Approved: JANUARY 23, 1997
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on January 21, 1997 in

Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Kathy Porter, Legislative Research Department
Mark Burenheide, Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Revisor of Statutes
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary Substitute

Conferees appearing before the committee:
Alan Conroy, Chief Fiscal Analyst, Kansas Legislative Research Department
Gloria Timmer, Director of the Budget
Bob Corkins, Director of Taxation, Kansas Chamber of Commerce and Industry

Others attending: See attached list

SB 1 **Biennial budget estimates for all state agencies**

Gloria Timmer, Director of the Budget, appeared before the Committee and noted that SB 1 proposes biennial budgeting for all state agencies and extends planning so that an additional year of estimates is available from the Division of the Budget. She stated that she was not speaking either in favor of or in opposition to the bill, but suggested points for the Committee to consider:

1-What is the goal the Legislature hopes to achieve from biennial budgeting?

2-If the Legislature's goal is to achieve better policy review, the question becomes how to achieve that.

3-If the Legislature desires better longterm planning, it could be achieved with or without the biennial process.

Ms. Timmer stated that the Governor prefers the current budgeting process because he believes responses can be made more quickly to the changing economic status of agencies. She reviewed various budgeting processes adopted by different states and noted that Kansas is one of two states that has an annual session and a combination of biennial and annual budgeting. (Attachment 1)

In response to questions, Ms. Timmer stated that more agencies than the twenty fee agencies could be budgeted for on a biennial basis, but Education, SRS, Corrections, Health and Environment, Transportation and Aging would be among those whose budgets should be reviewed on an annual basis. She commented that even in biennial states, the budget is addressed in detail, sometimes in special sessions. She added one important factor to consider is the degree of flexibility a state adopts in the appropriations process.

Senator Salisbury noted that the transition to biennial budgeting would be challenging which is the reason for the delayed implementation date. She observed that many states that have adopted biennial budgeting focus on issues in the off-budget year and that block grants will give states greater flexibility in the budgeting process. Senator Salisbury inquired whether the Director of the Budget believes that longer range planning might put into perspective how much money to give back to taxpayers. Ms. Timmer stated that the issue hinges on whether legislators are willing to make changes and stick to them, on their willingness to make adjustments, and on the willingness of the Governor and the Legislature to accept assumptions.

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on January 21, 1997.

Alan Conroy, Chief Fiscal Analyst of the Kansas Legislative Research Department, distributed and reviewed a brief synopsis of information provided to the Legislative Budget Committee and the conclusions and recommendations they made. (Attachment 2). He noted that **SB 1** reflects the recommendations of the interim Committee:

-it provides for biennial budgeting for all state agencies beginning with the September, 1998 budget submission for FY 2000-FY 2001 (which coincides with House terms and with the first year term of the Governor)

-it also requires the consensus estimating group to provide an additional year of estimated state general fund receipts

Mr. Conroy also provided a historical background of the budgeting process in Kansas and explained how the current process compares with that of other states (Attachment 3).

Responding to a concern about relying on an additional twelve months of revenue estimates, Mr. Conroy stated the consensus estimating group has experienced a margin of error less than 1% in the last few years and that legislators would have to accept the numbers on the assumption that they include another year's projections.

Mr. Bob Corkins, Director of Taxation for the Kansas Chamber of Commerce and Industry, appeared before the Committee with written testimony in support of **SB 1** (Attachment 4). He stated that business has an interest in biennial budgeting to whatever extent it can provide a more stable and methodical approach to state spending. He pointed out Iowa's research in exploring the merits of biennial budgeting (Attachment 4-2) and stated that Iowa's Governor's Committee on Spending Reform concluded that the reliability of revenue and expenditure forecasts tend to decrease over time. However, the Committee felt comfortable with their ability to adjust to that problem by referring to their state budget director who makes financial projections for the state. He added that he did not know how that technique might differ from Kansas' consensus estimating group.

Chairman Kerr told members that biennial budgeting was of interest to the Interim Budget Committee because of its potential to provide for better longterm planning and because it might aid in the Legislature's attempt to move toward performance based budgeting. He noted that the possibility of a shortened session in the non-budgetary years, process savings, and the ability to study budgets more thoroughly would be some of the advantages of biennial budgeting.

