

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on March 11, 2005, in Room 514-S of the Capitol.

All members were present except:

Representative Pottorff- excused

Representative Weber- excused

Committee staff present:

Alan Conroy, Legislative Research Department

J. G. Scott, Legislative Research Department

Reagan Cussimano, Legislative Research Department

Michele Alishahi, Legislative Research Department

Amy Deckard, Legislative Research Department

Audrey Dunkel, Legislative Research Department

Julian Efird, Legislative Research Department

Debra Hollon, Legislative Research Department

Susan Kannarr, Legislative Research Department

Becky Krahl, Legislative Research Department

Carolyn Rampey, Legislative Research Department

Leah Robinson, Legislative Research Department

Matt Spurgin, Legislative Research Department

Robert Waller, Legislative Research Department

Jim Wilson, Revisor of Statutes

Mike Corrigan, Revisor of Statutes

Nikki Feuerborn, Administrative Assistant

Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Others attending:

See attached list.

- Attachment 1 State General Fund (SGF) Receipts for the period July, 2004 through February, 2005
- Attachment 2 Comparison of FY 2005-FY 2006 recommended expenditures; Governor's recommendation and House Committee recommendation (Reflects House Committee action as of March 10, 2005)
- Attachment 3 House Appropriations Bill (Reflects House adjustments for FY 2005, FY 2006, and FY 2007)
- Attachment 4 Items for Omnibus Consideration (Referred by the House Committee)
- Attachment 5 Items to Note to the House Appropriations Committee and Items not yet resolved by the House Appropriations Committee
- Attachment 6 State Water Plan Fund: FY 2005 and FY 2006
- Attachment 7 Economic Development Initiatives Fund (EDIF)
- Attachment 8 Children's Initiatives Fund for FY 2004-2005, FY 2006
- Attachment 9 Proposed Amendment to **HB 2482**
- Attachment 10 Proposed Modified Biweekly Pay Period Plan
- Attachment 11 Capital Improvements for Kansas Bureau of Investigation amendment to **HB 2481**

Due to the absences of Representative Pottorff and Representative Weber, Representative Merrick and Representative Hayzlett were temporarily assigned to the Committee.

Representative Schwab moved to introduce legislation concerning examinations for cosmologists. The motion was seconded by Representative Hayzlett. Motion carried.

Alan Conroy, Legislative Research Department, presented a report on State General Fund (SGF) Receipts for the period July, 2004 through February, 2005 (Attachment 1).

CONTINUATION SHEET

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J. G. Scott, Legislative Research Department, presented reports as follows:

- Comparison of FY 2005-FY 2006 recommended expenditures; Governor's recommendation and House Committee recommendation (Reflects House Committee action as of March 10, 2005) (Attachment 2).
- House Appropriations Bill (Reflects House adjustments for FY 2005, FY 2006, and FY 2007 (Attachment 3).
- Items for Omnibus Consideration (Referred by the House Committee) (Attachment 4).
- Items to Note to the House Appropriations Committee and Items not yet resolved by the House Appropriations Committee (Attachment 5).
- State Water Plan Fund: FY 2005 and FY 2006 (Attachment 6).

Susan Kannarr, Legislative Research Department, explained the Economic Development Initiatives Fund (EDIF), House Committee Adjustments, reflecting full Committee action through March 7, 2005 (Attachment 7). Responding to a question from the Committee, Ms. Kannarr noted that prior Committee action restored the funding for the Kansas State University Extension Systems and Agricultural Research (ESARP) to the FY 2005 level.

Audrey Dunkel, Legislative Research Department, explained the Children's Initiatives Fund for FY 2004-2005 and FY 2006 (Attachment 8).

Discussion and Action on HB 2480 - Appropriations for FY2005 for various state agencies; and HB 2482 - Appropriations for FY2006 and FY2007 for state agencies, including biennially agencies.

Representative Landwehr moved to recommend HB 2480 and HB 2482 favorable for passage. The motion was seconded by Representative Schwab.

