

Approved: Feb. 4, 1998 Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on January 28, 1998 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department  
Russell Mills, Legislative Research Department  
April Holman, Legislative Research Department  
Norman Furse, Revisor of Statutes  
Michael Corrigan, Revisor of Statutes  
Judy Bromich, Administrative Assistant  
Ann Deitcher, Committee Secretary

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

Others attending: See attached list

Alan Conroy, Chief Fiscal Analyst of the Kansas Legislative Research Department, distributed and reviewed an Overview of the Fiscal Year 1999 Governor's Budget Report. (Attachment 1).

Regarding Kansas Quality Management Program, a question was asked about how the agencies with "no-limit" accounts computed this. The answer was that they would look at the approved actual budget and the savings in comparison to that. The way they roll it over is by agencies being allowed to declare it as savings as a result of KQM. The Budget Division is involved in that to some extent, but the agency is supposed to be able to justify it if there is a close scrutiny of those declared savings.

In answer to what the percentage number is for just the increase in spending for education, not including the reduction for property tax relief, Mr. Conroy said his guess would be 3.75 percent of all funds increased - that is with \$104 million in property tax relief.

Mr. Conroy was asked about the money that was transferred to the State Highway Program and if it was correct that the money that accumulated there was money that was statutorily dedicated to be used for the highway fund, and not all is being forwarded for highways.

Mr. Conroy said that was right. A part of the Demand Transfer from the Highway Fund is the 7.6% of state sales tax. A percentage of it goes over to finance highways and some other projects. Should the cap not be in place, the highway fund would receive in 1999, \$16.7 million more than what the Governor's recommendation was.

In response to the Governor's recommendation of the expenditure of the one-time corporation income tax payment from Western Resources, Senator Kerr referred to a copy of the news release of October 2, 1997 and the exhibit attached to it. (Attachment 2).

Senator Kerr said the indication of this is that you have a timing shift where the consensus estimators believe they have \$52.1 million yet to come and the actual amount is \$35 million. The potential is there to have overstated our fiscal estimate by \$17 million.

It was moved by Senator Salisbury and seconded by Senator Jordan that the following bills not be passed:

SB 102 - State officers and employees subsistence allowance for travel.

SB 153 - Appropriations for fiscal years 1997 and 1998, capital improvements for various state agencies, authorizing certain financing.

SB 178 - Appropriations for fiscal years 1997 and 1998 for all state agencies and appropriations for fiscal year 1999 for biennially budgeted agencies.

SB 228 - Appropriations for fiscal year 1997, supplemental appropriations for various state agencies.

SB 385 - Comprehensive rehabilitation and repair capital improvement projects for educational institutions app

The motion carried on a roll call vote.

Senator Ranson moved and Senator Morris seconded that bill draft 7 RS 1546, the Emergency Supplemental Bill for Fiscal Year 1998, be introduced as requested by the Department of Health and Environment. The motion carried on a voice vote.

The meeting was adjourned at 12:05 p.m.

The next meeting is scheduled for February 3, 1998.

# SENATE WAYS AND MEANS COMMITTEE GUEST LIST

DATE: 1/28/98

NAME	REPRESENTING
Bill Watts	KDOT
Ken Bahr	KHA
Linda McGill	PMA
Erik Sartorius	PMA
Shannon Jones	SILCK
Jane Rhye	KCDD
Craig Kabele	KCDD
Josie Torres	Families Together
Maryellen Dineen Wright	Assoc. Tech. for Kansas
Keith Haxton	SEAK
Sue Chase	KNEA
Andrea Aartzell	KASB
Stacy Farmer	KASB
J.P. Anpin	Division of the Budget
Lary Sisson	Kearney law office

## OVERVIEW OF THE FISCAL YEAR 1999 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 1999 Governor's Budget Report*. The Legislative Research Department utilizes the classification of expenditures by function of government so as to coincide with the 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 1997, the Governor's revised estimates for FY 1998, and the Governor's recommendations for FY 1999. 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 1998 EXPENDITURES

Based on actions of the 1997 Session of the Legislature, it was estimated by the Research Department that FY 1998 expenditures from **all funds** would total \$7.991 billion. *The Governor's Budget Report* revises the all funds FY 1998 budget to \$8.148 billion, **an increase of \$156.7 million** above the earlier estimate. Major differences from the session-end estimate and the Governor's revised estimate include:

- ◆ \$45.2 million in the Regents institutions (largely from restricted use funds, including \$26.9 million in additional research grants and \$17.7 million from additional patient revenue at the University of Kansas Medical Center), \$27.4 million in the budget of the Department of Social and Rehabilitation Services (primarily for increased caseloads), \$26.5 million in the budget of the Department of Human Resources (increased unemployment benefits, and a federal Welfare to Work grant), \$16.2 million in the Kansas Department of Transportation (increased operating expenditures and design and right-of-way contracts), and \$12.6 million in the Department on Aging (increased nursing facility caseloads).

At the close of the 1997 Session, FY 1998 expenditures from the **State General Fund** were estimated to be \$3.835 billion. *The Governor's Budget Report* revises the FY 1998 General Fund budget to \$3.837 billion, a **net increase of \$2.6 million** from the earlier estimate. Major differences from the session-end estimate and the Governor's revised estimate consist of:

- ◆ Increased expenditures of \$12.2 million in the Department of Social and Rehabilitation Services and \$5.2 million in the Department on Aging (largely the result of increased caseloads); \$4.1 million in additional expenditures for the Regents institutions (largely the result of the reappropriation of State General Fund amounts from FY 1997), \$3.3 million in the budget of the Department of Human Resources (for the state match for the federal Welfare to Work grant); and additional assigned counsel expenditures in the Board of Indigents' Defense Services (\$0.9 million). The increases are almost entirely offset by a reduction of \$24.8 million in the budget of the Department of Education, which reflects school finance estimate adjustments.

The following tabulation summarizes the changes to FY 1998 expenditures by major category.

	Millions	
	General Fund	All Funds
Original FY 1998 Expenditure Estimates	\$ 3,834.8	\$ 7,991.2
Revisions:		
State Operations	2.9	61.4
Aid to Local Units	(33.2)	(22.7)
Other Assistance	30.6	112.9
Capital Improvements	2.3	5.1
Total Revisions	\$ 2.6	\$ 156.7
Revised FY 1998 Expenditure Estimates	\$ 3,837.4	\$ 8,147.9

## TOTAL STATE EXPENDITURES FOR FY 1999

### Summary of Expenditures from All Funds

The Governor's recommendation for FY 1999 state expenditures from all funds totals \$8.548 billion, an increase of \$400.2 million (4.9 percent) above the Governor's revised estimate for FY 1998 of \$8.148 billion. Actual FY 1997 expenditures from all funding sources were \$7.845 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 1999 recommendation for state operations increases by \$66.9 million or 2.4 percent above the revised FY 1998 amount. Of the recommended increase, \$42.8 million can be found within the Regents system, and \$13.7 million can be found within the Department of Transportation. Other state operations increases are recommended in the Department of Health and Environment (\$4.3 million), the Judicial Branch (\$3.5 million), and the Commission on Veterans Affairs (\$3.3 million).

**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 \$204.6 million or 7.5 percent in FY 1999. Aid to local units in the Department of Education increases by a total of \$205.7 million in FY 1999. General and supplemental state aid to local school districts from the Department of Education increases by \$162.8 million, while special education services aid increases \$12.1 million. Aid to local units in the budget of the Adjutant General declines \$7.1 million in FY 1998 related to the expenditure of federal flood relief moneys in FY 1998. 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 \$128.6 million or 5.9 percent above the revised FY 1998 amount. Major increases include \$65.8 million in the Department of Social and Rehabilitation Services (caseload increases and recommended new initiatives), \$19.9 million in the budget of the Juvenile Justice Authority, \$16.3 million for Kansas Public Employees Retirement System benefit payments, and \$17.2 million in KPERs-School benefit payments.

