Approved: January 23, 2015

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

A joint meeting of the House Appropriations Committee and Senate Ways and Means Committee was called to order by Chairperson Ron Ryckman, Jr at 9:00 am pm Friday, January 16, 2015, in Room 346-S of the Capitol. Ty Masterson, Chairperson of the Senate Ways and Means Committee acted as Vice-Chairperson.

All members were present:

Representative Suellentrop - excused
Representative Henry – excused
Representative Hutton – excused
Representative Schwartz - excused

Committee staff present:

Jill Wolters, Kansas Office of Revisor of Statutes
Daniel Yoza, Kansas Office of Revisor of Statutes
David Wiese, Kansas Office of Revisor of Statutes
Nobuko Folmsbee, Office of Revisor
Raney Gilliland, Legislative Research
J G Scott, Legislative Research
Dylan Dear, Legislative Research
Amy Deckard, Legislative Research
Bobbi Mariani, Legislative Research
Justin Carroll, Legislative Researcj
Aaron Klaassen, Legislative Research
David Fye, Legislative Research
Shirley Morrow, Legislative Research
Ben Wilhelm, Legislative Research
Sharon Wenger, Legislative Research
Mark Dapp, Legislative Research
Dezeree Hodish, Legislative Research
Chris Courtwright, Legislative Research
Andy Chiamopoulos, Legislative Research
Jennifer Ouellete, Legislative Research
Mark Skoglund, Legislative Research
Mark Savoy, Legislative Research
Melindal Gaul, Chief of Staff
Debbie Luper, Chief of Staff
Dee Heideman, Committee Assistant

Conferees appearing before the Committee:

Shawn Sullivan, Director, Division of the Budget
Richard Carlson, Legislative Liaison, Department of Revenue

Others in attendance:

See Attached List

Unless specifically noted, the individual remarks recorded herein have not been transcribed verbatim. Individual remarks as reported herein have not been submitted to the individuals appearing before the committee for editing or corrections.

Bill introductions
There were no bill introductions.

Joint briefing on Governor's Budget Recommendation with House Appropriations and Senate Ways and Means
Shawn Sullivan, Director, Division of the Budget, gave a joint briefing to the House Appropriations and Senate Ways and Means Committees on the Governor's Budget Recommendation (Attachment 1).

Mr. Sullivan reminded the committees that in 2010 there were:

- 100,000 Kansans who couldn't find work;
- Kansas ranked near the bottom of all the States in private sector jobs growth;
- Personal income growth was stagnant.

He then presented an overview of the following items:
- Historical Perspective on the Economy and Budget;
- Revenue and Caseloads;
- FY2015 Allotment Plan;
- FY2016 and FY2017 Budget;
- Governor's Tax Plan.

The Budget Director pointed out the three major budgetary cost drivers to be:
- K-12 school finance formula;
- Medicaid;
- KPERS pension system.

Mr. Sullivan said that due to the State General Fund (SGF) shortfall projected for FY2015, the Governor implemented allotments for the final six months of FY2015, which includes a 4% SGF expenditure reduction for select agencies. These spending reductions are being carried forward for the same agencies in the proposed FY2016 and FY2017 budgets. The agencies included are most cabinet level and elected office agencies, legislative agencies, select agencies receiving state highway funds EDIF transfers to fund operations, the Kansas Department of Education, the Board of Regents, the Department of Corrections central office, and the portion of the state highway fund that funds KDOT operations.
Agencies and appropriations that will not be affected by the 4% reduction include elementary and secondary education, Medicaid appropriations to KDADS and KDHE, Department of Correction's institutions, State hospitals, and the higher education system.

Richard Carlson, Legislative Liaison, Kansas Department of Revenue, gave an explanation of the Governor's 2015 Tax Policy. He said because of Kansans moving out of the state from 1993 to 2011, Kansas lost $3.1 billion of taxable income. In 2012 and 2013, a comprehensive pro-growth tax reform package was passed, compressing three tax brackets into two and significantly reducing the income tax rates, with further statutory reductions set to occur in the next several years. During the first tax year of reductions (2013), Kansans saved $730 million in taxes which allowed taxpayers to spend, save or invest (Attachment 2)

Mr. Carlson explained the Governor's proposed Tax Reduction Fund (TRF) and the Budget Stabilization Fund (BSF). He said the small business stimulus would remain in effect for Limited Liability Corporations, Chapter Sub S Corporations, and Sole Proprietorships.

The Governor's revenue enhancements outlined by Mr. Carlson are:

- Accelerate the itemized income tax deduction haircut of 50% from January 1, 2017 to January 1, 2015;
- Delinquent tax payment for taxes accrued before December 31, 2013, with penalties cancelled;
- Increase in consumption taxes.

He called attention to the attached chart which illustrated the flow of revenues in the current and out years, showing the increases in the TRF and BSF.

After the presentations by Messrs. Sullivan and Carlson, a question and answer session followed, with questions being asked by both House and Senate committee members.

The next meeting for House Appropriations is scheduled for January 20, 2015, at 9:00 am in Room 112-N at the Capitol.

The next meeting for Senate Ways and Means is scheduled for January 21, 2015, at 10:30 am, in Room 548-S at the Capitol.

Chairperson Ryckman, Jr. adjourned the meeting at 10:25 am.