Representative Hutchins moved for a substitute motion to amend the FY 2005 budget and return to the Governor's FY 2005 recommendation for the School District Capital Improvement Fund in the Department of Education's budget. The motion was seconded by Representative Schwab. Motion carried.

Representative Hutchins explained that the Governor's revised current year recommendation provides a State General Fund (SGF) revenue transfer of \$53.0 million instead of the \$57.00 million that the Committee previously agreed to transfer. The \$53.0 million should meet all of the state's obligations for local school district bond payments in FY 2005.

Representative McCreary moved for a substitute motion to amend the FY 2006 budget by providing for a 0.2 percent increase to fund Kansas Public Employees Retirement System (KPERs) death and disability at 0.8 percent of salaries instead of the 1.0 percent recommended by the Governor in FY 2006 and realize the State General Fund savings and one-half of the special revenue fund savings for this change. The motion was seconded by Representative Powell. Motion carried.

Representative McCreary explained that **HB 2075**, recommended by the Joint Committee on Pensions, Investments and Benefits, implements the 0.2 percent increase along with other plan design changes. This proposed amendment results in State General Fund (SGF) savings of approximately \$6.8 million in FY 2006. The Governor's recommendation also includes \$3.3 million in expenditures that were budgeted in special revenue funds to finance the rate increase for KPERs death and disability, so approximately one-half of the savings or \$0.8 million would be transferred from special revenue funds to the SGF in FY 2006. The agencies would have total flexibility as to which special revenue funds would be transferred to the State General Fund. Certain special revenue funds, like federal funds, trust funds, and wildlife fee funds could not be transferred to the State General Fund, so only one-half of the special revenue funds would be shifted to the State General Fund.

Representative Newton moved for a substitute motion that \$8.9 million from the State General Fund (SGF) be added to the Board of Regents to restore funding for the Higher Education Reform Act - **SB 345** in FY 2006 and that \$4.9 million from the SGF be deleted from the Board of Regents budget that was included for enhancement funding. The motion was seconded by Representative Landwehr.

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Representative Newton explained that this would restore the second year of the Governor's recommendation for additional funding for the Higher Education Reform Act. This would also remove the enhancement funding that the Governor added for the Regents Block Grant in FY 2006.

Representative Sharp requested that the motion be divided into two parts - Part A and Part B.

Representative Sharp moved for a substitute motion for Part A to restore the **SB 345** funding. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Newton moved for a substitute motion for Part B that \$4.9 million from the State General Fund be deleted from the Board of Regents budget that was included for enhancement funding. The motion was seconded by Representative Landwehr. Motion carried.

Representative Light moved for a substitute motion to implement the same process in the Department of Revenue that was used by the Governor to increase State General Fund tax compliance receipts by an additional \$6.0 million in FY 2006. The motion was seconded by Representative Cook. Motion carried.

Representative Merrick moved for a substitute motion to delete \$4.2 million from the State Highway Fund in the Department of Transportation budget and transferred to the State General Fund in FY 2006. The motion was seconded by Schwab. Motion carried on a 14 - 8 vote.

Representative Merrick explained that this would simply continue the administrative savings the Governor identified in the current year.

Representative Landwehr moved for a substitute motion to provide for a 2.5 percent base salary increase for classified employees and a 2.5 percent unclassified merit pool for unclassified employees be implemented for the last six biweekly pay periods in FY 2006 and realize the State General Fund (SGF) savings and one-half of the special revenue fund savings for this change. The motion was seconded by Representative Powell. Motion carried on a 14-8 vote.

Representative Landwehr explained that this would result in State General Fund (SGF) savings of approximately \$18.5 million. The Governor's recommendation also included \$26.0 million in expenditures that were budgeted from special revenue funds to finance the 2.5 percent salary increase for a full year, so approximately one-half of the budgeted special revenue fund expenditures or \$13.0 million would be transferred from special revenue funds to the State General Fund in FY 2006.

