

Approved: Feb. 2, 1994  
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 January 31, 1994 in Room 123-S of the Capitol.

All members were present except:

Committee staff present: Judy Bromich, Administrative Assistant  
Ronda Miller, Committee Secretary

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

Others attending: See attached list

The Chairman called the meeting to order advising that a copy of a letter from the House Appropriations Committee and the Senate Ways and Means Committee regarding performance based budgeting had been mailed to various agencies. (Attachment 1)

Alan Conroy, KLRD, presented an overview of the Governor's report on the budget for FY 95 (Attachment 2). Members discussed the Governor's policy recommendation to change special project positions to full-time equivalent positions (Attachment 2-6). In answer to questions, staff stated that the special projects positions were generally within the SRS budget in the areas of child support, intermittent home care, and youth and family services. It was noted that a net of 125 positions have not been filled because of persons who have retired since the passage of HB 2211. The Chairman advised that subcommittees review the FTE positions within agencies.

In response to Senator Vancrum, Mr. Conroy stated that he would check on the availability of information regarding the per agency amount of accumulated leave (Attachment 2-7).

The Chairman commented that staff is preparing additional information regarding past legislative adjustments of demand transfers.

There was discussion regarding the Governor's recommendation to spend \$75.8 million more than receipts from the SGF in FY 95 (Attachment 2-24). Staff noted that an additional \$85 million is built into ongoing programs in FY 96 (\$50 million from the Rainy Day Fund, \$25 million from the SRS Fee Fund, and a \$10 million loss in federal monies from the disproportionate share fund). Members discussed concern about spending down ending balances (Attachment 2-23).

Senator Moran moved, Senator Morris seconded, that the minutes of January 25 be approved. The motion carried on a voice vote.

The meeting was adjourned at 12:00 noon. The next meeting is scheduled for February 1, 1994.

## GUEST LIST

COMMITTEE: SENATE WAYS AND MEANS

DATE: Jan. 31, 1994

[illegible]



ROCHELLE CHRONISTER  
 REPRESENTATIVE, THIRTEENTH DISTRICT  
 ROUTE 2-BOX 321A  
 NEODESHA, KANSAS 66757-0321



TOPEKA

HOUSE OF  
 REPRESENTATIVES

COMMITTEE ASSIGNMENTS  
 CHAIRMAN: APPROPRIATIONS  
 MEMBER: JOINT COMMITTEE ON CHILDREN &  
 FAMILIES  
 BOARD MEMBER: KANSAS TECHNOLOGY  
 ENTERPRISE CORP.  
 (KTEC)  
 KANSAS ADVOCACY AND  
 PROTECTIVE SERVICES  
 (KAPS)

January 27, 1994

Legislative Research Department  
 Richard Ryan, Director  
 Statehouse, 5th Floor  
 Topeka, Kansas 66612

Dear Mr. Ryan,

We are writing all state agencies concerning a fundamental change in the way the House Appropriations Committee and the Senate Ways & Means Committee will review agency budgets during the 1994 Session of the Legislature and future sessions. This change involves reforming the current incremental budgetary process which permits little public policy discussion between the Legislature and the Legislative Research Department. This lack of establishing clear public policy goals encourages across-the-board reductions which does a disservice to the entire budgeting process. Our committees are also working in cooperation with the executive branch to try to achieve meaningful budget reform.

The House Appropriations and Senate Ways & Means Committees are committed to pursuing an innovative performance based budgeting system that will bring your agency's mission, program priorities, anticipated results, strategies for achieving the desired results and budget into one document. This would aid the Legislature in allocating and managing our limited financial resources based upon established public policy priorities and allow for resource adjustments based upon agreed to performance measures. The concept is straight forward, agencies will be held accountable for accomplishments through the use of performance measurements and not on how much will be spent buying paper clips. We have attached an outline of the process that the 1994 House Appropriations and Senate Ways & Means Committees will use in the consideration of your budget. If this information is easily obtainable for this session, it would be helpful to both our committees. If your agency is in the position to fully respond to this outline for this year's process, we would welcome the information. However, given the short notice, it will be understandable if your response is not complete. Please do the best you can.

To start the process during the 1994 Legislature we would request on behalf of the House Appropriations Committee and the Senate Ways & Means Committee that the Legislative Research Department bring, at a minimum, the following information to present and discuss with your respective subcommittee when you meet with them. We would stress the following information should be drawn, if at all possible, from available or existing information. Your assigned legislative fiscal analyst can be of assistance to you if you have questions regarding the following information.

SWAM  
 January 31, 1994  
 Attachment 1

**Agency Mission** - Clearly and succinctly explain your agency's mission: the reason for the Legislative Research Department's existence. The mission describes what the agency does, and why and for whom it does it. A mission reminds everyone of the unique purpose promoted and served by the agency. It reflects an agency's statutory responsibilities.

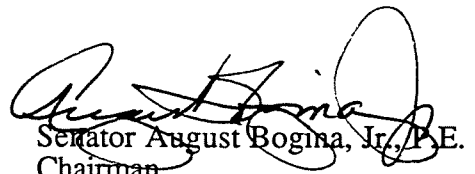
**Performance Measures** - An agency's performance in implementing a mission should be able to be judged according to output and outcome measure, and efficiency measures. Measures might include such items as the number of people receiving a service or the number of services delivered. Measures could also show the impact of agency actions on the public: a decrease of malnourishment in children who receive free school lunches, an increase in the value of stolen property recovered. Efficiency measures would reflect the cost or time taken per unit of outcome or output. Examples are the cost per highway mile constructed and average time per vehicle inspection performed.

The House Appropriations and Senate Ways & Means Committees are excited at the prospect of making the budget process integrated with meaningful public policy discussion and direction and away from meaningless object code detail. Hopefully, training for all agencies will be available late this spring or early this summer concerning performance budgeting. We are anticipating your cooperation in this endeavor and look forward to receiving your thoughts and any suggestions that you might have concerning budgeting reform.

Sincerely,

*Rochelle Chronister*

Representative Rochelle Chronister  
Chairman  
House Appropriations Committee

  
Senator August Bogina, Jr., P.E.  
Chairman  
Senate Ways & Means Committee

RC/AB:jsc  
Enc.



Enclosure

HOUSE APPROPRIATIONS COMMITTEE/SENATE WAYS & MEANS COMMITTEE

**Performance-Based Budget Model**

State agency reporting model for submission to House Appropriations/Senate Ways & Means Subcommittees.

- A. *Mission Statement of the Agency* - Reason for the Legislative Research Department's existence.
- B. *Objectives* - Specific measurable results to determine if the Legislative Research Department's missions are being achieved.
- D. *Strategies* - How will the objectives be reached? What specific action will the Legislative Research Department take to reach the objectives or measurable results?
- E. *Multiple Program Agencies* - In those agencies that have more than one budget program (excluding debt service and capital improvements) they must be ranked in priority order (with the highest priority program ranked first). Mission, objectives, and the strategies for each program must be provided.
- F. *Financial Information* -
  - 1. Governor's current year and budget year recommendations by program, including funding source, FTE positions, and any anticipated program results (if available).
  - 2. Legislative Research Department's budget request including funding estimate and FTE resources needed to achieve the results as stated by the agency.
- G. *Nonfinancial barriers*, current and anticipated, that might prevent program success (barriers might be structural or organizational).

