

Approved Feb. 7, 1991

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Senator August "Gus" Bogina, Chairperson at 11:05 a.m. on February 4, 1991, in Room 123-S of the Capitol.

All members were present except:
Senator Gaines, who was excused

Committee staff present:
Diane Duffy, Legislative Research Department
Gordon Self, Revisors' Office
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

Conferees appearing before the committee:
Richard Ryan, Kansas Legislative Research Department
Ed Ahrens, Kansas Legislative Research Department

Mr. Ed Ahrens summarized the Governor's current resources and recommended budgets of the state general fund by reviewing pages 1 and 2 of Attachment 1. He told the Committee that the Governor is recommending changes in law for FY 1991 which would provide a one time windfall to the SGF of approximately \$22. million. The taxes involved are individual withholding taxes, severance taxes, the income tax on financial institutions, and the tax on liquor and private clubs. In FY 1991, expenditures exceed receipts by \$119. million.

Mr. Ahrens then reviewed the beginning balances, expenditures, and ending balances for FY 1992, noting that estimated income would exceed outgo in FY 1992 by \$54. million.

Because of the two year aspects involved with expansion of the sales tax base and the expenditure programs recommended incidental thereto, the Governor is showing a FY 1993 projection, (Attachment 1-2).

In answer to a question, staff indicated that, by the Governor's estimates, \$6.5 million of the \$21.8 million in revenue accelerators for FY 1991 would be realized through the severance tax. It was noted that the Governor's recommended budget includes the revenue accelerators -- they are not replaced by the sales tax.

In response to a question regarding the "Property Tax Relief" expenditures for FY 92, it was noted that the amount the local units of government would receive from their local sales tax is not included.

Mr. Richard Ryan reviewed State General Fund Expenditures, FYs 1991 and 1992, Attachment 1-3. In discussing selected state aids, it was noted that freezing the FY 92 current resources budget for income tax rebates and for local property tax reduction would require a change in law. The \$8.8 million reduction in the FY 92 current resources budget for special education is associated with the elimination of the mandate for gifted education. Mr. Ryan stated that the \$7.6 million increase in the Governor's recommendation for community colleges is largely due to the two year phase out of out-of-district tuition now borne by the counties in the form of property taxes.

Mr. Ryan stated that the \$6.5 million increase in the Governor's FY 92 recommendation for local property tax reduction reflects "unfreezing" under the current resources budget and participation in the broadening of the tax base. However, the county-city revenue sharing fund will not participate in the broadening of the tax base until FY 93 due to distribution dates. Mr. Ryan reminded the Committee that no change was made in statute to require reimbursement of the counties for the presidential primary legislation

CONTINUATION SHEET

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passed by the 1990 legislature.

As a point of clarification, Mr. Ryan noted that included in the \$427.3 million recommended by the Governor for FY 92 is the salary moneys (\$14.8 million) associated with the Margin of Excellence. He stated that all agencies that have general fund support for salaries and wages would share in the \$30.6 million (FY 92 Governor's recommendation for employees salaries) for their classified and unclassified merit employees.

In discussing the Department of SRS and SRS hospitals, Mr. Ryan noted that there is some disagreement on the figures. In answer to a question, he stated that none of the recommendations includes appropriations for the lawsuit involving adult care homes.

A change in statute would need to occur to eliminate the demand transfer to workers compensation as reflected in the FY 92 current resources budget. If the change in law occurs and the budget is reduced, the employers through higher rates would make up the difference.

A change in statute would need to occur also in order to reduce the demand transfer to the water fund as reflected in the FY 92 current resource budget and the FY 92 Governor's recommendation. Mr. Ryan noted that some of the projects formerly associated with the demand transfer to the water fund (such as Cheyenne Bottoms and Hillsdale) would be picked up under the new General Building Fund. In answer to a question, he stated that under the FY 92 and FY 93 current resources budget, \$1. million is appropriated for Hillsdale and \$.5 million for Cheyenne Bottoms for capital improvements.

In reviewing capital improvements, Mr. Ryan noted that the \$8.2 million reduction in the "all other" category is associated with debt service related to correctional institutions and with the assumption that the Legislature would postpone the appropriation for the Historical Society Research Center.

