

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Melvin Neufeld at 9:00 a.m. on February 5, 2003, in Room 514-S of the Capitol.

All members were present except: Representative Brenda Landwehr, Excused

Committee staff present: Alan Conroy, Legislative Research Department
Robert Waller, Legislative Research Department
Becky Krahl, Legislative Research Department
Amy Deckard, Legislative Research Department
Julian Efir, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Analyst
Sue Fowler, Committee Secretary

Conferees appearing before the committee: Representative Dennis McKinney
Bob Haley, Kansas Department of Transportation
Edward "Woody" Moses, Kansas Ready Mix Concrete Association
Bob Totten, Kansas Contractors Association
Robert Harder, Big Tent Coalition

Others attending: See Attached

Representative Campbell moved for the introduction of legislation to allow Star Bonds throughout the state. Motion was seconded by Representative Feuerborn. Motion carried.

Hearing on HB 2052 – State finance, prescribing transfers from the State General Fund to the State Highway Fund.

Robert Waller, Legislative Research Department, presented an overview on **HB 2052**. The bill directs that if the amount of state general fund receipts for the fiscal year exceeds the aggregate of the original Consensus joint estimate of revenue (adjusted for laws enacted by the Legislature), plus \$5,000,000, then 50 percent of the excess amount would be transferred to the State Highway Fund (SHF) (Attachment 2).

Dennis Mc Kinney presented testimony in support of **HB 2052** to convey how essential it is to have in place the proper tools to restore funding for one of the most important function of state government – the funding of our state highways (Attachment 2).

Bob Haley with the Kansas Department of Transportation provided testimony supporting **HB 2052** which provides a mechanism to restore funding to the Comprehensive Transportation Program after the state's economy begins to rebound (Attachment 3).

Edward "Woody" Moses with Kansas Ready Mix Concrete Association appeared before the Committee and presented testimony supporting **HB 2052** (Attachment 4).

Bob Totten with the Kansas Contractors Association presented testimony in support of **HB 2052** to convey their board of directors applaud any effort to increase the funding of the transportation program (Attachment 5).

Bob Harder with Big Tent Coalition presented testimony on **HB 2052** to convey their support for the bill to be held in committee, pending further coalition and budget developments. A better sense of the expenditures and revenue picture would be available over the next several weeks (Attachment 6).

CONTINUATION SHEET

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS at 9:00 a.m. on February 5, 2003,
in Room 514-S of the Capitol.

Cindy D'Ercole with Kansas Action for Children presented written opposition to the enactment of **HB 2052** (Attachment 7).

Chairman Neufeld closed the hearing on **HB 2052**.

Alan Conroy with Legislative Research Department presented information on the State General Fund Profile FY 2002 – FY 2006 (Attachments 8 and 9).

The meeting was adjourned at 10:20 a.m. The next meeting is scheduled for February 6, 2003.



Melvin Neufeld, Chair

APPROPRIATIONS COMMITTEE GUEST LIST

DATE: *February 5, 2003*

NAME	REPRESENTING
<i>David Cunningham</i>	<i>KASB</i>
<i>Mike Nettles</i>	<i>Ks. Government Consulting</i>
<i>Scott Alisoglu</i>	<i>JJA</i>
<i>Danar Rickards</i>	<i>KSTA</i>
<i>Travis Sawyer</i>	<i>Intern Rep. McCreary</i>
<i>SCOTT SCHNEIDER</i>	<i>GIBBA</i>
<i>Bob Harder</i>	<i>Big Tent Coalition</i>
<i>Woody Moses</i>	<i>Ks. App. Prods & Ks Ready Mix Concr. Co.</i>
<i>Bob Totten</i>	<i>Ks. Contractors</i>
<i>Vicki Lynn Helsel</i>	<i>Budget</i>
<i>Bernie Koch</i>	<i>Wichita Area Chamber</i>
<i>Ashley Sheppard</i>	<i>Lenexa Chamber</i>
<i>Temp Bell</i>	
<i>Ramona Davison</i>	<i>KCSH</i>
<i>Warp Sollar</i>	<i>Intern Rep Schwartz</i>

February 5, 2003

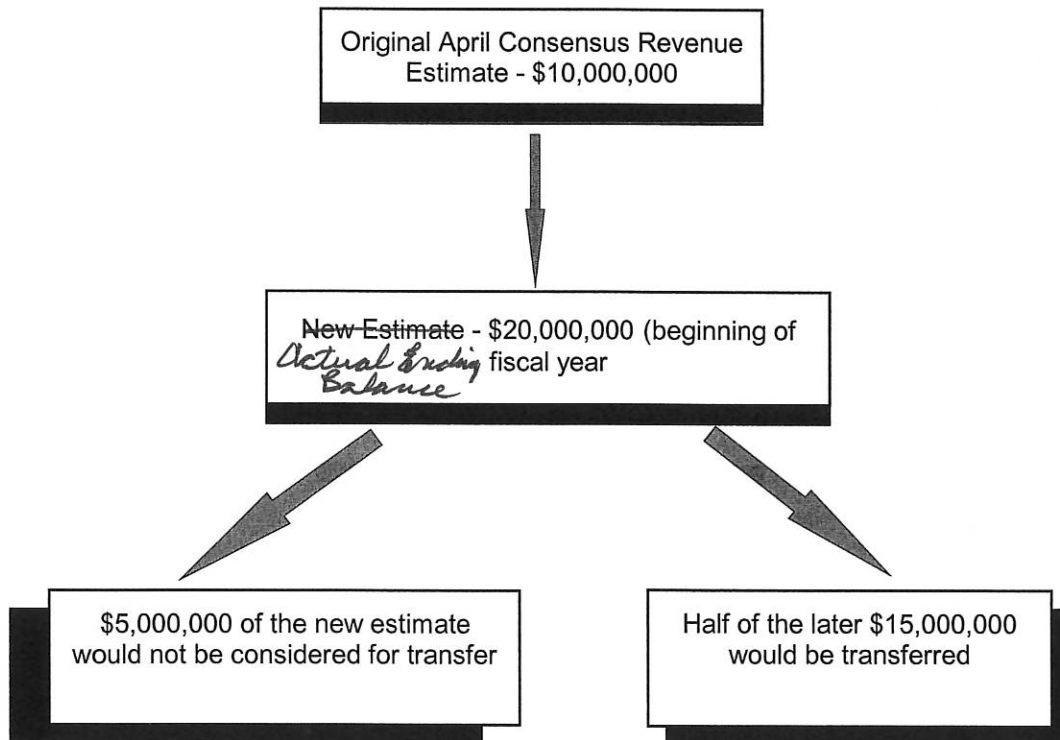
To: House Committee on Appropriations

From: Robert Waller, Senior Fiscal Analyst

Re: HB 2052

The bill directs that if the amount of state general fund receipts for the fiscal year exceeds the aggregate of the original Consensus joint estimate of revenue (adjusted for laws enacted by the Legislature), plus \$5,000,000, then 50 percent of the excess amount would be transferred to the State Highway Fund (SHF). Please review the chart below for further details.

EXAMPLE



The total transfer to the SHF would be \$7,500,000.

STATE OF KANSAS
HOUSE OF REPRESENTATIVES

DENNIS MCKINNEY
REPRESENTATIVE 116TH DISTRICT
612 S. SPRUCE
GREENSBURG, KS 67054
(620) 723-2129

STATE CAPITOL, ROOM 327-S
TOPEKA, KS 66612-1504
(785) 296-7658



TOPEKA

MINORITY LEADER'S OFFICE

Thank you for the opportunity to testify in support of House Bill 2052.

In these challenging times we must work together and find solutions to the very real economic uncertainties that we face. The House of Representatives has already begun that process with the passage of a Supplemental Budget for 2003. However, it is equally important to plan for the day that our economy begins to recover. When that day comes it is essential to have in place the proper tools to restore funding for one of the most important function of state government— the funding of our state highways.

It is no secret that our highways are some of the best in the country and we must work to keep that distinction. It is also no secret that the highway plan has taken more than its fair share of hits in response to budgetary constraints. We also know that our economic recovery is tied in part to our ability to move goods, services, and people. One way to achieve this goal is to have the means to transfer funds to the highway plan when the funds are available and as quickly as possible.

Additionally, bond holders must be assured that funding the Comprehensive Transportation Plan remains a priority for the Legislature – reassurance in times like these is valuable.

