

BUDGET ANALYSIS

FISCAL YEAR 2014

Submitted to the 2013 Kansas Legislature



Volume I

Overview of Governor's FY 2014 Budget Recommendation
Agriculture and Natural Resources
General Government
Transportation

Kansas Legislative Research Department
February 2013

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Agriculture and Natural Resources
General Government
Transportation*



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FOREWORD

The *Fiscal Year 2014 Budget Analysis* is provided to assist the Legislature in the review of agency budget requests and the Governor's budget recommendations for Fiscal Years 2013 and 2014. In addition, the Governor makes recommendations for all agencies for FY 2015.

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This report contains the individual analyses of state agency budgets (including the agency budget requests and the Governor's recommendations). The Legislative Research Department's analysis pertains to the Governor's recommendations as originally reported in Volumes 1 and 2 of the Governor's Budget Report as submitted to the Legislature.

This document groups agencies by the function of government in which each agency is classified. There are six functions of government into which agencies are grouped, with similar agencies grouped that share similar basic purposes.

Volume I of this publication contains the Overview of the FY 2014 Governor's Budget Report and agencies in Agriculture and Natural Resources, General Government (including the Biennial Budget Agencies), and Transportation.

Volume II of this publication contains agencies in Human Services, Public Safety, and Education.

LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2014

Abstracter's Board of Examiners **CARROLL, JUSTIN** (785-296-3183)
 Adjutant General's Department **KLAASSEN, AARON** (296-4396)
 Attorney General **ROBINSON, LEAH** (296-4447)

Behavioral Sciences Regulatory Board **FREDERICKSON, JOSEPH** (785-296-4382)
 Board of Accountancy **DEAR, DYLAN** (291-0515)
 Board of Barbering **CARROLL, JUSTIN** (785-296-3183)
 Board of Cosmetology **CARROLL, JUSTIN** (785-296-3183)
 Board of Examiners in Optometry **FREDERICKSON, JOSEPH** (785-296-4382)
 Board of Indigents' Defense Services **DEAR, DYLAN** (291-0515)
 Board of Mortuary Arts **ANSLEY, NATHAN** (785-296-7882)
 Board of Nursing **FREDERICKSON, JOSEPH** (785-296-4382)
 Board of Pharmacy **ANSLEY, NATHAN** (785-296-7882)
 Board of Regents **MORROW, SHIRLEY** (298-7260)
 Board of Technical Professions **CARROLL, JUSTIN** (785-296-3183)
 Board of Veterinary Examiners **BOUDEWYNS, ABIGAIL** (291-0514)

Citizens' Utility Ratepayer Board **MANES, REBECCA** (296-6490)

Department for Children and Families **DECKARD, AMY** (296-4429)
 Department of Administration **DEAR, DYLAN** (291-0515)
 Department of Agriculture **BOUDEWYNS, ABIGAIL** (291-0514)
 Department of Corrections **WALES, MICHAEL** (296-2802)
 Department of Credit Unions **TEVIS, LAUREN** (785-296-0733)
 Department of Education **CUSSIMANIO, REAGAN** (296-4443)
 Department of Wildlife, Parks and Tourism **BOUDEWYNS, ABIGAIL** (291-0514)

El Dorado Correctional Facility **WALES, MICHAEL** (296-2802)
 Ellsworth Correctional Facility **WALES, MICHAEL** (296-2802)
 Emergency Medical Services Board **STEINER, MICHAEL** (296-4181)
 Emporia State University **MORROW, SHIRLEY** (298-7260)

Fort Hays State University **MORROW, SHIRLEY** (298-7260)

Governmental Ethics Commission **DEAR, DYLAN** (291-0515)

Health Care Stabilization Fund Board of Governors **DECKARD, AMY** (296-4429)
 Home Inspectors Registration Board **CARROLL, JUSTIN** (785-296-3183)
 Hutchinson Correctional Facility **WALES, MICHAEL** (296-2802)

Judicial Branch **DEAR, DYLAN** (291-0515)
 Judicial Council **DEAR, DYLAN** (291-0515)
 Juvenile Justice Authority **TEVIS, LAUREN** (785-296-0733)

Kansas Board of Examiners in Fitting and Dispensing of Hearing Instruments **FREDERICKSON, JOSEPH** (785-296-4382)
 Kansas Bureau of Investigation **KLAASSEN, AARON** (296-4396)
 Kansas Commission on Peace Officers' Standards and Training **STEINER, MICHAEL** (296-4181)
 Kansas Commission on Veterans' Affairs **TEVIS, LAUREN** (785-296-0733)
 Kansas Corporation Commission **TEVIS, LAUREN** (785-296-0733)
 Kansas Dental Board **FREDERICKSON, JOSEPH** (785-296-4382)
 Kansas Department for Aging and Disability Services **MARIANI, BOBBI** (296-3184)
 Kansas Department of Commerce **STEINER, MICHAEL** (296-4181)
 Kansas Department of Health and Environment **BOUDEWYNS, ABIGAIL** (291-0514)
 Kansas Department of Labor **CARROLL, JUSTIN** (785-296-3183)
 Kansas Department of Revenue **STEINER, MICHAEL** (296-4181)
 Kansas Department of Transportation **KLAASSEN, AARON** (296-4396)
 Kansas Guardianship Program **MANES, REBECCA** (296-6490)
 Kansas Highway Patrol **KLAASSEN, AARON** (296-4396)
 Kansas Human Rights Commission **TEVIS, LAUREN** (785-296-0733)

Kansas Insurance Department **ROBINSON, LEAH** (296-4447)
 Kansas Juvenile Correctional Complex **TEVIS, LAUREN** (785-296-0733)
 Kansas Lottery **DEAR, DYLAN** (291-0515)
 Kansas Neurological Institute **FREDERICKSON, JOSEPH** (785-296-4382)
 Kansas Public Employees Retirement System **STEINER, MICHAEL** (296-4181)
 Kansas Racing and Gaming Commission **DEAR, DYLAN** (291-0515)
 Kansas Sentencing Commission **WALES, MICHAEL** (296-2802)
 Kansas State Board of Healing Arts **FREDERICKSON, JOSEPH** (785-296-4382)
 Kansas State Fair **BOUDEWYNS, ABIGAIL** (291-0514)
 Kansas State School for the Blind **CUSSIMANIO, REAGAN** (296-4443)
 Kansas State School for the Deaf **CUSSIMANIO, REAGAN** (296-4443)
 Kansas State University **MORROW, SHIRLEY** (298-7260)
 Kansas State University Veterinary Medical Center **MORROW, SHIRLEY** (298-7260)
 Kansas State University – Extension Systems and Agricultural Research Programs **MORROW, SHIRLEY** (298-7260)
 Kansas Water Office **BOUDEWYNS, ABIGAIL** (291-0514)

Lansing Correctional Facility **WALES, MICHAEL** (296-2802)
 Larned Correctional Mental Health Facility **WALES, MICHAEL** (296-2802)
 Larned Juvenile Correctional Facility **TEVIS, LAUREN** (785-296-0733)
 Larned State Hospital **FREDERICKSON, JOSEPH** (785-296-4382)
 Legislative Coordinating Council **SCOTT, J.G.** (296-4397)
 Legislative Division of Post Audit **SCOTT, J.G.** (296-4397)
 Legislative Research Department **SCOTT, J.G.** (296-4397)
 Legislature **SCOTT, J.G.** (296-4397)

Norton Correctional Facility **WALES, MICHAEL** (296-2802)

Office of Administrative Hearings **TEVIS, LAUREN** (785-296-0733)
 Office of the Governor **ROBINSON, LEAH** (296-4447)
 Office of the Lieutenant Governor **ROBINSON, LEAH** (296-4447)
 Office of the Revisor of Statutes **SCOTT, J.G.** (296-4397)
 Office of the Securities Commissioner **TEVIS, LAUREN** (785-296-0733)
 Office of the State Bank Commissioner **TEVIS, LAUREN** (785-296-0733)
 Office of the State Treasurer **ROBINSON, LEAH** (296-4447)
 Osawatomie State Hospital **FREDERICKSON, JOSEPH** (785-296-4382)

Parsons State Hospital and Training Center **FREDERICKSON, JOSEPH** (785-296-4382)
 Pittsburg State University **MORROW, SHIRLEY** (298-7260)
 Postsecondary Education Systemwide **MORROW, SHIRLEY** (298-7260)

Rainbow Mental Health Facility **FREDERICKSON, JOSEPH** (785-296-4382)
 Real Estate Appraisal Board **CARROLL, JUSTIN** (785-296-3183)
 Real Estate Commission **CARROLL, JUSTIN** (785-296-3183)

Secretary of State **ROBINSON, LEAH** (296-4447)
 State Court of Tax Appeals **STEINER, MICHAEL** (296-4181)
 State Fire Marshal **STEINER, MICHAEL** (296-4181)
 State Historical Society **CARROLL, JUSTIN** (785-296-3183)
 State Library **CARROLL, JUSTIN** (785-296-3183)

Topeka Correctional Facility **WALES, MICHAEL** (296-2802)

University of Kansas **MORROW, SHIRLEY** (298-7260)
 University of Kansas Medical Center **MORROW, SHIRLEY** (298-7260)

Wichita State University **MORROW, SHIRLEY** (298-7260)
 Winfield Correctional Facility **WALES, MICHAEL** (296-2802)

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OVERVIEW OF THE FISCAL YEAR 2014

GOVERNOR'S BUDGET REPORT

In this Budget Overview, various summaries of state expenditures and the plan for their financing are reviewed. The summary data were obtained from The FY 2014 Governor's Budget Report. The Legislative Research Department utilizes the classification of expenditures by function of government and by major purpose of expenditure to coincide with the Division of the Budget and the Division of Accounts and Reports. The Department has made some changes in the classification of expenditures in order to be consistent with its prior reports to the Legislature. The Governor's recommendations to the 2013 Legislature also included recommendations for all state agencies for FY 2015. Those recommendations are summarized at the end of this memorandum.

SUMMARY OF CHANGES TO ESTIMATED FY 2013 EXPENDITURES

The Governor's revised FY 2013 recommendation is a net increase of \$77.7 million, or 0.5 percent, from all funding sources, and a State General Fund increase of \$27.9 million, or 0.5 percent, above the amount approved by the 2012 Legislature. Major adjustments in the Governor's Budget Report include:

- Revised social services caseload estimates decrease by \$46.2 million from all funding sources and by \$18.8 million from the State General Fund. The State General Fund decrease is attributable to a slowed caseload growth below the approved amount for FY 2013. The all funds decrease is due largely to reduced estimates for regular medical expenditures and nursing facilities expenditures, as well as a decrease in Temporary Assistance to Families.
- General State Aid in the State Department of Education increases by \$21.3 million, all from the State General Fund, based on the November 2012 revised school finance estimates.
- Expenditures in the Department of Transportation budget decrease by \$244.9 million, primarily for capital improvement projects.
- All funds increases of \$130.0 million in the budget of the Board of Regents and the Regents institutions, primarily the result of increased tuition revenue and increased federal grants.
- Recommended FY 2013 State General Fund revenue adjustments total a net increase of \$60.3 million, and include: an anticipated refund of \$25.0 million from the federal government based on FICA taxes paid by the University of Kansas Medical Center for medical residents; elimination of the remaining \$22.7 million scheduled to be transferred to the Bioscience Authority in the current year; billing the federal government for its share of costs to contribute to the Kansas Public Employees Retirement System (KPERS) on behalf of federally-financed special education teachers (\$16.1 million); a projected increase of \$2.0 million from lottery sales; and \$1.6 million in additional income tax revenue based on a December 2012 Powerball winner in Kansas. The receipt adjustments also reflect

decreases of \$7.0 million for projected reductions in casino revenues; and \$95,000 to reflect a tort claim paid in 2012.

TOTAL STATE EXPENDITURES FOR FY 2014

Summary of Expenditures from All Funds

The Governor's recommendation for FY 2014 expenditures from all funds totals \$14.601 billion, an increase of \$185.6 million, or 1.3 percent, above the Governor's revised recommendation for FY 2013 of \$14.416 billion. Actual FY 2012 expenditures from all funding source were \$14.404 billion.

Expenditures by Major Purpose

State Operations. *Actual agency operating costs for salaries and wages, contractual services, commodities and capital outlay.*

The Governor's FY 2014 recommendation for state operations decreases by \$63.5 million, or 1.4 percent, below the revised FY 2013 amount. The largest decrease is in the budget of the Kansas Department of Health and Environment (\$32.9 million, primarily in contractual services expenditures).

Aid to Local Units. *Aid payments to counties, cities, school districts, and other local government entities. May be from state or federal funds.*

Aid to local units payments increase by \$19.0 million, or 0.4 percent, in FY 2014, primarily related to KPERS-School payments in the Department of Education budget (\$33.1 million), which are partially offset by decreases for disaster relief funding in the Adjutant General's budget (\$14.5 million).

Other Assistance, Grants, and Benefits. *Payments made to or on behalf of individuals as aid, including public assistance benefits, unemployment benefits, and tuition grants.*

Other assistance decreases \$156.3 million, or 3.4 percent, below the revised FY 2013 amount, largely due to projected reductions in unemployment benefit payments in the budget of the Department of Labor (\$100.4 million), and nursing facility payments in the budget of the Department for Aging and Disabilities Services (\$24.8 million).

Capital Improvements. *Cash or debt service payments for projects involving new construction, remodeling and additions, rehabilitation and repair, razing, and the principal portion of debt service for a capital expense.*

Capital improvements are recommended to increase by \$386.3 million, or 37.1 percent, above the FY 2013 level. The largest increase is in the budget of the Department of Transportation (\$544.6 million), related to projected increases in planned road construction contract lettings for FY 2014.

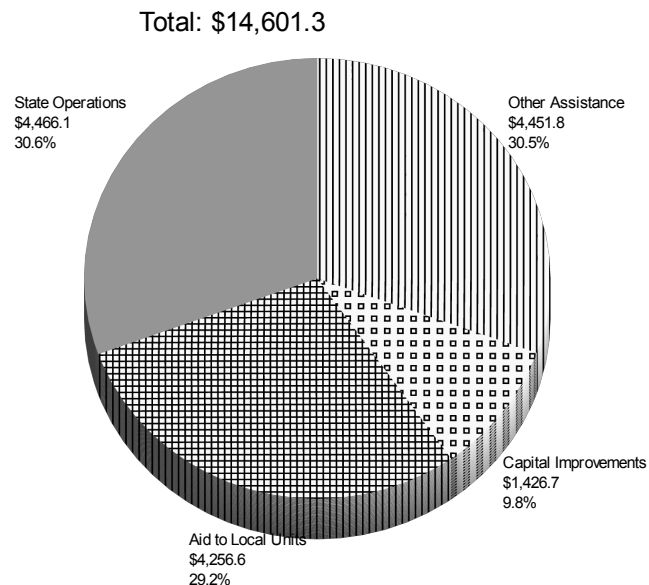
EXPENDITURES FROM ALL FUNDS BY MAJOR PURPOSE
(in Millions of Dollars)

Purpose	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2012	FY 2013	\$	%	FY 2014	\$	%
State Operations	\$ 4,206.8	\$ 4,529.4	\$ 322.6	7.7 %	\$ 4,466.1	\$ (63.3)	(1.4)%
Aid to Local Units	4,197.7	4,237.6	39.9	1.0	4,256.6	19.0	0.4
Other Assistance	4,699.5	4,608.1	(91.4)	(1.9)	4,451.8	(156.3)	(3.4)
Total Operations	\$ 13,104.0	\$ 13,375.1	\$ 271.1	2.1 %	\$ 13,174.5	\$ (200.6)	(1.5)%
Capital Improvements	1,300.0	1,040.7	(259.3)	(19.9)	1,426.7	386.0	37.1
TOTAL	\$ 14,404.0	\$ 14,415.6	\$ 11.6	0.1 %	\$ 14,601.3	\$ 185.5	1.3 %

Note: Totals may not add due to rounding.

Of the total budget recommendation for FY 2014, 30.6 percent is for state operations, 29.2 percent is for state aid to local units of government, 30.5 percent is for other assistance, grants, and benefits, and 9.8 percent is for capital improvements. The following pie chart displays the major categories of all funds expenditures in FY 2014.

**FY 2014 EXPENDITURES FROM ALL FUNDS
BY MAJOR PURPOSE**
Governor's Recommendation
(Millions of Dollars)



Expenditures by Function of Government

The following table and pie chart summarize expenditures from all funds by function of government. Functions of government reflect the six classifications into which similar agencies are grouped that share similar basic purposes of state government. The functions include: General Government; Human Services; Education; Public Safety; Agriculture and Natural Resources; and Transportation. The education function is the largest component with 43.3

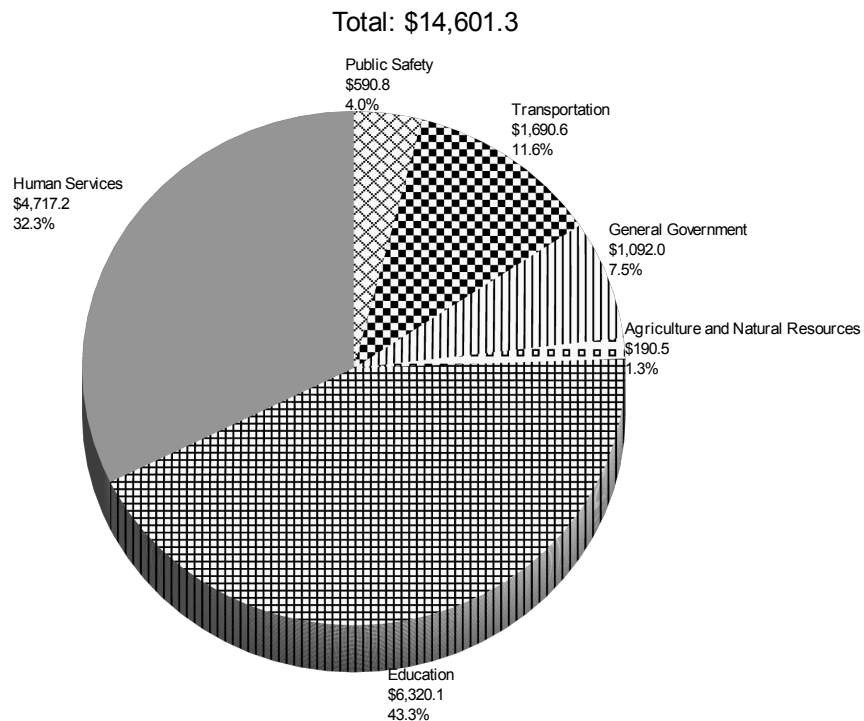
percent of the total. The three largest functions of government—education, human services, and transportation—comprise 87.2 percent of the recommended expenditures for FY 2014.

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

Purpose	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2012	FY 2013	\$	%	FY 2014	\$	%
General Government	\$ 943.6	\$ 1,092.2	\$ 148.6	15.7 %	\$ 1,092.0	\$ (0.2)	(0.0)%
Human Services	5,187.4	4,985.6	(201.8)	(3.9)	4,717.2	(268.4)	(5.4)
Education	6,172.6	6,338.1	165.5	2.7	6,320.1	(18.0)	(0.3)
Public Safety	651.0	644.7	(6.3)	(1.0)	590.8	(53.9)	(8.4)
Agriculture & Nat. Res.	186.8	205.8	19.0	10.2	190.5	(15.3)	(7.4)
Transportation	1,262.7	1,149.2	(113.5)	(9.0)	1,690.6	541.4	47.1
	<u>\$ 14,404.0</u>	<u>\$ 14,415.6</u>	<u>\$ 11.6</u>	<u>0.1 %</u>	<u>\$ 14,601.3</u>	<u>\$ 185.6</u>	<u>1.3 %</u>

* Totals may not add due to rounding.

FY 2014 EXPENDITURES FROM ALL FUNDS
BY FUNCTION OF GOVERNMENT
Governor's Recommendation
(Millions of Dollars)



Summary Plan for Financing

Total state expenditures are financed by the resources contained in approximately 1,300 distinct funds. The following table summarizes total state expenditures. The table separates the

plan for financing into operating purposes and capital improvements. The State General Fund operating amount shown in the table for FY 2014 is based on current resources of the fund. The net decrease in State General Fund operating expenditures from FY 2013 to FY 2014 is \$123.9 million or 2.0 percent. The Governor's recommendations do, however, include both positive and negative adjustments for individual agencies.

SUMMARY OF THE PLAN FOR FINANCING STATE EXPENDITURES
(in Millions of Dollars)

	Actual FY 2012	Gov. Rec. FY 2013	Change		Gov. Rec. FY 2014	Change	
			\$	%		\$	%
Operating Expenditures:							
State General Fund	\$ 6,051.0	\$ 6,168.1	\$ 117.1	1.9	\$ 6,044.2	\$ (123.9)	(2.0) %
All Other Funds	7,053.1	7,207.0	153.9	2.2	7,130.3	(76.7)	(1.1)
Total Operating	\$ 13,104.1	\$ 13,375.1	\$ 271.0	2.1 %	\$ 13,174.5	\$ (200.6)	(1.5) %
Capital Improvements:							
State General Fund	\$ 47.0	30.4	\$ (16.6)	(35.3) %	\$ 38.8	\$ 8.4	27.6 %
All Other Funds	1,253.0	1,010.3	(242.7)	(19.4)	1,387.9	377.6	37.4
Total Capital Improvements	\$ 1,300.0	\$ 1,040.7	\$ (259.3)	(19.9)	\$ 1,426.7	\$ 386.0	37.1 %
TOTAL EXPENDITURES	\$ 14,403.9	\$ 14,415.6	\$ 11.7	0.1 %	\$ 14,601.3	\$ 185.6	1.3 %

* Note: Totals may not add due to rounding.

The State General Fund, to which most state tax receipts are credited, is the predominant source of financing for state expenditures. The State General Fund finances 43.0 percent of estimated FY 2013 expenditures. In FY 2014, the State General Fund finances 41.7 percent of the recommended expenditures.

Schedule 7 in *The Governor's Budget Report (Volume 1)* summarizes actual and estimated receipts of federal funds. Estimated FY 2013 receipts are \$3.599 billion, a decrease of \$553.1 million, or 13.3 percent, below FY 2012 actual receipts. The FY 2014 estimate of \$3.493 billion is \$106.5 million, or 3.0 percent, above FY 2013 estimated receipts. Four agencies—the Department of Health and Environment, the Department for Children and Families, the Department of Education, and the Department of Transportation—account for 73.7 percent of FY 2014 estimated federal receipts.

Federal receipts for fiscal years 2013 and 2014 are dependent on future actions of the federal government. Past experience indicates that the final outcome of those actions will not be known prior to adjournment of the 2013 Legislature.

Expenditures for State Operations

Expenditures for state operations, *i.e.*, for purposes other than local aid, other assistance, and capital improvements, comprise 30.6 percent of total recommended expenditures for FY 2014. The table below divides state operations expenditures into the following components: salaries and wages; contractual services (communications, rent, travel); commodities (food, supplies, stationery); capital outlay (equipment and furniture, not building and highway construction projects); and debt service interest payments.

SUMMARY OF EXPENDITURES FROM ALL FUNDS STATE OPERATIONS BY MAJOR COMPONENT (in Millions of Dollars)

Function	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2012	FY 2013	\$	%	FY 2014	\$	%
Salaries and Wages	\$ 2,557.9	\$ 2,673.8	\$ 115.9	4.5 %	\$ 2,675.0	\$ 1.2	0.0 %
Contractual Services	1,153.9	1,374.9	221.0	19.2	1,319.0	(55.9)	(4.1)
Commodities	195.5	213.5	18.0	9.2	211.6	(1.9)	(0.9)
Capital Outlay	116.3	115.1	(1.2)	(1.0)	108.2	(6.9)	(6.0)
Debt Service Interest	183.3	152.2	(31.1)	(17.0)	152.3	0.1	0.1
TOTAL	\$ 4,206.8	\$ 4,529.4	\$ 322.6	7.7 %	\$ 4,466.1	\$ (63.4)	(1.4)%

*Totals may not add due to rounding

Salaries and wages expenditures, including fringe benefits, comprise almost two-thirds of the recommended state operations budget for FY 2014 (59.9 percent) and represent a \$1.2 million (less than 0.1 percent) increase above the FY 2013 estimate. The FY 2014 retirement rate for Kansas Public Employees Retirement System (KPERs) regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years. Salaries and wages policy recommendations incorporated into the proposed FY 2014 budget include the following:

GOVERNOR'S FY 2014 STATE EMPLOYEE SALARY ADJUSTMENTS

	In Millions	
	State General Fund	All Funds
Longevity. For FY 2014, the Governor recommends that longevity bonus payments be made 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 2014 payments is \$8.5	\$ 0.2*	\$ 0.5*

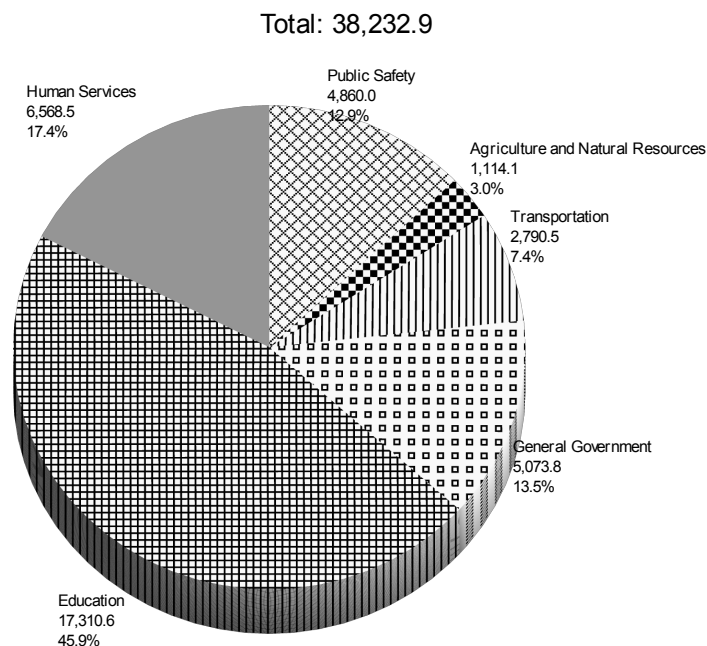
million, including \$3.6 million from the State General Fund.

*Reflects the Governor's recommended increase for longevity payments between FY 2013 and FY 2014.

Authorized FTE Employees by Function of Government

Expenditures for salaries and wages are affected by policy recommendations which change the size of the state's workforce. The FY 2014 budget recommendations of the Governor reduces FTE positions by 118.1 from 38,351.1 to 38,232.9. Most of the reductions are in the Department of Administration (50.0 vacant FTE positions), the Department of Transportation (39.0 FTE positions), and the Department for Aging and Disabilities Services and the State Hospitals (30.7 FTE positions). The following pie chart reflects the Governor's recommended full-time equivalent positions by function of government.

**FY 2014 FULL-TIME EQUIVALENT (FTE) POSITIONS
by Function of Government
Governor's Recommendations**



Program or Agency Components of FY 2014 All Funds Budget

To this point, this memorandum has dealt primarily with measuring year-to-year changes proposed in *The Governor's Budget Report*. The following table pertains to FY 2014 only and measures major program or agency expenditures in dollar terms and as a percent the total budget. The budget of the Department of Education, the Board of Regents and the Regents Institutions, the Department of Health and Environment, the Kansas Department of Transportation, the Department for Aging and Disability Services (including the State Hospitals) and the Department for Children and Families, and the Department of Labor account for 87.2 percent of the total state budget.

**GOVERNOR'S RECOMMENDED
EXPENDITURES FROM ALL FUNDS, FY 2014
By Agency or Program**

	Amount (Thousands)	Percent of total	Cumulative Percent	Percent Change from FY 2013
Department of Education	\$ 3,765,503	25.8 %	25.8 %	0.8 %
Board of Regents and Institutions	2,522,261	17.3	43.1	(1.7)
Department of Health and Environment	2,025,125	13.9	56.9	(0.4)
Department of Transportation	1,674,449	11.5	68.4	47.8
Dept. for Aging and Disabilities Services, including Hospitals	1,655,733	11.3	79.7	(2.5)
Department for Children and Families	608,040	4.2	83.9	(6.7)
Department of Labor	473,976	3.2	87.2	(27.0)
Department of Corrections and Fac.	369,156	2.5	89.7	21.3
Kansas Lottery	343,158	2.4	92.0	6.6
Department of Commerce	144,111	1.0	93.0	(5.5)
Judicial Branch	134,852	0.9	93.9	2.3
Highway Patrol and KBI	109,214	0.7	94.7	(3.0)
Department of Revenue	97,342	0.7	95.3	(5.4)
Department of Administration	80,825	0.6	95.9	(13.0)
Adjutant General	69,605	0.5	96.4	(41.3)
Insurance Dept. and Health Care Stabilization	67,597	0.5	96.8	7.9
Department of Wildlife and Parks	66,629	0.5	97.3	(2.1)
KPERS	46,021	0.3	97.6	1.0
Department of Agriculture	42,828	0.3	97.9	(0.4)
Juvenile Correctional Facilities	27,663	0.2	98.1	(70.4)
Legislative Branch	27,503	0.2	98.3	(1.4)
Board of Indigent's Defense Services	23,774	0.2	98.4	(1.7)
State Treasurer	22,652	0.2	98.6	2.7
Commission on Veterans' Affairs	21,460	0.1	98.8	(0.7)
State Corporation Commission	20,932	0.1	98.9	(6.5)
Attorney General	19,648	0.1	99.0	(3.0)
Schools for the Blind and Deaf	17,010	0.1	99.1	(10.4)
Office of the Governor	14,898	0.1	99.3	(7.4)
Historical Society	9,480	0.1	99.3	13.8
Sentencing Commission	7,718	0.1	99.4	(4.5)
Racing and Gaming Commission	7,590	0.1	99.4	(1.3)
Water Office	7,018	0.0	99.5	(16.7)
Secretary of State	6,138	0.0	99.5	(3.0)
State Fair	5,739	0.0	99.6	(66.1)
All Other	65,632	0.4	100.0	(2.6)
TOTAL	\$ 14,601,280	100 %		1.3 %

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

The following table reflects changes in agency budgets from the Governor's FY 2013 revised recommendation to the Governor's recommended FY 2014 budget. The large increase for the Department of Corrections and the large decrease for Juvenile Justice reflects the Governor's recommendation to move the Juvenile Justice Authority to the Department of Corrections.

CHANGE IN EXPENDITURES FROM ALL FUNDS
FY 2013 to FY 2014
Governor's Recommendation

	Amount (Thousands)	Comments
Total Increase	\$ 185,663	
Department of Transportation	\$ 541,389	Capital improvements
Dept. of Corrections and Facilities	64,783	Juvenile Justice Authority (JJA) moved to Corrections
Department of Education	28,608	KPERS-School; School District Capital Improvements Fund
Kansas Lottery	21,119	Expanded lottery
Insurance Dept/Health Care Stabilization Board	4,951	Increased Health Care Stabilization claims
Judicial Branch	3,053	Operating Expenditures
Water Office	(1,407)	Operating Expenditures
Dept. of Wildlife, Parks & Tourism	(1,417)	Operating Expenditures
State Corporation Commission	(1,467)	Decreased federal funds
Schools for the Blind and Deaf	(1,977)	Capital improvements
Highway Patrol/KBI	(3,341)	Decreased federal funds
Department of Revenue	(5,578)	Operating Expenditures
Dept. of Health and Environment	(7,802)	Decreased federal funds
Department of Commerce	(8,457)	Decreased federal funds
State Fair	(11,174)	Bond payments in FY 2013
Department of Administration	(12,051)	Capital improvements
Dept. for Aging & Disability Services, including hospitals	(42,911)	Caseloads
Dept for Children and Families	(43,593)	Low Income Energy Assistance Program; Child care services
Board of Regents & Institutions	(44,031)	Decreased federal funds
Adjutant General	(49,040)	Disaster relief
Juvenile Justice	(65,802)	JJA moved to Corrections
Department of Labor	(175,075)	Unemployment payments
All Other	(3,117)	

Note: Totals may not add due to rounding.

EXPENDITURES AND STATUS OF THE STATE GENERAL FUND

Program and Agency Components of the FY 2014 State General Fund Budget

The following table provides an overview of the program or agency components of the Governor's recommended FY 2014 expenditures from the State General Fund. This table identifies individual components which comprise 99.2 percent of State General Fund expenditures. The education function accounts for 62.2 percent of all State General Fund expenditures.

STATE GENERAL FUND EXPENDITURES BY PROGRAM OR AGENCY
Governor's Recommendations for FY 2014

	Amount (Thousands)	Percent of Total	Cumulative Percent	Increase Over FY 2013	
				Amount (Thousands)	Percent
Education					
State Aid to Local Units	\$ 3,131,161	51.5 %	51.5 %	\$ (113,701)	(3.5)%
Bd. of Regents/Institutions	616,236	10.1	61.6	3,408	0.6
Other Education ^{a)}	33,317	0.5	62.2	167	0.5
Subtotal Education	\$ 3,780,714	62.2 %	175.2 %	\$ (110,126)	(2.8)%
State Aid Except Education	\$ 48,681	0.8 %	63.0 %	\$ 1,096	2.3 %
Aging and Disability Services, including Hospitals	686,829	11.3	74.2	(10,624)	(1.5)
Health and Environment	668,472	11.0	85.2	(603)	(0.1)
Dept. of Corrections/Facilities	286,895	4.7	89.9	28,009	10.8
Children and Families	223,495	3.7	93.6	(10,806)	(4.6)
Judicial Branch	123,338	2.0	95.7	17,158	16.2
Dept. of Administration	53,862	0.9	96.5	7,022	15.0
Legislative Branch	27,440	0.5	97.0	(355)	(1.3)
Juvenile Justice	26,730	0.4	97.4	(29,481)	(52.4)
Board of Indigents' Defense	23,024	0.4	97.8	(368)	(1.6)
Highway Patrol/KBI	15,921	0.3	98.1	(1,083)	(6.4)
Department of Commerce	15,000	0.2	98.3	0	0.0
Dept. of Revenue	14,490	0.2	98.6	(1,602)	(10.0)
Elected Officials	12,350	0.2	98.8	(301)	(2.4)
Dept. of Agriculture	11,726	0.2	98.9	1,417	13.7
Adjutant General	9,967	0.2	99.1	591	6.3
Sentencing Commission	7,152	0.1	99.2	21	0.3
All Other	46,860	0.8	100.0	(5,469)	(10.5)
TOTAL	\$ 6,082,946	100.0 %	100.0 %	\$ (115,504)	(1.9)%

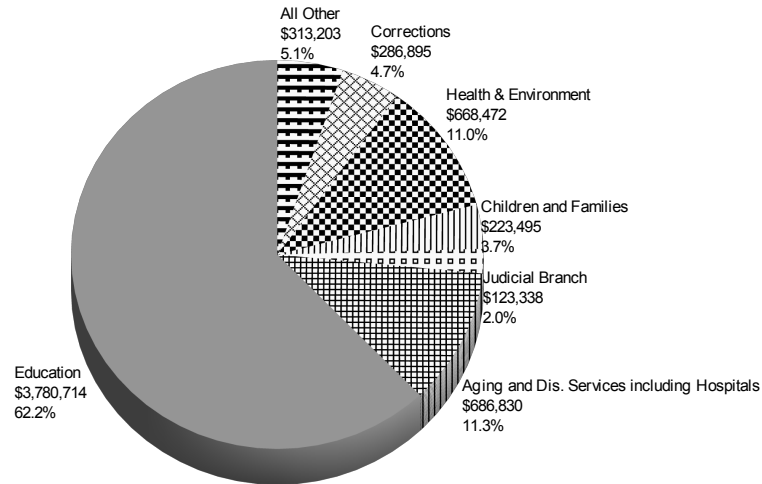
a) Includes Schools for the Blind and Deaf, Historical Society, and State Library

*Totals may not add due to rounding.

The following pie chart displays the FY 2014 State General Fund budget by major program or agency.

**FY 2014 State General Fund Expenditures
by Major Program or Agency
Governor's Recommendation
(Millions of Dollars)**

Total: \$6,082.9



State General Fund Expenditures by Function of Government

The next table summarizes State General Fund expenditures by function of government. The education function accounts for the largest portion of the State General Fund budget (62.2 percent). Two functions, education, and human services, account for 88.8 percent of all State General Fund expenditures.

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

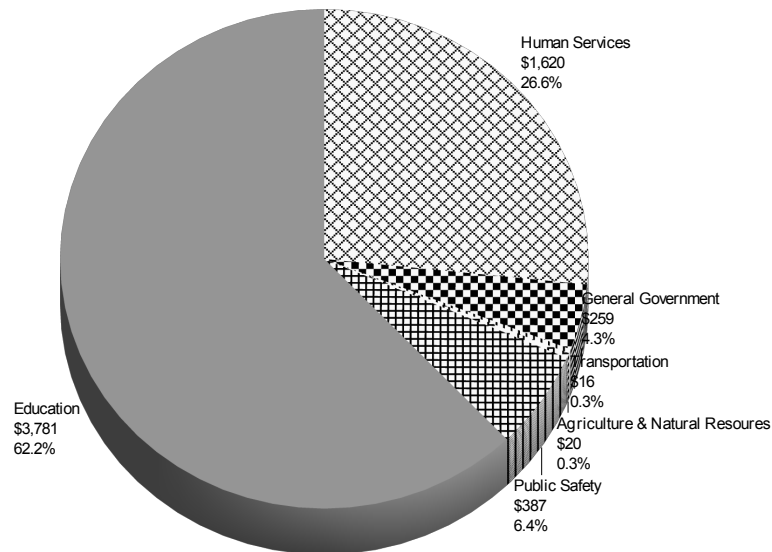
Function	Actual	Gov. Rec. FY 2013	Change		Gov. Rec. FY 2014	Change	
	FY 2012		\$	%		\$	%
General Government	\$ 272.5	\$ 238.1	\$ (34.4)	(12.6)%	\$ 259.0	\$ 20.9	8.8 %
Human Services	1,548.5	1,646.9	98.4	6.4	1,620.2	(26.7)	(1.6)
Education	3,839.5	3,890.8	51.3	1.3	3,780.7	(110.1)	(2.8)
Public Safety	394.5	387.6	(6.9)	(1.7)	387.2	(0.4)	(0.1)
Agriculture/Natural Resources	26.9	18.9	(8.0)	(29.7)	19.7	0.8	4.2
Transportation	16.2	16.2	0.0	0.0	16.2	0.0	0.0
TOTAL	\$ 6,098.1	\$ 6,198.5	\$ 100.4	1.6 %	\$ 6,082.9	\$ (115.6)	(1.9)%

*Totals may not add due to rounding.

The following pie chart reflects FY 2014 recommended State General Fund expenditures by function of government.

**FY 2014 STATE GENERAL FUND EXPENDITURES
BY FUNCTION OF GOVERNMENT
Governor's Recommendation
(Millions of Dollars)**

Total: \$6,082.9



Expenditures by Major Purpose

Over \$3.2 billion (52.8 percent) of recommended FY 2014 expenditures from the State General Fund is paid to local units of government, 23.7 percent is for other assistance expenditures, 22.8 percent represents the costs of state operations, and 0.6 percent is for capital improvements.

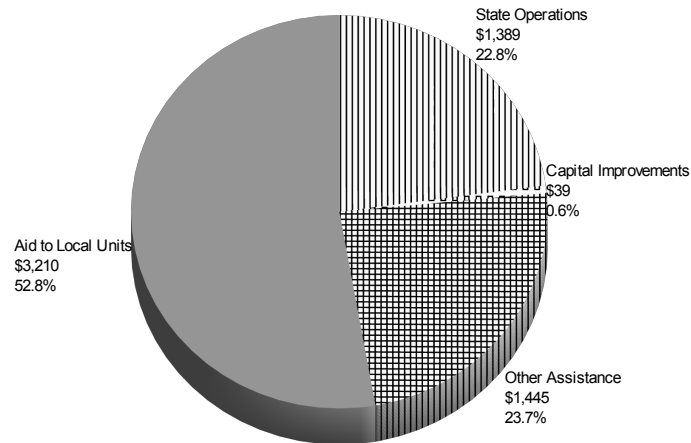
**STATE GENERAL FUND EXPENDITURES
BY MAJOR PURPOSE
(in Millions of Dollars)***

	Actual FY 2012	Gov. Rec. FY 2013	Change		Gov. Rec. FY 2014	Change	
			\$	%		\$	%
State Operations	\$ 1,394.1	\$ 1,381.7	\$ (12.4)	(0.9)%	\$ 1,389.4	\$ 7.7	0.6 %
Aid to Local Units	3,287.1	3,327.9	40.8	1.2	3,210.3	(117.6)	(3.5)
Other Assistance	1,369.8	1,458.5	88.7	6.5	1,444.5	(14.0)	(1.0)
Total Operations	\$ 6,051.0	\$ 6,168.1	\$ 117.1	1.9 %	\$ 6,044.2	\$ (123.9)	(2.0)%
Capital Improvements	47.0	30.4	(16.6)	(35.3)	38.8	8.4	27.6
TOTAL	\$ 6,098.1	\$ 6,198.5	\$ 100.4	1.6 %	\$ 6,082.9	\$ (115.6)	(1.9)%

*Totals may not add due to rounding

**FY 2014 STATE GENERAL FUND EXPENDITURES
BY MAJOR PURPOSE
Governor's Recommendation
(Millions of Dollars)**

Total: \$6,082.9



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

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

Function	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2012	FY 2013	\$	%	FY 2014	\$	%
General Government	\$ 219.9	\$ 204.0	\$ (15.9)	(7.2)%	\$ 221.3	\$ 17.3	8.5 %
Human Services	225.0	236.8	11.8	5.2	227.1	(9.7)	(4.1)
Education	596.1	603.8	7.7	1.3	604.3	0.5	0.1
Public Safety	319.4	310.8	(8.6)	(2.7)	309.9	(0.9)	(0.3)
Agriculture/Natural Resources	25.6	18.3	(7.3)	(28.5)	19.2	0.9	4.9
Transportation	8.2	7.9	(0.3)	(3.7)	7.6	(0.3)	(3.8)
TOTAL	\$ 1,394.1	\$ 1,381.7	\$ (12.4)	(0.9)%	\$ 1,389.4	\$ 7.7	0.6 %

*Totals may not add due to rounding

State Aid to Local Units of Government

The table on the following pages lists state aid by major program or financing source. Although most of the programs of state aid to local units are financed from the State General Fund, some significant ones are financed from the resources of other funds.

STATE AID TO LOCAL UNITS OF GOVERNMENT (In Thousands)

	Actual FY 2010	Actual FY 2011	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Change FY 2013 - 2014	
						Amount	Percent
From the State General Fund							
General State Aid	\$ 1,873,398	\$ 1,908,028	\$ 1,927,435	\$ 1,978,618	\$ 1,875,622	\$ (102,996)	(5.2)%
Supp. General Aid	250,492	385,299	339,212	339,224	339,212	(12)	(0.0)
Subtotal	\$ 2,123,890	\$ 2,293,327	\$ 2,266,647	\$ 2,317,842	\$ 2,214,834	\$ (103,008)	(4.4)%
Special Education	367,427	388,982	428,133	427,725	417,718	(10,007)	(2.3)
KPERS-School	196,809	267,349	363,626	328,796	328,245	(551)	(0.2)
Deaf/Blind/Handicapped	110	108	109	110	110	0	0.0
Food Service	2,301	2,304	2,356	2,378	2,378	0	0.0
Mentor Teachers	1,358	1,417	0	0	0	0	--
Discretionary Grants	165	172	172	173	173	0	0.0
After School Programs	174	172	0	0	0	0	--
Professional Development	0	0	0	0	0	0	--
Juvenile Detention Facilities	6,302	6,012	5,084	5,421	5,572	151	2.8
State Match for Ft. Riley	0	0	0	1,500	1,500	0	0.0
Subtotal - USDs	\$ 2,698,326	\$ 2,959,843	\$ 3,066,127	\$ 3,083,944	\$ 2,970,529	\$ (113,415)	(3.7)%
Voc. Ed. Postsecondary	31,015	31,502	0	0	0	0	--
Community Colleges	96,905	97,166	0	0	0	0	--
Postsecond. Tiered Tech. Ed.	0	0	46,944	58,301	58,301	0	0.0
Non-tiered course credit hour	0	0	79,854	76,496	76,496	0	0.0
Tech Ed Equip. Tech Colleges and Washburn	403	0	398	398	398	0	0.0
Voc. Ed. Capital Outlay	68	72	72	72	72	0	0.0
Adult Basic Education	1,386	1,398	1,343	1,457	1,457	0	0.0
Washburn University	11,058	11,088	10,956	11,131	11,131	0	0.0
Nursing Facilities Equip and Supplies	0	1,088	911	911	911	0	0.0
Incentives for Tech. Ed.	0	0	0	10,250	10,250	0	0.0
Subtotal - Higher Ed.	\$ 140,835	\$ 142,314	\$ 140,478	\$ 159,016	\$ 159,016	\$ 0	0.0 %
Historical Society	24	23	22	21	20	(1)	(4.8)
State Library	2,611	2,151	1,950	1,880	1,596	(284)	(15.1)
Arts program grants	34	15	0	0	0	0	--
Total - Education	\$ 2,841,830	\$ 3,104,349	\$ 3,208,577	\$ 3,244,862	\$ 3,131,161	\$ (113,701)	(3.5)%
Corrections/Juvenile Justice	32,924	42,722	40,352	38,993	40,566	1,573	4.0
KDHE Aid	12,969	5,838	5,773	6,045	5,939	(106)	(1.8)
Aging and Disability Services	31,851	34,154	29,766	37,369	32,369	(5,000)	(13.4)
Wildlife and Parks	141	0	0	0	0	0	--
Disaster Relief	7,007	3,973	163	625	254	(371)	(59.4)
Commerce-Med. Center Grants	0	0	2,500	0	0	0	--
Total - Other Programs	\$ 84,893	\$ 86,687	\$ 78,556	\$ 83,032	\$ 79,128	\$ (3,904)	(4.7) %
Total - State General Fund	\$ 2,926,723	\$ 3,191,036	\$ 3,287,133	\$ 3,327,894	\$ 3,210,289	\$ (117,604)	(3.5) %
Percent of Total SGF Expend.							
	55.6%	56.3%	53.9%	53.7%	52.8%		

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

Fund	Actual FY 2012	Gov. Est. FY 2013	Gov. Rec. FY 2014	Change	
				\$	%
School District Finance	\$ 50,086	\$ 45,900	\$ 45,900	\$ 0	0.0 %
Mineral Production Tax	8,820	7,600	7,600	0	0.0
Children's Initiatives:					
Parent Education	7,238	7,238	7,238	0	0.0
Pre-K Pilot	4,800	4,800	4,800	0	0.0
EDIF:					
Voc. Ed. Cap. Outlay	2,548	2,548	2,548	0	0.0
EPSCoR	993	993	993	0	0.0
CC Competitive Grants	500	500	500	0	0.0
Tech. Grants	230	180	179	(1)	(0.6)
WSU Aviation	115	0	0	0	--
TOTAL	<u>\$ 75,330</u>	<u>\$ 69,759</u>	<u>\$ 69,758</u>	<u>\$ (1)</u>	<u>(0.0)%</u>

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

Fund	Actual FY 2012	Gov. Est. FY 2013	Gov. Rec. FY 2014	Change	
				\$	%
CCHF and Co. Equal	\$ 144,070	\$ 145,017	\$ 145,782	\$ 765	0.5 %
SHF City Maintenance	2,685	3,360	3,360	0	0.0
Public Transportation	5,783	7,678	11,000	3,322	43.3
Aviation	3,398	2,595	5,000	2,405	92.7
Firefighters' Relief	10,555	10,250	10,250	0	0.0
Mineral Production	8,820	7,600	7,600	0	0.0
TIF Revenue Replace.	915	950	950	0	0.0
EMS Ed and Assistance	757	750	750	0	0.0
TOTAL	<u>\$ 176,983</u>	<u>\$ 178,200</u>	<u>\$ 184,692</u>	<u>\$ 6,492</u>	<u>3.6 %</u>

CHANGE IN STATE GENERAL FUND EXPENDITURES
Governor's Recommendation
FY 2013 - FY 2014

	Amount (Thousands)	Percent of Total Increase
Total Change in Expenditures	<u>\$ (115,504)</u>	<u>100.0 %</u>
Education		
State Aid for Education		
KPERS-School	\$ (551)	0.5 %
Special Education	(10,007)	8.7
General State Aid	(102,996)	89.2
All Other Education Aid	(146)	0.1
Total-Education Aid	<u>\$ (113,700)</u>	<u>98.4 %</u>
State Aid Other Than Education	\$ (3,904)	3.4 %
Department of Corrections and Facilities	\$ 28,009	(24.2)%
Judicial Branch	17,158	(14.9)
Department of Administration	7,022	(6.1)
Department of Health and Environment	(603)	0.5
Highway Patrol/KBI	(1,083)	0.9
Department of Revenue	(1,602)	1.4
Department for Aging and Disability Services and Hospitals	(10,464)	9.2
Department for Children and Families	(10,806)	9.4
Juvenile Justice	(29,481)	25.5
All Other	3,959	(3.4)

DEMAND/REVENUE TRANSFERS FROM THE STATE GENERAL FUND

Demand transfers are certain expenditures specified by statute. Since FY 2002, the demand transfers to the Local Ad Valorem Tax Reduction Fund (LAVTRF), the County and City Revenue Sharing Fund (the CCRSF) and the Special City and County Highway Fund (SCCHF) have been treated as revenue transfers. By changing these demand transfers to revenue transfers, these funds were no longer considered State General Fund expenditures and thus, no longer subject to the State General Fund ending balance law. In FY 2003, the Governor recommended changing the State Water Plan Fund and the School District Capital Improvements Fund to revenue transfers as well. Since FY 2004, the remaining demand transfers, with the exception of the School District Capital Outlay Fund, are also treated as revenue transfers. The only transfers recommended for FY 2014 are the School District Capital Improvement Fund (\$114.0 million) and the Regents Faculty of Distinction (\$120,000).

Status of the State General Fund

The Governor's recommendations for FY 2013 and FY 2014 would result in an ending balance of \$455.7 million at the end of FY 2014. Recommended receipts for FY 2013 and FY 2014 are equal to the consensus revenue estimates with the exception of certain transfers and revenue proposals recommended by the Governor which increase projected State General

Fund receipts by \$60.3 million in FY 2013 and \$540.5 million for FY 2014. The Governor's proposed revenue adjustments include the following:

- The Governor's recommendation makes several adjustments to **state tax policy**. The Governor recommends that the **state sales and compensating use taxes be maintained at the 6.3 percent rate**, which generates \$262.3 million in revenue to the State General Fund. The Governor also recommends the elimination of the mortgage deduction on state income tax, generating \$162.5 million in revenue to the State General Fund.
- Recommended **FY 2013 State General Fund revenue adjustments** total a net increase of \$60.3 million, and include: an anticipated refund of \$25.0 million from the federal government based on FICA taxes paid by the University of Kansas Medical Center for medical residents; elimination of the remaining \$22.7 million scheduled to be transferred to the Bioscience Authority in the current year; billing the federal government for its share of costs to contribute to the Kansas Public Employees Retirement System (KPERs) on behalf of federally-financed special education teachers (\$16.1 million); a projected increase of \$2.0 million from lottery sales; and \$1.6 million in additional income tax revenue based on a December 2012 Powerball winner in Kansas. The receipt adjustments also reflect decreases of \$7.0 million for projected reductions in casino revenues; and \$95,000 to reflect a tort claim paid in 2012.
- The Governor recommends a number of other **revenue adjustments** that increase State General Fund revenue by a net estimated \$115.7 million for FY 2014, including: suspending the \$27.0 million transfer to the Local Ad Valorem Tax Reduction Fund; reducing the cap on the transfer to the Bioscience Authority by \$25.0 million (from \$35.0 million to \$10.0 million); billing the federal government for its share of costs to contribute to the Kansas Public Employees Retirement System (KPERs) on behalf of federally-financed special education teachers (\$16.1 million); transferring \$15.0 million from the State Highway Fund to the State General Fund, based on operational savings generated in the Department of Transportation by coordinating and consolidating functions with the Kansas Turnpike Authority; eliminating the pattern of sending severance tax revenues to the Oil and Gas Valuation Depletion Trust Fund (\$14.7 million); and \$10.2 million in savings from the Economic Development Initiatives Fund to be transferred to the State General Fund. In addition, the Governor recommends suspending the \$300,000 transfer to the State Fair Capital Improvements Fund; increasing the estimated transfer from the Kansas Lottery by \$1.0 million; transferring \$5.0 million from the Attorney General's Court Cost Fund, \$1.1 million from the Department of Education's State Safety Fund, \$750,000 from the Department of Corrections' Correctional Industries Fund, and an additional \$54,987 from the Securities Commissioner Fee Fund. The Governor does recommended eliminating the \$500,000 transfer from the Highway Patrol Training Center to the State General Fund.

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

	Actual FY 2012	Gov. Rec. FY 2013	Change	Gov. Rec. FY 2014	Change
Beginning Unencumbered	\$ 188.3	\$ 502.9	\$ 314.6	\$ 533.9	\$ 31.0

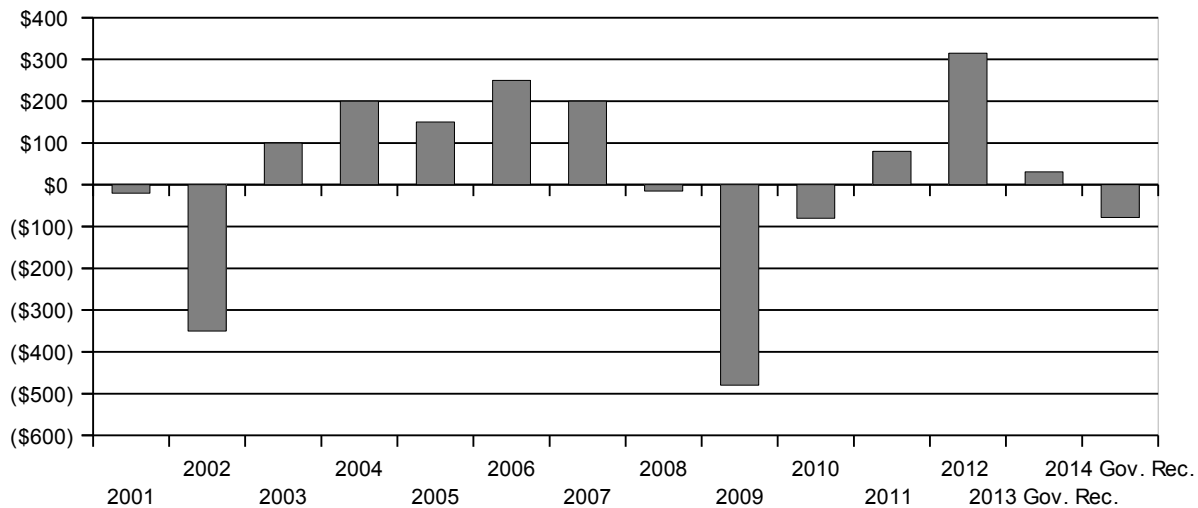
Cash					
Receipts	6,412.8	6,169.1	(243.7)	5,464.3	(704.8)
Gov. Rec. Adjustments	0.0	60.3	60.3	540.5	480.2
Adjusted Receipts	6,412.8	6,229.4	(183.4)	6,004.8	(224.6)
Total Resources	\$ 6,601.1	\$ 6,732.3	\$ 131.2	\$ 6,538.7	\$ (193.6)
Less Expenditures	6,098.1	6,198.5	100.4	6,082.9	(115.6)
Ending Unencumbered Cash Balance	\$ 502.9	\$ 533.9	\$ 31.0	\$ 455.7	\$ (78.2)

Ending Balance as a Percentage of Expenditures	8.2 %	8.6 %	7.5 %
Adj. Receipts in Excess of Expenditures	\$ 314.7	\$ 30.9	\$ (78.1)

Note: Totals may not add due to rounding.

The following table reflects the amounts of receipts in excess of expenditures from FY 2002 to FY 2014.

**RECEIPTS IN EXCESS OF EXPENDITURES
GOVERNOR'S RECOMMENDATION – STATE GENERAL FUND
(In Millions)**

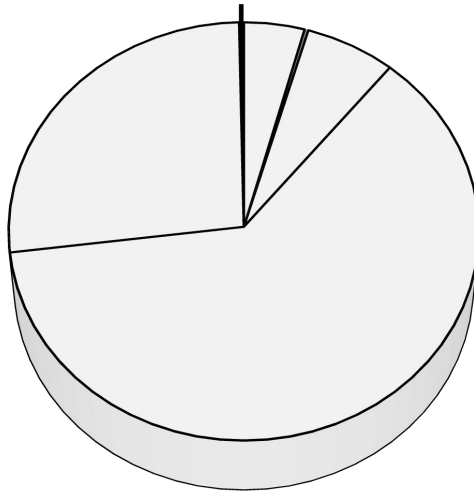


SUMMARY OF RECOMMENDED FY 2015 EXPENDITURES

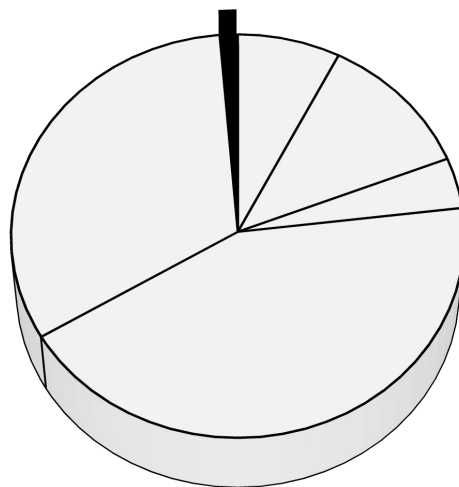
- The Governor recommends expenditures of \$14.4 billion from all funding sources in FY 2015, including expenditures of \$6.1 billion from the State General Fund.
- State General Fund expenditures increase by 1.1 percent, or \$66.6 million from FY 2015.
- Expenditures from all funding sources decrease by \$182.8 million, or 1.3 percent, from FY 2015.
- The Governor's budget provides for an ending balance of \$458.6 million, or 7.5 percent, in FY 2015.
- Recommended State General Fund expenditures exceed receipts by \$78.1 million.
- The Governor's recommendations for FY 2015 primarily reflect the same revenue and receipt adjustments as included in the FY 2014 recommendations.
- The Governor's recommendations for FY 2015 fully fund his projected social services caseload estimates. No consensus caseloads were made for FY 2015.
- The Governor recommends funding Base State Aid Per Pupil at \$3,852 for FY 2015, an increase from \$3,838 for FY 2014.
- The Governor's recommendations for FY 2015 reflect an additional 1.0 percent increase in the KPERS retirement employer contribution rate (from 10.27 percent to 11.27 percent) and continue the 0.85 percent death and disability contribution rate recommended for FY 2014.

AGRICULTURE AND NATURAL RESOURCES

State General Fund



All Funds



Agriculture and Natural Resources protects and regulates the natural and physical resources of the state. This function includes the Department of Agriculture, the Animal Health Department, the Kansas State Fair, the State Conservation Commission, the Kansas Water Office, and the Department of Wildlife, Parks and Tourism.

The Governor's FY 2014 recommendation for the Agriculture and Natural Resources function totals \$190.5 million from all funding sources, including \$19.7 million from the State General Fund.

Agencies in this Function:	
<i>Department of Agriculture.....</i>	<i>23</i>
<i>Department of Wildlife, Parks and Tourism.....</i>	<i>53</i>
<i>Kansas Water Office.....</i>	<i>81</i>
<i>Kansas State Fair.....</i>	<i>101</i>

The FY 2014 recommendation represents a State General Fund increase of 4.2 percent or \$0.8 million from FY 2013. Expenditures from all funds decrease by 7.4 percent or \$15.3 million from FY 2013.

A total of 1,114.1 FTE positions are recommended by the Governor for the

Agriculture and Natural Resources function in FY 2014, a decrease of 4.0 FTE from FY 2013. Of all state FTE positions, 2.9 percent are in this function.

Agencies in this function comprise 0.3 percent of the total State General Fund budget in FY 2014, unchanged from FY 2013. They comprise 1.3 percent of expenditures from all funding sources in FY 2014, down slightly from 1.4 percent in FY 2013.

DEPARTMENT OF AGRICULTURE

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 10,143,610	\$ 16,086,466	\$ 10,309,466	\$ 13,016,899	\$ 11,726,428	\$ 9,787,377
Other Funds	30,678,577	32,692,515	32,686,322	30,974,153	31,101,141	30,237,434
TOTAL	\$ 40,822,187	\$ 48,778,981	\$ 42,995,788	\$ 43,991,052	\$ 42,827,569	\$ 40,024,811
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 40,822,187	\$ 48,778,981	\$ 42,995,788	\$ 43,991,052	\$ 42,827,569	\$ 40,024,811

Operating Expenditures						
State General Fund	9.0 %	58.6 %	1.6 %	(19.1) %	13.7 %	(16.5) %
All Funds	33.4	19.5	5.3	(9.8)	(0.4)	(6.5)
FTE Positions	353.5	276.0	276.0	277.0	274.0	274.0
Non-FTE Pos.*	57.5	79.5	79.5	79.5	79.5	79.5
TOTAL	411.0	355.5	355.5	356.5	353.5	353.5

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

The Department of Agriculture is responsible for implementing food safety, consumer and environmental protection, and water resource allocation programs. This includes the assurance of a safe meat, milk, and egg supply; safety of the food supply through inspection at food processing and retail establishments; the responsible and judicious use of pesticides and nutrients; the protection of Kansas' natural and cultivated plants; the integrity of weighing and measuring devices in commerce; and that the waters of Kansas are put to beneficial use. The agency consists of seven programs: Administrative Services and Support; Food Safety and Consumer Protection; Water Resources; Agricultural Laboratories; Environmental Protection; Animal Health; and Conservation. The Secretary of Agriculture is a gubernatorial appointee and serves as head of the agency.

MAJOR ISSUES FROM PRIOR YEARS

In **October 2003**, Legislative Post Audit completed an audit titled "Food Safety Programs in Kansas: Evaluating Possible Costs and Efficiencies of Combining Them." The audit reviewed the possible consolidation of food safety programs in the Department of Agriculture and the Kansas Department of Health and Environment. The audit indicated that a Department of Agriculture consolidated food safety program may result in cost savings and an improved food safety program, including more consistent inspections and increased communication. For the 2003 Interim, the Special Committee on Agriculture was charged with the following topic: "Consolidation of Food Safety Functions. Review and study the possibility of consolidation of the

food safety functions of the Department of Health and Environment and the Kansas Department of Agriculture.”

Executive Reorganization Order No. 32 transferred most of the food safety regulatory functions from the Department of Health and Environment to the Department of Agriculture beginning October 1, 2004. The 2004 Legislature authorized the transfer of \$320,198 and 6.0 FTE positions in FY 2005 from the KDHE to facilitate the program transfer. Included in the transfer was the licensing, inspection, and regulation of retail food stores (grocery stores); food service establishments located in retail food stores; mobile retail ice cream vendors; food vending machines, companies, and dealers; and food processing plants. Regulation of food service establishments (restaurants) remained with the KDHE.

In August **2004**, Legislative Post Audit completed an audit titled “Department of Agriculture: Reviewing the Grain Warehouse Inspection Program.” The audit provides an overview of grain warehouse regulation in Kansas including the study of whether the existing program is adequate for protecting farmers who have grain stored in public warehouses. Also in 2004, the agency completed the Registration, Enforcement, and Compliance System, which converts the agency's many non-integrated databases into a single agency-wide integrated database. The project was approved by the Executive Branch Chief Information Technology Officer.

The **2006 Legislature** added \$255,000 from the State General Fund and 3.0 FTE positions in FY 2007 for high hazard dam inspections and \$1.0 million from the State Water Plan Fund and 3.0 FTE positions for the Modeling Engineer and Field Compliance staff in FY 2007.

The **2007 Legislature** added \$584,217 from the State Water Plan Fund for the Interstate Water Issues Subprogram for consultants in both the Arkansas and Republican River litigation and on-going expenses related to compact compliance, along with \$92,340 and 1.0 non-FTE position for the Ozark Plateau Aquifer Water Initiative Strategic Plan. The 2007 Legislature also added \$145,000 from the State General Fund for the replacement of one large scale test truck for the Weights and Measures Subprogram.

The **2008 Legislature** transferred the Food Service Inspection Program, including regulation of food service establishments (restaurants) and lodging, from the Kansas Department of Health and Environment to the Department of Agriculture. The transfer included \$1,811,893, including \$184,962 from the State General Fund, and 38.0 FTE positions, from the KDHE budget to the Department of Agriculture budget. In addition, the 2008 Legislature requested an audit be conducted on the feasibility of combining several state agencies. The resulting performance audit report was entitled “Agricultural-Related Agencies: A K-GOAL Audit Determining Whether Cost Savings Could Be Achieved By Making the Animal Health Department and the Conservation Commission Part of the Department of Agriculture.”

The **2009 Legislature** introduced SB 231, which would consolidate the Animal Health Department and the State Conservation Commission with the Department of Agriculture. A hearing was held on the bill in the Senate Agriculture Committee, but no further action was taken on the bill during the 2009 Legislative Session. Other bills regarding the increase of fees for several of the agency's fee-funded inspection programs had hearings as well, but ultimately, no further action was taken on the potential fee increases during the session.

The **2010 Legislature** deleted \$233,797, 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, and added \$29,000, all from the State General Fund, to continue agricultural land valuations performed by the Agricultural Statistics Program for FY 2011. The

same amount was deleted from the Department of Revenue's FY 2011 budget. This amount would fully fund the land valuations for FY 2011.

The **2010 Legislature** also added \$75,000, all from the Economic Development Initiatives Fund (EDIF), for Grain Warehouse Inspection Program expenditures for FY 2011, and language for FY 2011 that allows the agency to reappropriate any unencumbered balances more than \$100 from FY 2010 to FY 2011 in its State Water Plan Fund programs as well as language establishing a new fund called the Lodging Fee Fund with a no limit expenditure limitation and added language stating that expenditures may be made from the fund for lodging inspection program expenditures.

The **2011 Legislature** approved Executive Reorganization Order (ERO) number 40. ERO 40 transferred the Agriculture Products Development Division within the Department of Commerce to the Department of Agriculture and renamed it the Marketing and Promotions Program; consolidated the Kansas Animal Health Department and the Livestock Commissioner within the Department of Agriculture as the Animal Health Division; consolidated the State Conservation Commission within the Department of Agriculture as the Conservation Division.

The **2011 Legislature** also added \$1.0 million, all from the special revenue funds, for replacement vehicles, grain warehouse inspections, the Conservation Reserve Enhancement Program, streamgage monitoring, livestock market reporting, non-point source pollution, aid to conservation districts, the compliance education fee fund, and feral swine eradication. Those increases were partially offset by reductions totaling \$826,891, including \$227,025 from the State General Fund, for the Water Supply Restoration Program, self-funded longevity bonus payments, office supplies, cell phone expenditures, a 5.0 percent information technology reduction, an administration activities reduction, a death and disability contribution moratorium, and an across-the-board reduction.

The **2012 Legislature** approved the Governor's Budget Amendment No. 1 which added \$468,983 and 6.0 FTE positions to restore funding and positions that were deleted for savings from the Voluntary Retirement Incentive Program for FY 2013. The 2012 Legislature also approved the addition of \$465,907, all from special revenue funds, and restored 3.0 FTE positions deleted by the Governor to the Division of Water Resources for FY 2013 to assist in the processing of water appropriation applications. The approved budget also shifted \$672,281, all from the State Water Plan Fund, from water rights purchased to the Water Transition Assistance Program and Conservation Enhancement Program for FY 2013.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates revised FY 2013 operating expenditures totaling \$48.8 million, including \$16.1 million from the State General Fund, \$10.4 million from the State Water Plan Fund, and \$626,625 from the Economic Development Initiatives Fund. The revised estimate is an all funds increase of \$7.0 million, or 16.7 percent, above the amount approved by the 2012 Legislature and the State General Fund estimate is an increase of \$5,777,000, or 56.0 percent, above the approved amount. The State General Fund increase is due to the supplemental request for emergency livestock water supply funding. The remainder of the increase is due to the reappropriation of State Water Plan Fund (\$1.0 million), as well as the undermarket pay adjustments.

The **Governor** does not recommend the supplemental funding request for emergency livestock water supply funding and concurs with the remainder of the FY 2013 revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures totaling \$44.0 million, including \$13.0 million from the State General Fund, \$9.7 million from the State Water Plan Fund, and \$634,966 from the Economic Development Initiatives Fund. The request is an all funds decrease of \$4.8 million, or 9.8 percent, and a State General Fund decrease of \$3.1 million, or 19.1 percent, below the revised FY 2013 estimate. The request includes enhancement funding totaling \$2.7 million, including \$2,670,029 from the State General Fund. **Absent the enhancement**, the request is an all funds decrease of \$7.5 million, or 15.4 percent, below the revised FY 2013 estimate and is a State General Fund decrease of \$5.7 million, or 35.7 percent, below the revised estimate. The State General Fund decrease is due to the supplemental request in FY 2013 for the emergency livestock water supply funding in FY 2013 that is not requested in FY 2014. The remainder of the decrease is due to a reduction in the amount of cost-share projects that the Division of Conservation is able to participate in due to a reduction in State Water Plan funding, as well as a decrease in federal grants coming into the agency.

The **Governor** recommends \$42.8 million, including \$11.7 million from the State General Fund and \$9.7 million from the State Water Plan Fund, for FY 2014 operating expenditures. The recommendation is an all funds decrease of \$1.2 million, or 2.6 percent, and a State General Fund decrease of \$1.3 million, or 9.9 percent, below the agency's FY 2014 request. Included in the recommendation is the Governor's proposal to merge the Kansas Board of Veterinary Examiners to within the Department of Agriculture in the Division of Animal Health. The recommendation includes an enhancement of \$2,000,000, State General Fund, for sorghum research. The decrease is attributed to the adoption of the agency's reduced resources budget totaling \$297,567, all funds, including \$266,871 from the State General Fund; as well as an EDIF reduction of \$63,497 in the Administration program; and a reduction to vacant salaries and wages totaling \$344,788, all from the State General Fund. Additionally, the Governor did not recommend \$700,029, all funds, in enhancement funding. These reductions were offset by an undermarket salary adjustment approved by the State Finance Council in September.

The Governor's recommendation includes a decrease of \$24,577, including \$48,880 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

The Governor recommends 274.0 FTE positions, a decrease of 3.0 FTE positions from the agency's request. 4.0 FTE positions associated with the agency's reduced resources budget are eliminated, and 2.0 FTE positions requested as part of the enhancement request are not recommended. The total reduction in FTE positions is offset by the addition of 3.0 FTE positions due to the addition of the Board of Veterinary Examiners.

The recommendation is a decrease of \$168,219, or 0.4 percent, all funds and an increase of \$1.4 million, or 13.7 percent, State General Fund from the FY 2013 recommendation. The increase in State General Fund dollars is attributed to the \$2,000,000 in enhancement funding for sorghum research, offset by the adoption of the reduced resources budget. The recommendation is a decrease of 2.0 FTE positions due to the reduced resources budget and not funding the enhancement request for additional 1.0 FTE position, offset however by the addition of the Board of Veterinary Examiners.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget

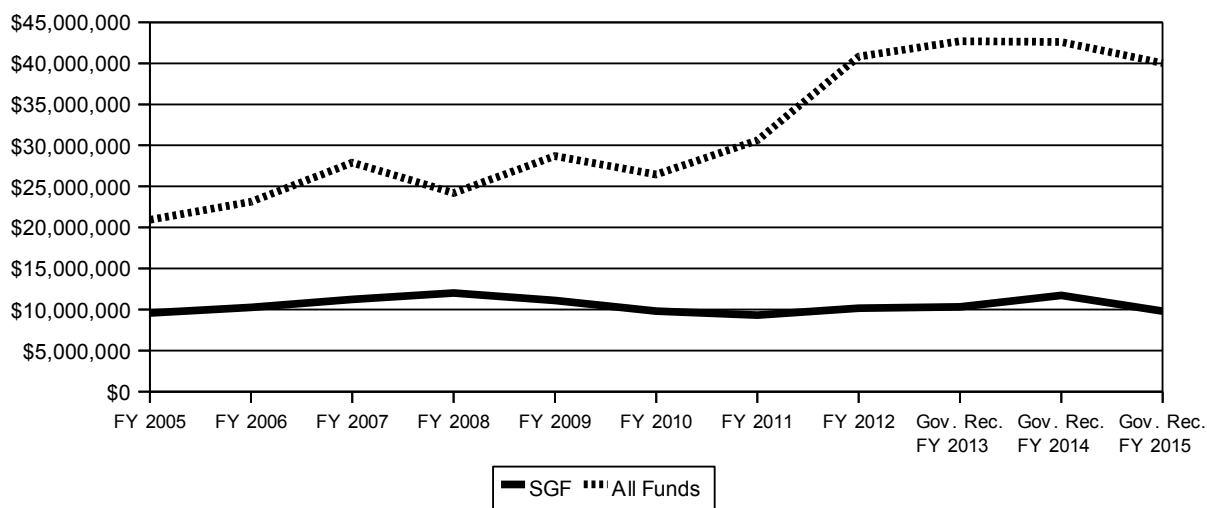
agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures of \$40.0 million, including \$9.8 million from the State General Fund and \$8.7 million from the State Water Plan Fund. The recommendation is a decrease of \$2.8 million, or 6.5 percent, all funds and \$1.9 million, or 16.5 percent, State General Fund below the Governor's FY 2014 recommendation. There was no change in authorized FTE positions.

The reduction is attributed to the the \$2,000,000 from the State General Fund recommended for sorghum research in FY 2014 and not recommended in FY 2015, as well as a reduction in the Conservation Division due to an across the board reduction in State Water Plan funding for all agencies. The reduction is due to the elimination of statutory transfers from the State General Fund and Economic Development Initiatives Fund to the State Water Plan Fund. These reductions are offset by an increase in employer contributions for group health insurance and retirement.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



*Increase in FY 2012 is due to the addition of the State Conservation Commission and the Department of Animal Health to the Department of Agriculture under an Executive Reorganization Order.

OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 9,560,294	1.1 %	\$ 20,934,139	1.1 %	302.5
2006	10,248,828	7.2	23,123,519	10.5	302.5
2007	11,230,458	9.6	27,901,766	20.7	308.5
2008	12,012,274	7.0	24,192,194	(13.3)	314.5
2009	11,109,261	(7.5)	28,703,135	18.6	344.5
2010	9,796,750	(11.8)	26,450,210	(7.8)	341.5
2011	9,306,234	(5.0)	30,611,208	15.7	341.5
2012	10,143,610	9.0	40,822,187	33.4	353.5
2013 Gov. Rec.	10,309,466	1.6	42,995,788	5.3	276.0
2014 Gov. Rec.	11,726,428	13.7	42,827,569	(0.4)	274.0
2015 Gov. Rec.	9,787,377	(16.5)	40,024,811	(6.5)	274.0
Eleven-Year Change					
Dollars/Percent	\$ 227,083	2.4 %	\$ 19,090,672	91.2 %	(28.5)

Summary of Operating Budget FY 2012 - FY 2014

Department of Agriculture

		Agency Request					Governor's Recommendation				
Actual 2012		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13		
By Program:											
Administration	\$ 7,057,257	\$ 8,021,352	\$ 9,697,022	\$ 1,675,670	20.9 %	\$ 8,015,159	\$ 9,316,835	\$ 1,301,676	16.2 %		
Food Safety and Consumer Protection	8,874,831	9,579,284	9,871,489	292,205	3.1	9,579,284	9,676,968	97,684	1.0		
Water Resources	7,449,911	7,735,194	7,877,685	142,491	1.8	7,735,194	7,256,416	(478,778)	(6.2)		
Agricultural Laboratories	1,485,260	1,678,023	1,482,920	(195,103)	(11.6)	1,678,023	1,444,008	(234,015)	(13.9)		
Environmental Protection	2,535,489	2,886,827	2,849,004	(37,823)	(1.3)	2,886,827	2,721,016	(165,811)	(5.7)		
Animal Health	2,466,509	2,735,599	2,664,949	(70,650)	(2.6)	2,735,599	2,865,080	129,481	4.7		
Conservation	10,952,930	16,142,702	9,547,983	(6,594,719)	(40.9)	10,365,702	9,547,246	(818,456)	(7.9)		
TOTAL	\$ 40,822,187	\$ 48,778,981	\$ 43,991,052	\$ (4,787,929)	(9.8) %	\$ 42,995,788	\$ 42,827,569	\$ (168,219)	(0.4) %		
By Major Object of Expenditure:											
Salaries and Wages	\$ 20,357,289	\$ 22,196,847	\$ 23,147,185	\$ 950,338	4.3 %	\$ 22,196,847	\$ 22,349,523	\$ 152,676	0.7 %		
Contractual Services	9,515,945	9,718,466	10,718,568	1,000,102	10.3	9,712,273	10,645,837	933,564	9.6		
Commodities	860,007	1,055,662	973,204	(82,458)	(7.8)	1,055,662	979,744	(75,918)	(7.2)		
Capital Outlay	1,057,164	757,681	824,546	66,865	8.8	757,681	524,916	(232,765)	(30.7)		
Subtotal - Operations	\$ 31,790,405	\$ 33,728,656	\$ 35,663,503	\$ 1,934,847	5.7 %	\$ 33,722,463	\$ 34,500,020	\$ 777,557	2.3 %		
Aid to Local Units	3,215,667	3,085,795	3,254,967	169,172	5.5	3,085,795	3,254,967	169,172	5.5		
Other Assistance	5,816,115	11,964,530	5,072,582	(6,891,948)	(57.6)	6,187,530	5,072,582	(1,114,948)	(18.0)		
TOTAL	\$ 40,822,187	\$ 48,778,981	\$ 43,991,052	\$ (4,787,929)	(9.8) %	\$ 42,995,788	\$ 42,827,569	\$ (168,219)	(0.4) %		
Financing:											
State General Fund	\$ 10,143,610	\$ 16,086,466	\$ 13,016,899	\$ (3,069,567)	(19.1) %	\$ 10,309,466	\$ 11,726,428	\$ 1,416,962	13.7 %		
State Water Plan Fund	10,869,813	10,413,984	9,686,022	(727,962)	(7.0)	10,413,984	9,685,113	(728,871)	(7.0)		
Economic Development Initiatives Fund	395,300	626,625	634,966	8,341	1.3	620,432	570,832	(49,600)	(8.0)		
Special Revenue Funds	13,474,888	15,259,495	15,550,179	290,684	1.9	11,797,784	12,233,765	435,981	3.7		
Federal Funds	5,938,576	6,392,411	5,102,986	(1,289,425)	(20.2)	9,854,122	8,611,431	(1,242,691)	(12.6)		
TOTAL	\$ 40,822,187	\$ 48,778,981	\$ 43,991,052	\$ (4,787,929)	(9.8) %	\$ 42,995,788	\$ 42,827,569	\$ (168,219)	(0.4) %		

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 9,697,022	\$ 9,316,835	\$ 7,346,397	\$ (1,970,438)	(21.1)%
Food Safety and Consumer Protection	9,871,489	9,676,968	9,732,842	55,874	0.6
Water Resources	7,877,685	7,256,416	7,168,991	(87,425)	(1.2)
Agricultural Laboratories	1,482,920	1,444,008	1,450,985	6,977	0.5
Environmental Protection	2,849,004	2,721,016	2,738,887	17,871	0.7
Animal Health	2,664,949	2,865,080	2,878,546	13,466	0.5
Conservation	9,547,983	9,547,246	8,708,163	(839,083)	(8.8)
TOTAL	\$ 43,991,052	\$ 42,827,569	\$ 40,024,811	\$ (2,802,758)	(6.5)%
By Major Object of Expenditure:					
Salaries and Wages	\$ 23,147,185	\$ 22,349,523	\$ 22,521,619	\$ 172,096	0.8 %
Contractual Services	10,718,568	10,645,837	8,515,099	(2,130,738)	(20.0)
Commodities	973,204	979,744	979,744	0	0.0
Capital Outlay	824,546	524,916	524,916	0	0.0
Subtotal - Operations	\$ 35,663,503	\$ 34,500,020	\$ 32,541,378	\$ (1,958,642)	(5.7)%
Aid to Local Units	3,254,967	3,254,967	2,929,471	(325,496)	(10.0)
Other Assistance	5,072,582	5,072,582	4,553,962	(518,620)	(10.2)
TOTAL	\$ 43,991,052	\$ 42,827,569	\$ 40,024,811	\$ (2,802,758)	(6.5)%
Financing:					
State General Fund	\$ 13,016,899	\$ 11,726,428	\$ 9,787,377	\$ (1,939,051)	(16.5)%
State Water Plan Fund	9,686,022	9,685,113	8,716,605	(968,508)	(10.0)
Economic Development Initiatives Fund	634,966	570,832	575,110	4,278	0.7
Special Revenue Funds	15,550,179	12,233,765	15,852,238	3,618,473	29.6
Federal Funds	5,102,986	8,611,431	5,093,481	(3,517,950)	(40.9)
TOTAL	\$ 43,991,052	\$ 42,827,569	\$ 40,024,811	\$ (2,802,758)	(6.5)%

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$10,268,857 for the Department of Agriculture in FY 2013. 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:

- An increase of \$116,025, including \$40,609 from the State General Fund, as the result of the 2012 Legislature's approved undermarket pay distributed by the State Finance Council.

These adjustments change the FY 2013 approved State General Fund to \$10,309,466. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 10,309,466	\$ 16,086,466	\$ 5,777,000	\$ 10,309,466	\$ 0
All Other Funds	31,484,591	32,692,515	1,207,924	32,686,322	1,201,731
TOTAL	<u>\$ 41,794,057</u>	<u>\$ 48,778,981</u>	<u>\$ 6,984,924</u>	<u>\$ 42,995,788</u>	<u>\$ 1,201,731</u>
FTE Positions	352.5	276.0	(76.5)	276.0	(76.5)

The **agency** estimates revised FY 2013 operating expenditures totaling \$48.8 million, including \$16.1 million from the State General Fund, \$10.4 million from the State Water Plan Fund, and \$626,625 from the Economic Development Initiatives Fund. The revised estimate is an all funds increase of \$7.0 million, or 16.7 percent, above the amount approved by the 2012 Legislature and the State General Fund estimate is an increase of \$5,777,000, or 56.0 percent, above the approved amount. The State General Fund increase is due to the supplemental request for emergency livestock water supply funding. The remainder of the increase is due to the reappropriation of State Water Plan Fund (\$1.0 million), as well as the undermarket pay adjustments. The revised estimate is a reduction of 76.5 FTE positions as a result of the 2012 legislatures decision to eliminate 70.0 percent of vacant FTE positions.

The **Governor** does not recommend the supplemental funding request for emergency livestock water supply funding and concurs with the remainder of the FY 2013 revised estimate.

Supplemental Detail

FY 2013 SUPPLEMENTALS						
Supplementals	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Emergency Livestock Water Supply	\$ 5,777,000	\$ 5,777,000	0.0	\$ 0	\$ 0	0.0

The **agency** estimates \$5.8 million in supplemental funding, all from the State General Fund, to address emergency livestock water supply issues. The agency notes that as an initial step in addressing the emergency livestock water supply issues, the agency responded to producers seeking assistance in finding ways to capture future rainfall, drilling new wells, and other livestock water supply practices. The agency has made available all possible resources to begin providing assistance as quickly as possible, and continues to pursue other funding possibilities to meet requests totaling more than \$6.6 million.

The **Governor** does not recommend the supplemental funding request.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 43,991,052	\$ 42,827,569	\$ (1,163,483)
FTE Positions	277.0	274.0	(3.0)
Change from FY 2013:			
<i>Dollar Change:</i>			
State General Fund	\$ (3,069,567)	\$ 1,416,962	
All Other Funds	(1,718,362)	(1,585,181)	
TOTAL	\$ (4,787,929)	\$ (168,219)	
<i>Percent Change:</i>			
State General Fund	(19.1) %	13.7 %	
All Other Funds	(5.3)	(4.8)	
TOTAL	(9.8) %	(0.4) %	
Change in FTE Positions	1.0	(2.0)	

The **agency** requests FY 2014 operating expenditures totaling \$44.0 million, including \$13.0 million from the State General Fund, \$9.7 million from the State Water Plan Fund, and \$634,966 from the Economic Development Initiatives Fund. The request is an all funds decrease of \$4.8 million, or 9.8 percent, and a State General Fund decrease of \$3.1 million, or 19.1 percent, below the revised FY 2013 estimate. The request includes enhancement funding totaling \$2.7 million, including \$2,670,029 from the State General Fund. **Absent the enhancement**, the request is an all funds decrease of \$7.5 million, or 15.4 percent, below the revised FY 2013 estimate and is a State General Fund decrease of \$5.7 million, or 35.7 percent, below the revised estimate. The State General Fund decrease is due to the supplemental request for the emergency livestock water supply funding in FY 2013 that is not requested in FY 2014. The remainder of the decrease is due to a reduction in the amount of cost-share projects that the Division of Conservation is able to participate in due to a reduction in State Water Plan funding, as well as a decrease in federal grants.

The **Governor** recommends \$42.8 million, including \$11.7 million from the State General Fund and \$9.7 million from the State Water Plan Fund, for FY 2014 operating expenditures. The recommendation is an all funds decrease of \$1.2 million, or 2.6 percent, and a State General Fund decrease of \$1.3 million, or 9.9 percent, below the agency's FY 2014 request. Included in the recommendation is the Governor's proposal to merge the Kansas Board of Veterinary Examiners to within the Department of Agriculture in the Division of Animal Health. The recommendation includes an enhancement of \$2,000,000 from the State General Fund for sorghum research. The decrease is attributed to the adoption of the agency's reduced resources budget totaling \$297,567, all funds, including \$266,871 from the State General Fund; as well as an EDIF reduction of \$63,497 in the Administration program; and a reduction to vacant salaries and wages totaling \$344,788, all from the State General Fund. Additionally, the Governor did not recommend \$700,029, all funds, in enhancement funding. These reductions were offset by an undermarket salary adjustment approved by the State Finance Council in September.

The Governor's recommendation includes a decrease of \$24,577, including \$48,880 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

The Governor recommends 274.0 FTE positions, a decrease of 3.0 FTE positions from the agency's request. 4.0 FTE positions associated with the agency's reduced resources budget are eliminated, and 2.0 FTE positions requested as part of the enhancement request are not recommended. The total reduction in FTE positions is offset by the addition of 3.0 FTE positions due to the addition of the Board of Veterinary Examiners.

The recommendation is a decrease of \$168,219, or 0.4 percent, all funds and an increase of \$1.4 million, or 13.7 percent, State General Fund from the FY 2013 recommendation. The increase in State General Fund dollars is attributed to the \$2,000,000 in enhancement funding for sorghum research, offset by the adoption of the reduced resources budget. The recommendation is a decrease of 2.0 FTE positions due to the reduced resources budget and not funding the enhancement request for additional 1.0 FTE position, offset however by the addition of the 3.0 FTE positions from the Board of Veterinary Examiners.

Enhancements Detail

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Dairy Program Position	\$ 22,728	\$ 52,728	1.0	\$ 0	\$ 0	0.0
Plant Protection and Control Program Position	65,286	65,286	0.0	0	0	0.0
Division of Water Resources Position	86,554	86,554	0.0	0	0	0.0
Ag Marketing	175,000	175,000	1.0	0	0	0.0
Water Appropriations	258,793	258,793	0.0	0	0	0.0
Vehicles	61,668	61,668		0	0	0.0
Sorghum Research	2,000,000	2,000,000	0.0	2,000,000	2,000,000	0.0
TOTAL	\$ 2,670,029	\$ 2,700,029	2.0	\$ 2,000,000	\$ 2,000,000	0.0

The **agency** is requesting seven enhancements totaling \$2,700,029, including \$2,670,029 from the State General Fund, and 2.0 FTE positions. The requests include:

- **Dairy Program Position** \$52,728, including \$22,728 from the State General Fund, and 1.0 FTE position, to add one additional position in the Dairy program. The position would be utilized in covering the added workload generated by additional milk processing plants and the expected addition of large dairy farms to supply those plants. The additional FTE position would be replacing a vacant position that was eliminated for no net change from the previous year.
- **Plant Protection and Control Program Position** \$65,286, all from the State General Fund, to fill a vacant Export Specialist position in the Plant Protection and Weed Control program. The agency notes that the position would increase the program's ability to certify commodities for export in a timely manner and to protect the state's natural and cultivated resources. The position was made vacant in 2009 due to budget reductions.
- **Division of Water Resources Position** \$86,554, all from the State General Fund, to fill a Professional Civil Engineer II position within the Division of Water Resources - Water Structures subprogram. The position is a licensed civil engineer responsible for leading the stream obstruction permits team, including management of permit workflow, technical supervision, complex engineering review, implementation of policy, and employee performance. The position has also been vacant since 2009.
- **Ag Marketing** \$175,000, all from the State General Fund, and the addition of 1.0 FTE position, for the marketing of agriculture workforce development. The enhancement would allow for the creation of a second Agriculture Education position at the state level focused on workforce development, further development of career and technical curriculum in agriculture, promotion of high school agriculture education and related employment opportunities, and lead to the development of additional certifications.

- **Water Appropriations** \$258,793, all from the State General Fund, for the Division of Water Resources, Water Appropriations subprogram. The first part of the request is for \$240,000 State General Fund to address telemetry technology which would provide instantaneous water use and water level data through a website. The second part of the request is for \$18,793 State General Fund to be used to reclassify the status of the four water commissioner positions. Currently they are classified as Environmental Scientist IV positions, and the agency would like to reclassify them as Environmental Scientist V positions due to the nature of the work.
- **Vehicles** \$61,668, all from the State General Fund, for two vehicle replacements and one vehicle purchase. An SUV to replace a van with over 175,000 miles for the Dairy program; a compact crossover to replace a Chevrolet S10 with over 170,000 miles for the Division of Water Resources - Water Structures program; and a truck for the Plant Protection and Weed Control program. Currently the entomologist and weed specialists do not have a truck and have to lease one from Enterprise which prohibits towing a trailer, thus forcing the specialists to load their all-terrain vehicle into the back of the truck instead of onto a trailer which the agency notes would be safer.
- **Sorghum Research** \$2,000,000, all from the State General Fund, to complete research to improve the productiveness of grain sorghum in Kansas. The agency notes that the research is necessary to tackle the challenging aspects of grain sorghum production that limit its competitiveness with other crops in Kansas. The agency also notes that increased grain sorghum production will be beneficial to the Kansas economy and can help conserve valuable water used for crop irrigation.

The **Governor** recommends \$2,000,000, all from the State General Fund, for sorghum research, and does not recommend the remainder of the enhancement funding request at this time. It is also noted that requests for vehicle replacements are to be made as part of the agency's operating costs, not as an enhancement request.

FY 2014 Reduced Resources

FY 2014 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Administration	\$ (74,697)	\$ (74,697)	0.0	\$ (74,697)	\$ (74,697)	(1.0)
Meat and Poultry Subprogram	(30,697)	(61,393)	0.0	(30,697)	(61,393)	(1.0)
Water Management Subprogram	(96,348)	(96,348)	0.0	(96,348)	(96,348)	(1.0)
Animal Health Subprogram	(65,129)	(65,129)	0.0	(65,129)	(65,129)	(1.0)
Vacant Salaries and Wages	0	0	0.0	(344,788)	(344,788)	0.0
EDIF reduced resources	0	0	0.0	0	(63,497)	0.0
TOTAL	\$ (266,871)	\$ (297,567)	0.0	\$ (611,659)	\$ (705,852)	(4.0)

The **agency** request includes a reduced resources budget totaling \$297,567, including \$266,871 from the State General Fund. The reductions include:

- **Administration** \$74,697, all from the State General Fund, in salary reductions in the Administration program. The agency notes that one position would have to be eliminated, this position being a member of the agency's legal staff. All duties associated with the position would have to be redistributed to other staff within the legal department and would increase the time required to process legal issues incurred by the agency.
- **Meat and Poultry Subprogram** \$30,697, from the State General Fund, and a reduction of \$61,393, all funds, due to a federal 50/50 match, in salary reductions in the Meat and Poultry subprogram. The agency notes that one position would have to be eliminated, likely an area supervisor position. The position is responsible for the supervision/training of Agricultural Inspector II positions who are responsible for plant inspections. The agency further notes that it currently has seven area supervisor positions and that the loss of one would have an adverse impact on the workload of other area supervisors and the size of the territory they cover.
- **Water Management Subprogram** \$96,348, all from the State General Fund, in salary reductions in the Water Management subprogram. The agency notes that one position would need to be eliminated. This position assists the chief engineer by supervising program managers; coordinating water resources programs; overseeing budget and administrative matters; responding to legislative and public inquiries; performing analysis and reports; representing the agency at events; and assisting with the administration of statutes and regulations. The agency further notes that this position has been vacant since August of 2011 and the workload of the Division has been exacerbated due to the drought, Supreme Court litigation, and new legislative initiatives. According to the agency, without this position, the chief engineer must spend more time on administrative matters than on regulatory issues, interstate matters, and providing leadership on water resources issues of critical importance to the state.
- **Animal Health Subprogram** \$65,129, all from the State General Fund, in salary reductions in the Animal Health subprogram. The brand inspector position is located in northeast Kansas and covers several counties. Elimination of the position would slow down the response time and greatly increase the coverage areas for other brand inspectors.

The **Governor** recommends adopting the agency's reduced resources budget totaling \$297,567 all funds, including \$266,871 from the State General Fund, as well as recommending some additional reductions. These include an Economic Development Initiatives Fund (EDIF) reduction of \$63,497 in the Administration program, and a reduction to vacant salaries and wages totaling \$344,788 from the State General Fund. Additionally, the Governor recommends eliminating the 4.0 FTE positions associated with the agency's reduced resources budget.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 40,024,811	\$ (2,802,758)
FTE Positions	274.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ (1,939,051)	
All Other Funds	(863,707)	
TOTAL	<u>\$ (2,802,758)</u>	
<i>Percent Change:</i>		
State General Fund	(16.5) %	
All Other Funds	(2.8)	
TOTAL	<u>(6.5) %</u>	
Change in FTE Positions	0.0	

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures of \$40.0 million, including \$9.8 million from the State General Fund and \$8.7 million from the State Water Plan Fund. The recommendation is a decrease of \$2.8 million, or 6.5 percent, all funds and \$1.9 million, or 16.5 percent, State General Fund below the Governor's FY 2014 recommendation. There was no change in recommended FTE positions.

The reduction is attributed to the the \$2,000,000 from the State General Fund recommended for sorghum research in FY 2014 that was not recommended in FY 2015, as well as a reduction in the Conservation Division due to an across the board reduction in State Water Plan Funding for all agencies. The reduction is due to the elimination of statutory transfers from the State General Fund and Economic Development Initiatives Fund to the State Water Plan Fund. These reductions are offset by an increase in employer contributions for group health insurance and retirement.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$122,859, including \$73,382 from the State General Fund, and FY 2015 longevity payments total \$127,319, including \$76,398 from the State General Fund.**

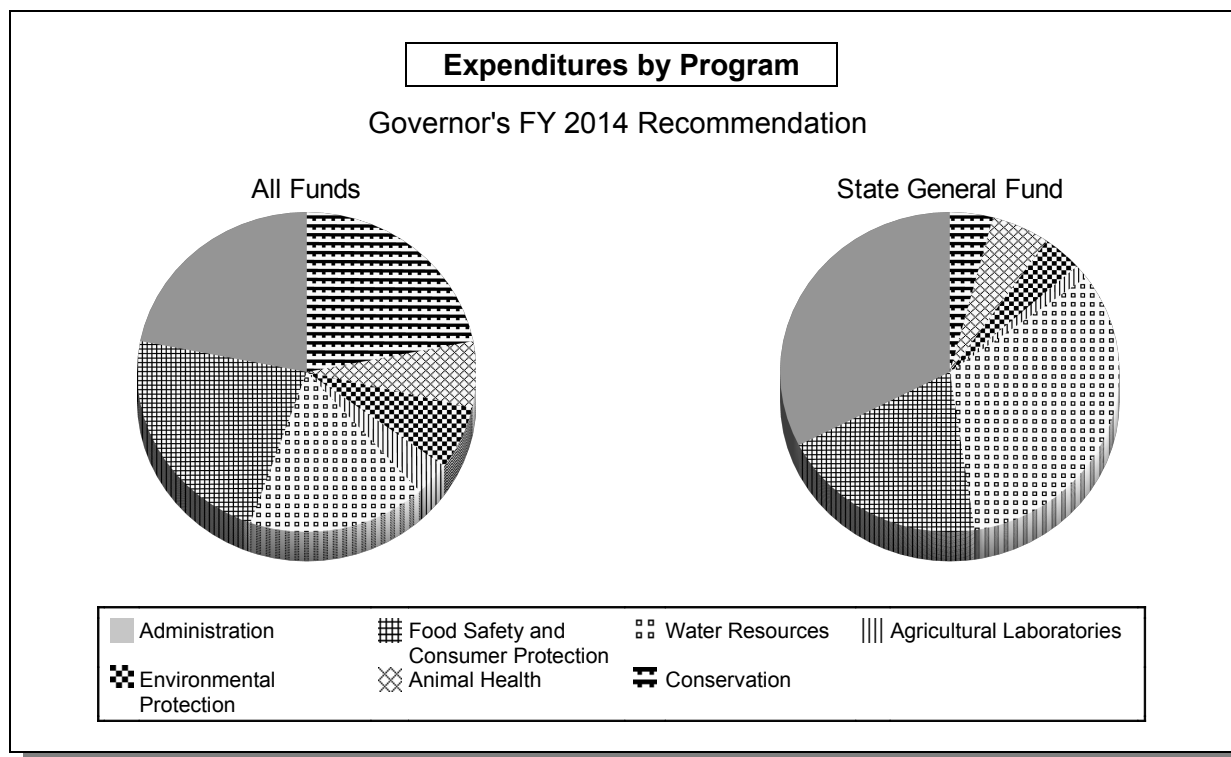
Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	29.6 %	27.4 %
State Water Plan Fund	22.0	22.6
Economic Development Initiatives Fund	1.4	1.3
Special Revenue Funds	35.3	28.6
Federal Funds	11.6	20.1
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

PROGRAM DETAIL



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Administration	\$ 9,316,835	21.8 %	\$ 3,818,331	32.6 %
Food Safety and Consumer Protection	9,676,968	22.6	2,319,702	19.8
Water Resources	7,256,416	16.9	3,845,522	32.8
Agricultural Laboratories	1,444,008	3.4	165,230	1.4
Environmental Protection	2,721,016	6.4	442,956	3.8
Animal Health	2,865,080	6.7	653,560	5.6
Conservation	9,547,246	22.3	481,127	4.1
TOTAL	\$ 42,827,569	100.0 %	\$ 11,726,428	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015						
Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	54.5	39.0	39.0	40.0	38.0	38.0
Food Safety and Consumer Protection	130.6	102.2	102.2	102.2	100.2	100.2
Water Resources	86.5	65.0	65.0	65.0	64.0	64.0
Agricultural Laboratories	26.1	13.0	13.0	13.0	13.0	13.0
Environmental Protection	26.8	29.0	29.0	29.0	29.0	29.0
Animal Health	19.0	18.8	18.8	18.8	20.8	20.8
Conservation	10.0	9.0	9.0	9.0	9.0	9.0
TOTAL	353.5	276.0	276.0	277.0	274.0	274.0

A. Administration

The Administration Program provides the general policy, outreach, coordination, and management functions for the agency. This program is divided into four subprograms: administrative services and support, record center, statistical services and support, and agriculture marketing. The Administrative Services and Support Subprogram provides the agency's fiscal, personnel, legal, and information resource services. The goal of the Record Center Subprogram is to maintain credible records to provide consistent and equitable implementation of Kansas statutes as they relate to the agency. This includes the issuance of licenses, permits, registrations, and certifications, and the issuance of renewal notices. The Statistical Services and Support Subprogram is responsible for providing meaningful, accurate, and objective statistical information and services to Kansas residents and the Kansas agricultural industry. Agriculture marketing was transferred to the Department in FY 2011 as part of Executive Reorganization Order Number 40. This subprogram is focused on growing the agricultural industry in Kansas through loan programs, marketing, and agricultural initiatives.

ADMINISTRATION PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 3,465,764	\$ 3,864,302	\$ 3,864,302	\$ 4,106,949	\$ 3,867,915	\$ 3,897,477
Contractual Services	2,895,115	3,285,865	3,279,672	5,187,659	5,046,506	3,046,506
Commodities	65,911	124,953	124,953	86,989	86,989	86,989
Capital Outlay	254,091	28,884	28,884	31,768	31,768	31,768
Subtotal	\$ 6,680,881	\$ 7,304,004	\$ 7,297,811	\$ 9,413,365	\$ 9,033,178	\$ 7,062,740
Aid to Local Units	9,045	0	0	0	0	0
Other Assistance	367,331	717,348	717,348	283,657	283,657	283,657
TOTAL	\$ 7,057,257	\$ 8,021,352	\$ 8,015,159	\$ 9,697,022	\$ 9,316,835	\$ 7,346,397
Financing:						
State General Fund	\$ 2,747,823	\$ 2,292,111	\$ 2,292,111	\$ 4,132,222	\$ 3,818,331	\$ 1,829,091
All Other Funds	4,309,434	5,729,241	5,723,048	5,564,800	5,498,504	5,517,306
TOTAL	\$ 7,057,257	\$ 8,021,352	\$ 8,015,159	\$ 9,697,022	\$ 9,316,835	\$ 7,346,397
FTE Positions	54.5	39.0	39.0	40.0	38.0	38.0
Non-FTE Pos.*	13.5	18.0	18.0	18.0	18.0	18.0
TOTAL	68.0	57.0	57.0	58.0	56.0	56.0
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 expenditures totaling \$9.7 million, including \$4.1 million from the State General Fund and \$560,419 from the Economic Development Initiatives Fund (EDIF), for FY 2014 Administration expenditures. The request is an all funds increase of \$1.7 million, or 20.9 percent, a State General Fund increase of \$1.8 million, or 80.3 percent, and an EDIF increase of \$4,433, or 0.8 percent, above the FY 2013 revised estimate. The request includes \$2,175,000, all from the State General Fund, in enhancement funding for the agriculture marketing program and sorghum research; as well as the addition of 1.0 FTE position for the agriculture marketing program. **Absent the enhancements** the request is an all funds decrease of \$499,330, or 6.2 percent, and \$334,889, or 14.6 percent, State General Fund, below the revised FY 2012 estimate. The change is primarily due to a Special Crop Grant received in FY 2013 that has yet to be awarded for FY 2014.

The **Governor** recommends FY 2014 expenditures of \$9.3 million, including \$1.4 million from the State General Fund and \$559,782 from the Economic Development Initiatives Fund. The recommendation is a decrease of \$380,187, or 3.9 percent, all funds and \$236,235, or 14.4 percent, State General Fund below the agency's FY 2014 request. The recommendation includes an enhancement of \$2,000,000 from the State General Fund for sorghum research. The reduction is attributed to the reduced resources recommendation of eliminating 1.0 attorney position, the elimination of funding for an additional vacant position, and the reduction in Economic Development Initiative Fund dollars.

The recommendation is a decrease of 2.0 FTE positions below the agency request. The reduction is due to not adding 1.0 FTE as part of the agriculture marketing program enhancement request, as well as the elimination of 1.0 FTE position due to the reduced resources recommendation.

The **Governor** recommends FY 2015 expenditures of \$7.3 million all funds, a reduction of \$2.0 million, or 21.1 percent, below the FY 2014 recommendation. The reduction is attributed to the \$2.0 million enhancement in FY 2014 for sorghum research not occurring in FY 2015, partially offset by increases in employer contributions for group health insurance and retirement.

B. Food Safety and Consumer Protection

The Food Safety and Consumer Protection Program focuses on protecting the health and well-being of all consumers in the state. These programs ensure a safe food supply from farm to fork, safe and sanitary lodging facilities, that inputs to agriculture are safe, quality products that are not misrepresented to consumers, that state-licensed grain warehouses are solvent and protecting the quality of stored grains, and that weighing and measuring devices used in commerce are accurate. All of these program functions protect consumers, but also benefit the agriculture industry by maintaining a climate of consistency and confidence in the marketplace. The Meat and Poultry Inspection Subprogram conducts inspections to ensure safe and wholesome meat and poultry products, to detect and eliminate those items that pose a health threat, are improperly labeled, or serve as a source of economic fraud to the consumer. The Division of Food Safety and Lodging Subprogram inspects all regulated food establishments, food processors, and lodging establishments. The Dairy Inspection Subprogram regulates the milk production, transportation, processing, and distribution industry in Kansas. The Agricultural Commodity Assurance (ACAP) Subprogram regulates seed, commercial feeding stuffs, medicated feed mills, eggs, and tissue residue investigations. The Weights and Measures Subprogram is responsible for ensuring that devices involving weight, measurement, or price scanning in commerce are accurate in order to protect the consumer and provide equity in the marketplace. The Grain Warehouse Inspection Subprogram ensures that depositors of grain in public warehouses are protected from fraud and that warehouses maintain accurate inventory records.

FOOD SAFETY AND CONSUMER PROTECTION PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 6,486,506	\$ 7,174,842	\$ 7,174,842	\$ 7,450,446	\$ 7,275,636	\$ 7,331,510
Contractual Services	1,633,818	1,680,663	1,680,663	1,674,126	1,674,116	1,674,116
Commodities	383,275	455,955	455,955	431,276	431,276	431,276
Capital Outlay	361,472	253,834	253,834	301,651	281,950	281,950
Subtotal	\$ 8,865,071	\$ 9,565,294	\$ 9,565,294	\$ 9,857,499	\$ 9,662,978	\$ 9,718,852
Aid to Local Units	0	0	0	0	0	0
Other Assistance	9,760	13,990	13,990	13,990	13,990	13,990
TOTAL	\$ 8,874,831	\$ 9,579,284	\$ 9,579,284	\$ 9,871,489	\$ 9,676,968	\$ 9,732,842
Financing:						
State General Fund	\$ 2,058,963	\$ 2,354,363	\$ 2,354,363	\$ 2,447,679	\$ 2,319,702	\$ 2,334,609
All Other Funds	6,815,868	7,224,921	7,224,921	7,423,810	7,357,266	7,398,233
TOTAL	\$ 8,874,831	\$ 9,579,284	\$ 9,579,284	\$ 9,871,489	\$ 9,676,968	\$ 9,732,842
FTE Positions	130.6	102.2	102.2	102.2	100.2	100.2
Non-FTE Pos.*	13.5	30.9	30.9	30.9	30.9	30.9
TOTAL	144.1	133.1	133.1	133.1	131.1	131.1

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 expenditures totaling \$9.9 million, including \$2.4 million from the State General Fund. The request is an all funds increase of \$292,205, or 3.1 percent, and a State General Fund increase of \$93,316, or 4.0 percent, above the FY 2013 revised estimate. The request includes \$72,439, all from the State General Fund, in enhancement funding for vehicles and the funding of an additional 1.0 FTE position for the dairy program. **Absent the enhancement**, the request is an all funds increase of \$219,766, or 2.3 percent,

above the revised FY 2012 estimate and is a State General Fund increase of \$20,877, or 0.9 percent, above the revised estimate. The majority of the increase is due to longevity payments and increased employer contributions for group health insurance and retirement, as well as vehicle replacements budgeted as a part of capital outlay.

The **Governor** recommends FY 2014 expenditures of \$9.7 million, including \$2.3 million from the State General Fund. The recommendation is a decrease of \$194,521, or 2.0 percent, all funds, and \$127,977, or 5.2 percent, State General Fund below the agency's FY 2014 request. The reduction is attributed to the adoption of the reduced resources budget, not recommending enhancement funding, and a further State General Fund reduction of \$52,713.

The recommendation is a decrease of 2.0 FTE positions below the agency request. The reduction is due to not adding 1.0 FTE as part of the dairy program enhancement request, as well as the elimination of 1.0 FTE position due to the reduced resources recommendation.

The **Governor** recommends FY 2015 expenditures of \$9.7 million, an increase of \$55,874 all funds, or 0.6 percent, above the FY 2014 recommendation. The increase is attributed to increased employer contributions for group health insurance and retirement.

C. Water Resources

The Water Resources Program provides a public safety function through management of the state's scarce water resources and inspection of water structures. The program is divided into four subprograms: Water Management Services; Water Appropriation; Water Structures; and Basin Management Team. The Water Management Services Subprogram is responsible for administrative, fiscal, legal, and legislative functions, in addition to supervising water conservation issues, data entry for the Water Rights Information System, management of the Geographic Information System, hydrologic studies, as well as coordinating with other water-related agencies. The Water Appropriation Subprogram manages, regulates, and protects water resources to ensure a substantial, long-term water supply. The Water Structures Subprogram regulates human activities that affect the flow of rivers and streams, to ensure that such activities are properly planned, constructed, operated, and maintained. The Basin Management Team Subprogram facilitates the stakeholder process in the state. In FY 2011, the Basin Management Team Subprogram was integrated with the Water Management Services Subprogram.

WATER RESOURCES PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 5,324,308	\$ 5,645,490	\$ 5,645,490	\$ 5,933,162	\$ 5,571,604	\$ 5,614,917
Contractual Services	1,849,923	1,842,467	1,842,467	1,430,097	1,430,087	1,299,349
Commodities	108,052	114,011	114,011	121,392	121,392	121,392
Capital Outlay	162,206	126,231	126,231	386,039	126,338	126,338
Subtotal	\$ 7,444,489	\$ 7,728,199	\$ 7,728,199	\$ 7,870,690	\$ 7,249,421	\$ 7,161,996
Aid to Local Units	0	0	0	0	0	0
Other Assistance	5,422	6,995	6,995	6,995	6,995	6,995
TOTAL	\$ 7,449,911	\$ 7,735,194	\$ 7,735,194	\$ 7,877,685	\$ 7,256,416	\$ 7,168,991
Financing:						
State General Fund	\$ 3,714,703	\$ 3,880,575	\$ 3,880,575	\$ 4,464,218	\$ 3,845,522	\$ 3,870,836
All Other Funds	3,735,208	3,854,619	3,854,619	3,413,467	3,410,894	3,298,155
TOTAL	\$ 7,449,911	\$ 7,735,194	\$ 7,735,194	\$ 7,877,685	\$ 7,256,416	\$ 7,168,991
FTE Positions	86.5	65.0	65.0	65.0	64.0	64.0
Non-FTE Pos.*	19.0	19.5	19.5	19.5	19.5	19.5
TOTAL	105.5	84.5	84.5	84.5	83.5	83.5
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 expenditures totaling \$7.9 million, including \$4.5 million from the State General Fund and \$1.3 million from the State Water Plan Fund. The request is an all funds increase of \$142,491, or 1.8 percent, and a State General Fund increase of \$583,643, or 15.0 percent, above the revised FY 2013 estimate. The request includes \$365,058, all from the State General Fund, in enhancement funding for one replacement vehicle, telemetry technology, the reclassification of the water commissioner positions, and funding for a vacant Civil Engineer II position. **Absent the enhancements** the request is an all funds decrease of \$222,567, or 2.9 percent, and a State General Fund increase of \$218,585, or 2.8 percent, above the revised FY 2013 estimate. The State General Fund increase is mostly due to increased employer contributions for group health insurance and retirement.

The **Governor** recommends FY 2014 expenditures of \$7.3 million, including \$3.8 million from the State General Fund. The recommendation is a decrease of \$621,269, or 7.9 percent, all funds, and \$618,696, or 13.9 percent, State General Fund below the agency's FY 2014 request. The reduction is attributed to the reduced resources recommendation of eliminating funding for 1.0 FTE position in the Water Management subprogram (\$96,348), the elimination of funding for additional vacant salaries and wages as part of a further State General Fund reduction (\$153,669), as well as not recommending enhancement funding (\$365,058).

The recommendation is a decrease of 1.0 FTE position below the agency request. The reduction is due to the elimination of 1.0 FTE position due to the reduced resources recommendation.

The **Governor** recommends FY 2015 expenditures of \$7.2 million all funds, a decrease \$87,425, or 1.2 percent, below the FY 2014 recommendation. The reduction is due to an across the board reduction to State Water Plan Fund dollars.

D. Agricultural Laboratories

The Agricultural Laboratories Program provides analytical services necessary to enforce the regulatory functions of the agency. Analytical laboratory services are provided for the Meat and Poultry Inspection, Dairy Inspection, Agricultural Commodities Assurance Program, and Pesticide and Fertilizer subprograms. Sample inspections are conducted to protect the health and safety of all Kansans and to facilitate accuracy of labeling of products offered for sale in the state.

AGRICULTURAL LABORATORIES PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 885,652	\$ 920,560	\$ 920,560	\$ 927,758	\$ 888,846	\$ 895,823
Contractual Services	346,887	412,434	412,434	386,171	386,171	386,171
Commodities	122,292	153,515	153,515	156,401	156,401	156,401
Capital Outlay	130,429	191,514	191,514	12,590	12,590	12,590
Subtotal	\$ 1,485,260	\$ 1,678,023	\$ 1,678,023	\$ 1,482,920	\$ 1,444,008	\$ 1,450,985
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 1,485,260	\$ 1,678,023	\$ 1,678,023	\$ 1,482,920	\$ 1,444,008	\$ 1,450,985
Financing:						
State General Fund	\$ 165,832	\$ 146,484	\$ 146,484	\$ 203,228	\$ 165,230	\$ 165,875
All Other Funds	1,319,428	1,531,539	1,531,539	1,279,692	1,278,778	1,285,110
TOTAL	\$ 1,485,260	\$ 1,678,023	\$ 1,678,023	\$ 1,482,920	\$ 1,444,008	\$ 1,450,985
FTE Positions	26.1	13.0	13.0	13.0	13.0	13.0
Non-FTE Pos.*	4.0	2.0	2.0	2.0	2.0	2.0
TOTAL	30.1	15.0	15.0	15.0	15.0	15.0
*Non-FTE Permanent Unclassified Positions						

The **agency** requests \$1.5 million, including \$203,228 from the State General Fund, for FY 2014. The request is an all funds decrease of \$195,103, or 11.6 percent, below the revised FY 2013 estimate. Requested State General Fund expenditures are an increase of \$56,744, or

38.7 percent, above the revised estimate. The request includes increased State General Fund expenditures for employer contributions for group health insurance and retirement, offset by decreased contractual services and commodities expenditures - mostly due increased federal funding in FY 2013 from the Environmental Protection Agency to host a pesticide formulation analysis workshop for out of state attendees, as well as the one-time purchase of a gas chromatograph/triple quad mass spectrometer and nitrogen analyzer during FY 2013.

The **Governor** recommends FY 2014 expenditures of \$1.4 million, including \$165,230 from the State General Fund. The recommendation is a decrease of \$38,912, or 2.6 percent, all funds and \$37,998, or 18.7 percent, State General Fund below the agency's FY 2014 request. The reduction is attributed to the elimination of funding for additional vacant salaries and wages as part of a further State General Fund reduction (\$37,904), as well as a death and disability employer contribution reduction.

The **Governor** recommends FY 2015 expenditures of \$1.5 million all funds, an increase of \$6,977, or 0.5 percent, above the FY 2014 recommendation. The increase is due to increased employer contributions for group health insurance and retirement.

E. Environmental Protection

The Environmental Protection Program works to ensure the protection and health of the state's natural and cultivated plant resources and the environment. This is accomplished through activities focused on prevention and ensuring the safe and proper use of pesticides and nutrients. The program is divided into two subprograms: Pesticide and Fertilizer and Plant Protection. The Pesticide and Fertilizer Subprogram regulates pesticide and fertilizer products and chemical applicators. The Plant Protection and Weed Control Subprogram protects the state's natural and cultivated plant resources from pests, diseases, and weeds.

ENVIRONMENTAL PROTECTION PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 2,031,340	\$ 2,249,529	\$ 2,249,529	\$ 2,353,618	\$ 2,247,876	\$ 2,265,747
Contractual Services	303,556	377,331	377,331	297,230	297,220	297,220
Commodities	108,446	114,490	114,490	98,644	98,644	98,644
Capital Outlay	85,008	135,244	135,244	89,279	67,043	67,043
Subtotal	\$ 2,528,350	\$ 2,876,594	\$ 2,876,594	\$ 2,838,771	\$ 2,710,783	\$ 2,728,654
Aid to Local Units	0	0	0	0	0	0
Other Assistance	7,139	10,233	10,233	10,233	10,233	10,233
TOTAL	\$ 2,535,489	\$ 2,886,827	\$ 2,886,827	\$ 2,849,004	\$ 2,721,016	\$ 2,738,887
Financing:						
State General Fund	\$ 376,551	\$ 439,481	\$ 439,481	\$ 568,747	\$ 442,956	\$ 445,433
All Other Funds	2,158,938	2,447,346	2,447,346	2,280,257	2,278,060	2,293,454
TOTAL	\$ 2,535,489	\$ 2,886,827	\$ 2,886,827	\$ 2,849,004	\$ 2,721,016	\$ 2,738,887
FTE Positions	26.8	29.0	29.0	29.0	29.0	29.0
Non-FTE Pos.*	0.0	4.0	4.0	4.0	4.0	4.0
TOTAL	26.8	33.0	33.0	33.0	33.0	33.0
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 expenditures totaling \$2.8 million, including \$568,747 from the State General Fund. The request is a decrease of \$37,823, or 1.3 percent, all funds and an increase of \$129,266, or 29.4 percent, State General Fund above the revised FY 2013 estimate. The request includes \$87,532, all from the State General Fund, in enhancement funding for one new fleet vehicle and 1.0 unfunded position. **Absent the enhancements** the request is an all funds decrease of \$125,355, or 2.9 percent, below the revised FY 2013 estimate; and an increase of \$41,734, or 1.4 percent, State General Fund above the revised FY 2013 estimate. The adjustments include an increase in salaries and wages expenditures, primarily for employer contributions for group health insurance and retirement, but that increase is offset by reductions for contractual services, commodities, and capital outlay.

The **Governor** recommends FY 2014 expenditures of \$2.7 million, including \$442,956 from the State General Fund. The recommendation is a decrease of \$127,988, or 4.5 percent, all funds and \$125,791, or 22.1 percent, State General Fund below the agency's FY 2014 request. The reduction is attributed to the elimination of funding for additional vacant salaries and wages as part of a further State General Fund reduction (\$37,905), the decision to not fund enhancement requests, as well as a death and disability employer contribution reduction.

The **Governor** recommends FY 2015 expenditures of \$2.7 million all funds, an increase of \$17,871, or 0.7 percent, above the FY 2014 recommendation. The increase is due to increased employer contributions for group health insurance and retirement.

F. Animal Health

The Animal Health program ensures the public health, safety and welfare of Kansas' citizens and enhances the economic viability of the state's livestock production through livestock identification, animal health planning and preparedness, disease prevention, and control and eradication of infectious and contagious livestock and domestic animal disease in the state of Kansas. The program also regulates facilities that produce, sell, board, train, rescue, offer for adoption or harbor companion animals and enforce the laws governing such facilities. The program directs an effective brand registration and inspection program, identifies ownership of lost or stolen livestock; informs the public of the status of the health of livestock in the state and promotes understanding and gain public assistance in achieving this mission.

ANIMAL HEALTH PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,402,608	\$ 1,595,621	\$ 1,595,621	\$ 1,623,690	\$ 1,746,821	\$ 1,760,287
Contractual Services	921,413	1,018,764	1,018,764	954,532	1,022,984	1,022,984
Commodities	67,924	84,039	84,039	68,176	74,716	74,716
Capital Outlay	61,671	19,947	19,947	1,323	3,331	3,331
Subtotal	\$ 2,453,616	\$ 2,718,371	\$ 2,718,371	\$ 2,647,721	\$ 2,847,852	\$ 2,861,318
Aid to Local Units	0	0	0	0	0	0
Other Assistance	12,893	17,228	17,228	17,228	17,228	17,228
TOTAL	<u>\$ 2,466,509</u>	<u>\$ 2,735,599</u>	<u>\$ 2,735,599</u>	<u>\$ 2,664,949</u>	<u>\$ 2,865,080</u>	<u>\$ 2,878,546</u>
Financing:						
State General Fund	\$ 527,584	\$ 717,077	\$ 717,077	\$ 719,215	\$ 653,560	\$ 657,249
All Other Funds	1,938,925	2,018,522	2,018,522	1,945,734	2,211,520	2,221,297
TOTAL	<u>\$ 2,466,509</u>	<u>\$ 2,735,599</u>	<u>\$ 2,735,599</u>	<u>\$ 2,664,949</u>	<u>\$ 2,865,080</u>	<u>\$ 2,878,546</u>
FTE Positions	19.0	18.8	18.8	18.8	20.8	20.8
Non-FTE Pos.*	7.5	5.1	5.1	5.1	5.1	5.1
TOTAL	<u>26.5</u>	<u>23.9</u>	<u>23.9</u>	<u>23.9</u>	<u>25.9</u>	<u>25.9</u>

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2013 expenditures totaling \$2.7 million, including \$719,215 from the State General Fund. The request is a decrease of \$70,650, or 2.6 percent, all funds below, and a State General Fund increase of \$2,138, or 0.3 percent, above the revised FY 2013 estimate. The request includes increases for salaries and wages, primarily employer contributions for group health insurance and retirement, but that increase is offset by larger reductions in contractual services, commodities, and capital outlay expenditures.

The **Governor** recommends FY 2014 expenditures of \$2.9 million, including \$653,560 from the State General Fund. The recommendation is an increase of \$200,131, or 7.5 percent, all funds above, and a decrease of \$65,655, or 9.1 percent, State General Fund below the agency's FY 2014 request. The increase is attributed to the Governor's proposal to merge the Kansas Board of Veterinary Examiners to within the Department of Agriculture. The increase is offset by the elimination of funding for additional vacant salaries and wages as part of a further State General Fund reduction (\$37,905), and the adoption of the agency's reduced resources budget. The recommendation includes an increase of 2.0 FTE positions with a reduction of 1.0

FTE position associated with the funding elimination in the reduced resources budget offset by the addition of 3.0 FTE positions for the Kansas Board of Veterinary Examiners.

The **Governor** recommends FY 2015 expenditures of \$2.9 million all funds, an increase of \$13,466, or 0.5 percent, above the FY 2014 recommendation. The increase is due to increased employer contributions for group health insurance and retirement.

G. Conservation

Prior to FY 2012, the State Conservation Commission was a separate agency that was established in 1937 to promote soil and water conservation. The mission of the Commission was to administer conservation programs designed to enable local entities and individuals to protect and enhance Kansas' natural resources. The Conservation Program operates eight subprograms, including: Aid to conservation districts, watershed dam construction, water resource cost-share, water supply restoration, non-point source pollution, riparian and wetland protection, land reclamation, and water quality buffer initiatives.

CONSERVATION PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 761,111	\$ 746,503	\$ 746,503	\$ 751,562	\$ 750,825	\$ 755,858
Contractual Services	1,565,233	1,100,942	1,100,942	788,753	788,753	788,753
Commodities	4,107	8,699	8,699	10,326	10,326	10,326
Capital Outlay	2,287	2,027	2,027	1,896	1,896	1,896
Subtotal	\$ 2,332,738	\$ 1,858,171	\$ 1,858,171	\$ 1,552,537	\$ 1,551,800	\$ 1,556,833
Aid to Local Units	3,206,622	3,085,795	3,085,795	3,254,967	3,254,967	2,929,471
Other Assistance	5,413,570	11,198,736	5,421,736	4,740,479	4,740,479	4,221,859
TOTAL	<u>\$ 10,952,930</u>	<u>\$ 16,142,702</u>	<u>\$ 10,365,702</u>	<u>\$ 9,547,983</u>	<u>\$ 9,547,246</u>	<u>\$ 8,708,163</u>
Financing:						
State General Fund	\$ 552,154	\$ 6,256,375	\$ 479,375	\$ 481,590	\$ 481,127	\$ 484,284
All Other Funds	10,400,776	9,886,327	9,886,327	9,066,393	9,066,119	8,223,879
TOTAL	<u>\$ 10,952,930</u>	<u>\$ 16,142,702</u>	<u>\$ 10,365,702</u>	<u>\$ 9,547,983</u>	<u>\$ 9,547,246</u>	<u>\$ 8,708,163</u>
FTE Positions	10.0	9.0	9.0	9.0	9.0	9.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>10.0</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 expenditures totaling \$9.5 million, including \$481,590 from the State General Fund, and \$8.4 million from the State Water Plan Fund. The request is an all funds decrease of \$6.6 million, or 40.9 percent, and a State General Fund decrease of \$5.8 million, or 92.3 percent, below the revised FY 2013 estimate. The State General Fund decrease from the FY 2013 revised estimate is due to the supplement request in FY 2013 for the emergency livestock watering supply funding. The remainder of the decrease is attributed to a decrease in the number of cost-share projects that the agency is involved in due to a reduction in primarily State Water Plan Fund dollars, as well as National Resource Conservation Service and Environmental Protection Agency grants.

The **Governor** recommends FY 2014 expenditures of \$9.5 million, including \$481,127 from the State General Fund. The recommendation is a decrease of \$737, or less than 0.1 percent, all funds and \$463, or less than 0.1 percent, State General Fund below the agency's FY 2014 request. The reduction is attributed to a death and disability employer contribution reduction.

The **Governor** recommends FY 2015 expenditures of \$8.7 million all funds, a decrease of \$839,083, or 8.8 percent, below the FY 2014 recommendation. The decrease is due to the across the board reduction in State Water Plan Funding, a result of the statutory transfers from the State General Fund and Economic Development Initiatives Fund not being made to the State Water Plan Fund in FY 2015.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Administration				
Number of completed legal cases	1,266	925	1,362	1,312
Financial transaction error rate	11.0%	0.15%	0.17%	0.17%
Number of commercial applicator renewals mailed six weeks before expiration	2,058	1,985	2,059	2,334
Food Safety and Consumer Protection				
Total establishments licensed	15,900	16,122	16,175	16,195
Number of Grade A dairy farm inspections	915	982	900	870
Percent of pet and animal feed samples collection in compliance	92.0%	95.9%	92.0%	94.0%
Percent of licensed meat and poultry plans with acceptable reviews	97.0%	97.0%	97.0%	97.0%
Number of grain warehouses examined	112	132	112	120
Percent of small scales found accurate	90.0%	95.0%	97.0%	97.0%
Total food establishment inspections	23085	22602	23822	22822
Regulation of Water Resources				
Number of water right conservation contracts approved	48	61	25	25
Number of private high hazard dam inspections reviewed	--	127	130	130
Number of floodplain studies in progress	12	62	97	97
Agricultural Laboratories				
Number of feed samples tested	1,300	1,235	1,300	1,350
Number of dairy samples tested	5,500	5,458	5,500	5,500
Percent of employees cross-trained for additional laboratory duties	67.0%	66.0%	73.0%	73.0%
Number of meat and poultry samples tested	1,300	947	975	975
Environmental Protection				
Number of sites surveyed for exotic pests	2,000	4,951	2,500	2,500
Number of exotic pests found that have potential to cause harm	35	57	60	60
Number of pesticide applicator examinations administered	2,500	2,625	2,500	2,500
Conservation Programs				
Number of cost-share contracts funded	646	1,028	848	898
Number of counties with approved riparian and wetland protection plans	82	82	82	82
Animal Health				
Number of markets and feed lots inspected	100	59	60	60
Number of animals back tagged at livestock markets	250,000	273,314	275,000	275,000
Number of failed 2 nd animal facility inspections	0	9	20	20
Total number of completed animal facility inspections	2,120	1,536	1,800	1,800
Number of brands recorded	17,300	17,184	17,100	17,100

DEPARTMENT OF WILDLIFE, PARKS AND TOURISM

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 5,552,494	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	56,606,140	60,239,769	60,351,834	58,648,175	57,868,809	57,278,641
TOTAL	\$ 62,158,634	\$ 60,239,769	\$ 60,351,834	\$ 58,648,175	\$ 57,868,809	\$ 57,278,641
Capital Improvements:						
State General Fund	\$ 3,117	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	7,238,059	7,694,102	7,694,102	8,760,187	8,760,187	6,725,000
TOTAL	\$ 7,241,176	\$ 7,694,102	\$ 7,694,102	\$ 8,760,187	\$ 8,760,187	\$ 6,725,000
GRAND TOTAL	\$ 69,399,810	\$ 67,933,871	\$ 68,045,936	\$ 67,408,362	\$ 66,628,996	\$ 64,003,641

Operating Expenditures Percentage Change

State General Fund	11.2 %	(100.0) %	(100.0) %	-- %	-- %	-- %
All Funds	16.6	(3.1)	(2.9)	(2.6)	(4.1)	(1.0)

FTE Positions	417.5	418.5	418.5	418.5	418.5	418.5
Non-FTE Pos.*	35.0	33.0	35.0	33.0	35.0	35.0
TOTAL	452.5	451.5	453.5	451.5	453.5	452.5

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

The Kansas Department of Wildlife, Parks and Tourism is a cabinet-level agency administered by the Secretary of Wildlife and Parks. The Secretary is appointed by the Governor, subject to confirmation by the Kansas Senate. The Kansas Wildlife and Parks Commission, a seven member board appointed by the Governor, serves in an advisory role to the Secretary. The Commission has authority to approve the agency's rules and regulations. The Secretary and Assistant Secretary for Administration are located in the Topeka administrative offices, while the Assistant Secretary for Operations is located in Pratt. The agency is administered by staff in the Topeka office, and field operations are managed from the Pratt office. The agency was created through the merger of the Park and Resources Authority (located in Topeka) and the Fish and Game Commission (located in Pratt). The Department of Wildlife and Parks was created by Executive Reorganization Order No. 22, which was issued by Governor Hayden on February 10, 1987, and approved by the 1987 Legislature. In 2011, Governor Brownback issued Executive Reorganization No. 36, which transferred the Division of Travel and Tourism Development from the Department of Commerce to the Department of Wildlife and Parks and renamed the agency the Department of Wildlife, Parks and Tourism.

MAJOR ISSUES FROM PRIOR YEARS

The agency has experienced numerous reductions for operating expenditures in its State General Fund financing over the past 10 years, and as a result, relies more on fees and other special revenue funds to pay for operations. The **2004 Legislature** attempted to

implement fee increases in order to correct a shortfall in financing for the Parks Fee Fund, which were ultimately unsuccessful. The **2005 Legislature** added \$485,000 in FY 2005 and \$300,000 in FY 2006 from other agency revenues to address a shortfall in the Parks Fee Fund. The **2005 Legislature** also added an additional State General Fund appropriation of \$717,000 for FY 2006.

The **2006 Legislature** added \$3.2 million in FY 2007 from the State General Fund for State Parks operations, including \$1.6 million for offering one-half price admissions through December 31, 2007. The **2007 Legislature** authorized continuation of the one-half price for daily permits and annual permits for entry into state parks until December 31, 2008. The **2008 and 2009 Legislatures** continued to support the one-half price permits through FY 2011.

When substantive legislation did not advance during the **2004 Legislature** to authorize free fishing and hunting licenses and free state park access for members of the Kansas National Guard, an item was included in a FY 2005 appropriations bill authorizing \$266,000 from the State General Fund to reimburse the agency for providing the free licenses and park permits. The Governor renewed the recommendation from FY 2006 to FY 2009. The Legislatures from 2005 to 2010 have continued to approve funding to provide for the free licenses and permits. In addition, the **2008 Legislature** added \$75,392 from the State General Fund to replace the revenue for free hunting and fishing licenses issued to eligible disabled veterans as authorized in 2008 HB 2923.

The **2005 and 2006 Legislatures** included language in the appropriations bills to prohibit purchasing the Circle K Ranch during FY 2005, FY 2006, or FY 2007, unless approved by the Legislature. Acquisition of State Park No. 24 occurred on December 29, 2005, with the donation of a site in Topeka. The **2006 Legislature** prohibited expenditures for development in FY 2007, unless approved by the Legislature after presentation of a five-year development plan for the park and related improvements. The **2007 Legislature** passed legislation naming the park the Kaw River State Park and approved \$205,000 from the State General Fund for operating the park, including the addition of 1.0 FTE position for a manager. The **2009 Legislature** approved \$187,314 from the agency's State General Fund capital improvements budget to pay for a special assessment upon the Kaw River State Park property.

The **2008 Legislature** added language to require the agency to purchase an option in FY 2009 at a cost of \$750,000, from any available funds, to secure a right-of-first-refusal to acquire approximately 3,000 acres at the Parsons Army Ammunition Plant for a new state wildlife area.

The **2009 Legislature** deleted funding from the agency's capital outlay budget, totaling \$500,000, all from the State General Fund. This reduction was in addition to other across-the-board reductions approved by the Legislature.

The **2010 Legislature** deleted \$527,244 from the agency's State General Fund operating budget and increased the Parks Fee Fund limitation by the same amount in order to offset the recommended State General Fund reduction for FY 2011. The 2010 Legislature also added \$84,000, all from special revenue funds, and 1.0 FTE position, for a Natural Resource Officer position for FY 2011. The position is part of the agency's sworn law enforcement personnel with jurisdiction on public and private lands that enforces both state and federal fish and wildlife laws, boating laws, and regulation of public lands.

The **2011 Legislature** approved Executive Reorganization Order No. 36, which transferred the Division of Travel and Tourism Development from the Department of Commerce

to the Department of Wildlife and Parks and renamed the agency the Department of Wildlife, Parks and Tourism.

The **2011 Legislature** also added \$1.7 million, all from the special revenue funds, for public fishing areas, Rocky Ford Wildlife Area study, zebra mussel prevention, dam repair, and walk in hunting access. Those increases were offset by reductions totaling \$2.2 million, including \$133,994 from the State General Fund, for the land acquisition, bottled water, office supplies, cell phone expenditures, a 5.0 percent information technology reduction, an administration activities reduction, a death and disability contribution moratorium, and an across-the board reduction.

The **2012 Legislature** eliminated State General Fund support for the agency, which was primarily replaced with Economic Development Initiatives Fund dollars. The Legislature also approved \$1.8 million in Expanded Lottery Act Revenues Fund dollars to retire debt associated with building cabins in State Parks. Additionally, the 2012 Legislature passed HB 2729 which allows an owner of a vehicle to purchase a nontransferable park and recreation motor vehicle permit during the vehicle registration process. The 2012 Legislature also provided \$800,000 in supplemental funding due to a shortage in fee fund revenue caused by the extreme weather and blue-green algae problem.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures totaling \$60.2 million, including \$1.8 million from the Expanded Lottery Act Revenue Fund, and \$7.7 million from the Economic Development Initiatives Fund. The estimate is an all funds increase of \$172,939, or 0.3 percent, above the amount approved by the 2012 Legislature. The overall increase is the result of the 2012 Legislature's approved undermarket pay distributed by the State Finance Council.

The **Governor** recommends FY 2013 operating expenditures totaling \$60.4 million, an increase of \$112,065, all funds, from the FY 2013 revised request. The increase is attributed to the addition of funding for 2.0 Non-FTE positions which were inadvertently left out of the agency's budget submission. The Governor recommended adding the 2.0 positions and the associated funding.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures totaling \$58.6 million, including \$6.6 million from the Economic Development Initiatives Fund (EDIF), and \$200,000 from the State Water Plan Fund (SWPF). The request includes \$1,000,000 all funds, including \$200,000 from the State Water Plan Fund, in enhancement funding. The request is an all funds decrease of \$1,591,594, or 2.6 percent, and an EDIF decrease of \$1,054,863, or 13.7 percent, below the revised FY 2013 estimate.

Absent the enhancements, the FY 2014 request for operating expenditures totals \$57.6 million all funds, and is \$2.6 million, or 4.3 percent, below the revised FY 2013 estimate. Absent the enhancements, there is no change to the EDIF from the approved, and a decrease of \$200,000, or 10.0 percent, from the State Water Plan Fund. For FY 2014, the agency sought to maintain existing services while also reducing overall expenditures in order to raise fee fund balances should any sequestration or shortfall due to algae or extreme weather occur. Additionally, FY 2013 had a one-time expenditure of \$1.8 million from the Expanded Lottery Act Revenue Fund to eliminate debt for previously purchased park cabins.

The **Governor** recommends FY 2014 expenditures of \$57.9 million. The Governor's recommendation includes a decrease of \$28,756, including \$4,718 from the Economic Development Initiatives Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The recommendation also includes \$800,000 in enhancement funding for 30 replacement vehicles.

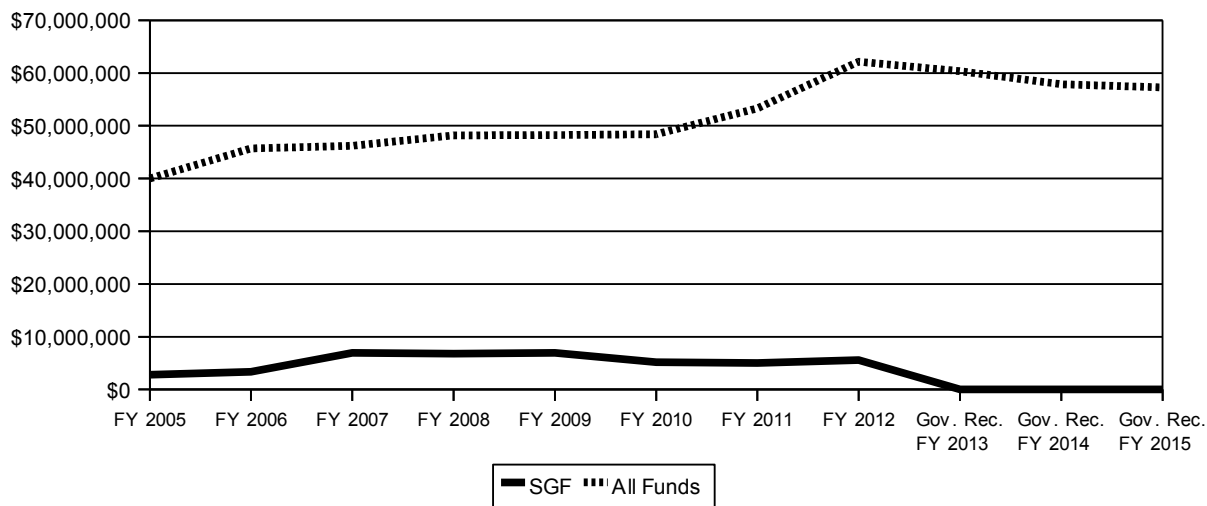
The recommendation is an all funds decrease of \$779,366, or 1.3 percent, below the agency's FY 2014 request. The decrease is attributed to the adoption of the agency's reduced resources budget which eliminated \$662,675 from the Parks program, the decision not to fund the Aquatic Nuisance Species enhancement, as well as the recommended reduction in the death and disability employer contribution. The decrease was partially offset by the addition of \$112,065 for 2.0 Non-FTE positions which were inadvertently excluded from the agency's budget submission. The Governor recommended adding both the positions and funding for FY 2014.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures totaling \$57.3 million, including \$6.0 million from the Economic Development Initiatives Fund (EDIF). This is an all funds decrease of \$590,168, or 1.0 percent, and an EDIF increase of \$34,096, or 0.6 percent, from the FY 2014 recommendation. The decrease is attributed to the \$800,000 in enhancement funding in FY 2014, partially offset by increased employer contributions for salaries and wages fringe benefits and group health insurance.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 2,806,836	(11.3)%	\$ 39,996,889	7.7 %	406.5
2006	3,375,457	20.3	45,695,987	14.2	406.5
2007	6,959,898	106.2	46,201,237	1.1	407.5
2008	6,794,749	(2.4)	48,183,491	4.3	402.5
2009	6,935,417	2.1	48,240,693	0.1	416.5
2010	5,181,930	(25.3)	48,389,032	0.3	417.5
2011	4,994,696	(3.6)	53,307,896	10.2	418.5
2012	5,552,494	11.2	62,158,634	16.6	417.5
2013 Gov. Rec.	0	(100.0)	60,351,834	(2.9)	418.5
2014 Gov. Rec.	0	--	57,868,809	(4.1)	418.5
2015 Gov. Rec.	0	--	57,278,641	(1.0)	418.5
Eleven-Year Change Dollars/Percent	\$ (2,806,836)	(100.0)%	\$ 17,281,752	43.2 %	12.0

Summary of Operating Budget FY 2012 - FY 2014

	Actual 2012	Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 12,568,176	\$ 12,853,508	\$ 12,891,468	\$ 37,960	0.3 %	\$ 12,853,508	\$ 12,884,798	\$ 31,290	0.2 %
Tourism	4,096,139	4,897,459	4,903,716	6,257	0.1	4,897,459	4,902,872	5,413	0.1
Law Enforcement	6,784,432	6,889,877	7,042,812	152,935	2.2	6,889,877	7,037,376	147,499	2.1
Parks	11,341,425	13,445,474	11,591,095	(1,854,379)	(13.8)	13,445,474	10,921,857	(2,523,617)	(18.8)
Fish and Wildlife	24,914,694	20,634,286	20,702,318	68,032	0.3	20,746,351	20,605,140	(141,211)	(0.7)
Grants	2,367,896	1,435,000	1,435,000	0	0.0	1,435,000	1,435,000	0	0.0
Debt Service	85,872	84,165	81,766	(2,399)	(2.9)	84,165	81,766	(2,399)	(2.9)
TOTAL	\$ 62,158,634	\$ 60,239,769	\$ 58,648,175	\$ (1,591,594)	(2.6) %	\$ 60,351,834	\$ 57,868,809	\$ (2,483,025)	(4.1) %
By Major Object of Expenditure:									
Salaries and Wages	\$ 29,289,513	\$ 30,387,632	\$ 30,854,736	\$ 467,104	1.5 %	\$ 30,499,697	\$ 30,938,045	\$ 438,348	1.4 %
Contractual Services	20,012,597	19,739,869	17,961,825	(1,778,044)	(9.0)	19,739,869	17,299,150	(2,440,719)	(12.4)
Commodities	6,024,902	5,720,884	6,188,836	467,952	8.2	5,720,884	5,988,836	267,952	4.7
Capital Outlay	4,599,797	2,736,219	1,988,012	(748,207)	(27.3)	2,736,219	1,988,012		
Debt Service	85,872	84,165	81,766	(2,399)	(2.9)	84,165	81,766	(2,399)	(2.9)
Subtotal - Operations	\$ 60,012,681	\$ 58,668,769	\$ 57,075,175	\$ (1,593,594)	(2.7) %	\$ 58,780,834	\$ 56,295,809	\$ (2,485,025)	(4.2) %
Aid to Local Units	1,113,979	1,571,000	1,573,000	2,000	0.1	1,571,000	1,573,000	2,000	0.1
Other Assistance	1,031,974	0	0	0	--	0	0	0	--
TOTAL	\$ 62,158,634	\$ 60,239,769	\$ 58,648,175	\$ (1,591,594)	(2.6) %	\$ 60,351,834	\$ 57,868,809	\$ (2,483,025)	(4.1) %
Financing:									
State General Fund	\$ 5,552,494	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
EDIF	1,847,085	7,697,618	6,642,755	(1,054,863)	(13.7)	7,697,618	5,975,362	(1,722,256)	(22.4)
ELARF	0	1,785,473	0	(1,785,473)	(100.0)	1,785,473	0	(1,785,473)	(100.0)
SWPF	0	0	200,000	200,000	--	0	0	0	--
Parks Fee Fund	5,584,051	5,965,933	7,442,492	1,476,559	24.7	5,965,933	7,439,183	1,473,250	24.7
Wildlife Fee Fund	23,986,971	24,769,962	24,618,462	(151,500)	(0.6)	24,860,469	24,691,873	(168,596)	(0.7)
All Other Funds	25,188,033	20,020,783	19,744,466	(276,317)	(1.4)	20,042,341	19,762,391	(279,950)	(1.4)
TOTAL	\$ 62,158,634	\$ 60,239,769	\$ 58,648,175	\$ (1,591,594)	(2.6) %	\$ 60,351,834	\$ 57,868,809	\$ (2,483,025)	(4.1) %

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 12,891,468	\$ 12,884,798	\$ 12,132,643	\$ (752,155)	(5.8)%
Tourism	4,903,716	4,902,872	4,909,012	6,140	0.1
Law Enforcement	7,042,812	7,037,376	7,077,530	40,154	0.6
Parks	11,591,095	10,921,857	10,971,207	49,350	0.5
Fish and Wildlife	20,702,318	20,605,140	20,673,983	68,843	0.3
Grants	1,435,000	1,435,000	1,435,000	0	0.0
Debt Service	81,766	81,766	79,266	(2,500)	(3.1)
TOTAL	\$ 58,648,175	\$ 57,868,809	\$ 57,278,641	\$ (590,168)	(1.0)%
By Major Object of Expenditure:					
Salaries and Wages	\$ 30,854,736	\$ 30,938,045	\$ 31,150,377	\$ 212,332	0.7 %
Contractual Services	17,961,825	17,299,150	17,299,150	0	0.0
Commodities	6,188,836	5,988,836	5,988,836	0	0.0
Capital Outlay	1,988,012	1,988,012	1,188,012	(800,000)	(40.2)
Debt Service	81,766	81,766	79,266	(2,500)	(3.1)
Subtotal - Operations	\$ 57,075,175	\$ 56,295,809	\$ 55,705,641	\$ (590,168)	(1.0)%
Aid to Local Units	1,573,000	1,573,000	1,573,000	0	0.0
Other Assistance	0	0	0	0	--
TOTAL	\$ 58,648,175	\$ 57,868,809	\$ 57,278,641	\$ (590,168)	(1.0)%
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %
EDIF	6,642,755	5,975,362	6,009,458	34,096	0.6
ELARF	0	0	0	0	--
SWPF	200,000	0	0	0	--
Parks Fee Fund	7,442,492	7,439,183	7,464,338	25,155	0.3
Wildlife Fee Fund	24,618,462	24,691,873	24,416,029	(275,844)	(1.1)
All Other Funds	19,744,466	19,762,391	19,388,816	(373,575)	(1.9)
TOTAL	\$ 58,648,175	\$ 57,868,809	\$ 57,278,641	\$ (590,168)	(1.0)%

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	60,066,830	60,239,769	172,939	60,351,834	285,004
TOTAL	<u>\$ 60,066,830</u>	<u>\$ 60,239,769</u>	<u>\$ 172,939</u>	<u>\$ 60,351,834</u>	<u>\$ 285,004</u>
FTE Positions	418.5	418.5	0.0	418.5	0.0

The **agency** estimates FY 2013 operating expenditures totaling \$60.2 million, including \$1.8 million from the Expanded Lottery Act Revenue Fund (ELARF), and \$7.7 million from the Economic Development Initiatives Fund. The increase of \$172,939, all funds, is the result of the 2012 Legislature's approved undermarket pay distributed by the State Finance Council.

The **Governor** recommends FY 2013 operating expenditures totaling \$60.4 million, an increase of \$112,065, all funds, from the FY 2013 revised request. The increase is attributed to the addition of funding for 2.0 Non-FTE positions which were inadvertently left out of the agency's budget submission. The Governor recommended adding the 2.0 positions and the associated funding.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 58,648,175	\$ 57,868,809	\$ (779,366)
FTE Positions	418.5	418.5	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	(1,591,594)	(2,483,025)	
TOTAL	<u>\$ (1,591,594)</u>	<u>\$ (2,483,025)</u>	
<i>Percent Change:</i>			
State General Fund	-- %	-- %	
All Other Funds	(2.6)	(4.1)	
TOTAL	<u>(2.6) %</u>	<u>(4.1) %</u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2014 operating expenditures totaling \$58.6 million, including \$6.6 million from the Economic Development Initiatives Fund (EDIF), and \$200,000 from the State Water Plan Fund (SWPF). The request includes \$1,000,000 all funds, including \$200,000 from the State Water Plan Fund, in enhancement funding. The request is an all funds decrease of \$1,591,594, or 2.6 percent, and an EDIF decrease of \$1,054,863, or 13.7 percent, below the revised FY 2013 estimate.

Absent the enhancements, the FY 2014 request for operating expenditures totals \$57.6 million all funds, and is \$2.6 million, or 4.3 percent, below the revised FY 2013 estimate. Absent the enhancements, there is no change to the EDIF funding request, and a decrease of \$200,000, or 10.0 percent, from the State Water Plan Fund. The decrease is attributed due to the agency seeking to maintain existing services while also reducing overall expenditures in order to raise fee fund balances should any sequestration or shortfalls due to algae or extreme weather occur. Additionally, FY 2013 had a one-time expenditure of \$1.8 million in ELARF funding for a buy out of park cabin debt.

- **Salaries and Wages.** The agency increases salaries and wages by \$467,104, which is primarily reflected in increased employer contributions for fringe benefits and group health insurance.

- **Contractual Services.** The largest reduction to contractual services from FY 2013 is due to the one-time expenditure of \$1.8 million in ELARF funding in FY 2013 to eliminate debt for previously purchased park cabins.
- **Commodities.** Most of the reduction in commodities, absent enhancement funding, is budgeted in maintenance supplies and materials (approximately \$333,000).
- **Capital Outlay.** Reductions to capital outlay expenditures of \$748,207 are primarily non-capital equipment reductions, such as patrol boats for the law enforcement division or tractors for the parks and wildlife programs.

The **Governor** recommends FY 2014 expenditures of \$57.9 million. The Governor's recommendation includes a decrease of \$28,756, including \$4,718 from the Economic Development Initiatives Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The recommendation also includes \$800,000 in enhancement funding for 30 replacement vehicles.

The recommendation is an all funds decrease of \$779,366, or 1.3 percent, below the agency's FY 2014 request. The decrease is attributed to the adoption of the agency's reduced resources budget which eliminated \$662,675 from the Parks program, the decision not to fund the Aquatic Nuisance Species enhancement, as well as the recommended reduction in the death and disability employer contribution. The decrease was partially offset by the addition of \$112,065 for 2.0 Non-FTE positions which were inadvertently excluded from the agency's budget submission. The Governor recommended adding both the positions and funding for FY 2014.

Enhancements Detail

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Vehicles	\$ 0	\$ 800,000	0.0	\$ 0	\$ 800,000	0.0
Aquatic Nuisance Species Program	0	200,000	0.0	0	0	0.0
TOTAL	\$ 0	\$ 1,000,000	0.0	\$ 0	\$ 800,000	0.0

The **agency** estimates enhancements totaling \$1,000,000 all funds, including \$200,000 from the State Water Plan Fund. Enhancements include:

- **Vehicle Replacements.** The agency is requesting \$800,000, from the Boating Fee Fund and the Wildlife Fee Fund, to replace 30 vehicles. The agency has a total of 424 pickup trucks, which is 72 vehicles less than what it had in 2003. The \$800,000 enhancement request will replace 30 vehicles, all of which exceed, or will exceed, 140,000 miles in FY 2013. The agency notes that the vehicles to be replaced are used for law enforcement activities, public land maintenance, or

fisheries and wildlife activities and are necessary for staff to complete their mission.

- **Aquatic Nuisance Species Program.** The agency is requesting \$200,000, all from the State Water Plan Fund, for the development of a more comprehensive Aquatic Nuisance Species (ANS) management program. The agency notes that since the initial drafting of the Kansas Aquatic Nuisance Species Management Plan in 2005 the agency has been increasing and improving their capacity to prevent, control, contain, or eradicate ANS in Kansas. However, funding limitations have made comprehensive ANS management difficult and that a consistent source of funding to further develop an ANS prevention, management, and enforcement program is needed.

The **Governor** recommends \$800,000, from the Boating Fee Fund and the Wildlife Fee Fund, to replace 30 vehicles. The Governor does not recommend the \$200,000, all from the State Water Plan Fund, for the development of a more comprehensive Aquatic Nuisance Species (ANS) management program.

FY 2014 Reduced Resources

FY 2014 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
State Parks	\$ 0	\$ (331,337)	0.0	\$ 0	\$ (662,675)	0.0
Tourism	0	(331,338)	0.0	0	0	0.0
TOTAL	<u>\$ 0</u>	<u>\$ (662,675)</u>	<u>0.0</u>	<u>\$ 0</u>	<u>\$ (662,675)</u>	<u>0.0</u>

The **agency** was required to submit a reduced resources budget that reduces the Economic Development Initiatives Fund (EDIF) by 10.0 percent, or \$662,675. To achieve the target reduction the agency proposes the following:

- **State Parks.** The agency proposes to take \$331,337, EDIF, from state parks contractual services by consulting with electrical providers regarding the possibility of reducing rates, as well as possibly reducing salary costs.
- **Tourism.** The agency proposes taking \$331,338, EDIF, from contractual services for marketing and the promotion of tourism within the State. The agency notes that the impact would be the reduced image and visibility of Kansas tourism to potential visitors.

If the reductions cannot be met by reducing contractual services within state parks and tourism, the agency proposes closing selected campgrounds, as appropriate, in order to maintain expenditures within approved amounts.

