

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Marc Rhoades at 9:10 a.m. on January 24, 2011, in Room 346-S of the Capitol.

All members were present

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

Conferees appearing before the committee:

Landon Fulmer, Governor's Office  
Sherry Diel, Kansas Real Estate Commission  
Mike Mathes, USD 345 – Seaman  
Luke Bell, Kansas Association of Realtors

Others attending:

See attached list.

- Attachment 1 House Appropriations Committee Rules
- Attachment 2 Information for Conferees
- Attachment 3 Legislative Research – Governor's Budget Adjustment Bill
- Attachment 4 Revisions to Governor's FY 2011 Budget Recommendations
- Attachment 5 Testimony – Kansas Real Estate Commission
- Attachment 6 Testimony – Unified School Administrators of Kansas and Kansas School Superintendents Association
- Attachment 7 Testimony – Kansas Real Estate Commission

Chairman Rhoades welcomed committee members. He referred to a revision on line fifteen of the House Appropriations Committee Rules ([Attachment 1](#)), and Information for Conferees ([Attachment 2](#)), which has been distributed to members.

**HB 2014: An Act making and concerning appropriations for the fiscal year ending June 30, 2011**

J.G. Scott, Chief Fiscal Analyst, Legislative Research Department, presented an overview of the Governor's Budget Adjustment Bill, ([Attachment 3](#)). He stated that \$138 million in State General Fund (SGF) shifts were expenditures appropriated in FY 2010. These funds were not spent and were authorized to be moved forward to FY 2011. \$132 million of this money was for school finance that was due in 2010 but paid in 2011. Human Service caseloads, which includes replacing federal stimulus funding is approximately \$49.3 million, Base State Aid Per Pupil would be a reduction of \$75 on the base, SFG reduction of \$85.9 million and with an increase in the same amount for the new federal Education Jobs, \$8.5 million for SGF would lapse, and adjustments to SGF transfers. He referred to the summary sheet which reflects a summary of all of the agency expenditure adjustments, SGF Revenue Adjustments, and individual adjustments of expenditures, revenues and transfers.

J.G. Scott, Leah Robinson and Amy Deckard, Legislative Research Department, responded to questions from committee members. It was noted that if the bill is adopted there would be no increases in the undermarket pay. SGF shifts were due to the change in stimulus dollars for the Department of Social and Rehabilitation Services and other services that received Medicaid funding. Fund transfers within the Secretary of State's Office, Kansas Public Employees Retirement System were discussed. Increased funding recommendations for the State Water Plan Fund, Sumner County Gaming revenues and shifts from contractual to permanent employees within the Health Policy Authority were discussed.

Landon Fulmer, Director of Policy, Office of the Governor, presented an overview of the Revisions to Governor's FY 2011 Budget Recommendations, ([Attachment 4](#)). The passage of **HB 2014** will address

CONTINUATION SHEET

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revenue shortfalls, alleviate the delay of payments in aid to schools and assist Medicaid agencies with budget planning efforts for increased caseloads, in order to meet the needs of the most vulnerable, he stated. The Governor proposes transferring \$86 million of the federal Education Jobs funding to the State General Fund for funding increased caseload entitlement programs. It was noted that this transfer would have no effect to the schools but enable the state to meet their commitment to Medicaid recipients and other health care services. The adjustments included in **HB 2014** would leave the state with a projected ending balance of \$35 million for FY 2011 based on the most recent consensus revenue projections, he added.

Landon Fulmer and Elaine Frisbie, Deputy Budget Director, Office of the Governor, responded to questions from committee members. He reviewed the Fair Fare statutory limitations for FY 2010 and the proposal to lift the cap on unspent funds for FY 2011. Funds recommended to be swept from the Securities Commission and CPOST are fees that cannot be expended in FY 2011, he stated. And an explanation of the federal review and audit process regarding maintenance of effort expenditures and the steps necessary to obtain an ending balance that meets constitutional requirements followed. Discussion followed regarding the consolidation of programs and services, and staffing issues.

Sherry Diel, Executive Director, Kansas Real Estate Commission presented testimony in opposition to **HB 2014**, ([Attachment 5](#)). She stated that the commission is 100% fee funded and expressed concern that the 10% budget reduction would impact their ability to ensure the integrity of the commission and protect the public. The recommendation was made to transfer \$200,000 from the Commission's recovery fund to the fee fund; reinstate funding in the amount of \$82,164; and increase the statutory cap for license fees for FY 2011.

Sherry Diel responded to questions from committee members in regards to the impact on the fee sweeps.

Mike Mathes, Superintendent, Seaman USD 345, presented testimony on behalf of United School Administrators of Kansas and the Kansas School Superintendents Association, ([Attachment 6](#)). Emphasis was placed on the need for the legislature to fund the shortfall of \$16.7 million for special education for FY 2011. He stated that the loss of this funding would not meet the American Recovery and Reinvestment Act maintenance of effort requirements and would result in an expected 16% penalty or more from the state's federal funding.

Mike Mathes responded to questions from committee members. He reviewed special education funding and requirements to ensure special learning needs are met as required by law. Funds for this program are received in October of the next year and is a budget item where money can be transferred into at the end of the year. Discussion followed regarding encumbered and unencumbered/contingency funds, bond issuance and interest payments, and the services and costs for special education students. He noted that the capital outlay funds are received from taxpayers and contingency funds come from state and local funds. Discussion followed regarding capital outlay funds, the bond issuance in 2004, and the use of four school buildings that were closed. It was noted that it is time for us as a country to look at different models of education. Clarification of proficiency levels for reading skills was based on state assessments as defined by the Department of Education was provided.

Elaine Frisbie, Deputy Director of Budget, Governor's Office responded to questions from committee members. She stated that approximately \$2 million federal dollars were lost due to maintenance of effort requirements last year, and the amount of additional federal dollars that could be at risk would depend upon the rate that the entire budget is reduced compared to the amount the special education budget is reduced.

Luke Bell, Vice President of Governmental Affairs, Kansas Association of Realtors, provided testimony regarding **HB 2014**, ([Attachment 7](#)). He stated that over the last five years over \$700,000 has been lost in fee fund sweeps and the impact on backlogs with an additional 10% reduction. A request for the provision to be deleted and reviewed by the General Budget Committee with the intent that any fee fund reductions would occur in the FY 2012 budget.

The meeting was adjourned at 10:37 a.m.

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Marc Rhoades, Chairman