

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Dwayne Umbarger at 10:30 A.M. on January 13, 2005 in Room 123-S of the Capitol.

Committee members absent: Ruth Teichman - excused

Committee staff present:

Jill Wolters, Senior Assistant, Revisor of Statutes
Alan Conroy, Director, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Susan Kannarr, Kansas Legislative Research Department
Matt Spurgin, Kansas Legislative Research Department
Judy Bromich, Administrative Analyst
Mary Shaw, Committee Secretary

Conferees appearing before the committee: none

Others attending: See attached list

Chairman Umbarger acknowledged Alan Conroy, Director, Kansas Legislative Research Department, who presented a staff overview of the following items.

Kansas State General Fund Ending Balance Law: Mr. Conroy explained 1990 **HB 2867** which dealt with several items regarding state finances (appropriations process and the State General Fund). He distributed a memorandum to the committee regarding State General Fund Ending Balances (Attachment 1). Mr. Conroy noted that this legislation provided for a required projected ending balance in the State General Fund beginning in 1992. In addition, he addressed the following items (detailed in the memorandum):

- Omnibus Reconciliation Spending Limit Bill
- \$100 Million Minimum Ending Balance
- Consensus Revenue Estimating Group
- Cash Operating Reserve Fund
- Cashflow Patterns and Requirements
- Other State's Budget Stabilization or "Rainy Day" Funds
- Contingency or Emergency Fund

Mr. Conroy explained that revenues for the State General Fund are realized from a variety of sources; however, the vast majority are from individual income tax (42.3 percent) and retail and compensating use (40.7 percent) taxation. He also emphasized that 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. Committee questions and discussion followed. Senator Barone requested that staff provide a history from when the certificates of indebtedness were first issued and include the amounts. Copies of the State General Fund Profile-Governor's Recommendation, Non-Statutory Budget, Based on November 2004 Consensus Revenue Estimates (In Millions) were distributed (Attachment 2).

Selected On-going Expenditure Adjustments: Mr. Conroy addressed selected on-going expenditure adjustments noted in a memorandum dated January 13, 2005, in reference to highlights selected State General Fund demand adjustments for FY 2005 (revised) and FY 2006 (Attachment 3). Committee questions and discussion followed.

Copies of the Senate Ways and Means Subcommittee Assignments for the 2005 Legislative Session were distributed to the committee (Attachment 4). Chairman Umbarger explained that each subcommittee chairperson needs to visit with the assigned staff as to their availability for meetings because they also staff the House Appropriations subcommittees. There will be orientation meetings for subcommittee chairpersons and their secretaries.

The meeting adjourned at 11:30 a.m. The next meeting is scheduled for January 18, 2005.

**SENATE WAYS AND MEANS
GUEST LIST**

Date January 13, 2005

NAME	REPRESENTING
Heather Morgan	DOB
Twila Drybread	DOB
Julie Thomas	DOB
JENNIFER SCHWARTZ	KACIL
Jessie Terry	JILCK
Tanya Dorf	KACIL
Arlene McMullan	SEN. MORRIS' INTERA
Mark Tallman	KASB
Dodie Wellstean Johnson	Patrick Hurley & Co.
Mike Reacht	Gachis, Brader
Ron Seeber	Herb Law Firm
John Peterson	K's Governmental Consulting
Don Adkisson	USD 260 DERBY
ANDY SANCHEZ	KAPF
Lyle Kessler	SRS

January 13, 2005

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:

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Attachment 1

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	4,245.6	4,358.3	122.7	3.0%
2004	4,518.9	4,316.5	327.5	7.6%
2005 (Gov. Rec.)	4,632.5	4,680.3	279.7	6.0%
2006 (Gov. Rec.)	4,767.0	4,840.6	206.1	4.3%

* 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 (42.3 percent) and retail and compensating use (40.7 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 Q
Budget Stabilization or "Rainy Day" Fund

State	Fund Name	Determination of Fund Size**	Procedure for Expenditure
Alabama	Education Trust Fund - Proration Prevention Account	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.
Alaska	General Fund-Rainy Day Fund Budget Reserve Account	Appropriated by legislature Unexpended balance and appropriations	Same as Education Trust Fund Appropriation
Arizona	Constitutional Budget Reserve Fund Budget Stabilization Fund	Oil and Gas litigation/disputes settlements *	3/4 vote of legislature 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 Budget Stabilization Fund	Appropriations Act 1 percent of General Fund in Fiscal 1995, building to 5 percent by Fiscal 1999	Governor declared emergency / or if Legislature 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	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	-	-	-

Chapter Three

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.

