

March 17, 2016

The Honorable Ty Masterson, Chairperson
Senate Committee on Ways and Means
Statehouse, Room 545-S
Topeka, Kansas 66612

Dear Senator Masterson:

SUBJECT: Fiscal Note for SB 396 by Senate Committee on Judiciary

In accordance with KSA 75-3715a, the following fiscal note concerning SB 396 is respectfully submitted to your committee.

SB 396 would institute the Kansas Zero-Based Budget Law which would require agencies to submit zero-based budget proposals to the Joint Budget Review Committee on a ten year cycle. The first group of agencies would submit their proposals for FY 2018 and the remaining groups of agencies would submit their proposals in subsequent fiscal years. "Zero-based budget" would be defined as determining a budget by starting with a base of zero dollars and adding dollar amounts necessary to conduct specific activities and operations. The Joint Budget Review Committee would hold public hearings to review agency zero-based budget proposals. Evaluation of the proposals would be based on criteria specified in the bill.

Agencies submitting zero-base budgets would be subject to a performance audit by the Division of Post Audit. Audit reports must be completed by July 1 of the fiscal year preceding the review of an agency's zero-based budget. The Joint Budget Review Committee would be required to consider the performance audits of each agency during the review of agency budgets.

The Joint Budget Review Committee would be a new committee consisting of five members of the Senate and six members of the House of Representatives. The committee could meet at any time and at any place in the state on the call of the selected chairperson. Members would be eligible for compensation, travel expenses and subsistence expenses.

Legislative Administrative Services indicates that establishing a new joint committee would require additional expenditures of \$50,314 from the State General Fund in FY 2017. This figure assumes that the Joint Budget Review Committee would meet ten times per year. Of the total amount, \$48,103 would be for legislative pay and \$2,101 would be for a committee assistant.

Legislative Post Audit states that it has the capacity to perform 10 to 12 performance audits, including three school efficiency audits, per year with existing resources. SB 396 would require five to seven performance audits, depending on the fiscal year. The school efficiency audits plus the performance audits in the bill would take up most or all of the agency's capacity to conduct audits in a given year. Legislative Post Audit indicates that it would not be able to accommodate the regular demand for audits that come up throughout the year by the Legislative Post Audit

Committee without additional resources. The agency estimates that meeting the regular demand for audits plus performing audits associated with SB 396 would require additional expenditures of \$638,000 from the State General Fund and 7.00 FTE positions in FY 2017. Of the total amount, \$33,700 would be for one-time expenses. Legislative Post Audit notes that a scaled down option that would allow for two to three additional audits would require added expenditures of \$253,000 from the State General Fund (\$17,600 for one-time costs) and 3.00 FTE positions.

The Department of Agriculture indicates that implementing a zero-based budget process would have a fiscal effect in the form of additional staff time but could be done with existing resources. The Department of Agriculture remarks that agency staff spent over 1,000 hours on a zero-based budget pilot project and estimates that fulfilling the zero-based budget process in the bill would likely require up to 500 additional hours.

The Department for Children and Families notes that federal grant and maintenance of effort requirements may limit any agency savings that could be achieved through a zero-based budget process.

Several other agencies including the Department of Administration, the Department of Revenue, the Department of Labor, the Department of Commerce, and the Department of Transportation indicated that the bill would either have no fiscal effect or would be handled with existing staff and resources. In some cases, such as the Department of Corrections and the Kansas Highway Patrol, it is unknown to what extent, if any, additional staff would be needed to prepare zero-based budgets. Any fiscal effect associated with SB 396 is not reflected in *The FY 2017 Governor's Budget Report*.

Sincerely,



Shawn Sullivan,
Director of the Budget

cc: Justin Law, Agriculture
Brad Ridley, Aging & Disability Services
Jackie Aubert, Children & Families
Colleen Becker, Department of Administration
Faith Loretto, KPERS
Bob North, Commerce
Adam Pfannenstiel, Corrections
Aaron Dunkel, Health & Environment
Dawn Palmberg, Department of Labor
Jack Smith, Department of Revenue
Ben Cleeves, Transportation
Kim Torrey, Highway Patrol
Karen Clowers, Legislative Services
Rick Riggs, Post Audit