

Approved: Jan. 31, 1997
Date
Carl Dean Holmes

MINUTES OF THE HOUSE COMMITTEE ON FISCAL OVERSIGHT.

The meeting was called to order by Chairperson Carl Holmes at 9:00 a.m. on January 21, 1997 in Room 527-S of the Capitol.

All members were present except: Representative Barbara Allen - Excused
Representative Tom Bradley - Excused

Committee staff present: Alan Conroy, Legislative Research Department
Eric Milstead, Legislative Research Department
Leah Robinson, Legislative Research Department
Jim Wilson, Revisor of Statutes
Pat Talbott, Committee Secretary

Conferees appearing before the committee: Gloria M. Timmer, Director of the Budget

Others attending: See attached list

Chairperson Holmes gave a brief overview of the expectations of the Fiscal Oversight Committee. The committee is to review each fiscal note on every piece of legislation that is introduced. It was generally explained that the e-mail system will be used to implement the tracking system and the information obtained from that will be logged in a data base program.

The INK address will be put at the bottom of the supplemental notes prepared for bills and resolutions to ensure the internet location of fiscal note information is readily available to the legislators as well as the general public.

Once the bill is introduced and we get the fiscal note we will send an e-mail message to the Chair, Vice-Chair and Ranking Minority Member of this committee, the Chair, Vice-Chair and Ranking Minority Member of the committee to which the bill has been assigned and to the lead-sponsor on the bill. They will reply as to whether they agree or disagree. If everyone agrees, we are finished with that bill. If anyone has a problem with the fiscal note, the next step would be to meet with the budget office to see if it can be resolved at that level without getting this committee together. If it still cannot be resolved, the next step would be to have it reviewed by this committee. The person having the problem with that particular fiscal note would then be a non-voting member of this committee for the questioned bill because that person is probably more knowledgeable at this point than this committee.

Rep. Carmody recommended the procedure should be formalized in Committee Rules and asked if there were any provisions in the House Rules for reviewing fiscal notes.

Rep. Reinhardt wanted clarification on determining who is right and who is wrong in a disagreement and what impact that would have in the Senate. Rep. Holmes felt that if the committee and the Director of the Budget agreed, that would be the final decision. If there is not agreement, the House Appropriation Committee negotiators would have two numbers to work from. At that point, the legislature would decide which number is appropriate.

Gloria Timmer. Ms. Timmer, Director of the Budget, arrived and spoke about the fiscal note process used during the Legislative Session, and specifically the involvement of state agencies and the Division of the Budget (Attachment 1)

Rep. O'Neal commented on the importance of the expertise of agencies contacted for fiscal information when preparing a fiscal note.

Representative Edmonds moved that a bill be prepared for introduction by the committee to amend the statute which requests fiscal notes for legislative bills in accordance with the recommendations of the Director of the Budget and the committee's discussion of those recommendations. Motion was seconded by Representative Burroughs. Motion carried.

CONTINUATION SHEET

MINUTES OF THE HOUSE FISCAL OVERSIGHT COMMITTEE, Room 527-S Statehouse, at 9:00 a.m. on January 21, 1997.

Chair announced he will direct staff in preparation of bill and the bill draft be reviewed by committee before introduction.

Ms. Timmer noted that in using e-mail to distribute the fiscal notes, tampering could occur and it might be difficult to protect the integrity of the note. Representative Morrison has an encryption system to protect the content of the fiscal note and he will work with the Chairman to put the system into place.

The meeting was adjourned at 10:00 a.m.

The next meeting is on call of the Chair.

HOUSE FISCAL OVERSIGHT COMMITTEE
GUEST LIST

DATE: 1-21-97

NAME	REPRESENTING
Don Pound	SRS
David Sanchez	SOS
Dick Koerth	ICDWP
Jerry Sloan	Judicial Branch
Ray Lambie	DOA-DPS
Jim Murphy	DOA-DPS
Chris Stanfield	KDHE

STATE OF KANSAS



DIVISION OF THE BUDGET
Room 152-E
State Capitol Building
Topeka, Kansas 66612-1504
(913) 296-2436
FAX (913) 296-0231

Bill Graves
Governor

Gloria M. Timmer
Director

MEMORANDUM

TO: House Fiscal Oversight Committee

FROM: Gloria M. Timmer, Director of the Budget

DATE: January 21, 1997

SUBJECT: Fiscal Note Process

I would like to thank you for the opportunity to speak with you about the fiscal note process used during the Legislative Session, and specifically the involvement of state agencies and the Division of the Budget. My testimony will touch on two main areas: (1) the statutory requirements for fiscal notes and (2) the development of a fiscal note and distribution of a fiscal note.

