

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Marc Rhoades at 9:00 a.m. on January 13, 2011, in Room 346-S of the Capitol.

All members were present except:

Representative David Crum - Excused

Committee staff present:

Jim Wilson, Office of the Revisor of Statutes
Nobuko Folmsbee, Office of the Revisor of Statutes
Alan Conroy, Kansas Legislative Research Department
J.G. Scott, Kansas Legislative Research Department
Jarod Waltner, Kansas Legislative Research Department
Shirley Morrow, Kansas Legislative Research Department
Cindy O'Neal, Administrative Assistant, Appropriations Committee
Kathy Holscher, Committee Assistant, Appropriations Committee

Others attending:

See attached list.

- Attachment 1 Governor's Budget Proposal

Representative Schwartz made a motion to introduce legislation regarding the regulation of motor carriers and exemptions for certain carriers. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Feuerborn made a motion to introduce legislation regarding the repeal of the sales tax. The motion was seconded by Representative Carlin. Motion carried.

Chairman Rhoades asked committee members to provide a written summary of bills to be introduced in committee one day prior to the meeting. Committee members celebrating birthdays in January were recognized. Chairman Rhoades introduced Landon Fulmer, Director of Policy, The Office of the Governor.

Landon Fulmer, Director of Policy, Office of the Governor, presented an overview of the Governor's Budget Proposal, (Attachment 1). Mr. Fulmer stated that the Governor's budget proposal reflects preliminary steps for restructuring state government and balancing the demands on the FY 2011 and FY2012 budgets. He emphasized the need for collaboration between the Legislature and Governor's Office in order to identify solutions to address increased expenses in Medicaid, Kansas Public Employees Retirement System (KPERs), school finance, and Federal funds that peak in FY 2011 and will not be sustained in FY 2012. An estimated \$488 million will be needed for the SGF in FY 2012 in order to balance the budget, due to the replacement of stimulus and other federal dollars, increased human service caseloads and the state's obligation for KPERs contributions. The Governor's proposal represents a 6% increase in SGF and a 5.9 % decline in All Funds, which is due primarily to back-filling federal stimulus funds for Medicaid. As of July 1, 2012 the Federal Medical Assistance Percentage (FMAP) rate will increase from 30% to 42% state match. The elimination of over 2,000 budgeted but primarily unfilled positions would reduce the budget by 4.8%. The reorganization of eight state agencies for FY 2012 would save the state approximately \$9.2 million producing new models for providing services and enhanced coordination and efficiencies within state agencies. The base state aid per pupil will drop to \$3,780. In order to meet state obligations to KPERs, special education and debt payments on capital projects, state funding for school districts will increase \$129.3 million in FY 2012. The total state spending per pupil will increase from \$4,549 in FY 2011 to \$4,743 in FY 2012. He stated that funding for higher education should remain relatively stable, and a review of competitive and innovative matching grant programs geared to growing the economy followed. The Department of Corrections SGF was reduced by approximately \$3 million, and \$41.3 million in federal stimulus money has been restored with an equal amount of SGF for FY 2012. An additional \$2.5 million has been added to help with projected shortfalls of prison space. A savings of over \$700,000 will be realized from Public Safety realignments by transferring functions of the Kansas Parole Board and the consolidation of management positions within the Juvenile Justice Authority to the Department of Corrections. The Department of Transportation T-Works Program will continue as planned. Due to low bids and low inflation rates, the budget recommendation reflects a budget transfer of \$200 million from State Highway Funds to SGF for FY

CONTINUATION SHEET

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2012. A projected increase of \$166.3 million for Medicaid is anticipated due to the funding shifts from federal dollars as well as enrollment growth. Health care and entitlement programs represent an additional \$239 million from SGF and \$64 million for home and community based services.

The Governor proposes creating the Governor's Economic Council in the Department of Administration responsible for economic development, policy research, program evaluation and strategic planning for the state. Other restructuring or consolidating recommendations included: Kansas Technology Enterprise Corporation into the Department of Commerce; Kansas Commission of Disability Concerns into the Office of the Governor; Human Rights Commission and the Enhanced 911 grant into the Attorney General's Office; Experimental Program to Stimulate Competitive Research (EPSCor) into the Board of Regents; transitioning the Kansas Arts Council to become a 501(c)(3); Kansas Health Policy Authority into the Division of Health of the Kansas Department of Health and Environment; Kansas Parole Board into the Department of Corrections; administrative positions of the Juvenile Justice Authority into the Department of Corrections; reduce seven natural resource agencies into five that will merge into the Department of Agriculture; and Travel and Tourism from the Department of Commerce into the Department of Wildlife and Parks. A review of the charts included in the material distributed followed. The challenges of the FY 2012 budget calls for reform and identifying cost savings options through collaborative efforts with the Governor's Office and Legislators.

Landon Fulmer presented an overview of the FY 2011 Spending Freeze Bill. He stated that \$92 million in the education funding jobs bill was not included in the FY 2011 budget for K-12. These funds were received and distributed to the school districts in December, 2010. This bill would lapse \$85 million for K-12 in FY 2011 and capture that money to pay for increase caseload costs which would result in a \$35 million ending balance going into the next fiscal year. This would be a stair-step down approach to adjust for the loss of stimulus dollars and develop a stable and sustainable school finance plan for school districts going forward. It was noted that a compact disc will be placed in the House Chambers for each representative with the entire content of the bill.

Landon Fulmer responded to questions from committee members. Additional information will be provided to committee members that identifies major cost drivers effecting Medicaid, federal dollars that would be lost in the Animal Health Department, and additional information on the proposed Parole Board structure as compared to other states.

Representative Kelley made a motion to introduce into legislation the Freeze Bill. The motion was seconded by Representative Mast. The motion carried.

Chairman Rhoades thanked Landon Fulmer for appearing before the committee. He reviewed the committee agenda for the following week that will include presentations by secretaries from various state agencies.

The meeting was adjourned at 10:27 am.

Marc Rhoades, Chairman