

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on March 16, 2009, in Room 545-N of the Capitol.

All members were present.

Committee staff present:

Michael Steiner, Kansas Legislative Research Department
Estelle Montgomery, Kansas Legislative Research Department
Reagan Cussimano, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Aaron Klaassen, Kansas Legislative Research Department
Jonathan Tang, Kansas Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Theresa Kiernan, Office of the Revisor of Statutes
Melinda Gaul, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the Committee:

Senator Stephen Morris, Senate President
Senator Derek Schmidt, Senate Majority Leader
Dan McLaughlin, State Fire Marshal

Others attending:

See attached list.

Introduction of proposed legislation

Senator Umbarger moved to introduce legislation concerning a comprehensive transportation plan (9rs0979). The motion was seconded by Senator Teichman. Motion carried on a voice vote.

Referral of Legislation

The Chair referred **SB 141** to the Judicial Council for review. The Committee expressed a concern if the Kansas Health Policy Authority chose to move forward on filling the position of Inspector General.

Hearing on SCR 1614 - Constitutional amendments; creating a budget stabilization fund in the state treasury; annual .25% transfer of general state revenues; transfers only under certain circumstances.

Jill Wolters, Revisor, explained that **SCR 1614** adds a new section to article 11 of the Kansas constitution establishing a budget stabilization fund in the state treasury (Attachment 1). The amendment to the constitution would require that annually .25 percent of the state revenues collected in the preceding year be transferred to the budget stabilization fund. Moneys from the fund may only be transferred by a separate act of the Legislature passed by an affirmative vote of not less than three-fifths of all members or by a separate act of the legislature whenever the amount in the fund exceeds 5.0 percent of the state revenues collected in the previous fiscal year.

Senator Stephen Morris and Senator Derek Schmidt presented testimony in support of **SCR 1614** (Attachment 2). Senator Morris stated that the legislation allows for the citizens of Kansas to decide whether the constitution should provide for a budget stabilization fund to help the state and its citizens weather difficult economic times as well as establishing good public policy. Senator Schmidt stated that the concept is widespread, noting that the majority of states have some type of "rainy day fund".

The Committee expressed concern that statutorily the state is presently committed to having a 7.5 percent ending balance and has established a number of other funds in which to set aside moneys. However, the Legislature has found ways to take money from these funds on several occasions or adjust the ending balance in statute. Senator Schmidt felt that a constitutional amendment would be a creditable tool to use in balancing

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on March 16, 2009, in Room 545-N of the Capitol.

the budget when the need arises. Senator Schmidt stated that the .25 percent funding for the stabilization fund would be on state revenues only and not involve any federal funds. The Committee also expressed a concern that there is no cap on the amount of funds to be deposited in the budget stabilization fund allowing it to grow and grow with taxpayer money.

Responding to questions from the Committee, Senator Schmidt stated that the .25 percent would be assessed on state revenues after the 7.5 percent ending balance. The Senator noted that the House passed **HB 2320** is significantly different from **SCR 1614** because it addresses the establishment of such fund in statute rather than as an amendment to the constitution. Senator Schmidt felt it is appropriate to ask the citizens of the state whether they approve of the establishment of a budget stabilization fund in which to put away funds during the good times to be used during difficult times. The Senator further stated that this legislation is not a proposal made in response to the federal stimulus package and reiterated that no federal funds are used in the calculation of funds to be deposited in the stabilization fund.

- The Committee requested a listing of the state's ending balance on June 30th for the past 9 years.

There were no other conferees to come before the Committee.

The hearing on **SCR 1614** was closed.

Senator Vratil moved to recommend **SCR 1614** favorable for passage. The motion was seconded by Senator Taddiken. Motion carried on a voice vote.

Subcommittee Report on the Kansas Arts Commission

Senator Wysong, Chair of the Subcommittee, presented the Subcommittee report on the Governor's budget recommendations for the Kansas Arts Commission for FY 2010 and moved for the adoption of the Subcommittee report on the Kansas Arts Commission for FY 2010 with notations and adjustments (Attachment 3). The motion was seconded by Senator Kelly. Motion carried on a voice vote.

Subcommittee Report on the State Library

Senator Wysong, Chair of the Subcommittee, presented the Subcommittee report on the Governor's budget recommendations for the State Library for FY 2010 with notations and adjustments (Attachment 3).

Senator Teichman moved for a review of the State Library budget for FY 2010 at Omnibus. The motion was seconded by Senator Kelly. Motion carried on a voice vote.

Senator Wysong moved for the adoption of the Subcommittee report on the State Library for FY 2010 as amended. The motion was seconded by Senator Umbarger. Motion carried on a voice vote.

Hearing on SB 306 - Kansas fireworks act; creating the fireworks and explosives fund.

Aaron Klaassen, Kansas Legislative Research Department, explained that **SB 306** would create the fireworks and explosives fund within the State Fire Marshal's office and amends existing statute to direct licenser fees to be deposited into the fund.

Dan McLaughlin, State Fire Marshal, presented testimony in support of **SB 306** (Attachment 4). Mr. McLaughlin explained that this legislation is necessary to clarify an omission made in the original legislation regarding the State Fire Marshal. The fees to be deposited in this fund are collected from distributors, wholesalers and display operators in the storage of fireworks.

There were no other conferees to come before the Committee.

The hearing on **SB 306** was closed.

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:30 a.m. on March 16, 2009, in Room 545-N of the Capitol.

Senator Kelly moved to recommend **SB 306** favorable for passage and placement on the consent calendar. The motion was seconded by Senator McGinn. Motion carried on a voice vote.

Hearing on SB 313 - School districts; contingency reserve fund; limitations, suspension of.

Theresa Kiernan, Revisor, explained that **SB 313** would remove the limitation on the balance which may be maintained by a school district in the contingency reserve fund beginning in the current school year through school year 2011-2012 (Attachment 5).

