

Approved: 2-20-97

Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Vice-Chairperson Alicia Salisbury at 11:00 a.m. on February 14, 1997 in Room 123-S of the Capitol.

All members were present except: Senator Downey (Excused)  
Senator Lawrence (Excused)  
Senator Kerr (Excused)

Committee staff present: Alan Conroy, Legislative Research Department  
Kathy Porter, Legislative Research Department  
Mark Burenheide, Legislative Research Department  
Norman Furse, Revisor of Statutes  
Michael Corrigan, Revisor of Statutes  
Judy Bromich, Administrative Assistant  
Janet Henning, Committee Secretary

Conferees appearing before the committee: Alan Conroy, Chief Fiscal Analyst, KLRD

Others attending:

It was moved by Senator Morris and seconded by Senator Jordan that bill draft 7 RS 0714 be introduced as requested by Department of Administration. The motion was carried on a voice vote.

Alan Conroy appeared before the Committee for an overview of the *FY 1998 Governor's Budget Report (Attachment 1)*. Mr. Conroy explained to Committee members that the FY 1997 expenditures from all funds would total \$7.825 billion. The *Governor's Budget Report* revises the all fund FY 1997 budget to \$7.192 billion, an increase of \$86.7 million above the earlier estimate. Increases totaling \$35.3 million in the Regents institutions and \$35.4 million in the budget of the Department of SRS are partially offset by a reduction of \$22 million in the Department of Human Resources. Mr. Conroy explained that FY 1997 expenditures from the State General Fund were estimated to be \$3.536 billion. The Governor's Budget Report revises the FY 1997 General Fund budget to \$3.577 billion, a net increase of \$41.3 million from the earlier estimate. In response to questions, Mr. Conroy explained to Committee members there were approximately \$19 million of expenditures that agencies did not expend in FY 1996 and the appropriations language approved by the 1996 Legislature allowed them to shift (carry forward) that money to FY 1997. Based on that language in the bill, agencies are able to expend that money in FY 1997 without any further action by the 1997 Legislature. The largest single item out of that \$19 million related to the hospital closure money within SRS and is approximately \$9 million. The Governor has also identified \$17.6 million in savings for recommended reductions in the current year budget from the General Fund. Committee members were told that the Governor's recommendation for FY 1997 include \$25 million for a one-time supplementals and approximately \$14 million in additional supplementals.

Mr. Conroy informed Committee members that the Governor's recommendation for FY 1998 state expenditures from all funds totals \$7.894 billion, a reduction of \$17.4 million below the Governor's revised estimate for FY 1997 of \$7.912 billion.

Mr. Conroy told Committee members in the Governor's recommendation of the State General Fund Profile (*Attachment 2*) reflects a beginning balance for FY 1998 of \$417.5 million with receipts of \$3,755.1 million, an increase of \$139.8 million or 3.9 percent

Mr. Conroy explained to Committee members in the Governor's recommendation without school finance revenue transfer (*Attachment 3*), if the \$70 million revenue transfer did not occur, the ending balance in FY 1998 would be 9.4 percent, not 7.5 percent. The general and supplemental

CONTINUATION SHEET

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS, Room 123-S Statehouse, at 11:00 a.m. on February 14, 1997.

school aid for FY 1999 without the revenue transfer would be \$1,604.6 million instead of the \$1,534.6 million reflected in the Governor's profile for FY 1999.

Committee members were also given the current status report of expenditures from the EDIF (Attachment 4) by the Legislative Research staff.

The Chairman adjourned the meeting at 12:00 p.m.

The next meeting is scheduled for February 17, 1997.

# OVERVIEW OF THE FISCAL YEAR 1998

## 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 1998 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 1996, the Governor's revised estimates for FY 1997, and the Governor's recommendations for FY 1998. 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 1997 EXPENDITURES

Based on actions of the 1996 Session of the Legislature, it was estimated by the Research Department that FY 1997 expenditures from **all funds** would total \$7.825 billion. *The Governor's Budget Report* revises the all funds FY 1997 budget to \$7.912 billion, **an increase of \$86.7 million** above the earlier estimate. Major differences from the session-end estimate and the Governor's revised estimate include:

- Increases totaling \$35.3 million in the Regents institutions (largely from restricted use funds) and \$35.4 million in the budget of the Department of Social and Rehabilitation Services (primarily for startup costs associated with contracted foster care and adoption services) are partially offset by a reduction of \$22.0 million in the Department of Human Resources (related to reductions in unemployment insurance benefit claims).

At the close of the 1996 Session, FY 1997 expenditures from the **State General Fund** were estimated to be \$3.536 billion. *The Governor's Budget Report* revises the FY 1997 General Fund budget to \$3.577 billion, a **net increase of \$41.3 million** from the earlier estimate. Major differences from the session-end estimate and the Governor's estimate consist of:

- \$25.4 million in one-time State General Fund expenditures recommended by the Governor in FY 1997, including payments to the federal government for El Dorado State Park (\$8.2 million); funding for completion of the new Technology Center at Pittsburg State University (\$2.0 million); funding to address "Year 2000" computer issues (\$6.4 million from the State General Fund and a total of \$8.2 from all funding sources); computer upgrades needs for the Department of Administration (\$3.8 million); and funding for an optical imaging system for the Secretary of State (\$550,000).
- Other recommendations for current year supplementals from the State General Fund include funding for continued water litigation issues in the Attorney General's budget (\$598,042); additional assigned counsel expenditures for the Board of Indigents' Defense Services (\$1.0 million); and planning for inmate capacity expansion projects for the Department of Corrections (\$757,466 from the State General Fund and \$933,476 from all funding sources).

The following tabulation summarizes the changes to FY 1997 expenditures by major category.

	Millions	
	General Fund	All Funds
Original FY 1997 Expenditure Estimates	\$ 3,535.8	\$ 7,824.9
Revisions:		
State Operations	12.2	24.4
Aid to Local Units	39.5	132.4
Other Assistance	(23.2)	(69.7)
Capital Improvements	12.8	(0.4)
Total Revisions	\$ 41.3	\$ 86.7
Revised FY 1997 Expenditure Estimates	\$ 3,577.1	\$ 7,911.6

## TOTAL STATE EXPENDITURES FOR FY 1998

### Summary of Expenditures from All Funds

The Governor's recommendation for FY 1998 state expenditures from all funds totals \$7.894 billion, a **reduction of \$17.4 million** (0.2 percent) below the Governor's revised estimate for FY 1997 of \$7.912 billion. This rate of reduction contrasts with the increase of \$283.1 million, or 3.7 percent, in FY 1997 revised expenditures compared to actual expenditures for FY 1996 of \$7.629 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 1998 recommendation for state operations increases by \$49.9 million or 1.9 percent above the revised FY 1997 amount. Of the recommended increase, \$45.3 million can be found within the Regents system, and \$40.7 million can be found within the Department of Transportation. State operations expenditures in the Human Resources function decline by \$49.7 million from FY 1997, including a reduction of \$33.6 million in the Department of Social and Rehabilitation Services, and a reduction of \$29.2 million at the state hospitals. State operations expenditures increase by \$8.3 million at the Department on Aging, and by \$4.6 million in the health portion of the budget of the Department of Health Environment.

**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 increases by \$146.2 million or 5.8 percent in FY 1998. Aid to local units in the Department of Education increases by a total of \$139.3 million in FY 1998. General and supplemental state aid to local school districts from the Department of Education increases by \$117.3 million, while special education services aid increases \$10.3 million, and inservice education declines by \$1.0 million in FY 1998. Other notable reductions in FY 1997 include \$14.0 million in the Department of Commerce and Housing related to the

expenditure of federal flood relief moneys in FY 1997. 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 \$68.5 million or 3.4 percent above the revised FY 1997 amount. Major increases include \$14.3 million for Kansas Public Employees Retirement System benefit payments, \$15.0 million in KPERS-School benefit payments. An increase of \$256.3 million in the Kansas Department on Aging budget is partially offset by a reduction of \$235.1 million at SRS. This reflects the transfer of most long term care services for adults age 65 and over from SRS to the Department on Aging.

**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 \$281.9 million or 38.5 percent below the FY 1997 level. The decline is attributed primarily to a reduction of \$273.8 million in Department of Transportation capital improvement construction (highway program). Other adjustments include an increase of \$27.1 million at the Board of Regents and the Regents institutions (an increase of \$15.1 million in the budget of the Board of Regents reflects the addition of debt service principal payments for the "Crumbling Classrooms" bond issue).