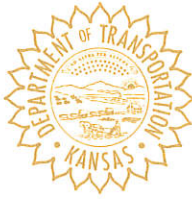
We should also remember that transportation construction puts people from all walks of life to work in jobs that are above prevailing wage. In fact, highway contractors have been adept at helping workers move from welfare to work, and helping low skilled workers advance their skills in the work force. Putting people to work during a recession in jobs that have lasting impact on our state's economy is sound public policy.

The bill would direct that in any calendar year in which the amount of state General Fund receipts for the fiscal year exceeds the aggregate of the original joint estimate by over \$5,000,000 then 50% of that surplus would be transferred from the state General Fund to the state Highway Fund. These transfers would automatically stop when the cuts to the 1999 Comprehensive Transportation Plan has been restored. Given the variability of our revenues, especially income tax revenue, the committee should consider raising the transfer trigger from \$5 million to \$40 or \$50 million.

Again, thank you for your time.

HOUSE APPROPRIATIONS

DATE 2-5-03
ATTACHMENT 2



KANSAS DEPARTMENT OF TRANSPORTATION
OFFICE OF THE SECRETARY OF TRANSPORTATION

Deb Miller
Secretary of Transportation

Docking State Office Building
915 SW Harrison Street, Rm.730
Topeka, Kansas 66612-1568
Ph. (785) 296-3461 FAX (785) 296-1095
TTY (785) 296-3585

Kathleen Sebelius
Governor

TESTIMONY BEFORE THE
HOUSE APPROPRIATIONS COMMITTEE

REGARDING HOUSE BILL 2052
RELATING TO TRANSFERS FROM THE STATE GENERAL FUND
TO THE STATE HIGHWAY FUND

February 5, 2003

Mr. Chairman and Members of the Committee:

I am Bob Haley, Director of the Division of Administration. On behalf of the Department of Transportation, I am here to provide testimony to the committee regarding House Bill 2052.

The Governor has indicated her strong commitment to the completion of the Comprehensive Transportation Program. Although she has proposed that the \$94.6 million dollar loan to the State General Fund not be repaid this year, she has indicated a commitment to repay the loan in the future.

The agency is currently in the process of reviewing our options as we move forward, which include improving the efficiency of the agency; reviewing the assumptions we use in our cashflow projections; extending the program by one or two years; reducing funds not yet assigned to specific projects; reducing project scopes; and implementing the Transportation Revolving Fund with less capitalization. Each of these options have their own disadvantages and reductions will affect someone.

House Bill 2052 provides a mechanism to restore funding to the Comprehensive Transportation Program after the State's economy begins to rebound. This is particularly true if the recovery is sharper than had been anticipated. The bill provides that if in any fiscal year State General Fund receipts exceed by more than \$5 million dollars the original estimate for the fiscal year, then half of the excess over \$5 million dollars would be transferred to the State Highway Fund. The transfers would continue until the total transfers to the State Highway Fund from the State General Fund equals the total transfers which would have occurred if the enabling legislation for the Comprehensive Transportation Program had not been subsequently amended.

HOUSE APPROPRIATIONS

DATE 2-5-03
ATTACHMENT 3

We concur with the Governor that the bill should not impair the general fund's ending balances and have included language which protects the general fund ending balance. We have also spoken with Representative McKinney about a clarifying amendment to the bill. He agrees that the amendment would be helpful. We have attached a copy of the bill with the proposed protective and clarifying language and would request that the committee consider the amendments.

Session of 2003

HOUSE BILL No. 2052

By Committee on Appropriations

AN ACT concerning state finance; relating to revenues credited to the state general fund; prescribing certain transfers from the state general fund to the state highway fund and guidelines relating thereto.

Be it enacted by the Legislature of the State of Kansas:

Section 1. (a) In any calendar year in which the amount of state general fund receipts for the fiscal year ending in such calendar year, as determined under subsection (b), exceeds the aggregate of (1) the original joint estimate of revenue to the state general fund for that fiscal year prepared pursuant to K.S.A. 75-6701 and amendments thereto, as adjusted for laws enacted by the legislature during the regular legislative session in such calendar year, plus (2) \$5,000,000, then 50% of the amount by which state general fund receipts, as determined under subsection (b), exceed such aggregate shall be transferred from the state general fund to the state highway fund in accordance with this section.

(b) On or before July 1 of each calendar year, the director of the budget and the director of the legislative research department shall prepare a joint estimate of the actual amount of state general fund receipts for the state fiscal year ending in such calendar year. If such estimated amount of state general fund receipts exceeds the original joint estimate of revenue to the state general fund for that state fiscal year which was prepared pursuant to K.S.A. 75-6701 and amendments thereto, adjusted for laws enacted by the legislature during the regular legislative session in such calendar year, then the director of the budget and the director of the legislative research department shall prepare a joint certification to the director of accounts and reports of the amount to be transferred from the state general fund to the state highway fund pursuant to this section. **The amount certified to be transferred shall be limited so as not to impair the state general fund ending balance as required by K.S.A. 76-6702 as amended.**

(c) Subject to the provisions of subsection (d), if the director of accounts and reports receives a certification under this section in any calendar year, the director of accounts and reports shall transfer the amount specified in such certification from the state general fund to the state highway fund on July 1 of such calendar year or as soon after July 1 as moneys are available therefor.

(d) No moneys shall be transferred from the state general fund to the state highway fund under this section after the aggregate of all amounts transferred pursuant to this section equals the difference between (1) the aggregate of **(A) the amounts actually transferred from the state general fund to the state highway fund pursuant to K.S.A. 1999 Supp. 74-34,147, as amended after July 1, 1999 plus (B) all amounts actually transferred from the state general fund to the state highway fund pursuant to any other statute after July 1, 1999 for the specified purpose of providing moneys to finance such comprehensive transportation program,** and (2) the aggregate of (A) the amounts that would have been transferred on or after July 1, 1999, from the state general fund to the state highway fund pursuant to section 38 of chapter 137 of the 1999 Session Laws of Kansas, which was published as K.S.A. 1999 Supp. 74-34,147 and which provided financing for the comprehensive transportation program prescribed by chapter 137 of the 1999 Session Laws of Kansas, if amendments to such statute had not been enacted after July 1, 1999, reducing the amounts prescribed to be transferred pursuant to section 38 of chapter 137 of the 1999 Session Laws of Kansas, plus (B) all amounts that **would have been transferred from the state general fund to the state highway fund pursuant to any other statute after July 1, 1999, for the specified purpose of providing moneys to finance such comprehensive transportation program if amendments to such statute had not been enacted after July 1, 1999 reducing the amounts prescribed to be transferred.**

(e) The provisions of this section shall expire on July 1, 2010.

Sec. 2. This act shall take effect and be in force from and after its publication in the Kansas register.

KRMCA

Kansas Ready Mixed
Concrete Association

KAPA

Kansas Aggregate
Producers' Association

TESTIMONY

BEFORE: House Appropriations Committee
FROM: Edward R. Moses
DATE: February 5, 2003
RE: HB 2052 - Comprehensive Transportation Program Resolution

Mr. Chairman and Members of the Committee:

I am Edward R. Moses appearing on behalf of the Kansas Aggregate Producers' Association, Kansas Ready Mixed Concrete Association, Kansas Cement Council, and Missouri/Kansas Concrete Pipe Association, organizations all dedicated to the full funding and implementation of the 1999 Comprehensive Transportation Program.

I am before you today to express our support for HB 2052 and even stronger opposition to any reduction in funding to the Comprehensive Transportation Program, which would result in the elimination of any projects, announced or unannounced associated with this program. In concept HB 2052 would enact a mechanism whereby funds could be restored to and dedicated to the Comprehensive Transportation Program, and we applaud it as a step in the right direction. However, we would urge this committee and legislature to consider an even stronger and bolder vision by providing the Comprehensive Transportation Program with 100% dedicated funding through a variety of mechanisms.

It is important that you keep in mind that the Legislature's passage of the program in 1999 by over seventy percent of each chamber was not just a response to constituents, but also a commitment by the Legislature that all of the projects would be completed within the ten-year program just as was done in the 1989 Highway Program. That also reflects the unanimous expressions of the Governor's Transportation 2000 Study at twelve weeks of hearings in 1998, which lead to the passage of this program and four weeks of hearings this fall where over 800 citizens expressed their continued support for completion of the program. Right now this program is threatened as never before due to the downturn of the state's economy. Last year the Legislature took the entire demand transfer of one hundred forty seven million dollars and in an unprecedented step

HOUSE APPROPRIATIONS

DATE 2-5-03
ATTACHMENT 4

borrowed another ninety-five million dollars from the Highway Fund, which was to be paid back on or before June 30 of this year. To date over \$238 million has been removed from the CTP, with an additional \$265 million being proposed for FY04.

