

Approved Jan 24, 1983  
Date

MINUTES OF THE HOUSE COMMITTEE ON WAYS AND MEANS

The meeting was called to order by BILL BUNTEN at  
Chairperson

1:30 ~~xx~~/p.m. on Tuesday, January 18, 1983 in room 514-S of the Capitol.

All members were present except: John Solbach, Bill Wisdom, James Holderman, Harold Dyck --all exc.

Committee staff present: Marlin Rein -- Legislative Research  
Lyn Entrikin-Goering -- Legislative Research  
Bill Gilmore -- Legislative Research  
Jim Wilson -- Revisors Office  
LewJene Schneider -- Administrative Assistant  
Charlene Wilson -- Committee Secretary

Conferees appearing before the committee:

Mr. Marlin Rein, Chief Legislative Fiscal Analyst, Legislative Research

OTHERS PRESENT: (See Attachment I)

The meeting was called to order by Chairman Buntten at 1:30 p.m.

The Chairman informed the committee that there had been a late change in the schedule for today's meeting. The staff memos will be presented to the committee tomorrow rather than today.

Mr. Marlin Rein was called upon by the Chairman to give an overview of the Governor's Budget. The contents of Mr. Rein's presentation can be found in the attached memorandum, Budget Overview. (See Attachment II).

Mr. Rein commented that this report is to be considered a summation of the document that the Governor and his staff presented yesterday, and not necessarily be considered as an analysis. There may be instances where funds were not removed or where funds were included at a slightly higher amount than what is included in this report.

The meeting was adjourned at 3:00 p.m.

NAME	ADDRESS	REPRESENTING
1. Larry Swanson	1434 Westlake Lawrence	Governors Office
2. David Koh	715 Western 11A	Gov Office
3. Loren Bushy	1732 Louisiana Lawrence	Legislative Intern
4. D.B. Dalton	Statehouse	Division of Budget
5. D. Hammel	Ks Health Care Assn	Topeka
6. Barbara Jabal	Ks Dept H & E Topeka, Ks	Topeka
7. Denise Kilwein	Topeka	OJA
8. Nancy Sargent	1913 Warner St Topeka	League Women Voters
9. Sandra McDonald	Topeka	Ks Nurses Assoc.
10. D. J. [unclear]	Topeka	HHS
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
19.		
20.		
21.		
22.		
23.		
24.		
25.		

Atch. I

MEMORANDUM

January 18, 1983

TO: Senate/House Ways and Means Committees  
FROM: Kansas Legislative Research Department  
RE: Budget Overview

The attached Budget Overview should be viewed as a draft of a summary that will be included in the Budget Analysis. Hopefully, the material presented is an accurate assessment of the Governor's budget recommendation. However, since the staff has not had access to all of the posted agency budgets, some details are as yet unavailable.

MLR/sdp

Attch. II

## BUDGET OVERVIEW - FISCAL YEARS 1983-84

The fiscal condition of the state government that prevails today is dramatically different from that which had been anticipated at the close of the 1982 legislative session. The depth of the national economic recession has exceeded the forecasts made a year ago. Likewise, the duration of the recession and the depressing impact it has had upon the Kansas economy had not been fully anticipated. In this Budget Overview, a brief accounting is provided of the major events that have transpired since adjournment of the 1982 Legislature. Additionally, summary data are provided on the revenue outlook for the remainder of FY 1983 and on through FY 1984. Finally, highlights of agency budget requests and the Governor's budget recommendations are presented.

### A Look Backward

Fiscal Year 1982. An early indication that the economic downturn was having a significant impact on the Kansas economy and state revenue collections occurred in April, 1982. At that time, the consensus revenue estimating group issued a revision to their earlier State General Fund revenue estimates for both FY 1982 and FY 1983. Fiscal Year 1982 estimates were pared \$13.5 million and a \$36.0 million downward revision was made to the FY 1983 estimate. Those modifications were proven shortly thereafter to be overly modest. At the close of FY 1982, actual State General Fund collections were down \$47.0 million from the April revised forecast. While the state government had sufficient balances to withstand such a revenue decline in the short-term, the dramatic fall-off in FY 1982 collections had ominous overtones suggesting that the FY 1983 revenue estimates were too optimistic.

On the basis of action by the 1982 Legislature, the Kansas Legislative Research Department had projected a June 30, 1982, State General Fund unencumbered cash balance of \$128.6 million. The actual balance was \$92.4 million, or \$36.2 million below the estimate. The revenue shortfall (\$47.0 million) was offset in part by reduced FY 1982 expenditures and savings from liquidation of prior year encumbrances totaling \$7.5 million. Additionally, \$3.3 million in anticipated FY 1982 expenditures were shifted to FY 1983. The following table compares the status of the State General Fund at the close of FY 1982 with the estimates made at the end of the 1982 legislative session.

	(Millions)	
	<u>Estimated</u>	<u>Actual</u>
	FY 1982	FY 1982
Beginning Balance	\$ 152.1	\$ 153.0*
Receipts	1,320.0	1,273.0
Less: Expenditures	(1,343.6)	(1,333.6)
Ending Balance	<u>\$ 128.6</u>	<u>\$ 92.4</u>

\* Reflects savings from liquidation of prior year encumbrances of about \$900,000.

Note: Tables may not add due to rounding.

Fiscal Year 1983. The April revision to the FY 1983 revenue estimate, adjusted to account for the effect of 1982 legislation on receipts, reduced the estimate to \$1,454.6 million. At the time that the revision was made, the estimate would have required a 10.2 percent growth above estimated FY 1982 collections. However, when final numbers were in for FY 1982, the FY 1983 estimate required a 14.3 percent growth above actual FY 1982 receipts. As early as July there was little reason to be optimistic that collections approaching that level could be achieved. The last FY 1982 estimate had been 7.6 percent above FY 1981 receipts; actual FY 1982 collections turned out to be only 3.8 percent above FY 1981. Further evidence of the deteriorating economic climate was the fact that fourth quarter receipts in FY 1982 were \$12.8 million below collections in the fourth quarter of FY 1981. (Receipts in the first two quarters of FY 1983 also were less than collections in the same period of FY 1982.)