In the discussion of employees salaries, it was noted that a change in statute would be required to eliminate the longevity bonus as reflected in the FY 92 current resources budget. According to staff, there will be no moneys for the step movement increases for FY 92. Approximately \$7. million would be required from the SGF to restore the step increase, \$5.1 million SGF moneys per 1% of Cola, \$8. million to restore longevity, and \$11. million for unclassified merit pool including the regents.

Mr. Ryan pointed out that under the Governor's recommended budget for FY 92, state aid to local units of government would increase 25% while the overall increase in the total budget is 16%. Under the current resources budget for FY 92, however, there would be no state aid to local units of government. That would compare with a 5% increase in state aid in FY 91 and a 10% increase in FY 90.

In answer to a question, Mr. Ryan stated that if the Legislature makes no changes in any of the demand transfers, the transfers will increase by \$20. million under the current resources budget.

In discussing Attachment 1-4, Mr. Ryan noted that determination of the FY 92 expenditure limit in projection A is based upon acceptance of the FY 91 and FY 92 receipts and FY 91 expenditures, and it represents a 5% ending balance as required by the 1990 state spending lid bill. He pointed out spending priorities will need to be determined because of the statutory demands that will be made against the SGF (\$20 m. in demand transfers, operation expenses for El Dorado, \$6. million for the Historical Society Research Center). Projection B in Attachment 1-4 illustrates the effect of acceleration on the ending balance in FY 92.

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Mr. Ryan distributed copies of Attachment 2 for the Committee's information.

In answer to a question, Mr. Ryan stated that the salary plan does not include any enhancement of the job rate studies.

Senator Winter asked whether an increase for nursing salaries at the University of Kansas Medical Center was included in any of the recommendations. Staff noted that although detailed budgets are still in the process of being itemized, it was their understanding that increases for nursing personnel are not included in the current resources budget but in the Governor's recommendations. Staff added that the utilization of tuition increases that were approved for next fall and savings in health insurance in the current year have been built back into the agency's budget for FY 92.

In response to a question, staff indicated that savings in health insurance would be reflected in all the agencies' budgets because the Legislature approved a 20% increase in rate in FY 91 over FY 90, and the increase in the basic contract was not that large. In addition, the Employees' Health Care Commission decided to use credits of \$8.-\$9. million realized under prior hospital plans in calendar years 1989 and 1990.

The Chairman thanked Mr. Ahrens and Mr. Ryan for their presentation.

Senator Harder moved, Senator Hayden seconded, that the minutes of the January 29, 30 and 31 meetings be approved. The motion carried on a voice vote.

Chairman Bogina adjourned the meeting at 12:00 noon.

**STATE GENERAL FUND SUMMARY
GOVERNOR'S CURRENT RESOURCES AND RECOMMENDED BUDGETS**

(Millions)

FY 1991

Beginning Balance		\$ 272.9	
Receipts			
Consensus Estimate	\$ 2,360.6		2.6% Increase from FY 90
Revenue Accelerations	21.8		
Govs. Recommendation	2,382.4		3.6% Increase from FY 90
Expenditures			
Authorized, 1990 Session	2,492.9 ^(a)		
Recommended Revisions	8.5 ^(b)		
Govs. Recommendations	2,501.4		4.2% Increase From FY 90
Ending Balance		153.9	6.2% of Expend.

FY 1992

Beginning Balance		\$ 153.9	
Receipts			
Consensus Estimate	2,454.2		4.0% Increase From FY 91
Gaming Revenues to SGF	21.4 ^(c)		
Other Transfers (net)	1.9		
Total -- Current Resource Budget	2,477.5		4.0% Increase From FY 91
Broaden Sales Tax Base		478.4	An Additional \$193.0 Million is Est. for FY 93
Total -- Gov's. Recommendation	2,955.9		24.1% Increase From FY 91
Expenditures			
Current Resource Budget		2,491.3	0.4% Decrease From FY 91
Additional Recommendations			
"Property Tax Relief"	286.5		An Additional \$153.8 is Est. for FY 93
Other	123.9		
Subtotal Add. Recommendations	410.4		
Total -- Gov's. Recommendation	2,901.7		16.0% Increase From FY 91
Ending Balances			
Current Resources Budget		140.1	5.6% of Expenditures
Tax Base Receipts		478.4	
Additional Expenditures		(410.4)	
Recommended Balance		208.1	7.2% of Expenditures