While we are reviewing these numbers and are in communication with KDOT to try to determine the full impact of all of these proposed reductions to the highway program it is **incomprehensible** to us that we can continue this practice and proclaim that the program will still be fully implemented on the time table of the original 1999 act. In our opinion the program has already been cut in the **unannounced project category** as evidenced by the table presented below:

Department of Transportation Expenditures by Program					
	1999	2000	2001	2002	Total
Projected:					
Local Support		267,528,000	267,528,000	267,528,000	802,584,000
Maintenance		328,788,000	328,788,000	328,788,000	986,364,000
		596,316,000	596,316,000	596,316,000	\$ 1,788,948,000
Actual:					
Local Support	153,266,495	170,086,384	180,171,933	183,527,238	533,785,555
Maintenance	282,530,786	189,086,436	264,243,319	250,694,289	704,024,044
		359,172,820	444,415,252	434,221,527	\$ 1,237,809,599
Difference		237,143,180	151,900,748	162,094,473	\$ 551,138,401

Source: The Governor's Budget Report FY01, FY02 & FY03

As you can see while KDOT has worked hard to over the last three years to maintain its commitment to the major modification, priority bridge projects contained on the "Red Map" and the system enhancements; spending in the Local Support and Maintenance categories has not achieved the spending level originally projected at the passage of the Comprehensive Transportation Program.

This failure to spend the projected money has already lead to unannounced projects being cut. These cuts have been particularly painful to the industries we represent, and are already viewed by our members as a failure of the legislature to honor its commitments.

During the debate on the Comprehensive Transportation Program in 1999 several of our members assured legislators, when questioned, they were willing to make the necessary capital investments to provide materials for the program. We honored our commitment by making investments of over \$450 million to upgrade plants and equipment. Ash Grove Cement Company and the Monarch Cement Company alone have spent over \$235 million on their cement plants in Southeast Kansas. All of this has been built, and added to the tax rolls in anticipation of the full completion of both announced and unannounced projects. Our industry made the commitment. Will you?

While we recognize the unprecedented dire economic conditions of the state and the general fund in particular, it is vitally important that you keep in mind that the 1999 program, just as the 1989 program, is the single largest economic development program occurring in the state of Kansas at this time. Economists from Kansas State University and University of Kansas have produced studies that were presented to the T2000 Committee this fall indicating extraordinarily positive benefits to the state's economy if this program is completed as scheduled and conversely the severely detrimental impact it would have on the state's economy and the ability to recover as quickly as possible if funding for the program continues to be diminished.

Our organizations stands ready to work with the Governor, the Legislature and the Department of Transportation to figure out the best resolution for preserving this important program but it is clear we cannot continue to use the State Highway Fund as a bank for every possible scheme or idea which someone devises to take more and more funding from the revenue stream.

Thank you for hearing our concerns. I would be happy to answer any questions at this time.

THE KANSAS CONTRACTORS ASSOCIATION, INC.

316 SW 33RD ST PO BOX 5061
TOPEKA KS 66605-0061



TEL (785) 266-4152
FAX (785) 266-6191
kca@ink.org
www.ink.org/public/kca

Testimony

By the Kansas Contractors Association before the House Appropriations
Committee regarding State Highway funding---H 2052

February 5, 2003

Mr. Chairman and members of the House Appropriations Committee, I am Bob Totten, Public Affairs Director for the Kansas Contractors Association. Our organization represents over 400 companies who are involved in the construction of highways and water treatment facilities in Kansas and the Midwest.

Today, I want to thank you for allowing me to testify in support of House Bill 2052. How could we not support this measure? This bill provides a method of insuring adequate funding for the transportation program when and if there is a surplus in the general fund.

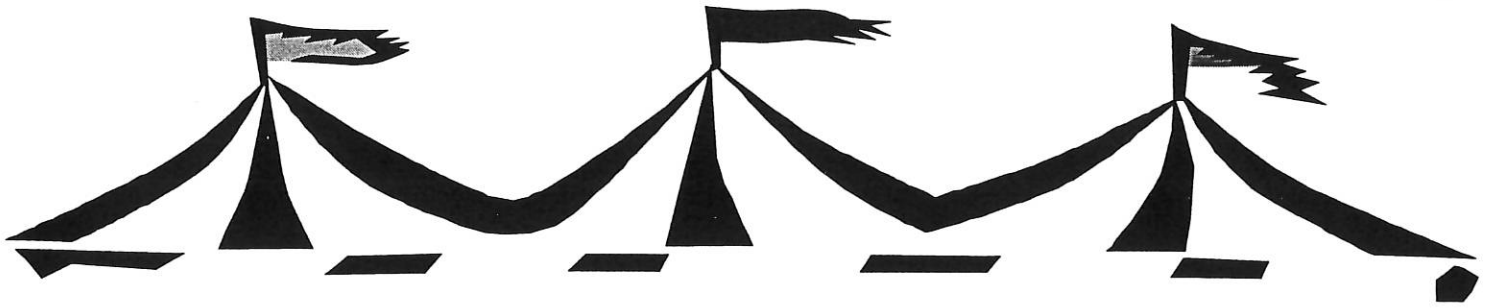
We question when this may occur before 2010 since it appears to us that there won't be any additional money in the general fund for the immediate future but then we didn't foresee 4 years ago that the state would be in the shape it is now in.

HOUSE APPROPRIATIONS

DATE 2-5-03
ATTACHMENT 5

Our board of directors applauds any effort to increase the funding of the transportation program and I have been asked to convey that message to as many legislators as I can. It appears this legislation would help in that goal and we urge you to pass this HB 2052.

I will be glad to answer any of your questions and I thank you for allowing me to convey our position on highway funding issues.



Big Tent Coalition

Testimony to
House Appropriation Committee
Representative Melvin Neufeld, Chair
February 5, 2003

Mr. Chairman and Members of the Committee;

I am the spokesperson for the Big Tent Coalition. We are a group of 56 organizations concerned about funding as it relates to SRS, Aging, and Health. Our membership and the client groups we serve constitute over 600,000 Kansans.

We have concerns about H.B.2052. We recognize that there are many groups, as well as you and the Governor, concerned about the fit of the State's budget. We have been encouraged by the number of organizations, which have joined the Big Tent Coalition after one month of activity. As we are in the halls talking to many of you, we hear the need for broad, inclusive coalitions. We support the concept of coalition building.

However, it would seem that H.B.2052 works against coalition building. It designates one group to get special attention.

We think a better approach would be to leave H.B.2052 resting in committee for the present time. In that way all of us could get a sense of the expenditures and revenue picture over the next several weeks.

We think there will be more coalitions emerging and connections and ties will be made. We encourage that effort and we are optimistic that our coalition will continue to add Kansans.

On that basis we ask that the committee not give any group a head start. We ask that H.B.2052 be held in committee, pending further coalition and budget developments.

We want the committee to know that our coalition has talked about the need for additional revenue. We are prepared to support moves related to increased revenues as the legislature and the Governor work to assure adequate balances and equity among all the groups.

Thank you for your attention to this important matter.

Shannon Jones
Spokesperson, Big Tent Coalition

HOUSE APPROPRIATIONS

DATE 2-5-03

ATTACHMENT 6

THE KANSAS BIG TENT COALITION

BE IT RESOLVED that the undersigned groups and individuals announce the creation of a new coalition to be named the KANSAS BIG TENT COALITION and;

BE IT FURTHER RESOLVED that the Kansas Big Tent Coalition members come together as a unified voice for the purposes of supporting the following initiatives:

- To raise sufficient revenue for the purpose of decreasing the impact of budget cuts and ensure access to the state's human services to allow choice, dignity and self determination for those Kansans most in need;
- To restore and protect essential services for Kansas' most vulnerable citizens; and
- To ensure continued participation by service providers in fiscal years 2003 and 2004; and
- To further use this revenue to secure independent living for all Kansas citizens.

