

OVERVIEW OF THE FISCAL YEAR 2016 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 2016 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 2014, the Governor's revised estimate for FY 2015 and the Governor's recommendation for FY 2016 and FY 2017.

SUMMARY OF CHANGES TO ESTIMATED FY 2015 EXPENDITURES

The Governor's revised FY 2015 recommendation is a net increase of \$121.3 million, or 0.8 percent, from all funding sources, and a State General Fund increase of \$45.4 million, or 0.7 percent, above the amount approved by the 2014 Legislature after adjustments.

The consensus revenue estimating process was completed on November 10, 2014 subsequent to agencies submitting budgets with revised expenditures for the current fiscal year. The results of the new consensus revenue estimates identified a \$278.7 million State General Fund shortfall for FY 2015. To address the shortfall, the Governor issued an allotment plan totaling \$280.0 million which reduced expenditures by \$60.1 million. The allotment plan also included recommendations to transfer funds and adjust Non-State General Fund expenditures an additional \$219.9 million. The adjustments included in the \$219.9 million will require legislative approval to implement.

Among the significant items in the Governor's December 9th State General Fund allotment are the following items:

- Reduction of \$52.0 million, as a result of decreasing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 10.42 percent to 8.65 percent for the last six months of FY 2015;
- Reduction of \$6.3 million, as a result of a decrease in the total FY 2015 State General Fund reappropriation;
- Reduction of \$7.1 million, as a result of a 4.0 percent decrease in the last six months or 2.0 percent for the whole fiscal year to Cabinet and selected other State General Funded agencies in FY 2015;

- Reduction of \$2.9 million for bond refinancing; and
- Reduction of \$5.4 million due to the delay of the Meyer building expansion at the Larned State Hospital.

Other major adjustments in the Governor's Budget Report for FY 2015 include:

- Revised social services caseload estimates increase by \$106.6 million from all funding sources and by \$46.2 from the State General Fund above the budget approved by the 2014 Legislature. The increase is largely attributable to the addition of \$13.1 million, all from the State General Fund, for adequate cash flow for the foster care program due to an issue with the federal Title IV-E foster care funding source while waiting on a decision on the issue from the federal Administration for Children and Families regarding expenditures. The estimate in FY 2015 also includes KanCare Medical costs associated with the Affordable Care Act Insurers Fee included in the capitated rate payment and \$6.3 million for payments to the Managed Care Organizations for mental health assessments for both the current year and prior years, which had not been previously included in the capitation payments.
- K-12 Education funding increases by \$58.8 million, all from the State General Fund, based

on increased equity resources identified in the November 2014 revised school finance estimates which maintained Base State Aid Per Pupil (BBSAPP) at \$3,852.

- A revenue reduction of \$12.0 million to adopt the K-12 capital improvement bond and interest transfer adjustments.
- Additional transfers of \$150.7 from the State Highway Fund to other state agencies and the State General Fund.
- Transfer of \$14.5 million from the Kansas Endowment for Youth fund to the State General Fund and a transfer of \$500,000 from the Children's Initiative Fund (CIF) to the State General Fund. The CIF to State General Fund transfer is in addition to the \$1.0 million transfer that was approved by the 2014 Legislature.
- Transfer from the State General Fund to the Expanded Lottery Act Revenue Fund (ELARF) of \$8,515,052 to cover the shortfall between the 2014 Legislature approved total ELARF expenditures and transfers of \$86,263,052, and anticipated revenues to the fund of \$77,748,000 in FY 2015. The estimated ending balance in the ELARF at the end of FY 2015 is zero.
- Addition of \$2.5 million from the State General Fund for Department of Administration - Office of Information Technology Services to reimburse the federal government for various expenditures.

TOTAL STATE EXPENDITURES FOR FY 2016

Summary of Expenditures from All Funds

The Governor's recommendation for FY 2016 expenditures from all funding sources total \$15.3 billion, a decrease of \$298.6 million, or 1.9 percent, below the FY 2015

revised estimate. For FY 2017 expenditures from all funding sources total \$15.8 billion, an increase of \$421.8 million, or 2.8 percent, above the FY 2016 recommendation.

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 decreases by \$56.2 million, or 1.2 percent, below the revised FY 2015 estimate. The most significant reductions were for KPERS Policy changes related to issuing bonds, and extending the current amortization period of payments to KPERS (\$58.6 million) and consolidating state information technology systems (\$11.2 million). Reductions also include Adjutant General (\$9.3) for salaries and wages, Kansas Water Office (\$3.4) for contractual services, and Department of Revenue (\$3.0) for contractual services. This is partially offset by increases in Department Children and Families (\$7.3 million), Kansas State University (\$3.2 million), and Health and Environment – Health (\$3.0) all in contractual services.

FY 2017, the recommendation for state operations increases by \$32.1 million, or 0.7 percent, above the revised FY 2016 recommendation. The largest increases were \$76.6 million for the 27th payroll, \$5.0 million for KPERS, \$16.5 million in the Lottery predominantly for increased regular lottery sales, \$8.4 million in other salary increases, \$8.6 million at the University of Kansas for other operating expenditures, \$3.4 million at the University of Kansas Medical Center for other operating expenditures, \$2.1 million in the Kansas Water Office

for reservoir dredging, and \$1.8 million in the Judicial Branch for E-Courts implementation.

This is partially offset by several reductions, the most significant for KPERS policy changes (\$60.9 million), contractual service in Health and Environment – Health (\$20.1 million) and Kansas Department of Transportation (\$8.9 million), Department of Administration Debt Service Interest (\$2.0 million), Kansas State University Contractual Services and Capital Outlay (\$3.2 million).

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 decreases Aid to Local units payments by \$1.9 million, or less than 0.1 percent, below the FY 2015 revised estimate.

For FY 2017, the recommendation is \$5,107.6 for Aid to Local units payments, an increase of \$34.0 million, or 0.7 percent, above the FY 2016 recommendation. The largest increase is in the State Department of Education (\$54.3 million). This is partially offset by a decrease of \$2.3 million for disaster relief funding in the Adjutant General's budget and \$18.0 million in Department of Revenue.

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 increases Other assistance by \$13.5 million, or 0.3 percent, above the revised FY 2015 estimate. The largest increases are in the Department of Health and Environment (\$112.1 million), Kansas Lottery for Expanded Lottery Act revenues (\$3.3 million). The increases are largely due to consensus caseload estimate increases attributable to a slight population growth and increased due to the inclusion of the Federal Insurer's fee and an increase in the Federal Medical Assistance Percentage. This is partially offset by projected reductions of \$55.1 million in unemployment benefit payments in the budget of the Department of Labor. The decrease is attributable to a decrease in initial and continued unemployment claims. There are also reductions of \$12.3 million in the Department of Commerce and \$14.0 million for the Kansas Department of Transportation projects.

For FY 2017, the Governor's recommendation decreases Other assistance by \$55.7 million, or 1.1 percent, below the revised FY 2016 recommendation. The largest decrease was in the Department of Health and Environment of \$18.6 million in medical program. This is partially offset by a projected reduction of \$43.9 million in unemployment benefit payments in the budget of the Department of Labor. The

decrease is attributable to a decrease in initial and continued unemployment claims.

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 are recommended to decrease by \$254.0 million, or 27.4 percent, below the revised FY 2015 level. The largest decrease is in the budget of the Department of Transportation (\$204.4 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.

The Governor's FY 2017 recommendation for Capital improvements are recommended to increase by \$411.2 million, or 61.0 percent, above the revised FY 2016 level. The largest increase is in the budget of the Department of Transportation (\$433.5 million), related to a an increase in planned road construction contract lettings for FY 2017. 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.

