

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Representative Kenny Wilk at 9:00 a.m. on January 15, 2002 in Room 514-S of the Capitol.

All members were present except: Representative Thomas Klein
Representative Jeff Peterson

Committee staff present: Martha Dorsey, Legislative Research
Trevor Steinert, Legislative Research
Amy Kramer, Legislative Research
Alan Conroy, Legislative Research
Leah Robinson, Legislative Research
Robert Chapman, Legislative Research
Robert Waller, Legislative Research
Becky Krahl, Legislative Research
Julian Efrid, Legislative Research
Audrey Nogle, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Duane Goossen, Director of the Budget

Chairman Wilk welcomed the Committee back and introduced Representative Dean Newton as a new member. Also introduced were Travis Lenkner, Administrative Assistant, and Adam Hill, intern.

Duane Goossen, Director of the Budget, presented the Governor's budget which contains relatively few changes in the current budget and the Governor's recommendation for spending cuts and tax increases for the state's FY 2003 fiscal year (Attachment 1). In an attempt to balance the budget for FY 2003, a proposed tax increase of \$228,000,000 would come from increased vehicle registration fees and sales, cigarette and motor fuels taxes. In addition, the FY 2003 budget assumes spending cuts. Mr. Goossen said the Governor was reluctant to ask state agencies to reduce spending and make cuts in the FY 2002 budget as the year is half gone and many of the agencies have spent more than half of their budgets by this time. The Governor is requesting that all agencies work with a 4% reduction for FY 2003.

Mr. Goossen explained that with revenue dropping dramatically from last May's estimates and the huge increase in caseloads in SRS, Aging, welfare, foster care, adoption, and Medicaid, a very serious budget problem for the state has developed. It is expected the entitlement programs, for which the state is required to pay, are expected to increase by 12% per year. This is a trend throughout the nation.

Mr. Goossen said he was opposed to lowering the statutorily required ending balance of 7.5% percent in the budget. This causes problems the following year if the state is required to make additional appropriations to agencies due to rising costs or unexpected expenses.

Representative Bethell moved for the introduction of legislation which would allow law enforcement in certain situations to use suppressors (silencers) on weapons. Motion was seconded by Representative Campbell. Motion carried.

The meeting was adjourned at 10:30 a.m. The next meeting is scheduled for January 16, 2002.