Abstracters' Board of Examiners  
Board of Accountancy  
Kansas Human Rights Commission  
Attorney General  
Banking Department  
Board of Barbering  
Behavioral Sciences Regulatory Board  
Board of Healing Arts  
Citizens' Utility Ratepayer Board  
Corporation Commission  
Board of Cosmetology  
Department of Credit Unions  
Kansas Dental Board  
Department of Administration  
Board of Mortuary Arts  
Kansas Commission on Governmental Standards and Conduct  
Governor's Office  
Board of Examiners in Fitting and Dispensing of Hearing Aids  
Department of Commerce and Housing  
Board of Indigents' Defense Services  
Insurance Department  
Judicial Council  
Kansas, Inc.  
KPERs  
Kansas Technology Enterprise Corporation  
Legislative Research Department  
Legislative Administrative Services  
Legislature  
Lieutenant Governor  
Kansas Lottery  
Consumer Credit Commissioner  
Board of Nursing  
Board of Optometry Examiners  
Board of Pharmacy  
Division of Post Audit  
Real Estate Appraisal Board  
Real Estate Commission  
Kansas Racing Commission  
Board of Tax Appeals  
Department of Revenue  
Revisor of Statutes  
Secretary of State  
Securities Commissioner  
Board of Technical Professions  
State Treasurer  
Judicial Branch  
Board of Veterinary Examiners  
Department on Aging  
Kansas Commission on the Future of Health Care  
Corporation for Change  
Kansas Healthy Kids Corporation  
Department of Human Resources  
Department of Social and Rehabilitation Services  
Department of Health and Environment  
Kansas Neurological Institute  
Larned State Hospital  
Osawatomie State Hospital  
Parsons State Hospital and Training Center  
Rainbow Mental Health Facility



Topeka State Hospital  
Commission on Veterans Affairs  
Winfield State Hospital and Training Center  
State Council on Vocational Education  
Fort Hays State University  
Historical Society  
Kansas Arts Commission  
Kansas State University  
Emporia State University  
Pittsburg State University  
State Library  
Board of Regents  
School for the Blind  
School for the Deaf  
Department of Education  
University of Kansas  
University of Kansas Medical Center  
Wichita State University  
Adjutant General's Department  
Attorney General - Kansas Bureau of Investigation  
State Department of Civil Air Patrol  
Ombudsman of Corrections  
Ellsworth Correctional Facility  
El Dorado Correctional Facility  
Emergency Medical Services Board  
State Fire Marshal  
Highway Patrol  
Hutchinson Correctional Facility  
Youth Center at Topeka  
Youth Center at Beloit  
Youth Center at Atchison  
Lansing Correctional Facility  
Larned Correctional Mental Health Facility  
Department of Corrections  
Kansas Parole Board  
Kansas Parole Board  
Norton Correctional Facility  
Kansas Sentencing Commission  
Topeka Correctional Facility  
Winfield Correctional Facility  
Board of Agriculture  
Animal Health Department  
Grain Inspection Department  
State Fair  
Wheat Commission  
Conservation Commission  
Kansas Water Office  
Wildlife and Parks  
Department of Transportation

# OVERVIEW OF THE GOVERNOR'S REPORT ON THE BUDGET FISCAL YEAR 1995

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 1995* and does not include technical adjustments made by the Division of the Budget on January 26, 1994. Beginning with this overview memorandum, the Legislative Research Department utilizes the recent change of the classification of expenditures by function of government to coincide with the Division of the Budget and the Division of Accounts and Reports. The Department has made some changes in the classification of expenditures in order to be consistent with its prior reports to the Legislature.

The summary data in this overview compare actual expenditures for FY 1993, the Governor's revised estimates for FY 1994, and the Governor's recommendations for FY 1995. Because of rounding, detail shown in the various tabulations may not add to the totals.

## Summary of Changes to Estimated FY 1994 Expenditures

Based on actions of the 1993 Session of the Legislature, it was estimated by the Research Department that FY 1994 expenditures from all funds would total \$6.739 billion. *The Governor's Budget Report* revises the all funds FY 1994 budget to \$7.006 billion, an increase of \$267.7 million. A large portion of the increase relates to flood relief expenditures, revised KPERS benefit expenditures, and Regents restricted use expenditures, plus a revised capital improvement construction schedule for several Regents projects and the Department of Transportation.

At the close of the 1993 Session, FY 1994 expenditures from the State General Fund were estimated to be \$3.150 billion. *The Governor's Budget Report* revises the General Fund FY 1994 budget to \$3.145 billion, a net decrease of \$5.6 million from the earlier estimate. Major differences from the session-end estimate and the current Governor's estimate consist of reductions of \$0.6 million for state operations, \$18.1 million for aid to local units, while increases occur in other assistance (\$11.4 million) and capital improvements (\$1.6 million).

The following tabulation summarizes the changes to FY 1994 expenditures by major category.

### Changes to the FY 1994 Budget by Major Purpose of Expenditures (Millions of Dollars)

	General Fund	All Funds
Original FY 1994 Expenditure Estimates	\$ 3,150.2	\$ 6,738.6
Revisions:		
State Operations	(0.6)	(41.1)
Aid to Local Units	(18.1)	96.5
Other Assistance	11.4	92.8
Capital Improvements	1.6	119.4
Total Revisions	\$ (5.6)	\$ 267.7
Revised FY 1994 Expenditure Estimates	\$ 3,144.6	\$ 7,006.3



## Total State Expenditures for FY 1995

### Summary of Expenditures from All Funds

The Governor's recommendation for FY 1995 state expenditures from all funds totals \$7.158 billion, an increase of \$151.4 million (2.2 percent) above the Governor's revised estimate for FY 1994 of \$7.006 billion. This rate of growth contrasts with the increase of \$1.073 billion, or 18.1 percent, in FY 1994 revised expenditures compared to actual expenditures for FY 1993 of \$5.933 billion.

### Expenditures by Major Purpose

The Governor's FY 1995 recommendation for state operations increases by \$74.0 million or 3.2 percent above the revised FY 1994 amount. Of the recommended increase, \$40.1 million can be found within the Board of Regents and its institutions, \$9.2 million for general government agencies (3.5 percent), \$8.7 million within the Department of Transportation (4.7 percent), and \$8.1 million for the state employee reclassification. Aid to local units decreases by \$3.9 million or 0.2 percent in FY 1995. Department of Education aid increases \$125.7 million, although \$57.0 million of the total amount represents a shift of the KPERS-School amount from KPERS to the Department of Education. The Adjutant General and the Department of Commerce and Housing in FY 1995 reflect reductions in total of \$83.7 million as a result of flood related payments in FY 1994. Other Assistance increases a net amount of \$24.2 million or 1.3 percent above the FY 1994 revised estimate. Major adjustments include a reduction of \$71.4 million for the Department of Human Resources, largely as a result of a reduction in unemployment insurance benefits; an increase of \$75.6 million for the Department of Social and Rehabilitation Services; and \$18.2 million for KPERS benefits. Capital improvements are estimated to increase \$56.9 million or 10.7 percent above the FY 1994 level. Department of Transportation capital improvement construction (highway program) is recommended for a \$106.1 million increase, while Regents institutions reflect a reduction of \$32.4 million below the FY 1994 level.

### Expenditures from All Funds by Major Purpose

(Millions of Dollars)

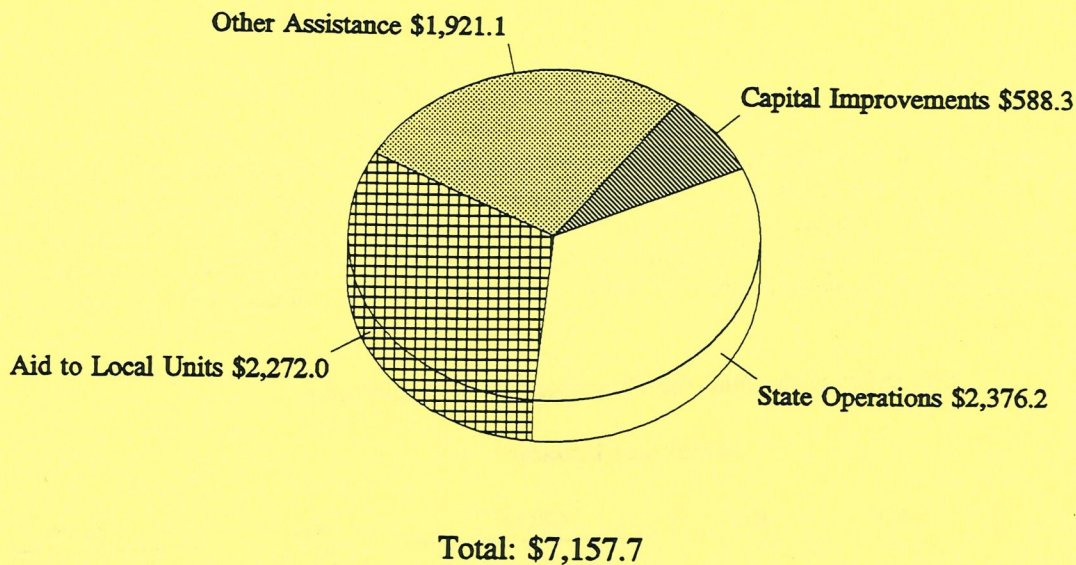
Function	Actual FY 93	Est. FY 94	Change		Rec. FY 95	Change	
			\$	%		\$	%
State Operations	\$ 2,175.0	\$ 2,302.2	\$ 127.2	5.8%	\$ 2,376.2	\$ 74.0	3.2%
Aid to Local Units	1,751.2	2,275.9	524.7	30.0	2,272.0	(3.9)	(0.2)
Other Assistance	1,703.0	1,896.9	193.9	11.4	1,921.1	24.2	1.3
Total Operating	\$ 5,629.2	\$ 6,474.9	\$ 845.7	15.0%	\$ 6,569.3	\$ 94.4	1.5%
Capital Improvements	304.1	531.4	227.3	74.7	588.3	56.9	10.7
TOTAL	\$ 5,933.3	\$ 7,006.3	\$ 1,073.0	18.1%	\$ 7,157.7	\$ 151.4	2.2%



Of the total budget recommendation for FY 1995, 33.2 percent is for state operations, 31.7 percent is for state aid to local units of government, 26.8 percent is for other assistance, grants, and benefits, and 8.2 percent is for capital improvements. The following pie chart displays the major categories of all funds expenditures in FY 1995.

