

Approved: Feb. 11, 1993
Date

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson August Bogina at 11:00 a.m. on February 5, 1993 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Alan Conroy, Kansas Legislative Research Department
Judy Bromich, Administrative Assistant
Ronda Miller, Committee Secretary

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

Others attending: See attached list

Alan Conroy, Chief Fiscal Analyst, Kansas Legislative Research Department, appeared before the Committee to provide an overview of the Governor's Report on the Budget, Fiscal Year 1994, Attachment 1. The Chairman pointed out that the \$264.3 million net reduction for capital improvements is actually a shift rather than savings. Thus, instead of a net reduction of \$140 million, the Governor's recommendations actually represent a \$120 million increase in expenditures.

In answer to Senator Petty, Mr. Conroy stated that the \$55.4 million transfer from the retroactive payments for disproportionate share funds to the Kansas Special Capital Improvements Fund was established as a multiyear appropriation and that interest is accumulated in the PMIB. He noted that no contracts could be entered into without the monies in the fund and that no funds will be expended until improvements are made.

The Chairman stated his opinion that the Governor's recommendation to transfer \$75 million from the Department of Administration to the Department of Education on July 1, 1993 is somewhat unusual because the money is not appropriated until Fiscal Year 1995.

There was some discussion of the Governor's recommendation to create a new statewide account for payment to state employees for accumulated annual leave upon retirement. In answer to Senator Karr, Mr. Conroy noted that he was unaware of any problems with the similar multiagency fund established for sick leave. It was stated that the cost for annual leave is approximately \$1.8 million annually.

In reviewing state aid to local units of government (Attachment 1-18), Mr. Conroy stated that a portion of the increase to local aid is a result of the increase in sales tax.

Mr. Conroy told members that Attachment s 1-20 and 21 summarize the overall picture of State General Fund expenditures and illustrate the fundamental shift in terms of the funding source for local school districts. He called attention to the 10% increase in state aid to education from FY92 to FY94, noting that education becomes the driving force behind the SGF budget for those years. In this same two year period, all other expenditures from the State General Fund go from 50.3% in FY92 to 41.2% in FY94.

The Chairman pointed out that the chart on page 22 of Attachment 1 illustrates that expenditures will exceed receipts by \$144.4 million in FY94.

The Chairman thanked Alan Conroy for his presentation and urged members to contact the Research Department if they wanted additional information.

APPROVAL OF MINUTES

It was moved by Senator Lawrence and seconded by Senator Kerr that the minutes of January 22, 1993 and January 25, 1993 be approved. The motion carried on a voice vote.

INTRODUCTION OF BILLS

Senator Petty moved, Senator Rock seconded, that bill draft 3 RS 0830 be introduced as requested by Senator Petty. The motion carried on a voice vote.

The meeting was adjourned at 11:57 A.M.

GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: Feb. 5, 1993

[illegible]

OVERVIEW OF THE GOVERNOR'S REPORT ON THE BUDGET FISCAL YEAR 1994

In this Budget Overview, various summaries of state expenditures and the plan for their financing are reviewed. The summary data were obtained from *The Governor's Report on the Budget for Fiscal Year 1994*. The Legislative Research 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 1992, the Governor's revised estimates for FY 1993, and the Governor's recommendations for FY 1994. Because of rounding, detail shown in the various tabulations may not add to the totals.

Summary of Changes to Estimated FY 1993 Expenditures

Based on actions of the 1992 Session of the Legislature, it was estimated by the Research Department that FY 1993 expenditures from all funds would total \$6.225 billion. *The Governor's Budget Report* revises the all funds FY 1993 budget to \$6.076 billion, a reduction of \$140.4 million. The net reduction of \$264.3 million for capital improvements largely reflects a revised construction schedule for the Department of Transportation. Increases of \$98.0 million in other assistance include adjustments for employment security benefits (\$47.9 million) of the Department of Human Resources, lottery prize payments (\$10.0 million), Kansas Public Employees Retirement System (KPERs) benefit payments (\$9.2 million), claims payments (\$8.1 million) by the Insurance Department, and assistance payments (\$17.4 million) for the Department of Social and Rehabilitation Services (SRS). Adjustments for local aid include additional funding of the KPERs-School payment (\$3.4 million) and federal housing assistance to local units (\$2.4 million). State operations includes adjustments to the Regents institutions budgets (\$6.2 million).

At the close of the 1992 Session, FY 1993 expenditures from the State General Fund were estimated to be \$2.727 billion. *The Governor's Budget Report* revises the General Fund FY 1993 budget to \$2.718 billion, a net decrease of \$8.4 million from the earlier estimate. Major differences from the session-end estimate and the current Governor's estimate consist of reductions of \$10.4 million for state operations (mainly in the Department of Social and Rehabilitation Services and institutions and the Department of Corrections and institutions). Shifting of expenditures from FY 1992 (\$1.9 million) and an increase in estimates of demand transfers (\$14.7 million) are the other changes made to estimated General Fund expenditures.

The following tabulation summarizes the changes to FY 1993 expenditures by major category.

Changes to the FY 1993 Budget by Major Purpose of Expenditures (Millions of Dollars)

	General Fund	All Funds
Original FY 1993 Expenditure Estimates	\$ 2,726.5	\$ 6,225.0
Revisions:		
State Operations	(10.4)	14.8
Aid to Local Units	2.2	33.8
Other Assistance	(2.2)	67.2
Capital Improvements	2.0	(264.2)
Total Revisions	\$ (8.4)	\$ (148.4)
Revised FY 1993 Expenditure Estimates	\$ 2,718.1	\$ 6,076.6

SWAM
Feb. 5, 1993
Attachment 1

Total State Expenditures for FY 1994

Summary of Expenditures from All Funds

The Governor's recommendation for FY 1994 state expenditures from all funds totals \$6.652 billion, an increase of \$576 million (9.5 percent) above the Governor's revised estimate for FY 1993. This rate of growth contrasts with the increase of \$589 million, or 10.7 percent, in FY 1993 revised expenditures compared to actual expenditures for FY 1992.

Expenditures by Major Purpose

Recommended expenditures from all funds by major purpose are shown in the following table. Amounts are as recommended by the Governor for FY 1993 and FY 1994 together with actual expenditures for the prior fiscal year. The Governor's FY 1994 recommendation for local aid includes increased expenditures of \$383.3 million for the Department of Education, mainly attributable to the second-year funding of the School District Finance and Quality Performance Act that was enacted by the 1992 Legislature. State operation increases include \$46.2 million for the Regents institutions, \$23.0 million for the state employee salary reserve, and \$22.7 million for the Department of Transportation. Other assistance increases \$68.8 million, most of which is within SRS programs (\$65.7 million), the Kansas Lottery (\$13.3 million), and KPERS (\$11.1 million). Department of Human Resources other assistance payments are revised downward by \$31.0 million.

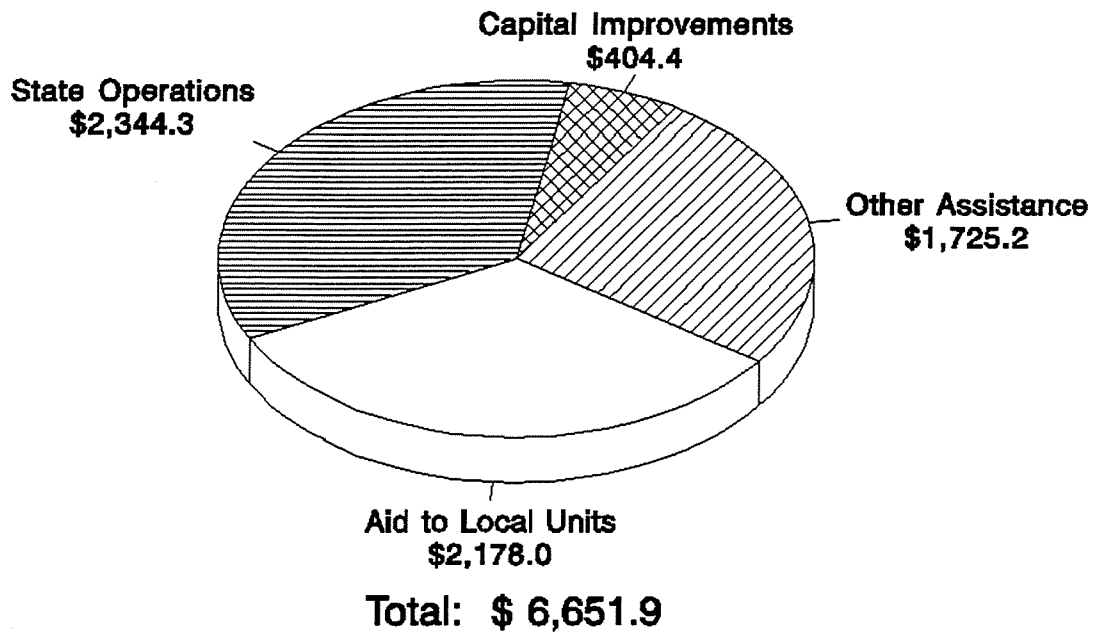
Expenditures from All Funds by Major Purpose