House Appropriations
and
Senate Ways & Means
Committees

Overview of
FY 2003 Budget

Duane Goossen, Director
Division of the Budget

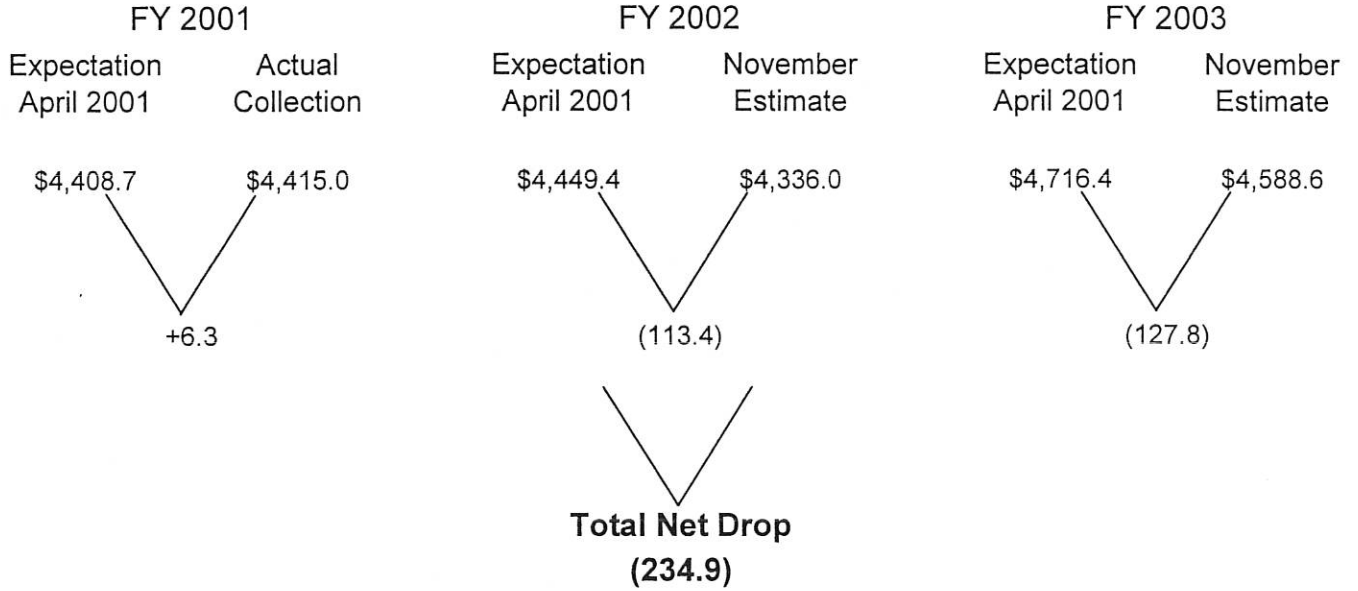
January 15, 2002

HOUSE APPROPRIATIONS

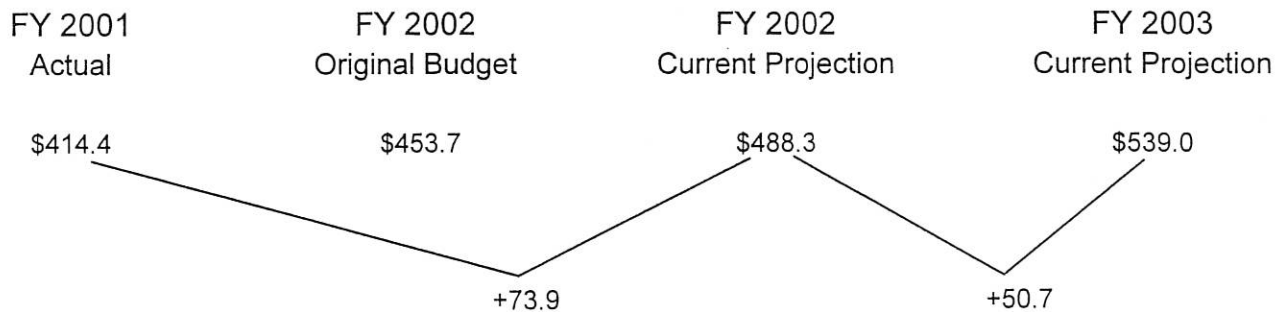
DATE 1/15/02
ATTACHMENT 1

Major Changes to State General Fund Status (Dollars in Millions)

SGF Revenue Drop



Increasing SRS & Aging Caseloads State General Fund



FY 2002 State General Fund Planning Report
(Dollars in Millions)

Revenue:

Beginning Balance	\$ 365.7
Consensus Revenue Estimate	4,336.0
Other Revenue	0.4
Total Available	<u>\$ 4,702.1</u>

Expenditures:

Approved Budget	\$ 4,508.9
Shifted Expenditures	4.6
KDOT Veto Adjustment	(26.5)
SRS Caseloads	34.5
School Finance Shortfall	9.4
Corrections Medical and Food Contracts	1.5
Other Adjustments	(4.7)
Total	<u>\$ 4,527.7</u>

Ending Balance \$ 174.4

Balance as Percent of Expenditures 3.9%

FY 2003 State General Fund Planning Report
(Dollars in Millions)

Revenue:

Beginning Balance	\$ 174.4
Consensus Revenue Estimate	4,588.6
LAVTR Revenue Transfer	(52.5)
CCRS Revenue Transfer	(33.5)
SCCHF Revenue Transfer	(11.2)
School Cap. Imp. Revenue Transfer	(45.1)
State Water Plan Revenue Transfer	(6.0)
Other Revenue	2.1
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Total Available	\$ 4,616.9

Expenditures:

FY 2002 Recommended Budget	\$ 4,527.7
Shift School Cap. Imp. & Water Plan to Revenue Transfers	(51.1)
Replace SGF with Senior Trust	(19.0)
SRS / Aging Caseloads	50.7
SRS Hospitals Shortfall	10.0
Employee Health Care	12.4
Pay Plan Annualization	9.0
KPERS Regular Fund	8.2
School Finance Shortfall	5.4
KDHE AIDS Funding	0.4
Corrections Medical and Food Contracts	0.9
Corrections Debt Service	1.9
JJA Larned Operations	1.7
Statehouse Renovation Bonds	1.9
No KDOT Transfer	(94.6)
Education Base State Aid per Pupil to \$3,712	(91.1)
Regents	
Regents Universities	(22.5)
Washburn University	(0.4)
Community Colleges	(3.4)
Technical Schools	(0.8)

FY 2003 Expenditure Adjustments Continued

Aging Senior Care Act / Income Eligible	(4.4)
SRS	
MediKan / GA to 24 months	(7.9)
Medicaid Cost Savings	(10.7)
HCBS Waiver Reductions	(1.2)
Reduce MH & DD Grants	(4.5)
HealthWave Caseload	4.1
Kansas Payment Center Contract	1.1
Sex Predator Program	1.0
Corrections	
Community Corrections	(1.0)
Close Labette Conservation Camp	(2.5)
Close Stockton	(1.3)
Close Osawatomie	(1.0)
Close Toronto	(0.8)
JJA / Eliminate Local Purchase of Service	(2.0)
Other Adjustments	(21.7)
Total Expenditures	\$ 4,294.5
Ending Balance	\$ 322.3
Balance as Percent of Expenditures	7.5%

Notes:

The half-year moratorium on payments into the KPERS Death & Disability Fund is continued in FY 2003.

