

Approved: 2-1-96
Date

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairperson Robin Jennison at 1:30 p.m. on January 30, 1996 in Room 514-S of the Capitol.

All members were present except: Representative Edlund, excused

Committee staff present: Alan Conroy, Russell Mills, Susan Wieggers, Legislative Research Department
Jim Wilson, Revisor of Statutes
Tim Kukula, Appropriations Secretary; Todd Fertig, Administrative Aide

Conferees appearing before the committee: None

Others attending: See attached list

Representative Jennison called the meeting to order and recognized Representative Mollenkamp to give the Subcommittee report on the Department of Transportation. Representative Mollenkamp and Julian Eford of KLRD, distributed a handout explaining the subcommittee's recommendation for Fiscal Year 1997. This handout also compared the FY 1997 Budget proposal with past budgets (Attachment 1).

A motion was made by Representative Helgerson, seconded by Representative Dean, to adjust the committees FY 1997 Dept. of Transportation budget recommendation to reflect a 2% reduction of FTE employees in FY 1996.

Representative Lowther, for clarification, asked if this motion leaves the Secretary of Transportation the flexibility to reduce those 66 positions (2%) however he best see it during the balance of this fiscal year so that we start FY 1997 with the reduction of 66 FTEs. Representative Helgerson confirmed that is correct. Representative Helgerson stated that he would come back with a subsequent amendment in 1997 adding to the subcommittee report that we understand that 3% of the FTEs will be removed in FY 1997 and beginning in FY 1998 that FTEs will be 3% below where they are now.

The motion carried.

A motion was made by Representative Helgerson, seconded by Representative Reinhardt to add language stating that we anticipate the agency will reduce 3% of their FTEs during FY 1997 and that beginning in FY 1998 it should be 3% below so that next years committee will have that in their report. The motion carried.

A motion was made by Representative Mollenkamp, seconded by Representative Wilson to adopt the subcommittee report on the Department of Transportation as amended. The motion carried.

Chairman Jennison recognized Alan Conroy from KLRD to give the committee an overview of the Fiscal Year 1997 Governor's Budget Report. Conroy distributed a 25 page handout that gave various summaries of state expenditures and the plan for their financing. This data compared actual expenditures for Fiscal Year 1995, the Governor's revised estimates for Fiscal Year 1996 and the Governor's recommendations for Fiscal Year 1997 (Attachment 2).

Chairman Jennison entertained a motion by Representative Cornfield, seconded by Representative Helgerson to introduce 3 bills at the request of the Department of Corrections. The first repeals KSA 75-5228, the second repeals KSA 75-5227, and the third amends KSA 75-5275. The motion carried.

The meeting adjourned at 3:20 p.m.

The next meeting is scheduled for January 31, 1996.

KANSAS DEPARTMENT OF TRANSPORTATION

The agency has responsibility for building and maintaining transportation systems.

Subcommittee Report

Expenditure	Actual FY 95	Agency Est. FY 96	Gov. Rec. FY 96	Agency Req. FY 97	Gov. Rec. FY 97
All Funds:					
Operating Expenditures	\$ 342,661,637	\$ 436,258,772	\$ 435,019,265	\$ 460,360,992	\$ 443,864,245
Capital Improvements	406,373,467	766,034,582	765,387,294	651,180,606	648,013,953
TOTAL – Reportable	\$ 749,035,104	\$ 1,202,293,354	\$ 1,200,406,559	\$ 1,111,541,598	\$ 1,091,878,198
State General Fund:					
Operating Expenditures	\$ 10,035,538	\$ 10,406,852	\$ 10,406,852	\$ 10,406,852	\$ 10,552,548
Capital Improvements	81,451,296	84,464,994	83,198,019	92,886,000	84,362,791
TOTAL – SGF	\$ 91,486,834	\$ 94,871,846	\$ 93,604,871	\$ 103,292,852	\$ 94,915,339
Other Funds:					
Operating Expenditures	\$ 332,626,099	\$ 425,851,920	\$ 424,612,413	\$ 449,954,140	\$ 433,311,697
Capital Improvements	324,922,171	681,569,588	682,189,275	558,294,606	563,651,162
TOTAL – Other	\$ 657,548,270	\$ 1,107,421,508	\$ 1,106,801,688	\$ 1,008,248,746	\$ 996,962,859
Percentage Change:					
Total Reportable Expenditures:					
All Funds	24.5%	60.5%	60.3%	(7.5)%	(9.0)%
State General Fund	3.0	3.7	2.3	8.9	1.4
Agency Operations	\$ 171,018,559	\$ 185,585,355	\$ 183,698,560	\$ 205,787,887	\$ 188,023,791
Other Operations	578,016,545	1,016,707,999	1,016,707,559	905,753,711	903,854,407
Nonreportable Bonds	248,369,996	116,825,026	116,825,026	0	0
GRAND TOTAL	\$ 997,405,100	\$ 1,319,118,380	\$ 1,317,231,585	\$ 1,111,541,598	\$ 1,091,878,198
FTE Positions	3,304.0	3,304.5	3,304.5	3,304.5	3,304.5
Unclassified Temp. Positions	5.0	5.0	5.0	5.0	5.0
TOTAL	3,309.0	3,309.5	3,309.5	3,309.5	3,309.5

HIGHLIGHTS OF THIS BUDGET

- ▶ FY 1997 expenditures recommended by the Governor reflect a decrease from FY 1996 due to a reduction in projected spending for the Comprehensive Highway Program which in its eight year is nearing completion.
- ▶ Increased spending for Substantial Maintenance is included in FY 1996 and FY 1997.
- ▶ The last of a total of \$890 million in bond financing will be spent in FY 1996 for the Comprehensive Highway Program.

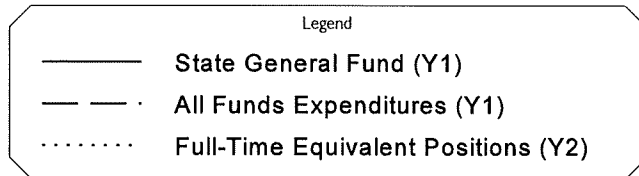
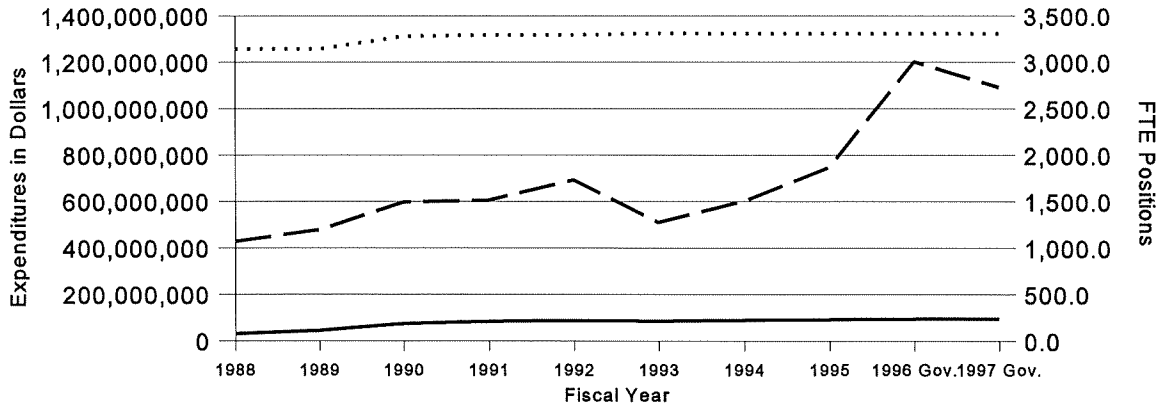
Attachment

- ▶ A reduction of 1.5 percent in one State General Fund demand transfer is recommended by the Governor in FY 1996 and an increased limitation or "cap" of 1.4 percent for both demand transfers is recommended in FY 1997.
- ▶ The Governor's recommendations maintain the number of FTE positions at 3,304.5 in FY 1996 and FY 1997.

FY 1996 -- CURRENT YEAR CHANGE FROM APPROVED BUDGET			FY 1997 -- BUDGET YEAR CHANGE FROM FY 1996			
	Agency Est.	Gov. Rec.	Dollar Change		Percent Change	
			Agency Req.	Gov. Rec.	Agency Req.	Gov. Rec.
SGF	\$ 0	\$ (1,266,975)	\$ 8,421,006	\$ 1,310,468	8.9%	1.4%
All Other Funds	55,280,312	54,660,492	(99,172,762)	(109,838,829)	(9.0)	(9.9)
TOTAL	55,280,312	53,393,517	(90,751,756)	(108,528,361)	(7.5)%	(9.0)%
FTE Positions	0.0	0.0	0.0	0.0		

BUDGET TRENDS

OPERATING EXPENDITURES FY 1988-FY 1997

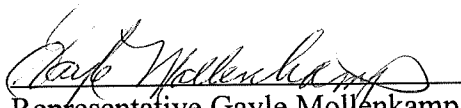



LEGISLATIVE CONSIDERATION

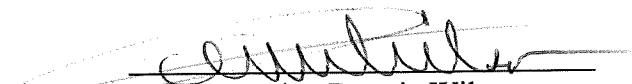
House Subcommittee Recommendation

FY 1996. The Subcommittee concurs with the Governor's recommended expenditures and transfers for the current fiscal year.

FY 1997. The Subcommittee concurs with the Governor's recommended expenditures and transfers for next fiscal year.