The **Governor** recommends deleting \$662,675, all from the Economic Development Initiatives Fund, from the Parks program, rather than splitting the amount between the Parks program and Tourism program.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 57,278,641	\$ (590,168)
FTE Positions	418.5	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	(590,168)	
TOTAL	<u>\$ (590,168)</u>	
<i>Percent Change:</i>		
State General Fund	-- %	
All Other Funds	(1.0)	
TOTAL	<u>(1.0) %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures totaling \$57.3 million, including \$6.0 million from the Economic Development Initiatives Fund (EDIF). This is an all funds decrease of \$590,168, or 1.0 percent, and an EDIF increase of \$34,096, or 0.6 percent, from the FY 2014 recommendation. The decrease is attributed to the \$800,000 in enhancement funding in FY 2014, partially offset by increased employer contributions for fringe benefits and group health insurance.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$178,515, all from special revenue funds, and FY 2015 longevity payments total \$184,595, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	0.0 %	0.0 %
EDIF	11.3	10.3
SWPF	0.3	0.0
Federal Funds	20.9	21.4
Parks Fee Fund	12.7	12.9
Wildlife Fee Fund	42.0	42.7
All Other Funds	12.8	12.7
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Parks Fee Fund Analysis

The Park Fee Fund is the depository for moneys received from state park permit fees, tolls, rentals, and charges derived from the use, lease or operation of state parks. The Department establishes fees for the use of state parks by rules and regulations and upon review by the Kansas Wildlife, Parks, and Tourism Commission.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 200,751	\$ 298,514	\$ 298,514	\$ 132,581	\$ 132,581
Revenue	5,808,146	5,800,000	5,800,000	7,983,334	7,983,334
Transfers in	0	0	0	0	0
Total Funds Available	\$ 6,008,897	\$ 6,098,514	\$ 6,098,514	\$ 8,115,915	\$ 8,115,915
Less: Expenditures	5,710,383	5,965,933	5,965,933	7,942,492	7,939,183
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 298,514</u>	<u>\$ 132,581</u>	<u>\$ 132,581</u>	<u>\$ 173,423</u>	<u>\$ 176,732</u>
Ending Balance as Percent of Expenditures	<u>5.2%</u>	<u>2.2%</u>	<u>2.2%</u>	<u>2.2%</u>	<u>2.2%</u>

Wildlife Fee Fund Analysis

The major sources of receipts to the Wildlife Fee Fund are from the sale of hunting, fishing, and trapping licenses. The fees to be collected from the issuance of such licenses are established by the Kansas Wildlife, Parks and Tourism Commission through the approval of rules and regulations submitted by the Secretary of the Department.

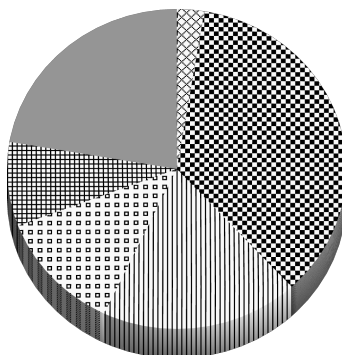
Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 9,823,271	\$ 8,277,259	\$ 8,277,259	\$ 6,225,297	\$ 6,134,790
Revenue	23,984,058	24,000,000	24,000,000	24,000,000	24,000,000
Transfers in	0	0	0	0	0
Total Funds Available	\$ 33,807,329	\$ 32,277,259	\$ 32,277,259	\$ 30,225,297	\$ 30,134,790
Less: Expenditures	25,530,070	26,051,962	26,142,469	26,129,462	26,202,873
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 8,277,259</u>	<u>\$ 6,225,297</u>	<u>\$ 6,134,790</u>	<u>\$ 4,095,835</u>	<u>\$ 3,931,917</u>
Ending Balance as Percent of Expenditures	32.4%	23.9%	23.5%	15.7%	15.0%

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Administration	\$ 12,884,798	22.3 %	\$ 0	-- %
Tourism	4,902,872	8.5	0	--
Law Enforcement	7,037,376	12.2	0	--
Parks	10,921,857	18.9	0	--
Fish and Wildlife	20,605,140	35.6	0	--
Grants	1,435,000	2.5	0	--
Debt Service	81,766	0.1	0	--
TOTAL	<u>\$ 57,868,809</u>	<u>100.0 %</u>	<u>\$ 0</u>	<u>-- %</u>

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015						
Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	93.5	93.5	93.5	93.5	93.5	93.5
Tourism	10.0	11.0	11.0	11.0	11.0	11.0
Law Enforcement	82.0	82.0	82.0	82.0	82.0	82.0
Parks	111.0	111.0	111.0	111.0	111.0	111.0
Fish and Wildlife	121.0	121.0	121.0	121.0	121.0	121.0
Grants	0.0	0.0	0.0	0.0	0.0	0.0
Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	417.5	418.5	418.5	418.5	418.5	418.5

A. Administration

The Administration Program includes the Office of the Secretary and is divided between Topeka and Pratt, with each location supervised by an assistant secretary. The Topeka office includes planning, legal, budget, and engineering sections. The Pratt office includes operations, environmental services, human resources, information technology, and education sections. The program also includes the Wildlife and Parks Commission. The Pratt office also includes support services of aircraft operations, accounting, business management, licensing and permitting, purchasing, and facility maintenance operations.

ADMINISTRATION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 6,414,579	\$ 6,483,799	\$ 6,483,799	\$ 6,561,759	\$ 6,555,089	\$ 6,602,934
Contractual Services	4,443,370	4,732,216	4,732,216	4,562,733	4,562,733	4,562,733
Commodities	614,284	635,647	635,647	768,530	768,530	768,530
Capital Outlay	1,063,419	1,001,846	1,001,846	998,446	998,446	198,446
Subtotal	\$ 12,535,652	\$ 12,853,508	\$ 12,853,508	\$ 12,891,468	\$ 12,884,798	\$ 12,132,643
Aid to Local Units	0	0	0	0	0	0
Other Assistance	32,524	0	0	0	0	0
TOTAL	\$ 12,568,176	\$ 12,853,508	\$ 12,853,508	\$ 12,891,468	\$ 12,884,798	\$ 12,132,643
Financing:						
State General Fund	\$ 1,720,183	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	10,847,993	12,853,508	12,853,508	12,891,468	12,884,798	12,132,643
TOTAL	\$ 12,568,176	\$ 12,853,508	\$ 12,853,508	\$ 12,891,468	\$ 12,884,798	\$ 12,132,643
FTE Positions	93.5	93.5	93.5	93.5	93.5	93.5
Non-FTE Pos.*	8.0	8.0	8.0	8.0	8.0	8.0
TOTAL	101.5	101.5	101.5	101.5	101.5	101.5

*Non-FTE Permanent Unclassified Positions

The **agency** estimates FY 2013 Administration program operating expenditures totaling \$12.9 million, all from special revenue funds, which is an increase of \$318,202, or 2.5 percent,

above the FY 2012 actual amount. However, this is a decrease of \$12,091, all funds, or 0.1 percent, below the FY 2013 approved amount.

The **Governor** concurs with the agency's FY 2013 revised estimate.

The **agency** requests FY 2014 Administration program operating expenditures of \$12.9 million, all from special revenue funds, which is an increase of \$37,960, or 0.3 percent above the revised FY 2013 estimate. The slight increase is due to a need to maintain existing work levels and services.

The **Governor** recommends FY 2014 Administration expenditures totaling \$12.9 million, all from special revenue funds, which is a decrease of \$6,670, or 0.1 percent, below the FY 2014 agency request. The decrease is attributed to the death and disability employer contribution reduction recommended by the Governor.

The **Governor** recommends FY 2015 Administration expenditures totaling \$12.1 million, a decrease of \$752,155, or 5.8 percent, below the FY 2014 recommendation. The decrease is attributed to the enhancement funding made available in FY 2014, partially offset by increased employer contributions for salaries and wages fringe benefits and group health insurance.

B. Tourism

The Tourism Division promotes Kansas to travel media, groups, tour market, leisure travelers, and the international travel community. The division uses marketing initiatives, creates opportunities for leveraging limited marketing dollars, and supports numerous state and local tourism promotion efforts. This is all done in an effort to increase Kansas tourism and travel. The division administers the Belle Plaine and Goodland Travel Information Centers. This division operates the Attraction Development Grant Program and Marketing Grant Program. The division has also worked extensively with group and international tour operators to attract tours to Kansas and has created the Flint Hills Development Initiative to help realize the tourism potential of the Flint Hills. The division maintains the official State of Kansas tourism website, produces the Kansas Visitor's Guide, Calendar of Events, and KANSAS! Magazine.

TOURISM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 716,477	\$ 877,507	\$ 877,507	\$ 883,764	\$ 882,920	\$ 889,060
Contractual Services	3,266,972	3,862,992	3,862,992	3,854,087	3,854,087	3,854,087
Commodities	26,696	14,960	14,960	15,865	15,865	15,865
Capital Outlay	138,869	6,000	6,000	12,000	12,000	12,000
Subtotal	\$ 4,149,014	\$ 4,761,459	\$ 4,761,459	\$ 4,765,716	\$ 4,764,872	\$ 4,771,012
Aid to Local Units	0	136,000	136,000	138,000	138,000	138,000
Other Assistance	(52,875)	0	0	0	0	0
TOTAL	\$ 4,096,139	\$ 4,897,459	\$ 4,897,459	\$ 4,903,716	\$ 4,902,872	\$ 4,909,012
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	4,096,139	4,897,459	4,897,459	4,903,716	4,902,872	4,909,012
TOTAL	\$ 4,096,139	\$ 4,897,459	\$ 4,897,459	\$ 4,903,716	\$ 4,902,872	\$ 4,909,012
FTE Positions	10.0	11.0	11.0	11.0	11.0	11.0
Non-FTE Pos.*	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	12.0	13.0	13.0	13.0	13.0	13.0
*Non-FTE Permanent Unclassified Positions						

The **agency** estimates FY 2013 Tourism operating expenditures of \$4,761,459, all from special revenue funds, which is an increase of \$612,445, or 14.8 percent, above the FY 2012 actual amount. However, the FY 2013 revised estimate is only \$65,773, or 1.4 percent, above the FY 2013 approved amount. The increase from the FY 2012 actual amount is largely due to a difference in coding that Tourism used when it joined the agency.

The **Governor** concurs with the agency's FY 2013 revised estimate.

The **agency** requests FY 2014 Tourism operating expenditures of \$4.9 million, all from special revenue funds, which is an increase of \$6,257, or 0.1 percent, above the revised FY 2013 estimate. The slight increase is to maintain existing services.

The **Governor** recommends FY 2014 Tourism expenditures of \$4.9 million, a decrease of \$844, or less than 0.1 percent, below the FY 2014 agency request. The decrease is attributed

to the reduction in the death and disability employer contribution that the Governor recommended.

The **Governor** recommends FY 2015 Tourism expenditures of \$4.9 million; an increase of \$6,140, or 0.1 percent, above the FY 2014 recommendation. The increase is attributed to increased employer contributions for salaries and wages fringe benefits and group health insurance.

C. Law Enforcement

The Law Enforcement Program is responsible for statewide enforcement of both state and federal fish and wildlife laws, boating laws, and regulation of public lands. The program is comprised of Natural Resource Officers who are sworn law enforcement personnel with jurisdiction on public and private lands. These officers also provide assistance to other federal, state, and local law enforcement agencies when requested.

LAW ENFORCEMENT SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 5,027,657	\$ 5,248,655	\$ 5,248,655	\$ 5,341,590	\$ 5,336,154	\$ 5,376,308
Contractual Services	473,242	564,200	564,200	485,622	485,622	485,622
Commodities	739,255	534,522	534,522	764,900	764,900	764,900
Capital Outlay	532,259	542,500	542,500	450,700	450,700	450,700
Subtotal	\$ 6,772,413	\$ 6,889,877	\$ 6,889,877	\$ 7,042,812	\$ 7,037,376	\$ 7,077,530
Aid to Local Units	0	0	0	0	0	0
Other Assistance	12,019	0	0	0	0	0
TOTAL	<u>\$ 6,784,432</u>	<u>\$ 6,889,877</u>	<u>\$ 6,889,877</u>	<u>\$ 7,042,812</u>	<u>\$ 7,037,376</u>	<u>\$ 7,077,530</u>
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	6,784,432	6,889,877	6,889,877	7,042,812	7,037,376	7,077,530
TOTAL	<u>\$ 6,784,432</u>	<u>\$ 6,889,877</u>	<u>\$ 6,889,877</u>	<u>\$ 7,042,812</u>	<u>\$ 7,037,376</u>	<u>\$ 7,077,530</u>
FTE Positions	82.0	82.0	82.0	82.0	82.0	82.0
Non-FTE Pos.*	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	<u>83.0</u>	<u>83.0</u>	<u>83.0</u>	<u>83.0</u>	<u>83.0</u>	<u>83.0</u>
*Non-FTE Permanent Unclassified Positions						

The **agency** estimates FY 2013 Law Enforcement operating expenditures of \$6,889,877, all from special revenue funds, which is an increase of \$117,464, or 1.7 percent, above the FY 2012 actual amount. The increase in FY 2013 is due to an increase in gas prices. There is no change from the FY 2013 approved amount.

The **Governor** concurs with the agency's FY 2013 revised estimate.

The **agency** requests FY 2014 Law Enforcement operating expenditures of \$7,042,812, all from special revenue funds, is an increase of \$152,935, or 2.2 percent, above the revised FY 2013 estimate. The FY 2014 request includes enhancement funding of \$400,000, all from special revenue funds, for the replacement of 15 vehicles. **Absent the enhancement**, the request is an all funds decrease of \$247,065, or 6.3 percent, below the FY 2013 revised

estimate. The decrease in funding absent enhancement funding is largely due to a desire by the agency to reduce overall expenditures in order to raise fee fund balances should any sequestration or shortfalls occur.

The **Governor** recommends FY 2014 Law Enforcement expenditures of \$7.0 million; a decrease of \$5,436, or 0.1 percent, below the agency request. The decrease is attributed to a reduction in the death and disability employer contribution as recommended by the Governor.

The **Governor** recommends FY 2015 Law Enforcement expenditures of \$7.1 million; an increase of \$40,154, or 0.6 percent, above the FY 2014 recommendation. The increase is attributed to increased employer contributions for salaries and wages fringe benefits and group health insurance.

D. Parks

The State Parks Program manages the 24 state parks and the Prairie Spirit Rail Trail. The following parks have been designated as part of the state park system: (1) Mushroom Rock State Park (Ellsworth Co.); (2) Cross Timbers State Park at Toronto Lake (Woodson Co.); (3) Fall River State Park (Greenwood Co.); (4) Cedar Bluff State Park (Trego Co.); (5) Tuttle Creek State Park (Pottawatomie Co. and Riley Co.); (6) Pomona State Park (Osage Co.); (7) Cheney State Park (Kingman Co. and Reno Co.); (8) Lake Crawford State Park (Crawford Co.); (9) Lovewell State Park (Jewell Co.); (10) Lake Meade State Park (Meade Co.); (11) Prairie Dog State Park (Norton Co.); (12) Webster State Park (Rooks Co.); (13) Wilson State Park (Russell Co.); (14) Milford State Park (Geary Co.); (15) Lake Scott State Park (Scott Co.); (16) Elk City State Park (Montgomery Co.); (17) Perry State Park (Jefferson Co.); (18) Glen Elder State Park (Mitchell Co.); (19) El Dorado State Park (Butler Co.); (20) Eisenhower State Park (Osage Co.); (21) Clinton State Park (Douglas Co.); (22) Sand Hills State Park (Reno Co.); (23) Hillsdale State Park (Miami Co.); and (24) Kaw River State Park (Shawnee Co.).

PARKS SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 7,247,198	\$ 7,759,168	\$ 7,759,168	\$ 7,801,088	\$ 7,794,525	\$ 7,843,875
Contractual Services	2,421,638	4,005,226	4,005,226	2,369,142	1,706,467	1,706,467
Commodities	1,371,036	1,221,080	1,221,080	1,382,165	1,382,165	1,382,165
Capital Outlay	295,553	460,000	460,000	38,700	38,700	38,700
Subtotal	\$ 11,335,425	\$ 13,445,474	\$ 13,445,474	\$ 11,591,095	\$ 10,921,857	\$ 10,971,207
Aid to Local Units	0	0	0	0	0	0
Other Assistance	6,000	0	0	0	0	0
TOTAL	<u>\$ 11,341,425</u>	<u>\$ 13,445,474</u>	<u>\$ 13,445,474</u>	<u>\$ 11,591,095</u>	<u>\$ 10,921,857</u>	<u>\$ 10,971,207</u>
Financing:						
State General Fund	\$ 3,779,052	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	7,562,373	13,445,474	13,445,474	11,591,095	10,921,857	10,971,207
TOTAL	<u>\$ 11,341,425</u>	<u>\$ 13,445,474</u>	<u>\$ 13,445,474</u>	<u>\$ 11,591,095</u>	<u>\$ 10,921,857</u>	<u>\$ 10,971,207</u>
FTE Positions	111.0	111.0	111.0	111.0	111.0	111.0
Non-FTE Pos.*	5.0	4.0	4.0	4.0	4.0	4.0
TOTAL	<u>116.0</u>	<u>115.0</u>	<u>115.0</u>	<u>115.0</u>	<u>115.0</u>	<u>115.0</u>
*Non-FTE Permanent Unclassified Positions						

The **agency** estimates FY 2013 Parks operating expenditures of \$13,445,474, all from special revenue funds, which is an increase of \$2,110,049, or 18.6 percent, above the FY 2012 actual amount. The increase from the FY 2012 actuals is due to the expenditure of \$1.8 million, in ELARF funding, to pay off park cabin debt which had previously been financed through Wildscape.

The **Governor** concurs with the agency's FY 2013 revised request.

The **agency** requests FY 2014 Parks operating expenditures of \$11.6 million, all from special revenue funds, which is a decrease of \$1,854,379, or 13.8 percent, below the revised FY 2013 estimate. However, the request is only \$249,670, or 2.2 percent, above the FY 2012 actual amount. The decrease from the FY 2013 revised estimate is due to a one-time expenditure of ELARF funding in FY 2013 to pay off park cabin debt. To offset any revenue shortfalls from blue-green algae problems or extreme weather, the agency hopes to add revenue from its new "park pass" program.

The **Governor** recommends FY 2014 Parks expenditures totaling \$10.9 million, all from special revenue funds, which is a decrease of \$669,238, or 5.8 percent, below the agency's request. The decrease is primarily attributed to the Governor's recommendation of taking the full reduced resources amount from the Parks program.

The **Governor** recommends FY 2015 Parks expenditures totaling \$11.0 million, which is an increase of \$49,350, or 0.5 percent, above the FY 2014 recommendation. The increase is due to increased employer contributions for salaries and wages fringe benefits and group health insurance.

E. Fish and Wildlife

The Fish and Wildlife Program is divided into three sections: Fisheries, Wildlife, and Public Lands. The Fisheries section is responsible for three activities: fish culture, fisheries management, and fisheries research and surveys. The Wildlife section conducts research, surveys, and wildlife management. The Public Lands section is responsible for the habitat management of 373,000 acres of public land and water.

FISH AND WILDLIFE SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 9,883,602	\$ 10,018,503	\$ 10,130,568	\$ 10,266,535	\$ 10,369,357	\$ 10,438,200
Contractual Services	9,145,209	6,575,235	6,575,235	6,690,241	6,690,241	6,690,241
Commodities	3,272,958	3,314,675	3,314,675	3,257,376	3,057,376	3,057,376
Capital Outlay	2,569,697	725,873	725,873	488,166	488,166	488,166
Subtotal	\$ 24,871,466	\$ 20,634,286	\$ 20,746,351	\$ 20,702,318	\$ 20,605,140	\$ 20,673,983
Aid to Local Units	0	0	0	0	0	0
Other Assistance	43,228	0	0	0	0	0
TOTAL	\$ 24,914,694	\$ 20,634,286	\$ 20,746,351	\$ 20,702,318	\$ 20,605,140	\$ 20,673,983
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	24,914,694	20,634,286	20,746,351	20,702,318	20,605,140	20,673,983
TOTAL	\$ 24,914,694	\$ 20,634,286	\$ 20,746,351	\$ 20,702,318	\$ 20,605,140	\$ 20,673,983
FTE Positions	121.0	121.0	121.0	121.0	121.0	121.0
Non-FTE Pos.*	20.0	18.0	20.0	18.0	20.0	20.0
TOTAL	141.0	139.0	141.0	139.0	141.0	141.0

*Non-FTE Permanent Unclassified Positions

The **agency** estimates FY 2013 Fish and Wildlife operating expenditures of \$20,634,286, all from special revenue funds, which is a decrease of \$4,237,180, or 17.0 percent, below the FY 2012 actual amount. However, the revised estimate is an increase of \$110,800 special revenue funds, or 0.5 percent, above the FY 2013 approved amount.

The **Governor** recommends FY 2013 expenditures of \$20.7 million, an increase of \$112,065, or 0.5 percent, above the agency's revised request. The increase is due to the addition of funding for the 2.0 Non-FTE positions which were inadvertently omitted from the agency's submitted budget request.

The **agency** requests FY 2014 Fish and Wildlife operating expenditures of \$20,702,318, all from special revenue funds, which is an increase of \$68,032, or 0.3 percent, above the revised FY 2013 estimate. Included in the request is enhancement funding of \$400,000, from special revenue funds, for vehicle replacements and \$200,000 from the State Water Plan Fund for the Aquatic Nuisance Species program. **Absent the enhancement**, the request is \$531,968, or 2.8 percent below the FY 2013 revised estimate. The proposed budget for FY 2014 was reduced due to lower revenue projections from extreme weather conditions and blue-green algae plaguing Kansas, as well as a desire by the agency to raise fee fund balances in case of future sequestrations or revenue shortfalls.

The **Governor** recommends FY 2014 Fish and Wildlife expenditures of \$20.6 million, a decrease of \$97,178, or 0.5 percent, below the agency's request. The decrease is attributed to the death and disability employer contribution reduction recommended by the Governor.

The **Governor** recommends FY 2015 Fish and Wildlife expenditures of \$20.7 million, an increase of \$68,843, or 0.3 percent, above the FY 2014 recommendation. The increase is due to increased employer contributions for salaries and wages fringe benefits and group health insurance.

F. Grants

The Grants Program administers a number of local aid and assistance programs to encourage local units of government to improve outdoor recreation opportunities. There are two federal grant programs, the National Rails to Trails Grant Program and the Land and Water Conservation Fund Grant Program. The Grants Program also administers four state grant programs: Community Lake Assistance Program; Outdoor Wildlife Learning Sites; Shooting Ranges; and Boating Access. The Grants Program includes funding for projects and programs for local units of government and for organizations. The agency serves as the entity administering the distribution of state and federal funds related to wildlife, parks, and recreation.

GRANTS SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	262,166	0	0	0	0	0
Commodities	673	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 262,839	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aid to Local Units	1,113,979	1,435,000	1,435,000	1,435,000	1,435,000	1,435,000
Other Assistance	991,078	0	0	0	0	0
TOTAL	<u>\$ 2,367,896</u>	<u>\$ 1,435,000</u>	<u>\$ 1,435,000</u>	<u>\$ 1,435,000</u>	<u>\$ 1,435,000</u>	<u>\$ 1,435,000</u>
Financing:						
State General Fund	\$ 35,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	2,332,896	1,435,000	1,435,000	1,435,000	1,435,000	1,435,000
TOTAL	<u>\$ 2,367,896</u>	<u>\$ 1,435,000</u>	<u>\$ 1,435,000</u>	<u>\$ 1,435,000</u>	<u>\$ 1,435,000</u>	<u>\$ 1,435,000</u>
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

*Non-FTE Permanent Unclassified Positions

The **agency** estimates FY 2013 Grants program expenditures of \$1,435,000, all from special revenue funds, which is an all funds decrease of \$932,896, or 39.4 percent, below the FY 2012 actual amount. There is no change from the FY 2013 approved amount.

The **Governor** concurs with the agency's FY 2013 revised estimate.

The **agency** requests FY 2014 Grants program expenditures of \$1,435,000, all from special revenue funds, which is the same as the FY 2013 estimate.

The **Governor** concurs with the agency's FY 2014 request.

The **Governor** recommends FY 2015 Grants expenditures totaling \$1.4 million, which is no change from the FY 2014 recommendation.

G. Debt Service

The debt service program is responsible for the interest portion of bond repayment obligations of the Department.

DEBT SERVICE SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Debt Service	\$ 85,872	\$ 84,165	\$ 84,165	\$ 81,766	\$ 81,766	\$ 79,266
Financing:						
State General Fund	\$ 18,259	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	67,613	84,165	84,165	81,766	81,766	79,266
TOTAL	<u>\$ 85,872</u>	<u>\$ 84,165</u>	<u>\$ 84,165</u>	<u>\$ 81,766</u>	<u>\$ 81,766</u>	<u>\$ 79,266</u>
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>

*Non-FTE Permanent Unclassified Positions

The **agency** estimates FY 2013 Debt Service expenditures of \$84,165, all from special revenue funds. This is an all funds decrease of \$1,707, or 2.0 percent, from the FY 2012 actual amount. There is no change from the FY 2013 approved amount.

The **Governor** concurs with the agency's FY 2013 revised estimate.

The **agency** requests FY 2014 Debt Service expenditures of \$81,766, all from special revenue funds. This is an all funds decrease of \$2,399, or 2.9 percent, from the FY 2013 estimate.

The **Governor** concurs with the agency's FY 2014 request.

The **Governor** recommends FY 2015 Debt Service expenditures of \$79,266, a decrease of \$2,500, or 3.1 percent, below the FY 2014 recommendation.

CAPITAL IMPROVEMENTS

CAPITAL IMPROVEMENTS					
Project	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Maintenance and Construction Projects	\$ 7,634,192	\$ 7,634,192	\$ 8,400,187	\$ 8,400,187	\$ 6,360,000
Land Acquisition	0	0	300,000	300,000	300,000
Debt Service Principal	60,000	60,000	60,000	60,000	65,000
TOTAL	\$ 7,694,192	\$ 7,694,192	\$ 8,760,187	\$ 8,760,187	\$ 6,725,000
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 999
All Other Funds	7,694,102	7,694,102	8,760,187	8,760,187	6,725,000
TOTAL	\$ 7,694,102	\$ 7,694,102	\$ 8,760,187	\$ 8,760,187	\$ 6,725,999

FY 2013 – Current Year. The **agency** requests a revised estimate of \$7.7 million for capital improvements expenditures. The expenditures include \$60,000 in debt service principal payments and \$7.6 million for maintenance and construction projects. The revised estimate is no change from the FY 2013 approved amount.

The **Governor** concurs with the agency's FY 2013 revised estimate.

FY 2014 – Budget Year. The **agency** requests \$8.8 million for capital improvements expenditures. The expenditures include \$60,000 in debt service principal payments and \$8.4 million for maintenance and construction projects. This is an increase of \$1,065,995, all funds, or 14.0 percent, from the FY 2013 revised estimate. The increase is attributed to an increase in the amount budgeted for roads maintenance within KDWPT areas.

The **Governor** concurs with the agency's FY 2014 request.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$6.7 million in capital improvement expenditures for FY 2015. This is a decrease of \$2.0 million, or 23.2 percent, below the FY 2014 recommendation. The decrease is attributed to additional Access Roads Maintenance/Development funds that were made available in FY 2014 and are not available in FY 2015, as well as a decrease in Public Lands Major Maintenance funds in FY 2015.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Administration				
Number of new wildlife habitat projects reviewed	1,948	1,753	2,000	2,000
Number of permits and licenses issued:				
Deer permits	179,000	186,472	187,000	187,000
Fishing licenses (resident and non-resident)	272,000	262,261	264,000	264,000
Hunting licenses (resident and non-resident)	190,000	181,981	183,000	183,000
Daily park use permits	330,500	213,305	214,000	214,000
Annual park use permits	70,000	63,239	64,000	64,000
Number of students certified through education programs in:				
Hunting	8,600	10,091	10,200	10,250
Boating	2,300	2,364	2,400	2,450
Furharvester	2,750	1,541	1,500	1,500
Number of teachers trained for Archery in Schools	1,400	54	70	75
<i>Kansas Wildlife and Parks</i> magazine circulation	22,000	22,000	23,000	24,000
Tourism				
<i>Kansas</i> magazine circulation	0	29,217	30,000	30,000
Grants awarded	0	6	4	4
Travel Information Center visitation	0	200,000	210,000	210,000
Law Enforcement				
Number of public contacts	158,350	44,169	43,800	43,800
Number of wildlife license, boating safety, and registration checks per conservation officer	1,473	1,322	1,400	1,400
Compliance rate with law and regulations for:				
Wildlife	90.00%	96.0%	90.0%	90.0%
Boating	60.00%	57.80%	60.00%	65.00%
State Parks				
Percent of campers satisfied with overall camping experience	75.0%	75.0%	80.0%	80.0%
Percent of campers satisfied with overall day use experience	75.0%	75.0%	75.0%	80.0%
Percent of campsites utilized	75.0%	76.0%	75.0%	78.0%
Number of days parks open	300	340	350	360
Number of volunteer hours	53,000	53,000	54,000	56,000
Fish and Wildlife				
Number of surveys conducted:				
Wildlife population	30	30	30	30
Hunter	10	8	10	10
Landowner	5	4	5	5
Landowner	13	11	13	13
Angler				
Percent satisfied with associated management program:				
Deer hunters	80.0%	80.0%	80.0%	80.0%
Landowners (deer)	60.0%	50.0%	60.0%	70.0%
Turkey hunters	85.0%	85.0%	85.0%	85.0%
Landowners (turkey)	70.0%	65.0%	70.0%	70.0%
Anglers	70.0%	77.0%	70.0%	70.0%
Number of acres affected by Upland Gamebird Habitat Program	95,000	95,000	115,000	125,000

Number of acres in Walk-in Hunting	1,300,000	1,300,000	1,300,000	1,350,000
Grants				
Number of National Rails to Trails grants	10	10	10	10
Number of Outdoor Wildlife Learning Sites grants	12	12	12	12
Number of Community Lake Assistance Program grants	10	10	10	10
Capital Improvements				
Number of structures repaired or replaced	8	8	8	8
Percent of dam repairs completed	60.0%	60.0%	65.0%	70.0%
Number of miles of roadway resurfaced	80	80	80	80
Number of bridges repaired or replaced	4	2	1	1

KANSAS WATER OFFICE

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 1,762,575	\$ 1,320,439	\$ 1,320,439	\$ 1,325,083	\$ 1,191,476	\$ 1,199,142
Other Funds	8,420,372	7,104,637	7,104,637	5,827,737	5,827,256	5,597,310
TOTAL	\$ 10,182,947	\$ 8,425,076	\$ 8,425,076	\$ 7,152,820	\$ 7,018,732	\$ 6,796,452
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 10,182,947	\$ 8,425,076	\$ 8,425,076	\$ 7,152,820	\$ 7,018,732	\$ 6,796,452

Operating Expenditures Percentage Change

State General Fund	(6.2) %	(25.1) %	(25.1) %	0.4 %	(9.8) %	0.6 %
All Funds	21.5	(17.3)	(17.3)	(15.1)	(16.7)	3.2
FTE Positions	21.0	19.0	19.0	19.0	18.0	18.0
Non-FTE Pos.*	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	22.0	20.0	20.0	20.0	19.0	19.0

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

The Kansas Water Office is the water planning, policy, and coordination agency for the state. The agency, in conjunction with the Kansas Water Authority, develops water policies through an open planning process, facilitates the coordination of agencies' activities regarding water, and operates a raw water marketing program to ensure an adequate supply for the citizens, municipalities, environment, and industries in the state.

Through the agency's operations and the guidance of the Kansas Water Authority, the Kansas Water Office focuses on water policy planning, including developing the State Water Plan, which details the management, conservation, and development of water resources for the state. Working with the 12 major river basins, the agency develops basin planning sections for the State Water Plan, which documents objectives and critical issues occurring in each of the basins. In addition, the agency provides the coordination function in focusing action on priority issues as identified in the basin sections of the Kansas Water Plan.

In addition, the agency administers the following programs and acts: Assessment and Evaluation program, Water Marketing program, Water Assurance program, Water Conservation program, the public water supply component of the Multipurpose Small Lakes program, the Kansas Water Planning Act, State Water Plan Storage Act, Kansas Weather Modification Act, portions of the Water Appropriations Act, and the Water Transfer Act. The agency also negotiates with the federal government for water supply storage in federal lakes.

The Kansas Water Authority provides water policy advice to the Governor, Legislature, and the Director of the Kansas Water Office. The 24-member board is responsible for approving water storage sales, the State Water Plan, federal contracts, and regulations and legislation proposed by the Kansas Water Office.

MAJOR ISSUES FROM PRIOR YEARS

The **2005 Legislature** included statutory language that only the Legislature may authorize expenditures from two funds, the Water Conservation Projects Fund and the Water Conservation Reserve account, in the State Water Plan Fund. The two funds were created when funding was received from Colorado in May 2005, as a result of the water litigation settlement. Of those funds, \$9.7 million was deposited into the Water Conservation Projects Fund and \$4.8 million was deposited into the Water Conservation Reserve account.

The **2006 Legislature** added \$2.5 million from the Water Conservation Projects Fund in FY 2007 to the Kansas Water Office for projects in the Upper Arkansas River Basin, including the lining of the Southside Ditch and the Southern Alternative delivery system. The Legislature also added language directing the agency to work with Groundwater Management District #5 to begin negotiations involving the purchase of water rights for the streamflow augmentation of Rattlesnake Creek during FY 2007. In addition, the Legislature added \$552,000 from the Water Conservation Projects Fund in FY 2006 and FY 2007 for feasibility studies related to projects in the Upper Arkansas River Basin directly impacted by the litigation between Kansas and Colorado. Combined, total expenditures for both fiscal years were not to exceed \$552,000.

The **2007 Legislature** added \$500,000 from the State Water Plan Fund to address Neosho River Basin issues, such as sedimentation and water quality problems that have emerged within the Neosho Basin Watershed in recent years. The funding will be utilized as follows: \$300,000 for John Redmond Reservoir pool raise mitigation required by the U.S. Corps of Engineers for a two-foot permanent pool raise; \$150,000 for Marion Reservoir for a feasibility study related to addressing sedimentation and algae bloom issues; and \$50,000 for a riparian area inventory of areas below Marion and Council Grove reservoirs to the upper reaches of John Redmond Reservoir. In addition, the Legislature added additional funding for weather modification, weather stations, technical assistance to water users, and for MOU (Memorandum of Understanding) – Storage Operations and Maintenance.

The **2008 Legislature** transferred the balance of the Water Conservation Projects Fund (\$9,134,446) and \$739,964 from the State Water Plan Fund in FY 2008 to a new fund called the Western Water Conservation Projects Fund, with guidelines directing the funding to Groundwater Management District No. 3 for oversight of funding projects, and creation of an advisory committee consisting of six ditch companies, and requiring a report by the Groundwater Management District No. 3 every three months on the status of new projects. In addition, the Legislature approved an increased transfer from the Economic Development Initiatives Fund (EDIF) of \$1,043,985 to avert a negative ending balance in the State Water Plan Fund. The Legislature also approved \$534,000, all from the State General Fund, in FY 2009 for a new fund called the Reservoir Storage Beneficial Use Fund.

The **2009 Legislature** approved the transfer of \$2.0 million from the State General Fund to the State Water Plan Fund for FY 2009 and suspended the \$6.0 million statutory transfer from the State General Fund to the State Water Plan Fund for both FY 2009 and FY 2010. For FY 2010, the Legislature approved the transfer of \$3.3 million from the State General Fund to the State Water Plan Fund. The agency's FY 2010 State Water Plan Fund expenditures were increased by \$825,487. The Governor's July 2009 allotments eliminated the FY 2010 transfer

approved by the Legislature and expenditures based on the increased transfer were reduced accordingly.

The **2010 Legislature** approved the transfer of \$1.3 million from the State General Fund to the State Water Plan Fund for FY 2011 and that it be appropriated for four specific programs: Contamination Remediation (\$226,161), Treece Superfund Buyout (\$350,000), Interstate Water Issues (\$137,945), and Aid to Conservation Districts (\$634,138). The 2010 Legislature also changed the expenditure limitation for the State Conservation Storage Water Supply Fund from \$0 to no limit for FY 2011.

The **2011 Legislature** suspended the \$6.0 million demand transfer to the State Water Plan Fund. In addition, the Legislature approved transfers from the State Water Plan Fund of \$75,000 to the Grain Warehouse Inspection Fund, \$175,000 to the Swine Eradication Fund, and \$20,000 to the Livestock Market Reporting Fund. The Legislature added funding for the Wichita Aquifer Storage and Recovery Project (\$11,390) and the memorandum of understanding (MOU) with the Army Corps of Engineers (\$80,702). Those additions were offset by reductions for technical assistance for water users (\$25,000), assessment evaluation (\$16,702), and several universal reductions (\$72,274).

The **2012 Legislature** added \$500,000, all from the Expanded Lottery Act Revenues Fund, for FY 2013 for the Wichita Aquifer Storage and Recovery project and \$40,000, all from the State Water Plan Fund, for Water Resource Education. The funding was subsequently vetoed by the Governor. The Legislature also added \$200,000, all from the State Water Plan Fund, for FY 2013 for the weather modification program contingent upon ten counties participating in the project. The 2012 Legislature suspended the \$6.0 million transfer from the State Water Plan Fund.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates a revised FY 2013 budget totaling \$8.4 million, including \$1.3 million from the State General Fund and \$3.2 million from the State Water Plan Fund. The revised estimate is an all funds increase of \$728,964, or 9.5 percent, above the amount approved by the 2012 Legislature. The revised State Water Plan Fund estimate is an increase of \$465,097, or 17.0 percent, due to reappropriated funds that were unspent at the end of FY 2012 and are available to be spent in FY 2013. The increase in the all funds FY 2013 revised estimate is due to the reappropriation of State Water Plan Fund dollars plus additional appropriations within the State Water Plan Fund in FY 2013 for stream flow monitoring (streamgaging) and suspended sediment monitoring. The revised estimate includes 19.0 FTE positions and 1.0 non-FTE unclassified permanent positions, which is a reduction of 2.0 FTE positions below the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised estimate for FY 2013. The Governor would like the Kansas Water Office to consider using the reappropriated State Water Plan Fund dollars for issues that have arisen because of severe drought. The Governor notes that some of the funding may already be allocated, but if it is possible to make adjustments in expenditures, the Governor would encourage the Kansas Water Office to use a portion of that funding for drought related projects.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures totaling \$7.2 million, including \$1.3 million from the State General Fund, and \$2.3 million from the State

Water Plan Fund. The FY 2014 request is \$1.3 million all funds, or 15.1 percent, below the FY 2013 revised estimate; and \$4,644 State General Fund, or 0.4 percent, above the FY 2013 revised estimate. The State Water Plan Fund request is a decrease of \$864,587, or 27.0 percent, below the FY 2013 revised estimate. The decrease in the FY 2014 request is largely attributed to the elimination of Economic Development Initiatives Fund dollars from the State Water Plan Fund and the lack of reappropriation funding that was available in FY 2013 and no longer available in FY 2014. To cover this shortfall in revenue, reductions were made in contractual services for operation and maintenance costs for the reservoirs and water storage. The request includes no enhancement funding. The FTE request for FY 2014 is 19.0 FTE positions and 1.0 non-FTE unclassified permanent position, the same as the revised FY 2013 estimate.

The **Governor** recommends FY 2014 operating expenditures totaling \$7.0 million, including \$1.2 million from the State General Fund, and \$2.3 million from the State Water Plan Fund. The Governor's recommendation includes a decrease of \$1,579, including \$1,098 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The recommendation also includes the adoption of the agency's reduced resources budget.

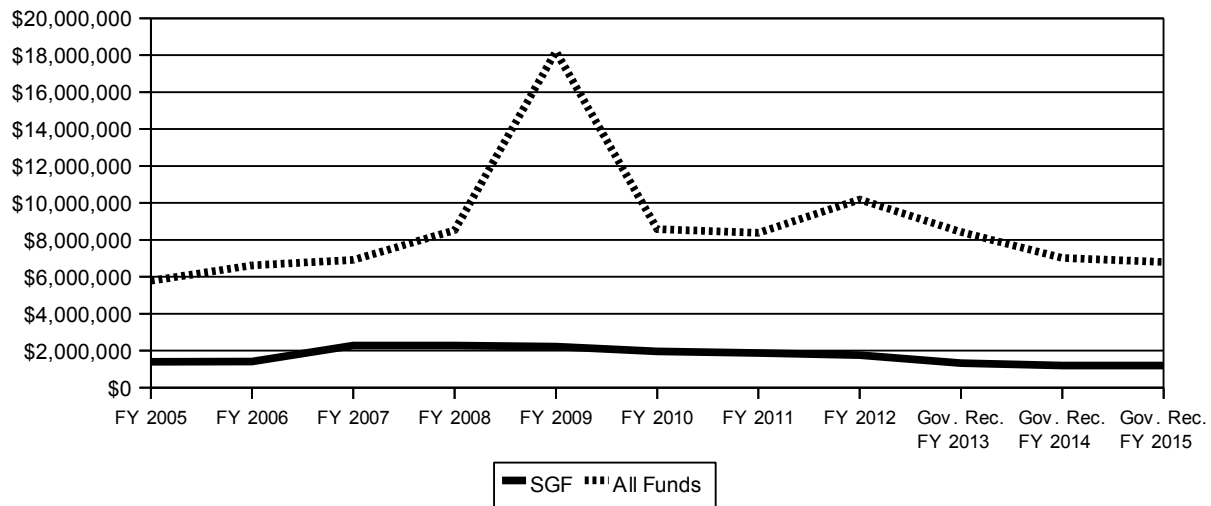
The recommendation is a decrease of \$1.4 million all funds, or 16.7 percent; \$128,963 State General Fund, or 9.8 percent; and \$864,587 State Water Plan Fund dollars, or 3.6 percent, below the FY 2013 recommendation. The recommendation is an all funds decrease of \$134,088, or 1.9 percent, below the agency's FY 2014 request. The decrease is attributed to the adoption of the agency's reduced resources budget as well as the reduced death and disability employer contribution. The Governor also eliminates 1.0 vacant unfunded FTE position.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures totaling \$6.8 million, including \$1.2 million from the State General Fund, and \$2.1 million from the State Water Plan Fund. The recommendation is an all funds decrease of \$222,280 all funds, including a decrease of \$223,254, or 10.0 percent, from the State Water Plan fund, partially offset by an increase of \$7,666, or 0.6 percent, State General Fund dollars. The State Water Plan Fund decrease is attributed to an across the board reduction in State Water Plan Funding for all agencies due to the statutory transfers from the State General Fund and the Economic Development Initiatives Fund not being made.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 1,395,898	13.5 %	\$ 5,784,171	1.4 %	22.5
2006	1,404,791	0.6	6,619,853	14.4	22.5
2007	2,284,542	62.6	6,912,789	4.4	23.5
2008	2,277,280	(0.3)	8,522,585	23.3	23.5
2009	2,226,752	(2.2)	18,205,826	113.6	23.5
2010	1,962,416	(11.9)	8,578,248	(52.9)	23.5
2011	1,879,209	(4.2)	8,377,752	(2.3)	21.0
2012	1,762,575	(6.2)	10,182,947	21.5	21.0
2013 Gov. Rec.	1,320,439	(25.1)	8,425,076	(17.3)	19.0
2014 Gov. Rec.	1,191,476	(9.8)	7,018,732	(16.7)	18.0
2015 Gov. Rec.	1,199,142	0.6	6,796,452	(3.2)	18.0
Eleven-Year Change					
Dollars/Percent	\$ (196,756)	(14.1)%	\$ 1,012,281	17.5 %	(4.5)

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request				Governor's Recommendation			
	Actual 2012	Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 3,936,749	\$ 4,637,196	\$ 3,539,905	\$ (1,097,291)	(23.7) %	\$ 4,637,196	\$ 3,409,698	\$ (1,227,498)	(26.5)%
Kansas Water Authority	34,237	33,566	33,566	0	0.0	33,566	30,166	(3,400)	(10.1)
Water Supply Contracts	6,211,961	3,754,314	3,579,349	(174,965)	(4.7)	3,754,314	3,578,868	(175,446)	(4.7)
TOTAL	\$ 10,182,947	\$ 8,425,076	\$ 7,152,820	\$ (1,272,256)	(15.1) %	\$ 8,425,076	\$ 7,018,732	\$ (1,406,344)	(16.7)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 1,451,673	\$ 1,528,166	\$ 1,540,597	\$ 12,431	0.8 %	\$ 1,528,166	\$ 1,442,388	\$ (85,778)	(5.6)%
Contractual Services	7,953,340	6,169,283	4,982,713	(1,186,570)	(19.2)	6,169,283	4,952,834	(1,216,449)	(19.7)
Commodities	22,577	13,095	13,095	0	0.0	13,095	13,095	0	0.0
Capital Outlay	14,809	9,500	34,500	25,000	263.2	9,500	28,500	19,000	200.0
Subtotal - Operations	\$ 9,442,399	\$ 7,720,044	\$ 6,570,905	\$ (1,149,139)	(14.9) %	\$ 7,720,044	\$ 6,436,817	\$ (1,283,227)	(16.6)%
Aid to Local Units	735,668	698,525	575,408	(123,117)	(17.6)	698,525	575,408	(123,117)	(17.6)
Other Assistance	4,880	6,507	6,507	0	0.0	6,507	6,507	0	0.0
TOTAL	\$ 10,182,947	\$ 8,425,076	\$ 7,152,820	\$ (1,272,256)	(15.1) %	\$ 8,425,076	\$ 7,018,732	\$ (1,406,344)	(16.7)%
Financing:									
State General Fund	\$ 1,762,575	\$ 1,320,439	\$ 1,325,083	\$ 4,644	0.4 %	\$ 1,320,439	\$ 1,191,476	\$ (128,963)	(9.8)%
State Water Plan Fund	2,298,148	3,197,124	2,332,537	(864,587)	(27.0)	3,197,124	\$ 2,332,537	(864,587)	(27.0)
Water Marketing Fund	2,933,756	3,067,250	2,868,152	(199,098)	(6.5)	3,067,250	2,867,671	(199,579)	(6.5)
All Other Funds	3,188,468	840,263	627,048	(213,215)	(25.4)	840,263	627,048	(213,215)	(25.4)
TOTAL	\$ 10,182,947	\$ 8,425,076	\$ 7,152,820	\$ (1,272,256)	(15.1) %	\$ 8,425,076	\$ 7,018,732	\$ (1,406,344)	(16.7)%

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 3,539,905	\$ 3,409,698	\$ 3,216,320	\$ (193,378)	(5.7)%
Kansas Water Authority	33,566	30,166	30,166	0	0.0
Water Supply Contracts	3,579,349	3,578,868	3,549,966	(28,902)	(0.8)
TOTAL	\$ 7,152,820	\$ 7,018,732	\$ 6,796,452	\$ (222,280)	(3.2)%
By Major Object of Expenditure:					
Salaries and Wages	\$ 1,540,597	\$ 1,442,388	\$ 1,453,362	\$ 10,974	0.8 %
Contractual Services	4,982,713	4,952,834	4,769,580	(183,254)	(3.7)
Commodities	13,095	13,095	13,095	0	0.0
Capital Outlay	34,500	28,500	28,500	0	0.0
Subtotal - Operations	\$ 6,570,905	\$ 6,436,817	\$ 6,264,537	\$ (172,280)	(2.7)%
Aid to Local Units	575,408	575,408	525,408	(50,000)	(8.7)
Other Assistance	6,507	6,507	6,507	0	0.0
TOTAL	\$ 7,152,820	\$ 7,018,732	\$ 6,796,452	\$ (222,280)	(3.2)%
Financing:					
State General Fund	\$ 1,325,083	\$ 1,191,476	\$ 1,199,142	\$ 7,666	0.6 %
State Water Plan Fund	2,332,537	2,332,537	2,099,283	(233,254)	(10.0)
Water Marketing Fund	2,868,152	2,867,671	2,870,979	3,308	0.1
All Other Funds	627,048	627,048	627,048	0	0.0
TOTAL	\$ 7,152,820	\$ 7,018,732	\$ 6,796,452	\$ (222,280)	(3.2)%

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$1,320,439 for the Kansas Water Office in FY 2013.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 1,320,439	\$ 1,320,439	\$ 0	\$ 1,320,439	\$ 0
All Other Funds	6,375,673	7,104,637	728,964	7,104,637	728,964
TOTAL	<u>\$ 7,696,112</u>	<u>\$ 8,425,076</u>	<u>\$ 728,964</u>	<u>\$ 8,425,076</u>	<u>\$ 728,964</u>
FTE Positions	21.0	19.0	(2.0)	19.0	(2.0)

The **agency** estimates a revised FY 2013 budget totaling \$8.4 million, including \$1.3 million from the State General Fund and \$3.2 million from the State Water Plan Fund. The revised estimate is an all funds increase of \$728,964, or 9.5 percent, above the amount approved by the 2012 Legislature. The revised State Water Plan Fund estimate is an increase of \$465,097, or 17.0 percent, due to reappropriated funds that were unspent at the end of FY 2012 and are available to be spent in FY 2013. The increase in the all funds FY 2013 revised estimate is due to the reappropriation of State Water Plan Fund dollars plus additional appropriations within the State Water Plan Fund in FY 2013 for stream flow monitoring (streamgaging) and suspended sediment monitoring. The revised estimate includes 19.0 FTE positions and 1.0 non-FTE unclassified permanent, which is a reduction of 2.0 FTE positions below the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised estimate for FY 2013. The Governor would like the Kansas Water Office to consider using the reappropriated State Water Plan Fund dollars for issues that have arisen because of severe drought. The Governor notes that some of the funding may already be allocated, but if it is possible to make adjustments in expenditures, the Governor would encourage the Kansas Water Office to use a portion of that funding for drought related projects.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 7,152,820	\$ 7,018,732	\$	(134,088)
FTE Positions	19.0	18.0		(1.0)
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 4,644	\$ (128,963)		
All Other Funds	(1,276,900)	(1,277,381)		
TOTAL	<u>\$ (1,272,256)</u>	<u>\$ (1,406,344)</u>		
<i>Percent Change:</i>				
State General Fund	0.4 %	(9.8) %		
All Other Funds	(18.0)	(18.0)		
TOTAL	<u>(15.1) %</u>	<u>(16.7) %</u>		
Change in FTE Positions	0.0	(1.0)		

The **agency** requests FY 2014 operating expenditures totaling \$7.2 million, including \$1.3 million from the State General Fund, and \$2.3 million from the State Water Plan Fund. The FY 2014 request is \$1.3 million all funds, or 15.1 percent, below the FY 2013 revised estimate; and \$4,644 State General Fund, or 0.4 percent, above the FY 2013 revised estimate. The State Water Plan Fund request is a decrease of \$864,587, or 27.0 percent, below the FY 2013 revised estimate. The decrease in the FY 2014 request is largely attributed to the elimination of Economic Development Initiatives Fund dollars from the State Water Plan Fund and the lack of reappropriated funding that was available in FY 2013 and no longer available in FY 2014. To cover this shortfall of revenue, reductions were made in contractual services for operation and maintenance costs for the reservoirs and water storage. The request includes no enhancement funding. The FTE request for FY 2014 is 19.0 FTE positions and 1.0 non-FTE unclassified permanent position, the same as the revised FY 2013 estimate.

The **Governor** recommends FY 2014 operating expenditures totaling \$7.0 million, including \$1.2 million from the State General Fund, and \$2.3 million from the State Water Plan Fund. The Governor's recommendation includes a decrease of \$1,579, including \$1,098 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The recommendation also includes the adoption of the agency's reduced resources budget.

The recommendation is a decrease of \$1.4 million all funds, or 16.7 percent; \$128,963 State General Fund, or 9.8 percent; and \$864,587 State Water Plan Fund dollars, or 3.6 percent, below the FY 2013 recommendation. The recommendation is an all funds decrease of

\$134,088, or 1.9 percent, below the agency's FY 2014 request. The decrease is attributed to the adoption of the agency's reduced resources budget as well as the reduced death and disability employer contribution. The Governor also eliminates 1.0 vacant unfunded FTE position.

FY 2014 Reduced Resources

FY 2014 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Salaries and Wages	\$ (95,328)	\$ (95,328)	0.0	\$ (95,328)	\$ (95,328)	0.0
Contractual Services	(16,000)	(16,000)	0.0	(16,000)	(16,000)	0.0
Travel	(9,000)	(9,000)	0.0	(9,000)	(9,000)	0.0
Communications	(2,781)	(2,781)	0.0	(2,781)	(2,781)	
Capital Outlay	(6,000)	(6,000)	0.0	(6,000)	(6,000)	0.0
Kansas Water Authority Budget	(3,400)	(3,400)	0.0	(3,400)	(3,400)	0.0
Elimination of 1.0 vacant unfunded FTE position	0	0	0	0	0	(1.0)
TOTAL	\$ (132,509)	\$ (132,509)	0.0	\$ (132,509)	\$ (132,509)	(1.0)

The **agency's** reduced resources estimate includes a \$132,509 reduction, all from the State General Fund, which represents a 10.0 percent State General Fund reduction. The agency estimates it would reach the 10.0 percent reduction by taking the following action:

- **Salaries and Wages.** The agency estimates savings of \$95,328, all from the State General Fund, by eliminating one Office Assistant position, one intern position, and one Environmental Scientist IV position for FY 2014.
- **Contractual Services.** The agency estimates savings of \$16,000, all from the State General Fund, by eliminating the agency's membership in the Missouri River Association of States and Tribes (MORAST), as well as participation in the annual field tour. The agency notes that it has been a member in MORAST for nearly thirty years and has allowed the agency to gain a great deal of understanding of states' interest and cooperation on issues of concern to Kansas. According to the agency, removing the agency's support of the field tour will limit their ability to be a part of the planning and execution of the tour which the agency expects to lead to fewer water related topics to be covered on the tour.
- **Travel.** The agency estimates savings of \$9,000, all from the State General Fund, by reducing in-state travel expenditures by \$5,000 and out-of-state travel by \$4,000. This leaves \$16,000 for Administration program travel expenditures.
- **Communications.** The agency estimates savings of \$2,781, all from the State General Fund, by reducing funding for communications. This leaves \$8,573 for communication expenditures.
- **Capital Outlay.** The agency estimates savings of \$6,000, all from the State General Fund, by eliminating the capital outlay budget in its entirety. The

requested funds are anticipated to allow the agency to upgrade computer technology and basic office equipment necessary for agency operations.

- **Kansas Water Authority.** The agency estimates savings of \$3,400, all from the State General Fund, by reducing salaries and wages for the Kansas Water Authority. The impact of the reduction would be a reduction in the number of meetings held throughout the year by the Kansas Water Authority.

The **Governor** accepts the agency's reduced resources budget for FY 2014, and additionally recommends the elimination of 1.0 vacant unfunded FTE position.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 6,796,452	\$ (222,280)
FTE Positions	18.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 7,666	
All Other Funds	(229,946)	
TOTAL	<u>\$ (222,280)</u>	
<i>Percent Change:</i>		
State General Fund	0.6 %	
All Other Funds	(3.9)	
TOTAL	<u>(3.2) %</u>	
Change in FTE Positions	0.0	

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures totaling \$6.8 million, including \$1.2 million from the State General Fund, and \$2.1 million from the State Water Plan Fund. The recommendation is an all funds decrease of \$222,280, including a decrease of \$223,254, or 10.0 percent, from the State Water Plan fund, partially offset by an increase of \$7,666, or 0.6 percent, State General Fund dollars. The State Water Plan Fund decrease is attributed to an across the board reduction in State Water Plan Funding for all agencies due to the elimination of the statutory transfers from the State General Fund and the Economic Development Initiatives Fund.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$9,120, all from the State General Fund, and FY 2015 longevity payments total \$9,560, all from the State General Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	18.5 %	17.0 %
State Water Plan Fund	37.6	33.2
Water Marketing Fund	40.1	40.9
All Other Funds	3.8	8.9
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

State Water Plan Fund Analysis

The State Water Plan Fund is a statutory fund (KSA 82a-951) that was created by the 1989 Legislature for the purpose of implementing the State Water Plan. Subject to appropriation acts, the State Water Plan Fund may be used for the establishment and implementation of water related projects or programs and related technical assistance. State Water Plan Funds may not be used to fund FTE positions or for recreational projects that do not meet the goals or objectives of the State Water Plan (KSA 82a-903).

Revenue for the State Water Plan Fund is generated by a water protection fee levied on public, industrial, and stockwater users; a per ton tax on fertilizer; a registration fee on pesticides; certain fines levied by suppliers; and annual transfers of \$6.0 million from the State General Fund and \$2.0 million from the Economic Development Initiatives Fund (EDIF). Beginning in FY 2008, the majority (101 of 106) of the Clean Drinking Water Fee receipts are deposited in the State Water Plan Fund. Of the funding received from the Clean Drinking Water Fee, 85.0 percent is to be used to renovate and protect lakes which are used directly as a source of water for public water supply systems. The remaining 15.0 percent is to be used to provide on-site technical assistance for public water supply systems.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 502,053	\$ 465,097	\$ 465,097	\$ 0	\$ 0
Revenue	2,261,192	2,732,027	2,732,027	2,332,537	2,332,537
Transfers in	0	0	0	0	0
Total Funds Available	\$ 2,763,245	\$ 3,197,124	\$ 3,197,124	\$ 2,332,537	\$ 2,332,537
Less: Expenditures	2,298,148	3,197,124	3,197,124	2,332,537	2,332,537
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 465,097</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balance as Percent of Expenditures	20.2%	0.0%	0.0%	0.0%	0.0%

STATE WATER PLAN FUND EXPENDITURES

Expenditures	FY 2012 Actual	Agency Est. FY 2013	Gov. Rec. FY 2013	KWA Rec. FY 2014	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Assessment and Evaluation \$	467,510	\$ 542,276	\$ 542,276	\$ 540,000	\$ 500,000	\$ 500,000	\$ 450,000
GIS Database Development	173,640	170,000	170,000	170,000	125,000	125,000	112,500
MOU-Storage Operations and Maintenance	366,802	360,364	360,364	322,099	322,099	322,099	289,889
Technical Assistance to Water Users	403,209	528,524	528,524	413,000	405,408	405,408	364,867
Weather Stations	48,620	0	0	63,000	0	0	0
Water Resource Education	38,200	0	0	40,000	0	0	0
Weather Modification	97,935	200,000	200,000	0	0	0	0
Wichita Aquifer Recharge Project	657,459	500,000	500,000	500,000	500,000	500,000	450,000
Streamgaging	0	448,663	448,663	480,030	480,030	480,030	432,027
Suspended Sediment Monitoring	0	100,000	100,000	100,000	0	0	0
Neosho River Basin Issues	44,773	347,297	347,297	0	0	0	0
TOTAL	<u>\$ 2,298,148</u>	<u>\$ 3,197,124</u>	<u>\$ 3,197,124</u>	<u>\$ 2,628,129</u>	<u>\$ 2,332,537</u>	<u>\$ 2,332,537</u>	<u>\$ 2,099,283</u>

The **agency** requests FY 2014 State Water Plan Fund expenditures totaling \$2.3 million. The State Water Plan Fund request is a decrease of \$864,587, or 27.0 percent, below the FY 2013 revised estimate. Most of the decrease (\$465,098) is due to reappropriated funds in FY 2013 that are not available in FY 2014. Also part of the decrease is the elimination of funding for the weather modification program and suspended sediment monitoring.

The **Governor** concurs with the agency's State Water Plan Fund expenditures for FY 2014.

The **Governor** recommends FY 2015 State Water Plan Fund expenditures of \$2.1 million, a decrease of \$233,254, or 10.0 percent, below the FY 2014 recommendation. The decrease is attributed to an across the board reduction in State Water Plan Fund expenditures.

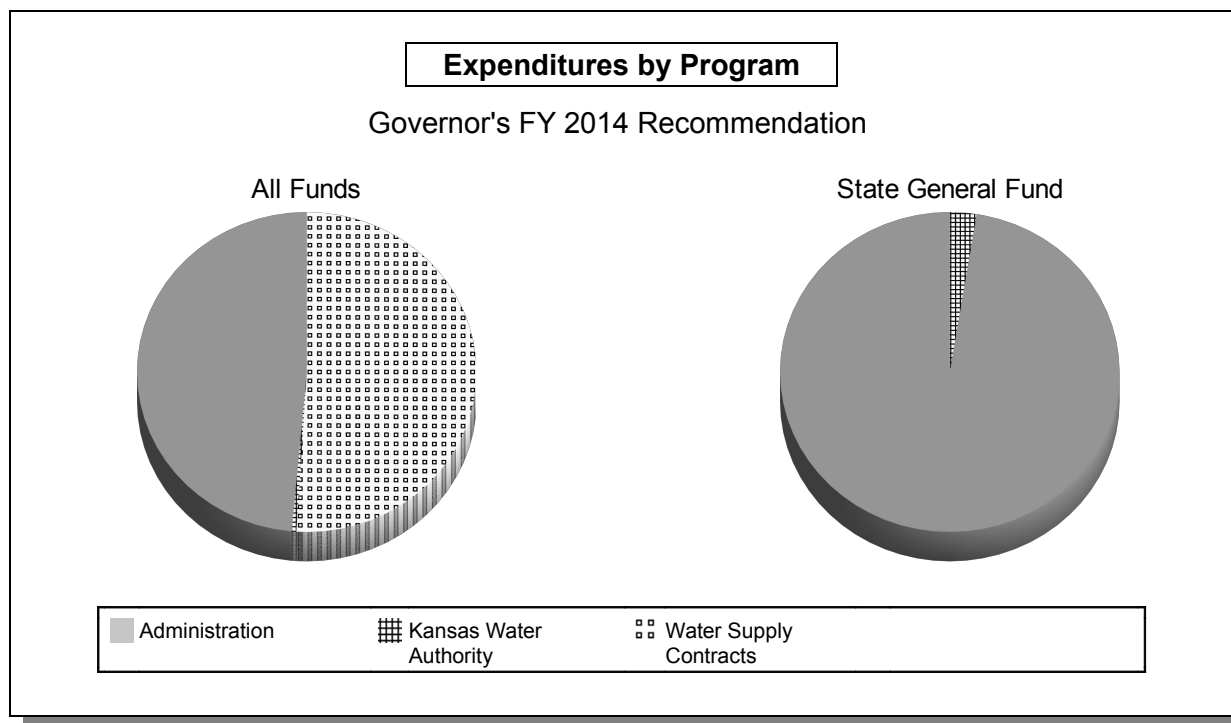
Water Marketing Fund Analysis

Under the federal Water Supply Act of 1958, federal reservoirs constructed in Kansas for the purpose of flood control were authorized to include storage space for municipal and industrial water supplies. In 1961, the Legislature provided financial assurance for inclusion of water storage in the federal reservoirs constructed in the state. In 1974, the Legislature enacted the State Water Plan Storage Act, which authorizes the agency to contract with water purchasers for sale of water from any reservoir included in the Kansas Water Marketing Program. The Water Marketing Fund was created by the Legislature in 1991.

Revenue for the Water Marketing Program is generated by the sale of water supplied under contracts with public water suppliers and industries from state-owned storage in federal lakes that is purchased from the U.S. Army Corps of Engineers. The price for water is set annually according to an established formula and is not negotiable. The fund is then used to meet the state's contractual water storage obligations to the federal government through transfers to the State Conservation Storage Water Supply Fund and any remaining funds are then transferred to the State General Fund for program administration. The table below summarizes receipts, expenditures, and transfers for the Water Marketing Fund as requested by the agency and as recommended by the Governor.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 2,542,250	\$ 2,755,649	\$ 2,755,649	\$ 2,380,424	\$ 2,380,424
Revenue	3,160,807	2,892,124	2,892,124	2,948,852	2,948,852
Transfers in	0	0	0	0	0
Total Funds Available	\$ 5,703,057	\$ 5,647,773	\$ 5,647,773	\$ 5,329,276	\$ 5,329,276
Less: Expenditures	2,933,756	3,067,250	3,067,250	2,868,152	2,867,671
Transfers Out	13652	3,000	3,000	3,200	3,200
Off Budget Expenditures	0	197,099	197,099	3,200	3,200
Ending Balance	<u>\$ 2,755,649</u>	<u>\$ 2,380,424</u>	<u>\$ 2,380,424</u>	<u>\$ 2,454,724</u>	<u>\$ 2,455,205</u>
Ending Balance as Percent of Expenditures	93.9%	77.6%	77.6%	85.6%	85.6%

PROGRAM DETAIL



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Administration	\$ 3,409,698	48.6 %	\$ 1,161,310	97.5 %
Kansas Water Authority	30,166	0.4	30,166	2.5
Water Supply Contracts	3,578,868	51.0	0	0.0
TOTAL	\$ 7,018,732	100.0 %	\$ 1,191,476	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	15.5	13.5	13.5	13.5	12.5	12.5
Kansas Water Authority	0.0	0.0	0.0	0.0	0.0	0.0
Water Supply Contracts	5.5	5.5	5.5	5.5	5.5	5.5
TOTAL	21.0	19.0	19.0	19.0	18.0	18.0

A. Administration

The Kansas Water Office is the water planning, policy, and coordination agency for the State of Kansas. It prepares a state plan of water resources development, management, and conservation, reviews all water laws, and makes recommendations to the Governor and Legislature for new or amendatory legislation. The Office administers the Kansas Water Planning Act, State Water Plan Storage Act, Water Assurance Program Act, Kansas Weather Modification Act, and portions of the Water Appropriations Act and Water Transfer Act. The agency is also responsible for monitoring conditions related to drought, development of water conservation plan guidelines, and the collection and compilation of data related to water resources at state agencies.

ADMINISTRATION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,054,464	\$ 1,091,009	\$ 1,091,009	\$ 1,099,592	\$ 1,003,166	\$ 1,010,832
Contractual Services	2,116,606	2,831,062	2,831,062	1,823,305	1,795,524	1,644,480
Commodities	19,884	10,600	10,600	10,600	10,600	10,600
Capital Outlay	10,127	6,000	6,000	31,000	25,000	25,000
Subtotal	\$ 3,201,081	\$ 3,938,671	\$ 3,938,671	\$ 2,964,497	\$ 2,834,290	\$ 2,690,912
Aid to Local Units	735,668	698,525	698,525	575,408	575,408	525,408
Other Assistance	0	0	0	0	0	0
TOTAL	<u>\$ 3,936,749</u>	<u>\$ 4,637,196</u>	<u>\$ 4,637,196</u>	<u>\$ 3,539,905</u>	<u>\$ 3,409,698</u>	<u>\$ 3,216,320</u>
Financing:						
State General Fund	\$ 1,729,611	\$ 1,286,873	\$ 1,286,873	\$ 1,291,517	\$ 1,161,310	\$ 1,168,976
All Other Funds	2,207,138	3,350,323	3,350,323	2,248,388	2,248,388	2,047,344
TOTAL	<u>\$ 3,936,749</u>	<u>\$ 4,637,196</u>	<u>\$ 4,637,196</u>	<u>\$ 3,539,905</u>	<u>\$ 3,409,698</u>	<u>\$ 3,216,320</u>
FTE Positions	15.5	13.5	13.5	13.5	12.5	12.5
Non-FTE Pos.*	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	<u>16.5</u>	<u>14.5</u>	<u>14.5</u>	<u>14.5</u>	<u>13.5</u>	<u>13.5</u>

*Non-FTE Permanent Unclassified Positions

The **agency** estimates FY 2013 Administration expenditures of \$4.6 million, including \$1.3 from the State General Fund. This is an all funds increase of \$680,646, or 17.2 percent, above the FY 2013 approved amount, and a State General Fund decrease of \$1,351, or 0.1 percent. The request is an all funds increase of \$700,447, or 17.8 percent, above the FY 2012 actuals, and a State General Fund decrease of \$442,738, or 25.6 percent, below the FY 2012 actuals. The increase in the FY 2013 revised estimate from the FY 2012 actuals is primarily due to reappropriations within the State Water Plan Fund not spent in FY 2012 plus additional appropriations within the State Water Plan Fund for FY 2013 for streamgaging and suspended sediment monitoring.

The **Governor** concurs with the agency's revised estimate for FY 2013.

The **agency** requests FY 2014 Administration expenditures of \$3.5 million, including \$1.3 million from the State General Fund. The request is an all funds decrease of \$1.1 million, or 23.7 percent, below the FY 2013 revised estimate, and a State General Fund increase of \$4,644, or 0.4 percent, above the FY 2012 revised estimate. The decrease is largely attributed

to the elimination of Economic Development Initiatives Fund dollars from the State Water Plan Fund and the lack of reappropriated funding that was available in FY 2013.

The **Governor** recommends \$3.4 million, including \$1.2 million from the State General Fund and \$2.0 million from the State Water Plan Fund for FY 2014. The recommendation is a decrease of \$130,207, or 3.7 percent, below the agency's FY 2014 request. The decrease is primarily due to the adoption of the agency's reduced resources budget.

The **Governor** recommends \$3.2 million, including \$1.2 million from the State General Fund and \$1.8 million from the State Water Plan Fund for FY 2015. The recommendation is an all funds decrease of \$193,378, or 5.7 percent, below the FY 2014 recommendation. The decrease is primarily attributed to an across the board cut in State Water Plan Fund dollars for all agencies.

B. Kansas Water Authority

The Kansas Water Authority is statutorily within the Kansas Water Office. The Authority is responsible for advising the Governor, the Legislature, and the Director of the Kansas Water Office on water policy issues, for approving the Kansas Water Plan, accounting for and making recommendations on the expenditures of State Water Plan Funds, for approving water storage sales, water marketing rate setting, federal contracts, administrative regulations, and legislation proposed by the Kansas Water Office. The Authority is comprised of 24 members that represent stakeholder groups and that are informed of water-related issues representing water users, water interests, environmental interests, and the general public.

KANSAS WATER AUTHORITY SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 3,039	\$ 4,946	\$ 4,946	\$ 4,942	\$ 3,640	\$ 3,640
Contractual Services	30,503	28,025	28,025	28,029	25,931	25,931
Commodities	545	595	595	595	595	595
Capital Outlay	150	0	0	0	0	0
Subtotal	\$ 34,237	\$ 33,566	\$ 33,566	\$ 33,566	\$ 30,166	\$ 30,166
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 34,237	\$ 33,566	\$ 33,566	\$ 33,566	\$ 30,166	\$ 30,166
Financing:						
State General Fund	\$ 32,932	\$ 33,566	\$ 33,566	\$ 33,566	\$ 30,166	\$ 30,166
All Other Funds	1,305	0	0	0	0	0
TOTAL	\$ 34,237	\$ 33,566	\$ 33,566	\$ 33,566	\$ 30,166	\$ 30,166
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	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
*Non-FTE Permanent Unclassified Positions						

The **agency** estimates revised FY 2013 Kansas Water Authority expenditures totaling \$33,566, all from the State General Fund. The revised estimate is no change from the FY 2013 approved amount, and is an increase of \$671, or 2.0 percent, above the FY 2012 actual amount.

The **Governor** concurs with the agency's FY 2013 revised request.

The **agency** requests FY 2014 Kansas Water Authority expenditures totaling \$33,566, all from the State General Fund. The request is no change from the FY 2013 revised estimate. Funding allows for members to be paid \$35 a day and fringe benefits for attendance, as well as travel reimbursement.

The **Governor** recommends FY 2014 Kansas Water Authority expenditures totaling \$30,166, all from the State General Fund. The recommendation is a decrease of \$3,400, or 10.1 percent, below the agency's FY 2014 request. The decrease is attributed to the adoption of the agency's reduced resources budget which included a reduction to salaries and wages.

The **Governor** recommends FY 2015 Kansas Water Authority expenditures totaling \$30,166, all from the State General Fund. The recommendation is no change from the FY 2014 recommendation.

C. Water Supply Contracts

The Water Supply Contracts program administers certain municipal and industrial public water supply programs to ensure an adequate supply of water for all Kansans. These programs include the Water Marketing, Water Assurance and public water supply components of the Multipurpose Small Lakes (MPSL) Program (82a-1601 *et seq.*). The Kansas Water Office negotiates with the federal government for water supply storage in federal lakes and coordinated reservoir operations to meet multiple uses with that storage benefiting primarily municipal and industrial customers. The Kansas Water Office evaluates proposals for Multipurpose Small Lakes to determine whether the state should build additional storage in lakes to provide water supply for the region.

WATER SUPPLY CONTRACTS SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 394,170	\$ 432,211	\$ 432,211	\$ 436,063	\$ 435,582	\$ 438,890
Contractual Services	5,806,231	3,310,196	3,310,196	3,131,379	3,131,379	3,099,169
Commodities	2,148	1,900	1,900	1,900	1,900	1,900
Capital Outlay	4,532	3,500	3,500	3,500	3,500	3,500
Subtotal	\$ 6,207,081	\$ 3,747,807	\$ 3,747,807	\$ 3,572,842	\$ 3,572,361	\$ 3,543,459
Aid to Local Units	0	0	0	0	0	0
Other Assistance	4,880	6,507	6,507	6,507	6,507	6,507
TOTAL	<u>\$ 6,211,961</u>	<u>\$ 3,754,314</u>	<u>\$ 3,754,314</u>	<u>\$ 3,579,349</u>	<u>\$ 3,578,868</u>	<u>\$ 3,549,966</u>
Financing:						
State General Fund	\$ 32	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	6,211,929	3,754,314	3,754,314	3,579,349	3,578,868	3,549,966
TOTAL	<u>\$ 6,211,961</u>	<u>\$ 3,754,314</u>	<u>\$ 3,754,314</u>	<u>\$ 3,579,349</u>	<u>\$ 3,578,868</u>	<u>\$ 3,549,966</u>
FTE Positions	5.5	5.5	5.5	5.5	5.5	5.5
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>	<u>5.5</u>

*Non-FTE Permanent Unclassified Positions

The **agency** estimates revised FY 2013 Water Supply Contracts program operating expenditures to be \$3.8 million, all funds. This amount is a decrease of \$2.5 million, or 39.6 percent, all funds below the FY 2012 actual amount. However, the revised estimate is an increase \$513,416 all funds, or 15.8 percent, above the FY 2013 approved amount. The decrease from FY 2012 is primarily due to a one-time lump sum payment made by Water Assurance District No. 1 to the federal government through the agency for water storage in FY 2012.

The **Governor** concurs with the agency's FY 2013 revised estimate.

The **agency** requests FY 2014 Water Supply Contracts operating expenditures totaling \$3.6 million. The request is an all funds decrease of \$174,965, or 4.7 percent, below the FY 2013 revised estimate. The decrease is attributed to a reduction in contractual services for operation and maintenance costs for the reservoirs as well as the water being stored because it has no immediate user.

The **Governor** recommends FY 2014 Water Supply Contracts expenditures totaling \$3.6 million all funds, a decrease of \$481, or less than 0.1 percent, below the FY 2014 agency request. The slight decrease is attributed to the death and disability reduction.

The **Governor** recommends FY 2015 Water Supply Contracts expenditures totaling \$3.5 million, a decrease of \$28,902, or 0.8 percent, below the FY 2014 recommendation. The decrease is attributed to an across the board reduction in State Water Plan Fund expenditures.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Number of water resource technical analyses completed	20	22	20	20
Water marketing contracts administered	43	47	32	34
Water conservation plans approved	25	32	25	25

KANSAS STATE FAIR

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 540,422	\$ 373,344	\$ 373,344	\$ 344,331	\$ 341,331	\$ 315,831
Other Funds	5,195,801	4,867,227	4,867,227	5,009,540	4,888,140	4,897,758
TOTAL	\$ 5,736,223	\$ 5,240,571	\$ 5,240,571	\$ 5,353,871	\$ 5,229,471	\$ 5,213,589
Capital Improvements:						
State General Fund	\$ 1,310,000	\$ 490,000	\$ 490,000	\$ 1,893,793	\$ 510,000	\$ 535,000
Other Funds	13,442	11,182,256	11,182,256	0	0	0
TOTAL	\$ 1,323,442	\$ 11,672,256	\$ 11,672,256	\$ 1,893,793	\$ 510,000	\$ 535,000
GRAND TOTAL	\$ 7,059,665	\$ 16,912,827	\$ 16,912,827	\$ 7,247,664	\$ 5,739,471	\$ 5,748,589

Operating Expenditures Percent Change

State General Fund	(26.4) %	(30.9) %	(30.9) %	(7.8) %	(8.6) %	(7.5) %
All Funds	3.6	(8.6)	(8.6)	2.2	(0.2)	(0.3)

FTE Positions	25.0	25.0	25.0	25.0	25.0	25.0
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

The mission of the Kansas State Fair is to promote and showcase Kansas agriculture, industry, and culture; create opportunity for commercial activity; and provide an educational and entertaining experience that is the pride of all Kansans. The annual State Fair is organized and administered by the 13-member State Fair Board. The State Fairgrounds are located in Reno County, within the City of Hutchinson. The Fairgrounds consist of approximately 280 acres, with 75 buildings and nearly 24 acres under roof. The State Fair starts on the Friday following Labor Day in September and runs for 10 days. This makes the State Fair the state's largest single event, attracting more than 350,000 people, plus an estimated 200,000 people to the nearly 400 non-fair events held throughout the year on the Fairgrounds. The agency operates with 25.0 full-time employees, 551 part-time and temporary employees, in addition to contract plumbers and electricians, and inmate labor from the Hutchinson Correctional Facility.

MAJOR ISSUES FROM PRIOR YEARS

The **2001 Legislature** approved the Capital Improvement Master Plan, which included \$29.0 million in bonds for an extensive renovation of the State Fair's facilities. The agency received an annual commitment of \$300,000 for ten years (ending in FY 2011) from the Reno County Commission and the Hutchinson City Council to help fund the renovation project. In addition, the agency agreed to commit \$400,000 for ten years (ending in FY 2012) from the State Fair Fee Fund to assist in the repayment of the bonds. In addition, KSA 2-223 requires the state to match, up to \$300,000, the agency's contribution of funds from the State Fair Fee Fund

to the State Fair Capital Improvements Fund, which is based on a percentage of receipts from the State Fair.

