

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chairman Melvin Neufeld at 9:00 A.M. on February 9, 2006 in Room 514-S of the Capitol.

All members were present except:

Representative Lee Tafanelli- excused
Representative Kevin Yoder- excused

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Becky Krahl, Legislative Research Department
Matt Spurgin, Legislative Research Department
Amy VanHouse, Legislative Research Department
Jim Wilson, Revisor of Statutes
Mike Corrigan, Revisor of Statutes
Nikki Feuerborn, Administrative Assistant
Shirley Jepson, Committee Secretary

Conferees appearing before the committee:

Doug Bowman, Coordinating Council on Early Childhood Developmental Services
Dr. Rodenberg, Department of Health and Environment

Others attending:

See attached list.

- Attachment 1 Budget Committee reports on Department of Health and Environment (KDHE)-Health and Department of Health and Environment (KDHE)-Environment
- Attachment 2 Proviso amending FY 2007 report on KDHE-Environment
- Attachment 3 Overview of Governor's budget

Chairman Neufeld appointed the following members to a State Pay Plan Sub Committee to review possible step adjustments to the State Pay Plan:

Representative Neufeld, Representative Schwartz, Representative Feuerborn, Representative Lane and Representative McCreary.

HB 2862 was referred to Agriculture and Natural Resources Budget Committee.

HB 2861 was referred to Social Services Budget Committee.

Representative Ballard, member of the Social Services Budget Committee, presented the budget committee report on the Department of Health and Environment (KDHE)-Health for FY 2006 and moved for the adoption of the Budget Committee recommendation for FY 2006 (Attachment 1). The motion was seconded by Representative Bethell. Motion carried.

With reference to the increase in rent on the KDHE Laboratories facility at Forbes Field, the Budget Committee stated that there has been no explanation for the increase and that they have requested additional information from the agency.

Representative Landwehr, Chair of the Social Services Budget Committee, presented the budget committee report on the Department of Health and Environment (KDHE)-Health for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 1). The motion was seconded by Representative Bethell.

With reference to Item No. 8, Domestic Violence Grants, the Budget Committee notes that the item should have been included in the Governor's Office budget. Therefore, the Budget Committee suggests that the issue be discussed by the full Committee when the General Government and Commerce Budget Committee presents their recommendations on the Governor's Office budget.

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on February 9, 2006 in Room 514-S of the Capitol.

With reference to Item No. 11, Cerebral Palsy Posture Seating, the Budget Committee noted that this is an Social and Rehabilitation Services (SRS) issue and will be considered during budget deliberations for SRS.

With reference to Item No. 12 and Item No. 13, legislation is being drafted at this time.

The Chair recognized Doug Bowman, Coordinating Council on Early Childhood Developmental Services, who responded to a Committee question with reference to Item No. 10, noting that there are 36 local networks who provide services for the Tiny-K program. The funds they receive from KDHE are a combination of funding from the State General Fund (SGF), tobacco money and federal money. Because this funding is not sufficient, these entities secure funding from other sources. Approximately one-third of these entities receive the majority of this extra funding from the local school district and the Special Education Cooperative.

- The Committee requested a list of schools who are providing extra funding to the Tiny-K program.

Chairman Neufeld recognized Dr. Rosenberg, KDHE, who responded to questions concerning Item No. 5 regarding the Office of Oral Health and the recruitment of a state dental director. Dr. Rodenberg stated that the position is difficult to fill because of the qualifications and salary; however, he felt the position is important and is continuing to seek applicants.

Representative Landwehr moved to amend the FY 2007 Budget Committee report on KDHE-Health by requesting that KDHE review and report back to the Committee on the possibility of making the state dental director a shared position, partnering with Medicaid, to enhance the available funding by securing additional federal Medicaid funds. The motion was seconded by Representative Ballard. Motion carried.

Representative Pottorff moved to amend the Budget Committee report by requesting that the Budget Committee review the Patient Navigator System prior to Omnibus. The motion was seconded by Representative Henry. Motion carried.

Representative Landwehr moved for the adoption of the Budget Committee's recommendation on KDHE-Health for FY 2007 as amended. The motion was seconded by Representative Bethell. Motion carried.

Representative Schwartz, Chair of the Agriculture and Natural Resources Budget Committee, presented the budget committee report on the Department of Health and Environment-Environment for FY 2006 and moved for the adoption of the Budget Committee recommendation for FY 2006 (Attachment 1). The motion was seconded by Representative Powell. Motion carried.

The Committee voiced concern with the escalating cost of rent on some state facilities. Amy VanHouse, Legislative Research Department, responded that one problem with the Forbes Field location is that there is concern with structural problems at this aging facility. The Committee felt that the rent issue should have further review.

Representative Schwartz, Chair of the Agriculture and Natural Resources Budget Committee, presented the budget committee report on the Department of Health and Environment-Environment for FY 2007 and moved for the adoption of the Budget Committee recommendation for FY 2007 (Attachment 1). The motion was seconded by Representative Powell.

Representative Schwartz moved to amend the Budget Committee report on KDHS-Environment for FY 2007 by amending Item No. 7 to include additional language with a proviso concerning waste tire management (Attachment 2). The motion was seconded by Representative Powell. Motion carried.

Representative Schwartz moved for the adoption of the Budget Committee recommendation on KDHE-Environment for FY 2007 as amended. The motion was seconded by Representative


CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on February 9, 2006 in Room 514-S of the Capitol.

Williams. Motion carried.

J. G. Scott, Legislative Research Department, presented an overview of the Governor's budget (Attachment 3).

The meeting was adjourned at 10:55 a.m. The next meeting of the Committee will be held at 9:00 a.m. on February 10, 2006.

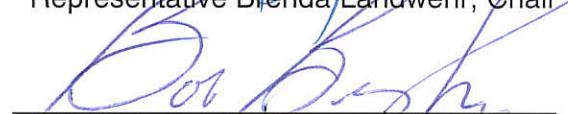


Melvin Neufeld, Chair

HOUSE SOCIAL SERVICES BUDGET COMMITTEE:

Kansas Department of Health and Environment – Health Function



Representative Brenda Landwehr, Chair

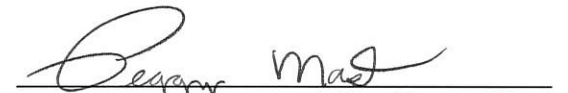

Representative Bob Bethell

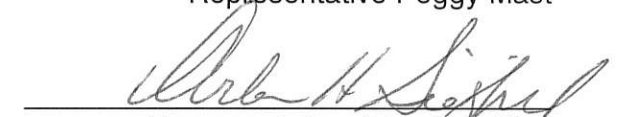

Representative Barbara Ballard

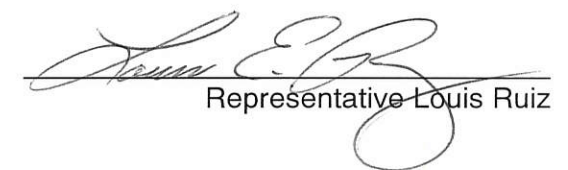

Representative Jerry Henry


Representative Willa DeCastro


Representative John Edmonds


Representative Peggy Mast


Representative Arlan Seigfried


Representative Louis Ruiz

HOUSE APPROPRIATIONS

DATE 2-09-2006

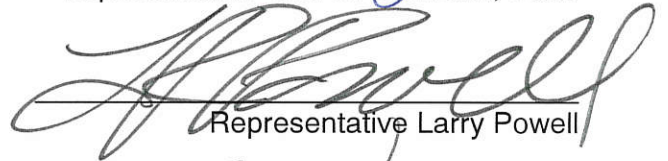
ATTACHMENT 1

HOUSE AGRICULTURE & NATURAL RESOURCES BUDGET COMMITTEE:

Kansas Department of Health and Environment – Environment Function



Representative Sharon Schwartz, Chair



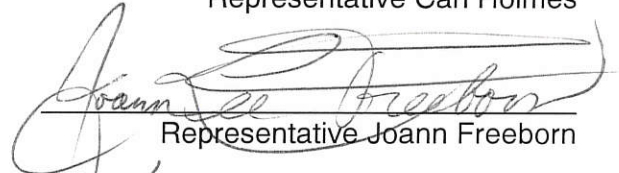
Representative Larry Powell



Representative Jerry Williams



Representative Carl Holmes



Representative Joann Freeborn



Representative Tom Sloan



Representative Vaughn Flora

House Budget Committee Report

Agency: Kansas Department of Health and Environment

Bill No. --

Bill Sec. --

Analyst: VanHouse

Analysis Pg. No. Vol. II - 1177

Budget Page No. 175

| Expenditure Summary | Agency Estimate FY 06 | Gov. Rec. FY 06 | House Budget Committee Adjustments |
|--------------------------|------------------------------|------------------------------|--|
| All Funds: | | | |
| State Operations | \$ 117,272,691 | \$ 117,362,853 | \$ (500,000) |
| Aid to Local Units | 46,270,105 | 46,270,105 | 0 |
| Other Assistance | 38,720,000 | 38,720,000 | 0 |
| Subtotal - Operating | <u>\$ 202,262,796</u> | <u>\$ 202,352,958</u> | <u>\$ (500,000)</u> |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u><u>\$ 202,262,796</u></u> | <u><u>\$ 202,352,958</u></u> | <u><u>\$ (500,000)</u></u> |
| State General Fund | | | |
| State Operations | \$ 18,743,518 | \$ 18,833,680 | \$ (500,000) |
| Aid to Local Units | 10,505,492 | 10,505,492 | 0 |
| Other Assistance | 0 | 0 | 0 |
| Subtotal - Operating | <u>\$ 29,249,010</u> | <u>\$ 47,755,682</u> | <u>\$ (500,000)</u> |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u><u>\$ 29,249,010</u></u> | <u><u>\$ 47,755,682</u></u> | <u><u>\$ (500,000)</u></u> |
| FTE Positions | 880.3 | 879.0 | 0.0 |
| Non FTE Uncl. Perm. Pos. | 165.3 | 165.3 | 0.0 |
| TOTAL | <u><u>1,045.6</u></u> | <u><u>1,044.3</u></u> | <u><u>0.0</u></u> |

Agency Estimate/Governor's Recommendation

For FY 2006, the Kansas Department of Health and Environment requests operating expenditures of \$202,262,796. The request is an increase of \$4,576,983 or 2.3 percent above the amount approved by the 2005 Legislature. The request includes:

- **State General Fund** expenditures of \$29,249,010, which is an increase of \$924,162 or 3.3 percent above the approved amount. The revised request includes a supplemental package of \$500,000 from the State General Fund for increased rent at the KDHE Laboratories.
- **Children's Initiatives Fund** expenditures of \$2,050,000, which is consistent with the approved amount.
- **State Water Plan Fund** expenditures of \$4,480,220, which is a decrease of \$15,697 below the amount approved by the 2005 Legislature.

For FY 2006, the Governor recommends expenditures of \$202,352,958. The recommendation is an increase of \$4,666,307 or 2.4 percent above the amount approved by the 2005 Legislature. The recommend includes:

- **State General Fund** expenditures of \$29,339,172, which is an increase of \$1,014,324 or 3.6 percent above the approved amount. The recommendation includes increased funding for rent at the KDHE Laboratories and \$90,000 for the Health Kansans Initiative.
- **Children's Initiatives Fund** expenditures of \$2,050,000, which is consistent with the agency request.
- **State Water Plan Fund** expenditures of \$4,480,220, which is consistent with the agency request.

House Budget Committee Report

Agency: Kansas Department of Health and Environment - Health

Bill No. --

Bill Sec. --

Analyst: VanHouse

Analysis Pg. No. Vol. II - 1177

Budget Page No. 175

| <u>Expenditure Summary</u> | <u>Agency Estimate FY 06</u> | <u>Gov. Rec. FY 06</u> | <u>House Budget Committee Adjustments</u> |
|----------------------------|----------------------------------|------------------------------|---|
| All Funds: | | | |
| State Operations | \$ 60,454,191 | \$ 60,544,191 | \$ (500,000) |
| Aid to Local Units | 38,712,102 | 38,712,102 | 0 |
| Other Assistance | 38,720,000 | 38,720,000 | 0 |
| Subtotal - Operating | <u>\$ 137,886,293</u> | <u>\$ 137,976,293</u> | <u>\$ (500,000)</u> |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u><u>\$ 137,886,293</u></u> | <u><u>\$ 137,976,293</u></u> | <u><u>\$ (500,000)</u></u> |
| State General Fund | | | |
| State Operations | \$ 9,052,480 | \$ 9,142,480 | \$ (500,000) |
| Aid to Local Units | 10,505,492 | 10,505,492 | 0 |
| Other Assistance | 0 | 0 | 0 |
| Subtotal - Operating | <u>\$ 19,557,972</u> | <u>\$ 19,647,972</u> | <u>\$ (500,000)</u> |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u><u>\$ 19,557,972</u></u> | <u><u>\$ 19,647,972</u></u> | <u><u>\$ (500,000)</u></u> |
| FTE Positions | 418.0 | 416.7 | 0.0 |
| Non FTE Uncl. Perm. Pos. | <u>126.1</u> | <u>126.1</u> | <u>0.0</u> |
| TOTAL | <u><u>544.1</u></u> | <u><u>542.8</u></u> | <u><u>0.0</u></u> |

Agency Estimate/Governor's Recommendation

The **agency** estimates expenditures of \$137,886,293 for FY 2006, which is an increase of \$5,897,848 or 4.5 percent above the amount approved by the 2005 Legislature. The State General Fund estimate of \$19,557,972 is an increase of \$1,351,731 or 7.4 percent above the approved amount. The estimate supplemental funding of \$500,000 from the State General Fund for increased rent at the KDHE laboratories at Forbes Field.

The **Governor** recommends expenditures of \$137,976,293 for FY 2006, which is an increase of \$5,987,848 or 4.5 percent above the amount approved by the 2005 Legislature. The State General Fund recommendation of \$19,647,972 is an increase of \$1,441,731 or 7.9 percent above the approved amount. The Governor concurs with the supplemental funding of \$500,000 from the State General Fund for rent at the KDHE laboratories at Forbes Field. The Governor also recommends funding of \$90,000 from the State General Fund in FY 2006 for the Healthy Kansans Initiative.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation with the following adjustments and notations.