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

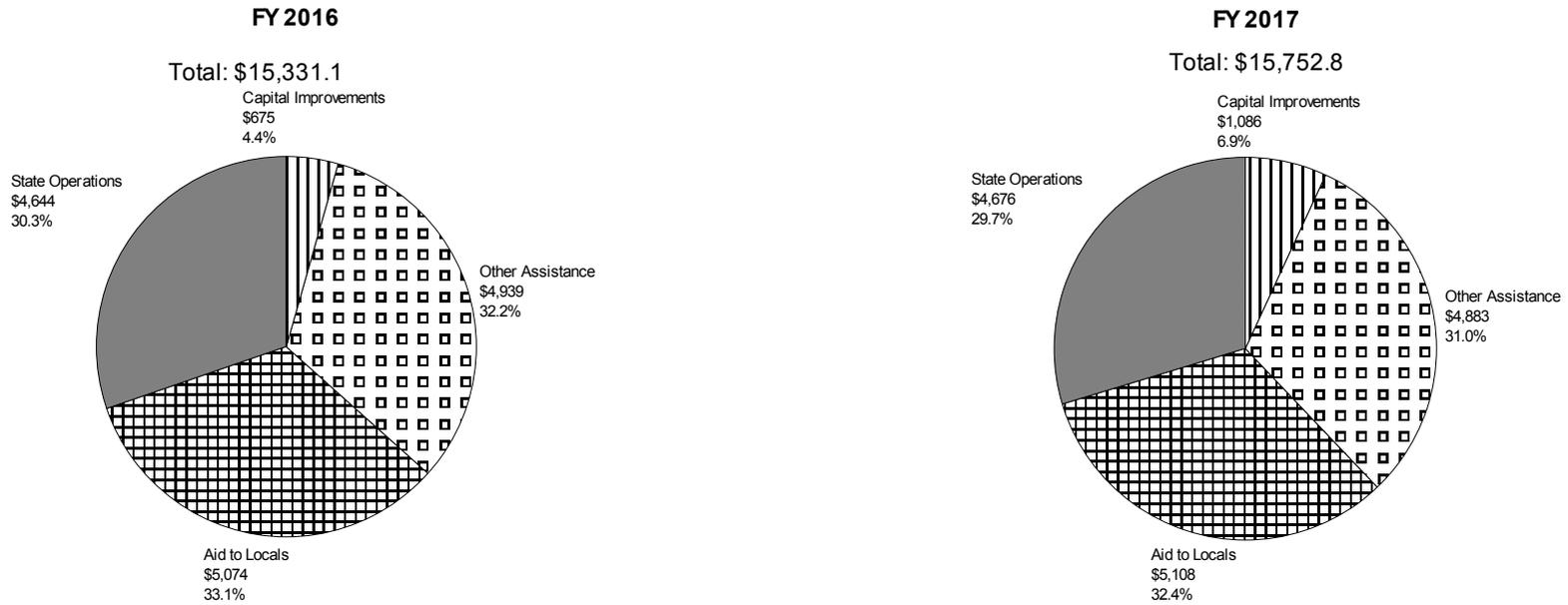
	Actual	Gov. Rec.	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2014	FY 2015	FY 2016	\$	%	FY 2017	\$	%
State Operations	\$ 4,613.6	\$ 4,700.4	\$ 4,644.1	\$ (56.3)	(1.2)%	\$ 4,676.2	\$ 32.1	0.7 %
Aid to Local Units	4,311.1	5,075.4	5,073.6	(1.8)	(0.0)	5,107.6	34.0	0.7
Other Assistance	4,577.7	4,925.4	4,938.9	13.5	0.3	4,883.2	(55.7)	(1.1)
Total Operations	\$ 13,502.3	\$ 14,701.2	\$ 14,656.6	\$ (44.6)	(0.3)%	\$ 14,667.1	\$ 10.5	0.1 %
Capital Improvements	1,232.2	928.5	674.5	(254.0)	(27.4)	1,085.7	411.2	61.0
TOTAL	\$ 14,734.5	\$ 15,629.7	\$ 15,331.1	\$ (298.6)	(1.9)%	\$ 15,752.8	\$ 421.7	2.8 %

Note: Totals may not add due to rounding.

Of the total budget recommendation for FY 2016, 30.3 percent is for state operations, 33.1 percent is for state aid to local units of government, 32.2 percent is for other assistance, grants, and benefits, and 4.0 percent is for capital improvements and for FY 2017, 29.7 percent is for state operations, 32.4

percent is for state aid to local units of government, 31.0 percent is for other assistance, grants, and benefits, and 6.9 percent is for capital improvements. The following pie charts displays the major categories of all funds expenditures in FY 2016 and 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 47.0 percent of the total expenditures.

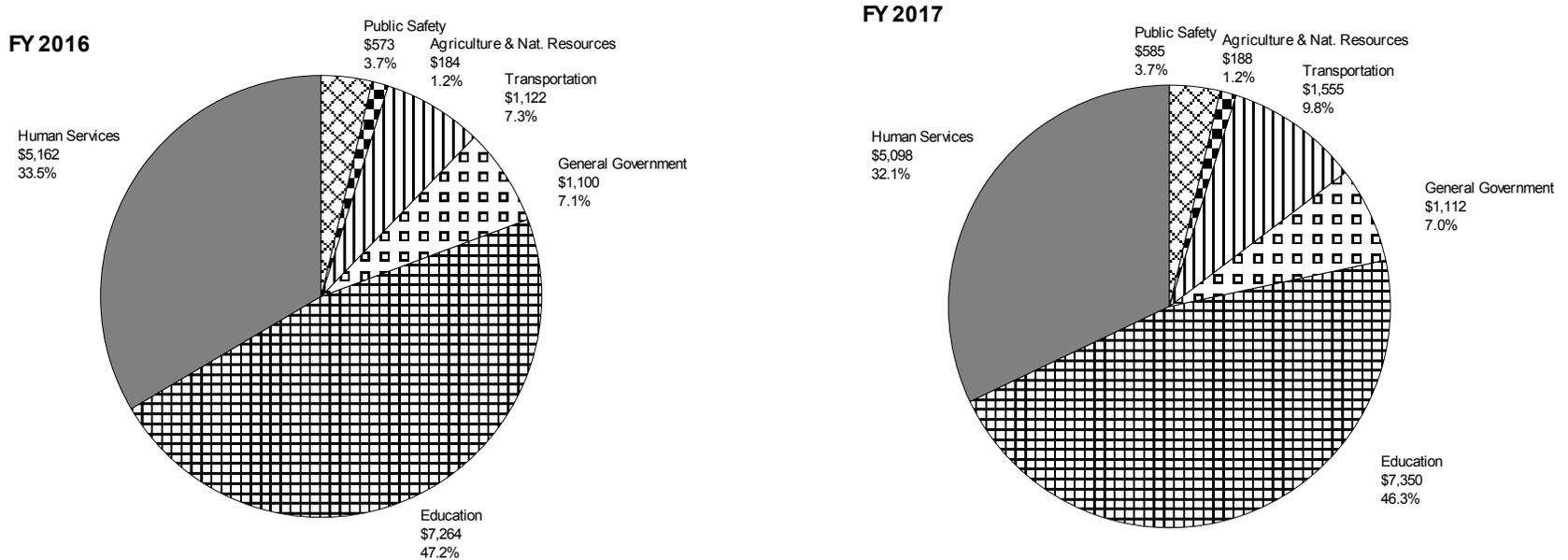
The two largest functions of government—education and human services—comprise 81.0 percent of the recommended expenditures for FY 2016 and 78.0 percent of the recommended expenditures for FY 2017.

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

	Actual	Gov. Rec.	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2014	FY 2015	FY 2016	\$	%	FY 2017	\$	%
General Government	\$ 1,101.7	\$ 1,096.9	\$ 1,099.4	\$ 2.5	0.2 %	\$ 1,111.7	\$ 12.3	1.1 %
Human Services	4,742.8	5,075.2	5,162.2	87.0	1.7	5,098.4	(63.8)	(1.2)
Education	6,429.0	7,339.8	7,264.1	(75.7)	(1.0)	7,349.5	85.4	1.2
Public Safety	594.3	584.5	573.4	(11.1)	(1.9)	584.6	11.2	2.0
Agriculture & Nat. Res.	186.7	192.3	183.9	(8.4)	(4.4)	188.0	4.1	2.2
Transportation	1,680.0	1,344.7	1,121.6	(223.1)	(16.6)	1,555.0	433.4	38.6
KPERS and IT Savings	0.0	(3.8)	(73.6)	(69.8)	1,836.8	(134.5)	(60.9)	82.7
TOTAL	\$ 14,734.5	\$ 15,629.6	\$ 15,331.0	\$ (298.6)	(1.9)%	\$ 15,752.7	\$ 421.7	2.8 %

Note: Totals may not add due to rounding.

