

OVERVIEW OF THE FISCAL YEAR 2017

GOVERNOR'S BUDGET REPORT

In this Budget Overview, various summaries of state expenditures and the plan for their financing are reviewed. The summary data were obtained from the FY 2017 Governor's Budget Report. The Legislative Research Department utilizes the classification of expenditures by function of government and by major purpose of expenditure to coincide with the Division of the Budget and the Division of Accounts and Reports. The Department has made some changes in the classification of expenditures in order to be consistent with its prior reports to the Legislature.

The summary data in this overview compare actual expenditures for FY 2015, the Governor's revised estimate for FY 2016 and FY 2017.

SUMMARY OF CHANGES TO ESTIMATED FY 2016 EXPENDITURES

The 2015 Legislature approved a FY 2016 budget of \$15.389 billion, including \$6.372 billion from the State General Fund. The 2015 Legislature also authorized the Governor to adjust expenditures from, or revenue to, the State General Fund by \$100 million for FY 2016, which was not included in the approved budget. The Governor made adjustments in July 2015 of \$22.5 million to increase State General Fund revenue, \$20.6 million to reduce State General Fund expenditures and recommended the Legislature adjust expenditures of \$17.7 million during the 2016 Legislative session. The consensus revenue estimating process was completed on November 6, 2015, subsequent to agencies submitting budgets with revised expenditures for the current fiscal year. The results of the new consensus estimates identified a \$118.2 million State General Fund shortfall for FY 2016. This prompted the Governor to address the shortfall with an allotment plan totaling \$123.8 million, which reduced expenditures by \$52.6 million. The allotment plan also included recommendations to transfer funds and adjust Non-State General Fund expenditures an additional \$71.2 million. The Governor's adjustments included \$14.3 million that require legislative approval to implement the November adjustments and \$17.7 million from the July adjustments.

For FY 2016, the Governor's recommendation totals \$15.567 billion, with \$6.294 billion financed from the State General Fund. The recommendation increased total expenditures by \$238.4 million, but reduced State General Fund expenditures by \$22.7 million from the approved amount. The approved budget includes the Governor's adjustments identified above, excluding those requiring Legislative approval. The increases include \$95.3 million in Board of Regents and institutions primarily for shifts in rehab and repair and restricted fees and federal fund increases, \$46.8 million in human services caseloads, \$28.9 million primarily in Department for Aging and Disability Services in expenditure funding shifts for caseloads, \$27.0 million in Department of Transportation primarily for increased fees and federal funds, \$15.9 million in Department of Labor primarily for increased unemployment benefits and \$11.0 million in Department of Corrections and Institutions primarily for Kansas Correctional Industries. The State General Fund reductions include reduced expenditures of \$17.7 million for the State Children's Health Insurance Program, \$13.8 million in school finance adjustments, \$2.9 million from the unspent Extraordinary Needs Fund and \$1.4 million in assessed valuation in the Department of Education, which was partially offset by an increase of \$16.6 million in human services caseloads.

TOTAL STATE EXPENDITURES FOR FY 2017

Summary of Expenditures from All Funds

The 2015 Legislature approved a FY 2017 budget of \$15.845 billion, including \$6.398 billion from the State General Fund. The Governor's recommendation totals \$16.107 billion from all funding sources with \$6.395 billion financed from the State General Fund. The recommendation increased total expenditures by \$262.0 million, but reduced State General Fund expenditures by \$3.8 million from the approved amount. The all fund increases include \$114.8 million in the Department of Transportation primarily for additional fees and federal funds, \$112.0 million in Board of Regents and institutions primarily for tuition, restricted fees and federal fund increases, \$70.6 million in Kansas Department of Health and Environment primarily for human services caseloads, \$38.9 million in Department of Education in Bond and Interest State Aid and the transfer of the Children's Cabinet from the Department for Children and Families. These increases were partially offset by reductions of \$75.0 million in Department for Aging and Disability Services primarily in human services caseload and \$18.6 million in Department for Children and Families primarily for the transfer of the Children's Cabinet to the Department of Education. The State General Fund reductions include reduced expenditures of \$11.4 million in the Kansas Department of Health and Environment for adjustments to medical programs and \$33.1 million in the Department for Aging and Disability Services primarily in human services caseloads.

These reductions were partially offset by increases of \$34.7 million in school finance adjustments and the transfer of the Children's Cabinet from the Department for Children and Families and \$13.2 million in the Department for Children and Families primarily for human services caseloads.

Expenditures by Major Purpose

State Operations. Actual agency operating costs for salaries and wages, contractual services, commodities and capital outlay. The Governor's FY 2016 recommendation for state operations is \$4,866.5 million an increase of \$255.5 million, or 5.5 percent, above the FY 2015 actuals. The most significant increases were the Department of Health and Environment (\$41.9 million) mostly in contractual services, the Department for Children and Families (\$23.6 million) for contractual services and salaries and wages, University of Kansas (\$18.6 million) for salaries and wages and other operating expenditures, Kansas State University (\$19.5 million) largely for salaries and wages, and University of Kansas Medical Center largely for salaries and wages. Changes also include a reduction of \$7.0 million for statewide IT savings.

For FY 2017, the recommendation for state operations is \$4,922.8 million an increase of \$56.3 million, or 1.2 percent, above the revised FY 2016 revised budget. The largest changes were increases in the University of Kansas (\$13.5 million) and the University of Kansas Medical Center (\$14.3 million) for salaries and wages. Additional increases include the Kansas Lottery (\$20.1 million) for higher payments to lottery gaming facility managers and cities and counties housing state-owned casinos due to increased expanded gaming revenues. Reductions were largely for Kansas Department of Health and Environment (\$25.9 million) for contractual services, and Department of Transportation (\$14.9 million) for contractual services.

Aid to Local Units. Aid payments to counties, cities, school districts, and other local government entities. May be from state or federal funds. The Governor's FY 2016

recommendation of \$5,087.4 million increases Aid to Local Units payments by \$50.0 million, or 1.0 percent, above the FY 2015 actual expenditures. Significant changes include an increase to the Department of Education (\$63.8 million) and a reduction in the Department of Health and Environment (\$12.5 million).

For FY 2017, the recommendation is \$5,105.6 for aid to local units of government payments, an increase of \$18.2 million, or 0.4 percent, above the FY 2016 revised budget. Significant changes include an increase to the Department of Education (\$46.7 million). This is offset by a reduction to the Department of Revenue (\$14.6 million) due to the sunset of the Oil and Gas Valuation Depletion Trust Fund.

