

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Senator August "Gus" Bogina, Chairperson, at 3:12 p.m. on March 26, 1992 in Room 123-S of the Capitol.

All members were present except:

Senators Feleciano and Rock

Conferees appearing before the committee:

Ed Ahrens, Chief Fiscal Analyst, Kansas Legislative Research Department

The Chairman explained that the purpose of the meeting was to provide an update on the financial status of the state general fund based on certain assumptions that he and Representative Chronister had determined. He asked Ed Ahrens, Chief Fiscal Analyst, Kansas Legislative Research Department, to review Attachment 1.

Mr. Ahrens first reviewed state general fund receipts, stating that the \$2,667.0 billion and \$2,773.7 billion figures were determined by assuming a 4% growth in consensus estimates for FY94 and FY95. The tax accelerators, he noted, would be one time amounts that would accrue to the SGF but would not be repeated in FY94 and FY95. The Governor recommended transfers in FY93 of \$3.7 million, but reflected in the table is the \$3.9 million recommended by the Senate. Mr. Ahrens explained that revenues would increase significantly with the removal of sales tax exemptions, increased sales tax rates, and individual and corporate income tax changes with the passage of HB 2892. Due to annualization and growth, the FY94 and FY95 figures are greater than the 4% assumed growth. He said that HB 2112 is expected to reduce SGF receipts by \$5.1 million in FY93 and by \$6.3 million on an annualized basis. It is assumed that the annualized number will not increase in FY95.

In reviewing the expenditures, Mr. Ahrens stated that general school aid is based on the adoption of HB 2892 as it passed the House. The budgets for FY94 and FY95 are projected to grow at a 4% rate. He said that the difference in expenditures between FY93 and FY94 for the school finance package is largely due to the fact that HB 2892 uses substantial one time resources residing in the local districts: the estimated ending balances in the school district general funds in FY 92 and the local taxes in process that are higher than the 29 mills assumed in HB 2892. He told the Committee that the expenditure numbers projected for FY94 and FY95 under HB 2892 assume that the mill rate will stay at 29 mills. Mr. Ahrens stated that HB 2892 does not address special education. Thus, this profile shows the full estimated 100% of excess costs for FY93 and was projected at a 4% growth rate in FY94 and FY95. He stated that the debt service aid assumes no growth, and growth in KPERS contributions is reflected in another part of this table. Mr. Ahrens noted that the Governor in her Budget Report uses balances of disproportionate share funds to finance FY93 and is assumed to carryover to FY94 at a reduced amount. The table shows an estimated \$20 million that would have to be financed through the SGF in FY94 because of that reduction, and there would be another \$20 million to compensate for in FY95 for a total of \$40 million.

Mr. Ahrens reviewed the current status of the budget as of March 20, 1992. He noted that the profile assumes the amount for vocational education to be \$22 million. Mr. Ahrens told the Committee that current status in FY92 and FY93 including vocational education is close to the Governor's Recommended Budget for all items except for the school finance package.

Given the beginning balance, receipts, and expenditures for FY92 and FY93, the ending balance in FY92 would be \$131 million and \$268 million in FY93. Of the \$268 million in FY93, \$168.8 million is attributable to HB 2892. For FY94, the profile assumes an ending balance of \$100 million. Given the school finance projections and the amounts under the assumptions, the numbers were "backed into" for all other purposes. The \$1,669.2 billion represents a 2% increase over FY93 and the FY93 profile is an increase of 2.4% over the

FY92 estimate. In FY93, the profile "backs into" the ending balance with the assumption on school aid. The profile assumes all other expenditures for FY95 will remain unchanged from the projected amounts in FY94.

Mr. Ahrens called attention to the last line of the table, "Receipts in Excess of Expenditures," and noted that by FY95 the ending balance would be a negative \$170.4 million in the state general fund.

The Chairman stated that he wanted this profile prepared so that members would have an idea of the financial status of the SGF as affected by HB 2892. He noted that he and Representative Chronister attempted to be realistic in their assumptions, and used factual numbers taken from selected school finance estimates (Attachment 2).

Chairman Bogina confirmed that the Governor had announced that the state will receive \$185 million in disproportionate share monies which are retroactive payments for 1987, 1988, and 1989. He told members that this would be a one-time receipt and cautioned against funding ongoing programs. He said that the Governor has a program in mind which he would like for the Committee to see in order to establish priorities before spending decisions are made. He also announced that SRS has received the third payment of disproportionate share monies.

