

OFFICE OF ADMINISTRATIVE HEARINGS

	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	895,318	949,207	940,621	983,314	978,112	1,017,586	1,012,280
TOTAL	\$ 895,318	\$ 949,207	\$ 940,621	\$ 983,314	\$ 978,112	\$ 1,017,586	\$ 1,012,280
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	\$ 895,318	\$ 949,207	\$ 940,621	\$ 983,314	\$ 978,112	\$ 1,017,586	\$ 1,012,280

Percentage Change:

Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	1.9	6.0	5.1	3.6	4.0	3.5	3.5
FTE Positions	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Non-FTE							
Perm.Uncl.Pos.	5.0	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL	9.0						

AGENCY OVERVIEW

The mission of the Office of Administrative Hearings is to conduct fair and impartial hearings for citizens and other affected parties when they contest actions of state agencies determining their legal rights. The Office of Administrative Hearings acts in accordance with all applicable policies, regulations, statutes, and general principles of law.

The Office of Administrative Hearings was originally a program in the Department of Social and Rehabilitation Services, and conducted hearings only for that agency. On July 1, 1998, the Office of Administrative Hearings was moved to the Department of Administration. The agency continued to conduct all adjudicative proceedings for the Kansas Department of Social and Rehabilitation Services pursuant to KSA 75-37,121, but also began providing hearings for other agencies. Section 145 of the 2004 Session Laws created an independent Office of Administrative Hearings, which was phased in and took full effect on July 1, 2009. Agencies that provide adjudicative proceedings in accordance with the Kansas Administrative Procedure Act are required to utilize the Office of Administrative Hearings when the agency head is not involved.

MAJOR ISSUES FROM PRIOR YEARS

Beginning in **FY 2010**, the Office of Administrative Hearings became a separately funded agency from the Department of Administration. Other state agencies are billed for services provided by the agency, which results in all agency expenditures being non-reportable.

The **2011 Legislature** transferred \$150,000, all from the Administrative Hearings Office Fund, to the State General Fund.

The Office of Administrative Hearings conducts adjudicative proceedings in accordance with the Kansas Administrative Procedure Act for many state agencies and a variety of programs within those agencies. The agencies, and its programs, that have been phased into Office of Administrative Hearings operations include, but are not limited to: the Department for Children and Families, Kansas Department of Health and Environment, Division of Health Care Finance, Kansas Department for Aging and Disability Services, Kansas Department of Agriculture, Kansas Department of Administration, Kansas Department of Revenue, Kansas Department of Education, Kansas Department of Commerce, Kansas Insurance Department, Kansas Department of Labor, Board of Accountancy, Office of the State Bank Commissioner, Kansas Civil Service Board, Dental Board, Board of Healing Arts, Kansas Human Rights Commission, Kansas Board of Pharmacy, Board of Nursing, Kansas Real Estate Commission, Kansas Public Employee Retirement System, Office of Attorney General, Behavioral Sciences Regulatory Board, Board of Cosmetology, Fire Marshal, and the Kansas Securities Commissioner.

The **2012 Legislature** eliminated 70.0 percent of vacant positions that had been unfilled for greater than 120 days. For this agency, 3.0 FTE positions and 0.5 non-FTE positions were eliminated. No adjustments were made to the agency's FTE position limitation.

The **2013 Legislature** added \$54,808, all from non-reportable special revenue funds, to fill a vacant Legal Assistant position in FY 2014. The Legislature also deleted \$53,396 and

\$53,436 from FY 2014 and FY 2015, respectively, all from non-reportable special revenue funds, to reflect reduced funding for salaries and wages.

The **2014 Legislature** added \$2,718, all from non-reportable special revenue funds, for FY 2015 for employee bonuses of \$250 for all full-time employees, except elected officials, who were employed on December 6, 2013.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates revised FY 2015 operating expenditures of \$949,207, all from the Administrative Hearings Office Fund. The estimate is an increase of \$52,792, or 5.9 percent, above the amount approved by the 2014 Legislature. The increase is due to two supplemental requests totaling \$52,792, all from the Administrative Hearings Office Fund, for salaries and wages increases resulting from a conversion of 5.0 FTE positions to non-FTE unclassified permanent positions along with the hiring of a temporary office assistant position and for expenditures to the Office of Information Technology

Services (OITS) to use the KS.LOC network. The estimate includes 4.0 FTE positions, which is a reduction of 5.0 FTE positions from the number approved by the 2014 Legislature. The FTE decrease is due to the agency converting 5.0 FTE positions to non-FTE unclassified permanent positions.

