

OFFICE OF THE STATE TREASURER

Expenditure	Actual FY 2017	Agency Est. FY 2018	Gov. Rec. FY 2018	Agency Est. FY 2019	Gov. Rec. FY 2019
Operating Expenditures:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	25,167,726	28,399,726	28,374,726	28,449,968	28,374,968
<i>Subtotal</i>	<i>\$ 25,167,726</i>	<i>\$ 28,399,726</i>	<i>\$ 28,374,726</i>	<i>\$ 28,449,968</i>	<i>\$ 28,374,968</i>
Capital Improvements:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0
<i>Subtotal</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>	<i>\$ 0</i>
TOTAL	\$ 25,167,726	\$ 28,399,726	\$ 28,374,726	\$ 28,449,968	\$ 28,374,968

Percentage Change:

Operating Expenditures

State General Fund	-- %	-- %	-- %	-- %	-- %
All Funds	(12.1)	12.8	12.7	0.2	0.0
FTE Positions	39.5	39.5	39.5	39.5	39.5

About This Analysis. For purposes of this analysis, full-time equivalent (FTE) positions now include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

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 also is 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.

MAJOR ISSUES FROM PRIOR YEARS

The **2004 Legislature** passed HB 2795, which 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 **2005 Legislature** 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 Developing Scholars (KIDS) matching grant program, which is 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 matching grant 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 normally would have been deposited into the State General Fund.

The **2008 Legislature** approved 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 provides up to \$60.0 million in allowable loans, authorizes the Pooled Money Investment Board to make loans to eligible lending institutions at specified rates, and requires half of the allowable loans be made available to developer borrowers building houses in certain counties.

The **2009 Legislature** passed 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 passed HB 2331, which established a minimum interest rate on investments of 0.5 percent while maintaining a rate 2.0 percentage points below the market.

Additionally, the **2009 Legislature** passed 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 the 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 FY 2010, FY 2011, or FY 2012.

The **2010 Legislature** passed SB 382, which amended the Kansas Housing Loan Deposit Program requirements to expand the definition of "house" to include multi-family dwellings; to expand the definition of "eligible developer borrower" to include not only new construction but also rehabilitation of existing homes; to 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; to 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 to 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 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 City, New York, plus a certain interest percentage. Specifically, the bill increases the interest percentages from 5.0 percent to 6.0 percent if the interest on the bonds is excluded from gross income for federal tax purposes or from 6.0 percent to 7.0 percent if interest is included.

The **2010 Legislature** also passed the following legislation:

- **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;
- **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;
- **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; and
- **House Sub. for SB 312.** This legislation authorized counties paying large property tax refunds relative to a single property whose value exceeds 5.0 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 \$50.0 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. The bill also amended the statute providing a cap relative to the total amount of Pooled Money Investment Board (PMIB) investments available for legislative mandate. The limitation was changed from the lesser of 10.0 percent or \$140.0 million of state moneys invested to the greater of 10.0 percent or \$140.0 million of state moneys invested.

The **2013 Legislature** reduced the estimated transfer by \$305,000 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 for 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.

The **2015 Legislature** created the Achieving a Better Life Experience (ABLE) savings program with HB 2215. This program is based on a new federal statute that allows individuals with a disability, before the age of 26, to save in accounts they own with tax-deferred growth and tax-free withdrawal of earnings used for qualified expenses related to their disability. Accounts are limited to \$14,000 in contributions per year and must be owned by the individual with a disability or their parent, guardian, or custodian. The State Treasurer's Office estimates the eligible population for the program will be less than 100,000 individuals based on U.S. Census data for individuals with a disability and their age.

The **2016 Legislature** directed the agency to report the Pooled Money Investment Board budget separately from the State Treasurer's Office budget.

The **2017 Legislature** suspended payments from the Tax Increment Financing Revenue Replacement Fund for FY 2018 and FY 2019.

BUDGET SUMMARY AND KEY POINTS

FY 2018 – Current Year. The **agency** requests \$28.4 million, all from special revenue funds, which is an increase of \$2.8 million, or 11.0 percent, above the FY 2018 approved budget. The increase is attributable to \$4.0 million in increased estimated unclaimed property trust fund claims. This increase is partially offset by a decrease of \$1.0 million from the suspension of Tax Increment Financing Revenue Replacement Fund payments and \$176,941, or 4.2 percent, in other operating expense reductions. The revised request funds 39.5 FTE positions.