(Millions of Dollars)

Function	Actual FY 92	Est. FY 93	Change		Rec. FY 94	Change	
			\$	%		\$	%
State Operations	\$2,079.4	\$2,218.7	\$139.3	6.7%	\$2,344.3	\$125.6	5.7%
Aid to Local Units	1,494.9	1,784.8	289.9	19.4	2,178.0	393.2	22.0
Other Assistance	1,470.6	1,656.4	185.8	12.6	1,725.2	68.8	4.2
Total Operating	<u>\$5,044.9</u>	<u>\$5,659.9</u>	<u>\$615.0</u>	<u>12.2%</u>	<u>\$6,247.5</u>	<u>\$587.6</u>	<u>10.4%</u>
Capital Improvements	442.5	416.5	(26.0)	(5.9)	404.4	(12.1)	(2.9)
TOTAL	<u><u>\$5,487.4</u></u>	<u><u>\$6,076.4</u></u>	<u><u>\$589.0</u></u>	<u><u>10.7%</u></u>	<u><u>\$6,651.9</u></u>	<u><u>\$575.5</u></u>	<u><u>9.5%</u></u>

Of the total budget recommendation for FY 1994, 35.2 percent is for state operations, 32.8 percent for state aid to local units of government, 25.9 percent is for other assistance, grants, and benefits, and 6.1 percent is for capital improvements. The following pie chart displays the major categories of all funds expenditures in FY 1994.

FY 1994 Expenditures from All Funds by Major Purpose (Millions of Dollars)



Expenditures by Function of Government

The following table summarizes expenditures from all funds by function of government. The education function is by far the largest component with 44.1 percent of the total. The three largest functions of government -- education, public welfare, and transportation -- comprise 76.1 percent of recommended expenditures for FY 1994.

Summary of Expenditures from All Funds by Function of Government

(Millions of Dollars)

Function	Actual FY 92	Est. FY 93	Change		Rec. FY 94	Change	
			\$	%		\$	%
General Government	\$ 564.7	\$ 644.7	\$ 80.0	14.2%	\$ 674.2	\$ 29.5	4.6%
Public Welfare	1,337.6	1,515.4	177.8	13.3	1,562.4	47.0	3.1
Education	2,334.2	2,659.7	325.5	13.9	3,094.3	434.6	16.3
Public Safety	238.2	258.4	20.2	8.5	261.2	2.8	1.1
Agriculture/Natural Resources	43.2	49.5	6.3	14.6	46.5	(3.0)	(6.1)
Health and Hospitals	240.0	270.2	30.2	12.6	278.9	8.7	3.2
Recreation/Historical	37.1	48.3	11.2	30.2	35.1	(13.2)	(27.3)
Transportation	692.8	630.3	(62.5)	(9.0)	676.3	46.0	7.3
Salary Plan/Reclassification							
Reserve	-	-	-	-	23.0	23.0	-
TOTAL	<u>\$5,487.4</u>	<u>\$6,076.4</u>	<u>\$589.0</u>	<u>10.7%</u>	<u>\$6,651.9</u>	<u>\$575.5</u>	<u>9.5%</u>

Summary Plan for Financing

Total state expenditures are financed by the resources contained in over 1,300 distinct funds. The following tabulation summarizes total state expenditures by major fund class, a useful way to group similar funds in the state's accounting system. The tabulation separates the plan for financing into operating purposes and capital improvements. The General Fund operating amount shown in the table for FY 1994 is based upon current resources of the Fund. The increase in General Fund operating expenditures from FY 1993 to FY 1994 is \$452.1 million, or 17.2 percent.

Summary of the Plan for Financing State Expenditures

(Millions of Dollars)

Fund Class	Actual	Est.	Change		Rec.	Change	
	FY 92	FY 93	\$	%		FY 94	\$
Operating Expenditures:							
General Fund	\$2,408.7	\$2,633.2	\$224.5	9.3%	\$3,085.3	\$452.1	17.2%
Special Revenue Funds	1,710.6	2,007.6	297.0	17.4	2,116.0	108.4	5.4
Employment Security Funds	239.3	242.0	2.7	1.1	211.0	(31.0)	(12.8)
Highway Funds	304.4	335.7	31.3	10.3	359.4	23.7	7.1
Retirement Funds	222.7	244.9	22.2	10.0	254.2	9.3	3.8
All Other Funds	159.2	196.5	37.3	23.4	221.6	25.1	12.8
Total Operating	<u>\$5,044.9</u>	<u>\$5,659.9</u>	<u>\$615.0</u>	12.2%	<u>\$6,247.5</u>	<u>\$587.6</u>	10.4%
Capital Improvements:							
General Fund	\$ 82.5	\$ 85.0	\$ 2.5	3.0%	\$ 86.8	\$ 1.8	2.1%
Highway Funds	300.5	207.5	(93.0)	(30.9)	224.1	16.6	8.0
Building Funds	27.8	39.8	12.0	43.2	31.5	(8.3)	(20.9)
All Other Funds	31.7	84.2	52.5	165.6	62.0	(22.2)	(26.4)
Total Capital Improvements	<u>\$ 442.5</u>	<u>\$ 416.5</u>	<u>\$(26.0)</u>	(5.9)%	<u>\$ 404.4</u>	<u>\$ (12.1)</u>	(2.9)%
TOTAL Expenditures	<u>\$5,487.4</u>	<u>\$6,076.4</u>	<u>\$589.0</u>	10.7%	<u>\$6,651.9</u>	<u>\$575.5</u>	9.5%

The State General Fund, to which most state tax receipts are credited, is the predominant source financing for state expenditures. The General Fund finances 44.7 percent of estimated FY 1993 expenditures. In FY 1994, the General Fund finances 47.7 percent of the recommended expenditures. The Governor recommends two revenue transfers to the School District Finance Fund during FY 1994 to address school finances in FY 1995. A transfer of the balance of the State Budget Stabilization Fund estimated at \$75.0 million on July 1, 1993, and a transfer of \$10.0 million from the State General Fund on June 30, 1994, will provide a total of \$85.0 million to address local school financing in FY 1995.

Special revenue funds include most federal grants, student and patient fees, and other charges for benefits received. The All Other Funds category is a combination of several fund classes, including trust and agency funds, shared tax collection funds, and enterprise funds.

Schedule 7 in *The Governor's Budget Report* (Volume 1) summarizes actual and estimated receipts of federal funds. Estimated FY 1993 receipts are \$1.636 billion, an increase of \$239.1 million (17.1 percent) over reported actual receipts in FY 1992 of \$1.397 billion. The FY 1994 estimate of \$1.479 billion is \$156.8 million, or 9.6 percent, below FY 1993 receipts. Three agencies -- the Department of Social and Rehabilitation Services and its institutions, the Department of Transportation, and the Department of Education -- account for almost 80 percent of FY 1994 estimated federal receipts.

Federal receipts for fiscal years 1993 and 1994 are dependent, of course, 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 1993 Legislature. Of particular significance during the 1992 Session was the use of federal disproportionate share funds.