At the end of the 1982 Session, the Legislative Research Department estimated a June 30, 1983, State General Fund unencumbered cash balance of \$103.4 million. After closing of the books for FY 1982, that estimate was reduced to \$66.7 million. To achieve such an ending balance (\$66.7 million) at the close of FY 1983 required a revenue growth of 14.3 percent above FY 1982, not a very realistic expectation given the deepening nature of the economic recession.

Budget Reductions. In early July, Governor Carlin issued a directive that all merit increases for classified civil service employees were to be temporarily deferred. In November, following receipt of the revised revenue estimates, the deferral of FY 1983 classified merit salary increases was made permanent resulting in an expenditure savings then estimated at \$3.5 million. In addition, the Secretary of Administration withdrew rules and regulations that would have authorized increased allowances for private car mileage and lodging and subsistence. Finally, the Governor announced he was directing or requesting all state agencies to reduce expenditures for FY 1983 by an amount which in the aggregate would equate to 4 percent of the State General Fund budget for state agency operations. Each agency was issued target amounts by which State General Fund expenditures were to be reduced. Funds budgeted for classified merit increases were not to be used in meeting the reduction targets. The 4 percent reduction was expected to achieve a budget reduction of \$22.5 million (See Budget Memo 83-1 for discussion of budget reductions).

Though the executive branch was exploring the possibility of instituting budget allotment procedures, Governor Carlin announced his intent to withhold a final decision until after the consensus revenue estimating group reported their revised FY 1983 revenue estimates in November, 1982. It was revealed that an Attorney General's opinion had been sought on procedural concerns relative to imposing allotments. That opinion stated that the allotment procedure could be imposed to ensure the State General Fund balance at the close of the year would not be negative. It could not be employed to achieve an adequate balance, nor could it be applied to statutory demand transfers from the State General Fund.

Revenue Estimates Fiscal Years 1983 and 1984. The consensus revenue estimating group released its revised State General Fund revenue estimates for FY 1983 and initial FY 1984 estimates on November 13. The revised estimate for FY 1983 of \$1,304.0 million was a downward revision of \$150.6 million from the earlier estimate of \$1,454.6 million. Even the group's estimate for FY 1984 (\$1,419.4 million) was less than the previous FY 1983 revenue estimate. Given the revised FY 1983 revenue forecast, and assuming no expenditure reductions from the budget as approved by the Legislature,

the end-of-year State General Fund balance would be a theoretical negative \$81.9 million. Even the earlier budget reductions imposed by the Governor (\$22.6 million) and the permanent deferral of classified merit increases (\$3.5 million) would only reduce the negative status of the fund at year's end to \$55.8 million. Apart from year-end balance problems, the new forecast clearly suggested that cashflow difficulties could be encountered as early as January. This latter concern did materialize resulting in the State Finance Council approving the issuance of a \$65.0 million certificate of indebtedness in December.

The fiscal problems for FY 1984 were further dramatically highlighted by the fact that estimated FY 1984 receipts were more than \$60 million below authorized FY 1983 expenditures. Even a FY 1984 budget based on little or no expenditure growth could not be financed with current expected revenue levels.

Governor's Proposal. On November 19, Governor Carlin unveiled a proposal for coping with the pending fiscal crisis. That proposal included imposition of the allotment system in two stages (the second stage only if necessary), rescheduling of certain distributions of state aid to local units of government, and accelerating collection of individual income tax withholding and sales and use taxes. As initially proposed by the Governor, the first phase of the allotment system, to be implemented January 1, was expected to reduce expenditures by approximately \$49.7 million and was comprised of the following:

	<u>Million</u>
- 4 percent reduction previously ordered or requested by the Governor, excluding legislative and judicial branches	\$ 20.7
- deferral of merit pay increases	3.5
- 4 percent reduction in state aid for local units, except demand transfers and KPERS-School	21.1
- other savings, mainly from over-budgeting of state aid for special education and community corrections	4.4
	<u>\$ 49.7</u>

The 4 percent reduction in state aid does not apply to the Local Ad Valorem Tax Reduction Fund, County and City Revenue Sharing Fund, School District Income Tax Fund, and County Inheritance Tax Fund, because those funds receive demand transfers from the State General Fund and, according to the opinion of the Attorney General, such transfers are not subject to the allotment system.

Under the Governor's plan, in January the Legislature would lapse the amounts referred to above in order to assure that the expenditure reductions will be made. If that were done, the first phase of the allotments would be cancelled.

The Governor proposed a second phase of the allotment system effective February 1, 1983, to effect a further savings of \$34.5 million by applying an additional

reduction to all expenditures other than the previously noted demand transfers, appropriations to the legislative and judicial branches, and for public assistance. The second phase would be cancelled if the Legislature adopts the Governor's proposals for rescheduling certain aid distributions and for accelerating revenue collections.

The Governor's proposal for rescheduling distributions from the Local Ad Valorem Tax Reduction Fund and the County and City Revenue Sharing Fund were considered by the Legislature during the first week of the legislative session (Senate Bill Nos. 24 and 27 ). Senate Bill No. 24, relating to the LAVTRF, has already been enacted into law. Delaying portions of those two distributions will reduce FY 1983 expenditures by \$18.8 million.

Finally, the Governor's proposed acceleration of tax collections are embodied in Senate Bill Nos. 35 and 36, currently under legislative consideration. If enacted as proposed by the Governor, it is estimated that revenues will be increased \$112.1 million in FY 1983 and by \$13.0 million in FY 1984.

Assuming that the second phase of the allotment system is not instituted and the revenue impact associated with accelerated revenue collections is realized, FY 1983 revenues, expenditures, and balance would be as follows:

	<u>Millions</u>
Beginning Balance	\$ 92.4
Receipts	
Revised Consensus Estimate	1,304.0
Accelerated Receipts	112.1
Total Funds Available	<u>\$1,508.5</u>
Expenditures	
Authorized by 1982 Legislature	\$1,480.3
Revised estimates of certain demand transfers	(2.2)
Allotments, Phase I	(51.0)
Delay Distributions of LAVTRF and CCRSF	(18.8)
Legislative and Judicial Agencies	(1.0)
Total Expenditures	<u>\$1,407.3</u>
Ending Balance	<u>\$ 101.2</u>

The ending balance of \$101.2 million would be reduced by any supplemental appropriations approved by the 1983 Legislature.

