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MEMORANDUM

To: Chairman Ryckman and members of the House Appropriations Committee

From: Jill A. Wolters, First Assistant Revisor

Date: March 16, 2016

Subject: **HB2734 Establishing a budget stabilization fund in the state treasury; revenue and expenditures; review of risk-based practices by the legislative budget committee. A&M recommendation BP.01 Establish a risk-based reserve fund policy**

HB 2734 establishes a budget stabilization fund in the state treasury on July 1, 2017. No moneys in the budget stabilization fund shall be expended unless the expenditure either has been approved by an appropriation or other act of the legislature or has been approved by the state finance council.

During the 2016 interim, the legislative budget committee shall study and review the policy concerning the balance of, transfers to and expenditures from the budget stabilization fund; risk-based budget stabilization fund practices utilized in other states; the appropriate number of years to review the state general fund; revenue variances from projections and expenditure variances from budgets; the entity to certify the amount necessary in the budget stabilization fund to maintain the appropriate risk-based balance; a plan to fund the budget stabilization fund; a process and circumstances to reach the appropriate risk-based balance, including the amount of risk that is acceptable; circumstances under which expenditures may be made from the fund. The legislative budget committee may make recommendations and introduce legislation as it deems necessary to implement the recommendations.

K.S.A. 2015 Supp. 75-3721 is amended to provide that commencing with fiscal year 2018, the ending balance in the state general fund in any fiscal year shall include the unexpended and unencumbered balances in the state general fund and the budget stabilization fund.

Concerning the Governor's allotment authority:

- (1) When reviewing the resources of the general fund or any special revenue fund for the purposes of issuing an allotment, the secretary of administration shall not take into consideration the balance in the budget stabilization fund (K.S.A. 75-3722) ; and
- (2) When estimating the amount of the unencumbered ending balance of moneys in the state general fund for the purposes of the certification of the amount of the unencumbered ending balance in the state general fund is less than \$100,000,000, the director of the budget shall not take into consideration the balance in the budget stabilization fund (K.S.A. 75-6704).

The bill is effective on July 1, 2016.

For information purposes, an identical bill was introduced in the Senate, SB509.