

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairperson Ron Ryckman at 1:33pm on Thursday, April 21, 2016, 112-N of the Capitol.

All members were present except:

Representative Marc Rhoades – Excused

Representative Daniel Hawkins – Excused

Committee staff present:

Kathy Holscher, Kansas Legislative Committee Assistant

David Fye, Legislative Research Department

Jennifer Ouellette, Legislative Research Department

Jill Wolters, Office of Revisor of Statutes

Daniel Yoza, Office of Revisor of Statutes

J.G. Scott, Legislative Research Department

Melinda Gaul, Administrative Assistant

Conferees appearing before the Committee:

No conferees present

Others in attendance:

[See Attached List](#)

Update on: Consensus Revenue Estimates

Update on: Consensus Revenue Estimates

J.G. Scott, Assistant Director for Fiscal Affairs, Legislative Research Department, briefed the Senate Ways and Means and House Appropriations Committees on the April 20, 2016, State General Fund Revenue Estimates for FY2016 and FY2017. He reported to the committee that there have been some challenges with revenue estimating this year because of changes to the tax code, i.e., elimination of income taxes on some Limited Liability Corporations and partnerships and the lowering of individual income tax rates. Mr. Scott said tax revenue is lower than estimated from sales and oil and gas receipts, and from a decline in farm commodity prices. He reviewed the actual State General Fund Receipts for 2015 and the revised consensus estimates for FY2016 and FY2017. His report showed the reduced Revised 2016 State General Fund Receipts ([Attachment 1](#)).

Representative Finney asked for clarification concerning the decrease in cigarette excise tax collections while sales tax rates have increased. Mr. Scott explained that there has been a decline in smoking, and thus a decline in tobacco tax revenues. Representative Finney then asked if there was any indication that more tobacco products are being purchased online or across state lines. Mr. Scott said that question was considered but that the increase in the sales tax rate had only a slight effect on purchases.

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Senator Denning noted that he had analyzed sales tax receipts from 2004, comparing the brick and mortar sales tax receipts to sales tax generated from online sales. He found that internet sales are doubling every 3 years yet Kansas share is still reported as 85% from brick & mortar transactions and 15% from internet transactions. He was curious about why the increasing percentage of internet sales is not reflected in receipts.

Representative Ryckman, Jr. asked for further explanation on the trend for internet sales. Mr. Scott said he did not know the percent of internet sales in Kansas, but that typically Kansas experiences 4% annual growth in sales tax. He explained that if there is no nexus in Kansas, then sales taxes are not collected.

Representative Schwartz asked for information concerning the number of companies who are switching their tax status to Limited Liability Corporations for the purpose of avoiding income taxes. Mr. Scott indicated he would obtain the information for the committee members.

Senator Denning asked for a breakdown of some of the larger transfer amounts that were not itemized individually on the consensus report. Mr. Scott said the larger transfers to the State General Fund for FY2016 were an increased State Highway Fund transfer of approximately \$58 million, the Children's Initiatives Fund transfer increased to approximately \$11 million, and the Economic Development Initiatives Fund (EDIF) transfer was approximately \$10 million. In addition, some rarely used funds were discontinued, and those fund balances were transferred to SGF. For FY2017, he said, the State Highway transfer increased \$25 million, the KEY Fund transfer increased \$7 million, and EDIF increased approximately \$2.3 million.

Representative Lunn made the point that unlike the challenges that many other states are experiencing, revenue in Kansas continues to grow and thus shows resilience. This is despite national healthcare costs spiraling out of control with Obamacare, the fact that oil and gas prices have declined significantly, agriculture and commodities and the aviation industry are all depressed. He reminded the committee that there has been record spending on K-12 education, dramatic increases to KPERS contributions, and tax policy shifts and changes that have lowered rates (collapsing from 3 to 2 brackets) and eliminated the lowest 300,000 filers, the small business pass through, as the State has moved more from an income tax base to consumption tax base just as sales taxes have slumped. He further noted that Kansas has grown revenue, added 80,000 jobs, and experienced record new business applications. He asked Mr. Scott how Kansas has managed to grow revenue by nearly \$1 billion from \$5.19 billion in 2010 to \$6.15 billion projected for 2017 in the face of all the above while Oklahoma, for instance, is down by \$1.3 billion. He commented that we should keep all of this in perspective.