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
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	716,704	Governor	D,A,S,U,ND,O	-
	Discretionary	50,000	Governor	-	-
Puerto Rico	Emergency Fund	65,983,650	Emergency Board; Governor	ND,S	X

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

[^]Does not refer to budget stabilization funds or rainy day funds.

**State General Fund Profile-Governor's Recommendation
Non-Statutory Budget
Based on November 2004 Consensus Revenue Estimates
(In Millions)**

	Actual FY 2004	Gov. Rec. FY 2005	Gov. Rec. FY 2006
Beginning Balance	\$ 122.7	\$ 327.5	\$ 279.7
Released Encumbrances	2.4	0.0	0.0
Receipts (Nov. 04 Consensus)	4,518.9	4,630.9	4,840.9
Tech. Adj. to Nov. 04 Consensus	0.0	0.0	(35.2)
Governor's Recommended Receipt Adj.	0.0	1.6	(38.7)
Adjusted Receipts	<u>\$ 4,518.9</u>	<u>\$ 4,632.5</u>	<u>\$ 4,767.0</u>
Total Available	4,644.0	4,960.0	5,046.7
Expenditures	<u>4,316.5</u>	<u>4,680.3</u>	<u>4,840.6</u>
Ending Balance	<u>\$ 327.5</u>	<u>\$ 279.7</u>	<u>\$ 206.1</u>
Ending Balance as a % of Expenditures	7.6%	6.0%	4.3%
Adjusted Receipts in Excess of Expenditures	\$ 202.4	\$ (47.8)	\$ (73.6)
<i>Percentage Change from Prior Year:</i>			
Adjusted Revenues	6.4%	2.5%	2.9%
Expenditures	4.3%	8.4%	3.4%

Senate Ways and Means
1-13-05
Attachment 2

January 13, 2005

To: Senate Ways and Means Committee
From: Alan D. Conroy, Director
Re: Selected On-Going Expenditure Adjustments

The following information highlights selected State General Fund demand adjustments for FY 2005 (revised) and FY 2006. The selected adjustments include:

FY 2005

- **\$30.8 million** – SRS and Department on Aging caseloads based on the October, 2004 caseload estimates.

Regular medical increases of \$22.5 million (\$131.8 million in all funds) and \$7.0 million for the foster care contract.
- **(\$29.7 million)** – School finance revised estimates (mainly property valuations).

Increase in property valuations — residential and oil and natural gas.

FY 2006

- **\$10.0 million** – KPERS pension obligation bond payments begin.

First payment on \$0.5 billion pension obligation bonds, annual debt service will increase to \$36 million annually by FY 2009.
- **\$15.4 million** – KPERS employer rate increase.

Statutory increase from 4.27 percent of covered payroll for regular KPERS members to 4.67 percent (applies to KPERS-School, but not included in the \$15.4 million amount).
- **\$13.5 million** – KPERS Death and Disability Program.

Increase the employer contribution from 0.6 percent of covered payroll to 1.0 percent of covered payroll (applies to KPERS-School, but not included in the \$13.5 million amount).

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Attachment 3

- **\$34.8 million** – SRS and Department on Aging caseload increases.
Regular medical increases \$39.1 million (\$122.3 million in all funds).

- **\$4.9 million** – Regents Research Initiatives debt service.
The 2002 Legislature authorized \$120 million in bonds for research facilities at KU, KSU, and WSU. The State General Fund will pay the first \$50 million in debt service on the bonds, with the institutions paying the balance.

- **\$56.2 million** – School District Capital Improvement Fund (debt service).
Capital improvement bonds issued by local school districts. The state aid is based on assessed valuation of the local school district.