There were no conferees to appear before the Committee on **SB 313**.

The hearing on **SB 313** was closed.

Senator Vratil stated that the legislation would allow school districts to plan ahead for when the federal stimulus funds are not longer available in 2 years.

Senator Vratil moved to recommend **SB 313** favorable for passage. The motion was seconded by Senator Masterson. Motion carried on a voice vote.

The next meeting is scheduled for March 17, 2009.

The meeting was adjourned at 11:45 a.m.

**SENATE WAYS & MEANS COMMITTEE
GUEST LIST**

DATE: March 16, 2009

NAME	REPRESENTING
Mike Shields	KHI News
Rod Meyer	KENNEDY Assoc
Scott Heidner	Graces Braden
Maurie Gullerby	State Library
Karl McNoran	KSFMO
Becky Bahr	KSFMO
Dan McLaughlin	KSFMO
Denny Koch	POLSINELLI LAW
Dave Kerr	Hutch Chamber
Teri Canfield	Attorney General's Office
Pat Damron	KJ
Ken Secher	K3 B.V.
Scott Brunner	KHPA
Lynn Epps	KHPA-016
Felany Opito-Williams	KHPA-016
Janni Rutherford	State Lib. of KS
Josh Smith	Intern, Sen. Pyle
Patrick Woods	SRS

MEMORANDUM

To: Senator Emler, and Members of the Ways and Means Committee
From: Jill Ann Wolters, Senior Assistant Revisor
Date: March 16, 2009
Subject: Senate Concurrent Resolution No. 1614, budget stabilization fund

Senate Concurrent Resolution No. 1614 adds a new section, 14, to article 11 of the Kansas constitution establishing a budget stabilization fund in the state treasury.

The amendment to the constitution would require that annually .25 percent of the state revenues collected in the preceding year be transferred to the budget stabilization fund. Moneys from such fund may only be transferred for the following circumstances:

(1) By a separate act of the legislature passed by an affirmative vote of not less than three-fifths of all members then elected (or appointed) and qualified to each house.

(2) By a separate act of the legislature whenever the amount in such fund exceeds five percent of the state revenues collected in the previous fiscal year, moneys that exceed such five percent may be transferred from the budget stabilization fund.

The resolution, if approved by two-thirds of the members of the House and Senate, would be submitted to the electors of the state at the general election in the year 2010 unless a special election is called at a sooner date by concurrent resolution of the legislature, in which case it shall be submitted to the electors of the state at the special election.

Senate Ways & Means Cmte
Date 3-16-2009
Attachment /

Kansas Senate Republican Leaders

Stephen R. Morris
Senate President
(785) 296-2419

Derek Schmidt
Senate Majority Leader
(785) 296-2497

**Testimony in Support of SCR 1614
Establishing a constitutional Budget Stabilization Fund
Presented to the Senate Ways & Means Committee
By Senate President Steve Morris and Senate Majority Leader Derek Schmidt
March 16, 2009**

Mr. Chairman, members of the committee. Thank you for conducting this hearing today on SCR 1614, which, if approved in the legislature, would allow the citizens of Kansas to decide whether our Constitution should provide for a budget stabilization fund to help the state and its citizens weather difficult economic times.

Kansas is among fewer than half a dozen states that lack a formal budget stabilization fund, or “rainy day fund” as they often are called. Although we do have our ending balance law, that statute does not formally set funds aside each year and can be readily waived by proviso in an appropriations bill.

A true “rainy day fund” embedded in the Kansas Constitution, such as the one proposed here, would help ensure that our state does in fact make the setting aside of funds to help weather the economic downturns an annual priority. By forcing governors and legislators to save, this approach can help ensure that those who serve in these offices after us will be better positioned than we are to soften the blow to vital state services – including education and social safety net services – during future economic downturns.

We all know that the current severe recession would be difficult to navigate in any circumstance. But we also all know that our ability to protect the most vital state services has been hindered by the fact that Kansas entered this recession with our cash reserves severely depleted.

There are many advantages to rainy day funds, and especially those embedded in a state Constitution:

- By their countercyclical nature, they help soften the harm to vital state services during recessions and also help ease the pressure for tax increases during recessions. Recessions are the worst time to cut services or raise taxes and yet, ironically, without ample saving to help finance services through a downturn, recessions are precisely the time broad and deep spending cuts or tax increases are seriously considered.
- They are reassuring to bond markets and tend to help bolster the bond ratings of states that have and respect them. That, in turn, tends to keep the cost of borrowing low and minimizes the amount of tax dollars needed for debt service rather than for direct support of public services.

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Attachment 2

- Those embedded in a state Constitution help ensure that they are respected by legislatures and governors and that saving for a rainy day remains a priority, even when short-term political pressures for unaffordable increases in spending or unaffordable decreases in taxes or other revenues become severe.

As we meet today, the discussion about strengthening state rainy day funds is ongoing in many of our sister states. The current recession has heightened awareness of the benefits to citizens when their state has an ample rainy day fund.

Around the country, rainy day funds have been proposed and supported by both Republicans and Democrats. Leaders of both parties have seen the benefit of having this kind of counter-cyclical tool to help ease disruption during fiscal and economic downturns. We have attached to this testimony short policy briefs about state rainy day funds from the Institute on Taxation and Economic Policy and the Tax Policy Center, both based in Washington, D.C. These provide good background information about rainy day funds in the states and also are illustrative of the sort of broad support proposals such as SCR 1614 have enjoyed elsewhere.

The mechanics of SCR 1614 are simple and straightforward:

MONEY IN: Each fiscal year, an amount equal to one-quarter of one percent of total state receipts from all sources except federal funds would have to be set aside into the budget stabilization fund. The legislature could by law provide for more savings, but could not drop below that constitutionally mandated minimum. In our state's current financial posture, the minimum deposit would be about \$23 million, according to an assessment by the Kansas Legislative Research Department.

