BUDGET ANALYSIS

FISCAL YEARS 2016-2017

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Volume II

General Government

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BUDGET ANALYSIS

Fiscal Year 2016 - 2017

Volume II

General Government

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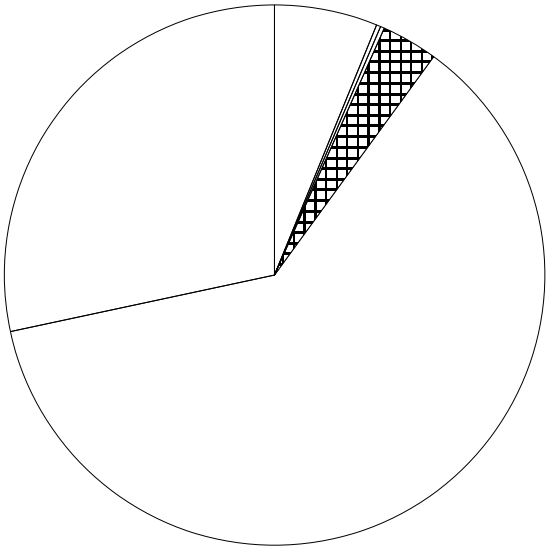
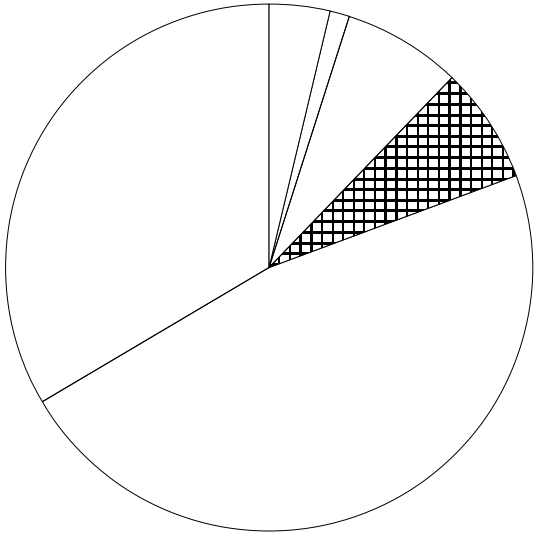
GENERAL GOVERNMENT

State General Fund



All Funds



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General Government is the administrative and regulatory function of state government and included elected officials, regulatory agencies, the Legislature, the Judiciary, and general administrative agencies.

The Governor's FY 2016 recommendation for the General Government function totals $1.1 billion from all funding sources, including $217.2 million from the State General Fund.

The FY 2016 recommendation represents a State General Fund increase of percent 5.7 or $11.7 million from the Governor's revised FY 2015 recommendation. Expenditures from all funds increase by 0.2 percent or $2.5 million from FY 2015.

A total of 4,900 FTE positions are recommended by the Governor for the General Government function in FY 2016, an increase of 48.2 FTE from FY 2015. Of all state FTE positions, 13.26 percent are in this function.

Agencies in this function comprise 3.4 percent of the total State General Fund budget in FY 2016, an increase of 0.2 percent from FY 2015. They comprise 3.4 percent of expenditures from all funding sources in FY 2017, the same as FY 2016.

LEGISLATIVE COORDINATING COUNCIL

	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	$ 519,324	$ 606,402	$ 549,678	$ 600,710	$ 547,345	$ 626,714	$ 551,773
Other Funds	0	0	0	0	0	0	0
TOTAL	$ 519,324	$ 606,402	$ 549,678	$ 600,710	$ 547,345	$ 626,714	$ 551,773
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	**$ 519,324**	**$ 606,402**	**$ 549,678**	**$ 600,710**	**$ 547,345**	**$ 626,714**	**$ 551,773**
Percentage Change:							
Operating Expenditures							
State General Fund	3.3 %	16.8 %	5.8 %	(0.9) %	(0.4) %	4.3 %	0.8 %
All Funds	3.3	16.8	5.8	(0.9)	(0.4)	4.3	0.8
FTE Positions	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	8.0	8.0	8.0	8.0	8.0	8.0	8.0

The Legislative Coordinating Council is responsible for coordinating the delivery of legislative services. The Council consists of the President of the Senate, the Speaker of the House, the Speaker Pro Tem of the House, and the Majority and Minority leaders of each chamber. The budget includes the compensation and expenses associated with Council meetings and the salaries and wages and travel expenses of the staff of the Division of Legislative Administrative Services.

MAJOR ISSUES FROM PRIOR YEARS

In previous years, concerns have been raised in both the House Budget Committee and Senate Subcommittee that Legislative agencies be fully staffed. The agency has fully funded its existing positions in this budget request.

In **2003**, the Governor implemented a new placeholder budget process for all Legislative and Judicial branch agencies. The FY 2004 budget recommended by the Governor was the exact amount approved for FY 2003 by the 2003 Legislature. This process left all the budget decisions to be made by the Legislature during the session.

In **2004**, the Governor modified the placeholder budget process that was used in FY 2004. Both the Legislative Branch and the Judicial Branch budgets were recommended by the Governor as the agency requested, without proposed changes. While required under 2003 SB 21 (law) to submit the judicial budget without change, it was a policy decision to use the same process for the Legislative Branch.

During the **2005** Session, the Legislature added funding for meetings of the newly created 2010 Commission and the At-Risk Education Council.

In the **2006** Session, the Legislature added $338,860 in FY 2008 to fund a complete study of the current pay system.

During the **2007** Session, the Legislature added $100,000 in FY 2009 to fund a study of the current benefit package offered to classified state employees.

In the **2012** Session, the Legislature shifted 4.0 FTE positions from this budget to the budget of the Legislature to consolidate legislative computer services.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate of $606,402, including $3,867,490 from the State General Fund. This is a reduction of $93,110, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The agency is requesting $93,110 from the State General Fund be lapsed, or returned to the State General Fund. The agency requests a revised estimate of 8.0 FTE positions which is the same as the approved number.

FY 2015 Governor Recommendation

The **Governor** recommends $549,678, all from the State General Fund. This is a reduction of $149,834 below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The Governor is recommending $149,834 from the State General Fund be lapsed. This also is a State General Fund reduction of $56,724, or 9.4 percent, below the agency's revised estimate. The recommended reduction was all made in salaries and wages. The Governor recommends 8.0 FTE positions which is the same as the approved number.

FY 2016 Agency Request

The **agency** requests an operating budget of $600,710, all from the State General Fund for FY 2016. This is a decrease of $5,692, or 0.9 percent, below the revised estimate for FY 2015. Included is a decrease in salaries and wages of $22,053, or 3.7 percent, which is partially offset by an increase in contractual services of $16,361, or 0.9 percent. The increase in contractual services includes the funding for additional Council meetings for FY 2016.

FY 2016 Governor Recommendation

The **Governor** recommends $547,345, all from the State General Fund, for FY 2016. This is a reduction of $2,333, or 0.4 percent, below the FY 2015 Governor's Recommendation. This also is a State General Fund reduction of $53,365, or 8.9 percent, below the agency's FY 2016 request. The entire reduction was from salaries and wages. Included in the reduction was $6,054 for a lower employer contribution rate for state employee health insurance and $47,311 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 8.4 percent. The agency did not include a shrinkage rate in its submitted budget request.

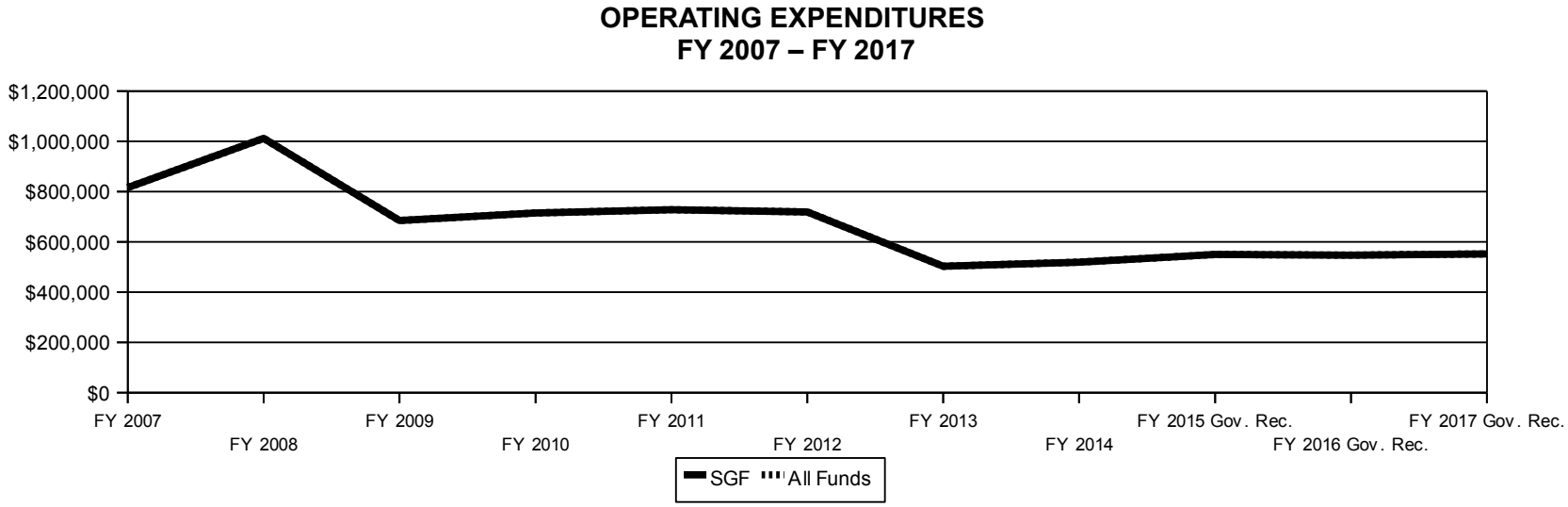
FY 2017 Agency Request

The **agency** requests an operating budget of $626,714, all from the State General Fund, for FY 2017. This is an increase of $26,004, or 4.3 percent, above the agency request for FY 2016. Included is a decrease in salaries and wages of $26,487, or 4.6 percent, which is partially offset by a decrease in contractual services of $483, or 1.6 percent. The increase in salaries and wages includes the funding for 27th payroll period that occurs in FY 2017.

FY 2017 Governor Recommendation

The **Governor** recommends $551,773, all from the State General Fund, for FY 2017. This is an increase of $4,428, or 0.8 percent, above the FY 2016 Governor's Recommendation. This also is a State General Fund reduction of $74,947, or 12.0 percent, below the agency's FY 2016 request. The entire reduction was from salaries and wages. Included in the reduction was $6,175 for a lower employer contribution rate for state employee health insurance and $68,766 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 11.6 percent. The agency did not include a shrinkage rate in its submitted budget request.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 815,997	21.4 %	$ 815,997	21.8 %	12.0
2008	1,011,714	24.0	1,011,714	24.0	12.0
2009	684,831	(32.3)	684,831	(32.3)	12.0
2010	714,940	4.4	714,940	4.4	15.0
2011	727,743	1.8	727,743	1.8	15.0
2012	718,958	(1.2)	718,958	(1.2)	15.0
2013	502,628	(30.1)	502,628	(30.1)	15.0
2014	519,324	3.3	519,324	3.3	8.0
2015 Gov. Rec.	549,678	5.8	549,678	5.8	8.0
2016 Gov. Rec.	547,345	(0.4)	547,345	(0.4)	8.0
2017 Gov. Rec.	551,773	0.8	551,773	0.8	8.0
Eleven-Year Change	$ (264,224)	(32.4)%	$ (264,224)	(32.4)%	(4.0)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 519,324	$ 606,402	$ 600,710	$ (5,692)	(0.9) %	$ 549,678	$ 547,345	$ (2,333)	(0.4)%
By Major Object of Expenditure:									
Salaries and Wages	$ 514,236	$ 593,457	$ 571,404	$ (22,053)	(3.7) %	$ 536,733	$ 518,039	$ (18,694)	(3.5)%
Contractual Services	5,088	12,945	29,306	16,361	126.4	12,945	29,306	16,361	126.4
Commodities	0	0	0	0	--	0	0	0	--
Capital Outlay	0	0	0	0	--	0	0	0	--
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 519,324	$ 606,402	$ 600,710	$ (5,692)	(0.9) %	$ 549,678	$ 547,345	$ (2,333)	(0.4)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 519,324	$ 606,402	$ 600,710	$ (5,692)	(0.9) %	$ 549,678	$ 547,345	$ (2,333)	(0.4)%
Financing:									
State General Fund	$ 519,324	$ 606,402	$ 600,710	$ (5,692)	(0.9) %	$ 549,678	$ 547,345	$ (2,333)	(0.4)%
All Other Funds	0	0	0	0	--	0	0	0	--
TOTAL	$ 519,324	$ 606,402	$ 600,710	$ (5,692)	(0.9) %	$ 549,678	$ 547,345	$ (2,333)	(0.4)%

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	$ 600,710	$ 626,714	$ 26,004	4.3 %	$ 547,345	$ 551,773	$ 4,428	0.8 %
By Major Object of Expenditure:								
Salaries and Wages	$ 571,404	$ 597,891	$ 26,487	4.6 %	$ 518,039	$ 522,950	$ 4,911	0.9 %
Contractual Services	29,306	28,823	(483)	(1.6)	29,306	28,823	(483)	(1.6)
Commodities	0	0	0	--	0	0	0	--
Capital Outlay	0	0	0	--	0	0	0	--
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 600,710	$ 626,714	$ 26,004	4.3 %	$ 547,345	$ 551,773	$ 4,428	0.8 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 600,710	$ 626,714	$ 26,004	4.3 %	$ 547,345	$ 551,773	$ 4,428	0.8 %
Financing:								
State General Fund	$ 600,710	$ 626,714	$ 26,004	4.3 %	$ 547,345	$ 551,773	$ 4,428	0.8 %
All Other Funds	0	0	0	--	0	0	0	--
TOTAL	$ 600,710	$ 626,714	$ 26,004	4.3 %	$ 547,345	$ 551,773	$ 4,428	0.8 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $567,203 for the Legislative Coordinating Council in FY 2015. An adjustment has subsequently been made to that amount. The adjustment changes the current year approved amount without any legislative action required. For this agency, the following adjustment has been made.

- An increase of $132,309, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.

This adjustment changes the FY 2015 approved State General Fund to $699,512. That amount is reflected in the table below as the currently approved FY State General Fund amount. The agency's budget was submitted prior to the December allotment, so the agency's revised budget estimates do not incorporate the allotment.

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	$ 699,512	$ 606,402	$ (93,110)	$ 549,678	$ (149,834)
All Other Funds	0	0	0	0	0
TOTAL	$ 699,512	$ 606,402	$ (93,110)	$ 549,678	$ (149,834)
FTE Positions	8.0	8.0	0.0	8.0	0.0

The **agency** requests a revised estimate of $606,402, including $3,867,490 from the State General Fund. This is a reduction of $93,110, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The agency is requesting $93,110 from the State General Fund be lapsed, or returned to the State General Fund.

The agency requests a revised estimate of 8.0 FTE positions which is the same as the approved number.

The **Governor** recommends $549,678, all from the State General Fund. This is a reduction of $149,834 below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The Governor is recommending $149,834 from the State General Fund be lapsed. This also is a State General Fund reduction of $56,724, or 9.4 percent, below the agency's revised estimate. The recommended reduction was all made in salaries and wages. The Governor recommends 8.0 FTE positions which is the same as the approved number.

Supplemental Detail

FY 2015 SUPPLEMENTALS

	Agency Estimate			Governor's Recommendation		
Supplementals	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any supplemental requests						

Governor's Allotments

The Governor statutorily cannot make any allotment to the Legislative Branch. However, in the Governor's allotment plan, he did include a recommendation to reduce the Legislative Branch budgets in FY 2015 a total of $1,251,362. Because the Governor cannot allot to this branch, these reductions can only be made through Legislative action. For this agency the total allotment recommendation is $56,724 with $50,582 in salaries and wages shrinkage and $6,142 in reduced KPERS employer contributions.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 600,710	$ 547,345	$ (53,365)
FTE Positions	8.0	8.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ (5,692)	$ (2,333)	
All Other Funds	0	0	
TOTAL	$ (5,692)	$ (2,333)	
Percent Change:			
State General Fund	(0.9) %	(0.4) %	
All Other Funds	--	--	
TOTAL	(0.9) %	(0.4) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests an operating budget of $600,710, all from the State General Fund, for FY 2016. This is a decrease of $5,692, or 0.9 percent, below the revised estimate for FY 2015. Included is a decrease in salaries and wages of $22,053, or 3.7 percent, which is partially offset by an increase in contractual services of $16,361, or 0.9 percent. The increase in contractual services includes the funding for additional Council meetings for FY 2016.

The **Governor** recommends $547,345, all from the State General Fund, for FY 2016. This is a reduction of $2,333, or 0.4 percent, below the FY 2015 Governor's Recommendation. This also is a State General Fund reduction of $53,365, or 8.9 percent, below the agency's FY 2016 request. The entire reduction was from salaries and wages. Included in the reduction was $6,054 for a lower employer contribution rate for state employee health insurance and $47,311 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 8.4 percent. The agency did not include a shrinkage rate in its submitted budget request.

Enhancements Detail

FY 2016 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any enhancement requests						

FY 2016 Reduced Resources

FY 2016 REDUCED RESOURCES						
	Agency Submission			Governor's Recommendation		
Item	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have a reduced resource budget						

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 626,714	$ 551,773	$ (74,941)
FTE Positions	8.0	8.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 26,004	$ 4,428	
All Other Funds	0	0	
TOTAL	$ 26,004	$ 4,428	
Percent Change:			
State General Fund	4.3 %	0.8 %	
All Other Funds	--	--	
TOTAL	4.3 %	(0.4) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests an operating budget of $626,714, all from the State General Fund for FY 2017. This is an increase of $26,004, or 4.3 percent, above the agency request for FY 2016. Included is a decrease in salaries and wages of $26,487, or 4.6 percent which is partially offset by a decrease in contractual services of $483, or 1.6 percent. The increase in salaries and wages includes the funding for 27th payroll period that occurs in FY 2017.

The **Governor** recommends $551,773, all from the State General Fund, for FY 2017. This is an increase of $4,428, or 0.8 percent, above the FY 2016 Governor's Recommendation. This also is a State General Fund reduction of $74,941, or 12.0 percent, below the agency's FY 2016 request. The entire reduction was from salaries and wages. Included in the reduction was $6,175 for a lower employer contribution rate for state employee health insurance and $68,766 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 11.6 percent. The agency did not include a shrinkage rate in its submitted budget request.

Enhancements Detail

FY 2017 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any enhancement requests						

FY 2017 Reduced Resources

FY 2017 REDUCED RESOURCES						
	Agency Submission			Governor's Recommendation		
Item	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have a reduced resource budget						

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 $2,241, all from the State General Fund, and affects 8 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 $2,640, all from the State General Fund, and FY 2017 longevity payments total $2,760, all from the State General Fund.**

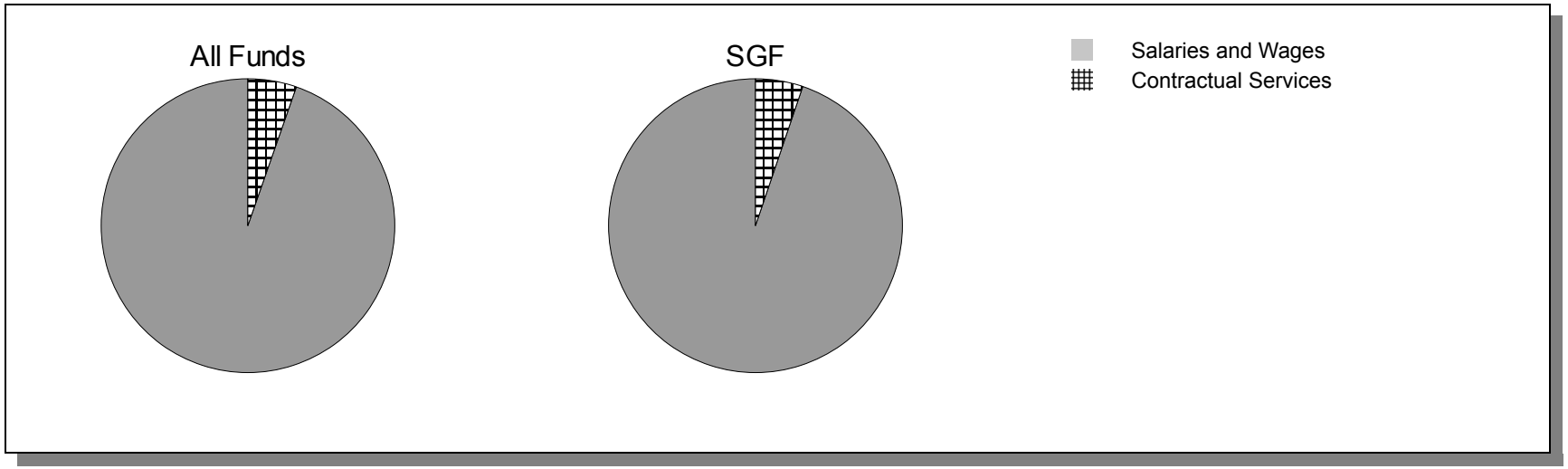
Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of $282.8 million, including $108.2 million from the State General Fund, for FY 2016 and $289.2 million, including $110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency this is a reduction of $6,054, all from the State General Fund for FY 2016. This is a reduction of $6,175, all from the State General Fund, 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.

EXPENDITURES BY OBJECT–GOVERNOR'S RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. All Funds FY 2017	Percent of Total
Salaries and Wages	$ 518,039	94.6 %	$ 522,950	94.8 %
Contractual Services	29,306	5.4	28,823	5.2
TOTAL	$ 547,345	100.0 %	$ 551,773	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	8.0	8.0	8.0	8.0	8.0	8.0	8.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017

The agency does not have any performance measures.

LEGISLATURE

	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	$ 16,794,148	$ 18,399,857	$ 17,641,548	$ 18,409,610	$ 17,620,691	$ 18,679,275	$ 17,532,620
Other Funds	164,547	105,810	105,810	73,600	73,600	71,600	71,600
TOTAL	$ 16,958,695	$ 18,505,667	$ 17,747,358	$ 18,483,210	$ 17,694,291	$ 18,750,875	$ 17,604,220
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	**$ 16,958,695**	**$ 18,505,667**	**$ 17,747,358**	**$ 18,483,210**	**$ 17,694,291**	**$ 18,750,875**	**$ 17,604,220**
Percentage Change:							
Operating Expenditures							
State General Fund	(1.2) %	9.6 %	5.0 %	0.1 %	(0.1) %	1.5 %	(0.5) %
All Funds	(0.3)	9.1	4.7	(0.1)	(0.3)	1.4	(0.5)
FTE Positions	48.0	48.0	48.0	48.0	48.0	48.0	48.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	48.0	48.0	48.0	48.0	48.0	48.0	48.0

AGENCY OVERVIEW

The legislative power of the State of Kansas is vested in a House of Representatives (125 members) and a Senate (40 members). The budget for this agency finances the operations of the House and the Senate, joint expenses, legislative claims, special maintenance and repair expenses, special expenses authorized by the Legislative Coordinating Council, and the retirement program for session only employees of the Legislature.

MAJOR ISSUES FROM PRIOR YEARS

In **2003**, the Governor implemented a new placeholder budget process for all Legislative and Judicial branch agencies. The FY 2004 budget recommended by the Governor was the exact amount approved for FY 2003 by the 2002 Legislature. This process left all the budget decisions to be made by the Legislature during the session.

The **2003** Legislature reduced the legislative budget for FY 2004 by $170,055 in out-of-state travel and $150,000 for reduced interim days.

In **2004**, the Governor modified the placeholder budget process that was used in 2003. Both the Legislative Branch and the Judicial Branch budgets were recommended by the Governor as the agency requested, without proposed changes. While required under 2003 SB 21(law) to submit the judicial budget without change, it was a policy decision to use the same process for the Legislative Branch.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate of $18,505,667, including $18,399,857 from the State General Fund. This is an all funds reduction of $68,430, including $967,633 from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The agency is requesting $502,369 from the State General Fund be reappropriated from FY 2015 to FY 2016 to help with funding the agency request for FY 2016. Of the $1.2 million reappropriation to FY 2015, the Legislature is lapsing $465,264 to assist in closing the current year budget deficit.

Included in the revised request is an increase in salaries and wages for office assistants and committee assistants. Legislative salaries are budgeted at $88.66 per day and subsistence is budgeted at $129 per day, based on the latest federal reimbursement rates available at the time of the budget submission. Also included is $780,000 in contracted support

services to enhance and maintain the legislative computer system (KLISS). This contract amount has been reduced as the agency moves from contract support and development to providing those services internally. The agency requests a revised estimate of 48.0 FTE positions which is the same as the approved number.

FY 2015 Governor Recommendation

The **Governor** recommends $17,747,358, including $17,641,548 from the State General Fund. This is an all funds reduction of $1,794,372, including $1,725,942 from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The Governor is recommending $1,794,372 from the State General Fund be lapsed. This also is a State General Fund reduction of $758,308, or 4.1 percent, below the agency's revised estimate. The recommended reduction was all made in salaries and wages. The Governor recommends 48.0 FTE positions which is the same as the approved number.

FY 2016 Agency Request

The **agency** requests an operating budget of $18,483,210, including $18,409,610 from the State General Fund, which is a decrease of $22,457, or 0.1 percent, below the agency's revised estimate for FY 2015. Reductions primarily in contractual services ($44,021) and capital outlay ($27,203) are partially offset by increases in salaries and wages ($52,044). Salary increases are mainly reflected in computer services. Legislative salaries are budgeted at $88.66 per day and subsistence is budgeted at $129 per day, based on the latest federal reimbursement rates available at the time of the budget submission. The agency request includes 48 FTE positions, the same as FY 2015 revised estimate.

FY 2016 Governor Recommendation

The **Governor** recommends $17,694,291, including $17,620,691 from the State General Fund, for FY 2016. This is an all funds reduction of $53,067, or 0.3 percent, and a State General Fund reduction of $20,857, or 0.1 percent, below the FY 2015 Governor's Recommendation. This also is a State General Fund reduction of $788,919, or 4.3 percent, below the agency's FY 2016 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $135,810 for a lower employer contribution rate for state employee health insurance and $653,109 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 5.7 percent. The agency did not include a shrinkage rate in its submitted budget request.

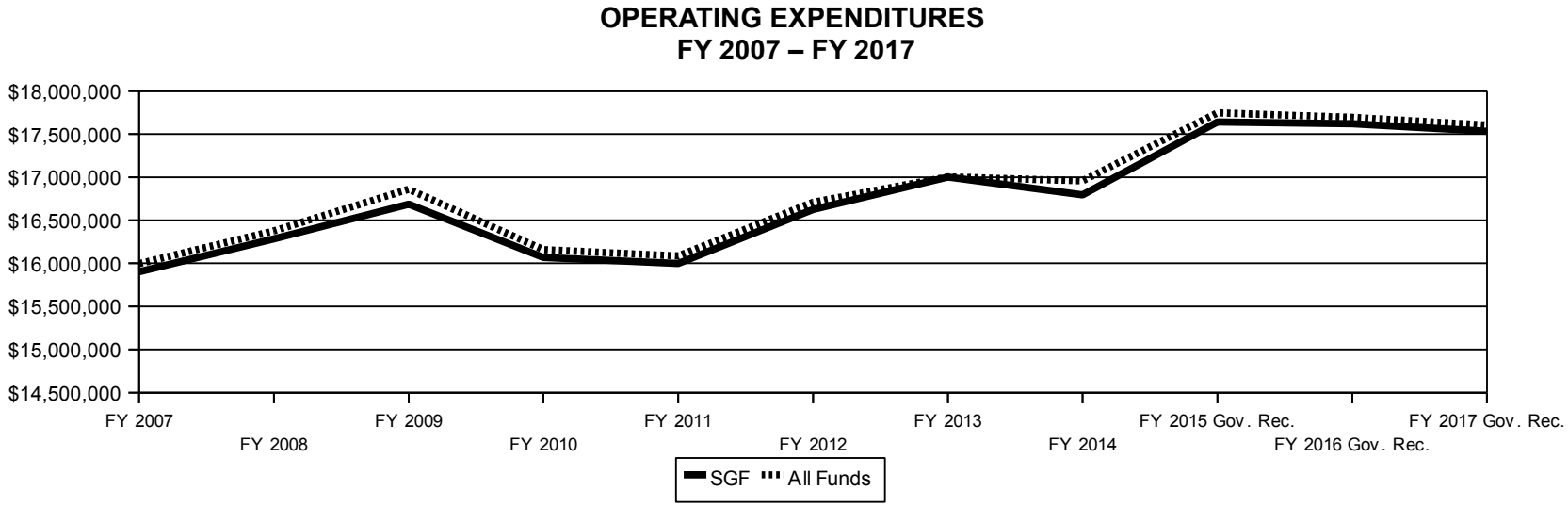
FY 2017 Agency Request

The **agency's** revised estimate is $17,694,291, including $17,620,691 from the State General Fund, for FY 2016. This is an all funds reduction of $53,067, or 0.3 percent, and a State General Fund reduction of $20,857, or 0.1 percent, below the FY 2015 Governor's Recommendation. This also is a State General Fund reduction of $788,919, or 4.3 percent, below the agency's FY 2016 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $135,810 for the Governor's recommended reduction for employer contributions for state employee health insurance and $653,109 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 5.7 percent. The agency did not include a shrinkage rate in its submitted budget request.

FY 2017 Governor Recommendation

The **Governor** recommends $17,604,220, including $17,532,620 from the State General Fund, for FY 2017. This is a decrease of $90,071, or 0.5 percent, and a State General Fund decrease of $88,071, or 0.5 percent, below the FY 2016 Governor's Recommendation. This also is a State General Fund reduction of $1,146,655, or 6.1 percent, below the agency's FY 2017 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $138,527 for a lower employer contribution rate for state employee health insurance and $1,008,128 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 8.6 percent. The agency did not include a shrinkage rate in its submitted budget request.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 15,903,897	15.0 %	$ 15,996,607	11.6 %	35.0
2008	16,283,314	2.4	16,376,594	2.4	37.0
2009	16,685,574	2.5	16,860,806	3.0	37.0
2010	16,068,969	(3.7)	16,159,059	(4.2)	37.0
2011	15,999,004	(0.4)	16,086,290	(0.5)	37.0
2012	16,625,773	3.9	16,708,781	3.9	39.0
2013	17,002,410	2.3	17,004,310	1.8	48.0
2014	16,794,148	(1.2)	16,958,695	(0.3)	48.0
2015 Gov. Rec.	17,641,548	5.0	17,747,358	4.7	48.0
2016 Gov. Rec.	17,620,691	(0.1)	17,694,291	(0.3)	48.0
2017 Gov. Rec.	17,532,620	(0.5)	17,604,220	(0.5)	48.0
Eleven-Year Change	$ 1,628,723	10.2 %	$ 1,607,613	10.0 %	13.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 16,958,695	$ 18,505,667	$ 18,483,210	$ (22,457)	(0.1) %	$ 17,747,358	$ 17,694,291	$ (53,067)	(0.3)%
By Major Object of Expenditure:									
Salaries and Wages	$ 10,006,693	$ 11,463,542	$ 11,515,586	$ 52,044	0.5 %	$ 10,705,233	$ 10,726,667	$ 21,434	0.2 %
Contractual Services	6,398,340	6,478,384	6,434,363	(44,021)	(0.7)	6,478,384	6,434,363	(44,021)	(0.7)
Commodities	73,021	79,249	75,972	(3,277)	(4.1)	79,249	75,972	(3,277)	(4.1)
Capital Outlay	335,844	376,614	349,411	(27,203)	(7.2)	376,614	349,411	(27,203)	(7.2)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 16,813,898	$ 18,397,789	$ 18,375,332	$ (22,457)	(0.1) %	$ 17,639,480	$ 17,586,413	$ (53,067)	(0.3)%
Aid to Local Units	0	0	0	0	--	107,878	107,878	0	--
Other Assistance	144,797	107,878	107,878	0	0.0	0	0	0	--
TOTAL	$ 16,958,695	$ 18,505,667	$ 18,483,210	$ (22,457)	(0.1) %	$ 17,747,358	$ 17,694,291	$ (53,067)	(0.3)%
Financing:									
State General Fund	$ 16,794,148	$ 18,399,857	$ 18,409,610	$ 9,753	0.1 %	$ 17,641,548	$ 17,620,691	$ (20,857)	(0.1)%
All Other Funds	164,547	105,810	73,600	(32,210)	(30.4)	105,810	73,600	(32,210)	(30.4)
TOTAL	$ 16,958,695	$ 18,505,667	$ 18,483,210	$ (22,457)	(0.1) %	$ 17,747,358	$ 17,694,291	$ (53,067)	(0.3)%

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	$ 18,483,210	$ 18,750,875	$ 267,665	1.4 %	$ 17,694,291	$ 17,604,220	$ (90,071)	(0.5)%
By Major Object of Expenditure:								
Salaries and Wages	$ 11,515,586	$ 11,760,587	$ 245,001	2.1 %	$ 10,726,667	$ 10,613,932	$ (112,735)	(1.1)%
Contractual Services	6,434,363	6,453,397	19,034	0.3	6,434,363	6,453,397	19,034	0.3
Commodities	75,972	77,491	1,519	2.0	75,972	77,491	1,519	2.0
Capital Outlay	349,411	459,400	109,989	31.5	349,411	459,400	109,989	31.5
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 18,375,332	$ 18,750,875	$ 375,543	2.0 %	$ 17,586,413	$ 17,604,220	$ 17,807	0.1 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	107,878	0	(107,878)	(100.0)	107,878	0	(107,878)	(100.0)
TOTAL	$ 18,483,210	$ 18,750,875	$ 267,665	1.4 %	$ 17,694,291	$ 17,604,220	$ (90,071)	(0.5)%
Financing:								
State General Fund	$ 18,409,610	$ 18,679,275	$ 269,665	1.5 %	$ 17,620,691	$ 17,532,620	$ (88,071)	(0.5)%
All Other Funds	73,600	71,600	(2,000)	(2.7)	73,600	71,600	(2,000)	(2.7)
TOTAL	$ 18,483,210	$ 18,750,875	$ 267,665	1.4 %	$ 17,694,291	$ 17,604,220	$ (90,071)	(0.5)%

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $18,056,353 for the Legislature in FY 2015. An adjustment has subsequently been made to that amount. The adjustment changes the current year approved amount without any legislative action required. For this agency, the following adjustment has been made.

- An increase of $1,203,259, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.

This adjustment changes the FY 2015 approved State General Fund to $19,367,490. That amount is reflected in the table below as the currently approved FY State General Fund amount. The agency's budget was submitted prior to the December allotment, so the agency's revised budget estimates do not incorporate the allotment.

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	$ 19,367,490	$ 18,399,857	$ (967,633)	$ 17,641,548	$ (1,725,942)
All Other Funds	174,240	105,810	(68,430)	105,810	(68,430)
TOTAL	$ 19,541,730	$ 18,505,667	$ (1,036,063)	$ 17,747,358	$ (1,794,372)
FTE Positions	48.0	48.0	0.0	48.0	0.0

The **agency** requests a revised estimate of $18,505,667, including $18,399,857 from the State General Fund. This is an all funds reduction of $68,430, including $967,633 from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The agency is requesting $502,369 from the State General Fund be

reappropriated from FY 2015 to FY 2016 to help with funding the agency request for FY 2016. Of the $1.2 million reappropriation to FY 2015, the Legislature is lapsing $465,264 to assist in closing the current year budget deficit.

Included in the revised request is an increase in salaries and wages for office assistants and committee assistants. Legislative salaries are budgeted at $88.66 per day and subsistence is budgeted at $129 per day, based on the latest federal reimbursement rates available at the time of the budget submission. Also included is $780,000 in contracted support services to enhance and maintain the legislative computer system (KLISS). This contract amount has been reduced as the agency moves from contract support and development to providing those services internally. The agency requests a revised estimate of 48.0 FTE positions which is the same as the approved number.

The **Governor** recommends $17,747,358, including $17,641,548 from the State General Fund. This is an all funds reduction of $1,794,372, including $1,725,942 from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The Governor is recommending $1,725,942 from the State General Fund be lapsed. This also is a State General Fund reduction of $758,308, or 4.1 percent, below the agency's revised estimate. The recommended reduction was all made in salaries and wages. The Governor recommends 48.0 FTE positions which is the same as the approved number.

Supplemental Detail

FY 2015 SUPPLEMENTALS

	Agency Estimate			Governor's Recommendation		
Supplementals	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any supplemental requests						

Governor's Allotments

The Governor statutorily cannot make any allotment to the Legislative Branch. However, in the Governor's allotment plan, he did include a recommendation to reduce the Legislative Branch budgets in FY 2015 a total of $1,251,362. Because the Governor cannot allot to this branch, these reductions can only be made through Legislative action. For this agency the total allotment recommendation is $758,309 with $598,911 in salaries and wages shrinkage and $159,398 in reduced KPERS employer contributions.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 18,483,210	$ 17,694,291	$ (788,919)
FTE Positions	48.0	48.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 9,753	$ (20,857)	
All Other Funds	(32,210)	(32,210)	
TOTAL	$ (22,457)	$ (53,067)	
Percent Change:			
State General Fund	0.1 %	(0.1) %	
All Other Funds	(30.4)	(30.4)	
TOTAL	(0.1) %	(0.3) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests an operating budget of $18,483,210, including $18,409,610 from the State General Fund, which is a decrease of $22,457, or 0.1 percent, below the agency's revised estimate for FY 2015. Reductions primarily in contractual services ($44,021) and capital outlay ($27,203) are partially offset by an increase in salaries and wages ($52,044). Salary increases are mainly reflected in computer services. Legislative salaries are budgeted at $88.66 per day and subsistence is budgeted at $129 per day, based on the latest federal reimbursement rates available at the time of the budget submission. The agency request includes 48 FTE positions, the same as FY 2015 revised estimate.

The **Governor** recommends $17,694,291, including $17,620,691 from the State General Fund, for FY 2016. This is an all funds reduction of $53,067, or 0.3 percent, and a State

General Fund reduction of $20,857, or 0.1 percent, below the FY 2015 Governor's Recommendation. This also is a State General Fund reduction of $788,919, or 4.3 percent, below the agency's FY 2016 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $135,810 for a lower employer contribution rate for state employee health insurance and $653,109 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 5.7 percent. The agency did not include a shrinkage rate in its submitted budget request.

Enhancements Detail

FY 2016 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any enhancement requests						

FY 2016 Reduced Resources

FY 2016 REDUCED RESOURCES

	Agency Submission			Governor's Recommendation		
Item	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have a reduced resource budget						

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 18,750,875	$ 17,604,220	$ (1,146,655)
FTE Positions	48.0	48.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 269,665	$ (88,071)	
All Other Funds	(2,000)	0	
TOTAL	$ 267,665	$ (88,071)	
Percent Change:			
State General Fund	1.5 %	(0.5) %	
All Other Funds	(2.7)	(2.7)	
TOTAL	1.4 %	(0.3) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests an operating budget of $18,750,875, including $18,679,275 from the State General Fund for FY 2017. The request is a State General Fund increase of $269,665 partially offset by a decrease in fee funds of $2,000. Legislative salaries continue to be budgeted at $88.66 per day and subsistence budgeted at $129 per day, based on the latest federal reimbursement rates available at the time of the budget submission. The salaries and wage increase ($245,001) funds the salaries and wages necessary for the 27th payroll period that occurs during FY 2017 and increases in computer services. The other major increase is reflected in capital outlay ($109,989) primarily to provide an upgrade or replacement of the voting system in the chambers. These increases are partially offset by a decrease in other assistance ($107,878) in claims against the state that are expected to be completed in FY 2016. The agency

request includes 48 FTE positions, the same as FY 2016 requested number.

The **Governor** recommends $17,604,220, including $17,532,620 from the State General Fund, for FY 2017. This is a decrease of $90,071, or 0.5 percent, and a State General Fund decrease of $88,071, or 0.5 percent, below the FY 2016 Governor's Recommendation. This also is a State General Fund reduction of $1,146,655, or 6.1 percent, below the agency's FY 2017 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $138,527 for a lower employer contribution rate for state employee health insurance and $1,008,128 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 8.6 percent. The agency did not include a shrinkage rate in its submitted budget request.

Enhancements Detail

FY 2017 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any enhancement requests						

FY 2017 Reduced Resources

FY 2017 REDUCED RESOURCES

	Agency Submission			Governor's Recommendation		
Item	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have a reduced resource budget						

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 $48,641, all from the State General Fund, and affects 48 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 $8,530, all from the State General Fund, and FY 2017 longevity payments total $9,100, all from the State General Fund.**

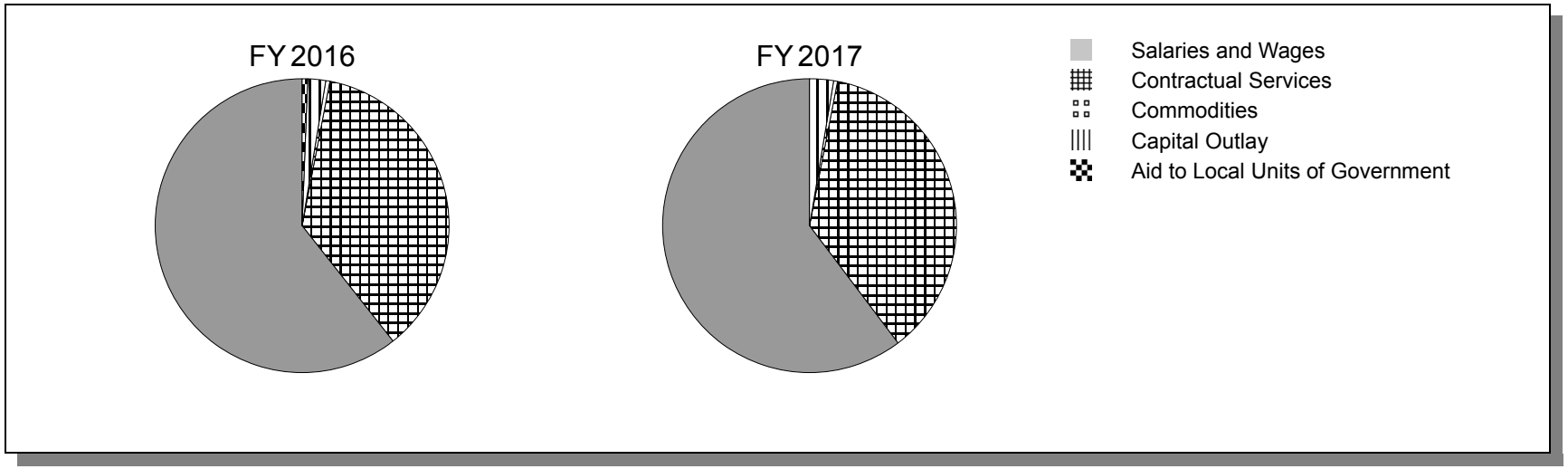
Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of $282.8 million, including $108.2 million from the State General Fund, for FY 2016 and $289.2 million, including $110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency this is a reduction of $135,810, all from the State General Fund for FY 2016. This is a reduction of $138,527, all from the State General Fund, 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.

EXPENDITURES BY PROGRAM–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	$ 10,726,667	60.6 %	$ 10,613,932	60.3 %
Contractual Services	6,434,363	36.4	6,453,397	36.7
Commodities	75,972	0.4	77,491	0.4
Capital Outlay	349,411	2.0	459,400	2.6
Aid to Local Units of Government	107,878	0.6	0	0.0
TOTAL	$ 17,694,291	100.0 %	$ 17,604,220	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	48.0	48.0	48.0	48.0	48.0	48.0	48.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
The agency does not have performance measures.					

LEGISLATIVE RESEARCH DEPARTMENT

	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	$ 3,491,410	$ 3,867,490	$ 3,642,231	$ 3,860,584	$ 3,631,586	$ 3,938,786	$ 3,666,679
Other Funds	12,000	12,000	12,000	12,000	12,000	12,000	12,000
TOTAL	$ 3,503,410	$ 3,879,490	$ 3,654,231	$ 3,872,584	$ 3,643,586	$ 3,950,786	$ 3,678,679
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	**$ 3,503,410**	**$ 3,879,490**	**$ 3,654,231**	**$ 3,872,584**	**$ 3,643,586**	**$ 3,950,786**	**$ 3,678,679**
Percentage Change:							
Operating Expenditures							
State General Fund	(1.6) %	10.8 %	4.3 %	(0.2) %	(0.3) %	2.0 %	1.0 %
All Funds	(1.6)	10.7	4.3	(0.2)	(0.3)	2.0	1.0
FTE Positions	40.0	40.0	40.0	40.0	40.0	40.0	40.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	40.0	40.0	40.0	40.0	40.0	40.0	40.0

AGENCY OVERVIEW

The Legislative Research Department provides research and fiscal analysis for the Legislature, its committees, and individual legislators. The Department provides staff for all legislative committees both during the session and the interim, including statutorily-created committees, *i.e.*, Legislative Budget Committee, State Building Construction, and others. The Legislative Coordinating Council appoints the Director of the Department, approves the budget proposed for its operation, and generally establishes the broad policies under which the Department operates.

MAJOR ISSUES FROM PRIOR YEARS

In previous years, concerns have been raised in both the House Budget Committee and Senate Subcommittee that Legislative agencies be fully staffed. The agency has fully funded its existing positions in this budget request.

In **2003**, the Governor implemented a new placeholder budget process for all Legislative and Judicial branch agencies. The FY 2004 budget recommended by the Governor was the exact amount approved for FY 2003 by the 2002 Legislature. This process left all the budget decisions to be made by the Legislature during the session.

In the **2003** Session, a new special revenue fund was created to receive grant funding for a new health policy research analyst position. The three year grant was secured during the summer of 2003, the position was established within the agency and is reflected beginning with the FY 2004 agency estimate.

In **2004**, the Governor modified the placeholder budget process that was used in 2003. Both the Legislative Branch and the Judicial Branch budgets were recommended by the Governor as the agency requested, without proposed changes. While required under 2003 SB 21 to submit the judicial budget without change, it was a policy decision to use the same process for the Legislative Branch.

In the **2004** Session, additional funding was added to this agency to enhance professional development and provide additional salary resources.

In the **2006** Session a new graduate student internship program, the Legislative Fellow, was authorized to begin in FY 2008 with funding added for two fellows.

During the **2007** Session, the Legislature added 2.0 new FTE positions to help offset some of the agency's increasing workload.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate of $3,879,490, including $3,867,490 from the State General Fund. This is a reduction of $301,825, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The agency is requesting $301,825 from the State General Fund be lapsed, or returned to the State General Fund. The agency requests a revised estimate of 40.0 FTE positions which is the same as the approved number.

FY 2015 Governor Recommendation

The **Governor** recommends $3,654,231, including $3,642,231 from the State General Fund. This is a reduction of $527,084, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The Governor is recommending $527,084 from the State General Fund be lapsed. This also is a State General Fund reduction of $225,259, or 5.8 percent, below the agency's revised estimate. The recommended reduction was all made in salaries and wages. The Governor recommends 40.0 FTE positions which is the same as the approved number.

FY 2016 Agency Request

The **agency** requests an operating budget of $3,872,584, including $3,860,584 from the State General Fund, for FY 2016. This is a decrease of $6,906, or 0.2 percent, all from the State General Fund, below the agency's revised estimate. The request includes an increase in salaries and wages of $42,182 mainly in agency contributions to the public employee retirement system. This is offset by a reduction of $49,088 in contractual services. The primary decrease was for staff training and professional development that was budgeted in FY 2015 and was reduced in the submitted request for FY 2016.

FY 2016 Governor Recommendation

The **Governor** recommends $3,643,586, including $3,631,586 from the State General Fund, for FY 2016. This is a reduction of $10,645, or 0.3 percent, all from the State General Fund below the FY 2015 Governor's Recommendation. This also is a State General Fund reduction of $228,988, or 5.9 percent, below the agency's FY 2016 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $31,402 for a lower employer contribution rate for state employee health insurance and $197,596 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 5.4 percent. The agency did not include a shrinkage rate in its submitted budget request.

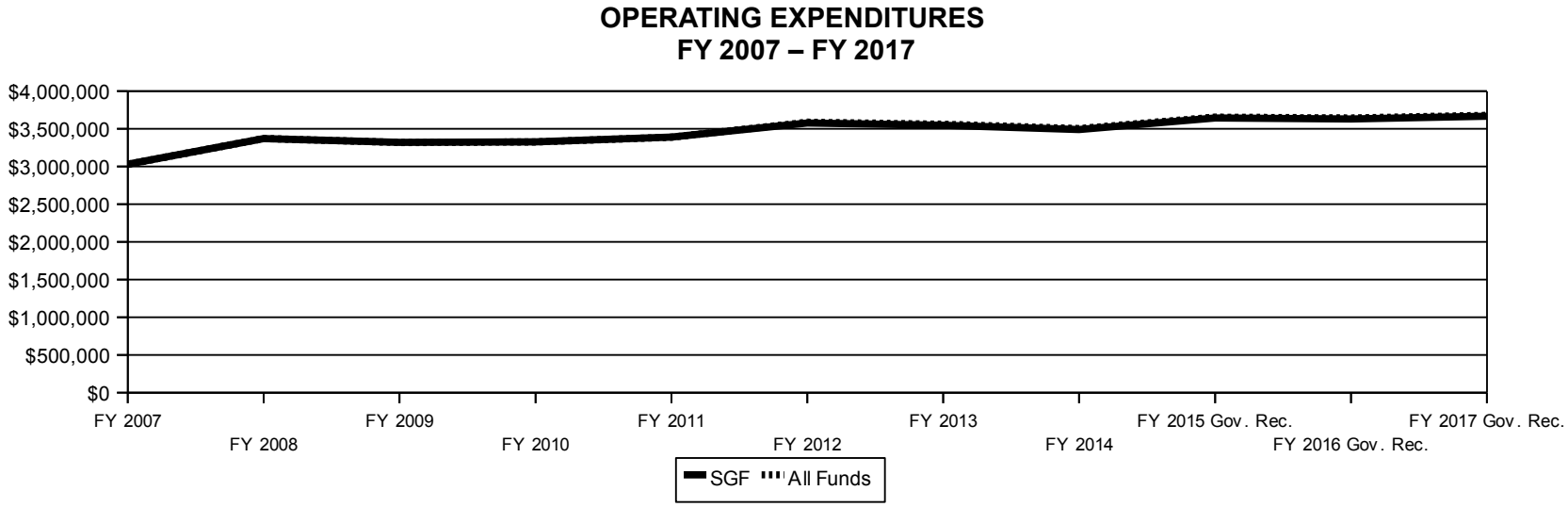
FY 2017 Agency Request

The **agency** requests an operating budget of $3,950,786, including $3,938,786 from the State General Fund. This is an all funds and State General Fund increase of $78,202, or 2.0 percent, above the amount included in the agency's FY 2016 request. The increase funds the salaries and wages necessary for the 27th payroll period that occurs during FY 2017, which is partially offset by a reduction due to an anticipated retirement. All other operating expenditures increase by approximately 2.0 percent.

FY 2017 Governor Recommendation

The **Governor** recommends $3,678,679, including $3,666,679 from the State General Fund, for FY 2017. This is an increase of $35,093, or 1.0 percent, all from the State General Fund above the FY 2016 Governor's Recommendation. This also is a State General Fund reduction of $272,107, or 6.9 percent, below the agency's FY 2016 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $31,733 for a lower employer contribution rate for state employee health insurance and $240,374 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 6.4 percent. The agency did not include a shrinkage rate in its submitted budget request.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 3,029,142	2.9 %	$ 3,029,062	0.2 %	40.0
2008	3,371,142	11.3	3,371,142	11.3	40.0
2009	3,318,970	(1.5)	3,318,970	(1.5)	40.0
2010	3,325,324	0.2	3,325,324	0.2	40.0
2011	3,389,140	1.9	3,389,140	1.9	40.0
2012	3,575,812	5.5	3,587,812	5.9	40.0
2013	3,548,943	(0.8)	3,560,942	(0.7)	40.0
2014	3,491,410	(1.6)	3,503,410	(1.6)	40.0
2015 Gov. Rec.	3,642,231	4.3	3,654,231	4.3	40.0
2016 Gov. Rec.	3,631,586	(0.3)	3,643,586	(0.3)	40.0
2017 Gov. Rec.	3,666,679	1.0	3,678,679	1.0	40.0
Eleven-Year Change	$ 637,537	21.0 %	$ 649,617	21.4 %	0.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 3,503,410	$ 3,879,490	$ 3,872,584	$ (6,906)	(0.2) %	$ 3,654,231	$ 3,643,586	$ (10,645)	(0.3)%
By Major Object of Expenditure:									
Salaries and Wages	$ 3,361,340	$ 3,654,898	$ 3,697,080	$ 42,182	1.2 %	$ 3,429,639	$ 3,468,082	$ 38,443	1.1 %
Contractual Services	129,971	207,289	158,201	(49,088)	(23.7)	207,289	158,201	(49,088)	(23.7)
Commodities	12,043	14,300	14,300	0	0.0	14,300	14,300	0	0.0
Capital Outlay	56	3,003	3,003	0	0.0	3,003	3,003	0	0.0
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 3,503,410	$ 3,879,490	$ 3,872,584	$ (6,906)	(0.2) %	$ 3,654,231	$ 3,643,586	$ (10,645)	(0.3)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 3,503,410	$ 3,879,490	$ 3,872,584	$ (6,906)	(0.2) %	$ 3,654,231	$ 3,643,586	$ (10,645)	(0.3)%
Financing:									
State General Fund	$ 3,491,410	$ 3,867,490	$ 3,860,584	$ (6,906)	(0.2) %	$ 3,642,231	$ 3,631,586	$ (10,645)	(0.3)%
All Other Funds	12,000	12,000	12,000	0	0.0	12,000	12,000	0	0.0
TOTAL	$ 3,503,410	$ 3,879,490	$ 3,872,584	$ (6,906)	(0.2) %	$ 3,654,231	$ 3,643,586	$ (10,645)	(0.3)%

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	$ 3,872,584	$ 3,950,786	$ 78,202	2.0 %	$ 3,643,586	$ 3,678,679	$ 35,093	1.0 %
By Major Object of Expenditure:								
Salaries and Wages	$ 3,697,080	$ 3,771,774	$ 74,694	2.0 %	$ 3,468,082	$ 3,499,667	$ 31,585	0.9 %
Contractual Services	158,201	161,363	3,162	2.0	158,201	161,363	3,162	2.0
Commodities	14,300	14,586	286	2.0	14,300	14,586	286	2.0
Capital Outlay	3,003	3,063	60	2.0	3,003	3,063	60	2.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 3,872,584	$ 3,950,786	$ 78,202	2.0 %	$ 3,643,586	$ 3,678,679	$ 35,093	1.0 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 3,872,584	$ 3,950,786	$ 78,202	2.0 %	$ 3,643,586	$ 3,678,679	$ 35,093	1.0 %
Financing:								
State General Fund	$ 3,860,584	$ 3,938,786	$ 78,202	2.0 %	$ 3,631,586	$ 3,666,679	$ 35,093	1.0 %
All Other Funds	12,000	12,000	0	0.0	12,000	12,000	0	0.0
TOTAL	$ 3,872,584	$ 3,950,786	$ 78,202	2.0 %	$ 3,643,586	$ 3,678,679	$ 35,093	1.0 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $3,749,731 for the Legislative Research Department in FY 2015. An adjustment has subsequently been made to that amount. The adjustment changes the current year approved amount without any legislative action required. For this agency, the following adjustment has been made.

- An increase of $419,584, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.

This adjustment changes the FY 2015 approved State General Fund to $4,169,315. That amount is reflected in the table below as the currently approved FY 2015 State General Fund amount. The agency's budget was submitted prior to the December allotment, so the agency's revised budget estimates do not incorporate the allotment

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	$ 4,169,315	$ 3,867,490	$ (301,825)	$ 3,642,231	$ (527,084)
All Other Funds	12,000	12,000	0	12,000	0
TOTAL	$ 4,181,315	$ 3,879,490	$ (301,825)	$ 3,654,231	$ (527,084)
FTE Positions	40.0	40.0	0.0	40.0	0.0

The **agency** requests a revised estimate of $3,879,490, including $3,867,490 from the State General Fund. This is a reduction of $301,825, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The agency is requesting $301,825 from the State General Fund be lapsed, or returned to the State General

Fund. The agency requests a revised estimate of 40.0 FTE positions which is the same as the approved number.

The **Governor** recommends $3,654,231, including $3,642,231 from the State General Fund. This is a reduction of $527,084, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The Governor is recommending $527,084 from the State General Fund be lapsed. This also is a State General Fund reduction of $225,259, or 5.8 percent, below the agency's revised estimate. The recommended reduction was all made in salaries and wages. The Governor recommends 40.0 FTE positions which is the same as the approved number.

Supplemental Detail

FY 2015 SUPPLEMENTALS

	Agency Estimate			Governor's Recommendation		
Supplementals	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any supplemental requests.						

Governor's Allotments

The Governor statutorily cannot make any allotment to the Legislative Branch. However, in the Governor's allotment plan, he did include a recommendation to reduce the Legislative Branch budgets in FY 2015 a total of $1,251,362. Because the Governor cannot allot to this branch, these reductions can only be made through Legislative action. For this agency the total allotment recommendation is $225,259 with $192,754 in salaries and wages shrinkage and $32,505 in reduced KPERS employer contributions.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 3,872,584	$ 3,643,586	$ (228,998)
FTE Positions	40.0	40.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ (6,906)	$ (10,645)	
All Other Funds	0	0	
TOTAL	$ (6,906)	$ (10,645)	
Percent Change:			
State General Fund	(0.2) %	(0.3) %	
All Other Funds	0.0	0.0	
TOTAL	(0.2) %	(0.3) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests an operating budget of $3,872,584, including $3,860,584 from the State General Fund, for FY 2016. This is a decrease of $6,906, or 0.2 percent, all from the State General Fund, below the agency's revised estimate. The request includes an increase in salaries and wages of $42,182 mainly in agency contributions to the public employee retirement system. This is offset by a reduction of $49,088 in contractual services. The primary decrease was for staff training and professional development that was budgeted in FY 2015 and was reduced in the submitted request for FY 2016.

The **Governor** recommends $3,643,586, including $3,631,586 from the State General Fund, for FY 2016. This is a reduction of $10,645, or 0.3 percent, all from the State General Fund below the FY 2015 Governor's Recommendation. This also is a State General Fund reduction of $228,988, or 5.9

percent, below the agency's FY 2016 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $31,402 for a lower employer contribution rate for state employee health insurance and $197,596 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 5.4 percent. The agency did not include a shrinkage rate in its submitted budget request.

Enhancements Detail

FY 2016 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE

The agency did not have any enhancement requests.

FY 2016 Reduced Resources

FY 2016 REDUCED RESOURCES

	Agency Submission			Governor's Recommendation		
Item	SGF	All Funds	FTE	SGF	All Funds	FTE

The agency did not have a reduced resource budget.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 3,950,786	$ 3,678,679	$ (272,107)
FTE Positions	40.0	40.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 78,202	$ 35,093	
All Other Funds	0	0	
TOTAL	$ 78,202	$ 35,093	
Percent Change:			
State General Fund	2.0 %	1.0 %	
All Other Funds	0.0	0.0	
TOTAL	2.0 %	(0.3) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests an operating budget of $3,950,786, including $3,938,786 from the State General Fund. This is an all funds and State General Fund increase of $78,202, or 2.0 percent, above the amount included in the agency's FY 2016 request. The increase funds the salaries and wages necessary for the 27th payroll period that occurs during FY 2017, which is partially offset by a reduction due to an anticipated retirement. All other operating expenditures increase by approximately 2.0 percent.

The **Governor** recommends $3,678,679, including $3,666,679 from the State General Fund, for FY 2017. This is an increase of $35,093, or 1.0 percent, all from the State General Fund above the FY 2016 Governor's Recommendation. This also is a State General Fund reduction of $272,107, or 6.9

percent, below the agency's FY 2016 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $31,733 for a lower employer contribution rate for state employee health insurance and $240,374 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 6.4 percent. The agency did not include a shrinkage rate in its submitted budget request.

Enhancements Detail

FY 2017 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE

The agency did not have any enhancement requests.

FY 2017 Reduced Resources

FY 2017 REDUCED RESOURCES

	Agency Submission			Governor's Recommendation		
Item	SGF	All Funds	FTE	SGF	All Funds	FTE

The agency did not have a reduced resources budget.

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 $11,748, all from the State General Fund, and affects 40 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 $13,800, all from the State General Fund, and FY 2017 longevity payments total $14,640, all from the State General Fund.**

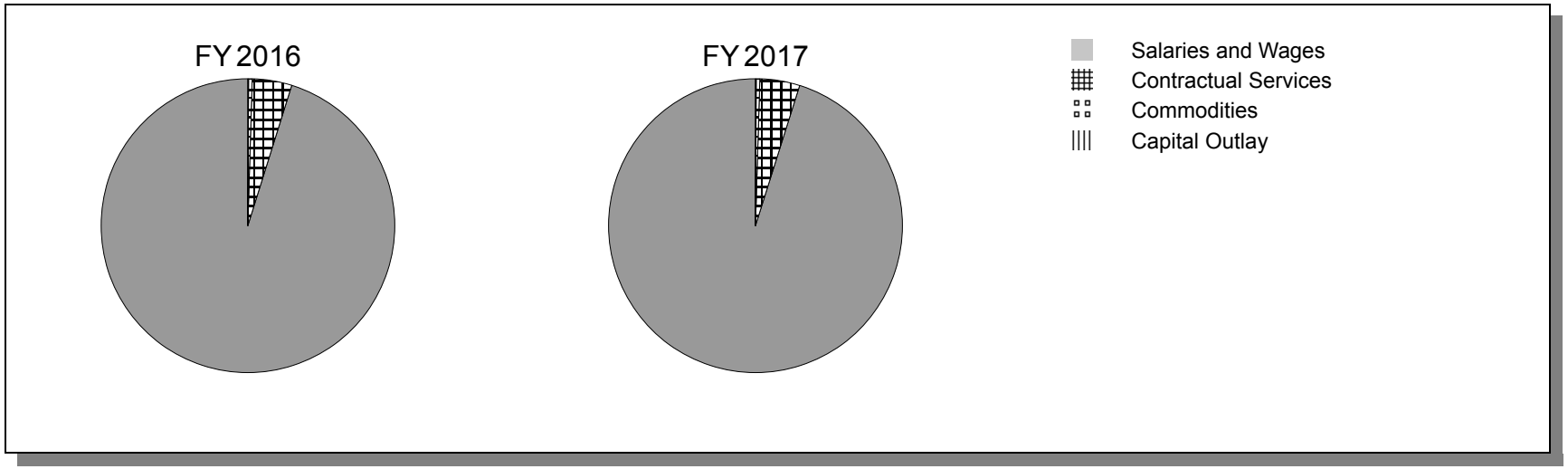
Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of $282.8 million, including $108.2 million from the State General Fund, for FY 2016 and $289.2 million, including $110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency this is a reduction of $31,402, all from the State General Fund for FY 2016. This is a reduction of $31,733, all from the State General Fund, 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.

EXPENDITURES BY OBJECT–GOVERNOR'S RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. All Funds FY 2017	Percent of Total
Salaries and Wages	$ 3,468,082	95.2 %	$ 3,499,667	95.1 %
Contractual Services	158,201	4.3	161,363	4.4
Commodities	14,300	0.4	14,586	0.4
Capital Outlay	3,003	0.1	3,063	0.1
TOTAL	$ 3,643,586	100.0 %	$ 3,678,679	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	40.0	40.0	40.0	40.0	40.0	40.0	40.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
The agency does not have any performance measures.					

Office of the Revisor of Statutes

	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	$ 3,005,818	$ 3,405,213	$ 3,100,292	$ 3,307,892	$ 3,089,560	$ 3,398,113	$ 3,111,655
Other Funds	0	0	0	0	0	0	0
TOTAL	$ 3,005,818	$ 3,405,213	$ 3,100,292	$ 3,307,892	$ 3,089,560	$ 3,398,113	$ 3,111,655
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	**$ 3,005,818**	**$ 3,405,213**	**$ 3,100,292**	**$ 3,307,892**	**$ 3,089,560**	**$ 3,398,113**	**$ 3,111,655**
Percentage Change:							
Operating Expenditures							
State General Fund	0.2 %	13.3 %	3.1 %	(2.9) %	(0.3) %	2.7 %	0.7 %
All Funds	0.2	13.3	3.1	(2.9)	(0.3)	2.7	0.7
FTE Positions	31.5	31.5	31.5	31.5	31.5	31.5	31.5
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	31.5	31.5	31.5	31.5	31.5	31.5	31.5

AGENCY OVERVIEW

The Office of Revisor of Statutes provides bill drafting and legal research services for all legislators, and the Legislative Coordinating Council. The agency is responsible for continuous statutory revision and supervising the computerized legislative information system involving bill status and bill typing. The Revisor of Statutes also provides staff services to the Interstate Cooperation Commission. The Office of Revisor of Statutes operates under the supervision of the Legislative Coordinating Council.

MAJOR ISSUES FROM PRIOR YEARS

In previous years, concerns have been raised in both the House Budget Committee and Senate Subcommittee that Legislative agencies are fully staffed. The Revisor of Statutes has fully funded its existing positions in this budget request.

In **2003**, the Governor implemented a new placeholder budget process for all Legislative and Judicial branch agencies. The FY 2004 budget recommended by the Governor was the exact amount approved for FY 2003 by the 2002 Legislature. This process left all the budget decisions to be made by the Legislature during the session.

In **2004**, the Governor modified the placeholder budget process that was used in 2003. Both the Legislative Branch and the Judicial Branch budgets were recommended by the Governor as the agency requested, without proposed changes. While required under 2003 SB 21 (law) to submit the judicial budget without change, it was a policy decision to use the same process for the Legislative Branch.

In the **2004 Legislative Session**, additional funding was added to this agency to enhance professional development and provide additional salary resources.

In the **2006 Session** a new graduate student internship program, the Legislative Fellow, was authorized to begin in FY 2007 with funding added for two fellows.

During the **2007 Session**, the Legislature added 2.0 new FTE positions to help offset some of the agency's increasing workload.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate of $3,405,213, all from the State General Fund. This is a reduction of $57,318, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The agency is requesting $57,318 from the State General Fund be lapsed, or returned to the State General Fund. The agency requests a revised estimate of 31.5 FTE positions which is the same as the approved number.

FY 2015 Governor Recommendation

The **Governor** recommends $3,100,292, all from the State General Fund. This is a reduction of $362,239, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The Governor is recommending $362,239 from the State General Fund be lapsed. This also is a State General Fund reduction of $304,921, or 9.0 percent, below the agency's revised estimate. The recommended reduction was all made in salaries and wages. The Governor recommends 31.5 FTE positions which is the same as the approved number.

FY 2016 Agency Request

The **agency** requests an operating budget of $3,307,892, all from the State General Fund, for FY 2016. This is a decrease of $97,321, or 2.9 percent, all from the State General Fund, below the agency's revised estimate. The request includes a decrease in salaries and wages of $37,321 mainly in revised staffing patterns. Contractual services decrease by $60,914, or 8.3 percent, primarily in printing and other fees. This is partially offset by an increase of $914 in capital outlay.

FY 2016 Governor Recommendation

The **Governor** recommends $3,089,560, all from the State General Fund, for FY 2016. This is a reduction of $10,732, or 0.3 percent, all from the State General Fund below the FY 2015 Governor's Recommendation. This also is a State General Fund reduction of $218,332, or 6.6 percent, below the agency's FY 2016 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $24,314 for a lower employer contribution rate for state employee health insurance and $194,018 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 7.4 percent. The agency did not include a shrinkage rate in its submitted budget request.

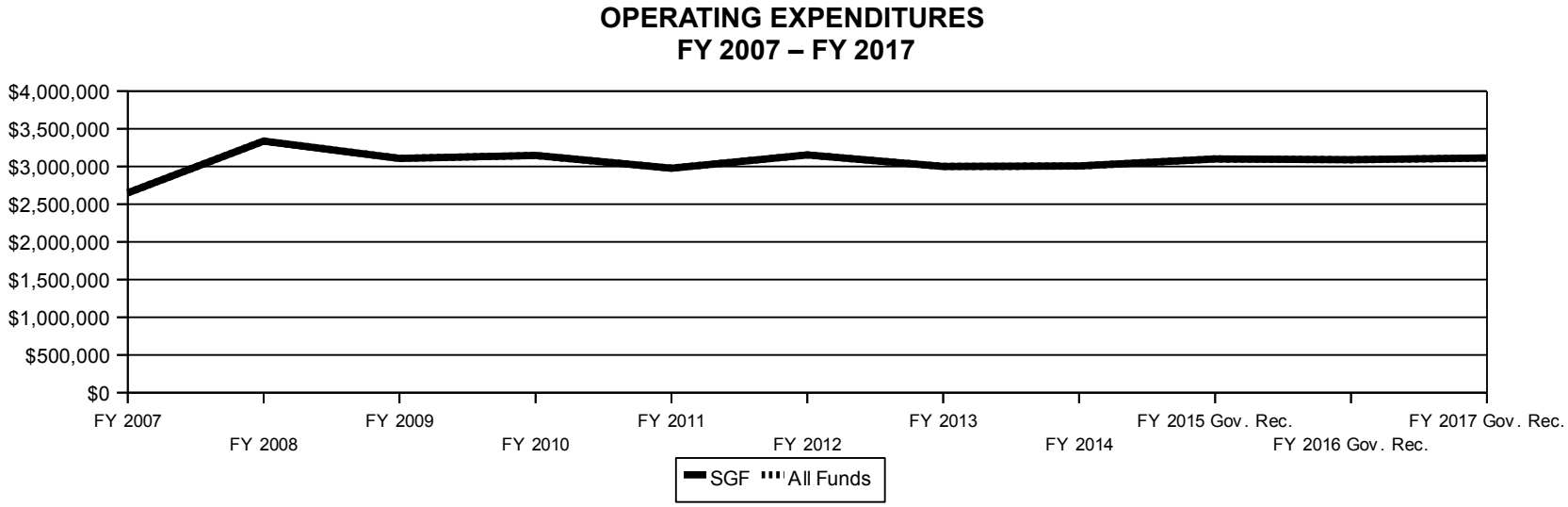
FY 2017 Agency Request

The **agency** requests an operating budget of $3,398,113, all from the State General Fund. This is an all funds and State General Fund increase of $90,221, or 2.7 percent, above the amount included in the agency's FY 2016 request. The increase funds the salaries and wages necessary for the 27th payroll period that occurs during FY 2017.

FY 2017 Governor Recommendation

The **Governor** recommends $3,089,560, all from the State General Fund, for FY 2016. This is a reduction of $10,732, or 0.3 percent, all from the State General Fund below the FY 2015 Governor's Recommendation. This also is a State General Fund reduction of $218,332, or 6.6 percent, below the agency's FY 2016 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $24,314 for a lower employer contribution rate for state employee health insurance and $194,018 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 7.4 percent. The agency did not include a shrinkage rate in its submitted budget request.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 2,650,290	0.2 %	$ 2,650,290	0.2 %	27.5
2008	3,338,086	26.0	3,338,086	26.0	29.5
2009	3,108,238	(6.9)	3,108,238	(6.9)	31.5
2010	3,146,055	1.2	3,146,055	1.2	31.5
2011	2,977,433	(5.4)	2,977,433	(5.4)	31.5
2012	3,153,542	5.9	3,153,542	5.9	31.5
2013	3,000,914	(4.8)	3,000,914	(4.8)	31.5
2014	3,005,818	0.2	3,005,818	0.2	31.5
2015 Gov. Rec.	3,100,292	3.1	3,100,292	3.1	31.5
2016 Gov. Rec.	3,089,560	(0.3)	3,089,560	(0.3)	31.5
2017 Gov. Rec.	3,111,655	0.7	3,111,655	0.7	31.5
Eleven-Year Change	$ 461,365	17.4 %	$ 461,365	17.4 %	4.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 3,005,818	$ 3,405,213	$ 3,307,892	$ (97,321)	(2.9) %	$ 3,100,292	$ 3,089,560	$ (10,732)	(0.3)%
By Major Object of Expenditure:									
Salaries and Wages	$ 2,532,932	$ 2,655,276	$ 2,617,955	$ (37,321)	(1.4) %	$ 2,350,355	$ 2,399,623	$ 49,268	2.1 %
Contractual Services	469,526	730,381	669,467	(60,914)	(8.3)	730,381	669,467	(60,914)	(8.3)
Commodities	3,201	7,281	7,281	0	0.0	7,281	7,281	0	0.0
Capital Outlay	159	12,275	13,189	914	7.4	12,275	13,189	914	--
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 3,005,818	$ 3,405,213	$ 3,307,892	$ (97,321)	(2.9) %	$ 3,100,292	$ 3,089,560	$ (10,732)	(0.3)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 3,005,818	$ 3,405,213	$ 3,307,892	$ (97,321)	(2.9) %	$ 3,100,292	$ 3,089,560	$ (10,732)	(0.3)%
Financing:									
State General Fund	$ 3,005,818	$ 3,405,213	$ 3,307,892	$ (97,321)	(2.9) %	$ 3,100,292	$ 3,089,560	$ (10,732)	(0.3)%
All Other Funds	0	0	0	0	--	0	0	0	--
TOTAL	$ 3,005,818	$ 3,405,213	$ 3,307,892	$ (97,321)	(2.9) %	$ 3,100,292	$ 3,089,560	$ (10,732)	(0.3)%

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	$ 3,307,892	$ 3,398,113	$ 90,221	2.7 %	$ 3,089,560	$ 3,111,655	$ 22,095	0.7 %
By Major Object of Expenditure:								
Salaries and Wages	$ 2,617,955	$ 2,708,176	$ 90,221	3.4 %	$ 2,399,623	$ 2,421,718	$ 22,095	0.9 %
Contractual Services	669,467	669,467	0	0.0	669,467	669,467	0	0.0
Commodities	7,281	7,281	0	0.0	7,281	7,281	0	0.0
Capital Outlay	13,189	13,189	0	0.0	13,189	13,189	0	0.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 3,307,892	$ 3,398,113	$ 90,221	2.7 %	$ 3,089,560	$ 3,111,655	$ 22,095	0.7 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 3,307,892	$ 3,398,113	$ 90,221	2.7 %	$ 3,089,560	$ 3,111,655	$ 22,095	0.7 %
Financing:								
State General Fund	$ 3,307,892	$ 3,398,113	$ 90,221	2.7 %	$ 3,089,560	$ 3,111,655	$ 22,095	0.7 %
All Other Funds	0	0	0	--	0	0	0	--
TOTAL	$ 3,307,892	$ 3,398,113	$ 90,221	2.7 %	$ 3,089,560	$ 3,111,655	$ 22,095	0.7 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $3,186,929 for the Office of the Revisor of Statutes in FY 2015. An adjustment has subsequently been made to that amount. The adjustment changes the current year approved amount without any legislative action required. For this agency, the following adjustment has been made.

- An increase of $275,602, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.

This adjustment changes the FY 2015 approved State General Fund to $3,462,531. That amount is reflected in the table below as the currently approved FY 2015 State General Fund 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	$ 3,462,531	$ 3,405,213	$ (57,318)	$ 3,100,292	$ (362,239)
All Other Funds	0	0	0	0	0
TOTAL	$ 3,462,531	$ 3,405,213	$ (57,318)	$ 3,100,292	$ (362,239)
FTE Positions	31.5	31.5	0.0	31.5	0.0

The **agency** requests a revised estimate of $3,405,213, all from the State General Fund. This is a reduction of $57,318, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The agency is requesting $57,318 from the State General Fund be lapsed, or returned to the State General Fund. The agency requests a revised estimate of 31.5 FTE positions which is the same as the approved number.

The **Governor** recommends $3,100,292, all from the State General Fund. This is a reduction of $362,239, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The Governor is recommending $362,239 from the State General Fund be lapsed. This also is a State General Fund reduction of $304,921, or 9.0 percent, below the agency's revised estimate. The recommended reduction was all made in salaries and wages. The Governor recommends 31.5 FTE positions which is the same as the approved number.

Supplemental Detail

FY 2015 SUPPLEMENTALS

	Agency Estimate			Governor's Recommendation		
Supplementals	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any supplemental requests						

Governor's Allotments

The Governor statutorily cannot make any allotment to the Legislative Branch. However, in the Governor's allotment plan, he did include a recommendation to reduce the Legislative Branch budgets in FY 2015 a total of $1,251,362. Because the Governor cannot allot to this branch, these reductions can only be made through Legislative action. For this agency the total allotment recommendation is $304,921 with $282,023 in salaries and wages shrinkage and $22,898 in reduced KPERS employer contributions.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 3,307,892	$ 3,089,560	$ (218,332)
FTE Positions	31.5	31.5	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ (97,321)	$ (10,732)	
All Other Funds	0	0	
TOTAL	$ (97,321)	$ (10,732)	
Percent Change:			
State General Fund	(2.9) %	(0.3) %	
All Other Funds	--	--	
TOTAL	(2.9) %	(0.3) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests an operating budget of $3,307,892, all from the State General Fund, for FY 2016. This is a decrease of $97,321, or 2.9 percent, all from the State General Fund, below the agency's revised estimate. The request includes a decrease in salaries and wages of $37,321 mainly in revised staffing patterns. Contractual services decrease by $60,914, or 8.3 percent, primarily in printing and other fees. This is partially offset by an increase of $914 in capital outlay.

The **Governor** recommends $3,089,560, all from the State General Fund, for FY 2016. This is a reduction of $10,732, or 0.3 percent, all from the State General Fund below the FY 2015 Governor's Recommendation. This also is a State General Fund reduction of $218,332, or 6.6 percent, below the agency's FY 2016 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $24,314 for a lower employer contribution rate for state employee health insurance and $194,018 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 7.4 percent. The agency did not include a shrinkage rate in its submitted budget request.

Enhancements Detail

FY 2016 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any enhancement requests						

FY 2016 Reduced Resources

FY 2016 REDUCED RESOURCES						
	Agency Submission			Governor's Recommendation		
Item	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have a reduced resource budget						

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 3,398,113	$ 3,111,655	$ (286,458)
FTE Positions	31.5	31.5	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 90,221	$ 22,095	
All Other Funds	0	0	
TOTAL	$ 90,221	$ 22,095	
Percent Change:			
State General Fund	2.7 %	0.7 %	
All Other Funds	--	--	
TOTAL	2.7 %	0.7 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests an operating budget of $3,398,113, all from the State General Fund. This is an all funds and State General Fund increase of $90,221, or 2.7 percent, above the amount included in the agency's FY 2016 request. The increase funds the salaries and wages necessary for the 27th payroll period that occurs during FY 2017.

The **Governor** recommends $3,111,655, all from the State General Fund, for FY 2017. This is an increase of $22,095 or 0.7 percent, all from the State General Fund above the FY 2016 Governor's Recommendation. This also is a State General Fund reduction of $286,458, or 8.4 percent, below the agency's FY 2017 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $25,466 for a lower employer contribution rate for state employee health insurance and $260,992 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 9.6 percent. The agency did not include a shrinkage rate in its submitted budget request.

Enhancements Detail

FY 2017 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any enhancement requests						

FY 2017 Reduced Resources

FY 2017 REDUCED RESOURCES						
	Agency Submission			Governor's Recommendation		
Item	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have a reduced resource budget						

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 $9,316, all from the State General Fund, and affects 31 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 $8,280, all from the State General Fund, and FY 2017 longevity payments total $9,280, all from the State General Fund.**

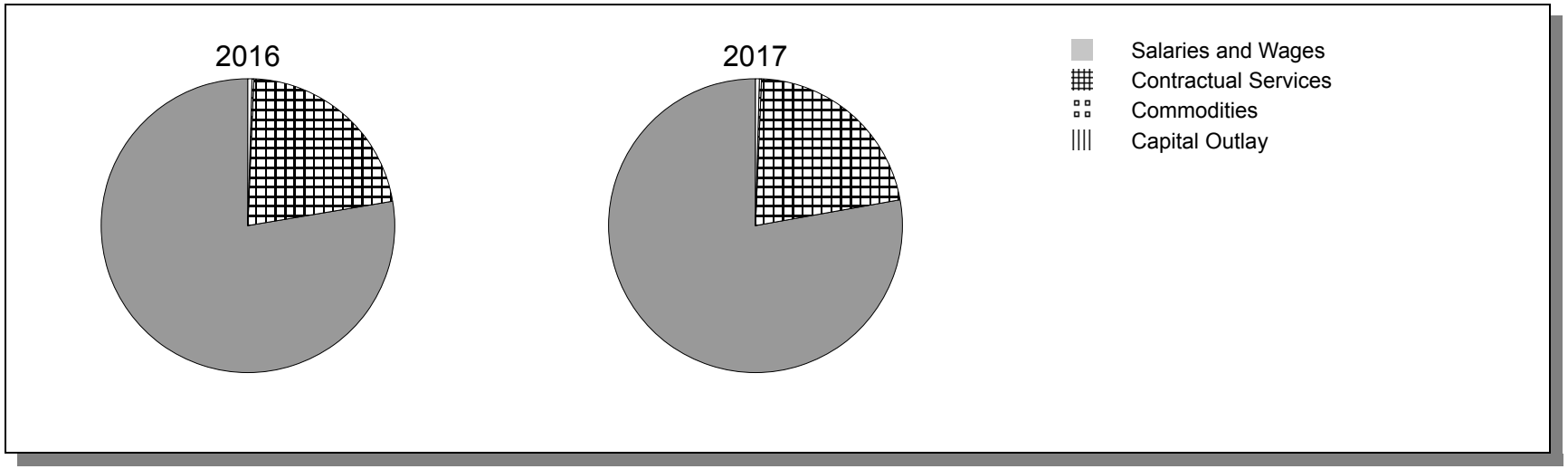
Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of $282.8 million, including $108.2 million from the State General Fund, for FY 2016 and $289.2 million, including $110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency this is a reduction of $24,314, all from the State General Fund for FY 2016. This is a reduction of $25,466, all from the State General Fund, 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.

EXPENDITURES BY OBJECT–GOVERNOR'S RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	$ 2,399,623	77.7 %	$ 2,421,718	77.8 %
Contractual Services	669,467	21.7	669,467	21.5
Commodities	7,281	0.2	7,281	0.2
Capital Outlay	13,189	0.4	13,189	0.4
TOTAL	$ 3,089,560	100.0 %	$ 3,111,655	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	31.5	31.5	31.5	31.5	31.5	31.5	31.5

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
The agency does not have performance measures.					

Legislative Division of Post Audit

	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	$ 2,090,280	$ 2,532,822	$ 2,383,764	$ 2,451,311	$ 2,381,916	$ 2,479,418	$ 2,401,604
Other Funds	0	0	0	0	0	0	0
TOTAL	$ 2,090,280	$ 2,532,822	$ 2,383,764	$ 2,451,311	$ 2,381,916	$ 2,479,418	$ 2,401,604
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	**$ 2,090,280**	**$ 2,532,822**	**$ 2,383,764**	**$ 2,451,311**	**$ 2,381,916**	**$ 2,479,418**	**$ 2,401,604**
Percentage Change:							
Operating Expenditures							
State General Fund	1.9 %	21.2 %	14.0 %	(3.2) %	(0.1) %	1.1 %	0.8 %
All Funds	1.9	21.2	14.0	(3.2)	(0.1)	1.1	0.8
FTE Positions	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	25.0	25.0	25.0	25.0	25.0	25.0	25.0

The Legislative Division of Post Audit is the audit arm of the Kansas Legislature. The Division is responsible for the financial-compliance and performance audits of state agencies and programs. The Division's audit work is conducted in accordance with generally accepted governmental auditing standards as set forth by the U.S. General Accounting Office. The agency operates under the supervision of the ten member Legislative Post Audit Committee.

MAJOR ISSUES FROM PRIOR YEARS

In previous years, concerns have been raised in both the House Budget Committee and Senate Subcommittee that Legislative agencies be fully staffed. Legislative Division of Post Audit has fully funded its existing positions in this budget request, and has budgeted funding for some contract audit work if an outside audit is directed by the Legislature.

In **2003**, the Governor implemented a new placeholder budget process for all Legislative and Judicial branch agencies. The FY 2004 budget recommended by the Governor was the exact amount approved for FY 2003 by the 2002 Legislature. This process left all the budget decisions to be made by the Legislature during the session.

In **2004**, the Governor modified the placeholder budget process that was used in 2003. Both the Legislative Branch and the Judicial Branch budgets were recommended by the Governor as the agency requested, without proposed changes. While required under 2003 SB 21 (law) to submit the judicial budget without change, it was a policy decision to use the same process for the Legislative Branch.

In the **2005 Session**, the Legislature passed 2005 HB 2247, the school finance bill, that created a new role for the Legislative Division of Post Audit with regard to oversight of school district costs and expenditures. The bill requires the Division to make a professional cost study analysis to determine the costs of delivering the kindergarten and grades one through 12 curriculum, related services, and other programs that are mandated by state statute in accredited schools. This bill also established the "School District Audit Team" within the Legislative Division of Post Audit to accomplish the new role and provided an additional five positions.

In the **2010 Session**, the Legislature reduced the agency by 5.0 FTE positions and associated funding to eliminate the "School District Audit Team."

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency estimate**s $2,532,822, all from the State General Fund, for its FY 2015 revised budget estimate. This is a reduction of $166,611, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The agency is requesting $166,611 from the State General Fund be lapsed, or returned to the State General Fund. The agency requests a revised estimate of 25.0 FTE positions which is the same as the approved number.

FY 2015 Governor Recommendation

The **Governor** recommends $2,383,764, all from the State General Fund. This is a reduction of $315,669, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The Governor is recommending $315,669 from the State General Fund be lapsed. This also is a State General Fund reduction of $149,058, or 5.9 percent, below the agency's revised estimate. The recommended reduction was all made in salaries and wages. The Governor recommends 25.0 FTE positions which is the same as the approved number.

FY 2016 Agency Request

The **agency** requests an operating budget of $2,451,311, all from the State General Fund, for FY 2016. This is a decrease of $81,511, or 3.2 percent, all from the State General Fund, below the agency's revised estimate. The request includes an increase in salaries and wages of $25,589 mainly in agency contributions to the public employee retirement system. This is offset by a reduction of $97,000 in contractual services. The primary decrease was for in fees for professional services for contracted audits that was budgeted in FY 2015 and was reduced in the submitted request for FY 2016.

FY 2016 Governor Recommendation

The **Governor** recommends $2,401,604, all from the State General Fund, for FY 2017. This is an increase of $19,688 or 0.8 percent, all from the State General Fund above the FY 2016 Governor's Recommendation. This also is a State General Fund reduction of $77,814, or 3.1 percent, below the agency's FY 2017 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $31,733 for a lower employer contribution rate for state employee health insurance and $59,376 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 2.6 percent. The agency did not include a shrinkage rate in its submitted budget request.

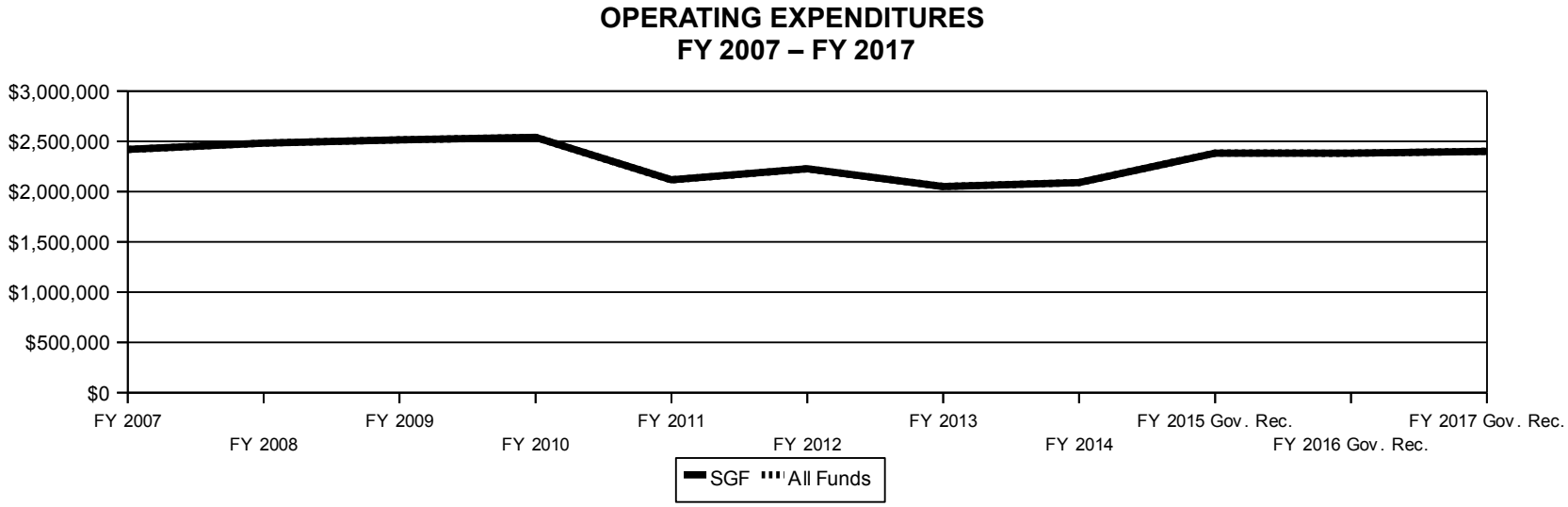
FY 2017 Agency Request

The **agency** requests an operating budget of $2,479,418, all from the State General Fund. This is an all funds and State General Fund increase of $28,107, or 1.1 percent, above the amount included in the agency's FY 2016 request. The increase primarily funds the salaries and wages necessary for the 27th payroll period that occurs during FY 2017.

FY 2017 Governor Recommendation

The **Governor** recommends $2,401,604, all from the State General Fund, for FY 2017. This is an increase of $19,688 or 0.8 percent, all from the State General Fund above the FY 2016 Governor's Recommendation. This also is a State General Fund reduction of $77,814, or 3.1 percent, below the agency's FY 2017 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $31,733 for a lower employer contribution rate for state employee health insurance and $59,376 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 2.6 percent. The agency did not include a shrinkage rate in its submitted budget request.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 2,419,159	24.8 %	$ 2,419,159	24.8 %	26.0
2008	2,483,204	2.6	2,483,204	2.6	26.0
2009	2,515,409	1.3	2,515,409	1.3	27.0
2010	2,540,447	1.0	2,540,447	1.0	27.0
2011	2,116,188	(16.7)	2,116,188	(16.7)	22.0
2012	2,226,706	5.2	2,226,706	5.2	22.0
2013	2,051,057	(7.9)	2,051,057	(7.9)	22.0
2014	2,090,280	1.9	2,090,280	1.9	22.0
2015 Gov. Rec.	2,383,764	14.0	2,383,764	14.0	25.0
2016 Gov. Rec.	2,381,916	(0.1)	2,381,916	(0.1)	25.0
2017 Gov. Rec.	2,401,604	0.8	2,401,604	0.8	25.0
Eleven-Year Change	$ (17,555)	(0.7)%	$ (17,555)	(0.7)%	(1.0)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 2,090,280	$ 2,532,822	$ 2,451,311	$ (81,511)	(3.2) %	$ 2,383,764	$ 2,381,916	$ (1,848)	(0.1)%
By Major Object of Expenditure:									
Salaries and Wages	$ 1,888,939	$ 2,243,288	$ 2,268,877	$ 25,589	1.1 %	$ 2,094,230	$ 2,199,482	$ 105,252	5.0 %
Contractual Services	183355	266,934	169,934	(97,000)	(36.3)	266,934	169,934	(97,000)	(36.3)
Commodities	5,189	8,000	8,000	0	0.0	8,000	8,000	0	0.0
Capital Outlay	12,797	14,600	4,500	(10,100)	(69.2)	14,600	4,500	(10,100)	(69.2)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 2,090,280	$ 2,532,822	$ 2,451,311	$ (81,511)	(3.2) %	$ 2,383,764	$ 2,381,916	$ (1,848)	(0.1)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 2,090,280	$ 2,532,822	$ 2,451,311	$ (81,511)	(3.2) %	$ 2,383,764	$ 2,381,916	$ (1,848)	(0.1)%
Financing:									
State General Fund	$ 2,090,280	$ 2,532,822	$ 2,451,311	$ (81,511)	(3.2) %	$ 2,383,764	$ 2,381,916	$ (1,848)	(0.1)%
All Other Funds	0	0	0	0	--	0	0	0	--
TOTAL	$ 2,090,280	$ 2,532,822	$ 2,451,311	$ (81,511)	(3.2) %	$ 2,383,764	$ 2,381,916	$ (1,848)	(0.1)%

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	$ 2,451,311	$ 2,479,418	$ 28,107	1.1 %	$ 2,381,916	$ 2,401,604	$ 19,688	0.8 %
By Major Object of Expenditure:								
Salaries and Wages	$ 2,268,877	$ 2,293,984	$ 25,107	1.1 %	$ 2,199,482	$ 2,216,170	$ 16,688	0.8 %
Contractual Services	169,934	172,934	3,000	1.8	169,934	172,934	3,000	1.8
Commodities	8,000	8,000	0	0.0	8,000	8,000	0	0.0
Capital Outlay	4,500	4,500	0	0.0	4,500	4,500	0	0.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 2,451,311	$ 2,479,418	$ 28,107	1.1 %	$ 2,381,916	$ 2,401,604	$ 19,688	0.8 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 2,451,311	$ 2,479,418	$ 28,107	1.1 %	$ 2,381,916	$ 2,401,604	$ 19,688	0.8 %
Financing:								
State General Fund	$ 2,451,311	$ 2,479,418	$ 28,107	1.1 %	$ 2,381,916	$ 2,401,604	$ 19,688	0.8 %
All Other Funds	0	0	0	--	0	0	0	--
TOTAL	$ 2,451,311	$ 2,479,418	$ 28,107	1.1 %	$ 2,381,916	$ 2,401,604	$ 19,688	0.8 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $2,464,776 for the Legislative Division of Post Audit in FY 2015. An adjustment has subsequently been made to that amount. The adjustment changes the current year approved amount without any legislative action required. For this agency, the following adjustment has been made.

- An increase of $234,657, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.

This adjustment changes the FY 2015 approved State General Fund to $2,699,433. That amount is reflected in the table below as the currently approved FY State General Fund amount. The agency's budget was submitted prior to the December allotment, so the agency's revised budget estimates do not incorporate the allotment.

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	$ 2,699,433	$ 2,532,822	$ (166,611)	$ 2,383,764	$ (315,669)
All Other Funds	0	0	0	0	0
TOTAL	$ 2,699,433	$ 2,532,822	$ (166,611)	$ 2,383,764	$ (315,669)
FTE Positions	0.0	25.0	25.0	25.0	25.0

The **agency** estimates $2,532,822, all from the State General Fund for its FY 2015 budget. This is a reduction of $166,611, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The agency is requesting $166,611 from the State General Fund be lapsed, or returned to the State General Fund.

The agency requests a revised estimate of 25.0 FTE positions which is the same as the approved number.

The **Governor** recommends $2,383,764, all from the State General Fund. This is a reduction of $315,669, all from the State General Fund, below the amount approved by the 2014 Legislature for FY 2015, after all adjustments. The Governor is recommending $315,669 from the State General Fund be lapsed. This also is a State General Fund reduction of $149,058, or 5.9 percent, below the agency's revised estimate. The recommended reduction was all made in salaries and wages. The Governor recommends 25.0 FTE positions which is the same as the approved number.

Supplemental Detail

FY 2015 SUPPLEMENTALS

	Agency Estimate			Governor's Recommendation		
Supplementals	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any supplemental requests.						

Governor's Allotments

The Governor statutorily can not make any allotment to the Legislative Branch. However, in the Governor's allotment plan, he did include a recommendation to reduce the Legislative Branch budgets in FY 2015 a total of $1,251,362. Because the Governor can not allot to this branch, these reductions can only be made through Legislative action. For this agency the total allotment recommendation is $149,058 with $127,092 in salaries and wages shrinkage and $21,966 in reduced KPERS employer contributions.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 2,451,311	$ 2,381,916	$ (69,395)
FTE Positions	25.0	25.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ (81,511)	$ (1,848)	
All Other Funds	0	0	
TOTAL	$ (81,511)	$ (1,848)	
Percent Change:			
State General Fund	(3.2) %	(0.1) %	
All Other Funds	--	--	
TOTAL	(3.2) %	(0.1) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests an operating budget of $2,451,311, all from the State General Fund, for FY 2016. This is a decrease of $81,511, or 3.2 percent, all from the State General Fund, below the agency's revised estimate. The request includes an increase in salaries and wages of $25,589 mainly in agency contributions to the public employee retirement system. This is offset by a reduction of $97,000 in contractual services. The primary decrease was for in fees for professional services for contracted audits that was budgeted in FY 2015 and was reduced in the submitted request for FY 2016.

The **Governor** recommends $2,381,916, all from the State General Fund, for FY 2016. This is a reduction of $1,848, or 0.1 percent, all from the State General Fund below the FY 2015 Governor's Recommendation. This also is a State General Fund reduction of $69,395, or 2.8 percent, below the agency's FY

2016 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $18,076 for a lower employer contribution rate for state employee health insurance and $51,319 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 2.3 percent. The agency did not include a shrinkage rate in its submitted budget request.

Enhancements Detail

FY 2016 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any enhancement requests.						

FY 2016 Reduced Resources

FY 2016 REDUCED RESOURCES

	Agency Submission			Governor's Recommendation		
Item	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have a reduced resource budget.						

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 2,479,418	$ 2,401,604	$ (77,814)
FTE Positions	25.0	25.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 28,107	$ 19,688	
All Other Funds	0	0	
TOTAL	$ 28,107	$ 19,688	
Percent Change:			
State General Fund	1.1 %	0.8 %	
All Other Funds	--	--	
TOTAL	(3.2) %	(0.1) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests an operating budget of $2,479,418, all from the State General Fund. This is an all funds and State General Fund increase of $28,107, or 1.1 percent, above the amount included in the agency's FY 2016 request. The increase primarily funds the salaries and wages necessary for the 27th payroll period that occurs during FY 2017.

The **Governor** recommends $2,401,604, all from the State General Fund, for FY 2017. This is an increase of $19,688 or 0.8 percent, all from the State General Fund above the FY 2016 Governor's Recommendation. This also is a State General Fund reduction of $77,814, or 3.1 percent, below the agency's FY 2017 request. The entire reduction was from decreased salaries and wages. Included in the reduction was $31,733 for a lower employer contribution rate for state employee health insurance and $59,376 for increased salaries and wages shrinkage rate. This would create a shrinkage rate of 2.6 percent. The agency did not include a shrinkage rate in its submitted budget request.

Enhancements Detail

FY 2017 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have any enhancement requests.						

FY 2017 Reduced Resources

FY 2017 REDUCED RESOURCES						
	Agency Submission			Governor's Recommendation		
Item	SGF	All Funds	FTE	SGF	All Funds	FTE
The agency did not have a reduced resource budget.						

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 $5,738, all from the State General Fund, and affects 25 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 $8,000, all from the State General Fund, and FY 2017 longevity payments total $8,320, all from the State General Fund.**

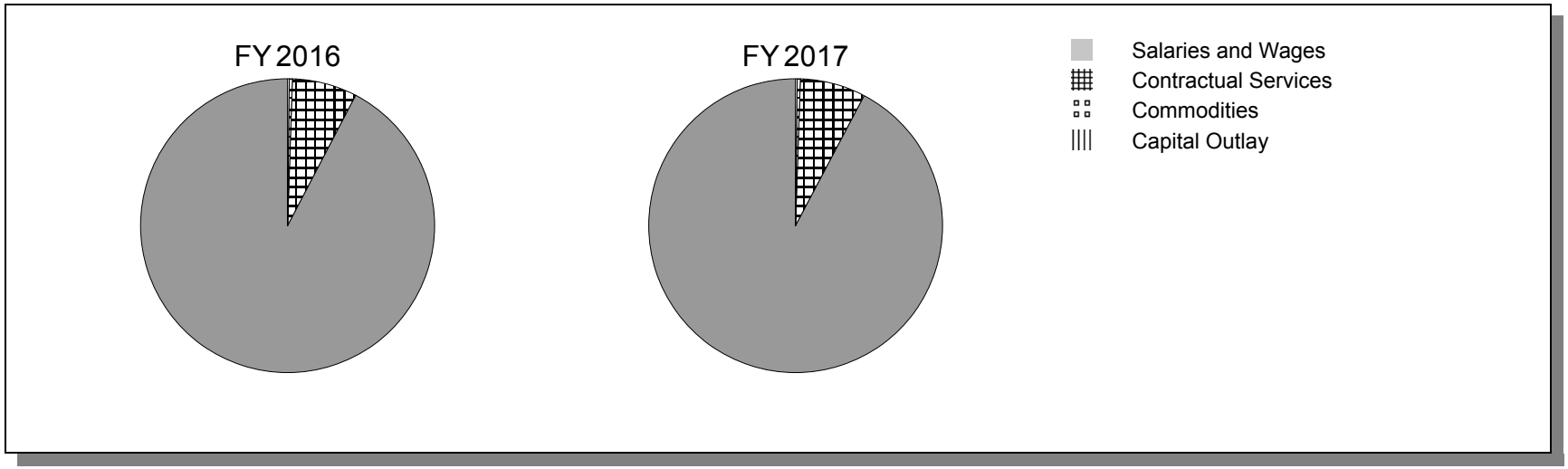
Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of $282.8 million, including $108.2 million from the State General Fund, for FY 2016 and $289.2 million, including $110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency this is a reduction of $18,076, all from the State General Fund for FY 2016. This is a reduction of $18,438, all from the State General Fund, 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.

EXPENDITURES BY OBJECT–GOVERNOR'S RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. All Funds FY 2017	Percent of Total
Salaries and Wages	$ 2,199,482	92.3 %	$ 2,216,170	92.3 %
Contractual Services	169,934	7.1	172,934	7.2
Commodities	8,000	0.3	8,000	0.3
Capital Outlay	4,500	0.2	4,500	0.2
TOTAL	$ 2,381,916	100.0 %	$ 2,401,604	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	25.0	25.0	25.0	25.0	25.0	25.0	25.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
The agency does not have any performance measures					

Office of the Governor

	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	$ 6,582,319	$ 7,559,060	$ 7,039,540	$ 7,016,162	$ 6,718,536	$ 7,062,730	$ 6,763,127
Other Funds	8,612,027	9,026,781	9,026,000	9,226,838	9,223,496	9,346,728	9,343,369
TOTAL	$ 15,194,346	$ 16,585,841	$ 16,065,540	$ 16,243,000	$ 15,942,032	$ 16,409,458	$ 16,106,496
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	**$ 15,194,346**	**$ 16,585,841**	**$ 16,065,540**	**$ 16,243,000**	**$ 15,942,032**	**$ 16,409,458**	**$ 16,106,496**
Percentage Change:							
Operating Expenditures							
State General Fund	(2.9) %	14.8 %	6.9 %	(7.2) %	(4.6) %	0.7 %	0.7 %
All Funds	(1.4)	9.2	5.7	(2.1)	(0.8)	1.0	1.0
FTE Positions	30.4	30.4	30.4	31.2	31.2	31.2	31.2
Non-FTE Perm.Uncl.Pos.	0.0	2.5	2.5	2.5	2.5	2.5	2.5
TOTAL	30.4	32.9	32.9	33.7	33.7	33.7	33.7

AGENCY OVERVIEW

The *Kansas Constitution* provides the Governor shall be the Chief Executive Officer of the state. The Governor is elected to a four-year term of office on a ticket which includes the Lieutenant Governor. Among the constitutional powers and duties exercised by the Governor are signing and vetoing acts of the Legislature, presenting an annual message to the Legislature on the condition of the state, submitting to the Legislature an annual state budget recommendation, and considering pardon of those convicted of criminal acts. The Governor also serves as chairperson of the State Finance Council and is, by virtue of the office, the Commander-in-Chief of the Kansas National Guard.

Beginning with the FY 2012 budget cycle, a number of former programs were combined under one program, including the following items.

- **Administration** provides staff and technical assistance to the Governor in administering the Executive Branch.

- **Federal and Other Grants** is responsible for the administration of grants that fund programs relating to the criminal justice system, crime victims' services, and drug and violence prevention programs.

- The **Hispanic and Latino American Affairs Commission** is charged with identifying community issues and serving as a liaison between the Hispanic community and state government.

- The **Advisory Commission on African American Affairs** disseminates information on issues concerning African Americans and cooperates with other agencies and the private sector in serving the needs of African Americans.

- The **Kansas Commission on Disability Concerns (KCDC)** is mandated by statute to facilitate independence for disabled Kansans. Independence, in this instance, means equal access to employment opportunities and living outside institutions in the environment of the disabled person's choice. The function of the KCDC is to work with federal, state, and local governments as well as businesses, labor, private citizens, and non-profit organizations to enhance the employment opportunities and quality of life of disabled Kansans. The primary goal for the KCDC is to promote full and equal citizenship for all Kansans with disabilities through education, legislative advocacy, and resource networking.

- **Governor's Residence** encompasses expenditures for Cedar Crest, the Governor's official residence.

MAJOR ISSUES FROM PRIOR YEARS

In **2002**, under the provisions of Executive Directive No. 02-336, the Governor transferred a portion of the Crime Victims program in the Office of the Attorney General to the Governor's office and organized it as the Federal Grants program. The grant funds transferred to the Governor's office include the Violence Against Women Grant, the Victims of Crime Act Grant, the Family Violence Prevention and Services Fund, the Safe and Drug-Free Schools and Communities State Grant program, and the Preventative Health and Health Services Block Grant.

The Governor's **FY 2004** recommendation included provisions, approved by the 2003 Legislature, to move responsibility for federal Byrne Grant monies from the Sentencing Commission to the Governor's federal grants program. The Edward Byrne Memorial State and Local Law Enforcement Formula Grant is a federal grant administered by the Department of Justice, Office of Justice Programs, Bureau of Justice Assistance. The authorizing legislation for this grant program is the Anti-Drug Abuse Act of 1988. The emphasis of this grant is to reduce violent and drug-related crime.

During the **2004 Legislative Session**, three programs which had been located in the budget of the Department of Labor were transferred to the Governor's Department. These programs are the Commissions on Hispanic and Latino American Affairs, African American Affairs, and Native American Affairs. A total of $501,591 and 7.0 FTE positions were transferred from the Department of Labor to the Governor's Department. The Commissions on Hispanic and Latino American Affairs and African American Affairs historically have been maintained as individual budget units in the Governor's office. The Native American Affairs Commission is budgeted as part of the Administration program. Beginning with the FY 2012 budget submission, all programs in the Office of the Governor have been consolidated into a single program under the Administration program.

Also **during the 2004 Legislative Session**, the Legislature approved the Wireless Enhanced 911 Act, creating a special fund in the Department of Administration's budget to be used for grants related to the Act. The Department of Administration elected to utilize the expertise of the federal grants program in the Governor's Department, and through a memorandum of understanding, the two agencies administer the grant funds.

The **2005 Legislature** passed legislation creating a 15-member Task Force on Racial Profiling. The Task Force is attached to the Governor's Office for budgetary and administrative purposes. The staff of the Advisory Commission on African American Affairs and the Hispanic and Latino Affairs Commission provide support to the Task Force. The federally funded Task Force completed its work during FY 2012, and no funding is included in the FY 2013 budget.

The **2011 Legislature** authorized the transfer of responsibility for the administration of the E-911 grants from the Office of the Governor to the Office of the Attorney General. Approximately $6.7 million, and 2.4 FTE positions were transferred to the Office of the Attorney General in FY 2012.

The **2011 Legislature** also authorized the transfer of the duties and responsibilities of the Kansas Commission on Disability Concerns (KCDC) from the Kansas Department of Commerce to the Office of the Governor. The KCDC is mandated by statute to facilitate independence for disabled Kansans. Independence, in this instance, means equal access to employment opportunities and living outside institutions in the environment of the disabled person's choice. The function of the

KCDC is to work with federal, state, and local governments as well as businesses, labor, private citizens, and non-profit organizations to enhance the employment opportunities and quality of life of disabled Kansans. The primary goal for the KCDC is to promote full and equal citizenship for all Kansans with disabilities through education, legislative advocacy, and resource networking. The Legislature authorized the transfer of $184,310, all from the State General Fund, and 2.0 FTE positions from the Department of Commerce to the Office of the Governor.

The **FY 2013** approved budget adds $500,000, including $200,000 from the State General Fund, for domestic violence prevention grants, in addition to the amount recommended by the Governor, bringing the total approved amount to $4.1 million. The Legislature also approved the addition of $150,000, all from special revenue funds, for grants to child advocacy centers for FY 2013, bringing the total approved amount for those grants to $1.0 million. The special revenue amounts added for both grants programs are funded from a transfer from the Problem Gambling and Addictions Grant Fund of the Department for Aging and Disability Services.

The **2013 Legislature** added $550,000 in FY 2014 and FY 2015, all from special revenue funds, for Domestic Violence Prevention Grants bringing the total funding for the program to $4.3 million over two years. The Legislature also added $150,000 in FY 2014 and FY 2015 to Child Advocacy Center Grants bringing the total for the program to $1.0 million for both years. The Legislature also merged the budget of the Lieutenant Governor into the overall budget for the Governor's Office in FY 2014.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates FY 2015 expenditures of $16.6 million, including $7.6 million from the State General Fund, an all funds reduction of $164,606, or 1.0 percent, below the FY 2015 approved budget. The State General Fund estimate is a increase of $355,695, or 2.2 percent, above the FY 2015 approved budget. The approved budget includes an increase $599,981, all from the State General Fund, above the amount approved by the 2014 Legislature due to the reappropriation of FY 2014 dollars to FY 2105. This amount is partially offset by the lapse of $26,332 and further reductions of $519,520 as a result of the December 9th State General Fund allotment.

The Governor allocated $180,574 of the reappropriation to Domestic Violence Prevention Grants and $43,205 to Child Advocacy Center Grants. This is the full amount of the remaining reappropriation after lapses.

FY 2015 Governor Recommendation

The **Governor** recommends expenditures of $16.1 million, an all funds reduction of $520,301, or 3.1 percent, from the FY 2015 agency revised estimate. The reduction is attributable to allotments totaling $519,520 and the special revenue fund

reduction of $781 for the Governor's allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 10.42 percent to 8.65 percent in FY 2015. The recommendation reduces the State General Fund portion of the Domestic Violence Prevention Grants by $91,855 and reallocates this amount to salaries.

FY 2016 Agency Request

The **agency** estimates FY 2016 expenditures of $16.2 million, including $7.0 million from the State General Fund, an all funds reduction of $342,841, or 2.1 percent, below the FY 2015 agency request. The State General Fund estimate is a reduction of $542,898, or 7.2 percent, below the FY 2015 request. The reduction is primarily attributable the lack of reappropriated monies in FY 2015.

Special revenue and federal funds offset the State General Fund reduction by an increase of $200,057, or 2.2 percent, from the FY 2015 request. The increases are primarily in Justice Assistance Grants ($344,862), Family Violence Prevention Grants ($93,029), and the State Victims Assistance Academic Initiative ($38,489). The increases are partially offset by reductions in the Violence Against Women STOP ARRA Grant - ($248,978) and Crime Victim's Assistance Grants ($120,404).

FY 2016 Governor Recommendation

The **Governor** recommends expenditures of $15.9 million, a reduction of $300,968, or 1.9 percent, from the FY 2016 agency request. The recommendation is a State General Fund reduction of $297,626, or 4.2 percent, from the FY 2016 request. The reduction is attributable to a 4.0 percent reduction to State General Fund operation expenditures of $280,647. The 4.0 percent lapse reduces salaries by $96,956, domestic violence prevention grants by $150,343, and child advocacy center grants by $33,348.

The Governor's recommendation also deletes $20,321, including $16,979 from the State General Fund, to reduce employer contributions for state employee health insurance.

FY 2017 Agency Request

The **agency** estimates FY 2017 expenditures of $16.4 million, including $7.1 million from the State General Fund, an all funds increase of $166,458, or 1.0 percent, above the FY 2016 agency request. The State General Fund estimate is an increase of $46,568, or 0.7 percent, above the FY 2016 request. The State General fund increase is predominantly attributable to the 27th payroll and is allocated to salaries and wages. The State General Fund increase in salaries and wages of $68,380 is partially offset by reductions in State General Fund allocations for contractual services.

Special revenue and federal funds offset the State General Fund reduction by an increase of $119,890, or 1.3 percent, above the FY 2016 request. The increases are primarily in

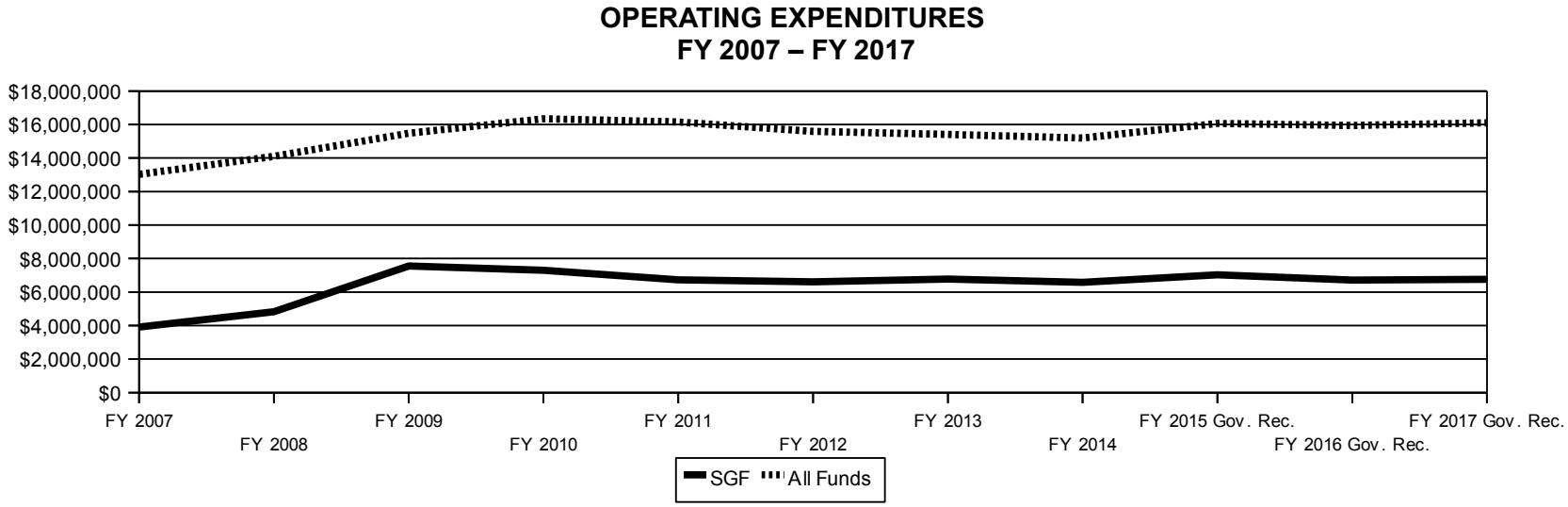
Justice Assistance Grants ($72,907), Community Defense Solutions - VAWA Grants ($21,859), and Family Violence Prevention Grants ($18,899). The increases are partially offset by a reduction in the State Victim Assistance Academic Initiative Grant ($15,488).

FY 2017 Governor Recommendation

The **Governor** recommends expenditures of $16.1 million, a reduction of $302,962, or 1.8 percent, from the FY 2017 agency request. The recommendation is a State General Fund reduction of $299,603, or 4.2 percent, from the FY 2017 request. The reduction is attributable to a 4.0 percent reduction to State General Fund operation expenditures of $282,510. The 4.0 percent lapse reduces salaries by $98,819, domestic violence prevention grants by $150,343, and child advocacy center grants by $33,348.

The Governor's recommendation also deletes $20,542, including $17,093 from the State General Fund, to reduce employer contributions for state employee health insurance.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 3,905,091	71.9 %	$ 13,032,937	3.2 %	41.7
2008	4,824,893	23.6	14,103,415	8.2	37.8
2009	7,556,261	56.6	15,479,753	9.8	39.0
2010	7,293,978	(3.5)	16,349,223	5.6	39.0
2011	6,735,304	(7.7)	16,157,067	(1.2)	43.5
2012	6,605,450	(1.9)	15,596,120	(3.5)	39.0
2013	6,780,616	2.7	15,412,559	(1.2)	28.1
2014	6,582,319	(2.9)	15,194,346	(1.4)	31.1
2015 Gov. Rec.	7,039,540	6.9	16,065,540	5.7	30.4
2016 Gov. Rec.	6,718,536	(4.6)	15,942,032	(0.8)	31.2
2017 Gov. Rec.	6,763,127	0.7	16,106,496	1.0	31.2
Eleven-Year Change	$ 2,858,036	73.2 %	$ 3,073,559	23.6 %	(10.5)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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:									
Governor's Office	$ 15,043,775	$ 16,382,757	$ 16,066,249	$ (316,508)	(1.9) %	$ 15,898,694	$ 15,774,369	$ (124,325)	(0.8)%
Lieutenant Governor	150,571	203,084	176,751	(26,333)	(13.0)	166,846	167,663	817	0.5
TOTAL	$ 15,194,346	$ 16,585,841	$ 16,243,000	$ (342,841)	(2.1) %	$ 16,065,540	$ 15,942,032	$ (123,508)	(0.8)%
By Major Object of Expenditure:									
Salaries and Wages	$ 2,520,690	$ 2,890,709	$ 2,773,227	$ (117,482)	(4.1) %	$ 2,462,263	$ 2,655,950	$ 193,687	7.9 %
Contractual Services	459,505	572,998	464,518	(108,480)	(18.9)	572,998	464,518	(108,480)	(18.9)
Commodities	66,643	56,909	57,246	337	0.6	56,909	57,246	337	0.6
Capital Outlay	20,198	0	1,500	1,500	100.0	0	1,500	1,500	--
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 3,067,036	$ 3,520,616	$ 3,296,491	$ (224,125)	(6.4) %	$ 3,092,170	$ 3,179,214	$ 87,044	2.8 %
Aid to Local Units	1,540,662	1,634,608	1,687,746	53,138	3.3	1,634,608	1,687,746	53,138	3.3
Other Assistance	10,586,648	11,430,617	11,258,763	(171,854)	(1.5)	11,338,762	11,075,072	(263,690)	(2.3)
TOTAL	$ 15,194,346	$ 16,585,841	$ 16,243,000	$ (342,841)	(2.1) %	$ 16,065,540	$ 15,942,032	$ (123,508)	(0.8)%
Financing:									
State General Fund	$ 6,582,319	$ 7,559,060	$ 7,016,162	$ (542,898)	(7.2) %	$ 7,039,540	$ 6,718,536	$ (321,004)	(4.6)%
Federal Funds	7,755,276	8,284,115	8,472,338	188,223	2.3	8,283,334	8,468,996	185,662	2.2
All Other Funds	856,751	742,666	754,500	11,834	1.6	742,666	754,500	11,834	1.6
TOTAL	$ 15,194,346	$ 16,585,841	$ 16,243,000	$ (342,841)	(2.1) %	$ 16,065,540	$ 15,942,032	$ (123,508)	(0.8)%

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:								
Governor's Office	$ 16,066,249	$ 16,228,591	$ 162,342	1.0 %	$ 15,774,369	$ 15,934,922	$ 160,553	1.0 %
Lieutenant Governor	176,751	180,867	4,116	2.3	167,663	171,574	3,911	2.3
TOTAL	$ 16,243,000	$ 16,409,458	$ 166,458	1.0 %	$ 15,942,032	$ 16,106,496	$ 164,464	1.0 %
By Major Object of Expenditure:								
Salaries and Wages	$ 2,773,227	$ 2,860,104	$ 86,877	3.1 %	$ 2,655,950	$ 2,740,833	$ 84,883	3.2 %
Contractual Services	464,518	445,432	(19,086)	(4.1)	464,518	445,432	(19,086)	(4.1)
Commodities	57,246	57,371	125	0.2	57,246	57,371	125	0.2
Capital Outlay	1,500	1,500	0	0.0	1,500	1,500	0	0.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 3,296,491	$ 3,364,407	$ 67,916	2.1 %	$ 3,179,214	$ 3,245,136	$ 65,922	2.1 %
Aid to Local Units	1,687,746	1,745,115	57,369	3.4	1,687,746	1,745,115	57,369	3.4
Other Assistance	11,258,763	11,299,936	41,173	0.4	11,075,072	11,116,245	41,173	0.4
TOTAL	$ 16,243,000	$ 16,409,458	$ 166,458	1.0 %	$ 15,942,032	$ 16,106,496	$ 164,464	1.0 %
Financing:								
State General Fund	$ 7,016,162	$ 7,062,730	$ 46,568	0.7 %	$ 6,718,536	$ 6,763,127	$ 44,591	0.7 %
Federal Funds	8,472,338	8,584,303	111,965	1.3	8,468,996	8,580,944	111,948	1.3
All Other Funds	754,500	762,425	7,925	1.1	754,500	762,425	7,925	1.1
TOTAL	$ 16,243,000	$ 16,409,458	$ 166,458	1.0 %	$ 15,942,032	$ 16,106,496	$ 164,464	1.0 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $7,053,728 for the Office of the Governor in FY 2015. Several adjustments have subsequently been made to that amount. These adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustments have been made.

- An increase of $599,981, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.
- A reduction of $519,520, as the result of the Governor's December 9th State General Fund allotment.

These adjustments change the FY 2015 approved State General Fund to $7,134,189. That amount is reflected in the table below as the currently approved FY 2015 State General Fund amount. The agency's budget was submitted prior to the November allotment, so the agency's revised budget estimates do not incorporate the allotment.

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	$ 7,134,189	$ 7,559,060	$ 424,871	$ 7,039,540	$ (94,649)
All Other Funds	9,095,957	9,026,781	(69,176)	9,026,000	(69,957)
TOTAL	$ 16,230,146	$ 16,585,841	$ 355,695	$ 16,065,540	$ (164,606)
FTE Positions	0.0	30.4	30.4	30.4	30.4

The **agency** estimates FY 2015 expenditures of $16.6 million, including $7.6 million from the State General Fund, an all funds reduction of $164,606, or 1.0 percent, below the FY 2015 approved budget. The State General Fund estimate is a increase of $355,695, or 2.2 percent, above the FY 2015 approved budget. The approved budget includes an increase $599,981, all from the State General Fund, above the amount approved by the 2014 Legislature due to the reappropriation of

FY 2014 dollars to FY 2105. This amount is partially offset by the lapse of $26,332 and further reductions of $519,520 as a result of the December 9th State General Fund allotment.

The Governor allocated $180,574 of the reappropriation to Domestic Violence Prevention Grants and $43,205 to Child Advocacy Center Grants. This is the full amount of the remaining reappropriation after lapses. Domestic Violence Prevention and Child Advocacy Centers are also partially funded by a transfer of $450,000 from the Problem Gambling and Addictions Grant Fund which was approved by 2013 Legislature.

The request includes 31.1 FTE positions and 2.5 non-FTE unclassified positions the same as the FY 2015 approved.

The request is detailed below by category of expenditure.

Salaries and Wages expenditures of $2.9 million, including $2.4 million from the State General Fund, an all funds increase of $355,695, or 14.0 percent, above the FY 2015 approved budget. The full amount of the 2.0 percent reduction and the remaining reappropriation reduction after grant fund was applied to salaries.

Aid to Locals expenditures of $1.6 million, all from special revenue funds, the same as the FY 2015 approved budget. The majority of the funding in Aid to Locals is for Justice Assistance Grants, Domestic Violence Prevention Grants, and Crime Victims Assistance.

Other Assistance expenditures of $11.4 million, including $4.4 million from the State General Fund, the same as the FY 2015 approved budget. The majority of the funding in Other Assistance is for family and domestic violence prevention, crime victim's assistance, child advocacy centers.

The **Governor** recommends expenditures of $16.1 million, an all funds reduction of $520,301, or 3.1 percent, from the FY 2015 agency revised estimate. The reduction is attributable allotments totaling $519,520 and the special revenue fund reduction of $781 for the lowering of the KPERS employer contribution rate allotment plan. The recommendation reduces the State General Fund portion of the Domestic Violence Prevention Grants by $91,855 and reallocates this amount to salaries.

Governor's Allotments

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. This prompted the Governor to address the shortfall with 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. The allotments shown in the table below reflect only those allotments which have already taken place.

GOVERNOR'S ALLOTMENTS			
Allotment	SGF	All Funds	FTE
December Allotment			
Reduce KPERS Employer Contribution Rate	$ (4,136)	$ (4,136)	0.0
Lapse Reappropriations	(376,202)	(376,202)	0.0
Reduce SGF funding by 4.0 percent	(139,182)	(139,182)	0.0
TOTAL	$ (519,520)	$ (519,520)	0.0

Kansas Public Employees Retirement System (KPERS) Reduction:

A reduction of $4,136, as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 10.42 percent to 8.65 percent in FY 2015. This allotment will have no impact on the agency operations but is reflective of a reduction of expenditures.

Reappropriations Lapse:

A reduction of $376,202, as a result of the Governor's State General Fund reappropriation allotment. The is a reduction of $376,202 of the total FY 2015 State General Fund reappropriation. This allotment will decrease available funding in salaries and wages but leaves Domestic and Family Violence Prevention Grants unchanged.

4.0 percent reduction to Cabinet-level and other SGF funded agencies

A reduction of $139,182, as a result of the Governor's State General Fund allotment of 4.0 percent to Cabinet and other State General Funded agencies in FY 2015. This allotment will be managed by reducing salaries and wages.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 16,243,000	$ 15,942,032	$ (300,968)
FTE Positions	31.2	31.2	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ (542,898)	$ (321,004)	
All Other Funds	200,057	197,496	
TOTAL	$ (342,841)	$ (123,508)	
Percent Change:			
State General Fund	(7.2) %	(4.6) %	
All Other Funds	2.2	2.2	
TOTAL	(2.1) %	(0.8) %	
Change in FTE Positions	0.8	0.8	

The **agency** estimates FY 2016 expenditures of $16.2 million, including $7.0 million from the State General Fund, an all funds reduction of $342,841, or 2.1 percent, below the FY 2015 agency request. The State General Fund estimate is a reduction of $542,898, or 7.2 percent, below the FY 2015 request. The reduction is primarily attributable the lack of reappropriated monies in FY 2015.

Special revenue and federal funds offset the State General Fund reduction by an increase of $200,057, or 2.2 percent, from the FY 2015 request. The increases are primarily in Justice Assistance Grants ($344,862), Family Violence Prevention Grants ($93,029), and the State Victims Assistance Academic Initiative ($38,489). The increases are partially offset by reductions in the Violence Against Women STOP ARRA Grant - ($248,978) and Crime Victim's Assistance Grants ($120,404).

The Governor requests continuing the transfer of $450,000 from the Problem Gambling and Addictions Grant Fund to the Domestic Violence Prevention Grants ($300,000) and the Child Advocacy Centers ($150,000) for FY 2016.

The request includes 31.1 FTE positions and 2.5 non-FTE unclassified positions the same as the FY 2015 request.

The request is detailed below by category of expenditure.

Salaries and Wages expenditures of $2.8 million, a reduction of $117,482, or 4.1 percent, below the F 2015 agency request. The reduction is attributable to reappropriations not being allocated to salaries and wages, and the one-time $250 bonus in FY 2015.

Contractual Services expenditures of $464,518, a reduction of $108,480, or 18.9 percent, from the FY 2015 agency request. The reductions are in hospitality, dues and subscriptions, and communication costs.

Aid to Locals expenditures of $1.7 million, all from special revenue funds, an increase of $53,138, or 3.3 percent, above the FY 2015 agency request. The majority of the funding in Aid to Locals is for Justice Assistance Grants, Domestic Violence Prevention Grants, and Crime Victims Assistance.

Other Assistance expenditures of $11.3 million, including $4.4 million from the State General Fund, an reduction of $171,854, or 1.5 percent, below the FY 2015 revised estimate. The majority of the funding in Other Assistance is for family and domestic violence prevention, crime victim's assistance, and child advocacy centers.

The **Governor** recommends expenditures of $15.9 million, a reduction of $300,968, or 1.9 percent, from the FY 2016 agency request. The recommendation is a State General Fund reduction of $297,626, or 4.2 percent, from the FY 2016 request. The reduction is attributable to a 4.0 percent reduction to State General Fund operation expenditures of $280,647. The 4.0 percent lapse reduces salaries by $96,956, domestic violence prevention grants by $150,343, and child advocacy center grants by $33,348.

The Governor's recommendation also deletes $20,321, including $16,979 from the State General Fund, to reduce employer contributions for state employee health insurance.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 16,409,458	$ 16,106,496	$ (302,962)
FTE Positions	31.2	31.2	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 46,568	$ 44,591	
All Other Funds	119,890	119,873	
TOTAL	$ 166,458	$ 164,464	
Percent Change:			
State General Fund	0.7 %	0.7 %	
All Other Funds	1.3	1.3	
TOTAL	1.0 %	1.0 %	
Change in FTE Positions	0.0	0.0	

The **agency** estimates FY 2017 expenditures of $16.4 million, including $7.1 million from the State General Fund, an all funds increase of $166,458, or 1.0 percent, above the FY 2016 agency request. The State General Fund estimate is an increase of $46,568, or 0.7 percent, above the FY 2016 request. The State General fund increase is predominantly attributable to the 27th payroll and is allocated to salaries and wages. The State General Fund increase in salaries and wages of $68,380 is partially offset by reductions in State General Fund allocations for contractual services.

Special revenue and federal funds offset the State General Fund reduction by an increase of $119,890, or 1.3 percent, above the FY 2016 request. The increases are primarily in Justice Assistance Grants ($72,907), Community Defense Solutions - VAWA Grants ($21,859), and Family Violence

Prevention Grants ($18,899). The increases are partially offset by a reduction in the State Victim Assistance Academic Initiative Grant ($15,488).

The Governor requests continuing the transfer of $450,000 from the Problem Gambling and Addictions Grant Fund to the Domestic Violence Prevention Grants ($300,000) and the Child Advocacy Centers ($150,000) for FY 2017.

The request includes 31.1 FTE positions and 2.5 non-FTE unclassified positions the same as the FY 2016 request.

The request is detailed below by category of expenditure.

Salaries and Wages expenditures of $2.9 million, including $2.4 million from the State General Fund, an increase of $86,877, or 3.1 percent, above the FY 2015 approved budget. The increase is predominantly attributable to the 27th payroll payment as well as fringe for employer retirement contributions and group health insurance.

Contractual Services expenditures of $445,432, a reduction of $19,086, or 4.1 percent, from the FY 2016 agency request. The majority of the reduction is in in-state travel and subsistence.

Aid to Locals expenditures of $1.7 million, all from special revenue funds, an increase of $57,369, or 0.7 percent, above the FY 2016 agency request. The majority of the funding in Aid to Locals is for Justice Assistance Grants, Domestic Violence Prevention Grants, and Crime Victims Assistance.

Other Assistance expenditures of $11.3 million, including $4.4 million from the State General Fund, an increase of $41,173, or 0.4 percent, above the FY 2016 revised estimate. The majority of the funding in Other Assistance is for family and domestic violence prevention, crime victim's assistance, child advocacy centers.

The **Governor** recommends expenditures of $16.1 million, a reduction of $302,962, or 1.8 percent, from the FY 2017 agency request. The recommendation is a State General Fund reduction of $299,603, or 4.2 percent, from the FY 2017 request. The reduction is attributable to a 4.0 percent reduction to State General Fund operation expenditures of $282,510. The 4.0 percent lapse reduces salaries by $98,819, domestic violence prevention grants by $150,343, and child advocacy center grants by $33,348.

The Governor's recommendation also deletes $20,542, including $17,093 from the State General Fund, to reduce employer contributions for state employee health insurances.

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 $8,566, including $6,861 from the State General Fund, and affects 28 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, no employees received Longevity bonus payments.**

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 $20,321, including $16,979 from the State General Fund for FY 2016. This is a reduction of $20,452, including $17,093 from the State General Fund, 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.

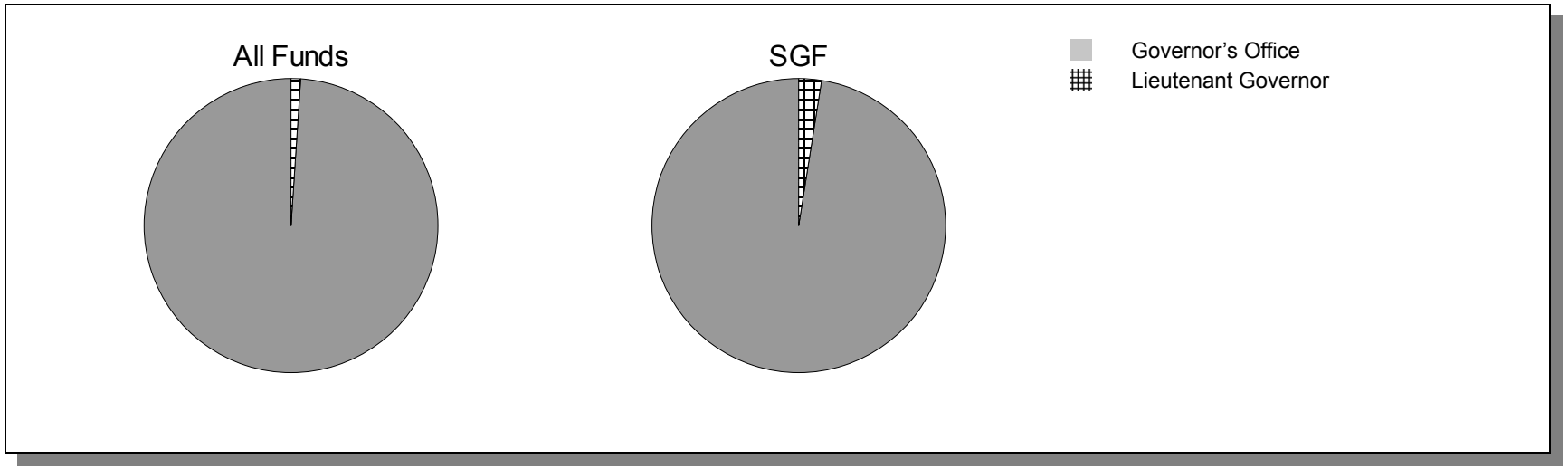
The Governor further proposes offering $1.5 billion in Pension Obligation Bonds, backed by the State General Fund, to be paid back over 30 years and extending the amortization on the current bonds by ten years to 2043. The proceeds of the bonds would be used to help reduce the future employer contribution 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	43.2 %	42.1 %	43.0 %	42.0 %
Federal Funds	52.2	53.1	52.3	53.3
Other Funds	4.6	4.7	4.6	4.7
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

EXPENDITURES BY PROGRAM-- GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Governor	$ 15,774,369	98.9 %	$ 6,550,873	97.5 %
Lieutenant Governor	167,663	1.1	167,663	2.5
TOTAL	$ 15,942,032	100.0 %	$ 6,718,536	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017							
Program	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
Governor	28.1	28.1	27.4	28.2	28.2	28.2	28.2
Lieutenant Governor	2.3	2.3	3.0	3.0	3.0	3.0	3.0
TOTAL	30.4	30.4	30.4	31.2	31.2	31.2	31.2

Governor's Grants Office

The **Governor's Grants Office** manages state and federal grants provided to state agencies, local units of government and individuals in the State of Kansas. In FY 2016, the Grants Office plans to distribute $1.4 million to state agencies, $1.6 million to Local Units of Government, and $11.3 to other non-State entities.

State General Fund Grant Programs

- **Domestic Violence Prevention Grants -** Funds are available to support community-based nonprofit organizations whose primary purpose is to operate programs and shelters for victims of sexual and domestic violence. Programs accreditation is reviewed by the Grant's Office; however, programs are no longer required to be accredited by the Kansas Coalition Against Sexual and Domestic Violence.

- **Child Advocacy Center Grants** - To initiate, enhance or expand grant projects that establish comprehensive Children's Advocacy Centers (CACs). CACs are child-focused, community-oriented programs that coordinate investigation and intervention services for abused children by bringing together professionals and agencies in a comprehensive, multi-disciplinary model. Eligible applicants include nonprofit organizations and units of state and local government.

Federal Grant Programs

- **GTEAP.** The goal of the Kansas Grant to Encourage Arrest and Enforcement of Protection Orders (GTEAP) project is to develop policies, protocols, best practices, and training curricula for all professions within the criminal justice system, so that all professions can provide a consistent response to victims of domestic violence.

  This uniform domestic violence training is for victim and offender services from the time of a 911 call reporting an incident, through the investigation,

arrest, prosecution, probation or parole, and release of an offender.

- **VAWA.** The Federal Office on Violence Against Women (OVW) currently administers 24 grant programs authorized by the Violence Against Women Act (VAWA) of 1994 and subsequent legislation. These grant programs are designed to develop the nation's capacity to reduce domestic violence, dating violence, sexual assault, and stalking by strengthening services to victims and holding offenders accountable.

Kansas is a recipient of the S.T.O.P. Violence Against Women Act (VAWA) grant program supports law enforcement and prosecution strategies to combat violent crimes against women and to develop and enhance victim services in cases involving violent crimes against women. Law enforcement agencies receive 25 percent of the grant funds, prosecution receives 25 percent, courts receive five percent, non-profit victims service organizations receive 30 percent and 15 percent can be used for discretionary purposes.

- **VOCA.** The Federal Victims of Crime Act Victim Assistance (VOCA) grant program provides direct services to crime victims to respond to their emotional and physical needs; assists primary and secondary crime victims in stabilizing their lives after victimization; assists victims in understanding and participating in the criminal justice system; and provides crime victims with a measure of safety. Priority is given to sexual assault, domestic violence, child abuse and underserved victims. The U.S. Department of Justice, Office for Victims of Crime provides funding for this grant.

- **JAG.** The original 1968 Act established 26 purposes for which the Byrne Formula funding could be used. Those were later expanded to 29 categories, then collapsed into the current seven purpose areas:

  - Law Enforcement;
  - Prosecution and Courts;
  - Crime Prevention and Education;
  - Corrections and Community Corrections;
  - Drug Treatment and Enforcement;
  - Planning, Evaluation, and Technology Improvement; and
  - Crime Victim and Witness Programs (Other Than Compensation).

  JAG is awarded to states and territories by a formula based on population and Part 1 violent crimes. Sixty percent of a state's total allocation flows to the state's criminal justice planning agency, the State Administering Agency (SAA). The SAA, in turn, passes a designated percentage (called the Variable Pass Through) to local governments and, through them, to non-profit service providers. The remaining 40 percent flows directly from the Bureau of Justice Assistance (BJA) to local governments based on part 1 violent crime as reported to the Federal Bureau of Investigation (FBI).

- **RSAT.** Through the RSAT (Residential Substance Abuse Treatment) initiative, BJA provides financial assistance, training, programmatic guidance, evaluation, and leadership to states

and local communities that are interested in administering substance abuse treatment programs in their correctional facilities.

Funds are distributed based on the following formula: each state is allocated a base amount of 0.4 percent of the total funds available for the program. The remaining funds are divided based on the same ratio of each participating state's prison population to the total prison population of all states.

- **NCHIP.** The goal of the Federal NCHIP (National Criminal History Improvement Program) grant program is to improve the nation's safety and security by enhancing the quality, completeness, and accessibility of criminal history record information and by ensuring the nationwide implementation of criminal justice and noncriminal justice background check systems. The NCHIP program serves as an umbrella for various record improvement activities and funding streams, each of which has unique goals and objectives. The Kansas Criminal Justice Coordinating Council (KCJCC) oversees criminal justice federal funding from the Federal National Criminal History Improvement Program (NCHIP).

- **NFSIA.** The Paul Coverdell Forensic Science Improvement Grants Program (the Coverdell program) awards grants to states and units of local government to help improve the quality and timeliness of forensic science and medical examiner services. Among other things, funds may be used to eliminate a backlog in the analysis of forensic evidence and to train and employ forensic laboratory personnel, as needed, to eliminate such a backlog. State Administering Agencies (SAAs) may apply for both "base" (formula) and competitive funds. Units of local government may apply for competitive funds.

- **BVP.** The (Bulletproof Vest Partnership) is a federal program to purchase bulletproof vests. Justice Assistance Grant (JAG) funds or other federal funding sources may not be used to pay for that portion of the bullet proof vest (50 percent) that is not covered by BVP funds.

- **SAVP.** The Federal State Access and Visitation Program (SAVP) provides supervised child exchange and supervised child visitation services to children and families at risk because of circumstances relating to neglect; substance abuse; emotional, physical or sexual abuse; domestic or family violence. The U.S. Department of Health and Human Services provides funding for this grant.

- **John R. Justice.** The John R. Justice (JRJ) Grant Program provides student loan repayment assistance for local, state, and federal government public defenders and local and state government prosecutors who commit to serving as public defenders and prosecutors for at least three years. JRJ is administrated by the U.S. Department of Justice, Bureau of Justice Assistance.

ESTIMATED PASS-THROUGH GRANTS TO KANSAS STATE AGENCIES - FY 2015 - FY 2017

Agency	Grant program	FY 2015 Estimated	FY 2016 Estimated	FY 2017 Estimated
Attorney General	GTEAP	$ 50,510	$ 0	$ 0
	VAWA	132,636	123,543	123,543
Department of Administration	JAG	111,969	102,806	102,806
Department of Corrections	GTEAP	42,082	0	0
	JAG	288,967	244,169	244,169
	RSAT	98,191	82,813	82,813
	VOCA	26,624	19,918	19,918
KS. Bureau of Investigation	BVP	1,193	0	0
	JAG	612,888	220,233	107,733
	NCHIP	349,827	221,440	221,440
	NFSIA	39,987	17,292	17,292
	VAWA	47,122	46,502	46,502
Kansas Highway Patrol	JAG	701,609	94,745	94,745
Law Enforcement Training Ctr	JAG	99,850	0	0
	VAWA	12,934	10,800	10,800
University of Kansas	VAWA	166,268	221,690	221,690
Kansas State University	JAG	12,090	16,120	16,120
Office of Judicial Admin.	GTEAP	28,317	0	0
Ellsworth Correctional Fac.	BVP	2,457	0	0
		$ 2,825,521	**$ 1,422,071**	**$ 1,309,571**

AID TO LOCAL GOVERNMENTS - GRANT PROGRAM		
Federal Aid Payments	FY 2016	FY 2017
VAWA - STOP	$ 331,766	$ 331,766
NFSIA - Paul Coverdell	47,519	47,519
VOCA - Victim Assistance	549,123	549,123
JAG	744,424	715,740
John R. Justice	14,914	14,914
Totals	**$ 1,687,746**	**$ 1,659,062**

OTHER ASSISTANCE - GRANT PROGRAM		
Federal and State Aid	FY 2016	FY 2017
SGF - Domestic Violence and Sexual Assault	$ 3,586,728	$ 3,576,821
SGF - Child Advocacy	810,693	809,787
PGAGF - Domestic Violence and Sexual Assault	550,000	550,000
PGAGF - Child Advocacy	150,000	150,000
GTEAP	113,767	135,245
STOP - VAWA	651,138	651,138
VOCA - Victim Assistance	3,261,156	3,261,156
State Access and Visitation	95,000	95,000
Family Violence Prevention	1,150,810	1,167,050
Sexual Assault Services	281,770	281,770
JAG	641,292	635,193
John R. Justice	13,766	13,766
Totals	**$ 11,306,120**	**$ 11,326,926**

Hispanic and Latino American Affairs Commission

The Kansas Hispanic & Latino American Affairs Commission (KHLAAC) is a seven member body appointed by political leaders in Kansas. The Commission serves as a liaison for the Kansas Hispanic & Latino Community and the Office of the Governor. The Commission addresses public policy concerns primarily in the areas related to education, health, and business. The Commission works closely with the Kansas Hispanic & Latino American Legislative Caucus as well as other state agencies in order to improve the lives of all Kansans.

Major programs include the following.

- *Interpreter and Translator Task Force:* The Commission is currently developing a handbook of best practices. The goals of the task force are to identify the process for state credentialing of qualified interpreters/translators, to find or train qualified individuals to provide quality interpretation/translators and to implement the identified process and fund the initiative.

- *Business Outreach:* The Commission works with Hispanic owned business to assist in marketing and community outreach.

- *Impressario:* Follows sole source contracts to Hispanic owned businesses.

- *Promotores de Salud:* The program provides community assistance and outreach to non-traditional health workers, predominantly family members. The Kansas Department for Health and Environment has been assisting the program for the last five years.

Kansas Commission on Disability Concerns

The Kansas Commission on Disability Concerns (KCDC) focuses on partnerships, information, and referral at the state, regional, and local level for persons with disabilities. The Commission provides policy recommendations to the State of Kansas on changes to laws, regulations and programs that affect people with disabilities.

The Commission provides information to the public (communities and people) with disabilities on employment (work), school (to work or transition), home, play/community, youth issues, and disability history. KCDC is also an informational and referral resource for people who are not sure where to go for their problem or issue.

Major programs include the following.

- *Kansas Employment First Oversight Commission* - The Employment First law (K.S.A. 44-1136-38) sets as the official policy of the State of Kansas that competitive and integrated employment is the first option when serving people with disabilities, established definitions of "competitive" and "integrated" employment, and details the requirements of state agencies to conform to the law. This is a five member commission appointed by leaders of the House and Senate and the Governor.

- *Cooperation with Independent Living Centers* - The KDCD works with independent living centers to establish disability mentoring days and provides a safe harbor for meeting with disabled job applicants*. The role of the KCDC is oversight only.*

- *Disabled rights Advocacy* - The KCDC advocates for policy changes including service dog laws and

updates to the Kansas American with Disabilities Act.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017

The agency does not have any performance measures.

SECRETARY OF STATE

	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	$ 44,000	$ 43,120	$ 0	$ 0	$ 0	$ 0
Other Funds	5,099,289	5,492,393	5,464,568	5,674,664	5,644,868	5,859,053	5,828,593
TOTAL	$ 5,099,289	$ 5,536,393	$ 5,507,688	$ 5,674,664	$ 5,644,868	$ 5,859,053	$ 5,828,593
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	**$ 5,099,289**	**$ 5,536,393**	**$ 5,507,688**	**$ 5,674,664**	**$ 5,644,868**	**$ 5,859,053**	**$ 5,828,593**
Percentage Change:							
Operating Expenditures							
State General Fund	(100.0) %	100.0 %	100.0 %	(100.0) %	(100.0) %	-- %	-- %
All Funds	(0.8)	8.6	8.0	2.5	2.5	3.2	3.3
FTE Positions	44.0	48.0	48.0	48.0	48.0	48.0	48.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	44.0	48.0	48.0	48.0	48.0	48.0	48.0

AGENCY OVERVIEW

The Secretary of State is an elected official who serves as the custodian of official government documents for the State of Kansas. The Secretary administers the laws relating to business entities, elections and legislative matters, and the Uniform Commercial Code, and performs other executive duties. The Kansas Constitution requires the Secretary of State to countersign commissions of the Governor, file declarations of candidacies, file and index charter ordinances, and publish regulations for constitutional amendments. The Secretary of State is also responsible for the distribution of the Kansas Statutes Annotated and its supplements, Session Laws of Kansas, Kansas Administrative Regulations, and the Kansas Register.

To carry out its duties the Office of the Secretary of State is organized into the following divisions: Administrative Services; Business Services (including the Uniform Commercial Code); and Elections and Legislative Matters. In addition, the Secretary of State is charged with the implementation of the federal Help America Vote Act (HAVA) of 2002.

MAJOR ISSUES FROM PRIOR YEARS

The **2003 Legislature** approved the Governor's recommendation that all State General Fund monies appropriated to the agency should be phased out and by FY 2005 the Secretary of State should become fee funded (except for State General Fund financing to be used to match federal HAVA funds). The Legislature authorized the agency to charge an information services fee (2003 SB 239) to offset the reduction in State General Fund financing.

The **2006 Legislature** enacted Senate Bill 275 which allowed the Secretary of State to deposit proceeds generated from the sale and shipment of Session Laws of Kansas, Kansas Administrative Regulations (KARs), and the supplement volumes into the agency's Information Services Fee Fund, rather than to the State General Fund. In addition, the bill allowed the Secretary of State to deposit the revenue collected from the shipments of the Kansas Statutes Annotated (KSAs) and supplements into the Information Services Fee Fund, rather than to the State General Fund.

The **2010 Legislature** added $1.5 million, all from federal Help America Vote Act (HAVA) funds, for FY 2011. This funding will allow counties to make improvements to election administration systems, including the purchase of voting equipment, software and supplies. This is funding from existing balances of the federal funds and no additional state match is required to utilize these funds.

The **2010 Legislature** added $435,000, all from special revenue funds (various fee funds), for FY 2011 to allow the agency to expend up to $435,000 for publication of any proposed constitutional amendments adopted by the 2009 or 2010 Legislature.

The **2012 Legislature** added $77,000, all from the State General Fund, for FY 2013 for publication of a constitutional amendment, HCR 5017, which concerned taxation of watercraft.

The **2013 Legislature** deleted $230,235, all from special revenue funds, to reflect reduced funding for salaries and wages for FY 2014 and FY 2015.

The **2014 Legislature** added $44,000, all from the State General Fund, for FY 2015 for publication of a constitutional amendment, SCR 1618, which concerned taxation of raffles.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency estimate**s FY 2015 operating expenditures of $5,536,393, including $44,000 from the State General Fund. The revised estimate is an all funds decrease of $371,284, or 6.3 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to lower than anticipated salary and wage expenditures, reduced contractual service specifically expense related to advertising, printing and binding, postage and communication and aid to local units of government. The agency estimates 48.0 FTE positions, which is the same amount approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of $5,507,688, including $43,120 from the State General Fund. The recommendation is an overall decrease of $28,705, or 0.5 percent, including $880 from the State General Fund, below the agency's revised FY 2015 estimate. The decrease is attributable to the Governor's December 2014 allotment, specifically a 4.0 percent (6 month) State General Fund allotment and a reduction to the KPERS employer contribution rate.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of $5,674,664, all from special revenue funds. The request is an increase of $138,271, or 2.5 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased salary and wage expenditures, primarily due to an open information technology position that will be filled for the entirety of FY 2016 and employer contributions to fringe benefits, and increased contractual service expenditures. Those increases are partially offset by reduced capital outlay expenditures. The agency requests 48.0 FTE positions, the same number as the agency's revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $5,664,868, all from special revenue funds. The recommendation is a decrease of $29,796, or 0.5 percent, below the agency's FY 2016 request. The Governor recommends a reduction of $29,796 to reduce employer contributions for state employee health insurance. The Governor further recommends increasing the amount withheld from the agency's fee fund revenue in the Uniform Commercial Code Fee Fund from 10.0 percent or $100,000 to 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 $25,000 for FY 2016.

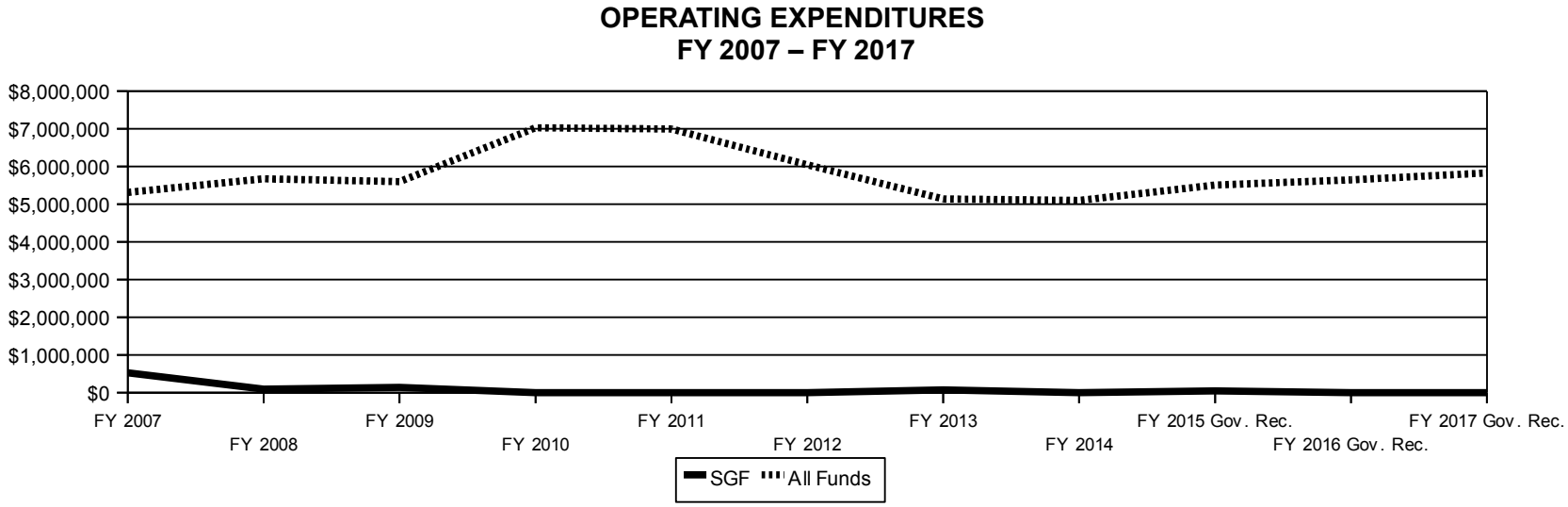
FY 2017 Agency Request

The **agency** requests FY 2017 operating expenditures of $5,859,053, all from special revenue funds. The request is an increase of $184,389, or 3.2 percent, above the agency's FY 2016 request. The increase is primarily attributable to a 27th pay period that occurs in the fiscal year and increased employer KPERS contribution rates. The agency requests 48.0 FTE positions, the same number requested in FY 2016.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $5,828,593, all from special revenue funds. The recommendation is a decrease of $30,460, or 0.5 percent, below the agency's FY 2017 request. The Governor recommends a reduction of $30,460 to reduce employer contributions for state employee health insurance. The Governor further recommends increasing the amount withheld from the agency's fee fund revenue in the Uniform Commercial Code Fee Fund from 10.0 percent or $100,000 to 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 $25,000 for FY 2017.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 528,432	999.0 %	$ 5,313,473	9,999.0 %	54.0
2008	91,365	(82.7)	5,674,595	6.8	55.0
2009	139,908	53.1	5,598,398	(1.3)	55.0
2010	700	(99.5)	7,027,186	25.5	55.0
2011	0	(100.0)	6,996,385	(0.4)	54.0
2012	0	--	6,044,624	(13.6)	51.0
2013	69,966	100.0	5,139,433	(15.0)	45.0
2014	0	(100.0)	5,099,289	(0.8)	44.0
2015 Gov. Rec.	43,120	100.0	5,507,688	8.0	48.0
2016 Gov. Rec.	0	(100.0)	5,644,868	2.5	48.0
2017 Gov. Rec.	0	--	5,828,593	3.3	48.0
Eleven-Year Change	$ (528,432)	(100.0)%	$ 515,120	9.7 %	(6.0)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 2,528,635	$ 2,743,393	$ 2,783,790	$ 40,397	1.5 %	$ 2,724,010	$ 2,764,623	$ 40,613	1.5 %
Business Services	887,689	911,725	967,970	56,245	6.2	905,878	960,794	54,916	6.1
Elections and Legislative Matters	526,740	572,493	557,475	(15,018)	(2.6)	569,018	554,022	(14,996)	(2.6)
Help America Vote Act	1,156,225	1,308,782	1,365,429	56,647	4.3	1,308,782	1,365,429	56,647	4.3
TOTAL	$ 5,099,289	$ 5,536,393	$ 5,674,664	$ 138,271	2.5 %	$ 5,507,688	$ 5,644,868	$ 137,180	2.5 %
By Major Object of Expenditure:									
Salaries and Wages	$ 2,759,470	$ 2,956,014	$ 3,033,713	$ 77,699	2.6 %	$ 2,928,189	$ 3,003,917	$ 75,728	2.6 %
Contractual Services	1,821,514	2,097,104	2,146,701	49,597	2.4	2,096,224	2,146,701	50,477	2.4
Commodities	49,465	60,925	61,800	875	1.4	60,925	61,800	875	1.4
Capital Outlay	236,861	122,350	102,450	(19,900)	(16.3)	122,350	102,450	(19,900)	(16.3)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 4,867,310	$ 5,236,393	$ 5,344,664	$ 108,271	2.1 %	$ 5,207,688	$ 5,314,868	$ 107,180	2.1 %
Aid to Local Units	231,979	300,000	330,000	30,000	10.0	300,000	330,000	30,000	10.0
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 5,099,289	$ 5,536,393	$ 5,674,664	$ 138,271	2.5 %	$ 5,507,688	$ 5,644,868	$ 137,180	2.5 %
Financing:									
State General Fund	$ 0	$ 44,000	$ 0	$ (44,000)	(100.0) %	$ 43,120	$ 0	$ (43,120)	(100.0)%
Information and Services Fee Fund	2,831,498	2,839,979	2,691,685	(148,294)	(5.2)	2,820,712	2,669,955	(150,757)	(5.3)
Technology Communication Fee Fund	807,882	937,281	1,229,768	292,487	31.2	930,082	1,222,921	292,839	31.5
Uniform Commercial Code Fee Fund	174,223	249,032	228,011	(21,021)	(8.4)	248,442	227,554	(20,888)	(8.4)
Federal Funds	942,597	1,040,782	1,089,574	48,792	4.7	1,040,782	1,089,574	48,792	4.7
All Other Funds	343,089	425,319	435,626	10,307	2.4	424,550	434,864	10,314	2.4
TOTAL	$ 5,099,289	$ 5,536,393	$ 5,674,664	$ 138,271	2.5 %	$ 5,507,688	$ 5,644,868	$ 137,180	2.5 %

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	$ 2,783,790	$ 2,893,138	$ 109,348	3.9 %	$ 2,764,623	$ 2,873,521	$ 108,898	3.9 %
Business Services	967,970	1,010,322	42,352	4.4	960,794	1,003,002	42,208	4.4
Elections and Legislative Matters	557,475	589,688	32,213	5.8	554,022	586,165	32,143	5.8
Help America Vote Act	1,365,429	1,365,905	476	0.0	1,365,429	1,365,905	476	0.0
TOTAL	$ 5,674,664	$ 5,859,053	$ 184,389	3.2 %	$ 5,644,868	$ 5,828,593	$ 183,725	3.3 %
By Major Object of Expenditure:								
Salaries and Wages	$ 3,033,713	$ 3,169,702	$ 135,989	4.5 %	$ 3,003,917	$ 3,139,242	$ 135,325	4.5 %
Contractual Services	2,146,701	2,188,175	41,474	1.9	2,146,701	2,188,175	41,474	1.9
Commodities	61,800	65,150	3,350	5.4	61,800	65,150	3,350	5.4
Capital Outlay	102,450	106,550	4,100	4.0	102,450	106,550	4,100	4.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 5,344,664	$ 5,529,577	$ 184,913	3.5 %	$ 5,314,868	$ 5,499,117	$ 184,249	3.5 %
Aid to Local Units	330,000	329,476	(524)	(0.2)	330,000	329,476	(524)	(0.2)
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 5,674,664	$ 5,859,053	$ 184,389	3.2 %	$ 5,644,868	$ 5,828,593	$ 183,725	3.3 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Information and Services Fee Fund	2,691,685	2,796,464	104,779	3.9	2,669,955	2,774,254	104,299	3.9
Technology Communication Fee Fund	1,229,768	1,063,359	(166,409)	(13.5)	1,222,921	1,056,354	(166,567)	(13.6)
Uniform Commercial Code Fee Fund	228,011	455,066	227,055	99.6	227,554	454,600	227,046	99.8
Federal Funds	1,089,574	1,066,279	(23,295)	(2.1)	1,089,574	1,066,279	(23,295)	(2.1)
All Other Funds	435,626	477,885	42,259	9.7	434,864	477,106	42,242	9.7
TOTAL	$ 5,674,664	$ 5,859,053	$ 184,389	3.2 %	$ 5,644,868	$ 5,828,593	$ 183,725	3.3 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $44,000 for the Secretary of State in FY 2015. One adjustment has subsequently been made to that amount. This adjustment changes the current year approved amount without any legislative action required. For this agency, the following adjustments have been made.

- A reduction of $880, as the result of the Governor's December 9th State General Fund allotment.

This adjustment changes the FY 2015 approved State General Fund to $43,120 That amount is reflected in the table below as the currently approved FY 2015 State General Fund amount. The agency's budget was submitted prior to the December allotment, so the agency's revised budget estimates do not incorporate the allotment.

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	$ 43,120	$ 44,000	$ 880	$ 43,120	$ 0
All Other Funds	5,864,557	5,492,393	(372,164)	5,464,568	(399,989)
TOTAL	$ 5,907,677	$ 5,536,393	$ (371,284)	$ 5,507,688	$ (399,989)
FTE Positions	48.0	48.0	0.0	48.0	0.0

The **agency estimates** FY 2015 operating expenditures of $5,536,393, including $44,000 from the State General Fund. The revised estimate is a decrease of $371,284, or 6.3, percent, below the amount approved by the 2014 Legislature. The decrease is attributable to lower than anticipated salary and wage expenditures and reduced contractual services,

specifically expenditures related to advertising, printing and binding, postage and communication and aid to local units of government. The agency estimates 48.0 FTE positions, which is the same amount approved by the 2014 Legislature. Major changes from the approved amount include the following items.

- **Salaries and Wages.** The agency estimates $2,956,014, all from special revenue funds, for salaries and wages in FY 2015. The revised estimate is a decrease of $54,000, or 1.8 percent, percent, below the amount approved by the 2014 Legislature. The decrease is attributable to an open information technology position that will only be filled for a partial year.

- **Contractual Services.** The agency estimates $2,097,104, including $44,000 from the State General Fund, for contractual services in FY 2015. The revised estimate is a decrease of $113,309, or 5.1 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to reduced communication services, computer programming, and advertising expenditures, partially offset by increased information technology consulting, and computer software maintenance.

- **Commodities.** The agency estimates $60,925, all from special revenue funds, for commodities in FY 2015. The revised estimate is a decrease of $22,425, or 26.9 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to reduced expenditures on office stationary and other office supplies.

- **Aid to Local Units.** The agency estimates $300,000, all from special revenue funds, for aid to local units of government in FY 2015. The revised estimate is a decrease of $195,000, or 39.4 percent, below the amount approved by the 2013 Legislature. The decrease is attributable to reduced aid from the federal government related to the Help America Vote Act.

The **Governor** recommends FY 2015 operating expenditures of $5,507,688, including $43,120 from the State General Fund. The recommendation is an overall decrease of $28,705, or 0.5 percent, including $880 from the State General Fund, below the agency's revised FY 2015 estimate. The decrease is attributable to the Governor's December 2014 allotment, specifically a 4.0 percent (6 month) State General Fund allotment and a reduction to the KPERS employer contribution rate.

Governor's Allotments

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. This prompted the Governor to address the shortfall with 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. The allotments shown in the table below reflect only those allotments which have already taken place.

GOVERNOR'S ALLOTMENTS			
Allotment	SGF	All Funds	FTE
December Allotment			
Reduce SGF funding by 4.0 percent	$ (880)	$ (880)	0.0

4.0 percent reduction to Cabinet-level and other SGF funded agencies:

A reduction of $880, as a result of the Governor's State General Fund allotment of 4.0 percent over the last six months or 2.0 percent for the whole fiscal year to Cabinet and other State General Funded agencies in FY 2015. This allotment will be managed by the Elections program through decreased contractual services expenditures received for the publication of the constitutional amendment.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 5,674,664	$ 5,644,868	$ (29,796)
FTE Positions	48.0	48.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ (44,000)	$ (43,120)	
All Other Funds	182,271	180,300	
TOTAL	$ 138,271	$ 137,180	
Percent Change:			
State General Fund	(100.0) %	(100.0) %	
All Other Funds	3.3	3.3	
TOTAL	2.5 %	2.5 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of $5,674,664, all from special revenue funds. The request is an increase of $138,271, or 2.5 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased salary and wage expenditures, primarily due to an open information technology position that will be filled for the entirety of FY 2016 and employer contributions to fringe benefits, and increased contractual service expenditures. Those increases are partially offset by reduced capital outlay expenditures. The agency requests 48.0 FTE positions, the same amount as the agency's revised FY 2015 estimate. Major changes from the revised FY 2015 estimate include the following items.

- **Salaries and Wages.** The agency requests $3,033,713, all from special revenue funds, for

salaries and wages in FY 2016. The request is an increase of $77,699, or 2.6 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased unclassified employee wages, specifically for an information technology position that was filled for a partial year in FY 2015, increased KPERS employer contribution rates, partially offset by reduced group health insurance expenditures and unclassified temporary employee wages.

- **Contractual Services.** The agency requests $2,146,701, all from special revenue funds, for contractual services in FY 2016. The request is an increase of $49,597, or 2.4 percent, above the agency's revised FY 2015 estimate. The increase is predominately attributable to rent and operating charges and is partially offset by reduced advertising expenditures, specifically costs related to the publication of constitutional amendments.

- **Capital Outlay.** The agency requests $102,450, all from special revenue funds, for capital outlay in FY 2016. The request is a decrease of $19,900, or 16.3 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced software and hardware expenditures, which are upgraded and replaced on a rotation schedule.

The **Governor** recommends FY 2016 operating expenditures of $5,664,868, all from special revenue funds. The recommendation is a decrease of $29,796, or 0.5 percent, below the agency's FY 2016 request. The Governor recommends a reduction of $29,796 to reduce employer contributions for state employee health insurance. The Governor further recommends increasing the amount withheld from the agency's fee fund revenue in the Uniform Commercial Code Fee Fund from 10.0 percent or $100,000 to 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 $25,000 for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 5,859,053	$ 5,828,593	$ (30,460)
FTE Positions	48.0	48.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	184,389	183,725	
TOTAL	$ 184,389	$ 183,725	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	3.2	3.3	
TOTAL	3.2 %	3.3 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests requests FY 2017 operating expenditures of $5,859,053, all from special revenue funds. The request is an increase of $184,389, or 3.2 percent, above the agency's FY 2016 request. The increase is primarily attributable to a 27th pay period that occurs in the fiscal year and increased employer KPERS contribution rates. The agency requests 48.0 FTE positions, the same amount requested in FY 2016. Major changes from the agency's FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests $3,169,702, all from special revenue funds, for salaries and wages in FY 2017. The request is an increase of $135,989, or 4.5 percent, above the agency's FY 2016 request. The increase is

attributable to a 27th pay period that occurs in the fiscal year and increased employer KPERS contribution rates.

The **Governor** recommends FY 2017 operating expenditures of $5,828,593, all from special revenue funds. The recommendation is a decrease of $30,460, or 0.5 percent, below the agency's FY 2017 request. The Governor recommends a reduction of $30,460 to reduce employer contributions for state employee health insurance. The Governor further recommends increasing the amount withheld from the agency's fee fund revenue in the Uniform Commercial Code Fee Fund from 10.0 percent or $100,000 to 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 $25,000 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 $10,877, all from special revenue funds, and affects 35 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, no employees are eligible for longevity bonus payments.**

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 $29,796, all from special revenue funds, for FY 2016. This is a reduction of $30,460, 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 %
Information and Services Fee Fund	47.4	47.3	47.7	47.6
Technology Communication Fee Fund	21.6	21.7	18.1	18.1
Uniform Commercial Code Fee Fund	4.0	4.0	7.7	7.8
Federal Funds	19.2	19.3	18.1	18.3
All Other Funds	7.8	7.7	8.4	8.2
TOTAL	100.0 %	100.0 %	100%	100%

Note: Percentages may not add due to rounding.

Information and Copy Services Fee Fund

The Information and Copy Services Fee Fund is used to finance agency functions that provide public information when requested. Revenues to the fund include fees charged for computer access, diskettes, tapes, certified copies, regular copies, Uniform Commercial Code (UCC) copies, listings, and microfilm. Revenue projections are based on receipt trends, the economy, law changes, fee increases/decreases and the volume of documents filed electronically (in many cases the electronic fee is lower).

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	$ 1,080,344	$ 948,533	$ 948,533	$ 761,054	$ 780,321	$ 744,869	$ 785,866
Revenue	2,714,363	2,650,000	2,650,000	2,673,000	2,673,000	2,673,000	2,673,000
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 3,794,707	$ 3,598,533	$ 3,598,533	$ 3,434,054	$ 3,453,321	$ 3,417,869	$ 3,458,866
Less: Expenditures	2,846,174	2,837,479	2,818,212	2,689,185	2,667,455	2,793,964	2,771,754
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 948,533	$ 761,054	$ 780,321	$ 744,869	$ 785,866	$ 623,905	$ 687,112
Ending Balance as Percent of Expenditures	33.3%	26.8%	27.7%	27.7%	29.5%	22.3%	24.8%

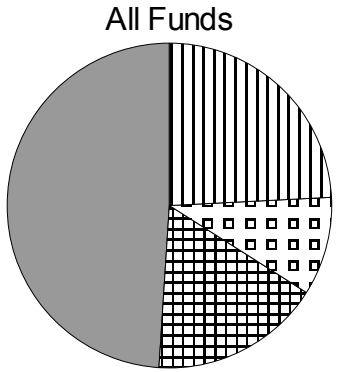
Technology Communication Fee Fund

The fund is used to support the continuing development of electronic government and business in the State of Kansas, including the electronic filing of forms for businesses. As specified in KSA 75-444, the Secretary of State shall charge a technology communication fee, not exceeding $5, to cover the cost of technology systems.

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	$ 351,972	$ 723,134	$ 723,134	$ 780,853	$ 788,052	$ 541,085	$ 555,131
Revenue	1,179,044	995,000	995,000	990,000	990,000	985,000	985,000
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 1,531,016	$ 1,718,134	$ 1,718,134	$ 1,770,853	$ 1,778,052	$ 1,526,085	$ 1,540,131
Less: Expenditures	807,882	937,281	930082	1,229,768	1,222,921	1,063,359	1,056,354
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 723,134	$ 780,853	$ 788,052	$ 541,085	$ 555,131	$ 462,726	$ 483,777
Ending Balance as Percent of Expenditures	89.5%	83.3%	84.7%	44.0%	45.4%	43.5%	45.8%

$

EXPENDITURES BY PROGRAM-- GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	$ 2,764,623	49.0 %	$ 0	-- %
Business Services	960,794	17.0	0	--
Elections and Legislative Matters	554,022	9.8	0	--
Help America Vote Act	1,365,429	24.2	0	--
TOTAL	$ 5,644,868	100.0 %	$ 0	--%

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	26.0	29.0	29.0	29.0	29.0	29.0	29.0
Business Services	13.0	14.0	14.0	14.0	14.0	14.0	14.0
Elections and Legislative Matters	5.0	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL	44.0	48.0	48.0	48.0	48.0	48.0	48.0

A. Administration

The Administration program provides services for other divisions within the agency, including management, legal, financial, communication, human resources, and information technology. In addition, it is responsible for the preparation of office publications and forms, including the Kansas Register (the official state newspaper), the Session Laws of Kansas, and the Kansas Administrative Regulations. In addition, the program is responsible for promoting efficiencies in the agency's imaging and electronic records systems.

ADMINISTRATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,822,631	$ 1,998,675	$ 1,979,292	$ 1,963,616	$ 1,944,449	$ 2,053,049	$ 2,033,432
Contractual Services	596,258	673,468	673,468	752,924	752,924	769,389	769,389
Commodities	17,848	20,000	20,000	21,400	21,400	22,750	22,750
Capital Outlay	91,898	51,250	51,250	45,850	45,850	47,950	47,950
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 2,528,635	$ 2,743,393	$ 2,724,010	$ 2,783,790	$ 2,764,623	$ 2,893,138	$ 2,873,521
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 2,528,635	$ 2,743,393	$ 2,724,010	$ 2,783,790	$ 2,764,623	$ 2,893,138	$ 2,873,521
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	2,528,635	2,743,393	2,724,010	2,783,790	2,764,623	2,893,138	2,873,521
TOTAL	$ 2,528,635	$ 2,743,393	$ 2,724,010	$ 2,783,790	$ 2,764,623	$ 2,893,138	$ 2,873,521
FTE Positions	26.0	29.0	29.0	29.0	29.0	29.0	29.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	26.0	29.0	29.0	29.0	29.0	29.0	29.0

The **agency** requests FY 2016 operating expenditures of $2,783,790, all from special revenue funds, for agency administration. The revised estimate is an increase of $40,397, or 1.5 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased contractual services, primarily rent and state building operating charges, and is partially offset by reduced salary and wage and capital outlay expenditures. Major changes from the revised FY 2015 estimate include the following items.

- **Salaries and Wages.** The agency requests $1,963,616, all from special revenue funds, for salaries and wages in FY 2016. The request is a decrease of $35,059, or 1.8 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced employer health insurance expenditures and reduced unclassified regular employee wages.

- **Contractual Services.** The agency requests $752,924, all from special revenue funds, for contractual services in FY 2016. The request is an increase of $79,456, or 11.8 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased rent and state building operating charges paid by the agency, and the monumental building surcharge.

The **Governor** recommends FY 2016 operating expenditures of $2,764,623, all from special revenue funds. The recommendation is a decrease of $19,167, or 0.7 percent, below the agency's request. The decrease is attributable to the reduced employer contributions for state employee health insurance.

The **agency** requests FY 2017 operating expenditures of $2,893,138, all from special revenue funds, for agency administration. The request is an increase of $109,348, or 3.9 percent, above the agency's FY 2016 request. The increase is primarily attributable to a 27th pay period that occurs in FY 2017. Major changes from the agency's FY 2016 request include the following:

- **Salaries and Wages.** The agency requests $2,053,049, all from special revenue funds, for salaries and wages in FY 2017. The request is an increase of $89,433, or 4.6 percent, above the agency's FY 2016 request. The increase is primarily attributable to an additional pay period that occurs in the fiscal year and increased employer KPERS contributions.

- **Contractual Services.** The agency requests $769,389, all from special revenue funds, for contractual services in FY 2017. The request is an increase of $16,465, or 2.2 percent, above the agency's FY 2016 request. The increase is attributable to increased expenditures for state printing and binding, facilities management work orders, and computer/software maintenance.

The **Governor** recommends FY 2017 operating expenditures of $2,873,521, all from special revenue funds. The recommendation is a decrease of $19,167, or 0.7 percent, below the agency's request. The decrease is attributable to the reduced employer contributions for state employee health insurance.

B. Business Services

The Business Services Division administers the Kansas General Corporations Code, the Kansas Limited Liability Company Act, the Kansas Uniform Limited Partnership Act, the Kansas Uniform Commercial Code, and related laws. This division ensures that customers have forms and procedures to follow in forming and maintaining business entities and in gaining easy access to business records that date to the beginning of the state. The number of annual reports processed each year by the division exceeds 150,000. The program currently has about 356,000 UCC filings on record. In FY 1995, the Kansas uniform commercial code program became the first in the nation to accept electronic filings of UCC financing statements. The office currently receives more than 90% of its nearly 100,000 annual UCC transactions electronically.

BUSINESS SERVICES
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 655,275	$ 676,998	$ 671,151	$ 751,084	$ 743,908	$ 783,230	$ 775,910
Contractual Services	139,197	187,552	187,552	177,211	177,211	185,517	185,517
Commodities	9,293	11,575	11,575	12,075	12,075	12,475	12,475
Capital Outlay	83,924	35,600	35,600	27,600	27,600	29,100	29,100
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 887,689	$ 911,725	$ 905,878	$ 967,970	$ 960,794	$ 1,010,322	$ 1,003,002
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 887,689	$ 911,725	$ 905,878	$ 967,970	$ 960,794	$ 1,010,322	$ 1,003,002
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	887,689	911,725	905,878	967,970	960,794	1,010,322	1,003,002
TOTAL	$ 887,689	$ 911,725	$ 905,878	$ 967,970	$ 960,794	$ 1,010,322	$ 1,003,002
FTE Positions	13.0	14.0	14.0	14.0	14.0	14.0	14.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	13.0	14.0	14.0	14.0	14.0	14.0	14.0

The **agency** requests FY 2016 operating expenditures of $967,970, all from special revenue funds, for the Business Services program. The request is an increase of $56,245, or 6.2 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased salary and wage expenditures, offset partially by reduced contractual service and capital outlay expenditures. Major changes from the revised FY 2015 estimate include the following items.

- **Salaries and Wages.** The agency requests $751,084, all from special revenue funds, for salaries and wages in FY 2016. The request is an increase of $74,086, or 10.9 percent, above the agency's revised FY 2015 estimate. The increase is attributable to an information technology position that will be filled for the entire fiscal year, whereas it was only filled for a partial year in FY

2015, and increased employer KPERS contributions.

- **Contractual Services.** The agency requests $177,211, all from special revenue funds, for contractual services in FY 2016. The request is a decrease of $10,341, or 5.5 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced information technology consulting expenditures.

- **Capital Outlay.** The agency requests $27,600, all from special revenue funds, for capital outlay in FY 2016. The request is a decrease of $8,000, or 22.5 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced software license and computer hardware expenditures.

The **Governor** recommends FY 2016 operating expenditures of $960,794 all from special revenue funds. The recommendation is a decrease of $7,176, or 0.7 percent, below the agency's request. The decrease is attributable to the reduced employer contributions for state employee health insurance.

The **agency** requests FY 2017 operating expenditures of $1,010,322 all from special revenue funds, for the Business Services program. The request is an increase of $43,352, or 4.4 percent, above the agency's FY 2016 request. The increase is primarily attributable to a 27th pay period that occurs in FY 2017. Major changes from the agency's FY 2016 request include the following:

- **Salaries and Wages.** The agency requests $783,230, all from special revenue funds, for salaries and wages in FY 2017. The request is an increase of $32,146, or 4.3 percent, above the agency's FY 2016 request. The increase is primarily attributable to an additional pay period that occurs in the fiscal year and increased employer KPERS contributions.

The **Governor** recommends FY 2017 operating expenditures of $1,003,002, all from special revenue funds. The recommendation is a decrease of $7,320, or 0.7 percent, below the agency's request. The decrease is attributable to the reduced employer contributions for state employee health insurance.

C. Elections and Legislative Matters

The Elections and Legislative Matters Division performs statutory functions related to elections and the Legislature and provides the public with information on these issues. The division oversees and administers the electoral process in Kansas; promotes public participation in the electoral process; maintains files of public records; responds to inquiries and informational requests; and distributes publications including Kansas Statutes Annotated, Session Laws of Kansas, Senate and House journals, and Kansas Administrative Regulations. In addition, the division registers lobbyists, issues lobbyist badges, and files lobbyist expenditure reports.

ELECTIONS AND LEGISLATIVE MATTERS
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 281,564	$ 280,341	$ 277,746	$ 319,013	$ 315,560	$ 333,423	$ 329,900
Contractual Services	170,405	243,902	243,022	197,737	197,737	213,440	213,440
Commodities	13,732	20,750	20,750	19,725	19,725	21,325	21,325
Capital Outlay	61,039	27,500	27,500	21,000	21,000	21,500	21,500
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 526,740	$ 572,493	$ 569,018	$ 557,475	$ 554,022	$ 589,688	$ 586,165
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 526,740	$ 572,493	$ 569,018	$ 557,475	$ 554,022	$ 589,688	$ 586,165
Financing:							
State General Fund	$ 0	$ 44,000	$ 43,120	$ 0	$ 0	$ 0	$ 0
All Other Funds	526,740	528,493	525,898	557,475	554,022	589,688	586,165
TOTAL	$ 526,740	$ 572,493	$ 569,018	$ 557,475	$ 554,022	$ 589,688	$ 586,165
FTE Positions	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	5.0	5.0	5.0	5.0	5.0	5.0	5.0

The **agency** requests FY 2016 operating expenditures of $557,475, all from special revenue funds, for the Elections and Legislative Matters program. The request is a decrease of $15,018, or 2.6 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced contractual service and capital outlay expenditures, offset partially by increased salary and wage expenditures. Major changes from the revised FY 2015 estimate include the following items.

- **Salaries and Wages.** The agency requests $319,013, all from special revenue funds, for salaries and wages in FY 2016. The request is an increase of $38,672, or 13.8 percent, above the agency's revised FY 2015 estimate. The increase is attributable to an increased employer KPERS contributions, group health insurance costs and unclassified regular employee wages, offset

partially by reduced unclassified temporary employee wages.

- **Contractual Services.** The agency requests $197,737, all from special revenue funds, for contractual services in FY 2016. The request is a decrease of $46,165, or 18.9 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to agency experiencing one time costs associated with the publication of the constitutional amendment pertaining to raffles.

- **Capital Outlay.** The agency requests $21,000, all from special revenue funds, for capital outlay in FY 2016. The request is a decrease of $6,500, or 23.6percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced expenditures on software licenses and computer hardware.

The **Governor** recommends FY 2016 operating expenditures of $554,022 all from special revenue funds. The recommendation is a decrease of $3,453, or 0.6 percent, below the agency's request. The decrease is attributable to the reduced employer contributions for state employee health insurance.

The **agency** requests FY 2017 operating expenditures of $589,688 all from special revenue funds, for the Elections and Legislative Matters program. The request is an increase of $32,213, or 5.8 percent, above the agency's FY 2016 request. The increase is attributable to a 27th pay period that occurs in FY 2017 and increased contractual service expenditures. Major changes from the agency's FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests $333,423, all from special revenue funds, for salaries and wages in FY 2017. The request is an increase of $14,410, or 4.5 percent, above the agency's FY 2016 request. The increase is primarily attributable to an additional pay period that occurs in the fiscal year and increased employer KPERS contributions.

- **Contractual Services.** The agency requests $213,440, all from special revenue funds, for contractual services in FY 2017. The request is an increase of $15,703, or 7.9 percent, above the agency's FY 2016 request. The increase is attributable to increased expenditures on printing and binding and freight.

The **Governor** recommends FY 2017 operating expenditures of $586,165, all from special revenue funds. The recommendation is a decrease of $3,523, or 0.6 percent, below the agency's request. The decrease is attributable to the reduced employer contributions for state employee health insurance.

D. Help America Vote Act (HAVA)

The HAVA Division is charged with implementing the federal Help America Vote Act of 2002. HAVA requires each state to develop a single, uniform, official, centralized, interactive computerized statewide voter registration list defined,

maintained, and administered at the state level. The division is also responsible for coordinating the state plan provided to the Federal Election Commission. The Kansas plan was developed by an advisory council. In addition, the division is to apply for federal grants and oversee the distribution of any grants that are obtained.

HELP AMERICA VOTE ACT
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Contractual Services	915,654	992,182	992,182	1,018,829	1,018,829	1,019,829	1,019,829
Commodities	8,592	8,600	8,600	8,600	8,600	8,600	8,600
Capital Outlay	0	8,000	8,000	8,000	8,000	8,000	8,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 924,246	$ 1,008,782	$ 1,008,782	$ 1,035,429	$ 1,035,429	$ 1,036,429	$ 1,036,429
Aid to Local Units	231,979	300,000	300,000	330,000	330,000	329,476	329,476
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 1,156,225	$ 1,308,782	$ 1,308,782	$ 1,365,429	$ 1,365,429	$ 1,365,905	$ 1,365,905
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	1,156,225	1,308,782	1,308,782	1,365,429	1,365,429	1,365,905	1,365,905
TOTAL	$ 1,156,225	$ 1,308,782	$ 1,308,782	$ 1,365,429	$ 1,365,429	$ 1,365,905	$ 1,365,905
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The **agency** requests FY 2016 operating expenditures of $1,365,429, all from special revenue funds, for the Help America Vote Act. The request is an increase of $56,647, or 4.3 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased contractual service expenditures and aid to local units. Major changes from the revised FY 2015 estimate include the following items.

- **Contractual Services.** The agency requests $1,018,829, all from special revenue funds, for contractual services in FY 2016. The request is an increase of $26,647, or 2.7 percent, above the agency's revised FY 2015 estimate. The increase is attributable to advertising, telephone service and computer programming expenditures.

- **Aid to Local Units.** The agency requests $330,000, all from special revenue funds, for aid to local units of government in FY 2016. The request is an increase of $30,000, or 10.0 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased federal aid to local units.

The **Governor** concurs with the agency's FY 2016 request.

The **agency** requests FY 2017 operating expenditures of $1,365,905 all from special revenue funds, for the Help America Vote Act. The request is an increase of $476, or 0.1 percent, above the agency's FY 2016 request.

The **Governor** concurs with the agency's FY 2017 request.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Administration					
Percent of modernization of systems and processes for Safe At Home Program completed	--	75.0%	85.0%	90.0%	100.0%
Percent of human resources personnel management database completed	--	5.0%	50.0%	100.0%	--
Business Services					
Percentage of documents filed electronically					
Name reservations	95.0%	95.0%	95.0%	95.0%	95.0%
Dissolution/Cancellations/Withdrawals	60.0%	60.0%	60.0%	60.0%	60.0%
Name change amendments	57.0%	52.0%	65.0%	65.0%	65.0%
Annual reports	60.0%	63.0%	75.0%	75.0%	75.0%
Registered office/resident agent name change amendments	78.0%	78.0%	80.0%	80.0%	80.0%
Percent of Uniform Commercial Code filings completed online					
UCC 1	--	87.0%	86.0%	86.0%	86.0%
UCC 2	--	96.0%	96.0%	96.0%	96.0%
Elections and Legislative Matters					
Percent of statements of substantial interest forms filed online	96.0%	96.0%	96.0%	96.0%	96.0%
Creation of online storefront for law books	50.0%	50.0%	60.0%	80.0%	100.0%
Help America Vote Act					
Percentage of polling places for which at least one fully accessible voting device has been purchased by the state as mandated by HAVA	100.0%	100.0%	100.0%	100.0%	100.0%

Office of the State Treasurer

	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	27,542,787	22,452,534	22,328,072	24,292,024	24,132,445	24,512,582	24,352,336
TOTAL	$ 27,542,787	$ 22,452,534	$ 22,328,072	$ 24,292,024	$ 24,132,445	$ 24,512,582	$ 24,352,336
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	**$ 27,542,787**	**$ 22,452,534**	**$ 22,328,072**	**$ 24,292,024**	**$ 24,132,445**	**$ 24,512,582**	**$ 24,352,336**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	37.8	(18.5)	(18.9)	8.2	8.1	0.9	0.9
FTE Positions	44.5	45.5	45.5	45.5	45.5	45.5	45.5
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	44.5	45.5	45.5	45.5	45.5	45.5	45.5

AGENCY OVERVIEW

The Office of the State Treasurer is the designated fiscal agent for the State of Kansas and is responsible for the timely receipt and deposit of all receipts and revenues into the state treasury. The State Treasurer administers several deposit loan programs and manages the Kansas Postsecondary Education Program (Learning Quest). The State Treasurer is the paying agent for state and municipal bonds and is also tasked with the disposition of unclaimed property. The State Treasurer is an *ex-officio* member of the Kansas Public Employees Retirement System (KPERS) Board of Trustees.

The State Treasurer is one of six state officials elected every four years and also serves as a member of the Pooled Money Investment Board (PMIB), which invests state funds to provide optimum levels of safety, liquidity, and yield. The PMIB manages the state idle pool, which consists of cash available from hundreds of state funds, commingled for purposes of cash management and investment. The PMIB also manages the Municipal Investment Pool as an investment option for more than 4,000 municipal taxing units of the State. The PMIB provides investment management services for individual state agencies authorized to have investment authority, such as the Kansas Department of Transportation and the Health Care Stabilization Fund. Although reported under the agency designation of State Treasurer, the PMIB operates as a stand-alone agency.

MAJOR ISSUES FROM PRIOR YEARS

The **2004 Legislature** passed 2004 SB 399, which required that a policyholder's ownership in an insurance company that has demutualized or otherwise reorganized, be turned over to the State Treasurer after two years instead of five. Also, 2004 HB 2795 increased the contribution limit to the Kansas Postsecondary Education Program (Learning Quest) from $2,000 to $3,000 per person. Local aid payments from the Local *Ad Valorem* Tax Reduction Fund (LAVTRF) and the City and County Revenue Sharing Fund (CCRSF) were not funded for FY 2005. The Legislature also approved agency funding from fees charged to other state agencies.

The **2005 Legislature** again approved funding for the State Treasurer from fees charged to other state agencies, which forms a portion of the agency's non-reportable budget. LAVTRF and CCRSF payments were not funded for FY 2006.

The **2006 Legislature** approved $50,000 from the State General Fund in FY 2007 for marketing and advertising the Kansas Investments Development Scholars (KIDS) matching grant program, aimed at low-income individuals who can receive a one-to-one match (up to $600 per year) for their contributions to Learning Quest.

Additionally, the 2006 Legislature approved $1.6 million in special revenue funding to continue the funding mechanism of cash management and voucher processing fees to fund the State Treasurer for FY 2007.

The **2007 Legislature** approved $50,000 from the State General Fund in FY 2008 to continue marketing and advertising the KIDS program in FY 2008.

Additionally, the 2007 Legislature discontinued off-budget funding of the Administration and Cash Management programs and added language to provide $1,337,376 of incoming unclaimed property receipts to fund these programs in FY 2008. These receipts would normally have been deposited into the State General Fund.

The **2008 Legislature** approved 2008 House Sub. for SB 387, which authorized the creation of the State Housing Loan Deposit Program to provide incentives for housing construction development loans. The program is effective from July 1, 2008, to July 1, 2011, provides up to $60.0 million in allowable loans, authorizes the PMIB to make loans to eligible lending institutions at specified rates, and requires that half of the allowable loans be made available to developer borrowers building houses in certain counties.

The **2009 Legislature** enacted 2009 SB 225, which extended the KIDS matching grant program indefinitely, limited the number of program participants to 1,200, and set the maximum matching amount for each participant at $600 per calendar year.

The 2009 Legislature also enacted 2009 HB 2331, which established a minimum interest rate on investments of 0.5 percent while maintaining a rate two percentage points below the market.

Additionally, the 2009 Legislature passed 2009 House Sub. for SB 23, which approved the State General Fund transfers to the tax sliders: the Business Machinery and Equipment Tax Reduction Fund and the Telecommunications and Railroad Machinery and Equipment Tax Reduction Fund. The transfers were reduced by 6.5 percent and divided into two payments occurring on March 2, 2009, and June 1, 2009. The combined tax slider payments were estimated at $25.0 million on each date. The Legislature adopted Governor's Budget Amendment No. 2, which suspended the June 1, 2009, payment, keeping $25.0 million in the State General Fund. No tax slider payments were authorized for Fiscal Years 2010, 2011, or 2012.

The **2010 Legislature** passed 2010 SB 382, which amended the Kansas Housing Loan Deposit Program requirements to: expand the definition of "house" to include multi-family dwellings; expand the definition of "eligible developer borrower" to include not only new construction but also rehabilitation of existing homes; change the limit on the value of the eligible housing from a sale at or below 350.0 percent of the Kansas median household for the previous year to a sale or appraisal at or below the average purchase price safe harbor as established by the State Treasurer; delete the limit of the one outstanding housing loan per borrower and instead specify that no more than $2.0 million in total loans can be outstanding at any one time to a developer borrower; and move the ending date for the loan requirement to designated cities forward from July 1, 2011, to December 31, 2010. Loans made under the program will be made available statewide starting January 1, 2011.

In addition, the **2010 Legislature** passed 2010 SB 415, which allowed taxing subdivisions that have the power to issue general obligation bonds to include pools of mortgage funds guaranteed by the Government National Mortgage Association (GNMA), commonly referred to as Ginnie Maes. The bill also allowed municipalities that issue revenue bonds to extend the time limitation specified for the maximum stated rate of interest on fixed or variable-rate bonds issued by a municipality or taxing subdivision from June 30, 2010, to June 30, 2012. Under existing law, the specified maximum stated interest rate is to be determined on the day the bonds are sold and shall not exceed the daily yield for the ten-year treasury bonds published by the Bond Buyer in New York, NY, plus a certain interest percentage. Specifically, the bill increases the interest percentages from 5.0 to 6.0 percent if the interest on the bonds is excluded from gross

income for federal tax purposes or from 6.0 to 7.0 percent if interest is included.

The **2010 Legislature** also passed the following.

- 2010 SB 415. This legislation allowed the investment in general obligation bonds by any Kansas municipality. This investment is subject to the provision in law that first requires a municipality to offer its idle funds to eligible financial institutions. Eligible institutions are those given the ability to offer to match the PMIB-published investment rate.

- 2010 SB 451. This legislation allowed municipalities the option of accepting the good faith deposit for a municipal bond in the form of cash, including cash deposited via electronic fund transfer. Previously, the good faith deposit could be made only in the form of a certified or cashier's check or surety bond.

- 2010 SB 463. This legislation added Norton County to those counties authorized to have a bonded indebtedness limit of 30.0 percent of the assessed value of all tangible taxable property. Previous law limited all counties to a 3.0 percent bonded indebtedness level, except Franklin and Wyandotte counties, for which the limit was 30.0 percent.

- 2010 House Sub. for SB 312. This legislation authorized counties paying large property tax refunds relative to a single property whose value exceeds five percent of the total countywide tax base to request a loan from the PMIB to assist in the payment of such refunds. The loans would bear interest, could not exceed an aggregate of $50 million statewide, and must be repaid within four years. Participating counties were required to make equal annual tax levies sufficient to pay the loans within the four-year period.

- 2010 House Sub. for SB 312 also amended the statute providing a cap relative to the total amount of Pooled Money Investment Boards (PMIB) investments available for legislative mandate. The limitation was changed from the lesser of 10.0 percent or $140.0 million of state monies invested to the greater of 10.0 percent or $140.0 million of state monies invested.

The **2013 Legislature** deleted $305,000 in transfers from the State General Fund to the Kansas Postsecondary Education Savings Trust Fund for FY 2014 and FY 2015. The Legislature also reduced estimated payments from the Unclaimed Property Fund in FY 2013 and FY 2014 by $780,000 and $1.5 million respectively.

The **2014 Legislature** added $370,000 in expenditure authority for the Kansas Postsecondary Education Savings Trust Fund for FY 2015. The trust fund is funded by a demand transfer from the State General Fund.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates a revised FY 2015 operating budget of $22.5 million, all from special revenue funds, a decrease of $174,719, or 0.8 percent, below the amount approved by the 2014 Legislature. The reduction is attributable to lower than approved expenditures from the Kansas Postsecondary Education Savings Trust Fund. The Legislature approved $720,000 in matching funds but the agency anticipates $495,000 in applications, a reduction of $225,000, or 31.3 percent, below the approved budget.

The reduction is partially offset by an increase in salaries and wages expenditures of $50,281, or 1.8 percent, above the approved budget for FY 2015. The increase is attributable to a supplemental request to retain an additional employee to assist with constituent services. The employee would fill a currently vacant FTE position.

FY 2015 Governor Recommendation

The **Governor** recommends expenditures of $22.3 million, all from special revenue funds, a reduction of $124,462, or 0.6 percent below the FY 2015 agency revised estimate. The reduction is attributable to reduced employer retirement contributions for the second half of FY 2015 ($25,947), not adopting the agency supplemental request for funding of a constituent services officer ($50,281), and a reduction in funding for a vacant position in the Pooled Money Investment Board ($48,324).

The Governor further recommends the agency transfer $500,000 from the State Treasurer Operating Fund to the State General Fund in FY 2015. This transfer leaves the fund with a projected ending balance of $248,871 for FY 2015.