DISPROPORTIONATE SHARE FUNDING

Hospitals which treat large numbers of low-income persons not covered by any private or public health insurance program (medically indigent) are eligible to recoup certain costs of uncompensated care from the state and federal government through the Medicaid program. Kansas has established a formula whereby the Department of Social and Rehabilitation Services is reimbursed for the care of low-income persons in state mental health hospitals (Larned State Hospital, Topeka State Hospital, Osawatomie State Hospital, and Rainbow Mental Health Facility). This reimbursement is primarily for those individuals aged 18 - 64 who have no other health coverage.

SRS submitted an amended state Medicaid plan for the fiscal year beginning October 1, 1991, with an amended formula for calculation of disproportionate share receipts. The revised formula increases the amount of federal reimbursement claimed by the state on behalf of services in the state mental health hospitals. The modified formula increases disproportionate share receipts from the claimed amount of \$33.9 million in FY 1991 to approximately \$104 - \$105 million per year (dependent on the federal Medicaid match rate). The following summarizes the growth in receipts from this formula modification:

Ongoing Disproportionate Share

	In Millions
FY 1991	\$33.9
FY 1992	105.6
FY 1993	105.0
FY 1994	104.5

Disproportionate share funds are deposited in the Institutional Title XIX Fund of the Department of Social and Rehabilitation Services. Certain amounts in excess of state hospital use are transferred to the SRS Fee Fund (Social Welfare Fund) for use in the same manner as State General Fund dollars. Thus, the effect of the formula change is a net increase of approximately \$70.0 million from FY 1992 in annualized funding available to finance a portion of the state share of the Medicaid budget.

Federal legislation passed in late 1991 establishes a cap on the amount of disproportionate share funds states can claim under the Medicaid program. For states whose disproportionate share payments exceed 12 percent of their Medicaid expenditures ("high" disproportionate share states), allotments are frozen until the amount of the disproportionate share payment is equal to 12 percent of the state's total Medicaid expenditures. In other words, the amount is frozen until the state's Medicaid budget grows sufficiently to reduce the percentage of disproportionate share payments to 12 percent of the total budget. This cap applies until at least FFY 1995. Therefore, our state allotment will not increase until FFY 1995.

A. Retroactive Disproportionate Share

In addition to ongoing receipts, the state received retroactive payments for disproportionate share funds uncollected in FY 1990 and FY 1991. The 1992 Legislature received word of the acceptance of the state's retroactive claim. One-time retroactive disproportionate share receipts, to be paid over six quarters in FY 1992-FY 1993, total \$185.8 million. The Governor submitted a budget amendment to the 1992 Legislature with recommendations regarding the use of these funds. The Legislature took the following action:

- Transfer of \$55.4 million to a newly-created Kansas Special Capital Improvements Fund for capital improvement projects primarily at the state Regents universities, to be expended through FY 1995. (The Governor vetoed \$2.6 million in projects recommended by the Legislature from this Fund.)
- Transfer of \$75.0 million to a new State Budget Stabilization Fund with expenditures or transfers to be made with the approval of the State Finance Council and limited to the following purposes:
 - expenditures required for the repair or replacement of any building or equipment which has been destroyed or significantly damaged by sabotage, fire, flood, wind, tornado, catastrophe, disaster, extreme emergency, or act of God; or
 - major expenditures required by a final judgement or order of a court of competent jurisdiction in a matter in which the state or any state agency is a party or required by a court-approved settlement agreement regarding any such matter; or
 - any other major expenditure which is made necessary by any sabotage, fire, flood, wind, or tornado.
 - increase General Fund receipts in FY 1993 by an amount equal to the difference between the latest and the preceding consensus estimates of revenue if the former is one percent or more less than the latter.
- Transfer of \$50.0 million to a Social Services Contingency Fund in SRS for future caseloads and budget shortfalls.
- Replacement of \$4.6 million in State General Fund dollars budgeted for certain one-time expenditures in state agency FY 1993 budgets.
- The remaining balance, approximately \$800,000, was left in the SRS Fee Fund.

B. Governor's Disproportionate Share Funding Recommendations to the 1993 Legislature

The Governor's recommendations to the 1993 Legislature make the following assumptions regarding disproportionate share funds:

- continued receipt and expenditure of ongoing disproportionate share revenue for the state institutions and the Medicaid budget;
- transfer of \$25.0 million from the Social Services Contingency Fund to the SRS Fee Fund in FY 1994 to fund a portion of the FY 1994 SRS budget, leaving a balance of \$25.0 million in the Contingency Fund; and
- the aforementioned transfer of the balance of the State Budget Stabilization Fund, estimated at \$75.0 million, on July 1, 1993 to the School District Finance Fund to lower the demand on the State General Fund for school finance in FY 1995.

Remaining funds available from the retroactive disproportionate share funds subsequent to the Governor's recommended allocations and transfers in FY 1994 include \$25.0 million in the Social Services Contingency Fund and \$2.6 million in the Kansas Special Capital Improvements Fund.

Expenditures for State Operations

Expenditures from all funds for state operations, *i.e.*, for purposes other than local aid, other assistance, and capital improvements, comprise 35.2 percent of total recommended expenditures for FY 1994. The tabulation below divides state operations expenditures into four major components. The All Other category is comprised of debt service and nonexpense items. Capital outlay refers to equipment and furniture items and not to building and highway construction projects.

Expenditures from All Funds for State Operations by Major Component

	Actual FY 92	Est. FY 93	Change		Rec. FY 94	Change	
			\$	%		\$	%
Salaries and Wages	\$1,353.7	\$1,432.6	\$78.9	5.8%	\$1,524.3	\$91.7	6.4%
Contractual Services	394.8	447.9	53.1	13.4	463.6	15.7	3.5
Commodities	140.7	142.7	2.0	1.4	145.3	2.6	1.8
Capital Outlay	147.4	148.7	1.3	0.9	146.4	(2.3)	(1.5)
All Other	42.8	46.7	3.9	9.1	64.7	18.0	38.5
TOTAL	<u>\$2,079.4</u>	<u>\$2,218.7</u>	<u>\$139.3</u>	<u>6.7%</u>	<u>\$2,344.3</u>	<u>\$125.6</u>	<u>5.7%</u>

Salaries and wages expenditures, including fringe benefits, comprise about two-thirds of the state operations budget for FY 1994 and represent a \$91.7 million or 6.4 percent increase from the FY 1993 estimate.

Salaries and wages policy recommendations incorporated into the proposed FY 1994 budget include the following:

1. Scheduled step movement, longevity pay in accordance with existing statutes and policies, and annualization of the 1.0 percent base salary increase provided for one-half year in FY 1993. For eligible employees, a step increase is approximately 2.5 percent (\$20.9 million).

2. A merit pool of 2.5 percent for judges and unclassified positions (excluding Regents' unclassified employees) in the executive, judicial and legislative branches (\$2.8 million).
3. A merit pool of 3.0 percent for Regents' unclassified employees (\$11.2 million).
4. A base salary adjustment of 1.5 percent for all classified employees and non-Regents' unclassified employees, including legislators, other elected officials, judges, and employees whose salaries are linked to judges' salaries (\$14.4 million).
5. Implementation of the final segments of the Comprehensive Classification and Job Rate Study to be completed in four phases in FY 1994 and FY 1995. The Governor recommends \$8.6 million (\$3.3 million from the General Fund) to implement two phases in FY 1994 which include approximately 5,500 positions in 13 job classes (health, scientific, engineering, and information technology). For FY 1995, approximately 6,300 additional positions would be reclassified (human resources, social sciences, and administrators).

Financing for all employee benefit recommendations, except the 1.5 percent base salary increase and the comprehensive reclassification costs, is contained in the recommended budgets for each state agency. The 1.5 percent base salary increase and the comprehensive reclassification costs are contained in a separate appropriation bill.

State Employees Retirement Enhancements

The Governor, for FY 1994, recommends several changes to the benefits provided to members of KPERS, the Kansas Police and Fire Retirement System (KP&F), and the Kansas Retirement System for Judges. The benefit changes for KPERS include the following: (Some similar adjustments are proposed for the other two systems.)

