

Approved: 3-30-09

Date

MINUTES OF THE HOUSE GENERAL GOVERNMENT BUDGET COMMITTEE

The meeting was called to order by Chairman Jason Watkins at 1:37p.m. on March 11, 2009, in Room 531-N of the Capitol.

All members were present except:

Representative Tom Sawyer- excused

Committee staff present:

Jim Wilson, Office of the Revisor of Statutes
J. G. Scott, Kansas Legislative Research Department
Cody Gorges, Kansas Legislative Research Department
Ellen Martinez, Committee Assistant

Conferees appearing before the Committee:

Representative Jeff King,
Representative Mike Burgess,
Trent Sebits, Americans For Prosperity
Kent Eckles, Kansas Chamber of Commerce

Others attending:

See attached list.

The hearing on **HB 2273 - State finance, zero-based budget process, state agency estimates, justification of programs and activities** was opened.

Jim Wilson, Office of the Revisor of Statutes, provided the committee with an overview of the balloon amendment.

Representative Mike Burgess (Attachment 1) spoke in favor of the bill. By implementing a zero-based budget process, this bill proposes allowing legislators the opportunity to make more informed budgetary decisions.

Representative Jeff King, a strong proponent of HB 2273, did not provide written testimony.

Trent Sebits, Americans For Prosperity (Attachment 2) a proponent of the bill, cited statistics from the National Conference of State Legislatures to support the position that zero-based budgeting reduces spending. Seven states have zero-based budgets. The Legislature must be committed to the process in order for it to succeed. He responded to questions from the committee.

Kent Eckles, Kansas Chamber of Commerce (Attachment 3), a proponent of the bill, submitted written testimony.

Representative Kelley expressed support of the bill. This process allows the Legislature to look at the effectiveness and the ability to measure needs of the budget. The current process is a spending process not a budgeting process. Representative DeGraaf wanted to know how zero-based budgeting will help the budget process when individuals cannot do this.

Representative Burroughs expressed concerns about the effectiveness of zero-based budgeting and questioned the data presented.

There were no opponents.

The hearing was closed.

The next meeting is scheduled for March 12, 2009.

The meeting was adjourned at 02:55 p.m.

HOUSE GENERAL GOVERNMENT BUDGET COMMITTEE GUEST LIST

DATE: March 11, 2009

NAME	REPRESENTING
Kent Eckles	KS chamber of Commerce
Bill Mondt	KDHE
CODY GORGES	KLRD
Trent Sebitts	AFP

Kansas House of Representatives



Representative Mike Burgess 51st District

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Testimony in Support of HB2273

Chairman Watkins and members of the House General Government Budget Committee:

I'm excited to be here today to participate in this hearing where we will discuss moving the State of Kansas away from its current incremental budgeting process towards a zero-based budgeting process.

HB2273 seeks to develop and implement a zero-based budget process in a multi-year rolling system. In researching this, several sources recommended not trying to do this for every agency every year. Doing this for every agency every year would be extremely resource intensive.

One byproduct of this process will likely be the realization of the cost of legislative mandates on the agencies. Many of these mandates have been added over time for good reason, but we often don't realize the cumulative cost of those mandates and could use this zero-based budgeting process to review the cost of those mandates and if they are still needed.

I truly believe that a zero-based budget process combined with a performance measurement system will give future legislators more consistent information to allow them to make more informed budgetary decisions. The performance measurement system, when implemented properly, should tell us how effectively and efficiently agencies are accomplishing their performance measures. Zero-based budgeting should help us understand where the money is coming from and where it is going.

One thing I think is missing from the bill in current form would be that the process should include more legislative involvement.

I urge you to pass HB2273 and recommend it favorable for passage. I would be happy to stand for questions at the appropriate time.

