

MINUTES OF THE SENATE WAYS & MEANS

The meeting was called to order by Chairman Jay Elmer at 11:00 a.m. on January 13, 2009, in Room 545-N of the Capitol.

All members were present except:  
Senator Taddiken - excused

Committee staff present:

Alan Conroy, Kansas Legislative Research Department  
J. G. Scott, Kansas Legislative Research Department  
Mike Steiner, Kansas Legislative Research Department  
Estelle Montgomery, Kansas Legislative Research Department  
Christina Butler, Kansas Legislative Research Department  
Dylan Dear, Kansas Legislative Research Department  
Cody Gorges, Kansas Legislative Research Department  
Aaron Klaassen, Kansas Legislative Research Department  
Amy Deckard, Kansas Legislative Research Department  
Heather O'Hara, Kansas Legislative Research Department  
Reagan Cussimano, Kansas Legislative Research Department  
Audrey Dunkel, Kansas Legislative Research Department  
Corey Carnahan, Kansas Legislative Research Department  
Jarod Waltner, Kansas Legislative Research Department  
Jonathan Tang, Kansas Legislative Research Department  
Jill Wolters, Office of the Revisor of Statutes  
Daniel Yoza, Office of the Revisor of Statutes  
Melinda Gaul, Chief of Staff  
Shirley Jepson, Committee Assistant

Conferees:  
None

Others attending:  
See attached list.

**Staff Introductions**

Chairman Emler welcomed the Committee to the first meeting of the 2009 Legislative Session.

The staff of the Legislative Research Department, Office of the Revisor of Statutes and Chairman's Office were introduced.

**Committee/Conferee Rules**

Chairman Emler presented and discussed the committee rules and conferee rules for the 2009 Legislative Session (Attachment 1).

**Introduction of Proposed Legislation**

Senator Vratil moved to introduce three pieces of legislation pertaining to (1) school districts and capital improvements; (2) school districts and issuance of no-fund warrants; and (3) school districts and financing the costs of utility services and insurance. The motion was seconded by Senator Kelly. Motion carried on a voice vote.

Responding to a question from the Committee with reference to the legislation on capital improvements, Senator Vratil stated that, at the present time, the State subsidizes bond and interest payments paid by school districts. The proposed legislation would suspend the state payments on school district bonds issued after December 31, 2008. This would affect school district who had bonds approved by voters in November 2008

## CONTINUATION SHEET

MINUTES OF THE Senate Ways & Means at 11:00 on January 12, 2009, in Room 545-N of the Capitol. and have not been issued as of December 31, 2008.

Senator Vratil noted that all three pieces of proposed legislation would sunset in two years or June 30, 2011.

Senator Kelly moved to introduce legislation incorporating the Governor's Budget Recommendations for FY 2009 and FY 2010. The motion was seconded by Senator Teichman. Motion carried on a voice vote.

### **Update on State Revenues**

Alan Conroy, Legislative Research Department, presented an update on State General Fund (SGF) Receipts Estimates for FY 2009 and FY 2010 ([Attachment 2](#)); November, 2008 Consensus Revenue Estimates for FY 2009 and FY 2010 ([Attachment 3](#)); State General Fund (SGF) Receipts, July through December, FY 2009 ([Attachment 4](#)); and Overview of FY 2010 Recommendations from the Governor's Budget Recommendations ([Attachment 5](#)). Mr. Conroy reported that the latest consensus revenue estimate for FY 2009 was decreased by \$211.4 million, or 3.5 percent, below the previous estimate of April 2008, reflecting the state of the national and state economies. Revenue estimates for FY 2010 primarily remains unchanged. Mr. Conroy noted that, at the time of the revenue estimates, there had been no layoffs in the aircraft industry presenting one of the strong points for the state economy. Mr. Conroy stated that the national forecast indicates that the downturn in the economy will continue through 2009 and 2010, with no anticipated upturn until late in 2010 or possibly 2011.

In addition, Mr. Conroy reported that total receipts through December of FY 2009 were \$44.6 million, or 1.6 percent, below the estimate. Only one tax source, retail sales, exceeded the estimate by more than \$1.0 million. Although SGF receipts through December of FY 2009 were \$224.6 million, or 8.9 percent, above FY 2008 for the same period, Mr. Conroy reminded the Committee that two large transfers were made out of the SGF in FY 2008 to the Keeping Promises Education Trust Fund and the Statewide Maintenance and Disaster Relief Fund, which distorts the comparison. Tax receipts only for the same period were below FY 2008 by \$22.4 million, or 0.8 percent.

### **Children's Initiatives Fund, FY 2008 - FY 2009**

Amy Deckard, Legislative Research Department, presented an update on the Children's Initiatives Fund (CIF), FY 2008 - FY 2009 ([Attachment 6](#)). Because of legislation approved by the 2008 Legislature, it is anticipated that the balance in the fund at the end of FY 2009, will be \$29,556.

### **State Water Plan Fund, FY 2007 - FY 2008 - FY 2009**

Heather O'Hara, Legislative Research Department, presented an update on the State Water Plan Fund, FY 2007 - FY 2008 - FY 2009 ([Attachment 7](#)). Ms. O'Hara noted that the transfer to the Economic Development Initiatives Fund (EDIF) was increased by the 2009 Legislature from \$2 million to \$3.04 million. Although the report shows a negative balance, Ms. O'Hara reported that encumbrances released during the latter part of 2008 improved the balance in the fund to a positive balance.

### **Economic Development Initiatives Fund (EDIF), FY 2007-2009**

Michael Steiner, Legislative Research Department, presented an update on the Economic Development Initiatives Fund (EDIF), FY 2007-2009 ([Attachment 8](#)). Mr. Steiner noted that actions by the 2008 Legislature resulted in a negative balance in the fund.

### **Adjournment**

The meeting was adjourned at 12:05 p.m. The next meeting is scheduled for 10:30 a.m. on January 14, 2009.

**SENATE WAYS & MEANS COMMITTEE  
GUEST LIST**

DATE:      January 13, 2009     

NAME	REPRESENTING
Ad Mich	Kinney & Assoc.
Tom Bruno	Bronox Associates
Kevin Robertson	Ks Central Association
Sandy Brader	Caches, Brader & Assoc.
TAVIS Lowe	Pinesse, Smith, & Assoc.
Rock Hahn	Kern Law Firm
Mark BOZANYAK	Capitol Strategies
Mark Tallman	KASR
Val DeFeon	SPE
Mike Hamed	ACUMHEX
Patrick Woods	SRS
Robial Clements	Public Solutions LLC
Kim Fowler	Judicial Branch
Bob Vancrum	Stinson Manning
SHERY SMITH	—

STATE OF KANSAS

JAY SCOTT EMLER  
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BARTON, DICKINSON, ELLSWORTH,  
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TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

CHAIR: WAYS AND MEANS  
VICE CHAIR: KANSAS SECURITY  
MEMBER: COMMERCE  
UTILITIES

Senate Ways and Means Committee  
Committee Rules  
2009 Session

1. Committee meetings will begin promptly at 10:30 a.m. in room 545-N.
2. The Committee meets Monday through Friday. Meetings are scheduled for a **minimum** of one and one-half hours.
3. Subcommittee chair persons will be provided a schedule for subcommittee hearings. Subcommittee chair secretaries will submit all agenda items to the Senate calendar. Any changes to the schedule are the responsibility of the subcommittee chair and the subcommittee chair's secretary who shall coordinate such changes with the members of the subcommittee. Notice of any changes, however, shall be submitted to the committee chairman's chief of staff.
4. Subcommittee reports are due as scheduled in order for fiscal and revisor staff to complete drafting of the committee report in a timely manner for committee and floor debate.
5. Cellular telephones and pagers are to be set to the silent mode upon entering the committee room. Use of cellular phones is not permitted in the hearing room while the committee is in session.
6. All votes shall be *viva voce*, except for votes on budget bills on final action. Such final action votes on budget bills shall be by roll call.
7. Any senator may have his or her vote recorded in the minutes by requesting such vote be recorded. The Chairman shall grant all such requests.
8. A motion to table a matter is not debatable. If the motion is passed, discussion on the issue is terminated.
9. No conferee shall be interrupted during such conferee's presentation, except with the permission of the Chairman.
10. Conferees shall only be questioned about the matter under discussion by the committee.
11. Committee members shall not be approached by anyone during discussion, except other legislators or member of legislative staff.

Senate Ways & Means Cmte

Date 1-13-2009

Attachment 1



12. No senator shall interrupt another senator or conferee who is speaking.

13. Committee members will bring bill drafts for introduction that have a RS#. Exceptions must be brought to the Chairman's attention, prior to start of the committee meeting.