**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 increase by \$104,607 above the FY 1998 level. Increases of \$14.0 million in Department of Transportation construction projects and \$3.9 million in Department of Wildlife and Parks projects are offset by reductions of \$7.1 million in projects at Department of Corrections facilities, \$6.7 million in Regents institutions' projects, and \$4.7 million in funding for the Kansas Commission on Veterans Affairs.

### EXPENDITURES FROM ALL FUNDS BY MAJOR PURPOSE

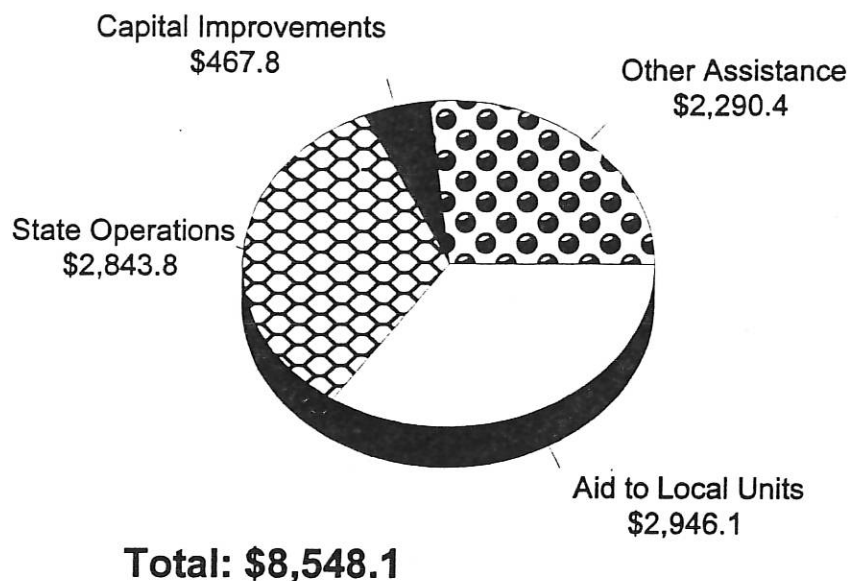
(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 97	FY 98	\$	%	FY 99	\$	%
State Operations	\$ 2,624.3	\$ 2,776.9	\$ 152.6	5.8%	\$ 2,843.8	\$ 66.9	2.4%
Aid to Local Units	2,430.0	2,741.5	311.5	12.8	2,946.1	204.6	7.5
Other Assistance	2,131.6	2,161.8	30.2	1.4	2,290.4	128.6	5.9
Total Operating	\$ 7,185.9	\$ 7,680.2	\$ 494.3	6.9	\$ 8,080.3	\$ 400.1	5.2
Capital Improvements	658.7	467.7	(191.0)	(29.0)	467.8	0.1	0.0
TOTAL	<u>\$ 7,844.6</u>	<u>\$ 8,147.9</u>	<u>\$ 303.3</u>	3.9%	<u>\$ 8,548.1</u>	<u>\$ 400.2</u>	4.9%

Of the total budget recommendation for FY 1999, 33.3 percent is for state operations, 34.5 percent is for state aid to local units of government, 26.8 percent is for other assistance, grants, and benefits, and 5.5 percent is for capital improvements. The following pie chart displays the major categories of all funds expenditures in FY 1999.

FY 1999 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 48.2 percent of the total. The three largest functions of government—education, human resources, and general government—comprise 83.6 percent of the recommended expenditures for FY 1999.

*S. W. M.*  
*1/28/98*  
*Attachment 1-4*



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

(Millions of Dollars)

Function	Actual FY 97	Est. FY 98	Change		Rec. FY 99	Change	
			\$	%		\$	%
General Government	\$ 899.5	\$ 913.9	\$ 14.4	1.6%	\$ 927.7	\$ 13.8	1.5%
Human Resources	1,927.7	2,004.3	76.6	4.0	2,096.6	92.3	4.6
Education	3,538.8	3,857.6	318.8	9.0	4,119.0	261.4	6.8
Public Safety	301.2	362.8	61.6	20.5	361.8	(1.0)	(0.3)
Agriculture/Natural Resources	151.8	149.5	(2.3)	(1.5)	155.7	6.2	4.1
Transportation	1,025.6	859.8	(165.8)	(16.2)	887.3	27.5	3.2
<b>TOTAL</b>	<b>\$ 7,844.6</b>	<b>\$ 8,147.9</b>	<b>\$ 303.3</b>	<b>3.9%</b>	<b>\$ 8,548.1</b>	<b>\$ 400.2</b>	<b>4.9%</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 1999 is based on current resources of the Fund. The net increase in General Fund operating expenditures from FY 1998 to FY 1999 is \$244.8 million or 6.4 percent. The Governor's recommendations do, however, include both positive and negative adjustments for individual agencies.

S W+M  
5/28/98  
Attachment 1-5



**SUMMARY OF THE PLAN FOR FINANCING STATE EXPENDITURES**

(Millions of Dollars)

Fund Class	Actual	Est.	Change		Rec.	Change	
	FY 97	FY 98	\$	%	FY 99	\$	%
<b>Operating Expenditures:</b>							
General Fund	\$ 3,435.0	\$ 3,737.0	\$ 302.0	8.8%	\$ 3,983.4	\$ 246.4	6.6%
Special Revenue Funds	2,385.8	2,491.3	105.5	4.4	2,593.5	102.2	4.1
Employment Security Fund	154.0	170.0	16.0	10.4	178.0	8.0	4.7
Highway Funds	434.5	477.7	43.2	9.9	490.9	13.2	2.8
Retirement Funds	419.8	453.1	33.3	7.9	487.6	34.5	7.6
All Other Funds	357.1	351.1	(6.1)	(1.7)	346.9	(4.2)	(1.2)
Total Operating	<u>\$ 7,186.2</u>	<u>\$ 7,680.2</u>	<u>\$ 493.9</u>	6.9%	<u>\$ 8,080.3</u>	<u>\$ 400.1</u>	5.2%
<b>Capital Improvements:</b>							
General Fund	\$ 103.1	\$ 100.4	\$ (2.7)	(2.6)%	\$ 98.9	\$ (1.5)	(1.5)%
Highway Funds	480.1	273.2	(206.9)	(43.1)	268.8	(4.4)	(1.6)
Building Funds	28.9	39.8	10.9	37.7	23.8	(16.0)	(40.2)
All Other Funds	46.3	54.3	8.0	17.3	76.3	22.0	40.5
Total Capital Imprv.	<u>\$ 658.4</u>	<u>\$ 467.7</u>	<u>\$ (190.7)</u>	(29.0)%	<u>\$ 467.8</u>	<u>\$ 0.1</u>	0.0
TOTAL Expenditures	<u>\$ 7,844.6</u>	<u>\$ 8,147.9</u>	<u>\$ 303.2</u>	3.9%	<u>\$ 8,548.1</u>	<u>\$ 400.2</u>	4.9%

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 47.1 percent of estimated FY 1998 expenditures. In FY 1999, the General Fund finances 47.8 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 1998 receipts are \$1.825 billion, an increase of \$92.6 million or 5.3 percent from the FY 1997 actual receipts. The FY 1999 estimate of \$2.003 billion is \$178.4 million or 9.8 percent above the FY 1998 estimated receipts. Three agencies – the Department of Social and Rehabilitation Services, the Department of Transportation, and the Department of Education – account for 67.5 percent of FY 1999 estimated federal receipts.

Federal receipts for fiscal years 1998 and 1999 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 1998 Legislature.

### Expenditures for State Operations

Expenditures for state operations, i.e., for purposes other than local aid, other assistance, and capital improvements, comprise 33.3 percent of total recommended expenditures for FY 1999. 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.

