A&M

STATE OF KANSAS

BUDGET PROCESS RECOMMENDATIONS

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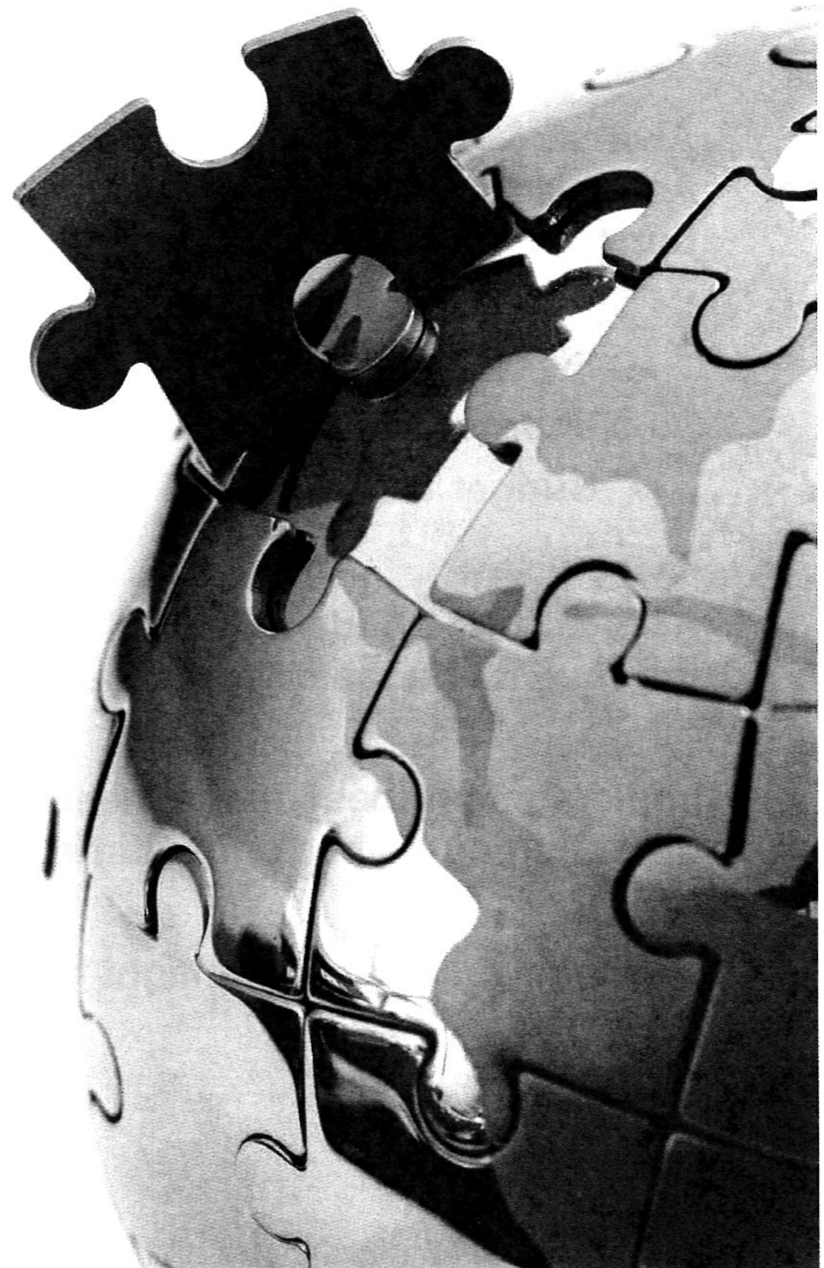
Kansas



January 28, 2016

ALVAREZ & MARSAL

OVERVIEW

Alvarez & Marsal (A&M), in conjunction with the Government Finance Officers Association (GFOA), evaluated Kansas' current budget practices against other state budget practices with a particular focus on:

- **Fiscal Stability**
- **Improved Accountability**
- **Budget Transparency**

A&M and GFOA identified 15 "smart practices" recommendations that will help to improve its budgetary processes and execution.

Implementing these recommendations will result in improved financial and operating outcomes and, ultimately, better and more reliable long-term fiscal health.

The following slides highlight the recommendations and the time for implementation.

FINANCIAL STABILITY

Establish a Risk-Based Reserve Fund Policy

- Ensure Kansas can withstand the next economic downturn

Develop a Structurally Balanced Budget Policy

- Encourage a budget that contributes to long-term financial health by projecting multiple years into the future

Improve Accuracy and Adaptiveness of Revenue Forecasts

- Provide better revenue information and cost/economic drivers for budget decision-makers

Develop Long Term Financial Plans

- Develop a long term financial plan that addresses the multi-year fiscal impact of operating and capital improvement spending requirements

FINANCIAL STABILITY

Develop User Fee Policy

- Ensure those who use public services pay the appropriate costs to use services

Develop Debt Management Policies

- Adopt policies to govern the use of debt and the amount of debt Kansas will incur

Adopt Policy for Addressing Pension Liabilities

- Pension policies define the state's intent to fully fund its pension obligations and follow other practices necessary to maintaining a health position in its pension funds

