

*As Amended by Senate Committee*

*Session of 2016*

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

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

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

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

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

42 (B) The general budget summary may be supported by explanatory  
43 schedules or statements, classifying the expenditures contained therein by

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

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

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

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

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

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

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

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

42 (h) *Commencing with fiscal year 2018, the ending balance in the*  
43 *state general fund in any fiscal year shall include the unexpended and*

1 *unencumbered balances in the:*

2 *(1) State general fund; and*

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

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

19 (b) Whenever for any fiscal year it appears that the resources of the  
20 general fund or any special revenue fund are likely to be insufficient to  
21 cover the appropriations made against such general fund or special  
22 revenue fund, the secretary of administration, on the advice of the director  
23 of the budget, shall, in such manner as ~~he or she~~ *the secretary* may  
24 determine, inaugurate the allotment system so as to assure that  
25 expenditures for any particular fiscal year will not exceed the available  
26 resources of the general fund or any special revenue fund for that fiscal  
27 year. *When reviewing the resources of the general fund or any special*  
28 *revenue fund for the purposes of issuing an allotment, the secretary shall*  
29 *not take into consideration the balance in the budget stabilization fund.*

30 The allotment system shall not apply to the legislature or to the courts or  
31 their officers and employees. Agencies affected by decisions of the  
32 secretary of administration under this section shall be notified in writing at  
33 least ~~thirty (30)~~ 30 days before such decisions may become effective and  
34 any affected agency may, by written request addressed to the governor  
35 within ~~ten (10)~~ 10 days after such notice, ask for a review of the decision  
36 by the finance council. The finance council shall hear appeals and render a  
37 decision within ~~twenty (20)~~ 20 days after the governor receives requests  
38 for such ~~hearings~~ *review*.

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

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

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

32 (c) The reduction imposed by an executive order issued under this  
33 section shall be determined by the governor and may be equal to or less  
34 than the amount certified under subsection (a). Except as otherwise  
35 specifically provided by this section, the percentage reduction applied  
36 under subsection (b) shall be the same for each item of appropriation and  
37 each demand transfer and shall be imposed equally on all such items of  
38 appropriation and demand transfers without exception. No such percentage  
39 reduction and no provisions of any such executive order under this section  
40 shall apply or be construed to reduce any item of appropriation for debt  
41 service for payments pursuant to contractual bond obligations or any item  
42 of appropriation for employer contributions for the employers who are  
43 eligible employers as specified in ~~subsections (1), (2) and (3) of K.S.A.~~

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

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

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

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

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