

## MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

A Joint meeting of the House Appropriations Committee and House Taxation Committee was called to order by Vice-Chairman Lee Tafanelli and Chairman Kenny Wilk at 9:00 A.M. on May 1, 2008, in Room 313-S of the Capitol.

All House Appropriations members were present except:

- Representative Sharon Schwartz - excused
- Representative Bob Bethell - excused
- Representative Jerry Henry - excused
- Representative Kevin Yoder - absent
- Representative Ty Masterson - absent
- Representative Jason Watkins - absent

Committee staff present:

- Alan Conroy, Legislative Research Department
- Reed Holwegner, Legislative Research Department
- Cody Gorges, Legislative Research Department
- Leah Robinson, Legislative Research Department
- Gordon Self, Revisor of Statutes
- Nikki Feuerborn, Chief of Staff
- Shirley Jepson, Committee Assistant

Conferees appearing before the committee:

Others attending:

See attached list.

- Attachment 1 State General Fund Receipts Revisions for FY 2008 and FY 2009
- Attachment 2 Comparison of FY 2008 and FY 2007 Actual General Fund Collections by the Department of Revenue
- Attachment 3 Comparison of Total Tax Receipts for FY 2006 and FY 2007
- Attachment 4 State General Fund Transfers - FY 2008 and FY 2009
- Attachment 5 Division of Accounts and Reports Policy and Procedure Manual revised June 27, 2007.

### Tax Related Information

Chairman Wilk explained the importance of understanding the difference between the consensus revenue estimates for the state general fund (SGF) and the actual amount of tax receipts deposited in the SGF. Chairman Wilk noted that there are several billion dollars of tax collections that are not included in the SGF.

Chris Courtright, Legislative Research Department, presented an overview of the State General Fund (SGF) Receipts Revisions for FY 2008 and FY 2009 (Attachment 1) as projected by the Consensus Revenue Estimating Group on April 16, 2008. The Group decreased the overall estimate for both FY 2008 and FY 2009 by a combined \$129.9 million relative to the previous estimate made in November 2007. Mr. Courtright reported that several factors are attributed to this decrease including:

- Reduction in receipts from the federal government of approximately \$13 million in FY 2008 and approximately \$74 million in FY 2009 associated with the federal stimulus legislation.
- Reduction in the amount of interest earned on state investments by the Pooled Management Investment Fund (PMIF) because of a lower interest rate. The interest rate earned in FY 2007 was 5.27 percent, average rate of return forecast for FY 2008 is 4.80 percent, and the rate forecast for FY 2009 is 2.31 percent.
- Increase in the amount of transfers from the SGF, noting that transfers for the Kansas Bioscience Authority have increased significantly.

Mr. Courtright reported that although economic growth continued through the end of 2007 at a relatively strong pace, indications are that the rate of growth has been slowing substantially during

## CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on May 1, 2008 in Room 313-S of the Capitol.

the early months of 2008 with estimates of Kansas Personal Income and Kansas Gross State Product growth lessening significantly. However, it is anticipated that Kansas will not be as dramatically affected as the national economy, particularly as related to the housing market. The Consensus Revenue Estimating Group projects that there is the likelihood of higher levels of growth during the first half of 2009.

Alan Conroy, Legislative Research Department, presented an overview of the following:

- Comparison of FY 2008 and FY 2007 Actual General Fund Collections by the Kansas Department of Revenue (Attachment 2).
- State General Fund Transfers for FY 2008 and FY 2009 (Attachment 3).
- Total State General Fund Receipts for FY 2006 and FY 2007 (Attachment 4).
- Division of Accounts and Reports Policy and Procedure Manual, revised 6/27/2007 (Attachment 5).

Mr. Conroy stated that the Kansas Department of Revenue data shows that the state, as of the end of April 2008, is approximately \$4.6 million below the prior estimate in tax receipts. Mr. Conroy noted that State General Fund transfers to the Kansas Biosciences Authority increased by \$14.4 million in FY 2008 and is projected to increase by \$22 million in FY 2009 resulting in a significant change to the State General Fund. Total transfers from the State General Fund increased from the prior year, by \$10.9 million in FY 2008 and increased by another \$7.7 million in FY 2009. Mr. Conroy noted that approximately \$22 billion was deposited into the state treasury in FY 2007, including the State General Fund as well as All Other Funds. The information in Attachment 4 shows the percentage of receipts deposited in the State General Fund.

Responding to questions from the Committee, Mr. Conroy indicated that receipts to university endowment accounts, athletic corporations and tuition at the Board of Regent universities are not included in the tabulations in Attachment 4. Mr. Conroy noted that the revenue situation in Kansas is similar to other states throughout the Midwest.


Chairman Wilk noted that the information on the increased transfers to the Kansas Bioscience Authority is not bad news for the State and shows that the policy is working better than anticipated, providing for a faster rate of growth in new jobs and economic growth. Chairman Wilk stated that the original transfer was projected at \$50 million over the two fiscal years; however, estimators are now projecting, based on new projections, a total transfer of \$86 million over the two fiscal years. The Chairman indicated that it is important for the Legislature to continue looking at the policies of the Kansas Bioscience Authority.

### Bill Assignment

Vice-Chairman Tafanelli assigned HCR 5041 to the Agriculture and Natural Resources Budget Committee.

### Adjournment

The meeting was adjourned at 9:45 a.m. The next meeting of the House Appropriations Committee will be "on call of the Chair".

  
Sharon Schwartz, Chair