

MINUTES OF THE HOUSE COMMITTEE ON APPROPRIATIONS.

The meeting was called to order by Chairman Kenny Wilk at 9:05 a.m. on February 1, 2001 in Room 514-S of the Capitol.

All members were present except: Representative Brenda Landwehr

Committee staff present: Alan Conroy, Legislative Research
Rae Anne Davis, Legislative Research
Leah Robinson, Legislative Research
Amy Kramer, Legislative Research
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Committee Secretary

Conferees appearing before the committee: Alan Conroy, Legislative Research Department

Others attending: See Attached

Alan Conroy, Legislative Research Department, presented an Overview of the Fiscal Year 2002 Governor's Budget Report (Attachment 1). Included in the Overview was a summary of changes to estimated FY 2001 expenditures. Mr. Conroy explained that tax receipts are down \$58 million year to date and there is almost a \$3 million shortage in EDIF moneys. The Consensus Group meets in April and more accurate figures should be available at that time. There is usually a revenue shortfall in January as the Department of Revenue is issuing tax refunds at that time and the income tax due is usually not received until March or April.

Representative Spangler moved for the introduction of legislation concerning the use of credit cards by school districts. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Bethell moved for the introduction of legislation concerning adult health care administrators and the need for an appointment of an assistant attorney general by the Attorney General to assist them in dealing with legal issues. Motion was seconded by Representative Neufeld. Motion carried.

Representative Spangler moved for the adoption of the minutes of January 18, 23, 24, and 25 as presented. Motion was seconded by Representative Neufeld. Motion carried.

The meeting was adjourned at 10:10 a.m. The next meeting is scheduled for February 6, 2001.

COMMITTEE GUEST LIST

DATE: Feb 1, 2001

NAME	REPRESENTING
Eric Serton	W SU
Don Rezac	S.F.A.H.

Overview of the Fiscal Year 2002

Governor's Budget Report

Kansas Legislative Research Department
300 S.W. Tenth Avenue—Room 545-N
Topeka, Kansas 66612-1504
Phone: (785) 296-3181 FAX: (785) 296-3824
kslegres@klrd.state.ks.us
<http://skyways.lib.ks.us/ksleg/KLRD/klrd.html>

HOUSE APPROPRIATIONS
DATE 2/1/01
ATTACHMENT 1

OVERVIEW OF THE FISCAL YEAR 2002 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 2002 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 2000, the Governor's revised estimates for FY 2001, and the Governor's recommendations for FY 2002.

SUMMARY OF CHANGES TO ESTIMATED FY 2001 EXPENDITURES

Based on actions of the 2000 Session of the Legislature, it was estimated by the Research Department that FY 2001 expenditures from **all funds** would total \$8.789 billion. *The Governor's Budget Report* revises the all funds FY 2001 budget to \$9.158 billion, **an increase of \$368.9 million** from the earlier estimate. Major differences from the session-end estimate and the Governor's revised estimate include:

- ◆ Increases of \$207.4 million in the budget of the **Kansas Department of Transportation**, primarily due to construction expenditure changes related to the Comprehensive Transportation Program; \$48.9 million in the budget of the **Department of Social and Rehabilitation Services**, primarily for caseload adjustments; \$44.7 million for the **Board of Regents and the Regents Institutions**, primarily reflecting capital improvement expenditures carried forward from FY 2000; \$31.9 million in the budget of the **Adjutant General** reflecting federal emergency aid adjustments; and \$24.6 million from the **Department of Human Resources**, reflecting increased expenditures for benefit grant programs.

At the close of the 2000 Session, FY 2001 expenditures from the **State General Fund** were estimated to be \$4.406 billion. *The Governor's Budget Report* revises the FY 2001 General Fund budget to \$4.434 billion, a **net increase of \$28.2 million** from the earlier estimate. Major differences from the session-end estimate and the Governor's revised estimate consist of:

- ◆ An increase of \$21.0 million in the budget of the **Department of Social and Rehabilitation Services**, largely reflecting caseload adjustments; an increase of \$2.7 million for the **Board of Regents and its Institutions**, reflecting the shift of State General Fund monies from FY 2001; and an increase of \$2.0 million in Welfare-to-Work matching funds in the budget of the **Department of Human Resources**.

The following tabulation summarizes the changes to FY 2001 expenditures by major category.

	Millions	
	General Fund	All Funds
Original FY 2001 Expenditure Estimates	\$ 4,406.2	\$ 8,788.7
Revisions:		
State Operations	1.3	60.9
Aid to Local Units	(5.3)	27.4
Other Assistance	29.7	87.5
Capital Improvements	2.5	193.1
Total Revisions	\$ 28.2	\$ 368.9
Revised FY 2001 Expenditure Estimates	\$ 4,434.4	\$ 9,157.6

TOTAL STATE EXPENDITURES FOR FY 2002

Summary of Expenditures from All Funds

The Governor's recommendation for FY 2002 state expenditures from all funds totals \$9.152 billion, a **reduction of \$5.3 million** (0.1 percent) above the Governor's revised estimate for FY 2001 of \$9.158 billion. Actual FY 2000 expenditures from all funding sources were \$8.418 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 2002 recommendation for state operations increases by \$72.1 million or 2.6 percent above the revised FY 2001 amount. Of the recommended increase, \$21.3 million is reflected in the budget of the Kansas Department of Transportation, reflecting increased costs related to the Comprehensive Transportation Program, and \$20.3 million is included in the budgets of the Board of Regents and the Regents institutions, related primarily to salary increases for faculty and other employees. All other state operations expenditures increase by \$30.5 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 \$74.3 million or 2.3 percent in FY 2002. Aid to local units in the Department of Education increases by a total of \$68.2 million in FY 2002. General and supplemental state aid to local school districts from the Department of Education increases by \$46.9 million, while KPERs-School employer contributions increase by \$16.4 million. 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 \$74.6 million or 3.1 percent above the revised FY 2001 amount. Major increases include \$57.3 million in the Department of Social and Rehabilitation Services and \$18.6 million in the

Department on Aging budget (caseload increases), and \$ 9.4 million for increased unemployment insurance benefit payments in the budget of the Department of Human Resources.

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

Capital improvements are recommended to decrease by \$226.3 million below the FY 2001 level. Included are reductions in construction expenditures for the Department of Transportation (\$204.3 million, related to fewer than anticipated construction projects being bonded in FY 2001), and \$13.6 million in Regents institutions' projects.