Representative Gayle Mollenkamp
Chairperson


Representative George Dean


Representative Dennis Wilson

Function 6--Transportation

Department of Transportation: PERFORMANCE MEASURES

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Gov. Rec.
Percentage of Kansas drivers and passengers using occupant restraint devices	54.3%	60.8%	62.1%
Percent of lane miles of roadway on the State Highway System that are repaired during the year	18.0%	17.0%	25.0%
Percentage of bridges on the state highway system that are neither functionally obsolete nor structurally deficient	75.3%	76.0%	78.0%
Percentage of roadway miles on state highway system with undesirable levels of service during peak hours of travel	4.1%	3.9%	3.7%
Percentage of state highway system miles that are classified as "good" or "acceptable"	73.1%	72.0%	72.0%

Source: The Fiscal Year 1997 Governor's Budget Report @ www.kspress.com/budget/97rec.htm

OVERVIEW OF THE FISCAL YEAR 1997 GOVERNOR'S BUDGET REPORT

In this Budget Overview, various summaries of state expenditures and the plan for their financing are reviewed. The summary data were obtained from *The FY 1997 Governor's Budget Report*. The Legislative Research Department utilizes the classification of expenditures by function of government so as to coincide with Division of the Budget and the Division of Accounts and Reports. The Department has made some changes in the classification of expenditures in order to be consistent with its prior reports to the Legislature.

The summary data in this overview compare actual expenditures for FY 1995, the Governor's revised estimates for FY 1996, and the Governor's recommendations for FY 1997. Recommendations made by the Governor pertaining to modifications in agency functions and structure are also reviewed at the close of this report.

SUMMARY OF CHANGES TO ESTIMATED FY 1996 EXPENDITURES

Based on actions of the 1995 Session of the Legislature, it was estimated by the Research Department that FY 1996 expenditures from **all funds** would total \$7.779 billion. *The Governor's Budget Report* revises the all funds FY 1996 budget to \$7.905 billion, **an increase of \$125.0 million** above the earlier estimate. Major differences from the session-end estimates and the current Governor's estimate consist of a revised capital improvement construction schedule for the Department of Transportation (an increase of \$54.7 million), and shifting of other capital improvement projects at the Regents institutions (\$21.0 million). The Governor's recommendations include reductions of \$18.6 million from all funds related to reductions in the rates paid for group health insurance benefits for state employees.

At the close of the 1995 Session, FY 1996 expenditures from the **State General Fund** were estimated to be \$3.469 billion. *The Governor's Budget Report* revises the FY 1996 General Fund budget to \$3.475 billion, a **net increase of \$5.6 million** from the earlier estimate. Major differences from the session-end estimate and the Governor's estimate consist of :

- Reductions of \$17.6 million pursuant to the **1.5 percent across-the-board reduction** announced by the Governor in September, 1995. The Governor's action exempted programs of the Board of Education (including the Schools for the Blind and Deaf), the Board of Regents and its institutions, and demand transfers that assist local governments from the reductions. 1996 S.B. 428 was introduced to lapse this funding. The recommended reductions include \$8.1 million for the Department of Social and Rehabilitation Services, \$2.6 million for the Department of Corrections (including the correctional facilities), and \$1.0 million for the Judicial Branch. The sales tax demand transfer to the State Highway Fund is reduced by \$1.27 million.
- Increased state expenditures of \$30.0 million to replace a projected shortfall in property tax collections and fully fund the school finance formula. The shortfall is the result of a federal government rule – the Real Estate Settlement Procedures Act (**RESPA**) – that changed the timing of the collection of property taxes from escrow accounts. This need for additional state funding for the school finance formula as a result of RESPA is largely offset by underspending in FY 1995 yielding a greater than anticipated beginning balance. Combined with revised estimates of greater local resources and lower than anticipated enrollments, the Governor recommends a **net supplemental appropriation of \$2.1 million**.

Overview of the FY 1997 Governor's Budget Report

1-30-96

House Appropriations

Attachment
2

- Among other recommended supplemental appropriations is: \$3.3 million for the KPERS-School Employer Contribution (Department of Education).

The following tabulation summarizes the changes to FY 1996 expenditures by major category.

	Millions	
	General Fund	All Funds
Original FY 1996 Expenditure Estimates	\$3,468.9	\$7,779.6
Revisions:		
State Operations	(16.1)	33.5
Aid to Local Units	12.1	24.7
Other Assistance	3.1	5.8
Capital Improvements	6.6	61.0
Total Revisions	\$ 5.6	\$ 125.0
Revised FY 1996 Expenditure Estimates	<u>\$3,474.5</u>	<u>\$7,904.5</u>

TOTAL STATE EXPENDITURES FOR FY 1997

Summary of Expenditures from All Funds

The Governor's recommendation for FY 1997 state expenditures from all funds totals \$7.809 billion, a **reduction of \$95.1 million** (1.2 percent) below the Governor's revised estimate for FY 1996 of \$7.905 billion. This rate of reduction contrasts with the increase of \$686.8 million, or 9.5 percent, in FY 1996 revised expenditures compared to actual expenditures for FY 1995 of \$7.218 billion.

Expenditures by Major Purpose

State Operations. Actual agency operating costs for salaries and wages, contractual services, commodities and capital outlay.

The Governor's FY 1997 recommendation for state operations increases by \$13.8 million or 0.5 percent above the revised FY 1996 amount. Of the recommended increase, \$14.7 million can be found within the Regents system, and \$8.5 million can be found within the Department of Transportation. State operations expenditures in the Human Resources function decline by \$19.3 million from FY 1996, including a reduction of \$12.5 million in the Department of Social and Rehabilitation Services, and a reduction of \$6.0 million at the state hospitals.

Aid to Local Units. Aid payments to counties, cities, school districts, and other local government entities. May be from state or federal funds.

Aid to local units declines by \$22.0 million or 0.9 percent in FY 1997. Aid to local units in the Department of Education declines by a total of \$2.4 million in FY 1997. General and supplemental state aid to local school districts from the Department of Education declines by \$13.0 million, while special education services

aid increases \$4.7 million, and inservice education declines by \$1.4 million in FY 1997. Other notable reductions in FY 1997 include \$6.1 million in the Department of Commerce and \$7.8 million in the Adjutant General related to the expenditure of federal flood relief moneys in FY 1996, and \$2.5 million in the Department of Social and Rehabilitation Services primarily associated with a shift to other assistance. State aid comprises 83.2 percent of budgeted aid to local units of government in FY 1996. A tabulation appearing later in this memorandum provides details about state aid programs.

Other Assistance, Grants, and Benefits. Payments made to or on behalf of individuals as aid, including public assistance benefits, unemployment benefits, retirement payments and tuition grants.

Other assistance increases \$61.4 million or 3.0 percent above the revised FY 1996 amount. Major increases include \$27.9 million within the Department of Social and Rehabilitation Services, \$14.0 million for Kansas Public Employees Retirement System benefit payments, \$9.8 million in KPERS-School benefit payments, and \$8.9 million in unemployment benefits in the Department of Human Resources.

Capital Improvements. Cash or debt service payments for projects involving new construction, remodeling and additions, rehabilitation and repair, razing, and the principal portion of debt service for a capital expense.

Capital improvements are estimated to decline by \$148.3 million or 17.0 percent below the FY 1996 level. The decline is attributed primarily to a reduction of \$117.4 million in Department of Transportation capital improvement construction (highway program). Other reductions include \$5.8 million in the Kansas Water Office (water storage capacity purchase in the current year), \$8.9 million at the Department of Wildlife and Parks, and \$9.1 million at the Regents institutions.

EXPENDITURES FROM ALL FUNDS BY MAJOR PURPOSE

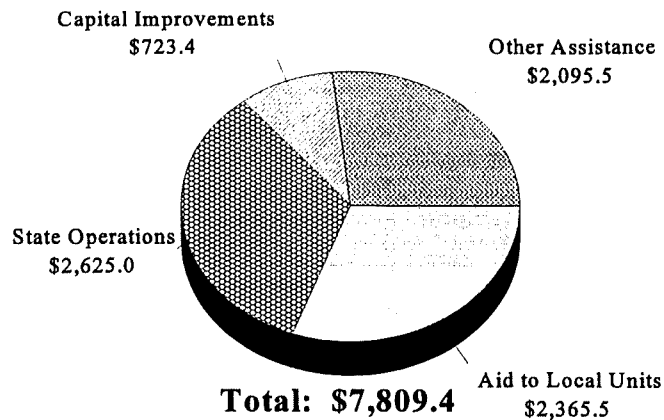
(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 95	FY 96	\$	%	FY 97	\$	%
State Operations	\$ 2,448.2	\$ 2,611.2	\$ 163.0	6.7%	\$ 2,625.0	\$ 13.8	0.5%
Aid to Local Units	2,286.0	2,387.6	101.6	4.4	2365.5	(22.0)	(0.9)
Other Assistance	1,966.0	2,034.1	68.1	3.5	2095.5	61.4	3.0
Total Operating	\$ 6,700.2	\$ 7,032.9	\$ 332.7	5.0%	\$ 7,086.0	\$ 53.1	0.8%
Capital Improve- ments	517.5	871.7	354.2	68.4	723.4	(148.3)	(17.0)
TOTAL	<u>\$ 7,217.7</u>	<u>\$ 7,904.5</u>	<u>\$ 686.8</u>	9.5%	<u>\$ 7,809.4</u>	<u>\$ (95.1)</u>	(1.2)%

Of the total budget recommendation for FY 1997, 33.6 percent is for state operations, 30.3 percent is for state aid to local units of government, 26.8 percent is for other assistance, grants, and benefits, and 9.3 percent is for capital improvements. The following pie chart displays the major categories of all funds expenditures in FY 1997.

**FY 1997 EXPENDITURES FROM ALL FUNDS
BY MAJOR PURPOSE**

(Millions of Dollars)



Expenditures by Function of Government

The following table summarizes expenditures from all funds by function of government. Functions of government reflect the six classifications into which similar agencies are grouped that share similar basic purposes of state government. The functions include: General Government; Human Resources; Education; Public Safety; Agriculture and Natural Resources; and Transportation. The education function is by far the largest component with 44.1 percent of the total. The three largest functions of government – education, human resources, and transportation – comprise 83.2 percent of the recommended expenditures for FY 1997.