Senator Tyson requested that a list be sent to both committees showing the increases and impact of the other economic development programs, such as the PEAK Program. Mr. Scott said he would compile that information and forward it to the committee.

Update on: Consensus Caseload Estimates

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Bobbi Mariani, Managing Fiscal Analyst, Legislative Research Department, reported on the revised consensus caseload estimates for FY2016 and FY2017. Ms. Mariani's report also included the consensus caseloads estimates for Human Services, which she said summarizes all of the caseload categories for which estimates were done ([Attachment 2](#)) .

Representative Carpenter asked what generates the fees in the KDHE fee fund. Ms. Mariani said most of the fees come from the medical program fees, of which a high percentage is from drug rebates. Other fee fund receipts come from estate and medical recoveries, with the majority of these funds being used for caseloads.

Representative Finney questioned the reductions in the Department of Corrections and Juvenile Justice and asked if the reductions are included the Juvenile Justice reform bill (**SB367**). Justin Carroll, Principal Fiscal Analyst, Legislative Research Department, reported that this issue would be included in the Omnibus memo discussion in the afternoon, noting that they are currently being lapsed out of the budget but will need to be included when the law becomes effective.

Senator Arpke requested that 2 columns be added to the Human Services summary sheet on the last page of Attachment 2: 1) the number of staff, and 2) the number of people served, for each of the caseload areas.

Senator Denning pointed out that the Obamacare head tax has been waived for FY17 but will be coming online; he asked if legislators would receive a \$30-\$40 million surprise in November. Ms. Mariani explained that this tax is paid retroactively, and though they have not estimated 2018 (which will reflect the suspension in 2017), they are comfortable at the moment.

Update on: State General Fund Profile

J.G. Scott, Assistant Director for Fiscal Affairs, Legislative Research Department, explained the updated information for the State General Fund Profile for FY2014 - FY2017. The Profile summarized the actual and estimated revenues, expenditures and ending balances for the State General Fund actual for FY2014-15, and estimated amounts for FY2016-17 ([Attachment 3](#)) .

Update on: Governor's Budget Amendments

Shawn Sullivan, Director, Division of the Budget, explained the Governor's Budget Amendments dated April 20, 2016. Mr. Sullivan's handout showed total budget adjustments for expenditures and revenues for fiscal years 2016 and 2017. Included at the end of the Governor's report, were 3 different budget balancing options. Mr. Sullivan briefly explained each budget balancing option ([Attachment 4](#)) and distributed a Department of Budget General Fund Profile for each option proposed by the Governor([Attachment 5](#)) .

Representative Wolfe-Moore requested verification of the use of the tobacco money. She said she

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understood \$42 million would remain in the Children's Initiatives Fund and the discount amount would be \$16 million. She asked if there was a requirement that the discount amount be secured. Mr. Sullivan said it did not need to be secured and the risk would rest with the bondholder.

Representative Suellentrop requested an approximation of the discount rate and the net dollar amount that would be realized on the portion of the tobacco settlement under consideration. Mr. Sullivan replied that the amount over that which is earmarked for expenditures would be approximately \$158 to \$160 million. He explained that the amount of discount would be based on different variable factors; however, he expected it to be approximately 10 to 15 percent.

Senator Francisco asked Mr. Sullivan to expound on the Alvarez & Marsal Efficiency Study savings outlined in Option Two. He said these are efficiency savings that the Governor has authority to enforce through executive action, and they do not require action by the legislature, i.e., procurement, leasing, building surplus, and various other items.

Senator Kelly asked who would be doing the screening of the families for the Parents as Teachers Program to determine if they meet the criteria for risk. Mr. Sullivan said the school districts would do the screening. Senator Kelly stated further that she felt none of the options presented were good and she was sure other members of both committees and people in the audience had the same concern. She questioned the Governor's rationale for requesting more budget cuts without considering revenue enhancements. Mr. Sullivan replied that the Governor feels these are the best options at this point in time, and he doesn't feel this is the right time to raise taxes on small businesses.

Chairperson Masterson adjourned the joint meeting of the Senate Ways and Means and House Appropriations Committees at 11:10 a.m.