In response to questions, Ms. Timmer stated that the current computer system will only accommodate one budget year and, therefore, statewide biennial budgeting would require the acquisition of a new computer system that would meet the needs of both the Division of the Budget and the Research Department. She added that a new system would be needed fairly soon whether biennial budgeting is adopted or not. She told members that a needs analysis which was done two years ago estimated the cost of that system between six and seven million dollars. Responding to questions, she stated that expanding biennial budgeting to additional, but not all, state agencies would allow the Legislature to focus on big issues. She added that it will be difficult to implement biennial budgeting as long as the mill levy issue is unresolved. Ms. Timmer, in response to Senator Ranson, stated that the new computer system would probably not allow agencies to do cost accounting but would allow for better performance accounting.

The Chairman announced that the bill would be held in Committee and would be voted on at a later date. He adjourned the meeting at 12:10 P.M.

The next meeting is scheduled for January 22, 1996.

SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: January 21, 1997

NAME	REPRESENTING
David Sanchez	SOS
Chuck Budahl	Hdq Generals Dept.
Gloria Timmer	DOB
Bob Corkins	KCCI
Susan Mahoney	Intern - Sen. Salisbury
Duane Waterworth	Division of the Budget
Cindy Denton	DOB
Ken Bahr	Ks. Hospital Assn.
LINDA McGILL	PMA
Gerald Schneider	KDHR
J.G. Scott	SRS
Jerry Sloan	Judicial
WALT DARLING	KANSAS HIGHWAY PATROL
Chris Stanfield	KDH&E
Lori Rand	KS Sentencing Comm.
Barbara Brown	Intern Sen. Salmans
Sen. Tim Huelskamp	

Table A
Budget Calendar

State	Budget Guide-lines Sent to Agencies	Agency Requests Submitted to Governor	Agency Hearings Held	Governor Submits Budget To Legislature	Legislature Adopts Budget	Fiscal Year Begins	Frequency of Legislative Cycle (A, B)	Frequency of Budget Cycle (A, B)
Alabama	September	Nov./Dec.	January	February	Feb./May	Oct.	A	A
Alaska	July	October	November	December	May	July	A	A
Arizona	June 1	September 1	Nov./Dec.	January	Jan./April	July	A	A,B*
Arkansas	March	July	August	Sept./Dec.	Jan./April	July	B	B
California	July/Nov.	Aug./Sept.	Aug./Nov.	January 10	June 15	July	A	A
Colorado	June	August 1-15	Aug./Sept.	January 15	May	July	A	A
Connecticut	July	September	February	February	June/May	July	A	B
Delaware	August	Oct./Nov.	Oct./Nov	January	June 30	July	A	A
Florida	June	September	November	December	March	July	A	A
Georgia	May	September	Nov./Dec.	January	March	July	A	A
Hawaii	July/August	September	November	December	April	July	A	B
Idaho	June	September	-	January	March	July	A	A
Illinois	September	Nov./Dec.	Nov./Dec.	March	June	July	A	A
Indiana	-	-	-	-	-	July	A	B
Iowa	June	September	Nov./Dec.	January	April/May	July	A	A
Kansas	June	September	November	January	May	July	A	A,B*
Kentucky	July	October	-	January	April	July	B	B
Louisiana	September	November	February	February	June	July	A	A
Maine	July	September	Oct./Dec.	January	June	July	B	B
Maryland	June	August 31	Oct./Nov.	January	April	July	A	A
Massachusetts	August	October	October	January	June	July	A	A
Michigan	October	November	December	*	July	Oct.	A	A
Minnesota	May/June	October 15	Sept./Oct.	Jan.(4th Tues.)	May	July	A	B
Mississippi	June	August	-	November 11	-	July	A	A
Missouri	July	October	-	January	April/May	July	A	A,B*
Montana	Dec./August	May/Oct.	May/Oct.	January	April	July	B	B
Nebraska	July	September	Jan./Feb.	January	April	July	A	B
Nevada	May/June	September	Sept./Dec.	January	June	July	B	B
New Hampshire	August	October	November	February	May	July	A	B
New Jersey	July/August	October	-	January	June	July	A	A
New Mexico	July	September	Sept./Dec.	January	Feb./March	July	A	A
New York	July	September	Oct./Nov.	January	March	April	A	A
North Carolina	January	August	Sept./Nov.	February	June	July	B	B
North Dakota	March	June/July	July/Oct.	December	Jan./April	July	B	B
Ohio	July	Sept./Oct.	Oct./Nov.	February*	June	July	A	B
Oklahoma	July	October	Oct./Dec.	Feb.(1st Mon.)	May(last Fri.)	July	A	A
Oregon	Jan./July	September	Sept./Nov.	January	Jan./June	July	B	B
Pennsylvania	August	October	Dec./Jan.	February*	June	July	A	A
Rhode Island	July	October	Nov./Dec.	February	June	July	A	A
South Carolina	August	September	-	January	June	July	A	A
South Dakota	June/July	September	Sept./Oct.	Dcember	March	July	A	A
Tennessee	August	October	November	January*	April/May	July	A	A
Texas	March	July/November	July/Sept.	January	May	Sept.	B	B
Utah	July	September	Oct./Nov.	December	February	July	A	A
Vermont	September	October	Nov./Dec.	January	May	July	A*	A
Virginia	April/August	June/September	Sept./Oct.	December	March/April	July	A	B
Washington	April	September	October	December	May	July	A	B
West Virginia	July	September	Oct./Nov.	January	March	July	A	A
Wisconsin	June	September	N/A	January	June/July	July	B	B
Wyoming	May 15	September	by Nov. 20	December	March	July	A	B
Puerto Rico	August	December	Dec./Jan.	February	May	July	A	A

