

OFFICE OF THE SECURITIES COMMISSIONER

	Actual FY 2014	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Operating Expenditures:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	2,753,227	3,078,365	3,053,211	3,351,974	3,328,812	3,442,539	3,418,913
TOTAL	\$ 2,753,227	\$ 3,078,365	\$ 3,053,211	\$ 3,351,974	\$ 3,328,812	\$ 3,442,539	\$ 3,418,913
Capital Improvements:							
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 2,753,227	\$ 3,078,365	\$ 3,053,211	\$ 3,351,974	\$ 3,328,812	\$ 3,442,539	\$ 3,418,913
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(11.6)	11.8	10.9	8.9	9.0	2.7	2.7
FTE Positions	30.0	30.0	30.0	26.8	26.8	26.8	26.8
Non-FTE							
Perm.Uncl.Pos.	0.0	0.0	0.0	3.2	2.5	3.2	2.5
TOTAL	30.0	30.0	30.0	30.0	29.3	30.0	29.3

AGENCY OVERVIEW

The Office of the Kansas Securities Commissioner regulates and monitors the offering of securities and financial services within Kansas by registering securities, broker-dealers and their agents, investment advisers, loan brokers and certain land subdivisions. Agency staff also investigate potential violations of the laws and ensure that registered persons and entities comply with industry, legal, and accounting standards. The staff has the authority to investigate any investment related activity which has occurred in Kansas, even if companies or individuals from outside of the state are involved.

The Securities Commissioner administers the Kansas Uniform Securities Act, the Uniform Land Sales Practices Act, and the Loan Brokers Act. The Commissioner enforces these laws through administrative, civil and criminal proceedings. As defined by statute, a “security” includes virtually any type of passive investment, not just stocks and bonds. Companies and individuals offering securities are subject to certain ethical and industry standards and must abide by federal and state laws and regulations.

The agency provides three primary services: Regulation Services, Enforcement Services, and Education Services.

- **Regulation Services.** Regulation Services include the registration of securities offerings, broker-dealers, agents, investment advisers, loan brokers and subdivided land offerings, and continuous monitoring of registrants for compliance with the requirements of related statutes and administrative regulations.

- **Enforcement Services.** Enforcement Services involve the investigation of alleged violations of the Kansas Uniform Securities Act, the Uniform Land Sales Practice Act and the Kansas Loan Brokers’ Act; field examinations of registrants where there is reason to suspect violations; and remedial provisions of the statutes for cases where evidence of violations exist.
- **Education Services.** Education Services provide education and information to Kansans who are investing or raising capital. Most education services are provided through the agency’s website, and through publications, speeches and presentations by staff and the Commissioner at small conferences for various investor groups, professional and business organizations throughout the state and various special events. The goal of these services is to reduce the extent of investment problems, losses and violations due to a lack of awareness and increase knowledge of securities laws and regulations. Funding for investor education comes from fines and other civil penalties plus funds designated for investor education as a condition in settlements of enforcement or compliance cases as specified under KSA §17-12a601(d)(2). The Investor Education Fund is “no limit” and is to be used at the discretion of the Securities Commissioner for the purposes of the fund that are authorized under KSA §17-12a601(d)(1). The agency also provides educational services to attorneys and

owners of small businesses in Kansas in order to foster capital formation.

The Office of the Kansas Securities Commissioner is an independent state agency funded entirely by industry fees, which fund the Securities Act Fee Fund, and fines and settlements, which fund the Investor Education Fund.

MAJOR ISSUES FROM PRIOR YEARS

The **2002 Legislature** enacted 2002 HB 2563 which created the Investor Education Fund to be administered by the Securities Commissioner for the purpose of providing for the education of consumers in matters concerning securities regulation and investments. Moneys collected as fines and civil penalties by the Securities Commissioner are credited to the fund. In addition, 2002 HB 2563 required that five years after the Act takes effect, the Securities Commissioner must conduct a review of the Education Investor Fund and results achieved from the investment education program. The report was submitted to the Governor and the Legislature in FY 2007.

The **2004 Legislature** approved a provision in the Omnibus appropriations bill (2004 HB 2675) which authorized the transfer of \$3,875,000 from the Investor Education Fund to the State General Fund. The agency received fines totaling \$3,875,000 from global settlements with Wall Street brokerage firms during FY 2004.