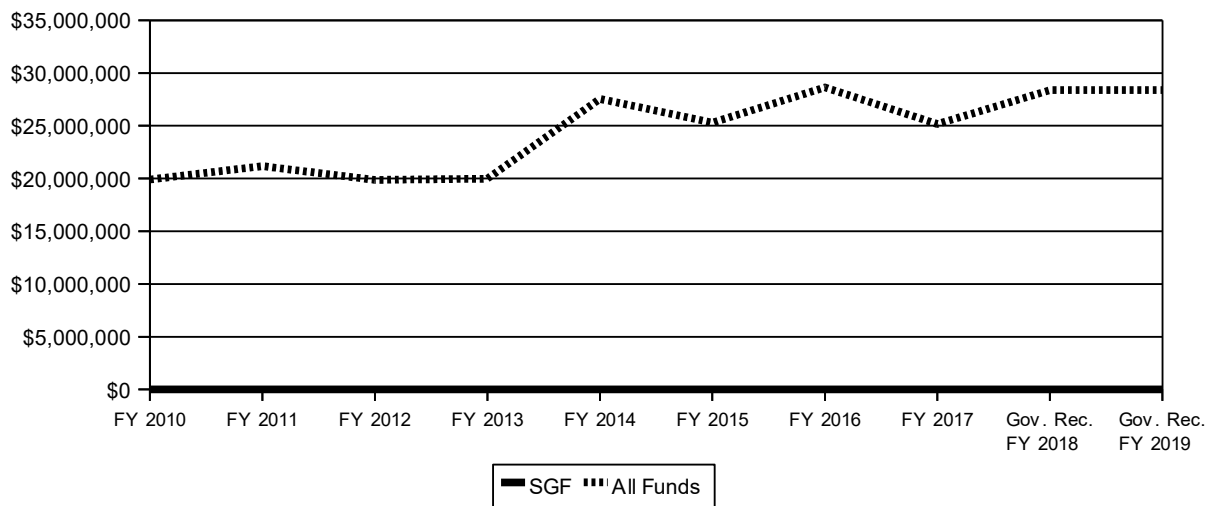
The **Governor** recommends \$28.4 million, all from special revenue funds. The recommendation is a decrease of \$25,000, or 0.1 percent, from the Postsecondary Education Savings Program Trust Fund, below the agency's revised estimate in FY 2018. This decrease is attributable to a reduction in estimated expenditures for the KIDS Matching Grant.

FY 2019 – Budget Year. The **agency** requests \$28.4 million, all from special revenue funds, which is an increase of \$2.8 million, or 10.8 percent, above the FY 2019 approved budget. The increase is attributable to \$4.0 million in increased estimated unclaimed property trust fund claims. This increase is partially offset by a decrease of \$1.0 million from the suspension of Tax Increment Financing Revenue Replacement Fund payments and \$236,208, or 5.6 percent, in other operating expense reductions. The revised request funds 39.5 FTE positions.

The **Governor** recommends \$28.4 million, all from special revenue funds. The recommendation is a decrease of \$75,000, or 0.3 percent, from the Postsecondary Education Savings Program Fund, below the agency's revised estimate for FY 2019. This decrease is attributable to a reduction in estimated expenditures for the KIDS Matching Grant.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2010 – FY 2019



OPERATING EXPENDITURES FY 2010 – FY 2019

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
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	0	--	25,301,658	(8.1)	45.5
2016	0	--	28,633,344	13.2	39.5
2017	0	--	25,167,726	(12.1)	39.5
2018 Gov. Rec.	0	--	28,374,726	12.7	39.5
2019 Gov. Rec.	0	--	28,374,968	0.0	39.5
Ten-Year Change Dollars/Percent	\$ 0	-- %	\$ 8,469,755	42.6 %	(14.0)