Codes: A....Annual
B....Biennial

Source: National Association of State Budget Officers, Budget Processes in the States, February 1995

Senate Ways and Means Committe

Date 1-21-97

Attachment # 1

Notes to Table A

Arizona: Agencies are divided into major budget units and other budget units. Major budget units submit annual budget requests. Other budget units submit biennial budget requests.

Kansas: Twenty agencies are on a biennial budget cycle. The rest are still on an annual cycle.

Michigan: Within 30 days after Legislature convenes in regular session, except when a newly elected governor is inaugurated when presentation must occur within 60 days after Legislature convenes.

Missouri: There is constitutional authority to do annual and biennial budgeting. Beginning in Fiscal 1994, the operating budget has been on an annual basis while the capital budget has been on a biennial basis.

Ohio: Budget submission delayed to mid-March for new governors.

Pennsylvania: The budget is submitted in March when the governor has been elected for his/her first term of office.

Tennessee: Budget may be submitted by March 1 during the first year of a governor's term.

Vermont: State Constitution prescribes a biennial legislature; in practice, legislature meets annually, in Regular and Adjourned sessions.

STUDY TOPIC: Concept of Utilizing a Single Appropriations Bill in the 1997 Session*

SUMMARY: The Committee reviewed information concerning the possible utilization of a single appropriation bill by the 1997 Legislature. The Committee recommends that leadership of the 1997 Legislature work together to try and agree on either both chambers utilizing a single bill or the traditional multiple appropriation bills. However, regardless of the decision by the leadership, the Committee urges that both chambers attempt to handle appropriations in the same manner as the other chamber. The Committee also recommends that a bill be introduced that all agencies be required to submit a biennial budget in September 1998 for FY 2000 and FY 2001.

BACKGROUND

The House of Representatives during the 1996 Session changed the manner in which appropriation bills were considered by that chamber. The House debated a single appropriation bill, while the Senate passed multiple appropriation bills. In conference committee action on appropriation items, a single appropriation bill was ultimately considered by the 1996 Legislature. In addition, the 1994 Legislature changed the budgeting cycle for selected state agencies to a biennial budget cycle. The 20 agencies required to submit biennial budgets are those funded through fees and that perform regulatory or licensing activities. Appropriations are made for each year of the biennium. For FY 1997, the second year of the biennium, 11 out of the 20 fee agencies, had minor adjustments made to their respective budgets.

COMMITTEE ACTION

Staff provided background information on biennial budgeting and a single appropriation bill and results of a survey of other states. The survey indicated that the frequency of the budget cycle differs across the states; however, in most cases the cycle corresponds with the frequency of the state's legislative session. Since 1940, until recent years, the trend has been from biennial budgeting to annual budgeting as more states provided for annual legislative sessions. The survey found that 29 states have annual budgets, while 21 have predominately biennial budgets. Of the 21 states enacting biennial budgets, seven states have biennial legislative sessions and 14 have annual sessions. States with biennial budgets enact two separate annual budgets at once. The extent to which budgeting is truly biennial depends upon the degree of review during the second year. Less populated states are more likely to have biennial budgets. Of the 14 states which have an annual session and a biennial budget, 12 have a single or one major appropriation bill.