MEMBERS SIGNED ON:

Representing 56 organizations and a total of 571,622 members/customers

Statewide Independent Living Council of KS
Kansas Advocates for Better Care (2,000)
Coalition for Independence (5,000)
Prairie Independent Living Resource Center (800)
ILC of NE Kansas (521)
CIL of Southwest Kansas (600)
Kansas AFL-CIO (100,000)
Kansas Home Care Association (125)
Kansas Assistive Technology Cooperative
KS Association of Centers for Independent Living (14)
Three Rivers, Inc. (1,300)
Resource Center for Independent Living (1,860)
Kansas Council on Developmental Disabilities (10,000)
Prevention & Recovery Services (10,000)
Independent Living Resource Center (1,300)
The United Methodist Church-KS Area (166,000)
Nat'l Multiple Sclerosis Society-Mid America (20,000)
KS Association for the Blind & Visually Impaired (256)
Cerebral Palsy Research Foundation of KS, Inc (1,400)
United Cerebral Palsy of KS, Inc (500)
Kansas Area Agencies on Aging Association (45,000)
LINK, Inc. (972)
The Whole Person, Inc (1,000)
Kansas Association of the Deaf, Inc (2,000)
Butler Co. Dept of Aging (16,000)
Southeast KS Independent Living (2,196)

The Dream Works (100)
Assistive Technology for Kansans (18,423)
Self-Advocate Coalition of KS (6,540)
First Class Transportation (500)
Midwest Bioethics Center (20,000)
Independence Inc (1,200)
Kansas for Addiction Prevention (7,000)
Brain Injury Association (597)
The ARC of Douglas Co. (500)
Kansas Action Network (20)
Harper Hospital Home Health (62)
Jason Gallagher
Craig Home Care (200)
The Paratransit Council, Inc (3,000)
Community Memorial Healthcare (280)
Via-Christi Riverside Home Care (120)
Topeka Center for Peace & Justice (666)
Western KS Assoc. on Concerns of the Disabled (4,000)
SEK-CAP, Inc (1,000)
Community Works, Inc (140)
Association of CMHCs of Kansas (85,000)
InterHab (10,000)
Keys for Networking (10,000)
Independent Connection (1,200)
Reno County Youth Services (650)
KS Chapter, Nat'l Association of Social Workers (1700)

Breakthrough House Inc (700)
Full Citizenship, Inc (50)
Kansas Public Health Association, Inc (500)
Developmental Services of Northwest KS (500)



KANSAS ACTION FOR CHILDREN

Making a difference for Kansas children.

Kansas Action for Children, Inc.
3360 SW Harrison | Topeka, KS 66611
P 785-232-0550 | F 785-232-0699
kac@kac.org | www.kac.org

To: Committee on Appropriations
From: Gary Brunk
Re: House Bill No. 2052

Kansas Action for Children opposes enactment of House Bill 2052.

We believe that it is not good public policy to dedicate to any fund a portion of any source of potentially open-ended funding. As child advocates we could propose many worthy uses of "surplus" state general funds. We would not do that because good stewardship of public resources entails thorough and detailed scrutiny of all proposed expenditures. This legislation gives a blank check to one worthy program, but that does not make it good public policy.

EXECUTIVE DIRECTOR
Gary Brunk

BOARD OF DIRECTORS
Pat Anderson
Efrain Bleiberg, MD
Margot Breckbill
Rod Bremby
Dennis Cooley, MD
Sue Evans
Susan Fetsch, RN, PhD
Judy Frick
Susan Garlinghouse
Shirley Heintz
Rebecca Holmquist
Larry Kane
Martin Maldonado, MD
Bill McEachen, MD
James McHenry, PhD
Jenifer Purvis
Pam Shaw, MD

HOUSE APPROPRIATIONS

DATE 2-5-03
ATTACHMENT 7

A Member of the National
Association of Child Advocates

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

Rm. 545N-Statehouse, 300 SW 10th Ave.
Topeka, Kansas 66612-1504
(785) 296-3181 ♦ FAX (785) 296-3824

kslegres@klrd.state.ks.us

<http://www.kslegislature.org/klrd>

February 3, 2003

To: Senate Committee on Ways and Means
From: Alan D. Conroy, Director
Re: State General Fund Ending Balances

Kansas State General Fund Ending Balance Law

The 1990 Kansas Legislature enacted HB 2867, which dealt with several items regarding state finances. The legislation established five different requirements regarding the appropriations process and the State General Fund. These items included:

- Required projected State General Fund ending balance;
- Omnibus Reconciliation Spending Bill;
- \$100 million minimum ending balance in the State General Fund;
- Statutorily established the Consensus Revenue Estimating Group; and
- Established the Cash Operating Reserve Fund.

Required State General Fund Ending Balance

The legislation provided for a required projected ending balance in the State General Fund beginning in FY 1992. The minimum State General Fund ending balances as a percent of expenditures were statutorily targeted at the following amounts:

- 5.0 percent in FY 1992;
- 6.0 percent in FY 1993;
- 7.0 percent in FY 1994; and
- 7.5 percent in FY 1995.

The required projected State General Fund ending balance only applies at two points in the state budget process. First, the Governor must present a budget for the out-year that leaves a minimum ending balance of no less than 7.5 percent of State General Fund expenditures. The second time is that the total amount of expenditures and demand transfers authorized from the State General Fund by the Legislature for the out-year or budget year cannot be less than 7.5 percent of expenditures. In general, the State General Fund ending balance in the current year is not affected by the ending balance law.

Since FY 1966 (the advent of the modern day State General Fund) the State General Fund's actual ending balance low point was in FY 2002 with a balance of \$12.1 million or 0.3 percent of expenditures. The highest General Fund ending balance was FY 1998 with a balance of \$756.3 million or 19.9 percent of expenditures. In the 1990 Session when HB 2867 was passed, the projected ending balance for FY 1991 was 4.1 percent of expenditures. The ending balances in the State General Fund since FY 1966 have been as follows:

HOUSE APPROPRIATIONS
DATE 2-5-03
ATTACHMENT 8

State General Fund Balances (Amounts in millions)				
Fiscal Year	Receipts*	Expenditures	Ending Balance	Percent of Expenditures
1966	\$250.8	\$222.4	\$80.4	36.1%
1967	254.1	239.4	95.2	39.8%
1968	254.8	258.7	91.4	35.3%
1969	282.1	279.1	94.6	33.9%
1970	301.1	343.6	52.4	15.2%
1971	333.6	354.9	31.5	8.9%
1972	375.8	366.3	41.2	11.2%
1973	436.2	386.7	90.9	23.5%
1974	547.1	490.5	147.9	30.1%
1975	627.7	598.4	179.0	29.9%
1976	701.3	701.6	179.2	25.5%
1977	776.6	816.6	140.4	17.2%
1978	854.8	841.2	154.9	18.4%
1979	1,007.3	967.2	195.9	20.3%
1980	1,099.5	1,113.6	92.4	16.5%
1981	1,233.3	1,265.7	152.1	12.0%
1982	1,281.5	1,342.1	92.4	6.9%
1983	1,371.7	1,414.1	51.1	3.6%
1984	1,561.7	1,518.2	95.6	6.3%
1985	1,679.1	1,655.1	120.4	7.3%
1986	1,668.9	1,770.5	19.7	1.1%
1987	1,820.7	1,768.7	73.3	4.1%
1988	2,147.1	1,920.8	301.2	15.7%
1989	2,228.3	2,159.9	371.4	17.2%
1990	2,300.5	2,400.3	272.9	11.4%
1991	2,382.3	2,495.4	162.2	6.5%
1992	2,465.8	2,491.3	140.5	5.6%
1993	2,932.0	2,690.4	384.9	14.3%
1994	3,175.7	3,111.0	454.4	14.6%
1995	3,218.8	3,309.8	367.0	11.1%
1996	3,448.3	3,439.2	379.2	11.0%
1997	3,683.8	3,538.1	527.8	14.9%
1998	4,023.1	3,799.1	756.3	19.9%
1999	3,978.4	4,196.2	540.7	12.9%
2000	4,203.1	4,367.6	378.0	8.7%
2001	4,415.0	4,429.6	365.7	8.3%
2002	4,108.3	4,466.1	12.1	0.3%
2003 (Gov. Rec.)	4,346.6	4,358.3	0.4	0.0%
2004 (Gov. Rec.)	4,395.5	4,493.4	0.5	0.0%

* Excludes a small amount of released encumbrances.

