

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairperson Carolyn McGinn at 10:30a.m. on January 25, 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, Senior Fiscal Analyst, Legislative Research Department
Aaron Klaassen, Fiscal Analyst, Legislative Research Department
Dorothy Hughes, Fiscal Analyst, Legislative Research Department
Brea Short, Intern, Senator McGinn's Office
Jan Lunn, Committee Assistant
Josh Lewis, Chief of Staff

Conferees appearing before the Committee:

Landon Fulmer, Director of Policy, Office of the Governor
Mike Mathes, Superintendent, Seaman USD 345 on behalf of United School Administrators of Kansas and The Kansas School Superintendents Association
Sherry C. Diel, Executive Director, Kansas Real Estate Commission
Luke Bell, Vice President of Governmental Affairs, Kansas Association of Realtors
Mark Tallman, Associate Executive Director, Kansas Association of School Boards

Others attending:

See attached list.

Bill Introductions

Senator Vratil moved introduction of a bill (#rs0466) concerning the calculation of the local option budget for school districts; Senator Schodorf seconded the motion which passed on a voice vote.

Senator Vratil moved introduction of a bill (#rs0490) limiting entitlement to capital improvement state aid; the motion was seconded by Senator Taddiken. The motion passed on a voice vote.

SB 16 - Supplemental appropriations for FY 2011 for various state agencies.

Chairperson McGinn opened the hearing on **SB 16** and introduced J. G. Scott, fiscal analyst in Legislative Research Department, to brief committee members on the bill.

Mr. Scott referenced handouts (Attachments 1, 2, and 3) containing information relative to the Governor's current year adjustments. **SB 16** shifts funds in the amount of \$138.3 million from FY 2010 to FY 2011; of that amount, the largest single item is \$132 million for school finance. The FY 2011 budget fully funds Human Services caseloads (medical, nursing facilities, foster care, tec.) including replacing shortfall of federal stimulus gunding \$49.3 million. The FY 2011 budget also reduces the State General Fund (SGF) by \$85.9 million and increases the new federal Education Jobs funding by the same amount. The budget includes an \$8.5 million lapse in undermarket funding for FY 2012 and FY 2013. Adjustments to the SGF increase estimated revenue by \$4.7 million resulting from fee fund sweeps and contingency fund transfers.

Senator Taddiken inquired whether the transfer from the Kansas Qualified Biodiesel Fuel Producer Incentive Fund to the Economic Development Initiatives Fund (EDIF) left sufficient funds to meet payment obligations. Mr. Scott indicated sufficient funds are left to meet obligations.

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Under "Department of Education" item #4 which adds language allowing school districts to recoup a portion of their loss in funding for Attendant Care Services, Senator Taddiken requested clarification. Landon Fulmer explained any school district with losses greater than \$300,000 in their budget for Attendant Care Services is eligible to recoup a portion of those lost dollars. Two school districts are eligible: Lawrence will receive \$8,000, and Paola will receive \$170,000. In addition, Senator Taddiken requested clarification on the "Money Follows the Person" program under the "Social and Rehabilitation Services." Mr. Scott indicated the Money Follows the Person" refers to money that follows the individual moving from a state facility into a community-based setting. Senator Taddiken questioned why the Learjet Bond Fund and the Siemens Bond Fund under the "State Treasurer" agency are recommended as "no-limit" funds. Mr. Scott responded this provides more flexibility with fluctuating bond payments.

Landon Fulmer, Director of Policy, Office of the Governor, was present to speak in favor of **SB 16**. He provided comments related to the policy framework within which goals can be achieved (Attachment 4). He discussed the lapsing of funding to schools to free SGF resources to finance higher health and human service caseloads that are projected; he commented on the goal of maintaining a \$35 million balance in the 2011 SGF which is necessary to meet FY 2012 obligations and to hedge against further loss of SGF revenues for the remaining fiscal year.

Mike Mathes, Superintendent, Seaman USD 345 and speaking in opposition to **SB 16** on behalf of the United School Administrators of Kansas and The Kansas School Superintendents Association distributed copies of his written testimony (Attachment 5). He spoke specifically about the provisions of K-12 public education and the importance of meeting the American Recovery and Reinvestment Act (ARRA) maintenance of effort requirement to eliminate additional penalties in FY 2013 that would adversely impact students, the workforce, and the community.

Sherry C. Diel, Executive Director of the Kansas Real Estate Commission, spoke in opposition to **SB 16**. She indicated the Commission is totally fee funded, and the impact of the proposed bill will impact the Commission's ability to adequately regulate the industry and protect the public (Attachment 6). She provided a historical time line of fee fund sweeps, statutory caps within the Commission, and she discussed staffing within the Commission.