Staff noted that the trend may be shifting toward biennial budgeting providing for better performance review, planning, and evaluation. According to the available literature, advantages cited in favor of biennial budgeting include:

1. enhanced stability and greater opportunity for long-range planning;
2. allows more time for program review and evaluation;
3. the process is less expensive;
4. the process is less time-consuming;
5. allows the legislature more time for review and debate of nonbudget issues; and
6. allows legislators to focus on major policy issues instead of routine budget detail.

Again, according to available literature the advantages cited in support of an annual budget cycle include:

1. increases the time legislators and state officials devote to budget analysis and deliberation;
2. enhances the legislature's budget oversight capabilities by providing for frequent supervision and review of executive branch activities;
3. increases the accuracy of revenue and expenditure estimates and allows for more rapid adjustments to changing conditions;
4. gives the legislature greater opportunity to exercise control over federal funds; and
5. reduces the need for supplemental appropriations and special sessions.

---

* S.B. 1 accompanies the Committee's reports.

Senate Ways & Means
January 21, 1997
Attachment 2

Gloria Timmer, Director of the Kansas Division of the Budget, testified before the committee on a single appropriation bill and biennial budgeting. Director Timmer indicated that the Division of the Budget had no objections to a single appropriation bill as long as both houses handle appropriation bills in the same manner. On the biennial budget issue she indicated that the current process for the 20 small fee agencies seems to be working. However, she was not sure it saved her agency or the Legislature much time, but it might have saved some of the larger fee funded agencies significant time. She thought many of the smaller agencies could be changed to a biennial budget. Director Timmer cautioned that the consensus revenue estimating process would have to be extended a year for biennial budgeting and the further the estimation time is extended, the less accurate the estimates. Because of the volatility in funding sources and policy issues that affects budget preparation in the larger agencies, she indicated that biennial budgeting would be more difficult. Director Timmer expressed reluctance to changing the Departments of Social and Rehabilitation Services, Education, and Corrections to biennial budgeting. She did testify that if Kansas changes to biennial budgeting, the cycle should coincide with the terms of members of the House of Representatives and, therefore, should not start until the biennium of FY 2000 and FY 2001.

The Committee agreed that a single appropriation bill allows the Legislature to prioritize funds more effectively and helps control spending. However, some members of the Committee were concerned about the time demands on legislators and staff with a single appropriation bill. The Committee discussed the possibility of consolidation of legislative committees, subcommittees, and more caucus involvement as partial solutions. Other alternatives to a single appropriation bill included two appropriations bills or a two-bill process with each house working half the budget at a time, then combining all of the budgets into a single appropriation bill before going to the floor of either house or possibly in conference committee. It was noted that a two-bill process would allow each house to have the benefit of the others action on the various budgets. It was agreed that a single appropriation bill would allow the entire legislative body to view the budget in its entirety.

Conclusions and Recommendations

The Committee concurs that a single appropriation bill would allow the Legislature to look at the entire budget at one time, allowing the Legislature to prioritize funds more effectively and help control state agency spending. However, some members of the Committee were concerned with potential scheduling problems and with handling the entire budget on the floor at one-time. The Committee recommends to leave the decision whether or not to go to a single appropriation bill to legislative leadership or the Legislative Coordinating Council. The Committee does recommend that both chambers handle appropriation bills in the same manner.

The Committee carefully considered the advantages and disadvantages of biennial budgeting for all state agencies. The Committee noted the success of biennial budgeting for the 20 fee agencies. The Committee concluded that biennial budgeting would be an advantage to the Legislature and state agencies. Biennial budgeting would enhance the ability for greater long-range planning, allow more time for program review and evaluation, be less expensive and time-consuming than annual budgeting, and allow the Legislature to focus on major policy issues instead of routine budget detail. The Committee recommends legislation, which accompanies this report, that would implement biennial budgeting for all state agencies beginning with the September 1998 budget submissions for FY 2000 and FY 2001. The bill also requires the Consensus Revenue Estimating Group to provide an additional estimated year of State General Fund receipts. The estimating group during the fall, 1998 would provide an estimate for the current fiscal year (FY 1999) and the two ensuing fiscal years (FY 2000 and FY 2001). ■