MONEY OUT: Money could be removed from the budget stabilization fund only by special legislation that would transfer a sum from that fund to any other state fund. That is intended to ensure a "clean" vote on whether to tap the stabilization fund and avoid having that decision bundled with other policy or spending provisions. At any time, the legislature could make a transfer of any amount from the budget stabilization fund by a three-fifths vote. Whenever the balance in the stabilization fund exceeds 5 percent of total state revenues (excluding federal funds), the legislature could transfer out any amount exceeding that 5 percent by a simple majority vote.

If SCR 1614 wins approval in the Senate and House of Representatives and is approved by the voters, we envision that it would operate in tandem with our other budget laws. The proposed constitutional amendment by its terms contemplates implementing legislation, and we would anticipate a further discussion after its approval about how we update our budget statutes to the new reality of a constitutional rainy day fund.

But the first step must be to ask the voters of our state whether they believe that the state itself should save during the good times to help ease the disruption of the bad times. Thirty senators have sponsored this proposed legislation, and we hope that indicates very strong support for giving Kansas citizens the chance to make this decision.

We encourage the committee to approve this forward-looking proposal and send it to the full Senate for debate. Thank you for your time, and we would be happy to stand for questions.

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A Primer on State Rainy Day Funds

In recent years, most state governments have experienced painful budget deficits. Many states have reacted to these shortfalls by cutting spending or increasing taxes. Almost all states now have a third option that can help postpone these painful decisions: using a rainy day fund (RDF). Like a savings account, an RDF sets aside surplus revenue during periods of economic growth for use in times of budget shortfalls. This policy brief takes a closer look at how rainy day funds can help states through difficult fiscal times, and assesses options for improving the adequacy of these funds.

Why Are Rainy Day Funds Needed?

Rainy day funds are an important component of a responsible state budget process for a simple reason: taxes and public spending operate on different cycles. During periods of economic growth, tax collections can exceed a state's spending needs—creating a short-term budget surplus. When the economy slows down, tax collections generally decline—but the need for important public services (especially services for low- and middle-income taxpayers) continues unabated, resulting in short-term budget deficits. This cyclical “boom and bust” feature of state tax systems means that budget surpluses and deficits are a regularly occurring feature of state tax systems. Even a state that makes no changes at all to its taxing and spending habits will ultimately experience shortfalls because of this cycle.

Rainy day funds smooth out the highs and lows of this cycle by setting aside surplus revenue in good years, and using these savings to offset budget shortfalls in bad years. States that have the luxury of drawing down rainy day funds during economic downturns are likely to have a more stable fiscal structure over time, because these states can balance budgets without having to constantly change their tax system and spending priorities.

The ability of an RDF to effectively smooth out this budgetary cycle without tax and spending changes is a desirable feature in state fiscal structures for several reasons:

- ✓ Unstable fiscal structures make for a bad investment climate: when individuals and businesses don't know whether a state will change its tax system (or the quality of its public services) during the next recession, the state becomes a less attractive place to live, work and invest.
- ✓ An adequate RDF makes it easier for states to borrow money for financing long-term capital investments. Bond rating agencies consistently cite healthy RDFs as a reason for giving states high bond ratings. Good bond ratings directly reduce the cost of borrowing for a state, which in turn reduces the cost of providing public services in the long run.
- ✓ Rainy day funds allow policymakers to avoid fiscal policy decisions that can worsen economic downturns. When budget shortfalls are caused by short-term economic declines, tax hikes or spending cuts can actually prolong the economic slump.

Designing an Effective Rainy Day Fund

The recent nationwide recession has shown that some rainy day funds are more effective than others. This section looks at important features of state rainy day funds.

✎ **How is money deposited into the fund?** Most states specify conditions under which deposits will be automatically made. The most common approach is to link RDF deposits to a state's year-end budget surplus. Texas requires that half of any year-end surplus be devoted

Like a savings account, a rainy day fund is a way of setting aside surplus state revenues during periods of economic growth for use in times of budget shortfalls.

To find out more about this issue, contact ITEP at (202) 626-3780

to its RDF. However, this process is not as automatic as it sounds: because deposits are made at the end of the year, every other spending priority of state lawmakers comes first. Lawmakers can avoid depositing revenues in the RDF by simply spending all surplus revenues before the end of the fiscal year.

A more effective approach is to require that some revenue must be deposited during any year when state revenues grow by some minimal amount. For example, Indiana requires that revenues be deposited in its RDF in any year when income grows by more than two percent. This approach ensures that deposits will be made. However, if the threshold for depositing revenues is too low, lawmakers may be forced to deposit revenues in the RDF at a time when they cannot afford to.

Important Features of Rainy Day Funds

- ✓ Rules for deposits
- ✓ Size limits
- ✓ Rules for withdrawals
- ✓ Rules for replenishing funds

A few states have no rules specifying conditions when RDF deposits must be made, and simply allow lawmakers to deposit revenues when it suits them. The main shortcoming of this approach is that these RDF's are much more likely to be chronically underfunded.

☞ Is there a limit on the size of the fund? Almost all states impose some limit on the amount of revenue that can be put in their rainy day funds. A commonly cited rule of thumb has been that a fund capped at five percent of a state's budget should be sufficient to ride out an economic downturn. Almost half of the states with rainy day funds now cap their fund at 5 percent of their budget or less. A few states impose a cap of more than 10 percent, and 13 states have no limit at all. While many states have used the 5 percent limit as a rule of thumb, the recent experience of these states suggests that a 5 percent limit is simply insufficient to cope with the extended economic shortfalls that many states have experienced in recent years. A higher cap of at least 10 percent could help states use these funds properly in the next recession.