## FY 1995 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 45.8 percent of the total. The three largest functions of government -- education, human resources, and transportation -- comprise 83.9 percent of recommended expenditures for FY 1995.



## Summary of Expenditures from All Funds by Function of Government

(Millions of Dollars)

Function	Actual FY 93	Est. FY 94	Change		Rec. FY 95	Change	
			\$	%		\$	%
General Government	\$ 654.3	\$ 737.0	\$ 82.7	12.6%	\$ 735.6	\$ (1.4)	0.2%
Human Resources	1,740.8	1,899.0	158.2	9.1	1,902.2	3.2	0.2
Education	2,670.7	3,183.3	512.6	19.2	3,276.5	93.2	2.9
Public Safety	247.9	332.7	84.8	34.2	268.4	(64.3)	(19.3)
Agriculture/Natural Resources	111.0	138.4	27.4	24.7	137.2	(1.2)	(0.9)
Transportation	508.7	716.1	207.4	40.8	829.7	113.6	15.9
Salary Reclassification Reserve	--	--	--	--	8.1	8.1	--
<b>TOTAL</b>	<b>\$ 5,933.3</b>	<b>\$ 7,006.3</b>	<b>\$ 1,073.0</b>	<b>18.1%</b>	<b>\$ 7,157.7</b>	<b>\$ 151.4</b>	<b>2.2%</b>

### 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 1995 is based upon current resources of the Fund. The increase in General Fund operating expenditures from FY 1994 to FY 1995 is \$149.0 million, or 4.9 percent.

### Summary of the Plan for Financing State Expenditures

(Millions of Dollars)

Fund Class	Actual FY 93	Est. FY 94	Change		Rec. FY 95	Change	
			\$	%		\$	%
<b>Operating Expenditures:</b>							
General Fund	\$ 2,607.5	\$ 3,060.0	\$ 452.2	17.4%	\$ 3,209.0	\$ 149.0	4.9%
Special Revenue Funds	1,953.4	2,251.6	298.2	15.3	2,223.3	(28.3)	(1.3)
Employment Security Funds	284.8	281.0	(3.8)	1.3	215.0	(66.0)	(23.5)
Highway Funds	284.1	307.4	23.3	8.2	314.7	7.3	2.4
Retirement Funds	246.6	302.2	55.6	22.5	320.8	18.6	6.2
All Other Funds	252.8	272.7	19.9	7.9	286.5	13.8	5.1
<b>Total Operating</b>	<b>\$ 5,629.2</b>	<b>\$ 6,474.9</b>	<b>\$ 845.7</b>	<b>15.0%</b>	<b>\$ 6,569.3</b>	<b>\$ 94.4</b>	<b>1.5%</b>
<b>Capital Improvements:</b>							
General Fund	\$ 82.6	\$ 84.6	\$ 2.0	2.4%	\$ 87.8	\$ 3.2	3.8%
Highway Funds	139.1	319.0	179.9	129.3	423.2	104.2	32.7
Building Funds	26.3	43.8	17.5	66.5	30.0	(13.8)	(31.5)
All Other Funds	56.1	84.0	27.9	49.7	47.3	(36.7)	(43.7)
<b>Total Capital Imprv.</b>	<b>\$ 304.1</b>	<b>\$ 531.4</b>	<b>\$ 227.3</b>	<b>74.7%</b>	<b>\$ 588.3</b>	<b>\$ 56.9</b>	<b>10.7%</b>
<b>TOTAL Expenditures</b>	<b>\$ 5,933.3</b>	<b>\$ 7,006.3</b>	<b>\$ 1,072.9</b>	<b>18.1%</b>	<b>\$ 7,157.7</b>	<b>\$ 151.4</b>	<b>2.2%</b>

The State General Fund, to which most state tax receipts are credited, is the predominant source of financing for state expenditures. The General Fund finances 44.9 percent of estimated FY 1994 expenditures. In FY 1995, the General Fund finances 46.1 percent of the recommended expenditures. The Governor recommends a revenue



transfer to the State Emergency Fund during FY 1995 to replenish the fund from flood related expenditures in FY 1994. The Governor also recommends the transfer from the State Budget Stabilization Fund of \$50.0 million to the fee fund of the Department of Social and Rehabilitation Services.

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 1994 receipts are \$1.681 billion, an increase of \$110.9 million (7.1 percent) over reported actual receipts in FY 1993 of \$1.570 billion. The FY 1995 estimate of \$1.483 billion is \$197.3 million, or 11.7 percent, below FY 1994 receipts. Three agencies -- the Department of Social and Rehabilitation Services, the Department of Transportation, and the Department of Education -- account for 80.3 percent of FY 1995 estimated federal receipts.

Federal receipts for fiscal years 1994 and 1995 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 1994 Legislature. Of particular significance during the 1993 Session was the use of federal disproportionate share funds.

**Disproportionate Share Funding.** SRS has been claiming disproportionate share payments through the Medicaid program on behalf of services provided for the care of low-income persons in state mental health hospitals who have no health coverage. The state's formula used to claim this revenue used a multiplier which has yielded federal reimbursement of approximately 300 percent of actual state expenditures on behalf of these clients. Based on this formula, the state's claims for disproportionate share funding increased from approximately \$26.0 million in FY 1991 to an annualized amount of approximately \$105 million beginning in FY 1992. A portion of this funding (approximately \$20 million) has been retained in the state hospital budgets. The remainder (approximately \$85 million) has been transferred to the SRS Fee Fund where it has been used to fund a portion of the state's match in the Medicaid program. This funding has effectively replaced SGF dollars in the Medicaid program and has been used to draw down federal funds at a 59 percent federal financial participation rate.

Action by Congress in the Omnibus Budget Reconciliation Act of 1993 limits disproportionate share claims to the **actual costs incurred** during the year for furnishing hospital services. This effectively eliminates the use of a multiplier. This provision is phased in over two year, and initially applies only to public hospitals. SRS estimates that federal disproportionate share payments to Kansas will be reduced by **\$70 million** in FY 1995 and by an additional \$10 million in FY 1996 for a total annual reduction of **\$80 million**. The \$70 million is currently used to draw down an additional \$130 million in federal funds for the medical assistance, roughly 25 percent of the FY 1994 medical assistance budget.

As noted above, the Governor's recommendation includes the transfer of \$50.0 million from the Budget Stabilization Fund in the Department of Administration to the SRS Fee Fund. This funding is then used to fund a portion of the state's share of the long-term care budget. The remaining lost funding is replaced in the Governor's budget by financing from the State General 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 33.2 percent of total recommended expenditures for FY 1995. 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 93	Est. FY 94	Change		Rec. FY 95	Change	
			\$	%		\$	%
Salaries and Wages	\$ 1,423.3	\$ 1,514.8	\$ 91.5	6.4%	\$ 1,574.7	\$ 59.9	4.0%
Contractual Services	438.3	479.4	41.1	9.4	486.9	7.5	1.6
Commodities	149.9	146.0	(3.9)	(2.6)	147.6	1.6	1.1
Capital Outlay	110.3	94.3	(16.0)	(14.5)	94.3	0	--
All Other	53.2	67.7	14.5	27.3	72.7	5.0	7.4
<b>TOTAL</b>	<u>\$ 2,175.0</u>	<u>\$ 2,302.2</u>	<u>\$ 127.2</u>	<u>5.8%</u>	<u>\$ 2,376.2</u>	<u>\$ 74.0</u>	<u>3.2%</u>

Salaries and wages expenditures, including fringe benefits, comprise two-thirds of the state operations budget for FY 1995 and represent a \$59.9 million or 4.0 percent increase from the FY 1994 estimate.