KANSAS LEGISLATIVE RESEARCH DEPARTMENT Rm. 545N–Statehouse, 300 SW 10th Ave.
Topeka, Kansas 66612-1504
(913) 296-3181 ◆ FAX (913) 296-3824
KSLegRes@lr01.wpo.state.ks.us http://www.kumc.edu/kansas/ksleg/KLRD/klrd.html

January 21, 1997

To: Senate Ways and Means Committee

From: Alan Conroy, Chief Fiscal Analyst

Re: Biennial Budgeting/Single Appropriation Bill—Other States' Experiences

BACKGROUND

The frequency of the budget cycle differs across the states. In some states, the budget cycle is annual, requiring a new budget each fiscal year. A biennial budget, on the other hand, requires the preparation of a new budget every other year. In most cases, the frequency of the budget cycle corresponds with the frequency of the state's legislative session -- that is, most states with annual legislative sessions have annual budget cycles while those states with biennial sessions have biennial budgets.

In Kansas, from statehood until 1877, the legislature met in regular session each year. For the next 78 years, through 1955, regular sessions were held biennially in the odd-numbered years. So that the legislature could meet to review and adopt an annual budget instead of the previous biennial ones, a constitutional amendment was adopted in 1954 which required a budget session, limited to 30 calendar days, to consider budgetary and related revenue matters only. The first budget session was held in 1956. At the November, 1966 election, the voters approved a constitutional amendment which provided for annual general sessions. The session in the odd-numbered year was of unlimited duration unless the legislature itself adopted restrictions. In the even-numbered years, the session was limited to 60 calendar days unless two-thirds of the elected members of each house voted to extend it. An amendment adopted at the 1974 general election extended the duration of the session held in the even-numbered years to 90 calendar days, still subject to extension by a vote of two-thirds of the elected membership of each house.

Since 1940, until recent years, the trend in budgeting among state governments has been a shift from biennial budgeting to annual budgeting. In 1940, 44 states adopted biennial budgets. Today, only 21 states adopt biennial budgets. Part of this shift is due to more states providing for annual rather than biennial legislative sessions. Other states shifted to annual budgets in the 1970s in order to more rapidly respond to expanding federal domestic spending during that time period. Also, another reason for the shift to annual budgeting has been to allow more rapid budget adjustments in the face of fluctuating revenues as states have become more dependent on revenue from income taxes.

More recently, since the mid-1980s, several states have modified their budget practice to a biennial budget, including Nebraska (1987) and Connecticut (1991). In other states, the

Senate Ways and Means Committee
Date 1-21-97
Attachment # 3

process has shifted back and forth in recent years, with changes to the process precipitated either by changes in leadership or by uncertainty as to which type of budget cycle is more effective.

STATE BUDGETING PRACTICES

At the current time, annual budgeting continues to be the predominant method of budgeting for state governments in the United States. At the current time, 29 states, including Kansas have annual budgets while 21 enact in whole or in part biennial budgets. Of the 21 states which enact biennial budgets, seven are states which have biennial sessions and 14 are states which have annual sessions. Typically:

- States with biennial budgets enact two annual budgets at once; that is, separate appropriations are made for each of two succeeding fiscal years.
- The extent to which budgeting is truly biennial is dependent upon the degree to which budgets are actually revised during the second year; the degree varies from state to state and from time to time, primarily because of economic and fiscal conditions; more than half of the biennial states conduct entire reviews of agency budgets before the second year of the biennium begins.
- Less populated states are more likely to have biennial budgets; only three of the ten largest states had biennial budgets as of 1993 (North Carolina, Ohio, and Texas).

STATES BUDGETING CYCLES

Annual Session Annual Budget 29 States	Annual Session Biennial Budget 14 States	Biennial Session Biennial Budget Seven States
Alabama	Arizona*	Arkansas
Alaska	Connecticut	Kentucky
California	Hawaii	Montana
Colorado	Indiana	Nevada
Delaware	Maine	North Dakota
Florida	Minnesota	Oregon
Georgia	Nebraska	Texas
Idaho	New Hampshire	
Illinois	North Carolina	
Iowa	Ohio	
KANSAS*	Virginia	
Louisiana	Washington	
Maryland	Wisconsin	
Massachusetts	Wyoming	
Michigan		
Mississippi		
Missouri		
New Jersey		
New Mexico		
New York		
Oklahoma		
Pennsylvania		
Rhode Island		
South Carolina		
South Dakota		
Tennessee		
Utah		
Vermont		
West Virginia		

* The state has some mixture of annual and biennial budgets.