☞ How is money withdrawn from the fund? In most states, a simple majority of lawmakers can vote to use the RDF. However, some states require a supermajority of 60 percent or more. Many states also limit the total amount that can be withdrawn in any year. All such limits make RDFs less flexible as a fiscal policy tool—and increase the likelihood that state lawmakers will have to rely on tax hikes or spending cuts to get through a recession.

☞ Is there a replenishment rule? Some states require any RDF withdrawals to be paid back promptly. For example, Rhode Island requires any withdrawals from its RDF to be replaced within two years. This constraint can reduce the usefulness of rainy day funds: if lawmakers must promptly replenish these funds, doing so will have to compete with other spending priorities—forcing exactly the sort of painful spending cuts that RDFs are designed to prevent.

An Important Tool For Dealing with Cyclical Deficits

An adequate, accessible rainy day fund can help state lawmakers to avoid enacting painful tax increases or cuts in public services by providing a third option—drawing down the state's savings account to get through tough times. But rainy day funds should only be used to reduce the impact of budget shortfalls that arise from cyclical economic downturns—not to cope with long-term structural problems. In particular, states in which the tax structure is simply inadequate to fund public services over the long run should look to structural tax reform as a solution rather than relying on rainy day funds to balance their budgets.

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from the Tax Policy Center

State Rainy Day Funds

By Elaine Maag and Alison McCarthy

States use rainy day funds (RDFs), or budget stabilization funds, as a cushion against financial shocks. Every state except Vermont has some sort of balanced budget requirement so that, unlike the federal government, they must balance expenditures and revenues in any given budget cycle (typically one year). States can have RDFs that allow money to be carried over from good years to lean years. Five states — Arkansas, Colorado, Illinois, Kansas, and Montana — do not have RDFs.

All states with RDFs regulate deposits into and withdrawals out of those funds. Most states build RDFs through the deposit of year-end surpluses. Withdrawal rules generally specify that funds may only be used to cover budget shortfalls or emergencies when authorized by the governor or legislature. Thirty-one states have fund caps, usually limiting the size of RDFs to 2 percent through 10 percent of general fund revenue, which may be inadequate in times of fiscal stress. Six states, Alabama, Florida, Missouri, New York, Rhode Island, and South Carolina, require that withdrawn funds be replen-

ished quickly, even though economic conditions may not have improved. That creates a disincentive to use the funds.

Contributions to state RDFs increased in 2005 and 2006 due to improved economic conditions and greater tax collections. The average RDF ending balance in 2005 was 2.9 percent of general fund revenue (in states with RDFs), a modest increase over 2.75 percent in the previous year. Contributions to RDFs in 2006 are projected to increase by 22 percent over 2005 while general funds are projected to increase by an average of 6.3 percent. Among states with RDFs, that will lead to a projected 3.4 percent balance of general funds.

In 2000, when state surpluses were at their peak, the average RDF balance was 6.2 percent of general fund revenue. Although those funds were used to stave off program cuts and tax increases in the latest recession, they ultimately proved insufficient. Combined state deficits during the recession years of 2001 through 2003 were five times greater than total RDF reserves, and in many states it was, of course, much worse. To better prepare for an economic downturn in the future, policy analysts have recommended that states immediately contribute funds to their rainy day accounts and increase fund caps to allow for greater reserve accumulations. Eighteen states made deposits to RDFs in their 2007 budgets.

Rainy Day Fund Ending Balance as a Percentage of General Fund Revenue, 2006 Projected

0.0% (No RDF Balance)	0.01%-1.9%	2.0%-2.9%	3.0%-3.9%	4.0%-4.9%	5.0%-9.9%	10.0% or Greater
California Hawaii Nevada Wisconsin	Arizona Georgia Idaho Kentucky Maine Michigan Mississippi New Jersey North Carolina Pennsylvania Texas	Alabama Indiana New Hampshire New York Ohio South Carolina Washington	Missouri Rhode Island Tennessee West Virginia	Florida Utah Vermont	Connecticut Delaware Iowa Louisiana Maryland Massachusetts Minnesota Nebraska New Mexico North Dakota Oklahoma Virginia	Alaska South Dakota Wyoming

Source: National Association of State Budget Officers, *The Fiscal Survey of States*, Dec. 2005. Data for Oregon are unavailable. Arkansas, Colorado, Illinois, Kansas, and Montana do not have rainy day funds.



Tax Policy Center

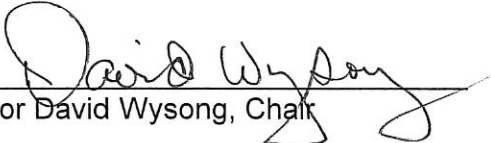
Urban Institute and Brookings Institution

The Tax Policy Center, a joint venture of the Urban Institute and the Brookings Institution, provides independent, timely, and accessible analysis of current and emerging tax policy issues for the public, journalists, policymakers, and academic researchers. For more tax facts, see <http://www.taxpolicycenter.org/taxfacts>.