EXPENDITURES FROM ALL FUNDS BY MAJOR PURPOSE

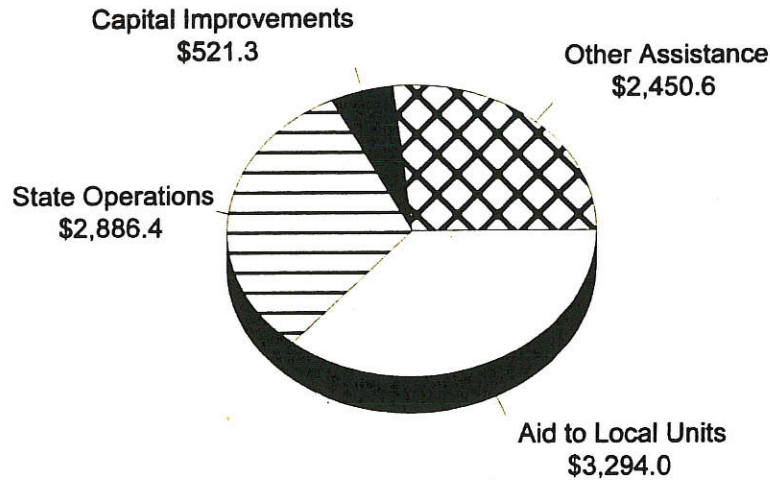
(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 00	FY 01	\$	%	FY 02	\$	%
State Operations	\$ 2,715.0	\$ 2,814.3	\$ 99.3	3.7%	\$ 2,886.4	\$ 72.1	2.6%
Aid to Local Units	3,079.3	3,219.7	140.4	4.6	3,294.0	74.3	2.3
Other Assistance	<u>2,248.4</u>	<u>2,376.0</u>	<u>127.6</u>	<u>5.7</u>	<u>2,450.6</u>	<u>74.6</u>	<u>3.1</u>
Total Operating	\$ 8,042.7	\$ 8,410.0	\$ 367.3	4.6	\$ 8,631.0	\$ 221.0	2.6
Capital Improvements	<u>375.4</u>	<u>747.6</u>	<u>372.2</u>	<u>99.1</u>	<u>521.3</u>	<u>(226.3)</u>	<u>(30.3)</u>
TOTAL	<u>\$ 8,418.1</u>	<u>\$ 9,157.6</u>	<u>\$ 739.5</u>	<u>8.8%</u>	<u>\$ 9,152.3</u>	<u>\$ (5.3)</u>	<u>(0.1)%</u>

Of the total budget recommendation for FY 2002, 31.5 percent is for state operations, 36.0 percent is for state aid to local units of government, 26.8 percent is for other assistance, grants, and benefits, and 5.7 percent is for capital improvements. The following pie chart displays the major categories of all funds expenditures in FY 2002.

FY 2002 EXPENDITURES FROM ALL FUNDS BY MAJOR PURPOSE

(Millions of Dollars)



Total: \$9,152.3

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 46.0 percent of the total. The three largest functions of government—education, human resources, and transportation—comprise 85.5 percent of the recommended expenditures for FY 2002.

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

(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 00	FY 01	\$	%	FY 02	\$	%
General Government	\$ 733.2	\$ 743.3	\$ 10.1	1.4%	\$ 757.2	\$ 13.9	1.9%
Human Resources	2,413.0	2,561.8	148.8	6.2	2,661.0	99.2	3.9
Education	3,969.4	4,115.7	146.3	3.7	4,210.9	95.2	2.3
Public Safety	401.8	454.4	52.6	13.1	422.5	(31.9)	(7.0)
Agriculture/Natural Resources	144.7	151.3	6.6	4.6	148.6	(2.7)	(1.8)
Transportation	756.0	1,131.1	375.1	49.6	952.1	(179.0)	(15.8)
TOTAL	\$ 8,418.1	\$ 9,157.6	\$ 739.5	8.8%	\$ 9,152.3	\$ (5.3)	(0.1)

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. The tabulation separates the plan for financing into operating purposes and capital improvements. The General Fund operating amount shown in the table for FY 2002 is based on current resources of the Fund. The net increase in General Fund operating expenditures from FY 2001 to FY 2002 is \$162.5 million or 3.7 percent. The Governor's recommendations do, however, include both positive and negative adjustments for individual agencies.

SUMMARY OF THE PLAN FOR FINANCING STATE EXPENDITURES

(Millions of Dollars)

Fund Class	Actual	Est.	Change		Rec.	Change	
	FY 00	FY 01	\$	%	FY 02	\$	%
Operating Expenditures:							
General Fund	\$ 4,289.5	\$ 4,371.5	\$ 82.0	1.9%	\$ 4,534.0	\$ 162.5	3.7%
Special Revenue Funds	2,743.7	3,005.1	261.4	9.5	3,024.4	19.3	0.6
Employment Security Fund	179.9	181.0	1.1	0.6	191.0	10.0	5.5
Highway Funds	445.8	479.2	33.4	7.5	503.4	24.2	5.1
Retirement Funds	44.4	35.8	(8.6)	(19.4)	36.5	0.7	2.0
All Other Funds	339.7	337.4	(2.3)	(0.7)	341.7	4.3	1.3
Total Operating	\$ 8,043.0	\$ 8,410.0	\$ 367.0	4.6%	\$ 8,631.0	\$ 221.0	2.6%
Capital Improvements:							
General Fund	\$ 78.1	\$ 63.0	\$ (15.1)	(19.3)%	\$ 130.3	\$ 67.3	106.8%
Highway Funds	233.2	584.9	351.7	150.8	311.2	(273.7)	(46.8)
Building Funds	28.7	44.2	15.5	54.0	36.1	(8.1)	(18.3)
All Other Funds	35.1	55.5	20.4	58.1	43.7	(11.8)	(21.3)
Total Capital Imprv.	\$ 375.1	\$ 747.6	\$ 372.5	99.3%	\$ 521.3	\$ (226.3)	(30.3)
TOTAL Expenditures	\$ 8,418.1	\$ 9,157.6	\$ 739.5	8.8%	\$ 9,152.3	\$ (5.3)	(0.1)%

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 48.4 percent of estimated FY 2001 expenditures. In FY 2002, the General Fund finances 51.0 percent of the recommended expenditures.

Special revenue funds include most federal grants, student 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 8 in *The Governor's Budget Report* (Volume 1) summarizes actual and estimated receipts of federal funds. Estimated FY 2001 receipts are \$2.596 billion, an increase of \$371.2 million or 16.7 percent from the FY 2000 actual receipts. The FY 2002 estimate of \$2.548 billion is \$48.1 million or 1.9 percent below the FY 2001 estimated receipts. Three agencies – the Department of Social and Rehabilitation Services, the Department of Transportation, and the Department of Education – account for 72.5 percent of FY 2002 estimated federal receipts.

Federal receipts for fiscal years 2001 and 2002 are dependent 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 2001 Legislature.

