

Approved: 2/3/99
Date

MINUTES OF THE SENATE WAYS AND MEANS.

The meeting was called to order by Chairperson Dave Kerr at 11:00 a.m. on January 28, 1999, in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Legislative Research Department
Debra Hollon, Legislative Research Department
Rae Anne Davis, 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, Legislative Research Department

Others attending: See attached list.

Senator Kerr opened the meeting asking the Committee for their opinion as to whether they would find spending another meeting with officials from the Kansas Department of Transportation beneficial in understanding more about the actual finance aspects of the highway plan. It was agreed by members that it would be worth their time to invite Secretary Carlson to return for another hearing before the Committee.

Alan Conroy, Chief Fiscal Analyst, then spoke to the Committee in explanation of the Overview of the Fiscal Year 2000 Governor's Budget Report. (Attachment 1). He pointed out that in terms of expenditures for FY 2000, the Governor has recommended a budget of \$9 billion, which is the first ever \$9 billion all funds budget.

In regard to FY 2000 State General Fund Expenditures by Major Purpose, Mr. Conroy pointed out that the large increase in Capital Improvements relates to demand transfer increase to the State Highway Fund of almost \$40 million. He said the pie chart (Attachment 1, page 14), reemphasizes that out of the \$4.4 billion, \$2.5 billion of General Funds goes back to local units of government for their activities.

The Mill Levy Reduction and Motor Vehicle Replacement line and the amount of \$52,356 million is mill levy replacement money and not an overall finance increase for the local school districts.

The receipt of the tobacco funding was explained by Mr. Conroy who said that the Attorney General has said on several occasions that she feels confident that the FY 99 money will come before June 30.

Senator Kerr called the Committee's attention to FY 2001 which, if revenues do not exceed the projections, would have new spending restricted to \$3 million total.

The meeting was adjourned at 12:10 p.m. The next meeting is scheduled for Tuesday, February 1, 1999.

OVERVIEW OF THE FISCAL YEAR 2000 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 2000 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 1998, the Governor's revised estimates for FY 1999, and the Governor's recommendations for FY 2000.

SUMMARY OF CHANGES TO ESTIMATED FY 1999 EXPENDITURES

Based on actions of the 1998 Session of the Legislature, it was estimated by the Research Department that FY 1999 expenditures from **all funds** would total \$8.557 billion. *The Governor's Budget Report* revises the all funds FY 1999 budget to \$8.821 billion, an **increase of \$263.9 million** above the earlier estimate. Major differences from the session-end estimate and the Governor's revised estimate include:

- ◆ \$102.0 million (including \$22.2 million from the State General Fund) for the **Department of Social and Rehabilitation Services** to address cost increases related to caseloads, \$101.9 million in the budget of the **Kansas Department of Transportation**, including \$18.0 million in design contracts and \$77.6 million in construction contracts, and funding of \$6.7 million for the Welfare to Work program, in the budget of the **Department of Human Resources** to assist welfare recipients with obtaining jobs.

At the close of the 1998 Session, FY 1999 expenditures from the **State General Fund** were estimated to be \$4.193 billion. *The Governor's Budget Report* revises the FY 1999 General Fund budget to \$4.223 billion, a **net increase of \$30.4 million** from the earlier estimate. Major differences from the session-end estimate and the Governor's revised estimate consist of:

- ◆ \$22.2 million for the **Department of Social and Rehabilitation Services** to address cost increases related to caseloads, and funding of \$3.4 million for the Welfare to Work program, in the budget of the **Department of Human Resources**.

Senate Ways and Means Committee

Date 1/28/99

Attachment # 1-1

The following tabulation summarizes the changes to FY 1999 expenditures by major category.

	Millions	
	General Fund	All Funds
Original FY 1999 Expenditure Estimates	\$ 4,192.6	\$ 8,557.3
Revisions:		
State Operations	9.9	19.3
Aid to Local Units	(28.3)	(51.4)
Other Assistance	47.2	166.2
Capital Improvements	1.6	129.8
Total Revisions	\$ 30.4	\$ 263.9
Revised FY 1999 Expenditure Estimates	\$ 4,223.0	\$ 8,821.2

TOTAL STATE EXPENDITURES FOR FY 2000

Summary of Expenditures from All Funds

The Governor's recommendation for FY 2000 state expenditures from all funds totals \$9.028 billion, an increase of \$207.2 million (2.3 percent) above the Governor's revised estimate for FY 1999 of \$8.821 billion. Actual FY 1998 expenditures from all funding sources were \$8.079 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 2000 recommendation for state operations decreases by \$8.3 million or 0.3 percent below the revised FY 1999 amount. Of the recommended decrease, \$20.0 million is recommended to the operating budget of the Kansas Public Employees Retirement System (KPERs) reflecting the pre-funding in FY 1999 of a portion of the 3.0 percent cost-of-living adjustment approved for KPERs retirees by the 1998 Legislature. That reduction is partially offset by an increase of \$14.7 million within the Regents system.

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 \$121.0 million or 4.1 percent in FY 2000. Aid to local units in the Department of Education increases by a total of \$129.1 million in FY 2000. General and supplemental state aid to local school districts from the Department of Education increases by \$100.8 million, while special education services aid increases \$12.2 million. Aid to local units in the budget of the Adjutant General declines \$2.8 million in FY 2000 related to the expenditure of federal flood relief moneys in FY 1999. 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 \$78.8 million or 3.2 percent above the revised FY 1999 amount. Major increases include \$34.5 million in the Department of Social and Rehabilitation Services (caseload increases and recommended new initiatives), and \$29.6 million for Kansas Public Employees Retirement System 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 \$15.7 million above the FY 1999 level. An increase of \$42.3 million in Department of Transportation construction projects is partially offset by reductions of \$12.9 million in Regents institutions' projects, \$2.9 million in the Kansas Commission on Veterans Affairs, and \$2.1 million in the Department of Social and Rehabilitation Services.

EXPENDITURES FROM ALL FUNDS BY MAJOR PURPOSE

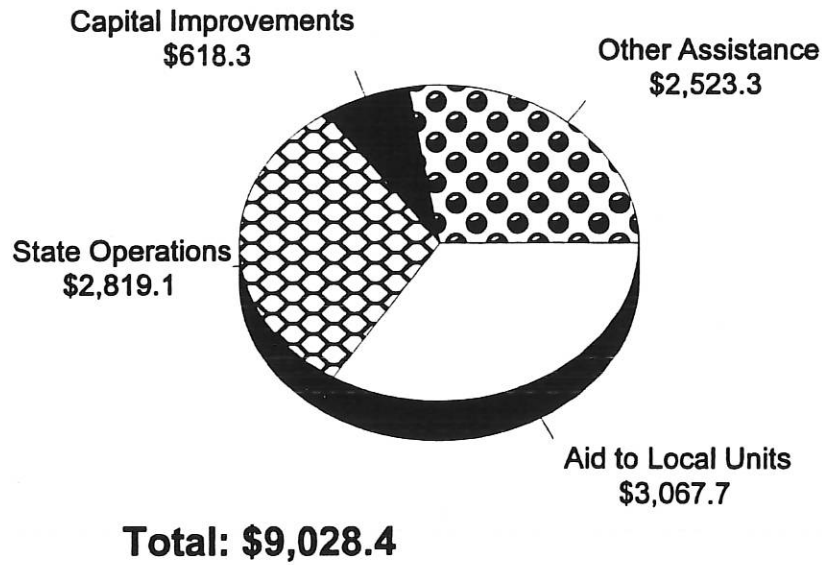
(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 98	FY 99	\$	%	FY 00	\$	%
State Operations	\$ 2,719.1	\$ 2,827.4	\$ 108.3	4.0%	\$ 2,819.1	\$ (8.3)	(0.3)%
Aid to Local Units	2,612.6	2,946.7	334.1	12.8	3,067.7	121.0	4.1
Other Assistance	2,253.2	2,444.5	191.3	8.5	2,523.3	78.8	3.2
Total Operating	\$ 7,584.9	\$ 8,218.6	\$ 633.7	8.4	\$ 8,410.1	\$ 191.5	2.3
Capital Improvements	494.1	602.6	108.5	22.0	618.3	15.7	2.6
TOTAL	\$ 8,079.0	\$ 8,821.2	\$ 742.2	9.2%	\$ 9,028.4	\$ 207.2	2.3%

Of the total budget recommendation for FY 2000, 31.2 percent is for state operations, 34.1 percent is for state aid to local units of government, 27.9 percent is for other assistance, grants, and benefits, and 6.8 percent is for capital improvements. The following pie chart displays the major categories of all funds expenditures in FY 2000.