#### Budget Summary

An analysis of the Governor's Budget Report indicates that the Governor is recommending expenditures totaling \$2,845.9 million for FY 1983 and \$3,056.6 million for FY 1984. The recommended FY 1983 budget is an increase of \$204.7 million or 7.3 percent above actual FY 1982 expenditures; the recommended FY 1984 budget is an increase of \$210.7 million or 7.4 percent above the revised recommendations for the current fiscal year. The FY 1983 Governor's recommendation is obviously subject to

upward revision by amendment since no allowance is made for any State General Fund supplemental appropriations. Agency requests for supplemental funding totaling \$23.2 million (\$11.7 million State General Fund) have been received to date by the Legislative Research Department.

The FY 1984 budget recommendation does not reflect the rebate of the 5 percent of proceeds from the severance tax on oil and natural gas back to the county of production as embodied in the Governor's severance tax proposal. As a consequence, the FY 1984 budget is understated by \$6.2 million. Table I summarizes agency requests and the Governor's recommendations for both FY 1983 and FY 1984 by category of expenditure.

TABLE I  
SUMMARY OF EXPENDITURES FROM ALL FUNDS  
(Millions)

Category of Expenditure	Actual FY 1982	Agency Request FY 1983	Gov. Rec. FY 1983	Agency Request FY 1984	Gov. Rec. FY 1984
State Operations	\$ 1,065.1	\$ 1,141.8	\$ 1,137.5	\$ 1,306.9	\$ 1,213.1
Aid to Local Units	758.5	835.0	792.6	966.6	908.1
Other Assistance, Grants	655.8	730.4	711.1	756.5	704.4
Subtotal-Operating	<u>\$ 2,479.4</u>	<u>\$ 2,707.1</u>	<u>\$ 2,641.2</u>	<u>\$ 3,030.1</u>	<u>\$ 2,825.6</u>
Capital Improvements	161.8	207.6	204.8	302.4	231.0
TOTAL	<u><u>\$ 2,641.2</u></u>	<u><u>\$ 2,914.7</u></u>	<u><u>\$ 2,845.9</u></u>	<u><u>\$ 3,332.5</u></u>	<u><u>\$ 3,056.6</u></u>

More than one-half (57.1 percent) of the FY 1984 recommended operating budget is allocated for financial assistance to local units of government and for other assistance, grants, and benefit payments. The FY 1984 budget recommendation provides a 14.6 percent increase in state and federal aid to local units of government. Funding for state agency operations is an overall growth of 6.7 percent. The decline in recommended outlays for FY 1984 for Other Assistance, Grants, and Benefits is attributed to a reduced allowance for unemployment insurance benefits. The FY 1984 recommendation of \$172.2 million for unemployment benefits is a decline of 7.1 percent from the \$185.4 million recommended for FY 1983. The increase in capital improvements for FY 1984 is largely attributed to the Department of Transportation for which \$198.1 million is included for capital improvements; the FY 1983 estimate is \$159.0 million. Table II provides a total budget comparison by function of government.



TABLE II

SUMMARY OF EXPENDITURES FROM ALL FUNDS BY  
FUNCTION OF GOVERNMENT

(Millions)

<u>Function of Government</u>	<u>Actual FY 1982</u>	<u>Agency Request FY 1983</u>	<u>Gov. Rec. FY 1983</u>	<u>Agency Request FY 1984</u>	<u>Gov. Rec. FY 1984</u>
General Government	\$ 203.1	\$ 228.6	\$ 205.8	\$ 265.4	\$ 240.5
Public Welfare	673.3	740.0	721.2	766.6	712.8
Education and Research	1,236.3	1,341.9	1,317.6	1,532.0	1,423.0
Public Safety	60.3	76.0	74.6	95.4	81.6
Agri./Nat. Resources	22.4	26.1	25.7	32.1	24.9
Health and Hospitals	129.8	139.6	138.1	172.9	145.5
Recreation/Historical	23.8	22.2	21.9	27.4	19.5
Transportation	292.2	340.4	341.0	440.7	408.9
TOTAL	<u>\$ 2,641.2</u>	<u>\$ 2,914.8</u>	<u>\$ 2,845.9</u>	<u>\$ 3,332.5</u>	<u>\$ 3,056.6</u>

The largest expenditure growth is recommended in the Education and Research function (\$105.4 million) reflecting in large part the Governor's funding proposals for school aid and higher education institutions. The \$1,423.0 million recommended for Education is 46.5 percent of the total budget. The area of largest increase percentagewise is in Transportation where the FY 1984 recommendation is an increase of 19.9 percent above the current year.

\* State General Fund. The Governor's recommendation for FY 1983 State General Fund expenditures is \$1,407.2 million, a reduction of \$73.1 million from the current authorized level and \$59.0 million below the level requested by agencies in their revised budget requests. The recommended level of FY 1983 expenditures is an increase of \$73.8 million or 5.5 percent above actual FY 1982 outlays. The reduced expenditure recommendations are largely accounted for by reduced distributions from funds which are related directly to revenue levels (\$2.0 million), deferral of a portion of the distributions from the Local Ad Valorem Tax Reduction Fund and the County and City Revenue Sharing Fund (\$18.9 million), and savings attributed to the allotment system (\$51.0 million).

It is again noted that the Governor's recommendations for FY 1983 make no allowance for any supplemental appropriations. Agency requests totaling \$11.7 million have been received to date by the Legislative Research Department. The largest single request is from the Department of Social and Rehabilitation Services totaling \$9.0 million for additional funding of the Aid to Dependent Children and General Assistance Programs. Other requests include Homestead Property Tax Relief (\$400,000), Post-secondary Vocational Aid (\$380,000), and for additional employer KPERS contributions for school employees (\$326,013). The Legislature can anticipate receiving additional supplemental requests beyond the \$11.7 million including a sizeable asking for utility funding by the Regents' institutions. The Governor will apparently address such items in subsequent budget amendments.

The FY 1984 Governor's recommendation of \$1,571.1 million is \$185.7 million less than agency requests. The FY 1984 recommendation is \$163.3 million or 11.6 percent above his FY 1983 recommendation. The following table summarizes actual FY 1982 State General Fund expenditures with agency requests and Governor's recommendations for both FY 1983 and FY 1984 by category of expenditure.