FY 2010

SENATE WAYS AND MEANS SUBCOMMITTEE

Kansas Arts Commission
State Library



Senator David Wysong, Chair



Senator Kelly Kultala



Senator Jean Schodorf

Senate Ways & Means Cmte
Date 3-16-2009
Attachment 3

House Budget Committee Report

Agency: Kansas Arts Commission **Bill No. --** **Bill Sec. --**
Analyst: Tang **Analysis Pg. No. Vol.-** **Budget Page No. 319**

Expenditure Summary	Agency Request FY 10	Governor's Recommendation FY 10	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 1,735,583	\$ 1,526,671	\$ 8,483
Other Funds	692,555	674,467	5,655
Subtotal - Operating	<u>\$ 2,428,138</u>	<u>\$ 2,201,138</u>	<u>\$ 14,138</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 2,428,138</u></u>	<u><u>\$ 2,201,138</u></u>	<u><u>\$ 14,138</u></u>
FTE Positions	8.0	8.0	0.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u><u>8.0</u></u>	<u><u>8.0</u></u>	<u><u>0.0</u></u>

Agency Request

The **Kansas Arts Commission** requests an FY 2010 budget of \$2,428,138, a decrease of \$97,895, or 3.9 percent, below the FY 2009 revised estimate. The request includes State General Fund expenditures of \$1,735,583, an increase of \$1,736, or 0.1 percent, above the FY 2009 revised estimate. The request also reflects the inclusion of reduced resource totaling \$81,779 for the FY 2010 budget. The Commission has achieved the \$81,779 reduction by cutting the funds available to finance the agency grant programs. The all other funds reduction reflects a carry-forward of \$105,631 from FY 2008 into FY 2009 where it is expended, and not available for FY 2010.

The FY 2010 budget request includes enhancement funding of \$100,000, all from the State General Fund. Absent the enhancement, the request would be a decrease of \$197,895, or 7.8 percent, below the FY 2009 revised estimate.

Governor's Recommendation

The **Governor** recommends an FY 2010 budget of \$2,201,138, a decrease of \$90,409, or 3.9 percent, below the Governor's FY 2009 recommendation. The Governor's FY 2010 recommendation of State General Fund expenditures is an increase of \$27,310, or 1.8 percent, above the State General Fund expenditures in the Governor's FY 2009 recommendation. The Governor recommends salaries and wages shrinkage of \$29,600, accepting the agency's reduced

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resources of \$81,779, and moratoriums on employer contributions to KPERS Death and Disability and the state employee health plan, totaling \$15,621.

The Governor's FY 2010 recommendation is a decrease of \$227,000, or 9.3 percent, below the agency request. The recommendation includes State General Fund expenditures of \$1,526,671, a decrease of \$208,912, or 12.0 percent, below the agency request. The Governor does not recommend the agency enhancement of \$100,000.

House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation with the following adjustments:

1. **Moratorium on Employer Contributions to the State Health Plan.** Add \$12,950, including \$7,770 from the State General Fund, to restore the Governor's recommended deletion to suspend state contributions to the state employee Health Insurance Premium Reserve Fund for all state agencies for seven payroll periods in FY 2010. The employer health insurance moratorium has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill.
2. **KPERS Death and Disability Moratorium.** Add \$1,188, including \$713 from the State General Fund, to restore part of the Governor's recommended deletion of funds related to a nine-month moratorium on state contributions to the KPERS Death and Disability Group Insurance Fund for all state agencies. Four months of the Governor's recommended moratorium on KPERS Death and Disability has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill. The action still captures five months of savings from the moratorium in FY 2010.

House Committee Recommendation

The House Committee concurs with the House Budget Committee's recommendation with the following adjustments:

1. Delete \$27,310, all from the State General Fund.
2. **Continue the FY 2009 1.25 percent reduction.** Delete \$22,115 from the State General Fund, to adjust the FY 2010 budget to duplicate the FY 2009 1.25 percent reduction, excluding debt service, Department of Education, and human service caseloads, approved by the 2009 Legislature for FY 2009.

Senate Subcommittee Report

Agency: Kansas Arts Commission **Bill No.** SB **Bill Sec.**

Analyst: Tang **Analysis Pg. No. Vol.-** **Budget Page No.** 319

Expenditure Summary	Agency Request FY 10	Governor's Recommendation FY 10	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 1,735,583	\$ 1,526,671	\$ (176,356)
Other Funds	692,555	674,467	6,248
Subtotal - Operating	<u>\$ 2,428,138</u>	<u>\$ 2,201,138</u>	<u>\$ (170,108)</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 TOTAL	 <u>\$ 2,428,138</u>	 <u>\$ 2,201,138</u>	 <u>\$ (170,108)</u>
 FTE Positions	 8.0	 8.0	 0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u>8.0</u>	<u>8.0</u>	<u>0.0</u>

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The FY 2010 budget request includes enhancement funding of \$100,000, all from the State General Fund. Absent the enhancement, the request would be a decrease of \$197,895, or 7.8 percent, below the FY 2009 revised estimate.

Governor's Recommendation

The **Governor** recommends an FY 2010 budget of \$2,201,138, a decrease of \$90,409, or 3.9 percent, below the Governor's FY 2009 recommendation. The Governor's FY 2010 recommendation of State General Fund expenditures is an increase of \$27,310, or 1.8 percent, above the State General Fund expenditures in the Governor's FY 2009 recommendation. The Governor recommends shrinkage of \$29,600, accepting the agency's reduced resources package

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of \$81,779, and moratoriums on employer contributions to KPERS Death and Disability and the state employee health plan, totaling \$15,621.

Senate Subcommittee Recommendation

The **Senate Subcommittee** concurs with the Governor's recommendation with the following adjustments and notation:

1. **Moratorium on Employer Contributions to the State Health Plan.** Add \$12,950, including \$7,770 from the State General Fund, to restore the Governor's recommended deletion to suspend state contributions to the state employee Health Insurance Premium Reserve Fund for all state agencies for seven payroll periods in FY 2010. The employer health insurance moratorium has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill.
2. **KPERS Death and Disability Moratorium.** Add \$1,188, including \$713 from the State General Fund, to restore part of the Governor's recommended deletion of funds related to a nine-month moratorium on state contributions to the KPERS Death and Disability Group Insurance Fund for all state agencies. Four months of the Governor's recommended moratorium on KPERS Death and Disability has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill. The action still captures five months of savings from the moratorium in FY 2010.
3. **Continue the FY 2009 1.25 percent reduction.** Delete \$22,115 from the State General Fund, to adjust the FY 2010 budget to duplicate the FY 2009 1.25 percent reduction, excluding debt service, Department of Education, and human service caseloads, approved by the 2009 Legislature for FY 2009.
4. Delete \$163,614, all from the State General Fund, to achieve the target reduction of 10.0 percent below the Governor's FY 2009 recommendation.
5. The Subcommittee notes that the Arts Commission has stated the agency is eligible for stimulus funding in the American Recovery and Reinvestment Act, and that the Arts Commission is in the process of applying for the grants. The Subcommittee recommends Omnibus report of any stimulus grants applied for and any dollars received through the American Recovery and Reinvestment Act.