The **2007 Legislature** added \$120,539, all from special revenue funds, and 2.0 FTE compliance examiner positions in FY 2008 to further expand the extent and frequency of routine field audits of broker-dealer and investment adviser offices in

Kansas. The Legislature also added \$120,372, all from special revenue funds, and 2.0 FTE positions to continue the positions in FY 2009. The Legislature also authorized the transfer of \$1.0 million from the Investor Education Fund to the State General Fund in FY 2008.

Passed in **July 2010**, the Federal “Dodd-Frank Wall Street Reform and Consumer Protection Act” was enacted. It transfers responsibility and jurisdiction to the Office of the Securities Commissioner for the regulation of certain investment advisers to hedge funds and investment advisers with up to \$100 million of assets under management in Kansas.

In **FY 2011**, the agency received an additional \$600,000 from an auction rate securities settlement agreement that resulted from an agency investigation, which is used for the agency’s Investor Education Program.

The **2013 Legislature** deleted \$568,795, all from special revenue funds, due to a decreased public service announcement development and distribution program in FY 2014. The Legislature also deleted \$132,462 and \$118,901 from FY 2014 and FY 2015, respectively, all from special revenue funds, for reduced funding for salaries and wages.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency estimates** revised FY 2015 operating expenditures of \$3,078,365, all from special revenue funds. The estimate is an increase of \$139,760, or 4.8 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased contractual services expenditures,

primarily in the areas of computer services and expert witness fees and is partially offset by a reduction in salary and wage expenditures. The estimate includes 30.0 FTE positions which is the same as the number approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of \$3,053,211, all from special revenue funds. The recommendation is a decrease of \$25,154, or 0.8 percent,

below the agency's revised FY 2015 estimate. The decrease is attributable to the Governor's KPERS employer contribution rate reduction as a result of the Governor's Allotment Plan.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of \$3,351,974, all from special revenue funds. The request is an increase of \$273,609, or 8.9 percent, above the agency's revised FY 2015 estimates. The increase is primarily attributable to increased salary and wage expenditures, as a result of the agency's intention to return to full staffing levels. The increase

is partially offset by a reduction in funds expended for other assistance. This grant funding is determined by the available amount of Investor Education and Protection Fund. The estimate includes 26.8 FTE positions which is a decrease of 3.2 FTE positions below the agencies FY 2015 estimate, due to the reclassification of some employees.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of \$3,328,812, all from special revenue funds. The recommendation is a decrease of \$23,162, or 0.7 percent, below the agency's FY 2016 request. The reduction is attributable to lower employer contributions for state employee health insurance. The Governor recommends increasing the

amount withheld from the agency's fee fund revenue from the lesser of 10.0 percent or \$100,000 to the lesser of 20.0 percent or \$200,000 and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2016.

FY 2017 Agency Request

The **agency** requests FY 2017 operating expenditures of \$3,442,539, all from special revenue funds. The request is an increase of 90,565, or 2.7 percent, above the agency's 2016 request. The increase is attributable to increased salary and

wage expenditures, due to the additional pay period included in the 2017 fiscal year, and is partially offset by reduced contractual service expenditures. The estimate includes 26.8 FTE positions which is the same number requested in FY 2016.