Other Assistance, Grants, and Benefits. Payments made to or on behalf of individuals as aid, including public assistance benefits, unemployment benefits, and tuition grants. For FY 2016, the Governor's recommendation of \$4,864.7 million increases other assistance, grants and benefits by \$174.4 million, or 3.7 percent, above the FY 2015 actual expenditures. Significant changes include increases in the Department of Health and Environment (\$145.6 million) and the Department of Children and Families (\$26.1 million) to fund human services consensus caseload estimates. This is offset by a reduction in the Department for Aging and Disability Services (\$34.8 million) for adjustment in the human caseload consensus estimates.

For FY 2017, the Governor's recommendation of \$4,782.2 million decreases other assistance, grants and benefits by \$82.5 million, or 1.7 percent, below the revised FY 2016 recommendation. Significant changes include increases in the Department of Education (\$26.6 million) for early education programs funded through the Children's Initiatives Fund and the Department of Health and Environment (\$18.9 million) for increases in medical assistance. This is offset by reductions in Department of Labor (\$56.7 million) for reductions in the estimate for Unemployment Insurance and in the Department for Aging and Disability Services (\$51.2 million) for adjustment in the human services caseload consensus estimates.

Capital Improvements. Cash or debt service payments for projects involving new construction, remodeling and additions, rehabilitation and repair, razing, and the principal portion of debt service for a capital expense. The Governor's FY 2016 recommendation for capital improvements of \$748.2 million is recommended to decrease by \$13.0 million, or 1.7 percent, below the FY 2015 actual expenditures. The largest decrease is in the budget of the Department of Transportation (\$42.9 million), related to a decrease in federal funds and projected decreases in planned road construction contract lettings for FY 2016. Expenditures in the Department of Transportation budget fluctuate in their funding request due to its best estimate at a given point in time as to projects being let, and its subsequent funding streams. This decrease is offset by an increase at Fort Hays State University (\$27.4 million).

The Governor's FY 2017 recommendation for capital improvements of \$1,296.5 million is recommended to increase by \$548.3 million, or 42.3 percent, above the revised FY 2016 level. Changes are largely in the Department of Transportation (\$529.1 million) for federal funds and projected planned road construction contracts. Expenditures in the Department of Transportation budget fluctuate in its funding request due to its best estimate at a given point in time as to projects being let, and its subsequent funding streams. Other large increases included the Board of Regents (\$32.0 million) and Emporia State University (\$15.7 million). These increases are offset by reductions in Kansas State University (\$19.5 million) and the University of Kansas (\$10.3 million).

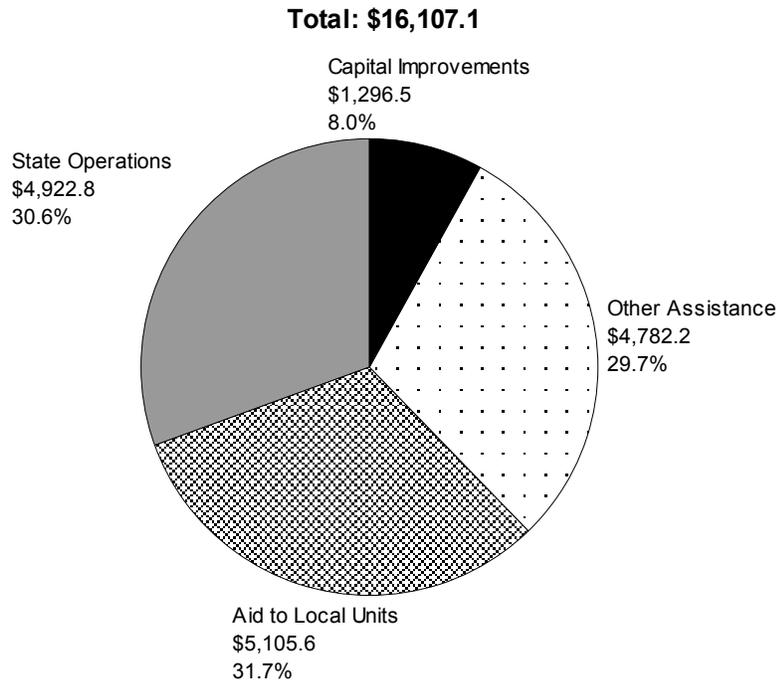
EXPENDITURES FROM ALL FUNDS BY MAJOR PURPOSE
(in Millions of Dollars)

Purpose	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2015	FY 2016	\$	%	FY 2017	\$	%
State Operations	\$ 4,611.0	\$ 4,866.5	\$ 255.5	5.5	\$ 4,922.8	\$ 56.3	1.2 %
Aid to Local Units	5,037.4	5,087.4	50.0	1.0	5,105.6	18.2	0.4
Other Assistance	4,690.3	4,864.7	174.4	3.7	4,782.2	(82.5)	(1.7)
Total Operations	\$ 14,338.7	\$ 14,818.6	\$ 479.9	3.3 %	\$ 14,810.6	\$ (8.0)	(0.1)%
Capital Improvements	761.2	748.2	13.0	1.7	1,296.5	1,296.5	42.3
TOTAL	\$ 15,099.9	\$ 14,818.5	\$ (281.4)	(1.9)%	\$ 16,107.1	\$ 1,288.6	8.7 %

* Note: Totals may not add due to rounding.

Of the total budget recommendation for FY 2016, 31.3 percent is for state operations, 32.7 percent is for state aid to local units of government, 31.3 percent is for other assistance, grants, and benefits, and 4.8 percent is for capital improvements. For FY 2017, 30.6 percent is for state operations, 31.7 percent is for state aid to local units of government, 29.7 percent is for other assistance, grants, and benefits, and 8.0 percent is for capital improvements. The following pie charts displays the major categories of all funds expenditures in FY 2016 and FY 2017.

FY 2017 EXPENDITURES FROM ALL FUNDS
BY MAJOR PURPOSE
Governor's Recommendation
(Millions of Dollars)



Expenditures by Function of Government

The following table and pie chart summarize expenditures from all funds by function of government. Functions of government reflect the six classifications into which similar agencies are grouped that share similar basic purposes of state government. The functions include: General Government; Human Services; Education; Public Safety; Agriculture and Natural Resources; and Transportation. The education function is the largest component with 46.9 percent of the total expenditures. The two largest functions of government—education and human services—comprise 77.6 percent of the recommended expenditures for FY 2017.