Kansas Arts Commission
 Budget Financing Projections for
 FY2010 Reduced Budget Scenarios

Attachment 1

	Adj 2010 Gov Budget	5% Cut	10% Cut
State General Funds	\$ 1,526,671	\$ 1,526,671	\$ 1,526,671
Add:			
Employee Health Insurance	\$ 7,770	\$ 7,770	\$ 7,770
KPERS Death and Disability	\$ 713	\$ 713	\$ 713
Sub-Total	\$ 8,483	\$ 8,483	\$ 8,483
Sub-Total SGF	\$ 1,535,154	\$ 1,535,154	\$ 1,535,154
Less:			
1.25% from FY 2009 SB23	\$ -	\$ 22,115	\$ 22,115
Additional Budget Cuts	\$ -	\$ 88,646	\$ 163,614
Sub-Total	\$ -	\$ 110,761	\$ 185,729
Total State General Funds	\$ 1,535,154	\$ 1,424,393	\$ 1,349,425
Budget Financing Summary			
State General Funds	\$ 1,535,154	\$ 1,424,393	\$ 1,349,425
Special Gifts Fund	\$ 18,000	\$ 18,000	\$ 18,000
Fee Fund	\$ -	\$ -	\$ -
National Endowment for the Arts	\$ 667,212	\$ 667,212	\$ 667,212
NEA Stimulus Funds	\$ -	\$ -	\$ -
Total	\$ 2,220,366	\$ 2,109,605	\$ 2,034,637

3/11/09

4:48 PM

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*Kansas Arts Commission
Expenditures for 2010 Reduced Budget Scenarios*

Attachment 2

3-7

Code	Description	FY 2010 Gov Recommended Budget	Difference	Budget at 5% Reduction	Difference	Budget at 10% Reduction
100	Total Salaries and Wages	\$ 456,602	\$ -	\$ 456,602	\$ (23,313)	\$ 433,289
200 Contractual Services						
200	Communication	\$ 20,021	\$ (2,229)	\$ 17,792	\$ (2,200)	\$ 15,592
210	Freight and Express	\$ 500	\$ (50)	\$ 450	\$ -	\$ 450
220	Printing and Advertising	\$ 19,218	\$ (1,290)	\$ 17,928	\$ -	\$ 17,928
230	Rents	\$ 45,984	\$ -	\$ 45,984	\$ -	\$ 45,984
240	Repairs and Servicing	\$ 135	\$ -	\$ 135	\$ -	\$ 135
250	Travel and Subsistence (In State Travel)	\$ 27,460	\$ (2,185)	\$ 25,275	\$ (2,000)	\$ 23,275
250	Travel and Subsistence (Out of State Travel)	\$ 8,870	\$ (2,835)	\$ 6,035	\$ (2,835)	\$ 3,200
260	Other services	\$ 36,619	\$ (1,705)	\$ 34,914	\$ -	\$ 34,914
270	Professional Services	\$ 60,660	\$ (7,700)	\$ 52,960	\$ (7,714)	\$ 45,246
290	Other Contractual Services	\$ 16,000	\$ (678)	\$ 15,322	\$ -	\$ 15,322
	Total Contractual Services	\$ 235,467	\$ (18,672)	\$ 216,795	\$ (14,749)	\$ 202,046
300 Commodities						
340	Maintenance, Material, Supplies	\$ -	\$ -	\$ -	\$ -	\$ -
350	Motor Vehicle Parts, Supplies and Accessories	\$ 1,500	\$ (150)	\$ 1,350	\$ (150)	\$ 1,200
360	Prof/Scientific Supplies	\$ 700	\$ (70)	\$ 630	\$ -	\$ 630
370	Stationery/Office Supplies	\$ 6,000	\$ (816)	\$ 5,184	\$ (816)	\$ 4,368
390	Other Supplies, Materials and Parts	\$ 1,375	\$ (138)	\$ 1,237	\$ -	\$ 1,237
	Total Commodities	\$ 9,575	\$ (1,174)	\$ 8,401	\$ (966)	\$ 7,435
400	Capital Outlay	\$ 1,788	\$ -	\$ 1,788	\$ -	\$ 1,788
	Total State Operations	\$ 703,432	\$ (19,846)	\$ 683,586	\$ (39,028)	\$ 644,558
	Total Programs-Grants	\$ 1,516,189	\$ (90,915)	\$ 1,425,274	\$ (35,940)	\$ 1,389,334
	Taxes Remitted	\$ 745	\$ -	\$ 745	\$ -	\$ 745
	TOTALS	\$ 2,220,366	\$ (110,761)	\$ 2,109,605	\$ (74,968)	\$ 2,034,637
	FTEs	8		8		7

