

## MINUTES

### LEGISLATIVE BUDGET COMMITTEE

June 26, 2007  
Room 514-S—Statehouse

#### Members Present

Representative Sharon Schwartz, Chairperson  
Senator Laura Kelly  
Representative Don Dahl  
Representative Bill Feuerborn

#### Members Absent

Senator Dwayne Umbarger, Vice-Chairperson  
Senator Steve Morris  
Representative Lee Tafanelli

#### Staff Present

Alan Conroy, Legislative Research Department  
J. G. Scott, Legislative Research Department  
Leah Robinson, Legislative Research Department  
Heather O'Hara, Legislative Research Department  
Michael Steiner, Legislative Research Department  
Jim Wilson, Office of Revisor of Statutes  
Jill Wolters, Office of Revisor of Statutes  
Nikki Feuerborn, Chief of Staff, House Appropriations Committee  
Melinda Gaul, Chief of Staff, Senate Ways and Means Committee  
Shirley Jepson, Committee Assistant

#### Conferees

Ron Snell, Director, National Conference of State Legislatures (NCSL), State Services Division  
Duane Goossen, Secretary, Department of Administration

## Morning Session

The meeting was called to order by Chairperson Sharon Schwartz at 10:00 a.m. on June 26, 2007, in Room 514-S of the Statehouse. Chairperson Schwartz explained that the purpose of the meeting was to review the state's budget planning and appropriations process.

Ron Snell, Director of the State Services Division, National Conference of State Legislatures (NCSL), presented an overview of the budget and appropriations process in other states, including Arizona, Colorado, Oklahoma, and Texas—states that have independent legislative budgeting (Attachment 1). Mr. Snell explained that the budget process varies from state to state and requires interaction between the Governor and the Legislature. Some highlights of Mr. Snell's testimony include:

- Oklahoma has a central budgeting committee that writes the budget. It is a complicated system and difficult to staff; however, it does not appear to have affected the length of the legislative session.
- Arizona, Colorado, and Texas have small joint budget planning committees who prepare an independent legislative budget with additional standing committees in each house that approve the work of the budget planning committees.
- Texas has a biennial session calendar and biennial budgets and has numerous special sessions.
- One of the tools used by Oklahoma in developing its budget is agency performance reports. The Committee noted that the State of Kansas uses the Division of Legislative Post Audit reports to scrutinize agency performance.
- The budgeting staff required in each state varies, with Texas having approximately 140 professional staff; Arizona's staff consists of about 30 professional analysts; Colorado's staff includes 15 professional analysts; and Oklahoma's fiscal staff is between eight and ten professional analysts, plus staff attorneys and support staff.
- Arizona's budget base for a new budget begins with the previous year's appropriation level; Colorado uses the previous level of appropriations reduced by one-time appropriations; Oklahoma's base is the current-year budget minus one-time appropriations; and Texas constructs a current-services base including existing level of appropriations, less one-time appropriations, plus adjustments for population or caseload changes for agencies.

Responding to Committee questions, Mr. Snell noted that the procedures used in these four states have been in place for a varying number of years. He did not know if there are other states who are reviewing their budgeting process at this time; however, noted that many legislatures review the budget process periodically and that the increased turnover of legislators in the past decade has caused questions to be raised about more efficient and effective ways to formulate a budget.

Concerning a question with reference to revenue estimating, Mr. Snell stated the four states in his review estimate revenues by varying methods:

- Estimates in Texas are established by the State Comptroller's Office (the Comptroller is a statewide elected official);
- Oklahoma's estimates are formulated by the State Board of Equalization;
- He did not know how Arizona forecast revenues; and
- Revenue forecasting in Colorado is an executive branch function; there is no consensus process or legislative input.

Duane Goossen, Secretary, Department of Administration, presented a review of the budgeting process used by the Division of the Budget (Attachment 2). Secretary Goossen stated that the next year's budgeting process in the state begins in June, after the end of the legislative session. The Secretary's testimony included a detailed calendar of the budgeting cycle. Some highlights of the time line include the following.

- The Division of the Budget establishes a base budget allocation for each agency by looking at the previous year's budget and reviewing one-time expenditures and additional required expenditures for each agency, such as KPERS rates.
- The base budget allocation is given to each agency and the agency prepares a budget within the amount limited. Any requests above the budget amount are considered enhancement requests. These requests are returned to the Division of the Budget by September 15. Secretary Goossen noted that these reports are public record on this date.
- In addition, agencies are requested to submit a list of expenditures that can be reduced if revenues are not available. Agencies also are requested to produce goals and objectives.
- Information is analyzed and a budget recommendation is produced by November 10. Agencies then have the opportunity to appeal any budget detail with which they do not agree.
- These budget recommendations are given to the Governor approximately December 1, at which time the Governor develops further recommendations and produces a budget for the consideration of the Legislature in January.