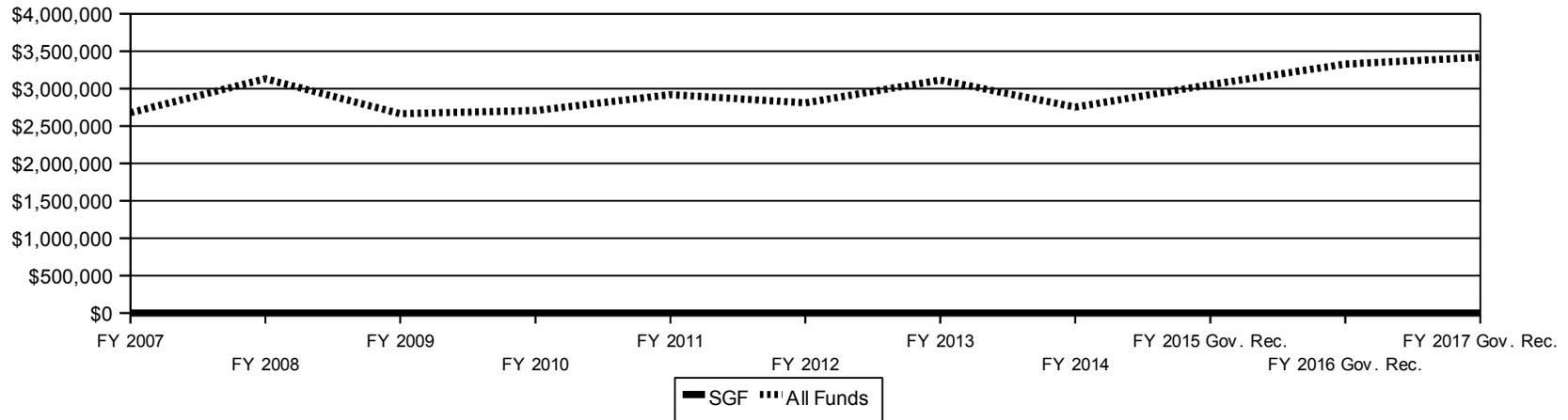
FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of \$3,418,913, all from special revenue funds. The recommendation is a decrease of \$23,626 or 0.7 percent, below the agency's FY 2017 request. The reduction of \$23,626 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance. The

Governor recommends increasing the amount withheld from the agency's fee fund revenue from the lesser of 10.0 percent or \$100,000 to the lesser of 20.0 percent or \$200,000 and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2017.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2007 – FY 2017



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	\$ 0	-- %	\$ 2,678,519	(3.5)%	30.0
2008	0	--	3,131,225	16.9	32.1
2009	0	--	2,664,466	(14.9)	32.1
2010	0	--	2,706,312	1.6	32.1
2011	0	--	2,919,962	7.9	32.0
2012	0	--	2,809,149	(3.8)	30.0
2013	0	--	3,115,058	10.9	30.0
2014	0	--	2,753,227	(11.6)	30.0
2015 Gov. Rec.	0	--	3,053,211	10.9	30.0
2016 Gov. Rec.	0	--	3,328,812	9.0	26.8
2017 Gov. Rec.	0	--	3,418,913	2.7	26.8
Eleven-Year Change	\$ 0	-- %	\$ 740,394	27.6 %	(3.2)

Summary of Operating Budget FY 2014 - FY 2016

	Actual 2014	Agency Estimate				Governor's Recommendation			
		Estimate FY 2015	Request FY 2016	Dollar Change from FY 15	Percent Change from FY 15	Rec. FY 2015	Rec. FY 2016	Dollar Change from FY 15	Percent Change from FY 15
By Program:									
Administration	\$ 2,753,227	\$ 3,079,364	\$ 3,352,973	\$ 273,609	8.9 %	\$ 3,053,211	\$ 3,328,812	\$ 275,601	9.0 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 2,111,545	\$ 2,344,559	\$ 2,667,059	\$ 322,500	13.8 %	\$ 2,319,405	\$ 2,643,897	\$ 324,492	14.0 %
Contractual Services	411,975	561,028	569,686	8,658	1.5	561,028	569,686	8,658	1.5
Commodities	35,965	19,522	18,772	(750)	(3.8)	19,522	18,772	(750)	(3.8)
Capital Outlay	117,742	20,256	11,457	(8,799)	(43.4)	20,256	11,457	(8,799)	(43.4)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 2,677,227	\$ 2,945,365	\$ 3,266,974	\$ 321,609	10.9 %	\$ 2,920,211	\$ 3,243,812	\$ 323,601	11.1 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	76,000	133,000	85,000	(48,000)	(36.1)	133,000	85,000	(48,000)	(36.1)
TOTAL	\$ 2,753,227	\$ 3,078,365	\$ 3,351,974	\$ 273,609	8.9 %	\$ 3,053,211	\$ 3,328,812	\$ 275,601	9.0 %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Securities Act Fee Fund	2,658,474	2,779,606	3,153,130	373,524	13.4	2,754,452	3,129,968	375,516	13.6
Investor Education Fund	94,753	298,759	198,844	(99,915)	(33.4)	298,759	198,844	(99,915)	(33.4)
TOTAL	\$ 2,753,227	\$ 3,078,365	\$ 3,351,974	\$ 273,609	8.9 %	\$ 3,053,211	\$ 3,328,812	\$ 275,601	9.0 %