In answer to Senator Winter's question, Mr. Ahrens stated that the FY93 financing uses local cash on hand of \$179 million.

In answer to Senator Doyen, the Chairman stated that the salary plan proposed by the Governor is in this plan.

The Chairman adjourned the meeting at 3:45 p.m.

GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: March 26, 1992

NAME (PLEASE PRINT)	ADDRESS	COMPANY/ORGANIZATION
Burke Bud	Olathe, Ks	Public Service
Peterson, John L.	Topeka	Star, K.C.
Matt Trull	Topeka	AP
Rea Wilson	O. P.	Sun Newspapers
CRAIG E. BARBER	1021 LINCOLN EMPORIA KS	CITIZEN LOBBYIST
George Barber	Topeka	Barber & Assoc
Dan Haas	Overland Park	KCPK
Sue Gimple	Shawnee	USD 512
JIM HAYS	TOPEKA	KASB
Bill Meek	Bucyrus	USD 230
Tim Nims	Topeka	ASK
Mark Tallman	Topeka	KASB
Shelley Gahrn	WCKS	
Jim Yawally	Overland Park	USD 512
Helen Stephens	PV	USD 229
Audrey Langworthy	PV	Senate
Ted Vannocker	Waverly	Supt. USD 243
Debbie Green	Topeka	Senate Staff
W. Ungerman	Topeka	Senate Staff
Ray Hank	Topeka	Bd. of Regs
Senator Kavan	KCK	Senator
Markus Rein	Kumc	KC
Paul Johnson	Topeka	PACK
ED SCHAUB	"	KPL
Russell Redfield	St. Marys	Retiree
WASHBURN, JEFF	TOPEKA	WASHBURN U.
Lisa Paslay	Topeka	ARC/K
Jo Bestgen	Topeka	KARF
Wm. Snyder	Topeka	D. Kim
Laura Ann Clure	Ellen Elder	Self
FRANCES Kastner	Topeka	Ks Food Dealers Assn
Bernie Koch	Wichita	Wichita Chamber
Robin Nichols	Wichita	USD 259

STATE GENERAL FUND PROFILE

(In Millions)

	FY 1992	FY 1993	FY 1994	FY 1995
Beginning Balance	\$ 162.2	\$ 131.0	\$ 268.0	\$ 100.0
Receipts				
Consensus (Nov. 91) w/4% projections	2,457.2	2,564.4	2,667.0	2,773.7
Tax Accelerations (H.B. 2111 as reco. by SAT)	9.4	13.6	--	--
Transfers	--	3.9	--	--
H.B. 2892 (Passed House)	--	452.2	483.5	504.6
H.B. 2112 Food Sales Tax Refunds Increased	--	(5.1)	(6.3)	(6.3)
Total Receipts	2,466.6	3,029.0	3,144.2	3,272.0
Expenditures				
General School Aid, H.B. 2892, (Budgets Projected at 4%)	777.9	1,060.3	1,421.4	1,524.7
Special Ed. Aid (100% for FY 93, projected at 4%)	121.3	165.6	172.2	179.1
Debt Service Aid (H.B. 2835)	--	26.5	26.5	26.5
Additional KPERS-School	--	2.9	2.9	2.9
Disproportionate Share (Short- fall for FY 1993 Program)	--	--	20.0	40.0
All Other Expenditures				
Current Status	1,597.0	1,602.0		
Gov. Voc. Ed. Reco.		22.0		
SRS Shortfalls	1.6	12.7		
Subtotal -- Other	1,598.6	1,636.7	1,669.2	1,669.2
% Change		2.4%	2.0%	0.0%
Total Expenditures	2,497.8	2,892.0	3,312.2	3,442.4
% Change		15.8%	14.5%	3.9%
Ending Balance	131.0	268.0*	100.0*	(70.4)*
Receipts in Excess of Expenditures	(31.2)	137.0	(168.0)	(170.4)
		FY 1993	FY 1994	FY 1995
* Attributed to H.B. 2892		168.8	38.8	(140.9)

Assumptions determined by Senator Bogina and Representative Chronister.