#### EXPENDITURES FROM ALL FUNDS BY MAJOR PURPOSE

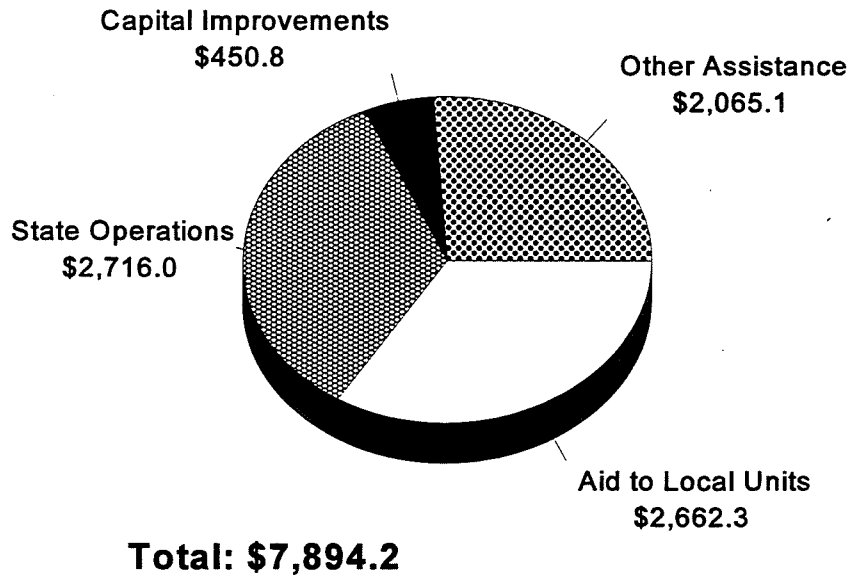
(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 96	FY 97	\$	%	FY 98	\$	%
State Operations	\$ 2,554.7	\$ 2,666.1	\$ 111.4	4.4%	\$ 2,716.0	\$ 49.9	1.9%
Aid to Local Units	2,411.7	2,516.1	104.4	4.3	2,662.3	146.2	5.8
Other Assistance	1,954.1	1,996.6	42.5	2.2	2,065.1	68.5	3.4
Total Operating	\$ 6,920.5	\$ 7,178.9	\$ 258.3	3.7	\$ 7,443.3	\$ 264.6	3.7
Capital Improvements	708.1	732.7	24.6	3.5	450.8	(281.9)	(38.5)
TOTAL	\$ 7,628.5	\$ 7,911.6	\$ 283.1	3.7%	\$ 7,894.2	\$ (17.4)	0.2%

Of the total budget recommendation for FY 1998, 34.4 percent is for state operations, 33.7 percent is for state aid to local units of government, 26.2 percent is for other assistance, grants, and benefits, and 5.7 percent is for capital improvements. The following pie chart displays the major categories of all funds expenditures in FY 1998.

**FY 1998 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 47.3 percent of the total. The three largest functions of government—education, human resources, and general government—comprise 83.3 percent of the recommended expenditures for FY 1998.

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

(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 96	FY 97	\$	%	FY 98	\$	%
General Government	\$ 843.8	\$ 893.2	\$ 49.4	5.9%	\$ 894.8	\$ 1.6	0.2%
Human Resources	1,877.2	1,947.5	70.3	3.7	1,945.3	(2.2)	(0.1)
Education	3,432.0	3,515.4	83.4	2.4	3,735.6	220.2	6.3
Public Safety	284.5	304.9	20.4	7.2	327.3	22.4	7.3
Agriculture/Natural Resources	138.7	170.7	32.0	23.1	144.9	(25.8)	(15.1)
Transportation	1,052.3	1,080.0	27.7	2.6	846.2	(233.8)	(21.6)
<b>TOTAL</b>	<b>\$ 7,628.5</b>	<b>\$ 7,911.6</b>	<b>\$ 283.1</b>	<b>3.7%</b>	<b>\$ 7,894.2</b>	<b>\$ (17.4)</b>	<b>(0.2)%</b>

**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 1998 is based on current resources of the Fund. The net increase in General Fund operating expenditures from FY 1997 to FY 1998 is \$186.1 million or 5.4 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	Est.	Change		Rec.	Change	
	FY 96	FY 97	\$	%	FY 98	\$	%
<b>Operating Expenditures:</b>							
General Fund	\$ 3,341.3	\$ 3,471.7	\$ 130.4	3.9%	\$ 3,657.8	\$ 186.1	5.4%
Special Revenue Funds	2,261.5	2,367.4	105.9	4.7	2,367.3	(0.1)	0.0
Employment Security Fund	160.9	150.0	(10.9)	(6.8)	156.0	6.0	4.0
Highway Funds	424.7	428.9	4.2	1.0	474.7	45.8	10.7
Retirement Funds	387.3	414.0	26.7	6.9	444.1	30.1	7.3
All Other Funds	345.1	346.9	1.8	0.5	343.4	(3.5)	(1.0)
Total Operating	<u>\$ 6,920.8</u>	<u>\$ 7,178.9</u>	<u>\$ 258.1</u>	3.7	<u>\$ 7,443.3</u>	<u>\$ 264.4</u>	3.7
<b>Capital Improvements:</b>							
General Fund	\$ 98.0	\$ 105.5	\$ 7.5	7.7%	\$ 95.3	\$ (10.2)	(9.7)%
Highway Funds	523.2	534.4	11.2	2.1	261.9	(272.5)	(51.0)
Building Funds	30.8	43.7	12.9	41.9	20.6	(23.1)	(52.9)
All Other Funds	56.1	49.1	(7.0)	(12.5)	73.0	23.9	48.7
Total Capital Imprv.	<u>\$ 708.1</u>	<u>\$ 732.7</u>	<u>\$ 24.6</u>	3.5	<u>\$ 450.8</u>	<u>\$ (281.9)</u>	(38.5)
TOTAL Expenditures	<u>\$ 7,628.9</u>	<u>\$ 7,911.6</u>	<u>\$ 282.8</u>	3.7%	<u>\$ 7,894.2</u>	<u>\$ (17.4)</u>	(0.2)%

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 45.2 percent of estimated FY 1997 expenditures. In FY 1998, the General Fund finances 47.5 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 1997 receipts are \$1.875 billion, an increase of \$171.0 million or 10.0 percent from the FY 1996 actual receipts. The FY 1998 estimate of \$1.882 billion is \$7.2 million or 0.4 percent above the FY 1997 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 1998 estimated federal receipts.

Federal receipts for fiscal years 1997 and 1998 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 1997 Legislature. Of particular importance is the ongoing discussion related to federal deficit reduction and a balanced federal budget.

### Expenditures for State Operations

Expenditures for state operations, *i.e.*, for purposes other than local aid, other assistance, and capital improvements, comprise 34.4 percent of total recommended expenditures for FY 1998. 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 FY 96	Est. FY 97	Change		Rec. FY 98	Change	
			\$	%		\$	%
Salaries and Wages	\$ 1,574.8	\$ 1,620.9	\$ 46.1	2.9%	\$ 1,635.8	\$ 14.9	0.9%
Contractual Services	528.9	610.6	81.7	15.4	596.1	(14.5)	(2.4)
Commodities	158.4	153.9	(4.5)	(2.8)	157.4	3.5	2.3
Capital Outlay	225.7	218.0	(7.7)	(3.4)	260.0	42.0	19.3
All Other	66.9	62.7	(4.2)	(6.3)	66.7	4.0	6.4
<b>TOTAL</b>	<u>\$ 2,554.7</u>	<u>\$ 2,666.1</u>	<u>\$ 111.4</u>	4.4%	<u>\$ 2,716.0</u>	<u>\$ 49.9</u>	1.9%

Salaries and wages expenditures, including fringe benefits, comprise almost two-thirds of the state operations budget for FY 1998 (60.2 percent) and represent a \$14.9 million or 0.9 percent increase from the FY 1997 estimate.

Salaries and wages policy recommendations incorporated into the proposed FY 1998 budget include the following:

# GOVERNOR'S FY 1998 STATE EMPLOYEE SALARY ADJUSTMENTS

		Millions	
		State General Fund	All Funds
<b>I. Classified</b>			
A.	Step Movement (2.5 percent to all classified employees on their anniversary of state service, assuming satisfactory performance)	\$ 7.6	\$ 16.8
B.	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).	0.6*	0.8*
C.	Base Salary Increase (1.0 percent to all classified employees for the entire year).	9.0	14.7
<b>II. Unclassified</b>			
A.	3.5 percent Base Increase for unclassified employees in the executive (including Regents unclassified) branch, elected officials of the executive and legislative branches, and unclassified employees in the judiciary and judges.	9.6	18.4
GRAND TOTAL		\$ 26.8	\$ 50.7

\* Amounts reflect the difference between the Governor's recommendation for FY 1998 and the amount of longevity bonus payments that are estimated to be paid in FY 1997.

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

## Kansas Quality Management Program/Savings Incentive Program

Currently, this program allows agencies participating in the Kansas Quality Management Program to keep one-half of the amount saved from the approved budgets and authorizes them to spend it in the following fiscal year in three budget areas: (1) salary bonuses of up to \$1,000 for regular, permanent employees; (2) professional development training; and (3) purchase of technology equipment. The Governor proposes five changes to this program in FY 1998:

- ◆ Eligibility would be expanded to include all state agencies, not just those participating in the Kansas Quality Management Program.
- ◆ The program would include agencies with "no-limit" accounts.
- ◆ The title of the program would be changed to the "Savings Incentive Program" to reflect the expansion.
- ◆ The appropriation bills will clarify authorization to expend for official hospitality in connection with professional development training.
- ◆ The law would be clarified to ensure that the maximum salary bonus is a net amount after tax withholdings.

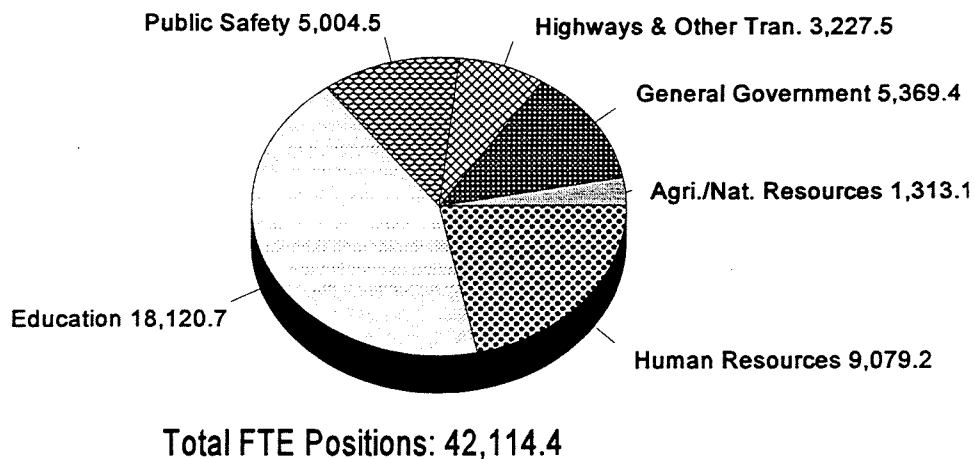
## Authorized FTE Employees by Function of Government

Expenditures for salaries and wages are also affected by policy recommendations which change the size of the state's workforce. The FY 1998 budget recommendations of the Governor finance 42,114.4 full-time equivalent positions, a reduction of 885.0 or 2.1 percent from the FY 1997 recommended level of 42,999.4. In addition, the Governor recommends 534.5 unclassified temporary positions (formerly referred to as special project appointments) in FY 1998, a reduction of 36.4 or 6.4 percent from FY 1997. These employees are not included in the FTE limitation.