Summary of Operating Budget FY 2016 - FY 2017

	Agency Estimate				Governor's Recommendation			
	Request FY 2016	Request FY 2017	Dollar Change from FY 16	Percent Change from FY 16	Rec. FY 2016	Rec. FY 2017	Dollar Change from FY 16	Percent Change from FY 16
By Program:								
Administration	\$ 3,351,974	\$ 3,442,539	\$ 90,565	2.7 %	\$ 3,328,812	\$ 3,418,913	\$ 90,101	2.7 %
By Major Object of Expenditure:								
Salaries and Wages	\$ 2,667,059	\$ 2,788,418	\$ 121,359	4.6 %	\$ 2,643,897	\$ 2,764,792	\$ 120,895	4.6 %
Contractual Services	569,686	525,359	(44,327)	(7.8)	569,686	525,359	(44,327)	(7.8)
Commodities	18,772	19,176	404	2.2	18,772	19,176	404	2.2
Capital Outlay	11,457	24,586	13,129	114.6	11,457	24,586	13,129	114.6
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 3,266,974	\$ 3,357,539	\$ 90,565	2.8 %	\$ 3,243,812	\$ 3,333,913	\$ 90,101	2.8 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	85,000	85,000	0	0.0	85,000	85,000	0	0.0
TOTAL	\$ 3,351,974	\$ 3,442,539	\$ 90,565	2.7 %	\$ 3,328,812	\$ 3,418,913	\$ 90,101	2.7 %
Financing:								
State General Fund	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Securities Act Fee Fund	3,153,130	3,242,266	89,136	2.8	3,129,968	3,218,640	88,672	2.8
Investor Education Fund	198,844	200,273	1,429	0.7	198,844	200,273	1,429	0.7
TOTAL	\$ 3,351,974	\$ 3,442,539	\$ 90,565	2.7 %	\$ 3,328,812	\$ 3,418,913	\$ 90,101	2.7 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved Budget

The Legislature approved an all funds budget of \$2,938,605 for the Office of the Securities Commissioner in FY 2015. No adjustments have subsequently been made to that amount.

	CHANGE FROM APPROVED BUDGET				
	Legislative Approved FY 2015	Agency Estimate FY 2015	Agency Change from Approved	Governor Rec. FY 2015	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	2,938,605	3,078,365	139,760	3,053,211	114,606
TOTAL	\$ 2,938,605	\$ 3,078,365	\$ 139,760	\$ 3,053,211	\$ 114,606
FTE Positions	30.0	30.0	0.0	30.0	0.0

The **agency estimates** revised FY 2015 operating expenditures of \$3,078,365, all from special revenue funds. The estimate is an increase of \$139,760, or 4.8 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased contractual services expenditures, primarily in the areas of computer services and expert witness fees and is partially offset by a reduction in salary and wage expenditures.

- **Salaries and Wages.** The agency requests \$2,344,559, all from special revenue funds, for salaries and wages in FY 2015. The request is a decrease of \$49,226, or 2.1 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to shrinkage and having vacant positions in the department at various points in the fiscal year.

The request is detailed below by category of expenditure.

- **Contractual Services.** The agency requests \$561,028, all from special revenue funds, for contractual services in FY 2015. The request is an increase of \$171,133, or 43.9 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased OITS information processing fees, expert witness fees and website development and maintenance expenditures from the Investor Education and Protection Fund.
- **Commodities.** The agency requests \$19,522, all from special revenue funds, for commodities in FY 2015. The request is an increase of \$819, or 4.4 percent, above the amount approved by the 2014 Legislature. The increase is attributable to cost index adjustments made by the Division of Budget guidelines for FY 2015.
- **Capital Outlay.** The agency requests \$20,256, all from special revenue funds, for capital outlay

in FY 2015. The request is a decrease of \$466, or 2.2 percent, below the amount approved by the 2014 Legislature.

- **Other Assistance.** The agency requests \$133,000, all from special revenue funds, for other assistance in FY 2015. The request is an increase of \$17,000, or 15.2 percent, above the amount approved by the 2014 Legislature. The increase is attributable to grants made to various entities used to promote financial literacy made from the Investor Education and Protection Fund.