**FY 2000 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 46.6 percent of the total. The three largest functions of government—education, human resources, and transportation—comprise 83.0 percent of the recommended expenditures for FY 2000.

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

(Millions of Dollars)

Function	Actual FY 98	Est. FY 99	Change		Rec. FY 00	Change	
			\$	%		\$	%
General Government	\$ 894.7	\$ 987.5	\$ 92.8	10.4%	\$ 978.1	\$ (9.4)	(1.0)%
Human Resources	1,965.5	2,193.6	228.1	11.6	2,244.8	51.2	2.3
Education	3,812.6	4,096.0	283.4	7.4	4,211.4	115.4	2.8
Public Safety	363.1	394.6	31.5	8.7	388.9	(5.7)	(1.4)
Agriculture/Natural Resources	134.5	161.7	27.2	20.2	160.4	(1.3)	(0.8)
Transportation	908.6	987.8	79.2	8.7	1,044.8	57.0	5.8
TOTAL	\$ 8,079.0	\$ 8,821.2	\$ 742.2	9.2%	\$ 9,028.4	\$ 207.2	2.3%

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 2000 is based on current resources of the Fund. The net increase in General Fund operating expenditures from FY 1999 to FY 2000 is \$160.1 million or 3.9 percent. The Governor's recommendations do, however, include both positive and negative adjustments for individual agencies.

SUMMARY OF THE PLAN FOR FINANCING STATE EXPENDITURES

(Millions of Dollars)

Fund Class	Actual FY 98	Est. FY 99	Change		Rec. FY 00	Change	
			\$	%		\$	%
Operating Expenditures:							
General Fund	\$ 3,699.6	\$ 4,118.8	\$ 419.2	11.3%	\$ 4,278.9	\$ 160.1	3.9%
Special Revenue Funds	2,464.7	2,621.1	156.4	6.3	2,614.6	(6.5)	(0.2)
Employment Security Fund	146.8	145.0	(1.8)	(1.2)	151.0	6.0	4.1
Highway Funds	482.8	487.5	4.7	1.0	502.0	14.5	3.0
Retirement Funds	455.2	499.8	44.6	9.8	528.7	28.9	5.8
All Other Funds	335.8	346.4	10.6	3.2	334.9	(11.5)	(3.3)
Total Operating	\$ 7,584.9	\$ 8,218.6	\$ 633.7	8.4%	\$ 8,410.1	\$ 191.5	2.3
Capital Improvements:							
General Fund	\$ 99.5	\$ 104.2	\$ 4.7	4.7%	\$ 140.3	\$ 36.1	34.6%
Highway Funds	328.2	400.4	72.2	22.0	401.7	1.3	0.3
Building Funds	31.6	37.1	5.5	17.4	25.5	(11.6)	(31.3)
All Other Funds	34.8	60.9	26.1	75.0	50.8	(10.1)	(16.6)
Total Capital Imprv.	\$ 494.1	\$ 602.6	\$ 108.5	22.0%	\$ 618.3	\$ 15.7	2.6
TOTAL Expenditures	\$ 8,079.0	\$ 8,821.2	\$ 742.2	9.2%	\$ 9,028.4	\$ 207.2	2.3%

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 47.9 percent of estimated FY 1999 expenditures. In FY 2000, the General Fund finances 48.9 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 1999 receipts are \$2.136 billion, an increase of \$373.2 million or 21.2 percent from the FY 1998 actual receipts. The FY 2000 estimate of \$2.003 billion is \$134.4 million or 6.3 percent below the FY 1999 estimated receipts. Three agencies – the Department of Social and Rehabilitation Services, the Department of Transportation, and the Department of Education – account for 76.7 percent of FY 2000 estimated federal receipts.

Federal receipts for fiscal years 1999 and 2000 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 1999 Legislature.

Expenditures for State Operations

Expenditures for state operations, *i.e.*, for purposes other than local aid, other assistance, and capital improvements, comprise 31.2 percent of total recommended expenditures for FY 2000. 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 98	Est. FY 99	Change		Rec. FY 00	Change	
			\$	%		\$	%
Salaries and Wages	\$ 1,612.7	\$ 1,657.9	\$ 45.2	2.8%	\$ 1,690.6	\$ 32.7	2.0%
Contractual Services	604.1	678.7	74.6	12.3	659.5	(19.2)	(2.8)
Commodities	157.9	131.3	(26.6)	(16.8)	131.8	0.5	0.4
Capital Outlay	284.6	271.5	(13.1)	(4.6)	269.7	(1.8)	(0.7)
All Other	59.8	88.0	28.2	47.2	67.5	(20.5)	(23.3)
TOTAL	\$ 2,719.1	\$ 2,827.4	\$ 108.3	4.0%	\$ 2,819.1	\$ (8.3)	(0.3)%

Salaries and wages expenditures, including fringe benefits, comprise almost two-thirds of the state operations budget for FY 2000 (60.0 percent) and represent a \$32.7 million or 2.0 percent increase from the FY 1999 estimate.

Salaries and wages policy recommendations incorporated into the proposed FY 2000 budget include the following:

GOVERNOR'S FY 2000 STATE EMPLOYEE SALARY ADJUSTMENTS

		Millions	
		State General Fund	All Funds
I. Classified			
A.	Step Movement (2.5 percent to all classified employees on their anniversary of state service, assuming satisfactory performance)	\$ 6.4	\$ 14.8
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).	0.4*	0.7
C.	Base Salary Increase (1.0 percent to all classified employees for the entire year).	4.1	8.1
II. Unclassified			
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.	17.2	26.1
GRAND TOTAL		\$ 28.1	\$ 49.7

* Amounts reflect the difference between the Governor's recommendation for FY 2000 and the amount of longevity bonus payments that are estimated to be paid in FY 1999.