Kansas Legislative Research Department
March 26, 1992

SWAM
March 26, 1992 (p.m.)
Attachment 1

(AS PASSED BY HOUSE OF REPRESENTATIVES)
H.B. 2892 — SELECTED SCHOOL FINANCE ESTIMATES

(Amounts in Thousands)

Budget Inc. 1%

	FY 1993	FY 1994	FY 1995	FY 1996
H.B.2892 Base Operating Budget (@ \$3,625)	1,883,201	1,902,033	1,921,053	1,940,263
Setaside Aid For Local Option Bgt. (LOB)	38,593	38,979	39,369	39,763
Subtotal: "Budget"	1,921,794	1,941,012	1,960,422	1,980,026
Local Revenues:				
Prop. Tax @ 29 Mills (65%)	284,145	295,511	307,331	319,624
Cash on Hand	179,308	0	0	0
Prop. Tax in Proc./Prior Year	255,000	153,001	159,121	165,486
Motor Vehicle Tax	125,000	110,000	68,000	71,000
P.L. 874	12,000	12,480	12,979	13,498
Mineral Prod. Tax/IRBs	6,000	6,240	6,490	6,749
Subtotal	861,453	(861,453) 577,232	(553,921) 553,921	(576,358) 576,358
State Revenues:				
Cash on Hand	0	168,784	96,501	34,941
Current "Gen." State Aid/4% Inc.	776,922	(776,922) 807,999	(840,319) 840,319	(873,932) 873,932
Additional State Resources				
Sales Tax				
Res. Telephone Services	15,092	16,339	16,951	17,587
Utilities in Production	33,324	37,716	39,131	40,598
Original Construction	79,804	90,324	93,711	97,225
Lottery Tickets	3,608	3,906	4,052	4,204
Sales Tax to 5.0%	174,375	180,914	187,698	194,737
Individual Income Tax	138,000	146,300	155,078	164,383
Corporate Income Tax	8,000	8,000	8,000	8,000
Subtotal	452,203	(452,203) 483,499	(504,622) 504,622	(526,734) 526,734
Total Revenues	(2,090,578)	(2,037,514)	(1,995,363)	(2,011,965)
Cash on Hand Carried Forward	168,784	96,501	34,941	31,939
Amount Per Mill	15,074	15,677	16,304	16,956
Property Tax Rate In Mills	29	29	29	29

EXHIBIT:

Total Budget: Base + LOB @ 55% Usage	1,986,777	2,006,644	2,026,711	2,046,978
Total State Aid Required for Base and LOB	1,060,341	1,363,780	1,406,501	1,403,668
10 % LOB at 55% Usage	103,576	104,612	105,658	106,714
LOB Amount from Local Sources	64,983	65,632	66,289	66,952
State Aid for LOB Eqld./ 75th Percentile AVPP	38,593	38,979	39,369	39,763
Mill Rate for District Portion of LOB	6.63	3.01	4.70	3.64

NOTE: P.L. 874 receipts, IRB/mineral production tax receipts, and assessed valuation increased by 4.0 percent per year.

Amounts do not include increases for special education or other categorical aid program or for HB 2835 which provides state aid for school district bond and interest payments--\$26.5 million, as passed by the House.

No amounts are included for potential usage of Local Enhancement Budget (LEB) authority

KLRD Revised 3-20-92

SWAM
March 26, 1992
(p.m.)
Attachment 2

(AS PASSED BY HOUSE OF REPRESENTATIVES)
H.B. 2892 -- SELECTED SCHOOL FINANCE ESTIMATES

(Amounts in Thousands)

