

MINUTES

LEGISLATIVE BUDGET COMMITTEE

January 6, 2023
Room 548-S—Statehouse

Members Present

Senator Rick Billinger, Chairperson
Representative Troy Waymaster, Vice-chairperson
Senator J.R. Claeys
Senator Tom Hawk
Representative Kyle Hoffman
Representative Kathy Wolfe Moore

Members Absent

Representative Will Carpenter

Staff Present

Amy Deckard, Kansas Legislative Research Department
Dylan Dear, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Aaron Klaassen, Kansas Legislative Research Department (via Webex)
Brianna Horton, Kansas Legislative Research Department (via Webex)
Chardae Caine, Kansas Legislative Research Department (via Webex)
Dayton LaMunyon, Kansas Legislative Research Department (via Webex)
James Fisher, Kansas Legislative Research Department (via Webex)
Jennifer Light, Kansas Legislative Research Department (via Webex)
Martin de Boer, Kansas Legislative Research Department (via Webex)
Megan Leopold, Kansas Legislative Research Department (via Webex)
Murl Riedel, Kansas Legislative Research Department
Steven Wu, Kansas Legislative Research Department
Edward Penner, Kansas Legislative Research Department
David Wiese, Office of Revisor of Statutes
Jill Wolters, Office of Revisor of Statutes
Scott Abbott, Office of Revisor of Statutes (via Webex)
Nancy Fontaine, Committee Assistant

Conferees

Doug Jorgensen, State Fire Marshal
Ethan Belshe, Director of Public Affairs, Office of Recovery
Christine Osterlund, Deputy Director of Medicaid Operations, Kansas Department of Health
and Environment

FRIDAY, JANUARY 6 MORNING SESSION

Welcome and Approval of the Minutes from October 28, 2022

Chairperson Billinger welcomed Committee members, staff, and guests to the meeting.

Senator Claeys moved, and Representative Waymaster seconded, approval of minutes for October 28, 2022. Motion carried.

Update on SGF Receipts

Edward Penner, Senior Economist, Kansas Legislative Research Department (KLRD), provided an update on State General Fund (SGF) receipts over the last two months. Total receipts through December were \$110.2 million, which is 2.6 percent above the estimate. This number, however, is misleading primarily because of corporate income tax, and it is more accurate to think the State is approximately \$20.0 million below the estimate. The corporate income tax change was due to the SALT (State and Local Taxes) Parity Act, which was passed last year as a workaround for the federal SALT deduction cap. It is revenue neutral for the State but benefits Kansans at the federal level. While it is revenue neutral, it is not neutral with regard to tax source and receipts timing. The consensus revenue estimating group did not take into account the shift of receipts from individual income taxes to corporate income taxes as well as the shift of several months for the receipts. Thus, of the approximately \$150.0 million that is shown as being ahead in the corporate income tax line, approximately \$130.0 million of that amount will ultimately show as a reduction in individual income tax receipts.

Sales and use taxes combined were below the estimate by \$22.5 million. This is primarily due to the elimination of the estimated sales tax remittance in FY 2023. December receipts reflect transactions that occurred in November, capturing less of the holiday shopping season. Receipts for December will show in the January receipts, and that will be the key month to look at for sales and use taxes. Mr. Penner responded to questions from Committee members. ([Attachment 1](#))

Update on Kansas Firefighter Recruitment and Safety Grant Program

Doug Jorgensen, State Fire Marshal, provided an update on the Kansas Firefighter Recruitment and Safety Grant Program. The Office of the State Fire Marshal received \$1.2 million from federal American Rescue Plan Act (ARPA) funding plus \$100,000 from the Fire Marshal Fee Fund that was approved by the 2022 Legislature. Ninety-eight fire departments applied for the grant funding. Of the \$2.4 million requested, \$1.3 million was awarded to applicants across the state. Twenty departments received their full request for Personal Protective Equipment (PPE), and sixty-six departments received a \$15,000 partial award for PPE. Twenty extractor machines were also awarded. The State Fire Marshal indicated that recruiting is an issue, the Office of the State Fire Marshal is losing volunteer firefighters across the state, and there has been an increase in the rate of cancer among firefighters. New gear will provide for greater protection and perhaps improved recruiting. The provided testimony includes a breakdown of grant funds by fire department as well as correspondence from fire departments

expressing appreciation for the additional funding. The State Fire Marshal responded to questions from Committee members. ([Attachment 2](#))