During the **2003 Legislative Session**, the House Agriculture and Natural Resources Budget Committee and the Senate Ways and Means Subcommittee noted that the agency was involved in a lawsuit regarding the State Fair's compliance with the Americans with Disabilities Act (ADA), particularly regarding grandstand seating, parking, and restrooms. In the Fall of 2003, the 10th Circuit Court of Appeals in Denver, Colorado, ruled against the State Fair in the case and required the State Fair to make improvements to its facilities in order to reach ADA compliance.

The **2003 and 2004 Legislatures** suspended the statutory transfer from the State General Fund to the State Fair Capital Improvements Fund for FY 2004 and FY 2005, respectively.

The **2006 Legislature** added \$2,375,727 from the State General Fund in FY 2007 for the construction of a sheep and swine barn.

The **2007 Legislature** added funding from the Economic Development Initiatives Fund (EDIF) in FY 2008 for marketing and promotion of the State Fair (\$50,000), an economic impact and demographic study of the State Fair and all non-fair activities taking place on the State Fairgrounds (\$40,000), and competitive exhibit premiums (\$20,000). In addition, the Legislature added \$25,000 from the State General Fund to add electrical sub-metering equipment in order to monitor electrical use at individual buildings on the State Fairgrounds.

The **2008 Legislature** added funding from the EDIF in FY 2009 for marketing and promotion of the State Fair (\$50,000) and competitive exhibit premiums (\$20,000). In addition, the Legislature added \$20,792, all from the State Fair Fee Fund, to increase part-time seasonal employees' wages. The Legislature also converted 1.0 non-FTE position to a 1.0 FTE position.

The **2009 Legislature** did not add funding from the EDIF in FY 2010 for marketing and promotion of the State Fair or for competitive exhibit premiums. In addition, the Legislature suspended the statutory transfer from the State General Fund to the State Fair Capital Improvements Fund in FY 2010.

The **2010 Legislature** deleted the transfer of \$300,000 from the State General Fund to the State Fair Capital Improvements Fund for FY 2010 and FY 2011. The Legislature also transferred an additional \$50,000 from the State Fair Fee Fund to the State Fair Capital Improvements Fund for FY 2011 and to make the transfer on or before March 1, 2011. The State Fair Capital Improvements Fund is used to pay the agency's debt service payments and to fund general maintenance and repair at the State Fairgrounds in Hutchinson.

The **2011 Legislature** added 1.0 FTE position and \$39,749, all from special revenue funds, for an administrative assistant position in the Competitive Exhibits Department and also added \$376,950, all from special revenue funds, for roof replacement projects. The Legislature also made reductions totaling \$23,130, all from special revenue funds, for cell phone expenditures, information technology expenditures, a death and disability moratorium, and an across the board reduction.

The **2012 Legislature** added \$25,000 all from the Economic Development Initiatives Fund, for FY 2013, for enhanced marketing of the State Fair's Centennial celebration which was subsequently vetoed by the Governor. The Legislature also approved adding \$11,182,256, all from the Expanded Lottery and Revenue Fund, for increasing debt service payments to call the bonds for debt service for FY 2013, which will reduce future payments for future debt service.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates a revised FY 2013 budget of \$5.2 million, including \$373,344 from the State General Fund. This is a decrease of \$20,701, State General Fund dollars, and \$3.8 million all funds, or 41.9 percent, below the FY 2013 approved amount. The revised estimate is \$495,652 all funds, or 8.6 percent, below the FY 2012 actual amount. The decrease from both the FY 2012 actual amount and the the FY 2013 approved amount is due to a decrease in debt service payments, offset by a slight increase due to undermarket pay adjustments.

The **Governor** concurs with the agency's revised FY 2013 estimate, which includes supplemental funding of \$8,966, from the State General Fund, for bond pay-off reimbursement.

FY 2014 – Budget Year. The **agency** requests \$5.4 million, including \$344,331 from the State General Fund, for FY 2014 operating expenditures. This amount is an all funds increase of \$142,313, or 2.9 percent, but a State General Fund decrease of \$29,013, or 7.8 percent, from the FY 2013 revised estimate. The request includes \$120,000 from the Economic Development Initiatives Fund in enhancement funding for enhanced marketing and competitive exhibit premiums. **Absent the enhancements** the request is an all funds increase of \$6,700, or 0.1 percent, and a State General Fund decrease of \$29,013, or 7.8 percent, below the FY 2013 revised estimate.

Absent the enhancement funding, the FY 2014 request includes an increase in salaries and wages primarily for classified pay, group health insurance contributions and employer retirement contributions, as well as increased electricity costs. That increase is partially offset by a reduction in debt service-interest.

The **Governor** recommends \$5.2 million, including \$341,331 from the State General Fund for debt service interest, and \$4.8 million from the State Fair Fee Fund for operating expenditures for FY 2014. The Governor's recommendation includes a decrease of \$4,400, including \$3,000 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The recommendation includes no enhancement funding.

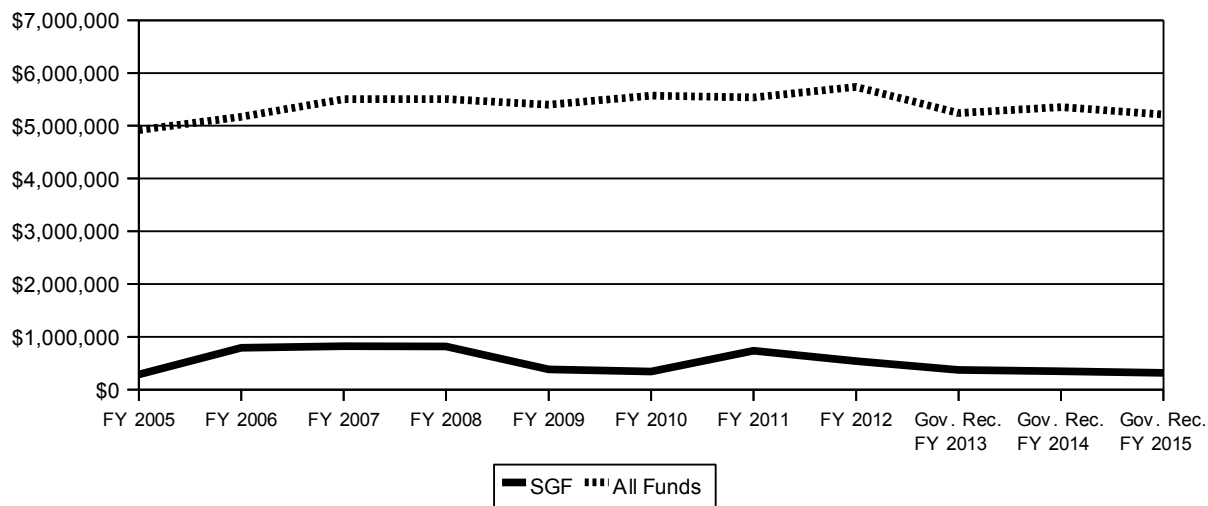
The recommendation is an all funds decrease of \$124,400, or 2.3 percent, below the FY 2014 agency request. The decrease is attributed to a decision to not fund enhancement requests at this time, as well as the reduction in the death and disability employer contribution.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures of \$5.2 million, all funds, which is an increase of \$5,318, or 0.2 percent, above the FY 2014 recommendation. The increase is attributed to increased expenditures for salaries and wages, primarily classified pay, employer retirement contributions and group health insurance contributions.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 284,158	6.1 %	\$ 4,919,763	(10.2)%	23.0
2006	792,285	178.8	5,171,123	5.1	23.0
2007	820,158	3.5	5,505,380	6.5	23.0
2008	814,993	(0.6)	5,505,480	0.0	24.0
2009	383,980	(52.9)	5,400,457	(1.9)	24.0
2010	341,861	(11.0)	5,570,115	3.1	24.0
2011	734,711	114.9	5,537,889	(0.6)	24.0
2012	540,422	(26.4)	5,736,223	3.6	25.0
2013 Gov. Rec.	373,344	(30.9)	5,240,571	(8.6)	25.0
2014 Gov. Rec.	341,331	(8.6)	5,229,471	(0.2)	25.0
2015 Gov. Rec.	315,831	(7.5)	5,213,589	(0.3)	25.0
Eleven-Year Change					
Dollars/Percent	\$ 31,673	11.1 %	\$ 293,826	6.0 %	2.0

Summary of Operating Budget FY 2012 - FY 2014

	Actual 2012	Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 3,381,050	\$ 3,362,343	\$ 3,487,712	\$ 125,369	3.7 %	\$ 3,362,343	\$ 3,366,933	\$ 4,590	0.1 %
Physical Plant/Central Services	1,414,751	1,504,884	1,521,828	16,944	1.1	1,504,884	1,521,207	16,323	1.1
Debt Service	940,422	373,344	344,331	(29,013)	(7.8)	373,344	341,331	(32,013)	(8.6)
TOTAL	\$ 5,736,223	\$ 5,240,571	\$ 5,353,871	\$ 113,300	2.2 %	\$ 5,240,571	\$ 5,229,471	\$ (11,100)	(0.2)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 1,745,538	\$ 1,798,892	\$ 1,801,781	\$ 2,889	0.2 %	\$ 1,798,892	\$ 1,800,381	\$ 1,489	0.1 %
Contractual Services	2,581,219	2,560,608	2,700,032	139,424	5.4	2,560,608	2,580,032	19,424	0.8
Commodities	406,703	407,727	407,727	0	0.0	407,727	407,727	0	0.0
Capital Outlay	61,341	100,000	100,000	0	0.0	100,000	100,000	0	0.0
Debt Service	940,422	373,244	344,331	(28,913)	(7.7)	373,344	341,331	(32,013)	(8.6)
Subtotal - Operations	\$ 5,735,223	\$ 5,240,471	\$ 5,353,871	\$ 113,400	2.2 %	\$ 5,240,571	\$ 5,229,471	\$ (11,100)	(0.2)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	1,000	0	0	0	--	0	0	0	--
TOTAL	\$ 5,736,223	\$ 5,240,471	\$ 5,353,871	\$ 113,400	2.2 %	\$ 5,240,571	\$ 5,229,471	\$ (11,100)	(0.2)%
Financing:									
State General Fund	\$ 540,422	\$ 373,344	\$ 344,331	\$ (29,013)	(7.8) %	\$ 373,344	\$ 341,331	\$ (32,013)	(8.6)%
EDIF	0	0	120,000	120,000	--	0	0	0	--
State Fair Fee Fund	4,723,038	4,826,555	4,848,868	22,313	0.5	4,826,555	4,847,468	20,913	0.4
All Other Funds	472,763	40,672	40,672	0	0.0	40,672	40,672	0	0.0
TOTAL	\$ 5,736,223	\$ 5,240,571	\$ 5,353,871	\$ 113,300	2.2 %	\$ 5,240,571	\$ 5,229,471	\$ (11,100)	(0.2)%

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 3,487,712	\$ 3,366,933	\$ 3,372,251	\$ 5,318	0.2 %
Physical Plant/Central Services	1,521,828	1,521,207	1,525,507	4,300	0.3
Debt Service	344,331	341,331	315,831	(25,500)	(7.5)
TOTAL	\$ 5,353,871	\$ 5,229,471	\$ 5,213,589	\$ (15,882)	(0.3)%
By Major Object of Expenditure:					
Salaries and Wages	\$ 1,801,781	\$ 1,800,381	\$ 1,809,999	\$ 9,618	0.5 %
Contractual Services	2,700,032	2,580,032	2,580,032	0	0.0
Commodities	407,727	407,727	407,727	0	0.0
Capital Outlay	100,000	100,000	100,000	0	0.0
Debt Service	344,331	341,331	315,831	(25,500)	(7.5)
Subtotal - Operations	\$ 5,353,871	\$ 5,229,471	\$ 5,213,589	\$ (15,882)	(0.3)%
Aid to Local Units	0	0	0	0	--
Other Assistance	0	0	0	0	--
TOTAL	\$ 5,353,871	\$ 5,229,471	\$ 5,213,589	\$ (15,882)	(0.3)%
Financing:					
State General Fund	\$ 344,331	\$ 341,331	\$ 315,831	\$ (25,500)	(7.5)%
EDIF	120,000	0	0	0	--
State Fair Fee Fund	4,848,868	4,847,468	4,857,086	9,618	0.2
All Other Funds	40,672	40,672	40,672	0	0.0
TOTAL	\$ 5,353,871	\$ 5,229,471	\$ 5,213,589	\$ (15,882)	(0.3)%

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$393,998 for the Kansas State Fair in FY 2013. The following 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 \$47, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013.

This adjustment changes the FY 2013 approved State General Fund to \$394,045. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 394,045	\$ 373,344	\$ (20,701)	\$ 373,344	\$ (20,701)
All Other Funds	8,621,024	4,867,227	(3,753,797)	4,867,227	(3,753,797)
TOTAL	<u>\$ 9,015,069</u>	<u>\$ 5,240,571</u>	<u>\$ (3,774,498)</u>	<u>\$ 5,240,571</u>	<u>\$ (3,774,498)</u>
FTE Positions	25.0	25.0	0.0	25.0	0.0

The **agency** estimates a revised FY 2013 budget of \$5.2 million, including \$373,344 from the State General Fund. This is a decrease of \$20,701, State General Fund, and \$3.8 million all funds, or 41.9 percent, below the FY 2013 approved amount. The revised estimate also is \$495,652 all funds, or 8.6 percent, below the FY 2012 actual amount. The decrease from both the FY 2012 actual amount and the the FY 2013 approved amount is due to a decrease in debt service payments, offset by a slight increase due to undermarket pay adjustments.

The **Governor** concurs with the agency's revised FY 2013 estimate, which includes supplemental funding of \$8,966, from the State General Fund, for bond pay-off reimbursement.

Supplemental Detail

FY 2013 SUPPLEMENTALS						
Supplementals	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Debt Interest Reimbursement	\$ 8,966	\$ 8,966	0.0	\$ 8,966	\$ 0	0.0

The **agency** is requesting supplemental funding of \$8,966, all from the State General Fund, for bond pay-off reimbursement.

The **Governor** concurs with the agency's supplemental funding request of \$8,966, all from the State General Fund, for bond pay-off reimbursement.

B. FY 2014– Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 5,353,871	\$ 5,229,471	\$	(124,400)
FTE Positions	25.0	25.0		0.0
Change from FY 2013:				
Dollar Change:				
State General Fund	\$ (29,013)	\$ (32,013)		
All Other Funds	142,313	20,913		
TOTAL	\$ 113,300	\$ (11,100)		
Percent Change:				
State General Fund	(7.8) %	(8.6) %		
All Other Funds	2.9	0.4		
TOTAL	2.2 %	(0.2) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests \$5.4 million, including \$344,331 from the State General Fund, for FY 2014 operating expenditures. This amount is an all funds increase of \$113,300, or 2.2 percent, but a State General Fund decrease of \$29,013, or 7.8 percent, from the FY 2013 revised estimate. The request includes \$120,000 from the Economic Development Initiatives Fund, in enhancement funding for enhanced marketing and competitive exhibit premiums.

Absent the enhancements, the request is an all funds increase of \$6,700, or 0.1 percent, and a State General Fund decrease of \$29,013, or 7.8 percent, below the FY 2013 revised estimate.

Absent the enhancement, the FY 2014 request includes an increase in salaries and wages primarily for classified pay, group health insurance contributions and employer retirement contributions, as well as increased electricity costs. That increase is partially offset by a reduction in debt service-interest.

The **Governor** recommends \$5.2 million, including \$341,331 from the State General Fund for debt service interest, and \$4.8 million from the State Fair Fee Fund for operating expenditures for FY 2014. The Governor's recommendation includes a decrease of \$4,400, including \$3,000 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The recommendation includes no enhancement funding.

The recommendation is an all funds decrease of \$124,400, or 2.3 percent, below the FY 2014 agency request. The decrease is attributed to a decision to not fund enhancement requests at this time, as well as the reduction in the death and disability employer contribution.

Enhancements Detail

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Operating:						
Marketing	\$ 0	\$ 100,000	0.0	\$ 0	\$ 0	0.0
Enhanced Competitive Exhibit Premiums	0	20,000	0.0	0	0	0.0
Capital Improvements:						
State Fair Capital Improvement Fund	1,383,793	1,383,793	0.0	0	0	0.0
TOTAL	\$ 1,383,793	\$ 1,503,793	0.0	\$ 0	\$ 0	0.0

The **agency** requests operating enhancement funding of \$120,000, all from the Economic Development Initiatives Fund. The enhancement requests include:

- **Marketing.** \$100,000, all from the Economic Development Initiatives Fund, for enhanced marketing and promotion of the State Fair. The agency notes that added marketing funds would help the agency work towards its goal of increasing attendance at the Fair.
- **Enhanced Competitive Exhibit Premiums.** \$20,000, all from the Economic Development Initiatives Fund, for enhanced competitive exhibit premiums. Funds will be used to solicit increased entries in the Fair.

The **agency** requests capital improvements enhancement funding of \$1.4 million, all from the State General Fund. The enhancement request includes:

- **State Fair Capital Improvement Fund.** \$1,383,793, all from the State General Fund, to be used as matching funds for the State Fair Capital Improvement Fund. The agency notes that the State has not been consistent in honoring its obligation to contribute matching funds to the State Fair Capital Improvement Fund; including a failure to make the required contribution in six of the past eleven years, creating a void of \$1.4 million in the account.

The **Governor** recommends no enhancement funding at this time.

FY 2014 Reduced Resources

This agency is not required to submit a reduced resources budget as all State General Fund expenditures are used for debt service payments.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 5,213,589	\$ (15,882)
FTE Positions	25.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ (25,500)	
All Other Funds	9,618	
TOTAL	<u>\$ (15,882)</u>	
<i>Percent Change:</i>		
State General Fund	(7.5) %	
All Other Funds	0.2	
TOTAL	<u>(0.3) %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures of \$5.2 million, all funds, which is an increase of \$15,882, or 0.3 percent, above the FY 2014 recommendation. The increase is attributed to increased expenditures for salaries and wages, primarily classified pay, employer retirement contributions and group health insurance contributions.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$4,880, all from special revenue funds, and FY 2015 longevity payments total \$5,160, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

The operating costs for the Kansas State Fair are primarily financed from special revenue funds consisting of receipts from State Fair and non-fair activities on the State Fairgrounds. These receipts include admission fees to the State Fair, grandstand entertainment, premium book advertising, building rentals, sales and concessions, and parking fees. The State Fair generates over 90.0 percent of the agency's total receipts, in addition to non-Fair use of the State Fairgrounds by close to 400 events throughout the year. Receipts are deposited in the agency's State Fair Fee Fund.

Generally, state funding has been used only for debt service, capital improvements, or major maintenance projects. In recent years, however, state funding has been used to finance portions of the State Fair's marketing and promotion budget, competitive exhibit premiums, and other one-time uses. The State Fair had not received funding for these activities since FY 2002, but beginning with the 2007 Legislature, funding from the Economic Development Initiatives Fund (EDIF) has been approved for the following projects: the Largest Classroom, an economic impact study, marketing and promotion, competitive exhibit premiums, and alternative energy systems and utilities. EDIF funding was not approved by the Legislature for FY 2010 or FY 2011. The agency is requesting enhancement funding for FY 2014 from the EDIF for marketing and promotion and competitive exhibit premiums.

For FY 2014, the **agency** requests \$5.4 million, including \$344,331 from the State General Fund, for debt service interest payments, and \$120,000 from the EDIF in enhancement funding for marketing and promotion of the State Fair and for competitive premiums for exhibitors at the State Fair. In addition, the agency requests \$1,383,793 be transferred from the State General Fund to the State Fair Capital Improvements Fund. The agency states that the state has not made its statutory transfer in six of the past eleven fiscal years. According to the agency, the lack of annual transfers has created a void of \$1,383,793 over the past ten years within the State Fair Capital Improvement Fund.

For FY 2014, the **Governor** recommends \$5.2 million, including \$341,331 from the State General Fund for debt service interest, and \$4.8 million from the State Fair Fee Fund for operating expenditures. The Governor does not recommend the agency's request to transfer \$1.3 million from the State General Fund to the State Fair Capital Improvements Fund.

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	6.4 %	6.5 %
Economic Development Initiatives Fund	2.2	0.0
State Fair Fee Fund	90.6	92.7
All Other Funds	0.8	0.8
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

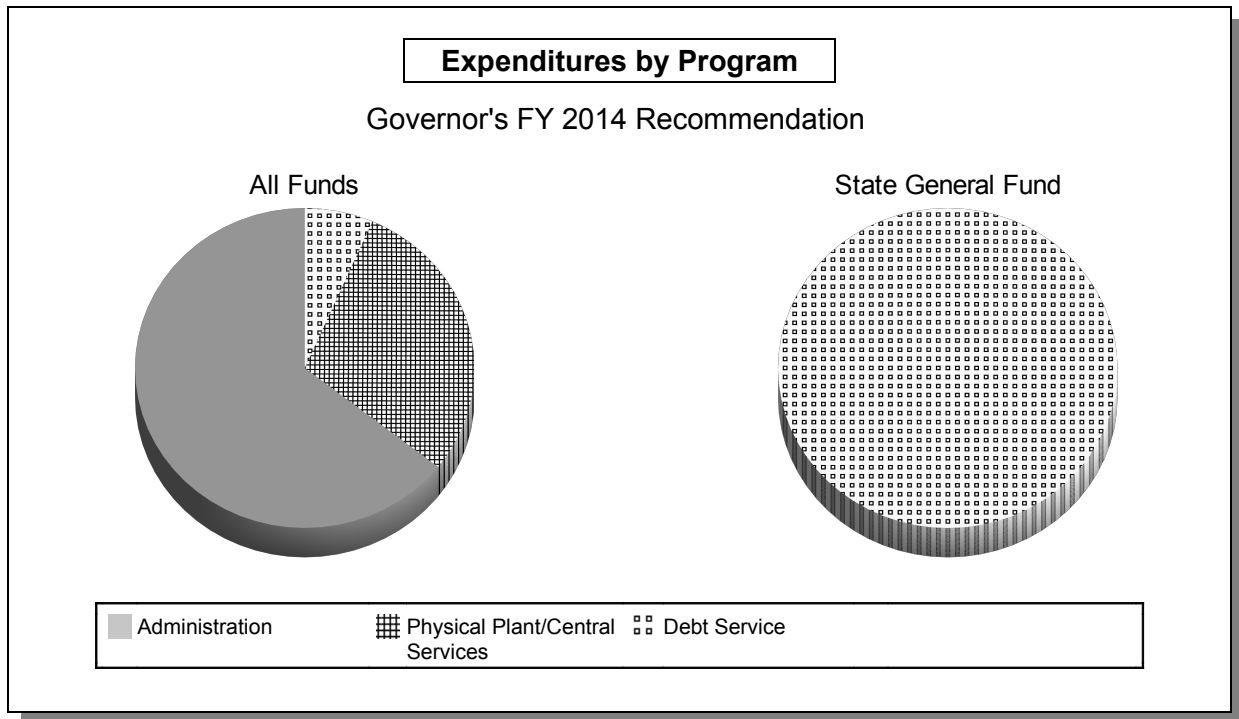
State Fair Fee Fund Analysis

Revenues for the agency come from both State Fair and non-fair activities on the State Fairgrounds and are deposited into the State Fair Fee Fund. Revenue sources include admission fees to the State Fair and grandstand entertainment, premium book advertising, building rentals, sales and concessions, and parking fees. The State Fair generates over 90.0 percent of the agency's total receipts. The State estimates total non-Fair use of the State Fairgrounds at nearly 400 events throughout the year.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 402,542	\$ 175,686	\$ 175,686	\$ 184,494	\$ 184,494
Revenue	4,702,872	4,989,805	4,989,805	4,856,737	4,856,737
Transfers in	9,832	0	0	0	0
Total Funds Available	\$ 5,115,246	\$ 5,165,491	\$ 5,165,491	\$ 5,041,231	\$ 5,041,231
Less: Expenditures	4,736,480	4,826,555	4,826,555	4,848,868	4,847,468
Transfers Out	0	0	0	0	0
Off Budget Expenditures	203,080	154,442	154,442	151,117	151,117
Ending Balance	<u>\$ 175,686</u>	<u>\$ 184,494</u>	<u>\$ 184,494</u>	<u>\$ 41,246</u>	<u>\$ 42,646</u>
Ending Balance as Percent of Expenditures	3.7%	3.8%	3.8%	0.9%	0.9%

In addition to the revenue generated by the State Fair, K.S.A. 2-223 provides that the agency, on recommendation of the State Fair Board, transfer an amount that is not less than 5.0 percent of the annual gross receipts to the State Fair Capital Improvements Fund. Furthermore, the statute provides that an amount not exceeding \$300,000 will be transferred to the State Fair Capital Improvements Fund from the State General Fund on July 1 of each year. The Legislature has suspended this match in FY 2004, FY 2005, FY 2010, FY 2011, FY 2012, and FY 2013. The agency's budget includes a \$250,000 revenue transfer from the State Fair Fee Fund to the State Fair Capital Improvements Fund in FY 2013 and FY 2014.

PROGRAM DETAIL



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Administration	\$ 3,366,933	64.4 %	\$ 0	0.0 %
Physical Plant/Central Services	1,521,207	29.1	0	0.0
Debt Service	341,331	6.5	341,331	100.0
TOTAL	\$ 5,229,471	100.0 %	\$ 341,331	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015						
Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	13.0	13.0	13.0	13.0	13.0	13.0
Physical Plant/Central Services	12.0	12.0	12.0	12.0	12.0	12.0
Debt Service	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

A. Administration

The Administration Program of the Kansas State Fair provides for the administration of the agency as well as the planning, marketing, and advertising of the State Fair. The Operations Program also markets non-Fair use of the State Fairgrounds in Hutchinson.

ADMINISTRATION PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,108,015	\$ 1,127,421	\$ 1,127,421	\$ 1,132,790	\$ 1,132,011	\$ 1,137,329
Contractual Services	1,977,701	1,954,548	1,954,548	2,074,548	1,954,548	1,954,548
Commodities	243,771	245,374	245,374	245,374	245,374	245,374
Capital Outlay	50,563	35,000	35,000	35,000	35,000	35,000
Subtotal	\$ 3,380,050	\$ 3,362,343	\$ 3,362,343	\$ 3,487,712	\$ 3,366,933	\$ 3,372,251
Aid to Local Units	0	0	0	0	0	0
Other Assistance	1,000	0	0	0	0	0
TOTAL	\$ 3,381,050	\$ 3,362,343	\$ 3,362,343	\$ 3,487,712	\$ 3,366,933	\$ 3,372,251
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	3,381,050	3,362,343	3,362,343	3,487,712	3,366,933	3,372,251
TOTAL	\$ 3,381,050	\$ 3,362,343	\$ 3,362,343	\$ 3,487,712	\$ 3,366,933	\$ 3,372,251
FTE Positions	13.0	13.0	13.0	13.0	13.0	13.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	13.0	13.0	13.0	13.0	13.0	13.0
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 expenditures totaling \$3.5 million, all from special revenue funds. The request is an increase of \$125,369, or 3.7 percent, above the FY 2013 revised estimate. The increase is due to enhancement funding totaling \$120,000, all from the Economic Development Initiatives Fund, for marketing and competitive exhibit premiums. **Absent the enhancement**, the request is an all funds increase of \$5,369, or 0.2 percent, above the FY 2013 revised estimate. The overall increase is due to increased expenditures for salaries and wages, primarily classified pay, employer retirement contributions and group health insurance contributions.

The **Governor** recommends FY 2014 expenditures totaling \$3.4 million, all from special revenue funds. The recommendation is an all funds decrease of \$120,779, or 3.5 percent, below the agency's FY 2014 request. The decrease is attributed to the recommendation to not fund enhancement requests at this time, as well as a reduction in the death and disability employer contribution.

The **Governor** recommends FY 2015 expenditures totaling \$3.4 million, all funds, an increase \$5,318, or 0.2 percent, above the FY 2014 request. The increase is attributed to increased expenditures for salaries and wages, primarily classified pay, employer retirement contributions and group health insurance contributions.

B. Physical Plant/Central Services

The Physical Plant and Central Services Program of the Kansas State Fair works to provide convenient, safe, and attractive buildings and grounds to patrons of the State Fair and non-fair activities on the State Fairgrounds. The Maintenance Program is staffed by 12.0 FTE positions, along with contract plumbers and electricians and inmate labor from the Hutchinson Correctional Facility that includes painting, cleaning, mowing, carpentry projects, and other maintenance jobs.

PHYSICAL PLANT/CENTRAL SERVICES PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 637,523	\$ 671,471	\$ 671,471	\$ 668,991	\$ 668,370	\$ 672,670
Contractual Services	603,518	606,060	606,060	625,484	625,484	625,484
Commodities	162,932	162,353	162,353	162,353	162,353	162,353
Capital Outlay	10,778	65,000	65,000	65,000	65,000	65,000
Subtotal	\$ 1,414,751	\$ 1,504,884	\$ 1,504,884	\$ 1,521,828	\$ 1,521,207	\$ 1,525,507
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 1,414,751	\$ 1,504,884	\$ 1,504,884	\$ 1,521,828	\$ 1,521,207	\$ 1,525,507
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,414,751	1,504,884	1,504,884	1,521,828	1,521,207	1,525,507
TOTAL	\$ 1,414,751	\$ 1,504,884	\$ 1,504,884	\$ 1,521,828	\$ 1,521,207	\$ 1,525,507
FTE Positions	12.0	12.0	12.0	12.0	12.0	12.0
Non-FTE Pos.*	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
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 expenditures totaling \$1.5 million, all from special revenue funds. The request is an increase of \$16,944, or 1.1 percent, above the FY 2013 revised estimate. The increase is due to a 4.5 percent increase in estimated electricity and natural gas expenditures.

The **Governor** recommends FY 2014 expenditures totaling \$1.5 million, all from special revenue funds, a decrease of \$621, or less than 0.1 percent, below the FY 2014 agency request. The decrease is attributed to the death and disability employer contribution decrease recommended by the Governor.

The **Governor** recommends FY 2015 expenditures totaling \$1.5 million, all from special revenue funds, an increase of \$4,300, or 0.3 percent, above the FY 2014 recommendation. The increase is attributed to increased expenditures for salaries and wages, primarily classified pay, employer retirement contributions and group health insurance contributions.

C. Debt Service

During FY 2001, the State Fair Board began implementing a six-year capital plan to rejuvenate the infrastructure of the State Fairgrounds. The Board, the City of Hutchinson, and the state formed a partnership to finance the plan. In FY 2002, the Kansas Development

Finance Authority (KDFA) was authorized to issue bonds totaling \$29.0 million to finance a Capital Improvement Master Plan for facilities of the Kansas State Fair. Phase I of the Master Plan began in FY 2002, with completion occurring in FY 2006. Phase II began in FY 2005 and was completed in FY 2007. With the completion of the Master Plan, the agency has developed a Preventative Maintenance program for its facilities. Facilities will be reviewed on a regular basis to determine what preventative maintenance steps need to be taken to ensure the long-term use and preservation of the facilities.

DEBT SERVICE PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	0	0	0	0	0	0
Commodities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service	940,422	373,344	373,344	344,331	341,331	315,831
Subtotal	\$ 940,422	\$ 373,344	\$ 373,344	\$ 344,331	\$ 341,331	\$ 315,831
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 940,422	\$ 373,344	\$ 373,344	\$ 344,331	\$ 341,331	\$ 315,831
Financing:						
State General Fund	\$ 540,422	\$ 373,344	\$ 373,344	\$ 344,331	\$ 341,331	\$ 315,831
All Other Funds	400,000	0	0	0	0	0
TOTAL	\$ 940,422	\$ 373,344	\$ 373,344	\$ 344,331	\$ 341,331	\$ 315,831
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	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
*Non-FTE Permanent Unclassified Positions						

The **agency** requests \$344,331, all from the State General Fund, for FY 2014 debt service-interest payments. The request is a decrease of \$29,013, or 7.8 percent, below the FY 2013 revised estimate due to the debt service payment schedule.

The **Governor** recommends \$341,331, all from the State General Fund, for FY 2014 debt service-interest payments. The request is decrease of \$3,000, or 0.9 percent, below the FY 2014 agency request.

The **Governor** recommends \$315,831, all from the State General Fund, for FY 2015 debt service-interest payments. The request is a decrease of \$32,013, or 8.6 percent, below the FY 2014 recommendation.

CAPITAL IMPROVEMENTS

CAPITAL IMPROVEMENTS					
Project	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Ongoing Maintenance Projects	\$ 0	\$ 0	\$ 1,383,793	\$ 0	\$ 0
Debt Service - Principal	11,672,256	11,672,256	510,000	510,000	535,000
TOTAL	\$ 11,672,256	\$ 11,672,256	\$ 1,893,793	\$ 510,000	\$ 535,000
Financing:					
State General Fund	\$ 490,000	\$ 490,000	\$ 1,893,793	\$ 510,000	\$ 535,000
All Other Funds	11,182,256	11,182,256	0	0	0
TOTAL	\$ 11,672,256	\$ 11,672,256	\$ 1,893,793	\$ 510,000	\$ 535,000

FY 2013 – Current Year. The **agency** estimates FY 2013 capital improvement expenditures totaling \$11.7 million, including \$490,000 from the State General Fund, and \$11.2 million from the Expanded Lottery Act Revenue Fund. This is an increase of \$3.4 million, Expanded Lottery Act Revenue Fund, above the FY 2013 approved amount due to increased debt payoff.

The **Governor** concurs with the agency's FY 2013 revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 capital improvement expenditures totaling \$1.9 million, all from the State General Fund. The request is an all funds decrease of \$9.8 million below, and State General Fund increase of \$1.4 million above, the FY 2013 revised request. The State General Fund increase is due to enhancement funding of \$1.4 million for the State Fair Capital Improvement Fund. **Absent the enhancement**, there is an increase of \$20,000, which is due to an increase in debt service principal payments. The decrease in all funds from the FY 2013 revised estimate is due to the one-time ELARF debt payoff in FY 2013.

The **Governor** recommends FY 2014 capital improvement expenditures totaling \$510,000, from the State General Fund, for debt service principal payments. The recommendation is a State General Fund decrease of \$1.4 million, or 73.1 percent, below the agency's FY 2014 request. The decrease is attributed to the decision to not fund the enhancement request for matching funds for the State Fair Capital Improvements Fund.

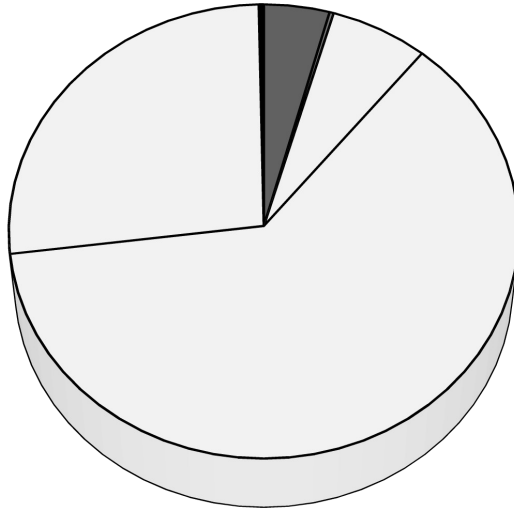
FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 capital improvement expenditures totaling \$535,000, all from the State General Fund, to be used for debt service principal payments. This is an increase of \$25,000, or 4.9 percent, above the FY 2014 recommendation.

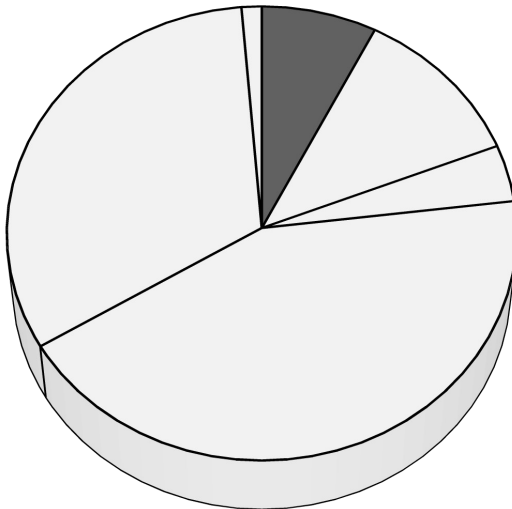
PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Grandstand Attendance	33,020	42,019	42,460	42,579
Fair week attendance (officially audited)	331,170	343,007	340,945	340,945
Non-fair activities				
Number of events	400	436	400	400
Number of event days	750	756	750	750

GENERAL GOVERNMENT

State General Fund



All Funds



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

The Governor's FY 2014 recommendation for the General Government function totals \$1.1 billion from all funding sources, including \$259.0 million from the State General Fund.

The FY 2014 recommendation represents a State General Fund increase of 8.8 percent or \$20.9 million from FY 2013. Expenditures from all funds decrease by less than 0.1 percent or \$0.2 million from FY 2013.

Agencies in this Function:

<i>Legislative Coordinating Council.....</i>	<i>123</i>
<i>Legislature.....</i>	<i>133</i>
<i>Legislative Research Department.....</i>	<i>143</i>
<i>Office of the Revisor of Statutes.....</i>	<i>153</i>
<i>Legislative Division of Post Audit.....</i>	<i>163</i>
<i>Office of the Governor.....</i>	<i>173</i>
<i>Office of the Lieutenant Governor.....</i>	<i>187</i>
<i>Secretary of State.....</i>	<i>198</i>
<i>Office of the State Treasurer.....</i>	<i>216</i>
<i>Kansas Insurance Department.....</i>	<i>236</i>
<i>Attorney General.....</i>	<i>261</i>
<i>Kansas Human Rights Commission.....</i>	<i>285</i>
<i>Health Care Stabilization Fund Board of Governors.....</i>	<i>302</i>
<i>Judicial Branch.....</i>	<i>319</i>
<i>Judicial Council.....</i>	<i>341</i>
<i>Board of Indigents' Defense Services.....</i>	<i>354</i>
<i>Department of Administration.....</i>	<i>380</i>
<i>Kansas Public Employees Retirement System.....</i>	<i>436</i>
<i>Kansas Lottery.....</i>	<i>459</i>
<i>Kansas Racing and Gaming Commission.....</i>	<i>480</i>
<i>Kansas Department of Revenue.....</i>	<i>498</i>
<i>State Court of Tax Appeals.....</i>	<i>528</i>
<i>Kansas Department of Commerce.....</i>	<i>543</i>
<i>Kansas Corporation Commission.....</i>	<i>570</i>
<i>Citizens' Utility Ratepayer Board.....</i>	<i>591</i>
<i>Home Inspectors Registration Board.....</i>	<i>604</i>
<i>Office of Administrative Hearings.....</i>	<i>614</i>
<i>Abstracter's Board of Examiners.....</i>	<i>628</i>
<i>Board of Accountancy.....</i>	<i>637</i>
<i>Office of the State Bank Commissioner.....</i>	<i>647</i>
<i>Board of Barbering.....</i>	<i>667</i>
<i>Behavioral Sciences Regulatory Board.....</i>	<i>676</i>
<i>Board of Cosmetology.....</i>	<i>688</i>
<i>Department of Credit Unions.....</i>	<i>700</i>
<i>Kansas Dental Board.....</i>	<i>713</i>
<i>Governmental Ethics Commission.....</i>	<i>726</i>
<i>Kansas State Board of Healing Arts.....</i>	<i>739</i>
<i>Kansas Board of Examiners in Fitting and Dispensing of Hearing Instruments.....</i>	<i>756</i>
<i>Board of Mortuary Arts.....</i>	<i>767</i>
<i>Board of Nursing.....</i>	<i>778</i>
<i>Board of Examiners in Optometry.....</i>	<i>791</i>
<i>Board of Pharmacy.....</i>	<i>803</i>
<i>Real Estate Appraisal Board.....</i>	<i>817</i>
<i>Real Estate Commission.....</i>	<i>827</i>
<i>Office of the Securities Commissioner.....</i>	<i>840</i>
<i>Board of Technical Professions.....</i>	<i>854</i>
<i>Board of Veterinary Examiners.....</i>	<i>865</i>

A total of 5,073.8 FTE positions are recommended by the Governor for the General Government function in FY 2014, a decrease of 49.0 FTE positions from FY 2013. Of all state FTE positions, 13.3 percent are in this function.

Agencies in this function comprise 4.3 percent of the total State General Fund budget in FY 2014, an increase from 3.8 percent in FY 2013. They comprise 7.5 percent of expenditures from all funding sources in FY 2014, a decrease from 7.6 percent in FY 2013.

LEGISLATIVE COORDINATING COUNCIL

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 718,958	\$ 593,028	\$ 593,028	\$ 568,563	\$ 568,031	\$ 571,582
Other Funds	0	0	0	0	0	0
TOTAL	\$ 718,958	\$ 593,028	\$ 593,028	\$ 568,563	\$ 568,031	\$ 571,582
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 718,958	\$ 593,028	\$ 593,028	\$ 568,563	\$ 568,031	\$ 571,582

Operating Expenditures Percentage Change

State General Fund	(1.2) %	(17.5) %	(17.5) %	(4.1) %	(4.2) %	0.6 %
All Funds	(1.2)	(17.5)	(17.5)	(4.1)	(4.2)	0.6

FTE Positions	15.0	8.0	8.0	8.0	8.0	8.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	15.0	8.0	8.0	8.0	8.0	8.0

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

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 2013 – Current Year. The **agency** estimates a revised FY 2013 budget totaling \$593,028, all from the State General Fund, which is \$93 below the amount approved by the 2012 Legislature as adjusted by State General Fund reappropriations. The savings will be reappropriated to FY 2014 to reduce the amount to be appropriated for FY 2014. The request would fund 8.0 FTE positions, which is 4.0 FTE positions below the approved amount, but according to the agency, accurately reflects the number of positions needed in the agency.

The **Governor** concurs with the agency's FY 2013 revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures totaling \$568,563, all from the State General Fund, for FY 2014, a decrease of \$24,465, or 4.1 percent, below the revised FY 2013 estimate. Most of the decrease (\$20,500) reflects a decrease in salaries and wages, mainly temporary salaries. The remainder of the decrease (\$3,965) was spread through miscellaneous contractual services. A total of 8.0 FTE positions are requested for FY 2014, the same as the number included in the revised FY 2013 estimate.

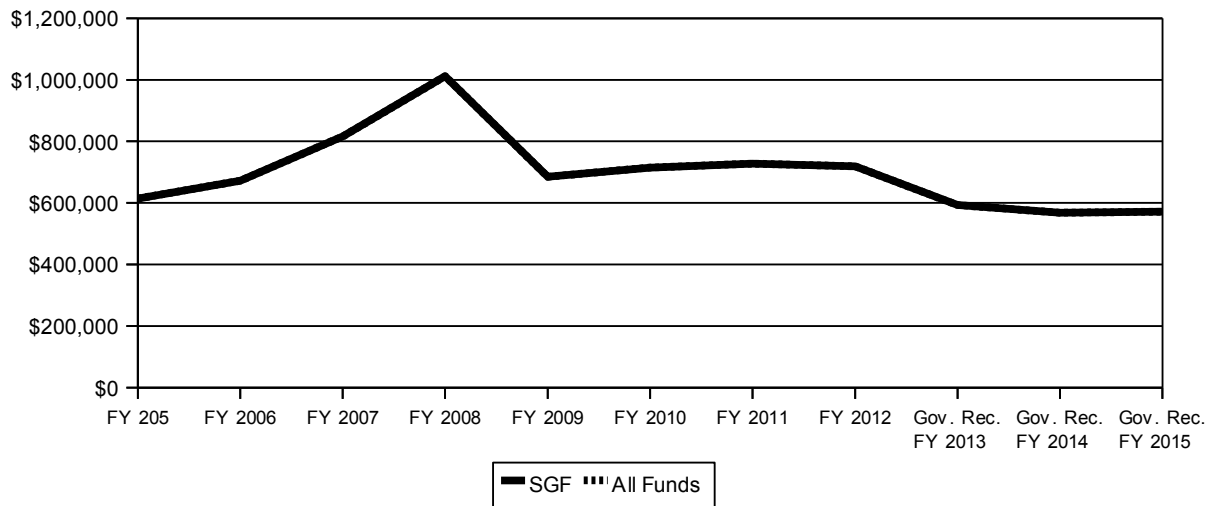
The **Governor** recommends FY 2014 operating expenditures totaling \$568,031, all from the State General Fund, a decrease of \$24,997, or 4.2 percent, below the revised current year recommendation. The Governor recommends a decrease of \$532, all from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$571,582, all the State General Fund, for the agency for FY 2015. The recommendation is an all funds increase of \$3,551, or 0.6 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System employer contribution rate for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 614,350	10.0 %	\$ 614,350	10.0 %	13.0
2006	672,292	9.4	672,292	9.4	12.0
2007	815,997	21.4	815,997	21.4	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
2013 Gov. Rec.	593,028	(17.5)	593,028	(17.5)	8.0
2014 Gov. Rec.	568,031	(4.2)	568,031	(4.2)	8.0
2015 Gov. Rec.	571,582	0.6	571,582	0.6	8.0
Eleven-Year Change Dollars/Percent	\$ (42,768)	(7.0)%	\$ (42,768)	(7.0)%	(5.0)

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request				Governor's Recommendation			
	Actual 2012	Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 719,958	\$ 593,028	\$ 568,563	\$ (24,465)	(4.1)%	\$ 593,028	\$ 568,031	\$ (24,997)	(4.2)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 715,193	\$ 573,911	\$ 553,411	\$ (20,500)	(3.6)%	\$ 573,911	\$ 552,879	\$ (21,032)	(3.7)%
Contractual Services	3,765	19,117	15,152	(3,965)	(20.7)	19,117	15,152	(3,965)	(20.7)
Commodities	0	0	0	0	--	0	0	0	--
Capital Outlay	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 718,958	\$ 593,028	\$ 568,563	\$ (24,465)	(4.1)%	\$ 593,028	\$ 568,031	\$ (24,997)	(4.2)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	<u>\$ 718,958</u>	<u>\$ 593,028</u>	<u>\$ 568,563</u>	<u>\$ (24,465)</u>	<u>(4.1)%</u>	<u>\$ 593,028</u>	<u>\$ 568,031</u>	<u>\$ (24,997)</u>	<u>(4.2)%</u>
Financing:									
State General Fund	\$ 718,958	\$ 593,028	\$ 568,563	\$ (24,465)	(4.1)%	\$ 593,028	\$ 568,031	\$ (24,997)	(4.2)%
All Other Funds	0	0	0	0	--	0	0	0	--
TOTAL	<u>\$ 718,958</u>	<u>\$ 593,028</u>	<u>\$ 568,563</u>	<u>\$ (24,465)</u>	<u>(4.1)%</u>	<u>\$ 593,028</u>	<u>\$ 568,031</u>	<u>\$ (24,997)</u>	<u>(4.2)%</u>

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 568,563	\$ 568,031	\$ 571,582	\$ 3,551	0.6 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 553,411	\$ 552,879	\$ 556,430	\$ 3,551	0.6 %
Contractual Services	15,152	15,152	15,152	0	0.0
Commodities	0	0	0	0	--
Capital Outlay	0	0	0	0	--
Subtotal - Operations	\$ 568,563	\$ 568,031	\$ 571,582	\$ 3,551	0.6 %
Aid to Local Units	0	0	0	0	--
Other Assistance	0	0	0	0	--
TOTAL	\$ 568,563	\$ 568,031	\$ 571,582	\$ 3,551	0.6 %
Financing:					
State General Fund	\$ 568,563	\$ 568,031	\$ 571,582	\$ 3,551	0.6 %
All Other Funds	0	0	0	0	--
TOTAL	\$ 568,563	\$ 568,031	\$ 571,582	\$ 3,551	0.6 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$562,848 for the Legislative Coordinating Council in FY 2013. 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 \$30,273, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013.

These adjustments change the FY 2013 approved State General Fund to \$593,121. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 593,121	\$ 593,028	\$ (93)	\$ 593,028	\$ (93)
All Other Funds	0	0	0	0	0
TOTAL	<u>\$ 593,121</u>	<u>\$ 593,028</u>	<u>\$ (93)</u>	<u>\$ 593,028</u>	<u>\$ (93)</u>
FTE Positions	12.0	8.0	(4.0)	8.0	(4.0)

The **agency** estimates a revised FY 2013 budget totaling \$593,028, all from the State General Fund, which is \$93 below the amount approved by the 2012 Legislature as adjusted by State General Fund reappropriations. The savings will be reappropriated to FY 2014 to help fund the FY 2014 request. The request would fund 8.0 FTE positions, which is 4.0 FTE positions below the approved amount, but according to the agency, accurately reflects the number of positions needed in the agency.

The **Governor** concurs with the agency's FY 2013 revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 568,563	\$ 568,031	\$	(532)
FTE Positions	8.0	8.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ (24,465)	\$ (24,997)		
All Other Funds	0	0		
TOTAL	<u>\$ (24,465)</u>	<u>\$ (24,997)</u>		
<i>Percent Change:</i>				
State General Fund	(4.1) %	(4.2) %		
All Other Funds	--	--		
TOTAL	<u>(4.1) %</u>	<u>(4.2) %</u>		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 operating expenditures totaling \$568,563, all from the State General Fund, for FY 2014, a decrease of \$24,465, or 4.1 percent, below the revised FY 2013 estimate. Most of the decrease (\$20,500) reflects a decrease in salaries and wages, mainly in temporary employee salaries. The remainder of the decrease (\$3,965) was spread through various contractual services. A total of 8.0 FTE positions are requested for FY 2014, the same as the number included in the revised FY 2013 estimate.

The **Governor** recommends FY 2014 operating expenditures totaling \$568,031, all from the State General Fund, a decrease of \$24,997, or 4.2 percent, below the revised current year recommendation. The Governor recommends a decrease of \$532, all from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

Enhancements Detail

The **agency** does not request any FY 2014 agency enhancements.

FY 2014 Reduced Resources

The **agency** is not required to include any reduced resources in its budget submission.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 571,582	\$ 3,551
FTE Positions	8.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 3,551	
All Other Funds	0	
TOTAL	<u>\$ 3,551</u>	
<i>Percent Change:</i>		
State General Fund	0.6 %	
All Other Funds	0.0	
TOTAL	<u>0.6 %</u>	
Change in FTE Positions	0.0	

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$571,582, all the State General Fund, for the agency for FY 2015. The recommendation is an all funds increase of \$3,551, or 0.6 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System employer contribution rate for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$6,800, all from the State General Fund, and FY 2015 longevity payments total \$6,800, all from the State General Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	100.0 %	100.0 %
All other funds	0.0	0.0
TOTAL	100.0 %	100.0 %

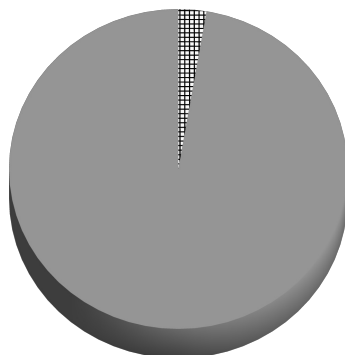
Note: Percentages may not add due to rounding.

PROGRAM DETAIL

Object of Expenditures

Governor's FY 2014 Recommendation

State General Fund



Salaries and Wages Contractual Services

Object of Expenditure	Gov. Rec. All Funds FY 2014	Percent of Total
Salaries and Wages	\$ 552,879	97.3 %
Contractual Services	15,152	2.7
TOTAL	\$ 568,031	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	15	8.0	8.0	8.0	8.0	8.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
There are no performance measures for this agency.				

LEGISLATURE

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 16,625,773	\$ 18,058,875	\$ 18,058,875	\$ 18,145,780	\$ 17,818,198	\$ 17,921,711
Other Funds	83,008	88,608	88,608	51,330	51,330	51,330
TOTAL	\$ 16,708,781	\$ 18,147,483	\$ 18,147,483	\$ 18,197,110	\$ 17,869,528	\$ 17,973,041
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 16,708,781	\$ 18,147,483	\$ 18,147,483	\$ 18,197,110	\$ 17,869,528	\$ 17,973,041

Operating Expenditures Percentage Change

State General Fund	3.9 %	8.6 %	8.6 %	0.5 %	(1.3) %	99.9 %
All Funds	3.9	8.6	8.6	0.3	(1.5)	99.9

FTE Positions	39.0	48.0	48.0	48.0	48.0	48.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	39.0	48.0	48.0	48.0	48.0	247.8

*Non-FTE Permanent Unclassified Positions

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 2013 – Current Year. The **agency** estimates a FY 2013 budget of \$18,147,483, including \$18,058,875 from the State General Fund. This is an all funds decrease of \$4,392, or less than 0.1 percent, below the amount approved by the 2012 Legislature. The State General Fund revised request in the same as the amount approved by the 2012 Legislature as adjusted by State General Fund reappropriations. The request would fund 48.0 FTE positions, which is the same as the FY 2013 approved amount.

The **Governor** concurs with the agency's FY 2013 revised estimate.

FY 2014 – Budget Year. The **agency** requests a FY 2014 budget of \$18,197,110, including \$18,145,780 from the State General Fund. This is an all funds increase of \$49,627, or 0.3 percent, and State General Fund increase of \$86,905, or 0.5 percent, above the revised current year estimate. The increase is primarily reflected in salaries and wages partially offset by reductions in contractual services. Legislative salaries are budgeted at \$88.66 per day and subsistence is budgeted at \$123 per day, based on the latest federal reimbursement rates. Also included is \$780,000 in contracted support services to enhance and maintain the legislative computer system (KLISS). This contract has been reduced as the agency moves from contract support and development to providing those services internally. The request would fund 48.0 FTE positions, which is same number as the current year.

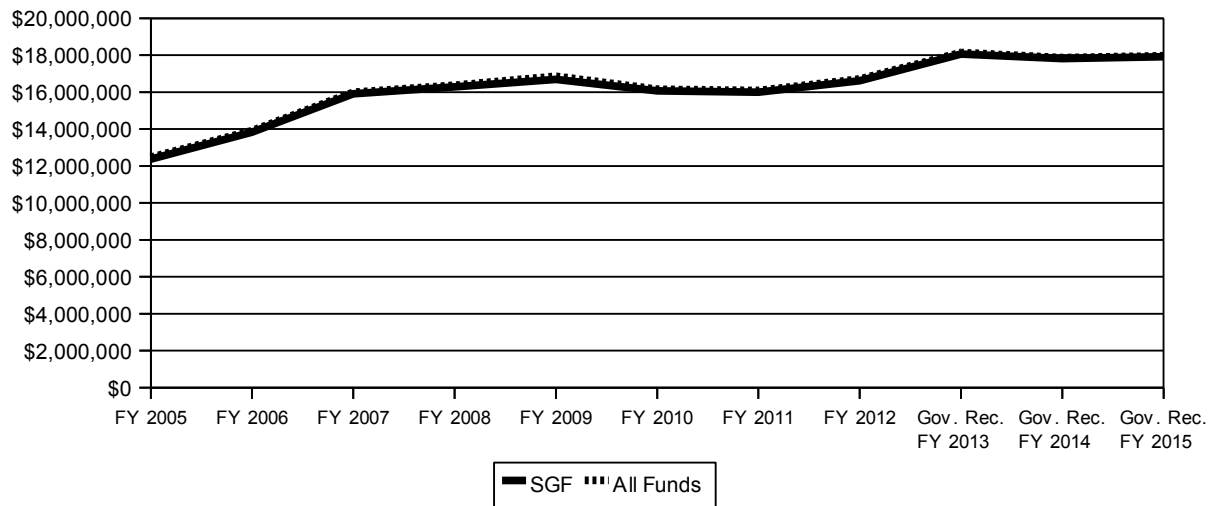
The **Governor** recommends FY 2014 operating expenditures totaling \$17,869,528, including \$17,818,198 from the State General Fund, a decrease of \$277,955, or 1.5 percent, below the revised current year recommendation. The Governor recommends a reduction of \$327,582 in salaries and wages including a decrease of \$18,852, all from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$17,973,041, including \$17,921,711 from the State General Fund, for the agency for FY 2015. The recommendation is an all funds increase of \$103,513, or 0.6 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System employer contribution rate for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 12,364,590	7.1 %	\$ 12,473,453	7.3 %	33.0
2006	13,824,754	11.8	13,919,933	11.6	34.0
2007	15,903,897	15.0	15,996,607	14.9	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
2013 Gov. Rec.	18,058,875	8.6	18,147,483	8.6	48.0
2014 Gov. Rec.	17,818,198	(1.3)	17,869,528	(1.5)	48.0
2015 Gov. Rec.	17,921,711	0.6	17,973,041	0.6	48.0
Eleven-Year Change					
Dollars/Percent	\$ 5,557,121	44.9 %	\$ 5,499,588	44.1 %	15.0

Summary of Operating Budget FY 2012 - FY 2014

	Actual 2012	Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 16,708,781	\$ 18,147,483	\$ 18,197,110	\$ 49,627	0.3 %	\$ 18,147,483	\$ 17,869,528	\$ (277,955)	(1.5)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 9,492,761	\$ 10,440,865	\$ 11,047,203	\$ 606,338	5.8 %	\$ 10,440,865	\$ 10,719,621	\$ 278,756	2.7 %
Contractual Services	6,998,583	7,475,407	6,920,896	(554,511)	(7.4)	7,475,407	6,920,896	(554,511)	(7.4)
Commodities	70,242	84,016	81,816	(2,200)	(2.6)	84,016	81,816	(2,200)	(2.6)
Capital Outlay	147,195	147,195	147,195	0	0.0	147,195	147,195	0	0.0
Subtotal - Operations	\$ 16,708,781	\$ 18,147,483	\$ 18,197,110	\$ 49,627	0.3 %	\$ 18,147,483	\$ 17,869,528	\$ (277,955)	(1.5)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	\$ 16,708,781	\$ 18,147,483	\$ 18,197,110	\$ 49,627	0.3 %	\$ 18,147,483	\$ 17,869,528	\$ (277,955)	(1.5)%
Financing:									
State General Fund	\$ 16,625,773	\$ 18,058,875	\$ 18,145,780	\$ 86,905	0.5 %	\$ 18,058,875	\$ 17,818,198	\$ (240,677)	(1.3)%
All Other Funds	83,008	88,608	51,330	(37,278)	(42.1)	88,608	51,330	(37,278)	(42.1)
TOTAL	\$ 16,708,781	\$ 18,147,483	\$ 18,197,110	\$ 49,627	0.3 %	\$ 18,147,483	\$ 17,869,528	\$ (277,955)	(1.5)%

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	18,197,110	17,869,528	17,973,041	103,513	0.6
TOTAL	\$ 18,197,110	\$ 17,869,528	\$ 17,973,041	\$ 103,513	0.6 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 11,047,203	\$ 10,719,621	\$ 10,823,134	\$ 103,513	1.0 %
Contractual Services	6,920,896	6,920,896	6,920,896	0	0.0
Commodities	81,816	81,816	81,816	0	0.0
Capital Outlay	147,195	147,195	147,195	0	0.0
Subtotal - Operations	\$ 18,197,110	\$ 17,869,528	\$ 17,973,041	\$ 103,513	0.6 %
Aid to Local Units	0	0	0	0	--
Other Assistance	0	0	0	0	--
TOTAL	\$ 18,197,110	\$ 17,869,528	\$ 17,973,041	\$ 103,513	0.6 %
Financing:					
State General Fund	\$ 18,145,780	\$ 17,818,198	\$ 17,921,711	\$ 103,513	0.6 %
All Other Funds	51,330	51,330	51,330	0	0.0
TOTAL	\$ 18,197,110	\$ 17,869,528	\$ 17,973,041	\$ 103,513	0.6 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$18,050,129 for the Legislature in FY 2013. 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 \$8,746, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013.

These adjustments change the FY 2013 approved State General Fund to \$18,058,875. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 18,058,875	\$ 18,058,875	\$ 0	\$ 18,058,875	\$ 0
All Other Funds	93,000	88,608	(4,392)	88,608	(4,392)
TOTAL	<u>\$ 18,151,875</u>	<u>\$ 18,147,483</u>	<u>\$ (4,392)</u>	<u>\$ 18,147,483</u>	<u>\$ (4,392)</u>
FTE Positions	48.0	48.0	0.0	48.0	0.0

The **agency** estimates a FY 2013 budget of \$18,147,483, including \$18,058,875 from the State General Fund. This is an all funds decrease of \$4,392, or less than 0.1 percent, below the amount approved by the 2012 Legislature. The State General Fund revised request is the same as the amount approved by the 2012 Legislature as adjusted by State General Fund reappropriations. The request would fund 48.0 FTE positions, which is the same as the FY 2013 approved amount.

The **Governor** concurs with the agency's FY 2013 revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 18,197,110	\$ 17,869,528	\$ (327,582)
FTE Positions	48.0	48.0	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
State General Fund	\$ 86,905	\$ (240,677)	
All Other Funds	(37,278)	(37,278)	
TOTAL	\$ 49,627	\$ (277,955)	
<i>Percent Change:</i>			
State General Fund	0.5 %	(1.3) %	
All Other Funds	(42.1)	(42.1)	
TOTAL	0.3 %	(1.5) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests a FY 2014 budget of \$18,197,110, including \$18,145,780 from the State General Fund. This is an all funds increase of \$49,627, or 0.3 percent, and State General Fund increase of \$86,905, or 0.5 percent, above the revised current year estimate. The increase is primarily reflected in salaries and wages partially offset by reductions in contractual services. Legislative salaries are budgeted at \$88.66 per day and subsistence is budgeted at \$123 per day, based on the latest federal reimbursement rates. Also included is \$780,000 in contracted support services to enhance and maintain the legislative computer system (KLISS). This contract has been reduced as the agency moves from contract support and development to providing those services internally. The request would fund 48.0 FTE positions, which is an increase of 2.0 FTE positions above the current year.

The **Governor** recommends FY 2014 operating expenditures totaling \$17,869,528, including \$17,818,198 from the State General Fund, a decrease of \$277,955, or 1.5 percent, below the revised current year recommendation. The Governor recommends a reduction of \$327,582 in salaries and wages including a decrease of \$18,852, all from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

Enhancements Detail

The **agency** did not request any enhancements in FY 2014.

FY 2014 Reduced Resources

The **agency** was not required to submit a reduced resource budget in FY 2014.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 17,973,041	\$ 103,513
FTE Positions	48.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 103,513	
All Other Funds	0	
TOTAL	<u>\$ 103,513</u>	
<i>Percent Change:</i>		
State General Fund	0.6 %	
All Other Funds	0.0	
TOTAL	<u>0.6 %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$17,973,041, including \$17,921,711 from the State General Fund, for the agency for FY 2015. The recommendation is an all funds increase of \$103,513, or 0.6 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System employer contribution rate for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$3,600, all from the State General Fund, and FY 2015 longevity payments total \$3,600, all from the State General Fund.**

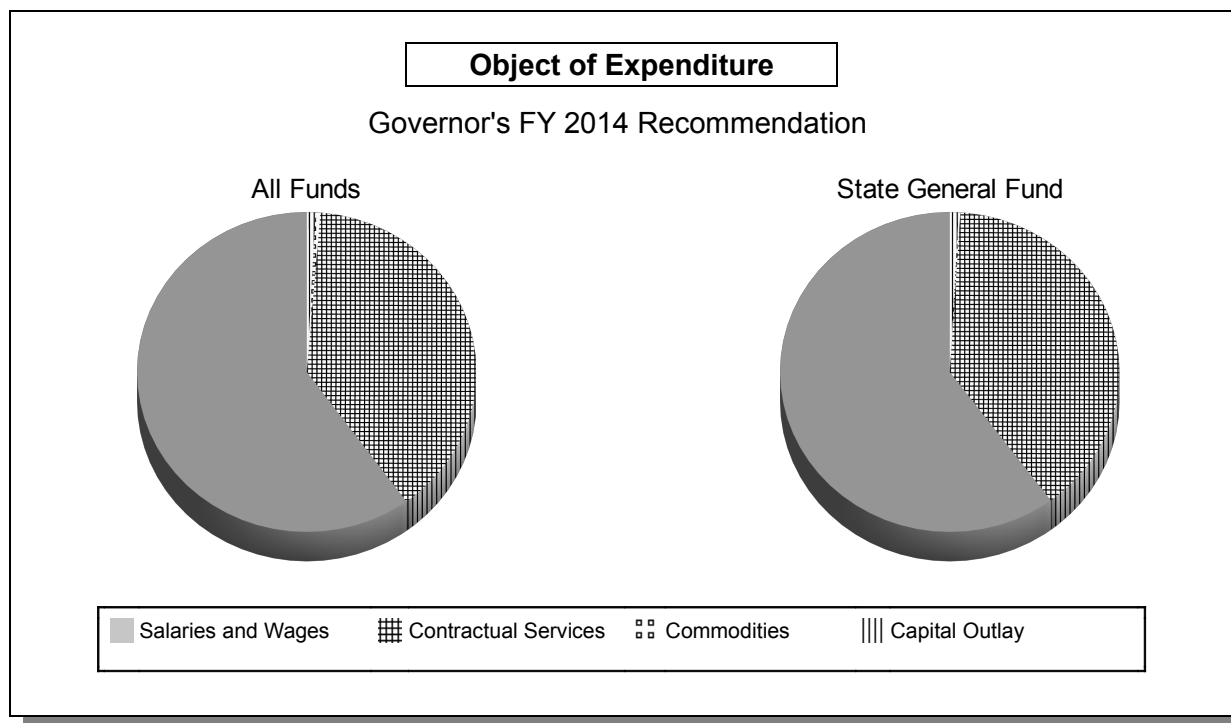
Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	97.3 %	97.3 %
Special Revenue Fund	0.3	0.3
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

PROGRAM DETAIL



Object of Expenditure	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Salaries and Wages	\$ 10,719,621	60.0 %	\$ 10,719,621	60.2 %
Contractual Services	6,920,896	38.7	6,920,896	38.8
Commodities	81,816	0.5	30,486	0.2
Capital Outlay	147,195	0.8	147,195	0.8
TOTAL	\$ 17,869,528	100.0 %	\$ 17,818,198	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015						
Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec> FY 2015
Administration	39.0	48.0	48.0	48.0	48.0	48.0

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
There are no performance measures for this agency.					

LEGISLATIVE RESEARCH DEPARTMENT

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 3,575,812	\$ 3,837,295	\$ 3,837,295	\$ 3,687,088	\$ 3,683,568	\$ 3,707,051
Other Funds	12,000	12,000	12,000	12,000	11,988	12,069
TOTAL	\$ 3,587,812	\$ 3,849,295	\$ 3,849,295	\$ 3,699,088	\$ 3,695,556	\$ 3,719,120
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 3,587,812	\$ 3,849,295	\$ 3,849,295	\$ 3,699,088	\$ 3,695,556	\$ 3,719,120

Operating Expenditures Percentage Change

State General Fund	5.5 %	7.3 %	7.3 %	(3.9) %	(4.0) %	0.6 %
All Funds	5.9	7.3	7.3	(3.9)	(4.0)	0.6

FTE Positions	40.0	40.0	40.0	40.0	40.0	40.0
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

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, etc. 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 2013 – Current Year. The **agency** estimates a FY 2013 budget of \$3,849,295, including \$3,837,295 from the State General Fund. This is an all funds and State General Fund decrease of \$154,530, or 4.0 percent, below the amount approved by the 2012 Legislature as adjusted by State General Fund reappropriations. The request would fund 40.0 FTE positions, which is the same as the FY 2013 approved amount.

The **Governor** concurs with the agency's FY 2013 revised estimate.

FY 2014 – Budget Year. The **agency** requests a FY 2014 budget of \$3,699,088, including \$3,687,088 from the State General Fund. This is an all funds and State General Fund decrease of \$150,207, or 3.9 percent, below the revised current year estimate. The decrease is reflected in salaries and wages (\$108,797) and in contractual services (\$41,805). The decrease is partially offset by an increase in commodities (\$118) and capital outlay (\$277). The request would fund 40.0 FTE positions, which is the same as the FY 2013 revised estimate.

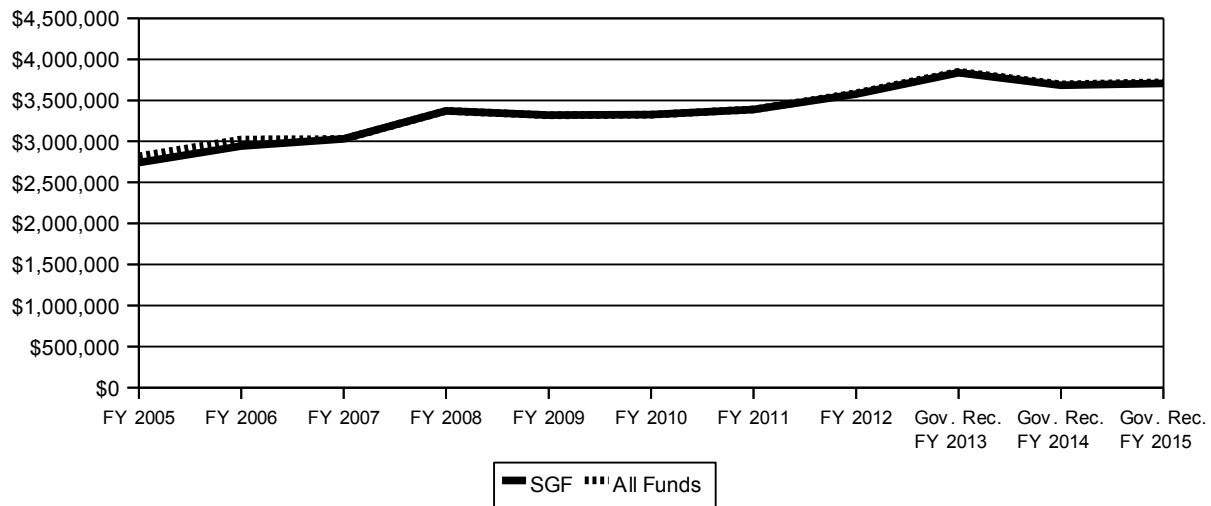
The **Governor** recommends FY 2014 operating expenditures totaling \$3,695,556, including \$3,683,568 from the State General Fund, a decrease of \$153,739, or 4.0 percent, below the revised current year recommendation. The Governor recommends a decrease of \$3,532, including \$3,520 from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$3,719,120, including \$3,707,051 from the State General Fund, for the agency for FY 2015. The recommendation is an all funds increase of \$23,564, or 0.6 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System employer contribution rate for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 2,741,439	7.3 %	\$ 2,818,222	9.0 %	38.0
2006	2,943,938	7.4	3,023,132	7.3	38.0
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 Gov. Rec.	3,837,295	7.3	3,849,295	7.3	40.0
2014 Gov. Rec.	3,683,568	(4.0)	3,695,556	(4.0)	40.0
2015 Gov. Rec.	3,707,051	0.6	3,719,120	0.6	40.0
Eleven-Year Change Dollars/Percent	\$ 965,612	35.2 %	\$ 900,898	32.0 %	2.0

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request					Governor's Recommendation			
		Actual 2012	Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:										
Administration	\$	3,587,812	\$ 3,849,295	\$ 3,699,088	\$ (150,207)	(3.9)%	\$ 3,849,295	\$ 3,695,556	\$ (153,739)	(4.0)%
By Major Object of Expenditure:										
Salaries and Wages	\$	3,408,103	\$ 3,598,232	\$ 3,489,435	\$ (108,797)	(3.0)%	\$ 3,598,232	\$ 3,485,903	\$ (112,329)	(3.1)%
Contractual Services		151,647	221,686	179,881	(41,805)	(18.9)	221,686	179,881	(41,805)	(18.9)
Commodities		19,112	20,158	20,276	118	0.6	20,158	20,276	118	0.6
Capital Outlay		8,950	9,219	9,496	277	3.0	9,219	9,496	277	3.0
Subtotal - Operations	\$	3,587,812	\$ 3,849,295	\$ 3,699,088	\$ (150,207)	(3.9)%	\$ 3,849,295	\$ 3,695,556	\$ (153,739)	(4.0)%
Aid to Local Units		0	0	0	0	--	0	0	0	--
Other Assistance		0	0	0	0	--	0	0	0	--
TOTAL	\$	3,587,812	\$ 3,849,295	\$ 3,699,088	\$ (150,207)	(3.9)%	\$ 3,849,295	\$ 3,695,556	\$ (153,739)	(4.0)%
Financing:										
State General Fund	\$	3,575,812	\$ 3,837,295	\$ 3,687,088	\$ (150,207)	(3.9)%	\$ 3,837,295	\$ 3,683,568	\$ (153,727)	(4.0)%
All Other Funds		12,000	12,000	12,000	0	0.0	12,000	11,988	(12)	(0.1)
TOTAL	\$	3,587,812	\$ 3,849,295	\$ 3,699,088	\$ (150,207)	(3.9)%	\$ 3,849,295	\$ 3,695,556	\$ (153,739)	(4.0)%

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 3,699,088	\$ 3,695,556	\$ 3,719,120	\$ 23,564	0.6 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 3,489,435	\$ 3,485,903	\$ 3,509,467	\$ 23,564	0.7 %
Contractual Services	179,881	179,881	179,881	0	0.0
Commodities	20,276	20,276	20,276	0	0.0
Capital Outlay	9,496	9,496	9,496	0	0.0
Subtotal - Operations	\$ 3,699,088	\$ 3,695,556	\$ 3,719,120	\$ 23,564	0.6 %
Aid to Local Units	0	0	0	0	--
Other Assistance	0	0	0	0	--
TOTAL	\$ 3,699,088	\$ 3,695,556	\$ 3,719,120	\$ 23,564	0.6 %
Financing:					
State General Fund	\$ 3,687,088	\$ 3,683,568	\$ 3,707,051	\$ 23,483	0.6 %
All Other Funds	12,000	11,988	12,069	81	0.7
TOTAL	\$ 3,699,088	\$ 3,695,556	\$ 3,719,120	\$ 23,564	0.6 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$3,737,377 for the Legislative Research Department in FY 2013. 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 \$254,448, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013.

These adjustments change the FY 2013 approved State General Fund to \$3,991,825. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 3,991,825	\$ 3,837,295	\$ (154,530)	\$ 3,837,295	\$ (154,530)
All Other Funds	12,000	12,000	0	12,000	0
TOTAL	<u>\$ 4,003,825</u>	<u>\$ 3,849,295</u>	<u>\$ (154,530)</u>	<u>\$ 3,849,295</u>	<u>\$ (154,530)</u>
FTE Positions	40.0	40.0	0.0	40.0	0.0

The **agency** estimates a FY 2013 budget of \$3,849,295, including \$3,837,295 from the State General Fund. This is an all funds and State General Fund decrease of \$154,530, or 4.0 percent, below the amount approved by the 2012 Legislature as adjusted by State General Fund reappropriations. The decrease is mainly reflected in salaries and wages and reflects the elimination of partial year funding of 3.0 non-FTE positions that were used to complete the redistricting activities. The request would fund 40.0 FTE positions, which is the same as the FY 2013 approved amount.

The **Governor** concurs with the agency's FY 2013 revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 3,699,088	\$ 3,695,556	\$	(3,532)
FTE Positions	40.0	40.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ (150,207)	\$ (153,727)		
All Other Funds	0	(12)		
TOTAL	<u>\$ (150,207)</u>	<u>\$ (153,739)</u>		
<i>Percent Change:</i>				
State General Fund	(3.9) %	(4.0) %		
All Other Funds	0.0	(0.1)		
TOTAL	<u>(3.9) %</u>	<u>(4.0) %</u>		
Change in FTE Positions	0.0	0.0		

The **agency** requests a FY 2014 budget of \$3,699,088, including \$3,687,088 from the State General Fund. This is an all funds and State General Fund decrease of \$150,207, or 3.9 percent, below the revised current year estimate. The decrease is reflected in salaries and wages (\$108,797) due mainly to the elimination of 3.0 non-FTE positions that were used to complete redistricting activities in redrawing legislative, State Board of Education, and congressional districts as required by the *Kansas Constitution*. Also, reductions occurred in contractual services (\$41,805) which primarily reflects a reduction for contracted computer services. The decrease is partially offset by an increase in commodities (\$118) and capital outlay (\$277). The request would fund 40.0 FTE positions, which is the same as the FY 2013 revised estimate.

The **Governor** recommends FY 2014 operating expenditures totaling \$3,695,556, including \$3,683,568 from the State General Fund, a decrease of \$153,739, or 4.0 percent, below the revised current year recommendation. The Governor recommends a decrease of \$3,532, including \$3,520 from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

Enhancements Detail

The **agency** does not request any FY 2014 agency enhancements.

