

As Amended by House Committee

Session of 2016

HOUSE BILL No. 2734

By Committee on Appropriations

3-14

1 AN ACT concerning state finances; creating a budget stabilization fund;
2 relating to state general fund revenue and expenditures; review of risk-
3 based practices by the legislative budget committee; amending K.S.A.
4 75-3722 and 75-6704 and K.S.A. 2015 Supp. 75-3721 and repealing
5 the existing sections.

6
7 *Be it enacted by the Legislature of the State of Kansas:*

8 New Section 1. (a) On July 1, 2017, the budget stabilization fund is
9 hereby established in the state treasury.

10 (b) On or before the 10th day of each month commencing July 1,
11 2017, the director of accounts and reports shall transfer from the state
12 general fund to the budget stabilization fund interest earnings based on:

13 (1) The average daily balance of moneys in the budget stabilization
14 fund, for the preceding month; and

15 (2) the net earnings rate of the pooled money investment portfolio for
16 the preceding month.

17 (c) On and after July 1, 2017, no moneys in the budget stabilization
18 fund shall be expended pursuant to this subsection unless the expenditure
19 either has been approved by an appropriation or other act of the legislature
20 or has been approved by the state finance council acting on this matter
21 which is hereby characterized as a matter of legislative delegation and
22 subject to the guidelines prescribed in K.S.A. 75-3711(c), and amendments
23 thereto.

24 (d) (1) During the 2016 interim between regular sessions of the
25 legislature, the legislative budget committee shall study and review the
26 policy concerning the balance of, transfers to and expenditures from the
27 budget stabilization fund. The legislative budget committee study and
28 review shall include, but not be limited to, the following:

29 (A) Risk-based budget stabilization fund practices utilized in other
30 states.

31 (B) The appropriate number of years to review the state general fund:

32 (i) Revenue variances from projections; and

33 (ii) expenditure variances from budgets.

34 (C) The entity to certify the amount necessary in the budget
35 stabilization fund to maintain the appropriate risk-based balance.

36 (D) Plan to fund the budget stabilization fund.

1 (E) Process and circumstances to reach the appropriate risk-based
2 balance, including the amount of risk that is acceptable.

3 (F) Circumstances under which expenditures may be made from the
4 fund.

5 (2) The legislative budget committee may make recommendations
6 and introduce legislation as it deems necessary to implement such
7 recommendations.

8 **(3) Notwithstanding the provisions of sections 52 and 53 of**
9 **chapter 104 of the 2015 Session Laws of the Kansas, section 18 of 2016**
10 **House Substitute for Senate Bill No. 161, this or any other**
11 **appropriation act of the 2016 regular session of the legislature, the**
12 **legislative budget committee may meet not more than 10 days to study**
13 **and review such policies as determined by the chairperson of the**
14 **committee.**

15 Sec. 2. K.S.A. 2015 Supp. 75-3721 is hereby amended to read as
16 follows: 75-3721. (a) On or before the eighth calendar day of each regular
17 legislative session, the governor shall submit the budget report to the
18 legislature, except that in the case of the regular legislative session
19 immediately following the election of a governor who was elected to the
20 office of governor for the first time, that governor shall submit the budget
21 report to the legislature on or before the 21st calendar day of that regular
22 legislative session.

23 (b) The budget report of the governor shall be set up in three parts,
24 the nature and contents of which shall include the following:

25 (1) Part one shall consist of a budget message by such governor,
26 including the governor's recommendations with reference to the fiscal
27 policy of the state government for the current fiscal year and the ensuing
28 fiscal year, describing the important features of the budget plan for each of
29 the fiscal years included, embracing a general budget summary setting
30 forth the aggregate figures of the budget so as to show the balanced
31 relation between the total proposed expenditures and the total anticipated
32 income for the current fiscal year and the ensuing fiscal year, with the
33 basis and factors upon which the estimates were made, and the means of
34 financing the budget plan for the each of the fiscal years included,
35 compared with the corresponding figures for at least the last completed
36 fiscal year, and the director of the budget shall prepare the figures for the
37 governor for such comparisons.

38 (A) The budget plan shall not include (i) any proposed expenditures
39 of anticipated income attributable to proposed legislation that would
40 provide additional revenues from either current or new sources of revenue,
41 or (ii) any proposed expenditures of moneys in the ending balance in the
42 state general fund required by K.S.A. 75-6702, and amendments thereto.