1. **Rent.** The Budget Committee notes that rent for the KDHE laboratories at Forbes Field has increased from \$437,390 in FY 2005 to \$1,285,743 in FY 2007. This equates to \$12 per square foot in FY 2005, \$24 per square foot in FY 2006 and \$32 per square foot in FY 2007. The agency reported that the agency did not receive the increase in rental rates until after the 2005 Legislative Session, resulting in a supplemental request of \$500,000 for FY 2006. The Budget Committee deleted the additional rent funding of \$500,000 from the State General Fund for review at Omnibus. The Budget Committee requests additional information on why rental costs for the building doubled in one year.
2. **Off-Budget FTE Positions.** The Budget Committee notes that 1.0 FTE position in the Division of Health and 16.36 FTE positions in the Division of Environment are funded from off-budget funds. The Budget Committee notes that agency funding for off-budget items includes \$91,058 in Vital Statistics and \$2,336,221 in the Bureau of Water.
3. **FY 2006 Funding Increases.** The following adjustments are included in the Governor's recommendation for FY 2006: State General Fund reappropriations of \$90,341 for vaccine purchases and \$333,618 for use attainability analyses; new funding of \$90,000 for the Healthy Kansans Initiative; and supplemental funding of \$500,000 for rent at the KDHE laboratories at Forbes Field.

House Budget Committee Report

Agency: Kansas Department of Health and Environment - Environment **Bill No. --**

Bill Sec. --

Analyst: VanHouse

Analysis Pg. No. Vol. II - 1177

Budget Page No. 175

| Expenditure Summary | Agency Estimate FY 06 | Gov. Rec. FY 06 | House Budget Committee Adjustments |
|---------------------------|-----------------------------|-----------------------------|--|
| All Funds: | | | |
| State Operations | \$ 56,818,500 | \$ 56,818,662 | \$ 0 |
| Aid to Local Units | 7,558,003 | 7,558,003 | 0 |
| Other Assistance | 0 | 0 | 0 |
| Subtotal - Operating | <u>\$ 64,376,503</u> | <u>\$ 64,376,665</u> | <u>\$ 0</u> |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u><u>\$ 64,376,503</u></u> | <u><u>\$ 64,376,665</u></u> | <u><u>\$ 0</u></u> |
| State General Fund | | | |
| State Operations | \$ 9,691,038 | \$ 9,691,200 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| Subtotal - Operating | <u>\$ 9,691,038</u> | <u>\$ 9,691,200</u> | <u>\$ 0</u> |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u><u>\$ 9,691,038</u></u> | <u><u>\$ 9,691,200</u></u> | <u><u>\$ 0</u></u> |
| FTE Positions | 462.3 | 462.3 | 0.0 |
| Non FTE Uncl. Perm. Pos. | <u>39.2</u> | <u>39.2</u> | <u>0.0</u> |
| TOTAL | <u><u>501.5</u></u> | <u><u>501.5</u></u> | <u><u>0.0</u></u> |

Agency Estimate/Governor's Recommendation

The **agency** estimates expenditures of \$64,376,503 for FY 2006 which is a decrease of \$1,321,703 or 2.0 percent below the amount approved by the 2005 Legislature. The State General Fund estimate for FY 2006 is \$9,691,038, which is a decrease of \$127,580 or 1.3 percent below the approved amount. The estimate includes adjustments in fee and federal funding.

The **Governor** recommends expenditure of \$64,376,465 for FY 2006, which is a decrease of \$1,321,541 or 2.0 percent below the amount approved by the 2005 Legislature. The State General Fund recommendation is a decrease of \$127,418 or 1.3 percent below the approved amount. The Governor concurs with the agency's estimate with a technical adjustment in the State General Fund.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation with the following notation.

1-7

1. **Rent.** The Budget Committee notes that rent for the KDHE laboratories at Forbes Field has increased from \$437,390 in FY 2005 to \$1,285,743 in FY 2007. This equates to \$12 per square foot in FY 2005, \$24 per square foot in FY 2006 and \$32 per square foot in FY 2007. The agency reported that the agency did not receive the increase in rental rates until after the 2005 Legislative Session, resulting in a supplemental request of \$500,000 for FY 2006. The Budget Committee recommended review of the rental charges at the Forbes Field Laboratory at Omnibus.

House Budget Committee Report

Agency: Kansas Department of Health and Environment **Bill No. --**

Bill Sec. --

Analyst: VanHouse

Analysis Pg. No. Vol. II - 1177

Budget Page No. 175

| Expenditure Summary | Agency Request FY 07 | Gov. Rec. FY 07 | House Budget Committee Adjustments |
|---------------------------|------------------------------|------------------------------|--|
| All Funds: | | | |
| State Operations | \$ 124,920,785 | \$ 112,836,939 | \$ (795,600) |
| Aid to Local Units | 49,580,222 | 45,659,469 | 0 |
| Other Assistance | 40,320,000 | 47,803,333 | (7,483,333) |
| Subtotal - Operating | <u>\$ 214,821,007</u> | <u>\$ 206,299,741</u> | <u>\$ (8,278,933)</u> |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u><u>\$ 214,821,007</u></u> | <u><u>\$ 206,299,741</u></u> | <u><u>\$ (8,278,933)</u></u> |
| State General Fund | | | |
| State Operations | \$ 32,129,437 | \$ 19,373,065 | \$ (760,000) |
| Aid to Local Units | 15,626,245 | 11,505,492 | 0 |
| Other Assistance | 0 | 1,583,333 | (1,583,333) |
| Subtotal - Operating | <u>\$ 47,755,682</u> | <u>\$ 32,461,890</u> | <u>\$ (2,343,333)</u> |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u><u>\$ 47,755,682</u></u> | <u><u>\$ 32,461,890</u></u> | <u><u>\$ (2,343,333)</u></u> |
| FTE Positions | 880.3 | 879.0 | 0.0 |
| Non FTE Uncl. Perm. Pos. | 162.3 | 162.3 | 0.0 |
| TOTAL | <u><u>1,042.6</u></u> | <u><u>1,041.3</u></u> | <u><u>0.0</u></u> |

Agency Request/Governor's Recommendation

For FY 2007, the Kansas Department of Health and Environment requests expenditures of \$214,821,007. The request is an increase of \$12,558,211 or 6.2 percent above the FY 2006 revised request. The request includes:

- **State General Fund** expenditures of \$47,755,682, which is an increase of \$18,506,672 or 63.3 percent above the FY 2006 revised request. The increase is primarily attributed to enhancement requests.
- **Children's Initiatives Fund** expenditures of \$2,250,000, which is an increase of \$200,000 above the FY 2006 revised request.
- **State Water Plan Fund** expenditures of \$4,022,377, which is a decrease of \$457,843 below the FY 2006 revised request.

1-9

- **Enhancements** of \$19,511,492, including \$19,127,904 from the State General Fund. Of this amount, the agency requests \$16,340,423 for the Health Function and \$3,171,069 for the Environment Function. Absent enhancements, the request is a decrease of \$19,511,492 or 9.1 percent below the FY 2006 revised request.

For FY 2007, the Governor recommends expenditures of \$206,299,741. The recommendation is an increase of \$3,946,783 or 2.0 percent above the FY 2006 recommendation. The recommendation includes:

- **State General Fund** expenditures of \$32,461,890, which is an increase of \$3,122,718 or 10.6 percent above the FY 2006 recommendation. The Governor recommends increased State General Fund financing for aid to Primary Health Care Community-Based Services, Domestic Violence Prevention Grants, youth mentoring programs, PKU/Hemophilia funding, and for replacement vehicles. The Governor also recommends reductions in funding for salaries and wages shrinkage in the Administration Program and for reduced activities in the Meth Lab Clean-Up Program.
- **Children's Initiatives Fund** expenditures of \$2,450,000, which is an increase of \$400,000 above the FY 2006 recommendation. The Governor recommends increased funding from the Children's Initiatives Fund for the Infant and Toddlers Program.
- **State Water Plan Fund** expenditures of \$3,848,830 which is a decrease of \$631,390 or 14.1 percent below the FY 2006 recommendation. The Governor recommends that funding of \$526,693 be shifted from the State Water Plan Fund to the State General fund.
- The Governor recommends funding for a 2.5 percent pay plan adjustment and salaries and wages adjustments in FY 2007 for the 27th payroll period that occurs in FY 2006.

House Budget Committee Report

Agency: Kansas Department of Health
and Environment - Health

Bill No. --

Bill Sec. --

Analyst: VanHouse

Analysis Pg. No. Vol. II - 1177

Budget Page No. 175

| Expenditure Summary | Agency Request FY 07 | Gov. Rec. FY 07 | House Budget Committee Adjustments |
|---------------------------|------------------------------|------------------------------|--|
| All Funds: | | | |
| State Operations | \$ 67,931,262 | \$ 58,099,200 | \$ (510,000) |
| Aid to Local Units | 43,422,342 | 39,501,589 | 0 |
| Other Assistance | 40,320,000 | 47,803,333 | (7,483,333) |
| Subtotal - Operating | \$ 151,673,594 | \$ 145,404,122 | \$ (7,993,333) |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u>\$ 151,673,594</u> | <u>\$ 145,404,122</u> | <u>\$ (7,993,333)</u> |
| State General Fund | | | |
| State Operations | \$ 19,941,636 | \$ 9,611,979 | \$ (760,000) |
| Aid to Local Units | 15,626,245 | 11,505,492 | 0 |
| Other Assistance | 0 | 1,583,333 | (1,583,333) |
| Subtotal - Operating | \$ 35,567,881 | \$ 22,700,804 | \$ (2,343,333) |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u>\$ 35,567,881</u> | <u>\$ 22,700,804</u> | <u>\$ (2,343,333)</u> |
| FTE Positions | 418.0 | 416.7 | 0.0 |
| Non FTE Uncl. Perm. Pos. | 126.1 | 126.1 | 0.0 |
| TOTAL | <u>544.1</u> | <u>542.8</u> | <u>0.0</u> |

Agency Request/Governor's Recommendation

For FY 2007, the agency requests expenditures of \$151,673,594 for the Health Function, which is an increase of \$13,787,301 or 10.0 percent above the FY 2006 revised request. The request includes:

- Enhancements** of \$16,340,423, including \$16,140,423 from the State General Fund. The enhancement request includes the following items from the State General Fund: \$300,000 for laboratory rent, \$260,000 for replacement vehicles, \$1,099,679 to replace funding from the Preventative Health Block Grant, \$50,000 for a Newborn Hearing Loaner Program, \$14,076,744 for a Comprehensive Tobacco Program, \$250,000 for PKU/Hemophilia Funding, and \$104,000 for new vehicles. The request also includes \$200,000 from the Children's Initiatives Fund for the Infants and Toddlers Program. Absent enhancements, the agency request totals \$135,333,17, which is a decrease of \$2,553,122 or 1.9 percent below the FY 2006 revised request.

1-11

- **State General Fund** expenditures total \$32,567,881, which is an increase of \$16,009,909 or 81.9 percent above the FY 2006 revised request. Absent enhancements, the request totals \$19,427,458, which is a decrease of \$130,514 or 0.7 percent below the FY 2006 revised request.
- **Children's Initiatives Fund** expenditures total \$2,250,000, which is an increase of \$200,000 or 9.8 percent above the FY 2006 revised request. The request includes an enhancement of \$200,000 to fund the Infant and Toddlers Program directly through the agency, rather than with a grant from the Department of Social and Rehabilitation Services.
- **Aid to Local Units** expenditures total \$43,422,342, which is an increase of \$4,710,240 or 12.2 percent above the FY 2006 revised request.
- **Other Assistance** expenditures total \$40,320,000, which is an increase of \$1,600,000 or 4.1 percent above the FY 2006 revised request.

For FY 2007, the **Governor** recommends expenditures of \$145,404,122 for the Health Function, which is an increase of \$7,427,829 or 5.4 percent above the FY 2006 recommendation. The recommendation includes the following:

- **State General Fund** expenditures of \$22,700,804, which is an increase of \$3,052,832 or 15.5 percent above the FY 2006 recommendation.
- **Children's Initiatives Fund** expenditures of \$2,450,000, which is an increase of \$400,000 above the FY 2006 recommendation. The recommendation is an increase of \$200,000 above the agency request.
- **Enhancements** total \$910,000, including \$510,000 from the State General Fund. The Governor recommends funding from the State General Fund of \$260,000 for replacement vehicles and \$250,000 for PKU/Hemophilia Funding. The Governor also recommends expenditures of \$400,000 from the Children's Initiatives Fund for additional funding for the Infant and Toddlers Program.
- **Other Adjustments** include the following:
 - The Governor recommends expenditures of \$1,000,000 from the State General Fund for increased aid to Primary Health Care Community-Based Services.
 - The Governor recommends funding of \$7,483,333, including \$1,583,333 from the State General Fund, for Domestic Violence Prevention Grants.
 - The Governor recommends expenditures of \$250,000 from the State General Fund for youth mentoring programs.
 - The Governor recommends expenditures of \$601,130, including \$103,525 from the State General Fund for a 2.5 percent pay plan adjustment. Salaries and wages are also adjusted due to funding of a 27th payroll period in FY 2006.

- o The Governor recommends a reduction of \$173,512 from the State General Fund for increased shrinkage in the Administration program.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation with the following adjustments and notations.

1. **FY 2007 Baseline Budget.** To establish a baseline FY 2007 budget, the FY 2006 budget, as approved by the 2005 Legislature, was adjusted to reflect salary adjustments (removal of the 27th payroll period funding included in FY 2006, annualization of the FY 2006 phased in 2.5 percent base salary adjustment and statutorily required adjustments for Kansas Public Employees Retirement System (KPERS) rates, KPERS death and disability insurance, and longevity). In addition, adjustments were made for required debt service payments, revenue transfers, and consensus items including school finance funding and caseload estimates for the Department of Social and Rehabilitation Services, the Department of Administration, the Department on Aging, and the Board of Indigents' Defense Services. Finally, adjustments were made for one-time items which impact specific agency budgets.

For this agency, the FY 2006 approved budget totaled \$132,288,445, including \$18,506,241 from the State General Fund. The approved budget was reduced by a net total of \$734,245, including \$142,261 from the State General Fund to establish a baseline budget for FY 2007. The reductions included \$496,745 in salary adjustments, and \$237,500 in one-time adjustments.