Update on ARPA Expenditures

Ethan Belshe, Director of Public Affairs, Office of Recovery, provided an update on federal American Rescue Plan Act (ARPA) expenditures. On December 21, 2022, the State Finance Council approved a total of \$374.0 million in COVID-19 pandemic relief funds for broadband infrastructure, the modernization and improvement of government services, economic development, and health and education initiatives. The approved funding falls into the four SPARK (Strengthening People and Revitalizing Kansas) Advisory Panel areas of Connectivity, Efficiency and Modernization, Health and Education, and Economic Development. There are no limits based on prior applications for SPARK funding but the funding is for one-time expenses only. The details for each program were provided. Mr. Belshe responded to questions from Committee members. ([Attachment 3](#))

Update on Performance Based Budgeting

Dylan Dear, Managing Fiscal Analyst, KLRD, provided an update on Performance Based Budgeting, which is an initiative to incorporate information on agency performance measures and program effectiveness into the budget process. The template currently being used includes information such as the consequences of not funding agency programs, whether the program is mandatory or discretionary, federal funding in the program, and performance measures to evaluate whether an agency is achieving overall goals. ([Attachment 4](#))

Update on Status of FMAP Enhanced Rate

Christine Osterlund, Deputy Director of Medicaid Operations, Kansas Department of Health and Environment, provided an update on the status of Federal Medical Assistance Percentage (FMAP) Enhanced Rate. When the federal government declared a Public Health Emergency (PHE), Kansas received a temporary increase to the FMAP rate of 6.2 percent and by accepting the funding was prohibited from disenrolling Medicaid recipients unless they moved out of state, passed away, or asked to be disenrolled. Originally, the temporary rate increase would have ended at the end of the quarter in which the PHE ended. The federal Consolidated Appropriations Act, 2023, changed that to a phase-down approach over calendar year 2023. Ms. Osterlund indicated the fiscal impacts of this are being reviewed. Current law ties the annual redetermination of eligibility to the end of the PHE. States were to have a sixty-day notice of the end of the PHE in preparation of the redetermination process. The Act decoupled redeterminations from the PHE and allows states to begin that process in April 2023. The agency will then have 12 months to initiate all redeterminations. Prior to the PHE, Kansas had under 406,000 people on Medicaid. As of November 1, 2022, the State had over 530,000, all of which will go through the redetermination process. Ms. Osterlund responded to questions from Committee members. ([Attachment 5](#))

Committee Recommendations

Chairperson Billinger opened discussion concerning Committee recommendations. Committee members agreed to include the following recommendations in the final report:

- Add additional funding to the Budget Stabilization Fund;
- Reevaluate investment priorities for the \$167.0 million from the State Fiscal Recovery Fund that was placed in the Legislative Employment Security Fund that was not transferred to the the Unemployment Trust Fund that may be recouped and reallocated for other purposes; and
- Request the Kansas Department of Transportation to study the possibility of creating an improved mass transit capability in Johnson, Wyandotte, and Sedgwick counties.

The Committee also had discussion on legislator pay. An interim committee chaired by Representative Waymaster met twice to discuss this issue. Recommendations were made that will be presented to the the House Committee on Appropriations and Senate Committee on Ways and Means.

Adjourn

Chairperson Billinger thanked Senator Hawk and Representative Wolf-Moore for their service on the Committee and in the Legislature, as neither of them will be returning for the next Session.

Chairperson Billinger adjourned the meeting at 10:32 a.m.

Prepared by Nancy Fontaine

Edited by Steven Wu

Approved by the Committee on:

February 6, 2023

(Date)