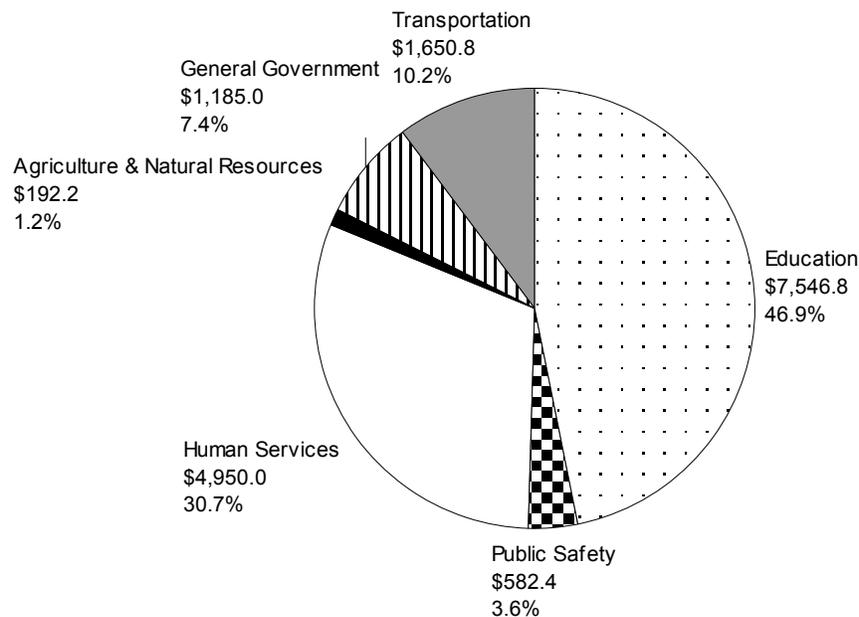
EXPENDITURES FROM ALL FUNDS BY FUNCTION OF GOVERNMENT (in Millions of Dollars)

Purpose	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2015	FY 2016	\$	%	FY 2017	\$	%
General Government	\$ 1,074.2	\$ 1,143.4	\$ 69.2	6.4 %	\$ 1,185.0	\$ 41.6	3.6 %
Human Services	4,875.8	5,091.3	215.5	4.4	4,950.0	(141.3)	(2.8)
Education	7,242.2	7,426.6	184.4	2.5	7,546.8	120.2	1.6
Public Safety	572.7	582.0	9.3	1.6	582.4	0.4	0.1
Agriculture & Nat. Res.	179.3	192.4	13.1	7.3	192.2	(0.2)	(0.1)
Transportation	1,155.7	1,131.1	(24.6)	(2.1)	1,650.8	519.7	45.9
TOTAL	\$ 15,099.9	\$ 15,566.7	\$ 466.8	3.1 %	\$ 16,107.1	\$ 540.4	3.5 %

* General Government includes a \$7.0 million reduction in FY 2016 and \$15.0 million reduction in FY 2017 for Statewide IT Savings.

FY 2017 EXPENDITURES FROM ALL FUNDS BY FUNCTION OF GOVERNMENT Governor's Recommendation (Millions of Dollars)

TOTAL: \$16,107.1



Summary Plan for Financing

Total state expenditures are financed by the resources contained in approximately 1,300 distinct funds. The following table summarizes total state expenditures. The table separates the plan for financing into operating purposes and capital improvements. The State General Fund operating amount shown in the table for FY 2016 is based on current resources of the fund. The net decrease in State General Fund operating expenditures from FY 2015 to FY 2016 is \$64.7 million, or 1.0 percent, and the increase from FY 2016 to 2017 is \$77.6 million or 1.2 percent. The Governor's recommendations do, however, include both positive and negative adjustments for individual agencies.

SUMMARY OF THE PLAN FOR FINANCING STATE EXPENDITURES (in Millions of Dollars)

	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2015	FY 2016	\$	%	FY 2017	\$	%
Operating Expenditures:							
State General Fund	\$ 6,204.7	\$ 6,269.4	\$ 64.7	1.0	\$ 6,347.0	\$ 77.6	1.2 %
All Other Funds	8,134.0	8,549.1	415.1	5.1	8,463.6	(85.5)	(1.0)
Total Operating	\$ 14,338.7	\$ 14,818.5	\$ 479.8	3.3 %	\$ 14,810.6	\$ (7.9)	(0.1)%
Capital Improvements:							
State General Fund	\$ 32.3	25.0	\$ (7.3)	(22.6)%	\$ 47.6	\$ 22.6	90.4 %
All Other Funds	728.9	723.2	(5.7)	(0.8)	1,248.9	525.7	72.7
Total Capital Improvements	\$ 761.2	\$ 748.2	\$ (13.0)	(1.7)	\$ 1,296.5	\$ 548.3	73.3 %
TOTAL EXPENDITURES	\$ 15,099.9	\$ 15,566.7	\$ 466.8	3.1 %	\$ 16,107.1	\$ 540.4	3.5 %

* Note: Totals may not add due to rounding.

The State General Fund, to which most state tax receipts are credited, is the predominant source of financing for state expenditures. The State General Fund finances 40.5 percent of estimated FY 2016 expenditures. In FY 2017, the State General Fund finances 39.8 percent of the recommended expenditures.

Schedule 7 in *The Governor's Budget Report (Volume 1)* summarizes actual and estimated receipts of federal funds. Estimated FY 2016 receipts are \$3,456.0 billion, a decrease of \$660.3 million, or 16.06 percent, below FY 2015 actual receipts. The FY 2017 estimate of \$3,417.5 billion is \$385.0 million, or 1.1 percent, below FY 2016 estimated receipts. Four agencies—the Department of Health and Environment, the Department for Children and Families, the Department of Education, and the Department of Transportation—account for 76.0 percent of FY 2016 estimated federal receipts.

Federal receipts for fiscal years 2016 and 2017 are dependent on future actions of the federal government. Past experience indicates that the final outcome of those actions will not be known prior to adjournment of the 2016 Legislature.

Expenditures for State Operations

Expenditures for state operations, *i.e.*, for purposes other than local aid, other assistance, and capital improvements, comprise 31.3 percent of total recommended expenditures for FY 2016 and 30.6 percent for FY 2017. The table below divides state operations expenditures into the following components: salaries and wages; contractual services (communications, rent, travel); commodities (food, supplies, stationery); capital outlay

(equipment and furniture, not building and highway construction projects); and debt service interest payments.

**SUMMARY OF EXPENDITURES FROM ALL FUNDS STATE OPERATIONS
BY MAJOR COMPONENT
(in Millions of Dollars)**

Function	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2015	FY 2016	\$	%	FY 2017	\$	%
Salaries and Wages	\$ 2,726.3	\$ 2,804.6	\$ 78.3	2.9 %	\$ 2,897.1	\$ 92.5	3.3 %
Contractual Services	1,417.3	1,520.5	103.2	7.3	1,480.8	(39.7)	(2.6)
Commodities	189.7	201.7	12.0	6.3	202.4	0.7	0.3
Capital Outlay	123.6	129.2	5.6	4.5	119.7	(9.5)	(7.4)
Debt Service Interest	154.1	217.4	63.3	41.1	237.8	20.4	9.4
Statewide Adjustments	0.0	(7.0)	(7.0)	(100.0)	(15.0)	(8.0)	114.3
TOTAL	\$ 4,611.0	\$ 4,866.5	\$ 255.5	5.5 %	\$ 4,922.8	\$ 56.3	1.2 %

* Note: Totals may not add due to rounding.