Budget Inc. 2%

	FY 1993	FY 1994	FY 1995	FY 1996
H.B.2892 Base Operating Budget (@ \$3,625)	1,883,201	1,920,865	1,959,282	1,998,468
Setaside Aid For Local Option Bgt. (LOB)	38,593	39,365	40,153	40,956
Subtotal: "Budget"	1,921,794	1,960,230	1,999,435	2,039,423
Local Revenues:				
Prop. Tax @ 29 Mills (65%)	284,145	295,511	307,331	319,624
Cash on Hand	179,308	0	0	0
Prop. Tax in Proc./Prior Year	255,000	153,001	159,121	165,486
Motor Vehicle Tax	125,000	110,000	68,000	71,000
P.L. 874	12,000	12,480	12,979	13,498
Mineral Prod. Tax/IRBs	6,000	6,240	6,490	6,749
Subtotal	861,453	577,232	553,921	576,358
State Revenues:				
Cash on Hand	0	168,784	77,284	23,289
Current "Gen." State Aid/4% Inc.	776,922	807,999	840,319	873,932
Additional State Resources				
Sales Tax				
Res. Telephone Services	15,092	16,339	16,951	17,587
Utilities in Production	33,324	37,716	39,131	40,598
Original Construction	79,804	90,324	93,711	97,225
Lottery Tickets	3,608	3,906	4,052	4,204
Sales Tax to 5.0%	174,375	180,914	187,698	194,737
Individual Income Tax	138,000	146,300	155,078	164,383
Corporate Income Tax	8,000	8,000	8,000	8,000
Subtotal	452,203	483,499	504,622	526,734
Total Revenues	(2,090,578)	(2,037,514)	(1,976,145)	(1,953,735)
Cash on Hand Carried Forward	168,784	77,284	(23,289)	(85,689)
Amount Per Mill	15,074	15,677	16,304	16,956
Property Tax Rate In Mills	29	29	29	29

EXHIBIT:

Total Budget: Base + LOB @ 55% Usage	1,986,777	2,026,512	2,067,042	2,108,383
Total State Aid Required for Base and LOB	1,060,341	1,382,998	1,445,514	1,463,065
10.0% LOB at 55% Usage	103,576	105,648	107,761	109,916
LOB Amount from Local Sources	64,983	66,282	67,608	68,960
State Aid for LOB Eqzld./75th Percentile AVPP	38,593	39,365	40,153	40,956
Mill Rate for District Portion of LOB	6.63	3.07	4.79	3.78

NOTE: P.L. 874 receipts, IRB/mineral production tax receipts, and assessed valuation increased by 4.0 percent per year.

Amounts do not include increases for special education or other categorical aid program or for HB 2835 which provides state aid for school district bond and interest payments--\$26.5 million, as passed by the House.

No amounts are included for potential usage of Local Enhancement Budget (LEB) authority

KLRD Revised 3-20-92

(AS PASSED BY HOUSE OF REPRESENTATIVES)
H.B. 2892 -- SELECTED SCHOOL FINANCE ESTIMATES
(Amounts in Thousands)

Budget Inc. 3%

	FY 1993	FY 1994	FY 1995	FY 1996
H.B.2892 Base Operating Budget (@ \$3,625)	1,883,201	1,939,697	1,997,888	2,057,824
Setaside Aid For Local Option Bgt. (LOB)	38,593	39,751	40,944	42,172
Subtotal- "Budget"	1,921,794	1,979,448	2,038,831	2,099,996
Local Revenues:				
Prop. Tax @ 29 Mills (65%)	284,145	295,511	307,331	319,624
Cash on Hand	179,308	0	0	0
Prop. Tax in Proc./Prior Year	255,000	153,001	159,121	165,486
Motor Vehicle Tax	125,000	110,000	68,000	71,000
P.L. 874	12,000	12,480	12,979	13,498
Mineral Prod. Tax/IRBs	6,000	6,240	6,490	6,749
Subtotal	861,453	577,232	553,921	576,358
State Revenues:				
Cash on Hand	0	168,784	58,066	81,904
Current "Gen." State Aid/4% Inc.	776,922	807,999	840,319	873,932
Additional State Resources				
Sales Tax				
Res. Telephone Services	15,092	16,339	16,951	17,587
Utilities in Production	33,324	37,716	39,131	40,598
Original Construction	79,804	90,324	93,711	97,225
Lottery Tickets	3,608	3,906	4,052	4,204
Sales Tax to 5.0%	174,375	180,914	187,698	194,737
Individual Income Tax	138,000	146,300	155,078	164,383
Corporate Income Tax	8,000	8,000	8,000	8,000
Subtotal	452,203	483,499	504,622	526,734
Total Revenues	(2,090,578)	(2,037,514)	(1,956,927)	(1,895,120)
Cash on Hand Carried Forward	168,784	58,066	(81,904)	(204,876)
Amount Per Mill	15,074	15,677	16,304	16,956
Property Tax Rate In Mills	29	29	29	29

EXHIBIT:

