

## **MINUTES**

### **LEGISLATIVE BUDGET COMMITTEE**

July 20, 2009

Room 545-N—Statehouse

#### **Members Present**

Representative Kevin Yoder, Chairperson  
Senator Jay Emler, Vice-chairperson  
Senator Laura Kelly  
Representative Bill Feuerborn  
Representative Jason Watkins  
Representative Jeff Whitham

#### **Member Absent**

Senator John Vratil

#### **Staff Present**

Alan Conroy, Kansas Legislative Research Department  
J. G. Scott, Kansas Legislative Research Department  
Reagan Cussimano, Kansas Legislative Research Department  
Dylan Dear, Kansas Legislative Research Department  
Audrey Dunkel, Kansas Legislative Research Department  
Julian Efird, Kansas Legislative Research Department  
Aaron Klaassen, Kansas Legislative Research Department  
Estelle Montgomery, Kansas Legislative Research Department  
Michael Steiner, Kansas Legislative Research Department  
Jonathan Tang, Kansas Legislative Research Department  
Jarod Waltner, Kansas Legislative Research Department  
Nobuko Folmsbee, Office of the Revisor of Statutes  
Jill Wolters, Office of the Revisor of Statutes  
Daniel Yoza, Office of the Revisor of Statutes  
Melinda Gaul, Chief of Staff, Senate Ways and Means Committee  
Shirley Jepson, Committee Assistant

#### **Conferees**

Glenn Deck, Executive Director, Kansas Public Employees Retirement System  
Duane Goossen, Secretary, Department of Administration and Division of the Budget

Roger Werholtz, Secretary, Department of Corrections  
Don Jordan, Secretary, Department of Social and Rehabilitation Services  
Roderick L. Bremby, Secretary, Department of Health and Environment  
Dr. Andrew Allison, Acting Executive Director, Kansas Health Policy Authority  
Dale Dennis, Deputy Commissioner, Department of Education  
Reginald L. Robinson, CEO and President, Board of Regents

## **Others Attending**

See attached list.

## **Morning Session**

The meeting was called to order at 10:10 a.m. by Chairperson Yoder.

## **Overview of Purpose of Legislative Budget Committee**

Alan Conroy, Kansas Legislative Research Department, reviewed the purpose of the Legislative Budget Committee and the areas of state government that the Legislative Budget Committee addresses ([Attachment 1](#)). Responding to a question from the Committee, Mr. Conroy indicated that the Committee has the authority to request the introduction of legislation.

Chairperson Yoder discussed goals and objectives as well as possible agenda items to be addressed by the Committee and the 2010 Legislature, including the following:

- Develop a list of options for policy changes;
- Review abuse and fraud in state government;
- Review budget reform - modify the budget process; and
- Participate in the budget building and allotment process with the Governor and Division of the Budget.

Chairperson Yoder stated that it is his intention for the House Appropriations Committee and possibly the Senate Ways and Means Committee to meet during the fall and winter to prepare for the 2010 Legislative Session.

## **Update on Status of the State General Fund**

Mr. Conroy provided a review of the status of the State General Fund (SGF) at the end of the 2009 Legislative Session ([Attachment 2](#)) and a profile of the budget as of July 13, 2009 ([Attachment 3](#)). Mr. Conroy noted that final numbers for the 2009 budget will be available after July 25, 2009.

Mr. Conroy stated that state revenues continue to be below the April Consensus Revenue Estimates with individual income taxes of great concern. The economy continues to be unstable and contributes to the difficulty in projecting future state revenues.

## **Update on Kansas Public Employees**

## **Retirement System Actuarial Review**

Glenn Deck, Executive Director, Kansas Public Employees Retirement System (KPERs), provided a review on the background of retirement funding and the importance of the annual actuarial valuation in measuring assets and liabilities, providing a best estimate of ultimate costs and calculating employer contribution rates ([Attachment 4](#)). Mr. Deck stated that the downturn in the stock market has caused investment returns to be drastically reduced (by an estimated 19.2 percent) in FY 2009 and noted that, while current benefits are safe at this time, addressing the shortfall is critical. Mr. Deck stated that KPERs will conduct a comprehensive funding analysis with recommendations for restoring the System's financial health to achieve a fund that is sustainable and balanced.

Responding to questions from the Committee, Mr. Deck stated that the last cost-of-living adjustment (COLA) for KPERs' retirees was a 3 percent raise in 1998, noting that COLAs have had a modest effect on the unfunded liability of the KPERs fund. Mr. Deck indicated that the 85-point rule and multiplier adopted by the Legislature in 1993 has had the biggest effect on the KPERs fund balance. Mr. Deck stated that as long as contributions continue to be paid into KPERs, the fund will be sustained for a considerable length of time.

## **FY 2010 State General Fund Allotments**

Duane Goossen, Secretary, Department of Administration and Director of the Budget, presented testimony on FY 2010 SGF allotments ([Attachment 5](#)). Mr. Goossen stated that the allotments were put in place by the Governor after considering that current revenues would not be sufficient to sustain the FY 2010 budget as approved by the 2009 Legislature. Mr. Goossen stated that although the SGF had an ending balance of \$66 million on June 30, 2009, \$73 million of FY 2009 school finance bills were carried forward for payment in FY 2010 and \$31 million in tax refunds for FY 2009 were delayed until FY 2010. In addition, the Judicial Branch will need a supplemental appropriation of \$8 million in FY 2010 in order to keep the courts operating, placing the FY 2010 SGF ending balance approximately \$160 million below zero. The budget amounts as utilized by the Governor and the Division of the Budget anticipate that revenues will be forthcoming as projected by the April 2009 Consensus Revenue Estimating Group. Secretary Goossen indicated that if projected state revenues are not received, additional adjustments will need to be made to the FY 2010 budget.