- **\$10.0 million** – KAN-ED.
The 2001 Legislature authorized the Board of Regents to develop and implement KAN-ED, a broadband technology-based network to which schools, libraries, and hospitals may connect for broadband Internet access for distance learning, and for other communication needs. The Kansas Universal Service Fund has financed the program through FY 2005 and current law provides that the State General Fund assume that obligation, beginning in FY 2006.



DIVISION OF THE BUDGET
DUANE A. GOOSSEN, DIRECTOR

KATHLEEN SEBELIUS, GOVERNOR

MEMORANDUM

TO: Governor Kathleen Sebelius and Legislative Budget Committee

FROM: Kansas Division of the Budget and Kansas Legislative Research Department

DATE: November 1, 2004

SUBJECT: Consensus Caseload Estimates for FY 2005 and FY 2006

The Division of the Budget, Legislative Research Department, Department of Social and Rehabilitation Services, and Department on Aging met on October 26, 2004 to revise the estimates on caseload expenditures for FY 2005 and make the first estimate for FY 2006. The caseload estimates encompass all funds expenditure estimates for Nursing Facilities, Regular Medical Assistance, Temporary Assistance to Families, General Assistance, and the Foster Care and Adoption Contracts.

In FY 2005, the estimate is \$30.8 million higher than the State General Fund amount approved by the 2004 Legislature. Using the FY 2005 approved amount as the base, FY 2006 will require an additional \$65.6 million from the State General Fund, \$30.8 million to annualize the FY 2005 increase and \$34.8 million for the FY 2006 increase. **Estimates for the two fiscal years combined will require an additional \$96.4 million from the State General Fund.**

For FY 2005, the revised estimate for the State General Fund was \$30.8 million higher than the approved budget, and the estimate for all funding sources was \$139.2 million more than the approved budget. The Regular Medical Assistance Program increased by \$131.8 million from all funding sources. This increase includes \$35.6 million in additional funding from the Health Care Access Improvement Program to complete the year. The approved budget only included one half of a year's funding from this source. Additionally, at the time the spring 2004 caseload estimate was made, reporting issues prevented the group from developing a more accurate estimate for medical caseload growth. With those issues resolved, the group now estimates caseload growth of \$96.3 million all funds in the current year. The State General Fund portion of that growth is \$22.5 million.

The other program that reflects a sizeable increase in demand on the State General Fund in the current year is Foster Care. Overall caseload growth in the program totals \$4.3 million all funds, however, due to a reduction in last year's estimate for federal foster care funding, SGF financing must be increased by \$7.0 million. Other all funds caseload increases were made in

Nursing Facilities for Mental Health (\$550,000), Temporary Assistance to Families (\$2.1 million), and General Assistance (\$400,000).

The FY 2006 estimate for caseload expenditures totals \$2.0 billion, including \$678.0 million from the State General Fund. The FY 2006 State General Fund estimate is \$34.8 million more than the FY 2005 revised estimate. The largest increase over the revised FY 2005 estimate was for Regular Medical Assistance. While the Foster Care and Adoption Programs show an overall decrease in funding, this is because the Medicaid expenditures that were previously reported as a part of these programs have been shifted to the Regular Medical Assistance Program. Absent this shift, the group projects caseload growth in both Foster Care (\$2.6 million all funds adjusted) and Adoption (\$800,000 all funds adjusted).

Attached are the revised estimates for FY 2005 and the initial estimate for FY 2006.