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



NOTE: Does not include savings from KPERS employer contribution reduction of \$58.6 million in FY 2016 and \$119.5 million in FY 2017 and Statewide IT savings of \$15.0 million in FY 2016 and FY 2017

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 \$103.2 million, or 0.7 percent, and the increase from FY 2016 to 2017 is \$69.1 million or 0.5 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 FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Change		Gov. Rec. FY 2017	Change		
				\$	%		\$	%	
Operating Expenditures:									
State General Fund	\$ 5,952.2	\$ 6,321.9	\$ 6,379.1	\$ 57.2	0.9 %	\$ 6,389.8	\$ 10.7	0.2 %	
All Other Funds	7,550.1	8,379.2	8,277.5	(101.7)	(1.2)	8,277.3	(0.2)	(0.0)	
Total Operating	\$ 13,502.3	\$ 14,701.1	\$ 14,656.6	\$ (44.5)	(0.3)%	\$ 14,667.1	\$ 10.5	0.1 %	
Capital Improvements:									
State General Fund	\$ 30.6	27.7	29.3	1.6	5.8	29.6	0.3	1.0	
All Other Funds	1,201.6	900.8	645.2	(255.6)	(28.4)	1,056.1	410.9	63.7	
Total Capital Impr.	\$ 1,232.2	\$ 928.5	\$ 674.5	\$ (254.0)	(27.4)%	\$ 1,085.7	\$ 411.2	61.0 %	
TOTAL EXPENDITURES	\$ 14,734.5	\$ 15,629.6	\$ 15,331.1	\$ (298.5)	(1.9)%	\$ 15,752.8	\$ 421.7	2.8 %	

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 43.0 percent of estimated FY 2015 expenditures. In FY 2016, the State General Fund finances 43.5 percent of the recommended expenditures and 43.6 in FY 2017.

Schedule 7 in *The Governor's Budget Report (Volume 1)* summarizes actual and estimated receipts of federal funds. Estimated FY 2015 receipts are \$3.426 billion, a decrease of \$534.7 million, or 15.6 percent, below FY 2014 actual receipts. The FY 2016 estimate of \$3.287 billion is \$139.1 million, or 4.2 percent, below FY 2015 estimated receipts. For FY 2017, the

federal receipts estimate is \$3.281 billion which represents a \$5.8 million, or 0.2 percent, decrease from the FY 2016 estimate. 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 2015 Legislature.

Expenditures for State Operations

Expenditures for state operations, i.e., for purposes other than local aid, other assistance, and capital improvements, comprise 30.3 percent of total recommended expenditures for FY 2016 and 29.7 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)

	Actual	Gov. Rec.	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2014	FY 2015	FY 2016	\$	%	FY 2017	\$	%
Salaries and Wages	\$ 2,679.3	\$ 2,783.7	\$ 2,716.1	\$ (67.6)	(2.4)%	\$ 2,745.5	\$ 29.4	1.1 %
Contractual Services	1,457.0	1,426.5	1,411.8	(14.7)	(1.0)	1,411.4	(0.4)	(0.0)
Commodities	196.7	207.3	202.4	(4.9)	(2.4)	204.7	2.3	1.1
Capital Outlay	118.2	116.5	114.8	(1.7)	(1.5)	116.1	1.3	1.1
Debt Service Interest	162.4	166.4	199.0	32.6	19.6	198.5	(0.5)	(0.3)
TOTAL	\$ 4,613.6	\$ 4,700.4	\$ 4,644.1	\$ (56.3)	(1.2)%	\$ 4,676.3	\$ 32.2	0.7 %

Note: Totals may not add due to rounding.

Salaries and wages expenditures, including fringe benefits, comprise almost two-thirds of the recommended state operations budget for FY 2016 (58.5 percent) and represent a \$67.6 million, or 2.4 percent, decrease below the FY 2015 estimate. For FY 2017 (58.7 percent) and represents a \$29.4 million, or 1.1 percent, increase above the FY 2016 estimate.

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.

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 percent 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 KPERS death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent. 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.

GOVERNOR'S STATE EMPLOYEE SALARY ADJUSTMENTS

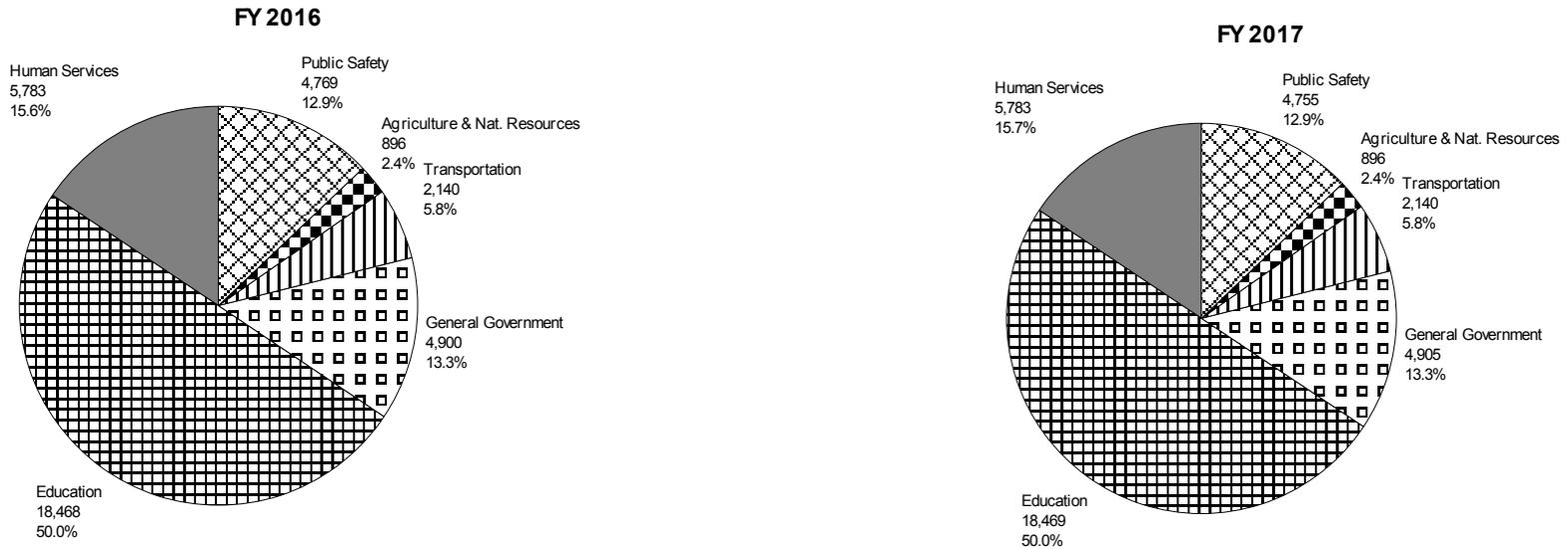
	In Millions	
	State General Fund	All Funds
Longevity Bonus Payments. For FY 2016 and FY 2017, the Governor recommends funding longevity bonus payments for eligible state employees at the statutory rate of \$40 per year of service, with a 10-year minimum (\$400), and a 25-year maximum (\$1,000). Classified 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.	\$ 2.8	\$ 7.2
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.	\$ 4.5	\$ 11.3
Excess 27th Pay Period Funds. 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 \$32.4 million from the State General Fund and \$76.6 million from all funds, which have been included in the Governor's budget.	\$ 32.4	\$ 76.6

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 reduces FTE positions by 13.7 from 39,969.4 to 36,955.7 and for FY 2017 by 8.4 from 36,955.7 to 36,947.6.

FULL-TIME EQUIVALENT (FTE) POSITIONS BY FUNCTION OF GOVERNMENT GOVERNOR'S RECOMMENDATIONS



NOTE: Does not include savings from KPERS employer contribution reduction of \$58.6 million in FY 2016 and \$119.5 million in FY 2017 and Statewide IT savings of \$15.0 million in FY 2016 and FY 2017

State Workforce Adjustments

During FY 2015, the increase from the approved budget, was due to 80.20 new non-FTE positions at the Department of Revenue to deploy new information technology systems and to staff a call center previously staffed through a contract vendor.

For FTE positions, another change in the revised FY 2015 budget occurs in the Department of Corrections. Because of the centralizing of health care, 22 medical staff FTE positions from the juvenile correctional facilities were reassigned to the Department of Corrections. Another change occurred at the

Racing and Gaming Commission where 7.5 FTE positions were added for the Lottery Facility Review Board.