Salaries and wages expenditures, including fringe benefits, comprise 57.6 percent of the recommended state operations budget for FY 2016 and represent a \$78.3 million, or 2.9 percent, increase above the FY 2015 actuals. For FY 2017 salaries and wages expenditures comprise 58.9 percent of the budget and represent a \$92.5 million, or 3.3 percent, increase above the FY 2016 revised estimate.

The Governor's budget does not include additional resources for a general, broad base salary increase in FY 2016 and FY 2017. However, specific positions within state government, such as public safety, have been authorized to provide increases approved by the 2015 Legislature.

The average fiscal year contains 26 biweekly payroll periods. Because of the biweekly nature of the payroll system and how the pay dates have fallen on the calendar since the system was implemented, a 27th payroll period will occur in FY 2017. The last time this occurred was in FY 2006. The state will be obligated to pay this extra cost, which will not occur again for another 11 years. The current estimate for the cost of the 27th pay period is \$31.7 million from the State General Fund and \$84.1 million from all funds.

For FY 2016 and FY 2017, the Governor recommends funding the longevity bonus at the statutory \$40 level. Within the executive branch where the Governor is the appointing authority, only those classified employees hired prior to June 15, 2008, are now eligible for the longevity bonus. Agencies outside the Governor's direct supervision and within the legislative and judicial branches offer the equivalent bonus to its employees whether they are in the classified service or not. The budget for longevity payments for FY 2016 is \$5.4 million from all funding sources, with \$2.0 million of that amount estimated to be paid from the State General Fund. For FY 2017 longevity bonus payments total \$5.8 million with \$2.2 million from the State General Fund.

The Governor's proposed salary expenditures in agency budgets are based on fringe benefit rates established by law or certified by agencies to the Division of the Budget for the budget instructions, which are used by agencies to prepare their budgets.

The 2015 Legislature passed SB 228 which authorized the issuance of \$1.0 billion in bonds. The bond proceeds were to be applied to the KPERS State/School Group for the purposes of reducing the unfunded actuarial liability. The bill also set the employer contribution

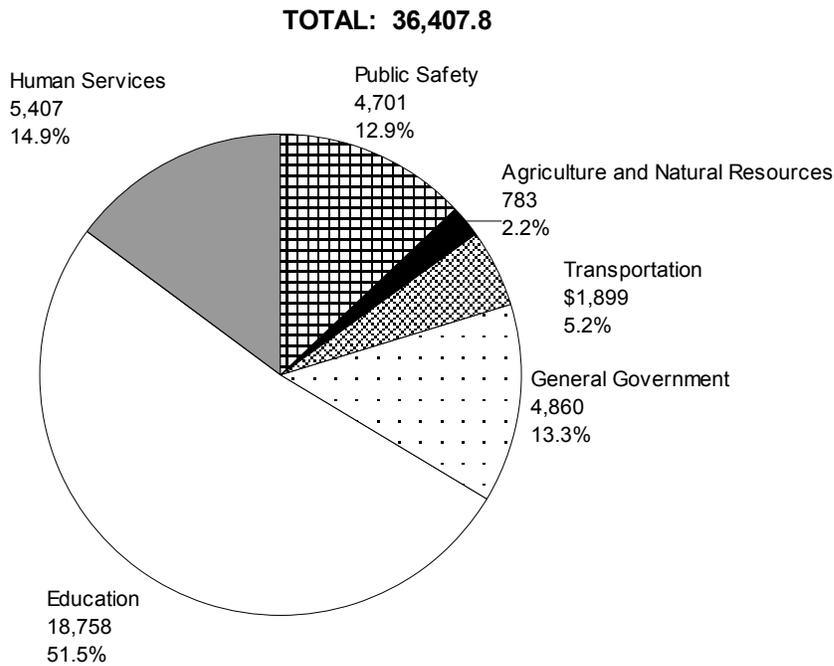
rates (excluding the Death and Disability Insurance assessment) to 10.91 percent in FY 2016 and 10.81 percent in FY 2017.

For FY 2016 and FY 2017, the Legislature approved a moratorium on contributions to the KPERS Death & Disability Fund for the last seven pay periods of each fiscal year. For budgeting purposes, the moratorium results in annualized rates of 0.73 percent in FY 2016 and 0.74 percent in FY 2017. The moratorium is maintained in the Governor's budget.

Authorized FTE Employees by Function of Government

Expenditures for salaries and wages are affected by policy recommendations which change the size of the state's workforce. The FY 2016 budget recommendations of the Governor decreases FTE positions from the approved amount by 364.4 from 39,929.71 to 36,560.3 and for FY 2017 decreases FTE positions from the approved by 508.7 from 36,921.6 to 36,407.8.

**FY 2017 FULL-TIME EQUIVALENT (FTE) POSITIONS
by Function of Government
Governor's Recommendations**



State Workforce Adjustments

The approved FY 2016 included authorized positions totaling 39,918.27. Of this amount, 36,929.71 were FTE positions and 2,988.56 were non-FTE unclassified permanent positions. The Governor's revised budget for the current fiscal year now totals 40,102.42 positions of which 36,565.27 are FTE positions and 3,537.15 are non-FTE unclassified permanent positions. For FY 2017, the approved authorized positions totaled 39,889.38 positions of which 36,921.57 are FTE positions and 2,967.81 are Non-FTE positions and the Governor's recommendation for FY 2017 includes 39,938.68 of which 36,412.83 are FTE positions and 3,525.85 are Non-FTE positions.

The decrease to FTE positions in the Governor's FY 2016 recommendation is offset by increases to non-FTE Positions. This shift, by a large measure, can be attributed to the passage of 2015 HB 2391. The bill requires new hires, current employees who volunteer to convert, and current employees who are voluntarily promoted to be placed in unclassified positions.

Excluding the regents institutions, most of the increase to state government positions can be attributed to the Department of Revenue and the Department of Administration. To increase collections from unpaid taxes, the Governor recommends adding 21.00 FTE positions in FY 2016 and 48.00 FTE positions in FY 2017 to the Department of Revenue. For FY 2016, the Department of Administration added 25.90 positions in the accounting staff for financial services.

Program or Agency Components of FY 2017 All Funds Budget

To this point, this memorandum has dealt primarily with measuring year-to-year changes proposed in The Governor's Budget Report. The following tables pertain to FY 2017 only and measures major program or agency expenditures in dollar terms and as a percent of the total budget. The budget of the Department of Education, the Board of Regents and the Regents Institutions, the Department of Health and Environment, the Department for Aging and Disability Services (including the State Hospitals), and the Kansas Department of Transportation account for 82.0 percent in FY 2017.