Opening Remarks

Chairman Ryckman called the Appropriations Committee meeting to order at 1:33 p.m.

Representative Highland made a motion to approve the minutes from the March 15, 16, 17, 18, 22 and 23, 2016 committee meetings. Representative Proehl seconded the motion. Motion carried.

Bill introductions

Representative Schwartz made a motion to introduce legislation regarding conflict resolution. Representative Suellentrop seconded the motion.

Jill Wolters, Office of the Revisor of Statutes, stated that there are seven conflicts carried over from the 2015 session to avoid two statutes on the books.

The motion was renewed. Motion carried.

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Discussion on: Omnibus Items

Chairman Ryckman stated that the Items for Omnibus Consideration will be reviewed by Legislative Research Staff. Committee members will be discuss and recommend the inclusion of items in the Omnibus bill ([Attachment 6](#))

Bobbi Mariani, Legislative Research Department, reviewed items for consideration for the Kansas Department of Health and Environment (KDHE) - Division of Health and Health Care Finance ([See attachment 6](#)).

Item A. The Human Services Consensus Caseload Estimates and GBA No. 1, Item 9, Page 5.

The new estimate for FY 2016 is an increase of \$100.2 million from all funding sources, including an increase of \$3.3 million for the State General Fund (SGF). The estimate for FY 2016 is an increase of \$2.1 million from the SGF and \$91.9 million from all funding sources. The agencies impacted are as follows: Department for Aging and Disability Services; Department for Children and Families; Department of Health and Environment and the Department of Corrections.

The committee recommended including this item in the bill.

Item B - SB 341

This bill has passed in one chamber, and the savings has been included in the Governor's Budget Report, she noted.

Item C - Consolidating the KanCare Budget for Caseload Expenditures in the Department of Health and Environment.

The accounting changes would require approval prior to preparing the November caseload estimates, which includes the two new budget years.

Discussion followed by committee members. J.G. Scott, Legislative Research Department, stated that historically expenditures were separated out for the adult care homes and the programs within KanCare. This proposal would combine expenditures for projections, and KDHE would submit reports reflecting expenditures for each agency's programs.

The committee recommended including this item in the bill.

Kansas Department of Commerce

Item A. Senate Substitute for HB 2509

This bill is in conference committee. The agency indicates the bill would increase revenues by \$1

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million and would be deposited in the administrative funds for Economic Development Initiative Incentive Program Applicant Fee Fund, STAR Bond Administrative Fee Fund, Private Activity Bond Administration Fee Fund and Kan-grow Engineering Administrative Fee Fund.

Item B. - **SB 474**

This bill has passed in one chamber. This bill as amended, would authorize the State Finance Council to oversee the Sale of the Kansas Bioscience Authority (KBA). The savings is \$25 million in SGF, from the sale of KBA assets, and is included in the FY 2017 Governor's Budget Report.

Discussion followed by committee members. It was noted that there are several related bills to **SB 474**.

Item C. Proviso to Include Expenditure Limit Reductions on IT Savings Certification.

The IT savings were transferred in the amount of \$127,547, as certified by the Division of Budget from the Department of Commerce EDIF Operating Grant account.

Committee members recommended including this item in the bill.

Item D - Kansas Bioscience Authority Grant Commitments

The committee recommended including this item in the bill.

Kansas Bioscience Authority

Item A - Reduce SGF transfer to the Kansas Bioscience Authority

Discussion followed by committee members. This reduction would not impact long term grant commitments, and there have been reduced staff and operational expenses, it was noted.

The committee recommended including this item in the bill.

Amy Deckard, Legislative Research Staff, reviewed items for Omnibus consideration (See attachment 6)

Children's Initiative Fund

A. Tobacco Settlement Revenue Estimates

The estimate for receipts from the tobacco settlement agreement for FY 2016 is approximately \$59.1 million, which is an increase of \$124,916 above November estimates. The FY 2017 estimate is \$58 million.

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Department for Children and Families

A. Human Services Consensus Caseloads

It was noted that this has been previously reviewed by Bobbi Mariani, Legislative Research Department.

B. **SB 418**

This bill is in conference committee, and would create and amend law related to human trafficking, sexual exploitation of a child, children in need of care and Juvenile offenders.