As indicated above, there are currently 14 states which have an annual session and a biennial budget. Generally, those states that have a biennial budget adopt the budget during the session in the odd-numbered years. During the off, or even-numbered years, the Legislature deals with budget adjustments based on the latest revenue estimates and any major agency revisions to agency projections (*i.e.*, federal funding changes). Policy and performance issues are also addressed during the even-numbered years. Sometimes, the session during the second-year of the biennium is shorter. Staff contacted each of these 14 states, plus the neighboring states of Colorado, Iowa, and Missouri. Of the 14 states which have an annual session and a biennial budget, 12 have a single or one major appropriation bill. These 12 states include:

Connecticut	North Carolina
Hawaii	Ohio
Indiana	Virginia
Maine	Washington
Minnesota	Wisconsin
New Hampshire	Wyoming

ARGUMENTS FOR ANNUAL AND BIENNIAL BUDGET CYCLES

As noted, the trend towards annual budgeting may be shifting. Typically, current reformers assume that biennial budgeting is superior to annual budgeting because of the greater opportunities provided through a biennial cycle for performance review, planning, and evaluation. Vice-President Al Gore's *National Performance Review* endorses a national biennial budget. Specifically, the report indicates that "biennial budgeting will not make our budget decisions easier, for they are shaped by competing interests and priorities. But it will eliminate an enormous amount of busy work that keeps us from evaluating programs and meeting customer needs."

Advantages often cited in favor of biennial budgeting are that:

1. it enhances stability in agencies and provides greater opportunity for long-range planning;

2. it allows more time for program review and evaluation;

3. the process is less expensive;

4. the process is less time-consuming;

5. it allows the Legislature more time for review and debate of nonbudget issues; and

6. it allows legislators to focus on major policy issues instead of routine budget detail.

By contrast, proponents of an annual budget cycle believe that annual review:

1. increases the time that legislators and state officials devote to budget analysis and deliberation;

2. enhances the Legislature's budget oversight capabilities by providing for frequent supervision and review of executive branch activities;

3. increases the accuracy of revenue and expenditure estimates and allows more rapid adjustments to changing conditions;

4. gives the Legislature greater opportunity to exercise control over federal funds; and

5. reduces the need for supplemental appropriations and special sessions.

"The arguments used to justify and refute both annual and biennial budgets remain essentially unchanged . . . and unproved. **The success of a budget cycle seems to depend on the commitment of state officials to good implementation rather than on the method itself."**

The major studies which have been done, in 1972, in 1984, and in 1987 have, however, found little evidence of a clear advantage to one budget cycle over another. It is uncertain whether a biennial cycle is more conducive to long-term planning than is annual budgeting. However, there appears to be some evidence that biennial budgeting **is** more conducive to program review and evaluation and that it is likely to reduce budgeting costs for executive agencies. However, several states' experiences would suggest that it may also reduce the level of familiarity of legislators with the budgets.

KANSAS -- RECENT CHANGES TO THE BUDGET CYCLE

During the 1993 interim, the Legislative Budget Committee discussed possible changes in the state budget process. The Committee recommended introduction of H.B. 2564 to shift 53 state agencies from annual to biennial budgets, beginning with budget submissions in the fall of 1994. Many of the 53 agencies recommended by the Committee were "fee agencies" and the others were ones which the Committee believed did not require annual consideration by the Governor and Legislature (see Table III). Under the Committee's proposal, 60 agencies would still submit budgets each year. The Committee recommended that "they should be reviewed annually because they account for a large part of the expenditures from the SGF and from all funds." The Committee concluded that shifting 53 agencies to biennial budgets would "relieve them of the time and expense of annual budget preparation, and the Governor, Division of the Budget, fiscal staff of the Research Department, and Legislature would not have to review those budgets every year."

H.B. 2564 was not enacted. However, the 1994 Legislature did enact House Sub. for S.B. 652, changing the budgeting cycle for selected state agencies to a biennial budget cycle. The provisions of the current law include:

- The agencies required to submit biennial budgets are those funded through fees and that perform regulatory or licensing activities. They are comprised of the occupational and professional licensing agencies and the financial institution regulatory agencies, commonly referred to as the "fee agencies."