FY 2016 Agency Request

The **agency** requests a FY 2016 operating budget of $24.3 million, all from special revenue funds, an increase of $1.8 million, or 8.2 percent, above the FY 2015 agency request. The increase is attributable to $1.6 million in increased estimates for non-operational aid for unclaimed property ($1.5 million), Tax Increment Financing Revenue Replacement ($78,210), and Postsecondary Education Savings ($71,000). The increase is also attributable to salaries and wages ($83,044) and contractual services ($119,091). The increases are partially offset by a reduction in commodities and capital outlay of $9,855.

FY 2016 Governor Recommendation

The **Governor** recommends expenditures of $24.1 million, all from special revenue funds, a reduction of $159,579, or 0.7 percent below the FY 2016 agency request. The reduction is attributable to eliminating agency salary and wage increases ($126,298), and reducing the employer contribution rate for group health insurance by 8.5 percent ($33,281).

The Governor further recommends the agency transfer $300,000 from the State Treasurer Operating Fund to the State General Fund in FY 2016. This transfer leaves the fund with a projected ending balance of $28,947 for FY 2016.

FY 2017 Agency Request

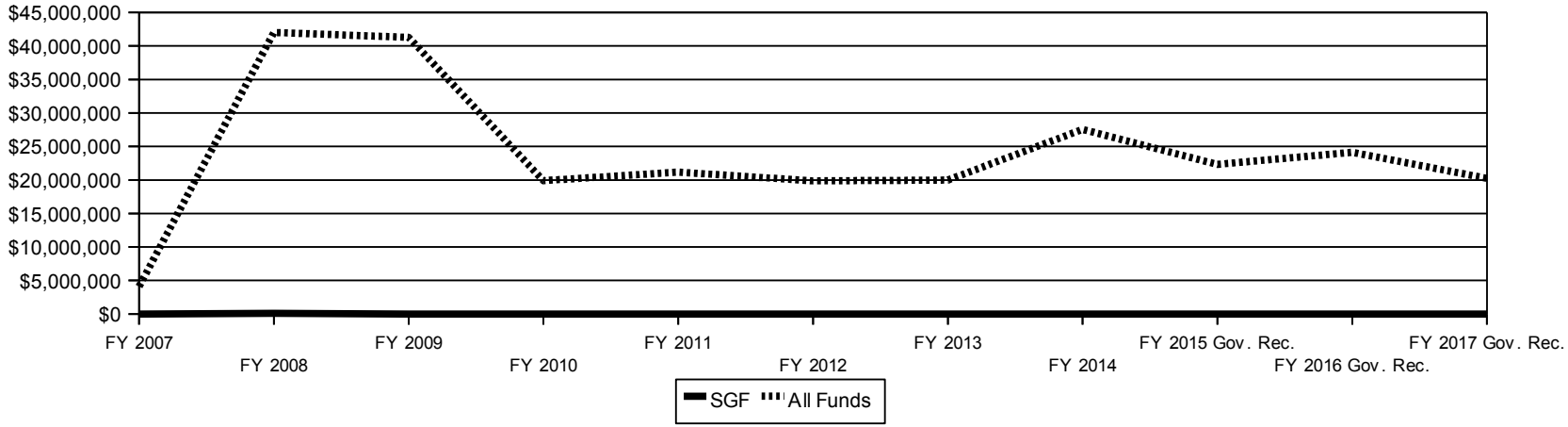
The **agency** requests a FY 2017 operating budget of $24.5 million, all from special revenue funds, an increase of $220,558, or 0.9 percent, above the FY 2016 agency request. The increase is attributable to $83,000 in increased estimates for non-operational aid for unclaimed property. The increase is also attributable to salaries and wages ($129,530) and contractual services ($10,728). The increases are partially offset by a reduction in commodities and capital outlay of $2,700.

FY 2017 Governor Recommendation

The **Governor** recommends expenditures of $24.4 million, all from special revenue funds, a reduction of $160,246, or 0.7 percent below the FY 2017 agency request. The reduction is attributable to eliminating agency salary and wage increases ($126,298), and reducing the employer contribution rate for group health insurance by 8.5 percent ($33,948).

BUDGET TRENDS

OPERATING EXPENDITURES
FY 2007 – FY 2017



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 9,071	100.0 %	$ 4,112,675	(69.4)%	55.5
2008	89,699	888.9	42,012,349	921.5	55.5
2009	0	(100.0)	41,284,203	(1.7)	55.5
2010	0	--	19,905,213	(51.8)	53.5
2011	0	--	21,171,537	6.4	52.5
2012	0	--	19,865,615	(6.2)	46.5
2013	0	--	19,984,132	0.6	43.0
2014	0	--	27,542,787	37.8	44.5
2015 Gov. Rec.	0	--	22,328,072	(18.9)	45.5
2016 Gov. Rec.	0	--	24,132,445	8.1	45.5
2017 Gov. Rec.	0	--	24,352,336	0.9	45.5
Eleven-Year Change	$ (9,071)	(100.0)%	$ 20,239,661	492.1 %	(10.0)

* For FY 2008, the 2007 Legislature discontinued off-budget funding of the Administration and Cash Management programs, and added language to provide $1,337,476 of incoming unclaimed property receipts to fund these programs for FY 2008. This funding would normally have been deposited into the State General Fund.
* The 2009 Legislature transferred a total of $299,191 from the State Treasurer's Office and Pooled Money Investment Board to the State General Fund in FY 2009 and $176,094 for FY 2010.

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 26,900,632	$ 21,736,234	$ 23,626,189	$ 1,889,955	8.7 %	$ 21,664,522	$ 23,470,063	$ 1,805,541	8.3 %
Pooled Money Investment Board	642,155	716,300	665,835	(50,465)	(7.0)	663,550	662,382	(1,168)	(0.2)
TOTAL	$ 27,542,787	$ 22,452,534	$ 24,292,024	$ 1,839,490	8.2 %	$ 22,328,072	$ 24,132,445	$ 1,804,373	8.1 %
By Major Object of Expenditure:									
Salaries and Wages	$ 2,630,541	$ 2,807,594	$ 2,890,638	$ 83,044	3.0 %	$ 2,683,132	$ 2,731,059	$ 47,927	1.8 %
Contractual Services	1,573,993	1,608,505	1,727,596	119,091	7.4	1,608,505	1,727,596	119,091	7.4
Commodities	40,508	53,680	50,180	(3,500)	(6.5)	53,680	50,180	(3,500)	(6.5)
Capital Outlay	47,187	63,965	57,610	(6,355)	(9.9)	63,965	57,610	(6,355)	(9.9)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 4,292,229	$ 4,533,744	$ 4,726,024	$ 192,280	4.2 %	$ 4,409,282	$ 4,566,445	$ 157,163	3.6 %
Aid to Local Units	1,014,286	921,790	1,000,000	78,210	8.5	921,790	1,000,000	78,210	8.5
Other Assistance	22,236,272	16,997,000	18,566,000	1,569,000	9.2	16,997,000	18,566,000	1,569,000	9.2
TOTAL	$ 27,542,787	$ 22,452,534	$ 24,292,024	$ 1,839,490	8.2 %	$ 22,328,072	$ 24,132,445	$ 1,804,373	8.1 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Operating Funds	4,292,252	4,533,744	4,726,024	192,280	4.2	4,409,282	4,566,445	157,163	3.6
Unclaimed Property	21,807,768	16,502,000	18,000,000	1,498,000	9.1	16,502,000	18,000,000	1,498,000	9.1
Post-Secondary Education	428,481	495,000	566,000	71,000	14.3	495,000	566,000	71,000	14.3
TIF Revolving Funds	1,014,286	921,790	1,000,000	78,210	8.5	921,790	1,000,000	78,210	8.5
TOTAL	$ 27,542,787	$ 22,452,534	$ 24,292,024	$ 1,839,490	8.2 %	$ 22,328,072	$ 24,132,445	$ 1,804,373	8.1 %

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	$ 23,626,189	$ 23,817,681	$ 191,492	0.8 %	$ 23,470,063	$ 23,660,957	$ 190,894	0.8 %
Pooled Money Investment Board	665,835	694,901	29,066	4.4	662,382	691,379	28,997	4.4
TOTAL	$ 24,292,024	$ 24,512,582	$ 220,558	0.9 %	$ 24,132,445	$ 24,352,336	$ 219,891	0.9 %
By Major Object of Expenditure:								
Salaries and Wages	$ 2,890,638	$ 3,020,168	$ 129,530	4.5 %	$ 2,731,059	$ 2,859,922	$ 128,863	4.7 %
Contractual Services	1,727,596	1,738,324	10,728	0.6	1,727,596	1,738,324	10,728	0.6
Commodities	50,180	47,180	(3,000)	(6.0)	50,180	47,180	(3,000)	(6.0)
Capital Outlay	57,610	57,910	300	0.5	57,610	57,910	300	0.5
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 4,726,024	$ 4,863,582	$ 137,558	2.9 %	$ 4,566,445	$ 4,703,336	$ 136,891	3.0 %
Aid to Local Units	1,000,000	1,000,000	0	0.0	1,000,000	1,000,000	0	0.0
Other Assistance	18,566,000	18,649,000	83,000	0.4	18,566,000	18,649,000	83,000	0.4
TOTAL	$ 24,292,024	$ 24,512,582	$ 220,558	0.9 %	$ 24,132,445	$ 24,352,336	$ 219,891	0.9 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Operating Funds	4,726,024	4,863,582	137,558	2.9	4,566,445	4,703,336	136,891	3.0
Unclaimed Property	18,000,000	18,000,000	0	0.0	18,000,000	18,000,000	0	0.0
Post-Secondary Education	566,000	649,000	83,000	14.7	566,000	649,000	83,000	14.7
TIF Revolving Funds	1,000,000	1,000,000	0	0.0	1,000,000	1,000,000	0	0.0
TOTAL	$ 24,292,024	$ 24,512,582	$ 220,558	0.9 %	$ 24,132,445	$ 24,352,336	$ 219,891	0.9 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

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	22,627,253	22,452,534	(174,719)	22,328,072	(299,181)
TOTAL	$ 22,627,253	$ 22,452,534	$ (174,719)	$ 22,328,072	$ (299,181)
FTE Positions	45.5	45.5	0.0	45.5	0.0

The **agency** estimates a revised FY 2015 operating budget of $22.5 million, all from special revenue funds, a decrease of $174,719, or 0.8 percent, below the amount approved by the 2014 Legislature. The reduction is attributable to lower than approved expenditures from the Kansas Postsecondary Education Savings Trust Fund. The Legislature approved $720,000 in matching funds but the agency anticipates $495,000 in applications, a reduction of $225,000, or 31.3 percent, below the approved budget.

The reduction is partially offset by an increase in salaries and wages expenditures of $50,281, or 1.8 percent, above the approved budget for FY 2015. The increase is attributable to a supplemental request to retain an additional employee to assist with constituent services. The employee would fill a currently vacant FTE position.

The **Governor** recommends expenditures of $22.3 million, all from special revenue funds, a reduction of $124,462, or 0.6 percent below the FY 2015 agency revised estimate. The reduction is attributable to reduced employer retirement contributions for the second half of FY 2015 ($25,947), not adopting the agency supplemental request for funding of a constituent services officer ($50,281), and a reduction in funding for a vacant position in the Pooled Money Investment Board ($48,324).

The Governor further recommends the agency transfer $500,000 from the State Treasurer Operating Fund to the State General Fund in FY 2015. This transfer leaves the fund with a projected ending balance of $248,871 for FY 2015.

Supplemental Detail

FY 2015 SUPPLEMENTALS						
	Agency Estimate			Governor's Recommendation		
Supplementals	SGF	All Funds	FTE	SGF	All Funds	FTE
Constituent Services Assistant	$ 0	$ 50,281	0.0	$ 0	$ 0	0.0

The **agency** requests $50,281, all from special revenue funds, to fund a constituent services employee. The position has been filled since January of 2014. The position responsibilities include the following items.

- Managing and maintaining the Treasurer's official calendar schedule, such as allotting time to attend PMIB & KPERS meetings; meet with other government officials, civic organizations, and the general public.
- Meeting with constituents or groups on behalf of the Treasurer.
- Drafting original correspondence, congratulatory letters, responses and other written documents as requested by the State Treasurer and Assistant State Treasurer.
- Assisting in handling constituent written correspondence (including email), phone calls, and face to face meetings and maintain any resulting records of such interaction.
- Creating and maintaining various databases for the Treasurer.

The **Governor** does not recommend adoption of the agency supplemental request.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 24,292,024	$ 24,132,445	$ (159,579)
FTE Positions	45.5	45.5	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	1,839,490	1,804,373	
TOTAL	$ 1,839,490	$ 1,804,373	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	8.2	8.1	
TOTAL	8.2 %	8.1 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests a FY 2016 operating budget of $24.3 million, all from special revenue funds, an increase of $1.8 million, or 8.2 percent, above the FY 2015 agency request. The increase is attributable to $1.6 million in increased estimates for non-operational aid for unclaimed property ($1.5 million), Tax Increment Financing Revenue Replacement ($78,210), and Post-Secondary Education Savings ($71,000). The increase is also attributable to salaries and wages ($83,044) and contractual services ($119,091). The increases are partially offset by a reduction in commodities and capital outlay of $9,855.

The request includes 45.5 FTE positions.

- **Salaries and Wages:** The agency requests $2.9 million for salaries and wages, an increase of

$83,044, or 3.0 percent, above the FY 2015 agency request. The increase is in the State Treasurer's Office due to an increase of $24,106 in regular compensation and $58,938 in fringe benefits, including increased employer contributions for public employee retirement. The increase is attributable to a requested 2.5% compensation increase for FY 2016. The increase is partially offset by a reduction in the Pooled Money Investment Board of $49,744 including $39,804 in regular compensation and $9,940 in fringe benefits. The salaries and wages budget continues to reflect the additional FTE for a constituent services assistant.

- **Contractual Services:** The agency requests $1.7 million for contractual services, an increase of $119,091, or 7.4 percent, above the FY 2015 agency request. There are substantial shifts in the allocations of resources; however, the net increase is attributable to an increase of $11,500 for repair and service of computer equipment, $65,000 for investment consulting services related to the State 529 plan and $50,000 in an increased SMART development fee.

- **Commodities:** The agency requests $50,180 for commodities, a decrease of $3,500, or 6.5 percent, below the FY 2015 agency request. The decrease is attributable to a reduction in computer supplies such as paper and ink of $5,800 partially offset by a request of $3,000 for clothing. The clothing request is to purchase State Treasurer branded shirts to be worn at the State Fair and other public constituent meetings.

- **Capital Outlay:** The agency requests $57,610 for capital outlay, a decrease of $6,355, or 9.9 percent, below the FY 2015 agency request. The decrease is attributable to a one time server purchase in FY 2015.

- **Aid to Locals:** The agency requests $1.0 million for aid to local units of government an increase of $78,210, or 8.5 percent, above the FY 2015 agency request. The increase is due to higher projected TIF payments.

- **Other Assistance:** The agency requests $18.6 million for other assistance, an increase of $1.6 million, or 9.2 percent, above the FY 2015 agency request. The increase is attributable to an increased estimate for the Kansas Post Secondary Education Savings Trust Fund grants of $71,000 and increased distributions of unclaimed property of $1.5 million. Increased distributions from the Unclaimed Property fund are being driven by legislative changes allowing the Department of Revenue to share more identifying information with the State Treasurer's Office and generally higher volume for the fund.

The **Governor** recommends expenditures of $24.1 million, all from special revenue funds, a reduction of $159,579, or 0.7 percent below the FY 2016 agency request. The reduction is attributable to eliminating agency salary and wage increases ($126,298), and reducing the employer contribution rate for group health insurance by 8.5 percent ($33,281).

The Governor further recommends the agency transfer $300,000 from the State Treasurer Operating Fund to the State General Fund in FY 2016. This transfer leaves the fund with a projected ending balance of $28,947 for FY 2016.

Enhancements Detail

FY 2016 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Constituent Services Assistant	$ 0	$ 51,893	0.0	$ 0	$ 0	0.0

The **agency** requests $51,893, all from special revenue funds, for a constituent services employee for FY 2016.

The **Governor** recommends does not recommend adoption of the agency enhancement request.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 24,512,582	$ 24,352,336	$ (160,246)
FTE Positions	45.5	45.5	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	220,558	219,891	
TOTAL	$ 220,558	$ 219,891	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	0.9	0.9	
TOTAL	0.9 %	0.9 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests a FY 2017 operating budget of $24.5 million, all from special revenue funds, an increase of $220,558, or 0.9 percent, above the FY 2016 agency request. The increase is attributable to $83,000 in increased estimates for non-operational aid for unclaimed property. The increase is also attributable to salaries and wages ($129,530) and contractual services ($10,728). The increases are partially offset by a reduction in commodities and capital outlay of $2,700.

The request includes 45.5 FTE positions.

- **Salaries and Wages:** The agency requests $3.0 million for salaries and wages, an increase of $129,530, or 3.0 percent, above the FY 2015 agency request. The increase is in the State Treasurer's Office due to an increase of $78,530 in regular compensation and $51,000 in fringe

benefits including increased employer contributions for public employee retirement. Of the increase, approximately $96,918 is attributable to increased employer contributions for employee retirement.

- **Contractual Services:** The agency requests $1.7 million for contractual services, an increase of $10,728, or 0.6 percent, above the FY 2016 agency request. The net increase is attributable to an increase of $2,659 in rent and the State Building Operating Charge, $5,000 for assigned counsel and $2,375 in fees for outside accountants and auditors.

- **Commodities:** The agency requests $47,180 for commodities, a decrease of $3,000, or 6.0 percent, below the FY 2016 agency request. The decrease is attributable to the elimination of clothing expenditures.

- **Aid to Locals:** The agency requests $1.0 million for aid to local units of government for TIF payments the same amount as FY 2016.

- **Other Assistance:** The agency requests $18.7 million for other assistance, an increase of $83,000, or 0.4 percent, above the FY 2016 agency request. The increase is attributable to an increased estimate for the Kansas Post Secondary Education Savings Trust Fund. Unclaimed property distributions are held flat between FY 2016 and FY 2017.

The **Governor** recommends expenditures of $24.4 million, all from special revenue funds, a reduction of $160,246, or 0.7 percent below the FY 2017 agency request. The reduction is attributable to eliminating agency salary and wage increases ($126,298), and reducing the employer contribution rate for group health insurance by 8.5 percent ($33,948).

Enhancements Detail

FY 2017 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Constituent Services Assistant	$ 0	$ 54,230	0.0	$ 0	$ 0	0.0

The **agency** requests $54,230, all from special revenue funds, for a constituent employee for FY 2017.

The **Governor** does not recommend adoption of the agency enhancement request.

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 $12,986, all from special revenue funds, and affects 42 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 $3,880, all from special revenue funds, and FY 2017 longevity payments total $3,920, 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 $33,281, all from special revenue funds, for FY 2016. This is reduction of $33,948, 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 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
Education Savings Trust Fund	2.3 %	2.3 %	2.6 %	2.7 %
TIF Revenue Fund	4.1	4.1	4.1	4.1
Unclaimed Property Fund	74.1	74.6	74.1	73.9
All Operating Funds	19.5	18.9	19.5	19.3
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

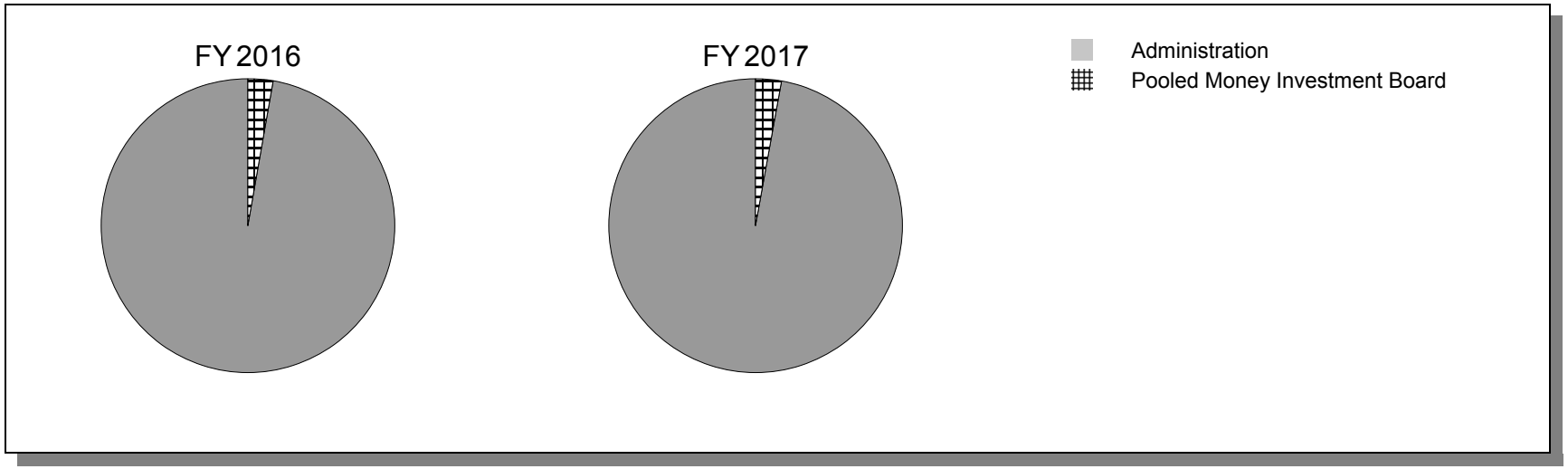
State Treasurer Operating Fund

Beginning with FY 2008, the general operations of the State Treasurer's office are funded through a transfer from receipts of unclaimed property, which would normally be deposited to the State General Fund. This funding is transferred to the agency's State Treasurer Operating Fund.

The State Treasurer also pays operating expenses from the Bonds Services Fee fund, Postsecondary Education Savings Trust Fund, Pooled Money Investment Portfolio Fee Fund, and the Unclaimed Property Expense Fund.

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	$ 506,777	$ 713,252	$ 713,252	$ 713,252	$ 248,871	$ 713,252	$ 28,947
Revenue	1,559,572	1,597,457	1,597,457	1,650,687	1,650,687	1,682,741	1,682,741
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 2,066,349	$ 2,310,709	$ 2,310,709	$ 2,363,939	$ 1,899,558	$ 2,395,993	$ 1,711,688
Less: Expenditures	1,353,097	1,597,457	1,561,838	1,650,687	1,570,611	1,682,741	1,602,453
Transfers Out	0	0	500,000	0	300,000	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 713,252	$ 713,252	$ 248,871	$ 713,252	$ 28,947	$ 713,252	$ 109,235
Ending Balance as Percent of Expenditures	52.7%	44.6%	15.9%	43.2%	1.8%	42.4%	6.8%

EXPENDITURES BY PROGRAM—GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. All Funds FY 2017	Percent of Total
Administration	$ 23,470,063	97.3 %	$ 23,660,957	97.2 %
Pooled Money Investment Board	662,382	2.7	691,379	2.8
TOTAL	$ 24,132,445	100.0 %	$ 24,352,336	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	39.5	40.5	40.5	40.5	40.5	40.5	40.5
Pooled Money Investment Board	5.0	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL	44.5	45.5	45.5	45.5	45.5	45.5	45.5

A. Administration

The Administration program is comprised of the Administration and Information Technology sections, which are together responsible for the overall management of the office. The Administration section also establishes policy, assigns and directs the work of other operating programs, determines priorities, allocates available resources on the basis of those priorities, and requires internal reviews of operations and procedures.

The Information Technology section provides for computer and support services for the office and at times other state agencies. During FY 2003, a “billing” module was added to the State of Kansas Interactive Internet Interfund System (SOKI3) to accommodate collection of the cash management fees. SOKI3 is an electronic method for state agencies to transfer funds between agencies.

The other operating programs directed by Administration are: Municipal Bond Services; Cash Management; Unclaimed Property; and the Postsecondary Education Savings Program, also known as Learning Quest.

ADMINISTRATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 2,227,636	$ 2,336,665	$ 2,264,953	$ 2,469,453	$ 2,313,327	$ 2,579,802	$ 2,423,078
Contractual Services	1,356,904	1,380,114	1,380,114	1,498,626	1,498,626	1,499,769	1,499,769
Commodities	33,721	45,000	45,000	41,500	41,500	38,500	38,500
Capital Outlay	31,813	55,665	55,665	50,610	50,610	50,610	50,610
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 3,650,074	$ 3,817,444	$ 3,745,732	$ 4,060,189	$ 3,904,063	$ 4,168,681	$ 4,011,957
Aid to Local Units	1,014,286	921,790	921,790	1,000,000	1,000,000	1,000,000	1,000,000
Other Assistance	22,236,272	16,997,000	16,997,000	18,566,000	18,566,000	18,649,000	18,649,000
TOTAL	$ 26,900,632	$ 21,736,234	$ 21,664,522	$ 23,626,189	$ 23,470,063	$ 23,817,681	$ 23,660,957
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	26,900,632	21,736,234	21,664,522	23,626,189	23,470,063	23,817,681	23,660,957
TOTAL	$ 26,900,632	$ 21,736,234	$ 21,664,522	$ 23,626,189	$ 23,470,063	$ 23,817,681	$ 23,660,957
FTE Positions	39.5	40.5	40.5	40.5	40.5	40.5	40.5
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	39.5	40.5	40.5	40.5	40.5	40.5	40.5

Municipal Bond Services

The Municipal Bond Services program is responsible for the registration of all municipal bonds issued in the state. In addition, this program provides registrar and paying agent services for the majority of local bond issues, as well as state issues. When the State Treasurer is named the fiscal agent for registered form bonds, a fee is charged to the issuing municipality for the services provided. Effective in FY 2002, the program is entirely financed from bond service fees. Total fees collected and credited to the bond services fee fund in FY 2013 were approximately $897,600. The sub-program contains 9.0 FTE positions.

Cash Management

The Cash Management sub-program is responsible for several functions, including distributing aid to local units of government and processing the receipt and disbursement of state monies. In addition, the State Treasurer distributes the amounts due to local units of government from the Special City and County Highway Fund and the County Equalization and Adjustment Fund, which are included in the Department of Transportation budget. The aid to local units of government funds include the following items.

A. Local *Ad Valorem* Tax Reduction Fund (LAVTRF)

By statute, these payments are a demand transfer from the State General Fund. The distribution of local *ad valorem* aid is made on January 15 and July 15 to county governments under the statute. The amount distributed equals 3.63 percent of the total sales and compensating use taxes credited to the State General Fund in the prior calendar year, based upon a formula allocating 65.0 percent to the counties by population and 35.0 percent by property valuation. The Legislature, from time to time, has placed limitations on the distribution amounts. The Governor and the Legislature eliminated the second half distribution in FY 2003, and there was not a distribution through FY 2009. In 2009 Senate Sub. for HB 2354, the Legislature eliminated the distributions for FY 2009, FY 2010, and FY 2011. The 2010 Legislature, in 2010 SB 572, eliminated the distributions for FY 2012. The 2011 Legislature, in 2011 Senate Substitute for HB 2014, eliminated the distributions for FY 2013.

The 2013 Appropriations Bill, 2013 SB 171, suspends all transfer to the LAVTRF for FY 2013, FY 2014 and FY 2015 and states transfers will resume in FY 2016 and FY 2017 at $54.0 million as demand transfers from the State General Fund.

B. County and City Revenue Sharing Funds (CCRSF)

The State Treasurer's Office distributes payments to local units of government under the law providing for County and City Revenue Sharing. The payments are demand transfers from the State General Fund. Under the current statute, county and city revenue sharing is distributed on July 15 and December 10 in an amount equal to 2.823 percent of the total credited to the State General Fund in the prior calendar year from sales and compensating use taxes. The formula allocates 65 percent among the counties by population and 35 percent by equalized assessed tangible property valuation. Each county receives 50 percent of its entitlement and the remaining 50 percent is distributed to its cities on the basis of population.

Receipts were $34,876,349, for FY 2002 and $16,740,646, for FY 2003. The Governor and the Legislature eliminated the second-half distribution in FY 2003. No distributions have been made since FY 2003. The 2013 Legislature, in SB 171, Sec. 275, states that no money shall be transferred from the State General Fund to the county and city revenue sharing fund during fiscal years 2013, 2014, 2015, and 2016.

Under current law, transfers to the CCRSF resume in FY 2017 at $35.3 million.

C. Tax Increment Financing Revenue Replacement Fund

Created by the 1997 Legislature, this program provides that the State Treasurer is to pay certain local units of government for lost tax revenues due to legislative changes in the school finance property tax. Cities that have established a redevelopment district prior to July 1, 1996, are entitled to receive from the state the revenues which otherwise would have

been collected from the redevelopment district but for legislative changes in the school district finance formula. The State Treasurer, prior to April 15 of each year, shall pay each city its certified amount. Currently six cities and 22 redevelopment districts receive payments. These payments are financed by a transfer from the State General Fund.

TAX INCREMENT REVENUE REPLACEMENT FUND

Fiscal Year		Receipts
FY 2009	$	1.259.070
FY 2010		1.194.477
FY 2011		752.745
FY 2012		915.169
FY 2013		861.567
FY 2014		1.014.286
FY 2015 est.		921.790
FY 2016 est.		1.000.000
FY 2017 est.	$	1.000.000

D. Unclaimed Property

The Unclaimed Property program seeks to return various forms of unclaimed property to the rightful owners or heirs. The Disposition of Unclaimed Property Act (KSA 58-3901, *et seq.*) authorizes the State Treasurer to take possession of specified types of abandoned personal property and become the custodian in perpetuity, while reserving the right of the original owner and other persons to claim the property.

After a period of five years of dormancy, abandonment may be declared by the State Treasurer for certain types of personal property including bank deposits, funds paid toward the purchase of shared in financial organizations, certified checks, drafts or money orders, contents of safe deposit boxes removed for nonpayment of rent, unclaimed funds held by insurance companies under life insurance policies, utility deposits, stocks and dividends, and miscellaneous intangible property held by one party for another. Those required to report unclaimed property may aggregate amounts under $100.

When property qualifies, the State Treasurer publishes a notice in local newspapers of general circulation where the property was reported abandoned in an effort to locate the owner of the property. Owners may also locate assets held by the State Treasurer via the agency's website. If the property is not claimed, the State Treasurer is authorized to dispose of the property, with receipts of the sale of the property credited to the State General Fund, with two exceptions. The exceptions are balances in the Unclaimed Property Claims Fund, which is used for the payment of claims, and the Unclaimed Property Expense Fund, which is used to finance the operations of the Unclaimed Property program.

By statute, unclaimed property is deposited in the State General Fund. Payments from the Unclaimed Property Claims Fund are funded by transfers from the State General Fund. As of June 30, 2014, the total amount of unclaimed property held in trust within the State General fund is $298.0 million.

E. Postsecondary Education Savings Program

The Postsecondary Education Savings program (Learning Quest Education Savings Program, Learning Quest Advisor, and Schwab 529 College Savings Plan) was created by the 1999 Legislature to provide an opportunity for individuals and organizations to save for postsecondary education expenses under a qualified tuition savings plan (529). Following a negotiated bid process through the Division of Purchases, the

State Treasurer's Office contracted with American Century Investments as the program manager in December 1999 and renewed the contract in December 2006. The program became operational on July 1, 2000. Effective in FY 2002, the program is financed entirely by service fees. As of November 30, 2009, more than 132,171 accounts have been opened and funded, with Kansas residents representing almost half of the total accounts. After seven years of operation, assets total over $3.8 billion.

The Kansas Investments Development Scholars (KIDS) matching grant program was created as a three-year pilot program in FY 2006 and is part of the Learning Quest program. The KIDS program is designed to encourage low-income families to establish postsecondary savings accounts by providing state matches (up to $600 per participant) for contributions to such accounts.

The Agency requests expenditures from the Kansas Postsecondary Education Savings Trust Fund of $495,000 in FY 2015, $566,000 in FY 2016 and $649,000 in FY 2017. The Governor concurs with the agency estimates.

F. (SUNSETTED) Business Machinery and Equipment Tax Reduction Assistance Fund

KSA 79-2978 created the Business Machinery and Equipment Tax Reduction Assistance Fund. The difference in total *ad valorem* taxes levied by the counties on machinery and equipment property taxes for the tax year 2005 and the total of such *ad valorem* taxes levied for tax year 2007 will be available for transfer. Based on the computation by the Department of Revenue, county treasurers will receive a percentage of the difference as defined in statute. For FY 2009, the transfer totaled approximately $20.0 million. Through the appropriation bill process, no transfers have been made sine FY 2009.

G. (SUNSETTED) Telecommunications and Railroad Machinery and Equipment Tax Reduction Assistance Fund

KSA 79-2979 created the Telecommunications and Railroad Machinery and Equipment Tax Reduction Assistance Fund. The difference in the total *ad valorem* taxes levied by the counties on the machinery and equipment property taxes for the tax year 2005 and the total of such *ad valorem* taxes levied for tax year 2007 will be available for transfer. Based on the computation by the Department of Revenue, county treasurers will receive a percentage of the difference as defined in the statute. For FY 2009, the transfer totaled approximately $5.0 million. Through the appropriation bill process, no transfers have been made since FY 2009.

B. Pooled Money Investment Board

The Pooled Money Investment Board (PMIB) was created by the 1974 Legislature to assume all powers, duties, and responsibilities of the then abolished State Board of Treasury Examiners. The PMIB manages a large pool of money consisting of cash available from hundreds of state funds, commingled for the purposes of cash management and investment. In addition, the program is responsible for providing depositories for state and special monies in demand deposit and interest-bearing accounts, giving consideration to fair and equitable distribution and the service level required.

The investment program (investable state monies) consists of the Pooled Money Investment Portfolio (PMIP), the Kansas Department of Transportation (KDOT), the Health Care Stabilization Fund portfolio, and various other funds. The PMIB actively manages and administers the Kansas Municipal Investment Pool (MIP), in which local units of government participate. Other operations include the designation of various state bank depositories, as well as the administration of the Kansas Bank CD and the Agricultural Loan programs. While the PMIB is considered a part of the State Treasurer's budget for administrative purposes, the PMIB operates as an independent instrument not under the direction of the State Treasurer.

The PMIB invests conservatively to minimize risk and potential loss and has maintained Standard and Poor's highest investment rating of AAAf/S1+.

POOLED MONEY INVESTMENT BOARD
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 402,905	$ 470,929	$ 418,179	$ 421,185	$ 417,732	$ 440,366	$ 436,844
Contractual Services	217,089	228,391	223,391	228,970	228,970	238,555	238,555
Commodities	6,787	8,680	8,680	8,680	8,680	8,680	8,680
Capital Outlay	15,374	8,300	8,300	7,000	7,000	7,300	7,300
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 642,155	$ 716,300	$ 658,550	$ 665,835	$ 662,382	$ 694,901	$ 691,379
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 642,155	$ 716,300	$ 658,550	$ 665,835	$ 662,382	$ 694,901	$ 691,379
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	642,155	716,300	663,550	665,835	662,382	694,901	691,379
TOTAL	$ 642,155	$ 716,300	$ 663,550	$ 665,835	$ 662,382	$ 694,901	$ 691,379
FTE Positions	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	5.0	5.0	5.0	5.0	5.0	5.0	5.0

The **Pooled Money Investment Board** requests FY 2016 operating expenditures of $665,835, all from special revenue funds, a reduction of $50,465, or 7.0 percent, below the FY 2015 agency request for the program. The reduction is attributable to reduced salary and wage expenditures of $49,744, or 10.6 percent. The 2014 Legislature deleted 1.0 FTE from the program but did not lapse the associated funding.

The **Governor** recommends expenditures of $662,382, a reduction of $3,453, or 0.5 percent, below the agency request. The reduction is attributable to reduced employer contributions for employee health insurance.

The **Pooled Money Investment Board** requests FY 2017 operating expenditures of $694,901, all from special revenue

funds, an increase of $29,066, or 4.4 percent, above the FY 2016 agency request for the program. The increase is attributable to $19,181 for the 27th payroll which occurs in that fiscal year and increased public employee retirement contributions and $9,500 in contractual services for a statutorily required financial audit.

The **Governor** recommends expenditures of $691,379, a reduction of $3,522, or 0.5 percent, below the agency request. The reduction is attributable to reduced employer contributions for employee health insurance.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Administration:					
New agriculture production loans	50	13	15	50	50
Administrative cost per item deposited	$0.0117	$0.0999	$0.1106	$0.0117	$0.0117
Annual number of electronic checks deposited	1,500,000	1,547,280	1,500,000	1,500,000	1,500,000
Percent of items received by 2:30 p.m. deposited the same day	100.0%	100.0%	100.0%	100.0%	100.0%
Number of outstanding bond issues	N/A	2,490	2,539	2,591	2,642
Value of unclaimed property receipts to State General Fund (in millions)	$25.0	$52.2	$34.0	$35.5	$35.5
Number of unclaimed property claims approved	64,700	83,710	77,500	77,500	77,500
Total number of postsecondary education savings accounts (cumulative)	185,000	185,121	198,100	212,000	227,000
Total new dollars deposited (in millions) in postsecondary education savings accounts	$501.0	$523.0	$559.0	$599.0	$641.0
Pooled Money Investment Board:					
Interest earned on all funds (in millions)	$10.3	$12.7	$10.0	$10.1	$12.6
Standard and Poor's rating of PMIB	AAAf/S1+	AAAf/S1+	AAAf/S1+	AAAf/S1+	AAAf/S1+
Yield on idle portfolios in excess of average yield of comparable U.S. Treasury mutual funds	0.05%	(0.02%)	0.05%	0.05%	0.05%

Kansas Insurance Department

	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	29,498,735	30,047,640	29,967,048	30,927,609	30,838,407	31,753,852	31,662,796
TOTAL	$ 29,498,735	$ 30,047,640	$ 29,967,048	$ 30,927,609	$ 30,838,407	$ 31,753,852	$ 31,662,796
Capital Improvements:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Other Funds	34,252	95,000	95,000	95,000	95,000	95,000	95,000
TOTAL	$ 34,252	$ 95,000	$ 95,000	$ 95,000	$ 95,000	$ 95,000	$ 95,000
GRAND TOTAL	**$ 29,532,987**	**$ 30,142,640**	**$ 30,062,048**	**$ 31,022,609**	**$ 30,933,407**	**$ 31,848,852**	**$ 31,757,796**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	14.2	1.9	1.6	2.9	2.9	2.7	2.7
FTE Positions	122.4	122.4	122.4	122.4	122.4	122.4	122.4
Non-FTE Perm.Uncl.Pos.	3.6	3.6	3.6	3.6	3.6	3.6	3.6
TOTAL	126.0	126.0	126.0	126.0	126.0	126.0	126.0

AGENCY OVERVIEW

The mission of the Kansas Insurance Department is to protect the insurance consumers of Kansas and serve the public interest through the supervision, control, and regulation of the business of insurance within the state. The Department accomplishes its mission by assuring an affordable, accessible, and competitive insurance market.

The Insurance Commissioner is an elected official who supervises all transactions relating to insurance companies in the state. The Commissioner also oversees several programs related to insurance. Beginning with the submission of its FY 2013 budget request, the Insurance Department has had eight programs: General Administration; Financial Surveillance; Producers Division; Property and Casualty; Firefighters Relief Fund; Workers Compensation; Accident and Health; and Life. Prior to the FY 2013 budget submission, the agency was organized into six divisions: Firefighters Relief Fund; Insurance Company Regulation; Insurance Company Examination; Workers Compensation; Group-Funded Workers Compensation; and Municipal Group-Funded Pools.

Prior to FY 1993, the Insurance Department was partly funded by the State General Fund. The 1992 Legislature made the agency entirely fee-funded. Some fees which had been collected for credit to the State General Fund as well as additional assessments against insurers are now credited to the Insurance Department Service Regulation Fund.

Premium taxes paid by insurance companies to the Insurance Department generate approximately $118 million in State General Fund revenues annually.

MAJOR ISSUES FROM PRIOR YEARS

The **2004 and 2005 Legislatures** each authorized transfers from the Insurance Department Service Regulation Fund to the State General Fund: $1.0 million in FY 2004, $1.0 million in FY 2005, and $0.5 million in FY 2006.

The **2006 Legislature** approved an agency request to delete 3.7 FTE. The positions had been vacant for several years.

The **2009 Legislature** delayed the transfer of $2.0 million from the State General Fund to the Workers Compensation Fund for the loan payments scheduled in FY 2009 and FY 2010 to FY 2011 and FY 2012. For FY 2009, the Legislature also transferred $169,987 from the Kansas Savings Incentive Program Fund, $4,295,800 from the Insurance Department Service Regulation Fund, and $2,355,000 from the Workers Compensation Fund to the State General Fund. For FY 2010, the Legislature transferred $390,899 from the Insurance Department Service Regulation Fund to the State General Fund. Also, the Legislature eliminated 5.0 unfilled FTE positions.

The **2010 Legislature** transferred $5.0 million from the Insurance Department Service Regulation Fund to the State General Fund, leaving a balance of $10.8 million in the account. In addition, the Legislature suspended the transfer of $1.0 million from the State General Fund to the Workers Compensation Fund for FY 2011, leaving a balance in that account of $586,376.

The **2010 Legislature** also passed 2010 House Sub. for SB 200, which removed the phase-in provision for the assessment of a privilege fee on any Health Maintenance Organization (HMO) operating in Kansas for five years or less. All HMOs, without regard to years of operation, are required to pay an annual fee of 1.0 percent of all premiums charged. This fee generated revenues of $3.4 million for the State General Fund in FY 2010.

The **2013 Legislature** transferred $15.0 million from the Insurance Department Service Regulation Fund to the State General Fund in FY 2013 and $5.0 million in FY 2014 and FY 2015, leaving a balance in the account of $8.4 million in FY 2013 and an agency estimated balance of $7.5 million in FY 2014 and $6.6 million in FY 2015.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates total revised expenditures of $30.1 million, all from special revenue funds, for operational expenditures and capital improvements, in FY 2015. The agency estimates $30.0 million for operational expenditures, all from special revenue funds, in FY 2015. This is a decrease of $13,151, or less than 0.1 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to a decrease in tuition grant and fringe benefits expenditures. The agency estimates capital improvement expenditures of $95,000, all from special revenue funds, in FY 2015. This is the same amount approved by the 2014 Legislature. The budget includes 122.4 FTE positions and 3.6 non-FTE unclassified positions.

FY 2015 Governor Recommendation

The **Governor** recommends total expenditures of $30.1 million, all from special revenue funds, in FY 2015. Of this amount, the Governor recommends operational expenditures of $30.0 million, all from special revenue funds, and capital improvements of $95,000, all from special revenue funds, in FY 2015. The operational expenditures total is a decrease of $80,592, or 0.3 percent, below the agency's revised estimate. The decrease is attributable to the Governor's recommendation to reduce KPERS employer contributions. The capital improvements total is the same amount as the agency's revised estimate.

The Governor's recommendation also includes the transfer of $3.0 million, all from the Workers Compensation Fund, to the State General Fund in FY 2015.

FY 2016 Agency Request

The **agency** requests total expenditures of $31.0 million, all from special revenue funds, for operational expenditures and capital improvements, for FY 2016. The agency requests operational expenditures of $30.9 million, all from special revenue funds, for FY 2016. This is an increase of $879,969, or 2.9 percent, above the agency's revised FY 2015 estimate. The increase is attributable to an increase in workers compensation and other claims payments; medical, pharmaceutical, and legal expenses related to claims; computer expenditures; and utilities. This is partially offset by a decrease in salaries and wages and associated fringe benefit expenditures due to salaries returning to a normalized rate absent the $250 bonus for state employees in FY 2015. The agency requests capital improvement expenditures of $95,000, all from special revenue funds, for FY 2016. This is the same amount as the revised FY 2015 estimate. The budget includes 122.4 FTE positions and 3.6 non-FTE unclassified positions.

FY 2016 Governor Recommendation

The **Governor** recommends total expenditures of $30.9 million, all from special revenue funds, for operational expenditures and capital improvements, for FY 2016. The Governor recommends operational expenditures of $30.8 million, all from special revenue funds, for FY 2016. This is a decrease of $89,202, or 0.3 percent, below the agency's request. The decrease is attributable to a reduction of employer contributions for state employee health insurance. The Governor recommends capital improvement expenditures of $95,000, all from special revenue funds, for FY 2016. This is the same amount as the agency's request.

The Governor's recommendation also includes the transfer of $8.0 million, all from the Insurance Department Service Regulation Fund, to the State General Fund, for FY 2016.

FY 2017 Agency Request

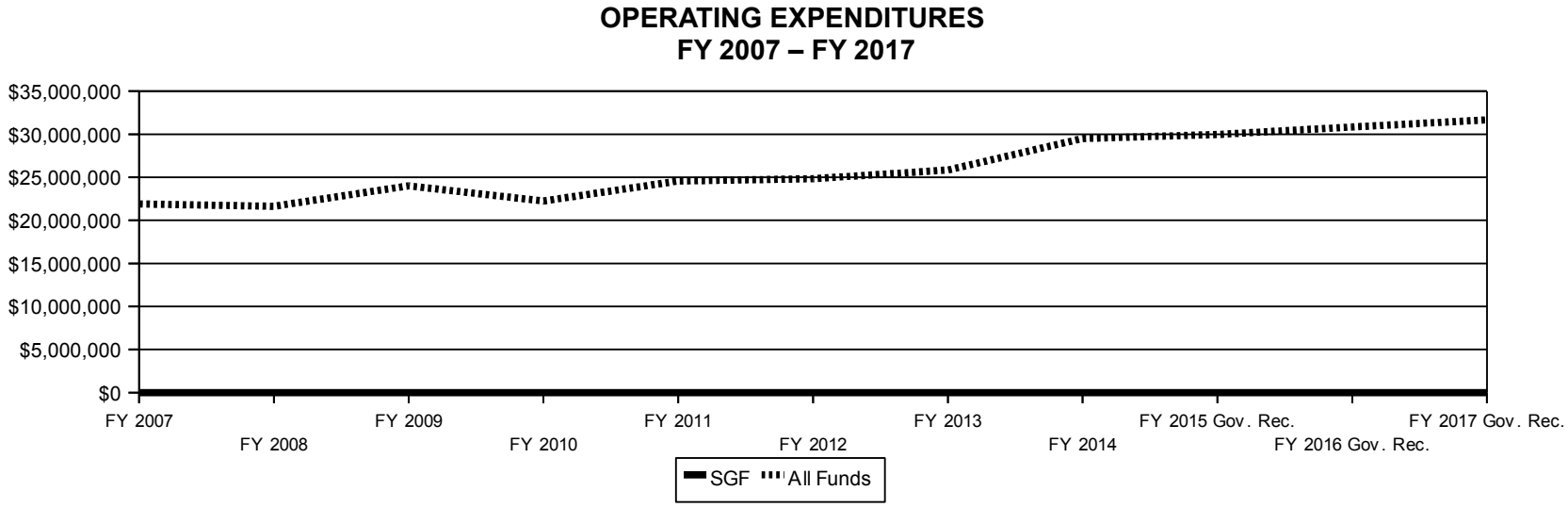
The **agency** requests total expenditures of $31.8 million, all from special revenue funds, for operational expenditures and capital improvements, for FY 2017. The agency requests operational expenditures of $31.8 million, all from special revenue funds, for FY 2017. This is an increase of $826,242, or 2.7 percent, above the amount requested for FY 2016. The increase is primarily attributable to an increase in salaries and wages and fringe benefit expenditures associated with payment of the 27th payroll period in the fiscal year; increased workers compensation and other claims payments; medical, pharmaceutical, and legal expenses related to claims; computer expenditures; and utilities. The agency requests $95,000, all from special revenue funds, for capital improvements for FY 2017. This is the same amount as the FY 2016 request. The budget includes 122.4 FTE positions and 3.6 non-FTE unclassified positions.

FY 2017 Governor Recommendation

The **Governor** recommends total expenditures of $31.8 million, all from special revenue funds, for operational expenditures and capital improvements, for FY 2017. The Governor recommends operational expenditures of $31.7 million, all from special revenue funds, for FY 2017. This is a decrease of $91,056, or 0.3 percent, below the agency's request. The decrease is attributable to a reduction of employer contributions for state employee health insurance. The Governor recommends capital improvement expenditures of $95,000, all from special revenue funds, for FY 2017. This is the same amount as the agency's request.

The Governor's recommendation also includes the transfer of $8.0 million, all from the Insurance Department Service Regulation Fund, to the State General Fund, for FY 2017.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 21,906,391	9.8 %	143.0
2008	0	--	21,628,581	(1.3)	143.0
2009	0	--	24,003,969	11.0	143.4
2010	0	--	22,242,278	(7.3)	138.4
2011	0	--	24,567,936	10.5	123.4
2012	0	--	24,834,805	1.1	122.4
2013	0	--	25,837,213	4.0	122.4
2014	0	--	29,498,735	14.2	122.4
2015 Gov. Rec.	0	--	29,967,048	1.6	122.4
2016 Gov. Rec.	0	--	30,838,407	2.9	122.4
2017 Gov. Rec.	0	--	31,662,796	2.7	122.4
Eleven-Year Change	$ 0	-- %	$ 9,756,405	44.5 %	(20.6)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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:									
Financial Surveillance	$ 1,524,261	$ 1,805,282	$ 1,085,995	$ (719,287)	(39.8) %	$ 1,789,698	$ 1,079,941	$ (709,757)	(39.7)%
General Administration	5,713,149	5,354,845	6,516,115	1,161,270	21.7	5,311,520	6,462,299	1,150,779	21.7
Producers Division	522,484	578,715	607,866	29,151	5.0	574,049	601,272	27,223	4.7
Property and Casualty	807,012	749,113	874,217	125,104	16.7	742,945	864,753	121,808	16.4
Firefighters Relief	12,651,389	10,386,743	10,401,817	15,074	0.1	10,385,556	10,400,112	14,556	0.1
Workers Compensation	6,618,154	10,092,262	10,408,530	316,268	3.1	10,090,434	10,406,738	316,304	3.1
Accident and Health	1,304,739	713,422	682,636	(30,786)	(4.3)	708,653	676,312	(32,341)	(4.6)
Life Division	357,547	367,258	350,433	(16,825)	(4.6)	364,193	346,980	(17,213)	(4.7)
TOTAL	$ 29,498,735	$ 30,047,640	$ 30,927,609	$ 879,969	2.9 %	$ 29,967,048	$ 30,838,407	$ 871,359	2.9 %
By Major Object of Expenditure:									
Salaries and Wages	$ 8,242,888	$ 8,540,150	$ 8,345,080	$ (195,070)	(2.3) %	$ 8,459,558	$ 8,255,878	$ (203,680)	(2.4)%
Contractual Services	3,876,763	3,247,847	4,029,661	781,814	24.1	3,247,847	4,029,661	781,814	24.1
Commodities	251,060	357,993	371,261	13,268	3.7	357,993	371,261	13,268	3.7
Capital Outlay	39,807	151,650	156,621	4,971	3.3	151,650	156,621	4,971	3.3
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 12,410,518	$ 12,297,640	$ 12,902,623	$ 604,983	4.9 %	$ 12,217,048	$ 12,813,421	$ 596,373	4.9 %
Aid to Local Units	12,457,812	10,250,000	10,250,000	0	0.0	10,250,000	10,250,000	0	0.0
Other Assistance	4,630,405	7,500,000	7,774,986	274,986	3.7	7,500,000	7,774,986	274,986	3.7
TOTAL	$ 29,498,735	$ 30,047,640	$ 30,927,609	$ 879,969	2.9 %	$ 29,967,048	$ 30,838,407	$ 871,359	2.9 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
All Other Funds	29,498,735	30,047,640	30,927,609	879,969	2.9	29,967,048	30,838,407	871,359	2.9
TOTAL	$ 29,498,735	$ 30,047,640	$ 30,927,609	$ 879,969	2.9 %	$ 29,967,048	$ 30,838,407	$ 871,359	2.9 %

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:								
Financial Surveillance	$ 1,085,995	$ 1,141,577	$ 55,582	5.1 %	$ 1,079,941	$ 1,135,401	$ 55,460	5.1 %
General Administration	6,516,115	6,798,116	282,001	4.3	6,462,299	6,743,157	280,858	4.3
Producers Division	607,866	634,001	26,135	4.3	601,272	627,275	26,003	4.3
Property and Casualty	874,217	912,658	38,441	4.4	864,753	903,004	38,251	4.4
Firefighters Relief	10,401,817	10,407,738	5,921	0.1	10,400,112	10,405,999	5,887	0.1
Workers Compensation	10,408,530	10,777,824	369,294	3.5	10,406,738	10,775,996	369,258	3.5
Accident and Health	682,636	716,005	33,369	4.9	676,312	709,554	33,242	4.9
Life Division	350,433	365,933	15,500	4.4	346,980	362,410	15,430	4.4
TOTAL	$ 30,927,609	$ 31,753,852	$ 826,243	2.7 %	$ 30,838,407	$ 31,662,796	$ 824,389	2.7 %
By Major Object of Expenditure:								
Salaries and Wages	$ 8,345,080	$ 8,726,099	$ 381,019	4.6 %	$ 8,255,878	$ 8,635,043	$ 379,165	4.6 %
Contractual Services	4,029,661	4,171,362	141,701	3.5	4,029,661	4,171,362	141,701	3.5
Commodities	371,261	385,562	14,301	3.9	371,261	385,562	14,301	3.9
Capital Outlay	156,621	161,608	4,987	3.2	156,621	161,608	4,987	3.2
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 12,902,623	$ 13,444,631	$ 542,008	4.2 %	$ 12,813,421	$ 13,353,575	$ 540,154	4.2 %
Aid to Local Units	10,250,000	10,250,000	0	0.0	10,250,000	10,250,000	0	0.0
Other Assistance	7,774,986	8,059,221	284,235	3.7	7,774,986	8,059,221	284,235	3.7
TOTAL	$ 30,927,609	$ 31,753,852	$ 826,243	2.7 %	$ 30,838,407	$ 31,662,796	$ 824,389	2.7 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
All Other Funds	30,927,609	31,753,852	826,243	2.7	30,838,407	31,662,796	824,389	2.7
TOTAL	$ 30,927,609	$ 31,753,852	$ 826,243	2.7 %	$ 30,838,407	$ 31,662,796	$ 824,389	2.7 %

A. FY 2015 – Current Year

Adjustments to the Approved State General Fund Budget

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	30,155,791	30,142,640	(13,151)	30,062,048	(93,743)
TOTAL	$ 30,155,791	$ 30,142,640	$ (13,151)	$ 30,062,048	$ (93,743)
FTE Positions	122.4	122.4	(0.0)	122.4	(0.0)

The **agency** submits a revised estimate for total expenditures of $30.1 million, all from special revenue funds, for operational expenditures and capital improvements, in FY 2015. The agency estimates $30.0 million for operational expenditures, all from special revenue funds, in FY 2015. This is a decrease of $13,151, or less than 0.1 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to a decrease in tuition grants and fringe benefit expenditures. The agency request a revised estimate for capital improvements of $95,000, all from special revenue funds, in FY 2015. This is the same amount approved by the 2014 Legislature.

The operational expenditures revised estimate is detailed by category of expenditure.

- **Salaries and Wages.** The agency estimates $8.5 million, all from special revenue funds, for salaries and wages in FY 2015. This is a decrease of $3,151, or less than 0.1 percent, below the amount approved by the 2014 Legislature and is attributable to a decrease in fringe benefit expenditures.

- **Contractual Services.** The agency estimates $3.2 million, all from special revenue funds, for contractual services in FY 2015. This is the same amount approved by the 2014 Legislature. Major portions of expenditures for contractual services includes estimates for professional fees to be paid to attorneys and hospitals providing services to claimants, computer software, travel and subsistence, specific communication costs related to performance of company examinations, and utilities.

- **Commodities.** The agency estimates $357,993, all from special revenue funds, for commodities in FY 2015. This is the same amount approved by the 2014 Legislature. Major portions of expenditures for commodities include drug and pharmaceutical claims payments, data processing supplies, and general office supplies.

- **Capital Outlay.** The agency estimates $151,650, all from special revenue funds, for capital outlay in FY 2015. This is the same amount approved by the 2014 Legislature. Major portions of expenditures for capital outlay include computer equipment and printers.

- **Aid to Local Units of Government.** The agency estimates $10.3 million, all from special revenue funds, for aid to local units of government in FY 2015. This is the same amount approved by the 2014 Legislature.

- **Other Assistance.** The agency estimates $7.5 million, all from special revenue funds, for other assistance in FY 2015. This is a decrease of $10,000, or less than 0.1 percent, below the amount approved by the 2014 Legislature and is primarily attributable to a decrease in tuition grant expenditures.

The **Governor** recommends total expenditures of $30.1 million, all from special revenue funds, in FY 2015. The Governor recommends operational expenditures of $30.0 million, all from special revenue funds, in FY 2015. The operational expenditures total is a decrease of $80,592, or 0.3 percent, below the agency's revised estimate. The decrease is attributable to the Governor's recommendation to reduce KPERS employer contributions. The Governor recommends capital improvement expenditures of $95,000, in FY 2015. This is the same amount as the agency's revised estimate.

The Governor's recommendation also includes the transfer of $3.0 million, all from the Workers Compensation Fund, to the State General Fund, in FY 2015.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 30,927,609	$ 30,838,407	$ (89,202)
FTE Positions	122.4	122.4	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	879,969	871,359	
TOTAL	$ 879,969	$ 871,359	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.9	2.9	
TOTAL	2.9 %	2.9 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests operational expenditures of $30.9 million, all from special revenue funds, for FY 2016. This is an increase of $879,696, or 2.9 percent, above the revised FY 2015 estimate.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $8.3 million, all from special revenue funds, for salaries and wages for FY 2016. This is a decrease of $195,070, or 2.3 percent, below the revised FY 2015 estimate and is primarily attributable to a reduction in salaries and wages and associated fringe benefit expenditures due to

salaries returning to a normalized rate, absent the $250 bonus for state employees in FY 2015.

- **Contractual Services.** The agency requests $4.0 million, all from special revenue funds, for contractual services for FY 2016. This is an increase of $781,814, or 24.1 percent, above the revised FY 2015 estimate and is primarily attributable to additional legal and medical expenses related to claims, computer software, and utilities expenditures.

- **Commodities.** The agency requests $371,261, all from special revenue funds, for commodities for FY 2016. This is an increase of $13,268, or 3.7 percent, above the revised FY 2015 estimate and is primarily attributable to additional pharmaceutical and other supplies related to workers compensation claims.

- **Capital Outlay.** The agency requests $156,621, all from special revenue funds, for capital outlay for FY 2016. This is an increase of $4,971, or 3.3 percent, above the revised FY 2015 estimate and is primarily attributable to additional computer equipment expenditures.

- **Aid to Local Units of Government.** The agency requests $10.3 million, all from special revenue funds, for aid to local units of government for FY 2016. This is the same amount as the revised FY 2015 estimate.

- **Other Assistance.** The agency requests $7.8 million, all from special revenue funds, for other assistance for FY 2016. This is an increase of $274,986, or 3.7 percent, above the revised FY 2015 estimate and is primarily attributable to an increase in workers compensation and other claims payments.

The **Governor** recommends operational expenditures of $30.8 million, all from special revenue funds, for FY 2016. This is a decrease of $89,202, or 0.3 percent, below the agency's request. The decrease is attributable to a reduction of the employer contribution rate for state employee health insurance.

The Governor's recommendation also includes the transfer of $8.0 million, all from the Insurance Department Service Regulation Fund, to the State General Fund, for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 31,753,852	$ 31,662,796	$ (91,056)
FTE Positions	122.4	122.4	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	826,243	0	
TOTAL	$ 826,243	$ 0	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.7	2.7	
TOTAL	2.7 %	2.9 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests operational expenditures of $31.8 million, all from special revenue funds, for FY 2017. This is an increase of $826,243, or 2.7 percent, above the FY 2016 request.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $8.7 million, all from special revenue funds, for salaries and wages for FY 2017. This is an increase of $381,019, or 4.6 percent, above the FY 2016 request. The increase is attributable to an increase in salaries and wages and associated fringe benefit expenditures primarily

associated with payment of the 27th payroll period in the fiscal year.

- **Contractual Services.** The agency requests $4.2 million, all from special revenue funds, for contractual services for FY 2017. This is an increase of $141,701, or 3.5 percent, above the FY 2016 request and is attributable to additional legal and medical expenses related to claims, computer software, postage, and utilities expenditures.

- **Commodities.** The agency requests $385,562, all from special revenue funds, for commodities for FY 2017. This is an increase of $14,301, or 3.9 percent, above the FY 2016 request and is primarily attributable to additional pharmaceutical and other supplies expenditures related to claims.

- **Capital Outlay.** The agency requests $161,608, all from special revenue funds, for capital outlay for FY 2017. This is an increase of $4,987, or 3.2 percent, above the FY 2016 request and is primarily attributable to additional computer equipment expenditures.

- **Aid to Local Units of Government.** The agency requests $10.3 million, all from special revenue funds, for aid to local units of government for FY 2017. This is the same amount as the FY 2016 request.

- **Other Assistance.** The agency requests $8,059,221, all from special revenue funds, for other assistance for FY 2017. This is an increase of $284,235, or 3.7 percent, above the FY 2016 request and is primarily attributable to an increase in workers compensation and other claims payments.

The **Governor** recommends operational expenditures of $31.7 million, all from special revenue funds, for FY 2017. This is a decrease of $91,056, or 0.3 percent, below the agency's request. The decrease is attributable to a reduction of the employer contribution rate for state employee health insurance.

The Governor's recommendation also includes the transfer of $8.0 million, all from the Insurance Department Service Regulation Fund, to the State General Fund, 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 $32,177, all from special revenue funds, and affects 103 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 $49,240, all from special revenue funds, and FY 2017 longevity payments total $54,080, 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 $89,202, all from special revenue funds, for FY 2016. This is a reduction of $91,056, 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 %
All Other Funds	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.

Fee Fund Analysis - Insurance Company Examination Fund

The Insurance Company Examination Fee Fund receives its revenue from collections generated during the course of audits and investigations of foreign (non-Kansas) and domestic insurance companies.

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	$ 44,499	$ 53,094	$ 53,094	$ 103,094	$ 111,631	$ 153,094	$ 167,685
Revenue	603,459	1,070,994	1,070,994	1,072,759	1,072,759	1,127,946	1,127,946
Transfers in	20,000	50,000	50,000	50,000	50,000	50,000	50,000
Total Funds Available	$ 667,958	$ 1,174,088	$ 1,174,088	$ 1,225,853	$ 1,234,390	$ 1,331,040	$ 1,345,631
Less: Expenditures	614,864	1,070,994	1,062,457	1,072,759	1,066,705	1,127,946	1,121,770
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 53,094	$ 103,094	$ 111,631	$ 153,094	$ 167,685	$ 203,094	$ 223,861
Ending Balance as Percent of Expenditures	8.6%	9.6%	10.5%	14.3%	15.7%	18.0%	20.0%
	October	October	October	October	October	October	October
Month Highest Ending Balance	$ 65,448	$ 49,555	$ 49,555	$ 50,555	$ 50,555	$ 53,555	$ 53,555
	September	January	January	January	January	January	January
Month Lowest Ending Balance	$ 26,442	$ 10,555	$ 10,555	$ 15,555	$ 15,555	$ 17,555	$ 17,555

Fee Fund Analysis - Insurance Department Service Regulation Fund

KSA 40-112 established the Insurance Department Service Regulation Fund for the purpose of maintaining the operations of the Kansas Insurance Department. The fund consists of fees charged by the Department, 1.0 percent of premium taxes received from insurance companies pursuant to KSA 40-252, and an annual assessment imposed as deemed necessary by the Commissioner to fund the operations of the Department.

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	$ 8,444,600	$ 8,870,200	$ 8,870,200	$ 10,122,403	$ 10,190,325	$ 15,639,055	$ 8,086,628
Revenue	14,084,684	14,457,840	14,457,840	14,457,840	14,757,840	14,457,840	15,057,840
Transfers in	0	5,000	5,000	5,000	5,000	5,000	5,000
Total Funds Available	$ 22,529,284	$ 23,333,040	$ 23,333,040	$ 24,585,243	$ 24,953,165	$ 30,101,895	$ 23,149,468
Less: Expenditures	8,609,084	8,210,637	8,142,715	8,946,188	8,866,537	9,338,321	9,257,008
Transfers Out	5,050,000	5,000,000	5,000,000	0	8,000,000	0	8,000,000
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 8,870,200	$ 10,122,403	$ 10,190,325	$ 15,639,055	$ 8,086,628	$ 20,763,574	$ 5,892,460
Ending Balance as Percent of Expenditures	103.0%	123.3%	125.1%	174.8%	91.2%	222.3%	63.7%
	March	March	March	March	March	March	March
Month Highest Ending Balance	$ 10,165,653	$ 7,889,206	$ 7,889,206	$ 7,728,206	$ 7,728,206	$ 7,910,206	$ 7,910,206
	December	December	December	December	December	December	June
Month Lowest Ending Balance	$ 3,210,313	$ 578,206	$ 578,206	$ 49,206	$ 49,206	$ (151,794)	$ (151,794)

Fee Fund Analysis - Workers Compensation Fund

KSA 566(b)(1) authorizes the Commissioner of Insurance to impose an assessment upon all insurance carriers, the proceeds of which shall be credited to the Workers Compensation Fee Fund to pay claims, attorney fees, and costs which may be required to be paid from such a fund during the current fiscal year. Other sources of revenue include fines, penalties, and reimbursements.

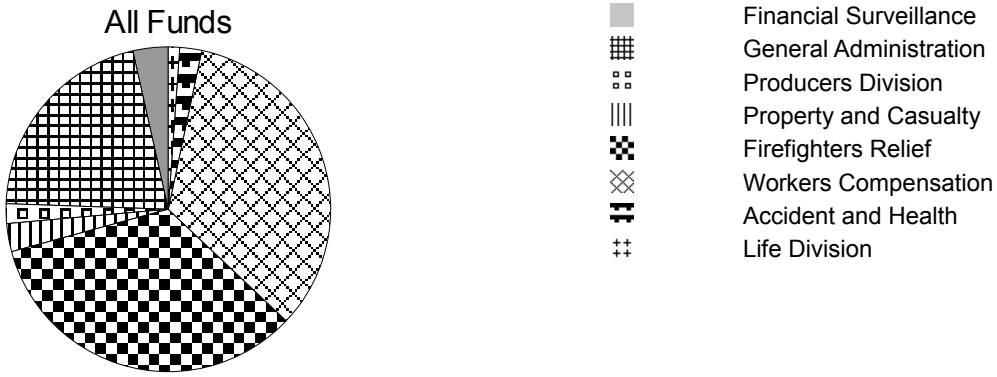
Resource Estimate	Actual FY 2014	Agency Estimate FY 2015	Governor Rec. FY 2015	Agency Request FY 2016	Gov. Rec. FY 2016	Agency Request FY 2017	Gov. Rec. FY 2017
Beginning Balance	$ 7,622,567	$ 6,185,389	$ 6,185,389	$ 10,546,982	$ 7,548,810	$ 9,222,058	$ 6,225,678
Revenue	5,180,976	14,453,855	14,453,855	9,083,606	9,083,606	9,417,964	9,417,964
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 12,803,543	$ 20,639,244	$ 20,639,244	$ 19,630,588	$ 16,632,416	$ 18,640,022	$ 15,643,642
Less: Expenditures	6,618,154	10,092,262	10,090,434	10,408,530	10,406,738	10,777,824	10,775,996
Transfers Out	0	0	3,000,000	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 6,185,389	$ 10,546,982	$ 7,548,810	$ 9,222,058	$ 6,225,678	$ 7,862,198	$ 4,867,646
Ending Balance as Percent of Expenditures	93.5%	104.5%	74.8%	88.6%	59.8%	72.9%	45.2%
	July	July	July	July	July	July	July
Month Highest Ending Balance	$ 7,403,956	$ 10,765,315	$ 10,765,315	$ 7,631,510	$ 7,631,510	$ 5,546,510	$ 5,546,510
	May	May	May	May	May	May	May
Month Lowest Ending Balance	$ 1,825,215	$ 7,171,510	$ 7,171,510	$ 5,068,610	$ 5,068,610	$ 2,177,510	$ 2,177,510

Fee Fund Analysis - Firefighters' Relief Fund

KSA 40-1703 requires every insurance company that writes fire and lightning insurance to pay 2.0 percent of the total amount of annual premiums written in Kansas to the Kansas Insurance Department. Funds collected are distributed to various cities, townships, and counties in Kansas, less amounts retained by the Insurance Department for expenses connected to administration of the fund.

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	$ 674,210	$ 815,338	$ 815,338	$ 100,000	$ 101,187	$ 200,000	$ 202,892
Revenue	12,792,517	9,671,405	9,671,405	10,501,817	10,501,817	10,507,737	10,507,737
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 13,466,727	$ 10,486,743	$ 10,486,743	$ 10,601,817	$ 10,603,004	$ 10,707,737	$ 10,710,629
Less: Expenditures	12,651,389	10,386,743	10,385,556	10,401,817	10,400,112	10,407,738	10,405,999
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 815,338	$ 100,000	$ 101,187	$ 200,000	$ 202,892	$ 299,999	$ 304,630
Ending Balance as Percent of Expenditures	6.4%	1.0%	1.0%	1.9%	2.0%	2.9%	2.9%
	June	June	June	June	June	June	June
Month Highest Ending Balance	$ 859,955	$ 1,760,354	$ 1,760,354	$ 15,092,354	$ 15,092,354	$ 16,598,354	$ 16,598,354
	May	May	June	May	May	May	May
Month Lowest Ending Balance	$ 139,305	$ 460,354	$ 460,354	$ 1,092,354	$ 1,092,354	$ 14,498,354	$ 14,498,354

EXPENDITURES BY PROGRAM-- GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total
Financial Surveillance	$ 1,079,941	3.5 %
General Administration	6,462,299	21.0
Producers Division	601,272	1.9
Property and Casualty	864,753	2.8
Firefighters Relief	10,400,112	33.7
Workers Compensation	10,406,738	33.7
Accident and Health	676,312	2.2
Life Division	346,980	1.1
TOTAL	$ 30,838,407	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Financial Surveillance	18.7	18.7	18.7	9.0	9.0	9.0	9.0
General Administration	66.1	66.1	66.1	73.4	73.4	73.4	73.4
Producers Division	8.8	8.8	8.8	9.0	9.0	9.0	9.0
Property and Casualty	11.7	11.7	11.7	13.0	13.0	13.0	13.0
Firefighters Relief	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Workers Compensation	2.7	2.7	2.7	2.5	2.5	2.5	2.5
Accident and Health	7.7	7.7	7.7	8.5	8.5	8.5	8.5
Life Division	4.7	4.7	4.7	5.0	5.0	5.0	5.0
TOTAL	122.4	122.4	122.4	122.4	122.4	122.4	122.4

A. Financial Surveillance

The Financial Surveillance Division protects insurance consumers in Kansas from financial hardship by detecting as quickly as possible those insurance companies which are in, or have the potential to be in, hazardous financial condition. This division includes licensing, monitoring, and regulating insurance companies.

FINANCIAL SURVEILLANCE
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,461,431	$ 1,595,382	$ 1,579,798	$ 869,792	$ 863,738	$ 911,252	$ 905,076
Contractual Services	62,785	185,050	185,050	190,607	190,607	203,963	203,963
Commodities	45	6,400	6,400	6,592	6,592	6,789	6,789
Capital Outlay	0	18,450	18,450	19,004	19,004	19,573	19,573
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,524,261	$ 1,805,282	$ 1,789,698	$ 1,085,995	$ 1,079,941	$ 1,141,577	$ 1,135,401
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 1,524,261	$ 1,805,282	$ 1,789,698	$ 1,085,995	$ 1,079,941	$ 1,141,577	$ 1,135,401
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	1,524,261	1,805,282	1,789,698	1,085,995	1,079,941	1,141,577	1,135,401
TOTAL	$ 1,524,261	$ 1,805,282	$ 1,789,698	$ 1,085,995	$ 1,079,941	$ 1,141,577	$ 1,135,401
FTE Positions	18.7	18.7	18.7	9.0	9.0	9.0	9.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	18.7	18.7	18.7	9.0	9.0	9.0	9.0

The **agency** requests $1.1 million, all from special revenue funds, for FY 2016. This a decrease of $719,287, or 39.8 percent, below the agency's revised estimate in FY 2015. The agency's requests 9.0 FTE positions, which is a decrease of 9.7 FTE positions below the agency's revised estimate for FY 2015.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $869,792, all from special revenue funds, for salaries and wages for FY 2016. This is a decrease of $725,590, or 45.5 percent, below the agency's revised estimate in FY 2015. The decrease is attributable to a reduction in salaries and wages and associated fringe benefit expenditures primarily due to shifting 9.7 FTE

positions to other programs. The decrease is also attributable to salaries and wages returning to a normalized rate, absent the $250 bonus for state employees in FY 2015.

- **Contractual Services.** The agency requests $190,607, all from special revenue funds, which is $5,557, or 3.0 percent, above the agency's revised estimate in FY 2015 and is attributable to additional computer software and utilities expenditures.

- **Commodities.** The agency requests $6,592, all from special revenue funds, for commodities for FY 2016. This is an increase of $192, or 3.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in office supplies and data processing supplies.

- **Capital Outlay.** The agency requests $19,004, all from special revenue funds, for capital outlay for FY 2016. This is an increase of $554, or 3.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in computer equipment.

The **Governor** recommends expenditures of $1.1 million, all from special revenue funds, for FY 2016. This is a decrease of $6,054, or 0.6 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

The **agency** requests $1.1 million, all from special revenue funds, for FY 2017. This is an increase of $55,582, or 5.1 percent, above the amount requested for FY 2016. The agency requests 9.0 FTE positions, which is the same number requested for FY 2016.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $911,252, all from special revenue funds, which is $41,460, or 4.8 percent, above the amount requested for FY 2016 and is attributable to an increase in salaries and wages and associated fringe benefits, due to payment of the 27th payroll period in the fiscal year.

- **Contractual Services.** The agency requests $203,963, all from special revenue funds, which is $13,356, or 7.0 percent, above the amount requested for FY 2016 and is primarily attributable to additional communications expenditures and in-state and out-of-state travel expenditures.

- **Commodities.** The agency requests $6,789, all from special revenue funds, for commodities for FY 2017. This is an increase of $197, or 3.0 percent, above the FY 2016 request. The increase is primarily attributable to an increase in office supplies and data processing supplies.

- **Capital Outlay.** The agency requests $19,573, all from special revenue funds, for capital outlay for FY 2017. This is an increase of $569, or 3.0 percent, above the FY 2016 request. The increase is primarily attributable to an increase in computer equipment.

The **Governor** recommends expenditures of $1.1 million, all from special revenue funds, for FY 2017. This a decrease of $6,176, or 0.5 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

B. General Administration

The Administration Division (including the Legal Division) provides assistance, advice and counsel to the Insurance Commissioner and the operating divisions of the Department, and educating consumers about the insurance products they are purchasing. The Division includes human resources, fiscal, informational, technical, organizational and facilities management services. Day to day responsibilities include consumer assistance, auditing of premium tax returns and the collection of premium tax receipts for deposit into the State General Fund.

GENERAL ADMINISTRATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 4,394,941	$ 4,603,645	$ 4,560,320	$ 5,063,094	$ 5,009,278	$ 5,293,986	$ 5,239,027
Contractual Services	1,273,766	605,000	605,000	1,302,435	1,302,435	1,349,022	1,349,022
Commodities	56,091	52,000	52,000	53,560	53,560	55,168	55,168
Capital Outlay	39,807	94,200	94,200	97,026	97,026	99,940	99,940
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 5,764,605	$ 5,354,845	$ 5,311,520	$ 6,516,115	$ 6,462,299	$ 6,798,116	$ 6,743,157
Aid to Local Units	(66,893)	0	0	0	0	0	0
Other Assistance	15,437	0	0	0	0	0	0
TOTAL	$ 5,713,149	$ 5,354,845	$ 5,311,520	$ 6,516,115	$ 6,462,299	$ 6,798,116	$ 6,743,157
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	5,713,149	5,354,845	5,311,520	6,516,115	6,462,299	6,798,116	6,743,157
TOTAL	$ 5,713,149	$ 5,354,845	$ 5,311,520	$ 6,516,115	$ 6,462,299	$ 6,798,116	$ 6,743,157
FTE Positions	66.1	66.1	66.1	73.4	73.4	73.4	73.4
Non-FTE Uncl. Perm. Pos.	3.6	3.6	3.6	3.6	3.6	3.6	3.6
TOTAL	69.7	69.7	69.7	77.0	77.0	77.0	77.0

The **agency** requests $6.5 million, all from special revenue funds, for FY 2016. This is an increase of $1.2 million, or 21.7 percent, above the agency's approved budget in FY 2015. The agency requests 73.4 FTE positions, which is 7.3 positions above the number in the revised FY 2015 request.

The request is detailed by category of expenditure.

- **Salaries and Wages:** The agency requests $5.1 million, all from special revenue funds, for salaries and wages for FY 2016. This is an increase of $459,449, or 10.0 percent, above the amount in the revised FY 2015 estimate and is attributable to an increases in salaries and wages and associated fringe benefit expenditures,

primarily due to shifting 7.3 FTE positions in from other programs.

- **Contractual Services:** The agency requests $1.3 million, all from special revenue funds, for contractual services for FY 2016. This is an increase of $697,435, or 115.3 percent, above the amount in the revised FY 2015 request and attributable to additional legal expenses, utilities, computer software expenditures, and postage.

- **Commodities.** The agency requests $53,560, all from special revenue funds, for commodities for FY 2016. This is an increase of $1,560, or 3.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in office supplies and data processing supplies.

- **Capital Outlay.** The agency requests $97,026, all from special revenue funds, for capital outlay for FY 2017. This is an all funds increase of $2,826, or 3.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in computer equipment.

The **Governor** recommends expenditures of $6.5 million, all from special revenue funds, for FY 2017. This is an all funds decrease of $53,816, or 0.8 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

The **agency** requests $6.8 million, all from special revenue funds, for FY 2017. This is an increase of $282,001, or 4.3 percent, above the amount requested for FY 2017. The request includes 73.4 FTE positions, which is the same number in the FY 2016 request.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $5.3 million, all from special revenue funds, for salaries and wages for FY 2017. This is an increase of $230,892, or 4.6 percent, above the amount requested for FY 2016 and is attributable to an increase in salaries and wages and associated fringe benefit costs, due to payment of the 27th payroll period in the fiscal year.

- **Contractual Services.** The agency requests $1.3 million, all from special revenue funds, for contractual services for FY 2017. This is an increase of $46,587, or 3.6 percent, above the amount requested for FY 2016 and is attributable to additional legal expenses, utilities, computer software expenditures, and postage.

- **Commodities.** The agency requests $55,168, all from special revenue funds, for commodities for FY 2017. This is an increase of $1,608, or 3.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in office supplies and data processing supplies.

- **Capital Outlay.** The agency requests $99,940, all from special revenue funds, for capital outlay for FY 2017. This is an increase of $2,914, or 3.0 percent, above the FY 2016 request. The

increase is primarily attributable to an increase in computer equipment.

The **Governor** recommends expenditures of $6.7 million, all from special revenue funds, for FY 2017. This is a decrease of $54,959, or 0.8 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

C. Producers Division

The Producers Division assists the Commissioner of Insurance in protecting the consumers of Kansas by ensuring that all individuals selling, soliciting and negotiating insurance contracts in Kansas are knowledgeable, competent, property licensed, and certified by insurance companies.

PRODUCERS DIVISION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 517,966	$ 509,365	$ 504,699	$ 536,168	$ 529,574	$ 560,060	$ 553,334
Contractual Services	4,518	58,050	58,050	59,908	59,908	61,792	61,792
Commodities	0	3,300	3,300	3,400	3,400	3,502	3,502
Capital Outlay	0	8,000	8,000	8,390	8,390	8,647	8,647
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 522,484	$ 578,715	$ 574,049	$ 607,866	$ 601,272	$ 634,001	$ 627,275
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 522,484	$ 578,715	$ 574,049	$ 607,866	$ 601,272	$ 634,001	$ 627,275
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	522,484	578,715	574,049	607,866	601,272	634,001	627,275
TOTAL	$ 522,484	$ 578,715	$ 574,049	$ 607,866	$ 601,272	$ 634,001	$ 627,275
FTE Positions	8.8	8.8	8.8	9.0	9.0	9.0	9.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	8.8	8.8	8.8	9.0	9.0	9.0	9.0

The **agency** requests $607,866, all from special revenue funds, for FY 2016. This is an increase of $29,151, or 5.0 percent, above the agency's approved budget in FY 2015. The agency requests 9.0 FTE positions, which is 0.2 positions above the amount in the revised FY 2015 request.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $536,168, all from special revenue funds, for salaries and wages for FY 2016. This is an increase of $26,803, or 5.3 percent, above the amount in the revised FY 2015 estimate and is attributable to an increase in salaries and wages and associated fringe benefit expenditures.

- **Contractual Services.** The agency requests $59,908, all from special revenue funds, for contractual services for FY 2016. This is an increase of $1,858, or 3.2 percent, above the amount in the revised FY 2015 estimate and is attributable to additional computer software and utilities expenditures.

- **Commodities.** The agency requests $3,400, all from special revenue funds, for commodities for FY 2016. This is an increase of $100, or 3.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in office supplies and data processing supplies.

- **Capital Outlay.** The agency requests $8,390, all from special revenue funds, for capital outlay for FY 2016. This is an increase of $390, or 4.9 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in computer equipment.

The **Governor** recommends expenditures of $601,272, all from special revenue funds, for FY 2016. This is an all funds decrease of $6,594, or 1.1 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

The **agency** requests $634,001, all from special revenue funds, for FY 2017. This is an increase of $26,135, or 4.3 percent, above the amount requested for FY 2016. The agency requests 9.0 FTE positions, which is the same number as the FY 2016 request.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $560,060, all from special revenue funds, for salaries and wages for FY 2017. This is an increase of $23,892, or 4.5 percent, above the amount in the FY 2016 request and is primarily attributable to an increase in salaries and wages expenditures and associated fringe benefit costs, due to payment of the 27th payroll period in the fiscal year.

- **Contractual Services.** The agency requests $61,792, all from special revenue funds, for contractual services for FY 2017. This is an increase of $1,884, or 3.1 percent, above the amount in the FY 2016 request and is attributable to additional utilities and computer software expenditures.

- **Commodities.** The agency requests $3,502, all from special revenue funds, for commodities for FY 2017. This is an increase of $102, or 3.0 percent, above the FY 2016 request. The increase is primarily attributable to an increase in office supplies and data processing supplies.

- **Capital Outlay.** The agency requests $8,647, all from special revenue funds, for capital outlay for FY 2017. This is an increase of $257, or 3.1 percent, above the FY 2016 request. The increase is primarily attributable to an increase in computer equipment.

The **Governor** recommends expenditures of $627,275, all from special revenue funds, for FY 2017. This is an all funds decrease of $6,726, or 1.1 percent, below the agency's request.

The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

D. Property and Casualty

The Property and Casualty Division verifies that the regulated rates, rules, and policy forms used by property and casualty insurance companies comply with statutes and regulations and to administer and regulate numerous other related insurance functions to ensure compliance with Kansas statutes and regulations.

PROPERTY AND CASUALTY
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 797,233	$ 648,043	$ 641,875	$ 770,114	$ 760,650	$ 805,450	$ 795,796
Contractual Services	9,779	84,670	84,670	87,211	87,211	89,812	89,812
Commodities	0	3,900	3,900	4,017	4,017	4,138	4,138
Capital Outlay	0	12,500	12,500	12,875	12,875	13,258	13,258
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 807,012	$ 749,113	$ 742,945	$ 874,217	$ 864,753	$ 912,658	$ 903,004
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 807,012	$ 749,113	$ 742,945	$ 874,217	$ 864,753	$ 912,658	$ 903,004
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	807,012	749,113	742,945	874,217	864,753	912,658	903,004
TOTAL	$ 807,012	$ 749,113	$ 742,945	$ 874,217	$ 864,753	$ 912,658	$ 903,004
FTE Positions	11.7	11.7	11.7	13.0	13.0	13.0	13.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	11.7	11.7	11.7	13.0	13.0	13.0	13.0

The **agency** requests $874,217, all from special revenue funds, for FY 2016. This is an increase of $125,104, or 16.7 percent, above the agency's approved budget in FY 2015. The agency also requests 13.0 FTE positions, which is 1.3 FTE positions above the amount in the revised FY 2015 request.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $770,114, all from special revenue funds, for salaries and wages for FY 2016. This is an increase of $122,071, or 18.8 percent, above the amount in the revised FY 2015 estimate and is attributable to an increase in salaries and wages expenditures and associated fringe benefits.

- **Contractual Services.** The agency requests $87,211, all from special revenue funds, for contractual services for FY 2016. This is an increase of $2,541, or 3.0 percent, above the amount in the revised FY 2015 estimate and is attributable to additional computer software and utilities expenditures.

- **Commodities.** The agency requests $4,017, all from special revenue funds, for commodities for FY 2016. This is an increase of $117, or 3.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in office supplies and data processing supplies.

- **Capital Outlay.** The agency requests $12,875, all from special revenue funds, for capital outlay for FY 2016. This is an increase of $375, or 3.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in computer equipment.

The **Governor** recommends expenditures of $864,753, all from special revenue funds, for FY 2016. This is a decrease of $9,464, or 1.1 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

The **agency** requests $912,658, all from special revenue funds, for FY 2017. This is an increase of $38,441, or 4.4 percent, above the amount requested for FY 2017. The agency requests 13.0 FTE positions, which is the same amount as the FY 2016 request.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $805,450, all from special revenue funds, for FY 2017. This is an increase of $35,336, or 4.6 percent, above the amount in the FY 2016 request and is attributable to an increase in salaries and wages and associated fringe benefit costs, due to payment of the 27th payroll period in the fiscal year.

- **Contractual Services.** The agency requests $89,812, all from special revenue funds, for FY 2017. This is an increase of $2,601, or 3.0 percent, above the amount in the FY 2016 request and is attributable to additional computer software and utilities expenditures.

- **Commodities.** The agency requests $4.138, all from special revenue funds, for commodities for

FY 2017. This is an increase of $121, or 3.0 percent, above the FY 2016 request. The increase is primarily attributable to an increase in office supplies and data processing supplies.

- **Capital Outlay.** The agency requests $13,258, all from special revenue funds, for capital outlay for FY 2017. This is an increase of $383, or 3.0 percent, above the FY 2016 request. The increase is primarily attributable to an increase in computer equipment.

The **Governor** recommends expenditures of $903,004, all from special revenue funds, for FY 2017. This is a decrease of $9,654, or 1.1 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

E. Firefighters Relief

The Firefighters' Relief Fund Division administers the Firefighters' Relief Act as it applies to all insurance companies, corporations, firms or associations transacting business of fire insurance in the state. KSA 40-1703 requires every insurance company that writes fire and lightning insurance to pay 2.0 percent of the total amount of annual premiums written in Kansas to the Insurance Department. The amounts collected are credited to the Firefighters' Relief Fund and distributed to cities, townships, fire districts and county firefighters' relief associations.

FIREFIGHTERS RELIEF
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 119,850	$ 116,543	$ 115,356	$ 130,402	$ 128,697	$ 136,194	$ 134,455
Contractual Services	6,834	18,000	18,000	19,165	19,165	19,246	19,246
Commodities	0	900	900	926	926	952	952
Capital Outlay	0	1,300	1,300	1,324	1,324	1,346	1,346
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 126,684	$ 136,743	$ 135,556	$ 151,817	$ 150,112	$ 157,738	$ 155,999
Aid to Local Units	12,524,705	10,250,000	10,250,000	10,250,000	10,250,000	10,250,000	10,250,000
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 12,651,389	$ 10,386,743	$ 10,385,556	$ 10,401,817	$ 10,400,112	$ 10,407,738	$ 10,405,999
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	12,651,389	10,386,743	10,385,556	10,401,817	10,400,112	10,407,738	10,405,999
TOTAL	$ 12,651,389	$ 10,386,743	$ 10,385,556	$ 10,401,817	$ 10,400,112	$ 10,407,738	$ 10,405,999
FTE Positions	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	2.0	2.0	2.0	2.0	2.0	2.0	2.0

The **agency** requests $10.4 million, all from special revenue funds, for FY 2016. This is an increase of $15,074, or 0.1 percent, above the agency's approved budget in FY 2015. The agency requests 2.0 FTE positions, which is the same number as the revised FY 2015 request.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $130,402, all from special revenue funds, for salaries and wages for FY 2016. This is an increase of $13,859, or 11.9 percent, above the amount in the revised FY 2015 request and is attributable to an increase in an increase in fringe benefit expenditures.

- **Contractual Services.** The agency requests $19,165, all from special revenue funds, for contractual services for FY 2016. This is an increase of $1,165, or 6.5 percent, above the amount in the revised FY 2015 estimate and is attributable to additional computer software and utilities expenditures.

- **Commodities.** The agency requests $926, all from special revenue funds, for commodities for FY 2016. This is an increase of $26, or 2.9 percent, above the revised FY 2015 estimate. The increase is attributable to an increase in office supplies.

- **Capital Outlay.** The agency requests $1,324, all from special revenue funds, for capital outlay for FY 2016. This is an increase of $24, or 1.8 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in computer equipment.

- **Aid to Local Units for Government.** The agency requests $10.3 million, all from special revenue funds, for aid to local units of government for FY 2016. This is the same amount as the revised FY 2015 estimate.

The **Governor** recommends expenditures of $10.4 million, all from special revenue funds, for FY 2016. This is a decrease of $1,705, or less than 0.1 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

The **agency** requests $10.4 million, all from special revenue funds, for FY 2017. This is an increase of $5,921, or 0.1 percent, above the amount requested for FY 2016. The agency requests 2.0 FTE positions, which is the same number as the FY 2016 request.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $136,194, all from special revenue funds, for salaries and wages for FY 2017. This is an increase of $5,792, or 4.4 percent, above the amount in the FY 2016 request and is primarily attributable to an increase in salaries and wages and associated fringe benefit costs due to payment of the 27th payroll period in the fiscal year.

- **Contractual Services.** The agency requests $19,246, all from special revenue funds, for contractual services for FY 2017. This is an increase of $81, or 0.4 percent, above the amount in the FY 2016 request.

- **Commodities.** The agency requests $952, all from special revenue funds, for commodities for FY 2017. This is an increase of $26, or 2.8 percent, above the FY 2016 request. The increase is primarily attributable to an increase in office supplies.

- **Capital Outlay.** The agency requests $1,346, all from special revenue funds, for capital outlay for FY 2017. This is an increase of $22, or 1.7 percent, above the FY 2016 request. The

increase is primarily attributable to an increase in computer equipment.

- **Aid to Local Units of Government.** The agency requests $10.3 million, all from special revenue funds, for aid to local units of government for FY 2017. This is the same amount as the FY 2016 request.

The **Governor** recommends expenditures of $10.4 million, all from special revenue funds, for FY 2017. This is a decrease of $1,739, or less than 0.1 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

F. Workers Compensation

The Workers Compensation Division works to encourage the employment of persons disabled as a result of specific impairments by relieving employers, wholly or partially, of workers compensation liability resulting from compensable industrial accidents suffered by these employees and to pay claims of injured workers employed by employers who are insolvent, bankrupt, or cannot be located.

WORKERS COMPENSATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 175,484	$ 213,777	$ 211,949	$ 182,543	$ 180,751	$ 190,881	$ 189,053
Contractual Services	1,632,838	2,091,392	2,091,392	2,153,009	2,153,009	2,217,886	2,217,886
Commodities	194,864	282,093	282,093	292,842	292,842	304,533	304,533
Capital Outlay	0	5,000	5,000	5,150	5,150	5,303	5,303
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 2,003,186	$ 2,592,262	$ 2,590,434	$ 2,633,544	$ 2,631,752	$ 2,718,603	$ 2,716,775
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	4,614,968	7,500,000	7,500,000	7,774,986	7,774,986	8,059,221	8,059,221
TOTAL	$ 6,618,154	$ 10,092,262	$ 10,090,434	$ 10,408,530	$ 10,406,738	$ 10,777,824	$ 10,775,996
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	6,618,154	10,092,262	10,090,434	10,408,530	10,406,738	10,777,824	10,775,996
TOTAL	$ 6,618,154	$ 10,092,262	$ 10,090,434	$ 10,408,530	$ 10,406,738	$ 10,777,824	$ 10,775,996
FTE Positions	2.7	2.7	2.7	2.5	2.5	2.5	2.5
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	2.7	2.7	2.7	2.5	2.5	2.5	2.5

The **agency** requests $10.4 million, all from special revenue funds, for FY 2016. This is an increase of $316,268, or 3.1 percent, above the amount in the revised FY 2015 estimate. The request includes 2.5 FTE positions, which is a decrease of 0.2 positions below the number in the revised FY 2015 estimate.

The request is detailed by category of expenditure.

- **Salaries and Wages:** The agency requests $182,543, all from special revenue funds, for salaries and wages for FY 2016. This is a decrease of $31,234, or 14.6 percent, below the amount in the revised FY 2015 estimate and is attributable to a reduction in salaries and wages and associated fringe benefit expenditures.

- **Contractual Services.** The agency requests $2.2 million, all from special revenue funds, for contractual services for FY 2016. This is an increase of $61,617, or 2.9 percent, above the amount in the revised FY 2015 estimate and is attributable to additional legal and medical expenditures related to workers compensation claims, and professional fees.

- **Commodities.** The agency requests $292,842, all from special revenue funds, for commodities for FY 2016. This is an increase of $10,749, or 3.8 percent, above the amount in the revised FY 2015 estimate and is attributable to additional pharmaceuticals and supplies expenditures.

- **Other Assistance.** The agency requests $7.8 million, all from special revenue funds, for other assistance for FY 2016. This is an increase of $274,986, or 3.7 percent, above the amount in the revised FY 2015 estimate and is attributable to an increase in workers compensation and other claims payments.

The **Governor** recommends expenditures of $10.4 million, all from special revenue funds, for FY 2016. This is a decrease of $1,792, or less than 0.1 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

The **agency** requests $10.8 million, all from special revenue funds, for FY 2017. This is an increase of $369,294, or 3.5 percent, above the amount requested for FY 2016. The request includes 2.5 FTE positions, which is the same number as the FY 2016 request.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $190,881, all from special revenue funds, for salaries and wages for FY 2017. This is an increase of $8,338, or 4.6 percent, above the amount in the FY 2016 request and is attributable to an increase in salaries and wages and associated fringe benefit costs, due to payment of the 27th payroll period in the fiscal year.

- **Contractual Services.** The agency requests $2.2 million, all from special revenue funds, for contractual services for FY 2017. This is an increase of $64,877, or 3.0 percent, above the amount in the FY 2016 request and is primarily attributable to additional legal and medical expenditures related to workers compensation claims, and professional fees.

- **Commodities.** The agency requests $304,533, all from special revenue funds, for commodities for FY 2017. This is an increase of $11,691, or 4.0 percent, above the amount in the FY 2016 request and is primarily attributable to additional pharmaceuticals and supplies expenditures.

- **Other Assistance.** The agency requests $8.1 million, all from special revenue funds, for other assistance for FY 2017. This is an increase of $284,235, or 3.7 percent, above the amount in the FY 2016 request and is primarily attributable to an increase in workers compensation and other claims payments.

The **Governor** recommends expenditures of $10.8 million, all from special revenue funds, for FY 2017. This is a decrease of $1,828, or less than 0.1 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

G. Accident and Health

The Accident and Health Division protects insurance consumers by monitoring and regulating all matters relating to the writing of accident and health insurance in Kansas by ensuring that policy forms and rates comply with applicable and laws and regulations.

ACCIDENT AND HEALTH
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 422,017	$ 527,137	$ 522,368	$ 485,173	$ 478,849	$ 506,690	$ 500,239
Contractual Services	882,662	170,685	170,685	180,927	180,927	191,785	191,785
Commodities	60	7,400	7,400	7,844	7,844	8,316	8,316
Capital Outlay	0	8,200	8,200	8,692	8,692	9,214	9,214
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,304,739	$ 713,422	$ 708,653	$ 682,636	$ 676,312	$ 716,005	$ 709,554
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 1,304,739	$ 713,422	$ 708,653	$ 682,636	$ 676,312	$ 716,005	$ 709,554
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	1,304,739	713,422	708,653	682,636	676,312	716,005	709,554
TOTAL	$ 1,304,739	$ 713,422	$ 708,653	$ 682,636	$ 676,312	$ 716,005	$ 709,554
FTE Positions	7.7	7.7	7.7	8.5	8.5	8.5	8.5
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	7.7	7.7	7.7	8.5	8.5	8.5	8.5

The **agency** requests $682,636, all from special revenue funds, for FY 2016. This is a decrease of $30,786, or 4.3 percent, below the agency's approved budget in FY 2015.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $485,173, all from special revenue funds, for salaries and wages for FY 2016. This is a decrease of $41,964, or 8.0 percent, below the revised FY 2015 estimate. The decrease is primarily attributable to a reduction in salary and wage expenditures.

- **Contractual Services.** The agency requests $180,927, all from special revenue funds, for contractual services for FY 2016. This is an increase of $10,242, or 6.0 percent, above the revised FY 2015 estimate and is primarily attributable to additional computer software and consulting expenditures.

- **Commodities.** The agency requests $7,844, all from special revenue funds, for FY 2016. This is an increase of $444, or 6.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in professional supplies.

- **Capital Outlay.** The agency requests $8,692, all from special revenue funds, for FY 2016. This is an increase of $492, or 6.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in computer equipment.

The **Governor** recommends expenditures of $676,312, all from special revenue funds, for FY 2016. This is a decrease of $6,324, or 0.9 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

The **agency** requests $716,005, all from special revenue funds, for FY 2017. This is an increase of $33,369, or 4.9 percent, above the amount requested for FY 2016.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $506,690, all from special revenue funds, for salaries and wages for FY 2017. This is an increase of $21,517, or 4.4 percent, above the amount in the FY 2016 request and is primarily attributable to an increase in salaries and wages and associated fringe benefit costs, due to payment of the 27th payroll period in the fiscal year.

- **Contractual Services.** The agency requests $191,785, all from special revenue funds, for contractual services for FY 2017. This is an increase of $10,858, or 6.0 percent, above the amount in the FY 2016 request and is primarily attributable to additional computer software and consulting expenditures.

- **Commodities.** The agency requests $8,316, all from special revenue funds, for FY 2017. This is an increase of $472, or 6.0 percent, above the FY 2016 request. The increase is primarily attributable to an increase in professional supplies.

- **Capital Outlay.** The agency requests $9,214, all from special revenue funds, for FY 2017. This is an increase of $522, or 6.0 percent, above the FY 2016 request. The increase is primarily attributable to an increase in computer equipment.

The **Governor** recommends expenditures of $709,554, all from special revenue funds, for FY 2017. This is a decrease of $6,451, or 0.9 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

H. Life Division

The Life Division assists the Commissioner by ensuring life insurance products are offered in a fair and equitable manner according to applicable laws and regulations.

LIFE DIVISION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 353,966	$ 326,238	$ 323,193	$ 307,794	$ 304,341	$ 321,586	$ 318,063
Contractual Services	3,581	35,000	35,000	36,399	36,399	37,856	37,856
Commodities	0	2,000	2,000	2,080	2,080	2,164	2,164
Capital Outlay	0	4,000	4,000	4,160	4,160	4,327	4,327
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 357,547	$ 367,238	$ 364,193	$ 350,433	$ 346,980	$ 365,933	$ 362,410
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 357,547	$ 367,238	$ 364,193	$ 350,433	$ 346,980	$ 365,933	$ 362,410
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	357,547	367,258	364,193	350,433	346,980	365,933	362,410
TOTAL	$ 357,547	$ 367,258	$ 364,193	$ 350,433	$ 346,980	$ 365,933	$ 362,410
FTE Positions	4.7	4.7	4.7	5.0	5.0	5.0	5.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	4.7	4.7	4.7	5.0	5.0	5.0	5.0

The **agency** requests $350,433, all from special revenue funds, for FY 2016. This is a decrease of $16,825, or 4.6 percent, below the agency's approved budget in FY 2015. The agency is also requested an increase of 0.3 FTE positions.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $307,794, all from special revenue funds, for salaries and wages for FY 2016. This is a decrease of $18,464, or 5.7 percent, below the revised FY 2015 estimate and is primarily attributable to a reduction in salaries and wages and fringe benefit costs, due to salaries returning to a normalized amount absent the $250 bonus

for state employees in 2015, as well as the shifting of a 0.3 FTE position to another program.

- **Contractual Services.** The agency requests $36,399, all from special revenue funds, for contractual services for FY 2016. The is an increase of $1,399, or 4.0 percent, above the revised FY 2015 estimate and is primarily attributable to additional computer software expenditures.

- **Commodities.** The agency requests $2,080, all from special revenue funds, for FY 2016. This is an increase of $80, or 4.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in office supplies.

- **Capital Outlay.** The agency requests $4,160, all from special revenue funds, for FY 2016. This is an increase of $160, or 4.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in computer equipment.

The **Governor** recommends expenditures of $346,980, all from special revenue funds, for FY 2016. This is a decrease of $3,463, or 1.0 percent, below the agency's request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

The **agency** requests $365,933, all from special revenue funds, for FY 2017. This is an increase of $15,500, or 4.4 percent, above the amount requested for FY 2016.

The request is detailed by category of expenditure.

- **Salaries and Wages.** The agency requests $321,586, all from special revenue funds, for salaries and wages for FY 2017. This is an increase of $13,792, or 4.5 percent, above the amount in the FY 2016 request and is primarily attributable to an increase in salaries and wages and associated fringe benefit costs, due to payment of the 27th payroll period in the fiscal year.

- **Contractual Services.** The agency requests $37,856, all from special revenue funds, for contractual services for FY 2017. This is an increase of $1,457, or 4.0 percent, above the FY 2016 request and is primarily attributable additional computer software and travel expenditures.

- **Commodities.** The agency requests $2,164, all from special revenue funds, for commodities for FY 2017. This is an increase of $84, or 4.0 percent, above the FY 2016 request. The increase is primarily attributable to an increase in office supplies.

- **Capital Outlay.** The agency requests $4,327, all from special revenue funds, for capital outlay for FY 2017. This is an increase of $167, or 4.0 percent, above the FY 2016 request. The increase is primarily attributable to an increase in computer equipment.

The **Governor** recommends expenditures of $362,410, all from special revenue funds, for FY 2017. This is a decrease of $3,523, or 1.0 percent, below the FY 2016 request. The decrease is attributable to a reduction in the employer contribution rate for state employee health insurance.

CAPITAL IMPROVEMENTS	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Rehabilitation and Repair	$ 95,000	$ 95,000	$ 95,000	$ 95,000	$ 95,000	$ 95,000
	0	0	0	0	0	0
TOTAL	$ 95,000	$ 95,000	$ 95,000	$ 95,000	$ 95,000	$ 95,000
Financing:						
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	95,000	95,000	95,000	95,000	95,000	95,000
TOTAL	$ 95,000	$ 95,000	$ 95,000	$ 95,000	$ 95,000	$ 95,000

Current Year Agency Estimate

FY 2015 – Current Year. The agency submits a revised estimate for capital improvement expenditures of $95,000, all from the Insurance Department Rehabilitation and Repair Fund, for rehabilitation and renovation expenditures in FY 2015. This is the same amount approved by the 2014 Legislature. At the five-year capital improvements presentation, the agency indicated that the list of rehabilitation and repair projects includes repairs to the stained glass window on the east side of the building, replacement of several other windows, various repairs and painting of several walls, installing vents in the attic, sealing of an alley, and other miscellaneous repairs that may arise over the course of the year.

Current Year Governor Recommendation

The **Governor** recommends capital improvement expenditures of $95,000, all from special revenue funds, in FY 2015. This is the same amount as the agency's estimate.

Budget Year Agency Request

FY 2016 – Budget Year. The agency requests an estimate for capital improvement expenditures of $95,000, all from the Insurance Department Rehabilitation and Repair Fund, for rehabilitation and repairs expenditures for FY 2016. At the five-year capital improvements presentation, the agency indicated that the list of rehabilitation and repair projects includes repairs to a boiler, replacement of several cubicles, repairs or replacement of several windows, repairs to windows and walls, and other miscellaneous repairs that may arise over the course of the year.

Budget Year Governor Recommendation

The **Governor** recommends capital improvement expenditures of $95,000, all from special revenue funds, for FY 2016. This is the same amount as the agency's request.

Budget Year Agency Request

FY 2017 – Budget Year. The agency requests an estimate for capital improvement expenditures of $95,000, all from the Insurance Department Rehabilitation and Repair Fund, for rehabilitation and repairs expenditures for FY 2017. At the five-year capital improvements presentation, the agency indicated that the list of rehabilitation and repair projects includes repairs or replacement of several windows and storm windows, repairs to the front steps, replacement of certain flooring, various painting projects, installation of flood light at the front steps for security reasons, and other miscellaneous repairs that may arise over the course of the year.

Budget Year Governor Recommendation

The **Governor** recommends capital improvement expenditures of $95,000, all from special revenue funds, for FY 2017. This is the same amount as the agency's request.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Firefighters Relief					
Number of applicants for organization received	1	1	2	1	1
Number of applicants for merger of associations received	2	2	2	1	1
Number of associations' financial statements received	570	570	571	571	570
Percent of associations' financial statements received	100.0%	100.0%	100.0%	100.0%	100.0%
Insurance Company Regulation					
Number of licenses issued	--	21,499	20,000	21,000	22,000
Percent of licenses issued within 2 days	--	98.0%	98.0%	98.0%	98.0%
Insurance Company Examination					
Number of domestic insurance company examinations performed	10	8	10	10	9
Number of domestic company annual statements examined	64	64	64	64	65
Number of insurance company insolvencies	4	1	3	3	3
Workers Compensation					
Number of active cases	3,855	3,914	3,865	3,915	3,920
Number of cases opened	115	114	115	117	119
Number of cases closed	70	68	70	72	74

ATTORNEY GENERAL

	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	$ 5,953,398	$ 6,282,555	$ 6,110,151	$ 6,310,692	$ 5,677,560	$ 6,546,591	$ 5,890,774
Other Funds	15,500,379	14,244,895	14,225,188	15,246,034	15,399,367	15,439,433	15,341,838
TOTAL	$ 21,453,777	$ 20,527,450	$ 20,335,339	$ 21,556,726	$ 21,076,927	$ 21,986,024	$ 21,232,612
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	**$ 21,453,777**	**$ 20,527,450**	**$ 20,335,339**	**$ 21,556,726**	**$ 21,076,927**	**$ 21,986,024**	**$ 21,232,612**
Percentage Change:							
Operating Expenditures							
State General Fund	14.6 %	5.5 %	2.6 %	0.4 %	(7.1) %	3.7 %	3.8 %
All Funds	(0.0)	(4.3)	(5.2)	5.0	3.6	2.0	0.7
FTE Positions	118.0	118.0	118.0	120.0	120.0	120.0	120.0
Non-FTE Perm.Uncl.Pos.	15.0	17.0	17.0	18.0	18.0	18.0	18.0
TOTAL	133.0	135.0	135.0	138.0	138.0	138.0	138.0

AGENCY OVERVIEW

The Attorney General is a constitutional statewide elected official who is the chief legal officer of, and advocate for, the state, and serves as its chief law enforcement officer. The office is organized into eight program: Administrative Services; Criminal Litigation; Legal Opinions and Government Counsel, Consumer Protection; Civil Litigation; Crime Victims Compensation Board; Victim Services and Grants; and Medicaid Fraud and Abuse.

MAJOR ISSUES FROM PRIOR YEARS

The **2010 Legislature** added $350,000, including $200,000 from the State General Fund, for grants to domestic violence prevention programs and Children's Advocacy Centers in FY 2011. This brought total budgeted funding for these programs to $2.6 million in FY 2011. An additional $4.6 million, all from the State General Fund, was budgeted for this purpose in the Office of the Governor.

The **2010 Legislature** added language in FY 2011 to authorize the Attorney General to issue bonds, in amounts to be determined by the Attorney General, not to exceed an aggregate total of $19.0 million, for necessary expenditures related to interstate water litigation activities, subject to State Finance Council approval. Any bond repayments first came from any proceeds received as a result of interstate water litigation activities. This was intended to offset the loss of funding from the Interstate Water Litigation Reserve account of the State General Fund, which was inadvertently lapsed.

The **2011 Legislature** added a total of $550,000, all from special revenue funds, for domestic violence and sexual assault prevention programs in FY 2012.

The **2012 Legislature** transferred $881,920, all from the Court Cost Fund, to the State General Fund in FY 2013 to be used for the Senior Care Act program in the budget of the Department for Aging and Disability Services.

The **2013 Legislature** deleted $289,984, all from the State General Fund, in FY 2014 and $290,091, all from the State General Fund, for FY 2015, to eliminate funding for the Internet Training Education for Kansas Kids program. The program provides grants for internet safety presentations through the Kansas Alliance of Boys and Girls Clubs.

The **2013 Legislature** added $636,000, all from the State General Fund, and 2.0 FTE positions in FY 2014 to allow the agency to implement provisions of 2013 Senate Sub. for HB 2034, concerning human trafficking. The approved budget also included $266,000, all from special revenue funds, and 2.0 FTE positions, in FY 2014 to allow the agency to implement provisions of the Roofing Contractor Registration Act. The Legislature also added funding, all from the County Law Enforcement Equipment Fund, in FY 2014 ($191,140) and FY 2015 ($30,100), to allow the agency to distribute grant funding to local law enforcement agencies.

The **2014 Legislature** deleted $200,000 for a State General Fund reappropriation from FY 2013 to FY 2014.

The **2014 Legislature** added $555,960, all from the Court Cost Fund, in FY 2014 to offset salaries and wages expenditure reductions directed by the 2013 Legislature. The Legislature also added $559,286, from the Concealed Weapon Licensure Fund, for background checks due to increased concealed weapon permit applications in FY 2014.

The **2014 Legislature** added $62,383, all from the Home Inspector Registration Closure Fund, for a grant to the Kansas Association of Real Estate Inspectors in FY 2014. This was the remaining balance in the fund received as a transfer after the sunset of the agency.

The **2014 Legislature** added $30,401 in FY 2014 and $85,664 in FY 2015, all from the Roofer Registration Fund, and 1.0 FTE position to investigate roofing complaints.

The **2014 Legislature** added $636,000, all from the State General Fund, to support the anti-human trafficking program for FY 2015.

The **2014 Legislature** added $290,091, all from the State General Fund, for the Internet Training Education for Kids grant program, in FY 2015.

The **2014 Legislature** added $174,393, including $94,393 from the State General Fund, and 2.0 FTE positions in FY 2015. This funds two additional attorney positions within the Office of the Attorney General in order to implement the provisions of 2014 SB 256 which allows the Attorney General to handle criminal appeals for the counties and 2014 SB 310 which allows grand juries to be empanelled by citizen petition.

The **2014 Legislature** transferred $5.0 million from the Court Cost Fund to the State General Fund in FY 2015.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency's** revised estimate totals $20.5 million, including $6.3 million from the State General Fund, in FY 2015. This is an all funds decrease of $287,567, or 1.4 percent, below the agency's FY 2015 approved budget. The agency's FY 2015 revised estimate includes 118.0 FTE positions and 17.0 non-FTE unclassified permanent positions, which is an increase of 2.0 non-FTE positions. The all funds decrease is largely attributable to a reduction in the number of claims paid out by the Crime Victims Compensation Board. The all funds decrease is offset by increased expenditures on salaries and wages, contractual services, and commodities due to the agency's supplemental requests which include 2.0 non-FTE positions.

FY 2015 Governor Recommendation

The **Governor** recommends $20.3 million, including $6.1 million from the State General Fund, in FY 2015. This is an all funds decrease of $192,111, or 0.9 percent, and a State General Fund decrease of $172,404 or 2.7 percent, below the agency's FY 2015 revised estimate. The all funds decrease is largely attributable to a shrinkage adjustment, reduced KPERS

employer contribution rate, and the Governor not recommending the agency's supplemental request for security enhancements. Reductions are offset by the addition of $125,000, all from special revenue funds, for labor litigation. The Governor also recommends a $1,000,000 transfer, all from special revenue funds, from the unencumbered balance of the Medicaid Fraud Prosecution Revolving Fund to the State General Fund. The Governor's recommendation includes 118.0 FTE and 17.0 non-FTE positions, which is the same as the agency's FY 2015 revised estimate.

FY 2016 Agency Request

The **agency** requests $21.6 million, including $6.3 million from the State General Fund, for FY 2016. This is an all funds increase of $1.0 million, or 5.0 percent, and a State General Fund increase of $28,137, or 0.5 percent, above the agency's FY 2015 revised estimate. The agency's FY 2016 request includes 120.0 FTE positions and 18.0 non-FTE unclassified permanent positions, which is an increase of 2.0 FTE positions and 3.0 non-FTE positions. The all funds and position increases are attributable to higher expenditures on salaries and wages, contractual services, commodities, capital outlay, and aid to local units of government related to the agency's enhancement requests.

FY 2016 Governor Recommendation

The **Governor** recommends $21.1 million, including $5.7 million from the State General Fund, for FY 2016. This is an all funds decrease of $479,799, or 2.2 percent, and a State General Fund decrease of $633,132, or 10.0 percent, below the agency's FY 2016 request. The all funds decrease is largely attributable to the elimination of funding for the Internet Training Education for Kansas Kids program, a shrinkage adjustment, and reduced employer contributions to state employee health insurance. All funds reductions are offset by the addition of $250,000, all from special revenue funds, for labor litigation. The Governor also recommends a $1,000,000 transfer, all from special revenue funds, from the unencumbered balance of the Medicaid Fraud Prosecution Revolving Fund to the State General Fund. The Governor's recommendation includes 120.0 FTE and 18.0 non-FTE positions, which is the same as the agency's FY 2016 request.

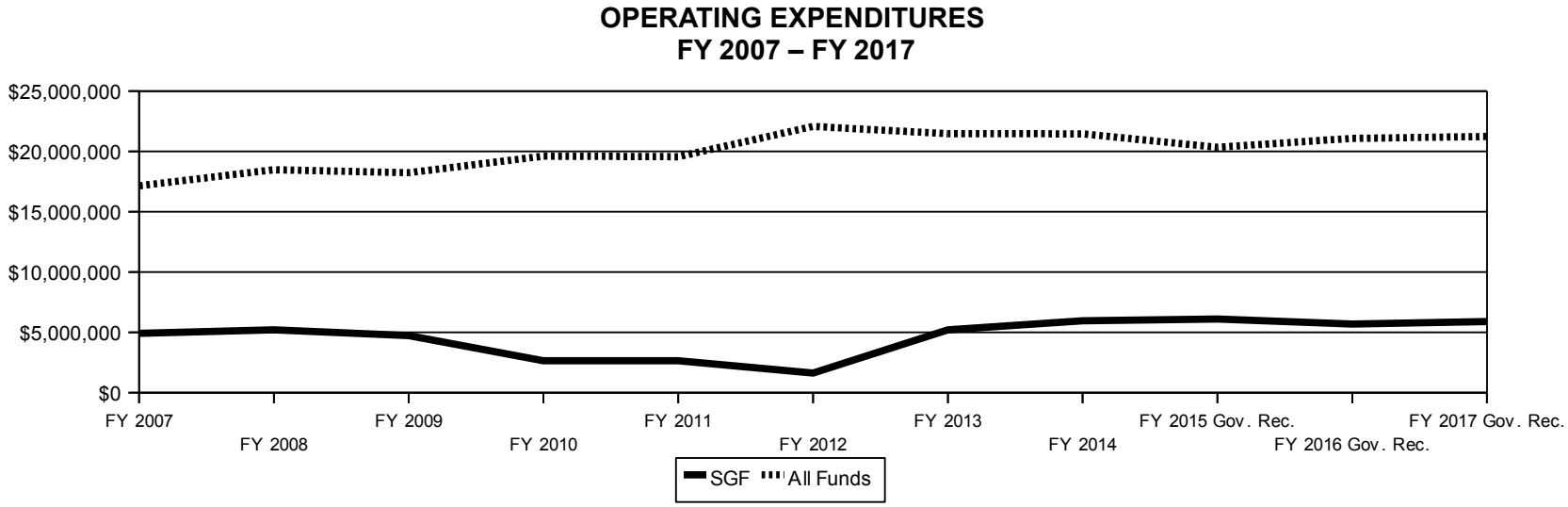
FY 2017 Agency Request

The **agency** requests $22.0 million, including $6.5 million from the State General Fund, for FY 2017. This is an all funds increase of $429,298, or 2.0 percent, and a State General Fund increase of $235,899, or 3.7 percent, above the agency's FY 2016 request. The increase is largely attributable to the 27th pay period and increases in the state buildings capital and operating charges, partially offset by reduced capital outlay expenditures. The agency's FY 2017 request includes 120.0 FTE positions and 18.0 non-FTE unclassified permanent positions.

FY 2017 Governor Recommendation

The **Governor** recommends $21.2 million, including $5.9 million from the State General Fund, for FY 2017. This is an all funds decrease of $753,412, or 3.4 percent, and a State General Fund decrease of $655,817, or 10.0 percent, below the agency's FY 2017 request. The all funds decrease is largely attributable to the elimination of funding for the Internet Training Education for Kansas Kids program, a shrinkage adjustment, and reduced employer contributions to state employee health insurance. The Governor also recommends a $1,000,000 transfer, all from special revenue funds, from the unencumbered balance of the Medicaid Fraud Prosecution Revolving Fund to the State General Fund. The Governor's recommendation includes 120.0 FTE and 18.0 non-FTE positions, which is the same as the agency's FY 2017 request.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 4,920,257	(16.5)%	$ 17,141,786	3.5 %	102.0
2008	5,209,198	5.9	18,479,202	7.8	102.0
2009	4,726,465	(9.3)	18,227,135	(1.4)	108.0
2010	2,630,987	(44.3)	19,603,835	7.6	110.0
2011	2,644,520	0.5	19,558,850	(0.2)	102.0
2012	1,614,246	(39.0)	22,067,561	12.8	106.5
2013	5,195,188	221.8	21,462,873	(2.7)	115.0
2014	5,953,398	14.6	21,453,777	(0.0)	118.0
2015 Gov. Rec.	6,110,151	2.6	20,335,339	(5.2)	118.0
2016 Gov. Rec.	5,677,560	(7.1)	21,076,927	3.6	120.0
2017 Gov. Rec.	5,890,774	3.8	21,232,612	0.7	120.0
Eleven-Year Change	$ 970,517	19.7 %	$ 4,090,826	23.9 %	18.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 859,806	$ 1,353,670	$ 1,263,302	$ (90,368)	(6.7) %	$ 1,222,586	$ 968,059	$ (254,527)	(20.8)%
Criminal Litigation	4,649,301	4,192,442	4,294,136	101,694	2.4	4,040,057	4,021,088	(18,969)	(0.5)
Legal Opinions & Government Counsel	667,173	664,873	751,885	87,012	13.1	659,086	747,652	88,566	13.4
Consumer Protection	2,026,651	1,833,506	2,402,149	568,643	31.0	1,817,951	2,331,143	513,192	28.2
Civil Litigation	5,310,952	3,793,759	4,183,720	389,961	10.3	3,928,012	4,369,161	441,149	11.2
Crime Victims Compensation Board	3,431,602	3,847,928	3,904,897	56,969	1.5	3,845,108	3,900,702	55,594	1.4
Victim Services and Grants	3,184,217	3,419,866	3,292,806	(127,060)	(3.7)	3,411,727	3,286,191	(125,536)	(3.7)
Medicaid Fraud and Abuse	1,324,075	1,421,406	1,463,831	42,425	3.0	1,410,812	1,452,931	42,119	3.0
TOTAL	$ 21,453,777	$ 20,527,450	$ 21,556,726	$ 1,029,276	5.0 %	$ 20,335,339	$ 21,076,927	$ 741,588	3.6 %
By Major Object of Expenditure:									
Salaries and Wages	$ 8,838,497	$ 9,088,084	$ 10,007,536	$ 919,452	10.1 %	$ 8,870,973	$ 9,617,828	$ 746,855	8.4 %
Contractual Services	6,322,222	4,757,643	4,815,620	57,977	1.2	4,782,643	5,065,620	282,977	5.9
Commodities	113,408	116,905	123,563	6,658	5.7	116,905	123,563	6,658	5.7
Capital Outlay	578,399	156,727	176,916	20,189	12.9	156,727	176,916	20,189	12.9
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 15,852,526	$ 14,119,359	$ 15,123,635	$ 1,004,276	7.1 %	$ 13,927,248	$ 14,983,927	$ 1,056,679	7.6 %
Aid to Local Units	312,095	25,000	50,000	25,000	100.0	25,000	0	(25,000)	(100.0)
Other Assistance	5,289,156	6,383,091	6,383,091	0	0.0	6,383,091	6,093,000	(290,091)	(4.5)
TOTAL	$ 21,453,777	$ 20,527,450	$ 21,556,726	$ 1,029,276	5.0 %	$ 20,335,339	$ 21,076,927	$ 741,588	3.6 %
Financing:									
State General Fund	$ 5,953,398	$ 6,282,555	$ 6,310,692	$ 28,137	0.4 %	$ 6,110,151	$ 5,677,560	$ (432,591)	(7.1)%
Special Revenue Funds	11,399,794	10,887,048	11,799,641	912,593	8.4	11,006,840	11,968,588	961,748	8.7
Federal Funds	4,100,585	3,357,847	3,446,393	88,546	2.6	3,218,348	3,430,779	212,431	6.6
TOTAL	$ 21,453,777	$ 20,527,450	$ 21,556,726	$ 1,029,276	5.0 %	$ 20,335,339	$ 21,076,927	$ 741,588	3.6 %

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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	$ 1,263,302	$ 1,292,714	$ 29,412	2.3 %	$ 968,059	$ 997,368	$ 29,309	3.0 %
Criminal Litigation	4,294,136	4,427,817	133,681	3.1	4,021,088	4,154,312	133,224	3.3
Legal Opinions & Government Counsel	751,885	783,370	31,485	4.2	747,652	779,053	31,401	4.2
Consumer Protection	2,402,149	2,452,861	50,712	2.1	2,331,143	2,359,591	28,448	1.2
Civil Litigation	4,183,720	4,265,141	81,421	1.9	4,369,161	4,200,312	(168,849)	(3.9)
Crime Victims Compensation Board	3,904,897	3,920,991	16,094	0.4	3,900,702	3,916,712	16,010	0.4
Victim Services and Grants	3,292,806	3,326,364	33,558	1.0	3,286,191	3,319,616	33,425	1.0
Medicaid Fraud and Abuse	1,463,831	1,516,766	52,935	3.6	1,452,931	1,505,648	52,717	3.6
TOTAL	$ 21,556,726	$ 21,986,024	$ 429,298	2.0 %	$ 21,076,927	$ 21,232,612	$ 155,685	0.7 %
By Major Object of Expenditure:								
Salaries and Wages	$ 10,007,536	$ 10,469,658	$ 462,122	4.6 %	$ 9,617,828	$ 10,056,337	$ 438,509	4.6 %
Contractual Services	4,815,620	4,819,196	3,576	0.1	5,065,620	4,819,196	(246,424)	(4.9)
Commodities	123,563	123,563	0	0.0	123,563	123,563	0	0.0
Capital Outlay	176,916	140,516	(36,400)	(20.6)	176,916	140,516	(36,400)	(20.6)
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 15,123,635	$ 15,552,933	$ 429,298	2.8 %	$ 14,983,927	$ 15,139,612	$ 155,685	1.0 %
Aid to Local Units	50,000	50,000	0	0.0	0	0	0	--
Other Assistance	6,383,091	6,383,091	0	0.0	6,093,000	6,093,000	0	0.0
TOTAL	$ 21,556,726	$ 21,986,024	$ 429,298	2.0 %	$ 21,076,927	$ 21,232,612	$ 155,685	0.7 %
Financing:								
State General Fund	$ 6,310,692	$ 6,546,591	$ 235,899	3.7 %	$ 5,677,560	$ 5,890,774	$ 213,214	3.8 %
Special Revenue Funds	11,799,641	11,704,486	(95,155)	(0.8)	11,968,588	11,622,818	(345,770)	(2.9)
Federal Funds	3,446,393	3,734,947	288,554	8.4	3,430,779	3,719,020	288,241	8.4
TOTAL	$ 21,556,726	$ 21,986,024	$ 429,298	2.0 %	$ 21,076,927	$ 21,232,612	$ 155,685	0.7 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $6,271,853 for the Attorney General in FY 2015. Adjustment have subsequently been made to that amount. The adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustments have been made:

- An increase of $126,077 based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.
- A reduction of $287,779 as the result of the Governor 's December 9th State General Fund allotment.

These adjustments change the FY 2015 approved State General Fund amount to $6,110,151. That amount is reflected in the table below as the currently approved FY 2015 State General Fund 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	$ 6,110,151	$ 6,282,555	$ 172,404	$ 6,110,151	$ 0
All Other Funds	14,532,462	14,244,895	(287,567)	14,225,188	(307,274)
TOTAL	$ 20,642,613	$ 20,527,450	$ (115,163)	$ 20,335,339	$ (307,274)
FTE Positions	118.0	118.0	0.0	118.0	0.0

The **agency's** revised estimate totals $20.5 million, including $6.3 million from the State General Fund, in FY 2015. This is an all funds decrease of $115,163, or 0.6 percent, below the agency's FY 2015 approved budget. The decrease is attributable to lower expenditures on capital outlay, aid to local units, and other assistance, offset by higher expenditures on

salaries and wages, contractual services, and commodities. The agency's FY 2015 revised estimate includes 118.0 FTE positions and 17.0 non-FTE unclassified permanent positions, which is an increase of 2.0 non-FTE positions. Changes from the FY 2015 approved budget include the following:

- **Salaries and Wages.** The agency estimates $9.1 million, including $4.5 million from the State General Fund, in FY 2015. This is an all funds increase of $231,586, or 2.6 percent, above the agency's FY 2015 approved budget. The agency's FY 2015 revised estimate includes 118.0 FTE positions and 17.0 non-FTE unclassified permanent positions, which is an increase of 2.0 non-FTE positions. The increase in expenditures and 2.0 non-FTE positions is largely attributable to the agency's supplemental request for two Cooperative Disability Investigators in the agency's Consumer Protection program. Within the same program, the agency estimates increased expenditures on pay for unclassified regular and temporary employee pay, social security, and group health hospitalization.

- **Contractual Services.** The agency estimates $4.8 million, including $207,058 from the State General Fund, in FY 2015. This is an all funds increase of $145,782, or 3.2 percent, but a State General Fund decrease of $10,702, or 5.5 percent, from the FY 2015 approved amount. The increase is attributable to the agency's supplemental request for office security enhancements ($125,000), contractual services associated with the supplemental request for two Cooperative Disability Investigators ($10,800), and in-state meals and lodging in Criminal Litigation program ($10,702).

- **Commodities.** The agency estimates $116,905, including $39,676 from the State General Fund, in FY 2015. This is an all funds increase of $6,025, or 5.4 percent, above the FY 2015 approved amount. The increase is attributable to the cost of gasoline in the agency's supplemental request for two Cooperative Disability Investigators.

- **Capital Outlay.** The agency estimates $156,727, including $14,077 from the State General Fund. This is an all funds decrease of $24,556, or 13.5 percent, below the FY 2015 approved amount. The decrease is entirely attributable to lower expenditures on trucks in the Consumer Protection program.

- **Aid to Local Units.** The agency estimates $25,000, all from special revenue funds, in FY 2015. This is a decrease of $30,100, or 54.6 percent, below the FY 2015 approved amount. Aid to local units are payments from the Sexually Violent Predator Response Fund. The agency moved funding for the program from the Criminal Litigation program to the Civil Litigation program.

- **Other Assistance.** The agency estimates $6.4 million, including $1.4 million from the State General Fund, in FY 2015. This is an all funds decrease of $480,500, or 7.0 percent, below the FY 2015 approved amount. The decrease is attributable to the reduction of the number of claims paid out by the Crime Victims

Compensation Board ($474,500) and less expenditures on other assistance in the Consumer Protection program ($6,000).

The **Governor** recommends $20.3 million, including $6.1 million from the State General Fund, in FY 2015. This is an all funds decrease of $192,111, or 0.9 percent, and a State General Fund decrease of $172,404, or 2.7 percent, below the agency's FY 2015 request. The all funds decrease is attributable to a reduction of $92,009, including $47,302 from the State General Fund, to reduce KPERS employer contribution rate. The Governor recommended a $125,102 State General Fund adjustment to salaries and wages shrinkage in the Criminal Litigation program. The Governor did not recommend the agency's FY 2015 supplemental request for $125,000, all from special revenue funds. The reductions were offset by the addition of $150,000, all from special revenue funds, for labor litigation in the Civil Litigation program. The Governor also recommends a $1,000,000 transfer, all from special revenue funds, from the unencumbered balance of the Medicaid Fraud Prosecution Revolving Fund to the State General Fund. The Governor's recommendation includes 118.0 FTE and 17.0 non-FTE positions, which is the same as the agency's FY 2015 request.

Supplemental Detail

FY 2015 SUPPLEMENTALS

	Agency Estimate			Governor's Recommendation		
Supplementals	SGF	All Funds	FTE	SGF	All Funds	FTE
Office Security Enhancements	$ 0	$ 125,000	0.0	$ 0	$ 0	0.0
Cooperative Disability Investigators	0	77,527	0.0	0	77,527	0.0
Water Litigation Transfer	0	0	0.0	0	0	0.0
TOTAL	**$ 0**	**$ 202,527**	**0.0**	**$ 0**	**$ 77,527**	**0.0**

The **agency** estimates $202,527, from special revenue funds, and 2.0 non-FTE positions as supplementals in the FY 2015 revised estimate.

- **Office Security Enhancements. Office Security Enhancements.** The agency requests $125,000, all from the Federal Forfeiture Fund, for office security enhancements. The agency notes that, although Capital Police officers are stationed in the commons areas of Memorial Hall, there is no individual screening of individuals entering Memorial Hall, nor is security present on the second through fourth floors that house the Office of the Attorney General (OAG).

  The Governor does not recommend this request.

- **Cooperative Disability Investigators.** The agency requests, $77,527, all from a newly proposed Social Security Administration (SSA) Fraud fund, and 2.0 non-FTE positions for two Cooperative Disability Investigator positions in FY 2015. The agency is negotiating a memorandum of understanding between the SSA and Kansas Department of Aging and Disability Services (KDADS) that will allow the SSA to reimburse the Office of the Attorney General, through KDADS, an annual amount in exchange for the agency providing 2.0 non-FTE positions.

  The Governor recommends this request.

- **Water Litigation Transfer.** The agency requests a transfer of $555,920, all from the State General Fund, to the Interstate Water Litigation Fund, and a reduction of expenditures of $555,920 from the Water Litigation sub-account of the Court Cost Fund in FY 2015. No language was included in last year's appropriations bill to provide the OAG with funding to finance on-going water litigation. The agency has been financing water litigation from its Court Cost Fund.

  The Governor does not recommend this request.

The **Governor** recommends $77,527, all from special revenue funds, for 2.0 non-FTE Cooperative Disability Investigator positions, in FY 2015. The Governor does not recommend funding for office security enhancements or the water litigation transfer.

Governor's Allotments

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. This prompted the Governor to address the shortfall with 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. The allotments shown in the table below reflect only those allotments which have already taken place.

GOVERNOR'S ALLOTMENTS			
Allotment	SGF	All Funds	FTE
December Allotment			
Reduce KPERS Employer Contribution Rate	$ (47,302)	$ (47,302)	0.0
Lapse Reappropriations	(115,375)	(115,375)	0.0
Reduce SGF funding by 4.0 Percent	(125,102)	(125,102)	0.0
TOTAL	$ (287,779)	$ (287,779)	0.0

Kansas Public Employees Retirement System (KPERS) Reduction

A reduction of $47,302 from the State General Fund, as a result of the Governor's allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. This allotment will have no impact on the agency operations, but is reflective of a reduction of expenditures. An additional $44,707 from special revenue funds is reduced in the Governor's budget recommendation resulting in a total reduction of $92,009.

Reappropriations Lapse

A reduction of $115,375 as a result of the Governor's State General Fund reappropriation allotment. This allotment will decrease available funding in the Internet Training Education for Kansas Kids sub-fund ($114,266) and Abuse, Neglect, and Exploitation sub-fund ($1,109).

4.0 percent reduction to Cabinet-level and other SGF funded agencies

A reduction of $125,102 as a result of the Governor's State General Fund allotment of 4.0 percent over the last six months or 2.0 percent for the whole fiscal year to Cabinet and other State General Funded agencies in FY 2015. The agency notes that this allotment will be managed by shifting salaries and wages expenditures from the State General Fund to the Medicaid Fraud Revolving Fund. Current revenues to the fund are large pharmaceutical cases. The agency notes the fund must have a positive balance to provide the state's match for federal Medicaid funds.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 21,556,726	$ 21,076,927	$ (479,799)
FTE Positions	120.0	120.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 28,137	$ (432,591)	
All Other Funds	1,001,139	1,174,179	
TOTAL	$ 1,029,276	$ 741,588	
Percent Change:			
State General Fund	0.4 %	(7.1) %	
All Other Funds	7.0	8.3	
TOTAL	5.0 %	3.6 %	
Change in FTE Positions	2.0	2.0	

The **agency** requests $21.6 million, including $6.3 million from the State General Fund, for FY 2016. This is an all funds increase of $1.0 million, or 5.0 percent, and a State General Fund increase of $28,137, or 0.4 percent, above the agency's FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, capital outlay, and aid to local units of government. The agency's FY 2016 request includes 120.0 FTE positions and 18.0 non-FTE unclassified permanent positions, which is an increase of 2.0 FTE positions and 3.0 non-FTE positions. Changes from the agency's FY 2015 revised estimate include:

- **Salaries and Wages.** The agency requests $10.0 million, including $4.6 million from the State General Fund, for FY 2016. This is an all

funds increase of $919,452, or 10.0 percent, and a State General Fund increase of $35,129, or 0.8 percent, above the agency's FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages in all of the agency's programs, except for the Victims Services and Grants program which had reduced expenditures ($136,355). The programs with the largest increases in expenditures are Civil Litigation, Consumer Protection, and Legal Opinions and Government Protection. More specifically, within the Civil Litigation program, the agency requests an adjustment to salaries and wages shrinkage and included an enhancement request for one Tobacco Compliance Investigator. In the Consumer Protection program, the agency eliminated shrinkage in salaries and wages and included an enhancement for two Cooperative Disability Investigators. In the Legal Opinions and Government Counsel program, the agency request included higher pay for unclassified regular employees, mainly due to the reallocation of one position from the Administration program to the Legal Opinions and Government Counsel program

The agency's FY 2016 request includes 120 FTE positions and 18.0 non-FTE unclassified permanent positions, which is an increase of 2.0 FTE positions and 3.0 non-FTE positions. The increase in FTE positions is attributable to the agency's enhancement requests for a Child Crime Investigator in the Criminal Litigation program and a Tobacco Compliance Investigator in the Civil Litigation program. The increase in non-FTE positions is attributable to the agency's enhancement requests for one DUI Prosecutor in the Criminal Litigation program and two Cooperative Disability Investigators in the Consumer Protection program.

- **Contractual Services.** The agency requests $4.8 million, including $199,919 from the State General Fund, for FY 2016. This is an all funds increase of $57,977, or 1.2 percent, but a State General Fund decrease of $7,139, or 3.4 percent, from the agency FY 2015 revised estimate. The overall increase is largely attributable to higher expenditures on the state buildings operating and capital charges in all of the agency's programs.

- **Commodities.** The agency requests $123,563, including $39,734 from the State General Fund, for FY 2016. This is an all funds increase of $6,658, or 5.7 percent, and a State General Fund increase of $58, or 0.1 percent, above the agency FY 2015 revised estimate. The increase is entirely attributable to the agency's enhancement request in the Consumer Protection program for two Cooperative Disability Investigators that includes expenditures for gasoline.

- **Capital Outlay.** The agency requests $176,916 including $14,166 from the State General Fund, for FY 2016. This is an all funds increase of $20,189, or 12.9 percent, and a State General Fund increase of $89, or 0.6 percent, above the agency FY 2015 revised estimate. The increase is attributable to the agency's enhancement request in the Consumer Protection program for two Cooperative Disability Investigators that

includes expenditures for passenger cars. The increase is offset by reduced expenditures on passenger cars in the Medicaid Fraud and Abuse program.

- **Aid to Locals.** The agency requests $50,000, all from special revenue funds. This is an all funds increase of $25,000, or 100.0 percent, above the agency FY 2015 revised estimate and is attributable to the agency's enhancement request to transfer $50,000, all from the State General Fund, to the Sexually Violent Predator Expense fund for use in the Civil Litigation program.

The **Governor** recommends $21.1 million, including $5.7 million from the State General Fund, for FY 2016. This is an all funds decrease of $479,799, or 2.2 percent, and a State General Fund decrease of $633,132, or 10.0 percent, below the agency's FY 2016 request.

The Governor concurs with the agency request with the following exceptions:

- Reduction of $290,091, all from the State General Fund, for the Internet Training Education for Kansas Kids program.

- Adjustment of $250,204 to the State General Fund for salaries and wages shrinkage in the Criminal Litigation program.

- Reduction of $83,917, including $37,250 from the State General Fund due to the reduced employer contributions for state employee health insurance.

- Reduction of $55,587 from the State General Fund, for anti-racial profiling work.

- Reduction of $50,000, all from special revenue funds, to reimburse counties for the civil commitment of a suspected sexually violent predator.

- Addition of $250,000, all from special revenue funds, for labor litigation in the Civil Litigation program.

- Transfer of $1,000,000 from the unencumbered balance of the Medicaid Fraud Prosecution Revolving Fund to the State General Fund. The Governor's recommendation includes 120.0 FTE and 18.0 non-FTE positions, which is the same as the agency's FY 2016 request.

Enhancements Detail

FY 2016 ENHANCEMENTS

Enhancements	Agency Request SGF	Agency Request All Funds	Agency Request FTE	Governor's Recommendation SGF	Governor's Recommendation All Funds	Governor's Recommendation FTE
Cooperative Disability Investigators	$ 0	$ 193,529	0.0	$ 0	$ 193,529	0.0
Water Litigation Transfer	0	0	0.0	0	0	0.0
DUI Prosecutor	0	92,435	0.0	0	92,435	0.0
Child Crime Investigator	0	61,884	1.0	0	61,884	1.0
Tobacco Compliance Investigator	0	61,884	1.0	0	61,884	1.0
Anti-Racial Profiling Funding	55,587	55,587	0.0	0	0	0.0
Sexually Violent Predator Expense Fund	0	50,000	0.0	0	0	0.0
TOTAL	**$ 55,587**	**$ 515,319**	**2.0**	**$ 0**	**$ 409,732**	**2.0**

The **agency** requests $515,319, including $55,587 from the State General Fund, 2.0 FTE positions, and 3.0 non-FTE positions as enhancements in the FY 2016 budget request.

- **Cooperative Disability Investigators.** The agency requests, $193,529, all from a newly proposed SSA Fraud fund, and 2.0 non-FTE positions for Cooperative Disability Investigator positions. The agency is negotiating a memorandum of understanding between the SSA and KDADS that will allow the SSA to reimburse the Office of the Attorney General, through KDADS, an annual amount in exchange for the agency providing 2.0 non-FTE positions.

  The Governor recommends this request.

- **Water Litigation Transfer.** The agency requests a transfer of $678,022, all from the State General Fund, to the Interstate Water Litigation Fund, and a reduction of expenditures of the same amount from the Water Litigation sub-account of the Court Cost Fund.

  The Governor does not recommend this request.

- **DUI Prosecutor.** The agency requests $92,435, all from Alcohol Impaired Driving Federal Fund, and 1.0 non-FTE position for an additional DUI Prosecutor. The agency currently employs one full-time DUI prosecutor through a federal grant from the Kansas Department of Transportation (KDOT).

The Governor recommends this request.

- **Child Crime Investigator.** The agency requests $61,884, all from the Court Cost Fund, and 1.0 FTE position for a Child Crime Investigator. The position would be a certified law enforcement officer acting within the Kansas Bureau of Investigation.

  The Governor recommends this request.

- **Tobacco Compliance Investigator.** The agency requests expenditure authority of $61,884, all from the Tobacco Master Settlement Agreement Compensation Fund, and 1.0 FTE position for a Tobacco Compliance Investigator. The position would be a certified law enforcement officer and would allow the agency to investigate stamping and other issues related to non-participating tobacco manufacturers. These functions are not currently performed by the Department of Revenue.

  The Governor recommends this request.

- **Anti-Racial Profiling Funding.** The agency requests $55,587, all from the State General Fund, for nine months of funding to continue the on-going anti-racial profiling work assigned to the agency by the 2011 Legislature. In 2012, the agency received a federal grant to finance the hiring of one employee to handle anti-racial-profiling related tasks. Grant funding for the position ended in September 2015.

  The Governor does not recommend this request.

- **Sexually Violent Predator Expense Fund.** The agency requests a transfer of $50,000, all from the State General Fund, to the Sexually Violent Predator Expense Fund. The agency reimburses counties for costs related to determining whether a person may be a sexually violent predator and the civil commitment of a suspected sexually violent predator. FY 2015 funding was expended in total during the first week of the fiscal year. Claims received over the amount available in the fund are referred to the Joint Committee on Claims Against the State.

  The Governor does not recommend this request.

The **Governor** recommends $409,732 and 2.0 FTE positions for the agency's FY 2016 enhancement requests. The Governor does not recommend the interstate water litigation transfer, continued funding for anti-racial profiling work, or funding to reimburse counties for the civil commitment of a suspected sexually violent predator.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 21,986,024	$ 21,232,612	$ (753,412)
FTE Positions	120.0	120.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 235,899	$ 213,214	
All Other Funds	193,399	(57,529)	
TOTAL	$ 429,298	$ 155,685	
Percent Change:			
State General Fund	3.7 %	3.8 %	
All Other Funds	1.3	(0.4)	
TOTAL	2.0 %	0.7 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $22.0 million, including $6.5 million from the State General Fund, for FY 2017. This is an all funds increase of $429,298, or 2.0 percent, and a State General Fund increase of $235,899, or 3.7 percent, above the agency's FY 2016 request. The increase is due to higher expenditures on salaries and wages and contractual services, partially offset by reduced capital outlay expenditures. The agency's FY 2017 request includes 120 FTE positions and 18.0 non-FTE positions.

Changes from the agency's FY 2016 request include the following:

- **Salaries and Wages.** The agency requests $10.5 million, including $4.9 million from the State General Fund, for FY 2017. This is an all funds increase of $462,122, or 4.6 percent, and a State General Fund increase of $235,899, or 5.1

percent, above the agency FY 2016 request. The increase is attributable to higher expenditures on salaries and wages in all of the agency's programs due to the 27th paycheck and increased employer contributions to KPERS ($127,705). The agency's FY 2017 request includes 120.0 FTE positions and 18.0 non-FTE positions, which is unchanged from the agency's FY 2016 request.

- **Contractual Services.** The agency requests $4.8 million, including $199,919 from the State General Fund, for FY 2017. This is an all funds increase of $3,576, or 0.1 percent, above the agency's FY 2016 request. The increase is largely attributable to higher expenditures on the state buildings operating ($1,703) and capital ($1,873) charges in all of the agency's programs.

- **Capital Outlay.** The agency requests $140,516, including $14,166 from the State General Fund, for FY 2017. This is an all funds decrease of $36,400, or 20.6 percent, below the agency's FY 2016 request, and is attributable to reduced expenditures on passenger cars in the agency's Consumer Protection program that were included as part of the FY 2016 enhancement request for two Cooperative Disability Investigators.

Expenditures on commodities and aid to local units in FY 2017 remain unchanged from the agency's FY 2016 request.

The **Governor** recommends $21.2 million, including $5.9 million from the State General Fund, for FY 2017. This is an all funds decrease of $753,412, or 3.4 percent, and a State General Fund decrease of $655,817, or 10.0 percent, below the agency's FY 2017 request.

The Governor concurs with the agency request with the following exceptions:

- Reduction of $290,091, all from the State General Fund, for the Internet Training Education for Kansas Kids program.

- Adjustment of $250,204 from the State General Fund to salaries and wages shrinkage in the Criminal Litigation program.

- Reduction of $85,575, including $37,980 from the State General Fund, to reduce employer contributions for state employee health insurance.

- Reduction of $77,542, all from the State General Fund, for funding of anti-racial profiling work.

- Reduction of $50,000, all from special revenue funds, to reimburse counties for the civil commitment of a suspected sexually violent predator.

- Transfer of $1,000,000 from the unencumbered balance of the Medicaid Fraud Prosecution Revolving Fund to the State General Fund. The Governor's recommendation includes 120.0 FTE and 18.0 non-FTE positions, which is the same as the agency's FY 2017 request.

Enhancements Detail

FY 2017 ENHANCEMENTS

Enhancements	Agency Request SGF	Agency Request All Funds	Agency Request FTE	Governor's Recommendation SGF	Governor's Recommendation All Funds	Governor's Recommendation FTE
Cooperative Disability Investigators	$ 0	$ 162,785	0.0	$ 0	$ 162,785	0.0
Water Litigation Transfer	0	0	0.0	0	0	0.0
DUI Prosecutor	0	96,756	0.0	0	96,756	0.0
Child Crime Investigator	0	64,712	1.0	0	64,712	1.0
Tobacco Compliance Investigator	0	64,712	1.0	0	64,712	1.0
Anti-Racial Profiling Funding	77,542	77,542	0.0	0	0	0.0
Sexually Violent Predator Expense Fund	0	50,000	0.0	0	0	0.0
TOTAL	**$ 77,542**	**$ 516,507**	**2.0**	**$ 0**	**$ 388,965**	**2.0**

The **agency** requests $516,507, including $77,542 from the State General Fund, 2.0 FTE positions, and 3.0 non-FTE positions as enhancements in the FY 2017 budget request.

- **Cooperative Disability Investigators.** The agency requests, $162,785, all from a newly proposed SSA Fraud fund, and 2.0 non-FTE positions for Cooperative Disability Investigator positions. The agency is negotiating a memorandum of understanding between the SSA and KDADS that will allow the SSA to reimburse the Office of the Attorney General, through KDADS, an annual amount in exchange for the agency providing these positions.

  The Governor recommends this request.

- **Water Litigation Transfer.** The agency requests a transfer of $682,444, all from the State General Fund, to the Interstate Water Litigation Fund, and a reduction of expenditures of the same amount from the Water Litigation sub-account of the Court Cost Fund.

  The Governor does not recommend this request.

- **DUI Prosecutor.** The agency requests $96,756 all from Alcohol Impaired Driving Federal Fund, and 1.0 non-FTE position for an additional DUI Prosecutor. The agency currently employs one full-time DUI prosecutor through a federal grant from KDOT.

The Governor recommends this request.

- **Child Crime Investigator.** The agency requests $64,712, all from the Court Cost Fund, and 1.0 FTE position, for a Child Crime Investigator. The position would be a certified law enforcement officer operating within the KBI.

  The Governor recommends this request.

- **Tobacco Compliance Investigator.** The agency requests expenditure authority of $64,712, all from the Tobacco Master Settlement Agreement Compensation Fund, and 1.0 FTE position for a Tobacco Compliance Investigator. The position would be a certified law enforcement officer and would allow the agency to investigate stamping and other issues related to non-participating tobacco manufacturers. These functions are not currently performed by the Department of Revenue.

  The Governor recommends this request.

- **Anti-Racial Profiling Funding.** The agency requests $77,542, all from the State General Fund, for nine months of funding to continue the on-going anti-racial profiling work assigned to the agency by the 2011 Legislature. In 2012, the agency received a federal grant to finance the hiring of one employee to handle anti-racial-profiling related tasks. Grant funding for the position ended in September 2015.

  The Governor does not recommend this request.

- **Sexually Violent Predator Expense Fund.** The agency requests a transfer of $50,000, all from the State General Fund, to the Sexually Violent Predator Expense Fund. The agency reimburses counties for costs related to determining whether a person may be a sexually violent predator and the civil commitment of a suspected sexually violent predator. FY 2015 funding was expended in total during the first week of the fiscal year. Claims received over the amount available in the fund are referred to the Joint Committee on Claims Against the State.

  The Governor does not recommend this request.

The **Governor** recommends $388,965 and 2.0 FTE positions for the agency's FY 2017 enhancement requests.

The Governor does not recommend the interstate water litigation transfer, continued funding for anti-racial profiling work, or funding to reimburse counties for the civil commitment of a suspected sexually violent predator.

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 $33,110, including $16,748 from the State General Fund, and affects 106 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, no employees were eligible for longevity bonus payments.**

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 $83,917, including $37,250 from the State General Fund, for FY 2016. This is a reduction of $85,575, including $37,980 from the State General Fund, 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	29.3 %	26.9%	29.8 %	27.7%
Special Revenue Funds	54.7	56.8	53.2	54.7
Federal Funds	16.0	16.3	17.0	17.5
TOTAL	100.0 %	100.0 %	100.0 %	100.0%

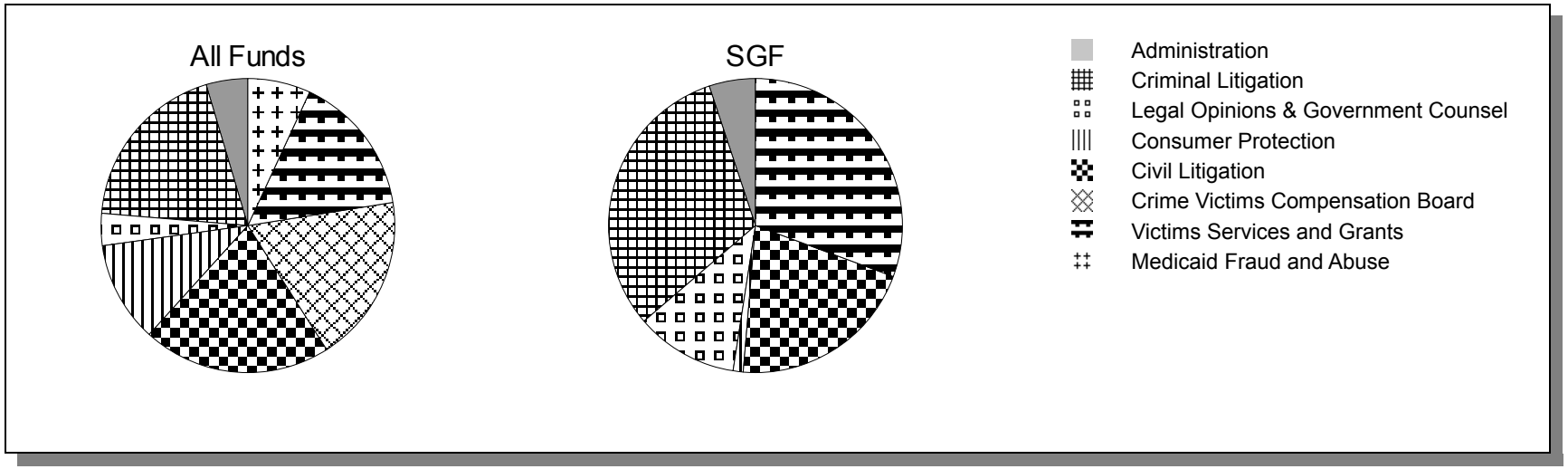
Note: Percentages may not add due to rounding.

Court Cost Fund Analysis

The Court Cost Fund recovers fees and expenses of investigators and lawyers in the Consumer Protection program. The main source of revenue to this fund is from large multi-state actions. As a smaller state, Kansas has little control over these cases and must generally depend on other states to take the lead. The agency deposits these receipts consistent with the related court order for use in consumer protection matters. Receipts vary from year to year.

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	$ 13,751,557	$ 2,274,632	$ 2,274,632	$ 2,380,214	$ 1,839,246	$ 1,939,601	$ 735,343
Revenue	1,645,740	2,025,000	2,025,000	2,025,000	2,025,000	2,025,000	2,394,305
Transfers in	800,000	0	0	0	0	0	0
Total Funds Available	$ 16,197,297	$ 4,299,632	$ 4,299,632	$ 4,405,214	$ 3,864,246	$ 3,964,601	$ 3,129,648
Less: Expenditures	2,122,665	1,819,418	2,360,386	2,365,613	3,028,903	2,444,116	3,111,536
Transfers Out	11,800,000	0	0	0	0	0	0
Off Budget Expenditures	0	100,000	100,000	100,000	100,000	100,000	100,000
Ending Balance	$ 2,274,632	$ 2,380,214	$ 1,839,246	$ 1,939,601	$ 735,343	$ 1,420,485	$ (81,888)
Ending Balance as Percent of Expenditures	107.2%	130.8%	77.9%	82.0%	24.3%	58.1%	(2.6%)

EXPENDITURES BY PROGRAM-- GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	$ 968,059	4.6 %	$ 290,123	5.1 %
Criminal Litigation	4,021,088	19.1	1,769,019	31.2
Legal Opinions & Government Counsel	747,652	3.5	641,590	11.3
Consumer Protection	2,331,143	11.1	62,293	1.1
Civil Litigation	4,369,161	20.7	1,174,549	20.7
Crime Victims Compensation Board	3,900,702	18.5	0	0.0
Victims Services and Grants	3,286,191	15.6	1,739,986	30.6
Medicaid Fraud and Abuse	1,452,931	6.9	0	0.0
TOTAL	$ 21,076,927	100.0 %	$ 5,677,560	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	7.47	7.47	7.47	6.67	6.67	6.67	6.67
Criminal Litigation	28.86	30.86	30.86	31.86	31.86	31.86	31.86
Legal Opinions & Government Counsel	6.00	6.00	6.00	6.80	6.80	6.80	6.80
Consumer Protection	22.10	22.10	22.10	22.10	22.10	22.10	22.10
Civil Litigation	20.32	20.32	20.32	21.32	21.32	21.32	21.32
Crime Victims Compensation Board	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Victim Services and Grants	12.25	10.25	10.25	10.25	10.25	10.25	10.25
Medicaid Fraud and Abuse Unit	15.00	15.00	15.00	15.00	15.00	15.00	15.00
TOTAL	118.00	118.00	118.00	120.00	120.00	120.00	120.00

A. Administration

The Administration program provides accounting, budgeting, purchasing, information technology, and human resources functions for the agency. Additionally, the administrative program provides training and resources for school-based police. This includes training for the state-wide Drug Abuse Resistance Education (D.A.R.E) program.

ADMINISTRATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 572,493	$ 614,712	$ 608,628	$ 628,187	$ 623,035	$ 657,089	$ 651,834
Contractual Services	172,941	401,197	276,197	297,354	297,354	297,864	297,864
Commodities	7,047	5,670	5,670	5,670	5,670	5,670	5,670
Capital Outlay	44,942	32,000	32,000	32,000	32,000	32,000	32,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 797,423	$ 1,053,579	$ 922,495	$ 963,211	$ 958,059	$ 992,623	$ 987,368
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	62,383	300,091	300,091	300,091	10,000	300,091	10,000
TOTAL	$ 859,806	$ 1,353,670	$ 1,222,586	$ 1,263,302	$ 968,059	$ 1,292,714	$ 997,368
Financing:							
State General Fund	$ 392,889	$ 652,324	$ 649,147	$ 582,193	$ 290,123	$ 593,228	$ 301,119
All Other Funds	466,917	701,346	573,439	681,109	677,936	699,486	696,249
TOTAL	$ 859,806	$ 1,353,670	$ 1,222,586	$ 1,263,302	$ 968,059	$ 1,292,714	$ 997,368
FTE Positions	7.5	7.5	7.5	6.7	6.7	6.7	6.7
Non-FTE Uncl. Perm. Pos.	0.9	0.9	0.9	0.9	0.9	0.9	0.9
TOTAL	8.4	8.4	8.4	7.6	7.6	7.6	7.6

The **agency** requests $1.3 million, including $582,193 from the State General Fund, for FY 2016. This is an all funds decrease of $90,368, or 6.7 percent, and a State General Fund decrease of $70,131, or 10.8 percent, below the agency's FY 2015 revised estimate. The decrease is attributable primarily to reduced expenditures on contractual services. The agency's FY 2016 request includes 6.7 FTE positions, a decrease of 0.8 FTE positions, from its FY 2015 revised estimate. The decrease is attributable to the reallocation of a portion of an FTE position to the Legal Opinions and Government Counsel program. The agency's FY 2016 request includes the following changes.

- **Salaries and Wages**. The agency requests $628,187, including $241,298 from the State General Fund, for FY 2016. This is an all funds increase of $13,475, or 2.2 percent, but a State General Fund decrease of $70,131, or 22.5 percent, from the agency's FY 2015 revised

estimate. The increase is attributable primarily to the elimination of shrinkage in salaries and wages.

- **Contractual Services.** The agency requests $297,354, including $50,804 from the State General Fund, for FY 2016. This is an all other funds decrease of $103,843, or 25.9 percent, below the agency's FY 2015 revised estimate. The decrease is attributable primarily to reduced expenditures on other services that were included as a FY 2015 supplemental request for security enhancements ($125,000).

The **Governor** recommends $968,059, including $290,123 from the State General Fund, for FY 2016. This is an all funds decrease of $295,243, or 23.4 percent, and a State General Fund decrease of $292,070, or 50.2 percent, below the agency's FY 2016 request. The recommendation includes the elimination of $290,091, all from the State General Fund, for the Internet Training and Education for Kansas Kids program. The 2013 Legislature eliminated the program, but through a technical error in 2013 SB 171 and reconsideration by the 2014 Legislature, the program was reinstated. The recommendation also includes a reduction of $5,152, including $1,979 from the State General Fund, due to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 6.7 FTE and 0.9 non-FTE positions, which is unchanged from the agency's FY 2016 request.

The **agency** requests $1.3 million, including $593,228 from the State General Fund, for FY 2017. This is an all funds increase of $29,412, or 2.3 percent, and a State General Fund increase of $11,035, or 1.9 percent, above the agency's FY 2016 request. The increase is attributable to higher expenditures on salaries and wages and contractual services. The agency's FY 2017 request includes the following changes.

- **Salaries and Wages.** The agency requests $657,089, including $252,333, from the State General Fund, for FY 2017. This is an all funds increase of $28,902, or 4.6 percent, and a State General Fund increase of $11,035, or 4.6 percent, above the agency's FY 2016 request. The increase is attributable primarily to higher expenditures on unclassified regular pay ($16,224) due to the 27th paycheck and increased employer contributions to KPERS ($8,101).

- **Contractual Services.** The agency requests $297,864, a special revenue funds increase of $510, or 0.2 percent, above the agency's FY 2016 request. The increase is attributable the increases in the state buildings operating and capital charges.

The **Governor** recommends $997,368 including $301,119 from the State General Fund, for FY 2017. This is an all funds decrease of $295,346, or 22.8 percent, and a State General Fund decrease of $292,109, or 49.2 percent, below the agency's FY 2017 request, The recommendation includes the elimination of $290,091 from the State General Fund for the Internet Training and Education for Kansas Kids program. The 2013 Legislature eliminated the program, but through a technical error in the appropriation bill reconsideration by the 2014 Legislature, the program was reinstated. The recommendation also includes a reduction of $5,255, including $2,018 from the State General Fund, due to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 6.7 FTE and 0.9 non-FTE positions, which is unchanged from the agency's FY 2017 request.

B. Criminal Litigation

The Criminal Litigation program provides legal advice, support, and aid to Kansas counties and district attorneys prosecuting those charged with violating the Kansas Criminal Code. The program also sustains appellate attorneys that represent the State in criminal direct appeals and collateral appeals before state and federal appellate courts. Additionally, the program provides representation for the State in civil commitment proceedings for those deemed to be sexually violent predators. The program investigates complaints of abuse of children in Department for Aging and Disability Services' institutions and Department of Corrections. Other duties of the program include establishing sharing agreements to receive revenues from federal forfeiture cases; investigating and licensing applicants for concealed carry weapons; providing licensing services and maintaining information on persons and agencies as private detectives and agencies; and, maximizing the use of the Kansas Intelligence Fusion Center that produces intelligence analysis of terrorism threats, biological threats, and cyber-warfare.

CRIMINAL LITIGATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 2,696,450	$ 2,833,715	$ 2,681,330	$ 2,903,536	$ 2,630,488	$ 3,036,323	$ 2,762,818
Contractual Services	1,427,230	1,254,852	1,254,852	1,286,725	1,286,725	1,287,619	1,287,619
Commodities	57,047	48,475	48,475	48,475	48,475	48,475	48,475
Capital Outlay	163,218	55,400	55,400	55,400	55,400	55,400	55,400
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 4,343,945	$ 4,192,442	$ 4,040,057	$ 4,294,136	$ 4,021,088	$ 4,427,817	$ 4,154,312
Aid to Local Units	280,409	0	0	0	0	0	0
Other Assistance	24,947	0	0	0	0	0	0
TOTAL	$ 4,649,301	$ 4,192,442	$ 4,040,057	$ 4,294,136	$ 4,021,088	$ 4,427,817	$ 4,154,312
Financing:							
State General Fund	$ 2,101,939	$ 2,048,417	$ 1,904,236	$ 2,034,375	$ 1,769,019	$ 2,122,558	$ 1,856,898
All Other Funds	2,547,362	2,144,025	2,135,821	2,259,761	2,252,069	2,305,259	2,297,414
TOTAL	$ 4,649,301	$ 4,192,442	$ 4,040,057	$ 4,294,136	$ 4,021,088	$ 4,427,817	$ 4,154,312
FTE Positions	28.9	30.9	30.9	31.9	31.9	31.9	31.9
Non-FTE Uncl. Perm. Pos.	8.4	8.4	8.4	9.4	9.4	9.4	9.4
TOTAL	37.3	39.3	39.3	41.3	41.3	41.3	41.3

The **agency** requests $4.3 million, including $2.0 million from the State General Fund. This is an all funds increase of $101,694, or 2.4 percent, but a State General Fund decrease of $14,042, or 0.7 percent, from the agency's FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages and contractual services. The estimate includes 31.9 FTE positions, and 9.4 non-FTE positions. Compared to the FY 2015 revised estimate, this is an increase of 1.0 FTE position and 1.0 non-FTE position and is attributable to the agency's enhancement request for a Child Crime Investigator and additional DUI Prosecutor. The FY 2016 request includes the following changes.

- **Salaries and Wages.** The agency requests $2.9 million, including $2.0 million from the State General Fund, for FY 2016. This is an all funds increase of $69,821, or 2.5 percent, but a State

General Fund decrease of $3,340, or 0.2 percent, below the agency' FY 2015 revised estimate. The increase is attributable to the elimination of salaries and wages shrinkage ($174,525) and costs associated with fringe benefits, specifically increases to employer contributions to KPERS ($23,172). The estimate includes 31.9 FTE positions and 9.4 non-FTE positions. Compared to the FY 2015 revised estimate, this is an increase of 1.0 FTE position and 1.0 non-FTE position and is attributable to the agency's enhancement request for a Child Crime Investigator and additional DUI Prosecutor.

- **Contractual Services.** The agency requests $1.3 million, including $72,502 from the State General Fund, for FY 2016. This is an all funds increase of $31,873, or 2.3 percent above the agency's FY 2015 revised estimate, but a State General Fund decrease of $10,702, or 12.9 percent. The all funds increase is attributable primarily to increases in the state buildings operating ($19,794) and capital ($17,323) charges.

The **Governor** recommends $4.0 million, including $1.7 million from the State General Fund, for FY 2016. This is an all funds decrease of $273,048, or 6.4 percent, and a State General Fund decrease of $265,356, or 13.0 percent, below the agency's FY 2016 request. The Governor's recommendation includes a $250,204 State General Fund adjustment of salaries and wages shrinkage, and a reduction of $22,844, including $15,152 from the State General Fund, due to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 31.9 FTE and 9.4 non-FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the **agency** requests $4.4 million, including $2.1 million from the State General Fund. This is an all funds increase of $133,681, or 3.1 percent, and a State General Fund increase of $88,183, or 4.3 percent, above the agency's FY 2016 request. The increase is attributable to higher expenditures on salaries and wages and contractual services. Changes from the FY 2016 request include the following:

- **Salaries and Wages.** The agency requests $3.0 million, including $2.0 million from the State General Fund, for FY 2017. This is an all funds increase of $132,787, or 4.6 percent, and a State General Fund increase of $88,183, or 4.6 percent, above the agency's FY 2016 request. The increase is largely attributable to higher pay to unclassified regular employees ($61,171) due to the 27th paycheck and the agency's enhancement request for a Child Crime Investigator and DUI Prosecutor, and employer contributions to KPERS ($36,286).

- **Contractual Changes.** The agency requests $1.3 million, including $72,502 from the State General Fund, for FY 2017. This is an all other funds increase of $894, or 0.1 percent above the agency's FY 2016 request. The increase is attributable to increases in the state buildings operating ($477) and capital ($417) charges.

The **Governor** recommends $4.2 million, including $1.9 million from the State General Fund, for FY 2017. This is an all funds decrease of $273,505, or 6.2 percent, and a State General Fund decrease of $265,660, or 12.5 percent, below the

agency's FY 2017 request. The Governor's recommendation includes a $250,204 State General Fund adjustment of salaries and wages shrinkage, and a reduction of $23,301, including $15,456 from the State General Fund, due to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 31.9 FTE and 9.4 non-FTE positions, which is unchanged from the agency's FY 2017 request.

C. Legal Opinions and Government Counsel

The Legal Opinions and Government Counsel program researches legal questions and provides technical assistance to legislators and public agencies. In addition, the program reviews proposed rules and regulations, bond issues, state contracts, and inter-local cooperation agreements. The program serves as general counsel for 28 boards and commissions, attends administrative board meetings and hearings, and drafts administrative orders. The program also investigates complaints concerning violations of the Open Meetings Act, Open Records Act, and Architectural Accessibility Act.

LEGAL OPINIONS AND GOVERNMENT COUNSEL
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 532,189	$ 601,305	$ 595,518	$ 678,342	$ 674,109	$ 709,587	$ 705,270
Contractual Services	120,948	58,323	58,323	68,298	68,298	68,538	68,538
Commodities	1,749	2,545	2,545	2,545	2,545	2,545	2,545
Capital Outlay	12,287	2,700	2,700	2,700	2,700	2,700	2,700
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 667,173	$ 664,873	$ 659,086	$ 751,885	$ 747,652	$ 783,370	$ 779,053
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 667,173	$ 664,873	$ 659,086	$ 751,885	$ 747,652	$ 783,370	$ 779,053
Financing:							
State General Fund	$ 513,453	$ 569,100	$ 564,197	$ 645,245	$ 641,590	$ 672,155	$ 668,428
All Other Funds	153,720	95,773	94,889	106,640	106,062	111,215	110,625
TOTAL	$ 667,173	$ 664,873	$ 659,086	$ 751,885	$ 747,652	$ 783,370	$ 779,053
FTE Positions	6.0	6.0	6.0	6.8	6.8	6.8	6.8
Non-FTE Uncl. Perm. Pos.	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	7.0	7.0	7.0	7.8	7.8	7.8	7.8

The **agency** requests $751,885, including $645,245 from the State General Fund, for FY 2016. This is an all funds increase of $87,102, or 13.1 percent, and a State General Fund increase of $76,145, or 13.4 percent, above the FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages and contractual services. The FY 2016 request includes 6.8 FTE and 1.0 non-FTE positions, which is an increase of 0.8 FTE positions from the agency's FY 2015 revised estimate. The following changes are included.

- **Salaries and Wages.** The agency requests $678,342, including $585,648 from the State General, for FY 2016. The is an all funds increase of $77,037, or 12.8 percent, and a State General Fund increase of $76,145, or 14.9

percent, above the agency's FY 2015 revised estimate. More specifically, the agency increased expenditures on pay to unclassified regular employees ($58,500), group health hospitalization ($5,486), employer contributions to KPERS ($10,003), and group health hospitalization ($5,486). The FY 2016 request includes 6.8 FTE and 1.0 non-FTE positions, which is an increase of 0.8 FTE positions from the agency's FY 2015 revised estimate. The agency reallocated a portion of an FTE position from the Administration program to this program.

- **Contractual Services**. The agency requests $68,298 for FY 2016, including $54,352 from the State General Fund. This is an all other funds increase of $9,975, or 17.1 percent, above the agency's FY 2015 revised estimate. The increase is attributable to increases in the state buildings operating ($4,750) and capital ($5,225) charges.

The **Governor** recommends $747,652, including $641,590 from the State General Fund, for FY 2016. This is an all funds decrease of $4,233, or 0.6 percent, and a State General Fund decrease of $3,655, or 0.6 percent, below the agency's FY 2016 request. The Governor recommends a reduction of $4,233, including $3,655 from the State General Fund, due to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 6.8 FTE and 1.0 non-FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the **agency** requests $783,370, including $672,155 from the State General Fund. This is an all funds increase of $31,485, or 4.2 percent, and a State General Fund increase of $26,910, or 4.2 percent, above the agency's FY 2016 request. The increase is due to higher expenditures on salaries and wages and contractual services. The request includes 6.8 FTE and 1.0 non-FTE positions. The agency's FY 2017 request includes the following changes.

- **Salaries and Wages**. The agency requests $709,587, including $612,558 from the State General Fund, for FY 2017. This is an all funds increase of $31,245, or 4.6 percent, and a State General Fund increase of $26,910, or 4.6 percent, above the agency's FY 2016 request. The increase is largely attributable to pay to unclassified regular employees ($17,125) due to the 27th paycheck and employer contributions to KPERS ($8,368).

- **Contractual Services.** The agency requests $68,538, including $54,352 from the State General Fund, for FY 2017. This is an all other funds increase of $240, or 0.4 percent, above the agency's FY 2016 request. The increase is attributable to increases in the state buildings operating ($114) and capital ($126) charges.

The **Governor** recommends $779,053, including $668,428 from the State General Fund, for FY 2017. This is an all funds decrease of $4,317, or 0.6 percent, and a State General Fund decrease of $3,727, or 0.6 percent, below the agency's FY 2017 request. The Governor recommends a reduction of $4,317, including $3,727 from the State General Fund, due to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 6.8 FTE and 1.0 non-FTE positions, which is unchanged from the agency's FY 2017 request.

D. Consumer Protection

The primary duty of the Consumer Protection program is to enforce the Kansas Consumer Protection Act. The program also enforces the Kansas Charitable Organizations and Solicitations Act, Kansas False Claims Acts, Kansas No-Call Act, the Kansas Brand Law, and Kansas Roofing Registration Act. Additionally, the program enforces state and federal antitrust laws, racial or other bias-based policing laws, and aspects of criminal law, including identity theft and financial elder abuse. It also assists in the prevention of Social Security disability fraud.

CONSUMER PROTECTION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,490,324	$ 1,406,389	$ 1,390,834	$ 1,890,268	$ 1,819,262	$ 1,976,706	$ 1,883,436
Contractual Services	445,549	394,287	394,287	435,904	435,904	436,578	436,578
Commodities	14,343	14,130	14,130	20,788	20,788	20,788	20,788
Capital Outlay	76,435	18,700	18,700	55,189	55,189	18,789	18,789
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 2,026,651	$ 1,833,506	$ 1,817,951	$ 2,402,149	$ 2,331,143	$ 2,452,861	$ 2,359,591
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 2,026,651	$ 1,833,506	$ 1,817,951	$ 2,402,149	$ 2,331,143	$ 2,452,861	$ 2,359,591
Financing:							
State General Fund	$ 212,237	$ 99,614	$ 98,875	$ 118,253	$ 62,293	$ 142,261	$ 64,338
All Other Funds	1,814,414	1,733,892	1,719,076	2,283,896	2,268,850	2,310,600	2,295,253
TOTAL	$ 2,026,651	$ 1,833,506	$ 1,817,951	$ 2,402,149	$ 2,331,143	$ 2,452,861	$ 2,359,591
FTE Positions	22.1	22.1	22.1	22.1	22.1	22.1	22.1
Non-FTE Uncl. Perm. Pos.	2.4	4.4	4.4	4.4	4.4	4.4	4.4
TOTAL	24.5	26.5	26.5	26.5	26.5	26.5	26.5

The **agency** requests $2.4 million, including $118,253 from the State General Fund, for FY 2016. This is an all funds increase of $568,643, or 31.0 percent, and a State General Fund increase of $18,639, or 18.7 percent, above the agency's revised FY 2015 revised estimate. The increase is largely attributable to higher expenditures in salaries and wages, contractual services, commodities, and capital outlay. The agency's FY 2016 request includes 22.1 FTE and 4.4 non-FTE positions, which is an increase of 2.0 non-FTE positions. The FY 2016 request includes the following changes.

- **Salaries and Wages.** The agency requests $1.9 million, including $99,943 from the State General Fund, for FY 2016. This is an all funds increase of $483,879, or 34.4 percent, and a State General Fund increase of $14,929 or 17.6 percent. The increase is largely attributable to the elimination of salaries and wages shrinkage ($385,918) and the agency's enhancement request for 2.0 non-FTE Cooperative Disabilities Investigators.

- **Contractual Services.** The agency requests $435,904, including $17,563 from the State General Fund, for FY 2016. This is an all funds increase $41,617, or 10.6 percent, and a State General increase of $3,563, or 25.5 percent, above the agency's FY 2015 revised estimate. The increase is largely attributable to higher expenditures on in-state meals and lodging ($9,281) due to the agency's enhancement request for 2.0 non-FTE Cooperative Disabilities Investigators. Increased expenditures also resulted from the state buildings operating ($13,388) and capital ($14,587) charges.

- **Commodities.** The agency requests $20,788, including $658 from the State General Fund, for FY 2016. This is an all funds increase of $6,658, or 47.1 percent, and is entirely attributable to the agency's supplemental request for two Cooperative Disability Investigators that includes expenditure for gasoline.

- **Capital Outlay.** The agency requests $55,189. This is an all funds increase of $36,489, or 195.1 percent, and is largely attributable to the agency's supplemental request for 2.0 non-FTE Cooperative Disability Investigators that includes expenditures for passenger cars ($36,400).

The **Governor** recommends $2.3 million, including $62,293 from the State General Fund, for FY 2016. This is an all funds decrease of $71,006, or 3.0 percent, and a State General Fund decrease of $55,960, or 47.3 percent, below the agency's FY 2016 request. The Governor's recommendation includes 22.1 FTE and 4.4 non-FTE positions, which is unchanged from the agency's FY 2016 request. The Governor did not recommend the agency's enhancement request for $55,587, all from the State General Fund, to continue the on-going anti-racial profiling work assigned to the agency by the 2011 Legislature. The Governor also recommends a reduction of $15,419, including $373 from the State General Fund, due to reduced employer contributions for state employee health insurance.

For FY 2017, the **agency** requests $2.5 million, including $142,261 from the State General Fund. This is an all funds increase of $50,712, or 2.1 percent, and a State General Fund increase of $24,008, or 20.3 percent, above the agency's FY 2016 request. The increase is attributable to higher expenditures in salaries and wages and contractual services, partially offset by lower capital outlay expenditures. The FY

2017 request includes 22.1 FTE and 4.4 non-FTE positions. The FY 2017 request includes the following changes.

- **Salaries and Wages.** The agency requests $1.9 million, including $123,951 from the State General Fund, for FY 2017. This is an all funds increase of $86,438, or 4.6 percent, and a State General Fund increase of $24,008, or 24.0 percent, above the FY 2016 request. The increase is largely attributable to agency's enhancement request for 2.0 non-FTE Cooperative Disabilities Investigators, expenditures on unclassified regular pay ($21,197) due to the 27th paycheck, and salaries and wages ($21,955) which is the difference between nine months of funding for Anti-Racial Profiling funding and the agency's FY 2017 full year request. (The current federal grant expires at the end of the federal fiscal year 2015, which is three months into the state fiscal year 2016).

- **Contractual Services.** The agency requests $436,578, including $17,563 from the State General Fund, for FY 2017. This is an all funds increase $674, or 0.2 percent, is attributable to the state buildings operating ($322) and capital ($352) charges.

- **Capital Outlay.** The agency requests $18,789, including $89 from the State General Fund, for FY 2017. This is an all funds decrease of $36,400, or 66.0 percent, below the the agency's FY 2016 request. The increase is attributable to reduced expenditures on passenger cars that were included as part of the agency's FY 2016 enhancement request.

The **Governor** recommends $2.4 million, including $64,338 from the State General Fund, for FY 2017. This is an all funds decrease of $93,270, or 3.8 percent, and a State General Fund decrease of $77,923, or 54.8 percent, below the agency's FY 2017 request. The Governor's recommendation includes 22.1 FTE and 4.4 non-FTE positions, which is unchanged from the agency's FY 2017 request. The Governor did not recommend the agency's enhancement request for $77,542 all from the State General Fund, to continue the on-going anti-racial profiling work assigned to the agency by the 2011 Legislature. The Governor also recommends a reduction of $15,728, including $381 from the State General Fund, due to reduced employer contributions for state employee health insurance.

E. Civil Litigation

The Civil Litigation program is made up of trial lawyers in the office who initiate or defend civil and administrative actions in both the state and federal systems. The program assists other state agencies, officials, and employees by distributing pleadings to attorneys and offering assistance with civil litigation issues as well as educating the public on matters related to state liability and interstate water disputes. The program also enforces the 1999 Tobacco Master Settlement Agreement, Kansas Funeral and Cemetery Merchandise Agreements, Contracts, and Plans Act, Cemetery Merchandise Contracts Act, and Kansas Cemetery Corporation Acts. Since 2011, the program acts as counsel for the State in environmental litigation against the Environmental Protection Agency, and private litigants.

CIVIL LITIGATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,463,176	$ 1,345,472	$ 1,329,725	$ 1,661,486	$ 1,646,927	$ 1,742,359	$ 1,727,530
Contractual Services	3,704,156	2,101,577	2,251,577	2,150,524	2,400,524	2,151,072	2,151,072
Commodities	6,114	6,610	6,610	6,610	6,610	6,610	6,610
Capital Outlay	37,506	15,100	15,100	15,100	15,100	15,100	15,100
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 5,210,952	$ 3,468,759	$ 3,603,012	$ 3,833,720	$ 4,069,161	$ 3,915,141	$ 3,900,312
Aid to Local Units	0	25,000	25,000	50,000	0	50,000	0
Other Assistance	100,000	300,000	300,000	300,000	300,000	300,000	300,000
TOTAL	$ 5,310,952	$ 3,793,759	$ 3,928,012	$ 4,183,720	$ 4,369,161	$ 4,265,141	$ 4,200,312
Financing:							
State General Fund	$ 1,314,505	$ 1,094,436	$ 1,081,295	$ 1,185,266	$ 1,174,549	$ 1,243,997	$ 1,233,081
All Other Funds	3,996,447	2,699,323	2,846,717	2,998,454	3,194,612	3,021,144	2,967,231
TOTAL	$ 5,310,952	$ 3,793,759	$ 3,928,012	$ 4,183,720	$ 4,369,161	$ 4,265,141	$ 4,200,312
FTE Positions	20.3	20.3	20.3	21.3	21.3	21.3	21.3
Non-FTE Uncl. Perm. Pos.	0.3	0.3	0.3	0.3	0.3	0.3	0.3
TOTAL	20.6	20.6	20.6	21.6	21.6	21.6	21.6

The **agency** requests $4.2 million, including 1.2 million from the State General Fund, for FY 2016. This is an all funds increase of $389,961, or 10.3 percent, and a State General Fund increase of $90,830, or 8.3 percent, from the agency's FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages, contractual services, and aid to local units of government. The agency's FY 2016 request includes 21.3 FTE and 0.3 non-FTE positions, which is an increase of 1.0 FTE from the FY 2015 revised estimate. The agency's FY 2016 request includes the following changes.

- **Salaries and Wages.** The agency requests $1.7 million, including $1.2 million from the State General Fund, for FY 2016. This is an all funds increase of $316,014, or 23.5 percent, and a State General Fund increase of $90,830, or 8.4

percent, above the agency's FY 2015 revised estimate. The all funds increase is attributable to the adjustment of salaries and wages shrinkage ($132,468), the agency's enhancement request for one Tobacco Compliance Investigator, and increased pay for unclassified regular ($45,942) and unclassified temporary employees ($44,942).

- **Contractual Services**. The agency requests $2.2 million, all from special revenue funds, for FY 2017. This is an all funds increase of $48,947, or 2.3 percent, and is largely attributable to higher expenditures on the state buildings operating ($11,118) and capital ($11,629) charge.

- **Aid to Local Units.** The agency requests $50,000, all from the Sexually Violent Predator Expense Fund, for aid to local units of government. This is an increase of $25,000, or 100.0 percent, above the agency's FY 2015 revised estimate and is attributable to the agency's enhancement request for a State General Fund transfer of $50,000 to the fund. (The 2013 Legislature authorized a $25,000 transfer from the KEY Fund in FY 2015 and the money was exhausted in the first month of the fiscal year.)

- **Enhancement/Transfer.** The agency requests a transfer of $678,022 from the State General Fund to the Interstate Water Litigation Fund, and a reduction of funding of the same amount in the Water Litigation sub-account of the Court Cost Fund.

The **Governor** recommends $4.4 million, including $1.2 million from the State General Fund, for FY 2016. This is an all funds increase of $185,441, or 4.4 percent, but a State General Fund decrease of $10,717, or 0.9 percent, from the agency's FY 2016 request. The Governor's recommendation includes 21.3 FTE and 0.3 non-FTE positions,, which is unchanged from the agency's FY 2016 request.

The Governor's recommendation does does not include a $50,000 State General Fund transfer to the Sexually Violent Predator Expense Fund to reimburse counties for the costs related to civil commitments, as requested by the agency for FY 2016. The recommendation adds $250,000, all from special revenue funds, for current labor litigation. The increase is offset by a reduction of $14,459, including $10,717 from the State General Fund, due to reduced employer contributions for state employee health insurance.

For FY 2017, the **agency** requests $4.3 million, including $1.2 million from the State General Fund. This is an all funds increase of $81,421 or 1.9 percent, and a State General Fund increase of $58,731, or 5.0 percent, above the agency's FY 2016 request. The increase is attributable to higher expenditures on salaries and wages and contractual services. The agency's FY 2017 request includes 21.3 FTE and 0.3 non-FTE unclassified permanent positions. The agency's FY 2017 request includes the following changes.

- **Salaries and Wages.** The agency requests $1.7 million, including $1.2 million from the State General Fund, for FY 2017. This is an all funds increase of $80,873, or 4.9 percent, and a State General Fund increase of $58,731, or 5.0 percent, above the agency's FY 2016 request. The all funds increase is attributable largely to the agency's enhancement request for 1.0 FTE

Tobacco Compliance Investigator ($64,712) and employer contributions to KPERS ($16,350).

- **Contractual Services.** The agency requests $2.2 million, all from special revenue, for FY 2017. This is an all funds increase of $548, or less than 1.0 percent above the agency's FY 2016 request. The increase is attributable to higher expenditures on the state buildings operating ($268) and capital ($280) charges.

- **Enhancement/Transfer**. The agency requests a transfer of $682,444 from the State General Fund to the Interstate Water Litigation Fund, and a reduction of funding of the same amount in the Water Litigation sub-account of the Court Cost Fund.

- **Enhancement/Transfer**. The agency requests a $50,000 transfer from the State General Fund to the Sexually Violent Predator Expense Fund, for aid to local units of government. (The 2013 Legislature authorized a $25,000 transfer from the KEY Fund in FY 2015 and the money was exhausted in the first month of the fiscal year.)

The **Governor** recommends $4.2 million, including $1.2 million from the State General Fund, for FY 2017. This is an all funds decrease of $64,829, or 1.5 percent, and a State General Fund decrease of $10,916, or 0.9 percent, below the agency's FY 2017 request. The Governor's recommendation includes 21.3 FTE and 0.3 non-FTE positions, which is unchanged from the agency's FY 2017 request, The Governor's recommendation does does not include a $50,000 State General Fund transfer to the Sexually Violent Predator Expense Fund to reimburse counties for the costs related to civil commitments, as requested by the agency for FY 2017. The Governor also recommends a reduction of $14,829, including $10,916 from the State General Fund, due to reduced employer contributions for state employee health insurance.

F. Crime Victims Compensation Board

The Crime Victims Compensation Board provides monetary compensation to the victims of crime. The Board also protects the Crime Victims Compensation Fund through the collection of court ordered restitution and fees paid by law offenders. The Executive Director and staff inform public officers and employees, health care providers, judges, attorneys, law enforcement officers, and the public about the Crime Victims Compensation program.

CRIME VICTIMS COMPENSATION BOARD
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 328,654	$ 306,803	$ 303,983	$ 353,019	$ 348,824	$ 368,853	$ 364,574
Contractual Services	87,533	136,325	136,325	147,078	147,078	147,338	147,338
Commodities	3,503	4,100	4,100	4,100	4,100	4,100	4,100
Capital Outlay	137,890	700	700	700	700	700	700
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 557,580	$ 447,928	$ 445,108	$ 504,897	$ 500,702	$ 520,991	$ 516,712
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	2,874,022	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000	3,400,000
TOTAL	$ 3,431,602	$ 3,847,928	$ 3,845,108	$ 3,904,897	$ 3,900,702	$ 3,920,991	$ 3,916,712
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	3,431,602	3,847,928	3,845,108	3,904,897	3,900,702	3,920,991	3,916,712
TOTAL	$ 3,431,602	$ 3,847,928	$ 3,845,108	$ 3,904,897	$ 3,900,702	$ 3,920,991	$ 3,916,712
FTE Positions	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	6.0	6.0	6.0	6.0	6.0	6.0	6.0

The **agency** requests $3.9 million, all from special revenue funds, for FY 2016. This is an increase of $56,969, or 1.5 percent, above the agency's FY 2015 revised estimate and is attributable to higher expenditures on salaries and wages and contractual services. The FY 2016 request includes 6.0 FTE positions. The FY 2016 request includes the following changes.

- **Salaries and Wages.** The agency requests $353,019, all from special revenue funds. This is an increase of $46,216, or 15.1 percent, above the agency's FY 2015 revised estimate and is largely attributable to pay for unclassified regular employees ($33,093). The agency previously had a vacant unfunded investigator position that is now funded and staffed.

- **Contractual Services.** The agency requests $147,078, all from special revenue funds, for FY

2016. This is an increase of $10,753, or 7.9 percent, and is attributable to the state buildings operating ($7,079) and capital ($3,674) charges.

The **Governor** recommends $3.9 million, all from special revenue funds, for FY 2016. This is a decrease of $4,195, or 0.1 percent, below the agency's FY 2016 request. The Governor recommends a reduction of $4,195 due to reduced employer contributions for state health insurance. The Governor's recommendation includes 6.0 FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the **agency** requests $3.9 million, all from special revenue funds. This is an increase of $16,094, of less than 1.0 percent, above the agency's FY 2016 request and is attributable to higher expenditures on salaries and wages and contractual services. The FY 2017 request includes 6.0 FTE positions. The FY 2017 request includes the following changes.

- **Salaries and Wages.** The agency requests $368,853 all from special revenue funds, for FY 2017. This is an increase of $15,834, or 4.5 percent, above the agency's FY 2016 request and is largely attributable to pay for unclassified regular employees ($9,500) due to the 27th paycheck, and employer contributions to KPERS ($4,369).

- **Contractual Services.** The agency requests $147,338, all from special revenue funds, for FY 2017. This is an increase of $260, or less than 1.0 percent, and is attributable to the state buildings operating ($171) and capital ($89) charges.

The **Governor** recommends $3.9 million, all from special revenue funds, for FY 2017. This is a decrease of $4,279, or 0.1 percent, below the agency's FY 2017 request. The Governor recommends a reduction of $4,279 due to reduced employer contributions for state health insurance. The Governor's recommendation includes 6.0 FTE positions, which is unchanged from the agency's FY 2017 request.

G. Victims Services and Grants

Responsibilities of the Victims Services program include: providing efficient and effective statewide coordination of local crime victim services and witness assistance programs; developing and administering crime victim assistance grant funds; and educating the legal and law enforcement communities and the general public on working with victims of crime.

The program is responsible for developing batterer intervention programs to increase domestic violence offender accountability and improve victim safety, and providing support to the Child Death Review Board. The program works to improve response to child abduction and human trafficking through the development and implementation of Child Abduction Response Teams, AMBER Alerts, and by providing information to communities and agencies to assist with prevention of and effective response to human trafficking.

The program is also charged with increasing recognition, reporting, and prosecution for cases of abuse, neglect, and exploitation of vulnerable adults and children.

VICTIMS SERVICES AND GRANTS
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 702,431	$ 871,863	$ 863,724	$ 735,508	$ 728,893	$ 768,842	$ 762,094
Contractual Services	187,881	140,285	140,285	149,580	149,580	149,804	149,804
Commodities	7,957	11,991	11,991	11,991	11,991	11,991	11,991
Capital Outlay	26,458	12,727	12,727	12,727	12,727	12,727	12,727
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 924,727	$ 1,036,866	$ 1,028,727	$ 909,806	$ 903,191	$ 943,364	$ 936,616
Aid to Local Units	31,686	0	0	0	0	0	0
Other Assistance	2,227,804	2,383,000	2,383,000	2,383,000	2,383,000	2,383,000	2,383,000
TOTAL	$ 3,184,217	$ 3,419,866	$ 3,411,727	$ 3,292,806	$ 3,286,191	$ 3,326,364	$ 3,319,616
Financing:							
State General Fund	$ 1,418,375	$ 1,818,664	$ 1,812,401	$ 1,745,360	$ 1,739,986	$ 1,772,392	$ 1,766,910
All Other Funds	1,765,842	1,601,202	1,599,326	1,547,446	1,546,205	1,553,972	1,552,706
TOTAL	$ 3,184,217	$ 3,419,866	$ 3,411,727	$ 3,292,806	$ 3,286,191	$ 3,326,364	$ 3,319,616
FTE Positions	12.3	10.3	10.3	10.3	10.3	10.3	10.3
Non-FTE Uncl. Perm. Pos.	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	14.3	12.3	12.3	12.3	12.3	12.3	12.3

The **agency** requests $3.3 million, including $1.7 million from the State General Fund, for FY 2016. This is an all funds decrease of $127,060, or 3.7 percent, and a State General Fund decrease of $73,304, or 4.0 percent, below the agency's FY 2015 revised estimate. The decrease is attributable to less expenditures on salaries and wages, partially offset by increased contractual services expenditures. The FY 2016 request includes 10.3 FTE positions and 2.0 non-FTE unclassified permanent positions. The agency's FY 2016 request includes the following changes.

- **Salaries and Wages.** The agency requests $735,508, including $597,520 from the State General Fund, for FY 2016. This is an all funds decrease of $136,355, or 15.6 percent, and a State General Fund decrease of $73,304, or 10.9

percent, below the agency's FY 2015 revised estimate. The decrease is largely attributable to reduced expenditures on pay to unclassified regular employees ($139,355) and social security ($21,862), partially offset by an increase in pay for unclassified temporary employees ($35,407).

- **Contractual Services.** The agency requests $149,580, including $4,698 from the State General Fund. This is an all funds increase of $9,295, or 6.6 percent, above the agency's FY 2015 revised estimate and is attributable to the state buildings operating ($4,470) and capital ($4,825) charges.

The **Governor** recommends $3.3 million, including $1.7 million from the State General Fund, for FY 2016. This is an all funds decrease of $6,615, or 0.2 percent, and a State General Fund decrease of $5,374, or 0.3 percent, below the agency's FY 2016 request. The Governor recommends a reduction of $6,615 due to reduced employer contributions for state health insurance. The Governor's recommendation includes 10.3 FTE and 2.0 non-FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the **agency** requests $3.3 million, including $1.8 million from the State General Fund. This is an all funds increase of $33,558, or 1.0 percent, and a State General Fund increase of $27,032, or 1.5 percent, above the agency's FY 2016 request. The increase is attributable to higher expenditures on salaries and wages and contractual services. The FY 2017 request includes 10.3 FTE positions and 2.0 non-FTE positions. The agency's FY 2017 request includes the following changes.

- **Salaries and Wages.** The agency requests $768,842, including $624,552 from the State General Fund, for FY 2017. This is an all funds increase of $33,334, or 4.5 percent, and a State General Fund increase of $27,032, or 4.5 percent, above the agency's FY 2016 request. The increase is largely attributable to higher expenditures on pay to unclassified regular employees ($15,951) and unclassified temporary employees ($4,923) due to the 27th paycheck and employer contributions to KPERS ($8,892).

- **Contractual Services.** The agency requests $149,804, including $4,698 from the State General Fund, for FY 2017. This is an all other funds increase of $224, or 0.1 percent, above the agency's FY 2016 request and is attributable to the state buildings operating ($108) and capital ($116) charges.

The **Governor** recommends $3.3 million, including $1.8 million from the State General Fund, for FY 2017. This is an all funds decrease of $6,748, or 0.2 percent, and a State General Fund decrease of $5,482, or 0.3 percent, below the agency's FY 2017 request. The Governor recommends a reduction of $6,748 due to reduced employer contributions for state health insurance. The Governor's recommendation includes 10.3 FTE and 2.0 non-FTE positions, which is unchanged from the agency's FY 2017 request.

H. Medicaid Fraud and Abuse

The program is responsible for investigating and prosecuting, civilly or criminally, providers found to be committing fraud in the Kansas Medicaid program, to recover state and federal tax monies fraudulently received by Medicaid providers; and for reimbursing the appropriate state and federal agencies. In addition, the program investigates allegations of patient abuse, neglect, or misappropriation of patients' private funds committed by Medicaid providers.

MEDICAID FRAUD AND ABUSE
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,052,780	$ 1,107,825	$ 1,097,231	$ 1,157,190	$ 1,146,290	$ 1,209,899	$ 1,198,781
Contractual Services	175,984	270,797	270,797	280,157	280,157	280,383	280,383
Commodities	15,648	23,384	23,384	23,384	23,384	23,384	23,384
Capital Outlay	79,663	19,400	19,400	3,100	3,100	3,100	3,100
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,324,075	$ 1,421,406	$ 1,410,812	$ 1,463,831	$ 1,452,931	$ 1,516,766	$ 1,505,648
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 1,324,075	$ 1,421,406	$ 1,410,812	$ 1,463,831	$ 1,452,931	$ 1,516,766	$ 1,505,648
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	1,324,075	1,421,406	1,410,812	1,463,831	1,452,931	1,516,766	1,505,648
TOTAL	$ 1,324,075	$ 1,421,406	$ 1,410,812	$ 1,463,831	$ 1,452,931	$ 1,516,766	$ 1,505,648
FTE Positions	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	15.0	15.0	15.0	15.0	15.0	15.0	15.0

The **agency** requests $1.5 million, all from special revenue funds, for FY 2016. This is an increase of $42,425, or 3.0 percent, above the agency's FY 2015 revised estimate, and is attributable higher expenditures on salaries and wages and

contractual services, offset by lower capital outlay expenditures. The agency's FY 2016 request includes 15.0 FTE positions. The agency's FY 2016 request includes the following changes.

- **Salaries and Wages.** The agency requests $1.2 million, all from special revenue funds, for FY 2016. This is an increase of $49,365, or 4.5 percent, above the agency's FY 2015 revised estimate, and is largely attributable to the elimination of shrinkage in salaries and wages ($35,899), employer contributions to KPERS ($12,689), and pay for unclassified temporary employees ($9,090).

