

MINUTES
LEGISLATIVE BUDGET COMMITTEE

November 9, 2015
Afternoon Session
Room 346-S—Statehouse

Members Present

Representative Ron Ryckman, Jr., Chairperson
Senator Ty Masterson, Vice-chairperson
Senator Jim Denning
Senator Laura Kelly
Representative Jerry Henry
Representative Marvin KleeB
Representative Sharon Schwartz

Staff Present

J. G. Scott, Kansas Legislative Research Department
Justin Carroll, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Bobbi Mariani, Kansas Legislative Research Department
Shirley Morrow, Kansas Legislative Research Department
Dylan Dear, Kansas Legislative Research Department
David Fye, Kansas Legislative Research Department
Jennifer Ouellette, Kansas Legislative Research Department
Chris Courtwright, Kansas Legislative Research Department
Jill Wolters, Office of Revisor of Statutes
David Wiese, Office of Revisor of Statutes
Scott Abbott, Office of Revisor of Statutes
Debbie Luper, Chief of Staff, Senate Committee on Ways and Means
Melinda Gaul, Chief of Staff, House Committee on Appropriations
Dee Heideman, Committee Assistant

Conferees

Theresa Gordzica, Chief Financial Officer, University of Kansas
Melissa Glynn, Alvarez & Marsal

Others Attending

See attached list.

Chairperson Ron Ryckman, Jr. called the meeting to order and welcomed the members, staff, and guests.

University of Kansas Capital Improvements Central District Development/Innovation Way Project

Theresa Gordzica, Chief Financial Officer, University of Kansas, reported on the capital improvements for the Central District Development Project at the University of Kansas. She reported the estimated cost of the total project would be in the range of \$325 to \$350 million. She stated Malott and Haworth Halls were designed and built in another era, and they cannot house modern science educational and research activities. She further reported that with the rise in Pharmacy and Engineering students, there is an increased demand for science and lab classes. Ms. Gordzica stated the Central District Development Project will include:

- An integrated science building;
- A residence hall;
- An apartment-style student housing building;
- A new student union facility;
- A new parking garage; and
- A new central utility plant ([Attachment 1](#)).

Ms. Gordzica answered a question from a Committee member regarding tuition increasing to pay for the project. She said increasing out-of-state and international student enrollment and efficiency savings would pay for the project, and tuition fees would rise only at the normal rate. Representative Kleeb asked what their estimated savings would be from efficiencies that are in effect now and those projected for the future. Ms. Gordzica said total efficiency savings were estimated at \$7.5 million. Representative Henry asked what was planned for the use of the old buildings. She said the old student union would be demolished, Malott Hall would be repurposed for another use, and the science building would be converted into classrooms.

Government Efficiency Study for the State of Kansas

Melissa Glynn, Alvarez & Marsal, Global Professional Services, presented a status update on the *Government Efficiency Study for the State of Kansas*. Her report outlined what agencies are included in the Alvarez & Marsal study and said pensions have been added to the study ([Attachment 2](#)).

Justin Stowe, Deputy Post Auditor, Legislative Division of Post Audit (LPA), was introduced to the Committee as the liaison between the Legislature and Alvarez & Marsal. He stated he would act as a facilitator with three main goals:

- Share information concerning audits completed before the study and their findings;
- Facilitate information requests; and
- Garner knowledge of the institutional processes going forward, in case LPA would be asked to audit a certain area.

A short question and answer period followed Ms. Glynn's update of the ongoing efficiency study Alvarez & Marsal is conducting.

State General Fund Revenue Estimate

Chris Courtwright, Principal Economist, Kansas Legislative Research Department (KLRD), reported on the State General Fund (SGF) Revenue Estimate for FY 2016 and FY 2017 ([Attachment 3](#)). He informed the Committee a more detailed report would soon be available that will contain the economic forecast for Kansas, which is used as a base for the estimates. It was noted the revenue shortfall mainly was due to the decrease in sales tax revenue and not income tax reductions.

Senator Kelly asked why such a high growth percentage was projected. Mr. Courtwright stated it was attributed to an increase in sales, use, cigarette, and income taxes, and the 4 percent estimated growth in FY 2016 would be from these increased taxes.

Senator Masterson remarked that the estimated income tax collections were lowered by 0.5 percent, while the sales tax revenues were reduced by 3.8 percent. Mr. Courtwright said the trend is puzzling; however, the shortfall could be due to consumers paying down debt or increased health care costs, which has decreased their buying.

Representative Kleeb asked for a breakdown of income tax rates into a dollar figure. Senator Kelly asked for county sales tax receipts for each county for the past three years. Mr. Courtwright said he would forward that information to the Committee members.

After this discussion, the Chairperson recessed the Legislative Budget Committee at 3:12 pm.

The Chairperson reconvened the meeting at 3:30.

Revenue and Caseload Consensus Estimates

Bobbi Mariani, Managing Fiscal Analyst, KLRD, reported on the Fall 2015 Human Services Consensus Caseload Estimates for FY 2016 and FY 2017. After explaining the estimate for each area, she informed the Committee she included a summary page at the end of the report ([Attachment 4](#)).

Senator Kelly asked how often the FMAP was redone, and if KanCare medical for veterans' homes was included in the caseload estimates. Ms. Mariani said the FMAP was redone once a year, and Amy Deckard, Assistant Director for Information Management, KLRD, said the expenditures for the Veterans' Home was included in the total medicaid estimates but the amount was not broken out separately for the Veterans' Home as an agency.

Senator Denning asked for the amount of the tax from SGF for the Affordable Care Act for the next two years. Ms. Mariani replied that because the tax is paid after the fact, they have used \$25.0 million as the estimated amount.

Budget Update

J.G. Scott, Assistant Director for Fiscal Affairs, KLRD, explained the SGF Profile for FY 2014-FY 2017 ([Attachment 5](#)).

Shawn Sullivan, Budget Director, Kansas Division of the Budget, explained the budget he unveiled on Friday, November 6, which included budget cuts and fund transfers to close the \$118 million in the projected budget shortfall ([Attachment 6](#)).

Mr. Sullivan was asked if other states are experiencing the same revenue problems as Kansas, and he read a long list of states that are encountering similar problems with revenue shortages.

Adjourn

Chairperson Ryckman called attention to the Preliminary Minutes dated September 17 - 18, 2015 and asked for a motion for approval. *Senator Kelly made a motion to approve the minutes, and Senator Masterson seconded the motion. The motion carried, and the minutes were approved as presented.*

Chairperson Ryckman asked for a motion to authorize Justin Stowe, LPA, to act as a liaison between the Legislature and Alvarez & Marsal. *Senator Masterson made the motion, which was seconded by Representative Kleeb. The motion was adopted by the Committee.*

The Chairperson adjourned the meeting at 4:29 pm.

Prepared by Dee Heideman
Edited by Bobbi Mariani

Approved by the Committee on:

December 8, 2015
(Date)