**GOVERNOR'S RECOMMENDED
EXPENDITURES FROM ALL FUNDS, FY 2017
By Agency or Program**

	Amount (Thousands)	Percent of total	Cumulative Percent	Percent Change from FY 2016
Department of Education	\$ 4,681,943.0	29.1 %	\$ 29.1	1.6 %
Board of Regents and Institutions	2,833,117.7	17.6	46.7	1.7
Department of Health and Env. - Health	2,462,111.3	15.3	61.9	(0.4)
Department of Transportation	1,650,782.2	10.2	72.2	(3.3)
Department on Aging and Hospitals	1,579,561.2	9.8	82.0	46.0
Department for Children and Families	600,512.8	3.7	85.7	(2.7)
Department of Corrections and Facilities	402,274.8	2.5	88.2	0.6
Kansas Lottery	372,451.2	2.3	90.5	6.5
Department of Labor	282,790.4	1.8	92.3	(17.6)
Department of Administration	179,801.6	1.1	93.4	25.9
Judicial Branch	138,089.8	0.9	94.3	3.6
Highway Patrol and KBI	118,769.4	0.7	95.0	2.1
Department of Revenue	98,069.6	0.6	95.6	(12.8)
Department of Commerce	87,989.0	0.5	96.2	(8.4)
Dept. of Wildlife, Parks, and Tourism	70,754.4	0.4	96.6	1.0
Insurance Dept. and HCSF	68,758.6	0.4	97.0	5.3
Dept. of Health and Env. - Environment	61,172.4	0.4	97.4	2.4
KPERS	52,516.1	0.3	97.7	5.9
Adjutant General	45,043.1	0.3	98.0	(9.4)
Department of Agriculture	44,460.8	0.3	98.3	(5.9)
Office of the Governor	28,868.3	0.2	98.5	(9.4)
All Other	28,679.6	0.2	98.6	(9.4)
Board of Indigents' Defense	27,233.4	0.2	98.6	12.4
Legislative Branch	27,118.7	0.2	98.8	1.4
State Treasurer	24,316.8	0.2	99.0	1.0
Commission on Veteran's Affairs	23,850.2	0.1	99.1	0.7
Kansas Corporation Commission	22,432.9	0.1	99.2	(1.2)
Attorney General	21,739.7	0.1	99.4	(0.4)
Schools for the Blind and Deaf	17,523.8	0.1	99.5	(37.8)
State Bank Commissioner	11,175.6	0.1	99.6	3.7
Kansas Water Office	8,998.3	0.1	99.6	0.3
Racing and Gaming Commission	8,955.4	0.1	99.7	1.6
State Historical Society	7,751.9	0.0	99.7	4.3
Sentencing Commission	7,503.5	0.0	99.8	(1.8)
Kansas State Fair Board	6,837.3	0.0	99.8	7.4
State Library	6,497.3	0.0	99.8	0.4
State Fire Marshal	5,929.1	0.0	99.9	5.4
Secretary of State	5,756.4	0.0	99.9	5.4
Statewide IT Savings	(15,000.0)	(0.1)	99.8	2.7
TOTAL	\$ 16,107,137.7	100 %	100.0	3.5 %

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

The following tables reflect changes in agency budgets from the Governor's FY 2016 revised recommendation to the Governor's recommended FY 2017 budget.

**CHANGE IN EXPENDITURES FROM ALL FUNDS
FY 2016 to FY 2017
Governor's Recommendation**

	<u>Amount (Thousands)</u>	<u>Comments</u>
Total Increase/Decrease		
Department of Transportation	\$ 519,732.0	Highway Projects
Department of Education	73,451.3	Aid to Locals
Board of Regents and Institutions	46,824.2	Salaries and Wages and Other Operating Expenditures
Department of Administration	36,952.2	KPERS Pension Obligation Bonds
Kansas Lottery	22,751.6	Higher Payments due to Increased Expanded Gaming Revenues
Department of Labor	(60,236.9)	Unemployment Insurance Payments
KDADS and State Hospitals	(53,321.6)	Caseload Consensus Estimate
Department for Children & Families	(16,930.7)	Move Children's Cabinet to the Department of Education
Department of Revenue	(14,363.4)	Sunset of Oil/Gas Valuation Depletion Trust Fund
Statewide IT Savings	(8,000.0)	IT Savings Increase to \$15.0 million
Other Adjustments	<u>(14,431.5)</u>	
TOTAL	<u>546,858.7</u>	

Note: Totals may not add due to rounding.

EXPENDITURES AND STATUS OF THE STATE GENERAL FUND

Program and Agency Components of the FY 2017 State General Fund Budget

The following table provides an overview of the program or agency components of the Governor's recommended FY 2017 expenditures from the State General Fund. This table identifies individual components which comprise 99.9 percent of State General Fund expenditures. The education function accounts for 62.7 percent of all State General Fund expenditures in FY 2017.

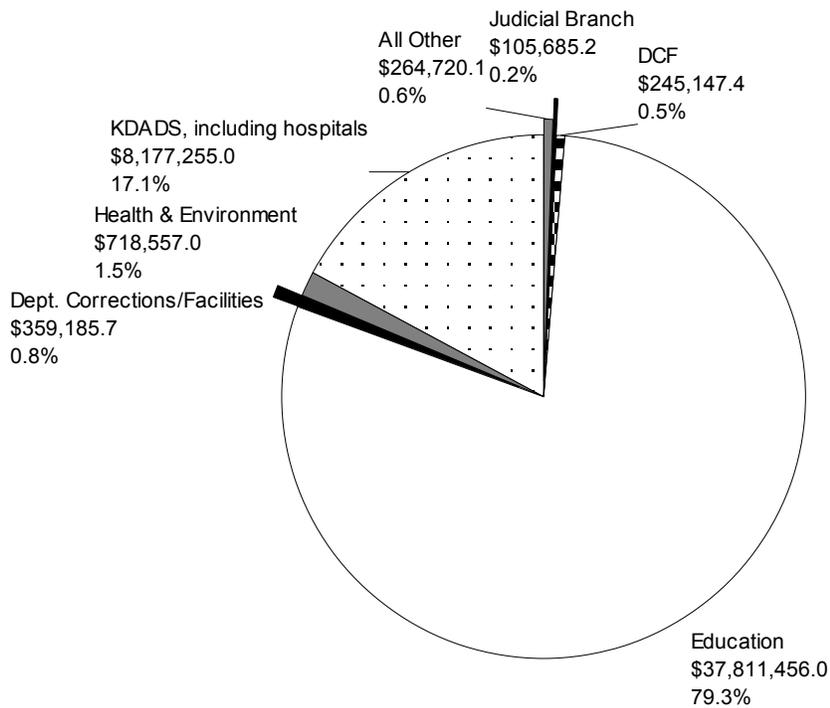
STATE GENERAL FUND EXPENDITURES BY PROGRAM OR AGENCY
Governor's Recommendations for FY 2017