Statutory

KSA 75-3715(a) requires the Division of the Budget to prepare a fiscal note for every bill that has a fiscal impact on revenues or expenditures (Attachment A). Although the Division does not have to prepare an impact statement if there is no fiscal effect, I have adopted a policy of preparing a fiscal note on *all* bills. This practice ensures that all bills are systematically evaluated for fiscal impact.

The law requires fiscal notes to be completed within seven days of introduction. Sometimes, because of the complexity of the bill, it is not possible to complete the fiscal note within this timeframe. When that occurs, the division will publish the fiscal note with a statement that it will be updated when the information is forthcoming. When the information is received and analyzed a revised fiscal note is written. A more meaningful deadline, especially for the Legislature, would be to complete the fiscal note by the time it is scheduled for a hearing in committee. Therefore, the division has adopted a policy of having the fiscal note done by this time, so the information is available when it is most needed.

Fiscal Oversight.
1-21-97
ATT 1

Also, the law prohibits the Division of the Budget from offering comments with regard to the merits of the bill. Therefore, the division provides factual and objective information with a professional detachment that maintains the division's position as a general provider of fiscal and budgetary information for both the Governor and the Legislature.

Fiscal Note Development

Budget analysts in the division are assigned bills for preparation of fiscal notes mostly based on their area of expertise, such as education, corrections, etc. When a bill is assigned, the analyst determines who should be contacted for fiscal information about the bill (e.g., state agencies, cities, or counties), and a letter is sent out requesting the necessary fiscal impact information (Attachment B). By law, for bills affecting local governments, the division must request assistance from the League of Kansas Municipalities, the Kansas Association of Counties, and/or the Association of School Boards if the bill affects any of these groups. This is accomplished through an e-mail process or the mail.

The analyst compiles all the responses and analyzes this in conjunction with the bill. The fiscal note is written by the analyst, edited for factual correctness and clarity of presentation by the principal analyst, and receives final second reading by the Deputy Director. The note is then submitted to the Director for final review and signature.

The fiscal note itself is addressed to the chair of the committee to which it was referred. It contains first a description of what the bill does. (If there is a difference between what the bill would do, as drafted, and what the sponsor apparently intended, the fiscal note must reflect the provisions of the bill, as drafted.) The description is followed by an explanation of how state revenues and expenditures would be increased or decreased (or not affected at all) if the bill became law. Long-term implications are included whenever possible and administrative costs or savings are highlighted.

When the fiscal note is completed, it is distributed to the following parties:

1. Chair of the committee to which the bill was referred
2. Primary sponsor of the bill
3. Agencies and organizations that provided fiscal information
4. Chairs of the Senate Committee on Ways and Means and House Committee on Appropriations
5. Legislative Research Department
6. Division of Legislative Administrative Services
7. Governor's Office

The House Fiscal Oversight Committee also has been added to the list. In addition, the notes are provided to INK and are available to the public through that system.

Although the law requires the Division of the Budget to prepare fiscal notes only on introduced bills, the division has generally honored requests of committee chairs for fiscal notes on amended bills as well. Committee chairs ordinarily make a request for such an update to the Director of the Budget. Finally, it has always been the division's policy to correct errors, when they occur, quickly and professionally.

Mr. Chair, as your committee begins its work, I offer two suggested improvements to the fiscal note process, both of which would require a change in the law. First is to increase the statutory deadline for preparation of a fiscal note from seven days after introduction to a 10 or 14-day period. The seven-day limit in too many instances is simply unrealistic even with the technological advances of computers and fax machines. Second, the committee may wish to consider some amendment to the process used by the Division when a bill is substantially altered or heavily amended. Although I believe my staff and I have been responsive to those changes and requests and often have anticipated the need for revised fiscal notes, it is not a statutory requirement. Another Budget Director would not be required to provide updates, thereby limiting the best information available to the Legislature and the Governor.

I welcome the opportunity to work with this committee in its review of the fiscal note process. I will provide whatever information I can that will be useful to the committee, including access to the division's automated fiscal note tracking system. Thank you for your time and attention.

OVERSIGHT

created by this act, until revised, amended, revoked or nullified pursuant to law.

(f) The division of the budget and director of the budget created by this act, respectively, shall be continuations of the budget division created by K.S.A. 75-3715 and the budget director provided to be appointed under K.S.A. 75-3703.

History: L. 1972, ch. 332, § 4; July 1.