KPERS

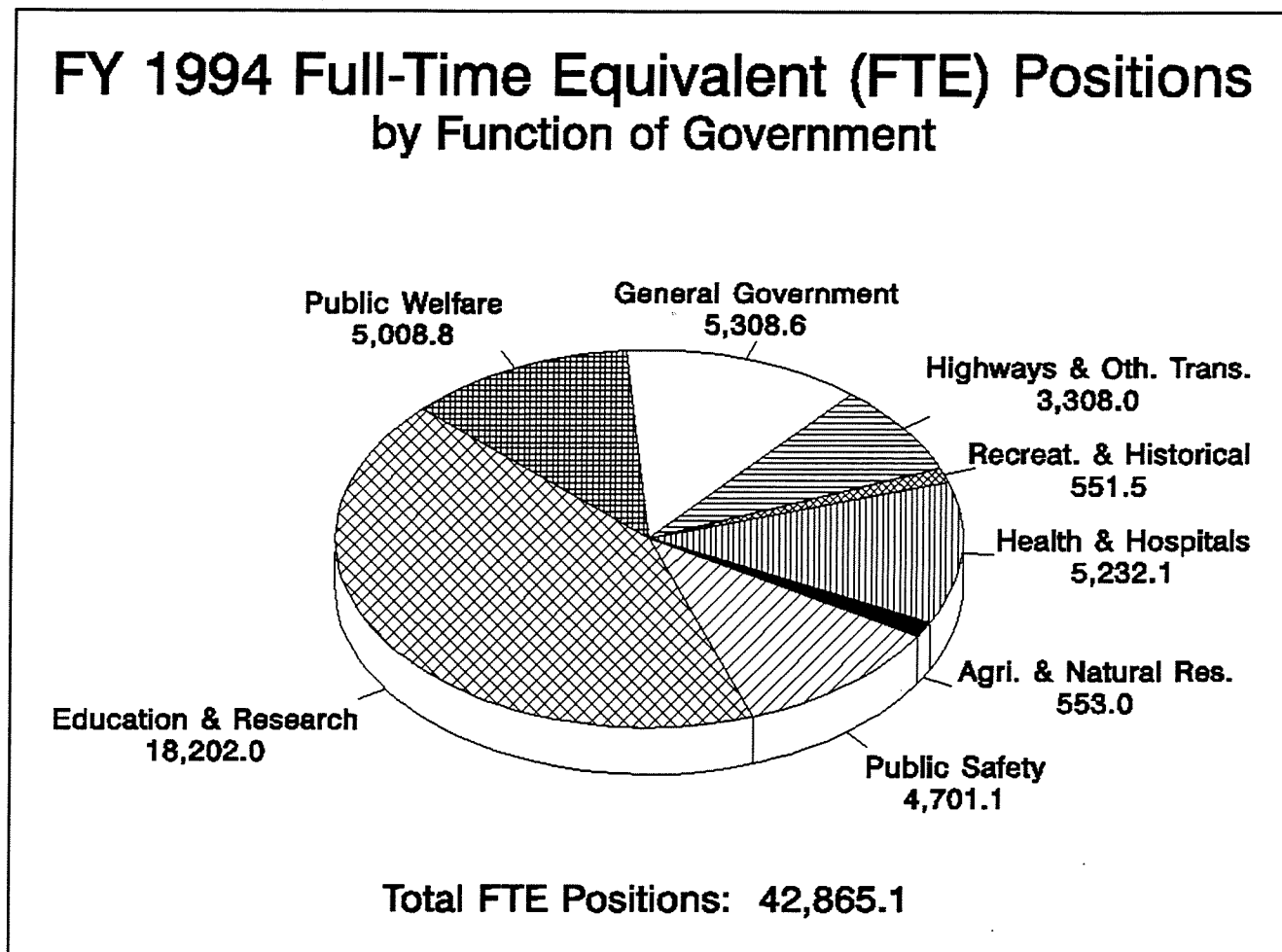
<u>Current Provisions</u>	<u>Recommended Provisions</u>
A. Normal retirement age 65; or age 60 with 35 years; or any age with 40 years; and until July 1, 1993 a 90-point plan (age and years of service).	A. Normal retirement age 62 with ten years or 85 points.
B. Participating service formula generally at 1.4 percent.	B. Increase the participating service formula to 1.75 percent.
C. Retirement death benefit of \$2,500.	C. Increase retirant death benefit to \$4,000.
D. Ad hoc post-retirement benefit increase.	D. Post-retirement benefit increase of 15.0 percent or \$50 per month (whichever is greater) for retirees who had 15 years or more of service and a 5.0 percent or \$10 per month increase for retirees with less than 15 years.
E. Employee contribution of 4.0 percent.	E. Reduce employee contribution to 3.5 percent.

The Governor's recommendations would first be reflected in the KPERS employer contribution rate in FY 1996. The Governor also recommends several funding changes, including extending the amortization period on

he unfunded liability by 35 years, to offset most of the costs for employers. The Governor also recomm. increasing the employer contribution from 8.0 to 9.0 percent for Regents' unclassified employees (\$2.7 million).

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 1994 budget recommendations of the Governor finance 42,865.1 full-time equivalent positions, which is a slight reduction of 42 FTE positions from the FY 1993 estimated level of 42,907.1. The following pie chart reflects the Governor's recommended FY 1994 full-time equivalent positions by function of government.



Annual Leave Account

The Governor recommends creation of a new statewide account for payment to state employees for accumulated annual leave upon retirement. (A similar account for payment of sick leave accumulation was created in 1992.) All agencies would contribute 0.14 percent of their gross salary cost to this account. Beginning in FY 1994, agencies would then request reimbursement from this fund for the cost of accrued annual leave to employees who retire from state service. The total estimated costs for the agency contributions is \$1.8 million in FY 1994. The following table reflects the maximum amount of annual leave state employees may accumulate.

**Maximum Accumulation of Annual Leave
for State Employees**

<u>Length of Service</u>	<u>Maximum Monthly Vacation Credits</u>	<u>Maximum Accumulation</u>
Less than 5 years	8 hours	144 hours (18 working days)
5 years and less than 10 years	10 hours	176 Hours (22 working days)
10 years and less than 15 years	12 hours	208 hours (26 working days)
15 years and over	14 hours	240 hours (30 working days)

Expenditures for Aid to Local Units of Government

Comprising 32.7 percent of the total FY 1994 budget, expenditures for state and federal aid to local units of governments are recommended by the Governor to increase \$393.2 million (22.0 percent) above the revised FY 1993 estimate. State aid would increase by \$387.9 million, 24.8 percent; and federal aid is estimated to increase by \$5.3 million. State aid comprises about 89.6 percent of budgeted aid to local units of government for FY 1994. A tabulation appearing later in this memorandum provides details about state aid programs.

**Program or Agency Components of the FY 1994
All Funds Budget**

Heretofore, this memorandum has dealt primarily with measuring year-to-year changes proposed in *The Governor's Budget Report*. The following tabulation pertains to FY 1994 only and measures major program or agency expenditures in dollar terms and as a percent of the total budget. The budgets of the Department of Education, the Department of Social and Rehabilitation Services, and the Board of Regents and its institutions account for almost two-thirds (62.7 percent) of the total state budget.