Absent the supplementals, the agency estimates revised FY 2015 operating expenditures of \$896,415, all from the Administrative Hearings Office Fund. The estimate is the same amount approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of \$940,621, all from the Administrative Hearings Office Fund. The recommendation is a decrease of \$8,586, or 0.9 percent, below the agency estimate. The decrease is

attributable to reduced Kansas Public Employees Retirement System (KPERS) employer contributions included in the Governor's December allotment plan. The Governor concurs with the agency's estimate of 4.0 FTE positions for FY 2015.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of \$983,314, all from the Administrative Hearings Office Fund. The request is an increase of \$34,107, or 3.6 percent, above the revised FY 2015 estimate. The increase is attributable to a reduction in salaries and wages shrinkage and an enhancement

request of \$19,886 to pay for an increase in building rent. The request also includes an enhancement of \$13,000 to continue funding the expenditures to OITS for use of the KS.LOC network. The request includes 4.0 FTE positions, which is the same number included in the revised FY 2015 estimate.

Absent the enhancements, the agency requests FY 2016 operating expenditures of \$950,428, all from the Administrative

Hearings Office Fund. The request is an increase of \$54,013, or 6.0 percent, above the FY 2015 estimate less supplementals.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of \$978,112, all from the Administrative Hearings Office Fund. The recommendation is a decrease of \$5,202, or 0.5 percent, below the agency's FY 2016 request. The decrease

is attributable to the Governor recommending a reduction of \$5,202 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 4.0 FTE positions for FY 2016.

FY 2017 Agency Request

The **agency** requests FY 2017 operating expenditures of \$1.0 million, all from the Administrative Hearings Office Fund. The request is an increase of \$34,272, or 3.5 percent, above the FY 2016 request. The increase is attributable to increases in KPERS employer contributions and an additional (27th) payroll period in FY 2017. The request includes two enhancement requests totaling \$32,886 to continue funding the expenditures to OITS for use of the KS.LOC network and to pay for an

increase in building rent. The request includes 4.0 FTE positions, which is the same number included in the FY 2016 request.

Absent the enhancements, the agency requests FY 2017 operating expenditures of \$984,700, all from the Administrative Hearings Office Fund.

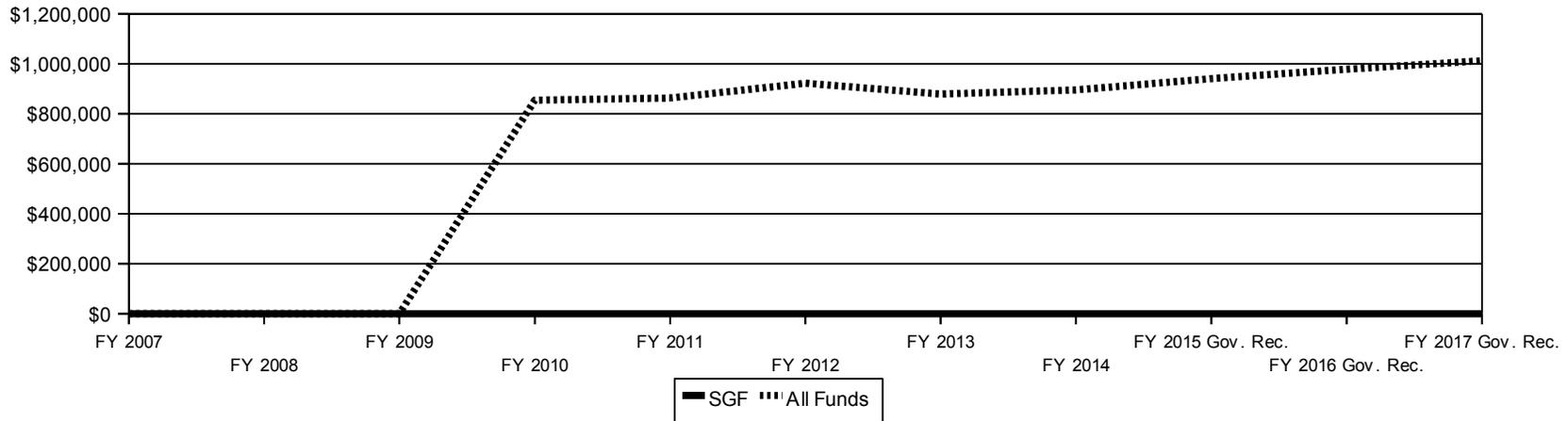
FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of \$1.0 million, all from the Administrative Hearings Office Fund. The recommendation is a decrease of \$5,306, or 0.5 percent, below the agency's FY 2017 request. The decrease