FY 2014 Reduced Resources

The **agency** is not required to include any reduced resources in its budget submission.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 3,719,120	\$ 23,564
FTE Positions	40.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 23,483	
All Other Funds	81	
TOTAL	<u>\$ 23,564</u>	
<i>Percent Change:</i>		
State General Fund	0.6 %	
All Other Funds	0.7	
TOTAL	<u>0.6 %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$3,719,120, including \$3,707,051, for the agency for FY 2015. The recommendation is an all funds increase of \$23,564, or 0.6 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System employer contribution rate for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$15,000, all from the State General Fund, and FY 2015 longevity payments total \$15,000, all from the State General Fund.**

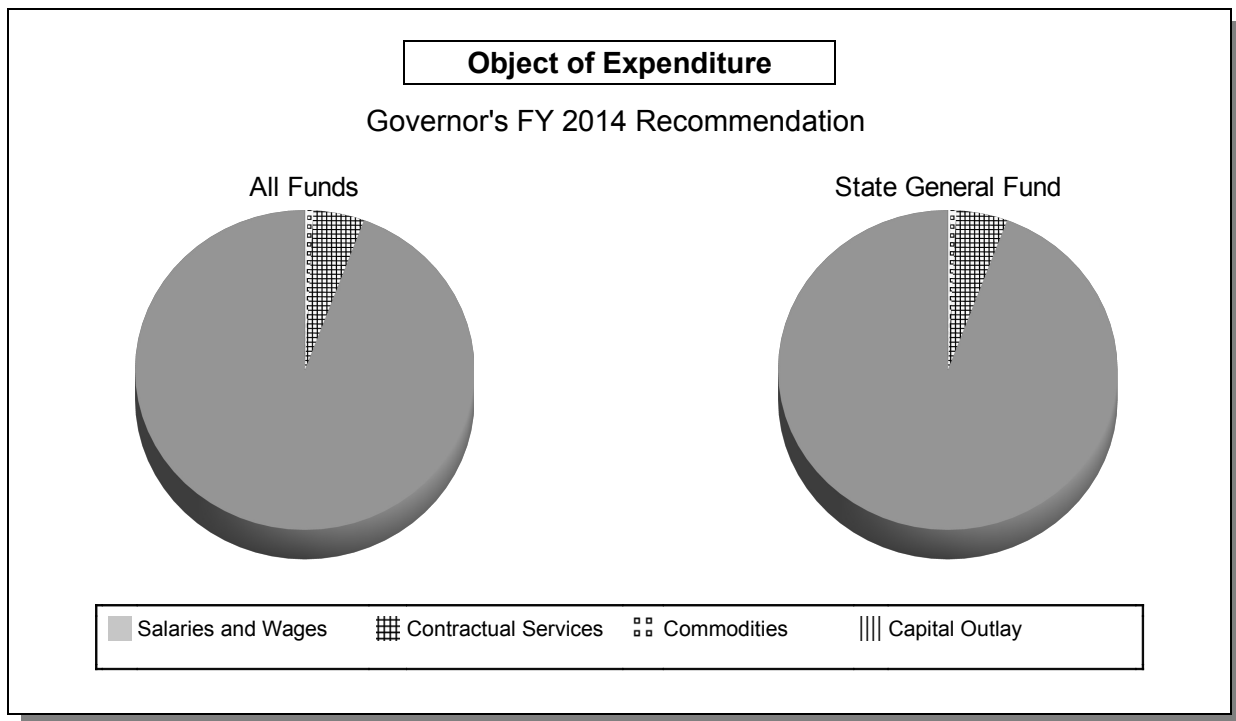
Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	99.7 %	99.7 %
Special Revenue Funds	0.3	0.3
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

PROGRAM DETAIL



Object of Expenditure	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Salaries and Wages	\$ 3,485,903	94.3 %	\$ 3,473,915	94.3 %
Contractual Services	179,881	4.9	179,881	4.9
Commodities	20,276	0.5	20,276	0.6
Capital Outlay	9,496	0.3	9,496	0.3
TOTAL	\$ 3,695,556	100.0 %	\$ 3,683,568	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015						
Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	40.0	40.0	40.0	40.0	40.0	40.0

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
There are no performance measures for this agency.				

OFFICE OF THE REVISOR OF STATUTES

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 3,153,542	\$ 3,123,673	\$ 3,123,673	\$ 3,171,802	\$ 3,168,862	\$ 3,188,053
Other Funds	0	0	0	0	0	0
TOTAL	\$ 3,153,542	\$ 3,123,673	\$ 3,123,673	\$ 3,171,802	\$ 3,168,862	\$ 3,188,053
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 3,153,542	\$ 3,123,673	\$ 3,123,673	\$ 3,171,802	\$ 3,168,862	\$ 3,188,053

Operating Expenditures Percentage Change

State General Fund	5.9 %	(0.9) %	(0.9) %	1.5 %	1.4 %	0.6 %
All Funds	5.9	(0.9)	(0.9)	1.5	1.4	0.6

FTE Positions	31.5	31.5	31.5	31.5	31.5	31.5
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

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 their 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 2013 – Current Year. The **agency** estimates a FY 2013 budget of \$3,123,673, all from the State General Fund. This is an all funds and State General Fund decrease of \$1,562, or less than 0.1 percent, below the amount approved by the 2012 Legislature as adjusted by State General Fund reappropriations. The request would fund 31.5 FTE positions, which is the same as the FY 2013 approved amount.

The **Governor** concurs with the agency's FY 2013 revised estimate.

FY 2014 – Budget Year. The **agency** requests a FY 2014 budget of \$3,171,802, all from the State General Fund. This is an all funds and State General Fund increase of \$48,129, or 1.5 percent, above the revised current year estimate. The increase is reflected in salaries and wages (\$49,873) and in capital outlay (\$5,775). The increase is partially offset by a decrease in contractual services (\$7,519). The request would fund 31.5 FTE positions, which is the same as the FY 2013 revised estimate.

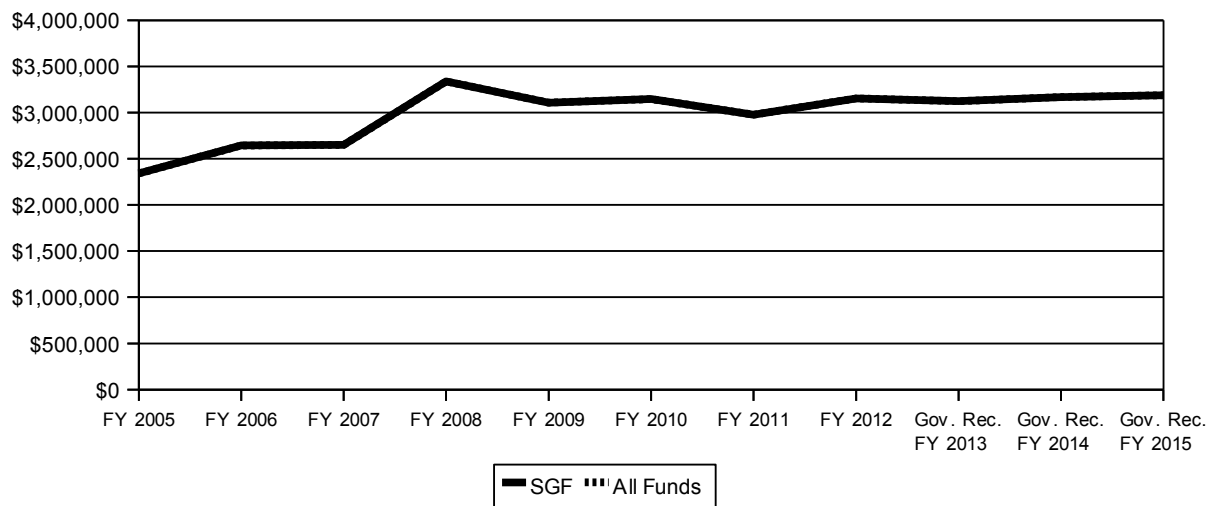
The **Governor** recommends FY 2014 operating expenditures totaling \$3,168,862, all from the State General Fund, an increase of \$45,189, or 1.4 percent, above the revised current year recommendation. The Governor recommends a decrease of \$2,940, all from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$3,188,053, all from the State General Fund, for the agency for FY 2015. The recommendation is an all funds increase of \$19,191, or 0.6 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System employer contribution rate for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 2,340,311	2.5 %	\$ 2,340,311	2.5 %	26.5
2006	2,643,798	13.0	2,643,798	13.0	26.5
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 Gov. Rec.	3,123,673	(0.9)	3,123,673	(0.9)	31.5
2014 Gov. Rec.	3,168,862	1.4	3,168,862	1.4	31.5
2015 Gov. Rec.	3,188,053	0.6	3,188,053	0.6	31.5
Eleven-Year Change					
Dollars/Percent	\$ 847,742	36.2 %	\$ 847,742	36.2 %	5.0

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
Actual 2012									
By Program:									
Administration	\$ 3,153,542	\$ 3,123,673	\$ 3,171,802	\$ 48,129	1.5 %	\$ 3,123,673	\$ 3,168,862	\$ 45,189	1.4 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 2,491,232	\$ 2,491,992	\$ 2,541,865	\$ 49,873	2.0 %	\$ 2,491,992	\$ 2,538,925	\$ 46,933	1.9 %
Contractual Services	657,879	623,486	615,967	(7,519)	(1.2)	623,486	615,967	(7,519)	(1.2)
Commodities	4,431	7,281	7,281	0	0.0	7,281	7,281	0	0.0
Capital Outlay	0	914	6,689	5,775	631.8	914	6,689	5,775	631.8
Subtotal - Operations	\$ 3,153,542	\$ 3,123,673	\$ 3,171,802	\$ 48,129	1.5 %	\$ 3,123,673	\$ 3,168,862	\$ 45,189	1.4 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	\$ 3,153,542	\$ 3,123,673	\$ 3,171,802	\$ 48,129	1.5 %	\$ 3,123,673	\$ 3,168,862	\$ 45,189	1.4 %
Financing:									
State General Fund	\$ 3,153,542	\$ 3,123,673	\$ 3,171,802	\$ 48,129	1.5 %	\$ 3,123,673	\$ 3,168,862	\$ 45,189	1.4 %

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 3,171,802	\$ 3,168,862	\$ 3,188,053	\$ 19,191	0.6 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 2,541,865	\$ 2,538,925	\$ 2,558,116	\$ 19,191	0.8 %
Contractual Services	615,967	615,967	615,967	0	0.0
Commodities	7,281	7,281	7,281	0	0.0
Capital Outlay	6,689	6,689	6,689	0	0.0
Subtotal - Operations	\$ 3,171,802	\$ 3,168,862	\$ 3,188,053	\$ 19,191	0.6 %
Aid to Local Units	0	0	0	0	--
Other Assistance	0	0	0	0	--
TOTAL	\$ 3,171,802	\$ 3,168,862	\$ 3,188,053	\$ 19,191	0.6 %
Financing:					
State General Fund	\$ 3,171,802	\$ 3,168,862	\$ 3,188,053	\$ 19,191	0.6 %
All Other Funds	0	0	0	0	--
TOTAL	\$ 3,171,802	\$ 3,168,862	\$ 3,188,053	\$ 19,191	0.6 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$3,123,673 for the Office of the Revisor in FY 2013. 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 \$1,562, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013.

This adjustment changes the FY 2013 approved State General Fund to \$3,125,235. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 3,125,235	\$ 3,123,673	\$ (1,562)	\$ 3,123,673	\$ (1,562)
All Other Funds	0	0	0	0	0
TOTAL	<u>\$ 3,125,235</u>	<u>\$ 3,123,673</u>	<u>\$ (1,562)</u>	<u>\$ 3,123,673</u>	<u>\$ (1,562)</u>
FTE Positions	31.5	31.5	0.0	31.5	0.0

The **agency** estimates a FY 2013 budget of \$3,123,673, all from the State General Fund. This is an all funds and State General Fund decrease of \$1,562, or less than 0.1 percent, below the amount approved by the 2012 Legislature as adjusted by State General Fund reappropriations. The request would fund 31.5 FTE positions, which is the same as the FY 2013 approved amount.

The **Governor** concurs with the agency's FY 2013 revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 3,171,802	\$ 3,168,862	\$	(2,940)
FTE Positions	31.5	31.5		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 48,129	\$ 45,189		
All Other Funds	0	0		
TOTAL	<u>\$ 48,129</u>	<u>\$ 45,189</u>		
<i>Percent Change:</i>				
State General Fund	1.5 %	1.4 %		
All Other Funds	--	--		
TOTAL	<u>1.5 %</u>	<u>1.4 %</u>		
Change in FTE Positions	0.0	0.0		

The **agency** requests a FY 2014 budget of \$3,171,802, all from the State General Fund. This is an all funds and State General Fund increase of \$48,129, or 1.5 percent, above the revised current year estimate. The increase is reflected in salaries and wages (\$49,873) and in capital outlay (\$5,775). The increase is partially offset by a decrease in contractual services (\$7,519). The request would fund 31.5 FTE positions, which is the same as the FY 2013 revised estimate.

The **Governor** recommends FY 2014 operating expenditures totaling \$3,168,862, all from the State General Fund, an increase of \$45,189, or 1.4 percent, above the revised current year recommendation. The Governor recommends a decrease of \$2,940, all from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

Enhancements Detail

The **agency** did not request any enhancements in FY 2014.

FY 2014 Reduced Resources

The **agency** was not required to submit a reduced resource budget in FY 2014.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 3,188,053	\$ 19,191
FTE Positions	31.5	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 19,191	
All Other Funds	0	
TOTAL	<u>\$ 19,191</u>	
<i>Percent Change:</i>		
State General Fund	0.6 %	
All Other Funds	0.0	
TOTAL	<u>0.6 %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$3,188,053, all from the State General Fund, for the agency for FY 2015. The recommendation is an all funds increase of \$19,191, or 0.6 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System employer contribution rate for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$10,200, all from the State General Fund, and FY 2015 longevity payments total \$10,440, all from the State General Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	100.0 %	100.0 %

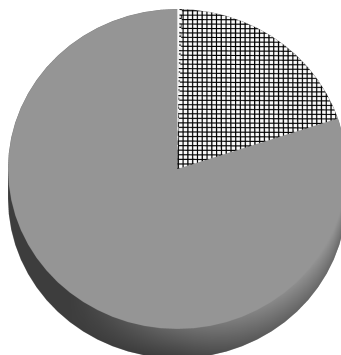
Note: Percentages may not add due to rounding.

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



Salaries and Wages Contractual Services Commodities Capital Outlay

Program	Gov. Rec. All Funds FY 2014	Percent of Total
Salaries and Wages	\$ 2,538,925	80.1 %
Contractual Services	615,967	19.4
Commodities	7,281	0.2
Capital Outlay	6,689	0.2
TOTAL	\$ 3,168,862	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	31.5	31.5	31.5	31.5	31.5	31.5

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
There are no performance measures for this agency.				

LEGISLATIVE DIVISION OF POST AUDIT

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 2,226,706	\$ 2,184,474	\$ 2,181,727	\$ 2,203,624	\$ 2,201,435	\$ 2,216,038
Other Funds	0	0	0	0	0	0
TOTAL	\$ 2,226,706	\$ 2,184,474	\$ 2,181,727	\$ 2,203,624	\$ 2,201,435	\$ 2,216,038
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 2,226,706	\$ 2,184,474	\$ 2,181,727	\$ 2,203,624	\$ 2,201,435	\$ 2,216,038

Operating Expenditures Percentage Change

State General Fund	5.2 %	(1.9) %	(2.0) %	0.9 %	0.9 %	0.7 %
All Funds	5.2	(1.9)	(2.0)	0.9	0.9	0.7

FTE Positions	22.0	22.0	22.0	22.0	22.0	22.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	22.0	22.0	22.0	22.0	22.0	22.0

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

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 their 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 2013 – Current Year. The **agency** estimates a FY 2013 budget of \$2,184,474, all from the State General Fund. This is an all funds and State General Fund increase of \$2,747, or 0.1 percent, above the amount approved by the 2012 Legislature as adjusted by State General Fund reappropriations. The request would fund 22.0 FTE positions, which is the same as the FY 2013 approved amount.

The **Governor** recommends FY 2013 operating expenditures totaling \$2,181,727, all from the State General Fund, a decrease of \$2,747, or less than 0.1 percent, below the agency request and the same as the approved amount.

FY 2014 – Budget Year. The **agency** requests a FY 2014 budget of \$2,203,624, all from the State General Fund. This is an all funds and State General Fund increase of \$19,150, or 0.9 percent, above the revised current year estimate. The increase is reflected in salaries and wages (\$16,150) and in contractual services (\$3,000). The request would fund 22.0 FTE positions, which is the same as the FY 2013 revised estimate.

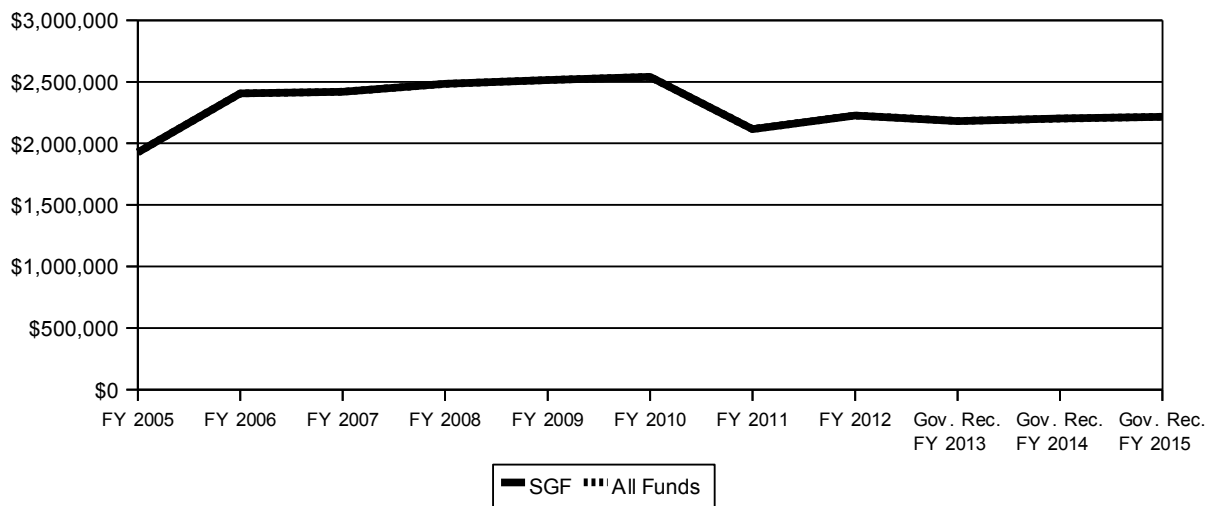
The **Governor** recommends FY 2014 operating expenditures totaling \$2,201,435, all from the State General Fund, an increase of \$19,708, or 0.9 percent, above the revised current year recommendation. The Governor recommends a decrease of \$2,189, all from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$2,216,038 for the agency for FY 2015. The recommendation is an all funds increase of \$14,603, or 0.7 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System employer contribution rate for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 1,927,713	13.8 %	\$ 1,927,713	13.8 %	21.0
2006	2,405,851	24.8	2,405,851	24.8	26.0
2007	2,419,159	0.6	2,419,159	0.6	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 Gov. Rec.	2,181,727	(2.0)	2,181,727	(2.0)	22.0
2014 Gov. Rec.	2,201,435	0.9	2,201,435	0.9	22.0
2015 Gov. Rec.	2,216,038	0.7	2,216,038	0.7	22.0
Eleven-Year Change Dollars/Percent	\$ 288,325	15.0 %	\$ 288,325	15.0 %	1.0

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request					Governor's Recommendation				
Actual 2012		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013		Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13	
By Program:											
Administration	\$ 2,226,706	\$ 2,184,474	\$ 2,203,624	\$ 19,150	0.9 %	\$ 2,181,727	\$ 2,201,435	\$ 19,708	0.9 %		
By Major Object of Expenditure:											
Salaries and Wages	\$ 1,782,199	\$ 1,970,824	\$ 1,986,974	\$ 16,150	0.8 %	\$ 1,968,077	\$ 1,984,785	\$ 16,708	0.8 %		
Contractual Services	438,055	201,650	204,650	3,000	1.5	201,650	204,650	3,000	1.5		
Commodities	4,460	10,000	10,000	0	0.0	10,000	10,000	0	0.0		
Capital Outlay	1,992	2,000	2,000	0	0.0	2,000	2,000	0	0.0		
Subtotal - Operations	\$ 2,226,706	\$ 2,184,474	\$ 2,203,624	\$ 19,150	0.9 %	\$ 2,181,727	\$ 2,201,435	\$ 19,708	0.9 %		
Aid to Local Units	0	0	0	0	--	0	0	0	--		
Other Assistance	0	0	0	0	--	0	0	0	--		
TOTAL	\$ 2,226,706	\$ 2,184,474	\$ 2,203,624	\$ 19,150	0.9 %	\$ 2,181,727	\$ 2,201,435	\$ 19,708	0.9 %		
Financing:											
State General Fund	\$ 2,226,706	\$ 2,184,474	\$ 2,203,624	\$ 19,150	0.9 %	\$ 2,181,727	\$ 2,201,435	\$ 19,708	0.9 %		
All Other Funds	0	0	0	0	--	0	0	0	--		
TOTAL	\$ 2,226,706	\$ 2,184,474	\$ 2,203,624	\$ 19,150	0.9 %	\$ 2,181,727	\$ 2,201,435	\$ 19,708	0.9 %		

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 2,203,624	\$ 2,201,435	\$ 2,216,038	\$ 14,603	0.7 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 1,986,974	\$ 1,984,785	\$ 1,999,388	\$ 14,603	0.7 %
Contractual Services	204,650	204,650	204,650	0	0.0
Commodities	10,000	10,000	10,000	0	0.0
Capital Outlay	2,000	2,000	2,000	0	0.0
Subtotal - Operations	\$ 2,203,624	\$ 2,201,435	\$ 2,216,038	\$ 14,603	0.7 %
Aid to Local Units	0	0	0	0	--
Other Assistance	0	0	0	0	--
TOTAL	\$ 2,203,624	\$ 2,201,435	\$ 2,216,038	\$ 14,603	0.7 %
Financing:					
State General Fund	\$ 2,203,624	\$ 2,201,435	\$ 2,216,038	\$ 14,603	0.7 %
All Other Funds	0	0	0	0	--
TOTAL	\$ 2,203,624	\$ 2,201,435	\$ 2,216,038	\$ 14,603	0.7 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$2,078,593 for the Legislative Post Audit in FY 2013. 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 \$103,134, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013.

These adjustments change the FY 2013 approved State General Fund to \$2,181,727. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 2,181,727	\$ 2,184,474	\$ 2,747	\$ 2,181,727	\$ 0
All Other Funds	0	0	0	0	0
TOTAL	<u>\$ 2,181,727</u>	<u>\$ 2,184,474</u>	<u>\$ 2,747</u>	<u>\$ 2,181,727</u>	<u>\$ 0</u>
FTE Positions	22.0	22.0	0.0	22.0	0.0

The **agency** estimates a FY 2013 budget of \$2,184,474, all from the State General Fund. This is an all funds and State General Fund increase of \$2,747, or 0.1 percent, above the amount approved by the 2012 Legislature as adjusted by State General Fund reappropriations. The request would fund 22.0 FTE positions, which is the same as the FY 2013 approved amount.

The **Governor** recommends a reduction in salaries and wages of \$2,747, all from the State General Fund, below the agency's request and concurs with the remainder of the agency's FY 2013 revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 2,203,624	\$ 2,201,435	\$	(2,189)
FTE Positions	22.0	22.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 19,150	\$ 19,708		
All Other Funds	0	0		
TOTAL	<u>\$ 19,150</u>	<u>\$ 19,708</u>		
<i>Percent Change:</i>				
State General Fund	0.9 %	0.9 %		
All Other Funds	--	--		
TOTAL	<u>0.9 %</u>	<u>0.9 %</u>		
Change in FTE Positions	0.0	0.0		

The **agency** requests a FY 2014 budget of \$2,203,624, all from the State General Fund. This is an all funds and State General Fund increase of \$19,150, or 0.9 percent, above the revised current year estimate. The increase is reflected in salaries and wages (\$16,150) and in contractual services (\$3,000). The request would fund 22.0 FTE positions, which is the same as the FY 2013 revised estimate.

The **Governor** recommends FY 2014 operating expenditures totaling \$2,201,435, all from the State General Fund, an increase of \$19,708, or 0.9 percent, above the revised current year recommendation. The Governor recommends a decrease of \$2,189, all from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

Enhancements Detail

The **agency** did not request any enhancements in FY 2014.

FY 2014 Reduced Resources

The **agency** was not required to submit a reduced resource budget in FY 2014.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 2,216,038	\$ 14,603
FTE Positions	22.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 14,603	
All Other Funds	0	
TOTAL	<u>\$ 14,603</u>	
<i>Percent Change:</i>		
State General Fund	0.7 %	
All Other Funds	0.0	
TOTAL	<u>0.7 %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$2,216,038 for the agency for FY 2015. The recommendation is an all funds increase of \$14,603, or 0.7 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System employer contribution rate for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$7,000, all from the State General Fund, and FY 2015 longevity payments total \$7,000, all from the State General Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	100.0 %	100.0 %

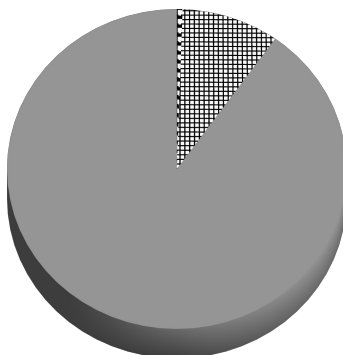
Note: Percentages may not add due to rounding.

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



Salaries and Wages Contractual Services Commodities Capital Outlay

Program	Gov. Rec. All Funds FY 2014	Percent of Total
Salaries and Wages	\$ 1,984,785	90.2 %
Contractual Services	204,650	9.3
Commodities	10,000	0.5
Capital Outlay	2,000	0.1
TOTAL	\$ 2,201,435	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
TOTAL	22.0	22.0	22.0	22.0	22.0	22.0

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014

There are no performance measures for this agency.

OFFICE OF THE GOVERNOR

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures						
State General Fund	\$ 6,605,450	\$ 6,809,589	\$ 6,846,232	\$ 6,737,835	\$ 6,790,347	\$ 6,791,858
Other Funds	8,990,670	9,235,644	9,235,644	8,108,620	8,107,881	7,378,561
TOTAL	\$ 15,596,120	\$ 16,045,233	\$ 16,081,876	\$ 14,846,455	\$ 14,898,228	\$ 14,170,419
Capital Improvements						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 15,596,120	\$ 16,045,233	\$ 16,081,876	\$ 14,846,455	\$ 14,898,228	\$ 14,170,419

Operating Expenditures Percentage Change

State General Fund	(1.9) %	3.1 %	3.6 %	(1.1) %	(0.8) %	0.0 %
All Funds	(3.5)	2.9	3.1	(7.5)	(7.4)	(4.9)

FTE Positions	39.0	36.0	36.0	34.2	34.2	34.2
Non-FTE Pos.*	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	40.0	37.0	37.0	35.2	35.2	35.2

*Non-FTE Permanent Unclassified Positions

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 chair 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:

- **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 have historically 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

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** requests a revised operating budget of \$16.0 million, including \$6.8 million from the State General Fund. This is an all funds decrease of \$689,756, or 4.1 percent, below the approved amount. The State General Fund amount is \$189,409, or 2.7 percent, below the amount approved by the 2012 Legislature, as adjusted by FY 2012 State General Fund reappropriations. The all funds decrease is based primarily on a more current estimate of available federal funding. The request includes 36.0 FTE positions, a decrease of 4.0 FTE positions from the approved amount.

The **Governor** recommends FY 2013 operating expenditures of \$16.1 million, including \$6.8 million from the State General Fund. The recommendation is an all funds decrease of

\$653,113, or 3.9 percent, and a State General Fund decrease of \$152,766, or 2.2 percent, below the approved amount, as adjusted for reappropriations. The recommendation is an increase of \$36,643, or 0.5 percent, above the amount estimated by the agency. The Governor's recommendation limits the reduction from the approved amount to 3.9 percent. The Governor concurs with the remainder of the agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests operating expenditures of \$14.8 million, including \$6.7 million from the State General Fund for FY 2014. The all funds request is a decrease of \$1.2 million, or 7.5 percent, below the revised current year estimate. The State General Fund amount is a decrease of \$71,754, or 1.1 percent, below the revised FY 2013 estimate. Most of the all funds decrease is the result of reduced federal funding. The request includes 34.2 FTE positions, a decrease of 1.8 FTE positions below the revised current year estimate.

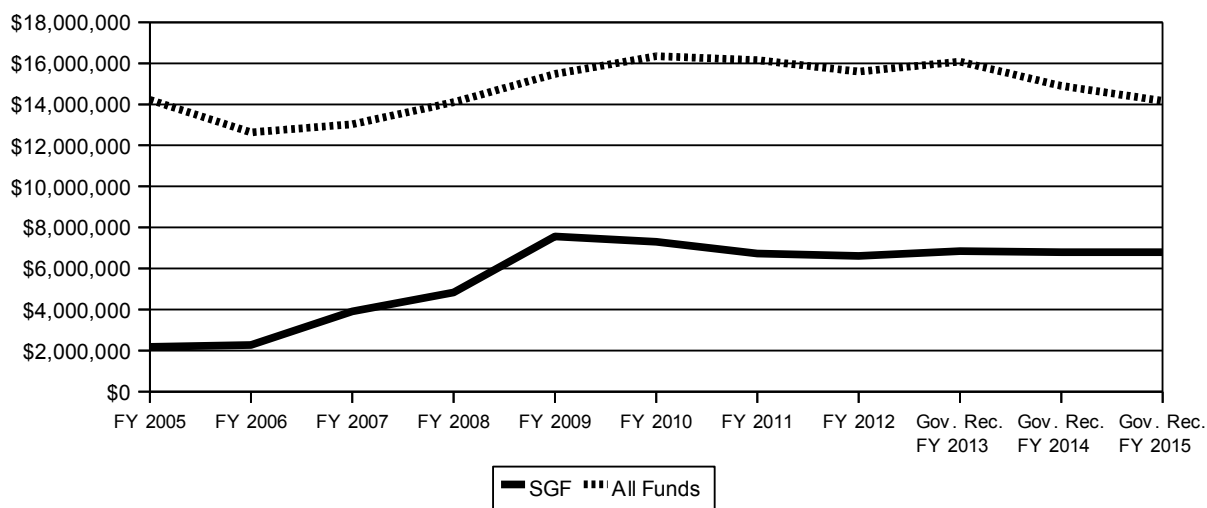
The **Governor** recommends FY 2014 operating expenditures totaling \$14.9 million, including \$6.8 million from the State General Fund. The recommendation is an all funds decrease of \$1.2 million, or 7.4 percent, and a State General Fund decrease of \$55,885, or 0.8 percent, below the revised current year recommendation. The recommendation is an increase of \$51,773, or 0.3 percent, and a State General Fund increase of \$52,512, or 0.8 percent, above the amount requested by the agency, and is based on the same percentage growth in expenditures from the higher expenditure amount recommended by the Governor for FY 2013. In addition, the Governor recommends the decrease of \$2,927, including \$2,188 from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$14.2 million, including \$6.8 million from the State General Fund. The recommendation is an all funds decrease of \$727,809, or 4.9 percent below, and a State General Fund increase of \$1,511, or less than 0.1 percent, above the FY 2014 recommendation.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 2,184,540	15.8 %	\$ 14,219,765	10.7 %	41.0
2006	2,271,834	4.0	12,631,804	(11.2)	39.0
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 Gov. Rec.	6,846,232	3.6	16,081,876	3.1	36.0
2014 Gov. Rec.	6,790,347	(0.8)	14,898,228	(7.4)	34.2
2015 Gov. Rec.	6,791,858	0.0	14,170,419	(4.9)	34.2
Eleven-Year Change					
Dollars/Percent	\$ 4,607,318	210.9 %	\$ (49,346)	(0.3)%	(6.8)

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 15,596,120	\$ 16,045,233	\$ 14,846,455	\$ (1,198,778)	(7.5) %	\$ 16,081,876	\$ 14,898,228	\$ (1,183,648)	(7.4)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 2,742,263	\$ 2,651,705	\$ 2,642,070	\$ (9,635)	(0.4) %	\$ 2,688,348	\$ 2,693,843	\$ 5,495	0.2 %
Contractual Services	507,364	574,177	454,383	(119,794)	(20.9)	574,177	454,383	(119,794)	(20.9)
Commodities	46,758	54,623	55,666	1,043	1.9	54,623	55,666	1,043	1.9
Capital Outlay	10,236	1,500	1,500	0	0.0	1,500	1,500	0	0.0
Subtotal - Operations	\$ 3,306,621	\$ 3,282,005	\$ 3,153,619	\$ (128,386)	(3.9) %	\$ 3,318,648	\$ 3,205,392	\$ (113,256)	(3.4)%
Aid to Local Units	1,738,830	1,417,152	1,282,093	(135,059)	(9.5)	1,417,152	1,282,093	(135,059)	(9.5)
Other Assistance	10,550,669	11,346,076	10,410,743	(935,333)	(8.2)	11,346,076	10,410,743	(935,333)	(8.2)
TOTAL	<u>\$ 15,596,120</u>	<u>\$ 16,045,233</u>	<u>\$ 14,846,455</u>	<u>\$ (1,198,778)</u>	<u>(7.5) %</u>	<u>\$ 16,081,876</u>	<u>\$ 14,898,228</u>	<u>\$ (1,183,648)</u>	<u>(7.4)%</u>
Financing:									
State General Fund	\$ 6,605,450	\$ 6,809,589	\$ 6,737,835	\$ (71,754)	(1.1) %	\$ 6,846,232	\$ 6,790,347	\$ (55,885)	(0.8)%
Federal Funds	8,857,797	8,678,656	8,001,383	(677,273)	(7.8)	8,678,656	8,000,722	(677,934)	(7.8)
All Other Funds	132,873	556,988	107,237	(449,751)	(80.7)	556,988	107,159	(449,829)	(80.8)
TOTAL	<u>\$ 15,596,120</u>	<u>\$ 16,045,233</u>	<u>\$ 14,846,455</u>	<u>\$ (1,198,778)</u>	<u>(7.5) %</u>	<u>\$ 16,081,876</u>	<u>\$ 14,898,228</u>	<u>\$ (1,183,648)</u>	<u>(7.4)%</u>

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	14,846,455	14,898,228	14,170,419	(727,809)	(4.9)
TOTAL	<u>\$ 14,846,455</u>	<u>\$ 14,898,228</u>	<u>\$ 14,170,419</u>	<u>\$ (727,809)</u>	<u>(4.9)%</u>
By Major Object of Expenditure:					
Salaries and Wages	\$ 2,642,070	\$ 2,693,843	\$ 2,697,871	\$ 4,028	0.1 %
Contractual Services	454,383	454,383	454,383	0	0.0
Commodities	55,666	55,666	55,666	0	0.0
Capital Outlay	1,500	1,500	0	(1,500)	(100.0)
Subtotal	<u>\$ 3,153,619</u>	<u>\$ 3,205,392</u>	<u>\$ 3,207,920</u>	<u>\$ 2,528</u>	<u>0.1 %</u>
Aid to Local Units	1,282,093	1,282,093	1,153,884	(128,209)	(10.0)
Other Assistance	10,410,743	10,410,743	9,808,615	(602,128)	(5.8)
TOTAL	<u>\$ 14,846,455</u>	<u>\$ 14,898,228</u>	<u>\$ 14,170,419</u>	<u>\$ (727,809)</u>	<u>(4.9)%</u>
Financing:					
State General Fund	\$ 6,737,835	\$ 6,790,347	\$ 6,791,858	\$ 1,511	0.0 %
Federal Funds	8,001,383	8,000,722	7,271,295	(729,427)	(9.1)
All Other Funds	107,237	107,159	107,266	107	0.1
TOTAL	<u>\$ 14,846,455</u>	<u>\$ 14,898,228</u>	<u>\$ 14,170,419</u>	<u>\$ (727,809)</u>	<u>(4.9)%</u>

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$6,880,583 for the Office of the Governor in FY 2013. 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:

- An increase of \$118,415, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013

This adjustment changes the FY 2013 approved State General Fund to \$6,998,998. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 6,998,998	\$ 6,809,589	\$ (189,409)	\$ 6,846,232	\$ (152,766)
All Other Funds	9,735,991	9,235,644	(500,347)	9,235,644	(500,347)
TOTAL	<u>\$ 16,734,989</u>	<u>\$ 16,045,233</u>	<u>\$ (689,756)</u>	<u>\$ 16,081,876</u>	<u>\$ (653,113)</u>
FTE Positions	40.0	36.0	(4.0)	36.0	(4.0)

The **agency** estimates a revised operating budget of \$16.0 million, including \$6.8 million from the State General Fund. This is an all funds decrease of \$689,756, or 4.1 percent, below the approved amount. The State General Fund amount is \$189,409, or 2.7 percent, below the amount approved by the 2012 Legislature, as adjusted by FY 2012 State General Fund reappropriations. The all funds decrease is based primarily on a more current estimate of available federal funding. The request includes 36.0 FTE positions, a decrease of 4.0 FTE positions from the approved amount, partially due to reductions in federal grants and partially due to staffing adjustments within the agency.

The **Governor** recommends FY 2013 operating expenditures of \$16.1 million, including \$6.8 million from the State General Fund. The recommendation is an all funds decrease of \$653,113, or 3.9 percent, and a State General Fund decrease of \$152,766, or 2.2 percent, below the approved amount, as adjusted for reappropriations. The recommendation is an increase of \$36,643, or 0.5 percent, above the amount estimated by the agency. The Governor's recommendation limits the reduction from the approved amount to 3.9 percent. The Governor concurs with the remainder of the agency's revised estimate.

B. FY 2014 Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 14,846,455	\$ 14,898,228	\$	51,773
FTE Positions	34.2	34.2		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ (71,754)	\$ (55,885)		
All Other Funds	(1,127,024)	(1,127,763)		
TOTAL	<u><u>\$ (1,198,778)</u></u>	<u><u>\$ (1,183,648)</u></u>		
<i>Percent Change:</i>				
State General Fund	(1.1) %	(0.8) %		
All Other Funds	(12.2)	(12.2)		
TOTAL	<u><u>(7.5) %</u></u>	<u><u>(7.4) %</u></u>		
Change in FTE Positions	(1.8)	(1.8)		

The **agency** requests operating expenditures of \$14.8 million, including \$6.7 million from the State General Fund for FY 2014. The all funds request is a decrease of \$1.2 million, or 7.5 percent, below the revised current year estimate. The State General Fund amount is a decrease of \$71,754, or 1.1 percent, below the revised FY 2013 estimate. Most of the all funds decrease is the result of reduced federal funding. The request includes 34.2 FTE positions, a decrease of 1.8 FTE positions below the revised current year estimate, primarily due to staffing adjustments which the agency indicates better reflect the actual operations of the agency.

- **Salaries and Wages.** The agency requests \$2.6 million for salaries and wages for FY 2014, a decrease of \$9,635 below the revised current year amount. Most of the adjustments reflect position adjustments requested by the agency.
- **Contractual Services.** The agency requests \$454,383 for contractual services for FY 2014, a decrease of \$119,794, or 20.9 percent, below the FY 2013 revised request. A reduction of \$122,352 in fees for professional services (based on one-time expenditures in FY 2013 that are not budgeted for FY 2014), are partially offset by increases in other contractual services.
- **Commodities.** The agency requests \$55,666 for commodities for FY 2014, an increase of \$1,043, or 1.9 percent, above the revised current year estimate. Most of the increase is for stationary and office supplies.

- **Aid to Local Units.** The agency requests \$1.3 million for aid to local units for FY 2014, a decrease of \$135,059, or 9.5 percent, below the revised FY 2013 request. Most of the decrease is the result of reductions in federal Byrne Grant funding.
- **Other Assistance.** The agency requests \$10.4 million for other assistance for FY 2014, a decrease of \$935,333, or 8.2 percent, below the revised current year estimate. Most of the decrease is due to funding totaling \$650,000, recommended by the Legislature in FY 2013 for domestic violence prevention programs and child advocacy centers, which is not requested for FY 2014. In addition, federal funding for selected grants has also been reduced for FY 2014.

The **Governor** recommends FY 2014 operating expenditures totaling \$14.9 million, including \$6.8 million from the State General Fund. The recommendation is an all funds decrease of \$1.2 million, or 7.4 percent, and a State General Fund decrease of \$55,885, or 0.8 percent, below the revised current year recommendation. The recommendation is an increase of \$51,773, or 0.3 percent, and a State General Fund increase of \$52,512, or 0.8 percent, above the amount requested by the agency, and is based on the same percentage growth in expenditures from the higher expenditure amount recommended by the Governor for FY 2013. In addition, the Governor recommends the decrease of \$2,927, including \$2,188 from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

Enhancements Detail

The agency does not request any enhancements for FY 2014.

FY 2014 Reduced Resources

The **agency** was not required to submit reduced resources as part of its budget submission.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 14,170,419	\$ (727,809)
FTE Positions	0.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 1,511	
All Other Funds	(729,320)	
TOTAL	<u>\$ (727,809)</u>	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	(9.0)	
TOTAL	<u>(4.9) %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$14.2 million, including \$6.8 million from the State General Fund. The recommendation is an all funds decrease of \$727,809, or 4.9 percent below, the FY 2014 recommendation. The recommendations is a State General Fund increase of \$1,511, or less than 0.1 percent, above the FY 2014 recommendation. The Governor's recommendation decreases other assistance expenditures by \$602,128, or 5.8 percent, and assumes a 10.0 percent reduction in federal funding. Increases of \$4,028, or 0.1 percent (for Kansas Public Employees Retirement System employer contribution rate changes, and longevity adjustments) are partially offset by a decrease of \$1,500 in capital outlay, reflecting one time expenditures in FY 2014 not budgeted to repeat in FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.6 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$480, all from the State General Fund, and FY 2015 longevity payments total \$520, all from the State General Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

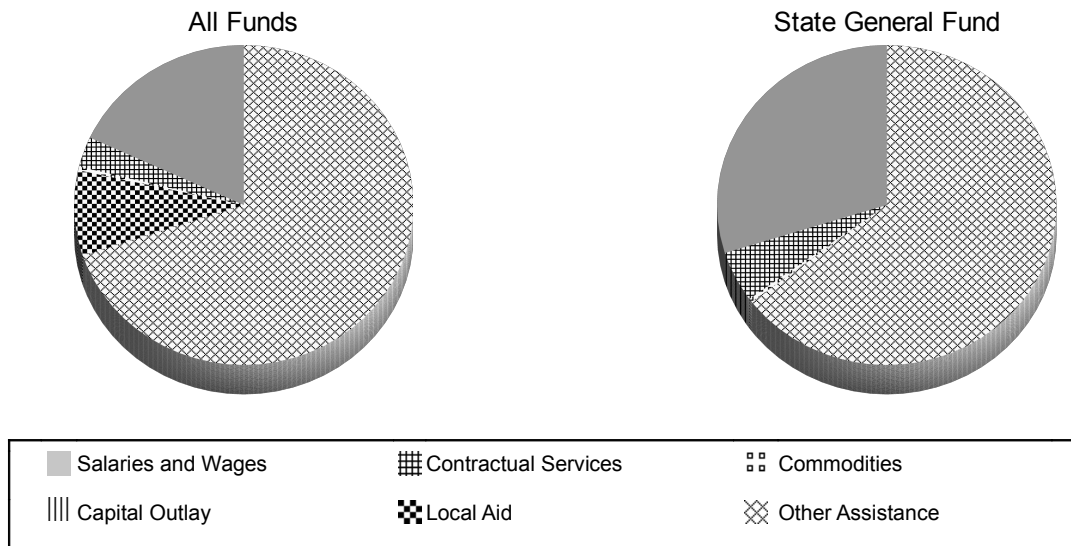
Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	45.4 %	45.6 %
Federal Funds	53.9	53.7
Special Revenue Funds	0.7	0.7
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

PROGRAM DETAIL

Expenditures by Major Object

Governor's FY 2014 Recommendation



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Salaries and Wages	\$ 2,693,843	18.1 %	\$ 2,027,072	29.9 %
Contractual Services	454,383	3.0	348,751	5.1
Commodities	55,666	0.4	23,571	0.3
Capital Outlay	1,500	0.0	1,500	0.0
Local Aid	1,282,093	8.6	0	0.0
Other Assistance	10,410,743	69.9	4,389,453	64.6
TOTAL	\$ 14,898,228	100.0 %	\$ 6,790,347	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	39.0	36.0	36.0	34.2	34.2	34.2
TOTAL	39.0	36.0	36.0	34.2	34.2	34.2

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014

There are no performance measures for this agency.

OFFICE OF THE LIEUTENANT GOVERNOR

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 180,551	\$ 169,677	\$ 173,147	\$ 170,083	\$ 173,428	\$ 173,739
Other Funds	0	0	0	0	0	0
TOTAL	\$ 180,551	\$ 169,677	\$ 173,147	\$ 170,083	\$ 173,428	\$ 173,739
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 180,551	\$ 169,677	\$ 173,147	\$ 170,083	\$ 173,428	\$ 173,739

Operating Expenditures Percentage Changes

State General Fund	(9.9) %	(6.0) %	(4.1) %	0.2 %	0.2 %	0.2 %
All Funds	(9.9)	(6.0)	(4.1)	0.2	0.2	0.2

FTE Positions	3.0	2.7	2.7	2.7	2.7	2.7
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	3.0	2.7	2.7	2.7	2.7	2.7

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

The *Kansas Constitution* provides for the popular election of the Lieutenant Governor. Since 1974, the Governor and Lieutenant Governor have been elected jointly to four-year terms. All duties of the Lieutenant Governor are assigned by the Governor. In addition, the Lieutenant Governor succeeds to the Office of the Governor in the event that the office becomes vacant. The Lieutenant Governor is, by statute, a member of the State Elections Board and may concurrently serve as a cabinet officer or department head.

MAJOR ISSUES FROM PRIOR YEARS

The **2003 Legislature** authorized the Lieutenant Governor to establish an official hospitality account, with the limitation to be determined, within existing budgeted resources, at the discretion of the Lieutenant Governor.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 revised expenditures of \$169,677, all from the State General Fund, a reduction of \$12,583, or 6.9 percent, below the amount approved by the 2012 Legislature, as adjusted by reappropriations. Most of the net

reduction (\$12,796) is in salaries and wages, and reflects the fact that a portion of the salaries of both the Lieutenant Governor and the Chief of Staff are being paid from other agencies, as those individuals work on special projects as assigned by the Governor. An additional reduction is requested in commodities (\$992, primarily for stationery and office supplies). The reductions are partially offset by an increase of \$1,472 in contractual services, mainly for additional requested travel expenditures. There is a net reduction of 0.3 FTE positions, to more accurately reflect the actual staffing patterns of the Lieutenant Governor's office.

The **Governor** recommends FY 2013 operating expenditures of \$173,147, all from the State General Fund. The recommendation is a decrease of \$9,113, or 5.0 percent, below the approved amount, as adjusted for reappropriations. The recommendation is an increase of \$3,470, or 2.0 percent, above the amount estimated by the agency. The Governor's recommendation limits the reduction from the approved amount to 5.0 percent. The Governor concurs with the remainder of the agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures totaling \$170,083, all from the State General Fund, an increase of \$406, or 0.2 percent, above the revised FY 2013 amount. Most of the increase (\$355) is for the employer contribution to the Kansas Public Employees Retirement System. A total of 2.7 FTE positions are requested for FY 2014, the same number as included in the revised FY 2013 estimate.

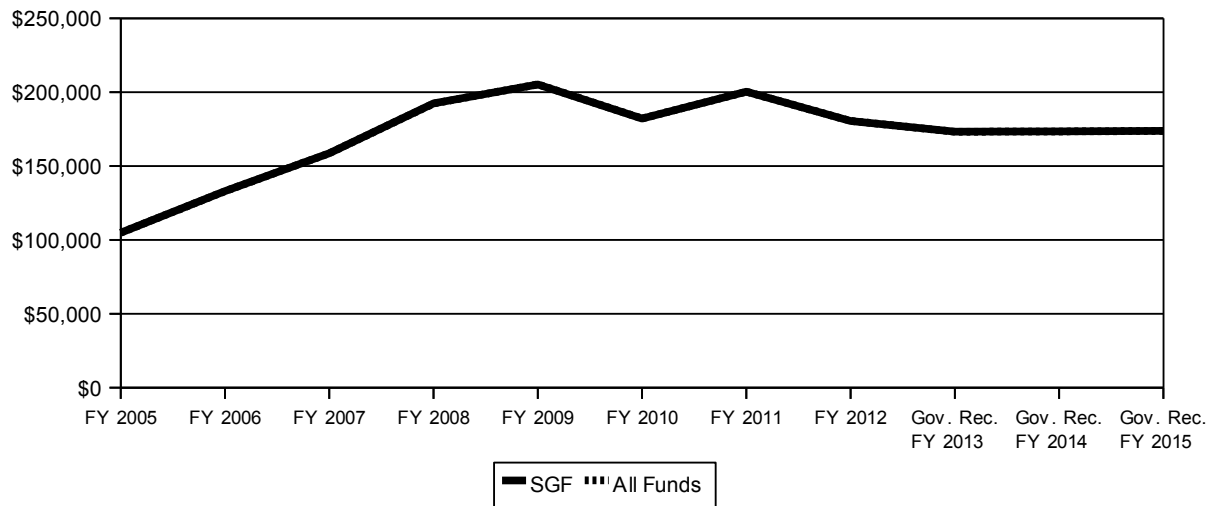
The **Governor** recommends FY 2014 operating expenditures totaling \$173,428, all from the State General Fund, an increase of \$281, or 0.2 percent, above the revised current year recommendation. The recommendation is an increase of \$3,345, or 2.0 percent, above the amount requested by the agency, and is based on the same percentage growth in expenditures from the higher expenditure amount recommended by the Governor for FY 2013. In addition, the Governor recommends the decrease of \$165, all from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability rate employer contribution from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$173,739, all from the State General Fund, for the agency for FY 2015. The recommendation is an increase of \$311, or 0.2 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System rate for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	
2005	\$ 104,832	(11.0)%	\$ 104,832	(11.0)%	3.0
2006	132,929	26.8	132,929	26.8	3.0
2007	158,606	19.3	158,606	19.3	3.0
2008	192,292	21.2	192,292	21.2	3.5
2009	205,251	6.7	205,251	6.7	3.5
2010	182,164	(11.2)	182,164	(11.2)	3.5
2011	200,279	9.9	200,279	9.9	3.0
2012	180,551	(9.9)	180,551	(9.9)	3.0
2013 Gov. Rec.	173,147	(4.1)	173,147	(4.1)	2.7
2014 Gov. Rec.	173,428	0.2	173,428	0.2	2.7
2015 Gov. Rec.	173,739	0.2	173,739	0.2	2.7
Eleven-Year Change					
Dollars/Percent	\$ 68,907	65.7 %	\$ 68,907	65.7 %	(0.3)

Summary of Operating Budget FY 2012 - FY 2014

	Actual 2012	Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 180,551	\$ 169,677	\$ 170,083	\$ 406	0.2 %	\$ 173,147	\$ 173,428	\$ 281	0.2 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 158,373	\$ 153,605	\$ 154,018	\$ 413	0.3 %	\$ 157,075	\$ 157,363	\$ 288	0.2 %
Contractual Services	21,964	15,972	15,965	(7)	(0.0)	15,972	15,965	(7)	(0.0)
Commodities	214	100	100	0	0.0	100	100	0	0.0
Capital Outlay	0	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 180,551	\$ 169,677	\$ 170,083	\$ 406	0.2 %	\$ 173,147	\$ 173,428	\$ 281	0.2 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	\$ 180,551	\$ 169,677	\$ 170,083	\$ 406	0.2 %	\$ 173,147	\$ 173,428	\$ 281	0.2 %
Financing:									
State General Fund	\$ 180,551	\$ 169,677	\$ 170,083	\$ 406	0.2 %	\$ 173,147	\$ 173,428	\$ 281	0.2 %
All Other Funds	0	0	0	0	--	0	0	0	--
TOTAL	\$ 180,551	\$ 169,677	\$ 170,083	\$ 406	0.2 %	\$ 173,147	\$ 173,428	\$ 281	0.2 %

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	170,083	173,428	173,739	311	0.2
TOTAL	\$ 170,083	\$ 173,428	\$ 173,739	\$ 311	0.2 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 154,018	\$ 157,363	\$ 157,674	\$ 311	0.2 %
Contractual Services	15,965	15,965	15,965	0	0.0
Commodities	100	100	100	0	0.0
Capital Outlay	0	0	0	0	--
Subtotal - Operations	\$ 170,083	\$ 173,428	\$ 173,739	\$ 311	0.2 %
Aid to Local Units	0	0	0	0	--
Other Assistance	0	0	0	0	--
TOTAL	\$ 170,083	\$ 173,428	\$ 173,739	\$ 311	0.2 %
Financing:					
State General Fund	\$ 170,083	\$ 173,428	\$ 173,739	\$ 311	0.2 %
All Other Funds	0	0	0	0	--
TOTAL	\$ 170,083	\$ 173,428	\$ 173,739	\$ 311	0.2 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$181,993 for the Office of the Lieutenant Governor in FY 2013. 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:

- An increase of \$267, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013.

This adjustment changes the FY 2013 approved State General Fund amount to \$182,260. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 182,260	\$ 169,677	\$ (12,583)	\$ 173,147	\$ (9,113)
All Other Funds	0	0	0	0	0
TOTAL	<u>\$ 182,260</u>	<u>\$ 169,677</u>	<u>\$ (12,583)</u>	<u>\$ 173,147</u>	<u>\$ (9,113)</u>
FTE Positions	3.0	2.7	(0.3)	2.7	(0.3)

The **agency** estimates FY 2013 revised expenditures of \$169,677, all from the State General Fund, a reduction of \$12,583, or 6.9 percent, below the amount approved by the 2012 Legislature, as adjusted by reappropriations. Most of the net reduction (\$12,796) is in salaries and wages, and reflects that a portion of the salaries of both the Lieutenant Governor and the Chief of Staff are being paid from other agencies, as those individuals work on special projects as assigned by the Governor. An additional reduction is requested in commodities (\$992, primarily for stationery and office supplies). The reductions are partially offset by an increase of \$1,472 in contractual services, mainly for additional requested travel expenditures. There is a net reduction of 0.3 FTE positions, to more accurately reflect the actual staffing patterns of the Lieutenant Governor's office.

The **Governor** recommends FY 2013 operating expenditures of \$173,147, all from the State General Fund. The recommendation is a decrease of \$9,113, or 5.0 percent, below the approved amount, as adjusted for reappropriations. The recommendation is an increase of \$3,470, or 2.0 percent, above the amount estimated by the agency. The Governor's recommendation limits the reduction from the approved amount to 5.0 percent. The Governor concurs with the remainder of the agency's revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 170,083	\$ 173,428	\$	3,345
FTE Positions	2.7	2.7		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 406	\$ 281		
All Other Funds	0	0		
TOTAL	\$ 406	\$ 281		
<i>Percent Change:</i>				
State General Fund	0.2 %	0.2 %		
All Other Funds	--	--		
TOTAL	0.2 %	0.2 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 operating expenditures totaling \$170,083, all from the State General Fund, an increase of \$406, or 0.2 percent, above the revised FY 2013 amount. Most of the increase (\$355) is for the employer contribution to the Kansas Public Employees Retirement System. A total of 2.7 FTE positions are requested for FY 2014, the same number as included in the revised FY 2013 estimate.

The **Governor** recommends FY 2014 operating expenditures totaling \$173,428, all from the State General Fund, an increase of \$281, or 0.2 percent, above the revised current year recommendation. The recommendation is an increase of \$3,345, or 2.0 percent, above the amount requested by the agency, and is based on the same percentage growth in expenditures from the higher expenditure amount recommended by the Governor for FY 2013. In addition, the Governor recommends the decrease of \$165, all from the State General Fund, to reflect the recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request.

Enhancements Detail

The agency does not request any enhancements.

FY 2014 Reduced Resources

The agency was not required to include any reduced resources in its budget submission.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 173,739	\$ 311
FTE Positions	2.7	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 311	
All Other Funds	0	
TOTAL	<u>\$ 311</u>	
<i>Percent Change:</i>		
State General Fund	0.2 %	
All Other Funds	0.0	
TOTAL	<u>0.2 %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$173,739, all from the State General Fund, for the agency for FY 2015. The recommendation is an increase of \$311, or 0.2 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System rate for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, no employees are eligible for longevity bonus payments.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	100.0 %	100.0 %
All Other Funds	0.0	0.0
TOTAL	100.0 %	100.0 %

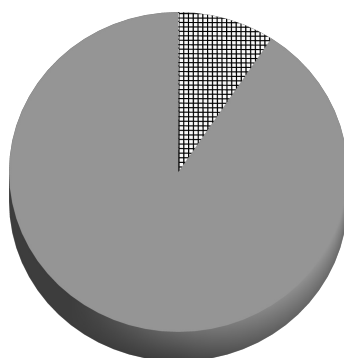
Note: Percentages may not add due to rounding.

PROGRAM DETAIL

Expenditures by Object

Governor's FY 2014 Recommendation

State General Fund



Salaries and Wages Contractual Services Commodities

Object of Expenditure	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Salaries and Wages	\$ 157,363	90.7 %	\$ 154,018	90.6 %
Contractual Services	15,965	9.2	15,965	9.4
Commodities	100	0.1	100	0.1
TOTAL	\$ 173,428	100.0 %	\$ 170,083	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	3.0	2.7	2.7	2.7	2.7	2.7

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014

There are no performance measures for this agency.

SECRETARY OF STATE

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 0	\$ 77,000	\$ 77,000	\$ 0	\$ 0	\$ 0
Other Funds	6,044,624	6,247,943	6,247,943	6,141,596	6,138,368	6,159,901
TOTAL	\$ 6,044,624	\$ 6,324,943	\$ 6,324,943	\$ 6,141,596	\$ 6,138,368	\$ 6,159,901
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 6,044,624	\$ 6,324,943	\$ 6,324,943	\$ 6,141,596	\$ 6,138,368	\$ 6,159,901

Operating Expenditures Percentage Change

State General Fund	0.0 %	100.0 %	100.0 %	(100.0) %	(100.0) %	0.0 %
All Funds	(13.6)	4.6	4.6	(2.9)	(2.9)	0.4

FTE Positions	51.0	50.0	50.0	50.0	50.0	50.0
Non-FTE Pos.*	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL	51.5	50.5	50.5	50.5	50.5	50.5

*Non-FTE Permanent Unclassified Positions

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** appropriated \$80,064 from the State General Fund in FY 2007 and added 1.0 FTE position to implement provisions of 2006 Senate Substitute for House Bill 2928, which allows persons attempting to escape from actual or threatened domestic violence, sexual assault, or stalking, to obtain a confidential address designated by the Secretary of State's office to be used as a substitute mailing address. The Legislature appropriated start-up funding from the State General Fund for the new responsibilities, but intended that funding in future years would be provided from special revenue funds.

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 **2008 Legislature** added \$55,477, all from the State General Fund, in FY 2008 to provide matching funds for \$1.1 million in federal Help America Vote Act (HAVA) funds made available to the agency.

The **2009 Legislature** made one-time transfers to the State General Fund in FY 2010 from three special revenue funds: the Uniform Commercial Code Fee Fund (\$141,300); the Information Services and Technology Fee Fund (\$27,475); and the Technology Communication Fee Fund (\$20,881).

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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** requests a revised FY 2013 operating budget totaling \$6.3 million, all from special revenue funds. This is an decrease of \$399,245, or 5.9 percent, below the amount approved by the 2012 Legislature. The revised request includes 50.0 FTE positions, a decrease of 1.0 FTE positions from the number approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised estimate of FY 2013 expenditures.

FY 2014 – Budget Year. The **agency** requests a FY 2014 operating budget of \$6.1 million, a decrease of \$183,347 or 2.9 percent, below the revised current year request. Increases in salaries and wages (\$22,085), and commodities (\$21,430), are offset by decreases in contractual services (\$202,352) and capital outlay (\$21,430). The request includes 50.0 FTE positions, the same as the revised FY 2013 estimate.

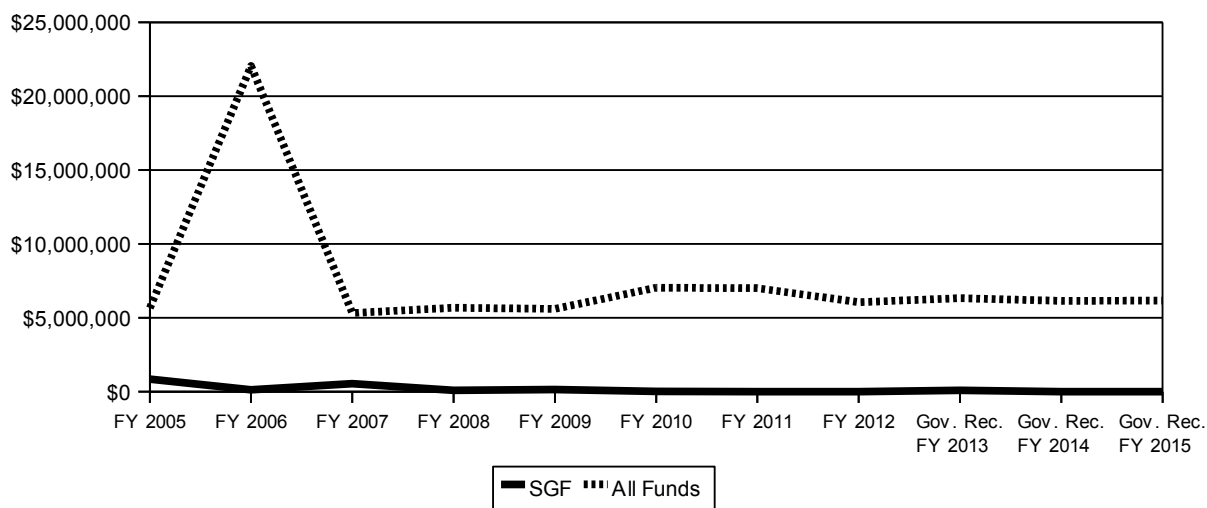
The **Governor** recommends a total operating budget of \$6.1 million for FY 2014, a decrease of \$186,575, or 2.9 percent, below the revised current year recommendation. The Governor concurs with the agency's request, with the exception of a decrease of \$3,228, all from special revenue funds, reflecting the Governor's recommendation to reduce the FY 2014 Kansas Public Employees Retirement System death and disability employer contribution rate from 1.0 percent to 0.85 percent.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a total of \$6.2 million, all from special revenue funds, for the agency for FY 2015. The recommendation is an increase of \$21,533, or 0.4 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System rate for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



- FY 2006 expenditure increase is due to expenditures under the federal Help America Vote act

OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 836,591	(48.7)%	\$ 5,656,571	54.4 %	54.0
2006	114,292	(86.3)	22,041,398	289.7	54.0
2007	528,432	362.4	5,313,473	(75.9)	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 Gov. Rec.	77,000	--	6,324,943	4.6	50.0
2014 Gov. Rec.	0	(100.0)	6,138,368	(2.9)	50.0
2015 Gov. Rec.	0	--	6,159,901	0.4	50.0
Eleven-Year Change					
Dollars/Percent	\$ (836,591)	(100.0)%	\$ 503,330	8.9 %	(4.0)

Summary of Operating Budget FY 2012 - FY 2014

Secretary of State

		Agency Request					Governor's Recommendation			
		Actual 2012	Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:										
Administration	\$	2,649,708	\$ 2,705,435	\$ 2,744,185	\$ 38,750	1.4 %	\$ 2,705,435	\$ 2,742,058	\$ 36,623	1.4 %
Business Services		715,258	956,711	965,229	8,518	0.9	956,711	964,430	7,719	0.8
Elections and Legislative Matters		514,376	623,052	541,484	(81,568)	(13.1)	623,052	541,182	(81,870)	(13.1)
Help America Vote Act		2,165,282	2,039,745	1,890,698	(149,047)	(7.3)	2,039,745	1,890,698	(149,047)	(7.3)
TOTAL	\$	6,044,624	\$ 6,324,943	\$ 6,141,596	\$ (183,347)	(2.9) %	\$ 6,324,943	\$ 6,138,368	\$ (186,575)	(2.9) %
By Major Object of Expenditure:										
Salaries and Wages	\$	2,817,911	\$ 3,034,014	\$ 3,056,099	\$ 22,085	0.7 %	\$ 3,034,014	\$ 3,052,871	\$ 18,857	0.6 %
Contractual Services		2,189,626	2,304,924	2,102,572	(202,352)	(8.8)	2,304,924	2,102,572	(202,352)	(8.8)
Commodities		88,249	97,375	115,725	18,350	18.8	97,375	115,725	18,350	18.8
Capital Outlay		72,660	108,630	87,200	(21,430)	(19.7)	108,630	87,200	(21,430)	(19.7)
Subtotal - Operations	\$	5,168,446	\$ 5,544,943	\$ 5,361,596	\$ (183,347)	(3.3) %	\$ 5,544,943	\$ 5,358,368	\$ (186,575)	(3.4) %
Aid to Local Units		876,178	780,000	780,000	0	0.0	780,000	780,000	0	0.0
Other Assistance		0	0	0	0	--	0	0	0	--
TOTAL	\$	6,044,624	\$ 6,324,943	\$ 6,141,596	\$ (183,347)	(2.9) %	\$ 6,324,943	\$ 6,138,368	\$ (186,575)	(2.9) %
Financing:										
State General Fund	\$	0	\$ 77,000	\$ 0	\$ (77,000)	(100.0) %	\$ 77,000	\$ 0	\$ (77,000)	(100.0) %
All Other Funds		6,044,624	6,247,943	6,141,596	(106,347)	(1.7)	6,247,943	6,138,368	(109,575)	(1.8)
TOTAL	\$	6,044,624	\$ 6,324,943	\$ 6,141,596	\$ (183,347)	(2.9) %	\$ 6,324,943	\$ 6,138,368	\$ (186,575)	(2.9) %

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 2,744,185	\$ 2,742,058	\$ 2,756,247	\$ 14,189	0.5 %
Business Services	965,229	964,430	969,759	5,329	0.6
Elections and Legislative Matters	541,484	541,182	543,197	2,015	0.4
Help America Vote Act	1,890,698	1,890,698	1,890,698	0	0.0
TOTAL	\$ 6,141,596	\$ 6,138,368	\$ 6,159,901	\$ 21,533	0.4 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 3,056,099	\$ 3,052,871	\$ 3,074,404	\$ 21,533	0.7 %
Contractual Services	2,102,572	2,102,572	2,102,572	0	0.0
Commodities	115,725	115,725	115,725	0	0.0
Capital Outlay	87,200	87,200	87,200	0	0.0
Subtotal - Operations	\$ 5,361,596	\$ 5,358,368	\$ 5,379,901	\$ 21,533	0.4 %
Aid to Local Units	780,000	780,000	780,000	0	0.0
Other Assistance	0	0	0	0	--
TOTAL	\$ 6,141,596	\$ 6,138,368	\$ 6,159,901	\$ 21,533	0.4 %
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	--%
All Other Funds	6,141,596	6,138,368	6,159,901	21,533	0.4
TOTAL	\$ 6,141,596	\$ 6,138,368	\$ 6,159,901	\$ 21,533	0.4 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$77,000 for the Secretary of State in FY 2013. No adjustments have subsequently been made to that amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 77,000	\$ 77,000	\$ 0	\$ 77,000	\$ 0
All Other Funds	6,647,188	6,247,943	(399,245)	6,247,943	(399,245)
TOTAL	<u>\$ 6,724,188</u>	<u>\$ 6,324,943</u>	<u>\$ (399,245)</u>	<u>\$ 6,324,943</u>	<u>\$ (399,245)</u>
FTE Positions	51.0	50.0	(1.0)	50.0	(1.0)

The **agency** requests a revised FY 2013 operating budget totaling \$6.3 million, all from special revenue funds. This is a decrease of \$399,245, or 5.9 percent, below the amount approved by the 2012 Legislature. Most of the decrease is in salaries and wages (\$107,531, reflecting the decision to eliminate 1.0 FTE position and make some internal staffing changes that result in lower budgeted salary expenditures) and capital outlay \$198,890, reflecting lower than expected expenditures in the Help America Vote program. The revised request includes 50.0 FTE positions, a decrease of 1.0 FTE positions from the number approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised estimate of FY 2013 expenditures.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 6,141,596	\$ 6,138,368	\$	(3,228)
FTE Positions	50.0	50.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ (77,000)	\$ (77,000)		
All Other Funds	(106,347)	(109,575)		
TOTAL	<u>\$ (183,347)</u>	<u>\$ (186,575)</u>		
<i>Percent Change:</i>				
State General Fund	(100.0) %	(100.0) %		
All Other Funds	(1.7)	(1.8)		
TOTAL	<u>(2.9) %</u>	<u>(2.9) %</u>		
Change in FTE Positions	0.0	0.0		

The **agency** requests a FY 2014 operating budget of \$6.1 million, a decrease of \$183,347, or 2.9 percent, below the revised current year request. Increases in salaries and wages (\$22,085), and commodities (\$18,350), are offset by decreases in contractual services (\$202,352) and capital outlay (\$21,430). The request includes 50.0 FTE positions, the same as the revised FY 2013 estimate. The decrease in contractual services is primarily related to FY 2013 expenditures for the SAFE Act voter education media campaign (\$192,367) that are not budgeted to occur again for FY 2014.

The **Governor** recommends a total operating budget of \$6.1 million for FY 2014, a decrease of \$186,575, or 2.9 percent, below the revised current year recommendation. The Governor concurs with the agency's request, with the exception of a decrease of \$3,228, all from special revenue funds, reflecting the Governor's recommendation to reduce the FY 2014 Kansas Public Employees Retirement System death and disability employer contribution rate from 1.0 percent to 0.85 percent.

Enhancements Detail

The **agency** does not request any enhancements for FY 2014.

FY 2014 Reduced Resources

The **agency** was not required to submit a reduced resources budget.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 6,159,901	\$ 21,533
FTE Positions	0.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	21,533	
TOTAL	<u>\$ 21,533</u>	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	0.4	
TOTAL	<u>0.4 %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a total of \$6.2 million, all from special revenue funds, for the agency for FY 2015. The recommendation is an increase of \$21,533, or 0.4 percent, above the FY 2014 recommendation, reflecting an increase in the Kansas Public Employees Retirement System rate for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, no employees are eligible for longevity bonus payments.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	0.0 %	0.0 %
All Other Funds	100.0	100.0
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Fee Fund Analysis

The agency is funded from nine different special revenue funds, but the majority of the funding is provided from two funds: the Information and Copy Services Fee Fund; and the Technology Communication Fee Fund. The following tables reflect the status of those two funds.

Information and Copy Services Fee Fund

The Information and Copy Services Fee Fund is used to finance agency functions that provide information. Revenues to the fund include fees charged for computer access, diskettes, tapes, certified copies, regular copies, Uniform Commercial Code (UCC) copies, listings, and microfilm.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 757,413	\$ 1,116,027	\$ 1,116,027	\$ 646,120	\$ 646,120
Revenue	2,621,595	2,650,000	2,650,000	2,700,000	2,700,000
Transfers in	0	0	0	0	0
Total Funds Available	\$ 3,379,008	\$ 3,766,027	\$ 3,766,027	\$ 3,346,120	\$ 3,346,120
Less: Expenditures	2,247,957	3,119,907	3,119,907	2,874,962	2,872,774
Transfers Out	0	0	0	0	0
Off Budget Expenditures	15,024	0	0	0	0
Ending Balance	<u>\$ 1,116,027</u>	<u>\$ 646,120</u>	<u>\$ 646,120</u>	<u>\$ 471,158</u>	<u>\$ 473,346</u>
Ending Balance as Percent of Expenditures	49.6%	20.7%	20.7%	16.4%	16.5%
Month Highest Ending Balance	May <u>\$ 1,222,097</u>	July <u>\$ 1,219,718</u>	July <u>\$ 1,219,718</u>	July <u>\$ 647,000</u>	July <u>\$ 647,000</u>
Month Lowest Ending Balance	September <u>\$ 698,928</u>	December <u>\$ 932,852</u>	December <u>\$ 932,852</u>	December <u>\$ 375,000</u>	December <u>\$ 375,000</u>

Technology Communication Fee Fund

The fund is used to support the continuing development of electronic government and business in the State of Kansas.

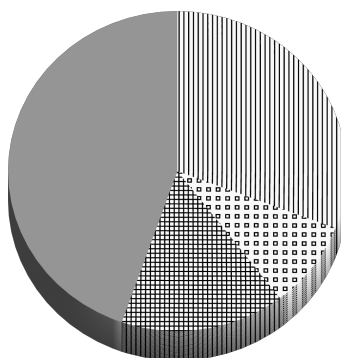
Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 741,294	\$ 371,985	\$ 371,985	\$ 470,425	\$ 470,425
Revenue	960,154	950,000	950,000	950,000	950,000
Transfers in	0	0	0	0	0
Total Funds Available	\$ 1,701,448	\$ 1,321,985	\$ 1,321,985	\$ 1,420,425	\$ 1,420,425
Less: Expenditures	1,329,463	851,560	851,560	951,335	950,437
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 371,985</u>	<u>\$ 470,425</u>	<u>\$ 470,425</u>	<u>\$ 469,090</u>	<u>\$ 469,988</u>
Ending Balance as Percent of Expenditures	28.0%	55.2%	55.2%	49.3%	49.4%
Month Highest Ending Balance	July <u>\$ 972,239</u>	July <u>\$ 531,309</u>	July <u>\$ 531,309</u>	July <u>\$ 470,425</u>	July <u>\$ 470,425</u>
Month Lowest Ending Balance	February <u>\$ 363,334</u>	February <u>\$ 270,000</u>	February <u>\$ 270,000</u>	February <u>\$ 270,000</u>	February <u>\$ 270,000</u>

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



Administration
 Business Services
 Elections and Legislative Matters
 Help America Vote Act

Program	Gov. Rec. All Funds FY 2014	Percent of Total
Administration	\$ 2,742,058	44.7 %
Business Services	964,430	15.7
Elections and Legislative Matters	541,182	8.8
Help America Vote Act	1,890,698	30.8
TOTAL	\$ 6,138,368	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2014

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	34.0	29.0	29.0	29.0	29.0	29.0
Business Services	12.0	16.0	16.0	16.0	16.0	16.0
Elections and Legislative Matters	5.0	5.0	5.0	5.0	5.0	5.0
Help America Vote Act	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	51.0	50.0	50.0	50.0	50.0	50.0

A. Administration

The Administration program provides services for all 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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,964,595	\$ 1,952,682	\$ 1,952,682	\$ 1,967,262	\$ 1,965,135	\$ 1,979,324
Contractual Services	645,308	685,228	685,228	716,323	716,323	716,323
Commodities	35,326	33,325	33,325	34,875	34,875	34,875
Capital Outlay	4,479	34,200	34,200	25,725	25,725	25,725
Subtotal	\$ 2,649,708	\$ 2,705,435	\$ 2,705,435	\$ 2,744,185	\$ 2,742,058	\$ 2,756,247
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 2,649,708	\$ 2,705,435	\$ 2,705,435	\$ 2,744,185	\$ 2,742,058	\$ 2,756,247
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	2,649,708	2,705,435	2,705,435	2,744,185	2,742,058	2,756,247
TOTAL	\$ 2,649,708	\$ 2,705,435	\$ 2,705,435	\$ 2,744,185	\$ 2,742,058	\$ 2,756,247
FTE Positions	34.0	29.0	29.0	29.0	29.0	29.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	34.0	29.0	29.0	29.0	29.0	29.0
*Non-FTE Permanent Unclassified Positions.						

The **agency** requests FY 2014 operating expenditures of \$2.7 million for the division. The request is an increase of \$38,750, or 1.4 percent, above the revised current year estimate. Increases are requested for: salaries and wages (\$14,580, primarily reflecting increases for Kansas Public Employees Retirement System employer contribution increases); contractual services (\$31,095, primarily for printing costs); and commodities (\$1,550, mainly for stationary and office supplies). The increases are partially offset by a decrease of \$8,475 for capital outlay, reflecting one-time equipment purchases in FY 2013 that are not budgeted to repeat for FY 2014.

The **Governor** concurs with the agency's FY 2014 request with the exception of a decrease of \$2,127, all from special revenue funds, reflecting the Governor's recommendation to reduce the FY 2014 Kansas Public Employees Retirement System Death and Disability rate from 1.0 percent to 0.85 percent.

The **Governor** recommends \$2.8 million, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$14,189 to reflect increases in the Kansas Public Employees Retirement System rate for FY 2015.

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.

BUSINESS SERVICES SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 572,769	\$ 780,658	\$ 780,658	\$ 786,116	\$ 785,317	\$ 790,646
Contractual Services	105,718	134,703	134,703	139,113	139,113	139,113
Commodities	15,550	19,350	19,350	19,475	19,475	19,475
Capital Outlay	21,221	22,000	22,000	20,525	20,525	20,525
Subtotal	\$ 715,258	\$ 956,711	\$ 956,711	\$ 965,229	\$ 964,430	\$ 969,759
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 715,258	\$ 956,711	\$ 956,711	\$ 965,229	\$ 964,430	\$ 969,759
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	715,258	956,711	956,711	965,229	964,430	969,759
TOTAL	\$ 715,258	\$ 956,711	\$ 956,711	\$ 965,229	\$ 964,430	\$ 969,759
FTE Positions	12.0	16.0	16.0	16.0	16.0	16.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	12.0	16.0	16.0	16.0	16.0	16.0
*Non-FTE Permanent Unclassified Positions.						