The Governor issued Executive Reorganization Order (ERO) No. 43 to transfer the responsibility for Medicaid eligibility determination and associated employees from the Department for Children and Families to the Department of Health and Environment effective January 1, 2016. The Governor indicates this reorganization is anticipated to increase accuracy in

Medicaid eligibility determination and reduce program expenditures partially through uniform implementation of policy and processing changes. The associated saving will be split between this Department and the Department for Aging and Disabilities Services. In addition, ERO No. 43 will transfer foster care licensing responsibilities from the Department of Health and Environment to the Department for Children and Families effective July 1, 2015. The Governor indicated the reorganization is anticipated to streamline the licensing process.

Program or Agency Components of FY 2016 and 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 2015 only and measures major program or agency expenditures in dollar terms and as a percent 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 81.4 percent of the total state budget in FY 2016 and 82.1 percent in FY 2017.

GOVERNOR'S RECOMMENDED EXPENDITURES FROM ALL FUNDS, FY 2016
By Agency or Program

	Amount (Thousands)	Percent of total	Cumulative Percent	Percent Change from FY 2015
Department of Education	\$ 4,552,832	29.6 %	\$ 29.6	0.6 %
Board of Regents and Institutions	2,679,728	17.4	47.0	1.8
Department of Health and Environment - Health	2,493,414	16.2	63.1	(4.8)
Department on Aging and Disability Service & Hosp.	1,713,896	11.1	74.3	(1.7)
Department of Transportation	1,105,796	7.2	81.4	16.9
Department for Children and Families	603,505	3.9	85.4	0.3
Department of Corrections and Facilities	404,105	2.6	85.4	0.3
Kansas Lottery	336,974	2.2	87.5	(1.1)
Department of Labor	327,511	2.1	89.7	14.4
Judicial Branch	125,991	0.8	90.5	2.1
Department of Revenue	118,671	0.8	91.3	4.7
Department of Administration	116,724	0.8	92.0	(13.5)
Highway Patrol and KBI	112,539	0.7	92.7	(0.6)
Dept. of Commerce	112,434	0.7	93.5	11.6
Department of Wildlife, Parks & Tourism	69,821	0.5	93.9	(1.4)
Insurance Dept. and Health Care Stabilization	63,861	0.4	94.3	(2.5)
Department of Health & Environment - Environment	59,102	0.4	94.7	5.2
All Other	57,710	0.4	95.1	3.6
KPERS	52,583	0.3	95.4	(2.8)
Department of Agriculture	42,677	0.3	95.4	5.0
Adjutant General	40,806	0.3	95.6	21.0
Legislative Branch	27,357	0.2	95.8	0.3
Board of Indigent's Defense Services	26,472	0.2	96.0	0.9
State Treasurer	24,132	0.2	96.2	(8.1)
Commission on Veterans Affairs	22,790	0.1	96.3	(1.5)
State Corporation Commission	22,389	0.1	96.4	(7.9)
Attorney General	21,077	0.1	96.6	(3.6)
Schools for the Deaf and Blind	17,383	0.1	96.7	9.4
Office of the Governor	15,942	0.1	96.8	0.8
State Bank Commissioner	10,902	0.1	96.9	(0.7)
Kansas Racing and Gaming Commission	10,299	0.1	96.9	(19.7)
State Historical Society	7,724	0.1	97.0	3.5
Sentencing Commission	7,496	0.0	97.0	4.3
TOTAL	\$ 15,404,643	100 %	100.0	%
KPERS and IT Savings Adjustment	(73,580)			
Adjusted TOTAL	\$ 15,331,063			

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

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	\$ 4,607,822	29.0 %	\$ 29.0	(1.2) %
Board of Regents and Institutions	2,709,399	17.1	46.1	(1.1)
Department of Health and Environment - Health	2,455,931	15.5	61.5	1.5
Department on Aging and Disability Service & Hosp.	1,726,207	10.9	72.4	(0.7)
Department of Transportation	1,539,231	9.7	82.1	(39.2)
Department for Children and Families	608,895	3.8	85.9	(0.9)
Department of Corrections and Facilities	415,159	2.6	88.5	(2.7)
Kansas Lottery	355,953	2.2	90.8	(5.6)
Department of Labor	283,352	1.8	92.5	13.5
Judicial Branch	129,551	0.8	93.4	(2.8)
Department of Administration	115,306	0.7	94.1	1.2
Highway Patrol and KBI	114,771	0.7	94.8	(2.0)
Dept. of Commerce	110,585	0.7	95.5	1.6
Dept. of Revenue	101,563	0.6	96.1	14.4
Department of Wildlife, Parks and Tourism	70,915	0.4	96.6	(1.6)
Insurance Dept. and Health Care Stabilization	69,069	0.4	97.0	(8.2)
All Other	61,130	0.4	97.4	(5.9)
Department of Health & Environment - Environment	59,618	0.4	97.8	(0.9)
KPERS	54,585	0.3	97.7	(3.8)
Department of Agriculture	42,652	0.3	98.0	0.1
Adjutant General	38,677	0.2	98.3	5.2
Board of Indigent's Defense Services	27,528	0.2	98.4	(4.0)
Legislative Branch	27,348	0.2	98.6	0.0
State Treasurer	24,352	0.2	98.8	(0.9)
Commission on Veterans Affairs	22,861	0.1	98.9	(0.3)
State Corporation Commission	22,281	0.1	99.0	0.5
Attorney General	21,233	0.1	99.2	(0.7)
Schools for the Deaf and Blind	17,731	0.1	99.3	(2.0)
Office of the Governor	16,106	0.1	99.4	(1.0)
State Bank Commissioner	11,438	0.1	99.5	(4.9)
Kansas Racing and Gaming Commission	10,515	0.1	99.5	(2.1)
State Historical Society	8,036	0.1	99.6	(4.0)
Sentencing Commission	7,474	0.0	99.6	0.3
TOTAL	\$ 15,887,274	100 %	100.0	%
KPERS and IT Savings Adjustment	(134,458)			
Adjusted TOTAL	\$ 15,752,816			

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 2015 revised recommendation to the Governor's recommended FY 2016 and FY 2017 budgets.

**CHANGE IN EXPENDITURES FROM ALL FUNDS
FY 2015 to FY 2016
Governor's Recommendation**

	Amount (Thousands)	Comments
Total Decrease	\$ (227,168.6)	
Health and Environment - Health and Health Care Finance	114,701.3	Caseload Consensus Estimates for Medical
Dept. for Aging and Disability Services	28,725.2	Caseload Consensus Estimates
Board of Regents	21,792.5	Capital Improvements
Department of Commerce	(14,690.8)	Federal Community Development Block Grant
Kansas State University	(16,963.9)	Capital Improvements
Department of Education	(25,397.4)	Aid to Locals
Department of Labor	(54,978.3)	Unemployment Insurance Payments
All others	(56,054.9)	Various Operational Expenditures
Department of Transportation	(224,302.3)	Highway Projects

Note: Totals may not add due to rounding.

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

	Amount (Thousands)	Comments
Total Increase	\$ 482,751.7	
Department of Transportation	433,435.3	Capital Improvements
Department of Education	54,990.1	Aid to Locals
Kansas Lottery	18,979.1	Contractual Services
University of Kansas Medical Center	12,516.5	Salaries and Wages and Contractual Services
Department of Revenue	(17,107.5)	Aid to Locals
Health and Environment - Health and Health Care Finance	(37,482.8)	Contractual Services and Other Assistance
Department of Labor	(44,159.1)	Unemployment Insurance Payment
All others	61,580.0	Various operational Expenditure

Note: Totals may not add due to rounding.

EXPENDITURES AND STATUS OF THE STATE GENERAL FUND

Program and Agency Components of the FY 2016 and FY 2017 State General Fund Budget

The following table provides an overview of the program or agency components of the Governor's recommended FY 2016 and 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 61.6 percent of all State General Fund expenditures in FY 2016 and 61.1 in FY 2017.

