

SESSION OF 2016

**CONFERENCE COMMITTEE REPORT BRIEF
HOUSE BILL NO. 2739**

As Agreed to April 29, 2016

Brief*

HB 2739 would direct the Secretary of Administration, in consultation with the Division of the Budget, the Office of Revisor of Statutes, and the Kansas Legislative Research Department, to develop a revised budget process. On or before January 9, 2017, the agencies would be required to prepare a program service inventory, to include:

- Identification of programs by function and purpose;
- State or federal statutory authority for those programs;
- An indication of whether the programs are mandatory or permissive;
- Program history and objectives;
- Any state matching or maintenance of effort requirements for federal funds;
- Prioritization of all programs and subprograms; and
- A description of the consequence of not funding each program or subprogram.

On or before January 6, 2018, the bill would require the revised budget process to result in common accounting

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procedures from budget development through actual expenditures by fund.

On or before January 14, 2019, the bill would require the revised budget process to result in a system of performance budgeting using outcome measures to evaluate program effectiveness.

The bill also would establish the Budget Stabilization Fund within the State Treasury as of July 1, 2017. The bill would prohibit expending moneys from the Fund without an act of the Legislature or approval from the State Finance Council. The Budget Stabilization Fund would retain any interest earnings from funds deposited within it. Any moneys contained within this fund would be included as part of the State General Fund ending balance for purposes of the Governor's Budget Report to the Legislature. However, the bill would prohibit the Secretary of Administration from considering the balance in the Budget Stabilization Fund for the purpose of determining whether an allotment is warranted.

The bill further would direct the Legislative Budget Committee to meet for up to ten days between the 2016 and 2017 Legislative Sessions to study and review policies concerning transfers to, and expenditures from, the Budget Stabilization Fund. The review by the Legislative Budget Committee would include but not be limited to:

- Analyzing risk-based budget stabilization practices in other states;
- The appropriate time period over which to analyze State General Fund revenues and expenditures;
- Which entity should certify the reserve amount necessary in the Budget Stabilization Fund;
- Sources of funding for the Budget Stabilization Fund;

- The appropriate level of risk of exhausting the balance within the Budget Stabilization Fund during an economic downturn; and
- The circumstances under which money could be withdrawn from the Budget Stabilization Fund.

The bill would remove the authorization for the Chief Administrative Officer at the Kansas State Hospitals to establish key deposit funds to retain moneys from Kansas state employees provided as security deposits for keys to the state facilities.

Conference Committee Action

The Conference Committee inserted the contents of HB 2734, as amended by the House Appropriations Committee, and SB 248, as amended by the House Appropriations Committee, into HB 2739, as amended by the Senate Committee of the Whole.

Background

HB 2739

HB 2739, as introduced by the House Committee on Appropriations, was a recommendation contained in the *Kansas Statewide Efficiency Review*. At the House Committee hearing on the bill, a representative of the Kansas Chamber of Commerce testified in support of the bill. The Chamber indicated the goals in the bill, if achieved, would aid the Legislature in making decisions about budget priorities and maximize the State's return on its investments. The Director of the Budget also testified in support of the bill.

No opponent or neutral testimony was submitted on the bill.

The Senate Ways and Means Committee received written testimony in support of the bill from a representative of the Kansas Policy Institute; there was no other testimony. The Committee made a technical amendment to the bill.

The Senate Committee of the Whole amended the bill to direct the Secretary of Administration, rather than the Department of Administration as a whole, to develop the revised budget process in consultation with the Division of the Budget, the Office of Revisor of Statutes, and the Kansas Legislative Research Department.

According to the fiscal note on the bill as introduced, implementation of HB 2739 would require considerable executive and legislative branch staff time but could be completed within existing resources.

HB 2734

HB 2734, as introduced by the House Appropriations Committee, was a recommendation contained in the *Kansas Statewide Efficiency Review*.

In the House Appropriations Committee hearing, Representative Helgeson and a representative of The Pew Charitable Trusts testified in the support of the bill. The proponents stated a risk-based reserve fund policy would protect the Kansas state budget from unexpected shortfalls and 46 other states have some form of reserve fund. The Kansas Chamber of Commerce provided written testimony in support of the bill.

The Kansas Center for Economic Growth provided written testimony neutral on the bill stating that a risk-based reserve fund was desirable but not attainable due to current budget shortfalls.

No opponent testimony was submitted on the bill.

The House Appropriations Committee amended the bill to limit the time allowed for consideration of a risk-based reserve fund policy by the Legislative Budget Committee to no more than ten meeting days.

The fiscal note prepared by the Division of the Budget indicates HB 2734, as introduced, would have no fiscal effect as the Legislative Budget Committee meets during the interim as a matter of course and the bill does not contain appropriations or implement any transfers of moneys to or from the Budget Stabilization Fund.

SB 248

The Director of Legislative and Public Affairs for the Department of Administration testified in support of SB 248 at the hearings in the Senate Committee on Ways and Means during the 2015 Legislative Session and the House Committee on Appropriations during the 2016 Legislative Session. The Director indicated the bill was the product of the Office of the Repealer and that state hospital officials contacted said these security deposit funds for keys were no longer utilized. There was no other testimony on the bill.

The House Appropriations Committee amended the bill to correct dates to reflect the current year.

According to the fiscal note prepared by the Division of the Budget, SB 248 would have no fiscal effect on agency operations.

performance budgeting; rainy day fund, key deposit fund

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