Salaries and wages policy recommendations incorporated into the proposed FY 1995 budget include the following:

1. Scheduled step movement, longevity pay in accordance with existing statutes and policies, and annualization of the Information Technology reclassifications provided for the last half year in FY 1994. For eligible employees, a step increase is approximately 2.5 percent (\$22.3 million).
2. A merit pool of 2.5 percent for judges and unclassified positions in the legislative, judicial, and executive (including Regents unclassified) branches (\$20.0 million).
3. As part of the Regents "Partnership for Excellence" faculty salary enhancement, the Governor recommends \$11.1 million for teaching faculty salaries and wages. The recommendation will provide on average a 5.0 percent additional salary increase above the 2.5 percent merit pool. The total average salary increase for teaching faculty would be 7.5 percent. However, there would be a wide range on the individual campuses (KSU-Salina, 15.4 percent; WSU, 12.1 percent; KU, 9.3 percent; KUMC-Education, 3.8 percent).
4. No salary increase is included for elected officials of the executive and legislative branches.
5. Implementation of the final segments of the Comprehensive Classification and Job Rate Study to be completed in two phases in FY 1995. The Governor recommends \$8.1 million (\$3.0 million from the General Fund) to implement the final two phases in FY 1995 which include approximately 6,300 positions that would be reclassified (human resources, social sciences, and administrators).

Financing for all employee benefit recommendations, except the comprehensive reclassification costs, are contained in the recommended budgets for each state agency. The comprehensive reclassification costs are contained in a separate appropriation bill.

### **Authorized FTE Employees by Function of Government**

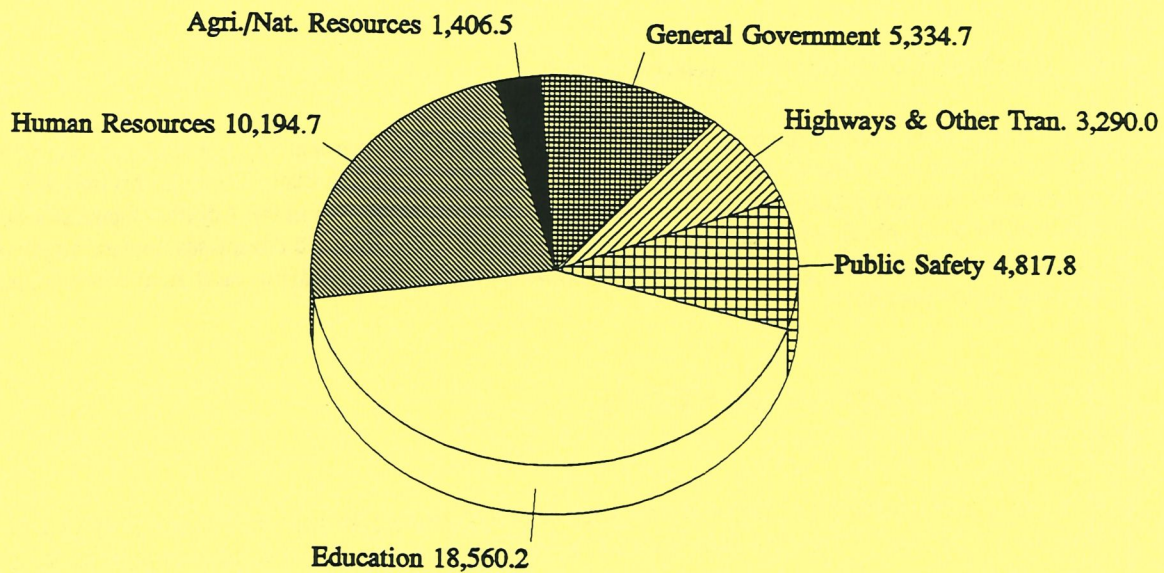
Expenditures for salaries and wages are also affected by policy recommendations which change the size of the state's workforce. The FY 1995 budget recommendations of the Governor finance 43,603.9 full-time equivalent positions, which is an increase of 646.0, or 1.5 percent, FTE positions from the FY 1994 estimated level of 42,957.9. A total of 153.1 special project positions in the Department of Health and Environment and 364.0 classified as special project and non-FTE classified positions in the Department of Social and Rehabilitation Services are included in the FTE position total that previously were not included. The Governor also recommends that no position limitation be imposed



on the Department of Health and Environment, Department of Transportation, or Regent's restricted fee fund positions.

The following pie chart reflects the Governor's recommended FY 1995 full-time equivalent positions by function of government.

## FY 1995 Full-Time Equivalent (FTE) Positions by Function of Government



Total FTE Positions: 43,603.9

### 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 1995, 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 \$1.9 million in FY 1995. 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 32.0 percent of the total FY 1995 budget, expenditures for state and federal aid to local units of governments are recommended by the Governor to decrease \$3.9 million (0.2 percent) from the revised FY 1994 estimate. Although state aid for local school districts increases \$52.1 million, all aid within the Adjutant General's budget decreases about \$62.5 million, mainly due to elimination of federal disaster aid. State aid comprises approximately 90.0 percent of budgeted aid to local units of government for FY 1995. A tabulation appearing later in this memorandum provides details about state aid programs.

**Program or Agency Components of the FY 1995  
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 1995 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 (61.6 percent) of the total state budget.



**GOVERNOR'S RECOMMENDED  
EXPENDITURES FROM ALL FUNDS, FY 1995**

**By Agency or Program**

	Amount (Thousands)	Percent of Total	Cumulative Percent	Percent Increase From FY 94
Department of Education	\$ 1,879,316 <sup>a</sup>	26.26%	26.26%	4.1%
Department of SRS, Except Hospitals and Youth Centers	1,365,862	19.08	45.34	5.9
Board of Regents/Institutions	1,160,116	16.21	61.55	1.0
Department of Transportation	829,654	11.59	73.14	15.8
Department of Human Resources	273,463	3.82	76.96	(20.4)
Department of Corrections/Institutions	182,268	2.55	79.51	0.1
Nonschool Employee Pensions (KPERS)	158,151	2.21	81.72	6.9
State Hospitals	151,358	2.11	83.83	(1.6)
Local School Employee Pensions (KPERS)	141,370	1.97	85.80	5.9
Department of Health and Environment	136,719	1.91	87.71	3.7
State Treasurer	90,773	1.27	88.98	2.6
Kansas Lottery	87,419	1.22	90.20	1.6
Insurance Department	77,325	1.08	91.28	1.3
Department of Commerce and Housing, KTEC, and Kansas Inc.	74,167	1.04	92.32	(23.2)
Department of Revenue	70,152	0.98	93.30	2.3
Judicial Branch	64,398	0.90	94.20	2.1
KPERS-School Aid	57,060	0.80	95.00	5.2
Highway Patrol and KBI	48,123	0.67	95.67	(0.3)
Department of Administration	31,315	0.44	96.11	2.0
Department of Wildlife and Parks	30,137	0.42	96.53	(12.5)
KPERS-Operations	21,266	0.30	96.83	1.8
Youth Centers	20,272	0.28	97.11	(1.4)
Board of Agriculture	19,898	0.28	97.39	1.1
Department on Aging	18,048	0.25	97.64	(1.4)
Legislative Branch	15,563	0.22	97.86	1.9
Adjutant General	13,981	0.20	98.06	(82.1)
Corporation Commission	13,274	0.18	98.24	5.9
Salary Plan Reclassification	8,109 <sup>b</sup>	0.11	98.35	-
All Other	118,130	1.65	100.00	(3.1)%
<b>TOTAL</b>	<b>\$ 7,157,685</b>	<b>100.00%</b>		<b>2.2%</b>

a) Excludes KPERS-School aid which is shown separately below.

b) This amount will be allocated among state agencies eligible therefor.