- **Contractual Services.** The agency requests $280,157, all from special revenue funds, for FY 2016. This is an increase of $9,360, or 3.5 percent, above the agency's FY 2015 revised estimate, and is entirely attributable to higher expenditures on the state building's capital charge.

- **Capital Outlay.** The agency requests $3,100, all from special revenue funds, for FY 2016. This is a decrease of $16,300, or 84.0 percent, below the agency's FY 2015 revised estimate and is entirely attributable to reduced expenditures on passenger cars.

The **Governor** recommends $1.5 million, all from special revenue funds, and 15.0 FTE positions for FY 2016. This is a decrease of $10,900, or 0.7 percent, below the agency's FY 2016 request. The Governor recommends a reduction of $10,900 due to reduced employer contributions for state health insurance.

For FY 2017, the **agency** requests $1.5 million, all from special revenue funds. This is an increase of $52,935, or 3.6 percent, above the agency's FY 2016 request, and is attributable higher expenditures on salaries and wages and contractual services. The agency's FY 2016 request includes 15.0 FTE positions. The agency's FY 2017 request includes the following changes.

- **Salaries and Wages.** The agency requests $1.2 million, all from special revenue funds, for FY 2017. This is an increase of $52,709, or 4.6 percent, above the agency's FY 2016 request, and is largely attributable higher expenditures for pay to unclassified regular employees ($30,885) due to the 17th paycheck and employer contributions to KPERS ($14,579).

- **Contractual Services.** The agency requests $280,383, from all other funds, FY 2017. This is an increase of $226, or 0.1 percent, above the agency's FY 2016 request, and is entirely attributable to higher expenditures on the state building's capital charge.

The **Governor** recommends $1.5 million, all from special revenue funds, and 15.0 FTE positions for FY 2017. This is a decrease of $11,118, or 0.7 percent, below the agency's FY 2017 request. The Governor recommends a reduction of $11,118 due to reduced employer contributions for state health insurance.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Criminal Litigation					
Criminal cases accepted from county and district attorneys	140	57	84	84	84
Legal Opinions and Government Counsel					
Number of formal written legal opinions	40	24	30	30	30
Civil Litigation					
Number of civil case in defense of the state	1,750	1,678	1,625	1,550	1,550

Kansas Human Rights Commission

	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	$ 1,127,908	$ 1,088,408	$ 1,067,091	$ 1,139,386	$ 1,061,846	$ 1,199,953	$ 1,103,793
Other Funds	383,095	387,734	382,968	370,285	364,329	350,756	344,680
TOTAL	$ 1,511,003	$ 1,476,142	$ 1,450,059	$ 1,509,671	$ 1,426,175	$ 1,550,709	$ 1,448,473
Capital Improvements:							
State General Fund	$ 1,070	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Other Funds	0	0	0	0	0	0	0
TOTAL	$ 1,070	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
GRAND TOTAL	**$ 1,512,073**	**$ 1,476,142**	**$ 1,450,059**	**$ 1,509,671**	**$ 1,426,175**	**$ 1,550,709**	**$ 1,448,473**
Percentage Change:							
Operating Expenditures							
State General Fund	(0.1) %	(3.5) %	(5.4) %	4.7 %	(0.5) %	5.3 %	0.0 %
All Funds	(4.9)	(2.3)	(4.0)	2.3	(1.6)	2.7	0.0
FTE Positions	23.0	23.0	23.0	23.0	23.0	23.0	23.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	23.0	23.0	23.0	23.0	23.0	23.0	23.0

AGENCY OVERVIEW

The Kansas Human Rights Commission (KHRC) is mandated by the Kansas Legislature to prevent and eliminate unlawful discrimination, and is responsible for enforcing both the Kansas Act Against Discrimination and the Kansas Age Discrimination in Employment Act. The Commission educates the general populace on what constitutes acts of discrimination in employment, housing, and public accommodations and how such acts can be prevented.

Starting in FY 2006, the KHRC was also given the authority to review and investigate claims of racial and other profiling by law enforcement agencies. The Commission is composed of seven individuals appointed by the Governor and subject to approval by the Senate. The Commissioners include two representatives of industry, two representatives of labor, one licensed attorney, one representative of the real estate industry and one at-large member.

Commissioners serve terms of four years and, at the will of the Governor and the discretion of the Senate, may be appointed for additional terms. No more than four Commissioners may be from the same political party.

The Kansas Act Against Discrimination has been declared equivalent to Title VII of the Civil Rights Act of 1964 as amended, the Age Discrimination in Employment Act of 1967 as amended, Title VIII of the Civil Rights Act of 1968 as amended, and the Genetic Information Non-Discrimination Act. Because of this equivalent determination, the Commission is able to enter into contractual agreements with the Equal Employment Opportunity Commission (EEOC), the agency which enforces comparable laws at the federal level. Money generated under this federal contract is used to fund agency operations. The agency utilizes two programs.

The first is the Compliance and Education program, which is charged with the prevention and elimination of discrimination and the education of the public. The second is the Administrative Hearings Office, which was established by the 2004 Legislature in SB 141. The bill stated the following:The Commission shall use at least four commissioners or the Department of Administration's Office of Administrative Hearings to conduct hearings on complaints. A hearing is held when the Commission has reached a finding of probable cause and the case has not been resolved between the parties. The agency contracts with the Office of Administrative Hearings to provide this service.

MAJOR ISSUES FROM PRIOR YEARS

During the **2005** Session, the Legislature approved SB 77 (the Racial Profiling Bill), which prohibits law enforcement officers and agencies from relying on racial, ethnic, national origin, gender or religious dress in selecting which individuals to subject to routine traffic stops, or in deciding upon the scope and substance of law enforcement activity following the initial stop. The law mandates that the Kansas Human Rights Commission receive and review complaints of racial and other profiling, and investigate, if necessary. The 2005 Legislature also approved an additional $159,514 from the State General Fund and 4.0 FTE positions for the anticipated requirements of the agency under the Racial Profiling Bill. Subsequently, SB 93

of the **2011 Legislative Session** transferred the filing and investigation of profiling complaints to the Office of the Attorney General.

During the **2006** Session, the Legislature approved HB 2582, which amended the Kansas Act Against Discrimination. The act prohibits a restrictive covenant that discriminates based on race, religion, color, sex, disability, familial status, national origin, or ancestry from being enforced.

During the **2011** Session, the Governor recommended the transfer of the duties and responsibilities of the Kansas Human Rights Commission to the Office of the Attorney General. However, the Legislature amended the Governor's budget to restore $1,627,111, including $1,189,084 from the State General Fund, to keep the KHRC as a separate agency with 25.0 FTE positions for FY 2012. The 2011 Legislature then added an additional $80,000, all from the State General Fund, for agency operations.

During **2012** Session, the Legislature amended the disability provisions of the Kansas Statutes to bring the Kansas Act Against Discrimination into alignment with the federal Americans with Disabilities Act.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency's** FY 2015 revised estimate for operating expenditures totals $1,476,142, including $1,088,408 from the State General Fund. This is an all funds decrease of $114,383, or 7.2 percent, and a State General Fund increase of $21,317, or 2.0 percent, from the FY 2015 approved budget. The all funds decrease is attributable to the former supervisor position being absorbed into the Assistant Director's responsibilities. The agency requests 23.0 FTE approved positions, which is the same as the FY 2015 approved number.

FY 2015 Governor Recommendation

The **Governor** recommends a FY 2015 budget of $1,450,059, a decrease of $26,083, or 1.8 percent, below the agency's revised estimate. The decrease is attributable to the Governor's KPERS rate reduction of $13,606, including $8,840 from the State General Fund and $4,766 from special revenue funds, and a $12,477 lapse reappropriation.

FY 2016 Agency Request

The **agency** requests $1,509,671 for FY 2016 expenditures, including $1,139,386 from the State General Fund. This is an all funds increase of $33,529, or 2.3, above the FY 2015 revised estimate. Operating expenditures include $1,139,386 from the State General Fund, an increase of $50,978, or 4.7 percent, above the FY 2015 revised estimate. The agency requests 23.0

FTE positions, which is the same as the FY 2015 approved number. The agency included two enhancements requests totaling $68,321, all from the State General Fund, to fund a Special Investigator II position ($56,181) and for microcomputer equipment ($12,140) in FY 2016.

FY 2016 Governor Recommendation

The **Governor** recommends a FY 2016 budget of $1,426,175, a decrease of $83,496, or 5.5 percent, below the agency's request. The decrease is attributable to the Governor's recommendation to reduce the state's payments for its employees health care costs by $17,180 and because the Governor does not recommend funding the agency's enhancement requests.

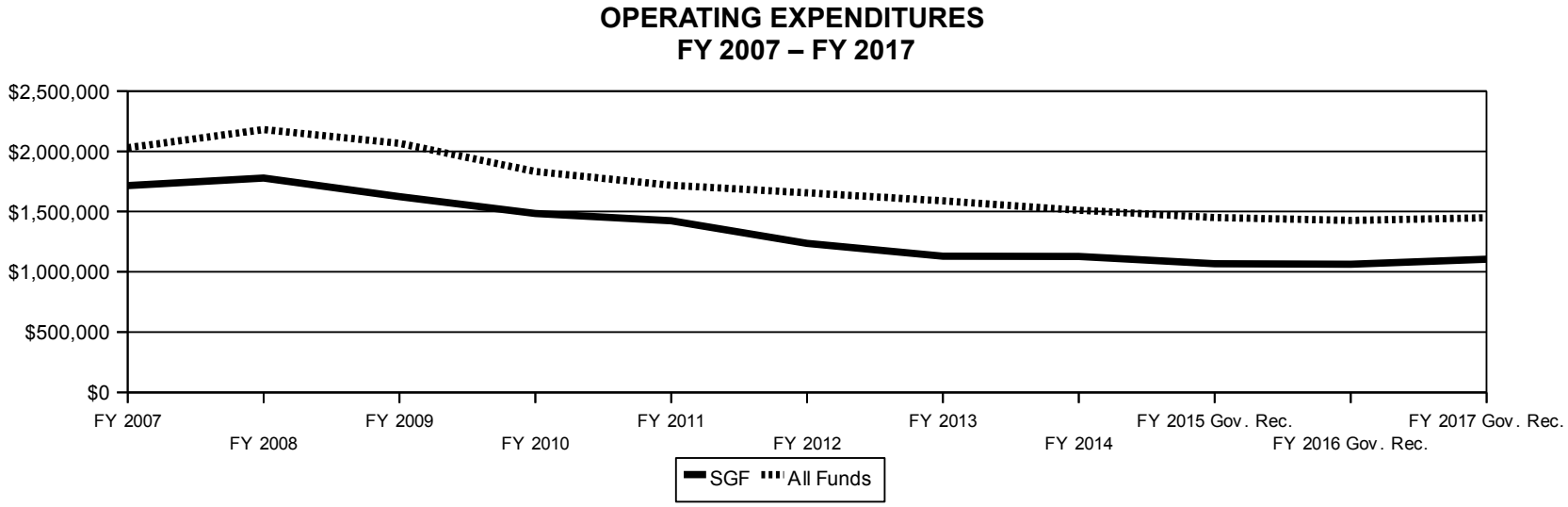
FY 2017 Agency Request

The **agency** requests $1,550,709 for FY 2017 expenditures, including $1,199,953 from the State General Fund. This is an all funds increase of $41,038, or 2.7 percent, above the FY 2016 request. Operating expenditures include $1,199,953 from the State General Fund, an increase of $60,567, or 5.3 percent, above the FY 2016 request. The agency requests 23.0 FTE positions, which is the same as the FY 2016 request. The agency included two enhancements requests totaling $81,712, all from the State General Fund, to fund a Special Investigator II position ($81,712) and for microcomputer equipment ($3,000) in FY 2017.

FY 2017 Governor Recommendation

The **Governor** recommends a FY 2017 budget of $1,448,473, an $102,236 decrease, or 6.6 percent, below the agency's request. The decrease is attributable to the Governor's recommendation that the Legislature reduce State contributions to the agency's employees by $17,524 and because the Governor is not recommending funding the agency's enhancement requests.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 1,715,512	6.3 %	$ 2,029,549	2.3 %	34.0
2008	1,778,909	3.7	2,179,786	7.4	34.0
2009	1,623,273	(8.7)	2,065,820	(5.2)	34.0
2010	1,483,223	(8.6)	1,831,795	(11.3)	34.0
2011	1,422,992	(4.1)	1,717,591	(6.2)	34.0
2012	1,236,246	(13.1)	1,655,322	(3.6)	25.0
2013	1,128,863	(8.7)	1,588,338	(4.0)	23.0
2014	1,127,908	(0.1)	1,511,003	(4.9)	23.0
2015 Gov. Rec.	1,067,091	(5.4)	1,450,059	(4.0)	23.0
2016 Gov. Rec.	1,061,846	(0.5)	1,426,175	(1.6)	23.0
2017 Gov. Rec.	1,103,793	4.0	1,448,473	1.6	23.0
Eleven-Year Change	$ (611,719)	(35.7)%	$ (581,076)	(28.6)%	(11.0)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	1,511,003	1,476,142	1,509,671	33,529	2.3	1,450,059	1,426,175	(23,884)	(1.6)
TOTAL	$ 1,511,003	$ 1,476,142	$ 1,509,671	$ 33,529	2.3 %	$ 1,450,059	$ 1,426,175	$ (23,884)	(1.6)%
By Major Object of Expenditure:									
Salaries and Wages	$ 1,093,537	$ 1,049,730	$ 1,075,377	$ 25,647	2.4 %	$ 1,036,124	$ 1,004,021	$ (32,103)	(3.1)%
Contractual Services	378,031	390,450	402,774	12,324	3.2	382,945	402,774	19,829	5.2
Commodities	17,157	18,983	19,380	397	2.1	18,983	19,380	397	2.1
Capital Outlay	10,154	9,457	12,140	2,683	28.4	4,485	--	(4,485)	(100.0)
Debt Service	--	--	--	--	--	--	--	--	--
Subtotal - Operations	$ 1,498,879	$ 1,468,620	$ 1,509,671	$ 41,051	2.8 %	$ 1,442,537	$ 1,426,175	$ (16,362)	(1.1)%
Aid to Local Units	--	--	--	--	--	--	--	--	--
Other Assistance	12,124	7,522	0	(7,522)	(100.0)	7,522	--	(7,522)	(100.0)
TOTAL	$ 1,511,003	$ 1,476,142	$ 1,509,671	$ 33,529	2.3 %	$ 1,450,059	$ 1,426,175	$ (23,884)	(1.6)%
Financing:									
State General Fund	$ 1,127,908	$ 1,088,408	$ 1,139,386	$ 50,978	4.7 %	$ 1,067,091	$ 1,061,846	$ (5,245)	(0.5)%
Education and Training Fund	14,004	36,319	28,516	(7,803)	(21.5)	36,089	28,286	(7,803)	(21.6)
Employment Discrimination Fund	369,091	351,415	341,769	(9,646)	(2.7)	346,879	336,043	(10,836)	(3.1)
TOTAL	$ 1,511,003	$ 1,476,142	$ 1,509,671	$ 33,529	2.3 %	$ 1,450,059	$ 1,426,175	$ (23,884)	(1.6)%

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	1,509,671	1,550,709	41,038	2.7	1,426,175	1,448,473	22,298	1.6
By Major Object of Expenditure:								
Salaries and Wages	$ 1,075,377	$ 1,120,960	$ 45,583	4.2 %	$ 1,004,021	$ 1,021,724	$ 17,703	1.8 %
Contractual Services	402,774	406,932	4,158	1.0	402,774	406,932	4,158	1.0
Commodities	19,380	19,817	437	2.3	19,380	19,817	437	2.3
Capital Outlay	12,140	3,000	(9,140)	(75.3)	--	--	--	--
Debt Service	--	--	--	--	--	--	--	--
Subtotal - Operations	$ 1,509,671	$ 1,550,709	$ 41,038	2.7 %	$ 1,426,175	$ 1,448,473	$ 22,298	1.6 %
Aid to Local Units	--	--	--	--	--	--	--	--
Other Assistance	--	--	--	--	--	--	--	--
TOTAL	$ 1,509,671	$ 1,550,709	$ 41,038	2.7 %	$ 1,426,175	$ 1,448,473	$ 22,298	1.6 %
Financing:								
State General Fund	$ 1,139,386	$ 1,199,953	$ 60,567	5.3 %	$ 1,061,846	$ 1,103,793	$ 41,947	4.0 %
Education and Training Fund	28,516	22,725	(5,791)	(20.3)	28,286	22,490	(5,796)	(20.5)
Employment Discrimination Fund	341,769	328,031	(13,738)	(4.0)	336,043	322,190	(13,853)	(4.1)
TOTAL	$ 1,509,671	$ 1,550,709	$ 41,038	2.7 %	$ 1,426,175	$ 1,448,473	$ 22,298	1.6 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $1,075,931 for the Human Rights Commission in FY 2015. Several adjustment have been made to that amount. These adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustments have been made.

- An increase of $12,477, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and shifted to FY 2015.
- A reduction of $21,317, as the result of the Governor's December 9th State General Fund allotment.

These adjustments change the FY 2015 approved State General Fund to $1,067,091. That amount is reflected in the table below as the currently approved FY 2015 State General Fund amount. The agency's budget was submitted prior to the December allotment, so the agency's revised budget estimates do not incorporate the allotment.

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	$ 1,067,091	$ 1,088,408	$ 21,317	$ 1,067,091	$ 0
All Other Funds	523,434	387,734	(135,700)	382,968	(140,466)
TOTAL	$ 1,590,525	$ 1,476,142	$ (114,383)	$ 1,450,059	$ (140,466)
FTE Positions	23.0	23.0	0.0	23.0	0.0

The **agency's** FY 2015 revised estimate for operating expenditures totals $1,476,142, including $1,088,408 from the State General Fund. This is an all funds decrease of $114,383, or 7.2 percent, and a State General Fund increase of $21,317, or 2.0 percent, from the FY 2015 approved budget. The all funds decrease is attributable to the former supervisor position

being absorbed into the Assistant Director's responsibilities. The agency requests 23.0 FTE approved positions, which is the same as the FY 2015 approved number.

Expenditures include the following categories.

- **Salaries and Wages.** The agency's FY 2015 revised estimate of $1,049,730, including $682,042 from the State General Fund. This is an all funds decrease of $100,795, or 8.8 percent, and a State General Fund decrease of $40,943, or 6.4 percent, below the FY 2015 approved budget. The revised estimate includes $367,688 in special revenue funds, a decrease of $141,738, or 27.8 percent, below the FY 2015 approved budget. There are 23.0 authorized FTE positions; 16.5 positions are filled. The agency's FY 2015 revised estimate includes shrinkage of $405,140 resulting from 6.5 unfilled FTE positions. It also resulted from the consolidation of a supervisor position into the Assistant Director position.

- **Contractual Services.** The agency's FY 2015 revised estimate totals $390,450, including $379,649 from the State General Fund. The estimate is an all funds decrease of $23,988, or 5.8 percent, and a State General Fund decrease of $29,732, or 7.3 percent, below the FY 2015 approved budget. Reduced expenditures on contractual services resulted from an agency wide effort to reduce its expenditures including canceling phone lines, voice mail and email accounts for eliminated positions, reduction in hard copy newsletters, a reduction in Wichita rental space, reduction in public service advertising, reductions in in-state travel, prohibition of out of state travel, except for one trip reimbursed by the Equal Employment Opportunity Commission and the elimination of paper-based subscriptions to local newspapers.

- **Commodities.** The agency's FY 2015 revised estimate of $18,983, including $9,738 from the State General Fund. This is an all funds increase of $520, or 2.8 percent, and a State General Fund increase of $226, or 2.4 percent, above the FY 2015 approved budget.

- **Capital Outlay.** The agency's FY 2015 revised estimate totals $9,457, all from the State General Fund. This is an increase of $1,040, or 12.4 percent, above the FY 2015 approved budget. The money is being used to replace five replacement desktops with monitors. Three of the desktops will be replaced with laptops and two will be replaced with new desktops.

- **Other Assistance.** The agency's FY 2015 revised estimate of $7,522, all from the State General Fund, is the same as the FY 2015 approved budget. These funds allow the agency to permit one of its employees to participate in the Voluntary Retirement Incentive Program.

The **Governor** recommends a FY 2015 budget of $1,450,059, including $1,067,091 from the State General Fund. The recommendation is an all funds decrease of $26,083, or 1.8 percent, and a State General Fund decrease of $21,317, or 2.0 percent, below the agency's FY 2015 revised estimate.

The reduction is attributable to $13,606, including $8,840 from the State General Fund, as part of the Governor's allotment plan, which included a reduction to employers KPERS contributions. The State General Fund portion of this plan adjusted the FY 2015 approved budget, and the special revenue

fund component, which is comprised of employers KPERS contributions, is included as part of the recommendation; and a lapse of $12,477.

The Governor's $12,477 lapse is attributable to two smaller lapses. The Governor recommends the Legislature lapse $7,505 the agency would otherwise spend on contractual services related to printing and copying as well as $4,972 that would be spent on the purchase of computer equipment.

Governor's Allotments

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. This prompted the Governor to address the shortfall with 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. The allotments shown in the table below reflect only those allotments which have already taken place

GOVERNOR'S ALLOTMENTS

Allotment	SGF	All Funds	FTE
December Allotment			
Reduce KPERS Employer Contribution Rate	$ (8,840)	$ (8,840)	0.0
Lapse Reappropriations	(12,477)	(12,477)	0.0
TOTAL	$ (21,317)	$ (21,317)	0.0

Kansas Public Employees Retirement System (KPERS) Reduction:

A reduction of $8,840 from the State General Fund, as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. This allotment will have no impact on the agency expenditures but is reflective of a reduction of expenditures from the State General Fund.

Reappropriations Lapse:

A reduction of $12,477 as a result of the Governor's State General Fund reappropriation allotment. This allotment will decrease available funding in the agency's administration.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 1,509,671	$ 1,426,175	$ (83,496)
FTE Positions	23.0	23.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 50,978	$ (5,245)	
All Other Funds	(17,449)	(18,639)	
TOTAL	$ 33,529	$ (23,884)	
Percent Change:			
State General Fund	4.7 %	(0.5) %	
All Other Funds	(4.5)	(4.9)	
TOTAL	2.3 %	(1.6) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $1.5 million, including $1.1 million from the State General Fund. This is an all funds increase of $33,529, or 2.3 percent, and a State General Fund increase of $50,978, or 4.7 percent, above the FY 2015 revised estimate. The increase is attributable to increases in salaries and wages, contractual services, commodities, and capital outlay, partially offset by a $7,522 voluntary retirement incentive taken in the FY 2015 revised estimate.

Operating expenditures include $1.1 million from the State General Fund, an increase of $50,978, or 4.7 percent, above the FY 2015 revised estimate. The agency requests 23.0 FTE positions, which is no change from the FY 2015 revised estimate.

The agency included two enhancement requests totaling $66,316, all from the State General Fund, to fund a Special

Investigator II position ($54,176) and for microcomputer equipment ($12,140) in FY 2016.

Expenditures include the following categories.

- **Salaries and Wages.** The agency's FY 2016 request is $1,075,377, including $721,341 from the State General Fund. This is an all funds increase of $25,647, or 2.4 percent, above the FY 2015 revised estimate. The request also includes $354,036 in other funds, a decrease of $13,652, or 3.7 percent, below the FY 2015 revised estimate. The increase in salaries and wages is primarily attributable to the agency's enhancement request for a Special Investigator II position totaling $54,176, all from the State General Fund, to fill a vacant position. **Absent the agency's enhancement** request, the FY 2016 request is a State General Fund decrease of $14,877, or 2.2 percent, below the FY 2015 revised estimate.

- **Contractual Services.** The agency's FY 2016 request is $402,774, including $395,965 from the State General Fund. This is an all funds increase of $12,324, or 3.2 percent, and a State General Fund increase of $16,316, or 4.3 percent, above the FY 2015 revised estimate. The request also includes $6,809 in special revenue funds, a decrease of $3,992, or 37.0 percent, below the FY 2015 revised estimate. The State General Fund increase is attributable to rental rates in the Landon State Office Building, the largest contractual expenditure for the agency. The rental rate for the Landon State Office Building is scheduled to increase by over 27.0 percent in FY 2016 from the FY 2015 rental rate.

- **Commodities.** The agency's FY 2016 request is $19,380, an increase of $397, or 2.1 percent, above the FY 2015 revised estimate. The request includes $9,940 from the State General Fund, an increase of $202, or 2.1 percent, above the FY 2015 revised estimate. The request also includes $9,440 in special revenue funds, an increase of $195, or 2.1 percent, above the FY 2015 revised level. The increase in commodities is primarily attributable to an $177 increase in food costs, an $124 increase in stationery and office supplies, and a $66 increase in data processing supplies.

- **Capital Outlay.** The agency's FY 2016 request is $12,140, all from the State General Fund, an increase of $2,683, or 28.4 percent, above the FY 2015 revised estimate. The increase is attributable to an enhancement request for microcomputer equipment for $12,140, all from the State General Fund. **This enhancement** accounts for 100.0 percent of the agency's capital outlay request.

The **Governor** recommends a FY 2016 budget of $1,426,175, including $1,061,846 from the State General Fund. The recommendation is an all funds decrease of $83,496, or 5.5 percent, and a State General Fund decrease of $77,540, or 6.8 percent, below the agency's FY 2016 request. The decrease is attributable to the Governor's recommendation to reduce employer contributions for state employee health insurance by $17,180, including $11,224 from the State General Fund. The decrease is also attributable to the Governor recommending the Legislature not fund the agency's enhancement requests totaling $66,316.

Enhancements Detail

FY 2016 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Special Investigator II	$ 54,176	$ 54,176	1.0	$ 0	$ 0	0.0
Microcomputer Equipment	12,140	12,140	0.0	0	0	0.0
TOTAL	**$ 66,316**	**$ 66,316**	**1.0**	**$ 0**	**$ 0**	**0.0**

The **agency's** FY 2016 request includes supplemental requests totaling $66,316, all from the State General Fund, including:

- **Special Investigator II.** The agency requests $54,176, all from the State General Fund, to fund a Special Investigator II position for FY 2016. The main responsibilities of this position are to investigate, resolve, and settle complaints. The agency believes that filling the Special Investigator II position would have a positive impact on the agency being able to better serve the public, and investigating additional cases. A new Special Investigator II position can be expected to close 30 cases in their first year due to needed training and 60 cases annually thereafter; and
- **Microcomputer equipment.** The agency requests $12,140, all from the State General Fund, to purchase microcomputer equipment for FY 2016. The funds would purchase eight new computers, replacing old ones that will be four years old at the time of the request. This will allow the agency to use computers under warranty, per the advice of the Office of Information Technology.

The **Governor** does not recommend either of the agency's enhancement requests.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 1,550,709	$ 1,448,473	$ (102,236)
FTE Positions	23.0	23.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 60,567	41,947	
All Other Funds	(19,529)	(19,649)	
TOTAL	$ 41,038	$ (22,298)	
Percent Change:			
State General Fund	5.3 %	(4.0) %	
All Other Funds	(5.3)	(5.4)	
TOTAL	2.7 %	(1.6) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests a FY 2017 budget totaling $1.6 million, including $1.2 million from the State General Fund for FY 2017 expenditures. This is an all funds increase of $41,038, or 2.7 percent, and a State General Fund increase of $60,567, or 5.3 percent, above the FY 2016 request. The agency requests 23.0 FTE positions, which is the same as the FY 2016 request. The agency's FY 2017 request includes two enhancement requests totaling $84,712, all from the State General Fund, to fund a Special Investigator II position ($81,712) and for microcomputer equipment ($3,000) for FY 2017.

Expenditures include the following categories.

- **Salaries and Wages.** The agency's FY 2017 request is $1.1 million, including $786,888 from the State

General Fund, for FY 2017. This is an all funds increase of $45,583, or 4.2 percent, and a State General Fund increase of $65,547, or 9.1 percent, above the FY 2016 request. The request also includes $334,072 in other funds, a decrease of $19,964, or 5.6 percent, below the FY 2016 request. The increase in salaries and wages is primarily attributable to the agency's enhancement request for funding of a Special Investigator II and administrative position. The enhancement continues the enhancement from 2016 allowing for a Special Investigator II position, but different in that it requests funding an administrative assistant position for the agency's Wichita office. The entire enhancement totals $81,712, $25,179 of which funds an administrative assistant for part of the year, all from the State General Fund. **Absent the enhancement,** the request would amount to a decrease of $36,129, or 3.4 percent, and a State General Fund decrease of $16,165, or 2.2 percent, below the FY 2016 request.

- **Contractual Services.** The agency's FY 2017 request is $406,932, an increase of $4,158, or 1.0 percent, above the FY 2016 request. The FY 2017 request includes $399,905 from the State General Fund, an increase of $3,940, or 1.0 percent, above the FY 2016 request. The request also includes $7,027, from special revenue funds, an increase of $218, or 1.8 percent, above the FY 2016 request. The increase is attributable to increases in rental costs associated with the Landon State Office Building.

- **Commodities.** The agency's FY 2017 request is $19,817, an increase of $437, or 2.3 percent, above the FY 2016 request. The request includes $10,160 from the State General Fund, an increase of $220, or 2.2 percent, above the FY 2016 request. The request also includes $9,657 in special revenue funds, an increase of $217, or 2.3 percent, above the FY 2016 request. The increase in commodities is primarily attributable to an $197 increase in food costs, an $134 increase in stationery and office supplies, and a $71 increase in data processing supplies.

- **Capital Outlay.** The agency's FY 2017 request is $3,000, all from the State General Fund, a decrease of $9,140, or 75.3 percent, below the FY 2016 request. The increase is attributable to an enhancement request for microcomputer equipment for $3,000. This enhancement would allow the agency to replace a server in its Wichita office. The server will be seven years old at the time the agency purchases it.

The **Governor** recommends a FY 2017 budget of $1,448,473, including $1,103,793 from the State General Fund. The recommendation is an all funds decrease of $102,236, or 6.6 percent, and a State General Fund decrease of $96,160, or 8.0 percent, below the agency's FY 2017 request. The decrease is partially attributable to the Governor's recommendation to reduce the state's payments for its employees health care costs by $17,524, $11,448 from the State General Fund. The decrease is also attributable to the Governor not recommending the agency's enhancement requests.

Enhancements Detail

FY 2017 ENHANCEMENTS

Enhancements	Agency Request SGF	Agency Request All Funds	Agency Request FTE	Governor's Recommendation SGF	Governor's Recommendation All Funds	Governor's Recommendation FTE
Special Investigator II and administrative position	$ 81,712	$ 81,712	0.0	$ 0	$ 0	0.0
Microcomputer Equipment	3,000	3,000	0.0	0	0	0.0
TOTAL	**$ 84,712**	**$ 84,712**	**0.0**	**$ 0**	**$ 0**	**0.0**

The **agency's** revised FY 2017 estimate includes supplemental requests totaling $84,712, all from the State General Fund, including:

- **Special Investigator II.** The agency requests $81,712, all from the State General Fund, to fund a Special Investigator II plus position for FY 2017. The main responsibilities of this position are to investigate, resolve, and settle complaints. The "plus" designated in this enhancement title, reflects the addition of an administrative assistant at $25,179 built into the enhancement. The agency believes that filling the Special Investigator II position would have a positive impact on the agency's ability to better serve the public, and investigating the additional cases. According to the agency, the administrative assistant could stave off the closure of the Wichita office, which would place strain on the Topeka office; and

- **Microcomputer equipment.** The agency requests $3,000, all from the State General Fund, to purchase a new server for its Wichita office. The existing server was purchased in July, 2009. To keep its capital outlay expenditures down, the agency delayed the purchase of a new server in July 2013, and instead purchased a warranty. The agency asserts that this new equipment helps to avoid viruses and other pitfalls associated with aged technology equipment.

The **Governor** does not recommend funding the enhancements.

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 $5,134, including $2,861, from the State General Fund, and affects 17 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 $10,760, including $7,030 from the State General Fund, and FY 2017 longevity payments total $11,560, including $7,849 from the State General Fund.**

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 $17,180, including $11,224 from the State General Fund for FY 2016. This is a reduction of $17,524, including $11,448 from the State General Fund, 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	75.5%	74.5 %	77.3 %	76.2 %
Education and Training FD	1.9	2.0	1.5	1.6
Employment Discrimination Fund (Fed)	22.6	23.5	21.2	22.2
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Education and Training Fund Analysis

Revenues for this fund are generated by fees for copies and registration fees for the Annual Employment Law Seminar. Expenditures from this fund are limited to operating expenditures for the Commission's education and training programs for the general public.

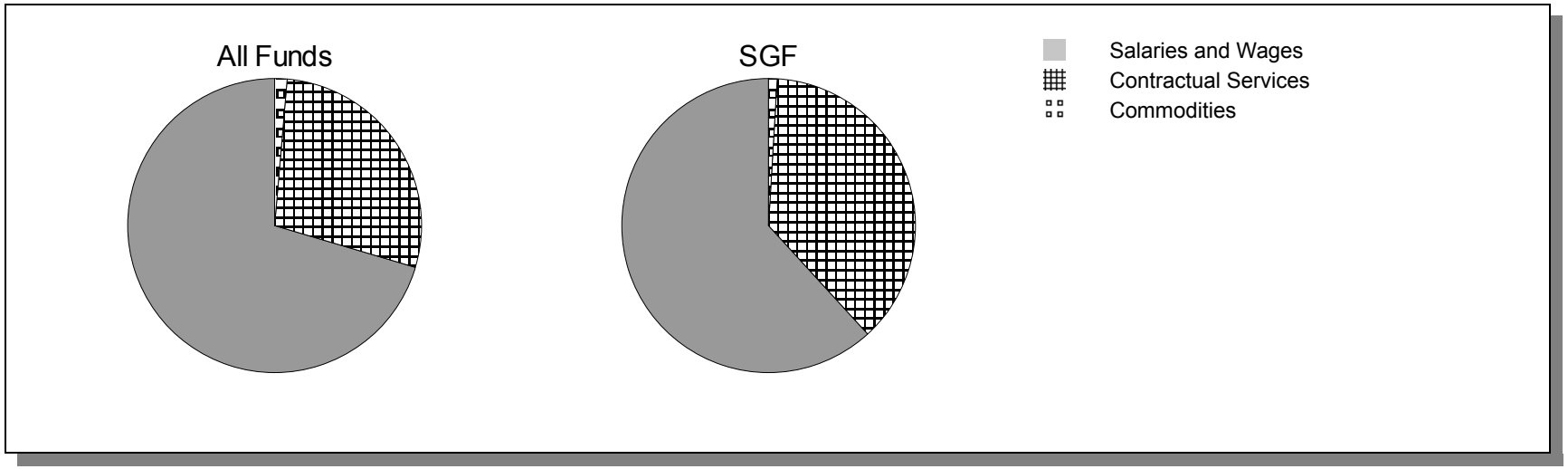
Resource Estimate	Actual FY 2014	Agency Estimate FY 2015	Governor Rec. FY 2015	Agency Request FY 2016	Gov. Rec. FY 2016	Agency Request FY 2017	Gov. Rec. FY 2017
Beginning Balance	$ 13,370	$ 21,560	$ 21,560	$ 7,241	$ 7,471	$ 725	$ 1,185
Revenue	22,194	22,000	22,000	22,000	22,000	22,000	22,000
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 35,564	$ 43,560	$ 43,560	$ 29,241	$ 29,471	$ 22,725	$ 23,185
Less: Expenditures	14,004	36,319	36,089	28,516	28,286	22,725	22,490
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 21,560	$ 7,241	$ 7,471	$ 725	$ 1,185	$ 0	$ 695
Ending Balance as Percent of Expenditures	154.0%	19.9%	20.7%	2.5%	4.2%	0.0%	3.1%
	December	December	December	December	December	December	December
Month Highest Ending Balance	$ 32,501	$ 29,507	$ 29,507	$ 27,200	$ 27,000	$ 20,725	$ 20,725
	July	June	June	June	June	June	June
Month Lowest Ending Balance	$ 13,370	$ 7,241	$ 7,471	$ 725	$ 1,185	$ 0	$ 695

Employment Discrimination Fund

The agency has the ability to receive and accept federal funds to carry out its agency functions, pursuant to KSA 10-1004. The agency enters into a contract with the federal Equal Employment Opportunity Commission (EEOC) each federal fiscal year for the processing and resolving of complaints jointly filed under Kansas statutes and federal regulations. The contract includes reimbursement for the receipt of complaints which fall under federal regulations, but outside of the agency's jurisdiction. The agency receives $650 for each case resolution, and $50 for the receipt and forwarding of complaints that fall under the EEOC's purview.

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	$ 171,707	$ 5,566	$ 5,566	$ 14,401	$ 18,937	$ 332	$ 10,594
Revenue	202,950	360,250	360,250	327,700	327,700	327,700	327,700
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 374,657	$ 365,816	$ 365,816	$ 342,101	$ 346,637	$ 328,032	$ 338,294
Less: Expenditures	369,091	351,415	346,879	341,769	336,043	328,031	322,190
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 5,566	$ 14,401	$ 18,937	$ 332	$ 10,594	$ 1	$ 16,104
Ending Balance as Percent of Expenditures	1.5%	4.1%	5.5%	0.1%	3.2%	0.0%	5.0%
	December	December	December	December	December	December	December
Month Highest Ending Balance	$ 374,435	$ 365,816	$ 365,815	$ 342,101	$ 342,101	$ 328,032	$ 328,032
	June	June	June	June	June	June	July
Month Lowest Ending Balance	$ 5,566	$ 5,566	$ 18,937	$ 332	$ 10,594	$ 1	$ 10,954

EXPENDITURES BY OBJECT–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	$ 1,004,021	70.4 %	$ 655,941	61.8 %
Contractual Services	402,774	28.2	395,965	37.3
Commodities	19,380	1.4	9,940	0.9
Capital Outlay	--	0.0	--	0.0
Other Assistance	--	0.0	--	0.0
TOTAL	$ 1,426,175	100.0 %	$ 1,061,846	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	23.0	23.0	23.0	23.0	23.0	23.0	23.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of open cases	640	612	582	552	527
Number of complaints filed	820	787	800	805	810
Number of complaints closed	900	895	830	835	835
Processing time (in months)	9.0	10.0	9.6	9.1	8.7

Health Care Stabilization Fund Board of Governors

	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	32,751,621	32,268,668	32,255,847	32,941,484	32,927,563	37,325,545	37,311,345
TOTAL	$ 32,751,621	$ 32,268,668	$ 32,255,847	$ 32,941,484	$ 32,927,563	$ 37,325,545	$ 37,311,345
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	**$ 32,751,621**	**$ 32,268,668**	**$ 32,255,847**	**$ 32,941,484**	**$ 32,927,563**	**$ 37,325,545**	**$ 37,311,345**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(11.9)	(1.5)	(1.5)	2.1	2.1	13.3	13.3
FTE Positions	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	19.5	19.5	19.5	19.5	19.5	19.5	19.5

Agency Overview

The 1976 Health Care Providers Insurance Availability Act created the Health Care Stabilization Fund (Fund) to stabilize the availability of medical professional liability coverage for health care providers. From 1976 to 1995, the Fund was the administrative responsibility of the Commissioner of Insurance. Beginning in 1995, the administration of the Fund was established as an independent state agency, separate from the Insurance Department.

Among the provisions of the Fund law are: a mandate for health care providers to maintain basic professional liability insurance as a condition to render services in Kansas, a requirement that the Fund provide excess professional liability insurance coverage, and the establishment of an availability plan to provide the required basic professional liability insurance coverage when such coverage is not available through insurance companies.

Fund loss exposures begin when a medical professional liability claim or legal action exceeds the required professional liability coverage of $200,000 per claim, with an annual aggregate for all claims of $600,000. Fund coverage may also be provided for claims and legal actions brought against eligible inactive health care providers. Since July 1, 1999, health care providers have selected one of three Fund coverage limits: $100,000 / $300,000; $300,000 / $900,000; or $800,000 / $2,400,000.

The Fund is financed by a surcharge levied on and paid by Kansas health care providers based on a rating classification system established by the Board of Governors. The surcharge revenue in FY 1991 was $35.7 million. Surcharge receipts in FY 2014 were $24.6 million and are estimated at $26.5 million for FY 2015, FY 2016, and FY 2017. In addition to Fund surcharges, the Fund also receives interest on state agency investments. The investment income for FY 2014 was $10.5 million and is expected to decrease to $9.0 million in FY 2015, $7.9 million for FY 2016, and $7.5 million for FY 2017, due to the maturation of lower interest rate investments. Investments for the Board are administered by the Pooled Money Investment Board.

Full-time faculty, private practice foundations and corporations, and residents at the University of Kansas Medical Center (KUMC) and Wichita Center for Graduate Medical Education (WCGME) receive basic coverage through statutory self-insurance provisions and excess coverage from the Fund. Basic coverage provisions applicable to these individuals and entities are set forth in the Fund law, including a $500,000 reserve fund maintained by the University of Kansas School of Medicine private practice foundations. The law also contains provisions for reimbursement to the Fund of basic coverage losses arising from these statutory basic coverage self-insurance provisions from the State General Fund.

MAJOR ISSUES FROM PRIOR YEARS

The **2005 Legislature** passed 2005 HB 2512, which added authority for the Pooled Money Investment Board to include high grade corporate bonds in the investment portfolio of the Fund.

The **2006 Legislature** added a 1.0 FTE legal assistant position to assist with increased case filings. This position was requested by the Board of Governors to assure claim file documentation, assist with attorney fee and claim expense billing processing, participate in settlement meetings, observe health care provider trials, and assist in other matters related to the increased number of health care provider cases and claims.

The **2008 Legislature** added $75,000, all from special revenue funds, to fund an independent audit of the agency's claims procedures.

The **2009 Legislature** limited transfers from the State General Fund to the Health Care Stabilization Fund to $2,805,000 in FY 2009 and FY 2010, which was 6.5 percent, or $195,000 less than the $3.0 million transfer projected in both years. The Governor, whose original recommendation had eliminated the entire projected $3.0 million transfer in both years, vetoed language limiting the transfers and through the allotment process deleted those transfers.

The **2009 Legislature** also added $251,834 in FY 2010, all from special revenue funds, for the sole purpose of technology improvements and professional development.

The **2010 Legislature** authorized an additional FTE position for the Fund beginning in FY 2011. This position is assigned to the Legal section and focuses on responding to Kansas Open Records Act requests. Although this is not a statutory duty of the Fund, external clients such as hospitals and insurance companies rely on the Fund to provide information on levels of coverage and claims history for health care providers.

The **2010 Legislature** also passed SB 414, which amended the Health Care Provider Insurance Availability Act to exempt the Health Care Stabilization Fund from transfers to the State General Fund under the allotment authority delegated to the Secretary of Administration by KSA 75-3722. The bill also deferred payment to the Fund from the State General Fund for costs and expenditures associated with the administration of a self-insurance program for the full-time faculty, private practice foundations and corporations, and the residents of KUMC and WCGME. Payments scheduled for state Fiscal Years 2010, 2011, 2012, and 2013 will not be transferred until July 1, 2013. At that time, annual State General Fund payments will begin and continue through July 1, 2017, each in the amount of 20.0 percent of the total amount owed.

***Miller v. Johnson* Decision.** On October 5, 2012, the Kansas Supreme Court upheld the $250,000 cap on non-economic damage awards in a 5-2 decision. This cap on the amount of damages for pain and suffering awarded by juries to personal injury action claimants has been previously upheld (1990, Samsel II). The majority of the Court upheld KSA 60-19a02 as it applied to *Miller* (personal injury plaintiff, medical malpractice claim)—the statute provides for a $250,000 cap on non-economic damages and applies to all personal injury actions, including medical malpractice claims, accruing on or after July 1, 1988.

The opinion also cited the Health Care Provider Insurance Availability Act by indicating, "As noted in several of our prior cases, the legislature's expressed goals for the comprehensive legislation comprising the Health Care Provider Insurance Availability Act and the non-economic damages cap have long

been accepted by this court to carry a valid public interest objective."

The opinion also notes the legislature enacted this statute "in an attempt to reduce and stabilize liability insurance premiums by eliminating both the difficulty with rate setting due to the unpredictability of non-economic damage awards and the possibility of large non-economic damage awards."

Missouri: *Watts v. Lester E. Cox Medical Centers*. On July 31, 2012, the Missouri Supreme Court struck down a 2005 law that had capped non-economic damage awards in Missouri medical malpractice actions at $350,000 in a 4-3 decision. The plaintiff, Deborah Watts, filed suit against Cox Medical Centers in Springfield; her son was born with severe brain injuries in 2006. A jury had awarded Watts $1.45 million for non-economic damages for the injuries (Watts also was awarded $3.371 million for future medical expenses). Missouri law limited the awards to $350,000. The Supreme Court found the cap unconstitutional because it violated the state constitutional right to trial by jury.

The decision states the statutory cap (§538.210) is "unconstitutional to the extent that it infringes on the jury's constitutionally protected purpose of determining the amount of damages sustained by an injured party. Such a limitation was not permitted at common law when Missouri's constitution first was adopted in 1820, and therefore, violates the right to trial by jury guaranteed by article I, section 22(a) of the Missouri Constitution."

The **2014 Legislature** passed SB 311, which increased the statutory limit on non-economic damages in personal injury actions. On July 1, 2014, the "cap" increased from $250,000 to $300,000. The limit will increase again on July 1, 2018 to $325,000 and then again on July 1, 2022 to $350,000.

The **2014 Legislature** also passed HB 2516, which added five new categories of health care providers to the definition section of the Health Care Provider Insurance Availability Act. The new categories of providers include physician assistants, nurse-midwives, assisted living facilities, nursing facilities, and residential health care facilities. The Legislature added $73,379, and 1.0 FTE position for FY 2015, to allow the agency to implement relevant provisions of the Act.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate in FY 2015 of $32.3 million, all from special revenue funds. This is a decrease of $7,009,567, or 17.9 percent, below the amount approved by the 2014 Legislature. The decrease is primarily attributable to the agency's revised estimate for claims payments and claims related expenditures, such as attorney and other legal fees. There was a significant increase in claims payments in FY 2013 compared to FY 2011 and FY 2012, so the agency had projected increased payments using FY 2013 totals as a guide. A review of FY 2014 expenditures seem to indicate that FY 2013 was an outlier, so the agency re-estimated claims payments, and has reduced claims expenditures and legal costs in the revised budget estimate. The revised estimate includes 19.5 FTE positions, which is 0.5 FTE positions above the number approved by the 2014 Legislature. The increase is attributable to the agency hiring a part-time Legal Assistant.

FY 2015 Governor Recommendation

The **Governor** recommends expenditures of $32.3 million, all from special revenue funds, in FY 2015. This is a decrease of $12,821, or less than 0.1 percent, below the amount requested by the agency. The decrease is attributable to a decrease in employer contributions for state employees KPERS, due to a change in the KPERS employer contribution rate.

FY 2016 Agency Request

The **agency** requests expenditures of $32.9 million, all from special revenue funds, for FY 2016. This is an increase of $672,816, or 2.1 percent, above the agency's revised estimate in FY 2015. The increase is primarily attributable to an estimated 1.9 percent increase in the frequency of claims. The increase is also attributable to the first half of a contract for an actuarial review. The request includes 19.5 FTE positions, which is the same number as the revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** recommends expenditures of $32.9 million, all from special revenue funds, for FY 2016. This is a decrease of $13,921, or less than 0.1 percent, below the amount requested by the agency. The decrease is attributable to a decrease in the employer contributions to state employee health insurance.

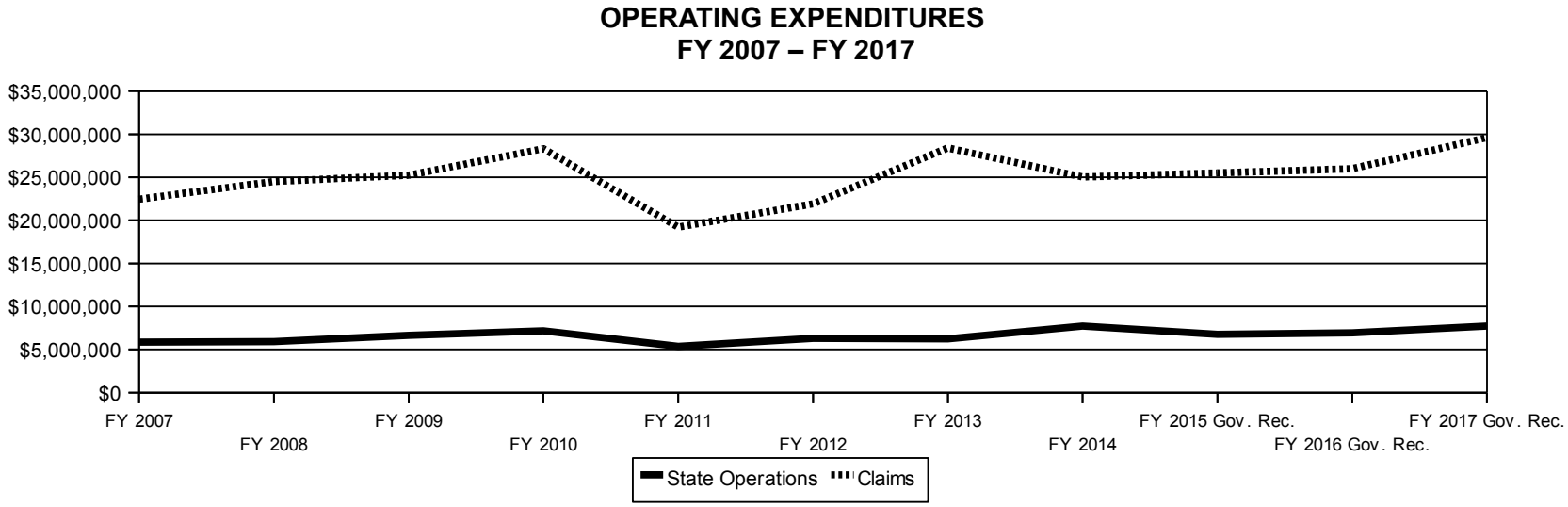
FY 2017 Agency Request

The **agency** requests expenditures of $37.3 million, all from special revenue funds, for FY 2017. This is an increase of $4.4 million, or 13.3 percent, above the FY 2016 request. The increase is primarily attributable to an agency estimated increase in claims due to the addition of five additional health care providers, and an agency estimated 1.9 percent increase in the frequency of claims. The increase is also attributable to the second half of a contract for an actuarial review, and payment of the 27th payroll period. The revised request includes 19.5 FTE positions, which is the same number as the FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** recommends expenditures of $37.3 million, all from special revenue funds, for FY 2017. This is a decrease of $14,200, or less than 0.1 percent, below the amount requested by the agency. The decrease is attributable to a decrease in the employer contributions to state employee health insurance.

BUDGET TRENDS



Fiscal Year	State Operations	% Change	Claims	% Change	FTE
2007	$ 5,853,999	11.7 %	$ 22,467,114	(6.2)%	17.0
2008	5,928,742	1.3	24,508,355	9.1	17.0
2009	6,655,856	12.3	25,236,640	3.0	17.0
2010	7,164,696	7.6	28,314,866	12.2	17.0
2011	5,373,243	(25.0)	19,207,586	(32.2)	18.0
2012	6,292,258	17.1	21,910,074	14.1	18.0
2013	6,250,365	(0.7)	28,405,415	29.6	18.0
2014	7,722,355	23.6	25,029,266	(11.9)	19.5
2015 Gov. Rec.	6,763,848	(12.4)	25,504,820	1.9	19.5
2016 Gov. Rec.	6,952,074	2.8	25,989,410	1.9	19.5
2017 Gov. Rec.	7,723,605	11.1	29,601,940	13.9	19.5
Eleven-Year Change	$ 1,869,606	31.9 %	$ 7,134,826	31.8 %	2.5

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 1,657,751	$ 1,843,213	$ 1,937,949	$ 94,736	5.1 %	$ 1,830,392	$ 1,924,028	$ 93,636	5.1 %
Claims	31,093,870	30,425,455	31,003,535	578,080	1.9	30,425,455	31,003,535	578,080	1.9
TOTAL	$ 32,751,621	$ 32,268,668	$ 32,941,484	$ 672,816	2.1 %	$ 32,255,847	$ 32,927,563	$ 671,716	2.1 %
By Major Object of Expenditure:									
Salaries and Wages	$ 1,324,277	$ 1,433,573	$ 1,481,879	$ 48,306	3.4 %	$ 1,420,752	$ 1,467,958	$ 47,206	3.3 %
Contractual Services	6,339,680	5,261,075	5,396,105	135,030	2.6	5,261,075	5,396,105	135,030	2.6
Commodities	25,414	32,075	33,870	1,795	5.6	32,075	33,870	1,795	5.6
Capital Outlay	32,984	37,125	40,220	3,095	8.3	37,125	40,220	3,095	8.3
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 7,722,355	$ 6,763,848	$ 6,952,074	$ 188,226	2.8 %	$ 6,751,027	$ 6,938,153	$ 187,126	2.8 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	25,029,266	25,504,820	25,989,410	484,590	1.9	25,504,820	25,989,410	484,590	1.9
TOTAL	$ 32,751,621	$ 32,268,668	$ 32,941,484	$ 672,816	2.1 %	$ 32,255,847	$ 32,927,563	$ 671,716	2.1 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
All Other Funds	32,751,621	32,268,668	32,941,484	672,816	2.1	32,255,847	32,927,563	671,716	2.1
TOTAL	$ 32,751,621	$ 32,268,668	$ 32,941,484	$ 672,816	2.1 %	$ 32,255,847	$ 32,927,563	$ 671,716	2.1 %

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	$ 1,937,949	$ 2,012,515	$ 74,566	3.8 %	$ 1,924,028	$ 1,998,315	$ 74,287	3.9 %
Claims	31,003,535	35,313,030	4,309,495	13.9	31,003,535	35,313,030	4,309,495	13.9
TOTAL	$ 32,941,484	$ 37,325,545	$ 4,384,061	13.3 %	$ 32,927,563	$ 37,311,345	$ 4,383,782	13.3 %
By Major Object of Expenditure:								
Salaries and Wages	$ 1,481,879	$ 1,548,465	$ 66,586	4.5 %	$ 1,467,958	$ 1,534,265	$ 66,307	4.5 %
Contractual Services	5,396,105	6,098,370	702,265	13.0	5,396,105	6,098,370	702,265	13.0
Commodities	33,870	34,500	630	1.9	33,870	34,500	630	1.9
Capital Outlay	40,220	42,270	2,050	5.1	40,220	42,270	2,050	5.1
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 6,952,074	$ 7,723,605	$ 771,531	11.1 %	$ 6,938,153	$ 7,709,405	$ 771,252	11.1 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	25,989,410	29,601,940	3,612,530	13.9	25,989,410	29,601,940	3,612,530	13.9
TOTAL	$ 32,941,484	$ 37,325,545	$ 4,384,061	13.3 %	$ 32,927,563	$ 37,311,345	$ 4,383,782	13.3 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
All Other Funds	32,941,484	37,325,545	4,384,061	13.3	32,927,563	37,311,345	4,383,782	13.3
TOTAL	$ 32,941,484	$ 37,325,545	$ 4,384,061	13.3 %	$ 32,927,563	$ 37,311,345	$ 4,383,782	13.3 %

A. FY 2015 – Current Year

Adjustments to the Approved State General Fund Budget

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	39,278,235	32,268,668	(7,009,567)	32,255,847	(7,022,388)
TOTAL	$ 39,278,235	$ 32,268,668	$ (7,009,567)	$ 32,255,847	$ (7,022,388)
FTE Positions	19.0	19.5	0.5	19.5	0.5

The **agency** requests a revised estimate in FY 2015 of $32.3 million, all from special revenue funds. This is a decrease of $7.0 million, or 17.9 percent, below the amount approved by the 2014 Legislature. The decrease is primarily attributable to the agency's revised estimate for claims payments and claims related expenditures, such as attorney and other legal fees. There was a significant increase in claims payments in FY 2013 compared to FY 2011 and FY 2012, so the agency had projected increased costs and payments using FY 2013 totals as a guide. The agency reports that a review of FY 2014 expenditures seem to indicate that FY 2013 was an outlier, so the agency re-estimated claims payments, and has reduced claims expenditures and legal costs in the revised budget estimate. The revised estimate includes 19.5 FTE positions, which is 0.5 FTE positions above the number approved by the 2014 Legislature. The increase is attributable to the agency hiring a part-time Legal Assistant.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests $1.4 million, all from special revenue funds, for salaries and wages in FY 2015. This is the same amount approved by the 2014 Legislature.

- **Contractual Services.** The agency requests $5.3 million, all from special revenue funds, for contractual services in FY 2015. This is $1.3 million, or 19.9 percent, below the amount approved by the 2014 Legislature. The decrease

is primarily attributable to a decrease in legal and professional fees associated with claims, due to the agency re-estimating claims payments.

- **Commodities.** The agency requests $32,075, all from special revenue funds, for commodities in FY 2015. This is an decrease of $7,000, or 17.9 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to a decrease in office and data processing supplies.

- **Capital Outlay.** The agency requests $37,125, all from special revenue funds, for capital outlay in FY 2015. This is a decrease of $1, or less than 0.1 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to a decrease in computer equipment.

- **Other Assistance**. The agency requests $25.5 million, all from special revenue funds, for other assistance in FY 2015. This is a decrease of $5.7 million, or 18.2 percent, below the amount approved by the 2014 Legislature. The decrease is primarily attributable to reduced claims payments, due to a decrease in agency estimated claims payments.

The **Governor** recommends expenditures of $32.3 million, all from special revenue funds, in FY 2015. This is a decrease of $12,821, or less than 0.1 percent, below the amount requested by the agency. The decrease is attributable to a decrease in employer contributions for state employees KPERS, due to a change in the KPERS employer contribution rate.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 32,941,484	$ 32,927,563	$ (13,921)
FTE Positions	19.5	19.5	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	672,816	671,716	
TOTAL	$ 672,816	$ 671,716	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.1	2.1	
TOTAL	2.1 %	2.1 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $32.9 million, all from special revenue funds, for FY 2016. This is an increase of $672,816, or 2.1 percent, above the agency's revised estimate for FY 2015. The increase is primarily attributable to an agency projected 1.9 percent increase in the frequency of claims. The increase is partially attributable to the first half of a contract for an actuarial review. The agency requests 19.5 FTE positions, which is the same number as the revised FY 2015 estimate.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests $1.5 million, all from special revenue funds, for salaries and wages for FY 2016. This is an increase of $48,306, or 3.4 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an adjustment to

shrinkage, and an increase in salaries and wages for temporary staff and associated fringe benefit expenditures.

- **Contractual Services.** The agency requests $5.4 million, all from special revenue funds, for contractual services for FY 2016. This is an increase of $135,030, or 2.6 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in legal and other professional fees associated with claims, as well as the first half of a contract for an actuarial review.

- **Commodities.** The agency requests $33,870, all from special revenue funds, for commodities for FY 2016. This is an increase of $1,795, or 5.6 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in conference refreshments and data processing supplies, partially offset by a decrease in stationary.

- **Capital Outlay.** The agency requests $40,220, all from special revenue funds, for capital improvements for FY 2016. This is an increase of $3,095, or 8.3 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in computer and printer equipment.

- **Other Assistance.** The agency requests $26.0 million, all from special revenue funds, for other assistance for FY 2016. This is an increase of $484,590, or 1.9 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an agency estimated average rate of increase in claims.

The **Governor** recommends expenditures of $32.9 million, all from special revenue funds, for FY 2016. This is a decrease of $13,921, or less than 0.1 percent, below the amount requested by the agency. The decrease is attributable to a decrease in the employer contributions to state employee health insurance.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 37,325,545	$ 37,311,345	$ (14,200)
FTE Positions	19.5	19.5	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	4,384,061	4,383,782	
TOTAL	$ 4,384,061	$ 4,383,782	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	13.3	13.3	
TOTAL	13.3 %	13.3 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $37.3 million, all from special revenue funds, for FY 2017. This is an increase of $4.4 million, or 13.3 percent, above the amount requested for FY 2016. The agency requests 19.5 FTE positions, which is the same as the FY 2016 request. The increase is primarily attributable to an increase in claims due to the addition of five additional health care providers, plus an agency estimated 1.9 percent increase in the frequency of claims. The increase is also attributable to the second half of a contract for an actuarial review, and payment of the 27th payroll period.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests $1.5 million, all from special revenue funds, for salaries and wages for FY 2017. This is an

increase of $66,586, or 4.5 percent, above the FY 2016 request. The increase is primarily attributable to an increase in salaries and wages and associated fringe benefit costs, due to payment of the 27th payroll period.

- **Contractual Services.** The agency requests $6.1 million, all from special revenue funds, for contractual services for FY 2017. This is an increase of $6.1 million, or 13.0 percent, above the FY 2016 request. The increase is primarily attributable to an increase in legal and other professional fees associated with claims and payment of the second half of a contract for an actuarial review.

- **Commodities.** The agency requests $34,500, all from special revenue funds, for commodities for FY 2017. This is an increase of $630, or 1.9 percent, above the FY 2016 request. The increase is attributable to an increase in conference refreshments and data processing supplies, partially offset by a decrease in stationary.

- **Capital Outlay.** The agency requests $42,270, all from special revenue funds, for capital outlay for FY 2017. This is an increase of $2,050, or 5.1 percent, above the FY 2016 request. The increase is primarily attributable to an increase in computer equipment.

- **Other Assistance.** The agency requests $29.6 million, all from special revenue funds, for other assistance for FY 2017. This is an increase of $3.6 million, or 13.9 percent, above the FY 2016 request. The increase is primarily attributable to an anticipated 12.0 percent increase in the frequency of claims, as a result of the addition of five categories of health care providers, and an agency estimated average rate of increase in claims.

The **Governor** recommends expenditures of $37.3 million, all from special revenue funds, for FY 2017. This is a decrease of $14,200, or less than 0.1 percent, below the amount requested by the agency. The decrease is attributable to a decrease in the employer contributions to state employee health insurance.

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 $5,406, all from special revenue funds, and affects 17 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 $2,560, all from special revenue funds, and FY 2017 longevity payments total $2,600, 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 $13,921, all from special revenue funds, for FY 2016. This is a reduction of $14,200, 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
Health Care Stabilization Fund	100.0 %	100.0 %	100.0 %	100.0 %
Conference Fee Fund	0.0	0.0	0.0	0.0
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Health Care Stabilization Fund Analysis

The Health Care Stabilization Fund was established by KSA 40-3401. The Fund receives deposits from annual premium surcharges on every health care provider who has obtained basic professional liability insurance coverage and upon all self-insurers, investments, and transfers from the Health Care Provider Insurance Availability Plan.

KSA 40-3403 authorizes the transfer of monies from the State General Fund to reimburse the Fund for costs incurred defending any claim filed against a person participating in the University of Kansas Medical Center (KUMC) and Wichita Center for Graduate Medical Education (WCGME) residency programs and for that portion of the paid claims which is equal to the basic coverage liability of self-insurers. This statute also authorizes the transfer of monies from the State General Fund and the KUMC Private Practice Foundation Reserve Fund to reimburse the Fund for costs incurred to defend any claim filed against KUMC foundations and full-time faculty and for that portion of any claim which is equal to the basic liability of self-insurers.

The Governor's July 2010 allotment eliminated the State General Fund transfer into the Fund related to KUMC and WCGME claims expenses. The Fund wrote off the transfer, which would have been approximately $2.9 million, as not collectible. The 2010 Legislature passed 2010 SB 414, which exempted the Fund from future allotments. It also deferred payment to the Fund from the State General Fund for costs and expenses associated with the KUMC and WCGME claims expenses. The legislation stated that payments scheduled for state Fiscal Years 2010, 2011, 2012, and 2013 would not be transferred until July 1, 2013. At that time, annual State General Fund payments would begin and continue through July 1, 2017, each in the amount of 20.0 percent of the total amount owed.

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	$ 1,735,636	$ 2,650,549	$ 2,650,549	$ 1,955,881	$ 1,968,702	$ 3,891,397	$ 3,918,139
Revenue	63,979,539	62,260,000	62,260,000	65,565,000	65,565,000	62,409,000	62,409,000
Transfers in	3,786,676	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000	4,500,000
Total Funds Available	$ 69,501,851	$ 69,410,549	$ 69,410,549	$ 72,020,881	$ 72,033,702	$ 70,800,397	$ 70,827,139
Less: Expenditures	32,739,306	32,254,668	32,241,847	32,929,484	32,915,563	37,313,045	37,298,845
Transfers Out	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Off Budget Expenditures	33,911,996	35,000,000	35,000,000	35,000,000	35,000,000	29,000,000	29,000,000
Ending Balance	$ 2,650,549	$ 1,955,881	$ 1,968,702	$ 3,891,397	$ 3,918,139	$ 4,287,352	$ 4,328,294
Ending Balance as Percent of Expenditures	8.1%	6.1%	6.1%	11.8%	11.9%	11.5%	11.6%
	January	January	January	January	January	January	January
Month Highest Ending Balance	$ 5,586,987	$ 5,587,000	$ 5,587,000	$ 5,586,994	$ 5,586,994	$ 5,586,994	$ 5,586,994
	November	November	November	November	November	November	November
Month Lowest Ending Balance	$ 1,071,248	$ 1,071,250	$ 1,071,250	$ 1,071,249	$ 1,071,249	$ 1,071,249	$ 1,071,249

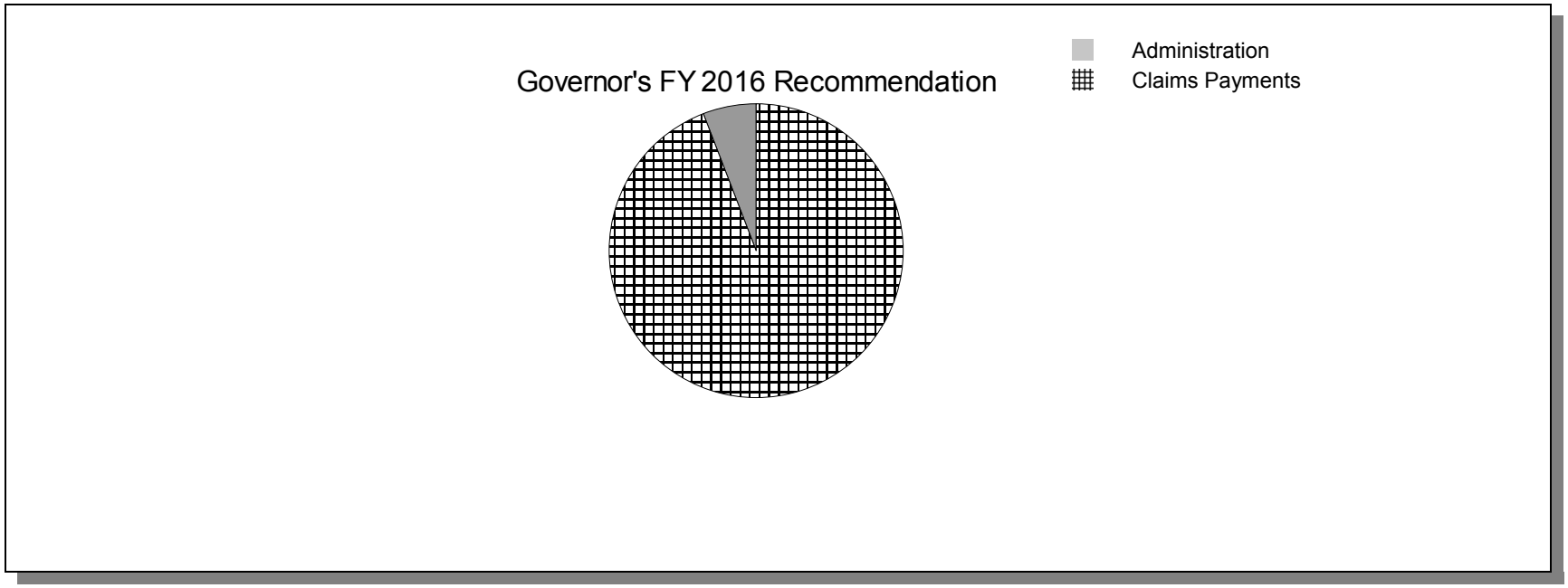
Staff Notes

The actual cash balance on any given day of the year is a function of three principal variables: (1) HCSF premium surcharges collected and remitted by commercial liability insurance companies, (2) investment maturity dates, and (3) pending claim payments. Because many medical professional liability insurance policies have effective dates and renewal dates at January 1 or July 1, HCSF premium surcharges are often collected by insurance companies in late December or late June. Because insurers have a statutory 30-day remittance period, the surcharge revenue is often received near the end of January or near the end of July. Therefore, those two months normally have a comparatively high ending balance.

The HCSF Board of Governors employs a conservative, laddered investment strategy. Reserves are invested by the Pooled Money Investment Board on behalf of the HCSF Board of Governors. As a result, there are maturities throughout the year. If a maturity occurs near the end of the month, there will of course be a higher ending balance at the conclusion of that particular month.

The Board's Chief Attorney maintains a contemporary accounting of settlements and jury awards that have been approved by the Courts. This includes scheduled future payments attributable to settlements and jury awards in prior fiscal years. The agency indicates that it is imperative that sufficient, unencumbered cash balances be maintained in order to promptly pay these statutory HCSF liabilities. Consequently, the ending balance is often a reflection of pending claim payments at the conclusion of a particular month.

EXPENDITURES BY PROGRAM-- GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total
Administration	$ 1,924,028	5.8 %
Claims Payments	31,003,535	94.2
TOTAL	$ 32,927,563	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017							
Program	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
Administration	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Claims	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	19.5	19.5	19.5	19.5	19.5	19.5	19.5

A. Administration

The Administration program is responsible for state operations at the Health Care Stabilization Fund. The program includes the Board of Governors and the Executive Director as well as the Legal, Compliance, Fiscal and Information Technology, and Administrative Support departments. The administrative expenditures of the Fund have traditionally been subject to an expenditure limitation as opposed to the Claims program, which is no-limit.

ADMINISTRATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,324,277	$ 1,433,573	$ 1,420,752	$ 1,481,879	$ 1,467,958	$ 1,548,465	$ 1,534,265
Contractual Services	276,854	342,760	342,760	384,300	384,300	389,600	389,600
Commodities	23,636	29,755	29,755	31,550	31,550	32,180	32,180
Capital Outlay	32,984	37,125	37,125	40,220	40,220	42,270	42,270
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,657,751	$ 1,843,213	$ 1,830,392	$ 1,937,949	$ 1,924,028	$ 2,012,515	$ 1,998,315
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 1,657,751	$ 1,843,213	$ 1,830,392	$ 1,937,949	$ 1,924,028	$ 2,012,515	$ 1,998,315
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	1,657,751	1,843,213	1,830,392	1,937,949	1,924,028	2,012,515	1,998,315
TOTAL	$ 1,657,751	$ 1,843,213	$ 1,830,392	$ 1,937,949	$ 1,924,028	$ 2,012,515	$ 1,998,315
FTE Positions	19.5	19.5	19.5	19.5	19.5	19.5	19.5
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	19.5	19.5	19.5	19.5	19.5	19.5	19.5

The **agency** requests $1.9 million, all from special revenue funds, for the Administration Program for FY 2016. This is an increase of $94,736, or 5.1 percent, above the agency's approved budget in FY 2015. The increase is detailed below.

- **Salaries and Wages.** The agency requests $1.5 million, all from special revenue funds, for salaries and wages for FY 2016. This is an increase of $48,306, or 3.4 percent, above the amount of the revised FY 2015 estimate. The increase is attributable to anticipated higher employer benefits costs and no budgeted shrinkage.

- **Contractual Services.** The agency requests $384,300, all from special revenue funds, for

contractual services for FY 2016. This is an increase of $41,540, or 12.1 percent, above the amount of the revised FY 2015 estimate. The increase is primarily attributable to budgeting for the first half of a contract for a second actuarial review.

- **Commodities.** The agency requests $31,550, all from special revenue funds, for commodities for FY 2016. This is an increase of $1,795, or 6.0 percent, above the revised FY 2015 estimate. The increase is attributable to an increase in conference refreshments and data processing supplies, partially offset by a decrease in stationary.

- **Capital Outlay**. The agency requests $40,220, all from special revenue funds, for capital improvements for FY 2016. This is an increase of $3,095, or 8.3 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in computer and printing equipment.

- **Other Assistance.** The agency does not request other assistance for FY 2016.

The **Governor** recommends expenditures of $1.9 million, all from special revenue funds, for FY 2016. This is a decrease of $13,921, or 0.7 percent, below the agency's request for FY 2016. The decrease is attributable to a change in the employer contributions to state employee health insurance.

The **agency** requests $2.0 million, all from special revenue funds, for the Administration Program for FY 2017. This is an increase of $74,566, or 3.8 percent, above the amount requested for FY 2016. The increase is primarily attributable to the following factors:

- **Salaries and Wages.** The agency requests $1.5 million, all from special revenue funds, for salaries and wages for FY 2017. This is an increase of $66,586, or 4.5 percent, above the amount requested for FY 2016. The increase is attributable to payment of the 27th payroll period.

- **Contractual Services.** The agency requests $389,600, all from special revenue funds, for contractual services for FY 2017. This is an increase of $5,300, or 1.4 percent, above the amount requested for FY 2016. The request includes the second half of the contract for a second actuarial review.

- **Commodities.** The agency requests $32,180, all from special revenue funds, for commodities for FY 2017. This is an increase of $630, or 2.0 percent, above the FY 2016 request. The increase is attributable to an increase in conference refreshments and data processing supplies, partially offset by a decrease in stationary.

- **Capital Outlay.** The agency requests $42,270, all from special revenue funds, for capital outlay for FY 2017. This is an increase of $2,050, or 5.1 percent, above the FY 2016 request. The increase is attributable to an increase in computer equipment.

- **Other Assistance.** The agency does not request other assistance for FY 2017.

The **Governor** recommends expenditures of $2.0 million, all from special revenue funds, for FY 2017. This is a decrease of $14,200, or 0.7 percent, below the agency's request for FY 2017. The decrease is attributable to a change in the employer contributions to state employee health insurance.

B. Claims

The Claims program was instituted as a separate program in FY 2010 as the portion of the Fund responsible for the payment of court-approved claims, attorneys' fees, and other costs associated with claims activity. Historically, expenditures for the payment of claims have been treated as no-limit by the Legislature. No-limit means that although the Claims program operates within a budget, it does not have an appropriated limit on its expenditures.

CLAIMS
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Contractual Services	6,062,826	4,918,315	4,918,315	5,011,805	5,011,805	5,708,770	5,708,770
Commodities	1,778	2,320	2,320	2,320	2,320	2,320	2,320
Capital Outlay	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 6,064,604	$ 4,920,635	$ 4,920,635	$ 5,014,125	$ 5,014,125	$ 5,711,090	$ 5,711,090
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	25,029,266	25,504,820	25,504,820	25,989,410	25,989,410	29,601,940	29,601,940
TOTAL	$ 31,093,870	$ 30,425,455	$ 30,425,455	$ 31,003,535	$ 31,003,535	$ 35,313,030	$ 35,313,030
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	31,093,870	30,425,455	30,425,455	31,003,535	31,003,535	35,313,030	35,313,030
TOTAL	$ 31,093,870	$ 30,425,455	$ 30,425,455	$ 31,003,535	$ 31,003,535	$ 35,313,030	$ 35,313,030
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The **agency** requests $31.0 million, all from special revenue funds, for FY 2016. This is an increase of $578,080, or 1.9 percent, above the agency's approved budget in FY 2015. The request includes the following details.

- **Salaries and Wages.** The agency does not request funding for salaries and wages for FY 2016.
- **Contractual Services.** The agency requests $5.0 million, all from special revenue funds, for contractual services for FY 2016. This is an increase of $93,490, or 1.9 percent, above the revised estimate in FY 2015. The increase is based on increased legal expenditures related to estimated payments for settlements and jury awards for FY 2016.

- **Commodities.** The agency does not request funding for commodities for FY 2016.

- **Capital Outlay.** The agency does not request funding for capital outlay for FY 2016.

- **Other Assistance.** The agency requests $26.0 million, all from special revenue funds, for other assistance. This is an increase of $484,590, or 1.9 percent, above the revised estimate in FY 2015. The increase is based on an agency projected 1.9 percent average annual increase in the frequency of claims.

The **Governor** recommends expenditures of $31.0 million, all from special revenue funds, the same as the agency's request for FY 2016.

The **agency** requests $35.3 million, all from special revenue funds, for FY 2017. This is an increase of $4.3 million, or 13.9 percent, above the amount requested for FY 2016. The request includes the following detail.

- **Salaries and Wages.** The agency does not request funding for salaries and wages for FY 2017.

- **Contractual Services.** The agency requests $5.7 million, all from the special revenue funds, for FY 2017. This is an increase of $696,965, or 13.9 percent, above the amount requested for FY 2016. The increase is based on increased legal expenditures related to estimated payments for settlements and jury awards for FY 2017.

- **Commodities.** The agency does not request funding for commodities for FY 2017.

- **Capital Outlay.** The agency does not request funding for capital outlay for FY 2017.

- **Other Assistance.** The agency requests $29.6 million, all from special revenue funds, for FY 2017. This is an increase of $3.6 million, or 13.9 percent, above the amount requested for FY 2017. The increase is attributable to an agency projected 1.9 percent average annual increase in the frequency of claims, plus a 12.0 percent increase in the frequency of claims due to adding five new health care providers under the Health Care Stabilization Fund.

The **Governor** recommends expenditures of $35.3 million, all from special revenue funds, the same as the agency's request for FY 2017.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of cases opened	500	576	600	672	700
Number of cases closed	510	525	550	575	645
Unassigned reserves as percent of indicated liabilities	34.3%	37.6%	19.9%	N/A	N/A

JUDICIAL BRANCH

	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	$ 96,521,055	$ 101,819,657	$ 97,544,305	$ 119,549,312	$ 96,689,750	$ 126,609,753	$ 96,706,812
Other Funds	33,623,784	31,363,466	31,186,818	29,514,796	29,301,398	33,053,925	32,843,820
TOTAL	$ 130,144,839	$ 133,183,123	$ 128,731,123	$ 149,064,108	$ 125,991,148	$ 159,663,678	$ 129,550,632
Capital Improvements:							
State General Fund	$ 0	$ 0	$ 0	$ 402,778	$ 0	$ 0	$ 0
Other Funds	0	0	0	0	0	0	0
TOTAL	$ 0	$ 0	$ 0	$ 402,778	$ 0	$ 0	$ 0
GRAND TOTAL	**$ 130,144,839**	**$ 133,183,123**	**$ 128,731,123**	**$ 149,466,886**	**$ 125,991,148**	**$ 159,663,678**	**$ 129,550,632**
Percentage Change:							
Operating Expenditures							
State General Fund	(9.1) %	5.5 %	1.1 %	17.4 %	(0.9) %	5.9 %	0.0 %
All Funds	1.2	2.3	(1.1)	11.9	(2.1)	7.1	2.8
FTE Positions	1,859.3	1,862.3	1,862.3	1,894.3	1,894.3	1,899.3	1,899.3
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	1,859.3	1,862.3	1,862.3	1,894.3	1,894.3	1,899.3	1,899.3

The *Kansas Constitution* vests the judicial power of the state in one court of justice which is divided into the Supreme Court, district courts, and other courts as provided by law. The Supreme Court has general administrative authority over all the courts in the state. The Judicial Branch's budget includes funding for the Supreme Court, the Court of Appeals, personnel costs of the district courts and some funding for technology, and a number of judicial and professional review boards and commissions. Most non-salary costs of the district courts are funded by the counties.

MAJOR ISSUES FROM PRIOR YEARS

Legislation enacted in 2001 expanded the Court of Appeals from 10 to 14 members by adding one judge each year from 2003 to 2006. Implementation of the 14th appeals court judge was repeatedly delayed. Legislation enacted in 2012 granted the Judicial Branch the authority to implement the final judge as long as the Legislature provides adequate funding.

The Judicial Branch is authorized to carry forward any State General Fund savings from one fiscal year to the next. The Judicial Branch also has no position limitation, allowing positions to be added within available resources.

Legislation enacted in 2003 provides that the budget of the Judicial Branch will be submitted to the Legislature and may not be revised by the Director of the Division of the Budget. The budget, as submitted, must be included in the Governor's Budget Report. The practice of the Governor is to include the Judicial Branch budget, as requested, and also to include the Judicial Branch's current service budget (excluding enhancements) in the existing resources budget.

The **2006 Legislature** passed SB 337 which increased the salary of judges on the Court of Appeals by $2,000 per year. The bill also increased the salary for district court judges and magistrate judges by $9,000 per year.

The **2007 Legislature** approved salary increases of $7,000 for judges of the Court of Appeals and $9,000 for Supreme Court Justices, but these salaries were exempt from the 2.0 percent cost of living adjustment approved that year.

The **2008 Legislature** approved the addition of 9.0 FTE positions and funding to support the positions. The positions were for one judge in the 2nd Judicial District (Jackson, Jefferson, Pottawatomie and Wabaunsee counties) and two judges in the 18th Judicial District (Sedgwick County). The additional 6.0 FTE positions were for a court reporter and administrative assistant for each judge. In addition, the Legislature approved $3.8 million from the Nonjudicial Salary Adjustment Fund which was established in 2008 HB 2968. This fund receives revenue from a $9 increase in docket fees to fund the first year of the market pay plan for nonjudicial employees.

The **2009 Legislature** passed SB 66 which allowed the Kansas Supreme Court to establish a surcharge of up to $10 per fee, for a series of fees, for costs for nonjudicial personnel. Funds are deposited in the state treasury and credited to the

Judicial Branch Surcharge Fund. In addition, the bill delayed implementation of the 14th Court of Appeals judge and staff until January 2011.

The **2010 Legislature** deleted $16.8 million from the Judicial Branch FY 2011 operating budget through operating reductions of $12.3 million, recommendations against enhancement requests of $4.4 million, and a moratorium on KPERS Death and Disability payment. The Legislature added $5.0 million in additional State General Fund monies to carry forward the emergency surcharge from FY 2010 to FY 2011. The $5.0 million did not prevent the Judicial Branch from implementing a four-day furlough in FY 2010. However, under the Shared Work program offered by the Kansas Department of Labor, nonjudicial employees were compensated 20.0 percent of the unemployment benefits they would have received if they had lost their jobs.

The **2011 Legislature** reduced the Judicial Branch State General Fund budget by $5.8 million for FY 2012 in an attempt to hold the operations budget flat between FY 2011 and FY 2012. SB 97 extended the surcharge on docket fees into FY 2012 and increased it by 25.0 percent for a special revenue fund increase of $1.9 million. The bill also delayed the 14th Court of Appeals Judge until FY 2013 and lapsed the funds requested for its implementation. The Legislature also suspended the Judicial Performance program of the Judicial Council and transferred $778,518 of the funding for that program to the Judicial Surcharge Fund to support Judicial Branch operations.

The **2013 Legislature** reduced the Judicial Branch State General Fund budget by $26.8 million in FY 2014 and $27.9 million in FY 2015. The reduction is attributable to extension of the Judicial Branch Surcharge ($10.0 million in FY 2014 and $11.1 million in FY 2015), the shifting of docket fees from state agencies to the Judicial Branch ($10.5 million in FY 2014 and FY 2015), and the deletion of the $2.5 million requested by the Judicial Branch to fill 80 vacant clerk positions. The remainder of the reductions reflect a directive by the Legislature to hold State General Fund expenditures at the FY 2013 level partially offset by a 1.0 percent ($1.1 million) increase in State General Fund operating expenditures. The 2013 Legislature approved funding for and implementation of the 14th Court of Appeals judge and staff.

The **2014 Legislature** approved a 2.0 percent salary and wage increase for non-Judicial personnel to be paid from the DUI Equipment Fund, delayed the filling of judicial vacancies, provided for Chief Judges to be elected by the other District Court Judges, and inserted a provision to allow Judicial Districts to separate their operations from the Appellate Court Administrative Division. The Legislature also adjusted docket fees by increasing the fees on expungements, traffic citations, fish and game violations, tobacco citations, out-of-state probate decrees, and Chapter 60 civil cases. The Legislature implemented new docket fees on garnishments and summary judgment motions.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests $133.2 million, including $101.8 million from the State General Fund, a net reduction of $4.0 million or 2.9 percent, from the FY 2015 approved budget. The State General fund request is an increase of $3.6 million, or 3.7 percent, above the FY 2015 approved budget.

The reduction from the approved budget is attributable to increasing the salaries and wages shrinkage amount by $1.5 million, a reduction in contractual services of $2.3 million due to the implementation time-frame for e-courts, a reduction of $310,234 in capital outlay for computers, a reduction of $41,470 for the Access to Justice program. The reductions are partially offset by an increase of $94,123 in commodities.

Despite the reductions, the Judicial Branch is requesting an increase of $3.6 million from the State General Fund. The increased State General Fund request is attributable to projected revenue shortfalls.

FY 2015 Governor Recommendation

The **Governor** recommends expenditures of $128.7 million, including $97.5 million from the State General Fund, a reduction of $4.5 million, or 3.3 percent, all funds and $4.3 million, or 4.2 percent, below the FY 2015 agency revised estimate. The Governor did not include $3.6 million in additional expenditures for reduced DUI Reinstatement fund and Docket Fee Fund revenue. The Governor is constitutionally barred from allotting State General Fund expenditures in the Judicial Branch; however, the Governor did recommend a reduction of $850,402, including $673,754 to reduce the state employer contribution rate for employee retirement in the same manner as the Executive Branch was allotted.

FY 2016 Agency Request

The **agency** requests $149.1 million, including $119.5 million from the State General Fund, for FY 2016. This is an all funds increase of $15.9 million, or 11.9 percent, and a State General Fund increase of $17.7 million, or 17.4 percent, above the FY 2015 revised estimate. ***Absent enhancements*****,** the request is an all funds increase of $5.3 million, or 4.0 percent, and a State General Fund increase of $7.2 million, or 7.0 percent, above the FY 2015 revised estimate.

The State General Fund increase is attributable to an increase in salaries and wages of $15.2 million as a result of $10.1 million in enhancements for salary increases for judges and staff, 20 additional clerks, 9 additional judges and related staff, a reduction in shrinkage of $1.1 million, and $4.1 million in other salary increases. The agency also increased contractual services expenditures by $156,084 for court improvement.

The special revenue fund reduction is attributable to reduced expenditures of $2.6 million from the Docket Fee Fund due to lowered projected revenue partially offset by increased expenditures from the Electronic Filing and Management Fund of $759,221 due to the E-Court Improvement Program beginning its implementation phase. The reduced docket fees available are offset by the increased State General Fund request.

FY 2016 Governor Recommendation

The **Governor** recommends expenditures of $126.0 million, including $96.7 million from the State General Fund, an all funds reduction of $23.1 million, or 15.5 percent, and a State General Fund reduction of $22.9 million, or 19.1 percent, from the FY 2016 Judicial Branch request.

The State General Fund reduction is attributable to the following.

- A reduction of $10.6 million for agency enhancement request.
- A reduction of $2.4 million for other salary increases.
- A reduction of $7.2 million in State General fund monies requested by the Judicial Branch to offset declining docket fee revenue.
- A reduction of $755,448 in State General Fund monies requested by the Judicial Branch to offset lower than anticipated DUI reinstatement revenue.
- A reduction of $1.1 million from the State General Fund, to reduce employer contributions for state employee health insurance.

FY 2017 Agency Request

The **agency** requests $159.7 million, including $126.6 million from the State General Fund, an all funds increase of $10.6 million, or 7.1 percent, above the FY 2016 agency request. The request is a State General Fund increase of $7.1 million, or 5.9 percent, above the FY 2016 agency request.

The State General Fund increase is within salaries and wages and is attributable to increased expenditures for the enhancement requests continued from FY 2016 ($452,431), the 27th payroll contribution ($5.2 million) in that fiscal year, public employee retirement ($1.1 million), and other fringe benefits ($367,816). There is approximately $1.0 million in additional salaries and wages expenditures which are not specifically identified.

The special revenue fund increase is attributable to implementation of the e-courts program. The funding from FY 2016 to FY 2017 increases by $3.8 million to $5.4 million. The increase is partially offset by reduced expenditures from the Docket Fee Fund from due to a continued reduction in projected revenue ($204,334). The federal state court improvement program is also projected to experience a reduction of $55,308.

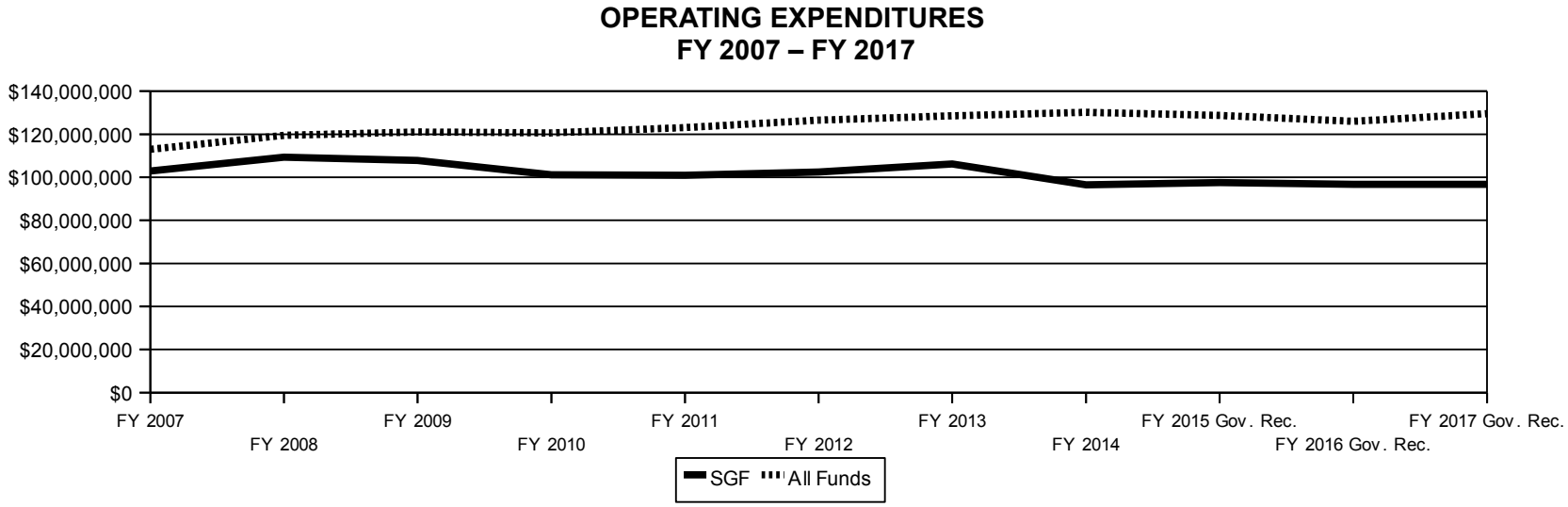
FY 2017 Governor Recommendation

The **Governor** recommends expenditures of $129.6 million, including $96.7 million from the State General Fund, an all funds reduction of $30.1 million, or 18.9 percent, and a State General Fund reduction of $29.9 million, or 23.6 percent, below the FY 2017 Judicial Branch request.

The State General Fund reduction is attributable to the following items.

- A reduction of $10.6 million for agency enhancement request.
- A reduction of $8.2 million in State General fund monies requested by the Judicial Branch to offset declining docket fee revenue.
- A reduction of $2.9 million to fill vacant positions.
- A reduction of $5.2 million for the 27th payroll for that fiscal year.
- A reduction of $755,448 in State General Fund monies requested by the Judicial Branch to offset lower than anticipated DUI reinstatement revenue.
- A reduction of $1.1 million from the State General Fund, to reduce employer contributions for state employee health insurance.
- A reduction of $1.3 million for employer contributions for state employee retirement.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 102,927,084	5.6 %	$ 112,989,354	5.0 %	1,843.3
2008	109,321,166	6.2	119,467,329	5.7	1,858.3
2009	107,841,890	(1.4)	121,038,270	1.3	1,855.3
2010	101,166,366	(6.2)	120,588,757	(0.4)	1,855.3
2011	100,914,426	(0.2)	123,088,459	2.1	1,855.3
2012	102,476,154	1.5	126,510,386	2.8	1,855.3
2013	106,127,942	3.6	128,551,609	1.6	1,855.3
2014	96,521,055	(9.1)	130,144,839	1.2	1,859.3
2015 Gov. Rec.	97,544,305	1.1	128,731,123	(1.1)	1,862.3
2016 Gov. Rec.	96,689,750	(0.9)	125,991,148	(2.1)	1,894.3
2017 Gov. Rec.	96,706,812	0.0	129,550,632	2.8	1,899.3
Eleven-Year Change	$ (6,220,272)	(6.0)%	$ 16,561,278	14.7 %	56.0

(The State General Fund reduction in FY 2014 is attributable to the diversion of all docket Fee Funds to the Judicial Branch offset by a commensurate SGF.)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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:									
Appellate Courts	$ 19,855,088	$ 20,917,029	$ 22,982,531	$ 2,065,502	9.9 %	$ 20,804,433	$ 22,864,966	$ 2,060,533	9.9 %
District Courts	109,981,612	111,924,667	125,715,846	13,791,179	12.3	107,586,466	102,761,886	(4,824,580)	(4.5)
Judicial and Professional Review	308,139	341,427	365,731	24,304	7.1	340,224	364,296	24,072	7.1
TOTAL	$ 130,144,839	$ 133,183,123	$ 149,064,108	$ 15,880,985	11.9 %	$ 128,731,123	$ 125,991,148	$ (2,739,975)	(2.1)%
By Major Object of Expenditure:									
Salaries and Wages	$ 123,577,749	$ 126,707,371	$ 141,929,657	$ 15,222,286	12.0 %	$ 122,255,371	$ 118,856,697	$ (3,398,674)	(2.8)%
Contractual Services	4,092,545	4,099,948	4,391,210	291,262	7.1	4,099,948	4,391,210	291,262	7.1
Commodities	455,121	454,538	431,422	(23,116)	(5.1)	454,538	431,422	(23,116)	(5.1)
Capital Outlay	850,554	793,866	1,236,917	443,051	55.8	793,866	1,236,917	443,051	55.8
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 128,975,969	$ 132,055,723	$ 147,989,206	$ 15,933,483	12.1 %	$ 127,603,723	$ 124,916,246	$ (2,687,477)	(2.1)%
Aid to Local Units	169,400	169,400	166,809	(2,591)	(1.5)	169,400	166,809	(2,591)	(1.5)
Other Assistance	999,470	958,000	908,093	(49,907)	(5.2)	958,000	908,093	(49,907)	(5.2)
TOTAL	$ 130,144,839	$ 133,183,123	$ 149,064,108	$ 15,880,985	11.9 %	$ 128,731,123	$ 125,991,148	$ (2,739,975)	(2.1)%
Financing:									
State General Fund	$ 96,521,055	$ 101,819,657	$ 119,549,312	$ 17,729,655	17.4 %	$ 97,544,305	$ 96,689,750	$ (854,555)	(0.9)%
Fee Funds	32,696,708	30,644,606	28,673,662	(1,970,944)	(6.4)	30,469,624	28,461,992	(2,007,632)	(6.6)
Federal Funds	543,195	334,086	458,149	124,063	37.1	332,701	456,703	124,002	37.3
Other Agency Funds	383,881	384,774	382,985	(1,789)	(0.5)	384,493	382,703	(1,790)	(0.5)
TOTAL	$ 130,144,839	$ 133,183,123	$ 149,064,108	$ 15,880,985	11.9 %	$ 128,731,123	$ 125,991,148	$ (2,739,975)	(2.1)%

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:								
Appellate Courts	$ 22,982,531	$ 27,549,138	$ 4,566,607	19.9 %	$ 22,864,966	$ 27,430,797	$ 4,565,831	20.0 %
District Courts	125,715,846	131,735,125	6,019,279	4.8	102,761,886	101,741,830	(1,020,056)	(1.0)
Judicial and Professional Review	365,731	379,415	13,684	3.7	364,296	378,005	13,709	3.8
TOTAL	$ 149,064,108	$ 159,663,678	$ 10,599,570	7.1 %	$ 125,991,148	$ 129,550,632	$ 3,559,484	2.8 %
By Major Object of Expenditure:								
Salaries and Wages	$ 141,929,657	$ 149,325,732	$ 7,396,075	5.2 %	$ 118,856,697	$ 119,212,686	$ 355,989	0.3 %
Contractual Services	4,391,210	5,858,024	1,466,814	33.4	4,391,210	5,858,024	1,466,814	33.4
Commodities	431,422	443,661	12,239	2.8	431,422	443,661	12,239	2.8
Capital Outlay	1,236,917	3,007,624	1,770,707	143.2	1,236,917	3,007,624	1,770,707	143.2
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 147,989,206	$ 158,635,041	$ 10,645,835	7.2 %	$ 124,916,246	$ 128,521,995	$ 3,605,749	2.9 %
Aid to Local Units	166,809	165,915	(894)	(0.5)	166,809	165,915	(894)	(0.5)
Other Assistance	908,093	862,722	(45,371)	(5.0)	908,093	862,722	(45,371)	(5.0)
TOTAL	$ 149,064,108	$ 159,663,678	$ 10,599,570	7.1 %	$ 125,991,148	$ 129,550,632	$ 3,559,484	2.8 %
Financing:								
State General Fund	$ 119,549,312	$ 126,609,753	$ 7,060,441	5.9 %	$ 96,689,750	$ 96,706,812	$ 17,062	0.0 %
Fee Funds	28,673,662	32,267,818	3,594,156	12.5	28,461,992	32,059,453	3,597,461	12.6
Federal Funds	458,149	402,841	(55,308)	(12.1)	456,703	401,385	(55,318)	(12.1)
Other Agency Funds	382,985	383,266	281	0.1	382,703	382,982	279	0.1
TOTAL	$ 149,064,108	$ 159,663,678	$ 10,599,570	7.1 %	$ 125,991,148	$ 129,550,632	$ 3,559,484	2.8 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $98,165,941 for the Judicial Branch in FY 2015. An adjustment has subsequently been made to that amount. This adjustment changes the current year approved amount without any legislative action required. For this agency, the following adjustment has been made.

- An increase of $52,118, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.

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	$ 98,218,059	$ 101,819,657	$ 3,601,598	$ 97,544,305	$ (673,754)
All Other Funds	38,954,942	31,363,466	(7,591,476)	31,186,818	(7,768,124)
TOTAL	$ 137,173,001	$ 133,183,123	$ (3,989,878)	$ 128,731,123	$ (8,441,878)
FTE Positions	1,859.3	1,862.3	3.0	1,862.3	3.0

The **agency** requests $133.2 million, including $101.8 million from the State General Fund, a net reduction of $4.0 million or 2.9 percent, from the FY 2015 approved budget. The State General fund request is an increase of $3.6 million, or 3.7 percent, above the FY 2015 approved budget.

The reduction from the approved budget is attributable to increasing the salaries and wages shrinkage amount by $1.5 million, a reduction in contractual services of $2.3 million due to the implementation time-frame for e-courts, a reduction of $310,234 in capital outlay for computers, a reduction of $41,470 for the Access to Justice program. The reductions are partially offset by an increase of $94,123 in commodities.

Despite the reductions, the Judicial Branch is requesting an increase of $3.6 million from the State General Fund. The

increased State General Fund request is attributable to projected revenue shortfalls in agency funds. The 2013 Legislature directed 33.0 percent of DUI reinstatement fees be deposited in the Judicial Branch to fund a non-judicial employee compensation increase of 5.25 percent. The Judicial Branch projects an approximately 40 percent shortfall in revenue to this fund, or about $650,000, based on the first two months of FY 2015. The Judicial Branch further projects that Docket Fees will shortfall the revenue projections by approximately 20.0 percent. The shortfall in Docket Fees is related to reduced filing rates and a lack of Chapter 60 Summary Judgment motions. The net effect of these revenue reductions total $3.6 million.

- **Salaries and Wages.** The Judicial Branch is requesting $126.7 million, a reduction of $1.5 million, or 1.2 percent, from the FY 2015 approved budget. The request is a State General Fund increase of $4.1 million, or 4.3 percent, and a special revenue fund reduction of $5.6 million, or 17.1 percent, from the FY 2015 approved budget. The total reduction in salaries and wages is due to increasing the Judicial Branch shrinkage rate. The funding shift from special revenue funds to the State General fund is a result of projected shortfalls in the DUI Equipment Fund and the Docket Fee Fund.

- **Contractual Services.** The Judicial Branch is requesting $4.1 million, a reduction of $2.3 million, or 35.5 percent, from the FY 2015 approved budget. The reduction is predominantly attributable to reduced expenditures from the Electronic Filing Management Fund. The fund was budgeted at $2.3 million starting in FY 2015 but the majority of the work on the E-Court initiative won't begin until FY 2016.

- **Capital Outlay.** The Judicial Branch is requesting $793,866 for capital outlay, a reduction of $310,234, or 28.1 percent, from the FY 2015 approved budget. The reduction is in computer purchases associated with the e-Courts project.

- **Aid to Locals & Other Assistance.** Net non-operating expenditures for the Judicial Branch is a reduction of $41,470, all from the Docket Fee Fund. The Judicial Branch reduced funding to Kansas Legal Services by 5.0 percent, the same amount as the Judicial Branch projects Docket Fees to decrease.

The **Governor** recommends expenditures of $128.7 million, including $97.5 million from the State General Fund, a reduction of $4.5 million, or 3.3 percent, all funds and $4.3 million, or 4.2 percent, below the FY 2015 agency revised estimate. The Governor did not include $3.6 million in additional expenditures for reduced DUI reinstatement fund and Docket Fee Fund revenue. The Governor is constitutionally barred from allotting State General Fund expenditures in the Judicial Branch; however, the Governor recommends a reduction of $850,402, including $673,754 to reduce the state employer contribution rate for employee retirement in the same manner as the Executive Branch was allotted.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 149,064,108	$ 125,991,148	$ (23,072,960)
FTE Positions	1,894.3	1,894.3	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 17,729,655	$ (854,555)	
All Other Funds	(1,848,670)	(1,885,420)	
TOTAL	$ 15,880,985	$ (2,739,975)	
Percent Change:			
State General Fund	17.4 %	(0.9) %	
All Other Funds	(5.9)	(6.0)	
TOTAL	11.9 %	(2.1) %	
Change in FTE Positions	32.0	32.0	

The **agency** requests $149.1 million, including $119.5 million from the State General Fund, for FY 2016. This is an all funds increase of $15.9 million, or 11.9 percent, and a State General Fund increase of $17.7 million, or 17.4 percent, above the FY 2015 revised estimate. ***Absent enhancements***, the request is an all funds increase of $5.3 million, or 4.0 percent, and a State General Fund increase of $7.2 million, or 7.0 percent, above the FY 2015 revised estimate.

The Judicial Branch requests 1,894.3 FTE positions, an increase of 32.0 FTE positions, from the FY 2015 revised estimate. The increase is attributable to 1.0 FTE database administrator for E-Courts. The remainder of the increase is for enhancements including 9 judges (1 District Court Judge and 8 District Magistrate Judges), 1 Court Reporter, 1 Administrative Assistant, and 20 District Court Clerks.

The State General Fund increase is attributable to an increase in salaries and wages of $15.2 million as a result of $10.1 million in enhancements for salary increases for judges and staff, 20 additional clerks, 9 additional judges and related staff, a reduction in shrinkage of $1.1 million, and $4.1 million in other salary increases. The agency also increased contractual services expenditures by $156,084 for court improvement.

The special revenue fund reduction is attributable to reduced expenditures of $2.6 million from the Docket Fee Fund due to lowered projected revenue partially offset by increased expenditures from the Electronic Filing and Management Fund of $759,221 due to the E-Court Improvement Program beginning its implementation phase. The reduced docket fees available are offset by the increased State General Fund request.

- **Salaries and Wages.** The Judicial Branch is requesting $141.9 million, an increase of $15.2 million, or 12.0 percent, from the FY 2015 revised estimate. The request is a State General Fund increase of $17.6 million, or 17.7 percent, and a special revenue fund reduction of $2.4 million, or 8.9 percent, from the FY 2015 revised estimate.

The total increase in salaries and wages is due to salary increases ($8.5 million), nine judges with two staff persons ($939,628), twenty judicial court clerks ($747,745), filling positions currently held vacant for cost reductions ($2.9 million), e-filing personnel ($112,00) and increased employer contributions for employee retirement ($2.0 million). The funding shift from special revenue funds to the State General fund is a result of projected shortfalls in the DUI Equipment Fund and the Docket Fee Fund.

- **Contractual Services.** The Judicial Branch is requesting $4.4 million, an increase of $291,262, or 7.1 percent, from the FY 2015 revised estimate. The increase is due to fees for other services.

- **Capital Outlay.** The Judicial Branch is requesting $1.2 million for capital outlay, an increase of $443,051, or 55.8 percent, above the FY 2015 revised estimate. The increase is attributable to the E-Courts project software purchases.

- **Aid to Locals & Other Assistance.** Net non-operating expenditures for the Judicial Branch is a reduction of $52,498. The Judicial Branch reduced funding to Kansas Legal Services by 5.0 percent, the same amount as the Judicial Branch projects Docket Fees to fall. The Judicial Branch also reduced expenditures from the Family and Children Investment Fund due to a reduced available balance. Expenditures from this fund are used to support the Court Appointed Special Advocate (CASA) and Citizen Review Board (CRB) programs.

The **Governor** recommends expenditures of $126.0 million, including $96.7 million from the State General Fund, an all funds reduction of $23.1 million, or 15.5 percent, and a State General Fund reduction of $22.9 million, or 19.1 percent, from the FY 2016 Judicial Branch request.

The State General Fund reduction is attributable to the following items.

- A reduction of $10.6 million for agency enhancement request.

- A reduction of $2.4 million for other salary increases.

- A reduction of $7.2 million in State General Fund monies requested by the Judicial Branch to offset declining docket fee revenue.

- A reduction of $755,448 in State General Fund monies requested by the Judicial Branch to offset lower than anticipated DUI reinstatement revenue.

- A reduction of $1.1 million from the State General Fund, to reduce employer contributions for state employee health insurance.

Enhancements Detail

FY 2016 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Judicial Salary Increase	$ 1,785,907	$ 1,785,907	0.0	$ 0	$ 0	0.0
Non-Judicial Salary Increase	6,683,063	6,683,063	0.0	0	0	0.0
9 Judges and Staff	939,628	939,628	11.0	0	0	0.0
20 Clerks	747,745	747,745	20.0	0	0	0.0
Appellate Court Remodel	402,778	402,778	0.0	0	0	0.0
TOTAL	**$ 10,559,121**	**$ 10,559,121**	**31.0**	**$ 0**	**$ 0**	**0.0**

The **agency** requests $10.6 million, all from the State General Fund, for enhancements in FY 2016.

- Judicial Salary Increase. The agency requests $1.8 million, all from the State General Fund, for a increase in Judicial salaries of 5.0 percent.

- Judicial Employee Salary Increase. The agency requests $6.7 million, all from the State General Fund, for an increase in judicial employee salaries of 8.5 percent.

- Judges and Staff. The agency requests $939,628, all from the State General Fund, for 9 judges and staff. The Judicial Branch indicates that this is necessitated because of the inability to shift resources under the one judge per county requirement.

- 20 Clerks. The agency requests $747,745, all from the State General Fund, for twenty clerks. The Judicial Branch indicates that this is necessary due to the workload projections developed under Project Pegasus and the results of the Blue Ribbon Commission study.

- Appellate Court Remodel (CI). The agency request also includes a request for construction of two judicial suites at an estimated cost of $402,778. This construction project would allow two Court of Appeals judges and their staff to be moved onto the same floor as the rest of the Court of Appeals, as well as make efficient use of limited space within the Judicial Center.

The **Governor** does not recommend adoption of the Judicial Branch enhancement requests.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 159,663,678	$ 129,550,632	$ (30,113,046)
FTE Positions	1,899.3	1,899.3	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 7,060,441	$ 17,062	
All Other Funds	3,539,129	3,542,422	
TOTAL	$ 10,599,570	$ 3,559,484	
Percent Change:			
State General Fund	5.9 %	0.0 %	
All Other Funds	12.0	12.1	
TOTAL	7.1 %	2.8 %	
Change in FTE Positions	5.0	5.0	

The **agency** requests $159.7 million, including $126.6 million from the State General Fund, an all funds increase of $10.6 million, or 7.1 percent, above the FY 2016 agency request. The request is a State General Fund increase of $7.1 million, or 5.9 percent, above the FY 2016 agency request.

The State General Fund increase is within salaries and wages and is attributable to increased expenditures for the enhancement requests continued from FY 2016 ($452,431), the 27th payroll contribution ($5.2 million), public employee retirement ($1.1 million), and other fringe benefits ($367,816).

The special revenue fund increase is attributable to implementation of the e-courts program. The funding from FY 2016 to FY 2017 increases by $3.8 million to $5.4 million. The increase is partially offset by reduced expenditures from the Docket Fee Fund due to a continued reduction in projected

revenue ($204,334). The federal state court improvement program is also projected to experience a reduction of $55,308.

- **Salaries and Wages.** The Judicial Branch is requesting $149.3 million, an increase of $7.4 million, or 5.2 percent, from the FY 2016 agency estimate. The request is a State General Fund increase of $7.0 million, or 6.0 percent, and a special revenue fund increase of $402,204, or 1.6 percent, above the FY 2016 revised estimate.

The total increase in salaries and wages is due to enhancement requests continued from FY 2016 ($452,431), the 27th payroll contribution ($5.2 million) in that fiscal year, public employee retirement ($1.1 million), and other fringe benefits ($367,816). There is approximately $1.0 million in additional salaries and wages expenditures which are not specifically identified.

- **Contractual Services.** The Judicial Branch is requesting $5.9 million, an increase of $1.5 million, or 33.4 percent, from the FY 2016 revised estimate. The increase is due to implementation of the E-Court Program, repairing and service expenditures ($315,052), and fees for other services.

- **Capital Outlay.** The Judicial Branch is requesting $3.0 million for capital outlay, an increase of $1.8 million, or 143.2 percent, above the FY 2016 revised estimate. The increase is attributable to the E-Courts project software purchases.

- **Aid to Locals & Other Assistance.** Net non-operating expenditures for the Judicial Branch is a reduction of $45,265 The Judicial Branch reduced funding to Kansas Legal Services by 5.0 percent, the same amount as the Judicial Branch projects Docket Fees to decrease. The Judicial Branch also reduced expenditures from the Family and Children Investment Fund due to a reduced available balance. Expenditures from this fund are used to support the Court Appointed Special Advocate (CASA) and Citizen Review Board (CRB) programs.

The **Governor** recommends expenditures of $129.6 million, including $96.7 million from the State General Fund, an all funds reduction of $30.1 million, or 18.9 percent, and a State General Fund reduction of $29.9 million, or 23.6 percent, below the FY 2017 Judicial Branch request.

The State General Fund reduction is attributable to the following items.

- A reduction of $10.6 million for agency enhancement request.

- A reduction of $8.2 million in State General fund monies requested by the Judicial Branch to offset declining docket fee revenue.

- A reduction of $2.9 million to fill vacant positions.

- A reduction of $5.2 million for the 27th payroll for that fiscal year.

- A reduction of $755,448 in State General Fund monies requested by the Judicial Branch to offset lower than anticipated DUI reinstatement revenue.

- A reduction of $1.1 million from the State General Fund, to reduce employer contributions for state employee health insurance.

- A reduction of $1.3 million for employer contributions for state employee retirement.

Enhancements Detail

FY 2017 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Judicial Salary Increase	$ 1,826,885	$ 1,826,885	0.0	$ 0	$ 0	0.0
Non-Judicial Salary Increase	6,973,074	6,973,074	0.0	0	0	0.0
9 Judges and Staff	971,449	971,449	11.0	0	0	0.0
20 Clerks	837,366	837,366	20.0	0	0	0.0
TOTAL	**$ 10,608,774**	**$ 10,608,774**	**31.0**	**$ 0**	**$ 0**	**0.0**

The **agency** requests $10.6 million, all from the State General Fund, for enhancements in FY 2017.

- Judicial Salary Increase. The agency requests $1.8 million, all from the State General Fund, for a increase in Judicial salaries of 5.0 percent.

- Non-Judicial Employee Salary Increase. The agency requests $7.0 million, all from the State General Fund, for an increase in judicial employee salaries of 8.5 percent.

- Judges and Staff. The agency requests $971,449, all from the State General Fund, for 9 judges and staff. The Judicial Branch indicates that this is necessitated because of the inability to shift resources under the one judge per county requirement.

- 20 Clerks. The agency requests $837,366, all from the State General Fund, for twenty clerks. The Judicial Branch indicates that this is necessary due to the workload projections developed under Project Pegasus and the results of the Blue Ribbon Commission study.

The **Governor** does not recommend adoption of the agency 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 $514,326, including $381,993 from the State General Fund, and affects 1,654 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 $734,621, including $584,454 from the State General Fund, and FY 2017 longevity payments total $783,951, including $621,512 from the State General Fund.**

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 $1,307,596, including $1,094,198 from the State General Fund for FY 2016. This is a reduction of $1,287,241, including $1,077,136 from the State General Fund, 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	80.2 %	76.7 %	79.3 %	74.6 %
Federal Funds	0.3	0.4	0.3	0.3
Special Revenue Funds	19.5	22.9	20.4	25.0
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

The **2014 Legislature** adjusted docket fees for the Judicial Branch by directing that 99.01 percent of Docket Fees be deposited in the Judicial Branch to fund Judicial Branch operations. The Legislature also increased docket fees in several categories with major increases in traffic filings, and the Chapter 60 civil docket fee and new fees for summary judgment motions and garnishments among others. The Legislature projected that the increased fees would generate an additional $6.2 million with the majority coming from summary judgments, traffic filings and Chapter 60 civil filings. The increased docket fees are occurring against a general background of declining docket fees of 4.0 percent to 6.0 percent per year.

DUI Reinstatement Fees. DUI Reinstatement fees were increased by the Legislature and deposited in the Judicial Branch to fund a 2.0 percent across the board salary increase for non-Judicial personnel. The revenue projection from the Department of Revenue projected revenue of $1.4 million from increased fees for DUI reinstatement. The Judicial Branch is currently projecting revenue of $836,136. A reduction of over 40.0 percent from projected receipts.

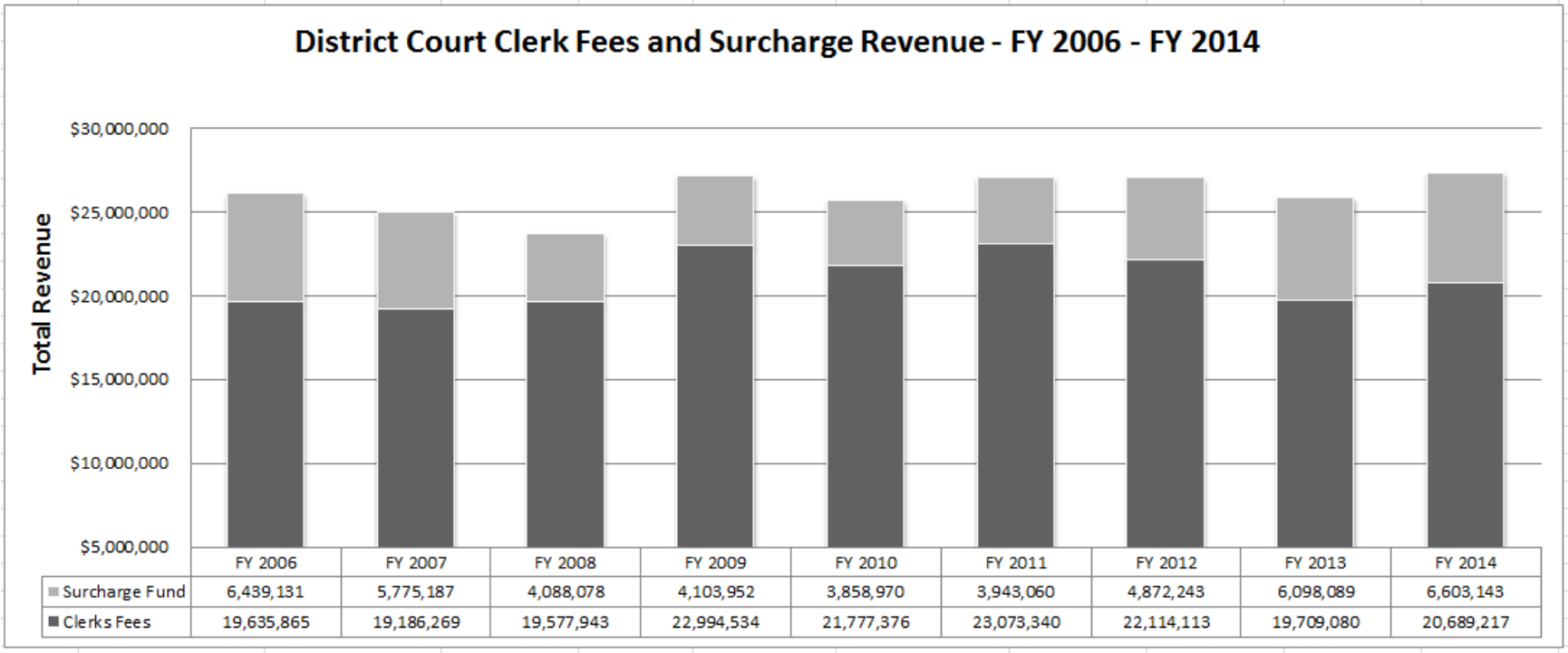
The Department of Revenue processed 3,301 reinstatements in calendar year 2012, 2,744 in calendar year 2013, and 3,049 in calendar year 2014. The increased reinstatement fees have not had a substantial impact on the number of reinstatements processed, however, the Department of Revenue has not realized the additional revenue from doubling the fees.

Summary Judgment Motions. The fee for summary judgments was set at $195 starting in FY 2015, the amount of the adjusted docket fee for a Chapter 60 filing plus the surcharge. This increase was projected to produce $2.8 million on estimated filings of 14,272. Due to a 30 day lag period between filing and collection, no collections on summary judgments were executed in July. In August through December, summary judgment motions have averaged 67 per month. If this rate is sustained the Judicial Branch can anticipate charging the revised fee on 804 filings, substantially lower than the projected 14,272 filings.

The institution of a fee on summary judgment motions has clearly resulted in a change in behavior by the civil litigants. In FY 2013, there were 529 cases resulting in termination from

summary judgment motions in Chapter 60 cases. The total number of motions filed was presumably quite a bit higher due to unsuccessful motions. Litigants are clearly seeking alternative means to terminate cases. This has a positive impact on Judicial proceedings as it eliminates the "case with a case" proceeding required to hear a summary judgment motion.

Traffic Citations - The Legislature increased the court costs in traffic cases by $12.00. There is also a $22.0 surcharge for a total court cost on traffic fines of $108. The increase was projected to net $1.9 million in increased revenue. Over the last five years, traffic violations by the Kansas Highway Patrol alone have ranged from 15,793 in CY 2011 to 16,984 in CY 2012. This is a range of 1,191 citations. Kansas averages about 170,000 moving violations per year; however the degree of fluctuation is significant from year to year, similar to the Highway Patrol. Additionally, there can be a significant time lag between the issuance of a citation and the collection of the court fee which may be impacting collections.



	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Surcharge Fund	6,439,131	5,775,187	4,088,078	4,103,952	3,858,970	3,943,060	4,872,243	6,098,089	6,603,143
Clerks Fees	19,635,865	19,186,269	19,577,943	22,994,534	21,777,376	23,073,340	22,114,113	19,709,080	20,689,217

Judicial Branch Docket Fee Fund

The Judicial Branch Docket Fee Fund was established by the 2013 Legislature and directs 99.01 percent of clerks' fees forwarded to the state to be deposited into this fund after an initial $3,100,000 is deposited into the Electronic Filing Management Fund. The 2014 Legislature also raised docket fees to provide revenue for both this fund and the Electronic Filing Management Fund. The Legislature further directed that the surcharge fund is abolished and directs the FY 2014 ending balance and all further revenue generated by the surcharge be deposited in this fund.

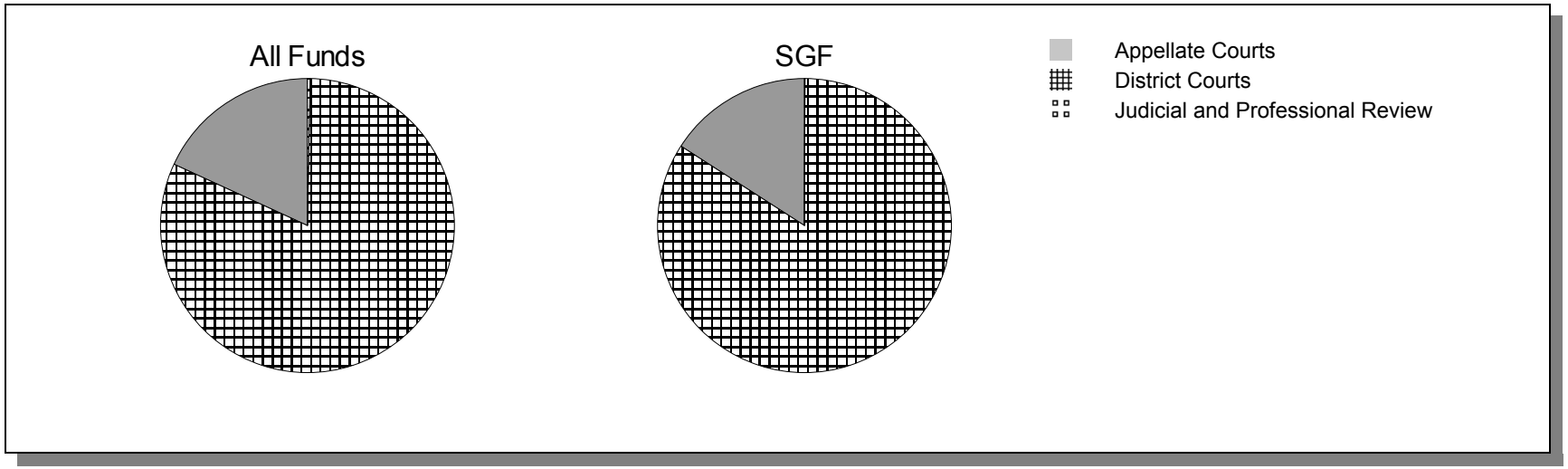
Resource Estimate	Actual FY 2014	Agency Estimate FY 2015	Governor Rec. FY 2015	Agency Request FY 2016	Gov. Rec. FY 2016	Agency Request FY 2017	Gov. Rec. FY 2017
Beginning Balance	$ 0	$ 757,097	$ 757,097	$ 918,841	$ 1,074,865	$ 1,731,616	$ 2,067,622
Revenue	18,148,189	26,137,428	26,137,428	24,233,983	24,233,983	23,167,125	23,167,125
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 18,148,189	$ 26,894,525	$ 26,894,525	$ 25,152,824	$ 25,308,848	$ 24,898,741	$ 25,234,747
Less: Expenditures	17,391,092	25,975,684	25,819,660	23,421,208	23,241,226	23,216,874	23,039,705
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 757,097	$ 918,841	$ 1,074,865	$ 1,731,616	$ 2,067,622	$ 1,681,867	$ 2,195,042
Ending Balance as Percent of Expenditures	4.4%	3.5%	4.2%	7.4%	8.9%	7.2%	9.5%

Electronic Filing and Management Fund

The 2014 Legislature established the Electronic Filing Management Fund. The Legislature raised docket fees to generate revenue for the "purpose of creating, implementing, and managing an electronic filing and centralized case management system." The initial $3,100,000 of clerks' fees forwarded to the state to be deposited into this fund for FY 2015 through FY 2017. After FY 2017 the amount deposited in the fund will decrease to $1.0 million and the remainder will be deposited in the Judicial Branch Docket Fee Fund.

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	$ 0	$ 0	$ 0	$ 2,253,432	$ 2,254,851	$ 3,747,643	$ 3,751,202
Revenue	0	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 0	$ 3,100,000	$ 3,100,000	$ 5,353,432	$ 5,354,851	$ 6,847,643	$ 6,851,202
Less: Expenditures	0	846,568	845,149	1,605,789	1,603,649	5,379,030	5,376,876
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 0	$ 2,253,432	$ 2,254,851	$ 3,747,643	$ 3,751,202	$ 1,468,613	$ 1,474,326
Ending Balance as Percent of Expenditures	--	266.2%	266.8%	233.4%	233.9%	27.3%	27.4%

EXPENDITURES BY PROGRAM–GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Appellate Courts	$ 22,864,966	18.1 %	$ 15,376,791	15.9 %
District Courts	102,761,886	81.6	81,268,720	84.1
Judicial and Professional Review	364,296	0.3	44,239	0.0
TOTAL	$ 125,991,148	100.0 %	$ 96,689,750	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Appellate Courts	167.0	170.0	170.0	172.0	172.0	177.0	177.0
District Courts	1,690.3	1,690.3	1,690.3	1,720.3	1,720.3	1,720.3	1,720.3
Judicial and Professional Review	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	1,859.3	1,862.3	1,862.3	1,894.3	1,894.3	1,899.3	1,899.3

A. Administration - Appellate Courts

The Appellate Courts program consists of the Supreme Court, which has seven members, and the Court of Appeals, which currently has 14 members. This program division also includes the administrative units of the Office of Judicial Administration, Data Processing, the Clerk of the Appellate Court, the Appellate Reporter, and the Supreme Court Library.

APPELLATE COURTS
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 14,303,242	$ 15,630,396	$ 15,517,800	$ 17,090,023	$ 16,972,458	$ 18,408,423	$ 18,290,082
Contractual Services	3,102,279	2,927,717	2,927,717	3,166,341	3,166,341	4,678,186	4,678,186
Commodities	431,649	438,032	438,032	414,514	414,514	426,438	426,438
Capital Outlay	849,048	793,484	793,484	1,236,751	1,236,751	3,007,454	3,007,454
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 18,686,218	$ 19,789,629	$ 19,677,033	$ 21,907,629	$ 21,790,064	$ 26,520,501	$ 26,402,160
Aid to Local Units	169,400	169,400	169,400	166,809	166,809	165,915	165,915
Other Assistance	999,470	958,000	958,000	908,093	908,093	862,722	862,722
TOTAL	$ 19,855,088	$ 20,917,029	$ 20,804,433	$ 22,982,531	$ 22,864,966	$ 27,549,138	$ 27,430,797
Financing:							
State General Fund	$ 14,331,033	$ 13,899,459	$ 13,810,812	$ 15,473,970	$ 15,376,791	$ 16,365,520	$ 16,267,699
All Other Funds	5,524,055	7,017,570	6,993,621	7,508,561	7,488,175	11,183,618	11,163,098
TOTAL	$ 19,855,088	$ 20,917,029	$ 20,804,433	$ 22,982,531	$ 22,864,966	$ 27,549,138	$ 27,430,797
FTE Positions	167.0	170.0	170.0	172.0	172.0	177.0	177.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	167.0	170.0	170.0	172.0	172.0	177.0	177.0

For FY 2016, the **Judicial Branch** requests $23.0 million, including $15.5 million from the State General Fund, for the Appellate Courts and Administration Program. This is an all funds increase of $2.1 million, or 9.9 percent, and a State General Fund increase of $1.6 million, or 11.3 percent, above the FY 2015 revised estimate. The request includes an increase of 2.0 FTE positions for information technology services.

The State General Fund increase is attributable to an increase in salaries and wages of $1.5 million as a result of enhancements for salary increases for judges and staff, and a reduction in shrinkage. The agency also increased contractual services expenditures by $238,624 for court improvement.

The majority of the expenditures for the E-Courts initiative are within this program. Increasing expenditures of $759,221 from the E-Courts Filing and Management Fund offset

reductions in the Docket Fee Fund for projected revenue reductions.

The **Governor** recommends expenditures of $22.9 million for FY 2016, an all funds reduction of $117,565, or 0.5 percent, and a State General Fund reduction of $97,179, or 0.6 percent, from the FY 2016 agency request. The reduction is attributable to the Appellate Court portion of the judicial salary increase enhancement.

For FY 2017, the **Judicial Branch** requests $27.5 million, including $16.4 million from the State General Fund, an all funds increase of $4.6 million, or 19.9 percent, above the FY 2016 agency request. The request is a State General Fund increase of $891,550, or 5.8 percent, above the FY 2016 agency request.

The State General Fund increase is within salaries and wages and is attributable to increased expenditures for the enhancement requests continued from FY 2016, the 27th payroll contribution for that fiscal year, public employee retirement, and other fringe benefits. There is approximately $1.0 million in additional salaries and wages expenditures which are not specifically identified.

The special revenue fund increase is attributable to implementation of the E-courts program. The funding from FY 2016 to FY 2017 increases by $3.8 million to $5.4 million.

The **Governor** recommends expenditures of $27.4 million for FY 2017, an all funds reduction of $118,341, or 0.4 percent, and a state general fund reduction of $97,821, or 0.6 percent, from the FY 2017 agency request. The reduction is attributable to the Appellate Court portion of the judicial salary increase enhancement.

B. District Courts

Kansas has 31 judicial districts consisting of one or more counties. Each county has a district court and a resident judge. The salaries of district court judges and nonjudicial personnel are paid by the state. The counties pay most all other operating expenditures with the exceptions of funding for the statewide court accounting system and the case management system. The Judicial Branch estimates that counties pay for approximately 20.0 percent of the total operating budget for the district courts. District court judges are constitutional officers with full judicial power over all cases filed with the district court. For FY 2014, there were 167.0 FTE District judge positions, 79.0 FTE district magistrate judges, and twelve Senior Judges. Magistrate judges have limited authority to hear traffic infractions, criminal misdemeanors, preliminary examination of felony charges, and certain civil matters.

DISTRICT COURTS
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 109,099,965	$ 110,901,884	$ 106,563,683	$ 124,647,933	$ 101,693,973	$ 130,717,460	$ 100,724,165
Contractual Services	873,632	1,014,195	1,014,195	1,059,123	1,059,123	1,008,660	1,008,660
Commodities	7,856	8,426	8,426	8,624	8,624	8,835	8,835
Capital Outlay	159	162	162	166	166	170	170
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 109,981,612	$ 111,924,667	$ 107,586,466	$ 125,715,846	$ 102,761,886	$ 131,735,125	$ 101,741,830
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 109,981,612	$ 111,924,667	$ 107,586,466	$ 125,715,846	$ 102,761,886	$ 131,735,125	$ 101,741,830
Financing:							
State General Fund	$ 82,136,337	$ 87,880,694	$ 83,694,012	$ 104,031,078	$ 81,268,720	$ 110,194,637	$ 80,389,541
All Other Funds	27,845,275	24,043,973	23,892,454	21,684,768	21,493,166	21,540,488	21,352,289
TOTAL	$ 109,981,612	$ 111,924,667	$ 107,586,466	$ 125,715,846	$ 102,761,886	$ 131,735,125	$ 101,741,830
FTE Positions	1,690.3	1,690.3	1,690.3	1,720.3	1,720.3	1,720.3	1,720.3
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	1,690.3	1,690.3	1,690.3	1,720.3	1,720.3	1,720.3	1,720.3

For FY 2016, the **agency** requests $125.7 million, including $104.0 million from the State General Fund. This is an all funds increase of $13.8 million, or 12.3 percent, and a State General Fund increase of $16.2 million, or 18.4 percent, above the FY 2015 revised estimate.

The Judicial Branch requests 1,720.3 FTE positions, an increase of 30.0 FTE positions, from the FY 2015 revised estimate. The increase is for enhancements only including 9 judges (1 District Court Judge and 8 District Magistrate Judges), 1 Court Reporter, 1 Administrative Assistant, and 20 District Court Clerks.

The State General Fund increase is attributable to an increase in salaries and wages of $13.7 million as a result of $10.1 million in enhancements for salary increases for judges and staff, 20 additional clerks, 9 additional judges and related

staff, a reduction in shrinkage of $1.1 million, and $4.1 million in other salary increases.

The State General Fund increase is also attributable to a request to offset $2.4 million in funding from the Docket Fee Fund with State General Fund for salaries and wages due to decreased revenue projections.

The **Governor** recommends expenditures of $102.8 million for FY 2016, an all funds reduction of $23.0 million, or 18.3 percent, and a State General Fund reduction of $22.8 million, or 21.9 percent, from the FY 2016 agency request. The reduction is attributable to deletion of the agency enhancement request, deletion of funding for vacant FTE positions, deletion of funding for reduced special revenue funds and deletion of adjustments for employer contributions for employee retirement.

For FY 2017, the **agency** requests $131.7 million, including $110.2 million from the State General Fund, an all funds increase of $6.0 million, or 4.8 percent, above the FY 2016 agency request. The request is a State General Fund increase of $6.2 million, or 5.9 percent, above the FY 2016 agency request.

The State General Fund increase is within salaries and wages and is attributable to increased expenditures for the enhancement requests continued from FY 2016, the 27th payroll contribution for that fiscal year, public employee retirement, and other fringe benefits. There is approximately $1.0 million in additional salaries and wages expenditures which are not specifically identified.

The special revenue fund reductions of $144,280, mostly in the Docket Fee Fund, are due to projected revenue shortfalls which are offset by enhanced State General Fund requests.

The **Governor** recommends expenditures of $101.7 million for FY 2017, an all funds reduction of $30.0 million, or 22.8 percent, and a state general fund reduction of $29.8 million, or 27.0 percent, below the FY 2017 agency request. The reduction is attributable to deletion of the agency enhancement request, deletion of funding for vacant FTE positions, deletion of funding for reduced special revenue funds and deletion of adjustments for employer contributions for employee retirement.

C. Judicial and Professional Review

The Judicial and Professional Review division consists of the Commission on Judicial Qualifications, the Judicial Nominating Commission, the Board of Law Examiners and the Board of Examiners of Court Reporters. The first two boards are funded from the State General Fund with the latter two funded from the Bar Administration Fee Fund and the Court Reporter Fund, respectively. The Board of Law Examiners has 2.0 FTE positions associated with it.

JUDICIAL AND PROFESSIONAL REVIEW
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 174,542	$ 175,091	$ 173,888	$ 191,701	$ 190,266	$ 199,849	$ 199,439
Contractual Services	116,634	158,036	158,036	165,746	165,746	171,178	177,178
Commodities	15,616	8,080	8,080	8,284	8,284	8,388	8,388
Capital Outlay	1,347	220	220	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 308,139	$ 341,427	$ 340,224	$ 365,731	$ 364,296	$ 379,415	$ 385,005
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 308,139	$ 341,427	$ 340,224	$ 365,731	$ 364,296	$ 379,415	$ 385,005
Financing:							
State General Fund	$ 53,685	$ 39,504	$ 39,481	$ 44,264	$ 44,239	$ 49,596	$ 49,572
All Other Funds	254,454	301,923	300,743	321,467	320,057	329,819	328,433
TOTAL	$ 308,139	$ 341,427	$ 340,224	$ 365,731	$ 364,296	$ 379,415	$ 378,005
FTE Positions	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	2.0	2.0	2.0	2.0	2.0	2.0	2.0

For FY 2016, the **Judicial Branch** requests $365,731, including $44,264 from the State General Fund. This is an all funds increase of $24,304, or 7.1 percent, and a State General Fund increase of $4,760, or 12.0 percent, above the FY 2015 revised estimate.

Salaries and wages increased by $16,610, or 9.5 percent, above the FY 2015 revised estimate. The increase was almost entirely from the Bar Admission Fee Fund and is due to the enhancement adjusting salaries for non-Judicial personnel.

The State General Fund increase is attributable to an increase is contractual services which totals $7,710. The increases are due to communication costs, in-state travel and fees for other services.

The **Governor** recommends expenditures of $364,296 for FY 2016, an all funds reduction of $1,435, or 0.4 percent, and a state general fund reduction of $25, or 0.1 percent, below the FY 2016 agency request. The reduction is attributable to the employer contribution to Group Health Insurance adjustment.

For FY 2017, the **Judicial Branch** requests $379,415, including $49,596 from the State General Fund. This is an all funds increase of $13,684, or 3.7 percent, and a State General Fund increase of $5,332, or 12.0 percent, above the FY 2016 request.

Salaries and wages increased by $8,148, or 4.3 percent, above the FY 2015 revised estimate. The increase was almost entirely from the Bar Admission Fee Fund and is due to the enhancement adjusting salaries for non-Judicial personnel and the 27th payroll contribution for that fiscal year.

The State General Fund increase is attributable to an increase is contractual services which totals $5,432. The increases are due to communication costs ($5,053) and printing ($4,005), partially offset by reductions in travel and other fees.

The **Governor** recommends expenditures of $378,005 for FY 2017, an all funds reduction of $1,410, or 0.4 percent, and a state general fund reduction of $24, or less than 0.1 percent, below the FY 2017 agency request. The reduction is attributable to the employer contribution to Group Health Insurance adjustment.

CAPITAL IMPROVEMENTS

CAPITAL IMPROVEMENTS	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Appellate Court Remodel	$ 0	$ 0	$ 402,778	$ 0	$ 0	$ 0
Financing:						
State General Fund	$ 0	$ 0	$ 402,778	$ 0	$ 0	$ 0
All Other Funds	0	0	0	0	0	0
TOTAL	$ 0	$ 0	$ 402,778	$ 0	$ 0	$ 0

Current Year Agency Estimate

FY 2015 – Current Year. The agency did not submit an FY 2015 capital improvements request.

Current Year Governor Recommendation

The **Governor** concurs with the agency capital improvements request.

Budget Year Agency Request

FY 2016 – Budget Year. The agency requests $402,778, all from the State General Fund for relocation of two Appellate Court Justice Offices to the same floor as the other twelve justices, which was submitted as an enhancement request.

Budget Year Governor Recommendation

The **Governor** does not recommend adoption of the Judicial Branch Capital Improvement request.

Budget Year Agency Request

FY 2017 – Budget Year. The agency did not submit an FY 2014 capital improvements request.

Budget Year Governor Recommendation

The **Governor** concurs with the agency capital improvements request.

JUDICIAL COUNCIL

	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	557,387	581,255	577,004	586,995	584,124	611,133	608,205
TOTAL	$ 557,387	$ 581,255	$ 577,004	$ 586,995	$ 584,124	$ 611,133	$ 608,205
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	**$ 557,387**	**$ 581,255**	**$ 577,004**	**$ 586,995**	**$ 584,124**	**$ 611,133**	**$ 608,205**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	3.6	4.3	3.5	1.0	1.2	4.1	4.1
FTE Positions	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	5.0	5.0	5.0	5.0	5.0	5.0	5.0

The **Judicial Council** was created by the Legislature in 1927 to survey and study the Judicial Branch of the state government and to recommend improvements in the administration of justice for consideration by the Legislature and the Supreme Court. The ten-member Council is comprised of one justice of the Kansas Supreme Court, one judge of the Court of Appeals, two district court judges, two legislators, and four attorneys. The Council has seventeen advisory committees that are made up of legislators, judges, attorneys, and persons from various backgrounds who bring their expertise to the committees.

The Judicial Council receives and considers suggestions related to the administration of justice in Kansas from the Legislature, the Supreme Court, other courts, the bar, and the public. The Council identifies areas of needed improvement, assigns projects to advisory committees, receives and reviews the work product of the advisory committees, and takes appropriate action.

The Judicial Council also publishes several publications, including Pattern Instructions for Kansas (PIK) - Civil 3d, PIK-Criminal 3d, the Kansas Municipal Court Manual, the Kansas Judicial Council Probate Forms, and the Kansas Appellate Practice Handbook. The Council also offers subscriptions to online versions of its publications.

MAJOR ISSUES FROM PRIOR YEARS

2003 Session. The Legislature, upon the Governor's recommendation, eliminated State General Fund appropriations to the Judicial Council and made the agency entirely fee funded. The Legislature passed 2003 SB 36 which raised docket fees by $1 for a two-year period, from July 1, 2003 through June 30, 2005, to assist in funding Judicial Council operations. The Legislature created the Judicial Council Fund supported by docket fees. The revenues from this fund and the existing Publications Fee Fund were intended to fund the Judicial Council.

The bill clarified also that the Judicial Council is an independent agency within the Judicial Branch of state government; authorized the Council to adopt its own pay plan and personnel rules; and allowed monies from the Publications Fee Fund to be utilized for operating expenditures that are not related directly to publication activities.

2006 Session. The Legislature passed 2006 House Sub. for SB 337, which established the Kansas Commission on Judicial Performance as an independent committee of the Judicial Council. The Commission was directed to conduct judicial performance evaluations of all magistrate, district court and court of appeals judges, and all justices on the Kansas Supreme Court. Docket fees were increased by 2006 House Sub. SB 337 to provide funding for the commission. The FTE limitation was increased to provide staff for the Commission.

2007 Session. The Legislature approved expenditures of $70,000 from the State General Fund to be used by the Judicial Council for the remodeling of office space within the law library

of the Judicial Center. The agency's previous location in the Judicial Center was needed for the office space for the 13th Appeals Court judge. The Legislature also appropriated $150,000 from the State General Fund for operations of the Criminal Code Recodification Commission. While the Commission is not a part of the Judicial Council, the agency acts as the fiscal agent for the Commission.

In 2007, the Legislature requested the Judicial Council to conduct studies in the areas of wills, Medicaid reimbursement, criminal stalking, grandparents' right in custody and visitation litigation, the Kansas Juvenile Justice Code, the state Code for Criminal Procedure, and guardians and conservators.

2008 Session. The 2008 Legislature added funding of $150,000 from the Judicial Performance Fund in FY 2008 and FY 2009 for judicial performance evaluation surveys. Surveys would include lawyers, litigants, witnesses and jurors who recently had contact with the court system.

2011 Session. The 2011 Legislature transferred $778,518 from the Judicial Performance Fund to the Judicial Branch Surcharge Fund effectively suspending the Judicial Performance Evaluation program for FY 2012. A bill formally dissolving the program was not adopted. The Legislature also deleted 3.0 FTE positions associated with the performance reviews.

2012 Session. The 2012 Legislature formally dissolved the Performance Evaluation program which was established by the 2006 Legislature. The Legislature approved an additional $84,777 in expenditures and 1.0 FTE position to hire a staff attorney to assist with work previously completed by Judicial Performance Staff. The funds also provide for additional Judicial Council meetings to complete increasing workload.

2013 Session. The 2013 Legislature redirected docket fees into the Judicial Branch with the exception of the Judicial Council for FY 2014 and FY 2015. The Judicial Council is the sole remaining agency which receives a percentage of fees received from the filing of cases.

2014 Session. The 2014 Legislature reduced the operational expenditures of the agency by $15,000 and directed the agency to reduce the number of Council meetings. The Legislature also converted the Judicial Council Fund from no-limit to limit pending the total revenue received in docket fees subsequent to the 2014 Legislative adjustments.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates FY 2015 expenditures of $581,255, all from special revenue funds, the same amount as approved by the 2014 Legislature. The agency reduced salaries and wages expenditures by $2,900, or 0.6 percent, for temporary employees and shifted those expenditures to contractual services for the printing of Judicial Council publications by the State Printing plant. Contractual Services is reflecting the printing cost increase of $3,952, or 4.3 percent, from the FY 2015 approved budget. The increase in printing costs is also offset by a reduction in commodities of $1,052, or 20.4 percent, previously allocated for paper from the FY 2015 approved budget.

FY 2015 Governor Recommendation

The **Governor** recommends expenditures of $577,004, a reduction of $4,251, or 0.7 percent, below the FY 2015 agency revised estimate. The reduction is attributable to the Governor's allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.

FY 2016 Agency Request

The **agency** estimates FY 2016 expenditures of $586,995, all from special revenue funds, an increase of $5,740, or 1.0 percent, above the FY 2015 agency estimate. The increase is attributable to increased salaries and wages expenditures for non-directorial personnel at the Judicial Council.

FY 2016 Governor Recommendation

The **Governor** recommends expenditures of $584,124, a reduction of $2,871, or 0.5 percent, from the FY 2016 agency request. The reduction is attributable to reduced employer contribution rates for state employee health insurance.

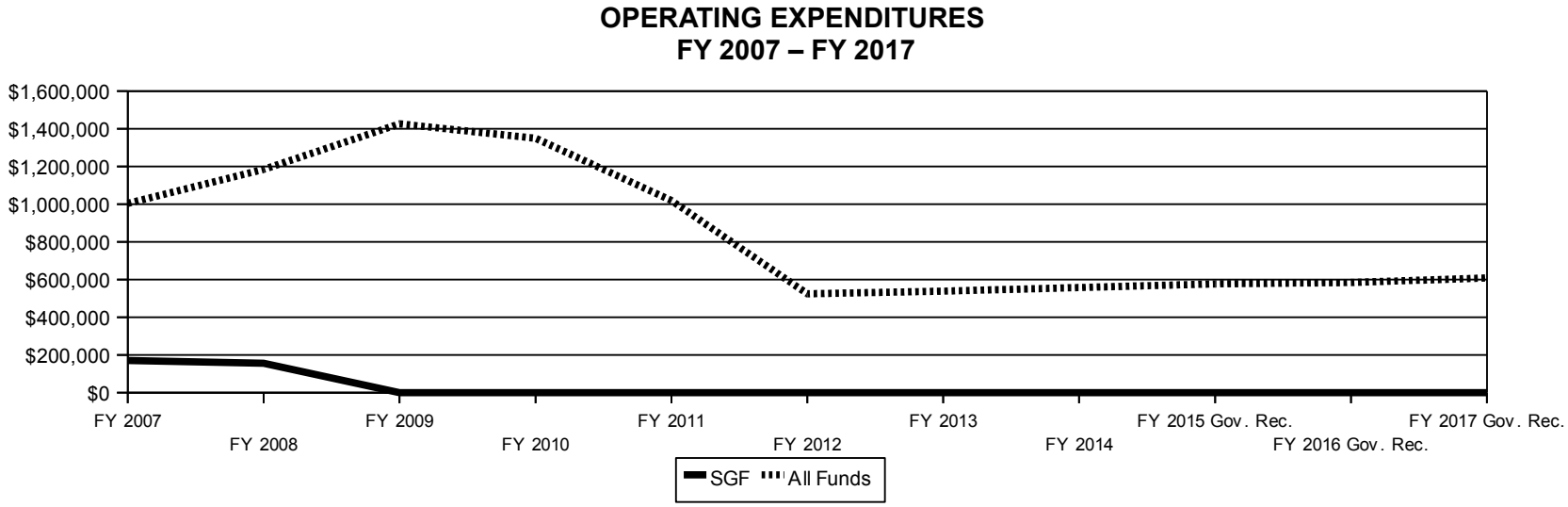
FY 2017 Agency Request

The **agency** estimates FY 2017 expenditures of $611,133, all from special revenue funds, an increase of $24,138, or 1.4 percent, above the FY 2016 agency estimate. The increase is primarily attributable to increased salaries and wages expenditures of $21,850, or 4.5 percent, due to the 27th payroll. The increase is also due to an across the board 2.3 percent increase in contractual service costs of $2,204.

FY 2017 Governor Recommendation

The **Governor** recommends expenditures of $608,205, a reduction of $2,928 or 0.5 percent, from the FY 2017 agency request. The reduction is attributable to reduced employer contribution rates for state employee health insurance.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 170,689	100.0 %	$ 1,004,260	9,999.0 %	7.0
2008	155,368	(9.0)	1,184,419	17.9	7.0
2009	0	(100.0)	1,426,065	20.4	7.0
2010	0	--	1,349,519	(5.4)	7.0
2011	0	--	1,019,376	(24.5)	6.0
2012	0	--	524,112	(48.6)	4.0
2013	0	--	538,276	2.7	5.0
2014	0	--	557,387	3.6	5.0
2015 Gov. Rec.	0	--	577,004	3.5	5.0
2016 Gov. Rec.	0	--	584,124	1.2	5.0
2017 Gov. Rec.	0	--	608,205	4.1	5.0
Eleven-Year Change	$ (170,689)	(100.0)%	$ (396,055)	(39.4)%	(2.0)

(Note - The reduction in expenditures from FY 2011 to FY 2012 is due to the elimination of the Judicial Performance Program)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 557,387	$ 581,255	$ 586,995	$ 5,740	1.0 %	$ 577,004	$ 584,124	$ 7,120	1.2 %
By Major Object of Expenditure:									
Salaries and Wages	$ 459,112	$ 481,913	$ 487,636	$ 5,723	1.2 %	$ 477,662	$ 484,765	$ 7,103	1.5 %
Contractual Services	91,459	95,231	95,784	553	0.6	95,231	95,784	553	0.6
Commodities	5,934	4,111	3,575	(536)	(13.0)	4,111	3,575	(536)	(13.0)
Capital Outlay	882	0	0	0	--	0	0	0	--
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 557,387	$ 581,255	$ 586,995	$ 5,740	1.0 %	$ 577,004	$ 584,124	$ 7,120	1.2 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 557,387	$ 581,255	$ 586,995	$ 5,740	1.0 %	$ 577,004	$ 584,124	$ 7,120	1.2 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Judicial Council Fund	253,458	182,763	185,758	2,995	1.6	181,411	184,842	3,431	1.9
Publications Fee Fund	303,929	398,492	401,237	2,745	0.7	395,593	399,282	3,689	0.9
TOTAL	$ 557,387	$ 581,255	$ 586,995	$ 5,740	1.0 %	$ 577,004	$ 584,124	$ 7,120	1.2 %

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	$ 586,995	$ 611,133	$ 24,138	4.1 %	$ 577,004	$ 608,205	$ 31,201	5.4 %
By Major Object of Expenditure:								
Salaries and Wages	$ 487,636	$ 509,486	$ 21,850	4.5 %	$ 477,662	$ 506,558	$ 28,896	6.0 %
Contractual Services	95,784	97,988	2,204	2.3	95,231	97,988	2,757	2.9
Commodities	3,575	3,659	84	2.3	4,111	3,659	(452)	(11.0)
Capital Outlay	0	0	0	--	0	0	0	--
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 586,995	$ 611,133	$ 24,138	4.1 %	$ 577,004	$ 608,205	$ 31,201	5.4 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 586,995	$ 611,133	$ 24,138	4.1 %	$ 577,004	$ 608,205	$ 31,201	5.4 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Judicial Council Fund	185,758	192,734	6,976	3.8	181,842	191,800	9,958	5.5
Publications Fee Fund	401,237	418,399	17,162	4.3	399,282	416,405	17,123	4.3
TOTAL	$ 586,995	$ 611,133	$ 24,138	4.1 %	$ 581,124	$ 608,205	$ 27,081	4.7 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved Budget

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	581,255	581,255	0	577,004	(4,251)
TOTAL	$ 581,255	$ 581,255	$ 0	$ 577,004	$ (4,251)
FTE Positions	5.0	5.0	0.0	5.0	0.0

The **agency** estimates FY 2015 expenditures of $581,255, all from special revenue funds, the same amount as approved by the 2014 Legislature. The agency reduced salaries and wages expenditures by $2,900, or 0.6 percent, for temporary employees and shifted those expenditures to contractual services for the printing of Judicial Council publications by the State Printing plant. Contractual Services is reflecting the printing cost increase of $3,952, or 4.3 percent, from the FY 2015 approved budget. The increase in printing costs is also offset by a reduction in commodities of $1,052, or 20.4 percent, previously allocated for paper from the FY 2015 approved budget.

The 2014 Legislature converted the Judicial Council fund from no-limit to limit and requested a review of the agency receipts in FY 2015. The Judicial Council receives 0.99 percent of docket fees. Legislative adjustments to the amount of docket fee charged may result in an increase in revenue to the Judicial Council fund and the Legislature wants to examine the correct percentage to determine the amount needed to meet Judicial Council operational requirements.

The **Governor** recommends expenditures of $577,004, a reduction of $4,251, or 0.7 percent, below the FY 2015 agency revised estimate. The reduction is attributable the Governor's allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 586,995	$ 584,124	$ (2,871)
FTE Positions	0.0	0.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	5,740	7,120	
TOTAL	$ 5,740	$ 7,120	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	1.0	1.2	
TOTAL	1.0 %	1.2 %	
Change in FTE Positions	0.0	0.0	

The **agency** estimates FY 2016 expenditures of $586,995, all from special revenue funds, an increase of $5,740, or 1.0 percent, above the FY 2015 agency estimate. The increase is attributable to increased salaries and wages expenditures for non-directorial personnel at the Judicial Council.

- **Salaries and Wages.** Salaries and Wages increased $5,723 or 1.2 percent, from the FY 2015 revised estimate. The increase is attributable to compensation increases of 2.0 percent for non-directorial personnel due to step movement. The increase was partially offset by a reduction in total compensation for Judicial Council Board members as a result of reducing the number of meetings at the direction of the 2013 Legislature.

The **Governor** recommends expenditures of $584,124, a reduction of $2,871, or 0.5 percent, from the FY 2016 agency request. The reduction is attributable to reduced employer contribution rates for state employee health insurance.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 611,133	$ 608,205	$ (2,928)
FTE Positions	0.0	0.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	24,138	24,081	
TOTAL	$ 24,138	$ 24,081	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	4.1	4.1	
TOTAL	4.1 %	4.1 %	
Change in FTE Positions	0.0	0.0	

The **agency** estimates FY 2017 expenditures of $611,133, all from special revenue funds, an increase of $24,138, or 4.1 percent, above the FY 2016 agency estimate. The increase is primarily attributable to increased salaries and wages expenditures of $21,850, or 4.5 percent, due to the 27th payroll period in the fiscal year. The increase is also due to an across the board 2.3 percent increase in contractual service costs of $2,204.

- **Salaries and Wages.** The salaries and wages request is an increase of $21,850, or 4.5 percent, above the FY 2016 request. The increase is attributable to costs associated with the 27th payroll period in the fiscal year, an increase in the KPERS employer contribution rate of 1.2 percent, and an increase in health insurance premiums of 2.0 percent.

The **Governor** recommends expenditures of $608,205, a reduction of $2,928 or 0.5 percent, from the FY 2017 agency request. The reduction is attributable to reduced employer contribution rates for state employee health insurance.

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 $1,510, all from special revenue funds, and affects 5 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 $3,200, all from special revenue funds, and FY 2017 longevity payments total $3,320, 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 $2,871, all from special revenue funds, for FY 2016. This is a reduction of $2,928, 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
Judicial Council Fund	68.4 %	0.0 %	68.5 %	0.0 %
Publications Fee Fund	31.6	0.0	31.1	0.0
TOTAL	100.0 %	100.0 %	100.0 %	100%

Note: Percentages may not add due to rounding.

Judicial Council Fee Fund Analysis

The Judicial Council Fee Fund was created in 2003. Since FY 2013, the Judicial Council Fee Fund has received 0.99 percent of docket fees.

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	$ 111,324	$ 38,593	$ 38,593	$ 44,970	$ 46,322	$ 38,895	$ 41,163
Revenue	180,727	189,140	189,140	179,683	179,683	170,699	170,699
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 292,051	$ 227,733	$ 227,733	$ 224,653	$ 226,005	$ 209,594	$ 211,862
Less: Expenditures	253,458	182,763	181,411	185,758	184,842	192,734	191,800
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 38,593	$ 44,970	$ 46,322	$ 38,895	$ 41,163	$ 16,860	$ 20,062
Ending Balance as Percent of Expenditures	15.2%	24.6%	25.5%	20.9%	22.3%	8.7%	10.5%
	November	November	November	November	November	November	November
Month Highest Ending Balance	$ 119,117	$ 41,294	$ 42,646	$ 48,118	$ 49,565	$ 41,618	$ 44,044
	March	March	March	March	March	March	March
Month Lowest Ending Balance	$ 23,378	$ 8,104	$ 9,456	$ 9,443	$ 9,728	$ 8,259	$ 8,644

Publications Fee Fund

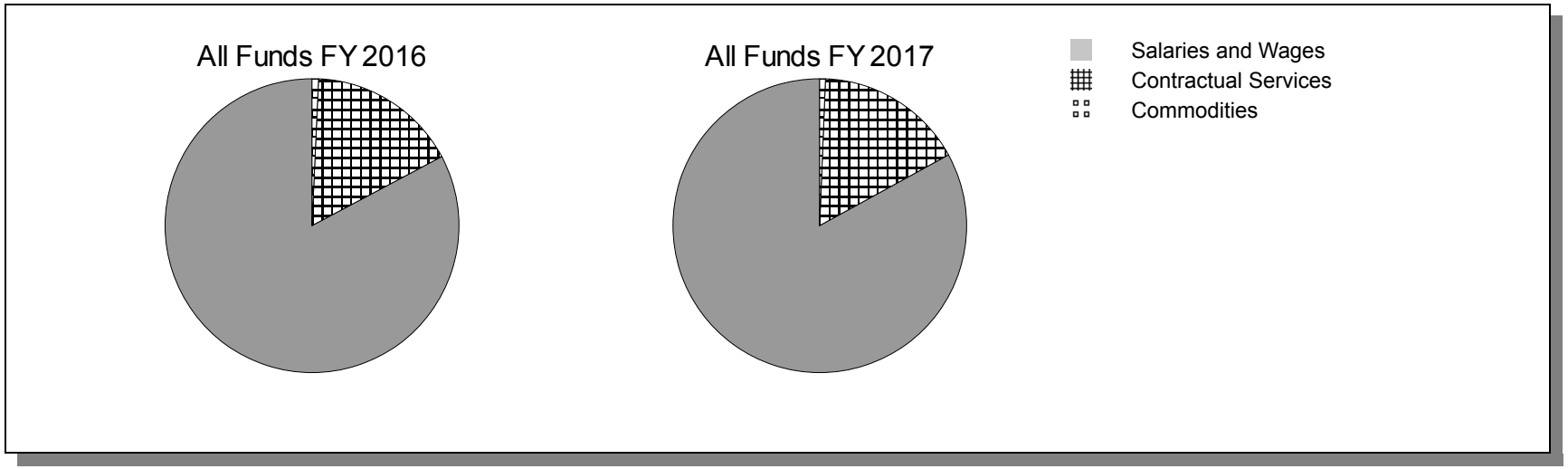
The Publications Fee Fund generates revenue from the sale of legal publications and was established in 1992.

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	$ 136,934	$ 137,124	$ 137,124	$ 139,789	$ 142,688	$ 107,713	$ 112,567
Revenue	308,065	407,164	407,164	374,629	374,629	390,774	390,774
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 444,999	$ 544,288	$ 544,288	$ 514,418	$ 517,317	$ 498,487	$ 503,341
Less: Expenditures	303,929	398,492	395,593	401,237	399,282	418,399	416,405
Transfers Out	0	0	0	0	0	0	0
Non-Reportable Expenditures	3,946	6,007	6,007	5,468	5,468	5,952	5,952
Ending Balance	$ 137,124	$ 139,789	$ 142,688	$ 107,713	$ 112,567	$ 74,136	$ 80,984
Ending Balance as Percent of Expenditures	45.1%	35.1%	36.1%	26.8%	28.2%	17.7%	19.4%
	February	February	February	February	February	February	February
Month Highest Ending Balance	$ 139,673	$ 139,866	$ 139,866	$ 142,585	$ 145,542	$ 109,867	$ 114,818
	December	December	December	December	December	December	December
Month Lowest Ending Balance	$ 125,979	$ 126,154	$ 126,154	$ 128,606	$ 131,273	$ 99,096	$ 103,562

Projected Revenue from the Sale of Publications (FY 2013 - FY 2017)

	FY 2013 Actual	FY 2014 Actual	FY 2015 Est.	FY 2016 Est.	FY 2017 Est.
KS Appellate Practice Manual	$ 400	$ 4,600	$ 210	$ 5,140	$ 220
KS Municipal Court Manual	5,390	4,940	6,700	6,720	6,720
PIK - Civil 4th	72,600	2,160	80,365	1,005	81,330
PIK - Criminal 4th	24,510	80,915	118,380	100,850	100,850
KS Probate Forms 3d	2,440	33,668	2,095	61,425	1,925
Online Subscriptions	61,383	169,836	191,414	191,489	191,729
Totals	**$ 166,723**	**$ 296,119**	**$ 399,164**	**$ 366,629**	**$ 382,774**

EXPENDITURES BY OBJECT - GOVERNOR'S FY 2016 - FY 2017 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. All Funds FY 2017	Percent of Total
Salaries and Wages	$ 477,662	82.8 %	$ 484,765	83.0 %
Contractual Services	95,231	16.5	95,784	16.4
Commodities	4,111	0.7	3,575	0.6
TOTAL	$ 577,004	100.0 %	$ 584,124	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	5.0	5.0	5.0	5.0	5.0	5.0	5.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of requests for studies assigned to committee	9	11	5	5	5
Number of unique website visitors	100,000	105,864	120,000	125,000	130,000
Number of publications sold	2,136	2,035	2,535	2,148	2,306
Number of Internet subscriptions	4,147	4,025	4,125	4,225	4,325

Board of Indigents' Defense Services

	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	$ 24,399,737	$ 25,916,649	$ 26,107,206	$ 27,956,585	$ 25,886,324	$ 28,494,775	$ 26,942,072
Other Funds	608,008	597,252	596,978	586,000	585,699	586,000	585,692
TOTAL	$ 25,007,745	$ 26,513,901	$ 26,704,184	$ 28,542,585	$ 26,472,023	$ 29,080,775	$ 27,527,764
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	**$ 25,007,745**	**$ 26,513,901**	**$ 26,704,184**	**$ 28,542,585**	**$ 26,472,023**	**$ 29,080,775**	**$ 27,527,764**
Percentage Change:							
Operating Expenditures							
State General Fund	3.9 %	6.2 %	7.0 %	7.9 %	(0.8) %	1.9 %	4.1 %
All Funds	3.0	6.0	6.8	7.7	(0.9)	1.9	4.0
FTE Positions	187.5	187.0	187.0	186.5	186.5	186.5	186.5
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.5	0.5	0.5	0.5
TOTAL	187.5	187.0	187.0	187.0	187.0	187.0	187.0

AGENCY OVERVIEW

The Board of Indigents' Defense Services is the state agency tasked with providing and supervising constitutionally and statutorily-required legal services for indigents accused of felonies. The Board fulfills this mission by overseeing a statewide system of public defender offices and by compensating assigned counsel when public defenders are unavailable. The agency also serves as the pass-through agency for funding for Legal Services for Prisoners, Inc., a nonprofit corporation that provides legal assistance to indigent inmates of Kansas correctional institutions.

MAJOR ISSUES FROM PRIOR YEARS

The **2004 Legislature** approved funding to open a public defender office in the 14th Judicial District (Chautauqua and Montgomery Counties). The new office in Independence is serving as a satellite office to the office in the 31st Judicial District (Neosho, Wilson, Woodson and Allen Counties) located in Chanute.

The **2006 Legislature** approved an additional $3.8 million, all from the State General Fund, for the agency to cover the increase in assigned counsel expenditures to correspond with the approved reimbursement increase from $50 to $80 per hour. A total of 9.0 additional FTE positions were also approved. The Legislature also approved an additional 4.0 FTE positions to fill the need for increased services anticipated with the passage of 2006 HB 2576, which requires mandatory sentences for sex offenders. The agency anticipated an increased need for services and that more cases proceed to trial rather than reaching a plea agreement. A total of 5.0 FTE positions were approved for additional staff needed in the Junction City, Wichita, and Hutchinson public defender offices.

The **2008 Legislature** added $240,000, all from the State General Fund, to enhance salaries for entry level defenders and to increase salaries on a graduated scale of other defenders.

The **2009 Legislature** added $1,271,865, all from the State General Fund, to adopt the agency's FY 2009 request in FY 2010. The agency requested enhanced funding for expert witness fees and transcript costs to avoid a shortfall. The increase was partially offset by across-the-board decreases applied to all agencies.

The **2010 Legislature** reduced the hourly rate for assigned counsel from $80 to $62 per hour and deleted $947,703 from FY 2011 to accommodate the rate reduction. The rate reduction is intended to expire in FY 2013. The Legislature further deleted $539,761 from the agency operating budget for a 2.5 percent reduction in FY 2011.

The **2011 Legislature** added $750,000, all from the State General Fund, to offset the reduction in federal American Reinvestment and Recovery Act (ARRA) and federal Justice Assistance Grant (JAG) funds with State General Fund dollars and pay for expert witness expenditures in FY 2012.

The **2012 Legislature** added $925,502 to fund expert and court reporter services and to to fund vacant positions and provide partial funding of the agency enhancement for Public Defender pay parity with similar positions in the Executive Branch.

The **2013 Legislature** added $553,000 in FY 2013 and $103,000 in FY 2014 and FY 2015 to enhance funding for expert witnesses and court reporter services. The Legislature also deleted $277,686 in FY 2014 and $279,006 in FY 2015 to hold the agency at the FY 2013 level for salaries and wage expenditures.

The **2014 Legislature** added $1,300,000 in FY 2014 to supplement funding for assigned counsel services. The Legislature also added $50,000 to fund an expected increase in litigation associated with HB 2442, which changed state sentencing guidelines for individuals convicted of fleeing and eluding police.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate of $26.5 million, including $25.9 million from the State General Fund. This is an increase of $104,883, or 0.4 percent, all funds and $125,398, or 0.5 percent, State General Fund above the amount approved by the 2014 Legislature. This increase is due to the agency submitting its request prior to the Governor's December allotment ($125,398) and is partially offset by lower than anticipated revenue and expenditures from the Indigent's Defense Services Fund ($20,515).

The agency also requests a revised estimate of 187.0 FTE positions, which is 0.5 FTE positions below the approved number.

FY 2015 Governor Recommendation

The **Governor** recommends a budget of $26.7 million, including $26.1 million from the State General Fund. This is an increase of $295,166, or 1.1 percent, all funds and $315,955, or 1.2 percent, State General Fund above the approved amount. The State General Fund increase is attributable to a higher estimate for assigned counsel expenditures from the fall 2014 consensus caseload estimate ($315,955). The Governor recommends that this additional funding be placed in a new State General Fund Litigation Support account to be used as needed by the agency for litigation support.

The special revenue funds decrease of $20,789, is attributable to a decrease in anticipated revenue and expenditures from the Indigent's Defense Service Fee Fund ($20,515) and the effect of the Governor's recommended reduction to KPERS employer contribution rate ($274).

FY 2016 Agency Request

The **agency** requests $28.5 million, including $28.0 million from the State General Fund. This request is an increase of $2.0 million, or 7.7 percent, above the agency's FY 2015 revised estimate. This increase is attributable to enhancement requests totaling $2.9 million for FY 2016.

Absent the enhancements, the request is a decrease of $872,856, or 3.3 percent, below the FY 2015 revised estimate. The agency also request an estimate of 186.5 FTE positions, a decrease of 0.5 FTE positions below the revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** recommends a budget of $26.5 million, including $25.9 million from the State General Fund, for FY 2016. This is a decrease of $2.1 million, or 7.3 percent, all funds, and $2.1 million, or 7.4 percent, below the agency's request. This decrease is attributable to the Governor not recommending the agency's four enhancement requests ($2.9 million) and the Governor's recommended reduction to employer contributions for state employee health insurance ($119,022).

This decrease is partially offset by a recommended increase of $950,000, all from the State General Fund, for assigned counsel expenditures based on the fall 2014 consensus caseload estimate. The Governor recommends that this additional funding be placed in a new State General Fund Litigation Support account to be used as needed by the agency for litigation support.

FY 2017 Agency Request

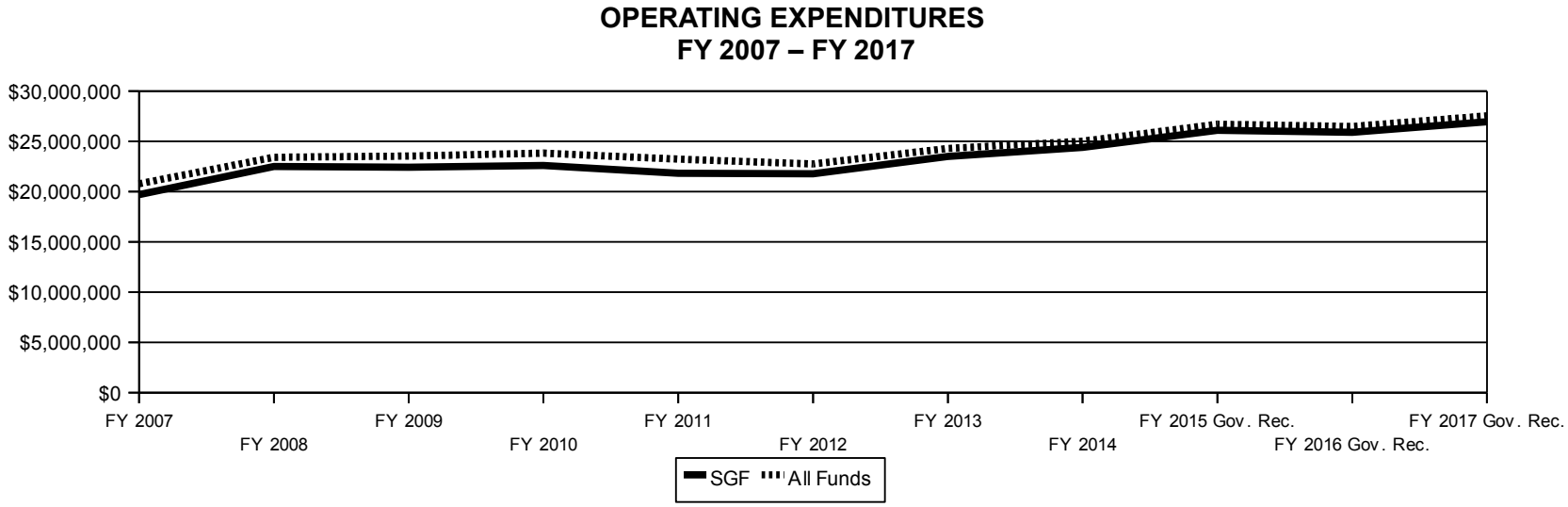
The **agency** requests $29.1 million, including $28.5 million from the State General Fund. This request is an increase of $538,190, or 1.9 percent, above the agency's FY 2016 request. This request includes the same $2.9 million in enhancements sought for FY 2016. The additional increase is attributable to increased salary and wage expenditures across the agency. The agency also requests 186.5 FTE positions, which is the same as the request for FY 2016.

FY 2017 Governor Recommendation

The **Governor** recommends a budget of $27.5 million, including $27.0 million from the State General Fund, for FY 2016. This is a decrease of $1.6 million, or 5.3 percent, all funds, and $1.6 million, or 5.4 percent, State General Fund below the agency's request. This decrease is attributable to the Governor not recommending the agency's four enhancement requests ($2.9 million) and the Governor's recommended reduction to employer contributions for state employee health insurance ($121,471).

This decrease is partially offset by a recommended increase of $1.5 million, all from the State General Fund, for assigned counsel expenditures based on the fall 2014 consensus caseload estimate. The Governor recommends that this additional funding be placed in a new State General Fund Litigation Support account to be used as needed by the agency for litigation support.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 19,685,109	10.2 %	$ 20,776,536	11.2 %	191
2008	22,496,010	14.3	23,412,091	12.7	193.0
2009	22,416,614	(0.4)	23,534,862	0.5	195.0
2010	22,591,109	0.8	23,820,747	1.2	195.0
2011	21,826,736	(3.4)	23,225,735	(2.5)	195.0
2012	21,769,465	(0.3)	22,743,694	(2.1)	187.0
2013	23,492,839	7.9	24,289,946	6.8	187.0
2014	24,399,737	3.9	25,007,745	3.0	187.5
2015 Gov. Rec.	26,107,206	7.0	26,704,184	6.8	187.0
2016 Gov. Rec.	25,886,324	(0.8)	26,472,023	(0.9)	186.5
2017 Gov. Rec.	26,942,072	4.1	27,527,764	4.0	186.5
Eleven-Year Change	$ 7,256,963	36.9 %	$ 6,751,228	32.5 %	(4.5)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 852,764	$ 1,039,818	$ 955,573	$ (84,245)	(8.1) %	$ 1,033,224	$ 889,368	$ (143,856)	(13.9)%
Assigned Counsel	10,287,047	10,983,045	12,694,000	1,710,955	15.6	11,299,000	11,444,000	145,000	1.3
Legal Serv. for Prisoners	289,592	289,592	289,592	0	0.0	289,592	289,592	0	0.0
Appellate Defender	2,352,651	2,293,047	2,284,445	(8,602)	(0.4)	2,277,144	2,268,117	(9,027)	(0.4)
Trial Public Defenders	10,040,291	10,457,327	10,514,989	57,662	0.6	10,364,501	10,228,829	(135,672)	(1.3)
Capital Defense	1,185,400	1,451,072	1,803,986	352,914	24.3	1,440,723	1,352,117	(88,606)	(6.2)
TOTAL	$ 25,007,745	$ 26,513,901	$ 28,542,585	$ 2,028,684	7.7 %	$ 26,704,184	$ 26,472,023	$ (232,161)	(0.9)%
By Major Object of Expenditure:									
Salaries and Wages	$ 11,594,507	$ 11,960,176	$ 12,368,541	$ 408,365	3.4 %	$ 11,834,504	$ 12,049,519	$ 215,015	1.8 %
Contractual Services	13,249,965	14,294,687	15,943,881	1,649,194	11.5	14,610,642	14,252,341	(358,301)	(2.5)
Commodities	73,118	74,892	79,580	4,688	6.3	74,892	79,580	4,688	6.3
Capital Outlay	90,155	184,146	150,583	(33,563)	(18.2)	184,146	90,583	(93,563)	(50.8)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 25,007,745	$ 26,513,901	$ 28,542,585	$ 2,028,684	7.7 %	$ 26,704,184	$ 26,472,023	$ (232,161)	(0.9)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 25,007,745	$ 26,513,901	$ 28,542,585	$ 2,028,684	7.7 %	$ 26,704,184	$ 26,472,023	$ (232,161)	(0.9)%
Financing:									
State General Fund	$ 24,399,737	$ 25,916,649	$ 27,956,585	$ 2,039,936	7.9 %	$ 26,107,206	$ 25,886,324	$ (220,882)	(0.8)%
All Other Funds	608,008	597,252	586,000	(11,252)	(1.9)	596,978	585,699	(11,279)	(1.9)
TOTAL	$ 25,007,745	$ 26,513,901	$ 28,542,585	$ 2,028,684	7.7 %	$ 26,704,184	$ 26,472,023	$ (232,161)	(0.9)%

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	$ 955,573	$ 967,234	$ 11,661	1.2 %	$ 889,368	$ 920,904	$ 31,536	3.5 %
Assigned Counsel	12,694,000	12,694,000	0	0.0	11,444,000	11,944,000	500,000	4.4
Legal Serv. for Prisoners	289,592	289,592	0	0.0	289,592	289,592	0	0.0
Appellate Defender	2,284,445	2,355,621	71,176	3.1	2,268,117	2,338,966	70,849	3.1
Trial Public Defenders	10,514,989	10,898,320	383,331	3.6	10,228,829	10,610,435	381,606	3.7
Capital Defense	1,803,986	1,876,008	72,022	4.0	1,352,117	1,423,867	71,750	5.3
TOTAL	$ 28,542,585	$ 29,080,775	$ 538,190	1.9 %	$ 26,472,023	$ 27,527,764	$ 1,055,741	4.0 %
By Major Object of Expenditure:								
Salaries and Wages	$ 12,368,541	$ 12,926,731	$ 558,190	4.5 %	$ 12,049,519	$ 12,605,260	$ 555,741	4.6 %
Contractual Services	15,943,881	15,943,636	(245)	(0.0)	14,252,341	14,752,096	499,755	3.5
Commodities	79,580	79,825	245	0.3	79,580	79,825	245	0.3
Capital Outlay	150,583	130,583	(20,000)	(13.3)	90,583	90,583	0	0.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 28,542,585	$ 29,080,775	$ 538,190	1.9 %	$ 26,472,023	$ 27,527,764	$ 1,055,741	4.0 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 28,542,585	$ 29,080,775	$ 538,190	1.9 %	$ 26,472,023	$ 27,527,764	$ 1,055,741	4.0 %
Financing:								
State General Fund	$ 27,956,585	$ 28,494,775	$ 538,190	1.9 %	$ 25,886,324	$ 26,942,072	$ 1,055,748	4.1 %
All Other Funds	586,000	586,000	0	0.0	585,699	585,692	(7)	(0.0)
TOTAL	$ 28,542,585	$ 29,080,775	$ 538,190	1.9 %	$ 26,472,023	$ 27,527,764	$ 1,055,741	4.0 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $25,101,795 for the Board of Indigents' Defense Services in FY 2015. Two adjustments have subsequently been made to that amount. These adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustments have been made.

- An increase of $814,854, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.
- A reduction of $125,398, as the result of the Governor's December 9th State General Fund allotment.

These adjustments change the FY 2015 approved State General Fund to $25,791,251. That amount is reflected in the table below as the currently approved FY 2015 State General Fund amount. The agency's budget was submitted prior to the December allotment, so the agency's revised budget estimates do not incorporate the allotment.

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	$ 25,791,251	$ 25,916,649	$ 125,398	$ 26,107,206	$ 315,955
All Other Funds	617,767	597,252	(20,515)	596,978	(20,789)
TOTAL	$ 26,409,018	$ 26,513,901	$ 104,883	$ 26,704,184	$ 295,166
FTE Positions	187.0	187.0	0.0	187.0	0.0

The **agency** requests a revised FY 2015 operating budget totaling $26.5 million, including $25.9 million from the State General Fund. This is an increase of $104,883, or 0.4 percent, all funds and $125,398, or 0.5 percent, State General Fund above the amount approved by the 2014 Legislature. This increase is due to the agency submitting its request prior to the

Governor's December allotment ($125,398) and is partially offset by lower than anticipated revenue and expenditures from the Indigent's Defense Services Fund ($20,515). The request also includes 187.0 FTE positions, the same as the approved number.

The **Governor** recommends a budget of $26.7 million, including $26.1 million from the State General Fund. This is an increase of $295,166, or 1.1 percent, all funds and $315,955, or 1.2 percent, State General Fund above the approved amount. The State General Fund increase is attributable to a higher estimate for assigned counsel expenditures from the fall 2014 consensus caseload estimate ($315,955). The Governor recommends that this additional funding be placed in a new State General Fund Litigation Support account to be used as needed by the agency for litigation support.

The special revenue funds decrease of $20,789, is attributable to a decrease in anticipated revenue and expenditures from the Indigent's Defense Service Fee Fund ($20,515) and the effect of the Governor's recommended reduction to KPERS employer contribution rate ($274).

Governor's Allotments

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. This prompted the Governor to address the shortfall with 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. The allotments shown in the table below reflect only those allotments which have already taken place.

GOVERNOR'S ALLOTMENTS

Allotment	SGF	All Funds	FTE
December Allotment			
Reduce KPERS Employer Contribution Rate	$ (125,398)	$ (125,398)	0.0

Kansas Public Employees Retirement System (KPERS) Reduction:

A reduction $125,398 from the State General Fund as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. This allotment will have no impact on the agency operations, but is reflective of a reduction of expenditures. An additional $274 from special revenue funds is reduced in the Governor's budget recommendation resulting in a total reduction of $125,672.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 28,542,585	$ 26,472,023	$ (2,070,562)
FTE Positions	186.5	186.5	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 2,039,936	$ (220,882)	
All Other Funds	(11,252)	(11,279)	
TOTAL	$ 2,028,684	$ (232,161)	
Percent Change:			
State General Fund	7.9 %	(0.8) %	
All Other Funds	(1.9)	(1.9)	
TOTAL	7.7 %	(0.9) %	
Change in FTE Positions	(0.5)	(0.5)	

The **agency** requests an FY 2016 budget totaling $28.5 million, including $28.0 million from the State General Fund. The State General Fund request is $2.0 million, or 7.9 percent, above the agency's FY 2015 revised estimate. This increase is attributable to enhancement requests totaling $2.9 million, which are partially offset by a decrease in assigned counsel expenditures.

The request also includes 186.5 FTE positions, 0.5 FTE positions below the revised FY 2015 estimate. **Absent the enhancements**, the request is $25.6 million, a decrease of $872,856, or 3.3 percent, below the agency's FY 2015 approved budget.

- **Salaries and Wages.** The agency requests $12.4 million for salaries and wages for FY 2016,

an increase of $408,365, or 3.4 percent, above the FY 2015 revised estimate. The increase is attributable to enhancement requests for increased public defender salaries and anticipated appeals of Hard 50 sentences.

- **Contractual Services.** The agency requests $15.9 million for contractual services for FY 2016, an increase of $1.6 million, or 11.5 percent, above the FY 2015 revised estimate. This increase is attributable to $2.2 million enhancement request to raise assigned counsel compensation from $62 to $80 per hour, which is partially offset by lower anticipated demand for assigned counsel.

- **Commodities.** The agency requests $79,580 for commodities for FY 2016, an increase of $4,688, or 6.3 percent, above the FY 2015 revised estimated. This increase is attributable to increased expenditures for stationary and office supplies.

- **Capital Outlay.** The agency requests $150,583 for capital outlay for FY 2016. This is a decrease of $33,563, or 18.2 percent, below the amount approved in FY 2015. This decrease is largely attributable to a decrease in outlay for vehicles and partially offset by a $60,000 enhancement request for an electronic case management system.

The **Governor** recommends a budget of $26.5 million, including $25.9 million from the State General Fund, for FY 2016. This is a decrease of $2.1 million, or 7.3 percent, all funds, and $2.1 million, or 7.4 percent, State General Fund below the agency's request. This decrease is attributable to the Governor not recommending the agency's four enhancement requests ($2.9 million) and the Governor's recommended reduction to employer contributions for state employee health insurance ($119,022).

This decrease is partially offset by a recommended increase of $950,000, all from the State General Fund, for assigned counsel expenditures based on the fall 2014 consensus caseload estimate. The Governor recommends that this additional funding be placed in a new State General Fund Litigation Support account to be used as needed by the agency for litigation support.

Enhancements Detail

FY 2016 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Hard 50 Litigation Impact	$ 441,540	$ 441,540	0.0	$ 0	$ 0	0.0
Assigned Counsel Hourly Rate	2,200,000	2,200,000	0.0	0	0	0.0
Public Defender Salary Increase	200,000	200,000	0.0	0	0	0.0
Electronic Case Management	60,000	60,000	0.0	0	0	0.0
TOTAL	**$ 2,901,540**	**$ 2,901,540**	**0.0**	**$ 0**	**$ 0**	**0.0**

The **agency** requests $2.9 million, all from the State General Fund, for FY 2016 to implement the following four enhancement requests.

- **Hard 50 Litigation Impact.** The agency requests $441,540 to process anticipated appeals by prisoners stemming from 2014 Special Session HB 2002 (The "Hard 50" law);

- **Assigned Counsel Hourly Rate.** The agency requests $2.2 million to increase the rate paid to assigned counsel from $62/hour to $80/hour. Payments to assigned counsel were reduced in FY 2010 by the Board of Indigents' Defense Services. The $80/hour rate sought in this enhancement was enacted by the Legislature in 2006.

- **Public Defender Salary Increase.** The agency requests $200,000 to increase public defender salaries to parity with classified attorneys across the Executive Branch.

- **Electronic Case Management System.** The agency requests $60,000 for the start-up costs for the purchase of an electronic case management system.

The **Governor** does not recommend the agency's enhancement requests.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 29,080,775	$ 27,527,764	$ (1,553,011)
FTE Positions	186.5	186.5	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 538,190	$ 1,055,748	
All Other Funds	0	(7)	
TOTAL	$ 538,190	$ 1,055,741	
Percent Change:			
State General Fund	1.9 %	4.1 %	
All Other Funds	0.0	(0.0)	
TOTAL	1.9 %	4.0 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests an FY 2017 budget totaling $29.1 million, including $28.5 million from the State General Fund. The State General Fund request is $538,190, or 1.9 percent, above the agency's FY 2016 request. This total includes $2.9 million, all from the State General Fund, to implement the same enhancements requested in FY 2016. The increase above FY 2016 is largely attributable to increased salary and wage expenditures associated with the 27th pay period in FY 2017.

The request also includes 186.5 FTE positions, the same as the agency's request for FY 2016. **Absent the enhancements**, the total request is $26.2 million, an increase of $538,190, or 2.2 percent, above the agency's FY 2016 request.

- **Salaries and Wages.** The agency requests $12.9 million for salaries and wages for FY 2017, an increase of $558,190, or 4.5 percent, above

the agency's request for FY 2016. The increase is attributable to expenditures associated with the 27th pay period in FY 2017 and the increased KPERS employer contribution rate.

- **Contractual Services.** The agency requests $15.9 million for contractual services for FY 2017, a decrease of $245, or less than 0.1 percent, below the agency's request for FY 2016.

- **Commodities.** The agency requests $79,825 for commodities for FY 2017, an increase of $245, or 0.3 percent, above the agency's request for FY 2016.

- **Capital Outlay.** The agency requests $130,583 for capital outlay for FY 2017. This is a decrease of $20,000, or 13.3 percent, below the agency's request for FY 2016. This decrease is attributable to a decrease in the enhancement request for an electronic case management system.

The **Governor** recommends a budget of $27.5 million, including $27.0 million from the State General Fund, for FY 2016. This is a decrease of $1.6 million, or 5.3 percent, all funds, and $1.6 million, or 5.4 percent, State General Fund below the agency's request. This decrease is attributable to the Governor not recommending the agency's four enhancement requests ($2.9 million) and the Governor's recommended reduction to employer contributions for state employee health insurance ($121,471).

This decrease is partially offset by a recommended increase of $1.5 million, all from the State General Fund, for assigned counsel expenditures based on the fall 2014 consensus caseload estimate. The Governor recommends that this additional funding be placed in a new State General Fund Litigation Support account to be used as needed by the agency for litigation support.

Enhancements Detail

FY 2017 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Hard 50 Litigation Impact	$ 441,540	$ 441,540	0.0	$ 0	$ 0	0.0
Assigned Counsel Hourly Rate	2,200,000	2,200,000	0.0	0	0	0.0
Public Defender Salary Increase	200,000	200,000	0.0	0	0	0.0
Electronic Case Management	40,000	40,000	0.0	0	0	0.0
TOTAL	**$ 2,881,540**	**$ 2,881,540**	**0.0**	**$ 0**	**$ 0**	**0.0**

The **agency** requests $2.9 million, all from the State General Fund, for FY 2017 to implement the following four enhancement requests.

- **Hard 50 Litigation Impact.** The agency requests $441,540 to process anticipated appeals by prisoners stemming from 2014 Special Session HB 2002 (The "Hard 50" law).

- **Assigned Counsel Hourly Rate.** The agency requests $2.2 million to increase the rate paid to assigned counsel from $62/hour to $80/hour. Payments to assigned counsel were reduced in FY 2010 by the Board of Indigents' Defense Services. The $80/hour rate sought in this enhancement was enacted by the Legislature in 2006.

- **Public Defender Salary Increase.** The agency requests $200,000 to increase public defender salaries to parity with classified attorneys across the Executive Branch.

- **Electronic Case Management System.** The agency requests $40,000 for operating expenditures for the electronic case management system requested as an enhancement for FY 2016.

The **Governor** does not recommend 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 $46,750, all from the State General Fund, and affects 151 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 $31,400, including $31,314 from the State General Fund, and FY 2017 longevity payments total $33,760, including $33,661 from the State General Fund.**

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 $118,721, including $119,022 from the State General Fund for FY 2016. This is a reduction of $121,163, including $121,471 from the State General Fund, 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.

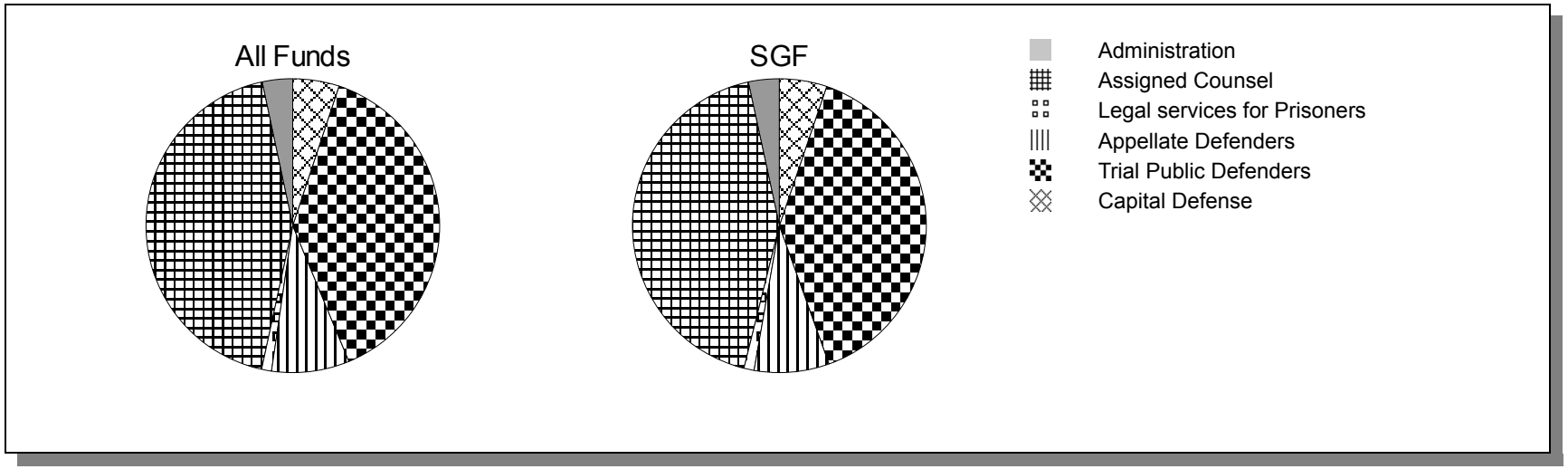
The Governor further proposes offering $1.5 billion in Pension Obligation Bonds, backed by the State General Fund, to be paid back over 30 years and extending the amortization on the current bonds by ten years to 2043. The proceeds of the bonds would be used to help reduce the future employer contribution 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	97.9 %	97.8 %	98.0 %	97.9 %
Special Revenue Funds	2.1	2.2	2.0	2.1
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

EXPENDITURES BY PROGRAM-- GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	$ 889,368	3.4 %	$ 882,323	3.4 %
Assigned Counsel	11,444,000	43.2	11,057,000	42.7
Legal Services for Prisoners	289,592	1.1	289,592	1.1
Appellate Defense	2,268,117	8.6	2,139,969	8.3
Trial Public Defenders	10,228,829	38.6	10,168,815	39.3
Capital Defense	1,352,117	5.1	1,348,625	5.2
TOTAL	$ 26,472,023	100.0 %	$ 25,886,324	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	10.5	10.5	10.5	10.0	10.0	10.0	10.0
Assigned Counsel	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Legal Serv. for Prisoners	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Appellate Defender	22.0	23.0	23.0	22.0	22.0	22.0	22.0
Trial Public Defenders	142.0	137.0	137.0	138.0	138.0	138.0	138.0
Capital Defense	13.0	16.5	16.5	16.5	16.5	16.5	16.5
TOTAL	187.5	187.0	187.0	186.5	186.5	186.5	186.5

A. Administration

The Administration program is responsible for overall agency operations and provides support for the statewide delivery of indigents' defense services. Funding is from the State General Fund, except for a small amount that is from the In-service Education Workshop Fee Fund.

ADMINISTRATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 627,061	$ 695,014	$ 688,420	$ 653,126	$ 646,921	$ 682,967	$ 676,637
Contractual Services	133,962	160,023	160,023	149,033	149,033	150,640	150,640
Commodities	11,696	12,081	12,081	13,369	13,369	13,582	13,582
Capital Outlay	80,045	172,700	172,700	140,045	80,045	120,045	80,045
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 852,764	$ 1,039,818	$ 1,033,224	$ 955,573	$ 889,368	$ 967,234	$ 920,904
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 852,764	$ 1,039,818	$ 1,033,224	$ 955,573	$ 889,368	$ 967,234	$ 920,904
Financing:							
State General Fund	$ 842,924	$ 1,035,898	$ 1,029,338	$ 948,493	$ 882,323	$ 959,994	$ 913,700
All Other Funds	9,840	3,920	3,886	7,080	7,045	7,240	7,204
TOTAL	$ 852,764	$ 1,039,818	$ 1,033,224	$ 955,573	$ 889,368	$ 967,234	$ 920,904
FTE Positions	10.5	10.5	10.5	10.0	10.0	10.0	10.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.5	0.5	0.5	0.5
TOTAL	10.5	10.5	10.5	10.5	10.5	10.5	10.5

The **agency** requests $955,573, including $948,493 from the State General Fund, for FY 2016. This is a decrease of $85,425 or 8.1 percent, below the FY 2015 approved budget. The decrease is attributable to lower expenditures for salaries and wages, contractual services, and capital outlay. The decrease is partially offset by the agency's enhancement request of $60,000 for an electronic case management system. The request includes 10.0 FTE positions, 0.5 FTE position below the approved number in FY 2015. The 0.5 position was changed to an unclassified position.

The **Governor** recommends a budget of $889,368, including $882,323 from the State General Fund for FY 2016. This is a decrease of $66,205, or 6.9 percent, all funds and $66,170, or 7.0 percent, State General Fund, below the agency's request. This decrease is attributable to the Governor not recommending an enhancement request for an electronic case management

system ($60,000) and the Governor's recommended reduction to employer contributions for state employee health insurance ($6,170).

The **agency** requests $967,234, including $959,994 from the State General Fund, for FY 2017. This is an increase of $11,661, or 1.2 percent, above the agency's request for FY 2016. This increase is attributable to increased expenditures for salaries and wages associated with the 27th pay period in FY 2017 and is partially offset by a decrease in $20,000 of the agency's enhancement request for an electronic case management system. The request includes 10.0 FTE positions, the same as the approved number in the request for FY 2016.

The **Governor** recommends a budget of $920,904, including $913,700 from the State General Fund for FY 2017. This is a decrease of $46,330, or 4.8 percent, all funds and $46,294, or 4.8 percent, State General Fund, below the agency's request. This decrease is attributable to the Governor not recommending an enhancement request for an electronic case management system ($40,000) and the Governor's recommended reduction to employer contributions for state employee health insurance ($6,330).

B. Assigned Counsel

When public defender offices cannot handle the volume of cases or when conflicts prevent public defenders from being involved, private assigned counsel is used. Assigned counsel are also used in those parts of the state where the Board has determined that the cost of a public defender office would be prohibitive. Attorneys are either selected and assigned to cases by judges or are assigned by judges from a pool of attorneys with whom the Board has negotiated contracts. When contracts are involved, the Board is able to realize a cost savings and has made a concerted effort to expand the number of assigned counsel who serve under contract. The Board believes the assigned counsel system is the most economical for rural counties and in most conflict cases. The agency supports a mixed system of assigned counsel and public defenders, with a heavier emphasis on the public defender system in serious cases or in heavy caseload areas. Beginning in FY 2006, a separate line item appropriation was made for Assigned Counsel expenditures to keep expenditures for attorneys separate from the other professional services.