TABLE III

SUMMARY OF EXPENDITURES FROM THE  
STATE GENERAL FUND

(Millions)

<u>Category of Expenditure</u>	<u>Actual FY 1982</u>	<u>Agency Request FY 1983</u>	<u>Gov. Rec. FY 1983</u>	<u>Agency Request FY 1984</u>	<u>Gov. Rec. FY 1984</u>
State Operations	\$ 512.9	\$ 548.5	\$ 541.0	\$ 661.3	\$ 579.4
Aid to Local Units	611.4	688.0	644.9	801.4	768.8
Other Assistance, Grants	206.7	225.5	217.4	247.6	214.1
Subtotal-Operating	<u>\$ 1,331.0</u>	<u>\$ 1,462.0</u>	<u>\$ 1,403.3</u>	<u>\$ 1,710.3</u>	<u>\$ 1,562.3</u>
Capital Improvements	2.5	4.1	4.0	46.5	8.7
TOTAL	<u><u>\$ 1,333.5</u></u>	<u><u>\$ 1,466.2</u></u>	<u><u>\$ 1,407.2</u></u>	<u><u>\$ 1,756.8</u></u>	<u><u>\$ 1,571.1</u></u>

The Governor's FY 1984 State General Fund budget recommendation is highlighted by a 19.2 percent increase in aid to local units of government. That rate of increase is a bit exaggerated by the fact that FY 1983 outlays are reduced to reflect the savings from deferring in part the distributions from the Local Ad Valorem Tax Reduction Fund and County and City Revenue Sharing Fund. For FY 1984, aid to local units of government constitutes 48.9 percent of the State General Fund budget recommendations; in FY 1982 such costs accounted for 45.9 percent of actual expenditures.

The level of increase recommended for state agency operations is 7.1 percent. State agency operations account for 36.9 percent of the total budget, down slightly from 38.5 percent in both FY 1982 and FY 1983. The reduction in funding for Other Assistance, Grants, and Benefits is largely attributed to proposed funding and program modifications in the budget of the Department of Social and Rehabilitation Services. Of the \$8.7 million recommended for capital improvements, \$7.5 million is for correctional institutions of which \$5.2 million was appropriated by previous legislatures.

TABLE IV

SUMMARY OF EXPENDITURES FROM THE  
STATE GENERAL FUND BY FUNCTION OF GOVERNMENT

(Millions)

<u>Function of Government</u>	<u>Actual FY 1982</u>	<u>Agency Request FY 1983</u>	<u>Gov. Rec. FY 1983</u>	<u>Agency Request FY 1984</u>	<u>Gov. Rec. FY 1984</u>
General Government	\$ 129.8	\$ 137.0	\$ 114.7	\$ 163.2	\$ 143.6
Public Welfare	216.5	243.1	233.2	269.4	234.2
Education and Research	848.5	932.3	908.3	1,104.0	1,002.7
Public Safety	50.1	60.5	59.1	85.5	71.6
Agri./Nat. Resources	11.6	12.8	12.4	17.6	11.7
Health and Hospitals	72.6	73.7	72.5	103.1	79.6
Recreation/Historical	4.5	6.8	6.6	13.8	6.2
Transportation	—	—	.4	—	21.5
TOTAL	<u>\$ 1,333.5</u>	<u>\$ 1,466.2</u>	<u>\$ 1,407.2</u>	<u>\$ 1,756.8</u>	<u>\$ 1,571.1</u>

State General Fund Revenues, Expenditures,  
and Balances

The Governor's Budget Report reflects estimated State General Fund receipts of \$1,416.1 million for FY 1983 and \$1,572.1 million for FY 1984. Both estimates reflect additions to the consensus revenue estimates. The estimated receipts for FY 1983 include an additional \$112.1 million assuming passage of legislation to accelerate collection of individual income tax withholding and sales and use tax receipts (S.B.'s 35 and 36). The FY 1984 income estimates are also increased by \$13.0 million due to the acceleration of receipts legislation. In addition, FY 1984 receipts include \$138.5 million from assumed enactment of a severance tax. The Governor's Budget Report also assumes that an additional \$1.2 million is to be generated by increased fees and charges to be assessed by the Department of Health and Environment.

Based on the Governor's recommended level of expenditures and revenue assumptions, the unencumbered cash balance at the end of FY 1983 would be \$101.3 million; \$102.3 million at the end of FY 1984. The following table summarizes actual receipts, expenditures and balances for FY 1982 and the Governor's recommendations for FY 1983 and FY 1984.

	(Millions)		
	Actual	Gov.	Gov.
	FY 1982	Rec. FY 1983	Rec. FY 1984
Beginning Balance	\$ 153.0	\$ 92.4	\$ 101.3
Receipts	<u>1,273.0</u>	<u>1,416.1</u>	<u>1,572.1</u>
Total Funds Available	\$ 1,426.0	\$ 1,508.5	\$ 1,673.4
Less: Expenditures	<u>(1,333.6)</u>	<u>(1,407.2)</u>	<u>(1,571.1)</u>
Ending Balance	<u>\$ 92.4</u>	<u>\$ 101.3</u>	<u>\$ 102.3</u>

Highlights of Agency Requests and  
Governor's Recommendations

Employee Salaries/Benefits. The Governor's recommended FY 1984 budget includes funding for a 4 percent cost-of-living increase for state classified civil service employees. No allowance is made for FY 1984 merit increases. The merit pool provided a year ago for FY 1983 was deferred by the Governor, although agencies were instructed to include in their FY 1984 budget requests the funding for the FY 1983 merit pool. That amount is permanently deleted in the FY 1984 recommendation. A similar 4 percent increase is provided for nonjudicial employees of the Judicial Branch. Judges and other appointed officials whose salary increases are tied to classified cost-of-living increases would also receive the 4 percent.

The Governor is also recommending a 4 percent increase for Regents' unclassified employees, principally faculty. The institutions had requested a 9 percent increase in unclassified salaries, in addition to requesting that the employer contribution for the TIAA-CREF retirement program be raised from 5 to 6 percent of salary. The FY 1984 budget makes no allowance for the retirement program improvement.

The State Schools for the Deaf and Visually Handicapped had sought funding for a 15 percent increase in salaries of faculty. Again, the recommendation is for a 4 percent increase.

