

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 10:30a.m. on January 13, 2011, in Room 548-S of the Capitol.

All members were present

Committee staff present:

Jill Wolters, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes
David Wiese, Office of the Revisor of Statutes
Alan Conroy, Director, Legislative Research Department
J. G. Scott, Chief Fiscal Analyst, Legislative Research Department
Aaron Klaassen, Senior Fiscal Analyst, Legislative Research Department
Dorothy Hughes, Fiscal Analyst, Legislative Research Department
Brea Short, Intern, Senator McGinn's Office
Jan Lunn, Committee Assistant

Conferees appearing before the Committee:

Landon Fulmer, Policy Director, Office of the Governor

Others attending:

See attached list.

Chairperson McGinn called the meeting to order. There were no bill introductions.

Governor's FY 2011-12 Budget

Senator McGinn introduced Landon Fulmer, Policy Director from the Office of the Governor, who distributed a handout outlining key factors impacting the FY 2012 budget ([Attachment 1](#)) and proposed solutions. Factors impacting the budget include:

- Past reliance on federal funding that requires replacement in FY 2012;
- Medicaid;
- K-12 state to schools;
- Kansas Public Employees Retirement System (KPERs) contributions for state and school employees;
- the Corrections System.

Mr. Fulmer testified that in order to address the challenge of balancing demands on the FY 2012 budget, the Governor recommends additional spending reductions, replacing a part of the federal American Recovery and Reinvestment Act (ARRA) grants with State General Fund support, and adjusting transfers in and out of the State General Fund. This includes a proposal to reduce the size of state government, to organize agency programs in a manner creating the greatest levels of efficiencies, and to enhance Kansas' economic growth. Mr. Fulmer described various proposals contained in his written testimony.

Responding to questions from Committee members, Mr. Fulmer explained that:

- Senator Lee inquired how needy school districts would be identified in order to receive funding from the Reading Roadmap Program. Mr. Fulmer responded that those districts under No Child Left Behind (NCLB) sanctions in reading as well as those districts with the neediest populations (poverty level) would be targeted for reading centers in order to improve reading scores.
- Mr. Fulmer confirmed that the increase in total spending per pupil is due to state payments for school employee pension benefits, special education, and debt on capital projects. These components usually are excluded from the traditional calculation of base state aid per pupil. He indicated that all detail is included in the Budget and is available online.
- In FY 2012, the Governor recommends funding to provide community colleges a new competitive grant opportunity. In addition, community colleges and Washburn University are eligible for a technology and equipment grant. Also, funding is provided to the six area vocational-technical institutions in Kansas.

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- The Governor has proposed to end the State's funding to public television and radio stations and convert the Kansas Arts Commission from a government agency into a private nonprofit organization. The State will continue to pay on the bonds issued for digital transfer. Collaboration will occur within the public broadcasting industry to identify private funding sources to fill the funding gap. Mr. Fulmer reported that conversations had begun with public broadcasting partners.
- Senator Kultala requested verification regarding the casino revenue and from which zone revenue was received/projected. Mr. Fulmer explained in the year-to-year "Outlook for the State General Fund Assuming No Structural Reforms" chart \$29.5 million in FY 2010 was from the northeast zone; in FY 2011 revenues are from the south central zone; and in 2012 no fees are assumed.
- In his testimony, Mr. Fulmer discussed the stabilization of higher education funding in FY 2012. Senator Kultala requested clarification regarding the distribution of funding. Mr. Fulmer indicated the distribution includes three research universities, one engineering institution, and community/technical colleges. Mr. Fulmer indicated total funding is approximately \$105 million dollars over three years.
- Senator Kultala asked whether there was an envisioned structure with the elimination of the Parole Board. Mr. Fulmer reported the plan transfers all duties, functions, and responsibilities to the Department of Corrections with the goal of protecting Kansans and ensuring a fair hearing process for those in the corrections system. It is the expectation that Corrections would accomplish this through existing resources.
- Mr. Fulmer explained the charts/graphs contained in his written testimony. Assuming the minimum cost of operating State government and assuming there are no reforms, budget deficits grow significantly over a period of time.
- Senator Teichman asked Mr. Fulmer to elaborate on the proposed reading centers. Mr. Fulmer reported that reading centers will be placed in areas of high poverty or where NCLB sanctions exist. The goal is to target children in their pre-Kindergarten years to enhance language acquisition skills. Centers will be structured/refurbished and collaboration with Social and Rehabilitation Services (SRS) will occur to ensure staffing. A partnership between parents and staff will be created to provide an intensive experience in reading, language acquisition, and comprehension. The goal is to reach as many students as possible.
- Senator Teichman questioned how many positions will be eliminated as a result of the information presented under the FY 2012 Governor's Budget proposal (excluding the 2,000 positions currently unfilled). Mr. Fulmer indicated he would furnish that information at a subsequent meeting.
- Senator Schodorf indicated that in the Governor's State-of-the-State address, he referred to the need to provide a "suitable" education for Kansas children and reduce legal action against the state. The Governor invited the Legislature to define suitability and to end confusion. She questioned whether the Governor's goal for the Legislature is to define "suitable education" or "suitable provisions for financing education." Mr. Fulmer reported the goal is for the Legislature to define statutorily what the Constitutional requirement means for the suitable finance provision.
- Mr. Fulmer indicated the Governor's recommendations include the elimination of the Kansas Health Policy Authority (KHPA) and the movement of its programs into the Kansas Department of Health and Environment. This is a step toward the larger goal of overhauling Medicaid so that growing amounts of state tax dollars can be reduced. Lt. Governor Colyer will lead that effort.
- Senator Vratil expressed concern regarding the goal of defining a suitable finance provision. Two debatable issues exist: a suitable education relates to curriculum, teachers, programs, supplies, and materials; a suitable provision for financing relates to funding and how that money is distributed. Mr. Fulmer indicated, in his opinion, there is a relationship and the State needs to define what role it has in providing for the educational expenses of our local school districts (related to the school finance formula).
- Senator Vratil also questioned how the Governor's K-12 education budget would wean the State from federal funding. Mr. Fulmer explained this relates to the "freeze" bill. To accomplish the goal, \$92 million came from federal funding for school districts in December 2010 which was unanticipated. The plan is to lapse \$85 million into the next fiscal year which would provide an ending balance in FY 2011 that would hedge against revenue problems and pay for estimated caseload increases. Since there is not enough money to backfill all federal

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stimulus dollars, this proposal could provide a bridge to stability.

- Senator Kelly inquired as to the reason early Headstart is being eliminated and where the previous funding for that program will go. Mr. Fulmer replied that the SRS child care services budget is being increased to target the neediest children. Discussions will occur with the Children's Cabinet to ensure available funds and unification of various accounts.
- Kansas Department of Transportation (KDOT) \$8 billion T-Works Program will continue as planned. Senator Kelly questioned how all promises under this program can be met with less funding. Mr. Fulmer indicated that because of lower rates of inflation on construction costs, the amount projected to perform the work has decreased.
- Senator Huntington inquired why some of the funds from the proposed \$200 million transfer from the State Highway Fund to the SGF could not be used to reduce bonded indebtedness. Mr. Fulmer explained that projected revenue would not meet bonding requirements.
- Senator Huntington asked if the Governor's office was open to collaboration on developing an education funding formula to ensure maximum assistance to Kansas school districts. Mr. Fulmer responded positively.

Senator Vratil moved to waive the Committee rule of requiring a "rs #" and to introduce the Governor's Rescission bill; the motion was seconded by Senator Kelly and passed on a voice vote.

The meeting was adjourned at 11:54 a.m.