- Appropriations are made separately for each year of the biennium.
- The agencies are not required to submit new budget requests in the second year of the cycle. However, agencies may submit requested adjustments to the approved expenditure limits.

The 1995 Legislature approved the first biennial budget for these agencies, authorizing expenditures for FY 1996 and FY 1997. Only 11 of the 20 agencies had minor adjustments during this second year of the biennium. The Governor has also recommended adjustments designed to reflect salary changes, such as modifications to fringe benefit rates and implementation of the recommended merit pool for unclassified employees.

SELECTED REFERENCES

Annual and Biennial Budgeting: The Experience of State Governments. Denver, CO: National Conference of State Legislatures, forthcoming.

Annual or Biennial Budgets? Lexington, KY: Council of State Governments, 1972.

Annual versus Biennial Budgeting: The Arguments, the Evidence. Denver, CO: National Conference of State Legislatures, 1987.

Current Status and Recent Trends of State Biennial and Annual Budgeting. Washington, D.C.: U.S. General Accounting Office, 1987.

Corina L. Eckl, *Legislative Authority Over the Enacted Budget.* Denver, CO: National Conference of State Legislatures, 1992.

Albert Gore, *Creating a Government that Works Better & Costs Less, Report of the National Performance Review.* Washington, D.C.: U.S. Government Printing Office, 1993.

Charles W. Wiggins and Keith E. Hamm, *Annual versus Biennial Budgeting?* College Station, Texas: Texas A&M University, 1984.

LEGISLATIVE TESTIMONY

Kansas Chamber of Commerce and Industry

835 SW Topeka Blvd. Topeka, Kansas 66612-1671 (913) 357-6321 FAX (913) 357-4732

SB 1

January 21, 1997

KANSAS CHAMBER OF COMMERCE AND INDUSTRY

Testimony Before the
Senate Committee on Ways & Means

by

Bob Corkins
Director of Taxation

Honorable Chair and members of the Committee:

My name is Bob Corkins, director of taxation for the Kansas Chamber of Commerce and Industry, and I thank you for this time to appear in support of a biennial Kansas state budgeting cycle. Our members have repeatedly voiced their preference for this idea as part of a stable, restrained and methodical approach to state spending.

The Kansas Chamber of Commerce and Industry (KCCI) is a statewide organization dedicated to the promotion of economic growth and job creation within Kansas, and to the protection and support of the private competitive enterprise system.

KCCI is comprised of more than 3,000 businesses which includes 200 local and regional chambers of commerce and trade organizations which represent over 161,000 business men and women. The organization represents both large and small employers in Kansas, with 46% of KCCI's members having less than 25 employees, and 77% having less than 100 employees. KCCI receives no government funding.

The KCCI Board of Directors establishes policies through the work of hundreds of the organization's members who make up its various committees. These policies are the guiding principles of the organization and translate into views such as those expressed here.

You are probably aware of the general history of this issue. Kansas once operated on a two-year state budget cycle and has returned to that practice in recent years for at least

Senate Ways & Means
January 21, 1997
Attachment 4

ne state agencies. Today there are twenty states that budget biennially, of which seven do so in conjunction with their biennial legislative sessions.

Other states are exploring the merits of changing to biennial budgets. The most notable in my research is Iowa's formation of a Governor's Committee on Government Spending Reform which in 1996 recommended the two-year financing cycle. A subcommittee of that group focused its investigation on the issue and here are some of their findings:

Advantages of biennial budgeting -- Clearly allows more opportunity for in-depth program review and analysis by both the executive and legislative branches; results in a longer range perspective in budget and fiscal planning; alleviates perpetual involvement in the minutiae of the budgeting process by administrative and fiscal staff, enabling more attention to be directed toward work that is value-adding; and, can be very flexible, allowing adjustments to appropriations (up or down) as necessary during the second year.

Disadvantages of biennial budgeting -- Increased need for mid-term appropriation adjustments; and, the reliability of revenue and expenditure forecasts tends to decrease over time.

The Iowa committee's ultimate recommendation was to follow the example of Kansas by gradually moving toward a biennial budgeting process by fiscal year 2002. The scheduling of today's hearing suggests that Kansas legislators and the administrative branch already feel a strong degree of comfort with the experience our biennial budget experiments have provided. KCCI encourages you in this direction of state budgeting, we support the passage of SB 1, and we thank you for your efforts in this regard to date.