14. All powers, duties and responsibilities not otherwise set forth herein are reserved to the chairman.

JAY SCOTT EMLER  
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TOPEKA

SENATE CHAMBER

COMMITTEE ASSIGNMENTS

CHAIR: WAYS AND MEANS  
VICE CHAIR: KANSAS SECURITY  
MEMBER: COMMERCE  
UTILITIES

**Senate Ways and Means Committee  
Conferee Rules  
2009 Session**

1. Conferees wishing to testify shall contact the committee secretary at least 24 hours in advance.
2. Conferees shall submit 45 copies of written testimony to the committee secretary by 9 AM on the day of the scheduled hearing.
3. Conferees shall summarize written testimony. Any conferee who reads written testimony may be stopped by the chairman and will not be permitted time for further testimony.
4. The chairman may establish time limits for conferees and conferees shall abide by such limitation.
5. Use of visual aids shall be coordinated with the committee secretary at least 24 hours in advance of the hearing at which such aids are requested.
6. Conferees shall not approach a committee member in the committee meeting room while a hearing is in progress or during committee discussion.
7. Agency representatives, lobbyists, and other interested parties will provide the Revisor's Office and legislators related materials to a bill draft prior to requesting introduction.
8. There will be no seat saving in 545-N, with the exception during conference committee for: Representatives (4); Senators (4); Division of the Budget (2); and Press (3).



# KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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November 7, 2008

**To:** Governor Kathleen Sebelius and Legislative Budget Committee  
**From:** Kansas Legislative Research Department  
Kansas Division of the Budget  
**Re:** State General Fund Receipts Estimates for FY 2009 and FY 2010

Estimates for the State General Fund (SGF) are developed using a consensus process that involves the Legislative Research Department, Division of the Budget, Department of Revenue, and three consulting economists from state universities. This estimate is the base from which the Governor and the Legislature build the annual budget. The Consensus Group met on November 4, 2008, and decreased the estimate for FY 2009 and developed the first estimate for FY 2010.

For FY 2009, the estimate was decreased by \$211.4 million, or 3.5 percent, below the previous estimate (made in April and subsequently adjusted for legislation enacted during the veto session). The revised estimate of \$5.781 billion represents 1.5 percent growth above final FY 2008 receipts.

The initial estimate for FY 2010 is \$5.782 billion, which is virtually unchanged from the newly revised FY 2009 figure. Various factors influencing this growth rate in addition to the state of the economy include several pieces of legislation enacted in 2005-2007 that are continuing to reduce relative to prior law the amount of severance, estate, corporation franchise, and motor carrier property tax receipts deposited into the SGF.

Table 1 compares the new FY 2009 and FY 2010 estimates with actual receipts from FY 2008. Table 2 shows the changes in the FY 2009 estimates.

## Economic Forecast for Kansas

The slowing of the national and state economies that began in 2007 has taken a significant turn for the worse this fall. Recent measures of consumer spending and confidence indicate that the economy is sliding deeper into a major downturn, the depth and severity of which remains unclear as of early November. The accelerating financial crisis engulfing the housing, credit, and stock markets makes the level of uncertainty regarding this Consensus estimate much higher than normal. Although forecasts of virtually all major income-related economic variables for the nation and the state have been lowered since April, the possibility remains that the relative health of certain key sectors of the state's economy, including aviation manufacturing and energy, could enable Kansas to experience a milder contraction than the country as a whole. These estimates in fact are based on the assumption that Kansas Gross State Product will grow by 3.5 percent in 2008 and 2009 before accelerating to 5.0 percent in 2010.

Senate Ways & Means Cmte

Date 1-13-2009

Attachment 2



## **Kansas Personal Income**

Kansas Personal Income (KPI) in 2007 grew by 6.3 percent over the 2006 level. The growth rate for KPI is expected to decelerate significantly for 2008 and remain much weaker throughout the forecast period. Current estimates are now set at 4.2 percent for 2008; 3.2 percent for 2009; and 4.3 percent for 2010. Overall US Personal Income growth is not expected to differ significantly from the pattern in Kansas, with national estimates currently at 4.0 percent, 3.0 percent, and 4.8 percent for the same three years, respectively.

## **Employment**

Data obtained from the Kansas Department of Labor indicate that the private-sector economy has been slowing throughout 2008. The most recent monthly data show that total Kansas private (non-farm) employment from September 2007 to September 2008 had decreased by 2.3 percent. Modest growth in professional and business services was more than offset by reductions in manufacturing and financial sector employment. Current unemployment estimates by the Department, which were generally developed prior to much of the economic turmoil beginning to be seen in October, are that the overall Kansas jobless rate, which was 4.1 percent in CY 2007, is expected to jump to 4.4 percent in CY 2008; 4.7 percent in CY 2009; and remain at 4.7 percent for 2010. These figures do compare favorably to current national unemployment forecasts of 5.6 percent for 2008; 6.2 percent for 2009; and 6.1 percent for 2010.

## **Agriculture**

Although net farm income in 2007 was significantly higher than 2006, the outlook for 2008 is much more uncertain as a result of higher input prices, especially energy and fertilizer costs, and the recent collapse in commodity prices tied to problems with the national economy. The All Farm Products Index of Prices received by Kansas farmers was 158 in September, up from 147 a year earlier. Although the 2008 Kansas wheat crop forecast of 356 million bushels represents significant growth over the previous year, it is worth remembering that the crop in 2007 was only 284 million bushels and reflected abandonment of 1.8 million acres, the largest such abandonment in 11 years.

## **Oil and Gas**

Notwithstanding the historic levels of volatility thus far in FY 2009 in the price of oil, the estimate for the average price per taxable barrel of Kansas crude remains at \$80, unchanged from the April forecast. The estimated average price of \$70 per barrel for FY 2010 takes into account the recent collapse in world oil prices and anticipated weakening of demand relative to the economic slowdown. As always, significant political tensions in the Middle East and elsewhere provide a great deal of uncertainty about forecasting the price of this commodity. Gross oil production in Kansas, which had been declining steadily for more than a decade until FY 2000, has recently reversed that trend and been increasing slightly since FY 2005. The current forecast of 40 million barrels for FY 2009 represents a level not seen since FY 1997. Approximately half of all Kansas oil produced is not subject to severance taxation because of various exemptions in that law.

The price of natural gas is expected to average \$6.25 per mcf for FY 2009 before decreasing to \$5.75 per mcf for FY 2010, based on an industry source's analysis of futures markets. Factors considered for these estimates included the relationship between crude oil and gas prices, the current relatively high storage levels for gas, weakening of the economy, and the impact of enhanced



production from shale formations elsewhere in the United States. Kansas natural gas production in FY 2008 of 379 million cubic feet represented a significant decrease from the modern era peak of 730 million cubic feet in FY 1996 (largely as a result of depletion of reserves in the Hugoton Field). Production has nevertheless rebounded slightly in recent years and is expected to stabilize at 390 million cubic feet for both FY 2009 and FY 2010.

### Inflation Rate

The Consumer Price Index for all Urban consumers (CPI-U) increased by 2.9 percent in 2007, matching the final November forecast. Higher energy prices have contributed to the current 2008 CPI-U forecast being increased to 4.3 percent (relative to the 2.9 percent estimate used in April). The latest forecasts for 2009 and 2010 are for inflation to return to more moderate levels, 2.4 percent and 1.9 percent, respectively.

### Interest Rates

The Pooled Money Investment Board is authorized to make investments in US Treasury and Agency securities, highly rated commercial paper, repurchase agreements and certificates of deposit in Kansas banks. In FY 2008, the state earned 4.26 percent on its SGF portfolio (compared with a 5.27 percent rate in FY 2007). The average rate of return forecasted for FY 2009 is 2.55 percent. For FY 2010, the forecasted rate is 2.70 percent.

### Economic Forecasts

	<u>CY 2008*</u>	<u>CY 2009*</u>	<u>CY 2010*</u>
KPI Growth	4.2%	3.2%	4.3%
Inflation (CPI-U)	4.3%	2.4%	1.9%
	<u>FY 2008</u>	<u>FY 2009*</u>	<u>FY 2010*</u>
SGF Interest	4.26%	2.55%	2.70%
Oil and Gas			
Oil Price per bbl	\$80.71	\$80.00	\$70.00
Gross Prod. (000)	38,008	40,000	38,000
Gas Price per mcf	\$6.13	\$6.25	\$5.75
Gas Taxable Value	2,188,973	2,291,250	2,107,950

\* Estimated



## State General Fund Receipts Estimates

**FY 2009.** The revised estimate of SGF receipts for FY 2009 is \$5.781 billion, a decrease of \$211.4 million from the previous estimate. The revised estimate is \$87.8 million or 1.5 percent above actual FY 2008 receipts.

Each individual SGF source was reevaluated independently and consideration was given to revised and updated economic forecasts, collection information from the Departments of Revenue and Insurance, and year-to-date receipts.

The estimate of total taxes was decreased by \$230.7 million, while the estimate of other revenue was increased by \$19.3 million.