- a) Includes shifting and revised estimates of demand transfers.
b) Net increase due to supplemental appropriations and certain reductions in previously authorized expenditures.
c) 60 percent of gaming revenues, estimated at \$16.4 million, plus about \$5.0 million from balance in EDIF.

*SWAM
Feb. 4, 1991
Attachment 1*

FY 1993

Beginning Balance		\$ 208.1	
Receipts			
Projected Receipts	3,074.2		4.0% Increase From FY 92
One-time FY 92 Transfers	(1.9)		
Annualize Broadened Tax Base	193.0		
Estimated Receipts	<u> </u>	3,265.3	10.5% Increase From FY 92
Expenditures			
Projected Expenditures	3,032.3		4.5% Increase From FY 92
Additional Property Tax Relief	153.8		
Estimated Expenditures	<u> </u>	3,186.1	9.8% Increase From FY 92
Ending Balance		287.3	9.0% of Expenditures

Kansas Legislative Research Department
January 22, 1991

91-53/EA

STATE GENERAL FUND EXPENDITURES, FYs 1991 AND 1992

In Thousands

	Gov's	FY 1992 Current Res. Budget		FY 1992 Governor's Recommendations		
	Rec. FY 1991	Amount	Incr. From FY 1991	Amount	Incr. From FY 1991	Incr. Over Curr. Res. Budget
TOTAL	\$ 2,501,393	\$ 2,491,260	\$ (10,133)	\$ 2,901,670	\$ 400,277	\$ 410,410
Selected State Aids:						
General Aid to USD's	545,920	545,920	0	706,920	161,000	161,000
Income Tax Rebate	189,720	189,720	0	203,900	14,180	14,180
Transportation	47,260	47,260	0	54,126	6,866	6,866
Subtotal, SDEA	782,900	782,900	0	964,946	182,046	182,046
USD Prop. Tax Reduction	-	-	-	70,000	70,000	70,000
KPERS-School	44,879	51,641	6,762	51,641	6,762	0
Special Education	126,587	117,737	(8,850)	128,382	1,795	10,645
Community Colleges	44,037	44,037	0	51,702	7,665	7,665
Washburn University	6,033	6,033	0	7,095	1,061	1,061
Area Vocational Schools	21,759 ^(a)	21,759	0	24,191	2,432	2,432
Local Prop. Tax Reduction	37,164	37,164	0	43,676	6,512	6,512
County-City Rev. Sharing	28,351	28,351	0	29,461	1,110	1,110
City-Co. Highway Fund	9,127	9,127	0	9,500	373	373
Co. Reappraisal Maint.	- ^(b)	-	(b)	3,000	3,000	3,000
Pres. Primary Aid to Cos.	-	-	-	1,200	1,200	1,200
Board of Regents and Institutions	402,339	399,626	(2,713)	427,344	25,005	27,718
Dept. of SRS Except Hospitals	404,479	389,962	(14,517)	440,428	35,949	50,466
SRS Hospitals	76,727	74,429	(2,298)	74,388	(2,338)	(40)
Corrections Dept. and Institutions	134,282	150,545	16,263	150,545	16,263	0
Department of Commerce/KTEC*	3,741	9,658	5,917	14,550	10,808	4,892
Demand Transfer From SGF for Workers Compensation	3,930	0	(3,930)	4,000	70	4,000
Demand Transfer to Water Fund	5,895	-	(5,895)	3,000	(2,895)	3,000
Capital Improvements						
SGF Transfer to SHF	74,468	78,100	3,632	78,100	3,632	0
All Other	11,663	3,389 ^(c)	(8,274)	3,389 ^(c)	(8,274)	0
Employees Salaries						
Step Movement	Yes	None	-	Yes		
COLA	1.5%	None	-	1.5%/half yr.		
Longevity Bonus	Yes	No	-	Yes		
Regents & Other Unclass. Merit	Yes	None	-	2.5%		
				30,599 ^(d)	30,599 ^(d)	30,599 ^(d)
All Other Agencies and Programs	283,032	286,802	3,770	290,533	7,501	3,731