S W + M  
1/28/98  
Attachment 1-6

**SUMMARY OF EXPENDITURES FROM ALL FUNDS STATE OPERATIONS  
BY MAJOR COMPONENT**

(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 97	FY 98	\$	%	FY 99	\$	%
Salaries and Wages	\$ 1,567.0	\$ 1,644.0	\$ 77.0	4.9%	\$ 1,708.3	\$ 64.3	3.9%
Contractual Services	593.8	637.8	44.0	7.4	637.7	(0.1)	0.0
Commodities	153.6	162.8	9.2	6.0	163.6	0.8	0.5
Capital Outlay	240.2	266.6	26.4	11.0	268.7	2.1	0.8
All Other	69.7	65.7	(4.0)	(5.7)	65.5	(0.2)	(0.3)
<b>TOTAL</b>	<b>\$ 2,624.3</b>	<b>\$ 2,776.9</b>	<b>\$ 152.6</b>	<b>5.8%</b>	<b>\$ 2,843.8</b>	<b>\$ 66.9</b>	<b>2.4%</b>

Salaries and wages expenditures, including fringe benefits, comprise almost two-thirds of the state operations budget for FY 1999 (60.1 percent) and represent a \$64.3 million or 3.9 percent increase from the FY 1998 estimate.

Salaries and wages policy recommendations incorporated into the proposed FY 1999 budget include the following:

**GOVERNOR'S FY 1999 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)	\$ 5.5	\$ 12.4
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).	0.4*	0.8*
C. Base Salary Increase (1.5 percent to all classified employees for the entire year).	6.0	12.2
<b>II. Unclassified</b>		
A. 4.0 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.	16.0	28.3
<b>GRAND TOTAL</b>	<b>\$ 27.9</b>	<b>\$ 53.7</b>

\* Amounts reflect the difference between the Governor's recommendation for FY 1999 and the amount of longevity bonus payments that are estimated to be paid in FY 1998.

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

*S W + M*  
*1/28/98<sup>7</sup>*  
*Attachment 1-7*

## 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 1999:

- ◆ 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 funds 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.

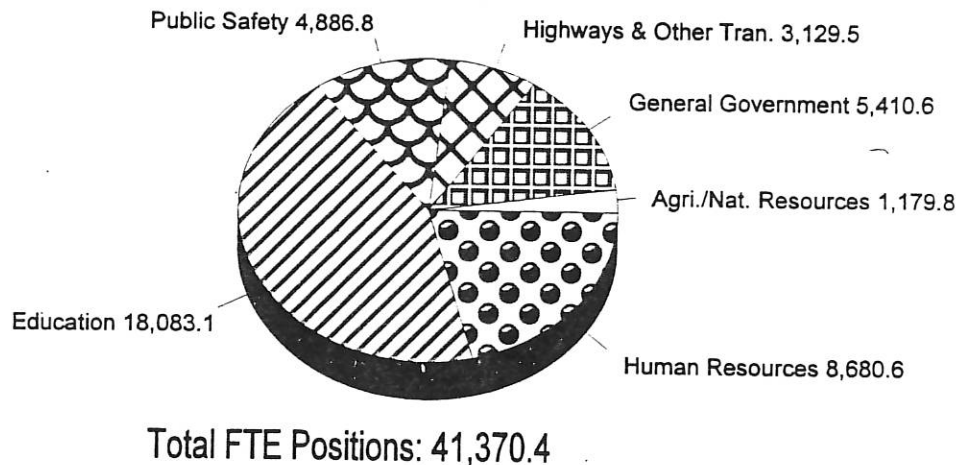
### Authorized FTE Employees by Function of Government

Expenditures for salaries and wages are also affected by policy recommendations which change the size of the state's workforce. The FY 1999 budget recommendations of the Governor finance 41,370.4 full-time equivalent positions, a reduction of 426.0 or 1.0 percent from the FY 1998 recommended level of 41,796.4. In addition, the Governor recommends 523.1 unclassified temporary positions (formerly referred to as special project appointments) in FY 1999, a reduction of 29.4 or 5.3 percent from FY 1998. These employees are not included in the FTE limitation.

The following pie chart reflects the Governor's recommended FY 1999 full-time equivalent positions by function of government.

# FY 1999 FULL-TIME EQUIVALENT (FTE) POSITIONS

## by Function of Government



### State Workforce Reductions

The Governor's recommendations in FY 1998 and FY 1999 reduce the size of the state's workforce. In FY 1998, the Governor recommends 41,796.4 FTE positions, a reduction of 146.0 FTE positions from the approved level. For FY 1999, the Governor recommends a total of 41,370.4 FTE positions, a reduction of 426.0 FTE positions from FY 1998. Factors contributing to the reduction in positions include:

- ◆ **Retirement Reductions.** 1993 H.B. 2211 (K.S.A. 1997 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 1997, a total of 228.5 FTE positions had been vacated through retirements in FY 1998. Of that number, 45.0 (19.7 percent) have not been restored. Total savings to date in FY 1998 are \$1.1 million, including \$355,629 from the State General Fund, which the Governor has reduced from agency budgets.**
- ◆ **Other Adjustments.** The Governor's recommendation for FY 1999 reduces FTE positions in the Department of Social and Rehabilitation Services (SRS) and its institutions by 567.8, reflecting privatization initiatives and the closure of Winfield State Hospital and Training Center (371.0 FTE positions). Also included in the recommendation is the reduction of 33.8 FTE positions at Osawatomie State Hospital related to closure of the Substance Abuse Program and the Adolescent Program.

### Program or Agency Components of the FY 1999— 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 1999 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 (60.5 percent) of the total state budget.

**GOVERNOR'S RECOMMENDED  
EXPENDITURES FROM ALL FUNDS, FY 1999**

**By Agency or Program**

	Amount (Thousands)	Percent of Total	Cumulative Percent	Percent Increase From FY 98
Department of Education	\$ 2,433,723	28.47%	28.47%	9.3%
Board of Regents and Institutions	1,427,698	16.70	45.17	2.8
Department of SRS, Except Hospitals	1,308,376	15.31	60.48	5.9
Department of Transportation	887,299	10.38	70.86	3.2
Department on Aging	324,786	3.80	74.66	7.9
Department of Human Resources	232,700	2.72	77.38	(1.1)
Nonschool Employee Pensions (KPERS)	231,055	2.70	80.08	7.6
Local School Employee Pensions (KPERS)	228,710	2.68	82.76	8.1
Department of Corrections and Facilities	212,130	2.48	85.24	(0.4)
Department of Health and Environment	171,724	2.01	87.25	3.2
Kansas Lottery	128,318	1.50	88.75	0.8
State Treasurer	105,154	1.23	89.98	2.6
State Hospitals	99,431	1.16	91.14	(5.2)
Dept. of Commerce and Housing, KTEC, and Kansas, Inc.	94,853	1.11	92.25	(4.7)
Judicial Branch	78,515	0.92	93.17	4.7
Department of Revenue	77,680	0.91	94.08	0.6
Juvenile Justice Authority and Facilities	63,338	0.74	94.82	12.2
Insurance Dept., and Health Care Stabilization Board of Governors	60,887	0.71	95.53	(7.2)
Highway Patrol and KBI	58,408	0.68	96.22	(0.8)
Department of Wildlife and Parks	45,049	0.53	96.74	14.7
KPERS-Operations	27,830	0.33	97.07	3.8
Department of Agriculture	20,533	0.24	97.31	(1.4)
Attorney General	18,709	0.22	97.53	6.9
Adjutant General	17,898	0.21	97.74	(25.7)
Legislative Branch	17,480	0.20	97.94	0.0
Corporation Commission	16,357	0.19	98.13	1.4
Board of Indigents' Defense Services	13,589	0.16	98.29	(0.8)
Conservation Commission	11,125	0.13	98.42	(0.9)
Water Office	5,895	0.07	98.49	7.5
All Other	<u>128,828</u>	1.51	100.00%	(3.8)
TOTAL	<u>\$ 8,548,078</u>	100.00%		4.9%