The estimate for individual income taxes was decreased by \$179.4 million. Stock market upheavals, especially during the fall, likely will result in far less tax year 2008 income tax receipts attributable to capital gains and dividend income than the state has been receiving in recent years. Final FY 2008 receipts from this source were more than \$50 million below the final estimate for that year, a downturn in receipts that had occurred well before this fall's economic news.

The compensating use tax forecast was decreased by \$48.0 million. This result is largely attributable to refunds of approximately \$30 million for one taxpayer, as well the impact of the weakening economy on certain business purchases and selected motor vehicle sales.

The sales tax estimate, although slightly ahead of the previous forecast through October, was reduced by \$10.7 million in anticipation of much weaker consumer spending and confidence for the balance of the fiscal year.

The interest forecast was reduced by \$10.0 million as a result of lower SGF balances throughout the fiscal year and a reduced interest rate.

On the positive side, the corporation income tax estimate was increased by \$7.8 million as a result of a previously unanticipated assessment of more than \$10.0 million.

The oil severance tax estimate also was increased by \$5.7 million because of an increased production forecast; and new information about the timing of the diversion of certain revenues to a special trust fund.

The agency earnings estimate was increased by \$27.9 million because of the infusion of one-time money relative to a settlement with the federal government over deferred medical assistance payments from FY 2005 and FY 2006.

Details of the current year's revised estimate are reflected in Table 2.

**FY 2010.** SGF receipts are estimated to be \$5.782 billion in FY 2009, a figure that is virtually unchanged from the new FY 2009 forecast. The growth rate for total taxes is expected to be 1.9 percent.

Factors taken into account for FY 2010 include continued phasing out of the estate and corporation franchise taxes; the expectation that very modest growth will be returning to the major tax sources; the removal of the one-time federal drawdown from agency earnings; and a significant increase in net transfers from the SGF scheduled under current law.

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**FY 2011 and thereafter.** Although the Consensus Group will not make its initial estimate for FY 2011 until next fall, worthy of note is the fact that a number of provisions in previously enacted legislation will further reduce SGF receipts beginning in FY 2011:

- Legislation enacted in 2006 that decoupled the Kansas estate tax from the federal law beginning in 2007 and eliminates the Kansas tax altogether in 2010 will reduce receipts relative to the prior law by \$47 million in FY 2011; and \$52 million in FY 2012.
- Legislation enacted in 2007 that phases out the corporation franchise tax will reduce receipts relative to the prior law by an estimated \$37.0 million in FY 2011; and \$48.0 million in FY 2012.
- Legislation enacted in 2006 relative to a property tax exemption for business machinery and equipment is expected to further reduce motor carrier property tax receipts to the SGF by \$5.6 million in FY 2011; and \$7.4 million in FY 2012.
- Additional legislation enacted in 2005 will reduce severance tax receipts to the SGF by \$10.9 million in FY 2011; and \$14.4 million in FY 2012; and \$18.0 million in FY 2013.

### **Accuracy of Consensus Revenue Estimates**

For 34 years, SGF revenue estimates for Kansas have been developed using the consensus revenue estimating process. Besides the three state agencies identified on the first page, the economists currently involved in the process are Joe Sicilian from the University of Kansas, Ed Olson from Kansas State University, and John Wong from Wichita State University. Each of the agencies and individuals involved in the process prepared independent estimates and met on November 4, 2008, to discuss estimates and come to a consensus for each fiscal year.



### STATE GENERAL FUND ESTIMATES

Fiscal Year	Adjusted Original Estimate*	Adjusted Final Estimate**	Actual Receipts	Difference from Original Estimate*		Difference from Final Estimate**	
				Amount	Percent	Amount	Percent
1975	--	\$614.9	\$627.6	--	--	\$12.7	2.1%
1976	\$676.3	699.7	701.2	\$24.9	3.7%	1.4	0.2
1977	760.2	760.7	776.5	16.3	2.1	15.8	2.1
1978	830.1	861.2	854.6	24.5	3.0	(6.5)	(0.8)
1979	945.2	1,019.3	1,006.8	61.6	6.5	(12.5)	(1.2)
1980	1,019.3	1,095.9	1,097.8	78.5	7.7	1.9	0.2
1981	1,197.1	1,226.4	1,226.5	29.4	2.5	0.1	0.0
1982	1,351.3	1,320.0	1,273.0	(78.3)	(5.8)	(47.0)	(3.6)
1983	1,599.2	1,366.9	1,363.6	(235.6)	(14.7)	(3.2)	(0.2)
1984	1,596.7	1,539.0	1,546.9	(49.8)	(3.1)	7.9	0.5
1985	1,697.7	1,679.7	1,658.5	(39.2)	(2.3)	(21.3)	(1.3)
1986	1,731.2	1,666.4	1,641.4	(89.8)	(5.2)	(25.0)	(1.5)
1987	1,903.1	1,764.7	1,778.5	(124.6)	(6.5)	13.8	0.8
1988	1,960.0	2,031.5	2,113.1	153.1	7.8	81.6	4.0
1989	2,007.8	2,206.9	2,228.3	220.5	11.0	21.4	1.0
1990	2,241.2	2,283.3	2,300.5	59.3	2.6	17.2	0.8
1991	2,338.8	2,360.6	2,382.3	43.5	1.9	21.7	0.9
1992	2,478.7	2,454.5	2,465.8	(12.9)	(0.5)	11.3	0.5
1993	2,913.4	2,929.6	2,932.0	18.6	0.6	2.4	0.1
1994	3,040.1	3,126.8	3,175.7	135.6	4.5	48.9	1.6
1995	3,174.4	3,243.9	3,218.8	44.4	1.4	(25.1)	(0.8)
1996	3,428.0	3,409.2	3,448.3	20.3	0.6	39.0	1.1
1997	3,524.8	3,642.4	3,683.8	159.0	4.5	41.4	1.1
1998	3,714.4	3,971.0	4,023.7	309.3	8.3	52.7	1.3
1999	3,844.7	4,051.9	3,978.4	133.7	3.5	(73.4)	(1.8)
2000	4,204.1	4,161.0	4,203.1	(1.0)	0.0	42.1	1.0
2001	4,420.7	4,408.7	4,415.0	(5.7)	(0.1)	6.4	0.1
2002	4,674.5	4,320.6	4,108.9	(565.6)	(12.1)	(211.7)	(4.9)
2003	4,641.0	4,235.6	4,245.6	(395.4)	(9.3)	9.9	0.2
2004	4,605.5	4,450.5	4,518.7	(86.8)	(1.9)	68.2	1.5
2005	4,490.5	4,793.8	4,841.3	350.8	7.8	47.5	1.0
2006	4,834.0	5,308.7	5,394.4	560.4	11.6	85.7	1.6
2007	5,144.0	5,721.3	5,809.0	665.0	12.9	87.8	1.5
2008	5,700.4	5,736.3	5,694.9	(5.5)	(0.1)	(41.4)	(0.7)

\* The adjusted original estimate is the estimate made in November or December prior to the start of the next fiscal year in July and adjusted to account for legislation enacted, if any, which affected receipts to the SGF.

\*\* The final estimate made in March, April, or June is the adjusted original estimate plus or minus changes subsequently made by the Consensus Estimating Group. It also includes the estimated impact of legislation on receipts.

The table (above) presents estimates compared to actual receipts since FY 1975, the fiscal year for which the current process was initiated. First, the adjusted original estimate is compared to actual collections and then the final estimate is compared to actual receipts.

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## Concluding Comments

Consensus revenue estimates are based on current federal and state laws and their current interpretation. These estimates will be further adjusted in mid-April prior to the conclusion of the 2009 Legislative Session.