**SUMMARY OF EXPENDITURES FROM ALL FUNDS
BY FUNCTION OF GOVERNMENT**

(Millions of Dollars)

Function	Actual FY 95	Est. FY 96	Change		Rec. FY 97	Change	
			\$	%		\$	%
General Government	\$ 812.6	\$ 862.9	\$ 50.3	6.2%	\$ 870.3	\$ 7.4	0.9%
Human Resources	1,876.5	1,954.5	78.0	4.2	1,965.8	11.4	0.6
Education	3,349.9	3,428.7	78.8	2.4	3,440.6	11.9	0.3
Public Safety	292.8	297.6	4.8	1.6	293.2	(4.4)	(1.5)
Agriculture/Natural Resources	136.9	160.5	23.6	17.2	147.6	(12.9)	(8.0)
Transportation	749.0	1,200.4	451.4	60.3	1,091.9	(108.5)	(9.0)
TOTAL	\$ 7,217.7	\$ 7,904.5	\$ 686.8	9.5%	\$ 7,809.4	\$ (95.1)	(1.2)%

Summary Plan for Financing

Total state expenditures are financed by the resources contained in approximately 1,300 distinct funds. The following tabulation summarizes total state expenditures by major fund class, a useful way to group similar funds in the state's accounting system. The tabulation separates the plan for financing into operating purposes and capital improvements. The General Fund operating amount shown in the table for FY 1997 is based on current resources of the Fund. The net increase in General Fund operating expenditures from FY 1996 to FY 1997 is \$55.7 million or 1.7 percent. The Governor's recommendations do, however, include both positive and negative adjustments for individual agencies.

SUMMARY OF THE PLAN FOR FINANCING STATE EXPENDITURES

(Millions of Dollars)

Fund Class	Actual FY 95	Est. FY 96	Change		Rec. FY 97	Change	
			\$	%		\$	%
Operating Expenditures:							
General Fund	\$3,213.4	\$3,375.7	\$ 162.3	5.1%	\$ 3,431.4	\$ 55.7	1.7%
Special Revenue Funds	2,286.1	2,281.6	(4.5)	(0.2)	2,235.1	(46.5)	(2.0)
Employment Security Funds	168.3	205.0	36.7	21.8	213.0	8.0	3.9
Highway Funds	331.6	423.6	92.0	27.7	432.3	8.7	2.1
Retirement Funds	354.8	383.4	28.6	8.1	408.2	24.8	6.5
All Other Funds	346.0	363.6	17.6	5.1	366.0	2.4	0.7
Total Operating	<u>\$6,700.2</u>	<u>\$7,032.9</u>	<u>\$ 332.7</u>	<u>5.0%</u>	<u>\$ 7,086.0</u>	<u>\$ 53.1</u>	<u>0.8%</u>
Capital Improvements:							
General Fund	\$ 96.4	\$ 98.9	\$ 2.5	22.3%	\$ 90.4	\$ (8.5)	(8.6)%
Highway Funds	324.0	672.4	348.4	136.0	548.8	(123.6)	(18.4)
Building Funds	33.9	41.9	8.0	40.4	32.2	(9.7)	(23.2)
All Other Funds	63.2	88.1	24.9	79.8	52.0	(36.1)	(41.0)
Total Capital Imprv.	<u>\$ 517.5</u>	<u>\$ 871.7</u>	<u>\$ 354.2</u>	<u>68.4%</u>	<u>\$ 723.4</u>	<u>\$ (148.3)</u>	<u>(17.0%)</u>
TOTAL Expenditures	<u>\$7,217.7</u>	<u>\$7,904.5</u>	<u>\$ 686.8</u>	<u>9.5%</u>	<u>\$ 7,809.4</u>	<u>\$ (95.1)</u>	<u>(1.2)%</u>

The State General Fund, to which most state tax receipts are credited, is the predominant source of financing for state expenditures. The General Fund finances 44.0 percent of estimated FY 1996 expenditures. In FY 1997, the General Fund finances 45.1 percent of the recommended expenditures.

Special revenue funds include most federal grants, students and patient fees, and other charges for benefits received. The All Other category is a combination of several fund classes, including trust and agency funds, shared tax collection funds, and enterprise funds.

Schedule 7 in *The Governor's Budget Report* (Volume 1) summarizes actual and estimated receipts of federal funds. Estimated FY 1996 receipts are \$1.647 billion, an increase of \$42.1 million or 2.6 percent from the FY 1995 actual receipts. The FY 1997 estimate of \$1.656 billion is \$9.0 million or 0.5 percent above the FY 1996 estimated receipts. Three agencies – the Department of Social and Rehabilitation Services, the Department of Transportation, and the Department of Education – account for 77.8 percent of FY 1997 estimated federal receipts.

Federal receipts for fiscal years 1996 and 1997 are dependent, of course, on future actions of the federal government. Past experience indicates that the final outcome of those actions will not be known prior to adjournment of the 1996 Legislature. Of particular importance is the ongoing discussion related to deficit reduction and a balanced budget.

Expenditures for State Operations

Expenditures for state operations, *i.e.*, for purposes other than local aid, other assistance, and capital improvements, comprise 37.0 percent of total recommended expenditures for FY 1997. The tabulation below divides state operations expenditures into four major components: salaries and wages; contractual services (communications, rent, travel); commodities (food, supplies, stationery); and capital outlay (equipment and furniture, not building and highway construction projects). The All Other category is comprised of debt service and nonexpense items.

SUMMARY OF EXPENDITURES FROM ALL FUNDS STATE OPERATIONS BY MAJOR COMPONENT

(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 95	FY 96	\$	%	FY 97	\$	%
Salaries and Wages	\$ 1,563.6	\$ 1,610.4	\$ 46.8	3.0%	\$1,634.3	\$ 23.9	1.5%
Contractual Services	506.2	567.1	60.9	12.0	551.7	(15.4)	(2.7)
Commodities	159.8	149.7	(10.1)	(6.4)	152.9	3.2	2.2
Capital Outlay	136.3	207.6	71.3	52.3	206.2	(1.4)	(0.7)
All Other	82.3	76.4	(5.9)	(7.2)	79.9	3.5	4.6
TOTAL	<u>\$ 2,448.2</u>	<u>\$ 2,611.2</u>	<u>\$163.0</u>	6.7%	<u>\$2,625.0</u>	<u>\$ 13.8</u>	0.5%

Salaries and wages expenditures, including fringe benefits, comprise almost two-thirds of the state operations budget for FY 1997 (62.3 percent) and represent a \$23.9 million or 1.5 percent increase from the FY 1996 estimate.

Salaries and wages policy recommendations incorporated into the proposed FY 1997 budget include the following:

GOVERNOR'S FY 1997 STATE EMPLOYEE SALARY ADJUSTMENTS

		Millions	
		State General Fund*	All Funds
I. Classified			
A.	Step Movement (2.5 percent to all classified employees on their anniversary of state service, assuming satisfactory performance)	\$ 6.44	\$13.00
B.	Longevity – Recommended only for those employees at the end of the pay grade or those who would otherwise experience a total salary decrease if they receive step movement without longevity (\$40 a year for each year of service for those employees that have at least ten years of service up to a maximum of 25 years). The recommendation is a reduction of approximately \$7.7 million from FY 1996.	1.39	2.80
II. Unclassified			
A.	2.5 percent Base Increase for six months for unclassified employees in the executive (including Regents unclassified) branch, and elected officials of the executive and legislative branches. The 2.5 percent base increase is recommended for the entire year for unclassified employees in the judiciary and legislative branches of government, and judges.	3.47	7.00
GRAND TOTAL		\$11.30	\$22.80

* This tabulation assumes an estimated 49.5 percent of the financing for adjustments is from the State General Fund.

Financing for all employee benefit recommendations are contained in the recommended budgets for each state agency.

Quality Improvement Initiatives

As in FY 1996, the Governor recommends that agency heads be authorized to make salary bonus payments of up to \$1,000 to permanent full-time and part-time employees who contribute to the success of Kansas Quality Management (KQM) initiatives. According to the Governor, financing for such payments would originate from budgetary savings generated by the quality initiatives. The Governor also recommends that one-half of the amount agencies save from efficiencies initiated in FY 1996 be used in FY 1997 for salary bonuses, professional development training tied to Kansas Quality Management initiatives, and technological equipment, such as computers.

At the close of FY 1995, 12 agencies with active KQM implementation plans reappropriated a total of \$2.3 million from all funding sources to FY 1996, of which \$787,947 was from the State General Fund. The majority of the State General Fund dollars were in the Department of Corrections (and its facilities) – \$474,551. The Department of Transportation also retained \$455,890 from other funds for expenditure in FY 1996.