**Governor's FY 1994 Budget from All Funds
Summary by Program or Agency**

(Millions of Dollars)

Agency/Program	Amount	% of Total	Cumulative Percent	% Incr from FY 93
Department of Education	\$ 1,780.7	26.8%	26.8%	27.9%
Dept. of Social and Rehabilitation Services	1,269.3	19.1	45.9	6.5
Board of Regents and Institutions	1,121.9	16.9	62.8	4.0
Department of Transportation	676.3	10.2	73.0	7.3
Department of Human Resources	262.0	3.9	76.9	(10.1)
Dept. of Corrections and Institutions	181.6	2.7	79.6	3.3
State Hospitals and Youth Centers	171.3	2.6	82.2	(0.5)
Nonschool Employee Pensions	126.6	1.9	84.1	7.1
Dept. of Health and Environment	125.6	1.9	86.0	7.5
Local School Employee Pensions	106.5	1.6	87.6	2.0
State Treasurer	91.0	1.4	89.0	6.0
Insurance Department	79.6	1.2	90.2	3.2
Kansas Lottery	76.2	1.1	91.3	25.8
Department of Revenue	64.9	1.0	92.3	(8.0)
Commerce and Housing, KTEC, Kansas, Inc.	64.6	1.0	93.3	2.2
Judicial Branch	62.1	0.9	94.2	3.2
Highway Patrol and KBI	46.4	0.7	94.9	(6.1)
Dept. of Wildlife and Parks	28.6	0.4	95.3	(12.8)
Dept. of Administration	27.6	0.4	95.7	(2.4)
Salary Plan and Reclassification Reserve	23.0	0.3	96.0	-
Board of Agriculture	19.0	0.3	96.3	(0.3)
Legislative Branch	15.7	0.2	96.5	(0.6)
All Other	231.4	3.5	100.0%	-
Total	<u>\$ 6,651.9</u>	<u>100.0%</u>		

EXPENDITURES AND STATUS OF THE STATE GENERAL FUND

Program and Agency Components of the FY 1994 General Fund Budget

The following tabulation provides an overview of the program or agency components of the Governor's recommended FY 1994 expenditures from the State General Fund. This tabulation identifies individual components which comprise 99.1 percent of General Fund expenditures. Education and state aid other than for education account for 70.4 percent of General Fund expenditures.

**Governor's FY 1994 State General Fund Budget
Summary by Program or Agency**

(Millions of Dollars)

	Amount	Percent of Total	Cumulative Percent	Percent Increase From FY 1993
Education				
State Aid to Local Units	\$ 1,630.9	51.41%	51.41%	29.7%
Bd. of Regents/Institutions	431.1	13.59	65.00	4.9
Other Education*	17.7	0.56	65.56	3.8
Subtotal, Education	<u>\$ 2,079.7</u>	<u>65.57%</u>	<u>65.57%</u>	<u>23.4%</u>
State Aid Except Education	153.9	4.85	70.42	7.8
SRS Except Hospitals	369.5	11.65	82.07	11.0
Dept. of Corr./Institutions	148.1	4.67	86.74	3.3
Sales Tax Transfer to SHF	82.2	2.59	89.33	7.7
State Hospitals	63.9	2.02	91.35	(11.3)
Judicial Branch	59.6	1.88	93.23	3.1
Highway Patrol and KBI	32.3	1.02	94.25	5.4
Dept. of Revenue	28.7	0.90	95.15	5.7
Dept. of Health and Environ.	20.0	0.63	95.78	0.5
Dept. of Administration	19.7	0.62	96.40	(6.5)
Youth Centers	17.2	0.54	96.94	1.0
Legislative Branch	15.3	0.48	97.42	(2.4)
Exec. Branch Elected Officials	8.8	0.28	97.70	(33.8)
Salary Plan and Reclass.	11.4	0.36	99.06	-
All Other	61.5	1.94	100.00	(1.6)
TOTAL	<u><u>\$ 3,172.0</u></u>	<u><u>100.00%</u></u>		<u><u>16.7%</u></u>

* Includes Department of Education, Schools for the Blind and the Deaf, State Library, and Public Broadcasting Commission, excluding state aid to local units.

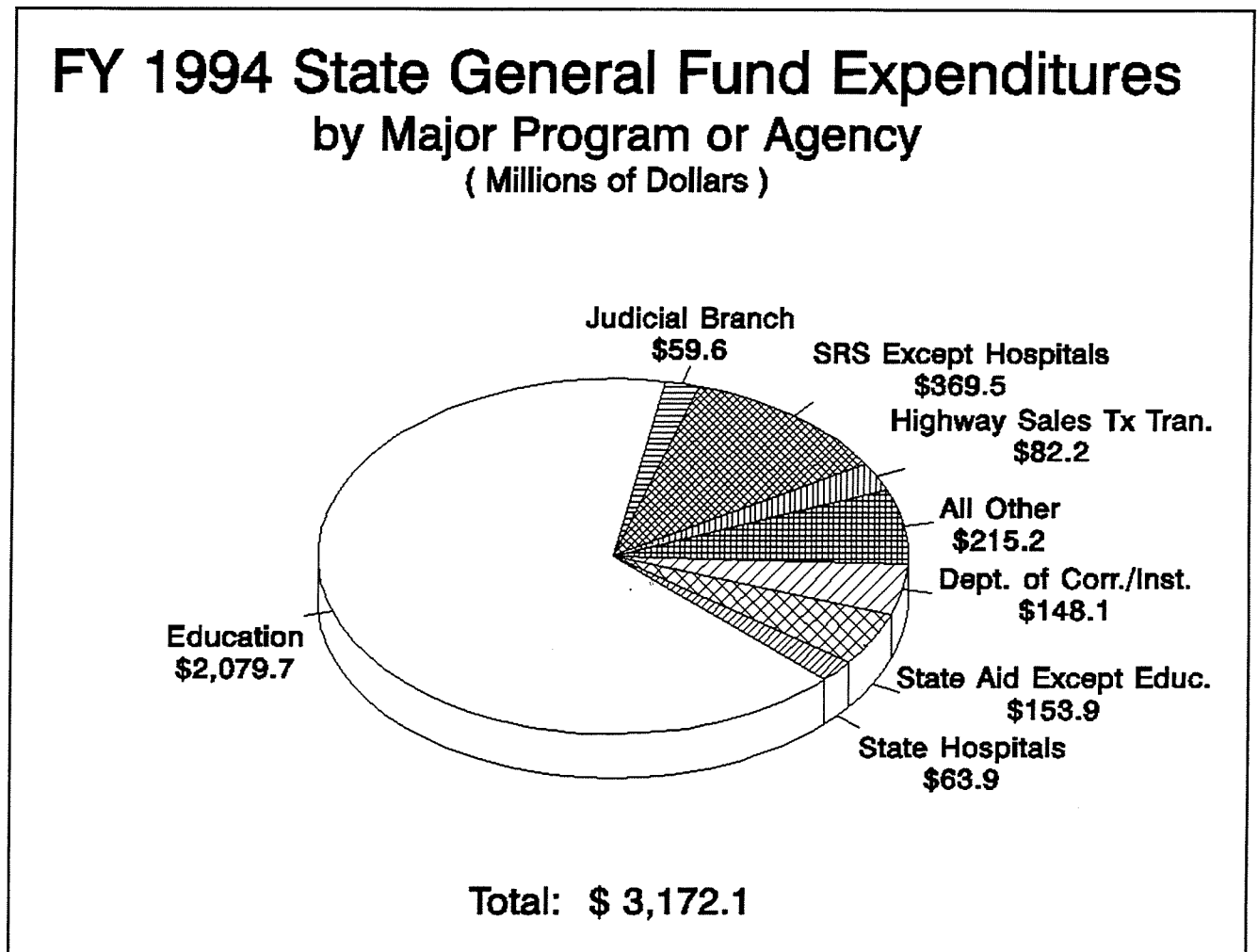
Note: All percentages were computed based on expenditures in thousands of dollars.

Under education, the increase of nearly 30 percent in state aid to local units is primarily due to the fact that a large amount of school district local resources, which will not recur in FY 1994, was used in FY 1993 to help finance basic general aid under the new school finance law. Thus, under the Governor's budget, such aid from the General Fund will increase by \$348.6 million or 37.0 percent. In addition, there are increases of \$14.7 million, or 58.6 percent, for supplemental general aid and of \$6.5 million, or 144.4 percent, for capital improvements aid to school districts.

On the other hand, the budget for FY 1994 contains no increase for special education aid and an increase of only \$1.9 million, or 3.6 percent, for the state's employer contribution to school employees retirement (KPERS-School). All other state aid for education financed from the General Fund is budgeted to increase by \$1.4 million (net) or 1.7 percent.