The **Governor** recommends FY 2015 operating expenditures of \$3,053,211, all from special revenue funds. The recommendation is a decrease of \$25,154, or 0.8 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to the Governor's KPERS employer contribution rate reduction as a result of the Governor's Allotment Plan. The Governor concurs with the agency's request for 30.0 FTE positions.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 3,351,974	\$ 3,328,812	\$ (23,162)
FTE Positions	26.8	26.8	0.1
<i>Change from FY 2015:</i>			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	273,609	275,601	
TOTAL	<u>\$ 273,609</u>	<u>\$ 275,601</u>	
<i>Percent Change:</i>			
State General Fund	0.0 %	0.0 %	
All Other Funds	8.9	9.0	
TOTAL	<u>8.9 %</u>	<u>9.0 %</u>	
Change in FTE Positions	(3.2)	(3.2)	

The **agency** requests FY 2016 operating expenditures of \$3,351,974, all from special revenue funds. The request is an increase of \$273,609, or 8.9 percent, above the agency's revised FY 2015 estimates. The increase is primarily attributable to increased salary and wage expenditures, as a result of the agency's intention to return to full staffing levels. The increase is partially offset by a reduction in funds expended for other

assistance. This grant funding is determined by the available amount of Investor Education and Protection Fund.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests \$2,667,059, all from special revenue revenue funds, for salaries and wages in FY 2016. The request is an increase of \$322,500, or 13.8 percent, above the agency's revised FY 2015 estimate. The increase is attributable to reduced shrinkage savings and reflects the agency's intention to return to full staffing levels for FY 2016.
- **Contractual Services.** The agency requests \$569,686, all from special revenue funds, for contractual services in FY 2016. The request is an increase of \$8,658 or 1.5 percent, above the agency's revised FY 2015 estimate. The increase is attributable to the completed roll-out of the SharePoint Case Management System, an integration database the agency will use for case management, calendaring and document management.
- **Commodities.** The agency requests \$18,772, all from special revenue funds, for commodities in FY 2016. The request is a decrease of \$750, or 3.8 percent, below the agency's revised FY 2015 estimate.
- **Capital Outlay.** The agency requests \$11,457, all from special revenue funds, for capital outlay in FY 2016. The request is a decrease of \$8,799, or 43.4 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to the lack of computer hardware replacement costs that occur cyclically every three out of four years.
- **Other Assistance.** The agency requests \$85,000, all from special revenue funds, for other assistance in FY 2016. The request is a decrease of \$48,000, or 36.1 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced grants made from the Investor Education and Protection Fund to various entities used to promote financial literacy.

The **Governor** recommends FY 2016 operating expenditures of \$3,328,812, all from special revenue funds. The recommendation is a decrease of \$23,162, or 0.7 percent, below the agency's FY 2016 request. The reduction of \$23,162 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance. The Governor recommends increasing the amount withheld from the agency's fee fund revenue from the lesser of 10.0 percent or \$100,000 to the lesser of 20.0 percent or \$200,000 and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 3,442,539	\$ 3,418,913	\$ (23,626)
FTE Positions	26.8	26.8	0.1
<i>Change from FY 2016:</i>			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	90,565	90,101	
TOTAL	<u>\$ 90,565</u>	<u>\$ 90,101</u>	
<i>Percent Change:</i>			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.7	2.7	
TOTAL	<u>2.7 %</u>	<u>2.7 %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of \$3,442,539, all from special revenue funds. The request is an increase of 90,565, or 2.7 percent, above the agency's 2016 request. The increase is attributable to increased salary and

wage expenditures, due to the additional pay period included in the 2017 fiscal year, and is partially offset by reduced contractual service expenditures.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests \$2,788,418, all from special revenue funds, for salary and wages in FY 2017. The request is an increase of \$121,359, or 4.6 percent, above the agency's FY 2016 request. The increase is attributable to an additional pay period included in FY 2017.
- **Contractual Services.** The agency requests \$525,359, all from special revenue funds, for contractual services in FY 2017. The request is a decrease of \$44,327, or 7.8 percent, below the agency's FY 2016 request. The decrease is attributable to one time development costs of the SharePoint Case Management System in FY 2016 being converted to maintenance costs in FY 2017.
- **Commodities.** The agency requests \$19,176, all from special revenue funds, for commodities in FY 2017. The request is an increase of \$404, or 2.2 percent, above the agency's FY 2016 request.