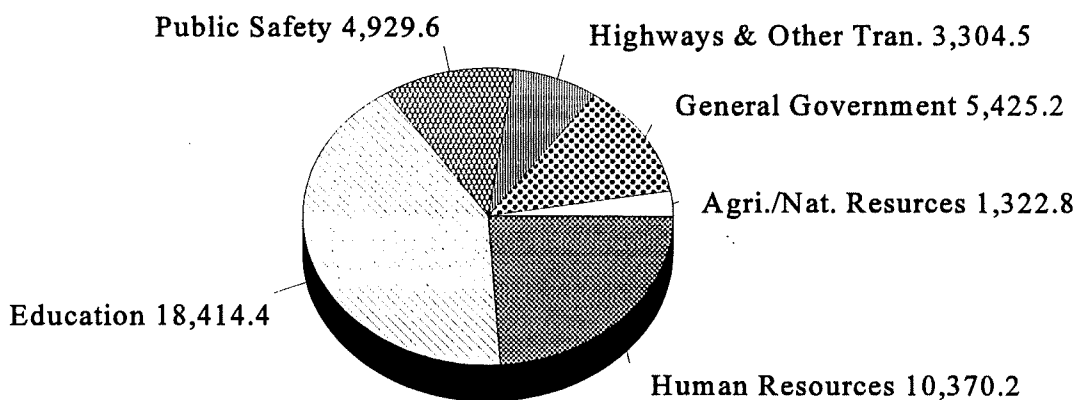
Authorized FTE Employees by Function of Government

Expenditures for salaries and wages are also affected by policy recommendations which change the size of the state's workforce. The FY 1997 budget recommendations of the Governor finance 43,766.7 full-time equivalent positions, a reduction of 323.3 or 0.7 percent from the FY 1996 recommended level of 44,090. In addition, the Governor recommends 557.2 unclassified temporary positions (formerly referred to as special project appointments) in FY 1997, a reduction of 50.7 or 8.0 percent from FY 1996. These employees are not included in the FTE limitation. The 1995 Legislature authorized the conversion of 1,096.2 special project appointments, intermittent positions, and certain classified special project appointments to FTE positions. The implementation of SHARP would have otherwise made these positions and appointments unclassified temporary positions.

The following pie chart reflects the Governor's recommended FY 1997 full-time equivalent positions by function of government.

FY 1997 FULL-TIME EQUIVALENT (FTE) POSITIONS

by Function of Government



Total FTE Positions: 43,766.7

State Workforce Reductions

The Governor's recommendations in FY 1996 and FY 1997 reduce the size of the state's workforce. In FY 1996, the Governor recommends a total workforce of 44,697.9 positions (including FTE and unclassified temporary), a reduction of 118.7 positions from the approved level. For FY 1997, the Governor recommends a total of 44,323.9 positions, a reduction of 374 positions from FY 1996. Factors contributing to the reductions in positions include:

- **Retirement Reductions.** 1993 H.B. 2211 (KSA 1995 Supp. 75-6891) established a mechanism to reduce the number of authorized FTE positions in the executive and legislative branches of government. The law requires that at least 25.0 percent of positions vacated through retirements be eliminated, with exemptions for certain direct care and correctional responsibilities. **As of December 12, 1995, a total of 192.0 FTE positions had been vacated through retirements in FY 1996. Of that number, 65.5 (34.1 percent) have not been restored. Total savings to date in FY 1996 are \$2.3 million, including \$1.2 million from the State General Fund, which the Governor has reduced from agency budgets.**
- **2 Percent and 3 Percent Reductions.** The Governor has directed that executive branch agencies reduce FTE positions by 2.0 percent in FY 1996 and an additional 3.0 percent in FY 1997. All of these reductions in FTE are not yet reflected, but will be adjusted prior to the close of the fiscal year. The Governor assumes these goals will be achieved through attrition or retirements.
- **For FY 1997,** the Governor's workforce reduction of 374 total positions includes 240 at the state hospitals for the mentally ill and developmentally disabled. The reductions are associated with downsizing of the institutions in connection with mental health and developmental disability reform.

Program or Agency Components of the FY 1997 All Funds Budget

Heretofore, this memorandum has dealt primarily with measuring **year-to-year** changes proposed in *The Governor's Budget Report*. The following tabulation pertains to **FY 1997 only** and measures major programs or agency expenditures in dollar terms and as a percent of the total budget. The budgets of the Department of Education, the Department of Social and Rehabilitation Services, and the Board of Regents and its institutions account for just under two-thirds (59.58 percent) of the total state budget.

**GOVERNOR'S RECOMMENDED
EXPENDITURES FROM ALL FUNDS, FY 1997**

By Agency or Program

	Amount (Thousands)	Percent of Total	Cumulative Percent	Percent Increase From FY 96
Department of Education	\$ 1,986,690	25.44%	25.44%	(0.1)%
Department of SRS, Except Hospitals and Youth Centers	1,425,384	18.25	43.69	0.9
Board of Regents/Institutions	1,240,850	15.89	59.58	0.7
Department of Transportation	1,091,878	13.98	73.56	(9.0)
Department of Human Resources	271,337	3.47	77.03	3.8
Nonschool Employee Pensions (KPERS)	199,068	2.55	79.58	7.5
Department of Corrections/Institutions	193,891	2.48	82.06	2.2
Local School Employee Pensions (KPERS)	185,131	2.37	84.43	5.6
Department of Health and Environment	156,201	2.00	86.43	0.3
State Hospitals	141,041	1.81	88.24	(4.4)
Kansas Lottery	128,199	1.64	89.88	4.9
State Treasurer	100,054	1.28	91.16	1.0
Insurance/Health Care Stabilization Bd. of Gov.	89,603	1.15	92.31	(3.6)
Department of Commerce and Housing, KTEC, and Kansas Inc.	88,216	1.13	93.44	(6.6)
Judicial Branch	71,541	0.92	94.36	2.7
Department of Revenue	65,541	0.84	95.20	(2.0)
Highway Patrol and KBI	50,742	0.65	95.85	(1.1)
Department of Wildlife and Parks	32,956	0.42	96.27	(19.2)
Department of Administration	24,214	0.31	96.58	(12.7)
KPERS-Operations	23,879	0.31	96.89	4.4
Youth Centers	23,307	0.30	97.19	1.7
Agriculture Department	18,838	0.24	97.43	(5.7)
Department on Aging	18,414	0.24	97.67	(9.3)
Adjutant General	18,026	0.23	97.90	(29.9)
Legislative Branch	16,094	0.21	98.11	0.5
Corporation Commission	13,620	0.17	98.28	1.7
Board of Indigents Defense Services	12,504	0.16	98.44	2.6
State Conservation Commission	11,029	0.14	98.58	2.3
Attorney General	10,990	0.14	98.72	(13.9)
Water Office	8,723	0.11	98.83	(28.8)
All Other	91,455	1.17	100.00	(8.0)
TOTAL	<u>\$ 7,809,414</u>	<u>100.00%</u>		<u>(1.2)%</u>

NOTE: Each agency's expenditures include state and federal aid, if any, to local units of government.

INCREASE (DECREASE) IN EXPENDITURES FROM ALL FUNDS

FY 1996 to FY 1997

	Amount (Thousands)	Comments
Total Decrease	\$ (95,129)	
Dept. of Transportation	(108,529)	Reduced highway program expenditures
Dept. of Wildlife and Parks	(7,833)	Capital Improvement reductions (\$8.8 million)
Adjutant General	(7,702)	Reduction in federal flood moneys
State Hospitals	(6,506)	Downsizing, Chem. Depend. and Unit closures (MH)
Dept. of Commerce and Housing, KTEC, and Kansas Inc.	(6,281)	Reduction in federal flood moneys and SKILL program (Commerce); One-time Venture Capital in FY 1996 (KTEC)
Water Office	(3,526)	Water purchase reduction
Dept. of Administration	(3,520)	Primarily a reduction in funding for SHARP and capital improvements
Insurance Dept. and Health Care Stab. Bd.	(3,326)	Workers' Comp., reduced client payments
Dept. of Education	(2,798)	Reduction in general state aid; Estimated federal fund declines
Dept. on Aging	(1,886)	Transfer of Sr. Employment Plan, Reduction in Sr. Care and Nutrition
Attorney General	(1,769)	Water litigation – reduced expenditures
Dept. of Revenue	(1,370)	Reductions in aid payments, position reductions
Dept. of Agriculture	(1,138)	Transfer of some marketing to Comm. and Housing
Highway Patrol and KBI	(582)	Increase shrinkage (KHP); Capital Outlay (KBI)
Nonschool Employee Pensions	13,956	Increased benefit payments
SRS, Except Hosp. and Yth. Ctrs.	12,188	Medical Assistance Caseloads (\$26.5 m); reductions in cash assistance and medical services
Dept. of Human Resources	9,818	Unemployment Insurance Benefits
Local School Employee Pensions	9,764	Increase in benefit payments
Bd. of Regents and Institutions	8,148	Reduction in Cap. Impmts. (\$7.1 million); State Opera- tions Increase
Kansas Lottery	5,943	Sales and prizes increase
Dept. of Corrections and Institutions	4,131	Costs associated with ADP increases and capacity expansion
Judicial Branch	1,909	State operations
State Treasurer	1,017	Demand transfer payments to local units (LAVTRF, CCRSF)
KPERS – Operations	999	Commissions for investment managers
Dept. of Health and Environment	411	Additional federal grant moneys
Youth Centers	397	Closure of Screening Units; Operating increases
Bd. of Indigent Defense Services	311	Assigned counsel; salaries and wages
Kansas Corporation Commission	228	State operations
Conservation Commission	250	State operations
Legislative Branch	75	Operating Expenditures
All Other Agencies	(7,905)	

Note: Details do not add to total decrease due to rounding.

EXPENDITURES AND STATUS OF THE STATE GENERAL FUND

Program and Agency Components of the FY 1997 General Fund Budget

The following tabulation provides an overview of the program or agency components of the Governor's FY 1997 expenditures from the State General Fund. This tabulation identifies individual components which comprise 98.7 percent of General Fund expenditures. Education and state aid account for 68.6 percent of General Fund expenditures.