**Table 1**  
**State General Fund Receipts**  
*(Dollars in Thousands)*

	Consensus Estimate November 4, 2008					
	FY 2008 (Actual)		FY 2009 (Revised)		FY 2010	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$ 29,032	12.5 %	\$ 30,500	5.1 %	\$ 28,500	(6.6) %
Income Taxes:						
Individual	\$ 2,896,653	6.9 %	\$ 2,890,000	(0.2) %	\$ 2,990,000	3.5 %
Corporation	432,078	(2.3)	340,000	(21.3)	365,000	7.4
Financial Inst.	33,160	0.2	32,000	(3.5)	32,000	--
Total	\$ 3,361,891	5.6 %	\$ 3,262,000	(3.0) %	\$ 3,387,000	3.8 %
Estate Tax	\$ 44,247	(20.4) %	\$ 32,000	(27.7) %	\$ 15,000	(53.1) %
Excise Taxes:						
Retail Sales	\$ 1,711,398	(3.1) %	\$ 1,715,000	0.2 %	\$ 1,750,000	2.0 %
Compensating Use	246,277	(13.6)	220,000	(10.7)	225,000	2.3
Cigarette	112,705	(2.2)	111,000	(1.5)	110,000	(0.9)
Tobacco Products	5,548	4.6	5,600	0.9	5,800	3.6
Cereal Malt Bev.	2,228	6.6	2,200	(1.3)	2,200	--
Liquor Gallonage	17,579	3.1	18,000	2.4	18,400	2.2
Liquor Enforcement	49,983	6.0	52,000	4.0	54,000	3.8
Liquor Drink	8,903	3.9	9,500	6.7	9,700	2.1
Corp. Franchise	46,659	(2.6)	32,000	(31.4)	20,000	(37.5)
Severance	148,172	27.7	156,700	5.8	130,200	(16.9)
Gas	91,511	14.9	92,300	0.9	80,000	(13.3)
Oil	56,662	55.7	64,400	13.7	50,200	(22.0)
Total	\$ 2,349,452	(2.6) %	\$ 2,322,000	(1.2) %	\$ 2,325,300	0.1 %
Other Taxes:						
Insurance Prem.	117,588	3.3 %	\$ 118,000	0.4 %	\$ 119,000	0.8 %
Miscellaneous	5,233	(4.7)	2,500	(52.2)	2,500	--
Total	\$ 122,821	3.0 %	\$ 120,500	(1.9) %	\$ 121,500	0.8 %
Total Taxes	\$ 5,907,443	1.9 %	\$ 5,767,000	(2.4) %	\$ 5,877,300	1.9 %
Other Revenues:						
Interest	\$ 111,258	20.6 %	\$ 51,000	(54.2) %	\$ 50,000	(2.0) %
Net Transfers	(377,653)	(172.0)	(118,200)	(68.7)	(199,500)	(68.8)
Agency Earnings	53,875	(16.4)	81,400	51.1	54,600	(32.9)
Total	\$ (212,519)	---	\$ 14,200	(106.7) %	\$ (94,900)	(768.3) %
Total Receipts	<u>\$ 5,694,924</u>	<u>(2.0) %</u>	<u>\$ 5,781,200</u>	<u>1.5 %</u>	<u>\$ 5,782,400</u>	<u>0.0 %</u>



**Table 2**  
**State General Fund Receipts**  
**FY 2009 Revised**  
**Comparison of November 2008 Estimate to June 2008 Estimate**  
*(Dollars in Thousands)*

	FY 2009 CRE Est. as Adj. for Legis.	FY 2009 CRE Estimate	Difference	
			Amount	Pct. Chg.
<b>Property Tax:</b>				
Motor Carrier	\$ 29,500	\$ 30,500	\$ 1,000	3.4 %
<b>Income Taxes:</b>				
Individual	\$ 3,069,420	\$ 2,890,000	\$ (179,420)	(5.8) %
Corporation	332,200	340,000	7,800	2.3
Financial Inst.	40,000	32,000	(8,000)	(20.0)
<b>Total</b>	<b>\$ 3,441,620</b>	<b>\$ 3,262,000</b>	<b>\$ (179,620)</b>	<b>(5.2) %</b>
Estate Tax	\$ 32,000	\$ 32,000	\$ --	-- %
<b>Excise Taxes:</b>				
Retail Sales	\$ 1,725,702	\$ 1,715,000	\$ (10,702)	(0.6) %
Compensating Use	268,000	220,000	(48,000)	(17.9)
Cigarette	108,000	111,000	3,000	2.8
Tobacco Product	5,600	5,600	--	--
Cereal Malt Beverage	2,200	2,200	--	--
Liquor Gallonage	17,800	18,000	200	1.1
Liquor Enforcement	52,000	52,000	--	--
Liquor Drink	9,500	9,500	--	--
Corporate Franchise	32,000	32,000	--	--
Severance	151,300	156,700	5,400	3.6
Gas	92,600	92,300	(300)	(0.3)
Oil	58,700	64,400	5,700	9.7
<b>Total</b>	<b>\$ 2,372,102</b>	<b>\$ 2,322,000</b>	<b>\$ (50,102)</b>	<b>(2.1) %</b>
<b>Other Taxes:</b>				
Insurance Premium	\$ 119,000	\$ 118,000	\$ (1,000)	(0.8) %
Miscellaneous	3,500	2,500	(1,000)	(28.6)
<b>Total</b>	<b>\$ 122,500</b>	<b>\$ 120,500</b>	<b>\$ (2,000)</b>	<b>(1.6) %</b>
<b>Total Taxes</b>	<b>\$ 5,997,722</b>	<b>\$ 5,767,000</b>	<b>\$ (230,722)</b>	<b>(3.8) %</b>
<b>Other Revenues:</b>				
Interest	\$ 61,000	\$ 51,000	\$ (10,000)	(16.4) %
Net Transfers	(119,610)	(118,200)	1,410	(1.2)
Agency Earnings	53,510	81,400	27,890	52.1
<b>Total Other Revenue</b>	<b>\$ (5,100)</b>	<b>\$ 14,200</b>	<b>\$ 19,300</b>	<b>(378.4) %</b>
<b>Total Receipts</b>	<b>\$ 5,992,622</b>	<b>\$ 5,781,200</b>	<b>\$ (211,422)</b>	<b>(3.5) %</b>



November, 2008 Consensus Revenue Estimates for FY 2009 and FY 2010; 4.0 Percent Growth in FY 2011 and FY 2012  
 FY 2008 Actual Receipts and Expenditures  
 Legislature Approved Expenditures for FY 2009, Plus Shifting of \$36.3 million from FY 2008, Plus Consensus Expenditures  
 State Employee Pay Plan (2008 Senate Substitute for HB 2916)  
 Keeping Promises Education Trust Fund - SB 531  
 Assumes No Expanded Gaming Revenue  
 Actual Receipts through December, 2008 - Reduction of \$44.6 million

**STATE GENERAL FUND RECEIPTS, EXPEND. AND BALANCES**  
 FY 2008 - FY 2012  
 In Millions

	Actual FY 2008	Revised FY 2009	Projection FY 2010	Projection FY 2011	Projection FY 2012
Beginning Balance	\$ 935.0	\$ 528.1	\$ (185.8)	\$ (1,110.2)	\$ (1,809.8)
Receipts (November 2008 Consensus) - 4.0 % Growth	5,694.9	5,818.4	5,745.2	6,015.6	6,240.6
Keeping Education Promises Trust Fund (SB 531)	0.0	(37.2)	37.2	0.0	0.0
Spring, 2008 Federal Economic Stimulus Legislation	0.0	0.0	0.0	15.7	11.1
Prior Legislation Making Receipt Adjustments	0.0	0.0	0.0	(17.6)	(5.7)
<b>Receipts Adjusted for Actual Through December, 2008</b>	0.0	<b>(44.6)</b>	<b>(44.6)</b>	0.0	0.0
Adjusted Receipts	5,694.9	5,736.6	5,737.8	6,013.7	6,246.0
Total Available	\$ 6,629.9	\$ 6,264.7	\$ 5,552.0	\$ 4,903.5	\$ 4,436.1
K-12 Additional Funding - 2008 SB 531 in FY 2010/CPI-U	149.0	122.7	75.6	20.0	20.0
Maintain Special Education at 92% of Excess Costs	-	4.5	33.7	25.0	25.0
State Employee Market Adjustments - 2008 HB 2916	-	-	8.5	8.5	8.5
Human Services Caseloads (November, 2008)	-	5.3	30.9	60.0	60.0
KPERS Employer Contrib. Increase (School;Nonschool)	-	-	42.0	42.0	42.0
Restoration of Local Ad Valorem Tax Reduction Fund	-	-	13.5	13.5	13.5
Less All Other Expenditures	5,952.8	6,318.0	6,458.0	6,667.2	6,851.2
Total Expenditures	6,101.8	6,450.5	6,662.2	6,822.7	7,020.2
<b>Ending Balance</b>	<b>\$ 528.1</b>	<b>\$ (185.8)</b>	<b>\$ (1,110.2)</b>	<b>\$ (1,919.2)</b>	<b>\$ (2,584.1)</b>
Ending Balance as a Percentage of Expenditures	8.7%	-2.9%	-17.0%	-28.7%	-37.6%
Receipts Above Expenditures	\$ (406.9)	\$ (713.9)	\$ (924.4)	\$ (809.0)	\$ (774.2)

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- 1) FY 2008 expenditures are actual. FY 2009 expenditures are as approved by the Legislature, plus shifting of \$36.3 million from FY 2008, plus consensus caseloads (human services and education).
- 2) FY 2009 receipts reflect the estimates of the Consensus Revenue Estimating Group as of November 4, 2008. FY 2008 receipts are actual receipts. FY 2009 and FY 2010 each reduced \$44.6 million, the amount that receipts through December, 2008 were below the Consensus Revenue estimates.
- 3) FY 2010 and FY 2011 base receipts assume a 4.0 percent growth.
- 4) \$466.2 million in new K-12 Funding FY 2007 - FY 2009 - and \$99 Base State Aid Per Pupil increase in FY 2010 in SB 531 or \$4,532 per pupil.
- 5) FY 2010 and FY 2011 expenditures would include on-going obligations such as social services caseloads, KPERS and school finance, partial restoration of the LAVTRF, and the Regents Deferred Maintenance Plan. In addition, the second and third year of the market pay adjustments for Executive Branch classified state employees (2008 Senate Sub. HB 2916)
- 6) Keeping Promises Education Trust Fund transfer of \$122.7 million out of the State General Fund in FY 2008 and returned to the State General Fund in FY 2009 for the FY 2009 school finance increase amount as provided in the 2006 school finance bill. Keeping Promises Education Trust Fund transfer out of \$37.2 million in FY 2009 and in FY 2010 \$37.2 million transferred back to the State General Fund. The latest estimate is that \$108.3 million will be needed for the required minimum increase in school finance funding to meet the CPI-U increase.