2. **Comparison of FY 2007 Baseline Budget to Governor's Recommendation.** The table below reflects the difference between the Governor's recommendation and the baseline budget.

| | SGF | All Funds |
|---------------------------|---------------------|----------------------|
| Governor's Recommendation | \$ 18,363,980 | \$ 131,554,200 |
| Baseline Budget | 22,700,804 | 145,404,122 |
| Dollar Difference | <u>\$ 4,336,824</u> | <u>\$ 13,849,922</u> |
| <i>Percent Difference</i> | <i>23.6%</i> | <i>10.5%</i> |

The following table reflects items included in the Governor's recommendation which differ from the baseline budget.

| | SGF | All Funds |
|------------------------------|---------------------|---------------------|
| Base Salary Adjustment | \$ 103,525 | \$ 601,130 |
| Replacement Vehicles | 260,000 | 260,000 |
| PKU/Hemophilia Funding | 250,000 | 250,000 |
| Infants and Toddlers Program | 0 | 400,000 |
| Laboratory Rental | 500,000 | 500,000 |
| Administration Shrinkage | (173,512) | (173,512) |
| Domestic Violence Grants | 1,583,333 | 7,483,333 |
| Primary Care Clinics | 1,000,000 | 1,000,000 |
| Youth Mentoring | 250,000 | 250,000 |
| Federal WIC Program | 0 | 1,600,000 |
| Other Net Adjustments | 563,478 | (2,657,853) |
| TOTAL | <u>\$ 4,336,824</u> | <u>\$ 9,513,098</u> |

The following table reflects new programmatic funding items included in the Governor's recommendation.

| | SGF | All Funds |
|------------------------------|---------------------|---------------------|
| PKU/Hemophilia Funding | 250,000 | 250,000 |
| Infants and Toddlers Program | 0 | 400,000 |
| Domestic Violence Grants | 1,583,333 | 7,483,333 |
| Primary Care Clinics | 1,000,000 | 1,000,000 |
| Youth Mentoring | 250,000 | 250,000 |
| TOTAL | <u>\$ 3,083,333</u> | <u>\$ 9,383,333</u> |

3. **Vehicle Purchases.** Delete \$260,000 from the State General Fund for vehicle purchases for consideration at Omnibus. The agency requested and the Governor recommended this funding to replace 20 vehicles in the Division of Health used for field work and inspections.

4. **Vehicle Use.** The Budget Committee notes that multiple agency personnel routinely visit locations around the state. The agency reported that when possible, efforts are made to coordinate visits and to incorporate car pooling. However, this is not always possible. The Budget Committee requested the agency report back at Omnibus with a review of agency vehicle use including the use of car pooling and other methods used to efficiently use vehicle miles.

5. **Office of Oral Health.** The Budget Committee notes that a Office of Oral Health has been established within the agency. The 2004 Legislature appropriated funding to hire a State Dental Director. The agency reported that a director has not yet been hired; however, the agency is actively working to fill the position. The mission of the office is to collaborate with and provide technical assistance to communities, schools, health professionals, local health departments, profes-

1-14

sional groups, and various governmental agencies, both state and local, regarding the importance of oral health and to improve oral health status by providing education, consultation and training that focuses on health promotion and disease prevention. Funding for the office totals \$367,000, including \$50,000 from the State General Fund.

6. **PKU/Hemophilia Funding.** The Budget Committee shifts funding of \$250,000 from the State General Fund to the Children's Initiative Fund to meet statutory obligations to Kansas children with phenylketonuria (PKU) or hemophilia. The Budget Committee recommends a subsequent decrease of \$250,000 from the SmartStart program in the Department of Social and Rehabilitation Services when that budget is considered. The agency requested and the Governor recommended \$250,000 from the State General Fund for this program. PKU is an amino acid disorder in which either the enzyme that breaks down phenylalanine is completely or nearly completely deficient. Without this enzyme, phenylalanine and its breakdown chemicals accumulate in the body. High levels of this amino acid and its breakdown products can cause significant brain problems. Hemophilia is a disease in which the blood fails to clot. The agency's Children with Special Health Care Needs Program provides reimbursement funding for blood clotting products, low-protein food products, and PKU formula for children that meet income and medical guidelines adopted by the program. For FY 2005, the agency reports that expenditures exceeded appropriations by \$250,000 for this program. Excess costs were paid by the Maternal and Child Health Service Block Grant. The Budget Committee notes that a bill has been introduced in House Appropriations Committee concerning this program.
7. **Domestic Violence Funding.** The Budget Committee notes that \$225,000 was requested by the domestic violence support community to provide training for child welfare workers, law enforcement officers, advocates, criminal justice personnel, social workers, and others directly involved in domestic violence crisis work. It was reported that training was listed as a top need for individuals in these professions, and in many situations, no training is currently being provided. These professionals have direct contact with victims of domestic violence on a regular basis. Local programs currently received federal grant funding for much of the work they do; however, local programs are unable to conduct training due to a combination of restrictions on federal grant fund usage and lack of sufficient funding. The Budget Committee requests that this program and potential funding be reviewed at Omnibus.
8. **Domestic Violence Grants.** Delete \$7,483,333, including \$1,583,333 from the State General Fund, for domestic violence prevention grants. An error in the Governor's Budget Report placed approximately \$5.9 million in grants in the KDHE budget rather than the Governor's Office budget for these grants. In previous years, the match funding was provided by local entities. Since local entities are no longer responsible for the match portion of the grant, local dollars may be utilized for other purposes. For FY 2007, the Governor recommended \$1,583,333 for the match to be provided by state funds. The Budget Committee

notes that while it is supportive of the program, it feels the match funding should be budgeted with the federal grant funding. The Social Services Budget Committee encourages the Budget Committee considering the Governor's Office budget to recommend funding of \$1,583,333 from the State General Fund to provide matching funds for this grant program.

9. **Services for Children - Birth to Five Years Old.** The Budget Committee notes that for the past two years the Legislative Coordinating Council has approved an interim study for the Joint Committee on Children's Issues to examine all programs providing services of children birth to five years old. Due to time constraints, the review has not yet been completed. The Budget Committee recommends that a Legislative Post Audit be requested to complete this study. The Budget Committee plans to meet later in the session to develop a scope statement to submit to the Joint Committee on Post Audit.

10. **Infant and Toddler (Tiny-K) Program.** The Budget Committee believes that early childhood education and services, such as the Infant-Toddler (Tiny-K) are important for children. Under the Infant-Toddler (Tiny-K) program (Part C of the Individuals with Disabilities Education Act), the state is federally mandated to provide early intervention services to children aged birth to three years with or at risk of developmental disabilities/delays. Tiny-K is a comprehensive, statewide system of community-based, family-centered early intervention services for young children, ages 0-3, with disabilities and their families. Kansas delivers services through a public-private partnership with local networks as opposed to centralized administration at the state level. There are 36 Kansas community early intervention networks that coordinate services locally. Early intervention services provided include: child find/public awareness activities, referral, eligibility determination via evaluation, development of an Individualized Family Service Plan, ongoing assessment, family services coordination, and transition planning.

The Budget Committee notes that the Governor concurred with the agency's request to include Tiny-K funding of \$200,000 directly from the Children's Initiatives Fund, rather than funding of \$200,000 from the CIF through a discretionary grant from the SmartStart program. The Governor further recommended increased funding of \$200,000 from the CIF for Tiny-K. This results in totaling funding in the Governor's recommendation of \$1.2 million for Tiny-K.

The Budget Committee notes that the available funding for children changes once that child reaches his or her third birthday. Under the Infant and Toddler Program, per child funding is estimated at \$1,029 with only state funding, and \$2,034 including state and federal funding. After a child's third birthday, state funding is available of half the Base State Aid Per Pupil (BSAPP) amount, or \$2,128.50. The Budget Committee notes that some children under three years old may receive services funded through BSAPP funding. Approximately one-third of the Tiny-K networks are affiliated with a unified school district or education cooperative. In

these situations, BSAPP funding is sometimes used to provide services to children under the age of three. Attachment A reports funding for the Aid to Local Units funding for the Tiny-K network from FY 1999 to Governor's recommendation for FY 2007.

11. **Cerebral Palsy Posture Seating.** The Budget Committee heard testimony regarding a shortfall of funding of \$115,000 for the Posture Seating Program within the Services of Children with Special Health Care Needs program. It was reported that the funding shortfall is primarily the result of the inability of Medicaid to reimburse for evaluations and follow-up fittings for clients. The purpose of posture seating for children with severe disabilities that utilize a wheelchair is to facilitate mobility for the child and parents, provide optimal positioning for daily activities and classroom learning, and to prevent secondary medical conditions such as pressure sores, scoliosis, and pneumonia. A conferee reported that medical treatment for pressure sores, which is covered by Medicaid, costs about \$15,000 to \$60,000. A posture seating system has an average cost of \$4,000 with a five year life span. The Budget Committee encourages Medicaid to consider covering the cost of the evaluation and fitting of posture seating, as it is much more cost effective to provide adequate equipment to a client than to treat the pressure sores. The Budget Committee recommends that funding for this program be considering during budget deliberations for the Department of Social and Rehabilitation Services budget.

12. **Foster Home Licensing.** The Budget Committee notes that state law currently does not provide oversight for foster homes housing children over the age of 16. The Budget Committee requests introduction of a bill modifying foster home licensing to include children age 16 to 18.

13. **Foster Home Residency Restrictions.** The Budget Committee notes that state law does not allow adult with an felony conviction or juvenile felony adjudication to reside in a foster home. The Committee expressed concern that once a foster child with a juvenile felony adjudication passes his or her 18th birthday, that foster home may be in violation of the law if other foster children reside in the home. The Budget Committee requests introduction of a bill allowing children to remain the foster home beyond the child's 18th birthday.

The Budget Committee directed a three member group consisting of Rep. Bethell, Rep. DeCastro, and Rep. Ruiz to further consider items 12 and 13. The group has meet with the Revisors of Statutes office to have legislation drafted regarding foster homes.

14. **DISC Services.** The Budget Committee requested additional information regarding DISC expenditures in recent years.

| | Actual FY 2004 | Actual FY 2005 | Estimate FY 2006 | Estimate FY 2007 |
|--------------------|-------------------|-------------------|---------------------|---------------------|
| Total DISC charges | \$ 2,086,747 | \$ 1,821,468 | \$ 1,828,550 | \$ 1,813,550 |

1-17

15. **Hurricane Katrina Response.** The Budget Committee notes that personnel from the Department responded to the Louisiana and Mississippi during the aftermath of Hurricane Katrina. The agency reported that the hurricane response did not cost anything to the state. Any expenses incurred are to be reported to the Division of Emergency Management in the Adjutant General's Department for reimbursement by the affected states.
16. **Primary Health Care Community-Based Services.** The Budget Committee notes that the Governor recommended additional expenditures of \$1,000,000 from the State General Fund for increased aid to Primary Health Care Community-Based Services. This item increases funding for this program to \$2,520,840 from the State General Fund for FY 2007. These clinics provide a health care safety net to the state. The Budget Committee requests that the agency work with the provider community to develop outcome measures for this program to report at Omnibus. The Budget Committee also directs the agency and provider community to report back at Omnibus with the amount of match funding for each clinic, as well as a map with clinic locations and a summary of increases proposed with the additional funding.
17. **Youth Mentoring Program.** Delete \$250,000 from the State General Fund for Youth Mentoring Programs and consider at Omnibus. The Governor recommended additional funding of \$250,000 from the State General Fund to provide support and coordination to existing youth mentoring programs. The agency reported that this funding would be used to provide evaluations, background checks, and additional mentors to these programs. The Budget Committee notes that it is supportive of the program. The Budget Committee directs the agency to report at omnibus additional information about the program including the organization it will serve.
18. **Newborn Hearing Loaner Program.** The Budget Committee notes that the agency requested an enhancement of \$50,000 from the State General Fund to develop a newborn hearing loaner program. This program would provide funds for the purchase of hearing aids for a loaner bank. The agency would then lend hearing aids to the parents or legal guardians of eligible children under the age of three who have a hearing loss. The agency reports that this is a critical period of language learning, and it is missed by these children because they do not have timely access to the necessary auditory input such as hearing aids. The Budget Committee is interested in the development of this program, and directs the agency to provide additional information for consideration at Omnibus.
19. **Pregnancy Maintenance Initiative.** The Budget Committee recommends consideration at Omnibus of additional funding of \$200,000 for the Pregnancy Maintenance Initiative. This program provides services for women to help them carry their pregnancy to term. The program provides referrals for services such as medical care, housing, adoption guidance, drug and alcohol treatment and parenting education.

20. **Sudden Infant Death Syndrome.** The Budget Committee recommends consideration at Omnibus of additional funding of \$50,000 for Sudden Infant Death Syndrome (SIDS). This program is currently funded at \$25,000 from the State General Fund.
21. **Family Planning Services Waiver.** The Budget Committee notes that the family planning services waiver needs to be reviewed during budget consideration of the Health Policy Authority budget. The waiver would expand Medicaid eligibility for family planning services. The Medicaid match rate for these services is 90/10. In order to receive funding the state would have to receive a Medicaid 1115 waiver from the federal government.
22. **Kansas Mission of Mercy.** The Budget Committee notes the work of the Kansas Mission of Mercy (KMOM). KMOM is a mobile dental clinic that uses volunteer dental personnel and others to provide free dental care to Kansans in need. In February 2005, KMOM served 2,326 patients with an estimated value of service of \$1,100,437. KMOM was held in Wichita January 27 and 28, 2006, treating 1,813 patients with services valued at \$1,028,639. Over 10,600 patients have been served since February 2003 at KMOM clinics in Garden City, Kansas City, Pittsburg, Salina, and Wichita, providing services valued at over \$4.4 million.
23. **Federal Funding Rescission.** The agency reported that recent reports have indicated a 1.0 percent budget rescission in several federal programs administered through the agency, such as the Women, Infants, and Children (WIC) program and the Infant and Toddler Program. The Budget Committee directs the agency to provide a complete report of any federal program rescissions at Omnibus.
24. **Immunization.** The Budget Committee notes that the FY 2005 immunization rate for four doses of diphtheria, tetanus, pertussis/3 doses of polio/1 dose measles (4:3:1) was 84 percent. The FY 2002 baseline for the 4:3:1 vaccination series was 74 percent. The agency reported that public information and incentive programs such as "Kan Bee Done by 1" and "Immunize Win a Prize" have been implemented.