75-3715. Powers and duties of the director of the budget. The director of the budget shall:

(a) Keep in continuous touch with the operations, plans and needs of state agencies, and with the sources and amounts of revenue and other receipts of the state;

(b) analyze the quantity and quality of services rendered by each agency, and the needs for such services and for any new services;

(c) prepare under the supervision of the incoming governor, the budget report for submission to the legislature;

(d) prepare a legislative measure or measures reflecting the incoming governor's budget;

(e) consider and act on applications for transfers between appropriations of the same agency as provided by law;

(f) survey such work programs and periodical allotment requests submitted by state agencies as are required by this act;

(g) report to the governor and to the incoming governor on the operation of the budget system and advise and assist the governor, incoming governor, state finance council, legislature and its ways and means and appropriations committees on request, concerning any matters relating to the budget; and

(h) Provide management analysis service to state agencies.

History: L. 1953, ch. 375, § 15; L. 1972, ch. 332, § 74; L. 1987, ch. 196, § 16; Feb. 19.

Source or prior law:
75-11a01, 75-11a02.

Cross References to Related Sections:

Functions and responsibilities of revenue forecasting models transferred to division of the budget, see 75-4810.

Research and Practice Aids:

States ⇨ 45, 67, 73.
C.J.S. States §§ 52, 58, 60 et seq., 66.

Attorney General's Opinions:

Inclusion of state agencies' budget requests in governor's budget report. 82-20.

Application of allotment system. 82-160.

CASE ANNOTATIONS

1. Act discussed; Legislature without power at budget session to appoint interim investigating committee. *State, ex rel., v. Anderson*, 180 K. 120, 124, 125, 128, 299 P.2d 1078.

75-3715a. Fiscal notes for certain legislative bills. Fiscal notes shall be provided for all bills increasing or decreasing state revenues or the revenues of counties, cities and school districts, making state appropriations or increasing or decreasing existing appropriations or the fiscal liability of the state, or imposing functions or responsibilities on counties, cities and school districts which will increase their expenditures or fiscal liability. Not more than seven (7) days following the first reading of any such bill, the director of the budget shall furnish to the committee or committees to which such bill was referred a statement explaining the fiscal effect of such bill. Fiscal notes are required for original bills only and not for amendments.

The fiscal note shall, if possible, include a reliable estimate in dollars of the anticipated change in revenue, expenditures, or fiscal liability under the provisions of the bill. It shall also include a statement as to the immediate effect and, if determinable or reasonably foreseeable, the long-range effect of the measure. If, after careful investigation, it is determined that no dollar estimate is possible, the note shall contain a statement to that effect, setting forth the reasons why no dollar estimate can be given. Every agency and department of the state is directed to cooperate with the division of the budget in preparation of any fiscal note provided for by this act when, and to the extent, requested by the director of the budget.

No comment or opinion shall be included in the fiscal note regarding the merits of the measure for which the note is prepared.

History: L. 1965, ch. 470, § 1; L. 1971, ch. 280, § 1; July 1.

75-3716. Budget preparation; forms; information. The director of the budget shall prepare the budget report, with the related legislative measure or measures, for the incoming governor's approval and submission to the legislature. The director of the budget shall, on or before September first of each year, furnish to every state agency or person authorized to spend or receive state funds a sufficient number of budget estimate forms. The forms shall be prepared by the director of the budget and shall be so designed as to show actual expenditures for at least the last preceding completed fiscal year, estimated ex-

Attachment B
STATE OF KANSAS



DIVISION OF THE BUDGET
Room 152-E
State Capitol Building
Topeka, Kansas 66612-1504
(913) 296-2436
FAX (913) 296-0231

Bill Graves
Governor

Gloria M. Timmer
Director

REQUEST FOR ASSISTANCE - FISCAL NOTE PREPARATION

TO: *

FROM: Gloria M. Timmer, Director of the Budget

DATE: January 21, 1997

RE: *

Please review the above cited bill(s) and submit information concerning the fiscal effect of each bill, in its introduced form, as soon as possible. This information is requested in accordance with KSA 75-3715a, which requires the Director of the Budget to submit a fiscal note to the Legislature within seven days of introduction and directs state agencies to cooperate with the Division of the Budget in preparing fiscal notes.

Your response should include (1) a brief analysis of the proposed legislation; (2) a statement about how the bill would affect your agency's responsibilities; (3) the dollar effect on your budget (expenditures and receipts) by funding source; (4) the assumptions used to develop cost estimates or anticipated revenues; (5) whether the bill could be implemented within your currently approved staffing and operating expenditure levels, or whether additional staff or expenditures will be requested; and (6) the long-range fiscal effect of the bill, including estimates for three fiscal years following the budget year.

Please FAX, if possible, OR mail to: *

Please respond by: *

Any phone calls must be followed with written documentation. I am aware that the time allowed for your response is short, but the statutory requirement is clear. Thank you for your cooperation and assistance.

FORMAT.FNS