The Committee expressed concern that despite the fact that state revenues for May and June, 2009, were \$119 million below the estimate, the Governor's budget allotments use the projected amounts from the April Consensus Revenue Estimating Group.

The meeting was recessed at 12:15 p.m. and will reconvene at 1:45 p.m.

## **Afternoon Session**

Secretary Goossen continued discussion of the Governor's plan to balance the FY 2010 budget, noting that the Governor has the authority to make the allotments as provided for in KSA 75-3722. Secretary Goossen stated that several items recommended as part of the allotments will require legislative action.

In addressing the Judicial Branch shortfall of approximately \$16 million, the Governor's revised FY 2010 budget plan includes \$8 million from the SGF with the balance to be addressed by \$5 million in increased docket fees and \$3 million in reductions to the Judicial Branch budget.

Responding to a question from the Committee, Mr. Goossen indicated that the administration's position is to comply with the Federal Recovery Act by maintaining K-12 education funding at the FY 2006 level in order to pull down the federal stimulus funding. A waiver will be required if K-12 funding falls below the FY 2006 level. Mr. Goossen indicated that proportionality between funding for K-12 education and higher education is not a factor in qualifying for the federal stimulus funding, but the manner in which budget cuts are applied determines how the stimulus funding will be distributed to K-12 and higher education. Mr. Goossen noted that there is an effort by the administration to protect education, human services, and public safety as much as possible in making budget cuts, but noted that deeper cuts in the budget will have a continued effect on these services.

**Selected State Agency Impact of Budget Reductions,  
Allotments, and Potential Further Budget Reductions,  
Including State Employee Layoffs, Elimination of Programs,  
and Usage of Federal Economic Stimulus Funds**

Roger Werholtz, Secretary, Department of Corrections, presented testimony on the effects of budget cuts at the Department of Corrections ([Attachment 6](#)). Secretary Werholtz stated that the prison population has been reduced by 7 percent; the parole population has increased by 42.3 percent; inmate grievances have been reduced; the monthly parole revocation rate has been reduced; the community corrections revocation rate has been reduced; the average number of parole absconders have been reduced; and felony convictions for crimes committed on parole have been reduced; all of which has helped the Department with budget cuts. At this time, there is a surplus of 102 beds, all at male minimum security facilities. Additionally, the Department is holding staff positions open, not replacing supplies, and limiting the replacement of clothing. Secretary Werholtz stated that public safety and employee safety is a concern as a result of budget cuts.

Don Jordan, Secretary, Department of Social and Rehabilitation Services (SRS), presented testimony on the impact of budget cuts at SRS ([Attachment 7](#)). Secretary Jordan stated that the reduction in staff is increasing the workload on the remaining staff. Reduction in salaries also has been achieved by moving higher paid employees to lower salaried positions. A number of programs have been eliminated or reduced, but no program authorized by statute has been eliminated.

Responding to questions from the Committee, Secretary Jordan stated that there is a concern that salary reductions will result in losing federal funding where there is a federal match. Additional budget cuts could affect reimbursement rates on waivers. The Secretary also noted that requirements of the Federal Recovery Act have to be considered when budget cuts are made to insure that the state complies with the requirements in order to maintain the ability to receive the stimulus funds.

Roderick L. Bremby, Secretary, Department of Health and Environment (KHDE), presented testimony on the effects of budget cuts at KHDE ([Attachment 8](#)). Secretary Bremby stated that the agency has eliminated 79.0 vacant staff positions and implemented a hiring freeze. Although a number of programs have been eliminated or reduced, the agency has worked to not cut programs where matching federal funding is received.

Dale Dennis, Deputy Commissioner, Department of Education, presented testimony on the results of a Unified School District reduction survey ([Attachment 9](#)). The survey results show that 3,701 positions have been eliminated and approximately \$167.2 million in reductions taken by the school districts. Mr. Dennis stated that it is anticipated that school consolidations will continue at an estimated rate of two consolidations per year. A number of school districts are using shared services in making budget cuts. Other reductions include a shortened school year, program cuts, and cut-backs in transportation.

Responding to questions from the Committee, Mr. Dennis indicated that most school districts were aware that additional cuts would be forthcoming and were making preparations to handle the cuts, noting that classrooms could be larger, and support staff would not be as readily available to assist teachers. Mr. Dennis stated that the state has submitted an application for a waiver under the Federal Recovery Act, but has not had a response other than that the waiver has been received. Mr. Dennis noted that he has a concern that the waiver has not been approved as of this date.

Dr. Andrew Allison, Acting Executive Director, Kansas Health Policy Authority (KHPA), presented an update on the impact of changes in the FY 2010 budget and the new direction of KHPA as a result of budget cuts since the Authority was first created (Attachment 10). Dr. Allison stated that budget reductions have resulted in an increased backlog of Medicaid/State Children's Health Insurance Program (SCHIP) applications.

Reginald L. Robinson, Chief Executive Officer and President, Board of Regents, appeared before the Committee to provide a higher education budget update (Attachment 11). Mr. Robinson indicated that of the \$39.9 million in state university federal stimulus funding, two-thirds will be used for deferred maintenance at the universities and the remaining one-third will be used for tuition mitigation. Responding to a question from the Committee, Mr. Robinson stated that it is not known at this time how future tuition increases will affect enrollment at the universities.

The meeting was adjourned at 5:15 p.m. The next meeting of the Committee will be scheduled by the Chairperson.

Prepared by Shirley Jepson  
Edited by Leah Robinson

Approved by Committee on:

January 21, 2010  
(Date)