STATE GENERAL FUND EXPENDITURES BY PROGRAM OR AGENCY
Governor's Recommendations for FY 2016

	Amount (Thousands)	Percent of Total	Cumulative Percent	Increase Over FY 2015	
				Amount (Thousands)	Percent
Education					
State Aid to Local Units	\$ 3,158,500	48.9 %	48.9 %	\$ (669)	0.0 %
Bd. of Regents/Institutions	788,195	12.2	61.1	(11,386)	(1.4)
Other Education	a) 35,638	0.6	61.6	389	1.1
Subtotal Education	\$ 3,982,333	61.6 %	171.6 %	\$ (11,666)	(0.3)%
Health and Environment - Health & HCF	863,683	13.4	75.0	76,306	8.8
Dept. on Aging & Disability Services & Hosp.	741,928	11.5	86.5	31,496	4.2
Dept. of Corrections/Facilities	360,309	5.6	92.0	1,710	0.5
Department for Children & Families	218,243	3.4	95.4	(6,073)	(2.8)
Judicial Branch	96,690	1.5	96.9	(855)	(0.9)
Dept. of Administration	54,764	0.8	97.8	15,452	28.2
Legislative Branch	27,271	0.4	98.2	(46)	(0.2)
Board of Indigents' Defense	25,886	0.4	98.6	(221)	(0.9)
Kansas Bureau of Investigation	23,019	0.4	98.9	6,713	29.2
Dept. of Revenue	13,741	0.2	99.1	(371)	(2.7)
Dept. of Agriculture	9,477	0.1	99.3	(217)	(2.3)
Adjutant General	8,176	0.1	99.4	(1,177)	(14.4)
Commission on Veterans Affairs	7,684	0.1	99.5	57	0.7
Sentencing Commission	7,398	0.1	99.7	375	5.1
Office of the Governor	6,719	0.1	99.8	(321)	(4.8)
Attorney General	5,678	0.1	99.8	(433)	(7.6)
Health and Environment - Environment	4,342	0.1	99.9	(828)	(19.1)
All Other	1,509	0.0	99.9	(319)	(21.1)
Kansas Water Office	1,134	0.0	100.0	(25)	(2.2)
Kansas Guardianship Program	1,111	0.0	100.0	(27)	(2.4)
Kansas Human Rights Commission	1,062	0.0	100.0	(5)	(0.5)
Kansas State Fair Board	846	0.0	100.0	(2)	(0.2)
TOTAL	\$ 6,463,003	100.0 %	100.0 %	\$ 109,523	1.7 %
KPERS and IT Savings Adjustment	(54,604)				
Adjusted TOTAL	6,408,398				

Note: Totals may not add due to rounding.

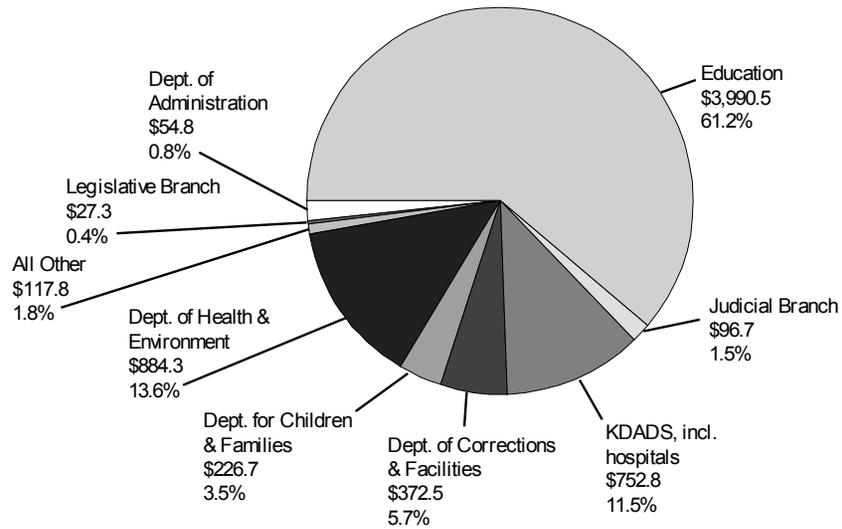
STATE GENERAL FUND EXPENDITURES BY PROGRAM OR AGENCY
Governor's Recommendations for FY 2017

	Amount (Thousands)	Percent of Total	Cumulative Percent	Increase Over FY 2016	
				Amount (Thousands)	Percent
Education					
State Aid to Local Units	\$ 3,151,682	48.3 %	48.3 %	\$ (6,819)	(0.2)%
Bd. of Regents/Institutions	802,381	12.3	60.6	(61,301)	(7.6)
Other Education	a) 36,459	0.6	61.1	822	2.3
Subtotal Education	\$ 3,990,522	61.1 %	170.0 %	\$ (67,298)	(1.7)%
Health and Environment - Health & HCF	884,274	13.5	74.7	20,591	2.3
Dept. on Aging & Disability Services & Hosp.	752,801	11.5	86.2	10,873	1.4
Dept. of Corrections/Facilities	372,277	5.7	91.9	11,968	3.2
Department for Children & Families	226,656	3.5	95.4	8,413	3.7
Judicial Branch	96,707	1.5	96.9	17	0.0
Dept. of Administration	53,730	0.8	97.7	(1,034)	(1.9)
Legislative Branch	27,264	0.4	98.1	(7)	0.0
Board of Indigents' Defense	26,942	0.4	98.5	1,056	3.9
Highway Patrol/KBI	23,505	0.4	98.9	486	2.1
Dept. of Revenue	15,488	0.2	99.1	1,747	11.3
Dept. of Agriculture	9,966	0.2	99.3	486	4.9
Adjutant General	9,279	0.1	99.4	1,103	11.9
Commission on Veterans Affairs	7,576	0.1	99.5	0	(1.4)
Sentencing Commission	7,398	0.1	99.6	0	0.0
Office of the Governor	6,763	0.1	99.8	45	0.7
Attorney General	5,891	0.1	99.8	213	3.6
Health and Environment - Environment	4,461	0.1	99.9	119	2.7
All Other	1,525	0.0	99.9	16	1.0
Kansas Water Office	1,185	0.0	100.0	50	4.2
Kansas Guardianship Program	1,110	0.0	100.0	0	0.0
Kansas Human Rights Commission	1,104	0.0	100.0	42	3.8
Kansas State Fair Board	849	0.0	100.0	3	0.3
TOTAL	\$ 6,527,273	100.0 %	100.0 %	\$ 0	0.0 %
KPERS and IT Savings Adjustment	(107,888)				
Adjusted TOTAL	6,419,385				

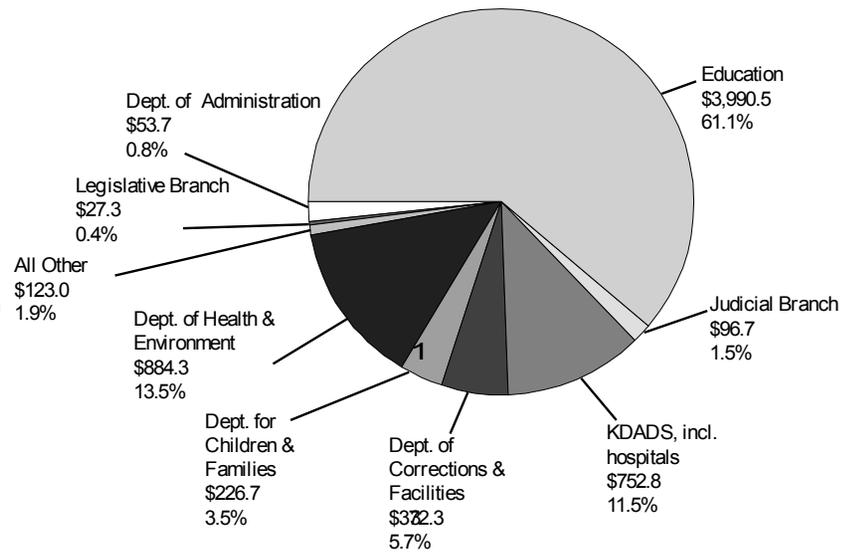
Note: Totals may not add due to rounding.

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

FY 2016
Total \$6,408.4



FY 2017
Total \$6,418.4



NOTE: Individual agencies totals do not include savings from KPERs employer contribution reduction of \$39.6 million in FY 2016 and \$92.9 million in FY 2017 and Statewide IT savings of \$15.0 million in FY 2016 and FY 2017.

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 (61.6 percent in FY 2106 and 61.1 percent in FY 2017).