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

*S. W. M.  
1/28/98  
Attachment 1-10*

**INCREASE (DECREASE) IN EXPENDITURES FROM ALL FUNDS**

**FY 1998 to FY 1999**

	Amount (Thousands)	Comments
Total Increase	<u>\$ 400,218</u>	
Department of Education	\$ 206,075	Increases in state aid to local school districts
Dept. of SRS, Except Hospitals	72,585	Caseload increase, health insurance for uninsured children, expansion of Early Head Start program, other initiatives
Board of Regents and Institutions	38,834	OOE enhancement, technology funding, operating expenditures
Department of Transportation	27,482	Increased debt service principal payments
Department on Aging	23,890	Caseload increase
Local School Employee Pensions	17,181	Increased benefit payments
Nonschool Employee Pensions	16,338	Increased benefit payments
Juvenile Justice Auth. and Facilities	6,868	Case management
Dept. of Wildlife and Parks	5,757	Increased capital improvement expenditures
Dept. of Health and Environment	5,290	Operating expenditures
Judicial Branch	3,544	Additional judicial and nonjudicial positions
State Treasurer	2,683	Demand transfer increases
Attorney General	1,212	Operating expenditures
KPERS-Operations	1,015	Operating expenditures
Kansas Lottery	1,009	Operating expenditures, sales and prize increase
Adjutant General	(6,176)	Reductions in federal flood money expenditures
State Hospitals	(5,408)	Hospital closure
Ins. Dept./HCSF Board of Govs.	(4,750)	Reduced workers compensation claims
Dept. of Commerce, KTEC, Kansas, Inc.	(4,669)	Reductions in federal flood money expenditures
Dept. of Human Resources	(2,594)	Reductions in federal grant expenditures
All Other Agencies	(5,948)	

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

**EXPENDITURES AND STATUS OF THE STATE GENERAL FUND**

**Program and Agency Components of the  
FY 1999 General Fund Budget**

The following tabulation provides an overview of the program or agency components of the Governor's FY 1999 expenditures from the State General Fund. This tabulation identifies individual components which comprise 99.0 percent of General Fund expenditures. Education and state aid account for 72.0 percent of General Fund expenditures.

*S W+M*

*11 1/28/98*

*Attachment 1-11*

**STATE GENERAL FUND EXPENDITURES BY PROGRAM OR AGENCY**  
**Governor's Recommendations for FY 1999**

	Amount	Percent	Cumulative	Increase Over FY 1998	
	(Thousands)	of Total	Percent	Amount (000)	Percent
Education					
State Aid to Local Units	\$ 2,148,393	52.63%	52.6%	\$ 189,174	9.7%
Bd. of Regents/Institutions (a)	526,290	12.89	65.52	24,666	4.9
Other Education*	<u>29,550</u>	0.72	66.24	<u>935</u>	3.3
Subtotal, Education	2,704,233	66.24	66.24	214,775	8.6
State Aid Except Education	234,047	5.73	71.97	6,828	3.0
SRS, Except Hospitals	432,580	10.60	82.57	15,359	3.7
Dept. of Corrections/Facilities	177,253	4.34	86.91	6,264	3.7
Department on Aging	97,206	2.38	89.29	7,214	8.0
Sales Tax Transfer to SHF	87,899	2.15	91.45	2,060	2.4
Judicial Branch	73,646	1.80	93.25	3,592	5.1
Juvenile Justice Authority/Facilities	38,428	0.94	94.19	6,662	21.0
Highway Patrol/KBI	35,525	0.87	95.06	942	2.7
State Hospitals	33,645	0.82	95.89	(11,604)	(25.6)
Department of Revenue Operations	28,360	0.69	96.58	527	1.9
Department of Administration**	25,190	0.62	97.20	(4,971)	(16.5)
Dept. of Health and Environment	21,924	0.54	97.73	2,287	11.6
Legislative Branch	17,363	0.43	98.16	373	2.2
Bd. of Indigents' Defense	13,484	0.33	98.49	(63)	(0.5)
Elected Official Operations	10,271	0.25	98.74	208	2.1
Dept. Of Agriculture	10,039	0.25	98.99	186	1.9
All Other	<u>41,152</u>	1.01	100.00%	<u>(5,814)</u>	(12.4)
TOTAL	<u>\$ 4,082,245</u>	<u>100.00%</u>		<u>\$ 244,825</u>	6.4

\* 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 \$0.228 million which is part of Education-State Aid.

a) Aid to Washburn University is included in state aid to local units (\$7.934 million).

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

Under education, the increase of 9.7 percent in state aid to local units includes increases of \$156.2 million in general state aid, and \$6.6 million in supplemental state aid. The Governor's recommendation would increase base state aid per pupil by \$35 (from \$3,670 to \$3,705) at a cost of \$19.9 million; lower the correlation weighting ceiling from 1,800 FTE students to 1,775 at an additional cost of \$10.0 million; increase the at-risk weighting factor from 6.5 percent to 8.0 percent at a cost of \$6.0 million; and reduce property taxes for school districts from 27 to 23 mills, at a cost of \$40.3 million.

The Governor's FY 1999 recommendation for the Board of Regents and the Regents institutions is a State General Fund increase of \$24.7 million, including a 2.5 percent other operating costs increase (\$2.9 million) and \$8.8 million in technology equipment funding for the institutions.

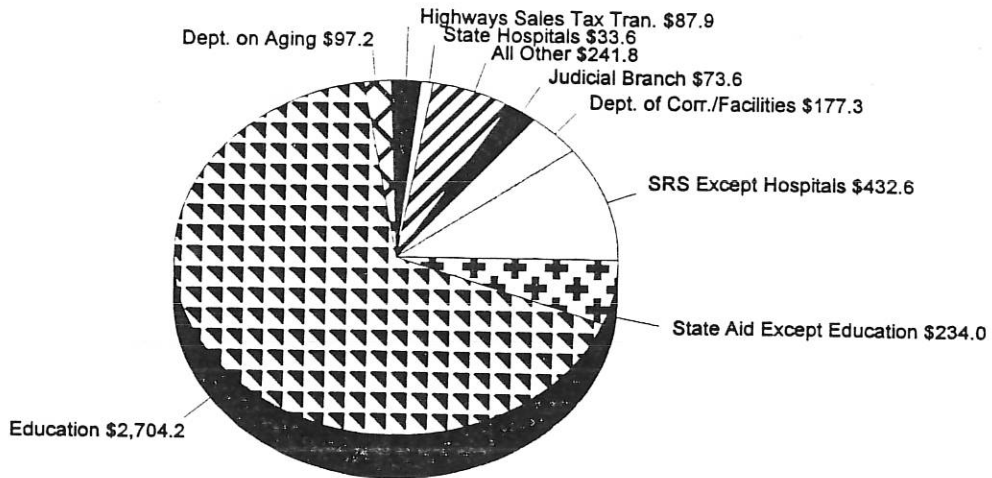
The Governor's FY 1999 recommendation for the Department of Social and Rehabilitation Services is an increase of \$17.9 million, including \$12.0 million from the State General Fund, to be matched with \$30.0 million in federal funding, to initiate a program of insurance coverage for children who live in families where the income is less than 200 percent of the federal poverty level.



The following pie chart displays the FY 1999 State General Fund expenditures by major program.

### FY 1999 State General Fund Expenditures by Major Program or Agency

(Millions of Dollars)



**Total: \$4,082.2**

### 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 increase in public safety reflects the transfer of case management services for juveniles in the community from the Department of Social and Rehabilitation Services (continued through a memorandum of agreement between SRS and the JJA in FY 1998), and the addition of 30.0 FTE positions at Norton Correctional Facility to staff a 200-bed medium security unit that will open in late FY 1998.