The **agency** requests FY 2014 operating expenditures of \$965,229 for the division, an increase of \$8,518, or 0.9 percent, above the revised FY 2013 amount. Increases requested include: salaries and wages (\$5,458, primarily reflecting increases in Kansas Public Employees Retirement System employer contribution rates); and contractual services (\$4,410, primarily for software and hardware license and maintenance fees). A reduction of \$1,475 in capital outlay reflects one time current year expenditures not budgeted to repeat in FY 2014.

The **Governor** concurs with the agency's FY 2014 request with the exception of a decrease of \$799, all from special revenue funds, reflecting the Governor's recommendation to reduce the FY 2014 Kansas Public Employees Retirement System Death and Disability rate from 1.0 percent to 0.85 percent.

The **Governor** recommends \$969,759, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$5,329 to reflect increases in the Kansas Public Employees Retirement System rate for FY 2015.

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. 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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 280,547	\$ 300,674	\$ 300,674	\$ 302,721	\$ 302,419	\$ 304,434
Contractual Services	185,274	278,128	278,128	198,438	198,438	198,438
Commodities	26,595	23,250	23,250	24,375	24,375	24,375
Capital Outlay	21,960	21,000	21,000	15,950	15,950	15,950
Subtotal	\$ 514,376	\$ 623,052	\$ 623,052	\$ 541,484	\$ 541,182	\$ 543,197
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 514,376	\$ 623,052	\$ 623,052	\$ 541,484	\$ 541,182	\$ 543,197
Financing:						
State General Fund	\$ 0	\$ 77,000	\$ 77,000	\$ 0	\$ 0	\$ 0
All Other Funds	514,376	546,052	546,052	541,484	541,182	543,197
TOTAL	\$ 514,376	\$ 623,052	\$ 623,052	\$ 541,484	\$ 541,182	\$ 543,197
FTE Positions	5.0	5.0	5.0	5.0	5.0	5.0
Non-FTE Pos.*	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL	5.5	5.5	5.5	5.5	5.5	5.5
*Non-FTE Permanent Unclassified Positions.						

The **agency** requests FY 2014 operating expenditures of \$541,484 for the division. The request is a decrease of \$81,568, or 13.1 percent, below the revised current year estimate. Most of the decrease is for contractual services (\$79,690, primarily reflecting expenditures of \$77,000 in the current year for printing a proposed constitutional amendment that will not occur for FY 2014).

The **Governor** concurs with the agency's FY 2014 request with the exception of a decrease of \$302, all from special revenue funds, reflecting the Governor's recommendation to reduce the FY 2014 Kansas Public Employees Retirement System Death and Disability rate from 1.0 percent to 0.85 percent.

The **Governor** recommends \$543,197, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$2,015 to reflect increases in the Kansas Public Employees Retirement System rate for FY 2015.

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	1,253,326	1,206,865	1,206,865	1,048,698	1,048,698	1,048,698
Commodities	10,778	21,450	21,450	37,000	37,000	37,000
Capital Outlay	25,000	31,430	31,430	25,000	25,000	25,000
Subtotal	\$ 1,289,104	\$ 1,259,745	\$ 1,259,745	\$ 1,110,698	\$ 1,110,698	\$ 1,110,698
Aid to Local Units	876,178	780,000	780,000	780,000	780,000	780,000
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 2,165,282	\$ 2,039,745	\$ 2,039,745	\$ 1,890,698	\$ 1,890,698	\$ 1,890,698
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	2,165,282	2,039,745	2,039,745	1,890,698	1,890,698	1,890,698
TOTAL	\$ 2,165,282	\$ 2,039,745	\$ 2,039,745	\$ 1,890,698	\$ 1,890,698	\$ 1,890,698
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	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
Non-FTE Permanent Unclassified Positions.						

The **agency** requests FY 2014 operating expenditures of \$1.9 million for the division. The request is a decrease of \$149,047, or 7.3 percent, below the revised current year estimate. Most of the decrease is the result of one-time expenditures for the SAFE Act voter education media campaign in the current year which are not budgeted to repeat for FY 2014.

The **Governor** concurs with the agency's FY 2014 request.

The **Governor** recommends \$1.9 million, all from special revenue funds, for the program for FY 2015, unchanged from the Governor's FY 2014 recommendation.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Percent of online searchable database for Kansas Administrative Regulations completed	75.0%	75.0%	100.0%	--
Percent of documents filed electronically				
Name reservations	93.0%	92.0%	95.0%	95.0%
Certificates of good standing	93.0%	93.0%	93.0%	93.0%
Name change amendments	44.0%	51.0%	55.0%	60.0%
Articles of formation	68.0%	59.0%	65.0%	70.0%
Annual reports	57.0%	56.0%	60.0%	65.0%
Percent of statements of substantial interest filed online	93.0%	93.0%	93.0%	93.0%
Creation of online storefront for law books	N/A	10.0%	25.0%	50.0%
Implementation of SAFE act	N/A	60.0%	100.0%	--
Percent 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%

OFFICE OF THE STATE TREASURER

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	19,865,615	22,834,139	22,054,139	24,155,335	22,652,389	22,672,667
TOTAL	\$ 19,865,615	\$ 22,834,139	\$ 22,054,139	\$ 24,155,335	\$ 22,652,389	\$ 22,672,667
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 19,865,615	\$ 22,834,139	\$ 22,054,139	\$ 24,155,335	\$ 22,652,389	\$ 22,672,667

Operating Expenditures Percentage Change

State General Fund	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(6.2)	14.9	11.0	5.8	2.7	0.1
FTE Positions	46.5	46.5	46.5	46.5	46.5	46.5
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	46.5	46.5	46.5	46.5	46.5	46.5

*Non-FTE Permanent Unclassified Positions

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 Pooled Money Investment Board (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 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** requests a revised FY 2013 operating budget of \$22.8 million, all from special revenue funds, an increase of \$382,902, or 1.7 percent, above the amount approved by the 2012 Legislature. Most of the increase (\$250,000) is in aid to local units and is for increases in estimated payments under the Tax Increment Financing (TIF) program. In addition, \$175,000 is estimated for increased other assistance payments for increased matching funds for the Kansas Investment Developing Scholars programs, part of the agency's Postsecondary Education Savings program. The increase is partially offset by a decrease of \$42,098 in state operations expenditures. The request includes 46.5 FTE positions, the same as the approved number.

The **Governor** recommends a revised FY 2013 operating budget totaling \$22.1 million, all from special revenue funds, a decrease of \$397,098, or 1.8 percent, below the approved amount. The Governor recommends a decrease of \$780,000 (from \$16.8 million to \$16.0 million) in the agency's estimated payments from the unclaimed property. The Governor concurs with the remainder of the agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$24.2 million, all from special revenue funds, an increase of \$1.3 million, or 5.8 percent, above the revised current year estimate. An increase of \$1.4 million in other assistance (including \$1.2 million for increased unclaimed property payments, and \$130,000 for increased matching payments for the Kansas Investment Developing Scholars programs) are partially offset by a decrease of \$23,895 in state operations expenditures, and a decrease of \$4,909 (0.6 percent) for operations of the Pooled Money Investment Board. The request includes 46.5 FTE positions, unchanged from the revised FY 2013 estimate.

The **Governor** recommends FY 2014 operating expenditures of \$22.7 million, all from special revenue funds, an increase of \$598,250, or 2.7 percent, above the revised FY 2013 recommendation. The recommendation is a decrease of \$1.5 million, or 6.2 percent, below the agency's request. The Governor recommends a decrease of \$1.5 million (from \$18.0 million to \$16.5 million) in the agency's estimate of payments from the unclaimed property fund. In addition, the Governor recommends a decrease of \$2,946 in the agency's salaries and wages budget to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution rate from 1.0 percent to 0.85 percent for FY 2014.

The Governor also does not recommend that the scheduled transfer of \$27.0 million from the State General Fund to the Local *Ad Valorem* Tax Reduction Fund be made for FY 2014.

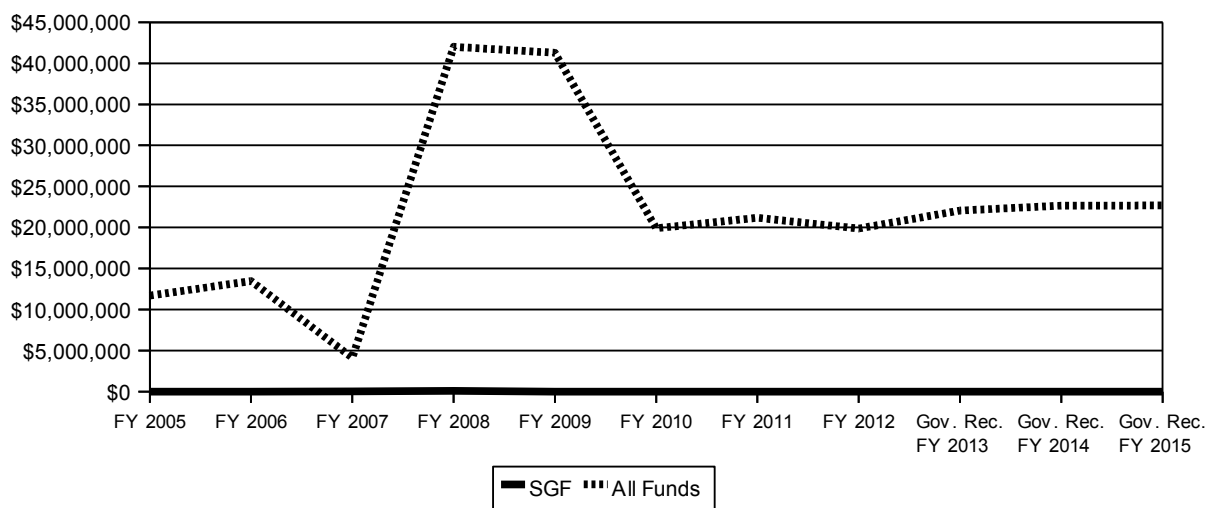
FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget

agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a total of \$22.7 million, all from special revenue funds, for the agency for FY 2015. The recommendation is an increase of \$20,278, or 0.1 percent, above the FY 2014 recommendation, primarily reflecting an increase in the Kansas Public Employees Retirement System rate for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



- 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.

OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 0	--%	\$ 11,694,930	18.9 %	55.5
2006	0	--	13,459,694	15.1	55.5
2007	9,071	--	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 Gov. Rec.	0	--	22,054,139	11.0	46.5
2014 Gov. Rec.	0	--	22,652,389	2.7	46.5
2015 Gov. Rec.	0	--	22,672,667	0.1	46.5
Eleven-Year Change					
Dollars/Percent	\$ 0	--%	\$ 10,977,737	93.9 %	(9.0)

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request					Governor's Recommendation				
Actual 2012		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13		
By Program:											
Administration	\$ 19,140,597	\$ 22,054,792	\$ 23,380,897	\$ 1,326,105	6.0 %	\$ 21,274,792	\$ 21,878,510	\$ 603,718	2.8 %		
Pooled Money											
Investment Board	725,018	779,347	774,438	(4,909)	(0.6)	779,347	773,879	(5,468)	(0.7)		
TOTAL	<u>\$ 19,865,615</u>	<u>\$ 22,834,139</u>	<u>\$ 24,155,335</u>	<u>\$ 1,321,196</u>	<u>5.8 %</u>	<u>\$ 22,054,139</u>	<u>\$ 22,652,389</u>	<u>\$ 598,250</u>	<u>2.7 %</u>		
By Major Object of Expenditure:											
Salaries and Wages	\$ 2,679,121	\$ 2,716,668	\$ 2,737,052	\$ 20,384	0.8 %	\$ 2,716,668	\$ 2,734,106	\$ 17,438	0.6 %		
Contractual Services	1,343,544	1,731,115	1,684,413	(46,702)	(2.7)	1,731,115	1,684,413	(46,702)	(2.7)		
Commodities	50,269	56,016	53,575	(2,441)	(4.4)	56,016	53,575	(2,441)	(4.4)		
Capital Outlay	97,341	75,340	75,295	(45)	(0.1)	75,340	75,295	(45)	(0.1)		
Subtotal - Operations	\$ 4,170,275	\$ 4,579,139	\$ 4,550,335	\$ (28,804)	(0.6) %	\$ 4,579,139	\$ 4,547,389	\$ (31,750)	(0.7) %		
Aid to Local Units	915,169	950,000	950,000	0	0.0	950,000	950,000	0	0.0		
Other Assistance	14,780,171	17,305,000	18,655,000	1,350,000	7.8	16,525,000	17,155,000	630,000	3.8		
TOTAL	<u>\$ 19,865,615</u>	<u>\$ 22,834,139</u>	<u>\$ 24,155,335</u>	<u>\$ 1,321,196</u>	<u>5.8 %</u>	<u>\$ 22,054,139</u>	<u>\$ 22,652,389</u>	<u>\$ 598,250</u>	<u>2.7 %</u>		
Financing:											
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %		
All Other Funds	19,865,615	22,834,139	24,155,335	1,321,196	5.8	22,054,139	22,652,389	598,250	2.7		
TOTAL	<u>\$ 19,865,615</u>	<u>\$ 22,834,139</u>	<u>\$ 24,155,335</u>	<u>\$ 1,321,196</u>	<u>5.8 %</u>	<u>\$ 22,054,139</u>	<u>\$ 22,652,389</u>	<u>\$ 598,250</u>	<u>2.7 %</u>		

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 23,380,897	\$ 21,878,510	\$ 21,895,017	\$ 16,507	0.1 %
Pooled Money Investment Board	774,438	773,879	777,650	3,771	0.5
TOTAL	\$ 24,155,335	\$ 22,652,389	\$ 22,672,667	\$ 20,278	0.1 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 2,737,052	\$ 2,734,106	\$ 2,754,384	\$ 20,278	0.7 %
Contractual Services	1,684,413	1,684,413	1,684,413	0	0.0
Commodities	53,575	53,575	53,575	0	0.0
Capital Outlay	75,295	75,295	75,295	0	0.0
Subtotal - Operations	\$ 4,550,335	\$ 4,547,389	\$ 4,567,667	\$ 20,278	0.4 %
Aid to Local Units	950,000	950,000	950,000	0	0.0
Other Assistance	18,655,000	17,155,000	17,155,000	0	0.0
TOTAL	\$ 24,155,335	\$ 22,652,389	\$ 22,672,667	\$ 20,278	0.1 %
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	--%
All Other Funds	24,155,335	22,652,389	22,672,667	20,278	0.1
TOTAL	\$ 24,155,335	\$ 22,652,389	\$ 22,672,667	\$ 20,278	0.1 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	22,451,237	22,834,139	382,902	22,054,139	(397,098)
TOTAL	\$ 22,451,237	\$ 22,834,139	\$ 382,902	\$ 22,054,139	\$ (397,098)
FTE Positions	46.5	46.5	0.0	46.5	0.0

The **agency** estimates a revised FY 2013 operating budget of \$22.8 million, all from special revenue funds, an increase of \$382,902, or 1.7 percent, above the amount approved by the 2012 Legislature. Most of the increase (\$250,000) is in aid to local units and is for increases in estimated payments under the Tax Increment Financing (TIF) program. In addition, \$175,000 is estimated for increased other assistance payments for increased matching funds for the Kansas Investment Developing Scholars programs, part of the agency's Postsecondary Education Savings program. The increase is partially offset by a decrease of \$42,098 in state operations expenditures. The request includes 46.5 FTE positions, the same as the approved number.

The **Governor** recommends a revised FY 2013 operating budget totaling \$22.1 million, all from special revenue funds, a decrease of \$397,098, or 1.8 percent, below the approved amount. The Governor recommends a decrease of \$780,000 (from \$16.8 million to \$16.0 million) in the agency's estimated payments from the unclaimed property. The Governor concurs with the remainder of the agency's revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 24,155,335	\$ 22,652,389	\$ (1,502,946)
FTE Positions	46.5	46.5	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	1,321,196	598,250	
TOTAL	\$ 1,321,196	\$ 598,250	
<i>Percent Change:</i>			
State General Fund	0.0 %	0.0 %	
All Other Funds	5.8	2.7	
TOTAL	5.8 %	2.7 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2014 operating expenditures of \$24.2 million, all from special revenue funds, an increase of \$1.3 million, or 5.8 percent, above the revised current year estimate. An increase of \$1.4 million in other assistance (including \$1.2 million for increased unclaimed property payments, and \$130,000 for increased matching payments for the Kansas Investment Developing Scholars program) are partially offset by a decrease of \$23,895 in state operations expenditures, and a decrease of \$4,909 (0.6 percent) for operations of the Pooled Money Investment Board. The request includes 46.5 FTE positions, unchanged from the revised FY 2013 estimate.

Although it is not included in the agency's budget submission, 2011 Senate Substitute for HB 2014 provides for a \$27.0 million revenue transfer from the State General Fund to the Local *Ad Valorem* Tax Reduction Fund for FY 2014.

The **Governor** recommends FY 2014 operating expenditures of \$22.7 million, all from special revenue funds, an increase of \$598,250, or 2.7 percent, above the revised FY 2013 recommendation. The recommendation is a decrease of \$1.5 million, or 6.2 percent, below the agency's request. The Governor recommends a decrease of \$1.5 million (from \$18.0 million to \$16.5 million) in the agency's estimate of payments from the unclaimed property fund. In addition, the Governor recommends a decrease of \$2,946 in the agency's salaries and wages budget to reflect the Governor's recommendation to reduce the Kansas Public Employees

Retirement System death and disability employer contribution rate from 1.0 percent to 0.85 percent for FY 2014.

The Governor also does not recommend that the scheduled transfer of \$27.0 million from the State General Fund to the Local *Ad Valorem* Tax Reduction Fund be made for FY 2014.

Enhancements Detail

The agency does not request any enhancements for FY 2014.

FY 2014 Reduced Resources

The agency was not required to submit a reduced resources budget.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 22,672,667	\$ 20,278
FTE Positions	0.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	20,278	
TOTAL	<u>\$ 20,278</u>	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	0.1	
TOTAL	<u>0.1 %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a total of \$22.7 million, all from special revenue funds, for the agency for FY 2015. The recommendation is an increase of \$20,278, or 0.1 percent, above

the FY 2014 recommendation, primarily reflecting an increase in the Kansas Public Employees Retirement System rate for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$5,600, all from special revenue funds, and FY 2015 longevity payments total \$5,680, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERS) Rate Adjustments. The FY 2014 retirement rate for KPERS regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERS fund. In addition, the KPERS death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Source

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	0.0 %	0.0 %
All Other Funds	100.0	100.0
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Fee Fund Analysis

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.

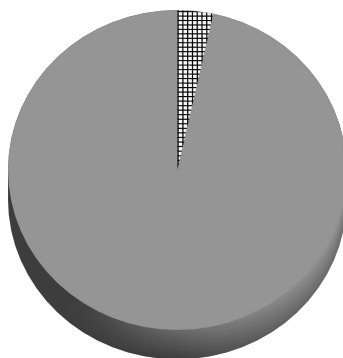
Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 139,564	\$ 320,317	\$ 320,317	\$ 320,317	\$ 320,317
Revenue	1,546,929	1,627,307	1,627,307	1,575,000	1,575,000
Transfers in	0	0	0	0	0
Total Funds Available	\$ 1,686,493	\$ 1,947,624	\$ 1,947,624	\$ 1,895,317	\$ 1,895,317
Less: Expenditures	1,366,176	1,627,307	1,627,307	1,575,000	1,574,135
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 320,317</u>	<u>\$ 320,317</u>	<u>\$ 320,317</u>	<u>\$ 320,317</u>	<u>\$ 321,182</u>
Ending Balance as Percent of Expenditures	23.4%	19.7%	19.7%	20.3%	20.4%
Month Highest Ending Balance	July <u>\$ 1,627,717</u>	July <u>\$ 1,934,779</u>	July <u>\$ 1,934,779</u>	July <u>\$ 1,882,500</u>	July <u>\$ 1,882,500</u>
Month Lowest Ending Balance	June <u>\$ 423,016</u>	June <u>\$ 307,500</u>	June <u>\$ 307,500</u>	June <u>\$ 307,500</u>	June <u>\$ 307,500</u>

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



Administration
 Pooled Money Investment Board

Program	Gov. Rec. All Funds FY 2014	Percent of Total
Administration	\$ 21,878,510	96.6 %
Pooled Money Investment Board	773,879	3.4
TOTAL	\$ 22,652,389	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	40.5	40.5	40.5	40.5	40.5	40.5
Pooled Money Investment Board	6.0	6.0	6.0	6.0	6.0	6.0
TOTAL	46.5	46.5	46.5	46.5	46.5	46.5

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 2,225,002	\$ 2,217,572	\$ 2,217,572	\$ 2,234,044	\$ 2,231,657	\$ 2,248,164
Contractual Services	1,091,407	1,485,584	1,485,584	1,442,588	1,442,588	1,442,588
Commodities	42,540	47,336	47,336	45,000	45,000	45,000
Capital Outlay	86,308	49,300	49,300	54,265	54,265	54,265
Subtotal	\$ 3,445,257	\$ 3,799,792	\$ 3,799,792	\$ 3,775,897	\$ 3,773,510	\$ 3,790,017
Aid to Local Units	915,169	950,000	950,000	950,000	950,000	950,000
Other Assistance	14,780,171	17,305,000	16,525,000	18,655,000	17,155,000	17,155,000
TOTAL	\$ 19,140,597	\$ 22,054,792	\$ 21,274,792	\$ 23,380,897	\$ 21,878,510	\$ 21,895,017
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	19,140,597	22,054,792	21,274,792	23,380,897	21,878,510	21,895,017
TOTAL	\$ 19,140,597	\$ 22,054,792	\$ 21,274,792	\$ 23,380,897	\$ 21,878,510	\$ 21,895,017
FTE Positions	40.5	40.5	40.5	40.5	40.5	40.5
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	40.5	40.5	40.5	40.5	40.5	40.5

*Non-FTE Permanent Unclassified Positions

The **agency** requests a total of \$23.4 million, all from special revenue funds, for the Administration program for FY 2014. This is an increase of \$1.3 million, or 6.0 percent, above the revised current year estimate. Most of the increase is the result of increased estimates for claim payments from the Unclaimed Property Fund (\$1.2 million, or 7.3 percent). Another \$130,000 of the increase is for requested matching payments under the Kansas Investment Developing Scholars program. Requested salaries and wages expenditures increase \$16,472, or 0.7 percent, primarily the result of increased Kansas Public Employees Retirement System employer contribution rates.

The **Governor** recommends a total of \$21.9 million, all from special revenue funds, for the Administration program for FY 2014. This is an increase of \$603,718, or 2.8 percent, above

the revised current year recommendation. The Governor recommends a decrease of \$1.5 million (from \$18.0 million, to \$16.5 million) in the agency's requested payments from the unclaimed property fund, and recommends the decrease of \$2,387 in salaries and wages to reflect the recommendation for a reduction in the Kansas Public Employees Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's FY 2014 request.

The **Governor** recommends \$21.9 million, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$16,507 to reflect increases in the Kansas Public Employees Retirement System rate (\$16,467) and classified longevity pay (\$40) for FY 2015.

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.

Cash Management

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 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:

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. **Although it is not included in the agency's budget submission, 2011 Senate Substitute for HB 2014 provides for a \$27.0 million revenue transfer from the State General Fund to the Local *Ad Valorem* Tax Reduction Fund for FY 2014.**

B. County and City Revenue Sharing Fund. By statute, these payments are a demand transfer from the State General Fund. County and city revenue sharing payments are 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. The Legislature

has occasionally restricted the annual growth. The Governor and the Legislature eliminated the second-half distribution in FY 2003 and eliminated the distribution entirely from FY 2004 through FY 2009. The 2009 Legislature suspended transfers in FY 2010 and FY 2011 in 2009 Senate Sub. for HB 2373. The 2010 Legislature, in 2010 SB 572, suspended transfers for FY 2012. The 2011 Legislature, in 2011 Senate Substitute for HB 2014, suspended transfers for FY 2013.

C. 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 since FY 2009.

D. 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.

E. 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.

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 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.

Postsecondary Education Savings Program

The Postsecondary Education Savings program (Learning Quest Education Savings Program) 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 \$2.17 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.

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 AA+/S1+.

**POOLED MONEY INVESTMENT BOARD
SUMMARY OF EXPENDITURES FY 2012 – FY 2015**

Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 454,119	\$ 506,038	\$ 506,038	\$ 503,008	\$ 502,449	\$ 506,220
Contractual Services	252,137	250,909	250,909	241,825	241,825	241,825
Commodities	7,729	8,000	8,000	8,575	8,575	8,575
Capital Outlay	11,033	14,400	14,400	21,030	21,030	21,030
Subtotal	\$ 725,018	\$ 779,347	\$ 779,347	\$ 774,438	\$ 773,879	\$ 777,650
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 725,018	\$ 779,347	\$ 779,347	\$ 774,438	\$ 773,879	\$ 777,650
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	725,018	779,347	779,347	774,438	773,879	777,650
TOTAL	\$ 725,018	\$ 779,347	\$ 779,347	\$ 774,438	\$ 773,879	\$ 777,650
FTE Positions	6.0	6.0	6.0	6.0	6.0	6.0
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 operating expenditures of \$774,438, all from special revenue funds, for the program. This is a decrease of \$4,909, or 0.6 percent, below the FY 2013 revised estimate. A decrease of \$5,010 for other operating expenditures primarily for capital outlay (reflecting one-time expenditures in FY 2013, which are not budgeted for FY 2014), are partially offset by an increase of \$3,912 for salaries and wages, reflecting increased costs for Kansas Public Employees Retirement System employer contributions.

The **Governor** recommends a total of \$773,879 from special revenue funds, for the program for FY 2014. This is a decrease of \$5,468, or 0.7 percent, below the revised current year recommendation. The Governor recommends a decrease of \$559 in salaries and wages to reflect the recommendation for a reduction in the Kansas Public Employees Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's FY 2014 request.

The **Governor** recommends \$777,650, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$3,771 to reflect increases in the Kansas Public Employees Retirement System rate (\$3,731) and classified longevity pay (\$40) for FY 2015.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Administration:				
New agriculture production loans	30	39	50	50
Administrative cost per item deposited	\$0.279	\$0.0994	\$0.1158	\$0.1168
Annual number of checks presented	1,227,187	1,614,283	1,600,000	1,500,000
Percent of items received by 2:30 pm deposited the same day	N/A	100.0%	100.0%	100.0%
Number of bondholder accounts maintained	32,036	32,038	32,040	32,045
Value of unclaimed property receipts to State General Fund (in millions)	\$28.4	\$29.0	\$25.0	\$25.0
Number of unclaimed property claims approved	69,266	69,208	64,700	77,500
Total number of postsecondary education savings accounts (cumulative)	150,590	162,119	170,000	179,000
Total new dollars deposited (in millions) in postsecondary education savings accounts	\$426.3	\$428.1	\$430.0	\$451.0
Pooled Money Investment Board:				
Interest earned on the idle portfolio: all funds (in millions)	\$19.3	\$12.3	\$10.6	\$10.1
Standard and Poor's rating of PMIB	AAAf/S1+	AAAf/S1+	AAAf/S1+	AAAf/S1+
Yield on idle portfolios in excess of average yield of comparable U.S. Treasury mutual funds	(0.10%)	0.05%	0.05%	0.05%

KANSAS INSURANCE DEPARTMENT

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	24,834,805	29,977,277	29,977,277	29,976,950	29,967,973	30,028,614
TOTAL	\$ 24,834,805	\$ 29,977,277	\$ 29,977,277	\$ 29,976,950	\$ 29,967,973	\$ 30,028,614
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	420,924	95,000	95,000	95,000	95,000	95,000
TOTAL	\$ 420,924	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000
GRAND TOTAL	\$ 25,255,729	\$ 30,072,277	\$ 30,072,277	\$ 30,071,950	\$ 30,062,973	\$ 30,123,614

Operating Expenditures Percentage Change

State General Fund	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	1.1	20.7	20.7	(0.0)	(0.0)	0.2

FTE Positions	122.4	122.4	122.4	122.4	122.4	122.4
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

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. With the submission of its FY 2013 budget request, the Insurance Department has 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 upwards of \$118 million in State General Fund revenues.

MAJOR ISSUES FROM PRIOR YEARS

The **2002 Legislature** authorized the transfer of \$7.0 million from the Workers Compensation Fund to the State General Fund in FY 2003.

The **2003 Legislature** approved the transfer of the Senior Health Insurance Counseling of Kansas (SHICK) program from the Insurance Department to the Department on Aging. A total of 4.5 FTE positions associated with the program were also transferred.

The **2003 Legislature** also authorized the transfer of \$4.0 million from the Workers Compensation Fund to the State General Fund. The transfer was to be repaid from the State General Fund in equal installments over four years starting in FY 2007.

The **2004 and 2005 Legislatures** each authorized transfers from the Insurance Department Service Regulation Fund to the State General Fund: \$1 million in FY 2004, \$1 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 \$3.4 million for the State General Fund in FY 2010.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** requests a revised FY 2013 operating budget of \$30.0 million, all from special revenue funds, a net decrease of \$1.1 million, or 3.4 percent, below the amount approved by the 2012 Legislature. Most of the decrease is the result of lower than anticipated contractual services expenditures for data processing services, and lower than anticipated expenditures from the Workers Compensation Fee Fund. The revised estimate includes 122.4 FTE positions, the same number as approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised current year request.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$30.0 million, all from special revenue funds, a decrease of \$327, or less than 0.1 percent, below the revised current year estimate. The request includes 122.4 FTE positions, the same as the revised current year estimate.

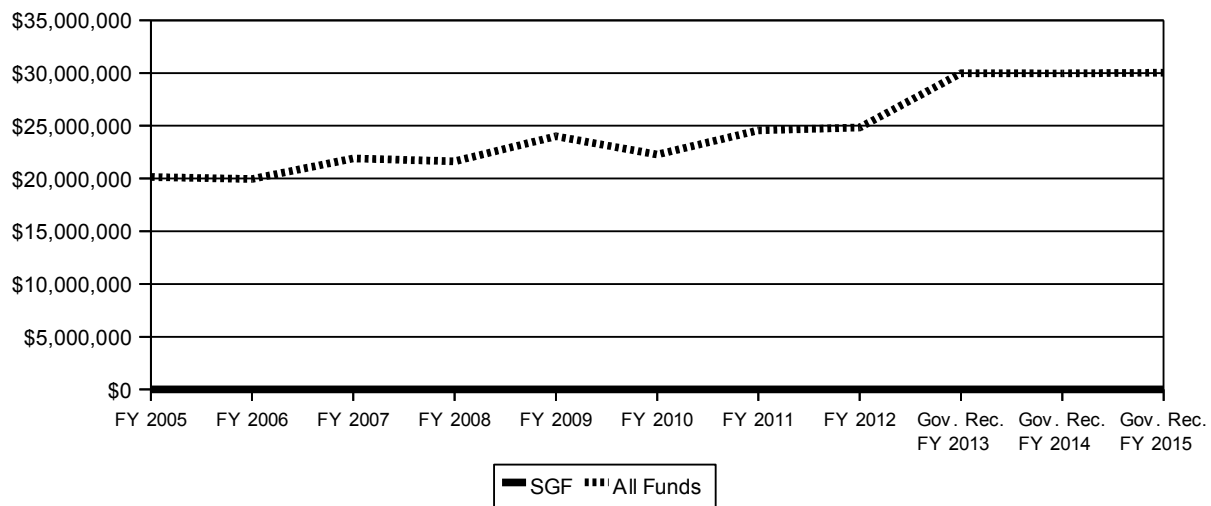
The **Governor** recommends a total of \$30.0 million, all from special revenue funds, for the agency for FY 2014. This is a decrease of \$9,304 or less than 0.1 percent, below the revised current year recommendation. The Governor recommends a decrease of \$8,977 in salaries in salaries and wages from the agency's request to reflect the recommendation for a reduction in the Kansas Public Employees Retirement System death and disability insurance employer contribution rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's FY 2014 request.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a total of \$30.0 million, all from special revenue funds, for the agency for FY 2015. The recommendation is an increase of \$60,641, or 0.2 percent, above the FY 2014 recommendation, primarily reflecting an increase in the Kansas Public Employees Retirement System rate for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 0	--%	\$ 20,139,567	2.9 %	146.7
2006	0	--	19,954,626	(0.9)	143.0
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 Gov. Rec.	0	--	29,977,277	20.7	122.4
2014 Gov. Rec.	0	--	29,967,973	(0.0)	122.4
2015 Gov. Rec.	0	--	30,028,614	0.2	122.4
Eleven-Year Change					
Dollars/Percent	\$ 0	--%	\$ 9,889,047	49.1 %	(24.3)

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request				Governor's Recommendation			
Actual 2012		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Financial Surveillance	\$ 1,617,657	\$ 1,771,027	\$ 1,790,555	\$ 19,528	1.1 %	\$ 1,771,027	\$ 1,788,776	\$ 17,749	1.0 %
General Administration	4,841,740	5,286,840	5319093	32,253	0.6	5,286,840	5,314,375	27,535	0.5
Producers Division	558,201	569,009	572,821	3,812	0.7	569,009	572,287	3,278	0.6
Property and Casualty	780,659	737,771	742,475	4,704	0.6	737,771	741,790	4,019	0.5
Firefighters' Relief	10,653,842	10,384,734	10,385,664	930	0.0	10,384,734	10,385,529	795	0.0
Workers Compensation	4,693,363	10,088,735	10,090,345	1,610	0.0	10,088,735	10,090,111	1,376	0.0
Accident and Health	1,317,225	776,950	711,364	(65,586)	(8.4)	776,950	710,824	(66,126)	(8.5)
Life Division	365,393	362,211	364,633	2,422	0.7	362,211	364,281	2,070	0.6
Debt Service Interest	6,725	0	0	0	--	0	0	0	--
TOTAL	\$ 24,834,805	\$ 29,977,277	\$ 29,976,950	\$ (327)	(0.0) %	\$ 29,977,277	\$ 29,967,973	\$ (9,304)	(0.0) %
By Major Object of Expenditure:									
Salaries and Wages	\$ 7,775,278	\$ 8,397,808	\$ 8,459,460	\$ 61,652	0.7 %	\$ 8,397,808	\$ 8,450,483	\$ 52,675	0.6 %
Contractual Services	3,306,321	3,309,176	3,247,847	(61,329)	(1.9)	3,309,176	3,247,847	(61,329)	(1.9)
Commodities	380,282	359,293	357,993	(1,300)	(0.4)	359,293	357,993	(1,300)	(0.4)
Capital Outlay	143,159	151,000	151,650	650	0.4	151,000	151,650	650	0.4
Debt Service Interest	6,725	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 11,611,765	\$ 12,217,277	\$ 12,216,950	\$ (327)	(0.0) %	\$ 12,217,277	\$ 12,207,973	\$ (9,304)	(0.1) %
Aid to Local Units	10,555,190	10,250,000	10,250,000	0	0.0	10,250,000	10,250,000	0	0.0
Other Assistance	2,667,850	7,510,000	7,510,000	0	0.0	7,510,000	7,510,000	0	0.0
TOTAL	\$ 24,834,805	\$ 29,977,277	\$ 29,976,950	\$ (327)	(0.0) %	\$ 29,977,277	\$ 29,967,973	\$ (9,304)	(0.0) %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
All Other Funds	24,834,805	29,977,277	29,976,950	(327)	(0.0)	29,977,277	29,967,973	(9,304)	(0.0)
TOTAL	\$ 24,834,805	\$ 29,977,277	\$ 29,976,950	\$ (327)	(0.0) %	\$ 29,977,277	\$ 29,967,973	\$ (9,304)	(0.0) %

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Financial Surveillance	\$ 1,790,555	\$ 1,788,776	\$ 1,800,767	\$ 11,991	0.7 %
General Administration	531,909	531,437	534,618	3,189	0.6
Producers Division	572,821	572,287	576,005	3,718	0.6
Property and Casualty	742,475	741,790	746,404	4,614	0.6
Firefighters' Relief	10,385,664	10,385,529	10,386,442	913	0.0
Workers Compensation	10,090,345	10,090,111	10,091,690	1,579	0.0
Accident and Health	711,364	710,824	714,466	3,642	0.5
Life Division	364,633	364,281	366,656	2,375	0.7
Debt Service Interest	0	0	0	0	--
TOTAL	\$ 29,976,950	\$ 29,967,973	\$ 30,028,614	\$ 60,641	0.2 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 8,459,460	\$ 8,450,483	\$ 8,511,124	\$ 60,641	0.7 %
Contractual Services	3,247,847	3,247,847	3,247,847	0	0.0
Commodities	357,993	357,993	357,993	0	0.0
Capital Outlay	151,650	151,650	151,650	0	0.0
Debt Service Interest	0	0	0	0	--
Subtotal - Operations	\$ 12,216,950	\$ 12,207,973	\$ 12,268,614	\$ 60,641	0.5 %
Aid to Local Units	10,250,000	10,250,000	10,250,000	0	0.0
Other Assistance	7,510,000	7,510,000	7,510,000	0	0.0
TOTAL	\$ 29,976,950	\$ 29,967,973	\$ 30,028,614	\$ 60,641	0.2 %
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	--%
All Other Funds	29,976,950	29,967,973	30,028,614	60,641	0.2
TOTAL	\$ 29,976,950	\$ 29,967,973	\$ 30,028,614	\$ 60,641	0.2 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	31,043,977	29,977,277	(1,066,700)	29,977,277	(1,066,700)
TOTAL	<u>\$ 31,043,977</u>	<u>\$ 29,977,277</u>	<u>\$ (1,066,700)</u>	<u>\$ 29,977,277</u>	<u>\$ (1,066,700)</u>
FTE Positions	122.4	122.4	0.0	122.4	0.0

The **agency** requests a revised FY 2013 operating budget of \$30.0 million, all from special revenue funds, a net decrease of \$1.1 million, or 3.4 percent, below the amount approved by the 2012 Legislature. Most of the decrease is the result of lower than anticipated contractual services expenditures for data processing services and lower than anticipated payments from the Workers Compensation Fund. The revised estimate includes 122.4 FTE positions, the same number as approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised FY 2013 request.

B. FY 2014– Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 29,976,950	\$ 29,967,973	\$	(8,977)
FTE Positions	122.4	122.4		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 0	\$ 0		
All Other Funds	(327)	(9,304)		
TOTAL	<u>\$ (327)</u>	<u>\$ (9,304)</u>		
<i>Percent Change:</i>				
State General Fund	0.0 %	0.0 %		
All Other Funds	(0.0)	(0.0)		
TOTAL	<u>(0.0) %</u>	<u>(0.0) %</u>		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 operating expenditures of \$30.0 million, all from special revenue funds, a net decrease of \$327, or less than 0.1 percent, below the revised FY 2013 estimate. An increase of \$61,652 in salaries and wages, largely reflecting increased employer contributions under the Kansas Public Employees Retirement System, are partially offset by a reduction of \$61,329 in contractual services, largely reflecting one time expenditures in FY 2013 that are not budgeted to repeat for FY 2014. A decrease of \$1,300 in commodities, primarily for stationery and office supplies, is partially offset by an increase of \$650 for capital outlay. The request includes 122.4 FTE positions, the same as requested for FY 2013.

The **Governor** recommends a total of \$30.0 million, all from special revenue funds, for the agency for FY 2014. This is a decrease of \$9,304 or less than 0.1 percent, below the revised current year recommendation. The Governor recommends a decrease of \$8,977 in salaries in salaries and wages from the agency's request to reflect the recommendation for a reduction in the Kansas Public Employees Retirement System death and disability insurance employer contribution rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's FY 2014 request.

Enhancements Detail

The **agency** does not request any enhancements.

FY 2014 Reduced Resources

The **agency** was not required to submit a reduced resources budget.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 30,028,614	\$ 60,641
FTE Positions	122.4	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	60,641	
TOTAL	<u>\$ 60,641</u>	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	0.2	
TOTAL	<u>0.2 %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a total of \$30.0 million, all from special revenue funds, for the agency for FY 2015. The recommendation is an increase of \$60,641, or 0.2 percent, above the FY 2014 recommendation, primarily reflecting an increase in the Kansas Public Employees Retirement System rate for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$4,160, all from special revenue funds, and FY 2015 longevity payments total \$4,280, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	0.0 %	0.0 %
All Other Funds	100.0	100.0
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Fee Fund Analysis-Insurance Company Examination Fee Fund

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

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 72,998	\$ 81,219	\$ 81,219	\$ 51,887	\$ 51,887
Revenue	594,662	900,000	900,000	900,000	900,000
Transfers in	0	0	0	0	0
Total Funds Available	\$ 667,660	\$ 981,219	\$ 981,219	\$ 951,887	\$ 951,887
Less: Expenditures	586,441	929,332	929,332	939,178	938,182
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 81,219</u>	<u>\$ 51,887</u>	<u>\$ 51,887</u>	<u>\$ 12,709</u>	<u>\$ 13,705</u>
Ending Balance as Percent of Expenditures	13.8%	5.6%	5.6%	1.4%	1.5%
Month Highest Ending Balance	January <u>\$ 89,743</u>	December <u>\$ 96,003</u>	December <u>\$ 96,003</u>	December <u>\$ 92,000</u>	December <u>\$ 92,000</u>
Month Lowest Ending Balance	April <u>\$ 54,535</u>	April <u>\$ 54,000</u>	April <u>\$ 54,000</u>	April <u>\$ 54,000</u>	April <u>\$ 54,000</u>

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 is funded by the 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 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 15,088,177	\$ 19,272,987	\$ 19,272,987	\$ 23,563,670	\$ 23,563,670
Revenue	12,662,432	12,731,500	12,731,500	12,731,500	12,731,500
Transfers in	101,401	80,633	80,633	97,500	97,500
Total Funds Available	\$ 27,852,010	\$ 32,085,120	\$ 32,085,120	\$ 36,392,670	\$ 36,392,670
Less: Expenditures	8,382,642	8,377,977	8,377,977	8,455,863	8,448,251
Transfers Out	196,381	143,473	143,473	118,500	118,500
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 19,272,987</u>	<u>\$ 23,563,670</u>	<u>\$ 23,563,670</u>	<u>\$ 27,818,307</u>	<u>\$ 27,825,919</u>
Ending Balance as Percent of Expenditures	229.9%	281.3%	281.3%	329.0%	329.4%
Month Highest Ending Balance	June <u>\$ 19,931,924</u>	June <u>\$ 20,000,000</u>	June <u>\$ 20,000,000</u>	June <u>\$ 20,000,000</u>	June <u>\$ 20,000,000</u>
Month Lowest Ending Balance	December \$ 13,154,332	December \$ 17,768,553	December \$ 17,768,553	December \$ 18,000,000	December \$ 18,000,000

Fee Fund Analysis-Workers Compensation Fee 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 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 9,071,471	\$ 9,885,567	\$ 9,885,567	\$ 5,396,832	\$ 5,396,832
Revenue	5,473,171	5,600,000	5,600,000	5,600,000	5,600,000
Transfers in	0	13,655,000	13,655,000	9,529,600	9,529,600
Total Funds Available	\$ 14,544,642	\$ 29,140,567	\$ 29,140,567	\$ 20,526,432	\$ 20,526,432
Less: Expenditures	4,659,075	10,088,735	10,088,735	10,090,345	10,090,111
Transfers Out	0	13,655,000	13,655,000	9,529,600	9,529,600
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 9,885,567</u>	<u>\$ 5,396,832</u>	<u>\$ 5,396,832</u>	<u>\$ 906,487</u>	<u>\$ 906,721</u>
Ending Balance as Percent of Expenditures	212.2%	53.5%	53.5%	9.0%	9.0%
Month Highest Ending Balance	July <u>\$ 10,492,441</u>	July <u>\$ 9,715,752</u>	July <u>\$ 9,715,752</u>	July <u>\$ 7,500,000</u>	July <u>\$ 7,500,000</u>
Month Lowest Ending Balance	May <u>\$ 7,091,430</u>	May <u>\$ 6,000,000</u>	May <u>\$ 6,000,000</u>	May <u>\$ 5,000,000</u>	May <u>\$ 5,000,000</u>

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.

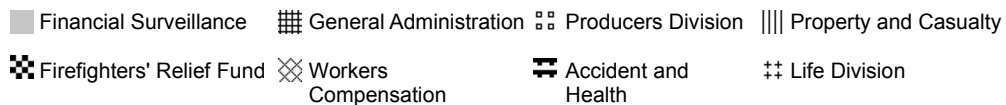
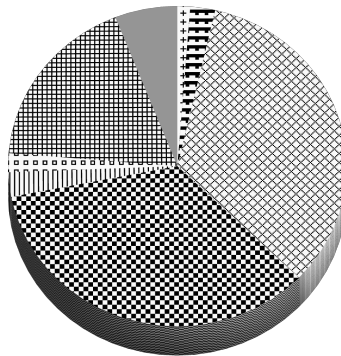
Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 868,372	\$ 1,383,601	\$ 1,383,601	\$ 2,301,167	\$ 2,301,167
Revenue	11,158,794	11,302,300	11,302,300	11,302,300	11,302,300
Transfers in	0	225,000	225,000	135,000	135,000
Total Funds Available	\$ 12,027,166	\$ 12,910,901	\$ 12,910,901	\$ 13,738,467	\$ 13,738,467
Less: Expenditures	10,643,565	10,384,734	10,384,734	10,385,664	10,385,529
Transfers Out	0	225,000	225,000	135,000	135,000
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 1,383,601</u>	<u>\$ 2,301,167</u>	<u>\$ 2,301,167</u>	<u>\$ 3,217,803</u>	<u>\$ 3,217,938</u>
Ending Balance as Percent of Expenditures	13.0%	22.2%	22.2%	31.0%	31.0%
Month Highest Ending Balance	June <u>\$ 1,863,675</u>	June <u>\$ 1,000,000</u>	June <u>\$ 1,000,000</u>	June <u>\$ 1,000,000</u>	June <u>\$ 1,000,000</u>
Month Lowest Ending Balance	May <u>\$ 449,962</u>	May <u>\$ 1,000,000</u>	May <u>\$ 1,000,000</u>	May <u>\$ 1,000,000</u>	May <u>\$ 1,000,000</u>

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



Program	Gov. Rec. All Funds FY 2014	Percent of Total
Financial Surveillance	\$ 1,788,776	6.0 %
General Administration	5,314,375	17.7
Producers Division	572,287	1.9
Property and Casualty	741,790	2.5
Firefighters' Relief	10,385,529	34.7
Workers Compensation	10,090,111	33.7
Accident and Health	710,824	2.4
Life Division	364,281	1.2
TOTAL	<u>\$ 29,967,973</u>	<u>100.0 %</u>

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015						
Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Financial Surveillance	19.0	19.0	19.0	19.0	19.0	19.0
General Administration	62.2	64.9	64.9	64.9	64.9	64.9
Producers Division	9.0	9.0	9.0	9.0	9.0	9.0
Property and Casualty	12.0	12.0	12.0	12.0	12.0	12.0
Firefighters' Relief	2.9	2.0	2.0	2.0	2.0	2.0
Workers Compensation	4.8	3.0	3.0	3.0	3.0	3.0
Accident and Health	7.5	7.5	7.5	7.5	7.5	7.5
Life Division	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL	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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,411,626	\$ 1,568,427	\$ 1,568,427	\$ 1,580,655	\$ 1,578,876	\$ 1,590,867
Contractual Services	183,362	178,350	178,350	185,050	185,050	185,050
Commodities	5,745	6,250	6,250	6,400	6,400	6,400
Capital Outlay	16,924	18,000	18,000	18,450	18,450	18,450
Subtotal	\$ 1,617,657	\$ 1,771,027	\$ 1,771,027	\$ 1,790,555	\$ 1,788,776	\$ 1,800,767
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 1,617,657	\$ 1,771,027	\$ 1,771,027	\$ 1,790,555	\$ 1,788,776	\$ 1,800,767
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,617,657	1,771,027	1,771,027	1,790,555	1,788,776	1,800,767
TOTAL	\$ 1,617,657	\$ 1,771,027	\$ 1,771,027	\$ 1,790,555	\$ 1,788,776	\$ 1,800,767
FTE Positions	19.0	19.0	19.0	19.0	19.0	19.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	19.0	19.0	19.0	19.0	19.0	19.0

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 expenditures of \$1,790,555, all from special revenue funds, for FY 2014, an increase of \$19,528, or 1.1 percent, above the revised current year estimate. Most of the increase is for salaries and wages (\$12,228, primarily for increased

KPERS employer contribution costs) and contractual services (\$6,700, primarily for travel and subsistence).

The **Governor** recommends a total of \$1.8 million, all from special revenue funds, for the program for FY 2014. This is an increase of \$17,749 or 1.0 percent, above the revised current year recommendation. The Governor recommends a decrease of \$1,779 in salaries and wages from the agency's request to reflect the recommendation for a reduction in the Kansas Public Employees Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's FY 2014 request.

The **Governor** recommends \$1.8 million, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$11,991 to reflect increases in the Kansas Public Employees Retirement System rate (\$11,872) and workers compensation rates (\$119) for FY 2015.

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.

GENERAL ADMINISTRATION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 4,116,236	\$ 4,525,640	\$ 4,525,640	\$ 4,557,893	\$ 4,553,175	\$ 4,584,984
Contractual Services	548,044	605,000	605,000	605,000	605,000	605,000
Commodities	83,457	52,000	52,000	52,000	52,000	52,000
Capital Outlay	89,003	94,200	94,200	94,200	94,200	94,200
Subtotal	\$ 4,836,740	\$ 5,276,840	\$ 5,276,840	\$ 5,309,093	\$ 5,304,375	\$ 5,336,184
Aid to Local Units	0	0	0	0	0	0
Other Assistance	5,000	10,000	10,000	10,000	10,000	10,000
TOTAL	\$ 4,841,740	\$ 5,286,840	\$ 5,286,840	\$ 5,319,093	\$ 5,314,375	\$ 5,346,184
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	4,841,740	5,286,840	5,286,840	5,319,093	5,314,375	5,346,184
TOTAL	\$ 4,841,740	\$ 5,286,840	\$ 5,286,840	\$ 5,319,093	\$ 5,314,375	\$ 5,346,184
FTE Positions	62.2	64.9	64.9	64.9	64.9	64.9
Non-FTE Pos.*	3.5	3.6	3.6	3.6	3.6	3.6
TOTAL	65.7	68.5	68.5	68.5	68.5	68.5
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 operating expenditures of \$5.3 million, all from special revenue funds, for the program, an increase of \$32,253, or 0.6 percent, above the revised current year estimate. The entire increase is in salaries and wages and primarily reflects increased KPERS employer contribution expenditures.

The **Governor** recommends a total of \$5.3 million, all from special revenue funds, for the program for FY 2014. This is an increase of \$27,535, or 0.5 percent, above the revised current year recommendation. The Governor recommends a decrease of \$4,718 in salaries and wages from the agency's request to reflect the recommendation for a reduction in the Kansas Public Employees Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's FY 2014 request.

The **Governor** recommends \$5.3 million, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$31,809 to reflect increases in the Kansas Public Employees Retirement System rate (\$31,475) and workers compensation rates (\$334) for FY 2015.

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 491,509	\$ 499,659	\$ 499,659	\$ 503,471	\$ 502,937	\$ 506,655
Contractual Services	56,029	58,050	58,050	58,050	58,050	58,050
Commodities	2,765	3,300	3,300	3,300	3,300	3,300
Capital Outlay	7,898	8,000	8,000	8,000	8,000	8,000
Subtotal	\$ 558,201	\$ 569,009	\$ 569,009	\$ 572,821	\$ 572,287	\$ 576,005
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 558,201	\$ 569,009	\$ 569,009	\$ 572,821	\$ 572,287	\$ 576,005
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	558,201	569,009	569,009	572,821	572,287	576,005
TOTAL	\$ 558,201	\$ 569,009	\$ 569,009	\$ 572,821	\$ 572,287	\$ 576,005
FTE Positions	9.0	9.0	9.0	9.0	9.0	9.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	9.0	9.0	9.0	9.0	9.0	9.0

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 operating expenditures of \$572,821, all from special revenue funds, an increase of \$3,812, or 0.7 percent, above the revised current year estimate. The increase is entirely in salaries and wages and primarily reflects increased KPERS employer contribution costs.

The **Governor** recommends a total of \$572,287, all from special revenue funds, for the program for FY 2014. This is an increase of \$3,278, or 0.6 percent, above the revised current year recommendation. The Governor recommends a decrease of \$534 in salaries in salaries

and wages from the agency's request to reflect the recommendation for a reduction in the Kansas Public Employees Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's FY 2014 request.

The **Governor** recommends \$576,005, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$3,718 to reflect increases in classified longevity (\$120), the Kansas Public Employees Retirement System rate (\$3,562) and workers compensation rates (\$36) for FY 2015.

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 686,867	\$ 636,701	\$ 636,701	\$ 641,405	\$ 640,720	\$ 645,334
Contractual Services	78,721	84,670	84,670	84,670	84,670	84,670
Commodities	3,789	3,900	3,900	3,900	3,900	3,900
Capital Outlay	11,282	12,500	12,500	12,500	12,500	12,500
Subtotal	\$ 780,659	\$ 737,771	\$ 737,771	\$ 742,475	\$ 741,790	\$ 746,404
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 780,659	\$ 737,771	\$ 737,771	\$ 742,475	\$ 741,790	\$ 746,404
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	780,659	737,771	737,771	742,475	741,790	746,404
TOTAL	\$ 780,659	\$ 737,771	\$ 737,771	\$ 742,475	\$ 741,790	\$ 746,404
FTE Positions	12.0	12.0	12.0	12.0	12.0	12.0
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 operating expenditures of \$742,475, all from special revenue funds, for the program, an increase of \$4,704, or 0.6 percent, above the revised current year estimate. The increase is entirely in salaries and wages and primarily reflects increased KPERS employer contribution costs.

The **Governor** recommends a total of \$741,790, all from special revenue funds, for the program for FY 2014. This is an increase of \$4,019, or 0.5 percent, above the revised current year recommendation. The Governor recommends a decrease of \$685 in salaries and wages from the agency's request to reflect the recommendation for a reduction in the Kansas Public Employees Retirement System death and disability insurance rate from 1.0 percent to 0.85

percent for FY 2014. The Governor concurs with the remainder of the agency's FY 2014 request.

The **Governor** recommends \$746,404, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$4,614 to reflect increases in the Kansas Public Employees Retirement System rate (\$4,568) and workers compensation rates (\$46) for FY 2015.

E. Firefighters' Relief Fund

The Firefighters' Relief Fund Division administers the Firefighters' Relief Act as they apply 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 FUND SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 80,199	\$ 114,534	\$ 114,534	\$ 115,464	\$ 115,329	\$ 116,242
Contractual Services	16,892	18,000	18,000	18,000	18,000	18,000
Commodities	433	900	900	900	900	900
Capital Outlay	1,128	1,300	1,300	1,300	1,300	1,300
Subtotal	\$ 98,652	\$ 134,734	\$ 134,734	\$ 135,664	\$ 135,529	\$ 136,442
Aid to Local Units	10,555,190	10,250,000	10,250,000	10,250,000	10,250,000	10,250,000
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 10,653,842	\$ 10,384,734	\$ 10,384,734	\$ 10,385,664	\$ 10,385,529	\$ 10,386,442
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	10,653,842	10,384,734	10,384,734	10,385,664	10,385,664	10,386,442
TOTAL	\$ 10,653,842	\$ 10,384,734	\$ 10,384,734	\$ 10,385,664	\$ 10,385,664	\$ 10,386,442
FTE Positions	2.9	2.0	2.0	2.0	2.0	2.0
Non-FTE Pos.*	0.1	0.0	0.0	0.0	0.0	0.0
TOTAL	3.0	2.0	2.0	2.0	2.0	2.0
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 operating expenditures of \$10.4 million, all from special revenue funds, for the program, an increase of \$930, or less than 0.1 percent, above the revised current year estimate. The request is entirely in salaries and wages and primarily reflects increased KPERS employer contribution costs.

The **Governor** recommends a total of \$10.4 million, all from special revenue funds, for the program for FY 2014. This is an increase of \$795, or less than 0.1 percent, above the revised current year recommendation. The Governor recommends a decrease of \$135 in salaries in salaries and wages from the agency's request to reflect the recommendation for a reduction in the Kansas Public Employees Retirement System death and disability insurance

rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's FY 2014 request.

The **Governor** recommends \$10.4 million, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$913 to reflect increases in the Kansas Public Employees Retirement System rate (\$904) and workers compensation rates (\$9) for FY 2015.

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 167,852	\$ 210,250	\$ 210,250	\$ 211,860	\$ 211,626	\$ 213,205
Contractual Services	1,588,930	2,091,392	2,091,392	2,091,392	2,091,392	2,091,392
Commodities	269,218	282,093	282,093	282,093	282,093	282,093
Capital Outlay	4,513	5,000	5,000	5,000	5,000	5,000
Subtotal	\$ 2,030,513	\$ 2,588,735	\$ 2,588,735	\$ 2,590,345	\$ 2,590,111	\$ 2,591,690
Aid to Local Units	0	0	0	0	0	0
Other Assistance	2,662,850	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
TOTAL	\$ 4,693,363	\$ 10,088,735	\$ 10,088,735	\$ 10,090,345	\$ 10,090,111	\$ 10,091,690
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	4,693,363	10,088,735	10,088,735	10,090,345	10,090,111	10,091,690
TOTAL	\$ 4,693,363	\$ 10,088,735	\$ 10,088,735	\$ 10,090,345	\$ 10,090,111	\$ 10,091,690
FTE Positions	4.8	3.0	3.0	3.0	3.0	3.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	4.8	3.0	3.0	3.0	3.0	3.0

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 expenditures of \$10.1 million, all from special revenue funds, for the program, an increase of 1,610, or less than 0.1 percent, above the revised current year estimate. The entire increase is for salaries and wages and primarily reflects increased KPERS employer contribution expenditures.

The **Governor** recommends a total of \$10.1 million, all from special revenue funds, for the program for FY 2014. This is an increase of \$1,376, or less than 0.1 percent, above the revised current year recommendation. The Governor recommends a decrease of \$234 in salaries in salaries and wages from the agency's request to reflect the recommendation for a reduction in the Kansas Public Employees Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's FY 2014 request.

The **Governor** recommends \$10.1 million, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$1,579 to reflect increases in the Kansas Public Employees Retirement System rate (\$1,563) and workers compensation rates (\$16) for FY 2015.

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 laws and regulations.

ACCIDENT AND HEALTH SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 494,703	\$ 521,386	\$ 521,386	\$ 525,079	\$ 524,539	\$ 528,181
Contractual Services	801,264	238,714	238,714	170,685	170,685	170,685
Commodities	13,360	8,850	8,850	7,400	7,400	7,400
Capital Outlay	7,898	8,000	8,000	8,200	8,200	8,200
Subtotal	\$ 1,317,225	\$ 776,950	\$ 776,950	\$ 711,364	\$ 710,824	\$ 714,466
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 1,317,225	\$ 776,950	\$ 776,950	\$ 711,364	\$ 710,824	\$ 714,466
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,317,225	776,950	776,950	711,364	710,824	714,466
TOTAL	\$ 1,317,225	\$ 776,950	\$ 776,950	\$ 711,364	\$ 710,824	\$ 714,466
FTE Positions	7.5	7.5	7.5	7.5	7.5	7.5
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	7.5	7.5	7.5	7.5	7.5	7.5

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 expenditures of \$711,364, all from special revenue funds, for the program, a decrease of \$65,586, or 8.4 percent, below the revised current year estimate. Most of the decrease (\$68,029, or a 28.5 percent decrease) is in contractual services and reflects reductions in data processing fees. The decrease is partially offset by an increase of \$3,693, or 0.7 percent, in salaries and wages, primarily reflecting increased KPERS employer contribution costs.

The **Governor** recommends a total of \$710,824, all from special revenue funds, for the program for FY 2014. This is a decrease of \$66,126, or 8.5 percent, below the revised current year recommendation. The Governor recommends a decrease of \$540 in salaries and wages from the agency's request to reflect the recommendation for a reduction in the Kansas Public Employees Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's FY 2014 request.

The **Governor** recommends \$714,466, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by

\$3,642 to reflect increases in the Kansas Public Employees Retirement System rate (\$3,604) and workers compensation rates (\$38) for FY 2015.

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 326,286	\$ 321,211	\$ 321,211	\$ 323,633	\$ 323,281	\$ 325,656
Contractual Services	33,079	35,000	35,000	35,000	35,000	35,000
Commodities	1,515	2,000	2,000	2,000	2,000	2,000
Capital Outlay	4,513	4,000	4,000	4,000	4,000	4,000
Subtotal	\$ 365,393	\$ 362,211	\$ 362,211	\$ 364,633	\$ 364,281	\$ 366,656
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 365,393	\$ 362,211	\$ 362,211	\$ 364,633	\$ 364,281	\$ 366,656
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	365,393	362,211	362,211	364,633	364,281	366,656
TOTAL	\$ 365,393	\$ 362,211	\$ 362,211	\$ 364,633	\$ 364,281	\$ 366,656
FTE Positions	5.0	5.0	5.0	5.0	5.0	5.0
Non-FTE Pos.*	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
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 expenditures of \$364,633, all from special revenue funds, for the program, an increase of 2,422, or 0.7 percent, above the revised current year estimate. The entire increase is in salaries and wages and primarily reflects increased KPERS employer contribution costs.

The **Governor** recommends a total of \$364,281, all from special revenue funds, for the program for FY 2014. This is an increase of \$2,070, or 0.6 percent, above the revised current year recommendation. The Governor recommends a decrease of \$352 in salaries and wages from the agency's request to reflect the recommendation for a reduction in the Kansas Public Employees Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's FY 2014 request.

The **Governor** recommends \$366,656, all from special revenue funds, for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$2,375 to reflect increases in the Kansas Public Employees Retirement System rate (\$2,351) and workers compensation rates (\$24) for FY 2015.

CAPITAL IMPROVEMENTS

CAPITAL IMPROVEMENTS					
Project	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Rehabilitation and Repair	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	95,000	95,000	95,000	95,000	95,000
TOTAL	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000	\$ 95,000

FY 2013 – Current Year. The **agency** requests a revised current year budget of \$95,000, all from special revenue funds, for capital improvements in FY 2013. The amount is requested to provide ongoing routine maintenance to the agency's building.

The **Governor** concurs with the agency's revised estimate of FY 2013 expenditures.

FY 2014 – Budget Year. The **agency** requests a total of \$95,000, all from special revenue funds, for capital improvements for FY 2014. The amount is requested to provide ongoing, routine maintenance to the agency's building.

The **Governor** concurs with agency's FY 2014 request.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends \$95,000, all from special revenue funds, for capital improvements for FY 2015. The amount is recommended to provide ongoing, routine maintenance to the agency's building.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Number of domestic insurance company annual statements examined	62	65	65	65
Number of domestic insurance company examinations performed	N/A	12	11	11
Number of companies monitored	83	87	89	89
Number of insurance company insolvencies	N/A	4	4	4
Number of companies authorized to write accident and health policies in Kansas	N/A	941	945	950
Workers Compensation				
Number of active cases	3,750	3,852	3,855	3,855
Number of cases opened	115	116	115	115
Number of cases closed	50	74	70	70
Firefighters Relief				
Number of applications for organizations received	2	2	1	1
Number of applications for mergers of associations received	2	3	3	3
Number of associations' financial statements received	550	578	570	580
Percent of associations' financial statements reviewed	100.00%	100.00%	100.00%	100.10%

ATTORNEY GENERAL

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 1,614,246	\$ 5,552,929	\$ 5,554,929	\$ 5,391,463	\$ 5,386,274	\$ 5,421,822
Other Funds	20,453,315	14,609,057	14,704,057	14,266,662	14,262,186	14,292,640
TOTAL	\$ 22,067,561	\$ 20,161,986	\$ 20,258,986	\$ 19,658,125	\$ 19,648,460	\$ 19,714,462
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 22,067,561	\$ 20,161,986	\$ 20,258,986	\$ 19,658,125	\$ 19,648,460	\$ 19,714,462

Operating Expenditures Percentage Change

State General Fund	(39.0) %	244.0 %	244.1 %	(2.9) %	(3.0) %	0.7 %
All Funds	12.8	(8.6)	(8.2)	(2.5)	(3.0)	0.3

FTE Positions	106.5	115.0	115.0	117.0	117.0	117.0
Non-FTE Pos.*	12.0	13.5	13.5	13.5	13.5	13.5
TOTAL	118.5	128.5	128.5	130.5	130.5	130.5

*Non-FTE Permanent Unclassified Positions

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 divisions: Administrative Services; Criminal Litigation; Legal Opinions and Government Counsel, Consumer Protection; Civil Litigation; Crime Victims Compensation Board; Victim Services; and Medicaid Fraud and Abuse.

MAJOR ISSUES FROM PRIOR YEARS

In the second half of **FY 2002**, six victims rights programs were removed from the Office of the Attorney General and transferred to the Office of the Governor. Other victims right programs remain under the jurisdiction of the Attorney General, as well as the statutory position of Victims Rights Coordinator whose duties include administering the Crime Victims Assistance Fund.

In **May of 2005**, Kansas received \$34.6 million from Colorado for damages and interest related to water litigation.

The **2006 Legislature** appropriated \$122,000 from the State General Fund in FY 2006 and added 1.5 FTE positions to implement 2006 HB 2105 which established the Abuse, Neglect, and Exploitation Unit to investigate and prosecute findings related to abuse, neglect, or

exploitation of persons with disabilities. An additional \$228,000 from the State General Fund was appropriated for FY 2007. The Legislature attached a proviso authorizing the Attorney General to make expenditures from the Fund in FY 2007 to add an Inspector General position, effective January 1, 2007. Subsequently, 2007 SB 11 moved responsibility for the Inspector General position to the Kansas Health Policy Authority.

The **2006 Legislature** appropriated \$260,000 from the Concealed Weapon Licensure Fund for FY 2007 and added 5.0 FTE positions to implement 2006 SB 418, the Personal and Family Protection Act. The 2006 Legislature also authorized a transfer of \$260,000 from the State General Fund to the Concealed Weapon Licensure Fund with the requirement that the money will be transferred back to the State General Fund when fee revenues permit.

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 for FY 2011. This brings total budgeted funding for these programs to \$2.6 million for FY 2011. An additional \$4.6 million, all from the State General Fund, is budgeted for this purpose in the Office of the Governor.

The **2010 Legislature** added language for 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 should come first from any proceeds received as a result of interstate water litigation activities. This is 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** added \$85,000, all from the State General Fund, to provide funding for a special drug prosecutor in Southeast Kansas for FY 2013. The position had been funded through a federal grant, expires in FY 2013.

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

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates revised FY 2013 operating expenditures of \$20.2 million, including \$5.6 million from the State General Fund. The revised estimate is an all funds decrease of \$529,437, or 2.6 percent, below the amount approved by the 2012 Legislature. The State General Fund amount is the same as approved by the 2012 Legislature as adjusted by reappropriations. The agency requests a total of 115.0 FTE positions in its revised current year request, a net increase of 11.5 FTE positions above the amount approved by the 2012 Legislature.

The **Governor** recommends revised operating expenditures of \$20.3 million, including \$5.6 million from the State General Fund for FY 2013. The revised recommendation is an all funds decrease of \$432,437, or 2.1 percent, below the amount approved by the 2012 Legislature. The State General Fund recommendation is an increase of \$2,000, or less than 0.1

percent, above the approved amount. The Governor's recommendation is an increase of \$97,000, or 0.5 percent, above the agency's revised estimate and reflects the addition of \$2,000, all from the State General Fund to correct an oversight in the agency's approved FY 2013 budget, and the addition of \$95,000, all from the Tort Claims Fund, to reflect a claim approved by the State Finance Council during the 2012 interim. The Governor concurs with the remainder of the agency's revised current year request.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$19.7 million, including \$5.4 million from the State General Fund. The request is an all funds decrease of \$503,861, or 2.5 percent, below the revised current year estimate and a State General Fund decrease of \$161,466, or 2.9 percent.

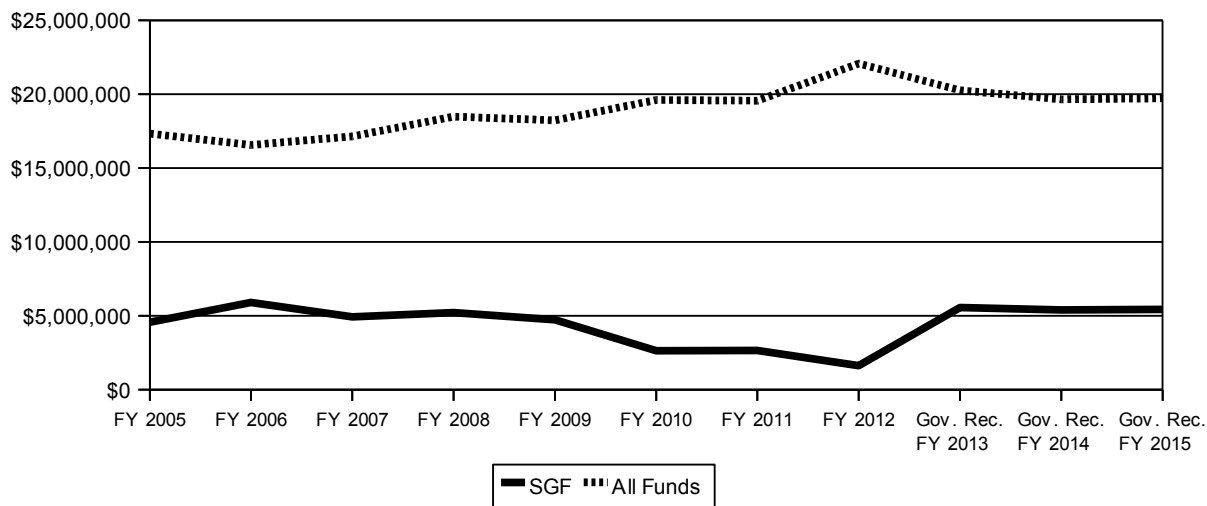
The **Governor** recommends FY 2014 operating expenditures of \$19.6 million, including \$5.4 million from the State General Fund. The recommendation is an all funds decrease of \$779,181, or 3.0 percent, and a State General Fund decrease of \$168,655, or 3.0 percent, below the the revised current year recommendation. The Governor's recommendation is an all funds decrease of \$9,665, or less than 0.1 percent, and a State General Fund decrease of \$5,189, or 0.1 percent, below the agency's request. The Governor's recommendation includes a decrease of \$9,665, including \$5,189 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request for FY 2014.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$19.7 million, including \$5.4 million from the State General Fund. The recommendation is an all funds increase of \$66,002, or 0.3 percent, and a State General Fund increase of \$35,548, or 0.7 percent, above the FY 2014 recommendation, and reflects an increase in the Kansas Public Employees Retirement System rate for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2014



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 4,565,974	9.3 %	\$ 17,326,259	33.9 %	94.5
2006	5,889,558	29.0	16,557,662	(4.4)	96.0
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 Gov. Rec.	5,554,929	244.1	20,258,986	(8.2)	115.0
2014 Gov. Rec.	5,386,274	(3.0)	19,648,460	(3.0)	117.0
2015 Gov. Rec.	5,421,822	0.7	19,714,462	0.3	117.0
Eleven-Year Change					
Dollars/Percent	\$ 855,848	18.7 %	\$ 2,388,203	13.8 %	22.5

Summary of Operating Budget FY 2012 - FY 2014

Attorney General

		Agency Request					Governor's Recommendation			
		Actual 2012	Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:										
Administration	\$	1,015,137	\$ 1,297,670	\$ 1,204,358	\$ (93,312)	(7.2) %	\$ 1,299,670	\$ 1,203,761	\$ (95,909)	(7.4)%
Criminal Litigation		3,280,076	3,622,510	3,691,720	69,210	1.9	3,622,510	3,688,748	66,238	1.8
Legal Opinions		529,517	613,861	637,876	24,015	3.9	613,861	637,227	23,366	3.8
Consumer Protection		1,441,719	1,771,384	1,815,599	44,215	2.5	1,771,384	1,813,934	42,550	2.4
Civil Protection		6,461,848	4,397,350	3,953,347	(444,003)	(10.1)	4,492,350	3,951,765	(540,585)	(12.0)
Crime Victims Compensation Board		4,367,816	4,524,217	4,363,909	(160,308)	(3.5)	4,524,217	4,363,540	(160,677)	(3.6)
Victims Services and Grants		3,753,462	2,659,462	2,683,540	24,078	0.9	2,659,462	2,682,882	23,420	0.9
Medicaid Fraud and Abuse		1,217,986	1,275,532	1,307,776	32,244	2.5	1,275,532	1,306,603	31,071	2.4
TOTAL	\$	22,067,561	\$ 20,161,986	\$ 19,658,125	\$ (503,861)	(2.5) %	\$ 20,258,986	\$ 19,648,460	\$ (610,526)	(3.0)%
By Major Object of Expenditure:										
Salaries and Wages	\$	7,463,403	\$ 8,537,630	\$ 8,761,402	\$ 223,772	2.6 %	\$ 8,537,630	\$ 8,751,737	\$ 214,107	2.5 %
Contractual Services		6,650,962	4,795,547	4,287,271	(508,276)	(10.6)	4,797,547	4,287,271	(510,276)	(10.6)
Commodities		106,964	104,312	104,312	0	0.0	104,312	104,312	0	0.0
Capital Outlay		63,454	424,127	74,127	(350,000)	(82.5)	424,127	74,127	(350,000)	(82.5)
Subtotal - Operations	\$	14,284,783	\$ 13,861,616	\$ 13,227,112	\$ (634,504)	(4.6) %	\$ 13,863,616	\$ 13,217,447	\$ (646,169)	(4.7)%
Aid to Local Units		9,400	0	0	0	--	0	0	0	--
Other Assistance		7,773,378	6,300,370	6,431,013	130,643	2.1	6,395,370	6,431,013	35,643	0.6
TOTAL	\$	22,067,561	\$ 20,161,986	\$ 19,658,125	\$ (503,861)	(2.5) %	\$ 20,258,986	\$ 19,648,460	\$ (610,526)	(3.0)%
Financing:										
State General Fund	\$	1,614,246	\$ 5,552,929	\$ 5,391,463	\$ (161,466)	(2.9) %	\$ 5,554,929	\$ 5,386,274	\$ (168,655)	(3.0)%
Federal Funds		3,236,703	3,513,022	3,018,425	(494,597)	(14.1)	3,513,022	3,017,327	(495,695)	(14.1)
All Other Funds		17,216,612	11,096,035	11,248,237	152,202	1.4	11,191,035	11,244,859	53,824	0.5
TOTAL	\$	22,067,561	\$ 20,161,986	\$ 19,658,125	\$ (503,861)	(2.5) %	\$ 20,258,986	\$ 19,648,460	\$ (610,526)	(3.0)%

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 1,204,358	\$ 1,203,761	\$ 1,207,964	\$ 4,203	0.3 %
Criminal Litigation	3,691,720	3,688,748	3,709,190	20,442	0.6
Legal Opinions	637,876	637,227	641,559	4,332	0.7
Consumer Protection	1,815,599	1,813,934	1,825,259	11,325	0.6
Civil Protection	3,953,347	3,951,765	3,962,525	10,760	0.3
Crime Victims Compensation Board	4,363,909	4,363,540	4,366,003	2,463	0.1
Victims Services and Grants	2,683,540	2,682,882	2,687,269	4,387	0.2
Medicaid Fraud and Abuse	1,307,776	1,306,603	1,314,693	8,090	0.6
TOTAL	\$ 19,658,125	\$ 19,648,460	\$ 19,714,462	\$ 66,002	0.3 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 8,761,402	\$ 8,751,737	\$ 8,817,739	\$ 66,002	0.8 %
Contractual Services	4,287,271	4,287,271	4,287,271	0	0.0
Commodities	104,312	104,312	104,312	0	0.0
Capital Outlay	74,127	74,127	74,127	0	0.0
Subtotal - Operations	\$ 13,227,112	\$ 13,217,447	\$ 13,283,449	\$ 66,002	0.5 %
Aid to Local Units	0	0	0	0	--
Other Assistance	6,431,013	6,431,013	6,431,013	0	0.0
TOTAL	\$ 19,658,125	\$ 19,648,460	\$ 19,714,462	\$ 66,002	0.3 %
Financing:					
State General Fund	\$ 5,391,463	\$ 5,386,274	\$ 5,421,822	\$ 35,548	0.7 %
Federal Funds	3,018,425	3,017,327	3,024,859	7,532	0.2
All Other Funds	11,248,237	11,244,859	11,267,781	22,922	0.2
TOTAL	\$ 19,658,125	\$ 19,648,460	\$ 19,714,462	\$ 66,002	0.3 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$5,477,369 for the Office of the Attorney General in FY 2013. 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:

- An increase of \$75,560, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013.