The large decrease from FY 1993 in the budgets of executive branch elected officials is mainly due to the Governor's proposed elimination of the \$4.0 million demand transfer to the Insurance Department for the Workers Compensation Fund. For the Department of Administration, the decrease is largely because of a reduction in capital improvement expenditures. While the state hospitals have a decline in General Fund expenditures, their recommended expenditures from all funds in FY 1994 are virtually the same as estimated for FY 1993. --

agency. The following pie chart displays the FY 1994 State General Fund expenditures by major program



General Fund Expenditures by Function of Government

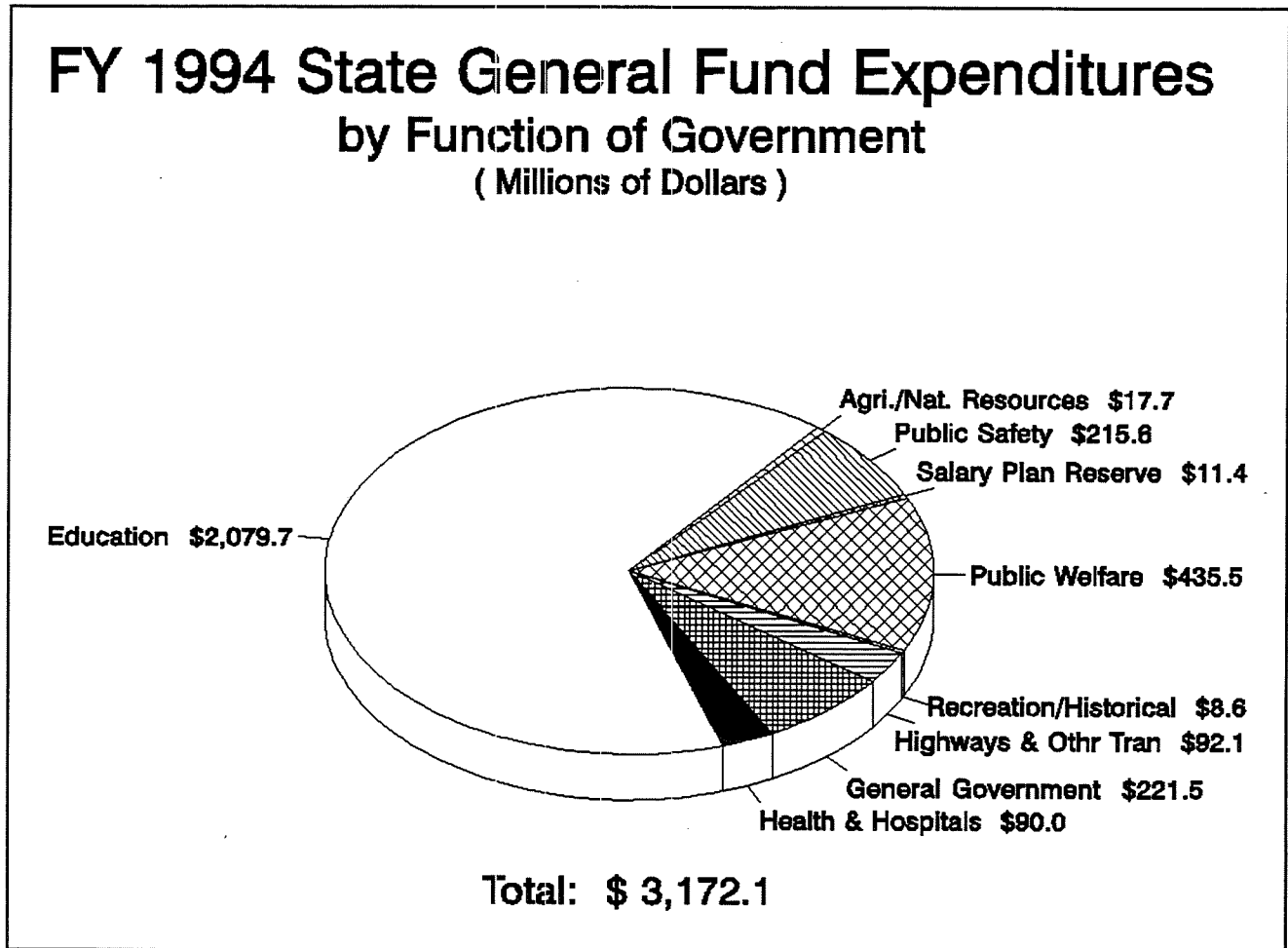
The next tabulation summarizes General Fund expenditures by function of government. The Governor's recommendations for the education function in FY 1993 and FY 1994 reflect the school finance program approved by the 1992 Legislature. The decrease in the public welfare function in FY 1993 reflects the shift in financing from the General Fund to federal funds received as disproportionate share grants.

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

(Millions of Dollars)

Function	Actual FY 92	Est. FY 93	Change		Rec. FY 94	Change	
			\$	%		\$	%
General Government	\$ 216.9	\$ 218.4	\$ 1.5	0.7%	\$ 221.5	\$ 3.1	1.4%
Public Welfare	414.9	393.3	(21.6)	(5.2)	435.5	42.4	10.7
Education	1,445.9	1,685.9	240.0	16.6	2,079.7	393.8	23.4
Public Safety	199.8	209.6	9.8	4.9	215.6	6.0	2.9
Agriculture/Natural Resources	17.4	17.3	(0.1)	(0.6)	17.7	0.4	2.3
Health and Hospitals	99.9	98.0	(1.9)	(1.9)	90.0	(8.0)	(8.1)
Recreation/Historical	8.7	10.1	1.4	16.1	8.6	(1.5)	(14.9)
Transportation	87.8	85.6	(2.2)	(2.5)	92.1	6.5	7.6
Salary Plan/Reclassification Reserve	--	--	--	--	11.4	11.4	--
TOTAL	\$2,491.2	\$2,718.1	\$226.9	9.1%	\$3,172.1	\$454.0	16.7%

The following pie chart reflects FY 1994 General Fund expenditures by function of government.



Expenditures by Major Purpose

Nearly \$1.8 billion (56.3 percent) of recommended FY 1994 expenditures from the General Fund is paid to local units of government, 31.0 percent represents the costs of state operations, 9.9 percent is for other assistance payments, and 2.7 percent is for capital improvements. Of the \$86.8 million for capital improvements, \$82.2 million is the estimated amount of the demand transfer of 7.6 percent of General Fund sales tax receipts to the State Highway Fund.

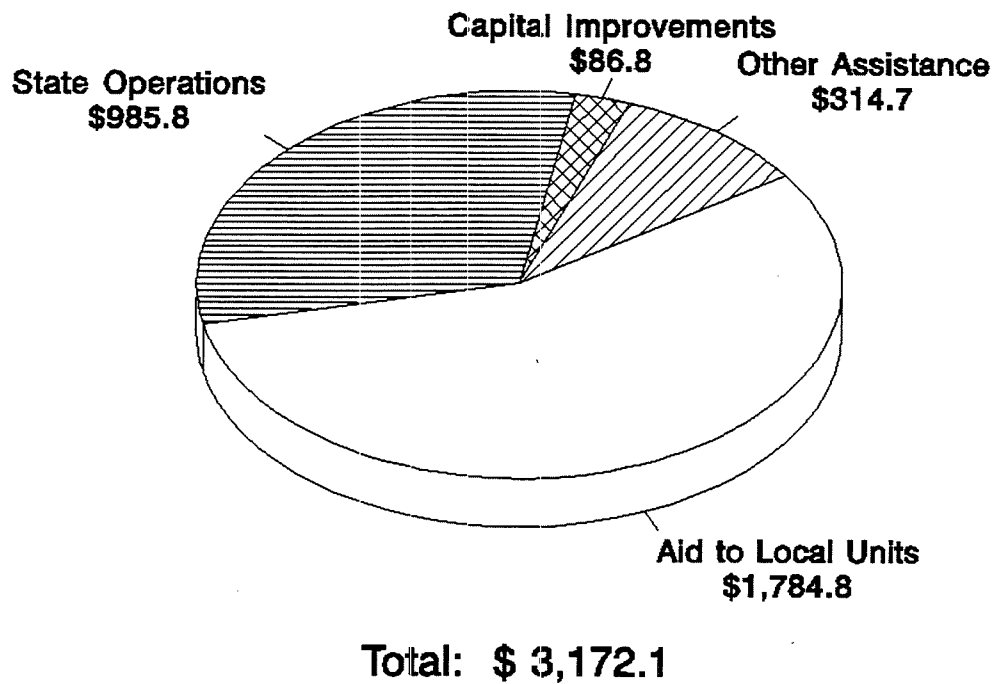
State General Fund Expenditures by Major Purpose