Total Budget: Base + LOB @ 55% Usage	1,986,777	2,046,380	2,107,771	2,171,005
Total State Aid Required for Base and LOB	1,060,341	1,402,216	1,484,910	1,523,638
10 % LOB at 55% Usage	103,576	106,683	109,884	113,180
LOB Amount from Local Sources	64,983	66,932	68,940	71,008
State Aid for LOB Eqizd./75th Percentile AVPP	38,593	39,751	40,944	42,172
Mill Rate for District Portion of LOB	6.63	3.13	4.88	3.91

NOTE: P.L. 874 receipts, IRB/mineral production tax receipts, and assessed valuation increased by 4.0 percent per year.

Amounts do not include increases for special education or other categorical aid program or for HB 2835 which provides state aid for school district bond and interest payments--\$26.5 million, as passed by the House.

No amounts are included for potential usage of Local Enhancement Budget (LEB) authority

KLRD Revised 3-20-92

(AS PASSED BY HOUSE OF REPRESENTATIVES)
H.B. 2892 -- SELECTED SCHOOL FINANCE ESTIMATES
 (Amounts in Thousands)

Budget Inc. 4%

	FY 1993	FY 1994	FY 1995	FY 1996
H.B.2892 Base Operating Budget (@ \$3,625)	1,883,201	1,958,529	2,036,870	2,118,345
Setaside Aid For Local Option Bgt. (LOB)	38,593	40,137	41,743	43,412
Subtotal: "Budget"	1,921,794	1,998,666	2,078,613	2,161,757
Local Revenues:				
Prop. Tax @ 29 Mills (65%)	284,145	295,511	307,331	319,624
Cash on Hand	179,308	0	0	0
Prop. Tax in Proc./Prior Year	255,000	153,001	159,121	165,486
Motor Vehicle Tax	125,000	110,000	68,000	71,000
P.L. 874	12,000	12,480	12,979	13,498
Mineral Prod. Tax/IRBs	6,000	6,240	6,490	6,749
Subtotal	861,453	577,232	553,921	576,358
	(861,453)	(577,232)	(553,921)	(576,358)
State Revenues:				
Cash on Hand	0	168,784	38,848	140,903
Current "Gen." State Aid/4% Inc.	776,922	807,999	840,319	873,932
	(776,922)	(807,999)	(840,319)	(873,932)
Additional State Resources				
Sales Tax		16,339	16,951	17,587
Res. Telephone Services	15,092	37,716	39,131	40,598
Utilities in Production	33,324	90,324	93,711	97,225
Original Construction	79,804	3,906	4,052	4,204
Lottery Tickets	3,608	180,914	187,698	194,737
Sales Tax to 5.0%	174,375	146,300	155,078	164,383
Individual Income Tax	138,000	8,000	8,000	8,000
Corporate Income Tax	8,000	8,000	8,000	8,000
Subtotal	452,203	483,499	504,622	526,734
	(452,203)	(483,499)	(504,622)	(526,734)
Total Revenues	(2,090,578)	(2,037,514)	(1,937,709)	(1,836,121)
Cash on Hand Carried Forward	168,784	38,848	(140,903)	(325,636)
Amount Per Mill	15,074	15,677	16,304	16,956
Property Tax Rate in Mills	29	29	29	29

EXHIBIT:	FY 1993	FY 1994	FY 1995	FY 1996
Total Budget: Base + LOB @ 55% Usage	1,986,777	2,066,248	2,148,898	2,234,854
Total State Aid Required for Base and LOB	1,060,341	1,421,434	1,524,691	1,585,399
10 % LOB at 55% Usage	103,576	107,719	112,028	116,509
LOB Amount from Local Sources	64,983	67,582	70,285	73,097
State Aid for LOB Eqld./75th Percentile AVPP	38,593	40,137	41,743	43,412
Mill Rate for District Portion of LOB	6.63	3.20	4.98	4.06

NOTE: P.L. 874 receipts, IRB/mineral production tax receipts, and assessed valuation increased by 4.0 percent per year.
 Amounts do not include increases for special education or other categorical aid program or for HB 2835 which provides state aid for school district bond and interest payments--\$26.5 million, as passed by the House.
 No amounts are included for potential usage of Local Enhancement Budget (LEB) authority
 KLRD Revised 3-20-92