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



# INCREASE IN TOTAL EXPENDITURES FROM ALL FUNDS

FY 1994 TO FY 1995

	Amount (000)	Percent of Incr.	Selected Comments
Total Increase	\$ 151,267 <sup>(a)</sup>	100.0%	
Dept. of Transportation	113,430	75.0	\$106,066 increase in capital improvements
SRS, Except Hospitals and Youth Centers	75,560	50.0	75,189 increase in OAGB*
Department of Education	73,408	48.5	68,664 increase in state aid excluding KPERS-School
Board of Regents and Instit.	11,661	7.7	(32,391) decrease in capital improvements
Nonschool Employee Pensions	10,275	6.8	
Local School Employee Pensions	7,897	5.2	
Dept. of Health and Environment	4,930	3.3	
KPERS-School Aid	2,828	1.9	This aid in the amount of \$57.060 million was shifted to the Dept. of Education's bud- get for FY 1995
Dept. of Revenue	2,557	1.7	
State Treasurer	2,293	1.5	
Dept. of Human Resources	(70,079)	(46.3)	(71,400) decrease in OAGB* -- mostly UI benefits
Adjutant General	(64,096)	(42.4)	(66,958) decrease in disaster assistance
Dept. of Commerce and Housing	(21,401)	(14.1)	(16,739) (3,352) decreases in federal flood relief "aid" and OAGB*
Dept. of Wildlife and Parks	(4,323)	(2.9)	(4,297)
State Hospitals	(2,417)	(1.6)	(2,107) decrease in capital improve- ments
All Other	8,745 <sup>(b)</sup>	5.8	(10,436)

a) Increase reflects minor adjustments to the Governor's FY 1994 budget to account for actual expenditures for two state aid programs (Dept. of Transportation and State Treasurer), and for adjustment of expenditures from the SDCIF.

b) Includes \$8.109 million for salary plan reclassification.

\* Other assistance, grants, and benefits.



# EXPENDITURES AND STATUS OF THE STATE GENERAL FUND

## Program and Agency Components of the FY 1995 General Fund Budget

The following tabulation provides an overview of the program or agency components of the Governor's recommended FY 1995 expenditures from the State General Fund. This tabulation identifies individual components which comprise 98.2 percent of General Fund expenditures. Education and state aid other than for education account for 70.1 percent of General Fund expenditures.

### GOVERNOR'S RECOMMENDED STATE GENERAL FUND EXPENDITURES BY PROGRAM OR AGENCY FY 1995

	Amount (Thousands)	Percent of Total	Cumulative Percent	Percent Incr. From FY 1994
Education				
State Aid Local Units	\$1,685,737	51.14%	51.14%	3.1%
Bd. of Regents/Institutions	446,770 <sup>a</sup>	13.55	64.69	5.1
Other Education*	23,161	0.70	65.39	(1.9)
Subtotal, Education	\$ 2,155,667	65.39	65.39	3.4
State Aid Except Education	155,139	4.71	70.10	4.4
** SRS, Except Hospitals/Youth Centers	415,274	12.60	82.70	15.3
** Dept. of Corr./Institutions	151,441	4.59	87.29	3.2
Sales Tax Transfer to SHF	80,602	2.44	89.73	3.0
State Hospitals	69,195	2.10	91.83	11.1
Judicial Branch	61,113	1.85	93.68	2.1
Highway Patrol and KBI	31,524	0.96	94.64	2.6
Dept. of Revenue Operations	29,035	0.88	95.52	3.5
** Dept. of Administration	21,001	0.64	96.16	2.8
** Dept. of Health and Envir.	20,023	0.61	96.77	1.1
Youth Centers	19,468	0.59	97.36	1.8
Legislative Branch	15,433	0.47	97.83	3.6
** Exec. Branch Elected Officials	8,571	0.26	98.09	(7.5)
Salary Plan Reclass.	3,034	0.09	98.18	--
** All Other	60,146	1.82	100.00	(3.1)
TOTAL	\$ 3,296,667	100.00%		4.8%

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

\*\* Excludes state aid.

a) Aid to Washburn University is included in state aid to local units (\$6.807 million).



Under education, the increase of 3.1 percent in state aid to local units is due in part to the fact that basic general aid under the new school finance law will increase \$24.2 million and there are increases of \$14.4 million for supplemental general aid and of \$7.1 million for capital improvements aid to school districts.

In addition, the budget for FY 1995 contains increases of \$4.5 million, or 3.0 percent, for special education aid, \$2.8 million, or 5.2 percent, for the state's employer contribution to school employees retirement (KPERS-School), and \$2.4 million, or 4.7 percent, for community colleges. On the other hand, postsecondary vocational aid from the General Fund decreases by \$6.2 million, or 38.1 percent, but such aid from the Economic Development Initiatives Fund increases by \$6.9 million or 138.8 percent. All other state aid for education financed from the General Fund is budgeted to increase by \$1.0 million (net).

The large decrease from FY 1994 in the budgets of executive branch elected officials is due in part to the reduction in water litigation funding in the Office of Attorney General and reduced operating costs for the Office of Governor and the Secretary of State. While SRS and the state hospitals have an increase in General Fund expenditures, their recommended expenditures reflect a shift in funding sources, and SRS caseload increases are also reflected.

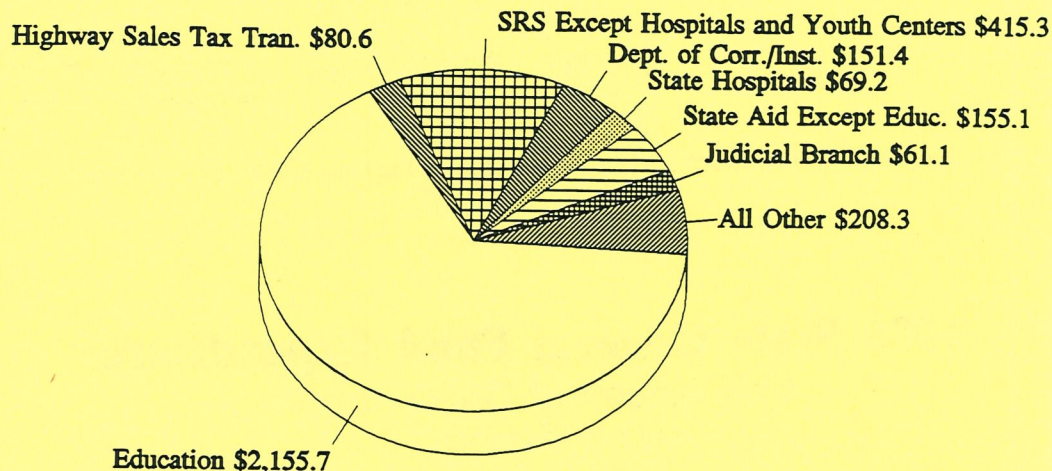


The following pie chart displays the FY 1995 State General Fund expenditures by major program

## FY 1995 State General Fund Expenditures

### by Major Program or Agency

(Millions of Dollars)



Total: \$3,296.7

### 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 1994 and FY 1995 reflect the school finance program approved by the 1992 Legislature. The relatively large increase in the human resource function in FY 1995 reflects the shift in financing to the General Fund from federal funds received as disproportionate share grants in FY 1994.



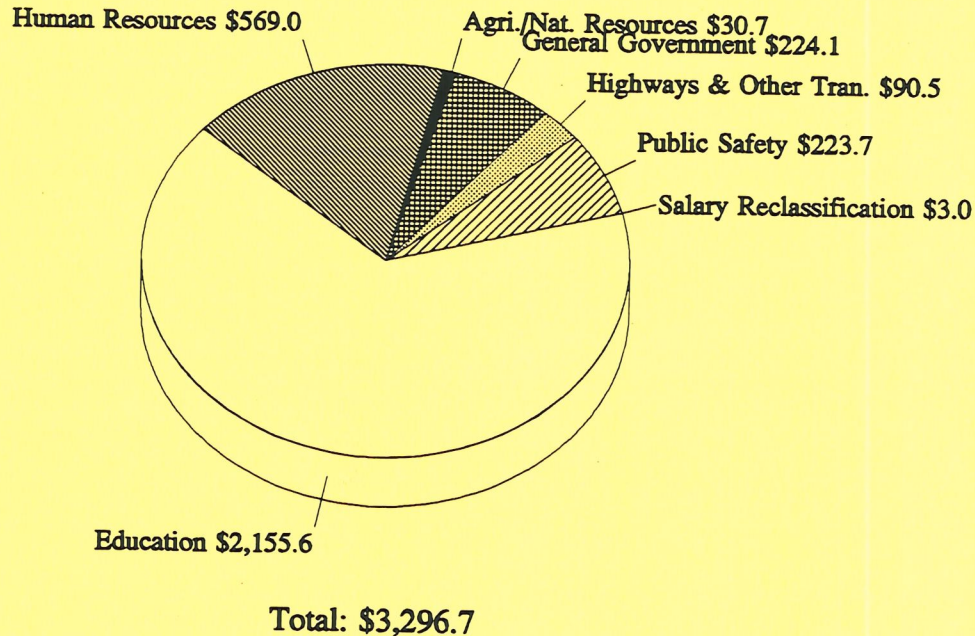
**State General Fund Expenditures  
by Function of Government**