Attachment A

AID TO LOCAL *tiny-k* NETWORKS

| Year | state/federal funds | total funds | Dec. 1 st # of children | PER CHILD Funding | | |
|-------|--|-------------|---------------------------------------|-------------------|--------|----------|
| | | | | State \$ | Fed \$ | Combined |
| FY 99 | 1,992,000 (SGF) 2,167,609 (fed) | 4,159,609 | 1,649 | 1,208 | 1,314 | 2,522 |
| FY 00 | 2,492,000 (SGF + CIF) 2,764,859 (fed) | 5,256,859 | 1,884 | 1,322 | 1,468 | 2,790 |
| FY 01 | 2,492,000 (SGF + CIF) 3,042,831 (fed) | 5,534,831 | 2,187 | 1,139 | 1,391 | 2,530 |
| FY 02 | 2,492,000 (SGF + CIF) 3,414,224 (fed) | 5,906,224 | 2,485 | 1,003 | 1,374 | 2,377 |
| FY 03 | 2,371,305 (SGF + CIF) 3,499,633 (fed) | 5,870,938 | 2,738 | 866 | 1,278 | 2,144 |
| FY 04 | 2,792,000 (SGF + CIF) 3,199,639 (fed) | 5,991,639 | 2,828 | 987 | 1,131 | 2,118 |
| FY 05 | 2,871,305 (SGF + CIF) 3,113,206 (fed) | 5,984,511 | 2,749 | 1,045 | 1,132 | 2,177 |
| FY 06 | 2,871,305 (SGF + CIF) 3,113,207 (fed) | 5,984,512 | 2,947 | 974 | 1,056 | 2,030 |
| ----- | | | | | | |
| FY 07 | 3,071,305 (SGF + CIF) 3,000,000 (fed) estimated | 6,071,305 | 2,985 | 1,029 | 1,005 | 2,034 |

What if

... *tiny-k* networks received state funding for these infants and toddlers that was comparable to funds appropriated to serve similar children after their third birthday? The current state funding of \$3 million would double to \$6.3 M.

{ the Base State Aid Per Pupil is \$4,257 divided by 2 = \$ 2128.5 times our 2985 children = \$6.3 million }
 ... our local partners chose to quit subsidizing these vital services? Children and families would suffer.
 ALL children arrived at the schoolhouse door fully ready to achieve their maximum potential?

House Budget Committee Report

Agency: Kansas Department of Health and Environment - Environment **Bill No. --**

Bill Sec. --

Analyst: VanHouse

Analysis Pg. No. Vol. II - 1177

Budget Page No. 175

| Expenditure Summary | Agency Request FY 07 | Gov. Rec. FY 07 | House Budget Committee Adjustments |
|--------------------------|-----------------------------|-----------------------------|--|
| All Funds: | | | |
| State Operations | \$ 56,989,533 | \$ 54,737,739 | \$ (285,600) |
| Aid to Local Units | 6,157,880 | 6,157,880 | 0 |
| Other Assistance | 0 | 0 | 0 |
| Subtotal - Operating | <u>\$ 63,147,413</u> | <u>\$ 60,895,619</u> | <u>\$ (285,600)</u> |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u><u>\$ 63,147,413</u></u> | <u><u>\$ 60,895,619</u></u> | <u><u>\$ (285,600)</u></u> |
| State General Fund | | | |
| State Operations | \$ 12,187,801 | \$ 9,761,086 | \$ 0 |
| Aid to Local Units | 0 | 0 | 0 |
| Other Assistance | 0 | 0 | 0 |
| Subtotal - Operating | <u>\$ 12,187,801</u> | <u>\$ 9,761,086</u> | <u>\$ 0</u> |
| Capital Improvements | 0 | 0 | 0 |
| TOTAL | <u><u>\$ 12,187,801</u></u> | <u><u>\$ 9,761,086</u></u> | <u><u>\$ 0</u></u> |
| FTE Positions | 462.3 | 462.3 | 0.0 |
| Non FTE Uncl. Perm. Pos. | 36.2 | 36.2 | 0.0 |
| TOTAL | <u><u>498.5</u></u> | <u><u>498.5</u></u> | <u><u>0.0</u></u> |

Agency Request/Governor's Recommendation

For FY 2007, the **agency** requests expenditures of \$63,147,413 for the Division of Environment and the Health and Environment Laboratories. The request is a decrease of \$1,229,090 or 1.9 percent below the FY 2006 revised request. The request includes:

- **State General Fund** expenditures of \$12,187,801, which is an increase of \$2,496,763 or 25.8 percent above the FY 2006 revised request. Within the two programs, 78.9 percent of expenditures for the Health and Environment Laboratories is budgeted from the State General Fund, while 15 percent of Division of Environment expenditures are from the State General Fund. The request includes enhancements of \$2,987,481 from the State General Fund. Absent enhancements, the State General Fund request totals \$9,200,320, which is a decrease of \$490,718 or 5.1 percent below the revised FY 2006 request.
- **State Water Plan Fund** expenditures of \$4,022,377, which is a decrease of \$457,843 or 10.2 percent below the FY 2006 revised request. The request

includes an enhancement package of \$526,693 to shift expenditures for agency operations from the State Water Plan Fund to the State General Fund.

- **Enhancement packages** total \$3,171,069, including \$2,987,481 from the State General Fund. Requested enhancements from the State General Fund include \$526,693 to shift agency operational expenditures from the State Water Plan Fund to the State General Fund, \$2,400,000 for a state sponsored remediation fund, and \$60,788 for the Environmental Protection Agency Pretreatment Program. The request also includes \$340,350 for replacement vehicles, which is financed from fee funds and federal funds.

For FY 2007, the **Governor** recommends expenditures of \$60,895,619 for the Environment Function, which is a decrease of \$3,481,046 or 5.4 percent below the FY 2006 recommendation. The recommendation includes:

- **State General Fund** expenditures of \$9,761,086, which is an increase of \$69,886 or 0.7 percent above the FY 2006 recommendation.
- **State Water Plan Fund** expenditures of \$3,848,830, which is a decrease of \$631,390 or 14.1 percent below the FY 2006 recommendation. The recommendation includes an enhancement of \$526,693 to shift expenditures for agency operations from the State Water Plan Fund to the State General Fund.
- The Governor recommends an enhancement of \$285,600 from fee funds and federal fund for vehicle replacement.
- The recommendation includes a reduction of \$135,922 from the State General Fund for the Meth Lab Clean-Up Program.
- The Governor recommends expenditures of \$582,888, including \$169,995 from the State General Fund, for a 2.5 percent pay plan adjustment. Salaries and wages are also adjusted due to funding of a 27th payroll period in FY 2006.

House Budget Committee Recommendation

The Budget Committee concurs with the Governor's recommendation with the following adjustments and notations.

1. **FY 2007 Baseline Budget.** To establish a baseline FY 2007 budget, the FY 2006 budget, as approved by the 2005 Legislature, was adjusted to reflect salary adjustments (removal of the 27th payroll period funding included in FY 2006, annualization of the FY 2006 phased in 2.5 percent base salary adjustment and statutorily required adjustments for Kansas Public Employees Retirement System (KPERs) rates, KPERs death and disability insurance, and longevity). In addition, adjustments were made for required debt service payments, revenue transfers, and consensus items including school finance funding and caseload estimates for the Department of Social and Rehabilitation Services, the Department of Administration, the Department on Aging, and the Board of Indigents' Defense Services. Finally, adjustments were made for one-time items which impact specific agency budgets.

For this agency, the FY 2006 approved budget totaled \$65,698,206, including \$9,818,618 from the State General Fund. The approved budget was reduced by a net total of \$991,054, including \$140,397 from the State General Fund to establish a baseline budget for FY 2007. The reductions included \$487,578 in salary adjustments, and \$503,476 in one-time adjustments.

2. Comparison of FY 2007 Baseline Budget to Governor's Recommendation.

The table below reflects the difference between the Governor's recommendation and the baseline budget.

| | SGF | All Funds |
|---------------------------|------------------|----------------------|
| Governor's Recommendation | \$ 9,678,221 | \$ 55,028,931 |
| Baseline Budget | 9,761,086 | 51,134,533 |
| Dollar Difference | <u>\$ 82,865</u> | <u>\$ -3,894,398</u> |
| <i>Percent Difference</i> | <i>0.9%</i> | <i>-7.1%</i> |

The following table reflects items included in the Governor's recommendation which differ from the baseline budget.

| | SGF | All Funds |
|------------------------|------------------|-----------------------|
| Base Salary Adjustment | \$ 169,995 | \$ 582,888 |
| Replacement Vehicles | 0 | 285,600 |
| SWPF Adjustments | 0 | 647,087 |
| Meth Lab Cleanup | (135,922) | (135,922) |
| Other Net Adjustments | 48,792 | (5,274,051) |
| TOTAL | <u>\$ 82,865</u> | <u>\$ (3,894,398)</u> |

3. **Vehicle Purchases.** Delete \$285,600 from agency fee funds and federal funds for vehicle purchases for consideration at Omnibus.
4. **Provisos.** The Budget Committee notes that the agency's budget contains provisos which have been included in the bill for several years. The Budget Committees requested that the agency work with the chair of the House Committee on Environment to determine if legislation is necessary to place the content of the provisos into law. The Environment Committee chair consulted with the agency, and no legislation is recommended at this time.
5. **Use Attainability Analyses.** The Budget Committee notes that the agency continues work to complete the Use Attainability Analyses (UAA) for classified stream segments across the state. The agency reported that all recreational use UAAs have been completed. UAAs to be completed include 420 aquatic life studies of stream segments with flow of less than 1 cubic foot per second (cfs), and 1,600 analyses involving irrigation, livestock watering, domestic water supply, industrial water supply, and groundwater recharge uses. Much of the fieldwork for this project will be completed in FY 2007, with the remainder of the project being completed prior to December 31, 2007. It was noted that additional employees were hired to help complete this work. The Budget Committee supports the funding of \$369,931 from the State General Fund recommended by the agency

and the Governor to complete this project. The Budget Committee recommends that this funding be appropriated as a separate line item in the appropriations bill.

6. **Total Maximum Daily Loads.** The Budget Committee commends the agency for the work it has accomplished on completing the initial Total Maximum Daily Loads (TMDL). The agency reported that it will have met the obligations for TMDLs by the end of FY 2006. The agency also reported that Kansas has completed more TMDLs than any other state, which is attributed to Kansas' efficient approach. Kansas is anticipated to be among the first states to have completed the obligations for TMDLs. The Budget Committee noted that this is the initial work for this project and that TMDLs are an ongoing initiative.
7. **Waste Tire Program.** The Budget Committee adds a proviso allowing the agency to expand the current waste tire grant program. The program would be expanded to allow the agency to provide financial assistance for local governments to purchase recycled rubber material for use as a ground cover for playground equipment.

In addition, the Budget Committee adds a proviso allowing the agency to carry over funding in the waste tire grant program in the event that grants are not accepted at the level of funding available for a given fiscal year.

8. **Bill Introduction - Revolving Funds.** The Budget Committee moves the introduction of two bills regarding the Kansas Water Pollution Control Revolving Fund and the Kansas Public Water Supply Revolving Fund (Attachment A and B).
9. **Methamphetamine Program.** The Budget Committee notes that the Governor's recommendation contains a reduction of \$135,922 from the State General Fund for the methamphetamine program. This reduction would eliminate funding for the educational component of the program. The agency reported that, due to changes in the law, the program is anticipated to continue to complete its mission with the reduced funding.

Attachment A

Gilmore & Bell, P.C.
01/12/2006

PROPOSED LEGISLATIVE AMENDMENTS RE: CROSS COLLATERALIZATION (KANSAS PUBLIC WATER SUPPLY REVOLVING FUND)

65-163e

Chapter 65.--PUBLIC HEALTH

Article 1.--SECRETARY OF HEALTH AND ENVIRONMENT, ACTIVITIES

65-163e. Same; public water supply loan fund established; sources of revenue; purposes for disbursements therefrom. (a) There is hereby established in the state treasury the public water supply loan fund.

(b) Moneys from the following sources shall be credited to the fund:

(1) Amounts received by the state from the federal government for the purposes of the fund;

(2) amounts appropriated or otherwise made available by the legislature for the purposes of the fund;

(3) proceeds derived from the sale of bonds issued under K.S.A. 65-163l through 65-163t, and amendments thereto;

(4) amounts of repayments of loans made under this act, together with payments of interest thereon, in accordance with agreements entered into by the borrower and the secretary;

(5) interest attributable to investment of moneys in the fund; and

(6) amounts received from any public or private entity for the purposes of the fund.

(c) Subject to the conditions and in accordance with requirements of this act, moneys credited to the fund shall be used only:

(1) To make loans to municipalities for payment of all or part of project costs;

(2) as a source of revenue or security for the payment of principal and interest on bonds issued under K.S.A. 65-163l through 65-163t, and amendments thereto, if, and to the extent that, the proceeds of the sale of such bonds are deposited in the fund;

(3) as a source of revenue or security for the payment of principal and interest on bonds issued by the Kansas development finance authority pursuant to the provisions of K.S.A. 65-3321 through 65-3329, and amendments thereto;

(4) to earn interest on moneys in the fund; and

(5) for the reasonable costs, as determined by the secretary, of administering the fund and conducting activities under this act. Such costs shall be identified annually in development of the intended use plan as described in K.S.A. 65-163h, and amendments thereto.

(d) On or before the 10th of each month, the director of accounts and reports shall transfer from the state general fund to the public water supply loan fund interest earnings based on:

Deleted: 3

Deleted: 4

(1) The average daily balance of moneys in the public water supply loan fund for the preceding month; and

(2) the net earnings rate of the pooled money investment portfolio for the preceding month.

(e) All payments and disbursements from the fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary or by a person or persons designated by the secretary. All payments and disbursements from the fund, and beginning and ending balances thereof, shall be subject each year to post audit in accordance with article 11 of chapter 46 of the Kansas Statutes Annotated.

History: L. 1994, ch. 349, § 2; L. 1996, ch. 253, § 12; May 23.

Attachment B

Gilmore & Bell, P.C.
01/12/2006

PROPOSED LEGISLATIVE AMENDMENTS RE: CROSS COLLATERALIZATION (KANSAS WATER POLLUTION CONTROL REVOLVING FUND)

65-3322

Chapter 65.--PUBLIC HEALTH

Article 33.--WATER POLLUTION CONTROL

65-3322. Kansas water pollution control revolving fund established; use of moneys credited to fund; interest earned transferred from general fund; fund subject to post audit. (a) There is hereby established in the state treasury a fund to be maintained in perpetuity and to be known as the Kansas water pollution control revolving fund. The fund shall consist of:

(1) Amounts awarded or otherwise made available to this state under the federal act for the purposes of the fund;

(2) amounts appropriated or otherwise made available by the legislature for the purposes of the fund;

(3) the proceeds, if any, derived from the sale of bonds issued by the Kansas development finance authority for the purposes of the fund to the extent provided in any agreement entered into by the secretary and the authority;

(4) amounts of repayments made by municipalities of loans received under K.S.A. 65-3321 through 65-3329, and amendments thereto, together with payments of interest thereon, in accordance with agreements entered into by such municipalities and the secretary;

(5) amounts earned on moneys in the fund; and

(6) amounts contributed or otherwise made available by any public or private entity for use in effectuating the purposes of the fund.

