

MINUTES OF THE HOUSE APPROPRIATIONS COMMITTEE

The meeting was called to order by Chair Sharon Schwartz at 9:00 A.M. on January 29, 2008, in Room 514-S of the Capitol.

All members were present except:
Representative Lane - excused.

Committee staff present:

Alan Conroy, Legislative Research Department
J. G. Scott, Legislative Research Department
Reed Holwegner, Legislative Research Department
Cody Gorges, Legislative Research Department
Amy Deckard, Legislative Research Department
Audrey Dunkel, Legislative Research Department
Julian Efird, Legislative Research Department
Kimbra Caywood McCarthy, Legislative Research Department
Heather O'Hara, Legislative Research Department
Jarod Waltner, Legislative Research Department
Jim Wilson, Revisor of Statutes
Nobuko Folmsbee, Revisor of Statutes
Nikki Feuerborn, Chief of Staff
Shirley Jepson, Committee Assistant

Conferees appearing before the committee:

Duane Goossen, Secretary, Department of Administration
Marilyn Jacobsen, Director of Facilities Management, Department of Administration
Ken Olson, Financial Management System Project Director, Department of Administration
Roger Werholz, Secretary, Department of Corrections
Laura Howard, Deputy Secretary, Department of Social and Rehabilitation Services (SRS)
Aaron Dunkel, Deputy Secretary, Department of Health and Environment (KDHE)

Others attending:

See attached list.

- Attachment 1 Overview of Financial Management System Project (FMS) by Duane Goossen
- Attachment 2 Overview of State Vehicle Policy by Duane Goossen
- Attachment 3 Testimony on State Vehicle Policy and Impact of Disbandment of Central Motor Pool by Roger Werholtz
- Attachment 4 Testimony on State Vehicle Policy and Impact of Disbandment of Central Motor Pool by Laura Howard
- Attachment 5 Testimony on State Vehicle Policy and Impact of Disbandment of Central motor Pool by Aaron Dunkel
- Attachment 6 Overview of FY 2009 Governor's Budget Report
- Attachment 7 Children's Initiatives Fund, FY 2007 - FY 2009
- Attachment 8 Economic Development Initiatives Fund (EDIF), FY 2007 - FY 2009
- Attachment 9 State Water Plan Fund
- Attachment 10 State of State Building Funds
- Attachment 11 Expanded Lottery Act Revenues Fund, FY 2008 and FY 2009

Introduction of Legislation

Representative Carlin moved to introduce legislation with regard to an interstate compact on education opportunities for children of military personnel. The motion was seconded by Representative Gatewood. Motion carried.

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on January 29, 2008, in Room 514-S of the Capitol.

Representative Henry moved to introduce legislation with regard to multi-year funding for medical waivers. The motion was seconded by Representative Feuerborn. Motion carried.

Representative Bethell moved to introduce legislation with regard to licensure of antique vehicles. The motion was seconded by Representative Ballard. Motion carried.

Overview of Proposed Financial Management System (FMS)

Duane Goossen, Secretary, Department of Administration, presented an update on the status of the Financial Management (FMS) for the State (Attachment 1). Mr. Goossen explained that the new FMS system will replace the state's outdated accounting and purchasing systems and integrate with the payroll and budget systems to provide an efficient and comprehensive financial management system. Mr. Goossen noted that it will be approximately 2.5 years before the change-over to the new system is complete.

In response to a question from the Committee, Ken Olson, Director of Accounts and Reports, Department of Administration and project director for the accounting system, stated that the new system will provide for interface with the Board of Regents financial management system on a daily basis in order to extract specific data. Some members of the Committee expressed concern that the Board of Regents is not participating in the new financial management system; however, Mr. Goossen explained that the inclusion of the Board of Regents was not recommended by the consultant who performed the needs assessment. It was felt that a sufficient portion of student data collected by the Board of Regents requires a complex system and did not relate to other state agencies.

Mr. Goossen indicated that the total cost of the project is approximately \$40 million. A fee structure is set in place to assess fees to each state agency based on the number of accounting transactions in each agency. To fund a portion of the cost, fees are expected to generate approximately \$3 million per year. Mr. Goossen noted that the fees would not be sufficient to pay for the entire system. An additional \$4.2 million from the State General Fund (SGF) is included in the Governor's FY 2009 budget recommendations. It is anticipated that this funding will become part of the Department of Administration base budget until the project is complete. If funding from the SGF is not approved, it is anticipated that the fee charged to the agencies would need to be increased.

- ◆ The Committee requested that the Department of Administration provide a flow chart outlining revenue sources and how the funding will be used.
- ◆ The Committee requested that information be provided at a future meeting on how each agency interfaces with the financial management system and how the budgeting process for each agency is incorporated into the system.

Impact of Disbanded Central Motor Pool and the State Vehicle Policy

Duane Goossen, Secretary, Department of Administration, presented an overview of the state vehicle policy (Attachment 2). Mr. Goossen noted that the basic state fleet was reduced by over 800 vehicles with the disbandment of the central motor pool. Mr. Goossen indicated that audits have been done by the Legislative Division of Post Audit during the past several years on the motor pool and subsequent state vehicle policy.

Marilyn Jacobsen, Director of Facilities Management, Department of Administration, stated that there is an annual competitive bid process before awarding a state contract for the purchase and lease of vehicles. At the present time, the contract is awarded on an individual type of vehicle basis. The Committee suggested that it might be cost effective to seek a total bid from a single vendor and increase the length of the contract beyond 1 year.

Mr. Goossen and Ms. Jacobsen both felt that the current state vehicle policy is working well and provides a more economical approach to providing vehicles for state agencies as opposed to the Central Motor Pool.

CONTINUATION SHEET

MINUTES OF THE House Appropriations Committee at 9:00 A.M. on January 29, 2008, in Room 514-S of the Capitol.

Roger Werholtz, Secretary, Department of Corrections, presented testimony on the state vehicle policy and the impact of disbandment of the central motor pool on the Department of Corrections (Attachment 3). Mr. Werholtz noted that the most common complaint offered by staff about the current system is the inconvenience of having to utilize rental vehicles because of the location of the rental agency.

Laura Howard, Deputy Secretary, Department of Social and Rehabilitation Services (SRS), presented testimony on the state vehicle policy and the impact of disbandment of the central motor pool on SRS (Attachment 4). Ms. Howard indicated that the agency appreciates the opportunity to manage their own travel operations as opposed to the prior use of the Central Motor Pool.

Aaron Dunkel, Deputy Secretary, Department of Health and Environment (KDHE), presented testimony on the state vehicle policy and the impact of disbandment of the central motor pool (Attachment 5). Mr. Dunkel stated that KDHE is currently reviewing the effectiveness of managing their vehicle fleet and possible funding options for replacement of vehicles in the future.

Overview of FY 2009 Governor's Budget Report

Legislative Research Department fiscal staff provided an overview of the FY 2009 Governor's Budget:

- Overview of FY 2009 Governor's Budget Report (Attachment 6) by J. G. Scott.
- Children's Initiatives Fund, FY 2007 - FY 2009 (Attachment 7) by Amy Deckard.
- Economic Development Initiatives Fund (EDIF), FY 2007 - FY 2009 (Attachment 8) by Reed Holwegner.
- State Water Plan Fund (Attachment 9) by Heather O'Hara.
- State of State Building Funds (Attachment 10) by Audrey Dunkel.
- Expanded Lottery Act Revenues Fund, FY 2008 and FY 2009 (Attachment 11) by Julian Efird.

The meeting was adjourned at 11:00 a.m. The next meeting of the Committee will be held on January 30, 2008.


Sharon Schwartz, Chair



**Kansas House of Representatives
Appropriations Committee
January 29, 2008
Testimony from Duane Goossen**

Thank you for your support of the Kansas Financial Management System Project (FMS), and for the opportunity to give an update on project progress.

The new FMS will replace the state's outdated accounting and purchasing systems, and integrate with the payroll and budget systems, so that we have an efficient and comprehensive system that provides much better financial management tools and reporting. The FMS will replace both central and agency accounting systems. All agencies are participating in the project. Regent universities will record transactions in their own systems, but university financial data will feed into the statewide system.

I would like to introduce the key members of the team who are managing the FMS project. Kent Olson is the Director of Accounts & Reports, but gives the majority of his time to the FMS as Project Director. Peggy Hanna has come from the State Treasurer's office to join the project as Deputy Director. Gary Schneider is the Implementation Manager and brings important experience to Kansas from working on these types of projects in other states

Listed below is a brief outline of activities that have already occurred and future activities that we are expecting to complete.

Pre-Implementation Activities

- Needs Assessment Salvaggio, Teal, and Associates was hired as consultant. Conducted sessions to discuss agency accounting and procurement. Documented unique and common business requirements and practices. Results to be used for providing bidder information in RFP process.
- Project Kickoff All agencies and other stakeholders were invited. Held October 12, 2007.
- Project Steering Committee Seventeen key stakeholders named to committee. First meeting held October 9, 2007. Subsequent meetings held November 8, 2007, and January 11, 2008.
- Enterprise Readiness Gartner was named as contractor. Interviews of key stakeholders were conducted in September, 2007. Report issued January 7, 2008. Action plan is being developed to address recommendations.
- Agency Shadow Systems Salvaggio, Teal, and Associates was hired as consultant. Work to be completed in January, 2008. Identified agency systems that may be im... Currently documenting and analyzing fur... Identifying functionality of agency system

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ATTACHMENT 1

- Request for Proposal
 - Recommendations to be made on systems that can be decommissioned.
 - Functionality requirements to be referenced in RFP document.
 - Salvaggio, Teal, and Associates was hired as consultant.
 - RFP document being drafted for procurement of software and services.
 - Document to be completed early in 2008.
 - RFP to be posted in spring, 2008.
 - RFP process to be completed by summer, 2008.
 - Evaluation Committee to be named.
 - Procurement Negotiating Committee to be named.
- Change Management
 - Communicating project vision.
 - Communicating benefits of an integrated financial management system.

Implementation Activities

- Preliminary Design will map conversion of systems and processes to new FMS environment.
- Accounting structures will be designed for new FMS.
- Pilot discussions will be conducted to evaluate business practices and workflow.
- Standards for agency systems that will interface with FMS will be defined.
- Data conversion from old system will be tested.
- Functional and technical project team members will be trained.
- Development environment will be established.
- Integration of modules will be tested.
- Reporting and data warehousing will be tested.
- System documentation will be completed.
- Help desk will be established.

Post Go-Live

- Enhancements and any deficiencies will be addressed.
- Additional functional and technical training will be provided.
- Selected agency systems will be decommissioned.
- Technical environments will be managed.

Total costs of this project through implementation are expected to be approximately \$40 million. During the last legislative session a direct appropriation of \$2.4 million was approved. In addition, the Dept. of Administration was directed to set up a fee structure to collect money for the project from agencies, based on the number of accounting transactions in each agency. That fee is in place and receipts will be approximately \$3 million per year. In addition, the Dept. of Transportation has agreed to transfer \$5.5 million to the project—the amount of money that the agency had been reserving for a new agency accounting system, but now no longer needs. Over a 4-year period, the direct appropriation, plus fee collections, plus the KDOT transfer, equal about \$20 million. To complete the project the Dept. of Administration will be asking for an additional \$4.2 million in FY 2009, an amount which would then become part of the Dept. of Administration base budget until the project is complete.

Thank you very much for your support of the FMS. I would be happy to answer any questions.

MEMORANDUM

TO: House Appropriations Committee

FROM: Duane Goossen, Secretary of Administration
Marilyn Jacobson, Director of Facilities Management

SUBJECT: Testimony on State Vehicle Policy

DATE: January 29, 2008

Members of the Committee:

Thank you for the opportunity to review the state's vehicle policy and to answer any questions you may have. To begin discussion, we would reiterate three key policy points that we attempt to follow.

1. The state's fleet of vehicles should be as small as possible. Agencies should regularly review their vehicle fleets and sell any vehicles that are unnecessary. If a new vehicle is purchased it should replace another vehicle in the fleet. (Over the last four years, the basic state fleet has been reduced by over 800 vehicles.)
2. Agencies should choose the most economically efficient method of travel for their employees. Three main options are available: 1. Pay private vehicle mileage. (An option that is usually best for short trips.) 2. Rent a vehicle through Enterprise. (An option that is usually best for occasional trips outside Topeka. The Dept. of Administration reviews rental data and encourages agencies that enter long-term rental agreements to consider purchasing a vehicle as a more economical option.) 3. Own and maintain a vehicle. (An option that is usually best for on-going daily travel needs.)
3. When agency-owned vehicles are replaced, the vehicle being replaced should have reached 100,000 miles if a car and 140,000 miles if a pick-up. The new vehicle should be similar in type and size to the one being replaced.

The main FY 2009 vehicle budget question before the Legislature is whether to add resources to agency budgets so that the replacement of agency-owned vehicles can be funded. The Governor's budget recommends that \$6.2 million from all funding sources (\$1.8 million SGF) be added in various state agencies so that 374 vehicles can be replaced.

When a state agency wishes to replace a vehicle, they file an approval request form with the Division of Budget, listing the vehicle they wish to purchase, and the tag number and mileage of the vehicle being replaced. If special circumstances exist, agencies may request a new vehicle without replacing another vehicle, or may request replacement of a vehicle that has not yet reached the proper mileage, but the agency must make a case that their requested approach is the most efficient

KANSAS

KANSAS DEPARTMENT OF CORRECTIONS
ROGER WERHOLTZ, SECRETARY

KATHLEEN SEBELIUS, GOVERNOR

MEMORANDUM

TO: House Appropriations Committee
FROM: Roger Werholtz, Secretary of Corrections
DATE: January 29, 2008
SUBJECT: Testimony on State Vehicle Policy



Members of the Committee:

For my testimony, I would like to make the following points:

1. Systemwide, the Department of Corrections has reduced its vehicle fleet by 125 vehicles since the state's new vehicle policy was implemented.
2. Central office employees located in Topeka, who choose to drive their own personal vehicle instead of a state-owned van or a rental vehicle, are reimbursed at a rate that is approximately equal to 67 percent of the private vehicle mileage reimbursement rate established by the Department of Administration (currently \$.47 per mile). Consequently, the current DOC reimbursement rate is \$.32 per mile. The differential of 67 percent is equal to the differential that existed between the state motor pool rate and the private car mileage reimbursement rate during the last year the state motor pool was in operation.
3. For reentry staff, victims services staff, and parole officers housed at correctional facilities and/or parole offices, the first choice of a vehicle is a facility or parole office vehicle (utilization of an Enterprise vehicle to conduct daily business is not feasible). If a facility or parole office vehicle is not available, the traveler is reimbursed at the Department of Administration rate for use of a private vehicle (currently \$.47 per mile). Otherwise, the reimbursement is at the DOC rate (currently \$.32 per mile). A memorandum certifying that a state-owned vehicle was not available for all miles requested for reimbursement at the higher rate must be attached to the travel claim form. The traveler and the traveler's supervisor must sign the memorandum.