(Millions of Dollars)

Function	Actual FY 93	Est. FY 94	Change		Rec. FY 95	Change	
			\$	%		\$	%
General Government	\$ 217.6	\$ 219.2	\$ 1.6	0.7%	\$ 224.1	\$ 4.9	2.2%
Human Resources	474.2	505.8	31.6	6.7	569.0	63.2	12.5
Education	1,674.2	2,084.2	410.0	24.5	2,155.6	71.4	3.4
Public Safety	209.4	217.2	7.8	3.7	223.7	6.5	3.0
Agriculture/Natural Resources	29.5	30.3	0.8	2.7	30.7	0.4	1.3
Transportation	85.1	87.9	2.8	3.2	90.5	2.6	3.0
Salary Reclassification Reserve	--	--	--	--	3.0	3.0	--
<b>TOTAL</b>	<b>\$ 2,690.1</b>	<b>\$ 3,144.6</b>	<b>\$ 454.5</b>	<b>16.9%</b>	<b>\$ 3,296.7</b>	<b>\$ 152.1</b>	<b>4.8%</b>

The following pie chart reflects FY 1995 General Fund expenditures by function of government.

**FY 1995 State General Fund Expenditures  
by Function of Government**  
(Millions of Dollars)





## Expenditures by Major Purpose

Slightly over \$1.8 billion (55.8 percent) of recommended FY 1995 expenditures from the General Fund is paid to local units of government, 30.6 percent represents the costs of state operations, 10.9 percent is for other assistance payments, and 2.7 percent is for capital improvements. Of the \$87.8 million for capital improvements, \$80.6 million is the estimated amount of the demand transfer of General Fund sales tax receipts to the State Highway Fund.

### State General Fund Expenditures by Major Purpose

(Millions of Dollars)

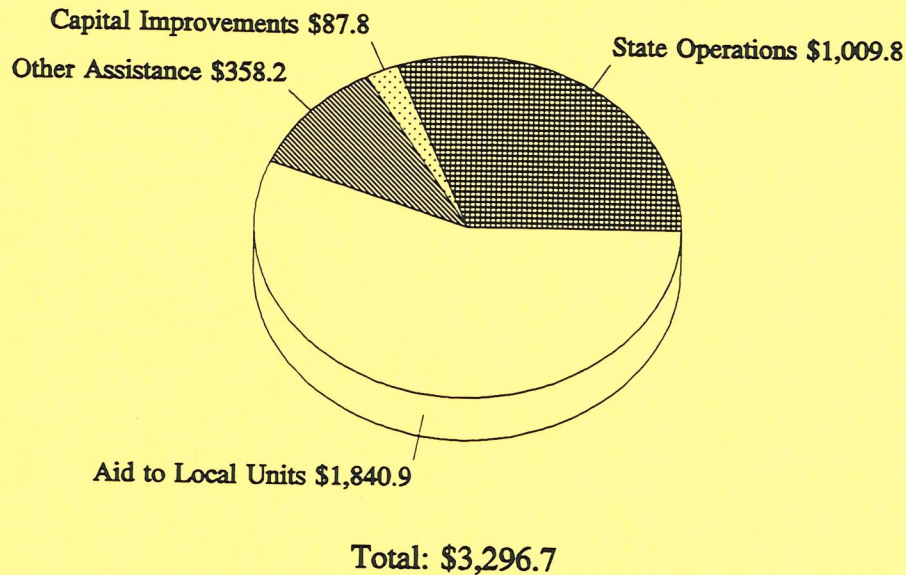
	Actual FY 93	Est. FY 94	Change		Rec. FY 95	Change	
			\$	%		\$	%
State Operations	\$ 947.5	\$ 969.7	\$ 22.2	2.3%	\$ 1,009.8	\$ 40.1	4.1%
Aid to Local Units	1,381.5	1,784.2	402.7	29.1	1,840.9	56.6	3.2
Other Assistance	278.4	306.1	27.7	9.9	358.2	52.1	17.0
Total Operating	\$ 2,607.5	\$ 3,060.0	\$ 452.5	17.4%	\$ 3,208.9	\$ 148.8	4.9%
Capital Improvements	82.6	84.6	2.0	2.4	87.8	3.2	3.9
TOTAL	<u>\$ 2,690.1</u>	<u>\$ 3,144.6</u>	<u>\$ 454.5</u>	16.9%	<u>\$ 3,296.7</u>	<u>\$ 152.0</u>	4.8%



The following pie chart displays FY 1995 General Fund expenditures by major purpose.

## **FY 1995 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 93	Est. FY 94	Change		Rec. FY 95	Change	
			\$	%		\$	%
General Government	\$ 142.9	\$ 145.3	\$ 2.4	1.7%	\$ 148.2	\$ 2.9	2.0%
Human Resources	167.7	168.1	0.4	0.2	178.1	10.0	5.9
Education	422.3	435.1	12.8	3.0	454.2	19.1	4.4
Public Safety	191.7	197.5	5.8	3.0	202.6	5.1	2.7
Agriculture/Natural Resources	22.9	23.6	0.7	3.1	23.7	0.1	0.0
Transportation	--	--	--	--	--	--	--
Salary Reclassification Reserve	--	--	--	--	3.0	3.0	--
<b>TOTAL</b>	<u><u>\$ 947.5</u></u>	<u><u>\$ 969.7</u></u>	<u><u>\$ 22.2</u></u>	2.3%	<u><u>\$ 1,009.8</u></u>	<u><u>\$ 40.1</u></u>	4.1%

### 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. Federal aid is not included in this tabulation.

The tabulation reflects General Fund aid to local school districts in FY 1995 which increases \$53.5 million or 3.4 percent above the FY 1994 level. Although vocational education-postsecondary aid decreases in FY 1995 by \$6.2 million in State General Fund support, as previously noted financing from the Economic Development Initiatives Fund increases by \$6.9 million. Total General Fund aid to local units in the budget year increases \$56.6 million or 3.2 percent above the current year. Total other state aid to local units of government increases \$2.3 million or 1.2 percent above the FY 1994 estimate.



**STATE AID TO LOCAL UNITS OF GOVERNMENT**  
(In Thousands)

From State General Fund	Actual FY 1993	Revised Estimate FY 1994	Governor's Rec. FY 1995	Increase FY 1994-1995	
				Amount	Percent
General State Aid	\$ 922,778	\$ 1,306,123	\$ 1,330,338	\$ 24,215	1.9%
Supp. Gen. Aid	24,628	35,696	50,094	14,398	40.3
Cap. Improvement Aid	4,561	7,429	14,500	7,071	95.2
KPERS-School	53,288	54,232	57,060	2,828	5.2
Special Education Aid	149,026	149,026	153,497	4,471	3.0
Deaf-Blind-Hand. Children	96	99	100	1	1.0
Adult Basic Education	280	304	315	11	3.6
Food Service	2,364	2,360	2,360	--	--
In-Service Training	2,468	2,475	3,000	525	21.2
Parent Education	1,754	2,475	2,500	25	1.0
Subtotal, USDs	1,161,243	1,560,219	1,613,764	53,545	3.4
Voc. Ed.-Postsecondary	20,283	16,391	10,144	(6,247)	(38.1)
Community Colleges	48,652	50,132	52,498	2,366	4.7
Adult Basic Ed. (CCs)	412	448	463	15	3.3
Washburn University	6,108	6,350	6,807	457	7.2
Public TV (Washburn)	122	121	85	(36)	(29.8)
Libraries	3,003	1,975	1,975	--	--
Total, Education	1,239,823	1,635,636	1,685,737	50,101	3.1
Local Prop. Tax Reduction	39,324	40,293 (a)	41,540	1,247	3.1
Co.-City Revenue Sharing	30,218	30,629 (a)	31,548	919	3.0
Community Corrections	10,981	11,817	14,748	2,931	24.8
Community Con. Camps	1,381	1,412	1,412	--	--
Local Public Health	5,855	5,867	5,876	9	0.2
Aging Dept. Programs	704	1,024	1,211	187	18.3
Community Mental Health	10,256	10,033	10,033	--	--
Community Mental Retard.	5,964	5,963	5,963	--	--
Community Assnt. Grants	27,213	30,580	31,909	1,329	4.3
Arts Program Grants	3	--	--	--	--
Disaster Relief	--	365	--	(365)	(100.0)
Motor Carrier Tax to CCHF <sup>b</sup>	9,631	9,743 (a)	9,926	183	1.9
HOME Program	--	684	795	111	16.2
Corp. for Change Grants	--	189	178	(11)	(5.8)
Mine Shaft Capping	124	--	--	--	--
Total, Other Programs	141,654	148,599	155,139	6,540	4.4
Total, State General Fund	\$1,381,476	\$1,784,236	\$1,840,876	\$56,641	3.2
Percent of Total SGF Expenditures	51.4%	56.7%	55.8%		