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

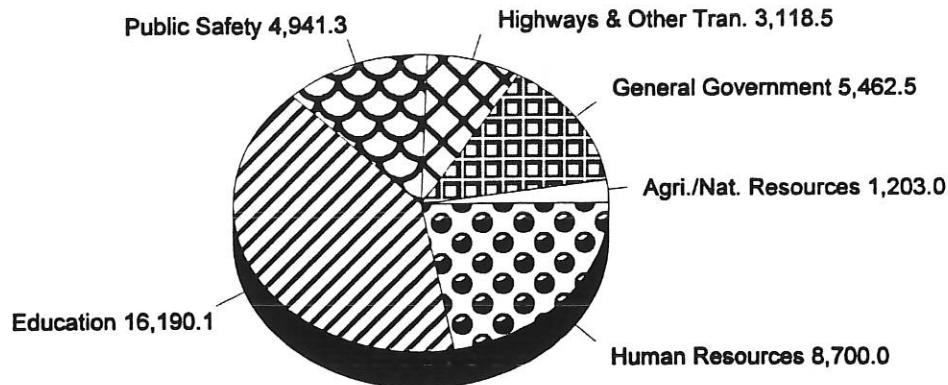
Authorized FTE Employees by Function of Government

Expenditures for salaries and wages are also affected by policy recommendations which change the size of the state's workforce. The FY 2000 budget recommendations of the Governor finance 39,615.4 full-time equivalent positions, a reduction of 1,808.1 or 4.4 percent from the FY 1999 recommended level of 41,423.5. In addition, the Governor recommends 659.1 unclassified temporary positions (formerly referred to as special project appointments) in FY 2000, a reduction of 33.6 or 4.9 percent from FY 1999. These employees are not included in the FTE limitation.

The following pie chart reflects the Governor's recommended FY 2000 full-time equivalent positions by function of government.

FY 2000 FULL-TIME EQUIVALENT (FTE) POSITIONS

by Function of Government



Total FTE Positions: 39,615.4

State Workforce Reductions

The Governor's recommendations in FY 1999 and FY 2000 reduce the size of the state's workforce. In FY 1999, the Governor recommends 41,423.5 FTE positions, a reduction of 223.7 FTE positions from the approved level. For FY 2000, the Governor recommends a total of 39,615.4 FTE positions, a reduction of 1,808.1 FTE positions from FY 1999. 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 1998, a total of 212.0 FTE positions had been vacated through retirements in FY 1999. Of that number, 47.6 (22.5 percent) have not been restored. Total savings to date in FY 1999 are \$511,759, including \$355,629 from the State General Fund, which the Governor has reduced from agency budgets.**
- ◆ **Other Adjustments.** The Governor's recommendation for FY 2000 reflects the reorganization of the University of Kansas Medical Center under a new public authority (a reduction of 1,980.5 FTE), partially offset by increases in the Judicial Branch (9.0 new magistrate judges), the Kansas Highway Patrol (16.0 new FTE trooper positions), and the Commission on Veterans' Affairs (108.0 FTE for staffing at the Winfield Veterans Home).

Program or Agency Components of the FY 2000— 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 2000 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 (59.7 percent) of the total state budget.

**GOVERNOR'S RECOMMENDED
EXPENDITURES FROM ALL FUNDS, FY 2000**

By Agency or Program

	Amount (Thousands)	Percent of Total	Cumulative Percent	Percent Increase From FY 99
Department of Education	\$ 2,593,990	28.73%	28.73%	5.3
Department of SRS, Except Hospitals	1,458,471	16.15	44.89	2.4
Board of Regents and Institutions	1,341,412	14.86	59.74	(2.0)
Department of Transportation	1,044,850	11.57	71.32	5.8
Department on Aging	337,988	3.74	75.06	4.3
Nonschool Employee Pensions (KPERs)	251,651	2.79	77.85	5.9
Local School Employee Pensions (KPERs)	246,695	2.73	80.58	6.7
Department of Corrections and Facilities	220,641	2.44	83.02	1.9
Department of Human Resources	210,720	2.33	85.36	0.9
Department of Health and Environment	172,611	1.91	87.27	1.2
Kansas Lottery	131,901	1.46	88.73	0.1
State Treasurer	116,157	1.29	90.02	3.3
State Hospitals	102,117	1.13	91.15	0.6
Dept. of Commerce and Housing, KTEC, and Kansas, Inc.	97,599	1.08	92.23	0.6
Department of Revenue	83,058	0.92	93.15	(2.0)
Judicial Branch	81,603	0.90	94.05	2.2
Juvenile Justice Authority and Facilities	75,182	0.83	94.89	7.6
Highway Patrol and KBI	64,745	0.72	95.60	2.3
Insurance Dept., and Health Care Stabilization Board of Governors	58,185	0.64	96.25	(2.9)
Department of Wildlife and Parks	43,797	0.49	96.73	(3.4)
KPERs Operations	30,389	0.34	97.07	(40.4)
Department of Agriculture	22,071	0.24	97.31	(1.6)
Attorney General	18,923	0.21	97.52	4.6
Legislative Branch	18,766	0.21	97.73	(12.0)
Corporation Commission	16,344	0.18	97.91	(2.9)
Adjutant General	16,293	0.18	98.09	(53.3)
Board of Indigents' Defense Services	14,187	0.16	98.25	0.9
Conservation Commission	10,434	0.12	98.36	(0.5)
Water Office	5,875	0.07	98.43	(5.4)
All Other	<u>141,787</u>	1.57	100.00	(3.5)
TOTAL	<u>\$ 9,028,442</u>	100.00%		2.3%

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 1999 to FY 2000

	Amount (Thousands)	Comments
Total Increase	<u>\$ 207,288</u>	
Department of Education	\$ 131,319	Increases in state aid to local school districts
Department of Transportation	57,072	Transportation plan expenditures
Dept. of SRS, Except Hospitals	33,851	Caseload increases
Local School Employee Pensions	15,461	Increased benefit payments
Nonschool Employee Pensions	14,131	Increased benefit payments
Department on Aging	13,784	Caseload increases
Juvenile Justice Auth. and Facilities	5,278	Increased community services and prevention programs
Department of Corrections and Fac.	4,023	Staffing for new transitional center; costs related to female boot camp
State Treasurer	3,729	Demand transfer increases
Dept. of Human Resources	1,872	Welfare-to-Work expenditures
Judicial Branch	1,734	New magistrate judge positions; judicial salary increase
Kansas Highway Patrol/KBI	1,450	Additional trooper positions
Board of Regents and Institutions	(27,612)	Reduction in expenditures for University of Kansas Hospital
KPERS Operations	(20,613)	Pre-funding of KPERS 3.0 percent cost-of-living adjustment in FY 1999
Adjutant General	(18,621)	Reductions in federal flood money expenditures
Legislative Agencies	(2,556)	Legislative computerization expenditures in FY 1999
Ins. Dept./HCSF Board of Gov.	(1,755)	Reduced claims
Department of Revenue	(1,716)	Project 2000 adjustments
Department of Wildlife and Parks	(1,543)	Increased capital improvement expenditures in FY 1999
All Other Agencies	(2,000)	

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 2000 General Fund Budget**

The following tabulation provides an overview of the program or agency components of the Governor's FY 2000 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 70.7 percent of General Fund expenditures.