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

### FY 1998 FULL-TIME EQUIVALENT (FTE) POSITIONS

#### by Function of Government



### State Workforce Reductions

The Governor's recommendations in FY 1997 and FY 1998 reduce the size of the state's workforce. In FY 1997, the Governor recommends 42,999.4 FTE positions, a reduction of 563.5 FTE positions from the approved level. For FY 1998, the Governor recommends a total of 42,114.4 FTE positions, a reduction of 885.0 FTE positions from FY 1997. Factors contributing to the reduction 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 1996, a total of 263.0 FTE positions had been vacated through retirements in FY 1997. Of that number, 65.0 (24.7 percent) have not been restored. Total savings to date in FY 1997 are \$14.1 million, including \$5.4 million from the State General Fund, which the Governor has reduced from agency budgets.**

- **2 Percent and 3 Percent Reductions.** The Governor's recommendation reflects the 3.0 percent FTE reductions requested of executive branch agencies in FY 1997. The 3.0 percent reduction is in addition to 2.0 percent reductions required during FY 1996.

## **Program or Agency Components of the FY 1998 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 1998 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 (59.8 percent) of the total state budget.

**GOVERNOR'S RECOMMENDED  
EXPENDITURES FROM ALL FUNDS, FY 1998**

**By Agency or Program**

	Amount (Thousands)	Percent of Total	Cumulative Percent	Percent Increase From FY 97
Department of Education	\$ 2,145,910	27.18%	27.18%	6.9%
Board of Regents and Institutions	1,354,525	17.16	44.34	5.50
Department of SRS, Except Hospitals and Youth Centers	1,217,555	15.42	59.77	(17.6)
Department of Transportation	846,248	10.72	70.49	(21.6)
Department on Aging	291,549	3.69	74.18	1,382.1
Nonschool Employee Pensions (KPERS)	211,305	2.68	76.86	7.8
Department of Human Resources	208,915	2.65	79.50	2.2
Local School Employee Pensions (KPERS)	208,093	2.64	82.14	7.8
Department of Corrections and Facilities	201,225	2.55	84.69	0.8
Department of Health and Environment	163,301	2.07	86.76	3.3
Kansas Lottery	129,174	1.64	88.39	2.9
State Hospitals	106,977	1.36	89.75	(21.7)
State Treasurer	102,853	1.30	91.05	2.3
Dept. of Commerce and Housing, KTEC, and Kansas, Inc.	87,831	1.11	92.16	(14.8)
Insurance Dept., and Health Care Stabilization Board of Governors	74,664	0.95	93.11	(3.7)
Department of Revenue	74,128	0.94	94.05	9.6
Judicial Branch	73,800	0.93	94.98	(1.2)
Highway Patrol and KBI	55,519	0.70	95.69	0.4
Department of Wildlife and Parks	32,837	0.42	96.10	(34.5)
Department of Administration	26,269	0.33	96.43	(28.4)
KPERS-Operations	24,702	0.31	96.75	3.3
Youth Centers	24,490	0.31	97.06	5.3
Juvenile Justice Authority	22,399	0.28	97.34	14,166.9
Department of Agriculture	20,397	0.26	97.60	(0.1)
Attorney General	17,543	0.22	97.82	18.4
Legislative Branch	16,959	0.21	98.04	3.6
Adjutant General	15,775	0.20	98.24	(6.4)
Corporation Commission	15,719	0.20	98.44	4.3
Board of Indigents' Defense Services	12,361	0.16	98.59	(7.8)
State Conservation Commission	10,425	0.13	98.72	(11.6)
Water Office	5,196	0.07	98.79	(52.4)
All Other	95,537	1.21	100.00%	(0.7)
TOTAL	<u>\$ 7,894,181</u>	100.00%		(0.2)%

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 1997 to FY 1998**

	Amount (Thousands)	Comments
Total Decrease	<u>\$ (17,397)</u>	
SRS, Except Hospitals and Youth Centers	\$ (259,951)	Transfer of long term care services to Dept. on Aging; juvenile offender services to Juvenile Justice Authority, and foster care home regulation to Dept. of Health and Environment.
Department of Transportation	(233,752)	Phase-down of the Comprehensive Highway Plan
State Hospitals	(29,754)	Hospital Closure
Department of Wildlife and Parks	(17,309)	Capital improvement reductions
Dept. of Commerce and Housing, KTEC, and Kansas, Inc.	(15,281)	Reductions in federal flood moneys
Department of Administration	(10,442)	Reduction from one-time FY 1997 expenditures
Schools for the Blind and Deaf	(3,259)	Capital Improvement reductions
Insurance Dept. and Health Care		
Stabilization Bd. of Governors	(2,274)	Reduced workers' compensation claim payments.
Sentencing Commission	(1,835)	Reduction in federal funding for the Criminal Justice Information System in FY 1997.
Corporation for Change	(1,177)	Elimination of agency.
Adjutant General	(1,077)	Reductions in federal flood moneys and capital improvements.
Bd. of Indigents' Defense Services	(1,051)	Reductions in assigned counsel expenditures.
Judicial Branch	(886)	Transfer of juvenile intake and assessment to Juvenile Justice Authority.
Secretary of State	(475)	Reduction from FY 1997 one-time expenditures.
Department on Aging	271,878	Transfer of long term care services from SRS.
Department of Education	139,005	Increases in state aid to local school districts.
Bd. of Regents and Institutions	70,201	OOE enhancement, technology equipment funding, operating expenditures.
Juvenile Justice Authority	22,241	Transfers from SRS, Judicial Branch and Dept. of Corrections.
Local School Employee Pensions	14,998	Increased benefit payments.
Nonschool Employee Pensions	14,302	Increased benefit payments.
Department of Revenue	6,483	Operating expenditures.
Homestead Property Tax Refunds	5,700	Costs related to increasing income eligibility for the homestead property tax program.
Dept. of Health and Environment	5,136	Transfer of foster care home regulation from SRS; operating expenditures.
Dept. of Human Resources	4,498	One-stop career center system expenditures; increased unemployment insurance benefits.
Kansas Lottery	3,618	Sales and prizes increase.
Attorney General	2,728	Increased expenditures from federal grants.
Dept. of Corrections and Facilities	1,613	ADP increases and capacity expansion projects
All Other Agencies	(1,275)	

**Note:** Details may not add to total decrease due to rounding.

## EXPENDITURES AND STATUS OF THE STATE GENERAL FUND

### Program and Agency Components of the FY 1998 General Fund Budget

The following tabulation provides an overview of the program or agency components of the Governor's FY 1998 expenditures from the State General Fund. This tabulation identifies individual components which comprise 98.9 percent of General Fund expenditures. Education and state aid account for approximately 71.0 percent of General Fund expenditures.

#### STATE GENERAL FUND EXPENDITURES BY PROGRAM OR AGENCY Governor's Recommendations for FY 1998

	Amount	Percent	Cumulative	Increase Over FY 1997	
	(Thousands)	of Total	Percent	Amount (000)	Percent
Education					
State Aid to Local Units	\$ 1,900,008	50.63%	50.6%	\$ 140,333	8.0%
Bd. of Regents/Institutions	504,167	13.43	64.06	28,468	6
Other Education*	27,392	0.73	64.79	1,208	4.6
Subtotal, Education	<u>2,431,567</u>	64.79	64.79	<u>169,909</u>	7.5
State Aid Except Education	230,314	6.14	70.93	10,113	2.9
SRS, Except Hospitals/Youth Centers	366,879	9.78	80.71	(127,791)	(25.8)
Dept. of Corrections/Facilities	170,621	4.55	85.26	10,630	6.6
Department on Aging	120,379	3.21	88.47	115,570	2,403.2
Sales Tax Transfer to SHF	86,472	2.30	90.77	2,109	2.5
Judicial Branch	69,509	1.85	92.62	2,179	3.2
State Hospitals	47,245	1.26	93.88	(10,624)	(18.4)
Highway Patrol and KBI	34,434	0.92	94.80	1,244	3.7
Department of Revenue Operations	28,165	0.75	95.55	1,030	3.8
Youth Centers	23,618	0.63	96.18	1,227	5.5
Department of Administration**	23,602	0.63	96.81	(9,438)	(28.6)
Dept. of Health and Environment	20,297	0.54	97.35	2,151	11.9
Legislative Branch	16,752	0.45	97.80	975	6.2
Bd. of Indigents' Defense	12,249	0.33	98.13	(1,036)	(7.8)
Juvenile Justice Authority	10,183	0.27	98.40	10,026	6,386
Dept. Of Agriculture	9,901	0.26	98.66	490	5.2
Elected Officials Operations	9,835	0.26	98.92	(255)	(2.5)
All Other	41,079	1.09	100.00%	(2,595)	(5.9)
TOTAL	<u>\$ 3,753,101</u>	<u>100.00%</u>		<u>\$ 175,958</u>	4.9%

\* 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 \$0.231 million which is part of Education-State Aid.

a) Aid to Washburn University is included in state aid to local units (\$7.455 million).

b) Reflects the transfer of most long-term care services from SRS to the Department on Aging.