Summary of Operating Budget FY 2017 - FY 2019

	Actual FY 2017	Agency Estimate				Governor's Recommendation			
		Estimate FY 2018	Estimate FY 2019	Dollar Change from FY 18	Percent Change from FY 18	Rec. FY 2018	Rec. FY 2019	Dollar Change from FY 18	Percent Change from FY 18
By Program:									
Administration	\$ 25,167,726	\$ 673,513	\$ 682,860	\$ 9,347	1.4 %	\$ 673,513	\$ 682,860	\$ 9,347	1.4 %
Bond Services	0	692,427	699,070	6,643	1.0	692,427	699,070	6,643	1.0
Education Assistance	0	741,244	793,162	51,918	7.0	716,244	718,162	1,918	0.3
ABLE Savings	0	48,914	48,833	(81)	(0.2)	48,914	48,833	(81)	(0.2)
Unclaimed Property	0	25,234,625	25,228,059	(6,566)	(0.0)	25,234,625	25,228,059	(6,566)	(0.0)
Cash Management	0	1,009,003	997,984	(11,019)	(1.1)	1,009,003	997,984	(11,019)	(1.1)
TOTAL	\$ 25,167,726	\$ 28,399,726	\$ 28,449,968	\$ 50,242	0.2 %	\$ 28,374,726	\$ 28,374,968	\$ 242	0.0 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 2,273,316	\$ 2,448,718	\$ 2,497,918	\$ 49,200	2.0 %	\$ 2,448,718	\$ 2,497,918	\$ 49,200	2.0 %
Contractual Services	1,324,914	1,460,276	1,417,695	(42,581)	(2.9)	1,460,276	1,417,695	(42,581)	(2.9)
Commodities	26,460	32,997	33,200	203	0.6	32,997	33,200	203	0.6
Capital Outlay	56,683	57,735	51,155	(6,580)	(11.4)	57,735	51,155	(6,580)	(11.4)
Debt Service	0	0	0	0	--	0	0	0	--
<i>Subtotal-Operations</i>	<i>\$ 3,681,373</i>	<i>\$ 3,999,726</i>	<i>\$ 3,999,968</i>	<i>\$ 242</i>	<i>0.0 %</i>	<i>\$ 3,999,726</i>	<i>\$ 3,999,968</i>	<i>\$ 242</i>	<i>0.0 %</i>
Aid to Local Units	913,029	0	0	0	--	0	0	0	--
Other Assistance	20,573,324	24,400,000	24,450,000	50,000	0.2	24,375,000	24,375,000	0	--
TOTAL	\$ 25,167,726	\$ 28,399,726	\$ 28,449,968	\$ 50,242	0.2 %	\$ 28,374,726	\$ 28,374,968	\$ 242	0.0 %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Trust Funds	21,486,353	24,400,000	24,450,000	50,000	0.2	24,375,000	24,375,000	0	--
All Other Funds	3,681,373	3,999,726	3,999,968	242	0.0	3,999,726	3,999,968	242	0.0
TOTAL	\$ 25,167,726	\$ 28,399,726	\$ 28,449,968	\$ 50,242	0.2 %	\$ 28,374,726	\$ 28,374,968	\$ 242	0.0 %

BUDGET OVERVIEW

A. FY 2018 – Current Year

Adjustments to Approved State General Fund Budget

The agency's revised request does not include any State General Fund expenditures.

CHANGE FROM APPROVED BUDGET					
	Legislative Approved FY 2018	Agency Estimate FY 2018	Agency Change from Approved	Governor Rec. FY 2018	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	25,596,667	28,399,726	2,803,059	28,374,726	2,778,059
TOTAL	\$ 25,596,667	\$ 28,399,726	\$ 2,803,059	\$ 28,374,726	\$ 2,778,059
FTE Positions	39.5	39.5	(0.0)	39.5	0.0

The **agency** requests \$28.4 million, all from special revenue funds, which is an increase of \$2.8 million, or 11.0 percent, above the FY 2018 approved budget. The increase is attributable to \$4.0 million in increased estimated unclaimed property trust fund claims. This increase is partially offset by a decrease of \$1.0 million from the suspension of Tax Increment Financing Revenue Replacement Fund payments and \$176,941, or 4.2 percent, in other operating expense reductions. The revised request funds 39.5 FTE positions. The revised request includes the following objects of expenditure:

- **Salaries and Wages.** The agency requests \$2.4 million for salaries and wages, a decrease of \$41,286, or 1.7 percent, below the FY 2018 approved budget. The salaries and wages decrease was primarily in the Bond Services program, which funded 1.0 FTE fewer staff and moved 0.5 FTE position funding to the Financial Education program. The Assistant Director position of the Bond Services program remains vacant. The reconstituted Financial Education Program Director position has been filled as a 0.5 FTE position;
- **Contractual Services.** The agency requests \$1.5 million for contractual services, a decrease of \$137,077, or 8.6 percent, below the FY 2018 approved budget. The decrease is attributable to a new consultant contract for the Learning Request Program (\$80,000) and reduced travel expenditures. The agency does have a slight increase in information technology expenditures for the current year due to relocation of the agency servers to the seventh floor of Landon. This co-locates the servers with the Office of Information Technology Services;
- **Commodities and Capital Outlay.** Commodities and capital outlay have not experienced substantial changes from the approved expenditure levels. There is less than \$1,500 of net change in the two objects of expenditure;

- **Aid to Local Units of Government.** The agency made no request for expenditures from the Tax Increment Financing Revenue Replacement Fund, which is a decrease of \$1.0 million, all from special revenue funds. The funding for this fund is provided by a demand transfer from the State General Fund. The 2017 Legislature suspended payments from the Fund for two years as the 20-year limit on redevelopment districts set in statute has been reached; and
- **Other Assistance.** The agency estimates an increase of \$4.0 million in unclaimed property claims. The agency is up \$1.2 million through October 2017 over FY 2017 for paid property claims. Unclaimed Property is deposited in the State General Fund so increased claims payments reduce State General Fund revenue. However, increased claim payments tend to correlate with increased revenue from this source. Payments from the Kansas Post-Secondary Education Savings Trust Fund (KIDS Matching Grant) are anticipated to decrease by \$20,000 from \$420,000, or 4.8 percent, from the FY 2018 approved amount. The decrease is based on filings for the program to date. The statutory cap on payments is \$720,000, so payments remain well below the statutory limit. The KIDS matching grant payments included here are funded by demand transfers from the State General Fund.

The **Governor** recommends \$28.4 million, all from special revenue funds. The recommendation is a decrease of \$25,000, or 0.1 percent, all from the Postsecondary Education Savings Program Fund, below the agency's revised estimate in FY 2018. This decrease is attributable to a reduction in estimated expenditures for the KIDS Matching Grant, changing the total to \$375,000 in FY 2018.

B. FY 2019 – Budget Year

Adjustments to Approved State General Fund Budget

The agency's revised request does not include any State General Fund expenditures.

	CHANGE FROM APPROVED BUDGET				
	Legislative Approved FY 2019	Agency Estimate FY 2019	Agency Change from Approved	Governor Rec. FY 2019	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	25,677,176	28,449,968	2,772,792	28,374,968	2,697,792
TOTAL	\$ 25,677,176	\$ 28,449,968	\$ 2,772,792	\$ 28,374,968	\$ 2,697,792
FTE Positions	39.5	39.5	(0.0)	39.5	(0.0)

The **agency** requests \$28.4 million, all from special revenue funds, which is an increase of \$2.8 million, or 10.8 percent, above the FY 2019 approved budget. The increase is attributable to \$4.0 million in increased estimated unclaimed property trust fund claims. This increase is partially offset by a decrease of \$1.0 million from the suspension of Tax Increment Financing Revenue Replacement Fund payments and \$236,208, or 5.6 percent, in other operating expense reductions. The revised request funds 39.5 FTE positions. The revised request includes the following objects of expenditure:

- **Salaries and Wages.** The agency requests \$2.5 million for salaries and wages, which is a decrease of \$31,989, or 1.3 percent, below the FY 2019 approved budget. The salaries and wages decrease was primarily in the Bond Services program, which funded 1.0 FTE fewer staff and moved 0.5 FTE funding to the Financial Education program. The Assistant Director position of the Bond Services program remains vacant. The reconstituted Financial Education Program Director position has been filled as a 0.5 FTE position;
- **Contractual Services.** The agency requests \$1.4 million for contractual services, which is a decrease of \$210,264, or 12.9 percent, below the FY 2019 approved budget. The decrease is attributable to a new consultant contract for the KIDS Program (\$80,000) and reduced travel expenditures. The agency does have a decrease in information technology expenditures for FY 2019 due to relocation of the agency servers to the seventh floor of Landon. This co-locates the servers with the Office of Information Technology Services;
- **Commodities.** Commodities have not experienced substantial changes from the approved expenditure levels;
- **Capital Outlay.** The agency requests \$51,155 for capital outlay, which is an increase of \$7,345, or 16.8 percent, above the FY 2019 approved budget. The 2017 Legislature previously approved \$16,200 in FY 2018 for the replacement of seven workstations with desktop scanners for electronic storage of data (\$11,000) and other information technology expenditures. The original approved budget reduced FY 2019 capital outlay expenditures subsequent to this request. The revised budget request maintains the FY 2018 spending level;
- **Aid to Local Units of Government.** The agency made no request for expenditures from the Tax Increment Financing Revenue Replacement Fund, which is a decrease of \$1.0 million, all from special revenue funds. The funding for this fund is provided by a demand transfer from the State General Fund. The 2017 Legislature suspended payments from the Fund for two years as the 20-year limit on redevelopment districts set in statute has been reached; and
- **Other Assistance.** The agency estimates an increase of \$4.0 million in unclaimed property claims. The agency is up \$1.2 million through October 2017 over FY 2017 for paid property claims. Unclaimed Property is deposited in the State General Fund so increased claims payments reduce State General Fund revenue. However, increased claim payments tend to correlate with increased revenue from this source. Payments from the Kansas Post-Secondary Education Savings Trust Fund (KIDS Matching Grant) are anticipated to decrease by \$20,000 from \$420,000, or 4.8 percent, below the FY 2018 approved amount. The decrease is based on filings for the program to date. The statutory cap on payments is \$720,000, so payments remain well below the statutory limit. The KIDS matching grant payments included here are funded by demand transfers from the State General Fund.

The **Governor** recommends \$28.4 million, all from special revenue funds. The recommendation is a decrease of \$75,000, or 16.7 percent, from the Postsecondary Education Savings Program Fund, below the agency's revised estimate for FY 2019. This decrease is attributable to a reduction in estimated expenditures for the KIDS Matching Grant, changing the total to \$375,000 for FY 2019.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's recommendation for FY 2019 appropriates \$1.5 million, all from the State General Fund, to the Pay Plan Equalization Fund. The Director of the Budget could transfer funds from the Pay Plan Equalization Fund to the State General Fund accounts of any agency.

Longevity Bonus Payments. In FY 2018 and for FY 2019, 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 2018 payment is \$4.3 million, including \$1.7 million from the State General Fund. For FY 2019, the estimated cost is \$4.6 million, including \$1.7 million from the State General Fund. **For this agency, FY 2018 longevity payments total \$1,000, including \$0 from the State General Fund, and FY 2019 longevity payments total \$1,000, including \$0 from the State General Fund.**

Kansas Public Employees Retirement System (KPERs) Adjustments. The employer retirement contribution rate for KPERs State and School is scheduled to be 11.78 percent in FY 2018 and 13.21 percent for FY 2019. The 2017 Legislature approved reducing KPER School employer contributions by \$194.0 million for FY 2019. Like FY 2017, the Legislature required the contribution reduction to be layered as a level dollar amount over 20 years, with the first payment of \$19.4 million beginning for FY 2020.

Death and Disability. The 2017 Legislature approved a moratorium on employer contributions to the Group Insurance Reserve Fund for the first quarter of FY 2018. This will provide savings of \$10.1 million from the State General Fund and \$12.6 million from all funds.