From Other Funds	Actual FY 1993	Revised Estimate FY 1994	Governor's Rec. FY 1995	Increase FY 1994-1995	
				Amount	Percent
School Dist. Finance Fund	\$11,606	\$26,247	\$25,000	\$(1,247)	(4.8)
Driver Safety/Training Funds	1,492	1,745	1,745	--	--
School Dist. Cap. Improve. Fund	(71)	71	--	(71)	(100.0)
Co. Mineral Prod. Tax Fund-USDs' Share	3,231	3,640 <sup>(c)</sup>	3,556 <sup>(c)</sup>	(84)	(2.3)
Econ. Dev. Initiatives Fund:					
Ed. Excellence Grants	1,497	1,485	1,485	--	--
Voc. Ed.-Postsecondary	500	4,963	11,850	6,887	138.8
Voc. Ed.-Capital Outlay	999	990	1,500	510	51.5
Tech. Grants-CCs/AVS	497	495	495	--	--
Libraries	280	1,250	277	(973)	(77.8)
Subtotal, Education	20,031	40,886	45,908	5,022	12.3
Econ. Dev. Initiatives Fund:					
Co. Reappraisal Aid	3,000	2,970	3,000	30	1.0
Econ. Init. Opportunity	--	1,485	--	(1,485)	(100.0)
Strategic Plan Grants	440	441	441	--	--
Arts Program Grants	297	170	150	(20)	(11.8)
Public Radio/TV	--	151	--	(151)	(100.0)
Infrastructure Loans	--	990	--	(990)	(100.0)
Infrastructure Loans Revolving Fund	--	760	300	(460)	(60.5)
Water Plan Fund:					
Small Lakes Program	1,357	877	--	(877)	(100.0)
Environmental Grants	1,504	1,270	1,800	530	41.7
Watershed Construction	1,070	1,147	1,735	588	51.3
Soil Con. Dists. Aid	777	779	780	1	0.1
Benefits Area Program	173	--	--	--	--
Halstead Flood Control	300	--	--	--	--
Hazardous Waste Collection	--	150	150	--	--
City-Co. Highway Fund and Co. Equal. and Adj. Fund	105,265 <sup>(d)</sup>	108,913 <sup>(d)</sup>	109,182 <sup>(d)</sup>	269	0.2
State Highway Fund-City Maintenance Payments	2,143	2,240	2,240	--	--
Elderly/Hand. Transport.	413	463	390	(73)	(15.8)
Local Alcoholic Liquor Fund	12,159	12,600	12,880	280	2.2
Firefighters' Relief Fund	3,780	3,846	3,914	68	1.8
Co. Mineral Prod. Tax Fund- Counties' Share	3,231	3,641 <sup>(c)</sup>	3,557 <sup>(c)</sup>	(84)	(2.3)
Solid Waste Fee Fund	--	2,024	1,500	(524)	(25.9)
Rental MV Excise Tax Fund	1,409	1,700	1,700	--	--
Waste Tire Fund	940	1,000	1,092	92	9.2
Corp. for Change Grants	530	585	629	44	7.5
All Other Aid	1,164	1,804	1,854	50	2.8
Total, Other Funds	159,983	190,892	193,202	2,310	1.2

a) Actual. Except for Co.-City Revenue Sharing, the amount differs slightly from the Governor's budget.

b) City-County Highway Fund (see aid From Other Funds).

c) Estimate of the Legislative Research Department.

d) Does not include motor carrier property tax transfer from the General Fund.



## Recommended Changes in General Fund Programs

The following tabulation summarizes General Fund expenditure changes from the FY 1994 Governor's revised estimate to the Governor's recommendations for FY 1995.

### Increase in Total State General Fund Expenditures FY 1994 to FY 1995

	Amount (000)	Percent of Increase
Total Increase	\$ 152,028 <sup>(a)</sup>	100.0%
Aid to Local Units		
Education	\$ 50,101	33.0%
All Other Aid	6,540 <sup>(a)</sup>	4.3
TOTAL	\$ 56,641	37.3%
SRS, Except Hospitals and Youth Centers*	\$ 55,064	36.2
Board of Regents and Institutions*	21,663	14.2
State Hospitals	6,935	4.6
Department of Corrections and Institutions*	4,699	3.1
Sales Tax Transfer to State Highway Fund	2,348	1.5
Judicial Branch	1,249	0.8
Subtotal	\$ 148,599	97.7%
All Other*	\$ 3,429 <sup>(b)</sup>	2.3%

\* Excludes state aid to local units.

a) Increase reflects minor adjustments to the Governor's FY 1994 budget to account for actual expenditures for two state aid programs.

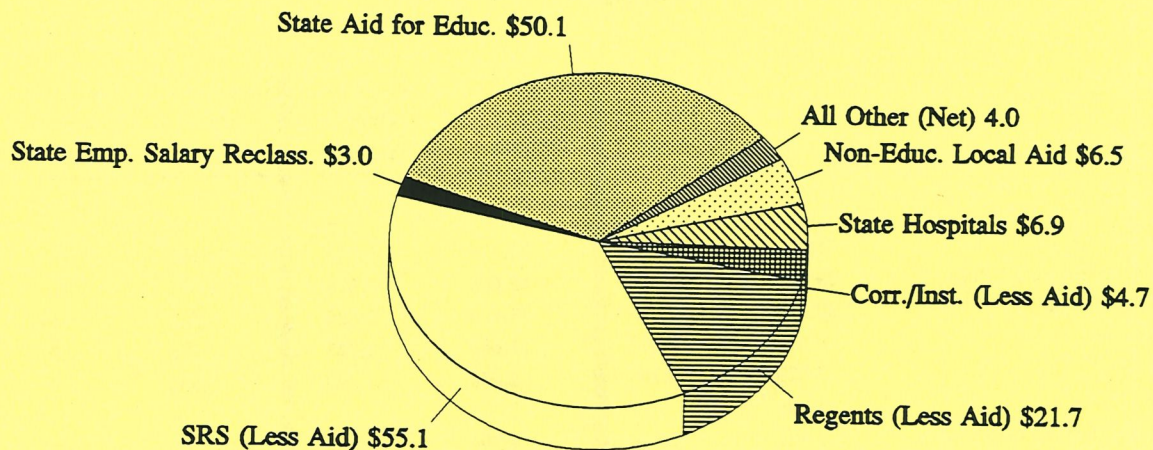
b) Includes \$3.034 million for salary plan reclassification.



The following pie chart displays the General Fund expenditure changes from FY 1994 to FY 1995. State aid for education (\$50.1 million) and additional support for Regents institutions (less aid) (\$21.7 million) and the Department of Social and Rehabilitation Services (less aid) (\$55.1 million) accounts for 83.4 percent of the increase.

## State General Fund

### Governor's Recommended Expenditure Changes FY 1994 to FY 1995 (Millions of Dollars)



Total: \$152.0



## Demand Transfers From the State General Fund

Demand transfers, certain expenditures specified by statute, are recommended by the Governor to increase by \$12.0 million in FY 1995. The increase amount represents generally a 3 percent increase above the FY 1994 amount. The only exceptions include the School District Capital Improvement Fund and State Fair capital improvements. The Governor recommends statutory changes to implement this recommended change. In addition, the Governor recommends that the State Highway Fund, Local Ad Valorem Tax Reduction Fund, and the County-City Revenue Sharing Fund in succeeding years be limited to a 3 percent increase. The following table reflects the difference between current law and the amount recommended by the Governor for demand transfers in FY 1995. (Actual transfers to the Local Ad Valorem Tax Reduction Fund and the City-County Highway Fund in FY 1994 were \$40.293 million and \$9,743 million, respectively.)