Kansas Legislative Research Department  
January 11, 2009

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January 7, 2009

To: Legislative Budget Committee

## STATE GENERAL FUND (SGF) RECEIPTS July through December, FY 2009

This is the second monthly report based on the revised estimate of SGF receipts in FY 2009 made by the Consensus Revenue Estimating Group on November 4, 2008. The figures in both the "Estimate" and "Actual" columns under FY 2009 on the following table include actual amounts received in July-October. Thus, the report essentially deals with the difference between the estimated and actual receipts in November and December.

**Total receipts through December of FY 2009 were \$44.6 million, or 1.6 percent, below the estimate.** The component of SGF receipts from taxes only was \$46.9 million, or 1.7 percent, below the estimate. Total receipts through November of FY 2009 were \$13.7 million, or 0.6 percent, below the estimate and taxes only were \$13.9 million, or 0.6 percent, below the estimate.

Generally, a comparison of only two months is of little value in identifying a trend for the remainder of the year, as the timing and processing of receipts substantially can affect comparisons of the estimate with actual receipts over such a short period of time. In addition, receipts through the end of January will include sales tax receipts on Christmas business and individual income tax estimated payments due in January. Both of these factors will make the January report more helpful in ascertaining a picture of SGF receipts. However, there remains considerable concern of achieving the estimate, given the continued weakening of the national economy.

There was only one tax source that **exceeded** the estimate by more than \$1.0 million, that being retail sales (\$2.9 million, or 0.3 percent).

Taxes that fell **below** the estimate by more than \$1.0 million were: corporation income (\$21.5 million, or 12.7 percent); compensating use (\$11.1 million, or 8.8 percent); individual income (\$9.8 million, or 0.8 percent); severance (\$2.3 million, or 2.5 percent); financial institutions privilege (\$2.0 million, or 13.8 percent); insurance premiums (\$1.7 million, or 3.6 percent).

Interest earnings and agency earnings both exceeded the estimate by \$1.8 million and \$2.7 million, respectively. Net transfers fell below the estimated amount by \$2.3 million.

**Total SGF receipts through December of FY 2009 were \$224.6 million, or 8.9 percent, above FY 2008 for the same period. But remember that in FY 2008, there were two large transfers out of the State General Fund (Keeping Promises Education Trust Fund and the Statewide Maintenance and Disaster Relief Fund) which, in part, distort year-to-year**

**comparisons. Tax receipts only for the same period were below FY 2008 by \$22.4 million, or 0.8 percent.**

This report excludes the two deposits to the SGF which total \$550 million, pursuant to issuance of certificates of indebtedness. These certificates will be discharged prior to the end of the fiscal year.



**STATE GENERAL FUND RECEIPTS**  
**July - December, FY 2009**  
 (dollar amounts in thousands)

	Actual FY 2008	FY 2009		Percent increase relative to:		
		Estimate*	Actual	Difference	FY 2008	Estimate
<b>Property Tax:</b>						
Motor Carriers	\$ 18,213	\$ 19,200	\$ 18,264	\$ (936)	0.3%	(4.9)%
<b>Income Taxes:</b>						
Individual	\$ 1,242,122	\$ 1,286,000	\$ 1,276,170	\$ (9,830)	2.7%	(0.8)%
Corporation	191,182	169,000	147,500	(21,500)	(22.8)	(12.7)
Financial Inst.	20,559	14,600	12,589	(2,011)	(38.8)	(13.8)
Total	\$ 1,453,863	\$ 1,469,600	\$ 1,436,259	\$ (33,341)	(1.2)%	(2.3)%
Estate Tax	\$ 31,020	\$ 17,000	\$ 15,272	\$ (1,728)	(50.8)%	(10.2)%
<b>Excise Taxes:</b>						
Retail Sales	\$ 852,048	\$ 860,000	\$ 862,928	\$ 2,928	1.3%	0.3%
Comp. Use	135,969	126,000	114,928	(11,072)	(15.5)	(8.8)
Cigarette	58,613	56,500	57,449	949	(2.0)	1.7
Tobacco Prod.	2,815	2,850	2,830	(20)	0.5	(0.7)
Cereal Malt Bev.	1,168	1,050	1,071	21	(8.3)	2.0
Liquor Gallonage	8,976	9,300	9,353	53	4.2	0.6
Liquor Enforce.	23,754	25,900	26,889	989	13.2	3.8
Liquor Drink	4,248	4,500	4,564	64	7.4	1.4
Corp. Franchise	9,904	8,900	8,198	(702)	(17.2)	(7.9)
Severance	62,141	92,200	89,911	(2,289)	44.7	(2.5)
Gas	39,051	52,200	51,518	(682)	31.9	(1.3)
Oil	23,090	40,000	38,393	(1,607)	66.3	(4.0)
Total	\$ 1,159,635	\$ 1,187,200	\$ 1,178,120	\$ (9,080)	1.6%	(0.8)%
<b>Other Taxes:</b>						
Insurance Prem.	\$ 51,155	\$ 47,000	\$ 45,330	\$ (1,670)	(11.4)%	(3.6)%
Miscellaneous	2,384	750	653	(97)	(72.6)	(13.0)
Total	\$ 53,539	\$ 47,750	\$ 45,983	\$ (1,767)	(14.1)%	(3.7)%
<b>Total Taxes</b>	<b>\$ 2,716,270</b>	<b>\$ 2,740,750</b>	<b>\$ 2,693,898</b>	<b>\$ (46,852)</b>	<b>(0.8)%</b>	<b>(1.7)%</b>
<b>Other Revenue:</b>						
Interest	\$ 58,594	\$ 26,800	\$ 28,598	\$ 1,798	(51.2)%	6.7%
Transfers (net)	(269,465)	(19,800)	(22,093)	(2,293)	(91.8)	11.6
Agency Earnings and Misc.	32,193	59,100	61,820	2,720	92.0	4.6
Total	\$ (178,678)	\$ 66,100	\$ 68,325	\$ 2,225	(138.2)%	3.4%
<b>TOTAL RECEIPTS</b>	<b>\$ 2,537,592</b>	<b>\$ 2,806,850</b>	<b>\$ 2,762,223</b>	<b>\$ (44,627)</b>	<b>8.9%</b>	<b>(1.6)%</b>

\* Consensus estimate as of November 4, 2008.  
 Excludes \$550 million to the State General Fund due to an issuance of a certificate of indebtedness.

NOTES: Details may not add to totals due to rounding.

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## Appropriations Update January 13, 2009

The Governor's Budget Report for FY 2010 was presented to the 2009 Legislature on Tuesday, January 13, 2009. The recommendations will be incorporated into appropriations bills for consideration by the Legislature. If you have any questions about any information in this report, please contact Alan Conroy, Director; J.G. Scott, Chief Fiscal Analyst; or Leah Robinson, Principal Fiscal Analyst, at (785) 296-3181.

### Overview of FY 2010 Recommendation

The Governor recommends expenditures of **\$12.9 billion** from all funding sources in FY 2010, including expenditures of **\$6.2 billion** from the State General Fund.