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

Under education, the increase of 8.0 percent in state aid to local units includes increases of \$110.9 million in general state aid, \$6.4 million in supplemental state aid. The Governor's recommendation would increase base state aid per pupil by \$22 (from \$3,648 to \$3,670) at a cost of \$12.2 million; implement both the third and fourth year of correlation weighting in FY 1998 at an additional cost of \$9.8 million; increase the at-risk weighting factor from 5.0 percent to 6.0 percent at a cost of \$4.0 million; and reduce property taxes for school districts from 33 to 29 mills, at a cost of \$40.5 million.

The Governor's FY 1998 recommendation for the Department of Social and Rehabilitation Services is a reduction of \$127.8 million, and reflects several programmatic transfers, including the transfer of services for juvenile offenders to the new Juvenile Justice Authority, the transfer of most long-term care services for individuals 65 years of age and older to the Department on Aging and the transfer of the responsibility for the licensure and regulation of foster care homes to the Department of Health and Environment.

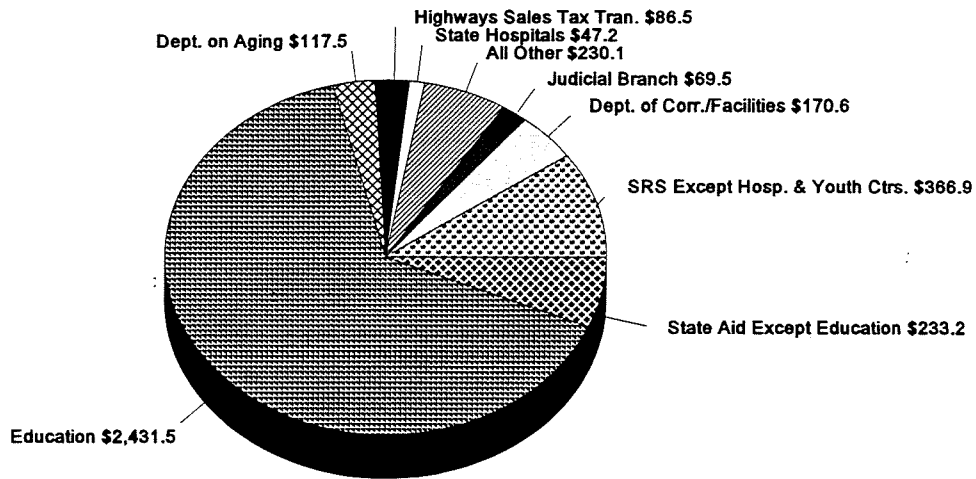
The Department of Corrections and its institutions (excluding aid) increase \$10.3 million or 6.6 percent. The increase is largely attributable to increases in the average daily population and capacity expansion projects.

The Governor's FY 1998 recommendation for the Board of Regents and the Regents institutions totals \$28.5 million, including a 2.0 percent other operating costs increase (\$2.3 million) and \$7.5 million in technology equipment funding for the institutions.

The following pie chart displays the FY 1998 State General Fund expenditures by major program.

### FY 1998 State General Fund Expenditures by Major Program or Agency

(Millions of Dollars)



**Total: \$3,753.1**

1-14



## General Fund Expenditures by Function of Government

The next tabulation summarizes General Fund expenditures by function of government. The increases in education are largely related to the local aid increases and the increases at the Regents institutions which have previously been discussed. The large increase in public safety reflects the first full year of funding for the new Juvenile Justice Authority, which includes transfers from the Department of Social and Rehabilitation Services (\$10.3 million SGF), the Judicial Branch (\$4.2 million), and the Department of Corrections (\$3.5 million).

### STATE GENERAL FUND EXPENDITURES BY FUNCTION OF GOVERNMENT

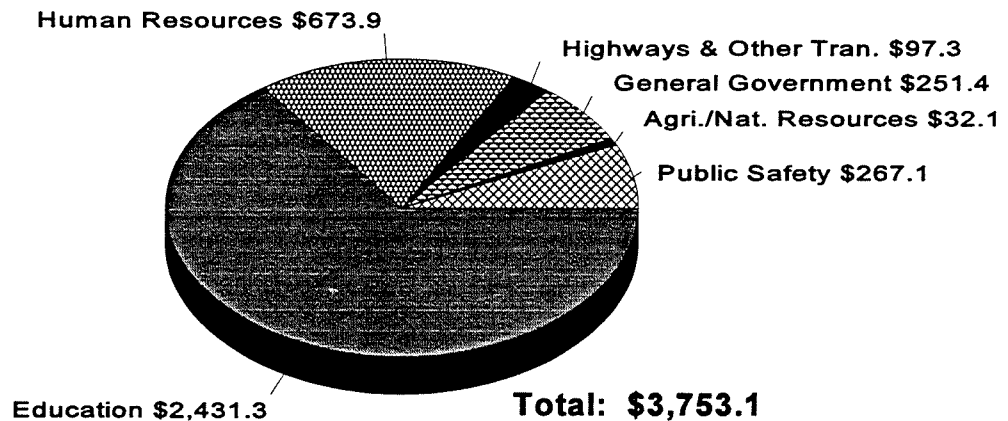
(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 96	FY 97	\$	%	FY 98	\$	%
General Government	\$ 239.2	\$ 258.6	\$ 19.4	8.1%	\$ 251.4	\$ (7.2)	(2.8)%
Human Resources	626.5	683.5	57.0	9.1	673.9	(9.6)	(1.4)
Education	2,214.8	2,261.2	46.4	2.1	2,431.3	170.1	7.5
Public Safety	227.9	239.7	11.8	5.2	267.1	27.4	11.4
Agriculture/Natural Resources	37.3	39.3	2.0	5.4	32.1	(7.2)	(18.3)
Transportation	93.6	94.9	1.3	1.4	97.3	2.4	2.5
<b>TOTAL</b>	<b>\$ 3,439.3</b>	<b>\$ 3,577.1</b>	<b>\$ 137.8</b>	<b>4.0%</b>	<b>\$ 3,753.1</b>	<b>\$ 176.0</b>	<b>4.9%</b>

The following pie chart reflects FY 1998 General Fund expenditures by function of government.

### FY 1998 STATE GENERAL FUND EXPENDITURES BY FUNCTION OF GOVERNMENT

(Millions of Dollars)



## Expenditures by Major Purpose

Slightly over \$2.1 billion (56.8 percent) of recommended FY 1998 expenditures from the General Fund is paid to local units of government, 29.1 percent represents the costs of state operations, 11.6 percent is for other assistance payments, and 2.5 percent is for capital improvements. Of the \$95.3 million for capital improvements, \$86.5 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

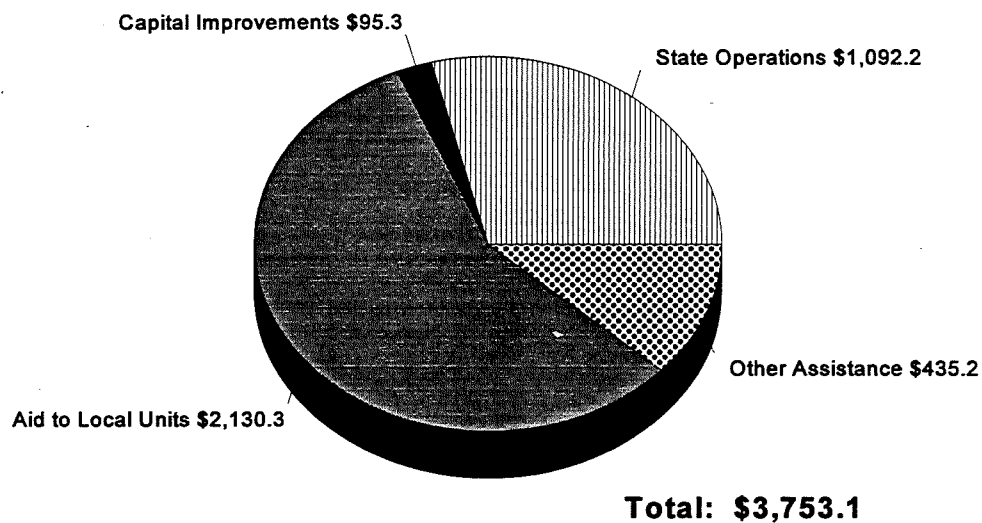
(Millions of Dollars)

	Actual	Est.	Change		Rec.	Change	
	FY 96	FY 97	\$	%	FY 98	\$	%
State Operations	\$ 1,027.3	\$ 1,063.5	\$ 36.2	3.5%	\$ 1,092.2	\$ 28.7	2.7%
Aid to Local Units	1,922.7	1,979.9	57.2	3.0	2,130.3	150.4	8.0
Other Assistance	391.3	428.2	36.9	9.4	435.2	7.0	1.6
Total Operating	\$ 3,341.3	\$ 3,471.6	\$ 130.3	3.9	\$ 3,657.8	\$ 186.2	5.4
Capital Improvements	98.0	105.5	7.5	7.7	95.3	(10.2)	(9.7)
<b>TOTAL</b>	<b>\$ 3,439.3</b>	<b>\$ 3,577.1</b>	<b>\$ 137.8</b>	<b>4.0%</b>	<b>\$ 3,753.1</b>	<b>\$ 176.0</b>	<b>4.9%</b>

The following pie chart displays FY 1998 General Fund expenditures by major purpose.