is attributable to the Governor recommending a reduction of \$5,306 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 4.0 FTE positions for FY 2017.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2007 – FY 2017



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	\$	0	\$	0	0.0
2008		0		0	0.0
2009		0		0	0.0
2010		0	854,182	--	13.0
2011		0	863,153	1.1	13.0
2012		0	922,203	6.8	13.0
2013		0	878,814	(4.7)	10.0
2014*		0	895,318	1.9	4.0
2015 Gov. Rec.		0	940,621	5.1	4.0
2016 Gov. Rec.		0	978,112	4.0	4.0
2017 Gov. Rec.		0	1,012,280	3.5	4.0
Eleven-Year Change	\$	0	\$	1,012,280	4.0

* The FTE reduction in 2014 is due to the deletion of a vacant Attorney position and conversion of 5.0 FTE positions to non-FTE unclassified permanent positions.

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	\$ 895,318	\$ 949,207	\$ 983,314	\$ 34,107	3.6 %	\$ 940,621	\$ 978,112	\$ 37,491	4.0 %	
By Major Object of Expenditure:										
Salaries and Wages	\$ 710,275	\$ 729,466	\$ 743,687	\$ 14,221	1.9 %	\$ 720,880	\$ 738,485	\$ 17,605	2.4 %	
Contractual Services	170,092	206,285	226,171	19,886	9.6	206,285	226,171	19,886	9.6	
Commodities	5,536	4,320	4,320	0	0.0	4,320	4,320	0	0.0	
Capital Outlay	529	2,141	2,141	0	0.0	2,141	2,141	0	0.0	
Debt Service	0	0	0	0	--	0	0	0	--	
Subtotal - Operations	\$ 886,432	\$ 942,212	\$ 976,319	\$ 34,107	3.6 %	\$ 933,626	\$ 971,117	\$ 37,491	4.0 %	
Aid to Local Units	0	0	0	0	--	0	0	0	--	
Other Assistance	8,886	6,995	6,995	0	0.0	6,995	6,995	0	0.0	
TOTAL	\$ 895,318	\$ 949,207	\$ 983,314	\$ 34,107	3.6 %	\$ 940,621	\$ 978,112	\$ 37,491	4.0 %	
Financing:										
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %	
Administrative Hearings Office Fund	895,318	949,207	983,314	34,107	3.6	940,621	978,112	37,491	4.0	
TOTAL	\$ 895,318	\$ 949,207	\$ 983,314	\$ 34,107	3.6 %	\$ 940,621	\$ 978,112	\$ 37,491	4.0 %	