43 (B) The general budget summary may be supported by explanatory

1 schedules or statements, classifying the expenditures contained therein by
2 state agencies, objects, and funds, and the income by state agencies, funds,
3 sources and types. The general budget summary shall include all special or
4 fee funds as well as the state general fund, and shall include the estimated
5 amounts of federal aids, for whatever purpose provided, together with
6 estimated expenditures therefrom.

7 (2) Part two shall embrace the detailed budget estimates for each of
8 the fiscal years included, both of expenditures and revenues, showing the
9 requests of the state agencies, if any, and the governor's recommendations
10 thereon, which shall include amounts for payments by the state board of
11 regents pursuant to K.S.A. 75-4364, and amendments thereto. It shall also
12 include statements of the bonded indebtedness of the state, showing the
13 actual amount of the debt service for at least the last completed fiscal year,
14 and the estimated amount for the current fiscal year and for each of the
15 ensuing fiscal years included, the debt authorized and unissued, and the
16 condition of the sinking funds.

17 (3) Part three shall consist of a draft of a legislative measure or
18 measures reflecting the governor's budget for all of the fiscal years
19 included in the budget report.

20 (c) The division of the budget shall compile a children's budget
21 document consisting of the information contained in agency budget
22 estimates regarding programs that provide services for children and their
23 families. Such document shall be provided to the Kansas children's cabinet
24 established by K.S.A. 38-1901, and amendments thereto, and other
25 persons or entities on request.

26 (d) The division of the budget, upon request, shall furnish the
27 governor or the legislature with any further information required
28 concerning the budget.

29 (e) Nothing in this section shall be construed to restrict or limit the
30 privilege of the governor to present supplemental budget messages or
31 amendments to previous budget messages, which may include proposals
32 for expenditure of new or increased sources of revenue derived from
33 proposed legislation.

34 (f) The budget estimate for the judicial branch of state government as
35 submitted to the director of the budget pursuant to K.S.A. 20-158, and
36 amendments thereto, shall be included in the governor's budget report.

37 (g) The division of the budget shall compile a Kansas homeland
38 security budget document consisting of the information contained in
39 agency budget estimates under ~~subsection (a)(3) of~~ K.S.A. 75-3717(a)(3),
40 and amendments thereto. Such document shall be provided to the house of
41 representatives committee on appropriations, the senate committee on
42 ways and means and such other committees upon request.

43 (h) *Commencing with fiscal year 2018, the ending balance in the*

1 *state general fund in any fiscal year shall include the unexpended and*
2 *unencumbered balances in the:*

3 *(1) State general fund; and*

4 *(2) budget stabilization fund, established in section 1, and*
5 *amendments thereto.*

6 Sec. 3. K.S.A. 75-3722 is hereby amended to read as follows: 75-
7 3722. (a) An allotment system will be applicable to the expenditure of the
8 resources of any state agency, under rules and regulations established as
9 provided in K.S.A. 75-3706, *and amendments thereto*, only if in the
10 opinion of the secretary of administration on the advice of the director of
11 the budget, the use of an allotment plan is necessary or beneficial to the
12 state. In making this determination the secretary of administration shall
13 take into consideration all pertinent factors including: (1) Available
14 resources; (2) current spending rates; (3) work loads; (4) new activities,
15 especially any proposed activities not covered in the agency's request to
16 the governor and the legislature for appropriations; (5) the minimum
17 current needs of each agency; (6) requests for deficiency appropriations in
18 prior fiscal years; (7) unexpended and unencumbered balances; and (8)
19 revenue collection rates and prospects.

20 (b) Whenever for any fiscal year it appears that the resources of the
21 general fund or any special revenue fund are likely to be insufficient to
22 cover the appropriations made against such general fund or special
23 revenue fund, the secretary of administration, on the advice of the director
24 of the budget, shall, in such manner as ~~he or she~~ *the secretary* may
25 determine, inaugurate the allotment system so as to assure that
26 expenditures for any particular fiscal year will not exceed the available
27 resources of the general fund or any special revenue fund for that fiscal
28 year. *When reviewing the resources of the general fund or any special*
29 *revenue fund for the purposes of issuing an allotment, the secretary shall*
30 *not take into consideration the balance in the budget stabilization fund.*
31 The allotment system shall not apply to the legislature or to the courts or
32 their officers and employees. Agencies affected by decisions of the
33 secretary of administration under this section shall be notified in writing at
34 least ~~thirty (30)~~ 30 days before such decisions may become effective and
35 any affected agency may, by written request addressed to the governor
36 within ~~ten (10)~~ 10 days after such notice, ask for a review of the decision
37 by the finance council. The finance council shall hear appeals and render a
38 decision within ~~twenty (20)~~ 20 days after the governor receives requests
39 for such ~~hearings~~ *review*.