STATE GENERAL FUND EXPENDITURES BY PROGRAM OR AGENCY
Governor's Recommendations for FY 2000

	<u>Amount</u> <u>(Thousands)</u>	<u>Percent</u> <u>of Total</u>	<u>Cumulative</u> <u>Percent</u>	<u>Increase Over FY 1999</u> <u>Amount (000)</u>	<u>Percent</u>
Education					
State Aid to Local Units	\$ 2,323,582	52.58%	52.58%	\$ 129,305	5.9%
Bd. of Regents/Institutions (a)	550,375	12.45	65.03	19,309	3.6
Other Education*	<u>30,103</u>	0.68	65.71	<u>(2,166)</u>	(6.7)
Subtotal, Education	2,904,060	65.71	65.71	146,448	5.3
State Aid Except Education	219,397	4.96	70.68	(663)	(0.3)
SRS, Except Hospitals	485,961	11.00	81.68	17,401	3.7
Dept. of Corrections/Facilities	184,931	4.18	85.86	8,020	4.5
Department on Aging	134,981	3.05	88.91	4,372	3.3
Sales Tax Transfer to SHF	128,925	2.92	91.83	41,026	46.7
Judicial Branch	76,404	1.73	93.56	2,659	3.6
Highway Patrol/KBI	38,852	0.88	94.44	1,602	4.3
State Hospitals	33,214	0.75	95.19	738	2.3
Department of Revenue Operations	31,952	0.72	95.91	2,974	10.3
Juvenile Justice Authority/Facilities	29,709	0.67	96.59	49	0.2
Department of Administration**	25,931	0.59	97.17	(3,579)	(12.1)
Dept. of Health and Environment	21,350	0.48	97.66	(1,866)	(8.0)
Legislative Branch	18,639	0.42	98.08	(2,252)	(10.8)
Bd. of Indigents' Defense	14,057	0.32	98.40	161	1.2
Elected Official Operations	11,834	0.27	98.66	1,107	10.3
Dept. of Agriculture	10,462	0.24	98.90	(188)	(1.8)
All Other**	<u>48,544</u>	1.10	100.00	<u>(21,845)</u>	(31.0)
TOTAL	<u>\$ 4,419,203</u>	<u>100.00%</u>		<u>\$ 196,164</u>	4.6%

* 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 \$0.266 million which is part of Education-State Aid.

*** The reduction in All Other expenditures from FY 1999 to FY 2000 is primarily due to funding (\$20.0 million) in FY 1999 in the budget of the Kansas Public Employees Retirement System (KPERs) budget to prefund a portion of the cost of the 3.0 cost-of-living adjustment for disabled and retired KPERs members.

a) Aid to Washburn University is included in state aid to local units (\$8.270 million).

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

Under education, the increase of 5.9 percent in state aid to local units includes increases of \$89.5 million in general state aid, and \$11.3 million in supplemental state aid. The Governor's recommendation would increase base state aid per pupil by \$35 (from \$3,720 to \$3,755) at a cost of \$20.1 million; and lower the correlation weighting ceiling from 1,750 FTE students to 1,725 at an additional cost of \$10.3 million.

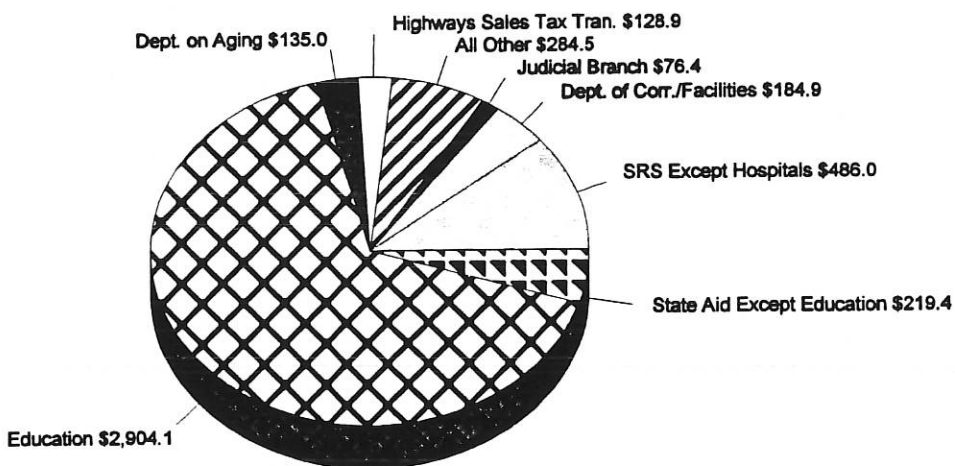
The Governor's FY 2000 recommendation for the Board of Regents and the Regents institutions is a State General Fund increase of \$19.3 million, including a 2.5 percent other operating costs increase (\$3.2 million), and a pool of moneys (\$2.5 million) in the budget of the Board of Regents to be distributed to full-time faculty through a formula to be determined by the Board of Regents. The Governor's FY 2000 recommendation for the Department

of Social and Rehabilitation Services is a State General Fund increase of \$17.4 million, primarily reflecting caseload adjustments.

The following pie chart displays the FY 2000 State General Fund expenditures by major program.

FY 2000 State General Fund Expenditures by Major Program or Agency

(Millions of Dollars)



Total: \$4,419.2

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 transportation reflects the increase in the demand transfer to the State Highway Fund recommended by the Governor in FY 2000.

STATE GENERAL FUND EXPENDITURES BY FUNCTION OF GOVERNMENT

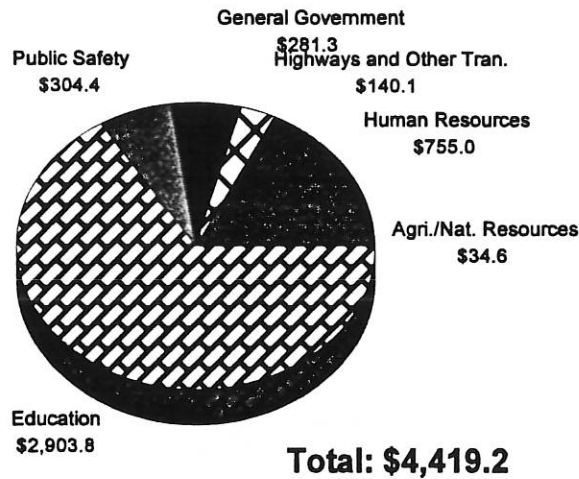
(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 98	FY 99	\$	%	FY 00	\$	%
General Government	\$ 252.8	\$ 296.6	\$ 43.8	17.3%	\$ 281.3	\$ (15.3)	(5.2)%
Human Resources	687.2	739.6	52.4	7.6	755.0	15.4	2.1
Education	2,458.2	2,757.1	298.9	12.2	2,903.8	146.7	5.3
Public Safety	272.5	296.7	24.2	8.9	304.4	7.7	2.6
Agriculture/Natural Resources	31.8	34.1	2.3	7.2	34.6	0.5	1.5
Transportation	96.6	98.9	2.3	2.4	140.1	41.2	41.7
TOTAL	\$ 3,799.1	\$ 4,223.0	\$ 423.9	11.2%	\$ 4,419.2	\$ 196.2	4.6%

The following pie chart reflects FY 2000 General Fund expenditures by function of government.

FY 2000 STATE GENERAL FUND EXPENDITURES BY FUNCTION OF GOVERNMENT

(Millions of Dollars)



Expenditures by Major Purpose

Over \$2.5 billion (57.5 percent) of recommended FY 2000 expenditures from the General Fund is paid to local units of government, 26.5 percent represents the costs of state operations, 12.8 percent is for other assistance payments, and 3.2 percent is for capital improvements. Of the \$140.3 million for capital improvements, \$128.9 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