## STATE GENERAL FUND EXPENDITURES BY FUNCTION OF GOVERNMENT

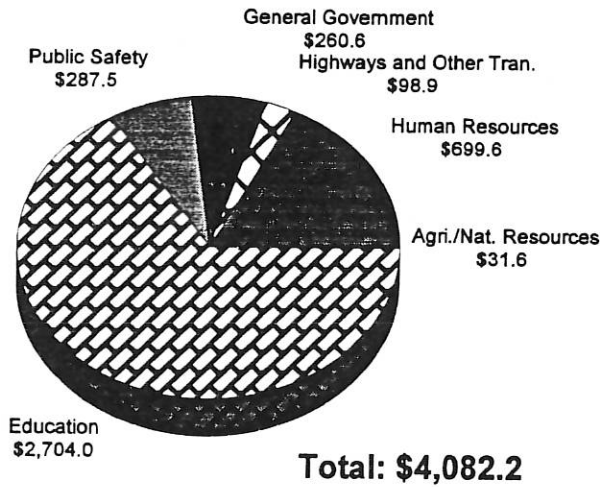
(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 97	FY 98	\$	%	FY 99	\$	%
General Government	\$ 248.7	\$ 259.0	\$ 10.3	4.1%	\$ 260.6	\$ 1.6	0.6%
Human Resources	667.0	686.4	19.4	2.9	699.6	13.2	1.9
Education	2,252.0	2,489.2	237.2	10.5	2,704.0	214.8	8.6
Public Safety	237.1	273.9	36.8	15.5	287.5	13.6	5.0
Agriculture/Natural Resources	38.4	32.3	(6.1)	(15.9)	31.6	(0.7)	(2.2)
Transportation	94.9	96.6	1.7	1.8	98.9	2.3	2.4
<b>TOTAL</b>	<b>\$ 3,538.1</b>	<b>\$ 3,837.4</b>	<b>\$ 299.3</b>	<b>8.5%</b>	<b>\$ 4,082.2</b>	<b>\$ 244.8</b>	<b>6.4%</b>

The following pie chart reflects FY 1999 General Fund expenditures by function of government.

### FY 1999 STATE GENERAL FUND EXPENDITURES BY FUNCTION OF GOVERNMENT

(Millions of Dollars)



*S w + m*  
*1/28/98*  
*Attachment 1-14*

## Expenditures by Major Purpose

Almost \$2.4 billion (58.4 percent) of recommended FY 1999 expenditures from the General Fund is paid to local units of government, 27.4 percent represents the costs of state operations, 11.9 percent is for other assistance payments, and 2.4 percent is for capital improvements. Of the \$98.9 million for capital improvements, \$87.9 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

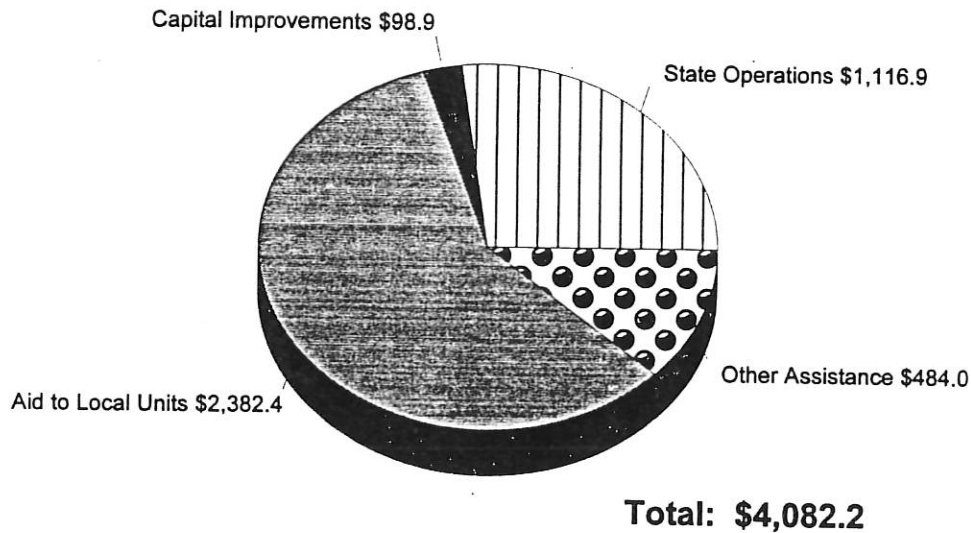
(Millions of Dollars)

	Actual	Est.	Change		Rec.	Change	
	FY 97	FY 98	\$	%	FY 99	\$	%
State Operations	\$ 1,045.1	\$ 1,093.8	\$ 48.7	4.7%	\$ 1,116.9	\$ 23.1	2.1%
Aid to Local Units	1,930.3	2,186.4	256.1	13.3	2,382.4	196.0	9.0
Other Assistance	459.6	456.8	(2.8)	(0.6)	484.0	27.2	6.0
Total Operating	\$ 3,435.0	\$ 3,737.0	\$ 302.0	8.8	\$ 3,983.3	\$ 246.3	6.6
Capital Improvements	103.1	100.4	(2.7)	(2.6)	98.9	(1.5)	(1.5)
<b>TOTAL</b>	<b>\$ 3,538.1</b>	<b>\$ 3,837.4</b>	<b>\$ 299.3</b>	<b>8.5%</b>	<b>\$ 4,082.2</b>	<b>\$ 244.8</b>	<b>6.4%</b>

The following pie chart displays FY 1999 General Fund expenditures by major purpose.

### FY 1999 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 97	FY 98	\$	%	FY 99	\$	%
General Government	\$ 159.4	\$ 168.3	\$ 8.9	5.6%	\$ 168.8	\$ 0.5	0.3%
Human Resources	169.0	151.3	(17.7)	(10.5)	147.5	(3.8)	(2.5)
Education	479.8	512.5	32.7	6.8	536.6	24.1	4.7
Public Safety	213.6	236.5	22.9	10.7	238.7	2.2	0.9
Agriculture/Natural Resources	23.3	25.2	1.9	8.2	25.3	0.1	0.4
Transportation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL</b>	<b>\$ 1,045.1</b>	<b>\$ 1,093.8</b>	<b>\$ 48.7</b>	<b>4.7%</b>	<b>\$ 1,116.9</b>	<b>\$ 23.1</b>	<b>2.1%</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 1999 which increases \$187.9 million or 10.0 percent above the FY 1998 level. Total General Fund aid to local units in the budget year increases \$196.0 million or 9.0 percent above the current year.