### FY 1998 STATE GENERAL FUND EXPENDITURES BY MAJOR PURPOSE

(Millions of Dollars)



## 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 96	FY 97	\$	%	FY 98	\$	%
General Government	\$ 239.2	\$ 258.6	\$ 19.4	8.1%	\$ 251.4	\$ (7.2)	(2.8)%
Human Resources	626.5	683.5	57.0	9.1	673.9	(9.6)	(1.4)
Education	2,214.8	2,261.2	46.4	2.1	2,431.3	170.1	7.5
Public Safety	227.9	239.7	11.8	5.2	267.1	27.4	11.4
Agriculture/Natural Resources	37.3	39.3	2.0	5.4	32.1	(7.2)	(18.3)
Transportation	93.6	94.9	1.3	1.4	97.3	2.4	2.5
<b>TOTAL</b>	<b>\$ 3,439.3</b>	<b>\$ 3,577.1</b>	<b>\$ 137.8</b>	<b>4.0%</b>	<b>\$ 3,753.1</b>	<b>\$ 176.0</b>	<b>4.9%</b>

## 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 1998 which increases \$137.0 million or 8.2 percent above the FY 1997 level. Total General Fund aid to local units in the budget year increases \$150.4 million or 8.0 percent above the current year.

**STATE AID TO LOCAL UNITS OF GOVERNMENT**  
In Thousands

From State General Fund	FY 1993	FY 1994	FY 1995	Actual FY 1996	Gov. Rec. FY 1997	Gov. Rec. FY 1998	Increase FY 1997-1998	
							Amount	Percent
General State Aid	\$ 922,778	\$ 1,270,277	\$ 1,297,194	\$ 1,329,362	\$ 1,341,260	\$ 1,452,147	\$ 110,887	8.3%
Supp. General Aid	24,628	35,962	40,005	41,008	45,700	52,089	6,389	14.0
Subtotal	947,406	1,306,239	1,337,198	1,370,370	1,386,960	1,504,236	117,276	8.5
Cap. Improve. Aid	4,561	7,061	10,986	15,611	17,000	19,000	2,000	11.8
KPERS-School <sup>1,2</sup>	53,288	55,808	58,208	62,708	69,723	76,616	6,893	9.9
Special Ed.	149,026	149,026	177,289	185,815	190,516	200,849	10,333	5.4
Deaf/Blind/Hand. Child.	96	99	100	110	110	110	-	-
Adult Basic Ed. (USDs)	280	290	284	279	285	315	30	10.5
Food Service	2,364	2,354	2,375	2,373	2,373	2,373	-	-
In-Service Training	2,468	2,475	5,399	5,535	4,000	3,000	(1,000)	(25.0)
Parent Education	1,754	2,277	2,479	2,695	2,750	2,750	-	-
Ed. Excellence Grants	-	-	-	-	-	1,485	1,485	100.0
Juv. Detention Grants	-	-	1,187	1,906	2,712	2,712	-	-
Subtotal, USDs	1,161,243	1,525,629	1,595,505	1,647,402	1,676,429	1,813,446	137,017	8.2%
Voc. Ed.-Postsecondary	20,283	16,308	17,415	17,850	17,440	18,406	966	5.5
Community Colleges	48,652	50,076	50,544	53,023	54,162	56,326	2,164	4.0
Adult Basic Ed. (CCs)	412	420	458	479	490	545	55	11.2
Washburn University	6,108	6,350	6,807	7,045	7,168	7,455	287	4.0
Public TV (Washburn)	122	121	144	385	327	231	(96)	(29.4)
Libraries	3,003	1,979	1,978	3,100	3,032	2,960	(72)	(2.4)
Arts Program Grants	3	-	-	80	567	581	14	2.5
Total, Education	1,239,826	1,600,882	1,672,851	1,729,364	1,759,615	1,899,950	140,335	8.0%
Local Prop. Tax Reduc. <sup>1,2</sup>	39,324	40,293	44,649	46,301	46,949	48,123	1,174	2.5
Co.-City Revenue Sharing	30,218	30,629	33,375	34,610	35,095	35,972	877	2.5
Community Corrections	10,981	11,461	12,779	12,062	13,042	13,419	377	2.9
Juv. Comm. Corrections	-	308	3,249	3,562	3,386	3,485	99	2.9
Community Corr. Camps	1,381	1,412	1,412	1,448	1,517	1,592	75	4.9
Watershed Construction	-	359	1,373	881	1,060	800	(260)	(24.5)
Soil Conservation Dists.	-	-	982	1,006	1,009	1,017	8	0.8
Local Public Health	6,103	6,122	5,211	5,351	7,184	7,184	-	-
Aging Dept. Programs	704	1,119	1,272	1,056	1,364	1,632	268	19.6
Comm. Mental Health	10,256	9,949	10,033	10,033	10,033	10,033	-	-
Comm. Mental Retard.	5,964	5,594	5,963	5,963	5,963	5,963	-	-
Comm. Assnt. Grants	27,213	31,265	32,592	58,669	78,884	85,085	6,201	7.9
Disaster Relief/Training	-	235	1	7	101	22	(79)	(78.2)
Mtr. Carrier Tax to CCHF	9,631	9,743	10,036	10,407	10,553	10,816	263	2.5
HOME Program	-	678	794	281	1,037	1,037	-	-
Corp. for Change Grants	-	119	247	125	171	0	(171)	(100.0)
Mine Shaft Capping	124	-	-	-	-	-	-	-
Juv. Intake and Assess.	-	-	1,456	1,059	2,843	4,124	1,281	(45.1)
Crawford Co. Flood Study	-	-	40	-	-	-	-	-
Voter Registration Aid	-	-	-	400	-	-	-	-
Firefighter Certification	-	-	-	-	10	10	-	-
Total, Other Programs	141,899	149,286	165,464	193,221	220,201	230,314	10,113	2.9%
Total, General Fund	\$ 1,381,725	\$ 1,750,168	\$ 1,838,315	\$ 1,922,585	\$ 1,979,816	\$ 2,130,264	\$ 150,448	8.0%
% of Total SGF Expend.	51.4%	56.3%	55.5%	55.9%	55.3%	56.8%		

- 1) 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.
- 2) Community colleges and Washburn University share in this aid, but most goes to counties, cities, townships, and special districts. School districts do not participate.

**STATE AID FROM OTHER FUNDS FOR EDUCATION**  
In Thousands

From Other Funds	FY 1993	FY 1994	FY 1995	Actual FY 1996	Govs. Rec. FY 1997	Govs. Rec. FY 1997	Increase FY 1997-1998	
							Amount	Percent
School Dist. Finance	\$ 11,606	\$ 26,309	\$ 35,422	\$ 34,976	\$ 31,200	\$ 19,904	\$ (11,296)	(36.2)%
Driver Safety/Training	1,492	1,465	1,481	1,425	1,430	1,430	-	-
Sch. Dist. Cap. Improve.	(71)	-	121	-	-	-	-	-
Co. Mineral Prod. Tax	3,231	3,481	3,007	2,222	2,222	2,222	-	-
Econ. Devel. Initiatives								
Ed. Excellence Grants	1,497	1,485	1,485	1,485	1,485	0	(1,485)	(100.0)
Voc. Ed.-Postsecondary	500	4,963	5,700	6,050	6,049	6,716	667	11.0
Voc. Ed.-Cap. Outlay	999	990	1,500	1,650	1,650	2,000	350	21.2
Tech. Grants-CCs/AVS	497	492	485	499	200	200	-	-
Libraries	280	1,319	1,335	251	-	-	-	-
<b>Total</b>	<b>\$ 20,031</b>	<b>\$ 40,504</b>	<b>\$ 50,536</b>	<b>\$ 48,558</b>	<b>\$ 44,236</b>	<b>\$ 32,472</b>	<b>\$ (11,764)</b>	<b>(26.6)%</b>

**SELECTED NONEDUCATION STATE AID FROM OTHER FUNDS**  
In Thousands

From Other Funds	FY 1993	FY 1994	FY 1995	Actual FY 1996	Govs. Rec. FY 1997	Govs. Rec. FY 1998	Increase FY 1997-1998	
							Amount	Percent
City-Co. Highway and Co. Equal. and Adj.*	\$105,265	\$ 112,817	\$ 113,831	\$ 116,948	\$ 117,100	\$ 117,136	\$ 36	0.0%
State Highway-City Maintenance Payments	2,143	2,169	2,168	2,137	2,240	2,240	-	-
Elderly/Hand. Transport.	240	377	986	1,074	1,000	1,000	-	-
Local Alcoholic Liquor	12,159	12,429	12,853	13,259	13,240	13,640	400	3.0
Firefighter's Relief	3,780	4,024	4,101	4,359	4,403	4,447	44	1.0
Co. Mineral Prod. Tax - Counties' Share	3,231	3,482	3,007	2,293	2,245	2,250	5	0.2
Econ. Devel. Initiatives - Co. Reappraisal Aid	3,000	2,780	2,696	-	-	-	-	-
Rental MV Excise Tax	1,409	1,582	1,752	1,882	1,800	1,800	-	-
Waste Tire	940	661	1,703	837	775	750	(25)	(3.2)

\* 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 1997 Governor's revised estimate to the Governor's recommendations for FY 1998.