	Amount (Thousands)	Percent of Total	Cumulative Percent	Increase Over FY 2016	
				Amount (Thousands)	Percent
<i>Education</i>					
Department of Education	\$ 3,189,361	49.9 %	49.9 %	\$ 20,536	0.6 %
Bd. of Regents/Institutions	794,280	12.4	62.3	16,124	2.1
Other Education	22,706	0.4	62.7	1,151	26.1
<i>Subtotal Education</i>	<u>\$ 4,006,346</u>	<u>62.7 %</u>	<u>174.8 %</u>	<u>\$ 37,811</u>	<u>---%</u>
KDHE Health	714,089	11.2	73.8	(3,260)	(0.5)
Dept. on Aging and Hospitals	711,087	11.1	84.9	8,177	1.2
Dept. of Corrections/Facilities	359,186	5.6	90.6	6,234	1.8
Dept. for Children and Family	245,147	3.8	94.4	17,258	7.6
Dept. of Administration	120,640	1.9	96.3	37,961	45.9
Judicial Branch	105,685	1.7	97.9	3,679	3.6
Legislative Branch	27,059	0.4	98.4	(2,798)	(9.4)
Indigent's Defense	26,627	0.4	98.8	371	1.4
Highway Patrol/KBI	23,160	0.4	99.1	409	1.8
Dept. of Revenue	16,537	0.3	99.4	3,458	26.4
Dept of Agriculture	9,941	0.2	99.5	1,089	12.3
Sentencing Commission	7,396	0.1	99.7	(13)	(0.2)
Adjutant General	7,227	0.1	99.8	(1,913)	(20.9)
Veteran's Affairs Office	6,844	0.1	99.9	491	7.7
Office of the Governor	6,721	0.1	100.0	(960)	(12.5)
Attorney General	5,784	0.1	100.1	113	2.0
KDHE - Environment	4,462	0.1	100.1	84	1.9
All Other	3,407	0.1	100.1	(11)	(0.3)
Kansas Water Office	1,160	0.0	100.2	39	3.5
Kansas State Fair Board	849	0.0	100.2	3	0.3
Department of Labor	313	0.0	100.2	(2)	(0.6)
Statwide IT Savings	(15,000.0)	(0.2)	100.0	(8,000)	114.3
TOTAL	<u>\$ 6,394,668</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>\$ 100,222</u>	<u>1.6%</u>

Note: Totals may not add due to rounding.

**FY 2017 State General Fund Expenditures
by Major Program or Agency
Governor's Recommendation
(Millions of Dollars)**

Total: \$6,394.7



State General Fund Expenditures by Function of Government

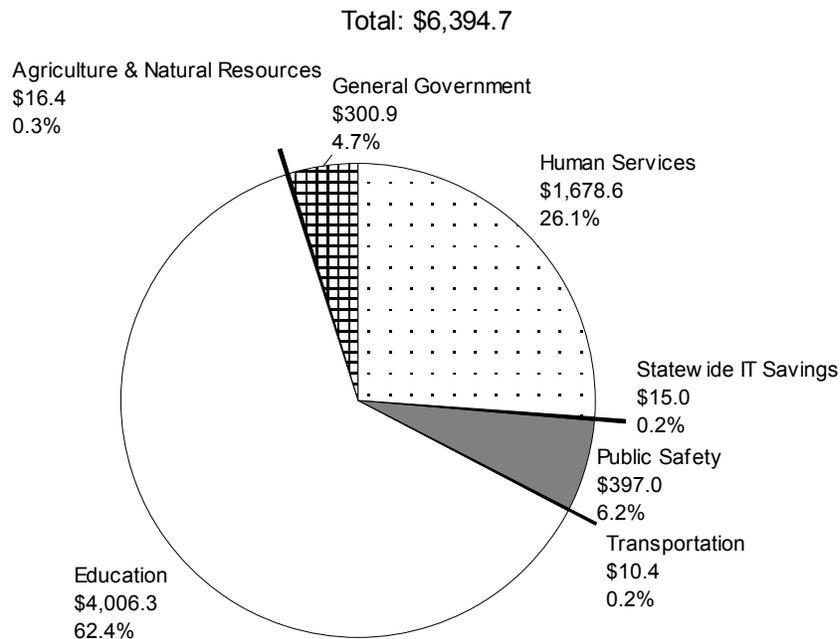
The next table summarizes State General Fund expenditures by function of government. The education function accounts for the largest portion of the State General Fund budget (63.0 percent in FY 2016 and 62.7 percent in FY 2017). Two functions, education and human services, account for 89.4 percent of all State General Fund expenditures in FY 2016 and 88.9 in FY 2017.

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

Function	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2015	FY 2016	\$	%	FY 2017	\$	%
General Government	\$ 204.7	\$ 259.1	\$ 54.4	26.6 %	\$ 300.9	\$ 41.8	16.1 %
Human Services	1,693.4	1,656.0	(37.4)	(2.2)	1,678.6	22.6	1.4
Education	3,920.2	3,968.5	48.3	1.2	4,006.3	37.8	1.0
Public Safety	388.5	392.3	3.8	1.0	397.0	4.7	1.2
Agriculture/Natural Resources	16.9	15.2	(1.7)	(10.1)	16.4	1.2	7.9
Transportation	13.3	10.4	(2.9)	(21.8)	10.4	0.0	0.0
Current Year Savings	0.0	(7.0)	(7.0)	(100.0)	(15.0)	(8.0)	114.3
TOTAL	\$ 6,237.0	\$ 6,294.4	\$ 57.4	0.9 %	\$ 6,394.7	\$ 100.3	1.6 %

* CTP Plan Expenditures moved from Department of Administration to Department of Transportation.

**FY 2017 STATE GENERAL FUND EXPENDITURES
BY FUNCTION OF GOVERNMENT
Governor's Recommendation
(Millions of Dollars)**



Expenditures by Major Purpose

Almost \$3.4 billion (53.7 percent) of recommended FY 2016 expenditures from the State General Fund is paid to local units of government, 23.6 percent is for other assistance, grants

and benefits expenditures, 22.4 percent represents the costs of state operations, and less than one percent is for capital improvements.

Almost \$3.4 billion (52.7 percent) of recommended FY 2017 expenditures from the State General Fund is paid to local units of government, 23.8 percent is for other assistance, grants and benefits expenditures, 22.8 percent represents the costs of state operations, and less than one percent is for capital improvements.