STATE GENERAL FUND EXPENDITURES BY PROGRAM OR AGENCY Governor's Recommendations for FY 1997

	Amount	Percent	Cumulative	Increase Over FY 1996	
	(Thousands)	of Total	Percent	Amount (000)	Percent
Education					
State Aid to Local Units	\$ 1,744,508	49.53%	49.53%	\$ 926	0.05%
Bd. of Regents/Institutions	471,895 ^{la}	13.40	62.93	7,637	1.6
Other Education*	25,460	0.72	63.66	337	1.3
Subtotal, Education	<u>2,241,863</u>	<u>63.66</u>	<u>63.66</u>	<u>8,900</u>	<u>0.4</u>
State Aid Except Education	175,385	4.98	68.64	1,750	1.0
SRS, Except Hospitals/Youth Centers	523,194	14.85	83.49	37,195	7.7
Dept. of Corr./Institutions	158,465	4.50	87.99	5,925	3.9
Sales Tax Transfer to SHF	84,363	2.39	90.38	1,165	1.4
Judicial Branch	66,914	1.90	92.28	2,094	3.2
State Hospitals	63,234	1.80	94.08	846	1.4
Highway Patrol and KBI	32,939	0.94	95.02	366	1.1
Dept. of Revenue Operations	27,407	0.78	95.80	(864)	(3.1)
Youth Centers	22,490	0.64	96.44	485	2.2
Dept. of Administration**	21,903	0.62	97.06	(1,093)	(4.8)
Dept. of Health and Environment	18,162	0.52	97.58	(315)	(1.7)
Legislative Branch	15,962	0.45	98.03	575	3.7
Indigents Defense	12,366	0.35	98.38	324	2.7
Executive Branch Elected Officials	8,847	0.25	98.63	(684) ^{lb}	(7.2) ^{lb}
Water Office	1,229	0.03	98.66	(5,775) ^{lc}	(82.5) ^{lc}
All Other	47,050	1.34	100.00	(3,646)	(7.2)
TOTAL	<u>\$ 3,521,773</u>	<u>100.00%</u>		<u>\$ 47,248</u>	<u>1.4%</u>

* Includes Department of Education, Schools for the Blind and Deaf, State Library, Arts Commission, and Historical Society, except for state aid to local units.

** Includes Public Broadcasting, except state aid of \$0.318 million which is part of Education-State Aid.

a) Aid to Washburn University is included in state aid to local units (\$7.168 million).

b) Decrease largely due to a reduction of \$0.583 million in water litigation expenditures of the Attorney General.

c) In FY 1996, there is an expenditure of \$5.751 million for purchase of water storage; no such expenditure in FY 1997.

Note: All expenditures for each entry from SRS on down through "All Other" exclude state aid, if any.

Under education, the increase of 0.05 percent in state aid to local units includes a reduction of 1.5 percent (\$20.1 million) in the amount of state aid needed to finance basic general aid at the current year level of \$3,626 per pupil. The reduction in state resources necessary to finance basic general aid is attributable to growth in local revenues and the fact that most of the impact from the RESPA regulations will be felt in FY 1996. Overall, general and supplemental state school aid from the State General Fund decline by \$13.0 million and payments under the School District Capital Improvement Fund increase \$4.0 million in FY 1997 above the FY 1996 estimate. In addition, the budget for FY 1997 contains increases of \$4.7 million, or 2.5 percent, for special education aid.

The Governor's FY 1997 recommendation for the Department of Social and Rehabilitation Services reflects an increase of \$37.2 (excluding aid) million from the State General Fund above the FY 1996 amount. Of the total increase, \$29.6 million is for the replacement of one-time funding sources that were used to finance on-going expenses in the current year.

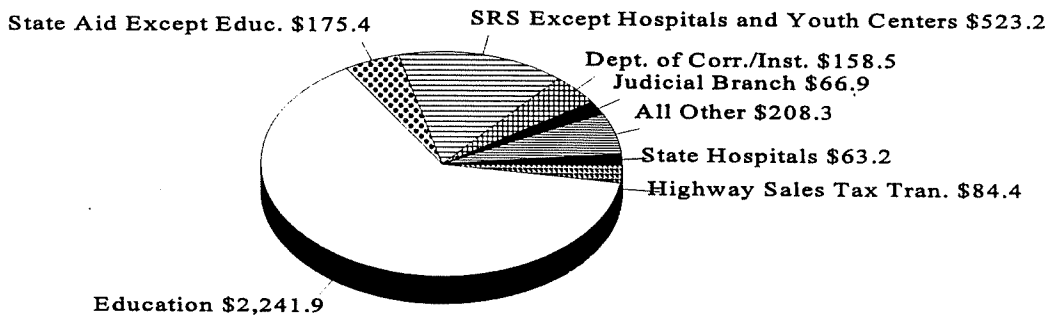
The Department of Corrections and its institutions (excluding aid) increase \$5.9 million or 3.9 percent. The increase is largely attributable to increases in the average daily population and capacity expansion projects.

The large decrease from FY 1996 in the Water Office budget reflects the one-time purchase (\$5.8 million) of water storage capacity from the federal government. The reduction of \$1.1 million (4.8 percent) in the Department of Administration is largely due to implementation of the SHARP program and associated expenses incurred in FY 1996.

The following pie chart displays the FY 1997 State General Fund expenditures by major program.

FY 1997 State General Fund Expenditures

by Major Program or Agency



Total: \$3,521.8

General Fund Expenditures by Function of Government

The next tabulation summarizes General Fund expenditures by function of government. The Governor's recommendations for the human resources function largely reflect the shift of financing from the SRS Fee Fund to the State General Fund. The large reduction in the agriculture and natural resources function (\$7.7 million or 20.2 percent) largely reflects one-time expenditures for water purchase in FY 1996 as well as a shift of certain agricultural marketing activities to the Department of Commerce.

STATE GENERAL FUND EXPENDITURES BY FUNCTION OF GOVERNMENT

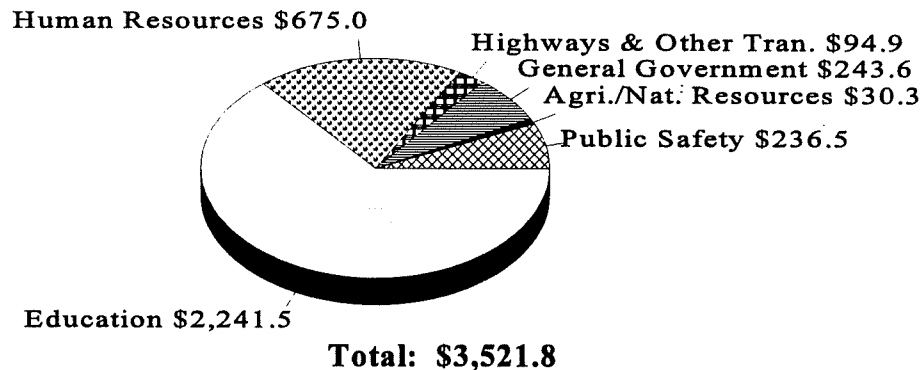
(Millions of Dollars)

Function	Actual FY 95	Est. FY 96	Change		Rec. FY 97	Change	
			\$	%		\$	%
General Government	\$ 232.8	\$ 242.6	\$ 9.8	4.2%	\$ 243.6	\$ 1.0	0.4%
Human Resources	580.3	638.1	57.8	10.0	675.0	36.9	5.8
Education	2,144.3	2,232.7	88.4	4.1	2,241.5	8.8	0.4
Public Safety	223.8	229.6	5.8	2.6	236.5	6.9	3.0
Agriculture/Natural Resources	37.2	38.0	0.8	2.2	30.3	(7.7)	(20.2)
Transportation	91.5	93.6	2.1	2.3	94.9	1.3	1.4
TOTAL	\$ 3,309.8	\$ 3,474.5	\$ 164.7	5.0%	\$ 3,521.8	\$ 47.2	1.4%

The following pie chart reflects FY 1997 General Fund expenditures by function of government.

FY 1997 STATE GENERAL FUND EXPENDITURES BY FUNCTION OF GOVERNMENT

(Millions of Dollars)



Expenditures by Major Purpose

Slightly over \$1.9 billion (54.5 percent) of recommended FY 1997 expenditures from the General Fund is paid to local units of government, 29.9 percent represents the costs of state operations, 13.0 percent is for other assistance payments, and 2.6 percent is for capital improvements. Of the \$90.4 million for capital improvements, \$84.4 million is the estimated amount of the demand transfer of General Fund sales tax receipts to the State Highway Fund.

STATE GENERAL FUND EXPENDITURES BY MAJOR PURPOSE

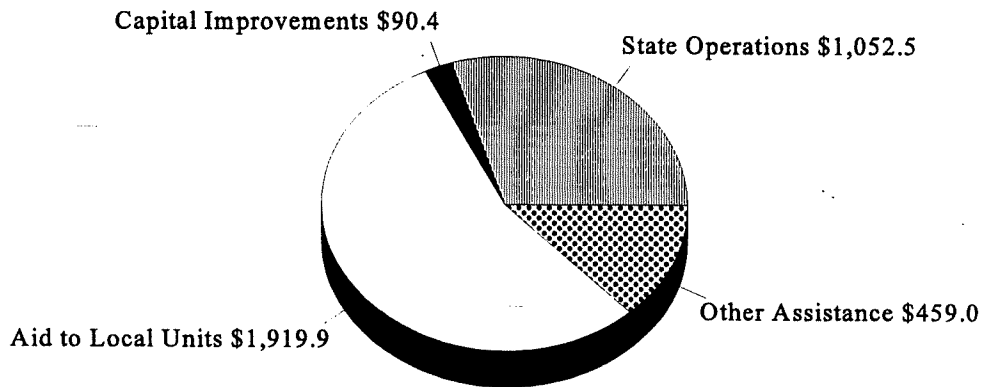
(Millions of Dollars)

	Actual FY 95	Est. FY 96	Change		Rec. FY 97	Change	
			\$	%		\$	%
State Operations	\$ 1,012.1	\$ 1,036.8	\$ 24.7	2.4%	\$1,052.5	\$ 15.7	1.5%
Aid to Local Units	1,840.3	1,917.2	76.9	4.2	1,919.9	2.7	0.1
Other Assistance	361.0	421.7	60.7	16.8	459.0	37.3	8.8
Total Operating	\$ 3,213.4	\$ 3,375.7	\$ 162.3	5.0%	\$3,431.4	\$ (55.7)	1.7%
Capital Improvements	96.4	98.9	2.4	2.5	90.4	(8.5)	(8.6)
TOTAL	\$ 3,309.8	\$ 3,474.5	\$ 164.7	5.0%	\$3,521.8	\$ 47.2	1.4%

The following pie chart displays FY 1997 General Fund expenditures by major purpose.