Expenditures for State Operations

Expenditures for state operations, *i.e.*, for purposes other than local aid, other assistance, and capital improvements, comprise 31.5 percent of total recommended expenditures for FY 2002. 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 primarily of debt service.

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

(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 00	FY 01	\$	%	FY 02	\$	%
Salaries and Wages	\$ 1,663.6	\$ 1,737.9	\$ 74.3	4.5%	\$ 1,808.8	\$62.5	4.1%
Contractual Services	635.0	659.9	24.9	3.9	648.1	(11.8)	(1.8)
Commodities	146.6	137.9	(8.7)	(5.9)	138.2	0.3	0.2
Capital Outlay	192.9	186.2	(6.7)	(3.5)	177.9	(8.3)	(4.5)
All Other	76.9	92.3	15.4	20.0	113.4	21.1	22.9
TOTAL	\$2,715.0	\$ 2,814.3	\$ 99.2	3.7%	\$ 2,886.4	\$ 72.2	2.6%

Salaries and wages expenditures, including fringe benefits, comprise almost two-thirds of the state operations budget for FY 2002 (62.7 percent) and represent a \$62.5 million or 4.1 percent increase from the FY 2001 estimate.

Salaries and wages policy recommendations incorporated into the proposed FY 2002 budget include the following:

GOVERNOR'S FY 2002 STATE EMPLOYEE SALARY ADJUSTMENTS

		<u>Millions</u>	
		<u>State General Fund</u>	<u>All Funds</u>
I. Classified			
A.	Base Salary Adjustment (An annualized 3.0 percent adjustment with 1.5 percent effective at the beginning of the fiscal year and 1.5 percent effective half way through the fiscal year)	\$ 10.0	\$ 18.9
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)	0.3*	0.6*
C.	For uniformed corrections officers and juvenile corrections officers, a 2.5 percent base salary increase in addition to recommended increases for all classified employees.	1.8	1.8
D.	For Highway Patrol troopers, a 5.0 percent base salary increase in addition to recommended increases for all classified employees	0.8	1.0
II. Unclassified			
A.	An annualized 3.0 percent adjustment with 1.5 percent effective at the beginning of the fiscal year and 1.5 percent effective half way through the fiscal year	13.5	18.4
B.	For Regents faculty, a salary enhancement pool intended to provide an average salary increase of 5.5 percent	<u>8.4</u>	<u>8.4</u>
GRAND TOTAL		<u>\$ 34.8</u>	<u>\$ 49.1</u>

* Amounts reflect the difference between the Governor's recommendation for FY 2001 and the amount of longevity bonus payments that are estimated to be paid in FY 2002.

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

Other Pay Plan Recommendations

The Governor's recommendation would also provide that classified employees at steps 1,2,and 3 of each pay grade on the current pay matrix would be moved to step 4 effective with the pay period beginning February 4, 2001. All new hires would start at the current step 4. In addition, a 16th step would be added at the top of each pay grade in FY 2002, although no employee would move to the next step during FY 2002.

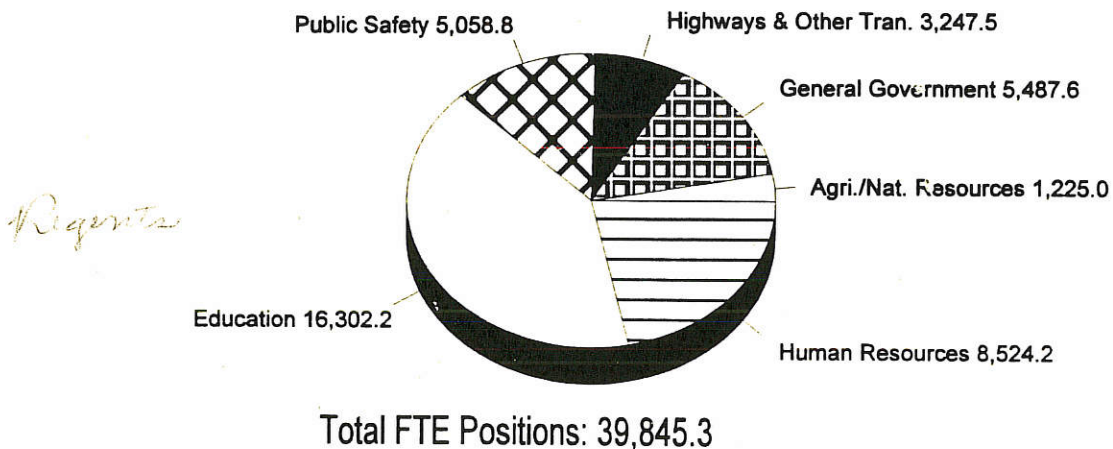
Authorized FTE Employees by Function of Government

Expenditures for salaries and wages are also affected by policy recommendations which change the size of the state's workforce. The FY 2002 budget recommendations of the Governor finance 39,845.3 full-time equivalent positions, an increase of 220.5 or 0.6 percent from the FY 2001 recommended level of 39,624.8. In addition, the Governor recommends 962.9 other unclassified positions in FY 2002, a reduction of 43.4 or 4.3 percent from FY 2001. These employees are not included in the FTE limitation.

The following pie chart reflects the Governor's recommended FY 2002 full-time equivalent positions by function of government.

FY 2002 FULL-TIME EQUIVALENT (FTE) POSITIONS

by Function of Government



State Workforce Adjustments

The Governor's FY 2002 recommendation increases the size of the state's workforce by 220.5 FTE positions. Factors contributing to the increase in positions include:

- ◆ The Governor's recommendation for FY 2002 includes the addition of 92.0 FTE for full staffing of the Kansas Veterans' Home in Winfield and 73.5 FTE for the Department of Corrections and the Correctional Facilities reflecting staffing for capacity expansion projects.

Program or Agency Components of the FY 2002— All Funds Budget

To this point, this memorandum has dealt primarily with measuring **year-to-year** changes proposed in *The Governor's Budget Report*. The following tabulation pertains to **FY 2002 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 (65.0 percent) of the total state budget.