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

From State General Fund	FY 1994	FY 1995	FY 1996	FY 1997	Gov. Rec. FY 1998	Gov. Rec. FY 1999	Increase FY 1998-1999	
							Amount	Percent
General State Aid	\$ 1,270,277	\$ 1,297,194	\$ 1,329,362	\$ 1,339,126	\$ 1,512,897	\$1,669,129	\$ 156,232	10.3%
Supp. General Aid	35,962	40,005	41,008	45,454	51,265	57,877	6,612	12.9
Subtotal	1,306,239	1,337,198	1,370,370	1,384,580	1,564,162	1,727,006	162,844	10.4
Cap. Improve. Aid	7,061	10,986	15,611	16,559	19,000	21,500	2,500	13.2
KPERS-School <sup>1)</sup>	55,808	58,208	62,708	68,816	76,913	83,950	7,037	9.1
Special Ed.	149,026	177,289	185,815	190,393	200,849	212,994	12,145	6.0
Deaf/Blind/Hand. Child.	99	100	110	110	110	110	-	0.0
Adult Basic Ed. (USDs)	290	284	279	268	296	300	4	1.4
Food Service	2,354	2,375	2,373	2,371	2,371	2,371	-	0.0
In-Service Training	2,475	5,399	5,535	3,995	3,000	3,000	-	0.0
Parent Education	2,277	2,479	2,695	2,732	2,750	4,667	1,917	69.7
Ed. Excellence Grants	-	-	-	-	115	1,600	1,485	1291.3
Juv. Detention Grants	-	1,187	1,906	2,360	2,712	2,712	-	0.0
Subtotal, USDs	1,525,629	1,595,505	1,647,402	1,672,184	1,872,278	2,060,210	187,932	10.0
Voc. Ed.-Postsecondary	16,308	17,415	17,850	17,440	18,406	18,866	460	2.5
Community Colleges	50,076	50,544	53,023	53,547	56,326	57,363	1,037	1.8
Adult Basic Ed. (CCs)	420	458	479	507	562	574	12	2.1
Tech. Equip. (WU and CCs)	-	-	-	-	1,000	-	(1,000)	(100.0)
Washburn University	6,350	6,807	7,045	7,168	7,455	7,934	479	6.4
Public TV (Washburn)	121	144	385	211	222	228	6	2.7
Libraries	1,979	1,978	3,109	3,182	2,956	3,211	255	8.6
Arts Program Grants	-	-	80	219	221	221	-	0.0
KUMC Telemedicine	-	-	50	-	-	-	-	0.0
ESU Flint Hills Spec. Ed.	-	-	15	15	15	15	-	0.0
Total, Education	1,600,882	1,672,851	1,729,438	1,754,473	1,959,441	2,148,622	189,181	9.7%
Local Prop. Tax Reduc. <sup>2)</sup>	40,293	44,649	46,301	46,949	47,771	48,917	1,146	2.4
Co.-City Revenue Sharing	30,629	33,375	34,610	35,095	35,709	36,566	857	2.4
Community Corrections	11,461	12,779	12,062	13,041	14,119	15,014	895	6.0
Juv. Comm. Corrections	308	3,249	3,555	3,328	4,235	4,235	-	0.0
Community Corr. Camps	1,412	1,412	1,448	1,516	1,702	2,300	598	35.1
Watershed Construction	359	1,373	881	800	800	800	-	0.0
Soil Conservation Dist.	-	982	1,006	1,009	1,016	1,023	7	0.7
Local Public Health	6,122	5,211	5,351	7,151	7,419	7,400	(19)	(0.3)
Aging Dept. Programs	1,119	1,272	1,057	1,165	34,410	37,113	2,703	7.9
Comm. Mental Health	9,949	10,033	10,033	10,033	10,033	10,233	200	2.0
Comm. Mental Retard.	5,594	5,963	5,963	5,963	5,963	5,963	-	0.0
Comm. Assnt. Grants	31,265	32,592	58,669	35,131	41,355	43,723	2,368	5.7
Disaster Relief/Training	235	1	7	11	24	24	-	0.0
Mtr. Carrier Tax to CCHF	9,743	10,036	10,407	10,553	10,737	10,995	258	2.4
HOME Program	678	794	281	1,037	1,037	1,037	-	0.0
Corp. for Change Grants	119	247	125	-	-	-	-	0.0
Gov. Office Aid	-	-	-	1	-	-	-	0.0
Mine Shaft Capping	-	-	-	-	-	-	-	0.0
Judiciary Operations	-	-	-	1	-	-	-	0.0
EMS Regional Councils	-	-	-	68	68	68	-	0.0
Juv. Comm. Start-Up	-	-	-	-	1,380	-	(1,380)	(100.0)
Juv. Intake and Assess.	-	1,456	1,059	-	4,707	4,707	-	0.0
Juv. Comm. Initiatives	-	-	-	-	2,500	2,500	-	0.0
Juvenile Comm. Planning	-	-	-	-	1,200	1,200	-	0.0
Crawford Co. Flood Study	-	40	-	-	-	-	-	0.0
Voter Registration Aid	-	-	400	-	-	-	-	0.0
Firefighter Aid	-	-	-	100	-	-	-	0.0
Crim. Justice Info. Sys.	-	-	-	-	812	-	(812)	(100.0)
Total, Other Programs	149,286	165,464	193,221	175,787	226,997	233,818	6,821	3.0
Total, General Fund	\$ 1,750,168	\$ 1,838,315	\$ 1,922,653	\$ 1,930,260	\$ 2,186,438	\$ 2,382,440	\$ 196,002	9.0%
% of Total SGF Expend.	56.3%	55.5%	55.9%	54.6%	58.5%	58.4%		

- 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.

S W+M

1/28/98

Attachment 1-17

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

From Other Funds	FY 1994	FY 1995	FY 1996	FY 1997	Gov.	Gov.	Increase	
					Rec.	Rec.	FY 1998-1999	
					FY 1998	FY 1999	Amount	Percent
School Dist. Finance	\$ 26,309	\$ 35,422	\$ 34,976	\$ 32,745	\$ 31,000	\$ 29,000	\$ (2,000)	(6.5)%
Driver Safety/Training	1,465	1,481	1,425	1,475	1,425	1,425	-	-
Sch. Dist. Cap. Improve.	-	121	-	-	-	-	-	-
Co. Mineral Prod. Tax	3,481	3,007	2,292	2,682	2,550	2,550	-	-
Econ. Devel. Initiatives								
Ed. Excellence Grants	1,485	1,485	1,485	1,472	1,485	-	(1,485)	(100.0)
Voc. Ed.-Postsecondary	4,963	5,700	6,050	6,472	6,716	6,716	-	-
Voc. Ed.-Cap. Outlay	990	1,500	1,650	1,650	2,000	3,000	1,000	50.0
Tech. Grants-CCs/AVS	492	485	499	195	200	200	-	-
Libraries	1,319	1,335	251	26	-	-	-	-
Total	\$ 40,504	\$ 50,536	\$ 48,628	\$ 46,717	\$ 45,376	\$ 42,891	\$ (2,485)	(5.5)

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

From Other Funds	FY 1994	FY 1995	FY 1996	FY 1997	Gov.	Gov.	Increase	
					Rec.	Rec.	FY 1998-1999	
					FY 1998	FY 1999	Amount	Percent
City-Co. Highway and Co. Equal. and Adj.*	\$ 112,817	\$ 113,831	\$ 116,948	\$ 122,007	\$ 119,430	\$ 118,800	\$ (630)	(5.3)
State Highway-City Maintenance Payments	2,169	2,168	2,137	2,085	2,240	2,240	-	-
Elderly/Hand. Transport.	377	986	1,074	1,217	1,000	1,000	-	-
Local Alcoholic Liquor	12,429	12,853	13,259	13,546	13,700	14,000	300	2.2
Firefighter's Relief	4,024	4,101	4,359	4,749	4,796	4,844	48	1.0
Co. Mineral Prod. Tax - Counties' Share	3,482	3,007	2,293	2,682	2,550	2,550	-	-
Econ. Devel. Initiatives - Co. Reappraisal Aid	2,780	2,696	-	-	-	-	-	-
Rental MV Excise Tax	1,582	1,752	1,882	2,098	2,100	2,300	200	9.5
Waste Tire	661	1,703	837	614	750	200	(550)	(73.3)

\* 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 1998 Governor's revised estimate to the Governor's recommendations for FY 1999.

*S. W. M.  
1/28/98  
Attachment 1-18*

# INCREASE IN STATE GENERAL FUND EXPENDITURES

FY 1998 to FY 1999

	Amount (000)	Percent of Total Increase
Total Increase	\$ 244,825	100.0%
State Aid for Education, Total	<u>189,181</u>	<u>77.3</u>
Mill Levy Reduction and Motor Veh. Repl.	104,000	42.5
Basic General Aid	52,232	21.3
Special Education	12,145	5.0
KPERs-School	7,037	2.9
Supp. General Aid	6,612	2.7
Capital Improvement Aid	2,500	1.0
All Other	4,655	1.9
Board of Regents Institutions*	24,665	10.1
SRS, Except Hospitals	17,927	7.3
Department on Aging	9,917	4.1
Department of Corrections and Facilities	7,758	3.2
Juvenile Justice Authority and Facilities	5,282	2.2
Judicial Branch	3,592	1.5
State Hospitals	(11,607)	(4.7)
Department of Administration*	(4,972)	(2.0)
Department of Human Resources	(3,330)	(1.4)
All Other	6,412	2.6

\* Excludes state aid to local units of government.