ASSIGNED COUNSEL
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Contractual Services	10,287,047	10,983,045	11,299,000	12,694,000	11,444,000	12,694,000	11,944,000
Commodities	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 10,287,047	$ 10,983,045	$ 11,299,000	$ 12,694,000	$ 11,444,000	$ 12,694,000	$ 11,944,000
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 10,287,047	$ 10,983,045	$ 11,299,000	$ 12,694,000	$ 11,444,000	$ 12,694,000	$ 11,944,000
Financing:							
State General Fund	$ 10,057,580	$ 10,596,045	$ 10,912,000	$ 12,307,000	$ 11,057,000	$ 12,307,000	$ 11,557,000
All Other Funds	229,467	387,000	387,000	387,000	387,000	387,000	387,000
TOTAL	$ 10,287,047	$ 10,983,045	$ 11,299,000	$ 12,694,000	$ 11,444,000	$ 12,694,000	$ 11,944,000
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The **agency** requests $12.7 million, including $12.3 million from the State General Fund for FY 2016. This is an increase of $1.7 million, or 15.6 percent, above the agency's approved budget in FY 2015. This increase is attributable to an enhancement request of $2.2 million to increase the hourly rate paid to assigned counsel. This increase is partially offset by lower estimated demand for assigned counsel and expert witness services. **Absent the enhancement**, the request is a decrease of $489,045, or 4.5 percent, below the agency's approved budget in FY 2015.

The **Governor** recommends a budget $11.4 million, including $11.1 million from the State General Fund for FY 2016. This is a decrease of $1.3 million, or 9.8 percent, all from the State General Fund, below the agency request. This decrease is attributable to the Governor not recommending the

agency's enhancement request to increase the hourly rate paid to assigned counsel ($2.2 million).

The decrease is partially offset by a recommended increase of $950,000, all from the State General Fund, as a result of the fall 2014 consensus caseload estimate for assigned counsel expenditures. The Governor recommends that this additional funding be placed in a new State General Fund Litigation Support account to be used as needed by the agency for litigation support.

The **agency** requests $12.7 million, including $12.3 million from the State General Fund for FY 2017. This amount is the same as the agency's request for FY 2016 and includes the same $2.2 million enhancement request to increase the hourly rate paid to assigned counsel made by the agency for FY 2016.

The **Governor** recommends a budget of $12.0 million, including $11.6 million from the State General Fund for FY 2017. This is a decrease of $750,000, or 5.9 percent, all from the State General Fund, below the agency request. This decrease is attributable to the Governor not recommending the agency's enhancement request to increase the hourly rate paid to assigned counsel ($2.2 million).

The decrease is partially offset by a recommended increase of $1.5 million, all from the State General Fund, as a result of the fall 2014 consensus caseload estimate for assigned counsel expenditures. The Governor recommends that this additional funding be placed in a new State General Fund Litigation Support account to be used as needed by the agency for litigation support.

Consensus Caseload Estimates

During the fall of 2014, the agency, the Division of Budget, and the Kansas Legislative Research Department developed a caseload estimate for the Assigned Counsel program. This estimate was not included as a part of the agency's request due to the timing of the budget submission deadline. The estimate for FY 2015 is $10.5 million from the State General Fund, $160,955 above than the amount approved by the 2014 Legislature, after a reappropriation of $289,045.

The caseload estimates continue the reduction in pay rates established for Assigned Counsel from $80 per hour to $62 per hour. The rate reductions do not impact fees charged by assigned counsel for costs incurred, transcripts, expert witnesses or travel. The rate reduction was extended by the agency into FY 2014.

The **Governor** recommends, beginning in FY 2015, that additional appropriations for assigned counsel that arise from the consensus caseload estimating process be placed in a new State General Fund Litigation Support account that will provide the agency additional budget flexibility.

The **Governor** recommends an additional $315,955 for assigned counsel expenditures, bringing the total to $10.7 million in FY 2015. This includes a reappropriation of $155,000 that was used to pay out claims in FY 2015 that were made in FY 2014, bringing the total funding for assigned counsel expenditures arising in FY 2015 to 10.5 million.

The consensus revenue estimating group estimates $11.0 million for assigned counsel expenditures in FY 2016, an increase of $660,955 above the FY 2015 approved budget.

The **Governor** recommends an additional $950,000 for assigned counsel expenditures for FY 2016, for a total of $11.0 million.

The consensus revenue estimating group estimates $11.5 million for assigned counsel expenditures for FY 2017, an increase of $500,000 above the FY 2016 consensus estimate.

The **Governor** recommends an additional $1.5 million for assigned counsel expenditures for FY 2017, for a total of $11.5 million.

The caseloads for the Assigned Counsel program were estimated without factoring in overflow cases from Legal Services for Prisoners. The Board of Indigents' Defense Services is statutorily required to compensate attorneys for work on these cases regardless of the funding level for Legal Services for Prisoners (KSA 44-4503, Attorney General Opinion 97-71).

C. Legal Services for Prisoners

Legal Services for Prisoners, Inc., is a non-profit corporation organized to provide legal assistance to indigent inmates of Kansas correctional institutions. The Board of Indigents' Defense Services is a pass-through agency for funding purposes and has no administrative or policy control over the corporation. The corporation is governed by a board comprised of a representative of each of the Kansas law schools, four representatives of the Kansas Bar Association, one representative of the Kansas Trial Judges Association, and the Judicial Administrator of the Court. Expenditures for the corporation are from the State General Fund. Legal Services for Prisoners has an office in Topeka and offices in the correctional facilities located in Lansing and El Dorado. These offices also provide assistance to inmates at correctional facilities located in Winfield, Larned, Wichita, Ellsworth, Norton, and Osawatomie.

LEGAL SERVICES FOR PRISONERS
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Contractual Services	289,592	289,592	289,592	289,592	289,592	289,592	289,592
Commodities	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 289,592	$ 289,592	$ 289,592	$ 289,592	$ 289,592	$ 289,592	$ 289,592
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 289,592	$ 289,592	$ 289,592	$ 289,592	$ 289,592	$ 289,592	$ 289,592
Financing:							
State General Fund	$ 289,592	$ 289,592	$ 289,592	$ 289,592	$ 289,592	$ 289,592	$ 289,592
All Other Funds	0	0	0	0	0	0	0
TOTAL	$ 289,592	$ 289,592	$ 289,592	$ 289,592	$ 289,592	$ 289,592	$ 289,592
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The **agency** requests $289,592, all from the State General Fund, for FY 2016. The request is the same as the amount approved for FY 2015, and the actual amount for each year since FY 2012.

The **Governor** concurs with the agency's request.

The **agency** requests $289,592, all from the State General Fund, for FY 2017. The request is the same as the amount requested for FY 2016 and approved for FY 2015, and the actual amount for each year since FY 2012.

The **Governor** concurs with the agency's request.

D. Appellate Defenders

The Appellate Defender Office is a statewide office located in Topeka that represents indigent felony defendants on appeal. Funding for death penalty appeals handled by the Appellate Defender's Office is included in the budget for the Death Penalty Defense Unit. The office makes use of paralegals and law school interns.

APPELLATE DEFENDERS
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,612,305	$ 1,520,214	$ 1,504,311	$ 1,535,088	$ 1,518,760	$ 1,604,938	$ 1,588,283
Contractual Services	730,130	760,855	760,855	738,864	738,864	740,187	740,187
Commodities	10,216	10,450	10,450	10,493	10,493	10,496	10,496
Capital Outlay	0	1,528	1,528	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 2,352,651	$ 2,293,047	$ 2,277,144	$ 2,284,445	$ 2,268,117	$ 2,355,621	$ 2,338,966
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 2,352,651	$ 2,293,047	$ 2,277,144	$ 2,284,445	$ 2,268,117	$ 2,355,621	$ 2,338,966
Financing:							
State General Fund	$ 2,174,262	$ 2,160,229	$ 2,144,355	$ 2,156,266	$ 2,139,969	$ 2,225,836	$ 2,209,213
All Other Funds	178,389	132,818	132,789	128,179	128,148	129,785	129,753
TOTAL	$ 2,352,651	$ 2,293,047	$ 2,277,144	$ 2,284,445	$ 2,268,117	$ 2,355,621	$ 2,338,966
FTE Positions	22.0	23.0	23.0	22.0	22.0	22.0	22.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	22.0	23.0	23.0	22.0	22.0	22.0	22.0

The **agency** requests $2.3 million, including $2.2 million from the State General Fund for FY 2016. This request is a decrease of $8,602, or 0.4 percent, from the agency's FY 2015 revised estimated. The decrease is attributable to a reduction in

court reporter expenditures to FY 2014 levels. This request includes 22.0 FTE positions, 1.0 FTE position below the agency's revised estimate in FY 2015.

The **Governor** recommends a budget of $2.3 million, including $2.1 million from the State General Fund for FY 2016. This is a decrease of $16,328, or 0.7 percent, all funds, and $16,297, or 0.8 percent, State General Fund below the agency's request. This decrease is attributable to the Governor's recommended reduction to employer contributions for state employee health insurance.

The **agency** requests $2.4 million, including $2.2 million from the State General Fund for FY 2017. This request is an increase of $71,176, or 3.1 percent, above the request for FY 2016. This increase is largely attributable to increased expenditures for salaries and wages due to the 27th pay period in FY 2017. This request includes 22.0 FTE positions, the same as the agency's FY 2016 request.

The **Governor** recommends a budget of $2.3 million, including $2.2 million from the State General Fund for FY 2017. This is a decrease of $16,655, or 0.7 percent, all funds, and $16,623, or 0.7 percent, State General Fund below the agency's request. This decrease is attributable to the Governor's recommended reduction to employer contributions for state employee health insurance.

E. Trial Public Defenders

Public defender offices are located around the state and provide services in counties to indigents on a regional basis. A particular effort has been made to expand the geographic area served by each public defender office. Offices are located in Topeka, Junction City, Salina, Wichita, Johnson County, Garden City, Hutchinson, and Chanute. There are two conflicts offices; including, the Northeast Kansas Conflict Office in Topeka and the Sedgwick County Conflicts Office in Wichita. The Conflict Offices becomes involved in conflicts cases when there are multiple indigent defendants and one of the defendants is already being represented by a public defender or assigned counsel. Former Public Defender offices which have been closed are the Johnson County satellite office in Miami County and the Southwest Public Defender Office in Liberal.

TRIAL PUBLIC DEFENDERS
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 8,628,914	$ 8,869,376	$ 8,776,550	$ 8,962,112	$ 8,675,952	$ 9,363,716	$ 9,075,381
Contractual Services	1,355,930	1,530,890	1,530,890	1,492,814	1,492,814	1,474,519	1,474,519
Commodities	45,956	47,143	47,143	50,144	50,144	50,166	50,166
Capital Outlay	9,491	9,918	9,918	9,819	9,919	9,919	9,919
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 10,040,291	$ 10,457,327	$ 10,364,501	$ 10,514,889	$ 10,228,829	$ 10,898,320	$ 10,609,985
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 10,040,291	$ 10,457,327	$ 10,364,501	$ 10,514,889	$ 10,228,829	$ 10,898,320	$ 10,609,985
Financing:							
State General Fund	$ 9,864,160	$ 10,386,333	$ 10,293,693	$ 10,454,768	$ 10,168,815	$ 10,856,574	$ 10,568,900
All Other Funds	176,131	70,994	70,808	60,221	60,014	41,746	41,535
TOTAL	$ 10,040,291	$ 10,457,327	$ 10,364,501	$ 10,514,989	$ 10,228,829	$ 10,898,320	$ 10,610,435
FTE Positions	142.0	137.0	137.0	138.0	138.0	138.0	138.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	142.0	137.0	137.0	138.0	138.0	138.0	138.0

The **agency** requests $10.5 million, including $10.5 million from the State General Fund, for FY 2016. This request is an increase of $57,662, or 0.6 percent, above the agency's approved budget in FY 2015. This increase is attributable to the agency's enhancement request for public defender salary increases, which is partially offset by decreased expenditures for expert witness services and the relocation of salary and wage expenditures for 3.5 FTE positions to the Capital Defense program beginning for FY 2016. This request includes 138.0 FTE positions, 1.0 FTE positions above the FY 2015 revised estimate.

The **Governor** recommends a budget of $10.2 million, including $10.2 million from the State General Fund for FY 2016. This is a decrease of $286,160, or 2.7 percent, all funds and $285,953, or 2.7 percent, State General Fund below the agency request. This decrease is attributable to the Governor not recommending the agency's enhancement request for a

salary increase for public defenders ($200,000) and the Governor's recommended reduction to employer contributions for state employee health insurance ($86,160).

The **agency** requests $10.9 million, including $10.9 million from the State General Fund for FY 2017. This request is an increase of $383,331, or 3.6 percent, above the agency's request for FY 2016. This increase is attributable to higher expenditures for salaries and wages associated with the 27th pay period in FY 2017 and the agency's enhancement request for public defender salary increases. This request includes 138.0 FTE positions, the same as the FY 2016 request.

The **Governor** recommends a budget of $10.6 million, including $10.6 million from the State General Fund for FY 2017. This is a decrease of $287,885, or 2.6 percent, all funds and $287,674, or 2.6 percent, State General Fund below the agency request. This decrease is attributable to the Governor not recommending the agency's enhancement request for a salary increase for public defenders ($200,000) and the Governor's recommended reduction to employer contributions for state employee health insurance ($87,885).

F. Capital Defense

Capital Defense represents individuals charged with capital cases, administers a system by which courts may appoint qualified attorneys to represent indigents charged with capital offenses, serves as a resource for attorneys assigned to capital cases, develops training programs and materials for persons involved in capital cases, maintains statistical records about the use of capital punishment, and provides expert and investigative services to trial counsel in capital cases. Expenditures for the unit include costs of in-house defense, contracts with private attorneys in conflict cases or because of staff overload, and costs associated with capital cases on appeal.

According to the agency, attorneys can only defend capital cases when they meet the standards set by the American Bar Association. Previously, that standard included the requirement that an attorney have previously handled a death penalty case as a second chair. That standard was changed. Currently attorneys are qualified to defend a capital case when they have: (1) experience defending homicide cases to a jury, and (2) taken specific continuing legal education course work on capital defense.

CAPITAL DEFENSE
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 726,227	$ 875,572	$ 865,223	$ 1,218,215	$ 1,207,886	$ 1,275,110	$ 1,264,509
Contractual Services	453,304	570,282	570,282	579,578	138,038	594,698	153,158
Commodities	5,250	5,218	5,218	5,574	5,574	5,581	5,581
Capital Outlay	619	0	0	619	619	619	619
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,185,400	$ 1,451,072	$ 1,440,723	$ 1,803,986	$ 1,352,117	$ 1,876,008	$ 1,423,867
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 1,185,400	$ 1,451,072	$ 1,440,723	$ 1,803,986	$ 1,352,117	$ 1,876,008	$ 1,423,867
Financing:							
State General Fund	$ 1,171,219	$ 1,448,552	$ 1,438,228	$ 1,800,466	$ 1,348,625	$ 1,855,779	$ 1,403,667
All Other Funds	14,181	2,520	2,495	3,520	3,492	20,229	20,200
TOTAL	$ 1,185,400	$ 1,451,072	$ 1,440,723	$ 1,803,986	$ 1,352,117	$ 1,876,008	$ 1,423,867
FTE Positions	13.0	16.5	16.5	16.5	16.5	16.5	16.5
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	13.0	16.5	16.5	16.5	16.5	16.5	16.5

The **agency** requests $1.8 million, including, $1.8 million, from the State General Fund, for FY 2016. This is an increase of $352,914, or 24.3 percent, above the agency's revised estimate for FY 2015. This increase is largely attributable to increased salary and wage expenditures associated with the reassignment of 3.5 FTE positions to the Capital Defense program from the Trial Public Defender program.

This request also includes 16.5 FTE positions, the same number as the revised estimate in FY 2015.

The **Governor** recommends a budget of $1.4 million, including $1.3 million from the State General Fund for FY 2016. This is a decrease of $451,869, or 25.0 percent, all funds and $451,841, or 25.1 percent, State General Fund below the agency request. This decrease is attributable to the Governor not recommending the agency's enhancement request for Hard

50 Litigation ($441,540) and the Governor's recommended reduction to employer contributions for state employee health insurance ($10,329).

The **agency** requests $1.9 million, including, $1.9 million from the State General Fund. This is an all funds increase of $72,022, or 4.0 percent, and $55,313, or 3.1 percent, State General Fund, above the agency's request for FY 2016. This increase is largely attributable to increased salaries and wages expenditures associated with the 27th pay period in FY 2017. This requests includes 16.5 FTE positions, the same number as the FY 2016 request.

The **Governor** recommends a budget of a budget of $1.4 million, including $1.4 million from the State General Fund for FY 2017. This is a decrease of $452,141, or 24.1 percent, all funds and $452,112, or 24.4 percent, State General Fund below the agency request. This decrease is attributable to the Governor not recommending the agency's enhancement request for Hard 50 Litigation ($441,540) and the Governor's recommended reduction to employer contributions for state employee health insurance ($10,601).

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of Continuing Legal Education programs offered to panel attorneys	2	2	2	2	2
Total assigned counsel cases	11,177	13,574	13,000	13,000	13,000
Total public defender cases	12,843	14,138	13,500	13,500	13,500

Department of Administration

	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
On Budget - Operating Expenditures:							
State General Fund	$ 42,128,069	$ 33,029,469	$ 33,013,515	$ 42,925,731	$ 36,272,027	$ 42,835,154	$ 35,780,809
Other Funds	40,454,821	51,407,037	51,367,515	41,656,212	48,845,508	41,364,703	48,210,963
TOTAL	$ 82,582,890	$ 84,436,506	$ 84,381,030	$ 84,581,943	$ 85,117,535	$ 84,199,857	$ 83,991,772
On Budget - Capital Improvements:							
State General Fund	$ 15,840,479	$ 6,354,919	$ 6,297,975	$ 19,101,351	$ 18,491,851	$ 18,114,200	$ 17,949,152
Other Funds	90,000	12,140,000	12,140,000	2,735,800	13,115,000	3,085,800	13,365,000
TOTAL	$ 15,930,479	$ 18,494,919	$ 18,437,975	$ 21,837,151	$ 31,606,851	$ 21,200,000	$ 31,314,152
ON BUDGET TOTAL	**$ 98,513,369**	**$ 102,931,425**	**$ 102,819,005**	**$ 106,419,094**	**$ 116,724,386**	**$ 105,399,857**	**$ 115,305,924**
Off Budget - Operating Expenditures:							
Other Funds	$ 92,141,062	$ 76,966,744	$ 76,687,337	$ 75,825,595	$ 75,553,847	$ 77,769,200	$ 77,491,414
Off Budget - Capital Improvements:							
Other Funds	$ 9,164,199	$ 3,735,000	$ 3,735,000	$ 11,455,000	$ 11,455,000	$ 2,475,000	$ 2,475,000
GRAND TOTAL	**$ 199,818,630**	**$ 179,215,113**	**$ 178,935,706**	**$ 185,793,964**	**$ 185,522,216**	**$ 178,757,569**	**$ 178,479,783**
Percentage Change:							
Operating Expenditures							
State General Fund	40.4 %	(21.6) %	(21.6) %	30.0 %	9.9 %	(0.2) %	(1.4) %
All Funds	35.4	2.2	2.2	0.2	0.9	(0.5)	(1.3)
FTE Positions	468.2	390.7	390.7	390.7	390.7	390.7	390.7
Non-FTE	91.5	167.1	167.1	167.1	167.1	166.1	166.1
TOTAL	559.7	557.8	557.8	557.8	557.8	556.8	556.8

The Department of Administration provides central services for state agencies and also includes a number of other entities and programs for administrative purposes. The Secretary of Administration, who is appointed by and serves at the pleasure of the Governor, manages the Department, with the assistance of a Deputy Secretary. Through its different divisions, the Department provides a centralized accounting system; administers a centralized purchasing system; maintains a uniform personnel system; oversees the design and construction of all state buildings; manages the state's telecommunications system and central data processing facility; operates the state printing plant; and maintains and operates state buildings and grounds in Topeka. The Department submits a two-part budget: a reportable budget, which reflects expenditures for agency operations, and a non-reportable budget, which includes expenditures for services performed for other state agencies. The non-reportable budget is reflected in the reportable expenditures of other state agencies and such expenditures are not reflected in the Department's reportable expenditures to avoid double counting the same expenditures. Administration of the state employee Workers' Compensation program and Health Care Benefits program was transferred from the Division of Personnel Services to the Division of Health Policy and Finance as part of a 2005 reorganization and consolidation of health care programs. Health policy programs subsequently were shifted to the Kansas Health Policy Authority in FY 2007.

MAJOR ISSUES FROM PRIOR YEARS

The **2003 Legislature** authorized issuance of $500.0 million in pension obligation bonds, with debt service to be paid by State General Fund financing beginning in FY 2006. The proceeds were used by the Kansas Public Employees Retirement System (KPERS) to reduce the unfunded actuarial liability.

In November 2003, the Governor placed a moratorium on the purchase of new vehicles in FY 2005 and directed that all vehicles in the central motor pool fleet be eliminated. These provisions took effect on December 1, 2003. The Governor's Office estimated savings of $8.6 million all funds associated with this decision.

At the beginning of the 2004 Session, the Governor's Office of Health Planning and Finance was created and placed in the Department of Administration. The office was charged with coordinating health care policy initiatives and addressing issues of health and health care. A total of 4.0 FTE positions were associated with the office.

The **2004 Legislature** authorized issuance of $210.0 million in highway bonds for the Kansas Department of Transportation (KDOT) to use in financing the Comprehensive Transportation Program (CTP), with State General Fund financing pledged for debt service payments beginning in FY 2007.

During the **2005 Session**, the Legislature authorized funding of $210,000 all funds, including $105,000 State General Fund, to add 3.0 FTE positions for the Long-Term Care Ombudsman. A major reorganization and shift was approved by the 2005 Legislature with the addition of $1.4 billion all funds in FY 2006, including $428.0 million State General Fund, along with 130.4 FTE positions, that were added to the newly designated Division of Health Policy and Finance in the

Department of Administration pursuant to 2005 House Sub. for SB 272.

The **2006 Legislature** approved a shift in FY 2007 of all funding and positions from the Division of Health Policy and Finance to the newly created Kansas Health Policy Authority. The Kansas Health Policy Authority was subsequently dissolved by the 2011 Legislature and its duties were moved to the Kansas Department of Health and Environment.

During the **2007 Legislature**, funding of $4.5 million for a state Financial Management System (FMS) was approved to begin the multi-year process of development and implementing the software and hardware in state agencies estimated at a total cost of $40 million. The 2007 Legislature also added language to the appropriations bill that directs establishment of a Kansas Taxpayer Transparency program and website for inquiries about the state's financial information called KanView.

The **2008 Legislature** approved continued funding of the Financial Management System (FMS), and included a transfer of $5.5 million from the State Highway Fund for the project. The transfer is on the reportable side of the budget. The agency expended all the highway funds in order to pay for software for the project. Implementation and integration of the system will continue to be funded from fees charged to agencies for using the STARS reporting system, and those fees are on the non-reportable side of the budget.

The **2011 Legislature** approved $34.3 million in Capitol Restoration bonds, transferred the Information Network of Kansas (INK) into the Department of Administration along with 1.0 FTE position, and shifted responsibilities for the enhanced 911 grant monies to the Attorney General's office.

The **2014 Legislature** added $20.0 million, all from the State Highway Fund, and lapsed the same amount from the State General Fund for debt service on the Statehouse and transferred $24.0 million from the FICA Medical Resident Reimbursement Fund to the State General Fund in FY 2015.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **Department of Administration** estimates a FY 2015 budget of $102.9 million, including $39.4 million from the State General Fund, an all funds increase of $2.2 million and a State General Fund increase of $2.5 million from the FY 2015 approved budget. The State General Fund increase is attributable to allotments totaling $2.6 million including a 2.0 percent operating reduction of $194,391, a $2.3 million negative adjustment to debt service, a reduction in employer retirement contributions, and a reappropriation lapse. The increase is partially offset by the Governor not including the full amount of the $181,141 added to the FY 2015 budget as a result of the reappropriation from FY 2014 to FY 2015.

FY 2015 Governor Recommendation

The **Governor** recommends expenditures of $102.8 million, including $39.3 million from the State General Fund. This is an all funds reduction of $112,420, or 0.1 percent, and a State General Fund reduction of $72,898, or 0.2 percent, from the FY 2015 agency estimate.

The reduction is attributable to a supplemental of $2.5 million, all from the State General Fund, recommended by the Governor to compensate the federal government due to irregularities in accounting for expenditures within the Office of Information Technology Services. That increase was offset by a reduction of $2.3 million for bond refinancing on the Statehouse, and the allotment reductions.

FY 2016 Agency Request

The **agency** requests operating expenditures of $84.6 million, including $42.9 million from the State General Fund, an all funds increase of $145,437, or 0.2 percent, from the FY 2015 agency estimate. The request is a State General Fund increase of $9.9 million, or 30.0 percent, and a special revenue fund reduction of $9.8 million, or 19.0 percent.

The State General Fund increase is attributable to an increase of $10.1 million in debt service principal payments for the Statehouse. In FY 2015, debt service on the statehouse was predominantly funded from the State Highway Fund. The increase was partially offset by reductions in debt service on the KPERS pension obligation bonds ($50,053) and National Bio and Agro-Defense Facility bonds ($95,742).

FY 2016 Governor Recommendation

The **Governor** recommends operating expenditures of $85.2 million, including $36.3 million from the State General Fund. With the addition of capital improvements, the Governor recommends expenditures of $116.7 million, including $54.8 million from the State General Fund. This is an all funds increase of $10.3 million, or 9.7 percent, partially offset by a State General Fund reduction of $7.3 million, or 11.7 percent, from the FY 2015 agency estimate.

The Governor recommends additional debt service for the National Bio and Agro-Defense Facility of $16.2 million, all from the State General Fund. The increase is offset by reducing the State General Fund for debt service payments on the Statehouse by $20.0 million and replacing it with moneys from the State Highway Fund.

The Governor also reduced agency expenditures by $391,597, for a 4.0 percent operating reduction, reduced employer contributions for state employee health insurance by 8.5 percent for a State General Fund reduction of $39,620, and refinanced bonds for a savings of $752,112.

The Governor further recommends that the Public Broadcasting program be relocated from the Department of Administration budget to the Department of Commerce. The Department of Administration has no functional control over the Public Broadcasting Council currently. This would reduce EDIF expenditures by $600,000.

FY 2017 Agency Request

The **agency** requests $84.2 million, including $42.8 million from the State General Fund, a decrease of $382,086, or 0.5 percent, including $90,577, or 0.2 percent, from the State General Fund for FY 2017.

The State General Fund reduction is primarily attributable to debt service interest for the Statehouse ($457,077), NBAF ($108,196), and debt restructuring expenditures ($56,470). The debt service reductions are partially offset by an increase in interest on the KPERS obligation bonds of $337,061 and salaries and wages largely due to the 27th payroll ($271,498).

The special revenue fund reduction of $291,509, or 0.7 percent, is attributable to no on-budget OITS requests for FY 2017 due to no allocated expenditures for the State and Local Implementation Grant fund (SLIGP) or the GIS Contracting Services Fund for law enforcement broadband services and no projected amount from the Ed Byrne Memorial Justice Fund. The agency also reduced Expanded Lottery Act Revenue Fund expenditures by $350,000 that were allocated for debt service interest on the Statehouse. The increases were partially offset by the EDIF enhancement for public broadcasting.

The reductions in both State General Fund and Special Revenue Funds were partially offset by increased expenditures in salaries and wages of $1.4 million due to the 27th payroll check, $0.9 million in utilities, and an additional $0.4 million in increased EDIF expenditures for Public Broadcasting. The request continues to reflect $3.4 million in enhancements, including $1.2 million from the State General Fund, for the Long Term Care Office volunteer conference, public broadcasting, and Rehabilitation and Repair.

FY 2017 Governor Recommendation

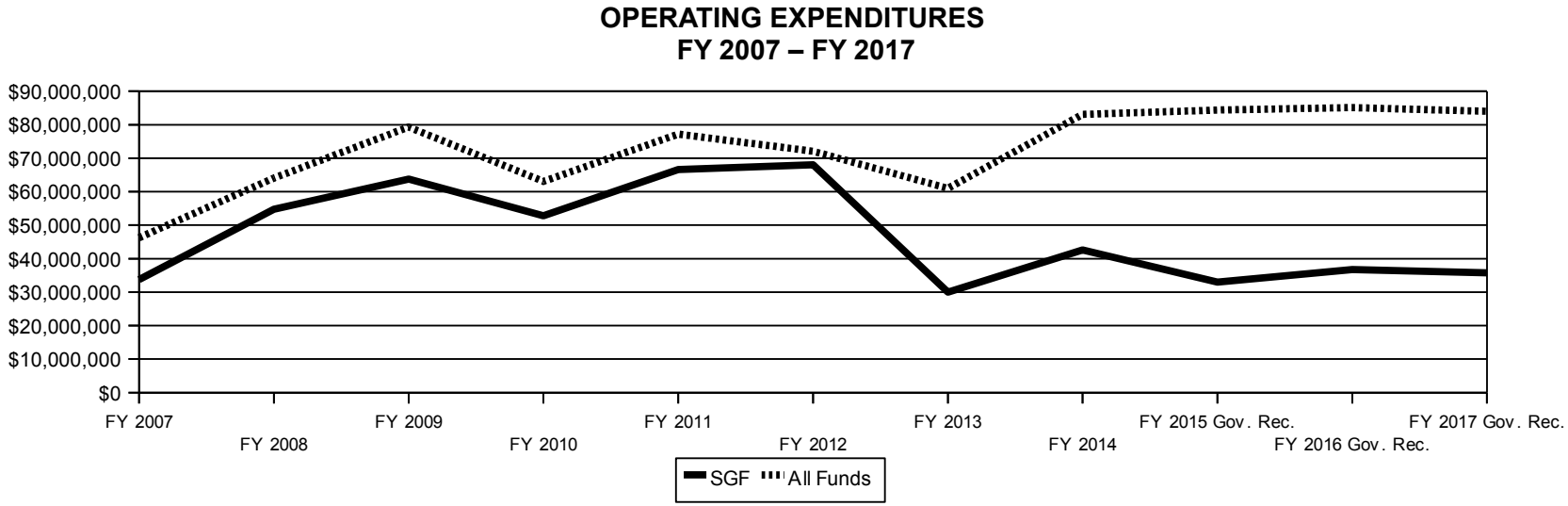
The **Governor** recommends operating expenditures of $84.0 million, including $35.8 million from the State General Fund. With the addition of capital improvements, the Governor recommends expenditures of $115.3 million, including $53.7 million from the State General Fund. This is an all funds increase of $9.9 million, or 9.4 percent, partially offset by a State General Fund reduction of $7.2 million, or 11.8 percent, from the FY 2017 agency estimate.

The Governor recommends additional debt service for the National Bio and Agro-Defense Facility of $16.2 million, all from the State General Fund. The increase is offset by reducing the State General Fund for debt service payments on the Statehouse by $20.0 million and replacing it with moneys from the State Highway Fund.

The Governor also reduced agency expenditures by $3919,269, for a 4.0 percent operating reduction, reduced employer contributions for state employee health insurance by 8.5 percent for a State General Fund reduction of $40,413, and refinanced bonds for a savings of $1.8 million.

The Governor further recommends that the Public Broadcasting program be relocated from the Department of Administration budget to the Department of Commerce. The Department of Administration has no functional control over the Public Broadcasting Council currently. This would reduce EDIF expenditures by $600,000.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 33,713,489	43.4 %	$ 46,259,355	35.6 %	759.6
2008	54,774,436	62.5	64,060,109	38.5	761.6
2009	63,772,779	16.4	79,293,387	23.8	760.5
2010	52,789,549	(17.2)	63,059,603	(20.5)	735.9
2011	66,617,017	26.2	77,196,150	22.4	747.0
2012	68,042,451	2.1	72,089,247	(6.6)	568.3
2013	30,000,000	(55.9)	61,000,000	(15.4)	518.2
2014	42,128,069	40.4	82,582,890	35.4	468.2
2015 Gov. Rec.	33,013,515	(21.6)	84,381,030	2.2	390.7
2016 Gov. Rec.	36,272,027	9.9	85,117,535	0.9	390.7
2017 Gov. Rec.	35,780,809	(1.4)	83,991,772	(1.3)	390.7
Eleven-Year Change	$ 2,067,320	6.1 %	$ 37,732,417	81.6 %	(369.0)

Note: (1) The reduction in SGF spending starting in FY 2013 is attributable to lottery funding replacing SGF for debt service.

On Budget - Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 577,206	$ 393,512	$ 415,190	$ 21,678	5.5 %	$ 385,439	$ 413,911	$ 28,472	7.4 %
Facilities & Procurement	3,553,460	4,074,640	3,812,977	(261,663)	(6.4)	4,059,877	3,797,143	(262,734)	(6.5)
Division of the Budget	1,385,048	1,595,714	1,503,976	(91,738)	(5.7)	1,555,208	1,433,500	(121,708)	(7.8)
Information Technology Services	1,230,752	889,793	522,883	(366,910)	(41.2)	3,384,958	522,300	(2,862,658)	(84.6)
Chief Counsel	329,704	369,662	386,108	16,446	4.4	365,958	384,090	18,132	5.0
Human Resources	1,429,332	1,339,920	1,637,177	297,257	22.2	1,313,928	1,625,945	312,017	23.7
Financial Management	172,494	1,024,468	680,064	(344,404)	(33.6)	972,773	677,201	(295,572)	(30.4)
Chief Financial Officer	1,075,048	1,944,265	1,807,185	(137,080)	(7.1)	1,932,343	1,799,965	(132,378)	(6.9)
Long Term Care Ombudsman	249,434	756,632	784,017	27,385	3.6	745,539	746,492	953	0.1
Public Broadcasting	600,000	600,000	2,406,321	1,806,321	301.1	588,000	0	(588,000)	(100.0)
Office of Systems Management	2,655,236	1,898,238	1,684,239	(213,999)	(11.3)	1,834,183	1,448,419	(385,764)	(21.0)
Debt Service	69,325,176	69,549,662	68,941,806	(607,856)	(0.9)	67,242,824	72,268,569	5,025,745	7.5
TOTAL	$ 82,582,890	$ 84,436,506	$ 84,581,943	$ 145,437	0.2 %	$ 84,381,030	$ 85,117,535	$ 736,505	0.9 %
By Major Object of Expenditure:									
Salaries and Wages	$ 6,248,602	$ 8,131,372	$ 7,485,832	$ (645,540)	(7.9) %	$ 7,981,879	$ 7,350,791	$ (631,088)	(7.9)%
Contractual Services	5,347,590	4,015,642	4,048,577	32,935	0.8	6,428,497	3,798,768	(2,629,729)	(40.9)
Commodities	954,021	1,382,180	1,273,807	(108,373)	(7.8)	1,382,180	1,273,807	(108,373)	(7.8)
Capital Outlay	41,444	93,450	88,600	(4,850)	(5.2)	93,450	88,600	(4,850)	(5.2)
Debt Service	69,325,176	69,549,662	68,941,806	(607,856)	(0.9)	67,242,824	72,268,569	5,025,745	7.5
Subtotal - Operations	$ 81,916,833	$ 83,172,306	$ 81,838,622	$ (1,333,684)	(1.6) %	$ 83,128,830	$ 84,780,535	$ 1,651,705	2.0 %
Aid to Local Units	0	650,000	325,000	(325,000)	(50.0)	650,000	325,000	(325,000)	(50.0)
Other Assistance	666,057	614,200	2,418,321	1,804,121	293.7	602,200	12,000	(590,200)	(98.0)
TOTAL	$ 82,582,890	$ 84,436,506	$ 84,581,943	$ 145,437	0.2 %	$ 84,381,030	$ 85,117,535	$ 736,505	0.9 %
Financing:									
State General Fund	$ 42,128,069	$ 33,029,469	$ 42,925,731	$ 9,896,262	30.0 %	$ 33,013,515	$ 36,272,027	$ 3,258,512	9.9 %
All Other Funds	40,454,821	51,407,037	41,656,212	(9,750,825)	(19.0)	51,367,515	48,845,508	(2,522,007)	(4.9)
TOTAL	$ 82,582,890	$ 84,436,506	$ 84,581,943	$ 145,437	0.2 %	$ 84,381,030	$ 85,117,535	$ 736,505	0.9 %

On-Budget Summary of Operating Budget FY 2014 - FY 2016

	Agency Estimate				Governor's Recommendation			
	Estimate 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	$ 415,190	$ 433,053	$ 17,863	4.3 %	$ 413,911	$ 431,749	$ 17,838	4.3 %
Facilities & Procurement	3,812,977	3,894,880	81,903	2.1	3,797,143	3,878,729	81,586	2.1
Division of the Budget	1,503,976	1,592,315	88,339	5.9	1,433,500	1,518,098	84,598	5.9
Information Technology Services	522,883	0	(522,883)	(100.0)	522,300	0	(522,300)	(100.0)
Chief Counsel	386,108	404,660	18,552	4.8	384,090	402,601	18,511	4.8
Human Resources	1,637,177	1,700,080	62,903	3.8	1,625,945	1,688,623	62,678	3.9
Financial Management	680,064	700,290	20,226	3.0	677,201	697,369	20,168	3.0
Chief Financial Officer	1,807,185	1,864,866	57,681	3.2	1,799,965	1,857,502	57,537	3.2
Long Term Care Ombudsman	784,017	821,536	37,519	4.8	746,492	783,547	37,055	5.0
Public Broadcasting	2,406,321	2,849,447	443,126	18.4	0	0	0	--
Office of Systems Management	1,684,239	1,629,300	(54,939)	(3.3)	1,448,419	1,389,536	(58,883)	(4.1)
Debt Service	68,941,806	68,309,430	(632,376)	(0.9)	72,268,569	71,344,018	(924,551)	(1.3)
TOTAL	$ 84,581,943	$ 84,199,857	$ (382,086)	(0.5) %	$ 85,117,535	$ 83,991,772	$ (1,125,763)	(1.3)%
By Major Object of Expenditure:								
Salaries and Wages	$ 7,485,832	$ 7,800,538	$ 314,706	4.2 %	$ 7,350,791	$ 7,660,945	$ 310,154	4.2 %
Contractual Services	4,048,577	3,534,372	(514,205)	(12.7)	3,798,768	3,280,739	(518,029)	(13.6)
Commodities	1,273,807	1,274,070	263	0.0	1,273,807	1,274,070	263	0.0
Capital Outlay	88,600	95,000	6,400	7.2	88,600	95,000	6,400	7.2
Debt Service	68,941,806	68,309,430	(632,376)	(0.9)	72,268,569	71,344,018	(924,551)	(1.3)
Subtotal - Operations	$ 81,838,622	$ 81,013,410	$ (825,212)	(1.0) %	$ 84,780,535	$ 83,654,772	$ (1,125,763)	(1.3)%
Aid to Local Units	325,000	325,000	0	0.0	325,000	325,000	0	0.0
Other Assistance	2,418,321	2,861,447	443,126	18.3	12,000	12,000	0	0.0
TOTAL	$ 84,581,943	$ 84,199,857	$ (382,086)	(0.5) %	$ 85,117,535	$ 83,991,772	$ (1,125,763)	(1.3)%
Financing:								
State General Fund	$ 42,925,731	$ 42,835,154	$ (90,577)	(0.2) %	$ 36,272,027	$ 35,780,809	$ (491,218)	(1.4)%
All Other Funds	41,656,212	41,364,703	(291,509)	(0.7)	48,845,508	48,210,963	(634,545)	(1.3)
TOTAL	$ 84,581,943	$ 84,199,857	$ (382,086)	(0.5) %	$ 85,117,535	$ 83,991,772	$ (1,125,763)	(1.3)%

Off Budget - Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 270,602	$ 70,753	$ 68,532	$ (2,221)	(3.1) %	$ 70,062	$ 68,106	$ (1,956)	(2.8)%
Facilities & Procurement	37,295,156	32,358,715	29,413,069	(2,945,646)	(9.1)	32,238,271	29,265,018	(2,973,253)	(9.2)
Chief Counsel	316,244	450,476	456,312	5,836	1.3	447,906	453,172	5,266	1.2
Long Term Care Ombudsman	479,149	0	0	0	0.0	0	0	0	--
Systems Management	7,981,393	8,993,184	9,100,450	107,266	1.2	8,964,033	9,072,640	108,607	1.2
Information Technology	40,376,711	30,617,389	32,526,527	1,909,138	6.2	30,517,831	32,455,097	1,937,266	6.3
Human Resources	534,313	437,570	449,344	11,774	2.7	433,361	445,684	12,323	2.8
Chief Financial Officer	629,152	385,094	476,757	91,663	23.8	381,353	474,469	93,116	24.4
Financial Management	1,963,905	2,323,282	2,105,904	(217,378)	(9.4)	2,304,239	2,090,961	(213,278)	(9.3)
Debt Service	1,413,306	1,330,281	1,228,700	(101,581)	(7.6)	1,330,281	1,228,700	(101,581)	(7.6)
Clearing	881,131	0	0	0	0.0	0	0	0	--
TOTAL	$ 92,141,062	$ 76,966,744	$ 75,825,595	$ (1,141,149)	(1.5) %	$ 76,687,337	$ 75,553,847	$ (1,133,490)	(1.5)%
By Major Object of Expenditure:									
Salaries and Wages	$ 26,590,614	$ 27,734,491	$ 27,277,029	$ (457,462)	(1.6) %	$ 27,455,084	$ 27,005,281	$ (449,803)	(1.6)%
Contractual Services	53,284,020	36,978,381	36,631,038	(347,343)	(0.9)	36,978,381	36,631,038	(347,343)	(0.9)
Commodities	3,296,423	3,767,634	2,988,319	(779,315)	(20.7)	3,767,634	2,988,319	(779,315)	(20.7)
Capital Outlay	7,040,209	7,144,957	7,679,509	534,552	7.5	7,144,957	7,679,509	534,552	7.5
Debt Service	1,584,285	1,330,281	1,228,700	(101,581)	(7.6)	1,330,281	1,228,700	(101,581)	(7.6)
Subtotal - Operations	$ 91,795,551	$ 76,955,744	$ 75,804,595	$ (1,151,149)	(1.5) %	$ 76,676,337	$ 75,532,847	$ (1,143,490)	(1.5)%
Aid to Local Units	0	0	0	0	0.0	0	0	0	--
Other Assistance	345,511	11,000	21,000	10,000	90.9	11,000	21,000	10,000	90.9
TOTAL	$ 92,141,062	$ 76,966,744	$ 75,825,595	$ (1,141,149)	(1.5) %	$ 76,687,337	$ 75,553,847	$ (1,133,490)	(1.5)%
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	0.0 %	$ 0	$ 0	$ 0	-- %
All Other Funds	92,141,062	76,966,744	75,825,595	(1,141,149)	(1.5)	76,687,337	75,553,847	(1,133,490)	(1.5)
TOTAL	$ 92,141,062	$ 76,966,744	$ 75,825,595	$ (1,141,149)	(1.5) %	$ 76,687,337	$ 75,553,847	$ (1,133,490)	(1.5)%

Off Budget - 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	$ 68,532	$ 71,345	$ 2,813	4.1 %	$ 68,106	$ 70,910	$ 2,804	4.1 %
Facilities & Procurement	29,413,069	31,285,880	1,872,811	6.4	29,265,018	31,134,864	1,869,846	6.4
Chief Counsel	456,312	471,639	15,327	3.4	453,172	468,436	15,264	3.4
Long Term Care Ombudsman	0	0	0	0.0	0	0	0	--
Systems Management	9,100,450	9,374,602	274,152	3.0	9,072,640	9,346,235	273,595	3.0
Information Technology	32,526,527	32,280,846	(245,681)	(0.8)	32,455,097	32,207,391	(247,706)	(0.8)
Human Resources	449,344	469,924	20,580	4.6	445,684	466,191	20,507	4.6
Chief Financial Officer	476,757	498,500	21,743	4.6	474,469	496,166	21,697	4.6
Financial Management	2,105,904	2,202,058	96,154	4.6	2,090,961	2,186,815	95,854	4.6
Debt Service	1,228,700	1,114,406	(114,294)	(9.3)	1,228,700	1,114,406	(114,294)	(9.3)
Clearing	0	0	0	0.0	0	0	0	--
TOTAL	$ 75,825,595	$ 77,769,200	$ 1,943,605	2.6 %	$ 75,553,847	$ 77,491,414	$ 1,937,567	2.6 %
By Major Object of Expenditure:								
Salaries and Wages	$ 27,277,029	$ 28,724,594	$ 1,447,565	5.3 %	$ 27,005,281	$ 28,446,808	$ 1,441,527	5.3 %
Contractual Services	36,631,038	37,124,310	493,272	1.3	36,631,038	37,124,310	493,272	1.3
Commodities	2,988,319	3,288,492	300,173	10.0	2,988,319	3,288,492	300,173	10.0
Capital Outlay	7,679,509	7,496,398	(183,111)	(2.4)	7,679,509	7,496,398	(183,111)	(2.4)
Debt Service	1,228,700	1,114,406	(114,294)	(9.3)	1,228,700	1,114,406	(114,294)	(9.3)
Subtotal - Operations	$ 75,804,595	$ 77,748,200	$ 1,943,605	2.6 %	$ 75,532,847	$ 77,470,414	$ 1,937,567	2.6 %
Aid to Local Units	0	0	0	0.0	0	0	0	--
Other Assistance	21,000	21,000	0	0.0	21,000	21,000	0	0.0
TOTAL	$ 75,825,595	$ 77,769,200	$ 1,943,605	2.6 %	$ 75,553,847	$ 77,491,414	$ 1,937,567	2.6 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	0.0 %	$ 0	$ 0	$ 0	-- %
All Other Funds	75,825,595	77,769,200	1,943,605	2.6	75,553,847	77,491,414	1,937,567	2.6
TOTAL	$ 75,825,595	$ 77,769,200	$ 1,943,605	2.6 %	$ 75,553,847	$ 77,491,414	$ 1,937,567	2.6 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $39,258,972 for the Department of Administration in FY 2015. An adjustment has subsequently been made to that amount. This adjustment changes the current year approved amount without any legislative action required. For this agency, the following adjustments have been made:

- An increase of $193,238, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015; and
- A reduction of $2,571,612, as the result of the Governor's December 9th State General Fund allotment.

These adjustments change the FY 2015 approved State General Fund to $36,880,598. That amount is reflected in the table below as the currently approved FY 2015 State General Fund amount. The agency's budget was submitted prior to the December allotment, so the agency's revised budget estimates do not incorporate the allotment.

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	$ 36,880,598	$ 39,384,388	$ 2,503,790	$ 39,311,490	$ 2,430,892
All Other Funds	63,863,148	63,547,037	(316,111)	63,507,515	(355,633)
TOTAL	$ 100,743,746	$ 102,931,425	$ 2,187,679	$ 102,819,005	$ 2,075,259
FTE Positions	466.2	390.7	(75.6)	390.7	(75.6)

The **Department of Administration** estimates a FY 2015 budget of $102.9 million, including $39.4 million from the State General Fund, an all funds increase of $2.2 million and a State General Fund increase of $2.5 million from the FY 2015 approved budget. The State General Fund increase is attributable to allotments totaling $2.6 million including a 2.0 percent operating reduction of $194,391, a $2.3 million negative adjustment to debt service, a reduction in employer retirement

contributions, and reappropriations lapses. The increase is partially offset by the Division of Budget not budgeting the full amount of the $181,141 added to the FY 2015 budget as a result of the reappropriation.

The special revenue fund reduction of $316,111, or 0.5 percent is attributable to:

- A reduction of $766,606, from the Public Safety Broad Services Fund;
- An increase of $325,000 for federal flood control project grants due to two years of funding being allocated in the current year as there was no FY 2014 distribution;
- An increase of $94,268 for the State and Local Implementation Grant in order to begin the development of State, Local and Tribal wireless public safety systems;
- An increase of $30,885 from the State Revolving Services Fund.

Salaries and Wages: The agency requests $8.1 million for salaries and wages, an increase of $230,237, or 2.9 percent, the increase is attributable to the 4.0 percent operating reduction of $194,391 being allocated to salaries.

Contractual Services: The agency requests $4.0 million for contractual services, a reduction of $636,599, or 13.7 percent, below the FY 2015 approved budget. The reduction is attributable to the Public Safety Broadband Fund expenditures being reallocated to other state agencies.

Debt Service: The agency requests $69.5 million for debt service, including $25.4 million from the State General Fund, an SGF only increase of $2.3 million, or 10.0 percent, from the FY 2015 approved budget. The increase is wholly attributable to the 2015 allotment which recognized savings from refinancing the bonds for the Comprehensive Transportation Program which are administered by the Department of Administration.

The **Governor** recommends expenditures of $102.8 million, including $39.3 million from the State General Fund. This is an all funds reduction of $112,420, or 0.1 percent, and a State General Fund reduction of $72,898, or 0.2 percent, from the FY 2015 agency estimate.

The reduction is attributable to a supplemental of $2.5 million, all from the State General Fund, recommended by the Governor to compensate the Federal Government due to irregularities in accounting for expenditures within the Office of Information Technology Services. That increase was offset by a reduction of $2.3 million for bond refinancing on the Statehouse, and the allotment reductions.

Governor's Allotments

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. This prompted the Governor to address the shortfall with 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. The allotments shown in the table below reflect only those allotments which have already taken place.

GOVERNOR'S ALLOTMENTS			
Allotment	SGF	All Funds	FTE
December Allotment			
Reduce KPERS Employer Contribution Rate	$ (55,472)	$ (55,472)	0.0
Lapse Reappropriations	(14,911)	(14,911)	0.0
Reduce SGF funding by 4.0 percent	(194,391)	(194,391)	0.0
Debt Service Reduction	(2,306,838)	(2,306,838)	0.0
TOTAL	$ (2,571,612)	$ (2,571,612)	0.0

Kansas Public Employees Retirement System (KPERS) Reduction:

A reduction of $55,472 from the State General Fund as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 10.42 percent to 8.65 percent in FY 2015. This allotment will have no impact on the agency expenditures but is reflective of a reduction of expenditures from the State General Fund.

Reappropriations Lapse:

A reduction of $14,911, as a result of the Governor's State General Fund reappropriation allotment. This is a reduction to the total FY 2015 State General Fund reappropriation of $193,238 for the agency. This allotment will decrease available funding in rehabilitation and repair of state facilities.

4.0 percent reduction to Cabinet-level and other SGF funded agencies

A reduction of $194,391, all from the State General Fund, as a result of the Governor's State General Fund allotment of 4.0 percent over the last six months or 2.0 percent for the whole fiscal year to Cabinet and other State General Fund agencies in FY 2015. This allotment will be managed by agency operational reductions

Debt Service Reduction

A reduction of $2,306,838, all from the State General Fund, to reduce interest payments on bonds issued to fund the Kansas Department of Transportation Comprehensive Transportation Program.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 84,581,943	$ 85,117,535	$ 535,592
FTE Positions	390.7	390.7	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 9,896,262	$ 3,258,512	
All Other Funds	(9,750,825)	(2,522,007)	
TOTAL	$ 145,437	$ 736,505	
Percent Change:			
State General Fund	30.0 %	9.9 %	
All Other Funds	(19.0)	(4.9)	
TOTAL	0.2 %	0.9 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests operating expenditures of $84.6 million, including $42.9 million from the State General Fund, an all funds increase of $145,437, or 0.2 percent, from the FY 2015 agency estimate. The request is a State General Fund increase of $9.9 million, or 30.0 percent, and a special revenue fund reduction of $9.8 million, or 19.0 percent.

The State General Fund increase is attributable to an increase of $10.1 million in debt service principal payments for the Statehouse. In FY 2015, debt service on the statehouse was predominantly funded from the State Highway Fund. The increase was partially offset by reductions in debt service on the KPERS pension obligation bonds ($50,053) and National Bio and Agro-Defense Facility bonds ($95,742).

The Special Revenue fund reduction is attributable to the offset in debt service funding described above.

Salaries and Wages: The agency requests $7.5 million for salaries and wages expenditures. A reduction of $645,540, or 7.9 percent, from the FY 2015 agency estimate. The reduction is attributable to the deletion of classified salaries and their increase was partially offset by replacement with temporary employees predominantly in the Office of Systems Management ($326,799) and the Office of Information Technology Services ($365,626). The Office of Systems Management has converted all of their employees to the unclassified service and shifted the staff to off-budget. During this conversion some positions were eliminated as they had not been utilized in several years which resulted in the reductions.

Commodities: The agency requests $1.3 million for commodities, a reduction of $108,373, or 7.8 percent, from the FY 2015 agency estimate. The reduction is attributable to reductions in other supplies and materials in the facilities program partially offset by an additional $2,000 for food in the Administration program.

Debt Service: The agency requests $74.4 million for debt service, a reduction of $607,856, or 0.9 percent, from the FY 2015 agency estimate. The reduction is attributable to a shift in debt service on the Statehouse and NBAF bonds reducing interest payments as the bonds mature.

Aid to Local Units: The agency requests $325,000 for aid to local units, a reduction of $325,000, or 50.0 percent, from the FY 2015 agency estimate. The reduction is attributable to two federal flood control grants being budgeted in FY 2015 and not repeated in FY 2016.

Other Assistance: The agency requests $2.4 million for other assistance, an increase of $1.8 million, or 301.1 percent, from the FY 2015 agency estimate. The increase is attributable to an agency enhancement request of $1.8 million all from the Economic Development Initiatives Fund, for an operational increase for Public Broadcasting.

The **Governor** recommends operating expenditures of $85.2 million, including $36.3 million from the State General Fund. With the addition of capital improvements, the Governor recommends expenditures of $116.7 million, including $54.8 million from the State General Fund. This is an all funds increase of $10.3 million, or 9.7 percent, partially offset by a State General Fund reduction of $7.3 million, or 11.7 percent, from the FY 2015 agency estimate.

The Governor recommends additional debt service for the National Bio and Agro-Defense Facility of $16.2 million, all from the State General Fund. The increase is offset by reducing State General Fund debt service payments on the Statehouse by $20.0 million and replacing it with State Highway Funds.

The Governor also reduced agency expenditures by $391,597, for a 4.0 percent operating reduction, reduced employer contributions for state employee health insurance by 8.5 percent for a State General Fund reduction of $39,620, and refinanced bonds for a savings of $752,112.

The Governor further recommends that the Public Broadcasting program be relocated from the Department of Administration budget to the Department of Commerce. The Department of Administration has no functional control over the Public Broadcasting Council currently. This would reduce EDIF expenditures by $600,000.

Enhancements Detail

FY 2016 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
LTCO Volunteer Conference	$ 20,000	$ 20,000	0.0	$ 0	$ 0	0.0
Public Broadcasting	0	1,806,321	0.0	0	0	0.0
Capitol Complex Rehab and Repair	941,925	941,925	0.0	0	0	0.0
Statehouse and Cedar Crest Rehab and Repair	46,263	46,263	0.0	0	0	0.0
Judicial Center Rehab and Repair	173,061	173,061	0.0	0	0	0.0
Landon Window Replacement	1,052,151	1,052,151	0.0	0	0	0.0
TOTAL	**$ 2,233,400**	**$ 4,039,721**	**0.0**	**$ 0**	**$ 0**	**0.0**

The **agency** requests $4.0 million, including $2.2 million from the State General Fund for enhancements in FY 2016; including:

- *Long Term Care Ombudsman Volunteer Conference* - The agency requests $20,000, all from the State General Fund, to hold a statewide conference to train volunteer ombudsman. Educational sessions would be focused on increasing ombudsman skills on such topics as the Ombudsman's response to allegations of abuse, neglect and exploitation; handling difficult family members; incorporating person-centered care practices in Ombudsman work; and translating Ombudsman skills to assisted living facilities and KanCare' and the LTC resident.

- *Public Broadcasting Enhancement* - The Public Broadcasting Council requests $1.8 million, all from the Economic Development Initiatives Fund, for operational grants.

- *Rehabilitation and Repair* - The agency requests $1,161,249, all from the State General Fund, for rehabilitation and repair for FY 2016.

  - Capitol Complex - The first rehab request is for $3.0 million over four years and $941,925 on the Capitol Complex. Rehabilitation repair money is spent for maintenance (repairing pumps and bearings, repair or replacement of plumbing, broken windows in a large area of a building due to storm damage or vandalism; and rapid response to leaky roofs); asbestos abatement; minor building refurbishments and to replace major equipment components that break down during operations. The buildings for which these

funds would be used are Landon, Memorial Hall, and Eisenhower.

- Statehouse and Cedar Crest - The second rehab request is for $185,052, including $46,263 in FY 2016. The request is to allow contingency for unplanned/emergency maintenance and replacement of major equipment component breakdown at the Statehouse and Cedar Crest.

- Judicial Center - The third rehab request is for $692,000, including $173,061 in FY 2016. The request is to allow contingency for unplanned/emergency maintenance and replacement of major equipment component breakdown.

- *Landon Window Replacement* - The agency requests $1.1 million, all from the State General Fund, to complete Landon Window Replacement in FY 2016. West and North elevations of the building have been replaced. The remaining 357 windows are in need of replacement. The existing windows are operable single pane glass units installed in the 1950's. To reduce heat load on the building, screens were installed on the outside of the windows. Most of the windows have been caulked shut to eliminate air infiltrations and reduce draft. The windows leak during a direct driving wind rain and many of the screens have come loose.

The **Governor** does not recommend adoption of the agency enhancement requests.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 84,199,857	$ 83,991,772	$ (208,085)
FTE Positions	390.7	390.7	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ (90,577)	$ (491,218)	
All Other Funds	(291,509)	(634,545)	
TOTAL	$ (382,086)	$ (1,125,763)	
Percent Change:			
State General Fund	(0.2) %	(1.4) %	
All Other Funds	(0.7)	(1.3)	
TOTAL	(0.5) %	(1.3) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $84.2 million, including $42.8 million from the State General Fund, a decrease of $382,086, or 0.5 percent, including $90,577, or 0.2 percent, from the State General Fund for FY 2017.

The State General Fund reduction is primarily attributable to debt service interest for the Statehouse ($457,077), NBAF ($108,196), and debt restructuring expenditures ($56,470). The debt service reductions are partially offset by an increase in interest on the KPERS obligation bonds of $337,061 and salaries and wages largely due to the 27th payroll ($271,498).

The special revenue fund reduction of $291,509, or 0.7 percent, is attributable to no on-budget OITS requests for FY 2017 due to no allocated expenditures for the State and Local Implementation Grant fund (SLIGP) or the GIS Contracting Services Fund for law enforcement broadband services and no projected amount from the Ed Byrne Memorial Justice Fund.

The agency also reduced Expanded Lottery Act Revenue Fund expenditures by $350,000 that were allocated for debt service interest on the Statehouse. The increases were partially offset by the EDIF enhancement for public broadcasting.

The reductions in both State General Fund and Special Revenue Funds were partially offset by increased expenditures in salaries and wages of $1.4 million due to the 27th payroll check, $0.9 million in utilities, and an additional $0.4 million in increased EDIF expenditures for Public Broadcasting. The request continues to reflect $3.4 million in enhancements, including $1.2 million from the State General Fund, for the LTCO volunteer conference, public broadcasting, and Rehabilitation and Repair.

The **Governor** recommends operating expenditures of $84.0 million, including $35.8 million from the State General Fund. With the addition of capital improvements, the Governor recommends expenditures of $115.3 million, including $53.7 million from the State General Fund. This is an all funds increase of $9.9 million, or 9.4 percent, partially offset by a State General Fund reduction of $7.2 million, or 11.8 percent, from the FY 2017 agency estimate.

The Governor recommends additional debt service for the National Bio and Agro-Defense Facility of $16.2 million, all from the State General Fund. The increase is offset by reducing State General Fund debt service payments on the Statehouse by $20.0 million and replacing it with State Highway Funds.

The Governor also reduced agency expenditures by $399,269, for a 4.0 percent operating reduction, reduced employer contributions for state employee health insurance by 8.5 percent for a State General Fund reduction of $40,413, and refinanced bonds for a savings of $1.8 million.

The Governor further recommends that the Public Broadcasting program be relocated from the Department of Administration budget to the Department of Commerce. The Department of Administration has no functional control over the Public Broadcasting Council currently. This would reduce EDIF expenditures by $600,000.

Enhancements Detail

FY 2017 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
LTCO Volunteer Conference	$ 20,000	$ 20,000	0.0	$ 0	$ 0	0.0
Public Broadcasting	0	2,249,447	0.0	0	0	0.0
Capitol Complex Rehab and Repair	941,925	941,925	0.0	0	0	0.0
Statehouse Rehab and Repair	46,263	46,263	0.0	0	0	0.0
Judicial Center Rehab and Repair	173,061	173,061	0.0	0	0	0.0
TOTAL	**$ 1,181,249**	**$ 3,430,696**	**0.0**	**$ 0**	**$ 0**	**0.0**

The **agency** requests $3.4 million, including $1.2 million from the State General Fund for enhancements in FY 2017; including:

- *LTCO Volunteer Conference* - The agency requests $20,000, all from the State General Fund, to hold a statewide conference to train volunteer ombudsman.
- *Public Broadcasting Enhancement* - The Public Broadcasting Council requests $2.3 million, all from the Economic Development Initiatives Fund, for the purchase of updated equipment and software.
- *Rehabilitation and Repair* - The agency requests $1,161,249, all from the State General Fund, for rehabilitation and repair for FY 2017.
    - Capitol Complex - The first rehab request is for $3.0 million over four years and $941,925 on the Capitol Complex. Rehabilitation repair money is spent for maintenance (repairing pumps and bearings, repair or replacement of plumbing, broken windows in a large area of a building due to storm damage or vandalism; and rapid response to leaky roofs); asbestos abatement; minor building refurbishments and to replace major equipment components that break down during operations. The buildings for which these funds would be used are Landon, Memorial Hall, and Eisenhower.
    - Statehouse and Cedar Crest - The second rehab request is for $185,052, including $46,263 in FY 2017. The request is to allow contingency for unplanned/emergency maintenance and replacement of major equipment component breakdown at the Statehouse and Cedar Crest.
    - Judicial Center - The third rehab request is for $692,000, including $173,061 in FY 2017. The request is to allow contingency for unplanned/emergency maintenance and replacement of major equipment component breakdown.

The **Governor** does not recommend adoption of the agency 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 $164,280, including $19,014 from the State General Fund, and affects 528 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 $262,080, including $33,347 from the State General Fund, and FY 2017 longevity payments total $275,598 including $35,155 from the State General Fund.**

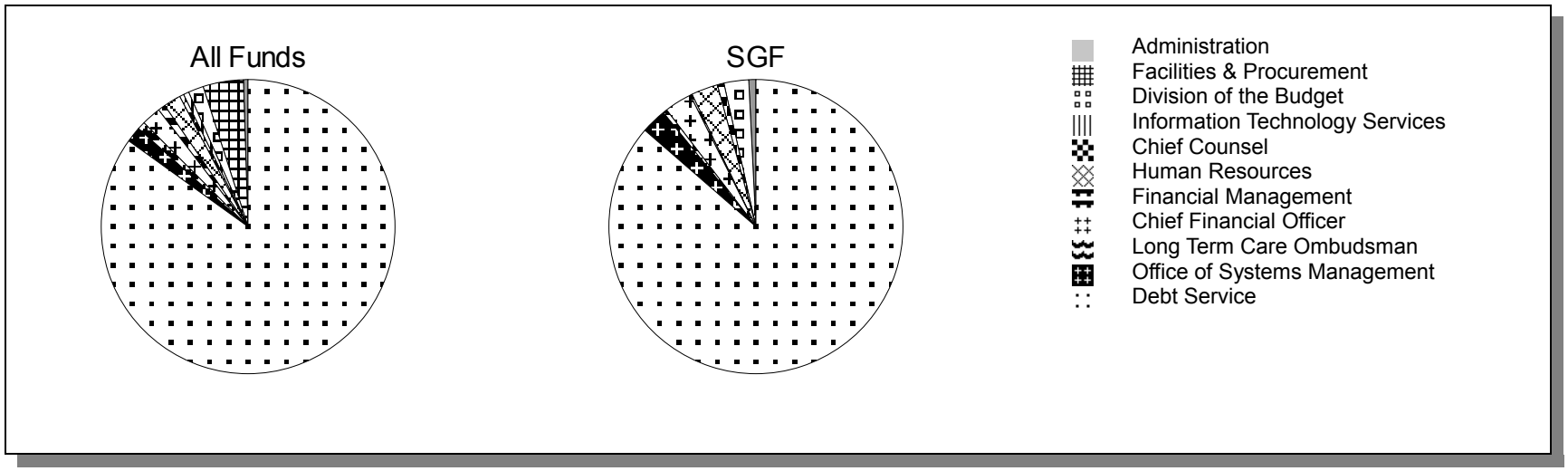
Group Health Insurance. The Governor recommends Group Health and Hospitalization employer contributions of $282.8 million, including $108.2 million from the State General Fund, for FY 2016 and $289.2 million, including $110.7 million from the State General Fund, for FY 2017. For FY 2016 and FY 2017, the Governor recommends reducing the employer contributions for group health insurance by 8.5 percent. **For this agency this is a reduction of $336,151, including $39,620 from the State General Fund for FY 2016. This is a reduction of $343,292, including $40,413 from the State General Fund, 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.

EXPENDITURES BY PROGRAM-- GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	$ 413,911	0.5 %	$ 413,911	0.8 %
Facilities & Procurement	3,797,143	4.5	0	0.0
Division of the Budget	1,433,500	1.7	1,433,500	2.7
Information Technology Services	522,300	0.6	0	0.0
Chief Counsel	384,090	0.5	384,090	0.7
Human Resources	1,625,945	1.9	1,531,938	2.9
Financial Management	677,201	0.8	118,332	0.2
Chief Financial Officer	1,799,965	2.1	1,591,735	3.0
Long Term Care Ombudsman	746,492	0.9	239,585	0.5
Office of Systems Management	1,448,419	1.7	1,448,419	2.8
Debt Service	72,268,569	84.9	45,405,167	86.4
TOTAL	$ 85,117,535	100.0 %	$ 52,566,677	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
On Budget							
Administration	4.2	3.2	3.2	3.2	3.2	3.2	3.2
Facilities and Procurement	17.7	21.7	21.7	21.7	21.7	21.7	21.7
Budget	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Chief Counsel	3.0	3.5	3.5	3.5	3.5	3.5	3.5
Human Resources	16.4	4.0	4.0	4.0	4.0	4.0	4.0
Financial Management	3.7	3.4	3.4	3.4	3.4	3.4	3.4
Chief Financial Officer	13.5	13.0	13.0	13.0	13.0	13.0	13.0
LTC Ombudsman	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Systems Management	8.1	4.0	4.0	4.0	4.0	4.0	4.0
On Budget Total	*91.1*	*77.3*	*77.3*	*77.3*	*77.3*	*77.3*	*77.3*
Off Budget							
Administration	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Facilities and Procurement	229.2	220.3	220.3	220.3	220.3	220.3	220.3
Chief Counsel	4.0	3.0	3.0	3.0	3.0	3.0	3.0
Systems Management	23.0	6.0	6.0	6.0	6.0	6.0	6.0
Information Technology	79.7	72.7	72.7	72.7	72.7	72.7	72.7
Human Resources	6.6	0.1	0.1	0.1	0.1	0.1	0.1
Chief Financial Officer	2.5	3.0	3.0	3.0	3.0	3.0	3.0
Financial Management	31.3	7.6	7.6	7.6	7.6	7.6	7.6
Off Budget Total	*377.1*	*313.4*	*313.4*	*313.4*	*313.4*	*313.4*	*313.4*
TOTAL	**468.2**	**390.7**	**390.7**	**390.7**	**390.7**	**390.7**	**390.7**

Program Sections are Titled (Controlled) if under the authority of the Secretary of Administration and (Not Controlled) if they are separately Governed.

A. Administration Program (Controlled)

The Secretary of Administration, among other statutory duties, establishes the vision and mission for the agency and works with the Office Directors to move agency operations to reflect that vision and mission. The Office of the Secretary manages the Department of Administration, supervises the various offices and its functions, establishes agency priorities and allocates resources accordingly. The Secretary of Administration performs the function of the Office of Repealer, which was established in January 2011 by Executive Order 11-01 issued by Governor Sam Brownback. The Office accepts suggestions for repeal of statutes, regulations, and executive orders received from citizens, businesses, and government agencies. In February 2013, the office of Operations and Public Affairs was created and sits as part of the Office of the Secretary.

The Secretary of Administration also serves as a member of the Public Broadcasting Commission, the Kansas State Employees Health Care Commission, and the Capitol Area Plaza Authority. In addition, the Secretary serves as Secretary of the State Finance Council.

ADMINISTRATION PROGRAM
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 460,990	$ 262,647	$ 258,317	$ 270,190	$ 268,911	$ 283,053	$ 281,749
Contractual Services	113,983	125,865	122,122	138,000	138,000	143,000	143,000
Commodities	580	3,000	3,000	5,000	5,000	5,000	5,000
Capital Outlay	1,653	2,000	2,000	2,000	2,000	2,000	2,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 577,206	$ 393,512	$ 385,439	$ 415,190	$ 413,911	$ 433,053	$ 431,749
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 577,206	$ 393,512	$ 385,439	$ 415,190	$ 413,911	$ 433,053	$ 431,749
Financing:							
State General Fund	$ 386,033	$ 393,512	$ 385,439	$ 415,190	$ 413,911	$ 433,053	$ 431,749
All Other Funds	191,173	0	0	0	0	0	0
TOTAL	$ 577,206	$ 393,512	$ 385,439	$ 415,190	$ 413,911	$ 433,053	$ 431,749
FTE Positions	4.2	3.2	3.2	3.2	3.2	3.2	3.2
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	4.2	3.2	3.2	3.2	3.2	3.2	3.2

The **agency** requests FY 2016 expenditures of $415,190, all from the State General Fund, an increase of $21,678, or 5.5 percent, from the FY 2015 agency estimate. The increase is attributable to rent ($8,000), contractual service fees ($10,000), and $2,000 for hospitality expenditures mostly for food.

The **Governor** recommends expenditures of $413,911, a reduction of $1,279, or 0.3 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $433,053, all from the State General Fund, a decrease of $17,863, or 4.3 percent, from the FY 2016 agency request. The increase is attributable to rent ($5,000) and salary expenditures for the 27th payroll and fringe benefits ($12,863).

The **Governor** recommends expenditures of $431,749, a reduction of $1,304, or 0.3 percent, from the FY 2017 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

ADMINISTRATION - NON-REPORTABLE
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Operating Expenditures	$ 270,602	$ 70,753	$ 70,062	$ 68,532	$ 68,106	$ 71,345	$ 70,910
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	270,602	$ 70,753	$ 70,062	$ 68,532	$ 68,106	$ 71,345	$ 70,910
TOTAL	$ 270,602	$ 70,753	$ 70,062	$ 68,532	$ 68,106	$ 71,345	$ 70,910
FTE Positions	0.8	0.8	0.8	0.8	0.8	0.8	0.8
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.8	0.8	0.8	0.8	0.8	0.8	0.8

The **agency** requests FY 2016 expenditures of $68,532, all from special revenue funds, a reduction of $2,221, or 3.1 percent, from the FY 2015 agency estimate. The reduction is for salary fringe benefits expenditures.

The **Governor** recommends expenditures of $68,106 a reduction of $426, or 0.6 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $71,345, all from special revenue funds, an increase of $2,813, or 4.1 percent, from the FY 2016 agency request. The increase is attributable to salary expenditures for the 27th payroll and fringe benefits.

The **Governor** recommends expenditures of $70,910, a reduction of $435, or 0.6 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

B. Facilities and Procurement Management (Controlled)

During FY 2012, Office of Facilities and Property Management was created as part of a functional re-structuring of the Department. The administration of Parking, Printing and Surplus Property was moved to the Office of General Services as part of the re-structuring. In January of 2013 the Office absorbed Central Mail and Purchasing as well. Facilities and Procurement has absorbed all of the duties of the short-lived Office of General Services with the exception of Accounting Services which has been moved to the Office of Financial Management. The Office also absorbed the majority of the duties of the Office of Operations and Public Affairs.

The Office of Facilities and Procurement Management (OFPM) centrally administers state-owned and leased facilities and protects the state's interest in all state facilities planning, design and construction activities. Facilities and Procurement Management provides: 1) Engineering services; 2) Maintenance; 3) Building services (housekeeping); 4) Design and Construction services; 5) Asset Management; 6) Procurements and Contracts; and 7) State Employee Parking, State Printing Plant, Central Mail and Surplus Property.

FACILITIES AND PROCUREMENT MANAGEMENT
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,211,871	$ 1,521,215	$ 1,506,452	$ 1,431,382	$ 1,415,548	$ 1,496,535	$ 1,480,384
Contractual Services	1,356,826	1,215,750	1,215,750	1,153,625	1,153,625	1,164,375	1,164,375
Commodities	930,247	1,332,675	1,332,675	1,227,970	1,227,970	1,227,970	1,227,970
Capital Outlay	26,384	5,000	5,000	0	0	6,000	6,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 3,525,328	$ 4,074,640	$ 4,059,877	$ 3,812,977	$ 3,797,143	$ 3,894,880	$ 3,878,729
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	28,132	0	0	0	0	0	0
TOTAL	$ 3,553,460	$ 4,074,640	$ 4,059,877	$ 3,812,977	$ 3,797,143	$ 3,894,880	$ 3,878,729
Financing:							
State General Fund	$ 52,993	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	3,500,467	4,074,640	4,059,877	3,812,977	3,797,143	3,894,880	3,878,729
TOTAL	$ 3,553,460	$ 4,074,640	$ 4,059,877	$ 3,812,977	$ 3,797,143	$ 3,894,880	$ 3,878,729
FTE Positions	17.7	21.7	21.7	21.7	21.7	21.7	21.7
Non-FTE Uncl. Perm. Pos.	0.0	5.5	5.5	5.5	5.5	5.5	5.5
TOTAL	17.7	27.2	27.2	27.2	27.2	27.2	27.2

The **agency** requests FY 2016 expenditures of $3.8 million, all from special revenue funds a reduction of $261,663, or 6.4 percent, from the FY 2015 agency estimate. The reduction is attributable to increasing the program salary shrinkage rate ($89,833), a reduction in contractual service of ($62,125), and commodities of ($104,705). The operational reductions are mostly in shipping and material expenditures.

The **Governor** recommends expenditures of $3.8 million, a reduction of $15,834, or 0.4 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $3.9 million, all from special revenue funds an increase of $81,903, or 2.1 percent, from the FY 2016 agency request. The increase is attributable to salary expenditures for fringe benefits and the 27th payroll ($65,153), and insurance expenditures ($8,750).

The **Governor** recommends expenditures of $3.9 million, a reduction of $16,151, or 0.4 percent, from the FY 2017 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

FACILITIES AND PROCUREMENT MANAGEMENT - NON-REPORTABLE
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Operating Expenditures	$ 37,295,156	$ 32,328,715	$ 33,238,271	$ 29,413,069	$ 29,265,018	$ 31,285,880	$ 31,134,864
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	37,295,156	$ 32,328,715	$ 33,238,271	$ 29,413,069	$ 29,265,018	$ 31,285,880	$ 31,134,864
TOTAL	$ 37,295,156	$ 32,328,715	$ 33,238,271	$ 29,413,069	$ 29,265,018	$ 31,285,880	$ 31,134,864
FTE Positions	229.2	220.3	220.3	220.3	220.3	220.3	220.3
Non-FTE Uncl. Perm. Pos.	8.0	19.5	19.5	19.5	19.5	19.5	19.5
TOTAL	237.2	239.8	239.8	239.8	239.8	239.8	239.8

The **agency** requests FY 2016 expenditures of $29.4 million, all from special revenue funds a reduction of $2.9 million, or 9.1 percent, from the FY 2015 agency estimate. The reduction is attributable to increasing the shrinkage rate by $1.0 million and shifting employees to the unclassified service ($977,726), reduced utility expenditures ($1.1 million), rent ($0.5 million), and construction supplies ($0.5 million).

The **Governor** recommends expenditures of $29.3 million, a reduction of $148,051, or 0.5 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $31.3 million, all from special revenue funds, an increase of $1.9 million, or 6.4 percent, from the FY 2016 agency request. The increase is attributable to salary expenditures for fringe benefits and the 27th payroll ($576,992), and utility expenditures ($1.3 million).

The **Governor** recommends expenditures of $31.1 million, a reduction of $151,016, or 0.5 percent, from the FY 2017 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

C. Division of the Budget (Not Controlled)

The Division of the Budget has central responsibility for the state budget process as well as management aspects of state government. Division staff analyze agency budget submissions and assist the Governor in the development of budget recommendations submitted to the Legislature. Included within the Division of the Budget is a policy analysis unit that supports the Governor's initiatives. The Division's budget does not include a non-reportable component.

DIVISION OF THE BUDGET
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,223,225	$ 1,305,057	$ 1,292,915	$ 1,297,230	$ 1,226,754	$ 1,381,639	$ 1,307,422
Contractual Services	156,405	283,157	254,793	199,246	199,246	203,176	203,176
Commodities	5,091	7,500	7,500	7,500	7,500	7,500	7,500
Capital Outlay	327	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,385,048	$ 1,595,714	$ 1,555,208	$ 1,503,976	$ 1,433,500	$ 1,592,315	$ 1,518,098
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 1,385,048	$ 1,595,714	$ 1,555,208	$ 1,503,976	$ 1,433,500	$ 1,592,315	$ 1,518,098
Financing:							
State General Fund	$ 1,385,048	$ 1,595,714	$ 1,555,208	$ 1,503,976	$ 1,433,500	$ 1,592,315	$ 1,518,098
All Other Funds	0	0	0	0	0	0	0
TOTAL	$ 1,385,048	$ 1,595,714	$ 1,555,208	$ 1,503,976	$ 1,433,500	$ 1,592,315	$ 1,518,098
FTE Positions	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	14.0	14.0	14.0	14.0	14.0	14.0	14.0

The **agency** requests FY 2016 expenditures of $1.5 million, all from the State General Fund, a reduction of $91,738, or 5.7 percent, from the FY 2015 agency estimate. The reduction is attributable to no $250 bonus in FY 2016 and increasing the shrinkage rate ($8,000) and reducing contractual service fees ($83,911).

The **Governor** recommends expenditures of $1.4 million, a reduction of $70,476, or 4.7 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $1.6 million, all from the State General Fund, an increase of $88,339, or 5.9 percent, from the FY 2016 agency request. The increase is attributable to salary expenditures for the 27th payroll and fringe benefits ($84,409).

The **Governor** recommends expenditures of $1.5 million, a reduction of $74,217, or 4.7 percent, from the FY 2017 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

D. ON BUDGET - Office of Information Technology Services (Not Controlled)

The Office of Information Technology Services (OITS) was formerly known as the Division of Information Systems and Communications. This name change became effective in fall 2012. OITS is responsible for providing efficient and effective electronic information processing and technical management services to all state agencies. These services include data processing and voice-data telecommunications services.

INFORMATION TECHNOLOGY SERVICES
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 129,126	$ 434,616	$ 431,067	$ 68,990	$ 68,407	$ 0	$ 0
Contractual Services	1,096,924	452,977	2,951,691	451,693	451,693	0	0
Commodities	3,042	2,200	2,200	2,200	2,200	0	0
Capital Outlay	1,660	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,230,752	$ 889,793	$ 3,384,958	$ 522,883	$ 522,300	$ 0	$ 0
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 1,230,752	$ 889,793	$ 3,384,958	$ 522,883	$ 522,300	$ 0	$ 0
Financing:							
State General Fund	$ 0	$ 0	$ 2,498,714	$ 0	$ 0	$ 0	$ 0
All Other Funds	1,230,752	889,793	886,244	522,883	522,300	0	0
TOTAL	$ 1,230,752	$ 889,793	$ 3,384,958	$ 522,883	$ 522,300	$ 0	$ 0
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Uncl. Perm. Pos.	1.0	1.0	1.0	1.0	0.0	0.0	0.0
TOTAL	1.0	1.0	1.0	1.0	0.0	0.0	0.0

The **agency** requests FY 2016 expenditures of $522,883, all from special revenue funds a reduction of $366,910, or 41.2 percent, from the FY 2015 agency estimate. The reduction is attributable to converting the Information Network of Kansas into a non-governmental program.

The **Governor** recommends expenditures of $522,300, a reduction of $583, or 0.1 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** and **Governor** do not have an FY 2017 agency request as the State and Local Implementation Grant for public safety broadband implementation is a three year grant which expires in FY 2016.

E. OFF BUDGET - Office of Information Technology Services

All expenditures for the off-budget portion of the OITS program appear in other agency budgets as information technology expenditures.

OFF BUDGET- INFORMATION TECHNOLOGY SERVICES
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 8,728,349	$ 8,840,797	$ 8,741,239	$ 8,743,841	$ 8,672,411	$ 9,292,945	$ 9,219,490
Contractual Services	24,934,050	14,956,679	14,956,679	16,401,718	16,401,718	15,231,467	15,231,467
Commodities	221,166	415,868	415,868	368,423	368,423	610,500	610,500
Capital Outlay	6,279,509	6,404,045	6,404,045	7,012,545	7,012,545	7,145,934	7,145,934
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 40,163,074	$ 30,617,389	$ 30,517,831	$ 32,526,527	$ 32,455,097	$ 32,280,846	$ 32,207,391
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	213,637	0	0	0	0	0	0
TOTAL	$ 40,376,711	$ 30,617,389	$ 30,517,831	$ 32,526,527	$ 32,455,097	$ 32,280,846	$ 32,207,391
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	40,376,711	30,617,389	30,517,831	32,526,527	32,455,097	32,280,846	32,207,391
TOTAL	$ 40,376,711	$ 30,617,389	$ 30,517,831	$ 32,526,527	$ 32,455,097	$ 32,280,846	$ 32,207,391
FTE Positions	79.7	72.7	72.7	72.7	72.7	72.7	72.7
Non-FTE Uncl. Perm. Pos.	51.0	52.0	52.0	52.0	52.0	52.0	52.0
TOTAL	130.7	124.7	124.7	124.7	124.7	124.7	124.7

The **agency** requests FY 2016 expenditures of $32.5 million, all from special revenue funds an increase of $1.9 million, or 6.2 percent, from the FY 2015 agency estimate. The increase is attributable to fees for commercial long distance service ($1.7 million).

The **Governor** recommends expenditures of $32.5 million, a reduction of $71,430, or 0.2 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $32.3 million, all from special revenue funds a reduction of $245,681, or 0.8 percent, from the FY 2016 agency request. The reduction is attributable to partially eliminating the long distance service fees but offsetting the reduction with an increase of $549,104 in salaries. The salary increase is attributable to the 27th payroll expenditures and fringe benefit expenditures.

The **Governor** recommends expenditures of $32.2 million, a reduction of $73,455, or 0.2 percent, from the FY 2017 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

F. Office of Human Resources (Controlled)

The Office of Human Resources administers the Kansas Civil Service Act and other related statutes to provide a comprehensive human resource (HR) program for the state. In 2011, Executive Order 11-04 directed that all non-Regents HR staff in agencies under the Governor's jurisdiction report to the Director of Human Resources, and also that the Office of Human Resources is to establish and implement consistent HR policies, procedures and practices for the State workforce. The Office of Human Resources expanded its efforts in assisting State agencies by providing technical and expert assistance on recruitment, selection, performance management, position management, classification, compensation, employee relations, guidance and discipline, employee recognition, layoffs, furloughs, time and leave, payroll, benefits, Family Medical Leave Act, Americans with Disability Act, Shared Leave program and retirement.

OFFICE OF HUMAN RESOURCES
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,115,373	$ 1,079,910	$ 1,053,918	$ 1,325,217	$ 1,313,985	$ 1,386,120	$ 1,374,663
Contractual Services	290,960	235,910	235,910	301,860	301,860	303,860	303,860
Commodities	5,040	4,750	4,750	4,900	4,900	4,900	4,900
Capital Outlay	187	5,150	5,150	5,200	5,200	5,200	5,200
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,411,560	$ 1,325,720	$ 1,299,728	$ 1,637,177	$ 1,625,945	$ 1,700,080	$ 1,688,623
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	17,772	14,200	14,200	0	0	0	0
TOTAL	$ 1,429,332	$ 1,339,920	$ 1,313,928	$ 1,637,177	$ 1,625,945	$ 1,700,080	$ 1,688,623
Financing:							
State General Fund	$ 1,429,332	$ 1,261,512	$ 1,236,237	$ 1,542,446	$ 1,531,938	$ 1,600,991	$ 1,590,273
All Other Funds	0	78,408	77,691	94,731	94,007	99,089	98,350
TOTAL	$ 1,429,332	$ 1,339,920	$ 1,313,928	$ 1,637,177	$ 1,625,945	$ 1,700,080	$ 1,688,623
FTE Positions	16.4	4.0	4.0	4.0	4.0	4.0	4.0
Non-FTE Uncl. Perm. Pos.	0.0	14.8	14.8	14.8	14.8	14.8	14.8
TOTAL	16.4	18.8	18.8	18.8	18.8	18.8	18.8

The **agency** requests FY 2016 expenditures of $1.6 million, including $1.5 million from the State General Fund, an increase of $297,257, or 22.2 percent, from the FY 2015 agency estimate. The increase is attributable to an increase of $245,307, or 22.7 percent, in salaries and wages. The salary increase is allocated to unclassified temporary employees as the agency shifts to the unclassified service. The salary and wage increase is attributable to a combination of the unclassified conversion and three shrinkage positions being held in the program budget in FY 2015. The increases were offset in the Office of Systems Management by shifting salaries to the off-budget portion of the program.

Contractual services increased $65,950, or 28.0 percent, from the FY 2015 agency estimate. The increase is in rent ($48,200) and communication expenditures ($19,800).

The **Governor** recommends expenditures of $1.6 million a reduction of $11,232, or 0.7 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction

in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $1.7 million, including $1.6 million from the State General Fund, an increase of $62,903, or 3.8 percent, from the FY 2016 agency request. The increase is predominantly attributable to the 27th payroll and fringe benefits ($60,903).

The **Governor** recommends expenditures of $1.7 million, a reduction of $11,457, or 0.7 percent, from the FY 2017 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

OFFICE OF HUMAN RESOURCES - NON-REPORTABLE
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Operating Expenditures	$ 534,313	$ 437,570	$ 433,361	$ 449,344	$ 445,684	$ 469,924	$ 466,191
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	534,313	437,570	433,361	449,344	445,684	469,924	466,191
TOTAL	$ 534,313	$ 437,570	$ 433,361	$ 449,344	$ 445,684	$ 469,924	$ 466,191
FTE Positions	6.6	0.1	0.1	0.1	0.1	0.1	0.1
Non-FTE Uncl. Perm. Pos.	0.0	5.3	5.3	5.3	5.3	5.3	5.3
TOTAL	6.6	5.4	5.4	5.4	5.4	5.4	5.4

The **agency** requests FY 2016 expenditures of $449,344, all from special revenue funds an increase of $11,774, or 2.7 percent, from the FY 2015 agency estimate. The increase is attributable to salary and wage fringe benefits expenditures.

The **Governor** recommends expenditures of $445,684, a reduction of $3,660, or 0.8 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $469,924, all from special revenue funds an increase of $20,850, or 4.6 percent, from the FY 2016 agency request. The increase is attributable to salary expenditures for fringe benefits and the 27th payroll ($576,992), and utility expenditures ($1.3 million).

The **Governor** recommends expenditures of $466,191, a reduction of $3,733, or 0.8 percent, from the FY 2017 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

G. Office of the Chief Counsel (Controlled)

The Office of Chief Counsel manages the legal affairs of the Department of Administration and serves as the chief legal adviser to the Secretary of Administration, Office Directors, and managers. The Office of Chief Counsel is responsible for all legal work arising from the activities of the Department and provides legal advice and services in a wide variety of areas of law, including legislation, finance, constitutional, commercial transactions, employment, real estate, litigation, contracts, and administrative regulations.

OFFICE OF THE CHIEF COUNSEL
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 282,809	$ 343,662	$ 339,958	$ 360,108	$ 358,090	$ 378,660	$ 376,601
Contractual Services	38,665	26,000	26,000	26,000	26,000	26,000	26,000
Commodities	1,000	0	0	0	0	0	0
Capital Outlay	7,230	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 329,704	$ 369,662	$ 365,958	$ 386,108	$ 384,090	$ 404,660	$ 402,601
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 329,704	$ 369,662	$ 365,958	$ 386,108	$ 384,090	$ 404,660	$ 402,601
Financing:							
State General Fund	$ 329,706	$ 369,662	$ 365,958	$ 386,108	$ 384,090	$ 404,660	$ 402,601
All Other Funds	(2)	0	0	0	0	0	0
TOTAL	$ 329,704	$ 369,662	$ 365,958	$ 386,108	$ 384,090	$ 404,660	$ 402,601
FTE Positions	3.0	3.5	3.5	3.5	3.5	3.5	3.5
Non-FTE Uncl. Perm. Pos.	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	4.0	4.5	4.5	4.5	4.5	4.5	4.5

The **agency** requests FY 2016 expenditures of $386,108, all from the State General Fund, an increase of $16,446, or 4.4 percent, from the FY 2015 agency estimate. The increase is attributable to employer contributions for state employee retirement and increased compensation for unclassified employees.

The **Governor** recommends expenditures of $384,090, a reduction of $2,018, or 0.5 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $404,660, all from the State General Fund, an increase of $18,552, or 4.8 percent, from the FY 2016 agency request. The increase is attributable to salary expenditures for the 27th payroll and fringe benefits.

The **Governor** recommends expenditures of $402,601, a reduction of $2,059, or 0.5 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

CHIEF COUNSEL - NON-REPORTABLE
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 316,244	$ 450,476	$ 447,906	$ 456,312	$ 453,172	$ 471,639	$ 468,436
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	316,244	450,476	447,906	456,312	453,172	471,639	468,436
TOTAL	$ 316,244	$ 450,476	$ 447,906	$ 456,312	$ 453,172	$ 471,639	$ 468,436
FTE Positions	4.0	3.0	3.0	3.0	3.0	3.0	3.0
Non-FTE Uncl. Perm. Pos.	0.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	4.0	4.0	4.0	4.0	4.0	4.0	4.0

The **agency** requests FY 2016 expenditures of $456,312, all from special revenue funds, an increase of $5,836, or 1.3 percent, from the FY 2015 agency estimate. The increase is attributable to salary and wage fringe benefits expenditures.

The **Governor** recommends expenditures of $453,172, a reduction of $3,140, or 0.7 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $471,639, all from special revenue funds an increase of $15,327, or 3.4 percent, from the FY 2016 agency request. The increase is attributable to salary expenditures for fringe benefits and the 27th payroll.

The **Governor** recommends expenditures of $468,436, a reduction of $3,203, or 0.7 percent, from the FY 2017 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

H. Long Term Care Ombudsman (Not Controlled)

The Kansas Long-Term Care Ombudsman Program (KLTCOP) protects and improves the quality of care and quality of life for residents of long term care communities through advocacy for and on behalf of residents. KLTCOP is a resident-centered advocacy program. The resident of a long term care community is the client, regardless of the source of the complaint or request for service. The LTC Ombudsman will make every reasonable effort to assist, represent, and intervene on behalf of the resident.

LONG TERM CARE OMBUDSMAN
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 210,112	$ 653,944	$ 642,851	$ 651,527	$ 634,002	$ 681,075	$ 663,086
Contractual Services	32,026	71,733	71,733	98,853	78,853	101,961	83,961
Commodities	7,296	14,655	14,655	17,237	17,237	19,700	19,700
Capital Outlay	0	16,300	16,300	16,400	16,400	16,800	16,800
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 249,434	$ 756,632	$ 745,539	$ 784,017	$ 746,492	$ 819,536	$ 783,547
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 249,434	$ 756,632	$ 745,539	$ 784,017	$ 746,492	$ 819,536	$ 783,547
Financing:							
State General Fund	$ 249,428	$ 253,730	$ 246,933	$ 271,984	$ 239,585	$ 279,843	$ 247,082
All Other Funds	6	502,902	498,606	512,033	506,907	541,693	536,465
TOTAL	$ 249,434	$ 756,632	$ 745,539	$ 784,017	$ 746,492	$ 821,536	$ 783,547
FTE Positions	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	10.5	10.5	10.5	10.5	10.5	10.5	10.5

The **agency** requests FY 2016 expenditures of $784,017, including $271,984 from the State General Fund, an increase of $27,385, or 3.6 percent, from the FY 2015 agency estimate. The increase is attributable to a $20,000 State General Fund

enhancement request for a volunteer conference and rent ($3,100).

The **Governor** recommends expenditures of $746,492 a reduction of $37,525, or 4.8 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance, a 4.0 percent operating reduction, and eliminating the enhancement request.

The **agency** requests FY 2017 expenditures of $821,536, including $279,843 from the State General Fund, an increase of $37,519, or 4.8 percent, from the FY 2016 agency request. The increase is predominantly attributable to the 27th payroll and fringe benefits ($29,548), communication fees ($2,808), and rent ($1,400).

The **Governor** recommends expenditures of $783,547, a reduction of $37,989, or 4.6 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance a 4.0 percent operating reduction, and eliminating the enhancement request.

I. Office of Financial Management (Controlled)

The Office of Financial Management was established during FY 2013 as part of the Department of Administration's reorganization. The five primary functions of the Office of Financial Management include: 1) Set-Off Collections; 2) State Agency Service Center; 3) D of A Accounting Services; 4) State Revolving Fund; and 5) Department of Administration Budgeting.

OFFICE OF FINANCIAL MANAGEMENT
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 172,489	$ 363,368	$ 311,673	$ 336,064	$ 333,201	$ 356,290	$ 353,369
Contractual Services	5	10,100	10,100	6,000	6,000	6,000	6,000
Commodities	0	0	0	0	0	0	0
Capital Outlay	0	1,000	1,000	1,000	1,000	1,000	1,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 172,494	$ 374,468	$ 322,773	$ 343,064	$ 340,201	$ 363,290	$ 360,369
Aid to Local Units	0	650,000	650,000	325,000	325,000	325,000	325,000
Other Assistance	0	0	0	12,000	12,000	12,000	12,000
TOTAL	$ 172,494	$ 1,024,468	$ 972,773	$ 680,064	$ 677,201	$ 700,290	$ 697,369
Financing:							
State General Fund	$ 117,084	$ 116,308	$ 66,959	$ 119,554	$ 118,332	$ 127,221	$ 125,975
All Other Funds	55,410	908,160	905,814	560,510	558,869	573,069	571,394
TOTAL	$ 172,494	$ 1,024,468	$ 972,773	$ 680,064	$ 677,201	$ 700,290	$ 697,369
FTE Positions	3.7	3.4	3.4	3.4	3.4	3.4	3.4
Non-FTE Uncl. Perm. Pos.	0.3	3.6	3.6	3.6	3.6	3.6	3.6
TOTAL	4.0	7.0	7.0	7.0	7.0	7.0	7.0

The **agency** requests FY 2016 expenditures of $680,064, including $119,554 from the State General Fund, a reduction of $344,404, or 33.6 percent, from the FY 2015 agency estimate. The reduction is attributable to:

- A reduction of $325,000, all from federal funds, for one year of federal flood control grants;
- A reduction of $27,304 in salaries and wages primarily by increasing the program shrinkage amount by $244,734 and increasing unclassified temporary salaries by $197,252;
- A reduction of $4,000 in rent;
- An increase of $12,000 in other assistance allocated to the State revolving fund;

The **Governor** recommends expenditures of $677,201 a reduction of $2,863, or 0.4 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $700,290, including $127,221 from the State General Fund, an increase of $20,226, or 3.0 percent, from the FY 2015 agency estimate. The increase is predominantly attributable to the 27th payroll and fringe benefits.

The **Governor** recommends expenditures of $697,369, a reduction of $2,921, or 0.4 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

OFFICE OF FINANCIAL MANAGEMENT - NON-REPORTABLE
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,963,905	$ 2,323,282	$ 2,304,239	$ 2,105,904	$ 2,090,961	$ 2,202,058	$ 2,186,815
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	1,963,905	2,323,282	2,304,239	2,105,904	2,090,961	2,202,058	2,186,815
TOTAL	$ 1,963,905	$ 2,323,282	$ 2,304,239	$ 2,105,904	$ 2,090,961	$ 2,202,058	$ 2,186,815
FTE Positions	31.3	7.6	7.6	7.6	7.6	7.6	7.6
Non-FTE Uncl. Perm. Pos.	2.7	17.4	17.4	17.4	17.4	17.4	17.4
TOTAL	34.0	25.0	25.0	25.0	25.0	25.0	25.0

The **agency** requests FY 2016 expenditures of $2.1 million, all from special revenue funds a reduction of $217,378, or 9.4 percent, from the FY 2015 agency estimate. The reduction is attributable to eliminating vacant positions when moving the majority of the program from classified to unclassified service.

The **Governor** recommends expenditures of $2.1 million, a reduction of $14,943, or 0.7 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $2.2 million, all from special revenue funds an increase of $96,154, or 4.6 percent, from the FY 2016 agency request. The increase is

attributable to salary expenditures for fringe benefits and the 27th payroll ($85,154) and rent ($11,000).

The **Governor** recommends expenditures of $2.2 million, a reduction of $15,243, or 0.7 percent, from the FY 2017 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

J. Chief Financial Officer (Controlled)

The Office of Chief Financial Officer (CFO) was established July 1, 2013. The Chief Financial Officer has overall agency responsibility for preparing the State of Kansas' official Comprehensive Annual Financial Report (CAFR); performing annual audits over state agencies' expenditures, local funds, assets, accounts receivable, and other financial activity. The Office of Chief Financial Officer also chairs the bond disclosure committee, which provides the financial data and information necessary for bond issuances and refunds, and continuing disclosure requirements.

OFFICE OF THE CHIEF FINANCIAL OFFICER
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 796,405	$ 1,171,215	$ 1,159,293	$ 1,076,185	$ 1,068,965	$ 1,131,866	$ 1,124,502
Contractual Services	261,648	750,650	750,650	711,000	711,000	713,000	713,000
Commodities	1,725	8,400	8,400	9,000	9,000	9,000	9,000
Capital Outlay	4,003	14,000	14,000	11,000	11,000	11,000	11,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,063,781	$ 1,944,265	$ 1,932,343	$ 1,807,185	$ 1,799,965	$ 1,864,866	$ 1,857,502
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	11,267	0	0	0	0	0	0
TOTAL	$ 1,075,048	$ 1,944,265	$ 1,932,343	$ 1,807,185	$ 1,799,965	$ 1,864,866	$ 1,857,502
Financing:							
State General Fund	$ 887,211	$ 1,724,183	$ 1,714,112	$ 1,597,680	$ 1,591,735	$ 1,645,593	$ 1,639,529
All Other Funds	187,837	220,082	218,231	209,505	208,230	219,273	217,973
TOTAL	$ 1,075,048	$ 1,944,265	$ 1,932,343	$ 1,807,185	$ 1,799,965	$ 1,864,866	$ 1,857,502
FTE Positions	13.5	13.0	13.0	13.0	13.0	13.0	13.0
Non-FTE Uncl. Perm. Pos.	2.5	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	16.0	15.0	15.0	15.0	15.0	15.0	15.0

The **agency** requests FY 2016 expenditures of $1.8 million, including $1.6 million from the State General Fund, a reduction of $137,080, or 7.1 percent, from the FY 2015 agency estimate. The reduction is attributable to:

- A reduction of $80,412 for increased salaries and wages shrinkage;
- A reduction of $54,986 for employer contributions for group health insurance;
- An increase of $39,650 in contractual services mostly for general fees;

The **Governor** recommends expenditures of $1.8 million a reduction of $7,220, or 0.4 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $1.9 million, including $1.6 million from the State General Fund, an increase of $57,681, or 3.2 percent, from the FY 2016 agency request. The increase is predominantly attributable to the 27th payroll and fringe benefits.

The **Governor** recommends expenditures of $1.9 million, a reduction of $7,364, or 0.4 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

CHIEF FINANCIAL OFFICER - NON-REPORTABLE
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 629,152	$ 385,094	$ 381,353	$ 476,757	$ 474,469	$ 498,500	$ 496,166
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	629,152	385,094	381,353	476,757	474,469	498,500	496,166
TOTAL	$ 629,152	$ 385,094	$ 381,353	$ 476,757	$ 474,469	$ 498,500	$ 496,166
FTE Positions	2.5	3.0	3.0	3.0	3.0	3.0	3.0
Non-FTE Uncl. Perm. Pos.	2.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	4.5	4.0	4.0	4.0	4.0	4.0	4.0

The **agency** requests FY 2016 expenditures of $476,757, all from special revenue funds, an increase of $91,663, or 23.8 percent, from the FY 2015 agency estimate. The increase is attributable to eliminating the shrinkage allocation for FY 2016 ($60,412) and rent ($17,000).

The **Governor** recommends expenditures of $474,469, a reduction of $2,288, or 0.5 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $498,500, all from special revenue funds, an increase of $21,743, or 4.6 percent, from the FY 2016 agency request. The increase is attributable to salary expenditures for fringe benefits and the 27th payroll ($19,743) and rent ($11,000).

The **Governor** recommends expenditures of $496,166, a reduction of $2,334, or 0.5 percent, from the FY 2017 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

K. Public Broadcasting Council (Not Controlled)

The Public Broadcasting Council coordinates all public broadcasting activities in the state. Grants are provided through the Department of Administration to support the 10 public broadcasting television and radio stations in the state. Generally, grants are distributed among the stations based on a statutory formula. There is no non-reportable budget component in this program. There are no FTE positions in this program.

PUBLIC BROADCASTING
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Contractual Services	0	0	0	0	0	0	0
Commodities	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	600,000	600,000	588,000	2,406,321	0	2,849,447	0
TOTAL	$ 600,000	$ 600,000	$ 588,000	$ 2,406,321	$ 0	$ 2,849,447	$ 0
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	600,000	600,000	588,000	2,406,321	0	2,849,447	0
TOTAL	$ 600,000	$ 600,000	$ 588,000	$ 2,406,321	$ 0	$ 2,849,447	$ 0
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The **Public Broadcasting Council** requests expenditures of $2.4 million in FY 2016. The budget recommendation reflects the Council intent to restore funding for public broadcasting to FY 2009 levels ($2,249,447) over a two-year period. The Council states that the reduction in funding has significantly

restricted the ability of KPBC to fully achieve the statutory expectations established by the legislature.

The **Governor** does not recommend adoption of the agency enhancement request and further recommends that the budget for the Public Broadcasting Council be moved to the Department of Commerce.

The **Public Broadcasting Council** requests expenditures of $2.9 million in FY 2017. The budget recommendation reflects the Council intent to restore funding for public broadcasting to FY 2009 levels ($2,249,447) over a two-year period. The Council states that the reduction in funding has significantly restricted the ability of KPBC to fully achieve the statutory expectations established by the legislature.

The **Governor** does not recommend adoption of the agency enhancement request and further recommends that the budget for the Public Broadcasting Council be moved to the Department of Commerce.

L. Office of Systems Management (Controlled)

The Office of Systems Management provides the following major, central system services to all state agencies: purchasing, accounting, human resources, payroll, and a reporting database for business intelligence software. The responsibilities for these systems include: development; implementation; training of users; modifications needed to support user requirements, federal and state laws, and Kansas Regulations; issuing policies and procedures in support of system administration; preparing and distributing information and reports that support agency requirements as well as outside entities; and providing assistance to customers and stakeholders, in support of the Department of Administration's vision of leading the enterprise toward a shared service organization by modeling innovation, teamwork, efficient business practices, and quality customer service.

OFFICE OF SYSTEMS MANAGEMENT
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 646,202	$ 995,738	$ 985,435	$ 668,939	$ 662,928	$ 705,300	$ 699,169
Contractual Services	2,000,148	843,500	789,748	962,300	732,491	871,000	637,367
Commodities	0	9,000	9,000	0	0	0	0
Capital Outlay	0	50,000	50,000	53,000	53,000	53,000	53,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 2,646,350	$ 1,898,238	$ 1,834,183	$ 1,684,239	$ 1,448,419	$ 1,629,300	$ 1,389,536
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	8,886	0	0	0	0	0	0
TOTAL	$ 2,655,236	$ 1,898,238	$ 1,834,183	$ 1,684,239	$ 1,448,419	$ 1,629,300	$ 1,389,536
Financing:							
State General Fund	$ 2,655,236	$ 1,898,238	$ 1,834,183	$ 1,864,239	$ 1,448,419	$ 1,629,300	$ 1,389,536
All Other Funds	0	0	0	0	0	0	0
TOTAL	$ 2,655,236	$ 1,898,238	$ 1,834,183	$ 1,864,239	$ 1,448,419	$ 1,629,300	$ 1,389,536
FTE Positions	8.1	4.0	4.0	4.0	4.0	4.0	4.0
Non-FTE Uncl. Perm. Pos.	3.0	8.0	8.0	8.0	8.0	8.0	8.0
TOTAL	11.1	12.0	12.0	12.0	12.0	12.0	12.0

The **agency** requests FY 2016 expenditures of $1.7 million, all from the State General Fund, a reduction of $213,999, or 11.3 percent, from the FY 2015 agency estimate. The reduction is attributable to salaries and wages of $326,799. The agency moved these State General Fund salaries expenditures to the off-budget portion of the program. The reductions were partially offset by increasing the contractual service fees for the repairing and servicing of equipment by $134,000, rent by $36,800, and communication expenditures by $16,000.

The Governor recommends expenditures of $1.5 million, a reduction of $235,820, or 14.0 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction. The agency chose to allocate the largest portion of the agency's 4.0 percent operating reduction to this program.

The **agency** requests FY 2017 expenditures of $1.6 million, all from the State General Fund, a reduction of $54,939, or 3.3

percent, from the FY 2016 agency request. The reduction is attributable to fees for other service ($91,300) and partially offset by salary expenditures for the 27th payroll and fringe benefits ($36,361).

The **Governor** recommends expenditures of $1.4 million, a reduction of $239,764, or 14.7 percent, from the FY 2017 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction. The agency chose to allocate the largest portion of the agency's 4.0 percent operating reduction to this program.

OFFICE OF SYSTEMS MANAGEMENT - NON-REPORTABLE
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 7,981,393	$ 8,993,184	$ 8,964,033	$ 9,100,450	$ 9,072,640	$ 9,374,602	$ 9,346,235
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	7,981,393	8,993,184	8,964,033	9,100,450	9,072,640	9,374,602	9,346,235
TOTAL	$ 7,981,393	$ 8,993,184	$ 8,964,033	$ 9,100,450	$ 9,072,640	$ 9,374,602	$ 9,346,235
FTE Positions	23.0	6.0	6.0	6.0	6.0	6.0	6.0
Non-FTE Uncl. Perm. Pos.	20.0	35.0	35.0	35.0	35.0	35.0	35.0
TOTAL	43.0	41.0	41.0	41.0	41.0	41.0	41.0

The **agency** requests FY 2016 expenditures of $9.1 million, all from special revenue funds, an increase of $107,266, or 1.2 percent, from the FY 2015 agency estimate. The increase is attributable to:

- An increase of salaries and wages of $740,146, or 25.5 percent, from the FY 2015 agency estimate. This offsets the agency's reduction of $326,799 from the on-budget portion of the program. The agency also increased expenditures shifting employees from the classified to the unclassified service. Finally, the increase is attributable to employer contributions for state employee retirement.

- A reduction of $278,880 in contractual service mostly allocated to general fees related to licensing of Oracle software and the annual maintenance contract for SMART and SHARP.

- A reduction of $344,000 in capital outlay. This reduction is related to bulk purchasing agreements for software.

The **Governor** recommends expenditures of $9.1 million, a reduction of $27,810, or 0.8 percent, from the FY 2016 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

The **agency** requests FY 2017 expenditures of $9.4 million, all from special revenue funds, an increase of $274,152, or 3.0 percent, from the FY 2016 agency request. The increase is attributable to salary expenditures for fringe benefits and the 27th payroll ($177,852), software licensing fees ($96,300), and rent ($5,000).

The **Governor** recommends expenditures of $9.3 million, a reduction of $28,367, or 0.3 percent, from the FY 2017 agency request. The reduction is attributable to an 8.5 percent reduction in employer contributions for employee health insurance and a 4.0 percent operating reduction.

M. Debt Service

The Department of Administration budgets and pays the debt service on a number of different bonds issued for a variety of reasons. Since 2001, the Department has being paying the debt service on bonds issued to assist Kansas public television stations to switch from analog to digital formats. Also beginning in 2001 the Department began paying debt service on bonds issued for renovation of the Kansas Statehouse. There have been 14 subsequent bond issuances for the Statehouse renovation and the debt service on all of these are paid by the Department.

In 2004 the Department began paying the debt service on $500,000,000 worth of bonds issued for KPERS. In 2006, $210,000,000 worth of bonds were issued for the Department of Transportation's Comprehensive Highway Program and the Department is scheduled to make annual payments on these bonds until FY 2027. In 2010 the Department began making debt service payments on bonds issued for the National Bio and Agro-Defense Facility (NBAF). To date there has been over $32,000,000 in bonds issued for NBAF and the last payment is scheduled to be paid in FY 2030.

In FY 2013 the Department received funding to pay off four bond issuances from the Expanded Lottery Act Revenues Fund (ELARF): 2001 W-5, 2002-C, 2001-L and 2001 W-4. Both 2001 W-5 and 2002-C were bonds issued for the Statehouse Renovation. 2001-L was issued for Public Broadcasting digital conversion, and the bond series 2001-W4 was issued for improvements at the Kansas Judicial Center. The Department anticipates completing the payments on all four series by November 1, 2012.

DEBT SERVICE
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Statehouse Renovations	$ 11,693,064	$ 11,578,785	$ 10,849,596	$ 11,119,212	$ 10,725,638	$ 10,662,135	$ 9,268,311
KDOT CTP Plan	16,148,312	16,146,050	14,568,401	16,148,250	15,789,712	16,150,556	15,792,018
KPERS	36,138,850	36,135,483	36,135,483	36,134,414	36,134,414	36,132,681	36,132,681
Restructuring	2,182,023	2,200,851	2,200,851	2,150,798	2,150,798	2,094,328	2,094,328
National Bio-Agro Defense Facility	3,014,599	3,343,724	3,343,724	3,247,982	7,326,857	3,139,786	7,926,736
Public Broadcasting Digital Conversion	148,328	144,769	144,769	141,150	141,150	129,944	129,944
TOTAL	$ 69,325,176	$ 69,549,662	$ 67,242,824	$ 68,941,806	$ 72,268,569	$ 68,309,430	$ 71,344,018
Financing:							
State General Fund	$ 34,635,998	$ 25,416,610	$ 23,109,772	$ 35,404,554	$ 29,110,517	$ 35,122,178	$ 28,435,966
State Highway Fund	0	9,195,000	9,195,000	0	9,620,800	0	9,720,800
Expanded Lottery Act Revenues Fund	34,689,178	34,938,052	34,938,052	33,537,252	33,537,252	33,187,252	33,187,252
TOTAL	$ 69,325,176	$ 69,549,662	$ 67,242,824	$ 68,941,806	$ 72,268,569	$ 68,309,430	$ 71,344,018
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The **agency** requests $68.9 million for debt service payments in FY 2016, a reduction of $607,856 all funds and a State General Fund increase of $10.0 million, or 39.3 percent. The increase is attributable to the agency not requesting State Highway Funds for debt service on the Statehouse and requesting that they be paid from the State General Fund. All debt service is interest only except KPERS Pension Obligation bonds and the KDOT CTP plan which include both principal and interest.

The **Governor** recommends $72.3 million for debt service in FY 2016. An all funds increase of $3.3 million, or 4.8 percent, and a State General Fund reduction of $6.3 million, of 17.8 percent. The increase is attributable to the Governor adding

$4.1 million in debt service interest on the National Bio and Agro-Defense Facility and offset the addition by adding $9.6 million from the State Highway Fund to replace State General Funded debt service on the Statehouse. The Governor also recommends bond refinancing on the Statehouse debt and the KDOT CTP bonds.

The **agency** requests $68.3 million for debt service payments in FY 2017, a reduction of $632,376 all funds and a State General Fund reduction $282,376, or 0.8 percent.

The **Governor** recommends $71.3 million for debt service in FY 2017. An all funds increase of $3.0 million, or 4.4 percent, and a State General Fund reduction of $6.7 million, of 19.0 percent from the FY 2017 agency estimate. The increase is attributable to the Governor adding $4.1 million in debt service interest on the National Bio and Agro-Defense Facility and offset the addition by adding $9.7 million from the State Highway Fund to replace State General Funded debt service on the Statehouse. The Governor also recommends bond refinancing on the Statehouse debt and the KDOT CTP bonds.

CAPITAL IMPROVEMENTS

	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Rehabilitation and Repair:						
Capitol Complex	$ 2,058,075	$ 2,058,075	$ 4,052,151	$ 1,975,752	$ 3,000,000	$ 1,975,753
Statehouse & Cedar Crest	164,905	107,961	200,000	147,588	200,000	147,588
Judicial Center	76,939	76,939	250,000	73,861	250,000	73,861
Subtotal	$ *2,299,919*	$ *2,242,975*	$ *4,502,151*	$ *2,197,201*	$ *3,450,000*	$ *2,197,202*
Debt Service Principal:						
Statehouse Renovations	$ 12,050,000	$ 12,050,000	$ 13,020,000	$ 13,020,000	$ 12,920,000	$ 12,920,000
Restructuring	1,345,000	1,345,000	1,380,000	1,380,000	1,440,000	1,440,000
National Bio-Agro Defense Facility	2,710,000	2,710,000	2,840,000	14,914,650	2,945,000	14,311,950
Public Broadcasting Digital Conversion	75,000	75,000	80,000	80,000	85,000	85,000
Revenue Bonds Refunding	15,000	15,000	15,000	15,000	360,000	360,000
Subtotal	$ *16,195,000*	$ *16,195,000*	$ *17,335,000*	$ *29,409,650*	$ *17,750,000*	$ *29,116,950*
TOTAL	$ 18,494,919	$ 18,437,975	$ 21,837,151	$ 31,606,851	$ 21,200,000	$ 31,314,152
Financing:						
State General Fund	$ 6,354,919	$ 6,297,975	$ 19,101,351	$ 18,491,851	$ 18,114,200	$ 17,949,152
State Highway Fund	10,805,000	10,805,000	0	10,379,200	0	10,279,200
Expanded Lottery Act Revenues Fund	1,335,000	1,335,000	2,735,800	2,735,800	3,085,800	3,085,800
TOTAL	$ 18,494,919	$ 18,437,975	$ 21,837,151	$ 31,606,851	$ 21,200,000	$ 31,314,152

Current Year Agency Estimate

FY 2015– Current Year. The agency estimates capital improvement and debt service principal expenditures of $18.5 million, including $6.3 million from the State General Fund, an increase of $11,168, or 0.1 percent, from the FY 2015 approved budget. The increase is attributable to the 4.0 percent allotment reduction and was allocated to rehabilitation and repair of state facilities. The request includes $16.2 million in debt service principal payments.

Current Year Governor Recommendation

The **Governor** concurs with the FY 2015 agency request with the exception of rehabilitation and repair on the Statehouse and Cedar Crest. The Governor recommends reducing rehabilitation and repair by $56,944 from $164,905 to $107,961. This is part of the Governor's FY 2015 allotment.

Budget Year Agency Request

FY 2016– Budget Year. The agency requests capital improvements and debt service principal expenditures of $21.8 million, an all funds increase of $3.3 million, or 18.1 percent, and a State General Fund increase of $12.7 million, or 200.6 percent, from the FY 2015 agency estimate.

The all funds increase is attributable to increasing the rehabilitation and repair requests by $2.2 million, mostly for rehabilitation and repair of the capitol complex by $1.1 million. Debt Service principal payments increased by $1.1 million due to the shift to principal as the debt is paid off.

Budget Year Governor Recommendation

The **Governor** recommends capital improvements and debt service principal expenditures of $31.6 million, an all funds increase of $9.8 million, or 44.7 percent, and a State General Fund reduction of $609,500, or 3.2 percent, from the FY 2016 agency estimate.

The Governor reduced rehabilitation and repair recommendations by $2.2 million, returning the rehabilitation and repair budget to the FY 2015 level minus a 4.0 percent across the board reduction.

The Governor added $12.1 million for debt service on the National Bio and Agro-Defense Facility for a total debt service principal payment of $29.4 million for FY 2016. The Governor partially offset the State General Fund portion of this increase by swapping State General Fund debt service on the Statehouse with $10.4 million from the State Highway Fund.

Budget Year Agency Request

FY 2017– Budget Year. The agency requests capital improvements and debt service principal expenditures of $21.2 million, an all funds reduction of $637,151, or 2.9 percent, and a State General Fund reduction of $987,151, or 5.2 percent, from the FY 2015 agency estimate.

The all funds reduction is attributable to reducing the rehabilitation and repair request on the capital complex by $2.2 million, mostly for rehabilitation and repair of the capitol complex. Debt Service principal payments increased by $415,000 due to the shift to principal as the debt is paid off.

Budget Year Governor Recommendation

The **Governor** recommends capital improvements and debt service principal expenditures of $31.3 million, an all funds increase of $10.1 million, or 47.7 percent, and a State General Fund reduction of $165,048, or 0.9 percent, from the FY 2017 agency estimate.

The Governor reduced rehabilitation and repair recommendations by $1.3 million, holding the rehabilitation and repair budget at the FY 2016 level.

The Governor added $11.4 million for debt service on the National Bio and Agro-Defense Facility for a total debt service principal payment of $29.4 million for FY 2016. The Governor partially offset the State General Fund portion of this increase by swapping State General Fund debt service on the Statehouse with $10.3 million from the State Highway Fund.

Capital Improvements Projects

Capitol Complex Rehabilitation and Repair: The **agency** requests $2.1 million in FY 2015, $4.1 million for FY 2016 and $3.0 million in FY 2017 all from the State General Fund. The fund is used for major maintenance and repair projects for the Landon, Docking, Curtis, and Eisenhower buildings. Projects include repairing pumps and bearings, repairing and replacing plumbing, repairing and replacing windows due to storm damage, repairing leaky roofs, asbestos abatement, minor building refurbishments, and replacement of major equipment components.

The fund has been used to replace the utility tunnel running between the Statehouse to the Landon Building and the Judicial Center. The tunnel provides service to the entire capitol complex. Repairs to the tunnel required that Jackson Street be closed during the 2009 interim. The back fill of the previous tunnel and landscaping of the area was completed during FY 2011.

State Facilities Rehabilitation and Repair: The **agency** requests $164,905 in FY 2015, $200,000 for FY 2016 and $200,000 in FY 2017 all from the State General Fund. This funding would be used for emergency repairs of major equipment at the Statehouse and Cedar Crest. Any remaining funds are used on maintenance projects to prevent emergency projects in the future at Cedar Crest.

Judicial Center Rehabilitation and Repair: The **agency** requests $76,939 in FY 2015, $250,000 for FY 2016 and FY 2017 all from the State General Fund. This funding would be

used for emergency repairs on major equipment at the Judicial Center. Any remaining funds are used on maintenance projects to prevent emergencies in the future.

Reportable Debt Service Principal

The **agency's** request includes $18.5 million in FY 2015, including $6.4 million from the State General Fund, $10.8 million from the State Highway Fund, and $1.3 million from the Expanded Lottery Act Revenues fund.

The **agency's** request includes $17.3 million in FY 2016, including $19.1 million from the State General Fund, $2.7 million from the Expanded Lottery Act Revenues fund.

The **agency's** request includes $17.8 million in FY 2017, including $18.1 million from the State General Fund and $3.1 million from the Expanded Lottery Act Revenues fund.

The principal payments are for bonded indebtedness on the debt service restructuring, the Statehouse renovation, Restructuring Debt Service, Public Broadcasting Debt Service and the National Bio and Agro-Defense Facility.

The **Governor** concurs with the agency debt service principal requests. The Governor further recommends for FY 2016 the deletion of $10.4 million, all from the State General Fund, for debt service principal payments on the Kansas Statehouse Restoration bonds and an equivalent amount of State Highway Fund added to supplant the payment. The Governor also recommends adding $12.1 million in debt service principal for the National Bio and Agro-Defense Facility.

The **Governor** concurs with the agency debt service principal requests. The Governor further recommends for FY 2017 the deletion of $10.3 million, all from the State General Fund, for debt service principal payments on the Kansas Statehouse Restoration bonds and an equivalent amount of State Highway Fund added to supplant the payment. The Governor also recommends adding $11.4 million in debt service principal for the National Bio and Agro-Defense Facility.

OFF BUDGET - CAPITAL IMPROVEMENTS

	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Rehabilitation and Repair:						
Printing Plant	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Projects:						
Landon Windows	1,500,000	1,500,000	0	0	0	0
Energy/Service Center	0	0	9,125,000	0	0	0
Subtotal	*1,500,000*	*1,500,000*	*9,125,000*	*0*	*0*	*0*
Debt Service Principal:						
Memorial Hall	325,000	325,000	340,000	340,000	360,000	360,000
Eisenhower State Office Building	1,330,000	1,330,000	1,390,000	1,390,000	1,450,000	1,450,000
State of Kansas Projects	505,000	505,000	525,000	525,000	590,000	590,000
Subtotal	*2,160,000*	*2,160,000*	*2,255,000*	*2,255,000*	*2,400,000*	*2,400,000*
TOTAL	$ 3,735,000	$ 3,735,000	$ 3,735,000	$ 3,735,000	$ 3,735,000	$ 3,735,000
Financing:						
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	3,735,000	3,735,000	11,455,000	2,330,000	2,475,000	2,475,000
TOTAL	$ 3,735,000	$ 3,735,000	$ 11,455,000	$ 2,330,000	$ 2,475,000	$ 2,475,000

The **agency** requests $3.7 million in FY 2015 and $11.5 million FY 2016 and $2.5 million in FY 2017 for non-reportable capital improvements, all from special revenue funds, including the following:

Projects:

Landon Windows: The agency is requests $1.5 million, all from special revenue funds, for Landon Window replacement in FY 2015. This portion of the project is related to the West and North facing portions of the building which are currently being replaced. The South and East facing portions of the building are being requested in FY 2016 to be paid from the State General Fund.

Energy Service Center: The Department of Administration requests funding to build a new Energy Service Facility.

Currently, The Docking State Office Building houses the boilers for steam heat for Docking, Statehouse, Landon, Memorial, Curtis, and Kansas Judicial Center. The boilers were installed in 1984 and are past their useful service life of25 to 30 years.

Chillers are also housed in the Docking State Office Building, to provide cooling for Docking State Office Building and the Statehouse. Chilled water piping was extended by tunnels to Landon and Memorial, providing the opportunity for better operational efficiency.

The Docking State Office Building also houses maintenance shops, construction shops, and a warehouse Facilities uses for the Capital Complex. The Capital Police dispatch, central monitoring, and offices are also housed in Docking. This request is to build a new energy/ service facility to house all of these functions.

Debt Service Principal - Off Budget

Memorial Hall: In 1998, the Kansas Development Finance Authority issued bonds for the remodeling of Memorial Hall. Rents from tenant agencies are deposited in the State Buildings Operating Fund. The bonds will be fully paid off in FY 2019.

Eisenhower State Office Building: The Legislature gave statutory authority for the Secretary of Administration to purchase and remodel the Eisenhower State Office Building. Remodeling work included modifications for building code compliance and hazardous material abatement. Other work included structural modifications for high-density file storage, floor plan reconfigurations, telecommunications upgrade,security system upgrade; fire alarm upgrade and Uninterrupted-Power-Source (UPS) replacement. The bonds will be fully paid off in FY 2031.

State of Kansas Project Refunding: In FY 2010, the Kansas Development Finance Authority, refinanced the bonds on the repairs to Landon described above and the Topeka State Hospital. The refinancing was not related to the interest only refinancing undertaken for budgetary reasons in FY 2009, but was done by the KDFA during its normal course of business as part of a interest rate refinance screening. The bonds will be fully paid off in FY 2034.

Rehabilitation and Repair - Off Budget

Printing Plant: The agency requests $75,000, all from special revenue funds, for FY 2015 through FY 2017. This fund is used for rehabilitation and repair or mechanical components and systems that are beyond its useful life.

The **Governor** concurs with the agency non-reportable capital improvement requests for FY 2015 through FY 2017 with the exception of the new Energy Service Center.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of agency training sessions for legal training	12	12	12	12	12
Private funding received by member stations of the Public Broadcasting Council (in millions)	$14.0	$14.0	$14.0	$14.0	$14.0
Percent of Help Desk calls resolved in 2 hours	95.0%	95.0%	95.0%	95.0%	95.0%
Number of hours of normally chargeable time that was charged to spoilage	215	68	75	75	75
Number of municipalities enrolled in the Kansas Debt Recovery System	727	727	737	747	757
Percent of municipal audit reports posted to the municipal services website	83.0%	91.0%	100.0%	100.0%	100.0%
Number of transparency subject areas available on KanView	5	5	6	7	7
Sales of Fixed Price Vehicle Program	$1,500,000	$1,336,053	$1,500,000	$1,750,000	$1,800,000
Number of fixed price vehicles sold	125	102	125	140	145
Number of Help Desk calls per month	1,750	1,750	1,750	1,750	1,750
Percent of deviation of actual fiscal year expenditures versus final approved State General Fund budgets	0.10%	0.24%	0.15%	0.15%	0.15%
Percent of fiscal notes completed by the bills' hearing date	100.0%	100.0%	100.0%	100.0%	100.0%
Percent of state agencies visited in the fiscal year	80.0%	66.3%	70.0%	70.0%	70.0%
Number of human resources positions reduced statewide since FY 2011	51	53	55	57	60
Statewide salary savings from the reduction of human resources positions	$2,176,812	$2,391,417	$2,467,872	$2,547,000	$2,667,000

Kansas Public Employees Retirement System

	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	$ 3,206,401	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Other Funds	48,561,814	51,234,869	51,143,365	52,660,641	52,583,083	54,662,659	54,584,761
TOTAL	$ 51,768,215	$ 51,234,869	$ 51,143,365	$ 52,660,641	$ 52,583,083	$ 54,662,659	$ 54,584,761
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	**$ 51,768,215**	**$ 51,234,869**	**$ 51,143,365**	**$ 52,660,641**	**$ 52,583,083**	**$ 54,662,659**	**$ 54,584,761**
Percentage Change:							
Operating Expenditures							
State General Fund	(0.1) %	(100.0) %	(100.0) %	-- %	-- %	-- %	-- %
All Funds	9.9	(1.0)	(1.2)	2.8	2.8	3.8	3.8
FTE Positions	98.4	98.4	98.4	98.4	98.4	98.4	98.4
Non-FTE Perm.Uncl.Pos.	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL	101.4	101.4	101.4	101.4	101.4	101.4	101.4

AGENCY OVERVIEW

The Kansas Public Employees Retirement System (KPERS) administers three statewide coverage groups: KPERS State, School and Local (for regular state and local public employees, school district, technical college and community college employees, Regents classified employees and certain Regents unclassified staff with pre-1962 service, and state correctional officers), the Kansas Police and Firemen's Retirement System (for certain designated state and local public safety employees), and the Kansas Retirement System for Judges (for the state's judicial system judges and justices). All coverage groups are defined benefit, contributory retirement plans and have as members most public employees in Kansas. KPERS also administers other employee benefit programs: the State Deferred Compensation program, a public employee death and long-term disability benefits plan; an optional term life insurance program; a Kansas City, Kansas annuitant program; and a legislative session-only employees retirement program.

KPERS also performs non-KPERS duties in managing investments of non-KPERS moneys that include two funds: the Kansas Endowment for Youth Fund and the Treasurer's Unclaimed Property Fund. A nine-member Board of Trustees is the governing body for the KPERS. Four members are appointed by the Governor and confirmed by the Senate. One member is appointed by the President of the Senate. One member is appointed by the Speaker of the House. Two members are elected by KPERS members. One member is the State Treasurer. The Board appoints the Executive Director who administers the agency operations for the Board.

MAJOR ISSUES FROM PRIOR YEARS

Death and Disability Benefits. Since 1966, the Death and Long-Term Disability Benefits program has provided death and disability benefits for active KPERS members and unclassified employees of the Board of Regents and its institutions. Employers currently contribute a statutory rate of 1.0 percent of covered payroll to pay for basic group life insurance and long-term disability protection. Employees do not pay for the basic benefits, but may choose to purchase optional term life insurance on an individual basis. The 2005 Legislature adopted a number of changes in the program in order to make it self-sustaining on a pay-as-you-go basis, including an increase in the employer contribution rate from 0.6 to 1.0 percent effective in FY 2007.

State Deferred Compensation Program. The 2007 Legislature transferred administration of the program from the Department of Administration to KPERS. The KPERS Board of Trustees is assigned responsibility to administer the plan. The Director of Accounts and Reports retains responsibility for payroll deferrals and deductions for state employees who participate in the plan. The Administrative Oversight Committee on Deferred Compensation was abolished and the KPERS Board of Trustees assumed the responsibilities of monitoring the plan. Local units of government also are authorized for their employees to participate in the program. Only the administrative cost portion of this program is included in the agency's budget request since it operates as an employee savings plan, with a small portion of those revenues used to finance operating

expenditures of the plan for personnel and service provider contracts.

Retirement Contributions. During recent years, the Legislature has taken action to increase state and local employer contributions to provide enhanced resources for the long-term financing of KPERS. The Legislature also authorized issuance of $500.0 million in pension obligation bonds to be repaid from the State General Fund in order to augment state employer contribution increases that KPERS will receive over the next 25 years. The pension obligation bonds are reflected in the Department of Administration's budget rather than in the KPERS budget.

The **2003 Legislature** incorporated the 13th check into a guaranteed annual benefit payment by permanently funding the state and local portions of the unfunded actuarial liability estimated at $35.9 million. The state portion was financed by a $24.9 million bond issue to provide the actuarially required funding for the remaining periods that benefits will be paid. The 10-year bond issue is paid from an increase in the state's employer contribution rate that began in FY 2005. The local portion was added to the unfunded actuarial liability for that group and a rate increase began in calendar year 2005 to amortize the $11.0 million liability to make the payment permanent for local retirees and their beneficiaries. This bond issue addressed a closed group of approximately 15,000 KPERS state retirees and beneficiaries as of 2003 who are guaranteed annual benefits for their remaining life. No additional people may be included in this closed 13th check group and by 2007 the number had declined to less than 10,000 who received the benefit payment. The annual bond payment mechanism includes an appropriation from the State General Fund that is used to make the principal and interest payment, with the State General Fund being reimbursed at the end of a fiscal year after employer contributions for the bond payments are collected over the preceding 12-month period. This financing is included in the KPERS budget and is the only State General Fund appropriation for this agency that appears each fiscal year while bond payments are being paid and reimbursed by collections. The final bond payment is scheduled to occur in FY 2014.

The **2003 Legislature** authorized issuance of $500.0 million in pension obligation bonds, and KPERS received net proceeds of $440.2 million in March of 2004 that were invested. The 30-year bond issue is being repaid from the State General Fund and is included in the Department of Administration budget. A three-year graduated schedule of interest-only payments concluded in FY 2008 with a $26.1 million State General Fund expenditure. Beginning in FY 2009, both principal and interest will be paid annually, with expenditures to average $36.1 million per year for 27 years.

In **2006**, the agency proposed three additional information technology projects: platform consolidation, security enhancements, and hot site backup. When costs are combined for the first two projects, expenditures would total an estimated $2.6 million over a two-year period. A third technology project would cost under $250,000 to provide a backup site for disaster recovery. The 2007 Legislature approved expenditures in FY 2008 to begin these projects, with additional funding included in the agency's FY 2009 request to complete the projects under development.

The **2008 Legislature** authorized 2.0 new FTE positions to assist with the increasing number of new retirees.

The **2008 Legislature** approved a one-time benefit bonus payment of $300 in FY 2009, payable to all eligible members who retired or became disabled on or before July 1, 1998. The cost was estimated to be $9.42 million and provided a benefit to 31,391 retired members, beneficiaries and disabled members in both state and local government.

The **2009 Legislature** passed Senate Sub. for HB 2072 which amended certain statutes for the Kansas Police and Firemen's (KP&F) Retirement System and the Kansas Public Employees Retirement System (KPERS). Several of the changes are summarized below.

- **Waiting Period After Retirement for KPERS Retirees.** The bill increased the break-in-service requirement from 30 to 60 days after retirement for all new KPERS retirees before they can return to work for any KPERS participating employer, and included all members of the KPERS plan, including state, school, and local employees. Members of the Retirement System for Judges or the KP&F Retirement System were not affected.

- **Working After Retirement for Contractors.** The bill clarifies the statutory provisions pertaining to retirees of KPERS who return to work after retirement as contracted employees. Under the bill, retirees who provide teaching and administrator services to a participating employer through a third-party contractor are subjected to the same state policies as other KPERS retirees who return to work as individuals. Lastly, the bill exempted any third-party contracts that were effective prior to April 1, 2009.

- **Three-Year Salary Cap Exemption for School Professionals.** The bill provided a three-year exemption from the $20,000 earnings limitation, from July 1, 2009 through June 30, 2012, in which retired licensed public school employees (teachers and administrators) who are members of the KPERS School Group may return to work for the same KPERS participating employer from which they retired. The bill required special payments from all public school employers who employ such licensed KPERS school group retirees and the payments and be based on a contribution rate equal to the employer actuarial rate plus an additional 8.0 percent. The 2012 Legislature extended the three-year salary cap exemption for school professionals in Senate Sub. for Sub. for HB 2333 to July 1, 2015.

The **2010 Legislature** passed HB 2107 which permits affiliation by the Adjutant General with the Kansas Police and Fireman's (KP&F) Retirement System in order to provide membership to certain qualified firefighters and to offer enhanced benefits for future service.

The **2011 Legislature** passed Sen. Sub. for HB 2194 which is aimed at reducing the KPERS unfunded actuarial liability. Additionally, the bill created the KPERS Study Commission which was charged with reviewing changes to KPERS. The Commission submitted a report to the 2012 Legislature with proposed changes and recommendations.

The **2012 Legislature** added $447,534, all from the Kansas Public Employees Retirement System Trust Fund, to restore the agency's FY 2013 enhancement request for costs associated with implementation of HB 2194.

The **2012 Legislature** added $2,750,000, all from the Kansas Public Employees Retirement System Trust Fund, and 11.0 FTE positions, to implement HB 2333 which created a new defined benefit retirement plan, or cash balance plan, for state employees which begins in 2015. The bill adds a new Tier 3 for new hires on or after January 1, 2015. New employees would pay an employee contribution rate of 6.0 percent and the employer contribution would be set at 3.0 percent to 6.0 percent based upon years of service. Interest credits would be set at an

annual 5.25 percent guaranteed interest on employee and employer account balances. Possible additional interest credits of up to 4.0 percent may be granted by the KPERS Board based on KPERS' actual investment returns and funding. The bill also increased some current employee contributions from 4.0 percent to 5.0 percent in 2014 and then to 6.0 percent in 2015. If allowed by the Internal Revenue Service, the current employee could maintain 4.0 percent contribution rate with a lower benefit in the future.

The **2013 Legislature** passed HB 2213, which modifies the Kansas Police and Firemen's Retirement System (KP&F). The bill adjusted the benefit structure of KP&F by raising the cap on annual benefits from 80.0 percent of final average salary to 90.0 percent of the final average salary. KP&F members will now contribute 7.15 percent of annual compensation for all years of service. Previously, members contributed 7.0 percent for up to 32 years of service, and then 2.0 percent for years of service beyond 32 years. The increase in the member contribution rate is estimated to make the benefit increase cost neutral to employers. The 2013 Legislature also adjusted the KPERS Death and Disability employer contribution rate from 1.0 to 0.85 percent for FY 2014 and FY 2015. It is scheduled to return to 1.0 percent in FY 2016.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates revised FY 2015 operating expenditures of $51,234,869, all from special revenue funds. The estimate is an increase of $4,971,549, or 10.7 percent, above the amount approved by the 2014 Legislature. The increase is primarily attributable to increased contractual services expenditures and increased salary and wage expenditures, these increases are partially offset by reduced capital outlay expenditures. The estimate includes 98.4 FTE positions and 3 non-FTE positions, the same as the 2015 approved amount.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of $51,143,365, all from special revenue funds. The recommendation is a decrease of $91,504, or 0.2 percent, below the agency's revised FY 2015 estimate. The reduction 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 $52,660,641, all from special revenue funds. The request is an increase of $1,425,772, or 2.8 percent, above the agency's revised FY 2015 estimate. The increase is primarily attributable

to increased contractual service expenditures, specifically investment management fees, as well as increased expenditures on salaries and wages and capital outlay. The estimate includes 98.4 FTE positions and 3 non-FTE positions, the same as the 2015 approved amount.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $52,583,083, all from special revenue funds. The recommendation is a decrease of $77,558, or 0.1 percent, below the agency's FY 2016 request. The reduction of $77,558 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance.

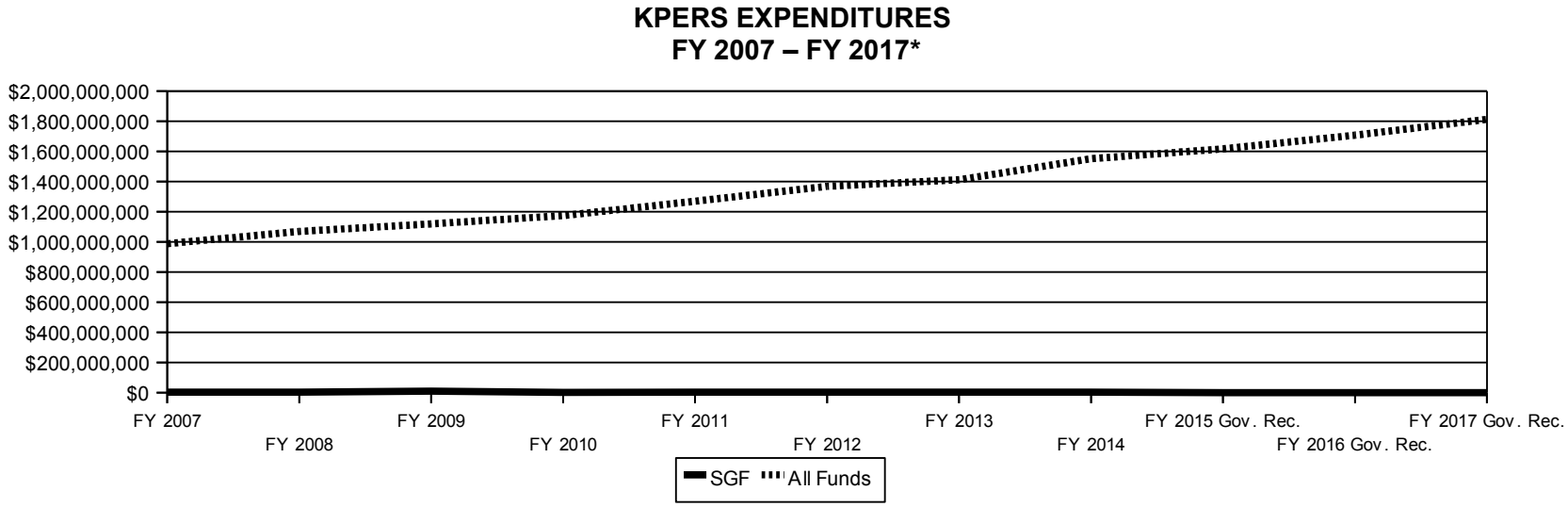
FY 2017 Agency Request

The **agency** requests FY 2017 operating expenditures of $54,662,659, all from special revenue funds. The request is an increase of $2,002,018, or 3.8 percent, above the agency's FY 2016 request. The increase is primarily attributable to contractual services, specifically investment management fees and salary and wage expenditures, stemming from a 27th pay period that occurs in the fiscal year. The estimate includes 98.4 FTE positions and 3 non-FTE positions, the same as the 2015 approved amount.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $54,584,761, all from special revenue funds. The recommendation is a decrease of $77,898, or 0.1 percent, below the agency's FY 2017 request. The reduction of $77,898 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds*	% Change	FTE
2007	$ 3,213,180	0.0 %	$ 987,941,252	6.9 %	85.3
2008	3,507,635	9.2	1,068,887,539	8.2	86.3
2009	9,586,393	173.3	1,118,857,420	4.7	87.3
2010**	638,812	(93.3)	1,173,844,225	4.9	87.3
2011	3,213,611	403.1	1,269,517,903	8.2	87.3
2012	3,210,083	(0.1)	1,367,968,498	7.8	86.3
2013	3,208,979	(0.0)	1,411,760,378	3.2	97.4
2014	3,206,401	(0.1)	1,551,251,421	9.9	98.4
2015 Gov. Rec.	0	(100.0)	1,616,819,165	4.2	98.4
2016 Gov. Rec.	0	--	1,707,430,383	5.6	98.4
2017 Gov. Rec.	0	--	1,811,980,361	6.1	98.4
Eleven-Year Change	$ (3,213,180)	(100.0)%	$ 824,039,109	83.4 %	13.1

* Includes non-reportable benefit payments.

**The State General Fund decrease in 2010 was a result of the State paying only for the interest portion on the 13th check bond.

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 11,373,209	$ 12,088,060	$ 12,081,277	$ (6,783)	(0.1) %	$ 12,017,048	$ 12,012,292	$ (4,756)	(0.0)%
KPERS Benefits	3,206,401	0	0	0	--	0	0	0	--
KPERS Investments	36,222,826	38,097,097	39,541,182	1,444,085	3.8	38,079,194	39,534,559	1,455,365	3.8
Non-KPERS Investments	965,779	1,049,712	1,038,182	(11,530)	(1.1)	1,047,123	1,036,232	(10,891)	(1.0)
TOTAL	$ 51,768,215	$ 51,234,869	$ 52,660,641	$ 1,425,772	2.8 %	$ 51,143,365	$ 52,583,083	$ 1,439,718	2.8 %
By Major Object of Expenditure:									
Salaries and Wages	$ 6,971,744	$ 8,497,982	$ 8,839,253	$ 341,271	4.0 %	$ 8,406,478	$ 8,761,695	$ 355,217	4.2 %
Contractual Services	40,407,953	42,383,522	43,285,680	902,158	2.1	42,383,522	43,285,680	902,158	2.1
Commodities	410,189	110,705	111,710	1,005	0.9	110,705	111,710	1,005	0.9
Capital Outlay	745,270	216,660	420,500	203,840	94.1	216,660	420,500	203,840	94.1
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 48,535,156	$ 51,208,869	$ 52,657,143	$ 1,448,274	2.8 %	$ 51,117,365	$ 52,579,585	$ 1,462,220	2.9 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	3,233,059	26,000	3,498	(22,502)	(86.5)	26,000	3,498	(22,502)	(86.5)
TOTAL	$ 51,768,215	$ 51,234,869	$ 52,660,641	$ 1,425,772	2.8 %	$ 51,143,365	$ 52,583,083	$ 1,439,718	2.8 %
Financing:									
State General Fund	$ 3,206,401	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
KPERS Retirement Fund	47,596,287	50,185,157	51,622,459	1,437,302	2.9	50,096,242	51,546,851	1,450,609	2.9
Non-Retirement Admin Fund	581,504	597,716	657,849	60,133	10.1	596,857	657,171	60,314	10.1
KPERS Deferred Compensation Fee Fund	349,023	451,996	380,333	(71,663)	(15.9)	450,266	379,061	(71,205)	(15.8)
Group Insurance Reserve Fund	35,000	0	0	0	--	0	0	0	--
TOTAL	$ 51,768,215	$ 51,234,869	$ 52,660,641	$ 1,425,772	2.8 %	$ 51,143,365	$ 52,583,083	$ 1,439,718	2.8 %

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	$ 12,081,277	$ 12,604,146	$ 522,869	4.3 %	$ 12,012,292	$ 12,534,398	$ 522,106	4.3 %
KPERS Investments	39,541,182	40,950,264	1,409,082	3.6	39,534,559	40,944,103	1,409,544	3.6
Non-KPERS Investments	1,038,182	1,108,249	70,067	6.7	1,036,232	1,106,260	70,028	6.8
TOTAL	$ 52,660,641	$ 54,662,659	$ 2,002,018	3.8 %	$ 52,583,083	$ 54,584,761	$ 2,001,678	3.8 %
By Major Object of Expenditure:								
Salaries and Wages	$ 8,839,253	$ 9,380,052	$ 540,799	6.1 %	$ 8,761,695	$ 9,302,154	$ 540,459	6.2 %
Contractual Services	43,285,680	44,746,467	1,460,787	3.4	43,285,680	44,746,467	1,460,787	3.4
Commodities	111,710	115,490	3,780	3.4	111,710	115,490	3,780	3.4
Capital Outlay	420,500	420,650	150	0.0	420,500	420,650	150	0.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 52,657,143	$ 54,662,659	$ 2,005,516	3.8 %	$ 52,579,585	$ 54,584,761	$ 2,005,176	3.8 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	3,498	0	(3,498)	(100.0)	3,498	0	(3,498)	(100.0)
TOTAL	$ 52,660,641	$ 54,662,659	$ 2,002,018	3.8 %	$ 52,583,083	$ 54,584,761	$ 2,001,678	3.8 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
KPERS Retirement Fund	51,622,459	53,554,410	1,931,951	3.7	51,546,851	53,478,501	1,931,650	3.7
Non-Retirement Admin Fund	657,849	708,637	50,788	7.7	657,171	707,945	50,774	7.7
KPERS Deferred Compensation Fee Fund	380,333	399,612	19,279	5.1	379,061	398,315	19,254	5.1
TOTAL	$ 52,660,641	$ 54,662,659	$ 2,002,018	3.8 %	$ 52,583,083	$ 54,584,761	$ 2,001,678	3.8 %

A. FY 2015 – Current Year

Adjustments to Approved Budget

The Legislature approved a budget of $46,263,320 for the Kansas Public Employee Retirement System 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	46,263,320	51,234,869	4,971,549	51,143,365	4,880,045
TOTAL	$ 46,263,320	$ 51,234,869	$ 4,971,549	$ 51,143,365	$ 4,880,045
FTE Positions	98.4	98.4	(0.0)	98.4	0.0

The **agency** estimates revised FY 2015 operating expenditures of $51,234,869, all from special revenue funds. The estimate is an increase of $4,971,549, or 10.7 percent, above the amount approved by the 2014 Legislature. The increase is primarily attributable to increased contractual services expenditures primarily as a result of increased costs associated with the processing of benefit payments and actuarial services necessitated by revised Governmental Accountability Standards. The agency also estimates increased salary and wage expenditures. These increases are partially offset by reduced capital outlay expenditures. The estimate includes 98.4 FTE positions and 3 non-FTE positions, the same as the 2015 approved amount.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency estimates $8,497,982, all from special revenue funds, for salaries and wages in FY 2015. The estimate is an increase of $765,854, or 9.9 percent, above the amount approved by the 2014 Legislature.

The increase is attributable to increased unclassified regular wages, partially offset by reduced classified regular wages.

- **Contractual Services.** The agency estimates $42,383,522, all from special revenue funds, for contractual services in FY 2015. The estimate is an increase of $4,281,231, or 11.2 percent, above the amount approved by the 2014 Legislature. The increase is attributable to higher costs for the processing of benefit payments, increased actuarial costs as a result of changes to Governmental Accounting Standards and increased investment manager expenses as a result of the stronger than anticipated investment returns.

- **Commodities.** The agency estimates $110,705, all from special revenue funds, for commodities in FY 2015. The estimate is an increase of $7,878, or 7.7 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased computer hardware expenses.

- **Capital Outlay.** The agency estimates $216,660, all from special revenue funds, for capital outlay in FY 2015. The estimate is a decrease of $86,314, or 28.5 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to reduce information processing expenses and lower than expected software expenditures.

- **Other Assistance.** The agency estimates $26,000, all from special revenue funds, for other assistance in FY 2015. The estimate is an increase of $2,900, or 12.6 percent, above the amount approved by the 2014 Legislature. The increase is attributable to payments made to former employees who participated in the 2011 Voluntary Retirement Incentive Program.

The **Governor** recommends FY 2015 operating expenditures of $51,143,365, all from special revenue funds. The recommendation is a decrease of $91,504 or 0.2 percent, below the agency's revised FY 2015 estimate. The reduction is attributable to the Governor's KPERS employer contribution rate reduction as a result of the Governor's Allotment Plan.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 52,660,641	$ 52,583,083	$ (77,558)
FTE Positions	98.4	98.4	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	1,425,772	1,439,718	
TOTAL	$ 1,425,772	$ 1,439,718	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	2.8	2.8	
TOTAL	2.8 %	2.8 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of $52,660,641, all from special revenue funds. The request is an increase of $1,425,772, or 2.8 percent, above the agency's revised FY 2015 estimate. The increase is primarily attributable to increased contractual service expenditures, specifically investment management fees, as well as increased expenditures on salaries and wages and capital outlay. The estimate includes 98.4 FTE positions and 3 non-FTE positions, the same as the 2015 approved amount.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests $8,839,253, all from special revenue funds, for salaries and wages in FY 2016. The request is an

increase of $341,271, or 4.0 percent, above the agency's revised FY 2015 estimate. The increase is attributable to employer health insurance contributions, Medicare expenditures and increased KPERS employer contributions rates.

- **Contractual Services.** The agency requests $43,285,680, all from special revenue funds, for contractual services in FY 2016. The request is an increase of $902,158, or 2.1 percent, above the agency's revised FY 2015 estimate. The increase is attributable to investment management fees, which are projected by assuming an 8.0 percent investment return assumption. Investment related expenses are expected total 0.218 percent of the System's assets in FY 2016.

- **Commodities.** The agency requests $111,710, all from special revenue funds, for commodities in FY 2016. The request is an increase of $1,005, or 0.9 percent, above the amount requested in FY 2015.

- **Capital Outlay.** The agency requests $420,500, all from special revenue funds, for capital outlay in FY 2016. The request is an increase of $203,840, or 94.1 percent, above the agency's revised FY 2015 estimate. The increase is attributable to hardware life cycle replacements, including servers and storage; disaster recovery, backup recovery, batteries; and network security software.

- **Other Assistance.** The agency requests $3,498, all from special revenue funds, for other assistance in FY 2016. The estimate is a decrease of $22,502, or 86.5 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to payments made to former employees who participated in the 2011 Voluntary Retirement Incentive Program.

The **Governor** recommends FY 2016 operating expenditures of $52,583,083, all from special revenue funds. The recommendation is a decrease of $77,558, or 0.1 percent, below the agency's FY 2016 request. The reduction of $77,558 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 54,662,659	$ 54,584,761	$ (77,898)
FTE Positions	98.4	98.4	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	2,002,018	2,001,678	
TOTAL	$ 2,002,018	$ 2,001,678	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	3.8	3.8	
TOTAL	3.8 %	3.8 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of $54,662,659, all from special revenue funds. The request is an increase of $2,002,018, or 3.8 percent, above the agency's FY 2016 request. The increase is primarily attributable to contractual services, specifically investment management fees and salary and wage expenditures, stemming from a 27th pay period that occurs in the fiscal year. The estimate includes 98.4 FTE positions and 3 non-FTE positions, the same as the 2015 approved amount.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests $9,380,052, all from special revenue funds, for salaries and wages in FY 2017. The request is an

increase of $540,799, or 6.1 percent, above the agency's FY 2016 request. The increase is attributable to increased salary expenditures stemming from a 27th pay period that occurs in the fiscal year.

- **Contractual Services.** The agency requests $44,476,467, all from special revenue funds, for contractual services in FY 2017. The request is an increase of $1,460,787, or 3.4 percent, above the agency's FY 2017 request. The increase is attributable to investment management fees, which are projected by assuming an 8.0 percent investment return assumption. Investment related expenses are expected total 0.218 percent of the System's assets in FY 2017.

- **Commodities.** The agency requests $115,490, all from special revenue funds, for commodities in FY 2017. The request is an increase of $3,780, or 3.4 percent, above the amount requested in FY 2016.

- **Capital Outlay.** The agency requests $420,650, all from special revenue funds, for capital outlay in FY 2017. The request is an increase of $150, or 0.1 percent, above the amount requested in FY 2016.

The **Governor** recommends FY 2017 operating expenditures of $54,584,761, all from special revenue funds. The recommendation is a decrease of $77,898, or 0.1 percent, below the agency's FY 2017 request. The reduction of $77,898 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance.

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 $28,902, all from special revenue funds, and affects 93 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 $22,160, all from special revenue funds, and FY 2017 longevity payments total $24,480, 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 $77,558, all from special revenue funds, for FY 2016. This is a reduction of $77,898, 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.

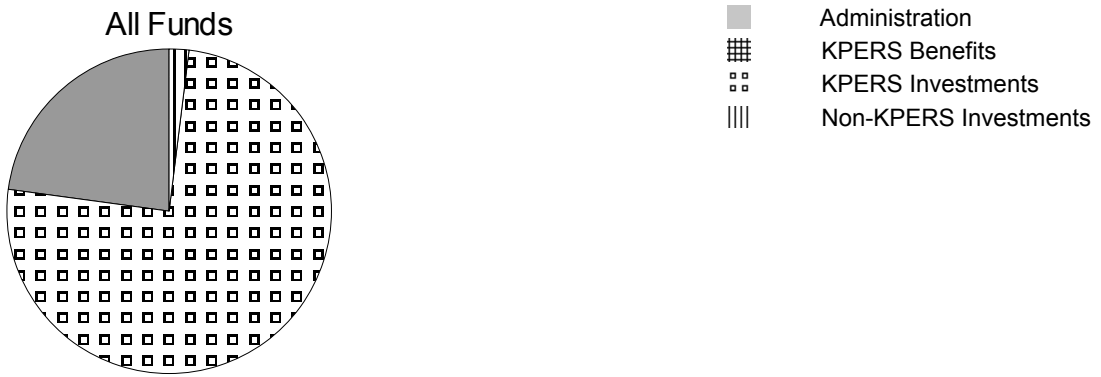
The Governor further proposes offering $1.5 billion in Pension Obligation Bonds, backed by the State General Fund, to be paid back over 30 years and extending the amortization on the current bonds by ten years to 2043. The proceeds of the bonds would be used to help reduce the future employer contribution 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
KS Public Employee Retirement Fund	98.0 %	98.0 %	97.9 %	97.9 %
Non-Retirement Administrative Fund	1.2	1.2	1.3	1.3
KPERS Deferred Compensation Fund	0.8	0.8	0.8	0.8
TOTAL	100.0 %	100.0 %	100%	100%

Note: Percentages may not add due to rounding.

EXPENDITURES BY PROGRAM-- GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	$ 12,012,292	22.8 %	$ 0	-- %
KPERS Benefits	0	0.0	0	--
KPERS Investments	39,534,559	75.2	0	--
Non-KPERS Investments	1,036,232	2.0	0	--
TOTAL	$ 52,583,083	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	88.0	88.0	88.0	88.0	88.0	88.0	88.0
KPERS Investments	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Non-KPERS Investments	2.7	2.7	2.7	2.7	2.7	2.7	2.7
TOTAL	98.4	98.4	98.4	98.4	98.4	98.4	98.4

A. Administration

This program provides a centralized agency to accumulate funds and statistical information on active, inactive and retired members of the various systems under its jurisdictions. Additionally, this program provides operations support, excluding investments, for management, statistical information, service records, contributions, payments, and customer service. The Executive Director administers this program and reports to the KPERS Board of Trustees.

KPERS projections reflect increasing numbers of new retirements and net new retirees as baby-boomers begin to retire in increasing numbers. The KPERS actuary, reporting in a three-year experience study completed during fall of 2007, points out that KPERS retirees also are living longer and that the actuarial tables for longevity will need to be adjusted. An increase in KPERS staffing is anticipated within the next few years to meet the additional workload that will result from more retirees requiring services. Likewise, retirement benefit payments will continue to increase, surpassing $1.4 billion in payments during FY 2014. Approximately 85 to 90 percent of those payments are made to persons residing in Kansas.

ADMINISTRATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 5,636,092	$ 6,719,410	$ 6,648,398	$ 6,983,169	$ 6,914,184	$ 7,400,206	$ 7,330,458
Contractual Services	4,556,123	5,016,970	5,016,970	4,564,010	4,564,010	4,669,740	4,669,740
Commodities	409,738	109,680	109,680	110,600	110,600	114,200	114,200
Capital Outlay	744,598	216,000	216,000	420,000	420,000	420,000	420,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 11,346,551	$ 12,062,060	$ 11,991,048	$ 12,077,779	$ 12,008,794	$ 12,604,146	$ 12,534,398
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	26,658	26,000	26,000	3,498	3,498	0	0
TOTAL	$ 11,373,209	$ 12,088,060	$ 12,017,048	$ 12,081,277	$ 12,012,292	$ 12,604,146	$ 12,534,398
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	11,373,209	12,088,060	12,017,048	12,081,277	12,012,292	12,604,146	12,534,398
TOTAL	$ 11,373,209	$ 12,088,060	$ 12,017,048	$ 12,081,277	$ 12,012,292	$ 12,604,146	$ 12,534,398
FTE Positions	88.0	88.0	88.0	88.0	88.0	88.0	88.0
Non-FTE Uncl. Perm. Pos.	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL	91.0	91.0	91.0	91.0	91.0	91.0	91.0

The **agency** requests a FY 2016 budget of $12,081,277, all from special revenue funds, for general operations expenditures. The request is a decrease of $6,783, or 0.1 percent, below the amount requested in FY 2015.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests $6,983,169, all from special revenue funds, for salaries and wages in FY 2016. The request is an increase of $263,759, or 3.9 percent, above the revised FY 2015 estimate. The increase is attributable to increased unclassified salaries and higher employer health insurance costs, these

increases are partially offset by reduced classified employee salaries.

- **Contractual Services.** The agency requests $4,564,010, all from special revenue funds, for contractual services in FY 2016. The request is a decrease of $452,960, or 9.0 percent, below the revised FY 2015 estimate. The decrease is attributable to reduced expenditures on processing of benefit payments as the agency expects to complete these responsibilities through a third party vendor.

- **Commodities.** The agency requests $110,600, all from special revenue funds, for commodities in FY 2016. The request is an increase of $920, or 0.8 percent, above the amount requested in FY 2015.

- **Capital Outlay.** The agency requests $420,000, all from special revenue fund for capital outlay in FY 2016. The request is an increase of $204,000, or 94.4 percent, above the amount requested in FY 2016. The increase is attributable to hardware life cycle replacements, including servers and storage; disaster recovery, backup recovery, batteries; and network security software.

- **Other Assistance.** The agency requests $3,498, all from special revenue funds, for other assistance in FY 2016. The request is a decrease of $22,502, or 86.5 percent, below the amount requested in FY 2015. The decrease is attributable to reduced payments made to former employees who participated in the Voluntary Retirement Incentive Program in 2011.

The **Governor** recommends a FY 2016 budget of $12,012,292, all from special revenue funds. The recommendation is a decrease of $68,985, or 0.6 percent, below the agency's FY 2016 request. The reduction of $68,985 is attributable to the Governors recommended reduction of employer contributions for state employee health insurance.

The **agency** requests a FY 2017 budget of $12,604,146, all from special revenue funds, for general operations expenditures. The request is an increase of $522,869, or 4.3 percent, above the amount requested in FY 2016.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests $7,400,206, all form special revenue funds, for salaries and wages in FY 2017. The request is an increase of $417,037, or 6.0 percent, above the amount requested in FY 2016. The increase is attributable to the 27th pay period that occurs in FY 2017.

- **Contractual Services.** The agency requests $4,669,740, all from special revenue funds, for contractual services in FY 2016. The request is an increase of $105,730, or 2.3 percent, above the amount requested in FY 2016. The request is attributable to increased actuarial expenses as a result of amended Governmental Accounting Standards and expenses including postage, printing, telephone related to the communications KPERS needs for the increasing membership.

- **Commodities.** The agency requests $114,200, all from special revenue funds, for commodities in FY 2017. The request is an increase of $3,600,

or 3.3 percent, above the amount requested in FY 2016.

- **Capital Outlay.** The agency requests $420,000, all from special revenue funds, for capital outlay in FY 2017. The request is the same amount requested in FY 2016.

The **Governor** recommends a FY 2017 budget of $12,534,398, all from special revenue funds. The recommendation is a decrease of $69,748, or 0.6 percent, below the agency's FY 2016 request. The reduction of $69,748 is attributable to the Governors recommended reduction of employer contributions for state employee health insurance.

B. Investments

This unit coordinates investment-related activities, including supervision of investment managers under contract to the KPERS Board of Trustees and management of a portion of the investment portfolio that is not assigned to the outside investment managers. The unit is supervised by the Chief Investment Officer who reports to the Executive Director. KPERS staff charge a portion of their time and operating expenditures for non-KPERS investment management in order to secure reimbursement for managing investments of the State's Unclaimed Property Fund and the Kansas Endowment for Youth (KEY) Fund.

INVESTMENTS
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,096,843	$ 1,514,160	$ 1,496,257	$ 1,568,936	$ 1,562,313	$ 1,672,658	$ 1,666,497
Contractual Services	35,125,286	36,582,937	36,582,937	37,972,246	37,972,246	39,277,606	39,277,606
Commodities	25	0	0	0	0	0	0
Capital Outlay	672	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 36,222,826	$ 38,097,097	$ 38,079,194	$ 39,541,182	$ 39,534,559	$ 40,950,264	$ 40,944,103
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 36,222,826	$ 38,097,097	$ 38,079,194	$ 39,541,182	$ 39,534,559	$ 40,950,264	$ 40,944,103
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	36,222,826	38,097,097	38,079,194	39,541,182	39,534,559	40,950,264	40,944,103
TOTAL	$ 36,222,826	$ 38,097,097	$ 38,079,194	$ 39,541,182	$ 39,534,559	$ 40,950,264	$ 40,944,103
FTE Positions	7.7	7.7	7.7	7.7	7.7	7.7	7.7
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	7.7	7.7	7.7	7.7	7.7	7.7	7.7

The **agency** requests a FY 2016 budget of $39,541,182, all from special revenue funds, for investment expenditures. The request is an increase of $1,444,085, or 3.8 percent, above the amount requested in FY 2015. The increase is a result of professional fees associated with KPERS investments.

The **Governor** recommends a FY 2016 budget of $39,534,559, all from special revenue funds. The recommendation is a decrease of $6,623, or 0.1 percent, below the agency's FY 2016 request. The reduction of $6,623 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance.

The **agency** requests a FY 2017 budget of $40,950,264, all from special revenue funds, for investment expenditures. The request is an increase of $1,409,082, or 3.6 percent, above the amount requested in FY 2016. The increase is a

result of professional fees associated with KPERS investments.

The **Governor** recommends a FY 2017 budget of $40,944,103, all from special revenue funds. The recommendation is a decrease of $6,161, or 0.1 percent, below the agency's FY 2016 request. The reduction of $6,161 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance.

C. Non-KPERS Investments

The Kansas Deferred Compensation program is a voluntary, tax-deferred retirement program for state employees. In addition, many local public employers offer the plan to their employees. Since 2007 the management of the Kansas Deferred Compensation program has been administered by KPERS. The management provides state and local employees with coordinated retirement education and planning information and facilitates an increased emphasis on personal savings for retirement.

The KPERS Board of Trustees created a Deferred Compensation Committee to oversee administration of the Plan and make recommendations to the full Board for consideration and action. The oversight and recommendations relate to management of plan assets, selection and monitoring of investment options, and selection and evaluation of service providers. KPERS staff manages operations in conjunction with the Plan's service provider, Voya Investment Management. Voya Investment Management is responsible for participant account record keeping and direct services such an enrollments, phone inquiries and investment transactions.

The Plan has more than 24,000 participants with total assets of approximately $996.0 million.

NON-KPERS INVESTMENTS
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 238,809	$ 264,412	$ 261,823	$ 287,148	$ 285,198	$ 307,189	$ 305,199
Contractual Services	726,544	783,615	783,615	749,424	749,424	799,121	799,121
Commodities	426	1,025	1,025	1,110	1,110	1,290	1,290
Capital Outlay	0	660	660	500	500	650	650
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 965,779	$ 1,049,712	$ 1,047,123	$ 1,038,182	$ 1,036,232	$ 1,108,250	$ 1,106,260
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 965,779	$ 1,049,712	$ 1,047,123	$ 1,038,182	$ 1,036,232	$ 1,108,250	$ 1,106,260
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	965,779	1,049,712	1,047,123	1,038,182	1,036,232	1,108,249	1,106,260
TOTAL	$ 965,779	$ 1,049,712	$ 1,047,123	$ 1,038,182	$ 1,036,232	$ 1,108,249	$ 1,106,260
FTE Positions	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	2.7	2.7	2.7	2.7	2.7	2.7	2.7

The **agency** requests a FY 2016 budget of $1,038,182, all from special revenue funds, for non-KPERS investment expenditures. The request is a decrease of $11,530, or 1.1 percent, below the amount requested in FY 2015. The decrease is attributable to reduced expenses for record keeping, offset partially by increased investment management expenses.

The **Governor** recommends a FY 2016 budget of $1,036,232, all from special revenue funds. The recommendation is a decrease of $1,950, or 0.2 percent, below the agency's FY 2016 request. The reduction of $1,950 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance.

The **agency** requests a FY 2017 budget of $1,108,249, all from special revenue funds, for investment expenditures. The request is an increase of $70,067, or 6.7 percent, above

the amount requested in FY 2016. The increase is a result of increased investment management expenses.

The **Governor** recommends a FY 2017 budget of $1,106,260, all from special revenue funds. The recommendation is a decrease of $1,989, or 0.2 percent, below the agency's FY 2017 request. The reduction of $1,989 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Annual costs of admin operations as percentage of benefit payments	0.8%	0.8%	0.8%	0.7%	0.7%
Number of individuals receiving KPERS benefits payments per year	87,000	89,304	92,000	95,000	98,000
Annual amount of benefits paid (in millions)	$1,417.1	$1,433.4	$1,510.2	$1,598.0	$1,698.9
Investment related fees as percentage of System	0.2%	0.2%	0.2%	0.2%	0.2%

Kansas Lottery

	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	328,454,686	343,162,343	333,226,864	351,251,956	336,973,876	356,804,526	355,953,004
TOTAL	$ 328,454,686	$ 343,162,343	$ 333,226,864	$ 351,251,956	$ 336,973,876	$ 356,804,526	$ 355,953,004
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	**$ 328,454,686**	**$ 343,162,343**	**$ 333,226,864**	**$ 351,251,956**	**$ 336,973,876**	**$ 356,804,526**	**$ 355,953,004**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(0.0)	4.5	1.5	2.4	1.1	1.6	5.6
FTE Positions	90.0	74.9	74.9	74.9	74.9	74.9	74.9
Non-FTE Perm.Uncl.Pos.	16.5	26.5	26.5	28.5	28.5	28.5	28.5
TOTAL	106.5	101.4	101.4	103.4	103.4	103.4	103.4

Article 15, Section 3c of the *Kansas Constitution* authorizes a state-owned and operated lottery. The Legislature provided for the Kansas Lottery by statutory enactment that included a sunset date. The 2007 Legislature extended the agency until July 1, 2022, at which time it will be abolished unless continued by an act of the Legislature. K.S.A. 74-8710(a) allows, by rule and regulation, the establishment of the types of lottery games to be conducted, including but not limited to instant lottery, on-line, and traditional games.

The 2007 Legislature repealed a provision that prohibited games on video lottery machines and established the Expanded Lottery Act to provide for gaming at race tracks and casinos in limited jurisdictions where approved by local voters. The new law allows the Kansas Lottery to own and operate electronic gaming machines at designated locations. The Kansas Racing and Gaming Commission is given authority to regulate the gaming activities at race tracks and casinos.

The Kansas Lottery has established multiple types of traditional games: instant tickets, Powerball, Mega Millions, Super Kansas Cash, 2x2, Keno, Hot Lotto, Kansas Hold'Em, and Pick 3. The agency engages in partnerships including the Kansas City Chiefs, Sporting Kansas City, and the Kansas State Fair, with promotions for special instant games and second chance prize drawings.

MAJOR ISSUES FROM PRIOR YEARS

The **2001 Legislature:**

- Provided for the operation of the Kansas Lottery until July 1, 2008. The 2007 Legislature continued the operation of the Kansas Lottery until July 1, 2022; and

- Initiated a one-year modification of the statutory provision for State Gaming Revenue Fund transfers to be not less than $4.5 million per month and not less than a grand total of at least $59.0 million. This same modification has been approved in subsequent fiscal years. (There is a statutory minimum of 30.0 percent of lottery sales reserved for transfer to the State Gaming Revenues Fund, except for sales of pull-tabs which are set at 20.0 percent.)

The **2003 Legislature:**

- Statutorily authorized special veterans benefit games to generate additional funding for certain programs.

The **2007 Legislature:**

- Enacted 2007 SB 66 which authorized expanded lottery (gaming) activities at race tracks and casinos in certain areas after local voter approval, and authorized expenditures for

implementation from the Lottery Operating Fund in FY 2008, but did not approve specific expenditures or staff levels for activities related to implementation.

The **2008 Legislature:**

- Enacted 2008 HB 2923, which expanded the veterans' benefits games from six months to year round to generate additional revenue, and added funding from the net profits to the Museum of the Kansas National Guard for the expansion of its facility to include a 35th Infantry Division Museum through FY 2010. In FY 2011, the net profits transferred to the Museum were redirected to the Veterans Enhanced Service Delivery program.

The **2010 Legislature:**

- Increased the agency salaries and wages shrinkage rate from 2.0 percent to 5.0 percent and deleted $162,500 from the agency operating budget in FY 2009 and 2010.

The **2013 Legislature:**

- Increased the statutory transfer from the State Gaming Revenue Fund by 4.0 percent, or $2.4 million, for a transfer of $75.7 million in FY 2014.

The **2014 Legislature:**

- Enacted HB 2272 that reduced the privilege fee in the Southeast gaming zone from $50.0 million to $5.5 million. The bill also reduced investment fees from $225.0 million to $50.0 million.

- Deleted 5.0 FTE positions in FY 2015.

- Deleted $13.6 million in FY 2014 and $12.1 million in FY 2015, all from special revenue funds, to adjust for the April 2014 consensus revenue estimating group's projections of lower gaming revenues.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency's** revised estimate totals $343.2 million, all from special revenue funds, in FY 2015. This is an increase of $2.0 million, or 0.6 percent, above the amount approved by the 2014 Legislature. The increase is largely attributable to higher expenditures on salaries and wages, contractual services, and capital outlay related to the agency's supplemental requests. The FY 2015 estimate includes 74.9 FTE and 26.5 non-FTE positions, which is a decrease of 10.1 FTE and an increase of 10.1 non-FTE positions.

FY 2015 Governor Recommendation

The **Governor** recommends $333.2 million, all from special revenue funds, in FY 2015. This is a decrease of $7.9 million, or 2.3 percent, below the agency's FY 2015 revised estimate. The decrease is largely attributable to reduced expenditures on contractual services and aid to local units of government as a result of lower than anticipated expanded gaming revenues from the state's three casinos. The Governor's recommendation includes 74.9 FTE and 26.5 non-FTE positions, which is unchanged from the agency's FY 2015 revised estimate.

FY 2016 Agency Request

The **agency** requests $351.3 million, all from special revenue funds, for FY 2016. This is an all funds increase of $8.1 million, or 2.4 percent, and is attributable to higher expenditures on salaries and wages, contractual services, commodities, aid to local units of government, and other assistance, offset by reduced capital outlay expenditures. The FY 2016 request includes 74.9 FTE and 28.5 non-FTE positions, which is an increase of 2.0 non-FTE positions above the FY 2015 revised estimate.

FY 2016 Governor Recommendation

The **Governor** recommends $337.0 million, all from special revenue funds, for FY 2016. This is a decrease of $14.3 million, or 4.1 percent, below the agency's FY 2016 request. The Governor recommends $337.0 million, all from special revenue funds, for FY 2016. The decrease is largely attributable to reduced expenditures on contractual services and aid to local units of government as a result of lower than anticipated expanded gaming revenues from the state's three casinos. The Governor's recommendation includes 74.9 FTE and 28.5 non-FTE positions, which is unchanged from the agency's FY 2016 request.

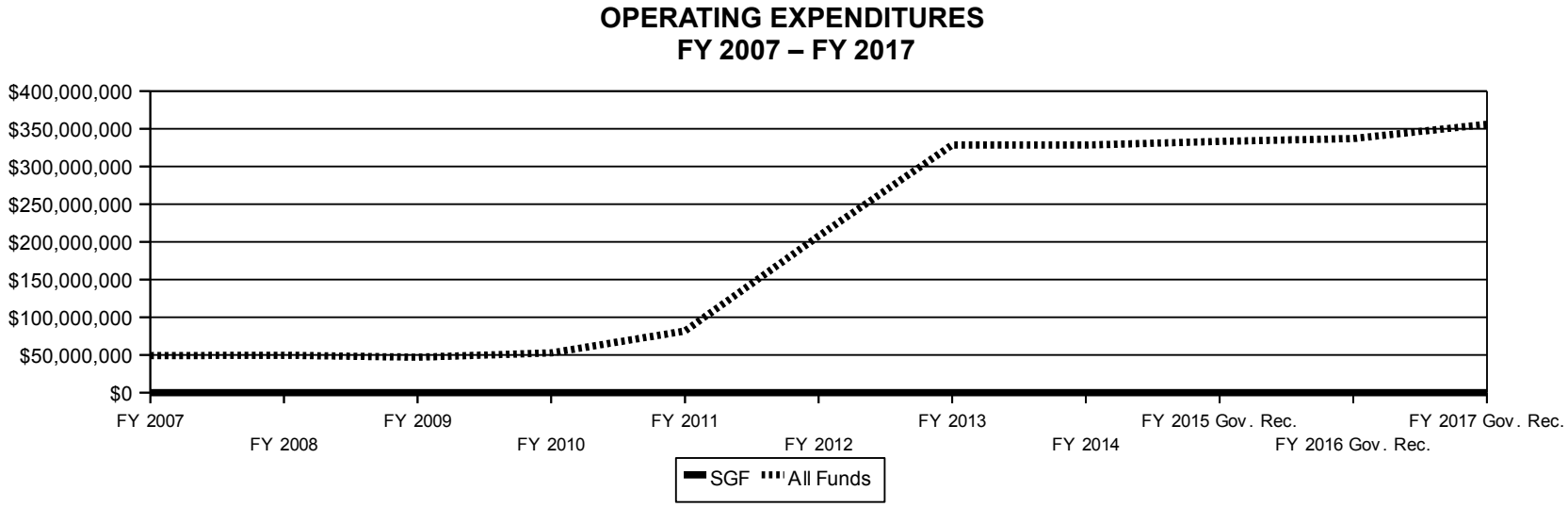
FY 2017 Agency Request

The **agency** requests $356.8 million, all from special revenue funds, for FY 2017. This is an increase of $5.5 million, or 1.6 percent, above the FY 2016 request, The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, aid to local units, and other assistance, offset by reduced capital outlay expenditures. The FY 2017 request includes 74.9 FTE and 28.5 non-FTE positions, which is no change from the FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** recommends $355.9 million, all from special revenue funds, for FY 2017. This is a decrease of $851,522, or 0.2 percent, below the agency's FY 2017 request. The decrease is largely attributable to reduced expenditures on contractual services and aid to local units of government as a result of lower than anticipated expanded gaming revenues from the state's three casinos. The Governor's recommendation includes 74.9 FTE and 28.5 non-FTE positions, which is unchanged from the agency's FY 2017 request.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 49,020,053	(7.4)%	87.0
2008	0	--	49,602,578	1.2	89.0
2009	0	--	46,917,281	(5.4)	89.0
2010	0	--	52,668,717	12.3	89.0
2011	0	--	81,650,571	55.0	99.0
2012	0	--	207,662,071	154.3	96.0
2013	0	--	328,536,485	58.2	90.0
2014	0	--	328,454,686	(0.0)	90.0
2015 Gov. Rec.	0	--	333,226,864	1.5	74.9
2016 Gov. Rec.	0	--	336,973,876	1.1	74.9
2017 Gov. Rec.	0	--	355,953,004	5.6	74.9
Eleven-Year Change	$ 0	-- %	$ 306,932,951	626.1 %	(12.1)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 2,695,770	$ 3,457,063	$ 4,015,070	$ 558,007	16.1 %	$ 3,437,164	$ 3,989,002	$ 551,838	16.1 %
Information Technology	979,358	1,463,146	1,396,481	(66,665)	(4.6)	1,457,490	1,390,572	(66,918)	(4.6)
Sales	1,839,860	2,204,017	2,252,865	48,848	2.2	2,190,547	2,234,562	44,015	2.0
Security	512,975	554,057	595,000	40,943	7.4	549,235	590,098	40,863	7.4
Cost of Sales	46,485,777	48,186,510	52,192,282	4,005,772	8.3	48,186,510	52,192,282	4,005,772	8.3
Expanded Lottery Act	271,618,018	282,014,136	285,393,708	3,379,572	1.2	272,127,322	271,176,260	(951,062)	(0.3)
Marketing	4,322,928	5,283,414	5,406,550	123,136	2.3	5,278,596	5,401,100	122,504	2.3
TOTAL	$ 328,454,686	$ 343,162,343	$ 351,251,956	$ 8,089,613	2.4 %	$ 333,226,864	$ 336,973,876	$ 3,747,012	1.1 %
By Major Object of Expenditure:									
Salaries and Wages	$ 5,411,829	$ 6,440,196	$ 7,449,709	$ 1,009,513	15.7 %	$ 6,380,717	$ 7,377,629	$ 996,912	15.6 %
Contractual Services	274,987,853	286,785,937	290,616,405	3,830,468	1.3	277,308,937	276,980,405	(328,532)	(0.1)
Commodities	570,686	711,200	723,060	11,860	1.7	711,200	723,060	11,860	1.7
Capital Outlay	137,940	429,000	283,500	(145,500)	(33.9)	429,000	283,500	(145,500)	(33.9)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 281,108,308	$ 294,366,333	$ 299,072,674	$ 4,706,341	1.6 %	$ 284,829,854	$ 285,364,594	$ 534,740	0.2 %
Aid to Local Units	10,666,940	11,001,000	11,124,000	123,000	1.1	10,602,000	10,554,000	(48,000)	(0.5)
Other Assistance	36,679,438	37,795,010	41,055,282	3,260,272	8.6	37,795,010	41,055,282	3,260,272	8.6
TOTAL	$ 328,454,686	$ 343,162,343	$ 351,251,956	$ 8,089,613	2.4 %	$ 333,226,864	$ 336,973,876	$ 3,747,012	1.1 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Lottery Operating Fund	23,954,883	26,907,333	28,658,674	1,751,341	6.5	26,847,854	28,586,594	1,738,740	6.5
Expanded Lottery Receipts	268,113,365	278,460,000	281,538,000	3,078,000	1.1	268,584,000	267,332,000	(1,252,000)	(0.5)
Lottery Prize Payment Fund	36,386,438	37,795,010	41,055,282	3,260,272	8.6	37,795,010	41,055,282	3,260,272	8.6
TOTAL	$ 328,454,686	$ 343,162,343	$ 351,251,956	$ 8,089,613	2.4 %	$ 333,226,864	$ 336,973,876	$ 3,747,012	1.1 %

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	$ 4,015,070	$ 4,344,638	$ 329,568	8.2 %	$ 3,989,002	$ 4,318,048	$ 329,046	8.2 %
Information Technology	1,396,481	1,459,967	63,486	4.5	1,390,572	1,453,940	63,368	4.6
Sales	2,252,865	2,346,599	93,734	4.2	2,234,562	2,327,930	93,368	4.2
Security	595,000	616,917	21,917	3.7	590,098	611,917	21,819	3.7
Cost of Sales	52,192,282	54,261,856	2,069,574	4.0	52,192,282	54,261,856	2,069,574	4.0
Expanded Lottery Act	285,393,708	288,236,669	2,842,961	1.0	271,176,260	287,446,992	16,270,732	6.0
Marketing	5,406,550	5,537,880	131,330	2.4	5,401,100	5,532,321	131,221	2.4
TOTAL	$ 351,251,956	$ 356,804,526	$ 5,552,570	1.6 %	$ 336,973,876	$ 355,953,004	$ 18,979,128	5.6 %
By Major Object of Expenditure:								
Salaries and Wages	$ 7,449,709	$ 7,812,915	$ 363,206	4.9 %	$ 7,377,629	$ 7,739,393	$ 361,764	4.9 %
Contractual Services	290,616,405	294,210,720	3,594,315	1.2	276,980,405	293,471,720	16,491,315	6.0
Commodities	723,060	744,020	20,960	2.9	723,060	744,020	20,960	2.9
Capital Outlay	283,500	259,590	(23,910)	(8.4)	283,500	259,590	(23,910)	(8.4)
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 299,072,674	$ 303,027,245	$ 3,954,571	1.3 %	$ 285,364,594	$ 302,214,723	$ 16,850,129	5.9 %
Aid to Local Units	11,124,000	11,235,000	111,000	1.0	10,554,000	11,196,000	642,000	6.1
Other Assistance	41,055,282	42,542,281	1,486,999	3.6	41,055,282	42,542,281	1,486,999	3.6
TOTAL	$ 351,251,956	$ 356,804,526	$ 5,552,570	1.6 %	$ 336,973,876	$ 355,953,004	$ 18,979,128	5.6 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Lottery Operating Fund	28,658,674	29,952,245	1,293,571	4.5	28,586,594	29,878,723	1,292,129	4.5
Expanded Lottery Receipts	281,538,000	284,310,000	2,772,000	1.0	267,332,000	283,532,000	16,200,000	6.1
Lottery Prize Payment Fund	41,055,282	42,542,281	1,486,999	3.6	41,055,282	42,542,281	1,486,999	3.6
TOTAL	$ 351,251,956	$ 356,804,526	$ 5,552,570	1.6 %	$ 336,973,876	$ 355,953,004	$ 18,979,128	5.6 %

A. FY 2015 – Current Year

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	341,170,195	343,162,343	1,992,148	333,226,864	(7,943,331)
TOTAL	$ 341,170,195	$ 343,162,343	$ 1,992,148	$ 333,226,864	$ (7,943,331)
FTE Positions	85.0	74.9	(10.1)	74.9	(10.1)

The **agency's** revised estimate totals $343.2 million, all from special revenue funds, in FY 2015. This is an increase of $2.0 million, or 0.6 percent, above the amount approved by the 2014 Legislature. The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, and capital outlay. The FY 2015 revised estimate includes 74.9 FTE and 26.5 non-FTE positions, which is a decrease of 10.1 FTE and an increase of 10.1 non-FTE positions from the FY 2015 approved amount. Changes from the FY 2015 approved budget include the following.

- **Salaries and Wages.** The agency's revised estimate totals $6.4 million, all from special revenue funds, in FY 2015. This is an increase of $641,755, or 11.1 percent, above the FY 2015 approved amount. The increase is due to the agency's supplemental request for a shrinkage adjustment in the amount of $641,755.

- **Contractual Services.** The agency estimates $286.8 million, all from special revenue funds, in FY 2015. This is an increase of $1.1 million, or 0.4 percent, above the FY 2015 approved amount. The increase is largely attributable to the agency's FY 2015 supplemental requests for a branding campaign and sales force automation system. The additional increases are related to computer maintenance in the Information Technology program.

- **Commodities.** The agency estimates $711,200, all from special revenue funds, for FY 2015. This

is an increase of $100,705, or 16.5 percent, above the FY 2015 approved amount. The increase is largely attributable to higher expenditures in the Sales program. The agency notes that the amount requested is to maintain current operations, continue to implement the Lottery's Excellence of Standards program, replenish depleted promotional items, and purchase signage. Another larger increase was in the Administration program which is responsible for the maintenance of Lottery vehicles and the purchase of office supplies for most of the agency's programs. The agency notes that the requested expenditures will allow the Lottery to maintain adequate supplies.

- **Capital Outlay**. The agency's revised estimate totals $429,000, all from special revenue funds, in FY 2015. This is an increase of $196,834, or 84.8 percent, above the FY 2015 approved amount. The increase is largely attributable to the agency's FY 2015 supplemental requests for sales force automation hardware, software, and electronic devices, and video conferencing equipment to improve the agency's communications with the public and Lottery Commission, and to reduce agency travel.

The **Governor** recommends $333.2 million, all from special revenue funds, in FY 2015. This is a decrease of $7.9 million, or 2.3 percent, below the agency's FY 2015 revised estimate. The decrease is attributable to reduced expenditures on salaries and wages, contractual services, and aid to local units of government as detailed below.

- **Salaries and Wages**. The Governor recommends $6.4 million, all from special revenue funds, in FY 2015. This is a decrease of $59,479, or 0.9 percent, below the agency's FY 2015 revised estimate and is attributable to reduced employer contributions to KPERS. The Governor's recommendation includes 74.9 FTE and 26.5 non-FTE positions, which is unchanged from the agency's FY 2015 revised.

- **Contractual Services.** The Governor recommends $277.3 million, all from special revenue funds, in FY 2015. This is a decrease of $8.4 million, or 2.9 percent, below the agency's FY 2015 revised estimate. The decrease is attributable to lower payments to facility managers due to a projected reduction of gaming revenues based on the 2014 fall revenue estimates.

- **Aid to Local Units.** The Governor recommends $10.6 million, all from special revenue funds, in FY 2015. This is a decrease of $399,000, or 3.6 percent, below the agency's FY 2015 revised estimate. The decrease is attributable to lower payments to local units of governments housing the state's three casinos due to a projected reduction of gaming revenues based on the 2014 fall revenue estimates.

Transfers to the State

- **State Gaming Revenues Fund.** Each year the Legislature establishes a minimum transfer from the proceeds of regular lottery program sales to

the State Gaming Revenues Fund while maintaining an adequate cash balance necessary to make expenditures for prize payments and operating costs. By statute, annually, the first $50.0 million is split between the Problem Gambling and Addictions Grant Fund ($80,000), 85.0 percent to the Economic Development Initiatives Fund (EDIF), 10.0 percent to the Correctional Institutions Building Fund (CIBF), and 5.0 percent to the Juvenile Detention Facilities Fund (JDFF). The remainder is transferred into the State General Fund.

- **In FY 2015**, the agency estimates sales totaling $252.5 million. The 2013 Legislature established the Lottery's transfer at $73.5 million. The agency's revised estimate proposes a transfer of $74.0 million. The Lottery will transfer $50.0 million to the State Gaming Revenues Fund, and the remaining $24.0 million will be transferred to the State General Fund.
  - **The Governor** concurs with the agency's proposed transfers to the state.

- **Expanded Lottery Act Revenues Fund**. A consensus gaming revenue estimating group comprised of representatives from the Kansas Lottery, Racing and Gaming Commission, Legislative Research Department, and the Division of the Budget met in April 2014, and adopted preliminary revenue projections of $80.9 million to the Expanded Lottery Act Revenues Fund (ELARF) in FY 2015. The group met again in October 2014 and reduced the estimated transfer to $77.7 million. The fall 2014 estimate is a decrease of $3.2 million, or 3.9 percent, below the April 2014 estimate due to lower than anticipated expanded gaming revenues from the Southwest and Southcentral gaming zones.
  - **The Governor** concurs with the agency's proposed transfers to the state.

Supplemental Detail

FY 2015 SUPPLEMENTALS						
	Agency Estimate			Governor's Recommendation		
Supplementals	SGF	All Funds	FTE	SGF	All Funds	FTE
Shrinkage Adjustment	$ 0	$ 641,755	0.0	$ 0	$ 641,755	0.0
Sales Force Automation	0	286,375	0.0	0	286,375	0.0
Video Conferencing Equipment	0	65,000	0.0	0	65,000	0.0
Branding Campaign	0	800,000	0.0	0	800,000	0.0
TOTAL	**$ 0**	**$ 1,793,130**	**0.0**	**$ 0**	**$ 1,793,130**	**0.0**

The **agency** requests FY 2015 supplemental expenditures totaling $1.8 million, all from special revenue funds. These include the following items.

- **Shrinkage Adjustment.** The agency requests $641,755, all from special revenue funds, in FY 2015 to restore funding for salaries and wages. The agency notes that an adjustment to the shrinkage amount will make funding available to expend for critical vacant positions in field and office positions.

The **Governor** recommends the agency's supplemental request.

- **Sales Force Automation.** The agency requests $286,375, all from special revenue funds, in FY 2015 for a software program that will provide up to date sales and product information to team members working with retailers. The agency notes that the program will provide management tools, currently unavailable, to improve tracking of equipment, sales trends, and retailer recruitment efforts. The software will also provide retailers with direct access to sales, commission, and billing information.

The **Governor** recommends the agency's supplemental request.

- **Video Conferencing Equipment.** The agency requests $65,000, all from special revenue funds, in FY 2015 for the purchase of video conferencing equipment for the public conference room to improve the agency's communications with the public and Lottery Commission, and to reduce agency travel.

The **Governor** recommends the agency's supplemental request.

- **Branding Campaign.** The agency requests $800,000, all from special revenue funds, in FY 2015 for a branding campaign that will engage a broader demographic through new games and social media. The campaign will include on-going media levels of TV, radio, and web ads to increase sales of all products.

The **Governor** recommends the agency's supplemental request.

The **Governor** recommends four operating enhancements totaling $1,793,130, all from special revenue funds, in FY 2015.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 351,251,956	$ 336,973,876	$ (14,278,080)
FTE Positions	74.9	74.9	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	8,089,613	3,747,012	
TOTAL	$ 8,089,613	$ 3,747,012	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.4	1.1	
TOTAL	2.4 %	1.1 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $351.3 million, all from special revenue funds, for FY 2016. This is an all funds increase of $8.1 million, or 2.4 percent, above the FY 2015 revised estimate. This increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, aid to local units of government, and other assistance, offset by reduced capital outlay expenditures. The FY 2016 request includes 74.9 FTE and 28.5 non-FTE positions, which is an increase of 2.0 non-FTE positions due to the agency's FY 2016 enhancement request for 2.0 non-FTE Gaming Facilities Analysts. Changes from the FY 2015 revised estimate includes the following.

- **Salaries and Wages.** The agency requests $7.5 million, all from special revenue funds, for FY 2016. This is an increase of $1.0 million, or 15.7 percent, above the FY 2015 revised estimate. The increase in salaries and wages occurs in all of the agency's programs, the largest of which

occur in the Administration and Expanded Lottery Act programs. A portion of the increase in all of the programs is associated with the agency's FY 2016 enhancement request for the Employee Incentive and Reward Program, and higher employer contributions to KPERS and group health hospitalization. Within the Administration program, there are additional increases in pay to unclassified regular employees, offset by reduced expenditures on pay to classified regular employees. Within the Expanded Lottery Act program, there are increased expenditures on unclassified employee salary and fringe benefits related to the agency's FY 2016 enhancement request for 2.0 non-FTE Gaming Facilities Analysts.

- **Contractual Services.** The agency requests $290.6 million, all from special revenue funds, for FY 2016. This is an increase of $3.8 million, or 1.3 percent, above the FY 2015 revised estimate. The increase is largely attributable to higher expenditures on contractual services in the Expanded Lottery Act program. These include higher payments to lottery gaming facility managers who receive 73.0 percent of all expanded gaming revenues. The projected increase of expanded gaming revenue for FY 2016, compared to FY 2015, will in turn increase payments to facility managers. Also included in the Expanded Lottery Act program are increased expenditures for the Gtech Central System. Contractual services included in the cost of sales for traditional lottery products, such as the the costs of ticket printing, ticket shipment, and on-line vendor fees, are set to increase given the agency's projected increase in ticket sales.

- **Commodities.** The agency requests $723,060, all from special revenue funds, for FY 2016. This is an increase of $11,860, or 1.7 percent, above the FY 2015 revised estimate. The increase is largely attributable to higher expenditures on commodities within the Sales program to continue to implement the Lottery's Excellence of Standards program, replenish depleted promotional inventories, and purchase signage. The agency budgeted for an increase in commodities expenditures in the Expanded Lottery Act program due to the potential opening of a gaming facility in the Southeast gaming zone. The commodities increases are offset by a decrease in the Security program due to the agency purchasing RHAP game tickets for use in future sting operations, which are not included in the FY 2016 request.

- **Capital Outlay.** The agency requests $283,500, all from special revenue funds, for FY 2016. This is a decrease of $145,500, or 33.9 percent, below the FY 2015 revised estimate. The decrease is attributable to the agency's FY 2015 supplemental request for sales force automation hardware, software, and electronic devices and video conferencing equipment, which are not included in the FY 2016 request. The decrease is also attributable to the agency's planned purchase of two intermediate sedans in FY 2015 for the the Expanded Lottery Act program which are also not included in the FY 2016 request.

- **Aid to Local Units of Government.** The agency requests $11.1 million, all from special revenue funds, for FY 2016. This is an increase of

$123,000, or 1.1 percent, above the FY 2015 revised estimate. This category of expenditure includes payments to the cities and counties housing the state-owned casinos that receive 3.0 percent of all expanded gaming revenue. The projected increase of expanded gaming revenue for FY 2016, compared to FY 2015, will concurrently increase the payments to the cities and counties.

- **Other Assistance.** The agency requests $41.1 million, all from special revenue funds, for FY 2016. This is an increase of $3.3 million, or 8.6 percent, above the FY 2015 revised estimate. Expenditures in other assistance include retailer paid and prizes paid by the Lottery. As ticket sales are projected to increase in FY 2016, the cost of sales and prizes paid are projected to increase in kind.

The **Governor** recommends $337.0 million, all from special revenue funds, for FY 2016. This is a decrease of $14.3 million, or 4.1 percent, below the agency's FY 2016 request. The decrease is attributable to reduced expenditures on salaries and wages, contractual services, and aid to local units of government as detailed below.

- **Salaries and Wages.** The Governor recommends $7.4 million, all from special revenue funds, for FY 2016. This is a decrease of $72,080, or 1.0 percent, below the agency's FY 2016 request, and is attributable to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 74.9 FTE and 28.5 non-FTE positions, which is unchanged from the agency's FY 2016 request.

- **Contractual Services.** The Governor recommends $277.0 million, all from special revenue funds, for FY 2016. This is a decrease of $13.6 million, or 4.7 percent, below the agency's FY 2016 request. The decrease is attributable to lower payments to facility managers due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.

- **Aid to Local Units.** The Governor recommends $10.6 million, all from special revenue funds, for FY 2016. This is a decrease of $570,000, or 5.1 percent, below the agency's FY 2016 request. The decrease is attributable to lower payments to local units of governments housing the state's three casinos due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.

Transfers to the State

- **State Gaming Revenues Fund.** Each year the Legislature establishes a minimum transfer from the proceeds of regular lottery program sales to the State Gaming Revenues Fund while maintaining an adequate cash balance necessary to make expenditures for prize payments and operating costs. By statute, the first $50.0 million is split between the Problem Gambling and Addictions Grant Fund ($80,000), 85.0 percent to the EDIF, 10.0 percent to the CIBF, and 5.0 percent to the JDFF. The

remainder is transferred into the State General Fund.

- **For FY 2016**, the agency proposes sales totaling $265.5 million. The Lottery will transfer $50.0 million to the State Gaming Revenues Fund, and proposes that $26.0 million be transferred to the State General Fund.
- The **Governor** concurs with the agency's proposed transfers to the state.

- **Expanded Lottery Act Revenues Fund**. A consensus gaming revenue estimating group comprised of representatives from the Kansas Lottery, Racing and Gaming Commission, Legislative Research Department, and the Division of the Budget met in April 2014, and adopted preliminary revenue projections of $81.8 million to the ELARF for FY 2016. The group met again in October 2014 and reduced the estimate to a transfer of $77.4 million. The fall 2014 estimate is a decrease of $4.4 million, or 5.4 percent, below the spring 2014 estimate due to lower than anticipated expanded gaming revenue in all of the gaming zones. The fall 2014 estimate includes the payment of a $5.5 million privilege fee by a facility manager in the Southeast gaming zone.
  - The **Governor** concurs with the agency's proposed transfers to the state.