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ATTACHMENT 3

4. For FY 2003, the last full-year the state motor pool was in existence, vehicle-related expenditures for central office operations and parole services, i.e. repairs, motor pool charges, private car mileage, and motor vehicle supplies, totaled approximately \$334,000. For FY 2007, vehicle-related expenditures, i.e. repairs, private car mileage, vehicle rentals, and motor vehicle supplies, totaled approximately \$263,000, a reduction of \$71,000.
5. The most common complaint offered by staff about the current system is the inconvenience of having to utilize rental vehicles.
6. Since the correctional facilities have vehicle fleets, facility employees are expected to utilize a facility-owned vehicle when traveling. Except for isolated occurrences, facility employees are not reimbursed for use of a personal vehicle.
7. For FY 2009, 126 replacement vehicles were requested systemwide. Because of other demands on state resources, the Governor recommended funds to replace only 35 vehicles.

Kansas Department of
Social and Rehabilitation Services
Don Jordan, Secretary

House Appropriations Committee
January 28, 2008

SRS Travel and Fleet Management

SRS Operations
Laura Howard, Deputy Secretary



For Additional Information Contact:
Dustin Hardison, Director of Public Policy
Docking State Office Building, 6th Floor North
(785) 296-3271

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ATTACHMENT 4

SRS Travel and Fleet Management

House Appropriations Committee January 28, 2008

Chairperson Schwartz and members of the committee, I am Laura Howard, Deputy Secretary of Operations for the Kansas Department of Social and Rehabilitation Services. Thank you for the opportunity to provide information on our travel and fleet management operations.

SRS uses vehicles in a variety of ways. Statewide we use vehicles to transport patients, clients and children in SRS custody. We also utilize vehicles to transport equipment, deliver services and manage agency operations. Additionally, vehicles help us provide security and maintain buildings and grounds at our state hospitals. Since the Central Motor Pool has been eliminated SRS has reduced its fleet. In 2004, 548 state vehicles were assigned to SRS. With the transition away from the central motor pool, SRS took over management of these vehicles and reduced our fleet. We currently manage a fleet of 494 vehicles.

In regards to fleet administration, the main challenges SRS currently faces are those associated with managing operations and delivering the same level of services with a smaller, older fleet. These challenges have been off-set in large part by the ability to rent vehicles from Enterprise. Enterprise has the resources available to provide vehicle rental services in many of the towns where a service center or state hospital is located. We also benefit from the fact that Enterprise has the ability to bring new products and options to the market quickly. An example of this is the addition of hybrid vehicles in the Topeka area as an option to Enterprise's state contract. Also, employees have the added option of renting vehicles from Avis if there are no vehicles available at Enterprise. In all locations, SRS now has greater control in how we manage our fleet and travel expenditures.

It is SRS policy to use state vehicles for state business whenever possible. Almost all of our fleet is stationed at state hospitals or service centers. SRS manages and identifies travel options by prioritizing state vehicle usage based on function. Priority for using state vehicles goes to transporting patients, clients and children, and for conducting abuse investigations.

When state vehicles are not readily available, the decision to rent or authorize private mileage is a local one based on the following factors which are not necessarily all inclusive:

- Staff time (including overtime costs)
- The availability of rental vehicle access in the city or town
- The time sensitivity of the need. For instance, does an employee need a vehicle because they just found out they need to be in court in a few hours, or do they need a vehicle to attend a meeting scheduled for next week?
- The estimated mileage to be driven

Kansas Department of Social and Rehabilitation Services
Don Jordan, Secretary

- The estimated time frame of usage
- The need, if any, for a specially equipped vehicle.

When a state owned or leased vehicle is not available, or if the agency determines it is in the best financial interest of the state to do so based on the factors listed above, employees are permitted (with prior supervisory approval) to use their private vehicles and receive the full private mileage reimbursement rate. When a state owned or leased vehicle is available and it is in the best financial interest of the state for the employee to utilize a state vehicle or a leased vehicle, SRS reduces reimbursement to the employee if a private vehicle is used. In these instances, if the employee decides to use their private vehicle to travel on state business, SRS policy is to reimburse the employee 65% of the Department of Administration's current private mileage reimbursement rate. SRS has developed a number of tools to assist staff and managers in securing the most efficient transportation options, including a resource guide to vehicle usage that describes which form of transportation is most cost-effective.

In conclusion, at SRS we appreciate the opportunity to manage our travel operations. We have been able to work through the challenges associated with managing a smaller, older fleet by utilizing the state's vehicle rental contract. We have exercised the additional flexibility and management responsibility we have been given to make the most effective and efficient decisions regarding employee travel.



*Kathleen Sebelius, Governor
Roderick L. Bremby, Secretary*

DEPARTMENT OF HEALTH
AND ENVIRONMENT

www.kdheks.gov

**Impact of Disbanded Central Motor Pool on KDHE
To
House Appropriations Committee**

**Presented by
Aaron Dunkel, Deputy Secretary
Kansas Department of Health and Environment**

January 29, 2008

Madam Chair and members of the Committee, I am Aaron Dunkel, Deputy Secretary of Kansas Department of Health and Environment. Thank you for the opportunity to provide information on agency fleet management since the dissolution of the Central Motor Pool.

KDHE vehicles are primarily used by field staff to travel to and from various types of inspected facilities, as well as by staff to provide trainings to and consultations with external partners. Currently, KDHE owns 251 vehicles and rents approximately 28 vehicles on a long-term basis (25 days/month or more). KDHE-owned vehicles are assigned to specific programs within the agency with the licensing and registration of vehicles managed by the KDHE business office. The agency requests vehicles be replaced as they pass the state replacement policy mileage guidelines of 100,000 miles for cars and 140,000 miles for trucks. In the past two years, the agency has downsized vehicles as appropriate to allow for cost savings in both procurement and the operation of vehicles. For example, on a number of occasions, we have downsized a replacement vehicle that we determined to be oversized for its function.

It is KDHE policy to use state owned or leased vehicles for all state business. However, when a state-owned or leased vehicle is not available or feasible, or it becomes a more costly option for travel, employees are allowed to use their personal vehicles. When this option is used, employees are reimbursed at the full state reimbursement rate. If an employee decides to use a personal vehicle when a state vehicle is available, and the mileage for the trip would create a situation in which the reimbursement to the employee would be greater than the cost of a rental vehicle for a trip, that employee is reimbursed at a variable rate determined by the current price of gasoline in the state.

KDHE is currently reviewing our effectiveness at managing the fleet and at possible funding options for the replacement of vehicles in the future. We believe that, having operated the program as it is for three years, it is the appropriate time for such a review. Thank you for your time this morning, and I will answer any questions you might have.

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HOUSE APPROPRIATIONS

DATE 1-29-2008
ATTACHMENT 5

OVERVIEW OF THE FISCAL YEAR 2009 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 2009 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 2007, the Governor's revised estimates for FY 2008, and the Governor's recommendations for FY 2009.

SUMMARY OF CHANGES TO ESTIMATED FY 2008 EXPENDITURES

Based on actions of the 2007 Legislature, it was estimated by the Research Department that FY 2008 expenditures from **all funds** would total \$12.625 billion. The *Governor's Budget Report* revises the all funds FY 2008 budget to \$13.097 billion, **an increase of \$471.9 million** above the earlier estimate. Major differences from the session-end estimates and the current Governor's recommendation include:

- An increase of \$172.0 million in the budget of the **Kansas Department of Transportation**, largely reflecting capital improvement expenditures carried forward from FY 2007.
- An increase of \$61.7 million in the budget of the **Adjutant General**, primarily related to disaster relief expenditures.
- An increase of \$60.2 million, in the **Board of the Regents and the Regents institutions**, reflecting increased operating expenditures, primarily from special revenue funds.
- An increase of \$47.2 million in the budget of the **Department of Labor**, largely reflecting increased unemployment insurance benefit payments.

At the close of the 2007 Session, FY 2008 expenditures from the **State General Fund** were estimated to be \$6.089 billion. The *Governor's Budget Report* revises the FY 2008 State General Fund budget to \$6.112 billion, **an increase of \$23.3 million above the earlier estimate**. Recommended adjustments to the approved State General Fund budget include:

- An increase of \$24.6 million in the budget of the **Department of Education**, primarily for consensus school finance estimates.
- A decrease of \$12.6 million from the State General Fund in the budgets of the **Department of Social and Rehabilitation Services, Health Policy Authority, and Department on Aging**, largely to reflect revised consensus caseload estimates.

The following tabulation summarizes the changes to FY 2008 expenditures by major category.

| | Millions | |
|--|--------------------------|--------------------|
| | State General Fund | All Funds |
| Original FY 2008 Expenditure Estimates | \$ 6,088.9 | \$ 12,624.9 |
| Revisions: | | |
| State Operations | 29.5 | (47.2) |
| Aid to Local Units | 15.7 | 124.1 |
| Other Assistance | (23.5) | 82.8 |
| Capital Improvements | 1.5 | 312.3 |
| Total Revisions | \$ 23.3 | \$ 471.9 |
| Revised FY 2008 Expenditure Estimates | <u>\$ 6,112.2</u> | <u>\$ 13,096.8</u> |

TOTAL STATE EXPENDITURES FOR FY 2009

Summary of Expenditures from All Funds

The Governor's recommendation for FY 2009 state expenditures from all funds totals \$13.568 billion, **an increase of \$471.1 million** or 3.6 percent above the Governor's revised recommendation for FY 2008 of \$13.097 billion. Actual FY 2007 expenditures from all funding sources were \$11.969 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 2009 recommendation for state operations increases by \$132.5 million, or 3.4 percent, above the revised FY 2008 amount. The largest increases are in the budgets of the Department of Administration (\$46.5 million, primarily for debt service payments on the Statehouse renovation project and on the Kansas Public Employees Retirement debt service expenditures), and the Board of Regents (\$26.8 million, primarily reflecting recommended salary increases).

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 \$136.1 million, or 3.2, percent in FY 2009. Increases recommended in the budget of the Department of Education (\$193.4 million, primarily for general state aid, supplemental general state aid, special education, and Kansas Public Employees Retirement System-School costs), are partially offset by a reduction of \$61.7 million in the budget of the Adjutant General related to disaster relief payments.

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 \$24.8 million, or 0.6 percent, above the revised FY 2008 amount. Major increases include the Department of Social and Rehabilitation Services, Health Policy Authority, and Department on Aging (\$91.2 million, primarily for caseload adjustments), which are partially offset by a reduction in the budget of the Adjutant General (\$42.2 million, related to disaster relief payments).

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

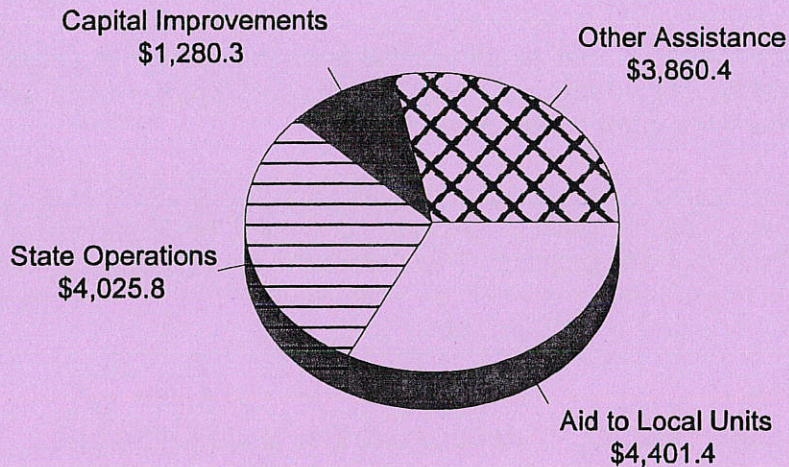
Capital improvements are recommended to increase by \$177.7 million, or 16.1 percent, above the FY 2008 level. The largest increase is in the budget of the Department of Transportation (\$201.1 million), related to highway projects. The increase is partially offset by reductions totaling \$18.0 million in the budgets of the Commission on Veterans Affairs and the Department of Wildlife Parks, largely reflecting one-time FY 2008 expenditures.

**EXPENDITURES FROM ALL FUNDS BY MAJOR PURPOSE
(Millions of Dollars)**

| Purpose | Actual FY 07 | Gov. Rec. FY 08 | Change | | Gov. Rec. FY 09 | Change | |
|----------------------|--------------------|--------------------|-------------------|-------------|--------------------|-----------------|-------------|
| | | | \$ | % | | \$ | % |
| State Operations | \$ 3,557.6 | \$ 3,893.3 | \$ 335.7 | 9.4% | \$ 4,025.8 | \$ 132.5 | 3.4 |
| Aid to Local Units | 3,869.6 | 4,265.3 | 395.7 | 10.2 | 4,401.4 | 136.1 | 3.2 |
| Other Assistance | 3,528.6 | 3,835.6 | 307.0 | 8.7 | 3,860.4 | 24.8 | 0.6 |
| Total Operating | \$ 10,955.8 | \$ 11,994.2 | \$ 1,038.4 | 9.5% | \$ 12,287.6 | \$ 293.4 | 2.4% |
| Capital Improvements | 1,012.7 | 1,102.6 | 89.9 | 8.9 | 1,280.3 | 177.7 | 16.1 |
| TOTAL | \$ 11,968.5 | \$ 13,096.8 | \$ 1,128.3 | 9.4% | \$ 13,567.9 | \$ 471.1 | 3.6% |

Of the total budget recommendation for FY 2009, 29.7 percent is for state operations, 32.4 percent is for state aid to local units of government, 28.5 percent is for other assistance, grants, and benefits, and 9.4 percent is for capital improvements. The following pie chart displays the major categories of all funds expenditures in FY 2009.

**FY 2009 EXPENDITURES FROM ALL FUNDS
BY MAJOR PURPOSE
Governor's Recommendation
(Millions of Dollars)**



Total: \$13,567.9

Expenditures by Function of Government

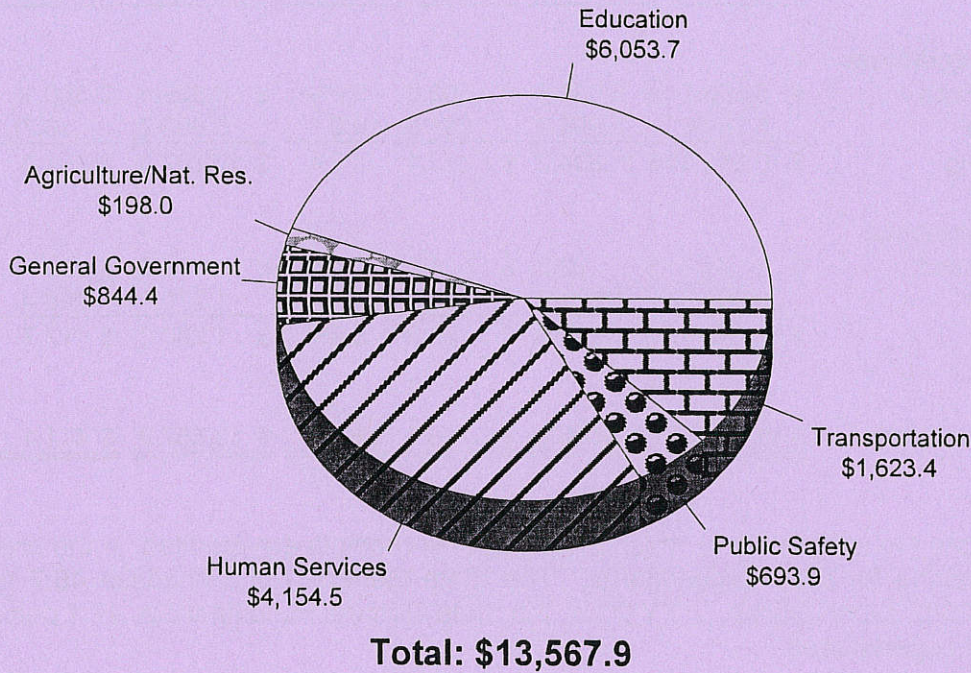
The following table summarizes expenditures from all funds by function of government. Functions of government reflect the six classifications into which similar agencies are grouped that share similar basic purposes of state government. The functions include: General Government; Human Services; Education; Public Safety; Agriculture and Natural Resources; and Transportation. The education function is the largest component with 44.6 percent of the total. The three largest functions of government—education, human services, and transportation—comprise 87.2 percent of the recommended expenditures for FY 2009.