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	\$ 983,314	\$ 1,017,586	\$ 34,272	3.5 %	\$ 978,112	\$ 1,012,280	\$ 34,168	3.5 %
By Major Object of Expenditure:								
Salaries and Wages	\$ 743,687	\$ 777,959	\$ 34,272	4.6 %	\$ 738,485	\$ 772,653	\$ 34,168	4.6 %
Contractual Services	226,171	226,171	0	0.0	226,171	226,171	0	0.0
Commodities	4,320	4,320	0	0.0	4,320	4,320	0	0.0
Capital Outlay	2,141	2,141	0	0.0	2,141	2,141	0	0.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 976,319	\$ 1,010,591	\$ 34,272	3.5 %	\$ 971,117	\$ 1,005,285	\$ 34,168	3.5 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	6,995	6,995	0	0.0	6,995	6,995	0	0.0
TOTAL	\$ 983,314	\$ 1,017,586	\$ 34,272	3.5 %	\$ 978,112	\$ 1,012,280	\$ 34,168	3.5 %
Financing:								
State General Fund	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Administrative Hearings Office Fund	983,314	1,017,586	34,272	3.5	978,112	1,012,280	34,168	3.5
TOTAL	\$ 983,314	\$ 1,017,586	\$ 34,272	3.5 %	\$ 978,112	\$ 1,012,280	\$ 34,168	3.5 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The agency receives no funding from the State General Fund.

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	896,415	949,207	52,792	940,621	44,206
TOTAL	\$ 896,415	\$ 949,207	\$ 52,792	\$ 940,621	\$ 44,206
FTE Positions	9.0	4.0	(5.0)	4.0	(5.0)

The **agency** estimates revised FY 2015 operating expenditures of \$949,207, all from the Administrative Hearings Office Fund. The estimate is an increase of \$52,792, or 5.9 percent, above the amount approved by the 2014 Legislature. The increase is due to two supplemental requests totaling \$52,792, all from the Administrative Hearings Office Fund, for salaries and wages increases resulting from a conversion of 5.0 FTE positions to non-FTE unclassified permanent positions along with the hiring of a temporary office assistant position and for expenditures to OITS to use the KS.LOC network. The

estimate includes 4.0 FTE positions, which is a reduction of 5.0 FTE positions from the number approved by the 2014 Legislature. The FTE decrease is due to the agency converting 5.0 FTE positions to non-FTE unclassified permanent positions.

Absent the supplementals, the agency estimates revised FY 2015 operating expenditures of \$896,415, all from the Administrative Hearings Office Fund. The estimate is the same amount approved by the 2014 Legislature.

The **Governor** recommends FY 2015 operating expenditures of \$940,621, all from the Administrative Hearings Office Fund. The recommendation is a decrease of \$8,586, or 0.9 percent, below the agency estimate. The decrease is

attributable to reduced KPERS employer contributions included in the Governor's December allotment plan. The Governor concurs with the agency's estimate of 4.0 FTE positions for FY 2015.

Supplemental Detail

Supplementals	FY 2015 SUPPLEMENTALS					
	Agency Estimate			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Salary Increases Due to FTE Conversion	\$ 0	\$ 39,792	0.0	\$ 0	\$ 39,792	0.0
OITS Expenditures for KS.LOC	0	13,000	0.0	0	13,000	0.0
TOTAL	\$ 0	\$ 52,792	0.0	\$ 0	\$ 52,792	0.0

The **agency** requests two supplementals totaling \$52,792, all from the Administrative Hearings Office Fund, for salaries and wages increases resulting from a conversion of 5.0 FTE positions to non-FTE unclassified permanent positions along with the hiring of a temporary office assistant position and for expenditures to OITS to use the KS.LOC network. The agency

indicates the need to switch to the KS.LOC network arose after it was discovered the current network was not secure nor capable of being backed up.

The **Governor** concurs with the agency's supplemental requests.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 983,314	\$ 978,112	\$ (5,202)
FTE Positions	4.0	4.0	0.0
Change from FY 2015:			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	34,107	37,491	
TOTAL	<u>\$ 34,107</u>	<u>\$ 37,491</u>	
<i>Percent Change:</i>			
State General Fund	0.0 %	0.0 %	
All Other Funds	3.6	4.0	
TOTAL	<u>3.6 %</u>	<u>4.0 %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of \$983,314, all from the Administrative Hearings Office Fund. The request is an increase of \$34,107, or 3.6 percent, above the revised FY 2015 estimate. The request includes enhancements totaling \$32,886 to continue funding the expenditures to OITS for use of the KS.LOC network and for rent increases. The request includes 4.0 FTE positions, which is the same number included in the revised FY 2015 estimate.