The following pie chart displays the General Fund expenditure changes from FY 1998 to FY 1999. Recommended State General Fund expenditure increases include \$189.2 for state aid for education, \$24.7 million for the Board of Regents and Regents institutions (less aid), \$17.9 million for the Department of SRS, \$9.9 million for the Department on Aging and a net increase of \$7.1 million for all other FY 1999 State General Fund expenditures.

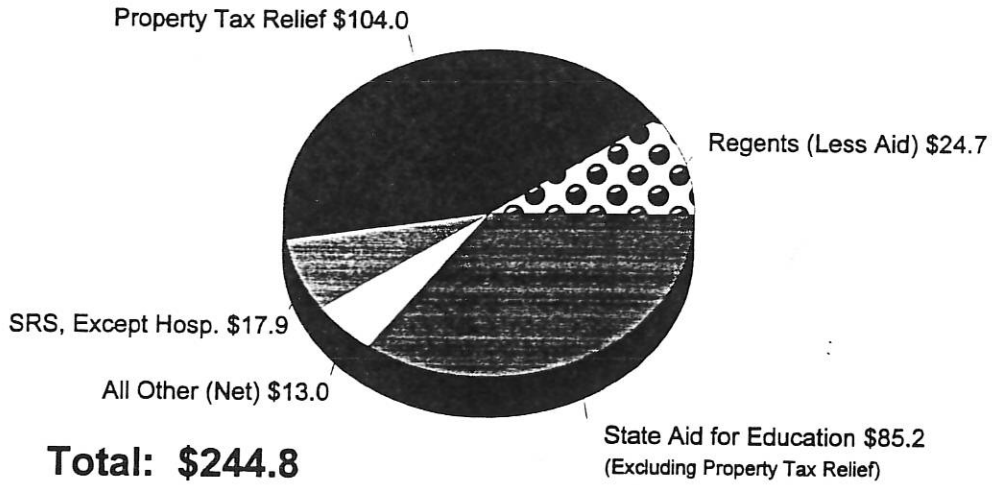
S WJM  
19/1/28/98

Attachment 1-18



STATE GENERAL FUND

Governor's Recommended Expenditure Changes  
FY 1998 to FY 1999  
(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 \$6.9 million in FY 1999. The Governor recommends limiting all the demand transfers to no more than a 2.4 percent increase above the prior year for FY 1999, 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 \$34.0 million more than is proposed in FY 1999. The demand transfer amounts for FY 1997 through the FY 1999 recommendation are reflected in the following table.

5 W+M  
1/28/98  
Attachment 1-20

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

(In Thousands)

Fund	FY 1997			FY 1998			FY 1999		
	No Law Change	Actual	Reduc.	No Law Change	Proposed or Actual	Reduc.	No Law Change	Proposed	Reduc.
State Highway	\$ 93,192	\$ 84,363	\$ (8,829)	\$ 97,487	\$ 85,840	\$ (11,647)	\$ 104,637	\$ 87,899	\$ (16,738)
Local Ad Valorem Tax Reduction	48,661	46,949	(1,721)	50,688	47,771	(2,917)	54,326	48,917	(5,409)
Co.-City Revenue Sharing	37,117	35,095	(2,022)	38,570	35,709	(2,861)	41,376	36,566	(4,810)
City-Co. Highway	15,500	10,553	(4,947)	17,000	10,737	(6,263)	18,000	10,995	(7,005)
Water Plan	6,000	6,000	-	6,000	6,000	-	6,000	6,000	-
School Dist. Cap. Improve.	16,559	16,559	-	19,000	19,000	-	21,500	21,500	-
State Fair	197	197	-	113	113	-	210	210	-
<b>TOTAL</b>	<b>\$ 217,226</b>	<b>\$ 199,716</b>	<b>\$ (17,519)</b>	<b>\$ 228,858</b>	<b>\$ 205,170</b>	<b>\$ (23,688)</b>	<b>\$ 246,049</b>	<b>\$ 212,087</b>	<b>\$ (33,962)</b>

FY 1997 – the four transfers were capped at an increase of no more than 1.4 percent over actual FY 1996.

FY 1998 – the four transfers were capped at 1.75 percent over actual FY 1997.

FY 1999 – the Governor recommends an increase of no more than 2.4 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 1998 and 1999.

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

(Millions of Dollars)

	Actual FY 97	Revised FY 98	Change	Rec. FY 99	Change
Beginning Unencumbered Cash Balance	\$ 379.2	\$ 527.8	\$ 148.6	\$ 595.3	\$ 67.5
Released Encumbrances	3.0	0.3	(2.7)	0.0	(0.3)
Receipts (November 1997 Consensus)	3,683.8	3,940.3	256.5	4,017.5	77.2
(Less Tax Reductions/Revenue Transfer)	0.0	(35.7)	(35.7)	(138.2)	(102.5)
Adjusted Receipts	<u>3,683.8</u>	<u>3,904.6</u>	<u>220.8</u>	<u>3,879.3</u>	<u>(25.3)</u>
Total Resources	\$ 4,066.0	\$ 4,432.7	\$ 366.7	\$ 4,474.6	\$ 41.9
Less Expenditures	<u>3,538.2</u>	<u>3,837.4</u>	<u>299.2</u>	<u>4,082.2</u>	<u>244.8</u>
Ending Unencumbered Cash Balance	<u>\$ 527.8</u>	<u>\$ 595.3</u>	<u>\$ 67.5</u>	<u>\$ 392.4</u>	<u>\$(202.9)</u>
Ending Balance as a Percentage of Expenditures	14.9%	15.5%		9.6%	
Adj. Receipts in Excess of Expenditures	\$ 145.6	\$ 67.2		\$(202.9)	

S W + M  
21 1/28/98  
Attachment 1-20

The FY 1999 General Fund ending balance as a percentage of expenditures under the Governor's recommendations would be 9.6 percent. Under K.S.A. 75-6702 and 75-6703, the targeted minimum ending balance is 7.5 percent. **Receipts for FY 1998 and FY 1999 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 \$35.7 million in FY 1998 and \$138.2 million in FY 1999. The Governor's proposals include the following:**

- ◆ The Governor recommends the transfer of \$35.7 million from the State General Fund to the State Budget Stabilization Fund in FY 1998, for one-time expenditures in FY 1999. The funding recommended to be transferred is derived from a one-time corporation income tax payment totaling \$66.6 million from Western Resources. The Governor proposes using the remaining \$30.9 million of the one-time payment in FY 1999 to accelerate the final two years of the plan approved by the 1997 Legislature to equalize the tax rates of single and married taxpayers.
- ◆ The Governor recommends other selected tax reductions (non-property tax) totaling \$107.3 million in FY 1999. The recommended reductions include a tax credit for machinery (\$23.5 million), inheritance tax adjustments (\$23.1 million), increasing the standard deduction for income tax (\$15.7 million), increasing the personal exemption (\$14.2), establishing a state earned income tax credit (\$12.6 million), selected sales tax exemptions (\$2.0 million), selected sales tax modifications (\$8.3 million), the establishment of a food sales tax rebate program (\$5.0 million), an oil production exemption (\$1.5 million) and a tax credit for higher education savings accounts (\$1.4 million).
- ◆ As previously noted, in addition to the \$30.9 million expenditure to accelerate the equalization of single and married tax rates, the Governor recommends the transfer of \$35.7 million (from the one-time corporation income tax payment from Western Resources) in FY 1998 from the State General Fund to the State Budget Stabilization Fund for one time expenditures in FY 1999. Those expenditures are detailed in the following table.