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

| Function | Actual | Rec. | Change | | Rec. | Change | |
|---------------------------|--------------------|--------------------|-------------------|-------------|--------------------|-----------------|-------------|
| | FY 07 | FY 08 | \$ | % | FY 09 | \$ | % |
| General Government | \$ 666.7 | \$ 779.4 | \$ 112.7 | 16.9% | \$ 844.4 | \$ 65.0 | 8.3% |
| Human Services | 3,735.9 | 4,049.0 | 313.1 | 8.4 | 4,154.5 | 105.5 | 2.6 |
| Education | 5,399.9 | 5,842.5 | 442.6 | 8.2 | 6,053.7 | 211.2 | 3.6 |
| Public Safety | 627.6 | 797.2 | 169.6 | 27.0 | 693.9 | (103.3) | (13.0) |
| Agriculture and Nat. Res. | 180.5 | 210.2 | 29.7 | 16.5 | 198.0 | (12.2) | (5.8) |
| Transportation | 1,358.0 | 1,418.3 | 60.3 | 4.4 | 1,623.4 | 205.1 | 14.5 |
| TOTAL | \$ 11,968.5 | \$ 13,096.8 | \$ 1,128.3 | 9.4% | \$ 13,567.9 | \$ 471.1 | 3.6% |

6-4

**SUMMARY OF FY 2009 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 2009 is based on current resources of the fund. The net increase in State General Fund operating expenditures from FY 2008 to FY 2009 is \$300.1 million or 4.9 percent. The Governor's recommendations do, however, include both positive and negative adjustments for individual agencies.

For FY 2009, the Governor's recommendations include \$81.4 million in expenditures financed with **expanded gaming** receipts. The projected expenditures include \$50.9 million financed from slot machines and \$30.5 million in casino privilege fees. The Governor's expenditure recommendations from expanded gaming includes \$57.1 million for reduction of state debt and \$24.3 million for state infrastructure improvements.

SUMMARY OF THE PLAN FOR FINANCING STATE EXPENDITURES

(Millions of Dollars)

| | Actual | Gov. Rec. | Change | | Gov. Rec. | Change | |
|--------------------------------|--------------------|--------------------|-------------------|-------------|--------------------|-----------------|-------------|
| | FY 07 | FY 08 | \$ | % | FY 09 | \$ | % |
| Operating Expenditures: | | | | | | | |
| State General Fund | \$ 5,586.7 | \$ 6,089.3 | \$ 502.6 | 9.0% | \$ 6,389.4 | \$ 300.1 | 4.9% |
| All Other Funds | 5,369.1 | 5,904.9 | 535.8 | 10.0 | 5,898.2 | (6.7) | (0.1) |
| Total Operating | \$ 10,955.8 | \$ 11,994.2 | \$ 1,038.4 | 9.5% | \$ 12,287.6 | \$ 293.4 | 2.4% |
| Capital Improvements: | | | | | | | |
| State General Fund | \$ 21.0 | \$ 22.9 | \$ 1.9 | 9.0% | \$ 4.2 | \$ (18.7) | (81.7)% |
| All Other Funds | 991.7 | 1,079.7 | 88.0 | 8.9 | 1,276.1 | 196.4 | 18.2 |
| Total Capital Improvements | \$ 1,012.7 | \$ 1,102.6 | \$ 89.9 | 8.9% | \$ 1,280.3 | \$ 177.7 | 16.1% |
| TOTAL Expenditures | \$ 11,968.5 | \$ 13,096.8 | \$ 1,128.3 | 9.4% | \$ 13,567.9 | \$ 471.1 | 3.6% |

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 46.7 percent of estimated FY 2008 expenditures. In FY 2009, the State General Fund finances 47.1 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 2008 receipts are \$3.582 billion, an increase of \$450.2 million, or 14.4 percent, above FY 2007 actual receipts. The FY 2009 estimate of \$3.449 billion is \$132.7 million, or 3.7 percent, below FY 2008 estimated receipts. Four agencies—the Department of Social and Rehabilitation Services, the Health Policy Authority, the Department of Education, and the Department of Transportation—account for 77.6 percent of FY 2009 estimated federal receipts.

Federal receipts for fiscal years 2008 and 2009 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 2008 Legislature.

Expenditures for State Operations

Expenditures for state operations, *i.e.*, for purposes other than local aid, other assistance, and capital improvements, comprise 29.7 percent of total recommended expenditures for FY 2009. 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.

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

(Millions of Dollars)

| Function | Actual | Gov. Rec. | Change | | Gov. Rec. | Change | |
|-----------------------|-------------------|-------------------|-----------------|-------------|-------------------|-----------------|-------------|
| | FY 07 | FY 08 | \$ | % | FY 09 | \$ | % |
| Salaries and Wages | \$ 2,249.7 | \$ 2,440.4 | \$ 190.7 | 8.5% | \$ 2,484.6 | \$ 44.2 | 1.8% |
| Contractual Services | 891.9 | 973.9 | 82.0 | 9.2 | 1,029.1 | 55.2 | 5.7 |
| Commodities | 176.6 | 198.9 | 22.3 | 12.6 | 190.5 | (8.4) | (4.2) |
| Capital Outlay | 123.9 | 131.0 | 7.1 | 5.7 | 128.6 | (2.4) | (1.8) |
| Debt Service Interest | 115.5 | 149.1 | 33.6 | 29.1 | 158.0 | 8.9 | 6.0 |
| Statewide Adjustments | 0.0 | 0.0 | 0.0 | -- | 35.0 | 35.0 | -- |
| TOTAL | \$ 3,557.6 | \$ 3,893.3 | \$ 335.7 | 9.4% | \$ 4,025.8 | \$ 132.5 | 3.4% |

Salaries and wages expenditures, including fringe benefits, comprise almost two-thirds of the state operations budget for FY 2009 (61.7 percent) and represent a \$44.2 million or 1.8 percent increase above the FY 2008 estimate.

Salaries and wages policy recommendations incorporated into the proposed FY 2009 budget include the following:

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GOVERNOR'S FY 2009 STATE EMPLOYEE SALARY ADJUSTMENTS

| | Millions | |
|--|--------------------------|-----------|
| | State General Fund | All Funds |
| <p>A. FY 2009 Pay Plan. The Governor's FY 2009 recommendation includes a 2.5 percent base salary adjustment for all employees for the entire fiscal year. The Governor's total recommendation for the pay increase is \$55.2 million, including \$27.1 million from the State General Fund. (This amount assumes that the Regents will elect to provide the same salary increases provided to other state agencies. Funding for the Regents portion of the increase totals \$27.4 million, including \$12.5 million from the State General Fund.)</p> | \$ 27.1 | \$ 55.2 |
| <p>B. Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The five pay plans recommended include: a management pay plan for the limited number of classified employees involved in managerial functions (pay increases will be solely based on performance); a professional individual contributor pay plan for employees in positions requiring knowledge of principles and theories of a professional discipline that is normally obtained through a college curriculum (pay for this group will be set within broad bands to reflect different levels of work and performance against established standards); a protective service pay plan for uniformed officers of the Department of Corrections, Juvenile Justice Authority, Highway Patrol troopers and all other positions that meet the definition of police or law enforcement officer (pay increases would be based on achievement of milestone and certification events as well as time on the job and performance); a basic vocational pay plan for employees assigned to positions that perform routine, structured, work where performance can be measured on a pass or fail basis (pay increases will be based on the traditional step movement approach, based on time on the job); and a general classified pay plan for those employees who do not fall within the parameters of the other four plans (the pay ranges will have steps below the market rate and an open range above the market rate).</p> <p>The time frame to fully implement the recommended plan is five years. Under the Governor's recommendations, the classified employees will be divided into three groups to first address those with the greatest salary disparity to the market rate. In the first year, FY 2009, the basic vocational classes, as well as what <i>Volume 1 of the Governor's Budget Report</i> characterizes as "isolated worst cases" will be addressed. For FY 2009, the Governor recommends \$16.0 million, including \$8.5 million from the State General Fund, to finance the first year. The Governor also recommends that estimated future costs for the market adjustments be appropriated during the 2008 Legislative Session through a multi-year appropriation.</p> | 8.5 | 16.0 |
| <p>C. Longevity. The Governor recommends continuation of the current "temporary" longevity bonus payment program. The recommendation provides for a bonus of \$50 per year of service, with a 10-year minimum (\$500) and a 25-year maximum (\$1,250). The current statutory provisions of the longevity bonus payment are \$40 per year of service, with a 10-year minimum (\$400), and a 25-year maximum (\$1,000). The estimated cost for the recommended FY 2009 payments is \$14.7 million, including \$7.0 million from the State General Fund.</p> | 0.4* | 0.8* |
| TOTAL | \$ 36.0 | \$ 72.0 |

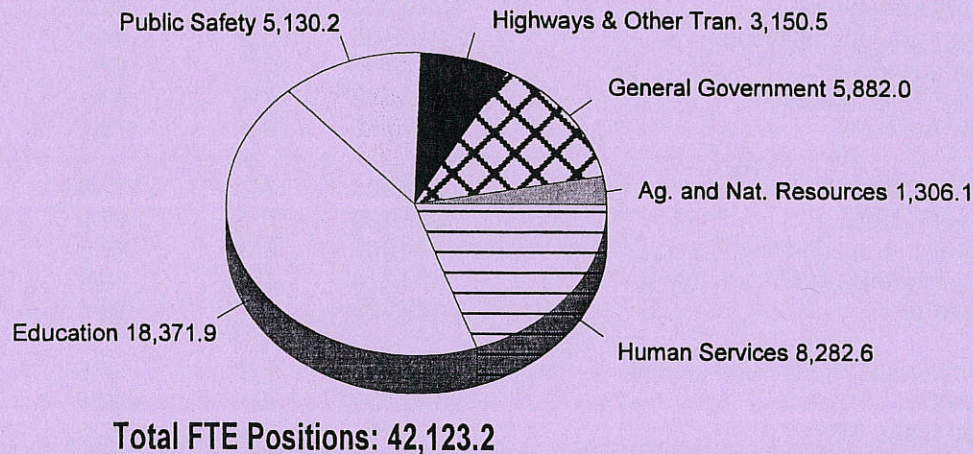
* Reflects the difference between the FY 2008 and FY 2009 amounts.

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 2009 budget recommendations of the Governor finance 42,123.2 full-time equivalent (FTE) positions, a net decrease of 11.2 FTE positions below the FY 2008 recommended level of 42,134.4. In addition, the Governor recommends 1,275.2 non-FTE unclassified permanent positions in FY 2009, an increase of 11.2 above FY 2008. These employees are not included in the FTE limitation.

The following pie chart reflects the Governor's recommended FY 2009 full-time equivalent positions by function of government.

FY 2009 FULL-TIME EQUIVALENT (FTE) POSITIONS by Function of Government Governor's Recommendation



State Workforce Adjustments

The Governor's FY 2009 recommendation decreases the size of the state's workforce by a net 11.2 FTE positions. Factors contributing to the increase in positions include:

- The addition of 18.0 FTE for a variety of crime prevention and fraud programs in the budget of the **Attorney General**;
- The addition of 14.5 FTE for the **Racing and Gaming Commission** and 5.0 FTE positions for the **Kansas Lottery** related to the Expanded Lottery Act; and
- A decrease of 51.0 FTE positions in the budget of the **Department of Transportation** related to the fact that the current Comprehensive Transportation is coming to an end.

Program or Agency Components of the FY 2009— 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 2009 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, the Department of Transportation, and the Health Policy Authority account for over three-fourths (79.2 percent) of the total state budget.

GOVERNOR'S RECOMMENDED EXPENDITURES FROM ALL FUNDS, FY 2009 By Agency or Program

| | Amount (Thousands) | Percent of Total | Cumulative Percent | Percent Change From FY 08 |
|---|-----------------------|---------------------|-----------------------|---------------------------------|
| Department of Education | \$ 3,770,477 | 27.8% | 27.8% | 5.4% |
| Board of Regents and Institutions | 2,246,408 | 16.6 | 44.4 | 0.8 |
| SRS, including Hospitals | 1,716,745 | 12.7 | 57.0 | 2.4 |
| Department of Transportation | 1,607,262 | 11.8 | 68.9 | 14.6 |
| Health Policy Authority | 1,400,565 | 10.3 | 79.2 | 4.4 |
| Department on Aging | 492,905 | 3.6 | 82.8 | 3.9 |
| Department of Labor | 362,229 | 2.7 | 85.5 | (0.7) |
| Department of Corrections and Facilities | 299,481 | 2.2 | 87.7 | 1.0 |
| Department of Health and Environment | 232,314 | 1.7 | 89.4 | (0.9) |
| Adjutant General | 149,708 | 1.1 | 90.5 | (40.7) |
| Dept. of Commerce, KTEC, Kansas, Inc. | 131,812 | 1.0 | 91.5 | (13.2) |
| Judicial Branch | 122,839 | 0.9 | 92.4 | 2.1 |
| Highway Patrol and KBI | 119,507 | 0.9 | 93.3 | 1.1 |
| Juvenile Justice Authority and Facilities | 107,007 | 0.8 | 94.1 | (3.7) |
| Department of Administration | 100,316 | 0.7 | 94.8 | 27.6 |
| Department of Revenue | 99,783 | 0.7 | 95.5 | 0.0 |
| Kansas Lottery | 97,419 | 0.7 | 96.2 | 68.2 |
| Department of Wildlife and Parks | 59,565 | 0.4 | 96.7 | (11.7) |
| Insurance Dept. and Health Care Stabilization | 57,110 | 0.4 | 97.1 | 0.1 |
| KPERS | 56,318 | 0.4 | 97.5 | 3.1 |
| Legislative Branch | 30,731 | 0.2 | 97.7 | 10.7 |
| Department of Agriculture | 26,903 | 0.2 | 97.9 | 3.7 |
| Board of Indigents' Defense Services | 24,250 | 0.2 | 98.1 | 3.2 |
| Racing and Gaming Commission | 23,928 | 0.2 | 98.3 | 101.5 |
| Attorney General | 21,656 | 0.2 | 98.5 | 10.2 |
| State Corporation Commission | 20,686 | 0.2 | 98.6 | (4.4) |
| State Treasurer | 17,974 | 0.1 | 98.7 | 2.3 |
| Conservation Commission | 16,100 | 0.1 | 98.9 | (27.4) |
| Water Office | 12,268 | 0.1 | 99.0 | (2.2) |
| All Other | 143,650 | 1.1 | 100.0% | (3.4) |
| TOTAL | \$ 13,567,916 | 100.0% | | 3.6% |

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

CHANGE IN EXPENDITURES FROM ALL FUNDS

FY 2008 to FY 2009

Governor's Recommendation

| | Amount (Thousands) | Comments |
|--|-----------------------|--------------------------------------|
| Total Increase | \$ 471,142 | |
| Department of Transportation | 205,091 | Capital improvements |
| Department of Education | 193,447 | School finance |
| Health Policy Authority | 59,153 | Caseloads |
| Department of Social and Rehab. Services | 40,806 | Caseloads |
| Kansas Lottery | 39,489 | Expanded Lottery Act |
| Department of Administration | 21,681 | Statehouse and KPERS debt service |
| Department on Aging | 18,702 | Caseloads |
| Board of Regents and Institutions | 16,867 | Operating grant increase |
| Department of Corrections and Facilities | 2,841 | Operating expenditures |
| Department of Labor | (2,386) | Operating expenditures |
| Commerce, KTEC, Kansas Inc. | (20,065) | Disaster relief |
| Adjutant General | (102,821) | Disaster relief |
| All Other Agencies | (1,663) | |

EXPENDITURES AND STATUS OF THE STATE GENERAL FUND

Program and Agency Components of the FY 2009 State General Fund Budget

The following tabulation provides an overview of the program or agency components of the Governor's recommended FY 2009 expenditures from the State General Fund. This tabulation identifies individual components which comprise 99.4 percent of State General Fund expenditures. Education accounts for 64.6 percent of State General Fund expenditures.