Though not state employees, salaries of teachers and other employees of the unified school districts are directly affected by state policies on allowances for school budgets. It is noted in the Budget in Brief that the Governor anticipates his recommendations will allow teacher salary increases to average 8.0 percent.

The Governor's recommendations apparently provide funding for the single-member group health insurance premium at the level of \$1,134 per employee as estimated by the Insurance and Surety Bond Committee. Note is made in the Budget Message that the Governor is supportive of a self-insurance program that will provide "ample coverage at a reduced cost, both to the state and its employees." To this end, the Governor has included a \$425,000 reserve in the Department of Administration budget should such a plan be found to be cost-effective. No increases are provided for employee mileage or subsistence allowances leaving those at the rates which were in effect in FY 1982.

The Governor notes that the FY 1984 recommended budget provides for 37,022 F.T.E. positions, down 515 F.T.E. from FY 1983. Of that reduced number, 105

are removed from the Department of Transportation and 85 from the Department of Agriculture. The latter reduction is largely attributed to the recommendation that responsibility for meat and poultry inspection be returned to the federal government. Within the Regents' institutions, a total of 369.1 existing positions are deleted; however, 111.8 new positions are recommended for enrollment adjustments and program improvements resulting in a net loss of 257.3 positions. Institutions that would be impacted the greatest are the University of Kansas, which would have a net loss of 71.9 positions and the Kansas Medical Center 55.1 positions.

Higher Education. The Governor's FY 1984 State General Fund operating recommendation for the Board of Regents' institutions totals \$284.0 million, an increase of 4.3 percent above his FY 1983 recommendation. As previously noted, the Governor is proposing 4 percent increases in unclassified salaries. A similar increase is recommended for student salaries and medical resident stipends.

The institutions had requested 10.0 percent increases in other operating support (11.0 percent for hospital operations); the Governor is recommending increases of 7.0 percent. The Governor provides 20 percent increases for utilities above the current base budgets, as requested. With minor adjustment, the Governor's recommendation funds in full the institutional requests of \$1.7 million for servicing new buildings. The Governor's recommendation includes a total of \$1,197,614, funding in full the institution requests for supporting additional enrollments.

While the Governor does not recommend funding of the \$1,306,000 request for equipment, library, and computer improvements, he has included funding in the Board of Regents Office budget of \$1.5 million for research and development grants to the institutions, subject to a 50 percent match from private sources.

An amount of \$700,000 is recommended for a special work-study program for students, apparently designed to ease the impact of 20 percent tuition increases. The Governor recommends State General Fund replacement of the transfer from the Fire Marshal Fee Fund for fire service training at the University of Kansas. The University budget also includes \$150,000 for evaluation of "safe homes" for victims of domestic violence. Finally, the Governor's recommendation of \$3,353,292 for the Kansas Medical Scholarship is predicated on the assumption that only those persons currently participating in the program will receive grants for the 1983-84 school year.

Principal capital improvement recommendations include multiyear funding for the Nichols Gym project at Kansas State University (\$5.7 million) and for construction of a classroom building at Kansas Technical Institute (\$3.2 million). The Governor also provides \$2.0 million to the Board for major maintenance and repair projects, \$380,000 for a hazardous waste incinerator at the Kansas Medical Center, and \$360,000 for final planning of the library addition at Wichita State University.

The Governor's FY 1983 State General Fund operating budget recommendations reflect the \$11.1 million reduction due to the allotment system. That amount is exclusive of an additional deletion of \$1.2 million in the Medical Center budget which, in effect, lapses a reappropriation which the University inadvertently omitted from its budget. For FY 1984, the Governor's recommendations would require the institutions to make permanent base budget reductions of \$14.2 million. The impact of the FY 1984 base budget adjustment varies greatly by campus, with the Kansas Medical Center, Wichita State, Emporia, and Pittsburg most adversely affected.

Highway Financing. The Governor has proposed a multi-year highway financing program encompassing fiscal years FY 1984 through FY 1987. The proposal is twofold: (1) transfers, in growing amounts over the four-year period, of sales taxes on new and used motor vehicles, parts, accessories, and services from the General Fund to state and local highway funds; and (2) the use during the first three years of the period of a total of \$110 million of funds now dedicated to the freeway program for state system-wide priority projects.

Sales tax transfers in FY 1984 would be 25 percent of collections from the automotive group, and would increase by 25 percentage points each year until 100 percent is reached in FY 1987. Freeway fund use for state priority projects would total \$50 million in FY 1984, \$40 million in FY 1985, and \$20 million in FY 1986. The total package of sales tax transfers and freeway resources would be apportioned between state and local programs on a 65 percent state and 35 percent local basis, except that in FY 1984 the local share would be limited to the amount of General Fund transfer (\$21.1 million instead of \$24.9 million produced by 35 percent).

The following table summarizes the multi-year plan. The table is derived from one contained in a report entitled, "Supplemental Explanation of Governor's Budget Recommendations."

	Millions of Dollars			
	<u>FY 1984</u>	<u>FY 1985</u>	<u>FY 1986</u>	<u>FY 1987</u>
Sales Tax-Automotive	\$ 84.5	\$ 84.5	\$ 84.5	\$ 84.5
Percent to Highways	25%	50%	75%	100%
Yield to Highways	\$ 21.1	\$ 42.3	\$ 63.4	\$ 84.5
Freeway Transfer	50.0	40.0	20.0	—
Total Distribution	<u>\$ 71.1</u>	<u>\$ 82.3</u>	<u>\$ 83.4</u>	<u>\$ 84.5</u>
Local Share	\$ 21.1	\$ 28.8	\$ 29.2	\$ 29.6
State Share	50.0	53.5	54.2	54.9

The same supplemental report from which the table was obtained summarizes current estimates of receipts under the new Federal Highway Act. It states that an additional \$26.4 million per year (FY 1983-FY 1986) is needed to match new and unused federal construction aid for the state system and an additional \$9.2 million of matching funds is required for local programs.

The supplemental report states that debt service requirements of the Freeway Fund would not be jeopardized and currently programmed freeway projects would be completed. Other freeway projects would compete for funds on a system-wide priority basis.

Social Services. Although substantial supplemental appropriations are requested by Social and Rehabilitation Services for the Aid to Dependent Children and General Assistance Programs, no additional funding is provided. However, note is made in the Governor's Budget Report that a revised recommendation will be submitted after legislative action on gubernatorial revenue proposals.