The Committee stated that the special revenue funds would include fee funds, non-federal funds and non-trust funds. Some Committee members expressed concern with the reduction of funds for the pay increase for classified and unclassified employees.

The meeting was recessed at 10:30 a.m. and reconvened at 11:30 a.m.

Representative Schwartz moved for a substitute motion to amend **HB 2482** by deleting Section G with reference to the State Conservation Commission. The motion was seconded by Representative Powell. Motion carried.

Representative Schwartz moved for a substitute motion to amend **HB 2482** by changing language on page 199, Section 94 (Attachment 9). The motion was seconded by Representative Powell. Motion carried.

J. G. Scott, Legislative Research Department, explained the Governor's Budget Amendment (GBA) No. 1 (Attachment 5).

Representative Feuerborn moved for a substitute motion to adopt the Governor's Budget Amendment (GBA) No. 1 addressing Item No. 13 relating to the Adjutant General, Item No. 1 relating to the Department of Administration, Item No. 4 relating to the Kansas Guardianship Program, and Item No. 6 relating to the State Department of Education (Attachment 5). The motion was seconded by Representative Lane. Motion carried.

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Representative Newton moved for a substitute motion to introduce legislation that would modify the current bi-weekly payroll system to have the first working day of the fiscal year be the first pay date of that fiscal year and realize the State General Fund (SGF) savings and one-half of the savings from the special revenue funds that the Governor recommended for the 27th payroll period. The motion was seconded by Representative Schwab. Motion carried.

Representative Newton explained that this legislation would convert the budgeting for state employees salaries to a “pay-as-you-go” system and would do away with the need for a 27th biweekly pay period in FY 2006 and in all subsequent years. State employees would still be paid every two weeks from the first working day of the fiscal year. Only the last pay period in a fiscal year could have more than the current 10 working days in a pay period, by either one or two working days. The legislation would result in State General Fund savings of approximately \$32.6 million and reduce State General Fund revenues by the \$29.6 million that the Governor borrowed from the Public Money Investment Board in FY 2006. The net change to the State General Fund would be an increase of \$3.0 million in additional revenue. Because \$32.6 million in expenditures were also budgeted in special revenue funds to finance the 27th biweekly pay period in FY 2006, this motion would transfer just under half or \$15.8 million in special revenue funds to the State General Fund in FY 2006. The agencies should have total flexibility as to which special revenue funds would be transferred to the State General Fund (Attachment 10).

Representative Light moved for a substitute motion to allow for a technical correction to the Public Safety Budget Committee’s recommendation for the Department of Credit Unions to delete funding of \$26,000 in FY 2007 to replace two high mileage vehicles and to have the purchase of the vehicles be reviewed at Omnibus. The motion was seconded by Representative Bethell. Motion carried.

Representative Landwehr moved for a substitute motion to allow for technical corrections to **HB 2480** and **HB 2482** as needed. The motion was seconded by Representative Hutchins. Motion carried.

Representative Landwehr moved to recommend **HB 2480** and **HB 2482** favorable for passage as amended. The motion was seconded by Representative Bethell. Motion carried.

Representative Light moved to reconsider action taken on the previous day on **HB 2481**. The motion was seconded by Representative Bethell. Motion carried.

Representative Light moved to amend **HB 2481** to authorize the four-year proposal by the Kansas Bureau of Investigation (KBI) for completion of a lab at Great Bend (Attachment 11). The motion was seconded by Representative Bethell. Motion carried.

The Committee noted that the State Building Committee had approved the project approximately ten years ago. The completion of this lab will assist in the demand for lab work. The funding for this project will come from balances in the KBI fee funds.

Representative Bethell moved to recommend **HB 2481** favorable for passage as amended. The motion was seconded by Representative Light. Motion carried.

The meeting was adjourned at 12:15 a.m. The next meeting of the Committee will be held at 9:00 a.m. on March 15, 2005.

Melvin Neufeld, Chair