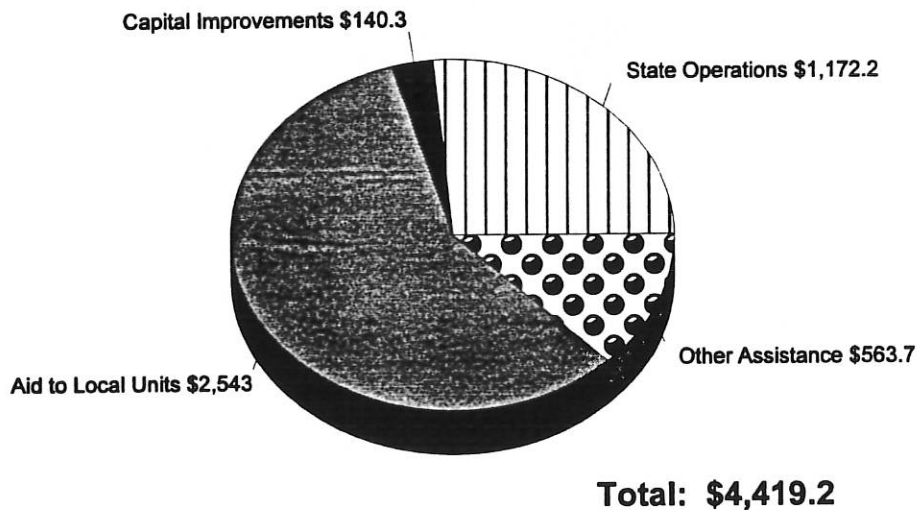
(Millions of Dollars)

	Actual FY 98	Est. FY 99	Change		Rec. FY 00	Change	
			\$	%		\$	%
State Operations	\$ 1,080.3	\$ 1,162.2	\$ 81.9	7.6%	\$ 1,172.2	\$ 10.0	0.9%
Aid to Local Units	2,126.8	2,414.3	287.5	13.5	2,543.0	128.7	5.3
Other Assistance	492.5	542.3	49.8	10.1	563.7	21.4	3.9
Total Operating	\$ 3,699.6	\$ 4,118.8	\$ 419.2	11.3	\$ 4,278.9	\$ 160.1	3.9
Capital Improvements	99.5	104.2	4.7	4.7	140.3	36.1	34.6
TOTAL	\$ 3,799.1	\$ 4,223.0	\$ 423.9	11.2%	\$ 4,419.2	\$ 196.2	4.6%

The following pie chart displays FY 2000 General Fund expenditures by major purpose.

FY 2000 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 98	FY 99	\$	%	FY 00	\$	%
General Government	\$ 163.7	\$ 196.0	\$ 32.3	19.7%	\$ 179.5	\$ (16.5)	(8.4)%
Human Resources	148.9	153.7	4.8	3.2	153.4	(0.3)	(0.2)
Education	506.2	542.5	36.3	7.2	559.8	17.3	3.2
Public Safety	236.6	243.3	6.7	2.8	252.6	9.3	3.8
Agriculture/Natural Resources	24.9	26.7	1.8	7.2	26.9	0.2	0.7
Transportation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	\$ 1,080.3	\$ 1,162.2	\$ 81.9	7.6%	\$ 1,172.2	\$ 10.0	0.9%

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 2000 which increases \$124.0 million or 5.9 percent above the FY 1999 level. Total General Fund aid to local units in the budget year increases \$128.6 million or 5.3 percent above the current year.

STATE AID TO LOCAL UNITS OF GOVERNMENT
In Thousands

From State General Fund	FY 1995	FY 1996	FY 1997	FY 1998	Gov. Rec. FY 1999	Gov. Rec. FY 2000	Increase FY 1999-2000	
							Amount	Percent
General State Aid	\$ 1,297,194	\$ 1,329,362	\$ 1,339,126	\$ 1,488,745	\$ 1,695,451	\$ 1,784,909	\$ 89,458	5.3%
Supp. General Aid	40,005	41,008	45,454	50,251	65,275	76,591	11,316	17.3
Subtotal	1,337,198	1,370,370	1,384,580	1,538,996	1,760,726	1,861,500	100,774	5.7
Cap. Improve. Aid	10,986	15,611	16,559	18,980	22,732	26,882	4,150	18.3
KPERS-School ¹¹	58,208	62,708	68,816	75,775	84,561	92,431	7,870	9.3
Special Ed.	177,289	185,815	190,393	200,848	218,844	231,069	12,225	5.6
Deaf/Blind/Hand. Child.	100	110	110	110	110	110	-	-
Adult Basic Ed. (USDs)	284	279	268	296	323	323	-	-
Food Service	2,375	2,373	2,371	2,370	2,370	2,370	-	-
In-Service Training	5,399	5,535	3,995	2,995	4,000	3,000	(1,000)	(25.0)
Parent Education	2,479	2,695	2,732	2,738	4,667	4,667	-	-
USD 207-Ft. Leaven.	0	0	0	1,311	-	-	-	-
Structured Mentoring	0	0	0	-	975	975	-	-
Ed. Excellence Grants	0	-	-	115	1,600	1,600	-	-
Juv. Detention Grants	1,187	1,906	2,360	2,820	3,072	3,072	-	-
Subtotal, USDs	1,595,505	1,647,402	1,672,184	1,847,354	2,103,980	2,227,999	124,019	5.9
Voc. Ed.-Postsecondary	17,415	17,850	17,440	18,406	18,866	19,685	819	4.3
Community Colleges	50,544	53,023	53,547	55,693	58,806	62,264	3,458	5.9
Adult Basic Ed. (CCs)	458	479	507	561	625	625	-	-
Tech. Equip. (WU and CCs)	-	-	-	1,000	-	-	-	-
Washburn University	6,807	7,045	7,168	7,455	7,902	8,270	368	4.7
Public TV (Washburn)	144	385	211	254	475	266	(209)	(44.0)
Libraries	1,978	3,109	3,182	3,128	3,411	3,412	1	0.0
Arts Program Grants	-	80	219	194	212	262	50	23.6
KUMC Telemedicine	-	50	-	50	-	-	-	-
ESU Flint Hills Spec. Ed.	-	15	15	-	15	-	-	-
Total, Education	1,672,851	1,729,438	1,754,473	1,934,095	2,194,277	2,323,583	129,306	5.9%
Local Prop. Tax Reduc. ¹²	44,649	46,301	46,949	47,771	55,260	58,006	2,746	5.0
Co.-City Revenue Sharing	33,375	34,610	35,095	35,709	36,566	37,189	623	1.7
Community Corrections	12,779	12,062	13,041	13,894	14,629	14,933	304	2.1
Comm Corr. Subs. Abuse	-	-	-	-	250	-	(250)	(100.0)
Juv. Comm. Corrections	3,249	3,555	3,328	4,235	4,235	4,447	212	5.0
Community Corr. Camps	1,412	1,448	1,516	1,592	2,261	2,338	77	3.4
Watershed Construction	1,373	881	800	0	-	-	-	-
Soil Conservation Dist.	982	1,006	1,009	0	-	-	-	-
Local Public Health	5,211	5,351	7,151	7,418	9,181	9,126	(55)	(0.6)
Aging Dept. Programs	1,272	1,057	1,165	2,084	2,667	2,737	70	2.6
Comm. Mental Health	10,033	10,033	10,033	10,001	10,233	10,233	-	-
Comm. Mental Retard.	5,963	5,963	5,963	5,963	5,963	5,963	-	-
Comm. Assnt. Grants	32,592	58,669	35,131	40,563	42,279	38,340	(3,939)	(9.3)
Winfield Claim	-	-	-	6	-	-	-	-
Disaster Relief/Training	1	7	11	10	2,819	17	(2,802)	(99.4)
Mtr. Carrier Tax to CCHF	10,036	10,407	10,553	10,737	10,995	11,182	187	1.7
HOME Program	794	281	1,037	1,037	1,037	933	(104)	(10.0)
Corp. for Change Grants	247	125	-	-	-	-	-	-
Gov. Office Aid	-	-	1	-	-	-	-	-
Mine Shaft Capping	-	-	-	-	-	-	-	-
Judiciary Operations	-	-	1	-	-	-	-	-
EMS Regional Councils	-	-	68	68	100	68	(32)	(32.0)
Juv. Intake and Assess.	1,456	1,059	-	4,707	4,707	4,825	118	2.5
Juv. Comm. Initiatives	-	-	-	2,490	625	-	(625)	(100.0)
Juvenile Comm. Planning	-	-	-	1,200	1,150	-	(1,150)	(100.0)
Crawford Co. Flood Study	40	-	-	-	-	-	-	-
Voter Registration Aid	-	400	-	-	-	-	-	-
KDHE Superfund Match	-	-	-	86	-	-	-	-
Juv. Info. System Grants	-	-	-	-	230	230	-	-
Juv. Justice - Case Mgt.	-	-	-	1,380	14,830	17,830	3,000	20.2
Outdoor Rec. Grants	-	-	-	-	-	1,000	1,000	-
Firefighter Aid	-	-	100	-	-	-	-	-
Crim. Justice Info. Sys.	-	-	-	204	43	-	(43)	(100.0)
Total, Other Programs	165,464	193,221	175,787	190,885	220,060	219,397	(663)	0.3
Total, General Fund	\$ 1,838,315	\$ 1,922,653	\$ 1,930,260	\$ 2,124,980	\$ 2,414,337	\$ 2,542,980	\$ 128,643	5.3%
% of Total SGF Expend.	55.5%	55.9%	54.6%	56.0%	57.2%	57.5%		

