

Approved: April 26, 2012

(Date)

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 10:30 AM on Wednesday, February 22, 2012 in 548-S of the Capitol.

All members were present.

Committee staff present:

Jan Lunn, Committee Assistant
Melinda Gaul, Chief of Staff, Senator McGinn's Office
Eli Johns, Intern, Senator McGinn's Office
J. G. Scott, Chief Fiscal Analyst, Legislative Research Department
Michael Steiner, Senior Analyst, Legislative Research Department
Bobbi Mariani, Fiscal Analyst, Legislative Research Department
Jill Wolters, Office of the Revisor of Statutes
David Wiese, Office of the Revisor of Statutes
Daniel Yoza, Office of the Revisor of Statutes

Conferees appearing before the Committee:

Steve Anderson, Director, Division of the Budget

Others in attendance:

See attached list.

Bill introductions

Senator McGinn moved introduction of 12rs1857 concerning capital improvements; Senator Vratil seconded the motion, which passed on a voice vote.

At the request of Senator King, Senator Taddiken introduced 12rs2073 concerning Earned Income Tax Credit (EITC) funding; Senator Umbarger seconded the motion, which passed on a voice vote.

Follow-up from Aaron Klaassen, Legislative Research Department, on question from SWAM meeting regarding the Joint Committee on Information Technology (Attachment 2)

Aaron Klaassen, Fiscal Analyst from the Legislative Research Department, furnished follow-up to questions (heard at the January 19, 2012 meeting) concerning the Joint Committee on Information Technology was received and considered to be part of the permanent record.

Follow-up from Steve Anderson, Director, Division of Budget, which restored budget reductions, all from the State General Fund (SGF), to the legislative agencies. A committee

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member requested that an explanation be provided during scheduled meetings the week of February 20, 2012:

At the meeting on Friday, February 17, a Governor's Budget Amendment (GBA) No. 2 was distributed to committee members (Attachment 3). The GBA restored budget reductions, all from the State General Fund (SGF), to the budget of the Legislature. A committee member requested the Director of the Division of Budget provide an explanation concerning the GBA. Mr. Steve Anderson, Director of the Division of Budget, reported that the House leadership had requested to restore \$1,907,882 in funding to the Legislative branch. The GBA was for FY 2013, and it restored funding to: Legislature for \$1,070,318; Legislative Research Department for \$282,909; Legislative Division of Post Audit for \$399,834; and the Revisor of Statutes for \$154,821.

Discussion followed in which Mr. Anderson indicated:

When the Division analyzed Legislature expenditures since FY 2000, expenditures were considered to have been high enough to hold the Legislative branch to the same standard as other agencies of government; however, in discussions there were things unique to the Legislative branch, which resulted in the Division of Budget concurring with the recommendation to restore funding.

A committee member requested additional information since funding had been provided in the supplemental appropriations bill in FY 2012 to the Legislative branch (which is on hold in the House).

Mr. Anderson responded that he could not provide any great detail, his instructions were to restore the funding the House leadership had requested; subsequently, GBA No. 2 was issued.

A committee member furnished background information as follows:

- Since the Judicial Branch budget is not reviewed by the Division of Budget and is submitted directly to the legislature without modification, the House leadership determined that the Legislative branch, being an equal part of state government, should have the same treatment: the budget should go straight to the Legislature without modification or Division of Budget review. Therefore, the request to restore the \$1.9 million was submitted to the Governor.
- Mr. Anderson commented that while he did not totally concur with the rationale, he did concur with the restoration recommendation.

A committee member concluded that if the House's position were adopted, it would leave the Legislative branch with no checks or balances. Mr. Anderson confirmed that statement was correct; the Legislative branch would have no checks and balances. Also, he commented that

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the funding was restored without the Division of Budget agreeing to the position since there were no provisions for establishing accuracy or need. Further, since the Division of Budget initially concluded there was no operational need, the Legislative branch budget that was originally created excluded the \$1.9 million, all from the SGF. (Note: for further review of the budget process access the Kansas Legislative Research Department or its web site for additional information.)

A committee member clarified it was the House's rationale that the Legislative branch is a separate and equal branch of government along with the Executive and Judicial Branch. The Judicial Branch is not required by law to submit its budget for scrutiny and modification; therefore, the Legislative branch should not be required to submit its documentation.

Questions were asked if hearings would be held on the use of the restored funding. A committee member commented that whoever has information on planned expenditures (House leadership, House Appropriations Committee representatives, Division of Budget) should appear to submit information on how the money is to be spent. Senator Huntington, Chairperson of the Senate Ways and Means Subcommittee on the Legislative Branch and Elected Officials, reported that hearings are scheduled the week of February 29, and the appropriate conferees would be called upon to provide explanation and documentation concerning the funding restoration and expenditures.

Senator Kelly recommended that GBA No. 2 be withdrawn, thereby allowing the respective chambers to deal with the issues discussed. Chairperson McGinn asked that the request be noted, and that Mr. Anderson take the recommendation to the Governor.

Subcommittee report on Off-Budget items:

Senator Vratil reported on the recommendations from the newly-formed subcommittee on Off-Budget Items. (Attachment 4) He indicated that reporting off-budget items avoids counting expenditures twice. The Subcommittee heard testimony from six agencies on the uses of off-budget expenditures and revenue transfers. The Subcommittee submitted the following recommendations and notations:

- One Senate Ways and Means Committee meeting each should be dedicated to a review of off-budget expenditures. It was noted that off-budget expenditures are nearing \$3 billion yearly.
- If the Subcommittee is continued, a review of all debt service should be added to the review of off-budget items. State indebtedness has grown to approximately \$4.4 billion yearly with principal and interest totaling \$375 million yearly.

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- It was noted that all SGF transfers are listed in the Governor's Budget Report, which helps to identify transfers from the SGF to each special revenue fund in order to provide transparency.
- The Subcommittee noted that there seemed to be statutory and solid accounting reasons for the current process.

Senator Vratil moved to adopt the Subcommittee report as submitted; Senator Masterson seconded the motion, which carried on a voice vote.

At the request of the committee, Mr. Anderson was asked to provide comments (as was heard in the Fee Funds Subcommittee meetings) concerning fee fund agencies (no written testimony). Mr. Anderson described the process in which fee fund agencies submit their budgets, the subsequent review by the Division of Budget, and the appeal process offered should the agency disagree with Division of Budget finalized budget. Discussion was heard on fee funds with high unencumbered fee fund balances, the overall philosophy of fee fund agencies, whether or not to reduce fees or spend down fee fund balances, and the attempt by the Division of Budget to develop a cost accounting system that identifies real costs, which will aid in the process of developing accurate budgets.

Mr. Anderson also discussed the Division's attempt to evaluate and to develop more realistic policies concerning state vehicle replacement during the summer of 2012.

Possible final action on **SB 353—Board of Barbering; powers and duties, fees; licensure**

Senator Umbarger summarized **SB 353** (which was heard on February 20) as a bill that codifies in statute fees already being collected by the agency; grants authority to censure, limit, condition, suspend, revoke or refuse to issue or renew licenses; and shortens the chair license restoration timeframe. There were no opponents to the bill at the hearing; it was noted the Board of Barbering unanimously supported **SB 353**.

Senator Umbarger moved to recommend **SB 353** favorably for passage; Senator Francisco seconded the motion, which carried on a voice vote.

The meeting was adjourned at 11:09 a.m.