Funding Sources

Funding Source	Agency Est. Percent of Total FY 2019	Gov. Rec. Percent of Total FY 2019
Bond Services Fund	2.4 %	2.5 %
Postsecondary Education Fund	1.2	1.2
ABLE Savings Expense Fund	0.2	0.2
Unclaimed Property Expense Fund	4.4	4.3
State Treasurer Operating Fund	5.9	5.9
Trust Funds	85.9	85.9
TOTAL	100.0 %	100.0 %

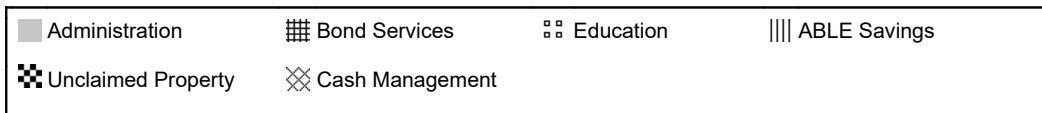
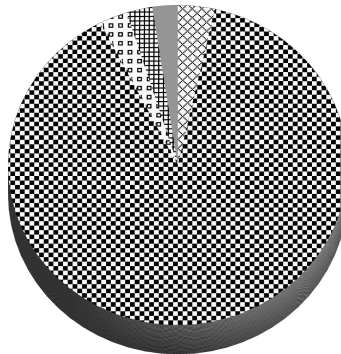
Note: Details may not add to totals due to rounding.

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2019 Recommendation

All Funds



Program	Gov. Rec. All Funds FY 2019	Percent of Total	Gov. Rec. SGF FY 2019	Percent of Total
Administration	\$ 673,513	2.4 %	\$ 682,860	2.4 %
Bond Services	692,427	2.4	699,070	2.5
Education	716,244	2.5	718,162	2.5
ABLE Savings	48,914	0.2	48,833	0.2
Unclaimed Property	25,234,625	88.9	25,228,059	88.9
Cash Management	1,009,003	3.6	997,984	3.5
TOTAL	\$ 28,374,726	100.0 %	\$ 28,374,968	100.0 %

FTE POSITIONS BY PROGRAM FY 2017 – FY 2019					
Program	Actual FY 2017	Agency Est. FY 2018	Gov. Rec. FY 2018	Agency Est. FY 2019	Gov. Rec. FY 2019
Administration	39.5	5.9	5.9	5.9	5.9
Bond Services	0.0	8.4	8.4	8.4	8.4
Education	0.0	2.6	2.6	2.6	2.6
ABLE Savings	0.0	0.3	0.3	0.3	0.3
Unclaimed Property	0.0	14.3	14.3	14.3	14.3
Cash Management	0.0	8.0	8.0	8.0	8.0
TOTAL	39.5	39.5	39.5	39.5	39.5

Note: For purposes of this analysis, full-time equivalent (FTE) positions now include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

A. State Treasurer Program and Subprogram Expenditures

In FY 2018, in compliance with Performance Based Budgeting requirements, the agency broke out the various functional program and subprogram categories. The modification resulted in the loss of FY 2017 actual and FY 2018 and FY 2019 approved level data at the program and subprogram level.

PROGRAM AND SUBPROGRAM EXPENDITURES SUMMARY OF EXPENDITURES FY 2017 – FY 2019					
Item	Actual FY 2017	Agency Est. FY 2018	Gov. Rec. FY 2018	Agency Est. FY 2019	Gov. Rec. FY 2019
Expenditures:					
Administration					
<i>Administration</i>	\$ 25,167,726	\$ 0	\$ 0	\$ 0	\$ 0
<i>Information Technology</i>	0	300,495	300,495	313,334	313,334
<i>Administrative Services</i>	0	373,018	373,018	369,526	369,526
Bond Services	0	692,427	692,427	699,070	699,070
Education					
<i>Learning Quest</i>	0	294,342	294,342	296,494	296,494
<i>KIDS</i>	0	400,000	375,000	450,000	375,000
<i>Financial Literacy</i>	0	46,902	46,902	46,668	46,668
ABLE Savings	0	48,914	48,914	48,833	48,833
Unclaimed Property	0	25,234,625	25,234,625	25,228,059	25,228,059
Cash Management	0	1,009,003	1,009,003	997,984	997,984
TOTAL	\$ 25,167,726	\$ 28,399,726	\$ 28,374,726	\$ 28,449,968	\$ 28,374,968
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	25,167,726	28,399,726	28,374,726	28,449,968	28,374,968
TOTAL	\$ 25,167,726	\$ 28,399,726	\$ 28,374,726	\$ 28,449,968	\$ 28,374,968
FTE Positions	39.5	39.5	39.5	39.5	39.5

Administration Program

The Administration Program is comprised of two subprograms: Administrative Services and the Information Technology Division. Administrative Services is responsible for the overall determination of agency priorities and policies, planning and regulation of operational activities, proper allocation of available resources, and performance of ongoing internal review of operations and procedures. Functions performed or delegated by Administrative Services for the benefit of the agency include information technology; human resources; public relations and marketing; budgeting and forecasting; and administrative and fiscal support services including purchasing, travel and expense, accounts payable, and communications and correspondence.