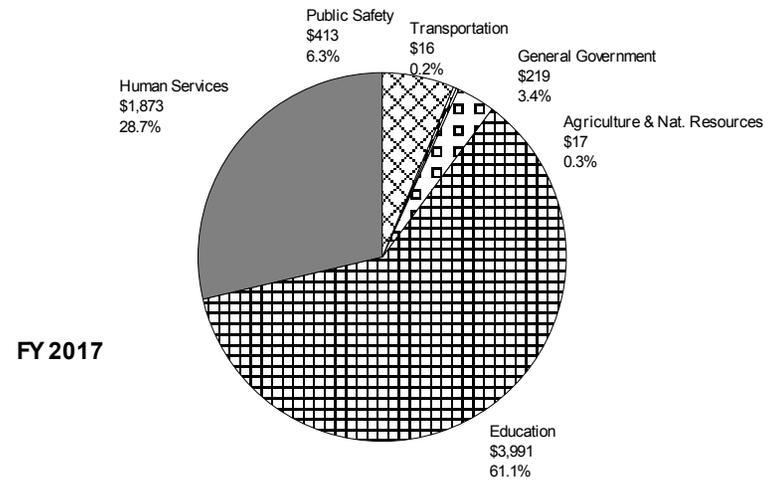
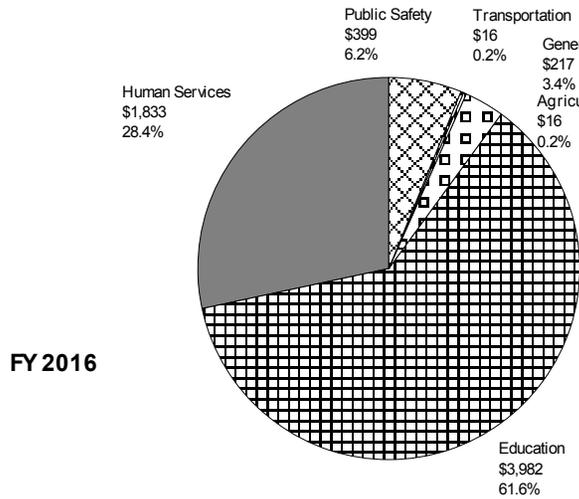
Two functions, education, and human services, account for 90.0 percent of all State General Fund expenditures in FY 2016 and 89.8 in FY 2017.

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

	Actual	Gov. Rec.	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2014	FY 2015	FY 2016	\$	%	FY 2017	\$	%
General Government	\$ 236.6	\$ 205.5	\$ 217.2	\$ 11.7	5.7 %	\$ 219.3	\$ 2.1	1.0 %
Human Services	1,582.2	1,731.2	1,833.0	101.8	5.9	1,872.7	39.7	2.2
Education	3,747.7	3,994.0	3,982.3	(11.7)	(0.3)	3,990.5	8.2	0.2
Public Safety	383.9	391.3	398.9	7.6	1.9	412.5	13.6	3.4
Agriculture & Nat. Res.	16.4	16.9	15.8	(1.1)	(6.5)	16.5	0.7	4.4
Transportation	16.1	14.6	15.8	1.2	8.2	15.8	0.0	0.0
KPERS and IT Savings	0.0	(3.8)	(54.6)	(50.8)	1,336.8	(107.9)	(53.3)	97.6
TOTAL	\$ 5,982.9	\$ 6,349.7	\$ 6,408.4	\$ 58.7	0.9 %	\$ 6,419.4	\$ 11.0	0.2 %

Note: Totals may not add due to rounding.

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



NOTE: Does not include savings from KPERS employer contribution reduction of \$39.6 million in FY 2016 and \$92.9 million in FY 2017 and Statewide IT savings of \$15.0 million in FY 2016 and FY 2017.

Expenditures by Major Purpose

Over \$3.4 billion (53.2 percent) of recommended FY 2016 expenditures from the State General Fund is paid to local units of government, 25.4 percent is for other assistance expenditures, 20.9 percent represents the costs of state operations, and less than one percent is for capital improvements.

Over \$3.4 billion (53.0 percent) of recommended FY 2017 expenditures from the State General Fund is paid to local

units of government, 25.8 percent is for other assistance expenditures, 20.7 percent represents the costs of state operations, and less than one percent is for capital improvements.

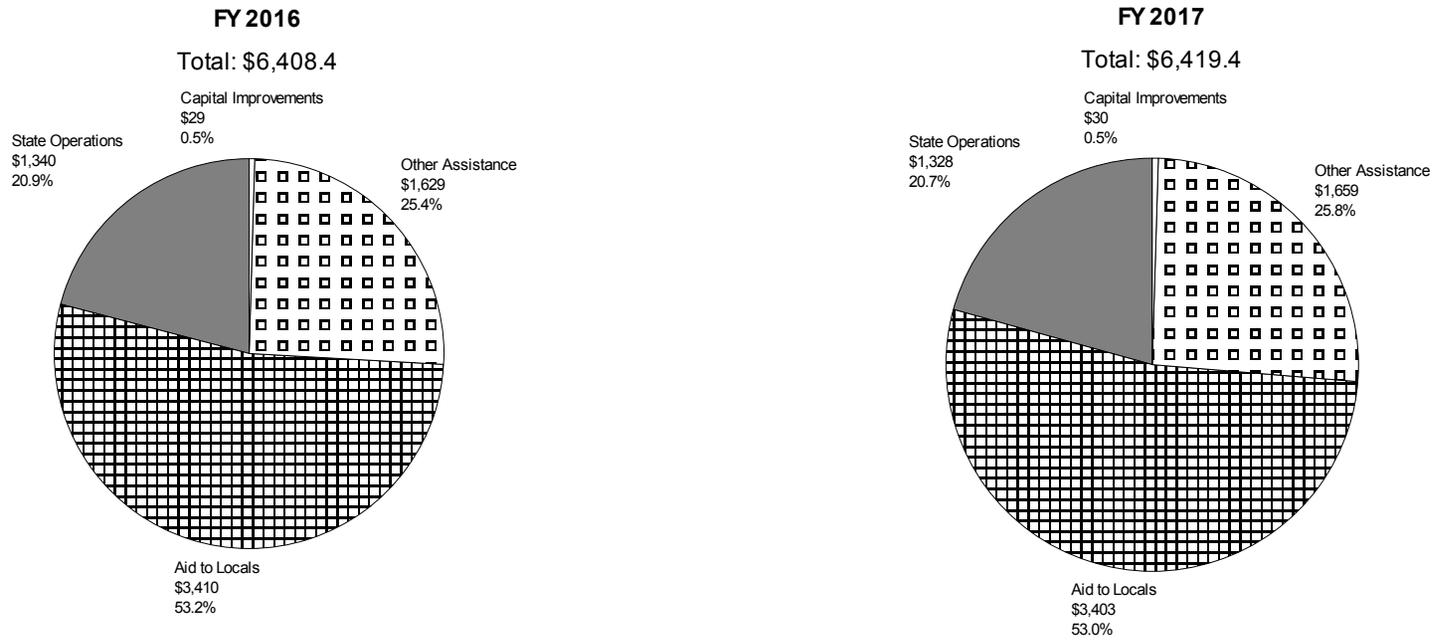
The following table reflects expenditures for state operations by function of government.

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

	Actual	Gov. Rec.	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2014	FY 2015	FY 2016	\$	%	FY 2017	\$	%
State Operations	\$ 1,351.8	\$ 1,373.4	\$ 1,340.0	\$ (33.4)	(2.4)%	\$ 1,328.2	\$ (11.8)	(0.9)%
Aid to Local Units	3,170.7	3,385.4	3,410.1	24.7	0.7	3,402.9	(7.2)	(0.2)
Other Assistance	1,429.7	1,563.1	1,629.1	66.0	4.2	1,658.7	29.6	1.8
Total Operations	\$ 5,952.2	\$ 6,321.9	\$ 6,379.1	\$ 57.3	0.9%	\$ 6,389.8	\$ 10.7	0.2%
Capital Improvements	30.6	27.7	29.3	1.6	5.8	29.6	0.3	1.0
TOTAL	\$ 5,982.8	\$ 6,349.7	\$ 6,408.4	\$ 58.7	0.9%	\$ 6,419.4	\$ 11.0	0.2%

Note: Totals may not add due to rounding.

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



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 (62.9 percent in FY 2016 and 62.3 percent in FY 2017).

Two functions, education, and human services, account for 90.0 percent of all State General Fund expenditures in FY 2016 and FY 2017.