Responding to Committee members questions, Ms. Diel indicated:

- attempts have been made to seek assistance from the attorney general's office;
- at the current time, sufficient monies exist (FY 2011) in the real estate fee fund to expend budgeted funds but that would not be the case in FY 2013; and,
- the Recovery Fund is set up to protect the public from monetary damages because of the actions of real estate licensees in the sale of real estate.

Luke Bell, Vice President of Governmental Affairs, Kansas Association of Realtors, spoke from a neutral position. His testimony was distributed (Attachment 7), and he clarified that if the shrinkage is restored in FY 2011, reductions can be made in the FY 2012-2013 budget to bring it into balance. Members support the statutory cap increase and support the Real Estate Commission's position.

Mark Tallman, Associate Executive Director, Kansas Association of School Board, appeared from a neutral position and spoke about how schools would manage any deductions from their budgets (Attachment 8). He outlined various components in school districts' operating budgets, capital aid, and Kansas Public Employees Retirement System (KPERs) contributions from 2006 to 2012 (projected) on a per pupil basis.

Senator Teichman asked if the figures presented were averaged throughout the State of Kansas. Mr. Tallman indicated that was the case and further elaborated the numbers exclude

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non-stimulus federal aid, local capital outlay, bond levies, student fees, and any other local revenues.

Senator Kultala had several questions for staff relative to detail contained in the material distributed. She inquired why numerous funds are being increased to “no-limit” funds. Mr. Scott responded that “no-limit” funds allow spending up to the level of cash on hand; they require budgets and monitoring to ensure expenditures are within the budgeted amount.

Under the “Kansas Corporation Commission” agency, item #1, Senator Kultala inquired why a “classified marketing plan” is funded. Mr. Scott clarified the language is misleading; the money is for an electrical grid study in Kansas.

Under “Racing and Gaming Commission,” Senator Kultala questioned if the state had identified funds to appropriate to the new Illegal Gambling Enforcement Fund. Landon Fulmer indicated the Governor’s Office would respond to that question at a later time.

Under “Department of Commerce,” Senator Kultala asked for what purpose the Strong Military Bases Program Account was used. Landon Fulmer responded the deletion of \$61,410 from the Program Account was an adjustment to ensure the Economic Development Initiatives Fund (EDIF) remains whole. He further reported this is account for the Governor’s Military Council.

Senator Kultala questioned if the Commission on Veterans’ Affairs ordered mobile vans. Wayne Bolig, Program Director for the Kansas Commission on Veterans’ Affairs, responded that mobile vans were paid through the Scratch Lottery proceeds. They were budgeted last year and both units cost approximately \$150,000. Under legislative action, \$75,000 was restored to the budget for the purpose of the van purchase. He described various programs or services offered through the program.

Senator Kelly asked Mr. Bolig if the Commission is working with KHPA, SRS, and other agencies for the purpose of sharing information with veterans. Mr. Bolig responded affirmatively.

Under “Kansas Racing and Gaming Commission” on page 7 of the handout, Senator Kultala asked if the intended transfer of funds from various parimutuel gaming facilities indicates there will no longer be parimutuel facilities in Kansas. Mr. Scott indicated this is an accounting function only; these facilities could re-open and reinstatement of funds would occur.

Senator Huntington questioned the terminology used in the Governor’s literature relative to K-12 education, and specifically the terms Base State Aid per Pupil (BSAP) and State Aid per Pupil (SAPP). Mr. Fulmer responded it was the intention of the Governor to discuss the whole concept of how the State commits to funding K-12 education; the references are not intended to revise any terminology.

Senator Kelly directed her question to Mr. Fulmer. She expressed difficulty in arriving at the same calculations for K-12 funding as the Governor’s Office in the proposed budget. Senator Kelly suggested that the Governor’s Office and the School Boards collaborate (Mark Tallman) to produce an expanded table that would display variances. Mr. Fulmer and Mr. Tallman will work together to produce a resource for clarification purposes.

Senator Umbarger asked for the rationale for carrying forward unspent funding for the State Affordable Airfare Fund. Mr. Fulmer indicated there was no statutory provision for carrying over unspent funds. These funds had been committed; the Governor’s office is recommending the agency be allowed to spend the \$125,000.

Chairperson McGinn closed the hearing on **SB 16**.

The meeting was adjourned at 12:08 a.m.