Enhancements Detail

FY 2016 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Employee Incentive Program						
Administration	$ 0	$ 104,993	0.0	$ 0	$ 104,993	0.0
Information Technology	0	21,975	0.0	0	21,975	0.0
Sales	0	54,260	0.0	0	54,260	0.0
Security	0	19,534	0.0	0	19,534	0.0
Expanded Lottery Act	0	34,183	0.0	0	34,183	0.0
Marketing	0	19,534	0.0	0	19,534	0.0
Subtotal	$ 0	$ 254,479	0.0	$ 0	$ 254,479	0.0
Retailer Recruitment Commission	$ 0	$ 36,567	0.0	$ 0	$ 36,567	0.0
Gaming Facilities Analysts	0	120,994	0.0	0	120,994	0.0
TOTAL	**$ 0**	**$ 412,040**	**0.0**	**$ 0**	**$ 412,040**	**0.0**

The **agency** requests FY 2016 enhancement expenditures totaling $412,040, all from special revenue funds. These include the following items.

- **Employee Incentive Program.** The agency requests $254,479, all from special revenue funds, for the Employee Incentive Award and Recognition Program for FY 2016. The program was approved by the Department of Administration in 2013 and rewards employees for specific achievements, including distinguished accomplishment, meritorious service, innovation, and exceeding quarterly and annual transfer targets.

The Governor recommends the agency's enhancement request.

- **Retailer Recruitment Commission.** The agency requests $36,567, all from special revenue funds, for the New Retailer Recruitment Incentive-Based Compensation Program for FY 2016. The agency notes that the program will help the Lottery identify and target qualified retailers and to ensure they have successful sales.

The **Governor** recommends the agency's enhancement request.

- **Gaming Facilities Analysts.** The agency requests $120,994, all from special revenue funds, and 2.0 non-FTE positions for Gaming Facilities Analysts for FY 2016. The analysts will be responsible for the auditing and oversight of gaming facility operations, specifically regarding the certification of revenues and the gaming facility's compliance with the Kansas Expanded Lottery Act.

  The **Governor** recommends the agency's enhancement request.

The **Governor** recommends three operating enhancements totaling $412,040, all from special revenue funds, for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 356,804,526	$ 355,953,004	$ (851,522)
FTE Positions	74.9	74.9	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	5,552,570	18,979,128	
TOTAL	$ 5,552,570	$ 18,979,128	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	1.6	5.6	
TOTAL	1.6 %	5.6 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $356.8 million, all from special revenue funds, for FY 2017. This is an increase of $5.6 million, or 1.6 percent, above the FY 2016 request. The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, aid to local units, and other assistance, offset by reduced capital outlay expenditures. The FY 2017 request includes 74.9 FTE and 28.5 non-FTE positions, which is no change from the FY 2016 request and continues the enhancement request for 2.0 non-FTE Gaming Facilities Analysts. Changes from the FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests $7.8 million, all from special revenue funds, for FY 2017. This is an increase of $363,206, or 4.9 percent, above the FY 2016 request. The increase in salaries and wages occurs in all of the agency's programs, and is primarily attributable to higher employer contributions to KPERS, the 27th payroll period, and the agency's enhancement request for the Employee Incentive and Reward Program.

- **Contractual Services.** The agency requests $294.2 million, all from special revenue funds, for FY 2017. This is an increase of $3.6 million, or 1.2 percent, above the FY 2016 request. The increase is largely attributable to higher expenditures on contractual services in the Expanded Lottery Act program. These include higher payments to lottery gaming facility managers who receive 73.0 percent of all expanded gaming revenues. The projected increase of expanded gaming revenue for FY 2017, compared to FY 2016, will increase the payments to facility managers. Also included in the Expanded Lottery Act program are increased expenditures for the Gtech Central System. Contractual services included in the cost of sales for traditional lottery products, such as the the costs of ticket printing, ticket shipment, and on-line vendor fees are estimated to increase along with the agency's projected increase in ticket sales. Within the Administration program, contractual services also increase to provide for a security audit that is required to be performed every three years

- **Commodities.** The agency requests $744,020 all from special revenue funds, for FY 2017. This is an increase of $20,960, or 2.9 percent, above the FY 2016 request. The increase is largely attributable to higher expenditures on the cost of sales that includes the shipping of traditional lottery products. The agency also requested higher expenditures in the Sales program to continue to implement the Lottery's Excellence of Standards program, replenish depleted promotional inventories, and purchase signage. As ticket sales are projected to increase for FY 2017, commodities expenditures associated with the sale of traditional lottery products are estimated to increase accordingly.

- **Capital Outlay.** The agency requests $259,590 all from special revenue funds, for FY 2017. This is a decrease of $23,910, or 8.4 percent, below the FY 2016 request. The decrease is attributable to lower expenditures on the replacement of one mini-van and expenditures for record retention purchases in the Administration program which

are included as part of the FY 2016 request, but not in the FY 2017 request.

- **Aid to Local Units of Government.** The agency requests $11.2 million, all from special revenue funds, for FY 2017. This is an increase of $111,000, or 1.0 percent, above the FY 2016 request. This category of expenditure includes payments to cities and counties housing state-owned casinos and whom receive 3.0 percent of all expanded gaming revenue. The projected increase of expanded gaming revenue for FY 2017, compared to FY 2016, will increase the payments to these cities and counties.

- **Other Assistance.** The agency requests $42.5 million, all from special revenue funds, for FY 2017. This is an increase of $1.5 million, or 3.6 percent, above the FY 2016 request. Expenditures in other assistance include retailer paid and prizes paid by the Lottery. As ticket sales are projected to increase in FY 2017, the cost of sales and prizes paid will increase accordingly.

The **Governor** recommends $355.9 million, all from special revenue funds, for FY 2017. This is a decrease of $851,522, or 0.2 percent, below the agency's FY 2017 request. The decrease is attributable to reduced expenditures on salaries and wages, contractual services, and aid to local units of government as detailed below.

- **Salaries and Wages**. The Governor recommends $7.7 million, all from special revenue funds, for FY 2017. This is a decrease of $73,522, or 0.9 percent, below the agency's FY 2017 request, and is attributable to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 74.9 FTE and 28.5 non-FTE positions, which is unchanged from the agency's FY 2017 request.

- **Contractual Services**. The Governor recommends $293.5 million, all from special revenue funds, for FY 2017. This is a decrease of $739,000, or 0.3 percent, below the agency's FY 2017 request. The decrease is attributable to lower payments to facility managers due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.

- **Aid to Local Units.** The Governor recommends $11.2 million, all from special revenue funds, for FY 2017. This is a decrease of $39,000, or 0.3 percent, below the agency's FY 2017 request. The decrease is attributable to lower payments to local units of governments housing the state's three casinos due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.

Transfers to the State

- **State Gaming Revenues Fund.** Each year the Legislature establishes a minimum transfer from the proceeds of regular lottery program sales to the State Gaming Revenues Fund while maintaining an adequate cash balance necessary to make expenditures for prize payments and operating costs. By statute, the

first $50.0 million is split between the Problem Gambling and Addictions Grant Fund ($80,000), 85.0 percent to the EDIF, 10.0 percent to the CIBF, and 5.0 percent to the JDFF. The remainder is transferred into the State General Fund.

  - **For FY 2017**, the agency proposes sales totaling $275.5 million. The Lottery will transfer $50.0 million to the State Gaming Revenues Fund, and proposes that $30.0 million be transferred to the State General Fund.

  - The **Governor** concurs with the agency's proposed transfers to the state.

- **Expanded Lottery Act Revenues Fund**. A consensus gaming revenue estimating group comprised of representatives from the Kansas Lottery, Racing and Gaming Commission, Legislative Research Department, and the Division of the Budget met in April 2014, and adopted preliminary revenue projections of $82.7 million to the ELARF for FY 2017. The group met again in October 2014 and reduced the estimate to a transfer of $82.2 million. The October 2014 estimate is a decrease of $496,000, or 0.6 percent, below the April 2014 consensus estimate due to lower than anticipated expanded gaming revenue in all of the gaming zones. The October 2014 estimate includes partial year operations of a facility in the Southeast gaming zone.

  - The **Governor** concurs with the agency's proposed transfers to the state.

Enhancements Detail

FY 2017 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Employee Incentive Program						
Administration	$ 0	$ 116,669	0.0	$ 0	$ 116,669	0.0
Information Technology	0	31,154	0.0	0	31,154	0.0
Sales	0	67,831	0.0	0	67,831	0.0
Security	0	21,706	0.0	0	21,706	0.0
Expanded Lottery Act	0	37,986	0.0	0	37,986	0.0
Marketing	0	24,419	0.0	0	24,419	0.0
Subtotal	$ 0	$ 299,765	0.0	$ 0	$ 299,765	0.0
Retailer Recruitment Commission	$ 0	$ 36,930	0.0	$ 0	$ 36,930	0.0
Gaming Facilities Analysts	0	126,508	0.0	0	126,508	0.0
TOTAL	**$ 0**	**$ 463,203**	**0.0**	**$ 0**	**$ 463,203**	**0.0**

The **agency** requests FY 2017 enhancement expenditures totaling $463,203, all from special revenue funds. These include the following item.

- **Employee Incentive Program**. The agency requests $299,765, all from special revenue funds, for FY 2017 for the Employee Incentive Award and Recognition Program. The program was approved by the Department of Administration in 2013 and rewards employees for specific achievements, including distinguished accomplishment, meritorious service, innovation, and exceeding quarterly and annual transfer targets.

The Governor recommends the agency's enhancement request as follows.

- **Retailer Recruitment Commission.** The agency requests $36,930, all from special revenue funds, for FY 2017 for the New Retailer Recruitment Incentive-Based Compensation Program. The agency notes the program will help the Lottery identify and target qualified retailers and to ensure they have successful sales.

  The **Governor** recommends the agency's enhancement request.

- **Gaming Facilities Analysts.** The agency requests $126,508, all from special revenue funds, and 2.0 non-FTE positions, for Gaming Facilities Analysts for FY 2017. The analysts will be responsible for the auditing and oversight of gaming facility operations, specifically regarding the certification of revenues and the gaming facility's compliance with the Kansas Expanded Lottery Act.

  The **Governor** recommends the agency's enhancement request.

The **Governor** recommends three operating enhancements totaling $463,203, all from special revenue funds, 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 $22,650, all from special revenue funds, and affects 73 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 $8,480, all from special revenue funds, and FY 2017 longevity payments total $8,800, 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 $72,080, all from special revenue funds, for FY 2016. This is a reduction of $73,522, 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.

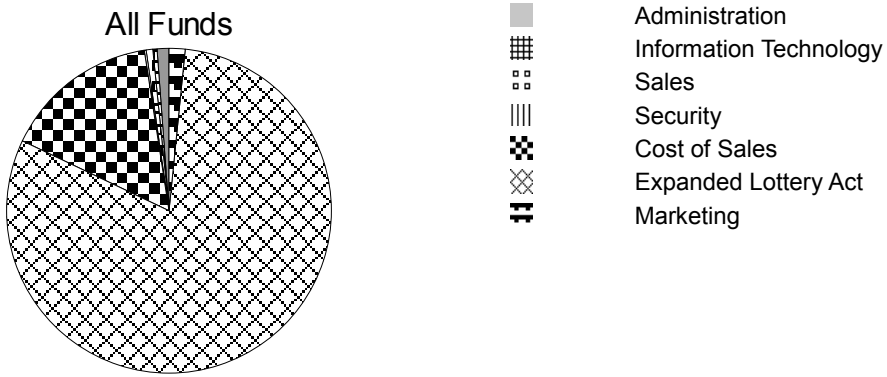
The Governor further proposes offering $1.5 billion in Pension Obligation Bonds, backed by the State General Fund, to be paid back over 30 years and extending the amortization on the current bonds by ten years to 2043. The proceeds of the bonds would be used to help reduce the future employer contribution 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
Lottery Operating Fund	8.2 %	8.5 %	8.4 %	8.4 %
Expanded Lottery Receipts Fund	80.2	79.3	79.7	79.7
Lottery Prize Payment Fund	11.7	12.2	11.9	12.0
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

EXPENDITURES BY PROGRAM-- GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	$ 3,989,002	1.2 %	$ 0	-- %
Information Technology	1,390,572	0.4	0	--
Sales	2,234,562	0.7	0	--
Security	590,098	0.2	0	--
Cost of Sales	52,192,282	15.5	0	--
Expanded Lottery Act	271,176,260	80.5	0	--
Marketing	5,401,100	1.6	0	--
TOTAL	$ 336,973,876	100.0 %	$ 0	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017							
Program	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
Administration	25.85	28.65	28.65	28.65	28.65	28.65	28.65
Information Technology	11.75	6.75	6.75	6.75	6.75	6.75	6.75
Sales	25.00	25.00	25.00	25.00	25.00	25.00	25.00
Security	8.80	1.75	1.75	1.75	1.75	1.75	1.75
Cost of Sales	--	--	--	--	--	--	--
Expanded Lottery Act	7.00	4.25	4.25	4.25	4.25	4.25	4.25
Marketing	11.60	8.50	8.50	8.50	8.50	8.50	8.50
TOTAL	90.00	74.90	74.90	74.90	74.90	74.90	74.90

A. Administration

The Administration program is responsible for human resources, procurement, facility and vehicles, and policy information and distribution that supports the Lottery. The program also ensures that Lottery personnel are knowledgeable of the newest and most effective products, technologies, security operations, marketing and advertising strategies, and legal issues within the gaming and lottery industry. Additionally, the program provides service, information, and ticket shipments to current retailers.

ADMINISTRATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,470,887	$ 2,218,301	$ 2,198,402	$ 2,650,460	$ 2,624,392	$ 2,773,528	$ 2,746,938
Contractual Services	1,187,818	1,159,662	1,159,662	1,258,260	1,258,260	1,486,260	1,486,260
Commodities	28,218	69,100	69,100	69,350	69,350	73,850	73,850
Capital Outlay	1,852	10,000	10,000	37,000	37,000	11,000	11,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 2,688,775	$ 3,457,063	$ 3,437,164	$ 4,015,070	$ 3,989,002	$ 4,344,638	$ 4,318,048
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	6,995	0	0	0	0	0	0
TOTAL	$ 2,695,770	$ 3,457,063	$ 3,437,164	$ 4,015,070	$ 3,989,002	$ 4,344,638	$ 4,318,048
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	2,695,770	3,457,063	3,437,164	4,015,070	3,989,002	4,344,638	4,318,048
TOTAL	$ 2,695,770	$ 3,457,063	$ 3,437,164	$ 4,015,070	$ 3,989,002	$ 4,344,638	$ 4,318,048
FTE Positions	25.9	28.7	28.7	28.7	28.7	28.7	28.7
Non-FTE Uncl. Perm. Pos.	1.8	6.8	6.8	6.8	6.8	6.8	6.8
TOTAL	27.7	35.5	35.5	35.5	35.5	35.5	35.5

The **agency** requests $4.0 million, all from special revenue funds, for FY 2016. This is an increase of $558,007, or 16.1 percent, above the agency's FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, and capital outlay. The FY 2016 request includes 28.7 FTE and 6.8 non-FTE positions, which is unchanged from the FY 2015 revised estimate. Changes from the FY 2015 revised estimate include the following items.

- **Salaries and Wages.** The agency requests $2.7 million, all from special revenue funds, for FY 2016. This is an increase of $432,159, or 19.5 percent, above the FY 2015 revised estimate. The increase is largely attributable to higher expenditures on pay to unclassified regular employees, offset by reduced expenditures on pay to classified regular employees.

- **Contractual Services.** The agency requests $1.3 million, all from special revenue funds, for FY 2016. This is an increase of $98,598, or 8.5 percent, above the FY 2015 revised estimate. The increase is largely attributable to higher expenditures on rent, communications including postage for sending weekly retailer statements, and dues and periodical subscriptions

- **Commodities.** The agency requests $69,350, all from special revenue funds, for FY 2016. This is an increase of $250, or 0.4 percent, above the FY 2015 revised estimate. The agency notes that expenditures in this category are to allow the Lottery to maintain the same inventory level of office supplies and material needed to sustain on-going operations, vehicles expenses, and replace equipment as needed.

- **Capital Outlay.** The agency requests $37,000, all from special revenue funds, for FY 2016. This is an increase of $27,000, or 270.0 percent, above the FY 2015 revised estimate. The increase is attributable to the replacement of one mini-van used by retailer services to recruit new retailers, and increased expenditures for record retention purchases.

The **Governor** recommends $4.0 million, all from special revenue funds, for FY 2016. This is a decrease of $26,068, or 0.6 percent, below the agency's FY 2016 request and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 28.7 FTE and 6.8 non-FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the agency requests $4.3 million, all from special revenue funds, which in an increase of $329,568, or 8.2 percent, above the FY 2016 request. The increase is due to higher expenditures on salaries and wages, contractual services, and commodities, offset by reduced capital outlay expenditures. The FY 2017 request includes 28.7 FTE and 6.8 non-FTE positions, which is unchanged from the FY 2016 request. Changes from the FY 2016 request include the following items.

- **Salaries and Wages**. The agency requests $2.8 million, all from special revenue funds, for FY 2017. This is an increase of $123,068, or 4.6 percent, above the FY 2016 request. The increase is attributable to higher expenditures on pay for unclassified and classified regular employees included as part of the agency's FY 2017 enhancement request for the Employee Incentive and Reward Program. Other expenditure increases include higher employer contributions to KPERS and costs associated with the 27th payroll period.

- **Contractual Services**. The agency requests $1.5 million, all from special revenue funds, for FY 2017. This is an increase of $228,000, or 18.1 percent, above the FY 2016 request. The increase is largely attributable to higher expenditures on professional service fees for a security audit that is required to be performed every three years. Higher expenditures on rent also contribute to the increase.

- **Commodities.** The agency requests $73,850, all from special revenue funds, for FY 2017. This is an increase of $4,500, or 6.5 percent, above the

FY 2016 request. The agency notes that expenditures in this category are to allow the Lottery to maintain the same inventory level of office supplies and material needed to sustain on-going operations, vehicles expenses, and replace equipment as needed.

- **Capital Outlay.** The agency requests $11,000, all from special revenue funds, for FY 2017. This is a decrease of $26,000, or 70.3 percent, below the FY 2016 request. The decrease is attributable to lower expenditures on the replacement of one mini-van and increased expenditures for record retention purchases, which were one-time expenditures included in the FY 2016 request that are not included in the FY 2017 request.

B. Information Technology

The Information Technology program provides technological infrastructure in support of all Lottery computer operations to ensure retailer and player satisfaction.

The **Governor** recommends $4.3 million, all from special revenue funds, for FY 2017. This is a decrease of $26,590, or 0.6 percent, below the agency's FY 2017 request and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 28.7 FTE and 6.8 non-FTE positions, which is unchanged from the agency's FY 2017 request.

INFORMATION TECHNOLOGY
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 550,118	$ 588,271	$ 582,615	$ 658,876	$ 652,967	$ 697,422	$ 691,395
Contractual Services	333,903	582,075	582,075	596,295	596,295	615,635	615,635
Commodities	38,500	37,800	37,800	38,310	38,310	40,820	40,820
Capital Outlay	56,837	255,000	255,000	103,000	103,000	106,090	106,090
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 979,358	$ 1,463,146	$ 1,457,490	$ 1,396,481	$ 1,390,572	$ 1,459,967	$ 1,453,940
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 979,358	$ 1,463,146	$ 1,457,490	$ 1,396,481	$ 1,390,572	$ 1,459,967	$ 1,453,940
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	979,358	1,463,146	1,457,490	1,396,481	1,390,572	1,459,967	1,453,940
TOTAL	$ 979,358	$ 1,463,146	$ 1,457,490	$ 1,396,481	$ 1,390,572	$ 1,459,967	$ 1,453,940
FTE Positions	11.8	6.8	6.8	6.8	6.8	6.8	6.8
Non-FTE Encl. Perm. Pos.	1.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	12.8	8.8	8.8	8.8	8.8	8.8	8.8

The **agency** requests $1.4 million, all special revenue funds, for the Information Technology program, for FY 2016. This is an all funds decrease of $66,665, or 4.6 percent, below the FY 2015 revised estimate. The decrease is attributable to lower expenditures on capital outlay, partially offset increased expenditures on salaries and wages, contractual services, and commodities. The FY 2016 request includes 6.8 FTE and 2.0 non-FTE positions, which is no change from the FY 2015 revised estimate. Changes from the FY 2015 revised estimate include the following items.

- **Salaries and Wages.** The agency requests $658,876, all from special revenue funds, for FY 2016. This is an increase of $70,605, or 12.0 percent, above the FY 2015 revised estimate. The increase is attributable to higher

expenditures on unclassified regular pay and the agency's FY 2016 enhancement request for the Employee Incentive Award and Recognition Program.

- **Contractual Services**. The agency requests $596,295, all from special revenue funds, for FY 2016. This is an increase of $14,220, or 2.4 percent, above the FY 2015 revised estimate. The increase is largely attributable to the annual license and maintenance of the sales force automation system.

- **Commodities.** The agency requests $38,310, all from special revenue funds, for FY 2016. This is an increase of $510, or 1.3 percent, above the FY 2015 revised estimate. The agency notes the increase is attributable to office and data supplies needed for the replacement of equipment.

- **Capital Outlay.** The agency requests $103,000, all from special revenue funds, for FY 2016. This is a decrease of $152,000, or 59.6 percent, below the FY 2015 revised estimate. The decrease is due to the lottery including FY 2015 supplemental expenditures for sales force automation hardware, software, and electronic devices and video conferencing equipment, which are not included in the FY 2016 request.

The **Governor** recommends $1.4 million, all from special revenue funds, for FY 2016. This is a decrease of $5,909, or 0.4 percent, below the agency's FY 2016 request and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 6.8 FTE and 2.0 non-FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the agency requests $1.5 million, all from special revenue funds, which is an increase of $63,486, or 4.5 percent, above the FY 2016 request. The increase is largely attributable to higher expenditures on salaries and wages, contractual services, commodities, and capital outlay. The FY 2017 request includes 6.8 FTE and 2.0 non-FTE positions, which is no change from the FY 2016 request. Changes from the FY 2016 request include the following items.

- **Salaries and Wages**. The agency requests $697,422, all from special revenue funds, for FY 2017. This is an increase of $38,546, or 5.9 percent, above the FY 2016 request. The increase is largely attributable to higher employer contributions to KPERS, group health and hospitalization, and the 27th payroll period.

- **Contractual Services**. The agency requests $615,635 all from special revenue funds, for FY 2017. This is an increase of $19,340, or 3.2 percent, above the FY 2016 request. The increase is largely attributable to higher expenditures on computer maintenance, communication, and Office of Information Technology Services costs.

- **Commodities**. The agency requests $40,820, all from special revenue funds, for FY 2017. This is an increase of $2,510, or 6.6 percent, above the FY 2016 request. The increase is largely attributable to increased costs for repair and servicing of Lottery computer equipment.

- **Capital Outlay.** The agency requests $106,090, all from special revenue funds, for FY 2017. This is an increase of $3,090, or 3.0 percent, above the FY 2016 request. The agency notes that the increase is attributable to the purchase of computer hardware and software to improve agency efficient, security, and integrity.

The **Governor** recommends $1.5 million, all from special revenue funds, for FY 2017. This is a decrease of $6,027, or 0.4 percent, below the agency's FY 2017 request and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 6.8 FTE and 2.0 non-FTE positions, which is unchanged from the agency's FY 2017 request.

C. Sales

The Sales program works to increase sales of all Lottery products through the training of sales staff on Lottery products, retailer recruitment and training, promoting player awareness of all Lottery products available, and increasing corporate account involvement in Lottery advertising and promotions.

SALES
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,369,356	$ 1,454,017	$ 1,440,547	$ 1,620,565	$ 1,602,262	$ 1,702,999	$ 1,684,330
Contractual Services	90,341	277,500	277,500	146,800	146,800	147,000	147,000
Commodities	298,361	357,500	357,500	370,500	370,500	378,600	378,600
Capital Outlay	81,802	115,000	115,000	115,000	115,000	118,000	118,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,839,860	$ 2,204,017	$ 2,190,547	$ 2,252,865	$ 2,234,562	$ 2,346,599	$ 2,327,930
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 1,839,860	$ 2,204,017	$ 2,190,547	$ 2,252,865	$ 2,234,562	$ 2,346,599	$ 2,327,930
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	1,839,860	2,204,017	2,190,547	2,252,865	2,234,562	2,346,599	2,327,930
TOTAL	$ 1,839,860	$ 2,204,017	$ 2,190,547	$ 2,252,865	$ 2,234,562	$ 2,346,599	$ 2,327,930
FTE Positions	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	25.0	25.0	25.0	25.0	25.0	25.0	25.0

The **agency** requests $2.3 million, all from special revenue funds, for the Sales program for FY 2016. This is an all funds increase of $48,848, or 2.2 percent, above the FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages and commodities, offset by lower expenditures on contractual services. The FY 2016 request includes 25.0 FTE positions which is unchanged from the FY 2015 revised estimate. Changes from the FY 2015 revised estimate include the following items.

- **Salaries and Wages.** The agency requests $1.6 million, all from special revenue funds, for FY 2016. This is an increase of $166,548, or 11.5 percent, above the FY 2015 revised estimate, The increase is due to the agency's FY 2016 enhancement requests for the Employee Incentive Award and Recognition Program and the Retailer Recruitment Incentive-Based

Compensation Program. Additional increases that occur within salaries and wages are attributable to higher pay to unclassified regular employees, employer contributions to KPERS, and medicare costs.

- **Contractual Services**. The agency requests $146,800, all from special revenue funds, for FY 2016. This is a decrease of $130,700, or 47.1 percent, below the FY 2015 revised estimate. The decrease is attributable to reduced expenditures on training for the sales force automation system that is included in the FY 2015 revised estimate, but not included in the FY 2016 request.

- **Commodities.** The agency requests $370,500, all from special revenue funds, for FY 2016. This is an increase of $13,000, or 3.6 percent, above the FY 2015 revised estimate. The increase is attributable to the continued implementation of the Lottery's Excellence of Standards program, the replenishment of depleted promotional inventories, and the purchase of signage.

The **Governor** recommends $2.2 million, all from special revenue funds, for FY 2016. This is a decrease of $18,303, or 0.8 percent, below the agency's FY 2016 request and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 25.0 FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the agency requests $2.3 million, all from special revenue funds. This is an increase of $93,734, or 4.2 percent, above the FY 2016 request. The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, and capital outlay. The FY 2017 request includes 25.0 FTE positions which is unchanged from the FY 2016 request. Changes from the FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests $1.7 million, all from special revenue funds, for FY 2017. This is an increase of $82,434, or 5.1 percent, above the FY 2016 request. The increase is largely attributable to the 27th payroll period and higher employer contributions to KPERS.

- **Contractual Services**. The agency requests $147,000, all from special revenue funds, for FY 2017. This is an increase of $200, or 0.1 percent, above the FY 2016 request. The increase is largely attributable higher expenditures on other contractual services.

- **Commodities.** The agency requests $378,600, all from special revenue funds, for FY 2017. This is an increase of $8,100, or 2.2 percent, above the FY 2016 request. The increase is largely attributable the continued implementation of the Lottery's Excellence of Standards program, the replenishment of depleted promotional inventories, and the purchase of signage.

- **Capital Outlay.** The agency requests $118,000 all from special revenue funds, for FY 2017. This is an increase of $3,000, or 2.6 percent, above the FY 2016 request. The increase is largely attributable to the continued replacement of five

mini-vans used for recruitment and to service retailer accounts.

The **Governor** recommends $2.3 million, all from special revenue funds, for FY 2017. This is a decrease of $18,669, or 0.8 percent, below the agency's FY 2017 request and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 25.0 FTE positions, which is unchanged from the agency's FY 2017 request.

D. Security

The Security program provides security to Lottery personnel and property; investigates and prosecutes criminal violations related to the Lottery; and preserves the integrity of the Lottery and all of its activities. To accomplish these goals, the program ensures that all Enforcement Agents receive training and remain knowledgeable of changing techniques, procedures, and statutes; conducts background investigation on all vendors and retailers, and visits Lottery retail locations to advise and inform retailers of proper security and product inventory practices.

SECURITY
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 455,822	$ 502,757	$ 497,935	$ 535,100	$ 530,198	$ 559,517	$ 554,517
Contractual Services	41,684	23,600	23,600	24,800	24,800	24,800	24,800
Commodities	19,054	27,700	27,700	13,100	13,100	15,600	15,600
Capital Outlay	(3,585)	0	0	22,000	22,000	17,000	17,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 512,975	$ 554,057	$ 549,235	$ 595,000	$ 590,098	$ 616,917	$ 611,917
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 512,975	$ 554,057	$ 549,235	$ 595,000	$ 590,098	$ 616,917	$ 611,917
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	512,975	554,057	549,235	595,000	590,098	616,917	611,917
TOTAL	$ 512,975	$ 554,057	$ 549,235	$ 595,000	$ 590,098	$ 616,917	$ 611,917
FTE Positions	8.8	1.8	1.8	1.8	1.8	1.8	1.8
Non-FTE Uncl. Perm. Pos.	3.0	6.0	6.0	6.0	6.0	6.0	6.0
TOTAL	11.8	7.8	7.8	7.8	7.8	7.8	7.8

The **agency** requests $595,000, all from special revenue funds, for the Security program for FY 2016. This is an increase of $40,943, or 7.4 percent, above the FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages, contractual services, and capital outlay, offset by reduced commodities expenditures. The FY 2016 request includes 1.8 FTE and 6.0 non-FTE positions, which is unchanged from the FY 2015 revised estimate. Changes from the FY 2015 revised estimate include the following items.

- **Salaries and Wages.** The agency requests $535,100, all from special revenue funds, for FY 2016. This is an increase of $32,343, or 6.4 percent, above the FY 2015 revised estimate. The increase is largely attributable to the agency's FY 2016 enhancement request for the Employee Incentive and Reward Program, and

higher expenditures on group health and hospitalization.

- **Contractual Services.** The agency requests $24,800, all from special revenue funds, for FY 2016. This is an increase of $1,200, or 5.1 percent, above the FY 2015 revised estimate, and is largely attributable to higher expenditures on travel for background investigations and training to support agency activities.

- **Commodities**. The agency requests $13,100, all from special revenue funds, for FY 2016. This is a decrease of $14,600, or 52.7 percent, below the FY 2015 revised estimate. The increase is largely attributable to the agency purchasing RHAP game tickets for use in future sting operations, which are not included in the FY 2016 request.

- **Capital Outlay.** The agency requests $22,000, all from special revenue funds, for FY 2016, which is a 100.0 percent increase above the FY 2015 revised estimate. The increase is due to the purchase of a new vehicle for use by enforcement agents.

The **Governor** recommends $590,098, all from special revenue funds, for FY 2016. This is a decrease of $4,902, or 0.8 percent, below the agency's FY 2016 request, and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 1.8 FTE and 6.0 non-FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the agency requests $616,917, all from special revenue funds. This is an increase of $21,917, or 3.7 percent, above the FY 2016 request. The increase is due to higher expenditures on salaries and wages and commodities, offset by lower expenditures on capital outlay. The FY 2017 request includes 1.8 FTE positions and 6.0 non-FTE positions, which is unchanged from the FY 2016 request. Changes from the FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests $559,517, all from special revenue funds, for FY 2017. This is an increase of $24,417, or 4.6 percent, above the FY 2016 request, and is largely attributable to the agency's FY 2017 enhancement request for the Employee Incentive and Reward Program, and the 27th payroll period.

- **Commodities.** The agency requests $15,600, all from special revenue funds, for FY 2017. This is an increase of $2,500, or 19.1 percent, above the FY 2016 request. The increase is attributable to higher expenditures on vehicles parts, supplies, and accessories, and materials needed for repairing and replacing controlled entry points.

- **Capital Outlay.** The agency requests $17,000, all from special revenue funds, for FY 2017. This is a decrease of $5,000, or 22.7 percent, below the FY 2016 request. The decrease is largely attributable to the agency including a new vehicle for use by enforcement agents, that was not included in the FY 2016 request. The agency notes the FY 2017 expenditures will be used to upgrade technical equipment to update the surveillance system and purchase a security server.

The **Governor** recommends $611,917, all from special revenue funds, for FY 2017. This is a decrease of $5,000, or 0.8 percent, below the agency's FY 2017 request, and is attributable to reduced employer contributions to state health insurance. The Governor's recommendation includes 1.8 FTE and 6.0 non-FTE positions, which is unchanged from the agency's FY 2017 request.

E. Cost of Sales

The Cost of Sales program captures the contractual service and commodities expenditures necessary to operate a state-owned Lottery. Prize payments to individuals are reflected as Other Assistance expenditures within this program.

COST OF SALES
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Contractual Services	9,754,948	10,340,000	10,340,000	11,082,000	11,082,000	11,659,575	11,659,575
Commodities	58,386	51,500	51,500	55,000	55,000	60,000	60,000
Capital Outlay	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 9,813,334	$ 10,391,500	$ 10,391,500	$ 11,137,000	$ 11,137,000	$ 11,719,575	$ 11,719,575
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	36,672,443	37,795,010	37,795,010	41,055,282	41,055,282	42,542,281	42,542,281
TOTAL	$ 46,485,777	$ 48,186,510	$ 48,186,510	$ 52,192,282	$ 52,192,282	$ 54,261,856	$ 54,261,856
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	46,485,777	48,186,510	48,186,510	52,192,282	52,192,282	54,261,856	54,261,856
TOTAL	$ 46,485,777	$ 48,186,510	$ 48,186,510	$ 52,192,282	$ 52,192,282	$ 54,261,856	$ 54,261,856

The **agency** requests $52.2 million, all from special revenue funds, for FY 2016, which is an increase of 4.0 million, or 8.3 percent, above the FY 2015 revised estimate.

The **Governor** concurs with the agency's FY 2016 request.

The **agency** requests $54.3 million, all from special revenue funds for FY 2017, which is an increase of $2.1 million, or 4.0 percent, above the FY 2016 request.

The **Governor** concurs with the agency's FY 2017 request.

In both fiscal years, contractual service expenditures include the costs of ticket printing, ticket shipment, and on-line vendor fees. Commodities expenditures include the cost of the packaging and supplies necessary for the shipment of tickets. Expenditures in other assistance include retailer paid and prizes paid by the Lottery. As ticket sales are projected to increase in FY 2016 and FY 2017, the cost of sales will also increase accordingly.

F. Expanded Lottery Act

The 2007 Legislature enacted SB 66 which authorized expanded gaming activities, with the Kansas Lottery designated as the owner and operator of the expanded lottery games. The Expanded Lottery Act program ensures the integrity of electronic gaming devices, accurate reporting of net expanded gaming revenues, and compliance with management contracts as well as duties and responsibilities prescribed within the Kansas Expanded Lottery Act.

EXPANDED LOTTERY ACT
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,121,855	$ 1,163,836	$ 1,153,022	$ 1,456,858	$ 1,445,410	$ 1,524,469	$ 1,512,792
Contractual Services	259,823,407	269,796,400	260,319,400	272,796,450	259,160,450	275,463,550	274,724,550
Commodities	4,782	7,900	7,900	13,900	13,900	11,150	11,150
Capital Outlay	1,034	45,000	45,000	2,500	2,500	2,500	2,500
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 260,951,078	$ 271,013,136	$ 261,525,322	$ 274,269,708	$ 260,622,260	$ 277,001,669	$ 276,250,992
Aid to Local Units	10,666,940	11,001,000	10,602,000	11,124,000	10,554,000	11,235,000	11,196,000
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 271,618,018	$ 282,014,136	$ 272,127,322	$ 285,393,708	$ 271,176,260	$ 288,236,669	$ 287,446,992,
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	271,618,018	282,014,136	272,127,322	285,393,708	271,176,260	288,236,669	287,446,992
TOTAL	$ 271,618,018	$ 282,014,136	$ 272,127,322	$ 285,393,708	$ 271,176,260	$ 288,236,669	$ 287,446,992
FTE Positions	7.0	4.3	4.3	4.3	4.3	4.3	4.3
Non-FTE Uncl. Perm. Pos.	10.8	11.8	11.8	13.8	13.8	13.8	13.8
TOTAL	17.8	16.1	16.1	18.1	18.1	18.1	18.1

The **agency** requests $285.4 million, all from special revenue funds, for the Expanded Lottery Act program for FY 2016. This is an all funds increase of $3.4 million, or 1.2 percent, above the agency's FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, and aid to local units, offset by lower expenditures on capital outlay. The FY 2016 estimate includes 4.3 FTE and 13.8 non-FTE positions, which is an increase of 2.0 non-FTE positions. The increase is attributable to the agency's FY 2016 enhancement request for 2.0 non-FTE Gaming Facilities Analysts. Changes from the FY 2015 revised estimate include the following items.

- **Salaries and Wages**. The agency requests $1.5 million, all from special revenue funds, for FY 2016. This is an increase of $293,022, or 25.2 percent, above the FY 2015 revised estimate.

The increase is largely attributable to the agency's FY 2016 enhancement requests for 2.0 non-FTE positions for Gaming Facility Analysts and the Employee Incentive and Reward Program.

- **Contractual Services.** The agency requests $272.8 million, all from special revenue funds, for FY 2016. This is an increase of $3.0 million, or 1.1 percent, above the FY 2015 revised estimate. The increase is attributable to higher payments to lottery gaming facility managers who receive 73.0 percent of all expanded gaming revenues. The projected increase of expanded gaming revenue for FY 2016, compared to FY 2015, will increase the payments to facility managers. The contractual services increase also includes fees for the Gtech Central System.

- **Commodities.** The agency requests $13,900, all from special revenue funds, for FY 2016. This is an increase of $6,000, or 75.9 percent, above the FY 2015 revised estimate. The increase is attributable to providing supplies to existing staff, maintaining Lottery owned vehicles, and budgeting for the potential opening of a gaming facility in the Southeast gaming zone.

- **Capital Outlay**. The agency requests $2,500, all from special revenue funds, for FY 2016. This is a decrease of $42,500, or 94.4 percent, below the FY 2015 revised estimate. The decrease is attributable to the agency's planned purchase of two sedans in FY 2015 that are not included in the FY 2016 request.

- **Aid to Local Units.** The agency requests $11.1 million, all from special revenue funds, for FY 2016. This is an increase of $123,000, or 1.1 percent, above the FY 2015 revised estimate. The increase is attributable to payments to the cities and counties housing the state-owned casino. Local governments receive 3.0 percent of all expanded gaming revenue. The projected increase of expanded gaming revenue for FY 2016, compared to FY 2015, will increase the payments to the cities and counties.

The **Governor** recommends $271.2 million, all from special revenue funds, for FY 2016. This is an all funds decrease of $14.2 million, or 5.0 percent, below the agency's FY 2016 request. The decrease is attributable to reduced expenditures on salaries and wages, contractual services, and aid to local units of government as detailed below.

- **Salaries and Wages**. The Governor recommends $1.4 million, all from special revenue funds, for FY 2016. This is a decrease of $11,448, or 0.8 percent, below the agency's FY 2016 request, and is attributable to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 4.3 FTE and 13.8 non-FTE positions, which is unchanged from the agency's FY 2016 request.

- **Contractual Services**. The Governor recommends $259.2 million, all from special revenue funds, for FY 2016. This is a decrease of $13.6 million, or 5.0 percent, below the agency's FY 2016 request. The decrease is attributable to lower payments to facility managers due to a

projected reduction of gaming revenues based on the fall 2014 revenue estimates.

- **Aid to Local Units**. The Governor recommends $10.6 million, all from special revenue funds, for FY 2016. This is a decrease of $570,000, or 5.1 percent, below the agency's FY 2016 request. The decrease is attributable to lower payments to local units of governments housing the state's three casinos due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.

For FY 2017, the agency requests $288.2 million, all from special revenue funds. This is an increase of $2.8 million, or 1.0 percent, above the FY 2016 request. The increase is attributable to higher expenditures on salaries and wages, contractual services, and aid to local units, offset by reduced expenditures on commodities. The FY 2017 request includes 4.3 FTE and 13.8 non-FTE positions, which is unchanged from the FY 2016 request. Changes from the FY 2016 request include the following items.

- **Salaries and Wages**. The agency requests $1.5 million, all from special revenue funds, for FY 2017. This is an increase of $67,611, or 4.6 percent, above the FY 2016 request, and is attributable to higher employer contributions to KPERS, the 27th payroll period, and the agency's FY 2017 enhancement request for the Employee Incentive and Reward Program.

- **Contractual Services**. The agency requests $275.5 million, all from special revenue funds, for FY 2017. This is an increase of $2.7 million, or 1.0 percent, above the FY 2016 request. The increase is attributable to higher payments to lottery gaming facility managers who receive 73.0 percent of all expanded gaming revenues. The projected increase of expanded gaming revenue in FY 2017, compared to FY 2016, will increase the payments to facility managers. The contractual services increase also includes fees for the Gtech Central System.

- **Commodities.** The agency requests $11,150 all from special revenue funds, for FY 2017 This is a decrease of $2,750, or 19.8 percent, below the FY 2016 request. The decrease is attributable to lower expenditures on professional supplies and clothing.

- **Aid to Local Units**. The agency requests $11.2 million, all from special revenue funds, for FY 2017. This is an increase of $111,000, or 1.0 percent, above the FY 2016 request. The increase is attributable to increases to payments to the cities and counties housing the state-owned casino. Local governments receive 3.0 percent of all expanded gaming revenue. The projected increase of expanded gaming revenue for FY 2017, compared to FY 2016, will increase the payments to the cities and counties.

The **Governor** recommends $287.4 million, all from special revenue funds, for FY 2017. This is an all funds decrease of $789,677, or 0.3 percent, below the agency's FY 2017 request. The decrease is attributable to reduced expenditures on salaries and wages, contractual services, and aid to local units of government as detailed below.

- **Salaries and Wages**. The Governor recommends $1.5 million, all from special revenue funds, for FY 2017. This is a decrease of $11,677, or 0.8 percent, below the agency's FY 2017 request, and is attributable to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 4.3 FTE and 13.8 non-FTE positions, which is unchanged from the agency's FY 2017 request.

- **Contractual Services.** The Governor recommends $274.7 million, all from special revenue funds, for FY 2017. This is a decrease of $739,000, or 0.3 percent, below the agency's FY 2017 request. The decrease is attributable to lower payments to facility managers due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.

- **Aid to Local Units.** The Governor recommends $11.2 million, all from special revenue funds, for FY 2017. This is a decrease of $39,000, or 0.3 percent, below the agency's FY 2017 request. The decrease is attributable to lower payments to local units of governments housing the state's three casinos due to a projected reduction of gaming revenues based on the fall 2014 revenue estimates.

G. Marketing

The Marketing program works to promote the Kansas Lottery and its games in a responsible and effective manner. To achieve this, the program works to produce advertising media messages across a variety of platforms to maximize sales and returns to the state; produce a wide variety of scratch games; and, coordinate special events programs, fairs, and other community events.

MARKETING
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 443,791	$ 513,014	$ 508,196	$ 527,850	$ 522,400	$ 554,980	$ 549,421
Contractual Services	3,755,752	4,606,700	4,606,700	4,711,800	4,711,800	4,813,900	4,813,900
Commodities	123,385	159,700	159,700	162,900	162,900	164,000	164,000
Capital Outlay	0	4,000	4,000	4,000	4,000	5,000	5,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 4,322,928	$ 5,283,414	$ 5,278,596	$ 5,406,550	$ 5,401,100	$ 5,537,880	$ 5,532,321
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 4,322,928	$ 5,283,414	$ 5,278,596	$ 5,406,550	$ 5,401,100	$ 5,537,880	$ 5,532,321
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	4,322,928	5,283,414	5,278,596	5,406,550	5,401,100	5,537,880	5,532,321
TOTAL	$ 4,322,928	$ 5,283,414	$ 5,278,596	$ 5,406,550	$ 5,401,100	$ 5,537,880	$ 5,532,321
FTE Positions	11.6	8.5	8.5	8.5	8.5	8.5	8.5
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	11.6	8.5	8.5	8.5	8.5	8.5	8.5

The **agency** requests $5.4 million, all from special revenue funds, for the Marketing program for FY 2016. This is an all funds increase of $123,136, or 2.3 percent, above the FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages, contractual services, and commodities. The FY 2016 request includes 8.5 FTE positions, which is unchanged from the FY 2015 revised estimate. Changes from the FY 2015 revised estimate include the following items.

- **Salaries and Wages**. The agency requests $527,850, all from special revenue funds, for FY 2016. This is an increase of $14,836, or 2.9 percent, above the FY 2015 revised estimate and is attributable to the agency's FY 2016 enhancement request for the Employee Incentive and Reward Program.

- **Contractual Services**. The agency requests $4.7 million, all from special revenue funds, for FY 2016. This is an increase of $105,100, or 2.3 percent, above the FY 2015 revised estimate and is attributable to fees for professional services which include advertising agency fees, production costs, and media placement costs of Lottery advertising. The agency notes that expenditures increase with the volume of partnerships and sponsorships in which the Lottery participates.

- **Commodities.** The agency requests $162,900, all from special revenue funds, for FY 2016. This is an increase of $3,200, or 2.0 percent, above the FY 2015 revised estimate, and is attributable to professional supplies and materials needed for player events, and repair of vehicles used in the Sales program.

The **Governor** recommends $5.4 million, all from special revenue funds, for FY 2016. This is an all funds decrease of $5,450, or 0.1 percent, below the agency's FY 2016 request. The decrease is entirely attributable to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 8.5 FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the agency requests $5.5 million, all from special revenue funds. This is an increase of $131,330, or 2.4 percent, above the FY 2016 request. The increase is due to higher expenditures on salaries and wages, contractual services, commodities, and capital outlay. The FY 2017 request includes 8.5 FTE positions, which is unchanged from the FY 2016 request. Changes from the FY 2016 request include the following items.

- **Salaries and Wages.** The agency requests $554,980, all from special revenue funds, for FY 2017. This is an increase of $27,130, or 5.1 percent, above the FY 2016 request and is largely attributable to the 27th payroll period, higher employer contributions to KPERS, and the FY 2017 enhancement request for the Employee Incentive and Reward program.

- **Contractual Services**. The agency requests $4.8 million, all from special revenue funds, for FY 2017. This is an increase of $102,100, or 2.2 percent, above the FY 2016 request and is attributable to contractual service expenditures associated with the advertising agency fees, productions costs, and media placement costs of Lottery advertising.

- **Commodities.** The agency requests $164,000, all from special revenue funds, for FY 2017. This is an increase of $1,100, or 0.7 percent, above the FY 2016 request. The agency notes that additional expenditures are needed to enhance players experience, and will include promotional games, a mobile sales unit, and materials for the Players Club and Facebook and Twitter contesting.

- **Capital Outlay.** The agency requests $5,000, all from special revenue funds, for FY 2017. This is an increase of $1,000, or 25.0 percent, above the FY 2016 request and is attributable to expenditures on information processing equipment.

The **Governor** recommends $5.5 million, all from special revenue funds, for FY 2017. This is an all funds decrease of $5,559, or 0.1 percent, below the agency's FY 2017 request. The decrease is entirely attributable to reduced employer contributions for state employee health insurance. The Governor's recommendation includes 8.5 FTE positions, which is unchanged from the agency's FY 2017 request.

PERFORMANCE MEASURES
(IN MILLIONS)

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Receipts from the sale of lottery tickets	$245.5	$246.4	$253.0	$265.0	$275.0
Receipts transferred to the Gaming Revenues Fund	$75.7	$74.3	$74.0	$76.0	$80.0
Prize payments	$137.9	$139.8	$144.3	$151.3	$157.0
State-owned gaming facility revenue	$375.6	$53.0	$353.4	$351.8	$373.2

Kansas Racing and Gaming Commission

	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	6,610,135	8,658,446	8,601,605	10,372,259	10,299,436	10,594,575	10,514,770
TOTAL	$ 6,610,135	$ 8,658,446	$ 8,601,605	$ 10,372,259	$ 10,299,436	$ 10,594,575	$ 10,514,770
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	**$ 6,610,135**	**$ 8,658,446**	**$ 8,601,605**	**$ 10,372,259**	**$ 10,299,436**	**$ 10,594,575**	**$ 10,514,770**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(4.7)	31.0	30.1	19.8	19.7	2.1	2.1
FTE Positions	91.6	93.5	93.6	112.5	112.5	112.5	112.5
Non-FTE Perm.Uncl.Pos.	1.0	7.5	7.5	7.5	7.5	0.0	0.0
TOTAL	92.6	101.0	101.1	120.0	120.0	112.5	112.5

In 1986, Kansas voters approved Article 15, Section 3b of the *Kansas Constitution* which authorizes the regulation, licensing and taxation of horse and dog racing and parimutuel wagering. The Legislature originally established the Kansas Racing Commission in 1987, as the entity charged with implementing provisions of the Kansas Parimutuel Racing Act. The Kansas Racing Commission was re-designated as the Kansas Racing and Gaming Commission on July 1, 1996, when the State Gaming Agency was attached for administrative and budget purposes. A portion of the budget request reflects the expenditures associated with this entity and the oversight of tribal casinos. The 2007 Legislature expanded the authority of the agency by assigning regulatory duties with respect to expanded lottery (gaming) activities in 2007 SB 66 and by appropriating expenditures from the Expanded Lottery Act Regulation Fund for staffing and operating the oversight of gaming at race tracks and state owned casinos. The agency's budget includes the following three programs.

Parimutuel Racing Program. The Kansas Racing and Gaming Commission administers provisions of the Parimutuel Racing Act and serves as the regulatory entity for horse and greyhound racing. The Commission issues racing dates, promulgates racing regulations as required to maintain public confidence in the parimutuel wagering system, ensures the safety and welfare of racing animals, monitors the public health and safety at Kansas race tracks, and encourages the growth of the horse and greyhound breeding industry. All revenues to the agency's different fee funds originate from the race tracks and activities associated with the parimutuel industry. Because of shortfalls in other agency revenues, a State General Fund appropriation was approved in FY 2007 for salary plan adjustments and a transfer from the State General Fund contributed to FY 2006 financing. There are currently no operating racetracks in the state.

Tribal Gaming Regulation Program. The 1996 Tribal Gaming Oversight Act statutorily created the State Gaming Agency in order to fulfill the duties in the gaming compacts and to enforce the provisions of the compacts and state laws, including general criminal statutes and specific criminal gaming statutes in the Tribal Gaming Oversight Act. The agency performs all necessary background investigations prior to licensing for casino employees, management contractors, manufacturers, and distributors at gaming facilities. In addition, the agency ensures that gaming is conducted in accordance with the tribal compacts as well as applicable state and federal laws. The agency's staff may examine and inspect all tribal gaming facilities as well as the records, books, papers, machines, equipment, electronic records, surveillance and security tapes, and logs.

Four casinos have been opened in Kansas under provisions of the compacts: the Kickapoo Nation of Kansas casino, located on the tribe's land in southern Brown County, east of U.S. 75 on K-20; the Prairie Band Potawatomi Nation casino, located on tribal land in Jackson County, off U.S. 75; the Sac and Fox Nation of Missouri casino in Brown County on U.S. 75; and the Iowa Tribe of Kansas and Nebraska casino near White Cloud in the Northeast corner of the state.

Expanded Gaming Regulation Program. The 2007 Legislature expanded the authority of the agency by assigning regulatory duties with respect to expanded lottery (gaming) activities in 2007 SB 66 and by appropriating expenditures from the Expanded Lottery Act Regulation Fund for staffing and

operating the oversight of gaming at race tracks and state owned casinos. The goal of the program is to regulate each gaming facility, including oversight of internal controls and security, background checks, and auditing gaming facility revenues. The Kansas Expanded Lottery Act requires lottery and racetrack gaming facility managers to pay for the costs of oversight and regulation. The Legislature authorized the agency to borrow up to $5.0 million from the Pooled Money Investment Board (PMIB) for start-up costs related to implementing expanded lottery (gaming) before revenues were sufficient to support operational costs. The loan was then repaid with interest once money was available from the expanded lottery receipts.

MAJOR ISSUES FROM PRIOR YEARS

Tribal Gaming Transfers. Assessments from the tribes are paid to the State Gaming Agency to finance its operations. Prior to FY 2007, a $450,000 transfer authorized annually in appropriations bills from the State General Fund to the Tribal Gaming Fund at the start of each fiscal year provided advance cash financing for the State Gaming Agency until the first assessments from the four tribes were submitted in September. Two additional assessments were due from the tribes later in each fiscal year. As revenues allow, the State General Fund cash advance is repaid. The procedure was suspended for one year in FY 2007 when Racing Operations also was allowed to use funding from the transfer, but the FY 2008 appropriations language returned to the original funding mechanism specifically dedicated to Gaming Operations. The original mechanism has remained in place since then.

PMIB Loans and Expanded Lottery Regulation. The Legislature authorized the agency to borrow up to $5.0 million from the Pooled Money Investment Board (PMIB) for start-up costs related to implementing expanded lottery (gaming) before revenues were sufficient to support operational costs. The loan was then repaid with interest when money was available from the expanded lottery receipts. The Expanded Gaming Regulation program was established during FY 2008 and this funding provided an initial source of financing for its operations and staff.

Board Member Compensation. The 2013 Legislature added language in FY 2013 through FY 2015 directing the agency that no funds shall be expended for compensation of Kansas Racing and Gaming Commission Board members exceeding that described in KSA 75-3223. The 2014 Legislature added a proviso in Senate Sub. for HB 2231 increasing compensation to that described in KSA 46-137(a) in FY 2015.

Shrinkage Adjustment. The 2014 Legislature deleted $98,123 in FY 2014 and $93,832 for FY 2015, all from special revenue funds, to adjust salaries and wages shrinkage in the State Gaming Agency.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates a revised FY 2015 estimate totaling $8.7 million, all from special revenue funds. This is an increase of $1.3 million, or 17.4 percent, above the amount approved by the 2014 Legislature. The estimate includes 93.5 FTE and 7.5 non-FTE positions, which is an increase of 2.0 FTE and 6.5 non-FTE positions. The all funds and position increases are attributable to the agency's supplemental requests in the Expanded Gaming Regulation program.

FY 2015 Governor Recommendation

The **Governor** recommends $8.6 million, all from special revenue funds, in FY 2015. This is an all funds decrease of $56,841, or 0.7 percent, below the agency's FY 2015 revised estimate. The decrease is attributable to reduced employer contributions to KPERS. The Governor recommends 93.5 FTE and 7.5 non-FTE positions, which is unchanged from the agency's FY 2015 revised estimate.

FY 2016 Agency Request

The **agency** requests $10.4 million, all from special revenue funds, for FY 2016. This is an increase of $1.7 million, or 19.8 percent, above the agency's FY 2015 revised estimate. The request includes 112.5 FTE and 7.5 non-FTE positions, which is an increase of 19.0 FTE positions. The all funds and position increases are attributable to the agency's enhancement requests in the Expanded Gaming Regulation program, and are partially offset by reduced capital outlay expenditures.

FY 2016 Governor Recommendation

The **Governor** recommends $10.3 million, all from special revenue funds, for FY 2016. This is a decrease of $72,823, or 0.7 percent, below the agency's FY 2016 request. The decrease is entirely attributable to reduced employer contributions for state employee health insurance. The Governor recommends 112.5 FTE and 7.5 non-FTE positions, which is unchanged from the agency's FY 2016 request.

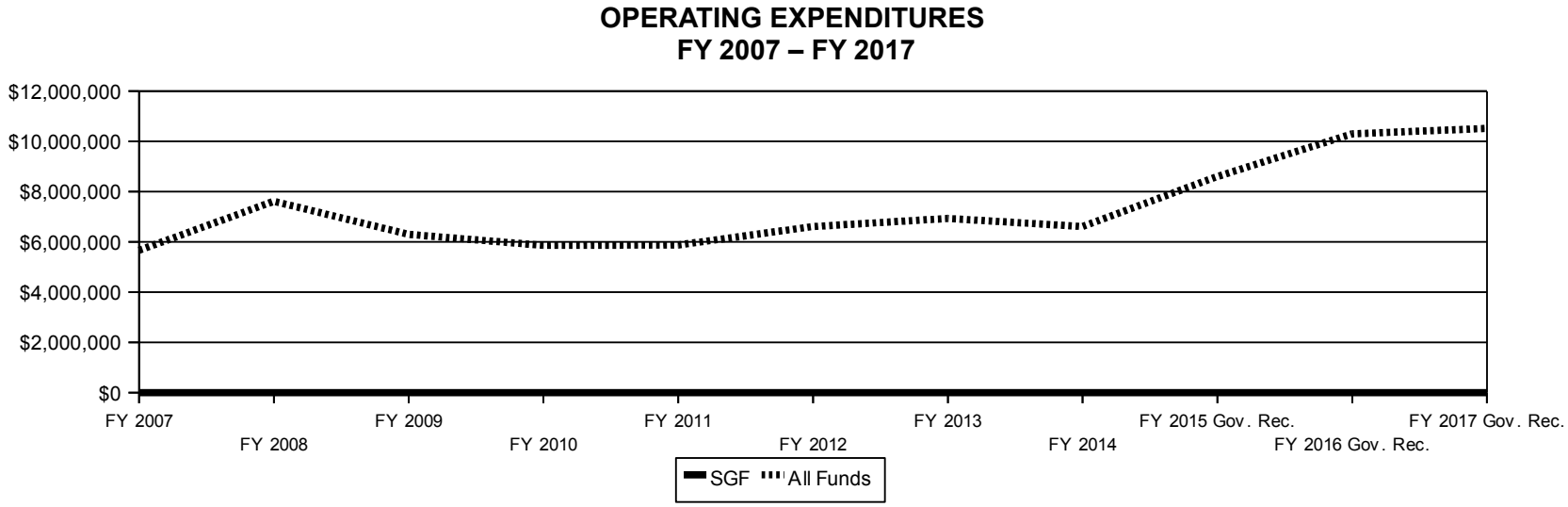
FY 2017 Agency Request

The **agency** requests $10.6 million, all from special revenue funds, for FY 2017. This is an increase of $222,316, or 2.1 percent, above the agency's FY 2016 request. The increase is entirely attributable to higher expenditures on salaries and wages, offset by reduced expenditures on contractual services, commodities, and capital outlay. The FY 2017 request includes 112.5 FTE and no non-FTE positions, which is a decrease of 7.5 positions from the agency's FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** recommends $10.5 million, all from special revenue funds, for FY 2017. This is a decrease of $79,805, or 0.8 percent, below the agency's FY 2017 request. The decrease is entirely attributable to reduced employer contributions for state employee health insurance. The Governor recommends 112.5 FTE and no non-FTE positions, which is unchanged from the agency's FY 2017 request.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	0.0 %	$ 5,663,180	1.1 %	67.0
2008	0	0.0	7,614,951	34.5	67.0
2009	0	0.0	6,299,242	(17.3)	73.5
2010	0	0.0	5,858,720	(7.0)	80.0
2011	0	0.0	5,877,410	0.3	73.5
2012	0	0.0	6,609,144	12.4	99.5
2013	0	0.0	6,932,712	4.9	98.0
2014	0	0.0	6,610,135	(4.7)	91.5
2015 Gov. Rec.	0	0.0	8,601,605	30.1	93.6
2016 Gov. Rec.	0	0.0	10,299,436	19.7	112.5
2017 Gov. Rec.	0	0.0	10,514,770	2.1	112.5
Eleven-Year Change	$ 0	0.0 %	$ 4,851,590	85.7 %	45.5

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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:									
Expanded Gaming Regulation	$ 5,135,844	$ 6,924,276	$ 8,616,093	$ 1,691,817	24.4 %	$ 6,880,131	$ 8,559,853	$ 1,679,722	24.4 %
Tribal Gaming Regulation	1,466,334	1,730,642	1,752,381	21,739	1.3	1,717,970	1,735,827	17,857	1.0
Parimutuel Gaming	7,957	3,528	3,785	257	7.3	3,504	3,756	252	7.2
TOTAL	$ 6,610,135	$ 8,658,446	$ 10,372,259	$ 1,713,813	19.8 %	$ 8,601,605	$ 10,299,436	$ 1,697,831	19.7 %
By Major Object of Expenditure:									
Salaries and Wages	$ 5,371,754	$ 6,202,497	$ 7,043,905	$ 841,408	13.6 %	$ 6,145,656	$ 6,971,082	$ 825,426	13.4 %
Contractual Services	994,691	1,975,577	2,939,447	963,870	48.8	1,975,577	2,939,447	963,870	48.8
Commodities	87,840	160,455	177,115	16,660	10.4	160,455	177,115	16,660	10.4
Capital Outlay	146,381	312,921	204,796	(108,125)	(34.6)	312,921	204,796	(108,125)	(34.6)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 6,600,666	$ 8,651,450	$ 10,365,263	$ 1,713,813	19.8 %	$ 8,594,609	$ 10,292,440	$ 1,697,831	19.8 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	9,469	6,996	6,996	0	0.0	6,996	6,996	0	0.0
TOTAL	$ 6,610,135	$ 8,658,446	$ 10,372,259	$ 1,713,813	19.8 %	$ 8,601,605	$ 10,299,436	$ 1,697,831	19.7 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Expanded Lottery Regulation Fund	4,780,438	5,710,791	6,689,107	978,316	17.1	5,670,326	6,637,704	967,378	17.1
Tribal Gaming Fund	1,466,334	1,730,642	1,752,381	21,739	1.3	1,717,970	1,735,827	17,857	1.0
State Racing Fund	8,005	3,528	3,785	257	7.3	3,504	3,756	252	7.2
All Other Funds	355,358	1,213,485	1,926,986	713,501	58.8	1,209,805	1,922,149	712,344	58.9
TOTAL	$ 6,610,135	$ 8,658,446	$ 10,372,259	$ 1,713,813	19.8 %	$ 8,601,605	$ 10,299,436	$ 1,697,831	19.7 %

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:								
Expanded Gaming Regulation	$ 8,616,093	$ 8,772,981	$ 156,888	1.8 %	$ 8,559,853	$ 8,710,092	$ 150,239	1.8 %
Tribal Gaming Regulation	1,752,381	1,817,682	65,301	3.7	1,735,827	1,800,796	64,969	3.7
Parimutuel Gaming	3,785	3,912	127	3.4	3,756	3,882	126	3.4
TOTAL	$ 10,372,259	$ 10,594,575	$ 222,316	2.1 %	$ 10,299,436	$ 10,514,770	$ 215,334	2.1 %
By Major Object of Expenditure:								
Salaries and Wages	$ 7,043,905	$ 7,664,545	$ 620,640	8.8 %	$ 6,971,082	$ 7,584,740	$ 613,658	8.8 %
Contractual Services	2,939,447	2,584,247	(355,200)	(12.1)	2,939,447	2,584,247	(355,200)	(12.1)
Commodities	177,115	169,955	(7,160)	(4.0)	177,115	169,955	(7,160)	(4.0)
Capital Outlay	204,796	168,832	(35,964)	(17.6)	204,796	168,832	(35,964)	(17.6)
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 10,365,263	$ 10,587,579	$ 222,316	2.1 %	$ 10,292,440	$ 10,507,774	$ 215,334	2.1 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	6,996	6,996	0	0.0	6,996	6,996	0	0.0
TOTAL	$ 10,372,259	$ 10,594,575	$ 222,316	2.1 %	$ 10,299,436	$ 10,514,770	$ 215,334	2.1 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Expanded Lottery Regulation Fund	6,689,107	6,793,611	104,504	1.6	6,637,704	6,736,131	98,427	1.5
Tribal Gaming Fund	1,752,381	1,817,682	65,301	3.7	1,735,827	1,800,796	64,969	3.7
State Racing Fund	3,785	3,912	127	3.4	3,756	3,882	126	3.4
All Other Funds	1,926,986	1,979,370	52,384	2.7	1,922,149	1,973,961	51,812	2.7
TOTAL	$ 10,372,259	$ 10,594,575	$ 222,316	2.1 %	$ 10,299,436	$ 10,514,770	$ 215,334	2.1 %

A. FY 2015 – Current Year

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	7,377,523	8,658,446	1,280,923	8,601,605	1,224,082
TOTAL	$ 7,377,523	$ 8,658,446	$ 1,280,923	$ 8,601,605	$ 1,224,082
FTE Positions	91.5	93.5	2.0	93.6	2.1

The **agency** estimates a revised FY 2015 estimate totaling $8.7 million, all from special revenue funds. This is an increase of $1.3 million, or 17.4 percent, above the amount approved by the 2014 Legislature. The estimate includes 93.5 FTE and 7.5 non-FTE positions, which is an increase of 2.0 FTE and 6.5 non-FTE positions. The all funds and position increases are attributable to the agency's supplemental requests in the Expanded Gaming Regulation program. Major changes from the FY 2015 approved budget include the following topics.

- **Salaries and Wages.** The agency's revised estimate for FY 2015 totals $6.2 million, all from special revenue funds. This is an increase of $243,079, or 4.1 percent, above the agency's FY 2015 approved amount. The increase is largely attributable to the Racing and Gaming Commission's supplemental requests for the re-establishment of the Gaming Machine Examination Fund and expenditures related to the Lottery Gaming Facility Review Board. The FY 2015 revised estimate includes 93.5 FTE and 7.5 non-FTE positions, which is an increase of 2.0 FTE and 6.5 non-FTE positions. The FTE positions increases are attributable to the agency's supplemental requests in the Expanded Gaming Regulation program for 5.0 FTE positions associated with the re-establishment of the Gaming Machine Examination Fund, offset by FTE reductions in the Tribal Gaming Regulation program. The increase in non-FTE positions is attributable to the agency's supplemental request in the Expanded Gaming Regulation program for 7.5 positions for the Lottery Gaming Facility Review Board, offset by a reduction of 1.0 non-FTE position in the Tribal Gaming program.

- **Contractual Services.** The agency's revised estimate totals $2.0 million, all from special revenue funds, in FY 2015. This is an increase of $845,046, or 74.7 percent, above the FY 2015 approved amount. The increase is attributable to the agency's supplemental requests in the Expanded Gaming Regulation program for costs associated with the Lottery Gaming Facility Review Board and Gaming Machine Examination Fund. (According to the agency, contractual services for the re-establishment of the fund include professional fees related to the certification of hardware, software, and table game analysis completed by contract labs). The increases are offset by reductions in the Tribal Gaming program for database access fees and computer software maintenance.

- **Commodities.** The agency's revised estimate totals $160,455, all from special revenue funds, in FY 2015. This is an increase of $2,000, or 1.3 percent, above the FY 2015 approved amount. The increase is attributable to costs for gasoline and office and data supplies included as part of the agency's supplemental request for the Lottery Gaming Facility Review Board. The increase is offset by reduced expenditures on gasoline and office supplies in the Tribal Gaming program.

- **Capital Outlay.** The agency's revised estimate totals $312,921, all from special revenue funds, in FY 2015. This is an increase of $190,797, or 156.2 percent, above the FY 2015 approved amount. The increase is attributable to the agency's supplemental request in the Expanded Gaming Regulation program for costs associated with the Gaming Machine Examination Fund. More specifically, the capital outlay expenditures are for an enhancement to the agency's electronic gaming equipment inventory tracking system.

- **Other Assistance**. The agency's revised estimate totals $6,996, all from special revenue funds, in FY 2015, which is an $1 increase above the FY 2015 approved number. Expenditures are for the Voluntary Retirement Incentive Program.

The **Governor** recommends $8.6 million, all from special revenue funds, in FY 2015. This is an all funds decrease of $56,841, or 0.7 percent, below the agency's FY 2015 revised estimate. The decrease is attributable to reduced employer contributions to KPERS. The Governor recommends 93.5 FTE and 7.5 non-FTE positions, which is unchanged from the agency's FY 2015 revised estimate.

Supplemental Detail

FY 2015 SUPPLEMENTALS

Supplementals	Agency Estimate SGF	Agency Estimate All Funds	Agency Estimate FTE	Governor's Recommendation SGF	Governor's Recommendation All Funds	Governor's Recommendation FTE
Lottery Gaming Facility Review Board	$ 0	$ 435,175	0.0	$ 0	$ 435,175	0.0
Gaming Machine Examination Fund	0	909,365	5.0	0	909,365	5.0
TOTAL	**$ 0**	**$ 1,344,540**	**5.0**	**$ 0**	**$ 1,344,540**	**5.0**

The **agency's** FY 2015 revised estimate includes supplemental requests totaling $1.3 million, all from special revenue funds, as a part of its FY 2015 revised estimate. The revised estimate includes the following requests.

- **Lottery Gaming Facility Review Board.** The agency requests $435,175, all from special revenue funds, and 7.5 non-FTE positions for the Board that is expected to reconvene in January 2015 to review applications for a gaming facility in the Southeast gaming zone. Facility manager applicants are responsible for the costs of the Review Board. The 7.5 non-FTE positions include seven Board members and a part-time attorney.

- **Gaming Machine Examination Fund.** The agency requests $909,365, all from special revenue funds, and 5.0 FTE positions, for the re-establishment of the Gaming Machine Examination Fund for the certification of electronic gaming equipment. The FTE positions include two security agents, one information technology, one administrative assistant, and one accountant.

The **Governor** concurs with the agency's FY 2015 supplemental requests.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 10,372,259	$ 10,299,436	$ (72,823)
FTE Positions	112.5	112.5	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	1,713,813	1,697,831	
TOTAL	$ 1,713,813	$ 1,697,831	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	19.8	19.7	
TOTAL	19.8 %	19.7 %	
Change in FTE Positions	19.0	19.0	

The **agency** requests $10.4 million, all from special revenue funds, for FY 2016. This is an increase of $1.7 million, or 19.8 percent, above the agency's FY 2015 revised estimate. The request includes 112.5 FTE and 7.5 non-FTE positions, which is increase of 19.0 FTE positions. The all funds and position increases are attributable to the agency's enhancement requests in the Expanded Gaming Regulation program, and are partially offset by reduced capital outlay expenditures. Major changes from the FY 2015 revised estimate include these topics.

- **Salaries and Wages.** The agency requests $7.0 million, all from special revenue funds, for FY 2016. This is an increase of $841,408, or 13.6 percent, above the agency's FY 2015 revised estimate. The increase is attributable to the

agency's enhancement requests in the Expanded Gaming Regulation program for costs associated with the Gaming Machine Examination Fund, the Lottery Gaming Facility Review Board, and the regulation of a gaming facility in Southeast Kansas. The FY 2016 budget request includes an increase of 19.0 FTE positions which is attributable to the agency's enhancement request in the Expanded Gaming Regulation program for positions associated with the regulation of a gaming facility in Southeast Kansas.

- **Contractual Services.** The agency requests $2.9 million, all from special revenue funds, for FY 2016. This is an increase of $963,870, or 48.8 percent, above the agency's FY 2015 revised estimate. The increase is attributable to the agency's enhancement requests in the Expanded Gaming Regulation program for costs associated with the Gaming Machine Examination Fund, the Lottery Gaming Facility Review Board, and the regulation of a gaming facility in Southeast Kansas.

- **Commodities.** The agency requests $177,115, all from special revenue funds, for FY 2016. This is an increase of $16,660, or 10.4 percent, above the agency's FY 2015 revised estimate. The increase is largely attributable to costs of computing equipment included as part of the agency's enhancement request in the Expanded Gaming Regulation program for the regulation of a gaming facility in Southeast Kansas.

- **Capital Outlay.** The agency requests $204,796, all from special revenue funds, for FY 2016. This is a decrease of $108,125, or 34.6 percent, below the agency's FY 2015 revised estimate. The decrease is largely attributable to one-time computing equipment costs included as part of the agency's enhancement request for the Gaming Machine Examination Fund in FY 2015 and not included in the FY 2016 request.

- **Other Assistance.** The agency requests $6,996, all from special revenue funds, for FY 2016, which is unchanged from the FY 2015 revised estimate.

The **Governor** recommends $10.3 million, all from special revenue funds, for FY 2016. This is a decrease of $72,823, or 0.7 percent, below the agency's FY 2016 request. The decrease is entirely attributable to reduced employer contributions for state employee health insurance. The Governor recommends 112.5 FTE and 7.5 non-FTE positions, which is unchanged from the agency's FY 2016 request.

Enhancements Detail

FY 2016 ENHANCEMENTS

Enhancements	Agency Request SGF	Agency Request All Funds	Agency Request FTE	Governor's Recommendation SGF	Governor's Recommendation All Funds	Governor's Recommendation FTE
Lottery Gaming Facility Review Board	$ 0	$ 453,898	0.0	$ 0	$ 453,898	0.0
Gaming Machine Examination Fund	0	1,617,512	5.0	0	1,617,512	5.0
Southeast Gaming Zone Expenditures	0	944,745	19.0	0	944,745	19.0
TOTAL	**$ 0**	**$ 3,016,155**	**24.0**	**$ 0**	**$ 3,016,155**	**24.0**

The **agency** requests enhancements to its FY 2016 budget totaling $3.0 million, all from special revenue funds. The enhancements include the following topics.

- **Lottery Gaming Facility Review Board.** The agency requests $453,898, all from special revenue funds, and 7.5 non-FTE positions for the Lottery Gaming Facility Review Board that is expected to conclude its work in the first half of FY 2016.

- **Gaming Machine Examination Fund.** The agency requests $1.6 million, all from special revenue funds, and 5.0 FTE positions, for the Electronic Gaming Machine Exam Fund for the certification of electronic gaming equipment. The FTE positions include two security agents, one information technology consultant, one administrative assistant, and one accountant.

- **Southeast Gaming Zone Expenditures.** The agency requests $944,745, all from special revenue funds, and 5.0 FTE positions for costs associated with the regulation of a gaming facility in the Southeast gaming zone. The FTE positions include eleven enforcement agents, two information technology consultants, one public service executive, one administrative officer, one senior administrative assistant, one accountant, and one attorney.

The **Governor** concurs with the agency's FY 2016 enhancement requests.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 10,594,575	$ 10,514,770	$ (79,805)
FTE Positions	112.5	112.5	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	222,316	215,334	
TOTAL	$ 222,316	$ 215,334	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.1	2.1	
TOTAL	2.1 %	2.1 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $10.6 million, all from special revenue funds, for FY 2017. This is an increase of $222,316, or 2.1 percent, above the agency's FY 2016 request. The increase is attributable to higher expenditures on salaries and wages, offset by reduced expenditures on contractual services, commodities, and capital outlay. The FY 2017 request includes 112.5 FTE and no non-FTE positions, which is a decrease of 7.5 positions due to the anticipation of the Lottery Gaming Facility Review Board concluding its work in FY 2016. Major changes from the agency's FY 2016 request include the following topics.

- **Salaries and Wages.** The agency requests $7.7 million, all from special revenue funds, for FY 2017. This is an increase of $620,640, or 8.8 percent, above the agency's FY 2016 request. The increase is largely attributable to the

agency's enhancement request for costs associated with the full-year operation of a gaming facility in the Southeast gaming zone, the 27th pay period affecting the employees in each of the agency's programs, and higher employer contributions to KPERS.

- **Contractual Services.** The agency requests $2.6 million, all from special revenue funds, for FY 2017. This is a decrease of $355,200, or 12.1 percent, below the agency's FY 2016 request. The decrease is largely attributable to reduced costs associated with the Lottery Gaming Facility Review that is expected to conclude its work in FY 2016; therefore, no FY 2017 expenditures are budgeted.

- **Commodities.** The agency requests $169,955, all from special revenue funds, for FY 2017. This is a decrease of $7,160, or 4.0 percent, below the agency's FY 2016 request. The decrease is attributable to lower expenditures on professional science supplies included as part of the agency's enhancement request for costs associated with the regulation of a gaming facility in Southeast Kansas, and reduced expenditures on office supplies and gasoline because of the Lottery gaming Facility Review Board completing its work in FY 2016.

- **Capital Outlay.** The agency requests $168,832, all from special revenue funds, for FY 2017. This is a decrease of $35,964, or 17.6 percent, below the agency's FY 2016 request. The decrease is largely attributable to reduced expenditures on computing costs included as part of the agency's enhancement request in the Expanded Gaming Regulation program for costs associated with the regulation of a gaming facility in Southeast Kansas.

- **Other Assistance**. The agency requests $6,996, all from special revenue funds, for FY 2017, which is unchanged from the FY 2016 request.

The **Governor** recommends $10.5 million, all from special revenue funds, for FY 2017. This is a decrease of $79,805, or 0.8 percent, below the FY 2017 request. The decrease is entirely attributable to reduced employer contributions for state employee health insurance. The Governor recommends 112.5 FTE and no non-FTE positions, which is unchanged from the agency's FY 2017 request.

Enhancements Detail

FY 2017 ENHANCEMENTS

Enhancements	Agency Request SGF	Agency Request All Funds	Agency Request FTE	Governor's Recommendation SGF	Governor's Recommendation All Funds	Governor's Recommendation FTE
Electronic Gaming Machine Fund	$ 0	$ 1,658,250	5.0	$ 0	$ 1,658,250	5.0
Southeast Gaming Zone Expenditures	0	1,326,191	19.0	0	1,326,191	19.0
TOTAL	**$ 0**	**$ 2,984,441**	**24.0**	**$ 0**	**$ 2,984,441**	**24.0**

The **agency** requests enhancements to its FY 2017 budget totaling $3.0 million, all from special revenue funds. The enhancements include the following topics.

- **Electronic Gaming Machine Fund.** The agency requests $1.7 million, all from special revenue funds, and 5.0 FTE positions, for the Electronic Gaming Machine Exam Fund for the certification of electronic gaming equipment. The FTE positions include two security agents, one information technology consultant, one administrative assistant, and one accountant.
- **Southeast Gaming Zone Expenditures.** The agency requests $1.3 million, all from special revenue funds, and 19.0 FTE positions for costs associated with the regulation of a gaming facility in the Southeast gaming zone. The FTE positions include eleven enforcement agents, two information technology consultant one public service executive, one administrative officer, one senior administrative assistant,one accountant, and one attorney.

The **Governor** concurs with the agency's FY 2017 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 $22,008, all from special revenue funds, and affects 71 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 $15,520, all from special revenue funds, and FY 2017 longevity payments total $16,040, 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 $71,823, all from special revenue funds, for FY 2016. This is a reduction of $79,805, 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 %
Expanded Lottery Regulation Fund	64.5	64.4	64.1	64.1
Tribal Gaming Fund	16.9	16.9	17.2	17.1
State Racing Fund	0.0	0.0	0.0	0.0
All Other Funds	18.6	18.7	18.7	18.8
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Expanded Lottery Regulation Fund

The Expanded Lottery Act stipulates that the cost of regulation is to be incurred by the lottery gaming facility managers. Revenue to the Expanded Lottery Regulation Fund includes billings and payments from the currently operating state-owned casinos for the Racing and gaming Commission's direct and indirect costs associated with the operations of the casinos.

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	$ 2,885,576	$ 2,602,657	$ 2,602,657	$ 2,893,366	$ 2,933,831	$ 2,155,759	$ 2,247,627
Revenue	4,496,664	6,001,500	6,001,500	5,951,500	5,951,500	6,301,500	6,301,500
Transfers in	855	0	0	0	0	0	0
Total Funds Available	$ 7,383,095	$ 8,604,157	$ 8,604,157	$ 8,844,866	$ 8,885,331	$ 8,457,259	$ 8,549,127
Less: Expenditures	4,780,438	5,710,791	5,670,326	6,689,107	6,637,704	6,793,611	6,736,131
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 2,602,657	$ 2,893,366	$ 2,933,831	$ 2,155,759	$ 2,247,627	$ 1,663,648	$ 1,812,996
Ending Balance as Percent of Expenditures	54.4%	50.7%	51.7%	32.2%	33.9%	24.5%	26.9%
	August	November	November	August	August	November	November
Month Highest Ending Balance	$ 3,358,041	$ 3,100,400	$ 3,100,400	$ 3,400,000	$ 3,400,000	$ 3,400,000	$ 3,400,000
	January	January	January	January	January	January	January
Month Lowest Ending Balance	$ 2,226,969	$ 2,250,000	$ 2,250,000	$ 2,250,000	$ 2,250,000	$ 2,250,000	$ 2,250,000

Tribal Gaming Fund

The Tribal Gaming Fund is funded by assessments paid three times a year by the four tribal casinos. On July 1st of each fiscal year, the Tribal Gaming program receives $450,000, all from the State General Fund, to cover operational costs for July, August, and September, before the first assessments are submitted from the tribes in September. As revenues become available, the State General Fund cash advance is repaid.

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	$ 390,788	$ 419,185	$ 419,185	$ 15,500	$ 26,672	$ 15,500	$ 41,726
Revenue	1,494,731	1,325,457	1,325,457	1,750,881	1,750,881	1,816,182	1,816,182
Transfers in	450,131	451,500	451,500	451,500	451,500	451,500	451,500
Total Funds Available	$ 2,335,650	$ 2,196,142	$ 2,196,142	$ 2,217,881	$ 2,229,053	$ 2,283,182	$ 2,309,408
Less: Expenditures	1,466,334	1,730,642	1,717,970	1,752,381	1,735,827	1,817,682	1,800,796
Transfers Out	450,131	450,000	451,500	450,000	451,500	450,000	451,500
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 419,185	$ 15,500	$ 26,672	$ 15,500	$ 41,726	$ 15,500	$ 57,112
Ending Balance as Percent of Expenditures	28.6%	0.9%	1.6%	0.9%	2.4%	0.9%	3.2%
	December	September	September	September	September	September	September
Month Highest Ending Balance	$ 910,315	$ 905,466	$ 905,466	$ 905,466	$ 905,466	$ 905,466	$ 905,466
	June	June	June	June	June	June	June
Month Lowest Ending Balance	$ 403,685	$ 15,500	$ 26,672	$ 15,500	$ 41,726	$ 15,500	$ 57,112

EXPENDITURES BY PROGRAM-- GOVERNOR'S FY 2016 RECOMMENDATION

Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Expanded Gaming Regulation	$ 8,559,853	83.1 %	$ 0	-- %
Tribal Gaming Regulation	1,735,827	16.9	0	--
Parimutuel Racing	3,756	0.0	0	--
TOTAL	$ 10,299,436	100.0 %	$ 0	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Expanded Gaming Regulation	68.50	72.45	72.50	91.45	91.45	91.45	91.50
Tribal Gaming Regulation	23.00	21.00	21.00	21.00	21.00	21.00	21.00
Parimutuel Racing	0.05	0.05	0.05	0.05	0.05	0.05	0.05
TOTAL	91.55	93.50	93.55	112.50	112.50	112.50	112.50

A. Expanded Gaming Regulation

This program provides regulatory oversight of lottery and racetrack gaming facility managers and their operations in Kansas. Program goals include the following topics.

- **Integrity of Gaming.** Uphold and promote the integrity of gaming at lottery and racetrack facilities, protect gaming operations from those seeking to harm the integrity of gaming, and protect Kansas and its citizens from criminal activity related to operation of gaming facilities.
- **Accountability and Compliance.** Ensure Kansas is receiving its fair share of gaming revenue and patrons are receiving the gaming experience according to state law, and ensure compliance with Kansas Racing and Gaming Commission rules and regulations and other applicable state and federal laws.
- **Illegal Gaming Enforcement.** Coordinate with state agencies and local authorities to reduce and minimize illegal gaming in Kansas.
- **Responsible Gambling.** Promote responsible gambling in Kansas via the Voluntary Exclusion Program (VEP) and approve each lottery gaming facility's responsible gambling plan.

Under the Kansas Expanded Lottery Act, four gaming zones were established where lottery gaming facilities (casinos) could be located and exclusively operated. The Northeast Gaming Zone in Wyandotte County houses the Hollywood Casino. The Southcentral Gaming Zone located in Sedgwick and Sumner counties houses the Kansas Star Casino. The Southwest Gaming Zone located in Ford County houses the Boot Hill Casino & Resort. The Southeast gaming zone located in Crawford and Cherokee counties does not yet have a casino, but applications for facility managers were accepted until December 19, 2014. The Lottery Gaming Facility Review Board is expected to convene in January 2015 to review applications. There are currently no racetrack gaming facility managers licensed in Kansas.

EXPANDED GAMING REGULATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 4,235,716	$ 4,838,251	$ 4,794,106	$ 5,657,663	$ 5,601,423	$ 6,212,875	$ 6,149,986
Contractual Services	738,104	1,677,498	1,677,498	2,641,368	2,641,368	2,286,168	2,286,168
Commodities	61,551	122,610	122,610	139,270	139,270	132,110	132,110
Capital Outlay	91,004	278,921	278,921	170,796	170,796	134,832	134,832
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 5,126,375	$ 6,917,280	$ 6,873,135	$ 8,609,097	$ 8,552,857	$ 8,765,985	$ 8,703,096
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	9,469	6,996	6,996	6,996	6,996	6,996	6,996
TOTAL	$ 5,135,844	$ 6,924,276	$ 6,880,131	$ 8,616,093	$ 8,559,853	$ 8,772,981	$ 8,710,092
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	5,135,844	6,924,276	6,880,131	8,616,093	8,559,853	8,772,981	8,710,092
TOTAL	$ 5,135,844	$ 6,924,276	$ 6,880,131	$ 8,616,093	$ 8,559,853	$ 8,772,981	$ 8,710,092
FTE Positions	68.5	72.5	72.5	91.5	91.5	91.5	91.5
Non-FTE Uncl. Perm. Pos.	0.0	7.5	7.5	7.5	7.5	0.0	0.0
TOTAL	68.5	80.0	80.0	99.0	99.0	91.5	91.5

The **agency** requests $8.6 million, all from special revenue funds, for FY 2016, for the Expanded Gaming Regulation program. This is an increase of $1.7 million, or 24.4 percent above the agency's FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages, contractual services, and commodities, offset by reduced capital outlay expenditures. The FY 2016 request includes 91.5 FTE and 7.5 non-FTE positions, an increase of 19.0 FTE positions from the FY 2015 revised estimate. The increase in positions is attributable to the agency's enhancement requests. Changes from the FY 2015 revised estimate include the following topics.

- **Salaries and Wages.** The agency requests $5.7 million, all from special revenue funds, for FY 2016. This is an increase of $819,412, or 16.9

percent, above the agency's FY 2015 revised estimate. The increase is attributable to the agency's enhancement requests. More specifically, the agency budgeted increased expenditures for pay to classified regular employees, employer contributions to KPERS, and group health hospitalization. The FY 2016 request includes 91.5 FTE and 7.5 non-FTE positions, an increase of 19.0 FTE positions from the FY 2015 revised estimate. The increase is due to the agency's enhancement request for 19.0 FTE positions for the regulation of gaming facility in Southeast Kansas.

- **Contractual Services.** The agency requests $2.6 million, all from special revenue funds, for FY 2016. This is an increase of $963,870 or 57.5 percent, above the agency's FY 2015 revised estimate. The increase is largely attributable to contractual services (professional services fees related to the certification of hardware, software, and table game analysis completed by contracted labs) included as part of the agency's enhancement request for costs associated with the Gaming Machine Examination Fund.

- **Commodities**. The agency requests $139,270, all from special revenue funds, for FY 2016. This is an increase of $16,660, or 13.6 percent, below the agency's FY 2015 revised estimate. The increase is largely attributable to higher expenditures on professional scientific supply materials (law enforcement security supplies) and office and data supplies included as part of the agency's enhancement request for costs associated with regulation of a gaming facility in Southeast Kansas.

- **Capital Outlay.** The agency requests $170,796, all from special revenue funds, for FY 2016. This is a decrease of $108,125, or 13.6 percent, above the agency's FY 2015 revised estimate. The agency's FY 2015 revised estimate included increased expenditures on computing and software costs as part of the agency's supplemental request for the re-establishment of Gaming Machine Examination Fund. The capital outlay expenditures were not included in the agency's FY 2016 request.

The **Governor** recommends $8.6 million, all from special revenue funds, for FY 2016. This is a decrease of $56,240, or 0.7 percent, below the agency's FY 2016 request. The decrease is entirely attributable to reduced employer contributions for state employee health insurance. The Governor recommends 91.5 FTE and 7.5 non-FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the **agency** requests $8.8 million, all from special revenue funds. This is an increase of $156,888, or 1.8 percent, and is attributable to higher expenditures on salaries and wages, offset by reduced expenditures on contractual services, commodities, and capital outlay. The agency's FY 2017 request includes 91.5 FTE and no non-FTE positions, a decrease of 7.5 non-FTE positions. The agency's FY 2016 request include the following changes.

- **Salaries and Wages.** The agency requests 6.2 million, all from special revenue funds, for FY 2017. This is an increase of $555,212, or 9.8 percent, above the agency's FY 2016 request.

The increase is attributable to higher expenditures on classified regular employee pay related to the 27th paycheck, the agency's enhancement requests, and employer contributions to KPERS. The FY 2017 request includes 91.5 FTE and no non-FTE positions, a decrease of 7.5 non-FTE positions from the FY 2016 request. The decrease in positions is attributable to the agency's budgeting for the conclusion of the Lottery Gaming Facility Review Board in FY 2016.

- **Contractual Services.** The agency requests $2.3 million, all from special revenue funds, for FY 2017. This is a decrease of $355,200, or 13.4 percent, and is entirely attributable to other service fees and out-of-state travel expenditures included as part of the agency's FY 2016 enhancement request for costs associated with the Lottery Gaming Facility Review Board, which is expected to conclude its work in FY 2016. No FY 2017 expenditures are budgeted.

- **Commodities.** The agency requests $132,110 all from special revenue funds, for FY 2017. This is a decrease of $7,160, or 5.1 percent, and is largely attributable to expenditures on gasoline and office supplies included as part of an FY 2016 enhancement request for the costs associated with the Lottery Gaming Facility Review Board that is anticipated to conclude its work in FY 2016.

- **Capital Outlay.** The agency requests $134,832 all from special revenue funds, for FY 2017. This is a decrease of $35,964, or 21.1 percent, and is entirely attributable to expenditures on computer equipment and software included as part of the agency's FY 2016 enhancement request for costs associated with the regulation of a facility in Southeast Kansas that are not included in the agency's FY 2017 enhancement request.

The **Governor** recommends $8.7 million, all from special revenue funds, for FY 2017. This is a decrease of $62,889, or 0.7 percent, below the agency's FY 2017 request. The decrease is entirely attributable to reduced employer contributions for state employee health insurance. The Governor recommends 91.5 FTE positions, which is unchanged from the agency's FY 2017 request.

B. Tribal Gaming Regulation

The Kansas State Gaming agency is responsible for the oversight, monitoring, and compliance of class III gaming conducted pursuant to the four tribal-state compacts and the Tribal Gaming Oversight Act. The agency ensures that gaming is conducted in accordance with compacts and applicable state and federal laws; protects citizens from criminal activity in the Tribal gaming arena; ensures accurate and complete information is provided to the different tribal gaming commissions for licensing purposes; conducts background investigations; and can review all licensing and disciplinary actions and reports of non-compliance with the tribal-state compacts.

TRIBAL GAMING REGULATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 1,128,295	$ 1,361,718	$ 1,349,046	$ 1,383,457	$ 1,366,903	$ 1,448,758	$ 1,431,872
Contractual Services	256,373	297,079	297,079	297,079	297,079	297,079	297,079
Commodities	26,289	37,845	37,845	37,845	37,845	37,845	37,845
Capital Outlay	55,377	34,000	34,000	34,000	34,000	34,000	34,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,466,334	$ 1,730,642	$ 1,717,970	$ 1,752,381	$ 1,735,827	$ 1,817,682	$ 1,800,796
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 1,466,334	$ 1,730,642	$ 1,717,970	$ 1,752,381	$ 1,735,827	$ 1,817,682	$ 1,800,796
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Tribal Gaming Fund	1,466,334	1,730,642	1,717,970	1,752,381	1,735,827	1,817,682	1,800,796
TOTAL	$ 1,466,334	$ 1,730,642	$ 1,717,970	$ 1,752,381	$ 1,735,827	$ 1,817,682	$ 1,800,796
FTE Positions	23.0	21.0	21.0	21.0	21.0	21.0	21.0
Non-FTE Uncl. Perm. Pos.	1.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	24.0	21.0	21.0	21.0	21.0	21.0	21.0

The **agency** requests $1.75 million, all from the Tribal Gaming Fund, for FY 2016 for the Tribal Gaming program. This is an increase of the $21,739, or 1.3 percent, above the agency's FY 2015 revised estimate. The increase is attributable to higher expenditures on salaries and wages. More specifically, the agency requests $1.4 million in salaries and wages for 21.0 FTE positions. This is an increase of $21,739, or 1.6 percent, above the agency's FY 2015 revised estimate. The increase is attributable primarily to higher expenditures for pay for unclassified regular employees, partially offset by reductions in pay for classified regular employees.

The **Governor** recommends $1.7 million, all from special revenue funds, for FY 2016. This is a decrease of $16,554, or 0.9 percent, below the agency's FY 2016 request. The decrease is entirely attributable to reduced employer contributions for

state employee health insurance. The Governor recommends 21.0 FTE positions, which is unchanged from the agency's FY 2016 request.

For FY 2017, the **agency** requests $1.8 million, all from the Tribal Gaming Fund. This is an increase of $65,301, or 3.7 percent, above the agency's FY 2016 request, and is attributable entirely to higher expenditures on salaries and wages. More specifically, the agency requests $1.4 million in salaries and wages for 21.0 FTE positions. This is an increase of $65,301, or 4.7 percent, above the agency's FY 2016 request. The agency budgeted higher expenditures for pay for classified regular employees and unclassified regular employees due to the 27th paycheck, and higher expenditures on employer contributions to KPERS contributions.

The **Governor** recommends $1.8 million, all from special revenue funds, for FY 2017. This is a decrease of $16,886, or 0.9 percent, below the agency's FY 2017 request. The decrease is entirely attributable to reduced employer contributions for state employee health insurance. The Governor recommends 21.0 FTE positions, which is unchanged from the agency's FY 2017 request.

C. Parimutuel Racing

This program provides oversight for the parimutuel racing industry and race tracks. The Racing and Gaming Commission is the legal authority for regulation and staff in this program to carry out the Commission's policies and procedures. There are currently no year-round parimutuel racetracks operating in Kansas. The expenditures for the Parimutuel Racing program are to support the Kansas Bred Registry program through which some owners may register their horses for use in future parimutuel racing activities. All funding for the program is supported by the state racing fund which is currently being funded by horse registration fees.

PARIMUTUEL GAMING
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 7,743	$ 2,528	$ 2,504	$ 2,785	$ 2,756	$ 2,912	$ 2,882
Contractual Services	214	1,000	1,000	1,000	1,000	1,000	1,000
Commodities	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 7,957	$ 3,528	$ 3,504	$ 3,785	$ 3,756	$ 3,912	$ 3,882
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 7,957	$ 3,528	$ 3,504	$ 3,785	$ 3,756	$ 3,912	$ 3,882
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	7,957	3,528	3,504	3,785	3,756	3,912	3,882
TOTAL	$ 7,957	$ 3,528	$ 3,504	$ 3,785	$ 3,756	$ 3,912	$ 3,882
FTE Positions	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.1	0.1	0.1	0.1	0.1	0.1	0.1

The **agency** requests $3,785, all from special revenue funds, for FY 2016 for the Parimutuel Racing Program. This is an increase of $257, or 7.3 percent, above the agency's FY 2015 revised estimate. The increase is mostly attributable to higher expenditures on pay to unclassified regular employees and employer contributions to KPERS. The estimate includes 0.1 FTE position to maintain the Kansas Bred Registry Program.

The **Governor** recommends $3,756, all from special revenue funds, for FY 2016. This is a decrease of $29, or 0.8 percent, below the agency's FY 2016 request. The decrease is entirely attributable to reduced employer contributions for state employee health insurance. The Governor recommends 0.1 FTE position, which is unchanged from the agency's FY 2016 request.

For FY 2017, the **agency** requests $3,912, all from special revenue funds, an increase of $127, or 3.4 percent, above the agency's FY 2016 request. The increase is all in salaries and wages and is attributable to the 27th paycheck and employer contributions to KPERS. The estimate includes 0.1 FTE position to maintain the Kansas Bred Registry Program.

The **Governor** recommends $3,882, all from special revenue funds, for FY 2017. This is a decrease of $30, or 0.8 percent, below the agency's FY 2017 request. The decrease is entirely attributable to reduced employer contributions for state employee health insurance. The Governor recommends 0.1 FTE position, which is unchanged from the agency's FY 2017 request.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Slot machine inspections:					
Tribal Gaming Regulation Program	450	440	450	450	450
Expanded Gaming Regulation Program	1,500	705	700	1,600	800
Number of background investigations completed:					
Tribal Gaming Regulation Program	550	469	500	500	500
Expanded Gaming Regulation Program	1,220	1,186	1,025	775	775

Kansas Department of Revenue

	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	$ 14,333,666	$ 14,561,407	$ 14,111,931	$ 60,397,553	$ 13,741,202	$ 62,237,378	$ 15,487,937
Other Funds	99,066,967	111,778,820	110,455,452	61,312,341	104,929,372	42,456,422	86,075,131
TOTAL	$ 113,400,633	$ 126,340,227	$ 124,567,383	$ 121,709,894	$ 118,670,574	$ 104,693,800	$ 101,563,068
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	**$ 113,400,633**	**$ 126,340,227**	**$ 124,567,383**	**$ 121,709,894**	**$ 118,670,574**	**$ 104,693,800**	**$ 101,563,068**
Percentage Change:							
Operating Expenditures							
State General Fund	(10.7) %	1.6 %	(1.5) %	314.8 %	(2.6) %	3.0 %	12.7 %
All Funds	(1.9)	11.4	9.8	(3.7)	(4.7)	(14.0)	(14.4)
FTE Positions	944.0	944.0	944.0	944.0	944.0	944.0	944.0
Non-FTE Perm.Uncl.Pos.	94.0	128.0	128.0	129.0	129.0	129.0	129.0
TOTAL	1,038.0	1,072.0	1,072.0	1,073.0	1,073.0	1,073.0	1,073.0

AGENCY OVERVIEW

The Kansas Department of Revenue collects taxes and fees, administers Kansas tax laws, issues a variety of licenses, and provides assistance to Kansas citizens and units of government. The Department of Revenue is divided into five major divisions which reflect the four statutory programs that the agency is charged with administering and the support functions that serve the regular programs. The present organizational structure includes the following units.

- Administrative Services provides management and support services to the other programs.
- Alcoholic Beverage Control (ABC) regulates the sale and distribution of alcoholic beverages and enforces bingo and tobacco regulations.
- Tax Operations and Audit Services administers and enforces the major state taxes and conducts a program of audits to identify and substantiate under-reporting of Kansas taxes.
- Property Valuation (PVD) appraises state property and exercises supervision over local appraisers.
- Motor Vehicles (DOV) issues titles, registers vehicles, and licenses drivers.
- Aid to Local Units of Government provides for the distribution of certain State collected taxes and fees to local units of government as aid.

MAJOR ISSUES FROM PRIOR YEARS

The **2005 Legislature** reduced FY 2006 staffing by 50.0 FTE positions to eliminate one-third of the agency's vacant positions, authorizing a total of 1,146.0 FTE positions after shrinkage rate adjustments. Certain sub-programs were "protected" due to priorities in increasing tax collection, including Audit Services and Legal Services in Administration and Compliance/Civil Tax in the Division of Taxation.

Additionally, the **2005 Legislature** approved a budget enhancement to generate additional tax collections of $6.0 million in FY 2006 and funded 4.0 vacant field auditor positions in order to generate an additional $1.0 million in tax collections during FY 2006.

The **2005 Legislature** also approved continuation of three-year expenditures estimated at $2.9 million for a computer-assisted mass appraisal project, replacing the current application and $428,738 for new computer hardware equipment. Actual FY 2004 costs totaled $972,538, with the remaining $2.3 million to be spent during FY 2005 and FY 2006.

The **2005 Legislature** continued to finance a majority of agency operating expenditures from fee funds rather than the State General Fund, a practice started in FY 2002 after expenditures from the State General Fund totaled $34.8 million. The approved FY 2006 financing from the State General Fund was $20.5 million.

The **2006 Legislature** approved the transfer of $437,500 from the State General Fund to the Kansas Qualified Biodiesel Fuel Producer Incentive Fund established in 2006 regarding qualified biodiesel fuel producer incentives. Additionally, the Legislature added an expenditure limitation of $437,500 for the Kansas Qualified Biodiesel Fuel Producer Incentive Fund in FY 2007 and included language in the appropriations act directing that the aggregate payments made to producers in FY 2007 would not exceed that amount.

The **2006 Legislature** also appropriated an additional $160,000 from the State General Fund in FY 2007 to implement the provisions of SB 432 regarding individual income tax check-offs and included language requiring the Department to report to the 2007 Legislature regarding the details of the expenditures for this implementation. Additionally, the agency was directed by the Legislature to establish a toll-free phone line in FY 2007 for use by individuals where the agency made an error concerning individual income tax returns.

The **2007 Legislature** reduced the FY 2008 transfer from the Economic Development Initiatives Fund (EDIF) to the Kansas Qualified Biodiesel Fuel Producer Incentive Fund from $3,500,000 to $400,000. The Legislature increased the transfer from the State General Fund to the Kansas Qualified Agricultural Ethyl Alcohol Producer Incentive Fund from $3,500,000 to $4,500,000. Lastly, the Legislature approved $250,160, including $86,634 from the State General Fund, for the purchase of 20 vehicles.

The **2008 Legislature** added $351,572, all from the State General Fund, for the salaries and wages for an additional 5.0 FTE tax fraud investigators in FY 2009.

The **2008 Legislature** added $1,000,000 from the Division of Vehicles Operating Fund in FY 2009 to begin the integration and modernization of the Vehicle Information Processing System (VIPS), the Kansas Driver's License System (KDLS), and the Kansas Vehicle Inventory System (KVIS). The agency estimated the total cost to be $40.0 million over the next 5 years. As a means to fund the remaining cost of the project, the Legislature passed 2008 Senate Sub. for HB 2542 which temporarily increased vehicle registration fees by $4 for the calendar years 2009 – 2012.

The **2009 Legislature** made the following one-time transfers to the State General Fund for FY 2009.

- $298,300 from the Cigarette and Tobacco Products Regulation Fund to the State General Fund for FY 2009.
- $314,000 from the County Drug Tax Fund to the State General Fund for FY 2009.
- $1,570,000 from the Special County Mineral Production Tax Fund to the State General Fund for FY 2009.

The **2009 Legislature** reduced the transfer from the Economic Development Initiatives Fund to the Kansas Qualified Biodiesel Fuel Producer Incentive Fund by $26,000, or 6.5 percent, from $400,000 to $374,000 for FY 2009.

The **2010 Legislature** deleted $401,897, all from the State General Fund, to achieve a State General Fund reduction of approximately 2.5 percent from the Governor's recommendation for FY 2011.

The **2010 Legislature** provided an amnesty for all delinquent taxes received from September 1, 2010 to October 15, 2010, and appropriated the Tax Amnesty Recovery Fund for FY 2011. The Legislature authorized the agency to fill 7.0 vacant FTE positions for FY 2011 with the first $350,000 collected as a result of the Tax Amnesty program transferred from the State

General Fund to the Tax Amnesty Recovery Fund. The amnesty would apply to delinquent tax liabilities for tax periods ending on or before December 31, 2008. The amnesty would not apply if the taxpayer has received a notice of an audit or assessment or if the time for an appeal has not yet expired. The Department may waive penalties and interest during the amnesty period.

The **2012 Legislature** deleted $6,751,952, all from the Division of Vehicles Modernization Fee Fund and transferred the funds to the State General Fund for FY 2013.

The **2013 Legislature** passed House Sub. for SB 83 in which watercraft will be assessed at 11.5 percent for 2014 and 5.0 percent for 2015 and all years after. The Legislature passed SB 164 which allows the Department to appoint contractors to perform any services associated with vehicle functions.

The **2014 Legislature** passed House Sub. for SB 245 which amends law to credit 12.41 percent of FY 2013, FY 2014, and FY 2015 mineral severance taxes collected in counties with receipts in excess of $100,000 to the Oil and Gas Valuation Depletion Trust Fund (OGVDTF) for distribution in FY 2014, FY 2015, and FY 2016, respectively. The bill abolishes the OGVDTF on July 1, 2016. The bill also creates the Mineral Production Education Fund (MPEF) on July 1, 2016. Beginning in FY 2017, the bill credits the fund with 20 percent of mineral severance taxes collected during the previous fiscal year in counties with receipts in excess of $100,000. The monies in the MPEF subsequently will be transferred twice each year to the State School District Finance Fund (SSDFF).

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates FY 2015 expenditures of $126,340,227, including $14,561,407 from the State General Fund. The revised estimate is an all funds increase of $3,835,994, or 3.1 percent, and a State General Fund increase of $32,321, or 0.2 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased salary and wage expenditures, specifically in the classified regular wages and employer KPERS contributions, partially offset by reduced unclassified regular and temporary wages. Additionally, the agency is estimating increased contractual service and capital outlay expenditures, specifically in the area of computer programming, software and communication expenditures. These increases are partially offset by reduced aid to local units, namely lower than projected distributions from the Oil and Gas Valuation Depletion Trust Fund. The agency requests 944.0 FTE positions, which is the same amount approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 expenditures of $124,567,383, including $14,11,931 from the State General Fund. The recommendation is an all funds decrease of $1,772,844, or 1.4 percent, and a State General Fund decrease

of $449,476, or 3.1 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to the Governor's December 2014 allotment, specifically a 4.0 percent (6 month) State General Fund and State Highway Fund allotment and a reduction to the KPERS employer contribution rate. The Governor recommends lapsing the agency's State General Fund reappropriation.

FY 2016 Agency Request

The **agency** requests FY 2016 expenditures of $121,709,894, including $60,397,553 from the State General Fund. The request is an all funds decrease of $4,630,333, or 3.7 percent, below the revised FY 2015 estimate, and a State General Fund increase of $45,836,146, or 314.8 percent, above the revised FY 2015 estimate. The request includes decreased contractual service, commodities and capital outlay expenditures, partially offset by increased salaries and wages expenditures of $1,111,062, or 2.0 percent, due to increased employer KPERS contributions rate and reduced salaries and wages shrinkage. The increased State General Fund amount is a replacement of revenue received from the State Highway Fund in the proceeding years, used predominately for agency administration and the motor vehicles program.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $118,670,574, including $13,741,202 from the State General Fund. The recommendation is an all funds decrease of $3,039,320, or 2.5 percent, including a State General Fund decrease of $46,656,351, or 77.2 percent, below the agency's FY 2016 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that motor vehicle related expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

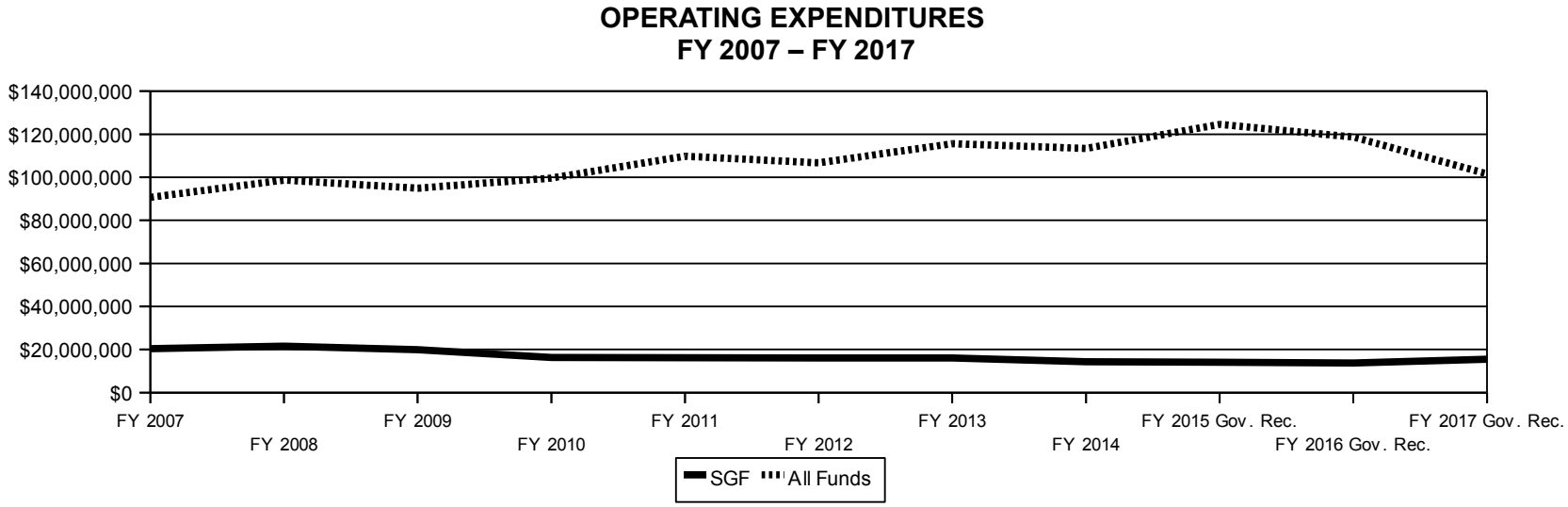
FY 2017 Agency Request

The **agency** requests FY 2017 expenditures of $104,693,800, including $62,237,378 from the State General Fund. The request is an all funds decrease of $17,016,094, or 14.0 percent, below the agency's FY 2016 request, and a State General Fund increase of $1,839,825, or 3.0 percent, above the agency's FY 2016 request. The all funds decrease is attributable to reduced contractual service and aid to local units expenditures, specifically the discontinuation of distribution to local units from the Oil and Gas Valuation Depletion Trust Fund. These decreases are partially offset by increased salary and wage expenditures, due to a 27th pay period that occurs in the fiscal year.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $101,563,068, including $15,487,937 from the State General Fund. The recommendation is an all funds decrease of $3,130,732, or 3.0 percent, including a State General Fund decrease of $46,749,441, or 75.1 percent, below the agency's FY 2017 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that motor vehicle related expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 20,420,363	0.0 %	$ 90,663,391	(0.5)%	1,146.0
2008	21,513,429	5.4	98,681,698	8.8	1,196.0
2009	19,914,508	(7.4)	94,938,662	(3.8)	1,027.4
2010	16,332,472	(18.0)	99,620,545	4.9	1,012.0
2011	16,161,193	(1.0)	109,779,648	10.2	984.0
2012	16,027,866	(0.8)	106,713,078	(2.8)	1,046.0
2013	16,059,454	0.2	115,594,905	8.3	994.0
2014	14,333,666	(10.7)	113,400,633	(1.9)	944.0
2015 Gov. Rec.	14,111,931	(1.5)	124,567,383	9.8	944.0
2016 Gov. Rec.	13,741,202	(2.6)	118,670,574	(4.7)	944.0
2017 Gov. Rec.	15,487,937	12.7	101,563,068	(14.4)	944.0
Eleven-Year Change	$ (4,932,426)	(24.2)%	$ 10,899,677	12.0 %	(202.0)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 27,762,020	$ 32,002,296	$ 29,413,328	$ (2,588,968)	(8.1) %	$ 31,831,712	$ 29,286,094	$ (2,545,618)	(8.0)%
Aid to Locals	25,595,709	31,099,360	30,134,240	(965,120)	(3.1)	31,099,360	30,134,240	(965,120)	(3.1)
Alcohol Beverage Control	3,931,381	3,470,793	3,660,916	190,123	5.5	3,443,378	3,629,695	186,317	5.4
Tax Administration	28,433,361	28,214,300	28,430,361	216,061	0.8	26,786,196	25,744,202	(1,041,994)	(3.9)
Property Valuation	3,888,513	4,603,092	4,469,143	(133,949)	(2.9)	4,575,155	4,438,192	(136,963)	(3.0)
Motor Vehicles	23,789,649	26,950,386	25,601,906	(1,348,480)	(5.0)	26,831,582	25,438,151	(1,393,431)	(5.2)
TOTAL	$ 113,400,633	$ 126,340,227	$ 121,709,894	$ (4,630,333)	(3.7) %	$ 124,567,383	$ 118,670,574	$ (5,896,809)	(4.7)%
By Major Object of Expenditure:									
Salaries and Wages	$ 54,310,499	$ 55,506,748	$ 56,617,810	$ 1,111,062	2.0 %	$ 53,766,225	$ 53,578,490	$ (187,735)	(0.3)%
Contractual Services	23,230,804	28,127,339	25,055,396	(3,071,943)	(10.9)	28,095,018	25,055,396	(3,039,622)	(10.8)
Commodities	4,220,869	5,277,270	4,795,505	(481,765)	(9.1)	5,277,270	4,795,505	(481,765)	(9.1)
Capital Outlay	2,537,120	2,311,206	939,099	(1,372,107)	(59.4)	2,311,206	939,099	(1,372,107)	(59.4)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 84,299,292	$ 91,222,563	$ 87,407,810	$ (3,814,753)	(4.2) %	$ 89,449,719	$ 84,368,490	$ (5,081,229)	(5.7)%
Aid to Local Units	25,595,709	31,119,360	30,154,240	(965,120)	(3.1)	31,119,360	30,154,240	(965,120)	(3.1)
Other Assistance	3,505,632	3,998,304	4,147,844	149,540	3.7	3,998,304	4,147,844	149,540	3.7
TOTAL	$ 113,400,633	$ 126,340,227	$ 121,709,894	$ (4,630,333)	(3.7) %	$ 124,567,383	$ 118,670,574	$ (5,896,809)	(4.7)%
Financing:									
State General Fund	$ 14,333,666	$ 14,561,407	$ 60,397,553	$ 45,836,146	314.8 %	$ 14,111,931	$ 13,741,202	$ (370,729)	(2.6)%
Div. of Vehicles Operating Fund	47,296,441	47,986,783	2,392,711	(45,594,072)	(95.0)	46,766,956	46,141,482	(625,474)	(1.3)
Oil/Gas Valuation Depletion Trust Fund	14,453,779	19,165,120	18,100,000	(1,065,120)	(5.6)	19,165,120	18,100,000	(1,065,120)	(5.6)
Electronic Databases Fee Fund	8,567,206	11,287,856	11,265,875	(21,981)	(0.2)	11,237,901	11,204,381	(33,520)	(0.3)
Special County Mineral Production Tax Fund	9,834,792	10,700,000	10,800,000	100,000	0.9	10,700,000	10,800,000	100,000	0.9
Federal Funds	1,117,009	1,482,339	319,935	(1,162,404)	(78.4)	1,482,339	319,935	(1,162,404)	(78.4)
All Other Funds	17,797,740	21,156,722	18,433,820	(2,722,902)	(12.9)	21,103,136	18,363,574	(2,739,562)	(13.0)
TOTAL	$ 113,400,633	$ 126,340,227	$ 121,709,894	$ (4,630,333)	(3.7) %	$ 124,567,383	$ 118,670,574	$ (5,896,809)	(4.7)%

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	$ 29,413,328	$ 30,153,172	$ 739,844	2.5 %	$ 29,286,094	$ 30,023,391	$ 737,297	2.5 %
Aid to Locals	30,134,240	12,134,240	(18,000,000)	(59.7)	30,134,240	12,134,240	(18,000,000)	(59.7)
Alcohol Beverage Control	3,660,916	3,810,513	149,597	4.1	3,629,695	3,778,667	148,972	4.1
Tax Administration	28,430,361	28,877,793	447,432	1.6	25,744,202	26,112,629	368,427	1.4
Property Valuation	4,469,143	4,596,841	127,698	2.9	4,438,192	4,565,270	127,078	2.9
Motor Vehicles	25,601,906	25,121,241	(480,665)	(1.9)	25,438,151	24,948,871	(489,280)	(1.9)
TOTAL	$ 121,709,894	$ 104,693,800	$ (17,016,094)	(14.0) %	$ 118,670,574	$ 101,563,068	$ (17,107,506)	(14.4)%
By Major Object of Expenditure:								
Salaries and Wages	$ 56,617,810	$ 58,664,190	$ 2,046,380	3.6 %	$ 53,578,490	$ 55,533,458	$ 1,954,968	3.6 %
Contractual Services	25,055,396	24,191,520	(863,876)	(3.4)	25,055,396	24,191,520	(863,876)	(3.4)
Commodities	4,795,505	4,797,907	2,402	0.1	4,795,505	4,797,907	2,402	0.1
Capital Outlay	939,099	938,099	(1,000)	(0.1)	939,099	938,099	(1,000)	(0.1)
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 87,407,810	$ 88,591,716	$ 1,183,906	1.4 %	$ 84,368,490	$ 85,460,984	$ 1,092,494	1.3 %
Aid to Local Units	30,154,240	12,154,240	(18,000,000)	(59.7)	30,154,240	12,154,240	(18,000,000)	(59.7)
Other Assistance	4,147,844	3,947,844	(200,000)	(4.8)	4,147,844	3,947,844	(200,000)	(4.8)
TOTAL	$ 121,709,894	$ 104,693,800	$ (17,016,094)	(14.0) %	$ 118,670,574	$ 101,563,068	$ (17,107,506)	(14.4)%
Financing:								
State General Fund	$ 60,397,553	$ 62,237,378	$ 1,839,825	3.0 %	$ 13,741,202	$ 15,487,937	$ 1,746,735	12.7 %
Div. of Vehicles Operating Fund	2,392,711	2,392,711	0	--	46,141,482	46,147,439	5,957	0.0
Oil/Gas Valuation Depletion Trust Fund	18,100,000	0	(18,100,000)	(100.0)	18,100,000	0	(18,100,000)	(100.0)
Electronic Databases Fee Fund	11,265,875	11,510,691	244,816	2.2	11,204,381	11,447,641	243,260	2.2
Special County Mineral Production Tax Fund	10,800,000	10,900,000	100,000	0.9	10,800,000	10,900,000	100,000	0.9
Federal Funds	319,935	75,000	(244,935)	(76.6)	319,935	75,000	(244,935)	(76.6)
All Other Funds	18,433,820	17,578,020	(855,800)	(4.6)	18,363,574	17,505,051	(858,523)	(4.7)
TOTAL	$ 121,709,894	$ 104,693,800	$ (17,016,094)	(14.0) %	$ 118,670,574	$ 101,563,068	$ (17,107,506)	(14.4)%

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $14,529,086 for the Department of Revenue in FY 2015. Two adjustments have subsequently been made to that amount. These adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustments have been made.

- An increase of $32,321, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.
- A reduction of $417,155 as the result of the Governor's December 9th State General Fund allotment.

These adjustments change the FY 2015 approved State General Fund to $14,144,252. That amount is reflected in the table below as the currently approved FY State General Fund 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	$ 14,144,252	$ 14,561,407	$ 417,155	$ 14,111,931	$ (32,321)
All Other Funds	107,975,147	111,778,820	3,803,673	110,455,452	2,480,305
TOTAL	$ 122,119,399	$ 126,340,227	$ 4,220,828	$ 124,567,383	$ 2,447,984
FTE Positions	944.0	944.0	0.0	944.0	0.0

The **agency estimates** FY 2015 expenditures of $126,340,227, including $14,561,407 from the State General Fund. The revised estimate is an all funds increase of $3,835,994, or 3.1 percent, and a State General Fund increase of $32,321, or 0.2 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased

salary and wage expenditures, specifically in the classified regular wages and employer KPERS contributions, partially offset by reduced unclassified regular and temporary wages. Additionally, the agency is estimating increased contractual service and capital outlay expenditures, specifically in the area of computer programming, software and communication expenditures. These increases are partially offset by reduced aid to local units, namely lower than projected distributions from the Oil and Gas Valuation Depletion Trust Fund. The agency requests 944.0 FTE positions, which is the same amount approved by the 2014 Legislature. Major changes from the amount approved by the 2014 Legislature include the following.

- **Salaries and Wages.** The agency estimates $55,506,748, including, $13,058,939 from the State General Fund, for salaries and wages in FY 2015. The revised estimate is an all funds increase of $1,713,853, or 3.2 percent, and a State General Fund increase of $1,381,390, or 11.8 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased unclassified salaries and wages as a result of the contract with IQor for software development ends and maintenance staff brought on in unclassified positions. The increase is also attributable to increased fringe benefit expenditures.

- **Contractual Services.** The agency estimates $28,127,339, including $1,300,865 from the State General Fund, for contractual services in FY 2015. The revised estimate is an all funds increase of $1,078,090, or 4.0 percent, above and a State General Fund decrease of $1,163,257, or 47.2 percent, below the amount approved by the 2014 Legislature. The increase is primarily attributable to computer programming and software maintenance expenditures.

- **Commodities.** The agency estimates $5,277,270, including $77,553 from the State General Fund, for commodities in FY 2015. The revised estimate is an all funds increase of $771,673, or 17.1 percent, above and a State General Fund decrease of $252,072, or 76.5 percent, below the amount approved by the 2014 Legislature. The increase is attributable to increased expenditures associated with moving from OITS to the State Printer for printing and mailing. Other increased expenditures include hardware, software and printer upgrades and replacements at county DMV offices.

- **Capital Outlay.** The agency estimates $2,311,206, including $70,310 from the State General Fund, for capital outlay in FY 2015. The revised estimate is an all funds increase of $1,552,522, or 204.6 percent, and a State General Fund increase of $66,260, or 1,636.0 percent, above the amount approved by the 2014 Legislature. The increase is primarily attributable to expenditures related to upgrades and maintenance to county DMV equipment.

The **Governor** recommends FY 2015 expenditures of $124,567,383, including $14,11,931 from the State General Fund. The recommendation is an all funds decrease of $1,772,844, or 1.4 percent, and a State General Fund decrease of $449,476, or 3.1 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to the Governor's December 2014 allotment, specifically a 4.0 percent (6 month) State General Fund and State Highway Fund allotment and a reduction to the KPERS employer contribution rate.

Governor's Allotments

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. This prompted the Governor to address the shortfall with 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. The allotments shown in the table below reflect only those allotments which have already taken place.

GOVERNOR'S ALLOTMENTS

Allotment	SGF	All Funds	FTE
December Allotment			
Reduce KPERS Employer Contribution Rate	$ (126,573)	$ (126,573)	0.0
Reduce SGF funding by 4.0 percent	(290,582)	(290,582)	
TOTAL	$ (417,155)	$ (417,155)	0.0

Kansas Public Employees Retirement System (KPERS) Reduction:

A reduction of $126,573 from the State General Fund as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. This allotment will have no impact on the agency operations, but is reflective of a reduction of expenditures. An additional $531,398 from special revenue funds is reduced in the Governor's budget recommendation resulting in a total reduction of $657,971.

4.0 percent reduction to Cabinet-level and other SGF funded agencies

A reduction of $290,582, as a result of the Governor's State General Fund allotment of 4.0 percent to Cabinet and other State General Funded agencies in FY 2015. This allotment will be managed by using the salary of the vacant Board Member to cover the FY 2015 reduction.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 121,709,894	$ 118,670,574	$ (3,039,320)
FTE Positions	944.0	944.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 45,836,146	$ (370,729)	
All Other Funds	(50,466,479)	(5,526,080)	
TOTAL	$ (4,630,333)	$ (5,896,809)	
Percent Change:			
State General Fund	314.8 %	(2.6) %	
All Other Funds	(45.1)	(5.0)	
TOTAL	(3.7) %	(4.7) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 expenditures of $121,709,894, including $60,397,553 from the State General Fund. The request is an all funds decrease of $4,630,333, or 3.7 percent, below the revised FY 2015 estimate, and a State General Fund increase of $45,836,146, or 314.8 percent, above the revised FY 2015 estimate. The request includes decreased contractual service, commodities and capital outlay expenditures, partially offset by increased salaries and wages expenditures of $1,111,062, or 2.0 percent, due to increased employer KPERS contributions rates and reduced shrinkage. The increased State General Fund amount is a replacement of revenue received from the State Highway Fund in the proceeding years, used predominately for agency administration and the motor vehicles program. Major changes from the agency's revised FY 2015 estimate include the following.

- **Salaries and Wages.** The agency requests $56,617,810, including $45,244,745 from the State General Fund, for salaries and wages in FY 2016. The request is an all funds increase of $1,111,062, or 2.0 percent, and a State General Fund increase of $32,185,807, or 246.5 percent, above the agency's revised FY 2015 estimate. The all funds increase is due to increased employer KPERS contributions rates and reduced shrinkage.

- **Contractual Services.** The agency requests $25,055,396, including $12,527,692 from the State General Fund, for contractual services in FY 2016. The request is an all funds decrease of $3,071,943, or 10.9 percent, below and a State General Fund increase of $111,226,827, or 863.0 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to reduced expenditures associated with the agency's contract with IQor for software development.

- **Commodities.** The agency requests $4,795,505, including $2,474,682 from the State General Fund, for commodities in FY 2016. The request is an all funds decrease of $481,765, or 9.1 percent, below and State General Fund increase of $2,397,129, or 3,091.0 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to reduced data processing supply expenditures.

- **Capital Outlay.** The agency requests $939,099, including $96,693 from the State General Fund, for capital outlay in FY 2016. The request is an all funds decrease of $1,372,107, or 59.4 percent, below and a State General Fund increase of $26,383, or 37.5 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to reduced computer hardware expenditures

- **Aid to Local Units.** The agency requests $30,154,240, all from special revenue funds, for aid to local units of government in FY 2016. The request is a decrease of $965,120, or 3.1 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced anticipated distributions from the Oil and Gas Valuation Depletion Trust Fund, due to reduced oil and gas severance tax collections, offset partially by increased distributions from the Special County Mineral Production Tax Fund.

The **Governor** recommends FY 2016 operating expenditures of $118,670,574, including $13,741,202 from the State General Fund. The recommendation is an all funds decrease of $3,039,320, or 2.5 percent, including a State General Fund decrease of $46,656,351, or 77.2 percent, below the agency's FY 2016 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that motor vehicle related expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 104,693,800	$ 101,563,068	$ (3,130,732)
FTE Positions	944.0	944.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 1,839,825	$ 1,746,735	
All Other Funds	(18,855,919)	(18,854,241)	
TOTAL	$ (17,016,094)	$ (17,107,506)	
Percent Change:			
State General Fund	3.0 %	12.7 %	
All Other Funds	(30.8)	(18.0)	
TOTAL	(14.0) %	(14.4) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 expenditures of $104,693,800, including $62,237,378 from the State General Fund. The request is an all funds decrease of $17,016,094, or 14.0 percent, below the agency's FY 2016 request, and a State General Fund increase of $1,839,825, or 3.0 percent, above the agency's FY 2016 request. The all funds decrease is attributable to reduced contractual service expenditures and aid to local units, specifically the discontinuation of distribution to local units from the Oil and Gas Valuation Depletion Trust Fund. These decreases are partially offset by increased salary and wage expenditures, due to a 27th pay period that occurs in the fiscal year. Major changes from the agency's FY 2016 request include the following.

- **Salaries and Wages.** The agency requests $58,664,190, including $47,096,488 from the

State General Fund, for salaries and wages in FY 2017 The request is an all funds increase of $2,046,380, or 3.6 percent, and a State General Fund increase of $1,851,743, or 4.1 percent, above the agency's FY 2016 request. The increase is attributable to the 27th pay period that occurs in the fiscal year.

- **Contractual Services.** The agency requests $24,191,520, including $12,513,872 from the State General Fund, for contractual services in FY 2017. The request is an all funds decrease of $863,876, or 3.4 percent, and a State General Fund decrease of $13,820, or 0.1 percent, below the agency's FY 2016 request. The decrease is attributable to reduced advertising and reduced expenditures from the Motor Vehicles program to meet decreased anticipated revenue.

- **Aid to Local Units.** The agency requests $12,154,240, all from special revenue funds, for aid to local units of government for FY 2017. The request is a decrease of $18,000,000, or 59.7 percent, below the agency's FY2016 request. The decrease is attributable to the elimination of the Oil and Gas Valuation Depletion Trust Fund, in lieu of the Mineral Production Education Fund administered by the Department of Education.

The **Governor** recommends FY 2017 operating expenditures of $101,563,068, including $15,487,937 from the State General Fund. The recommendation is an all funds decrease of $3,130,732, or 3.0 percent, including a State General Fund decrease of $46,749,441, or 75.1 percent, below the agency's FY 2017 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that motor vehicle related expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

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 $276,068, including $58,669 from the State General Fund, and affects 888 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 $444,040, including $90,616 from the State General Fund, and FY 2017 longevity payments total $474,480, including $108,120 from the State General Fund.**

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 $623,418,including$150,398 from the State General Fund for FY 2016. This is a reduction of $641,237, including $169,895 from the State General Fund, 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	49.6 %	11.6 %	59.4 %	15.2 %
Division of Vehicles Operating Fund	1.9	38.8	2.3	45.4
Oil/Gas Valuation Depletion Trust Fund	14.9	15.3	0.0	0.0
Electronic Databases Fee Fund	9.3	9.4	11.0	11.2
Special County Mineral Production Tax Fund	8.9	9.1	10.4	10.7
Federal Funds	0.1	0.1	0.1	0.1
All Other Funds	15.1	15.7	16.8	17.4
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Division of Vehicles Operating Fund

The four principal non-State General Fund financing sources for the agency are included in this review of fee funds: the Division of Vehicles (DOV) Operating Fund, the Electronic Databases Fee Fund, the Oil and Gas Valuation Trust Fund, and the Special County Mineral Production Fund.

The **Division of Vehicles Operating Fund** is funded through charges assessed for copies, fines, penalties and forfeitures. The largest single source of revenue for the Division of Vehicles Operating Fund is from the State Highway Fund which is made in quarterly transfers under annual appropriation acts.

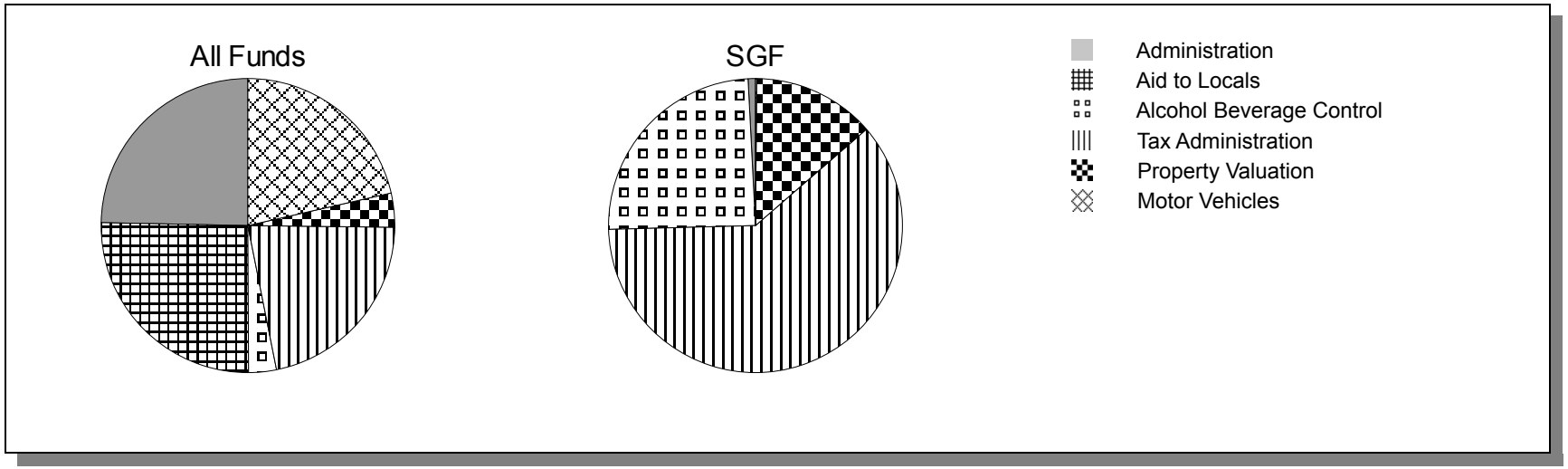
Resource Estimate	Actual FY 2014	Agency Estimate FY 2015	Governor Rec. FY 2015	Agency Request FY 2016	Gov. Rec. FY 2016	Agency Request FY 2017	Gov. Rec. FY 2017
Beginning Balance	$ 1,084,301	$ 1,008,139	$ 1,008,139	$ 969,492	$ 969,492	$ 597,781	$ 597,781
Revenue	2,253,066	2,021,000	2,021,000	2,021,000	2,021,000	2,021,000	2,021,000
Transfers in	44,967,704	45,927,136	44,707,309	0	43,748,771	0	43,754,728
Total Funds Available	$ 48,305,071	$ 48,956,275	$ 47,736,448	$ 2,990,492	$ 46,739,263	$ 2,618,781	$ 46,373,509
Less: Expenditures	47,296,441	47,986,783	46,766,956	2,392,711	46,141,482	2,392,711	46,147,439
Transfers Out	(2,859)	0	0	0	0	0	0
Off Budget Expenditures	3,350	0	0	0	0	0	0
Ending Balance	$ 1,008,139	$ 969,492	$ 969,492	$ 597,781	$ 597,781	$ 226,070	$ 226,070
Ending Balance as Percent of Expenditures	2.1%	2.0%	2.1%	25.0%	1.3%	9.4%	0.5%
	April	April	April	April	April	April	April
Month Highest Ending Balance	$ 7,579,263	$ 7,500,554	$ 7,500,554	$ 7,465,088	$ 7,465,088	$ 7,089,682	$ 7,089,682
	March	March	March	March	March	March	March
Month Lowest Ending Balance	$ 216,860	$ 131,058	$ 131,058	$ 969,494	$ 969,494	$ 274,979	$ 274,979

Electronic Databases Fee Fund

The Electronic Databases Fee Fund is funded through fees which are collected to provide access to or to furnish copies of data constituting public records. KSA 74-2022 establishes the Electronic Databases Fee Fund and provides that it shall be used "to operate, maintain and improve the specific electronic database system in which the data are stored or maintained, including the costs incurred providing access to or furnishing copies of such data."

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	$ 2,120,581	$ 3,281,560	$ 3,281,560	$ 2,442,506	$ 2,492,461	$ 1,625,433	$ 1,736,882
Revenue	9,502,659	10,448,802	10,448,802	10,448,802	10,448,802	10,448,802	10,448,802
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 11,623,240	$ 13,730,362	$ 13,730,362	$ 12,891,308	$ 12,941,263	$ 12,074,235	$ 12,185,684
Less: Expenditures	8,567,206	11,287,856	11,237,901	11,265,875	11,204,381	11,510,691	11,447,641
Transfers Out	(225,526)	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 3,281,560	$ 2,442,506	$ 2,492,461	$ 1,625,433	$ 1,736,882	$ 563,544	$ 738,043
Ending Balance as Percent of Expenditures	38.3%	21.6%	22.2%	14.4%	15.5%	4.9%	6.4%
	June	June	June	June	June	June	June
Month Highest Ending Balance	$ 3,053,636	$ 4,233,212	$ 4,233,212	$ 3,370,658	$ 3,439,596	$ 2,568,184	$ 2,644,798
	July	July	July	July	July	July	July
Month Lowest Ending Balance	$ 1,675,258	$ 2,854,957	$ 2,854,957	$ 2,002,854	$ 2,043,818	$ 1,186,566	$ 1,302,661

EXPENDITURES BY PROGRAM–GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	$ 29,286,094	24.7 %	$ 109,759	0.8 %
Aid to Local Units	30,134,240	25.4	0	0.0
Alcohol Beverage Control	3,629,695	3.1	3,381,195	24.6
Tax Administration	25,744,202	21.7	8,378,622	61.0
Property Valuation Division	4,438,192	3.7	1,852,926	13.5
Motor Vehicles	25,438,151	21.4	18,700	0.1
TOTAL	$ 118,670,574	100.0 %	$ 13,741,202	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	202.0	192.0	192.0	192.0	192.0	192.0	192.0
Aid to Locals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Alcohol Beverage Control	48.0	48.0	48.0	48.0	48.0	48.0	48.0
Tax Administration	393.0	393.0	393.0	393.0	393.0	393.0	393.0
Property Valuation	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Motor Vehicles	255.0	265.0	265.0	265.0	265.0	265.0	265.0
TOTAL	944.0	944.0	944.0	944.0	944.0	944.0	944.0

A. Administrative Services

The Administrative Services Division is comprised of the Office of the Secretary of Revenue, Resources Management, Legal Services, Policy and Research, and Informational Services. The Secretary is responsible for the Department of Revenue fulfilling its mission. Resources Management oversees the budgeting, logistics, human resources, and routine administration for the agency. A Criminal Fraud Control Unit is also organized within Resources Management; the unit investigates both external and internal fraud and works to prevent identity theft. The Policy and Research Section provides tax analysis and revenue estimates. Information Services develops and maintains the Department's automated information systems.

ADMINISTRATIVE SERVICES
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 13,829,399	$ 14,714,576	$ 14,576,313	$ 14,582,658	$ 14,455,424	$ 15,247,673	$ 15,117,892
Contractual Services	11,334,284	14,077,735	14,045,414	13,412,772	13,412,772	13,485,649	13,485,649
Commodities	189,927	988,541	988,541	465,536	465,536	468,488	468,488
Capital Outlay	1,796,715	1,773,600	1,773,600	504,518	504,518	503,518	503,518
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 27,150,325	$ 31,554,452	$ 31,383,868	$ 28,965,484	$ 28,838,250	$ 29,705,328	$ 29,575,547
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	611,695	447,844	447,844	447,844	447,844	447,844	447,844
TOTAL	$ 27,762,020	$ 32,002,296	$ 31,831,712	$ 29,413,328	$ 29,286,094	$ 30,153,172	$ 30,023,391
Financing:							
State General Fund	$ 1,526,324	$ 1,642,147	$ 1,605,954	$ 23,541,696	$ 109,759	$ 24,166,661	$ 108,759
All Other Funds	26,235,696	30,360,149	30,225,758	5,871,632	29,176,335	5,986,511	29,914,632
TOTAL	$ 27,762,020	$ 32,002,296	$ 31,831,712	$ 29,413,328	$ 29,286,094	$ 30,153,172	$ 30,023,391
FTE Positions	202.0	192.0	192.0	192.0	192.0	192.0	192.0
Non-FTE Uncl. Perm. Pos.	59.0	59.0	59.0	59.0	59.0	59.0	59.0
TOTAL	261.0	251.0	251.0	251.0	251.0	251.0	251.0

The **agency** requests FY 2016 expenditures of $29,413,328 including $23,541,696 from the State General Fund for agency administration. The request is an all funds decrease of $2,588,968, or 8.1 percent, below the revised FY 2015 estimate, and a State General Fund increase of $21,899,549, or 1,333.6 percent, above the revised FY 2015 estimate. The request includes decreased salary and wage, contractual service, commodities and capital outlay expenditures. The increased State General Fund amount is a replacement of revenue received from the State Highway Fund in the proceeding years. Major changes from the agency's revised FY 2015 estimate include the following.

- **Contractual Services.** The agency requests $13,412,772 including $8,545,359 from the State General Fund, for contractual services in FY 2016. The request is an all funds decrease of

$664,963, or 4.7 percent, below and a State General Fund increase of $7,423,886, or 662.0 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to the completion of hardware and software upgrades associated with the DMV Modernization Project, specifically upgrades made to a portion of the circuits to the counties to T1 lines at an additional cost billed to the department through OITS.

- **Commodities.** The agency requests $465,536, including $328,459 from the State General Fund, for commodities in FY 2016. The request is an all funds decrease of $523,005, or 52.9 percent, below and State General Fund increase of $280,021, or 578.1 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable the replacement of county DMV office printers completed in FY 2015.

- **Capital Outlay.** The agency requests $504,518, including $54,518 from the State General Fund, for capital outlay in FY 2016. The request is an all funds decrease of $1,269,082, or 71.6 percent, below and a State General Fund increase of $47,808, or 712.5 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to the completion of server and scanner upgrades made at county DMV offices associated with the DMV Modernization Project.

The **Governor** recommends FY 2016 expenditures of $29,286,094, including $109,759 from the State General Fund. The recommendation is an all funds decrease of $127,234, or 0.4 percent, below the agency's FY 2016 request, attributable to reduced employer contributions for state employee health insurance. The recommendation is a State General Fund decrease of $23,431,937, or 99.5 percent, below the agency's request and is attributable to the Governor's recommendation that all expenses associated with the administration of motor vehicle registration come from the State Highway Fund.

The **agency** requests FY 2017 expenditures of $30,153,172 including $24,166,661 from the State General Fund for agency administration. The request is an all funds increase of $739,844, or 2.5 percent, above the agency's FY 2016 request, and a State General Fund increase of $624,965, or 2.7 percent, above the agency's FY 2016 request. The increase is attributable to increased salary and wage expenditures, due to a 27th pay period that occurs in the fiscal year. Major changes from the agency's FY 2016 request include the following.

- **Salaries and Wages.** The agency requests $15,247,673, including $15,224,628 from the State General Fund, for salaries and wages in FY 2017 The request is an all funds increase of $665,015, or 4.6 percent, all from the State General Fund, above the agency's FY 2016 request. The increase is attributable to the 27th pay period that occurs in the fiscal year.

The **Governor** recommends FY 2017 expenditures of $30,023,391, including $108,759 from the State General Fund. The recommendation is an all funds decrease of $129,781, or 0.4 percent, below the agency's FY 2017 request, attributable to reduced employer contributions for state employee health insurance. The recommendation is a State General Fund decrease of $24,057,902, or 99.5 percent, below the agency's request and is attributable to the Governor's recommendation

that all expenses associated with the administration of motor vehicle registration come from the State Highway Fund.

B. Aid to Local Units

The Department of Revenue distributes revenue from certain state-collected taxes, fees, and penalties to local units of government. Those distributions include: sand royalties, full privilege license plates to manufacturers and dealer license fees, mineral severance taxes, and taxes on controlled substances.

AID TO LOCAL UNITS
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Contractual Services	0	0	0	0	0	0	0
Commodities	0	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0	0
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Aid to Local Units	25,595,709	31,099,360	31,099,360	30,134,240	30,134,240	12,134,240	12,134,240
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 25,595,709	$ 31,099,360	$ 31,099,360	$ 30,134,240	$ 30,134,240	$ 12,134,240	$ 12,134,240
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	25,595,709	31,099,360	31,099,360	30,134,240	30,134,240	12,134,240	12,134,240
TOTAL	$ 25,595,709	$ 31,099,360	$ 31,099,360	$ 30,134,240	$ 30,134,240	$ 12,134,240	$ 12,134,240
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

The **agency** requests $30,134,240, all in aid to local units of government for FY 2016. The request is a decrease of $965,120, or 3.1 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to anticipated reductions in the collection and distributions of severance tax revenues associated with the Oil and Gas Valuation Depletion Trust Fund. The request represents the total pass-through money remitted to local units of government from the following five sources.

- $34,250 - Sand Royalty Fund, this amount is the same as the agency's revised FY 2015 estimate. Revenues for the Sand Royalty Fund are derived from royalties paid by persons, partnerships, or corporations taking sand, gravel or minerals from or beneath the bed of any state-owned river. Of the royalties collected, 75.0 percent of the fund collected, after deducting expenditures incurred in collecting the tax, is deposited in the State Water Plan Fund and the remainder is distributed to affected drainage districts, with two-thirds going to the district where the sand was removed and one-third to other districts in the county which front the river. Local government must use these funds for cleaning or maintaining waterways to keep them free of drift, trees, and other obstructions that might induce floods or overflows. The sand royalty rate is $0.15 per ton.

- $175,250 - County Treasurers Vehicle Licensing Fund, this amount is the same as the agency's revised FY 2015 estimate. The Vehicle Licensing Fund is funded through sale of full-privilege license plates to manufacturers and dealers of vehicles.

- $18,100,000 - Oil and Gas Valuation Depletion Trust Fund, this amount is a decrease of $1,065,120, or 5.6 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to lower than anticipated oil and gas prices resulting in reduced severance tax collection. The Oil and Gas Valuation Depletion Trust Fund is funded through receipts on oil and gas from counties that had more than $100,000 in severance tax. A separate trust account is created by the director of taxation within the Kansas Department of Revenue and a percentage of revenue of severance tax is credited to each account.

- $10,800,000 - Special County Mineral Production Tax Fund, this amount is an increase of $100,000, or 0.9 percent, above the agency's revised FY 2015 estimate. The Special County Mineral Production Tax Fund is funded through the collection of minerals, which are oil, gas, and coal. Of the amount collected, 7.0 percent, is distributed proportionately to the counties where the production occurred and the remainder is credited to the State General Fund.

- $1,024,740 - County Drug Tax Fund, this amount is the same as the agency's revised FY 2015 estimate. The County Drug Tax Fund is funded through the penalties collected in the seizure of unstamped marijuana and controlled substances. The estimates are volatile and are dependent on the amount of drug activity conducted, detected and the amount of property forfeited.

The **Governor** concurs with agency's FY 2016 request.

The **agency** requests $12,134,240, all in aid to local units of government for FY 2017. The request is a decrease of $18,000,000 or 59.7 percent, below the agency's FY 2016 request. The decrease is attributable to elimination of the Oil and Gas Valuation Depletion Trust Fund to be replaced with the Mineral Production Education Fund which will be administered by the Department of Education. That fund will collect and distribute 20.0 percent of severance tax collected through receipts on oil and gas from counties that had more than $100,000, whereas the Oil and Valuation Depletion Trust Fund collected and distributed 12.45 percent of receipts in excess of $100,000. The request represents the total pass-through money remitted to local units of government from the following four sources.

- $34,250 - Sand Royalty Fund, this amount is the same as the agency's FY 2016 request.
- $175,250 - County Treasurers Vehicle Licensing Fund, this amount is the same as the agency's FY 2016 request.
- $10,900,000 - Special County Mineral Production Tax Fund, this amount is an increase of $100,00, or 0.9 percent, above the agency's FY 2016 request.
- $1,024,740 - County Drug Tax Fund, this amount is the same as the agency's FY 2016 request.

The **Governor** concurs with agency's FY 2016 request.

C. Alcoholic Beverage Control (ABC)

The Alcoholic Beverage Control (ABC) Division administers the state's liquor, cigarette, and tobacco licenses. ABC conducts controlled "buy" investigations to help determine the rate of licensee compliance. The Division provides training to local law enforcement agencies on means to enforce liquor and tobacco laws. In April 2007, the agency entered into an interagency agreement with the Department for Children and Families (DCF) to create the Cigarette and Tobacco Enforcement (CATE) Team. The CATE Team is primarily concerned with enforcing the laws relating to the sale of cigarettes and tobacco products to minors and to identify other licensee violations in the process. The Division also cooperates with nongovernmental organizations concerned with reducing underage consumption.

ALCOHOL BEVERAGE CONTROL
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 3,372,649	$ 2,933,002	$ 2,905,587	$ 3,126,672	$ 3,095,451	$ 3,265,019	$ 3,233,173
Contractual Services	327,755	369,344	369,344	363,437	363,437	374,687	374,687
Commodities	132,940	155,197	155,197	157,557	157,557	157,557	157,557
Capital Outlay	98,037	13,250	13,250	13,250	13,250	13,250	13,250
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 3,931,381	$ 3,470,793	$ 3,443,378	$ 3,660,916	$ 3,629,695	$ 3,810,513	$ 3,778,667
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 3,931,381	$ 3,470,793	$ 3,443,378	$ 3,660,916	$ 3,629,695	$ 3,810,513	$ 3,778,667
Financing:							
State General Fund	$ 118	$ 0	$ 0	$ 3,410,646	$ 3,381,195	$ 3,551,818	$ 3,521,778
All Other Funds	3,931,263	3,470,793	3,443,378	250,270	248,500	258,695	256,889
TOTAL	$ 3,931,381	$ 3,470,793	$ 3,443,378	$ 3,660,916	$ 3,629,695	$ 3,810,513	$ 3,778,667
FTE Positions	48.0	48.0	48.0	48.0	48.0	48.0	48.0
Non-FTE Uncl. Perm. Pos.	3.0	3.0	3.0	3.0	3.0	3.0	3.0
TOTAL	51.0	51.0	51.0	51.0	51.0	51.0	51.0

The **agency** requests FY 2016 operating expenditures of $3,660,916, including $3,410,646 from the State General Fund, for the Alcohol Beverage Control program. The request is an all funds increase of $190,123, or 5.5 percent, and a State General Fund increase of $3,410,646, or 100.0 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased expenditures on salaries and wages, partially offset by reduced contractual service expenditures. The increased State General Fund amount is a replacement of revenue received from the State Highway Fund in the proceeding years. Major changes from the agency's revised FY 2015 estimate include the following.

- **Salaries and Wages.** The agency requests $3,126,672, including $2,949,430 from the State General Fund for salaries and wages in FY 2016. The request is an all funds increase of $193,670,

or 6.6 percent, and a State General Fund increase of $2,949,430, or 100.0 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased overtime pay for classified employed and fringe benefit expenditures.

The **Governor** recommends FY 2016 operating expenditures of $3,629,695, including $3,381,195 from the State General Fund for the Alcohol Beverage Control program. The request is an all funds decrease of $31,221, or 0.9 percent, and a State General Fund decrease of $29,451, or 0.9 percent, below the agency's FY 2016 request. The decrease is attributable to reduced employer contributions for state employee health insurance.

The **agency** requests FY 2017 operating expenditures of $3,810,513, including $3,551,818 from the State General Fund, for the Alcohol Beverage Control program. The request is all funds increase of $149,597, or 4.1 percent, and a State General Fund increase of $141,172, or 4.1 percent, above the agency's FY 2016 request. The increase is attributable to increased salary and wage and contractual service expenditures. Major changes from the agency's FY 2016 request include the following.

- **Salaries and Wages.** The agency requests $3,265,019, including $3,079,352 from the State General Fund in FY 2017. The request is an all funds increase of $138,347, or 4.4 percent, and a State General Funds increase of $129,922, or 4.4 percent, above the agency's FY 2016 request. The increase is predominately attributable to a 27th pay period that occurs in the fiscal year.

- **Contractual Services.** The agency requests $374,687, including $317,786 from the State General Fund, for contractual services in FY 2017. The request is an all funds increase of $11,250, or 3.1 percent, all from the State General Fund, above the agency's FY 2016 request. The increase is attributable to expenditures related to the replacement and upgrade of law enforcement equipment.

The **Governor** recommends FY 2017 operating expenditures of $3,778,667, including $3,521,778 from the State General Fund for the Alcohol Beverage Control program. The request is an all funds decrease of $31,846, or 0.8 percent, and a State General Fund decrease of $30,040, or 0.8 percent, below the agency's FY 2017 request. The decrease is attributable to reduced employer contributions for state employee health insurance.

D. Tax Operations Division

Tax Operations has the largest operating budget for a division within the Department of Revenue. The division collects the various taxes for the state. There are four units within Tax Operations: the Revenue Accounting Unit, the Administrative Support Unit, the System Administrator and Testing Unit, and the Design and Development Unit. The units work together to administer the five sub-programs for which the division is responsible. Those sub-programs are Channel Management, Customer Relations, Collections, Field Services, and Electronic Services.

Channel Management is concerned with collecting information, both in hard copy and electronic form, and moving it to its appropriate user; the program works toward creating a paperless environment. Customer Relations works with customers, both within and outside of the agency, to build trust. The program deals with general business, wage earners, motor and other special taxes, and general taxpayer assistance. The Collections sub-program works to verify that tax payers are not under-reporting or under-paying their taxes. The goal of Field Services is to ensure the equitable payment of taxes under the law. Electronic Services coordinates the transmittal of electronic data into the department's accounting systems; this may include the development of software, including web-based software and interactive voice response systems.

The Audit Services Bureau investigates the under-reporting of Kansas taxes. The Bureau's work is accomplished through four methods: file analysis, field analysis, desk audits, and self-audits. File analysis involves evaluating individual tax payer information to determine if there is a risk of underpayment. Field audits are conducted in person by appointment to review and analyze tax and revenue records. Desk audits are similar to field audits, but information is communicated by written or electronic correspondence. Self-audits are applied to groups of taxpayers in a particular industry; individual tax payers are requested to go back through three years of tax and revenue data and to submit any schedule of errors that would then be used for calculating any late taxes and interest owed.

TAX OPERATIONS DIVISION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 21,900,471	$ 20,945,253	$ 19,517,149	$ 21,815,912	$ 19,129,753	$ 22,537,532	$ 19,772,368
Contractual Services	3,256,953	2,890,221	2,890,221	2,108,228	2,108,228	2,034,590	2,034,590
Commodities	369,377	751,716	751,716	790,596	790,596	790,046	790,046
Capital Outlay	12,647	76,650	76,650	15,625	15,625	15,625	15,625
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 25,539,448	$ 24,663,840	$ 23,235,736	$ 24,730,361	$ 22,044,202	$ 25,377,793	$ 22,612,629
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	2,893,913	3,550,460	3,550,460	3,700,000	3,700,000	3,500,000	3,500,000
TOTAL	$ 28,433,361	$ 28,214,300	$ 26,786,196	$ 28,430,361	$ 25,744,202	$ 28,877,793	$ 26,112,629
Financing:							
State General Fund	$ 12,091,992	$ 11,611,613	$ 11,210,184	$ 18,168,242	$ 8,378,622	$ 18,644,189	$ 9,888,455
All Other Funds	16,341,369	16,602,687	15,576,012	10,262,119	17,365,580	10,233,604	16,224,174
TOTAL	$ 28,433,361	$ 28,214,300	$ 26,786,196	$ 28,430,361	$ 25,744,202	$ 28,877,793	$ 26,112,629
FTE Positions	393.0	393.0	393.0	393.0	393.0	393.0	393.0
Non-FTE Uncl. Perm. Pos.	16.0	47.0	47.0	48.0	48.0	48.0	48.0
TOTAL	409.0	440.0	440.0	441.0	441.0	441.0	441.0

The **agency** requests FY 2016 expenditures of $28,430,361, including $18,168,242 from the State General Fund, for the Tax Operations Division. The request is an all funds increase of $216,061, or 0.8 percent, and a State General Fund increase of $6,556,629, or 56.5 percent, above the agency's revised FY 2015 estimate. The State General Fund increase is attributable to the replacement of revenue received from the State Highway Fund in the proceeding years. The all funds increase is attributable to increased salary and wage expenditures, partially offset by reduced contractual service and capital outlay expenditures. Major changes from the agency's revised FY 2015 estimate include the following.

- **Salaries and Wages.** The agency requests $21,815,912, including $15,999,542 from the State General Fund, for salaries and wages in FY 2015. The revised estimate is an all funds

increase of $870,569, or 4.2 percent, and a State General Fund increase of $4,630,921, or 40.7 percent, above the agency's revised FY 2015 estimate. The State General Fund increase is attributable to the replacement of revenue that had been received from the State Highway Fund in the proceeding years. The all funds increase is attributable to increased wages for temporary employees and fringe benefit expenditures.

- **Contractual Services.** The agency requests $2,108,228, including $1,414,479 from the State General Fund, for contractual services in FY 2016. The request is an all funds decrease of $781,993, or 27.1 percent, below and a State General Fund increase of $1,235,087, or 688.5 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to the conclusion of the agency's contract with IQ or for the development of online tax filing software.

- **Capital Outlay.** The agency requests $15,625, including $10,225 from the State General Fund, for capital outlay in FY 2016. The request is an all funds decrease of $61,025, or 79.6 percent, and a State General Fund decrease of $53,375, or 83.9 percent, below the agency's revised FY 2015 estimate. The decrease is due to the one time expense of predictive dialing software that was requested in FY 2015.

The **Governor** recommends FY 2016 operating expenditures of $25,744,202 including $8,378,622 from the State General Fund. The request is an all funds decrease of $2,686,159, or 9.4 percent, including a State General Fund decrease of $9,789,620, or 53.9 percent, below the agency's FY 2016 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that program administration expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

The **agency** requests $28,877,793, including $18,644,189 from the State General Fund, for Tax Operations Division in FY 2017. The request is an all funds increase of 447,432, or 1.6 percent, and a State General Fund increase of $475,947, or 2.6 percent, above the agency's FY 2016 request. The all funds increase is attributable to increased salary and wage expenditures, partially offset by reduced contractual service expenditures. Major changes from the agency's FY 2016 request include the following:

- **Salaries and Wages.** The agency requests $22,537,532, including $16,475,489 from the State General Fund, for salaries and wages in FY 2017. The request is an all funds increase of $721,620, or 3.3 percent, and a State General Fund increase of $475,947, or 3.0 percent, above the agency's FY 2016 request. The increase is attributable to a 27th pay period that occurs in the fiscal year.

- **Contractual Services.** The agency requests $2,034,590, including $1,414,529 from the State General Fund for contractual services in FY 2017. The request is an all funds decrease of $73,638, or 3.5 percent, below and a State General Fund increase of $50, or 0.1 percent, above the agency's FY 2016 request. The

decrease is attributable to reduce postage expenditures.

- **Other Assistance.** The agency requests $3,500,000, all from special revenue funds, for other assistance in FY 2017. The request is a decrease of $200,000, or 5.4 percent, below the agency's FY 2016 request. The decrease is attributable to the July 1, 2016 expiration of the Kansas Qualified Biodiesel Fuel Producer Incentive Fund.

The **Governor** recommends FY 2017 operating expenditures of $26,112,629 including $9,888,455 from the State General Fund. The request is an all funds decrease of $2,765,164, or 9.6 percent, including a State General Fund decrease of $8,755,734, or 47.0 percent, below the agency's FY 2017 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that program administration expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

E. Property Valuation Division

The Property Valuation Division works to promote accurate, uniform appraisals and compliance with the property assessment laws and rules of the state. The division is organized into three bureaus: Administration, State Appraisal, and County Assistance.

The Administration Bureau provides overall direction and policy guidelines for the Division and for the counties. It administers the eligibility standards for county appraisers and provides education for counties and the public. The Computer Assisted Mass Appraisal (CAMA) System is the responsibility of the Administration Bureau. The State Appraisal Bureau centrally assesses public utilities and motor carriers; the bureau publishes valuations guidelines that are used by the counties to assess oil and gas properties as well as personal property. County Assistance provides technical assistance to the county appraisers and publishes data on overall uniformity and accuracy of appraisals.

PROPERTY VALUATION DIVISION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 2,886,117	$ 2,950,305	$ 2,922,368	$ 2,816,356	$ 2,785,405	$ 2,944,054	$ 2,912,483
Contractual Services	938,920	1,291,592	1,291,592	1,291,592	1,291,592	1,291,592	1,291,592
Commodities	29,726	33,915	33,915	33,915	33,915	33,915	33,915
Capital Outlay	33,750	307,280	307,280	307,280	307,280	307,280	307,280
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 3,888,513	$ 4,583,092	$ 4,555,155	$ 4,449,143	$ 4,418,192	$ 4,576,841	$ 4,545,270
Aid to Local Units	0	20,000	20,000	20,000	20,000	20,000	20,000
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 3,888,513	$ 4,603,092	$ 4,575,155	$ 4,469,143	$ 4,438,192	$ 4,596,841	$ 4,565,270
Financing:							
State General Fund	$ 715,126	$ 1,307,647	$ 1,295,793	$ 1,872,527	$ 1,852,926	$ 1,970,239	$ 1,950,245
All Other Funds	3,173,387	3,295,445	3,279,362	2,596,616	2,585,266	2,626,602	2,615,025
TOTAL	$ 3,888,513	$ 4,603,092	$ 4,575,155	$ 4,469,143	$ 4,438,192	$ 4,596,841	$ 4,565,270
FTE Positions	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Non-FTE Uncl. Perm. Pos.	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	47.0	47.0	47.0	47.0	47.0	47.0	47.0

The **agency** requests FY 2016 expenditures of $4,469,143, including $1,872,527 from the State General Fund, for the Property Valuation Division. The request is an all funds decrease of $133,949, or 2.9 percent, below and a State General Fund increase of $564,880, or 43.2 percent, above the agency's revised FY 2015 estimate. The decrease is attributable to reduced salary and wage expenditures, specifically reduced classified regular employee wages. The increased State General Fund amount is a replacement of revenue received from the State Highway Fund in the proceeding years.

The **Governor** recommends FY 2016 operating expenditures of $4,438,192, including $1,852,926 from the State General Fund for the Property Valuation Division. The request is an all funds decrease of $30,951, or 0.7 percent, and a State General Fund decrease of $19,601, or 1.0 percent, below the agency's FY 2016 request. The decrease is attributable to

reduced employer contributions for state employee health insurance.

The **agency** requests FY 2017 expenditures of $4,596,841, including $1,970,239 from the State General Fund, for the Property Valuation Division. The request is an all funds increase of $127,698, or 2.9 percent, and a State General Fund increase of $97,712, or 5.2 percent, above the agency's revised FY 2015 estimate. The all funds increase is attributable to increased salary and wage expenditures, specifically the 27th pay period that occurs in the fiscal year.

The **Governor** recommends FY 2017 operating expenditures of $4,565,270, including $1,950,025 from the State General Fund for the Property Valuation Division. The request is an all funds decrease of $31,571, or 0.7 percent, and a State General Fund decrease of $19,994, or 1.0 percent, below the agency's FY 2017 request. The decrease is attributable to reduced employer contributions for state employee health insurance.

F. Division of Vehicles

The Division of Vehicles is comprised of the Vehicle Director's Office and four bureaus. The Title and Registration Bureau helps citizens to title and register personal vehicles; it is also responsible for the licensing and monitoring of automobile dealers. The Motor Carrier Services Bureau oversees the title and registration process for large commercial vehicles. The Driver's License Bureau is responsible for licensing drivers, and the Driver Control Bureau enforces penalties and driver restrictions.

DIVISION OF VEHICLES
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 12,321,863	$ 13,963,612	$ 13,844,808	$ 14,276,212	$ 14,112,457	$ 14,669,912	$ 14,497,542
Contractual Services	7,372,892	9,498,447	9,498,447	7,879,367	7,879,367	7,005,002	7,005,002
Commodities	3,498,899	3,347,901	3,347,901	3,347,901	3,347,901	3,347,901	3,347,901
Capital Outlay	595,971	140,426	140,426	98,426	98,426	98,426	98,426
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 23,789,625	$ 26,950,386	$ 26,831,582	$ 25,601,906	$ 25,438,151	$ 25,121,241	$ 24,948,871
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	24	0	0	0	0	0	0
TOTAL	$ 23,789,649	$ 26,950,386	$ 26,831,582	$ 25,601,906	$ 25,438,151	$ 25,121,241	$ 24,948,871
Financing:							
State General Fund	$ 106	$ 0	$ 0	$ 13,404,442	$ 18,700	$ 13,904,471	$ 18,700
All Other Funds	23,789,543	26,950,386	26,831,582	12,197,464	25,419,451	11,216,770	24,930,171
TOTAL	$ 23,789,649	$ 26,950,386	$ 26,831,582	$ 25,601,906	$ 25,438,151	$ 25,121,241	$ 24,948,871
FTE Positions	255.0	265.0	265.0	265.0	265.0	265.0	265.0
Non-FTE Uncl. Perm. Pos.	15.0	18.0	18.0	18.0	18.0	18.0	18.0
TOTAL	270.0	283.0	283.0	283.0	283.0	283.0	283.0

The **agency** requests FY 2016 operating expenditures of $25,601,906, including $13,404,442 from the State General Fund, for the Division of Vehicles. The request is an all funds decrease of $1,348,480, or 5.0 percent, below and a State General Fund increase of $13,404,442, or 100.0 percent, above the agency's revised FY 2015 request. The increased State General Fund amount is a replacement of revenue received from the State Highway Fund in the proceeding years. The all funds decrease is attributable to reduced contractual services and capital outlay expenditures, partially offset by increased salary and wage expenditures. Major changes from the agency's revised FY 2015 estimate include the following.

- **Salaries and Wages.** The agency requests $14,276,212, including $9,912,542 from the State General Fund, for salaries and wages in FY 2016. The request is an all funds increase of

$312,600, of 2.2 percent, and a State General Fund increase of $9,912,542, or 100.0 percent, above the agency's revised FY 2015 estimate. The increase is attributable to reduced shrinkage.

- **Contractual Services.** The agency requests $7,879,367, including $2,246,318 from the State General Fund, for contractual services in FY 2016. The request is an all funds decrease of $1,619,080, or 17.0 percent, below and a State General Fund increase of $2,246,318, or 100.0 percent, above the agency's revised FY 2015 estimate. The all funds decrease is attributable to reduced expenditures to meet the available revenue.

- **Capital Outlay.** The agency estimates $98,426, including $18,700 from the State General Fund, for capital outlay in FY 2016. The request is an all funds decrease of $42,000, or 29.9 percent, below and a State General Fund increase of $18,700, or 100.0 percent, above the agency's revised FY 2015 estimate. The decrease is attributable to the one time replacement of passenger vehicles in FY 2015.

The **Governor** recommends FY 2016 operating expenditures of $25,438,151 including $18,700 from the State General Fund. The request is an all funds decrease of $163,755, or 0.6 percent, including a State General Fund decrease of $13,385,742, or 99.9 percent, below the agency's FY 2016 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that program administration expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

The **agency** requests FY 2017 operating expenditures of $25,121,241, including $13,904,471 from the State General Fund, for the Division of Vehicles. The request is an all funds decrease of $480,665, or 1.9 percent, below and a State General Fund increase of $500,029, or 3.7 percent, above the agency's FY 2016 request. The all funds decrease is attributable to decreased contractual service expenditures offset partially by increased salary and wage expenditures.

- **Salaries and Wages.** The agency requests $14,669,912, including $10,411,352 from the State General Fund. The request is an all funds increase of $393,700, or 2.8 percent, and a State General Fund increase of $498,810, or 5.0 percent, above the agency's FY 2016 request. The increase is attributable to a 27th pay period that occurs in the fiscal year.

- **Contractual Services.** The agency requests $7,005,002, including $2,247,537 from the State General Fund, for contractual services in FY 2017. The request is an all funds decrease of $874,365, of 11.1 percent, below and a State General Fund increase of $1,219, or 0.1 percent, above the agency's FY 2016 request. The all funds decrease is attributable to reduced expenditures to meet the available revenue.

The **Governor** recommends FY 2017 operating expenditures of $24,948,871 including $18,700 from the State General Fund. The request is an all funds decrease of $172,370, or 0.7 percent, including a State General Fund

decrease of $13,885,771 or 99.9 percent, below the agency's FY 2017 request. The all funds decrease is attributable to reduced employer contributions for state employee health insurance and a recommended 4.0 percent reduction in State General Fund and State Highway Fund expenditures. The State General Fund decrease is attributable to the Governor's recommendation that program administration expenditures continue to be funded through a transfer from the State Highway Fund instead of the State General Fund.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Percent of aid payments distributed on schedule	100.0%	100.0%	100.0%	100.0%	100.0%
Number of corporate income tax audits issued	--	40	40	40	40

STATE BOARD OF TAX APPEALS

	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	$ 807,964	$ 1,044,804	$ 835,504	$ 1,157,536	$ 816,466	$ 1,157,536	$ 816,347
Other Funds	899,492	827,852	1,005,193	844,799	1,023,154	916,597	1,094,834
TOTAL	$ 1,707,456	$ 1,872,656	$ 1,840,697	$ 2,002,335	$ 1,839,620	$ 2,074,133	$ 1,911,181
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	**$ 1,707,456**	**$ 1,872,656**	**$ 1,840,697**	**$ 2,002,335**	**$ 1,839,620**	**$ 2,074,133**	**$ 1,911,181**
Percentage Change:							
Operating Expenditures							
State General Fund	(16.1) %	29.3 %	3.4 %	10.8 %	(2.3) %	0.0 %	(0.0) %
All Funds	(15.0)	9.7	7.8	6.9	(0.1)	3.6	3.9
FTE Positions	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	17.0	17.0	17.0	17.0	17.0	17.0	17.0

The mission of the State Board of Tax Appeals (BOTA) is to resolve disputes between taxpayers and taxing authorities promptly and impartially and to help maintain public confidence in the state and local tax system. The Board is committed to fulfilling its mission in a highly efficient and professional manner, using all available technology and human resources to best meet the needs of the public.

Regular Division. The Board's regular division has broad jurisdiction to hear and decide tax matters including property tax appeals, appeals from final determinations of the Department of Revenue, tax grievances, applications for exemption from property tax, county-wide reappraisal requests, mortgage registration protests, no-fund warrant requests, and appeals from school districts with declining enrollment.

Small Claims and Expedited Hearings Division. The Board's small claims and expedited hearings division is a convenient and informal forum for appealing the valuation of single-family residential properties and commercial properties that are appraised at two million dollars or less. This division also may hear appeals from the Department of Revenue, Division of Taxation, if the amount of tax in controversy does not exceed fifteen thousand dollars.

Statutory Authority. The Kansas State Board of Tax Appeals is a specialized board within the executive branch of state government. The Board's predecessor in authority was the Kansas Court of Tax Appeals. The State Court of Tax Appeals was established on July 1, 2008, pursuant to House Bill 2018.

The Board of Tax Appeals is the highest administrative tribunal to hear cases involving *ad valorem* (property), income, sales, compensating use, and inheritance taxes, along with other matters involving taxation by state and local authorities. The Board is an independent tax tribunal, meaning that it is not affiliated with the Kansas Department of Revenue or any other taxing authority. The Board of Tax Appeals is a neutral decision-making body.

MAJOR ISSUES FROM PRIOR YEARS

The **2004 Legislature** approved a supplemental appropriation of $200,000 from the State General Fund to meet a shortfall in the projected revenue of the BOTA Filing Fee Fund in FY 2004.

The **2004 Legislature** also appropriated $279,220 from the BOTA Filing Fee Fund to finance a portion of the Board's expenditures for FY 2005. To meet its targeted goal, the Board revised its filing fee schedule in October 2004 to increase the amount of revenue generated in the BOTA Filing Fee Fund. The Board increased the scope and the amount of filing fees for cases filed with the Regular Division and implemented filing fees for certain types of cases filed with the Small Claims Division.

The **2008 Legislature** passed 2008 Senate Sub. for HB 2018 which renamed the State Board of Tax Appeals to the State Court of Tax Appeals and created a Chief Hearing Officer position. The Legislature also appropriated $165,000, all from

the State General Fund, for the new position and the reconfiguration of the office workspace and furniture.

The **2010 Legislature** increased the Board of Tax Appeals Filing Fee Fund for FY 2010 and FY 2011. For 2010 the Legislature added $18,000 and increased the expenditure limitation on the agency's Filing Fee Fund from $589,299 to $607,299. For 2011 the Legislature added $33,000 and increased the agency's Filing Fee Fund from $648,777 to $681,777. The expenditure limitation increase for both FY 2010 and FY 2011 was used to offset reductions in the agency's State General Fund appropriation and was used to fund agency operations.

The **2010 Legislature** deleted $33,986, all from the State General Fund, to achieve a State General Fund reduction of approximately 2.5 percent from the Governor's recommendation for FY 2011.

The **2011 Legislature** added $325,000, all from the State General Fund to restore a portion of the Board of Tax Appeal's FY 2012 State General Fund reduction of $625,000.

The **2011 Legislature** added language authorizing the Board of Tax Appeals to study the necessary statutory changes needed to raise filing fees for FY 2013.

The **2014 Legislature** passed House Sub. for SB 231 which made a number of changes in the power, duties, and functions of the State Court of Tax Appeals (COTA), especially with regard to property tax valuation appeals. The bill renamed that body the State Board of Tax Appeals (BOTA); made several changes with respect to how property may be valued for taxation purposes; and lowered the interest rate on delinquent property taxes.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency estimate**s FY 2015 operating expenditures of $1,872,656, including $1,044,804 from the State General Fund. The revised estimate is an increase of $24,300, or 1.3 percent, above the amount approved by the 2014 Legislature. The increase is attributable to the Governor's allotment plan that included a KPERS employer contribution rate reduction and a 4.0 percent SGF reduction. However, the agency requests an increase of $185,000, or 21.5 percent, from the State General Fund to offset reduced revenue collected from the BOTA Filing Fee Fund due to changes included in House Sub. for SB 231.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of $1,840,697, including $835,504 from the State General Fund. The recommendation is an overall decrease of $31,959, or 1.7 percent, including $209,300 from the State General Fund, below the agency's revised FY 2015 estimate The recommendation is a decrease of $7,659, or 0.4 percent,

below the amount approved by the 2014 Legislature. The decrease is attributable to the Governor's December 2014 allotment, specifically a 4.0 percent (6 month) State General Fund allotment and a reduction to the KPERS employer contribution rate.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of $2,002,335, including $1,157,536 from the State General Fund. The request is an all funds increase of $129,679 or 6.9 percent, including a State General Fund increase of $112,732 or 10.8 percent, above the agency's revised 2015 estimate. The increase is attributable to increased contractual service expenditures due to changes included in House Sub. for SB 231 where neither the agency's staff attorneys, nor any employees of the Board, can be used to conduct small claims hearings. As a result, the agency will contract hearing officers for these proceedings. This increase in contractual service expenditures is partially offset by decreased expenditures salary and wages and commodities. Included in the agency's State General Fund request is $185,000 to offset reduced revenue collected from the BOTA Filing Fee Fund due to changes included in House Sub. for SB 231. **Absent the enhancement,** the agency requests $1,702,335, including $857,536 from the State General Fund.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $1,839,620, including $816,466 from the State General Fund. The recommendation is an all funds decrease of $162,715 or 8.1 percent, including $341,070, or 29.5 percent, from the State General Fund, below the agency's FY 2016 request. The decrease is attributable to the Governor's recommended 4.0 percent State General Fund operating reduction. Additionally, the Governor recommends a reduction of $13,414, including $6,769 from the State General Fund, to reduce employer contributions for state employee health insurance.

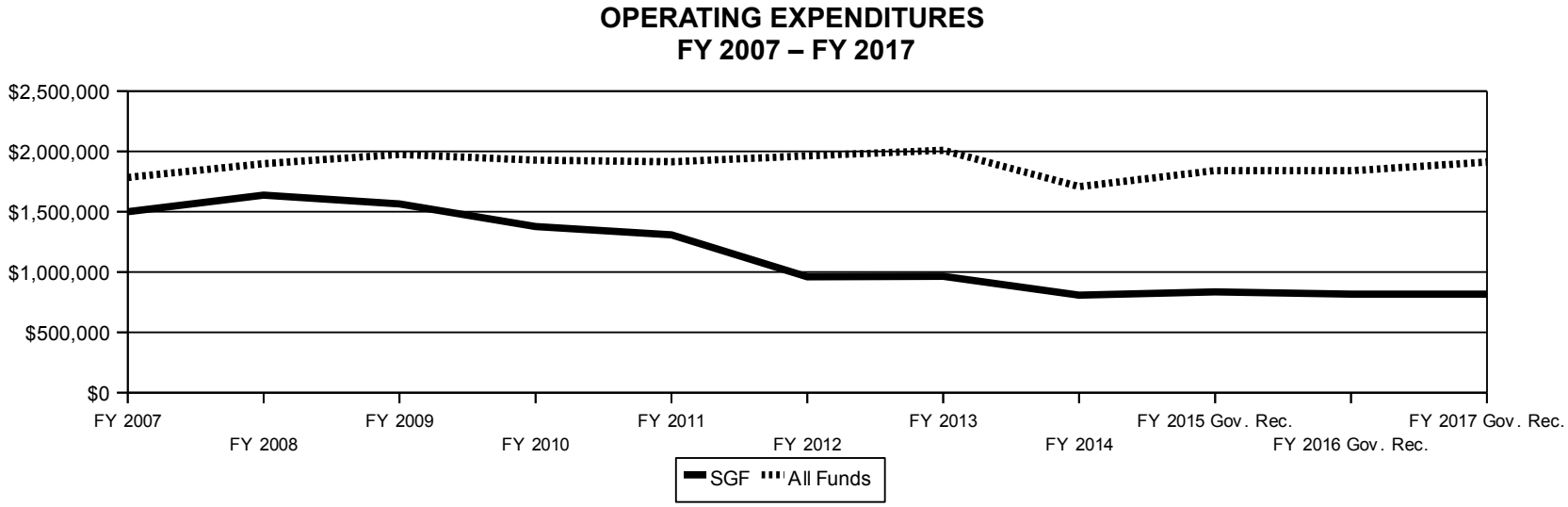
FY 2017 Agency Request

The **agency** requests FY 2017 operating expenditures of $2,074,133, including $1,157,536 from the State General Fund. The request is an increase of $71,798, or 3.6 percent, all from special revenue funds, above the the agency's FY 2016 request. The increase is attributable to salaries and wages, specifically expenses related to the 27th pay period that occurs in the fiscal year. **Absent the enhancement,** the agency requests $1,774,133, including $857,536 from the State General Fund.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $1,911,181, including $816,347 from the State General Fund. The recommendation is an all funds decrease of $162,952 or 7.9 percent, including $341,189, or 29.5 percent, from the State General Fund, below the agency's FY 2017 request. The decrease is attributable to the Governor's recommended 4.0 percent State General Fund operating reduction. Additionally, the Governor recommends a reduction of $13,651, including $6,888 from the State General Fund, to reduce employer contributions for state employee health insurance.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 1,499,439	9.9 %	$ 1,783,698	6.5 %	26.0
2008	1,637,235	9.2	1,897,939	6.4	26.0
2009	1,563,323	(4.5)	1,974,612	4.0	26.0
2010	1,376,801	(11.9)	1,927,453	(2.4)	26.0
2011	1,307,773	(5.0)	1,913,712	(0.7)	18.0
2012	960,625	(26.5)	1,962,678	2.6	18.0
2013	963,272	0.3	2,008,930	2.4	18.0
2014	807,964	(16.1)	1,707,456	(15.0)	18.0
2015 Gov. Rec.	835,504	3.4	1,840,697	7.8	17.0
2016 Gov. Rec.	816,466	(2.3)	1,839,620	(0.1)	17.0
2017 Gov. Rec.	816,347	(0.0)	1,911,181	3.9	17.0
Eleven-Year Change	$ (683,092)	(45.6)%	$ 127,483	7.1 %	(9.0)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 1,707,456	$ 1,872,656	$ 2,002,335	$ 129,679	6.9 %	$ 1,840,697	$ 1,839,620	$ (1,077)	-- %
By Major Object of Expenditure:									
Salaries and Wages	$ 1,420,437	$ 1,559,294	$ 1,549,890	$ (9,404)	(0.6) %	$ 1,544,531	$ 1,536,476	$ (8,055)	(0.5)%
Contractual Services	278,226	298,859	442,673	143,814	48.1	281,663	293,372	11,709	4.2
Commodities	8,793	14,503	9,772	(4,731)	(32.6)	14,503	9,772	(4,731)	(32.6)
Capital Outlay	0	0	0	0	--	0	0	0	--
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 1,707,456	$ 1,872,656	$ 2,002,335	$ 129,679	6.9 %	$ 1,840,697	$ 1,839,620	$ (1,077)	(0.1)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 1,707,456	$ 1,872,656	$ 2,002,335	$ 129,679	6.9 %	$ 1,840,697	$ 1,839,620	$ (1,077)	(0.1)%
Financing:									
State General Fund	$ 807,964	$ 1,044,804	$ 1,157,536	$ 112,732	10.8 %	$ 835,504	$ 816,466	$ (19,038)	(2.3)%
BOTA Filing Fee Fund	896,345	823,421	840,799	17,378	2.1	1,000,762	1,019,154	18,392	1.8
Duplicating Fee Fund	3,147	4,431	4,000	(431)	(9.7)	4,431	4,000	(431)	(9.7)
TOTAL	$ 1,707,456	$ 1,872,656	$ 2,002,335	$ 129,679	6.9 %	$ 1,840,697	$ 1,839,620	$ (1,077)	(0.1)%

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	$ 2,002,335	$ 2,074,133	$ 71,798	3.6 %	$ 1,839,620	$ 1,911,181	$ 71,561	3.9 %
By Major Object of Expenditure:								
Salaries and Wages	$ 1,549,890	$ 1,616,072	$ 66,182	4.3 %	$ 1,536,476	$ 1,602,421	$ 65,945	4.3 %
Contractual Services	442,673	447,879	5,206	1.2	293,372	298,578	5,206	1.8
Commodities	9,772	10,182	410	4.2	9,772	10,182	410	4.2
Capital Outlay	0	0	0	--	0	0	0	--
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 2,002,335	$ 2,074,133	$ 71,798	3.6 %	$ 1,839,620	$ 1,911,181	$ 71,561	3.9 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 2,002,335	$ 2,074,133	$ 71,798	3.6 %	$ 1,839,620	$ 1,911,181	$ 71,561	3.9 %
Financing:								
State General Fund	$ 1,157,536	$ 1,157,536	$ 0	0.0 %	$ 816,466	$ 816,347	$ (119)	(0.0)%
BOTA Filing Fee Fund	840,799	912,597	71,798	8.5	1,019,154	1,090,834	71,680	7.0
Duplicating Fee Fund	4,000	4,000	0	0.0	4,000	4,000	0	0.0
TOTAL	$ 2,002,335	$ 2,074,133	$ 71,798	3.6 %	$ 1,839,620	$ 1,911,181	$ 71,561	3.9 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $859,804 for the State Board of Tax Appeals in FY 2015. One adjustment has subsequently been made to that amount. This adjustment changes the current year approved amount without any legislative action required. For this agency, the following adjustment has been made.

- A reduction of $24,300 as the result of the Governor's December 9th State General Fund allotment.

This adjustment changes the FY 2015 approved State General Fund to $835,504. That amount is reflected in the table below as the currently approved FY 2015 State General Fund amount. The agency's budget was submitted prior to the December allotment, so the agency's revised budget estimates do not incorporate the allotment.

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	$ 835,504	$ 1,044,804	$ 209,300	$ 835,504	$ 0
All Other Funds	1,012,852	827,852	(185,000)	1,005,193	(7,659)
TOTAL	$ 1,848,356	$ 1,872,656	$ 24,300	$ 1,840,697	$ (7,659)
FTE Positions	17.0	17.0	0.0	17.0	0.0

The **agency estimates** FY 2015 operating expenditures of $1,872,656, including $1,044,804 from the State General Fund. The revised estimate is an increase of $24,300, or 1.3 percent, above the amount approved by the 2014 Legislature. The increase is attributable to the Governors allotment plan that included a KPERS employer contribution rate reduction and a 4.0 percent SGF reduction. However, the agency requests an increase of $185,000, or 21.5 percent, from the State General Fund to offset reduced revenue collected from the BOTA Filing Fee Fund due to changes included in House Sub. for SB 231.

The request is detailed below by category of expenditure.

- **Salaries and Wages** expenditures of $1,559,294, including $750,376 from the State General Fund in FY 2015. The all funds request is an increase of $21,742, or 1.4 percent and a State General Fund an increase of $32,542, or 1.4 percent, above the amount approved by the 2014 Legislature. The change is attributable to anticipated loss of revenue in the BOTA Filing Fee Fund.

- **Contractual Services** expenditures of $298,859, including $294,428 from the State General Fund, in FY 2015. The all funds request is an increase of $2,558, or 0.9 percent, including a State General Fund increase of $169,099, or 134.9 percent, above the amount approved by the 2014 Legislature. The change is attributable to anticipated loss of revenue in the BOTA Filing Fee Fund.

- **Commodities** expenditures of $14,503, all from special revenue funds in FY 2015, which is the same amount approved by the 2014 Legislature.

The **Governor** recommends FY 2015 operating expenditures of $1,840,697, including $835,504 from the State General Fund. The revised estimate is the same amount approved by the 2014 Legislature. The recommendation is an all funds decrease of $31,959, or 1.7 percent, including $209,300, or 20.0 percent, from the State General Fund, below the agency's revised FY 2015 estimate. The decrease is attributable to the Governor's December 2014 allotment, specifically a 4.0 percent (6 month) State General Fund allotment and a reduction to the KPERS employer contribution rate.

Supplemental Detail

FY 2015 SUPPLEMENTALS						
	Agency Estimate			Governor's Recommendation		
Supplementals	SGF	All Funds	FTE	SGF	All Funds	FTE
Shift from Special Revenue Fund to State General Fund	$ 185,000	$ 0	0.0	$ 0	$ 0	0.0
TOTAL	**$ 185,000**	**$ 0**	**0.0**	**$ 0**	**$ 0**	**0.0**

The **agency** requests $185,000 from the State General Fund for operating expenditures in FY 2015. The increase is to offset revenue reductions from the Board of Tax Appeals Filing Fee due to changes made in House Sub. for SB 231 in which all governmental entities, not-for-profits valued under $100,000 and residential appeals are exempt from filing fees.

The **Governor** does not recommend any supplementals.

Governor's Allotments

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. This prompted the Governor to address the shortfall with 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. The allotments shown in the table below reflect only those allotments which have already taken place.

GOVERNOR'S ALLOTMENTS			
Allotment	SGF	All Funds	FTE
December Allotment			
Reduce KPERS Employer Contribution Rate	$ (7,104)	$ (7,104)	0.0
Reduce SGF funding by 4.0 percent	(17,196)	(17,196)	0.0
TOTAL	$ (24,300)	$ (24,300)	0.0

Kansas Public Employees Retirement System (KPERS) Reduction:

A reduction of $7,104 from the State General Fund as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. This allotment will have no impact on the agency operations, but is reflective of a reduction of expenditures. An additional $7,659 from special revenue funds is reduced in the Governor's budget recommendation resulting in a total reduction of $14,763.

4.0 percent reduction to Cabinet-level and other SGF funded agencies:

A reduction of $17,196, as a result of the Governor's State General Fund allotment of 4.0 percent to Cabinet and other State General Funded agencies in FY 2015. This allotment will be managed by using the salary of the vacant Board Member to cover the FY 2015 reduction.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 2,002,335	$ 1,839,620	$ (162,715)
FTE Positions	17.0	17.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 112,732	$ (19,038)	
All Other Funds	16,947	17,961	
TOTAL	$ 129,679	$ (1,077)	
Percent Change:			
State General Fund	10.8 %	(2.3) %	
All Other Funds	2.0	1.8	
TOTAL	6.9 %	(0.1) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of $2,002,335, including $1,157,536 from the State General Fund. The request is an all funds increase of $129,679 or 6.9 percent, including a State General Fund increase of $112,732 or 10.8 percent, above the agency's revised 2015 estimate. The increase is attributable to increased contractual service expenditures due to changes included in House Sub. for SB 231 where neither the agency's staff attorneys, or any employees of the Board, can be used to conduct small claims hearings. As a result, the agency will contract hearing officers for these proceedings. This increase in contractual service expenditures is partially offset by decreased expenditures salary and wages and commodities. **Absent the enhancement,** the agency requests $1,702,335, including $857,536 from the State General Fund.

The request is detailed below by category of expenditure.

- **Salaries and Wages** expenditures of $1,549,890, including $782,038 from the State General Fund, for salaries and wages for FY 2016. The request is an all funds decrease of $9,404, or 0.6 percent, and a State General Fund increase of $31,662, or 4.2 percent, above the approved by the agency's revised FY 2015 estimate.

- **Contractual Services** expenditures of $442,673, including $375,498 from the State General Fund, for contractual services for FY 2016. The request is an all funds increase of $143,814, or 48.1 percent, and a State General Fund increase of $81,070, or 27.5 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased rent expenses and contract hearing officers to conduct small claims hearings as required by House Sub. for SB 231. **Absent the enhancement**, the agency requests $327,673 for contractual services in FY 2016.

- **Commodities** expenditures of $9,772, all from special revenue funds, for commodities for FY 2016. The request is a decrease of $4,731, or 32.6 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to one time expense incurred in FY 2015 to turn the agency's conference into a hearing room for appeals that occur via telephone.

The **Governor** recommends FY 2016 operating expenditures of $1,839,620, including $816,466 from the State General Fund. The recommendation is an all funds decrease of $162,715 or 8.1 percent, including $341,070, or 29.5 percent, from the State General Fund, below the agency's revised FY 2015 estimate. The decrease is attributable to the Governor's recommendation to not fund the enhancement and applying a 4.0 percent State General Fund operating reduction. Additionally, the Governor recommends a reduction of $13,414, including $6,769 from the State General Fund, to reduce employer contributions for state employee health insurance.

Enhancements Detail

FY 2016 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Contracted Hearing Officers	$ 115,000	$ 115,000	0.0	$ 0	$ 0	0.0
Shift from Special Revenue Fund to State General Fund	185,000	0	0.0	0	0	0.0
TOTAL	**$ 300,000**	**$ 115,000**	**0.0**	**$ 0**	**$ 0**	**0.0**

The **agency** requests $300,000, all from the State General Fund. The enhancement request includes $115,00 for contracted hearing officers in FY 2016. House Sub. for SB 231, passed by the 2014 Legislature, precludes the agency from having its staff attorneys, or any employee of the Board, from conducting small claims hearings. The agency had allocated $35,000 for contracted hearing officers in FY 2016 to supplement agency staff. The agency estimates more than 1,400 appeals would not be heard without additional funding for contracted hearing officers. The enhancement request includes $185,000 State General fund to offset revenue reductions from the Board of Tax Appeals Filing Fee due to changes made in House Sub. for SB 231 in which all governmental entities, not-for-profits valued under $100,000 and residential appeals are exempt from filing fees.

The **Governor** does not recommend any enhancements.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 2,074,133	$ 1,911,181	$ (162,952)
FTE Positions	17.0	17.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ (119)	
All Other Funds	71,798	71,680	
TOTAL	$ 71,798	$ 71,561	
Percent Change:			
State General Fund	0.0 %	(0.0) %	
All Other Funds	8.5	7.0	
TOTAL	3.6 %	3.9 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of $2,074,133, including $1,157,536 from the State General Fund. The request is an increase of $71,798, or 3.6 percent, all from special revenue funds, above the the agency's FY 2016 request. The increase is attributable to salaries and wages, specifically the 27th pay period that occurs in the fiscal year. **Absent the enhancement,** the agency requests $1,774,133, including $857,536 from the State General Fund.

The request is detailed below by category of expenditure.

- **Salaries and Wages** expenditures of $1,616,072, including $816,977 from the State General Fund. The request is an all funds increase of $66,182, or 4.3 percent, above the FY 2016 request. The increase is attributable to expenses related to an additional pay period that occurs in FY 2017.

- **Contractual Services** expenditures of $447,859, including $340,559 from the State General Fund. The request is an all funds increase of $5,206, or 1.2 percent, above and a State General Fund decrease of $34,939, of 9.3 percent, below the FY 2016 request. The State General Fund decrease is attributable to increased expenditures from the BOTA Filing Fee Fund. **Absent the enhancement**, the agency requests $332,879 for contractual services in FY 2017.

- **Commodities** expenditures of $10,182, all from special revenue fund, for FY 2017. The request is an increase of $410, or 4.2 percent, above the agency's FY 2016 request. The increase is attributable to increased expenditures on data processing supplies and gasoline.

The **Governor** recommends FY 2017 operating expenditures of $1,911,181, including $816,347 from the State General Fund. The recommendation is an all funds decrease of $162,952 or 7.9 percent, including $341,189, or 29.5 percent, from the State General Fund, below the agency's FY 2016 request. The decrease is attributable to the Governor's recommendation to not fund the enhancement and applying a 4.0 percent State General Fund operating reduction. Additionally, the Governor recommends a reduction of $13,651, including $6,888 from the State General Fund, to reduce employer contributions for state employee health insurance.

Enhancements Detail

FY 2017 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Contracted Hearing Officers	$ 115,000	$ 115,000	0.0	$ 0	$ 0	0.0
Shift from Special Revenue Fund to State General Fund	185,000	0	0.0	0	0	0.0
TOTAL	**$ 300,000**	**$ 115,000**	**0.0**	**$ 0**	**$ 0**	**0.0**

The **agency** requests enhancements totaling $300,000 from the State General Fund for FY 2017. The enhancement request includes $115,00 for contracted hearing officers in FY 2016. House Sub. for SB 231, passed by the 2014 Legislature, which precludes the agency from having staff attorneys, or any employee of the Board, from conducting small claims hearings. The agency had allocated $35,000 for contracted hearing officers in FY 2016 to supplement agency staff. The agency estimates more than 1,400 appeals would not be heard without additional funding for contracted hearing officers. The enhancement request includes $185,000 to offset revenue reductions from the Board of Tax Appeals Filing Fee due to changes made in House Sub. for SB 231 in which all

governmental entities, not-for-profits valued under $100,000 and residential appeals are exempt from filing fees.

The **Governor** does not recommend any enhancements.

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 $4,832, including $2,268 from the State General Fund, and affects 17 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 $7,280, including $3,673 from the State General Fund, and FY 2017 longevity payments total $7,440, including $3,761 from the State General Fund.**

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 $13,414, including $6,769 from the State General Fund for FY 2016. This is a reduction of $6,888, including $13,651from the State General Fund, 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	57.8 %	44.4 %	55.8 %	42.7 %
BOTA Filing Fee Fund	41.2	54.6	43.2	56.3
Duplicating Fee Fund	1.0	1.0	1.0	1.0
TOTAL	100.0 %	100.0 %	100%	100%

Note: Percentages may not add due to rounding.

Board of Tax Appeals Filing Fee Fund

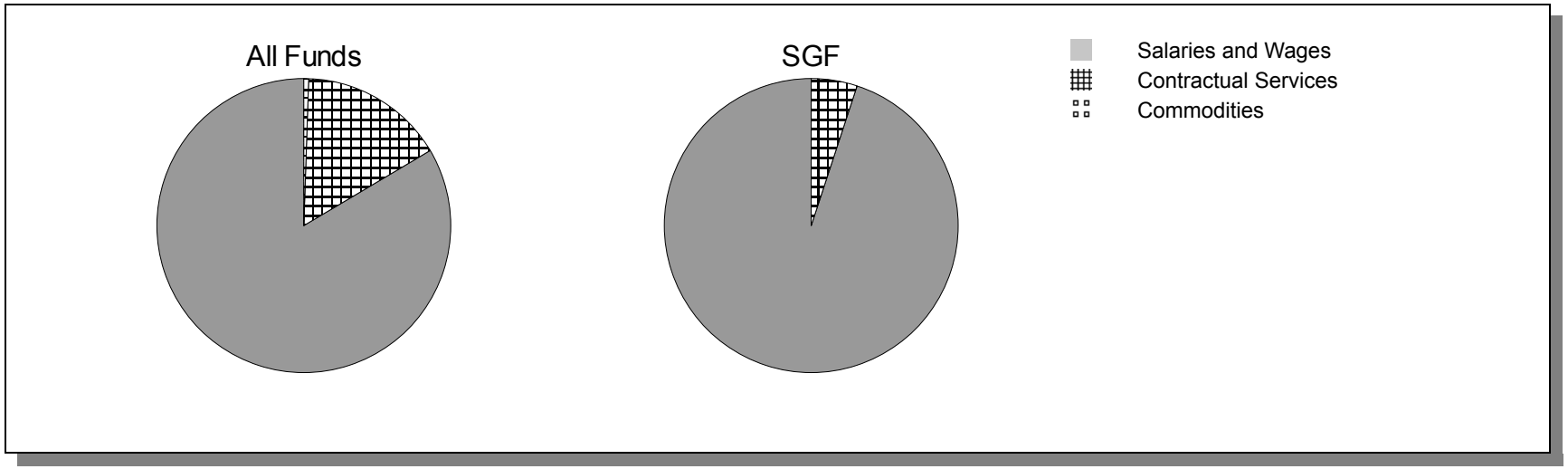
The 2003 Legislature increased the amount of funding the agency received through special revenue funds by creating the BOTA Filing Fee Fund. The agency is required to charge and collect filing fees established by the agency. The fees are collected when any tax protest, tax grievance, tax exemption, or any other original proceeding is filed with the Kansas Board of Tax Appeals.

