Division of the Budget
Landon State Office Building
900 SW Jackson Street, Room 504
Topeka, KS 66612

Kansas
Division of the Budget

Phone: (785) 296-2436
adam.c.proffitt@ks.gov
http://budget.kansas.gov

Adam C. Proffitt, Director

Laura Kelly, Governor

January 27, 2025

The Honorable Rick Billinger, Chairperson
Senate Committee on Ways and Means
300 SW 10th Avenue, Room 548-S
Topeka, Kansas 66612

Dear Senator Billinger:

SUBJECT: Fiscal Note for SB 14 by Senate Committee on Ways and Means

In accordance with KSA 75-3715a, the following fiscal note concerning SB 14 is respectfully submitted to your committee.

SB 14 would specify that if the Legislature does not amend, lapse, or eliminate any existing appropriation in the current fiscal year on or before July 1, the existing appropriations provided for the previous fiscal year would be in effect in the new fiscal year until amended, lapsed, or eliminated by the Legislature. If the biennial budget for certain state agencies has not been enacted on or before June 30 of any year, the Department of Administration could, for accounting purposes, adjust its appropriation account structure, beginning on July 1, to reflect the appropriation account structure in the biennial state agencies budgets. The bill would require all appropriations to any state agency that can only be expended with the approval of the Governor, State Finance Council, Secretary of Administration, or other entity, to be construed to be conditional appropriations which would become available only as contemplated expenditures until approved by the Governor, State Finance Council, Secretary of Administration, or other entity as required by law.

Whenever a continuing appropriation from any account or fund has accomplished its purpose or is no longer deemed necessary, the Secretary of Administration would be authorized to lapse such appropriation balance or decrease the expenditure limitation, in whole or in part, to the account of origin. Prior to taking any such action, the Secretary of Administration would be required to consult with the Director of the Budget and the Director of Legislative Research. These provisions would not apply to any continuing appropriation of the Legislative Branch or Judicial Branch.

The bill would require all continuing appropriations to be subject to the specific provision that, when and if the federal government funding of any portion of a program is reduced or terminated, state participation in the program could be reduced by the Secretary of Administration in the same proportion as the federal reduction. Prior to taking any action regarding reducing state participation in federal programs, the Secretary of Administration would be required to consult with the Director of the Budget and the Director of Legislative Research. Local units of government would also be authorized to make similar proportional reductions.

If any continuing appropriation made to match or secure federal funds is in excess of the amount required to match or secure such funding, the state agency responsible for administration of the funds would be required to promptly notify the Director of the Budget, who would notify the Governor and the State Finance Council. Such funds could not be expended unless first approved by the State Finance Council.

The bill would allow all continuing appropriations, accounts, and special revenue fund balances within the State General Fund or any special revenue fund, to be made temporarily available to allow encumbrances or financing expenditures of other State General Fund or any special revenue fund activities whenever there are insufficient monies in the funds or accounts from which the activities are financed if there are accounts receivable balances or monies anticipated to be received that will be sufficient to repay the fund or account from which monies are transferred. The Secretary of Administration; in consultation with the appropriate state agency head, Director of the Budget, and Director of Legislative Research; would be required to determine the composition and allowability of the accounts receivable balances and anticipated monies to be received and would be required to specifically approve the use of surplus monies from the State General Fund or any special revenue fund. Such funds could not be expended unless first approved by the State Finance Council. The bill would allow the Secretary of Administration to reallocate available monies from the Budget Stabilization Fund prior to reallocating monies from any other fund.

The bill would require the Secretary of Administration to limit the total amount of any temporary reallocations to a fund other than the State General Fund to $400.0 million. The bill also would require the Secretary of Administration to limit the total amount of any temporary reallocations to the State General Fund at any one time during a fiscal year to an amount equal to 9.0 percent of the total amount authorized to be expended or transferred by demand transfer from the State General Fund, calculated by the Secretary as of that time and for that fiscal year. The bill also would allow the Secretary of Administration to permit an additional 3.0 percent of the total amount authorized to be expended or transferred by demand transfer from the State General Fund to be used for temporary reallocations to the State General Fund, but only if the reallocation is for a period not to exceed 30 days. Such reallocations could not be made for consecutive periods. These provisions would not apply to reallocations from the Budget Stabilization Fund to the State General Fund. Prior to taking any such action, the Secretary of Administration would be required to consult with the Director of the Budget and the Director of Legislative Research.

If a continuing appropriation to an account within the State General Fund or a special revenue fund is transferred from an account that is interest-bearing, then on or before the 10th day of each month, the Director of Accounts and Reports would be required to transfer from the State General Fund to such interest-bearing account the average daily balance of the interest-bearing account for the preceding month and the net earnings rate for the Pooled Money Investment Portfolio for the preceding month. The Secretary of Administration would be prohibited from exercising the authority to temporarily reallocate funds if the reallocation would jeopardize the cash flow of any fund. If the Secretary of Administration exercises or proposes to exercise the authority to temporarily reallocate funds, the Secretary would be required to publish and transmit a report to the members of the House Committee on Appropriations and the Senate Committee on Ways and Means on a monthly basis with certain information. The bill would take effect after its publication in the statute book.

The Department of Administration indicates enactment of the bill would not have a fiscal effect on the operations of the agency. However, the Division of the Budget notes that enactment of the bill could jeopardize certain financial obligations, such as debt service and human services caseloads, if prior fiscal year appropriation levels are used to fulfill future obligations. In addition, prior fiscal year appropriations may not account for changes in revenue forecasting that would require adjustments to State General Fund appropriation levels to remain solvent, or to remain compliant with state law. Budget Cost Indices rates would also not be included in prior fiscal year appropriations levels that could require agencies to reallocate funding for other purposes to cover potential increases in operating costs such as KPERS Employer rates, workers compensation assessments, office space rental, etc. Any fiscal effect associated with SB 14 is not reflected in *The FY 2026 Governor's Budget Report*.

Sincerely,

Adam C. Proffitt
Director of the Budget

cc: Samir Arif, Department of Administration