Secretary Goossen felt that the budget process is positive, public, and entails a great deal of planning. The Secretary stated that the Consensus Revenue Estimates are very important to the budgeting process, allowing for agreement on a number of items at the beginning of the process.

The Secretary also noted that a great deal of information is available for legislators by mid-November.

With reference to a question from the Committee with regard to budget increases, Secretary Goossen felt that the budget process should not be linked to the problems of yearly increasing budgets, noting that the process is neutral and, by itself, does not produce a higher budget. Other factors influence budget increases.

J. G. Scott, Legislative Research Department, presented an overview of the budget preparation process as it related to the staff of the Legislative Research Department, noting that the information parallels information presented by Secretary Goossen ([Attachment 3](#)).

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

### **Afternoon Session**

Chairperson Schwartz reconvened the meeting at 1:15 p.m. and recognized Leah Robinson, Legislative Research Department, who presented information on the state's budget as a whole, budget trends, and reasons for spending trends throughout the years. The testimony included the following reports:

- FY 2008 Approved Expenditures by Function of Government and Major Purpose of Expenditures (In Millions) State General Fund ([Attachment 4](#));
- Expenditure Trends in Operating Expenditures, FY 1999-FY 2008 ([Attachment 5](#));
- Expenditures and State General Fund Receipts Compared to Kansas Personal Income and the Consumer Price Index-Urban, FY 1999-FY 2008 ([Attachment 6](#));
- Operating Expenditures and Full-Time Equivalent Positions FY 1999 and FY 2008, State General Fund Expenditures and All Funding Sources ([Attachment 7](#));
- Operating Expenditures and Full-Time Equivalent Positions FY 1999-FY 2008, State General Fund Expenditures and All Funding Sources ([Attachment 8](#)); and
- Annual Percent Changes in Operating Expenditures, State General Fund Receipts and Inflation, FY 1999-FY 2008 (Estimated) ([Attachment 9](#)).

Alan Conroy, Legislative Research Department, presented background information on State General Fund (SGF) ending balances, allotments, and certificates of indebtedness ([Attachment 10](#)). Mr. Conroy noted that the Kansas Legislature enacted law in 1990 that set the requirements for the projected SGF ending balance, omnibus reconciliation spending bill, minimum dollar ending balance in the SGF, and statutorily established the Consensus Revenue Estimating Group. Mr. Conroy's presentation included information on the Governor's authority in addressing a shortfall in the SGF and use of the allotment system.

Mr. Conroy noted that the ending balance low point was in FY 2002, with a balance equal to approximately 3.0 percent of expenditures, and the highest ending balance was in FY 1998, with a balance of approximately 20.0 percent.

Other information presented by Mr. Conroy included:

- Starting Point for Legislative Consideration of the State Budget ([Attachment 11](#)); and
- Improving and Streamlining the Budget Process ([Attachment 12](#)).

During Committee discussion, some recommendations proposed by the Committee to improve the budget planning process, improve legislators' awareness of the process, and SGF ending balance included:

- Place emphasis on adding required funding for any legislation passed by the Legislature;
- Recognize the result of tax cuts allowed by legislation, the effect on revenues and the budget;
- Look for ways to improve the time frame between presentation of the Governor's budget, completion of analysis by the Legislative Research Department, time for legislators to review budget recommendations before Committee work begins, and have information available earlier for interaction with constituents;
- Address big issues earlier in the legislative session with possible review of problematic issues outside of regular session; and
- Review school funding and what works best for school districts with reference to projected revenues.

J. G. Scott, Legislative Research Department, presented information on the description of classified and unclassified employee positions, as well as a job description for Chief Engineer/Director of Water Resources within the Department of Agriculture ([Attachment 13](#)). Mr. Scott stated that minimum requirements for each position are set by the agency and the Division of Personnel Services.

Alan Conroy, Legislative Research Department, presented a review of the State General Fund Receipts, July through May, FY 2007 ([Attachment 14](#)). Mr. Conroy stated that revenues at the end of May were approximately \$40 million, or 0.8 percent, above the estimate, including higher receipts than estimated for individual income taxes, corporate income taxes, and cigarette taxes.

The Chairperson requested that members of the Committee bring forth recommendations for streamlining or improving the budget process at the August meeting, with possible implementation of some recommendations before the FY 2008 Legislative Session.

The next meeting will be held on August 14-15, 2007. The meeting was adjourned at 3:05 p.m.

Prepared by Shirley Jepson  
Edited by Leah Robinson

Approved by the Committee on:

August 14, 2007  
(Date)