**GOVERNOR'S RECOMMENDED
EXPENDITURES FROM ALL FUNDS, FY 2002**

By Agency or Program

	<u>Amount (Thousands)</u>	<u>Percent of Total</u>	<u>Cumulative Percent</u>	<u>Percent Increase From FY 01</u>
Department of Education	\$ 2,632,153	28.76%	28.76%	2.6%
Department of SRS, Except Hospitals	1,762,975	19.26	48.02	4.3
Board of Regents and Institutions	1,548,889	16.92	64.95	2.0
Department of Transportation	952,117	10.40	75.35	(15.8)
Department on Aging	406,702	4.44	79.79	4.8
Department of Human Resources	254,965	2.79	82.58	4.7
Department of Corrections and Facilities	235,946	2.58	85.16	(0.1)
Department of Health and Environment	172,124	1.88	87.04	1.8
Kansas Lottery	140,333	1.53	88.57	0.1
State Treasurer	117,670	1.29	89.86	6.3
Dept. of Commerce and Housing, KTEC, and Kansas, Inc.	106,191	1.16	91.02	2.7
State Hospitals	103,052	1.13	92.14	0.9
Judicial Branch	90,175	0.99	93.13	2.8
Juvenile Justice Authority and Facilities	86,446	0.94	94.07	(8.4)
Department of Revenue	78,063	0.85	94.92	1.5
Highway Patrol and KBI	70,328	0.77	95.69	2.1
Insurance Dept., and Health Care Stabilization Board of Governors	51,914	0.57	96.26	(1.3)
Department of Wildlife and Parks	43,319	0.47	96.73	(5.4)
KPERS Operations	36,486	0.40	97.13	1.9
Adjutant General	23,192	0.25	97.38	(51.7)
Attorney General	21,848	0.24	97.62	(1.8)
Legislative Branch	20,742	0.23	97.85	3.0
Department of Agriculture	19,930	0.22	98.07	0.5
State Corporation Commission	16,923	0.18	98.25	(4.1)
Board of Indigents' Defense Services	15,063	0.16	98.42	0.1
Conservation Commission	10,968	0.12	98.54	4.1
Water Office	6,001	0.07	98.60	(0.3)
All Other	127,808	1.40	100.00%	(7.5)
TOTAL	<u>\$ 9,152,323</u>	<u>100.00%</u>		<u>0.1%</u>

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

INCREASE (DECREASE) IN EXPENDITURES FROM ALL FUNDS

FY 2001 to FY 2002

	Amount (Thousands)	Comments
Total Increase	\$ (5,246)	
SRS, Except Hospitals	\$ 72,391	Caseload increases
Department of Education	67,656	Increases in state aid to local school districts
Board of Regents and Institutions	30,430	Faculty and other salary increases
Department on Aging	18,640	Caseload increases
Department of Human Resources	11,523	Increased benefit payments
Comm. on Veterans' Affairs	6,978	Operating costs for new Veterans Home
State Treasurer	6,927	Increases in LAVTRF and CCRS demand transfers
Dept. of Health and Environment	3,096	Increased community services and prevention programs
Dept. of Commerce and Housing	2,942	Increased operations expenditures
Kansas Highway Patrol	2,758	Trooper pay increases
Department of Revenue	1,180	Additional operating expenditures
Department of Administration	95	Operating expenditure increases
Secretary of State	(157)	Operating expenditure decreases
Kansas Technology Enterprise Corp.	(161)	Decreases in EPSCoR and Research Matching Grants
Dept. of Corrections and Facilities	(175)	Capacity expansion projects in FY 2001
Dept. of Wildlife and Parks	(2,489)	Reduction in capital improvement expenditures
Homestead Property Tax Refunds	(15,100)	Shift program from expenditure to revenue adjustment
Adjutant General	(24,867)	Reductions in disaster-related expenditures
Juvenile Justice Authority and Fac.	(7,958)	Reduced capital improvement expenditures
Department of Transportation	(178,974)	Reflecting less bonding and more cash outlay for capital improvement projects than anticipated in FY 2001
All Other Agencies	19	

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 2002 General Fund Budget

The following tabulation provides an overview of the program or agency components of the Governor's recommended FY 2002 expenditures from the State General Fund. This tabulation identifies individual components which comprise 99.3 percent of General Fund expenditures. Education and state aid account for 70.4 percent of General Fund expenditures.

STATE GENERAL FUND EXPENDITURES BY PROGRAM OR AGENCY
Governor's Recommendations for FY 2002

	Amount	Percent	Cumulative	Increase Over FY 2001	
	(Thousands)	of Total	Percent	Amount (000)	Percent
Education					
State Aid to Local Units	\$ 2,446,459	52.45%	52.45%	\$ 79,877	3.4%
Bd. of Regents/Institutions (a)	585,067	12.54	65.00	15,825	2.8
Other Education*	30,416	0.65	65.65	616	2.1
Subtotal, Education	\$ 3,061,942	65.65	65.65	\$ 96,318	3.2
State Aid Except Education	221,890	4.76	70.41	7,235	3.4
SRS, Except Hospitals	565,083	12.12	82.52	48,367	9.4
Dept. of Corrections/Facilities	192,322	4.12	86.65	4,320	2.3
Department on Aging	150,011	3.22	89.86	21,869	17.1
Kansas Department of Transportation	121,108	2.60	92.46	69,399	134.2
Judicial Branch	79,631	1.71	94.17	1,572	2
Highway Patrol/KBI	39,280	0.84	95.01	1,709	4.5
Department of Revenue Operations	32,668	0.70	95.71	376	1.2
Juvenile Justice Authority/Facilities	31,745	0.68	96.39	698	2.2
State Hospitals	31,651	0.68	97.07	1,541	5.1
Department of Administration**	25,163	0.54	97.61	648	2.6
Dept. of Health and Environment	22,595	0.48	98.09	368	1.7
Legislative Branch	20,611	0.44	98.53	745	3.8
Bd. of Indigents' Defense	14,704	0.32	98.85	(68)	(0.5)
Elected Official Operations	11,145	0.24	99.09	(543)	(4.6)
Department of Agriculture	10,043	0.22	99.30	115	1.2
Homestead Property Tax Refunds	0	0.00	99.30	(15,100)	(43.2)
All Other	32,647	0.70	100.00%	7,773	31.2
TOTAL	\$ 4,664,239	100.00%		\$ 229,795	5.2%

* 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 \$0.339 million which is part of Education-State Aid.

a) Aid to Washburn University is included in state aid to local units (\$10.594 million).

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

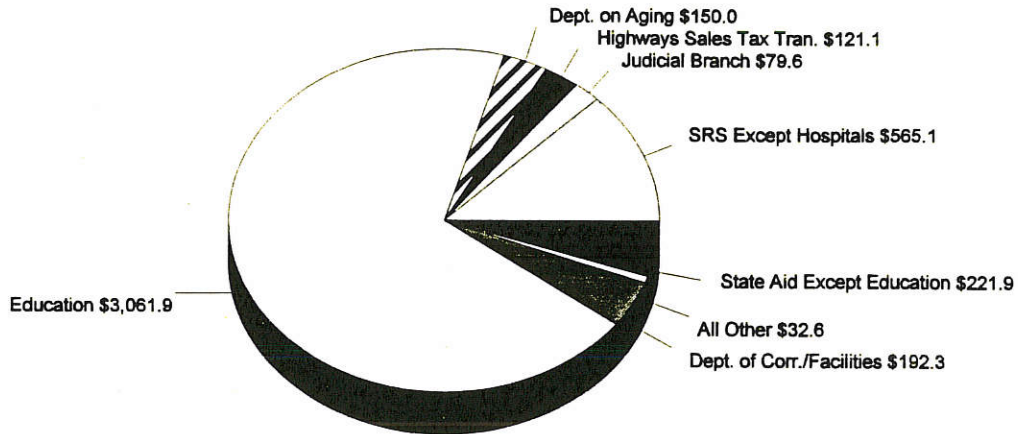
In the Department of Education budget, the Governor recommends State General Fund increases of \$67.4 million, including \$29.9 million to increase base state aid per pupil by \$50 (from \$3,820 to \$3,870).