FY 1997 STATE GENERAL FUND EXPENDITURES BY MAJOR PURPOSE

(Millions of Dollars)



Total: \$3,521.8

State Operations by Function of Government

The following tabulations show expenditures from the State General Fund for state operations, *i.e.*, excluding state aid, other assistance, and capital improvements, by function of government.

STATE GENERAL FUND FOR STATE OPERATIONS BY FUNCTION OF GOVERNMENT

(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 95	FY 96	\$	%	FY 97	\$	%
General Government	\$ 150.0	\$ 154.7	\$ 4.7	3.1%	\$ 155.3	\$ 0.7	0.4%
Human Resources	181.8	177.2	(4.6)	(2.5)	178.3	1.1	0.6
Education	456.9	473.9	17.0	3.7	480.1	6.2	1.3
Public Safety	200.4	207.2	6.8	3.4	215.2	8.0	3.9
Agriculture/Natural Resources	23.0	23.8	0.8	3.5	23.6	(0.2)	(0.9)
Transportation	-	-	-	-	-	-	-
TOTAL	\$ 1,012.1	\$1,036.8	\$ 24.7	2.4%	\$1,052.5	\$ 15.7	1.5%

State Aid to Local Units of Government

The tabulation on the following page lists state aid by major program or financing source. Although most of the programs of state aid to local units are financed from the State General Fund, some significant ones are financed from the resources of other funds and these are also listed in the tabulation. Some programs are jointly financed from two sources or financing has shifted among sources from time to time. Federal aid is not included in this tabulation.

The tabulation reflects General Fund aid to local school districts in FY 1997 which increases \$0.8 million or 0.5 percent above the FY 1996 level. Total General Fund aid to local units in the budget year increases \$2.7 million or 0.1 percent above the current year.

STATE AID TO LOCAL UNITS OF GOVERNMENT
In Thousands

From State General Fund	FY 1992	FY 1993	FY 1994	FY 1995	Actual or Estimated FY 1996	Gov. Rec. FY 1997	Increase FY 1996-1997	
							Amount	Percent
General State Aid	\$ 526,801	\$ 922,778	\$ 1,270,277	\$ 1,297,194	\$ 1,340,178	\$ 1,320,078	\$ (20,100)	(1.5)%
Supp. General Aid	-	24,628	35,962	40,005	41,600	48,672	7,072	17.0
Income Tax Rebate ⁽¹⁾	203,901 ^(a)	-	-	-	-	-	-	-
Transportation Aid ⁽¹⁾	44,550	-	-	-	-	-	-	-
Bilingual Aid ⁽¹⁾	544	-	-	-	-	-	-	-
Ft. Leavenworth Aid ⁽¹⁾	1,608	-	-	-	-	-	-	-
Voc. Ed.-Area Sch. (Part.) ⁽¹⁾	2,028	-	-	-	-	-	-	-
Subtotal	779,432	947,406	1,306,239	1,337,198	1,381,778	1,368,750	(13,028)	(0.9)
Cap. Improve. Aid	-	4,561	7,061	10,986	16,500	20,500	4,000	24.2
KPERS-School ⁽²⁾	49,788	53,288	55,808	58,208	63,177	69,723	6,546	10.4
Special Ed.	121,078	149,026	149,026	177,289	185,816	190,516	4,700	2.5
Deaf/Blind/Hand. Child.	98	96	99	100	110	110	0	0.0
Adult Basic Ed. (USDs)	187	280	290	284	291	291	0	0.0
Food Service	2,352	2,364	2,354	2,375	2,375	2,375	0	0.0
In-Service Training	988	2,468	2,475	5,399	5,400	4,000	(1,400)	(25.9)
Parent Education	990	1,754	2,277	2,479	2,750	2,750	0	0.0
Ed. Excellence Grants	1,386	-	-	-	-	-	-	-
Juv. Detention Grants	-	-	-	1,187	2,441	2,441	0	0.0
Subtotal, USDs	956,299	1,161,243	1,525,629	1,595,505	1,660,638	1,661,456	818	0.05
Voc. Ed.-Postsecondary	13,616	20,283	16,308	17,415	17,850	17,440	(410)	(2.3)
Voc. Ed.-Area Sch. (Part.) ⁽¹⁾	5,896	-	-	-	-	-	-	-
Community Colleges	44,867	48,652	50,076	50,544	53,626	54,162	536	1.0
Adult Basic Ed. (CCs)	292	412	420	458	470	470	0	0.0
Washburn University	5,932	6,108	6,350	6,807	7,045	7,168	123	1.7
Public TV (Washburn)	121	122	121	144	248	318	70	28.2
Libraries	1,817	3,003	1,979	1,978	3,198	2,954	(244)	(7.6)
Arts Program Grants	102	3	-	-	507	541	34	6.7
Total, Education	1,028,942	1,239,826	1,600,882	1,672,851	1,743,582	1,744,508	926	0.05
Local Prop. Tax Reduc. ⁽³⁾	38,576	39,324	40,293	44,649	46,301	46,949	648	1.4
Co.-City Revenue Sharing	29,166	30,218	30,629	33,375	34,610	35,095	485	1.4
Community Corrections	8,764	10,981	11,769	16,028	15,624	16,228	604	3.9
Community Corr. Camps	1,213	1,381	1,412	1,412	1,448	1,517	69	4.8
Watershed Construction	1,558	-	359	1,373	861	895	34	3.9
Soil Conservation Dists.	-	-	-	982	1,007	1,009	2	0.2
Local Public Health	5,682	6,103	6,122	7,204	7,365	7,125	(240)	(3.3)
Aging Dept. Programs	347	704	1,119	1,272	1,371	1,288	(83)	(6.1)
Comm. Mental Health	10,033	10,256	9,949	10,033	10,033	10,033	0	0.0
Comm. Mental Retard.	5,964	5,964	5,594	5,963	5,963	5,963	0	0.0
Comm. Assnt. Grants	21,155	27,213	31,265	32,592	35,418	36,115	697	2.0
Disaster Relief/Training	308	-	235	1	1	1	0	0.0
Mtr. Carrier Tax to CCHF	9,768	9,631	9,743	10,036	10,407	10,553	146	1.4
Pres. Primary Aid	1,291	-	-	-	1,379	-	(1,379)	(100.0)
HOME Program	-	-	678	794	281	1,037	756	269.0
Corp. for Change Grants	-	-	119	247	127	121	(6)	(4.7)
Mine Shaft Capping	-	124	-	-	-	-	-	-
Juv. Intake and Assess.	-	-	-	1,456	1,439	1,456	17	1.2
Crawford Co. Flood Study	-	-	-	40	-	-	-	-
Total, Other Programs	133,825	141,899	149,286	167,457	173,635	175,385	1,750	1.0
Total, General Fund	\$ 1,162,767	\$ 1,381,725	\$ 1,750,168	\$ 1,840,308	\$ 1,917,217	\$ 1,919,893	\$ 2,676	0.1%
% of Total SGF Expend.	46.7%	51.4%	56.3%	55.6%	55.2%	54.5%		

- 1) Aid program was abolished in 1992 when the current programs for general and supplement general aids were created. The vocational education entry for USDs was for state aid paid on behalf of secondary students at area vocational schools. The new general aid program includes enrollment weightings for transportation and bilingual and vocational education, among others.
- 2) State payment of employer contribution for school employees retirement, mostly on behalf of school districts but part on behalf of community colleges and area vocational schools.
- 3) Community colleges and Washburn University share in this aid, but most goes to counties, cities, townships, and special districts. School districts do not participate.
- a) Amount actually distributed to school districts, excluding \$2.216 million that was transferred from the General Fund to the School District Income Tax Fund but returned to the General Fund as a receipt item at the end of FY 1992.

STATE AID FROM OTHER FUNDS FOR EDUCATION
In Thousands

From Other Funds	FY 1992	FY 1993	FY 1994	FY 1995	Actual or Estimated FY 1996	Govs. Rec. FY 1997	Increase FY 1996-1997	
							Amount	Percent
School Dist. Finance	\$ -	\$ 11,606	\$ 26,309	\$ 35,422	\$ 34,510	\$ 34,510	\$ 0	0.0%
Driver Safety/Training	1,396	1,492	1,465	1,481	1,510	1,510	0	0.0
Sch. Dist. Cap. Improve.	-	(71)	-	121	-	-	-	-
Co. Mineral Prod. Tax	3,086	3,231	3,481	3,007	2,223	2,282	59	2.7
Econ. Devel. Initiatives								
Ed. Excellence Grants	990	1,497	1,485	1,485	1,485	1,485	0	0.0
Voc. Ed.-Postsecondary	500	500	4,963	5,700	6,050	6,716	666	11.0
Voc. Ed.-Cap. Outlay	1,000	999	990	1,500	1,650	1,650	0	0.0
Tech. Grants-CCs/AVS	496	497	492	485	500	-	(500)	(100.0)
Libraries	-	280	1,319	1,335	251	-	(251)	(100.0)
Total	\$ 7,468	\$ 20,031	\$ 40,504	\$ 50,536	\$ 48,179	\$ 48,153	\$ (26)	(0.05)%

SELECTED NONEDUCATION STATE AID FROM OTHER FUNDS
In Thousands

From Other Funds	FY 1992	FY 1993	FY 1994	FY 1995	Actual or Estimated FY 1996	Govs. Rec. FY 1997	Increase FY 1996-1997	
							Amount	Percent
City-Co. Highway and Co. Equal. and Adj.*	\$ 96,648	\$ 105,265	\$ 112,817	\$ 113,831	\$ 115,110	\$ 115,442	\$ 332	0.3%
State Highway-City Maintenance Payments	2,165	2,143	2,169	2,168	2,240	2,240	0	0.0
Elderly/Hand. Transport.	116	240	377	986	1,049	1,000	(49)	(4.7)
Local Alcoholic Liquor	11,160	12,159	12,429	12,853	13,222	13,222	0	0.0
Firefighter's Relief	3,715	3,780	4,024	4,101	4,169	4,229	60	1.4
Co. Mineral Prod. Tax - Counties' Share	3,087	3,231	3,482	3,007	2,223	2,282	59	2.7
Econ. Devel. Initiatives - Co. Reappraisal Aid	3,000	3,000	2,780	2,933	-	-	-	-
Rental MV Excise Tax	1,253	1,409	1,582	1,752	1,700	1,700	0	0.0
Waste Tire	-	940	661	1,930	1,000	800	(200)	(20.0)

* Does not include demand transfer from the State General Fund of motor carrier property tax receipts credited to the CCHF. This transfer is counted as state aid from the SGF.