Maintain a Policy for Funding of Other Postemployment Benefits (OPEB) Obligations

- The State of Kansas currently succeeds with keeping OPEB risk low, and should adopt policies to build on this success

IMPROVED ACCOUNTABILITY

Conduct a Program / Service Inventory Assessment

- Help decision-makers understand the services the budget funds detail

Develop Goals to Guide Budget Decision-Making

- Goals provide a basis for making resource allocation decisions during the budget process

Include Evidence of Program Effectiveness in Budget Decisions

- Kansas receives the highest return for its dollars when program effectiveness is embedded in budget decisions

Implement Performance Budgeting

- Create a statewide approach to introducing into the budget process consideration of the results a given program or service will achieve with the money it receives

BUDGET TRANSPARENCY

Provide Online Access to Budget Documents and Supplemental Data

- Disseminate information in an accessible way that allows stakeholders to create their own reports and simply complex financial data

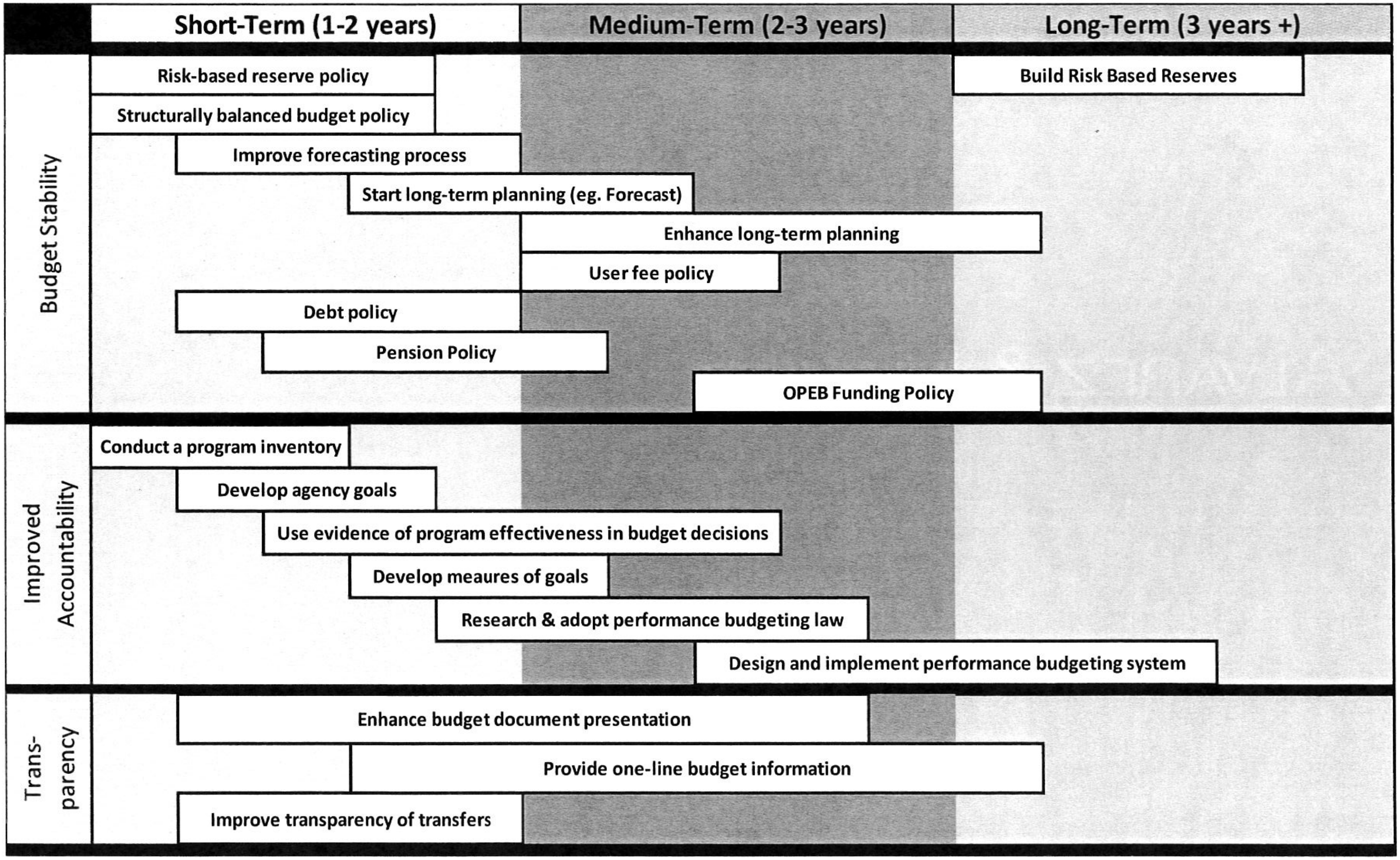
Optimize transparency and accessibility of the budget document

- Use the best techniques from the GFOA Distinguished Budget Presentation Award program to improve transparency

Be Transparent About the Role of Transfers in the Budget

- Improved transparency can help lead to improved decision-making about transfers

RECOMMENDED IMPLEMENTATION TIMELINE



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