- ◆ State General Fund expenditures **decrease** by 3.1 percent, or \$195.1 million.
- ◆ Expenditures from all funding sources **decrease** by \$718.7 million, or 5.3 percent.
- ◆ The Governor's budget provides for an FY 2010 State General Fund **ending balance** totaling less than 0.1 percent of expenditures (\$0.6 million), \$475.5 million below the 7.5 percent required by statute.
- ◆ The Governor's FY 2010 recommendation includes a **1.0 percent base salary adjustment** for all employees for the entire fiscal year. While there is a base salary increase recommended, the Governor's recommendation is for the pay increase to be **self funded** from within existing resources. It is estimated that the 1.0 percent increase would total \$22.8 million, including \$10.7 million from the State General Fund.
- ◆ 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, Chief Justice of the Supreme Court 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 those involved in managerial functions (increases based on performance); a **professional individual contributor** for employees requiring knowledge of principles and theories of a professional discipline that is normally obtained through a college curriculum (increases within broad bands to reflect different levels of work and performance against established standards); a **protective service** pay plan for uniformed officers and all other positions that meet the definition of police or law enforcement officer (increases based on achievement of milestone and certification events as well as time on the job and performance); a **basic vocational pay plan** for employees that perform routine, structured, work where performance can be measured on a pass/fail basis (increases 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). 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 first phase included the basic vocational classes, as well as the isolated worst cases costing \$16.0 million, including \$8.5 million from the State General Fund. The 2008 Legislature appropriated \$8.5 million from the State General Fund for FY 2010 through FY 2013 to the State Finance Council. The Governor does not recommend changing the funding and leaves the money appropriated to the State Finance Council.
- ◆ The Governor is recommending **revenue adjustments** totaling \$313.3 million in FY 2010. Adjustments increase State General Fund **tax revenue** by \$60.6 million and include a shift of liquor drink tax to the State General Fund (\$27.2 million), freezing tax rates at the FY 2008 level for franchise tax (\$14.0 million) and estate tax (\$5.0 million) and accelerating mineral tax collection (\$10.0 million). A total of \$167.3 million increase is recommended by suspending State General Fund **transfers or payments** for such items as the Local Ad Valorem Tax Reduction Fund/Special City and County Highway Fund /machinery and equipment tax replacement payments (\$68.8 million) to local authorities, stopping repayment of loans to state agencies (\$34.6 million), and capping transfers to the Bioscience Authority (\$20.0 million). A total State General Fund revenue increase of \$85.4 million is attributable to **special revenue fund sweeps**. These include a sweep from the Expanded Lottery Act Revenue Fund (\$56.7 million) and fee fund savings from the moratorium on state contributions to KPE Employee Health Insurance (\$28.7 million).

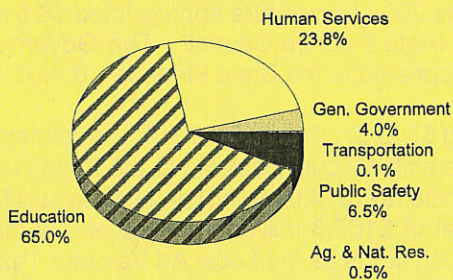
Senate Ways & Means Cmte  
Date 1-13-2009  
Attachment 5



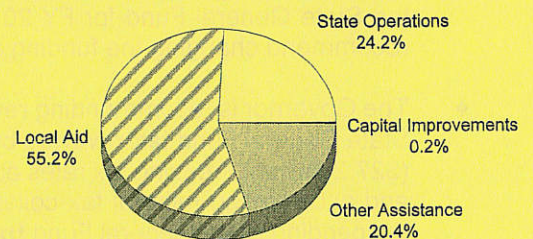
- ◆ State General Fund expenditures for the **Department of Education** decrease by \$165.0 million from the amount estimated by the consensus school finance group, though total (state and local) funding for education remains the same as the FY 2009 recommendation. Special education aid funding is recommended at the FY 2009 recommendation level and funds 84.5 percent of excess costs.
- ◆ State General Fund expenditures for the **Board of Regents and the Regents Institutions** decrease by \$55.3 million or 4.0 percent. Debt service and student financial aid are exempted from the reductions.
- ◆ State General Fund expenditures for the **Department of Social and Rehabilitation Services, the Department on Aging, and the Kansas Health Policy Authority** are reduced by \$60.5 million for caseload policy changes such as a freeze of nursing home rates (\$6.0 million), foster care contract savings (\$14.1 million), 18-month limit on MediKan and General Assistance (\$12.3 million), and grant reductions to community mental health centers (\$7.0 million) and community developmental disability organizations (\$2.0 million).
- ◆ The Governor recommends a **moratorium** on state contributions to KPERS Death and Disability for three quarters (\$30.4 million) and seven payroll cycles for state employee health insurance (\$32.0 million). The Governor states that there are sufficient balances in the funds to continue providing needed benefits.
- ◆ The recommendation includes a State General Fund reduction of \$11.5 million from the closure of facilities in the Department of Corrections - (\$7.8 million) and Juvenile Justice Authority - Atchison Juvenile Correctional Facility (\$3.7 million).
- ◆ The Governor also recommends a **restructuring of existing debt** to save \$39.3 million.
- ◆ The recommendation decreases **FTE positions** by 192.4 from 41,808.6 in FY 2009 to 41,616.2 in FY 2010. Actual FY 2008 FTE positions were 41,609.7.

The following pie charts illustrate the Governor's recommended State General Fund expenditures by function of government and by category of expenditure. Education (including local school aid and Regents universities) receives 65.0 percent of the State General Fund budget in the Governor's recommendations. Aid to local units comprises the largest category of expenditure in the Governor's budget with over half of the FY 2010 State General Fund budget (55.2 percent) distributed to local units of government, primarily through local school aid.

**SGF Expenditures by Function**  
FY 2010 Governor's Recommendation



**SGF Expenditures by Major Purpose**  
FY 2010 Governor's Recommendation





## Recommended Current Year Budget Changes

The Governor's revised FY 2009 recommendation is an increase of \$113.0 million from all funding sources, and a decrease of \$55.8 million from the State General Fund from the amount approved by the 2008 Legislature. The *Governor's Budget Report* identifies several current year adjustments including:

- An increase of \$54.8 million in the budget of the **Adjutant General**, primarily related to disaster relief expenditures.
- A special revenue decrease of \$101.9 million in the budget of the **Department of Transportation**, primarily related to lack of funding for the K-61, US-50, and US-169 projects.
- A decrease in agency operating expenditures from State General Fund totaling \$38.8 million, and a reduction in agency expenditures and a sweep of special revenue savings totaling \$32.7 million.
- A decrease of \$24.6 million from the State General Fund, in the **Board of the Regents and the Regents institutions**, reflecting decreased operating expenditures of 3.0 percent.
- An increase of \$87.2 million, and a decrease of \$4.8 million from the State General Fund, in the budget of the **social service agencies**, largely reflecting increased caseloads.
- With regard to the **State General Fund**, a total of \$36.3 million which had been budgeted for expenditure in FY 2008 in a number of agencies carried forward and is now available for expenditure in FY 2009 with no further legislative action.

The status of the State General Fund, based on the recommendations of the Governor, is reflected in the following profile.

<b>State General Fund Profile-Governor's Recommendation</b>			
<b>In Millions</b>			
	Actual FY 2008	FY 2009	FY 2010
Beginning Balance	\$ 935.0	\$ 526.6	\$ 58.3
Receipts (Nov. 08 Consensus)	5,693.3	5,781.2	5,782.4
Governor's Recommended Receipt Adj.	0.0	99.2	313.4
Adjusted Receipts	<u>\$ 5,693.3</u>	<u>\$ 5,880.4</u>	<u>\$ 6,095.8</u>
Total Available	\$ 6,628.3	\$ 6,407.0	\$ 6,154.1
Expenditures	<u>6,101.8</u>	<u>6,348.6</u>	<u>6,153.5</u>
Ending Balance	<u>\$ 526.6</u>	<u>\$ 58.3</u>	<u>\$ 0.6</u>
<b>Ending Balance as a % of Expenditures</b>	<b>8.6%</b>	<b>0.9%</b>	<b>0.0%</b>
Adjusted Receipts in Excess of Expenditures	\$ (408.5)	\$ (468.2)	\$ (57.7)
<b>% Change from Prior Year:</b>			
Adjusted Revenues	(2.0)%	3.3%	3.7%
Expenditures	8.8%	4.0%	(3.1)%

***Additional information on the Governor's Budget Recommendation and the requests made by state agencies will be presented in the Legislative Budget Analysis to be presented to the Legislature after the legislative fiscal staff completes its analysis.***