The following table reflects expenditures for state operations by function of government.

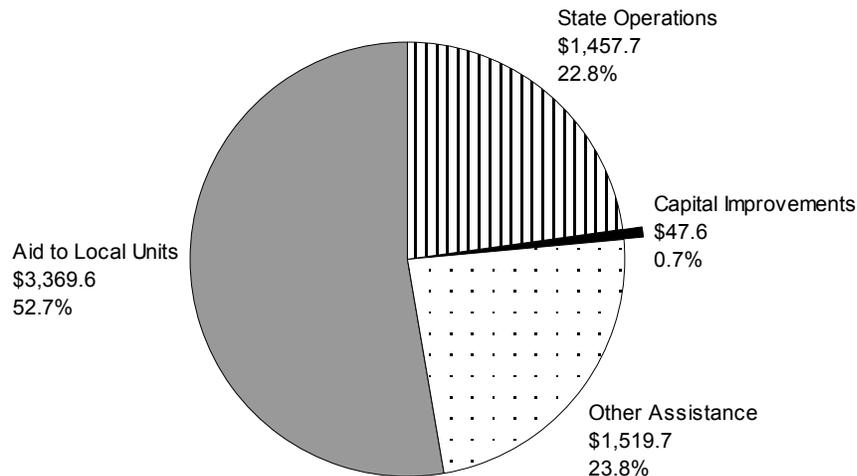
**STATE GENERAL FUND EXPENDITURES
BY MAJOR PURPOSE
(in Millions of Dollars)**

	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2015	FY 2016	\$	%	FY 2017	\$	%
State Operations	\$ 1,353.8	\$ 1,408.0	\$ 54.2	4.0 %	\$ 1,457.7	\$ 49.7	3.5 %
Aid to Local Units	3,325.4	3,377.0	51.6	1.6	3,369.6	(7.4)	(0.2)
Other Assistance	1,525.4	1,484.4	(41.0)	(2.7)	1,519.7	35.3	2.4
Total Operations	\$ 6,204.6	\$ 6,269.4	\$ 64.8	1.0 %	\$ 6,347.0	\$ 77.6	1.2 %
Capital Improvements	32.3	25.0	(7.3)	(22.6)	47.6	22.6	90.4
TOTAL	\$ 6,237.0	\$ 6,294.4	\$ 57.4	0.9 %	\$ 6,394.7	\$ 100.3	1.6 %

Note: Totals may not add due to rounding.

**FY 2017 STATE GENERAL FUND EXPENDITURES
BY MAJOR PURPOSE
Governor's Recommendation
(Millions of Dollars)**

Total: \$6,394.7



State Aid to Local Units of Government

The table on the following pages 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.

STATE AID TO LOCAL UNITS OF GOVERNMENT (In Thousands)

	Actual FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017	Change FY 2016 - 2017	
				Amount	Percent
From State General Fund					
General State Aid	\$ 1,886,700.2	\$ 0.0	\$ 0.0	\$ 0	0.0 %
Block Grant to USDs	0.0	2,696,232.0	2,677,840.3	(18,392)	(0.7)
Supplemental State Aid	452,257.3	0.0	0.0	0	0.0
Special Education	418,360.6	424,902.9	423,980.5	(922)	(0.2)
Extraordinary Need Fund	0.0	9,363.6	17,521.4	8,158	87.1
Educable Deaf/Blind	110.0	110.0	110.0	0	0.0
Capital Outlay State Aid	28,927.1	0.0	0.0	0	0.0
KPERS - School *	311,138.3	16,657.4	16,932.1	275	1.6
Juvenile Detention Facilities	4,632.4	4,771.5	4,771.5	0	0.0
School Food Assistance	2,510.4	2,510.5	2,510.5	0	0.0
Teaching Excellence Scholarship	242.9	327.5	327.5	0	0.0
Discretionary Grants	322.5	322.5	322.5	0	0.0
Communities in Schools	250.0	0.0	0.0	0	0.0
Pre-K Pilot	0.0	0.0	4,799.8	4,800	0.0
Ft. Riley Match	0.0	409.5	0.0	(410)	(100.0)
Early Childhood Block Grant	0.0	0.0	17,406.6	17,407	0.0
Child Care Quality Initiative	0.0	0.0	500.0	500	0.0
Infant Toddler Program	0.0	0.0	4,074.9	4,075	0.0
<i>Subtotal - USDs</i>	<u>3,105,451.7</u>	<u>3,155,607.4</u>	<u>3,171,097.6</u>	<u>15,490</u>	<u>0.5</u>
Adult Basic Education	1,316.2	1,457.0	1,457.0	0	0.0
Technical Equipment	390.5	398.5	398.5	0	0.0
Nursing Faculty and Supplies	1,263.2	1,069.4	1,069.4	0	0.0
Vocational Ed. Capital Outlay	70.2	71.6	71.6	0	0.0
Non-Tiered Course Credit	74,966.4	76,496.3	76,496.3	0	0.0
Postsecondary Tiered Tech Ed.	57,135.0	58,301.0	58,301.0	0	0.0
Washburn Operating Grant	10,908.3	11,901.0	11,901.0	0	0.0
Technical Education Tuition	22,661.5	20,750.0	20,750.0	0	0.0
Incentive for Technical Education	780.0	50.0	50.0	0	0.0
<i>Subtotal - Regents</i>	<u>169,491.3</u>	<u>170,494.8</u>	<u>170,494.8</u>	<u>0</u>	<u>0.0</u>
State Historical Society	18.3	14.7	18.0	3	22.4
TOTAL - Education	<u>3,274,961.3</u>	<u>3,326,116.9</u>	<u>3,341,610.4</u>	<u>15,493.5</u>	<u>0.5</u>
Legislature	0.0	107.9	0.0	(108)	(100.0)
Aging and Disability Services	2,790.2	2,531.0	2,531.0	0	0.0
KDHE - Health	5,736.9	5,579.5	6,506.5	927	16.6
Department of Corrections	41,308.2	40,333.7	40,576.2	243	0.6
Disaster Relief	(336.3)	1,384.7	194.1	(1,191)	(86.0)
TOTAL	<u>\$ 3,324,460.3</u>	<u>\$ 3,376,053.7</u>	<u>\$ 3,391,418.2</u>	<u>\$ 15,365</u>	<u>0.5 %</u>