Omnibus Reconciliation Spending Limit Bill

The 1990 legislation also specified that the last appropriation bill passed in any regular session which appropriates or transfers money from the State General Fund must be the Omnibus Reconciliation Spending Limit Bill. Each bill passed during a regular session which appropriates or transfers money from the State General Fund has to contain a provision that the bill will not take effect until after the Omnibus Reconciliation Spending Limit Bill. The reconciliation bill is relied upon to reconcile total State General Fund expenditure authorizations with the statutorily prescribed ending balance target. Since 1992, the practice has been to merge the omnibus appropriation bill and the omnibus reconciliation bill into one measure.

\$100 Million Minimum Ending Balance

1990 HB 2867 also authorizes the Governor to issue an executive order or orders, with the approval of the State Finance Council, to reduce State General Fund expenditures and demand transfers if the estimated year-end balance in the General Fund is less than \$100 million. The Budget Director must continuously monitor receipts and expenditures and certify to the Governor the amount of reduction in expenditures and demand transfers that would be required to keep the year-end balance from falling below \$100 million. Debt service costs, the General Fund contribution to school employees retirement (KPERs-School), and the demand transfer to the School District Capital Improvements Fund are not subject to reduction.

If the Governor decides to make reductions, they must be on a percentage basis applied equally to all items of appropriations and demand transfers, *i.e.*, across-the-board with no exceptions other than the three mentioned above.

In August 1991 (FY 1992), the Governor issued an executive directive, with the approval of the State Finance Council, to reduce State General Fund expenditures (except debt service and the KPERs-School employer contributions) by 1 percent. At the time of the State Finance Council action, the projected State General Fund ending balance was approximately \$76 million.

Consensus Revenue Estimating Group

Beginning in 1974 and in every year since, there was an informal consensus approach involving the legislative and executive branches (Division of the Budget, Legislative Research Department, and one consulting economist each from Kansas, Kansas State, and Wichita State universities) for estimating revenues to the State General Fund. 1990 HB 2867 placed in the law a timetable and certain procedures to be followed in the preparation of estimates of revenue to the State General Fund. The law requires that on or before December 4 and April 4, the Director of the Budget and the Director of the Legislative Research Department prepare a joint estimate of revenue to the State General Fund for the current and ensuing fiscal year. If legislation is passed affecting State General Fund revenue, the two directors are to prepare a joint estimate of revenue. If the two directors are unable to agree on the joint estimates, the Legislature must use the estimate of the Director of Legislative Research and the Governor must use the estimate of the Director of the Budget. (To date, the two directors successfully have reached agreement on these revenue estimates).

Cash Operating Reserve Fund

The 1990 legislation established a Cash Operating Reserve Fund. The bill required that 5.0 percent of State General Fund expenditures and demand transfers would be transferred into this

fund on July 1 of each fiscal year. The reserve fund balance was then transferred back to the General Fund at the end of the fiscal year. This fund was abolished in 1994.

Cashflow Patterns and Requirements

Revenues for the State General Fund are realized from a variety of sources, however, the vast majority are from individual income (42.4 percent) and retail and compensating use (41.5 percent) taxation. While sales tax receipts are relatively constant throughout the fiscal year, income taxes are obviously concentrated in the later months of the fiscal year, around April when tax returns are due. Compounding this pattern within a given month, sales taxes and other excise taxes are remitted at the end of the month leaving significant gaps in the cashflow patterns that are not revealed by examining monthly receipts and expenditures. In addition, while spread fairly evenly throughout the year, expenditures also occur in predictable but varying levels during a given month. School aid payments, regular medical assistance payments, state payroll are just some of the examples of large payments that occur during different times of the month and fiscal year.

Given the combination of these structural factors, **the ending balance requirement of 7.5 percent of State General Fund expenditures is not sufficient to assure a daily positive balance in the State General Fund without the use of certificates of indebtedness.**

Other State's Budget Stabilization or "Rainy Day" Funds

The attached table (Table Q) lists information compiled by the National Association of State Budget Officers on whether a state has a state budget stabilization fund or a "rainy day" fund. The table provides the name of the fund, the determination on the size of the fund, and the procedure to make expenditures from the fund. Kansas does not have a budget stabilization or "rainy day" fund. Although, the required ending balance in the past has helped the state's financial solvency. Twelve states have various requirements of a 5.0 percent budget stabilization fund. These states are:

Connecticut	Maryland	South Dakota
Florida	New Hampshire	Vermont
Idaho	New Jersey	West Virginia
Iowa	Ohio	
Kentucky	South Carolina (between two funds)	

Our neighboring states have the following budget stabilization fund requirements:

Colorado	Constitutional 4 percent of revenues
Iowa	5 percent of net General Fund Revenue
Missouri	Minimum of 7.5 percent of net general revenue
Nebraska	Cash Reserve Fund balance is determined by statute
Oklahoma	Maximum of 10 percent of preceding year's general revenue

Contingency or Emergency Fund

The 2000 Legislature authorized transfers of up to \$10 million from the State General Fund, with the State Finance Council approval for natural disasters or other emergencies. The attached (Table R) from the National Association of State Budget Officers provides information on the amounts that the various states have within their contingency or emergency funds.

**Table R
Contingency/Emergency Funds^**

State	Fund Name	FY 2001 Amount	Official/Agency Authorized to Allocate Funds	Purposes for Which Funds May Be Used	Unexpended Funds May be Carried Forward
Alabama	Departmental Emergency Fund	\$3,055,000	Finance Director	ND,U,A,S,D	-
Alaska*	Disaster Relief Fund	-	Governor	ND	X
	Governor's Contingency Fund	410,000	Governor	U,A	-
Arizona	Gov.'s Cont. and Emerg. Fund	4,000,000	Governor	ND,S,A	*
	Wild Land Fire Emergency Fund	3,000,000	Emergency Council	ND,S,A	*
Arkansas	Governor's Emergency Fund	500,000	Governor	D,A,S,U,O	-
	Disaster Assistance Fund	9,500,000	Governor	ND	-
California	Augmentation for Contingencies and Emerg.*	5,000,000	Department of Finance	D,A,S,U,ND	X
Colorado	Emergency Fund	3,500,000	Governor	ND,S	X
Connecticut	Governor's Contingency	18,000	Governor	A,U,ND,S	-
Delaware	Contingency Funds	19,450,000	Budget Director	U,A	X*
Florida	Deficiency Fund	400,000	Leg. Budget Commission	U,D	-
	Emergency Fund	250,000	Governor	ND,S	-
Georgia	Governor's Emergency Fund	22,862,000*	Governor	ND,U,A,S	-
Hawaii	Governor's Contingency Fund	14,031	Governor	U	-
	Major Disaster Fund	600,000	Governor	ND	-
Idaho	Governor's Emergency Fund	192,300	Governor	ND,S	X
	Disaster Emergency Fund*	40,100	Governor	ND,S	X
Illinois	General Revenue Fund	326,000,000	Governor, Legislative Leaders	ND	-
Indiana	Personal Services Contingency Fund	38,500,000	Governor	A,U,D	*
	Dept. & Institutional Contingency	5,000,000			
Iowa	Performance of Duty	2,500,000	Executive Council	A,ND,U	X
Kansas	State Emergency Fund	45,000	State Finance Council	ND,S,O*	-
Kentucky	Surplus Account	-	Governor	ND,S,O*	-
Louisiana*	Interim Emergency Board Fund	9,500,000	Interim Emergency Board	ND,U,S,O*	-
Maine	State Contingent Account	300,000	Governor	N,D,U	X
Maryland	Contingent Fund	750,000	Board of Public Works*	Any	-
	Catastrophic Event Fund	1,700,000	Governor, with Legislative Policy Comm. approval	ND	X
Massachusetts	Welfare Caseload Increase Mitigation Fund	153,000,000	Governor, Legislature	U,A	X
Michigan	-	-	-	-	-
Minnesota	General Contingency	250,000	Gov., Legis. Advisory Comm.	ND,D,U	X*
Mississippi	-	-	-	-	-
Missouri	Government Emergency Fund	150,000	Committee	U	-
	Missouri Disaster Fund	66,264	Public Safety	ND	-
	Medicaid Supplemental	438,431,815	Social Services	A	-
	Corrections growth pool	31,755,958	Corrections	A	-
Montana	Governor's Emergency Fund	12,000,000 *	Governor	ND,S	-
Nebraska	Governor's Emergency Fund	3,891,817	Governor	ND,S	-
Nevada	Statutory Contingency Fund	3,000,000	Board of Examiners	A	-
	Emergency Fund	400,000	Board of Examiners	-	-
	Interim Finance Contingency Fund	11,000,000	Interim Leg. Finance Com.	U,O(Emerg.)	-
New Hampshire	Emergency Fund/Budget Contingency	25,000	Governor, Executive Council	ND,U	-
New Jersey	Emergency Funds	2,000,000	Governor	D,S,U,ND	-
	Contingency Fund	1,500,000	Budget Director	U	-

Codes: ND....Natural Disaster S....Public Safety
 U....Unexpected Expenditures D....Deficiencies
 A....Authorized Programs O....Other (Specify)

*Does not refer to budget stabilization funds or rainy day funds.