No increases are included for higher education in connection with SB 345.

The KDOT demand transfer is eliminated entirely.

No salary increase for state employees is included.

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Historical State General Fund Balances
(Dollars in Millions)

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002 Gov. Est.	FY 2003 Published Gov. Rec.	FY 2003 With Gov. Restorations
Expenditures	3,439.2	3,538.1	3,799.1	4,196.2	4,367.6	4,429.6	4,527.7	4,294.5	4,486.1
Percent Change	3.9%	2.9%	7.4%	10.5%	4.1%	1.4%	2.2%	(5.1%)	(0.9%)
Ending Balance	\$ 379.2	\$ 527.8	\$ 756.3	\$ 540.7	\$ 378.0	\$ 365.7	\$ 174.4	\$ 322.3	\$ 336.6
Ending Balance Percentage	11.0%	14.9%	19.9%	12.9%	8.7%	8.3%	3.9%	7.5%	7.5%

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Governor Graves' Restoration and Enhancement Package for FY 2003 Budget
(Dollars in Millions)

Restore funding to current levels for programs that directly affect children, older Kansans, and the public's health and safety:

Aid to Local Schools	\$ 91.1
Universities, Comm. Coll., Voc-Tech Schools	27.1
SRS Grants and Services	7.0
<i>Mental Health Grants</i>	3.0
<i>Developmentally Disabled Grants</i>	1.5
<i>Family Preservation Services</i>	2.0
<i>Funeral Assistance</i>	0.5
Elderly In-Home Services	4.4
Keep Correctional Facilities Open	5.5
<i>Labette</i>	2.4
<i>Stockton</i>	1.3
<i>Osawatomie</i>	1.0
<i>Toronto</i>	0.8
Aid to Local Libraries	0.2
Teachers National Board Certification--ESU	0.1
Aid to Cities and Counties	3.6

Total Restorations **\$ 139.0**

Fund targeted enhancements that make important investments in our state's services:

Increase Aid to Local Schools (\$20/student)	12.0
2% Salary Increase for State Employees	12.0
Increase Regents Operating Grants	7.0
Economic Stimulus Package	3.0
Student Financial Aid for Postsecondary Ed.	1.0
SRS Grants and Services	10.0
<i>Waiting Lists</i>	5.0
<i>Medicaid Rates</i>	5.0
Homeland Security	2.0
Tobacco Prevention	1.5
Keep Courts Open and Functioning	4.1

Total Enhancements **\$ 52.6**

Total Additional Expenditures **\$ 191.6**

Maintain Ending Balance at 7.5% 14.3

Total **\$ 205.9**

To finance these important restorations and enhancements, two revenue increases are proposed.

Quarter Cent Sales Tax Increase	\$ 95.0
65 Cent Cigarette Tax Increase	111.0

Total Additional Revenues **\$ 206.0**

To maintain the state's Comprehensive Transportation Plan increases to Highway Fund receipts are proposed.

1 cent Motor Fuels Tax	\$ 18.0
3% Registration Fee on All Vehicles	4.0

Total--Annually **\$ 22.0**

Total--Over 7 Remaining Years of CTP **\$ 154.0**

New Costs in FY 2004 and FY 2005
(Dollars in Millions)

	FY 2004	FY 2005
Intergovernmental Transfer Replacement	43.0	50.0
SRS & Aging Caseloads	53.9	59.3
KPERS Regular Increase	9.3	9.3
Restore KPERS Death & Disability	8.1	--
State Employee Health Care	10.0	10.0
Correction Food & Medical Contract	1.1	1.2
Open New Larned JJA Facility	1.7	--
Open New Topeka JJA Facility	--	4.0
State Fair Debt Service	3.0	--
Statehouse Renovation Debt Service	1.1	--
KDOT Demand Transfer	156.0	79.8
Higher Education--SB 345	30.7	--
State Employee Salary Increase	15.0	15.0
Regents University Oper. Grant 2% Increase	13.6	13.9
K-12 Education 2% Increase	41.5	42.3
Other Agency 1% Inflation Increase	15.0	5.1
Total	\$ 403.0	\$ 289.9