C. **SB 323**

This bill is in conference committee, and would enact the Jason Flatt Act, requiring suicide awareness training to school district staff, amends the Freedom from Unsafe Restraint and Seclusion Act; establishes language assessment program; and amends the law concerning capital improvement state aid.

D. Nullify Income Eligibility Proviso for Parents as Teachers program.

The proviso recommended language would be for families that meet at least one risk criteria, comply with the Temporary Assistance to Needy Families (TANAF) and meet any other programmatic requirement of the federal guidelines for TANF.

Discussion followed by committee members. It was noted that this language met the goals and objectives by members of the Children's Cabinet and Parents as Teachers.

Committee members recommended including this item in the bill.

Amy Deckard reviewed language contained in **SB 161** (Law) and suggested technical amendments are needed to address the legislative intent for the fund distribution of the Children's Cabinet administration account ([Attachment 7](#)).

Committee members recommended including this item in the bill.

Item E. Social Worker Pay Rate Increase.

The pay increase would benefit recruitment and retention efforts for those positions that are difficult to fill.

The committee recommended including this item in the bill.

Kansas Department for Aging and Disability Services

Item A - Human Services Consensus Caseloads

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This information was previously reviewed by Bobbi Mariani, Legislative Research Staff, concerning KanCare medical program expenditures.

The committee recommended including this item in the bill.

Item B. Message on Lottery and Gaming Revenues and Item C. Message on Medicaid KanCare Expenditures

These items were reviewed previously by Bobbi Mariani, Legislative Research Department.

Item D. Combine Non-Caseload Program Savings with Caseload

Committee members recommended including this item in the bill.

Item E. Osawatomie State Hospital Diversion Beds

This would add \$3.9 million in FY 2017 for additional psychiatric beds, which is due to the lack of available beds at Larned State Hospital, it was noted.

Committee members recommended including this item in the bill.

Dave Fye, Legislative Research Department, reviewed items for Omnibus consideration (See attachment 6).

Larned State Hospital

Item A. Larned State Hospital Revenue Shortfall/DSH Recoupment

This would add \$1.9 million from SGF and increase expenditures by the same amount from special revenue funds.

Committee members recommended including this item in the bill.

Item B. Larned State Hospital Direct Care Pay Increase

This would include pay increases in FY 2016 and FY 2017 for mental health technicians.

Committee members recommended including this item in the bill.

Osawatomie State Hospital

Item A. Osawatomie State Hospital Revenue Shortfalls/Decertification Costs

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This item would add \$9.5 million from SGF and decreases expenditures of approximately \$5.9 million from special revenue funds. Funds are primarily for recertification purposes.

Committee members recommended including this item in the bill.

Item B. Osawatomie State Hospital Direct Care Pay Increases

This would increase wages by 10 percent for nurses, and 12 percent for mental health technicians.

It was noted that the wage increases will be funded from savings identified by the Department of Administration.

Committee members recommended including this item in the bill.

Justin Carroll, Legislative Research Department, reviewed items for Omnibus consideration (See attachment 6).

Department of Corrections

B. **HB 2447**

This bill is law and increased the maximum number of days an inmate's sentence may be shortened for earning credits.

C. **SB 367**

This bill is law. The bill created and amended laws related to the Kansas Juvenile Justice System. Implementation of this bill would require appropriations to two new funds - the Juvenile Alternatives to the Detention Fund and the Kansas Juvenile Justice Improvement Fund.

Discussion followed by committee members regarding the impact of the bill and amendments needed for implementation. Additional information will be forthcoming regarding provisions that would capture savings for FY 2016 and FY 2017. It was noted that the bill also impacts the Judicial Branch and Kansas Department of Education.

Item D. **Senate Substitute for HB 2049**

This bill is in conference committee, and would change penalties for possession of marijuana and would impact the Judicial Branch.

Discussion followed by committee members, it was noted that the cost savings would be related to

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approximately 100 reduced beds related to the theft provision of the bill.

Item. E. **HB 2462**

This bill is in conference committee, and could reduce approximately 40 adult prison beds, and would impact the Judicial Branch.

It was noted that additional information will be needed regarding the impact of the bill.

Dylan Dear, Legislative Research Department, reviewed items for Omnibus consideration (See attachment 6).