House Budget Committee Report

Agency: Kansas State Library **Bill No. --**

Bill Sec. --

Analyst: Tang

Analysis Pg. No. Vol.-

Budget Page No. 323

Expenditure Summary	Agency Request FY 10	Governor's Recommendation FY 10	House Budget Committee Adjustments
Operating Expenditures:			
State General Fund	\$ 5,699,304	\$ 4,933,312	\$ 43,196
Other Funds	1,745,712	1,736,050	8,770
Subtotal - Operating	<u>\$ 7,445,016</u>	<u>\$ 6,669,362</u>	<u>\$ 51,966</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL	<u><u>\$ 7,445,016</u></u>	<u><u>\$ 6,669,362</u></u>	<u><u>\$ 51,966</u></u>
FTE Positions	26.0	26.0	0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u><u>26.0</u></u>	<u><u>26.0</u></u>	<u><u>0.0</u></u>

Agency Request

The **Kansas State Library** requests FY 2010 expenditures of \$7,445,016, an increase of \$196,094, or 2.7 percent, above the FY 2009 revised estimate. This amount includes \$5,699,304 from the State General Fund, an increase of \$267,212, or 4.9 percent, above the FY 2009 revised estimate. This increase in State General Fund is due primarily to the agency's FY 2010 total enhancement request of \$291,386.

Without the enhancement, requested expenditures would be \$7,153,630, a decrease of \$95,292, or 1.3 percent, below the FY 2009 revised estimate. State General Fund expenditures would total \$5,407,918, a decrease of \$24,174, or 0.4 percent, below the FY 2009 revised estimate.

Governor's Recommendation

The **Governor** recommends FY 2010 expenditures of \$6,669,362, a decrease of \$524,130, or 7.3 percent, below the Governor's FY 2009 recommendation. The Governor's recommendation is a decrease of \$775,654, or 10.4 percent, below the agency request. The Governor recommends suspending the HomeworkKansas program, saving \$265,000 from the State General Fund. The Governor recommends reducing State General Fund by 3.0 percent or \$162,238. The Governor recommends suspending state contributions to KPERs Death and Disability totaling \$9,115, as well as the State Employee Health Plan totaling \$47,915. Reductions from the State General Fund total \$312,368, while reductions from all funds total \$322,030. The Governor does not recommend any of the agency's enhancement requests, totaling \$291,386, all from the State General Fund.

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House Budget Committee Recommendation

The **Budget Committee** concurs with the Governor's recommendation with the following adjustments and notation:

1. **Moratorium on Employer Contributions to the State Health Plan.** Add \$47,915, including \$39,858 from the State General Fund, to restore the Governor's recommended deletion to suspend state contributions to the state employee Health Insurance Premium Reserve Fund for all state agencies for seven payroll periods in FY 2010. The employer health insurance moratorium has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill.
2. **KPERS Death and Disability Moratorium.** Add \$4,051, including \$3,338 from the State General Fund, to restore part of the Governor's recommended deletion of funds related to a nine-month moratorium on state contributions to the KPERS Death and Disability Group Insurance Fund for all state agencies. Four months of the Governor's recommended moratorium on KPERS Death and Disability has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill. The action still captures five months of savings from the moratorium in FY 2010.
3. The Budget Committee recommends that the transfer of the HomeworkKansas program, currently at the State Library, to the Department of Education be considered.

House Committee Recommendation

The House Committee concurs with the House Budget Committee's recommendation with the following adjustments:

1. **Continue the FY 2009 1.25 percent reduction.** Delete \$69,287 from the State General Fund, to adjust the FY 2010 budget to duplicate the FY 2009 1.25 percent reduction, excluding debt service, Department of Education, and human service caseloads, approved by the 2009 Legislature for FY 2009.
 2. Strike No. 3 and do not transfer the HomeworkKansas program to the Department of Education.
-

Senate Subcommittee Report

Agency: Kansas State Library Bill No. SB

Bill Sec.

Analyst: Tang

Analysis Pg. No. Vol.-

Budget Page No. 323

Expenditure Summary	Agency Request FY 10	Governor's Recommendation FY 10	Senate Subcommittee Adjustments
Operating Expenditures:			
State General Fund	\$ 5,699,304	\$ 4,933,312	\$ (82,079)
Other Funds	1,745,712	1,736,050	8,770
Subtotal - Operating	<u>\$ 7,445,016</u>	<u>\$ 6,669,362</u>	<u>\$ (73,309)</u>
Capital Improvements:			
State General Fund	\$ 0	\$ 0	0
Other Funds	0	0	0
Subtotal - Capital Improvements	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
 TOTAL	 <u><u>\$ 7,445,016</u></u>	 <u><u>\$ 6,669,362</u></u>	 <u><u>\$ (73,309)</u></u>
 FTE Positions	 26.0	 26.0	 0.0
Non FTE Uncl. Perm. Pos.	0.0	0.0	0.0
TOTAL	<u><u>26.0</u></u>	<u><u>26.0</u></u>	<u><u>0.0</u></u>

Agency Request

The **Kansas State Library** requests FY 2010 expenditures of \$7,445,016, an increase of \$196,094, or 2.7 percent above the FY 2009 revised estimate. This amount includes \$5,699,304 from the State General Fund, an increase of \$267,212, or 4.9 percent above the FY 2009 revised estimate. This increase in State General Fund expenditures is due primarily to the agency's FY 2010 total enhancement request of \$291,386.

Without the enhancement, requested expenditures would be \$7,153,630, a decrease of \$95,292, or 1.3 percent below the FY 2009 revised estimate. State General Fund expenditures would total \$5,407,918, a decrease of \$24,174, or 0.4 percent below the FY 2009 revised estimate.

Governor's Recommendation

The Governor recommends FY 2010 expenditures of \$6,669,362, a decrease of \$524,130, or 7.3 percent below the Governor's FY 2009 recommendation. The Governor's recommendation is a decrease of \$775,654, or 10.4 percent below the agency request. The Governor recommends suspending the HomeworkKansas program, saving \$265,000 from the State General Fund. The Governor recommends reducing State General Fund expenditures by 3.0 percent or \$162,238. The Governor recommends suspending state contributions to KPERS Death and Disability totaling \$9,115, as well as the state employee health plan totaling \$47,915. Reductions from the State

3-10

General Fund total \$312,368, while reductions from all funds total \$322,030. The Governor does not recommend any of the agency's enhancement requests, totaling \$291,386, all from the State General Fund.