**DEMAND TRANSFERS FROM STATE GENERAL FUND**  
In Thousands

Transfer to	Actual FY 1993	Revised Est. FY 1994*	Current Law Est. FY 1995	Increase Over FY 1994	Governor's Rec. FY 1995	Increase Over FY 1994
School Dist. Fin. Fund	\$ 170,005	\$ --	\$ --	\$ --	\$ --	\$ --
State Highway Fund	75,501 <sup>(a)</sup>	78,254	85,338	7,084	80,602 <sup>(c)</sup>	2,348
Local Ad Valorem Tax Reduction Fund	39,324 <sup>(a)</sup>	40,330	43,664	3,334	41,540 <sup>(c)</sup>	1,210
Co.-City Rev. Sharing Fund	30,218 <sup>(a)</sup>	30,629	33,435	2,806	31,548 <sup>(c)</sup>	919
City-Co. Highway Fund	9,631 <sup>(a)</sup>	9,637	11,660	2,023	9,926 <sup>(c)</sup>	289
Water Plan Fund	5,820 <sup>(a)</sup>	5,760	6,000	240	5,933 <sup>(c)</sup>	173
Workers Comp. Fund	4,000 <sup>(b)</sup>	--	--	--	--	--
School Dist. Capital Improvements Fund	4,561	7,429	14,500	7,071	14,500	7,071
State Fair	108	117	118	1	118	1
<b>TOTAL</b>	<b>\$ 339,168</b>	<b>\$ 172,156</b>	<b>\$ 194,715</b>	<b>\$ 22,559</b>	<b>\$ 184,167</b>	<b>\$ 12,011</b>

\* Transfers were reduced by 4.0 percent, except to the School District Capital Improvements Fund and the State Fair, and the transfer to the Worker's Compensation Fund was eliminated. Also see the Special Note, below.

a) Reflects 3 percent reduction per 1992 Sub. H.B. 3215. Also, the estimate for the State Highway Fund includes the effects of reducing the percentage of sales tax transferred thereto in order to compensate for continuing to credit approximately the same amount that the Highway Fund would have received from both the transfer and its share of total sales and use taxes before passage of H.B. 2892 in 1992.

b) \$4.0 million was transferred back to General Fund per Section 38 of Chapter 30, 1991 Session Laws and Section 11 of Chapter 285, 1992 Session Laws.

c) Governor proposes a 3.0 percent increase over the FY 1994 revised estimate (FY 1994 was reduced 4.0 percent).

**SPECIAL NOTE:** 1993 H.B. 2505 eliminated the transfer to the School District Finance Fund. Transfers were made in January and March of FY 1993 before the bill became law.

## 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 1994 and 1995.



# State General Fund Receipts, Expenditures, and Balances

(Millions of Dollars)

	Actual FY 93	Revised FY 94	Change	Rec. FY 95	Change
Beginning Unencumbered Cash Balance	\$ 140.5	\$ 384.0	\$ 144.4	\$ 328.5	\$ (56.4)
Released Encumbrances	2.5	2.1	(0.4)	—	(2.1)
Receipts	2,932.0	3,086.1	154.1	3,220.9	134.8
Total Resources	\$ 3,075.0	\$ 3,473.1	\$ 398.1	\$ 3,549.4	\$ 76.3
Less Expenditures	2,690.1	3,144.6	454.5	3,296.7	152.1
Ending Unencumbered Cash Balance	<u>\$ 384.9</u>	<u>\$ 328.5</u>	<u>\$ (56.4)</u>	<u>\$ 252.7</u>	<u>\$ (75.8)</u>
Ending Balance as a Percentage of Expenditures	14.3%	10.4%		7.7%	
Receipts in Excess of Expenditures	\$ 241.9	\$ (58.5)		\$ (75.8)	

The FY 1995 General Fund balance as a percentage of expenditures under the Governor's recommendations would be 7.7 percent for that year. Under K.S.A. 75-6702 and 75-6703, the targeted minimum ending balance is 7.5 percent. Receipts for FY 1994 and FY 1995 are equal to the consensus estimates except the Governor recommends one adjustment. In FY 1995, the Governor's estimate includes a \$500,000 reduction in net receipts from the consensus revenue group. This decrease reflects the effect of a transfer recommended by the Governor to the State Emergency Fund to replenish this fund, which was depleted during FY 1994 for flood victim assistance.

## Change in the State General Fund Ending Balance Requirement

The Governor recommends that the current statute requiring the State General Fund ending balance to be targeted at 7.5 percent of expenditures be decreased to 5.0 percent in FY 1996 and thereafter. According to the Governor, the ending balance for the State General Fund would have to be above 10.0 percent in order to prevent the use of certificates of indebtedness. In addition, the Governor states that the ending balance needs only to be "adequate to prevent major current year rescissions and reductions in levels of service because of unanticipated reductions in receipts."

The following General Fund profile for FY 1996 and FY 1997 is built upon the Governor's recommendation for FY 1994 and FY 1995, an assumed growth rate of 4.5 percent in FY 1996 and FY 1997, and an ending balance of 5.0 percent beginning in FY 1996.



**STATE GENERAL FUND PROFILE**  
**BASED ON GOVERNOR'S BUDGET RECOMMENDATIONS**

In Millions

	Gov. Rec. FY 1994	Incr.	Gov. Rec. FY 1995	Incr.	Projected FY 1996	Incr.	Projected FY 1997	Incr.
Beginning Balance	\$384.9		\$328.5		\$252.7		\$172.3	
Receipts	3,086.1 <sup>a</sup>	5.3%	3,221.4 <sup>a</sup>	4.4%				
Rec. Transfer	--	--	(0.5)					
Total	3,086.1	5.3%	3,220.9	4.4%	3,365.8	4.5% <sup>b</sup>	3,517.3	4.5% <sup>b</sup>
Released Encumbrances	2.1 <sup>c</sup>	(0.4)	--	(2.1)	--	--	--	--
Expenditures								
Gen. & Supp. School Aids	1,341.8 <sup>d</sup>	\$394.4	1,380.4 <sup>d</sup>	\$38.6	1,403.2 <sup>d</sup>	\$22.8	1,439.5 <sup>d</sup>	\$36.3
Demand Transfers To:								
SDCIF	7.4	2.8	14.5	7.1	17.5	3.0	20.0	2.5
SHF	78.3	2.8	80.6	2.3	83.7	3.1	86.9	3.2
LAVTRF	40.3	1.0	41.5	1.2	42.9	1.4	44.3	1.4
CCRSF	30.6	0.4	31.5	0.9	32.6	1.1	33.7	1.1
CCHF	9.6	--	9.9	0.3	12.4	2.5	13.0	0.6
WPF	5.8	--	5.9	0.1	6.0	0.1	6.0	--
WCF	--	(4.0)	--	--	--	--	--	--
State Fair	0.1	--	0.1	--	0.1	--	0.1	--
All Other Expenditures	1,630.7	57.1	1,732.3	101.6	1,847.8	115.5 <sup>f</sup>	1,870.4	22.6
Total	3,144.6	454.5 16.9%	3,296.7	152.1 4.8%	3,446.2	149.5 4.5%	3,513.9	67.7 2.0%
Ending Balance	328.5		252.7		172.3		175.7	
% of Expenditures	10.4%		7.7%		5.0% <sup>e</sup>		5.0% <sup>e</sup>	
Receipts in Excess of Expenditures	(58.5)		(75.8)		(80.4)		3.4	

a) Consensus estimate as of November 17, 1993.

b) Assumed growth rate (not a consensus estimate).

c) Actual through November.

d) Revised estimate as of December 1993 based on current law.

e) Governor proposes reducing the targeted balance from at least 7.5 percent to at least 5.0 percent.

f) Of this amount, the Budget Division estimates that \$85 million would be needed for SRS and \$0.7 million would be required for annualization of employee reclassification costs, leaving \$29.8 million.

**Demand Transfers**

SDCIF	School District Capital Improvement Fund	CCHF	City-County Highway Fund*
SHF	State Highway Fund*	WPF	Water Plan Fund*
LAVTRF	Local Ad Valorem Tax Reduction Fund*	WCF	Workers Compensation Fund
CCRSF	County-City Revenue Sharing Fund*		(transfer has been eliminated)

\* Reductions of 4 percent in FY 1994 and reductions from current law proposed for FY 1995 (also for succeeding years re SHF, LAVTRF, and CCRSF).