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J.G. Scott
Assistant Director for
Fiscal Affairs
785-296-3181
JG.Scott@kldr.ks.gov

Kansas Legislator Briefing Book 2017

State Budget

I-2 Introduction to the State Budget

Budget Overview

This report provides background information on the state budget process, including definitions of classifications of expenditures by function of government and by major purpose of expenditure. Information about the approved FY 2017 budget also is included, as well as general information on the status of the State General Fund.

The Budget Process. The Kansas budget is an executive budget, in that the budgetary recommendations of the Governor are embodied in the appropriation bills, which are introduced and considered by the Legislature.

- Most state agencies are required by law to submit their budget requests no later than October 1 of each year (customarily, the deadline specified by the Director of the Budget is September 15). Agency budget requests are submitted to the Division of the Budget and the Legislative Research Department at the same time.
 - Twenty state agencies, most of them occupational and professional licensing boards and financial institution regulatory agencies, are “biennial budget agencies” and authorized to file budget adjustment requests every other year.

The **Director of the Budget**, an appointee of the Governor, is directed by law to review the detailed requests submitted by the various state agencies and to make initial recommendations that are transmitted to agencies in November. An agency is then authorized to appeal those initial recommendations to the Governor. By law, judicial branch agency budgets are exempt from review by the Director. By practice, legislative branch agency budgets are not reviewed.

- The Governor then makes budgetary recommendations, which are provided to the Legislature at the beginning of each legislative session. The Governor’s recommendations also are included in appropriations bills, which become the Legislature’s base for approving the budget each year.
- At the discretion of the Governor, a budget cycle may include two budget years. The first year of a two-year cycle, the agency requests and the Governor recommends a current year budget and two budget years. In the second year, the Governor’s recommendation includes the current year and a budget

year with the approved amount from the first year's legislation. In this case, the Governor's recommendation reflects only changes from the already approved budget year amount. This distinction changes the comparison made in the Budget Analysis and the changes made to the appropriations bill(s).

- The **Legislative Research Department** prepares an analysis of both the budget request made by each agency and the Governor's recommendations, which is submitted to the Legislature approximately three weeks after the Director of the Budget submits the Governor's budget report.
- Agencies' budgets receive simultaneous consideration in the House Appropriations Committee and the Senate Ways and Means Committee. Identical appropriation bills reflecting the Governor's recommendation are introduced in both chambers.
 - *Consideration by the First Chamber.* The chairpersons of the House Committee on Appropriations and the Senate Committee on Ways and Means appoint budget committees (House) or subcommittees (Senate) to consider appropriations for various agencies. After reviewing the budget requests, the budget committees and subcommittees draft a report that details all budgetary adjustments to the Governor's recommendations the budget committee or subcommittee support. Once the report is prepared, it is presented to the corresponding full committee. The committee may adjust the recommendations or it may adopt the report as submitted. The recommendations of the committee are considered by the full chamber, which also may adjust or adopt the recommendations.
 - *Consideration by the Second Chamber.* The process for review of an appropriation bill in the second house repeats the steps followed in the house of origin.

- *Conference Committee Action.* After consideration of an appropriation bill by the second house, the bill typically goes to a conference committee to reconcile differences between the House and Senate versions of the bill.
- *Omnibus Appropriations Bill.* The Legislature usually adjourns its regular session sometime in early April and returns for a wrap up session that occurs roughly two and one-half weeks following the first adjournment. During the wrap up session, the Legislature takes action on a number of items of unfinished business, one of which is the Omnibus Appropriations Bill. It is designed to make technical adjustments to the appropriation bills passed earlier in the session and to address the fiscal impact of legislation passed during the session. The Omnibus Appropriation Bill is usually one of the last bills passed each session.
- *Classifications of State Spending.* The State of Kansas classifies state spending by major purpose of expenditure and by function of government.