(Millions of Dollars)

	Actual FY 92	Est. FY 93	Change		Rec. FY 94	Change	
			\$	%		\$	%
State Operations	\$ 923.8	\$ 948.0	\$24.3	2.6%	\$ 985.8	\$ 37.8	4.0%
Aid to Local Units	1,165.1	1,400.5	235.4	20.2	1,784.8	384.3	27.4
Other Assistance	319.9	284.7	(35.2)	(11.0)	314.7	30.0	10.5
Total Operations	<u>\$2,408.8</u>	<u>\$2,633.2</u>	<u>\$224.4</u>	<u>9.3</u>	<u>\$3,085.3</u>	<u>\$452.1</u>	<u>17.2%</u>
Capital Improvements	82.5	84.9	2.4	3.0	86.8	1.9	2.2
TOTAL	<u><u>\$2,491.3</u></u>	<u><u>\$2,718.1</u></u>	<u><u>\$226.8</u></u>	<u><u>9.1%</u></u>	<u><u>\$3,172.1</u></u>	<u><u>\$454.0</u></u>	<u><u>16.7%</u></u>

The following pie chart displays FY 1994 General Fund expenditures by major purpose.

FY 1994 State General Fund Expenditures by Major Purpose (Millions of Dollars)



State Operations by Function of Government

The following tabulations shows expenditures for state operations, *i.e.*, excluding state aid, other assistance, and capital improvements, by function of government.

**State General Fund for State Operations
by Function of Government**

(Millions of Dollars)

Function	Actual FY 92	Est. FY 93	Change		Rec. FY 94	Change	
			\$	%		\$	%
General Government	\$ 143.0	\$ 143.1	\$ 0.1	0.1%	\$ 145.1	\$ 2.0	1.4%
Public Welfare	75.6	85.3	9.7	12.8	91.8	6.5	7.6
Education	405.5	416.7	11.2	2.8	434.5	17.8	4.3
Public Safety	185.8	191.0	5.2	2.8	198.3	7.3	3.8
Agriculture/Natural Resources	11.3	11.3	—	—	12.1	0.8	7.1
Health and Hospitals	94.2	92.0	(2.2)	(2.3)	84.0	(8.0)	(8.7)
Recreation/Historical	8.4	8.5	0.1	1.2	8.5	—	—
Transportation	—	—	—	—	—	—	—
Salary Plan and Reclassification	—	—	—	—	—	—	—
Reserve	—	—	—	—	11.4	11.4	—
TOTAL	\$ 923.8	\$ 948.0	\$ 24.4	2.6%	\$ 985.8	\$ 37.8	4.0%

State Aid to Local Units of Government

The tabulation on the following page lists state aid by major program or financing source. Although most of the programs of state aid to local units are financed from the State General Fund, some significant ones are financed from the resources of other funds and these are also listed in the tabulation. Some programs are jointly financed from two sources or financing has shifted among sources from time to time.

The tabulation reflects General Fund aid to local school districts in FY 1994 which increases \$373.8 million or 31.7 percent above the FY 1993 level. Total General Fund aid to local units in the budget year increases \$384.3 million or 27.4 percent above the current year. Total state aid to local units of government increases \$386.9 million or 24.8 percent above the FY 1993 estimate.

State Aid to Local Units of Government (In Thousands)

From State General Fund	Actual	Gov. Est.	Gov. Rec.	Incr. FY 1993-1994	
	FY 1992	FY 1993	FY 1994	Amount	Percent
General State Aid	\$ 526,801	\$ 941,314	\$ 1,289,949	\$ 348,635	37.0%
Supp. Gen. Aid	--	25,028	39,686	14,658	58.6
Income Tax Rebate	203,901 ^(a)	--	--	--	--
Transportation Aid	44,550	--	--	--	--
Cap. Improve. Aid	--	4,500	11,000	6,500	144.4
Ft. Leavenworth USD	1,608	--	--	--	--
KPERS-School	49,788	52,941	54,833	1,892	3.6
Special Education	121,078	149,026	149,026	--	--
Deaf-Blind Hand. Children	98	99	100	1	1.0
Adult Basic Ed.	187	272	298	26	9.6
Food Service	2,352	2,350	2,375	25	1.1
Bilingual Ed.	544	--	--	--	--
In-Service Training	988	2,475	2,500	25	1.0
At-Risk/Innovative	1,386	--	1,500	1,500	--
Parent Education	990	1,980	2,500	520	26.3
Subtotal, USDs	\$ 954,271	\$ 1,179,985	\$ 1,553,767	\$ 373,782	31.7
Voc. Ed. - Postsecondary	13,616	20,295	18,904	(1,391)	(6.9)
Voc. Ed. - Area Schools	7,924	--	--	--	--
Community Colleges	44,867	47,831	49,266	1,435	3.0
Adult Basic Ed. (CCs)	292	426	465	39	9.2
Washburn University	5,932	6,108	6,352	244	4.0
Public TV (Washburn)	121	122	122	--	--
Libraries	1,817	3,007	2,000	(1,007)	(33.5)
Total, Education	\$ 1,028,840	\$ 1,257,774	\$ 1,630,876	\$ 373,102	29.7
Local Prop. Tax Reduction	38,576	39,324	42,082	2,758	7.0
Co.-City Revenue Sharing	29,166	30,218	31,905	1,687	5.6
Community Corrections	8,764	11,987	11,944	(43)	(0.4)
Community Con. Camps	1,213	1,381	1,436	55	4.0
Emergency Med. Services	80	79	80	1	1.3
Soil Conservation Dists.	--	125	--	(125)	(100.0)
Watershed Construction	1,558	--	--	--	--
Local Public Health	5,682	5,953	5,991	38	0.6
Aging Dept. Programs	347	594	655	61	10.3
Community Mental Health	10,033	10,154	10,052	(102)	(1.0)
Community Mental Retardation	5,964	5,963	5,963	--	--
Community Asst. Grants	21,155	27,334	33,159	5,825	21.3
Arts Program Grants	102	3	250	247	--
Emerg. Preparedness	308	--	--	--	--
Motor Carrier Tax to CCHF	9,768	9,631	9,865	234	2.4
Pres. Primary Aid	1,291	--	--	--	--
HOME Program	--	--	549	549	--
Total, Other Programs	\$ 134,007	\$ 142,746	\$ 153,931	\$ 11,185	7.8
Total, State General Fund	\$ 1,162,847	\$ 1,400,520	\$ 1,784,807	\$ 384,287	27.4%
From Other Funds					
School District Finance Fund	\$ --	\$ 13,400	\$ 13,400	\$ --	--%
Eco. Dev. Initiatives Fund	6,517	7,208	7,647	439	6.1
Water Plan Fund	4,242	5,727	4,820	(907)	(15.8)
Alcoholic Liquor Funds	11,160	11,620	12,040	420	3.6
Mineral Production Tax	6,173	6,432	6,242	(178)	(2.8)
Highway Funds	100,929	107,271	110,078	2,807	2.6
All Other	7,086	10,997	12,085	1,085	9.9
TOTAL, OTHERS FUNDS	\$ 136,107	\$ 162,655	\$ 166,312	\$ 3,657	2.2%
TOTAL, STATE AID	\$ 1,298,954	\$ 1,563,175	\$ 1,951,119	\$ 386,908	24.8%

a) Amount actually distributed. An additional \$2.215 million was transferred from the General Fund to the School District Income Tax Fund.

Recommended Changes in General Fund Programs

The following tabulation summarizes General Fund expenditure changes from the FY 1993 Governor's revised estimate to the Governor's recommendations for FY 1994.