Senate Subcommittee Recommendation

The **Senate Subcommittee** concurs with the Governor's recommendation with the following adjustments:

1. **Moratorium on Employer Contributions to the State Health Plan.** Add \$47,915, including \$39,858 from the State General Fund, to restore the Governor's recommended deletion to suspend state contributions to the state employee Health Insurance Premium Reserve Fund for all state agencies for seven payroll periods in FY 2010. The employer health insurance moratorium has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill.
2. **KPERS Death and Disability Moratorium.** Add \$4,051, including \$3,338 from the State General Fund to restore part of the Governor's recommended deletion of funds related to a nine-month moratorium on state contributions to the KPERS Death and Disability Group Insurance Fund for all state agencies. Four months of the Governor's recommended moratorium on KPERS Death and Disability has been accelerated to FY 2009 as part of House Substitute for Substitute for S.B. 23, the current year recision bill. The action still captures five months of savings from the moratorium in FY 2010.
3. **Continue the FY 2009 1.25 percent reduction.** Delete \$69,287 from the State General Fund, to adjust the FY 2010 budget to duplicate the FY 2009 1.25 percent reduction, excluding debt service, Department of Education, and human service caseloads, approved by the 2009 Legislature for FY 2009.
4. Delete \$68,225, all from the State General Fund, to achieve the target reduction of 10.0 percent below the Governor's FY 2009 recommendation.
5. Add \$12,237, all from the State General Fund, to restore funding to the Talking Books program. The Talking Books program is located on the Emporia State University campus and provides services to the blind and handicapped, such as materials in Braille and recorded formats that can be requested and delivered to the patron's home.

March 13, 2009

Re: Identified reductions for FY 2010, as per subcommittee request

To: Senate Ways and Means Subcommittee

Senator David Wysong, Chair
Senator Jean Schodorf
Senator Kelly Kultala

From: Christie Brandau, State Librarian of Kansas

As requested, the following identifies State Library of Kansas reductions for FY 2010.

State aid to local libraries

State aid to local libraries helps supplement local library funding. For many libraries state aid represents a significant portion of their annual budget. The additional \$137,512 reduction will constitute a 21% reduction in state aid to local libraries over the FY 2009 – FY 2010 period.

The impact of the state aid reduction will be significant. Libraries report they will:

- Provide fewer new books
- Decrease outreach to pre-schoolers and Head Start participants
- Provide fewer basic computer training sessions
- Scale back their summer reading programs
- Offer fewer materials for teens
- Provide fewer resources to job seekers
- Offer fewer recreational materials including fiction, DVDs and audio books

Attached is an addendum of impact statements provided by Kansas libraries.

Reduced expenditure..... \$ 137,512

Total.....\$ 137,512



K A N S A S

DAN McLAUGHLIN
FIRE MARSHAL

OFFICE OF THE KANSAS STATE FIRE MARSHAL

KATHLEEN SEBELIUS
GOVERNOR

Testimony of Fire Marshal Dan McLaughlin

On SB 306

before

Senate Ways and Means Committee

This bill was requested by our agency to clarify an omission made when the original legislation was passed. It will essentially create a fund to be used specifically for the collection of fees under the Kansas Fireworks Act for fireworks or explosives and that those funds will be used for that purpose of administration and enforcement of said act.

As a refresher the Kansas Fireworks Act establishes licensing and fees for the Distributors, Wholesalers, indoor and outdoor display operators, manufacturers, and the storage of fireworks within the state. We do not administer fees for any retail fireworks stand. The program started the first of January and to date has collected \$11,000 dollars with anticipated revenues of \$38,000 dollars. The creation of this fund will help us maintain the intent of this program for future administrations.

Thank you for your consideration of this legislation.

Senate Ways & Means Cmte

Date 3-16-2009

Attachment 4

MARY ANN TORRENCE, ATTORNEY
REVISOR OF STATUTES

JAMES A. WILSON III, ATTORNEY
FIRST ASSISTANT REVISOR

GORDON L. SELF, ATTORNEY
FIRST ASSISTANT REVISOR



OFFICE OF REVISOR OF STATUTES
KANSAS LEGISLATURE

Legal Consultation—
Legislative Committees and Legislators
Legislative Bill Drafting
Legislative Committee Staff
Secretary—
Legislative Coordinating Council
Kansas Commission on
Interstate Cooperation
Kansas Statutes Annotated
Editing and Publication
Legislative Information System

TO: Senate Committee on Ways and Means

FROM: Theresa Kiernan, Senior Assistant Revisor of Statutes

RE: Senate Bill No. 313

DATE: March 16, 2009

Senate Bill No. 313 was introduced by this committee at the request of Senator Vratil. The bill would remove the limitation on the balance which may be maintained by a school district in the contingency reserve fund beginning in the current school year through school year 2011-2012.

The current limitation of 6% of the general fund budget of the district would be reimposed beginning in school year 2012-2013. Moneys in the contingency reserve fund may be used for the payment of expenses attributable to financial contingencies as determined by the board of education of the school district.

Moneys may be transferred to the contingency reserve fund from the general and supplemental general funds of the district. In addition, moneys also could be transferred from the gift fund of the district if the transfer did not violate any condition of the gift.

The 6% limitation was raised from 4% for school year 2005-2006 during the special session. During the 2006 session, the 6% limitation was extended indefinitely.

The fiscal note states there would be no effect on state aid paid to school districts.

Senate Ways & Means Cmte
Date 3-16-2009
Attachment 5