

SESSION OF 2016

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2734

As Amended by House Committee on
Appropriations

Brief*

HB 2734, as amended, 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 would further 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;

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

- 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- The circumstances under which money could be withdrawn from the Budget Stabilization Fund.

Background

The bill, introduced by the House Appropriations Committee, was a recommendation contained in the *Kansas Statewide Efficiency Review*.

In the House Appropriations Committee hearing, Representative Helgerson 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 the bill, 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.