

March 17, 2016

The Honorable Ron Ryckman, Jr., Chairperson
House Committee on Appropriations
Statehouse, Room 111-N
Topeka, Kansas 66612

Dear Representative Ryckman:

SUBJECT: Fiscal Note for HB 2734 by House Committee on Appropriations

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2734 is respectfully submitted to your committee.

HB 2734 would establish the Budget Stabilization Fund in the state treasury on July 1, 2017. The fund would receive interest based on the net earnings rate of the Pooled Money Investment Portfolio for the preceding month. No funds would be spent from the Budget Stabilization Fund unless approved by an appropriation act or approved by the State Finance Council as a matter of legislative delegation.

During the 2016 interim between the regular sessions of the Legislature, the Legislative Budget Committee would be required to study, review and make recommendations concerning the Budget Stabilization Fund, including the following:

1. Study the risk-based budget stabilization fund practices utilized in other states;
2. Study the appropriate number of years to review revenue projection variances and expenditure variances from the State General Fund;
3. Review the appropriate entity to certify the amount necessary in the Budget Stabilization Fund to maintain the appropriate risk-based balance;
4. Develop a plan to fund the Budget Stabilization Fund;
5. Develop the process and circumstances to reach the appropriate risk-based balance, including the amount of risk that is acceptable; and
6. Examine circumstances under which expenditures may be made from the Budget Stabilization Fund.

The bill would provide that when the Secretary of Administration or the Director of the Budget would review the resources of the State General Fund or any special revenue fund for the purpose of issuing an allotment or other statutorily authorized reductions on or after July 1, 2017, the balance in the Budget Stabilization Fund would not be taken into consideration.

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HB 2734 correlates to Recommendation 1 in the Budget Process and Review section of the *Kansas Statewide Efficiency Review* by Alvarez & Marsal. According to Legislative Administrative Services, enactment of SB 509 would have no fiscal effect, as the Legislative Budget Committee normally receives authority to meet during the interim between the regular sessions of the Legislature.

The Division of the Budget notes the bill only authorizes the Legislative Budget Committee to make recommendations regarding the Budget Stabilization Fund and does not contain appropriations, or transfers to or from the Budget Stabilization Fund. As a result, the bill would have no fiscal effect.

Sincerely,

A handwritten signature in black ink, appearing to read "Shawn Sullivan", with a horizontal line extending to the right.

Shawn Sullivan,
Director of the Budget

cc: Karen Clowers, Legislative Services