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	$ 692,012	$ 879,644	$ 879,644	$ 955,200	$ 777,859	$ 1,013,378	$ 657,682
Revenue	1,083,977	898,977	898,977	898,977	898,977	898,977	898,977
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 1,775,989	$ 1,778,621	$ 1,778,621	$ 1,854,177	$ 1,676,836	$ 1,912,355	$ 1,556,659
Less: Expenditures	896,345	823,421	1,000,762	840,799	1,019,154	912,597	1,090,834
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 879,644	$ 955,200	$ 777,859	$ 1,013,378	$ 657,682	$ 999,758	$ 465,825
Ending Balance as Percent of Expenditures	98.1%	116.0%	77.7%	120.5%	64.5%	109.6%	42.7%
	June	July	July	July	July	July	July
Month Highest Ending Balance	$ 879,644	$ 1,020,387	$ 873,470	$ 1,146,240	$ 762,331	$ 1,216,053	$ 628,506
	November	November	March	November	March	March	March
Month Lowest Ending Balance	$ 311,796	$ 501,397	$ 682,693	$ 573,120	$ 562,366	$ 628,294	$ 390,586

BOARD OF TAX APPEALS FEE SCHEDULE

Fee Schedule	Filing Fee
Regular Division	
Valuation Appeals: Equalization & Protests (Real and Personal Property)	
Real Property: Single-family residential property & farmsteads	$ Exempt
Not-for-profit organization if valued less than $100,000	Exempt
Properties valued at $250,000 or less	125.00
Properties valued at $250,001 through $1,000,000	200.00
Properties valued at $1,000,001 through $5,000,000	300.00
Properties valued at $5,000,001 through $10,000,000	400.00
Properties valued at Greater than $10,000,000	500.00
Personal Property: Single-family residential mobile or manufactured homes	Exempt
All other Personal Property	150.00
Division of Property Valuation (State Assessed Property)	
$250,000 or less at issue	125.00
$250,001 and up to $1,000,000	200.00
$1,000,001 through $5,000,000	300.00
$5,000,001 through $10,000,000	400.00
Greater than $10,000,000	500.00
Division of Taxation: Homestead property tax & food sales tax refunds	Exempt
$1,000 or less at issue	100.00
$1,001 and less than $10,000	150.00
$10,001 and less than $100,000	300.00
Greater than $100,000	500.00
Small Claims & Expedited Hearings Division	
Equalization & Protests: Single-family residential property, farmstead or mobile/manufactured homes	Exempt
Not-for-profit organization if value is less than $100,000	Exempt
$250,000 or less	100.00
$250,001 through $1,000,000	150.00
$1,000,001 through $3,000,000	200.00
Division of Taxation: Homestead property tax & food sales tax refunds	Exempt
$500 or less at issue	Exempt
$500 but less than $10,001	50.00
$10,001 through $14,999	150.00

EXPENDITURES BY CATEGORY-- GOVERNOR'S FY 2016 RECOMMENDATION



Category	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	$ 1,536,476	83.5 %	$ 775,269	95.0 %
Contractual Services	293,372	15.9	41,197	5.0
Commodities	9,772	0.5	0	0.0
TOTAL	$ 1,839,620	100.0 %	$ 816,466	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	17.0	17.0	17.0	17.0	17.0	17.0	17.0
TOTAL	17.0	17.0	17.0	17.0	17.0	17.0	17.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Total filings	8,088	6,711	7,785	7,785	7,785
Clearance rate (outgoing cases divided by incoming cases)	100.0%	100.0%	100.0%	100.0%	100.0%
Number of days to close commercial appeals in the Regular Division	140	94	130	130	130
Average number of days between the appeal hearing and decision in small claims proceedings	20	21	21	21	21

Kansas Department of Commerce

	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	$ 15,031,976	$ 250,000	$ 245,000	$ 5,000,000	$ 0	$ 5,000,000	$ 0
Other Funds	138,266,545	127,251,793	125,985,198	108,353,269	112,234,369	107,506,732	110,385,216
TOTAL	$ 153,298,521	$ 127,501,793	$ 126,930,198	$ 113,353,269	$ 112,234,369	$ 112,506,732	$ 110,385,216
Capital Improvements:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Other Funds	122,346	195,000	195,000	200,000	200,000	200,000	200,000
TOTAL	$ 122,346	$ 195,000	$ 195,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000
GRAND TOTAL	**$ 153,420,867**	**$ 127,696,793**	**$ 127,125,198**	**$ 113,553,269**	**$ 112,434,369**	**$ 112,706,732**	**$ 110,585,216**
Percentage Change:							
Operating Expenditures							
State General Fund	0.2 %	(98.3) %	(98.4) %	1,900.0 %	(100.0) %	0.0 %	0.0 %
All Funds	(6.5)	(16.8)	(17.2)	(11.1)	(11.6)	(0.7)	(1.6)
FTE Positions	163.8	149.6	149.6	149.6	149.6	149.5	149.5
Non-FTE Perm.Uncl.Pos.	109.0	119.1	119.1	119.1	119.1	118.1	118.1
TOTAL	272.8	268.7	268.7	268.7	268.7	267.6	267.6

AGENCY OVERVIEW

The Department of Commerce is a cabinet-level agency with a mission to empower businesses and communities through bold leadership using strategic resources to realize prosperity in Kansas. The agency serves as the lead agency for economic development through the promotion of business, industry, trade and workforce training within the state. The Department operates through the following three divisions.

- ***Administration Division*** is comprised of the Office of the Secretary, Human Resources, Public Affairs and Marketing, Information Technology, Fiscal Services, Building Services, the Governor's Economic Council of Advisors, Legal, Regulatory Compliance and the Athletic Commission.

- ***Business & Community Development Division*** grows the Kansas economy through the creation and retention of jobs and increased capital investment. This division works to bring new business opportunities to Kansas, and assist Kansas companies interested in opportunities to grow and expand. The division also works with Kansas communities, helping them find solutions to various infrastructure and other community needs, in order to make them stronger, more viable places to live and work. Financial incentives and programs the Division administers for businesses and communities include the following.

  - Promoting Employment Across Kansas (PEAK) Program;
  - High Performance Incentive Program (HPIP);
  - Community Service Tax Credits;
  - Angel Investor Tax Credits;
  - Rural Opportunity Zones;
  - State Small Business Credit Initiative (SSBCI);
  - Community Development Block Grant;
  - Neighborhood Stabilization Program;
  - Wind and Solar Bond Financing; and
  - Sales Tax Revenue (STAR) Bonds

Workforce Services Division links businesses, job candidates and educational institutions to ensure that employers can find skilled workers. The Division accomplishes this by partnering with Local Workforce Investment Boards and other state agencies. In addition, a robust partnership with the Kansas Board of Regents helps state universities and community and technical colleges tailor their curriculum to the needs of Kansas businesses. The result is an integrated, demand-driven statewide network in which workers receive job-specific training, and Kansas businesses can find the well-trained employees they need. Employment services are provided to employers and job candidates through the state's 23 workforce centers, online or virtual services and the mobile workforce center. These employer-driven services include recruiting skilled workers, screening and assessing job candidates and identifying individuals needing skill enhancement. The Division has two main organizational units: Training Services and Employment Services.

MAJOR ISSUES FROM PRIOR YEARS

The **2004 Legislature** concurred with Executive Reorganization Order 31 which merged the Employment and Training Division of the Department of Human Resources (now the Department of Labor) with the Department of Commerce effective July 1, 2004. The merger resulted in a transfer of $39,212,786, including $237,350 from the State General Fund, and 280.6 FTE positions. Included in the transfer was the Older Kansans Employment Program (OKEP), funded at $229,340 from the Economic Development Initiatives Fund. In FY 2005, America's Job Link of the Kansas Department of Labor was transferred to the Department of Commerce effective July 3, 2005, under Executive Reorganization Order (ERO) 31.

The **2004 Legislature** passed several pieces of legislation that added responsibilities to the Department. The Kansas Economic Growth Act added responsibilities for the administration of the Center for Entrepreneurship, the Community Entrepreneurship Fund, and Rural Business Development Tax Credits. Other pieces of legislation created responsibilities for the Agritourism Promotion Act, the Downtown Redevelopment Act, an Athletic Commission and STAR Bond revisions. The Legislature appropriated $800,000 from the Economic Development Initiatives Fund to provide funding for the Center for Entrepreneurship and to provide seed funding of $500,000 for the Community Entrepreneurship Fund to encourage foundation and federal investments.

The **2004 Legislature** appropriated $700,000 from the Economic Development Initiatives Fund to support the state brand and image development process at $2,100,000 as part of an Economic Revitalization Package.

The **2006 Legislature** transferred $5.0 million from the State Highway Fund in each of FY 2007 through FY 2011 to the new State Affordable Airfares Fund created by 2006 House Sub. for SB 475 and authorized expenditures of the same amount in FY 2007.

Additionally, the **2006 Legislature** added $100,000 from the Economic Development Initiatives Fund for the Older Kansans Employment Program (OKEP) in FY 2007.

The **2009 Legislature** deleted language that authorized the Kansas Wheat Harvest program in FY 2010. The Wheat Harvest program connected Kansas farmers with custom wheat cutters.

The **2009 Legislature** deleted $454,097, all from special revenue funds, in FY 2010 for the Regional Education and Workforce Access Remote Delivery (REWARD) project. The project would use video conferencing technology to assist in training dislocated workers and businesses.

The **2011 Legislature** deleted $500,000, all from the Economic Development Initiatives Fund, for FY 2012 for competitive grants to community colleges and shifted the funding to the Kansas Board of Regents.

The **2011 Legislature** added language requiring the Regional Economic Area Partnership (REAP) to submit an annual report to the Kansas Legislature before May 1, 2012.

The **2011 Legislature** added language requiring the Kansas Department of Commerce to conduct an independent review of the financial reports submitted by REAP and report to the Legislature before May 1, 2012.

The **2011 Legislature** added language prohibiting the Department of Commerce from charging or assessing any fees for administering the research grants for the University of Kansas, Kansas State University, and Wichita State University.

The **2012 Legislature** added $700,000, all from the Economic Development Initiatives Fund, and 3.0 FTE positions, to fund the Kansas Creative Arts Commission. The Creative Arts Commission replaces the Kansas Arts Commission and the Kansas Film Commission and is administered by the Kansas Department of Commerce.

The **2012 Legislature** deleted $25,000, all from the Economic Development Initiatives Fund, for the State Fair Study and added the same amount to the State Fair's budget to provide matching money for the State Fair's centennial celebration in FY 2013.

The **2012 Legislature** added $500,000, all from the State General Fund, for a new program to provide incentives for companies to employ and train individuals with disabilities.

The **2012 Legislature** deleted $500,000, all from the State General Fund, for the Project 17 economic development initiatives project in southeast Kansas.

The **2013 Legislature** deleted $50,000, all from the Economic Development Initiatives Fund, for the Medicaid Reform Employment Incentive program for FY 2014 and FY 2015. This would reduce the amount of grants that would be available for employers that employ and train individuals with disabilities.

The **2013 Legislature** deleted $275,000, all from the Economic Development Initiatives Fund, for the Accelerate Entrepreneurship program for FY 2014 and FY 2015. This program is designed to increase the number of entrepreneurs in the state by providing incentives to Kansas educational institutions for each student or faculty member that starts a new company with at least one full time employee besides themselves.

The **2013 Legislature** transferred $1,000,000 for FY 2014 and $500,000 for FY 2015 from the Reimbursement and Recovery Fund to the State General Fund.

The **2013 Legislature** deleted $1,500,000, all from the Economic Development Initiatives Fund, in the Department of Commerce operating grant and increased the transfer from the Economic Development Initiatives Fund to the State General Fund for FY 2014 by that same amount.

The **2013 Legislature** added language directing that any appropriated funds for the Kansas Creative Arts Industries Commission in FY 2013 be reappropriated for FY 2014. In FY 2013 the recommendation for the Kansas Creative Arts Industries Commission is $699,467 and for FY 2014 the recommendation is $200,000.

The **2013 Legislature** reduced the limit on State General Fund transfers to the Job Creation Fund to the State General Fund by $2.5 million from $10.0 million to $7.5 million. The reduction would increase revenue to the State General Fund for FY 2014 by $2.5 million.

The **2013 Legislature** directed that the $5.0 million for the Affordable Airfares program be directed to the counties rather than the Regional Economic Area Partnership (REAP) for FY 2014.

The **2014 Legislature** deleted $15.0 million, all from the State General Fund, for the animal health research grant ($5.0 million), aviation research grant ($5.0 million), and cancer center research grant ($5.0 million) for FY 2015 (HB 2506). These grants were appropriated directly to the Kansas State University, Wichita State University, and the University of Kansas respectively.

The **2014 Legislature** added State General funding of $250,000 for global trade services grants to be awarded in FY 2015.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate for FY 2015 operating expenditures of $127.5 million, including $250,000 from the State General Fund and $19.3 million from the Economic Development Initiative Fund (EDIF). The estimate is an all funds increase of $5.6 million, or 4.6, percent, and an EDIF increase of $5.5 million, or40.1 percent, above the amount approved by the 2014 Legislature. The State General Fund amount is an increase of $5,000, or 2.2 percent, above the approved amount adjusted by the Governor's December 9th allotment. The EDIF increase was due entirely to a appropriation of money that was not spent in FY 2014 and shifted to FY 2015. The EDIF reappropriated funding will be largely used for agency operations ($1.5 million), Rural Opportunity Grants ($3.3 million), and Medicaid Reform Employment Incentives ($448,128). The budget includes 149.6 FTE positions, a decrease of 14.6 FTE positions below, and 119.1 non-FTE unclassified positions, an increase of 14.1 non-FTE unclassified positions above, the approved FY 2015 number. The agency states that due to the nature of its grant and federal funding it is replacing classified positions with non-FTE unclassified positions.

The Governor's December 9th allotment, which was applied after the agency submitted its budget, reduced agency's FY 2015 approved amount for the State General Fund by $5,000 in the other assistance expenditures for the Global Trade Services grants.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of $126.9 million, including $18.8 million from EDIF and $245,000 from the State General Fund. The recommendation is an all funds decrease of $571,595, or 0.4 percent, an EDIF decrease of $446,893, or 2.3 percent, and a State General Fund decrease of $5,000, or 2.0 percent, below the agency's revised estimate.

The **Governor** concurs with the agency request with the following exceptions.

- Reduction of $153,304, all from special revenue funds including $33,602 from the Economic Development Initiatives Fund (EDIF) as a result of the Governor's State General Fund allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.

- Reduction of $5,000, as a result of the Governor's State General Fund allotment of 4.0 percent to Cabinet and other State General Funded agencies in FY 2015. This allotment will be managed by a reduction in the grants for the Global Trade Services program in FY 2015.

- Reduction of $274,000 from the EDIF as a result of the Governor's allotment plan. This reduces the agency's operating grant from EDIF and will result in a decrease in administrative expenditures.

- Reduction of $139,291, all from reappropriated EDIF, for the Innovation Growth Program.

FY 2016 Agency Request

The agency requests operating expenditures for FY 2016 of $113.4 million, including $5.0 million from the State General Fund and $13.8 million from the Economic Development Initiative Fund (EDIF). The request is an all funds decrease of $14.1 million, or 11.1 percent, from the FY 2015 agency request and is largely due to a decrease in funding from the EDIF and a shift in funding for the Affordable Airfare program. The request is an increase of $4.8 million, or 1,900.0 percent, from the State General Fund and is largely attributable to a desire to shift the funding source for the existing Affordable Airfare program to the State General Fund. This program has historically been funded with transfers from other special revenue funds. The budget includes 149.6 FTE positions and 119.1 non-FTE unclassified positions, the same as the number requested for FY 2015.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $112.2 million, including $13.8 million from the EDIF and no funding from the State General Fund. The recommendation is an all funds decrease of $1.1 million, or 1.0 percent, an EDIF decrease of $19,292, or 0.1 percent, and a State General Fund decrease of $5.0 million, or 100.0 percent, from the agency request. The recommendation is an all funds decrease of $14.7 million, an EDIF decrease of $5.0 million and a State General Fund decrease of $245,000 from the FY 2015 Governor's Budget Recommendation.

The **Governor** concurs with the agency request with the following exceptions.

- Reduction of $1.0 million in funding for the Affordable Airfare Program and a shift in funding from the State General Fund to the State Highway Fund.

- Addition of $100,000 from the EDIF for the Military Base Program.

- Addition of $500,000 from the EDIF for Public Broadcasting Grants due to the grants program transitioning from the Department of Administration to the Department of Commerce.

- Reduction of $548,000 from the EDIF for the agency operating grant.
- Reduction of $170,900, including $32,708 from the EDIF, to reduce employer contributions for state employee health insurance.

FY 2017 Agency Request

The agency requests operating expenditures of $112.5 million, including $5.0 million from the State General Fund and $13.8 million from the Economic Development Initiative Fund (EDIF). The request is an all fund decrease of $846,537, or 0.7 percent, from the FY 2016 agency request and is largely due to a decrease in funding for other assistance of $1.2 million partially offset by an increase in the request for salaries and wages of $690,668 due to the 27th payroll expenditures which occur in FY 2017. The State General Fund amount is the same as the FY 2016 agency request but reflects an increase of $4.8 million, or 1,900.0 percent from the FY 2015 approved budget due to a desire to shift the funding source for the existing Affordable Airfare program to the State General Fund for FY 2016 and FY 2017. This program has historically been funded with transfers from other special revenue funds. The EDIF amount is the same as the FY 2016 agency request. The budget includes 149.5 FTE positions and 118.1 non-FTE unclassified positions, a decrease of 0.1 FTE position and 1.0 non-FTE unclassified positions from the FY 2016 agency request.

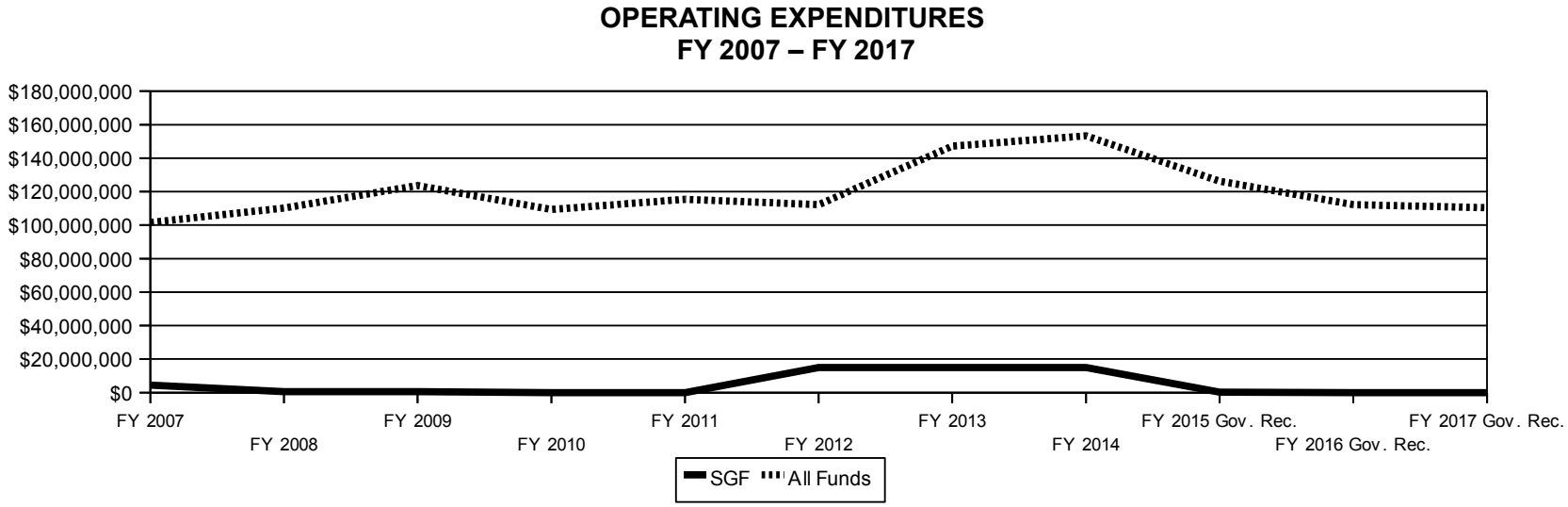
FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $110.4 million, including $13.8 million from the EDIF and no funding from the State General Fund. The recommendation is an all funds decrease of $2.1 million, or 1.9 percent, an EDIF increase of $18,640, or 0.1 percent, and a State General Fund decrease of $5.0 million, or 100.0 percent, from the agency request.

The **Governor** concurs with the agency request with the following exceptions.

- Reduction of $2.0 million in funding for the Affordable Airfare Program and a shift in funding from the State General Fund to the State Highway Fund.
- Addition of $100,000 from the EDIF for the Military Base Program.
- Addition of $500,000 from the EDIF for Public Broadcasting Grants due to the grants program transitioning from the Department of Administration to the Department of Commerce.
- Reduction of $548,000 from the EDIF for the agency operating grant.
- Reduction of $173,516 all funds, including $33,360 from the EDIF, to reduce employer contributions for state employee health insurance.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 4,454,765	1,831.1 %	$ 110,161,286	8.4 %	423.1
2008	622,463	(86.0)	123,636,243	12.2	423.1
2009	580,607	(6.7)	109,330,287	(11.6)	314.8
2010	9,966	(98.3)	115,395,054	5.5	314.8
2011	0	(100.0)	112,236,173	(2.7)	314.8
2012	15,000,000	--	147,149,558	31.1	250.0
2013	15,001,308	0.0	164,030,681	11.5	192.0
2014	15,031,976	0.2	153,298,521	(6.5)	163.8
2015 Gov. Rec.	245,000	(98.4)	126,930,198	(17.2)	149.6
2016 Gov. Rec.	0	(100.0)	112,234,369	(11.6)	149.6
2017 Gov. Rec.	0	--	110,385,216	(1.6)	149.5
Eleven-Year Change	$ (4,454,765)	(100.0)%	$ 223,930	0.2 %	(273.6)

* The agency began receiving SGF appropriations in FY 2012 for the University Research Grant Program

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 4,391,243	$ 6,695,390	$ 5,930,018	$ (765,372)	(11.4) %	$ 6,253,774	$ 5,781,709	$ (472,065)	(7.5)%
Business & Community Development	55,582,567	41,643,178	33,309,389	(8,333,789)	(20.0)	41,611,423	32,460,217	(9,151,206)	(22.0)
Workforce Service	93,278,328	79,121,450	74,076,962	(5,044,488)	(6.4)	79,023,226	73,955,543	(5,067,683)	(6.4)
Debt Service	46,383	41,775	36,900	(4,875)	(11.7)	41,775	36,900	(4,875)	(11.7)
TOTAL	$ 153,298,521	$ 127,501,793	$ 113,353,269	$ (14,148,524)	(11.1) %	$ 126,930,198	$ 112,234,369	$ (14,695,829)	(11.6)%
By Major Object of Expenditure:									
Salaries and Wages	$ 15,107,940	$ 16,303,577	$ 16,740,161	$ 436,584	2.7 %	$ 16,150,273	$ 16,569,261	$ 418,988	2.6 %
Contractual Services	9,162,278	8,370,903	9,084,917	714,014	8.5	8,096,903	8,963,351	866,448	10.7
Commodities	258,688	320,198	253,783	(66,415)	(20.7)	320,198	253,783	(66,415)	(20.7)
Capital Outlay	396,273	635,285	576,331	(58,954)	(9.3)	635,285	576,331	(58,954)	(9.3)
Debt Service	46,383	41,775	36,900	(4,875)	(11.7)	41,775	36,900	(4,875)	(11.7)
Subtotal - Operations	$ 24,971,562	$ 25,671,738	$ 26,692,092	$ 1,020,354	4.0 %	$ 25,244,434	$ 26,399,626	$ 1,155,192	4.6 %
Aid to Local Units	30,083,047	19,534,794	16,010,000	(3,524,794)	(18.0)	19,534,794	16,010,000	(3,524,794)	(18.0)
Other Assistance	98,243,912	82,295,261	70,651,177	(11,644,084)	(14.1)	82,150,970	69,824,743	(12,326,227)	(15.0)
TOTAL	$ 153,298,521	$ 127,501,793	$ 113,353,269	$ (14,148,524)	(11.1) %	$ 126,930,198	$ 112,234,369	$ (14,695,829)	(11.6)%
Financing:									
State General Fund	$ 15,031,976	$ 250,000	$ 5,000,000	$ 4,750,000	1,900.0 %	$ 245,000	$ 0	$ (245,000)	(100.0)%
Economic Development Initiative Fund	10,874,355	19,272,129	13,759,462	(5,512,667)	(28.6)	18,825,236	13,778,754	(5,046,482)	(26.8)
Federal Funds	69,483,937	57,251,143	49,784,616	(7,466,527)	(13.0)	57,168,710	49,689,844	(7,478,866)	(13.1)
All Other Funds	57,908,253	50,728,521	44,809,191	(5,919,330)	(11.7)	50,691,252	48,765,771	(1,925,481)	(3.8)
TOTAL	$ 153,298,521	$ 127,501,793	$ 113,353,269	$ (14,148,524)	(11.1) %	$ 126,930,198	$ 112,234,369	$ (14,695,829)	(11.6)%

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	$ 5,930,018	$ 5,934,123	$ 4,105	0.1 %	$ 5,781,709	$ 5,785,212	$ 3,503	0.1 %
Business & Community Development	33,309,389	32,862,441	(446,948)	(1.3)	32,460,217	31,012,814	(1,447,403)	(4.5)
Workforce Services	74,076,962	73,678,018	(398,944)	(0.5)	73,955,543	73,555,040	(400,503)	(0.5)
Debt Service	36,900	32,150	(4,750)	(12.9)	36,900	32,150	(4,750)	(12.9)
TOTAL	$ 113,353,269	$ 112,506,732	$ (846,537)	(0.7) %	$ 112,234,369	$ 110,385,216	$ (1,849,153)	(1.6)%
By Major Object of Expenditure:								
Salaries and Wages	$ 16,740,161	$ 17,430,829	$ 690,668	4.1 %	$ 16,569,261	$ 17,257,313	$ 688,052	4.2 %
Contractual Services	9,084,917	8,995,505	(89,412)	(1.0)	8,963,351	8,873,939	(89,412)	(1.0)
Commodities	253,783	253,243	(540)	(0.2)	253,783	253,243	(540)	(0.2)
Capital Outlay	576,331	576,109	(222)	(0.0)	576,331	576,109	(222)	(0.0)
Debt Service	36,900	32,150	(4,750)	(12.9)	36,900	32,150	(4,750)	(12.9)
Subtotal - Operations	$ 26,692,092	$ 27,287,836	$ 595,744	2.2 %	$ 26,399,626	$ 26,992,754	$ 593,128	2.2 %
Aid to Local Units	16,010,000	15,810,000	(200,000)	(1.2)	16,010,000	15,810,000	(200,000)	(1.2)
Other Assistance	70,651,177	69,408,896	(1,242,281)	(1.8)	69,824,743	67,582,462	(2,242,281)	(3.2)
TOTAL	$ 113,353,269	$ 112,506,732	$ (846,537)	(0.7) %	$ 112,234,369	$ 110,385,216	$ (1,849,153)	(1.6)%
Financing:								
State General Fund	$ 5,000,000	$ 5,000,000	$ 0	0.0 %	$ 0	$ 0	$ 0	0%
Economic Development Initiative Fund	13,759,462	13,759,462	0	0.0	13,778,754	13,778,102	(652)	(0.0)
Federal Funds	49,784,616	49,085,751	(698,865)	(1.4)	49,689,844	48,989,704	(700,140)	(1.4)
All Other Funds	44,809,191	44,661,519	(147,672)	(0.3)	48,765,771	47,617,410	(1,148,361)	(2.4)
TOTAL	$ 113,353,269	$ 112,506,732	$ (846,537)	(0.7) %	$ 112,234,369	$ 110,385,216	$ (1,849,153)	(1.6)%

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The Legislature approved a State General Fund budget of $250,000 for the Department of Commerce in FY 2015. Adjustments have subsequently been made to that amount. These adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustment has been made.

A reduction of $5,000, as the result of the Governor's December 9th State General Fund allotment.

This adjustment changes the FY 2015 approved State General Fund to $245,000. That amount is reflected in the table below as the currently approved FY State General Fund amount. The agency's budget was submitted prior to the December allotment, so the agency's revised budget estimates do not incorporate the allotment.

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	$ 245,000	$ 250,000	$ 5,000	$ 245,000	$ 0
All Other Funds	127,446,793	127,446,793	0	126,180,198	(1,266,595)
TOTAL	$ 127,691,793	$ 127,696,793	$ 5,000	$ 126,425,198	$ (1,266,595)
FTE Positions	164.3	149.6	(14.7)	149.6	(14.7)

The above table reflects State General Fund reappropriation, however a portion of the change in approved for all other funds is also due to a reappropriation in the Economic Development Initiative Fund (EDIF) from FY 2014 to FY 2015 totaling $5.5 million. The total approved amount in this table reflects operating expenditures as well as capital improvements.

The **agency** requests a revised estimate for FY 2015 total expenditures, including capital improvements, of $127.7 million,

The agency requests operating expenditures of $127.5 million, including $250,000 from the State General Fund and $19.3 million from the Economic Development Initiative Fund (EDIF). The estimate is an all funds increase of $5.6 million, or 4.6 percent, and an EDIF increase of $5.5 million, or 40.1 percent, above the amount approved by the 2014 Legislature. The State General Fund amount is an increase of $5,000, or 2.2 percent, above the approved amount adjusted by the Governor's allotments. The EDIF increase was due entirely to an appropriation of money that was not spent in FY 2014 and shifted to FY 2015. The EDIF reappropriated funding will be largely used for agency operations ($1.5 million), rural opportunity grants ($3.3 million) and medicaid reform employment incentives ($448,128). The Governor's allotments, which were applied after the agency submitted its budget request, reduced the agency's FY 2015 approved amount for the State General Fund in other assistance for Global Trade Services grants by $5,000.

The request includes the following items.

- **Salaries and Wages** expenditures of $16.3 million, including $3.5 million from EDIF, to fund 149.6 FTE. The request is the same as the approved amount. The budget includes 149.6 FTE positions and 119.1 non-FTE unclassified positions, a decrease of 14.6 FTE positions below the approved amount and an increase of 14.1 non-FTE unclassified positions above the approved FY 2015 number. The agency states that due to the nature of its grant and federal funding it is replacing classified positions with non-FTE unclassified positions.

- **Contractual Services** expenditures of $8.4 million, including $2.2 million from EDIF. The request is an all funds increase of $3,437, or 0.2 percent, all from the EDIF from the approved amount.

- **Commodities** expenditures of $320,198, and is the same as the approved amount.

- **Capital Outlay** expenditures of $635,285, and is the same as the approved amount.

- **Aid to Locals** expenditures of $19.5 million, and is the same as the approved amount.

- **Other Assistance** expenditures of $82.3 million including $250,000 from the State General Fund and $13.3 million from EDIF. This is an increase in all funds of $5.5 million, or 7.2 percent, and an EDIF increase of $5.5 million, or 70.8 percent above the approved budget. This is largely due to an increase in rural opportunity grants ($3.3 million) and medicaid reform employment incentives ($448,128). The increase in EDIF is based on the reappropriation of FY 2015 funding which was not spent in FY 2014 and shifted to FY 2015. The State General Fund amount is for the new Global Trade Services grant program and has been reduced by $5,000 due to the Governor's allotments.

The **Governor** recommends FY 2015 total expenditures of $127.1 million, including capital improvements. The Governor recommends operating expenditures of $126.9 million, including $18.8 million from the EDIF and $245,000 from the State General Fund. The recommendation is an all funds decrease of $571,595, or 0.4 percent, an EDIF decrease of $446,893, or 2.3

percent, and a State General Fund decrease of $5,000, or 2.0 percent, below the agency's revised estimate.

The Governor concurs with the agency request with the following exceptions.

- Reduction of $153,304, all from special revenue funds including $33,602 from the Economic Development Initiatives Fund (EDIF) as a result of the Governor's allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.

- Reduction of $5,000, as a result of the Governor's State General Fund allotment of 4.0 percent to Cabinet and other State General Funded agencies in FY 2015. This allotment will be managed by a reduction in the grants for the Global Trade Services program in FY 2015.

- Reduction of $274,000 from the EDIF as a result of the Governor's allotment plan. This reduces the agency's operating grant from EDIF will result a decrease in administrative expenditures.

- Reduction of $139,291, all from reappropriated EDIF, for the Innovation Growth Program.

Governor's Allotments

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. This prompted the Governor to address the shortfall with 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. The allotments shown in the table below reflect only those allotments which have already taken place.

GOVERNOR'S ALLOTMENTS

Allotment	SGF	All Funds	FTE
December Allotment			
Reduce SGF Funding by 4.0 percent	$ (5,000)	$ (5,000)	0.0
TOTAL	$ (5,000)	$ (5,000)	0.0

4.0 percent reduction to Cabinet-level and other SGF funded agencies

A reduction of $5,000, as a result of the Governor's State General Fund allotment of 4.0 percent to Cabinet and other State General Funded agencies in FY 2015. This allotment will be managed by a reduction in the grants for the Global Trade Services program in FY 2015.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 113,353,269	$ 112,234,369	$ (1,118,900)
FTE Positions	149.6	149.6	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 4,750,000	$ (245,000)	
All Other Funds	(18,898,524)	(13,750,829)	
TOTAL	$ (14,148,524)	$ (13,995,829)	
Percent Change:			
State General Fund	1,900.0 %	(100.0) %	
All Other Funds	(14.9)	(10.9)	
TOTAL	(11.1) %	(11.6) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests operating expenditures for FY 2016 of $113.4 million, including $5.0 million from the State General Fund and $13.8 million from the Economic Development Initiative Fund (EDIF). The request is an all funds decrease of $14.1 million, or 11.1 percent from the FY 2015 agency request and is due to a decrease in funding from EDIF and a shift in funding for the Affordable Airfare program. The request is an increase of $4.8 million, or 1,900.0 percent from the State General Fund and is largely attributable to a desire to shift the funding source for the existing Affordable Airfare program, which has historically been funded with transfers from other special revenue funds, to the State General Fund. The budget includes 149.6 FTE positions and 119.1 non-FTE unclassified positions, the same as the number approved for FY 2015.

The request is broken down by categories of expenditures below.

- **Salaries and Wages** expenditures of $16.7 million, including $3.6 million from EDIF, to fund 149.6 FTE positions and 119.1 non-FTE unclassified positions, the same as the FY 2015 agency request. The request is an all funds increase of $436,584, or 2.7 percent, and an EDIF increase of $51,008 or 1.4 percent, from the FY 2015 agency request due to increased fringe cost.

- **Contractual Services** expenditures of $9.1 million, including $2.7 million from EDIF. The request is an all funds increase of $714,014, or 8.5 percent, and an EDIF increase of $513,081, or 23.1 percent, from the FY 2015 agency request. This is largely due to an increase in the agency operating grant from EDIF for administrative expenditures.

- **Commodities** expenditures of $253,783, including $66,586 from EDIF. The request is a decrease in all funds of $66,415, or 20.7 percent, and an EDIF increase of $167, or 0.3 percent, from the FY 2015 agency request. The all funds increase reflects decreased expenditures in the Broadband Data Development program.

- **Capital Outlay** expenditures of $576,331, including $162,152 from EDIF. Capital Outlay expenditures are largely used for technology upgrades and computer replacements. All funds expenditures decreased by $58,954, or 9.3 percent, and EDIF expenditures decreased by $32,979, or 16.9 percent, from the FY 2015 agency request.

- **Aid to Locals** expenditures of $16.0 million, all from special revenue funds. The request is a decrease in all funds of $3.5 million, or 18.0 percent, from the FY 2015 agency request and is largely attributable to a decrease in the amount of funds received for the federal Community Development Block Grant which funds city and county projects aimed at improving their communities.

- **Other Assistance** expenditures of $70.7 million, including $5.0 million from the State General Fund and $7.2 million from EDIF. This a decrease in all funds of $11.6 million, or 14.1 percent, a State General Fund increase of $4.7 million, or 1894.0 percent, and an EDIF decrease of $6.0 million, or 45.6 percent, from the FY 2015 agency request. The changes are largely due to to a request to shift the funding source for the

existing Affordable Airfare program ($5.0 million), which has historically been funded with transfers from other special revenue funds, to the State General Fund. It also reflects a decrease in the Kansas Health Opportunity Program of $3.3 million. The EDIF reductions are largely attributable to a decrease in the Rural Opportunity Program ($3.3 million), the agency operating grant ($2.1 million) and the Medicaid Reform Incentive program ($448,554).

The **Governor** recommends FY 2016 operating expenditures of $112.2 million, including $13.8 million from the EDIF, and no funding from the State General Fund. The recommendation is an all funds decrease of $1.1 million, or 1.0 percent, an EDIF decrease of $19,292, or 0.1 percent, and a State General Fund decrease of $5.0 million, or 100.0 percent, below the agency request.

The recommendation is an all funds decrease of $14.7 million, or 11.4 percent, an EDIF decrease of $5.0 million, or 26.8 percent, and a State General Fund decrease of $245,000, or 100.0 percent, below the FY 2015 Governor's Budget Recommendation.

The Governor concurs with the agency request with the following exceptions.

- Reduction of $1.0 million in funding for the Affordable Airfare Program and a shift in funding from the State General Fund to the State Highway Fund.
- Addition of $100,000 from the EDIF for the Military Base Program.
- Addition of $500,000 from the EDIF for Public Broadcasting Grants due to the grants program transitioning from the Department of Administration to the Department of Commerce.
- Reduction of $548,000 from the EDIF for the agency operating grant.
- Reduction of $170,900, including $32,708 from the EDIF, to reduce employer contributions for state employee health insurance.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 112,506,732	$ 110,385,216	$ (2,121,516)
FTE Positions	149.5	149.5	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	(846,537)	(1,849,153)	
TOTAL	$ (846,537)	$ (1,849,153)	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	(0.8)	(1.6)	
TOTAL	(0.7) %	(1.6) %	
Change in FTE Positions	(0.1)	(0.1)	

The **agency** requests operating expenditures of $112.5 million, including $5.0 million from the State General Fund and $13.8 million from the Economic Development Initiative Fund (EDIF). The request is an all fund decrease of $846,537, or 0.7 percent, from the FY 2016 agency request and is due to a decrease in funding for Other Assistance of $1.2 million offset by an increase in the request for salaries and wages of $690,668. The State General Fund amount is the same as the FY 2016 agency request but reflects an increase of $4.8 million, or 1,900.0 percent from the FY 2015 approved budget due to a request to shift the funding source for the existing Affordable Airfare program which has historically been funded with transfers from other special revenue funds to the State General Fund for FY 2016 and FY 2017. The EDIF amount is the same as the FY 2016 agency request. The budget includes 149.5 FTE positions and 118.1 non-FTE unclassified positions, a decrease

of 0.1 FTE position and 1.0 non-FTE unclassified positions from the FY 2016 agency request.

The request is broken down by categories of expenditures below.

- **Salaries and Wages** expenditures of $17.4 million, including $3.8 million from EDIF, to fund 149.5 FTE positions and 118.1 non-FTE unclassified positions. The request is an all funds increase of $690,668, or 4.1 percent, and an EDIF increase of $168,190 or 4.1 percent, from the FY 2016 agency request. The request also reflects an increase in salaries and wages due to the 27th payroll expenditures which occur in FY 2017.

- **Contractual Services** expenditures of $9.0 million, including $2.7 million from EDIF. The request is an all funds decrease of $89,412, or 1.0 percent, and an EDIF decrease of $68,738, or 3.0 percent, from the FY 2016 agency request. This is largely due to a decrease in the agency operating grant from EDIF for administrative expenditures.

- **Commodities** expenditures of $253,243, including $58,024 from EDIF. The request is a decrease in all funds of $540, or 0.2 percent, from the FY 2016 agency request. The all funds decrease reflects decreased expenditures in the Kansas Health Opportunity Program.

- **Capital Outlay** expenditures of $576,109, including $161,930 from EDIF. Capital Outlay expenditures are largely used for technology upgrades and computer replacements. All funds expenditures decreased by $222, or less than 0.1 percent, from the FY 2016 agency request.

- **Aid to Locals** expenditures of $15.8 million, all from special revenue funds. The request is a decrease in all funds of $200,000, or 1.2 percent, from the FY 2016 agency request and is largely attributable to a decrease in the amount of funds received for the federal Community Development Block Grant which funds city and county projects aimed at improving their communities.

- **Other Assistance** expenditures of $69.4 million, including $5.0 million from the State General Fund and $7.1 million from EDIF. This a decrease in all funds of $1.2 million, or 1.8 percent, and an EDIF decrease of $100,020, or 1.4 percent, from the FY 2016 agency request. The request reflects a request to shift the funding source for the existing Affordable Airfare program ($5.0 million), which has historically been funded with transfers from other special revenue funds, to the State General Fund. It also reflects a decrease in the Job Creation Program ($603,000), Job Training Grant ($800,000) and the EDIF funding for the agency operating grant ($78,166).

The **Governor** recommends FY 2017 operating expenditures of $110.4 million, including $13.8 million from the EDIF and no funding from the State General Fund. The recommendation is an all funds decrease of $2.1 million, or 1.9 percent, an EDIF increase of $18,640, or 0.1 percent, and a

State General Fund decrease of $5.0 million, or 100.0 percent, from the agency request.

The Governor concurs with the agency request with the following exceptions.

- Reduction of $2.0 million in funding for the Affordable Airfare Program and a shift in funding from the State General Fund to the State Highway Fund.

- Addition of $100,000 from the EDIF for the Military Base Program.

- Addition of $500,000 from the EDIF for Public Broadcasting Grants due to the grants program transitioning from the Department of Administration to the Department of Commerce.

- Reduction of $548,000 from the EDIF for the agency operating grant.

- Reduction of $173,516, including $33,360 from the EDIF, to reduce employer contributions for state employee health insurance.

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 $68,252, including $12,549 from the Economic Development Initiatives Fund, and affects 219 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 $62,080, all from special revenue funds, and FY 2017 longevity payments total $67,681.**

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 $170,900, including $32,708 from the Economic Development Initiatives Fund for FY 2016. This is a reduction of $173,516, including $33,360 from the Economic Development Initiative Fund, 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	4.4 %	0.0 %	4.4 %	0.0 %
Economic Development Initiative Fund	12.1	12.3	12.2	12.5
Federal Funds	43.9	44.3	43.6	44.4
All Other Funds	39.5	43.4	39.7	43.1
TOTAL	100.0 %	100.0 %	100%	100%

Note: Percentages may not add due to rounding.

Athletic Fee Fund Analysis

The Athletic Fee Fund is used to support the Kansas Athletic Commission (KAC). The KAC was created by the 2004 Legislature to regulate the state's fight-sport industry. The fund is supported through licensing and registration of fighters, promoters, referees, judges, and ringside doctors.

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	$ 6,727	$ 73,892	$ 73,892	$ 70,877	$ 71,721	$ 71,133	$ 72,734
Revenue	100,737	110,550	110,550	110,550	110,550	121,895	121,895
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 107,464	$ 184,442	$ 184,442	$ 181,427	$ 182,271	$ 193,028	$ 194,629
Less: Expenditures	33,572	113,565	112,721	110,294	109,537	116,079	115,305
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 73,892	$ 70,877	$ 71,721	$ 71,133	$ 72,734	$ 76,949	$ 79,324
Ending Balance as Percent of Expenditures	220.1%	62.4%	63.6%	64.5%	66.4%	66.3%	68.8%
Month Highest Ending Balance	$ 111,000	$ 111,000	$ 111,000	$ 111,000	$ 111,000	$ 122,000	$ 122000
Month Lowest Ending Balance	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000

EXPENDITURES BY PROGRAM-- GOVERNOR'S FY 2016 RECOMMENDATION

Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	$ 5,781,709	5.1 %	$ 0	-- %
Business & Community Development	32,460,217	28.9	0	--
Workforce Services	73,955,543	65.8	0	--
Debt Service	136,900	0.1	0	--
TOTAL	$ 112,334,369	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	21.8	20.1	20.1	20.1	20.1	20.0	20.0
Business & Community Development	17.0	13.0	13.0	13.0	13.0	13.0	13.0
Workforce Services	125.0	116.5	116.5	116.5	116.5	116.5	116.5
Debt Service	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	163.8	149.6	149.6	149.6	149.6	149.5	149.5

A. Administration

The Administration Division is comprised of the Office of the Secretary, Human Resources, Public Affairs and Marketing, Information Technology, Fiscal Services, Building Services, the Governor's Economic Council of Advisors, Legal, Regulatory Compliance and the Athletic Commission.

The goals and objectives of the Administration Division are to provide leadership, communication, and an overall high level of customer service to the agency in support of its broader mission of economic development in the state. The division strives to use progressive technology to improve productivity and efficiency in support of quality business processes.

Responsibilities within the division include: managing the recruitment process for the agency, including the associates located in the various workforce centers across the state; distributing press releases and developing the marketing efforts for the numerous business development and workforce services events; supporting the information technology infrastructure and software; and timely and accurate processing of all fiscal related documents, including all fiscal federal reporting and budget preparation and monitoring. This division is also responsible for the building services management for the seven state owned workforce centers; legal review and direction on the numerous contracts for leases, state funded grants, and federal funded grants; and performing the audit and compliance function for the federal grants administered through the Workforce Services Division.

ADMINISTRATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 2,684,950	$ 2,998,945	$ 2,970,620	$ 3,010,953	$ 2,984,210	$ 3,152,431	$ 3,125,086
Contractual Services	1,147,130	1,302,359	1,028,359	2,184,032	2,062,466	2,115,463	1,993,897
Commodities	49,923	35,986	35,986	37,936	37,936	37,936	37,936
Capital Outlay	173,616	193,771	193,771	160,570	160,570	160,570	160,570
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 4,055,619	$ 4,531,061	$ 4,228,736	$ 5,393,491	$ 5,245,182	$ 5,466,400	$ 5,317,489
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	335,624	2,164,329	2,025,038	536,527	536,527	467,723	467,723
TOTAL	$ 4,391,243	$ 6,695,390	$ 6,253,774	$ 5,930,018	$ 5,781,709	$ 5,934,123	$ 5,785,212
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	4,391,243	6,695,390	6,253,774	5,930,018	5,781,709	5,934,123	5,785,212
TOTAL	$ 4,391,243	$ 6,695,390	$ 6,253,774	$ 5,930,018	$ 5,781,709	$ 5,934,123	$ 5,785,212
FTE Positions	21.8	20.1	20.1	20.1	20.1	20.0	20.0
Non-FTE Uncl. Perm. Pos.	20.0	26.1	26.1	26.1	26.1	26.1	26.1
TOTAL	41.8	46.2	46.2	46.2	46.2	46.1	46.1

The **agency** requests for the Administration Division operating expenditures for FY 2016 of $5.9 million, including $3.8 million from Economic Development Initiative Fund (EDIF). The request is an all funds decrease of $765,372, or 11.4 percent, and an EDIF decrease of $849,169, or 18.2 percent from the FY 2015 agency request and is largely due to a decrease in the agency's operating grant funding from EDIF.

The request is broken down by categories of expenditures below.

- **Salaries and Wages** expenditures of $3.0 million, including $1.2 million from EDIF, to fund 20.1 FTE positions and 26.1 non-FTE unclassified positions, the same number of positions as the FY 2015 agency request. The

request is an all funds increase of $12,008, or 0.4 percent, and an EDIF decrease of $37,548 or 2.9 percent, from the FY 2015 agency request.

- **Contractual Services** expenditures of $2.2 million, including $1.8 million from EDIF. The request is an all funds increase of $881,673, or 67.7 percent, and an EDIF increase of $849,932, or 85.6 percent, from the FY 2015 agency request. This is largely due to an increase in the agency operating grant from EDIF for administrative expenditures.

- **Commodities** expenditures of $37,936, including $32,626 from EDIF. The request is an increase in all funds of $1,950, or 5.4 percent, and an EDIF increase of $1,450, or 4.7 percent, from the FY 2015 agency request. The all funds increase reflects increased expenditures for the Governor's Council of Economic Advisors.

- **Capital Outlay** expenditures of $160,570, including $158,570 from EDIF. Capital Outlay expenditures are largely used for technology upgrades and computer replacements. All funds expenditures decreased by $33,201, or 17.1 percent, and EDIF expenditures decreased by $35,201, or 18.7 percent, from the FY 2015 agency request. This is largely due to a decrease in the agency operating grant from EDIF.

- **Other Assistance** expenditures of $536,527, including $336,870 from EDIF. This a decrease in all funds of $1.6 million, or 75.2 percent, and an EDIF decrease of $1.6 million, or 75.2 percent, from the FY 2015 agency request. This is largely due to a decrease in the agency operating grant from EDIF and the Innovation Growth Program, offset by an increase in the Governor's Council of Economic Advisors.

The **Governor** concurs with the agency request for FY 2016 with the following exceptions.

- Reduction of $121,566 from the EDIF for the agency operating grant.

- Reduction of $26,743 to reduce employer contributions for state employee health insurance.

The **agency** requests for the Administration Division operating expenditures for FY 2017 of $5.9 million, including $3.7 million from the Economic Development Initiative Fund (EDIF). The request is an all funds increase of $4,105, or 0.1 percent, and an EDIF decrease of $68,134, or 1.8 percent from the FY 2016 agency request and is largely due to a decrease in the agency's operating grant funding from EDIF.

The request is broken down by categories of expenditures below.

- **Salaries and Wages** expenditures of $3.2 million, including $1.3 million from EDIF, to fund 20.0 FTE positions and 26.1 non-FTE unclassified positions. The request is an all funds increase of $141,478, or 4.7 percent, and an EDIF increase of $59,402 or 4.8 percent, from the FY 2016 agency request.

- **Contractual Services** expenditures of $2.1 million, including $1.8 million from EDIF. The request is an all funds decrease of $68,569, or 3.1 percent, and an EDIF decrease of $58,732, or 3.2 percent, from the FY 2016 agency request. This is largely due to a decrease in the agency operating grant from EDIF.

- **Commodities** expenditures of $37,936, including $32,626 from EDIF, the same as the FY 2016 agency request.

- **Capital Outlay** expenditures of $160,570, including $158,570 from EDIF, the same as the FY 2016 agency request.

- **Other Assistance** expenditures of $467,723, including $467,723 from EDIF. This request is a decrease in all funds of $68,804, or 12.8 percent, and is largely due to a decrease in the agency operating grant from EDIF, a reduction for the Governor's Council of Economic Advisors, and Innovative Job Growth Program.

The **Governor** concurs with the agency request for FY 2017 with the following exceptions.

- Reduction of $121,566, all from EDIF, for the agency operating grant.

- Reduction of $27,345 to reduce employer contributions for state employee health insurance.

B. Business and Community Development

The Business and Community Development Division plays a lead role in promoting economic and rural development for the State of Kansas. The division works with existing Kansas companies and out-of-state companies to attract new jobs and investment to the state. The program also assists city and county governments and small businesses in rural communities.

During fiscal year 2013 a consolidation took place bringing what had been known as the International Trade Division into the Business and Community Development Division. The staff involved in trade development work actively to recruit international business to establish facilities and create Kansas jobs, and also provide resources and assistance to Kansas companies seeking to sell products and services to international customers-capitalizing on global opportunities.

In addition, initiatives from the former Kansas Technology Enterprise Corporation (KTEC), which was merged into Commerce in fiscal year 2011, were moved out of the Administration Division to this Division. The Angel Tax Credits were moved to the Business & Community Development Division and aligned within Business Finance along with the other incentive programs managed by Commerce.

Lastly, the Film Commission within the Business and Community Division was renamed to the Kansas Creative Arts Industries Commission (CAIC) and its goals and objectives were expanded to focus not just on the film industry but to all creative industries in Kansas. This includes an emphasis on how the creative industries can help grow the state's economy. During fiscal year 2013, focus was on creating a strategic plan for fiscal years 2014 and 2015 and applying for an National Endowment for the Arts (NEA) grant with state funding as match.

The Division administers several programs which include the ***Community Development*** and ***Community Assistance Services*** as well as ***Recruitment***. The Division also houses the ***Office of Minority and Women Business, Center for Entrepreneurship, Kansas Business Development Center,*** and ***the Kansas Creative Arts Commission***.

Recruitment

In fiscal year 2014, the business recruitment team worked on 210 project leads and facilitated 88 successful corporate relocations and expansions, resulting in 11,779 jobs, $652.0 million in payroll and $1.2 billion in capital investment. These results also include the international business recruitment projects as well. Retention of jobs in the state was also a significant part of the results. The office and manufacturing sectors had the highest number of project leads this fiscal year. The office sector generated the highest number of successful projects.

Kansas Exports

Kansas businesses totaled $12.5 billion in exports in calendar year 2013. The international section provides market resources to Kansas companies empowering them to sell products and services to international customers. Staff directly helps Kansas businesses in the following areas.

- Gathering export data and foreign market research.
- Coordinating with local, state, federal and foreign agencies.
- Collaborating on export seminars.
- Recruiting and assisting company participation in international trade shows.
- Hosting foreign delegations to Kansas.
- Maintaining international consultants in key global markets.
- Assisting with required international documentation.

State Trade and Export Promotion Grant/International Mission Activity

In fiscal year 2013, Kansas was awarded a total of $154,371 from the federal State Trade and Export Promotion (STEP) program to provide assistance for Kansas companies to market and sell their products and services internationally. The Kansas

grant application was a joint effort between the Kansas Department of Commerce and the Kansas Department of Agriculture. Six Kansas companies promoted their export products at a Kansas-sponsored pavilion at this global aviation exhibition. Participants' results will be tracked and reported for the next four quarters as required by the STEP program.

Follow-up reporting for the fiscal year 2013 STEP grant participants shows that participants collectively reported $2,250,225 in actual sales.

Kansas International Trade Show Assistance Program

The Kansas International Trade Show Assistance Program (KITSAP) helps introduce Kansas companies to foreign markets by funding their participation in trade shows. Eligible companies are those whose product or service originates in Kansas or whose products receive substantial value-added processing in Kansas. In fiscal year 2014, the international team awarded a total of $46,275 to 11 Kansas companies to attend a total of 14 international trade shows. To date, those 11 companies reported sales of $14.0 million. Eight of the 11 companies found new agents or distributors and two companies established a joint-venture as a result of their trade show participation.

Business and Community Development Assistance

The Business and Community Development Assistance area is comprised of ten full time Regional Project Managers (RPMs) who provide face-to-face assistance to Kansas businesses and communities. To assist Kansas communities in reaching their full potential by increasing awareness of and access to available resources, the RPMs are a point of contact in the development of strategic plans and a connection to financial and human resources. The communities determine the direction they need to take to achieve success, after which the RPM will work with them to connect with available resources. Additionally the RPMs assist existing Kansas businesses access state incentives which are designed to help businesses grow.

In fiscal year 2014, the team facilitated 87 successful projects that will create 1,770 new jobs, retain 1,718 existing jobs, and invest $198.0 million in capital investment. Fifty-five percent of the successful projects were manufacturing, the rest were a mix of energy, wholesale distribution, professional services and retail. Of the 87 successful projects, 46.0 percent were located in a non-metro county.

PRIDE

PRIDE is a community-initiated effort to help local leaders prepare for and manage change through hands-on assistance with a focus on community self-improvement. The program addresses such areas as planning, housing, community services and community enrichment. Communities develop and implement a citizen-initiated plan of action. This is a cooperative program with Kansas State University Research and Extension and the Department of Commerce. The PRIDE planning approach assists smaller communities without resources to expand their community economic capacities. The Business and Community Development Assistance Regional Project Managers provide additional manpower to better assist the PRIDE communities.

Business Finance

The Business Finance unit offers a diverse portfolio of financial incentives for rural and urban communities and businesses that are looking to locate or expand in Kansas. Programs include retention of withholding taxes, investment tax credits, sales tax project exemptions and revolving loan funds

for local infrastructure projects, as well as loans and grants to assist rural communities in improving infrastructure, housing and urgent needs to maintain and grow. Each specific program is outlined below.

Promoting Employment Across Kansas (PEAK)

The Promoting Employment Across Kansas (PEAK) Act (K.S.A. 2012 Supp. 74-50,210 through 74-50,219) was created by the 2009 Kansas Legislature. The 2010 and 2011 Legislative Sessions passed subsequent changes to the Act to broaden the eligibility criteria to increase the companies that can apply. The Legislature enacted PEAK to encourage economic development in Kansas by incenting companies to relocate, locate, expand or retain a business facility/operations and related jobs. The Secretary of Commerce has discretion to approve applications of qualified companies and determine the benefit period. During the benefit period, participating PEAK companies may retain or be refunded 95 percent of the payroll withholding tax of PEAK-Eligible employees/jobs that pay at or above the county median wage where the qualified function(s) are located. Depending on the number of PEAK jobs/employees to be hired in Kansas and their wage levels, the Secretary can approve benefit periods for up to 10 years.

In fiscal year 2014, 75 agreements were signed with companies to participate in PEAK for a 10.0 percent increase from fiscal year 2013. Approximately 6,730 new jobs and over $400.0 million in additional payroll are projected over a five to ten year period from these agreements. Executed agreements for fiscal year 2015 to date are 201.

High Performance Incentive Program

The Kansas High Performance Incentive Program (HPIP) is an incentive program which can provide tax benefits to businesses who in return are willing to expand the scope of their capital investments, pay a higher than average wage and make a significant investment in employee training.

During fiscal year 2014 the HPIP program certified or re-certified 300 worksites. Of these 300 certifications, 54 were first time certifications, indicating new worksite projects. During this same period, the HPIP program acknowledged receipt of 277 project description forms which pre-identified anticipated future capital investment prior to any formal commitment to invest. The total capital investment which was pre-identified on these forms was $1.5 billion. Estimated expected new jobs as a result of these new projects totaled 5,648 with an expected additional payroll of $260,176,598 or about $46,000 per new job.

Community Service Tax Credit Program

This program encourages cash and non-cash contributions to nonprofit organizations for certain community service activities. Kansas income tax credits are awarded yearly on a competitive basis for nonprofits to use as a fund-raising tool to encourage individuals, businesses, financial institutions and insurance companies to donate. Nonprofit recipients must provide services for children, health care and for nongovernmental crime prevention. A tax credit of 70 percent is allowed in communities of fewer than 15,000 residents and 50 percent in communities greater than 15,000. The minimum donation is $250. The program builds nonprofit community capacity to serve the needs of the targeted Kansas recipients.

Angel Investor Tax Credit Program

The purpose of the Kansas Angel Investor Tax Credit Act (K.S.A. 74-8131 – 74-8137) is to facilitate the availability of equity investment in businesses in the early stages of commercial development and to assist in the creation and expansion of Kansas businesses, which are job and wealth creating enterprises, by granting tax credits against Kansas income tax liability of investors investing in these businesses. The primary goal is to encourage accredited investors to provide seed-capital financing for emerging, Kansas businesses engaged in the development, implementation and commercialization of innovative technologies, products and services.

The Program provides tax credits to technology and bio-technology startups that they may in turn offer to potential angel investors. Credits are valued at 50 percent of the eligible investment and each qualified investor may receive up to $50,000 in tax credits per taxable year. These credits help reduce the inherent risk of the investment and encourage investment in potentially high-growth companies.

Up to $6 million in tax credits are offered annually on a calendar year basis. Any unused credits may roll over to the next year. In calendar year 2013, $6.2 million tax credits were issued.

Rural Opportunity Zones

The Rural Opportunity Zones (ROZ) program facilitates the population growth of rural Kansas communities in 77 designated counties through the use of tax relief and student loan reimbursement. Under this program, qualified individuals could be eligible to receive Kansas state income tax abatements and student loan reimbursements provided by both the county and state on a matched basis.

Qualified individuals establishing new residency in one of the 77 Kansas counties will receive a credit for the entirety of their Kansas state income tax liability for any year in which they qualify beginning in taxable year 2012 and ending in taxable year 2017. Additionally, qualified individuals may receive student loan payments in equal shares over a maximum term of five years. The annual payments will be equal to 20 percent of the individual's outstanding student loan balance up to a maximum of $15,000.

As of August 27, 2014 the program had received 1,755 applications with 809 approved and 443 pending. The rate of applications received is expected to accelerate with the recent expansion of the program by 4 counties. This year the program began allowing employers to directly sponsor ROZ applicants.

State Small Business Credit Initiative

The State Small Business Credit Initiative (SSBCI) was established by Congress with the adoption of the Small Business Jobs Act of 2010. In June of 2011, the Kansas Department of Commerce was awarded an allocation of approximately $13.2 million dollars to create a Loan and Venture Capital lending program that would leverage private capital at 10:1 and be targeted to help small businesses. The Loan program received approximately $10.5 million of the allocation while the Venture Capital lending program received approx. $2.6 million. Each program augments private capital by providing 9.0 percent matching funds to small business projects that may never be realized without these funds.

In fiscal year 2014, the program funded 14 projects under the Loan program using $2.5 million SSBCI funds to leverage

$32.4 million in private investment. For the Venture program, four projects were funded utilizing $603,000 to leverage $8.5 million in private investment.

Community Development Block Grant

The Small Cities Community Development Block Grant (CDBG) program receives approximately $13 to $15 million in federal funds annually. The state's allocation has decreased gradually over the past few years, from $20.1 million in 2004 to $13.6 million in fiscal year 2014. Awards made through this program pay for water and sewer systems, bridges, roads, community facilities, housing rehabilitation and economic development activities. Awards help build vital infrastructure and serve all areas of Kansas, except the entitlement zones of Topeka, Kansas City, Wichita, Lawrence, Leavenworth, Manhattan, Overland Park and Johnson County.

U.S. Department of Housing and Urban Development (HUD) provides federal funds to local units of government based on a population formula. One of three objectives must be met: benefit to low- and moderate-income individuals; removal or prevention of slum or blighted conditions; or resolution of an urgent need or immediate threat to health or safety where local funds are not available. These funds are used for a wide variety of activities. The CDBG program awards grants in six categories: economic development; water/sewer; community facilities; urgent need; housing; and Kansas Small Town Environment Program (KAN STEP). Unlike other states, Kansas does not provide state funds for the administration of this program.

Neighborhood Stabilization Program

The Neighborhood Stabilization Program (NSP 1) was established to stabilize communities suffering from foreclosures and abandonment. Through the purchase, rehabilitation and redevelopment of foreclosed and abandoned homes and residential properties, the goal of the program is being realized. The State of Kansas was issued $21.0 million in NSP 1 funding through HUD, which administers the program at the federal level.

Contracts were signed with nine counties and 10 cities to invest these dollars to stabilize their neighborhoods. As of August, 2014, the State of Kansas NSP 1 program has generated $7.4 million in program income which brings the total investment of $28.4 million into the State. To date, seven additional allocations have been made to NSP 1 sub-grantees with an additional allocation pending. The NSP 1 program will not receive any new allocations after October 31, 2015; however, Commerce will still be responsible for the ongoing management of the program income.

The Neighborhood Stabilization Program 3 (NSP 3) was established in Fiscal Year 2011 to stabilize and revitalize communities that have been most severely impacted by foreclosure and abandoned properties. The most severely impacted communities are identified by a Census Tract Score. The State of Kansas was allocated $5.0 million in NSP 3 funding by HUD. Due to their high Census Tract Score, the primary recipient of NSP 3 funds is the Unified Government of Wyandotte County. The NSP 3 program will not receive any new allocations after October 31, 2015; however, Commerce will still be responsible for the ongoing management of the program income.

Office of Minority and Women Business

The Office of Minority and Women Business exists to assist small minority- and women-owned businesses in their business development activities by providing resources to include technical, financial, business management, federal certification

and procurement information. The Office of Minority and Women Business Development developed an online directory of certified minority and women owned businesses, which can be accessed from the Kansas Department of Commerce website.

Center for Entrepreneurship

The division partners with the Kansas Center for Entrepreneurship by providing pass-through budget dollars and by meeting on a regular basis. The mission of the Kansas Center for Entrepreneurship is to foster an entrepreneurial climate in Kansas and create a single-source network to link entrepreneurs to business support services. It operates under the supervision of a board of directors named by the Secretary of Commerce through a contract administered by the Department of Commerce. In addition to creating policies to foster entrepreneurship, the Center, under the name ***NetWork Kansas***, establishes and maintains a website and toll-free number as a seamless resource center clearing house and referral source. The Center also manages the Kansas Community Entrepreneurship Fund and is responsible for outreach entrepreneurial education delivery to rural communities.

Kansas Small Business Development Center

The Division also partners with the Kansas Small Business Development Center (KSBDC) through budget pass-through dollars and cooperative projects. The mission of the KSBDC is to increase economic prosperity in Kansas by helping entrepreneurs and small business owners start and grow their businesses through professional consulting, training and sharing of resources. The KSBDC network includes more than 35 team members at locations across the state, committed to providing services to Kansas entrepreneurs.

Kansas Creative Arts Industries Commission

The Kansas Creative Arts Industries Commission (CAIC) is focused on the creative industries sector of the Kansas economy. The advisory board is dedicated to measuring, promoting, supporting and expanding the creative industries to grow the state's economy and create creative industry-related jobs.

CAIC also takes advantage of the state's amazing natural landscape to attract film crews to Kansas. Assistance often includes location scouting, serving as a liaison or facilitator and lending support during production. CAIC provides direct assistance to film companies in finding appropriate Kansas locations, identifying available industry professionals and services and works to promote Kansas to the film industry concentrated in out-of-state locales. CAIC also supports and encourages the local film industry through participation in film industry events. In fiscal year 2013, film production dollars spent in the state totaled an estimated $25 million, including dollars from in-state and out-of-state sources.

In fiscal year 2014, CAIC was awarded a NEA partnership awarded of $560,800 based on its strategic plan and planning process. Under this agreement, CAIC administered three grant programs: Creative Economy Project Support, Strategic Investment, and Arts Integration. CAIC awarded grants to over 57 organizations totaling over $917,000.

In fiscal year 2015, CAIC will update its strategic plan to meet its mission and fulfill NEA federal grant requirements. In addition, the Commission will begin receiving data on FY 14 grant programs that support the arts and the role they play in enhancing local economies and the quality of life for all Kansas. While outcomes may vary from project to project, the measures created will provide data on how funded projects impact Kansas communities both culturally and economically. These measures

may include: the number of citizens effected by the program, increase in local cultural tourism, the number of jobs created, and increased revenue to participating organizations and businesses.

BUSINESS AND COMMUNITY DEVELOPMENT
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 2,602,535	$ 2,791,078	$ 2,764,323	$ 2,541,263	$ 2,518,525	$ 2,659,651	$ 2,636,458
Contractual Services	1,337,617	2,671,472	2,671,472	997,305	997,305	987,300	987,300
Commodities	75,001	127,477	127,477	80,875	80,875	80,875	80,875
Capital Outlay	6,270	2,625	2,625	4,847	4,847	4,625	4,625
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 4,021,423	$ 5,592,652	$ 5,565,897	$ 3,624,290	$ 3,601,552	$ 3,732,451	$ 3,709,258
Aid to Local Units	30,038,011	18,834,794	18,834,794	16,010,000	16,010,000	15,810,000	15,810,000
Other Assistance	21,523,133	17,215,732	17,210,732	13,675,099	12,848,665	13,319,990	11,493,556
TOTAL	$ 55,582,567	$ 41,643,178	$ 41,611,423	$ 33,309,389	$ 32,460,217	$ 32,862,441	$ 31,012,814
Financing:							
State General Fund	$ 0	$ 250,000	$ 245,000	$ 5,000,000	$ 0	$ 5,000,000	$ 0
All Other Funds	55,582,567	41,393,178	41,366,423	28,309,389	32,460,217	27,862,441	31,012,814
TOTAL	$ 55,582,567	$ 41,643,178	$ 41,611,423	$ 33,309,389	$ 32,460,217	$ 32,862,441	$ 31,012,814
FTE Positions	17.0	13.0	13.0	13.0	13.0	13.0	13.0
Non-FTE Uncl. Perm. Pos.	22.0	21.0	21.0	21.0	21.0	21.0	21.0
TOTAL	39.0	34.0	34.0	34.0	34.0	34.0	34.0

The **agency** requests for the Business and Community Development Division operating expenditures for FY 2016 of $33.3 million, including $5.0 million from the State General Fund and $5.7 million from the Economic Development Initiative Fund (EDIF). The request is an all funds decrease of $8.3 million, or 20.0 percent, below the FY 2015 agency request and is due to a decrease in funding from EDIF and a shift in funding for the Affordable Airfare program. The request is an increase of $4.8 million, or 1,900.0 percent from the State General Fund and is largely attributable to a request to shift the funding source for the existing Affordable Airfare program, which has historically

been funded with transfers from other special revenue funds, to the State General Fund.

The request is broken down by categories of expenditures below.

- **Salaries and Wages** expenditures of $2.5 million, including $2.0 million from EDIF, to fund 13.0 FTE positions and 21.0 non-FTE unclassified positions, the same number of positions as the FY 2015 agency request. The request is an all funds decrease of $249,815, or 9.0 percent, and an EDIF decrease of $9,936 or 0.5 percent, from the FY 2015 agency request.

- **Contractual Services** expenditures of $997,305, including $15,000 from the State General Fund and $822,388 from EDIF. The request is an all funds decrease of $1.7 million, or 62.7 percent, State General Fund increase of $15,000, or 100.0 percent, and an EDIF decrease of $350,366, or 29.9 percent, from the FY 2015 agency request. This is largely due to a decrease in the agency operating grant from EDIF ($348,900) and a decrease in the Broadband Data Development program ($1.3 million).

- **Commodities** expenditures of $80,875, including $32,994 from EDIF. The request is a decrease in all funds of $46,602, or 36.6 percent, and an EDIF decrease of $350, or 1.0 percent, below the FY 2015 agency request. The all funds decrease reflects decreased expenditures in the Broadband Data Development program.

- **Capital Outlay** expenditures of $4,847, including $3,032 from EDIF. Capital Outlay expenditures are largely used for technology upgrades and computer replacements. All funds expenditures, all in EDIF, increased by $2,222, or 84.6 percent, above the FY 2015 agency request due to an increase in the agency operating grant from EDIF.

- **Aid to Locals** expenditures of $16.0 million, all from special revenue funds. The request is a decrease in all funds of $2.8 million, or 15.0 percent, from the FY 2015 agency request and is largely attributable to a decrease in the amount of funds received for the federal Community Development Block Grant.

- **Other Assist**ance expenditures of $13.7 million, including $5.0 million from the State General Fund and $2.9 million from EDIF. This request is a decrease in all funds of $3.5 million, or 20.6 percent, a State General Fund increase of $4.7 million, or 1894.0 percent, and an EDIF decrease of $3.7 million, or 55.8 percent, from the FY 2015 agency request. The changes are largely due to a request to shift the funding source for the existing Affordable Airfare program ($5.0 million) to the State General Fund. The program has historically been funded with transfers from special revenue funds. It also reflects an increase in the Rural Opportunity Zone program ($587,991) partially offset by a decrease in the Job Creation Program ($207,000). The EDIF reductions are largely attributable to a decrease in the Rural Opportunity Program ($3.3 million), agency operating grant from EDIF ($243,925)

and Medicaid Reform Incentive program ($171,797).The Governor concurs with the agency request for FY 2016 with the following exceptions.

- Reduction of $5.0 million in State General Fund offset by an increase of $4.0 million from the State Highway Fund for the Affordable Airfare program. The Governor's recommendation did not include the requested shift in funding source and decreased funding for the program by $1.0 million from the agency request.

- Addition of $100,000 from the EDIF for the Military Base Program.

- Addition of $500,000 from the EDIF for Public Broadcasting Grants due to the grants program transitioning from Department of Administration to the Department of Commerce.

- Reduction of $173,566 from the EDIF for the agency operating grant.

- Reduction of $22,738 to reduce employer contributions for state employee health insurance.

The **agency** requests for the Business and Community Development Division operating expenditures for FY 2017 of $32.9 million, including $5.0 million from the State General Fund and $5.8 million from Economic Development Initiative Fund (EDIF). The request is an all funds decrease of $446,948, or 1.3 percent below the FY 2016 agency request and is due to a decrease in funding from Community Development Block Grant and in expenditures for the Job Creation Program. The request reflects the request to shift the funding source for the existing Affordable Airfare program to the State General Fund. The program has historically been funded with transfers from other special revenue funds.

The request is broken down by categories of expenditures below.

- **Salaries and Wages** expenditures of $2.7 million, including $2.1 million from EDIF, to fund 13.0 FTE positions and 21.0 non-FTE unclassified positions, the same as the FY 2016 agency request. The request is an all funds increase of $118,388, or 4.7 percent, and an EDIF increase of $91,485 or 4.7 percent, from the FY 2016 agency request. The request also reflects an increase in salaries and wages due to the 27th payroll expenditures which occur in FY 2017.

- **Contractual Services** expenditures of $987,300, including $15,000 from the State General Fund and $812,383 from EDIF. The request is an all funds decrease of $10,005, or 1.0 percent, all from EDIF, from the FY 2016 agency request. This is largely due to a decrease in the agency operating grant from EDIF.

- **Commodities** expenditures of $80,875, including $32,994 from EDIF. The request is the same as the FY 2016 agency request.

- **Capital Outlay** expenditures of $4,625, including $2,810 from EDIF. Capital Outlay expenditures

are largely used for technology upgrades and computer replacements. All funds expenditures, all in EDIF, decreased by $222, or 4.6 percent, from the FY 2016 agency request due to a decrease in the agency operating grant from EDIF.

- **Aid to Locals** expenditures of $15.8 million, all from special revenue funds. The request is a decrease in all funds of $200,000, or 1.2 percent, below the FY 2016 agency request and is attributable to a decrease in the amount of funds received for the federal Community Development Block Grant.

- **Other Assistance** expenditures of $13.3 million, including $5.0 million from the State General Fund and $2.9 million from EDIF. This a decrease in all funds of $355,109, or 2.6 percent, and an EDIF decrease of $15,298, or 0.5 percent, from the FY 2016 agency request. The request reflects a request to shift the funding source for the existing Affordable Airfare program ($5.0 million) to the State General Fund. The program has historically been funded with transfers from special revenue funds. It also reflects an increase in the Rural Opportunity Zone program ($263,189) partially offset by a decrease in the Job Creation Program ($603,000). The EDIF reductions are largely attributable to a decrease in the Rural Opportunity Program ($11,211) and Creative Industries ($4,087).

The **Governor** concurs with the agency request for FY 2017 with the following exceptions.

- Reduction of $5.0 million in State General Fund offset by an increase of $3.0 million from the State Highway Fund for the Affordable Airfare program. The Governor's recommendation did not include the requested shift in funding source and decreased funding for the program by $2.0 million from the agency's request.

- Addition of $100,000 from the EDIF for the Military Base Program.

- Addition of $500,000 from the EDIF for Public Broadcasting Grants due to the grants program transitioning from Department of Administration to the Department of Commerce.

- Reduction of $173,566 from the EDIF for the agency operating grant.

- Reduction of $23,198 to reduce employer contributions for state employee health insurance.

C. Workforce Services

The Workforce Development Division implements the federal Workforce Investment Act of 1998. The Act identifies core indicators of performance that state and local areas will have to meet, including job placement rates, earnings, employment retention, skill increases, and credentials earned. State and local organizations will have flexibility to build on

existing reforms and tailor systems to meet the particular needs of individual communities. The Workforce Development Division links businesses, job-seekers, and educational institutions to ensure that Kansas employers can find well trained, job-specific employees.

The Workforce Development Division also operates America's Job Link Alliance (AJLA) which is a national information technology field center with functional direction provided by the National Association of State Workforce Agencies (NASWA). The center was founded in 1969 with funding from the United States Department of Labor to centralize the development of management information systems used within the federal/state employment security system. AJLA computer-based systems provide the means for the national workforce development community to serve job seekers and employers and to track and report on performance measures.

In addition, the revamped Innovation Growth program with its newly created steering committee, were moved into the Workforce Services Division to align with the other university initiatives managed through the joint efforts of Commerce and Kansas Board of Regents (KBOR).

The federally funded workforce development programs are delivered in part through workforce centers, some of which meet the definition of "one-stop" centers located across Kansas. The one-stop centers provide job candidates all necessary job search services in one location. All Kansans may access various labor exchange and assessment services free of charge. Qualified Kansans may access intensive training and related services. Services for Kansas employers include recruitment, assessment, testing and screening of qualified employees.

Partners in the centers include representatives from the Kansas Department of Children and Families for the TANF programs and the Kansas Department of Labor with Unemployment Insurance information. The one-stop workforce centers are divided into five different regions. The West Region has full time or part time staff located in Dodge City, Garden City, Great Bend, Hays, Hutchinson, Newton and Salina. The North East Region has locations in Junction City, Lawrence, Manhattan and Topeka. The Greater Kansas City Region Workforce Centers are in Kansas City, Leavenworth, and Overland Park. The South Central offices are located in Wichita and Butler and Cowley counties. Finally, the Southeast Region staff is in Chanute, Independence, Emporia, Paola and Pittsburg. There are a total of 22 full- or part-time locations across the state delivering services to Kansas job candidates and employers.

The major program administered by the Department of Commerce through field operations is the Wagner-Peyser program, which is focused on providing labor exchange services to help Kansas businesses find qualified workers and to help job candidates find quality employment opportunities. In addition, there are a number of federal programs that compliment this program.

The Department of Commerce is responsible for administration of labor exchange, labor recruitment, general assessment, testing, and screening services for employers and job seekers. The Local Workforce Investment Board establishes policy, eligibility guidelines, and provides the designated administrative entity with any guidance needed to ensure successful Workforce Investment Act (WIA) training program administration within the region. Commerce, the local board or its designated agents, and other partners work collaboratively within a one-stop environment to deliver these services to employers and job seekers.

The Workforce Development Division has two subprogram areas: Training Services and Employment Services.

Training Services

Registered Apprenticeship Program

Registered Apprenticeship is a structured system for training employees in a variety of occupations that require a wide range of skills and knowledge. It is an ideal way for employers to build and maintain a skilled workforce. It combines full-time employment, through on-the-job learning, under the supervision of experienced journey-level workers, and related technical instruction. The related instruction may be provided through community or technical colleges, correspondence, online, distance learning, contract vendors or apprenticeship training centers to both educate and develop business' and industries' workforce.

Competency and hybrid models have been developed to complement the traditional time-based apprenticeship models. In addition to broadening the flexibility for program sponsors, competency and hybrid Registered Apprenticeship models increase apprentices' opportunities for interim credentials and technology-based learning. Many Registered Apprenticeship programs now combine the ability to earn an associate's or higher degree (often paid for by the employer).

In fiscal year 2014, the Kansas Registered Apprenticeship program registered 613 new apprentices at an average starting wage of $14.57 per hour. Additionally, 13 new employers/program sponsors registered a program and 5 programs were renewed. There were 144 individuals who completed apprenticeships at an average wage of $27.65 per hour.

Early Childhood Associate Apprenticeship Program (ECAAP)

ECAAP, a Kansas Registered Apprenticeship Program, is a training model based on the skills and knowledge the early childhood industry needs from its employees. It combines RTI with planned, day-by-day training on the job under the supervision of a skilled worker. Apprentices start at a reasonable wage, determined by the employer. As their skills and value increase, so do their wages. ECAAP is a training model that gives the employer the opportunity to train workers in child care centers, preschools or group homes.

This program is funded with the state's Child Care and Development Block Grant funds and is administered through an interagency agreement between Commerce and the Kansas Department for Children and Family Services. In fiscal year 2014, ECAAP had 108 active apprentices in this two-year training program. The average wage for all apprentices is $8.98 per hour. ECAAP has 49 registered sponsors with 28 who had active apprentices during fiscal year 2014. There were 23 new apprentices registered in fiscal year 2014 with an average starting wage rate of $8.71 per hour. There were 5 program completers in fiscal year 2014 with an average completion wage rate of $11.54 per hour.

Kansas Industrial Training and Kansas Industrial Retraining (KIT & KIR) Programs

The KIT and KIR programs assist eligible employers, train workers for new jobs, and retrain existing workers who would otherwise be displaced because of obsolete job skills or knowledge. The KIT and KIR programs are funded through the Economic Development Initiatives Fund.

In fiscal year 2014, KIT and KIR combined to fund 90 projects involving 84 companies in 19 counties. Funding of these projects totaled $1,946,396. These funds leveraged $5,211,904 in private sector matching funds. Once training is complete, these projects will result in the training of 7,420 individuals. The KIT program will cover the training of 3,837 newly created jobs. Through the KIR program, 3,583 will be retrained and the positions retained.

Employment Services

Wagner-Peyser Act

For fiscal year 2014, Kansas received $5,526,029 from the U.S. Department of Labor to provide Wagner-Peyser services. The Wagner-Peyser Act establishes a national employment system to provide workforce services including assessment, testing, counseling, occupation and labor market information, referral to job openings, employment services for groups with special needs, and recruitment services and special technical services for employers. Customers seek services electronically or receive staff assistance by visiting a workforce center.

Although the Wagner-Peyser Act provides universal access to a full range of workforce services, it also mandates job search and placement services be provided specifically to unemployment insurance (UI) claimants. To focus resources on UI claimants most in need of assistance, the Worker Profiling Reemployment System (WPRS) identifies those with a greater than 50 percent probability of exhausting benefits prior to obtaining employment. It is the responsibility of Wagner-Peyser staff to schedule staff assisted reemployment services for identified claimants.

STAFF ASSISTED REEMPLOYMENT SERVICES
FY 2011 - FY 2013

Category of Service	FY 2012	FY 2013	FY 2014
Registered for Employment Services	187,874	214,477	211,561
Received Workforce Information	170,698	205,765	202,836
Received Staff Assisted Services	50,492	57,511	56,059
Referred to Employment	15,488	14,889	18,931
Entered Employment Rate	67.9 %	64.8 %	66.0 %
Employment Retention Rate (6 mo.)	84.4 %	84.0 %	84.5 %

Reemployment and Eligibility Assessment (REA)

A number of studies note that attention to claimants' efforts to find new jobs and awareness of their reemployment service needs will result in shorter claim durations and fewer erroneous payments by utilizing the REA program. The reemployment of UI claimants and the reduction of erroneous payments are high priorities for Kansas. The REA initiative addresses both these priorities. Kansas received an additional allocation of $273,174 in fiscal year 2014 to provide REA services through March 2015.

Providing reemployment services to UI claimants has gained even greater momentum in Kansas with the receipt of the REA grant awarded to the Kansas Department of Labor. Through a

memorandum of understanding, Commerce provides contractual staff to deliver workforce services to a minimum of 8,500 eligible claimants in Local Areas 2, 3, and 4.

Jobs for Veterans Grant

For fiscal year 2013, Commerce received $1,537,000, from the U.S. Department of Labor to administer the JVSG, in support of the Jobs for Veterans Act (JVA). This funding supports the State Veteran Services Manager, the Intensive Services Coordinator (ISC), the Local Veterans' Employment Representatives (LVER), and the Disabled Veterans Outreach Program (DVOP) Specialists. Some support services are also paid through this grant for the USDOL Director of Vets Service (DVET).

During fiscal year 2014, there were approximately 9,900 new veteran KANSASWORKS accounts created. Additionally, approximately 6,170 veterans received staff assisted services from veteran representatives, located across the state. The Veterans unemployment rate for the state of Kansas went from 10.5 percent in FY 2013, to 5.5 percent in FY 2014. Fiscal year 2014 Entered Employment Rate was approximately 60percent, and the Employment Retention Rate was approximately 82 percent. The JVSG program is striving to increase this activity by approximately 10 percent in FY 2015.

Migrant and Seasonal Farm Worker Services

Federal regulation mandates equitable levels of Wagner-Peyser services be provided to Migrant and Seasonal Farm Worker (MSFW) customers defined as follows:

- Migrant Farm Worker – During the preceding 12 months worked at least 25 or more days or parts of days in farm work; earned at least half of income from farm work; was not employed year round by the same employer; had to travel to the work and was unable to return to permanent residence the same day. Full-time students traveling with groups other than their families are excluded.

- Migrant Food Processing Worker – During the preceding 12 months worked at least 25 or more days in food processing; earned at least half of income from food processing work; was not employed year round by the same employer; had to travel to the work and was not able to return to permanent residence the same day. Full-time students traveling with groups other than their families are excluded.

- Seasonal Farm Worker – During the preceding 12 months worked at least 25 or more days or parts of days in farm work; earned at least half of income from farm work; and was not employed year round by the same employer. Full-time students are excluded.

Workforce centers provide outreach services by partnering with other agencies and volunteer workers to inform farm workers of services available. This outreach network is further supported by the State Monitor Advocate, who is an employee of the Department of Commerce. The State Monitor Advocate conducts on-site visits to ensure equitable levels of Wagner-Peyser services are provided to the farm worker community. Expenses incurred by the State Monitor Advocate to monitor compliance with federal regulations and maintain a centralized procedure to process complaints filed by or on behalf of MSFWs are funded through the regular Wagner-Peyser grant.

Foreign Labor Certification

Kansas receives funding from the USDOL to administer the Foreign Labor Certification (FLC) program. Commerce provides the following services for employers having difficulty finding qualified U.S. workers to fill job openings:

> ***H-2A visas*** are granted to foreign workers for temporary agricultural jobs. Commerce assists employers by posting their job orders on KANSASWORKS.com to recruit U.S. workers. During the recruitment process, it is the responsibility of Wagner-Peyser staff to conduct pre-occupancy safety and suitability inspections whenever housing is furnished by the employer. In fiscal year 2013, Commerce assisted 127 employers, posted 127 job orders, and inspected 169 housing units in all parts of the state. If the recruitment process reveals no U.S. workers are available or willing to take the job, and the employer-provided housing meets all safety standards, the Foreign Labor National Office provides the employer a certification permitting them to bring foreign workers into Kansas; and
>
> ***H-2B visas*** are granted to foreign workers for temporary low-skilled non-agricultural jobs such as construction, landscaping, painting, remodeling, and roofing. Commerce assists employers by posting their job orders on KANSASWORKS.

Kansas Employer Partner Incentive (KEPI)

Commerce was appropriated $450,000 from the Economic Development Initiative Fund (EDIF) for FY 2014 and FY 2015 to provide incentives to employers hiring individuals with qualifying disabilities. Kansas companies that hire qualified individuals with disabilities will receive a cash benefit of $1,500 per employee upon 90 days of stable employment and $1,500 once verification has been received that the individual has been retained or advanced in employment by the company for two years from the original hire date. This overall benefit of $3,000 is for employees hired on a full-time basis. Commerce and the Kansas Department of Children and Families have entered into a Memorandum of Understanding for the timely referral of eligible job seekers between the two agencies.

Older Kansans Employment Program (OKEP)

The Older Kansans Employment Program provides specialized training, career assessment, job-matching, and job search assistance to Kansans age 55 and older regardless of their income and facilitates the development of job opportunities for older Kansans in private industry. This funding is provided to Kansas' Area Agencies on Aging and other community-based organizations who administer the program on the agency's behalf. During fiscal year 2014, OKEP served a total of 1,916 participants and placed 1,151 into full-time or part-time private sector employment at an average wage of $9.71 an hour for an average of 24 hours per week, resulting in $13,418,418 in wages paid, or 53 times greater than the cost of the program.

Senior Community Services Employment Program (SCSEP)

The federal Senior Community Services Employment Program provides skills training through subsidized part-time employment to older Kansans who live at or below the poverty level. SCSEP served 98 participants, placing them in community organizations for training. Commerce paid $830,000 in federal aid payments contributing to case management, service delivery and participant wages while the participants completed on-the-job training.

Workforce Investment Act Services

The Workforce Investment Act of 1998 (WIA) provides the framework for a national workforce preparation and employment system designed to meet the needs of business and job candidates wishing to further their careers. The most important aspect of the law is its focus on providing easy access, information and services through a “One-Stop” system empowering customers to obtain training, education, and employment services at a single neighborhood location. This program is federally funded and is designed to serve targeted populations.

WIA services continue to improve the skills of Kansas workers. Through workforce centers and the well-established One-Stop system, local workforce investment boards and their partner agencies provided services to 190,425 adult participants, 1,475 dislocated worker participants and 1,654 youth participants in fiscal year 2014.

WIA Youth program projects continue to provide youth with opportunities to finish their education and receive employment training. In each of the five local areas, WIA-eligible youth are assisted through programs affiliated with Kansas’ public schools, community colleges, employer-operated training programs and programs located at the local youth providers training sites.

National Emergency Grants (NEG) are discretionary awards by the U.S. Secretary of Labor that temporarily expand service capacity at the state and local levels through time-limited funding assistance in response to significant dislocation events. Significant events are those that create a sudden need for assistance that cannot reasonably be expected to be accommodated within the ongoing operations of the formula-funded Dislocated Worker program, including the discretionary resources reserved at the state level. Kansas had one active NEG, the On the Job Training NEG with close-out activity on the grant through September 30, 2015.

Rapid Response Program

During the past year, the Department of Commerce received 38 Worker Adjustment Retraining Notification Act (WARN) notices impacting 4,297 workers and 26 non-WARN notices impacting 1,294 workers. Rapid Response is a proactive, business-focused, and flexible strategy designed to respond to layoffs and plant closings by quickly coordinating services and providing immediate aid to companies and their affected workers. Rapid Response services are available regardless of the size of the company impacted. The state Rapid Response Coordinator works closely with the five local area Rapid Response Coordinators to contact the companies, ensure timely response, and provide the best services possible to assist the workers in making a smooth transition to new employment.

Trade Adjustment Assistance Program

The Trade Adjustment Assistance (TAA) program provides training and re-employment services to U.S. workers who have lost their jobs as a result of foreign trade. The TAA program provides trade-affected workers with opportunities to obtain the skills, resources and support necessary to become re-employed. TAA offers a variety of benefits and services to support workers in their search for reemployment, which includes training, job search and relocation allowances, income support, and assistance with healthcare premium costs.

For FY 2014, Kansas has 12 petitions certified, including Textron Inc., Spirit Aerosystems, Inc., Quest Diagnostics, Apria Healthcare, LLC., and Learjet. Also during this time, Kansas served 897 TAA participants with 253 of them new to the program. Of these participants, 426 received training, 249 participated in RTAA and 355 were placed on waivers.

Work Opportunity Tax Credit Program

The Work Opportunity Tax Credit program (WOTC) encourages the hiring of targeted employees so they move from economic dependency into self-sufficiency as they earn a steady income and become contributing taxpayers. Participating employers receive compensation by reducing their federal income tax liability. For fiscal year 2014, Commerce received $177,425 from USDOL to carry out WOTC program activities.

In program year 2013, or fiscal year 2014, a total of 26,246 certification requests were received, resulting in 18,881 eligible for tax credits. This is a federal tax savings to Kansas businesses of almost $50 million. The largest number of workers certified as eligible were recipients of Supplemental Nutrition Assistance Program (SNAP), followed by Designated Community Residents, recipients of Temporary Assistance for Needy Families (TANF) and Ex-Felons.

Incumbent Worker Training Program

The Incumbent Worker Training program is funded by the Federal Workforce Investment Act (WIA) and administered by the Workforce Services Division within the Kansas Department of Commerce and the Local Workforce Investment Boards. The purpose of the program is to provide grants to employers to assist with certain expenses associated with skills upgrade training for full-time employees of the company. The grant amount is subject to availability of funds. Training must be for the purpose of averting layoffs, but should also be for the purpose of improving employee retention, increasing employee earning potential through the upgrade of skills and to assist in staying competitive.

Federal Bonding

The Federal Bonding program provides individual fidelity bonds to employers who hire job applicants who have been, or may be, denied coverage by commercial carriers. Job candidates benefit because they are provided a second chance to prove themselves as valuable employees. Employers benefit because they provide an avenue to hire skilled job candidates who might not be hired due to their ineligibility for bond coverage.

Kansas Health Profession Opportunity Project (KHPOP)

In fiscal 2014, $3,552,528 was made available through the Kansas Health Profession Opportunity Project grant to provide healthcare education, training and employment to 1,000 Temporary Assistance for Needy Families recipients, Supplemental Nutrition Assistance Program recipients and other low-income individuals. These services will reduce healthcare labor shortages and decrease total individuals receiving public assistance.

Kansas Disability Employment Initiative

Kansas was awarded a three-year Disability Employment Initiative grant in 2010. A partnership with the Cerebral Palsy Research Foundation, a non-profit organization in south central Kansas serving individuals with various disabilities, was finalized to expand adapted computer skills training in Wichita and to develop the training and classroom space within the Prairie Band Pottawatomie Nation. Two of the five Workforce Investment Areas hired a Disability Resource Coordinator to facilitate the implementation of the grant.

H-1B Technical Skills Training Grant

In November 2011, Commerce received nearly $5 million from the US Department of Labor Technical Skills Training Grant competition. Using H-1B user fees, rather than tax dollars, Commerce is providing funds to employers to help reduce the cost of training engineers on the job. Funds are available to employers which hire new, dislocated or otherwise unemployed engineers. The purpose of the grant is to encourage employers to hire American workers rather than use H-1B VISA holders to meet their talent needs. As of June 30, 2014, 137 engineers began on-the-job training with over 30 Kansas employers. Each employer is eligible to receive up to $25,000 per hire.

Second Chance Act Grant

In program year 2011, or fiscal year 2012, the Kansas Department of Corrections (KDOC) was awarded $894,304 through a Second Chance Act Grant from the U.S. Department of Justice to increase offender participation in job development and technical training. This grant funded a position at Commerce, called the Director of Alternative (Offender) Workforce Development, which serves as a bridge between KDOC, Commerce and the Kansas workforce system. This effort recognizes that offender population includes individuals who can become viable members of the workforce with the proper instruction and training

Although the original grant funding has concluded, the Kansas Department of Corrections has agreed to continue funding this position, through the State General Fund; additionally, this funding will be reduced by that percent of time the position works in conjunction with Barton Community College under its federal Department of Education PRSCEO Grant as well as by the percent of time supporting a Second Chance Act project supporting the training and transition of female offenders incarcerated at the Topeka Correctional Facility beginning on October 1, 2014.

WORKFORCE SERVICES
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 9,820,455	$ 10,513,554	$ 10,415,330	$ 11,187,945	$ 11,066,526	$ 11,618,747	$ 11,495,769
Contractual Services	6,677,531	4,397,072	4,397,072	5,903,580	5,903,580	5,892,742	5,892,742
Commodities	133,764	156,735	156,735	134,972	134,972	134,432	134,432
Capital Outlay	216,387	438,889	438,889	410,914	410,914	410,914	410,914
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 16,848,137	$ 15,506,250	$ 15,408,026	$ 17,637,411	$ 17,515,992	$ 18,056,835	$ 17,933,857
Aid to Local Units	45,036	700,000	700,000	0	0	0	0
Other Assistance	76,385,155	62,915,200	62,915,200	56,439,551	56,439,551	55,621,183	55,621,183
TOTAL	$ 93,278,328	$ 79,121,450	$ 79,023,226	$ 74,076,962	$ 73,955,543	$ 73,678,018	$ 73,555,040
Financing:							
State General Fund	$ 15,031,976	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	78,246,352	79,121,450	79023226	74,076,962	73,955,543	73,678,018	73,555,040
TOTAL	$ 93,278,328	$ 79,121,450	$ 79,023,226	$ 74,076,962	$ 73,955,543	$ 73,678,018	$ 73,555,040
FTE Positions	125.0	116.5	116.5	116.5	116.5	116.5	116.5
Non-FTE Uncl. Perm. Pos.	67.0	72.0	72.0	72.0	72.0	71.0	71.0
TOTAL	192.0	188.5	188.5	188.5	188.5	187.5	187.5

The **agency** requests for the Workforce Services Division operating expenditures for FY 2016 of $74.1 million, including $4.2 million from Economic Development Initiative Fund (EDIF). The request is an all funds decrease of $5.0 million, or 6.4 percent, below the FY 2015 agency request and is due to a decrease in funding from EDIF and the discontinuation of the Kansas Health Profession Opportunity program funding. It also reflects a decrease in expenditures for the Impact program, Job Training grants, and Dislocated Worker grants.

The request is broken down by categories of expenditures below.

- **Salaries and Wages** expenditures of $11.2 million, including $380,084 million from EDIF, to fund 116.5 FTE positions and 72.0 non-FTE unclassified positions, the same number of positions as the FY 2015 agency request. The

request is an all funds increase of $674,391, or 6.4 percent, and an EDIF increase of $98,492 or 35.0 percent, from the FY 2015 agency request.

- **Contractual Services** expenditures of $5.9 million, including $66,912 from EDIF. The request is an all funds increase of $1.5 million, or 34.3 percent, and an EDIF increase of $13,515 or 25.3 percent, above the FY 2015 agency request. This is largely due to an increase in Trade Adjustment Assistance ($2.4 million), partially offset by decreases in funding for WIA Pilots ($361,661) and Dislocated Worker Training ($347,064).

- **Commodities** expenditures of $134,972, including $966 from EDIF. The request is a decrease in all funds of $21,763, or 13.9 percent, and an EDIF decrease of $933, or 49.1 percent, from the FY 2015 agency request. The all funds increase reflects decreased funding in the Child Care Development Block Grant ($11,747), Veterans Assistance program ($4,350), and the Trade Adjustment Assistance program ($2,236).

- **Capital Outlay** expenditures of $410,914, including $550 from EDIF. Capital Outlay expenditures are largely used for technology upgrades and computer replacements. All funds expenditures decreased by $27,975, or 6.4 percent, below the FY 2015 agency request and are largely attributable to decreased expenditures of Wagner/Peyser federal funds.

- **Other Assistance** expenditures of $56.4 million, including $3.8 million from EDIF. This request is a decrease in all funds of $6.5 million, or 10.3 percent, and an EDIF decrease of $749,518, or 16.6 percent, from the FY 2015 agency request. This is largely attributable to decreases in the agency operating grant and the Medicaid Reform Employment Incentives funding from EDIF and decreased expenditures for Kansas Health Opportunities profession program ($3.3 million), Impact Program ($1.3 million) Job Training grants ($400,000), Trade Adjustment Assistance ($368,000), and WIA Dislocated Worker grants ($300,000).

The **Governor** concurs with the agency request for FY 2016 with the exception of a reduction of $121,419 to reduce employer contributions for state employee health insurance.

The **agency** requests for the Workforce Services Division operating expenditures for FY 2017 of $73.7 million, including $4.2 million from the Economic Development Initiative Fund (EDIF). The request is an all funds decrease of $398,944, or 0.5 percent, below the FY 2016 agency request and is due to a decrease in funding from EDIF and the continued phase-out of the Kansas Health Profession Opportunity program funding. It also reflects a decrease in expenditures for the Impact program, Job Training grants, and Dislocated Worker grants.

The request is broken down by categories of expenditures below.

- **Salaries and Wages** expenditures of $11.6 million, including $398,177 million from EDIF, to fund 116.5 FTE positions and 71.0 non-FTE unclassified positions, a decrease of 1.0 non-FTE unclassified position from the FY 2016 agency request. The request is an all funds increase of

$430,802, or 3.9 percent, and an EDIF increase of $18,093 or 4.8 percent, from the FY 2016 agency request. The request also reflects an increase in salaries and wages due to the 27th payroll expenditures which occur in FY 2017.

- **Contractual Services** expenditures of $5.9 million, including $66,911 million from EDIF. The request is an all funds decrease of $10,838, or 0.2 percent, below the FY 2016 agency request. This is largely due to a decrease in expenditures for the Kansas Health Profession Opportunity program ($11,142), partially offset by an increase in the Childcare Development Block Grant ($1,000).

- **Commodities** expenditures of $134,432, including $966 from EDIF. The request is a decrease in all funds of $540, or 0.4 percent, from the FY 2016 agency request. The all funds decrease reflects decreased expenditures for the Kansas Health Profession opportunity program ($540).

- **Capital Outlay** expenditures of $410,914, including $550 from EDIF, the same as the FY 2016 agency request. Capital Outlay expenditures are largely used for technology upgrades and computer replacements.

- **Other Assistance** expenditures of $55.6 million, including $3.8 million from EDIF. This request is a decrease in all funds of $818,368, or 1.4 percent, below the FY 2016 agency request. This is largely attributable to decreases in the agency operating grant from EDIF ($14,523) and decreased expenditures for Job Training grants ($800,000).

The **Governor** concurs with the agency request for FY 2017 with the exception of a reduction of $122,978 to reduce employer contributions for state employee health insurance.

CAPITAL IMPROVEMENTS

	Agency Est. FY 2015	Gov. Rec. FY 2015	Agency Req. FY 2016	Gov. Rec. FY 2016	Agency Req. FY 2017	Gov. Rec. FY 2017
Rehab and Repair:						
HVAC Duct Cleaning Project-TPKWFC	$ 20,000	$ 20,000	$ 0	$ 0	$ 0	$ 0
Carpet & Paint Improvement Project-SALWFC	24,000	24,000	0	0	0	0
Lighting Up-Grade Project-HAYSWFC	12,000	12,000	0	0	0	0
Carpet & Paint Improvement Project-HAYSWFC	20,000	20,000	0	0	0	0
Lighting Up-Grade Project-GCWFC	7,000	7,000	0	0	0	0
Carpet & Paint Improvement Project-DCWFC	17,000	17,000	0	0	0	0
Elevator #1 Improvement Project-TPKWFC	0	0	100,000	100,000	0	0
Re-Roof Project-SALWFC	0	0	0	0	32,000	32,000
Parking Lot Improvement Project #1-TPKWFC	0	0	0	0	20,000	20,000
HVAC Controls Project-TPKWFC	0	0	0	0	24,000	24,000
Int Doors & Hardware Replacement -TPKWFC	0	0	0	0	24,000	24,000
Debt Service Principal:						
Topeka Workforce	95,000	95,000	100,000	100,000	100,000	100,000
TOTAL	$ 195,000	$ 195,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000
Financing:						
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	195,000	195,000	200,000	200,000	200,000	200,000
TOTAL	$ 195,000	$ 195,000	$ 200,000	$ 200,000	$ 200,000	$ 200,000

Current Year Agency Estimate

FY 2015 – Current Year. The agency estimates FY 2015 Capital improvements expenditures of $195,000, all from special revenue funds, the same as the FY 2015 approved amount. The agency requests funding for the following projects.

Rehabilitation and Repair

The agency request $100,000 for repairs and rehabilitation for the agency's 27 Workforce Center Buildings.

HVAC Duct Cleaning - Topeka Workforce Center

Carpet & Paint Improvement - Salina Workforce Center

Lighting Upgrade - Hays Workforce Center

Carpet & Paint Improvement - Hays Workforce Center

Lighting Upgrade - Garden City Workforce Center

Carpet & Paint Improvement - Dodge City Workforce Center

Debt Service - Principal

The agency requests $95,000 for debt service principal payments for the Topeka Workforce Center.

Current Year Governor Recommendation

The **Governor** concurs with the agency's revised estimate.

Budget Year Agency Request

FY 2016 – Budget Year. The agency requests FY 2016 Capital improvements expenditures of $200,000, all from special revenue funds, an increase of $5,000 above the FY 2015 agency request. The agency requests funding for the following project.

Rehabilitation and Repair

The agency request $100,000 for repairs and rehabilitation for the Topeka Workforce Center Elevator #1 Improvement Project.

Debt Service - Principal

The agency requests $100,000 for debt service principal payments for the Topeka Workforce Center.

Budget Year Governor Recommendation

The **Governor** concurs with the agency request.

Budget Year Agency Request

FY 2017– Budget Year. The agency requests FY 2017 Capital improvements expenditures of $200,000, all from special revenue funds, the same as the FY 2016 agency request. The agency requests funding for the following project.

Rehabilitation and Repair

The agency requests $100,000 for repairs and rehabilitation for the agency's 27 Workforce Center Buildings.

- Re-Roof - Salina Workforce Center.
- Parking Lot Improvement - Topeka Workforce Center.
- HVAC Controls - Topeka Workforce Center
- Interior Doors Replacement - Topeka Workforce Center

Budget Year Governor Recommendation

The **Governor** concurs with the agency request.

Debt Service - Principal

The agency requests $100,000 for debt service principal payments for the Topeka Workforce Center.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Events sanctioned by the Athletic Commission	107	54	60	66	72
Number of fighters, promoters, referees, judges, and doctors certified	1,400	607	670	737	811
Jobs created or retained through Business and Community Development Programs	11,000	11,779	11,000	11,000	11,000
Capital investments resulting through Business and Community Development Programs (in billions)	$1.2	$1.2	$1.2	$1.2	$1.2
Rural opportunity zones applications	490	767	960	1,000	1,100
Individuals trained through Workforce Services	27,231	34,489	37,938	41,732	45,906
Jobs created or retained through Workforce Services	18,399	12,006	13,207	14,528	15,981

Kansas Corporation Commission

	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	20,780,937	20,881,579	20,740,429	22,482,569	22,388,772	22,380,217	22,281,401
TOTAL	$ 20,780,937	$ 20,881,579	$ 20,740,429	$ 22,482,569	$ 22,388,772	$ 22,380,217	$ 22,281,401
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	**$ 20,780,937**	**$ 20,881,579**	**$ 20,740,429**	**$ 22,482,569**	**$ 22,388,772**	**$ 22,380,217**	**$ 22,281,401**
Percentage Change:							
Operating Expenditures							
State General Fund	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
All Funds	(2.8)	0.5	(0.2)	7.7	7.9	(0.5)	(0.5)
FTE Positions	199.0	199.0	199.0	197.0	197.0	197.0	197.0
Non-FTE Perm.Uncl.Pos.	5.5	5.5	5.5	6.5	6.5	6.5	6.5
TOTAL	204.5	204.5	204.5	203.5	203.5	203.5	203.5

The State Corporation Commission, commonly known as the Kansas Corporation Commission (KCC), is responsible for regulating and overseeing the safety of public utilities, common carriers, motor carriers, and oil and gas producers. Further, the agency is involved in developing the state's energy policy and administers conservation projects that promote the efficient use of energy. To carry out the agency's mission, the Commission is divided into five programs: Administrative Services, Utilities, Conservation, Transportation, and Energy. The Commission's main office is in Topeka, with field offices in Wichita, where the Conservation Division is based, Chanute, Dodge City, and Hays.

The Commission consists of three members appointed by the Governor and confirmed by the Senate, who serve four-year, overlapping terms. No more than two commissioners may be of the same political party.

MAJOR ISSUES FROM PRIOR YEARS

The **2009 Legislature** approved Senate Sub. for HB 2032, the Kansas Surface Owner Notice Act, which ensures that surface owners receive notice when a request for an intent-to-drill permit is filed with respect to their property. Under this act, notice is also required when a notice of transfer of operator for wells, gas gathering systems, and underground porosity storage is filed and when an oil or gas operator files notice to plug and abandon a well. The Commission has the authority to adopt rules and regulations to carry out this act and also serves as an intermediary between the surface owner and the applicant.

The 2009 Legislature also approved Senate Sub. for HB 2369, which, among other things, required electric public utilities, except municipally owned electric utilities, to generate or purchase specified amounts of electricity generated from renewable resources. Pursuant to the bill, the Commission has broad authority to adopt rules and regulations implementing and enforcing this requirement. The bill also required investor-owned electric utilities to make net metering available to customer-generators under certain circumstances, and required the Commission to adopt rules and regulations relevant to that part of the bill. Further, according to the bill, the Commission must dedicate funding to developing and increasing participation of school districts and local governments in its Facility Conservation Improvement Program. Finally, the bill allowed large electric cooperatives to remove themselves from the Commission's regulatory jurisdiction regarding rates.

The **2010 Legislature** approved HB 2418, which amended provisions of the Carbon Dioxide Reduction Act regarding the liability of the State. Under the bill, except as permitted by the Kansas Tort Claims Act, no provision of the Carbon Reduction Act shall impose on the KCC, any of its employees, or the State of Kansas any liability for the underground storage of KCC's carbon dioxide or the maintenance of any carbon dioxide well or underground carbon dioxide storage. Additionally, the bill provided that the KCC is not prohibited from plugging, replugging, repairing, or remediation of any carbon dioxide injection well or underground storage in an emergency.

The 2010 Legislature also approved HB 2485, which increased from 12 to 18 months the time the KCC has to verify that a motor carrier is in compliance with all applicable

requirements, after the agency has first authorized the carrier to operate in Kansas. This bill ensures that Kansas' safety compliance program reflects federal guidelines.

The **2011 Legislature** added language to provide that the fines and penalties associated with the civil assessment program be deposited directly into the State General Fund. The agency estimates that it will collect $766,499 in fines and penalties associated with the civil assessment program for FY 2012. The Legislature added language reducing the transfer from the Kansas Corporation Commission's Motor Carrier Fee Fund to the Kansas Highway Patrol's Motor Carrier Safety Assistance Program State Fund from $1.3 million to $533,501, for FY 2012.

The **2012 Legislature** approved HB 2526, which gives the KCC explicit authority to regulate hydraulic fracturing. The 2012 Legislature also approved HB 2597, which gives solid waste permit exemptions allowing land-spreading of oil and gas drilling waste. KCC is to administer the program, monitor compliance, and establish mechanisms for enforcement and remedial action relating to land-spreading.

The 2012 Legislature also eliminated 7.9 FTE and 2.0 non-FTE positions, and deleted $17,493, all from special revenue funds, to reduce longevity payments. The Legislature also deleted $24,341, all from special revenue funds, to suspend all employer contributions to the Kansas Public Employees Retirement System (KPERS) Group Insurance Fund, or Death and Disability Fund, for a three-month period, beginning April 1, 2013 and ending on June 30, 2013.

The **2013 Legislature** added language to deposit all fines and penalties associated with the Public Service Regulation Fund, the Conservation Fee Fund, and the Motor Carrier Fee Fund into the State General Fund for FY 2014 and FY 2015. The combined total of these fines and penalties is estimated to be $1.4 million in each fiscal year.

Finally, the 2013 Legislature also approved HB 2201, which made several changes to utilities regulation statutes, including: created the Telecommunications Study Committee, further deregulated telecommunications providers, made changes to distributions from the Kansas Universal Service Fund, and allowed the Board of Regents to charge fees for service provided by the KAN-ED program.

In FY 2014, the Corporation Commission eliminated 7.0 FTE positions in the agency Energy Division and reduced expenditures by $549,918 due to elimination of federal aid to local units of government.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests $20.9 million, all from special revenue funds, in FY 2015. This estimate is the same as the amount approved by the 2014 Legislature. The agency request includes 199.0 FTE positions, and 5.5 non-FTE unclassified positions which is an increase of 1.0 FTE position and a decrease of 1.0 non-FTE position from the FY 2015 approved amount.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of $20.7 million, all from special revenue funds. The recommendation is a decrease of $141,150, all from special revenue funds, below the agency request as a result of the Governor's allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. This allotment will have no impact on agency operations, but is reflective of a reduction in expenditures.

FY 2016 Agency Request

The **agency** requests $22.5 million, all from special revenue funds, for FY 2016. This is an increase of $1.6 million, or 7.7 percent, above the FY 2015 agency request. The increase is largely attributable to the agency indicating the need for a server failover system arising from an information technology security audit, vehicle purchases, and the development of the Kansas Trucking Regulatory Assistance Network (KTRAN). The agency request includes 197.0 FTE positions and 6.5 non-FTE positions, a decrease of 2.0 FTE positions and an increase of 1.0 non-FTE position from the FY 2015 request.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $22.5 million, all from special revenue funds. The recommendation is an all funds decrease of $93,797, all from special revenue funds, below the agency request. This decrease is attributable to a reduction in employer contributions for state employee health insurance ($168,797) offset in part by an increase in contractual service expenditures due to a recommended transfer to the Kansas Electric Transmission Authority ($75,000). Additionally, the Governor recommends a one-time transfer of $1.0 million from the Conservation Fee Fund to the State General Fund.

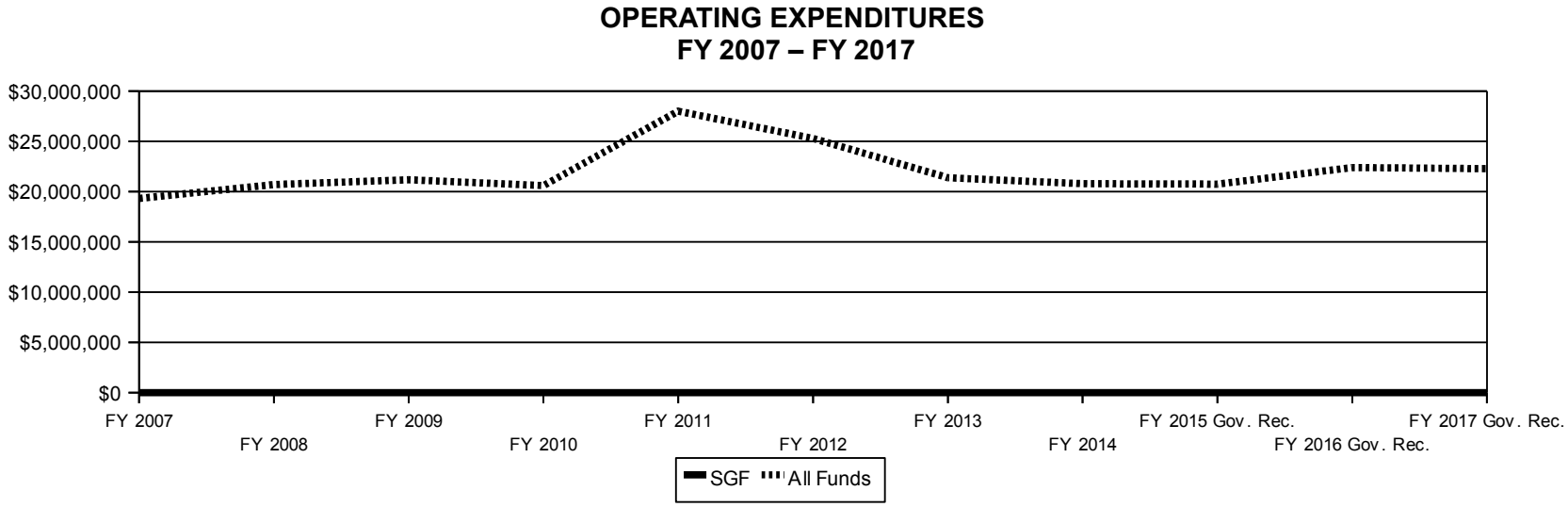
FY 2017 Agency Request

The **agency** requests $22.4 million, all from special revenue funds, for FY 2017. This is a decrease of $102,352, or 0.5 percent, below the FY 2016 agency request. The decrease is attributable to decreased expenditures on well plugging, offset in part by increased salaries and wages due to expenses from the 27th pay period that exists in FY 2017 for all state agencies. The agency request includes 197.0 FTE positions and 6.5 non-FTE positions, which is no change from the FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $22.3 million, a reduction of $98,816, all from special revenue funds, below the agency request. This decrease is attributable to a reduction in employer contributions for state employee health insurance ($173,816) offset in part by an increase in contractual services expenditures due to a recommended transfer to the Kansas Electric Transmission Authority ($75,000).

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	0.0 %	$ 19,314,560	0.4 %	214.0
2008	0	0.0	20,696,626	7.2	214.0
2009	0	0.0	21,171,620	2.3	214.0
2010	0	0.0	20,599,697	(2.7)	214.0
2011	0	0.0	27,997,186	35.9	214.0
2012	0	0.0	25,292,742	(9.7)	212.0
2013	0	0.0	21,379,117	(15.5)	205.0
2014	0	0.0	20,780,937	(2.8)	199.0
2015 Gov. Rec.	0	0.0	20,740,429	(0.2)	199.0
2016 Gov. Rec.	0	0.0	22,388,772	7.9	197.0
2017 Gov. Rec.	0	0.0	22,281,401	(0.5)	197.0
Eleven-Year Change	$ 0	0.0 %	$ 2,966,841	15.4 %	(17.0)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 5,647,457	$ 5,714,158	$ 6,298,365	$ 584,207	10.2 %	$ 5,671,729	$ 6,253,379	$ 581,650	10.3 %
Utilities	3,114,027	3,490,829	3,812,021	321,192	9.2	3,464,773	3,782,767	317,994	9.2
Conservation	10,163,987	9,310,673	10,054,623	743,950	8.0	9,253,241	9,979,178	725,937	7.8
Transportation	1,211,987	1,560,027	1,562,409	2,382	0.2	1,550,370	1,548,995	(1,375)	(0.1)
Energy Programs	643,479	805,892	755,151	(50,741)	(6.3)	800,316	824,453	24,137	3.0
TOTAL	$ 20,780,937	$ 20,881,579	$ 22,482,569	$ 1,600,990	7.7 %	$ 20,740,429	$ 22,388,772	$ 1,648,343	7.9 %
By Major Object of Expenditure:									
Salaries and Wages	$ 13,792,408	$ 14,383,063	$ 15,371,665	$ 988,602	6.9 %	$ 14,241,913	$ 15,202,868	$ 960,955	6.7 %
Contractual Services	6,118,177	5,809,145	5,899,643	90,498	1.6	5,809,145	5,974,643	165,498	2.8
Commodities	400,086	398,950	421,550	22,600	5.7	398,950	421,550	22,600	5.7
Capital Outlay	407,237	262,960	789,711	526,751	200.3	262,960	789,711	526,751	200.3
Debt Service	0	0	0	0	0.0	0	0	0	0.0
Subtotal - Operations	$ 20,717,908	$ 20,854,118	$ 22,482,569	$ 1,628,451	7.8 %	$ 20,712,968	$ 22,388,772	$ 1,675,804	8.1 %
Aid to Local Units	750	0	0	0	0.0	0	0	0	0.0
Other Assistance	62,279	27,461	0	(27,461)	(100.0)	27,461	0	(27,461)	(100.0)
TOTAL	$ 20,780,937	$ 20,881,579	$ 22,482,569	$ 1,600,990	7.7 %	$ 20,740,429	$ 22,388,772	$ 1,648,343	7.9 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	0.0 %	$ 0	$ 0	$ 0	0.0 %
Public Service Regulation Fund	6,868,025	7,151,116	7,715,451	564,335	7.9	7,097,944	7,659,007	561,063	7.9
Conservation Fee Fund	7,720,450	7,834,286	8,512,080	677,794	8.7	7,775,118	8,435,774	660,656	8.5
Abandoned Oil & Gas Well Fund	2,766,866	1,853,917	1,978,900	124,983	6.7	1,853,917	1,978,900	124,983	6.7
Motor Carrier License Fee Fund	1,910,459	2,069,285	2,151,548	82,263	4.0	2,053,628	2,133,635	80,007	3.9
All Other Funds	1,515,137	1,972,975	2,124,590	151,615	7.7	1,959,822	2,181,456	221,634	11.3
TOTAL	$ 20,780,937	$ 20,881,579	$ 22,482,569	$ 1,600,990	7.7 %	$ 20,740,429	$ 22,388,772	$ 1,648,343	7.9 %

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	$ 6,298,365	$ 6,404,582	$ 106,217	1.7 %	$ 6,253,379	$ 6,356,187	$ 102,808	1.6 %
Utilities	3,812,021	3,934,239	122,218	3.2	3,782,767	3,904,675	121,908	3.2
Conservation	10,054,623	9,695,655	(358,968)	(3.6)	9,979,178	9,619,018	(360,160)	(3.6)
Transportation	1,562,409	1,570,113	7,704	0.5	1,548,995	1,556,430	7,435	0.5
Energy Programs	755,151	775,628	20,477	2.7	824,453	845,091	20,638	2.5
TOTAL	$ 22,482,569	$ 22,380,217	$ (102,352)	(0.5) %	$ 22,388,772	$ 22,281,401	$ (107,371)	(0.5)%
By Major Object of Expenditure:								
Salaries and Wages	$ 15,371,665	$ 16,053,428	$ 681,763	4.4 %	$ 15,202,868	$ 15,879,612	$ 676,744	4.5 %
Contractual Services	5,899,643	5,463,055	(436,588)	(7.4)	5,974,643	5,538,055	(436,588)	(7.3)
Commodities	421,550	420,250	(1,300)	(0.3)	421,550	420,250	(1,300)	(0.3)
Capital Outlay	789,711	443,484	(346,227)	(43.8)	789,711	443,484	(346,227)	(43.8)
Debt Service	0	0	0	0.0	0	0	0	0.0
Subtotal - Operations	$ 22,482,569	$ 22,380,217	$ (102,352)	(0.5) %	$ 22,388,772	$ 22,281,401	$ (107,371)	(0.5)%
Aid to Local Units	0	0	0	0.0	0	0	0	0.0
Other Assistance	0	0	0	0.0	0	0	0	0.0
TOTAL	$ 22,482,569	$ 22,380,217	$ (102,352)	(0.5) %	$ 22,388,772	$ 22,281,401	$ (107,371)	(0.5)%
Financing:								
State General Fund	$ 0	$ 0	$ 0	0.0 %	$ 0	$ 0	$ 0	0.0 %
Public Service Regulation Fund	7,715,451	7,956,078	240,627	3.1	7,659,007	7,896,980	237,973	3.1
Conservation Fee Fund	8,512,080	8,561,772	49,692	0.6	8,435,774	8,483,923	48,149	0.6
Abandoned Oil & Gas Well Fund	1,978,900	1,565,512	(413,388)	(20.9)	1,978,900	1,565,512	(413,388)	(20.9)
Motor Carrier License Fee Fund	2,151,548	2,329,430	177,882	8.3	2,133,635	2,310,907	177,272	8.3
All Other Funds	2,124,590	1,967,425	(157,165)	(7.4)	2,181,456	2,024,079	(157,377)	(7.2)
TOTAL	$ 22,482,569	$ 22,380,217	$ (102,352)	(0.5) %	$ 22,388,772	$ 22,281,401	$ (107,371)	(0.5)%

A. FY 2015 – Current Year

Adjustments to Approved All Funds Budget

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	20,881,579	20,881,579	0	20,740,429	(141,150)
TOTAL	$ 20,881,579	$ 20,881,579	$ 0	$ 20,740,429	$ (141,150)
FTE Positions	198.0	199.0	1.0	199.0	1.0

The **agency** requests FY 2015 expenditures of $20,881,579, all from special revenue funds, which is the same as the amount approved by the 2014 Legislature. This request includes 199.0 FTE positions, and 5.5 Non-FTE unclassified positions, which is an increase of 1.0 FTE position above the approved amount and a corresponding decrease of 1.0 Non-FTE position.

The **Governor** concurs with the agency's request in FY 2015 and further recommends a reduction of $141,150, all from special revenue funds, as a result of the Governor's allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. This recommended allotment will have no impact on agency operations, but is reflective of a reduction in expenditures.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 22,482,569	$ 22,388,772	$ (93,797)
FTE Positions	197.0	197.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	1,600,990	1,648,343	
TOTAL	$ 1,600,990	$ 1,648,343	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	7.7	7.9	
TOTAL	7.7 %	7.9 %	
Change in FTE Positions	(2.0)	(2.0)	

The **agency** requests FY 2016 expenditures of $22.5 million, all from special revenue funds, an increase of $1.6 million, or 7.7 percent, above the agency's FY 2015 request. The requested increase is largely attributable to increases in salaries and wages and capital outlay expenditures. The agency's request includes a decrease of 2.0 FTE positions below the FY 2015 approved amount.

- **Salaries and Wages.** The agency requests FY 2016 expenditures of $15.4 million for salaries and wages, an increase of $988,602, or 6.9 percent, above the agency's FY 2015 request. The increase is largely due to the agency budgeting shrinkage at zero percent, a difference of $583,091. The other large categories with increases are employer contributions

for employee group health insurance and retirement of $245,824 and $154,078 respectively.

- **Capital Outlay.** The agency requests FY 2016 expenditures of $789,711 for capital outlay, an increase of $526,751, or 200.3 percent, above the agency's FY 2015 request. The increase is attributable to the request to purchase 10 trucks for a variety of field work in multiple programs, and a server failover system as recommended by an information technology security audit.

The **Governor** concurs with the agency's request for FY 2016 and further recommends a reduction of $93,797, all from special revenue funds. This decrease is attributable to a reduction in employer contributions for state employee health insurance ($168,797) offset in part by an increase in contractual service expenditures due to a recommended transfer to the Kansas Electric Transmission Authority ($75,000). Additionally, the Governor recommends a one-time transfer of $1.0 million from the Conservation Fee Fund to the State General Fund.

Enhancements Detail

FY 2016 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Server Failover System	$ 0	$ 232,600	0.0	$ 0	$ 232,600	0.0
TOTAL	**$ 0**	**$ 232,600**	**0.0**	**$ 0**	**$ 232,600**	**0.0**

The **agency** requests a FY 2016 enhancement package of $232,600 for a server failover system as recommended by an information technology security audit. The system would be housed off-site and would allow the agency to continue operations in the event of an outage at the main office.

The **Governor** concurs with the agency's requested enhancement for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 22,380,217	$ 22,281,401	$ (98,816)
FTE Positions	197.0	197.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	(102,352)	(107,371)	
TOTAL	$ (102,352)	$ (107,371)	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	(0.5)	(0.5)	
TOTAL	(0.5) %	(0.5) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 expenditures of $22.4 million, all from special revenue funds, a decrease of $102,352, or 0.5 percent, below the agency's FY 2016 request.

The requested amount includes increases in salaries and wages and decreases in contractual services and capital outlay.

The agency's request includes 197.0 FTE positions and 6.5 Non-FTE positions, which is the same as the agency's FY 2016 request.

- **Salaries and Wages.** The agency requests FY 2017 salary and wage expenditures of $16.1 million, an increase of $681,763, or 4.4 percent, above the agency's FY 2016 request. This increase is largely

attributable to expenses associated with the additional 27th pay period which occurs for all agencies in FY 2017.

- **Contractual Services.** The agency request FY 2017 contractual service expenditures of $5.5 million, a decrease of $436,588, or 7.4 percent, below the agency's FY 2016 request. The decrease is attributable entirely to decreased expenditures for well plugging.

- **Capital Outlay.** The agency requests FY 2017 capital outlay expenditures of $443,484, a decrease of $346,227, or 43.8 percent, below the agency's FY 2016 request. These decreases are attributable to the one-time expenditure of a server failover system in FY 2016 and decreased expenditures on truck replacements, offset in part by increased expenditures for vehicle replacements.

The **Governor** concurs with the agency's request for FY 2017 and further recommends a reduction of $98,816, all from special revenue funds. This decrease is attributable to a reduction in employer contributions for state employee health insurance ($173,816) offset in part by an increase in contractual services expenditures due to a recommended transfer to the Kansas Electric Transmission Authority ($75,000).

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 $55,384, all from special revenue funds, and affects 178 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 $70,400, all from special revenue funds, and FY 2017 longevity payments total $75,840, 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 $168,797, all from special revenue funds for FY 2016. This is a reduction of $173,816, 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 %
Public Service Regulation Fund	34.2	34.2	35.5	35.4
Conservation Fee Fund	37.5	37.7	38.3	38.1
Abandoned Oil and Gas Well Fund	8.9	8.8	7.0	7.0
Motor Carrier License Fee Fund	9.9	9.5	10.4	10.4
All Other Funds	9.4	9.7	8.8	9.1
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

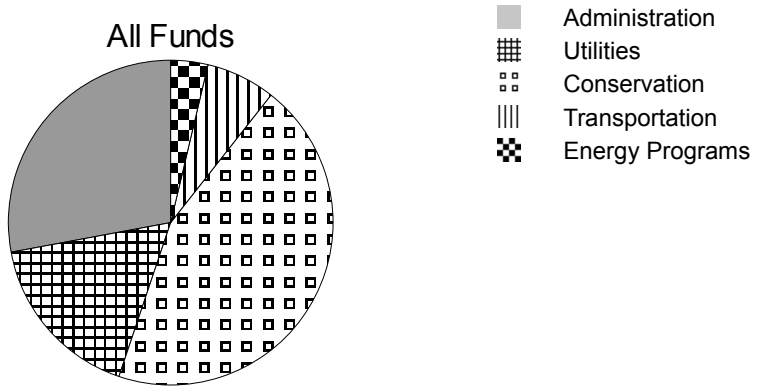
Note: Percentages may not add due to rounding.

Conservation Fee Fund

The Conservation Fee Fund provides administration of operations and oversight of oil and gas activities. It is funded by assessments and fees on the petroleum industry.

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	$ 7,185,979	$ 7,765,503	$ 7,765,503	$ 7,675,913	$ 7,735,081	$ 7,244,188	$ 6,279,662
Revenue	8,699,974	8,144,696	8,144,696	8,480,355	8,480,355	8,420,034	8,420,034
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 15,885,953	$ 15,910,199	$ 15,910,199	$ 16,156,268	$ 16,215,436	$ 15,664,222	$ 14,699,696
Less: Expenditures	7,720,450	7,834,286	7,775,118	8,512,080	8,435,774	8,561,772	8,483,923
Transfers Out	400,000	400,000	400,000	400,000	1,500,000	400,000	500,000
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 7,765,503	$ 7,675,913	$ 7,735,081	$ 7,244,188	$ 6,279,662	$ 6,702,450	$ 5,715,773
Ending Balance as Percent of Expenditures	100.6%	98.0%	99.5%	85.1%	74.4%	78.3%	67.4%

EXPENDITURES BY PROGRAM—GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	$ 6,253,379	27.9 %	$ 0	0.0 %
Utilities	3,782,767	16.9	0	0.0
Conservation	9,979,178	44.6	0	0.0
Transportation	1,548,995	6.9	0	0.0
Energy Programs	824,453	3.7	0	0.0
TOTAL	$ 22,388,772	100.0 %	$ 0	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	59.0	59.0	59.0	58.0	58.0	58.0	58.0
Utilities	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Conservation	85.0	85.0	85.0	84.0	84.0	84.0	84.0
Transportation	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Energy Programs	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	199.0	199.0	199.0	197.0	197.0	197.0	197.0

A. Administration

The Office of the Commission consists of the three Commissioners, Executive Director (Secretary), and the General Counsel. The Administrative Division is comprised of the following sections: The Front Office; Litigation and Advisory; Public Affairs and Consumer Protection; Human Resource Services; Information Technology Services; Docket Room/Legislative and Compliance; and Fiscal Management and Support Services.

ADMINISTRATION PROGRAM
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 4,236,247	$ 4,380,060	$ 4,337,631	$ 4,702,241	$ 4,657,255	$ 4,911,452	$ 4,863,057
Contractual Services	1,273,979	1,251,118	1,251,118	1,393,330	1,393,330	1,398,930	1,398,930
Commodities	35,199	38,200	38,200	41,000	41,000	41,000	41,000
Capital Outlay	81,022	27,552	27,552	161,794	161,794	53,200	53,200
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 5,626,447	$ 5,696,930	$ 5,654,501	$ 6,298,365	$ 6,253,379	$ 6,404,582	$ 6,356,187
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	21,010	17,228	17,228	0	0	0	0
TOTAL	$ 5,647,457	$ 5,714,158	$ 5,671,729	$ 6,298,365	$ 6,253,379	$ 6,404,582	$ 6,356,187
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	5,647,457	5,714,158	5,671,729	6,298,365	6,253,379	6,404,582	6,356,187
TOTAL	$ 5,647,457	$ 5,714,158	$ 5,671,729	$ 6,298,365	$ 6,253,379	$ 6,404,582	$ 6,356,187
FTE Positions	59.0	59.0	59.0	58.0	58.0	58.0	58.0
Non-FTE Uncl. Perm. Pos.	0.5	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL	59.5	59.5	59.5	58.5	58.5	58.5	58.5

The **agency** requests expenditures of $6.3 million, all from special revenue funds, for the Administration program for FY 2016. This request is an increase of $584,207, or 10.2 percent, above the FY 2015 requested amount. The request includes increases in salaries and wages, contractual services, and capital outlay.

- **Salaries and Wages.** The agency requests $4.7 million for salaries and wages in the Administration program for FY 2016. This amount is an increase of $322,181, or 7.4 percent, above the FY 2015 request. This increase is attributable to budgeting shrinkage at zero percent and increases to group health hospitalization and retirement.

- **Contractual Services.** The agency requests $1.4 million for contractual services in the Administration program for FY 2016, an increase of $142,212, or 11.4 percent, above the FY 2015 request. This increase is largely due to increases in expenditures on attorneys arising from two anticipated rate cases.

- **Capital Outlay.** The agency requests $161,794 for capital outlay in the Administration program for FY 2016, an increase of $134,242, or 487.2 percent, above the FY 2015 request. This increase is attributable to the server failover system recommended by an IT security audit and software upgrades.

The **Governor** concurs with the agency's request and further recommends a reduction of $44,986, all from special revenue funds, to reduce employer contributions for state employee health insurance.

The **agency** requests expenditures of $6.4 million, all from special revenue funds, for the Administration program for FY 2017. This request is an increase of $106,217, or 1.7 percent, above the requested amount in FY 2016. The request includes an increase in salaries and wages, which is offset in part by decreases in capital outlay.

- **Salaries and Wages.** The agency requests $4.9 million for salaries and wages in the Administration program for FY 2017. This amount is an increase of $209,211, or 4.4 percent, above the FY 2016 request. This increase is attributable to expenses associated with the additional pay period that exists in FY 2017 for all state employees.

- **Capital Outlay.** The agency requests $53,200 for capital outlay in the Administration program for FY 2017, a decrease of $108,594, or 67.1 percent, below the FY 2016 request. This decrease is due to one-time expense of the server failover system in FY 2016.

The **Governor** concurs with the agency's request and further recommends a reduction of $48,395, all from special revenue funds, to reduce employer contributions for state employee health insurance.

B. Utilities

The Utilities Division is responsible for administering the regulations and statutes applicable to utilities under the Commission's jurisdiction, including electric, natural gas, telephone, liquid pipelines, and water utilities. It also regulates rates and other aspects of utility operations.

The primary responsibility of the Utilities Division is to make recommendations to the Commission concerning the fairness of utility rates and tariffs, as well as the efficiency and sufficiency of utility services and operations. The Utilities program has five subprograms: Accounting, Economics and Rates, Energy Operations, Pipeline Safety, and Telecommunications.

UTILITIES PROGRAM
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 2,520,717	$ 2,627,133	$ 2,601,077	$ 2,904,623	$ 2,875,369	$ 3,033,144	$ 3,003,580
Contractual Services	516,874	778,495	778,495	765,750	765,750	767,750	767,750
Commodities	34,299	40,300	40,300	44,600	44,600	43,300	43,300
Capital Outlay	30,013	34,668	34,668	97,048	97,048	90,045	90,045
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 3,101,903	$ 3,480,596	$ 3,454,540	$ 3,812,021	$ 3,782,767	$ 3,934,239	$ 3,904,675
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	12,124	10,233	10,233	0	0	0	0
TOTAL	$ 3,114,027	$ 3,490,829	$ 3,464,773	$ 3,812,021	$ 3,782,767	$ 3,934,239	$ 3,904,675
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	3,114,027	3,490,829	3,464,773	3,812,021	3,782,767	3,934,239	3,904,675
TOTAL	$ 3,114,027	$ 3,490,829	$ 3,464,773	$ 3,812,021	$ 3,782,767	$ 3,934,239	$ 3,904,675
FTE Positions	36.0	36.0	36.0	36.0	36.0	36.0	36.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	1.0	1.0	1.0	1.0
TOTAL	36.0	36.0	36.0	37.0	37.0	37.0	37.0

The **agency** requests $3.8 million, all from special revenue funds, for the Utilities program for FY 2016. This request is an increase of $331,425, or 9.2 percent, above the FY 2015 requested amount. The request includes increases in salaries and wages and capital outlay.

- **Salaries and Wages.** The agency requests $2.9 million for salaries and wages in the Utilities program for FY 2016, an increase of $277,490, or 10.6 percent, above the FY 2015 request. This increase is largely due to budgeting shrinkage at zero percent, as well as increases to unclassified temporary salaries, group health hospitalization, and retirement expenditures.

- **Capital Outlay**. The agency requests $97,048 for capital outlay in the Utilities program for FY 2016, an increase of $62,380, or 179.9 percent, above the FY 2015 request. This increase is attributable to the server failover system recommended by an IT security audit and software upgrades.

The **Governor** concurs with the agency's request and further recommends a reduction of $29,254, all from special revenue funds, to reduce employer contributions for state employee health insurance.

The **agency** requests $3.9 million, all from special revenue funds, for the Utilities program for FY 2017. This request is an increase of $122,218, or 3.2 percent, above the requested amount in FY 2016. The request includes an increase in salaries and wages, which is offset in part by decreases in capital outlay expenditures.

- **Salaries and Wages**. The agency requests $3.0 million for salaries and wages in the Utilities program for FY 2017, an increase of $128,521, or 4.4 percent, above the FY 2016 request. This increase is attributable to expenses associated with the additional pay period that exists in FY 2017 for all state employees.

- **Capital Outlay.** The agency requests $90,045 for capital outlay in the Utilities program for FY 2017, a decrease of $7,003, or 7.2 percent, below the FY 2016 request. This decrease is due to the one-time expense of the server failover system in FY 2016. This is offset in part by a request for three replacement vehicles, which are used to travel to regulate and inspect natural gas utilities and gas pipelines, as well as attending to emergencies, providing follow-up investigations after accidents, and other field work as needed. All three vehicles scheduled for replacement are currently over the 130,000 mile threshold, with one vehicle over 160,000 miles at the time of budget submission.

The **Governor** concurs with the agency's request and further recommends a reduction of $29,564, all from special revenue funds, to reduce in employer contributions for state employee health insurance.

C. Conservation

The Conservation Division is responsible for administering the state's oil and gas field regulatory programs. More specifically, the program enforces regulations and statutes concerning the abandoned well plugging and site remediation, underground injection control, Mississippi Lime Play, hydraulic fracturing, permitting/compliance, land spreading, intrastate gas storage, carbon dioxide sequestration, compressed air energy storage, and on-line filing (KOLAR).

In recent years, the Conservation Division has become involved with the underground storage of carbon dioxide. In HB 2419, the 2007 Legislature authorized the adoption of rules and regulations pertaining to carbon dioxide sequestration and the maintenance of underground storage of carbon dioxide. As part of developing and implementing the rules and regulations, the agency, in conjunction with the Kansas Department of Health and Environment (KDHE) and the United States Environmental Protection Agency (EPA), was charged with creating a

Memorandum of Agreement regarding the agency's administration of the oversight and permitting of the carbon sequestration injection wells. The legislation also imposed possible rule-making obligations.

The abandoned oil and gas well plugging program was created in 1996 and, by law, receives annual transfers of $400,000 each from the State General Fund, the State Water Plan Fund (SWPF), and the Conservation Fee Fund. However, due to state revenue shortfalls, the $400,000 transfer from the State General Fund was not approved by the Legislature for FY 2009 through FY 2015. The agency indicates it plans to transfer the required $400,000 from the Conservation Fee Fund.

CONSERVATION PROGRAM
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 5,586,734	$ 5,835,281	$ 5,777,849	$ 6,187,093	$ 6,111,648	$ 6,463,377	$ 6,386,740
Contractual Services	4,023,959	3,103,040	3,103,040	3,138,028	3,138,028	2,693,840	2,693,840
Commodities	294,835	276,150	276,150	289,050	289,050	289,050	289,050
Capital Outlay	258,459	96,202	96,202	440,452	440,452	249,388	249,388
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 10,163,987	$ 9,310,673	$ 9,253,241	$ 10,054,623	$ 9,979,178	$ 9,695,655	$ 9,619,018
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 10,163,987	$ 9,310,673	$ 9,253,241	$ 10,054,623	$ 9,979,178	$ 9,695,655	$ 9,619,018
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	10,163,987	9,310,673	9,253,241	10,054,623	9,979,178	9,695,655	9,619,018
TOTAL	$ 10,163,987	$ 9,310,673	$ 9,253,241	$ 10,054,623	$ 9,979,178	$ 9,695,655	$ 9,619,018
FTE Positions	85.0	85.0	85.0	84.0	84.0	84.0	84.0
Non-FTE Uncl. Perm. Pos.	4.0	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL	89.0	89.0	89.0	88.0	88.0	88.0	88.0

The **agency** requests $10.1 million, all from special revenue funds, for the Conservation program for FY 2016. This request is an increase of $743,950, or 8.0 percent, above the FY 2015 requested amount. The request includes increases in salaries and wages and capital outlay.

- **Salaries and Wages**. The agency requests $6.2 million for salaries and wages in the Conservation program for FY 2016, an increase of $351,812, or 6.0 percent, above the FY 2015 request. This increase is largely due to budgeting shrinkage at zero percent and increases to group health hospitalization.

- **Capital Outlay.** The agency requests $440,452 for capital outlay in the Conservation program for FY 2016, an increase of $344,250, or 375.8 percent, above the FY 2015 request. This increase is attributable to the server failover system recommended by an IT security audit and the replacement of nine trucks. These trucks are utilized for a variety of field work, including but not limited to travel to well plugging and investigating necessity for remediation. All vehicles scheduled for replacement are over 225,000 miles and four vehicles with lifetime expense and repairs exceeding $12,000.

The **Governor** concurs with the agency's request and further recommends a reduction of $75,445, all from special revenue funds, to reduce employer contributions for state employee health insurance.

The **agency** requests $9.7 million, all from special revenue funds, for the Conservation program for FY 2017. This request is a decrease of $358,968, or 3.6 percent, below the requested amount in FY 2016. The request includes an increase in salaries and wages, which is offset in part by decreases in contractual services and capital outlay expenditures.

- **Salaries and Wages.** The agency requests $6.5 million for salaries and wages in the Conservation program for FY 2017, an increase of $276,284, or 4.5 percent, above the FY 2016 request. This increase is attributable to expenses associated with the additional pay period that exists in FY 2017 for all state employees.

- **Contractual Services.** The agency requests $2.7 million for contractual services in the Conservation program for FY 2017, a decrease of $444,188, or 14.2 percent, below the FY 2016 request. This decrease is largely attributable to a decrease in anticipated need for well plugging.

- **Capital Outlay.** The agency requests $249,388 for capital outlay in the Conservation program for FY 2017, a decrease of $191,064, or 43.4 percent, below the FY 2016 request. This decrease is due to the one-time expense of the server failover system in FY 2016 and a request for fewer vehicles this year. The agency requests replacement of six trucks. These trucks are utilized for a variety of field work, including but not limited to travel to well plugging and investigating necessity for remediation. All vehicles scheduled for replacement are projected to exceed the mileage threshold at time of replacement.

The **Governor** concurs with the agency's request and further recommends a reduction of $76,637, all from special revenue funds, to reduce employer contributions for state employee health insurance.

D. Transportation

The Transportation Division regulates motor carriers of persons and property (common and private carriers) and works to assure compliance by regulated transportation industries in Kansas and safety for carrier-shippers and the consuming public. The program helps protect the public interest and safety through comprehensive inspection, licensing, and planning.

TRANSPORTATION PROGRAM
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 935,951	$ 988,765	$ 979,108	$ 1,063,093	$ 1,049,679	$ 1,110,877	$ 1,097,194
Contractual Services	211,713	459,492	459,492	385,535	385,535	385,535	385,535
Commodities	31,433	29,400	29,400	32,200	32,200	32,200	32,200
Capital Outlay	32,890	82,370	82,370	81,581	81,581	41,501	41,501
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,211,987	$ 1,560,027	$ 1,550,370	$ 1,562,409	$ 1,548,995	$ 1,570,113	$ 1,556,430
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 1,211,987	$ 1,560,027	$ 1,550,370	$ 1,562,409	$ 1,548,995	$ 1,570,113	$ 1,556,430
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	1,211,987	1,560,027	1,550,370	1,562,409	1,548,995	1,570,113	1,556,430
TOTAL	$ 1,211,987	$ 1,560,027	$ 1,550,370	$ 1,562,409	$ 1,548,995	$ 1,570,113	$ 1,556,430
FTE Positions	17.0	17.0	17.0	17.0	17.0	17.0	17.0
Non-FTE Uncl. Perm. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	17.0	17.0	17.0	17.0	17.0	17.0	17.0

The **agency** requests $1.6 million, all from special revenue funds, for the Transportation program for FY 2016. This request is an increase of $2,382, or 0.2 percent, above the FY 2015 requested amount. The request includes increases in salaries and wages, which are offset by decreases in contractual services.

- **Salaries and Wages.** The agency requests $1.1 million for salaries and wages in the Transportation program for FY 2016, an increase of $74,328, or 7.5 percent, above the FY 2015 request. This increase is due to budgeting shrinkage at zero percent and increases to group health hospitalization and retirement.

- **Contractual Services.** The agency requests $385,535 for contractual services in the Transportation program for FY 2016, a decrease of $73,957, or 16.1 percent, below the FY 2015 request. This decrease is attributable to a decrease in a federal grant for developing a re-write of the current motor carrier authorization system known as the Kansas Trucking Regulatory Assistance Network (KTRAN).

In addition, the agency is requesting a replacement of one truck in the Transportation program. This truck is utilized daily for inspections, audits, educational training and investigating complaints. The vehicle requested for replacement in FY 2016 has reached the 150,000 mile threshold.

The **Governor** concurs with the agency's request and further recommends a reduction of $13,414, all from special revenue funds, to reduce employer contributions for state employee health insurance.

The **agency** requests $1.6 million, all from special revenue funds, for the Transportation program for FY 2017. This request is an increase of $7,704, or 0.5 percent, above the FY 2016 requested amount. The request includes an increase in salaries and wages, which is offset by a decrease in capital outlay expenditures.

- **Salaries and Wages.** The agency requests $1.1 million for salaries and wages in the Transportation program for FY 2017, an increase of $47,784, or 4.5 percent, above the FY 2016 request. This increase is attributable to expenses associated with the additional pay period that exists in FY 2017 for all state employees.

- **Capital Outlay.** The agency requests $41,501 for capital outlay in the Transportation program for FY 2017, a decrease of $40,080, or 49.1 percent, below the FY 2016 request. This decrease is due to decreased expenditures on computer replacements.

In addition, the agency is requesting a replacement of one truck in the Transportation program. This truck is utilized daily for inspections, audits, educational training and investigating complaints. The vehicle requested for replacement in FY 2017 will reach the 150,000 mile threshold before scheduled replacement.

The **Governor** concurs with the agency's request and further recommends a reduction of $13,683, all from special revenue funds, to reduce employer contributions for state employee health insurance.

E. Energy Programs

The Energy Division administers federal and state programs aimed at promoting energy conservation practices and delivering energy conservation services. In FY 2013, the Division shifted its focus to include economic development opportunities as a part of KCC's economic mission to minimize public harm due to market imperfections, particularly in the state's Rural Opportunity Zones. The division is also introducing a new program to focus on helping new and existing small businesses recognize the potential of renewable energy in Kansas, and to focus on helping reduce their operating expenses and keep their doors open.

ENERGY PROGRAM
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 512,759	$ 551,824	$ 546,248	$ 514,615	$ 508,917	$ 534,578	$ 529,041
Contractual Services	91,652	217,000	217,000	217,000	292,000	217,000	292,000
Commodities	4,320	14,900	14,900	14,700	14,700	14,700	14,700
Capital Outlay	4,853	22,168	22,168	8,836	8,836	9,350	9,350
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 613,584	$ 805,892	$ 800,316	$ 755,151	$ 824,453	$ 775,628	$ 845,091
Aid to Local Units	750	0	0	0	0	0	0
Other Assistance	29,145	0	0	0	0	0	0
TOTAL	$ 643,479	$ 805,892	$ 800,316	$ 755,151	$ 824,453	$ 775,628	$ 845,091
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	643,479	805,892	800,316	755,151	824,453	775,628	845,091
TOTAL	$ 643,479	$ 805,892	$ 800,316	$ 755,151	$ 824,453	$ 775,628	$ 845,091
FTE Positions	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Non-FTE Uncl. Perm. Pos.	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	3.0	3.0	3.0	3.0	3.0	3.0	3.0

The **agency** requests $755,191, all from special revenue funds, for the Energy program for FY 2016. This request is a decrease of $50,741, or 6.3 percent, below the FY 2015 requested amount. The request includes decreases in salaries and wages and capital outlay.

- S**alaries and Wages.** The agency requests $514,615, for salaries and wages in the Energy program for FY 2016, a decrease of $37,209, or 6.7 percent, below the FY 2015 request. This decrease is largely due to decreases in unclassified temporary employee salaries.

- **Capital Outlay.** The agency requests $8,836 for capital outlay in the Energy program for FY 2016, a decrease of $13,332, or 60.1 percent, below the FY 2015 request. This decrease is attributable to not requesting any vehicle replacement in the Energy program for FY 2016.

The **Governor** concurs with the agency's request and further recommends an increase of $69,302, all from special revenue funds. This increase is attributable to an increase in contractual services expenditures due to a recommended transfer to the Kansas Electric Transmission Authority for improvement of the electric transmission grid ($75,000), offset in part by a reduction of $5,698 to reduce employer contributions for state employee health insurance.

The **agenc**y requests $775,628, all from special revenue funds, for the Energy program for FY 2017. This request is an increase of $20,477, or 2.7 percent, above the FY 2016 requested amount. The request includes increases in salaries and wages.

- **Salaries and Wages.** The agency requests $534,578 for salaries and wages in the Energy program for FY 2017, an increase of $19,963, or 3.9 percent, above the FY 2016 request. This increase is attributable to expenses associated with the additional pay period that exists in FY 2017 for all state employees.

The **Governor** concurs with the agency's request and further recommends an increase of $69,302, all from special revenue funds. This increase is attributable to an increase in contractual services expenditures due to a recommended transfer to the Kansas Electric Transmission Authority for improvement of the electric transmission grid ($75,000), offset in part by a reduction of $5,537 to reduce employer contributions for state employee health insurance.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of new compliance dockets opened	10	9	10	10	10
Number of rate change applications filed and reviewed	5	4	5	5	5
Number of documents online	110,000	129,347	140,000	150,000	160,000
Kansas natural gas rates compared to national averages	90.0%	91.0%	70.0%	91.4%	91.4%
Kansas electric rates compared to national averages	87.0%	97.5%	97.6%	97.7%	97.7%
Number of Natural Gas Pipeline Safety Act non-compliances detected and corrected	200	106	200	200	200
Percent of inventories priority 1A wells plugged	100.0%	100.0%	100.0%	100.0%	100.0%
Number of abandoned wells plugged	384	379	326	351	264
Number of identified pollution sites resolved	3	3	3	3	3
Number of oil and gas facility inspections performed	5,500	3,194	5,500	5,500	5,500
Number of environmental permit applications processed	13,000	16,672	16,000	16,000	16,000
Number of educational seminars, classes, or programs conducted	160	155	160	160	160
Number of motor carriers registered for Kansas	150,000	17,792	15,000	15,000	15,000
Percent of motor carrier reviews identifying safety violations	70	67	70	70	70
Number of complaints from outside parties	35	5	35	35	35
Energy savings estimates of Facilities Conservation Improvement Program	$535,000	$350,000	$465,000	$580,000	$580,000
Rural opportunity zone energy generated/saved (kWh)	$9,100	$4,850	$6,350	$7,950	$7,950

Citizens' Utility Ratepayer Board

	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	722,602	919,678	914,807	881,213	876,129	886,831	881,580
TOTAL	$ 722,602	$ 919,678	$ 914,807	$ 881,213	$ 876,129	$ 886,831	$ 881,580
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	**$ 722,602**	**$ 919,678**	**$ 914,807**	**$ 881,213**	**$ 876,129**	**$ 886,831**	**$ 881,580**
Percentage Change:							
Operating Expenditures							
State General Fund	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
All Funds	(7.3)	27.3	26.6	(4.2)	(4.2)	0.6	0.6
FTE Positions	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	6.0	6.0	6.0	6.0	6.0	6.0	6.0

In 1989, the Legislature created the Citizens' Utility Ratepayer Board (CURB) as part of the Kansas Corporation Commission (KCC). Beginning in FY 1993, CURB was separated from the KCC for budgeting, purchasing, and related management functions, making it an independent agency.

CURB's mission is to protect the interests of residential and small commercial utility ratepayers in the state of Kansas by providing them with competent, quality legal representation before the KCC, the Courts, and the Legislature. While Kansas gas, electric, and telephone utility companies enjoy legal representation in these arenas, the cost of employing an attorney, the highly technical nature of the issues involved, and the necessity of traveling to Topeka for hearings hinders the participation of many ratepayers. Consequently, CURB was given the authority to represent ratepayers, initiate or intervene in cases that affect ratepayers, and request rehearing or review of KCC orders that affect ratepayers. This authority is limited, however, in that CURB may not participate in cases involving electric and telephone cooperatives that have a membership of less than 15,000. CURB is funded by assessments levied against the public utilities in whose cases CURB can intervene.

In addition to its work at the state level, when CURB became independent it was able to join the National Association of State Utility Consumer Advocates (NASUCA). Through NASUCA, the agency represents Kansas consumers in utility issues considered by Congress, the Federal Energy Regulatory Commission (FERC), the Federal Communications Commission, and other federal agencies.

CURB is overseen by a five-member board, which is appointed by the Governor for four-year staggered terms. The Board currently employs one consumer counsel, two attorneys, one technical position, and two support staff. Further, CURB relies heavily on private consultants, including accountants, engineers, and financial analysts to review certain issues in utility rate cases in which the agency intervenes.

MAJOR ISSUES FROM PRIOR YEARS

The **2006 Legislature** approved the conversion of 3.0 FTE positions into unclassified FTE positions for both FY 2006 and FY 2007. With this conversion, all 6.0 agency FTE positions became unclassified.

The **2007 Legislature** approved HB 2220, which amended prior law regarding transmission charges for retail electric service. Under the bill, transmission charges may be determined by the KCC in response to a general retail rate application or as part of a full rate case. Under prior law, as interpreted by Kansas courts, transmission delivery charges could not be determined during a rate case. In regard to transmission charges resulting from federal orders, the bill authorizes the KCC to order changes to a utility's transmission charge if a federal transmission rate order changes. Under prior law, utilities had discretion regarding changing their transmission delivery charges when a federal transmission rate order was changed. Also in 2007, the Legislature approved HB 2597, which enacted new law and amended prior law regarding municipal utilities and the extent to which those utilities are regulated by the KCC. The bill exempts municipal natural gas and electric utilities from KCC regulation for those services provided more than three miles from the municipality's boundary

under certain circumstances. Under the bill, customers in an outlying area may protest a change in rates, charges, or terms and conditions of service.

The **2008 Legislature** approved 2008 HB 2637, which transferred into substantive law a proviso that had traditionally been included in the appropriations bill concerning competitive bidding for contractual services the agency utilizes during its participation in cases. The bill allowed CURB to negotiate contracts for professional services, including the services of engineers, accountants, attorneys, and economists, to assist in preparation and presentation of expert testimony or otherwise carry out the duties of CURB. The bill required that negotiations be conducted by a committee and specifies the membership and duties of the negotiating committee.

The **2009 Legislature** approved Senate Sub. for HB 2369, which, among other things, required electric public utilities, except municipally owned electric utilities, to generate or purchase specified amounts of electricity generated from renewable resources. It also allowed large electric cooperatives to remove themselves from the regulatory jurisdiction of the KCC regarding rates.

During the **2010 Session**, SB 229 amended KSA 75-3170, which now requires certain fee funds, such as the Utility Regulatory Fee Fund, to contribute 10 percent, reduced from 20 percent, of revenues to the State General Fund to cover the costs of state governmental services performed on behalf of the agency.

The Governor in **2011** issued Executive Order 11-02, which created the Citizens' Regulatory Review Board. The existing CURB Board was tasked to act as the Citizens' Regulatory Review Board and take on the new duty of reviewing proposed state agency regulations for the impact on the lives of Kansas citizens. Specifically, the review board is tasked with receiving, and at its discretion reviewing and advising the Governor of any concerns with proposed regulations. Currently, the review board is staffed by the Department of the Administration.

The **2011 Legislature**, in Senate Sub. for HB 2014, specifically prohibited CURB from spending any money in FY 2012 from its regulatory fee fund to support the Citizens' Regulatory Review Board.

The **2012 Legislature** added $16,729, all from special revenue funds, in view of current and expected increases in ratepayer cases for FY 2013.

The **2013 Legislature** deleted $27,100, all from special revenue funds, to reflect reduced funding for salaries and wages for FY 2014. It also deleted $32,022, all from special revenue funds, to reflect reduced funding for salaries and wages for FY 2015.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates FY 2015 expenditures of $919,678, all from the Utility Regulatory Fee Fund. This estimate is an increase of $64,500, or 7.5 percent, above the amount approved by the 2014 Legislature. The increase is attributable to rolling forward the subcategory of consulting expenditures due to unpredictable costs. The estimate includes 6.0 FTE positions, which is the same as the approved amount.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 expenditures of $914,807, all from the Utility Regulatory Fee Fund. The recommendation is a decrease of $4,871, or 0.5 percent, below the agency request. The decrease is attributable to the Governor's allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.

FY 2016 Agency Request

The **agency** requests FY 2016 expenditures of $881,213, all from the Utility Regulatory Fee Fund, a decrease of $38,465, or 4.2 percent, below the amount requested for FY 2015. This decrease is attributable to the agency's not budgeting a carry forward amount of unused consulting expenses as they are unable to predict how much would remain unused. This decrease is offset in part by an enhancement request for salary increases for five employees in the amount of $21,686, all from the Utility Regulatory Fee Fund. The agency notes that the increase is equivalent to to a 6.0 percent increase in staff salaries for employees who have not had increases to their base salary in seven years. The request includes 6.0 FTE positions, which is no change from the FY 2015 request.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 expenditures of $876,129, all from the Utility Regulatory Fee Fund, a decrease of $5,084, or 0.6 percent, below the agency request. The decrease is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance.

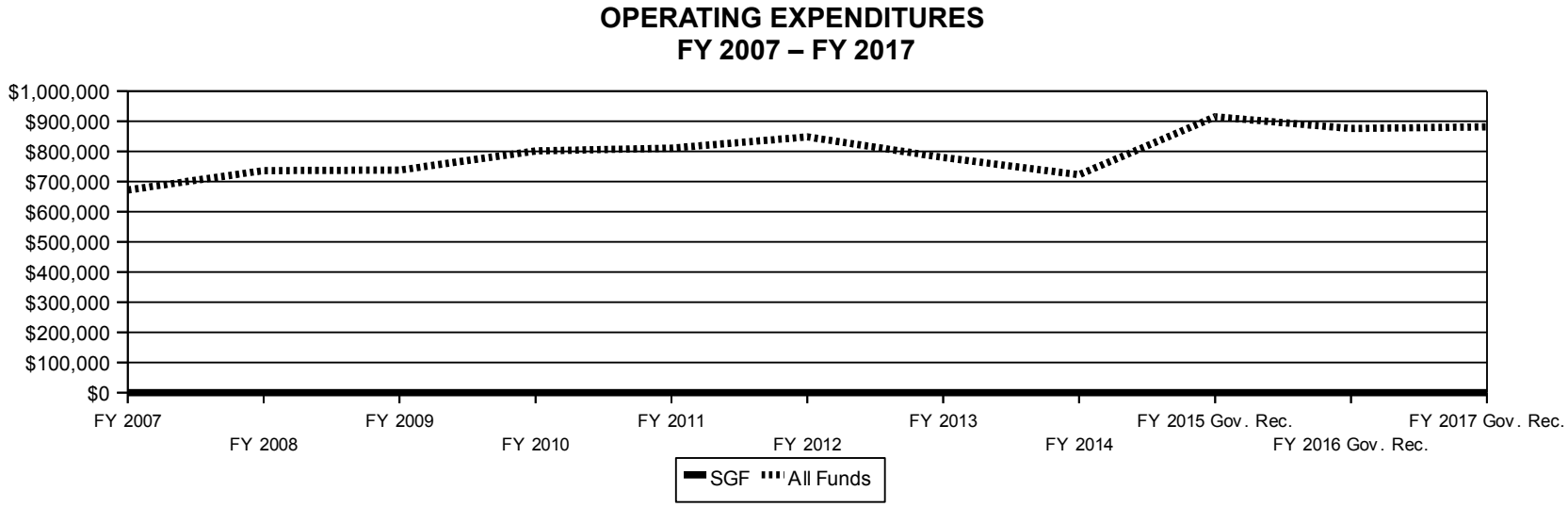
FY 2017 Agency Request

The **agency** requests FY 2017 expenditures of $886,831, all from the Utility Regulatory Fee Fund, an increase of $5,618, or 0.6 percent, above the amount requested for FY 2016. This increase is attributable to expenses associated with the 27th pay period that occurs for all agencies in FY 2017. The agency intended for the enhancement request for salary increase to appear in FY 2017 as well, but due to a budgeting error the increase was not included. The request includes 6.0 FTE positions.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 expenditures of $881,580, a decrease of $5,251, or 0.6 percent, below the agency request. The decrease is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	0.0 %	$ 672,049	(5.2)%	6.0
2008	0	0.0	736,367	9.6	6.0
2009	0	0.0	738,009	0.2	6.0
2010	0	0.0	801,657	8.6	6.0
2011	0	0.0	810,796	1.1	6.0
2012	0	0.0	848,150	4.6	6.0
2013	0	0.0	779,820	(8.1)	6.0
2014	0	0.0	722,602	(7.3)	6.0
2015 Gov. Rec.	0	0.0	914,807	26.6	6.0
2016 Gov. Rec.	0	0.0	876,129	(4.2)	6.0
2017 Gov. Rec.	0	0.0	881,580	0.6	6.0
Eleven-Year Change	$ 0	0.0 %	$ 209,531	31.2 %	0.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 722,602	$ 919,678	$ 881,213	$ (38,465)	(4.2) %	$ 914,807	$ 876,129	$ (38,678)	(4.2)%
By Major Object of Expenditure:									
Salaries and Wages	$ 479,999	$ 510,403	$ 534,947	$ 24,544	4.8 %	$ 505,532	$ 529,863	$ 24,331	4.8 %
Contractual Services	237,678	396,536	334,409	(62,127)	(15.7)	396,536	334,409	(62,127)	(15.7)
Commodities	2,442	5,654	5,862	208	3.7	5,654	5,862	208	3.7
Capital Outlay	2,483	7,085	5,995	(1,090)	(15.4)	7,085	5,995	(1,090)	(15.4)
Debt Service	0	0	0	0	0.0	0	0	0	0.0
Subtotal - Operations	$ 722,602	$ 919,678	$ 881,213	$ (38,465)	(4.2) %	$ 914,807	$ 876,129	$ (38,678)	(4.2)%
Aid to Local Units	0	0	0	0	0.0	0	0	0	0.0
Other Assistance	0	0	0	0	0.0	0	0	0	0.0
TOTAL	$ 722,602	$ 919,678	$ 881,213	$ (38,465)	(4.2) %	$ 914,807	$ 876,129	$ (38,678)	(4.2)%
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	0.0 %	$ 0	$ 0	$ 0	0.0 %
Utility Regulatory Fee Fund	722,602	919,678	881,213	(38,465)	(4.2)	914,807	876,129	(38,678)	(4.2)
TOTAL	$ 722,602	$ 919,678	$ 881,213	$ (38,465)	(4.2) %	$ 914,807	$ 876,129	$ (38,678)	(4.2)%

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	$ 881,213	$ 886,831	$ 5,618	0.6 %	$ 876,129	$ 881,580	$ 5,451	0.6 %
By Major Object of Expenditure:								
Salaries and Wages	$ 534,947	$ 537,319	$ 2,372	0.4 %	$ 529,863	$ 532,068	$ 2,205	0.4 %
Contractual Services	334,409	337,298	2,889	0.9	334,409	337,298	2,889	0.9
Commodities	5,862	6,049	187	3.2	5,862	6,049	187	3.2
Capital Outlay	5,995	6,165	170	2.8	5,995	6,165	170	2.8
Debt Service	0	0	0	0.0	0	0	0	0.0
Subtotal - Operations	$ 881,213	$ 886,831	$ 5,618	0.6 %	$ 876,129	$ 881,580	$ 5,451	0.6 %
Aid to Local Units	0	0	0	0.0	0	0	0	0.0
Other Assistance	0	0	0	0.0	0	0	0	0.0
TOTAL	$ 881,213	$ 886,831	$ 5,618	0.6 %	$ 876,129	$ 881,580	$ 5,451	0.6 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	0.0 %	$ 0	$ 0	$ 0	0.0 %
Utility Regulatory Fee Fund	881,213	886,831	5,618	0.6	876,129	881,580	5,451	0.6
TOTAL	$ 881,213	$ 886,831	$ 5,618	0.6 %	$ 876,129	$ 881,580	$ 5,451	0.6 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

The Legislature approved a budget of $855,178 for the Citizens' Utility Ratepayer Board 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	855,178	919,678	64,500	914,807	59,629
TOTAL	$ 855,178	$ 919,678	$ 64,500	$ 914,807	$ 59,629
FTE Positions	6.0	6.0	0.0	6.0	0.0

The **agency** estimates FY 2015 expenditures of $919,678, all from the Utility Regulatory Fee Fund. This estimate is an increase of $64,500, or 7.5 percent, above the amount approved by the 2014 Legislature. The increase is attributable to rolling forward the subcategory of consulting expenditures due to unpredictable costs. The estimate includes 6.0 FTE positions, which is the same as the approved amount.

The nature of the agency ensures there are two major areas of expenditure in the agency budget every year.

- **Salaries and Wages**. The agency estimates salaries and wages expenditures of $510,403 in FY 2015, the same as the amount approved by the 2014 Legislature and 55.5 percent of the total agency budget.

- **Contractual Services**. The agency estimates contractual services expenditures of $396,536 in FY 2015, an increase of $64,743, or 19.5 percent, above the amount approved by the 2014 Legislature. This area of expenditure is utilized to contract experts for assistance in rate cases as needed. The agency has consistently requested $250,000 for consulting fees within this expenditure classification each fiscal year, and

requests to roll forward unused amounts from that allocation in order to maintain the flat $250,000 request. That is the cause for the increased request for FY 2015.

The **Governor** recommends FY 2015 expenditures of $914,807, all from the Utility Regulatory Fee Fund. The recommendation is a decrease of $4,871, or 0.5 percent, below the agency request. The decrease is attributable to the Governor's allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.

B. BY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 881,213	$ 876,129	$ (5,084)
FTE Positions	6.0	0.0	(6.0)
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	(38,465)	(38,678)	
TOTAL	$ (38,465)	$ (38,678)	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	(4.2)	(4.2)	
TOTAL	(4.2) %	(4.2) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 expenditures of $881,213, all from the Utility Regulatory Fee Fund, a decrease of $38,465, or 4.2 percent, below the amount requested for FY 2015. This decrease is attributable to the agency's not budgeting a carry forward amount of unused consulting expenses as they are unable to predict how much would remain unused. This decrease is offset in part by an enhancement request for salary increases for five employees in the amount of $21,686, all from the Utility Regulatory Fee Fund. The agency notes that the increase is equivalent to to a 6.0 percent increase in staff salaries for employees who have not had increases to their base salary in seven years. The request includes 6.0 FTE positions, which is no change from the FY 2015 request.

The nature of the agency ensures there are two major areas of expenditure in the agency budget every year.

- **Salaries and Wages**. The agency estimates salaries and wages expenditures of $534,947 for FY 2016, an increase of $24,544, or 4.8 percent, above the FY 2015 request. The increase is attributable to an enhancement request for a salary increase.
- **Contractual Services**. The agency estimates contractual services expenditures of $334,409 for FY 2016, a decrease of $62,127, or 15.7 percent, below the FY 2015 request. This area of expenditure is utilized to contract experts for assistance in rate cases as needed. The agency has consistently requested $250,000 for this expenditure classification each fiscal year, and requests to roll forward unused amounts from that allocation in order to maintain the flat $250,000 request. Since the agency does not know the amount that will remain unspent at the end of FY 2015 until that time, they cannot ask for a specific number of carry-forward funding, resulting in a decrease in the amount requested for FY 2016.

The **Governor** recommends FY 2016 expenditures of $876,129, a decrease of $5,084, or 0.6 percent, below the agency request. The decrease is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance.

Enhancements Detail

FY 2016 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Base Salary Enhancement	$ 0	$ 21,686	0.0	$ 0	$ 21,686	0.0
TOTAL	**$ 0**	**$ 21,686**	**0.0**	**$ 0**	**$ 21,686**	**0.0**

The **agency** requests $21,686, all from the Utility Regulatory Fee Fund, for a salary enhancement for FY 2016. This amount equates to a 6.0 percent increase in existing staff salaries and benefits and is intended to carry forward to future fiscal years. The agency notes that these salaries have not increased since June 2008.

The **Governor** concurs with the enhancement request.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 886,831	$ 881,580	$ (5,251)
FTE Positions	6.0	0.0	(6.0)
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	5,618	5,451	
TOTAL	$ 5,618	$ 5,451	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	0.6	0.6	
TOTAL	0.6 %	0.6 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 expenditures of $886,831, all from the Utility Regulatory Fee Fund, an increase of $5,618, or 0.6 percent, above the amount requested for FY 2016. The largest area of expenditure in the budget is salaries and wages.

The agency estimates salaries and wages expenditures of $537,319 for FY 2017, an increase of $2,372, or 0.4 percent, above the FY 2016 request. This increase is attributable to expenses associated with the 27th pay period that occurs for all agencies in FY 2017. The request includes 6.0 FTE positions.

The **Governor** recommends FY 2017 expenditures of $881,580, a decrease of $5,251, or 0.6 percent, below the agency request. The decrease is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

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 $1,510, all from special revenue funds, and affects 5 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 $0, and FY 2017 longevity payments total $0.**

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 $5,084, all from special revenue funds, for FY 2016. This is a reduction of $5,251, 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.

Utility Regulatory Fee Fund

The Utility Regulatory Fee Fund is a statutory fee fund that is funded through quarterly assessments on gas, electric, and telephone companies in Kansas, as required by KSA 66- 1502 and KSA 66-1503. One assessment is based on end of year expenditures plus anticipated increases for the ensuing year, which is then pro-rated among the utilities. That amount cannot exceed the greater of $100 or 0.2 percent of a company's gross operating revenue derived from intrastate operations in the prior calendar year. Another assessment is made for actual costs incurred by CURB during an investigation of a particular public utility. This assessment cannot exceed 0.6 percent of the utility's gross intrastate operations.

Because the Utility Regulatory Fee Fund is funded quarterly, receipts will change to accommodate the expenditures. Consequently, the balances shown are less meaningful than for most agencies. In particular, the agency contracts with consultants for utility cases and these contracts do not always coincide with the state's fiscal year. Moreover, in some instances the contracts do not terminate until a case is resolved. Thus, expenditures are estimated for each fiscal year according to budget submission instructions. However, the agency updates its estimates quarterly.

The fund is statutorily required by KSA 75-3170 to contribute 10.0 percent of revenues to the State General Fund. This contribution is usually taken out of the first quarter assessment.

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	$ 167,229	$ 169,697	$ 169,697	$ 109,819	$ 114,690	$ 115,506	$ 125,461
Revenue	725,070	859,800	859,800	886,900	886,900	909,600	909,600
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 892,299	$ 1,029,497	$ 1,029,497	$ 996,719	$ 1,001,590	$ 1,025,106	$ 1,035,061
Less: Expenditures	722,602	919,678	914,807	881,213	876,129	886,831	881,580
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 169,697	$ 109,819	$ 114,690	$ 115,506	$ 125,461	$ 138,275	$ 153,481
Ending Balance as Percent of Expenditures	23.5%	11.9%	12.5%	13.1%	14.3%	15.6%	17.4%
	April	August	August	April	April	April	April
Month Highest Ending Balance	$ 339,323	$ 327,710	$ 332,581	$ 325,621	$ 335,576	$ 318,770	$ 333,976
	August	December	December	December	December	December	December
Month Lowest Ending Balance	$ 214,098	$ 251,822	$ 256,693	$ 234,662	$ 244,617	$ 243,242	$ 243,017

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of rate cases in which CURB intervened	38	26	33	33	34
Number of open dockets	36	22	24	26	25

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	9.0	9.0	9.0	9.0	9.0	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.

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.

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 **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

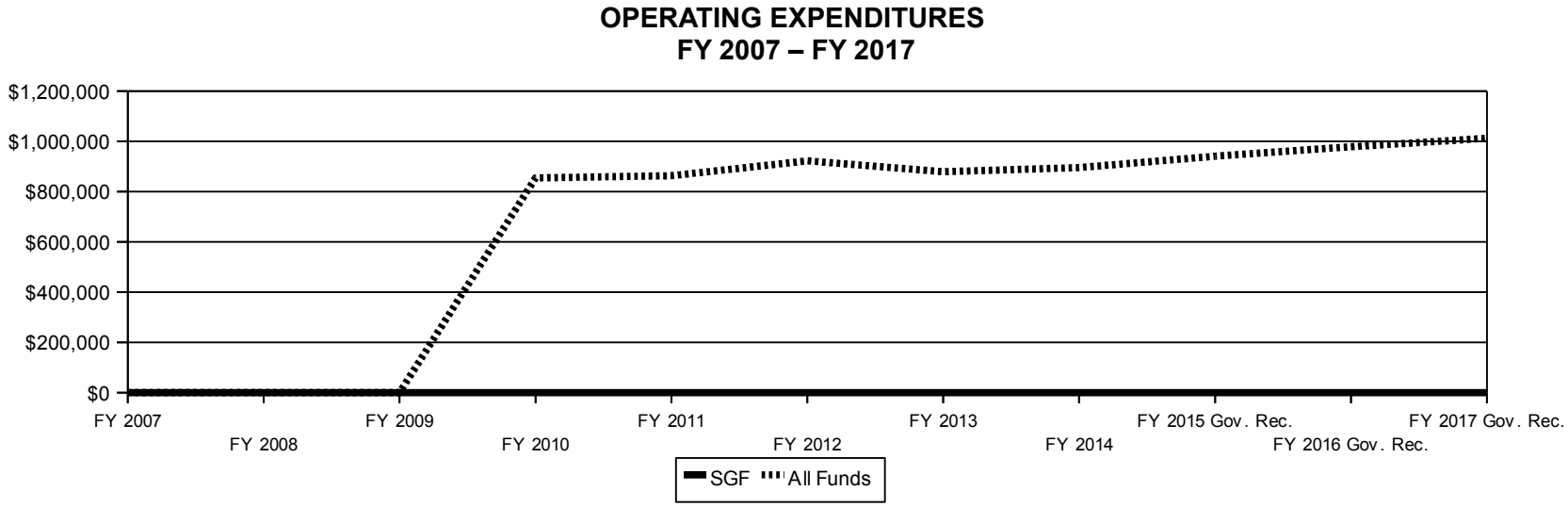
The **agency** requests FY 2017 operating expenditures of $1.0 million, all from the Administrative Hearings Office Fund. The request is an increase of $34,272, or 3.5 percent, above the FY 2016 request. The increase is attributable to increases in KPERS employer contributions and an additional (27th) 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



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

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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

FY 2015 SUPPLEMENTALS

	Agency Estimate			Governor's Recommendation		
Supplementals	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:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	34,107	37,491	
TOTAL	$ 34,107	$ 37,491	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	3.6	4.0	
TOTAL	3.6 %	4.0 %	
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

FY 2016 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	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:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	34,272	34,168	
TOTAL	$ 34,272	$ 34,168	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	3.5	3.5	
TOTAL	3.5 %	3.5 %	
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

FY 2017 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	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 %

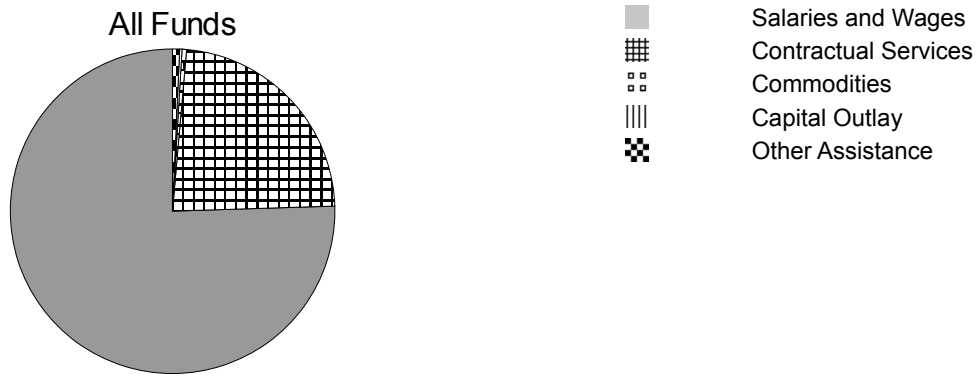
Note: Percentages may not add due to rounding.

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%
	January	January	January	July	January	July	January
Month Highest Ending Balance	$ 397,225	$ 442,225	$ 447,907	$ 474,145	$ 485,997	$ 505,293	$ 522,065
	September	December	December	December	December	December	December
Month Lowest Ending Balance	$ 249,213	$ 296,271	$ 300,786	$ 323,705	$ 335,402	$ 349,450	$ 366,400

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	$ 978,112	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	4.0	4.0	4.0	4.0	4.0	4.0	4.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
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%

Abstracter's Board of Examiners

	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	21,777	22,460	22,460	22,500	22,500	23,348	23,348
TOTAL	$ 21,777	$ 22,460	$ 22,460	$ 22,500	$ 22,500	$ 23,348	$ 23,348
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	**$ 21,777**	**$ 22,460**	**$ 22,460**	**$ 22,500**	**$ 22,500**	**$ 23,348**	**$ 23,348**
Percentage Change:							
Operating Expenditures							
State General Fund	0.0 %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	1.7	3.1	3.1	0.2	0.2	3.8	3.8
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

AGENCY OVERVIEW

The Abstracter's Board of Examiners was created by the 1941 Legislature (KSA 74-3901 *et. seq.*) to administer the Kansas Abstracter's Act (KSA 58-2801 *et. seq.*). The act provides for regulation of individuals and firms that compile and sell abstracts of Kansas real estate.

The Abstracter's Board of Examiners consists of three members appointed by the Governor for overlapping three-year terms. The Board's staff consists of a part-time Executive Secretary and a part-time secretary. Neither are employed the minimum number of hours to account for an FTE position.

The Board licenses and regulates companies and their employees who sell abstracts of land titles to Kansas real estate. Company licenses are issued to properly insured and bonded abstracting companies having at least one licensed abstracter. Sole proprietors are considered companies for this purpose. Each company licensee must be bonded for a minimum of $25,000 against the loss or destruction of public records and must carry at least $25,000 in errors and omission insurance. The Board must verify that bond and insurance requirements are met prior to issuing a company a license.

Employee licenses are issued to persons who pass an examination prepared and administered by the Board and are employed by a company that is licensed, insured, and bonded.

The Board strives to ensure that practicing abstracters are professional so that the public may rely on their work products.

MAJOR ISSUES FROM PRIOR YEARS

The **1994 Legislature** instructed certain state agencies, including the Abstracter's Board of Examiners, to prepare and submit biennial budgets beginning with the biennium for fiscal years 1996-1997. The legislation also required the Governor to include the biennial request in the Governor's Budget Report.

On July 6, 2009, the **State Finance Council** approved an expenditure limitation increase of $1,200. The Abstracter's Fee Fund approved limitation for FY 2009 was $21,160. The agency had spent more than authorized and the additional funds allowed the agency to make payroll and cover other operating expenditures related to record keeping, which had already been processed for incurred expenses.

The **2012 Legislature** passed HB 2743, which authorized the Abstracter's Board of Examiners to increase the annual fee for each person, firm, partnership, association, or corporation licensed to make, compile, and sell abstracts of title to real estate in Kansas, from a limit not to exceed $50 to a new limit not to exceed $75 for each year.

The **2013 Legislature** deleted $472 in expenditure authority to hold funding for salaries and wages at the FY 2013 level as adjusted for employer retirement contributions and group health insurance.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates revised FY 2015 operating expenditures of $22,460, all from the Abstracter's Fee Fund. The estimate is an increase of $989, or 4.6 percent, above the amount approved by the 2014 Legislature. The increase is attributable to a supplemental request of $989, all from the Abstracter's Fee Fund, for increases in salaries and wages and contractual services needed to meet operating costs. The estimate includes 0.0 FTE positions, the same number approved by the 2014 Legislature. **Absent the supplemental,** the agency estimates FY 2015 operating expenditures of $21,471, the same amount approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** concurs with the agency's revised estimate.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of $22,500, all from the Abstracter's Fee Fund. The request continues funding of the supplemental request and is an increase of $40, or 0.2 percent, above the revised FY 2015 estimate. The increase is attributable to increases in postage, printing, and other fees. The request includes 0.0 FTE positions, the same number included in the revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** concurs with the agency's request.

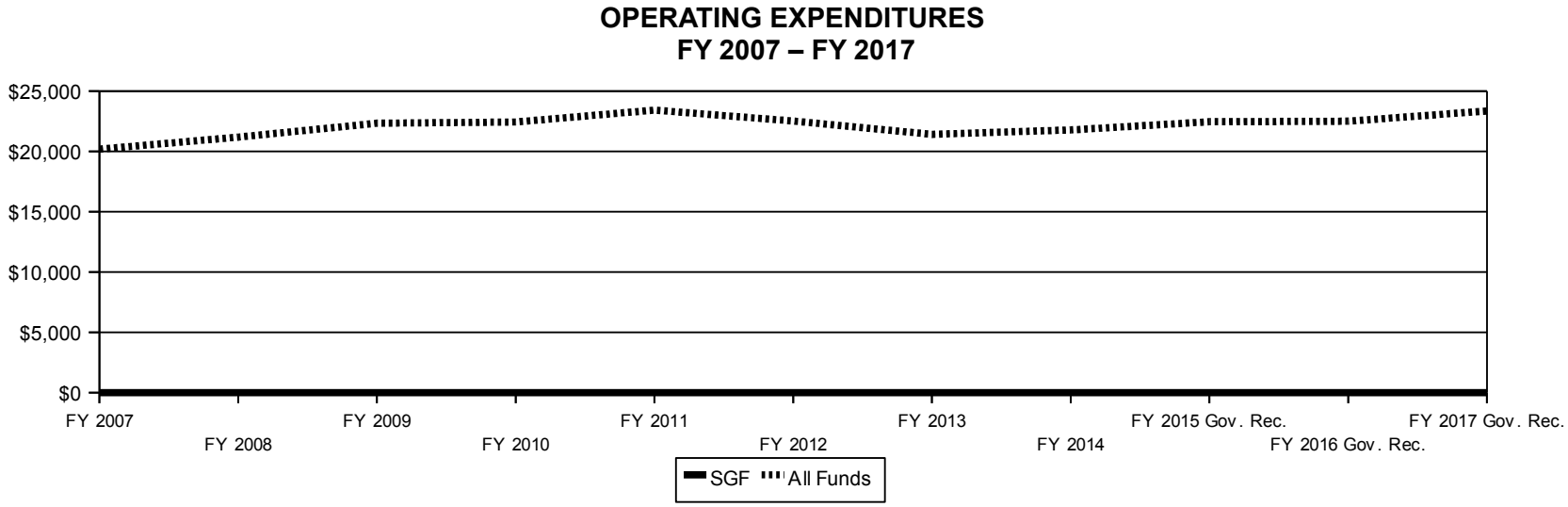
FY 2017 Agency Request

The **agency** requests FY 2017 operating expenditures of $23,348, all from the Abstracter's Fee Fund. The request continues funding of the supplemental request and is an increase of $848, or 3.8 percent, above the FY 2016 request. The increase is primarily attributable to an additional (27th) payroll period in FY 2017. The request includes 0.0 FTE positions, the same number included in the FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** concurs with the agency's request.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 20,181	1.9 %	0.0
2008	0	--	21,182	5.0	0.0
2009	0	--	22,334	5.4	0.0
2010	0	--	22,434	0.4	0.0
2011	0	--	23,420	4.4	0.0
2012	0	--	22,519	(3.8)	0.0
2013	0	--	21,410	(4.9)	0.0
2014	0	--	21,777	1.7	0.0
2015 Gov. Rec.	0	--	22,460	3.1	0.0
2016 Gov. Rec.	0	--	22,500	0.2	0.0
2017 Gov. Rec.	0	--	23,348	3.8	0.0
Eleven-Year Change	$ 0	-- %	$ 3,167	15.7 %	0.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 21,777	$ 22,460	$ 22,500	$ 40	0.2 %	$ 22,460	$ 22,500	$ 40	0.2 %
By Major Object of Expenditure:									
Salaries and Wages	$ 20,053	$ 21,350	$ 21,350	$ 0	0.0 %	$ 21,350	$ 21,350	$ 0	0.0 %
Contractual Services	1,724	1,110	1,150	40	3.6	1,110	1,150	40	3.6
Commodities	0	0	0	0	--	0	0	0	--
Capital Outlay	0	0	0	0	--	0	0	0	--
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 21,777	$ 22,460	$ 22,500	$ 40	0.2 %	$ 22,460	$ 22,500	$ 40	0.2 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 21,777	$ 22,460	$ 22,500	$ 40	0.2 %	$ 22,460	$ 22,500	$ 40	0.2 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Abstracter's Fee Fund	21,777	22,460	22,500	40	0.2	22,460	22,500	40	0.2
TOTAL	$ 21,777	$ 22,460	$ 22,500	$ 40	0.2 %	$ 22,460	$ 22,500	$ 40	0.2 %

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	$ 22,500	$ 23,348	$ 848	3.8 %	$ 22,500	$ 23,348	$ 848	3.8 %
By Major Object of Expenditure:								
Salaries and Wages	$ 21,350	$ 22,173	$ 823	3.9 %	$ 21,350	$ 22,173	$ 823	3.9 %
Contractual Services	1,150	1,175	25	2.2	1,150	1,175	25	2.2
Commodities	0	0	0	--	0	0	0	--
Capital Outlay	0	0	0	--	0	0	0	--
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 22,500	$ 23,348	$ 848	3.8 %	$ 22,500	$ 23,348	$ 848	3.8 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 22,500	$ 23,348	$ 848	3.8 %	$ 22,500	$ 23,348	$ 848	3.8 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Abstracter's Fee Fund	22,500	23,348	848	3.8	22,500	23,348	848	3.8
TOTAL	$ 22,500	$ 23,348	$ 848	3.8 %	$ 22,500	$ 23,348	$ 848	3.8 %

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	21,471	22,460	989	22,460	989
TOTAL	$ 21,471	$ 22,460	$ 989	$ 22,460	$ 989
FTE Positions	0.0	0.0	0.0	0.0	0.0

The **agency** estimates revised FY 2015 operating expenditures of $22,460, all from the Abstracter's Fee Fund. The estimate is an increase of $989, or 4.6 percent, above the amount approved by the 2014 Legislature. The increase is attributable to a supplemental request of $989, all from the Abstracter's Fee Fund, for increases in salaries and wages and contractual services needed to meet operating costs. The estimate includes 0.0 FTE positions, the same number approved by the 2014 Legislature. **Absent the supplemental,** the agency estimates FY 2015 operating expenditures of $21,471, the same amount approved by the 2014 Legislature.

The **Governor** concurs with the agency's revised estimate.

Supplemental Detail

FY 2015 SUPPLEMENTALS						
	Agency Estimate			Governor's Recommendation		
Supplementals	SGF	All Funds	FTE	SGF	All Funds	FTE
Operating Increase	$ 0	$ 989	0.0	$ 0	$ 989	0.0

The **agency** requests a supplemental of $989, all from the Abstracter's Fee Fund, for increases in salaries and wages and contractual services needed to meet operating costs. The agency indicates that its fee fund balance has stabilized after the 2012 Legislature authorized a $25 fee increase and that the fee fund can support the $989 supplemental request.

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

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 22,500	$ 22,500	$ 0
FTE Positions	0.0	0.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	40	40	
TOTAL	$ 40	$ 40	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	0.2	0.2	
TOTAL	0.2 %	0.2 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of $22,500, all from the Abstracter's Fee Fund. The request continues funding of the supplemental request and is an increase of $40, or 0.2 percent, above the revised FY 2015 estimate. The request includes 0.0 FTE positions, the same number included in the revised FY 2015 estimate.

The agency request includes the following items.

- **Salaries and wages** expenditures of $21,350, which is the same amount included in the revised FY 2015 estimate.

- **Contractual services** expenditures of $1,150, which is an increase of $40, or 3.6 percent, above the revised FY 2015 estimate. The

increase is attributable to increases in postage, printing, and other fees.

The **Governor** concurs with the agency's request. The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000, whichever is less, to 20.0 percent or $200,000, whichever is less, 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 $2,989 for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 23,348	$ 23,348	$ 0
FTE Positions	0.0	0.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	848	848	
TOTAL	$ 848	$ 848	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	3.8	3.8	
TOTAL	3.8 %	3.8 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of $23,348, all from the Abstracter's Fee Fund. The request continues funding of the supplemental request and is an increase of $848, or 3.8 percent, above the FY 2016 request. The request includes 0.0 FTE positions, the same number included in the FY 2016 request.

The agency request includes the following items.

- **Salaries and wages** expenditures of $22,173, which is an increase of $823, or 3.9 percent, above the FY 2016 request. The increase is attributable to an additional (27th) payroll period in FY 2017.
- **Contractual services** expenditures of $1,175, which is an increase of $25, or 2.2 percent, above the FY 2016 request. The increase is attributable to increases in postage, printing, and travel expenditures.

The **Governor** concurs with the agency's request. The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000, whichever is less, to 20.0 percent or $200,000, whichever is less, 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 $2,989 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 $0 and affects 0 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 $0 and FY 2017 longevity payments total $0.**

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 $0 for FY 2016. This is a reduction of $0 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
Abstracter's Fee 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.

Abstracter's Fee Fund Analysis

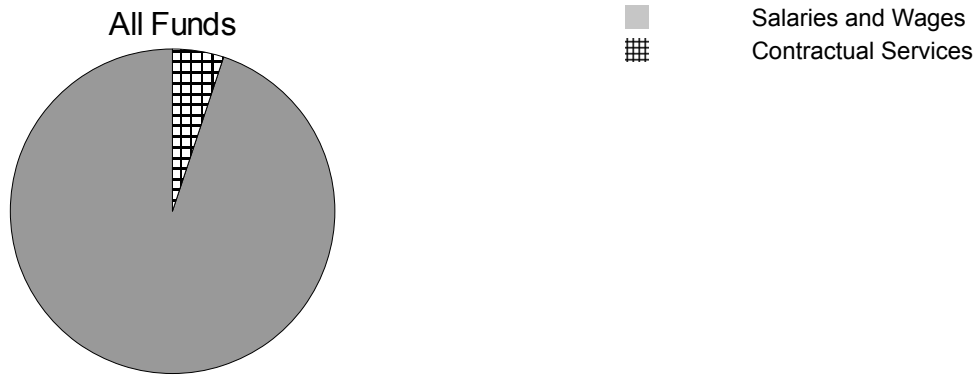
The Abstracter's Board of Examiners is a fee-funded agency. The agency generates fee revenues from three primary sources: annual fees are $75; examination fees are $70 and each additional exam is $50 (KSA 58-2801). The revenue received provides financing for all agency operations, with 90.0 percent retained by the agency and 10.0 percent remitted to the State General Fund. The Governor recommends increasing the percentage of fee fund revenues remitted to the State General Fund from 10.0 percent to 20.0 percent beginning in FY 2016.

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	$ 4,550	$ 10,367	$ 10,367	$ 14,807	$ 14,807	$ 19,207	$ 16,218
Revenue	27,594	26,900	26,900	26,900	23,911	26,900	23,911
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 32,144	$ 37,267	$ 37,267	$ 41,707	$ 38,718	$ 46,107	$ 40,129
Less: Expenditures	21,777	22,460	22,460	22,500	22,500	23,348	23,348
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 10,367	$ 14,807	$ 14,807	$ 19,207	$ 16,218	$ 22,759	$ 16,781
Ending Balance as Percent of Expenditures	47.6%	65.9%	65.9%	85.4%	72.1%	97.5%	71.9%
	February	February	February	February	February	February	February
Month Highest Ending Balance	$ 16,374	$ 22,189	$ 22,189	$ 26,631	$ 24,639	$ 31,031	$ 26,050
	December	December	December	December	December	December	December
Month Lowest Ending Balance	$ (5,740)	$ 76	$ 76	$ 4,517	$ 3,023	$ 8,917	$ 4,434

Abstracter's Board of Examiners Fees		
	Current Fee	**Statutory Limit**
License Fee (original and renewal)	$75	$75
Examination Fee	70	*
Additional Examinations	50	*

* K.S.A. 58-2805(a) notes that the fee for examinations shall be fixed by the board of rules and regulations in an amount adequate to cover the cost of the examination.

EXPENDITURES BY OBJECT-- GOVERNOR'S FY 2016 RECOMMENDATION



Object	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	$ 21,350	94.9 %	$ 0	-- %
Contractual Services	1,150	5.1	0	--
TOTAL	$ 22,500	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	0.0	0.0	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of business licenses issued	179	184	184	184	184
Number of individual licenses issued	217	223	223	223	223
Number of examinations conducted	2	3	3	3	3

Board of Accountancy

	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	353,361	355,634	353,821	367,361	365,073	376,888	374,554
TOTAL	$ 353,361	$ 355,634	$ 353,821	$ 367,361	$ 365,073	$ 376,888	$ 374,554
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	**$ 353,361**	**$ 355,634**	**$ 353,821**	**$ 367,361**	**$ 365,073**	**$ 376,888**	**$ 374,554**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	10.0	0.6	0.1	3.3	3.2	2.6	2.6
FTE Positions	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Non-FTE Perm.Uncl.Pos.	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	3.0	3.0	3.0	3.0	3.0	3.0	3.0

The Board of Accountancy consists of seven members and provides for the certification, registration and regulation of Certified Public Accountants (CPAs) within the state of Kansas. The Board issues permits to practice within the state and may also censure, suspend or revoke CPA certificates and permits to practice. In addition, the Board approves applications for reciprocity to those who meet minimum qualifying requirements.

MAJOR ISSUES FROM PRIOR YEARS

In the **2001** Legislative Session, revisions were made to the accountancy laws concerning Peer Review. Specific disciplinary actions were added to allow the Board to take action against individuals and firms in connection with the results of a peer review.

In the **2003** Legislative Session, revisions were made to the accountancy laws regarding the uniform CPA exam and firm registrations. The Board was allowed to charge a fee that is 1.5 times the amount of the annual firm registration when firms renew registration after expiration and the examination application processing fee was increased up to $150. In addition, the use of computerized tests and the ability to contract with a third party for administrative services regarding examination were implemented.

In the **2005** Legislative Session, a Special Litigation Reserve Fund was established to be used for costs incurred in litigation cases that would cause the Board to expend more than the amount approved by the Legislature. Expenditures may only be made from this reserve fund upon the approval of the State Finance Council. A specified amount of money derived from fees would be placed into the fund each year until the cap of $300,000 is reached.

In the **2009** Legislative Session, revisions were made in HB 2339 to clarify the Board's ability to investigate violations of accountancy statutes and rules and regulations and allow out-of-state CPAs to practice in Kansas without being individually licensed. The adoption of the mobility of practice regulations will reduce revenue into the Accountancy Board Fee Fund by approximately $270,300 over a two year period.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates FY 2015 operating expenditures of $355,634, all from special revenue funds, which is the same as the amount approved by the 2014 Legislature. The agency requests 1.0 FTE position, which is also the same amount approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of $353,821, all from special revenue funds. The recommendation is a decrease of $1,813, or 0.5 percent, below the amount approved by the 2014 Legislature. The reduction is attributable to the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of $367,361, all from special revenue funds. The request is an increase of $11,727, or 3.3 percent, above the FY 2015 revised agency estimate. The increase is primarily attributable to a 27.0 percent increase in base rent charges from FY 2015. The agency requests 1.0 FTE position, the same amount requested in the FY 2015 revised estimate.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $365,073, all from special revenue funds. The recommendation is a decrease of $2,288, or 0.6 percent, below the agency's FY 2016 request. The reduction of $2,288 is attributable to the Governors recommended reduction of the employer contribution rate for state employee health insurance. The Governor recommends increasing the amount withheld from the agency's fee fund revenue from 10 percent or $100,000 to 20 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 $37,721 for FY 2016.

