

**SENATE BILL No. 509**

By Committee on Ways and Means

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 10<sup>th</sup> 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 Sec. 2. K.S.A. 2015 Supp. 75-3721 is hereby amended to read as  
9 follows: 75-3721. (a) On or before the eighth calendar day of each regular  
10 legislative session, the governor shall submit the budget report to the  
11 legislature, except that in the case of the regular legislative session  
12 immediately following the election of a governor who was elected to the  
13 office of governor for the first time, that governor shall submit the budget  
14 report to the legislature on or before the 21<sup>st</sup> calendar day of that regular  
15 legislative session.

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

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

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

36 (B) The general budget summary may be supported by explanatory  
37 schedules or statements, classifying the expenditures contained therein by  
38 state agencies, objects, and funds, and the income by state agencies, funds,  
39 sources and types. The general budget summary shall include all special or  
40 fee funds as well as the state general fund, and shall include the estimated  
41 amounts of federal aids, for whatever purpose provided, together with  
42 estimated expenditures therefrom.

43 (2) Part two shall embrace the detailed budget estimates for each of

1 the fiscal years included, both of expenditures and revenues, showing the  
2 requests of the state agencies, if any, and the governor's recommendations  
3 thereon, which shall include amounts for payments by the state board of  
4 regents pursuant to K.S.A. 75-4364, and amendments thereto. It shall also  
5 include statements of the bonded indebtedness of the state, showing the  
6 actual amount of the debt service for at least the last completed fiscal year,  
7 and the estimated amount for the current fiscal year and for each of the  
8 ensuing fiscal years included, the debt authorized and unissued, and the  
9 condition of the sinking funds.

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

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

19 (d) The division of the budget, upon request, shall furnish the  
20 governor or the legislature with any further information required  
21 concerning the budget.

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

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

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

36 (h) *Commencing with fiscal year 2018, the ending balance in the*  
37 *state general fund in any fiscal year shall include the unexpended and*  
38 *unencumbered balances in the:*

39 (1) *State general fund; and*

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

42 Sec. 3. K.S.A. 75-3722 is hereby amended to read as follows: 75-  
43 3722. (a) An allotment system will be applicable to the expenditure of the

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

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

33 Sec. 4. K.S.A. 75-6704 is hereby amended to read as follows: 75-  
34 6704. (a) The director of the budget shall continuously monitor the status  
35 of the state general fund with regard to estimated and actual revenues and  
36 approved and actual expenditures and demand transfers. Periodically, the  
37 director of the budget shall estimate the amount of the unencumbered  
38 ending balance of moneys in the state general fund for the current fiscal  
39 year and the total amount of anticipated expenditures, demand transfers  
40 and encumbrances of moneys in the state general fund for the current  
41 fiscal year. If the amount of such unencumbered ending balance in the  
42 state general fund is less than \$100,000,000, the director of the budget  
43 shall certify to the governor the difference between \$100,000,000 and the

1 amount of such unencumbered ending balance in the state general fund,  
2 after adjusting the estimates of the amounts of such demand transfers with  
3 regard to new estimates of revenues to the state general fund, where  
4 appropriate. *When estimating the amount of the unencumbered ending*  
5 *balance of moneys in the state general fund for the purposes of such*  
6 *certification, the director of the budget shall not take into consideration*  
7 *the balance in the budget stabilization fund.*

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

26 (c) The reduction imposed by an executive order issued under this  
27 section shall be determined by the governor and may be equal to or less  
28 than the amount certified under subsection (a). Except as otherwise  
29 specifically provided by this section, the percentage reduction applied  
30 under subsection (b) shall be the same for each item of appropriation and  
31 each demand transfer and shall be imposed equally on all such items of  
32 appropriation and demand transfers without exception. No such percentage  
33 reduction and no provisions of any such executive order under this section  
34 shall apply or be construed to reduce any item of appropriation for debt  
35 service for payments pursuant to contractual bond obligations or any item  
36 of appropriation for employer contributions for the employers who are  
37 eligible employers as specified in ~~subsections (1), (2) and (3) of K.S.A.~~  
38 ~~74-4931(1), (2) and (3)~~, and amendments thereto, under the Kansas public  
39 employees retirement system pursuant to K.S.A. 74-4939, and  
40 amendments thereto, or any demand transfer to the school district capital  
41 improvements fund for distribution to school districts pursuant to K.S.A.  
42 75-2319, and amendments thereto. The provisions of such executive order  
43 shall be effective for all state agencies of the executive, legislative and

1 judicial branches of state government.

2 (d) If the governor issues an executive order under this section, the  
3 director of accounts and reports shall not issue any warrant for the  
4 payment of moneys in the state general fund or make any demand transfer  
5 of moneys in the state general fund for any state agency unless such  
6 warrant or demand transfer is in accordance with such executive order and  
7 such warrant or demand transfer does not exceed the amount of money  
8 permitted to be expended or transferred from the state general fund.

9 (e) Nothing in this section shall be construed to: (1) Require the  
10 governor to issue an executive order under this section upon receipt of any  
11 such certification by the director of the budget; or (2) restrict the number  
12 of times that the director of the budget may make a certification under this  
13 section or that the governor may issue an executive order under this  
14 section.

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

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