Judicial Branch

Item A - **SB 367**

This bill is law, and creates and amends law related to the Kansas Juvenile Justice System. The Judicial Branch estimates that this bill will require an additional \$746,219 from SGF and an additional 15 FTE positions for FY 2017. A review of the three provisions on the fiscal impact on the Judicial Branch followed.

Discussion followed by committee members regarding unfilled FTE positions, which are primarily processing clerks it was noted.

Item B. **Senate Substitute for HB 2049** is in conference committee, and has been previously reviewed.

This bill amends penalties for first offenders in possession of marijuana. This would be an additional cost of \$356,586 from SGF for Court Services Officer positions statewide.

Item C. **HB 2462** is in conference committee.

The bill amends the crime of theft. In order to cover additional offenses, the increase would require 1 FTE Court Services Officer salary and wage expenditures of \$53,340 for FY 2017.

Department of Administration

Item A - Proviso to Include Expenditure Limit Reductions on IT Savings Certification.

These funds were included in previous bills. Approximately \$7 million in consolidation savings was experienced in 2015, \$15 million in savings for 2016 and approximately \$15 million for 2017. The funds have been transferred to the SGF, and the proviso would address spending limits for special revenue

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funds, it was noted.

Sharon Wenger, Legislative Research Department, reviewed items for Omnibus consideration (See attachment 6).

Department of Education

Item A. Senate Substitute for **HB 2655**

The bill included a hold harmless clause. The fund is no longer needed, it was noted.

Item B. **SB 367** amends the Kansas Juvenile Justice System

The State Board of Education works with all of the school districts and relevant entities on a memorandum of understanding, as related to students with behavioral issues, which may require placement in the Juvenile Justice System. The bill would require \$90,102 additional SGF expenditures for FY 2017 to implement.

Item C. KPERS School Employer Contribution Delayed Payment and School Finance Cost of Living Weighting

The Governor has stated that if the fourth quarter payment of approximately \$93 million to KPERS is delayed, school districts with cost of living weightings could be affected. A proviso would be needed to address this issue that would effect the Blue Valley, DeSoto, Olathe, Lawrence and Shawnee Mission school districts.

Committee members recommend including this item in the bill.

Dezeree Hodish, Legislative Research Department, reviewed items for Omnibus consideration (See attachment 6).

Kansas Lottery

Item A. Expanded Lottery Act Revenues Fund

The project expanded gaming revenues of \$370.5 million from the operation of three state-owned casinos for FY 2016 is an increase of \$1.8 million from the November 2015 estimate. The transfer to the Expanded Lottery Act Revenues Fund (ELARF) for 2016 is an increase of \$410,000 to the SGF. The revenue estimate for 2017 is a decrease, attributable to the delayed opening of the Southeast Gaming Zone.

Item B. State Gaming Revenues Fund

The estimated transfer from the Lottery Operating Fund of the Kansas Lottery to the State Gaming Revenues Fund is \$78.2 million in FY 2016. This reflects an increased transfer of \$2 million.

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Attorney General

Item A. **Senate Substitute for HB 2056**

The bill is in conference committee, and would create and amend the law related to sureties and bail enforcement agents. The bill creates a new Bail Enforcement Agents Fee Fund.

Shirley Morrow, Legislative Research Department, reviewed items for Omnibus consideration (See attachment 6).

Wichita State University

A. Add Bonding Authority Language for \$7.2 million in FY 2016 for Parking Garage 1

The Joint Committee on State Building Construction recommends adding language for bonding authority to be paid with parking fee funds for the construction of the Parking Garage.

Committee members recommended including this item in the bill.

Kansas State University

A. **SB 423**

The bill was signed into law. The bill changes the name of Kansas State University - Salina College of Technology to the Kansas State University Polytechnic Campus. This requires a name of the new fund to House Substitute for **SB 161**.

Committee members recommend including this item in the bill.

Aaron Klaassen, Legislative Research Department, reviewed items for Omnibus consideration (See attachment 6).