Table R
Contingency/Emergency Funds^{*}

<i>State</i>	<i>Fund Name</i>	<i>FY 2001 Amount</i>	<i>Official/Agency Authorized to Allocate Funds</i>	<i>Purposes for Which Funds May Be Used</i>	<i>Unexpended Funds May be Carried Forward</i>
New Mexico	Appropriation Contingency Fund	5,000,000	Governor	ND,S*	-
New York	Contingency Reserve Fund	151,211,000	Legislature, Budget Director*	U,ND,O**	X
North Carolina	Contingency and Emergency Fund	1,125,000	Council of State	ND,U	-
North Dakota	Contingency Fund	300,000	Emergency Commission	U,ND,S	-
Ohio	Emergency Purposes Account	6,000,000	Controlling Board*	D,A,S,U,ND	**
Oklahoma	State Emergency Fund	1,000,000	Governor, Contingency Review	ND,U,A,S	X
Oregon	Emergency Fund	40,000,000 *	Emergency Board, Legislature	D,A,S,U,ND	-
Pennsylvania	Emergency and Disaster Assistance*	10,000,000 *	Governor	ND,S	X*
Rhode Island	Contingency Fund	1,500,000	Governor; Dir. of Admin.	A,U,ND,D,S,O	X*
South Carolina	Civil Contingency Fund	280,602	Budget and Control Board	ND,U,A,S	-
South Dakota	General Contingency Fund	*	Governor*	U	X
Tennessee	Emergency and Contingency Fund	819,300	Governor	D,A,S,U,ND	-
Texas	Disaster Contingency Grants	4,000,000*	Governor	ND	X
	Deficiency and Emergency Grants	4,500,000*	Governor	D,U,ND	X
Utah	Governor's Emergency Fund	100,000	Governor	O*	X
Vermont	Emergency Fund	0	Emergency Board	U	X*
	Contingent Fund	0	Emergency Board	D	X*
Virginia	Economic Contingency Fund	2,000,000	Governor	ND,U,A,D,S	X*
	Disaster Planning Fund	Sum Sufcnt	Governor	ND	X
Washington	Governor's Emergency Fund	850,000	Governor	U	X*
	Disaster Response Account	20,066,242	Legislature	ND	X**
West Virginia	Contingency Fund	10,701,000	Governor	D,A,S,U,ND,O	X
Wisconsin	Public Emergencies	48,500 *	Dept. of Military Affairs	ND,S	-
Wyoming	Governor's Contingency Discretionary	716,704 50,000	Governor	D,A,S,U,ND,O	- -
Puerto Rico	Emergency Fund	65,983,650	Emergency Board; Governor	ND,S	X

Codes: ND....Natural Disaster D....Deficiencies
U....Unexpected Expenditures S....Public Safety
A....Authorized Programs O....Other (Specify)

*Does not refer to budget stabilization funds or rainy day funds.

Notes to Table R

Alaska: Funds are not regularly appropriated to be available for future disasters. As disasters occur, the declaration process is used to make funds available. Retrospectively, the legislature passes supplemental appropriations to the disaster relief fund.

Arizona: Unallocated funds may not be carried forward. However, once an emergency is declared the amount specified may be carried forward if not entirely spent in one year.

California: The Augmentation for Contingencies or Emergencies is an appropriation, not a fund.

Delaware: Contingency Funds amount will vary year-to-year. Appropriations may be carried forward if approved in the next annual budget act. These appropriations are for specific purposes.

Georgia: The fiscal 1999 amount includes \$19,231,789 state match for federal relief funds.

Idaho: The governor is authorized to declare a state of disaster emergency and upon doing so the governor is empowered to use all the resources (personnel, physical, and financial) of all state agencies to address the disaster. This includes using the cash available in all state funds to pay obligations and expenses.

Indiana: Only in case of biennial appropriations.

Kansas: Under a new law passed in 2000, after the State Finance Council has approved the use of emergency funds, the amounts are certified (up to \$10 million) by the director of the budget and the funds are transferred to the state emergency fund. With this arrangement, only a small balance is maintained in the fund to pay rewards. Other purposes for which funds may be used include rewards for wanted criminals.

Kentucky: The June 30, 2001 balance was approximately \$0.2 million. These funds can be used for the purposes identified and to the extent that funds accrue as a result of a revenue overage.

Louisiana: Interim Emergency Board may appropriate funds from the state general fund but funding shall not exceed .1 percent of total state revenue receipts for the previous fiscal year. It may also authorize deficit spending.

Minnesota: Unexpended funds maybe carried forward within a bien-nium.

Montana: A maximum of \$12 million for disasters declared by the governor.

New Mexico: The Appropriation Contingency Fund is periodically replenished with legislative appropriations.

Notes to Table R

New York: 1) The governor's authority to spend against this appropriation is set out in state finance law. 2) This fund - created in legislation accompanying the 1993-94 budget - is intended, primarily, to provide a reserve to fund extraordinary needs arising from litigation actions against the state. To the extent fund moneys are not needed for this purpose, it may also be used for natural or physical disasters or to enhance the state's economy.

Ohio: 1) Members are the director of budget and management and six members of the general assembly, three each from the house and senate. 2) Funds may be transferred only between fiscal years in a biennium.

Oregon: General Purpose Emergency Fund appropriation as of July 1, 1999 for the 2001-2003 biennium. Excludes employee compensation and other special purpose appropriations or reservations.

Pennsylvania: For a declared disaster emergency, the governor has authority to transfer up to \$10 million of unused monies in the General Fund. Unused authority may not be carried from one year to the next, due to a \$10 million maximum per year. However, funds allocated for a specific disaster continue until spent or no longer needed.

Rhode Island: This fund is appropriated within the annual appropriation act.

South Dakota: Provisions exist for a contingency fund, but no funds have been appropriated in recent years.

Texas: The 2001 amounts are estimated unexpended balances from fiscal 2000. These funds are appropriated on a biennial basis with ongoing unexpended balance authority.

Utah: Fund cannot be used for activities denied funding by the legislature.

Vermont: Authority to carry-forward unexpended funds is annually conferred by the legislature.

Virginia: Unexpended funds may be carried over only within the biennium.

Washington: 1) The Governor's Emergency Fund's annual appropriation is not carried forward. 2) The Disaster Response Account balance is carried forward, subject to legislative appropriation in the next biennium.

Wisconsin: Appropriation may be re-estimated by the secretary of administration, as needed.