State General Fund Governor's Recommended Expenditure Changes

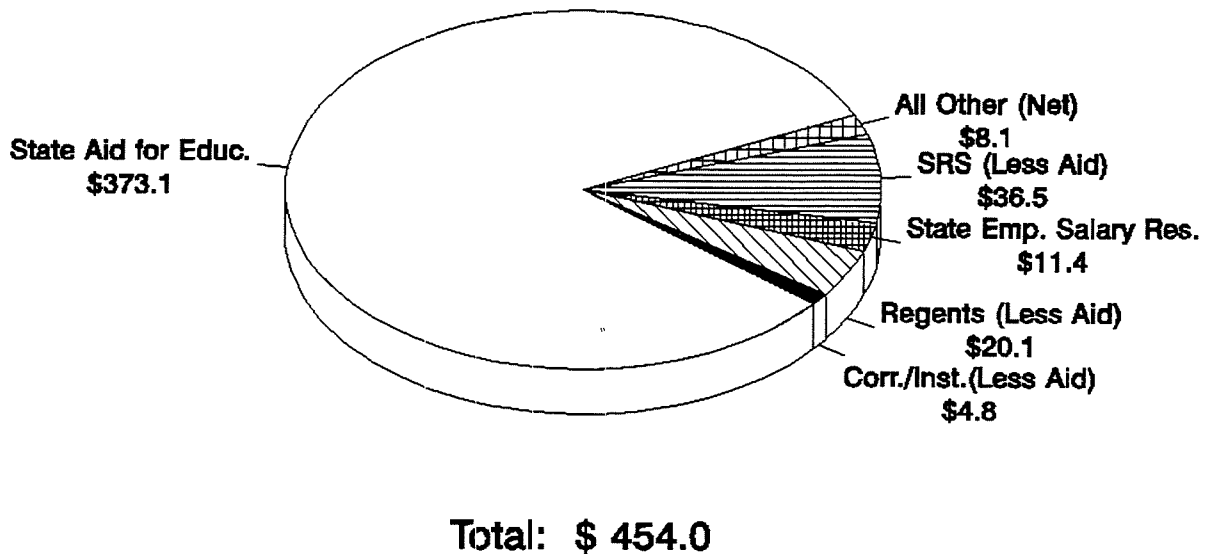
	FY 1994 Changes From Revised FY 1993 (Dollars in Millions)	
	Amount	Percent
State Aid for Education	\$373.1	29.7%
Community Assistance Grants (SRS)	5.8	21.3
Local Property Tax Reduction	2.8	7.0
County and City Revenue Sharing	1.7	5.6
All Other Local Aid Programs	0.9	2.3
Subtotal -- Aid to Local Units of Government	\$384.3	27.4%
Dept. of Social and Rehabilitation Services (Less Aid)	36.5	11.0
Board of Regents and Institutions (Less Aid)	20.1	4.9
Salary Plan Reserve	11.4	--
Sales Tax Transfers to State Highway Fund	5.9	7.7
Dept. of Corrections and Institutions (Less Aid)	4.8	3.3
Judicial Branch	1.8	3.1
Department of Revenue	1.5	5.7
Highway Patrol	1.0	4.5
SRS Hospitals	(8.1)	(11.3)
Insurance Department	(4.0)	(100.0)
Dept. of Wildlife and Parks	(1.0)	(20.9)
Net All Other	0.2	--
	\$454.0	16.7%

The following pie chart displays the General Fund expenditure changes from FY 1993 to FY 1994. State aid for education accounts for 82.2 percent of the increase.

State General Fund

Governor's Recommended Expenditure Changes

FY 1993 to FY 1994
(Millions of Dollars)



The following table reflects total General Fund expenditures in FY 1992, FY 1993, and FY 1994. Total expenditures for state aid to education in FY 1992 were \$1,029 billion or 41.3 percent of General Fund expenditures while in FY 1994 the total amount is \$1.631 billion or 51.4 percent of General Fund expenditures, a two-year increase of \$602.0 million or 58.5 percent which reflects the passage of the 1992 school finance program.

STATE GENERAL FUND EXPENDITURES

In Thousands

	FY 1992	Governor's Budget*		Increase FY 1993-FY 1994		Increase FY 1992-FY 1994	
		FY 1993	FY 1994	Amount	Percent	Amount	Percent
Total Expenditures	\$2,491,270	\$2,718,477	\$3,172,022	\$453,545	16.7%	\$680,752	27.3%
State Aid to Education	1,028,840	1,257,774	1,630,876	373,102	29.7	602,036	58.5
% of Total	41.3%	46.3%	51.4%				
Major Noneducation State Aid Programs**	130,321	141,945	152,397	10,452	7.4	22,076	16.9
% of Total	5.2%	5.2%	4.8%				
Sales Tax Transfers to State Highway Fund	78,025	76,318	82,230	5,912	7.7	4,205	5.4
% of Total	3.1%	2.8%	2.6%				
All Other Expenditures	1,254,084	1,242,440	1,306,519	64,079	5.2	52,435	4.2
% of Total	50.3%	45.7%	41.2%				
<hr/>							
Exhibit							
State Aid to School Districts	954,271 ^(a)	1,179,985 ^(a)	1,553,767 ^(a)	373,782	31.7	599,496	62.8
% of Total	38.3%	43.4%	49.0%				

* Adjusted slightly for actual data on two demand transfers in FY 1993 and one in FY 1994.

** Demand transfers to Local Ad Valorem Tax Reduction Fund, County-City Revenue Sharing Fund, City-County Highway Fund; and aid or grants for community corrections and conservation camps, mental health/mental retardation/community assistance, and local public health.

a) Includes all of KPERS-School.

Status of the State General Fund

The following tabulations summarize the status of the State General Fund as to receipts, expenditures, and unencumbered cash balances based on the Governor's recommendations for fiscal years 1993 and 1994.

State General Fund Receipts, Expenditures, and Balances

(Millions of Dollars)

	Actual FY 92	Revised FY 93	Change	Rec. FY 94	Change
Beginning Unencumbered Cash Balance	\$162.2	\$140.5	\$(21.7)	\$372.8	\$232.3
Released Encumbrances	3.7	-	(3.7)	-	-
Receipts	2,465.8	2,950.4	484.6	3,027.7	77.3
Total Resources	<u>\$2,631.7</u>	<u>\$3,090.9</u>	<u>\$459.2</u>	<u>\$3,400.5</u>	<u>\$309.6</u>
Less Expenditures	2,491.3	2,718.1	226.8	3,172.1	454.0
Ending Unencumbered Cash Balance	<u><u>\$140.5</u></u>	<u><u>\$372.8</u></u>	<u><u>\$232.3</u></u>	<u><u>\$228.4</u></u>	<u><u>\$(144.4)</u></u>
Ending Balance as a Percentage of Expenditures	5.6%	13.7%	-	7.2%	-

The FY 1994 General Fund balance as a percentage of Expenditures under the Governor's recommendations would be 7.2 percent for that year. Under K.S.A. 75-6702 and 75-6703, the targeted minimum ending balance is 7.0 percent. Receipts for FY 1993 and FY 1994 are equal to the consensus estimates except the Governor recommends several adjustments. For FY 1993, the Governor recommends the transfer of \$329,429.37 from the State General Fund to the Kansas Public Employees Retirement Fund. In FY 1994, the Governor's estimate includes a \$7.8 million reduction in net receipts from the consensus revenue estimate. First, the Governor recommends a revenue transfer of \$10.0 million to the School District Finance Fund for school finance expenditures in FY 1995. Second, the interest earnings to the State General Fund are revised upward by \$540,000 to include receipts on funds previously used as a compensating balance for bank services. Third, a transfer from the State General Fund to the State Emergency Fund of \$45,000 is recommended. Finally, the Governor recommends transfers from other funds to the State General Fund totaling \$1,726,519. These transfers are from the State Fire Marshal Fee Fund, \$700,000; the Correctional Institutions Building Fund, \$426,519; the Correctional Industries Fund, \$100,000; and the Intermediate Care Facility Revolving Fund, \$500,000.