Recommended Changes in General Fund Programs

The following tabulation summarizes General Fund expenditure changes from the FY 1996 Governor's revised estimate to the Governor's recommendations for FY 1997.

INCREASE IN STATE GENERAL FUND EXPENDITURES

FY 1996 to FY 1997

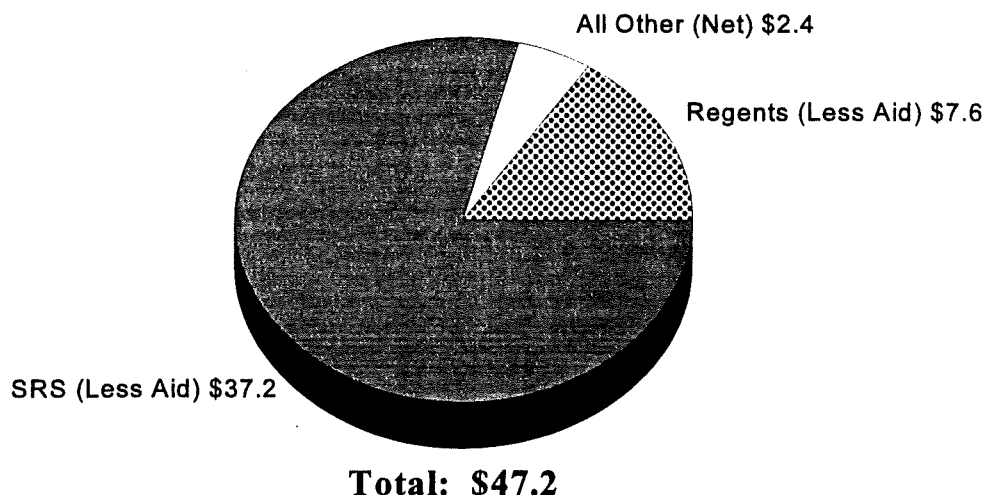
	Amount (000)	Percent of Total Increase
Total Increase	<u>\$ 47,248</u>	<u>100.0%</u>
SRS, Except Hospitals and Youth Centers*	37,195	78.7
Bd. of Regents and Institutions*	7,637	16.2
Dept. of Corrections and Institutions*	5,925	12.5
Judicial Branch*	2,094	4.4
State Aid to Local Units Except Education	1,750	3.7
Sales Tax Transfer to SHF	1,165	2.5
State Aid for Education, Total	<u>926</u>	<u>2.0</u>
Supp. General Aid	7,072	15.0
KPERs-School	6,546	13.9
Special Education	4,700	9.9
Capital Improve. Aid	4,000	8.5
Basic General Aid	(20,100)	(42.5)
Inservice Training	(1,400)	(3.0)
All Other	109	0.2
Dept. of Administration*	(1,093)	(2.3)
Water Office	(5,775)	(12.2)
All Other*	(2,576)	(5.5)

* Excludes state aid to local units of government.

The following pie chart displays the General Fund expenditure changes from FY 1996 to FY 1997. Recommended State General Fund expenditure increases include \$37.2 million (less aid) for the Department of Social and Rehabilitation Services (representing 78.7 percent of the total State General Fund increase), \$7.6 million for the Board of Regents and Regents institutions (representing 16.2 percent of the total increase), and \$5.9 million (less aid) for the Department of Corrections and correctional institutions (representing 12.5 percent of the total). State aid for education reflects a total increase of \$0.9 million (representing 2.0 percent of the total increase) including a \$20.1 million reduction in basic general aid.

STATE GENERAL FUND

Governor's Recommended Expenditure Changes FY 1996 to FY 1997 (Millions of Dollars)



DEMAND TRANSFERS FROM THE STATE GENERAL FUND

Demand transfers, certain expenditures specified by statute, are recommended by the Governor to increase by \$6.4 million in FY 1997. The Governor recommends limiting all the demand transfers to no more than a 1.4 percent increase above the prior year for FY 1997, with the exception of the School District Capital Improvement Fund. The recommendation for that fund reflects current law. The Governor's recommendation reduces the Local Ad Valorem Tax Reduction Fund, County-City Revenue Sharing Fund, City-County Highway Fund and the State Highway Fund below the amount provided by current law. Current law would require the expenditure of \$18.7 million more than is proposed in FY 1997. The demand transfer amounts for FY 1995 through the FY 1997 recommendation are reflected in the following table.

**CURRENT DEMAND TRANSFERS FROM STATE GENERAL FUND
TO OTHER STATE FUNDS**

(In Thousands)

Fund	FY 1995			FY 1996			FY 1997		
	No Law Change	Actual	Reduc.	No Law Change	Proposed or Actual	Reduc.	No Law Change	Proposed	Reduc.
State Highway	\$ 88,089	\$ 81,451	\$ 6,638	\$ 89,293	\$ 83,198	\$ 6,095	\$ 93,709	\$ 84,363	\$ 9,346
Local Ad Valorem Tax Reduction	44,649	44,649	-	47,054	46,301	753	48,620	46,949	1,671
Co.-City Revenue Sharing	33,375	33,375	-	36,070	34,610	1,460	37,117	35,095	2,022
City-Co. Highway	11,169	10,036	1,133	13,751	10,407	3,344	16,200	10,553	5,647
Water Plan	6,000	5,933	67	6,000	6,000	-	6,000	6,000	-
School Dist. Cap. Improve.	10,986	10,986	-	16,500	16,500	-	20,500	20,500	-
State Fair	146	146	-	153	153	-	120	120	-
TOTAL	\$ 194,414	\$186,576	\$ 7,838	\$ 208,821	\$197,169	\$ 11,652	\$222,266	\$ 203,580	\$ 18,686

FY 1995 – the three transfers affected were capped at 3 percent over FY 1994 actual

FY 1996 – the four transfers affected were capped at 3.7 percent over FY 1995 actual and the Governor recommends a further reduction of 1.5 percent re the transfer to the SHF

FY 1997 – the Governor recommends an increase of no more than 1.4 percent (the same as his growth rate in total SGF expenditures), except for the School District Capital Improvement Fund

Status of the State General Fund

The following tabulation summarizes the status of the State General Fund as to receipts, expenditures, and unencumbered cash balances based on the Governor's recommendation for fiscal years 1996 and 1997.

STATE GENERAL FUND RECEIPTS, EXPENDITURES, AND BALANCES

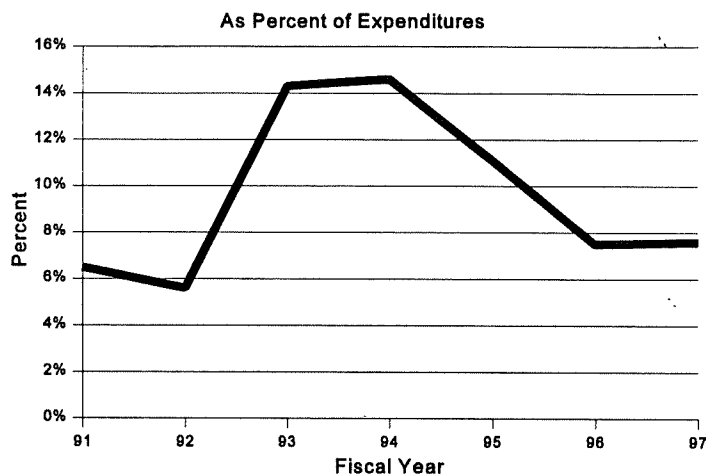
(Millions of Dollars)

	Actual FY 95	Revised FY 96	Change	Rec. FY 97	Change
Beginning Unencumbered Cash Balance	\$ 454.4	\$ 367.0	\$ (87.4)	\$ 261.6	\$ (105.4)
Released Encumbrances	3.6	1.1	(2.5)	-	(1.1)
Receipts	3,218.8	3,368.0	149.2	3,526.9	158.9
Total Resources	\$ 3,676.8	\$ 3,736.2	\$ 59.4	\$ 3,788.5	\$ 52.4
Less Expenditures	3,309.8	3,474.5	164.7	3,521.8	47.2
Ending Unencumbered Cash Balance	<u>\$ 367.0</u>	<u>\$ 261.6</u>	<u>\$ (105.4)</u>	<u>\$ 266.8</u>	<u>\$ 5.2</u>
Ending Balance as a Percentage of Expenditures	11.1%	7.5%		7.6%	
Receipts in Excess of Expenditures	\$ (91.0)	\$ (106.6)		\$ 5.1	