The Governor's FY 2002 recommendation for the Board of Regents and the Regents institutions is a State General Fund increase of \$28.8 million, including an \$8.4 million faculty salary pool intended to provide an average faculty salary increase of 5.5 percent. The Governor's FY 2002 recommendation for the Department of Social and Rehabilitation Services is a State General Fund increase of \$38.6 million, primarily reflecting caseload adjustments.

The following pie chart displays the FY 2002 State General Fund expenditures by major program.

**FY 2002 State General Fund Expenditures
by Major Program or Agency**

(Millions of Dollars)



Total: \$4,664.2

**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 an increase in the demand transfer to the State Highway Fund recommended by the Governor in FY 2002.

**STATE GENERAL FUND EXPENDITURES
BY FUNCTION OF GOVERNMENT**

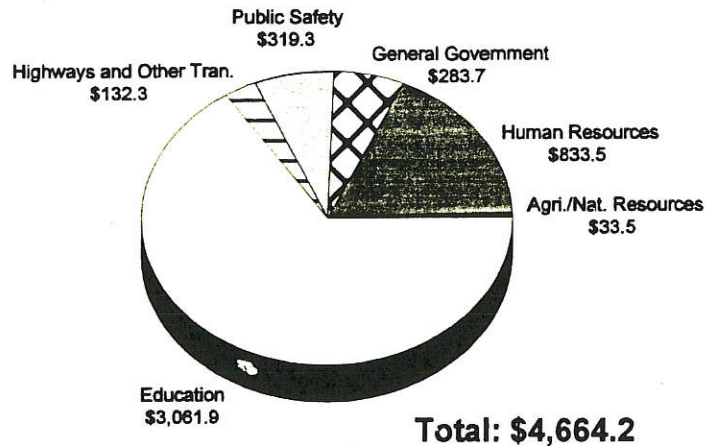
(Millions of Dollars)

Function	Actual	Est.	Change		Rec.	Change	
	FY 00	FY 01	\$	%	FY 02	\$	%
General Government	\$ 278.2	\$ 274.3	\$ (3.9)	(1.4)%	\$ 283.7	\$ 9.4	3.4%
Human Resources	788.9	788.9	0.0	0.0	833.5	44.6	5.7
Education	2,885.6	2,965.6	80.0	2.8	3,061.9	96.3	3.2
Public Safety	308.2	312.5	4.3	1.4	319.3	6.8	2.2
Agriculture/Natural Resources	33.2	31.1	(2.1)	(6.3)	33.5	2.4	7.7
Transportation	73.4	62.0	(11.4)	(15.5)	132.3	70.3	113.4
TOTAL	\$ 4,367.6	\$ 4,434.4	\$ 66.9	1.5%	\$ 4,664.2	\$ 229.8	5.2%

The following pie chart reflects FY 2002 General Fund expenditures by function of government.

FY 2002 STATE GENERAL FUND EXPENDITURES BY FUNCTION OF GOVERNMENT

(Millions of Dollars)



Expenditures by Major Purpose

Almost \$2.7 billion (57.2 percent) of recommended FY 2002 expenditures from the General Fund is paid to local units of government, 26.1 percent represents the costs of state operations, 14.0 percent is for other assistance payments, and 2.7 percent is for capital improvements.

STATE GENERAL FUND EXPENDITURES BY MAJOR PURPOSE

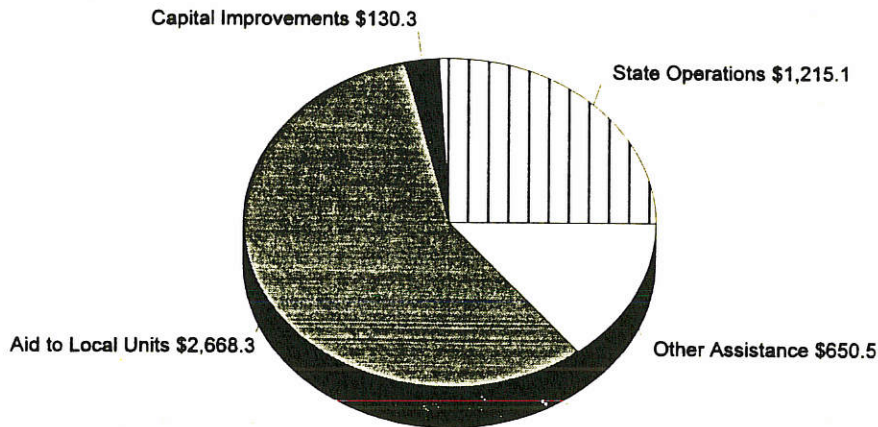
(Millions of Dollars)

	Actual FY 00	Est. FY 01	Change		Rec. FY 02	Change	
			\$	%		\$	%
State Operations	\$ 1,154.8	\$ 1,184.6	\$ 29.8	2.6	\$ 1,215.1	\$ 30.5	2.6
Aid to Local Units	2,532.0	2,581.2	43.2	1.7	2,668.3	87.1	3.4
Other Assistance	602.7	605.6	8.9	1.5	650.5	44.9	7.4
Total Operating	\$ 4,289.5	\$ 4,371.4	\$ 81.9	1.9	\$ 4,533.9	\$ 162.5	3.7
Capital Improvements	78.1	63.0	(15.1)	(19.3)	130.3	67.3	106.8
TOTAL	\$ 4,367.6	\$ 4,434.4	\$ 66.8	1.5	\$ 4,664.2	\$ 229.8	5.2

The following pie chart displays FY 2002 General Fund expenditures by major purpose.