**INCREASE IN STATE GENERAL FUND EXPENDITURES**

**FY 1997 to FY 1998**

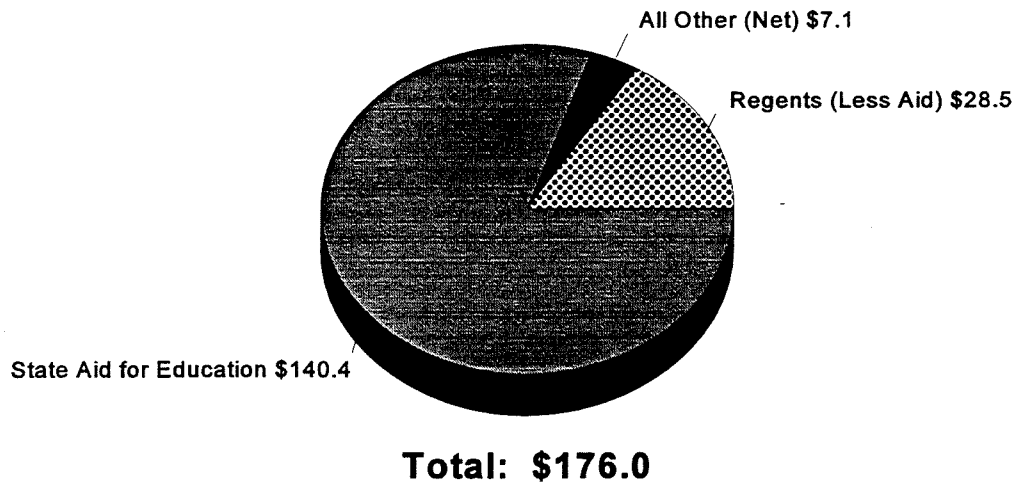
	<u>Amount (000)</u>	<u>Percent of Total Increase</u>
Total Increase	\$ 175,958	100.0
State Aid for Education, Total	<u>140,433</u>	<u>79.8</u>
Basic General Aid	110,887	63.0
Special Education	10,334	5.9
KPERS-School	6,893	3.9
Supp. General Aid	6,389	3.6
Capital Improvement Aid	2,000	1.1
Inservice Training	(1,000)	(0.6)
All Other	4,930	2.8
Department on Aging	112,648	64.0
Board of Regents Institutions*	28,467	16.2
State Aid to Local Units Except Education	12,979	7.4
Department of Corrections and Facilities*	10,630	6.0
Sales Tax Transfer to State Highway Fund	2,373	1.3
Judicial Branch*	2,179	1.2
Department of Revenue	1,030	0.6
Department of Administration*	(9,439)	(5.4)
SRS, Except Hospitals and Youth Centers*	(127,791)	(72.6)
All Other	2,453	1.4

\* Excludes state aid to local units of government.

The following pie chart displays the General Fund expenditure changes from FY 1997 to FY 1998. Recommended State General Fund expenditure increases include \$140.4 for state aid for education, \$28.5 million for the Board of Regents and Regents institutions (less aid) and a net increase of \$7.1 million for all other FY 1998 State General Fund expenditures.

STATE GENERAL FUND

**Governor's Recommended Expenditure Changes  
FY 1997 to FY 1998  
(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 \$5.9 million in FY 1998. The Governor recommends limiting all the demand transfers to no more than a 2.5 percent increase above the prior year for FY 1998, 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 \$22.2 million more than is proposed in FY 1998. The demand transfer amounts for FY 1996 through the FY 1998 recommendation are reflected in the following table.

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

(In Thousands)

Fund	FY 1996			FY 1997			FY 1998		
	No Law Change	Actual	Reduc.	No Law Change	Proposed or Actual	Reduc.	No Law Change	Proposed	Reduc.
State Highway	\$ 89,427	\$ 83,198	\$ (6,229)	\$ 93,709	\$ 84,363	\$ (9,346)	\$ 98,191	\$ 86,472	\$ (11,719)
Local Ad Valorem Tax Reduction	47,054	46,301	(753)	48,620	46,949	(1,671)	50,695	48,123	(2,572)
Co.-City Revenue Sharing	36,070	34,610	(1,460)	37,117	35,095	(2,022)	38,325	35,972	(2,353)
City-Co. Highway	13,525	10,407	(3,178)	16,200	10,553	(5,647)	16,400	10,816	(5,584)
Water Plan	6,000	6,000	-	6,000	6,000	-	6,000	6,000	-
School Dist. Cap. Improve.	15,611	15,611	-	17,000	17,500	-	19,000	19,000	-
State Fair	153	153	-	120	120	-	104	104	-
<b>TOTAL</b>	<b>\$ 207,840</b>	<b>\$ 196,281</b>	<b>\$ (11,560)</b>	<b>\$ 218,766</b>	<b>\$ 200,580</b>	<b>\$ (18,686)</b>	<b>\$ 228,715</b>	<b>\$ 206,487</b>	<b>\$ (22,228)</b>

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 four transfers were capped at an increase of no more than 1.4 percent

FY 1998 – the Governor recommends an increase of no more than 2.5 percent for the four transfers.

**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 1997 and 1998.

**STATE GENERAL FUND RECEIPTS, EXPENDITURES, AND BALANCES**

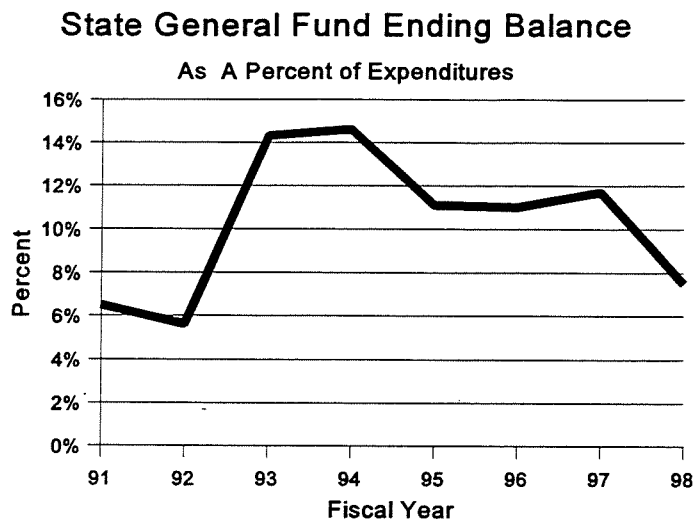
(Millions of Dollars)

	Actual FY 96	Revised FY 97	Change	Rec. FY 98	Change
Beginning Unencumbered Cash Balance	\$ 367.0	\$ 379.2	\$ 12.2	\$ 417.5	\$ 38.3
Released Encumbrances	3.2	0.2	(3.0)	0.0	(0.2)
Receipts (November 1996 Consensus)	3,448.3	3,615.3	167.0	3,755.1	139.8
(Less Tax Reductions/Revenue Transfer)*	0.0	0.0	0.0	(136.1)	(136.1)
Adjusted Receipts	3,448.3	3,615.3	167.0	3,619.0	3.7
Total Resources	\$ 3,818.5	\$ 3,994.7	\$ 176.2	\$ 4,036.5	\$ 41.8
Less Expenditures	3,439.2	3,577.1	137.9	3,753.1	176.0
Ending Unencumbered Cash Balance	\$ 379.2	\$ 417.5	\$ 38.3	\$ 283.3	\$ (134.2)
Ending Balance as a Percentage of Expenditures	11.0%	11.7%		7.5%	
Adj. Receipts in Excess of Expenditures	\$ 9.1	\$ 38.2		\$ (134.2)	

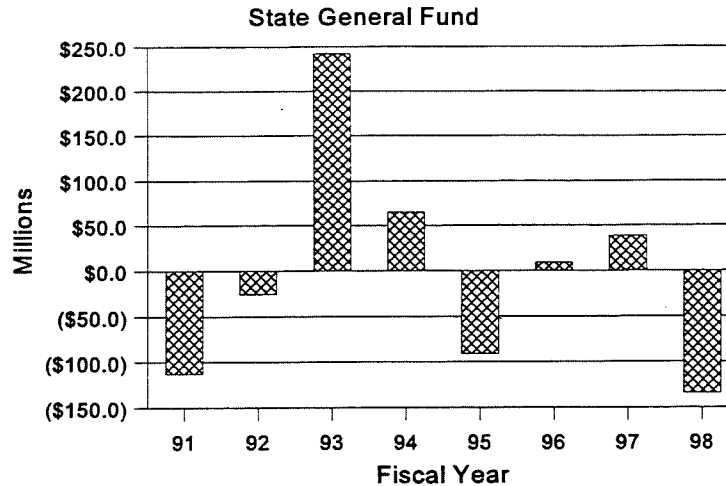


The FY 1998 General Fund ending balance as a percentage of expenditures under the Governor's recommendations would be 7.5 percent. Under K.S.A. 75-6702 and 75-6703, the targeted minimum ending balance is 7.5 percent. **Receipts for FY 1997 and FY 1998 are equal to the consensus estimates except for certain transfers and tax reduction proposals recommended by the Governor which decrease receipts to the State General Fund by \$136.1 million in FY 1998. The Governor's proposals include the following:**

- The Governor recommends the creation of a new fund named the "Education Property Tax Relief Fund, into which would be transferred \$70.0 million from the State General Fund at the end of FY 1998. The Governor's intention is that the money in the fund would not be spent in FY 1998, but would be used in future years to help finance school finance.
- The Governor recommends the selected tax reductions (non-property tax) totaling \$66.1 million in FY 1998. The recommended reductions include remodeling sales tax (\$28.0 million); single income tax payer rate adjustment (\$16.5 million first year of a three-year phase-in); business machinery (\$11.2 million); food sales tax credit (\$5.0 million); adoption tax credit (\$3.8 million); and insurance annuity tax (\$1.4 million).



## Receipts in Excess of Expenditures



The General Fund profile for FY 1997 to FY 2001 at the end of this overview reflects information contained in *The Governor's Budget Report*.

## FLEXIBILITY AND MANAGEMENT ISSUES

### Agency Reorganizations

The *FY 1998 Governor's Budget Report* includes a number of recommendations to reorganize agencies, transfer programs and functions to other agencies, and abolish certain independent agencies in FY 1998. The recommendations are summarized below.