(b) Subject to the conditions and in accordance with requirements of the federal act and the provisions of K.S.A. 65-3321 through 65-3329, and amendments thereto, the fund may be used only:

(1) To make loans to municipalities for payment of all or a part of project costs;

(2) to carry out planning for wastewater treatments works;

(3) for implementation of nonpoint source pollution control programs;

(4) as a source of revenue or security for the payment of principal and interest on bonds issued by the Kansas development finance authority if, and to the extent that, the proceeds of the sale of such bonds are deposited in the fund;

(5) as a source of revenue or security for the payment of principal and interest on bonds issued by the Kansas development finance authority pursuant to the provisions of K.S.A. 65-165d through 65-163u, and amendments thereto;

~~(6) to earn interest on moneys in the fund;~~

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(7) to make grants to qualifying projects as authorized by the federal appropriation act of 1996 (P.L. 104-134), in accordance with the rural communities hardship grants program implementation guidelines (Federal Register, March 20, 1997);

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(8) to make grants to qualifying projects as authorized by the consolidated appropriations act of 2001 (P.L. 106-554), in accordance with the wet weather water quality act of 2000; and

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(9) for the reasonable costs, in amounts not to exceed 4% of all amounts awarded to the state for the fund under title VI of the federal act, of administering the fund and conducting activities under K.S.A. 65-3321 through 65-3329, and amendments thereto, and for reasonable costs after amounts cease to be awarded by the federal government under title VI of the federal act, as determined by the secretary, of administering the fund and conducting activities under K.S.A. 65-3321 through 65-3329, and amendments thereto. Such costs shall be identified annually in development of the intended use plan as described in K.S.A. 65-3325, and amendments thereto.

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(c) On or before the 10th of each month, the director of accounts and reports shall transfer from the state general fund to the Kansas water pollution control revolving fund interest earnings based on:

(1) The average daily balance of moneys in the Kansas water pollution control revolving fund for the preceding month; and

(2) the net earnings rate of the pooled money investment portfolio for the preceding month.

(d) All payments and disbursements from the fund shall be made upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary or by a person or persons designated by the secretary. All payments and disbursements from the fund, and beginning and ending balances thereof, shall be subject each year to post audit in accordance with article 11 of chapter 46 of the Kansas Statutes Annotated.

History: L. 1988, ch. 320, § 2; L. 1992, ch. 272, § 6; L. 1996, ch. 253, § 14; L. 2001, ch. 70, § 1; July 1.

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(a) In addition to the other purposes for which expenditures may be made by the department of health and environment from waste tire management fund for fiscal year 2007 as authorized by K.S.A 65-3424g(5) and amendments thereto, notwithstanding the provisions of K.S.A 65-3424g(5) and amendments thereto or any other statute, any unencumbered balance may be expended from the waste tire management fund during fiscal year 2007, for the purpose of providing waste tire recycling grants and grants to local units of government for recycled waste tire mulching materials for playgrounds.

HOUSE APPROPRIATIONS

DATE 2-09-2006
ATTACHMENT 2

Overview of the Fiscal Year 2007

Governor's Budget Report

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HOUSE APPROPRIATIONS

DATE 2-9-2006
ATTACHMENT 3

OVERVIEW OF THE FISCAL YEAR 2007 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 2007 Governor's Budget Report*. The Legislative Research Department utilizes the classification of expenditures by function of government and by major purpose of expenditure 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 2005, the Governor's revised estimates for FY 2006, and the Governor's recommendations for FY 2007.

SUMMARY OF CHANGES TO ESTIMATED FY 2006 EXPENDITURES

Based on actions of the 2005 Legislature, it was estimated by the Research Department that FY 2006 expenditures from **all funds** would total \$11.583 billion. The *Governor's Budget Report* revises the all funds FY 2006 budget to \$11.827 billion, **an increase of \$244.2 million** above the earlier estimate. Major differences from the session-end estimates and the current Governor's recommendation include:

- An increase of \$135.0 million in the budget of the **Kansas Department of Transportation**, largely reflecting capital improvement expenditures carried forward from FY 2005.
- An increase of \$73.3 million in the budgets of the **Board of Regents and the Regents institutions** (largely for operating expenditures related to increased tuition receipts and increased federal and other grant funding).
- An increase of \$34.2 million, including \$10.3 million from the State General Fund, in the budget of the **State Board of Education**, primarily for consensus school finance and special education adjustments.

At the close of the 2005 Session, FY 2006 expenditures from the **State General Fund** were estimated to be \$5.150 billion. The *Governor's Budget Report* revises the FY 2006 State General Fund budget to \$5.163 billion, **an increase of \$13.4 million above the earlier estimate**. Recommended adjustments to the approved State General Fund budget include:

- An increase of \$10.3 million from the State General Fund in the budget of the **Department of Education**, largely to reflect consensus school finance and special education adjustments.
- An increase of \$2.4 million from the State General Fund in the budget of the **Sentencing Commission**, primarily for substance abuse treatment expenditures.

The following tabulation summarizes the changes to FY 2006 expenditures by major category.

| | Millions | |
|--|--------------------------|--------------------|
| | State General Fund | All Funds |
| Original FY 2006 Expenditure Estimates | \$ 5,149.8 | \$ 11,582.8 |
| Revisions: | | |
| State Operations | 2.1 | 101.9 |
| Aid to Local Units | 7.7 | (7.8) |
| Other Assistance | 2.9 | 13.2 |
| Capital Improvements | 0.7 | 136.9 |
| Total Revisions | <u>\$ 13.4</u> | <u>\$ 244.2</u> |
| Revised FY 2006 Expenditure Estimates | <u>\$ 5,163.4</u> | <u>\$ 11,827.0</u> |

TOTAL STATE EXPENDITURES FOR FY 2007

Summary of Expenditures from All Funds

The Governor's recommendation for FY 2007 state expenditures from all funds totals \$11.696 billion, a decrease of \$131.3 million (1.1 percent) from the Governor's revised recommendation for FY 2006 of \$11.827 billion. Actual FY 2005 expenditures from all funding sources were \$10.586 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 2007 recommendation for state operations increases by \$19.3 million or 0.6 percent above the revised FY 2006 amount. The largest increases are in the budgets of the Board of Regents and the Regents institutions (\$18.0 million, primarily in operating grant and Higher Education Coordination Act funding), and the Department of Corrections and facilities (\$5.8 million, primarily related to new positions within the Department). The increases are partially offset by a decrease of \$4.2 million in the budget of the Secretary of State, related to current year Help America Vote Act (HAVA) expenditures.

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 \$60.2 million or 1.6 percent in FY 2007. Increases recommended in the budgets of the Department of Education (\$69.8 million, primarily for supplemental general state aid, special education, and Kansas Public Employees Retirement System-School costs), are partially offset by a reduction of \$12.0 million in the budget of the Secretary of State (related to Help America Vote Act expenditures in the current year).

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

Other assistance increases \$93.3 million or 2.6 percent above the revised FY 2006 amount. Major increases include the Department of Social and Rehabilitation Services (\$40.2 million), and the Department on Aging (\$12.7million), primarily for caseload adjustments, and the Department of Labor (\$15.0 million for unemployment insurance benefit payments).

3-3

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 \$304.1 million or 26.3 percent below the FY 2006 level. The largest decrease is in the budget of the Department of Transportation (\$279.4 million) largely related to current year carry-over expenditures in FY 2006.

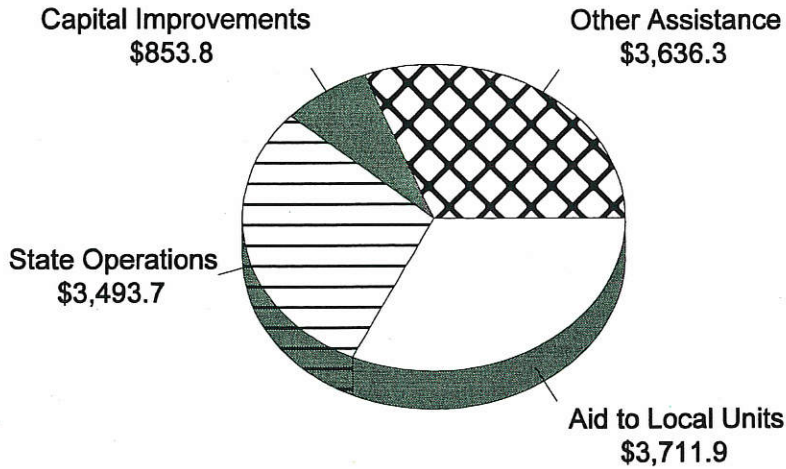
EXPENDITURES FROM ALL FUNDS BY MAJOR PURPOSE

(Millions of Dollars)

| Purpose | Actual FY 05 | Gov. Rec. FY 06 | Change | | Gov. Rec. FY 07 | Change | |
|----------------------|--------------------|--------------------|-------------------|--------------|--------------------|-------------------|---------------|
| | | | \$ | % | | \$ | % |
| State Operations | \$ 3,162.7 | \$ 3,474.4 | \$ 311.7 | 9.9% | \$ 3,493.7 | \$ 19.3 | 0.6% |
| Aid to Local Units | 3,313.0 | 3,651.7 | 338.7 | 10.2 | 3,711.9 | 60.2 | 1.6 |
| Other Assistance | 3,247.6 | 3,543.0 | 295.4 | 9.1 | 3,636.3 | 93.3 | 2.6 |
| Total Operating | \$ 9,723.3 | \$ 10,669.1 | \$ 945.8 | 9.7% | \$ 10,841.9 | \$ 172.7 | 1.6% |
| Capital Improvements | 862.2 | 1,157.9 | 295.7 | 34.3 | 853.8 | (304.1) | (26.3) |
| TOTAL | \$ 10,585.5 | \$ 11,827.0 | \$ 1,241.5 | 11.7% | \$ 11,695.6 | \$ (131.3) | (1.1)% |

Of the total budget recommendation for FY 2007, 29.9 percent is for state operations, 31.7 percent is for state aid to local units of government, 31.1 percent is for other assistance, grants, and benefits, and 7.3 percent is for capital improvements. The following pie chart displays the major categories of all funds expenditures in FY 2007.

**FY 2007 EXPENDITURES FROM ALL FUNDS
BY MAJOR PURPOSE
Governor's Recommendation
(Millions of Dollars)**



Total: \$11,695.6

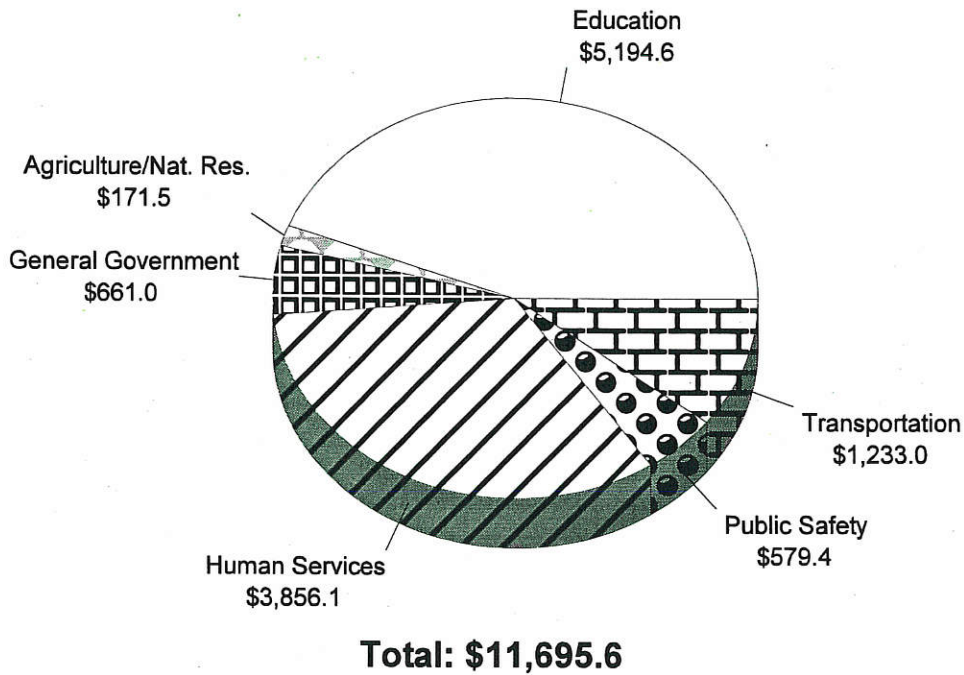
Expenditures by Function of Government

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 Services; Education; Public Safety; Agriculture and Natural Resources; and Transportation. The education function is the largest component with 44.4 percent of the total. The three largest functions of government—education, human services, and transportation—comprise 87.9 percent of the recommended expenditures for FY 2007.

**EXPENDITURES FROM ALL FUNDS BY FUNCTION OF GOVERNMENT
(Millions of Dollars)**

| Function | Actual | Rec. | Change | | Rec. | Change | |
|---------------------------|--------------------|--------------------|-------------------|--------------|--------------------|-------------------|---------------|
| | FY 05 | FY 06 | \$ | % | FY 07 | \$ | % |
| General Government | \$ 602.2 | \$ 679.3 | \$ 77.1 | 12.8% | \$ 661.0 | \$ (18.3) | (2.7)% |
| Human Services | 3,464.6 | 3,774.3 | 309.7 | 8.9 | 3,856.1 | 81.8 | 2.2 |
| Education | 4,658.0 | 5,114.1 | 456.1 | 9.8 | 5,194.6 | 80.5 | 1.6 |
| Public Safety | 521.7 | 574.8 | 53.1 | 10.2 | 579.4 | 4.6 | 0.8 |
| Agriculture and Nat. Res. | 151.3 | 178.6 | 27.3 | 18.0 | 171.5 | (7.1) | (4.0) |
| Transportation | 1,187.7 | 1,505.8 | 318.1 | 26.8 | 1,233.0 | (272.8) | (18.1) |
| TOTAL | \$ 10,585.5 | \$ 11,827.0 | \$ 1,241.5 | 11.7% | \$ 11,695.6 | \$ (131.3) | (1.1)% |

**SUMMARY OF FY 2007 EXPENDITURES FROM ALL FUNDS
BY FUNCTION OF GOVERNMENT
Governor's Recommendation
(Millions of Dollars)**



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. The tabulation separates the plan for financing into operating purposes and capital improvements. The State General Fund operating amount shown in the table for FY 2007 is based on current resources of the fund. The net increase in State General Fund operating expenditures from FY 2006 to FY 2007 is \$144.5 million or 2.8 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)

| | Actual | Gov. Rec. | Change | | Gov. Rec. | Change | |
|--------------------------------|-------------------|-------------------|-------------------|--------------|--------------------|------------------|---------------|
| | FY 05 | FY 06 | \$ | % | FY 07 | \$ | % |
| Operating Expenditures: | | | | | | | |
| State General Fund | \$ 4,671.7 | \$ 5,148.5 | \$ 476.8 | 10.2% | \$ 5,293.0 | \$ 144.5 | 2.8% |
| All Other Funds | 5,051.6 | 5,520.6 | 469.0 | 9.3 | 5,548.8 | 28.2 | 0.5 |
| Total Operating | \$ 9,723.3 | \$ 10,669.1 | \$ 945.8 | 9.7% | \$ 10,841.8 | \$ 172.7 | 1.6% |
| Capital Improvements: | | | | | | | |
| State General Fund | \$ 18.4 | \$ 14.9 | \$ (3.5) | (19.0)% | \$ 13.4 | \$ (1.5) | (10.1)% |
| All Other Funds | 843.8 | 1,143.0 | 299.2 | 35.5 | 840.4 | (302.6) | (26.5) |
| Total Capital Imprv. | \$ 862.2 | \$ 1,157.9 | \$ 295.7 | 34.3% | \$ 853.8 | \$ (304.1) | (26.3)% |
| TOTAL Expenditures | \$10,585.5 | \$11,827.0 | \$ 1,241.5 | 11.7% | \$ 11,695.6 | \$(131.3) | (1.1)% |

The State General Fund, to which most state tax receipts are credited, is the predominant source of financing for state expenditures. The State General Fund finances 43.7 percent of estimated FY 2006 expenditures. In FY 2007, the State General Fund finances 45.4 percent of the recommended expenditures.