- **Capital Outlay.** The agency requests \$24,586, all from special revenue funds, for capital outlay in FY 2017. The request is an increase of \$13,129, or 114.6 percent, above the agency's FY 2016 request. The increase is attributable to scheduled computer hardware replacement expenditures.
- **Other Assistance.** The agency requests \$85,000, all from special revenue fund, for other assistance in FY 2017. The request is the same amount requested by the agency in FY 2016.

The **Governor** recommends FY 2017 operating expenditures of \$3,418,913, all from special revenue funds. The recommendation is a decrease of \$23,626 or 0.7 percent, below the agency's FY 2017 request. The reduction of \$23,626 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance. The Governor recommends increasing the amount withheld from the agency's fee fund revenue from the lesser of 10.0 percent or \$100,000 to the lesser of 20.0 percent or \$200,000 and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a. For this agency, that amount is estimated at \$100,000 for FY 2017.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The 2014 Legislature approved funding of \$11.3 million, including \$4.5 million from the State General Fund, in FY 2015 for a \$250 bonus for all full-time employees except elected officials who were employed on December 6, 2013, and which was paid December 6, 2014. **For this agency, the FY 2015 bonus totals \$7,218, all from special revenue funds, and affects 24 employees.**

Longevity Bonus Payments. For FY 2016 and FY 2017, the Governor recommends funding longevity bonus payments for eligible state employees at the statutory rate of \$40 per year of service, with a 10-year minimum (\$400), and a 25-year maximum (\$1,000). Classified employees hired after June 15, 2008 are not eligible for longevity bonus payments. The estimated cost for the recommended FY 2016 payments is \$7.2 million, including \$2.8 million from the State General Fund. For FY 2017, the estimated cost for the payments is \$7.7 million, including \$3.0 million from the State General Fund. **For this agency, FY 2016 longevity payments total \$3,720, all from special revenue funds, and FY 2017 longevity payments total \$3,840, all from special revenue funds.**

Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of \$282.8 million, including \$108.2 million from the State General Fund, for FY 2016 and \$289.2 million, including \$110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency this is a reduction of \$23,162, all from special revenue funds, for FY 2016. This is a reduction of \$23,626, all from special revenue funds, for FY 2017.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2015 employer retirement contribution for KPERs regular and school members was scheduled to be 11.27 percent, an increase of 1.0 percent from 10.27 in FY 2014. The Governor reduced the employer contribution rate from 11.27 percent to 8.65 percent for the second half of FY 2015, for an effective contribution rate of 9.96 percent as part of the Governor's allotment plan. For FY 2016, the Governor recommends the retirement rate increase by 2.41 percent from 9.96 percent to 12.37 percent. For FY 2017, the Governor recommends the retirement rate increase by 1.2 percent from 12.37 percent to 13.57 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund.

In addition, the employer contribution for the KPERs death and disability insurance rate will be increased to 1.0 percent, from 0.85 percent, for FY 2016 and for FY 2017.

The Governor further proposes offering \$1.5 billion in Pension Obligation Bonds, backed by the State General Fund, to be paid back over 30 years and extending the amortization on the current bonds by ten years to 2043. The proceeds of the bonds would be used to help reduce the future employer contribution rates of the State/School Group. The Kansas Public Employee Retirement System estimates this plan could reduce employer contributions by \$68.43 million in FY 2016 and \$132.85 in FY 2017. The Kansas Development Finance Authority estimates that the bond service would be \$90.3 million in FY 2016 through FY 2017, assuming the Kansas credit ratings are not downgraded.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2016	Gov. Rec. Percent of Total FY 2016	Agency Req. Percent of Total FY 2017	Gov. Rec. Percent of Total FY 2017
State General Fund	0.0 %	0.0 %	0.0 %	0.0 %
Securities Act Fee Fund	94.1	94.1	94.2	94.2
Investor Education Fund	5.9	5.9	5.8	5.8
TOTAL	100.0 %	100.0 %	100%	100%

Note: Percentages may not add due to rounding.