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

	Actual	Gov. Est.	Gov. Rec.	Change	
	FY 2015	FY 2016	FY 2017	\$	%
School District Finance	\$ 635,627	\$ 642,240	\$ 662,591	\$ 20,352	3.2 %
KPERS/ELARF	39,490	36,159	35,431	(728)	(2.0)
Capital Improvement	145,009	163,300	181,000	17,700	10.8
General Aid - Mineral	0	0	11,473	11,473	100.0
Transportation - Hwy	107,251	107,250	107,250	0	0.0
Communities in Schools	50	50	50	0	0.0
State Safety Aid	1,098	800	1,525	725	90.6
Extraordinary Needs	780	0	0	0	0.0
<i>Children's Initiative Fund</i>					
Parent Education	7,238	7,238	0	(7,238)	(100.0)
Preschool Program	4,800	4,800	0	(4,800)	(100.0)
TOTAL	\$ 941,342	\$ 961,836	\$ 999,320	\$ 37,484	3.9 %

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

	Actual	Gov. Est.	Gov. Rec.	Change	
	FY 2015	FY 2016	FY 2017	\$	%
Aviation	\$ 5,076	\$ 5,253	\$ 5,000	\$ (253)	(4.8)%
CCHF and Co. Equalization	147,279	147,225	147,368	143	0.1
SHF City Maintenance Payments	2,543	3,360	3,360	0	0.0
Public Transportation	48,610	48,269	40,627	(7,642)	(15.8)
Corrections - Community Corrections	2,100	2,300	2,300	0	0.0
Corrections - Juvenile Programs	3,090	3,132	3,132	0	0.0
Conservation District Aid	2,886	2,101	2,093	(9)	(0.4)
KDHE - Environmental Enforcement	1,346	1,317	1,117	(200)	(15.2)
KDHE - Local Health Departments	3,312	3,312	660	(2,652)	(80.1)
EMS Ed. & Assistance	557	665	647	(18)	(2.7)
County Treasurer Vehicle Licensing and Sand Royalty Fees	255	243	254	11	4.6
Fisheries stocking	241	250	250	0	0.0
Technical Assistance to Water Users	495	150	0	(150)	(100.0)
Grants to local fire departments	0	0	200	200	0.0
TOTAL	\$ 217,791	\$ 217,578	\$ 207,008	\$ (10,570)	(4.9)%

INCREASE IN STATE GENERAL FUND EXPENDITURES
Governor's Recommendation
FY 2016 - FY 2017

	Amount (Thousands)	Percent of Total Increase
Total Change in Expenditures	\$ 100,222	% 1.6
Education		
State Aid to Locals and Dept of Education	20,536	0.6
Regents and Institutions	16,124	2.1
Education - Other	1,151	5.1
<i>Subtotal Education</i>	<u>37,812</u>	<u>0.9</u>
Department of Administration	\$ 37,962	% 31.5
Department for Children and Families	17,258	7.6
KDADS and Hospitals	8,177	1.1
Corrections	6,234	1.7
Judicial Branch	3,679	3.5
Department of Revenue	3,458	20.9
Other Items	1,573	1.6
Adjutant General	(1,913)	-26.5
Legislative Branch	(2,757)	-11.5
KDHE - Health	(3,260)	-0.5
Statewide IT Saving	(8,000)	53.3

DEMAND/REVENUE TRANSFERS FROM THE STATE GENERAL FUND

Demand transfers are certain expenditures specified by statute. Since FY 2002, the demand transfers to the Local *Ad Valorem* Tax Reduction Fund (LAVTRF), the County and City Revenue Sharing Fund (CCRSF) and the Special City and County Highway Fund (SCCHF) have been treated as revenue transfers. By changing these demand transfers to revenue transfers, these funds were no longer considered State General Fund expenditures and thus, no longer subject to the State General Fund ending balance law. In FY 2003, the Governor recommended changing the State Water Plan Fund and the School District Capital Improvements Fund to revenue transfers as well. Since FY 2004, the remaining demand transfers, with the exception of the School District Capital Outlay Fund, are also treated as revenue transfers. The only transfers recommended for FY 2016 are the School District Capital Improvement Fund (\$163.3 million) and the Regents Faculty of Distinction (\$247,848) and for FY 2017 are the School District Capital Improvement Fund (\$181.0 million) and the Regents Faculty of Distinction (\$250,000).

Status of the State General Fund

The Governor's recommendations for FY 2016 and FY 2017 would result in an ending balance of \$35.1 million at the end of FY 2016 and \$87.9 million at the end of FY 2017. Recommended receipts for FY 2016 and FY 2017 are equal to the consensus revenue estimates with the exception of certain transfers, adjustments and revenue proposals recommended by the Governor which decrease projected State General Fund receipts by \$35.2 million in FY 2016 and decreased projections by \$161.8 million for FY 2017.

Some of the Governor’s proposed revenue adjustments include the following changes:

- Transfers adjustment to the State General Fund total \$27.7 million which include \$5.6 million from the Department of Commerce, \$4.7 million from the EDIF, \$3.5 million from the Department of Revenue, \$2.1 million from the State Highway Fund, a reduction of \$5.0 million in the transfer to the Kansas Bioscience Authority, and an elimination of \$3.5 million – the transfer to the Job Creation Program Fund for FY 2016.
- Increase revenue of \$7.5 million in revenue in additional debt collections to the State General Fund for FY 2016.
- Transfers adjustment to the State General Fund total \$116.6 million which include \$50.6 million from the transfer of the Children’s Initiative Fund to the State General Fund, \$25.0 million from the Department of Transportation, and \$25.0 million from the privatization of the Kansas Bioscience Authority for FY 2017.
- Increase revenue of \$41.7 million in revenue in additional debt collections to the State General Fund for FY 2017.

STATE GENERAL FUND RECEIPTS, EXPENDITURES, AND BALANCES
(Millions of Dollars)

	Actual FY 2015	Gov. Rec. FY 2016	Change	Gov. Rec FY 2017	Change
Beginning Unencumbered Cash	\$ 379.7	\$ 71.5	\$ (308.2)	\$ 32.0	\$ (39.5)
Receipts	5,928.8	6,165.9	237.1	6,285.7	119.8
Gov. Rec. Adjustments	0.0	92.1	92.1	161.8	69.7
Adjusted Receipts	0.0	0.1	0.1	(42.5)	(42.6)
Total Resources	\$ 6,308.5	\$ 6,329.6	\$ 21.1	\$ 6,437.0	\$ 107.4
Less Expenditures	6,237.0	6,297.6	60.6	6,325.3	27.7
Ending Unencumbered Cash Balance	\$ 71.5	\$ 32.0	\$ (39.5)	\$ 111.8	\$ 79.8
Ending Balance as a Percentage of Expenditures	1.1%	0.5%		1.8%	
Adj. Receipts in Excess of Expenditures	\$ (308.2)	\$ (39.5)		\$ 79.7	

The following table reflects the amounts of receipts in excess of expenditures from FY 2002 to FY 2017.

**RECEIPTS IN EXCESS OF EXPENDITURES
GOVERNOR'S RECOMMENDATION – STATE GENERAL FUND
(In Millions)**