Schedule 7 in *The Governor's Budget Report* (Volume 1) summarizes actual and estimated receipts of federal funds. Estimated FY 2006 receipts are \$3.212 billion, a decrease of \$197.7 million or 5.8 percent below the FY 2005 actual receipts. The FY 2007 estimate of \$3.242 billion is \$29.2 million or 0.9 percent above the FY 2006 estimated receipts. Four agencies—the Department of Social and Rehabilitation Services, the Department of Administration (Health Policy and Finance), the Department of Education, and the Department of Transportation—account for 73.2 percent of FY 2007 estimated federal receipts.

Federal receipts for fiscal years 2006 and 2007 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 2006 Legislature.

Expenditures for State Operations

Expenditures for state operations, *i.e.*, for purposes other than local aid, other assistance, and capital improvements, comprise 29.9 percent of total recommended expenditures for FY 2007. The tabulation below divides state operations expenditures into the following components: salaries and wages; contractual services (communications, rent, travel); commodities (food, supplies, stationery); capital outlay (equipment and furniture, not building and highway construction projects); and debt service interest payments.

3-7

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

(Millions of Dollars)

| Function | Actual | Gov. Rec. | Change | | Gov. Rec. | Change | |
|-----------------------|------------|------------|----------|------|------------|---------|--------|
| | FY 05 | FY 06 | \$ | % | FY 07 | \$ | % |
| Salaries and Wages | \$ 2,045.0 | \$ 2,218.3 | \$ 173.3 | 8.5% | \$ 2,228.6 | \$ 10.3 | 0.5% |
| Contractual Services | 757.6 | 831.7 | 74.1 | 9.8 | 823.6 | (8.1) | (1.0) |
| Commodities | 157.5 | 169.4 | 11.9 | 7.6 | 171.2 | 1.8 | 1.1 |
| Capital Outlay | 114.3 | 141.5 | 27.2 | 23.8 | 120.5 | (21.0) | (14.8) |
| Debt Service Interest | 88.2 | 113.5 | 25.3 | 28.7 | 126.5 | 13.0 | 11.5 |

Salaries and wages expenditures, including fringe benefits, comprise almost two-thirds of the state operations budget for FY 2007 (63.8 percent) and represent a \$10.3 million or 0.5 percent increase above the FY 2006 estimate.

Salaries and wages policy recommendations incorporated into the proposed FY 2007 budget include the following:

3-8

GOVERNOR'S FY 2007 STATE EMPLOYEE SALARY ADJUSTMENTS

| | Millions | |
|--|--------------------------|----------------|
| | State General Fund | All Funds |
| A. Base Salary Adjustment. For classified employees of the executive branch, the Governor recommends a 2.5 percent base salary adjustment effective June 13, 2006, the first pay period attributable to FY 2007. For unclassified employees, including, Regents employees, legislative and judicial branch employees, a 2.5 percent unclassified merit pool, to be distributed on the basis of performance is recommended. Statewide elected officials legislators and judges are also recommended to receive a 2.5 percent salary increase. (This total includes funding of \$24.6 million, including \$11.8 million from the State General Fund for Regents pay increases. The funding is included as part of the Regents operating grant recommended by the Governor.) | \$ 24.8 | \$ 50.0 |
| B. Annualization of FY 2006 Base Salary Adjustment. The 2005 Legislature approved a phased in 2.5 percent base salary adjustment for FY 2006. Of the increase, 1.25 percent was received at the beginning of the fiscal year and an additional 1.25 percent became effective halfway through the fiscal year. Additional funding was approved only for the mid-year increase. The Governor's recommendation fully funds, or "annualizes" the FY 2006 increase in FY 2007. | 11.5 | 23.2 |
| C. Longevity. The Governor recommends funding for longevity bonuses (\$40 a year for each year of service for those classified employees that have at least ten years of service up to a maximum of 25 years) in FY 2007. | 0.1* | 0.3* |
| D. Kansas Public Employees Retirement System (KPERs) Rate Increases. The FY 2007 rate for KPERs regular and school members of 5.77 percent is an increase of 0.5 percent above the FY 2006 rate of 5.27 percent of salaries. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs Fund. | 3.6 | 7.3 |
| E. KPERs Death and Disability Contribution Rate. The Governor's FY 2007 recommendation funds the KPERs Death and Disability contribution rate at 1.0 percent of salaries. This is an increase in the rate from the 0.8 percent of salaries funded in the FY 2006 budget. (This amount assumes that the Regents will elect to provide the institutions with funding for this adjustment.) <i>This amount does not include KPERs-School.</i> | 1.5 | 3.0 |
| F. Corrections Officer Enhancement Package. For FY 2007, the Governor recommends a Corrections Officer enhancement package, which combines the Corrections Officers IA, IB, and II position classes into a single Corrections Officer class on pay grade 20 of the classified pay matrix. | 3.2 | 3.2 |
| G. Building Trades Retention Incentive. The FY 2007 recommendation includes a retention incentive for skilled trades job classes, such as carpenters, plumbers, painters, electricians, power plant operators, and utility workers. | 0.5 | 0.9 |
| Subtotal - FY 2007 Salary Increases | \$ 45.2 | \$ 88.9 |

3-9
8

H. **One Less Payroll Period in FY 2007 than in FY 2006.** The average fiscal year contains 26 biweekly payroll periods. Because of the biweekly nature of the system and the way the pay dates have fallen since the system was implemented in 1995, a 27th payroll period will occur on June 30, 2006, the last day of FY 2006. One-time funding for this "extra" payroll period is included in each FY 2006 agency budget. The FY 2007 budget contains the usual 26 payroll periods, one less than in FY 2006. The agency request and the Governor's recommendation reflect this reduction in the number of payroll periods.

(32.6)

(65.1)

GRAND TOTAL

| | | | |
|-----------|-------------|-----------|-------------|
| <u>\$</u> | <u>12.6</u> | <u>\$</u> | <u>23.8</u> |
|-----------|-------------|-----------|-------------|

* Amounts reflect the difference between the Governor's recommendation for FY 2006 and the amount of longevity bonus payments that are estimated to be paid in FY 2007.

Financing for all recommended salary adjustments is contained in the recommended budgets for each state agency, except for the Regent's institutions, which is included in the budget of the Board of Regents.

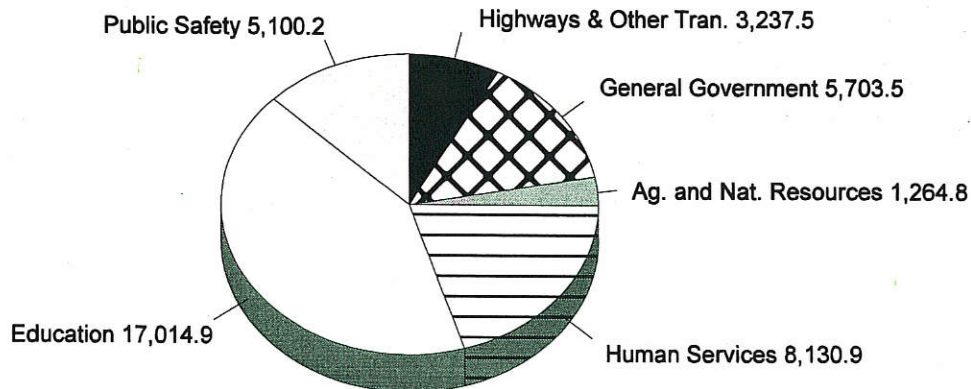
Authorized FTE Employees by Function of Government

Expenditures for salaries and wages are also affected by policy recommendations which change the size of the state's workforce. The FY 2007 budget recommendations of the Governor finance 40,451.8 full-time equivalent (FTE) positions, a net increase of 26.3 FTE positions from the FY 2006 recommended level of 40,425.5. In addition, the Governor recommends 965.9 non-FTE unclassified permanent positions in FY 2007, a decrease of 15.2 below FY 2006. These employees are not included in the FTE limitation.

The following pie chart reflects the Governor's recommended FY 2007 full-time equivalent positions by function of government.

**FY 2007 FULL-TIME EQUIVALENT (FTE) POSITIONS
by Function of Government**

Governor's Recommendation



Total FTE Positions: 40,451.8

State Workforce Adjustments

The Governor's FY 2007 recommendation increases the size of the state's workforce by a net 26.3 FTE positions. Factors contributing to the increase in positions include:

- The addition of 12.0 FTE positions in the Department of Corrections for support of the Criminal Justice Information System (CJIS), and a sex offender project;
- The addition of 6.0 FTE for the Kansas Bureau of Investigation related to CJIS support, laboratory technical support, and the offender registration unit; and
- 3.0 new Motor Carrier Assistance Program FTE positions in the budget of the Highway Patrol.

Program or Agency Components of the FY 2006— 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 2007 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 its hospitals, the Board of Regents and its institutions, and the Department of Administration account for over two-thirds (69.0 percent) of the total state budget.

**GOVERNOR'S RECOMMENDED
EXPENDITURES FROM ALL FUNDS, FY 2007
By Agency or Program**

| | Amount (Thousands) | Percent of Total | Cumulative Percent | Percent Change From FY 06 |
|--|-----------------------|---------------------|-----------------------|---------------------------------|
| Department of Education | \$ 3,157,101 | 27.0% | 27.0% | 2.3% |
| Board of Regents and Institutions | 2,005,407 | 17.1 | 44.1 | 0.6 |
| SRS, including Hospitals | 1,489,726 | 12.7 | 56.9 | 2.9 |
| Department of Administration | 1,417,841 | 12.1 | 69.0 | 0.1 |
| Department of Transportation | 1,233,022 | 10.5 | 79.5 | (18.1) |
| Department on Aging | 451,412 | 3.9 | 83.4 | 2.8 |
| Department of Labor | 368,692 | 3.2 | 86.6 | 4.1 |
| Department of Corrections and Facilities | 266,980 | 2.3 | 88.8 | 1.2 |
| Department of Health and Environment | 206,300 | 1.8 | 90.6 | 2.0 |
| Highway Patrol and KBI | 129,062 | 1.1 | 91.7 | (0.7) |
| Dept. of Commerce, KTEC, Kansas, Inc. | 124,447 | 1.1 | 92.8 | (19.6) |
| Judicial Branch | 111,588 | 1.0 | 93.7 | (0.4) |
| Juvenile Justice Authority and Facilities | 101,122 | 0.9 | 94.6 | (2.0) |
| Department of Revenue | 88,690 | 0.8 | 95.4 | (4.2) |
| Adjutant General | 66,090 | 0.6 | 95.9 | 7.7 |
| Kansas Lottery | 55,586 | 0.5 | 96.4 | 0.4 |
| Insurance Dept.and Health Care Stabilization | 55,245 | 0.5 | 96.9 | (0.7) |
| Department of Wildlife and Parks | 48,318 | 0.4 | 97.3 | (19.7) |
| KPERS Operations | 40,393 | 0.3 | 97.6 | 2.3 |
| Department of Agriculture | 25,201 | 0.2 | 97.8 | 3.8 |
| Legislative Branch | 24,913 | 0.2 | 98.1 | 2.7 |
| State Corporation Commission | 19,429 | 0.2 | 98.2 | (0.4) |
| Board of Indigents' Defense Services | 18,886 | 0.2 | 98.4 | (0.3) |
| Conservation Commission | 17,167 | 0.1 | 98.5 | 44.1 |
| Attorney General | 15,732 | 0.1 | 98.7 | (8.4) |
| State Treasurer | 13,041 | 0.1 | 98.8 | 12.2 |
| Water Office | 10,879 | 0.1 | 98.9 | 39.9 |
| All Other | 133,356 | 1.1 | 100.0% | 12.2 |
| TOTAL | \$ 11,695,626 | 100.0% | | (1.1)% |

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

3-12

CHANGE IN EXPENDITURES FROM ALL FUNDS

FY 2006 to FY 2007

Governor's Recommendation

| | Amount (Thousands) | Comments |
|--|-----------------------|--|
| Total Decrease | \$ (131,336) | |
| Department of Education | 70,888 | School finance |
| Department of Social and Rehab. Services | 42,027 | Caseload adjustments |
| Department of Labor | 14,450 | Unemployment benefits |
| Board of Regents and Institutions | 12,713 | SB 345 funding, operating grant, financial aid |
| Department on Aging | 12,358 | Caseload adjustments |
| Commission on Veterans Affairs | 7,044 | Operating expenditures |
| Conservation Commission | 5,252 | Operating expenditures |
| Department of Corrections and Facilities | 3,133 | Operating expenditures |
| Department of Wildlife and Parks | (11,855) | Capital improvements |
| Secretary of State | (16,214) | Current year Help America Vote Act expenditures |
| Department of Transportation | (272,808) | Capital improvements |
| All Other Agencies | 1,676 | |

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 2007 State General Fund Budget**

The following tabulation provides an overview of the program or agency components of the Governor's recommended FY 2007 expenditures from the State General Fund. This tabulation identifies individual components which comprise 99.0 percent of State General Fund expenditures. Education and state aid account for 67.4 percent of State General Fund expenditures.