FY 2002 STATE GENERAL FUND EXPENDITURES BY MAJOR PURPOSE

(Millions of Dollars)



Total: \$4,664.2

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 FY 00	Est. FY 01	Change		Rec. FY 02	Change	
			\$	%		\$	%
General Government	\$ 175.8	\$ 179.9	\$ 4.1	2.3	\$ 183.1	\$ 3.2	1.8%
Human Resources	147.9	144.1	(3.8)	(2.6)	147.2	3.1	2.2
Education	554.7	578.5	23.8	4.3	594.2	15.7	2.7
Public Safety	250.3	256.4	6.1	2.4	263.7	7.3	2.8
Agriculture/Natural Resources	26.1	25.7	(0.4)	(1.5)	26.9	1.2	4.7
Transportation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	\$ 1,154.8	\$ 1,184.6	\$ 29.8	2.6	\$ 1,215.1	\$ 30.5	2.6%

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 2002 which increases \$66.9 million or 3.0 percent above the FY 2001 level. Total General Fund aid to local units in the budget year increases \$87.1 million or 3.4 percent above the current year.

STATE AID TO LOCAL UNITS OF GOVERNMENT
In Thousands

From State General Fund	FY 1997	FY 1998	FY 1999	FY 2000	Gov. Rec. FY 2001	Gov. Rec. FY 2002	Increase FY 2001-2002	
							Amount	Percent
General State Aid	\$ 1,339,126	\$ 1,488,745	\$ 1,683,061	\$ 1,777,656	\$ 1,801,919	\$ 2,070,665	\$ 268,746	14.9%
Supp. General Aid	45,454	50,251	64,998	72,523	84,489	95,383	10,894	12.9
Subtotal	1,384,580	1,538,996	1,748,059	1,850,179	1,886,408	2,166,048	279,640	14.8
Cap. Improve. Aid	16,559	18,980	22,747	26,098	30,900	38,000	7,100	23.0
KPERS-School ¹⁾	68,816	75,775	83,557	87,889	88,743	105,155	16,412	18.5
Special Ed.	190,393	200,848	218,843	228,757	233,736	-	(233,736)	(100.0)
Deaf/Blind/Hand. Child.	110	110	110	109	110	110	-	-
Adult Basic Ed. (USDs)	268	296	323	385	385	385	-	-
Food Service	2,371	2,370	2,365	2,361	2,365	2,365	-	-
In-Service Training	3,995	2,995	3,993	4,944	4,600	2,600	(2,000)	(43.5)
Parent Education	2,732	2,738	4,595	4,365	4,640	4,640	-	-
USD 207-Ft. Leaven.	-	1,311	-	-	-	-	-	-
Structured Mentoring	-	-	975	964	-	-	-	-
Ed. Excellence Grants	-	115	1,600	-	44	-	(44)	(100.0)
Innovative Programs	-	-	-	1,580	-	-	-	-
Mentor Teachers	-	-	-	-	1,000	-	(1,000)	(100.0)
Technology Infrastruct. Study	-	-	-	-	-	500	500	-
Gov. Teaching Excellence	-	-	-	-	-	56	56	-
Juv. Detention Grants	2,360	2,820	3,320	4,011	5,380	5,380	-	-
Subtotal, USDs	1,672,184	1,847,354	2,090,487	2,211,642	2,258,311	2,325,239	66,928	3.0
Voc. Ed.-Postsecondary	17,440	18,406	18,866	19,508	19,508	20,084	576	3.0
Community Colleges	53,547	55,693	58,689	60,937	74,087	85,174	11,087	15.0
Adult Basic Ed. (CCs)	507	561	613	715	715	715	-	-
Tech. Equip. (WU and CCs)	-	1,000	-	450	450	450	-	-
Capital Outlay Aid (AVTS)	-	-	-	500	-	-	-	-
Washburn University	7,168	7,455	7,902	8,188	9,270	10,594	1,324	14.3
Public TV (Washburn)	211	254	228	259	267	273	6	2.2
Public TV digital conversion	-	-	-	-	-	66	66	-
Libraries	3,182	3,128	3,454	4,031	3,746	3,667	(79)	(2.1)
Arts Program Grants	219	194	192	228	228	197	(31)	(13.6)
KUMC Telemedicine	-	50	50	-	-	-	-	-
ESU Flint Hills Spec. Ed.	15	-	-	-	-	-	-	-
Total, Education	1,754,473	1,934,095	2,180,481	2,306,458	2,366,582	2,446,459	79,877	3.4
Local Prop. Tax Reduc. ¹²⁾	46,949	47,771	55,122	57,903	54,139	57,903	3,764	7.0
Co.-City Revenue Sharing	35,095	35,709	36,566	36,932	34,531	36,932	2,401	7.0
Community Corrections	13,041	13,894	14,717	14,824	14,674	15,424	750	5.1
Community Corr. Camps	1,516	1,592	2,219	2,174	2,204	2,247	43	2.0
Juvenile Community Programs	3,328	14,012	25,631	32,611	32,009	31,825	(184)	(0.6)
Watershed Const/Soil Cons.	1,809	-	-	-	-	-	-	-
Local Public Health	7,151	7,418	9,150	9,607	9,595	9,526	(69)	(0.7)
Cherokee Co. Road Remed.	-	-	-	50	-	-	-	-
Aging Dept. Programs	1,165	2,084	2,580	2,052	2,733	2,655	(78)	(2.9)
Comm. Mental Health	10,033	10,001	10,233	10,233	10,233	10,233	-	-
Comm. Mental Retard.	5,963	5,963	5,963	5,963	5,963	5,963	-	-
Comm. Assnt. Grants	35,131	40,563	42,010	39,748	37,516	37,598	82	0.2
Winfield Claim	-	6	-	-	-	-	-	-
Disaster Relief/Training	11	10	20	584	270	-	(270)	(100.0)
Mtr. Carrier Tax to CCHF	10,553	10,737	10,995	11,182	10,343	11,182	839	8.1
HOME Program	1,037	1,037	1,037	773	-	-	-	-
Gov. Office Aid	1	-	-	-	-	-	-	-
Judiciary Operations	1	-	-	477	-	-	-	-
EMS Regional Councils	68	68	100	84	79	78	(1)	(1.3)
KDHE Superfund Match	-	86	-	-	-	-	-	-
Dept. of Revenue Aid	-	-	93	-	-	-	-	-
Community Lake Asst.	-	-	25	-	-	-	-	-
Firefighter Aid	100	-	-	-	-	-	-	-
Employment Programs	-	-	-	331	364	325	(39)	(10.7)
Crim. Justice Info. Sys.	-	204	541	15	-	-	-	-
Total, Other Programs	175,787	190,885	217,090	225,544	214,655	221,890	7,238	3.4
Total, General Fund	\$ 1,930,260	\$ 2,124,980	\$ 2,397,571	\$ 2,532,002	\$ 2,581,237	\$ 2,668,349	\$ 87,115	3.4%
% of Total SGF Expend.	54.6%	56.0%	57.1%	57.8%	58.2%	57.2%		

- 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.