STATE GENERAL FUND EXPENDITURES BY PROGRAM OR AGENCY
Governor's Recommendations for FY 2009

| | Amount (Thousands) | Percent of Total | Cumulative Percent | Increase Over FY 2008 Amount (000) Percent | |
|---------------------------------|-----------------------|---------------------|-----------------------|--|-------------|
| Education | | | | | |
| State Aid to Local Units | \$ 3,395,130 | 53.10% | 53.10% | \$ 163,461 | 5.1% |
| Bd. of Regents/Institutions (a) | 698,902 | 10.93 | 64.03 | 27,001 | 4.0 |
| Other Education* | 38,154 | 0.59 | 64.63 | 602 | 1.6 |
| Subtotal, Education | <u>\$ 4,132,186</u> | <u>64.63%</u> | <u>64.63%</u> | <u>\$ 191,064</u> | <u>4.8%</u> |
| | | | | | |
| SRS, Including Hospitals | \$ 717,552 | 11.22% | 75.85% | \$ 30,935 | 4.5% |
| Health Policy Authority | 513,700 | 8.03 | 83.89 | 48,570 | 10.4 |
| Dept. of Corrections/Facilities | 250,083 | 3.91 | 87.80 | 4,367 | 1.8 |
| Department on Aging | 192,153 | 3.01 | 90.80 | 7,009 | 3.8 |
| State Aid Except Education | 124,459 | 1.95 | 92.75 | 9,159 | 7.9 |
| Judicial Branch | 111,936 | 1.75 | 94.50 | 2,616 | 2.4 |
| Highway Patrol/KBI | 56,140 | 0.88 | 95.38 | 40 | 0.1 |
| Dept. of Administration** | 56,042 | 0.88 | 96.26 | (10,886) | (16.3) |
| Juvenile Justice | 55,633 | 0.87 | 97.13 | (4,231) | (7.1) |
| Health and Environment | 39,171 | 0.61 | 97.74 | (6,412) | (14.1) |
| Legislative Branch | 30,645 | 0.48 | 98.22 | 3,068 | 11.1 |
| Board of Indigents' Defense | 23,250 | 0.36 | 98.58 | 753 | 3.3 |
| Dept. of Revenue | 21,368 | 0.33 | 98.92 | (205) | (1.0) |
| Elected Officials | 15,993 | 0.25 | 99.17 | 4,964 | 45.0 |
| Dept. of Agriculture | 12,303 | 0.19 | 99.36 | 141 | 1.2 |
| All Other | 40,984 | 0.64 | 100.00 | 513 | 1.3 |
| TOTAL | <u>\$ 6,393,598</u> | <u>100.00%</u> | | <u>\$ 281,465</u> | <u>4.6%</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 \$0.294 million which is part of Education-State Aid.

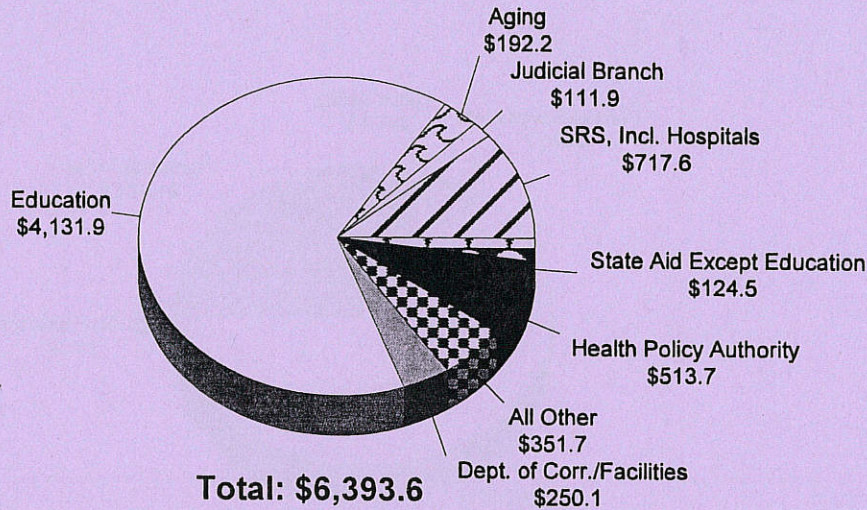
(a) Aid to Washburn University is included in state aid to local units (\$12.126 million).

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

The following pie chart displays the FY 2009 State General Fund expenditures by major program.

**FY 2009 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 (64.6 percent). Two functions, education and human services, account for 88.3 percent of all State General Fund expenditures.

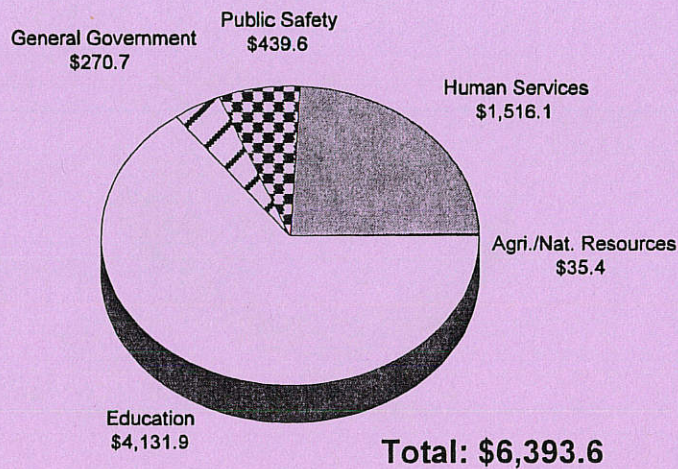
**STATE GENERAL FUND EXPENDITURES
BY FUNCTION OF GOVERNMENT
Governor's Recommendation
(Millions of Dollars)**

| Function | Actual FY 07 | Gov. Est. FY 08 | Change | | Gov. Rec. FY 09 | Change | |
|-------------------------------|-------------------|--------------------|-----------------|-------------|-----------------------|-----------------|-------------|
| | | | \$ | % | | \$ | % |
| General Government | \$ 222.6 | \$ 258.1 | \$ 35.5 | 15.9% | \$ 270.7 | \$ 12.6 | 4.9% |
| Human Services | 1,319.8 | 1,440.0 | 120.2 | 9.1 | 1,516.1 | 76.1 | 5.3 |
| Education | 3,639.1 | 3,940.8 | 301.7 | 8.3 | 4,131.9 | 191.1 | 4.8 |
| Public Safety | 384.0 | 417.8 | 33.8 | 8.8 | 439.6 | 21.8 | 5.2 |
| Agriculture/Natural Resources | 37.2 | 39.2 | 2.0 | 5.4 | 35.4 | (3.8) | (9.7) |
| Transportation | 5.0 | 16.2 | 11.2 | 224.0 | 0.0 | (16.2) | (100.0) |
| TOTAL | \$ 5,607.7 | \$ 6,112.2 | \$ 504.4 | 9.0% | \$ 6,393.6 | \$ 281.5 | 4.6% |

The following pie chart reflects the Governor's recommendation for FY 2009 State General Fund expenditures by function of government.

**FY 2009 STATE GENERAL FUND EXPENDITURES
BY FUNCTION OF GOVERNMENT**

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



Expenditures by Major Purpose

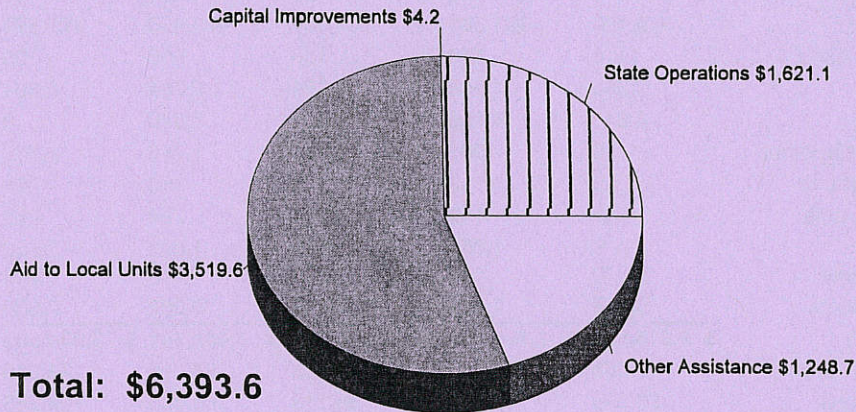
Over \$3.5 billion (55.0 percent) of recommended FY 2009 expenditures from the State General Fund is paid to local units of government, 25.4 percent represents the costs of state operations, 19.5 percent is for other assistance payments, and 0.1 percent is for capital improvements.

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

| | Actual | Gov. Est. | Change | | Gov. Rec. | Change | |
|----------------------|-------------------|-------------------|-----------------|-------------|-------------------|-----------------|-------------|
| | FY 07 | FY 08 | \$ | % | FY 09 | \$ | % |
| State Operations | \$ 1,420.9 | \$ 1,568.8 | \$ 147.9 | 10.4% | \$ 1,621.1 | \$ 52.3 | 3.3% |
| Aid to Local Units | 3,077.4 | 3,347.0 | 269.6 | 8.8 | 3,519.6 | 172.6 | 5.2 |
| Other Assistance | 1,088.4 | 1,173.5 | 85.1 | 7.8 | 1,248.7 | 75.2 | 6.4 |
| Total Operating | \$ 5,586.7 | \$ 6,089.3 | \$ 502.6 | 9.0% | \$ 6,389.4 | \$ 300.1 | 4.9% |
| Capital Improvements | 21.0 | 22.9 | 1.9 | 9.0 | 4.2 | (18.7) | (81.7) |
| TOTAL | \$ 5,607.7 | \$ 6,112.2 | \$ 504.5 | 9.0% | \$ 6,393.6 | \$ 281.5 | 4.6% |

The following pie chart displays the Governor's recommendation for FY 2009 State General Fund expenditures by major purpose.

**FY 2009 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 | Gov. Est. | Change | | Gov. Rec. | Change | |
|-------------------------------|-------------------|-------------------|-----------------|--------------|-------------------|----------------|-------------|
| | FY 07 | FY 08 | \$ | % | FY 09 | \$ | % |
| General Government | \$ 205.1 | \$ 236.9 | \$ 31.8 | 15.5% | \$ 252.9 | \$ 16.0 | 6.8% |
| Human Services | 219.9 | 272.7 | 52.8 | 24.0 | 281.7 | 9.0 | 3.3 |
| Education | 642.2 | 673.4 | 31.2 | 4.9 | 700.4 | 27.0 | 4.0 |
| Public Safety | 316.7 | 340.4 | 23.7 | 7.5 | 351.0 | 10.6 | 3.1 |
| Agriculture/Natural Resources | 32.3 | 35.9 | 3.6 | 11.1 | 35.0 | (0.9) | (2.5) |
| Transportation | 4.7 | 9.4 | 4.7 | 100.0 | 0.0 | (9.4) | (100.0) |
| TOTAL | \$ 1,420.9 | \$ 1,568.8 | \$ 147.8 | 10.4% | \$ 1,621.1 | \$ 52.3 | 3.3% |

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.

The tabulation reflects State General Fund aid to local school districts in FY 2009 which increases \$168.0 million or 5.5 percent above the FY 2008 level. Total State General Fund aid to local units in the budget year increases \$172.6 million or 5.2 percent above the current year.