# Children's Initiatives Fund

## FY 2008 - FY 2009

Legislative Approved

	Gov. Rec. FY 2008	Final Legislative Approved FY 2008	Final Legislative Approved FY 2009
<b>Department of Health and Environment</b>			
Healthy Start/Home Visitor	\$ 250,000	\$ 250,000	\$ 250,000
Infants and Toddlers Program (Tiny K)	1,200,000	1,200,000	5,700,000
Smoking Cessation/Prevention Program Grants	1,000,000	1,000,000	1,000,000
PKU/Hemophilia	208,000	208,000	208,000
Newborn Hearing Aid Loaner Program	-	-	50,000
SIDS Network Grant	-	-	75,000
Newborn Screening	-	-	2,221,556
Subtotal - KDHE	<u>\$ 2,658,000</u>	<u>\$ 2,658,000</u>	<u>\$ 9,504,556</u>
<b>Juvenile Justice Authority</b>			
Juvenile Prevention Program Grants	\$ 5,579,530	\$ 5,579,530	\$ 5,579,530
Juvenile Graduated Sanctions Grants	3,420,470	3,420,470	3,420,470
Subtotal - JJA	<u>\$ 9,000,000</u>	<u>\$ 9,000,000</u>	<u>\$ 9,000,000</u>
<b>Department of Social and Rehabilitation Services</b>			
Children's Cabinet Accountability Fund	\$ 541,802	\$ 541,802	\$ 541,802
Children's Mental Health Initiative	3,800,000	3,800,000	3,800,000
Family Centered System of Care	5,000,000	5,000,000	5,000,000
Therapeutic Preschool	1,000,000	1,000,000	-
Child Care Services	1,400,000	1,400,000	1,400,000
Community Services - Child Welfare	3,298,597	3,298,597	3,208,938
Smart Start Kansas - Children's Cabinet	8,986,263	8,986,263	8,443,279
Family Preservation	3,151,403	3,151,403	3,241,062
School Violence Prevention	228,000	228,000	-
Attendant Care for Independent Living (ACIL)	50,000	50,000	-
Early Childhood Block Grants	5,000,000	-	11,100,000
Pre-K Pilot	5,000,000	5,000,000	-
Early Head Start	1,600,000	1,600,000	3,452,779
Child Care Quality Initiative	500,000	500,000	500,000
Subtotal - SRS	<u>\$ 39,556,065</u>	<u>\$ 34,556,065</u>	<u>\$ 40,687,860</u>
<b>Kansas Health Policy Authority</b>			
HealthWave	\$ 2,000,000	\$ 2,000,000	\$ 2,000,000
Medical Assistance	3,000,000	3,000,000	3,000,000
Immunization Outreach	500,000	500,000	500,000
Subtotal - KHPA	<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>
<b>Department of Education</b>			
Reading and Vision Research	\$ 300,000	\$ 300,000	\$ 200,000
Four-Year Old at Risk	-	-	100,000
Parents as Teachers	-	-	7,539,500
Pre-K Pilot	-	-	5,000,000
Subtotal - Dept. of Ed.	<u>\$ 300,000</u>	<u>\$ 300,000</u>	<u>\$ 12,839,500</u>
<b>University of Kansas Medical Center</b>			
Tele-Kid Health Care Link	\$ 253,117	\$ 253,117	\$ -
<b>TOTAL</b>	<b><u>\$ 57,267,182</u></b>	<b><u>\$ 52,267,182</u></b>	<b><u>\$ 77,531,916</u></b>

	Gov. Rec. FY 2008	Final Legislative Approved FY 2008	Final Legislative Approved FY 2009
Beginning Balance	\$ 743,550	\$ 743,550	12,276,628
Plus: Other Income*	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	55,645,577	62,922,205	64,458,892
Total Available	<u>\$ 57,267,182</u>	<u>\$ 64,543,810</u>	<u>77,561,472</u>
Less: Expenditures	57,267,182	52,267,182	77,531,916
Transfer Out to KEY Fund	-	-	-
Transfer Out to Children's Initiatives Reserve Fund**	-	-	-
Transfer Out to State General Fund	-	-	-
<b>ENDING BALANCE</b>	<b><u>\$ -</u></b>	<b><u>\$ 12,276,628</u></b>	<b><u>\$ 29,556</u></b>

\* 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.