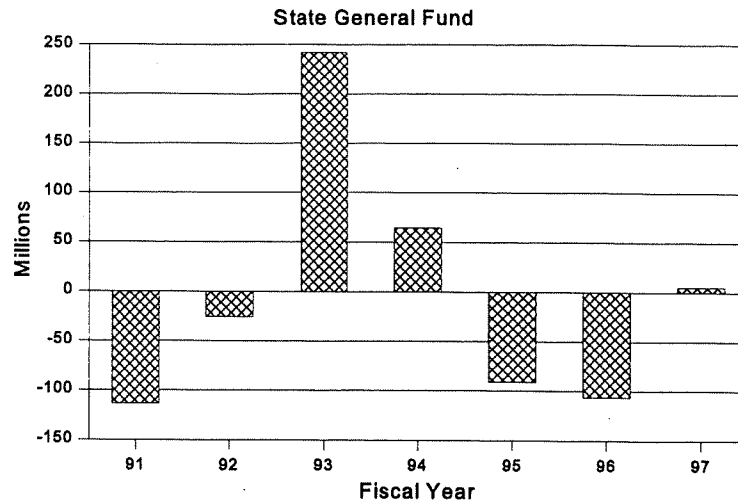
The FY 1997 General Fund ending balance as a percentage of expenditures under the Governor's recommendations would be 7.6 percent. Under K.S.A. 75-6702 and 75-6703, the targeted minimum ending balance is 7.5 percent. **Receipts for FY 1996 and FY 1997 are equal to the consensus estimates except for certain transfers recommended by the Governor which increase receipts to the State General Fund by \$1.5 million in FY 1996 and \$6.6 million in FY 1997:**

- First, the Governor recommends transferring, in **FY 1996**, the estimated amount (\$1.5 million) remaining in the Military Retirement Income Tax Refund Fund to the State General Fund after all obligations have been satisfied.
- The primary adjustment recommended by the Governor in **FY 1997** is to **accelerate the transfer** from the State Gaming Revenues Fund to the State General Fund of receipts over \$50.0 million. The Governor recommends that the transfer be made in the fiscal year in which the receipt activity occurs, rather than in the subsequent fiscal year. This recommendation will increase State General Fund receipts by \$8.8 million in FY 1997.
- Other adjustments to receipts recommended by the Governor for **FY 1997** include an increase of \$75,000 for repayment to the state for an appropriation to the Correctional Industries Fund. Negative adjustments include the transfer of \$2.0 million from the State General Fund to Pittsburg State University for construction of the technology center, and \$208,000 to hold the state building funds harmless from motor vehicle tax reductions passed by the 1995 Legislature.

State General Fund Ending Balance



Receipts in Excess of Expenditures



The General Fund profile for FY 1996 to FY 2000 at the end of this overview was included in *The Governor's Budget Report*.

FLEXIBILITY AND MANAGEMENT ISSUES

Agency Reorganizations

The Governor's FY 1997 Budget Report includes a number of recommendations to reorganize agencies, transfer programs and functions to other agencies, and abolish certain independent agencies in FY 1997. The recommendations are summarized below:

Elimination or Transfer of Existing Agency Functions

- The Governor recommends that the **Ombudsman for Corrections** be abolished and recommends that its function be transferred to the Board of Indigents' Defense Services in FY 1997. The Governor's recommendation for FY 1997 includes contractual funding of \$85,000 to support two employees of Legal Services for Prisoners, Inc., in continuing to provide ombudsman services.
- The Governor recommends that the administrative functions of the **Kansas Parole Board** be consolidated within the Department of Corrections (DOC). The recommendation eliminates the Executive Director position and transfers other

staffing to DOC. Under the Governor's recommendation, the Parole Board itself continues as an independent agency.

- The Governor recommends that funding to support the **Civil Air Patrol** be included in the budget of the Adjutant General beginning in FY 1997.

Transfer of Programs Between Agencies

- The Governor recommends the transfer of three **senior employment grants** from the Department on Aging to the **Department of Human Resources**. The recommendation transfers \$1.1 million in state and federal funds. The transferred programs include the Senior Community Employment, Older Kansans Employment, and Job Training Partnership Act grants targeted to the aging population.
- The Governor recommends that certain **agricultural market development and value added assistance** be transferred to the **Department of Commerce and Housing**. A one-stop environment for agricultural interests accessing the state's economic development programs will be created through this transfer. The programs were previously administered through the Department of Agriculture and the Kansas Value Added Center.
- The Governor recommends the **centralization of workforce development programs** previously administered by several agencies. The Governor recommends \$500,000 from the Economic Development Initiatives Fund (EDIF) in FY 1997 in the Department of Human Resources to develop a One-Stop Career Center System designed to transform these programs. *The Governor's Budget Report* anticipates that federal funding will be available to assist in this implementation.

Agency Flexibility – Appropriations Bill Changes

The Governor's FY 1997 budget recommendations for the Department of Social and Rehabilitation Services (SRS) and its state hospitals, and for the Regents institutions, include changes in the manner by which funding is appropriated to these entities:

SRS and the State Hospitals. The Governor recommends a single line-item appropriation from the State General Fund for *Mental Health and Retardation Services Aid and Assistance and State Institutions Operations*. In the past, each state hospital received a separate State General Fund appropriation. At the same time, state aid and assistance for community programs in the Mental Health and Development Disabilities division of SRS were also appropriated as a separate line-item. In past appropriations bill, the Secretary has been granted the authority to transfer State General Fund dollars between SRS and the institutions (or vice versa) *with the Governor's approval*. The Governor states that the appropriations bill is structured in this manner to "allow the agency to make the adjustments in financing institutional and community budgets to accomplish the effective transfer of clients to other facilities."

Regents Institutions. The Governor recommends that the State General Fund for each Regents institution be appropriated to each university as a single line-item appropriation. In the past, universities received separate appropriations for operating expenditures, utility expenses and other items. The Governor recommends that this funding be viewed as a "performance grant" to each institution, with the dollars used by the universities to address their highest operating priorities. The Governor also recommends unlimited reappropriation authority for the Regents institutions, allowing the institutions to retain unexpended State General Fund dollars at the close of a fiscal year for expenditure in the next year. In keeping with past practice, the Governor does not impose a position limitation on the Regents institutions.

STATE GENERAL FUND PROFILE
In Millions

2-25

	FY 1995	Increase	FY 1996	Increase	FY 1997	Increase	FY 1998	Increase	FY 1999	Increase	FY 2000	Increase
Beginning Balance	\$ 454.4		\$ 367.0		\$ 261.6		\$ 266.7		\$ 274.8		\$ 286.8	
Released Encumbrances	3.6		1.1									
Receipts ^a	3,218.8	1.4%	3,368.0	4.6%	3,526.9	4.7%	3,672.5	4.1%	3,835.9	4.4%	4,004.5	4.4%
Expenditures												
Gen. and Supp. School Aids ^b	1,337.2	\$ 31.0	1,381.8	\$ 44.6	1,368.8	\$ (13.0)	1,382.9	\$ 14.1	1,400.7	\$ 17.8	1,401.7	\$ 1.0
Demand Transfer to:												
SDCIF	11.0	3.9	16.5	5.5	20.5	4.0	22.5	2.0	24.5	2.0	25.0	0.5
SHF	81.5	2.4	83.2	1.7	84.4	1.2	87.8	3.4	91.7	3.9	95.7	4.0
LAVTRF	44.6	4.4	46.3	1.7	46.9	0.6	48.8	1.9	50.9	2.1	53.1	2.2
CCRSF	33.4	2.7	34.6	1.2	35.1	0.5	36.5	1.4	38.1	1.6	39.8	1.7
CCHF	10.0	0.3	10.4	0.4	10.6	0.2	11.0	0.4	11.5	0.5	12.0	0.5
WPF	5.9	0.2	6.0	0.1	6.0	--	6.0	--	6.0	--	6.0	--
State Fair	0.1	--	0.2	0.1	0.1	(0.1)	0.1	--	0.1	--	0.1	--
All Other Expend.	1,786.1	153.9	1,895.5	109.4	1,949.4	53.9	2,068.8	119.4	2,200.4	131.6	2,358.5	158.1
Total	3,309.8	198.8	3,474.5	164.7	3,521.8	47.3	3,664.4	142.6	3,823.9	159.5	3,991.9	168.0
Percent Increase		6.4%		5.0%		1.4%		4.0%		4.4%		4.4%
Ending Balance	367.0		261.6		266.7		274.8		286.8		299.4	
% of Expenditures	11.1%		7.5%		7.6%		7.5%		7.5%		7.5%	
Receipts in Excess of Expend.	(91.0)		(106.5)		5.1		8.1		12.0		12.6	

Demand Transfers

<p>SDCIF -- School District Capital Improvements Fund. SHF -- State Highway Fund* LAVTRF -- Local Ad Valorem Tax Reduction Fund CCRSF -- County-City Revenue Sharing Fund CCHF -- City-County Highway Fund* WPF -- Water Plan Fund*</p> <p>*For FY 1995, the SHF, CCHF, and WPF transfers were capped at 3 percent over FY 1994 actual.</p>	<p>Demand transfers for FY 1996 are capped at no greater than a 3.7 percent increase above the FY 1995 levels with the exception of the SDCIF and the State Fair; in addition, the Governor's proposed 1.5 percent reduction applies to the SHF transfer. For FYs 1997 through 2000, the demand transfers are capped at the same percentage increase as for total SGF expenditures (except SDCIF), as indicated in the Governor's profile.</p>
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- a) Receipts for FYs 1996 and 1997 reflect the November, 1995 consensus estimates as adjusted by the Governor for various transfers. The projections for FYs 1998 through 2000 are not consensus estimates of receipts but are based on an annual growth rate of 4.5 percent for total taxes and separate estimates for nontax revenue.
- b) General and supplemental school aid payments in FYs 1996 and 1997 were revised on October 30, 1995. For FYs 1998 through 2000, projections were based on \$3,626 per pupil and full funding of the correlation weighting factor added by 1995 legislation.