STATE AID TO LOCAL UNITS OF GOVERNMENT
In Thousands

| From State General Fund | FY 2005 | FY 2006 | FY 2007 | Gov. Rec. FY 2008 | Gov. Rec. FY 2009 | Change FY 2008-FY 2009 | |
|-------------------------------|---------------------|---------------------|---------------------|----------------------|----------------------|---------------------------|-------------|
| | | | | | | Amount | Percent |
| General State Aid | \$ 1,753,206 | \$ 1,875,391 | \$ 1,982,695 | \$ 2,088,678 | \$ 2,183,368 | \$ 94,690 | 4.5% |
| Supp. General Aid | 159,687 | 218,849 | 268,209 | 307,878 | 332,659 | 24,781 | 8.0 |
| Subtotal | \$ 1,912,893 | \$ 2,094,240 | \$ 2,250,904 | \$ 2,396,556 | \$ 2,516,027 | \$ 119,471 | 5.0% |
| Cap. Outlay Aid | 0 | 19,294 | 20,492 | 22,940 | 25,440 | 2,500 | 10.9 |
| KPERS-School | 138,181 | 161,531 | 192,426 | 221,380 | 249,431 | 28,051 | 12.7 |
| Declining Enrollment | 0 | 40 | 12 | 50 | 50 | 0 | 0.0 |
| Special Education | 249,792 | 291,581 | 334,004 | 403,455 | 427,571 | 24,116 | 6.0 |
| Deaf/Blind/Hand. Child | 110 | 110 | 105 | 105 | 105 | 0 | 0.0 |
| Food Service | 2,368 | 2,368 | 2,364 | 2,364 | 2,364 | 0 | 0.0 |
| Parent Education | 4,640 | 4,790 | 7,358 | 7,540 | 0 | (7,540) | (100.0) |
| Professional Development | 0 | 991 | 1,748 | 1,750 | 1,750 | 0 | 0.0 |
| After School Programs | 0 | 0 | 0 | 300 | 300 | 0 | 0.0 |
| Ed. Excellence Grants | 181 | 152 | 204 | 229 | 260 | 31 | 13.5 |
| Mentor Teachers | 0 | 1,050 | 1,019 | 1,650 | 3,150 | 1,500 | 90.9 |
| Discretionary Grants | 0 | 148 | 210 | 210 | 210 | 0 | 0.0 |
| Juv. Detention Grants | 6,435 | 7,118 | 7,408 | 8,062 | 7,935 | (127) | (1.6) |
| Subtotal - USDs | \$ 2,314,603 | \$ 2,583,414 | \$ 2,818,252 | \$ 3,066,591 | \$ 3,234,593 | \$ 168,002 | 5.5% |
| Voc. Ed. - Postsecondary | 19,668 | 20,613 | 25,025 | 34,010 | 34,010 | 0 | 0.0 |
| Community Colleges | 86,028 | 91,023 | 96,119 | 100,065 | 106,265 | 6,200 | 6.2 |
| Out-District Tuition Offset | 0 | 3,200 | 6,400 | 6,400 | 0 | (6,400) | (100.0) |
| Adult Basic Education | 948 | 1,039 | 1,349 | 1,549 | 1,549 | 0 | 0.0 |
| Capital Outlay Aid | 424 | 424 | 424 | 441 | 441 | 0 | 0.0 |
| Nursing Equipment and Faculty | 0 | 0 | 1,200 | 1,800 | 1,800 | 0 | 0.0 |
| Nursing Faculty and Supplies | 0 | 0 | 2,000 | 0 | 0 | 0 | 0.0 |
| SW Kansas Access | 0 | 0 | 36 | 839 | 200 | (639) | (76.2) |
| Adult Learners Access | 0 | 0 | 0 | 100 | 250 | 150 | 150.0 |
| Math and Science Acad. | 0 | 0 | 0 | 4,000 | 0 | (4,000) | (100.0) |
| Other Postsecondary | 875 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Washburn University | 10,556 | 11,012 | 11,468 | 11,926 | 12,126 | 200 | 1.7 |
| Public TV-Washburn | 120 | 286 | 0 | 294 | 294 | 0 | 0.0 |
| Libraries | 3,380 | 3,318 | 3,324 | 3,396 | 3,396 | 0 | 0.0 |
| Arts Program Grants | 97 | 60 | 51 | 56 | 53 | (3) | (5.4) |
| Emporia State | 7 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Historical Society | 82 | 132 | 152 | 202 | 152 | (50) | (24.8) |
| Total, Education | \$ 2,436,787 | \$ 2,714,521 | \$ 2,965,800 | \$ 3,231,669 | \$ 3,395,130 | \$ 163,461 | 5.1% |
| Comm. Corr./Boot Camps | 17,747 | 17,696 | 17,778 | 21,861 | 21,903 | 42 | 0.2 |
| Juv. Comm. Programs | 13,205 | 13,479 | 15,049 | 13,222 | 26,722 | 13,500 | 102.1 |
| Help America Vote Act | 0 | 370 | 15 | 0 | 0 | 0 | 0.0 |
| Local Public Health | 9,161 | 10,170 | 13,670 | 18,133 | 18,125 | (8) | 0.0 |
| Aging Dept. Programs | 2,741 | 1,382 | 1,659 | 2,234 | 2,582 | 348 | 15.6 |
| SRS Aid Programs | 50,666 | 55,332 | 62,950 | 56,170 | 49,170 | (7,000) | (12.5) |
| Property Valuation Aid | 12 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Disaster Relief | 24 | 1,608 | 488 | 1,680 | 5,957 | 4,277 | 254.6 |
| Homeland Security | 0 | 0 | 0 | 2,000 | 0 | (2,000) | (100.0) |
| Judiciary | 0 | 0 | 1 | 0 | 0 | 0 | 0.0 |
| Aid to Cons. Districts | 440 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Employment Programs | 27 | 0 | 0 | 0 | 0 | 0 | 0.0 |
| Total, Other | 94,023 | 100,037 | 111,610 | 115,300 | 124,459 | 9,159 | 7.9 |
| TOTAL - SGF | \$ 2,530,810 | \$ 2,814,558 | \$ 3,077,410 | \$ 3,346,969 | \$ 3,519,589 | \$ 172,620 | 5.2% |
| % of Total SGF Expend. | 54.0% | 54.8% | 54.9% | 54.8% | 55.0% | | |

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

| | Actual FY 2007 | Gov. Est. FY 2008 | Gov. Rec. FY 2009 | Change FY 2008-FY 2009 | |
|--|-------------------|----------------------|----------------------|---------------------------|--------------|
| | | | | Amount | Percent |
| School District Finance | \$ 31,021 | \$ 28,900 | \$ 28,900 | \$ 0 | 0.0% |
| School Dist. Cap. Impr. | 63,697 | 69,238 | 74,238 | 5,000 | 7.2 |
| Driver Safety/Training | 1,595 | 1,998 | 1,799 | (199) | (10.0) |
| Mineral Production Tax | 8,630 | 9,672 | 9,469 | (203) | (2.1) |
| Children's Initiatives | | | | | |
| Parent Education | 0 | 0 | 7,540 | 7,540 | -- |
| Special Education | 890 | 0 | 0 | 0 | 0.0 |
| Pre-K Pilot | 0 | 0 | 6,200 | 6,200 | -- |
| Economic Development Initiatives Fund | | | | | |
| Voc Ed - Postsecondary | 6,957 | 0 | 0 | 0 | 0.0 |
| Voc Ed. - Cap. Outlay | 2,565 | 2,565 | 2,565 | 0 | 0.0 |
| Tech. Grants | 185 | 181 | 181 | 0 | 0.0 |
| TOTAL | \$ 116,430 | \$ 112,554 | \$ 144,632 | \$ 18,338 | 16.3% |

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

| | Actual FY 2007 | Gov. Est. FY 2008 | Gov. Rec. FY 2009 | Change FY 2008-FY 2009 | |
|--|-------------------|----------------------|----------------------|---------------------------|---------|
| | | | | Amount | Percent |
| City County Highway Fund and Co. Equal and Adj. | \$ 153,947 | \$ 156,733 | \$ 159,621 | \$ 2,888 | 1.8% |
| State Highway Fund-City Maintenance | 2,839 | 3,360 | 3,360 | 0 | 0.0 |
| Public Transportation | 6,672 | 7,339 | 6,000 | (1,339) | (18.2) |
| Aviation Grants | 3,479 | 3,000 | 3,000 | 0 | 0.0 |
| Firefighter's Relief | 9,137 | 9,150 | 9,200 | 50 | 0.5 |
| Mineral Production | 8,630 | 9,672 | 9,469 | (203) | (2.1) |
| Tax Increment Financing Rev. Replacement | 961 | 981 | 1,001 | 20 | 2.0 |

6-17

Recommended Changes in State General Fund Programs

The following tabulation summarizes State General Fund expenditure changes from the FY 2008 Governor's revised estimate to the Governor's recommendations for FY 2009.

INCREASE IN STATE GENERAL FUND EXPENDITURES Governor's Recommendation FY 2008 to FY 2009

| | Amount (Thousands) | Percent of Total Increase |
|--|-----------------------|---------------------------------|
| Total Increase | \$ 281,465 | 100.0% |
| Education | | |
| State Aid for Education, Total | \$ 163,461 | 58.1% |
| Basic General Aid | 94,690 | 33.6 |
| KPERs-School | 28,051 | 10.0 |
| Special Education | 24,781 | 8.8 |
| Supplemental General Aid | 24,116 | 8.6 |
| Community College Aid | 6,200 | 2.2 |
| All Other | (14,377) | (5.1) |
| Health Policy Authority* | 48,570 | 17.3 |
| SRS, Including Hospitals | 30,935 | 11.0 |
| Board of Regents & Regents Institutions* | 27,001 | 9.6 |
| State Aid Except Education | 9,159 | 3.3 |
| Department on Aging | 7,009 | 2.5 |
| Elected Officials | 4,964 | 1.8 |
| Department of Corrections and Facilities* | 4,367 | 1.6 |
| Legislative Branch* | 3,068 | 1.1 |
| Judicial Branch | 2,616 | 0.9 |
| Board of Indigents' Defense Services* | 753 | 0.3 |
| Department of Agriculture* | 141 | 0.1 |
| Highway Patrol/KBI* | 40 | 0.0 |
| Department of Revenue* | (205) | (0.1) |
| Juvenile Justice Authority and Facilities* | (4,231) | (1.5) |
| Dept. of Health and Environment* | (6,412) | (2.3) |
| Department of Administration* | (10,886) | (3.9) |
| All Other* | 1,115 | 0.4 |

* Excludes state aid to local units of government, if any

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 2004-2008 the remaining demand transfers, with the exception of the School District Capital Outlay Fund, were also treated as revenue transfers, a recommendation the Governor continues for FY 2009. No transfers are recommended to the LAVTRF or the CCRSF in FY 2009. The Governor recommends transfers of \$74.2 million to the School District Capital Improvement Fund, \$25.4 million to the School District Capital Outlay Fund; \$10.1 million to the SCCHF, \$6.4 million to the State Water Plan, and \$5.0 million to the Regents Faculty of Distinction Fund. No funding is recommended for the State Fair Capital Improvements Fund in FY 2009. The table below reflects the Governor's recommended transfers for FY 2009, compared to estimated statutory amounts.

**FY 2009 DEMAND/REVENUE TRANSFERS FROM STATE GENERAL FUND
TO OTHER STATE FUNDS**

(In Thousands)

| Fund | FY 2009 | | |
|--------------------------------------|-------------------|------------------------|---------------------|
| | No Law Change | Governor's Proposed | Difference |
| Local Ad Valorem Tax Reduction | \$ 72,707 | \$ 0 | \$ (72,707) |
| County-City Revenue Sharing | 56,838 | 0 | (56,838) |
| City-County Highway | 28,500 | 10,064 | (18,436) |
| Water Plan | 6,000 | 6,400 | 400 |
| School District Capital Improvements | 74,238 | 74,238 | 0 |
| School District Capital Outlay | 25,440 | 25,440 | 0 |
| State Fair | 300 | 0 | (300) |
| Faculty of Distinction | 5,000 | 5,000 | 0 |
| TOTAL | \$ 269,023 | \$ 121,142 | \$ (147,881) |

Status of the State General Fund

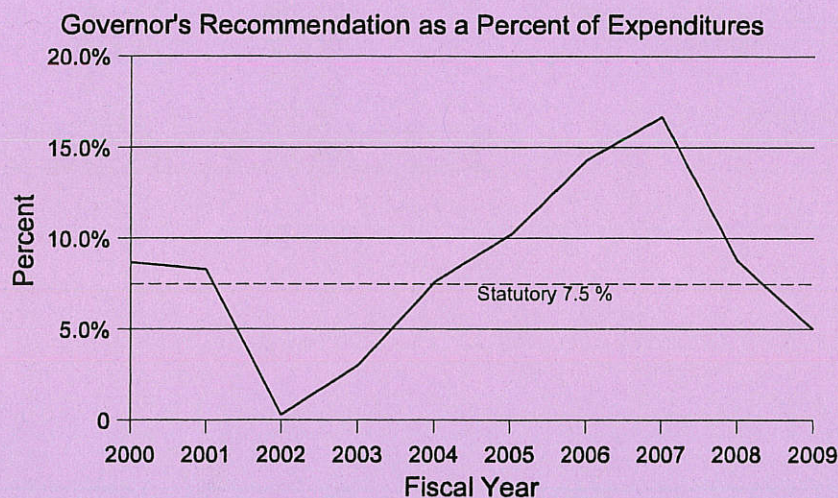
The following tabulation summarizes the status of the State General Fund as to receipts, expenditures, and unencumbered cash balances based on the Governor's recommendation for fiscal years 2008 and 2009.

STATE GENERAL FUND RECEIPTS, EXPENDITURES, AND BALANCES

(Millions of Dollars)

| | Actual FY 07 | Gov. Rec. FY 08 | Change | Gov. Rec. FY 09 | Change |
|--|-----------------|--------------------|------------|--------------------|------------|
| Beginning Unencumbered Cash Balance | \$ 733.6 | \$ 935.0 | \$ 201.4 | \$ 536.3 | \$ (398.7) |
| Receipts (November 2007 Consensus) | 5,809.1 | 5,717.3 | (91.8) | 6,170.1 | 452.8 |
| Gov. Rec. Adjustments | 0.0 | (3.8) | (3.8) | 5.1 | 9.0 |
| Adjusted Receipts | \$ 5,809.1 | \$ 5,713.5 | \$ (95.7) | \$ 6,175.2 | \$ 461.8 |
| Total Resources | \$ 6,542.7 | \$ 6,648.4 | \$ 105.7 | \$ 6,711.5 | \$ 63.1 |
| Less Expenditures | 5,607.7 | 6,112.1 | 504.4 | 6,393.6 | 281.5 |
| Ending Unencumbered Cash Balance | \$ 935.0 | \$ 536.3 | \$ (398.7) | \$ 317.9 | \$ (218.4) |
| Ending Balance as a Percentage of Expenditures | 16.7% | 8.8% | | 5.0% | |
| Adj. Receipts in Excess of Expenditures | \$ 201.4 | \$ (398.7) | | \$ (218.4) | |

State General Fund Ending Balance



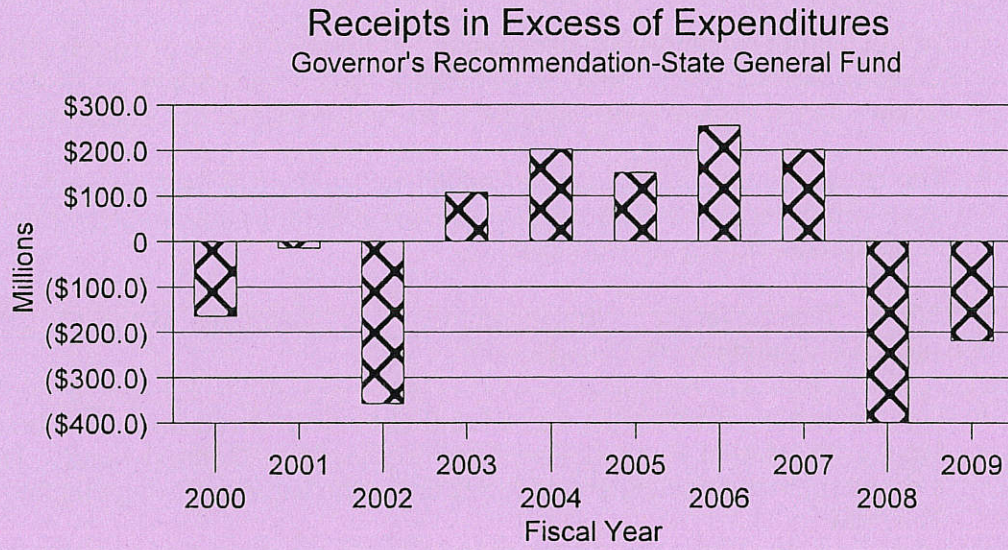
The FY 2009 State General Fund ending balance as a percentage of expenditures under the Governor's recommendations would be 5.0 percent, below the 7.5 percent (\$479.5 million) required by statute. The Governor does submit a statutory budget which meets the 7.5 percent ending balance requirement by reducing \$147.4 million in expenditures from the budget of the Department of Education. **Recommended receipts for FY 2008 and FY 2009 are equal to the consensus estimates except for certain transfers and proposals recommended by the Governor which**

decrease receipts to the State General Fund by \$3.8 million in FY 2008 and increase receipts by \$5.1 million in FY 2008. The Governor's proposed adjustments include the following:

- **FY 2008.** Included in the current fiscal year are the following recommended adjustments to the consensus estimate:
 1. The Governor recommends decreasing the transfer to the School Districts Capital Improvements Fund by \$277,220, for a total transfer of \$59.238 million, based on a revised estimate from the Department of Education.
 2. The recommendation includes an additional transfer of \$4.1 million to the State Emergency Fund to be used by the Adjutant General for repair to infrastructure during emergencies.