The FY 1984 recommended Medical Assistance budget of \$228.5 million is only \$3.3 million above the current year estimate, and \$21.2 million below the agency's FY 1984 request. Major assumptions underlying the Governor's recommendation are the following:

- a. savings of \$8.4 million due to instituting hospital prospective rate setting and continued admissions screening for hospital patients;
- b. savings of \$1.8 million attributed to increasing existing co-payments and extension of co-payments to additional services;
- c. savings of \$3.9 million resulting from curtailment of medical assistance to able-bodied GA recipients as of April 1, 1983;
- d. net savings of \$1.5 million due to a reduction of approximately 500 persons receiving nursing home due to alternate care proposals and admissions screening;
- e. \$4.6 million savings due to reductions in covered procedures for optional services such as dental, pharmaceutical, and podiatry; and
- f. savings of \$3.7 million by elimination of services to the adult caretaker portion of the ADC-Medical Only Program.

As indicated above, the Governor is proposing elimination of eligibility for General Assistance for "able bodied" persons under age 51 who are not retarded, mentally ill, or substance abusers. This program change is estimated to produce an annual savings of \$10.6 million.

No funding is included in the Governor's FY 1984 budget recommendation for increasing the budget standard for determining cash assistance grants. Additionally, the budget reflects assumed savings of \$3.8 million due to proration of shelter standards (if the household is shared with persons other than the assistance group) and of \$5.1 million due to proration of the first month grant if for less than a full month.

State aid for community mental health centers is recommended in the amount of \$5.6 million (agency requested \$6.2 million) and for community mental retardation programs, \$3.5 million (request \$3.9 million). The recommended amounts would restore funding to the levels originally authorized for FY 1983 (prior to allotment). No funding is recommended for special purpose grants to community organizations.

With regard to state institutional programs, the Governor's budget recommendation proposes closure of the two existing institutional alcoholism programs. The Osawatomie program has a current capacity of 45; the Larned program, 20 patients.

Corrections. The Governor's FY 1984 budget recommendation includes \$1,670,000 (~~\$115,000~~ from the State General Fund and \$ ~~682,000~~ from the Correctional Industries Fund) to finance the first full year of a career ladder and salary enhancements for certain correctional employees. The 1982 Legislature authorized \$810,000 from the State General Fund to initiate the plan for salary enhancements

effective December 18, 1982, or the last half of FY 1983. The funds appropriated for FY 1983 and recommended for FY 1984 are contained in the budget of the Department of Corrections as a lump sum total. The Governor's recommendation indicates that all funds designated for this purpose will eventually be transferred to the appropriation accounts of the respective institutions and programs in the system.

Also contained in the Governor's FY 1984 request for the Department of Corrections is \$4,968,253 from the State General Fund for continuation of the Community Corrections program. Funding is included for the following counties or groups of counties: Shawnee, Leavenworth, Bourbon/Linn/Miami, Wyandotte, Johnson, Riley, and Sedgwick. All counties are currently receiving program grant funds except for Sedgwick, which is scheduled to receive its first program grant April 1, 1983. The Department initially requested \$5,159,125 for Community Corrections for FY 1984, assuming that Sedgwick would begin to implement its plan January 1, 1983. The Department also based its request on a factor of 20 percent for chargebacks and other savings and reduced its request accordingly. The Governor's recommendation assumes a savings factor of \_\_\_\_\_ percent.

The Governor's budget recommendation for FY 1984 provides \$775,000 from the State General Fund for movable building equipment in connection with the medium custody facilities under construction at Lansing. The equipment purchase would complete funding of Phase I of the prison construction project. The Governor's budget reflects a shift of some \$628,540 of the \$5,831,118 previously appropriated for the Educational/Recreation Building from FY 1984 to FY 1985 based on a recent update of the schedule for construction. The FY 1984 budget recommendation also contains \$682,475 for preliminary and final planning funds for Phase II of the total project, including primarily two additional 96-man dormitories, a new Administration Building, a second security tower, and site development. In anticipation of the commencement of operations for the new facilities, the Governor recommends funding for the 76 new security positions requested, but for the last month of FY 1984 instead of the last five months as the agency requested. Security personnel would utilize that final month for training and orientation. New nonsecurity positions would be deferred until FY 1985.

The Governor is recommending in his FY 1984 budget \$124,000 from the State General Fund for renovation of the second floor of "B" Building at the Correctional Institution for Women as a residential unit for female inmates. The renovation project is expected to add approximately 50 beds to the capacity of the institution. The recommendation adds \$20,000 to the amount requested by the agency for furniture and equipment that were not part of the original request. In conjunction with the renovation project, the Governor recommends funding for six new security positions. Two other requests for expansion of bedspace through construction of modular units (one at the Women's Institution and the other at the Industrial Reformatory) are not recommended.

The Governor's revised FY 1983 budget estimate is based on a systemwide average inmate population of 3,155. The FY 1984 request assumes 3,530.

Elementary and Secondary Education. The Department of Education had requested \$473.9 million from the State General Fund for FY 1984 funding of the School District Equalization Act, an increase of \$70.8 million from the appropriation made last year for FY 1983. The request would have financed budget limitations coinciding with



current statutes, or increases from 5 to 15 percent. The Governor recommends \$448.1 million for FY 1984, an amount which assumes establishment of budget limitations ranging from 104 to 108 percent. The recommendation would permit school districts an additional 1.5 percent budget increase for teachers' salaries if such salaries comprise at least the same proportion of a district's budget as in FY 1983.

Also requested by the Department was \$71.3 million from the State General Fund to finance special education excess costs. Subsequent to submission of the budget request, the Department revised its projection for FY 1984 to \$66.7 million, based on provision of \$10,902 per teaching unit and a projection of \$10.3 million for special education transportation aid. The Governor's recommendation of \$61.9 million is intended to provide categorical aid in the amount of \$9,979 per eligible teaching unit, which is the level originally estimated for the current fiscal year. Although the agency had also requested \$100,000 for FY 1984 to continue categorical grants to programs providing services to the deaf and blind, the Governor recommends elimination of such specific funding, with the assumption that regular special education categorical aid can best provide support for these programs.