Caseload Estimating -- DOB Estimates
 October 26, 2004

		FY 2005 Approved	October Revised FY 2005	Difference from Approved	October Est. FY 2006	Difference from FY 2005 Est.
	SGF	127,660,800	127,660,800	--	129,808,000	2,147,200
Nursing Facilities	AF	327,000,000	327,000,000	--	332,500,000	5,500,000
	SGF	10,742,000	11,594,310	852,310	11,594,310	--
NFMH	AF	13,100,000	13,650,000	550,000	13,650,000	--
	SGF	29,821,028	29,821,028	--	29,821,028	--
Temporary Assistance to Families	AF	63,500,000	65,600,000	2,100,000	70,000,000	4,400,000
	SGF	8,500,000	8,900,000	400,000	10,000,000	1,100,000
General Assistance	AF	8,500,000	8,900,000	400,000	10,000,000	1,100,000
	SGF	377,460,855	400,000,000	22,539,145	439,091,605	39,091,605
Regular Medical	AF	1,218,081,968	1,349,930,000	131,848,032	1,472,196,378	122,266,378
	SGF	42,370,487	49,378,667	7,008,180	44,500,000	(4,878,667)
Foster Care Contract	AF	92,152,369	96,500,000	4,347,631	80,000,000	(16,500,000)
	SGF	15,836,733	15,836,733	--	13,149,073	(2,687,660)
Adoption Contract	AF	34,931,146	34,931,146	--	25,660,172	(9,270,974)
Total	SGF	612,391,903	643,191,538	30,799,635	677,964,016	34,772,478
	AF	1,757,265,483	1,896,511,146	139,245,663	2,004,006,550	107,495,404

**SENATE WAYS AND MEANS
SUBCOMMITTEE ASSIGNMENTS
2005 SESSION**

	<u>Subcommittee</u>	<u>Analyst</u>	<u>Final Committee Action</u>
<u>Legislative and Elected Officials</u>			
Governor	<u>Emler</u>	Robinson	February 8
Lt. Governor	Betts	Robinson	February 8
Attorney General		Rampey	February 8
Secretary of State		Alishahi	February 8
Insurance Commissioner		Alishahi	February 8
State Treasurer		Spurgin	February 8
Health Care Stabilization Fund Board of Governors		Deckard	February 8
Legislative Agencies		Scott	March 4
<u>Aging</u>			
Department on Aging	<u>Schodorf</u> Schmidt Betts	Deckard	March 2
<u>SRS—Hospitals</u>			
Larned State Hospital	<u>Umbarger</u>	Dunkel	March 8
Osawatomie State Hospital	Wysong	Dunkel	March 8
Rainbow Mental Health Facility	McGinn	Dunkel	March 8
Parsons State Hospital	Schodorf	Dunkel	March 8
Kansas Neurological Institute	Betts	Dunkel	March 8
<u>Department of Administration/KCC</u>			
Department of Administration (Including Public Broadcasting)	<u>Teichman</u> Taddiken Steiniger	Robinson	March 7
Governmental Ethics Commission	<u>McGinn</u>	Deckard	March 3
Human Rights Commission	Steiniger	Spurgin	March 11
Kansas Corporation Commission	Emler	Deckard	March 16
Citizens Utility Ratepayer Board		Deckard	March 16
<u>Department of Education</u>			
	<u>Umbarger</u> Emler Teichman Schodorf Steiniger	Rampey	February 21

	<u>Subcommittee</u>	<u>Analyst</u>	<u>Final Committee Action</u>
<u>Capital Improvements</u>	<u>Umbarger</u> Wysong Emler Barone	Staff	March 14
<u>Other Education</u>			
School for the Blind	<u>Wysong</u>	Deckard	February 10
School for the Deaf	Schodorf	Deckard	February 10
Historical Society	Steineger	Spurgin	February 10
Kansas Arts Commission		Alishahi	February 10
State Library		Alishahi	February 10
<u>SRS</u>			
Department of SRS	<u>Umbarger</u> Teichman McGinn Schodorf Betts	Dunkel	March 17
<u>Kansas Guardianship Program</u>	<u>Schodorf</u> Kelly	Spurgin	March 8
<u>KPERS Budget</u>	<u>Morris</u> Wysong Kelly	Efird	March 9
<u>Judicial</u>			
Judicial Council	<u>Emler</u>	Spurgin	March 14
Board of Indigents' Defense Services	Taddiken	Spurgin	March 14
Judicial Branch	Barone	Rampey	March 14
<u>Public Safety</u>			
Topeka Juvenile Correctional Facility	<u>Emler</u>	Cussimano	February 17
Beloit Juvenile Correctional Facility	Schmidt	Cussimano	February 17
Atchison Juvenile Correctional Facility	Betts	Cussimano	February 17
Larned Juvenile Correctional Facility		Cussimano	February 17
Kansas Juvenile Correctional Facility		Cussimano	February 17
Juvenile Justice Authority		Cussimano	February 17
Parole Board	<u>Teichman</u>	Cussimano	March 10
KBI	Schmidt Barone		March 10