These adjustments change the FY 2013 approved State General Fund amount to \$5,552,929. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 5,552,929	\$ 5,552,929	\$ 0	\$ 5,554,929	\$ 2,000
All Other Funds	15,138,494	14,609,057	(529,437)	14,704,057	(434,437)
TOTAL	<u>\$ 20,691,423</u>	<u>\$ 20,161,986</u>	<u>\$ (529,437)</u>	<u>\$ 20,258,986</u>	<u>\$ (432,437)</u>
FTE Positions	103.5	115.0	11.5	115.0	11.5

The **agency** estimates revised FY 2013 operating expenditures of \$20.2 million, including \$5.6 million from the State General Fund. The revised estimate is an all funds decrease of \$529,437, or 2.6 percent, below the amount approved by the 2012 Legislature. The State General Fund amount is the same as approved by the 2012 Legislature as adjusted by reappropriations. A reduction of \$1.4 million, or 18.6 percent, in other assistance (primarily related to lower than anticipated payments to crime victims), is partially offset by increases in requested salaries and wages (\$505,043, primarily related to supplemental requests outlined below); capital outlay (\$350,000, for a new crime victims database outlined below), and \$126,710 for contractual services. The agency requests a total of 115.0 FTE positions in its revised current year request, a net increase of 11.5 FTE positions above the amount approved by the 2012 Legislature. The supplemental section below discusses 12.0 requested additional positions, and internal agency reorganizations decrease requested positions by 0.5 FTE positions.

The **Governor** recommends revised operating expenditures of \$20.3 million, including \$5.6 million from the State General Fund for FY 2013. The revised recommendation is an all funds decrease of \$432,437, or 2.1 percent, below the amount approved by the 2012 Legislature. The State General Fund recommendation is an increase of \$2,000, or less than 0.1

percent, above the approved amount. The Governor's recommendation is an increase of \$97,000, or 0.5 percent, above the agency's revised estimate and reflects the addition of \$2,000, all from the State General Fund to correct an oversight in the agency's approved FY 2013 budget, and the addition of \$95,000, all from the Tort Claims Fund, to reflect a claim approved by the State Finance Council during the 2012 interim. The Governor concurs with the remainder of the agency's revised current year request.

Supplemental Detail

FY 2013 SUPPLEMENTALS						
Supplementals	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Private Investigator Licensing Position	\$ 0	\$ 0	2.0	\$ 0	\$ 0	2.0
South Central Kansas Drug Prosecutor	0	0	1.0	0	0	1.0
Southeast Kansas Prosecutor	0	0	1.0	0	0	1.0
National Mortgage Settlement Enforce.	0	0	3.0	0	0	3.0
Concealed Carry Investigator	0	0	1.0	0	0	1.0
Abuse and Neglect Special Agent	0	0	1.0	0	0	1.0
Legal Opinions new FTE	0	0	1.0	0	0	1.0
Add FTE to reduce tort claims costs	0	0	2.0	0	0	2.0
Crime Victim Database Replacement	0	175,000	0.0	0	175,000	0.0
Rent increase	0	17,000	0.0	0	17,000	0.0
TOTAL	\$ 0	\$ 192,000	12.0	\$ 0	\$ 192,000	12.0

The agency requests a number of current year changes to its approved budget. Many of the requests would be funded within existing resources, but involved the addition of new FTE positions. The requests include:

Private Investigator Licensing Positions. The agency requests the authority to add 2.0 FTE positions for duties related to licensing of private investigators. The program and related funding, \$64,586, all from special revenue funds, was transferred to the Office of the Attorney General from the Kansas Bureau of Investigation by the 2012 Legislature, but no positions were added.

South Central Kansas Drug Prosecutor. The agency requests authority to expend \$87,500 from existing resources to add 1.0 FTE prosecutor position to focus on drug crimes in South Central Kansas.

Southeast Kansas Prosecutor. The agency requests the authority to add 1.0 FTE position, funded from existing State General Fund dollars to provide for a prosecutor in Southeast Kansas. The funding was added by the 2012 Legislature, but no new FTE positions were authorized.

National Mortgage Settlement Enforcement. The agency requests authority to add 3.0 FTE positions to implement provisions of the National Mortgage Settlement. In April 2012, the Attorney General entered into a 49-state settlement with the country's five largest mortgage services to resolve allegations of unlawful conduct by the servicers in the mortgage market. As one part of the settlement, the Attorney General is obligated to engage in additional investigative and enforcement activities. Funding comes from the settlement itself, but no FTE positions were authorized for FY 2013.

Concealed Carry Program Investigator. The agency requests authority to expend \$54,000, all from existing special revenue funds, and add 1.0 FTE position to assist with processing applications for concealed carry permits. The agency notes that applications for concealed carry permits increased to 12,408 in FY 2012, compared to 9,418 in FY 2011.

Special Agent for Abuse, Neglect, and Exploitation Unit. The agency requests authority to add 1.0 FTE special agent and expend \$60,750 from existing resources to investigate and provide follow-up on abuse, neglect, and exploitation cases where subsequent enforcement action would be appropriate. The agency indicates that currently, the unit has a director, and one administrative support position.

Legal Opinions and Government Counsel Administrative Assistant Position. The agency requests authority to expend \$54,000 from existing resources and add 1.0 FTE Administrative Assistant position in the Legal Opinions and Government Counsel program. Currently, the work of the position is being done by a temporary contract employee.

Tort Defense Outside Counsel Reduction. The agency requests the authority to expend \$209,000 from existing resources and add 2.0 staff attorney positions for tort claim defense. The agency notes that it has already reduced outside contracts from 32 to 20 since January 2011.

Crime Victims Compensation Computer System. The agency requests authority to expend \$175,000 (to be matched with another \$175,000 from existing federal funds) from crime victim compensation funds) to replace the case management database. The agency indicates that a new system will be more efficient and reduce delays in case processing and will improve the accuracy of tracking financial transactions.

Rent Increase. The agency requests \$17,000, all from special revenue funds, for a rent increase. The Division of Crime Victims Compensation recently moved from private rental space to state-owned space in the Landon State Office Building. There is an estimated rent increase of \$17,000 associated with the move.

The **Governor** concurs with the agency's FY 2013 supplemental requests.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 19,658,125	\$ 19,648,460	\$ (9,665)
FTE Positions	117.0	117.0	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
State General Fund	\$ (161,466)	\$ (168,655)	
All Other Funds	(342,395)	(441,871)	
TOTAL	<u><u>\$ (503,861)</u></u>	<u><u>\$ (610,526)</u></u>	
<i>Percent Change:</i>			
State General Fund	(2.9) %	(3.0) %	
All Other Funds	(2.3)	(3.0)	
TOTAL	<u><u>(2.5) %</u></u>	<u><u>(3.0) %</u></u>	
Change in FTE Positions	2.0	2.0	

The **agency** requests FY 2014 operating expenditures of \$19.7 million, including \$5.4 million from the State General Fund. The request is an all funds decrease of \$503,861, or 2.5 percent, below the revised current year estimate and a State General Fund decrease of \$161,466, or 2.9 percent. An increase of \$223,772, or 2.6 percent, in salaries and wages, primarily related to employer contribution increases under the Kansas Public Employees Retirement System (KPERs) and to enhancements detailed below, is offset by reductions in contractual services (\$508,276, primarily related to lower budgeted outside counsel costs) and in capital outlay (\$350,000, or 82.5 percent, due to the FY 2013 supplemental request to replace the victims compensation case management database).

The **Governor** recommends FY 2014 operating expenditures of \$19.6 million, including \$5.4 million from the State General Fund. The recommendation is an all funds decrease of \$610,526, or 3.0 percent, and a State General Fund decrease of \$168,655, or 3.0 percent, below the the revised current year recommendation. The Governor's recommendation is an all funds decrease of \$9,665, or less than 0.1 percent, and a State General Fund decrease of \$5,189, or 0.1 percent, below the agency's request. The Governor's recommendation includes a decrease of \$9,665, including \$5,189 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the remainder of the agency's request for FY 2014.

Enhancements Detail

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Racial Profiling Position	\$ 0	\$ 0	1.0	\$ 0	\$ 0	1.0
Batters Intervention Program	0	0	1.0	0	0	1.0
Additional Tort Defense Authority	0	0	0.0	0	0	0.0
Private Investigator Licensing Positions	0	0	2.0	0	0	2.0
South Central Kansas Drug Prosecutor	0	0	1.0	0	0	1.0
Southeast Kansas Prosecutor	0	0	1.0	0	0	1.0
National Mortgage Settlement Enforce.	0	0	3.0	0	0	3.0
Concealed Carry Investigator	0	0	1.0	0	0	1.0
Abuse and Neglect Special Agent	0	0	1.0	0	0	1.0
Legal Opinions new FTE	0	0	1.0	0	0	1.0
Add FTE to reduce tort claims costs	0	0	2.0	0	0	2.0
Rent increase	0	17,000	0.0	0	17,000	0.0
TOTAL	<u>\$ 0</u>	<u>\$ 17,000</u>	<u>14.0</u>	<u>\$ 0</u>	<u>\$ 17,000</u>	<u>14.0</u>

The **agency** requests 2.0 new FTE positions for FY 2014, to be funded from existing agency resources.

Racial Profiling Position. The agency requests the authority to expend \$54,000 from existing resources and the addition of 1.0 new FTE position to provide ongoing education and outreach about the state's racial profiling law. The duties of the position are currently performed by a temporary position funded through a federal grant position.

Batters Intervention Program. The agency requests the authority to expend \$47,250 from existing resources and add 1.0 FTE Administrative Assistant position for FY 2014. The Attorney General is required to administer the Batters Intervention program throughout the state and is currently addressing this responsibility through contracted administrative support services.

Additional Tort Defense Authority. The agency is requesting the authority to expend up to \$200,000 from existing resources for continued transition of state tort defense claims from outside counsel to employees of the Office of Attorney General. Although the agency indicates it does not currently plan to add any additional FTE positions for the program for FY 2014, it might become necessary to add positions.

Positions Requested as FY 2013 Supplemental Requests. The agency requests the authority to continue the 12.0 positions that it requested for FY 2013.

Rent Increase. The agency requests \$17,000, all from special revenue funds, for a rent increase, to continue the rent increase requested as a FY 2013 supplemental request.. The Division of Crime Victims Compensation recently moved from private rental space to state-owned space in the Landon State Office Building. There is an estimated rent increase of \$17,000 associated with the move.

The **Governor** concurs with the agency's FY 2014 enhancement requests.

FY 2014 Reduced Resources

FY 2014 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Shift Salaries	\$ (249,146)	\$ 0	0.0	\$ 0	\$ 0	0.0
Eliminate Internet Training for Kansas Kids Grant Program	(290,000)	(290,000)	0.0	0	0	0.0
TOTAL	\$ (539,146)	\$ (290,000)	0.0	\$ 0	\$ 0	0.0

The **agency** submitted a reduced resources budget totaling \$539,146 from the State General Fund. To achieve this reduction, the agency indicates that it would shift 20.0 percent of the administration program salaries to the Medicaid Fraud Indirect Cost Fund (a State General Fund savings of \$249,146), and would eliminate the Internet Training for Kansas Kids (\$290,000, all from the State General Fund).

The **Governor** does not recommend any of the reduced resources.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 19,714,462	\$ 66,002
FTE Positions	117.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 35,548	
All Other Funds	30,454	
TOTAL	<u>\$ 66,002</u>	
<i>Percent Change:</i>		
State General Fund	0.7 %	
All Other Funds	0.5	
TOTAL	<u>0.3 %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$19.7 million, including \$5.4 million from the State General Fund. The recommendation is an all funds increase of \$66,002, or 0.3 percent, and a State General Fund increase of \$35,548, or 0.7 percent, above the FY 2014 recommendation, and reflects an increase in the Kansas Public Employees Retirement System rate for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$1,000, including \$593 from the State General Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

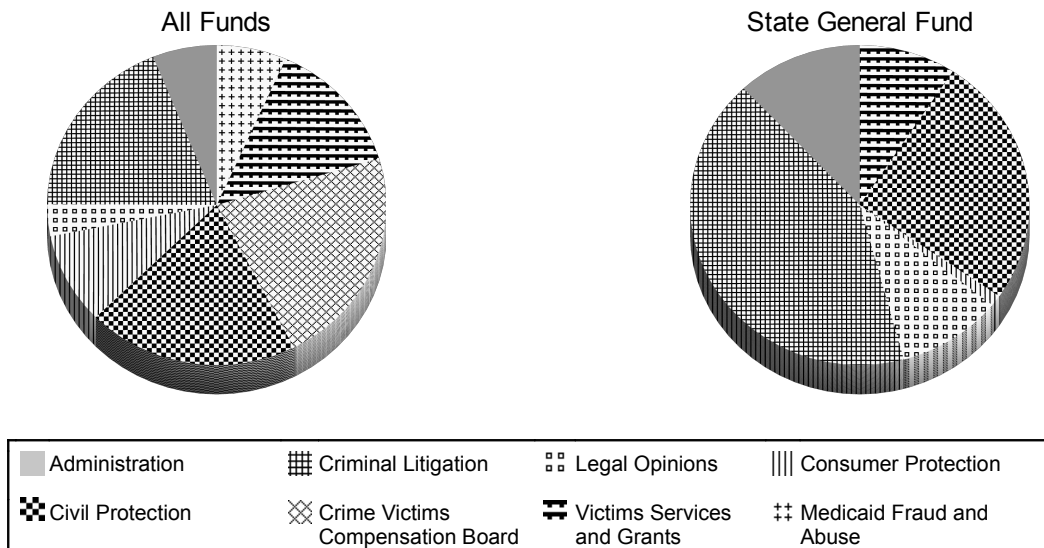
Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	27.4 %	27.4 %
Federal Funds	15.4	15.4
All Other Funds	57.2	57.2
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Administration	\$ 1,203,761	6.1 %	\$ 646,497	12.0 %
Criminal Litigation	3,688,748	18.8	2,271,718	42.2
Legal Opinions	637,227	3.2	542,270	10.1
Consumer Protection	1,813,934	9.2	59,262	1.1
Civil Protection	3,951,765	20.1	1,369,020	25.4
Crime Victims Compensation Board	4,363,540	22.2	0	0.0
Victims Services and Grants	2,682,882	13.7	497,507	9.2
Medicaid Fraud and Abuse	1,306,603	6.6	0	0.0
TOTAL	\$ 19,648,460	100.0 %	\$ 5,386,274	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015						
Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	7.9	7.4	7.4	7.4	7.4	7.4
Criminal Litigation	26.1	30.8	30.8	30.8	30.8	30.8
Legal Opinions	6.0	6.0	6.0	6.0	6.0	6.0
Consumer Protection	16.6	20.8	20.8	21.8	21.8	21.8
Civil Protection	19.9	21.1	21.1	21.1	21.1	21.1
Crime Victims Compensation Board	6.0	5.9	5.9	5.9	5.9	5.9
Victims Services and Grants	8.1	8.0	8.0	9.0	9.0	9.0
Medicaid Fraud and Abuse	16.0	15.0	15.0	15.0	15.0	15.0
TOTAL	106.5	115.0	115.0	117.0	117.0	117.0

A. Administration

The Administration program prepares the budget, provides personnel and fiscal services, acquires goods and services, and administers electronic telecommunications and public information systems. Personnel in this program also assist the Attorney General with various other criminal justice organizations and citizen advisory groups.

ADMINISTRATION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 584,437	\$ 536,206	\$ 536,206	\$ 540,527	\$ 539,930	\$ 544,133
Contractual Services	151,568	411,324	413,324	358,048	358,048	358,048
Commodities	8,372	5,670	5,670	5,670	5,670	5,670
Capital Outlay	7,418	14,600	14,600	14,600	14,600	14,600
Subtotal	\$ 751,795	\$ 967,800	\$ 969,800	\$ 918,845	\$ 918,248	\$ 922,451
Aid to Local Units	0	0	0	0	0	0
Other Assistance	263,342	329,870	329,870	285,513	285,513	285,513
TOTAL	\$ 1,015,137	\$ 1,297,670	\$ 1,299,670	\$ 1,204,358	\$ 1,203,761	\$ 1,207,964
Financing:						
State General Fund	\$ 508,294	\$ 1,071,771	\$ 1,073,771	\$ 646,843	\$ 646,497	\$ 649,023
All Other Funds	506,843	225,899	225,899	557,515	557,264	558,941
TOTAL	\$ 1,015,137	\$ 1,297,670	\$ 1,299,670	\$ 1,204,358	\$ 1,203,761	\$ 1,207,964
FTE Positions	7.9	7.4	7.4	7.4	7.4	7.4
Non-FTE Pos.*	0.0	0.5	0.5	0.5	0.5	0.5
TOTAL	7.9	7.9	7.9	7.9	7.9	7.9

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 operating expenditures of \$1.2 million, including \$646,843 from the State General Fund, for the program. The request is a decrease of \$93,312, or 7.2 percent, below the revised current year estimate. Decreases in contractual services (\$53,276, or 13.0 percent, primarily for one time expenditures in FY 2013, not budgeted to

repeat for FY 2014) and other assistance (\$44,357, or 13.4 percent, due to lower than expected payments from the Internet Safety for Kansas Kids Fund) are partially offset by an increase of \$4,321, or 0.8 percent, in salaries and wages, primarily for increased KPERS employer contribution costs.

The **Governor** recommends \$1.2 million in FY 2014 operating expenditures for the program, including \$646,497 from the State General Fund. The Governor concurs with the agency's request with the exception of the deletion of \$597 to reflect the Governor's recommendation to decrease the Kansas Public Employee's Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends \$1.2 million, including \$649,023 from the State General Fund for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$4,203, including \$2,526 from the State General Fund, to reflect a projected increase in the Kansas Public Employees Retirement System rate for FY 2015.

B. Criminal Litigation

The Criminal Litigation Program provides for the prosecution of those who have violated the Kansas Criminal Code, including those charged with capital murder, by providing legal advice, support, and aid to Kansas county and district attorneys. The program investigates complaints of abuse of children in Social and Rehabilitation Services' institutions and trains county and district attorneys in child abuse prosecution. The program contracts with state and local agencies as well as organizations to provide services related to the investigation and litigation of findings relate to abuse, neglect, or exploitation of persons. Other duties performed by the program include providing for the state's defense in federal *habeas corpus* cases, assisting the Governor in processing extraditions, regulating concealed weapons licenses, and providing information and education to the public as well as to the legal and law enforcement professions.

CRIMINAL LITIGATION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 2,119,243	\$ 2,623,385	\$ 2,623,385	\$ 2,692,595	\$ 2,689,623	\$ 2,710,065
Contractual Services	1,092,244	944,150	944,150	944,150	944,150	944,150
Commodities	42,401	48,475	48,475	48,475	48,475	48,475
Capital Outlay	26,288	6,500	6,500	6,500	6,500	6,500
Subtotal	\$ 3,280,176	\$ 3,622,510	\$ 3,622,510	\$ 3,691,720	\$ 3,688,748	\$ 3,709,190
Aid to Local Units	(100)	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 3,280,076	\$ 3,622,510	\$ 3,622,510	\$ 3,691,720	\$ 3,688,748	\$ 3,709,190
Financing:						
State General Fund	\$ 277,794	\$ 1,980,209	\$ 1,980,209	\$ 2,273,888	\$ 2,271,718	\$ 2,286,804
All Other Funds	3,002,282	1,642,301	1,642,301	1,417,832	1,417,030	1,422,386
TOTAL	\$ 3,280,076	\$ 3,622,510	\$ 3,622,510	\$ 3,691,720	\$ 3,688,748	\$ 3,709,190
FTE Positions	26.1	30.8	30.8	30.8	30.8	30.8
Non-FTE Pos.*	5.0	7.7	7.7	7.7	7.7	7.7
TOTAL	31.1	38.5	38.5	38.5	38.5	38.5
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 operating expenditures of \$3.7 million, including \$2.3 million from the State General Fund, for the program. The request is an all funds increase of \$69,210, or 1.9 percent, and a State General Fund increase of \$293,679, or 14.8 percent, above the revised current year estimate. The increase is entirely in salaries and wages, and reflects 1.7 FTE positions that are shifted to the program in the current year under the agency's revised request.

The **Governor** recommends \$3.7 million in FY 2014 operating expenditures for the program, including \$2.3 million from the State General Fund. The Governor concurs with the agency's request with the exception of the deletion of \$2,972 to reflect the Governor's recommendation to decrease the Kansas Public Employee's Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends \$3.7 million, including \$2.3 million from the State General Fund for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$20,442, including \$15,086 from the State General Fund, to reflect a projected increase in the Kansas Public Employees Retirement System rate for FY 2015.

C. Legal Opinions and Government Counsel

The Legal Opinions and Government Counsel Division researches legal questions and provides technical assistance to legislators and public agencies. In addition, the Division reviews proposed rules and regulations, bond issues, state contracts, and inter-local cooperation agreements. The Division serves as general counsel for more than 20 boards and commissions, attends administrative board meetings and hearings, and drafts administrative orders. The Division 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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 462,389	\$ 550,293	\$ 550,293	\$ 574,308	\$ 573,659	\$ 577,991
Contractual Services	62,685	58,323	58,323	58,323	58,323	58,323
Commodities	1,874	2,545	2,545	2,545	2,545	2,545
Capital Outlay	2,569	2,700	2,700	2,700	2,700	2,700
Subtotal	\$ 529,517	\$ 613,861	\$ 613,861	\$ 637,876	\$ 637,227	\$ 641,559
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 529,517	\$ 613,861	\$ 613,861	\$ 637,876	\$ 637,227	\$ 641,559
Financing:						
State General Fund	\$ 2,611	\$ 519,519	\$ 519,519	\$ 542,816	\$ 542,270	\$ 545,915
All Other Funds	526,906	94,342	94,342	95,060	94,957	59,611
TOTAL	\$ 529,517	\$ 613,861	\$ 613,861	\$ 637,876	\$ 637,227	\$ 605,526
FTE Positions	6.0	6.0	6.0	6.0	6.0	6.0
Non-FTE Pos.*	0.0	1.0	1.0	1.0	1.0	1.0
TOTAL	6.0	7.0	7.0	7.0	7.0	7.0
*Non-FTE Permanent Unclassified Positions						

The **agency** requests operating expenditures of \$637,876, including \$542,816 from the State General Fund, for the program for FY 2014. The request is an all funds increase of \$24,015, or 3.9 percent, and a State General Fund increase of \$23,297, or 4.5 percent, above the revised current year estimate. The increase is entirely for salaries and wages, and reflects increased KPERS employer contribution costs.

The **Governor** recommends \$637,227 in FY 2014 operating expenditures for the program, including \$542,270 from the State General Fund. The Governor concurs with the agency's request with the exception of the deletion of \$645 to reflect the Governor's recommendation to decrease the Kansas Public Employee's Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends \$641,559, including \$545,915 from the State General Fund for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$4,332, including \$3,645 from the State General Fund, to reflect a projected increase in the Kansas Public Employees Retirement System rate for FY 2015.

D. Consumer Protection

The primary duty of the Consumer Protection Division is to enforce the Kansas Consumer Protection Act. The Division provides information to protect consumers from becoming victims of fraud and prosecutes violations of the Kansas Funeral and Cemetery Merchandise Agreements, Contracts, and Plans Act; the Kansas Cemetery Corporations Act; the Kansas Charitable Organizations and Solicitations Act; and the Kansas No-Call Act. The Division prosecutes individuals who practice law without authorization, and it enforces state and federal antitrust laws.

CONSUMER PROTECTION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,164,451	\$ 1,495,947	\$ 1,495,947	\$ 1,540,162	\$ 1,538,497	\$ 1,549,822
Contractual Services	256,133	243,207	243,207	243,207	243,207	243,207
Commodities	10,106	7,530	7,530	7,530	7,530	7,530
Capital Outlay	2,329	18,700	18,700	18,700	18,700	18,700
Subtotal	\$ 1,433,019	\$ 1,765,384	\$ 1,765,384	\$ 1,809,599	\$ 1,807,934	\$ 1,819,259
Aid to Local Units	0	0	0	0	0	0
Other Assistance	8,700	6,000	6,000	6,000	6,000	6,000
TOTAL	\$ 1,441,719	\$ 1,771,384	\$ 1,771,384	\$ 1,815,599	\$ 1,813,934	\$ 1,825,259
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 59,314	\$ 59,262	\$ 59,611
All Other Funds	1,441,719	1,771,384	1,771,384	1,756,285	1,754,672	1,765,648
TOTAL	\$ 1,441,719	\$ 1,771,384	\$ 1,771,384	\$ 1,815,599	\$ 1,813,934	\$ 1,825,259
FTE Positions	16.6	20.8	20.8	21.8	21.8	21.8
Non-FTE Pos.*	3.8	1.7	1.7	1.7	1.7	1.7
TOTAL	20.4	22.5	22.5	23.5	23.5	23.5
*Non-FTE Permanent Unclassified Positions						

The **agency** requests operating expenditures of \$1.8 million, including \$59,314 from the State General Fund, for the program for FY 2014. The request is an increase of \$44,215, or 2.5

percent, above the revised current year estimate. The request reflects the addition of 3.0 FTE positions requested as part of the revised current year estimate (1.0 investigator, 1.0 administrative assistant, and 1.0 legal assistant) to enforce the terms of the National Mortgage settlement; the addition of 1.2 FTE positions shifted from other agency programs in the revised current year request; and the addition of 1.0 FTE position to address enforcement of the racial profiling law for FY 2014.

The **Governor** recommends \$1.8 million in FY 2014 operating expenditures for the program, including \$59,262 from the State General Fund. The Governor concurs with the agency's request with the exception of the deletion of \$1,665 to reflect the Governor's recommendation to decrease the Kansas Public Employee's Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends \$1.8 million, including \$59,611 from the State General Fund for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$11,325, including \$349 from the State General Fund, to reflect a projected increase in the Kansas Public Employees Retirement System rate for FY 2015.

E. Civil Protection

The Civil Protection Division 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 Division 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.

CIVIL PROTECTION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,309,162	\$ 1,433,069	\$ 1,433,069	\$ 1,444,066	\$ 1,442,484	\$ 1,453,244
Contractual Services	4,537,996	2,641,996	2,641,996	2,186,996	2,186,996	2,186,996
Commodities	8,298	7,185	7,185	7,185	7,185	7,185
Capital Outlay	18,019	15,100	15,100	15,100	15,100	15,100
Subtotal	\$ 5,873,475	\$ 4,097,350	\$ 4,097,350	\$ 3,653,347	\$ 3,651,765	\$ 3,662,525
Aid to Local Units	0	0	0	0	0	0
Other Assistance	588,373	300,000	395,000	300,000	300,000	300,000
TOTAL	\$ 6,461,848	\$ 4,397,350	\$ 4,492,350	\$ 3,953,347	\$ 3,951,765	\$ 3,962,525
Financing:						
State General Fund	\$ 477,100	\$ 1,364,876	\$ 1,364,876	\$ 1,370,512	\$ 1,369,020	\$ 1,379,076
All Other Funds	5,984,748	3,032,474	3,127,474	2,582,835	2,582,745	2,583,449
TOTAL	\$ 6,461,848	\$ 4,397,350	\$ 4,492,350	\$ 3,953,347	\$ 3,951,765	\$ 3,962,525
FTE Positions	19.9	21.1	21.1	21.1	21.1	21.1
Non-FTE Pos.*	1.0	0.6	0.6	0.6	0.6	0.6
TOTAL	20.9	21.7	21.7	21.7	21.7	21.7
*Non-FTE Permanent Unclassified Positions						

The **agency** requests operating expenditures of \$4.0 million, including \$1.4 million from the State General Fund, for the program for FY 2014. The request is an all funds decrease of

\$444,003, or 10.1 percent, and a State General Fund increase of \$5,636, or 0.4 percent, above the revised current year estimate. The request reflects the net addition of 1.2 FTE positions first requested in the revised current year estimate. A total of 3.0 new FTE positions are staff attorneys intended to save outside counsel costs in tort claims actions, and 1.8 FTE positions have been shifted to other programs within the agency. Most of the decrease included in the FY 2014 request is in contractual services (\$455,000, or 17.2 percent) reflecting lower outside counsel costs.

The **Governor** recommends \$4.0 million in FY 2014 operating expenditures for the program, including \$1.4 million from the State General Fund. The Governor concurs with the agency's request with the exception of the deletion of \$1,582 to reflect the Governor's recommendation to decrease the Kansas Public Employee's Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends \$4.0 million, including \$1.4 million from the State General Fund for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$10,760, including \$10,056 from the State General Fund, to reflect a projected increase in the Kansas Public Employees Retirement System rate for FY 2015.

F. Crime Victims Compensation

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 SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 331,619	\$ 333,592	\$ 333,592	\$ 348,284	\$ 347,915	\$ 350,378
Contractual Services	199,386	136,325	136,325	136,325	136,325	136,325
Commodities	4,143	4,100	4,100	4,100	4,100	4,100
Capital Outlay	0	350,700	350,700	700	700	700
Subtotal	\$ 535,148	\$ 824,717	\$ 824,717	\$ 489,409	\$ 489,040	\$ 491,503
Aid to Local Units	0	0	0	0	0	0
Other Assistance	3,832,668	3,699,500	3,699,500	3,874,500	3,874,500	3,874,500
TOTAL	\$ 4,367,816	\$ 4,524,217	\$ 4,524,217	\$ 4,363,909	\$ 4,363,540	\$ 4,366,003
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	4,367,816	4,524,217	4,524,217	4,363,909	4,363,540	4,366,003
TOTAL	\$ 4,367,816	\$ 4,524,217	\$ 4,524,217	\$ 4,363,909	\$ 4,363,540	\$ 4,366,003
FTE Positions	6.0	5.9	5.9	5.9	5.9	5.9
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	6.0	5.9	5.9	5.9	5.9	5.9
*Non-FTE Permanent Unclassified Positions						

The **agency** requests \$4.4 million, all from special revenue funds, for the program for FY 2014. The request is a decrease of \$160,308, or 3.5 percent, below the revised current year

estimate. A decrease of \$350,000 (99.8 percent) in capital outlay, reflecting one-time expenditures for a new crime victims case management database in FY 2013, is partially offset by an increase of \$175,000, or 4.7 percent, in budgeted compensation payments to victims of crime, and an increase of \$14,692 in salaries and wages, primarily reflecting increased KPERS employer contributions.

The **Governor** recommends \$4.4 million in FY 2014 operating expenditures for the program, all from special revenue funds. The Governor concurs with the agency's request with the exception of the deletion of \$369 to reflect the Governor's recommendation to decrease the Kansas Public Employee's Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends \$4.4 million, all from special revenue funds for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$2,463, all from special revenue funds, to reflect a projected increase in the Kansas Public Employees Retirement System rate for FY 2015.

G. Victims Services

VICTIMS SERVICES SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 520,770	\$ 530,319	\$ 530,319	\$ 554,397	\$ 553,739	\$ 558,126
Contractual Services	125,621	139,425	139,425	139,425	139,425	139,425
Commodities	12,618	11,991	11,991	11,991	11,991	11,991
Capital Outlay	4,658	12,727	12,727	12,727	12,727	12,727
Subtotal	\$ 663,667	\$ 694,462	\$ 694,462	\$ 718,540	\$ 717,882	\$ 722,269
Aid to Local Units	9,500	0	0	0	0	0
Other Assistance	3,080,295	1,965,000	1,965,000	1,965,000	1,965,000	1,965,000
TOTAL	<u>\$ 3,753,462</u>	<u>\$ 2,659,462</u>	<u>\$ 2,659,462</u>	<u>\$ 2,683,540</u>	<u>\$ 2,682,882</u>	<u>\$ 2,687,269</u>
Financing:						
State General Fund	\$ 348,447	\$ 616,554	\$ 616,554	\$ 498,090	\$ 497,507	\$ 501,393
All Other Funds	3,405,015	2,042,908	2,042,908	2,185,450	2,185,375	2,185,876
TOTAL	<u>\$ 3,753,462</u>	<u>\$ 2,659,462</u>	<u>\$ 2,659,462</u>	<u>\$ 2,683,540</u>	<u>\$ 2,682,882</u>	<u>\$ 2,687,269</u>
FTE Positions	8.1	8.0	8.0	9.0	9.0	9.0
Non-FTE Pos.*	2.3	2.0	2.0	2.0	2.0	2.0
TOTAL	<u>10.4</u>	<u>10.0</u>	<u>10.0</u>	<u>11.0</u>	<u>11.0</u>	<u>11.0</u>
*Non-FTE Permanent Unclassified Positions						

The **agency** requests operating expenditures of \$2.7 million, including \$498,090 from the State General Fund for the program for FY 2014. The request is an all funds increase of \$24,078, or 0.9 percent, and a State General Fund decrease of \$118,464, or 19.2 percent, from the revised current year estimate. All of the increase is in salaries and wages and reflects KPERS employer contribution cost increases.

The **Governor** recommends \$2.7 million in FY 2014 operating expenditures for the program, including \$497,507 from the State General Fund. The Governor concurs with the agency's request with the exception of the deletion of \$658 to reflect the Governor's recommendation to decrease the Kansas Public Employee's Retirement System death and

disability insurance rate from 1.0 percent to 0.85 percent for FY 2014. The agency requests the authority to expend \$47,250 from existing resources and add 1.0 FTE Administrative Assistant position for FY 2014. The Attorney General is required to administer the Batters Intervention program throughout the state and is currently addressing this responsibility through contracted administrative support services.

The **Governor** recommends \$2.7 million, including \$501,393 from the State General Fund for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$4,387, including \$3,886 from the State General Fund, to reflect a projected increase in the Kansas Public Employees Retirement System rate for FY 2015.

H. Medicaid Fraud

MEDICAID FRAUD SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 971,332	\$ 1,034,819	\$ 1,034,819	\$ 1,067,063	\$ 1,065,890	\$ 1,073,980
Contractual Services	225,329	220,797	220,797	220,797	220,797	220,797
Commodities	19,152	16,816	16,816	16,816	16,816	16,816
Capital Outlay	2,173	3,100	3,100	3,100	3,100	3,100
Subtotal	\$ 1,217,986	\$ 1,275,532	\$ 1,275,532	\$ 1,307,776	\$ 1,306,603	\$ 1,314,693
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 1,217,986	\$ 1,275,532	\$ 1,275,532	\$ 1,307,776	\$ 1,306,603	\$ 1,314,693
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,217,986	1,275,532	1,275,532	1,307,776	1,306,603	1,314,693
TOTAL	\$ 1,217,986	\$ 1,275,532	\$ 1,275,532	\$ 1,307,776	\$ 1,306,603	\$ 1,314,693
FTE Positions	16.0	15.0	15.0	15.0	15.0	15.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	16.0	15.0	15.0	15.0	15.0	15.0

*Non-FTE Permanent Unclassified Positions

The **agency** requests operating expenditures of \$1.3 million, all from special revenue funds, for the program for FY 2014, an increase of \$32,244, or 2.5 percent, above the revised current year estimate. The entire increase is in salaries and wages, and primarily reflects increased KPERS employer contribution costs.

The **Governor** recommends \$1.3 million in FY 2014 operating expenditures for the program, all from special revenue funds. The Governor concurs with the agency's request with the exception of the deletion of \$1,173 to reflect the Governor's recommendation to decrease the Kansas Public Employee's Retirement System death and disability insurance rate from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends \$1.3 million, all from special revenue funds for the program for FY 2015. The recommendation increases the Governor's FY 2014 recommendation by \$8,090, all from special revenue funds, to reflect a projected increase in the Kansas Public Employees Retirement System rate for FY 2015.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Criminal Litigation				
Number of criminal case files opened	220	275	280	285
Legal Opinions and Government Counsel				
Number of written legal opinions issued	40	25	40	40
Civil Litigation				
Number of civil case files opened	2,300	1,876	2,000	2,000

KANSAS HUMAN RIGHTS COMMISSION

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 1,236,246	\$ 1,214,050	\$ 1,214,050	\$ 1,310,068	\$ 1,095,371	\$ 1,101,577
Other Funds	419,076	489,978	489,978	542,975	573,027	577,642
TOTAL	\$ 1,655,322	\$ 1,704,028	\$ 1,704,028	\$ 1,853,043	\$ 1,668,398	\$ 1,679,219
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 1,655,322	\$ 1,704,028	\$ 1,704,028	\$ 1,853,043	\$ 1,668,398	\$ 1,679,219

Operating Expenditures Percentage Change

State General Fund	(13.1) %	(1.8) %	(1.8) %	7.9 %	(9.8) %	0.6 %
All Funds	(3.6)	2.9	2.9	8.7	(2.1)	0.6

FTE Positions	25.0	23.0	23.0	24.0	23.0	23.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	25.0	23.0	23.0	24.0	23.0	23.0

*Non-FTE Permanent Unclassified Positions

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 (KAAD) and the Kansas Age Discrimination in Employment Act (KADEA). 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 (GINA). 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 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

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.

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.

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.

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 2013 – Current Year. The **agency** requests a revised budget of \$1,704,028, including \$1,214,050 from the State General Fund. This is an all funds decrease of \$4,846, or 0.3 percent, from the FY 2013 approved budget, and a State General Fund increase of \$21,083, or 1.8 percent, above the FY 2013 approved budget. The agency requests 23.0 FTE positions, which is the same as the FY 2013 approved number.

The **Governor** concurs with the agency's revised budget request.

FY 2014 – Budget Year. The **agency** requests \$1,853,043, including \$1,310,068 from the State General Fund, for operating expenditures for FY 2014. This is an all funds increase of

\$149,015, or 8.7 percent, above the FY 2013 revised estimate and a State General Fund increase of \$96,018, or 7.9 percent, above the FY 2013 revised estimate. Federal funds comprise \$517,362 of the request, an increase of \$39,861, or 8.3 percent, above the FY 2013 revised estimate. The increase is funded primarily due to increased reimbursement rate from the Equal Employment Opportunity Commission contract from \$600 per case resolved to \$650 per case resolved, and a one-time 54 case resolution upgrade to the EEOC to generate an additional \$35,100 in income. The agency requests 25.0 FTE positions, an increase of 1.0 positions above the 2013 revised estimate. *Without enhancements*, the request is for \$1,739,113, an all funds increase of \$35,085, or 2.1 percent, and a State General Fund decrease of \$17,912, or 1.5 percent below the FY 2013 revised estimate.

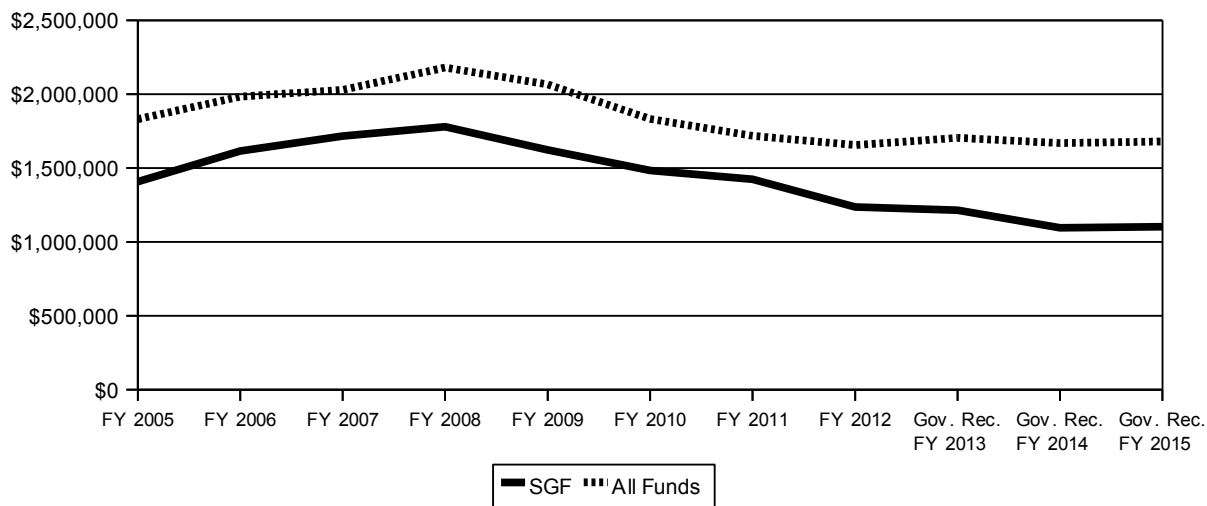
The **Governor** recommends FY 2014 expenditures of \$1,668,398, including \$1,095,371 from the State General Fund. This is an all funds decrease of \$184,645, or 10.0 percent, and a State General Fund decrease of \$214,697, or 16.4 percent, below the agency's FY 2014 request. The recommendation is an all funds decrease of \$35,630, or 2.1 percent, and a State General Fund decrease of \$118,679, or 9.8 percent, below the Governor's FY 2013 recommendation.

FY 2015 – Budget Year. The **agency** did not submit a FY 2015 budget request. There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures of \$1,679,219, including \$1,101,577 from the State General Fund. This is an all funds increase of \$10,821, or 0.6 percent, and a State General Fund increase of \$6,206, or 0.6 percent, above the Governor's FY 2014 budget recommendation. The increase is due to increases in KPERS public employee contributions and longevity pay.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 1,407,518	2.9 %	\$ 1,831,050	6.7 %	36.0
2006	1,614,305	14.7	1,983,012	8.3	39.0
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 Gov. Rec.	1,214,050	(1.8)	1,704,028	2.9	23.0
2014 Gov. Rec.	1,095,371	(9.8)	1,668,398	(2.1)	23.0
2015 Gov. Rec.	1,101,577	0.6	1,679,219	0.6	23.0
Ten-Year Change Dollars/Percent	\$ (305,941)	(21.7)%	\$ (151,831)	(8.3)%	(13.0)

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request					Governor's Recommendation				
Actual 2012		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13		
By Program:											
Administration	\$ 1,655,322	\$ 1,704,028	\$ 1,853,043	\$ 149,015	8.7 %	\$ 1,704,028	\$ 1,668,398	\$ (35,630)	(2.1)%		
TOTAL	\$ 1,655,322	\$ 1,704,028	\$ 1,853,043	\$ 149,015	8.7 %	\$ 1,704,028	\$ 1,668,398	\$ (35,630)	(2.1)%		
By Major Object of Expenditure:											
Salaries and Wages	\$ 1,193,019	\$ 1,229,556	\$ 1,397,672	\$ 168,116	13.7 %	\$ 1,229,556	\$ 1,191,354	\$ (38,202)	(3.1)%		
Contractual Services	423,780	431,806	416,399	(15,407)	(3.6)	431,806	449,539	17,733	4.1		
Commodities	16,572	16,819	18,272	1,453	8.6	16,819	17,272	453	2.7		
Capital Outlay	14,812	15,614	10,467	(5,147)	(33.0)	15,614	0	(15,614)	(100.0)		
Subtotal - Operations	\$ 1,648,183	\$ 1,693,795	\$ 1,842,810	\$ 149,015	8.8 %	\$ 1,693,795	\$ 1,658,165	\$ (35,630)	(2.1)%		
Aid to Local Units	0	0	0	0	--	0	0	0	--		
Other Assistance	7,139	10,233	10,233	0	0.0	10,233	10,233	0	0.0		
TOTAL	\$ 1,655,322	\$ 1,704,028	\$ 1,853,043	\$ 149,015	8.7 %	\$ 1,704,028	\$ 1,668,398	\$ (35,630)	(2.1)%		
Financing:											
State General Fund	\$ 1,236,246	\$ 1,214,050	\$ 1,310,068	\$ 96,018	7.9 %	\$ 1,214,050	\$ 1,095,371	\$ (118,679)	(9.8)%		
All Other Funds	419,076	489,978	542,975	52,997	10.8	489,978	573,027	83,049	16.9		
TOTAL	\$ 1,655,322	\$ 1,704,028	\$ 1,853,043	\$ 149,015	8.7 %	\$ 1,704,028	\$ 1,668,398	\$ (35,630)	(2.1)%		

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	1,853,043	1,668,398	1,679,219	10,821	0.6
TOTAL	<u>\$ 1,853,043</u>	<u>\$ 1,668,398</u>	<u>\$ 1,679,219</u>	<u>\$ 10,821</u>	<u>0.6 %</u>
By Major Object of Expenditure:					
Salaries and Wages	\$ 1,397,672	\$ 1,191,354	\$ 1,202,175	\$ 10,821	0.9 %
Contractual Services	416,399	449,539	449,539	0	0.0
Commodities	18,272	17,272	17,272	0	0.0
Capital Outlay	10,467	0	0	0	--
Subtotal - Operations	<u>\$ 1,842,810</u>	<u>\$ 1,658,165</u>	<u>\$ 1,668,986</u>	<u>\$ 10,821</u>	<u>0.7 %</u>
Aid to Local Units	0	0	0	0	--
Other Assistance	10,233	10,233	10,233	0	0.0
TOTAL	<u>\$ 1,853,043</u>	<u>\$ 1,668,398</u>	<u>\$ 1,679,219</u>	<u>\$ 10,821</u>	<u>0.6 %</u>
Financing:					
State General Fund	\$ 1,310,068	\$ 1,095,371	\$ 1,101,577	\$ 6,206	0.6 %
All Other Funds	542,975	573,027	577,642	4,615	0.8
TOTAL	<u>\$ 1,853,043</u>	<u>\$ 1,668,398</u>	<u>\$ 1,679,219</u>	<u>\$ 10,821</u>	<u>0.6 %</u>

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$1,192,967 for the Human Rights Commission in FY 2013. 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 \$21,083, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013.

This adjustment changes the FY 2013 approved State General Fund to \$1,214,050. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

	CHANGE FROM APPROVED BUDGET				
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 1,214,050	\$ 1,214,050	\$ 0	\$ 1,214,050	\$ 0
All Other Funds	515,907	489,978	(25,929)	489,978	(25,929)
TOTAL	<u>\$ 1,729,957</u>	<u>\$ 1,704,028</u>	<u>\$ (25,929)</u>	<u>\$ 1,704,028</u>	<u>\$ (25,929)</u>
FTE Positions	23.0	23.0	0.0	23.0	0.0

The **agency** estimates FY 2013 operating expenditures of \$1,704,028, including \$1,214,050 from the State General Fund. This is an all funds decrease of \$25,929, or 1.5 percent, below the FY 2013 approved budget. The State General Fund did not change from the FY 2013 approved budget. The agency requests 23.0 FTE positions, which is the same as the FY 2013 approved number.

Major changes include:

- **Salaries and wages** - The agency estimates \$1,229,556 for FY 2013, a decrease of \$74,484, or 5.7 percent, below the FY 2013 approved budget. The decrease includes an increase in salary and wages expenditures of \$30,500 offset by \$105,084 in additional shrinkage. Funds for salaries and wages include \$751,398 from the State General Fund, \$1,891 from the Education and Training Fee Fund, and \$476,267 from the federal Employment Discrimination Fund. There are 23.0 authorized FTE positions, down from 25.0 in FY 2012 and down from 34.0 FTE authorized in recent years. 19.5 positions are currently filled, and the Chief Legal Counsel position is scheduled to be filled in January 2013.

- **Contractual Services** - The agency estimates \$431,806 for FY 2013, an increase of \$44,960, or 11.6 percent, above the FY 2013 approved budget; including \$426,060 from the State General Fund, an increase of \$44,671, or 11.7 percent, above the FY 2013 approved budget. The increase is mainly due to \$20,250 scheduled for staffing services for a Special Investigator II position and \$20,000 budgeted for outside legal counsel due to the vacant Chief Legal Counsel position.
- **Commodities** - The agency estimates \$16,819, an all funds decrease of \$1,069, or 6.0 percent, below the FY 2013 approved budget. This amount includes \$10,745 from the State General Fund, a decrease of \$1,353, or 11.2 percent, below the FY 2013 approved budget, and \$6,074 from the Education and Training Fund.
- **Capital Outlay** - The agency estimates \$15,614, all from the State General Fund. The FY 2013 approved budget did not include an amount for capital outlay expenditures. The agency is requesting the funds based on Office of Information and Technology Systems (OITS) recommendations that technology items be replaced on a three or four year basis to avoid unexpected breakdowns and repairs. The agency states that the Wichita server will be four-years old in FY 2013 and is scheduled for replacement at a cost of \$4,750 based on the recently replaced Topeka server. Additionally, the agency plans to purchase seven desktop computers with monitors and seven replacement printers to replace computers and printers that will be five year old or older. The agency also plans to purchase seven licenses for Microsoft Office 2010.
- **Other Assistance** - The agency estimates \$10,233, all from the State General Fund. The FY 2013 approved budget did not include an amount for other assistance. The agency had one employee participate in the Voluntary Retirement Incentive Program, and as part of the incentive, the agency pays the agency share of the employee's group health insurance. Costs are based on actual expenditures incurred to date and Division of Budget instructions.

The **Governor** concurs with the agency's revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 1,853,043	\$ 1,668,398	\$	(184,645)
FTE Positions	24.0	23.0		(1.0)
Change from FY 2013:				
Dollar Change:				
State General Fund	\$ 96,018	\$ (118,679)		
All Other Funds	52,997	83,049		
TOTAL	<u>\$ 149,015</u>	<u>\$ (35,630)</u>		
Percent Change:				
State General Fund	7.9 %	(9.8) %		
All Other Funds	10.8	16.9		
TOTAL	<u>8.7 %</u>	<u>(2.1) %</u>		
Change in FTE Positions	1.0	0.0		

The **agency** requests \$1,853,043, including \$1,310,068 from the State General Fund for operating expenditures in FY 2014. This is an all funds increase of \$149,015, or 8.7 percent, above the FY 2013 revised estimate, and a State General Fund increase of \$96,018, or 7.9 percent, above the FY 2013 revised estimate. Federal funds comprise \$517,362 of the request, an increase of \$39,861, or 8.3 percent, above the FY 2013 revised estimate. The increase is funded primarily due to the increased reimbursement rate for the Equal Employment Opportunity Commission (EEOC) contract from \$600 per case resolved to \$650 per case resolved, and a one-time 54 case resolution upgrade to the EEOC to generate an additional \$35,100 in income. The agency requests 25.0 FTE positions, an increase of 1.0 position above the 2013 revised estimate. **Without enhancements**, the request is for \$1,739,113, an all funds increase of \$35,085, or 2.1 percent, and a State General Fund decrease of \$17,912, or 1.5 percent.

Major changes include:

- **Salaries and Wages** - The agency requests \$1,397,672, an increase of \$168,116, or 13.7 percent, above the FY 2013 revised estimate; including \$866,895 from the State General Fund, \$14,691 from the Education and Training Fund, and \$516,086 from federal funds. The Administrative program is currently authorized 23.0 FTE positions, and only 19.5 of those positions are filled, with plans to fill the vacant Chief Legal Counsel position in approximately January of 2013. The agency is requesting an increase of 1.0 FTE positions for the addition of a Special Investigator II position and a Legal Assistant position. The agency is

requesting \$107,218, all from the State General Fund, in salaries and wages for these two positions. Absent the enhancement request, the total for salaries and wages would be \$1,290,454, an increase of \$60,898, or 5.0 percent, from the FY 2013 revised estimate.

- **Contractual Services** - The agency requests \$416,399, a decrease of \$15,407, or 3.6 percent, below the FY 2013 revised estimate; including \$410,439 from the State General Fund, \$4,684 from the Education and Training Fund, and \$1,276 from federal funds. The decrease is due in part because no contract attorney is listed in anticipation of the Chief Legal Counsel position being filled in January 2013. The enhancement request accounts for \$1,860 in contractual services. Absent the request, the total for contractual services would be \$414,539, an increase of \$27,693, or 7.2 percent, above the FY 2013 revised estimate.
- **Commodities** - The agency requests \$18,272, an increase of \$1,453, or 8.6 percent, above the FY 2013 revised estimate; including, \$12,034 from the State General Fund and \$6,238 from the Education and Training Fund. The enhancement request accounts for \$1,000 in contractual services. Absent the request, the total for contractual services would be \$17,272, a decrease of \$616, or 3.4 percent, below the FY 2013 revised estimate.
- **Capital Outlay** - The agency requests \$10,467 all from the State General Fund, a decrease of \$5,147, or 33.0 percent, below the FY 2013 revised estimate. The agency is requesting the funds based on Division of Information Systems and Communication (DISC) recommendations that technology items be replaced on a three or four year basis to avoid unexpected breakdowns and repairs. The agency projects to purchase seven replacement printers, two replacement laptops, and seven Microsoft Office 2010 licenses. The printers will be six or more years old, and the two laptops will be nine years old.
- **Other Assistance** - The agency estimates \$10,233, all from the State General Fund. The FY 2013 approved budget did not include an amount for other assistance. The agency had one employee participate in the Voluntary Retirement Incentive Program, and as part of the incentive, the agency pays the agency share of the employee's group health insurance. Estimates are based on Division of Budget instructions.

The **Governor** recommends FY 2014 expenditures of \$1,668,398, including \$1,095,371 from the State General Fund. This is an all funds decrease of \$184,645, or 10.0 percent, and a State General Fund decrease of \$214,697, or 16.4 percent, below the agency's FY 2014 request. The recommendation is an all funds decrease of \$35,630, or 2.1 percent, and a State General Fund decrease of \$118,679, or 9.8 percent, below the Governor's FY 2013 recommendation.

The decrease from the agency's request is due to the Governor not recommending any enhancement funding and the Governor adopting most of the agency's proposed reduced resources budget. The decrease is offset by an increase in contractual services for a contract attorney due to the Governor not recommending to fill the Chief Legal Counsel position. The Governor's recommendation also includes a decrease of \$1,285, including \$690 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Special Investigator II	\$ 56,965	\$ 56,965	0.0	\$ 0	\$ 0	0.0
Legal Assistant	56,965	56,965	1.0	0	0	0.0
TOTAL	<u>\$ 113,930</u>	<u>\$ 113,930</u>	<u>1.0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0.0</u>

The **agency** submitted two enhancement requests totaling \$113,930, all from the State General Fund, including:

Special Investigator II. The agency requests \$56,965, all from the State General Fund, to fund a Special Investigator II position. The agency had 12 Special Investigator II positions that were filled at the beginning of FY 2009, and currently 8 are filled. The agency notes that the responsibilities of this position are to investigate, resolve, and settle complaints. The agency estimates 72 additional complaints to be closed per year with the filling of the position, as well as a decreased processing time from 8.7 months to 7.3 months in FY 2015. The agency currently has this position within its FTE limitation.

Legal Assistant. The agency requests \$56,965, all from the State General Fund, to fund a Legal Assistant position. In recent years, the agency had three legal staff positions, including two Senior Legal Counsels. Due to funding constraints, the Senior Legal Counsel positions are no longer within the agency's FTE. The agency notes that legal staff is responsible for reviewing proposed settlement agreements for compliance, reviewing documents to be produced, and answering legal questions from staff. The agency believes a legal assistant will be an important asset in assisting the one remaining legal staff, the Chief Legal Counsel, as a cost-effective alternative.

The **Governor** does not recommend any enhanced funding or the FTE position for FY 2014.

FY 2014 Reduced Resources

FY 2014 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Capital Outlay - FY 2014	\$ (6,615)	\$ (6,615)	0.0	\$ (6,615)	\$ (6,615)	0.0
Capital Outlay - FY 2013	(10,864)	(10,864)	0.0	0	0	0.0
Out of State Training	(8,673)	(8,673)	0.0	(8,673)	(8,673)	0.0
Hold Open Chief Legal Counsel	(62,815)	(62,815)	0.0	(62,815)	(62,815)	0.0
Use of Federal Funds in lieu of SGF	(30,647)	0	0.0	(21,974)	0	0.0
TOTAL	<u>\$ (119,614)</u>	<u>\$ (88,967)</u>	<u>0.0</u>	<u>\$ (100,077)</u>	<u>\$ (78,103)</u>	<u>0.0</u>

The **agency** submitted a reduced resource budget which would reduce \$88,967 all funds, including \$119,614 from the State General Fund. These reductions include the following:

Eliminate Capital Outlay for FY 2014. The agency budgeted for the replacement of computers and computer-related equipment that will be six to nine years old in FY 2014. OITS recommends computers and related technology items be replaced on a three to four year basis to avoid equipment failure and loss of data. The proposal would result in a State General Fund reduction of \$6,615.

The **Governor** recommends this reduced resource item for FY 2014.

Eliminate Capital Outlay for FY 2013. The agency has budgeted to replace seven computers and seven printers, all of which are five years old or older at the end of FY 2013. The agency has also budgeted to purchase seven licenses for Microsoft Office 2010. The replacement for the Wichita server is not listed in the reduced resources proposal. The agency proposes to eliminate the above mentioned capital outlay in FY 2013 and carry the savings forward to FY 2014 to offset any reduction. This proposal would result in a State General Fund reduction of \$10,864.

The **Governor** does not recommend this reduced resource item for FY 2014.

Eliminate Out of State Training in FY 2014. The agency states that due to budget limitations, the supervisor and investigator training program was previously eliminated, except for one EEOC conference paid in full with federal funds. The agency requested funding to re-establish a training program to keep personnel abreast of changes in federal laws, court decisions, and investigative techniques. The agency notes that there have been significant changes in the civil rights field since the training program was eliminated, and that not keeping informed of changes could hamper the agency's ability to fulfill the EEOC contract by possibly performing unsatisfactory work. Eliminating supervisor and investigator training would reduce the State General Fund request by \$8,673.

The **Governor** recommends this reduced resource item for FY 2014.

Hold Open Fill Chief Legal Counsel. The agency has budgeted to fill the Chief Legal Counsel position for FY 2014, but would forgo filling this position if a reduction notice was given. If this action were taken, it would be necessary to continue to contract with an outside attorney firm for legal advice and for public hearing duties. The Chief Legal Counsel is the sole legal position remaining after reductions to FTE were made in 2011. Leaving the position vacant would save \$97,815 in salary expenses offset by \$35,000 for outside contracting costs, reducing the amount requested from the State General Fund by \$62,815.

The **Governor** recommends this reduced resource item for FY 2014.

Use of Federal Funds in Lieu of State General Funds. This proposal calls for the substitution of federal funds from the agency Equal Employment Opportunity Commission (EEOC) fund for the State General Fund if a reduction in SGF occurs. The EEOC fund is scheduled to have an ending balance of \$56,316, and spending an additional \$30,647 from the EEOC account would reduce the FY 2014 ending balance to \$25,669. This would leave a small safety net if the EEOC contract was unexpectedly reduced. There is also discussion that federal budgets will be cut, and it is unknown if and when this will impact the EEOC contract. This proposal would result in a State General Fund reduction of \$30,647.

The **Governor** recommends this reduced resource item for FY 2014 but reduces the recommended reduction to \$21,974, all from the State General Fund.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 1,679,219	\$ 10,821
FTE Positions	23.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 6,206	
All Other Funds	4,615	
TOTAL	<u>\$ 10,821</u>	
<i>Percent Change:</i>		
State General Fund	0.6 %	
All Other Funds	0.8	
TOTAL	<u>0.6 %</u>	
Change in FTE Positions	0.0	

FY 2015 – Budget Year. The **agency** did not submit a FY 2015 budget request. There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures of \$1,679,219, including \$1,101,577 from the State General Fund. This is an all funds increase of \$10,821, or 0.6 percent, and a State General Fund increase of \$6,206, or 0.6 percent, above the Governor's FY 2014 budget recommendation. The increase is due to increases in KPERS public employee contributions and longevity pay.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$11,760, including \$6,745 from the State General Fund, and FY 2015 longevity payments total \$12,160, including \$6,974 from the State General Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	70.7 %	65.7 %
Education and Training	1.4	1.5
Employment Discrimination Fund	27.9	32.8
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Education and Training Fund Analysis

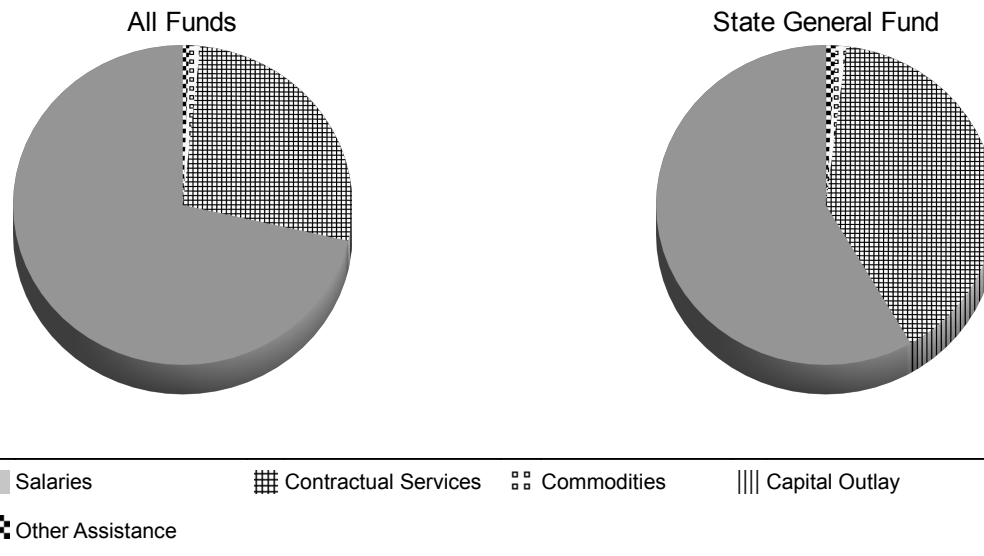
Revenue for this fund is generated by fees for copies and registration fees for the Annual Employment Law Seminar. In FY 2013, the Employment Law Seminar is projected to generate a revenue of \$13,875. Expenditures from this fund are limited to "operating expenditures for the commission's education and training programs for the general public."

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 4,049	\$ 7,786	\$ 7,786	\$ 11,184	\$ 11,184
Revenue	16,189	15,875	15,875	15,875	15,875
Transfers in	0	0	0	0	0
Total Funds Available	\$ 20,238	\$ 23,661	\$ 23,661	\$ 27,059	\$ 27,059
Less: Expenditures	12,452	12,477	12,477	25,613	25,597
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 7,786</u>	<u>\$ 11,184</u>	<u>\$ 11,184</u>	<u>\$ 1,446</u>	<u>\$ 1,462</u>
Ending Balance as Percent of Expenditures	62.5%	89.6%	89.6%	5.6%	5.7%
Month Highest Ending Balance	December <u>\$ 15,834</u>	December <u>\$ 12,075</u>	December <u>\$ 12,075</u>	December <u>\$ 15,137</u>	December <u>\$ 15,137</u>
Month Lowest Ending Balance	July <u>\$ 4,049</u>	July <u>\$ 7,786</u>	July <u>\$ 7,786</u>	June <u>\$ 1,446</u>	June <u>\$ 1,446</u>

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation



Expenditures	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Salaries	\$ 1,191,354	71.4 %	\$ 639,198	58.4 %
Contractual Services	449,539	26.9	434,906	39.7
Commodities	17,272	1.0	11,034	1.0
Capital Outlay	0	0.0	0	0.0
Other Assistance	10,233	0.6	10,233	0.9
TOTAL	\$ 1,668,398	100.0 %	\$ 1,095,371	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	25.0	23.0	23.0	24.0	23.0	23.0
TOTAL	25.0	23.0	23.0	24.0	23.0	23.0

PERFORMANCE MEASURES			
	<u>Actual FY 2012</u>	<u>Gov. Rec. 2013</u>	<u>Gov. Rec. 2014</u>
Number of Open Cases	804	729	654
Number of Complaints Filed	938	900	905
Number of Complaints Closed	1,150	975	980
Processing Delay Time (in months)	12	11	10

HEALTH CARE STABILIZATION FUND BOARD OF GOVERNORS

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	28,202,332	32,573,843	32,573,843	37,535,248	37,533,863	43,194,331
TOTAL	\$ 28,202,332	\$ 32,573,843	\$ 32,573,843	\$ 37,535,248	\$ 37,533,863	\$ 43,194,331
Capital Improvements						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 28,202,332	\$ 32,573,843	\$ 32,573,843	\$ 37,535,248	\$ 37,533,863	\$ 43,194,331

Operating Expenditures Percentage Change

State General Fund	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	14.7	15.5	15.5	15.2	15.2	15.1
FTE Positions	18.0	18.0	18.0	18.0	18.0	18.0
Non-FTE .Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	18.0	18.0	18.0	18.0	18.0	18.0

*Non-FTE Permanent Unclassified Positions

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 2012 were \$29.1 million and

are estimated at \$27.7 million in FY 2013. In addition to Fund surcharges, the Fund also receives interest on state agency investments. The investment income for FY 2012 was \$11.3 million and is expected to decrease to \$10.6 million in FY 2013 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 2010 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 expenses 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."

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates a revised FY 2013 budget of \$32,573,843, all from special revenue funds, which is a decrease of \$4,098,423, or 11.2 percent below the amount approved by the 2012 Legislature. The decrease was associated with a revised estimate in claims expenditures including \$3,683,465 in other assistance payments. The decreases are partially offset by an increase of \$2,207, all from special revenue funds, as the result of the 2012 Legislature's approved undermarket pay distributed by the State Finance Council.

The **Governor** recommends FY 2013 expenditures of \$32,573,843, all from special revenue funds, the same as the agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests an FY 2014 budget of \$37,535,248, all from special revenue funds, which is an increase of \$4,961,405, or 15.2 percent, above the revised FY 2013 estimate. The majority of the increase is attributable to an increase in claims payments and legal services.

The agency indicated that the claims payment estimate included in the budget submission is based upon existing law. The recent Kansas Supreme Court decision upheld the constitutionality of the cap on noneconomic damages in professional liability cases. The recent Missouri Supreme Court decision striking down the cap on noneconomic damages has the potential to require adjustments to the estimate in the future.

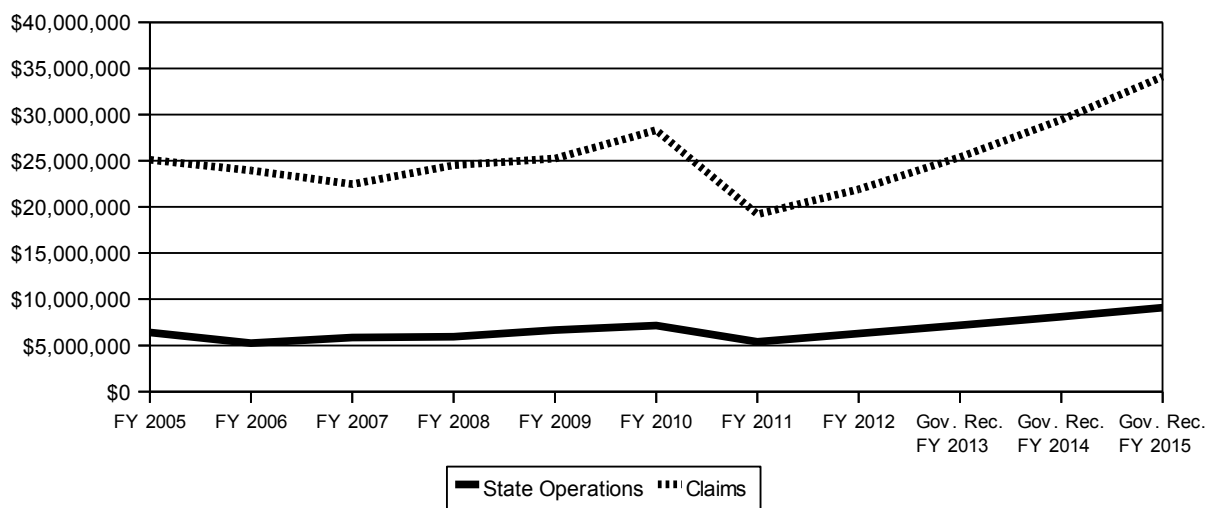
The **Governor** recommends FY 2014 expenditures of \$37,533,863, all from special revenue funds, a decrease of \$1,385, or less than 0.1 percent below the agency's request. The Governor's recommendation includes a decrease of \$1,385, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures of \$43,194,331, all from special revenue funds. The recommendation is an increase of \$5,660,468, or 15.1 percent, above the Governor's recommendation for FY 2014. The majority of the increase in the recommendation is attributable to increases in claims and claims related expenditures. The remainder of the increase is attributable to increases in salaries and wages.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	State Operations	% Change	Claims	% Change	FTE
2005	\$ 6,389,120	2.1 %	\$ 25,104,792	8.0 %	16.0
2006	5,238,807	(18.0)	23,947,225	(4.6)	16.0
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 Gov. Rec.	7,180,068	14.1	25,393,775	15.9	18.0
2014 Gov. Rec.	8,102,478	12.8	29,431,385	15.9	18.0
2015 Gov. Rec.	9,083,356	12.1	34,110,975	15.9	18.0
Eleven-Year Change Dollars/Percent	\$ 2,694,236	42.2 %	\$ 9,006,183	35.9 %	2.0

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request					Governor's Recommendation			
		Actual 2012	Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:										
Administration	\$	1,580,427	\$ 1,719,058	\$ 1,774,543	\$ 55,485	3.2 %	\$ 1,719,058	\$ 1,773,158	\$ 54,100	3.1 %
Claims		26,621,905	30,854,785	35,760,705	4,905,920	15.9	30,854,785	35,760,705	4,905,920	15.9
TOTAL	\$	28,202,332	\$ 32,573,843	\$ 37,535,248	\$ 4,961,405	15.2 %	\$ 32,573,843	\$ 37,533,863	\$ 4,960,020	15.2 %
By Major Object of Expenditure:										
Salaries and Wages	\$	1,304,781	\$ 1,342,758	\$ 1,364,853	\$ 22,095	1.6 %	\$ 1,342,758	\$ 1,363,468	\$ 20,710	1.5 %
Contractual Services		4,956,117	5,770,655	6,667,335	896,680	15.5	5,770,655	6,667,335	896,680	15.5
Commodities		26,002	38,515	39,075	560	1.5	38,515	39,075	560	1.5
Capital Outlay		5,358	28,140	32,600	4,460	15.8	28,140	32,600	4,460	15.8
Subtotal - Operations	\$	6,292,258	\$ 7,180,068	\$ 8,103,863	\$ 923,795	12.9 %	\$ 7,180,068	\$ 8,102,478	\$ 922,410	12.8 %
Aid to Local Units		0	0	0	0	--	0	0	0	--
Other Assistance		21,910,074	25,393,775	29,431,385	4,037,610	15.9	25,393,775	29,431,385	4,037,610	15.9
TOTAL	\$	28,202,332	\$ 32,573,843	\$ 37,535,248	\$ 4,961,405	15.2 %	\$ 32,573,843	\$ 37,533,863	\$ 4,960,020	15.2 %
Financing:										
State General Fund	\$	0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	--%
All Other Funds		28,202,332	32,573,843	37,535,248	4,961,405	15.2	32,573,843	37,533,863	4,960,020	15.2
TOTAL	\$	28,202,332	\$ 32,573,843	\$ 37,535,248	\$ 4,961,405	15.2 %	\$ 32,573,843	\$ 37,533,863	\$ 4,960,020	15.2 %

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 1,774,543	\$ 1,773,158	\$ 1,782,477	\$ 9,319	0.5 %
Claims	35,760,705	35,760,705	41,411,854	5,651,149	15.8
TOTAL	\$ 37,535,248	\$ 37,533,863	\$ 43,194,331	\$ 5,660,468	15.1 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 1,364,853	\$ 1,363,468	\$ 1,372,787	\$ 9,319	0.7 %
Contractual Services	6,667,335	6,667,335	7,638,894	971,559	14.6
Commodities	39,075	39,075	39,075	0	0.0
Capital Outlay	32,600	32,600	32,600	0	0.0
Subtotal - Operations	\$ 8,103,863	\$ 8,102,478	\$ 9,083,356	\$ 980,878	12.1 %
Aid to Local Units	0	0	0	0	--
Other Assistance	29,431,385	29,431,385	34,110,975	4,679,590	15.9
TOTAL	\$ 37,535,248	\$ 37,533,863	\$ 43,194,331	\$ 5,660,468	15.1 %
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	--%
All Other Funds	37,535,248	37,533,863	43,194,331	5,660,468	15.1
TOTAL	\$ 37,535,248	\$ 37,533,863	\$ 43,194,331	\$ 5,660,468	15.1 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved Budget

The 2012 Legislature approved a budget of \$36,672,266 for the Health Care Stabilization Fund in FY 2013.

	CHANGE FROM APPROVED BUDGET				
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	36,672,266	32,573,843	(4,098,423)	32,573,843	(4,098,423)
TOTAL	<u>\$ 36,672,266</u>	<u>\$ 32,573,843</u>	<u>\$ (4,098,423)</u>	<u>\$ 32,573,843</u>	<u>\$ (4,098,423)</u>
FTE Positions	18.0	18.0	0.0	18.0	0.0

Supplemental Detail

The **agency** estimates a revised FY 2013 budget of \$32,573,843, all from special revenue funds, which is a decrease of \$4,098,423, or 11.2 percent below the amount approved by the 2012 Legislature. The decrease was associated with a revised estimate in claims expenditures including \$3,683,465 in other assistance payments. The decreases are partially offset by an increase of \$2,207, all from special revenue funds, as the result of the 2012 Legislature's approved undermarket pay distributed by the State Finance Council.

The **Governor** recommends FY 2013 expenditures of \$32,573,843, all from special revenue funds, the same as the agency's revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 37,535,248	\$ 37,533,863	\$	(1,385)
FTE Positions	18.0	18.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 0	\$ 0		
All Other Funds	4,961,405	4,960,020		
TOTAL	\$ 4,961,405	\$ 4,960,020		
<i>Percent Change:</i>				
State General Fund	0.0 %	0.0 %		
All Other Funds	15.2	15.2		
TOTAL	15.2 %	15.2 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests an FY 2014 budget of \$37,535,248, all from special revenue funds, which is an increase of \$4,961,405, or 15.2 percent, above the revised FY 2013 estimate. The majority of the increase is attributable to an increase in claims payments and legal services.

The agency indicated that the claims payment estimate included in the budget submission is based upon existing law. The recent Kansas Supreme Court decision upheld the constitutionality of the cap on noneconomic damages in professional liability cases. The recent Missouri Supreme Court decision striking down the cap on noneconomic damages has the potential to require adjustments to the estimate in the future.

The **Governor** recommends FY 2014 expenditures of \$37,533,863, all from special revenue funds, a decrease of \$1,385, or less than 0.1 percent below the agency's request. The Governor's recommendation includes a decrease of \$1,385, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The **agency** did not request any enhanced funding for FY 2014.

FY 2014 Reduced Resources

The **agency** was not required to submit a reduced resources budget for FY 2014.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 43,194,331	\$ 5,660,468
FTE Positions	18.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	5,660,468	
TOTAL	<u>\$ 5,660,468</u>	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	15.1	
TOTAL	<u>15.1 %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures of \$43,194,331, all from special revenue funds. The recommendation is an increase of \$5,660,468, or 15.1 percent, above the Governor's recommendation for FY 2014. The majority of the increase in the recommendation is attributable to increases in claims and claims related expenditures. The remainder of the increase is attributable to increases in salaries and wages.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$2,400, all from special revenue funds, and FY 2015 longevity payments total \$2,480, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Operating Expenditures Account	4.7 %	4.7 %
Legal Services and Claims Expenditures Account	16.9	16.9
Claims and Benefits Account	78.4	78.4
Conference Fee Fund	<0.1	<0.1
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Fee 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 selfinsurers.

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 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 3,211,124	\$ 2,506,867	\$ 2,506,867	\$ 1,258,306	\$ 1,258,306
Revenue	62,531,889	61,784,464	61,784,464	61,452,156	61,452,156
Transfers in	500,000	500,000	500,000	4,467,245	4,467,245
Total Funds Available	\$ 66,243,013	\$ 64,791,331	\$ 64,791,331	\$ 67,177,707	\$ 67,177,707
Less: Expenditures	63,316,146	63,333,025	63,333,025	66,652,495	66,651,110
Transfers Out	200,000	200,000	200,000	200,000	200,000
Off Budget Expenditures	220,000	0	0	0	0
Ending Balance	<u>\$ 2,506,867</u>	<u>\$ 1,258,306</u>	<u>\$ 1,258,306</u>	<u>\$ 325,212</u>	<u>\$ 326,597</u>
Ending Balance as Percent of Expenditures	4.0%	2.0%	2.0%	0.5%	0.5%
Month Highest Ending Balance	January \$ 6,597,578	January \$ 6,500,000	January \$ 6,500,000	January \$ 6,500,000	January \$ 6,500,000
Month Lowest Ending Balance	March \$ 1,888,949	June \$ 2,500,000	June \$ 2,500,000	June \$ 2,500,000	June \$ 2,500,000

STAFF NOTES:

- Investment-related revenue includes interest earned on invested funds, as well as earnings on investments that have matured and been sold. The Health Care

Stabilization Fund invests through the Pooled Money Investment Board under the State Treasurer.

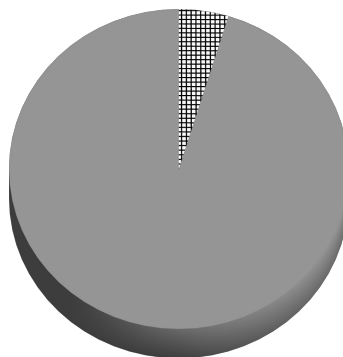
- Transfers out refer to funds that the Health Care Stabilization Fund is required to transfer to the Kansas Department of Health and Environment (KDHE). The Fund is required by statute to contribute to hospital risk management programs administered by KDHE.
- Non-revenue receipts is comprised of "tendered limits" and a \$500,000 annual payment from the faculty foundations at the University of Kansas School of Medicine. "Tendered limits" is a term used to refer to payments made by a primary insurer who has decided to pay the Health Care Stabilization Fund the maximum amount covered by their policy holder's insurance. This most often occurs in malpractice cases in which the primary insurer is confident a settlement or judgment will be made that will exceed the primary insurer's policy and therefore require payment from the Health Care Stabilization Fund as well.
- It is standard practice for the Health Care Stabilization Fund to keep a balance in the Operating Fund that is only large enough to cover immediate settlement and judgment obligations, plus daily operating expenses. According to the agency, if funds above that amount accumulate to \$1,000,000 or more, the agency contacts the Pooled Money Investment Board to invest the excess funds as soon as possible.