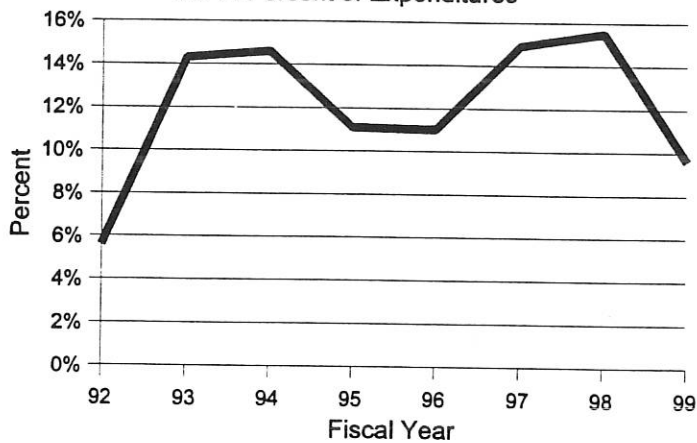
Item	Amount
<b>Park Improvements</b> (funding to address capital improvement needs of the state's park system)	\$10.0 million
<b>Elementary and Secondary Education Technology Funding</b> (grant funding to be matched equally by school districts)	\$10.0 million
<b>Regents Technology Equipment</b> (funding focused on instructional computer and laboratory equipment)	\$5.0 million
<b>Technology Enhancement for Community Colleges and Washburn University</b> (a 50 percent local match will be required from the schools)	\$2.0 million
<b>Technology Enhancement for Vocational Technical Schools</b> (no match is required)	\$1.0 million
<b>Assistive Technology for Special Education</b> (funding of \$750,000 to begin a program of low interest loans to individuals who need funding to purchase assistive technology equipment and \$250,000 to assist special education students as they are discharged from state hospitals)	\$1.0 million
<b>Criminal Justice Information System</b> improvements	\$1,300,248
Computer and assistive technology equipment at the <b>Schools for the Blind and Deaf</b> (\$68,000 for each school)	\$136,000

S W + M  
1/28/98  
Attachment 1-22

Item	Amount
<b>Dole Institute</b> (funding in support of the construction of a building on the <b>University of Kansas</b> campus to house the Robert J. Dole Institute of Public Service and Public Policy)	\$3.0 million
<b>State Fair Commercial Building</b> (construction of a new metal building to provide exhibit space for vendors to replace the existing building which was constructed in 1928)	\$848,000
<b>Statehouse Improvements</b> (improvements to the building and the surrounding grounds)	\$750,000
<b>Statehouse Elevator Renovations</b> (renovation of both the west passenger elevator and the southwest freight elevator)	\$347,000
<b>Iola Armory</b> (funding to matched with almost \$1.6 million in federal funds and \$209,232 in local funds for an addition to the armory)	\$333,848

### State General Fund Ending Balance

As A Percent of Expenditures



S W+M  
23 1/28/98

Attachment 1-23

- a) Includes actual released encumbrances for FY 1997, and \$0.3 million in FY 1998.
- b) Receipts are actual for FY 1997. Receipts for FY 1998 and FY 1999 reflect the consensus revenue estimates. However, the FY 1998 includes a revenue transfer of \$35.7 million to the State Budget Stabilization Fund. The projections for FYs 2000-2003 are not consensus estimates of receipts but are based on a growth rate of 4.7 percent in FY 2000; 4.4 percent in FY 2001; 4.2 percent in FY 2002; and 4.0 percent in FY 2003.
- c) Base estimate of general and supplemental school aid payments in FY 1998 (revised) - FY 2001 were made on November 7, 1997 by the Department of Education, Division of the Budget, and the Legislative Research Department. For FY 1999 the amount reflects an increase in the base per pupil amount of \$35 from \$3,670 to \$3,705, an additional \$10.0 million of correlation weighting, and \$6.0 million in connection with an increase in at-risk weight from .065 to .080, and the reduction in the uniform property tax rate from 27 to 23 mills and a homestead exemption of \$20,000. The FY 2000 - FY 2003 estimates assume a uniform school mill levy of 23 mills and a \$20,000 homestead and a base aid per pupil amount of \$3,705. FY 2002 and FY 2003 are estimated by the Legislative Research Department.
- d) FY 1998 and FY 1999 amount is as recommended by the Governor on all other expenditures. For FY 2000 - FY 2003 all other expenditures grow within available resources.
- e) Demand transfers for the School District Capital Improvement Fund, Water Plan Fund and State Fair all reflect current law. For the State Highway Fund, Local Ad Valorem Tax Reduction Fund, FY 2003 a cap of 3.5 percent.
- f) Current law minimum ending balance requirement is 7.5 percent of expenditures.
- g) The Governor's recommended tax reductions are:

	FY 1998	FY 1999
Single/Married Income Tax Acceleration of Equalization	(\$30.9)	\$0.0
Tax Credit for Machinery and Equipment	(23.5)	(25.8)
Pick-up" Estate Tax	(23.1)	(54.6)
Standard Deduction	(15.7)	(12.4)
Personal Exemption	(14.2)	(11.2)
Earned Income Tax Credit	(12.6)	(13.4)
Sales Tax Exemptions	(2.0)	(2.1)
Tax Simplicity	(8.3)	(9.3)
Food Sales Tax Rebate	(5.0)	(5.0)
Oil Production Exemptions	(1.5)	(1.5)
Education Savings Accounts	(1.4)	(2.0)
Subtotal - Governor's Recommendations Tax Reductions	(\$138.2)	(\$137.3)
Mill Levy Reduction 27 to 23 mills/\$20,000 homestead	40.3	68.9

Overview of the FY 1999 Governor's Budget Report

Attachment 1-24

S wt m  
1/28/98



# NEWS

**Media contact:**

Michel Philipp

Phone: 913.575.1927

FAX: 913.575.6399

news@wstnres.com

**Investor contact:**

Rick Kready

Phone: 913.575.8226

FAX: 913.575.8160

Rick\_Kready@wstnres.com

## STATE TO BENEFIT FROM TYCO SALE; WESTERN RESOURCES TO PAY \$66 MILLION ON PROCEEDS

TOPEKA, Kansas, October 1, 1997 -- As a result of its successful sale of Tyco International common stock, Western Resources officials announced today that the company will pay an additional \$66.6 million in state income tax this year.

The first installment of \$14.5 million was paid September 15. The remaining payment of \$52.1 million will be paid on December 15, 1997.

"The opportunity for the state to benefit from this one-time tax payment arises from an unusual one-time event that no one could have anticipated," said John E. Hayes, Jr., Western Resources chairman of the board and chief executive officer.

In July 1997, Western Resources' investment in 38 million shares of ADT Limited common stock converted to approximately 18.4 million shares of Tyco International common stock resulting in gross proceeds of nearly \$1.5 billion and a pretax gain of approximately \$860 million. The proceeds of the sale will be used to retire debt and for other corporate purposes.

- 30 -

Western Resources (NYSE:WR) is a full-service, diversified security and energy company with total assets of more than \$6 billion. Its utilities, KPL and KGE, operating in Kansas and Oklahoma, provide natural gas service to approximately 650,000 customers and electric service to approximately 600,000 customers. Western Resources, through its subsidiary, Westar Security, also is the third-largest monitored security provider in the country, operating in 48 states in the U.S. Through its other subsidiaries, Westar Energy, Westar Capital, and The Wing Group, a full range of energy and energy-related products and services are developed and marketed in the continental U.S., and offshore.

For more information about Western Resources and its operating companies, visit us on the Internet at <http://www.watnres.com>.

S W+M  
1/28/98  
Attachment 2-1

WESTERN RESOURCES TAX PAYMENTS ACTUALLY MADE

April	4.5 million
June	1.0 million
September	26.3 million
December	35.0 million
Total	<u>66.8 million</u>

S W+M  
1/28/98  
Attachment 2-2