- **FY 2009.** The Governor's nine recommended adjustments to the FY 2009 consensus estimate include the following:
 1. The Governor recommends that \$400,000 be transferred from the Pooled Money Investment Portfolio Fee Fund to the State General Fund. This amount represents unexpended funds under the Kansas Savings Incentive Program.
 2. The Governor's recommendation includes a decrease of \$79,065 in the amount that will be transferred from the Securities Commissioner Fee Fund at the end of the fiscal year, resulting in a total transfer of \$6,560,834.
 3. The recommendation includes a sweep of \$1.7 million from the Department of Education's State Safety Fund.
 4. The recommendation also includes an increased transfer of \$2.7 million from the State Highway Fund to the State General Fund to pay the costs related to the Governor's pay plan and a special negotiated pay raise for troopers of the Highway Patrol.
 5. The Governor recommends transferring \$3,796 from the Department of Agriculture's Grain Warehouse Inspection Fee Fund, representing the balance in an inactive fund.
 6. The recommendation includes a decrease of \$262,000 in the transfer from the State General Fund to the School District Capital Improvements Fund (for a total transfer of \$74.238 million), based on revised estimates of the Department of Education.
 7. The Governor recommends a \$400,000 one-time increase in the transfer in the transfer to the State Water Plan Fund.
 8. The Governor recommends the elimination of the \$300,000 transfer from the State General Fund to the State Fair Capital Improvements Fund
 9. The recommendation includes a technical correction to the November 2007 estimate regarding the Goodyear Bond Repayment Fund. The November estimate included a transfer from the State General Fund of \$249,349 to the bond repayment fund. All of the state's obligations have, in fact, been met on the incentive program, and the transfer is unnecessary.

The following table reflects the amounts of receipts in excess of expenditures from FY 2000 to FY 2009.



Children's Initiatives Fund

FY 2007 - FY 2009

| | Actual FY 2007 | Legislative Approved FY 2008 | Gov. Rec. FY 2008 | Gov. Rec. FY 2009 |
|---|----------------------|------------------------------------|----------------------|----------------------|
| Department of Health and Environment | | | | |
| Healthy Start/Home Visitor | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 |
| Infants and Toddlers Program (Tiny K) | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| Smoking Cessation/Prevention Program Grants | 999,999 | 1,000,000 | 1,000,000 | 1,000,000 |
| PKU/Hemophilia | 208,000 | 208,000 | 208,000 | 208,000 |
| Newborn Hearing Aid Loaner Program | - | - | - | 50,000 |
| SIDS Network Grant | - | - | - | 75,000 |
| Newborn Screening | - | - | - | 2,226,577 |
| Subtotal - KDHE | \$ 2,657,999 | \$ 2,658,000 | \$ 2,658,000 | \$ 5,009,577 |
| Juvenile Justice Authority | | | | |
| Juvenile Prevention Program Grants | \$ 5,385,716 | \$ 5,414,487 | \$ 5,579,530 | \$ - a |
| Juvenile Graduated Sanctions Grants | 3,468,938 | 3,585,513 | 3,420,470 | - |
| Subtotal - JJA | \$ 8,854,654 | \$ 9,000,000 | \$ 9,000,000 | \$ - |
| Department of Social and Rehabilitation Services | | | | |
| Children's Cabinet Accountability Fund | \$ 546,125 | \$ 541,802 | \$ 541,802 | \$ 541,802 |
| Children's Mental Health Initiative | 3,799,999 | 3,800,000 | 3,800,000 | 3,800,000 |
| Family Centered System of Care | 5,000,000 | 5,000,000 | 5,000,000 | 5,000,000 |
| Therapeutic Preschool | 947,897 | 1,000,000 | 1,000,000 | - |
| Child Care Services | 1,399,999 | 1,400,000 | 1,400,000 | 1,400,000 |
| Community Services - Child Welfare | 3,492,101 | 3,492,101 | 3,298,597 | 3,208,938 |
| Smart Start Kansas - Children's Cabinet | 8,730,036 | 8,443,279 | 8,986,263 | 8,443,965 |
| Family Preservation | 2,957,899 | 2,957,899 | 3,151,403 | 3,241,062 |
| School Violence Prevention | 228,000 | 228,000 | 228,000 | - |
| Attendant Care for Independent Living (ACIL) | 50,000 | 50,000 | 50,000 | - |
| Early Childhood Block Grants | - | - | 5,000,000 | 18,000,000 b |
| Pre-K Pilot | 2,000,000 | 5,000,000 | 5,000,000 | - |
| Early Head Start | - | 1,600,000 | 1,600,000 | 1,600,000 |
| Child Care Quality Initiative | - | 500,000 | 500,000 | 500,000 |
| Subtotal - SRS | \$ 29,152,056 | \$ 34,013,081 | \$ 39,556,065 | \$ 45,735,767 |
| Kansas Health Policy Authority | | | | |
| HealthWave | \$ 2,000,000 | \$ 2,000,000 | \$ 2,000,000 | \$ - a |
| Medical Assistance | 3,000,000 | 3,000,000 | 3,000,000 | - |
| Immunization Outreach | 500,000 | 500,000 | 500,000 | 500,000 |
| Subtotal - KHPA | \$ 5,500,000 | \$ 5,500,000 | \$ 5,500,000 | \$ 500,000 |
| Department of Education | | | | |
| Reading and Vision Research | \$ 300,000 | \$ 300,000 | \$ 300,000 | \$ 300,000 |
| Parent Education | - | - | - | 7,539,500 d |
| Pre-K Pilot | - | - | - | 6,200,000 |
| Subtotal - Dept. of Ed. | \$ 300,000 | \$ 300,000 | \$ 300,000 | \$ 14,039,500 |
| University of Kansas Medical Center | | | | |
| Tele-Kid Health Care Link | \$ 265,392 | \$ 250,000 | \$ 253,117 | \$ - e |
| TOTAL | \$ 46,730,101 | \$ 51,721,081 | \$ 57,267,182 | \$ 65,284,844 |

| | Actual FY 2007 | Legislative Approved FY 2008 | Gov. Rec. FY 2008 | Gov. Rec. FY 2009 |
|---|----------------------|------------------------------------|----------------------|----------------------|
| Beginning Balance | \$ 3,708,489 | \$ 743,550 | \$ 743,550 | \$ - |
| Plus: Other Income* | 355,827 | 52,103 | 52,103 | - |
| State General Fund Transfer | - | - | - | - |
| Children's Initiatives Reserve Fund Transfer In** | - | 825,952 | 825,952 | 825,952 |
| KEY Fund Transfer In | 47,361,933 | 55,645,577 | 55,645,577 | 64,458,892 |
| Total Available | \$ 51,426,249 | \$ 57,267,182 | \$ 57,267,182 | \$ 65,284,844 |
| Less: Expenditures | 46,730,101 | 51,721,081 | 57,267,182 | 65,284,844 |
| Transfer Out to KEY Fund | - | - | - | - |
| Transfer Out to Children's Initiatives Reserve Fund** | 3,303,809 | - | - | - |
| Transfer Out to State General Fund | 648,789 | - | - | - |
| ENDING BALANCE | \$ 743,550 | \$ 5,546,101 | \$ - | \$ - |

* Other Income includes released encumbrances, recoveries and reimbursements.

** The 2006 Legislature established the Children's Initiatives Reserve Fund (CIRF) and transferred any unencumbered balance in the Children's Initiatives Fund (CIF) on June 30, 2007 to the CIRF. On July 1, 2007, 25 percent of the balance in the CIRF was transferred to the CIF. On July 1, 2008, one third of the remaining balance of the CIRF is to be transferred to the CIF. On July 1, 2009, 50 percent of the remaining balance of the CIRF is to be transferred to the CIF. On July 1, 2010, all remaining funds in the CIRF are to be transferred to the CIF.

a) The Governor's recommendation realigns CIF dollars to be spent on programs and projects with an emphasis on early education. Funding for these programs has been changed to the State General Fund.

b) The Governor recommends that new additional tobacco settlement funds be earmarked for early childhood programs. The Governor's recommendation includes a new Early Childhood Block Grant (ECBG) to be administered by the Children's Cabinet.

c) This program was relocated to the Department of Education.

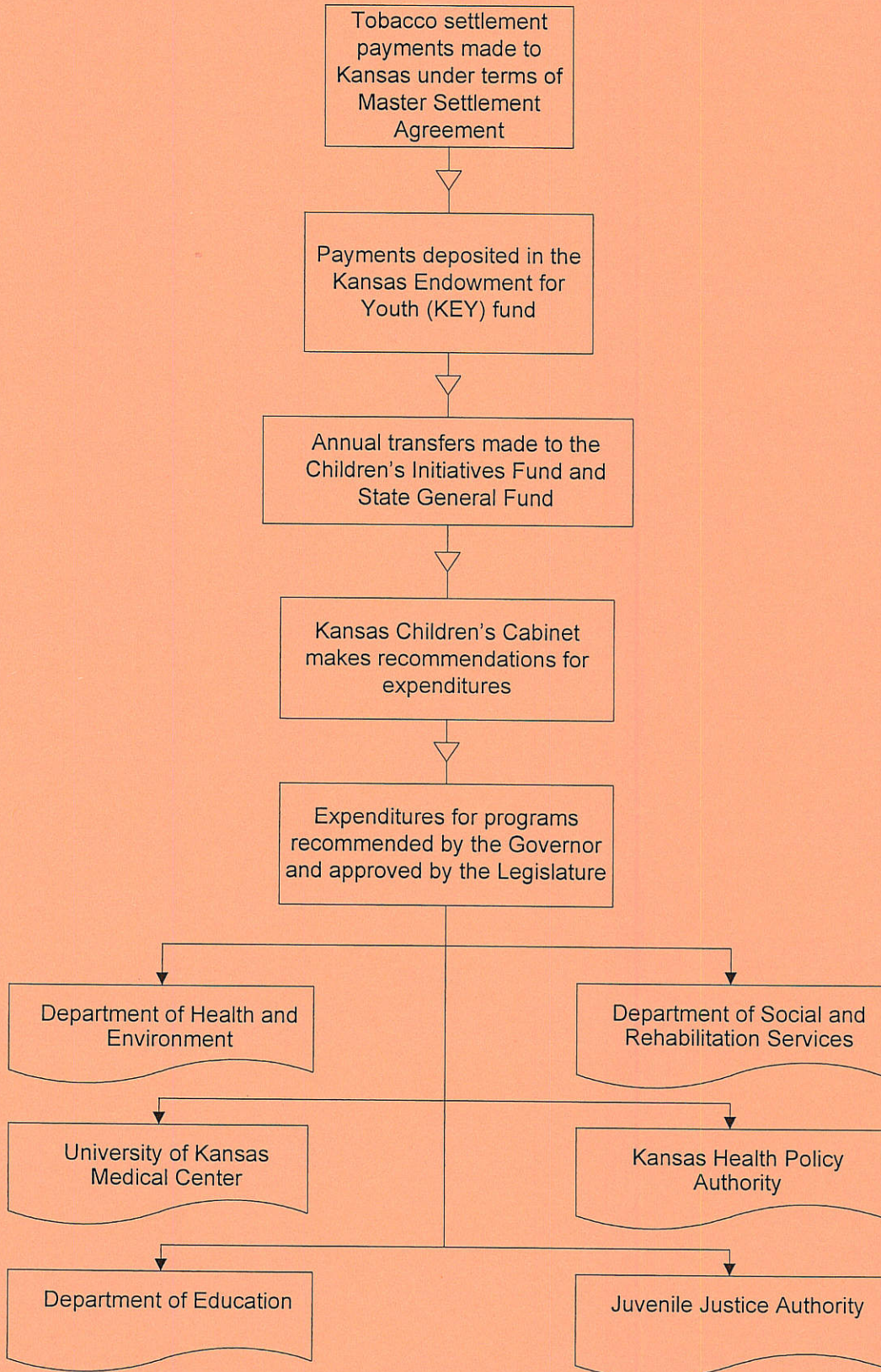
d) This program was previously funded from the State General Fund.

e) The Governor's recommendation switches funding of this program to the General Fees Fund.

HOUSE APPROPRIATIONS

DATE 1-29-2008
ATTACHMENT 7

Flow of Tobacco Settlement Dollars in Kansas



**ECONOMIC DEVELOPMENT INITIATIVES FUND (EDIF)
FY 2007 -- FY 2009**

| Agency/Program | Actual FY 2007 | Governor's * Recommendation FY 2008 | Governor's Recommendation FY 2009 |
|--|----------------------|---|---|
| Department of Commerce | | | |
| Operating Grant | \$ 15,075,152 | \$ 16,946,554 | \$ 16,170,250 |
| Older Kansans Employment Program | 332,278 | 330,481 | 330,676 |
| Rural Opportunity Program | - | 2,100,000 | 2,106,471 |
| Eisenhower Foundation Grant | - | 200,000 | - |
| Kansas Sports Hall of Fame Grant | - | 250,000 | - |
| Kansas Innovation Consortium | - | - | 150,000 *** |
| Subtotal - Commerce | \$ 15,407,430 | \$ 19,827,035 | \$ 18,757,397 |
| Kansas Technology Enterprise Corporation | | | |
| Operations | \$ 1,862,697 | \$ 1,808,675 | \$ 1,816,678 |
| University & Strategic Research | 5,183,666 | 5,188,682 | 5,100,927 |
| Product Development Financing | 1,476,957 | 1,185,772 | 1,519,030 |
| Commercialization | 1,906,631 | 2,684,128 | 2,661,017 |
| Mid-America Manuf. Tech. Center (MAMTC) | 1,524,990 | 1,401,054 | 1,440,000 |
| Subtotal - KTEC | \$ 11,954,941 | \$ 12,268,311 | \$ 12,537,652 |
| Kansas, Inc. | | | |
| Operations | \$ 527,999 | \$ 504,743 | \$ 409,831 |
| Social and Rehabilitation Services | | | |
| Child Support Enforcement Call Center | \$ 340,000 | \$ - | \$ - |
| Board of Regents & Universities | | | |
| Vocational Education Capital Outlay | \$ 2,565,000 | \$ 2,565,000 | \$ 2,565,000 |
| Post-secondary Aid for Vocational Education | 6,957,162 | - | - |
| Technology Innovation & Internship | 185,340 | 180,500 | 180,500 |
| KSU - ESARP | 300,000 | 300,000 | 300,000 |
| Wichita State University - Aviation Research | - | 4,750,000 | 4,000,000 |
| Subtotal - Regents & Universities | \$ 10,007,502 | \$ 7,795,500 | \$ 7,045,500 |
| Kansas Arts Commission | | | |
| Economic Impact Study of the Arts | \$ 14,000 | \$ - | \$ - |
| State Fair | | | |
| Ticket Marketing & Premiums | \$ 70,000 | \$ 70,000 | \$ 120,000 |
| Economic Impact Study | - | 40,000 | - |
| Alternative Energy Systems and Utilities | 95,384 | - | - |
| Largest Classroom | 19,960 | - | - |
| Subtotal - State Fair | \$ 185,344 | \$ 110,000 | \$ 120,000 |
| Total Expenditures | | | |
| | \$ 38,437,216 | \$ 40,505,589 | \$ 38,870,380 |
| Transfers to Other Funds | | | |
| Kansas Economic Opportunity Initiatives Fund | \$ 3,160,000 | \$ 3,000,000 | \$ 2,500,000 |
| Small Employer Cafeteria Plan Development Program Fund | - | 150,000 | 150,000 |
| Association Assistance Plan Fund | - | - | 500,000 *** |
| KS Qualified Biodiesel Fuel Producer Incentive Fund | - | 400,000 | 2,000,000 |
| State Water Plan Fund | 2,000,000 | 2,000,000 | 2,000,000 |
| Subtotal - Transfers | \$ 5,160,000 | \$ 5,550,000 | \$ 7,150,000 |
| TOTAL TRANSFERS AND EXPENDITURES | | | |
| | \$ 43,597,216 | \$ 46,055,589 | \$ 46,020,380 |
| EDIF Resource Estimate | | | |
| Beginning Balance | \$ 3,136,491 | \$ 4,034,032 | \$ 2,210,443 |
| Gaming Revenues | 42,432,000 | 42,432,000 | 42,432,000 |
| Other Income** | 2,062,757 | 1,800,000 | 1,400,000 |
| Total Available | \$ 47,631,248 | \$ 48,266,032 | \$ 46,042,443 |
| Less: Expenditures and Transfers | 43,597,216 | 46,055,589 | 46,020,380 |
| ENDING BALANCE | | | |
| | \$ 4,034,032 | \$ 2,210,443 | \$ 22,063 |

* Unless otherwise noted, increases in agency total in the Governor's recommendation reflect reappropriations.