	<u>Subcommittee</u>	<u>Analyst</u>	<u>Final Committee Action</u>
EMS	<u>McGinn</u>	Waller	March 10
Sentencing Commission	Schmidt	Waller	March 10
Fire Marshal	Steineger	Kannarr	March 10
Highway Patrol	<u>Schmidt</u>	Waller	March 10
Adjutant General (including Civil Air Patrol)	McGinn	Waller	March 10
	Steineger		
<u>Health and Environment/Human Resources</u>			
Department of Health and Environment	<u>Schmidt</u>	Kannarr	February 9
	Schodorf		
	Kelly		
Department of Labor	<u>Wysong</u>	Alishahi	March 9
	Taddiken		
	Barone		
Veterans Affairs/Soldiers' & Veterans' Home	<u>Taddiken</u>	Vanhouse	February 11
	Kelly		
<u>Agriculture</u>			
Department of Agriculture	<u>Taddiken</u>	Vanhouse	March 4
Animal Health Dept	McGinn	Vanhouse	March 4
Kansas State Fair	Kelly	Vanhouse	March 4
Conservation Commission	<u>McGinn</u>	Vanhouse	February 23
Water Office	Taddiken	Vanhouse	February 23
Wildlife and Parks	Steineger	Efird	February 23
<u>Transportation</u>			
	<u>Umbarger</u>	Waller	February 22
	Teichman		
	Steineger		
<u>Lottery/Racing and Gaming</u>			
Lottery Commission	<u>Schodorf</u>	Efird	February 15
Racing and Gaming Commission	Emler	Efird	February 15
	Barone		

	<u>Subcommittee</u>	<u>Analyst</u>	<u>Final Committee Action</u>
<u>Fee Boards</u>			
Abstracters' Board of Examiners	<u>Teichman</u>	Deckard	February 16
Board of Accountancy	Wysong	Cussimano	February 16
Board of Mortuary Arts	Kelly	Cussimano	February 16
Board of Pharmacy		Spurgin	February 16
Board of Barbering		Cussimano	February 16
Board of Cosmetology		Cussimano	February 16
Board of Veterinary Medical Examiners		Vanhouse	February 16
Kansas Dental Board		Spurgin	February 16
Board of Nursing		Deckard	February 16
Board of Examiners in Optometry		Spurgin	February 16
Real Estate Commission		Alishahi	February 16
Real Estate Appraisal Board		Alishahi	February 16
Bank Commissioner		Alishahi	February 16
Department of Credit Unions		Alishahi	February 16
Securities Commissioner		Alishahi	February 16
Board of Technical Professions		Deckard	February 16
Behavioral Sciences Regulatory Board		Deckard	February 16
Board of Hearing Aid Examiners		Spurgin	February 16
Board of Healing Arts		Spurgin	February 16
<u>KPERS Issues</u>	<u>Morris</u> Wysong Kelly	Efird	March 15
<u>Corrections</u>	<u>Taddiken</u> Schmidt Teichman Barone	Krahl Krahl Krahl Krahl Krahl Krahl Krahl Krahl Krahl	March 11 March 11 March 11 March 11 March 11 March 11 March 11 March 11 March 11
<u>Higher Education</u>	<u>Morris</u> Teichman Emler Schodorf Barone	Hollon Hollon Hollon Hollon Hollon Hollon Hollon Hollon Hollon Hollon Hollon Hollon Hollon Hollon Hollon	February 14 February 14 February 14 February 14 February 14 February 14 February 14 February 14 February 14 February 14 February 14 February 14 February 14 February 14 February 14

	<u>Subcommittee</u>	<u>Analyst</u>	<u>Final Committee Action</u>
<u>Commerce/Revenue</u> Department of Revenue	<u>Schodorf</u> Schmidt Teichman Betts	Efird	February 11
Board of Tax Appeals	<u>Schmidt</u> Taddiken Kelly	Alishahi	February 15
Department of Commerce Kansas Inc. Kansas Technology Enterprise Corporation	<u>Wysong</u> McGinn Emler Betts	Kannarr Kannarr Kannarr	February 18 February 18 February 18