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MEMORANDUM

To: Chairperson McGinn and members of the Senate Ways and Means Committee

From: Jill A. Wolters, First Assistant Revisor

Date: March 9, 2018

Subject: **HB2419, as am. by HCW, State finances; transfers to and expenditures from the budget stabilization fund; transfers to the KPERS fund**

During the 2016 Session, the Legislature established the budget stabilization fund, K.S.A. 2017 Supp. 75-6706. The law authorized the legislative budget committee to study and review the policy concerning the balance of, transfers to and expenditures from the budget stabilization fund, including:

- (A) Risk-based budget stabilization fund practices utilized in other states.
- (B) The appropriate number of years to review the state general fund:
 - (i) Revenue variances from projections; and (ii) expenditure variances from budgets.
- (C) The entity to certify the amount necessary in the budget stabilization fund to maintain the appropriate risk-based balance.
- (D) Plan to fund the budget stabilization fund.
- (E) Process and circumstances to reach the appropriate risk-based balance, including the amount of risk that is acceptable.
- (F) Circumstances under which expenditures may be made from the fund.

HB2419, as amended, addresses transfers to and expenditures from the budget stabilization fund and transfers to the KPERS fund. Commencing with the fiscal year ending June 30, 2019, the director of the budget, in consultation with the director of legislative research, shall certify, at the end of each fiscal year, the amount of actual estimated tax revenue receipts that is in excess of, or is less than, the average estimated tax revenue receipts for the preceding three fiscal years, and shall transmit such certification to the director of accounts and reports. The director of accounts and reports shall transfer such certified excess amount, if any, from the state general fund: 50% to the budget stabilization fund; and 50% to the KPERS fund to be applied to the unfunded actuarial pension liability. If such transfers would cause total revenues available to the state general fund on July 1 of the current fiscal year to be less than total revenues on July 1 of the previous fiscal year, then no transfer to the budget stabilization fund shall be made. No transfer shall be made under this section if the amount of actual estimated tax revenue receipts is less than the average estimated tax revenue receipts for the preceding three fiscal years.

When determining the amount of actual estimated tax revenue receipts for any fiscal

year, the amount shall be reduced by the amount of the current fiscal year's actual estimated tax revenue receipts collected or otherwise received as a result of any kind of tax increase legislation enacted in the current or preceding fiscal year.

Nothing in the bill requires actual estimated tax revenue receipts to be transferred to the budget stabilization fund when the budget stabilization fund balance exceeds 8% of the preceding fiscal year's state tax receipts.

"Actual estimated tax revenue receipts" is defined as receipts received from individuals who can reasonably expect to owe, after withholding and credits, income tax of at least \$500; and "state tax receipts" is defined as receipts from any state income tax, sales tax, compensating use tax or other excise tax, estate or inheritance tax, and shall not include receipts from any property tax or any tax on motor fuels.

K.S.A. 2017 Supp. 75-6706 is amended to provide that moneys credited to the budget stabilization fund shall be expended or transferred for only the following purposes:

(1) If a decrease in state general fund revenue occurs in the current fiscal year compared to the previous fiscal year.

(2) If a decrease occurs in actual tax receipt revenues receipts to the state general fund compared to the estimated tax receipt revenues receipts on which the budget was based pursuant to the joint estimate of revenue.

(3) To provide relief and assistance from the effects of a declared disaster emergency.

The House amended the bill on the House floor to require 50% of the certified excess amount to be transferred to the KPERS fund to be applied to the unfunded actuarial pension liability.