FY 2017 Agency Request

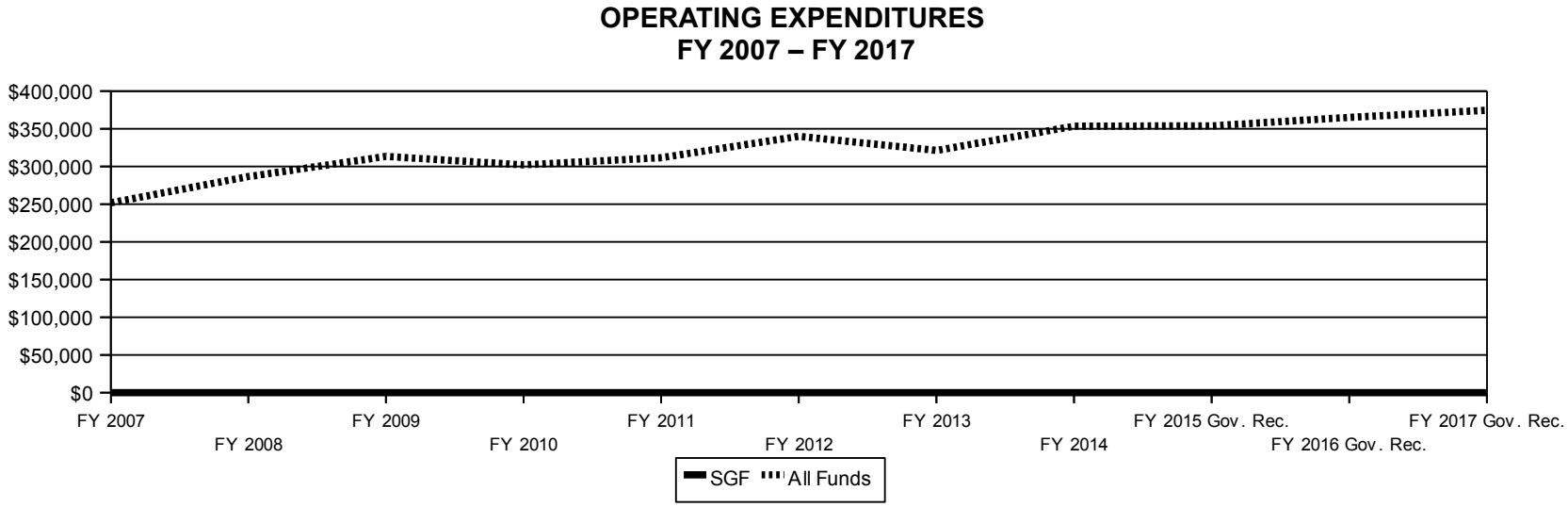
The **agency** requests FY 2017 operating expenditures of $376,888, all from special revenue funds. The request is an increase of $9,527, or 2.6 percent, above the FY 2016 agency request. The increase is primarily attributable to an increase in salary and wage expenditures as there is an additional pay period in FY 2017.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $374,554, all from special revenue funds. The recommendation is a decrease of $2,334, or 0.6 percent, below the agency's FY 2017 request. The reduction of $2,334 is attributable to the Governor's recommended reduction of the employer contribution rate for state employee health insurance.

The Governor recommends increasing the amount withheld from the agency's fee fund revenue from 10 percent or $100,000 to 20 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 $37,287 for FY 2017.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 251,818	1.7 %	3.0
2008	0	--	286,564	13.8	3.0
2009	0	--	313,334	9.3	3.0
2010	0	--	302,088	(3.6)	3.0
2011	0	--	311,583	3.1	3.0
2012	0	--	339,920	9.1	2.0
2013	0	--	321,253	(5.5)	1.0
2014	0	--	353,361	10.0	1.0
2015 Gov. Rec.	0	--	353,821	0.1	1.0
2016 Gov. Rec.	0	--	365,073	3.2	1.0
2017 Gov. Rec.	0	--	374,554	2.6	1.0
Eleven-Year Change	$ 0	-- %	$ 122,736	48.7 %	(2.0)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 353,361	$ 355,634	$ 367,361	$ 11,727	3.3 %	$ 353,821	$ 365,073	$ 11,252	-- %
By Major Object of Expenditure:									
Salaries and Wages	$ 189,605	$ 192,764	$ 196,648	$ 3,884	2.0 %	$ 190,951	$ 194,360	$ 3,409	1.8 %
Contractual Services	150,319	158,350	166,117	7,767	4.9	158,350	166,117	7,767	4.9
Commodities	5,094	4,520	4,596	76	1.7	4,520	4,596	76	1.7
Capital Outlay	8,343	0	0	0	--	0	0	0	--
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 353,361	$ 355,634	$ 367,361	$ 11,727	3.3 %	$ 353,821	$ 365,073	$ 11,252	3.2 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 353,361	$ 355,634	$ 367,361	$ 11,727	3.3 %	$ 353,821	$ 365,073	$ 11,252	3.2 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Accountancy Fee Fund	353,361	355,634	367,361	11,727	3.3	353,821	365,073	11,252	3.2
TOTAL	$ 353,361	$ 355,634	$ 367,361	$ 11,727	3.3 %	$ 353,821	$ 365,073	$ 11,252	3.2 %

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	$ 367,361	$ 376,888	$ 9,527	2.6 %	$ 365,073	$ 374,554	$ 9,481	-- %
By Major Object of Expenditure:								
Salaries and Wages	$ 196,648	$ 205,405	$ 8,757	4.5 %	$ 194,360	$ 203,071	$ 8,711	4.5 %
Contractual Services	166,117	166,887	770	0.5	166,117	166,887	770	0.5
Commodities	4,596	4,596	0	0.0	4,596	4,596	0	0.0
Capital Outlay	0	0	0	--	0	0	0	--
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 367,361	$ 376,888	$ 9,527	2.6 %	$ 365,073	$ 374,554	$ 9,481	2.6 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 367,361	$ 376,888	$ 9,527	2.6 %	$ 365,073	$ 374,554	$ 9,481	2.6 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Accountancy Fee Fund	367,361	376,888	9,527	2.6	365,073	374,554	9,481	2.6
TOTAL	$ 367,361	$ 376,888	$ 9,527	2.6 %	$ 365,073	$ 374,554	$ 9,481	2.6 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved Budget

The Legislature approved a budget of $355,634 for the Board of Accountancy 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	355,634	355,634	0	353,821	(1,813)
TOTAL	$ 355,634	$ 355,634	$ 0	$ 353,821	$ (1,813)
FTE Positions	1.0	1.0	0.0	1.0	0.0

The **agency** estimates FY 2015 operating expenditures of $355,634, all from special revenue funds, which is the same as the amount approved by the 2014 Legislature. The agency requests 1.0 FTE position, which is also the same amount approved by the 2014 Legislature.

The **Governor** recommends FY 2015 operating expenditures of $353,821, all form special revenue funds. The recommendation is a decrease of $1,813, the decrease is attributable to the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 367,361	$ 365,073	$ (2,288)
FTE Positions	1.0	1.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	11,727	11,252	
TOTAL	$ 11,727	$ 11,252	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	3.3	3.2	
TOTAL	3.3 %	3.2 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of $367,361, all from special revenue funds. The request is an increase of $11,727, or 3.3 percent, above the FY 2015 revised agency estimate. The increase is primarily attributable to a 27.0 percent increase in base rent charges from FY 2015. The agency requests 1.0 FTE position, the same amount requested in the FY 2015 revised estimate.

- **Salaries and Wages.** The agency requests $196,648 for salaries and wages in FY 2016, which is an increase of $3,884, or 2.0 percent, above the revised FY 2015 request. The increase is attributable to a staff member being added to the group health insurance.

- **Contractual Services.** The agency requests $166,117 for contractual services in FY 2016, which is an increase of $7,767, or 4.9 percent, above the revised FY 2015 request. The increase is attributable to increased rent charged to the agency.

The **Governor** recommends FY 2016 operating expenditures of $365,073, all from special revenue funds. The recommendation is a decrease of $2,288, or 0.6 percent, below the agency's FY 2016 request. The reduction of $2,288 is attributable to the Governor's recommended reduction of the employer contribution rate for state employee health insurance. The Governor recommends increasing the amount withheld from the agency's fee fund revenue from 10 percent or $100,000 to 20 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 $37,721 for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 376,888	$ 374,554	$ (2,334)
FTE Positions	1.0	1.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	9,527	9,481	
TOTAL	$ 9,527	$ 9,481	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.6	2.6	
TOTAL	3.3 %	3.2 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of $376,888, all from special revenue funds. The request is an increase of $9,527, or 2.6 percent, above the FY 2016 agency request. The increase is primarily attributable to an increase in salary and wage expenditures as there is an additional pay period in FY 2017.

- **Salaries and Wages.** The agency requests $205,405 for salaries and wages in FY 2017, which is an increase of $8,757, or 4.5 percent, above the agency's FY 2016 request. The increase is attributable to the additional pay period that occurs in FY 2017.

- **Contractual Services.** The agency requests $166,887 for contractual services in FY 2017, which is an increase of $770, or 0.5 percent, above the agency's FY 2016 request. The increase is attributable to slight increases in rent charged to the agency.

The **Governor** recommends FY 2017 operating expenditures of $374,554, all from special revenue funds. The recommendation is a decrease of $2,334, or 0.6 percent, below the agency's FY 2017 request. The reduction of $2,334 is attributable to the Governor's recommended reduction of the employer contribution rate for state employee health insurance. The Governor recommends increasing the amount withheld from the agency's fee fund revenue from 10 percent or $100,000 to 20 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 $37,287 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 $906 all from special revenue funds, and affects three 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 $600, all from special revenue funds, and FY 2017 longevity payments total $600, 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 $2,288, all from special revenue funds, for FY 2016. This is a reduction of $2,334, 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
Board of Accountancy Fee 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.

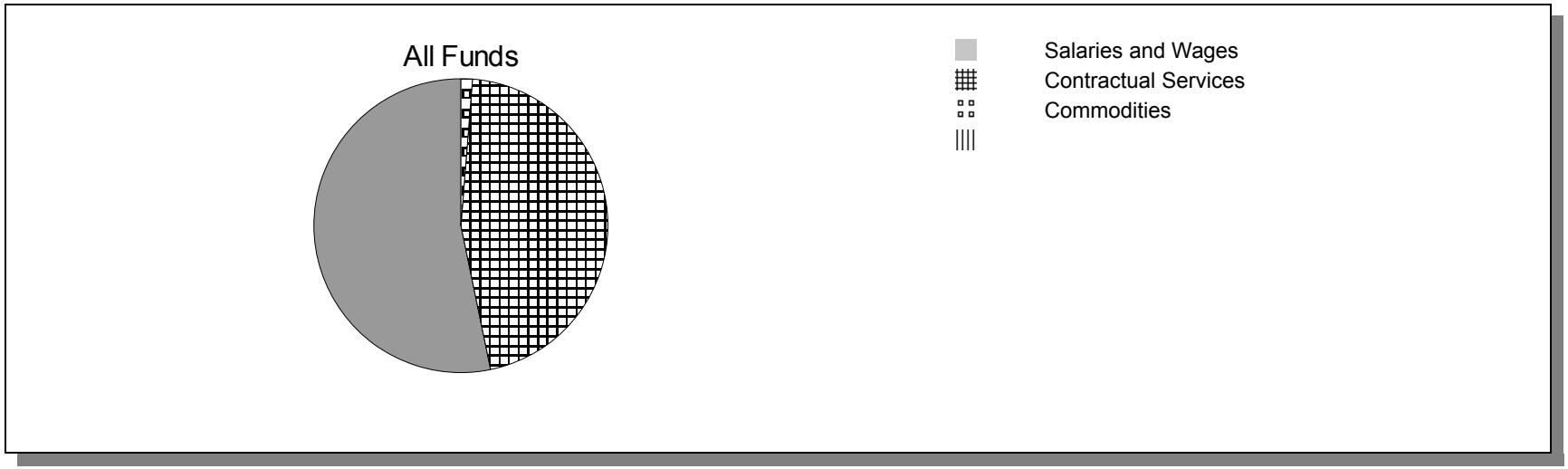
Board of Accountancy Fee Fund Analysis

The Board of Accountancy receives revenue from the issuance of certificates, permits and the issuance and collection of fines. Each year, 10.0 percent of the revenue generated transfers to the State General Fund. The 2005 Legislature established the Special Litigation Reserve Fund for costs incurred in litigation cases that would cause the Board to expend more than the amount approved by the Legislature. Expenditures may only be made from this reserve fund upon the approval of the State Finance Council. Each year, $15,000 from the Board of Accountancy Fee Fund is placed into the Special Litigation Reserve Fund until the $300,000 cap is reached.

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	$ 297,651	$ 275,467	$ 275,467	$ 240,547	$ 242,360	$ 193,178	$ 160,058
Revenue	346,177	335,714	334,214	334,992	333,992	335,581	334,581
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 643,828	$ 611,181	$ 609,681	$ 575,539	$ 576,352	$ 528,759	$ 494,639
Less: Expenditures	353,361	355,634	352,321	367,361	364,073	376,888	373,554
Transfers Out	15,000	15,000	15,000	15,000	52,221	15,000	52,287
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 275,467	$ 240,547	$ 242,360	$ 193,178	$ 160,058	$ 136,871	$ 68,798
Ending Balance as Percent of Expenditures	78.0%	67.6%	68.8%	52.6%	44.0%	36.3%	18.4%
	July	July	July	July	July	July	July
Month Highest Ending Balance	$ 404,805	$ 382,899	$ 384,712	$ 348,793	$ 311,777	$ 301,357	$ 267,296
	April	April	April	April	April	April	April
Month Lowest Ending Balance	$ 250,026	$ 228,637	$ 230,450	$ 179,843	$ 159,090	$ 131,815	$ 61,361

Board of Accountancv Licensure Fees		
Board of Accountancy Licensure Fees	**Current Fee**	**Statutory Limit**
Firm Registration	$ 40.00	$ 300.00
Firm Renewal	40.00	300.00
Firm Renewal (late)	60.00	450.00
Certification by Exam	25.00	50.00
Certification by Reciprocity	250.00	350.00
Certification Renewal	150.00	350.00
Certification Renewal (late)	225.00	525.00
Duplicate Certificate	25.00	50.00
Permit to Practice	150.00	175.00
Permit to Practice (late)	225.00	525.00
Reinstatement of Permit to Practice (1 year)	112.50	262.50
Reinstatement of Permit to Practice (2 years)	225.00	525.00
Duplicate Permit to Practice	25.00	50.00
Municipal Public Accountant Renewal	50.00	80.00

EXPENDITURES BY CATEGORY–GOVERNOR'S FY 2016 RECOMMENDATION



Category of Expenditure	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	$ 194,360	53.2 %	$ 0	-- %
Contractual Services	166,117	45.5	0	--
Commodities	4,596	1.3	0	--
TOTAL	$ 365,073	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	1.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	1.0	1.0	1.0	1.0	1.0	1.0	1.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Total CPAs regulated by the board	12,066	12,063	12,063	12,780	12,685
Of the total, new CPA certificates issued	160	130	130	132	135
CPA firms registered to practice	756	760	765	770	775
Complaints and referrals received and investigated	36	74	65	60	62

Office of the State Bank 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	10,169,917	11,151,318	10,828,090	11,207,957	10,902,451	11,758,612	11,437,951
TOTAL	$ 10,169,917	$ 11,151,318	$ 10,828,090	$ 11,207,957	$ 10,902,451	$ 11,758,612	$ 11,437,951
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	**$ 10,169,917**	**$ 11,151,318**	**$ 10,828,090**	**$ 11,207,957**	**$ 10,902,451**	**$ 11,758,612**	**$ 11,437,951**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(1.6)	9.7	6.5	0.5	0.7	4.9	4.9
FTE Positions	103.0	95.0	95.0	95.0	95.0	95.0	95.0
Non-FTE Perm.Uncl.Pos.	5.0	11.0	11.0	11.0	11.0	11.0	11.0
TOTAL	108.0	106.0	106.0	106.0	106.0	106.0	106.0

AGENCY OVERVIEW

The Office of the State Bank Commissioner (OSBC) ensures the integrity of regulated providers of financial services through responsible and proactive oversight, while protecting and educating consumers. The agency is responsible for the supervision of state-chartered banks, trust companies/departments, savings and loan associations, money transmitters, mortgage and consumer credit lenders, and credit service organizations. In doing so, the OSBC educates regulated entities to promote compliance with governing laws and regulations. The agency also preserves the dual banking system through chartering of new state banks, maintenance of existing state charters, and equitable regulation of state banks. Finally, the OSBC is responsible for protecting consumers from unfair or unscrupulous credit practices, and promoting public trust in the state financial system.

Authority for the OSBC was established in K.S.A. §9-101 et seq. The OSBC was established in 1981 by the Legislature to regulate and examine all financial institutions. The regulation of savings and loan associations, credit unions, and securities activities were later removed. Authority for the OSBC is found in K.S.A. §75-1304 *et seq*., while the State Banking Board is authorized by K.S.A. §74-3004 *et seq*.

The agency is headed by a Commissioner, who is appointed by the Governor to serve a four-year term. A nine member banking board is appointed by the Governor. The board serves in an advisory capacity to the office and is comprised of six banker members (with a minimum of five years of state banking experience), and three public interest members. Four banker members represent each of the state's four congressional districts. The other two banker members represent the state at large. The board has responsibility for the approval of new charters and branch applications from banks that are ineligible, as well as other activities.

The agency, under the supervision of the Commissioner, conducts examinations of the banks and trust companies approximately every 18 months. These examinations include an on-site evaluation of assets, capital adequacy, internal routines and controls, bank management and other risk areas. The OSBC also works closely with the Federal Reserve Bank and the Federal Insurance Corporation in the regulation and supervision of these entities.

The agency's Banking Division is self-supporting through statutory assessments based on the total assets of the institutions under the department's supervision. The agency's Consumer and Mortgage Division is also self-supporting through fees for licensing and renewal activities. The agency remits $100,000 annually to the State General Fund. The remainder of the funds are for expenditures incurred by the agency in the regulation of the entities supervised, and to fund consumer education initiative.

MAJOR ISSUES FROM PRIOR YEARS

The **1999 Legislature** passed SB 271, which merged the Office of the Consumer Credit Commissioner with and into the OSBC. The bill created a Division of Consumer and Mortgage Lending within the OSBC, and an unclassified position of Deputy of Consumer and Mortgage Lending. This Deputy serves as Administrator of the Kansas Uniform Consumer Credit Code.

The **2003 Legislature** approved for FY 2004 a 5.9 percent reduction in operating expenditures for all biennial budget agencies to match the 5.9 percent allotment reductions that most other agencies absorbed in FY 2003. The Legislature restored expenditures of $179,388 (or one-half) of the Governor's recommended reduction of $358,775 for the OSBC. The amount reduced from this agency's budget totaled $179,387, which was transferred to the State General Fund.

The **2004 Legislature** authorized the transfer of $700,000 from the Bank Commissioner Fee Fund to the State General Fund in FY 2005. The amount certified by the Director of the Budget on April 19, 2004 for this agency was $1,251,028. The 2004 Legislature also added 1.0 FTE and appropriated $56,426 from the Bank Commissioner Fee Fund for an attorney position in the Consumer and Mortgage Lending program in FY 2005.

The **2010 Legislature** added $381,553, all from special revenue funds, for additional salary and wages for the Examination and Consumer and Mortgage Lending departments in order to maintain operations for FY 2011. The 2009 Legislature reduced the expenditure authority for FY 2011 below the amount approved for FY 2010 by $267,536.

The **2013 Legislature** added $438,797, all from special revenue funds, in salaries and wages to maintain a salary increase to address the problem of retaining examination staff for FY 2014, and added $136,999, all from special revenue funds, for FY 2015. The 2013 Legislature also deleted $42,707, and $93,378, from FY 2014 and FY 2015 respectively, all from special revenue funds, to reflect reduced funding for salaries and wages.

The **2014 Legislature** passed HB 2525 which added change of control provisions and change in officer and director requirements to the statute. An additional change increased the amount of allowed accounts receivable to be used for permissible investment purposes.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency estimates** FY 2015 operating expenditures of $11,151,318, all from special revenue funds. The revised estimate is a decrease of $346,643, or 3.0 percent, below the amount approved by the 2014 Legislature. The decrease is primarily attributable to reduced salary and wage expenditures and a reduction in contractual service expenses. The agency estimates 95.0 FTE positions, a decrease of 8.0 FTE positions below the amount approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of $10,828,090, all from special revenue funds. The recommendation is a decrease of $669,871, or 5.8 percent, below the amount approved by the 2014 Legislature. The recommendation is a decrease of $323,228, or 2.9 percent, below the agency's revised FY 2015 estimate. Of the reduction $94,510 is attributable to the Governor's KPERS employer contribution rate reduction as a result of the Governor's

Allotment Plan while the remaining difference of $228,718 is attributable to reduced salaries and wage expenditures, specifically attributable to to shrinkage or a reduction in wages for unfilled positions.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of $11,207,957, all from special revenue funds. The request is an increase of $56,639, or 0.5 percent, above the amount requested for FY 2015. The increase is primarily attributable to increases in salary and wage expenditures, increase contractual service expenditures and is offset partially by reduced capital outlay expenditures. The agency requests 95.0 FTE positions, the same amount as the agency's revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $10,902,451, all from special revenue funds. The recommendation is a decrease of $305,506, or 2.7 percent, below the agency's FY 2016 request. The reduction of $305,506 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions. The Governor recommends increasing the amount withheld from the Bank Commissioner fee fund revenue from 10 percent or $100,000 to 20 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

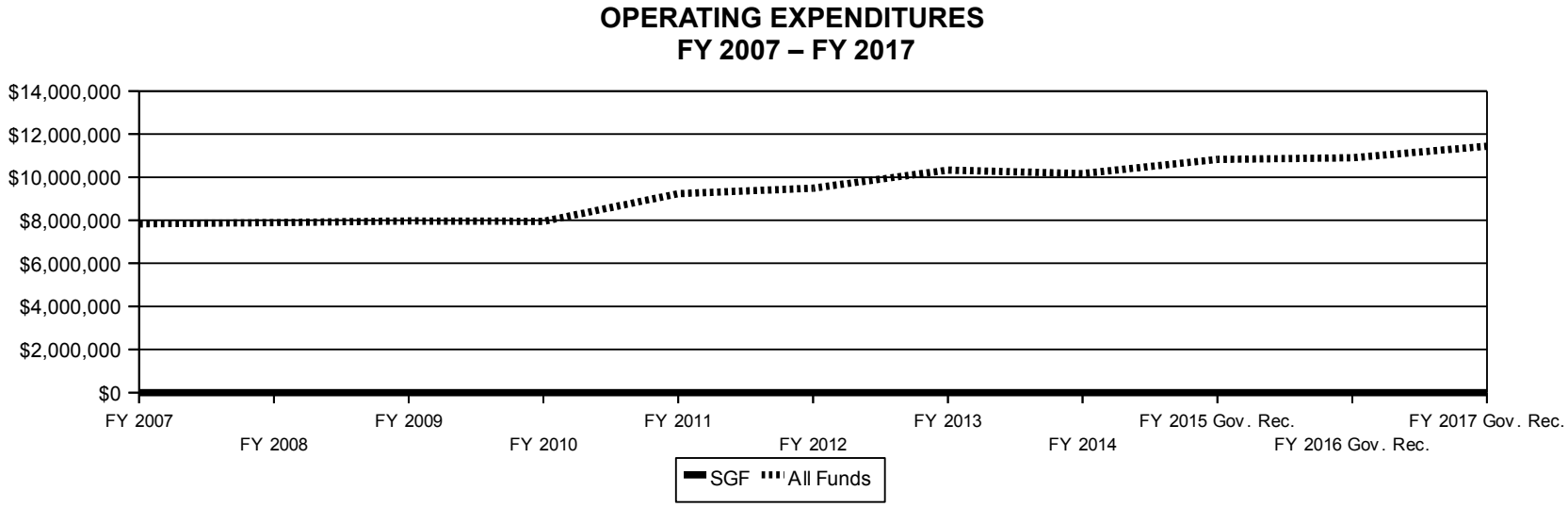
The **agency** requests FY 2017 operating expenditures of $11,758,612, all from special revenue funds. The request is an increase of $550,655, or 4.9 percent, above the agency's FY 2016 request. The increase is attributable to increased salary and wage expenditures, due to the additional pay period included in the 2017 fiscal year, and is partially offset by reduced capital outlay expenditures. The agency requests 12.0 FTE positions, the same amount requested in FY 2016.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $11,437,951, all from special revenue funds. The recommendation is a decrease of $320,661, or 2.7 percent, below the agency's FY 2017 request. The reduction of $320,661 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions. The Governor recommends increasing the amount withheld from the

Bank Commissioner fee fund revenue from 10 percent or $100,000 to 20 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



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 7,837,541	13.8 %	90.0
2008	0	--	7,893,826	0.7	90.0
2009	0	--	7,968,514	0.9	97.0
2010	0	--	7,948,496	(0.3)	99.0
2011	0	--	9,234,822	16.2	99.0
2012	0	--	9,489,429	2.8	107.0
2013	0	--	10,331,736	8.9	109.0
2014	0	--	10,169,917	(1.6)	103.0
2015 Gov. Rec.	0	--	10,828,090	6.5	95.0
2016 Gov. Rec.	0	--	10,902,451	0.7	95.0
2017 Gov. Rec.	0	--	11,437,951	4.9	95.0
Eleven-Year Change	$ 0	-- %	$ 3,600,410	45.9 %	5.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 1,506,284	$ 1,563,998	$ 1,564,622	$ 624	0.0 %	$ 1,525,307	$ 1,527,160	$ 1,853	0.1 %
Bank Regulation	5,785,207	6,299,544	6,326,716	27,172	0.4	6,110,201	6,148,966	38,765	0.6
Consumer Mortgage Regulation	2,878,426	3,287,776	3,316,619	28,843	0.9	3,192,582	3,226,325	33,743	1.1
TOTAL	$ 10,169,917	$ 11,151,318	$ 11,207,957	$ 56,639	0.5 %	$ 10,828,090	$ 10,902,451	$ 74,361	0.7 %
By Major Object of Expenditure:									
Salaries and Wages	$ 8,330,959	$ 9,148,718	$ 9,194,307	$ 45,589	0.5 %	$ 8,825,490	$ 8,888,801	$ 63,311	0.7 %
Contractual Services	1,528,137	1,563,500	1,583,800	20,300	1.3	1,563,500	1,583,800	20,300	1.3
Commodities	70,230	83,100	84,850	1,750	2.1	83,100	84,850	1,750	2.1
Capital Outlay	94,814	174,000	163,000	(11,000)	(6.3)	174,000	163,000	(11,000)	(6.3)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 10,024,140	$ 10,969,318	$ 11,025,957	$ 56,639	0.5 %	$ 10,646,090	$ 10,720,451	$ 74,361	0.7 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	145,777	182,000	182,000	0	0.0	182,000	182,000	0	0.0
TOTAL	$ 10,169,917	$ 11,151,318	$ 11,207,957	$ 56,639	0.5 %	$ 10,828,090	$ 10,902,451	$ 74,361	0.7 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Bank Commissioner Fee Fund	10,034,917	10,976,318	11,032,957	56,639	0.5	10,653,090	10,727,451	74,361	0.7
Consumer Education Settlement Fee Fund	135,000	175,000	175,000	0	0.0	175,000	175,000	0	0.0
TOTAL	$ 10,169,917	$ 11,151,318	$ 11,207,957	$ 56,639	0.5 %	$ 10,828,090	$ 10,902,451	$ 74,361	0.7 %

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	$ 1,564,622	$ 1,656,795	$ 92,173	5.9 %	$ 1,527,160	$ 1,617,145	$ 89,985	5.9 %
Bank Regulation	6,326,716	6,641,378	314,662	5.0	6,148,966	6,454,971	306,005	5.0
Consumer Mortgage Regulation	3,316,619	3,460,439	143,820	4.3	3,226,325	3,365,835	139,510	4.3
TOTAL	$ 11,207,957	$ 11,758,612	$ 550,655	4.9 %	$ 10,902,451	$ 11,437,951	$ 535,500	4.9 %
By Major Object of Expenditure:								
Salaries and Wages	$ 9,194,307	$ 9,737,262	$ 542,955	5.9 %	$ 8,888,801	$ 9,416,601	$ 527,800	5.9 %
Contractual Services	1,583,800	1,606,850	23,050	1.5	1,583,800	1,606,850	23,050	1.5
Commodities	84,850	87,500	2,650	3.1	84,850	87,500	2,650	3.1
Capital Outlay	163,000	145,000	(18,000)	(11.0)	163,000	145,000	(18,000)	(11.0)
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 11,025,957	$ 11,576,612	$ 550,655	5.0 %	$ 10,720,451	$ 11,255,951	$ 535,500	5.0 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	182,000	182,000	0	0.0	182,000	182,000	0	0.0
TOTAL	$ 11,207,957	$ 11,758,612	$ 550,655	4.9 %	$ 10,902,451	$ 11,437,951	$ 535,500	4.9 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Bank Commissioner Fee Fund	11,032,957	11,583,612	550,655	5.0	10,727,451	11,262,951	535,500	5.0
Consumer Education Settlement Fee Fund	175,000	175,000	0	0.0	175,000	175,000	0	0.0
TOTAL	$ 11,207,957	$ 11,758,612	$ 550,655	4.9 %	$ 10,902,451	$ 11,437,951	$ 535,500	4.9 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved Budget

The Legislature approved a budget of $11,497,961 for the Office of the State Bank 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	11,497,961	11,151,318	(346,643)	10,828,090	(669,871)
TOTAL	$ 11,497,961	$ 11,151,318	$ (346,643)	$ 10,828,090	$ (669,871)
FTE Positions	103.0	95.0	(8.0)	95.0	(8.0)

The **agency estimates** FY 2015 operating expenditures of $11,151,318, all from special revenue funds. The revised estimate is a decrease of $346,643, or 3.0 percent, below the amount approved by the 2014 Legislature. The decrease is primarily attributable to reduced salary and wage expenditures and a reduction in contractual service expenses.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests $9,148,718, all from special revenue funds, for salaries and wages in FY 2015 which funds 95.0 FTE positions and 11.0 non-FTE unclassified positions. The request is a decrease of $227,094, or 2.4 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to shrinkage and the consolidation of open positions.

- **Contractual Services.** The agency requests $1,563,500, all from special revenue funds, for contractual services. The request is a decrease of $70,461, of 4.3 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to expenditure reductions made in the Consumer Mortgage Regulation program.

- **Commodities.** The agency requests $83,100, all from special revenue funds, for commodities in FY 2015. The request is a decrease of $16,891, or 16.9 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to reduced gasoline and office supply expenses.

- **Capital Outlay.** The agency requests $174,000, all from special revenue funds, for capital outlay in FY 2015. The request is a decrease of $479, or 0.3 percent, below the amount approved by the 2014 Legislature.

- **Other Assistance.** The agency requests $182,000, all from special revenue funds, for other assistance in FY 2015. The request is a decrease of $31,718, or 14.6 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to lower than expected amounts of state aid given to qualified non-state organizations.

The **Governor** recommends FY 2015 operating expenditures of $10,828,090, all from special revenue funds. The recommendation is a decrease of $669,871, or 5.8 percent, below the amount approved by the 2014 Legislature. The recommendation is a decrease of $323,228, or 2.9 percent, below the agency's revised FY 2015 estimate. Of the reduction $94,510 is attributable to the Governor's KPERS employer contribution rate reduction as a result of the Governor's Allotment Plan while the remaining difference of $228,718 is attributable to reduced salaries and wage expenditures, specifically attributable to shrinkage or a reduction in wages for unfilled positions.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 11,207,957	$ 10,902,451	$ (305,506)
FTE Positions	95.0	95.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	56,639	74,361	
TOTAL	$ 56,639	$ 74,361	
Percent Change:			
State General Fund	-- %	0.0 %	
All Other Funds	0.5	0.7	
TOTAL	0.5 %	0.7 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of $11,207,957, all from special revenue funds. The request is an increase of $56,639, or 0.5 percent, above the amount requested for FY 2015. The increase is primarily attributable to increases in salary and wage expenditures, increased contractual service expenditures and is offset partially by reduced capital outlay expenditures.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests $9,194,307, all from special revenue funds, for salaries and wages in FY 2016 which funds 95.0 FTE positions and 11.0 non-FTE unclassified positions. The request is an increase of $45,589, or 0.5 percent, above the agency's revised FY

2015 estimate. The increase is attributable to increased expenditures on unclassified temporary employees and increased KPERS employer contributions. These increases are partially offset by reduced classified regular employee expenditures.

- **Contractual Services.** The agency requests $1,583,800, all from special revenue funds, for contractual services in FY 2016. The request is an increase of $20,300, or 1.3 percent, above the agency's revised FY 2015 estimate. The increase is primarily attributable to increased rent expenses.

- **Capital Outlay.** The agency requests $163,000, all from special revenue funds, for capital outlay in FY 2016. The request is an decrease of $11,000, or 6.3 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced computer software licensing expenses.

The **Governor** recommends FY 2016 operating expenditures of $10,902,451, all from special revenue funds. The recommendation is a decrease of $305,506, or 2.7 percent, below the agency's FY 2016 request. The reduction of $305,506 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions. The Governor recommends increasing the amount withheld from the Bank Commissioner fee fund revenue from 10 percent or $100,000 to 20 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	$ 11,758,612	$ 11,437,951	$ (320,661)
FTE Positions	95.0	95.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	550,655	535,500	
TOTAL	$ 550,655	$ 535,500	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	4.9	4.9	
TOTAL	4.9 %	4.9 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of $11,758,612, all from special revenue funds. The request is an increase of $550,655, or 4.9 percent, above the agency's FY 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 capital outlay expenditures.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests $9,737,262, all from special revenue funds, for salaries and wages in FY 2017 which funds 95.0 FTE positions and 11.0 non-FTE unclassified positions.. The request is an increase of $542,955, or 5.9 percent, above the agency's FY

2016 request. The increase is attributable to the additional pay period included in FY 2017.

- **Contractual Services.** The agency requests $1,606,850 all from special revenue funds, for contractual services in FY 2017. The request is an increase of $23,050, or 1.5 percent, above the agency's FY 2016 request. The increase is attributable to increased building rent expenses and software license renewal.

- **Capital Outlay.** The agency requests $145,000, all from special revenue funds, for capital outlay in FY 2017. The request is a decrease of $18,000, or 11.0 percent, below the agency's FY 2016 request. The decrease is attributable to the replacement of one agency vehicle, while two vehicles are scheduled to be replaced in FY 2016.

The **Governor** recommends FY 2017 operating expenditures of $11,437,951, all from special revenue funds. The recommendation is a decrease of $320,661, or 2.7 percent, below the agency's FY 2017 request. The reduction of $320,661 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions. The Governor recommends increasing the amount withheld from the Bank Commissioner fee fund revenue from 10 percent or $100,000 to 20 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 $30,200, all from special revenue funds, and affects 97 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 $880, all from special revenue funds, and FY 2017 longevity payments total $920, 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 $75,648, all from special revenue funds, for FY 2016. This is a reduction of $77,229, 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 %
Bank Commissioner Fee Fund	98.4	98.4	98.5	98.5
Consumer Education Settlement Fee Fund	1.6	1.6	1.5	1.5
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Bank Commissioner Fee Fund

The Bank Commissioner Fee Fund is funded in part by assessments on state chartered banks and trust companies. Revenues of the Bank Commissioner Fee Fund are generated by fee income through the Banking Regulation and Consumer Mortgage Regulation programs. The agency receives no money from the State General Fund.

Banking revenues are in the form of assessments paid by state chartered banks and trust companies to provide operating funds, pursuant to KSA 9-1703. Assessments for banks, trust companies, and trust departments are calculated prior to the beginning of each fiscal year. Bank assessments are based on bank assets as reported to the Federal Deposit Insurance Corporation (FDIC) as of the quarter ending March 31st, while trust company assessments are based on the total amount of fiduciary assets under management as reported on the December 31st OSBC call report. For trust departments, fiduciary assets reported to the FDIC on the March 31st call report are utilized. The OSBC employs a four-tier rate schedule for determining assessment fees. The agency states that predicting application revenue each year is difficult because the level of revenues received is dependent solely on the submission of applications.

The Governor recommends increasing the amount withheld from the Bank Commissioner fee fund revenue from 10 percent or $100,000 to 20 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 and $100,000 for FY 2017.

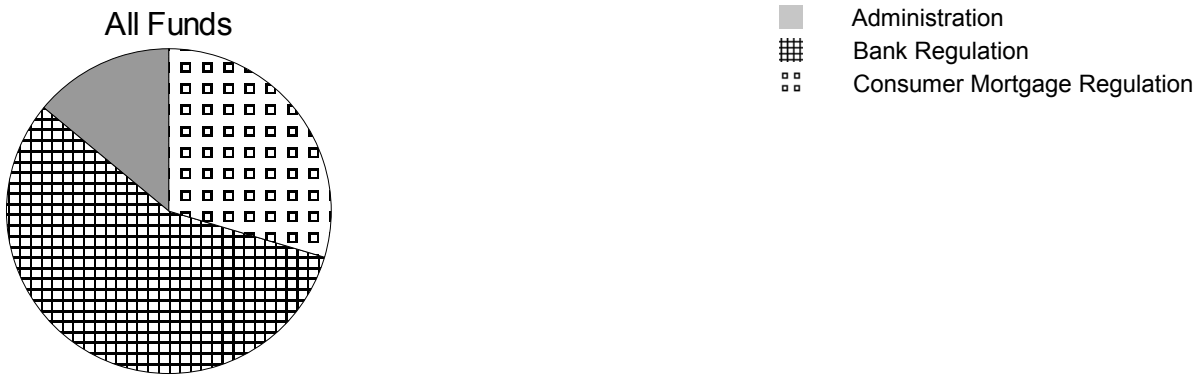
Resource Estimate	Actual FY 2014	Agency Estimate FY 2015	Governor Rec. FY 2015	Agency Request FY 2016	Gov. Rec. FY 2016	Agency Request FY 2017	Gov. Rec. FY 2017
Beginning Balance	$ 6,283,092	$ 6,524,234	$ 6,524,234	$ 6,389,444	$ 6,712,672	$ 6,202,887	$ 6,731,621
Revenue	10,276,059	10,841,528	10,841,528	10,846,400	10,846,400	10,886,400	10,886,400
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 16,559,151	$ 17,365,762	$ 17,365,762	$ 17,235,844	$ 17,559,072	$ 17,089,287	$ 17,618,021
Less: Expenditures	10,034,917	10,976,318	10,653,090	11,032,957	10,727,451	11,583,612	11,262,951
Transfers Out	0	0	0	0	100,000	0	100,000
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 6,524,234	$ 6,389,444	$ 6,712,672	$ 6,202,887	$ 6,731,621	$ 5,505,675	$ 6,255,070
Ending Balance as Percent of Expenditures	65.0%	58.2%	63.0%	56.2%	62.8%	47.5%	55.5%

Consumer Education Settlement Fee Fund

The Consumer Education Settlement Fee Fund supports the operations of the Consumer Mortgage Regulation program of the OSBC. Revenue to the fund is generated through fines and settlements levied through enforcement actions brought against companies involved in illegal credit activities. Income to the Consumer Education Settlement Fund is volatile and difficult to forecast.

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	$ 629,714	$ 555,655	$ 555,655	$ 430,655	$ 430,655	$ 305,655	$ 305,655
Revenue	60,941	50,000	50,000	50,000	50,000	50,000	50,000
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 690,655	$ 605,655	$ 605,655	$ 480,655	$ 480,655	$ 355,655	$ 355,655
Less: Expenditures	135,000	175,000	175,000	175,000	175,000	175,000	175,000
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 555,655	$ 430,655	$ 430,655	$ 305,655	$ 305,655	$ 180,655	$ 180,655
Ending Balance as Percent of Expenditures	411.6%	246.1%	246.1%	174.7%	174.7%	103.2%	103.2%

EXPENDITURES BY PROGRAM–GOVERNOR'S FY 2016 RECOMMENDATION



Program	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Administration	$ 1,527,160	14.0 %	$ 0	-- %
Bank Regulation	6,148,966	56.4	0	--
Consumer Mortgage Regulation	3,226,325	29.6	0	--
TOTAL	$ 10,902,451	100.0 %	$ 0	--%

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	10.0	8.0	8.0	8.0	8.0	8.0	8.0
Bank Regulation	61.0	59.0	59.0	59.0	59.0	59.0	59.0
Consumer Mortgage Regulation	32.0	28.0	28.0	28.0	28.0	28.0	28.0
TOTAL	103.0	95.0	95.0	95.0	95.0	95.0	95.0

A. Administration

The Administration program provides support for the supervisory and regulatory functions of the Office of State Bank Commissioner. This program encompasses many functions including administering and formulating OSBC policies; administering fiscal systems and processes, including formulation of the OSBC budget; providing legal services to staff in their execution of regulatory requirements; administering the human resource functions of recruitment, payroll, and benefits for employees of the OSBC; supporting information technologies utilized by the OSBC; and resolving banking complaints and inquiries from consumers.

ADMINISTRATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 971,247	$ 1,129,598	$ 1,090,907	$ 1,128,147	$ 1,090,685	$ 1,205,620	$ 1,165,970
Contractual Services	479,103	374,100	374,100	383,725	383,725	394,375	394,375
Commodities	14,914	15,300	15,300	15,750	15,750	16,800	16,800
Capital Outlay	30,243	38,000	38,000	30,000	30,000	33,000	33,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 1,495,507	$ 1,556,998	$ 1,518,307	$ 1,557,622	$ 1,520,160	$ 1,649,795	$ 1,610,145
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	10,777	7,000	7,000	7,000	7,000	7,000	7,000
TOTAL	$ 1,506,284	$ 1,563,998	$ 1,525,307	$ 1,564,622	$ 1,527,160	$ 1,656,795	$ 1,617,145
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	1,506,284	1,563,998	1,525,307	1,564,622	1,527,160	1,656,795	1,617,145
TOTAL	$ 1,506,284	$ 1,563,998	$ 1,525,307	$ 1,564,622	$ 1,527,160	$ 1,656,795	$ 1,617,145
FTE Positions	10.0	8.0	8.0	8.0	8.0	8.0	8.0
Non-FTE Uncl. Perm. Pos.	3.0	6.0	6.0	6.0	6.0	6.0	6.0
TOTAL	13.0	14.0	14.0	14.0	14.0	14.0	14.0

The **agency** requests FY 2016 operating expenditures of $1,564,622, all from special revenue funds, for agency administration. The request is an increase of $624, or 0.1 percent, above the agency's revised FY 2015 estimate. Major changes from the revised FY 2015 estimate include the following.

- **Contractual Services.** The agency requests $383,725, all from special revenue funds, for contractual services in FY 2016. The request is an increase of $9,625, or 2.6 percent, above the agency's revised FY 2015 estimate. The increase is attributable to an increase in the monumental building surcharge rate charged to lease office space in the city of Topeka.

- **Commodities.** The agency requests $30,000, all from special revenue funds, for commodities in FY 2016. The request is a decrease of $8,000, or 21.1 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to computer hardware leases and the planned replacement of machines within the agency returning to its normal three-year replacement schedule.

The **Governor** recommends FY 2016operating expenditures of $1,527,160, all from special revenue funds. The recommendation is a decrease of $37,462, or 2.4 percent, below the agency's FY 2016 request. The reduction of $37,462 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

The **agency** requests FY 2017 operating expenditures of $1,656,795, all form special revenue funds, for agency administration. The request is an increase of $92,173, or 5.9 percent, above the agency's FY 2016 request. Major changes from the FY 2016 request include the following.

- **Salaries and Wages.** The agency requests $1,205,620, all form special revenue funds, for salaries and wages in FY 2017. The request is an increase of $77,473, or 6.9 percent, above the agency's FY 2016 request. The increase is attributable to a 27th pay period that occurs in FY 2017 and increased KPERS employer contribution rates.

- **Contractual Services.** The agency requests $394,375, all from special revenue funds, for contractual services in FY 2017. The request is an increase $10,650, or 2.8 percent, above the agency's FY 2016 request. The increase is primarily attributable to increased computer software licensing expenses.

The **Governor** recommends FY 2017 operating expenditures of $1,617,145, all from special revenue funds. The recommendation is a decrease of $39,650, or 2.4 percent, below the agency's FY 2017 request. The reduction of $39,650 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

B. Bank Regulation

The Bank Regulation program is responsible for oversight and supervision of all state chartered banks and trust departments, trust companies, and money transmitter companies. Total assets supervised in banks and trust entities are approximately $83.75 billion.

BANK REGULATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 4,951,857	$ 5,359,994	$ 5,170,651	$ 5,403,641	$ 5,225,891	$ 5,715,703	$ 5,529,296
Contractual Services	745,600	800,550	800,550	802,675	802,675	808,375	808,375
Commodities	40,104	46,000	46,000	47,200	47,200	48,300	48,300
Capital Outlay	47,646	93,000	93,000	73,200	73,200	69,000	69,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 5,785,207	$ 6,299,544	$ 6,110,201	$ 6,326,716	$ 6,148,966	$ 6,641,378	$ 6,454,971
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	$ 5,785,207	$ 6,299,544	$ 6,110,201	$ 6,326,716	$ 6,148,966	$ 6,641,378	$ 6,454,971
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	5,785,207	6,299,544	6,110,201	6,326,716	6,148,966	6,641,378	6,454,971
TOTAL	$ 5,785,207	$ 6,299,544	$ 6,110,201	$ 6,326,716	$ 6,148,966	$ 6,641,378	$ 6,454,971
FTE Positions	61.0	59.0	59.0	59.0	59.0	59.0	59.0
Non-FTE Uncl. Perm. Pos.	0.0	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	61.0	60.0	60.0	60.0	60.0	60.0	60.0

The **agency** requests FY 2016 operating expenditures of $6,326,716, all from special revenue funds, for bank, trust and money transmitter regulation. The request is an increase of $27,172, or 0.4 percent, above the agency's revised FY 2015 estimate. Major changes from the revised FY 2015 estimate include the following.

- **Salaries and Wages.** The agency requests $5,403,641, all from special revenue funds, for salaries and wages in FY 2016. The request is an increase of $43,647, or 0.8 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increase unclassified temporary employee wages and increased KPERS

employer contributions rates, partially offset by reduced classified regular employee wages.

- **Capital Outlay.** The agency requests $73,200, all from special revenue funds, for capital outlay in FY 2016. The request is a decrease of $19,800, or 21.3 percent, below the agency's revised FY 2015 estimate. The decrease is attributable to reduced expenditures on the replacement of agency vehicles.

The **Governor** recommends FY 2016 operating expenditures of $6,148,966, all from special revenue funds. The recommendation is a decrease of $177,750 or 2.8 percent, below the agency's FY 2016 request. The reduction of $177,750 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

The **agency** requests FY 2017 operating expenditures of $6,641,378, all form special revenue funds, for bank, trust and money transmitter regulation. The request is an increase of $314,662, or 5.0 percent, above the agency's FY 2016 request. Major changes from the FY 2016 request include the following:

- **Salaries and Wages.** The agency requests $5,715,703, all form special revenue funds, for salaries and wages in FY 2017. The request is an increase of $312,062, or 5.8 percent, above the agency's FY 2016 request. The increase is attributable to a 27th pay period that occurs in FY 2017 and increased KPERS employer contribution rates.

The **Governor** recommends FY 2017 operating expenditures of $6,454,971, all from special revenue funds. The recommendation is a decrease of $186,407, or 2.8 percent, below the agency's FY 2017 request. The reduction of $186,407 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

C. Consumer Mortgage Regulation

The Consumer Mortgage Regulation program is responsible for oversight and supervision of consumer credit lenders, mortgage lenders and brokers, debt management companies, sales finance companies, and other credit providers with approximately $18.0 billion in loans to Kansas consumers. This program's duties include promoting reasonable regulation to foster a competitive credit marketplace; enforcing laws to discourage unscrupulous or illegal credit activities; licensing and regulating consumer and mortgage credit providers; conduct examinations to promote lawful credit practices and adherence to state and federal laws; investigate consumer complaints; and facilitate consumer education and awareness of credit issues.

CONSUMER MORTGAGE REGULATION
SUMMARY OF EXPENDITURES FY 2014 – 2017

Item	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
Expenditures:							
Salaries and Wages	$ 2,407,855	$ 2,659,126	$ 2,563,932	$ 2,662,519	$ 2,572,225	$ 2,815,939	$ 2,721,335
Contractual Services	303,434	388,850	388,850	397,400	397,400	404,100	404,100
Commodities	15,212	21,800	21,800	21,900	21,900	22,400	22,400
Capital Outlay	16,925	43,000	43,000	59,800	59,800	43,000	43,000
Debt Service	0	0	0	0	0	0	0
Subtotal - Operations	$ 2,743,426	$ 3,112,776	$ 3,017,582	$ 3,141,619	$ 3,051,325	$ 3,285,439	$ 3,190,835
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	135,000	175,000	175,000	175,000	175,000	175,000	175,000
TOTAL	$ 2,878,426	$ 3,287,776	$ 3,192,582	$ 3,316,619	$ 3,226,325	$ 3,460,439	$ 3,365,835
Financing:							
State General Fund	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
All Other Funds	2,878,426	3,287,776	3,192,582	3,316,619	3,226,325	3,460,439	3,365,835
TOTAL	$ 2,878,426	$ 3,287,776	$ 3,192,582	$ 3,316,619	$ 3,226,325	$ 3,460,439	$ 3,365,835
FTE Positions	32.0	28.0	28.0	28.0	28.0	28.0	28.0
Non-FTE Uncl. Perm. Pos.	2.0	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL	34.0	32.0	32.0	32.0	32.0	32.0	32.0

- The **agency** requests FY 2016 operating expenditures of $3,316,619 all from special revenue funds, for consumer mortgage regulation. The request is an increase of $28,843, or 0.9 percent, above the agency's revised FY 2015 estimate. Major changes from the revised FY 2015 estimate include the following.

- **Contractual Services.** The agency requests $397,400, all from special revenue funds, for contractual services in FY 2016. The request is an increase of $8,550, or 2.2 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased expenses related to agency training and travel.

- **Capital Outlay.** The agency requests $59,800, all from special revenue funds, for capital outlay in FY 2016. The request is an increase of $16,800, or 39.1 percent, approve the agency's revised FY 2015 estimate. The increase is attributable to expenditures on the replacement of an agency vehicle.

The **Governor** recommends FY 2016 operating expenditures of $3,226,325, all from special revenue funds. The recommendation is a decrease of $90,294 or 2.7 percent, below the agency's FY 2016 request. The reduction of $90,294 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

The **agency** requests FY 2017 operating expenditures of $3,460,439, all from special revenue funds, for consumer mortgage regulation. The request is an increase of $143,820, or 4.3 percent, above the agency's FY 2016 request. Major changes from the FY 2016 request include the following.

- **Salaries and Wages.** The agency requests $2,815,939, all form special revenue funds, for salaries and wages in FY 2017. The request is an increase of $153,420, or 5.8 percent, above the agency's FY 2016 request. The increase is attributable to a 27th pay period that occurs in FY 2017 and increased KPERS employer contribution rates.

- **Capital Outlay.** The agency requests $43,000, all from special revenue funds, for capital outlay in FY 2017. The request is an decrease of $16,800, or 28.1 percent, below the agency's FY 2016 request. The decrease is attributable to the lack of planned vehicle replacement in FY 2017.

The **Governor** recommends FY 2017 operating expenditures of $3,365,835, all from special revenue funds. The recommendation is a decrease of $94,604, or 2.7 percent, below the agency's FY 2017 request. The reduction of $94,604 is attributable to the Governor's recommended reduction of employer contributions for state employee health insurance and reduced salaries and wages for unfilled vacant positions.

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of state-chartered banks	226	230	226	224	220
Assets of state-chartered banks (in billions)	$35.8	$35.8	$38.2	$40.5	$43.2
Problem banks as a percentage of total banks	8.0%	7.0%	6.0%	10.0%	11.5%

Board of Barbering

	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	148,806	161,881	156,849	178,171	175,789	181,652	179,222
TOTAL	$ 148,806	$ 161,881	$ 156,849	$ 178,171	$ 175,789	$ 181,652	$ 179,222
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	**$ 148,806**	**$ 161,881**	**$ 156,849**	**$ 178,171**	**$ 175,789**	**$ 181,652**	**$ 179,222**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(1.7)	8.8	5.4	10.1	12.1	2.0	2.0
FTE Positions	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Non-FTE Perm.Uncl.Pos.	1.5	1.5	1.5	1.5	1.5	1.5	1.5
TOTAL	2.5	2.5	2.5	2.5	2.5	2.5	2.5

The Kansas Board of Barbering has the power to supervise and regulate the barbering industry; investigate all matters pertaining to the proper supervision and control of barber shops and the practice of barbering; subpoena barber shop owners, operators, managers, employees, their books and accounts, and other persons from whom such information may be desired; and act as a mediator and arbitrator for the barbering industry.

In FY 2014, the agency reported there were 1,562 licensed barbers in Kansas.

MAJOR ISSUES FROM PRIOR YEARS

The **2003 Legislature** approved the administration of barber's examinations at the Hutchinson Correctional Facility and the United States Disciplinary Barracks at Fort Leavenworth Administrative Function Issues.

In **1992**, the Legislature recommended that the responsibility for barber shop and beauty salon inspections be transferred to the Department of Health and Environment, with the responsibility for the barber and cosmetology schools being transferred to the Board of Education.

The **1998, 1999, 2000, 2001, 2002, 2003 and 2010** legislative sessions considered merging the administrative functions of the Board of Barbering and the Board of Cosmetology.

The **2012 Legislature** added $10,000, all from the Board of Barbering Fee Fund, for operating expenditures in both FY 2012 and FY 2013.

The **2014 Legislature** deleted 0.5 FTE, to change a part-time 0.5 FTE Inspector position to a 0.6 non-FTE position in FY 2014 and FY 2015.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised FY 2015 estimate of $161,881, all from the Board of Barbering Fee Fund, which is an increase of $7,970 above the amount approved by the 2014 Legislature. The increase is due to the **agency's** supplemental request for expenditures for one employee's participation in a state health insurance plan.

FY 2015 Governor Recommendation

The **Governor** recommends operating expenditures of $156,849, all from the Board of Barbering Fee Fund, which is an increase of $2,938, or 1.9 percent, above the amount approved by the 2014 Legislature. The Governor concurs with the agency's revised estimate, with the following adjustments.

- A reduction of $3,985 for health insurance for an inspector. This provides the funding for one half year which is the amount needed.
- A reduction of $1,047, as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.75 percent to 8.65 percent.

FY 2016 Agency Request

The **agency** requests a FY 2016 budget totaling $178,171, all from the Board of Barbering Fee Fund, an increase of $16,290, or 10.1 percent, above the FY 2015 revised estimate. The budget increases in order to cover increases in the following: KPERS retirement and death and disability employer contributions; state leave payment assessment; monumental building surcharge; and email services.

According to the agency, expenditure increases are to perform more potential exams, contingent on the founding of several new barbering schools that may emerge once Kansas Administrative Regulation (K.A.R.) 61-3-7 and K.A.R 61-3-22 are amended to allow barbering schools to be located in buildings with businesses that do not concern barbering education. The agency states that another six barber colleges may be operational by late FY 2015 and FY 2016, increasing the number of graduates from roughly 100 to 300 students per year, thereby driving up the expenditures needed to license the graduating barbers.

FY 2016 Governor Recommendation

The **Governor** recommends $175,789, all from the Board of Barbering Fee Fund, a decrease of $2,382, or a 1.3 percent, below the agency's FY 2016 request. The Governor concurs with the agency's request, with the following adjustments.

- A reduction of $2,382, with no dollars coming from the State General Fund, to reduce employer contributions for state employee health insurance.
- An increase for the amount withheld from the agency's fee fund revenue from 10 percent or $100,000 to 20 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 $27,829 for FY 2016.

FY 2017 Agency Request

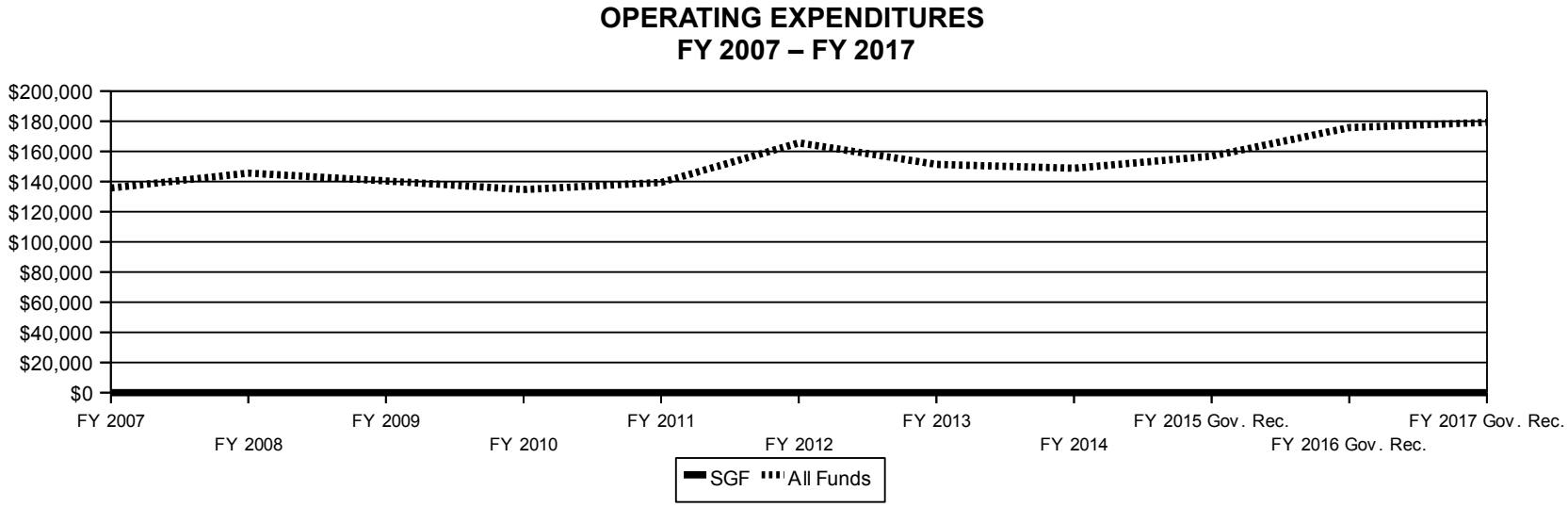
The **agency** requests a FY 2017 budget totaling $181,652, all from the Board of Barbering Fee Fund, an increase of $3,481, or 2.0 percent, over the FY 2016 request. The increase is primarily ($3,402) in salaries and wages, for the 27th payroll period.

FY 2017 Governor Recommendation

The **Governor** recommends $179,222, all from the Board of Barbering Fee Fund, a decrease of $2,430, or 1.3 percent, below the agency's FY 2017 request. The Governor concurs with the agency's request, with the following adjustments.

- A reduction of $2,420, with no dollars coming from the State General Fund, to reduce employer contributions for state employee health insurance.
- An increase for the amount withheld from the agency's fee fund revenue from 10 percent or $100,000 to 20 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 $28,589 for FY 2017.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 135,724	0.0 %	1.5
2008	0	--	145,610	7.3	1.5
2009	0	--	140,388	(3.6)	1.5
2010	0	--	134,689	(4.1)	1.5
2011	0	--	139,410	3.5	1.5
2012	0	--	165,650	18.8	1.5
2013	0	--	151,342	(8.6)	1.5
2014	0	--	148,806	(1.7)	1.0
2015 Gov. Rec.	0	--	156,849	5.4	1.0
2016 Gov. Rec.	0	--	175,789	12.1	1.0
2017 Gov. Rec.	0	--	179,222	2.0	1.0
Eleven-Year Change	$ 0	-- %	$ 43,498	32.0 %	(0.5)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 148,806	$ 161,881	$ 178,171	$ 16,290	10.1 %	$ 156,849	$ 175,789	$ 18,940	12.1 %
By Major Object of Expenditure:									
Salaries and Wages	$ 117,561	$ 126,602	$ 127,382	$ 780	0.6 %	$ 121,570	$ 125,000	$ 3,430	2.8 %
Contractual Services	28,569	30,383	47,189	16,806	55.3	30,383	47,189	16,806	55.3
Commodities	2,324	4,896	3,600	(1,296)	(26.5)	4,896	3,600	(1,296)	(26.5)
Capital Outlay	352	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 148,806	$ 161,881	$ 178,171	$ 16,290	10.1 %	$ 156,849	$ 175,789	$ 18,940	12.1 %
Aid to Local Units	--	--	--	--	--	--	--	--	--
Other Assistance	--	--	--	--	--	--	--	--	--
TOTAL	$ 148,806	$ 161,881	$ 178,171	$ 16,290	10.1 %	$ 156,849	$ 175,789	$ 18,940	12.1 %
Financing:									
State General Fund	$ --	$ --	$ --	$ --	-- %	$ --	$ --	$ --	-- %
Board of Barbering Fee Fund	148,806	161,881	178,171	16,290	10.1	156,849	175,789	18,940	12.1
TOTAL	$ 148,806	$ 161,881	$ 178,171	$ 16,290	10.1 %	$ 156,849	$ 175,789	$ 18,940	12.1 %

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	$ 178,171	$ 181,652	$ 3,481	2.0 %	$ 175,789	$ 179,222	$ 3,433	2.0 %
By Major Object of Expenditure:								
Salaries and Wages	$ 127,382	$ 130,784	$ 3,402	2.7 %	$ 125,000	$ 128,354	$ 3,354	2.7 %
Contractual Services	47,189	47,268	79	0.2	47,189	47,268	79	0.2
Commodities	3,600	3,600	0	0.0	3,600	3,600	0	0.0
Capital Outlay	--	--	--	--	--	--	--	--
Subtotal - Operations	$ 178,171	$ 181,652	$ 3,481	2.0 %	$ 175,789	$ 179,222	$ 3,433	2.0 %
Aid to Local Units	--	--	--	--	--	--	--	--
Other Assistance	--	--	--	--	--	--	--	--
TOTAL	$ 178,171	$ 181,652	$ 3,481	2.0 %	$ 175,789	$ 179,222	$ 3,433	2.0 %
Financing:								
State General Fund	$ --	$ --	$ --	-- %	$ --	$ --	$ --	-- %
Board of Barbering Fee Fund	178,171	181,652	3,481	2.0	175,789	179,222	3,433	2.0
TOTAL	$ 178,171	$ 181,652	$ 3,481	2.0 %	$ 175,789	$ 179,222	$ 3,433	2.0 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved Budget

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	153,911	161,881	7,970	156,849	2,938
TOTAL	$ 153,911	$ 161,881	$ 7,970	$ 156,849	$ 2,938
FTE Positions	1.0	1.0	0.0	1.0	0.0

The **agency** requests a revised estimate of $161,881, all from the Board of Barbering fee fund. The amount is $7,970 more than the amount approved by the 2014 Legislature. The increase is attributable to the agency's supplemental request for an employee to opt into Kansas provided healthcare. Aside from the increase, the request is identical to the to the previously approved budget for FY 2015. Major adjustments include the following items.

- **Salaries and Wages**. The revised estimate includes $126,602, all from the Board of Barbering Fee Fund, for salaries and wages. The revised estimate is an all funds increase of $9,114, or 7.8 percent, above the amount approved by the 2014 Legislature. The increase is primarily due to the $7,970 increase in health benefits to the board.

- **Contractual Services.** The revised estimate includes $30,383, all from the Board of Barbering Fee Fund, for contractual services. The revised estimate is an all funds decrease of $1,144, or 3.6 percent, below the amount approved by the 2014 Legislature.

- **Commodities**. The revised estimate includes $4,896, all from the Board of Barbering Fee Fund, for commodities, maintaining the level approved by the 2014 Legislature.

The **Governor** recommends $156,849, all from the Board of Barbering Fee Fund, which is an increase of $2,938, or 1.9 percent, above the amount approved by the 2014 Legislature. The Governor concurs with the agency's revised estimate, with the following adjustments.

- A increase of $3,985 for health insurance for an inspector, providing for only half of the agency's supplemental request.
- Partially offset by a reduction of $1,047 from special revenue funds to the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent.

Supplemental Detail

FY 2015 SUPPLEMENTALS

	Agency Estimate			Governor's Recommendation		
Supplementals	SGF	All Funds	FTE	SGF	All Funds	FTE
Health Coverage for Inspector	$ 0	$ $7,970	0.0	$ 0	$ 3,985	0.0

The **agency** requests $7,970, all from the Board of Barbering Fee Fund, to provide for Health Coverage for one of its inspectors in FY 2015.

The **Governor** recommends $3,985, to provide for Health Coverage for one of the agency's inspectors in FY 2015. This will allow the agency to provide Health Coverage for the inspector for half of a year.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 178,171	$ 175,789	$ (2,382)
FTE Positions	1.0	1.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	16,290	18,940	
TOTAL	$ 16,290	$ 18,940	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	10.1	12.1	
TOTAL	10.1 %	12.1 %	
Change in FTE Positions	0.0	0.0	

The **agency requests** $178,171, all from the Board of Barbering Fee Fund, a $16,290, or a 10.1 percent, increase above the FY 2015 approved budget. Comparing the request to the FY 2015 approved budget, the FY 2016 is $24,260, or a 15.8 percent, higher than the approved FY 2015 budget. The primary reason the board is asking for an increase is to accommodate its expected increase in Board of Barbering services attributable to the potential opening of new schools in Kansas.

- **Salaries and Wages**. The budget request includes $127,382, all from the Board of Barbering Fee Fund, for FY 2016. The request is an all funds increase of $780, or 0.6 percent, above the amount the agency's FY 2015 revised

estimate. The increase is due to a $1,117, or 1.3 percent increase, in KPERS employer contributions above FY 2015. State leave pay assessments add an additional $85 above FY 2015.

- **Contractual Services.** The **agency** requests $47,189, all from the Board of Barbering Fee Fund, for contractual services for FY 2016. The request is an increase of $16,806, or 55.3 percent, above the agency's FY 2015 revised estimate. Of that $16,806 increase, the agency believes it will need $15,681 to perform more potential exams, contingent on the founding of new barbering schools and increased barbering-student enrollment The request also budgets for an $837 increase in Monumental Building Surcharges, a $280 increase in email service costs, and a $108 increase in vehicle liability insurance increases, all above the FY 2015 estimate.

- **Commodities**. The agency requests $3,600, all from the Board of Barbering Fee Fund, for commodities for FY 2016. The request is a decrease of $1,296, or 26.5 percent, below the **agency's** FY 2015 revised estimate. The reductions below the FY 2015 commodities estimate are attributable to one-time purchases scheduled in FY 2015.

The **Governor** recommends $175,789, all from the Board of Barbering Fee Fund, a decrease of $2,382, or a 1.3 percent, below the agency's FY 2016 request. The Governor recommends a reduction of $2,382, with no dollars coming from the State General Fund, to reduce employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10 percent or $100,000 to 20 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 $27,829 for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 181,652	$ 179,222	$ (2,430)
FTE Positions	1.0	1.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	3,481	3,433	
TOTAL	$ 3,481	$ 3,433	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.0	2.0	
TOTAL	2.0 %	2.0 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $181,652, all from the Board of Barbering Fee Fund, an increase of $3,481, or 2.0 percent, above the FY 2016 request. The agency anticipates that it will need an additional $3,402 to pay its employees anticipated salaries and wages, the large majority of the overall increase over FY 2016.

- **Salaries and Wages**. The agency requests $130,784, all from the Board of Barbering Fee Fund, $3,402, or 2.7 percent, above the agency's FY 2016 salaries and wages request. The agency is increase its contributions to KPERS in FY 2017 by $1,189, or 1.2 percent, above the FY 2016 request. State leave pay assessments add an additional $18 above the FY 2016 request.

- **Contractual Services.** The agency requests $47,268, all from the Board of Barbering Fee Fund, for contractual services for FY 2017. The request is an increase of $79, or 0.2 percent, above the **agency's** FY 2016 estimate. The increase is attributable to an increase in the monumental building surcharge.

- **Commodities**. The agency requests $3,600, all from the Board of Barbering Fee Fund, for commodities for FY 2017. The request is no change from the amount requested for commodities in the agency's FY 2016 request.

The **Governor** recommends $179,222, all from the Board of Barbering Fee Fund, a decrease of $2,430, or 1.3 percent, below the agency's FY 2017 request. The Governor recommends a reduction of $2,420, with no dollars coming from the State General Fund, to reduce employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10 percent or $100,000 to 20 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 $28,589 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 $302, all from the Board of Barbering Fee Fund, and affects one employee**.

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 there are no FY 2016 or FY 2017 longevity payments.**

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 $2,382, all from the Board of Barbering Fee Fund, for FY 2016. This is a reduction of $2,430, all from the Board of Barbering Fee Fund, 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 %
Board of Barbering Fee 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.

The Board of Barbering Fee Fund

The Board of Barbering is a fee-funded agency. The revenue received provides financing for all agency operations, with 90.0 percent being retained by the agency and 10.0 percent being deposited in the State General Fund. The 2011 Legislature lowered the Board's required contribution to the State General Fund from 20.0 percent to 10.0 percent. In addition, 100.0 percent of all fines are deposited in the State General Fund.

Board of Barbering Fees

	Current Fee	Statutory Limit
Barber License (original and renewal)	$ 80	$ 80
Barber Examination Fee	100	100
Barber Reciprocity Fee	180	180
New Shop License	80	80
Shop License Renewal and Inspection Fee	40	40
Barber Instructor License (original and renewal)	40*	90
Barber Instructor Examination Fee	170	170
License to Operate Barber School / College	500	500
Seminar Permit	80	80
Student Learning License	55	55
Duplicate License	5	5

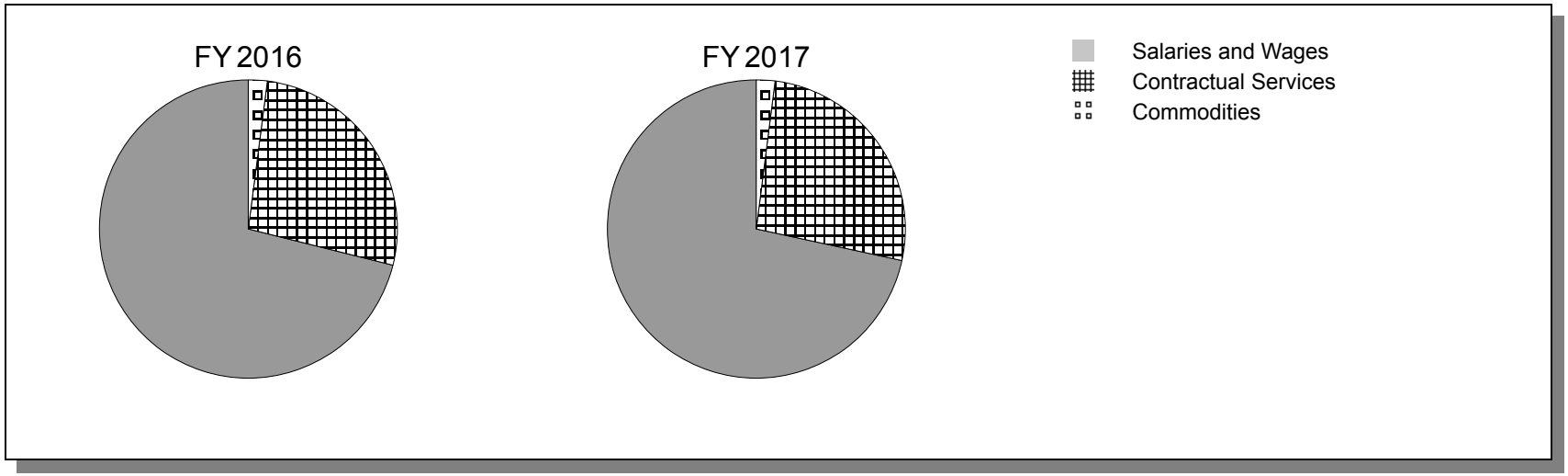
* On October 20, 2013, the Board of Barbering approved a decrease to the Barber Instructor License Fee (original and renewal) from $90 to $40, beginning January 1, 2014.

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	$ 26,882	$ 44,243	$ 44,307	$ 83,477	$ 88,427	$ 156,266	$ 135,269
Revenue	166,167	200,615	200,969	250,460	250,460	257,305	257,305
20% fee revenue to SGF	0	0	0	0	(27,829)	0	(28,589)
Transfers in	--	--	--	--	--	--	--
Total Funds Available	$ 193,049	$ 244,858	$ 245,276	$ 333,937	$ 311,058	$ 413,571	$ 363,985
Less: Expenditures	148,806	161,381	156,849	177,671	175,789	181,152	179,222
Transfers Out	0	0	0	0		0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 44,243	$ 83,477	$ 88,427	$ 156,266	$ 135,269	$ 232,419	$ 184,763
Ending Balance as Percent of Expenditures	29.7%	51.7%	56.3%	88.0%	76.9%	128.3%	103.1%
Month Highest Ending Balance	$ 66,150	$ 68,825	$ 68,825	$ 58,084	$ 58,084	$ 58,084	$ 58,084
Month Lowest Ending Balance	$ 37,268	$ 46,780	$ 46,780	$ 41,246	$ 41,246	$ 41,246	$ 41,246

In FY 2015, Governor recommends canceling an encumbrance of $354 on the Board of Barbering Fee Fund. The additional revenue is included in the revenue total featured under the Governor's FY 2015 recommendation in the table above.

The Governor recommends increasing the amount withheld from the agency's fee fund revenue from 10 percent or $100,000 to 20 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 $27,829 for FY 2016 and $28,589 FY 2017.

EXPENDITURES BY PROGRAM-- 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	$ 125,000	71.1 %	$ 128,354	71.6 %
Contractual Services	47,189	26.8	47,268	26.4
Commodities	3,600	2.0	3,600	2.0
TOTAL	$ 175,789	100.0 %	$ 179,222	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	1.0	1.0	1.0	1.0	1.0	1.0	1.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of inspections conducted	672	677	753	757	787
Percent of shops with violations	6.3%	8.3%	7.0%	6.0%	5.0%

Behavioral Sciences Regulatory Board

	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	624,529	693,841	688,923	744,655	737,252	756,257	748,706
TOTAL	$ 624,529	$ 693,841	$ 688,923	$ 744,655	$ 737,252	$ 756,257	$ 748,706
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	**$ 624,529**	**$ 693,841**	**$ 688,923**	**$ 744,655**	**$ 737,252**	**$ 756,257**	**$ 748,706**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	1.0	11.1	10.3	7.3	7.0	1.6	1.6
FTE Positions	4.0	6.0	6.0	6.0	6.0	6.0	6.0
Non-FTE Perm.Uncl.Pos.	5.0	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL	9.0	11.0	11.0	11.0	11.0	11.0	11.0

AGENCY OVERVIEW

The Behavioral Sciences Regulatory Board was created by the 1980 Legislature to regulate the practice of psychology and social work in Kansas. The Board's jurisdiction has expanded to include the licensing of professional counselors, master level psychologists, psychotherapists, marriage and family therapists, alcohol and other drug abuse counselors, and, beginning on July 1, 2016, behavior analysts. The Board derives its funding entirely through licensing and registration fees assessed to its credentialed practitioners.

The 12 members of the Board are: two licensed psychologists, two licensed social workers, one licensed professional counselor, one licensed master level psychologist, one licensed marriage and family therapist, one licensed addiction counselor or licensed clinical addiction counselor, and four public members. The Governor appoints all board members to serve four-year terms.

MAJOR ISSUES FROM PRIOR YEARS

The **2004 Legislature** amended the authority of the Board by granting it uniform disciplinary authority under each of the practice acts that regulate its licensees. The Legislature also granted the Board the authority to the following items.

- Assess administrative penalties not to exceed $1,000.
- Charge the costs of the action to the licensee or registrant in an amount up to $200, when an order is adverse to the licensee or registrant.
- Issue a cease and desist order when the Board finds an individual has practiced without a license.
- Seek an injunction, restraining order, or other appropriate order when an individual has engaged in or is about to engage in an act that constitutes a violation of a practice act or rules and regulations.
- Revoke the license or registration of an individual who voluntarily surrenders his or her license or registration pending investigation of misconduct or while charges of misconduct are pending or anticipated.
- Exercise the option of censuring a license.

The **2006 Legislature** passed SB 470, which amended current law requirements for temporary licenses issued by the Board for the four master level professions regulated by the Board: licensed professional counselors, clinical-level social workers, licensed marriage and family therapists and licensed master level psychologists.

The **2007 Legislature** created a temporary out-of-state permit for professionals to work in Kansas for 15 days and a one-time renewal of that permit which allows a total of 30 days annually.

The **2009 Legislature** passed HB 2162, which amended the licensing requirements for marriage and family therapists in Kansas by removing the requirement of completing a program of study with standards consistent with those of state universities in Kansas. The bill also increased the statutory maximum the Board is permitted to charge for the application fee for the licensure of a psychologist, from $150 to $225, and reduced the statutory maximum of the original license fee, from $200 down to $150.

The **2010 Legislature** changed alcohol and other drug abuse counselors from registrants to licensees. The two categories created by this legislation are: the licensed addiction counselor and the licensed clinical addiction counselor. It also increased the size of the Board from 11 to 12 members.

The **2013 Legislature** changed how fees are paid for licensure examinations under the Licensure of Psychologists Act, requiring individuals to pay testing costs directly to the examination service in FY 2014.

The **2014 Legislature** passed HB 2744, which includes the Applied Behavior Analysis Licensure Act. This Act establishes a new category of licensure for behavioral analysts and changes rules related to insurance coverage for treatment of autism spectrum disorders. The Board must begin licensing behavioral analysts on July 1, 2016.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate of $693,841, all from special revenue funds. This is the same amount approved by the 2014 Legislature. This revised estimate includes 6.0 FTE positions, the same as the approved number.

FY 2015 Governor Recommendation

The **Governor** recommends a budget of $688,923, all from special revenue funds, in FY 2015. This is a reduction of $4,918, or 0.7 percent, below the approved amount. This decrease is due to the proposed KPERS employer contribution rate reduction in the Governor's December allotment plan.

FY 2016 Agency Request

The **agency** requests $744,655, all from special revenue funds. This is an increase of $50,814, or 7.3 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased expenditures for salaries and wages and contractual services. This request includes 6.0 FTE positions, the same as the approved number in FY 2015.

FY 2016 Governor Recommendation

The **Governor** recommends a budget of $737,252, all from special revenue funds, for FY 2016. This is a decrease of $7,403, or 1.0 percent, below the agency's request. This decrease is attributable to the Governor's recommended reduction to employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. For this agency, that amount is estimated at $71,310 for FY 2016.

FY 2017 Agency Request

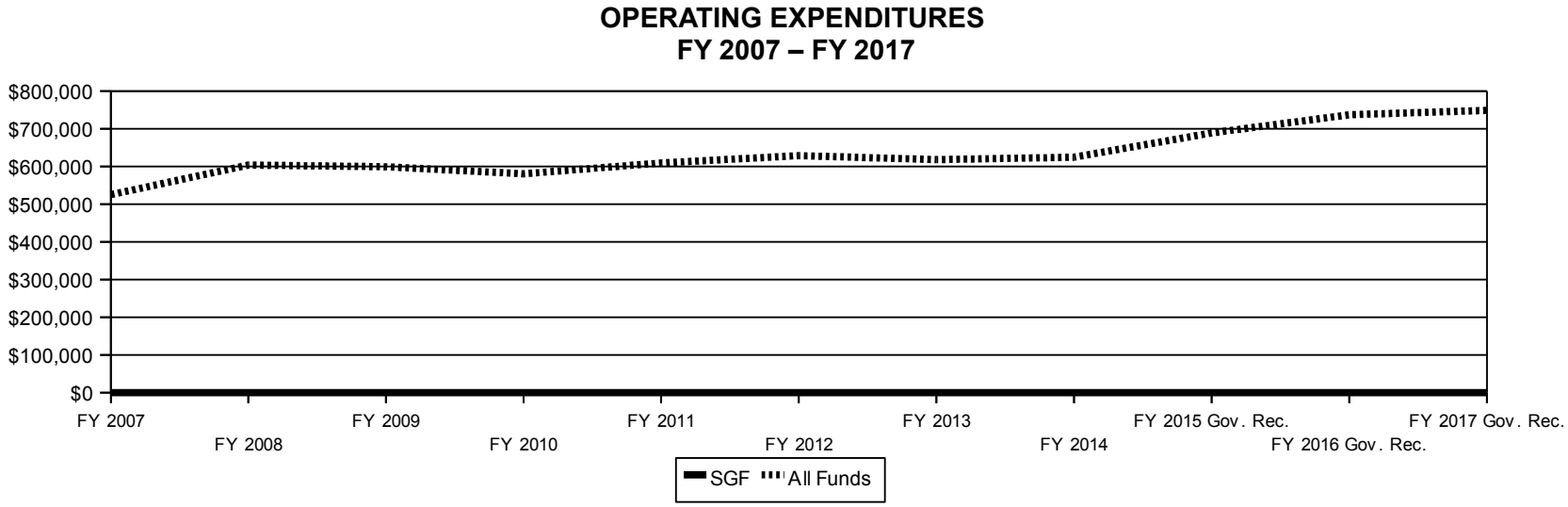
The **agency** requests $756,257, all from special revenue funds. This is an increase of $11,602, or 1.6 percent, above the agency's FY 2016 request. The increase is attributable to increased expenditures for salaries and wages and contractual services, and partially offset by a decrease in capital outlay. This request includes 6.0 FTE positions, the same number as the FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** recommends a budget of $748,706, all from special revenue funds, for FY 2017. This is a decrease of $7,551, or 1.0 percent, below the agency's request. This decrease is attributable to to the Governor's recommended reduction to employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. For this agency, that amount is estimated at $57,353 for FY 2017.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 525,191	3.6 %	8.0
2008	0	--	603,731	15.0	8.0
2009	0	--	599,289	(0.7)	8.0
2010	0	--	580,536	(3.1)	8.0
2011	0	--	609,218	4.9	8.0
2012	0	--	628,603	3.2	8.0
2013	0	--	618,070	(1.7)	9.0
2014	0	--	624,529	1.0	4.0
2015 Gov. Rec.	0	--	688,923	10.3	6.0
2016 Gov. Rec.	0	--	737,252	7.0	6.0
2017 Gov. Rec.	0	--	748,706	1.6	6.0
Eleven-Year Change	$ 0	-- %	$ 223,515	42.6 %	(2.0)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 624,529	$ 693,841	$ 744,655	$ 50,814	7.3 %	$ 688,923	$ 737,252	$ 48,329	7.0 %
By Major Object of Expenditure:									
Salaries and Wages	$ 500,049	$ 529,493	$ 552,326	$ 22,833	4.3 %	$ 524,575	$ 544,923	$ 20,348	3.9 %
Contractual Services	111,039	135,218	162,429	27,211	20.1	135,218	162,429	27,211	20.1
Commodities	10,134	9,610	10,150	540	5.6	9,610	10,150	540	5.6
Capital Outlay	3,307	19,520	19,750	230	1.2	19,520	19,750	230	1.2
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 624,529	$ 693,841	$ 744,655	$ 50,814	7.3 %	$ 688,923	$ 737,252	$ 48,329	7.0 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 624,529	$ 693,841	$ 744,655	$ 50,814	7.3 %	$ 688,923	$ 737,252	$ 48,329	7.0 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
BSRB Fee Fund	624,529	693,841	744,655	50,814	7.3	688,923	737,252	48,329	7.0
TOTAL	$ 624,529	$ 693,841	$ 744,655	$ 50,814	7.3 %	$ 688,923	$ 737,252	$ 48,329	7.0 %

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	$ 744,655	$ 756,257	$ 11,602	1.6 %	$ 737,252	$ 748,706	$ 11,454	1.6 %
By Major Object of Expenditure:								
Salaries and Wages	$ 552,326	$ 565,042	$ 12,716	2.3 %	$ 544,923	$ 557,491	$ 12,568	2.3 %
Contractual Services	162,429	170,015	7,586	4.7	162,429	170,015	7,586	4.7
Commodities	10,150	10,700	550	5.4	10,150	10,700	550	5.4
Capital Outlay	19,750	10,500	(9,250)	(46.8)	19,750	10,500	(9,250)	(46.8)
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 744,655	$ 756,257	$ 11,602	1.6 %	$ 737,252	$ 748,706	$ 11,454	1.6 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 744,655	$ 756,257	$ 11,602	1.6 %	$ 737,252	$ 748,706	$ 11,454	1.6 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
BSRB Fee Fund	744,655	756,257	11,602	1.6	737,252	748,706	11,454	1.6
TOTAL	$ 744,655	$ 756,257	$ 11,602	1.6 %	$ 737,252	$ 748,706	$ 11,454	1.6 %

A. FY 2015 – Current Year

Adjustments to Approved Budget

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	693,841	693,841	0	688,923	(4,918)
TOTAL	$ 693,841	$ 693,841	$ 0	$ 688,923	$ (4,918)
FTE Positions	6.0	6.0	0.0	6.0	0.0

The **agency** requests a revised estimate of $693,841, all from special revenue funds, in FY 2015. This is the same amount approved by the 2014 Legislature. The agency has also decreased salaries and wages expenditures, with offsetting increases for other operating expenditures. This revised estimate includes 6.0 FTE positions, the same as the approved number.

The revised estimate includes the following items.

- **Salaries and Wages** expenditures of $529,493. This is a decrease of $17,872, or 3.3 percent, below the approved amount. This decrease is largely attributable to lower than expected expenditures for wages ($17,367).
- **Contractual Services** expenditures of $135,218. This is an increase of $11,287, or 9.1 percent, above the approved amount. This increase is largely attributable to increased expenditures for dues and subscriptions ($4,300) and travel and conferences ($5,875).
- **Commodities** expenditures of $9,610. This is an increase of $3,725, or 63.3 percent, above the approved amount. This increase is largely attributable to increased expenditures for stationary and office supplies ($1,900) and printing supplies ($1,325).

- **Capital Outlay** expenditures of $19,520. This is an increase of $5,246, or 36.8 percent, above the approved amount. This increase is attributable to replacement of information technology equipment.

The **Governor** recommends a budget of $688,923, all from special revenue funds, in FY 2015. This is a reduction of $4,918, or 0.7 percent, below the approved amount. This decrease is due to the proposed KPERS employer contribution rate reduction in the Governor's December allotment plan.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 744,655	$ 737,252	$ (7,403)
FTE Positions	6.0	6.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	50,814	48,329	
TOTAL	$ 50,814	$ 48,329	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	7.3	7.0	
TOTAL	7.3 %	7.0 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $744,655, all from special revenue funds, for FY 2016. This is an increase of $50,814, or 7.3 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased expenditures for salaries and wages and contractual services. This request includes 6.0 FTE positions, the same as the approved number in FY 2015.

This request includes the following items.

- **Salaries and Wages** expenditures of $552,326. This is a increase of $22,833, or 4.3 percent, above the revised FY 2015 estimate. This includes wages for a temporary, part-time employee to assist with the implementation of 2014 HB 2744 ($18,366).

- **Contractual Services** expenditures of $162,429. This is an increase of $27,211, or 20.1 percent, above the revised FY 2015 estimate. This increase is largely attributable to increased expenditures for rent and state building charges ($11,757), travel and training ($2,500), and fees ($7,615).

- **Commodities** expenditures of $10,150. This is an increase of $540, or 5.6 percent, above the revised FY 2015 estimate. This increase is largely attributable to increased expenditures for stationary and office supplies.

- **Capital Outlay** expenditures of $19,750. This is an increase of $230, or 1.2 percent, above the revised FY 2015 estimate. This increase is attributable to increased expenditures for computer equipment ($230).

The **Governor** recommends a budget of $737,252, all from special revenue funds, for FY 2016. This is a decrease of $7,403, or 1.0 percent, below the agency's request. This decrease is attributable to the Governor's recommended reduction to employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. For this agency, that amount is estimated at $71,310 for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 756,257	$ 748,706	$ (7,551)
FTE Positions	6.0	6.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	11,602	11,454	
TOTAL	$ 11,602	$ 11,454	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	1.6	1.6	
TOTAL	1.6 %	1.6 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $756,257, all from special revenue funds. This is an increase of $11,602, or 1.6 percent, above the agency's FY 2016 request. The increase is attributable to increased expenditures for salaries and wages and contractual services, and partially offset by a decrease in capital outlay. This request includes 6.0 FTE positions, the same number as the FY 2016 request.

This request includes the following items.

- **Salaries and Wages** expenditures of $565,042. This is a increase of $12,716, or 2.3 percent, above the agency's FY 2016 request. This increase is attributable to increased KPERS employer contributions and the 27th pay period in FY 2017.

- **Contractual Services** expenditures of $170,015. This is an increase of $7,586, or 4.7 percent, above the agency's FY 2016 request. This increase is largely attributable to increased expenditures for, information technology services ($3,800) and travel and conferences ($2,175).

- **Commodities** expenditures of $10,700. This is an increase of $550, or 5.4 percent, above the agency's FY 2016 request. This increase is largely attributable to increased expenditures for stationary and office supplies.

- **Capital Outlay** expenditures of $10,500. This is a decrease of $9,250, or 46.8 percent, below the agency's FY 2016 request. This decrease is attributable to decreased expenditures for replacing computer equipment.

The **Governor** recommends a budget of $748,706, all from special revenue funds, for FY 2017. This is a decrease of $7,551, or 1.0 percent, below the agency's request. This decrease is attributable to to the Governor's recommended reduction to employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. For this agency, that amount is estimated at $57,353 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 $2,386, all from special revenue funds, and affects 8 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, there are no longevity payments in FY 2016, and FY 2017 longevity payments total $400, 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 $7,403, all from special revenue funds, for FY 2016. This is a reduction of $7,551, 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 %
BSRB Fee 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.

Behavioral Sciences Regulatory Board Fee Fund

In accordance with KSA 74-7505, the Behavioral Sciences Regulatory Board Fee Fund replaced the Psychologists Fee Fund and the Social Work Examiners Fee Fund in 1980. The new Board inherited the previous Boards' authorities to set, charge, and collect fees. Ten percent of monies collected by the BSRB are remitted to the State General Fund and remainder is held in the agency fee fund. These retained fees fund the agency.

Beginning in FY 2016, the Board has approved a reduction in all fees for all licensees. All application and renewal fees will be reduced by $40 and original licensure fees will be reduced to $10. The Board instituted these fee reductions to reduce the Fund's carry forward balance.

As a fee funded agency, the Board currently contributes the lesser of 10 percent or $100,000 of fee revenue to the State General Fund for the cost of support services provided by other state agencies under KSA 75-3170a. The Governor's 2015 budget includes a recommendation to increase this contribution rate to the lesser of 20 percent or $200,000 of fee revenue beginning in FY 2016. That change would effect this agency's reported revenue and fund balance beginning in FY 2016.

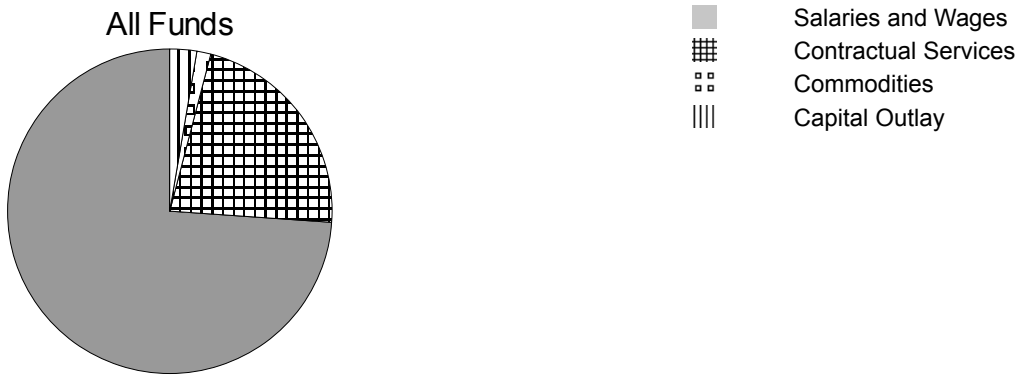
The table below summarizes estimated receipts and fund balances based upon the agency estimate and the Governor's recommendation, including the proposed change in State General Fund contribution.

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	$ 783,708	$ 1,073,910	$ 1,073,910	$ 1,213,784	$ 1,217,702	$ 1,111,915	$ 1,050,926
Revenue	914,731	832,715	832,715	641,786	570,476	516,177	458,824
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 1,698,439	$ 1,906,625	$ 1,906,625	$ 1,855,570	$ 1,788,178	$ 1,628,092	$ 1,509,750
Less: Expenditures	624,529	692,841	688,923	743,655	737,252	755,257	748,706
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 1,073,910	$ 1,213,784	$ 1,217,702	$ 1,111,915	$ 1,050,926	$ 872,835	$ 761,044
Ending Balance as Percent of Expenditures	172.0%	175.2%	176.8%	149.5%	142.5%	115.6%	101.6%
	July	June	June	August	August	July	July
Month Highest Ending Balance	$ 1,074,568	$ 1,212,442	$ 1,217,702	$ 1,238,057	$ 1,180,312	$ 1,113,072	$ 979,004
	June	March	March	March	March	May	May
Month Lowest Ending Balance	$ 844,140	$ 1,082,161	$ 1,091,828	$ 1,064,003	$ 1,014,376	$ 857,033	$ 753,804

BEHAVIORAL SCIENCES REGULATORY BOARD FEES: FY 2015 AND FY 2016

Fee	FY 2015	FY 2016	Statutory Maximum
Renewal Fees			
Social Worker (Bachelors)	$ 125	$ 85	$ 150
Social Worker (Masters)	125	85	200
Social Worker (Specialist Clinical)	150	135	150
Masters Level Psychologist	150	110	200
Clinical Psychotherapist	175	135	200
Psychologist	200	160	200
Professional Counselor	150	110	150
Clinical Professional Counselor	175	135	175
Marriage and Family Therapist	150	110	175
Clinical Marriage and Family Therapist	175	135	175
Addiction Counselor	100	60	150
Clinical Addiction Counselor	150	110	150
Application Fees			
Social Worker (Bachelors)	$ 100	$ 60	$ 150
Social Worker (Masters)	100	60	150
Social Worker (Specialist Clinical)	100	60	150
Masters Level Psychologist	100	60	200
Clinical Psychotherapist	100	60	200
Psychologist	225	185	225
Professional Counselor	100	60	100
Clinical Professional Counselor	100	60	175
Marriage and Family Therapist	100	60	150
Clinical Marriage and Family Therapist	100	60	175
Addiction Counselor	100	60	150
Clinical Addiction Counselor	100	60	150
Original License Fees			
Social Worker (Bachelors)	$ 100	$ 10	$ 150
Social Worker (Masters)	150	10	150
Social Worker (Specialist Clinical)	150	10	150
Masters Level Psychologist	150	10	200
Clinical Psychotherapist	150	10	200
Psychologist	50	10	150
Professional Counselor	150	10	175
Clinical Professional Counselor	150	10	175
Marriage and Family Therapist	150	10	175
Clinical Marriage and Family Therapist	150	10	175
Addiction Counselor	100	10	150
Clinical Addiction Counselor	150	10	150

EXPENDITURES BY PROGRAM-- 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	$ 544,923	73.9 %	$ 0	-- %
Contractual Services	162,429	22.0	0	--
Commodities	10,150	1.4	0	--
Capital Outlay	19,750	2.7	0	--
TOTAL	$ 737,252	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	4.0	6.0	6.0	6.0	6.0	6.0	6.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of new licenses:					
Licensed clinical psychologists	2	240	216	217	219
Professional counselors	105	173	184	186	178
Marriage and family counselors	59	110	95	98	100
Licensed social workers	540	701	725	704	722
Licensed addictions counselors	73	140	115	152	164
Number of audits for continuing education requirements performed	--	496	416	551	430

Board of Cosmetology

	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	960,555	937,055	931,281	960,335	909,129	966,087	924,085
TOTAL	$ 960,555	$ 937,055	$ 931,281	$ 960,335	$ 909,129	$ 966,087	$ 924,085
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	**$ 960,555**	**$ 937,055**	**$ 931,281**	**$ 960,335**	**$ 909,129**	**$ 966,087**	**$ 924,085**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	20.0	(2.4)	(3.0)	2.5	(2.4)	0.6	1.6
FTE Positions	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Non-FTE Perm.Uncl.Pos.	2.8	2.8	2.8	3.5	3.3	3.5	3.3
TOTAL	13.8	13.8	13.8	14.5	14.3	14.5	14.3

The eight-member Board of Cosmetology regulates cosmologists, permanent cosmetic technicians, tattoo artists and body piercers, as well as salons/facilities and educational institutions. The purpose of the agency is to encourage and maintain standards and requirements for entrance into the profession consistent with the need for protection of the health, safety, and welfare of the public; to provide standardized national testing; to inspect new schools, salons, clinics, tanning facilities, tattooing facilities and body piercing facilities; to investigate complaints; and to recommend legislation and promulgate regulations to protect the general public.

The Board licenses cosmetology schools, instructors, cosmologists, electrologists, senior cosmologists, manicurists, cosmetology technicians, body piercers, tattoo artists, and permanent cosmetic facilities. Instructors are required to obtain continuing education hours to maintain their certification. The Board also contracts with an exam company to administer national standardized written and practical examinations to license students training in the cosmetology and body art fields.

MAJOR ISSUES FROM PRIOR YEARS

In **1996**, under HB 2916, permanent color technicians, tattoo artists and persons engaged in body piercing were required to be licensed and regulated by the Kansas State Board of Cosmetology.

In **1998**, the number of Board members was increased from five to seven members by adding a member who is a licensed permanent color technician and tattoo artist or a licensed body piercer and an additional member of the general public. Four members of the Board are required be licensed cosmologists after the effective date of the bill. Under the prior law, only two members had to be both licensed cosmologists and operators of a shop. Furthermore, the Board was granted the authority to issue cease and desist orders against persons violating a Board order; to seek injunctions against persons practicing or teaching without a valid license; and to assess fines for a number of violations.

In **1999**, persons at least 25 years of age and who were licensed as apprentice cosmologists as of May 21, 1998 who also had not graduated from high school or earned a GED were permitted to take the licensing examination.

In **2000**, the locations in which a cosmologist could provide cosmetology services was expanded to include a customer's home or office assuming certain qualifications are met. In addition, the definition of cosmetology was modified to exclude persons involved in hair braiding and the Secretary of Kansas Department of Health and Environment was to develop a brochure to educate those practicing hair braiding on infection control.

In **2002**, SB 643 expanded the powers of the Board of Cosmetology regarding the licensing and regulation of persons licensed to practice as cosmologists, aestheticians, manicurists, nail technologists, and electrologists and the regulation of beauty shops and schools of cosmetology. It also expanded the scope of practice of certain persons licensed under the cosmetology laws by amending definitions and created a new category of licensees. The Board was reorganized to require

three, rather than four, members to be licensed under the provisions of KSA 65-1901 through 65-1912 at least two of whom shall be licensed cosmologists; one member who is a licensed permanent color technician and tattoo artists or body piercer; one person who holds a valid school license or is involved in the day-to-day operation of a school licensed by the Board; and two members of the general public. Under prior law, four members were required to be licensed cosmologists.

In March **2009**, the agency implemented an enhanced licensure database. Among its additional capabilities, an on-line renewal process became available for licensees and facility owners. This on-line process not only facilitated the renewal application and fee payment process for licensees, but also streamlined the accounting process for Board staff. Therefore, this on-line process allows for a quicker "turnaround" whereby the license is issued and sent to the licensee in a shorter time frame than the mail-in process. The mail-in renewal option was maintained for those who do not have computer availability.

The **2013** Legislature maintained funding for salaries and wages at FY 2013 levels, after adjusting for both committee action and KPERS increases for FY 2014 and FY 2015. The reductions totaled $44,879, all from the Cosmetology Fee Fund, for FY 2014, and $45,329, all from the Cosmetology Fee Fund, for FY 2015.

The **2014** Legislature approved budget for the Board of Cosmetology in FY 2015 totaled $937,055, all from the Board of Cosmetology Fee Fund, a decrease of $23,644, or 2.5 percent, below the FY 2014 final approved budget. The Legislature added $120,000 in FY 2014 and $108,000 for FY 2015 to upgrade the agency's licensing database and convert paper records to electronic records. Additionally the Legislature added $3,594, all from the Board of Cosmetology Fee Fund, for FY 2015 for FY 2015 employee bonuses of $250 for all non-elected employees.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency's** revised FY 2015 estimate totals $937,055, all from the Cosmetology Fee Fund, which is the same as the amount approved by the 2014 Legislature. The request maintains the FY 2015 approved levels for salaries and wages, contractual services, commodities and capital outlay.

FY 2015 Governor Recommendation

The **Governor** recommends operating expenditures of $931,281, all from the Cosmetology Fee Fund, which is a decrease of $5,774, or 0.6 percent, below the amount approved by the 2014 Legislature. The Governor concurs with the agency's revised estimate, with one adjustment, a reduction of $5,774, all from the Cosmetology Fee Fund, as part of the Governor's allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.

FY 2016 Agency Request

The **agency** requests $960,335, all from the Cosmetology Fee Fund, an increase of $23,280, or 2.5 percent, above the FY 2015 revised estimate. The increase is attributable to a $19,441, 3.0 percent, in its salaries and wages, a $35,293, or 16.5 percent, increase in contractual services, and a $1,780, or 7.9 percent, increase in commodities above its FY 2015 request. These increases are partially offset by a decrease of $33,234, or 63.5 percent, in the agency's capital outlay expenditures below the FY 2015 revised estimate.

FY 2016 Governor Recommendation

The **Governor** recommends $909,129, all from the Cosmetology Fee Fund, a decrease of $51,206, or 5.3 percent, below the agency's FY 2016 request. The Governor concurs with the agency's request, with the following adjustments.

- A reduction of $6,637, all from the Cosmetology Fee Fund, to reduce employer contributions for state employee health insurance.
- The Governor recommending neither of the agency's enhancement requests.
- An increase for the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000 to 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 $966,087, all from the Cosmetology Fee Fund, an increase of $5,752, or 0.6 percent, above the FY 2016 request. This increase is attributable to a salaries and wages increase of $29,718 above the FY 2016 request, partially offset by a $20,800, or 8.4 percent, decrease in contractual services, and a capital outlay decrease of $3,666, or 19.2 percent, from the agency's FY 2016 request. The agency is requesting an increase of $500 for commodities above the FY 2016 request.

FY 2017 Governor Recommendation

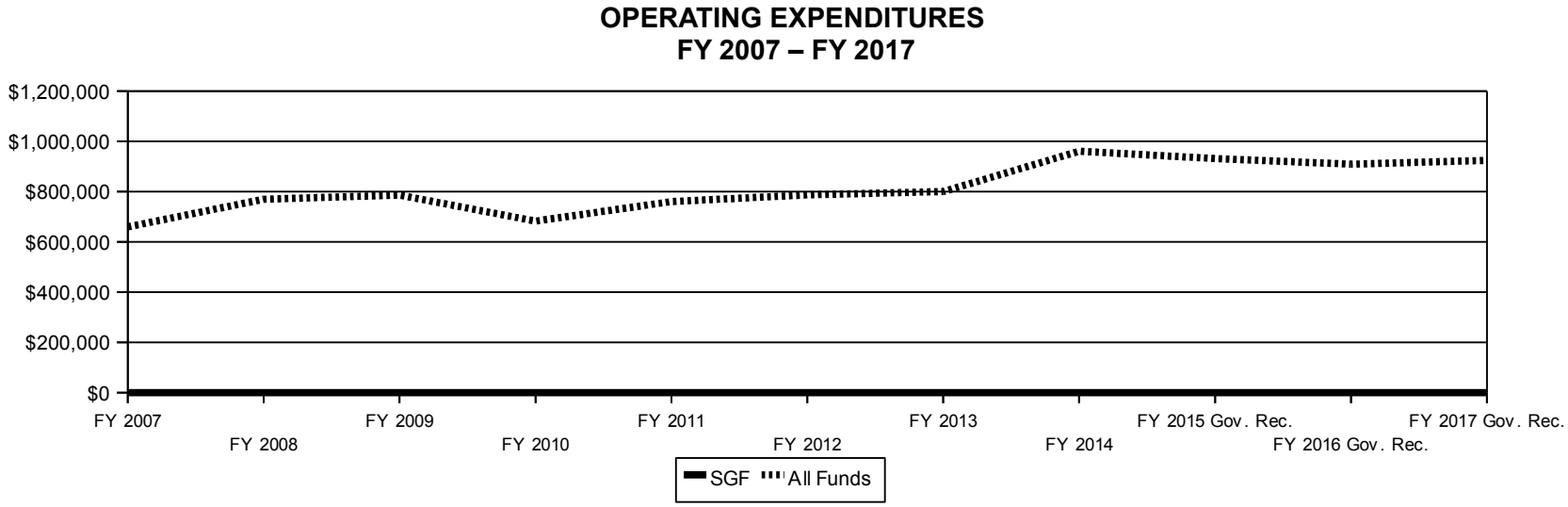
The **Governor** recommends $924,085 all from the Cosmetology Fee Fund, a decrease of $42,002 or 4.3 percent below the agency's FY 2017 request. The Governor concurs with the agency's request, with the following adjustments.

- A reduction of $6,770, all from the Cosmetology Fee Fund, to reduce employer contributions for state employee health insurance.

- The Governor recommending neither of the agency's enhancement requests.

- An increase for the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000 to 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



Fiscal Year	All Funds		% Change	FTE
2007	$	659,521	(9.1)%	12.0
2008		769,456	16.7	12.0
2009		785,914	2.1	12.0
2010		682,355	(13.2)	12.0
2011		760,284	11.4	12.0
2012		786,827	3.5	11.0
2013		800,281	1.7	11.0
2014		960,555	20.0	11.0
2015 Gov. Rec.		931,281	(3.0)	11.0
2016 Gov. Rec.		909,129	(2.4)	11.0
2017 Gov. Rec.		924,085	1.6	11.0
Eleven-Year Change	$	264,564	40.1 %	(1.0)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 960,555	$ 937,055	$ 960,335	$ 23,280	2.5 %	$ 931,281	$ 909,129	$ (22,152)	2.4%
By Major Object of Expenditure:									
Salaries and Wages	$ 608,880	$ 648,652	$ 668,093	$ 19,441	3.0 %	$ 642,878	$ 641,887	$ (991)	(0.2)%
Contractual Services	287,898	213,433	248,726	35,293	16.5	213,433	223,726	10,293	4.8
Commodities	26,582	22,670	24,450	1,780	7.9	22,670	24,450	1,780	7.9
Capital Outlay	37,195	52,300	19,066	(33,234)	(63.5)	52,300	19,066	(33,234)	(63.5)
Debt Service	--	--	--	--	--	--	--	--	--
Subtotal - Operations	$ 960,555	$ 937,055	$ 960,335	$ 23,280	2.5 %	$ 931,281	$ 909,129	$ (22,152)	(2.4)%
Aid to Local Units	--	--	--	--	--	--	--	--	--
Other Assistance	--	--	--	--	--	--	--	--	--
TOTAL	$ 960,555	$ 937,055	$ 960,335	$ 23,280	2.5 %	$ 931,281	$ 909,129	$ (22,152)	(2.4)%
Financing:									
State General Fund	$ --	$ --	$ --	$ --	-- %	$ --	$ --	$ --	-- %
Cosmetology Fee Fund	960,555	937,055	960,335	23,280	2.5	931,281	909,129	(22,152)	(2.4)
TOTAL	$ 960,555	$ 937,055	$ 960,335	$ 23,280	2.5 %	$ 931,281	$ 909,129	$ (22,152)	(2.4)%

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	$ 960,335	$ 966,087	$ 5,752	0.6	$ 909,129	$ 924,085	$ 14,956	1.6 %
By Major Object of Expenditure:								
Salaries and Wages	$ 668,093	$ 697,811	$ 29,718	4.4 %	$ 641,887	$ 670,809	$ 28,922	4.5 %
Contractual Services	248,726	227,926	(20,800)	(8.4)	223,726	227,926	4,200	1.9
Commodities	24,450	24,950	500	2.0	24,450	24,950	500	2.0
Capital Outlay	19,066	15,400	(3,666)	(19.2)	19,066	400	(18,666)	(97.9)
Debt Service	--	--	--	--	--	--	--	--
Subtotal - Operations	$ 960,335	$ 966,087	$ 5,752	0.6 %	$ 909,129	$ 924,085	$ 14,956	1.6 %
Aid to Local Units	--	--	--	--	--	--	--	--
Other Assistance	--	--	--	--	--	--	--	--
TOTAL	$ 960,335	$ 966,087	$ 5,752	0.6 %	$ 909,129	$ 924,085	$ 14,956	1.6 %
Financing:								
State General Fund	$ --	$ --	$ --	-- %	$ --	$ --	$ --	-- %
Cosmetology Fee Fund	960,335	966,087	5,752	0.6	909,129	924,085	14,956	1.6
TOTAL	$ 960,335	$ 966,087	$ 5,752	0.6 %	$ 909,129	$ 924,085	$ 14,956	1.6 %

A. FY 2015 – Current Year

Adjustments to Approved Budget

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	937,055	937,055	0	931,281	(5,774)
TOTAL	$ 937,055	$ 937,055	$ 0	$ 931,281	$ (5,774)
FTE Positions	11.0	11.0	0.0	11.0	0.0

The **agency's** revised FY 2015 estimate totals $937,055, all from the Cosmetology Fee Fund, which is the same as the amount approved by the 2014 Legislature. The request maintains the FY 2015 approved levels for salaries and wages, contractual services, commodities and capital outlay.

The **Governor** recommends operating expenditures of $931,281, all from the Cosmetology Fee Fund, which is a decrease of $5,774, or 0.6 percent, below the amount approved by the 2014 Legislature. The Governor concurs with the agency's revised estimate, with one adjustment, a reduction of $5,774, all from the Cosmetology Fee Fund, as part of the Governor's allotment plan reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. This allotment will have no impact on the agency operations, but is reflective of a reduction of expenditures from the Cosmetology Fee Fund.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 960,335	$ 909,129	$ (51,206)
FTE Positions	11.0	11.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	23,280	(22,152)	
TOTAL	$ 23,280	$ (22,152)	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.5	(2.4)	
TOTAL	2.5 %	(2.4) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $960,335, all from the Cosmetology Fee Fund for FY 2016, an increase of $23,280, or 2.5 percent, above the FY 2015 revised estimate. The increase is attributable to a $19,441, or 3.0 percent, increase in its salaries and wages, a $35,293, or 16.5 percent, increase in contractual services, and a $1,780, or 7.9 percent, increase in commodities above its FY 2015 request. These increases are partially offset by a decrease of $33,234, or 63.5 percent, in the agency's capital outlay expenditures below its FY 2015 revised estimate.

- **Salaries and Wages**. The agency requests $668,093, all from the Cosmetology Fee Fund, for salaries and wages in FY 2016. The request for salaries and wages is an all funds increase of

$19,441, or 3.0 percent, above the FY 2015 revised estimate. The increase is primarily attributable to the agency requesting $19,569, all from the Cosmetology Fee Fund, for a 0.25 non-FTE inspector position, as an enhancement. This enhancement will allow the agency to change a part-time inspector position to a full-time inspector position for FY 2016.

- **Contractual Services.** The agency requests $248,726, all from the Cosmetology Fee Fund, an increase of $35,293, or 16.5 percent, above the FY 2015 revised estimate. The increase is primarily attributable to the agency requesting $45,000 for computer software, $26,500 more than FY 2015 revised estimate. The agency is also requesting $25,000, all from the Cosmetology Fee Fund, for document conversion. The agency is requesting the funds for FY 2016 to continue with phase II of the electronic document conversion to provide for the addition of temporary personnel to assist with the scanning and indexing of all existing license files.

- **Commodities**. The agency is requesting $24,450, all from the Cosmetology Fee Fund, for commodities for FY 2016. This is an increase of $1,780, or 7.9 percent, above the FY 2015 revised estimate. The increase is primarily attributable to the agency requesting $16,000 for gasoline for FY 2016, which is an increase of $1,000 above FY 2015 revised estimate and $5,800 for stationery and office supplies, which is an increase of $1,300 above the FY 2015 revised estimate.

- **Capital Outlay**. The agency requests $19,066, all from the Cosmetology Fee Fund, for FY 2016, for capital outlay expenditures, a decrease of $33,234, or 63.5 percent, below the FY 2015 revised estimate. This decrease is attributable to one-time software related purchases totaling $35,600 the agency included in the FY 2015 revised estimate.

The **Governor** recommends $909,129, all from the Cosmetology Fee Fund, a decrease of $51,206, or 5.3 percent below the agency's FY 2016 request. The Governor concurs with the agency's request, with the following adjustments.

- A reduction of $6,637, all from the Cosmetology Fee Fund, to reduce employer contributions for state employee health insurance.

- The Governor recommending neither of the agency's enhancement requests.

- An increase for the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000 to 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.

Enhancements Detail

FY 2016 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Document Conversion	$ 0	$ 25,000	0.0	$ 0	$ 0	0.0
Difference for a Full-Time Inspector	0	19,569	0.0	0	0	0.0
TOTAL	**$ 0**	**$ 44,569**	**0.0**	**$ 0**	**$ 0**	**0.0**

The **agency** requests two enhancements totaling $44,469, all from the Cosmetology Fee Fund, for FY 2016. These include the following.

- **Document Conversion for $25,000**, all from the Cosmetology Fee Fund, to fund Phase II of the Electronic Document Conversion for FY 2016. This includes the addition of temporary personnel to assist with the scanning and indexing of all existing license files.
- **Difference for a Full-Time Inspector for $19,569**, all from the Cosmetology Fee Fund for FY 2016. The agency states that this non-FTE increase would allow a part-time inspector to become a full-time inspector, alleviating strain on the agency.

The **Governor** does not recommend funding Phase II of the Electronic Document Conversion for FY 2016 ($25,000) or the increase to a full time inspector ($19,569).

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 966,087	$ 924,085	$ (42,002)
FTE Positions	11.0	11.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	5,720	14,956	
TOTAL	$ 5,720	$ 14,956	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	0.6	1.6	
TOTAL	0.6 %	1.6 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $966,087, all from the Cosmetology Fee Fund, an increase of $5,752, or 0.6 percent, above the FY 2016 request. This increase is attributable to a $29,718, or 4.5 percent, increase in salaries and wages above the FY 2016 request and the agency requesting an increase of $500 for commodities above FY 2017. These increases are partially offset by decreases of $20,800 in contractual services and a $3,666 decrease in capital outlay expenditures.

- **Salaries and Wages**. The agency requests $697,811, all from the Board of Cosmetology Fee Fund, for FY 2017, an all funds increase of $29,718, or 4.4 percent, above the FY 2016 request. The increase is primarily attributable to the agency's enhancement request for $20,232 for a .25 non-FTE position, all from the Cosmetology Fee Fund. This enhancement will

allow the agency to change a part-time inspector position to a full-time inspector position.

- **Contractual Services.** The agency requests $227,926, all from the Board of Cosmetology Fee Fund, which is a decrease of $20,800, or 8.4 percent, below the FY 2016 request. The decrease is primarily attributable to the agency's FY 2016 one time enhancement of $25,000 for its continuation of its Electronic Document Conversion project.

- **Commodities**. The agency is requesting $24,950, all from the Cosmetology Fee Fund, for commodities for FY 2017, an increase of $500, or 2.0 percent, above the FY 2016 request. The increase is attributable to agency requesting an additional $500 for gasoline above FY 2016.

- **Capital Outlay**. The agency requests $15,400, all from the Cosmetology Fee Fund for capital outlay expenditures for FY 2017, a decrease of $3,666, or 19.2 percent, below the FY 2016 request. This decrease is attributable to the one-time purchase of a passenger car totaling $18,166 in FY 2016. The decrease is partially offset by an enhancement request for $15,000, all from the Cosmetology Fee Fund, for computer equipment in FY 2017. This purchase will help it comport with electronic safety measures enacted by the Office of Information, Technology Services.

The **Governor** recommends $924,085 all from the Cosmetology Fee Fund, a decrease of $42,002, or 4.3 percent below the agency's FY 2016 request. The Governor concurs with the agency's request, with the following adjustments.

- A reduction of $6,770, all from the Cosmetology Fee Fund, to reduce employer contributions for state employee health insurance.

- The Governor recommending neither of the agency's enhancement requests.

- An increase for the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000 to 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.

Enhancements Detail

FY 2017 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Difference for a Full-Time Inspector	$ 0	$ 20,232	0.0	$ 0	$ 0	0.0
Tablet computers	0	15,000	0.0	0	0	0.0
TOTAL	**$ 0**	**$ 35,232**	**0.0**	**$ 0**	**$ 0**	**0.0**

The **agency** requests two enhancements totaling $35,232, all from the Cosmetology Fee Fund, for FY 2017. The enhancement include the following.

- **Difference for a Full-Time Inspector for $20,232**, all from the Cosmetology Fee Fund, for FY 2017. The agency asserts that the enhancement will allow the agency's inspectors to better manage the inspections across the states.
- **Tablet computers costing $15,000**, all from the Cosmetology Fee Fund, for FY 2017. The agency states that these enhancements will benefit the agency as it conducts inspections.

The **Governor** does not recommend funding the difference for a full time inspector ($20,232) or tablet computers ($15,000) in 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 $3,594, all from the Cosmetology Fee Fund, and affects twelve 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 $3,040, all from the Cosmetology Fee Fund, and FY 2017 longevity payments total $3,160, all from the Cosmetology Fee Fund.**

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 $6,637, all from the Cosmetology Fee Fund for FY 2016, and a reduction of $6,770, all from the Cosmetology Fee Fund, 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 %
Cosmetology Fee 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.

Cosmetology Fee Fund Analysis

The Board of Cosmetology is a fee-funded agency. The revenue received provides financing for all agency operations, with 90.0 percent being retained by the agency and 10.0 percent being deposited in the State General Fund. In addition, 10.0 percent of all fines collected are deposited in the State General Fund. K.S.A. 65-1904 allows for the collection of revenue by the agency.

The **Governor** proposes amending the statute to allow for an increase for the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000 to 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 in FY 2016 and an additional $100,000 in FY 2017.

Board of Cosmetology Fees		
Board of Cosmetology Fees	**Current Fee**	**Statutory Limit**
Cosmetologist Licenses (original and renewal)	$45	$60
Cosmetologist Instructor License	75	100
Cosmetologist Instructor License renewal	50	75
Cosmetology Technician License (renewal)	45	60
Electrologist License (original and renewal)	45	60
Esthetician License (original and renewal)	45	60
Esthetics Instructor License	75	100
Esthetics Instructor License Renewal	50	75
Nail Technician License (original and renewal)	45	60
Nail Technician Instructor License	75	100
Nail Technician Instructor License renewal	50	75
Body Piercing License	100	*
Body Piercing License renewal	50	*
Tattooist License	100	*
Tattooist License renewal	50	*
Cosmetic/Permanent Tattoo Artist License	100	*
Cosmetic/Permanent Tattoo Artist License renewal	50	*

**Body Piercing, Tattooist, and Cosmetic/Permanent Tattoo Artist licenses have no statutory maximum.*

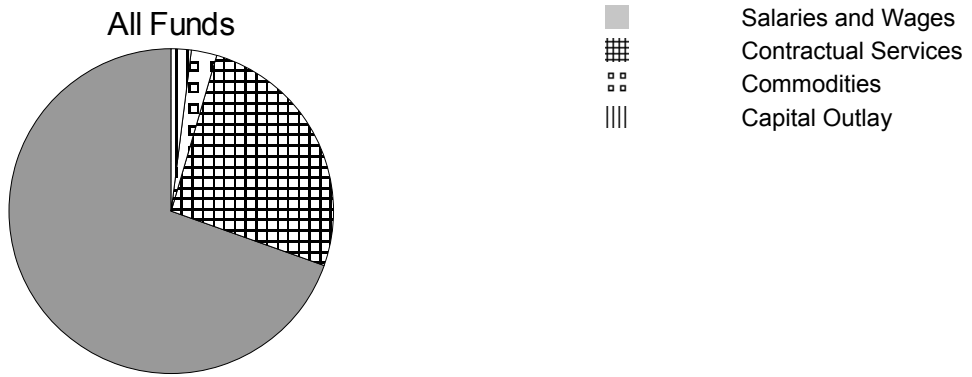
Cosmetology Fee Fund

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	$ 944,199	$ 1,016,672	$ 1,016,672	$ 1,039,617	$ 1,045,391	$ 1,099,282	$ 1,056,262
Revenue	1,033,028	960,000	960,000	1,020,000	1,020,000	1,020,000	1,020,000
20% fee revenue to SGF	0	0	0	0	(100,000)	0	(100,000)
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 1,977,227	$ 1,976,672	$ 1,976,672	$ 2,059,617	$ 1,965,391	$ 2,119,282	$ 1,976,262
Less: Expenditures	960,555	937,055	931,281	960,335	909,129	966,087	924,085
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 1,016,672	$ 1,039,617	$ 1,045,391	$ 1,099,282	$ 1,056,262	$ 1,153,195	$ 1,052,177
Ending Balance as Percent of Expenditures	105.8%	110.9%	112.3%	114.5%	116.2%	119.4%	113.9%

*No monthly lowest and highest ending balance is provided because the Legislature passed legislation changing the way the agency collects revenue. According to the agency, there is no way it can estimate its highest and lowest monthly balances at this time.

The **Governor** proposes amending the statute to allow for an increase for the amount withheld from the agency's fee fund revenue from 10 percent or $100,000 to 20 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 in FY 2016 and an additional $100,000 in FY 2017.

EXPENDITURES BY OBJECT -- GOVERNOR'S FY 2016 RECOMMENDATION



Object	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	$ 668,093	69.6 %	$ 0	-- %
Contractual Services	248,726	25.9	0	--
Commodities	24,450	2.5	0	--
Capital Outlay	19,066	2.0	0	--
TOTAL	$ 960,335	100.0 %	0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	11.0	11.0	11.0	11.0	11.0	11.0	11.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Percent of licensed facilities inspected	95.0 %	95.0 %	95.0 %	95.0 %	95.0 %
Number of inspections conducted	5,057	5,057	5,250	5,500	6,000

Department of Credit Unions

	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	1,048,209	1,129,939	1,121,688	1,186,860	1,178,291	1,224,588	1,215,848
TOTAL	$ 1,048,209	$ 1,129,939	$ 1,121,688	$ 1,186,860	$ 1,178,291	$ 1,224,588	$ 1,215,848
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	**$ 1,048,209**	**$ 1,129,939**	**$ 1,121,688**	**$ 1,186,860**	**$ 1,178,291**	**$ 1,224,588**	**$ 1,215,848**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	4.5	7.8	7.0	5.0	5.0	3.2	3.2
FTE Positions	12.0	12.0	12.0	12.0	12.0	12.0	12.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	12.0	12.0	12.0	12.0	12.0	12.0	12.0

AGENCY OVERVIEW

The mission of the Kansas Department of Credit Unions is to protect Kansas citizens from undue risk by ensuring safe and sound operation of state-chartered credit unions. The agency regulates state-chartered credit unions to assure compliance with state and federal laws; and is empowered to conduct examinations, grant new charters, approve mergers and provide for liquidation procedures when necessary. There are 74 natural person member owned state-chartered credit unions and one corporate credit union in Kansas under the agency's supervision.

Concurrently with the Department of Credit Unions, the National Credit Unions Administration (NCUA), a federal agency, administers a network of federally-chartered credit unions operating in Kansas. State-chartered credit unions are required by law to insure their deposits through the NCUA. Federal-chartered credit unions are exempt from the Department of Credit Unions' oversight.

The Department of Credit Unions performs examinations of the state-chartered credit unions at least once every 18 months. The agency's goals are to complete an annual examination of each credit union; handle consumer complaints within 30 days from the date received; and provide timely supervisory call backs on monitoring of problem credit unions. Credit unions pay an annual operation fee based on asset size, which is set by the Credit Union Administrator and based on expenditure limits approved by the Legislature.

The agency is supervised by the Credit Union Administrator, who is appointed to a four-year term by the Governor, subject to confirmation by the Senate. The Administrator is advised by the Credit Union Council, a seven-member council appointed by the Governor. Each Council member serves a three-year term and is limited to two consecutive terms. Five of the appointed members must be officers of Kansas state-chartered credit unions, with at least one member being from each congressional district in the state. The remainder of the members are from the state at-large. No more than four of the seven members can be of the same political party.

MAJOR ISSUES FROM PRIOR YEARS

The **2004 Legislature** authorized the transfer of remaining balances over $200,000 from selected biennial budget agency fee funds to the State General Fund in FY 2005. The amount certified by the Director of Budget on April 19, 2004, for the Department of Credit Unions was $147,036.

The **2011 Legislature** approved a reduction of the Department's overhead transfer to the State General Fund. Beginning with FY 2012 the transfer was reduced from $200,000 to $100,000. It is anticipated that the reduction in the overhead transfer will allow the Department to rebuild the carry over fund back to an amount consistent with the National Association of State Credit Union Supervisors (NASCUS) accreditation standards, which recommends the Department maintain a reserve of one quarter's budget year expenses in its carry over fund.

The **2012 Legislature** approved an increase of $91,910, all from the Credit Union Fee Fund, to restore funding that was deleted for savings from the Voluntary Retirement Incentive Program for FY 2013.

The **2013 Legislature** approved an increase of $36,819, all from the Credit Union Fee Fund, to move employees into unclassified service and increase salaries to address high turnover of credit union examiners for FY 2014 and FY 2015. The Legislature also approved a reduction of $11,405, all from the Credit Union Fee Fund, for reduced funding for salaries and wages for FY 2015.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency estimates** FY 2015 operating expenditures of $1,129,939, all from special revenue funds. The revised estimate is the same as the amount approved by the 2014 Legislature. The agency requests 12.0 FTE positions, that same as the amount approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of $1,121,688, all from special revenue funds, The recommendation is a decrease of $8,215, or 0.7 percent, below the amount approved by the 2014 Legislature. The reduction is attributable to the 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 $1,186,860, all from special revenue funds. The request is an increase of $56,921, or 5.0 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased salary and wage expenditures and increased contractual service expenses. The agency requests 12.0 FTE positions, the same amount as the agency's revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $1,178,291, all from special revenue funds. The recommendation is a decrease of $8,569, or 0.7 percent, below the agency's FY 2016 request. The decrease is attributable to the reduced employer contributions for state employee health insurance. The Governor recommends increasing the amount

withheld from the agency's fee fund revenue from 10 percent or $100,000 to 20 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 $10,000 for FY 2016.

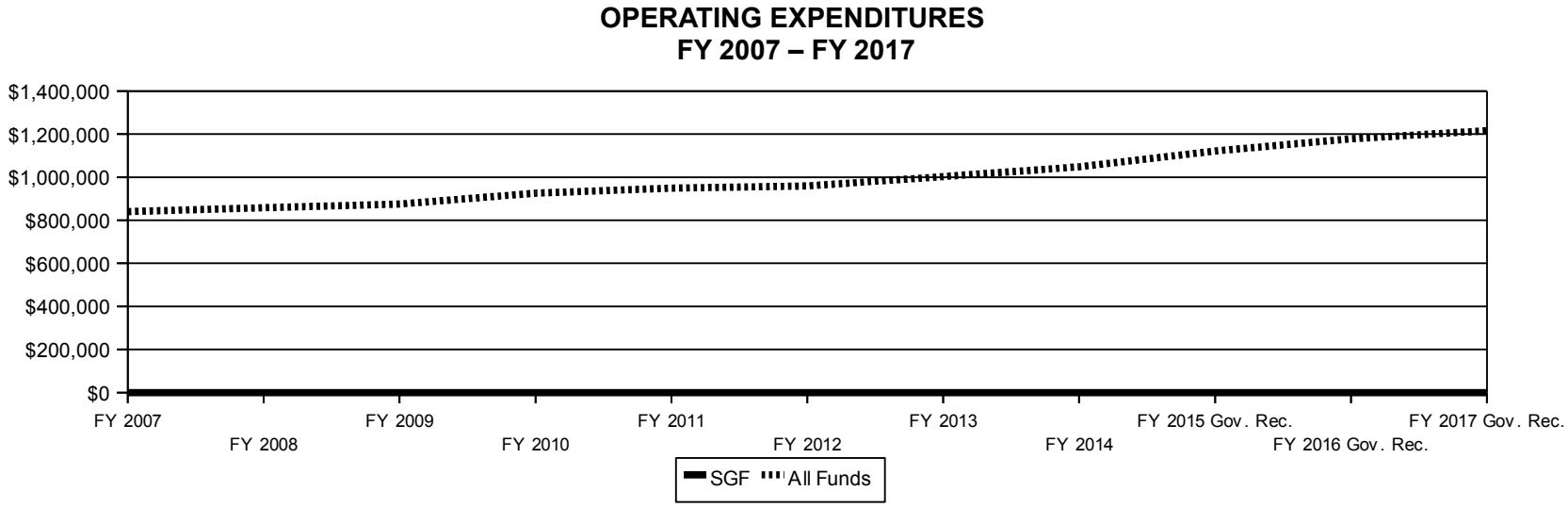
FY 2017 Agency Request

The **agency** requests FY 2017 operating expenditures of $1,224,588, all from special revenue funds. The request is an increase of $37,728, or 3.2 percent, above the FY 2016 request. The increase is primarily attributable to increase salary and wage expenditures, namely the 27th pay period that occurs in the fiscal year, offset partially by reduced capital outlay expenses. The agency requests 12.0 FTE positions, the same amount requested in FY 2016.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $1,215,848, all from special revenue funds. The recommendation is a decrease of $8,740, or 0.7 percent, below the agency's FY 2017 request. The decrease is attributable to the reduced employer contributions for state employee health insurance. The Governor recommends increasing the amount withheld from the agency's fee fund revenue from 10 percent or $100,000 to 20 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 $100,00 for FY 2017.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 840,205	(9.7)%	12.0
2008	0	--	858,429	2.2	12.0
2009	0	--	875,142	1.9	12.0
2010	0	--	925,788	5.8	12.0
2011	0	--	949,371	2.5	12.0
2012	0	--	959,142	1.0	12.0
2013	0	--	1,003,054	4.6	12.0
2014	0	--	1,048,209	4.5	12.0
2015 Gov. Rec.	0	--	1,121,688	7.0	12.0
2016 Gov. Rec.	0	--	1,178,291	5.0	12.0
2017 Gov. Rec.	0	--	1,215,848	3.2	12.0
Eleven-Year Change	$ 0	-- %	$ 375,643	44.7 %	0.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 1,048,209	$ 1,129,939	$ 1,186,860	$ 56,921	5.0 %	$ 1,121,688	$ 1,178,291	$ 56,603	5.0 %
By Major Object of Expenditure:									
Salaries and Wages	$ 872,938	$ 931,940	$ 969,415	$ 37,475	4.0 %	$ 923,689	$ 960,846	$ 37,157	4.0 %
Contractual Services	132,780	151,396	172,745	21,349	14.1	151,396	172,745	21,349	14.1
Commodities	20,454	26,834	26,600	(234)	(0.9)	26,834	26,600	(234)	(0.9)
Capital Outlay	1,027	15,775	18,100	2,325	14.7	15,775	18,100	2,325	14.7
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 1,027,199	$ 1,125,945	$ 1,186,860	$ 60,915	5.4 %	$ 1,117,694	$ 1,178,291	$ 60,597	5.4 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	21,010	3,994	0	(3,994)	(100.0)	3,994	0	(3,994)	(100.0)
TOTAL	$ 1,048,209	$ 1,129,939	$ 1,186,860	$ 56,921	5.0 %	$ 1,121,688	$ 1,178,291	$ 56,603	5.0 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Credit Union Fee Fund	1,048,209	1,129,939	1,186,860	56,921	5.0	1,121,688	1,178,291	56,603	5.0
TOTAL	$ 1,048,209	$ 1,129,939	$ 1,186,860	$ 56,921	5.0 %	$ 1,121,688	$ 1,178,291	$ 56,603	5.0 %

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	$ 1,186,860	$ 1,224,588	$ 37,728	3.2 %	$ 1,178,291	$ 1,215,848	$ 37,557	3.2 %
By Major Object of Expenditure:								
Salaries and Wages	$ 969,415	$ 1,020,568	$ 51,153	5.3 %	$ 960,846	$ 1,011,828	$ 50,982	5.3 %
Contractual Services	172,745	176,920	4,175	2.4	172,745	176,920	4,175	2.4
Commodities	26,600	27,100	500	1.9	26,600	27,100	500	1.9
Capital Outlay	18,100	0	(18,100)	(100.0)	18,100	0	(18,100)	(100.0)
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 1,186,860	$ 1,224,588	$ 37,728	3.2 %	$ 1,178,291	$ 1,215,848	$ 37,557	3.2 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 1,186,860	$ 1,224,588	$ 37,728	3.2 %	$ 1,178,291	$ 1,215,848	$ 37,557	3.2 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Credit Unions Fee Fund	1,186,860	1,224,588	37,728	3.2	1,178,291	1,215,848	37,557	3.2
TOTAL	$ 1,186,860	$ 1,224,588	$ 37,728	3.2 %	$ 1,178,291	$ 1,215,848	$ 37,557	3.2 %

A. FY 2015 – Current Year

Adjustments to Approved Budget

The Legislature approved a budget of $1,129,939, for the Department of Credit Unions 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	1,129,939	1,129,939	0	1,121,688	(8,251)
TOTAL	$ 1,129,939	$ 1,129,939	$ 0	$ 1,121,688	$ (8,251)
FTE Positions	12.0	12.0	0.0	12.0	0.0

The **agency estimates** FY 2015 operating expenditures of $1,129,939, all from special revenue funds. The revised estimate is the same as the amount approved by the 2014 Legislature. The agency requests 12.0 FTE positions, that same as the amount approved by the 2014 Legislature.

The request is detailed below by category of expenditure.

Salaries and Wages expenditures of $931,940, all from special revenue funds, which is the same as the amount approved by the 2014 Legislature.

Contractual Services .expenditures of $151,396, all from special revenue funds, which is the same as the amount approved by the 2014 Legislature.

Commodities expenditures of $26,834, all from special revenue funds, which is the same as the amount approved by the 2014 Legislature.

Capital Outlay expenditures of $15,775, all from special revenue funds, which is the same as the amount approved by the 2014 Legislature.

The **Governor** recommends FY 2015 operating expenditures of $1,121,688, all from special revenue funds, The recommendation is a decrease of $8,215, or 0.7 percent, below the amount approved by the 2014 Legislature. The reduction is attributable to the KPERS employer contribution rate reduction as a result of the Governor's Allotment Plan.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 1,186,860	$ 1,178,291	$ (8,569)
FTE Positions	12.0	12.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	56,921	56,603	
TOTAL	$ 56,921	$ 56,603	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	5.0	5.0	
TOTAL	5.0 %	5.0 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of $1,186,860, all from special revenue funds. The request is an increase of $56,921, or 5.0 percent, above the agency's revised FY 2015 estimate. The increase is attributable to increased salary and wage expenditures and increased contractual service expenses. The agency requests 12.0 FTE positions, the same amount as the agency's revised FY 2015 estimate.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests $969,415, all from special revenue funds, for salaries and wages in FY 2016. The request is an increase of $37,475, or 4.0 percent, above the revised FY 2015 estimate. The increase is attributable to higher employer KPERS

contributions and increased health insurance expenditures.

- **Contractual Services.** The agency requests $172,745, all from special revenue funds, for contractual services in FY 2016. The request is an increase of $21,349, or 14.1 percent, above the revised FY 2015 estimate. The increase is attributable to building space rental costs as per costs indices provided by the Division of the Budget.

- **Commodities.** The agency requests $26,600, all from special revenue funds, for commodities in FY 2016. The request is a decrease of $234, or 0.9 percent, below the request FY 2015 estimate.

- **Capital Outlay.** The agency requests $18,100, all from special revenue funds, for capital outlay in FY 2016. The request is an increase of $2,325, or 14.7 percent, above the FY 2015 revised estimate. The increase is attributable to a replacement vehicle which was approved by the 2014 Legislature, but as a result of changed minimum mileage replacement standards the vehicle will not meet replacement requirements until FY 2016.

The **Governor** recommends FY 2016 operating expenditures of $1,178,291, all from special revenue funds. The recommendation is a decrease of $8,569, or 0.7 percent, below the agency's FY 2016 request. The Governor recommends a reduction of $8,569 due to reduced employer contributions for state employee health insurance. The Governor further recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000 to 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.

Enhancements Detail

FY 2016 ENHANCEMENTS

	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Replacement Vehicle	$ 0	$ 18,100	0.0	$ 0	$ 18,100	0.0
TOTAL	**$ 0**	**$ 18,100**	**0.0**	**$ 0**	**$ 18,100**	**0.0**

The **agency** requests $18,100, all from special revenue funds, for a replacement vehicle in FY 2016. The request is for replacement vehicle which was approved by the 2014 Legislature, but as a result of changed minimum mileage replacement standards the vehicle will not meet replacement requirements until FY 2016.

The **Governor** concurs with the agency's enhancement request for a replacement vehicle.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 1,224,588	$ 1,215,848	$ (8,740)
FTE Positions	12.0	12.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	37,728	37,557	
TOTAL	$ 37,728	$ 37,557	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	3.2	3.2	
TOTAL	3.2 %	3.2 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of $1,224,588, all from special revenue funds. The request is an increase of $37,728, or 3.2 percent, above the FY 2016 request. The increase is primarily attributable to increase salary and wage expenditures, namely the 27th pay period that occurs in the fiscal year, offset partially by reduced capital outlay expenses. The agency requests 12.0 FTE positions, the same amount requested in FY 2016.

The request is detailed below by category of expenditure.

- **Salaries and Wages.** The agency requests $1,020,568, all from special revenue funds, for salaries and wages in FY 2017. The request is an increase of $51,153, or 5.3 percent, above the FY 2016 request. The increase is primarily attributable to the 27th pay period that occurs in

the fiscal year and higher employer KPERS contributions.

- **Contractual Services.** The agency requests $176,920, all from special revenue funds, for contractual services in FY 2017. The request is an increase of $4,175, or 2.4 percent, above the amount requested in FY 2016.

- **Commodities.** The agency requests $27,100, all from special revenue funds, for commodities in FY 2017. The request is an increase of $500, or 1.9 percent, above the amount requested in FY 2016.

The **Governor** recommends FY 2017 operating expenditures of $1,215,848, all from special revenue funds. The recommendation is a decrease of $8,740, or 0.7 percent, below the agency's FY 2016 request. The Governor recommends a reduction of $8,740 due to reduced employer contributions for state employee health insurance. The Governor further recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000 to 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 $3,594, all from special revenue funds, and affects 12 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, no employees are eligible for longevity bonus payments.**

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 $8,569, all from special revenue funds, for FY 2016. This is a reduction of $8,740, 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
Credit Union Fee Fund	100.0 %	100.0 %	100.0 %	100.0 %
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

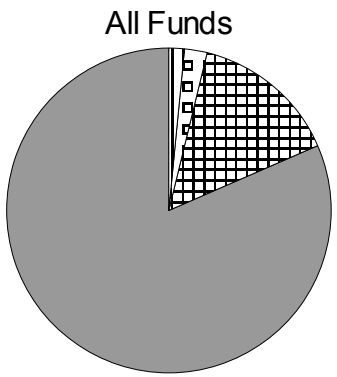
Note: Percentages may not add due to rounding.

Credit Union Fee Fund Analysis

The Department of Credit Unions receives revenue from fees that are based on the December 31st asset size of state-chartered credit unions. Prior to June 1st of each year, the Credit Union Administrator, after advising the Credit Union Council, establishes annual operation fees that are determined to be sufficient to meet the budget requirements of the agency. Fees are assessed according to tiered fee schedules developed by the agency.

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	$ 318,084	$ 367,933	$ 367,933	$ 367,933	$ 376,184	$ 367,933	$ 284,753
Revenue	1,097,759	1,129,639	1,129,639	1,186,560	1,186,560	1,224,288	1,224,288
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 1,415,843	$ 1,497,572	$ 1,497,572	$ 1,554,493	$ 1,562,744	$ 1,592,221	$ 1,509,041
Less: Expenditures	1,047,910	1,129,639	1,121,388	1,186,560	1,177,991	1,224,288	1,215,548
Transfers Out	0	0	0	0	100,000	0	100,000
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 367,933	$ 367,933	$ 376,184	$ 367,933	$ 284,753	$ 367,933	$ 193,493
Ending Balance as Percent of Expenditures	35.1%	32.6%	33.5%	31.0%	24.2%	30.1%	15.9%
	July	July	July	July	July	July	July
Month Highest Ending Balance	$ 1,132,379	$ 1,309,841	$ 1,309,841	$ 1,309,841	$ 1,320,405	$ 1,309,841	$ 1,227,285
	June	June	June	June	June	June	June
Month Lowest Ending Balance	$ 367,933	$ 367,933	$ 376,184	$ 367,933	$ 284,753	$ 367,933	$ 193,493

EXPENDITURES BY CATAGORY OF EXPENDITURE-- GOVERNOR'S FY 2016 RECOMMENDATION



Category of Expenditure	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	$ 960,846	81.5 %	$ 0	-- %
Contractual Services	172,745	14.7	0	--
Commodities	26,600	2.3	0	--
Capital Outlay	18,100	1.5	0	--
TOTAL	$ 1,178,291	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	12.0	12.0	12.0	12.0	12.0	12.0	12.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Percent of credit unions receiving regular examinations within the statutory18-month timeframe	100.00%	100.00%	100.00%	100.00%	100
Number of examinations administered	77	78	75	75	75
Number of timely supervisory contracts provided	25	20	20	20	20

Kansas Dental Board

	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	417,868	391,943	390,203	406,000	403,712	418,000	415,666
TOTAL	$ 417,868	$ 391,943	$ 390,203	$ 406,000	$ 403,712	$ 418,000	$ 415,666
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	**$ 417,868**	**$ 391,943**	**$ 390,203**	**$ 406,000**	**$ 403,712**	**$ 418,000**	**$ 415,666**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	5.4	(6.2)	(6.6)	3.6	3.5	3.0	3.0
FTE Positions	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	3.0	3.0	3.0	3.0	3.0	3.0	3.0

AGENCY OVERVIEW

The Kansas Dental Board was established in 1943 to enforce the Dental Practices Act, KSA 65-1420 to 65-1469. The Dental Board licenses qualified candidates desiring to practice dentistry or dental hygiene in the state of Kansas. The Board administers examinations and issues credentials to applicants according to licensure regulations. The Board also issues sedation permits to dentists and extended care permits to hygienists.

The Board conducts inspections of licensees to ensure compliance with sanitary and other regulations. Complaints of incompetence, negligence, illegal practice, and other violations of the Dental Practices Act are investigated by the Board. When warranted, administrative hearings are held and the Board is empowered to suspend, restrict, or revoke the license of the practitioner.

In 1998, the Board was expanded from five to nine members, including six dentists, two dental hygienists, and one member from the general public. Board members are appointed for four-year terms by the Governor, and of the six licensed dentist Board members, one is to be appointed from each congressional district and two from the state at-large.

Starting in 2006, the Board began staggering the renewal of all licenses based on license numbers. Odd numbered licenses renew in odd years, and even numbered licenses renew in even years. Prior to 2006, dentists and hygienists renewed in alternating years. Previously, the Board collected more revenue in years when the dental licenses renewed because renewal fees for dentists are higher. The change has allowed the agency to operate with a more consistent revenue stream.

As of September 2014, the agency reported there are 2,148 licensed dentists and 2,768 licensed dental hygienists in Kansas.

MAJOR ISSUES FROM PRIOR YEARS

The **2005 Legislature** set new statutory maximum limits on fees collected by the Dental Board in SB 91. The bill increases the statutory caps on fees collected by the Board in conjunction with licensing and regulating dentists and dental hygienists. SB 91 also added the authority to collect three new fees.

The **2008 Legislature** passed HB 2072, which made two changes to the Dental Practices Act. First, it allows dental hygienists who are licensed in other states to provide clinical education at meetings of the Kansas State Dental Association or other dental organizations approved by the Dental Board. Second, it requires out-of-state applicants who seek licensure by credentials to meet the 24-month continuing education requirement applicable to Kansas licensees.

The **2008 Legislature** also passed HB 2781, which amended KSA 65-1435 to allow dentists to own two satellite offices in addition to their primary location, as long as those offices meet the following criteria: the satellite offices are within a 125-mile radius of the primary office, and the satellite offices are located in counties with populations of less than 10,000.

The **2011 Legislature** passed HB 2181, the Omnibus Health Bill, which allowed the franchise practice of dentistry in Kansas and revised portions of the Dental Practices Act pertaining to definitions and oversight functions of the Kansas Dental Board. Under prior law, licensed dentists were prohibited from entering into arrangements with unlicensed proprietors and specifically prohibited from the franchise practice of dentistry.

The **2012 Legislature** passed HB 2631, which made several changes and additions to the Dental Practices Act for the purpose of expanding dental service in the state, including targeting children who are dentally underserved by creating an additional extended care permit (ECP) level of service for dental hygienists via creation of a new permit level (ECP III); encouraging additional capacity for Kansas residents in dental schools; establishing a volunteer license for retired dentists who choose to donate their services in certain settings; expanding the locations where such special volunteer license dentists and dental hygienists may provide free services and be exempt from liability under the Kansas Tort Claims Act; extending the length of time dentists may be employed to provide services to patients after the death or substantial disability of a dentist until the practice can be sold or closed; and directing the ECP III dental hygienist to notify the patient or the patient's legal guardian when the need for treatment by a dentist is indicated.

The **2014 Legislature** passed HB 2611, which amended KSA 65-1435 to reduce the amount of time a dentist must actively work in a dental office that they own or advertises under their name to 20 percent of the time patients are being treated in that office. Under prior law a dentist had to be present a majority of the time patient's were being treated.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate of $391,943, all from special revenue funds. This is the same as the amount approved by the 2014 Legislature. The agency also requests a revised estimate of 3.0 FTE positions, the same as the approved number.

FY 2015 Governor Recommendation

The **Governor** recommends a budget of $390,203, all from special revenue funds, in FY 2015. This is a decrease of $1,740, or 0.4 percent, below the approved amount. This decrease is due to the KPERS employer contribution rate reduction in the Governor's December allotment plan.

FY 2016 Agency Request

The **agency** requests a budget of $406,000, all from special revenue funds. This request is an increase of $14,057, or 3.6 percent, above the FY 2015 revised estimate. This increase is primarily attributable to increased expenditures for contractual services. The request includes 3.0 FTE positions, the same as the FY 2015 revised estimate.

FY 2016 Governor Recommendation

The **Governor** recommends a budget of $403,712, all from special revenue funds, for FY 2016. This is a decrease of $2,288, or 0.6 percent, below the agency's request. This decrease is attributable to the recommended reduction in employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. For this agency, that amount is estimated at $47,468 for FY 2016.

FY 2017 Agency Request

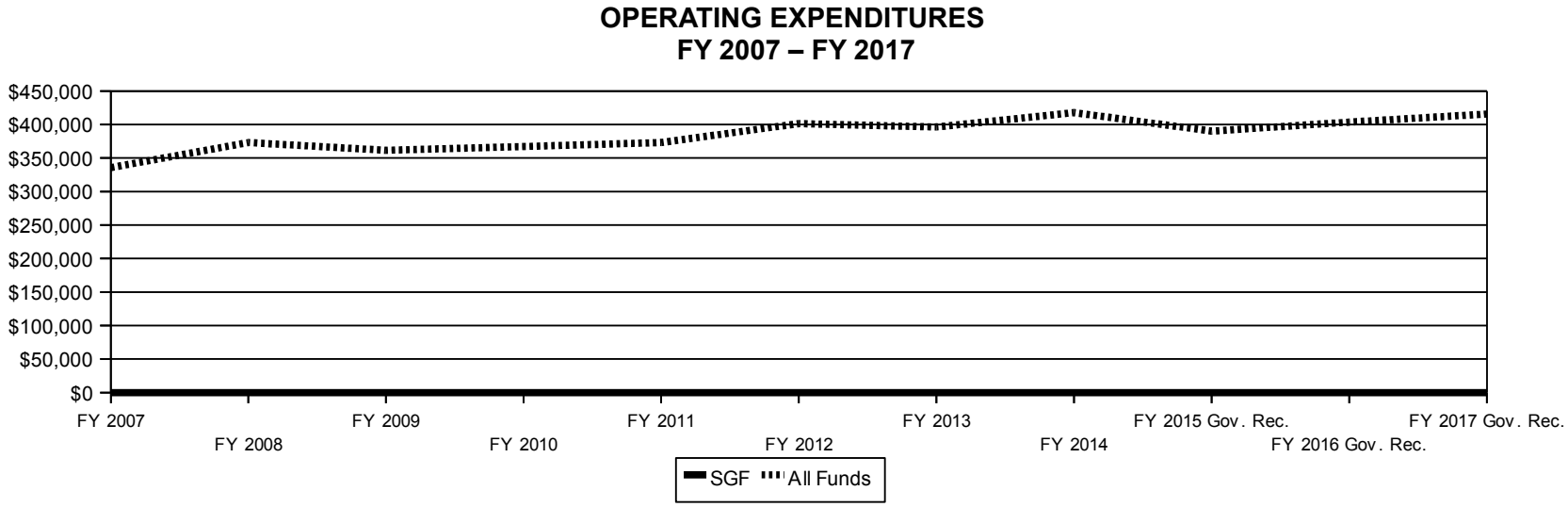
The **agency** requests a budget of $418,000, all from special revenue funds. This request is an increase of $12,000, or 3.0 percent, above the agency's FY 2016 request. This increase is attributable to increased expenditures for contractual services and salaries and wages. The request includes 3.0 FTE positions the same number as the agency's FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** recommends a budget of $415,666, all from special revenue funds, for FY 2017. This is a decrease of $2,334, or 0.6 percent, below the agency's request. This decrease is attributable to the recommended reduction in employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. For this agency, that amount is estimated at $47,118 for FY 2017.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 335,809	7.9 %	3.0
2008	0	--	373,186	11.1	3.0
2009	0	--	361,640	(3.1)	3.0
2010	0	--	367,285	1.6	3.0
2011	0	--	373,237	1.6	3.0
2012	0	--	401,457	7.6	3.0
2013	0	--	396,337	(1.3)	3.0
2014	0	--	417,868	5.4	3.0
2015 Gov. Rec.	0	--	390,203	(6.6)	3.0
2016 Gov. Rec.	0	--	403,712	3.5	3.0
2017 Gov. Rec.	0	--	415,666	3.0	3.0
Eleven-Year Change	$ 0	-- %	$ 79,857	23.8 %	0.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 417,868	$ 391,943	$ 406,000	$ 14,057	3.6 %	$ 390,203	$ 403,712	$ 13,509	3.5 %
By Major Object of Expenditure:									
Salaries and Wages	$ 182,211	$ 186,910	$ 186,227	$ (683)	(0.4) %	$ 185,170	$ 183,939	$ (1,231)	(0.7)%
Contractual Services	217,298	202,268	216,484	14,216	7.0	202,268	216,484	14,216	7.0
Commodities	8,778	2,765	3,289	524	19.0	2,765	3,289	524	19.0
Capital Outlay	7,690	0	0	0	--	0	0	0	--
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 415,977	$ 391,943	$ 406,000	$ 14,057	3.6 %	$ 390,203	$ 403,712	$ 13,509	3.5 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	1,891	0	0	0	--	0	0	0	--
TOTAL	$ 417,868	$ 391,943	$ 406,000	$ 14,057	3.6 %	$ 390,203	$ 403,712	$ 13,509	3.5 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
All Other Funds	417,868	391,943	406,000	14,057	3.6	390,203	403,712	13,509	3.5
TOTAL	$ 417,868	$ 391,943	$ 406,000	$ 14,057	3.6 %	$ 390,203	$ 403,712	$ 13,509	3.5 %

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	$ 406,000	$ 418,000	$ 12,000	3.0 %	$ 403,712	$ 415,666	$ 11,954	3.0 %
By Major Object of Expenditure:								
Salaries and Wages	$ 186,227	$ 194,427	$ 8,200	4.4 %	$ 183,939	$ 192,093	$ 8,154	4.4 %
Contractual Services	216,484	220,028	3,544	1.6	216,484	220,028	3,544	1.6
Commodities	3,289	3,545	256	7.8	3,289	3,545	256	7.8
Capital Outlay	0	0	0	--	0	0	0	--
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 406,000	$ 418,000	$ 12,000	3.0 %	$ 403,712	$ 415,666	$ 11,954	3.0 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 406,000	$ 418,000	$ 12,000	3.0 %	$ 403,712	$ 415,666	$ 11,954	3.0 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
All Other Funds	406,000	418,000	12,000	3.0	403,712	415,666	11,954	3.0
TOTAL	$ 406,000	$ 418,000	$ 12,000	3.0 %	$ 403,712	$ 415,666	$ 11,954	3.0 %

A. FY 2015 – Current Year

Adjustments to Approved Budget

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	391,943	391,943	0	390,203	(1,740)
TOTAL	$ 391,943	$ 391,943	$ 0	$ 390,203	$ (1,740)
FTE Positions	3.0	3.0	0.0	3.0	0.0

The **agency** requests a revised estimate in FY 2015 of $391,943, all from special revenue funds. This is the same amount approved by the 2014 Legislature.

This request includes the following items.

- **Salaries and Wages.** The revised estimate includes $186,910 for salaries and wages to fund 3.0 FTE positions.

- **Contractual Services.** The revised estimate includes $202,268 for contractual services, primarily for a dentist sanitation inspector and complaint investigator, a contract attorney, and office rent.

- **Commodities.** The estimate includes $2,765 for office supplies and equipment.

The **Governor** recommends a budget of $390,203, all from special revenue funds, in FY 2015. This is a decrease of $1,740, or 0.4 percent, below the approved amount. This increase is due to the KPERS employer contribution rate reduction in the Governor's December allotment plan.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 406,000	$ 403,712	$ (2,288)
FTE Positions	3.0	3.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	14,057	13,509	
TOTAL	$ 14,057	$ 13,509	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	3.6	3.5	
TOTAL	3.6 %	3.5 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests a budget of $406,000 all special revenue funds, for FY 2016. This is an increase of $14,057, or 3.6 percent, above the FY 2015 revised estimate.

- **Salaries and Wages.** The agency requests $186,227 for salaries and wages for FY 2016. This is a decrease of $683, or 0.4 percent, below the FY 2015 revised estimate and allows for the maintenance of existing staff. The request includes 3.0 FTE positions, the same number as the FY 2015 revised estimate.

- **Contractual Services.** The agency requests $216,484 for contractual services for FY 2016.

This is an increase of $14,216, or 7.0 percent, above the FY 2015 revised estimate. The increase is primarily attributable to a relocation expenses and increased rent for the agency's new office space and information technology upgrades through Office of Information Technology Services (OITS).

- **Commodities.** The agency requests $3,289 for commodities for FY 2016. This is an increase of $524, or 19.0 percent, above the FY 2015 revised estimate. This total is attributable to increased expenditures for stationary and office supplies.

The **Governor** recommends a budget of $403,712, all from special revenue funds, for FY 2016. This is a decrease of $2,288, or 0.6 percent, below the agency's request. This decrease is attributable to Governor's recommended reduction in employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. For this agency, that amount is estimated at $47,468 for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 418,000	$ 415,666	$ (2,334)
FTE Positions	3.0	3.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	12,000	11,954	
TOTAL	$ 12,000	$ 11,954	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	3.0	3.0	
TOTAL	3.0 %	3.0 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests a budget of $418,000 all from special revenue funds, for FY 2017. This is an increase of $12,000, or 3.0 percent, above the agency's FY 2016 budget request.

- **Salaries and Wages.** The agency requests $194,427 for salaries and wages for FY 2017. This is an increase of $8,200, or 4.4 percent, above the agency's FY 2016 request. The increase is attributable to increased KPERS employer contribution rates, insurance costs, and the 27th pay period in FY 2017. The request includes 3.0 FTE positions, the same number as the FY 2016 request.

- **Contractual Services.** The agency requests $220,028 for contractual services for FY 2017.

This is an increase of $3,544, or 1.6 percent, above the agency's FY 2016 request. The increase is primarily attributable to increasing rent and OITS charges.

- **Commodities.** The agency requests $3,545 for commodities for FY 2017. This is an increase of $256, or 7.8 percent, above the agency's FY 2016 budget request. This total is attributable to increased expenditures for stationary and office supplies.

The **Governor** recommends a budget of $415,666, all from special revenue funds, for FY 2017. This is a decrease of $2,334, or 0.6 percent, below the agency's request. This decrease is attributable to Governor's recommended reduction in employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. For this agency, that amount is estimated at $47,118 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 $906, all from special revenue funds, and affects 3 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 $440, all from special revenue funds, and FY 2017 longevity payments total $480, 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 $2,288, all from special revenue funds, for FY 2016. This is a reduction of $2,334, 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
Dental Board Fee Fund	100.0 %	100.0 %	100.0 %	100.0 %

Dental Board Fee Fund Analysis

The Dental Board receives most of its revenue from biennial registration fees. The 1995 Legislature passed legislation changing the Board's practice of annual licensing to biennial licensing. This change reduced the Board's mailing expenses and related costs. Starting in FY 2015, the biennial fee for dentists was reduced from $300 to $275, with a statutory maximum of $325. The biennial fee for dental hygienists was reduced from $150 to $125, with a statutory maximum of $160. These new biennial fees will be effective for FY 2015 and FY 2016 renewals and will be reassessed by the agency after FY 2016.

The agency also collects receipts from credential verifications, certification fees, corporation fees, license verifications, penalties, directories of dental personnel, and application fees for examinations. The Board created a *pro rata* fee that helped with the collection of biennial fees listed above. The schedule breaks the fee a licensee pays into 24-month blocks. The agency's statutory fee limits were increased by the 2005 Legislature.

Prior to 2006, dental and hygienist licenses were renewed in alternating years. Since the fee for dental licenses is greater than that of hygienist licenses, the Dental Board was collecting more revenue in years when the dental licenses renewed and less in the years when the hygienist licenses renewed. Starting in 2006, the Board began staggering the renewal of all licenses based on license numbers. Odd numbered licenses renew in odd years, and even numbered licenses renew in even years.

As a fee funded agency, the Dental Board currently contributes the lesser of 10 percent or $100,000 of fee revenue to the State General Fund for the cost of support services provided by other state agencies under KSA 75-3170a. The Governor's 2015 budget includes a recommendation to increase this contribution rate to the lesser of 20 percent or $200,000 of fee revenue beginning in FY 2016. That change would affect this agency's reported revenue and fund balance beginning in FY 2016.

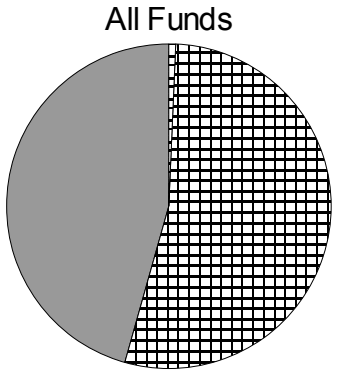
The table below summarizes estimated receipts and fund balances based upon the agency estimate and the Governor's recommendation, including the proposed change in State General Fund contribution.

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	$ 383,493	$ 457,241	$ 457,241	$ 477,845	$ 479,650	$ 449,557	$ 406,182
Revenue	503,508	462,547	462,612	427,712	380,244	424,562	377,444
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 887,001	$ 919,788	$ 919,853	$ 905,557	$ 859,894	$ 874,119	$ 783,626
Less: Expenditures	379,760	391,943	390,203	406,000	403,712	418,000	415,666
Transfers Out	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 457,241	$ 477,845	$ 479,650	$ 449,557	$ 406,182	$ 406,119	$ 317,960
Ending Balance as Percent of Expenditures	120.4%	121.9%	122.9%	110.7%	100.6%	97.2%	76.5%
	December	December	December	December	December	December	December
Month Highest Ending Balance	$ 576,811	$ 609,479	$ 615,936	$ 600,522	$ 547,741	$ 563,651	$ 446,552
	September	September	September	September	September	September	September
Month Lowest Ending Balance	$ 297,743	$ 374,966	$ 378,939	$ 386,390	$ 352,430	$ 354,936	$ 281,198

DENTAL BOARD FEES FY 2015

Fee	Current Fee	Statutory Limit
Examination fee for dental applicants	$ 200	$ 200
Subsequent examination fee for dental applicants	--	100
Examination fee for specialty qualifications	200	200
Credentials/qualifications fee	300	300
Duplicate certificate fee	0	25
Certificate fee, including certificate for credentials/qualifications, for dentists and dental hygienists	0	25
Biennial license renewal fee for dentists	275	325
Examination fee for dental hygienist applicants	100	100
Subsequent examination fee for dental hygienist applicants	--	100
Biennial license renewal fee for dental hygienists	125	160
Reinstatement of a revoked license	200	2,000
Processing fee for failure to notify of change of address	50	100
Registration fee to operate a mobile dental facility or portable dental operation	500	500
Sedation permit fee	100	200

EXPENDITURES BY OBJECT-- GOVERNOR'S FY 2016 RECOMMENDATION



Object of Expenditure	Gov. Rec. All Funds FY 2016	Percent of Total
Salaries and Wages	$ 183,939	45.6 %
Contractual Services	216,484	53.6
Commodities	3,289	0.8
TOTAL	$ 403,712	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of complaints received	180	144	150	150	150
Number of disciplinary actions	10	26	10	10	10
Number of dental office inspections	360	360	360	360	360

GOVERNMENTAL ETHICS COMMISSION

	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	$ 378,023	$ 390,951	$ 378,756	$ 378,138	$ 374,537	$ 394,292	$ 390,619
Other Funds	215,098	253,770	251,498	250,286	248,534	268,867	267,080
TOTAL	$ 593,121	$ 644,721	$ 630,254	$ 628,424	$ 623,071	$ 663,159	$ 657,699
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	**$ 593,121**	**$ 644,721**	**$ 630,254**	**$ 628,424**	**$ 623,071**	**$ 663,159**	**$ 657,699**
Percentage Change:							
Operating Expenditures							
State General Fund	(9.7) %	3.4 %	0.2 %	(3.3) %	(1.1) %	4.3 %	4.3 %
All Funds	(2.3)	8.7	6.3	(2.5)	(1.1)	5.5	5.6
FTE Positions	7.5	7.5	7.5	7.5	7.5	7.5	7.5
Non-FTE Perm.Uncl.Pos.	0.5	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL	8.0	8.0	8.0	8.0	8.0	8.0	8.0

AGENCY OVERVIEW

The Governmental Ethics Commission is charged with administering, interpreting, and enforcing the Campaign Finance Act and laws relating to conflicts of interest, financial disclosure, and the regulation of lobbying. These laws establish the public's right to information about the financial affairs of Kansas' public officials, lobbyists, and candidates for state and local office. In addition, the Commission renders advisory opinions and can adopt rules and regulations.

Each year, the Commission receives thousands of financial disclosure reports filed by candidates, political parties and party committees, public officials and lobbyists. During non-election years, the Commission staff conducts comprehensive audits of previous filings, reviews and enters data from the January reports to compile campaign finance statistics, processes new candidate Appointment of Treasurer forms and Political Action Committee Statement of Organization forms, ensures all persons subject to Commission regulation receive all pertinent campaign finance information for upcoming elections, processes failure to file notices, and files complaints. During election years, the Commission devotes 80 to 90 percent of staff time to answering campaign related questions, assisting candidates and candidate treasurers in completing their reports and reviewing the receipts and expenditure reports filed. In addition to these responsibilities, the Commission enforces and assures lobbyists' compliance with state lobbying laws.

MAJOR ISSUES FROM PRIOR YEARS

The **1998 Legislature** amended the Campaign Finance Act and State Governmental Ethics Law dealing with the subpoena powers of the Kansas Commission on Governmental Standards and Conduct. In addition, the Legislature changed the name of the Kansas Commission on Governmental Standards and Conduct to the Governmental Ethics Commission and authorized the Commission to recover civil penalties for violations of the Act and the Ethics Law.

The **2000 Legislature** expanded certain provisions of the Governmental Ethics Act to include all members of the executive branch and prohibits individuals from accepting hospitality in the form of recreation having an aggregate value of $100 or more in a calendar year from any one person having a special interest.

The **2013 Legislature** deleted $42,243, all from the State General Fund, for FY 2014 and FY 2015 operating expenditures. The Legislature also reduced funding for salaries and wages for FY 2014 and FY 2015.

The **2014 Legislature** added $5,000, all from special revenue funds, in FY 2014 for information technology. The agency previously shared server space with the Department of Agriculture, but had to make alternative arrangements following the Department of Agriculture's relocation to Manhattan.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate of $644,721, including $390,951 from the State General Fund in FY 2015. This is a State General Fund increase of $12,195, or 3.2 percent, above the amount approved by the 2014 Legislature. This increase is attributable to a supplemental request to fund the agency's pending relocation ($10,000) and the agency submitting its request prior to the Governor's December allotment ($2,195). The agency also requests 7.5 FTE positions, the same as the approved number.

FY 2015 Governor Recommendation

The **Governor** recommends a budget of $630,254, including $378,756 from the State General Fund in FY 2015. This is a decrease of $2,272, or 0.4 percent, all from special revenue funds below the amount approved by the 2014 Legislature. The recommended decrease is attributable to a reduction in the KPERS employer contribution rate for FY 2015.

Additionally, the Governor does not recommend the agency's supplemental request ($10,000).

The Governor's recommendation incorporates a reduction to the agency's approved budget of $2,195 attributable to the KPERS employer contribution rate reduction in the Governor's December allotment.

FY 2016 Agency Request

The **agency** requests $628,424, including $378,138 from the State General Fund. This request is an all funds decrease of $16,297, or 2.5 percent, and $12,813, or 3.3 percent, from the State General Fund below the revised FY 2015 estimate. This decrease is largely attributable to decreased expenditures for contractual services. The request includes 7.5 FTE positions, the same as revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** recommends a budget of $623,071, including $374,537 from the State General Fund for FY 2016. This is a decrease of $5,353, or 0.9 percent, all funds, and $3,601, or 1.0 percent, State General Fund below the agency's request. This decrease is attributable to the Governor's recommended reduction to employer contributions for state employee health insurance.

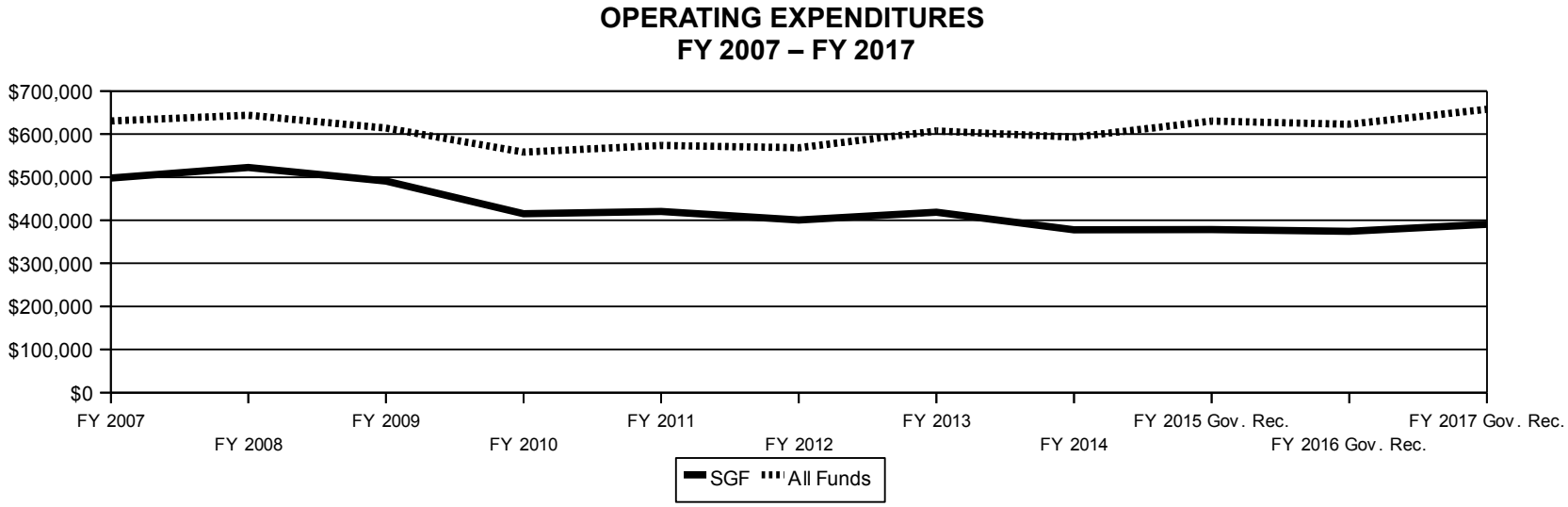
FY 2017 Agency Request

The **agency** requests $663,159, including $394,292 from the State General Fund. This request is an all funds increase of $34,735, or 5.5 percent, and $16,154, or 4.3 percent, from the State General Fund above the agency's FY 2016 request. This increase is attributable to increased expenditures for salaries and wages and contractual services. This request includes 7.5 FTE positions, the same number as the agency's FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** recommends a budget of $657,699, including $390,619 from the State General Fund for FY 2017. This is a decrease of $5,460, or 0.8 percent, all funds, and $3,673, or 0.9 percent, State General Fund below the agency's request. This decrease is attributable to the Governor's recommended reduction to employer contributions for state employee health insurance.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 498,388	5.2 %	$ 630,660	5.1 %	9.0
2008	522,636	4.9	643,848	2.1	9.0
2009	490,997	(6.1)	614,070	(4.6)	9.0
2010	415,015	(15.5)	558,139	(9.1)	9.0
2011	420,616	1.3	573,735	2.8	9.0
2012	400,437	(4.8)	568,463	(0.9)	9.0
2013	418,755	4.6	607,264	6.8	9.0
2014	378,023	(9.7)	593,121	(2.3)	7.5
2015 Gov. Rec.	378,756	0.2	630,254	6.3	7.5
2016 Gov. Rec.	374,537	(1.1)	623,071	(1.1)	7.5
2017 Gov. Rec.	390,619	4.3	657,699	5.6	7.5
Eleven-Year Change	$ (107,769)	(21.6)%	$ 27,039	4.3 %	(1.5)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 593,121	$ 644,721	$ 628,424	$ (16,297)	(2.5) %	$ 630,254	$ 623,071	$ (7,183)	(1.1)%
By Major Object of Expenditure:									
Salaries and Wages	$ 486,703	$ 499,094	$ 500,778	$ 1,684	0.3 %	$ 494,627	$ 495,525	$ 898	0.2 %
Contractual Services	99,017	136,510	119,419	(17,091)	(12.5)	126,510	119,419	(7,091)	(5.6)
Commodities	2,802	7,318	7,318	0	0.0	7,318	7,318	0	0.0
Capital Outlay	4,599	1,799	909	(890)	(49.5)	1,799	909	(890)	(49.5)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 593,121	$ 644,721	$ 628,424	$ (16,297)	(2.5) %	$ 630,254	$ 623,171	$ (7,083)	(1.1)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 593,121	$ 644,721	$ 628,424	$ (16,297)	(2.5) %	$ 630,254	$ 623,171	$ (7,083)	(1.1)%
Financing:									
State General Fund	$ 378,023	$ 390,951	$ 378,138	$ (12,813)	(3.3) %	$ 378,756	$ 374,537	$ (4,219)	(1.1)%
Governmental Ethics Commission Fee Fund	215,098	253,770	250,286	(3,484)	(1.4)	251,498	248,534	(2,964)	(1.2)
TOTAL	$ 593,121	$ 644,721	$ 628,424	$ (16,297)	(2.5) %	$ 630,254	$ 623,071	$ (7,183)	(1.1)%

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	$ 628,424	$ 663,159	$ 34,735	5.5 %	$ 623,071	$ 657,699	$ 34,628	5.6 %
By Major Object of Expenditure:								
Salaries and Wages	$ 500,778	$ 522,262	$ 21,484	4.3 %	$ 495,425	$ 516,802	$ 21,377	4.3 %
Contractual Services	119,419	132,670	13,251	11.1	119,419	132,670	13,251	11.1
Commodities	7,318	7,318	0	0.0	7,318	7,318	0	0.0
Capital Outlay	909	909	0	0.0	909	909	0	0.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 628,424	$ 663,159	$ 34,735	5.5 %	$ 623,071	$ 657,699	$ 34,628	5.6 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 628,424	$ 663,159	$ 34,735	5.5 %	$ 623,071	$ 657,699	$ 34,628	5.6 %
Financing:								
State General Fund	$ 378,138	$ 394,292	$ 16,154	4.3 %	$ 374,537	$ 390,619	$ 16,082	4.3 %
Governmental Ethics Commission Fee Fund	250,286	268,867	18,581	7.4	248,534	267,080	18,546	7.5
TOTAL	$ 628,424	$ 663,159	$ 34,735	5.5 %	$ 623,071	$ 657,699	$ 34,628	5.6 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

The 2014 Legislature approved a State General Fund budget of $379,722 for the Government Ethics Commission in FY 2015. Two adjustments have subsequently been made to that amount. These adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustments have been made.

- An increase of $1,229, based on the reappropriation of FY 2014 funding which was not spent in FY 2014 and has shifted to FY 2015.
- A reduction of $2,195, as the result of the Governor's December 9th State General Fund allotment.

These adjustments change the FY 2015 approved State General Fund to $378,756. That amount is reflected in the table below as the currently approved FY 2015 State General Fund amount. The agency's budget was submitted prior to the December allotment, so the agency's revised budget estimates do not incorporate the allotment.

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	$ 378,756	$ 390,951	$ 12,195	$ 378,756	$ 0
All Other Funds	253,770	253,770	0	251,498	(2,272)
TOTAL	$ 632,526	$ 644,721	$ 12,195	$ 630,254	$ (2,272)
FTE Positions	7.5	7.5	0.0	7.5	0.0

The **agency** requests a revised estimate in FY 2015 of $644,721, including $390,951 from the State General Fund. This is a State General Fund increase of $12,195, or 3.2 percent, above the amount approved by the 2014 Legislature. This increase is attributable to a supplemental request to fund the agency's pending relocation ($10,000) and the agency

submitting its request prior to the Governor's December allotment ($2,195). The agency also decreased expenditures for salaries and wages with offsetting increases for contractual services and capital outlay. The revised estimate includes 7.5 FTE positions. This is the same as the approved number.

Absent the supplemental request, the revised estimate is a State General Fund increase of $2,195, or 0.5 percent.

The revised estimated includes the following.

- **Salaries and Wages** expenditures of $499,094. This is a decrease of $3,457, or 1.1 percent, below the FY 2015 approved budget. This decrease is attributable to lower than anticipated health insurance costs ($7,924). This decrease is partially offset by an increase due to the agency submitting its request prior to the Governor's December allotment reduced the agency's approved budget ($2,195).

- **Contractual Services** expenditures of $136,510. This is an increase of $18,081, or 15.3 percent, above the approved FY 2015 budget. This increase is largely attributable to the agency's supplemental request ($10,000) and increased information technology costs ($14,596), partially offset by decreased expenditures for postage ($5,639) and other fees and contractual services ($8,259).

- **Commodities** expenditures of $7,318, the same as the approved amount.

- **Capital Outlay** expenditures $1,799. This is an increase of $802, or 80.4 percent, above the approved FY 2015 budget. This increase is attributable to increased expenditures for computer equipment.

The **Governor** recommends a budget of $630,254, including $378,756 from the State General Fund in FY 2015. This is a decrease of $2,272, or 0.4 percent, all all from special revenue funds below the amount approved by the 2014 Legislature. The recommended decrease is attributable to a reduction in the KPERS employer contribution rate for FY 2015.

Additionally, the Governor does not recommend the agency's supplemental request ($10,000).

The Governor's recommendation incorporates a reduction to the agency's approved budget of $2,195 attributable to the KPERS employer contribution rate reduction in the Governor's December allotment.

Supplemental Detail

FY 2015 SUPPLEMENTALS

	Agency Estimate			Governor's Recommendation		
Supplementals	SGF	All Funds	FTE	SGF	All Funds	FTE
Moving expenditures	$ 10,000	$ 10,000	0.0	$ 0	$ 0	0.0

The **agency** requests $10,000, all from the State General Fund, in FY 2015 to implement one supplemental request.

- **Moving expenditures**: The agency has been informed by Facilities Management that it will be relocated to a new office sometime in FY 2015. Since 1976, the agency has rented space in the office building vacated by Department of Agriculture in FY 2014. That building is now being repurposed by its owners and the agency will not be able to remain in its current space.

The **Governor** does not recommend the agency's supplemental request.

Governor's Allotments

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. This prompted the Governor to address the shortfall with 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. The allotments shown in the table below reflect only those allotments which have already taken place.

GOVERNOR'S ALLOTMENTS

Allotment	SGF	All Funds	FTE
December Allotment			
Reduce KPERS Employer Contribution Rate	$ (2,195)	$ (2,195)	0.0

Kansas Public Employees Retirement System (KPERS) Reduction:

A reduction $2,195 from the State General Fund as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. This allotment will have no impact on the agency operations, but is reflective of a reduction of expenditures. An additional $2,272 from Special revenue funds is reduced in the Governor's budget recommendation resulting in a total reduction of $4,467.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 628,424	$ 623,071	$ (5,353)
FTE Positions	7.5	7.5	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ (12,813)	$ (4,219)	
All Other Funds	(3,484)	(2,964)	
TOTAL	$ (16,297)	$ (7,183)	
Percent Change:			
State General Fund	(3.3) %	(1.1) %	
All Other Funds	(1.4)	(1.2)	
TOTAL	(2.5) %	(1.1) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $628,424, including $378,138 from the State General Fund, for FY 2016. This is an all funds decrease of $16,297, or 2.5 percent, and $12,813, or 3.3 percent, from the State General Fund, below the revised FY 2015 estimate. This decrease is attributable to the end of the agency's FY 2015 supplemental request and reduced expenditures for contractual services. The request includes 7.5 FTE positions, the same as the revised FY 2015 estimate.

This request includes the following.

- **Salaries and Wages** expenditures of $500,778. This is an increase of $1,684, or 0.3 percent, above the revised FY 2015 estimate. This increase is attributable to increased KPERS employer contributions and will allow for the maintenance of current staff.

- **Contractual Services** expenditures of $119,419. This is a decrease of $17,091, or 12.5 percent, below the revised FY 2015 estimate. This decrease is attributable to the end of the agency's FY 2015 supplemental request for moving expenditures ($10,000) and lower postage cost in non-election years ($8,000).

- **Commodities** expenditures of $7,318, the same as the revised FY 2015 estimate.

- **Capital Outlay** expenditures of $909. This is a decrease of $890, or 49.5 percent, below the revised FY 2015 estimate. This decrease is attributable to decreased expenditures for computer equipment.

The **Governor** recommends a budget of $623,071, this is a reduction of $5,353, including $3.601 from the State General Fund, to reduce employer contributions for state employee health insurance.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 663,159	$ 657,699	$ (5,460)
FTE Positions	7.5	7.5	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 16,154	$ 16,082	
All Other Funds	18,581	18,546	
TOTAL	$ 34,735	$ 34,628	
Percent Change:			
State General Fund	4.3 %	4.3 %	
All Other Funds	7.4	7.5	
TOTAL	5.5 %	5.6 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $663,159, including $394,292 from the State General Fund, for FY 2017. This is an all funds increase of $34,735, or 5.5 percent, and $16,154, or 4.3 percent, from the State General Fund, above the agency's FY 2016 request. This increase is attributable to increased expenditures for salaries and wages and contractual services. The request includes 7.5 FTE positions, the same as the agency's FY 2016 request.

- **Salaries and Wages** expenditures of $522,262. This is an increase of $21,484, or 4.3 percent, above the agency's FY 2016 request. This increase is attributable to costs associated with the 27th pay period in FY 2017 and increased KPERS employer contributions.

- **Contractual Services** expenditures of $132,670. This is an increase of $13,251, or 11.1 percent, above the agency's FY 2016 request. This increase is largely attributable to increased expenditures for postage ($10,750) and other fees ($5,087) associated with the agency's election year workload.

- **Commodities** expenditures of $7,318, the same as agency's FY 2016 request.

- **Capital Outlay** expenditures of $909, the same as the agency's FY 2016 request.

The **Governor** recommends a budget of $657,699, including $390,619 from the State General Fund for FY 2017. The Governor recommends a reduction of $5,460, including $3,673 from the State General Fund, to reduce employer contributions for state employee health insurance.

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 $2,386, including $1,584 from the State General Fund, and affects 8 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 there are no longevity payments for FY 2016 and FY 2017**

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 $5,353, including $3,601 from the State General Fund for FY 2016. This is a reduction of $5,460, including $3,673 from the State General Fund, 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	60.2 %	60.1 %	59.5 %	59.4 %
Governmental Ethics Commission Fee Fund	39.8	39.9	40.5	40.6
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Governmental Ethics Commission Fee Fund

The Governmental Ethics Commission Fee Fund was established in 1991 by K.S.A. 25-4119e. Receipts to the Fund come from candidate filings, political action committee registrations, lobbyist registrations, civil penalties and fines imposed by the Commission, and charges for publications. The Secretary of State and county clerks collect state candidate and lobbyist registration fees. The fees are remitted quarterly to the Commission's fee fund. The utilization of the fee fund varies greatly over a four year period depending on election and non-election years as well as the type of election.

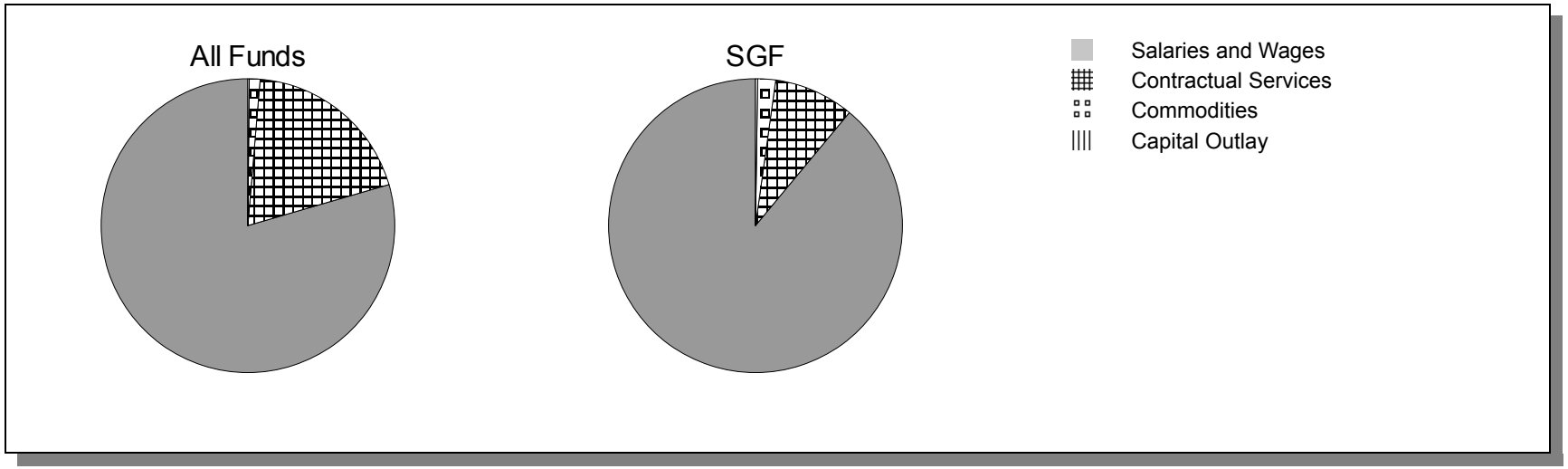
The agency has reported that increased utilization of the fee fund since FY 2010 due to a decrease in the agency's State General Fund appropriation, will lead to the depletion of the fund in FY 2018. In order to maintain present operations fees will have to be increased.

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	$ 421,199	$ 372,724	$ 372,724	$ 255,209	$ 257,481	$ 171,283	$ 175,307
Revenue	166,623	136,255	136,255	166,360	166,360	151,300	151,300
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 587,822	$ 508,979	$ 508,979	$ 421,569	$ 423,841	$ 322,583	$ 326,607
Less: Expenditures	215,098	253,770	251,498	250,286	248,534	268,867	267,080
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 372,724	$ 255,209	$ 257,481	$ 171,283	$ 175,307	$ 53,716	$ 59,527
Ending Balance as Percent of Expenditures	173.3%	100.6%	102.4%	68.4%	70.5%	20.0%	22.3%
	July	July	July	July	July	July	July
Month Highest Ending Balance	$ 415,079	$ 361,138	$ 367,681	$ 246,026	$ 251,196	$ 159,495	$ 163,178
	February	May	May	May	May	May	May
Month Lowest Ending Balance	$ 352,922	$ 251,281	$ 255,834	$ 161,524	$ 164,918	$ 48,277	$ 49,392

GOVERNMENTAL ETHICS COMMISSION FEES FY 2015

	Current Fee	Statutory Limit
Filling fee for candidates for Governor & Lieutenant Governor	$ 480	$ 480
Filling fee for candidates for other statewide offices	480	480
Filling fee for candidates for State Legislature, State Board of Education, & select local offices	35	35
Fee for Political Action Committees with anticipated receipts of $2,501 or more	240	240
Fee for Political Action Committees with anticipated receipts more than $500, but less than $2500	35	35
Fee for Political Action Committees with anticipated receipts of $500 or less.	20	20
Lobbyist fee for anticipated spending of $1,000 or less on behalf of any one employer (per employer)	35	35
Lobbyist fee for anticipated spending of more than $1,000 on behalf of any one employer (per employer)	300	300
Fee for a non-owner, non-partner lobbying firm employees	360	360

EXPENDITURES BY PROGRAM–GOVERNOR'S FY 2016 RECOMMENDATION



Object of Expenditure	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	$ 495,425	79.5 %	$ 333,259	89.0 %
Contractual Services	119,419	19.2	33,051	8.8
Commodities	7,318	1.2	7,318	2.0
Capital Outlay	909	0.1	909	0.2
TOTAL	$ 623,071	100.0 %	$ 374,537	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	7.5	7.5	7.5	7.5	7.5	7.5	7.5

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of lobbyist registrations and expenditure reports filed	7,680	7,740	7,485	7,485	7,485
Percent of compliance reviews completed	100.0%	100.0%	100.0%	100.0%	100.0%
Number of statements of substantial interest filed	5,534	5,587	5,450	5,695	5,450

Kansas State Board of Healing Arts

	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	4,289,284	4,394,530	4,366,207	4,718,427	4,685,415	4,867,898	4,834,225
TOTAL	$ 4,289,284	$ 4,394,530	$ 4,366,207	$ 4,718,427	$ 4,685,415	$ 4,867,898	$ 4,834,225
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	**$ 4,289,284**	**$ 4,394,530**	**$ 4,366,207**	**$ 4,718,427**	**$ 4,685,415**	**$ 4,867,898**	**$ 4,834,225**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	1.7	2.5	1.8	7.4	7.3	3.2	3.2
FTE Positions	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Non-FTE Perm.Uncl.Pos.	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	47.0	47.0	47.0	47.0	47.0	47.0	47.0

AGENCY OVERVIEW

The Kansas State Board of Healing Arts, created in 1957, licenses and regulates medical, osteopathic, and chiropractic doctors. Additionally, the agency issues temporary permits, postgraduate training permits, special permits, institutional licenses, temporary education licenses, visiting professor licenses, and visiting clinical professor licenses under the Healing Arts Act.

In addition, the Board administers statutes for the examination and licensure of podiatrists under the Podiatry Act and enforces the provisions of the Kansas Physical Therapy Act by licensing physical therapists and certifying physical therapist assistants. Physicians' assistants, occupational therapists, occupational therapy assistants, respiratory therapists, athletic trainers, naturopathic doctors, and radiologic technologists are also licensed by the Board.

The Board is composed of 15 members: five doctors of medicine, three doctors of osteopathy, three doctors of chiropractic medicine, one licensed podiatrist, and three members of the general public. Each Board member is appointed for a four-year term by the Governor.

To assist the Board, the agency has formed numerous review committees and councils. The review committees are the: podiatry, osteopathic, M.D. #1, M.D. #2, M.D. #3, chiropractic, and naturopathic formulary advisory review committees. The councils are the: athletic trainers, occupational therapist, respiratory care, naturopathic, physical therapy, radiologic technology, and physician assistant councils.

MAJOR ISSUES FROM PRIOR YEARS

The **2005 Legislature** passed SB 183, which amended the "federally active" license type. The bill states who may be issued such a license and defines regulations surrounding the use and restrictions placed on a federally active license. Also, SB 254 clarifies the circumstances under which a person licensed in another state who does not hold a Kansas license may order professional services to be performed in Kansas without being in violation of Kansas law.

The **2005 Legislature** also passed HB 2330, which amended the Radiologic Technologists Practice Act to establish a number of certification requirements and titles for licensed radiologic technologists with specialized training. Additionally, the bill authorized the transfer of $750,000 from the Healing Arts Fee Fund to the State General Fund.

The **2006 Legislature** passed Senate Sub. for HB 2649, which created the Pain Patient's Quality of Care Act and amended Healing Arts Act to address the issue of assisted suicide. The bill changed language relating to prescribing, dispensing, administering, or distributing a prescription drug or substance to make such a practice unprofessional conduct when done in an improper or inappropriate manner or without a valid medical purpose. It also required the Board to adopt

guidelines for the use of controlled substances for pain treatment.

The **2007 Legislature** passed HB 2695, which allows the Board to issue an athletic trainer license to an applicant without an examination under certain conditions. The bill also lengthens the notification period the Board must provide to licensees regarding expiration of their licenses from 30 days to 60 days and eliminates the requirements for 800 hours of clinical experience prior to licensure.

Other measures passed by the **2007 Legislature** include the following items.

- **HB 2368.** This bill substantially increased the Board's expenditure limitation for FY 2008 and FY 2009 from the authorized FY 2007 amounts and increased the FTE limitation from 32.0 to 39.0.

- **HB 2451.** This legislation amended the Kansas Consumer Protection Act to disallow a private cause of action against a health care provider for injuries alleged from medical malpractice.

- **SB 284.** Effective July 1, 2008, this bill allows the Board to waive the examination and education requirements if a radiologic technologist applicant had a current valid certificate by the American Registry of Radiologic Technologists, Nuclear Medicine Technology Certification Board, or other recognized national voluntary credentialing bodies, if the Board finds the certificate was issued based on an examination meeting its standards.

- **SB 351.** This bill requires the Board to utilize the Office of Administrative Hearings to conduct hearings under the Kansas Administrative Procedures Act.

- **House Sub. for SB 82.** This bill allows for the practice of the healing arts by a general school under certain circumstances.

- **House Sub. for SB 11.** This legislation changed the scope of practice for physical therapists by enabling them to evaluate and treat a patient for a maximum of 30 consecutive days without a referral from a person licensed to practice medicine or surgery or other specified provider, under the following criteria.

  - The patient had previously been referred to a physical therapist by a person authorized to do so.
  - The patient's prior referral was made within one year of the date the physical therapist began treatment.
  - The physical therapy provided without a referral is for the same condition indicated on the original referral.
  - The physical therapist provided, to a physician or other practitioner identified by the patient, a copy of the therapist's evaluation of the patient within five business days of the start of treatment.
  - Treatment by a physical therapist for more than 30 consecutive days required

approval by a person authorized to approve treatment.

- **House Sub. for SB 11** also allows physical therapists to provide the following without a referral.
  - Education and instruction related to workplace injury prevention, but not treatment.
  - Fitness, health promotion, and education to members of the public, but not treatment.
  - Physical therapy services to special education students who need physical therapy services to fulfill the provisions of an individualized education plan or an individualized family service plan.

The **2008 Legislature** passed House Sub. for SB 491, which created a prescription monitoring program for controlled substances and a methamphetamine precursor scheduling task force to study the possibility and practicality of making methamphetamine precursors schedule III or IV drugs. The task force included one member appointed by the Board of Healing Arts.

Additionally, Senate Sub. for HB 2207 authorized the Board to suspend or limit the registration of any person dispensing contact lenses through the mail to Kansas residents if the Board determined there is cause to believe continuation of such dispensation would constitute an imminent danger to public health and safety.

The **2008 Legislature** also passed HB 288, which changes the process of selecting a medical malpractice screening panel and also increased compensation for members of the panel.

The mega bill of the **2008** Session, HB 2620, included several provisions affecting the Board of Healing Arts.

- Authorization of non-disciplinary resolution through either a written agreement for a professional development plan, written recommendations to a licensee, or the issuance of a letter of concern if the Board determines certain factors are met.
- Authorization of fingerprinting and criminal background checks as part of an original application for or reinstatement of a license in connection with an investigation.
- Requirement that the Board adopt a formal list of graduated sanctions for violations of the Healing Arts Act, which may be used as a reference in imposing sanctions.
- Requirement that the Board provide six different items in the physician profiles it publishes online prior to July 1, 2010.
- Addition of the ability to place probationary conditions on a license.
- Addition of the ability for the Board to take disciplinary action or enter into a non-disciplinary resolution when a licensee has engaged in a single act that, “if continued, would reasonably be

expected to constitute an inability to practice the healing arts with reasonable skills and safety to patients or unprofessional conduct."

The **2009 Legislature** took the following actions.

- Transferred $53,080, all from the Healing Arts Fee Fund, to the State General Fund in FY 2009. The amount represented a reduction of 21.5 percent from the Governor's FY 2009 budget recommendation.

- Transferred $55,289, all from the Healing Arts Fee Fund, to the State General Fund in FY 2010. The amount represented a reduction of 21.5 percent from the Governor's FY 2010 budget recommendation.

- Deleted $105,333, all from the Healing Arts Fee Fund, to hold the agency budget for FY 2011 at the level recommended by the Legislature for FY 2010.

- Authorized the conversion of 6.0 unclassified, temporary positions to 6.0 permanent FTEs. These positions were three attorneys, a legal assistant, a public information officer, and a legislative analyst, all hired for the purpose of reviewing complaints, clearing cases, responding to Board actions in a timely manner, and improving the transparency of the Board.

The **2009 Legislature** also passed HB 2010, which created the Medical Records Maintenance Trust Fund and provided funding for the Board of Healing Arts for the storage, maintenance, and transfer of abandoned medical records. The Fund received an allocation set by the Board that may be no greater than $10 of each fee for the issuance or renewal of a license. If the balance of the Medical Records Maintenance Trust Fund fell below $100,000, the Board should certify an amount, no greater than $10 of each fee, to be deposited in the Fund. The bill also empowers the Board to order a licensee to reimburse the Board for expenses incurred for the storage, maintenance, and transfer of medical records when a licensee failed to provide for the safekeeping of medical records once the licensee became inactive.

The **2010 Legislature** took the following actions.

- Added $1,000, all from the Healing Arts Fee Fund, for FY 2011 to register distributors of contact lenses not licensed to practice optometry, medicine, or surgery in the state, as authorized by SB 489.

- Added $22,000, all from the Healing Arts Fee Fund, for FY 2011 to change the regulatory status of naturopathic doctors and to create new licensure categories for physical therapists as authorized by House Sub. for SB 83.

Additionally, the **2010 Legislature** passed House Sub. for SB 83, which created the Naturopathic Doctors Licensure Act and amended the Physical Therapy Practice Act. The bill changed naturopathic doctors' credentialing from registration to licensure. In addition, it authorizes naturopaths to form professional corporations and provided clarifying language that licensure does not require health insurance to provide covered services.