#### Elimination or Transfer of Programs or Functions

- Pursuant to 1996 H.B. 2900, responsibility for **juvenile offenders** transfers from SRS to the Juvenile Justice Authority on July 1, 1997. The Governor recommends the transfer of \$17.1 million (\$10.3 million from the State General Fund), 164.5 FTE positions and 7.0 unclassified temporary positions be transferred.
- 1996 H.B. 3047 transferred responsibility for **long term care services** for persons 65 years of age and older from SRS to the Kansas Department on Aging on July 1, 1997. The Governor's recommendation provides for the transfer of \$272.7 million (including \$115.6 million from the State General Fund) and 228.5 FTE positions from SRS to the Department on Aging.
- The Governor also recommends the transfer of responsibility for the licensure and regulation of foster care homes to the Department of Health Environment. The

recommendation reduces the SRS budget by \$1.1 million (including \$530,016 from the State General Fund and 20.5 FTE positions.

- The Governor recommends that the **Corporation for Change** be abolished. The Governor notes, in Volume 1 of the *1998 Governor's Budget Report*, that the agency has completed the portion of its charge that requires study of the social service delivery system for children and adults. In order to continue the local aid programs administered by the agency through the Children and Family Investment Fund, the Governor recommends that responsibility for the administration of those programs be transferred to the Juvenile Justice Authority as part of the consolidation of delinquency prevention and juvenile justice programs.
- For FY 1998, the Governor recommends that funding for the **Kansas State University – Salina, College of Technology** campus be included in the budget of the main campus of Kansas State University. Included in the main campus budget is \$8.3 million from all funding sources (\$4.8 million from the State General Fund) and 127.1 FTE positions for the Salina campus.

**STATE GENERAL FUND PROFILE**  
In Millions

	FY 1996	Increase	FY 1997	Increase	FY 1998	Increase	FY 1999	Increase	FY 2000	Increase	FY 2001	Increase
Beginning Balance	\$ 367.0		\$ 379.2		\$ 417.5		\$ 283.4		\$ 288.5		\$ 299.5	
Released Encumbrances <sup>(1)</sup>	3.2		0.1									
Receipts	\$ 3,448.3	\$ 229.5 7.1%	\$ 3,615.3	\$ 167.0 4.8%	\$ 3,755.1	\$ 139.8 3.9%	\$ 3,935.1	\$ 180.0 4.8%	\$ 4,101.0	\$ 165.9 4.2%	\$ 4,275.2	\$ 174.2 4.2%
Tax Reductions	--	--	--	--	(66.1)	(66.1)	(85.9)	(19.8)	(100.0)	(14.1)	(105.9)	(5.9)
School Finance Revenue Transfer	--	--	--	--	(70.0)	(70.0)	--	70.0	--	--	--	--
Adjusted Receipts <sup>(2)</sup>	\$ 3,448.3	\$ 229.5 7.1%	\$ 3,615.3	\$ 167.0 4.8%	\$ 3,619.0	\$ 3.7 0.1%	\$ 3,849.2	\$ 230.2 6.4%	\$ 4,001.0	\$ 151.8 3.9%	\$ 4,169.3	\$ 168.3 4.2%
Expenditures												
Gen. and Supp. School Aids <sup>(3)</sup>	\$ 1,370.4	\$ 33.2	\$ 1,387.0	\$ 16.6	\$ 1,504.9	\$ 117.9	\$ 1,534.6 <sup>(4)</sup>	\$ 29.7	\$ 1,647.4	\$ 112.8	\$ 1,653.1	\$ 5.7
Demand Transfer to:												
SDCIF	15.6	4.6	17.0	1.4	19.0	2.0	20.0	1.0	21.0	1.0	22.0	1.0
SHF	83.2	1.7	84.4	1.2	86.5	2.1	87.7	1.2	89.5	1.8	93.2	3.7
LAVTRF	46.3	1.7	46.9	0.6	48.1	1.2	48.8	0.7	49.8	1.0	51.8	2.0
CCRSF	34.6	1.2	35.1	0.5	36.0	0.9	36.5	0.5	37.3	0.8	38.8	1.5
CCHF	10.4	0.4	10.6	0.2	10.8	0.2	11.0	0.2	11.2	0.2	11.7	0.5
WPF	6.0	0.1	6.0	--	6.0	--	6.0	--	6.0	--	6.0	--
State Fair	0.2	0.1	0.1	(0.1)	0.1	--	0.1	--	0.1	--	0.1	--
All Other Expend.	1,872.5	86.4	1,990.0	117.5	2,041.7	51.7	2,099.4	57.7	2,127.7	28.3	2,280.2	152.5
Total	\$ 3,439.2	\$ 129.4 3.9%	\$ 3,577.1	\$ 137.9 4.0%	\$ 3,753.1	\$ 176.0 4.9%	\$ 3,844.1	\$ 91.0 2.4%	\$ 3,990.0	\$ 145.9 3.8%	\$ 4,156.9	\$ 166.9 4.2%
Percent Increase												
Ending Balance	379.2		417.5		283.4		288.5		299.5		311.9	
% of Expenditures	11.0%		11.7%		7.5%		7.5%		7.5%		7.5%	
Adj. Receipts in Excess of Expend.	\$ 9.1		\$ 38.2		\$ (134.1)		\$ 5.1		\$ 11.0		\$ 12.4	

**Demand Transfers**

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	Demand transfers for FY 1996 were 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, a 1.5 percent reduction applied to the SHF transfer. For FY 1997, the demand transfers are capped at 1.4 percent growth (except SDCIF, WPF, and State Fair). For FYs 1998-2001, the transfers are capped (except SDCIF, WPF, and State Fair) at the following rate of increase: FY 1998—2.5 percent; FY 1999—1.4 percent; FY 2000—2.1 percent; and FY 2001—4.1 percent.
--	--

Senate Ways and Means Committee  
 Date 2-14-97  
 Attachment # 2

**FOOTNOTES:**

- 1) Actual FY 1996 released encumbrance.
- 2) Receipts are actual for FY 1996. Receipts for FY 1997 reflect the November, 1996 consensus estimates. Receipts for FY 1998 reflect the consensus estimates as adjusted by the Governor's recommendations for tax relief (excluding the local school mill levy reduction) for remodeling sales tax, income tax equity, business machinery, Homestead tax rebates, food sales tax credit, adoption tax credit, and insurance annuity property tax relief) is reflected in FY 1998. The projections for FYs 1999 through 2001 are not consensus estimates of receipts but are based on an annual growth rate of 4.3 percent for total taxes and separate estimates for nontax revenue.
- 3) Estimate of general and supplemental school aid payments in FY 1997 were made on November 8, 1996 by the Department of Education, Division of the Budget, and the Legislative Research Department. For FY 1998 the amount reflects an increase in the base per pupil amount of \$22 from \$3,648 to \$3,670, an additional \$9.8 million to accelerate the final year of correlation weighting, and \$4.0 million in connection with an increase in at-risk weight from .05 to .06, and the reduction in the uniform property tax rate from 33 to 29 mills. The FY 1999 estimate assumes a further reduction in the uniform property tax mill rate to 25 mills.
- 4) Assumes \$70 million expenditure in FY 1999 from the Education Property Tax Relief Fund for general and supplemental school aid.

Kansas Legislative Research Department  
January 22, 1997

2-2

**STATE GENERAL FUND PROFILE**  
In Millions

	FY 1996	Increase	FY 1997	Increase	FY 1998	Increase	FY 1999	Increase	FY 2000	Increase	FY 2001	Increase
Beginning Balance	\$ 367.0		\$ 379.2		\$ 417.5		\$ 353.3		\$ 293.2		\$ 299.6	
Released Encumbrances	3.2		0.1									
Receipts	\$ 3,448.3	\$ 229.5 7.1%	\$ 3,615.3	\$ 167.0 4.8%	\$ 3,755.1	\$ 139.8 3.9%	\$ 3,935.1	\$ 180.0 4.8%	\$ 4,101.0	\$ 165.9 4.2%	\$ 4,275.2	\$ 174.2 4.2%
Tax Reductions	--	--	--	--	(66.1)	(66.1)	(85.9)	(19.8)	(100.0)	(14.1)	(105.9)	(5.9)
School Finance Revenue Transfer	--	--	--	--	--	--	--	--	--	--	--	--
Adjusted Receipts	\$ 3,448.3	\$ 229.5 7.1%	\$ 3,615.3	\$ 167.0 4.8%	\$ 3,689.0	\$ 73.7 2.0%	\$ 3,849.2	\$ 160.2 4.3%	\$ 4,001.0	\$ 151.8 3.9%	\$ 4,169.3	\$ 168.3 4.2%
Expenditures												
Gen. and Supp. School Aids	\$ 1,370.4	\$ 33.2	\$ 1,387.0	\$ 16.6	\$ 1,504.9	\$ 117.9	\$ 1,604.6	\$ 99.7	\$ 1,647.4	\$ 42.8	\$ 1,653.1	\$ 5.7
Demand Transfer to:												
SDCIF	15.6	4.6	17.0	1.4	19.0	2.0	20.0	1.0	21.0	1.0	22.0	1.0
SHF	83.2	1.7	84.4	1.2	86.5	2.1	87.7	1.2	89.5	1.8	93.2	3.7
LAVTRF	46.3	1.7	46.9	0.6	48.1	1.2	48.8	0.7	49.8	1.0	51.8	2.0
CCRSF	34.6	1.2	35.1	0.5	36.0	0.9	36.5	0.5	37.3	0.8	38.8	1.5
CCHF	10.4	0.4	10.6	0.2	10.8	0.2	11.0	0.2	11.2	0.2	11.7	0.5
WPF	6.0	0.1	6.0	--	6.0	--	6.0	--	6.0	--	6.0	--
State Fair	0.2	0.1	0.1	(0.1)	0.1	--	0.1	--	0.1	--	0.1	--
All Other Expend.	1,872.5	86.4	1,990.0	117.5	2,041.7	51.7	2,094.6	52.9	2,127.7	33.1	2,280.2	152.5
Total	\$ 3,439.2	\$ 129.4 3.9%	\$ 3,577.1	\$ 137.9 4.0%	\$ 3,753.1	\$ 176.0 4.9%	\$ 3,909.3	\$ 156.2 4.2%	\$ 3,990.0	\$ 80.7 2.1%	\$ 4,156.9	\$ 166.9 4.2%
Percent Increase												
Ending Balance	379.2		417.5		353.3		293.2		299.6		311.9	
% of Expenditures	11.0%		11.7%		9.4%		7.5%		7.5%		7.5%	
Adj. Receipts in Excess of Expend.	\$ 9.1		\$ 38.2		\$ 64.1		\$ 5.1		\$ 11.0		\$ 12.4	