Kansas Department of Transportation

Item A. **House Substitute for SB 245**

This bill was signed into law, and requires the Secretary of Transportation to establish and implement driving under the influence memorial signage program on highways. Signs will be placed upon receipt of sufficient funds from gifts and donations to cover the costs plus an additional 50 percent of the initial cost for future maintenance or replacement costs. The agency requests an expenditure limitation increase of \$70,000 from State Highway Fund for the signage program for FY 2017.

Committee members recommended including this item in the bill.

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Item B. **HB 2610**

This bill is in conference committee, and as amended would make four memorial designations. The agency requests an operating expenditure increase of \$19,300 from SGF from the state Highway Fund for these four designations for FY 2017.

Discussion followed by committee members regarding cost for signage. It was noted that costs depend upon the material used, and that maintenance would most likely have a sunset clause.

Adjutant General's Department

Item A. Federal Grant Fund

The agency has requested a no-limit federal fund for the receipt of grant funding for the Anderson Creek and Burr Oak Fires for FY 2016 and FY 2017.

Committee members recommended including this item in the bill.

Mark Skoglund, Legislative Research Department, reviewed items for Omnibus consideration (See attachment 6).

Department of Agriculture

Item A. **SB 330**

The bill was signed into law and establishes the Kansas Conservation Reserve Enhancement Program.

Currently, there was no request for program funding. The agency has requested language to carry unused funding forward from FY 2016 to FY 2017 for utilization.

Discussion followed by committee members. The projected carry over amount is approximately \$200,000, it was noted.

Committee members recommended including this item in the bill.

Department of Wildlife, Parks and Tourism

Item A. Proviso to include Expenditure Limit Reductions on IT Savings Certification.

The savings of approximately \$1,000 account for an expenditure reduction, it was noted.

Committee members recommended including this item in the bill.

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Jennifer Ouellette, Legislative Research Department, reviewed items for Omnibus consideration (See attachment 6).

Board of Indigents' Defense Services

Item A. Assigned Counsel Caseload Estimates

An update on the caseload estimates for FY 2016 is \$11 million and \$11.5 million for FY 2017.

Steven Wu, Legislative Research Department, reviewed an item for Omnibus consideration (See attachment 6).

Emergency Medical Services Board

A. **SB 225**

This bill is law. The bill establishes the Interstate Compact for Recognition of Emergency Personnel Licensure and creates an interstate commission EMS Personal Practice. The agency is requesting additional expenditures of \$40,000 in FY2016 and \$30,000 in FY 2017.

Committee members recommended including this item in the bill.

Mark Dapp, Legislative Research Department, reviewed items for Omnibus consideration (See attachment 6).

Kansas Department of Revenue

A. **Substitute for HB 2289**

This bill is in conference committee and would amend the law concerning driver's license suspension due to test refusal or test failure. The requested amount for additional expenditures is \$40,000 for FY 2016, and \$30,000 in FY 2017 from special revenue funds.

Item B. **House Substitute for SB 280**

This bill is in conference committee and would make a number of changes in law related to property taxation. The agency estimates additional expenditures of \$680,000 from SGF for FY 2017, for approximately 300 commercial appraisals and an addition of 1 FTE position.

Item C. Master Settlement Agreement (MSA) Compliance Compact with Tribal Nations

The compact requires the Department of Revenue to manufacture and deliver specific cigarette stamps

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to each Tribal Nation, as well as enforcement of the MSA. The department is requesting 3 FTE positions. The Governor is recommending an additional \$450,000 from SGF for expenditures in FY 2017.

Committee members recommended including this item in the bill.

Item A. Kansas Public Employees Retirement System (KPERS)

This is revised language included in House Substitute for **SB 161**, regarding delays to the fourth quarter KPERS payment in FY 2016. The board would recertify the KPERS rate in FY 2017 to include the additional interest amount that would be charged. The revised language would adjust agency budgets pursuant to the re-certified contribution rate.

Committee members recommend including this item in the bill.

Secretary of State

Item A. **HCR 5008**

This bill proposes a state constitutional amendment establishing a constitutional right to hunt, fish and trap wildlife in the state. The estimated cost of publishing the amendment is approximately \$29,833 SGF for FY 2017.

Committee members recommended including this item in the bill.

J.G. Scott, Legislation Research Department, reviewed items for Omnibus consideration (See attachment 6).