The **2010 Legislature** also passed SB 500, which allows the use of the word “doctor” or the letters “M.D.,” “D.O.,” or “D.C.” by an unlicensed medical doctor, doctor of osteopathic medicine, or doctor of chiropractic medicine if the individual has earned a professional degree from an accredited healing arts school or college and does not uses such word or initials in a way that would mislead the public, patients, or other health care providers to think the individual is engaged in the practice of healing arts or is licensed to practice healing arts in this state.

The **2011 Legislature** passed HB 2182, a mega health bill with provisions related to numerous health care professions and issues. Included in the bill is a provision related to Physical Therapy, amending the Physical Therapy Act by allowing expandable professional designations for physical therapists, including the use of designations of educational degrees, certification or credentials earned.

The **2012 Legislature** passed HB 2178 which requires state licensing agencies to issue a license to a nonresident military spouse for the spouse to lawfully practice a regulated profession in Kansas. The licensee must meet certain requirements as enumerated in the legislation, including the following items.

- Hold a current license in another jurisdiction.
- Not had the license limited, suspended, or revoked.
- Not been disciplined in another jurisdiction.
- Pay required fees by the Kansas licensing agency.
- Submit a signed application and affidavit that the application information provided is correct.

The **2012 Legislature** also passed SB 330, amending statutes related to professional malpractice liability screening panels to allow any judge of a district court to convene such a panel, and deleted the option of having the chief judge in a district with more than one division convene a panel.

The **2013 Legislature** passed HB 2066, which allows physical therapists to initiate treatment without referral from a licensed healthcare practitioner.

The **2014 Legislature** passed Senate Sub. for HB 2146, which allows for collaborative practice between physicians and pharmacists and requires the creation of a joint committee of 3 pharmacists and 3 physicians to guide implementation.

The **2014 Legislature** also passed HB 2673, which makes technical updates to the Healing Arts Act and expands the authorized scope of practice for podiatrists.

The **2014 Legislature** also passed HB 2516, which requires physician assistants and advanced practice registered nurses to participate in the Health Care Stabilization Fund.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate of $4.4 million, all from special revenue funds, in FY 2015, the same as the amount approved by the 2014 Legislature. The revised estimate includes increased expenditures for salaries and wages offset by decreased expenditures for other operating expenses.

The revised estimate includes 45.0 FTE positions, the same as the approved number.

FY 2015 Governor Recommendation

The **Governor** recommends a budget of $4.4 million, all from special revenue funds, in FY 2015. This is a decrease of $28,323, or 0.6 percent, below the approved amount. This decrease is attributable to the proposed KPERS employer contribution rate reduction.

FY 2016 Agency Request

The **agency** requests $4.7 million, all from special revenue funds, for FY 2016. This is an increase of $323,897, or 7.4 percent, above the revised FY 2015 estimate. This increase is largely attributable to increased expenditures for salaries and wages and contractual services.

The request includes 45.0 FTE positions, the same number as the revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** recommends a budget of $4.7 million, all from special revenue funds, for FY 2016. This is a decrease of $33,012, or 0.7 percent, below the agency's request. This decrease is attributable to the Governor's recommended reduction to employer contributions for state employee health insurance.

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

FY 2017 Agency Request

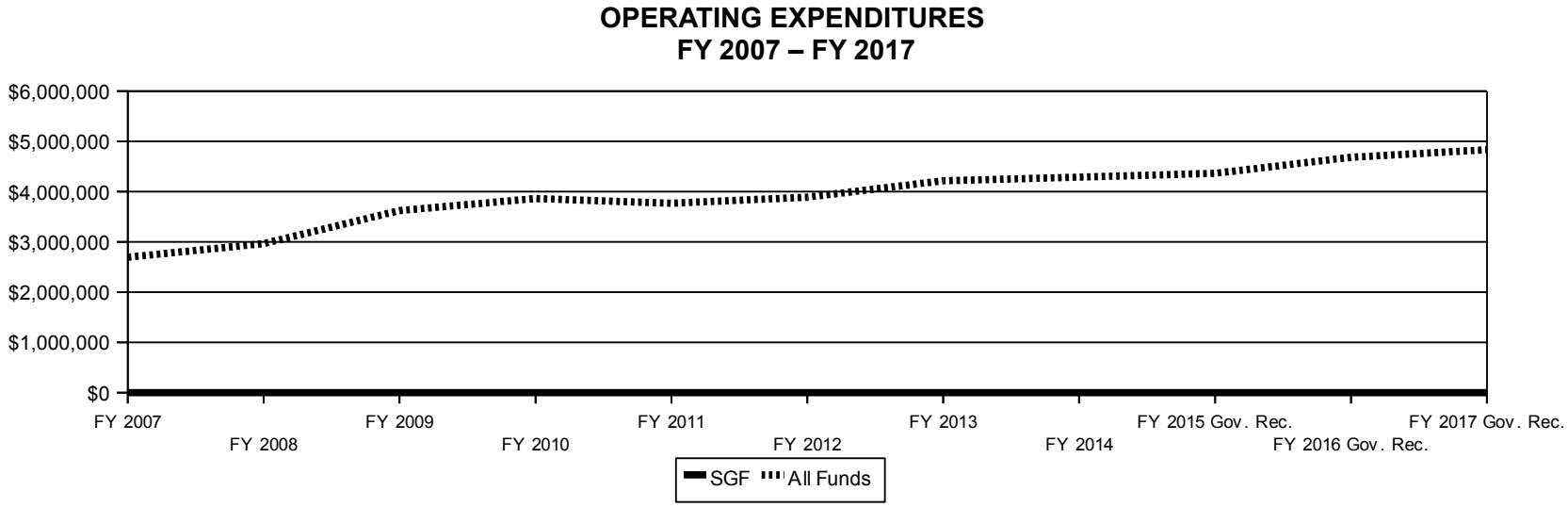
The **agency** requests $4.9 million, all from special revenue funds, for FY 2017. This is an increase of $149,471, or 3.2 percent, above the agency's FY 2016 request. This increase is largely attributable to salary and wage expenditures associated with the 27th pay period in FY 2017. The request includes 45.0 FTE positions, the same number as the agency's FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** recommends a budget of $4.8 million, all from special revenue funds, for FY 2017. This is a decrease of $33,673, or 0.7 percent, below the agency's request. This decrease is attributable to to the Governor's recommended reduction to employer contributions for state employee health insurance.

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

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 2,695,642	4.1 %	39.0
2008	0	--	2,967,121	10.1	39.0
2009	0	--	3,624,887	22.2	39.0
2010	0	--	3,864,050	6.6	45.0
2011	0	--	3,769,616	(2.4)	45.0
2012	0	--	3,890,984	3.2	45.0
2013	0	--	4,216,506	8.4	45.0
2014	0	--	4,289,284	1.7	45.0
2015 Gov. Rec.	0	--	4,366,207	1.8	45.0
2016 Gov. Rec.	0	--	4,685,415	7.3	45.0
2017 Gov. Rec.	0	--	4,834,225	3.2	45.0
Eleven-Year Change	$ 0	-- %	$ 2,138,583	79.3 %	6.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 4,289,284	$ 4,394,530	$ 4,718,427	$ 323,897	7.4 %	$ 4,366,207	$ 4,685,415	$ 319,208	7.3 %
By Major Object of Expenditure:									
Salaries and Wages	$ 2,870,517	$ 3,076,928	$ 3,198,446	$ 121,518	3.9 %	$ 3,048,605	$ 3,165,434	$ 116,829	3.8 %
Contractual Services	1,298,690	1,257,502	1,409,631	152,129	12.1	1,257,502	1,409,631	152,129	12.1
Commodities	42,257	42,100	44,350	2,250	5.3	42,100	44,350	2,250	5.3
Capital Outlay	77,820	18,000	66,000	48,000	266.7	18,000	66,000	48,000	266.7
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 4,289,284	$ 4,394,530	$ 4,718,427	$ 323,897	7.4 %	$ 4,366,207	$ 4,685,415	$ 319,208	7.3 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 4,289,284	$ 4,394,530	$ 4,718,427	$ 323,897	7.4 %	$ 4,366,207	$ 4,685,415	$ 319,208	7.3 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Healing Arts Fee Fund	4,289,284	4,359,530	4,683,427	323,897	7.4	4,331,207	4,650,415	319,208	7.4
Medical Records Maintenance Trust Fund	0	35,000	35,000	0	0.0	35,000	35,000	0	0.0
TOTAL	$ 4,289,284	$ 4,394,530	$ 4,718,427	$ 323,897	7.4 %	$ 4,366,207	$ 4,685,415	$ 319,208	7.3 %

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	$ 4,718,427	$ 4,867,898	$ 149,471	3.2 %	$ 4,685,415	$ 4,834,225	$ 148,810	3.2 %
By Major Object of Expenditure:								
Salaries and Wages	$ 3,198,446	$ 3,341,994	$ 143,548	4.5 %	$ 3,165,434	$ 3,308,321	$ 142,887	4.5 %
Contractual Services	1,409,631	1,430,804	21,173	1.5	1,409,631	1,430,804	21,173	1.5
Commodities	44,350	47,000	2,650	6.0	44,350	47,000	2,650	6.0
Capital Outlay	66,000	48,100	(17,900)	(27.1)	66,000	48,100	(17,900)	(27.1)
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 4,718,427	$ 4,867,898	$ 149,471	3.2 %	$ 4,685,415	$ 4,834,225	$ 148,810	3.2 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 4,718,427	$ 4,867,898	$ 149,471	3.2 %	$ 4,685,415	$ 4,834,225	$ 148,810	3.2 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Healing Arts Fee Fund	4,683,427	4,832,898	149,471	3.2	4,650,415	4,799,225	148,810	3.2
Medical Records Maintenance Trust Fund	35,000	35,000	0	0.0	35,000	35,000	0	0.0
TOTAL	$ 4,718,427	$ 4,867,898	$ 149,471	3.2 %	$ 4,685,415	$ 4,834,225	$ 148,810	3.2 %

A. FY 2015 – Current Year

Adjustments to Approved Budget

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	4,394,530	4,394,530	0	4,366,207	(28,323)
TOTAL	$ 4,394,530	$ 4,394,530	$ 0	$ 4,366,207	$ (28,323)
FTE Positions	45.0	45.0	0.0	45.0	0.0

The **agency** requests a revised estimate of $4.4 million, all form special revenue funds, in FY 2015. This is the same as the amount approved by the 2014 Legislature. The revised estimate includes 45.0 FTE positions, the same as the approved number.

This request includes the following items.

- **Salaries and Wages** expenditures of $3.1 million. This is an increase of $53,238, or 1.8 percent, above the approved amount. This increase is attributable to increased expenditures for health insurance ($27,310) and temporary employee wages ($32,634).

- **Contractual Services** expenditures of $1.3 million. This is a decrease of $47,338, or 3.6 percent, below the approved amount. This decrease is attributable to the delay of expenditures for computer programming services into FY 2016 ($66,000), staffing services ($35,000), and IT ($14,801), partially offset by increased costs for local phone service ($38,500).

- **Commodities expenditures** of $42,100. This is a decrease of $5,900, or 12.3 percent, below the approved amount. This decrease is largely attributable to decreased expenditures for office supplies ($4,800) and gasoline ($500).

- **Capital Outlay** expenditures of $18,000, the same as the approved amount.

The **Governor** recommends a budget of $4.4 million, all from special revenue funds, in FY 2015. This is a decrease of $28,323, or 0.6 percent, below the approved amount. This decrease is attributable to the proposed KPERS employer contribution rate reduction.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 4,718,427	$ 4,685,415	$ (33,012)
FTE Positions	45.0	45.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	323,897	319,208	
TOTAL	$ 323,897	$ 319,208	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	7.4	7.3	
TOTAL	7.4 %	7.3 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $4.7 million, all from special revenue funds, for FY 2016. This is an increase of $323,897, or 7.4 percent, above the revised FY 2015 estimate. This increase is attributable to increased expenditures across all categories of

operating expenditures. The request includes 45.0 FTE positions, the same as the revised FY 2015 estimate.

This request includes the following items.

- **Salaries and Wages** expenditures of $3.2 million. This is an increase of $121,518, or 3.9 percent, above the revised FY 2015 estimate. This increase is largely attributable to increased KPERS employer contributions ($35,682), health insurance costs ($22,838), and temporary employee wages ($56,286).

- **Contractual Services** expenditures of $1.4 million. This is an increase of $152,129, or 12.1 percent, above the revised FY 2015 estimate. This increase is largely attributable to increased expenditures for professional fees ($39,821), computer programming ($60,000), and training and conferences ($16,300).

- **Commodities** expenditures of $44,350. This is an increase of $2,250, or 5.3 percent, above the revised FY 2015 estimate. The increase is attributable to increased expenditures on office supplies and stationery.

- **Capital Outlay** expenditures of $66,000. This is an increase of $48,000, or 266.7 percent, above the revised FY 2015 estimate. This increase is largely attributable to replacement of computers ($36,000) and associated software upgrades ($10,000).

The **Governor** recommends a budget of $4.7 million, all from special revenue funds, for FY 2016. This is a decrease of $33,012, or 0.7 percent, below the agency's request. This decrease is attributable to the Governor's recommended reduction to employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. 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	$ 4,867,898	$ 4,834,225	$ (33,673)
FTE Positions	45.0	45.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	149,471	148,810	
TOTAL	$ 149,471	$ 148,810	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	3.2	3.2	
TOTAL	3.2 %	3.2 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $4.9 million, all from special revenue funds, for FY 2017. This is an increase of $149,471, or 3.2 percent, above the agency's FY 2016 request. This increase is largely attributable to increased salaries and wages expenditures. The request includes 45.0 FTE positions, the same as the agency's FY 2016 request.

This request includes the following items.

- **Salaries and Wages** expenditures of $3.3 million. This is an increase of $143,548, or 4.5 percent, above the agency's FY 2016 request. This increase is attributable to costs associated with the 27th pay period in FY 2017 and increased KPERS employer contribution rates.

- **Contractual Services** expenditures of $1.4 million. This is an increase of $21,173, or 1.5 percent, above the agency's FY 2016 request. This increase is largely attributable to increased expenditures for professional fees ($14,525).

- **Commodities** expenditures of $47,000. This is an increase of $2,650, or 6.0 percent, above the agency's FY 2016 request. This increase is attributable to increased expenditures for office supplies and stationery.

- **Capital Outlay** expenditures of $48,100. This is a decrease of $17,900, or 27.1 percent, below the agency's FY 2016 request. This decrease is largely attributable to decreased costs for computer replacement ($20,000).

The **Governor** recommends a budget of $4.8 million, all from special revenue funds, for FY 2017. This is a decrease of $33,673, or 0.7 percent, below the agency's request. This decrease is attributable to to the Governor's recommended reduction to employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. 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 $12,654, all from special revenue funds, and affects 41 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 $12,280, all from special revenue funds, and FY 2017 longevity payments total $13,720, 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 $33,012, all from special revenue funds, for FY 2016. This is a reduction of $33,673, 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
Healing Arts Fee Fund	99.3 %	99.3 %	99.3 %	99.3 %
Medical Records Maintenance Trust Fund	0.7	0.7	0.7	0.7
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Healing Arts Fee Fund

The Board of Healing Arts is financed by special revenue funds, mainly derived from licensing and registration fees, deposited in the Healing Arts Fee Fund under KSA 65-2855. Maximum fees are established in statute, and the actual rates are set by rule and regulation. The fees vary based on the type of license or registration sought.

The Board is able to process license and registration applications online; however, the licensee or registrant also has the option of submitting a paper renewal. Fees are slightly reduced for online renewals. The Board's regulations also establish fees for late renewals or reinstatement of a revoked license. Included below is a table of the Board's renewal fees, which constitute the bulk of fund revenue.

As a fee funded agency, the Board currently contributes the lesser of 10 percent or $100,000 of fee revenue to the State General Fund for the cost of support services provided by other state agencies under KSA 75-3170a. The Governor's 2015 budget includes a recommendation to increase this contribution rate to the lesser of 20 percent or $200,000 of fee revenue beginning in FY 2016. That change would affect this agency's reported revenue and fund balance beginning in FY 2016.

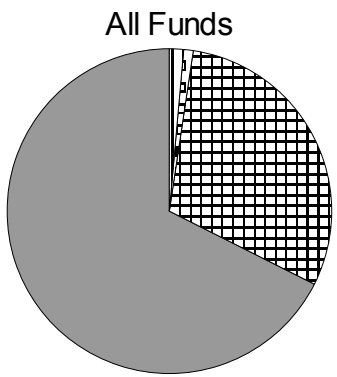
The table below summarizes estimated receipts and fund balances based upon the agency estimate and the Governor's recommendation, including the proposed change in State General Fund contribution.

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	$ 3,692,430	$ 4,073,026	$ 4,073,026	$ 4,228,920	$ 4,257,243	$ 4,306,393	$ 4,267,728
Revenue	4,669,880	4,515,424	4,515,424	4,760,900	4,660,900	4,841,100	4,741,100
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 8,362,310	$ 8,588,450	$ 8,588,450	$ 8,989,820	$ 8,918,143	$ 9,147,493	$ 9,008,828
Less: Expenditures	4,289,284	4,359,530	4,331,207	4,683,427	4,650,415	4,832,898	4,799,225
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 4,073,026	$ 4,228,920	$ 4,257,243	$ 4,306,393	$ 4,267,728	$ 4,314,595	$ 4,209,603
Ending Balance as Percent of Expenditures	95.0%	97.0%	98.3%	91.9%	91.8%	89.3%	87.7%
	June	June	June	June	June	June	June
Month Highest Ending Balance	$ 4,073,026	$ 4,228,920	$ 4,257,243	$ 4,306,393	$ 4,267,728	$ 4,314,595	$ 4,209,603
	April	April	April	April	April	April	March
Month Lowest Ending Balance	$ 2,331,125	$ 2,500,321	$ 2,572,579	$ 2,555,677	$ 2,592,159	$ 2,546,150	$ 2,420,466

BOARD OF HEALING ARTS FY 2015 RENEWAL FEES

Fee	Current Fee	Statutory Limit
Doctors of Medicine and Surgery	$ 330	$ 500
Doctors of Osteopathy	330	500
Doctors of Chiropractic	330	500
Doctors of Podiatry	330	500
Doctors of Naturopathic Medicine	125	150
Physician Assistants	150	150
Physical Therapists	70	70
Physical Therapists Assistants	70	70
Occupational Therapists	75	80
Occupational Therapy Assistants	75	80
Respiratory Therapists	75	80
Athletic Trainers	70	70
Radiologic Technologists	50	80

EXPENDITURES BY OBJECT–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	$ 3,165,434	67.6 %	$ 0	-- %
Contractual Services	1,409,631	30.1	0	--
Commodities	44,350	0.9	0	--
Capital Outlays	66,000	1.4	0	--
TOTAL	$ 4,685,415	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	45.0	45.0	45.0	45.0	45.0	45.0	45.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Investigation and disciplinary program case statistics:					
Open cases forwarded	600	582	650	630	630
New cases opened	700	742	700	720	730
Total cases closed	750	789	750	750	775

Kansas Board of Examiners in Fitting and Dispensing of Hearing Instruments

	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	29,313	28,627	28,627	29,157	29,157	29,948	29,948
TOTAL	$ 29,313	$ 28,627	$ 28,627	$ 29,157	$ 29,157	$ 29,948	$ 29,948
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	**$ 29,313**	**$ 28,627**	**$ 28,627**	**$ 29,157**	**$ 29,157**	**$ 29,948**	**$ 29,948**
Percentage Change:							
Operating Expenditures							
State General Fund	0.0 %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	0.5	(2.3)	(2.3)	1.9	1.9	2.7	2.7
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

AGENCY OVERVIEW

The Kansas Board of Examiners in Fitting and Dispensing of Hearing Instruments regulates hearing aid dispensers by determining the competence of new practitioners entering the field, ensuring that licensees keep their equipment calibrated and meet continuing education requirements, and investigating complaints. The Board consists of three licensed hearing aid dispensers and two public members who are appointed by the Governor. The staff consists of one unclassified, part-time employee who serves as the Executive Officer. Approximately 270 licensees renew their licenses each year and about 40 persons submit applications each year to become licensed.

MAJOR ISSUES FROM PRIOR YEARS

The **2003 Legislature** enacted SB 199, which amended the statutes related to hearing aid licensure. The bill created a new exemption for a licensed audiologist who is employed by a public funded school district, educational service center, or special education cooperative serving preschool through high school age students. The bill also provides that if a person who is exempt from licensure is licensed by another state agency, that other agency must consult with the Board of Hearing Aid Examiners if a complaint is received regarding conduct that would be covered by the Hearing Aid Licensure Act.

The **2006 Legislature** enacted HB 2285, which amended several statutes and added new sections to the Hearing Aid Act. The Act became the Hearing Instrument Act. The bill renamed and addressed the composition of the Board of Examiners in Fitting and Dispensing of Hearing Instruments, established new disciplinary and licensing procedures and criteria, prohibited certain acts, established new administrative procedures and clarified that licensed audiologists also must be licensed under the Act if they fit or dispense hearing instruments. Additionally, the bill gave the Board broader rule and regulation making authority with which to implement the Act.

The **2014 Legislature** added $550, all from 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 $28,627, all from special revenue funds. The estimate is a decrease of $6,459, or 18.4 percent, below the amount approved by the 2014 Legislature. The decrease is primarily attributable to the elimination of rent and utilities expenditures ($2,112) due to the new executive officer working out of existing office space and reductions in travel-related expenditures ($1,067), litigation expenditures ($1,000),

computer equipment expenditures ($1,000), medicare contributions ($315), and temporary wages ($697) due to the executive officer transition requiring less funding than projected. The estimate includes funding for 0.0 FTE positions, the same number approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** concurs with the agency's revised estimate.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of $29,157, all from special revenue funds. The request is an increase of $530, or 1.9 percent, above the revised FY 2015 estimate. The increase is primarily attributable to an increase in litigation expenditures, which is partially offset by a reduction in temporary wages as the wages were higher in FY 2015 due to employee bonuses and the transition of the executive officer position. The request includes funding for 0.0 FTE positions, the same number included in the revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** concurs with the agency's request.

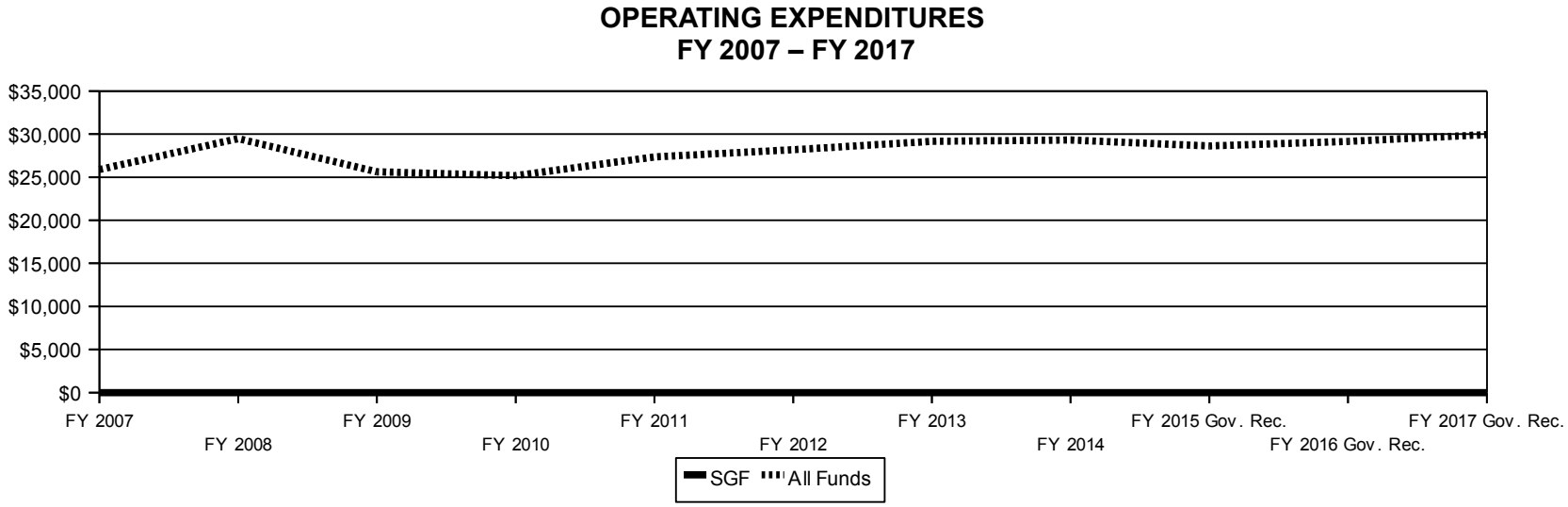
FY 2017 Agency Request

The **agency** requests FY 2017 operating expenditures of $29,948, all from special revenue funds. The request is an increase of $791, or 2.7 percent, above the FY 2016 request. The increase is primarily attributable to an additional (27th) payroll period in FY 2017. The request includes funding for 0.0 FTE positions, the same number included in the FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** concurs with the agency's request.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 25,891	(2.1)%	0.4
2008	0	--	29,482	13.9	0.5
2009	0	--	25,627	(13.1)	0.5
2010	0	--	25,182	(1.7)	0.0
2011	0	--	27,357	8.6	0.0
2012	0	--	28,188	3.0	0.0
2013	0	--	29,164	3.5	0.0
2014	0	--	29,313	0.5	0.0
2015 Gov. Rec.	0	--	28,627	(2.3)	0.0
2016 Gov. Rec.	0	--	29,157	1.9	0.0
2017 Gov. Rec.	0	--	29,948	2.7	0.0
Eleven-Year Change	$ 0	-- %	$ 4,057	15.7 %	(0.4)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 29,313	$ 28,627	$ 29,157	$ 530	1.9 %	$ 28,627	$ 29,157	$ 530	1.9 %
By Major Object of Expenditure:									
Salaries and Wages	$ 22,185	$ 21,393	$ 20,803	$ (590)	(2.8) %	$ 21,393	$ 20,803	$ (590)	(2.8)%
Contractual Services	5,569	6,934	7,954	1,020	14.7	6,934	7,954	1,020	14.7
Commodities	250	300	400	100	33.3	300	400	100	33.3
Capital Outlay	1,309	0	0	0	--	0	0	0	--
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 29,313	$ 28,627	$ 29,157	$ 530	1.9 %	$ 28,627	$ 29,157	$ 530	1.9 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 29,313	$ 28,627	$ 29,157	$ 530	1.9 %	$ 28,627	$ 29,157	$ 530	1.9 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Hearing Aid Board Fee Fund	29,313	26,127	25,657	(470)	(1.8)	26,127	25,657	(470)	(1.8)
Litigation Fund	0	2,500	3,500	1,000	40.0	2,500	3,500	1,000	40.0
TOTAL	$ 29,313	$ 28,627	$ 29,157	$ 530	1.9 %	$ 28,627	$ 29,157	$ 530	1.9 %

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	$ 29,157	$ 29,948	$ 791	2.7 %	$ 29,157	$ 29,948	$ 791	2.7 %
By Major Object of Expenditure:								
Salaries and Wages	$ 20,803	$ 21,574	$ 771	3.7 %	$ 20,803	$ 21,574	$ 771	3.7 %
Contractual Services	7,954	7,974	20	0.3	7,954	7,974	20	0.3
Commodities	400	400	0	0.0	400	400	0	0.0
Capital Outlay	0	0	0	--	0	0	0	--
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 29,157	$ 29,948	$ 791	2.7 %	$ 29,157	$ 29,948	$ 791	2.7 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 29,157	$ 29,948	$ 791	2.7 %	$ 29,157	$ 29,948	$ 791	2.7 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Hearing Aid Board Fee Fund	25,657	26,448	791	3.1	25,657	26,448	791	3.1
Litigation Fund	3,500	3,500	0	0.0	3,500	3,500	0	0.0
TOTAL	$ 29,157	$ 29,948	$ 791	2.7 %	$ 29,157	$ 29,948	$ 791	2.7 %

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	35,086	28,627	(6,459)	28,627	(6,459)
TOTAL	$ 35,086	$ 28,627	$ (6,459)	$ 28,627	$ (6,459)
FTE Positions	0.0	0.0	0.0	0.0	0.0

The **agency** estimates revised FY 2015 operating expenditures of $28,627, all from special revenue funds. The estimate is a decrease of $6,459, or 18.4 percent, below the amount approved by the 2014 Legislature. The decrease is primarily attributable to the elimination of rent and utilities expenditures ($2,112) due to the new executive officer working out of existing office space and reductions in travel-related expenditures ($1,067), litigation expenditures ($1,000), computer equipment expenditures ($1,000), medicare contributions ($315), and temporary wages ($697) due to the executive officer transition requiring less funding than projected. The estimate includes funding for 0.0 FTE positions, the same number approved by the 2014 Legislature.

The **Governor** concurs with the agency's revised estimate.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 29,157	$ 29,157	$ 0
FTE Positions	0.0	0.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	530	530	
TOTAL	$ 530	$ 530	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	1.9	1.9	
TOTAL	1.9 %	1.9 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of $29,157, all from special revenue funds. The request is an increase of $530, or 1.9 percent, above the revised FY 2015 estimate. The request includes funding for 0.0 FTE positions, the same number included in the revised FY 2015 estimate.

The agency request includes the following items.

- **Salaries and wages** expenditures of $20,803, which is a decrease of $590, or 2.8 percent, below the revised FY 2015 estimate. The decrease is primarily attributable to a reduction in unclassified temporary wages as the wages were higher in FY 2015 due to employee bonuses and the transition of the executive officer position.

- **Contractual services** expenditures of $7,954, which is an increase of $1,020, or 14.7 percent, above the revised FY 2015 estimate. The increase is primarily attributable to a $1,000 increase in litigation expenditures. The agency reduced litigation expenditures by $1,000 in its revised FY 2015 estimate due to legal delays and would like to shift the funding to FY 2016.

- **Commodities** expenditures of $400, which is an increase of $100, or 33.3 percent, above the revised FY 2015 estimate. The increase is attributable to increases in data processing and office supplies.

The **Governor** concurs with the agency's request. The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000, whichever is less, to 20.0 percent or $200,000, whichever is less, 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 $3,976 for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 29,948	$ 29,948	$ 0
FTE Positions	0.0	0.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	791	791	
TOTAL	$ 791	$ 791	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.7	2.7	
TOTAL	2.7 %	2.7 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of $29,948, all from special revenue funds. The request is an increase of $791, or 2.7 percent, above the FY 2016 request. The request includes funding for 0.0 FTE positions, the same number included in the FY 2016 request.

The agency request includes the following items.

- **Salaries and wages** expenditures of $21,574, which is an increase of $771, or 3.7 percent, above the FY 2016 request. The increase is attributable to an additional (27th) payroll period in FY 2017.

- **Contractual services** expenditures of $7,974, which is an increase of $20, or 0.3 percent,

above the FY 2016 request. The increase is attributable to an increase in in-state travel expenditures.

- **Commodities** expenditures of $400, which is the same as the amount requested for FY 2016.

The **Governor** concurs with the agency's request. The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000, whichever is less, to 20.0 percent or $200,000, whichever is less, 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 $3,976 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 $550, all from special revenue funds, and affects two 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 $0, and FY 2017 longevity payments total $0.**

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 $0 for FY 2016. This is a reduction of $0 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 %
Hearing Aid Board Fee Fund	88.0	88.0	88.3	88.3
Litigation Fund	12.0	12.0	11.7	11.7
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

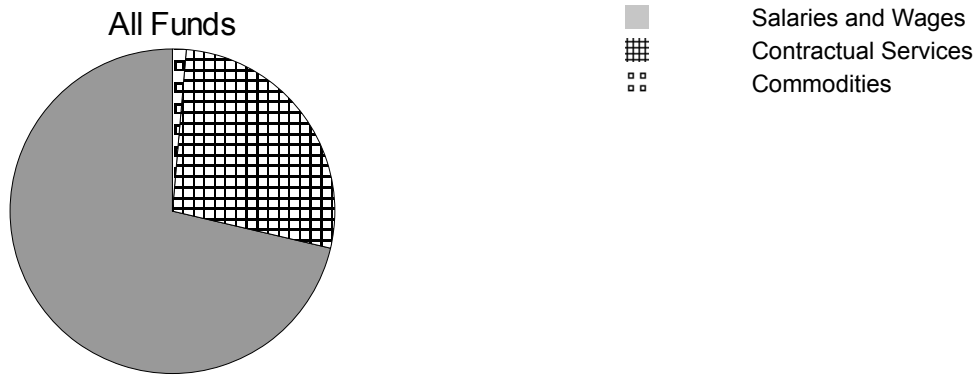
Hearing Aid Board Fee Fund Analysis

The Board of Examiners in Fitting and Dispensing of Hearing Instruments is a regulatory board fully funded by the Hearing Instruments Board Fee Fund. The majority of receipts come from licensing fees for practicing dispensers. Of the total revenue generated, 90.0 percent is kept by the agency and 10.0 percent is remitted to the State General Fund. The Governor recommends increasing the percentage of fee fund revenues remitted to the State General Fund from 10.0 percent to 20.0 percent beginning in FY 2016.

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	$ 42,194	$ 41,206	$ 41,206	$ 50,508	$ 50,508	$ 57,131	$ 53,155
Revenue	34,079	35,429	35,429	35,780	31,804	35,780	31,804
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 76,273	$ 76,635	$ 76,635	$ 86,288	$ 82,312	$ 92,911	$ 84,959
Less: Expenditures	29,313	26,127	26,127	25,657	25,657	26,448	26,448
Transfers Out	5,754	0	0	3,500	3,500	3,500	3,500
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 41,206	$ 50,508	$ 50,508	$ 57,131	$ 53,155	$ 62,963	$ 55,011
Ending Balance as Percent of Expenditures	140.6%	193.3%	193.3%	222.7%	207.2%	238.1%	208.0%
	June	June	June	June	June	June	June
Month Highest Ending Balance	$ 41,206	$ 50,508	$ 50,508	$ 57,131	$ 53,155	$ 62,963	$ 55,011
	March	February	February	February	February	February	February
Month Lowest Ending Balance	$ 27,591	$ 30,820	$ 30,820	$ 37,989	$ 37,005	$ 44,032	$ 39,073

Board of Examiners in Fitting and Dispensing of Hearing Instruments Fees		
	Current Fee	**Statutory Limit**
License Application	$100	$150
Temporary License	100	150
Temporary License Renewal	100	150
License	100	150
Certification of Registration or Endorsement Renewal	100	150
Certification of Registration or Endorsement Late Renewal	200	200
Certification of Registration or Endorsement Reinstatement	300	300
Inactive License or Renewal of Inactive License	25	25
Conversion of Inactive License to Active License	100	150
Written Examination Fee	35	50
Practical Examination Fee	15	35
State Licensure Verification Fee	15	25
Replacement of Certificate or License	15	25
Change of Sponsor	15	25
Insufficient Funds	25	35

EXPENDITURES BY OBJECT-- GOVERNOR'S FY 2016 RECOMMENDATION



Object	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	$ 20,803	71.3 %	$ 0	-- %
Contractual Services	7,954	27.3	0	--
Commodities	400	1.4	0	--
TOTAL	$ 29,157	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	0.0	0.0	0.0	0.0	0.0	0.0	0.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of licenses issued	270	259	270	280	280

Board of Mortuary Arts

	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	259,020	289,553	292,002	326,757	309,481	340,845	323,392
TOTAL	$ 259,020	$ 289,553	$ 292,002	$ 326,757	$ 309,481	$ 340,845	$ 323,392
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	**$ 259,020**	**$ 289,553**	**$ 292,002**	**$ 326,757**	**$ 309,481**	**$ 340,845**	**$ 323,392**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(0.0)	11.8	12.7	12.8	6.0	4.3	4.5
FTE Positions	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	3.0	3.0	3.0	3.0	3.0	3.0	3.0

AGENCY OVERVIEW

The Kansas Board of Mortuary Arts regulates embalmers, funeral directors, assistant funeral directors, apprentice embalmers, crematory operators, funeral establishments, branch funeral establishments, and crematories. The five member Board ensures that funeral homes, crematories, licensees, apprentices, and student embalmers operate according to state laws, and that they serve in the best interest of the consumer by meeting and maintaining licensing and regulatory requirements. To accomplish these things, the Board provides information detailing the Kansas licensing process; provides assistance to potential licensees who may not understand or meet licensing requirements; maintains information on all individuals who seek and maintain licenses; inspects funeral homes and crematory facilities twice a year; investigates complaints regarding the practice of the mortuary arts profession; and takes appropriate disciplinary measures, if warranted. The Board also informs Kansas consumers about laws related to the death process, funeral pre-arrangements, and the funeral process.

MAJOR ISSUES FROM PRIOR YEARS

During the **2010 Session**, Senate Sub. for HB 2310 was passed and required any person wishing to become a crematory operator to make written application to the Board of Mortuary Arts and to meet the agency's requirements on age and training. A person's license is automatically suspended, if at the end of one year of being licensed, the individual has not met the required training. The agency is to maintain licenses for crematory operators and collect renewal fees.

During the **2010 Session**, Senate Sub. for HB 2310 increased the maximum limits for a number of fees established by the agency, deleted the embalmer's examination fee, and established a $200 limit for a crematory operator's license and renewal fee.

During the **2011 Session**, HB 2083 was passed and required funeral directors in charge of a facility that closes to notify those with pre-arranged funeral agreements that they need to transfer the pre-arranged agreements to another facility. A copy of the notification must be submitted to the State Board of Mortuary Arts.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** estimates $289,553, all from the Board of Mortuary Arts Fee Fund, and 3.0 FTE positions, which is unchanged from the FY 2015 amount approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** recommends $292,002, all from the Board of Mortuary Arts Fee Fund, in FY 2015. This is an increase of $2,449, or 0.8 percent, above the agency's FY 2015 revised estimate. The increase is attributable to a salary increase for the Executive Secretary and a reduction to employer contributions to KPERS. The recommendation includes an adjustment to the agency's tax payment for the Voluntary Retirement Incentive Program and the addition of $1,891 for potential Office of Information Technology Services rate increases. The Governor recommends 3.0 FTE positions, which is unchanged from the agency's FY 2015 revised estimate.

FY 2016 Agency Request

The **agency** requests $326,757, all from the Board of Mortuary Arts Fee Fund, for FY 2016. This is a net increase of $37,204, or 12.8 percent, above the agency's FY 2015 revised estimate. Higher expenditures on salaries and wages, contractual services, and commodities are partially offset by reduced capital outlay expenditures. The request includes 3.0 FTE positions.

FY 2016 Governor Recommendation

The **Governor** recommends $309,481, all from the Board of Mortuary Arts Fee Fund, for FY 2016. This is a decrease of $17,276, or 5.3 percent, below the agency's FY 2016 request. The decrease is attributable to a reduction of expenditures due to an adjustment to the agency's tax payment for the Voluntary Retirement Incentive Program and a reduction to employer contributions to state employee health insurance. The all funds decrease is partially offset by the Governor's recommendation to partially fund the agency's enhancement request for a salary increase for the Executive Secretary. The Governor also recommends an increase in 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. The Governor's recommendation includes 3.0 FTE positions, which is unchanged from the agency's FY 2016 request.

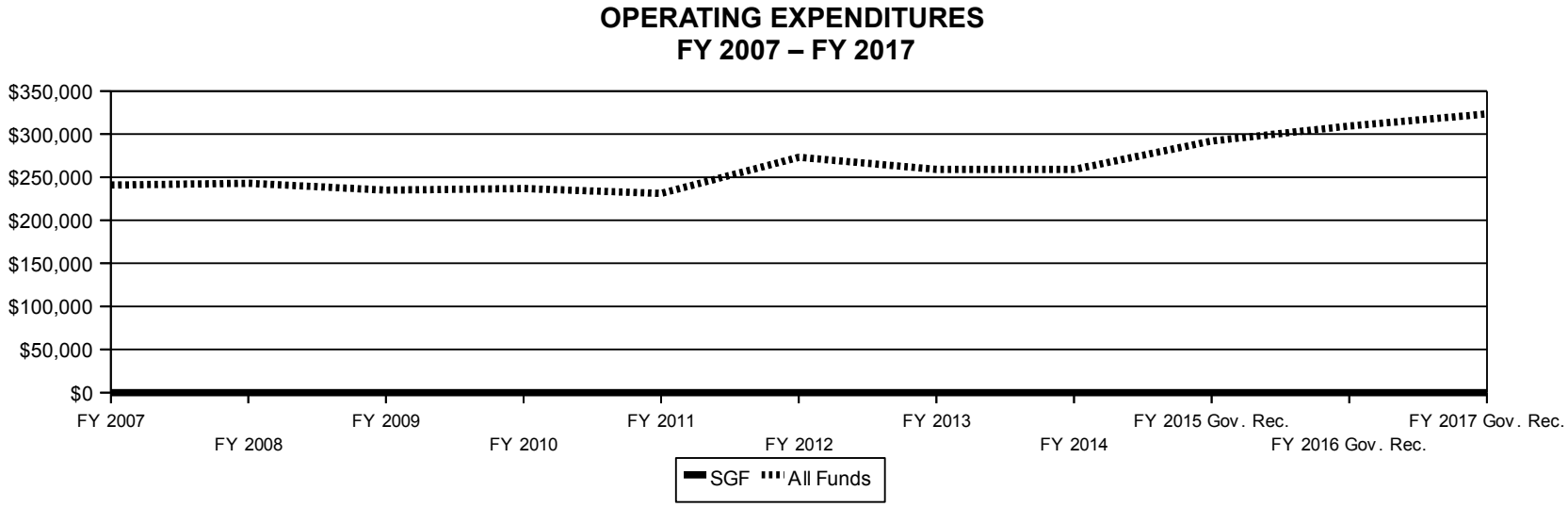
FY 2017 Agency Request

The **agency** requests $340,845 all from the Board of Mortuary Arts Fee Fund, for FY 2017. This is an increase of $14,088, or 4.3 percent, above the agency's FY 2016 request. The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, and other assistance. The request includes 3.0 FTE positions.

FY 2017 Governor Recommendation

The **Governor** recommends $323,392, all from the Board of Mortuary Arts Fee Fund, for FY 2017. This is a decrease of $17,453, or 5.1 percent, below the agency's FY 2017 request. The decrease is attributable to a reduction of expenditures due to an adjustment to the agency's tax payment for the Voluntary Retirement Incentive Program and a reduction to employer contributions to state employee health insurance. The all funds decrease is offset by the Governor's recommendation to partially fund the agency's enhancement request for a salary increase for the Executive Secretary. The Governor also recommends am increase in 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. The Governor's recommendation includes 3.0 FTE positions, which is unchanged from the agency's FY 2017 request.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 240,862	9.4 %	3.0
2008	0	--	242,944	0.9	3.0
2009	0	--	235,038	(3.3)	3.0
2010	0	--	236,856	0.8	3.0
2011	0	--	261,223	10.3	3.0
2012	0	--	273,158	4.6	3.0
2013	0	--	259,055	(5.2)	3.0
2014	0	--	259,020	(0.0)	3.0
2015 Gov. Rec.	0	--	292,002	12.7	3.0
2016 Gov. Rec.	0	--	309,481	6.0	3.0
2017 Gov. Rec.	0	--	323,392	4.5	3.0
Eleven-Year Change	$ 0	-- %	$ 82,530	34.3 %	0.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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
Administration	$ 259,020	$ 289,553	$ 326,757	$ 37,204	12.8 %	$ 292,002	$ 309,481	$ 17,479	6.0 %
By Major Object of Expenditure:									
Salaries and Wages	$ 195,875	$ 201,362	$ 223,407	$ 22,045	10.9 %	$ 203,811	$ 208,022	$ 4,211	2.1 %
Contractual Services	48,251	66,601	83,127	16,526	24.8	68,492	83,127	14,635	21.4
Commodities	6,008	9,150	9,476	326	3.6	9,150	9,476	326	3.6
Capital Outlay	0	3,693	2,000	(1,693)	(45.8)	3,693	2,000	(1,693)	(45.8)
Debt Service	0	0	0	0	0.0	0	0	0	--
Subtotal - Operations	$ 250,134	$ 280,806	$ 318,010	$ 37,204	13.2 %	$ 285,146	$ 302,625	$ 17,479	6.1 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	8,886	8,747	8,747	0	0.0	6,856	6,856	0	0.0
TOTAL	$ 259,020	$ 289,553	$ 326,757	$ 37,204	12.8 %	$ 292,002	$ 309,481	$ 17,479	6.0 %
Financing:									
Mortuary Arts Fee Fund	$ 259,020	$ 289,553	$ 326,757	$ 37,204	12.8 %	$ 292,002	$ 309,481	$ 17,479	6.0 %

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
Administration	$ 326,757	$ 340,845	$ 14,088	4.3 %	$ 309,481	$ 323,392	$ 13,911	4.5 %
By Major Object of Expenditure:								
Salaries and Wages	$ 223,407	$ 232,707	$ 9,300	4.2 %	$ 208,022	$ 217,145	$ 9,123	4.4 %
Contractual Services	83,127	87,445	4,318	5.2	83,127	87,445	4,318	5.2
Commodities	9,476	9,809	333	3.5	9,476	9,809	333	3.5
Capital Outlay	2,000	2,000	0	0.0	2,000	2,000	0	0.0
Debt Service	0	0	0	0.0	0	0	0	--
Subtotal - Operations	$ 318,010	$ 331,961	$ 13,951	4.4 %	$ 302,625	$ 316,399	$ 13,774	4.6 %
Aid to Local Units	0	0	0	0.0	0	0	0	--
Other Assistance	8,747	8,884	137	1.6	6,856	6,993	137	2.0
TOTAL	$ 326,757	$ 340,845	$ 14,088	4.3 %	$ 309,481	$ 323,392	$ 13,911	4.5 %
Financing:								
Mortuary Arts Fee Fund	$ 326,757	$ 340,845	$ 14,088	4.3 %	$ 309,481	$ 323,392	$ 13,911	4.5 %

A. FY 2015 – Current Year

Adjustments to Approved State General Fund Budget

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	289,553	289,553	0	292,002	2,449
TOTAL	$ 289,553	$ 289,553	$ 0	$ 292,002	$ 2,449
FTE Positions	3.0	3.0	0.0	3.0	0.0

The **agency's** FY 2015 revised estimate is $289,553, all from the Board of Mortuary Arts Fee Fund, which is unchanged from the amount approved by the 2014 Legislature. The estimate includes 3.0 FTE positions. The following are major categories of expenditures.

- **Salaries and Wages**. The revised estimate includes $201,362 for 3.0 FTE positions.

- **Contractual Services.** The revised estimate includes $66,601, a net decrease of $884, or 1.3 percent, below the amount approved by the 2014 Legislature. The decrease is attributable primarily to less travel for professional conferences ($4,085), and is partially offset by increases ($3,700) in data services and the the cost of migrating the agency's website to a new server.

- **Commodities**. The estimate includes $9,150, a decrease of $4,700 or 33.9 percent, below the amount approved by the 2014 Legislature. The decrease is attributable to reduced expenditures on vehicle parts and supplies, scientific supply materials, and office supplies and materials.

- **Capital Outlay**. The estimate includes $3,693 to replace a shredder, a laptop, and three desktop computers.

- **Other Assistance.** The estimate includes $8,747, an increase of $1,891, or 27.6 percent, above the amount approved by the 2014 Legislature. The expenditures are for one employee who participated in the Voluntary Retirement Incentive Program. The increase is attributable to the one time payment of federal tax.

The **Governor** recommends $292,002, all from the Board of Mortuary Arts Fee Fund, in FY 2015. This is an increase of $2,449, or 0.8 percent, above the agency's FY 2015 revised estimate. The Governor recommends the following.

- A salary increase of $4,355 for the Executive Secretary.

- An adjustment to the agency's tax payment for the Voluntary Retirement Incentive Program.

- An increase of $1,891 for potential OITS rate increases in the current year.

- A reduction to employer contributions to KPERS in the amount of $1,906.

The Governor recommends 3.0 FTE positions, which is unchanged from the agency's FY 2015 revised estimate.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 326,757	$ 309,481	$ (17,276)
FTE Positions	3.0	3.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	37,204	17,479	
TOTAL	$ 37,204	$ 17,479	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	12.8	6.0	
TOTAL	12.8 %	6.0 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $326,757, all from the Board of Mortuary Arts Fee Fund, for FY 2016. This is a net increase of $37,204, or 12.8 percent, above the agency's revised FY 2015 estimate. Higher expenditures on salaries and wages, contractual services, and commodities are offset by reduced capital outlay expenditures. The request includes 3.0 FTE positions. Expenditures include the following.

- **Salaries and Wages.** The agency requests $223,407 for 3.0 FTE positions. This is an increase of $22,045, or 10.9 percent, above the agency's FY 2015 revised estimate. The increase is mostly attributable to the agency's enhancement request for a salary increase of the Executive Secretary and the position's associated fringe benefits ($18,309). Other

increases include costs associated with group health hospitalization ($3,175), medicare ($1,119), and employer contributions to KPERS ($3,675).

- **Contractual Services.** The agency requests $83,127, an increase of $16,526, or 24.8 percent, above the agency's revised FY 2015 estimate. The increase is attributable primarily to increased expenditures on rent ($9,535) due to the agency's lease ending in August 2015.

- **Commodities.** The agency requests $9,476, an increase of $326, or 3.6 percent, above the agency's revised FY 2015 revised estimate. Higher expenditures are due to inflationary increases associated with the purchase of vehicle parts and supplies, scientific supply materials, and office supplies and materials.

- **Capital Outlay**. The agency requests $2,000, a decrease of $1,693, or 45.8 percent, below the agency's revised FY 2015 estimate. Funds had been allocated to purchase replacement computing equipment, but were not spent in an effort to save money.

- **Other Assistance.** The agency requests $8,747, which is unchanged from the agency's FY 2015 revised estimate.

The **Governor** recommends $309,481, all from the Board of Mortuary Arts Fee Fund, for FY 2016. This is a decrease of $17,276, or 5.3 percent, below the agency's FY 2016 request. The Governor recommends the following.

- Partially funding the agency's enhancement request for a salary increase for the Executive Secretary ($5,212).

- A reduction of expenditures due to an adjustment to the agency's tax payment for the Voluntary Retirement Incentive Program ($1,891).

- A reduction of $2,288 to reduce employer contributions to state employee health insurance.

- An increase in 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 $31,955 for FY 2016.

The Governor recommends 3.0 FTE positions, which is unchanged from the agency's FY 2016 request.

Enhancements Detail

FY 2016 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Salary Increase	$ 0	$ 18,309	0.0	$ 0	$ 5,212	0.0

The **agency** requests $18,309, all from the Board of Mortuary Arts Fee Fund, for a salary increase for its Executive Secretary for FY 2016. The request includes an increase of $15,000 for unclassified regular employee pay and $3,309 in fringe benefits.

The **Governor** recommends $5,212, all from the Board of Mortuary Arts Fee Fund, for a salary increase for the Executive Secretary for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 340,845	$ 323,392	$ (17,453)
FTE Positions	3.0	3.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	14,088	13,911	
TOTAL	$ 14,088	$ 13,911	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	4.3	4.5	
TOTAL	4.3 %	4.5 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $340,845 all from the Board of Mortuary Arts Fee Fund, for FY 2017. This is an increase of $14,088, or 4.3 percent, above the agency's FY 2016 request. The increase is attributable to higher expenditures on salaries and wages, contractual services, commodities, and other assistance. The request includes 3.0 FTE positions. Expenditures include the following.

- **Salaries and Wages**. The agency requests $232,707 for 3.0 FTE positions. This is an increase of $9,300, or 4.2 percent, above the agency's revised FY 2016 request. The increase is mostly attributable to the agency's enhancement request for a salary increase of the Executive Secretary and the position's associated fringe benefits. Other increases

include costs associated with the additional pay period in FY 2017 and employer contributions to KPERS.

- **Contractual Services**. The agency requests $87,445, an increase of $4,318, or 5.2 percent, above the agency's FY 2016 request. The increase is attributable primarily to estimated travel costs associated with attending board meetings, educational seminars, and meetings, monitoring continuing education, and giving presentations to consumers.

- **Commodities**. The agency requests $9,809, an increase of $333, or 3.5 percent, above the agency's FY 2016 request. Higher expenditures are due to inflationary increases associated with the purchase of vehicle parts and supplies, scientific supply materials, and office supplies and materials.

- **Capital Outlay**. The agency requests $2,000, which is unchanged from the FY 2016 request.

- **Other Assistance**. The agency requests $8,884, an increase of $137, or 1.6 percent, above the agency's FY 2016 request for the cost of one employee's participation in the Voluntary Retirement Incentive Program.

The **Governor** recommends $323,392, all from the Board of Mortuary Arts Fee Fund, for FY 2017. This is a decrease of $17,453, or 5.1 percent, below the agency's FY 2017 request. The Governor recommends the following.

- Partially funding the agency's enhancement request for a salary increase for the Executive Secretary ($5,264).

- A reduction of expenditures due to an adjustment to the agency's tax payment for the Voluntary Retirement Incentive Program ($1,891).

- A reduction of $2,334 to reduce employer contributions to state employee health insurance.

- An increase in 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 $29,365 for FY 2017.

The Governor recommends 3.0 FTE positions, which is unchanged from the agency's FY 2017 request.

Enhancements Detail

FY 2017 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Salary Increase	$ 0	$ 18,492	0.0	$ 0	$ 5,264	0.0

The **agency** requests $18,492, all from the Board of Mortuary Arts Fee Fund, for a salary increase for its Executive Secretary for FY 2017. The request includes an increase of $15,000 for unclassified regular employee pay and $3,492 in fringe benefits.

The **Governor** recommends $5,264, all from the Board of Mortuary Arts Fee Fund, for a salary increase for the Executive Secretary 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 $906, all from special revenue funds, and affects 3 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 $1,400, all from special revenue funds, and FY 2017 longevity payments total $1,440, 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 $2,288, all from special revenue funds, for FY 2016. This is a reduction of $2,334, 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
Board of Mortuary Arts Fee Fund	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Board of Mortuary Arts Fee Fund

The Kansas State Board of Mortuary Arts is a fee-funded agency, with revenue received from: issuing and renewing licenses; administering the funeral directors and assistant funeral directors' examinations; the sale of rule books, lists, and duplicate licenses; and continuing education programming. These sources combine to provide financing for all agency operations.

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	$ 250,042	$ 278,249	$ 278,249	$ 252,965	$ 250,516	$ 213,807	$ 196,679
Revenue	287,227	264,269	264,269	287,599	287,599	264,289	264,289
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 537,269	$ 542,518	$ 542,518	$ 540,564	$ 538,115	$ 478,096	$ 460,968
Less: Expenditures	259,020	289,553	292,002	326,757	309,481	340,845	323,392
Transfers Out	0	0	0	0	31,955	0	29,365
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 278,249	$ 252,965	$ 250,516	$ 213,807	$ 196,679	$ 137,251	$ 108,211
Ending Balance as Percent of Expenditures	107.4%	87.4%	85.8%	65.4%	63.6%	40.3%	33.5%
	March	July	July	December	July	July	July
Month Highest Ending Balance	$ 285,905	$ 274,728	$ 274,545	$ 252,416	$ 244,924	$ 228,180	$ 188,640
	August	June	June	May	June	June	June
Month Lowest Ending Balance	$ 237,029	$ 252,965	$ 250,516	$ 233,288	$ 196,679	$ 177,831	$ 108,219

EXPENDITURES BY OBJECT–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	$ 208,022	67.2 %	$ 0	-- %
Contractual Services	83,127	26.9	0	--
Commodities	9,476	3.1	0	--
Capital Outlay	2,000	0.6	0	--
Other Assistance	6,856	2.2	0	--
TOTAL	$ 309,481	100.0 %	$ 0	100.0 %

Board of Mortuary Arts Fees					
Fee Type	**Current Fee**	**Statutory Limit**	**Fee Type**	**Current Fee**	**Statutory Limit**
Embalmer endorsement application fee	$350	$500	Branch establishment license fee	$650	$1,000
Embalmer reciprocity application fee	$350	$500	Crematory license fee	$650	$1,000
Funeral director examination fee	$200	$400	Crematory renewal fee	$650	$1,000
Funeral director reciprocity application fee	$350	$500	Funeral establishment/crematory license fee	$950	$1,500
Embalmer/funeral director reciprocity fee	$350	$500	Funeral establishment/crematory renewal fee	$950	$1,500
Assistant funeral director application fee	$150	$300	Branch establishment/crematory license fee	$950	$1,500
Assistant funeral director examination fee	$50	$300	Branch establishment/crematory renewal fee	$950	$1,500
Embalmers license and renewal fee	$168	$350	Duplicate license	$15	$30
Funeral director license and renewal fee	$228	$450	Rulebook	$5	$20
Crematory operator license and renewal fee	$50	$200	Continuing education program sponsor application	$0	$25
Assistant funeral director license and renewal fee	$180	$400	Continuing education program licensee application	$0	$25
Apprentice embalmer registration fee	$100	$250	List of licenses	$10	N/A
Funeral establishment license fee	$650	$1,000	List of funeral homes	$5	N/A

FTE POSITIONS FY 2014 – FY 2017

Program	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
Administration	3.0	3.0	3.0	3.0	3.0	3.0	3.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of complaints filed with the Board	45	35	44	48	54
Number of consumer inquiries handled	1,075	740	750	760	770
Number of current licenses on file with the Board	2,210	2,150	2,164	2,170	2,175
Percent of investigations that result in disciplinary action	35.0%	42.0%	40.0%	41.0%	42.0%

Board of Nursing

	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	2,237,476	2,606,698	2,590,604	2,790,608	2,773,697	2,838,652	2,821,403
TOTAL	$ 2,237,476	$ 2,606,698	$ 2,590,604	$ 2,790,608	$ 2,773,697	$ 2,838,652	$ 2,821,403
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	**$ 2,237,476**	**$ 2,606,698**	**$ 2,590,604**	**$ 2,790,608**	**$ 2,773,697**	**$ 2,838,652**	**$ 2,821,403**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	8.1	16.5	15.8	7.1	7.1	1.7	1.7
FTE Positions	26.0	26.0	26.0	26.0	26.0	26.0	26.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	26.0	26.0	26.0	26.0	26.0	26.0	26.0

AGENCY OVERVIEW

The Board of Nursing was created in 1913 to regulate the practice of nursing through registration and licensure of practical nurses, registered nurses, advanced practice registered nurses, registered nurse anesthetists, and mental health technicians. The registration of advanced practice registered nurses was added in 1978, mental health technicians in 1973, and registered nurse anesthetists in 1986.

In addition, the Board is responsible for reviewing and approving continuing education providers and programs for its licensees and accredits schools that meet the Board's rules and regulations. It also investigates complaints concerning unlawful practices and may, after hearings, suspend or revoke a practitioner's license.

The Board consists of 11 members appointed by the Governor, each serving a four-year term. As required by law, six Board members are registered professional nurses, two are licensed practical nurses, and three are members of the public.

MAJOR ISSUES FROM PRIOR YEARS

The **2004 Legislature** authorized the transfer of remaining balances over $200,000 from selected biennial budget agency fee funds to the State General Fund in FY 2005. The amount certified by the Director of the Budget on April 19, 2004, for the Board of Nursing was $168,522.

The **2005 Legislature** added language which directed the Board of Nursing to pay from existing resources in FY 2006 and FY 2007 costs related to the clinical portion of the nursing program for the 58 students who were enrolled in the Excelsior College Associate Degree Registered Nurse Program prior to February 16, 2005. In FY 2006, the Board of Nursing made Excelsior payments totaling $4,390.

The **2007 Legislature** added $67,787 from the Board of Nursing Fee Fund and 1.0 FTE position for an additional Assistant Attorney General position for FY 2008. This position is paid for out of the Attorney General's office, but the position is located at the Board of Nursing office and is dedicated solely to Board of Nursing activities.

The **2008 Legislature** passed HB 2620, which authorized the Board of Nursing to require applicants for an original license to practice as a professional nurse, practical nurse, or mental health technician to be fingerprinted and to submit to a state and national criminal history record check. The bill also authorizes the Board of Nursing to set a fee for fingerprinting in an amount needed to reimburse the Board for the cost of fingerprinting and the criminal record check and to deposit such fees into the Board's Criminal Background and Fingerprinting Fund created by the bill.

The **2009 Legislature** transferred $43,683 from the Board of Nursing Fee Fund to the State General Fund in FY 2009. In addition, the Legislature transferred $57,064, also from the fee fund to the State General Fund, in FY 2010.

Also, the **2009 Legislature** added $61,500 from the Board of Nursing Fee Fund for the replacement of information technology software and hardware in FY 2010. The Legislature then deleted $4,329 from the fee fund to hold the overall agency budget in FY 2011 at the FY 2010 level.

The **2010 Legislature** passed HB 2619, which altered the scope of practice for registered nurse anesthetists (RNAs). The bill allows RNAs, upon the order of a physician or dentist and as a member of a physician- or dentist-directed health care team, to order or administer appropriate medication and anesthetic agents pre- and post-analgesia and during the peri-anesthetic or pre-analgesic periods. The bill also allows RNAs to order necessary medications and tests in the peri-anesthetic or peri-analgesic periods and to take appropriate action during those times.

The **2011 Legislature** passed HB 2182, which amended the law to update the title of an Advanced Registered Nurse Practitioner (ARNP) to Advanced Practice Registered Nurse (APRN), changed licensure and education requirements for the role of the APRNs, and permitted reinstatement of lapsed nurse licenses upon meeting specified requirements. The reinstatement provision expired January 1, 2012.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency estimate**s FY 2015 operating expenditures of $2,606,698, all from special revenue funds. The estimate is the same amount approved by the 2014 Legislature. The request includes 26.0 FTE positions, an increase of 1.0 FTE position from the approved number.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of $2,590,604, all from special revenue funds. The recommendation is a decrease of $16,094, or 0.6 percent, below the amount approved by the 2014 Legislature. The reduction 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 $2,790,608, all from special revenue funds, which is an increase of $183,910, or 7.1 percent, above the FY 2015 agency estimate. The increase is primarily attributable to increases in contractual services, specifically communication services, computer software expenditures and state building rent expenditures. Also included in the contractual services estimate is the expenditures for criminal background checks and fingerprinting of new applicants, which the agency has estimated will be higher in FY 2016.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $2,773,697, all from special revenue funds. The recommendation is a decrease of $16,911, or 0.6 percent, below the agency's FY 2016 request. The reduction of $16,911 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 10 percent or $100,000 to 20 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.

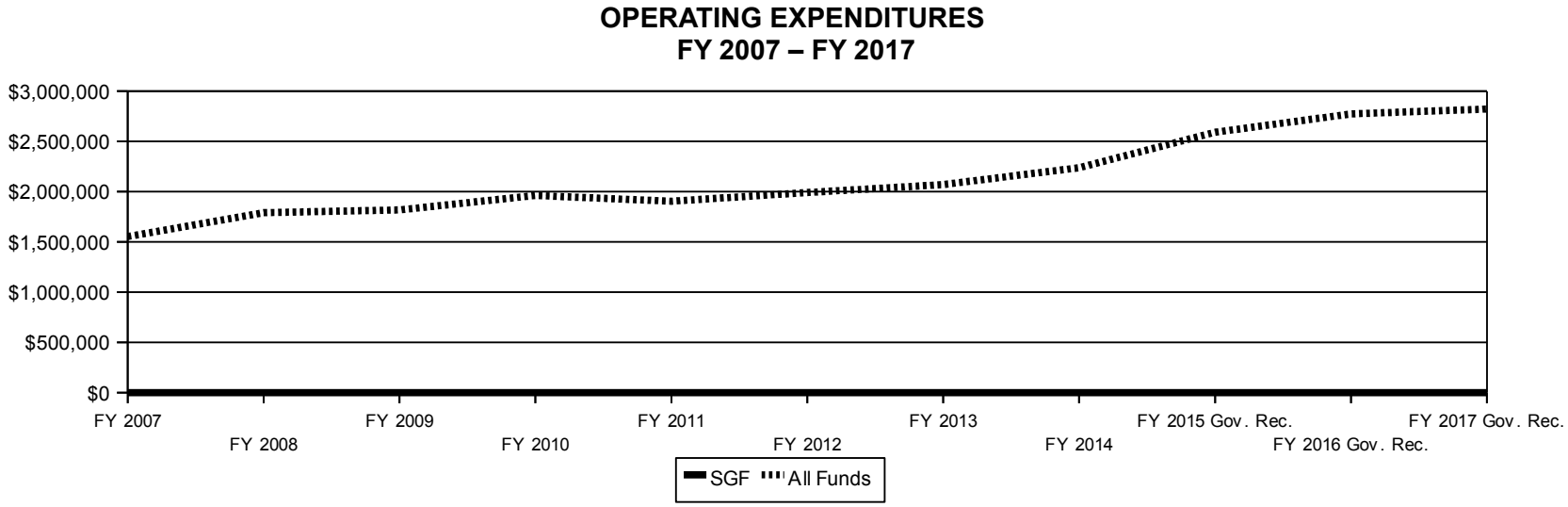
FY 2017 Agency Request

The **agency** requests $2,838,652, all from special revenue funds, which is an increase of $48,044, or 1.7 percent, above the amount requested for FY 2016. The increase is attributable to increased salaries and wages due to an additional pay period and is partially offset by reduced contractual services costs.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $2,821,403, all from special revenue funds. The recommendation is a decrease of $17,249, or 0.6 percent, below the agency's FY 2017 request. The reduction of $17,249 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 10 percent or $100,000 to 20 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



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 1,552,804	1.3 %	22.0
2008	0	--	1,790,265	15.3	24.0
2009	0	--	1,818,186	1.6	24.0
2010	0	--	1,961,585	7.9	24.0
2011	0	--	1,904,440	(2.9)	23.0
2012	0	--	1,991,188	4.6	24.0
2013	0	--	2,070,282	4.0	23.0
2014	0	--	2,237,476	8.1	26.0
2015 Gov. Rec.	0	--	2,590,604	15.8	26.0
2016 Gov. Rec.	0	--	2,773,697	7.1	26.0
2017 Gov. Rec.	0	--	2,821,403	1.7	26.0
Eleven-Year Change	$ 0	-- %	$ 1,268,599	81.7 %	4.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 2,237,476	$ 2,606,698	$ 2,790,608	$ 183,910	7.1 %	$ 2,590,604	$ 2,773,697	$ 183,093	-- %
By Major Object of Expenditure:									
Salaries and Wages	$ 1,611,915	$ 1,789,557	$ 1,764,923	$ (24,634)	(1.4) %	$ 1,773,463	$ 1,748,012	$ (25,451)	(1.4)%
Contractual Services	442,234	753,136	954,685	201,549	26.8	753,136	954,685	201,549	26.8
Commodities	34,089	24,600	26,000	1,400	5.7	24,600	26,000	1,400	5.7
Capital Outlay	148,008	39,405	45,000	5,595	14.2	39,405	45,000	5,595	14.2
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 2,236,246	$ 2,606,698	$ 2,790,608	$ 183,910	7.1 %	$ 2,590,604	$ 2,773,697	$ 183,093	7.1 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	1,230	0	0	0	--	0	0	0	--
TOTAL	$ 2,237,476	$ 2,606,698	$ 2,790,608	$ 183,910	7.1 %	$ 2,590,604	$ 2,773,697	$ 183,093	7.1 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Board of Nursing Fee Fund	2,231,110	2,288,265	2,435,608	147,343	6.4	2,272,171	2,418,697	146,526	6.4
Education Conference Fund	3,130	10,000	5,000	(5,000)	(50.0)	10,000	5,000	(5,000)	(50.0)
Criminal Background and Fingerprint Fund	1,815	308,433	350,000	41,567	13.5	308,433	350,000	41,567	13.5
Gifts and Grants	1,421	0	0	0	--	0	0	0	--
TOTAL	$ 2,237,476	$ 2,606,698	$ 2,790,608	$ 183,910	7.1 %	$ 2,590,604	$ 2,773,697	$ 183,093	7.1 %

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	$ 2,790,608	$ 2,838,652	$ 48,044	1.7 %	$ 2,773,697	$ 2,821,403	$ 47,706	-- %
By Major Object of Expenditure:								
Salaries and Wages	$ 1,764,923	$ 1,839,301	$ 74,378	4.2 %	$ 1,748,012	$ 1,822,052	$ 74,040	4.2 %
Contractual Services	954,685	927,351	(27,334)	(2.9)	954,685	927,351	(27,334)	(2.9)
Commodities	26,000	27,000	1,000	3.8	26,000	27,000	1,000	3.8
Capital Outlay	45,000	45,000	0	0.0	45,000	45,000	0	0.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 2,790,608	$ 2,838,652	$ 48,044	1.7 %	$ 2,773,697	$ 2,821,403	$ 47,706	1.7 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 2,790,608	$ 2,838,652	$ 48,044	1.7 %	$ 2,773,697	$ 2,821,403	$ 47,706	1.7 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	0.0 %	$ 0	$ 0	$ 0	-- %
Board of Nursing Fee Fund	2,435,608	2,486,652	51,044	2.1	2,418,697	2,469,403	50,706	2.1
Education Conference Fund	5,000	2,000	(3,000)	(60.0)	5,000	2,000	(3,000)	(60.0)
Criminal Background and Fingerprint Fund	350,000	350,000	0	0.0	350,000	350,000	0	0.0
Gifts and Grants	0	0	0	--	0	0	0	--
TOTAL	$ 2,790,608	$ 2,838,652	$ 48,044	1.7 %	$ 2,773,697	$ 2,821,403	$ 47,706	1.7 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved Budget

The 2014 Legislature approved an expenditure limitation of $2,606,698 for the Board of Nursing 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	2,606,698	2,606,698	0	2,590,604	(16,094)
TOTAL	$ 2,606,698	$ 2,606,698	$ 0	$ 2,590,604	$ (16,094)
FTE Positions	25.0	26.0	1.0	26.0	1.0

The **agency** estimates FY 2015 operating expenditures of $2,606,698, all from special revenue funds. The estimate is the same amount approved by the 2014 Legislature. The request includes 26.0 FTE positions, an increase of 1.0 FTE position from the approved number.

The **Governor** recommends FY 2015 operating expenditures of $2,590,604, all from special revenue funds. The recommendation is a decrease of $16,094, or 0.6 percent, below the agency's revised FY 2015 estimate and 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 estimate for 26.0 FTE, an increase of 1.0 FTE position from the approved amount.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 2,790,608	$ 2,773,697	$ (16,911)
FTE Positions	26.0	26.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	183,910	183,093	
TOTAL	$ 183,910	$ 183,093	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	7.1	7.1	
TOTAL	7.1 %	7.1 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $2,790,608 for FY 2016 operating expenditures, all from special revenue funds. The request is an increase of $183,910, or 7.1 percent, above the agency's revised FY 2015 estimate. The increase is primarily attributable to increased contractual services.

- **Salaries and Wages.** The agency requests $1,764,923 for salaries and wages for FY 2016, all from special revenue funds, which is a decrease of $24,634, or 1.4 percent below the amount requested in FY 2015. The request includes funding for 26.0 FTE positions and does not include any increase in salaries.

- **Contractual Services.** The agency requests $954,685 for contractual services for FY 2016, all

from special revenue funds, which is an increase of $201,549, or 26.8 percent, above the amount requested in FY 2015. The increase is attributable to increased rent and raised rates for e-mail, voicemail, and copy machine rental fees.

- **Commodities.** The agency requests $26,000 for commodities for FY 2016, all from special revenue funds, which is an increase of $1,400, or 5.7 percent, above the amount requested in FY 2015. The increase is primarily attributable to an increase in stationery and office supplies.

- **Capital Outlay.** The agency requests $45,000 for capital outlay expenditures for FY 2016, all from special revenue funds, which is an increase of $5,595, or 14.2 percent, above the amount requested in FY 2015. The increase is due to a redesign of the agency's website and replacement laptops for staff that utilize remote access.

The **Governor** recommends FY 2016 operating expenditures of $2,773,697, all from special revenue funds. The recommendation is a decrease of $16,911, or 0.6 percent, below the agency's FY 2016 request. The reduction of $16,911 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 10 percent or $100,000 to 20 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	$ 2,838,652	$ 2,821,403	$ (17,249)
FTE Positions	26.0	26.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	48,044	47,706	
TOTAL	$ 48,044	$ 47,706	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	1.7	1.7	
TOTAL	1.7 %	1.7 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $2,838,652 for operating expenditures for FY 2017, all from special revenue funds, which is an increase of $48,044, or 1.7 percent, above the amount requested for FY 2016. The increase is attributable to an additional pay period and is partially offset by a reduction in contractual services.

- **Salaries and Wages.** The agency requests $1,839,301 for salaries and wages for FY 2017, all from special revenue funds. The request is an increase of $74,378, or 4.2 percent, above the amount requested for FY 2016 and is attributable to the additional pay period that occurs during FY 2017.

- **Contractual Services.** The agency requests $927,351 for contractual services for FY 2017, all from special revenue funds. The request is a decrease of $27,334, or 2.9 percent, below the amount requested for FY 2016 and is primarily attributable to a decrease in expenditures for maintenance of software due to the second year of two-year contracts.

- **Commodities.** The agency requests $27,000 for commodities for FY 2017, all from special revenue funds, and is an increase of $1,000, or 3.8 percent, above the amount requested for FY 2016. The increase is mainly attributable to increased stationery and office supplies.

- **Capital Outlay.** The agency requests $45,000 for capital outlay expenditures for FY 2017, all from special revenue funds, and is the same amount requested for FY 2016. The requested funds will be used to replace firewalls and reinstate a technology plan where one third of the staff computers will be replaced each year.

The **Governor** recommends FY 2017 operating expenditures of $2,821,403, all from special revenue funds. The recommendation is a decrease of $17,249, or 0.6 percent, below the agency's FY 2017 request. The reduction of $17,249 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 10 percent or $100,000 to 20 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 $7,460, 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 2015, 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 $6,680, all from special revenue funds, and FY 2017 longevity payments total $7,400, 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 $16,911, all from special revenue funds, for FY 2016. This is a reduction of $17,249, 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 %
Board of Nursing Fee Fund	87.3	87.2	87.6	87.5
Education Conference Fund	0.2	0.2	0.1	0.1
Criminal Background and Fingerprint Fund	12.5	12.6	12.3	12.4
TOTAL	100.0 %	100.0 %	100%	100%

Note: Percentages may not add due to rounding.

Fee Fund Analysis

The Board is responsible for examining, licensing and renewing licenses of qualified nurse applicants and conducting hearings upon charges for limitation, suspension or revocation of a license. According to KSA 74-1108, the executive administrator of the Board can levy fees, charges, or penalties for these services. KSA 74-1106 authorized the Board of Nursing to apply for and receive grant funds, as well as receive donations, bequests, and gifts. KSA 74-1106 also created the Gifts and Grants Fund for purposes of receiving such grant funds, donations, bequests, and gifts. The Board of Nursing has two additional fee funds for specific purposes: the Education Conference Fund (KSA 74-1109) and the Criminal Background and Fingerprinting Fund.

According to KSA 74-1112, which created the Criminal Background and Fingerprinting Fund, the agency has the authority to fix a fee for the fingerprinting of applicants, licensees, or both. These fees are used to pay the Kansas Bureau of Investigation for the processing of fingerprints and criminal history background checks. The Board of Nursing currently requires all applicants for an original license to be fingerprinted and have a criminal background check conducted.

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	$ 1,103,708	$ 1,269,538	$ 1,269,538	$ 1,280,273	$ 1,296,367	$ 1,193,665	$ 1,126,670
Revenue	2,396,940	2,299,000	2,299,000	2,349,000	2,349,000	2,351,000	2,351,000
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 3,500,648	$ 3,568,538	$ 3,568,538	$ 3,629,273	$ 3,645,367	$ 3,544,665	$ 3,477,670
Less: Expenditures	2,231,110	2,288,265	2,272,171	2,435,608	2,418,697	2,486,652	2,469,403
Transfers Out	0	0	0	0	100,000	0	100,000
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 1,269,538	$ 1,280,273	$ 1,296,367	$ 1,193,665	$ 1,126,670	$ 1,058,013	$ 908,267
Ending Balance as Percent of Expenditures	56.9%	55.9%	57.1%	49.0%	46.6%	42.5%	36.8%
	March	September	September	December	December	November	November
Month Highest Ending Balance	$ 1,283,396	$ 1,333,015	$ 1,327,947	$ 1,792,382	$ 1,816,533	$ 1,754,688	$ 1,651,877
	July	October	October	June	June	April	April
Month Lowest Ending Balance	$ 1,036,251	$ 1,193,365	$ 1,197,149	$ 1,113,838	$ 1,126,670	$ 704,262	$ 667,539

Board of Nursing Licensure Fees

Board of Nursing Licensure Fees	Current Fee	Statutory Limit
Professional Nurse	$75 application for license; $55 biennial renewal fee	$75 application for license; $60 biennial renewal fee
Practical Nurse	$50 application for license; $55 biennial renewal fee	$50 application for license; $60 biennial renewal fee
Advanced Practice Registered Nurse	$50 application for license; $55 biennial renewal fee	$50 application for license; $60 biennial renewal fee
Registered Nurse Anesthetist	$75 application for license; $55 biennial renewal fee	$75 application for license; $60 biennial renewal fee
Mental Health Technician	$50 application for license; $55 biennial renewal fee	$50 application for license; $60 biennial renewal fee

EXPENDITURES BY CATEGORY–GOVERNOR'S FY 2016 RECOMMENDATION

Category of Expenditure	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	$ 1,773,463	68.5 %	$ 0	-- %
Contractual Services	753,136	29.1	0	--
Commodities	24,600	0.9	0	--
Capital Outlay	39,405	1.5	0	--
TOTAL	$ 2,590,604	100.0 %	$ 0	100.0 %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	26.0	26.0	26.0	26.0	26.0	26.0	26.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of investigations conducted	2,400	2,352	2,416	2,451	2,450
Percentage of on-line renewals	80%	79%	80%	85%	90%

Board of Examiners in Optometry

	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	167,887	140,932	140,504	161,351	160,498	166,659	163,398
TOTAL	$ 167,887	$ 140,932	$ 140,504	$ 161,351	$ 160,498	$ 166,659	$ 163,398
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	**$ 167,887**	**$ 140,932**	**$ 140,504**	**$ 161,351**	**$ 160,498**	**$ 166,659**	**$ 163,398**
Percentage Change:							
Operating Expenditures							
State General Fund	0.0 %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	51.4	(16.1)	(16.3)	14.5	14.2	3.3	1.8
FTE Positions	0.8	0.8	0.8	1.0	1.0	1.0	1.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.8	0.8	0.8	1.0	1.0	1.0	1.0

The Kansas Board of Examiners in Optometry was created in 1909 to administer and enforce the provisions of the Optometry Act so that the highest quality of eye care is provided to the citizens of Kansas. The Board is responsible for evaluating the qualifications of new applicants for the practice of optometry through examinations and review of qualifications.

The Board, which is comprised of five members, is also responsible for monitoring continuing education programs for content and instructor quality, processing requests for trade names, and answering inquiries from consumers Finally, the Board has the power to order investigations of complaints of practitioner incompetence, misfeasance, or impairment, and in cases of violations of the Optometry Act, may limit, suspend, or revoke licenses to practice.

As of November 2014, there were 700 optometrists holding active licenses from the Board.

MAJOR ISSUES FROM PRIOR YEARS

The **2005 Legislature** passed HB 2336, which amended existing law regarding the requirements for licensure as an optometrist. The bill required applicants for an initial optometry license or license renewal for the two-year period commencing June 1, 2008, to meet the requirements of, and become, a therapeutic licensee. It also required that applicants for a new or renewal license for the biennial period commencing June 1, 2010, meet the requirements for, and become, both a therapeutic and a glaucoma licensee.

The **2005 Legislature** amended K.S.A. 65-1501(a) to include “oral drugs with clinically accepted ocular uses” in the definition of “oral drugs.” The Legislature also amended K.S.A. 74-1505 to allow the interprofessional advisory committee to review new classes of drugs with ocular uses and to advise the Board of Examiners in Optometry about such drugs.

The **2006 Legislature** passed HB 2532, which amended prior law regarding the composition of professional corporations. Previously, professional corporations could only organize to provide one type of professional service and a service connected to the primary service. The bill added an exception allowing behavioral sciences professionals to form professional corporations with optometrists, chiropractors, dentists, physicians, surgeons, podiatrists, pharmacists, psychologists, clinical social workers, licensed physical therapists, or registered professional nurses.

The **2008 Legislature** gave the Board of Healing Arts the authority to temporarily suspend or limit the registration of an entity dispensing contact lenses to Kansans by mail if the continued dispensing of lenses by such entity would constitute an imminent danger to the public. Although this authority was given to the Board of Healing Arts, it is an important issue to the Board of Examiners in Optometry due to its relevance to eye health.

The **2010 Legislature** passed SB 489, which amended existing law concerning the dispensing of contact lenses to Kansas residents by a person or entity not licensed to practice

optometry, medicine, or surgery in the state. The bill allowed the mailing or delivery of contacts lenses using a commercial courier or overnight or other delivery services.

In addition, the **2010 Legislature** passed HB 2584, which allowed optometrists to dispense ophthalmic lenses with medication evenly over any period of time required. This was a change from previous law, which allowed for no more than a 24-hour supply of medication in ophthalmic lenses.

The **2012 Legislature** passed HB 2525, which updated Kansas optometry law to reflect the current, State Board-required, single licensure level for optometrists in Kansas by eliminating language referring to three different levels of licensure, as well as clarifying the minor surgical procedures that Kansas optometrists are allowed to perform. The bill also created the Optometry Litigation Fund, capped at $400,000, which is used to pay all costs and fees associated with litigation expenditures for the board. Additionally, the bill requires all applicants for licensure to submit fingerprints to the Board and requires all new optometry graduates to have twenty-four hours of continuing education during their first year.

The **2014 Legislature** granted the Board authority to transfer $200,000 from the Optometry Fee Fund to the Optometry Litigation Fund in FY 2014 and $75,000 in FY 2015 in response to higher than expected litigation costs for the agency. Beginning in FY 2016 the annual transfer limit is $50,000.

The **2014 Legislature** also passed SB 285, the Vision Care Services Act, which bars clauses in service contracts between insurers and optometrists that set fixed prices for services not included as covered services in the contract.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate of $140,932, all from special revenue funds. This is the same amount approved by the 2014 Legislature. The agency also requests a revised estimate of 0.8 FTE positions, the same as the approved number.

FY 2015 Governor Recommendation

The **Governor** recommends a budget of $140,504, all from special revenue funds, in FY 2015. This is a decrease of $428, or 0.3 percent, below the approved amount. This decrease is attributable to the proposed KPERS employer contribution rate reduction in the Governor's December allotment plan.

FY 2016 Agency Request

The **agency** requests operating expenditures of $161,351, all from special revenue funds. This request is an increase of $20,419, or 14.5 percent, above the FY 2015 revised estimate. This increase is attributable to increased expenditures for salaries and wages and contractual services. This request includes 1.0 FTE position, 0.2 FTE position above the FY 2015 revised estimate.

FY 2016 Governor Recommendation

The **Governor** recommends operating expenditures of $160,498, all from special revenue funds, for FY 2016. This is a decrease of $853, or 0.5 percent, below the agency's request. This decrease is attributable to the Governor's recommended reduction to employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. For this agency, that amount is estimated at $18,067 for FY 2016.

FY 2017 Agency Request

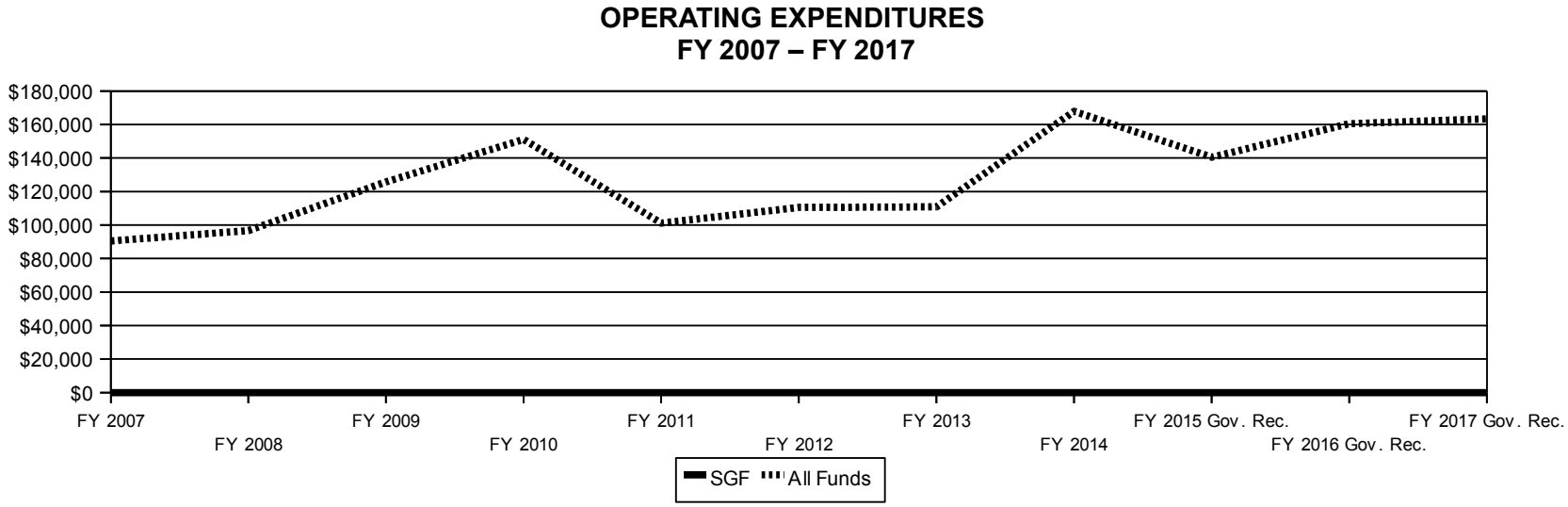
The **agency** requests operating expenditures of $166,659, all from special revenue funds. This request is an increase of $5,308, or 3.3 percent, above the agency's FY 2016 request. This increase is attributable to increased expenditures for salaries and wages and contractual services. This request includes 1.0 FTE position, the same as the request for FY 2016.

FY 2017 Governor Recommendation

The **Governor** recommends operating expenditures of $163,398, all from special revenue funds, for FY 2017. This is a decrease of $3,261, or 2.0 percent, below the agency's request. This decrease is attributable to to the Governor's recommended reduction to employer contributions for state employee health insurance ($870) and holding agency contractual services expenditures at the FY 2016 level ($2,391).

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. For this agency, that amount is estimated at $20,317 for FY 2017.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 90,508	15.4 %	0.8
2008	0	--	96,738	6.9	0.8
2009	0	--	125,743	30.0	0.8
2010	0	--	151,153	20.2	0.8
2011	0	--	101,181	(33.1)	0.8
2012	0	--	110,543	9.3	0.8
2013	0	--	110,872	0.3	0.8
2014	0	--	167,887	51.4	0.8
2015 Gov. Rec.	0	--	140,504	(16.3)	0.8
2016 Gov. Rec.	0	--	160,498	14.2	1.0
2017 Gov. Rec.	0	--	163,398	1.8	1.0
Eleven-Year Change	$ 0	-- %	$ 72,890	80.5 %	0.2

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 167,887	$ 140,932	$ 161,351	$ 20,419	14.5 %	$ 140,504	$ 160,498	$ 19,994	14.2 %
By Major Object of Expenditure:									
Salaries and Wages	$ 54,839	$ 55,804	$ 68,513	$ 12,709	22.8 %	$ 55,376	$ 67,660	$ 12,284	22.2 %
Contractual Services	110,102	83,892	92,028	8,136	9.7	83,892	92,028	8,136	9.7
Commodities	2,823	1,236	810	(426)	(34.5)	1,236	810	(426)	(34.5)
Capital Outlay	123	0	0	0	--	0	0	0	--
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 167,887	$ 140,932	$ 161,351	$ 20,419	14.5 %	$ 140,504	$ 160,498	$ 19,994	14.2 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 167,887	$ 140,932	$ 161,351	$ 20,419	14.5 %	$ 140,504	$ 160,498	$ 19,994	14.2 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Optometry Litigation Fund	78,925	53,412	50,000	(3,412)	(6.4)	53,412	50,000	(3,412)	(6.4)
Criminal History and Fingerprint Fund	0	2,500	2,500	0	0.0	2,500	2,500	0	0.0
Optometry Fee Fund	88,962	85,020	108,851	23,831	28.0	84,592	107,998	23,406	27.7
TOTAL	$ 167,887	$ 140,932	$ 161,351	$ 20,419	14.5 %	$ 140,504	$ 160,498	$ 19,994	14.2 %

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	$ 161,351	$ 166,659	$ 5,308	3.3 %	$ 160,498	$ 163,398	$ 2,900	1.8 %
By Major Object of Expenditure:								
Salaries and Wages	$ 68,513	$ 71,430	$ 2,917	4.3 %	$ 67,660	$ 70,560	$ 2,900	4.3 %
Contractual Services	92,028	94,419	2,391	2.6	92,028	92,028	0	0.0
Commodities	810	810	0	0.0	810	810	0	0.0
Capital Outlay	0	0	0	--	0	0	0	--
Debt Service	0	0	0	--	0	0	0	**
Subtotal - Operations	$ 161,351	$ 166,659	$ 5,308	3.3 %	$ 160,498	$ 163,398	$ 2,900	1.8 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 161,351	$ 166,659	$ 5,308	3.3 %	$ 160,498	$ 163,398	$ 2,900	1.8 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Optometry Litigation Fund	50,000	50,000	0	0.0	50,000	50,000	0	0.0
Criminal History and Fingerprint Fund	2,500	2,500	0	0.0	2,500	2,500	0	0.0
Optometry Fee Fund	108,851	114,159	5,308	4.9	107,998	110,898	2,900	2.7
TOTAL	$ 161,351	$ 166,659	$ 5,308	3.3 %	$ 160,498	$ 163,398	$ 2,900	1.8 %

A. FY 2015 – Current Year

Adjustments to Approved Budget

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	140,932	140,932	0	140,504	(428)
TOTAL	$ 140,932	$ 140,932	$ 0	$ 140,504	$ (428)
FTE Positions	0.8	0.8	0.0	0.8	0.0

The **agency** requests a revised FY 2015 estimate of $140,932, all from special revenues funds, the same amount approved by the 2014 Legislature.

This request includes the following.

- **Salaries and Wages** expenditures of $55,804 for 0.8 FTE positions.
- **Contractual Services** expenditures of $83,892 primarily for attorney fees, information technology services provided by OITS, and expenditures related to board meetings.
- **Commodities** expenditures of $1,236 for office supplies and equipment.

The **Governor** recommends operating expenditures of $140,504, all from special revenue funds, in FY 2015. This is a decrease of $428, or 0.3 percent, below the approved amount. This decrease is attributable to the proposed KPERS employer contribution rate reduction in the Governor's December allotment plan.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 161,351	$ 160,498	$ (853)
FTE Positions	1.0	1.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	20,419	19,994	
TOTAL	$ 20,419	$ 19,994	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	14.5	14.2	
TOTAL	14.5 %	14.2 %	
Change in FTE Positions	0.2	0.2	

The **agency** requests a budget for FY 2016 of $161,351, all from special revenue funds. This is an increase of $20,419, or 14.5 percent, above the FY 2015 revised estimate. The request includes the addition of 0.2 FTE for FY 2016.

The request includes the following.

- **Salaries and Wages** expenditures of $68,513. This is an increase of $12,709, or 22.8 percent, above the FY 2015 revised estimate. This increase is attributable to increasing the Board's Executive Officer from a 0.8 FTE position to a 1.0 FTE position. The request includes funding for 1.0 FTE position.

- **Contractual Services** expenditures of $92,028. This is an increase of $8,136, or 7.0 percent, above the FY 2015 revised estimate. This increase is largely attributable to increased OITS fees ($2,885) and costs associated with Board and professional association meetings ($4,793).

- **Commodities** expenditures of $810. This is a decrease of $426, or 34.5 percent, below the FY 2015 revised estimate. This decrease is attributable to lower anticipated spending on office supplies and stationary ($396).

The **Governor** recommends operating expenditures of $160,498, all from special revenue funds, for FY 2016. This is a decrease of $853, or 0.5 percent, below the agency's request. This decrease is attributable to the Governor's recommended reduction to employer contributions for state employee health insurance.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. For this agency, that amount is estimated at $18,067 for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 166,659	$ 163,398	$ (3,261)
FTE Positions	1.0	1.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	5,308	2,900	
TOTAL	$ 5,308	$ 2,900	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	3.3	1.8	
TOTAL	3.3 %	1.8 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests a budget for FY 2017 of $166,659, all from special revenue funds, which is an increase of $5,308, or 3.3 percent, above the agency's FY 2016 request.

The request includes the following.

- **Salaries and Wages** expenditures of $71,430. This is an increase of $2,917, or 4.3 percent, above the agency's FY 2016 request. This increase is attributable to expenditures associated with the 27th pay period in FY 2017 and increased KPERS employer contribution rates.
- **Contractual Services** expenditures of $94,419. This is an increase of $2,391, or 2.6 percent,

above the agency's FY 2016 request. This increase is mainly attributable to expenditures associated with Board and professional association meetings ($1,600).

- **Commodities** expenditures of $810. This is the same as the agency's FY 2016 request.

The **Governor** recommends operating expenditures of $163,398, all from special revenue funds, for FY 2016. This is a decrease of $3,261, or 2.0 percent, below the agency's request. This decrease is attributable to the Governor's recommended reduction to employer contributions for state employee health insurance ($870) and holding agency contractual services expenditures at the FY 2016 level ($2,391).

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue and deposited in the State General Fund to reimburse the State for administrative services described under KSA 75-3170a from the lesser of 10.0 percent or $100,000 to the lesser of 20.0 percent or $200,000. For this agency, that amount is estimated at $20,317 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 $273, all from special revenue funds, and affects 1 employee**.

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, there are no longevity payments for FY 2016 or FY 2017.**

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 $853, all from special revenue funds, for FY 2016. This is a reduction of $870, 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
Optometry Litigation Fund	31.0 %	31.2 %	30.0 %	30.6 %
Criminal History and Fingerprinting Fund	1.5	1.6	1.5	1.5
Optometry Fee Fund	67.5	67.2	68.5	67.9
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Optometry Fee Fund

The Board of Examiners in Optometry Fee Fund generates revenue from the collection of fees related to the licensing of optometrists. Ten percent of these collections are remitted to the State General Fund, and remaining funds are credited to the Optometry Fee Fund.

The fee structure was changed from annual to biennial license renewal by the 2003 Legislature with the passage of HB 2169. The bill also raised the maximum renewal fee to $800. The Board has made this transition, and now one-half of the licensees renew in even years, and the other half in odd years. Other revenue is derived from examination fees, mailing list fees, and fees for new licenses.

The 2014 Legislature granted the Board authority to transfer $200,000 in FY 2014 and $75,000 in FY 2015 from the Optometry Fee Fund to the Optometry Litigation Fund to cover higher than anticipated litigation expenditures. All moneys in that fund originate from the Optometry Fee Fund.

As a fee funded agency, the Board currently contributes the lesser of 10 percent or $100,000 of fee revenue to the State General Fund for the cost of support services provided by other state agencies under KSA 75-3170a. The Governor's 2015 budget includes a recommendation to increase this contribution rate to the lesser of 20 percent or $200,000 of fee revenue beginning in FY 2016. That change would affect this agency's reported revenue and fund balance beginning in FY 2016.

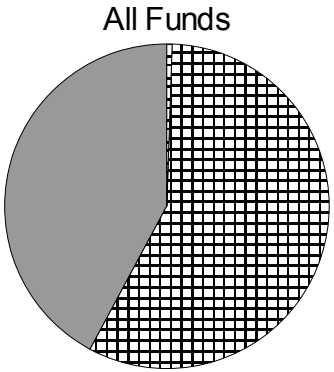
The table below summarizes estimated receipts and fund balances based upon the agency estimate and the Governor's recommendation, including the proposed change in State General Fund contribution.

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	$ 383,828	$ 236,933	$ 236,933	$ 238,643	$ 239,071	$ 226,132	$ 209,346
Revenue	142,067	162,769	161,730	146,940	128,273	165,165	144,248
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 525,895	$ 399,702	$ 398,663	$ 385,583	$ 367,344	$ 391,297	$ 353,594
Less: Expenditures	88,962	85,020	83,992	108,851	107,398	114,159	110,298
Transfers Out	200,000	76,039	75,600	50,600	50,600	50,600	50,600
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 236,933	$ 238,643	$ 239,071	$ 226,132	$ 209,346	$ 226,538	$ 192,696
Ending Balance as Percent of Expenditures	266.3%	280.7%	284.6%	207.7%	194.9%	198.4%	174.7%
	May	May	May	May	May	May	May
Month Highest Ending Balance	$ 506,930	$ 312,752	$ 317,148	$ 315,009	$ 295,571	$ 298,494	$ 262,791
	June	March	March	March	March	March	March
Month Lowest Ending Balance	$ 236,933	$ 184,808	$ 187,405	$ 186,142	$ 174,656	$ 176,383	$ 155,285

OPTOMETRY BOARD FEES FY 2015

Fee	Current Fee	Statutory Limit
Initial License Examination Fee	$ 150	$ 450
First Examination Retake Fee	75	150
Subsequent Examination Retakes Fee	45	150
Initial License	30	150
Renewal (Biennial)	450	800
Reciprocal License	150	450
Reactivation of License	100	450

EXPENDITURES BY OBJECT–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	$ 67,660	42.2 %	$ 0	-- %
Contractual Services	92,028	57.3	0	--
Commodities	810	0.5	0	--
TOTAL	$ 160,498	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	0.8	0.8	0.8	1.0	1.0	1.0	1.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of days to respond to complaints from consumers	1	1	1	1	1
Percent of applicants passing examination	90.0%	96.0%	90.0%	90.0%	90.0%

Board of Pharmacy

	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	1,079,214	1,383,784	1,377,842	1,285,599	1,278,153	1,162,069	1,154,474
TOTAL	$ 1,079,214	$ 1,383,784	$ 1,377,842	$ 1,285,599	$ 1,278,153	$ 1,162,069	$ 1,154,474
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	**$ 1,079,214**	**$ 1,383,784**	**$ 1,377,842**	**$ 1,285,599**	**$ 1,278,153**	**$ 1,162,069**	**$ 1,154,474**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	8.7	28.2	27.7	(7.1)	(7.2)	(9.6)	(9.7)
FTE Positions	7.0	9.0	9.0	9.0	9.0	9.0	9.0
Non-FTE Perm.Uncl.Pos.	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	9.0	11.0	11.0	11.0	11.0	11.0	11.0

The Board of Pharmacy is responsible for the enforcement of the Pharmacy Act and the Controlled Substance Act. The mission of the Board is to ensure that all persons and entities conducting business relating to the practice of pharmacy in Kansas are properly licensed and registered, to protect public health, safety, and welfare, and to promote understanding of pharmacy related practices. The seven member Board is appointed by the Governor for overlapping four year terms and is composed of six licensed pharmacists and one public member.

The Board licenses and registers approximately 19,000 persons and entities, including issuing and renewing licenses, evaluating and approving continuing education programs, investigating complaints against license holders, and claims of unlawful practice. The Board is empowered to revoke or suspend licenses and to place licensees on probation. Fines assessed to persons and entities are collected by the Board of Pharmacy and deposited into the State General Fund. The Board is financed through fees assessed for annual renewals, registration of pharmacy-related businesses, pharmacist examinations, score certifications, license verifications and federal grants.

As of September 2014, the Board of Pharmacy's licensees include 5,197 pharmacists, 7,377 technicians, 901 pharmacies, 13 manufacturers, 1,043 distributors, and 1,528 retail dealers.

MAJOR ISSUES FROM PRIOR YEARS

The **2005 Legislature** passed HB 2077, which requires the agency to establish a cancer drug repository to allow for drugs to be donated and dispensed to cancer patients. The program is voluntary to all participants.

The **2005 Legislature** also passed SB 27 (the Sheriff Matt Samuels Bill), which requires any product containing ephedrine or pseudoephedrine in starch tablet or gel-coated starch tablet form be listed as a Schedule V controlled substance. The law also requires the agency to gather information and detect trends with regard to illicit drug activity so that recommendations could be made regarding future controls of commonly abused chemicals.

SB 27 made all forms of over-the-counter ephedrine and pseudoephedrine Schedule V controlled substances in Kansas. The drugs can only be sold at pharmacies and customers cannot have direct access to any of these products. The law also made it a class A nonperson misdemeanor for any person to purchase, receive or otherwise acquire more than 3.6 grams in a single transaction, or more than 9.0 grams within any 30-day period.

The **2008 Legislature** passed HB 2578, the Utilization of Unused Medication Act, which creates a voluntary program in which adult-care homes, mail service pharmacies, and medical care facilities can donate unused medications to indigent health clinics, federally qualified health centers, or community health centers for distribution to medically indigent Kansas residents. The agency assisted the Kansas Department of Health and

Environment in establishing a clearinghouse whereby all drugs could be donated to one location.

The **2008 Legislature** passed the House Sub. for SB 491, which created the Prescription Drug Monitoring Program to monitor Schedule II through Schedule IV substances and other drugs of concern. The agency is required to develop and maintain a database of prescriptions for controlled substances and drugs of concern as a tool for pharmacists to monitor for patients misusing, abusing, or diverting controlled substances.

The **2009 Legislature** authorized the creation of a statewide electronic logging system for the sale of methamphetamine precursors in pharmacies. The legislation required the agency to establish and provide the electronic system at no cost to the pharmacy. The Legislature did not fund the project, but the agency did receive permission to accept donations, gifts or grants for funding of this project.

The **2009 Legislature** also permitted the agency to fingerprint or perform a background check on any original or reinstatement license applicant as a consumer protection action. Applicants are required to pay the fee associated with a Kansas Bureau of Investigation fingerprint or background check. The agency collects these funds, which then go directly to the Kansas Bureau of Investigation.

The **2010 Legislature** expanded the Unused Medication Act to permit out of state mail order pharmacies to donate unused drugs.

The **2012 Legislature** passed SB 134 which requires the agency to conduct a study, in consultation with industry, on electronic transmission of prior authorization and step therapy programs relating to prescription medication. The study was to be completed and submitted to the Legislature by January 15, 2013. The agency also is authorized to conduct pilot projects for new technology implementation when necessary, but no state monies may be used for the pilot projects.

SB 134 also expanded the Prescription Drug Monitoring Program to send information to physicians, dispensers, and law enforcement if a patient appears to be misusing, abusing, or diverting controlled substances. The law allows medical examiners to access the Prescription Drug Monitoring Program to investigate and determine cause of death.

In addition, SB 134 authorized the agency to apply for and accept grants, and to accept any donations, gifts, or bequests to further the Prescription Drug Monitoring Program. Any funding received by the agency is submitted for deposit to the State Treasury to the credit of Non-Federal Gifts and Grants Fund of the agency.

The **2014 Legislature** passed the Senate Sub. for HB 2146, which gives the agency authority to require pharmacy technicians to pass examinations and meet continuing education requirements and requires the agency to license pharmacy interns. The bill also added collaborative drug therapy management as a class of pharmacy practice, eliminated single registration for manufacturers and distributors operating multiple facilities, and changed the timing for license renewals.

BUDGET SUMMARY AND KEY POINTS

FY 2015 Agency Estimate

The **agency** requests a revised estimate of $1.4 million, all from special revenue funds, in FY 2015. This is an increase of $226,291, or 19.6 percent, above the approved FY 2015 budget. This increase is attributable to increased funding from the federal Substance Abuse and Mental Health Services Administration (SAMSHA) grant program. This estimate includes 9.0 FTE positions.

FY 2015 Governor Recommendation

The **Governor** recommends a budget of $1.4 million, all from special revenue funds, in FY 2015. This is an increase of $220,349, or 19.0 percent, above the approved amount. This increase is attributable to an increase in SAMSHA grant funding ($200,530) and carry over funding from FY 2014 from the Harold Rogers Prescription Drug Monitoring Program Training and Technical Assistance grant ($25,761).

The increase is partially offset by a reduction of $5,942 as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.

FY 2016 Agency Request

The **agency** requests $1.3 million, all from special revenue funds, for FY 2016. This is a decrease of $98,185, or 7.1 percent, below the revised FY 2015 estimate. This decrease is attributable to an expected decrease in federal grant funding, partially offset by an enhancement request for licensing software ($139,000). This request includes 9.0 FTE positions, the same as the revised FY 2015 estimate.

Absent the enhancement, the request is $237,185, or 17.1 percent, below the revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** recommends a budget of $1.3 million, all from special revenue funds, for FY 2016. This is a decrease of $7,446, or 0.6 percent, below the agency's request. This decrease is attributable to the Governor's recommended reduction to the employer contribution rate for state employee health insurance.

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

FY 2017 Agency Request

The **agency** requests $1.2 million, all from special revenue funds, for FY 2017. This is a decrease of $123,530, or 9.6 percent, below the agency's FY 2016 request. This decrease is attributable to the end of the agency's FY 2016 enhancement request for licensing software and partially offset by an enhancement request ($20,000) for a replacement vehicle. This request includes 9.0 FTE positions, the same as the agency's FY 2016 request.

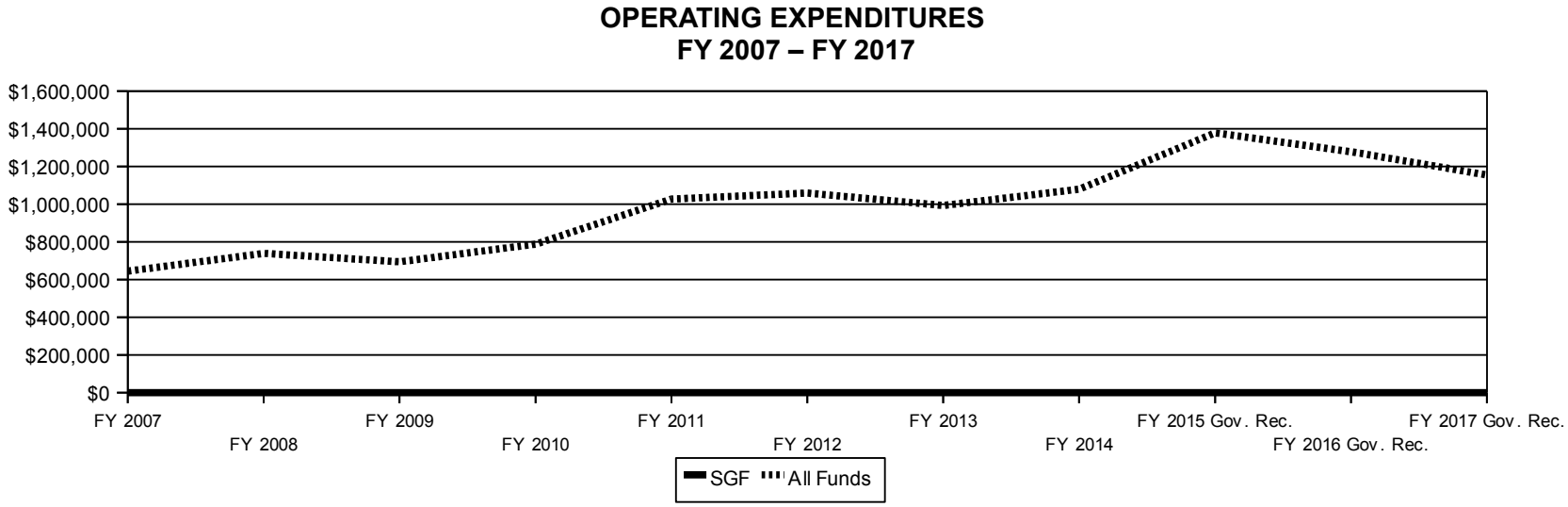
Absent the enhancement, the request is $143,530, or 11.2 percent, below the agency's FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** recommends a budget of $1.2 million, all from special revenue funds, for FY 2017. This is a decrease of $7,595, or 0.7 percent, below the agency's request. This decrease is attributable to to the Governor's recommended reduction to the employer contribution rate for state employee health insurance.

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

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 644,286	6.8 %	7.0
2008	0	--	738,748	14.7	6.0
2009	0	--	694,118	(6.0)	8.0
2010	0	--	787,517	13.5	8.0
2011	0	--	1,026,676	30.4	8.0
2012	0	--	1,058,908	3.1	8.0
2013	0	--	992,663	(6.3)	8.0
2014	0	--	1,079,214	8.7	7.0
2015 Gov. Rec.	0	--	1,377,842	27.7	9.0
2016 Gov. Rec.	0	--	1,278,153	(7.2)	9.0
2017 Gov. Rec.	0	--	1,154,474	(9.7)	9.0
Eleven-Year Change	$ 0	-- %	$ 510,188	79.2 %	2.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 1,079,214	$ 1,383,784	$ 1,285,599	$ (98,185)	(7.1) %	$ 1,377,842	$ 1,278,153	$ (99,689)	(7.2)%
By Major Object of Expenditure:									
Salaries and Wages	$ 642,141	$ 779,226	$ 779,033	$ (193)	(0.0) %	$ 773,284	$ 771,587	$ (1,697)	(0.2)%
Contractual Services	333,425	582,212	345,916	(236,296)	(40.6)	582,212	345,916	(236,296)	(40.6)
Commodities	15,535	18,446	19,100	654	3.5	18,446	19,100	654	3.5
Capital Outlay	88,113	3,900	141,550	137,650	3,529.5	3,900	141,550	137,650	3,529.5
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 1,079,214	$ 1,383,784	$ 1,285,599	$ (98,185)	(7.1) %	$ 1,377,842	$ 1,278,153	$ (99,689)	(7.2)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 1,079,214	$ 1,383,784	$ 1,285,599	$ (98,185)	(7.1) %	$ 1,377,842	$ 1,278,153	$ (99,689)	(7.2)%
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
State Board of Pharmacy Fee Fund	838,033	1,058,023	1,225,898	167,875	15.9	1,052,195	1,218,452	166,257	15.8
SAMSHA PMP Integration Fund	89,768	300,000	59,701	(240,299)	(80.1)	300,000	59,701	(240,299)	(80.1)
Harold Rogers Prescription Fund	60,445	25,761	0	(25,761)	(100.0)	25,647	0	(25,647)	(100.0)
All Other Funds	90,968	0	0	0	--	0	0	0	--
TOTAL	$ 1,079,214	$ 1,383,784	$ 1,285,599	$ (98,185)	(7.1) %	$ 1,377,842	$ 1,278,153	$ (99,689)	(7.2)%

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	$ 1,285,599	$ 1,162,069	$ (123,530)	(9.6) %	$ 1,278,153	$ 1,154,474	$ (123,679)	(9.7)%
By Major Object of Expenditure:								
Salaries and Wages	$ 779,033	$ 812,879	$ 33,846	4.3 %	$ 771,587	$ 805,284	$ 33,697	4.4 %
Contractual Services	345,916	301,590	(44,326)	(12.8)	345,916	301,590	(44,326)	(12.8)
Commodities	19,100	20,850	1,750	9.2	19,100	20,850	1,750	9.2
Capital Outlay	141,550	26,750	(114,800)	(81.1)	141,550	26,750	(114,800)	(81.1)
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 1,285,599	$ 1,162,069	$ (123,530)	(9.6) %	$ 1,278,153	$ 1,154,474	$ (123,679)	(9.7)%
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 1,285,599	$ 1,162,069	$ (123,530)	(9.6) %	$ 1,278,153	$ 1,154,474	$ (123,679)	(9.7)%
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
State Board of Pharmacy Fee Fund	1,225,898	1,162,069	(63,829)	(5.2)	1,218,452	1,154,474	(63,978)	(5.3)
SAMHSA PMP Integration Fund	59,701	0	(59,701)	(100.0)	59,701	0	(59,701)	(100.0)
Harold Rogers Prescription Fund	0	0	0	--	0	0	0	--
All Other Funds	0	0	0	--	0	0	0	--
TOTAL	$ 1,285,599	$ 1,162,069	$ (123,530)	(9.6) %	$ 1,278,153	$ 1,154,474	$ (123,679)	(9.7)%

A. FY 2015 – Current Year

Adjustments to Approved Budget

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	1,157,493	1,383,784	226,291	1,377,842	220,349
TOTAL	$ 1,157,493	$ 1,383,784	$ 226,291	$ 1,377,842	$ 220,349
FTE Positions	7.0	9.0	2.0	9.0	2.0

The **agency** requests a revised estimate of $1.4 million, all from special revenue funds, in FY 2015. This is an increase of $226,291, or 19.6 percent, above the amount approved by the 2014 Legislature. This increase is attributable to an increase in SAMSHA grant funding ($200,530) and carry over funding from FY 2014 from the Harold Rogers Prescription Drug Monitoring Program Training and Technical Assistance grant ($25,761).

The revised estimate includes 9.0 FTE positions.

This revised estimate include the following items.

- **Salaries and Wages** expenditures of $779,226, the same as the approved amount.
- **Contractual Services** expenditures of $582,212. This is an increase of $228,205, or 64.5 percent, above the approved number. This increase is largely attributable to an increase in SAMSHA grant funding ($200,530) and a carry forward of FY 2014 grant funding from the Harold Rogers Prescription Drug Monitoring Program ($25,762).
- **Commodities** expenditures of $18,446. This is a decrease of $1,914, or 9.4 percent, below the approved amount. This decrease is attributable to decreased expenditures for gasoline ($2,000).
- **Capital Outlay** expenditures of $3,900, the same as the approved amount.

The **Governor** recommends a budget of $1.4 million, all from special revenue funds, in FY 2015. This is an increase of $220,349, or 19.0 percent, above the approved amount. This increase is attributable to an increase in SAMSHA grant funding ($200,530) and carry over funding from FY 2014 from the Harold Rogers Prescription Drug Monitoring Program Training and Technical Assistance grant ($25,761).

The increase is partially offset by a reduction of $5,942 as a result of the Governor's State General Fund allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 1,285,599	$ 1,278,153	$ (7,446)
FTE Positions	9.0	9.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	(98,185)	(99,689)	
TOTAL	$ (98,185)	$ (99,689)	
Percent Change:			
State General Fund	-- %	-- %	
All Other Funds	(7.1)	(7.2)	
TOTAL	(7.1) %	(7.2) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $1.3 million, all from special revenue funds, for FY 2016. This is a decrease of $98,185, or 7.1 percent, below the revised FY 2015 estimate. This decrease is attributable to an anticipated decrease in federal grant funding ($265,990), partially offset by an enhancement request for licensing software ($139,000).

The request includes 9.0 FTE positions, the same as the FY 2015 estimate.

This request includes the following items.

- **Salaries and Wages** expenditures of $779,033. This is a decrease of $193, or less than 0.1 percent, below the revised FY 2015 estimate. The request will allow maintenance of current staffing levels.
- **Contractual Services** expenditures of $345,916. This is a decrease of $236,296, or 40.6 percent, below the revised FY 2015 estimate. This decrease is attributable to a decrease in SAMSHA ($240,229) and Harold Rogers Prescription Drug Monitoring Program ($25,762) grant funding. This decrease is partially offset by an increase in rent and information technology expenditures.
- **Commodities** expenditures of $19,100. This is an increase of $654, or 3.5 percent, above the revised FY 2015 estimate. This increase is largely attributable to increased expenditures for gasoline ($1,000).
- **Capital Outlay** expenditures of $141,550. This is an increase of $137,650, or 3,530 percent, above the revised FY 2015 estimate. This increase is attributable to the agency's enhancement request for licensing software ($139,000).

The **Governor** recommends a budget of $1.3 million, all from special revenue funds, for FY 2016. This is a decrease of $7,446, or 0.6 percent, below the agency's request. This decrease is attributable to the Governor's recommended reduction to the employer contribution rate for state employee health insurance.

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

Enhancements Detail

FY 2016 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Professional Licensing Software	**$ 0**	**$ 139,000**	**0.0**	**$ 0**	**$ 139,000**	**0.0**

The **agency** requests $139,000, all from special revenue funds, for the purchase of professional licensing and disciplinary software for FY 2016. The agency reports that it encumbered $111,000 toward software purchases in FY 2005 and would apply those funds and this additional enhancement request toward software expected to cost approximately $250,000.

Absent the enhancements the agency request is a decrease of $237,185, or 17.1 percent, below the revised FY 2015 estimate.

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

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 1,162,069	$ 1,154,474	$ (7,595)
FTE Positions	9.0	9.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	(123,530)	(123,679)	
TOTAL	$ (123,530)	$ (123,679)	
Percent Change:			
State General Fund	-- %	0.0 %	
All Other Funds	(9.6)	(9.7)	
TOTAL	(9.6) %	(9.7) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests $1.2 million, all from special revenue funds, for FY 2017. This is a decrease of $123,530, or 9.6 percent, below the agency's FY 2016 request. This decrease is attributable to the end of the agency's FY 2016 enhancement request, partially offset by an enhancement request for a replacement vehicle.

The request includes 9.0 FTE positions, the same as the FY 2016 request.

This request includes the following items.

- **Salaries and Wages** expenditures of $812,879. This is an increase of $33,846, or 4.3 percent, above the agency's FY 2016 request. This

increase is attributable to the cost of the 27th pay period in FY 2017 and higher KPERS employer contribution rates.

- **Contractual Services** expenditures of $301,590. This is a decrease of $44,326, or 12.8 percent, below the agency's FY 2016 request. This decrease is attributable to a decrease in SAMSHA grant funding ($59,701). This decrease is partially offset by increased expenditures for travel and training ($2,400) and fees ($6,500).

- **Commodities** expenditures of $20,850. This is an increase of $1,750, or 9.2 percent, above the agency's FY 2016 request. This increase is largely attributable to increased expenditures for gasoline ($1,000).

- **Capital Outlay** expenditures of $26,759. This is a decrease of $123,530, or 81.1 percent, below the agency's FY 2016 request. This decrease is attributable to the end of the agency's FY 2016 enhancement request for licensing software ($139,000), partially offset by the agency's enhancement request for a replacement vehicle ($20,000) and increased expenditures for computers ($4,000).

The **Governor** recommends a budget of $1.2 million, all from special revenue funds, for FY 2017. This is a decrease of $7,595, or 0.7 percent, below the agency's request. This decrease is attributable to to the Governor's recommended reduction to the employer contribution rate for state employee health insurance.

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

Enhancements Detail

FY 2017 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
Replacement Vehicle	**$ 0**	**$ 20,000**	**0.0**	**$ 0**	**$ 20,000**	**0.0**

The **agency** requests $20,000, all from special revenue funds, for a replacement vehicle for FY 2017.

Absent the enhancements the request is a decrease of $4,530, or 0.4 percent, below the agency's FY 2016 request.

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

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 $3,262, all from special revenue funds, and affects 10 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 $2,160, all from special revenue funds, and FY 2017 longevity payments total $2,320, 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 $7,446, all from special revenue funds, for FY 2016. This is a reduction of $7,595, 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 Board of Pharmacy Fee Fund	95.4 %	95.3 %	100.0 %	100.0 %
SAMSHA PMP Integration Fund	4.6	4.7	0.0	0.0
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

State Board of Pharmacy Fee Fund

The State Board of Pharmacy Fee Fund receives fees from the licensing of pharmacists, pharmacy technicians, pharmacies, drug manufacturers and distributors, and retail dealers, as well as the administration of pharmacist licensing examinations. Licenses and permits are renewed on an biennial basis.

Historically, the agency's cash flow fluctuated throughout the year because different classes of licenses expired on dates established by statute. The **2014 Legislature** eliminated these set expiration dates and empowered the Board to set the renewal schedule for licensees. The effect on agency cash flow has not yet been determined and will depend on regulations established by the Board. Pharmacists and pharmacy technicians will continue to renew biennially, with odd-numbered licenses and registrations renew in odd-numbered years and even-numbered registrations renew in even-numbered years.

Additionally, in order to address the growing balance in the Fee Fund, the Board reduced all application, renewal, and late fees by 20 percent, effective July 1, 2014.

As a fee funded agency, the Board currently contributes the lesser of 10 percent or $100,000 of fee revenue to the State General Fund for the cost of support services provided by other state agencies under KSA 75-3170a. The Governor's 2015 budget includes a recommendation to increase this contribution rate to the lesser of 20 percent or $200,000 of fee revenue beginning in FY 2016. That change would affect this agency's reported revenue and fund balance beginning in FY 2016.

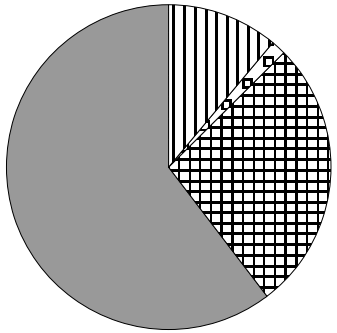
The table below summarizes estimated receipts and fund balances based upon the agency estimate and the Governor's recommendation, including the proposed change in State General Fund contribution.

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	$ 1,821,619	$ 2,195,644	$ 2,195,644	$ 2,164,121	$ 2,169,949	$ 1,899,723	$ 1,812,997
Revenue	1,198,756	1,026,500	1,026,500	961,500	861,500	961,500	861,500
Transfers in	13,302	0	0	0	0	0	0
Total Funds Available	$ 3,033,677	$ 3,222,144	$ 3,222,144	$ 3,125,621	$ 3,031,449	$ 2,861,223	$ 2,674,497
Less: Expenditures	838,033	1,058,023	1,052,195	1,225,898	1,218,452	1,162,069	1,154,474
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 2,195,644	$ 2,164,121	$ 2,169,949	$ 1,899,723	$ 1,812,997	$ 1,699,154	$ 1,520,023
Ending Balance as Percent of Expenditures	262.0%	204.5%	206.2%	155.0%	148.8%	146.2%	131.7%
	July	July	July	July	July	July	July
Month Highest Ending Balance	$ 2,195,507	$ 2,211,278	$ 2,234,236	$ 2,166,697	$ 2,086,490	$ 1,907,618	$ 1,725,199
	April	April	April	April	April	April	April
Month Lowest Ending Balance	$ 1,502,742	$ 1,653,378	$ 1,670,544	$ 1,461,109	$ 1,407,021	$ 1,249,902	$ 1,130,378

BOARD OF PHARMACY FEES - FY 2015

License Class	Initial Fee	Online Renewal Fee	Paper Renewal Fee	Late Fee
Pharmacists (Exam)	$ 40	$ 126$	120$	160
Pharmacists (Reciprocity)	64	126	120	160
Pharmacy	112	105	100	100
Intern	50	N/A	N/A	N/A
Manufacturer	240	249	240	240
Distributor	240	249	240	240
NPD Distributor	40	43	40	40
Research and Teaching	40	43	40	40
Analytical Lab	40	43	40	40
Ambulance	20	22	20	20
Retail Dealer	9.60	11.60	9.60	9.60
Institutional Drug Room	20	18	16	16
Technician	70	22	20	N/A
Sample Distributor	24	26	24	24
DME Provider	240	249	240	240
Non-Resident Pharmacy	112	105	100	100

EXPENDITURES BY OBJECT-- 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	$ 771,587	60.4 %	$ 0	-- %
Contractual Services	345,916	27.1	0	--
Commodities	19,100	1.5	0	--
Capital Outlay	141,550	11.1	0	--
TOTAL	$ 1,278,153	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	7.0	9.0	9.0	9.0	9.0	9.0	9.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of active pharmacists licenses	--	5,228	5,197	5,197	5,197
Number of complaints recieved	165	164	170	--	--
Number of inspections performed	925	907	901	--	--
Number of disciplinary actions imposed	--	35	50	--	--

Real Estate Appraisal Board

	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	277,138	318,829	317,367	319,844	318,409	328,900	327,436
TOTAL	$ 277,138	$ 318,829	$ 317,367	$ 319,844	$ 318,409	$ 328,900	$ 327,436
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	**$ 277,138**	**$ 318,829**	**$ 317,367**	**$ 319,844**	**$ 318,409**	**$ 328,900**	**$ 327,436**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	13.1	15.0	14.5	0.3	0.3	2.8	2.8
FTE Positions	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	2.0	2.0	2.0	2.0	2.0	2.0	2.0

AGENCY OVERVIEW

The Real Estate Appraisal Board licenses and certifies real estate appraisers in the State of Kansas. The Board was created for this purpose in 1990 in response to federal law requiring appraisers involved in federally related transactions to have a state license or certification. When it was created, the Board was attached to the Real Estate Commission for administrative purposes. The 1993 Legislature amended the State Certified and Licensed Real Property Appraisers Act to separate the Appraisal Board from the Real Estate Commission and charge the Appraisal Board with administering the act. The Board's staff is made up of 2.0 FTE positions: the Executive Director and a Public Service Administrator.

The Real Estate Appraisal Board is composed of seven members who are appointed by the Governor. Members are appointed to staggered three-year terms. At least one member must represent the general public, at least two members must represent financial institutions, and at least three members must be licensed real estate appraisers. The Real Estate Appraisal Board is financed through fees obtained from the examination and licensure of real estate appraisers.

MAJOR ISSUES FROM PRIOR YEARS

The **1994 Legislature** enacted legislation requiring fee funded agencies, including the Kansas Real Estate Appraisal Board, to submit biennial budgets beginning in September 1994, for FY 1996 and FY 1997.

The **2004 Legislature** authorized the transfer of remaining balances over $200,000 from selected biennial budget agency fee funds to the State General Fund in FY 2005. The amount certified by the Director of the Budget on April 19, 2004 for the Real Estate Appraisal Board was $334,369.

The **2012 Legislature** enacted legislation requiring real estate appraisal management companies working in Kansas to register with the Real Estate Appraisal Board effective October 1, 2012. The purpose of this act is to protect lenders, financial institutions, clients, consumers, and the public from economic and financial harm and the potential for such harm that may result from interference with the independence, objectivity, and impartiality of the real estate appraisal process.

The **2014 Legislature** added $604, all from 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 $318,829, all from special revenue funds. The estimate is the same amount approved by the 2014 Legislature. The estimate includes funding for 2.0 FTE positions, the same number approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of $317,367, all from special revenue funds. The recommendation is a decrease of $1,462, or 0.5 percent, below the agency estimate. The decrease is attributable to reduced KPERS employer contributions. The Governor concurs with the agency's estimate of 2.0 FTE positions for FY 2015.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of $319,844, all from special revenue funds. The request is an increase of $1,015, or 0.3 percent, above the revised FY 2015 estimate. The increase is primarily attributable to increases in professional fees ($4,000), travel expenditures ($3,000), information technology equipment expenditures ($2,500), Kansas Public Employees Retirement System (KPERS) employer contributions ($1,327), and communications expenditures ($1,200), which are partially offset by a reduction in other fees ($7,800), rents ($2,405), and unclassified regular and temporary wages ($990). The request includes funding for 2.0 FTE positions, the same number included in the revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $318,409, all from special revenue funds. The recommendation is a decrease of $1,435, or 0.4 percent, below the agency's FY 2016 request. The decrease is attributable to the Governor recommending a reduction of $1,435 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 2.0 FTE positions for FY 2016.

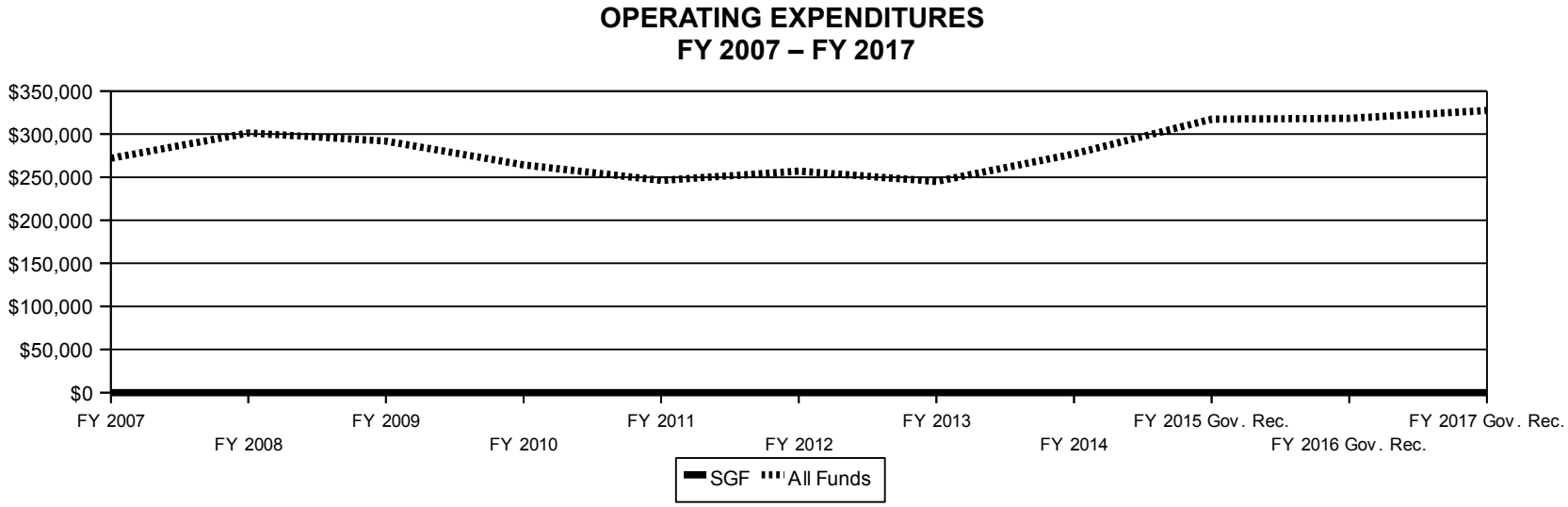
FY 2017 Agency Request

The **agency** requests FY 2017 operating expenditures of $328,900, all from special revenue funds. The request is an increase of $9,056, or 2.8 percent, above the FY 2016 requested amount. The increase is primarily attributable to increased KPERS employer contributions and an additional (27th) payroll period in FY 2017. The request includes funding for 2.0 FTE positions, the same number included in the FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $327,436, all from special revenue funds. The recommendation is a decrease of $1,464, or 0.4 percent, below the agency's FY 2017 request. The decrease is attributable to the Governor recommending a reduction of $1,464 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 2.0 FTE positions for FY 2017.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 271,964	1.2 %	2.0
2008	0	--	301,381	10.8	2.0
2009	0	--	291,895	(3.1)	2.0
2010	0	--	264,270	(9.5)	2.0
2011	0	--	246,374	(6.8)	2.0
2012	0	--	256,989	4.3	2.0
2013	0	--	245,121	(4.6)	2.0
2014	0	--	277,138	13.1	2.0
2015 Gov. Rec.	0	--	317,367	14.5	2.0
2016 Gov. Rec.	0	--	318,409	0.3	2.0
2017 Gov. Rec.	0	--	327,436	2.8	2.0
Eleven-Year Change	$ 0	-- %	$ 55,472	20.4 %	0.0

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 277,138	$ 318,829	$ 319,844	$ 1,015	0.3 %	$ 317,367	$ 318,409	$ 1,042	0.3 %
By Major Object of Expenditure:									
Salaries and Wages	$ 152,880	$ 158,584	$ 158,954	$ 370	0.2 %	$ 157,122	$ 157,519	$ 397	0.3 %
Contractual Services	121,772	154,045	152,040	(2,005)	(1.3)	154,045	152,040	(2,005)	(1.3)
Commodities	2,397	5,200	5,350	150	2.9	5,200	5,350	150	2.9
Capital Outlay	89	1,000	3,500	2,500	250.0	1,000	3,500	2,500	250.0
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 277,138	$ 318,829	$ 319,844	$ 1,015	0.3 %	$ 317,367	$ 318,409	$ 1,042	0.3 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 277,138	$ 318,829	$ 319,844	$ 1,015	0.3 %	$ 317,367	$ 318,409	$ 1,042	0.3 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Appraiser Fee Fund	257,201	247,092	240,257	(6,835)	(2.8)	245,996	239,181	(6,815)	(2.8)
Appraisal Management Companies Fee Fund	19,937	71,737	79,587	7,850	10.9	71,371	79,228	7,857	11.0
TOTAL	$ 277,138	$ 318,829	$ 319,844	$ 1,015	0.3 %	$ 317,367	$ 318,409	$ 1,042	0.3 %

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	$ 319,844	$ 328,900	$ 9,056	2.8 %	$ 318,409	$ 327,436	$ 9,027	2.8 %
By Major Object of Expenditure:								
Salaries and Wages	$ 158,954	$ 165,860	$ 6,906	4.3 %	$ 157,519	$ 164,396	$ 6,877	4.4 %
Contractual Services	152,040	153,540	1,500	1.0	152,040	153,540	1,500	1.0
Commodities	5,350	5,500	150	2.8	5,350	5,500	150	2.8
Capital Outlay	3,500	4,000	500	14.3	3,500	4,000	500	14.3
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 319,844	$ 328,900	$ 9,056	2.8 %	$ 318,409	$ 327,436	$ 9,027	2.8 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 319,844	$ 328,900	$ 9,056	2.8 %	$ 318,409	$ 327,436	$ 9,027	2.8 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Appraiser Fee Fund	240,257	247,048	6,791	2.8	239,181	245,950	6,769	2.8
Appraisal Management Companies Fee Fund	79,587	81,852	2,265	2.8	79,228	81,486	2,258	2.9
TOTAL	$ 319,844	$ 328,900	$ 9,056	2.8 %	$ 318,409	$ 327,436	$ 9,027	2.8 %

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	318,829	318,829	0	317,367	(1,462)
TOTAL	$ 318,829	$ 318,829	$ 0	$ 317,367	$ (1,462)
FTE Positions	2.0	2.0	0.0	2.0	0.0

The **agency** estimates revised FY 2015 operating expenditures of $318,829, all from special revenue funds. The estimate is the same amount approved by the 2014 Legislature. The estimate includes funding for 2.0 FTE positions, the same number approved by the 2014 Legislature.

The **Governor** recommends FY 2015 operating expenditures of $317,367, all from special revenue funds. The recommendation is a decrease of $1,462, or 0.5 percent, below the agency estimate. The decrease is attributable to reduced KPERS employer contributions. The Governor concurs with the agency's estimate of 2.0 FTE positions for FY 2015.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 319,844	$ 318,409	$ (1,435)
FTE Positions	2.0	2.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	1,015	1,042	
TOTAL	$ 1,015	$ 1,042	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	0.3	0.3	
TOTAL	0.3 %	0.3 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of $319,844, all from special revenue funds. The request is an increase of $1,015, or 0.3 percent, above the revised FY 2015 estimate. The request includes funding for 2.0 FTE positions, the same number included in the revised FY 2015 estimate.

The agency request includes the following items.

- **Salaries and wages** expenditures of $158,954, which is an increase of $370, or 0.2 percent, above the revised FY 2015 estimate. The increase is primarily attributable to increases in KPERS employer contributions ($1,327), partially offset by reductions in unclassified regular and unclassified temporary wages ($990).

- **Contractual services** expenditures of $152,040, which is a decrease of $2,005, or 1.3 percent, below the revised FY 2015 estimate. The decrease is primarily attributable to a reduction in other fees ($7,800) and lower rent costs ($2,405), partially offset by increases in professional fees ($4,000), travel expenditures ($3,000), and communications expenditures ($1,200). The reduction in other fees is primarily due to expenditures to the Office of Information Technology Services (OITS) related to migrating the agency to the KS.LOC network that were budgeted for FY 2015 but not FY 2016 and the lower rent costs are due to an office relocation and reduced expenditures on office equipment rentals.

- **Commodities** expenditures of $5,350, which is an increase of $150, or 2.9 percent, above the revised FY 2015 estimate. The increase is attributable to an increase in office supplies.

- **Capital outlay** expenditures of $3,500, which is an increase of $2,500, or 250.0 percent, above the revised FY 2015 estimate. The increase is attributable to information technology equipment expenditures. The agency indicates the expenditures are related to an initiative to upgrade its technology to securely transfer files electronically.

The **Governor** recommends FY 2016 operating expenditures of $318,409, all from special revenue funds. The recommendation is a decrease of $1,435, or 0.4 percent, below the agency's FY 2016 request. The decrease is attributable to the Governor recommending a reduction of $1,435 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 2.0 FTE positions for FY 2016.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000, whichever is less, to 20.0 percent or $200,000, whichever is less, 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 $23,707 for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 328,900	$ 327,436	$ (1,464)
FTE Positions	2.0	2.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	9,056	9,027	
TOTAL	$ 9,056	$ 9,027	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.8	2.8	
TOTAL	2.8 %	2.8 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of $328,900, all from special revenue funds. The request is an increase of $9,056, or 2.8 percent, above the FY 2016 requested amount. The request includes funding for 2.0 FTE positions, the same number included in the FY 2016 request.

The agency request includes the following items.

- **Salaries and wages** expenditures of $165,860, which is an increase of $6,906, or 4.3 percent, above the FY 2016 request. The increase is due to increases in KPERS employer contributions and an additional (27th) payroll period in FY 2017.

- **Contractual services** expenditures of $153,540, which is an increase of $1,500, or 1.0 percent,

above the FY 2016 request. The increase is attributable to increases in OITS expenditures and the monumental building surcharge.

- **Commodities** expenditures of $5,500, which is an increase of $150, or 2.8 percent, above the FY 2016 request. The increase is attributable to an increase in office supplies.

- **Capital outlay** expenditures of $4,000, which is an increase of $500, or 14.3 percent, above the FY 2016 request. The increase is attributable to information technology equipment expenditures. The agency indicates the expenditures are related to an initiative to upgrade its technology to securely transfer files electronically.

The **Governor** recommends FY 2017 operating expenditures of $327,436, all from special revenue funds. The recommendation is a decrease of $1,464, or 0.4 percent, below the agency's FY 2017 request. The decrease is attributable to the Governor recommending a reduction of $1,464 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 2.0 FTE positions for FY 2017.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000, whichever is less, to 20.0 percent or $200,000, whichever is less, 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 $23,707 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 $604, all from special revenue funds, and affects two 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 $1,000, all from special revenue funds, and FY 2017 longevity payments total $1,000, 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 $1,435, all from special revenue funds, for FY 2016. This is a reduction of $1,464, 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 %
Appraiser Fee Fund	75.1	75.1	75.1	75.1
Appraisal Management Companies Fee Fund	24.9	24.9	24.9	24.9
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Appraiser Fee Fund

The Real Estate Appraisal Board is a fee-funded agency. The revenue received provides financing for agency operations, with 90.0 percent being retained by the agency and 10.0 percent being deposited into the State General Fund (KSA 58-4107). Most of the revenue into the Appraiser Fee Fund is generated from new and renewal license fees.

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	$ 330,929	$ 340,489	$ 340,489	$ 306,761	$ 307,857	$ 279,868	$ 258,333
Revenue	257,921	213,364	213,364	213,364	189,657	213,364	189,657
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 588,850	$ 553,853	$ 553,853	$ 520,125	$ 497,514	$ 493,232	$ 447,990
Less: Expenditures	257,201	247,092	245,996	240,257	239,181	247,048	245,950
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	(8,840)	0	0	0	0	0	0
Ending Balance	$ 340,489	$ 306,761	$ 307,857	$ 279,868	$ 258,333	$ 246,184	$ 202,040
Ending Balance as Percent of Expenditures	132.4%	124.1%	125.1%	116.5%	108.0%	99.7%	82.1%
	July	July	July	July	July	July	July
Month Highest Ending Balance	$ 350,123	$ 354,861	$ 354,901	$ 321,380	$ 319,925	$ 294,241	$ 270,156
	February	February	February	February	February	February	February
Month Lowest Ending Balance	$ 225,213	$ 223,437	$ 224,216	$ 194,568	$ 189,918	$ 162,847	$ 135,582

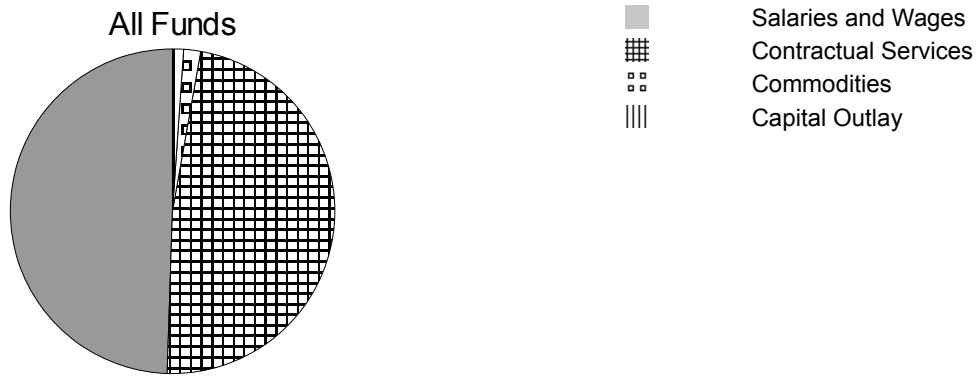
Appraisal Management Companies Fee Fund

The 2012 Legislature enacted laws authorizing the agency to begin registering Appraisal Management Companies (AMCs) on October 1, 2012. The agency estimates that it will register approximately 19 new AMCs at $1,500 per company and renew approximately 109 companies at $900 per renewal in FY 2015. The agency reports that 75.0 percent of agency expenditures are paid from the Appraiser Fee Fund and 25.0 percent from the Appraisal Management Companies Fee Fund.

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	$ 0	$ 222,917	$ 222,917	$ 256,705	$ 257,071	$ 272,833	$ 273,558
Revenue	242,854	105,525	105,525	95,715	95,715	95,715	95,715
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 242,854	$ 328,442	$ 328,442	$ 352,420	$ 352,786	$ 368,548	$ 369,273
Less: Expenditures	19,937	71,737	71,371	79,587	79,228	81,852	81,486
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 222,917	$ 256,705	$ 257,071	$ 272,833	$ 273,558	$ 286,696	$ 287,787
Ending Balance as Percent of Expenditures	1118.1%	357.8%	360.2%	342.8%	345.3%	350.3%	353.2%
	September	September	September	September	September	September	September
Month Highest Ending Balance	$ 233,780	$ 316,048	$ 316,097	$ 339,232	$ 339,647	$ 355,057	$ 355,831
	August	July	July	July	July	July	July
Month Lowest Ending Balance	$ 209,822	$ 227,952	$ 227,952	$ 261,272	$ 261,638	$ 277,400	$ 278,125

Real Estate Appraisal Board Fees		
	Current Fee	**Statutory Limit**
Application Fee	$50	$50
Annual Renewal	200	300
Late Renewal	50	50
Certification	10	25
New Continuing Education Course Approval	50	100
New Pre-Licensing Course Approval	100	100
Renewal of Courses	25	25
Approval and Renewal of all Appraisal Qualifications Board Approved Courses	10	25
Reinstatement of License Fee	50	50
Temporary Practice Permit	50	50
AMC Registration	1,500	3,500
AMC Renewal	900	3,500
AMC Late Fee	100	500

EXPENDITURES BY OBJECT–GOVERNOR'S FY 2016 RECOMMENDATION



Object	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	$ 157,519	49.5 %	$ 0	-- %
Contractual Services	152,040	47.7	0	--
Commodities	5,350	1.7	0	--
Capital Outlay	3,500	1.1	0	--
TOTAL	$ 318,409	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	2.0	2.0	2.0	2.0	2.0	2.0	2.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of new licenses issued	60	55	55	55	55
Number of appraisal management companies registered	110	113	128	120	120
Percent of applications for licensure approved	85.0%	100.0%	100.0%	100.0%	100.0%
Number of complaints handled	60	38	40	40	40

Real Estate Commission

	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	908,384	1,167,251	1,161,116	1,234,189	1,111,201	1,286,999	1,154,158
TOTAL	$ 908,384	$ 1,167,251	$ 1,161,116	$ 1,234,189	$ 1,111,201	$ 1,286,999	$ 1,154,158
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	**$ 908,384**	**$ 1,167,251**	**$ 1,161,116**	**$ 1,234,189**	**$ 1,111,201**	**$ 1,286,999**	**$ 1,154,158**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(11.6)	28.5	27.8	5.7	(4.3)	4.3	3.9
FTE Positions	9.2	9.0	9.0	9.0	9.0	9.0	9.0
Non-FTE Perm.Uncl.Pos.	3.8	4.0	4.0	4.0	3.0	4.0	3.0
TOTAL	13.0	13.0	13.0	13.0	12.0	13.0	12.0

AGENCY OVERVIEW

The Kansas Real Estate Commission (KREC) is composed of five members who are appointed by the Governor. Members are appointed to staggered four-year terms. One member is chosen from each of the state's four congressional districts and the fifth member is appointed from the state at-large. Kansas law requires that at least three members have experience as real estate brokers for a minimum of five years and at least one member shall never have been engaged in the real estate business. (KSA 74-4201)

The primary purpose of the KREC is to protect the public interest in the real estate marketplace through the regulation of real estate brokers and salespersons. These responsibilities are divided into three main categories.

Licensing. The Commission reviews all applications for real estate salespersons and brokers licensure, license renewal, and processes all requests for license cancellation and reinstatement.

Education. The Commission is responsible for tracking licensees' continuing education hours required for renewal.

Enforcement of Law. The Commission is also responsible for ensuring that real estate licensed activities comply with state regulations and statutes. The KREC examines the records maintained by real estate brokers and investigates complaints from the public.

In addition, the KREC administers the Real Estate Recovery Revolving Fund, which was created to reimburse persons who suffer monetary damages by reason of certain acts committed in connection with a real estate sales transaction by a licensed broker or salesperson, or by an unlicensed employee of a licensed broker. Damages awarded from the fund are treated as non-reportable expenditures and are not included in the data which follows. Attorney fees associated with defending the fund are reportable and are included in the data.

MAJOR ISSUES FROM PRIOR YEARS

The **2004 Legislature** authorized the transfer of remaining balances over $200,000 from selected biennial budget agency fee funds to the State General Fund in FY 2005. The amount certified by the Director of the Budget on April 19, 2004, for the Real Estate Commission was $508,438.

The **2007 Legislature** approved an additional $126,800 in FY 2008 and $127,756 in FY 2009, all from the Real Estate Fee Fund, and 1.0 FTE position, to allow the Commission to perform national crime history record checks of all new real estate license applicants, including sending fingerprints to the Kansas Bureau of Investigation and the Federal Bureau of Investigation. The additional 1.0 FTE position allowed the Commission to hire an administrative assistant to process the national criminal history record check application and fees.

The **2009 Legislature** transferred $200,000 from the Real Estate Recovery Revolving Fund to the Real Estate Fee Fund for the purpose of converting the Commission's licensing system to a Microsoft web-based system. Any excess funding

from the conversion amount returns to the Real Estate Recovery Revolving Fund.

The **2012 Legislature** added $27,939, all from the Real Estate Fee Fund, to restore expenditures deleted in the Governor's recommendation for the Voluntary Retirement Incentive Program for FY 2013.

The **2013 Legislature** added $76,885 in FY 2014 and $87,226 for FY 2015 all from the Real Estate Fee Fund, to hold the agency's operating budget at the FY 2012 level.

The **2014 Legislature** approved expenditures of $27,500 in FY 2014 and $77,500 for FY 2015, all from the Real Estate Recovery Revolving Fund, for the purpose of replacing the Commission's electronic records management system.

The **2014 Legislature** added $2,718, all from the Real Estate Fee Fund, 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 $1.2 million, all from special revenue funds, which is an increase of $35,275, or 3.1 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased expenditures for background investigations and to increased professional services expenditures and computer equipment expenditures related to the replacement of the agency's electronic records management system. The 2014 Legislature approved $27,500 in FY 2014 and $77,500 for FY 2015, all from the Real Estate Recovery Revolving Fund, to replace the agency's electronic records management system. The agency did not expend any funds for this purpose in FY 2014 and has shifted $22,500 of those funds to FY 2015. The agency requests funding for 9.0 FTE positions, which is the same number approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of $1.2 million, all from special revenue funds. The recommendation is a decrease of $6,135, or 0.5 percent, below the agency estimate. The decrease is attributable to reduced KPERS employer contributions included in the Governor's allotment plan. The Governor concurs with the agency's estimate of 9.0 FTE positions for FY 2015.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of $1.2 million, all from special revenue funds, which is an increase of $66,938, or 5.7 percent, above the FY 2015 revised estimate. The increase is primarily attributable to increases in building rent ($7,500), professional fees for consulting, litigation, and programming services ($21,000), the monumental building surcharge and programming services provided by OITS ($9,700), and an enhancement request of $116,351, all from the Real Estate Fee Fund and linked to a proposed $25 fee increase, for an in-house counsel position and travel-related expenditures, which are partially offset by reductions in information technology consulting expenditures ($32,500) and computer equipment expenditures ($67,500) that were requested in FY 2015 to replace the agency's electronic records management system. The request includes funding for 9.0 FTE positions, which is the same number included in the agency's FY 2015 revised estimate.

Absent the enhancement, the agency requests FY 2016 operating expenditures of $1.1 million, all from special revenue funds, which is a decrease of $49,413, or 4.2 percent, below the FY 2015 revised estimate.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $1.1 million, all from special revenue funds. The recommendation is a decrease of $122,988, or 10.0 percent, below the agency's FY 2016 request. The decrease is attributable to the Governor not recommending the agency's enhancement request of $116,351 linked to a proposed $25 fee increase, as well as recommending a reduction of $6,637 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 9.0 FTE positions for FY 2016.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000, whichever is less, to 20.0 percent or $200,000, whichever is less, 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 $1.3 million, all from special revenue funds, which is an increase of $52,810, or 4.3 percent, above the FY 2016 request. The increase is primarily attributable to an additional (27th) payroll period in FY 2017 and increases in KPERS employer contributions, travel expenditures, building rent, and the monumental building surcharge. The request includes funding for 9.0 FTE positions, which is the same number included in the agency's FY 2016 request.

The request includes an enhancement of $126,071, all from the Real Estate Fee Fund, linked to a proposed $25 fee

increase. The enhancement includes $93,436 to fund an in-house counsel position and $32,635 for travel expenditures related to training and to resuming on-site brokerage audits.

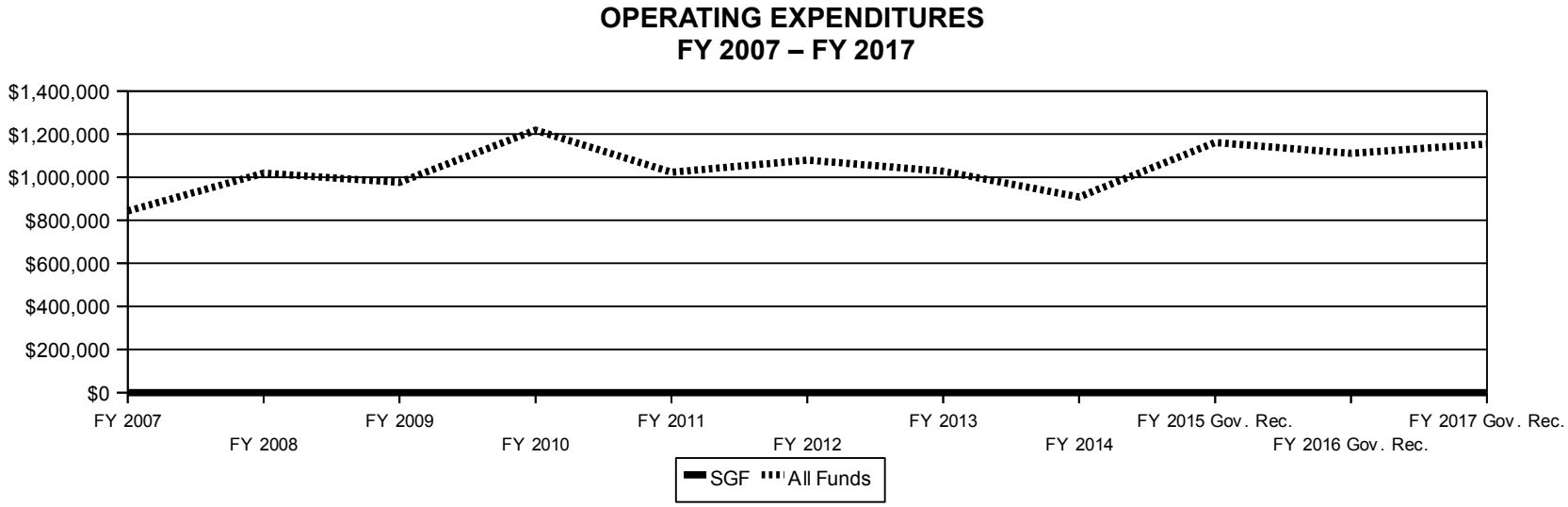
Absent the enhancement, the agency requests FY 2017 operating expenditures of $1.2 million, all from special revenue funds, which is an increase of $43,090, or 3.9 percent, above the FY 2016 request less enhancements.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $1.2 million, all from special revenue funds. The recommendation is a decrease of $132,841, or 10.3 percent, below the agency's FY 2017 request. The decrease is attributable to the Governor not recommending the agency's enhancement request of $126,071 linked to a proposed $25 fee increase, as well as recommending a reduction of $6,770 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 9.0 FTE positions for FY 2017.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000, whichever is less, to 20.0 percent or $200,000, whichever is less, 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



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 843,273	0.5%	14.0
2008	0	--	1,018,701	20.8	15.0
2009	0	--	976,178	(4.2)	15.0
2010	0	--	1,218,489	24.8	15.0
2011	0	--	1,023,114	(16.0)	15.0
2012	0	--	1,079,230	5.5	13.0
2013	0	--	1,027,623	(4.8)	11.0
2014	0	--	908,384	(11.6)	9.2
2015 Gov. Rec.	0	--	1,161,116	27.8	9.0
2016 Gov. Rec.	0	--	1,111,201	(4.3)	9.0
2017 Gov. Rec.	0	--	1,154,158	3.9	9.0
Eleven-Year Change	$ 0	-- %	$ 310,885	36.9 %	(5.0)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 908,384	$ 1,167,251	$ 1,234,189	$ 66,938	5.7 %	$ 1,161,116	$ 1,111,201	$ (49,915)	(4.3)%
By Major Object of Expenditure:									
Salaries and Wages	$ 630,216	$ 655,356	$ 744,329	$ 88,973	13.6 %	$ 649,221	$ 648,331	$ (890)	(0.1)%
Contractual Services	252,371	407,770	448,810	41,040	10.1	407,770	424,220	16,450	4.0
Commodities	7,645	10,625	16,050	5,425	51.1	10,625	13,650	3,025	28.5
Capital Outlay	18,152	93,500	25,000	(68,500)	(73.3)	93,500	25,000	(68,500)	(73.3)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 908,384	$ 1,167,251	$ 1,234,189	$ 66,938	5.7 %	$ 1,161,116	$ 1,111,201	$ (49,915)	(4.3)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 908,384	$ 1,167,251	$ 1,234,189	$ 66,938	5.7 %	$ 1,161,116	$ 1,111,201	$ (49,915)	(4.3)%
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Real Estate Fee Fund	822,501	972,851	1,134,989	162,138	16.7	966,716	1,012,001	45,285	4.7
Background Investigation Fee Fund	85,883	94,400	99,200	4,800	5.1	94,400	99,200	4,800	5.1
Real Estate Recovery Fund	0	100,000	0	(100,000)	(100.0)	100,000	0	(100,000)	(100.0)
TOTAL	$ 908,384	$ 1,167,251	$ 1,234,189	$ 66,938	5.7 %	$ 1,161,116	$ 1,111,201	$ (49,915)	(4.3)%

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	$ 1,234,189	$ 1,286,999	$ 52,810	4.3 %	$ 1,111,201	$ 1,154,158	$ 42,957	3.9 %
By Major Object of Expenditure:								
Salaries and Wages	$ 744,329	$ 778,219	$ 33,890	4.6 %	$ 648,331	$ 678,013	$ 29,682	4.6 %
Contractual Services	448,810	466,930	18,120	4.0	424,220	436,945	12,725	3.0
Commodities	16,050	16,850	800	5.0	13,650	14,200	550	4.0
Capital Outlay	25,000	25,000	0	0.0	25,000	25,000	0	0.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 1,234,189	$ 1,286,999	$ 52,810	4.3 %	$ 1,111,201	$ 1,154,158	$ 42,957	3.9 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 1,234,189	$ 1,286,999	$ 52,810	4.3 %	$ 1,111,201	$ 1,154,158	$ 42,957	3.9 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Real Estate Fee Fund	1,134,989	1,184,599	49,610	4.4	1,012,001	1,051,758	39,757	3.9
Background Investigation Fee Fund	99,200	102,400	3,200	3.2	99,200	102,400	3,200	3.2
Real Estate Recovery Fund	0	0	0	--	0	0	0	--
TOTAL	$ 1,234,189	$ 1,286,999	$ 52,810	4.3 %	$ 1,111,201	$ 1,154,158	$ 42,957	3.9 %

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	1,131,976	1,167,251	35,275	1,161,116	29,140
TOTAL	$ 1,131,976	$ 1,167,251	$ 35,275	$ 1,161,116	$ 29,140
FTE Positions	9.0	9.0	0.0	9.0	0.0

The **agency** estimates revised FY 2015 operating expenditures of $1.2 million, all from special revenue funds, which is an increase of $35,275, or 3.1 percent, above the amount approved by the 2014 Legislature. The increase is attributable to increased expenditures for background investigations and to increased professional services expenditures and computer equipment expenditures related to the replacement of the agency's electronic records management system. The 2014 Legislature approved $27,500 in FY 2014 and $77,500 for FY 2015, all from the Real Estate Recovery Revolving Fund, to replace the agency's electronic records management system. The agency did not expend any funds for this purpose in FY 2014 and has shifted $22,500 of those funds to FY 2015. The agency requests funding for 9.0 FTE positions, which is the same number approved by the 2014 Legislature.

The **Governor** recommends FY 2015 operating expenditures of $1.2 million, all from special revenue funds. The recommendation is a decrease of $6,135, or 0.1 percent, below the agency estimate. The decrease is attributable to a reduction of $6,135 as a result of the Governor's allotment reducing the Kansas Public Employer Regular and School Member employer contribution rate (excluding KPERS Death and Disability) from 11.27 percent to 8.65 percent in FY 2015. The Governor concurs with the agency's estimate of 9.0 FTE positions for FY 2015.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor 's Recommendation	Difference
Total Request/Recommendation	$ 1,234,189	$ 1,111,201	$ (122,988)
FTE Positions	9.0	9.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	66,938	(49,915)	
TOTAL	$ 66,938	$ (49,915)	
Percent Change:			
State General Fund	-- %	0.0 %	
All Other Funds	5.7	(4.3)	
TOTAL	5.7 %	(4.3) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of $1.2 million, all from special revenue funds, which is an increase of $66,938, or 5.7 percent, above the FY 2015 revised estimate. The request includes an enhancement of $116,351, all from the Real Estate Fee Fund, to fund an in-house counsel position and travel-related expenditures. The request includes funding for 9.0 FTE positions, which is the same number included in the agency's FY 2015 revised estimate.

Absent the enhancement, the agency requests FY 2016 operating expenditures of $1.1 million, all from special revenue funds, which is a decrease of $49,413, or 4.2 percent, below the FY 2015 revised estimate.

The agency request includes the following items.

- **Salaries and wages** expenditures of $744,329, which is an increase of $88,973, or 13.6 percent, above the FY 2015 revised estimate. The increase is due to an enhancement request of $89,361 to fund an in-house counsel position, which includes 1.0 non-FTE unclassified permanent position. **Absent the enhancement**, the agency requests $654,968 for salaries and wages. The request is a decrease of $388, or 0.1 percent, below the FY 2015 revised estimate.

- **Contractual services** expenditures of $448,810, which is an increase of $41,040, or 10.1 percent, above the FY 2015 revised estimate. The increase is primarily due to an enhancement request of $24,590 for travel expenditures related to training and on-site brokerage audits, as well as increases in building rent ($7,500), the monumental building surcharge and programming services provided by OITS ($9,700), and professional fees for consulting, litigation, and programming services ($21,000). The increases are partially offset by a $32,500 decrease in information systems consulting related to the replacement of the agency's electronic records management system in FY 2015. **Absent the enhancement**, the agency requests $424,220 for contractual services. The request is an increase of $16,450, or 4.0 percent, above the FY 2015 revised estimate.

- **Commodities** expenditures of $16,050, which is an increase of $5,425, or 51.1 percent, above the FY 2015 revised estimate. The increase is due to an enhancement request of $2,400 for gasoline expenditures related to on-site brokerage audits, as well as increases in supplies ($3,025). **Absent the enhancement**, the agency requests $13,650 for commodities. The request is an increase of $3,025, or 28.5 percent, above the FY 2015 revised estimate.

- **Capital outlay** expenditures of $25,000, which is a decrease of $68,500, or 73.3 percent, below the FY 2015 revised estimate. The decrease is due to a reduction in computer equipment expenditures, which were requested in FY 2015 to replace the agency's electronic records management system.

The **Governor** recommends FY 2016 operating expenditures of $1.1 million, all from special revenue funds. The recommendation is a decrease of $122,988, or 10.0 percent, below the agency's FY 2016 request. The decrease is attributable to the Governor not recommending the agency's enhancement request of $116,351 linked to a proposed $25 fee increase, as well as recommending a reduction of $6,637 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 9.0 FTE positions for FY 2016.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000, whichever is less, to 20.0 percent or $200,000, whichever is less, 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.

Enhancements Detail

FY 2016 ENHANCEMENTS						
	Agency Request			Governor's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
In-house counsel position and travel-related expenditures	$ 0	$ 116,351	0.0	$ 0	$ 0	0.0

The **agency** requests an enhancement of $116,351, all from the Real Estate Fee Fund, for FY 2016. The enhancement request includes $89,361 to fund an in-house counsel position, which includes 1.0 non-FTE unclassified permanent position, and $26,990 for travel expenditures related to training and to resuming on-site brokerage audits. The agency states that significant legal order backlogs may occur if the in-house counsel position is not filled.

The agency has linked the enhancement request to a regulatory fee increase of $25, including an overall statutory increase of $50, for original and renewal licenses for brokers and salespersons. This would raise the current two-year broker's license fee from $150 to $175 and the current two-year salesperson's fee from $125 to $150.

The **Governor** does not recommend funding the agency's enhancement request.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor 's Recommendation	Difference
Total Request/Recommendation	$ 1,286,999	$ 1,154,158	$ (132,841)
FTE Positions	9.0	9.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	52,810	42,957	
TOTAL	$ 52,810	$ 42,957	
Percent Change:			
State General Fund	-- %	0.0 %	
All Other Funds	4.3	3.9	
TOTAL	4.3 %	3.9 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of $1.3 million, all from special revenue funds, which is an increase of $52,810, or 4.3 percent, above the FY 2016 request. The request includes an enhancement of $126,071, all from the Real Estate Fee Fund, to fund an in-house counsel position and travel-related expenditures. The request includes funding for 9.0 FTE positions, which is the same number included in the agency's FY 2016 request.

Absent the enhancement, the agency requests FY 2017 operating expenditures of $1.2 million, all from special revenue funds, which is an increase of $43,090, or 3.9 percent, above the FY 2016 request less enhancements.

The agency request includes the following items.

- **Salaries and wages** expenditures of $778,219, which is an increase of $33,890, or 4.6 percent, above the FY 2016 request. The increase is primarily due to an additional (27th) payroll period in FY 2017 and increased KPERS employer contributions. The request includes an enhancement of $93,436 to fund the in-house counsel position. **Absent the enhancement**, the agency requests $684,783 for salaries and wages. The request is an increase of $29,815, or 4.6 percent, above the FY 2016 request less the enhancement.

- **Contractual services** expenditures of $466,930, which is an increase of $18,120, or 4.0 percent, above the FY 2016 request. The increase is primarily due to an enhancement for travel expenditures related to training and on-site brokerage audits greater than the FY 2016 enhancement ($5,395) and increases in building rent ($4,000) and the monumental building surcharge ($4,800). **Absent the enhancement**, the agency requests $436,935 for contractual services. The request is an increase of $12,725, or 3.0 percent, above the FY 2016 request less the enhancement.

- **Commodities** expenditures of $16,850, which is an increase of $800, or 5.0 percent, above the FY 2016 request. The request includes an enhancement of $2,650 for gasoline expenditures related to on-site brokerage audits. **Absent the enhancement**, the agency requests $14,200 for commodities. The request is an increase of $550, or 4.0 percent, above the FY 2016 request less the enhancement.

- **Capital outlay** expenditures of $25,000, which is the same amount included in the FY 2016 request.

The **Governor** recommends FY 2017 operating expenditures of $1.2 million, all from special revenue funds. The recommendation is a decrease of $132,841, or 10.3 percent, below the agency's FY 2017 request. The decrease is attributable to the Governor not recommending the agency's enhancement request of $126,071 linked to a proposed $25 fee increase, as well as recommending a reduction of $6,770 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 9.0 FTE positions for FY 2017.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000, whichever is less, to 20.0 percent or $200,000, whichever is less, 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.

Enhancements Detail

FY 2017 ENHANCEMENTS						
	Agency Request			Governor 's Recommendation		
Enhancements	SGF	All Funds	FTE	SGF	All Funds	FTE
In-house counsel position and travel-related expenditures	$ 0	$ 126,071	0.0	$ 0	$ 0	0.0

The **agency** requests an enhancement of $126,071, all from the Real Estate Fee Fund, for FY 2017. The enhancement request includes $93,436 to fund an in-house counsel position, which includes 1.0 non-FTE unclassified permanent position, and $32,635 for travel expenditures related to training and to resuming on-site brokerage audits. The agency states that significant legal order backlogs may occur if the in-house counsel position is not filled.

The agency has linked the enhancement request to a regulatory fee increase of $25, including an overall statutory increase of $50, for original and renewal licenses for brokers and salespersons. This would raise the current two-year broker's license fee from $150 to $175 and the current two-year salesperson's fee from $125 to $150.

The **Governor** does not recommend funding the agency's enhancement request.

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 $3,960, all from special revenue funds, and FY 2017 longevity payments total $4,440, 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 $6,637, all from special revenue funds, for FY 2016. This is a reduction of $6,770, 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 %
Real Estate Fee Fund	92.0	91.1	92.0	91.1
Background Invest FF	8.0	8.9	8.0	8.9
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Real Estate Fee Fund Analysis

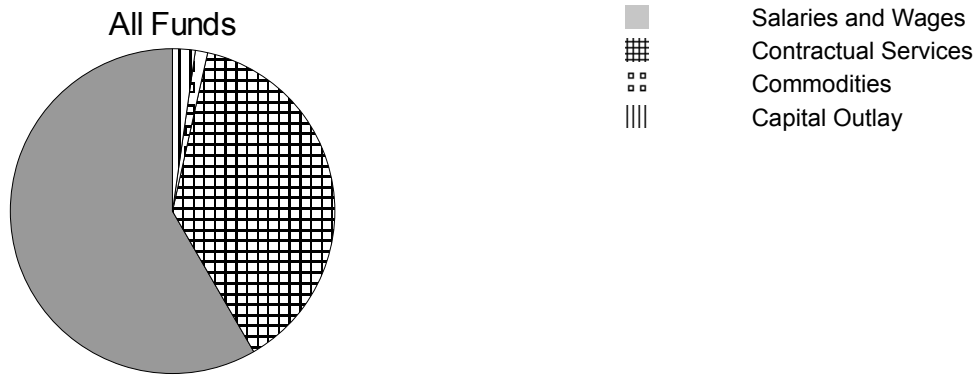
The KREC is a fee-funded agency. The revenue received provides financing for all agency operations with 90.0 percent being retained by the agency and 10.0 percent being deposited into the State General Fund. The agency generates fee revenues from four primary sources: Application fees are $15; Broker fees are $150; Salesperson fees are $100; and Original course approvals are $50. Licenses are issued for a two-year period. Original and renewal fees for salespersons and brokers are at the statutory cap. (KSA 58-3063 and KAR 86-1-5)

According to the agency, a fee increase is needed to perform core agency operations and ensure long-term continuity of services. The agency proposes a $25 fee increase, and an overall statutory increase of $50, for brokers and salespersons commencing in FY 2016. This would raise the current fee from $150 to $175 for brokers and from $100 to $125 for salespersons. Below is the agency's Real Estate Fee Fund analysis with its **projected fee increase** revenues. **Absent a fee increase**, revenues for FY 2016 and FY 2017 are projected to be $976,222 and $926,497, respectively.

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	$ 258,279	$ 291,771	$ 291,771	$ 186,837	$ 192,972	$ 196,923	$ 57,193
Revenue	855,993	867,917	867,917	1,145,075	876,222	1,080,525	826,497
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 1,114,272	$ 1,159,688	$ 1,159,688	$ 1,331,912	$ 1,069,194	$ 1,277,448	$ 883,690
Less: Expenditures	822,501	972,851	966,716	1,134,989	1,012,001	1,184,599	1,051,758
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 291,771	$ 186,837	$ 192,972	$ 196,923	$ 57,193	$ 92,849	$ (168,068)
Ending Balance as Percent of Expenditures	35.5%	19.2%	20.0%	17.4%	5.7%	7.8%	(16.0%)
	May	July	July	May	July	July	July
Month Highest Ending Balance	$ 318,486	$ 298,201	$ 298,604	$ 236,897	$ 197,504	$ 206,672	$ 55,086
	August	June	June	August	June	June	June
Month Lowest Ending Balance	$ 218,936	$ 186,837	$ 192,972	$ 126,763	$ 57,193	$ 92,849	$ (168,068)

Real Estate Commission Fees		
	Current Fee	**Statutory Limit**
Real Estate Broker Application Fee	$15	$50
Real Estate Broker License Fee (original and renewal)	150	150
Real Estate Salesperson Application Fee	15	25
Real Estate Salesperson License Fee (original and renewal)	100	100
Duplicate License Fee	10	10
Temporary Salesperson's License Fee	25	25

EXPENDITURES BY OBJECT-- GOVERNOR'S FY 2016 RECOMMENDATION



Object	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	$ 648,331	58.3 %	$ 0	-- %
Contractual Services	424,220	38.2	0	--
Commodities	13,650	1.2	0	--
Capital Outlay	25,000	2.2	0	--
TOTAL	$ 1,111,201	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	9.2	9.0	9.0	9.0	9.0	9.0	9.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of real estate licenses	13,650	13,461	13,500	13,600	13,750
Number of real estate licenses renewed	6,850	6,642	6,275	6,830	6,450
Number of complaints	200	113	120	115	120

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.

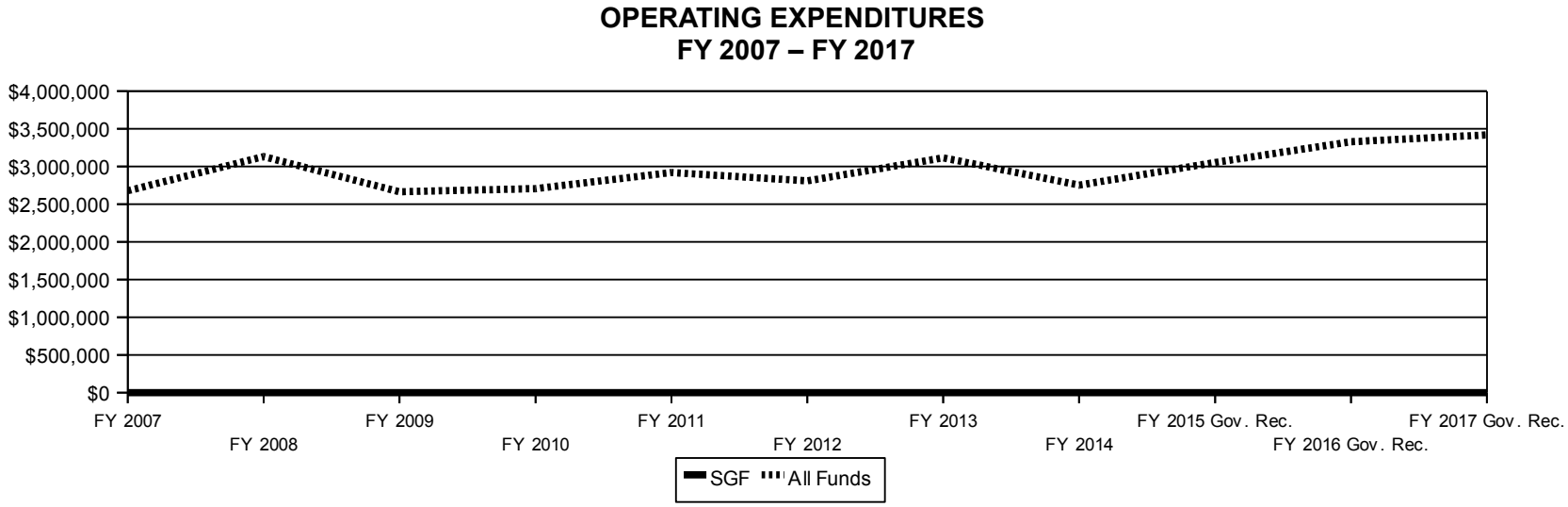
FY 2017 Agency Request

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



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

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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.

The request is detailed below by category of expenditure.

- **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.

- **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 $133,00, 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
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	273,609	275,601	
TOTAL	$ 273,609	$ 275,601	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	8.9	9.0	
TOTAL	8.9 %	9.0 %	
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 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
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	90,565	90,101	
TOTAL	$ 90,565	$ 90,101	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.7	2.7	
TOTAL	2.7 %	2.7 %	
Change in FTE Positions	0.0	0.0	

The **agency r**equests 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 2017 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	$ 50,257	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Ending Balance as Percent of Expenditures	1.9%	1.8%	1.8%	1.6%	1.6%	1.5%	1.6%
	May	May	May	May	May	May	May
Month Highest Ending Balance	$ 10,974,248	$ 10,973,645	$ 10,973,645	$ 10,973,388	$ 10,973,388	$ 10,973,388	$ 10,973,388
	June	June	June	June	June	June	June
Month Lowest Ending Balance	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 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.

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	$ 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	0	0	0	0	0	0	0
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	0	0	0	0	0	0	0
Ending Balance	$ 497,896	$ 279,467	$ 279,467	$ 140,623	$ 140,623	$ 350	$ 350
Ending Balance as Percent of Expenditures	537.9%	95.1%	95.1%	72.5%	72.5%	0.2%	0.2%

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

Program	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
Administration	30.0	30.0	30.0	26.8	26.8	26.8	26.8
TOTAL	30.0	30.0	30.0	26.8	26.8	26.8	26.8

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
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

Board of Technical Professions

	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	520,794	635,035	632,327	640,165	637,564	652,768	650,115
TOTAL	$ 520,794	$ 635,035	$ 632,327	$ 640,165	$ 637,564	$ 652,768	$ 650,115
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	**$ 520,794**	**$ 635,035**	**$ 632,327**	**$ 640,165**	**$ 637,564**	**$ 652,768**	**$ 650,115**
Percentage Change:							
Operating Expenditures							
State General Fund	-- %	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(1.0)	21.9	21.4	0.8	0.8	2.0	2.0
FTE Positions	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Non-FTE Perm.Uncl.Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	5.0	5.0	5.0	5.0	5.0	5.0	5.0

AGENCY OVERVIEW

Established in 1976, the purpose of the Board of Technical Professions is to establish and maintain a high standard of integrity, skills, and practice in the technical professions and to safeguard the life, health, property, and welfare of the public. The Board exists to protect the interests of the people of Kansas by assuring that the practices of engineering, architecture, land surveying, landscape architecture, and geology are carried out only by those persons proven to be qualified as prescribed by statues and the Board's rules and regulations.

The Board of Technical Professions is a 13-member board that consists of four engineers, one of which must also be licensed as a land surveyor, two licensed land surveyors, three licensed architects, one licensed landscape architect, one licensed geologist, and two public members. The members are appointed by the Governor to serve four-year terms, but may not serve more than three successive terms. For all appointments other than the public members, the member shall be chosen from a list submitted to the Governor by the respective professional society or association.

The Board currently licenses approximately 2,829 architects, 11,704 professional engineers, 735 professional surveyors, 386 landscape architects, and 650 professional geologists (for a total of over 16,300 individuals and over 2,500 business entities). The Board is authorized 5.0 FTE positions: one unclassified executive director, one unclassified assistant executive director, and three classified administrative specialist employees.

MAJOR ISSUES FROM PRIOR YEARS

The **1976 Legislature** combined the Engineers Examiners Registration Board, the Architects Registration Board and the Landscape Architects Registration Board into the Board of Technical Professions.

The **1997 Legislature** required the licensing of geologists by the Board.

The **2001 Legislature** established a Special Litigation Reserve Fee Fund in addition to the Technical Professions Fee Fund. The Special Litigation Reserve Fee Fund was created to shield the agency's primary fee fund from exposure to extraordinary litigation costs.

The **2004 Legislature** authorized the transfer of remaining balances over $200,000 from selected biennial budget agency fee funds to the State General Fund in FY 2005. The amount certified by the Director of the Budget on April 19, 2004 for the Board of Technical Professions was $549,744. Also in 2004, the national organizations for boards began administering the examinations for professional engineers, land surveyors, and landscape architects. With that change, the examination fees are now paid directly to the organizations administering the examinations.

The **2009 Legislature** made revisions to the requirements for a Certificate of Authorization requiring all business entities to obtain a Certificate of Authorization and definitions were added regarding business entities. The Legislature transferred $13,600, all from the Technical Professions Fee Fund, to the State General Fund in FY 2009. They transferred $19,154, all

from the Technical Professions Fee Fund, to the State General Fund in FY 2010.

The **2013 Legislature** maintained funding for salaries and wages at FY 2013 levels, after adjusting for both committee action and Kansas Public Employees Retirement System (KPERS) increases for FY 2014 and FY 2015. The reductions totaled $363, all from the Technical Professions Fee Fund, for FY 2014, all from the Technical Professions Fee Fund, for FY 2015.

The **2014 Legislature** added $1,208, all from the Technical Professions Fee Fund, 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 $635,035, all from the Technical Professions Fee Fund. The estimate is the same amount approved by the 2014 Legislature. The estimate includes funding for 5.0 FTE positions, the same number approved by the 2014 Legislature.

FY 2015 Governor Recommendation

The **Governor** recommends FY 2015 operating expenditures of $632,327, all from Technical Professions Fee Fund. The recommendation is a decrease of $2,708, or 0.4 percent, below the agency estimate. The decrease is attributable to reduced KPERS employer contributions included in the Governor's allotment plan. The Governor concurs with the agency's estimate of 5.0 FTE positions for FY 2015.

FY 2016 Agency Request

The **agency** requests FY 2016 operating expenditures of $640,165, all from the Technical Professions Fee Fund. The request is an increase of $5,130, or 0.8 percent, above the revised FY 2015 estimate. The increase is primarily attributable to increases in salaries and wages fringe benefits, building rent, and software licensing expenditures to the Office of Information Technology Services (OITS). The request includes funding for 5.0 FTE positions, the same number included in the revised FY 2015 estimate.

FY 2016 Governor Recommendation

The **Governor** recommends FY 2016 operating expenditures of $637,564, all from the Technical Professions Fee Fund. The recommendation is a decrease of $2,601, or 0.4 percent, below the agency's FY 2016 request. The decrease is attributable to the Governor recommending a reduction of $2,601 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 5.0 FTE positions for FY 2016.

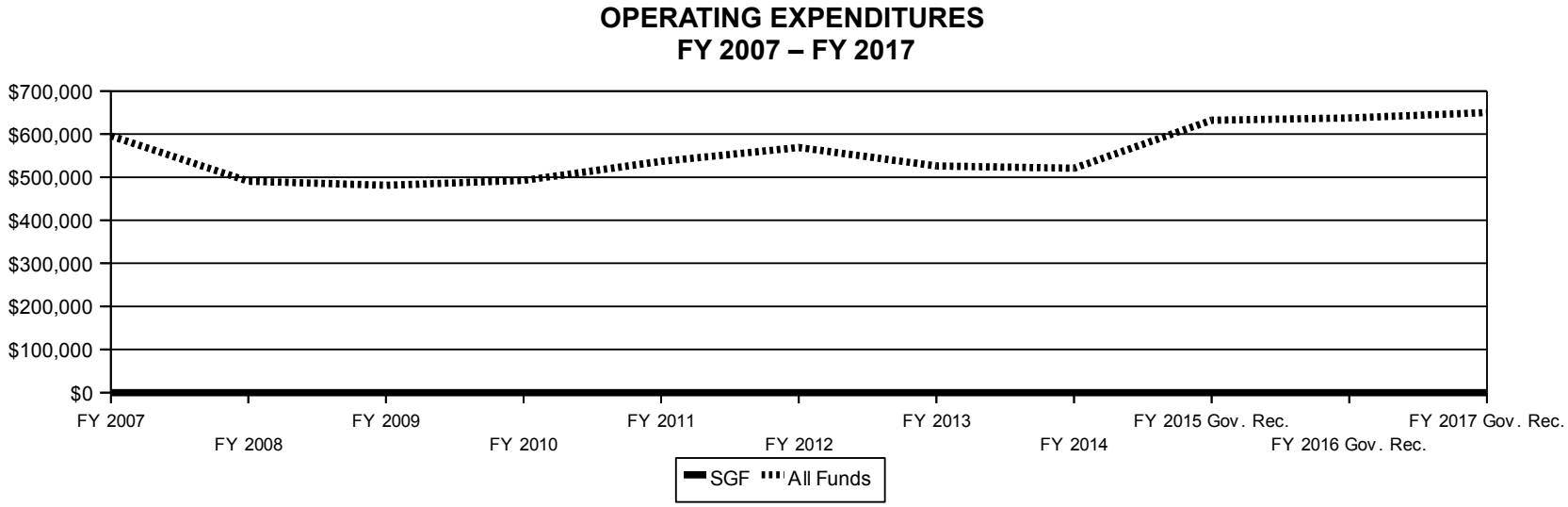
FY 2017 Agency Request

The **agency** requests FY 2017 operating expenditures of $652,768, all from the Technical Professions Fee Fund. The request is an increase of $12,603, or 2.0 percent, above the FY 2016 requested amount. The increase is primarily attributable to increased KPERS employer contributions and an additional (27th) payroll period in FY 2017. The request includes funding for 5.0 FTE positions, the same number included in the FY 2016 request.

FY 2017 Governor Recommendation

The **Governor** recommends FY 2017 operating expenditures of $650,115, all from the Technical Professions Fee Fund. The recommendation is a decrease of $2,653, or 0.4 percent, below the agency's FY 2017 request. The decrease is attributable to the Governor recommending a reduction of $2,653 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 5.0 FTE positions for FY 2017.

BUDGET TRENDS



Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2007	$ 0	-- %	$ 595,830	17.3 %	6.0
2008	0	--	490,717	(17.6)	6.0
2009	0	--	481,305	(1.9)	5.0
2010	0	--	492,484	2.3	5.0
2011	0	--	536,666	9.0	5.0
2012	0	--	568,959	6.0	5.0
2013	0	--	526,138	(7.5)	5.0
2014	0	--	520,794	(1.0)	5.0
2015 Gov. Rec.	0	--	632,327	21.4	5.0
2016 Gov. Rec.	0	--	637,564	0.8	5.0
2017 Gov. Rec.	0	--	650,115	2.0	5.0
Eleven-Year Change	$ 0	-- %	$ 54,285	9.1 %	(1.0)

Summary of Operating Budget FY 2014 - FY 2016

		Agency Estimate				Governor's Recommendation			
	Actual 2014	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	$ 520,794	$ 635,035	$ 640,165	$ 5,130	0.8 %	$ 632,327	$ 637,564	$ 5,237	0.8 %
By Major Object of Expenditure:									
Salaries and Wages	$ 263,706	$ 281,428	$ 284,130	$ 2,702	1.0 %	$ 278,720	$ 281,529	$ 2,809	1.0 %
Contractual Services	243,336	340,307	344,235	3,928	1.2	340,307	344,235	3,928	1.2
Commodities	8,725	10,300	9,800	(500)	(4.9)	10,300	9,800	(500)	(4.9)
Capital Outlay	5,027	3,000	2,000	(1,000)	(33.3)	3,000	2,000	(1,000)	(33.3)
Debt Service	0	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 520,794	$ 635,035	$ 640,165	$ 5,130	0.8 %	$ 632,327	$ 637,564	$ 5,237	0.8 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	$ 520,794	$ 635,035	$ 640,165	$ 5,130	0.8 %	$ 632,327	$ 637,564	$ 5,237	0.8 %
Financing:									
State General Fund	$ 0	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Technical Professions Fee Fund	520,794	635,035	640,165	5,130	0.8	632,327	637,564	5,237	0.8
TOTAL	$ 520,794	$ 635,035	$ 640,165	$ 5,130	0.8 %	$ 632,327	$ 637,564	$ 5,237	0.8 %

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	$ 640,165	$ 652,768	$ 12,603	2.0 %	$ 637,564	$ 650,115	$ 12,551	2.0 %
By Major Object of Expenditure:								
Salaries and Wages	$ 284,130	$ 296,733	$ 12,603	4.4 %	$ 281,529	$ 294,080	$ 12,551	4.5 %
Contractual Services	344,235	343,235	(1,000)	(0.3)	344,235	343,235	(1,000)	(0.3)
Commodities	9,800	9,800	0	0.0	9,800	9,800	0	0.0
Capital Outlay	2,000	3,000	1,000	50.0	2,000	3,000	1,000	50.0
Debt Service	0	0	0	--	0	0	0	--
Subtotal - Operations	$ 640,165	$ 652,768	$ 12,603	2.0 %	$ 637,564	$ 650,115	$ 12,551	2.0 %
Aid to Local Units	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	--	0	0	0	--
TOTAL	$ 640,165	$ 652,768	$ 12,603	2.0 %	$ 637,564	$ 650,115	$ 12,551	2.0 %
Financing:								
State General Fund	$ 0	$ 0	$ 0	-- %	$ 0	$ 0	$ 0	-- %
Technical Professions Fee Fund	640,165	652,768	12,603	2.0	637,564	650,115	12,551	2.0
TOTAL	$ 640,165	$ 652,768	$ 12,603	2.0 %	$ 637,564	$ 650,115	$ 12,551	2.0 %

BUDGET OVERVIEW

A. FY 2015 – Current Year

Adjustments to Approved Budget

The agency made no adjustments to its approved budget.

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	635,035	635,035	0	632,327	(2,708)
TOTAL	$ 635,035	$ 635,035	$ 0	$ 632,327	$ (2,708)
FTE Positions	5.0	5.0	0.0	5.0	0.0

The **agency** estimates revised FY 2015 operating expenditures of $635,035, all from the Technical Professions Fee Fund. The estimate is the same amount approved by the 2014 Legislature. The estimate includes funding for 5.0 FTE positions, the same number approved by the 2014 Legislature.

The **Governor** recommends FY 2015 operating expenditures of $632,327, all from Technical Professions Fee Fund. The recommendation is a decrease of $2,708, or 0.4 percent, below the agency estimate. The decrease is attributable to reduced KPERS employer contributions included in the Governor's allotment plan. The Governor concurs with the agency's estimate of 5.0 FTE positions for FY 2015.

B. FY 2016 – Budget Year

FY 2016 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 640,165	$ 637,564	$ (2,601)
FTE Positions	5.0	5.0	0.0
Change from FY 2015:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	5,130	5,237	
TOTAL	$ 5,130	$ 5,237	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	0.8	0.8	
TOTAL	0.8 %	0.8 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2016 operating expenditures of $640,165, all from the Technical Professions Fee Fund. The request is an increase of $5,130, or 0.8 percent, above the revised FY 2015 estimate. The request includes funding for 5.0 FTE positions, the same number included in the revised FY 2015 estimate.

The agency request includes the following.

- **Salaries and wages** expenditures of $284,130, which is an increase of $2,702, or 1.0 percent, above the revised FY 2015 estimate. The increase is primarily attributable to increases in employer contributions for group health insurance and KPERS, which are partially offset by reductions in classified and unclassified wages.

- **Contractual services** expenditures of $344,235, which is an increase of $3,928, or 1.2 percent, above the revised FY 2015 estimate. The increase is primarily attributable to increases in building rent and software licensing expenditures to OITS related to a change in database software.

- **Commodities** expenditures of $9,800, which is a decrease of $500, or 4.9 percent, below the revised FY 2015 estimate. The decrease is attributable to a reduction in clothing expenditures.

- **Capital outlay** expenditures of $2,000, which is a decrease of $1,000, or 33.3 percent, below the revised FY 2015 estimate. The decrease is attributable to a reduction in computer and data storage expenditures following the agency's scheduled replacement cycle.

The **Governor** recommends FY 2016 operating expenditures of $637,564, all from the Technical Professions Fee Fund. The recommendation is a decrease of $2,601, or 0.4 percent, below the agency's FY 2016 request. The decrease is attributable to the Governor recommending a reduction of $2,601 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 5.0 FTE positions for FY 2016.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000, whichever is less, to 20.0 percent or $200,000, whichever is less, 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 $63,348 for FY 2016.

C. FY 2017 – Budget Year

FY 2017 OPERATING BUDGET SUMMARY

	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	$ 652,768	$ 650,115	$ (2,653)
FTE Positions	5.0	5.0	0.0
Change from FY 2016:			
Dollar Change:			
State General Fund	$ 0	$ 0	
All Other Funds	12,603	12,551	
TOTAL	$ 12,603	$ 12,551	
Percent Change:			
State General Fund	0.0 %	0.0 %	
All Other Funds	2.0	2.0	
TOTAL	2.0 %	2.0 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2017 operating expenditures of $652,768, all from the Technical Professions Fee Fund. The request is an increase of $12,603, or 2.0 percent, above the FY 2016 requested amount. The request includes funding for 5.0 FTE positions, the same number included in the FY 2016 request.

The agency request includes the following.

- **Salaries and wages** expenditures of $296,733, which is an increase of $12,603, or 4.4 percent, above the FY 2016 request. The increase is attributable to increased KPERS employer contributions and an additional (27th) payroll period in FY 2017.

- **Contractual services** expenditures of $343,235, which is a decrease of $1,000, or 0.3 percent, below the FY 2016 request. The decrease is attributable to a reduction in software licensing expenditures to OITS. The agency indicates the licensing expenditures are expected to decrease as additional agencies adopt the software.

- **Commodities** expenditures of $9,800, which is the same as the amount requested for FY 2016.

- **Capital outlay** expenditures of $3,000, which is an increase of $1,000, or 50.0 percent, above the FY 2016 request. The increase is attributable to an increase in computer and data storage expenditures, which will allow the agency to replace its equipment on a scheduled cycle.

The **Governor** recommends FY 2017 operating expenditures of $650,115, all from the Technical Professions Fee Fund. The recommendation is a decrease of $2,653, or 0.4 percent, below the agency's FY 2017 request. The decrease is attributable to the Governor recommending a reduction of $2,653 to reduce employer contributions for state employee health insurance. The Governor concurs with the agency's request for 5.0 FTE positions for FY 2017.

The Governor also recommends increasing the amount withheld from the agency's fee fund revenue from 10.0 percent or $100,000, whichever is less, to 20.0 percent or $200,000, whichever is less, 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 $63,348 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 $1,208, all from special revenue funds, and affects four 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 $680, all from special revenue funds, and FY 2017 longevity payments total $720, 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 $2,601, all from special revenue funds, for FY 2016. This is a reduction of $2,653, 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 %
Technical Professions Fee 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.

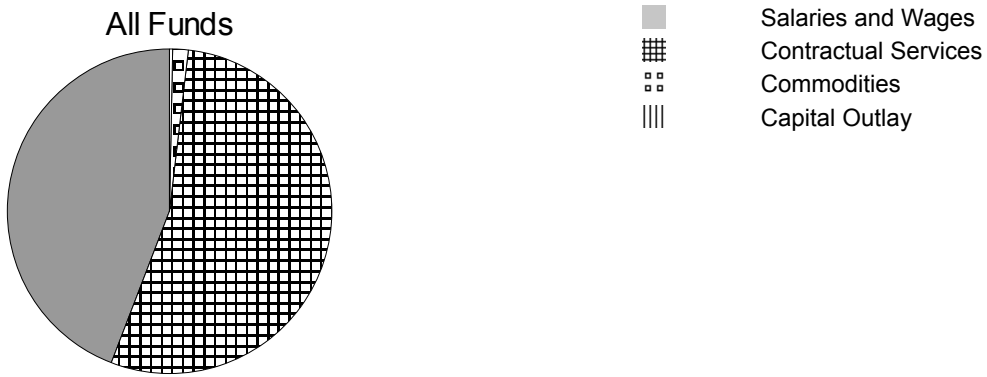
Technical Professions Fee Fund Analysis

The Board of Technical Professions is a fee-funded agency. The agency receives its revenue from new and renewal license fees for individuals and businesses, as well as from license reinstatement and replacement fees and reciprocity license fees. The revenue received provides financing for all operations, with 90.0 percent being retained by the agency and 10.0 percent being deposited into the State General Fund. A breakdown of the Board of Technical Professions Fee Fund receipts, expenditures, balances, and licensing information are contained below.

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	$ 1,234,364	$ 1,376,265	$ 1,376,265	$ 1,312,281	$ 1,314,989	$ 1,242,251	$ 1,184,212
Revenue	662,695	571,051	571,051	570,135	506,787	570,135	506,787
Transfers in	0	0	0	0	0	0	0
Total Funds Available	$ 1,897,059	$ 1,947,316	$ 1,947,316	$ 1,882,416	$ 1,821,776	$ 1,812,386	$ 1,690,999
Less: Expenditures	520,794	635,035	632,327	640,165	637,564	652,768	650,115
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	$ 1,376,265	$ 1,312,281	$ 1,314,989	$ 1,242,251	$ 1,184,212	$ 1,159,618	$ 1,040,884
Ending Balance as Percent of Expenditures	264.3%	206.6%	208.0%	194.1%	185.7%	177.6%	160.1%
	May	July	July	July	July	July	July
Month Highest Ending Balance	$ 1,394,909	$ 1,348,654	$ 1,348,885	$ 1,284,190	$ 1,284,175	$ 1,213,085	$ 1,152,327
	February	February	February	February	February	February	February
Month Lowest Ending Balance	$ 1,132,449	$ 1,160,209	$ 1,162,023	$ 1,092,453	$ 1,073,681	$ 1,013,980	$ 934,496

Board of Technical Professions Fees		
	Current Fee	**Statutory Limit**
Individual License (original and renewal)	$60	$200
Individual License Reinstatement	100	200
Business Entity License (original)	170	300
Business Entity License (renewal)	85	300
Business License Reinstatement	100	200
License by Reciprocity	250	500
Replacement License	20	20

EXPENDITURES BY OBJECT–GOVERNOR'S FY 2016 RECOMMENDATION



Object	Gov. Rec. All Funds FY 2016	Percent of Total	Gov. Rec. SGF FY 2016	Percent of Total
Salaries and Wages	$ 281,529	44.2 %	$ 0	-- %
Contractual Services	344,235	54.0	0	--
Commodities	9,800	1.5	0	--
Capital Outlay	2,000	0.3	0	--
TOTAL	$ 637,564	100.0 %	$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2014 – FY 2017

Program	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
Administration	5.0	5.0	5.0	5.0	5.0	5.0	5.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2014	Actual FY 2014	Gov. Rec. FY 2015	Gov. Rec. FY 2016	Gov. Rec. FY 2017
Number of individual licenses	16,055	16,304	16,600	16,600	16,600
Number of corporate certificates	3,900	3,993	4,079	4,159	4,239
Number of days for a corporation to receive license status report	1.5	1.5	1.5	1.5	1.5
Percent of case files closed resulting in disciplinary action	30.0%	23.0%	30.0%	30.0%	30.0%