts and the projection for FY 2015 is an addition reduction of $153 million, $113 million in FY 2016, and $101 million in FY 2017. He stated that the Kansas Department of Labor data reflects an increase of 12,400 jobs from September 2013 to September 2014. A decline for the net farm income is expected, due in part to livestock producers rebuilding the herds following the drought conditions. It was noted that the price of oil had decreased significantly, and approximately 36 percent of all oil production is not subject to the severance tax. It is projected that the inflation rate is expected to increase by 1.8 percent in 2015 and 2 percent for 2016 and 2017. It is estimated that interest rates will continue to remain low, with an a projection of .14 percent for FY 2015, .17 percent for FY 2016 and .20 percent for FY 2017. For FY 2015, the revised SGF receipts is $5.7 billion, which represents a decrease of $205.9 million below the previous estimate. A review of the changes to individual income tax, effective January 1, 2015, reductions in the motor carrier fee and oil severance tax followed. For FY 2016, SGF receipts are estimated to be $5.8 billion, which reflects income tax rate cuts, itemized deduction changes and new SGF transfers. For FY 2017 the estimated is 1.1 percent above the FY 2016, due to additional income tax reductions and increased state aid transfers. A review of State General Fund Receipts contained in Table 1 and 2 followed.

Mr. Courtwright reviewed the Combined and Cumulative Impact of the 2012 Tax Law(Attachment 2) . The data reflects consensus revenue estimates and fiscal notes from the Department of Revenue over a cumulative 7 year time frame.

He discussed the SGF Receipts July through December of FY 2015 (Attachment 3) , which reflects the difference between estimated and actual receipts. The receipts total $6.5 million for FY 2015, which is .2 percent below the estimate and total receipts for FY 2015 are .8 percent or $22.5 million below FY 2014.

Mr. Courtwright responded to questions from committee members. As requested by committee members, additional information will be forthcoming regarding wage inflation and new job growth by sector.

Committee rules review

Chairman Ryckman stated that committee members have received copies of the Committee Rules (Attachment 4) and Conferees Rules (Attachment 5) , and he highlighted changes made to the rules.

Discussion followed by committee members.

Budget review

Dezeree Hodish, Legislative Research Department, provided an overview of the Expanded Lottery Act Revenues Fund (ELARF) Table (Attachment 6) . She noted that ELARF receives 22 percent of all expanded gaming revenues in the state. The total transfers and expenditures for FY 2014 through FY 2017 was reviewed. She noted that a zero ending balance for ELARF in FY 2014 through FY 2015 is estimated and that a negative balance is projected in FY 2016 of $23.3 million and $47.3 million in FY 2017.

DeZeree Hodish responded to questions from committee members. She stated that the increase for public broadcasting council bonds in FY 2017 will be reviewed for accuracy, and that the $3 million shortfall in gaming revenues was lower than projected in FY 2015 in the NE gaming zone. The addition of feature attractions in the casinos was discussed as a method of generating additional interest and revenues.

Consensus Caseloads

Bobbi Mariana, Legislative Research Department, provided an overview of the Consensus Caseloads Estimates for FY 2015, FY 2016 and FY 2017 (Attachment 7) . Estimates for FY 2015 reflects an increase of $106.6 million from all funding sources and $46.2 million from SGF above the approved FY 2014 budget, in FY 2016 an increase estimate of $126.4 from all funding sources and $76.6 million from the SGF above the FY 2015 revised estimate, and an increase of $32.9 million from all funding sources and $44.5 million from the SGF above the FY 2016 estimate. She highlighted significant changes in the caseload estimates which included Temporary Assistance to Families, KanCare Medical, Medicare and Medicaid Services, foster care services, costs associated with the Affordable Care Act Insurer Fee and Federal Medical Assistance Program (FMAP).

Bobbi Mariani, Legislative Research Department responded to questions from committee members regarding the formula used to calculate federal funding and state match for paying federal taxes.

Sharon Wenger, Legislative Research Department, presented information regarding the K-12 State Aid Summary for FY 2015, FY 2016, and FY 2017 (Attachment 8) . It was noted that more students are enrolled and fewer students are receiving free lunches. Base State Aid Per Pupil remained at $3,853 for FY 2015 and FY 2016, with a potential change in FY 2017 to $3,922. She reviewed the Local Option Budget (LOB) calculation to determine equalization with the school districts, which was determined by state law. The legislature's authorization to fully fund Capital Outlay Aid offered expanded use of money primarily for custodial purposes and property tax relief to school districts which enabled the districts to raise the Capital Outlay State Aid to the maximum of 8 mills. Sharon Wenger reviewed bond and interest aid, which enables districts to construct building projects. Projected budget reductions have increased districts' bonding authority to cover those costs. She stated that Kansas law states that Special Education would be funded at 92 percent of the excess cost. KPERS School received $5.5 million in FY 2015 in order to fully fund, which was over estimated based on increased teachers' salaries that did not occur.

Sharon Wenger responded to questions from committee members. It was noted that final bill that passed appropriated $129 million, but an additional $70 million is on-going for the LOB and Capital Outlay Aid. Discussion continued regarding student enrollment and weightings. As requested, additional information will be forthcoming regarding authorized and non-authorized use of Capital Outlay Aid for textbooks, and the statutory requirement for funding Special Education at 92 percent.

Closing Remarks

Chairman Ryckman reviewed the agenda for the next committee meeting.

Meeting adjourned at: 10:35 a.m.