1-18

STATE AID FROM OTHER FUNDS FOR EDUCATION
In Thousands

From Other Funds	FY 1997	FY 1998	FY 1999	FY 2000	Gov. Rec. FY 2001	Gov. Rec. FY 2002	Increase FY 2001-2002	
							Amount	Percent
School Dist. Finance	\$ 32,745	\$ 31,078	\$ 20,642	\$ 15,785	\$ 16,369	\$ 16,369	-	-
Driver Safety/Training	1,475	1,501	1,587	1,623	1,585	1,585	-	-
Co. Mineral Prod. Tax	2,682	2,620	1,540	1,681	1,978	2,250	272	13.8
Flexible Spending-Spec. Ed.	-	-	-	-	14,600	-	(14,600)	(100.0)
Children's Initiatives Fund								
Four year old at risk	-	-	-	-	1,000	2,000	1,000	100.0
Structured Mentoring	-	-	-	-	500	500	-	-
Parent Education	-	-	-	778	1,500	3,500	2,000	133.3
Violence Prevention Grants	-	-	-	500	500	500	-	-
Econ. Devel. Initiatives								
Ed. Excellence Grants	1,472	1,485	-	-	-	-	-	-
Voc. Ed.-Postsecondary	6,472	6,716	6,697	6,716	6,916	6,883	(33)	(0.5)
Voc. Ed.-Cap. Outlay	1,650	2,000	3,000	2,000	2,700	2,700	-	-
Tech. Grants-CCs/AVS	195	193	199	191	200	200	-	-
Libraries	26	-	-	-	-	-	-	-
Total	<u>\$ 46,717</u>	<u>\$ 45,593</u>	<u>\$ 33,665</u>	<u>\$ 29,274</u>	<u>\$ 47,848</u>	<u>\$ 36,487</u>	<u>\$ (11,361)</u>	<u>(23.7)%</u>

SELECTED NONEDUCATION STATE AID FROM OTHER FUNDS
In Thousands

From Other Funds	FY 1997	FY 1998	FY 1999	FY 2000	Gov. Rec. FY 2001	Gov. Rec. FY 2002	Increase FY 2001-2002	
							Amount	Percent
City-Co. Highway and Co. Equal. and Adj.*	\$ 122,007	\$ 124,993	\$ 131,135	\$ 138,612	\$ 145,575	\$ 147,970	\$ 2,395	1.6%
State Highway-City Maintenance Payments	2,085	2,089	2,035	2,784	3,360	3,360	-	-
Elderly/Hand. Transport.	1,217	1,113	1,005	3,614	4,900	5,200	300	6.1
Aviation	-	-	-	2,885	3,000	3,000	-	-
Local Alcoholic Liquor	13,546	14,604	14,912	15,809	15,547	16,042	495	3.2
Firefighter's Relief	4,749	5,072	5,468	5,127	5,250	5,381	131	2.5
Co. Mineral Prod. Tax - Counties' Share	2,682	2,620	1,540	1,681	1,978	2,250	272	13.8
Rental MV Excise Tax	2,098	2,248	2,619	2,579	2,479	2,479	-	-
Waste Tire	614	-	-	-	-	-	-	-
Tax Increment Fin. Revenue Replacement	-	227	363	607	500	650	150	30.0

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

Recommended Changes in General Fund Programs

The following tabulation summarizes General Fund expenditure changes from the FY 2001 Governor's revised estimate to the Governor's recommendations for FY 2002.

INCREASE IN STATE GENERAL FUND EXPENDITURES

FY 2001 to FY 2002

	Amount (000)	Percent of Total Increase
Total Increase	\$ 229,795	100.0%
State Aid for Education, Total	79,877	34.8
Basic General Aid	268,746	117.0
Supplemental General Aid	10,894	4.7
Special Education*	(233,736)	(101.7)
Capital Improvement Aid	7,100	3.1
KPERs-School	16,412	7.1
Community College Aid	11,087	4.8
All Other	(626)	(0.3)
Department of Transportation	70,238	30.6
SRS, Except Hospitals	38,582	16.8
Department on Aging	21,791	9.5
Board of Regents and Institutions**	14,825	6.5
State Treasurer	5,982	2.6
Department of Corrections and Facilities	5,112	2.2
Conservation Commission	1,771	0.8
Kansas Highway Patrol	1,639	0.7
Judicial Branch	1,572	0.7
SRS Hospitals	1,541	0.7
Legislative Agencies	745	0.3
Department of Administration**	649	0.3
Juvenile Justice Authority and Facilities	514	0.2
Department of Wildlife and Parks	411	0.2
Department of Commerce and Housing	395	0.2
Department of Revenue	376	0.2
Department of Health and Environment	299	0.1
Department of Agriculture	115	0.1
Kansas Arts Commission**	44	0.0
Attorney General	13	0.0
State Fair	(16)	0.0
Adjutant General	(142)	(0.1)
Historical Society	(203)	(0.1)
Secretary of State	(218)	(0.1)
Department of Human Resources	(1,769)	(0.8)
Homestead Property Tax Refunds	(15,100)	(6.6)
All Other	752	0.3

* The FY 2002 Governor's recommendation changes special education services aid to a weighting under the school finance formula.

** Excludes state aid to local units of government.

DEMAND TRANSFERS FROM THE STATE GENERAL FUND

Demand transfers, certain expenditures specified by statute, are recommended by the Governor to increase by \$85.3 million in FY 2002. The Governor recommends funding the transfers to the Local Ad Valorem Tax Reduction Fund and the County-City Revenue Sharing Fund at the FY 2000 level. The Governor recommends reductions of \$24.3 million in the FY 2002 demand transfer to the State Highway Fund, and \$7.3 million in the demand transfer to the City-County Highway Fund. The Governor's recommendation also increases the demand transfer to the State Water Plan by \$250,000. The recommendation for the other funds reflects current law. Current law for all demand transfers would require the expenditure of \$45.9 million more than is proposed in FY 2002. In FY 2001, the Governor's recommendation reduces the demand transfers to the State Highway Fund by \$86.7 million, the County-City Revenue Sharing Fund by \$11.5 million, the City-County Highway Fund by \$7.7 million and the State Water Plan by \$1.5 million. The demand transfer amounts for FY 2000 through the FY 2002 recommendation are reflected in the following table.

