

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:30 a.m. on January 26, 2009, in Room 545-N of the Capitol.

All members were present.

Committee staff present:

Alan Conroy, Kansas Legislative Research Department
J. G. Scott, Kansas Legislative Research Department
Michael Steiner, Kansas Legislative Research Department
Estelle Montgomery, Kansas Legislative Research Department
Christina Butler, Kansas Legislative Research Department
Reagan Cussimano, Kansas Legislative Research Department
Dylan Dear, Kansas Legislative Research Department
Amy Deckard, Kansas Legislative Research Department
Audrey Dunkel, Kansas Legislative Research Department
Cody Gorges, Kansas Legislative Research Department
Aaron Klaassen, Kansas Legislative Research Department
Heather O'Hara, Kansas Legislative Research Department
Jonathan Tang, Kansas Legislative Research Department
Jarod Waltner, Kansas Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
Theresa Kiernan, Office of the Revisor of Statutes
Melinda Gaul, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the committee:

Others attending:

See attached list.

Introduction of Legislation

Senator Kelly moved to introduce three pieces of legislation concerning: (1) children in need of custody; (2) foster care program; (3) grandparents as care givers. The motion was seconded by Senator Teichman. Motion carried on a voice vote.

Senator Vratil moved to introduce legislation to reduce the number of attorneys required to serve on the Joint Committee on Special Claims from each house of the legislature. The motion was seconded by Senator Masterson. Motion carried.

Approval of Minutes

Senator Schodorf moved to approve the minutes of January 20, January 21 and January 22, as written. The motion was seconded by Senator Kelly. Motion carried.

Review of Information Distributed to the Committee on January 26, 2009

Senator Lee reviewed information as prepared by Dale Dennis, Deputy Commissioner, Department of Education, and distributed to the Committee on Friday, January 16, 2009. The information projected the affect on individual school districts of (1) across-the-board reductions in the FY 2009 budget and (2) reduction in the base state aid per pupil (BSAPP) for FY 2009.

Continued Discussion on SB 23 - Supplemental, appropriations for FY2009 for various state agencies.

Chairman Emler presented a FY 2009 Budget Proposal in lieu of the Governor's Budget Recommendations as set forth in **SB 23** to address the shortfall in revenues in FY 2009 and the impact of the shortfall on the FY 2010 budget (Attachment 1). Highlights of the proposal include:

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- The proposal addresses the shortfall of over \$185 million in the current year (FY 2009) and the possible shortfall of over \$1.0 billion in the State General Fund (SGF) in budget year FY 2010.
- Adjusts the current year by a total of \$300 million - \$36.6 million in revenue and \$265.1 million in expenditures.
- Proposes additional budget reductions of \$101.3 million over the Governor's Budget Recommendations (GBR).
- Adds language that vulnerable citizens of Kansas be protected as much as possible and gives direction to state agencies in making budget reductions.
- Adds language that the Machinery and Equipment Local Government Slider Payment will be based on the April SGF Consensus Revenue estimates and cannot be paid prior to May 15, 2009.
- 3.4 percent across-the-board base reduction in spending (\$205.2 million) in FY 2009 that should also reduce the FY 2010 base budget by the same amount.
- Would produce a FY 2009 SGF ending balance of \$115.5 million or 1.8 percent of expenditures and a projected FY 2010 ending balance of \$209.9 million or 3.3 percent of expenditures.

Responding to questions from the Committee, Senator Emler stated that it is proposed that the Highway Fund Loan repayment would be reviewed by the 2011 Legislature.

Reagan Cussimano, Legislative Research Department, responded to questions from the Committee noting that supplemental state aid for schools is funding collected at the local level, such as the Local Option Budget (LOB). This support at the local level is subtracted from the general state aid paid to the school districts.

Members of the Committee noted it is important to review budget cuts to local governments that may cause a funding problem at the local level and cause property tax increases.