General Services Subprogram. Administrative services is responsible for all administrative functions with the exception of information technology and those expenditures dedicated to another specific function of the Treasurer. For FY 2018, the agency requests \$373,018, all from the State Treasurer Operating Fund, to support 3.1 FTE positions. For FY 2019, the agency requests \$369,526, all from the State Treasurer Operating Fund. This is a reduction of \$3,492, or 0.9 percent, below the FY 2018 agency request. The decrease is attributable to reduced travel (\$6,000) and other contractual services (\$3,000) due to a reduction in planned travel expenditures. These decreases were partially offset by an increase of \$5,508, predominantly in employer contributions for retirement and group health and hospitalization.

Information and Technology Services Sub-Program. The Information Technology (IT) subprogram is responsible for managing information resources and providing IT support for all areas in the Treasurer's Office. The responsibility of IT encompasses computer hardware and software acquisition, installation, training, and maintenance. The network LANs are maintained by IT personnel. Additionally, the IT staff develops, designs, codes, implements, and maintains an extensive library of custom computer programs for the Treasurer's Office. The staff designed multiple interactive websites, which have streamlined processes for other state agencies, including the Kansas Debt Recovery System (KDRS) and Kansas Treasury Offset Program (KTOP) for the Department of Administration and Kansas Municipal Investment Pool (KMIP) for the Pooled Money Investment Board.

For FY 2018, the IT services subprogram requests \$300,945, all from special revenue funds, to support 2.8 FTE positions. For FY 2019, the IT services program requests \$313,334, all from special revenue funds, which is an increase of \$12,839, or 4.3 percent, above the FY 2018 request. The increase is attributable to \$4,026 in salaries and wages for employer contributions for retirement and health insurance, \$2,000 in furniture and equipment, and \$6,813 in contractual services for fees and repairs.

Municipal Bond Program

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 financed entirely from bond service fees. Total fees collected and credited to the bond services fee fund in FY 2017 were approximately \$673,818. The subprogram contains 8.4 FTE positions. The assistance director position for this program remains vacant.

In 2005 and 2006, the agency was selected to service the bond issues for the Department of Commerce/Goodyear Tire & Rubber Company and Department of Commerce/Spirit Aerosystems Inc. projects, both of which were authorized by 2004 Session Laws. In 2010, the agency was selected to service Department of Commerce/Learjet, Inc., and Department of Commerce/Siemens Energy projects also authorized by 2004 Sessions Laws. In 2009 and 2010, the agency was selected as Paying Agent by numerous municipalities that issued Build America Bonds, which were authorized by the American Recovery and Reinvestment Act of 2009.

Cash Management Program

The Cash Management Program is responsible for several functions, including distributing aid to local units of government and processing the receipt and disbursement of state moneys. 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.

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 has previously 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 2018. The 2017 Legislature further suspended the transfers through 2020.

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 65.0 percent among the counties by population and 35.0 percent by equalized assessed tangible property valuation. Each county receives 50.0 percent of its entitlement and the remaining 50.0 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 no money shall be transferred from the State General Fund to the County and City Revenue Sharing Fund during FY 2013, FY 2014, FY 2015, and FY 2016. The 2015 Legislature, in House Sub. for SB 112, stated no money will be transferred for FY 2016, FY 2017, and FY 2018. The 2017 Legislature suspended the transfer for FY 2018, FY 2019, and FY 2020.

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 to school finance property taxation. Cities that have established a redevelopment district prior to July 1, 1996, are entitled to receive from the State the revenues that 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, 6 cities and 22 redevelopment districts receive payments. These payments are financed by a transfer from the State General Fund.