** Other income includes interest, transfers, reimbursements and released encumbrances.

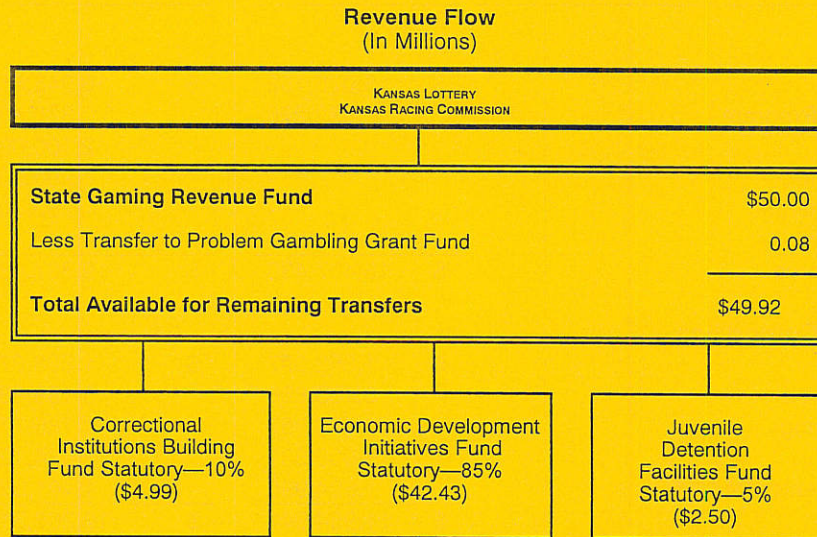
***New expenditures or transfers recommended by the Governor.

HOUSE APPROPRIATIONS

DATE 1-29-2008
ATTACHMENT 8

Economic Development Initiatives Fund (EDIF) Overview

The statutes governing the EDIF provide that it shall be used to finance programs "... supporting and enhancing the existing economic foundation of the state and fostering growth . . . to the state's economic foundation." The EDIF is funded through the State Gaming Revenues Fund (SGRF). A portion of state revenue from both the Lottery and parimutuel wagering is transferred to the SGRF. That fund is used essentially as a holding fund from which further transfers are made on a monthly basis. No more than \$50.0 million may be credited to the SGRF in any fiscal year. Amounts in excess of \$50.0 million are credited to the State General Fund.



| | |
|--|--|
| Department of Commerce | |
| Operating Grant | \$16,170,250. Used for Attraction Development Grants, Kansas Industrial Training and Retraining. Includes \$62,500 enhancement for Trade Development which aids exporters with market research, trade missions, and trade shows. |
| Older Kansans Employment | \$330,676. Employment placement service for older Kansans, 55 years and older. |
| Rural Opportunity | \$2,106,471. Attract investment, business development, and job growth in rural areas of the state through the Center for Entrepreneurship, KS Main Street Program, Capacity Building Grants, and Kansas Small Towns Environment Program (KAN-Step), a pilot program to address community infrastructure. |
| KS Innovation Consortium | \$150,000. The group, headed by the Governor, would consist of leaders from business, higher education, and state and local governments to advise the Governor on research and education priorities in order to achieve an innovation based economy. The group will also develop metrics to measure entrepreneurial success. |
| | |
| Kansas Technology Enterprise Corporation | |
| Operations | \$1,816,678. For KTEC's operations to provide research, direct company investments, and business assistance. |
| University & Strategic Research | \$5,100,927. Finances 5 university centers of excellence for research and technical assistance for Kansas businesses. |
| Product Development Financing | \$1,519,030. Finances product development for new and existing small Kansas companies. |
| Commercialization | \$2,661,017. Encourages the development of commercial products from technology research. This is done through the financing of 7 commercialization centers. |
| Mid-American Manuf. Tech. Center | \$1,440,000. Provides assistance to enhance the technical capabilities of manufacturers. |
| | |
| Kansas, Inc. | \$409,831. Used for Kansas, Inc.'s operations that include economic development planning, policy research, and program evaluation. |
| | |
| Board of Regents & Universities | |
| Vocational Education Capital Outlay | \$2,565,000. Grants for community colleges and technical institutions for equipment. Requires 50 percent matching funds. |
| Technology Innovation and Internship | \$180,500. Grants that allow for instructors to intern in private sector to expand knowledge. Requires one-to-one match. |
| KSU--ESARP | \$300,000. Used for the operations of the Extension System and Agriculture Research Programs' (ESARP) Cooperative Extension Program. |
| WSU-Aviation Research | \$4,000,000. Grant used by the National Institute for Aviation Research in Wichita. |
| | |
| State Fair | \$120,000. Used for marketing and promotions (\$100,000) and prize premiums (\$20,000). |
| | |
| Transfers to Other Funds | |
| KS Economic Opportunity Initiatives Fund | \$2,500,000. Utilized by the Department of Commerce for the major expansion of an existing or new Kansas employer, the matching of federal or private funds, and for lessening the impact of the closure or significant downsizing of a public facility or a large private employer. |
| Smaller Employer Cafeteria Plan Development Program Fund | \$150,000. Utilized by the Department of Commerce to inform small employers of the benefits of cafeteria health plans. |
| Association Assistance Plan Fund | \$500,000. Utilized by the Department of Commerce to provide grants and no-interest loans to small employers to form associations and assist members in obtaining access to health care plans. |
| KS Qualified Biodiesel Fuel Producer Incentive Fund | \$2,000,000. Utilized by the Department of Revenue as incentives for the production of biodiesel in the state. |
| State Water Plan Fund | \$2,000,000. Annually transferred to help water plan projects, overseen by the Kansas Water Authority and Kansas Water Office. |

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State Water Plan Fund

| Agency/Program Expenditures | Actual FY 2007 | Approved FY 2008 | Gov. Rec. FY 2008 | Kansas Water Authority Rec. FY 2009 | Gov. Rec. FY 2009 |
|--|----------------------|----------------------|----------------------|---|----------------------|
| Kansas Department of Health and Environment | | | | | |
| Contamination Remediation | \$ 904,574 | \$ 981,579 | \$ 1,031,530 | \$ 978,833 | \$ 979,338 |
| TMDL Initiatives | 257,172 | 298,092 | 342,087 | 297,384 | 301,793 |
| Local Environmental Protection Program | 1,502,737 | 1,502,737 | 1,502,850 | 1,502,737 | 1,502,735 |
| Non-Point Source Program | 246,803 | 294,544 | 336,513 | 292,568 | 299,743 |
| Watershed Restoration and Protection Strategy | 799,796 | 800,000 | 800,204 | 800,000 | 800,000 |
| Use Attainability Analysis | 169,040 | - | - | - | - |
| Southeast Kansas Soil Treatment Study | - | 120,361 | 120,361 | - | - |
| <i>Total - KDHE</i> | \$ 3,880,122 | \$ 3,997,313 | \$ 4,133,545 | \$ 3,871,522 | \$ 3,883,609 |
| University of Kansas - Geological Survey | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ 40,000 | \$ 40,000 |
| Department of Agriculture | | | | | |
| Kansas v. Colorado Compliance | \$ 1,150,846 | \$ - | \$ - | \$ - | \$ - |
| Interstate Water Issues | 667,776 | 584,217 | 591,647 | 584,217 | 583,635 |
| Subbasin Water Resources Management | - | 667,474 | 667,474 | 667,474 | 761,373 |
| Water Use | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 |
| Ozark Plateau/Spring Water Initiative | - | 92,340 | 92,340 | 72,522 | - |
| <i>Total - Department of Agriculture</i> | \$ 1,878,622 | \$ 1,404,031 | \$ 1,411,461 | \$ 1,384,213 | \$ 1,405,008 |
| State Conservation Commission | | | | | |
| Water Resources Cost-Share | \$ 3,323,365 | \$ 3,418,585 | \$ 3,323,365 | \$ 3,412,218 | \$ 3,326,594 |
| Non-Point Source Pollution Assistance | 2,388,592 | 3,623,854 | 3,992,784 | 3,623,854 | 2,000,000 |
| Aid to Conservation Districts | 1,048,000 | 2,136,154 | 2,136,154 | 2,136,154 | 2,255,919 |
| Watershed Dam Construction | 1,265,970 | 1,055,000 | 1,140,529 | 1,055,000 | 1,055,000 |
| Water Quality Buffer Initiative | 265,437 | 350,000 | 391,720 | 350,000 | 350,000 |
| Riparian and Wetland Program | 88,013 | 251,782 | 364,478 | 251,782 | 251,782 |
| Multipurpose Small Lakes | 1,100,000 | 1,250,000 | 1,250,000 | 1,123,176 | 1,123,176 |
| Water Transition Assistance Program | 64,856 | 1,498,000 | 2,618,705 | 1,498,000 | 1,000,228 |
| Salt Cedar Control Demonstrations | 33,750 | 50,000 | 50,000 | 50,000 | 50,000 |
| Conservation Reserve Enhancement Program | - | 1,000,000 | 2,000,000 | - | - |
| Lake Restoration/Management | - | 2,719,713 | 2,719,713 | 2,895,836 | 2,713,762 |
| <i>Total - State Conservation Commission</i> | \$ 9,577,983 | \$ 17,353,088 | \$ 19,987,448 | \$ 16,396,020 | \$ 14,126,461 |
| Kansas Water Office | | | | | |
| Assessment and Evaluation | \$ 989,772 | \$ 857,605 | \$ 951,493 | \$ 860,000 | \$ 860,000 |
| GIS Database Development | 247,405 | 250,000 | 250,000 | 250,000 | 250,000 |
| MOU - Storage Operations and Maintenance | 388,639 | 733,384 | 694,060 | 301,418 | 301,418 |
| Stream Gaging Program | - | 17,972 | 17,972 | - | - |
| PMIB Loan Payment for Storage | 237,352 | - | - | - | - |
| Technical Assistance to Water Users | 299,858 | 624,949 | 624,949 | 646,030 | 624,919 |
| Water Resource Education | 76,500 | 84,000 | 91,500 | 84,000 | 84,000 |
| Weather Stations | 60,000 | 100,000 | 100,000 | 100,000 | 100,000 |
| Weather Modification | 120,000 | 240,000 | 240,000 | 240,000 | 240,000 |
| Wichita ASR Project, Equus Beds Aquifer | - | - | - | - | 1,000,000 |
| Neosho River Basin Issues | - | 500,000 | 500,000 | 500,000 | 500,000 |
| <i>Total - Kansas Water Office</i> | \$ 2,419,526 | \$ 3,407,910 | \$ 3,469,974 | \$ 2,981,448 | \$ 3,960,337 |
| Department of Wildlife and Parks | | | | | |
| Almena Irrigation District | \$ 60,000 | \$ 1,000,000 | \$ 1,000,000 | \$ - | \$ - |
| Minimum Pool Agreement | - | - | - | 200,000 | - |
| Stream (Biological) Monitoring | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 |
| <i>Total - Department of Wildlife and Parks</i> | \$ 100,000 | \$ 1,040,000 | \$ 1,040,000 | \$ 240,000 | \$ 40,000 |
| Total State Water Plan Fund Expenditures | \$ 17,896,253 | \$ 27,242,342 | \$ 30,082,428 | \$ 24,913,203 | \$ 23,455,415 |

| Resource Estimate | | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | Actual FY 2007 | Approved FY 2008 | Gov. Rec. FY 2008 | Gov. Rec. FY 2009 |
| Beginning Balance | \$ 9,591,892 | \$ 6,832,968 | \$ 9,052,462 | \$ 1,931,151 |
| Adjustments | | | | |
| Released Encumbrances | \$ 63,989 | \$ - | \$ 2,395,294 | \$ - |
| Transfer to the KCC | (400,000) | (400,000) | (400,000) | (400,000) |
| Subtotal--Adjustments | (336,011) | (400,000) | 1,995,294 | (400,000) |
| Receipts | | | | |
| State General Fund Transfer | \$ 6,000,000 | \$ 6,000,000 | \$ 6,000,000 | \$ 6,400,000 |
| EDIF Transfer | 2,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Water Litigation Suspense Fund Transfer | - | - | 584,217 | 525,729 |
| Fee Revenues | 9,430,764 | 9,078,942 | 9,111,944 | 9,511,669 |
| Pollution Fines and Penalties | 262,070 | 70,000 | 70,000 | 80,000 |
| Clean Drinking Water Fee Fund | - | 3,199,662 | 3,199,662 | 3,406,866 |
| Sand Royalty Receipts | - | - | - | - |
| Subtotal--Receipts | \$ 17,692,834 | \$ 20,348,604 | \$ 20,965,823 | \$ 21,924,264 |
| Total Available | \$ 26,948,715 | \$ 26,781,572 | \$ 32,013,579 | \$ 23,455,415 |
| Less: Expenditures | \$ 17,896,253 | \$ 27,242,342 | \$ 30,082,428 | \$ 23,455,415 |
| Ending Balance | \$ 9,052,462 | \$ (460,770) | \$ 1,931,151 | \$ - |

HOUSE APPROPRIATIONS

DATE 1-29-2008
ATTACHMENT 9

8-9

State Water Plan Fund

History and Purpose

The State Water Plan Fund is a statutory fund (K.S.A. 82a-951) that was created by the 1989 Legislature for the purpose of implementing the State Water Plan (K.S.A. 82a-903). Subject to appropriation acts, the Fund may be used for the establishment and implementation of water-related projects or programs and related technical assistance. Funding from the State Water Plan Fund may not be used to replace FTE positions or for recreational projects that do not meet the goals or objectives of the State Water Plan.