3-13

STATE GENERAL FUND EXPENDITURES BY PROGRAM OR AGENCY
Governor's Recommendations for FY 2007

| | Amount (Thousands) | Percent of Total | Cumulative Percent | Increase Over FY 2006 | |
|---------------------------------|----------------------------|-----------------------|-----------------------|--------------------------|--------------------|
| | | | | Amount (000) | Percent |
| Education | | | | | |
| State Aid to Local Units | \$ 2,799,448 | 52.76% | 52.76% | \$ 81,994 | 3.0% |
| Bd. of Regents/Institutions (a) | 637,537 | 12.01 | 64.77 | 15,831 | 2.5 |
| Other Education* | 33,437 | 0.63 | 65.40 | 550 | 1.7 |
| Subtotal, Education | <u>\$ 3,470,422</u> | <u>65.40%</u> | <u>65.40%</u> | <u>\$ 98,375</u> | <u>2.9%</u> |
| State Aid Except Education | \$ 103,539 | 1.95% | 67.35% | \$ 954 | 0.9% |
| SRS, Including Hospitals | 522,237 | 9.84 | 77.19 | 18,729 | 3.7 |
| Dept. of Administration** | 453,361 | 8.54 | 85.74 | (4,765) | (1.0) |
| Dept. of Corrections/Facilities | 226,273 | 4.26 | 90.00 | 7,525 | 3.4 |
| Department on Aging | 173,156 | 3.26 | 93.26 | 6,327 | 3.8 |
| Judicial Branch | 100,940 | 1.90 | 95.17 | 3,022 | 3.1 |
| Highway Patrol/KBI | 50,463 | 0.95 | 96.12 | (193) | (0.4) |
| Juvenile Justice | 50,435 | 0.95 | 97.07 | (648) | (1.3) |
| Legislative Branch | 24,729 | 0.47 | 97.53 | 626 | 2.6 |
| Health and Environment | 20,956 | 0.39 | 97.93 | 2,122 | 11.3 |
| Dept. of Revenue | 20,155 | 0.38 | 98.31 | (417) | (2.0) |
| Board of Indigents' Defense | 18,161 | 0.34 | 98.65 | (165) | (0.9) |
| Dept. of Agriculture | 11,047 | 0.21 | 98.86 | 647 | 6.2 |
| Elected Officials | 7,252 | 0.14 | 99.00 | (2,057) | (22.1) |
| All Other | 53,259 | 1.00 | 100.00% | 12,898 | 32.0 |
| TOTAL | <u><u>\$ 5,306,385</u></u> | <u><u>100.00%</u></u> | | <u><u>\$ 142,980</u></u> | <u><u>2.8%</u></u> |

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

** Includes Public Broadcasting, except state aid of \$0.131 million which is part of Education-State Aid.

(a Aid to Washburn University is included in state aid to local units (\$11.468 million).

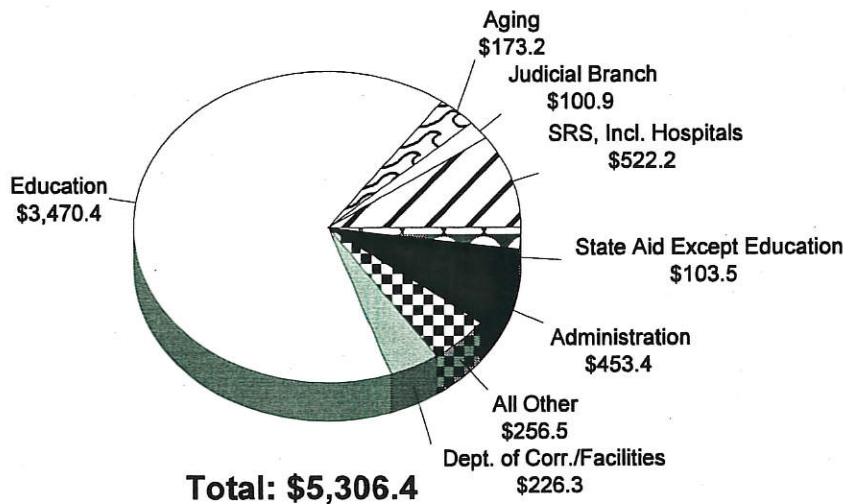
Note: All expenditures for each entry from SRS through "All Other" exclude state aid, if any.

The following pie chart displays the FY 2007 State General Fund expenditures by major program.

3-14

**FY 2007 State General Fund Expenditures
by Major Program or Agency**

**Governor's Recommendation
(Millions of Dollars)**



**State General Fund Expenditures by Function
of Government**

The next tabulation summarizes State General Fund expenditures by function of government. The education function accounts for the largest portion of the State General Fund budget (65.4 percent). Two functions, education and human services, account for 88.1 percent of all State General Fund expenditures.

**STATE GENERAL FUND EXPENDITURES
BY FUNCTION OF GOVERNMENT
Governor's Recommendation
(Millions of Dollars)**

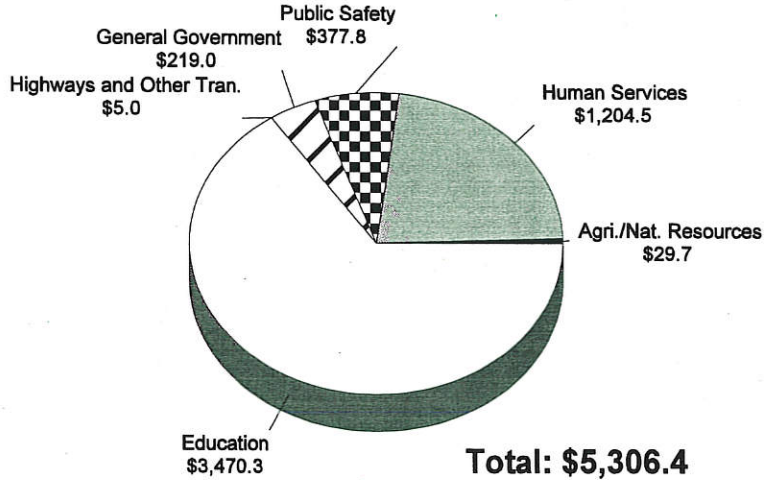
| Function | Actual | Gov. Est. | Change | | Gov. Rec. | Change | |
|-------------------------------|-------------------|-------------------|-----------------|--------------|-------------------|-----------------|-------------|
| | FY 05 | FY 06 | \$ | % | FY 07 | \$ | % |
| General Government | \$ 181.1 | \$ 208.5 | \$ 27.4 | 15.1% | \$ 219.0 | \$ 10.5 | 5.0% |
| Human Services | 1,098.1 | 1,185.7 | 87.6 | 8.0 | 1,204.5 | 18.8 | 1.6 |
| Education | 3,054.7 | 3,371.9 | 317.2 | 10.4 | 3,470.3 | 98.4 | 2.9 |
| Public Safety | 329.9 | 369.0 | 39.1 | 11.9 | 377.8 | 8.8 | 2.4 |
| Agriculture/Natural Resources | 26.3 | 28.3 | 2.0 | 7.6 | 29.7 | 1.4 | 4.9 |
| Transportation | 0.0 | 0.0 | 0.0 | 0.0 | 5.0 | 5.0 | -- |
| TOTAL | \$ 4,690.1 | \$ 5,163.4 | \$ 473.3 | 10.1% | \$ 5,306.4 | \$ 143.0 | 2.8% |

3-15

The following pie chart reflects the Governor's recommendation for FY 2007 State General Fund expenditures by function of government.

**FY 2007 STATE GENERAL FUND EXPENDITURES
BY FUNCTION OF GOVERNMENT**

**Governor's Recommendation
(Millions of Dollars)**



Expenditures by Major Purpose

Over \$2.9 billion (54.7 percent) of recommended FY 2007 expenditures from the State General Fund is paid to local units of government, 26.3 percent represents the costs of state operations, 18.7 percent is for other assistance payments, and 0.3 percent is for capital improvements.

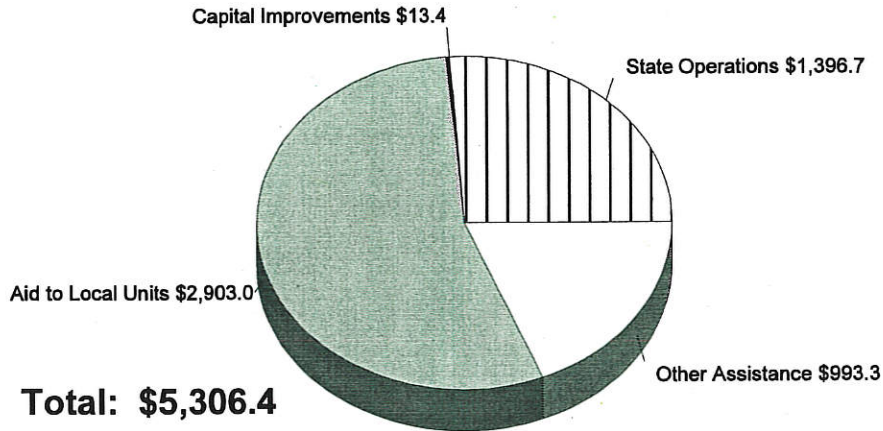
**STATE GENERAL FUND EXPENDITURES BY MAJOR PURPOSE
(Millions of Dollars)**

| | Actual | Gov. Est. | Change | | Gov. Rec. | Change | |
|----------------------|-------------------|-------------------|-----------------|--------------|-------------------|-----------------|-------------|
| | FY 05 | FY 06 | \$ | % | FY 07 | \$ | % |
| State Operations | \$ 1,233.9 | \$ 1,348.5 | \$ 114.6 | 9.3% | \$ 1,396.7 | \$ 48.2 | 3.6% |
| Aid to Local Units | 2,530.8 | 2,820.0 | 289.2 | 11.4 | 2,903.0 | 82.9 | 2.9 |
| Other Assistance | 907.1 | 979.9 | 72.8 | 8.0 | 993.3 | 13.4 | 1.4 |
| Total Operating | \$ 4,671.8 | \$ 5,148.4 | \$ 476.6 | 10.2% | \$ 5,293.0 | \$ 144.5 | 2.8% |
| Capital Improvements | 18.4 | 14.9 | (3.5) | (19.0) | 13.4 | (1.5) | (10.1) |
| TOTAL | \$ 4,690.1 | \$ 5,163.4 | \$ 473.3 | 10.1% | \$ 5,306.4 | \$ 143.0 | 2.8% |

The following pie chart displays the Governor's recommendation for FY 2007 State General Fund expenditures by major purpose.

**FY 2007 STATE GENERAL FUND EXPENDITURES
BY MAJOR PURPOSE
Governor's Recommendation**

**(Millions
of Dollars)**



State Operations by Function of Government

The following tabulation shows 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 05 | Gov. Est. FY 06 | Change | | Gov. Rec. FY 07 | Change | |
|-------------------------------|-------------------|--------------------|-----------------|-------------|--------------------|----------------|-------------|
| | | | \$ | % | | \$ | % |
| General Government | \$ 171.0 | \$ 196.3 | \$ 25.3 | 14.8% | \$ 207.5 | \$ 11.2 | 5.7% |
| Human Services | 177.4 | 194.3 | 16.9 | 9.5 | 197.5 | 3.2 | 1.6 |
| Education | 587.3 | 625.0 | 37.7 | 6.4 | 642.0 | 17.0 | 2.7 |
| Public Safety | 273.5 | 305.8 | 32.3 | 11.8 | 316.1 | 10.3 | 3.4 |
| Agriculture/Natural Resources | 24.8 | 27.1 | 2.3 | 9.3 | 28.6 | 1.5 | 5.5 |
| Transportation | 0.0 | 0.0 | 0.0 | -- | 5.0 | 5.0 | -- |
| TOTAL | \$ 1,233.9 | \$ 1,348.5 | \$ 114.6 | 9.3% | \$ 1,396.7 | \$ 48.2 | 3.6% |

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. For example, the Governor's recommendation includes \$9.0 million in local aid expenditures from the Children's Initiatives Fund in the budget of the Department of Education. Federal aid is not included in this tabulation.

The tabulation reflects State General Fund aid to local school districts in FY 2007 which increases \$75.2

on or 2.9 percent above the FY 2006 level. Total State General Fund aid to local units in the budget year increases \$82.9 million or 2.9 percent above the current year.