The Legislature suspended the Tax Increment Financing Revenue Replacement Fund starting in FY 2018 and for FY 2019 *via* proviso in the Appropriations Bill. KSA 12-1772 states that any projects in a redevelopment district should be completed within 20 years of the filing of the redevelopment plan. Twenty-one years have elapsed since the creation of the program.

TAX INCREMENT REVENUE REPLACEMENT FUND	
<u>Fiscal Year</u>	<u>Receipts</u>
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	866,537
FY 2016	991,827
FY 2017	913,029

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 shares 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 on the Treasurer's website where the property was reported abandoned in an effort to locate the owner of the property. Owners also may 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 balances in 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, 2016, the total amount of unclaimed property held in trust within the State General Fund was \$343.0 million. In FY 2017, the value of unclaimed property receipts to the State General Fund was \$42.3 million.

Education Programs

The Postsecondary Education Savings subprogram (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. The program celebrated its 17th anniversary on July 1, 2017, with 216,091 accounts and \$5.76 billion in assets. Kansas residents own 66,320 of these accounts. Currently, 63,833 account owners fund their accounts utilizing an Automatic Investment Plan (AIP).

The Kansas Investments Development Scholars (KIDS) matching grant subprogram was created as a three-year pilot program in FY 2006 and is part of the Learning Quest program. The KIDS matching grant 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 Financial Literacy subprogram position has been unfilled since 2015. The current Treasurer has appointed the Director of the Financial Education Program to research and develop a new strategy for financial education by working with a sub-contractor through Healthquest. The agency requests expenditures \$46,902 in FY 2018 and \$46,668 for FY 2019 for 0.5 FTE positions.

The **agency** requests expenditures from the Kansas Postsecondary Education Savings Trust Fund of \$400,000 in FY 2018 and \$450,000 for FY 2019. These expenditures are funded by demand transfers from the State General Fund.

The **Governor** recommends reducing the KIDS Matching Grant estimates by \$25,000 in FY 2018 and \$75,000 for FY 2019. The Governor recommends \$375,000 for the Postsecondary Education Savings Trust Fund in FY 2018 and for FY 2019.

ABLE Savings Program

The 2015 Legislature created the Achieving a Better Life Experience savings program with HB 2215. This program is based on a new federal statute, which allows individuals diagnosed with a disability before the age of 26 to save in accounts that they own with tax-deferred growth and tax-free withdraw of earnings used for qualified expenses related to their disability under section 529A of the Internal Revenue Code. Assets in the accounts are also not counted for Supplemental Security Income and Medicaid asset tests.

Accounts are limited to \$14,000 in contributions per year and must be owned by the individual with a disability or their parent, guardian, or custodian. After legislation was passed in Kansas, Congress amended the federal legislation to allow individuals with a disability to open an account in a plan administered by any state rather than just their state of residence in the Protecting Americans from Tax Hikes Act of 2015.

The **agency** requests a transfer of \$50,000 from the Postsecondary Education Savings Program Expense Fund to the ABLE Savings Expense Fund for FY 2019 to cover the cost of establishing and marketing the program.

The **Governor** concurs with the agency's request for the ABLE Savings Program.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2017	Actual FY 2017	Gov. Rec. FY 2018	Gov. Rec. FY 2019
Administration:				
Number of page views	N/A	10,789	15,000	18,000
Percent of new visitors to page	N/A	88.0%	75.0%	75.0%
Bonds:				
Number of registration numbers issued (bond projects)	N/A	281	280	280
Percent of new municipal bonds with state as paying agent	N/A	91.0%	90.0%	90.0%
Education Savings:				
Number of active accounts program wide	215,689	216,091	226,895	238,240
Number of active Kansas accounts	N/A	66,320	68,309	70,359
New money deposited program wide (in millions)	\$572.0	\$620.0	\$663.0	\$710.0
New Kansas money deposited (in millions)	N/A	\$101.0	\$106.0	\$111.0
Unclaimed Property:				
Number of requests for information packets sent	N/A	90,000	90,000	90,000
Number of claims paid	98,500	98,069	98,500	98,500
Cash Management:				
Percent of dollars received electronically	92.0%	90.9%	92.0%	92.0%
Percent of funds paid electronically	93.0%	93.3%	95.0%	95.0%