Securities Act Fee Fund Analysis

The Securities Act Fee Fund is financed by fees received from agents of broker-dealers, investment advisers investment companies (mutual fund issuers) and other issuers of securities that are offering investment capital in Kansas. The authority for the Commissioner to set rates are specified in KSA §§17-12a205, 17-12a302, 17-12a305 and 17-12a410. Most current rates specified in regulations are below the statutory maximum rates.

KSA §17-12a-601 provides that 90.0 percent of fees received by the Commissioner are credited to the Securities Act Fee Fund and 10.0 percent of receipts are credited to the State General Fund, up to a maximum of \$100,000. Furthermore, on the last day of the fiscal year, the Director of Accounts will sweep all unencumbered funds in excess of \$50,000 into the State General Fund for reimbursement for services provided to the agency by the Department of Administration.

Resource Estimate	Actual FY 2014	Agency Estimate FY 2015	Governor Rec. FY 2015	Agency Request FY 2016	Gov. Rec. FY 2016	Agency Request FY 2017	Gov. Rec. FY 2017
Beginning Balance	\$ 50,860	\$ 50,257	\$ 50,257	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Revenue	14,226,475	13,941,000	13,939,000	14,073,625	14,738,000	14,206,250	14,873,250
Transfers in	0	0	0	0	0	0	0
Total Funds Available	\$ 14,277,335	\$ 13,991,257	\$ 13,989,257	\$ 14,123,625	\$ 14,788,000	\$ 14,256,250	\$ 14,923,250
Less: Expenditures	2,658,474	2,779,606	2,752,452	3,153,130	3,127,968	3,242,266	3,216,640
Transfers Out	11,568,604	11,161,651	11,186,805	10,920,495	11,610,032	10,963,984	11,656,610
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	<u>\$ 50,257</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 50,000</u>
Ending Balance as Percent of Expenditures	1.9%	1.8%	1.8%	1.6%	1.6%	1.5%	1.6%
Month Highest Ending Balance	May <u>\$ 10,974,248</u>	May <u>\$ 10,973,645</u>	May <u>\$ 10,973,645</u>	May <u>\$ 10,973,388</u>	May <u>\$ 10,973,388</u>	May <u>\$ 10,973,388</u>	May <u>\$ 10,973,388</u>
Month Lowest Ending Balance	June \$ 50,000	June \$ 50,000	June \$ 50,000	June \$ 50,000	June \$ 50,000	June \$ 50,000	June \$ 50,000

Investor Education Fund

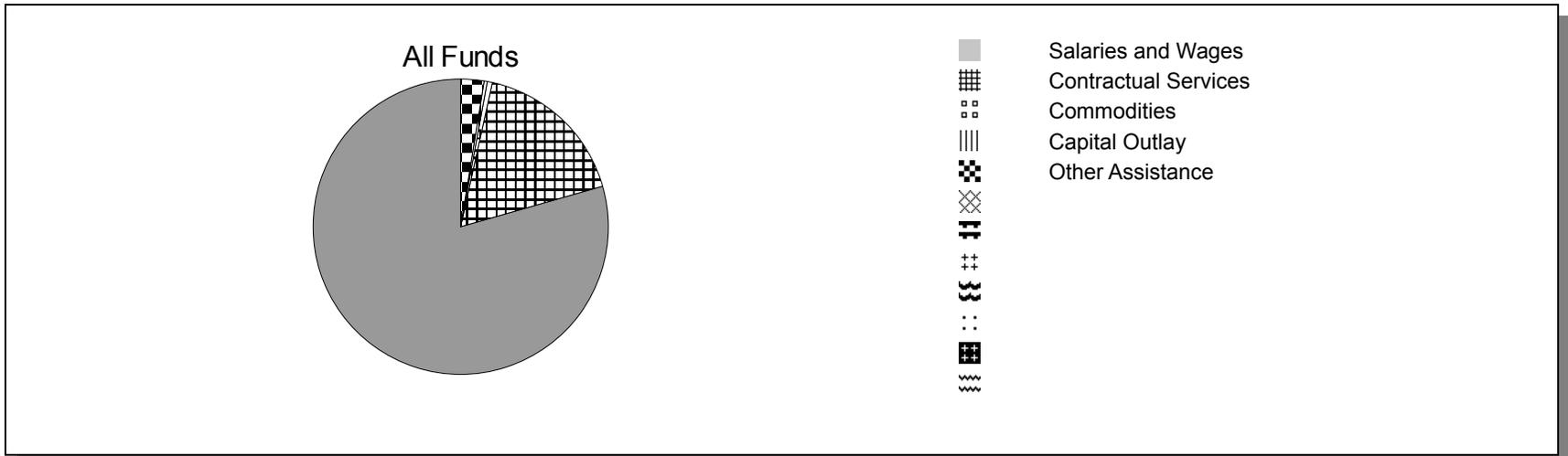
The Investor Education Fee fund is financed by civil penalties received from settlements of enforcement cases. KSA §17-12a601 provides that 80.0 percent of civil penalties received by the Commissioner are credited to the Investor Education Fee Fund, and 20.0 percent of receipts are credited to the State General Fund up to a \$200,000 maximum. There is no requirement to sweep funds from the Investor Education Fund similar to that of the Securities Act Fee Fund.