Absent the enhancements, the agency requests FY 2016 operating expenditures of \$950,428, all from the Administrative Hearings Office Fund. The request is an increase of \$54,013, or 6.0 percent, above the FY 2015 estimate less supplementals.

The agency request includes the following items.

- **Salaries and wages** expenditures of \$743,687, which is an increase of \$14,221, or 1.9 percent, above the revised FY 2015 estimate. The increase is attributable to a reduction in salaries and wages shrinkage.
- **Contractual services** expenditures of \$226,171, which is an increase of \$19,886, or 9.6 percent, above the revised FY 2015 estimate. The increase is attributable to an enhancement request of \$19,886 to pay for an increase in building rent. **Absent the enhancements**, the agency requests \$193,285 for contractual services, which the same as the FY 2015 approved amount.
- **Commodities** expenditures of \$4,320, which is the same amount included in the revised FY 2015 estimate.

- **Capital outlay** expenditures of \$2,141, which is the same amount included in the revised FY 2015 estimate.
- **Other assistance** expenditures of \$6,995, which is the same amount included in the revised FY 2015 estimate. This is funding for the Voluntary Retirement Incentive Program (VRIP).

The **Governor** recommends FY 2016 operating expenditures of \$978,112, all from the Administrative Hearings Office Fund. The recommendation is a decrease of \$5,202, or 0.5 percent, below the agency's FY 2016 request. The decrease is attributable to the Governor recommending a reduction of \$5,202 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 4.0 FTE positions for FY 2016.

Enhancements Detail

Enhancements	FY 2016 ENHANCEMENTS					
	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
OITS Expenditures for KS.LOC	\$ 0	\$ 13,000	0.0	\$ 0	\$ 13,000	0.0
Building Rent Increase	0	19,886	0.0	0	19,886	0.0
TOTAL	\$ 0	\$ 32,886	0.0	\$ 0	\$ 32,886	0.0

The **agency** requests two enhancements totaling \$32,886, all from the Administrative Hearings Office Fund, to pay for an increase in building rent and for expenditures to OITS to use the KS.LOC network. The agency indicates the need to switch to

the KS.LOC network arose after it was discovered the current network was not secure nor capable of being backed up.

The **Governor** concurs with the agency's enhancement requests.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 1,017,586	\$ 1,012,280	\$ (5,306)
FTE Positions	4.0	4.0	0.0
Change from FY 2016:			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	34,272	34,168	
TOTAL	<u>\$ 34,272</u>	<u>\$ 34,168</u>	
<i>Percent Change:</i>			
State General Fund	0.0 %	0.0 %	
All Other Funds	3.5	3.5	
TOTAL	<u>3.5 %</u>	<u>3.5 %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of \$1.0 million, all from the Administrative Hearings Office Fund. The request is an increase of \$34,272, or 3.5 percent, above the FY 2016 request. The request includes two enhancement requests totaling \$32,886 to continue funding the expenditures to OITS for use of the KS.LOC network and to pay for an increase in building rent. The request includes 4.0 FTE

positions, which is the same number included in the FY 2016 request.

Absent the enhancements, the agency requests FY 2017 operating expenditures of \$984,700, all from the Administrative Hearings Office Fund. The request is an increase of \$34,272, or 3.6 percent, above the FY 2016 request less enhancements.

The agency request includes the following items.

- **Salaries and wages** expenditures of \$777,959, which is an increase of \$34,272, or 4.6 percent, above the FY 2016 request. The increase is attributable to increases in KPERS employer contributions and an additional (27th) payroll period in FY 2017.
- **Contractual services** expenditures of \$226,171, which is the same amount included in the FY 2016 request. **Absent the enhancements**, the agency requests \$193,285 for contractual services, which the same amount included in the FY 2016 request less enhancements.
- **Commodities** expenditures of \$4,320, which is the same amount included in the FY 2016 request.