The Department of Education requested new State General Fund support totaling \$4.4 million for FY 1984 to initiate a Comprehensive Teacher Development and Preparation Program focused toward improving the quality of teaching in Kansas schools. The request included state operating expenditures for support of 3.0 F.T.E. positions and contractual costs for certification test development, \$1.6 million for compensation for teachers participating on special committees assigned to monitor the professional development of first-year teachers, and \$2.5 million in State General Fund assistance to unified school districts to finance provision of inservice education programs for new and existing teachers. The Governor has recommended the requested 3.0 F.T.E. positions, contractual test development funds, and \$1,000,000 for Inservice Education Aid. No funds have been recommended for compensation of teachers serving on professional development support committees for first year teachers.

The Governor's recommendation for FY 1983 proposes certain reductions in state financial aid provided during the current fiscal year to elementary and secondary education in accordance with the January 1 allotment package. The recommended reductions include \$16,126,000 in School District Equalization Aid; \$22,800 in Bilingual Education Program Aid; \$111,600 in School Food Assistance; \$3,600 in Deaf-Blind Program Aid; \$33,073 in Vocational Education Aid to Unified School Districts; and \$5,467,294 in Special Education Services aid. The latter reduction included \$3,031,294 in anticipated transportation aid savings due to lower actual FY 1982 transportation costs than had been projected.

Postsecondary Education. The Department of Education requested \$11,000,000 from the State General Fund for FY 1984 to finance postsecondary aid for vocational education, \$5.9 million for state aid to area vocational technical schools, and \$1.5 million for AVTS capital outlay aid. Although the Governor made no recommendation for capital outlay, the FY 1984 recommendation includes \$10.5 million for postsecondary aid and \$5.8 million for the AVTS program. The recommendations are computed to provide for the impact of inflation, but recommended amounts are intended to eliminate funding for new programs. Despite the Department's request for a supplemental appropriation of \$380,000 for Postsecondary Vocational Education Aid, the Governor recommended a reduction of \$360,000 from the \$9.0 million FY 1983

appropriation for this program under the January 1 allotments. The FY 1983 recommended sum is, therefore, \$740,000 less than the amount anticipated by the agency to be necessary during the current year to finance this entitlement program to the extent allowable in current statutes. Allotment reductions recommended in FY 1983 also include \$219,314 for the AVTS Aid Program from the appropriation of nearly \$5.5 million.

The Department had requested FY 1984 State General Fund appropriations of \$18.5 million for credit hour state aid to Kansas' 19 community colleges and \$5.6 million for out-district state aid for those facilities. The requests were based upon an increase in entitlement of 50 cents per credit hour for FY 1984 pursuant to 1982 S.B. 454. The Governor recommends reductions in the requested amounts of \$177,118 for credit hour state aid and \$127,400 for out-district state aid, based on the assumption that the provision of FY 1984 state aid increases would be deferred. For FY 1983, the Governor recommends reductions of \$705,255 and \$208,692, respectively, under the January 1 allotments.

Deferral of the 50 cents per credit hour increase also has been recommended by the Governor as it applies to Washburn University aid programs. In comparison to an agency request of \$3,161,519 for credit hour aid, the Governor recommends \$3,103,573. The Department had originally requested \$438,922 for FY 1984 to finance out-district state aid entitlement for Washburn University. Reporting for the fall, 1982 semester, however, indicated that actual out-district credit hours are at a level substantially higher than projected by the university a year ago. The Governor recommends \$665,770 for FY 1984 to allow provision of out-district state aid at the FY 1983 rate per credit hour (\$21.50) for a number of out-district credit hours which is substantially higher than had been originally projected. Revision of the current year estimate of out-district hours triggered a supplemental appropriation request of \$156,110 for Washburn University out-district aid. Not only was this request not approved by the Governor, but the current approved expenditures were reduced by \$120,439 for regular credit hour aid and \$16,340 for out-district state aid under the January 1 package of allotment reductions.

Other Education. The Department of Education submitted a request for FY 1984 of \$5.2 million in new state aid earmarked to offset anticipated declines in federal assistance for compensatory education programs, pre-school handicapped education programs, adult basic education centers, vocational education programs, and school food programs. The Governor's recommended FY 1984 budget includes no new state assistance to replace federal grants. It should be noted, however, that anticipated FY 1984 reductions in federal funding levels were based upon President Reagan's budget recommendations for FY 1983. The President's budget had included a number of proposed reductions in funding levels which were not realized in Congressional approval of the December, 1982 Continuing Resolution, which establishes funding levels for most federal grants available for expenditure in Kansas during FY 1984.

The Governor does recommend continued State General Fund support for contractual agreements with state universities for coordination of various vocational organization programs for youth. The recommended level of state support for these activities \$57,800 for FY 1984, or approximately 50 percent of the total cost for the program.

Health and Environment. The Department of Health and Environment had included in its FY 1984 budget a request for a total of \$3,568,858 from the State General Fund for aid to local public health departments and other local health providers. Of the total, \$2,761,993 was requested to finance recommendations made by the Statewide Health Coordinating Council to the Governor and the 1982 Legislature for increased state assistance to local health agencies. Of the total request, the Governor has recommended \$975,224 in State General Fund assistance. The recommendation continues current levels of funding for most programs of assistance. Major changes include the provision of \$39,000 for initiation of state aid to local health agencies which perform air pollution monitoring services; \$100,000 newly recommended specifically for financing "LIVELY" programs designed to coordinate local services for the elderly; a substantially reduced level of funding for initiation of home health service agencies in the few remaining unserved areas of the state; and reduced state funding for general local health programs, more than offset by an increase of \$220,000 in federal block grant funds directed for this purpose. Reimbursement to local health departments for making consultation visits to nursing homes is recommended by the Governor for continuation, but at a reduced level of \$65,000 in comparison to annual appropriations of \$75,000 made available in prior years. The Governor's recommendation includes no funding for 1982 S.B. 758's local health formula assistance provisions.

The agency had requested \$797,000 for expansion of the Emergency Medical Services Communication System to include Region III in Southeast Kansas. The Governor's budget proposal does not include financing for this request, but does include continued support for EMS Regional Council activities initiated by the 1982 Legislature. Also requested by the Department was \$250,000 from the State General Fund to provide start-up financial support for a health maintenance organization to be established in Shawnee County. The Governor's recommendation does not include funding for this request.