The agency requests that budget estimates for the Investor Education Fund be analyzed separately and not combined with the Securities Act Fee Fund. The agency states that this is necessary because of the differences in funding and purpose, and especially because the Investor Education Fund is a "No Limit" fund which is not subject to appropriation or spending limits. The agency states that expenditures from the Investor Education Fund tend to fluctuate based on the available funding from fines and settlements, and if combined with the Securities Act Fee Fund, analysis can be misleading and spending trends distorted.

<u>Resource Estimate</u>	<u>Actual FY 2014</u>	<u>Agency Estimate FY 2015</u>	<u>Governor Rec. FY 2015</u>	<u>Agency Request FY 2016</u>	<u>Gov. Rec. FY 2016</u>	<u>Agency Request FY 2017</u>	<u>Gov. Rec. FY 2017</u>
Beginning Balance	\$ 456,360	\$ 497,896	\$ 497,896	\$ 279,467	\$ 279,467	\$ 140,623	\$ 140,623
Revenue	134,092	75,330	75,330	55,000	55,000	55,000	55,000
Transfers in	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Funds Available	\$ 590,452	\$ 573,226	\$ 573,226	\$ 334,467	\$ 334,467	\$ 195,623	\$ 195,623
Less: Expenditures	92,556	293,759	293,759	193,844	193,844	195,273	195,273
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance	<u>\$ 497,896</u>	<u>\$ 279,467</u>	<u>\$ 279,467</u>	<u>\$ 140,623</u>	<u>\$ 140,623</u>	<u>\$ 350</u>	<u>\$ 350</u>
Ending Balance as Percent of Expenditures	<u>537.9%</u>	<u>95.1%</u>	<u>95.1%</u>	<u>72.5%</u>	<u>72.5%</u>	<u>0.2%</u>	<u>0.2%</u>

PROGRAM DETAIL

EXPENDITURES BY CATEGORY—GOVERNOR’S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	\$ 2,643,897	79.4 %	\$ 0	-- %
Contractual Services	569,686	17.1	0	--
Commodities	18,772	0.6	0	--
Capital Outlay	11,457	0.3	0	--
Other Assistance	85,000	2.6	0	--
TOTAL	\$ 3,328,812	100.0 %	\$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

<u>Program</u>	<u>Actual FY 2014</u>	<u>Agency Est. FY 2015</u>	<u>Gov. Rec. FY 2015</u>	<u>Agency Req. FY 2016</u>	<u>Gov. Rec. FY 2016</u>	<u>Agency Req. FY 2017</u>	<u>Gov. Rec. FY 2017</u>
Administration	30.0	30.0	30.0	26.8	26.8	26.8	26.8
TOTAL	<u>30.0</u>	<u>30.0</u>	<u>30.0</u>	<u>26.8</u>	<u>26.8</u>	<u>26.8</u>	<u>26.8</u>

PERFORMANCE MEASURES

<u>Measure</u>	<u>Gov. Rec. for FY 2014</u>	<u>Actual FY 2014</u>	<u>Gov. Rec. FY 2015</u>	<u>Gov. Rec. FY 2016</u>	<u>Gov. Rec. FY 2017</u>
Amount of securities offerings registered (in billions)	\$90.0	\$90.6	\$90.0	\$90.0	\$90.0
Number of broker-dealers and investment adviser firms registered	2,875	2,862	2,875	2,925	2,975
Number of compliance and enforcement cases closed	182	284	293	311	317