* The Governor proposes eliminating the EDIF and crediting 60 percent of gaming revenues to the General Fund. In the FY 1991 budget, Commerce and KTEC receive a total of \$18.7 million from the General Fund and the EDIF. There is no money for KTEC as such in FY 1992 under either budget, but Commerce picks up some of KTEC's programs.

- a) Does not include \$0.6 million from EDIF for capital outlay aid.
- b) For FY 1991, \$3.0 million was appropriated from the EDIF.
- c) Excludes \$6.0 million already appropriated for the Historical Society Research Center.
- d) Salary plan reserve not included in budgets of state agencies and institutions.

STATE GENERAL FUND FINANCES

In Millions

	<u>FY 1991</u>	<u>Increase</u>	<u>FY 1992</u>	<u>Increase</u>
<u>A.</u> Beginning Balance				
General Fund	\$ 272.9		\$ 8.9	
Cash Oper. Res. Fund	--		123.2	
% of Expenditures	--		5.0%	
Receipts (Consensus Est.)	2,360.6	2.6%	2,454.2	4.0%
Expenditures	2,501.4 ^a	4.2%	2,463.1	\$ (38.3) (1.5)%
Ending Balance				
General Fund	132.1		123.2	
% of Expenditures	5.3%		5.0%	
Cash Oper. Res. Fund	--		0	
Expenditures in Excess of Receipts	\$ 140.8		\$ 8.9	
<u>B.</u> Beginning Balance				
General Fund	\$ 272.9		\$ 29.6	
Cash Oper. Res. Fund	--		124.3	
% of Expenditures	--		5.0%	
Receipts				
Consensus Est.	2,360.6	2.6%	2,454.2	4.0%
Taxes Accelerated	21.8		--	
Gov. Rec. Excl. Elim. of EDIF and Broader Sales Tax Base	--		1.9	
Total	2,382.4	3.6%	2,456.1	3.1%
Expenditures	2,501.4 ^a	4.2%	2,485.7	\$ (15.7) (0.6)%
Ending Balance				
General Fund	153.9		124.3	
% of Expenditures	6.2%		5.0%	
Cash Oper. Res. Fund	--		0	
Expenditures in Excess of Receipts	\$ 119.0		\$ 29.6	

a) Governor's recommendation.

Kansas Legislative Research Department
January 22, 1991

91-52/RWR

**STATE GENERAL FUND
 ADDITIONAL RECEIPTS AND EXPENDITURE SAVINGS IN GOVERNOR'S CURRENT
 RESOURCES BUDGET THAT WOULD REQUIRE CHANGES IN LAW**

	Estimates In Millions		Total
	FY 1991	FY 1992	
Additional Receipts			
Acceleration of Taxes	\$ 21.8	\$ --	\$ 21.8
Gaming Revenues to SGF	--	21.4	21.4
Total	21.8	21.4	43.2
Expenditure Savings			
1. Demand Transfers*			
Income Tax Rebate		14.2	
Local Property Tax Reduction		1.5	
Co.-City Revenue Sharing		1.1	
City-Co. Highway Fund		0.4	
Workers Compensation Fund		4.0	
Water Plan Fund		6.0	
Subtotal		27.2	27.2
2. Other Savings			
Special Ed.-Elim. of Gifted		8.9	
Longevity Bonus		8.0	
Historical Society Res. Center		6.0	
Pres. Primary Aid		1.2	
Subtotal		24.1	24.1
Total Savings			51.3
Total Receipts and Expenditures			\$94.5

* The Governor's current resources budget does not "freeze" the demand transfer from the General Fund to the State Highway Fund.

Kansas Legislative Research Department
 January 25, 1991

*SWAM
 Feb. 4, 1991
 Attachment 2*