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- 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 1995	FY 1996	FY 1997	FY 1998	Gov. Rec. FY 1999	Gov. Rec. FY 2000	Increase FY 1999-2000	
							Amount	Percent
School Dist. Finance	\$ 35,422	\$ 34,976	\$ 32,745	\$ 31,078	\$ 20,150	\$ 14,000	\$ (6,150)	(30.5)%
Driver Safety/Training	1,481	1,425	1,475	1,501	1,506	1,506	-	-
Sch. Dist. Cap. Improve.	121	-	-	-	-	-	-	-
Co. Mineral Prod. Tax	3,007	2,292	2,682	2,620	2,550	2,500	(50)	(2.0)
State Budget Stabilization	-	-	-	-	13,000	-	(13,000)	(100.0)
Econ. Devel. Initiatives								
Ed. Excellence Grants	1,485	1,485	1,472	1,485	-	-	-	-
Voc. Ed.-Postsecondary	5,700	6,050	6,472	6,716	6,716	6,716	-	-
Voc. Ed.-Cap. Outlay	1,500	1,650	1,650	2,000	3,000	2,000	(1,000)	(33.3)
Tech. Grants-CCs/AVS	485	499	195	193	200	200	-	-
Libraries	1,335	251	26	-	-	-	-	-
Total	\$ 50,536	\$ 48,628	\$ 46,717	\$ 45,593	\$ 47,122	\$ 26,922	\$ (20,200)	(42.9)

SELECTED NONEDUCATION STATE AID FROM OTHER FUNDS
In Thousands

From Other Funds	FY 1995	FY 1996	FY 1997	FY 1998	Gov. Rec. FY 1999	Gov. Rec. FY 2000	Increase FY 1999-2000	
							Amount	Percent
City-Co. Highway and Co. Equal. and Adj.*	\$ 113,831	\$ 116,948	\$ 122,007	\$ 124,993	\$ 127,144	\$ 126,588	\$ (556)	(0.4)
State Highway-City Maintenance Payments	2,168	2,137	2,085	2,089	2,240	2,240	-	-
Elderly/Hand. Transport.	986	1,074	1,217	1,113	1,000	1,000	-	-
Local Alcoholic Liquor	12,853	13,259	13,546	14,604	14,600	14,700	100	0.7
Firefighter's Relief	4,101	4,359	4,749	5,072	4,878	4,878	-	-
Co. Mineral Prod. Tax - Counties' Share	3,007	2,293	2,682	2,620	2,550	2,500	(50)	(2.0)
Econ. Devel. Initiatives - Co. Reappraisal Aid	2,696	-	-	-	-	-	-	-
Rental MV Excise Tax	1,752	1,882	2,098	2,248	2,400	2,525	125	5.2
Waste Tire	1,703	837	614	-	-	-	-	-

* 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 1999 Governor's revised estimate to the Governor's recommendations for FY 2000.

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INCREASE IN STATE GENERAL FUND EXPENDITURES

FY 1999 to FY 2000

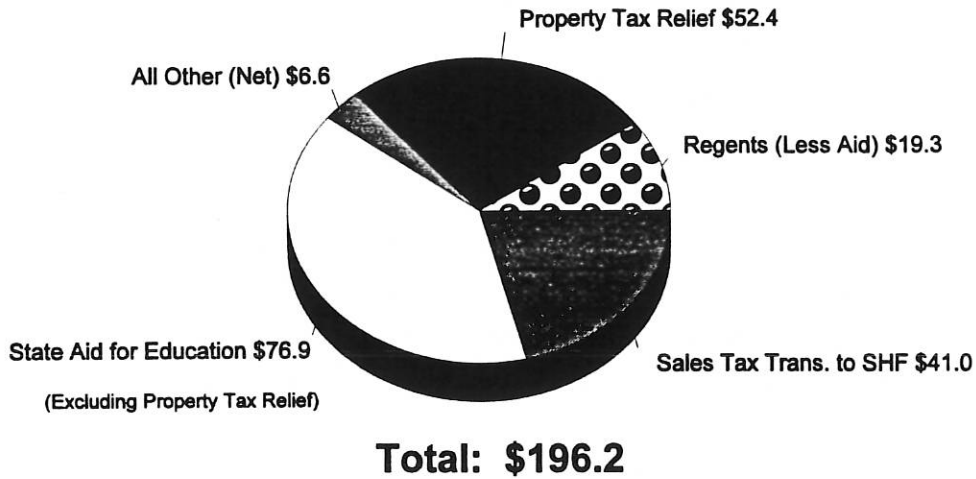
	<u>Amount</u> <u>(000)</u>	<u>Percent</u> <u>of Total</u> <u>Increase</u>
Total Increase	\$ 196,164	100.0%
State Aid for Education, Total	<u>129,305</u>	<u>65.9</u>
Mill Levy Reduction and Motor Veh. Repl.	52,356	26.7
Basic General Aid	37,102	18.9
Special Education	12,225	6.2
KPERs-School	7,870	4.0
Supp. General Aid	11,316	5.8
Capital Improvement Aid	4,150	2.1
All Other	4,286	2.2
Sales Tax Transfer to the State Highway Fund	41,026	20.9
Board of Regents Institutions*	19,309	9.8
SRS, Except Hospitals	17,401	8.9
Department of Corrections and Facilities	8,020	4.1
Department on Aging	4,372	2.2
Judicial Branch	2,659	1.4
KPERs Operations	(20,000)	(10.2)
Department of Administration*	(3,579)	(1.8)
Legislative Agencies	(2,252)	(1.1)
All Other	(97)	(0.1)

* Excludes state aid to local units of government.

The following pie chart displays the General Fund expenditure changes from FY 1999 to FY 2000. Recommended State General Fund expenditure increases include \$129.3 for state aid for education, \$41.0 million to reflect an increased demand transfer from the State General Fund to the State Highway Fund, \$19.3 million for the Board of Regents and Regents institutions (less aid), and \$6.6 for all other FY 2000 State General Fund expenditures.