CURRENT DEMAND TRANSFERS FROM STATE GENERAL FUND TO OTHER STATE FUNDS

(In Thousands)

Fund	FY 2000			FY 2001			FY 2002		
	No Law Change	Actual	Reduc.	No Law Change	Proposed or Actual	Reduc.	No Law Change	Proposed	Change
State Highway	\$ 136,646	\$ 62,240	\$ (74,406)	\$ 138,410	\$ 51,709	\$ (86,701)	\$ 145,374	\$ 121,109	\$ (24,265)
Local Ad Valorem Tax Reduction	57,903	57,903	0	60,315	54,139	(6,176)	61,980	57,903	(4,077)
Co.-City Revenue Sharing	44,359	36,932	(7,427)	46,004	34,531	(11,473)	46,901	36,932	(9,969)
City-Co. Highway	16,125	11,182	(4,943)	18,000	10,343	(7,657)	18,500	11,182	(7,318)
Water Plan	6,000	6,000	0	6,000	4,500	(1,500)	6,000	6,250	250
School Dist. Cap. Improve.	26,176	26,176	0	30,900	30,900	0	38,000	38,000	0
State Fair	300	300	0	300	300	0	300	300	0
TOTAL	\$ 287,509	\$ 200,733	\$ (86,776)	\$ 299,929	\$ 186,422	\$ (107,331)	\$ 317,055	\$ 271,676	\$ 45,379

FY 2000 —The County-City Revenue Sharing Fund was capped at a 1.0 percent increase and the City-County Highway Fund was capped at a 1.7 percent increase over FY 1999; additional reductions were made to the State Highway Fund and the Water Plan Fund.

FY 2001—The Governor recommends capping the State Highway Fund demand transfer at 1.7 percent over FY 2000 levels. The Governor also recommends a 6.5 percent reduction from the FY 2000 level for the Local Ad Valorem Tax Reduction Fund and the County-City Revenue Sharing Fund. The Governor's recommendation also reduces the FY 2001 transfer to the City-County Highway Fund by 7.5 percent from the statutory amount and reduces the Water Plan demand transfer by \$1.5 million.

FY 2002—The Governor's recommendation funds the State Highway Fund transfer at the statutory 9.5 percent, but recommends reductions in the KDOT operations and building construction budgets. The Governor's recommendation restores the Local Ad Valorem Tax Reduction Fund County and City Revenue Sharing Fund and Special City and County Highway Fund transfers to the FY 2000 level.

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 2001 and 2002.

STATE GENERAL FUND RECEIPTS, EXPENDITURES, AND BALANCES

(Millions of Dollars)

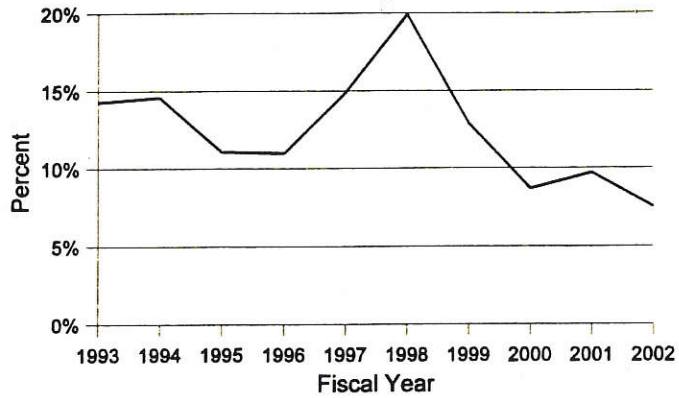
	Actual FY 00	Revised FY 01	Change	Rec. FY 02	Change
Beginning Unencumbered Cash Balance	\$ 540.7	\$ 378.0	\$ (162.7)	\$ 429.8	\$ (110.9)
Released Encumbrances	2.0	0.0	(2.0)	0.0	(2.0)
Receipts (November 1999 Consensus)	4,203.0	4,486.0	283.0	4,595.8	392.8
Gov. Rec. Adjustments	0.0	0.2	0.2	(12.4)	(12.4)
Adjusted Receipts	<u>4,203.0</u>	<u>4,486.3</u>	<u>283.3</u>	<u>4,583.3</u>	<u>380.3</u>
Total Resources	<u>\$ 4,745.6</u>	<u>\$ 4,864.3</u>	<u>\$ 118.7</u>	<u>\$ 5,013.1</u>	<u>\$ 267.5</u>
Less Expenditures	<u>4,367.6</u>	<u>4,434.4</u>	<u>66.8</u>	<u>4,664.2</u>	<u>296.6</u>
Ending Unencumbered Cash Balance	<u>\$ 378.0</u>	<u>\$ 429.8</u>	<u>\$ 51.8</u>	<u>\$ 348.9</u>	<u>\$ (29.1)</u>
Ending Balance as a Percentage of Expenditures	8.7%	9.7%		7.5%	
Adj. Receipts in Excess of Expenditures	\$ (164.6)	\$ 51.9		\$ (80.9)	

The FY 2002 General Fund ending balance as a percentage of expenditures under the Governor's recommendations would be 7.5 percent, the targeted minimum ending balance required under K.S.A. 75-6702 and 75-6703. **Receipts for FY 2001 and FY 2002 are equal to the consensus estimates except for certain transfers and proposals recommended by the Governor which increase receipts to the State General Fund by \$0.2 million in FY 2001 and reduce receipts by \$12.4 million in FY 2002. The Governor's proposals include the following:**

- ◆ For FY 2001, the Governor recommends a transfer of \$168,750 from the Department of Health and Environment's Trauma Fund to the State General Fund.
- ◆ For FY 2002, the Governor's recommendation decreases State General Fund revenues by \$12.4 million. A reduction of \$14.4 million in individual income tax occurs because Homestead Property Tax Refunds are changed from being counted as an expenditure to a revenue transaction. The reduction is partially offset by transfers of \$1.0 million from the Juvenile Detention Facilities Fund to the State General Fund and \$1.0 million for the Workers' Compensation Self Insurance Fund in the Department of Administration to the State General Fund.

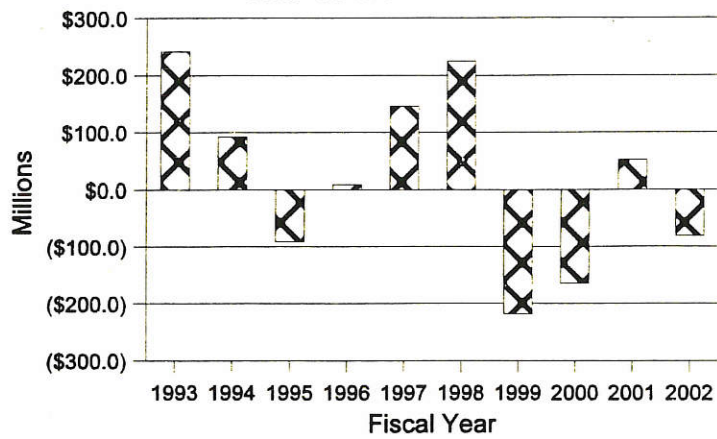
State General Fund Ending Balance

As A Percent of Expenditures



Receipts in Excess of Expenditures

State General Fund



1-23