FY 2017 Approved Budget

The 2016 Legislature approved:

- An FY 2017 budget totaling \$15.7 billion from all funding sources, which is an increase of \$181.8 million (1.2 percent) above the approved FY 2016 amount.
- An FY 2017 State General Fund budget totaling \$6.3 billion, which is an increase of \$67.7 million (1.1 percent) above the approved FY 2016 amount.

Major purposes of expenditure include the following:

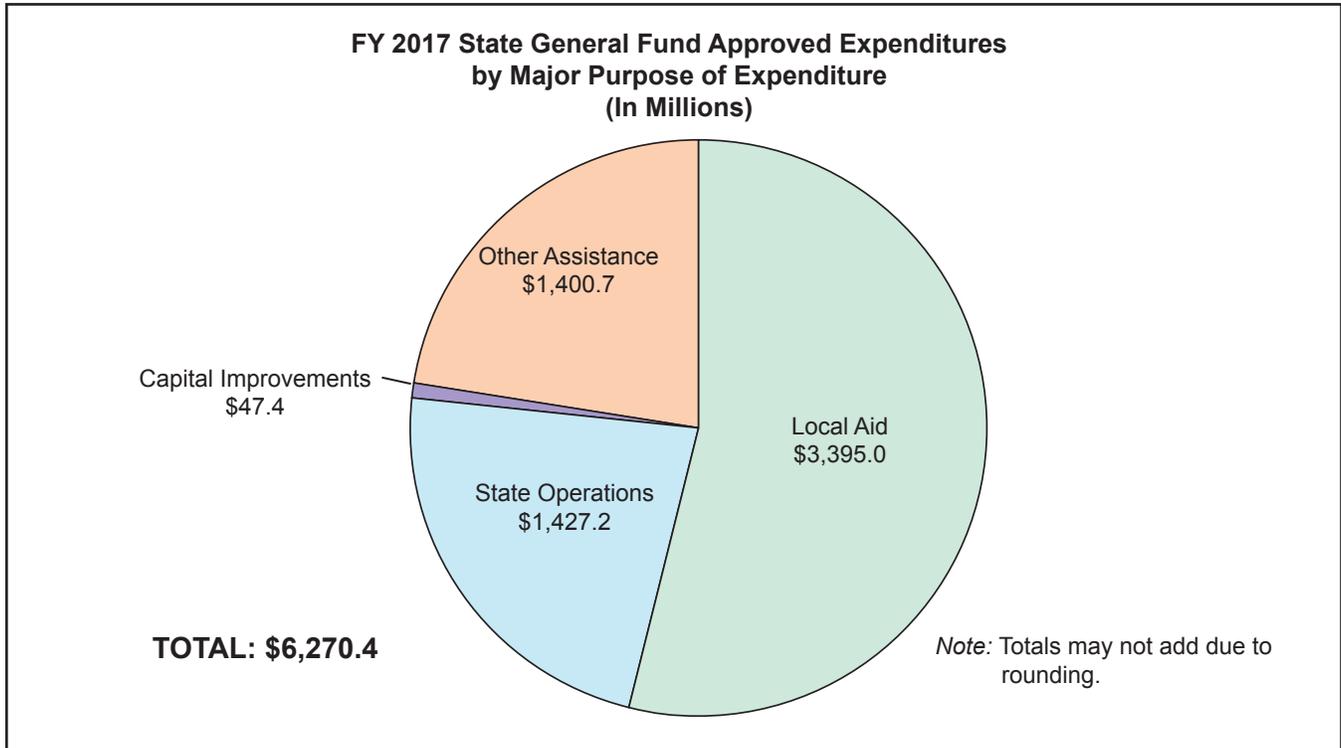
- **State Operations.** Actual agency operating costs for salaries and wages,

contractual services, commodities, and capital outlay.

- **Aid to Local Units.** Aid payments to counties, cities, school districts, and other local government entities.
- **Other Assistance, Grants, and Benefits.** Payments made to or on behalf of individuals as aid, including public assistance benefits, unemployment benefits, and tuition grants.