General Government Budget Com.
Attachment 1
Date 3-11-09



AMERICANS FOR PROSPERITY

K A N S A S

Testimony in Support of HB 2273 Zero-Based Budgeting

Mission-Creep and Zero Based Budgeting

- Zero based budgeting requires the existence of a government program be justified in each fiscal year, as opposed to simply basing budgeting decisions on a previous years funding level.
- The growth in government jobs shows well, I think, the mission creep that happens when a zero-based approach is ignored. For example: The population of Kansas is basically at a standstill and yet we have more and more people delivering those services to virtually the same population base.
 - Since 1990, there has only been one year in which overall government employment has not grown year-over-year (2001-2002). Since 1990, government employment has grown to 266,300 jobs (second largest city in Kansas, if they all lived in the same place), adding 51,500 jobs or 24%. (bls.gov)
- It also seems apparent that zero-based budgeting would help....
 - Reduce the entitlement mentality with respect to cost increases.
 - Make budget discussions more meaningful during review sessions.
- However, the success of zero-based budgeting hinges strongly on leadership that is dedicated to the task. If those appointed to conduct the budget reviews are unwilling to truly assess every item in their budget, word will quickly spread throughout the bureaucracy that this new budgeting technique is more symbolism than substance.
- Also, allowing people who will be most affected by the elimination of programs to conduct their own reviews may be counterproductive, since most people are quick to defend their own interests. Department, agency or program heads who feel endangered by this kind of scrutiny will be delighted to be placed in charge, so that they can do it wrong and waste everyone's time. Those who are elected by the citizenry of Kansas and have a duty to review how each tax dollar is spent must always maintain control of the process.
- Experiences from other states.
 - According to NCSL, seven states use some form of ZBB to examine and prioritize their budgets.
 - Reviews have been both positive and negative. In places where implemented correctly, ZBB has been reported to do what it purports; help prioritize budgets to fund the best, most helpful programs while restricting, cutting those less effective. Rhode Island reported "eliminating 1,300 positions from the state roster and maintaining a reduced government employment level for 18 months and a shifting of priorities within existing resources."
 - The negative feedback (according to NCSL) usually involves, agency and staff resistance to the system. New Mexico, for example has learned that, "It is very difficult for agencies to routinely furnish information that might result in a lower appropriation, no matter how justified a lower appropriation might be."

General Government Budget Com.

Attachment 2

Date 3-11-09



**Written Testimony before the House General Government Budget Committee
HB 2273 – Zero-Based Budgeting Process for State Agencies
Submitted by J. Kent Eckles, Vice President of Government Affairs**

Wednesday, March 11th, 2009

The Kansas Chamber of Commerce appreciates the opportunity to submit written testimony in favor of House Bill 2273, which would implement a zero-based budgeting process for state agencies.

The Chamber believes applying business principles to the government budgeting process is a much needed structural change, which will help control unnecessary spending and ultimately, reduce the tax burden on employers throughout the State.

Zero-based budgeting, or some modified version of it, has been used in both the private and public sectors for decades. Case studies about businesses and governments that have adopted zero-based budgeting, or some hybrid form of it, generally report some improvement quantitatively or qualitatively. That is, the process has either saved money, improved services, or both.

In addition to saving money and improving services, zero-based budgeting has been shown to increase restraint in developing budgets; reduce the entitlement mentality with respect to cost increases; and make budget discussions more meaningful during review sessions.

However, for this new budgeting process to be successful, agency leadership and buy-in is essential: If those appointed to conduct budget reviews are unwilling to truly assess every item in their budget, word will get out quickly that this new budgeting technique is more symbolism than substance. Additionally, department, agency or program directors who feel endangered by this kind of scrutiny will be delighted to be placed in charge, so that they can do it wrong, waste everyone's time, and give a cutting-edge management tool like zero-based budgeting a bad name, all at the same time.

We urge the Committee to pass favorably House Bill 2273, which would create an environment of fiscal restraint for state government and lessen the need for revenue enhancements that result from a rapidly growing state budgets.

The Kansas Chamber, with headquarters in Topeka, Kansas, is the leading statewide pro-business advocacy group moving Kansas towards becoming the best state in America to live and work. The Chamber represents small, medium, and large employers all across Kansas. Please contact me directly if you have any questions regarding this testimony.

