

MINUTES OF THE SENATE WAYS & MEANS

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on January 14, 2009, in Room 545-N of the Capitol.

All members were present except:
Senator Wysong - excused

Committee staff present:

Alan Conroy, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Mike Steiner, Kansas Legislative Research Department
Estelle Montgomery, Kansas Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Melinda Gaul, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees:

Duane Goossen, Director, Division of the Budget
Dale Dennis, Deputy Commissioner, Department of Education

Others attending:

See attached list.

Approval of Minutes

Senator Teichman moved to approve the minutes of the January 13, 2009, meeting as written. The motion was seconded by Senator Masterson. Motion carried on a voice vote.

Overview of Governor's Budget Recommendations

Duane Goossen, Director, Division of the Budget, presented an overview of the Governor's Budget Recommendations for FY 2009 and FY 2010, focusing primarily on FY 2009 (Attachment 1). Mr. Goossen explained that the budget recommendations proposed by the Governor will eliminate the gap of approximately \$1 billion in the State General Fund (SGF), as a result of the economic downturn, between state revenues and expenditures and produce a positive ending balance by the end of FY 2010. At the same time, the goal is not to raise taxes and preserve the state's investment in basic programs, such as education, health care and public safety. Mr. Goossen noted that all agencies will be included in the solution to the revenue shortfall.

In order to fill the approximately \$945 million gap between state revenues and expenditures by the end of FY 2010, the Governor has proposed reductions of \$200.4 million in FY 2009 and \$744.7 million in FY 2010. Mr. Goossen stated that the Governor's proposed reductions would require agencies to absorb a 1 percent salary increase for FY 2010 as well as reductions in both FY 2009 and FY 2010 budgets. In addition, there would be transfers from other funds to the SGF and a limitation on transfers out of the SGF to other programs. Tax policy changes are also proposed, several of which would require legislation.

Mr. Goossen presented details of a revised FY 2009 budget for state agencies and non-SGF agencies (Attachment 2).

Responding to questions from the Committee, Mr. Goossen provided the following comments:

- The Budget Office has made a realistic estimate of gaming receipts for FY 2010.
- It is anticipated that a reduction of expenditures or expenditure limitations in fee-funded agencies or non-SGF funded agencies will produce a positive balance that could be transferred to the SGF.
- All agencies will be expected to hold vacant positions open. If an employee retires or leaves employment, it is anticipated that the position will not be filled and duties will be absorbed by existing staff. Some layoffs may be necessary.
- Approximately \$80 million of the reductions would affect local governments - a small portion of the total cuts of \$945 million.

CONTINUATION SHEET

MINUTES OF THE Senate Ways & Means at 10:30 on January 14, 2009, in Room 545-N of the Capitol.

- Reductions will be more significant for some agencies than others.
- With reference to the SRS-HCBS PD Waiver, a “hard freeze” has been put in place as of December 1, 2008.
- Current statute calls for a cost-of-living-adjustment (COLA) for education in FY 2010.
- A goal is to keep K-12 funding stable.
- Base State Aid Per Pupil (BSAPP) for K-12 in FY 2009 is \$4,433, Governor’s FY 2009 budget recommendations call for the BSAPP to change to \$4,411 and \$4,345 in FY 2010.
- There is an increase in at-risk students at the K-12 level.

Update on K-12 Education Cash Flow

Dale Dennis, Deputy Commissioner, Department of Education, appeared before the Committee and discussed the effects of the revenue shortfall on K-12 education. Mr. Dennis stated cash flow was not a problem for school districts until the property tax accelerator was put in place by legislation passed in FY 2003. As a result of the accelerator, school districts receive very limited state funds from July 1 until January 20th of each year. This fact has caused some school districts to write checks before June 30th, the end of the fiscal year, and hold the checks until funds are received after July 1; however, recorded as expenditures in the prior fiscal year.

Responding to questions from the Committee, Mr. Dennis reported:

- A small percentage of school districts are in financial difficulty at this time.
- Reductions in K-12 FY 2009 budgets would be difficult, because salaries have been set, contracts have been set and other expenditures set. At this point in the school year, school boards only have control of about 5 percent of their budgets. Solutions are difficult and may result in some programs being eliminated. Fees for kindergarten could be implemented; there could be a reduction in extra curricular activities; there could be fees for participation in activities, transportation for students living less than 2.5 miles from schools could be eliminated or a fee charged; maintenance could be limited and substitute teachers could be eliminated.
- School foundations who have funds that are donated for a specific cause should not be used to support regular expenditures of a school district unless the foundations has funds not specified.
- Changes in issuance of bonds could affect the state’s bond rating.
- Funds levied for capital outlay or a specific purpose, cannot be expended for normal operating expenditures.
- If legislation was entered to allow for an additional mill levy for utilities or regular expenditures for school districts, a separate fund should be established to receive the funds.

The Committee requested the following:

- A chart showing the amount of money generated by a 2-mill levy statewide but not earmarked for a specific purpose.
- Listing of school districts that had bond issues approved in the November 2008 election.

Adjournment

The meeting was adjourned at 12:13 p.m. The next meeting is scheduled for 10:30 a.m. on January 15, 2009.