STATE GENERAL FUND

Governor's Recommended Expenditure Changes FY 1999 to FY 2000 (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 \$48.8 million in FY 2000. The Governor recommends limiting the County-City Revenue Sharing Fund and the City-County Highway Fund to no more than a 1.7 percent increase above the prior year for FY 2000. The Governor recommends that the demand transfer to the State Highway Fund be increased from the current 7.628 percent of sales tax receipts to 9.0 percent in FY 2000 and to 10.0 percent in FY 2001 and thereafter. The recommendation for the other funds reflect current law. Current law for all demand transfers would require the expenditure of \$5.9 million less than is proposed in FY 2000. The demand transfer amounts for FY 1998 through the FY 2000 recommendation are reflected in the following table.

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

(In Thousands)

Fund	FY 1998			FY 1999			FY 2000		
	No Law Change	Actual	Reduc.	No Law Change	Proposed or Actual	Reduc.	No Law Change	Proposed	Change
State Highway	\$ 100,832	\$ 85,839	\$(14,993)	\$ 106,331	\$ 87,900	\$(18,431)	\$ 109,271	\$ 128,925	\$ 19,654
Local Ad Valorem Tax Reduction	51,400	47,771	(3,629)	55,260	55,260	-	58,006	58,006	-
Co.-City Revenue Sharing	38,570	35,709	(2,861)	41,376	36,566	(4,810)	44,573	37,189	(7,384)
City-Co. Highway	15,856	10,737	(5,119)	16,549	10,995	(5,554)	17,550	11,182	(6,384)
Water Plan	6,000	6,000	-	6,000	6,000	-	6,000	6,000	-
School Dist. Cap. Improve.	18,980	18,980	-	22,732	22,732	-	26,882	26,882	-
State Fair	113	113	-	260	260	-	300	300	-
TOTAL	\$ 231,751	\$ 205,149	\$	\$ 244,576	\$ 219,713	\$(28,705)	\$ 262,582	\$ 268,484	\$ 5,886

FY 1998 – 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 State Highway Fund, the County-City Revenue Sharing Fund, and the City-County Highway Fund.

FY 2000 – the Governor recommends an increase of no more than 1.7 percent for the County-City Revenue Sharing Fund and the City-County Highway Fund, and recommends an increase in the statutory demand transfer to the State Highway Fund from 7.628 percent to 9.0 percent.

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 1999 and 2000.

STATE GENERAL FUND RECEIPTS, EXPENDITURES, AND BALANCES

(Millions of Dollars)

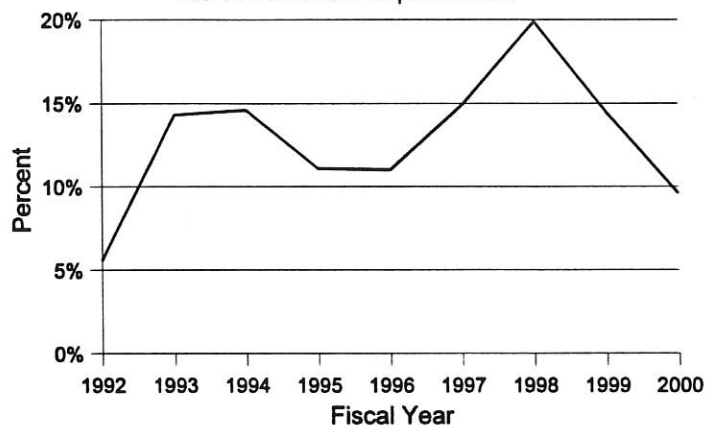
	Actual FY 98	Revised FY 99	Change	Rec. FY 00	Change
Beginning Unencumbered Cash Balance	\$ 527.8	\$ 756.3	\$ 228.5	\$ 611.8	\$ (144.5)
Released Encumbrances	4.0	0.4	(3.6)	0.0	(0.4)
Receipts (November 1998 Consensus)	4,023.7	4,075.7	52.0	4,230.6	154.9
(Less Gov. Rec. Adjustments)	0.0	2.4	2.4	(0.1)	(2.5)
Adjusted Receipts	4,023.7	4,078.1	54.4	4,230.5	152.4
Total Resources	\$ 4,555.5	\$ 4,834.8	\$ 279.3	\$ 4,842.3	\$ 7.5
Less Expenditures	3,799.1	4,223.0	423.9	4,419.2	196.2
Ending Unencumbered Cash Balance	<u>\$ 756.3</u>	<u>\$ 611.8</u>	<u>\$(144.5)</u>	<u>\$ 423.1</u>	<u>\$(188.7)</u>
Ending Balance as a Percentage of Expenditures	19.9%	14.5%		9.6%	
Adj. Receipts in Excess of Expenditures	\$ 224.6	\$ (144.9)		\$ (188.7)	

The FY 2000 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 1999 and FY 2000 are equal to the consensus estimates except for certain transfers and tax reduction proposals recommended by the Governor which increase receipts to the State General Fund by \$2.4 million in FY 1999 and decreases receipts by \$0.1 million in FY 2000. The Governor's proposals include the following:**

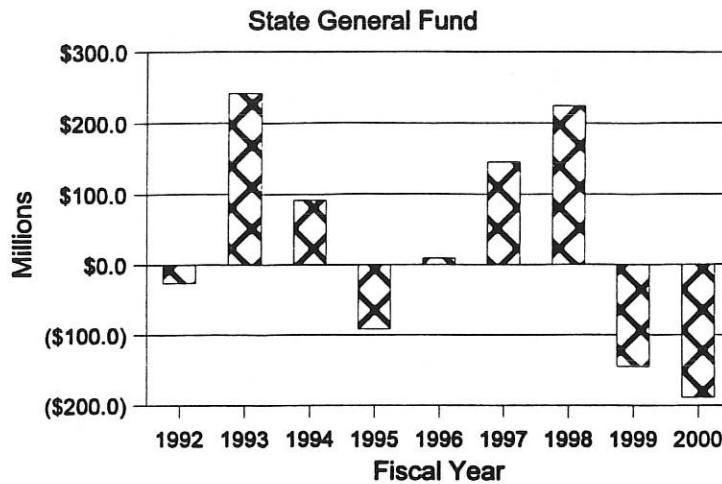
- ◆ The Governor recommends other selected tax reductions (non-property tax) totaling \$15.1 million in FY 2000. The recommended reductions include expanding the tax credit for business machinery from 15.0 to 20.0 percent (\$8.6 million), elimination of the severance tax on oil production (\$3.8 million), doubling the tax credit for Kansas taxpayers who adopt children from \$1,250 to \$2,500 (\$1.9 million), sales tax exemptions on labor and materials for construction or refurbishment of commercial grain elevators (\$0.6 million), and sales tax exemptions on labor and materials for enhancement of the railroad infrastructure (\$0.2 million).
- ◆ The Governor's recommendations also reflect the receipt to the State General Fund of \$4.0 million from tobacco settlement funds in FY 1999 and \$14.9 million in FY 2000.
- ◆ The Governor's recommendation also includes a transfer of \$2.0 million from the State General Fund to the State Emergency Fund to restore the balance in the State Emergency Fund following State Finance Council action of December 16, 1998 which authorized expenditures for flood damage and a grain elevator disaster.

State General Fund Ending Balance

As A Percent of Expenditures



Receipts in Excess of Expenditures



The General Fund profile for FY 1998 to FY 2004 at the end of this overview reflects information contained in the *FY 2000 Governor's Budget Report*.

OTHER ISSUES

Children's Health Care Programs Fund. The Governor's recommendation includes expenditures of \$14.6 million from the new Children's Health Care Programs Fund, comprised of tobacco settlement proceeds. It is estimated that the state of Kansas will receive \$20.0 million in FY 1999 and \$53.0 million in FY 2000. The 1998 Legislature required that one-half of any such proceeds be credited to the fund. The remaining proceeds will be credited to the State General Fund. The Governor's budget assumes that the federal government will successfully claim 60 percent of these funds to recoup tobacco related Medicaid costs and anticipates that approximately \$29.2 million will be available for expenditure in FY 2000.