Legislative Research Department

Item A. **SB 318**

This bill is in conference committee and would repeal the Kansas Electric Transmission Authority (KETA). The bill transfers \$45,000 in the KETA Administrative Fund to the SGF. It was noted that the Legislative Research Department provides technical and administrative support to KETA and receives \$12,000 annually for those services, it was noted.

Various Agencies

Item A. Alvarez and Marsal Savings Certification

This certification provides that the Budget Director would identify \$6.5 million in savings and prepare

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additional language regarding revenues and expenditures, prior to the session reconvening.

Discussion followed by committee members. It was noted that realized savings would go in to the Public Service Regulation Fund, and that a majority of these funds are transfer to the KETA Administrative Fund. The money allocated for previously approved pay increases would come from these savings, Chairman Ryckman stated.

Committee members recommended including this item in the bill.

Chairman Ryckman reviewed the recommendations regarding the Department of Corrections. He stated that earlier the caseload adjustments were adopted, which lapsed \$3 million in FY 2016 and \$1 million in FY 2017.

Representative Carpenter made a motion that would not lapse \$3 million in FY 2016 and \$1 million in FY 2017 for the Juvenile Justice Authority caseload adjustments. Representative Ballard seconded the motion.

Discussion followed by committee members regarding the motion. It was noted that the bill is currently not in effect for FY 2016, and support of the program was expressed.

Representative Claeys made a substitute motion not to lapse funds for FY 2016 and FY 2017. There was no second to the motion.

Discussion followed by committee members regarding the motion. Chairman Ryckman clarified Representative Carpenter's motion, which was intended to keep the funds in place. He added that this decision would be a approximately \$4 million total impact to the SGF for both FY 2016 and FY 2017.

Representative Carpenter withdrew the motion with the approval of the second.

Representative Finney made a motion to lapse \$3.3 million in FY 2016 for the Juvenile Justice Authority caseload adjustments and approximately \$1.1 million would not lapse in FY 2017. Representative Claeys seconded the motion.

Discussion followed from committee members regarding the importance of the program. It was noted that the program's success is dependent upon the funding to support the program.

The motion was renewed. Motion carried.

Discussion followed by committee members regarding additional questions on Omnibus Items for Consideration, which were reviewed in committee meetings today. J.G. Scott responded to questions regarding the Tobacco Settlement revenue estimate. He stated that the FY 2016 estimate was \$59 million. However, actual receipts reflect an additional \$124,916 above the November estimate. The FY

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CONTINUATION SHEET

MINUTES of the Committee on Appropriations at 1:33pm on Thursday, April 21, 2016 in Room 112-N of the Capitol.

2017 estimate is \$58 million, he added. Regarding oil and gas revenue adjustments, he stated that for FY 2016 the Oil and Gas Valuation Depletion Trust Fund was reduced by \$10.9 million due to previous production, and \$6.5 million was transferred to the Education Fund. Shawn Sullivan, Director of Budget, responded to questions from committee members. Regarding the Tobacco Settlement revenue, he stated clarification will be forthcoming on statutory requirements, estimated proceeds, and priority distribution of tobacco settlement funds. The risk to bond holders would be based on the revenue stream. The suggestion was made to sell securitized bonds to KPERS in order to control the risk factors. Additional questions were in regards to the Governor's amendments to Budget Amendment No. 1 (See attachment 3). Regarding the Option 2 recommendation, he stated that the efficiency savings would be realized in FY 2017. He stated that with all three option scenarios the ending balance is approximately \$72 million. Chairman Ryckman stated that both Option 1 and 2 would require legislative action, and Option 3 applies to the Governor's allotment authority.

Justin Carroll, Legislative Research Department, reviewed the Department of Corrections Item C. **SB 367** (See attachment 6). He noted that the Juvenile Alternative to Detention Fund and the Juvenile Detention Facilities Fund would need to be approved in order for the funds to be appropriated either through SGF or special revenue funds. He stated that the pilot program began in 2015, with a budget of \$500,000 and in **SB 161**, \$2 million was added for caseload savings. The agency's concern is to maintain a savings to secure the required beds.

Discussion followed by committee members. It was noted that more information will be forthcoming for further review.

Chairman Ryckman stated that the committee will not meet tomorrow.

Meeting adjourned at: 3:30 p.m.