Revenue for the State Water Plan Fund is generated by: water protection fees levied on public, industrial, and stock water users; a per ton tax on fertilizer; a registration fee on pesticides; certain fines levied by the Kansas Department of Health and Environment (KDHE); sand royalty receipts; fees paid by public water suppliers; funding from litigation with other states; and annual transfers of \$6,000,000 from the State General Fund and \$2,000,000 from the Economic Development Initiatives Fund (EDIF).

Revenue Detail

Revenue for the State Water Plan Fund is generated by the following sources:

- **Municipal Water Fees**, \$.03 per 1,000 gallons.
- **Industrial Water Fees**, \$.03 per 1,000 gallons.
- **Stock Water Fees**, \$.03 per 1,000 gallons.
- **Pesticide Registration Fees**, \$100 per pesticide registered.
- **Fertilizer Registration Fees**, \$1.40 per ton inspected.
- **Sand Royalty Receipts**, \$0.0375 per ton.
- **Pollution Fines and Penalties**, levied by the Kansas Department of Health and Environment (KDHE). The amount of revenue provided by pollution fines and penalties depends on the particular incident;
- **Clean Drinking Water Fee Fund**, \$.03 per 1,000 gallons. Beginning in FY 2008, 101/106 of the Clean Drinking Water Fee receipts will be deposited in the State Water Plan Fund. Of the funding received from the Clean Drinking Water Fee, 85.0 percent is to be used to renovate and protect lakes which are used directly as a source of water for public water supply systems. The remaining 15.0 percent is to be used to provide on-site technical assistance for public water supply systems.
- **Water Litigation Proceeds Suspense Fund Transfer**, includes funds received from the State of Colorado as the result of litigation between Kansas and Colorado regarding the Arkansas River Compact. Approximately \$1.1 million was received by the Kansas Water Office in FY 2006 and placed in the Water Litigation Proceeds Suspense Fund.
- **State General Fund Transfer**, K.S.A. 82a-953(a) provides for the annual transfer of \$6,000,000 from the State General Fund to the State Water Plan Fund; and
- **Economic Development Initiatives Fund Transfer**, annual transfer of \$2,000,000.

Status of State Building Funds

| | FY 2006 Actual | FY 2007 Actual | FY 2008 Gov. Est. | FY 2009 Gov. Rec. | FY 2010 Estimate | FY 2011 Estimate |
|---|-------------------|-------------------|----------------------|----------------------|---------------------|---------------------|
| <u>Educational Building Fund</u> | | | | | | |
| Beginning Balance | \$ 8,148,466 | \$ 9,788,177 | \$ 13,772,498 | \$ 5,905,882 | \$ 8,947,883 | \$ 6,096,95 |
| Released Encumbrances/Adjs. | 23,108 | -- | -- | -- | -- | - |
| Receipts | 28,752,952 | 33,526,191 | 33,026,120 | 33,517,001 | 35,149,070 | 35,076,905 |
| Transfer in from ELARF | -- | -- | -- | 15,000,000 | 15,000,000 | 15,000,000 |
| Resources Available | \$ 36,924,526 | \$ 43,314,368 | \$ 46,798,618 | \$ 54,422,883 | \$ 59,096,953 | \$ 56,173,858 |
| Expenditures | \$ 27,136,349 | \$ 29,541,870 | \$ 40,892,736 | \$ 45,475,000 | \$ 53,000,000 | \$ 53,000,000 |
| <u>State Institutions Building Fund</u> | | | | | | |
| Beginning Balance | \$ 11,735,074 | \$ 10,951,248 | \$ 12,813,716 | \$ 11,159,501 | \$ 10,397,871 | \$ 8,991,160 |
| Released Encumbrances/Adjs. | 28,775 | 3,815 | -- | -- | -- | -- |
| Receipts | 14,421,151 | 16,811,899 | 16,450,743 | 16,598,407 | 18,081,278 | 17,715,286 |
| Resources Available | \$ 26,185,000 | \$ 27,766,962 | \$ 29,264,459 | \$ 27,757,908 | \$ 28,479,149 | \$ 26,706,446 |
| Expenditures | \$ 15,233,752 | \$ 14,953,246 | \$ 18,104,958 | \$ 17,360,037 | \$ 19,487,989 | \$ 19,877,749 |
| <u>Correctional Institutions Building Fund</u> | | | | | | |
| Beginning Balance | \$ 1,477,937 | \$ 1,510,453 | \$ 1,513,101 | \$ 30,450 | \$ 26,450 | \$ 22,450 |
| Released Encumbrances/Adjs. | 22,304 | 13,992 | -- | -- | -- | -- |
| Receipts | 4,996,828 | 4,992,000 | 4,992,000 | 4,992,000 | 4,992,000 | 4,992,000 |
| Transfer in from ELARF | -- | -- | -- | 1,689,697 | 1,689,697 | 1,689,697 |
| Resources Available | \$ 6,497,069 | \$ 6,516,445 | \$ 6,505,101 | \$ 6,712,147 | \$ 6,708,147 | \$ 6,704,147 |
| Expenditures | \$ 4,986,616 | \$ 5,003,344 | \$ 6,474,651 | \$ 6,685,697 | \$ 6,685,697 | \$ 6,685,697 |

Educational Building Fund

KSA 76-6b01 authorizes a 1.0 mill tax levy on real property for the Educational Building Fund (EBF), for the use and benefit of the state institutions of higher education.

KSA 76-6b02 limits the use of the funds in the EBF to the construction, reconstruction, equipment and repair of buildings and grounds at the state educational institutions under the control and supervision of the State Board of Regents and for payment of debt service on revenue bonds issued to finance such projects, all subject to appropriation by the Legislature.

State Institutions Building Fund

KSA 76-6b04 authorizes a 0.5 mill tax levy on real property for the State Institutions Building Fund (SIBF), for the use and benefit of state institutions caring for persons who are mentally ill, retarded, visually handicapped, with a handicapping hearing loss or tubercular or state institutions caring for children who are deprived, wayward, miscreant, delinquent, children in need of care or juvenile offenders and who are in need of residential care or treatment, or institutions designed primarily to provide vocational rehabilitation for handicapped persons.

State institutions include, but are not limited to, those institutions under the authority of the Commissioner of Juvenile Justice.

KSA 76-6b05 limits expenditures from the fund to be used for the construction, reconstruction, equipment and repair of buildings and grounds at institutions specified in K.S.A. 76-6b04, and amendments thereto, and for payment of debt service on revenue bonds issued to finance such projects, all subject to appropriation by the Legislature.

Correctional Institutions Building Fund

KSA 79-4803 transfers an amount equal to 10.0 percent of the balance of all moneys credited to the state gaming revenues fund to the Correctional Institutions Building Fund (CIBF), to be appropriated by the Legislature for the use and benefit of state correctional institutions.

**EXPANDED LOTTERY ACT REVENUES FUND
FY 2008 and FY 2009**

| <u>Agency/Program</u> | <u>Governor's Recommendation FY 2008</u> | <u>Governor's Recommendation FY 2009</u> |
|--|--|--|
| Department of Administration | | |
| Statehouse Renovation Bonds (Debt) | \$ - | \$ 10,052,858 * |
| SGF KDOT Bonds (Debt) | - | 16,148,175 * |
| Judicial Center Improvements (Debt) | - | 101,170 * |
| Capitol Complex Maintenance | - | 3,000,000 |
| Docking Bldg. Renovation Planning | - | 1,000,000 |
| Subtotal - Administration | \$ - | \$ 30,302,203 |
| Adjutant General | | |
| Armory Renovation (Debt) | \$ - | \$ 2,226,807 * |
| Regional Training Center | - | 4,000,000 |
| Subtotal - Adjutant General | \$ - | \$ 6,226,807 |
| Department of Commerce | | |
| Bioenergy Research Program | \$ - | \$ 2,000,000 |
| Department of Corrections | | |
| Prison Capacity Expansion (Debt) | \$ - | \$ 3,679,303 * |
| Corrections Bonds CIBF Transfer (Debt) | - | 1,689,697 |
| Subtotal - Corrections | \$ - | \$ 5,369,000 |
| Department of Wildlife and Parks | | |
| Ongoing Parks Rehabilitation | \$ - | \$ 3,000,000 |
| Disaster Damage & Green Space Development | - | 1,500,000 |
| Subtotal - Wildlife and Parks | \$ - | \$ 4,500,000 |
| Kansas Bureau of Investigation | | |
| Headquarters Acquisition (Debt) | \$ - | \$ 311,850 * |
| Site Planning and Property Acquisition | - | 250,000 |
| Subtotal - KBI | \$ - | \$ 561,850 |
| Kansas Development Finance Authority | | |
| Housing Trust Fund Transfer | \$ - | \$ 3,000,000 |
| Kansas Public Employees Retirement System | | |
| Retirement Benefits 13th Check Bonds (Debt) | \$ - | \$ 3,210,948 * |
| Kansas State Fair | | |
| Master Plan (Debt) | \$ - | \$ 1,840,821 * |
| Kansas State Historical Society | | |
| Historic Site Preservation and Development | \$ - | \$ 500,000 |
| Board of Regents | | |
| Regents Crumbling Classrooms EBF Transfer | \$ - | \$ 15,000,000 |
| Technical Education Equipment Grant | - | 2,500,000 |
| Subtotal - Regents | \$ - | \$ 17,500,000 |
| University of Kansas | | |
| School of Pharmacy Expansion | \$ - | \$ 1,000,000 |
| University of Kansas Medical Center | | |
| Energy Conservation (Debt) | \$ - | \$ 908,000 * |
| Wichita State University | | |
| Aviation Research (Debt) | \$ - | \$ 1,644,208 * |
| NAIR -- Aviation Infrastructure | - | 2,500,000 |
| Subtotal - State Conservation Commission | \$ - | \$ 4,144,208 |
| Pittsburg State University | | |
| Readiness Center (Debt) | \$ - | \$ 326,999 * |
| TOTAL TRANSFERS AND EXPENDITURES | \$ - | \$ 81,390,836 |

| | <u>Governor's Recommendation FY 2008</u> | <u>Governor's Recommendation FY 2009</u> |
|----------------------------------|--|--|
| ELARF Resource Estimate | | |
| Beginning Balance | \$ - | \$ 9,338,700 |
| Gaming Revenues | 9,338,700 | 72,432,320 |
| Other Income** | - | - |
| Total Available | \$ 9,338,700 | \$ 81,771,020 |
| Less: Expenditures and Transfers | - | 81,390,836 |
| ENDING BALANCE | \$ 9,338,700 | \$ 380,184 |

* Replaces State General Fund debt service totaling \$40,451,139 for all agencies.

** Other income includes interest, transfers, reimbursements and released encumbrances.

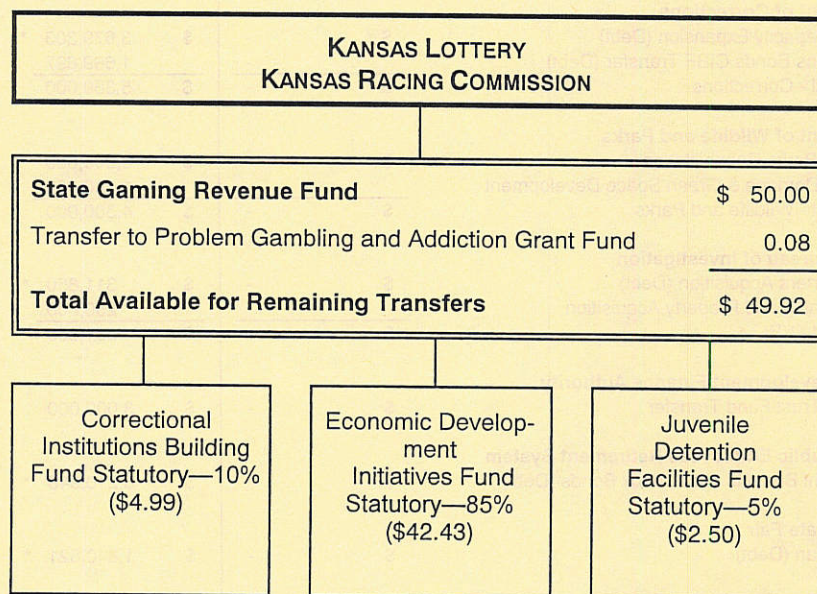
GAMING REVENUES

The Kansas Lottery historically has generated revenue for the state through the sales of lottery tickets and online games. With the passage of 2007 SB 66, the Kansas Lottery will begin transferring new revenue to the state that will be in addition to the traditional (or old) lottery money. The new lottery money will be generated by fees and gaming at race track and casino facilities authorized by 2007 SB 66. The two different funds associated with old and new lottery money are described below.

State Gaming Revenues Fund (SGRF) Overview

The statutes governing the SGRF provide that it shall be used to make transfers to the correctional institutions building fund (CIBF), the Juvenile Detention Facilities Fund (JDFF), and the State Economic Development Initiatives Fund (EDIF). The SGRF which was created by 1986 legislation which created the Kansas Lottery. A portion of state revenue from both the Lottery and parimutuel wagering is transferred to the SGRF. That fund is used essentially as a clearing fund from which further transfers are made on a monthly basis. No more than \$50.0 million may be credited to the SGRF in any fiscal year. Amounts in excess of \$50.0 million are credited to the State General Fund. The Governor estimates \$73.0 million in FY 2008 and \$74.0 million in FY 2009 will accrue to the State General Fund, in addition to the statutory transfers shown below.

State Gaming Revenues Fund Revenue Flow (In Millions)



Expanded Lottery Act Revenues Fund (ELARF) Overview

The statutes governing the ELARF provide that its funding shall be used for "...reduction of state debt, state infrastructure improvements, and reduction of local ad valorem tax..." Revenue to the fund is derived from the distribution of receipts from race track gaming facilities and lottery gaming facilities, and from one-time gaming machine privilege fees and one-time lottery gaming facility privilege fees. The ELARF was created by the 2007 legislation (SB 66).

For FY 2008, the Governor estimates privilege fees of \$4,417,500 for 1,767 gaming machines at two race track facilities will be transferred to the ELARF. For FY 2009, the Governor estimates privilege fees of \$30,500,000 for two casinos will be transferred to the ELARF. The Governor in making recommendations for FY 2008 and FY 2009 also estimates other receipts based on the distributions of gaming machines revenue from two race track facilities, including transfers to the ELARF, as follows:

| Distribution of Gaming Machine Revenue | Statutory Percentage | Gov. Rec. FY 2008 | Gov. Rec. FY 2009 |
|--|----------------------|----------------------|-----------------------|
| Live Horse Racing Purse Supplement Fund | 7.0% | \$ 861,210 | \$ 5,792,890 |
| Live Greyhound Racing Purse Supplement Fund | 7.0% | 861,210 | 5,792,890 |
| Horse Fair Racing Benefit Fund | 1.0% | 123,030 | 1,015,430 |
| Problem Gambling & Addiction Grant Fund (SRS) | 2.0% | 246,060 | 2,030,860 |
| Local Units of Government | 3.0% | 369,090 | 3,046,290 |
| Race Track Manager Fees & Expenses | 40.0% | 4,921,200 | 41,932,320 |
| Transfer to Expanded Lottery Act Revenues Fund (State Share) | 40.0% | 4,921,200 | 41,932,320 |
| Total Distribution | 100.0% | \$ 12,305,008 | \$ 101,545,009 |