STATE AID TO LOCAL UNITS OF GOVERNMENT
In Thousands

| From State General Fund | FY 2003 | FY 2004 | FY 2005 | Gov. Est. FY 2006 | Gov. Rec. FY 2007 | Change FY 2006-FY 2007 | |
|-----------------------------|---------------------|---------------------|---------------------|----------------------|----------------------|---------------------------|-------------|
| | | | | | | Amount | Percent |
| General State Aid | \$ 1,608,950 | \$ 1,621,912 | \$ 1,753,206 | \$ 1,877,772 | \$ 1,875,546 | \$ (2,226) | (0.1)% |
| Supp. General Aid | 118,571 | 160,593 | 159,687 | 218,891 | 238,709 | 19,818 | 9.1 |
| Subtotal | \$ 1,727,521 | \$ 1,782,505 | \$ 1,912,893 | \$ 2,096,663 | \$ 2,114,255 | \$ 17,592 | 0.8% |
| Cap. Outlay Aid | 0 | 0 | 0 | 19,197 | 21,000 | 1,803 | 9.4 |
| KPERS-School | 112,148 | 119,791 | 138,181 | 161,134 | 184,656 | 23,522 | 14.6 |
| Declining Enrollment | 0 | 0 | 0 | 43 | 100 | 57 | 132.6 |
| Special Education | 249,607 | 249,768 | 249,792 | 291,581 | 321,846 | 30,265 | 10.4 |
| Deaf/Blind/Hand. Child | 107 | 110 | 110 | 110 | 110 | 0 | 0.0 |
| Food Service | 2,370 | 2,370 | 2,368 | 2,366 | 2,366 | 0 | 0.0 |
| In-Service Training | 2,594 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Parent Education | 4,374 | 4,640 | 4,640 | 4,790 | 4,790 | 0 | 0.0 |
| Professional Development | 0 | 0 | 0 | 1,000 | 3,000 | 2,000 | 200.0 |
| Ed. Excellence Grants | 98 | 136 | 181 | 186 | 182 | (4) | (2.2) |
| Mentor Teachers | 0 | 0 | 0 | 1,000 | 1,000 | 0 | 0.0 |
| School Safety Hotline | 0 | 7 | 4 | 4 | 4 | 0 | 0.0 |
| Discretionary Grants | 0 | 0 | 0 | 188 | 188 | 0 | 0.0 |
| Juv. Detention Grants | 5,270 | 6,029 | 6,435 | 7,885 | 7,885 | 0 | 0.0 |
| Subtotal - USDs | \$ 2,104,089 | \$ 2,165,355 | \$ 2,314,603 | \$ 2,586,147 | \$ 2,661,381 | \$ 75,234 | 2.9% |
| Voc. Ed. - Postsecondary | 19,486 | 15,300 | 19,668 | 20,674 | 21,674 | 1,000 | 4.8 |
| Community Colleges | 80,942 | 80,958 | 86,028 | 91,130 | 96,216 | 5,086 | 5.6 |
| Out-District Tuition Offset | 0 | 0 | 0 | 3,200 | 3,200 | 0 | 0.0 |
| Adult Basic Education | 950 | 952 | 948 | 1,149 | 1,349 | 200 | 17.4 |
| Capital Outlay Aid | 449 | 424 | 424 | 424 | 424 | 0 | 0.0 |
| Other Postsecondary | 0 | 9 | 875 | 0 | 0 | 0 | 0.0 |
| Washburn University | 10,101 | 10,102 | 10,556 | 11,012 | 11,468 | 456 | 4.1 |
| Public TV-Washburn | 386 | 447 | 120 | 132 | 131 | (1) | (0.8) |
| Libraries | 3,432 | 3,375 | 3,380 | 3,348 | 3,348 | 0 | 0.0 |
| Arts Program Grants | 90 | 84 | 97 | 99 | 98 | (1) | (1.0) |
| Emporia State | 0 | 0 | 7 | 7 | 7 | 0 | 0.0 |
| Historical Society | 436 | 110 | 82 | 132 | 152 | 20 | 15.2 |
| Total, Education | \$ 2,220,361 | \$ 2,277,115 | \$ 2,436,787 | \$ 2,717,454 | \$ 2,799,448 | \$ 81,995 | 3.0% |
| Comm. Corr./Boot Camps | 15,190 | 16,079 | 17,747 | 17,751 | 17,751 | 0 | 0.0 |
| Juv. Comm. Programs | 14,308 | 12,687 | 13,205 | 13,132 | 13,057 | (75) | (0.6) |
| Local Public Health | 6,194 | 9,259 | 9,161 | 10,505 | 11,505 | 1,000 | 9.5 |
| Aging Dept. Programs | 0 | 2,693 | 2,741 | 1,508 | 1,508 | 0 | 0.0 |
| SRS Aid Programs | 44,227 | 51,910 | 50,666 | 57,966 | 58,216 | 250 | 0.4 |
| Property Valuation Aid | 0 | 0 | 12 | 0 | 0 | 0 | 0.0 |
| Disaster Relief/Training | 3,967 | 488 | 24 | 1,723 | 1,500 | (223) | (12.9) |
| Aid to Cons. Districts | 0 | 0 | 440 | 0 | 1 | 1 | -- |
| Employment Programs | 65 | 0 | 27 | 0 | 0 | 0 | 0.0 |
| Total, Other | 83,951 | 93,117 | 94,023 | 102,585 | 103,539 | 954 | 0.9 |
| TOTAL - SGF | \$ 2,304,312 | \$ 2,370,232 | \$ 2,530,810 | \$ 2,820,039 | \$ 2,902,987 | \$ 82,948 | 2.9% |
| % of Total SGF Expend. | 55.7% | 54.9% | 54.0% | 54.6% | 54.7% | | |

3-18
17

**Selected Education State Aid from Other Funds
(In Thousands)**

| | Actual FY 2005 | Gov. Est. FY 2006 | Gov. Rec. FY 2007 | Change FY 2006-FY 2007 | |
|-------------------------|-------------------|----------------------|----------------------|---------------------------|----------------|
| | | | | Amount | Percent |
| School District Finance | \$ 17,568 | \$ 36,510 | \$ 25,500 | \$ (11,010) | (30.2)% |
| Driver Safety/Training | 1,603 | 1,601 | 2,990 | 1,389 | 86.8 |
| Mineral Production Tax | 7,488 | 9,868 | 8,415 | (1,453) | (14.7) |
| Children's Initiatives | | | | | |
| 4 year old at-risk | 4,500 | 5,304 | 5,304 | 0 | -- |
| Parent Education | 2,618 | 2,541 | 2,500 | (41) | (1.6) |
| Special Education | 952 | 1,225 | 1,225 | 0 | -- |
| EDIF | | | | | |
| Voc Ed - Postsecondary | 6,957 | 6,957 | 6,957 | 0 | -- |
| Voc Ed. - Cap. Outlay | 2,565 | 2,565 | 2,565 | 0 | -- |
| Tech Grants | 184 | 181 | 181 | 0 | -- |
| TOTAL | \$ 44,435 | \$ 66,752 | \$ 55,637 | \$ (11,115) | (16.7)% |

**Selected Noneducation State Aid from Other Funds
(In Thousands)**

| | Actual FY 2005 | Gov. Est. FY 2006 | Gov. Rec. FY 2007 | Change FY 2006-FY 2007 | |
|-----------------------------|-------------------|----------------------|----------------------|---------------------------|---------|
| | | | | Amount | Percent |
| CCHF and Co. Equal and Adj. | \$ 150,407 | \$ 157,099 | \$ 157,292 | \$ 193 | 0.1% |
| SHF-City Maintenance | 2,894 | 3,360 | 3,360 | 0 | -- |
| Public Transportation | 5,473 | 6,883 | 6,364 | (519) | (7.5) |
| Aviation Grants | 3,290 | 3,000 | 3,000 | 0 | -- |
| Firefighter's Relief | 8,567 | 8,700 | 8,800 | 100 | 1.1 |
| Mineral Production | 7,488 | 9,868 | 8,415 | (1,453) | (14.7) |
| TIF Rev. Replacement | 827 | 844 | 861 | 17 | 2.0 |

Recommended Changes in State General Fund Programs

The following tabulation summarizes State General Fund expenditure changes from the FY 2006 Governor's revised estimate to the Governor's recommendations for FY 2007.

INCREASE IN STATE GENERAL FUND EXPENDITURES Governor's Recommendation FY 2006 to FY 2007

| | Amount (000) | Percent of Total Increase |
|--|-------------------|---------------------------------|
| Total Increase | \$ 142,980 | 100.0% |
| Education | | |
| State Aid for Education, Total | \$ 81,994 | 57.3% |
| Basic General Aid | (2,226) | (1.6) |
| Supplemental General Aid | 19,818 | 13.9 |
| Special Education | 30,265 | 21.2 |
| KPERs-School | 23,522 | 16.5 |
| Community College Aid | 5,086 | 3.6 |
| All Other | 5,529 | 3.9 |
| SRS, Including Hospitals* | 18,729 | 13.1 |
| Board of Regents & Regents Institutions* | 15,831 | 11.1 |
| Department of Corrections and Facilities | 7,525 | 5.3 |
| Department on Aging* | 6,327 | 4.4 |
| Department of Commerce* | 4,975 | 3.5 |
| Judicial Branch | 3,022 | 2.1 |
| Dept. of Health and Environment* | 2,122 | 1.5 |
| State Aid Except Education | 954 | 0.7 |
| Department of Agriculture | 647 | 0.5 |
| Legislative Branch | 626 | 0.4 |
| Department of Administration* | 228 | 0.2 |
| Board of Indigents' Defense Services | (165) | (0.1) |
| Highway Patrol/KBI | (193) | (0.1) |
| Department of Revenue | (417) | (0.3) |
| Juvenile Justice Authority and Facilities* | (648) | (0.5) |
| Elected Officials | (2,057) | (1.4) |
| All Other* | 3,480 | 2.4 |

* Excludes state aid to local units of government

DEMAND/REVENUE TRANSFERS FROM THE STATE GENERAL FUND

Demand transfers are certain expenditures specified by statute. Since FY 2002, the demand transfers to the Local Ad Valorem Tax Reduction Fund (LAVTRF), the County and City Revenue Sharing Fund (the CCRSF) and the Special City and County Highway Fund (SCCHF) have been treated as revenue transfers. By changing these demand transfers to revenue transfers, these funds were no longer considered State General Fund expenditures and thus, no longer subject to the State General Fund ending balance law. In FY 2003, the Governor recommended changing the State Water Plan Fund and the School District Capital Improvements Fund to revenue transfers as well. In FYs 2004-2006 the remaining demand transfers were also treated as revenue transfers, a recommendation the Governor continues for FY 2007. No transfers are recommended to the LAVTRF or the CCRSF or to the State Highway Fund in FY 2006 (2004 Senate Bill No. 384 eliminated the statutory transfer to the State Highway Fund for the duration of the Comprehensive Transportation Plan). The Governor recommends transfers of \$59.2 million to the School District Capital Improvement Funds, \$10.1 million to the SCCHF, \$6.0 million to the State Water Plan, \$1.0 million to the Regents Faculty of Distinction Fund, and \$0.3 million to the State Fair Capital Improvements Fund. The table below reflects the Governor's recommended transfers for FY 2007, compared to estimated statutory amounts.

FY 2007 DEMAND/REVENUE TRANSFERS FROM STATE GENERAL FUND TO OTHER STATE FUNDS

(In Thousands)

| Fund | FY 2007 | | |
|--------------------------------|-------------------|------------------------|---------------------|
| | No Law Change | Governor's Proposed | Difference |
| Local Ad Valorem Tax Reduction | \$ 71,233 | \$ 0 | \$ (71,233) |
| Co.-City Revenue Sharing | 54,659 | 0 | (54,659) |
| City-Co. Highway | 23,000 | 10,064 | (12,936) |
| Water Plan | 6,000 | 6,000 | 0 |
| School Dist. Cap. Improvements | 59,150 | 59,150 | 0 |
| State Fair | 300 | 300 | 0 |
| Faculty of Distinction | 1,000 | 1,000 | 0 |
| TOTAL | <u>\$ 215,342</u> | <u>\$ 76,514</u> | <u>\$ (138,828)</u> |

us 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 2006 and 2007.

STATE GENERAL FUND RECEIPTS, EXPENDITURES, AND BALANCES

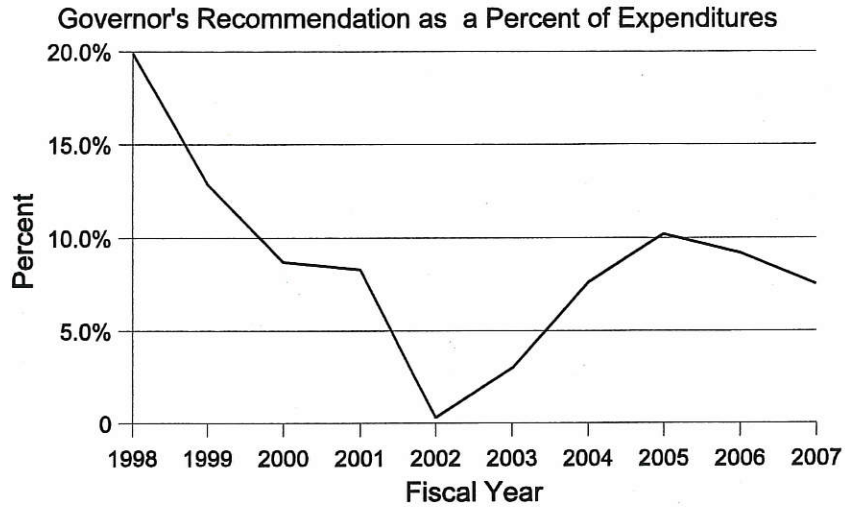
(Millions of Dollars)

| | Actual FY 05 | Gov. Rec. FY 06 | Change | Gov. Rec. FY 07 | Change |
|---|-------------------|--------------------|-----------------|--------------------|------------------|
| Beginning Unencumbered Cash Balance | \$ 327.5 | \$ 478.7 | \$ 151.2 | \$ 476.8 | \$ (1.9) |
| Released Encumbrances | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Receipts (November 2005 Consensus) | 4,841.3 | 5,157.9 | 316.6 | 5,218.3 | 60.4 |
| Gov. Rec. Adjustments | 0.0 | 3.6 | 3.6 | 6.8 | 3.2 |
| Adjusted Receipts | <u>\$ 4,841.3</u> | <u>\$ 5,161.5</u> | <u>\$ 320.2</u> | <u>\$ 5,225.1</u> | <u>\$ 63.6</u> |
| Total Resources | \$ 5,168.8 | \$ 5,640.2 | \$ 471.4 | \$ 5,701.9 | \$ 61.7 |
| Less Expenditures | 4,690.1 | 5,163.4 | 473.3 | 5,306.4 | 143.0 |
| Ending Unencumbered Cash Balance | <u>\$ 478.7</u> | <u>\$ 476.8</u> | <u>\$ (1.9)</u> | <u>\$ 395.5</u> | <u>\$ (81.3)</u> |
| Ending Balance as a Percentage of Expenditures | 10.2% | 9.2% | | 7.5% | |
| Adj. Receipts in Excess of Expenditures | \$ 151.2 | \$ (1.9) | | \$ (81.3) | |

The FY 2007 State General Fund ending balance as a percentage of expenditures under the Governor's recommendations would be 7.5 percent, as required by statute. **Receipts for FY 2006 and FY 2007 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 \$3.6 million in FY 2006 and by \$6.8 million in FY 2007. The Governor's proposed adjustments include the following:**

- ◆ For **FY 2006**, the Governor's recommended revenue adjustments include an increase of \$2.3 million in the transfer from the Kansas Endowment for Youth (KEY) fund based on revised estimates of anticipated tobacco settlement funds. In addition, the Governor recommends an additional transfer of \$0.5 million from the Insurance Department Service Regulation Fund to the State General Fund (the 2005 Legislature approved a transfer of \$0.5 million from the fund in FY 2006), and recommends an additional transfer of \$1.0 million from the Kansas Lottery to the State General Fund based on increased ticket sales. The increased receipts are partially offset by a reduction of \$0.2 million reflecting a revised estimate of KPERS bond payments.
- ◆ For **FY 2007**, the Governor's recommendation increases State General Fund revenues by \$6.8 million. The recommendation proposes making transfers totaling \$7.1 million from a number of special revenue funds to the State General Fund including: \$1.0 million from the Insurance Department Service Regulation Fund; \$1.0 million from the Kansas Lottery; \$0.5 million from the Highway Patrol's Motor Vehicle Fund; an additional \$2.2 million from the State Highway Fund to finance Highway Patrol operations; \$2.0 million from the Department of Education's State Safety Fund; and \$0.3 million from the Office of the Securities Commissioner. The increased receipts are partially offset by a transfer out of \$0.3 million to provide additional funding for KPERS bond payments.

State General Fund Ending Balance



Receipts in Excess of Expenditures