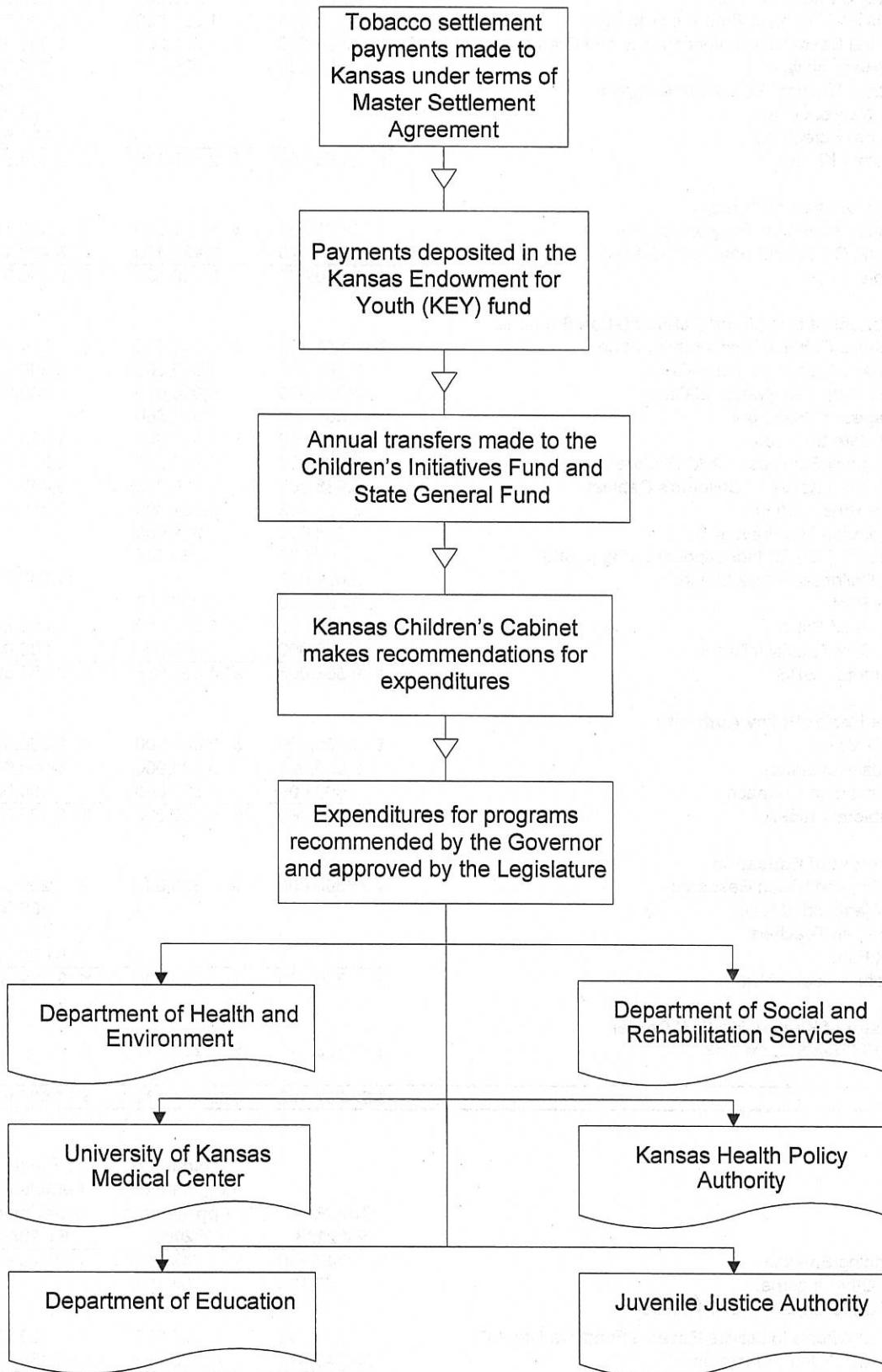
Senate Ways & Means Cmte

Date 1-13-2009

Attachment 6



# Flow of Tobacco Settlement Dollars in Kansas





**State Water Plan Fund**  
**FY 2007 - FY 2008 - FY 2009**

	Actual FY 2007	Legislative Approved FY 2008	Legislative Approved FY 2009
<b>Kansas Dept. of Health and Environment</b>			
Contamination Remediation	\$ 904,574	\$ 1,031,530	\$ 979,387
TMDL Initiatives	257,172	342,087	302,093
Local Environmental Protection Program	1,502,737	1,502,850	1,503,791
Non-Point Source Program	246,803	336,513	299,743
Watershed Restoration and Protection Strategy	799,796	800,204	800,000
Use Attainability Analysis	169,040	-	-
Southeast Kansas Soil Treatment Study	-	120,361	-
<i>Total - KDHE</i>	<u>\$ 3,880,122</u>	<u>\$ 4,133,545</u>	<u>\$ 3,885,014</u>
<b>University of Kansas - Geological Survey</b>	\$ 40,000	\$ 40,000	\$ 40,000
<b>Department of Agriculture</b>			
<i>Kansas v. Colorado</i> Compliance	\$ 1,150,846	\$ -	\$ -
Interstate Water Issues	667,776	591,647	583,362
Subbasin Water Resources Management	-	759,814	760,139
Water Use	60,000	60,000	60,000
<i>Total - Department of Agriculture</i>	<u>\$ 1,878,622</u>	<u>\$ 1,411,461</u>	<u>\$ 1,403,501</u>
<b>State Conservation Commission</b>			
Water Resources Cost-Share	\$ 3,323,365	\$ 3,559,475	\$ 3,415,972
Non-Point Source Pollution Assistance	2,388,592	3,992,784	3,623,754
Aid to Conservation Districts	1,048,000	2,136,154	2,255,919
Watershed Dam Construction	1,265,970	1,140,529	1,055,000
Water Quality Buffer Initiative	265,437	391,720	350,000
Riparian and Wetland Program	88,013	364,478	251,782
Multipurpose Small Lakes	1,100,000	1,250,000	1,123,176
Water Transition Assistance Program	64,856	2,618,705	999,868
Salt Cedar Control Projects	33,750	50,000	-
Conservation Reserve Enhancement Program	-	2,000,000	-
Lake Restoration/Management	-	2,483,603	998,466
<i>Total - Conservation Commission</i>	<u>\$ 9,577,983</u>	<u>\$ 19,987,448</u>	<u>\$ 14,073,937</u>
<b>Kansas Water Office</b>			
Assessment and Evaluation	\$ 989,772	\$ 951,493	\$ 860,000
GIS Database Development	247,405	250,000	250,000
MOU - Storage Operations and Maintenance	388,639	694,060	301,418
PMIB Loan Payment for Storage	237,352	-	-
Technical Assistance to Water Users	299,858	642,921	624,919
Water Resource Education	76,500	91,500	84,000
Weather Stations	60,000	100,000	100,000
Weather Modification	120,000	240,000	240,000
Neosho River Basin Issues	-	500,000	500,000
Wichita ASR Project, Equus Beds Aquifer	-	-	1,000,000
<i>Total - Kansas Water Office</i>	<u>\$ 2,419,526</u>	<u>\$ 3,469,974</u>	<u>\$ 3,960,337</u>
<b>Department of Wildlife and Parks</b>			
Almena Irrigation District	\$ 60,000	\$ 1,000,000	\$ -
Minimum Pool Agreement	-	-	-
Stream (Biological) Monitoring	40,000	40,000	40,000
<i>Total - Dept. of Wildlife and Parks</i>	<u>\$ 100,000</u>	<u>\$ 1,040,000</u>	<u>\$ 40,000</u>
<b>Total State Water Plan Fund Expenditures</b>	<u><b>\$ 17,896,253</b></u>	<u><b>\$ 30,082,428</b></u>	<u><b>\$ 23,402,789</b></u>

Resource Estimate			
<b>Beginning Balance</b>	\$ 9,591,892	\$ 9,052,462	\$ 1,191,187
<b>Adjustments:</b>			
Released Encumbrances	\$ 63,989	\$ 2,395,294	\$ -
Transfer to the KCC	(400,000)	(400,000)	(400,000)
Transfer to the West. Water Cons. Proj. Fund	-	(739,964)	-
<b>Subtotal - Adjustments</b>	<u>\$ (336,011)</u>	<u>\$ 1,255,330</u>	<u>\$ (400,000)</u>
<b>Receipts:</b>			
State General Fund Transfer	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
EDIF Transfer	2,000,000	2,000,000	3,043,985
Water Litigation Suspense Fund Transfer	-	584,217	525,729
Fee Revenues	9,430,764	12,311,606	12,918,535
Pollution Fines and Penalties	262,070	70,000	80,000
<b>Subtotal - Receipts</b>	<u>\$ 17,692,834</u>	<u>\$ 20,965,823</u>	<u>\$ 22,568,249</u>
<b>Total Available</b>	\$ 26,948,715	\$ 31,273,615	\$ 23,359,436
<b>Less: Expenditures</b>	(17,896,253)	(30,082,428)	(23,402,789)
<b>Ending Balance</b>	<u><b>\$ 9,052,462</b></u>	<u><b>\$ 1,191,187</b></u>	<u><b>\$ (43,353)</b></u>

**Senate Ways & Means Cmte**  
**Date** 1-13-2009  
**Attachment** 7



## 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.



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

<u>Agency/Program</u>	<u>Actual FY 2007</u>	<u>Final Approved FY 2008</u>	<u>Final Approved FY 2009</u>
<b>Department of Commerce</b>			
Operating Grant	\$ 15,075,152	\$ 16,946,554	\$ 16,107,481
Older Kansans Employment Program	332,278	330,481	330,667
Rural Opportunity Program	-	2,100,000	2,105,824
Eisenhower Foundation Grant	-	200,000	-
Kansas Sports Hall of Fame Grant	-	250,000	-
Parsons Ammunition Facility Road Reconstruction Grant	-	750,000	-
Subtotal - Commerce	\$ 15,407,430	\$ 20,577,035	\$ 18,543,972
<b>Kansas Technology Enterprise Corporation</b>			
Operations	\$ 1,862,697	\$ 1,808,675	\$ 1,811,520
University & Strategic Research	5,183,666	5,188,682	4,600,927
Product Development Financing	1,476,957	1,519,105	1,519,030
Commercialization	1,906,631	2,684,128	2,660,781
Mid-America Manuf. Tech. Center (MAMTC)	1,524,990	1,401,054	1,440,000
Subtotal - KTEC	\$ 11,954,941	\$ 12,601,644	\$ 12,032,258
<b>Kansas, Inc.</b>			
Operations	\$ 527,999	\$ 504,743	\$ 415,363
<b>Social and Rehabilitation Services</b>			
Child Support Enforcement Call Center	\$ 340,000	\$ -	\$ -
<b>Board of Regents &amp; Universities</b>			
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
WSU - Aviation Classroom & Training Equipment	-	-	2,500,000
WSU - Aviation Research	-	4,750,000	5,000,000
Subtotal - Regents & Universities	\$ 10,007,502	\$ 7,795,500	\$ 10,545,500
<b>Kansas Arts Commission</b>			
Economic Impact Study of the Arts	\$ 14,000	\$ -	\$ -
<b>State Fair</b>			
Ticket Marketing & Premiums	\$ 70,000	\$ 70,000	\$ 70,000
Economic Impact Study	-	40,000	-
Alternative Energy Systems and Utilities	95,384	-	-
Largest Classroom	19,960	-	-
Subtotal - State Fair	\$ 185,344	\$ 110,000	\$ 70,000
<b>Undistributed Pay Plan Allocation*</b>	\$ -	\$ -	\$ 8,789
<b>Total Expenditures</b>	<b>\$ 38,437,216</b>	<b>\$ 41,588,922</b>	<b>\$ 41,615,882</b>
<b>Transfers to Other Funds</b>			
Kansas Economic Opportunity Initiatives Fund	\$ 3,160,000	\$ 3,000,000	\$ 1,250,000
Small Employer Cafeteria Plan Development Program Fund	-	150,000	-
KS Qualified Biodiesel Fuel Producer Incentive Fund	-	400,000	400,000
State Water Plan Fund	2,000,000	2,000,000	3,043,985
Subtotal - Transfers	\$ 5,160,000	\$ 5,550,000	\$ 4,693,985
<b>TOTAL TRANSFERS AND EXPENDITURES</b>	<b>\$ 43,597,216</b>	<b>\$ 47,138,922</b>	<b>\$ 46,309,867</b>
<b>EDIF Resource Estimate</b>			
Beginning Balance	\$ 3,136,491	\$ 4,034,032	\$ 1,127,110
Gaming Revenues	42,432,000	42,432,000	42,432,000
Other Income**	2,062,757	1,800,000	2,150,000
Total Available	\$ 47,631,248	\$ 48,266,032	\$ 45,709,110
Less: Expenditures and Transfers	43,597,216	47,138,922	46,309,867
<b>ENDING BALANCE</b>	<b>\$ 4,034,032</b>	<b>\$ 1,127,110</b>	<b>\$ (600,757)</b>

\* Undistributed pay plan funds allocated by State Finance Council in Senate Sub. For HB 1916

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

Senate Ways & Means Cmte  
Date 1-13-2008  
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." With the exception of a statutory \$2.0 million transfer from the EDIF to the State Water Plan Fund, the Legislature annually appropriates the EDIF for individual projects and programs deemed to support and enhance 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.

**The initial transfers from the State Gaming Revenue Fund, which began in 1986, were as follows:**

1. County Reappraisal Fund (until June 30, 1989) - 30.0%
2. Split between Juvenile Detention Facilities Fund and Correctional Institutions Building Fund (Actual amount to be determined by appropriations act) - 10.0%
3. Economic Development Initiatives Fund (to be increased to 90.0% as of July 1, 1989) - 60.0%

**During the 1988 Session, the Legislature delayed the increase in the transfer to the EDIF until July 1, 1990.**

**During the 1994 Session, the Legislature changed the transfers as of July 1, 1995 to the following:**

1. Correctional Institutions Building Fund - 10.0%
2. Juvenile Detention Facilities Fund - 5.0%
3. Economic Development Initiatives Fund - 85.0%

**During the 2000 Session, the Legislature changed the transfers to the following:**

1. Economic Development Initiatives Fund—\$42,432,000;
2. Correctional Institutions Building Fund—\$4,992,000;
3. Juvenile Detention Facilities Fund—\$2,496,000; and
4. Problem Gambling Grant Fund—\$80,000.

**ECONOMIC DEVELOPMENT INITIATIVES FUND  
Revenue Flow  
(In Millions)**