STATE GENERAL FUND FOR STATE OPERATIONS BY FUNCTION OF GOVERNMENT
(in Millions of Dollars)

	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Change		Gov. Rec. FY 2017	Change	
				\$	%		\$	%
General Government	\$ 236.6	\$ 205.5	\$ 217.2	\$ 11.7	5.7 %	\$ 219.3	\$ 2.1	1.0 %
Human Services	1,582.2	1,731.2	1,833.0	101.8	5.9	1,872.7	39.7	2.2
Education	3,747.7	3,994.0	3,982.3	(11.7)	(0.3)	3,990.5	8.2	0.2
Public Safety	383.9	391.3	398.9	7.6	1.9	412.5	13.6	3.4
Agriculture & Nat. Res.	16.4	163.9	15.8	(148.1)	(90.4)	16.5	0.7	4.4
Transportation	16.1	14.6	15.8	1.2	8.2	15.8	0.0	0.0
KPERS and IT Savings	0.0	(3.8)	(54.6)	(50.8)	1,336.8	(107.9)	(53.3)	97.6
TOTAL	\$ 5,982.9	\$ 6,496.7	\$ 6,408.4	\$ (88.3)	(1.4)%	\$ 6,419.4	\$ 11.0	0.2 %

Note: Totals may not add due to rounding.

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 Thousand of Dollars)

	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Change FY 2015-FY 2016		Gov. Rec. FY 2017	Change FY 2016-FY 2017	
				Amount	Percent		Amount	Percent
From State General Fund								
General State Aid	\$ 1,893,463.5	\$ 1,886,709.0	\$ 0.0	\$ (1,886,709.0)	(100.0)%	\$ 0.0	\$ 0.0	- %
Block Grants to Districts	0.0	0.0	2,312,899.0	2,312,899.0	-	2,259,923.0	(52,976.0)	(2.3)
Supp. General Aid	339,213.9	482,755.0	0.0	(482,755.0)	(100.0)	0.0	0.0	-
Capitol Outlay State Aid	0.0	45.0	25.2	(19.8)	(44.0)	0.0	0.0	0.0
<i>Subtotal</i>	<u>\$ 2,232,677.4</u>	<u>\$ 2,369,509.0</u>	<u>\$ 2,312,924.2</u>	<u>\$ (56,584.8)</u>	<u>(2.4)%</u>	<u>\$ 2,259,923.0</u>	<u>\$ (53,001.2)</u>	<u>(2.3)%</u>
Special Education	\$ 385,702.6	\$ 418,360.6	\$ 424,902.9	\$ 6,542.3	1.6 %	\$ 423,980.5	\$ (922.4)	(0.2)%
KPERS-School	324,063.4	318,282.4	412,246.3	93,963.9	29.5	459,735.7	47,489.4	11.5
Deaf/Blind/Handicapped	109.2	109.2	109.2	0.0	0.0	109.2	0.0	0.0
Discretionary Grants	81.0	81.0	81.0	0.0	0.0	81.0	0.0	0.0
Juvenile Detention Facilities	4,692.5	4,971.5	4,971.5	0.0	0.0	4,971.5	0.0	0.0
State Match Ft. Riley	1,500.0	0.0	409.5	409.5	-	0.0	(409.5)	(100.0)
School Food Assistance	2,386.2	2,505.9	2,505.9	0.0	0.0	2,505.9	0.0	0.0
Teaching Excellence Awards	0.0	306.9	287.5	(19.4)	(6.3)	287.5	0.0	0.0
After School Programs	87.3	87.3	87.3	0.0	0.0	87.3	0.0	0.0

STATE AID TO LOCAL UNITS OF GOVERNMENT
(In Thousand of Dollars)

	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Change FY 2015-FY 2016		Gov. Rec. FY 2017	Change FY 2016-FY 2017	
				Amount	Percent		Amount	Percent
				Voluntary Retirement Incentive	15.9		6.9	6.9
<i>Subtotal - USDs</i>	<u>\$ 2,951,315.5</u>	<u>\$ 3,114,220.7</u>	<u>\$ 3,158,532.2</u>	<u>\$ 44,311.5</u>	<u>1.4 %</u>	<u>\$ 3,151,683.3</u>	<u>\$ (6,848.9)</u>	<u>(0.2)%</u>
Tech Ed. Tuition Program	\$ 16,969.8	\$ 23,600.0	\$ 20,750.0	\$ (2,850.0)	(12.1)%	\$ 20,750.0	\$ 0.0	0.0 %
Post Secondary Tiered Tech Ed.	58,300.9	58,300.9	58,300.9	0.0	0.0	58,300.9	0.0	0.0
Non-Tiered Course Credit	76,496.3	76,496.3	76,496.3	0.0	0.0	76,496.3	0.0	0.0
Tech Ed. Equip	398.5	398.5	398.5	0.0	0.0	398.5	0.0	0.0
Voc. Ed. Capital Outlay	71.6	71.6	71.6	0.0	0.0	71.6	0.0	0.0
Adult Basic Education	1,342.0	1,457.0	1,457.0	0.0	0.0	1,457.0	0.0	0.0
Information Based Tech. Opp.	0.0	500.0	0.0	(500.0)	(100.0)	0.0	0.0	-
Washburn University	11,130.9	11,130.9	11,130.9	0.0	0.0	11,130.9	0.0	0.0
Nursing Fac. Equip & Supp.	885.8	920.7	920.7	0.0	0.0	920.7	0.0	0.0
Incentives for Tech Ed.	1,409.2	1,500.0	0.0	(1,500.0)	(100.0)	0.0	0.0	-
<i>Subtotal - Higher Ed.</i>	<u>\$ 167,005.0</u>	<u>\$ 174,375.9</u>	<u>\$ 169,525.9</u>	<u>\$ (4,850.0)</u>	<u>(2.8)%</u>	<u>\$ 169,525.9</u>	<u>\$ 0.0</u>	<u>0.0 %</u>
Historical Society	18.7	18.3	18.0	(0.3)	(1.6)	18.0	0.0	0.0
State Library	1,423.2	1,423.1	1,423.1	0.0	0.0	1,423.1	0.0	0.0
Total - Education	<u>\$ 3,119,762.4</u>	<u>\$ 3,290,038.0</u>	<u>\$ 3,329,499.2</u>	<u>\$ 39,461.2</u>	<u>1.2 %</u>	<u>\$ 3,322,650.3</u>	<u>\$ (6,848.9)</u>	<u>(0.2)%</u>
Corrections	\$ 41,886.4	\$ 41,371.7	\$ 43,342.6	\$ 1,970.9	4.8 %	\$ 43,342.6	\$ 0.0	0.0 %
KDHE Aid	5,258.6	5,857.2	5,808.9	(48.3)	(0.8)	5,808.9	0.0	0.0
Aging & Disability Services	3,000.0	2,531.0	2,176.0	(355.0)	(14.0)	2,176.0	0.0	0.0
Disaster Relief	811.6	543.2	265.5	(277.7)	(51.1)	0.0	(265.5)	(100.0)
Total - Other Programs	<u>\$ 50,956.6</u>	<u>\$ 50,303.1</u>	<u>\$ 51,593.0</u>	<u>\$ 1,289.9</u>	<u>2.6 %</u>	<u>\$ 51,327.5</u>	<u>\$ (265.5)</u>	<u>(0.5)%</u>
Total - State General Fund	<u>\$ 3,170,719.0</u>	<u>\$ 3,340,341.1</u>	<u>\$ 3,381,092.2</u>	<u>\$ 40,751.1</u>	<u>1.2 %</u>	<u>\$ 3,373,977.8</u>	<u>\$ (7,114.4)</u>	<u>(0.2)%</u>

% of Total SGF Expenditures

53.0 %

52.6 %

52.3 %

51.7 %

Note: Totals may not add due to rounding.

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

	Actual FY 2014	Gov. Est. FY 2015	Gov. Rec. FY 2016	Change \$	%	Gov. Rec. FY 2017	Change \$	%
20-Mill Prop Tax	\$ 0.0	\$ 579,232.0	\$ 0.0	\$ (579,232.0)	(100.0)%	\$ 0.0	\$ 0.0	– %
School District Finance	51,096.3	46,849.5	50,000.0	0.0	0.0	0.0	(50,000.0)	(100.0)
Mineral Production Tax	0.0	0.0	0.0	0.0	0.0	28,427.0	28,427.0	–
Children's Initiatives Fund:								0.0
Parent Education	7,237.6	7,237.6	7,237.6	0.0	0.0	7,237.6	0.0	0.0
Kansas Preschool Program	2,169.1	2,169.1	2,169.1	0.0	0.0	2,169.1	0.0	0.0
EDIF:					0.0			0.0
Voc. Ed. Cap. Outlay	2,547.7	2,547.7	2,547.7	0.0	0.0	2,547.7	0.0	0.0
EPSCoR	993.3	993.3	993.3	0.0	0.0	993.3	0.0	0.0
CC Competetive Grants	500.0	500.0	500.0	0.0	0.0	500.0	0.0	0.0
ESARP	299.3	300.0	298.1	(1.9)	(0.6)	298.1	0.0	0.0
Tech. Grant	116.6	242.5	179.3	(63.2)	(26.1)	179.3	0.0	0.0
WSU Aviation Classroom and Training Equipment	5,229.4	923.1	0.0	(923.1)	(100.0)	0.0	0.0	–
	<u>\$ 70,189</u>	<u>\$ 640,995</u>	<u>\$ 63,925</u>	<u>\$ (577,070)</u>	<u>(90.0)%</u>	<u>\$ 42,352</u>	<u>\$ (21,573)</u>	<u>(33.7)%</u>

Note: Totals may not add due to rounding.