40 Sec. 4. K.S.A. 75-6704 is hereby amended to read as follows: 75-
41 6704. (a) The director of the budget shall continuously monitor the status
42 of the state general fund with regard to estimated and actual revenues and
43 approved and actual expenditures and demand transfers. Periodically, the

1 director of the budget shall estimate the amount of the unencumbered
2 ending balance of moneys in the state general fund for the current fiscal
3 year and the total amount of anticipated expenditures, demand transfers
4 and encumbrances of moneys in the state general fund for the current
5 fiscal year. If the amount of such unencumbered ending balance in the
6 state general fund is less than \$100,000,000, the director of the budget
7 shall certify to the governor the difference between \$100,000,000 and the
8 amount of such unencumbered ending balance in the state general fund,
9 after adjusting the estimates of the amounts of such demand transfers with
10 regard to new estimates of revenues to the state general fund, where
11 appropriate. *When estimating the amount of the unencumbered ending*
12 *balance of moneys in the state general fund for the purposes of such*
13 *certification, the director of the budget shall not take into consideration*
14 *the balance in the budget stabilization fund.*

15 (b) Upon receipt of any such certification and subject to approval of
16 the state finance council acting on this matter which is hereby declared to
17 be a matter of legislative delegation and subject to the guidelines
18 prescribed by ~~subsection (e) of K.S.A. 75-3711c(c)~~, and amendments
19 thereto, the governor may issue an executive order reducing, by applying a
20 percentage reduction determined by the governor in accordance with this
21 section;: (1) The amount authorized to be expended from each
22 appropriation from the state general fund for the current fiscal year, other
23 than any item of appropriation for debt service for payments pursuant to
24 contractual bond obligations or any item of appropriation for employer
25 contributions for the employers who are eligible employers as specified in
26 ~~subsections (1), (2) and (3) of K.S.A. 74-4931(1), (2) and (3)~~, and
27 amendments thereto, under the Kansas public employees retirement
28 system pursuant to K.S.A. 74-4939, and amendments thereto; and (2) the
29 amount of each demand transfer from the state general fund for the current
30 fiscal year, other than any demand transfer to the school district capital
31 improvements fund for distribution to school districts pursuant to K.S.A.
32 75-2319, and amendments thereto.

33 (c) The reduction imposed by an executive order issued under this
34 section shall be determined by the governor and may be equal to or less
35 than the amount certified under subsection (a). Except as otherwise
36 specifically provided by this section, the percentage reduction applied
37 under subsection (b) shall be the same for each item of appropriation and
38 each demand transfer and shall be imposed equally on all such items of
39 appropriation and demand transfers without exception. No such percentage
40 reduction and no provisions of any such executive order under this section
41 shall apply or be construed to reduce any item of appropriation for debt
42 service for payments pursuant to contractual bond obligations or any item
43 of appropriation for employer contributions for the employers who are

1 eligible employers as specified in ~~subsections (1), (2) and (3)~~ of K.S.A.
2 74-4931(1), (2) and (3), and amendments thereto, under the Kansas public
3 employees retirement system pursuant to K.S.A. 74-4939, and
4 amendments thereto, or any demand transfer to the school district capital
5 improvements fund for distribution to school districts pursuant to K.S.A.
6 75-2319, and amendments thereto. The provisions of such executive order
7 shall be effective for all state agencies of the executive, legislative and
8 judicial branches of state government.

9 (d) If the governor issues an executive order under this section, the
10 director of accounts and reports shall not issue any warrant for the
11 payment of moneys in the state general fund or make any demand transfer
12 of moneys in the state general fund for any state agency unless such
13 warrant or demand transfer is in accordance with such executive order and
14 such warrant or demand transfer does not exceed the amount of money
15 permitted to be expended or transferred from the state general fund.

16 (e) Nothing in this section shall be construed to: (1) Require the
17 governor to issue an executive order under this section upon receipt of any
18 such certification by the director of the budget; or (2) restrict the number
19 of times that the director of the budget may make a certification under this
20 section or that the governor may issue an executive order under this
21 section.

22 Sec. 5. K.S.A. 75-3722 and 75-6704 and K.S.A. 2015 Supp. 75-3721
23 are hereby repealed.

24 Sec. 6. This act shall take effect and be in force from and after its
25 publication in the statute book.