**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>Demand transfers for FY 1996 were 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, a 1.5 percent reduction applied to the SHF transfer. For FY 1997, the demand transfers are capped at 1.4 percent growth (except SDCIF, WPF, and State Fair). For FYs 1998-2001, the transfers are capped (except SDCIF, WPF, and State Fair) at the following rate of increase: FY 1998—2.5 percent; FY 1999—1.4 percent; FY 2000—2.1 percent; and FY 2001—4.1 percent.</p>
--	---

Senate Ways and Means Committee  
Date 2-14-97  
Attachment # 3

**ECONOMIC DEVELOPMENT INITIATIVES FUND - FY 1997**

Agency/Program	GOV.REC. FY 1997	HOUSE ADJ. FY 1997	SEN. ADJ. FY 1997	CONF. ADJ. FY 1997
<b>Department of Commerce and Housing</b>				
Agency Operations	\$ 6,712,160	\$ --	\$ --	\$ --
Small Business Development Centers	525,000	--	--	--
Certified Development Companies	475,000	--	--	--
Kansas Industrial Training/Retraining	3,250,000	--	--	--
Trade Show Promotion Grants	270,000	--	--	--
Strategic Planning/Action Grants	200,000	--	--	--
Economic Opportunity Initiative Fund	4,000,000	--	--	--
High Performance Incentive Grants	75,000	--	--	--
Existing Industry Expansion	950,000	--	--	--
Tourism Promotion Grants	379,600	--	--	--
Mid-America World Trade Center	50,000	--	--	--
Micro Loan Program	400,000	--	--	--
Mainstreet Grant and Development Prog.	200,000	--	--	--
Agriculture Product Development	300,000	--	--	--
Training Equipment Grants	250,000	--	--	--
Travel Information Center Repairs	61,000	--	--	--
Subtotal - KDCH	<u>\$ 18,097,760</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
<b>Kansas Technology Enterprise Corporation *</b>				
Agency Operations	\$ 1,240,575	\$ --	\$ --	\$ --
Centers of Excellence	4,350,000	--	--	--
Research Matching Grants	1,060,000	--	--	--
Business Innovative Research Grants	526,000	--	--	--
Special Projects	79,303	--	--	--
Commercialization Grants	1,526,539	--	--	--
Mid-America Manufact. Tech. Center	1,149,905	--	--	--
EPSCoR	3,400,000	--	--	--
Subtotal - KTEC	<u>\$ 13,332,322</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Kansas, Inc. - Agency Operations	\$ 160,376	\$ --	\$ --	\$ --
<b>Department of Education *</b>				
At-Risk/Innovative Program Assist.	\$ 1,485,000	\$ --	\$ --	\$ --
Matching Grants - AVTS	200,000	--	--	--
Postsecondary Aid - AVTS	6,570,000	--	--	--
Capital Outlay Aid - AVTS	1,650,000	--	--	--
Subtotal - Education	<u>\$ 9,905,000</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Dept. of Administration - Performance Review Board	\$ 150,000	\$ --	\$ --	\$ --
Pittsburg State University - Kansas Technology Center	\$ 1,000,000	\$ --	\$ --	\$ --
Wichita State University - Cessna Stadium	\$ 400,000	\$ --	\$ --	\$ --
Historical Society - Adair Cabin *	\$ 45,000	\$ --	\$ --	\$ --
State Fair - Capital Improvements	\$ 95,000	\$ --	\$ --	\$ --
Dept of Human Res. - One Stop Career Center System	\$ 500,000	\$ --	\$ --	\$ --
State Water Plan Fund	\$ 2,000,000	\$ --	\$ --	\$ --
<b>TOTAL TRANSFERS AND EXPENDITURES</b>	<b>\$ 45,685,458</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>

**EDIF Resource Estimate**

	GOV. REC. FY 1997	HOUSE ADJ. FY 1997	SEN. ADJ. FY 1997	CONF. ADJ. FY 1997
Beginning Balance	\$ 3,791,189	\$ --	\$ --	\$ --
Gaming Revenues	42,500,000	--	--	--
Other Income	650,000	--	--	--
Total Available	<u>\$ 46,941,189</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Less: Expenditures and Transfers	45,685,458	--	--	--
<b>ENDING BALANCE</b>	<b>\$ 1,255,731</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>

\* - Does not include expenditures from prior year EDIF allocations.

Senate Ways and Means Committee

Date 2-14-97

Attachment # 4

**ECONOMIC DEVELOPMENT INITIATIVES FUND - FY 1998**

<u>Agency/Program</u>	<u>GOV.REC. FY 1998</u>	<u>HOUSE ADJ. FY 1998</u>	<u>SEN. ADJ. FY 1998</u>	<u>CONF. ADJ. FY 1998</u>
<b>Department of Commerce and Housing</b>				
Agency Operations	\$ 7,245,784	\$ --	\$ --	\$ --
Small Business Development Centers	525,000	--	--	--
Certified Development Companies	475,000	--	--	--
Kansas Industrial Training/Retraining	3,250,000	--	--	--
Trade Show Promotion Grants	270,000	--	--	--
Strategic Planning/Action Grants	250,000	--	--	--
Economic Opportunity Initiative Fund	4,000,000	--	--	--
High Performance Incentive Grants	75,000	--	--	--
Existing Industry Expansion	950,000	--	--	--
Tourism Promotion Grants	479,600	--	--	--
Mid-America World Trade Center	--	--	--	--
Micro Loan Program	--	--	--	--
Mainstreet Grant and Development Prog.	200,000	--	--	--
Agriculture Product Development	350,000	--	--	--
Training Equipment Grants	500,000	--	--	--
Railroad Mitigation Fund	500,000	--	--	--
Travel Information Center Repairs	35,000	--	--	--
Subtotal - KDCH	\$ 19,105,384	\$ --	\$ --	\$ --
<b>Kansas Technology Enterprise Corporation</b>				
Agency Operations	\$ 1,151,083	\$ --	\$ --	\$ --
Centers of Excellence	4,350,000	--	--	--
Research Matching Grants	1,260,000	--	--	--
Business Innovative Research Grants	526,000	--	--	--
Special Projects	109,303	--	--	--
Commercialization Grants	1,550,000	--	--	--
Mid-America Manufact. Tech. Center	1,137,628	--	--	--
EPSCoR	3,200,000	--	--	--
Subtotal - KTEC	\$ 13,284,014	\$ --	\$ --	\$ --
Kansas, Inc. - Agency Operations	\$ 160,376	\$ --	\$ --	\$ --
<b>Department of Education *</b>				
At-Risk/Innovative Program Assist.	\$ --	\$ --	\$ --	\$ --
Matching Grants - AVTS	200,000	--	--	--
Postsecondary Aid - AVTS	6,714,007	--	--	--
Capital Outlay Aid - AVTS	2,000,000	--	--	--
Subtotal - Education	\$ 8,914,007	\$ --	\$ --	\$ --
Dept. of Administration - Performance Review Board *	\$ --	\$ --	\$ --	\$ --
Pittsburg State University - Kansas Technology Center	\$ --	\$ --	\$ --	\$ --
Wichita State University - Cessna Stadium	\$ --	\$ --	\$ --	\$ --
Historical Society - Adair Cabin	\$ --	\$ --	\$ --	\$ --
Kansas Arts Commission - Art Grants	\$ --	\$ 525,582	\$ --	\$ --
State Fair - Agency Operations	\$ --	\$ --	\$ --	\$ --
Dept of Human Res. - One Stop Career Center System	\$ 409,940	\$ --	\$ --	\$ --
State Water Plan Fund	\$ 2,000,000	\$ --	\$ --	\$ --
<b>TOTAL TRANSFERS AND EXPENDITURES</b>	<b>\$ 43,873,721</b>	<b>\$ 525,582</b>	<b>\$ --</b>	<b>\$ --</b>

<b>EDIF Resource Estimate</b>	<b>GOV. REC. FY 1998</b>	<b>HOUSE ADJ. FY 1998</b>	<b>SEN. ADJ. FY 1998</b>	<b>CONF. ADJ. FY 1998</b>
Beginning Balance	\$ 1,255,731	\$ --	\$ --	\$ --
Gaming Revenues	42,500,000	--	--	--
Other Income	500,000	--	--	--
Total Available	\$ 44,255,731	\$ --	\$ --	\$ --
Less: Expenditures and Transfers	43,873,721	525,582	--	--
<b>ENDING BALANCE</b>	<b>\$ 382,010</b>	<b>\$ (143,572)</b>	<b>\$ --</b>	<b>\$ --</b>

- Indicates a new program or a change of more than 10 percent from the current year budget.

\* - Does not include expenditures from prior year EDIF allocations.