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

	Actual FY 2014	Gov. Est. FY 2015	Gov. Rec. FY 2016	Change		Gov. Rec. FY 2017	Change	
				\$	%		\$	%
CCHF and Co. Equal	\$ 2,500	\$ 2,500	\$ 2,500	\$ 0	0.0 %	\$ 2,500	\$ 0	0.0 %
SHF City Maintenance	142,714	143,529	143,983	454	0.3	144,419	436	0.3
Public Transportation	5,704	15,726	11,000	(4,726)	(30.1)	11,000	0	0.0
Aviation	5,470	5,505	5,000	(505)	(9.2)	5,000	0	0.0
Firefighters' Relief	12,458	10,250	10,250	0	0.0	10,250	0	0.0
Mineral Production	9,835	10,700	10,800	100	0.9	10,900	100	0.9
EMS Ed. and Assistance	767	802	800	(2)	(0.2)	800	0	0.0
	<u>\$ 179,447</u>	<u>\$ 189,011</u>	<u>\$ 184,333</u>	<u>\$ (4,678)</u>	<u>(2.5)%</u>	<u>\$ 184,869</u>	<u>\$ 536</u>	<u>0.3 %</u>

Note: Totals may not add due to rounding.

**INCREASE IN STATE GENERAL FUND EXPENDITURES
Governor's Recommendation
FY 2015 - FY 2017**

	Gov. Rec. FY 2016 Amount (Thousands)	Gov. Rec. FY 2016 Percent of Total Increase	Gov. Rec. FY 2017 Amount (Thousands)	Gov. Rec. FY 2017 Percent of Total Increase
Health and Environment - Health & HCF	\$ 76,306.0	8.8 %	\$ 20,591.0	2.3 %
Dept. on Aging & Disability Services & Hosp.	31,496.0	4.2	10,873.0	1.4
Dept. of Corrections/Facilities	1,710.0	0.5	11,968.0	3.2
Department for Children & Families	(6,073.0)	(2.8)	8,413.0	3.7
Judicial Branch	(855.0)	(0.9)	17.0	0.0
Dept. of Administration	15,452.0	28.2	(7.0)	0.0
Board of Indigents' Defense	(221.0)	(0.9)	1,056.0	3.9
Highway Patrol/KBI	6,713.0	29.2	486.0	2.1

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 (the 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 and FY 2017 are the School District Capital Improvement Fund (\$155.0 million) and the Regents Faculty of Distinction (\$150,000).

Status of the State General Fund

The Governor's recommendations for for FY 2015 revised estimates, FY 2016 and FY 2017 would result in an ending balance of \$83.9 million at the end of FY 2016 and \$250.6 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 increase projected State General Fund receipts by \$343.4 million in FY 2016 and increased projections by \$345.5 million for FY 2017.

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

- Transfer an additional \$150.7 million from the State Highway Fund to the State General Fund in FY 2015, transfer \$100.0 million State Highway Fund to the State General Fund have been proposed for FY 2016 and FY 2017;
- Transfer \$55.0 million from the Medical Program Fee Fund in the Department of Health and

Environment to the State General Funding FY 2015;

- Transfer \$14.5 million from the Kansas Endowment for Youth (KEY) Fund in FY 2015, \$9.2 million for FY 2016 and \$8.1 million for 2017;
- Decrease by \$7.1 million the State General Fund transfer to the Impact Bonds Fund for FY 2015 and by \$3.5 million for FY 2016 and FY 2017;
- Transfer \$4.0 million from the Department of Revenue Modernization Program in FY 2015;
- Transfer \$3.0 million from the Workers Compensation Fund in the Insurance Department in FY 2015 and for FY 2016 and FY 2017;
- Suspend payment of the Local Ad Valorem Tax Reduction (LAVTR) transfer, which was slated to

be \$54.0 million for FY 2016 and FY 2017 and the City/County Revenue Fund which was slated to be \$35.3 million;

- Transfer \$17.0 million from the Economic Development Initiatives Fund to the State General Fund for FY 2016 and FY 2017; and
- Transfer \$5.0 million from the Insurance Department Service Regulation Fund to the State General Fund in FY 2016 and FY 2017;

Other revenue adjustments included in the Governor's recommendation include;

- Modifications to the Debt Setoff Program used to collect delinquent accounts receivable to enhance the ability to check amounts owed to the state to collect additional revenue of \$3.0 million annually.
- Fee Fund assessment is proposed to increase from 10.0 percent of the fee funded agency's gross receipts from their fee funds to 20.0 percent for FY 2016 and FY 2017 with anticipated additional revenue of \$1.7 million each for FY 2016 and FY 2017 deposited into the State General Fund.
- Based on the annual fiscal year average of revenue to the 27th pay period account, it is projected that excess funds of \$6.1 million each for FY 2016 and FY 2017 will be available to the State General Fund.

Income tax adjustments include:

- Keeping statutory rates at the 2015 levels of 4.6 percent and 2.7 percent, with no further reductions in statutes with estimated additional State General Fund revenue totaling \$22.9 million in FY 2016 and \$86.9 million in FY 2017. Further reductions would only be affected if revenues over the previous year exceed 103.0 percent;
- Accelerating the itemized income tax deduction haircut of 50.0 percent currently set in statute to begin on January 1, 2017 to instead begin January 1, 2015 and is estimated to generate \$50.3 million in FY 2016 and \$21.8 million in FY 2017;
- Creating an amnesty program for delinquent taxes due in individual, corporate, privilege, state sales and use, liquor, mineral and local sales taxes accrued from tax periods ending on or before December 31, 2013 to generate additional revenue of approximately \$30.0 million for the State General Fund for FY 2016; and
- Increasing the consumption taxes on cigarettes, tobacco products and liquor enforcement to increase rates on tobacco to \$2.29 per pack and 25.0 percent of wholesale price and liquor enforcement tax would be increased to 12.0 percent to generate revenue of \$107.9 million in FY 2016 and \$104.1 million in FY 2017.

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

	Actual FY 2014	Gov. Rec. FY 2015	Change	Gov. Rec FY 2016	Change	Gov. Rec FY 2017	Change
Beginning Unencumbered Cash	\$ 709.3	\$ 379.7	\$ (329.6)	\$ 69.9	\$ (309.8)	\$ 83.9	\$ 14.0
Receipts	5,653.2	5,768.7	115.5	5,811.4	42.7	5,876.6	65.2
Gov. Rec. Adjustments	0.0	158.5	158.5	343.4	184.9	345.4	2.0
Adjusted Receipts	0.0	112.6	112.6	267.6	155.0	364.1	96.5
Total Resources	\$ 6,362.5	\$ 6,419.5	\$ 57.0	\$ 6,492.3	\$ 72.8	\$ 6,670.0	\$ 177.7
Less Expenditures	5,982.8	6,349.7	366.9	6,408.4	58.7	6,419.4	11.0
Ending Unencumbered Cash Balance	\$ 379.7	\$ 69.8	\$ (309.9)	\$ 83.9	\$ 14.1	\$ 250.6	\$ 166.7
Ending Balance as a Percentage of Expenditures	6.3 %	1.1 %		1.3 %		3.9 %	
Adj. Receipts in Excess of Expenditures	\$ (329.6)	\$ 309.9		\$ 14.0		\$ 166.7	

Note: Totals may not add due to rounding.

The following table reflects the amounts of receipts in excess of expenditures from FY 2002 to FY 2016.

Receipts in Excess of Expenditures Governor's Recommendation – State General Fund (In Millions)