- **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 following chart reflects approved FY 2017 State General Fund expenditures by major purpose of expenditure:



Expenditures by function of government are grouped by agencies which make expenditures for similar programs and purposes. There are six functions of government:

- **General Government.** State agencies with both administrative and regulatory functions, including statewide elected officials, the legislative and judicial branches, and fee-funded professional and regulatory licensing agencies.
- **Human Services.** Agencies that provide services to individuals, including the Department for Aging and Disability Services, the Department for Children and Families, the Department of Labor, the health portions of the Department

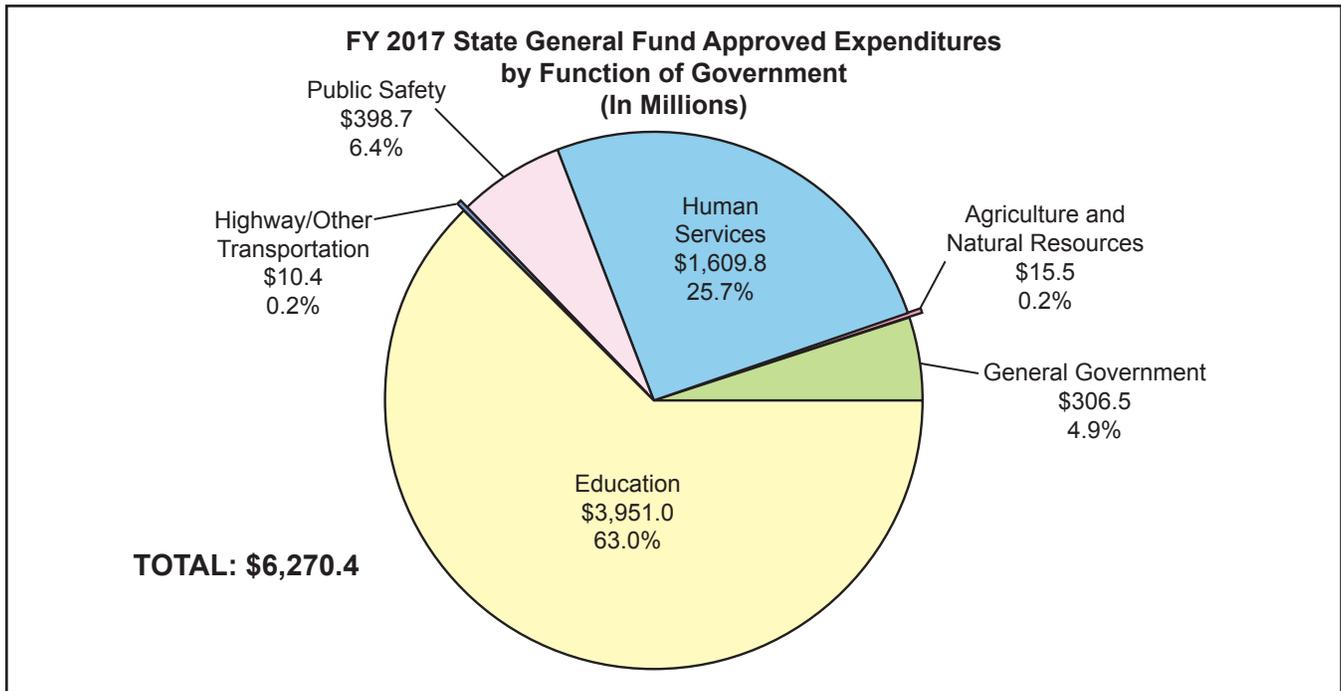
of Health and Environment, and the Commission on Veterans' Affairs.

- **Education.** Agencies that provide various educational services to Kansans, including the Department of Education, the Board of Regents and the Regents Institutions, the State Library, the Arts Commission, the State Historical Society, and the Schools for the Blind and Deaf.
- **Public Safety.** Agencies that ensure the safety and security of citizens, including the Department of Corrections and its facilities, the Highway Patrol, and the Kansas Bureau of Investigation.
- **Agriculture and Natural Resources.** Agencies that protect the natural and

physical resources of the state, including the Department of Agriculture, the environment portion of the Department of Health and Environment, and the Department of Wildlife, Parks and Tourism.