- **Capital outlay** expenditures of \$2,141, which is the same amount included in the FY 2016 request.
- **Other assistance** expenditures of \$6,995, which is the same amount included in the FY 2016 request. This is funding for VRIP.

The **Governor** recommends FY 2017 operating expenditures of \$1.0 million, all from the Administrative Hearings Office Fund. The recommendation is a decrease of \$5,306, or 0.5 percent, below the agency's FY 2017 request. The decrease is attributable to the Governor recommending a reduction of \$5,306 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 4.0 FTE positions for FY 2017.

Enhancements Detail

Enhancements	FY 2017 ENHANCEMENTS					
	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
OITS Expenditures for KS.LOC	\$ 0	\$ 13,000	0.0	\$ 0	\$ 13,000	0.0
Building Rent Increase	0	19,886	0.0	0	19,886	0.0
TOTAL	\$ 0	\$ 32,886	0.0	\$ 0	\$ 32,886	0.0

The **agency** requests two enhancements totaling \$32,886, all from the Administrative Hearings Office Fund, to pay for an increase in building rent and for expenditures to OITS to use the KS.LOC network. The agency indicates the need to switch to

the KS.LOC network arose after it was discovered the current network was not secure nor capable of being backed up.

The **Governor** concurs with the agency's enhancement requests.

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 \$2,718, all from special revenue funds, and affects nine 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 \$3,920, all from special revenue funds, and FY 2017 longevity payments total \$3,960, 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 \$5,202, all from special revenue funds, for FY 2016. This is a reduction of \$5,306, 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 %
Administrative Hearings Office Fund	100.0	100.0	100.0	100.0
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Administrative Hearings Office Fund Analysis

Funding for the agency is derived entirely from the Administrative Hearings Office Fund. State agencies that provide adjudicative proceedings in accordance with the Kansas Administrative Procedure Act are required to utilize the Office of Administrative Hearings when the agency head is not involved.

Agencies are billed based upon contracts entered into with the Office of Administrative Hearings. The contracts take into account the level of service provided and the amount of cases that are filed with the Office of Administrative Hearings.

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	\$ 223,152	\$ 285,497	\$ 285,497	\$ 314,817	\$ 323,937	\$ 340,567	\$ 354,889
Revenue	957,663	978,527	979,061	1,009,064	1,009,064	1,043,593	1,043,593
Transfers in	192,676	0	0	0	0	0	0
Total Funds Available	\$ 1,373,491	\$ 1,264,024	\$ 1,264,558	\$ 1,323,881	\$ 1,333,001	\$ 1,384,160	\$ 1,398,482
Less: Expenditures	895,318	949,207	940,621	983,314	978,112	1,017,586	1,012,280
Transfers Out	192,676	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	\$ 285,497	\$ 314,817	\$ 323,937	\$ 340,567	\$ 354,889	\$ 366,574	\$ 386,202
Ending Balance as Percent of Expenditures	31.9%	33.2%	34.4%	34.6%	36.3%	36.0%	38.2%
Month Highest Ending Balance	January \$ 397,225	January \$ 442,225	January \$ 447,907	July \$ 474,145	January \$ 485,997	July \$ 505,293	January \$ 522,065
Month Lowest Ending Balance	September \$ 249,213	December \$ 296,271	December \$ 300,786	December \$ 323,705	December \$ 335,402	December \$ 349,450	December \$ 366,400

PROGRAM DETAIL

EXPENDITURES BY OBJECT—GOVERNOR’S FY 2016 RECOMMENDATION



Object	Gov. Rec. All Funds FY 2016	Percent of Total
Salaries and Wages	\$ 738,485	75.5 %
Contractual Services	226,171	23.1
Commodities	4,320	0.4
Capital Outlay	2,141	0.2
Other Assistance	6,995	0.7
TOTAL	<u>\$ 978,112</u>	<u>100.0 %</u>

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	4.0	4.0	4.0	4.0	4.0	4.0	4.0

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>
Number of appeals filed	3,700	3,554	3,700	3,800	3,900
Number of agencies contracting with the agency for services	25	25	26	26	26
Percentage of telephone hearings	90.0%	90.0%	90.0%	90.0%	90.0%