Table Q
Budget Stabilization or "Rainy Day" Fund

State	Fund Name	Determination of Fund Size**	Procedure for Expenditure
Nebraska	Cash Reserve Fund	Statute	Statute
Nevada	Budget Stabilization Designation	By comptroller for account purposes when reporting financial portion of fund balance; 40 percent of excess fund balance. A maximum of 10 percent of the General Fund.	Statute
New Hampshire	Revenue Stabilization	5 percent by statute	Statute
New Jersey	Surplus Revenue Fund	50 percent of amount by which actual revenue exceeds anticipated revenues added to the fund. The cap is set at 5 percent of anticipated revenues.	The Governor certifies to the Legislature that revenues are estimated to be less than certified. The Legislature appropriates the funds. Also, if the Governor declares an emergency and the Legislature approves.
New Mexico	Operating Reserve	-	Legislative appropriation.
	Risk Reserve Fund	**	Legislative appropriation.
New York	Tax Stabilization Reserve Fund	State finance law	Can be used when a deficit is incurred and for temporary loans.
North Carolina	Savings Reserve Account	1/4 of Credit Balance, maximum 5 percent of the amount appropriated the preceding year for the General Fund Operating Budget.	Legislative approval.
North Dakota	Budget Stabilization Fund	Any amount over \$40 million at end of biennium goes into fund.*	Actual revenues must be 2 1/2 percent below forecast before the Governor can access the funds.
Ohio	Budget Stabilization Fund	By statute the stated intent is to have an amount in the fund that is approximately 5 percent of the General Revenue fund revenues for the preceding fiscal year.	Legislative action necessary.
Oklahoma	Constitutional Reserve Fund	Max of 10 percent of preceding year's general revenue. Revenues accrue when actual general revenue collections exceed 100 percent of the certified estimate.	Up to 1/2 if revenue certification is below previous year; 1/2 can be used upon declaration of the Governor and 2/3's vote of the Legislature, or by legislative declaration of emergency and 3/4's legislative vote.
Oregon	-	-	-
Pennsylvania	Tax Stabilization Reserve	Goal of 6 percent of General Fund revenue estimates. Receives revenue from sale of assets and annual transfer of 10 percent of the General Fund year-end surplus plus occasional non-recurring transfers.	2/3 legislative vote with the Governor's request
Rhode Island	Budget Reserve and Cash Stabilization Account	3 percent of resources	Used to cover deficit caused by general revenue shortfall
South Carolina	Capital Reserve Fund	2 percent of General Fund Revenue of last Fiscal Year	Use when year-end deficit is projected.
	General Reserve Fund	3 percent of General Fund Revenue of last Fiscal Year	Shortfall must be identified & CRF depleted.
South Dakota	Budget Reserve Fund	5 percent of General Fund in prior year's General Appropriations Act.	Legislative appropriation.
Tennessee	Reserve for Revenue Fluctuations	By appropriation	Revenue shortfall
Texas	Economic Stabilization Fund	Capped at 10 percent of general revenue fund deposits (excluding interest & investment income) during the preceding biennium.	3/5 vote of each house of Legislature to remedy deficits after budget adoption. Other appropriations from this fund require a 2/3's vote.
Utah	Budget Reserve Account	*	**
	Medicaid Transition Account	No Cap	***
Vermont	Budget Stabilization Trust Fund	Capped at 5 percent of prior year appropriations.	Automatic when deficit occurs at year end
Virginia	Revenue Stabilization Fund	Capped at 10 percent of average annual tax revenues on income and retail sales for the 3 years immediately preceding.	Legislative Appropriation
Washington	Emergency Reserve Fund	State general fund revenues in excess of expenditure limit are transferred to Emergency Reserve Fund by Treasurer.	Legislative appropriation
West Virginia	Revenue Shortfall Reserve Fund	Capped at 5 percent of the General Fund Appropriation.	Legislative Appropriation
Wisconsin	Budget Stabilization Fund	50 percent of unanticipated revenues.	Legislative Appropriation
Wyoming	Budget Reserve Account	Appropriation of unexpended appropriated balance.	Legislative appropriation
Puerto Rico	Rainy Day Fund	1.0 percent of net revenue from previous fiscal year	Budget Director determines shortfall, then authorizes transfer to the GF. Gov. then issues an order to fund unappropriated activities.

*Please specify formula.

Table Q
Budget Stabilization or "Rainy Day" Fund

State	Fund Name	Determination of Fund Size**	Procedure for Expenditure
Alabama	Education Trust Fund - Proration	20 percent of Education Trust Fund from preceding Fiscal Year as beginning balance in current fiscal year, up to \$75 million.	1) Extent necessary to avoid across-the-board cuts by certification of the Governor. 2) 2/3 vote of the Legislature in each chamber.
	Prevention Account		
Alaska	General Fund-Rainy Day Fund	Appropriated by legislature	Same as Education Trust Fund
	Budget Reserve Account	Unexpended balance and appropriations	Appropriation
	Constitutional Budget Reserve Fund	Oil and Gas litigation/disputes settlements	3/4 vote of legislature
Arizona	Budget Stabilization Fund		1) By formula with majority legislative appropriation. 2) Non-formula with 2/3 legislative approval
	Medical Services Stabilization Fund	No limit.	Upon notice of a deficiency, the Joint Legislative Budget Committee may recommend that a withdrawal be made.
Arkansas	-	-	-
California	Special Fund for Econ. Uncertainties	Appropriation by Legislature	Appropriation by Legislature
Colorado	Tabor Reserve	Constitutional 4 percent of revenues	Procedure has not been tried thus far
Connecticut	Budget Reserve Fund	5 percent of net General Fund appropriations	Fund deficit after the books have been closed.
Delaware	Budget Reserve Account	Excess unencumbered funds, no greater than 5 percent of gross General Fund revenues	3/5 vote of legislature for unanticipated deficit or revenue reduction resulting from legislative action
Florida	Working Capital Fund	Appropriations Act	Governor declared emergency / or if Legislature Appropriates.
	Budget Stabilization Fund	1 percent of General Fund in Fiscal 1995, building to 5 percent by Fiscal 1999	Legislative appropriations to cover revenue shortfalls
Georgia	Revenue Shortfall Reserve	3 percent of prior year net revenue	Revenue shortfall during current year.
Hawaii	Emergency & Budget Reserve Fund	No limit. Receives 40 percent of tobacco settlement	2/3's vote of Legislature
Idaho	Budget Stabilization Fund	If General Fund grew more than 4 percent in the previous Fiscal Year, 1 percent is transferred to the Budget Stabilization Fund. The Budget Stabilization Fund is capped at 5 percent of the General fund.	Legislative Action. The State Board of Examiners may take money from the BSF at the end of the fiscal year if they determine that there will be insufficient General Fund revenue to cover that year's appropriations.
Illinois	Budget Stabilization Fund	\$225,000,000 (no limit)	Comptroller can direct transfers to General Fund
Indiana	Counter-Cyclical Revenue	Cap is 7 percent of state revenue	Statutory formula
Iowa	Cash Reserve Fund	5 percent of net General Fund Revenue	Simple majority of General Assembly for 40 percent of the fund. 3/5's majority of General Assembly for 60 percent of the fund.
	Economic Emergency Fund	5 percent of net General Fund Revenue	Simple majority of General Assembly
Kansas	-	-	-
Kentucky	Budget Reserve Trust Fund	Goal of 5 percent of General Fund Budget	Budget Reduction Plan - statute
Louisiana	Budget Stabilization Fund	Revenues exceeding \$750 million from production and exploration of minerals and 25 percent of nonrecurring revenue, which includes General Fund balances.	1/3 of fund with legislative approval
Maine	Rainy Day Fund	6 percent of General Fund in immediately preceding Fiscal Year	Legislation
Maryland	Revenue Stabilization Fund	Statutory- 5 percent of estimated General Fund revenues for that fiscal year.	Act of the General Assembly or authorized specifically in Budget Bill
Massachusetts	Commonwealth Stabilization Fund		Appropriation
Michigan	Countercyclical Budget and Economic Stabilization Fund	Cap set at 10 percent combined General Fund / General Purpose and School Aid Fund year-end balance.	Statutory formula
Minnesota	Budget Reserve	Set in Statute at \$622 million.	Commissioner of Finance with the approval of the Governor and after consulting Legislative Advisory Commission
	Cash Flow Account	Set in statute at \$350 million.	Used if needed to meet cash flow deficiencies resulting from uneven distribution of revenue collections and required expenditures during a fiscal year.
Mississippi	Working Cash Stabilization Reserve Fund	7 1/2 percent of the General Fund Appropriations*	Appropriation
Missouri	Budget Reserve Fund	Minimum 7.5 percent of net general revenue used for cash flow and rainy day fund. Can go as high as 10 percent with legislative approval.	Governor determines shortfall, subject to legislative disapproval
Montana	-	-	-

*Please specify formula.

Notes to Table Q

Arizona: Capped at 7.0 percent for FY 2000 and thereafter. Based on formula, withdrawals can occur only when annual adjusted income growth is both below 2% and below the 7 year average trend. The difference between the seven-year growth rate is multiplied times the current year actual revenue to determine the amount to appropriate to, or withdraw from the fund.

Illinois: The governor's comptroller can direct transfers to the general fund, but the funds must be paid back by the end of the year.

Kansas: Although Kansas has no separate "rainy day" fund as commonly defined, there is a statutory requirement for the ending balance in the general fund to be at least 7.5 percent of total expenditures for the forthcoming fiscal year. This balance requirement has served the same purpose as a rainy day fund and has been sufficient to ensure the state's financial solvency and maintain fiscal responsibility.

Kentucky: Funds from the budget reserve trust fund may be appropriated by the general assembly in either a regular or special session. Funds may also be utilized in instances where actual general fund revenue receipts are insufficient to meet appropriation levels authorized by the general assembly; in such instances, the Finance and Administration Secretary must formally notify the Interim Joint Committee on Appropriations and Revenue.