The Governor has recommended elimination of the Renal Disease Program, which is currently required by law to be administered by the Secretary of Health and Environment. The agency had requested \$42,000 from the State General Fund for continuation of this program in FY 1984.

As an addendum to the FY 1984 budget request, the agency submitted proposals for a number of currently authorized fee increases and for initiation of several new fees. The Governor's budget is predicated upon adoption of a variety of revisions to the numerous fees assessed by the Department. The Governor's Budget Report notes that additional State General Fund revenues to be derived from the package of proposals will total \$1,192,950, with an additional \$228,950 to be credited to special revenue funds.

General Government. The Governor's FY 1983 recommendation for the Judicial Branch reduces expenditures by \$777,461 (2.3 percent) from the approved level. The major portion of the reduction (\$683,057) is in funding of salaries for nonjudicial personnel of the district courts. Funding requested for FY 1984 for expansion of the Court of Appeals and for additional district court judges in Johnson and Sedgwick counties is not recommended. Likewise, the Governor does not recommend funding for any additional nonjudicial staff for the district courts.

The Governor's recommendation for the Board of Indigents' Defense Services for assigned counsel is \$2,081,599. The Governor's recommendation assumes that the new board will continue to achieve economies in the cost of providing for defense of indigent offenders. The Governor's recommendation for the current fiscal year for assigned counsel is \$2,230,937.

The Governor does not recommend funding in FY 1984 for the Kansas Energy Office. The Governor proposes legislation to create the Kansas Office of Federal Energy Grants Management as an independent agency, staffed by 5.5 F.T.E. positions and headed by a federal program manager appointed by the Governor. In addition, the Governor recommends that the Kansas Corporation Commission assume total responsibility for energy emergency preparedness planning and that one position currently assigned to the Kansas Energy Office be transferred to the KCC for this purpose. Two other positions currently assigned to the Division of Architectural Services for the federally-funded Schools and Hospitals Conservation Program would be transferred to the new agency. The State Energy Conservation Program and Energy Extension Service Program, both federally funded, would also be administered by the new agency.

Several program enhancements are incorporated in the Governor's FY 1984 budget recommendation for the Department of Revenue. A State General Fund authorization of \$201,309, including funding for 11 additional positions, is provided for implementing Project Fair Share, a program directed at achieving better personal income tax compliance. An amount of \$297,361 is recommended for completion of the Kansas Business Integrated Tax System (K-BITS). Finally, an authorization of \$373,130 is provided from the Vehicle Operating Fund to begin implementation of a multi-year project to revamp current driver license and vehicle registration systems.

Though not mentioned in the Governor's Budget Report, the Governor has apparently deleted funding (approximately \$2.5 million) for materials and cost of manufacturing license plates scheduled to be issued in 1985. Presumably, the Governor will be proposing legislation postponing the required issuance of the new plates. Likewise, the Governor has not included any funding for administration and enforcement of the proposed severance tax.

The Governor's budget recommendation for the Department of Administration includes the previously noted \$425,000 reserve for developing a program of self-insuring health coverage for state employees. Another item of note is inclusion of \$450,000 for telecommunication planning. This level of funding would apparently permit development of detailed engineering plans and bid specifications for the Topeka switch. The recommended budget includes authorization of \$200,000 from an Architectural Services Fee Fund. This new fund would apparently derive revenues from a fee to be assessed on all projects designed by the Architectural Services staff of 5 percent of estimated construction cost. A significant capital improvement recommendation is the multi-year proposal totaling \$1.5 million for final planning and construction for a new capitol area heating plant.

Details of the Governor's recommendation for the State Historical Society and the new museum are not clearly identifiable in the Governor's Budget Report. The agency made a significant request for completion of the project. The \$492,077 requested for an access road to the site is included in the Governor's budget. Requests of \$512,562 for capital outlay and \$1,802,500 for materials for construction of exhibits

do not appear to be provided. An amount of \$111,796 appears to be the recommendation to provide security at the site; \$273,208 was requested by the agency.

The Governor's recommendation for the Kansas Department of Economic Development includes \$183,000 to launch a program designed to attract high technology industries to the state. This recommendation is complemented by the \$1.5 million provided by the Governor to the Board of Regents for research and development grants. Of the \$183,000 provided to KDED, \$75,000 would be committed to national advertising efforts and another \$75,000 for the Kansas Industrial Training Program targeted at high technology industries. The Governor's budget also includes \$32,192 for establishing a field office in western Kansas.

Finally, the recommended FY 1984 budget for the Attorney General includes \$103,980 and 1.5 F.T.E. positions for a new project pertaining to interstate water rights.

Agriculture/Natural Resources. The Governor's budget recommendations for the Board of Agriculture would return regulation of the meat and poultry industry to the federal government. The recommendation abolishes the Meat and Poultry Inspection Division eliminating 81.0 F.T.E. positions at a savings of \$1.1 million in State General Fund expenditures. The Governor's budget also does not provide for the agency request to resume the National Dam Safety Program with state funds, as federal funds are no longer available for the program. The budget proposed for the Division of Water Resources does contain funding to fill existing vacant positions and for contracting with engineering firms for processing audits of water rights.

The Kansas Water Office requested a total of \$79,355 from the State General Fund for FY 1984 to finance weather modification evaluation, data collection, and regulatory activities. The Governor has included no funding for weather modification in the FY 1984 budget.

The Governor's Budget Report indicates support for a proposal submitted in October, 1982, by the Kansas Water Authority which would alter the agency's present approach to water planning from an area plan perspective to development of a master water-related research and plan implementation process. No details are provided in the recommendation regarding specific budget revisions intended to support this change in approach to water planning. However, in contrast to the agency's request for 30.5 F.T.E. positions for FY 1984, the Governor has recommended a total of 23.0 F.T.E. positions. The recommendation proposes deletion of 7.5 F.T.E. existing positions, but recommends funding for a fulltime unclassified Special Projects Worker position and an additional Assistant Director position.

The Governor includes in his FY 1984 recommendations for the State Conservation Commission \$900,000 for water resources cost sharing grants. That amount is a reduction of \$350,000 from the current year appropriation. Watershed construction aid is recommended at \$500,000 for FY 1984. Again, the FY 1984 recommendation is a reduction from the current year \$675,000 appropriation.