Information was distributed to the Committee on possible suspension of operations at additional Department of Corrections' facilities was distributed to the Committee ([Attachment 2](#)) and impact of 3.6 percent reduction on Social and Rehabilitation Services programs ([Attachment 3](#)). The Chairman noted that the three facilities addressed in the budget proposal are state facilities and not contracted facilities. The Chairman also noted when the agencies address the cuts to their budgets, they may find other areas in which to make reductions than those specifically noted in the proposal.

Responding to a question from the Committee, Dale Dennis, Deputy Commissioner, Department of Education, stated that presently approximately half of the school districts have reached the 30 percent level on their Local Option Budgets (LOB). Mr. Dennis noted that in order for a school district to exceed an LOB of 31 percent, it requires a vote of the citizens of the district. In addition, Mr. Dennis indicated that those school districts who have supplemental state aid will be harder hit with across-the-board cuts than those who do not have supplemental state aid.

Senators Kelly, Kultala and Lee presented an alternative budget adjustment proposal for FY 2009 ([Attachment 4](#)). The Senators noted that the proposal exceeds the GBR, does not suggest an across-the-board adjustment to agencies' budgets and eliminates programs that do not work. Highlights of the alternative proposal include:

- Proposes total adjustments (revenue and expenditures) in FY 2009 of \$300 million.
- Proposes an additional \$100.2 million in budget adjustments above the GBR.
- Almost evenly divided between revenue and expenditure adjustments.
- Revenue adjustments include reducing the Special City County Highway Fund by 3.6 million; reducing the State Water Plan Fund transfer by \$4.0 million; and not transfer the \$37.0 million from the SGF to the School Finance "Lock Box".
- Accelerate the seven pay period moratorium on employers contributions to the State Health Plan in FY 2009 and sweep the available special revenue fund savings.
- Accelerate the Governor's proposed moratorium on Kansas Public Employees Retirement System (KPERS) Death and Disability to the final four months of FY 2009 and sweep the available special revenue fund savings.
- SGF ending balance in FY 2009 would be \$158 million or 2.5 percent of expenditures.

Senator Vratil moved to amend SB 23 by adding an appropriation of \$800,000 for the Department of

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Education to be distributed to K-12 school districts in order to maintain the BSAPP at \$4,433 and special education aid at 92 percent of excess cost for FY 2009. The motion was seconded by Senator Schodorf.

Senator McGinn made a substitute motion to incorporate the language as set forth in Chairman Emler's budget reduction proposal for FY 2009, including language on protecting vulnerable Kansans; requiring state agencies to look first to reducing costs before reducing services; state agencies not eliminate programs; delay the current Machinery and Equipment Local Government Slider Payment until after the April Consensus Revenue estimates and not earlier than May 15, 2009; and provide that language be set forth in **Substitute for SB 23** and report **Sub for SB 23** favorable for passage. **Sub for SB 23** would include the 3.4 % reduction for all agencies including K-12 funding. The total K-12 funding reduction shall be applied by determining the total amount of state aid received by each school district for FY 2009 to include general state aid, supplemental general state aid and special education state aid funding. Bond and interest, Kansas Public Employees Retirement System (KPERs) school and capital outlay state aid funding will not be reduced. Education funding is to be reviewed during FY 2011. The motion was seconded by Senator Vratil. Motion carried on a roll call vote of 8-5.

Senator Lee moved to table action on **SB 23**. The motion was seconded by Senator Kultala. Motion failed on a voice vote.

Senator Teichman requested that her remarks be recorded as follows: "The Chairman of the Federal Reserve spoke to the Joint committees on Finance last week. One of the things that I took away from his comments was that if you rush into solving a problem too fast it could be detrimental or harmful in the long run. The perfect example of this is the first bail out monies that were rushed through only to regret later that no rules or regulations were attached to the use of the monies. Senator Kelly has given us some options; some that scare the heck out of me and others that I would like to look at. If this bill is rushed through, I will not be given that opportunity. I would like the opportunity to consider all options"(Attachment 5).

The next meeting is scheduled for January 27, 2009.

The meeting was adjourned at 12:15 p.m.