New Transportation Program. In anticipation of a new transportation program, the Governor recommends increasing the State Highway Fund sales tax transfer to 9.0 percent (from 7.628 percent) in FY 2000 and to 10.0 percent in FY 2001 and thereafter. The Governor's State General Fund recommendation for capital improvements for the Kansas Department of Transportation in FY 2000 totals \$128.9 million, an increase of \$41.0 million over the revised FY 1999 estimate.

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Governor's Recommendation

State General Fund Profile
FY 1998 - FY 2004

	Actual FY 1998	Increase	Revised FY 1999	Increase	Projected FY 2000	Increase	Projected FY 2001	Increase	Projected FY 2002	Increase	Projected FY 2003	Increase	Projected FY 2004	Increase
Beginning Balance(a)	\$528.6		\$756.7		\$611.8		\$423.1		\$336.7		\$337.4		\$349.4	
RECEIPTS:(b)														
Tobacco Settlement	4,027.2	9.3%	4,075.7	1.2%	4,230.6	3.8%	4,401.5	4.0%	4,582.1	4.1%	4,779.6	4.3%	4,985.1	4.3%
Tax Reductions	0.0	0.0	4.0	4.0	10.6	6.6	11.4	0.8	13.8	2.4	14.0	0.2	11.6	(2.4)
Car Tax Elimination Transfers	0.0	0.0	0.0	0.0	(15.1)	(15.1)	(17.3)	(2.2)	(20.8)	(3.5)	(21.9)	(1.1)	(23.6)	(1.7)
Other Revenue Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	(19.2)	(19.2)	(60.3)	(41.1)	(109.4)	(49.1)	(166.3)	(56.9)
Adjusted Receipts	4,027.2	343.4 9.3%	4,078.1	50.9 1.3%	4,230.5	152.4 3.7%	4,376.5	146.0 3.5%	4,516.4	139.9 3.2%	4,662.3	145.9 3.2%	4,806.8	144.5 3.1%
EXPENDITURES:														
Base General and Supplemental School Aid (c)	1,384.0	1.5%	1,419.1	2.5%	1,436.4	1.2%	1,419.9	-1.1%	1,400.6	-1.4%	1,380.0	-1.5%	1,358.7	-1.5%
Approved Property Tax Relief:		19.7		35.1		17.3		(16.5)		(19.3)		(20.6)		(21.3)
Approved Mill Levy Reduction (35/20 mills; \$20,000 homestead)	108.7	108.7	266.1	157.4	321.3	55.2	331.6	10.3	342.2	10.6	353.1	10.9	364.3	11.2
Approved Motor Vehicle Property Tax Relief	46.3	24.7	75.5	29.2	103.8	28.3	125.9	22.1	131.8	5.9	137.1	5.3	142.6	5.5
Subtotal - Approved Property Tax Relief	155.0	133.4	341.6	186.6	425.1	83.5	457.5	32.4	474.0	16.5	490.2	16.2	506.9	16.7
Subtotal - Approved General and Supplemental School Aid (c)	1,539.0	153.1 11.2%	1,760.7	221.7 14.4%	1,861.5	100.8 5.7%	1,877.4	15.9 0.9%	1,874.6	(2.8) -0.1%	1,870.2	(4.4) -0.2%	1,865.6	(4.6) -0.2%
Demand Transfers: (e)	205.1	5.4	219.6	14.5	268.5	48.9	293.3	24.8	303.9	10.6	315.9	12.0	328.3	12.4
All Other Expenditures(d)	2,055.0	103.6 5.3%	2,242.7	187.7 9.1%	2,289.2	46.5 2.1%	2,289.2	0.0 0.0%	2,292.2	3.0 0.1%	2,337.2	45.0 2.0%	2,464.2	127.0 5.4%
Available for Other Purposes(g)	0.0	0.0	0.0	0.0	0.0	0.0	3.0	3.0	45.0	42.0	127.0	82.0	140.0	13.0
TOTAL Expenditures	3,799.1	263.3 7.4%	4,223.0	423.9 11.2%	4,419.2	196.2 4.6%	4,462.9	43.7 1.0%	4,515.7	52.8 1.2%	4,650.3	134.6 3.0%	4,798.1	147.8 3.2%
Ending Balance(f)	756.7		611.8		423.1		336.7		337.4	87.1	349.4	11.3	358.1	(3.3)
Percent of Expenditures	19.9%		14.5%		9.6%		7.5%		7.5%	7.5%	7.5%	7.5%	7.5%	(3.3)
Receipts in Excess of Expenditures	228.1		(147.3)		(188.6)		(61.4)		66.4		129.3		187.0	

NOTES:

a) includes released encumbrances in FY 1998 and FY 1999.

b) Receipts are actual for FY 1998. Receipts for FY 1999 and FY 2000 reflect the November 5, 1998 consensus revenue estimates as adjusted by the Governor. The adjustments include the tobacco settlement and various tax reductions (business machinery, oil severance tax, adoption tax credit, grain storage and grain transport). The Governor recommends a motor vehicle tax phase-out beginning in FY 2001. The Governor also makes several other minor adjustments in receipts (Project 2000 in the Department of Revenue, Lottery, oil and gas well plugging transfer in the KCC, Winfield Veteran's Home, and a transfer to the State Emergency Fund).

The projections for FYs 2001 - 2004 are not consensus estimates of receipts but are based on a growth rate of 4.0 percent in FY 2001; 4.1 percent in FY 2002; 4.3 percent in FY 2003; and 4.3 percent in FY 2004.

c) Base estimate of general and supplemental school aid payments in FY 1998 (actual), estimates for FY 1999 (revised), and FY 2001 - FY 2002 were made by the Department of Education, Division of the Budget, and the Legislative Research Department. For FY 2000 the Governor's recommendation reflects an increase in the base per pupil amount of \$35 from \$3,720 to \$3,755, an additional correlation weighting adjustment from 1,750 FTE students to 1,725 FTE students, and the reduction in the uniform property tax rate from 27 to 20 mills and a homestead exemption of \$20,000. The FY 2000 - FY 2004 estimates assume a uniform school mill levy of 20 mills and a \$20,000 homestead and a base aid per pupil amount of \$3,755. FY 2003 and FY 2004 are estimated by the Legislative Research Department.

d) FY 1998 actual all other expenditures. The FY 1999 and FY 2000 amounts are as recommended by the Governor. For FY 2001 - FY 2003 all other expenditures generally reflect the prior year's all other expenditures, plus the prior year's amount that is available for other purposes.

e) Demand transfers for the School District Capital Improvement Fund, Water Plan Fund, State Fair and the Local Ad Valorem Tax Reduction Fund (FY 1999 - FY 2004) all reflect current law. The County-City Revenue Sharing Fund and the City-County Highway Fund for FY 1999 reflect a cap of 2.4 percent; FY 2000 a cap of 1.75 percent; FY 2001 the amounts are frozen; FY 2002 a cap of 0.6 percent; and for FY 2003 and FY 2004 a cap of 2.6 percent. For the State Highway Fund the FY 2000 amount reflects an increase in the transfer percentage of the sales tax revenue from the current law amount of 7.628 percent to 9.0 percent in FY 2000 and 10.0 percent in FY 2001.

f) Current law minimum ending balance requirement is 7.5 percent of expenditures.

g) Available for other purposes such as additional expenditures or tax reduction

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