- **Transportation.** This function includes only the Department of Transportation.

The following chart reflects approved FY 2017 State General Fund expenditures by function of government (the chart does not reflect a reduction of \$6.5 million in projected savings due to the implementation of recommendations contained in the Kansas Efficiency Study or \$15.0 million in statewide information technology savings).



Consensus Revenue Estimating Process.

Since 1974, a consensus approach involving the Legislative and Executive branches (Division of the Budget, Legislative Research Department, the Department of Revenue, and one consulting economist each from the University of Kansas, Kansas State University, and Wichita State University) has been utilized for estimating revenues to the State General Fund. These consensus estimates are used by both the Governor and the Legislature to formulate and approve budget requests. The law requires that

on or before December 4 and April 20, the Director of the Budget and the Director of the Legislative Research Department prepare a joint estimate of revenue to the State General Fund for the current and ensuing fiscal year.

The following table reflects actual State General Fund receipts (in millions) for FY 2015 and FY 2016 and the April 2017 estimate, as adjusted for legislation, of the Consensus Revenue Estimating Group.

	<u>Actual FY 2015</u>	<u>Actual FY 2016</u>	<u>Estimated FY 2017</u>
Income Taxes	\$ 2,735.5	\$ 2,652.2	\$ 2,813.0
Excise Taxes	2,781.7	2,934.6	3,040.2
Other Taxes	200.1	171.6	184.9
Other Revenue	211.4	315.1	287.9
Total	\$ 5,928.7	\$ 6,073.5	\$ 6,326.0

State General Fund revenue sources include:

- **Income taxes** include individual and corporate income and financial institutions taxes.
- **Excise taxes** include sales and compensating use taxes, alcohol and cigarette taxes, and severance taxes.
- **Other taxes** include motor carrier property taxes, estate/succession taxes, and insurance premium taxes.
- **Other revenue** includes interest earnings, agency earnings, and net transfers to and from the State General Fund.

The following tables reflect where a State General Fund dollar is projected to come from in FY 2017 and how it will be spent:

Where Each FY 2017 State General Fund Dollar Will Come From (In Millions)		
38¢	Individual Income Tax	\$ 2,377,000
44¢	Sales and Compensating Use Tax	2,754,912
6¢	Corporation and Financial Income Tax	396,000
3¢	Insurance Premium Tax	170,500
2¢	Severance Tax	102,900
2¢	Tobacco Taxes	141,200
1¢	Alcohol Taxes	33,900
6¢	Other Taxes and Revenue	349,560
\$1.00	Total Receipts	\$ 6,325,972

Where Each FY 2017 State General Fund Dollar Will Be Spent (In Millions)		
51¢	Department of Education	\$ 3,167,719
12¢	Board of Regents/ Postsecondary Education	760,968
0¢	Other Education	22,270
63¢	<i>Subtotal Education</i>	\$ 3,950,957
11¢	Department for Aging and Disability Services and State Hospitals	718,831
10¢	Department of Health and Environment	648,975
6¢	Department of Corrections and Facilities	360,930
4¢	Department for Children and Families	233,719
2¢	Judicial Branch, Board of Indigents' Defense	120,232
2¢	Juvenile Justice Authority and Facilities	105,213
0¢	Department of Administration	26,912
0¢	Other Public Safety	26,557
0¢	Legislative and Elected Officials	23,117
1¢	All Other	54,952
\$1.00	Total Expenditures	\$ 6,270,395

Note: Totals may not add due to rounding.

For more information, please contact:

J.G. Scott, Assistant Director for Fiscal Affairs
JG.Scott@klrd.ks.gov

Bobbi Mariani, Managing Fiscal Analyst
Bobbi.Mariani@klrd.ks.gov

Kansas Legislative Research Department
300 SW 10th Ave., Room 68-West, Statehouse
Topeka, Kansas 66612
Phone: (785) 296-3181
Fax: (785) 296-3824