Massachusetts: Of fiscal year-end surpluses, an amount equal to 0.5 percent of the tax revenues in the fiscal year just ended are retained by the major operating funds as revenue in the current fiscal year. Of the amount in excess of the carry-forward, 40 percent, is deposited in a separate capital expenditures account for capital projects if the state's capital funds are in deficit. The remaining surplus (60-100 percent) is deposited in the Commonwealth Stabilization Fund, up to 7.5 percent of total budgeted revenues. Any excess of the 7.5 percent figure flows into the Tax Reduction Fund.

Mississippi: The executive director of Finance and Administration may transfer funds to alleviate deficits. Maximum transfer of \$50 million per fiscal year from working cash/stabilization fund.

New Mexico: The Operating Reserve size is determined by the accumulation of general fund surpluses. 2) The Risk Reserve consists of any surpluses transferred from self-insurance funds; thereafter balances are available only for general operating purposes by legislative appropriation.

North Dakota: During the 2001-2003 biennium, an additional \$25 million is available from the Bank of North Dakota if revenues fell below projections.

Utah: 1) 25 percent of General Fund year-end surplus shall be trans-

Notes to Table Q

ferred to the account, except the account balance may not exceed 8 percent of the General Fund appropriation for that fiscal year. 2) Expenditures limited to retroactive tax refunds and operating deficits, upon legislative appropriation.

**State General Fund Profile
FY 2002 - FY 2006**

Governor's Receipt and Expenditure Recommendations for FY 03 and FY 04
 FYs 2005 - 2006 Demand Transfers - As Expenditures
 SRS and Aging Caseload Increases in FY 2005 and FY 2006
 Base State Aid Per Pupil in FY 2005 and FY 2006 at \$3.890
 State Employer Health Insurance Increases in FY 2005 and FY 2006
 KPERs Death and Disability Moratorium Lifted Beginning in FY 2005
 KPERs Employer Contribution Increase (0.2 percent) in FY 2005 and FY 2006
 Higher Ed Reform Act in Out-Years Includes Performance Funding
 Ending Balance in FY 2005 and in FY 2006 at 7.5%

	Actual		Governor's Revised		Governor's Rec.		Projected		Projected	
	FY 2002	Increase	FY 2003	Increase	FY 2004	Increase	FY 2005	Increase	FY 2006	Increase
Beginning Balance(a)	\$365.7		\$12.1		\$0.4		\$0.5		\$325.8	
RECEIPTS:(b)	4,112.5	(302.5) -6.9%	4,346.6	234.1 5.7%	4,493.5	146.9 3.4%	4,660.7	167.2 3.7%	4,747.2	86.5 1.9%
EXPENDITURES:										
General and Supplemental School Aid (c)	1,927.3	40.9 2.2%	1,941.0	13.7 0.7%	2,184.0	243.0 12.5%	2,198.5	14.5 0.7%	2,192.0	(6.5) -0.3%
Out-Year Additional KPERs Employer Contributions(d)	0.0	0.0	0.0	0.0	0.0	0.0	9.3	9.3	18.6	9.3
Higher Education Restructuring - S.B. 345(e)	42.0	20.2	42.0	0.0	42.0	0.0	75.5	33.5	107.4	31.9
Regents Research Initiative Debt Service(f)	0.0	0.0	0.0	0.0	0.0	0.0	10.0	10.0	20.0	10.0
KPERs Death and Disability (12 month)	0.0	0.0	0.0	0.0	0.0	0.0	20.4	0.0	21.3	0.9
SRS/Aging Caseload Increases	0.0	0.0	18.8	18.8	81.0	62.2	141.0	60.0	201.0	60.0
Demand Transfers: (g)	141.1	(42.3)	0.0	(141.1)	0.0	0.0	378.1	378.1	385.3	7.2
All Other Expenditures(h)	2,355.7	17.7 0.8%	2,356.5	0.8 0.0%	2,083.7	(272.8) -11.6%	2,083.7	0.0 0.0%	1,390.7	(693.0) -33.3%
Replace Intergovernmental Transfer Funds	0.0	0.0	0.0	0.0	93.5	93.5	93.5	0.0	93.5	0.0
State Employee Health Insurance	0.0	0.0	0.0	0.0	9.2	9.2	18.4	9.2	27.6	9.2
Available for Other Purposes(i)	0.0	0.0	0.0	0.0	0.0	0.0	(693.0)	(693.0)	750.0	1,443.0
TOTAL Expenditures Percent Increase	4,466.1	36.5 0.8%	4,358.3	(107.8) -2.4%	4,493.4	135.1 3.1%	4,335.4	(178.4) -3.5%	4,718.0	382.6 8.8%
Ending Balance(j) Percent of Expenditures	12.1 0.3%		0.4 0.0%		0.5 0.0%		325.8 7.5%		355.0 7.5%	
Receipts in Excess of Expenditures	(353.6)		(11.7)		0.1		325.3		29.2	

HOUSE APPROPRIATIONS

DATE 2-5-03
ATTACHMENT 9

FOOTNOTES:

9-2

Includes released encumbrances in FY 2002.

u) Receipts are actual for FY 2002. Receipts for FY 2003 and FY 2004 reflect the Governor's recommended adjustments to the consensus revenue estimates of November 5, 2002. The amounts for FY 2005 and FY 2006 are not consensus estimates, but reflect the Legislative Research Department's estimate, after adjusting for the reduction in the sales tax rates. The sales tax rate will decrease from 5.3 percent to 5.2 percent in FY 2005 and from 5.2 percent to 5.0 percent in FY 2006, all as provided for in 2002 S.B. 39.

c) Base estimate of general and supplemental school aid payments in FY 2002 are actual, and FY 2003 - FY 2004 were made by the Department of Education, Division of the Budget, and the Legislative Research Department. The FY 2005 estimate is made by the Legislative Research Department. The FY 2003 - FY 2006 estimates assume a uniform school mill levy of 20 mills and a \$20,000 homestead and a base aid per pupil amount of \$3,863 in FY 2003 and FY 2004 and a base aid per pupil amount of \$3,890 for FY 2005 - FY 2006.

d) Beginning in FY 2003 an additional Kansas Public Employees Retirement System (KPERS) employer contribution amount necessary to meet the statutorily required rate increase (0.2 percent rate increase until equilibrium is reached).

e) Fiscal note on S.B. 345 - Higher Ed Restructuring Act which includes operating costs of the Board of Regents; increased state aid to community colleges, Washburn University, salary increases for Regents institutions, but including \$12.0 million for annual performance grants starting in FY 2005.

f) Amount reflects the estimated State General Fund payment for the Regents research initiative passed in 2002 H.B. 2690.

g) Transfers for the School District Capital Improvement Fund (FY 2002 - FY 2006) reflect current law. The FY 2003 and FY 2004 amounts for all of the demand/revenue transfers reflect the Governor's recommendations. The Governor's recommendation for FY 2003 for the Local Ad Valorem Tax Reduction Fund, County and City Revenue Sharing Fund and the Special City-County Highway Fund are all reduced to one-half of the approved amount for FY 2003. For FY 2004 the Governor does not recommend and transfers for the three funds. However, for the Special City-County Highway Fund the Governor recommends spending of available balances in the Fund to replace the amount of the reduction in FY 2003. For FY 2004, the Governor recommends \$11.2 million. For the State Highway Fund demand transfer the Governor does not recommend any funding in FY 2003 or FY 2004. For the School District Capital Improvement Fund in FY 2003 the Governor recommends \$47.2 million and \$55.0 million in FY 2004. The Governor recommends \$3.8 million for the State Water Pain Fund in FY 2003 and FY 2004. The Governor also recommends \$0.3 million for the State Fair Capital Improvement Fund only in FY 2003. For FY 2005 and FY 2006 all of the demand transfers return to their full statutory amount and are treated as expenditures rather than revenue transfers.

h) FY 2002 are actual all other expenditures. The FY 2003 and FY 2004 amounts as recommended by the Governor. For FY 2005 - FY 2006 all other expenditures generally reflect the prior year's all other expenditures, plus the prior year's amount that is available for other purposes.

i) Available for other purposes such as additional expenditures or tax reductions.

j) Current law minimum ending balance requirement is 7.5 percent of expenditures and is reached in FY 2005 and FY 2006. For FY 2003 and FY 2004, the ending balance, as recommended Governor for both years is 0.0 percent.

Kansas Legislative Research Department
February 4, 2003