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



■ Claims ▨ Administration

Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Administration	\$ 1,773,158	4.7 %	\$ 0	-- %
Claims	35,760,705	95.3	0	--
TOTAL	<u>\$ 37,533,863</u>	<u>100.0 %</u>	<u>\$ 0</u>	<u>-- %</u>

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	18.0	18.0	18.0	18.0	18.0	18.0
Claims	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>18.0</u>	<u>18.0</u>	<u>18.0</u>	<u>18.0</u>	<u>18.0</u>	<u>18.0</u>

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 expenses of the Fund have traditionally been subject to an expenditure limitation as opposed to the Claims program, which is no-limit.

ADMINISTRATION PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,304,781	\$ 1,342,758	\$ 1,342,758	\$ 1,364,853	\$ 1,363,468	\$ 1,372,787
Contractual Services	246,013	311,645	311,645	340,335	340,335	340,335
Commodities	24,275	36,515	36,515	36,755	36,755	36,755
Capital Outlay	5,358	28,140	28,140	32,600	32,600	32,600
Subtotal	\$ 1,580,427	\$ 1,719,058	\$ 1,719,058	\$ 1,774,543	\$ 1,773,158	\$ 1,782,477
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 1,580,427	\$ 1,719,058	\$ 1,719,058	\$ 1,774,543	\$ 1,773,158	\$ 1,782,477
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,580,427	1,719,058	1,719,058	1,774,543	1,773,158	1,782,477
TOTAL	\$ 1,580,427	\$ 1,719,058	\$ 1,719,058	\$ 1,774,543	\$ 1,773,158	\$ 1,782,477
FTE Positions	18.0	18.0	18.0	18.0	18.0	18.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	18.0	18.0	18.0	18.0	18.0	18.0

*Non-FTE Permanent Unclassified Positions

The **agency** requests \$1,774,543, all from special revenue funds, for FY 2014 for the Administration program. This is an increase of \$55,485, or 3.2 percent, above the revised FY 2013 estimate. The majority of the increase is due fringe benefit increases.

- **Salaries and Wages.** The agency requests \$1,364,853, all from special revenue funds, for salaries and wages for FY 2014. This is an increase of \$22,095, or 1.6 percent, above the revised FY 2013 estimate. The increase is due to fringe benefit increases.
- **Contractual Services.** The agency requests \$340,335, all from special revenue funds, for contractual services for FY 2014. This is an increase of \$28,690, or 9.2 percent, above the revised FY 2013 estimate. The majority of the increase is due to increased travel costs, tuition reimbursement, and professional fees, partially offset by decreases in information technology consulting fees.
- **Commodities.** The agency requests \$36,755, all from special revenue funds, for commodities for FY 2014. This is an increase of \$240, or 0.7 percent, above the revised FY 2013 estimate. The majority of the increase is in food and gasoline.

- **Capital Outlay.** The agency requests \$32,600, all from special revenue funds, for capital outlay for FY 2014. This is an increase of \$4,460, or 15.8 percent, above the revised FY 2013 estimate. The increase is due to the purchase of equipment.

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2014 expenditures of \$1,773,158, all from special revenue funds, a decrease of \$1,385, or less than 0.1 percent, below the agency's request. The Governor's recommendation includes a decrease of \$1,385, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor's** recommendation for FY 2015 expenditures of \$1,782,477, all from special revenue funds. The recommendation was an increase of \$9,319, or less than 0.1 percent above the FY 2014 recommendation. The increase is attributable to increases in salaries and wages expenditures.

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 PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	4,710,104	5,459,010	5,459,010	6,327,000	6,327,000	7,298,559
Commodities	1,727	2,000	2,000	2,320	2,320	2,320
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 4,711,831	\$ 5,461,010	\$ 5,461,010	\$ 6,329,320	\$ 6,329,320	\$ 7,300,879
Aid to Local Units	0	0	0	0	0	0
Other Assistance	21,910,074	25,393,775	25,393,775	29,431,385	29,431,385	34,110,975
TOTAL	\$ 26,621,905	\$ 30,854,785	\$ 30,854,785	\$ 35,760,705	\$ 35,760,705	\$ 41,411,854
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	26,621,905	30,854,785	30,854,785	35,760,705	35,760,705	41,411,854
TOTAL	\$ 26,621,905	\$ 30,854,785	\$ 30,854,785	\$ 35,760,705	\$ 35,760,705	\$ 41,411,854
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	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
*Non-FTE Permanent Unclassified Positions						

The **agency** requests \$35,760,705 for FY 2014, all from special revenue funds, for the Claims program. This request is an increase of \$4,905,930, or 15.9 percent above the revised FY 2013 revised estimate.

- **Contractual Services.** The agency requests \$6,327,000 for contractual services for FY 2014, all from special revenue funds, an increase of \$867,990, or 15.9 percent, above the revised FY 2013 estimate. The majority of expenditures are attributable to attorneys' and expert witness fees.
- **Commodities.** The agency requests \$2,320 for commodities for FY 2014, all from special revenue funds. This is an increase of \$320, or 16.0 percent, above the revised FY 2013 request.
- **Other Assistance.** The agency requests \$29,431,385, all from special revenue funds, for other assistance for FY 2013. This is an increase of \$4,037,610, or 15.9 percent above the revised FY 2013 estimate. The expenditures in this area are for medical malpractice claims payments.

The **Governor** recommends FY 2014 expenditures of \$35,760,705, all from special revenue funds, the same as the agency's request.

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends for FY 2015 expenditures \$41,411,854, all from special revenue funds. The recommendation is an increase of \$5,651,149, or 15.8 percent, above the Governor's FY 2014 recommendation. The increase is attributable to increases in claims and claims related expenditures.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Number of cases opened	585	528	550	600
Number of cases closed	642	557	500	550
Unassigned reserves as a percent of indicated liabilities	15.0%	33.5%	35.0%	N/A

JUDICIAL BRANCH

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 102,476,154	\$ 106,179,769	\$ 106,179,769	\$ 136,476,702	\$ 123,076,268	\$ 123,713,222
Other Funds	24,034,232	25,619,670	25,619,670	11,549,410	11,513,513	11,556,502
TOTAL	\$ 126,510,386	\$ 131,799,439	\$ 131,799,439	\$ 148,026,112	\$ 134,589,781	\$ 135,269,724
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 605,712	\$ 261,734	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 605,712	\$ 261,734	\$ 0
GRAND TOTAL	\$ 126,510,386	\$ 131,799,439	\$ 131,799,439	\$ 148,631,824	\$ 134,851,515	\$ 135,269,724

Operating Expenditures Percentage Change

State General Fund	1.5 %	3.6 %	3.6 %	28.5 %	15.9 %	0.5 %
All Funds	2.8	4.2	4.2	12.3	2.1	(9.1)

FTE Positions	1,855.3	1,855.3	1,855.3	1,858.3	1,858.3	1,858.3
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	1,855.3	1,855.3	1,855.3	1,858.3	1,858.3	1,858.3

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

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 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 non-judicial 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 4-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. Senate Bill 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **Judicial Branch** requests revised FY 2013 operating expenditures of \$131.8 million, an increase of \$615,512, or 0.5 percent, above the amount

approved by the 2012 Legislature. The revised estimate increase in the State General Fund is due to a supplemental request of \$199,499. The supplemental request corrects a technical error in the FY 2013 approved budget. The Judicial Branch is currently operating with 58 vacant, funded FTE positions for 1,855.3 total FTE.

The revised estimate includes special revenue fund expenditures of \$25.6 million, an increase of \$417,013, or 1.7 percent, above the approved amount.

The **Governor** concurs with the FY 2013 Judiciary estimate. The Governor is statutorily required to submit the Judicial Branch Budget to the Legislature as received.

FY 2014 – Budget Year. The **Judicial Branch** requests a FY 2014 operating budget of \$148.0 million, an all funds increase of \$16.2 million, or 12.3 percent, above the revised FY 2013 agency estimate. The request includes State General Fund expenditures of \$136.5 million, an increase of \$30.3 million, or 28.5 percent, above the revised FY 2013 estimate. The State General Fund increase is attributable to enhancement requests of \$13.6 million, \$11.1 million to offset the expiring Judicial Branch Surcharge Fund, \$2.5 million to fund Non-Judicial personnel, \$1.6 million to offset reduced docket fee revenue and salaries previously funded from the Department for Children and Families (DCF), \$420,000 for the 14th Court of Appeal Judge and Staff, \$630,000 for increased KPERS employers contributions. The request would finance 1,858.3 FTE positions, an increase of 3.0 FTE positions above the revised FY 2013 estimate. The FTE increase is attributable to the hiring of the 14th Court of Appeals Judge and staff.

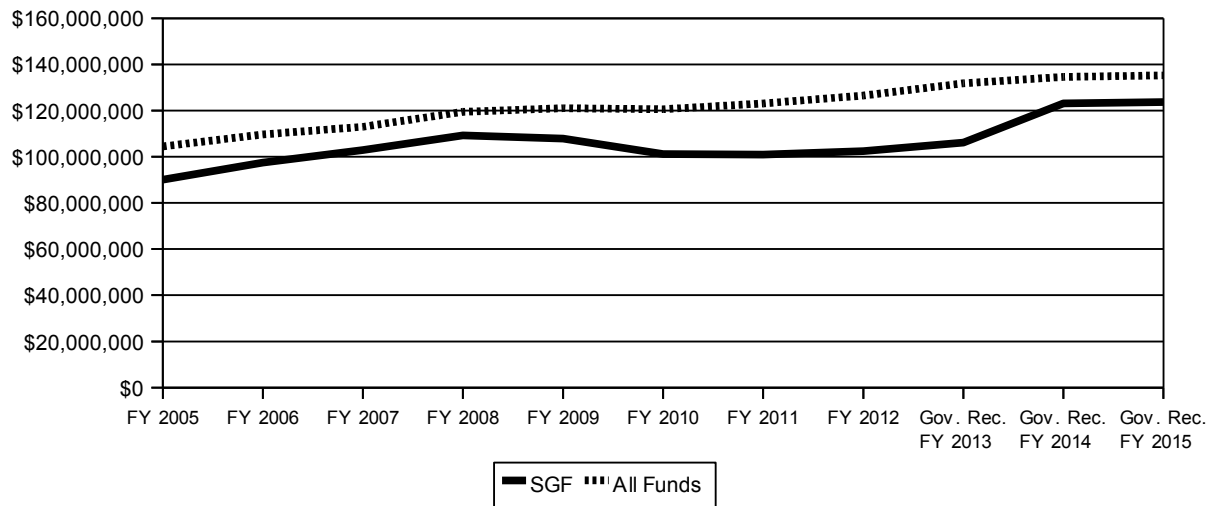
The **Governor** recommends a FY 2014 operating budget of \$134.6 million, including \$123.1 million from the State General Fund. The recommendation is a State General Fund total reduction of \$13.4 million, or 9.8 percent, below the FY 2014 agency request. The State General Fund reduction is attributable to recommendations not to fund the Judiciary enhancement requests totaling \$13.7 million. The Governor's recommendation includes a decrease of \$112,209, including \$105,127 from the State General Fund to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a FY 2015 operating budget of \$135.3 million, including \$123.7 million from the State General Fund. The recommendation is an increase of \$679,943, or 0.5 percent, and State General Fund increase of \$636,954, or 0.5 percent, above the FY 2014 Governor's recommendation. The increase is attributable to higher employer contributions to the Kansas Public Employee Retirement System. The Governor continues to recommend a reduced employee contribution rate for death and disability insurance.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 90,015,002	8.9 %	\$ 104,473,618	9.1 %	1,829.3
2006	97,473,806	8.3	109,670,885	5.0	1,830.3
2007	102,927,084	5.6	112,989,354	3.0	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 Gov. Rec.	106,179,769	3.6	131,799,439	4.2	1,855.3
2014 Gov. Rec.	123,076,268	15.9	134,589,781	2.1	1,858.3
2015 Gov. Rec.	123,713,222	0.5	135,269,724	0.5	1,858.3
Eleven-Year Change					
Dollars/Percent	\$ 33,698,220	37.4 %	\$ 30,796,106	29.5 %	29.0

Summary of Operating Budget FY 2012 - FY 2014

Judicial Branch

	Actual 2012	Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Appellate Courts	\$ 18,637,140	\$ 20,049,378	\$ 20,774,679	\$ 725,301	3.6 %	\$ 20,049,378	\$ 19,109,403	\$ (939,975)	(4.7)%
District Courts	107,578,785	111,410,143	126,902,781	15,492,638	13.9	111,410,143	115,139,116	3,728,973	3.3
Judicial and Professional Review	294,461	339,918	348,652	8,734	2.6	339,918	341,262	1,344	0.4
TOTAL	\$ 126,510,386	\$ 131,799,439	\$ 148,026,112	\$ 16,226,673	12.3 %	\$ 131,799,439	\$ 134,589,781	\$ 2,790,342	2.1 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 120,302,902	\$ 125,084,749	\$ 141,594,851	\$ 16,510,102	13.2 %	\$ 125,084,749	\$ 129,255,449	\$ 4,170,700	3.3 %
Contractual Services	3,948,361	4,870,195	4,431,377	(438,818)	(9.0)	4,870,195	3,581,948	(1,288,247)	(26.5)
Commodities	395,066	392,850	390,337	(2,513)	(0.6)	392,850	390,337	(2,513)	(0.6)
Capital Outlay	611,335	243,555	463,864	220,309	90.5	243,555	216,364	(27,191)	(11.2)
Subtotal - Operations	\$ 125,257,664	\$ 130,591,349	\$ 146,880,429	\$ 16,289,080	12.5 %	\$ 130,591,349	\$ 133,444,098	\$ 2,852,749	2.2 %
Aid to Local Units	173,000	172,010	169,715	(2,295)	(1.3)	172,010	169,715	(2,295)	(1.3)
Other Assistance	1,079,722	1,036,080	975,968	(60,112)	(5.8)	1,036,080	975,968	(60,112)	(5.8)
TOTAL	\$ 126,510,386	\$ 131,799,439	\$ 148,026,112	\$ 16,226,673	12.3 %	\$ 131,799,439	\$ 134,589,781	\$ 2,790,342	2.1 %
Financing:									
State General Fund	\$ 102,476,154	\$ 106,179,769	\$ 136,476,702	\$ 30,296,933	28.5 %	\$ 106,179,769	\$ 123,076,268	\$ 16,896,499	15.9 %
Non-Judicial Salary Funds	6,908,250	6,953,333	6,377,495	(575,838)	(8.3)	6,953,333	6,371,962	(581,371)	(8.4)
Judiciary Technology Fund	1,220,813	1,039,208	911,116	(128,092)	(12.3)	1,039,208	911,116	(128,092)	(12.3)
Judiciary Branch Surcharge Fund	10,968,073	11,076,070	0	(11,076,070)	(100.0)	11,076,070	0	(11,076,070)	(100.0)
All Other Funds	4,937,096	6,551,059	4,260,799	(2,290,260)	(35.0)	6,551,059	4,230,435	(2,320,624)	(35.4)
TOTAL	\$ 126,510,386	\$ 131,799,439	\$ 148,026,112	\$ 16,226,673	12.3 %	\$ 131,799,439	\$ 134,589,781	\$ 2,790,342	2.1 %

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Appellate Courts	\$ 20,774,679	\$ 19,109,403	\$ 19,196,125	\$ 86,722	0.5 %
District Courts	126,902,781	115,139,116	115,731,395	592,279	0.5
Judicial and Professional Review	348,652	341,262	342,204	942	0.3
TOTAL	<u>\$ 148,026,112</u>	<u>\$ 134,589,781</u>	<u>\$ 135,269,724</u>	<u>\$ 679,943</u>	<u>0.5 %</u>
By Major Object of Expenditure:					
Salaries and Wages	\$ 141,594,851	\$ 129,255,449	\$ 129,935,392	\$ 679,943	0.5 %
Contractual Services	4,431,377	3,581,948	3,581,948	0	0.0
Commodities	390,337	390,337	390,337	0	0.0
Capital Outlay	463,864	216,364	216,364	0	0.0
Subtotal - Operations	<u>\$ 146,880,429</u>	<u>\$ 133,444,098</u>	<u>\$ 134,124,041</u>	<u>\$ 679,943</u>	<u>0.5 %</u>
Aid to Local Units	169,715	169,715	169,715	0	0.0
Other Assistance	975,968	975,968	975,968	0	0.0
TOTAL	<u>\$ 148,026,112</u>	<u>\$ 134,589,781</u>	<u>\$ 135,269,724</u>	<u>\$ 679,943</u>	<u>0.5 %</u>
Financing:					
State General Fund	\$ 136,476,702	\$ 123,076,268	\$ 123,713,222	\$ 636,954	0.5 %
Non-Judicial Salary Funds	6,377,495	6,371,962	6,405,435	33,473	0.5
Judiciary Technology Fund	911,116	911,116	911,116	0	0.0
Judiciary Branch Surcharge Fund	0	0	0	0	--
All Other Funds	4,260,799	4,230,435	4,239,951	9,516	0.2
TOTAL	<u>\$ 148,026,112</u>	<u>\$ 134,589,781</u>	<u>\$ 135,269,724</u>	<u>\$ 679,943</u>	<u>0.5 %</u>

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$105,666,386 for the Judicial Branch in FY 2013. An adjustment has subsequently been made to that amount. This adjustments change the current year approved amount without any legislative action required. For this agency, the following adjustment has been made:

- An increase of \$313,884, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013.

These adjustments change the FY 2013 approved State General Fund to \$105,980,270. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 105,980,270	\$ 106,179,769	\$ 199,499	\$ 106,179,769	\$ 199,499
All Other Funds	25,202,657	25,619,670	417,013	25,619,670	417,013
TOTAL	<u>\$ 131,182,927</u>	<u>\$ 131,799,439</u>	<u>\$ 616,512</u>	<u>\$ 131,799,439</u>	<u>\$ 616,512</u>
FTE Positions	1,855.3	1,855.3	0.0	1,855.3	0.0

The **Judicial Branch** requests FY 2013 operating expenditures of \$131.8 million, an increase of \$616,512, or 0.5 percent, above the amount approved by the 2012 Legislature. The revised estimate for the State General Fund is due to a supplemental request of \$199,499. The supplemental request corrects a technical error in the FY 2013 approved budget. The Judicial Branch is currently operating with 58 vacant, funded FTE positions for 1,855.3 total FTE.

The revised estimate includes special revenue fund expenditures of \$25.6 million, an increase of \$417,013, or 1.7 percent, above the approved amount.

The estimate includes \$496,904 in Edward Byrne Memorial Justice Assistance Grants (JAG) that were not previously available. The JAG grants are being used to fund e-filing costs. The estimate also includes an increase of \$664,256 in the Correctional Supervision Fund used to used to train court services officers to administer the risk-assessment tool called the Level of Services Inventory, Revised (LSI-R) and to implement evidence-based practices.

The increases are partially offset by a reduction in expenditures from the Access to Justice Fund which provides grants to Kansas Legal Services and other programs providing

alternative dispute resolution and legal support services for low-income Kansans. Finally, the estimate includes a reduction in expenditures from the Non-Judicial Salary Adjustment Fund and Intervention Funds of \$522,323 which is used to fund the Judicial Branch undermarket salary adjustments for non-judicial officers and employees of the district courts. The reduction is attributable to fund depletion caused by dropping docket fee revenue.

- **Salaries and Wages:** The Judicial Branch requests \$125.1 million for salaries and wages, a decrease of \$363,677, or 0.3 percent, below the FY 2013 approved amount. The decrease is a result of the manner in which budgetary reductions were applied in the 2012 Legislative Session and do not represent a reduction in actual salaries.
- **Contractual Services:** The Judicial Branch requests \$4.9 million for contractual services, an increase of \$1.1 million, or 30.4 percent, above the FY 2013 approved amount. The increase is attributable to funding for e-filing. The Judicial branch is allocating an additional \$148,224 from the Judiciary Technology fund and \$496,904 from the JAG Grant to further the electronic courts initiative.
- **Commodities:** The Judicial Branch requests \$392,850 for commodities, an increase of \$22,657, or 6.1 percent, above the FY 2013 approved amount. The increase is attributable to computer supplies.
- **Capital Outlay:** The Judicial Branch requests \$243,555 for capital outlay, a decrease of \$39,867, or 14.1 percent, below the FY 2013 approved amount. The decrease is attributable to reduced projected costs for software licenses.
- **Aid to Local Units:** The Judicial Branch requests \$172,010 for the aid to local units budget, a decrease of \$26,110, or 13.2 percent, below the FY 2013 approved amount. This expenditure category supports the Citizen Review Boards which are comprised of community volunteers to examine cases of suspected abuse or neglect of children and make a recommendation to the presiding judge.
- **Other Assistance:** The Judicial Branch requests \$1.0 million for other assistance, a decrease of \$110,733, or 9.7 percent, below the FY 2013 approved amount. This category supports the Court Appointed Special Advocate program which utilizes volunteers to help children in the welfare system secure a permanent home.

The **Governor** concurs with the FY 2013 Judiciary estimate. The Governor is statutorily required to submit the Judicial Branch Budget to the Legislature as received.

Supplemental Detail

FY 2013 SUPPLEMENTALS						
Supplementals	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Technical Correction: 14 th Court of Appeals	\$ 199,499	\$ 199,499	0.0	\$ 199,499	\$ 199,499	0.0

The **agency** requests \$199,499, all from the State General Fund, to correct a technical error in the FY 2013 approved budget. The Judicial Branch requested \$199,499 as part of the FY 2013 budget during the 2012 Legislative Session in order to build a new judicial suite for the 14th Court of Appeals Judge and staff. This amount was inadvertently lapsed twice from the appropriations bill last year. The budget documents provided by the Legislative Research Department during the 2012 Session did not reflect this double lapse of funds.

The **Governor** recommends adoption of the agency supplemental request.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 148,026,112	\$ 134,589,781	\$	(13,436,331)
FTE Positions	1,858.3	1,858.3		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 30,296,933	\$ 16,896,499		
All Other Funds	(14,070,260)	(14,106,157)		
TOTAL	<u>\$ 16,226,673</u>	<u>\$ 2,790,342</u>		
<i>Percent Change:</i>				
State General Fund	28.5 %	15.9 %		
All Other Funds	(54.9)	(55.1)		
TOTAL	<u>12.3 %</u>	<u>2.1 %</u>		
Change in FTE Positions	3.0	3.0		

The **Judicial Branch** requests a FY 2014 operating budget of \$148.0 million, an all funds increase of \$16.2 million, or 12.3 percent, above the revised FY 2013 agency estimate. The request includes State General Fund expenditures of \$136.5 million, an increase of \$30.3 million, or 28.5 percent, above the revised FY 2013 estimate. The State General Fund increase is attributable to enhancement requests of \$13.6 million, \$11.1 million to offset the expiring Judicial Branch Surcharge Fund, \$2.5 million to fund Non-Judicial personnel, \$1.6 million to offset reduced docket fee revenue and salaries previously funded from the Department for Children and Families (DCF), \$420,000 for the 14th Court of Appeal Judge and Staff, \$630,000 for increased KPERS employer contributions. The request would finance 1,858.3 FTE positions, an increase of 3.0 FTE positions above the revised FY 2013 estimate. The FTE increase is attributable to the hiring of the 14th Court of Appeals Judge and staff.

The special revenue fund request is \$11.6 million, a reduction of \$14.1 million, or 54.9 percent, below the revised FY 2013 estimate. The reduction is primarily attributable (\$11.1 million) to the elimination of the Judicial Branch Surcharge Fund. The Surcharge Fund is currently authorized through June 30, 2013. Additional legislative action would be required to extend the authorization of the fund.

The second largest reduction is in the Child Support Enforcement Fund, a reduction of \$1.1 million. The Department for Children and Families (DCF) recently has undergone a federal review of many of its programs receiving federal dollars. Therefore, DCF requested that the Judicial Branch review and update the calculation methodology used to determine actual expenditures related to Title IV-D Child Support Enforcement cases through a time-study. This estimate reflects a substantial reduction in the reimbursement previously received from DCF. The fund is used to support processing of paternity, child support, and medical support cases.

The third largest reduction is in federal Justice Assistance Grant Funds (JAG). The Judicial Branch budgeted \$496,904 for JAG grants in FY 2013. JAG grants are awarded by the federal government in September of the year preceding the budget year and are not available for budget year estimates.

All docket fee supported funds in the Judicial Branch are showing reductions. Clerks' fees declined more than 5 percent from FY 2010 to FY 2011 and more than 6 percent from FY 2011 to FY 2012. Applying that percentage to revenue to date, the annual revenue in FY 2013 is anticipated to be 9 percent lower than last year. Impacted funds include the Access to Justice Fund, the Alternative Dispute Resolution Fund, the Education Fund, the Technology Fund, and the Permanent Families Account in the Family and Children Investment Fund.

- **Salaries and Wages:** The Judicial Branch requests \$141.6 million for salaries and wages, an increase of \$16.5 million, or 13.2 percent, above the FY 2013 revised estimate. The increase is attributable to the following:
 - General salary cost increases of \$2.2 million comprised predominantly of an increase in temporary employee expenditures (\$406,500), Judicial Retirement (\$306,290), KPERS employer contributions (\$812,623), and step movement and longevity (\$640,000). The Judicial Branch indicates that the increase in temporary pay is to allow District Court personnel to use sick and vacation time.
 - \$420,000 for the 14th Court of Appeals Judge and staff. 2012 House Substitute for SB 425 removed the time frame requirement for the 14th Court of Appeals judge and allowed the court to implement the 14th judge as adequate funds were appropriated.

- \$2.5 million to fund 80 vacant FTE positions for judicial clerks.
- \$4.0 million for 22 additional judges. The Judicial Branch indicates that the weighted caseload study found that judicial districts currently possess a total of 23 judges in excess of the necessary amount; however, the one judge per county restriction prevents the agency from placing judges where necessary. The 22 judges are required to implement the mandate of the weighted caseload study.
- \$2.1 million for 58 additional court clerks. Similar to the judge request above. The request for 58 additional clerks is to implement the recommendations of the weighted caseload study.
- \$1.4 million for 28 additional Court Services Officers. The agency indicates that 2012 SB 60, the DUI bill, will require Court Services Officers to supervise an additional 2,000 offenders per year which will require the additional of court services officers.
- \$4.0 million for a 5.25 percent Judicial Branch undermarket adjustment for non-judicial personnel.
- \$734,290 for a Judicial Cost of Living Adjustment.
- **Contractual Services:** The Judicial Branch requests \$4.4 million for contractual services, a decrease of \$438,818, or 9.0 percent, below the FY 2013 revised estimate. The decrease is predominantly attributable to the fact the JAG Grant funding, which is allocated for the e-filing contract, is not budgeted for FY 2014.
- **Commodities:** The Judicial Branch requests \$390,337 for commodities, a decrease of \$2,513, or 0.6 percent, below the FY 2013 revised estimate.
- **Capital Outlay:** The Judicial Branch requests \$463,864 for capital outlay, an increase of \$220,309, or 90.5 percent, above the FY 2013 revised estimate. The increase is attributable to the capital portion of the e-filing enhancement request of \$247,500.
- **Aid to Local Units:** The Judicial Branch requests \$169,715 for Aid to Local Units of Government, a decrease of \$2,295, or 1.3 percent, below the FY 2013 revised estimate. This expenditure category supports the Citizen Review Boards which are comprised of community volunteers to examine cases of suspected abuse or neglect of children and make a recommendation to the presiding judge.
- **Other Assistance:** The Judicial Branch requests \$975,968 for other assistance, a decrease of \$60,112, or 5.8 percent, below the FY 2013 revised estimate. This category supports the Court Appointed Special Advocate program which utilizes volunteers to help children in the welfare system secure a permanent home.

The **Governor** recommends a FY 2014 operating budget of \$134.6 million, including \$123.1 million from the State General Fund. The recommendation is a State General Fund total reduction of \$13.4 million, or 9.8 percent, below the FY 2014 agency request. The State General Fund reduction is attributable to recommendations not to fund the Judiciary enhancement requests totaling \$13.7 million. The Governor's recommendation includes a decrease of \$112,209, including \$105,127 from the State General Fund to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
E-filing	\$ 1,096,929	\$ 1,096,929	0.0	\$ 0	\$ 0	0.0
Undermarket Adjustment for Non-Judicial Staff	3,939,494	3,968,309	0.0	0	0	0.0
Judicial COLA	734,290	734,290	0.0	0	0	0.0
Judicial Center Remodel	343,978	343,978	0.0	0	0	0.0
Additional Clerks	2,110,529	2,110,529	0.0	0	0	0.0
Additional CSO	1,436,513	1,436,513	0.0	0	0	0.0
Additional Judges	3,977,552	3,977,552	0.0	0	0	0.0
TOTAL	\$ 13,639,285	\$ 13,668,100	0.0	\$ 0	\$ 0	0.0

The **agency** estimates \$13.7 million , all from the State General Fund, for enhancement requests in FY 2014 but does not request any additional FTE. The enhancements include the following:

- The Judicial Branch requests \$1.1 million, all from the State General Fund, for implementation of the e-filing initiative. The \$1.1 million is comprised of \$146,177 for the repair and servicing of new equipment, \$703,252 in contractual fees to the vendor, and \$247,500 for new equipment.
- The Judicial Branch requests \$4.0 million for a 5.25 percent Judicial Branch undermarket adjustment for non-judicial personnel. The Judicial Branch included a 15.75 percent salary increase for employees in its budget submission for FY 2009. This percentage was required to return their pay plan to the market levels of competitiveness that were attained with the plan's implementation in FY 2001.
- The Judicial Branch requests \$734,290, all from the State General Fund, for a judicial cost of living adjustment. The agency indicates that Kansas judges have not received any increase since FY 2009 and had their salaries temporarily reduced by 5 percent for the last six pay periods of FY 2010.
- The Judicial Branch requests \$343,978, all from the State General Fund, to relocate two Appellate Court Justice Offices to the same floor as the other eleven justices. This remodel request is separate from the \$208,734 included in the capital outlay budget to build the office for the 14th Court of Appeals Justice.
- The Judicial Branch requests \$2.1 million, all from the State General Fund, to retain 58 additional clerks. The Courts indicate that the weighted caseload study recommended the retention of 120 additional clerks; however this number failed to consider the efficiency saving stemming from e-filing.
- The Judicial Branch requests \$1.4 million, all from the State General Fund, to hire 28 new Court Services Officers (CSO). The courts indicates that Senate Bill 60 "the DUI bill" will result in approximately 2,000 additional cases due to the test refusal provision and it will require 28 additional CSOs to supervise those offenders.

- The Judicial branch requests \$4.0 million, all from the State General Fund, to retain 22 additional district court judges. The Courts indicate that other judicial districts currently have a total of 23 judges in excess of the necessary amount; however, the one judge per county restriction prevents the agency from placing judges where necessary. The 22 additional judges are required to comply with the staffing recommendations of the weighted caseload study based on current law.

The **Governor** does not recommend the Judiciary enhancement requests.

FY 2014 Reduced Resources

The Judicial Branch is not required to submit a reduced resources plan.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 135,269,724	\$ 679,943
FTE Positions	1,858.3	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 636,954	
All Other Funds	42,989	
TOTAL	<u>\$ 679,943</u>	
<i>Percent Change:</i>		
State General Fund	0.5 %	
All Other Funds	0.4	
TOTAL	<u>0.5 %</u>	
Change in FTE Positions	0.0	

There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a FY 2015 operating budget of \$135.3 million, including \$123.7 million from the State General Fund. The recommendation is an increase of \$679,943, or 0.5 percent, and State General Fund increase of \$636,954, or 0.5 percent, above the FY 2014 Governor's recommendation. The increase is attributable to higher employer contributions to the Kansas Public Employee Retirement System. The Governor continues to recommend a reduced employer contribution rate for death and disability insurance.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$737,309, including \$691,716 from the State General Fund, and FY 2015 longevity payments total \$762,669, including \$715,489 from the State General Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	92.2 %	91.4 %
Other funds	7.8	8.7
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Judicial Branch Surcharge Fee Fund Analysis

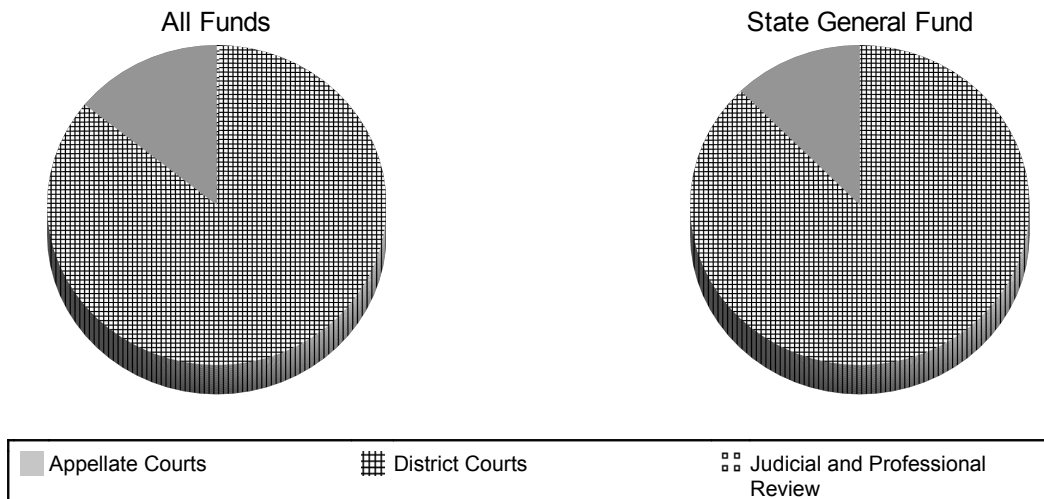
The 2009 Legislature authorized the Supreme Court to enact a new surcharge in FY 2009. The surcharge is approved on a year to year basis by the Legislature. In FY 2011, the Legislature extended the Surcharge through FY 2012 and increased the surcharge by 25.0 percent. Surcharge revenue is not considered to be a docket fee and is tracked separately from the fees and deposited in the Judicial Branch Surcharge Fund. In addition to surcharges, the Legislature transferred \$778,518 from the Judicial Performance Fund to the Judicial Branch Surcharge Fund in FY 2011.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 828,252	\$ 1,612,180	\$ 1,612,180	\$ 843,112	\$ 843,112
Revenue	10,373,483	10,200,000	10,200,000	0	0
Transfers in	1,378,518	107,002	107,002	0	0
Total Funds Available	\$ 12,580,253	\$ 11,919,182	\$ 11,919,182	\$ 843,112	\$ 843,112
Less: Expenditures	10,968,073	11,076,070	11,076,070	0	0
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 1,612,180</u>	<u>\$ 843,112</u>	<u>\$ 843,112</u>	<u>\$ 843,112</u>	<u>\$ 843,112</u>
Ending Balance as Percent of Expenditures	14.7%	7.6%	7.6%	--	--

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Appellate Courts	\$ 19,109,403	14.2 %	\$ 15,210,721	12.4 %
District Courts	115,139,116	85.5	107,817,455	87.6
Judicial and Professional Review	341,262	0.3	48,092	0.0
TOTAL	\$ 134,589,781	100.0 %	\$ 123,076,268	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015						
Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Appellate Courts	163.0	163.0	163.0	166.0	166.0	166.0
District Courts	1,690.3	1,690.3	1,690.3	1,690.3	1,690.3	1,690.3
Judicial and Professional Review	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	1,855.3	1,855.3	1,855.3	1,858.3	1,858.3	1,858.3

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 13 members and will have an additional judge in January 2013, unless the Legislature elects to delay the implementation. 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.

ADMINISTRATION - APPELLATE COURTS SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 13,412,530	\$ 14,519,623	\$ 14,519,623	\$ 15,406,081	\$ 14,837,734	\$ 14,924,456
Contractual Services	2,978,021	3,699,982	3,699,982	3,383,935	2,534,506	2,534,506
Commodities	382,532	378,128	378,128	375,116	375,116	375,116
Capital Outlay	611,335	243,555	243,555	463,864	216,364	216,364
Subtotal	\$ 17,384,418	\$ 18,841,288	\$ 18,841,288	\$ 19,628,996	\$ 17,963,720	\$ 18,050,442
Aid to Local Units	173,000	172,010	172,010	169,715	169,715	169,715
Other Assistance	1,079,722	1,036,080	1,036,080	975,968	975,968	975,968
TOTAL	\$ 18,637,140	\$ 20,049,378	\$ 20,049,378	\$ 20,774,679	\$ 19,109,403	\$ 19,196,125
Financing:						
State General Fund	\$ 12,842,985	\$ 13,640,888	\$ 13,640,888	\$ 16,853,355	\$ 15,210,721	\$ 15,290,760
All Other Funds	5,794,155	6,408,490	6,408,490	3,921,324	3,898,682	3,905,365
TOTAL	\$ 18,637,140	\$ 20,049,378	\$ 20,049,378	\$ 20,774,679	\$ 19,109,403	\$ 19,196,125
FTE Positions	163.0	163.0	163.0	166.0	166.0	166.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	163.0	163.0	163.0	166.0	166.0	166.0
*Non-FTE Permanent Unclassified Positions						

The **Appellate Courts** program requests operating expenditures of \$20.8 million, including \$16.9 million from the State General Fund, for FY 2014. This is a State General Fund increase of \$3.2 million, or 23.6 percent, above the revised FY 2013 estimate. The request is a special revenue fund reduction of \$2.5 million, or 38.8 percent, below the revised FY 2013 estimate.

- **Salaries and Wages:** The Appellate Courts request \$15.4 million for salaries and wages, an increase of \$886,458, or 6.1 percent, above the FY 2013 revised estimate. The increase is predominantly attributable to enhancement requests of \$554,300 for Judicial Branch undermarket adjustments to non-judicial salaries and the judicial COLA. The remainder is attributable to employer retirement system contributions and group health and hospitalization.
- **Contractual Services:** The Appellate Courts request \$3.4 million for contractual services, a decrease of \$316,047, or 8.5 percent, below the FY 2013 revised estimate. The decrease is attributable to reductions in expenditures from the JAG grant fund (\$496,904), the Correctional Supervision Fund (\$531,000) and the Judiciary Technology Fund (\$156,639) partially offset by a State General Fund enhancement request of \$849,429 for e-filing. The reductions in the Correctional

Fund and the Judiciary fund are due to fund depletion. The reduction in the JAG grant fund is an artifact of the federal budget year where grants are awarded in September.

- **Capital Outlay:** The Appellate Courts request \$463,864 for capital outlay, an increase of \$220,309, or 90.5 percent, above the FY 2013 revised estimate. The increase is attributable to an enhancement request for e-filing developmental costs.
- **Aid to Locals:** The Appellate Courts request \$169,715 for aid to locals, a decrease of \$2,295, or 1.3 percent, below the 2013 revised estimate.
- **Other Assistance:** The Appellate Courts request \$975,968 for other assistance, a decrease of \$60,112, or 5.8 percent, below the 2013 revised estimate.

The **Governor** recommends a FY 2014 Appellate Courts Program budget of \$19,109,403, a State General Fund reduction of \$1,642,634, or 9.7 percent, below the FY 2014 agency request. The reduction is attributable to recommendations not to fund the agency enhancement requests and reduced death and disability employer contributions.

The **Governor** recommends a FY 2015 Appellate Courts Program budget of \$19,196,125, an all funds increase of \$86,722, or 0.5 percent and a State General Fund increase of \$80,039, or 0.5 percent, above the FY 2014 Governor's recommendation. The increase is attributable to fringe benefit costs for employer contributions to the Kansas Public Employee Retirement System.

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 non-judicial 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 2012, there are 167.0 FTE judge positions and 79.0 FTE district magistrate 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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 106,725,420	\$ 110,398,219	\$ 110,398,219	\$ 126,011,568	\$ 114,247,903	\$ 114,840,182
Contractual Services	846,391	1,004,927	1,004,927	884,017	884,017	884,017
Commodities	6,974	6,997	6,997	7,196	7,196	7,196
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 107,578,785	\$ 111,410,143	\$ 111,410,143	\$ 126,902,781	\$ 115,139,116	\$ 115,731,395
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 107,578,785	\$ 111,410,143	\$ 111,410,143	\$ 126,902,781	\$ 115,139,116	\$ 115,731,395
Financing:						
State General Fund	\$ 89,600,095	\$ 92,488,360	\$ 92,488,360	\$ 119,575,252	\$ 107,817,455	\$ 108,374,352
All Other Funds	17,978,690	18,921,783	18,921,783	7,327,529	7,321,661	7,357,043
TOTAL	\$ 107,578,785	\$ 111,410,143	\$ 111,410,143	\$ 126,902,781	\$ 115,139,116	\$ 115,731,395
FTE Positions	1,690.3	1,690.3	1,690.3	1,690.3	1,690.3	1,690.3
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	1,690.3	1,690.3	1,690.3	1,690.3	1,690.3	1,690.3

*Non-FTE Permanent Unclassified Positions

The **District Courts** program requests operating expenditures of \$126.9 million, including \$119.6 million from the State General Fund, for FY 2014. This is an increase of \$15.5 million, or 13.9 percent, above the revised FY 2013 estimate. The request is a State General Fund increase of \$27.1 million, or 29.3 percent, above the agency estimate and a special revenue fund decrease of \$11.6 million, or 61.3 percent, below the FY 2013 agency estimate.

- **Salaries and Wages:** The District Courts request \$126.0 million for salaries and wages, an increase of \$15.6 million, or 14.1 percent, above the FY 2013 revised estimate. The increase is attributable to enhancement requests of \$12.2 million for 22 additional judges, 58 additional clerks, and 28 additional court services officers. The increase also includes additional funding for a Judicial COLA and non-judicial personnel undermarket adjustments as well as increases for state contribution to the public employee retirement system and group health and hospitalization.

- **Contractual Services:** The District Courts request \$884,017 for contractual services, a decrease of \$120,910, or 12.0 percent, below the FY 2013 revised estimate. The decrease is attributable to reductions in honorariums and in-state travel costs.

The **Governor** recommends a FY 2014 District Courts Programs budget of \$115.1 million, a State General Fund reduction of \$11.8 million, or 9.8 percent, below the FY 2014 agency request. The reduction is attributable to recommendations not to fund the agency enhancement requests and reduced death and disability employer contributions.

The **Governor** recommends a FY 2015 District Courts Programs budget of \$115.7 million, an all funds increase of \$592,279, or 0.5, percent and a State General Fund increase of \$556,897, or 0.5 percent, above the FY 2014 Governor's recommendation. The increase is attributable to fringe benefit costs for employer contributions to the Kansas Public Employee Retirement System.

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 164,952	\$ 166,907	\$ 166,907	\$ 177,202	\$ 169,812	\$ 170,754
Contractual Services	123,949	165,286	165,286	163,425	163,425	164,425
Commodities	5,560	7,725	7,725	8,025	8,025	8,025
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 294,461	\$ 339,918	\$ 339,918	\$ 348,652	\$ 341,262	\$ 343,204
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 294,461	\$ 339,918	\$ 339,918	\$ 348,652	\$ 341,262	\$ 343,204
Financing:						
State General Fund	\$ 33,074	\$ 50,521	\$ 50,521	\$ 48,095	\$ 48,092	\$ 48,110
All Other Funds	261,387	289,397	289,397	300,557	293,170	294,094
TOTAL	\$ 294,461	\$ 339,918	\$ 339,918	\$ 348,652	\$ 341,262	\$ 342,204
FTE Positions	2.0	2.0	2.0	2.0	2.0	2.0
Non-FTE Pos.*	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
*Non-FTE Permanent Unclassified Positions						

The **Judicial and Professional Review Division** requests operating expenditures of \$348,652, including \$48,095 from the State General Fund, for FY 2014. This is an increase of \$8,734, or 2.6 percent, above the revised FY 2013 estimate and is mainly attributable to the enhancement request for non-judicial personnel salary increases.

The **Governor** recommends a FY 2014 Judicial and Professional Review budget of \$341,262, a reduction of \$7,390, or 2.1 percent, below the FY 2014 agency request. The reduction is attributable to the recommendation to reduce the employer contribution rate for death and disability insurance from 1.0 to 0.85 percent.

The **Governor** recommends a FY 2015 Judicial and Professional Review budget of \$342,204, an increase of \$942, or 0.3 percent, above the FY 2014 Governor's recommendation. The increase is attributable to fringe benefit costs for employer contributions to the Kansas Public Employee Retirement System.

CAPITAL IMPROVEMENTS

CAPITAL IMPROVEMENTS					
Project	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
14 th Court of Appeals Judicial Suite	\$ 0	\$ 0	\$ 208,734	\$ 208,734	\$ 0
Security System	0	0	53,000	53,000	0
Relocation of two judicial suites	0	0	343,978	0	0
TOTAL	\$ 0	\$ 0	\$ 605,712	\$ 261,734	\$ 0
Financing:					
State General Fund	\$ 0	\$ 0	\$ 605,712	\$ 261,734	\$ 0
All Other Funds	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 605,712	\$ 261,734	\$ 0

FY 2013 – Current Year. The **agency** does not request capital improvements expenditures for FY 2013.

The **Governor** concurs with the agency request.

FY 2014 – Budget Year. The **agency** requests \$605,712, all from the State General Fund for capital improvements in FY 2014. Included in the request is the construction of the Court of Appeals Suite for the 14th Judge and the relocation of two Appellate Court Justice Offices to the same floor as the other eleven justices. The relocation (\$343,978) was submitted as an enhancement request. The construction of the additional suite (\$261,734) was submitted as part of the regular Judicial Branch budget as it is required by statute and will require an act of the Legislature to delay the implementation of the new Appellate Court position.

The **Governor** recommends FY 2014 capital improvements expenditures of \$261,374, all from the State General Fund. The recommendation is a reduction of \$343,978, or 56.8 percent, below the FY 2014 agency request. The reduction is attributable to a recommendation against adoption of the agency capital improvements enhancement request to relocate two appellate court suites. The Governor included funding for the 14th Court of Appeals Judicial Suite and the new security system.

FY 2015 – Budget Year. The **agency** did not submit a budget request for FY 2015.

The **Governor** does not recommend any capital improvement request for FY 2015.

JUDICIAL COUNCIL

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	524,112	566,986	566,986	592,611	592,172	595,181
TOTAL	\$ 524,112	\$ 566,986	\$ 566,986	\$ 592,611	\$ 592,172	\$ 595,181
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 524,112	\$ 566,986	\$ 566,986	\$ 592,611	\$ 592,172	\$ 595,181

Operating Expenditures Percentage Change

State General Fund	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(48.6)	8.2	8.2	4.5	4.4	0.5
FTE Positions	4.0	5.0	5.0	5.0	5.0	5.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	4.0	5.0	5.0	5.0	5.0	5.0

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

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.

Beginning in FY 2007, the Judicial Council initiated the performance review of judges with a thirteen-member commission. The goals of the Kansas Judicial Performance Commission are to improve judicial performance, help voters make informed decisions about judges, and to promote the public accountability of the Judiciary. The Commission was created by 2006 SB 337 as an independent committee of the Judicial Council. The Commission is staffed by the Judicial Council and the Commission's budget is included in the budget of the Judicial Council. The Judicial Performance Fund was established with increased docket fees authorized by 2006 SB 337, to allow for funding of the Commission's activities.

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 . In FY 2008, the Judicial Council published a fourth edition of Pattern Instructions for Kansas - Civil. 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 directed that 1.33 percent of docket fees be deposited in a newly created Judicial Council Fund. The revenues from this fund and the existing Publications Fee Fund were intended to fund the Judicial Council in FY 2004 and FY 2005.

2003 SB 36 affected the Council's budget in other ways. The bill clarified 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 expenses that are not related directly to publication activities.

2006 Session. The Legislature passed 2006 House Substitute 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 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.

2009 Session. The 2009 Legislature implemented a 1.25 percent across the board reduction for all agencies for FY 2009. The reduction for this agency totaled \$2,750, all from special revenue funds. In FY 2009, the agency received \$155,368 from the State General Fund

for the Recodification Commission. During the 2009 Session the Legislature approved a budget in which the agency is fee funded.

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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$566,986, all from special revenue funds. The estimate is a decrease of \$39,278, or 6.5 percent, below the amount approved by the 2012 Legislature. The 2012 Legislature approved an additional \$84,777 in expenditures for FY 2013 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. The Legislature approved a total of 5.0 FTE positions.

The **Governor** concurs with the FY 2013 agency estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$592,611, all from special revenue funds. The request is an increase of \$25,625, or 4.5 percent, above the revised FY 2013 estimate. The request includes funding for 5.0 FTE positions.

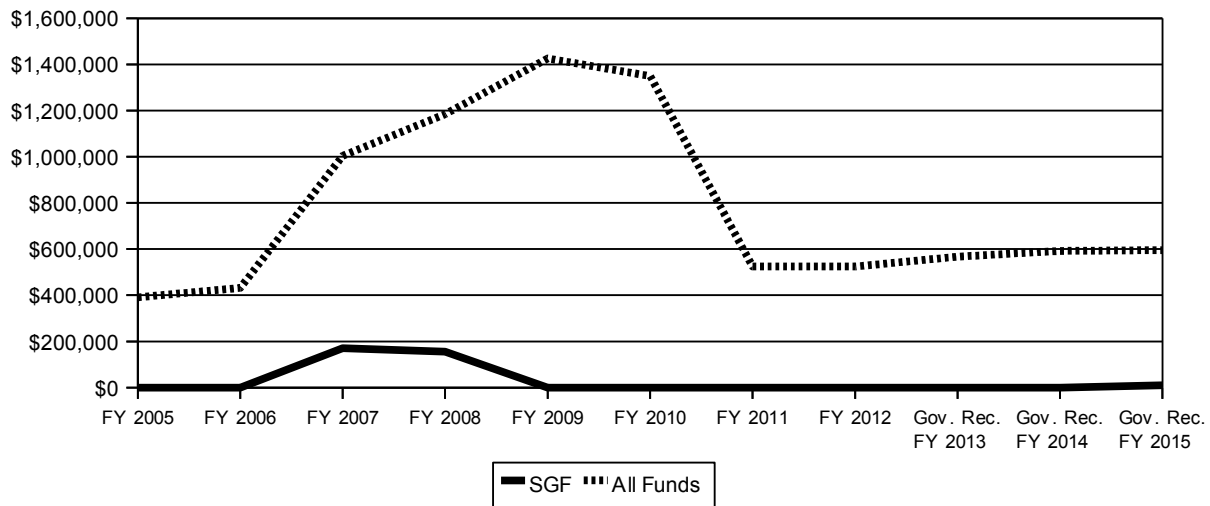
The **Governor** recommends a FY 2014 operating budget of \$592,172 all from special revenue funds, a decrease of \$439, or 0.1 percent, below the FY 2014 agency request. The reduction is attributable to a decrease of \$439 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a FY 2015 operating budget of \$595,181 all from special revenue funds, an increase of \$3,009, or 0.5 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation includes the continued reduction in the KPERS Death and Disability employer contribution rate from 1.0 to 0.85 percent.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 0	-- %	\$ 390,786	8.3 %	4.0
2006	0	--	431,758	10.5	7.0
2007	170,689	--	1,004,260	132.6	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 Gov. Rec.	0	--	566,986	8.2	5.0
2014 Gov. Rec.	0	--	592,172	4.4	5.0
2015 Gov. Rec.	0	--	595,181	0.5	5.0
Eleven-Year Change					
Dollars/Percent	\$ 0	-- %	\$ 204,395	52.3 %	1.0

Summary of Operating Budget FY 2012 - FY 2014

Judicial Council

		Agency Request				Governor's Recommendation			
Actual 2012		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 524,112	\$ 566,986	\$ 592,611	\$ 25,625	4.5 %	\$ 566,986	\$ 592,172	\$ 25,186	4.4 %
TOTAL	\$ 524,112	\$ 566,986	\$ 592,611	\$ 25,625	4.5 %	\$ 566,986	\$ 592,172	\$ 25,186	4.4 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 397,216	\$ 465,579	\$ 495,838	\$ 30,259	6.5 %	\$ 465,579	\$ 495,399	\$ 29,820	6.4 %
Contractual Services	93,342	96,499	91,732	(4,767)	(4.9)	96,499	91,732	(4,767)	(4.9)
Commodities	2,936	4,908	5,041	133	2.7	4,908	5,041	133	2.7
Capital Outlay	1,356	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 494,850	\$ 566,986	\$ 592,611	\$ 25,625	4.5 %	\$ 566,986	\$ 592,172	\$ 25,186	4.4 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	29,262	0	0	0	--	0	0	0	--
TOTAL	\$ 524,112	\$ 566,986	\$ 592,611	\$ 25,625	4.5 %	\$ 566,986	\$ 592,172	\$ 25,186	4.4 %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Judicial Council Fund	227,118	291,428	306,589	15,161	5.2	291,428	306,349	14,921	5.1
Publications Fee Fund	289,980	275,558	286,022	10,464	3.8	275,558	285,823	10,265	3.7
Judicial Performance Fund	7,014	0	0	0	--	0	0	0	--
TOTAL	\$ 524,112	\$ 566,986	\$ 592,611	\$ 25,625	4.5 %	\$ 566,986	\$ 592,172	\$ 25,186	4.4 %

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 592,611	\$ 592,172	\$ 595,181	\$ 3,009	0.5 %
TOTAL	\$ 592,611	\$ 592,172	\$ 595,181	\$ 3,009	0.5 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 495,838	\$ 495,399	\$ 498,408	\$ 3,009	0.6 %
Contractual Services	91,732	91,732	91,732	0	0.0
Commodities	5,041	5,041	5,041	0	0.0
Capital Outlay	0	0	0	0	--
Subtotal - Operations	\$ 592,611	\$ 592,172	\$ 595,181	\$ 3,009	0.5 %
Aid to Local Units	0	0	0	0	--
Other Assistance	0	0	0	0	--
TOTAL	\$ 592,611	\$ 592,172	\$ 595,181	\$ 3,009	0.5 %
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %
Judicial Council Fund	306,589	306,349	307,996	1,647	0.5
Publications Fee Fund	286,022	285,823	287,185	1,362	0.5
Judicial Performance Fund	0	0	0	0	--
TOTAL	\$ 592,611	\$ 592,172	\$ 595,181	\$ 3,009	0.5 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	606,264	566,986	(39,278)	566,986	(39,278)
TOTAL	<u>\$ 606,264</u>	<u>\$ 566,986</u>	<u>\$ (39,278)</u>	<u>\$ 566,986</u>	<u>\$ (39,278)</u>
FTE Positions	5.0	5.0	0.0	5.0	0.0

The **agency** estimates FY 2013 operating expenditures of \$566,986, all from special revenue funds. The estimate is a decrease of \$39,278, or 6.5 percent, below the amount approved by the 2012 Legislature. The 2012 Legislature approved an additional \$84,777 in expenditures for FY 2013 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. The Legislature approved a total of 5.0 FTE positions.

Salaries and Wages: The agency estimates \$496,436 for salaries and wages in FY 2013, a decrease of \$30,857, or 6.2 percent, below the amount approved by the 2012 Legislature. The decrease is attributable to delay until October in filling the additional attorney position approved by the 2012 Legislature.

Contractual Services: The agency estimates \$96,499 for contractual services in FY 2013, a decrease of \$8,421, or 8.0 percent, below the amount approved by the 2012 Legislature. The reductions is attributable to lowered projected costs for printing, binding and copying expenditures. The Judicial Council anticipates that size of the publications released in FY 2013 will be less than originally anticipated.

The **Governor** concurs with the FY 2013 agency estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request		Governor's Recommendation	Difference
Total Request/Recommendation	\$ 592,611	\$	592,172	\$ (439)
FTE Positions	5.0		5.0	0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 0	\$	0	
All Other Funds	25,625		25,186	
TOTAL	<u>\$ 25,625</u>	<u>\$</u>	<u>25,186</u>	
<i>Percent Change:</i>				
State General Fund	0.0 %		0.0 %	
All Other Funds	4.5		4.4	
TOTAL	<u>4.5 %</u>		<u>4.4 %</u>	
Change in FTE Positions	0.0		0.0	

The **agency** requests FY 2014 operating expenditures of \$592,611, all from special revenue funds. The request is an increase of \$25,625, or 4.5 percent, above the revised FY 2013 estimate. The request includes funding for 5.0 FTE positions.

Salaries and Wages: The agency estimates \$495,838 for salaries and wages in FY 2014, an increase of \$30,259, or 6.5 percent, above the FY 2013 agency estimate. The increase is attributable to an increase in compensation of \$20,263 as well as increased employer contributions for KPERS, employer Medicare costs and Group Health Insurance. The increased compensation expenditures are due to a full year of employment for the additional attorney position filled in October 2012.

Contractual Services: The agency estimates \$91,732 for contractual services in FY 2014, a decrease of \$4,767, or 4.9 percent, below the FY 2013 agency estimate. The decrease is attributable to a reduction of \$9,495 in projected printing and binding costs partially offset by increases in private vehicle mileage and computer programming costs. The Kansas Appellate Practice Handbook and the PIK-Civil 4th Supplement are not scheduled to be published in FY 2014 which accounts for the reduction in printing and binding costs.

Commodities: The agency estimates \$5,041 for commodities in FY 2014, an increase of \$133, or 2.7 percent, above the FY 2013 agency estimate.

The **Governor** recommends a FY 2014 operating budget of \$592,172 all from special revenue funds, a decrease of \$439, or 0.1 percent, below the FY 2014 agency request. The

reduction is attributable to a decrease of \$439 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The Judicial Council did not submit any enhancement requests for FY 2014.

FY 2014 Reduced Resources

The Judicial Council is not required to submit a reduced resources budget.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 595,181	\$ 3,009
FTE Positions	5.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	3,009	
TOTAL	<u>\$ 3,009</u>	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	0.5	
TOTAL	<u>0.5 %</u>	
Change in FTE Positions	0.0	

There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a FY 2015 operating budget of \$595,181 all from special revenue funds, an increase of \$3,009, or 0.5 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation includes the continued reduction in the KPERS Death and Disability employer contribution rate from 1.0 to 0.85 percent.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$4,400, all from special revenue funds and FY 2015 longevity payments total \$4,480 all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Judicial Council Fund	51.7 %	51.7 %
Publications Fee Fund	48.3	48.3
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Judicial Council Fee Fund Analysis

Since FY 2003, the Judicial Council Fund receives 1.33 percent of docket fees received by the Judicial Branch. The Legislature increased docket fees by \$1 to fund the transfer

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 55,489	\$ 56,594	\$ 56,594	\$ 95,659	\$ 95,659
Revenue	228,223	245,716	245,716	249,276	249,276
Transfers in	0	84,777	84,777	0	0
Total Funds Available	\$ 283,712	\$ 387,087	\$ 387,087	\$ 344,935	\$ 344,935
Less: Expenditures	227,118	291,428	291,428	306,589	306,349
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 56,594</u>	<u>\$ 95,659</u>	<u>\$ 95,659</u>	<u>\$ 38,346</u>	<u>\$ 38,586</u>
Ending Balance as Percent of Expenditures	24.9%	32.8%	32.8%	12.5%	12.6%

Publications Fee Fund Analysis

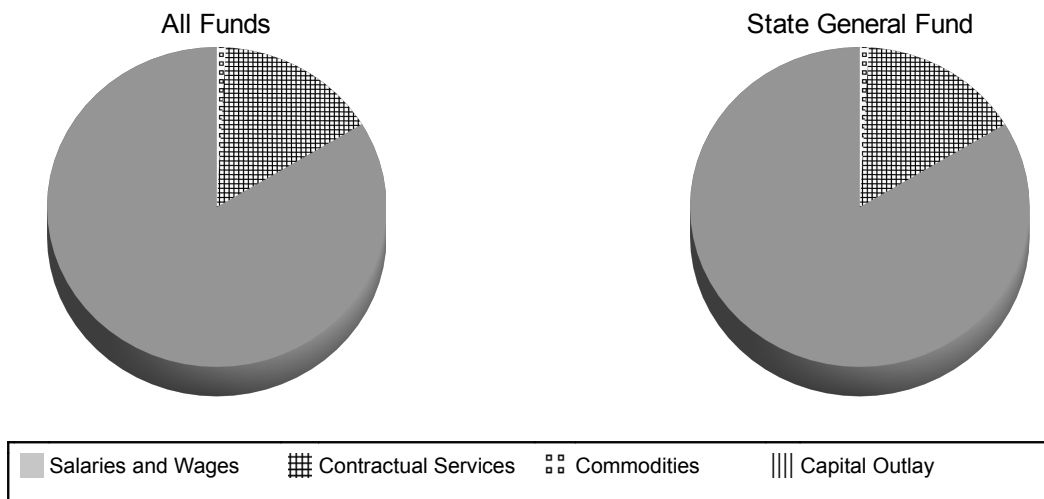
The Publications Fee Fund generates revenue from the sale of legal publications.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 109,781	\$ 33,702	\$ 33,702	\$ 115,784	\$ 115,784
Revenue	217,754	363,114	363,114	288,647	288,647
Transfers in	0	0	0	0	0
Total Funds Available	\$ 327,535	\$ 396,816	\$ 396,816	\$ 404,431	\$ 404,431
Less: Expenditures	289,980	275,558	275,558	286,022	285,823
Transfers Out	0	0	0	0	0
Non-Reportable Expenditures	3,853	5,474	5,474	5,622	5,622
Ending Balance	<u>\$ 33,702</u>	<u>\$ 115,784</u>	<u>\$ 115,784</u>	<u>\$ 112,787</u>	<u>\$ 112,986</u>
Ending Balance as Percent of Expenditures	11.6%	42.0%	42.0%	39.4%	39.5%

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation



Program	Agency Request All Funds FY 2014	Percent of Total	Gov. Rec. All Funds FY 2014	Percent of Total
Salaries and Wages	\$ 495,838	83.7 %	\$ 495,399	83.7 %
Contractual Services	91,732	15.5	91,732	15.5
Commodities	5,041	0.9	5,041	0.9
Capital Outlay	0	0.0	0	0.0
TOTAL	\$ 592,611	100.0 %	\$ 592,172	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	4.0	5.0	5.0	5.0	5.0	5.0

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Number of Council Bills Introduced	10	9	10	10
Number of Council Bills Signed by the Governor	10	5	10	10
Number of Publications Sold	2,082	868	4,278	2,136
Number of Internet Subscriptions	N/A	3,596	3,796	3,996

BOARD OF INDIGENTS' DEFENSE SERVICES

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 21,769,465	\$ 23,587,540	\$ 23,392,072	\$ 25,322,443	\$ 23,023,510	\$ 23,118,846
Other Funds	974,229	796,647	796,647	750,635	750,635	750,635
TOTAL	\$ 22,743,694	\$ 24,384,187	\$ 24,188,719	\$ 26,073,078	\$ 23,774,145	\$ 23,869,481
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 22,743,694	\$ 24,384,187	\$ 24,188,719	\$ 26,073,078	\$ 23,774,145	\$ 23,869,481

Operating Expenditures Percentage Change

State General Fund	(0.3) %	8.4 %	7.5 %	7.4 %	(1.6) %	0.4 %
All Funds	(2.1)	7.2	6.4	6.9	(1.7)	0.4
FTE Positions	187.0	187.5	187.5	187.5	187.5	187.5
Non-FTE Pos.*	0.0	0.5	0.5	0.5	0.5	0.5
TOTAL	187.0	188.0	188.0	188.0	188.0	188

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

The statutory mission of the State Board of Indigents' Defense Services (BIDS) is to provide, supervise, and coordinate constitutionally and statutorily-required counsel and related services for indigents accused of felonies. The Board fulfills its mission in part by overseeing a statewide system of public defender offices and assigned counsel. The agency 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. Also approved were an additional 9.0 FTE positions. The Legislature 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 expenses for FY 2012.

The **2012 Legislature** added \$925,502 to fund expert and court reporter services and to fund vacant positions and provide partial funding of the agency enhancement for Public Defender pay parity with similar positions in the Executive Branch.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** requests a revised FY 2013 operating budget totaling \$24.4 million, including \$23.6 million from the State General Fund. The State General Fund request is an increase of \$300,000, or 1.3 percent, above the FY 2013 approved budget. The increase is attributable to a supplemental request of \$300,000, all from the State General Fund, for court reporter services. The increase is partially offset by a reduction in expenditures of \$76,553 from the Indigents' Defense Services Fund due to the exhaustion of the funds resources.

The request also includes a reduction in special revenue funds of \$76,553, or 8.8 percent, below the approved amount. The reductions is attributable to depletion of the Indigents' Defense Services Fund. The request includes 187.5 FTE positions and 0.5 non-FTE unclassified permanent positions. The FTE request is a 0.5 FTE decrease and a 2.0 non-FTE decrease for a reduction 2.5 positions.

The **Governor** recommends \$24.2 million, including \$23.4 million from the State General Fund, for operating expenditures in FY 2013. The Governor's recommendation is a State General Fund increase of \$104,532, or 0.4 percent, above the FY 2013 approved budget. The State General Fund recommendation is a decrease of \$195,468, or 0.8 percent, below the FY 2013 agency revised estimate. The Governor's special revenue fund recommendation is unchanged from the agency request.

FY 2014 – Budget Year. The **agency** requests a FY 2014 budget totaling \$26.1 million, including \$25.3 million from the State General Fund. The State General Fund request is \$1.7 million, or 7.4 percent, above the agency's FY 2013 revised estimate. The increase is due to enhancements requests of \$2.0 million, all from the State General Fund. **Absent the enhancements**, the request is an all funds decrease of \$351,606, or 1.4 percent, and a State General Fund decrease of \$305,594, or 1.3 percent, below the FY 2013 revised estimate. The special revenue fund reduction of \$46,062 is due to the depletion of reserve funds in the Indigent's Defense Services Fund and the In-Service Education Fund. The request includes 187.5 FTE positions, the same as the current year.

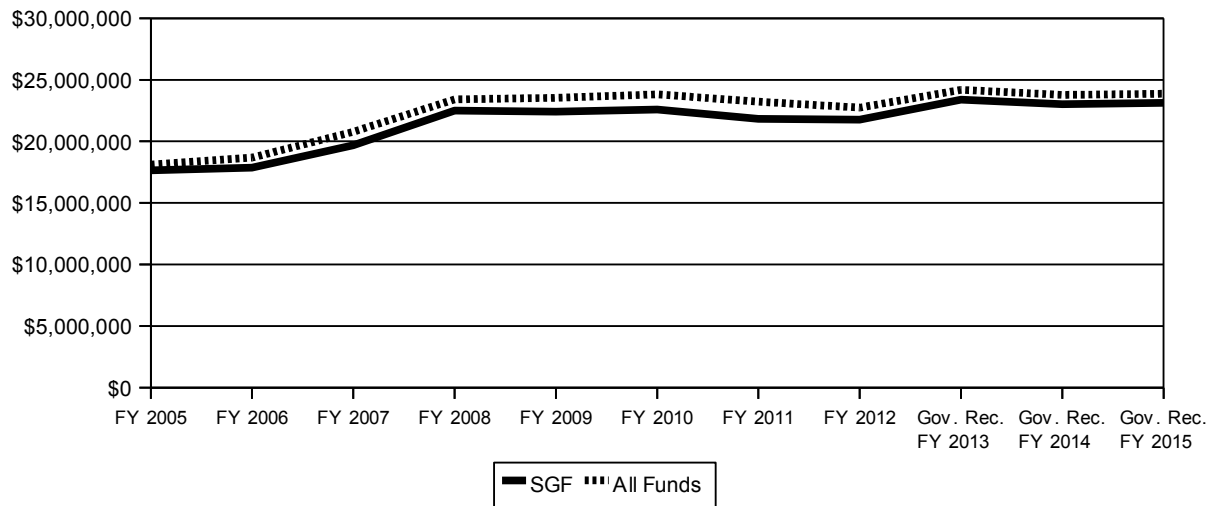
The **Governor** recommends a FY 2014 operating budget of \$23.8 million, including \$23.0 million from the State General Fund. The recommendation is a State General fund reduction of \$2.3 million, or 9.1 percent, below the FY 2014 agency request. The recommendation is a State General Fund reduction of \$368,562, or 1.6 percent, below the FY 2013 Governor's recommendation. The Governor's special revenue fund recommendation is unchanged from the agency estimate.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a FY 2015 budget of \$23.9 million, including \$23.1 million from the State General Fund. The recommendation is a State General Fund increase of \$95,336, or 0.4 percent, above the FY 2014 Governor's recommendation. The State General Fund increase is attributable to an increase in salaries and wages due to increased employer contributions for the Kansas Public Employee Retirement System and group health insurance. The Governor concurs with the agency special revenue fund request.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 17,643,244	11.7 %	\$ 18,114,853	10.7 %	173.0
2006	17,867,021	1.3	18,684,114	3.1	178.0
2007	19,685,109	10.2	20,776,536	11.2	191.0
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 Gov. Rec.	23,392,072	7.5	24,188,719	6.4	187.5
2014 Gov. Rec.	23,023,510	(1.6)	23,774,145	(1.7)	187.5
2015 Gov. Rec.	23,118,846	0.4	23,869,481	0.4	187.5
Eleven-Year Change					
Dollars/Percent	\$ 5,475,602	31.0 %	\$ 5,754,628	31.8 %	14.5

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request				Governor's Recommendation			
Actual 2012		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 755,054	\$ 836,950	\$ 810,337	\$ (26,613)	(3.2) %	\$ 891,482	\$ 864,124	\$ (27,358)	(3.1)%
Assigned Counsel	8,940,873	9,470,408	11,510,905	2,040,497	21.5	9,070,408	9,170,408	100,000	1.1
Legal Services for Prisoners	289,592	289,592	289,592	0	0.0	289,592	289,592	0	0.0
Appellate Defender	2,243,695	2,407,665	2,114,602	(293,063)	(12.2)	2,557,665	2,112,979	(444,686)	(17.4)
Trial Public Defender	9,116,078	9,713,587	9,732,582	18,995	0.2	9,713,587	9,723,352	9,765	0.1
Capital Defense	1,398,402	1,665,985	1,615,060	(50,925)	(3.1)	1,665,985	1,613,690	(52,295)	(3.1)
TOTAL	<u>\$ 22,743,694</u>	<u>\$ 24,384,187</u>	<u>\$ 26,073,078</u>	<u>\$ 1,688,891</u>	<u>6.9 %</u>	<u>\$ 24,188,719</u>	<u>\$ 23,774,145</u>	<u>\$ (414,574)</u>	<u>(1.7)%</u>
By Major Object of Expenditure:									
Salaries and Wages	\$ 10,962,331	\$ 11,742,017	\$ 11,833,313	\$ 91,296	0.8 %	\$ 11,796,549	\$ 11,874,877	\$ 78,328	0.7 %
Contractual Services	11,635,871	12,571,526	14,182,615	1,611,089	12.8	12,321,526	11,842,118	(479,408)	(3.9)
Commodities	76,760	59,246	56,452	(2,794)	(4.7)	59,246	56,452	(2,794)	(4.7)
Capital Outlay	68,732	11,398	698	(10,700)	(93.9)	11,398	698	(10,700)	(93.9)
Subtotal - Operations	\$ 22,743,694	\$ 24,384,187	\$ 26,073,078	\$ 1,688,891	6.9 %	\$ 24,188,719	\$ 23,774,145	\$ (414,574)	(1.7)%
Aid to Local Units	0	0	0	0	0.0	0	0	0	--
Other Assistance	0	0	0	0	0.0	0	0	0	--
TOTAL	<u>\$ 22,743,694</u>	<u>\$ 24,384,187</u>	<u>\$ 26,073,078</u>	<u>\$ 1,688,891</u>	<u>6.9 %</u>	<u>\$ 24,188,719</u>	<u>\$ 23,774,145</u>	<u>\$ (414,574)</u>	<u>(1.7)%</u>
Financing:									
State General Fund	\$ 21,769,465	\$ 23,587,540	\$ 25,322,443	\$ 1,734,903	7.4 %	\$ 23,392,072	\$ 23,023,510	\$ (368,562)	(1.6)%
Indigent's Defense Services Fund	864,494	784,247	742,000	(42,247)	(5.4)	784,247	742,000	(42,247)	(5.4)
In-service Education Workshop Fund	8,257	12,400	8,635	(3,765)	(30.4)	12,400	8,635	(3,765)	(30.4)
All Other Funds	101,478	0	0	0	0.0	0	0	0	--
TOTAL	<u>\$ 22,743,694</u>	<u>\$ 24,384,187</u>	<u>\$ 26,073,078</u>	<u>\$ 1,688,891</u>	<u>6.9 %</u>	<u>\$ 24,188,719</u>	<u>\$ 23,774,145</u>	<u>\$ (414,574)</u>	<u>(1.7)%</u>

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 810,337	\$ 864,124	\$ 869,653	\$ 5,529	0.6 %
Assigned Counsel	11,510,905	9,170,408	9,170,408	0	0.0
Legal Services for Prisoners	289,592	289,592	289,592	0	0.0
Appellate Defender	2,114,602	2,112,979	2,124,870	11,891	0.6
Trial Public Defender	9,732,582	9,723,352	9,791,215	67,863	0.7
Capital Defense	1615060	1,613,690	1,623,743	10,053	0.6
TOTAL	<u>\$ 26,073,078</u>	<u>\$ 23,774,145</u>	<u>\$ 23,869,481</u>	<u>\$ 95,336</u>	<u>0.4 %</u>
By Major Object of Expenditure:					
Salaries and Wages	\$ 11,833,313	\$ 11,874,877	\$ 11,970,213	\$ 95,336	0.8 %
Contractual Services	14,182,615	11,842,118	11,842,118	0	0.0
Commodities	56,452	56,452	56,452	0	0.0
Capital Outlay	698	698	698	0	0.0
Subtotal	<u>\$ 26,073,078</u>	<u>\$ 23,774,145</u>	<u>\$ 23,869,481</u>	<u>\$ 95,336</u>	<u>0.4 %</u>
Aid to Local Units	0	0	0	0	--
Other Assistance	0	0	0	0	--
TOTAL	<u>\$ 26,073,078</u>	<u>\$ 23,774,145</u>	<u>\$ 23,869,481</u>	<u>\$ 95,336</u>	<u>0.4 %</u>
Financing:					
State General Fund	\$ 25,322,443	\$ 23,023,510	\$ 23,118,846	\$ 95,336	0.4 %
Indigent's Defense Services Fund	742,000	742,000	742,000	0	0.0
In-service Education Workshop Fund	8,635	8,635	8,635	0	0.0
All Other Funds	0	0	0	0	--
TOTAL	<u>\$ 26,073,078</u>	<u>\$ 23,774,145</u>	<u>\$ 23,869,481</u>	<u>\$ 95,336</u>	<u>0.4 %</u>

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$23,233,468 for the Board of Indigent's Defense in FY 2013. 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 \$52,351, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013;
- An increase of \$1,721, all from the State General Fund, as the result of the 2012 Legislature's approved undermarket pay distributed by the State Finance Council.

These adjustments change the FY 2013 approved State General Fund to \$23,287,540. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 23,287,540	\$ 23,587,540	\$ 300,000	\$ 23,392,072	\$ 104,532
All Other Funds	873,200	796,647	(76,553)	796,647	(76,553)
TOTAL	<u>\$ 24,160,740</u>	<u>\$ 24,384,187</u>	<u>\$ 223,447</u>	<u>\$ 24,188,719</u>	<u>\$ 27,979</u>
FTE Positions	188.0	187.5	(0.5)	187.5	(0.5)

The **agency** requests a revised FY 2013 operating budget totaling \$24.4 million, including \$23.6 million from the State General Fund. The State General Fund request is an increase of \$300,000, or 1.3 percent, above the FY 2013 approved budget. The increase is attributable to a supplemental request of \$300,000, all from the State General Fund, for court reporter services. The increase is partially offset by a reduction in expenditures of \$76,553 from the Indigents' Defense Services Fund due to the exhaustion of the funds resources.

The request also includes a reduction in special revenue funds of \$76,553, or 8.8 percent, below the approved amount. The reduction is attributable to depletion of the Indigents' Defense Services Fund. The request includes 187.5 FTE positions and 0.5 non-FTE unclassified permanent positions. The FTE request is a 0.5 FTE decrease and a 2.0 non-FTE decrease for a reduction 2.5 positions below the approved amount.

- **Salaries and Wages:** The agency estimates \$11.7 million for salaries and wages in FY 2013, an increase of \$60,160, or 0.5 percent, above the amount approved by the 2012 Legislature. The increase is attributable to revised estimates for employer contributions to Group Health and Hospitalization and the Kansas Public Employee Retirement System.
- **Contractual Services:** The agency estimates \$12.6 million for contractual services in FY 2013, an increase of \$188,024, or 1.5 percent, above the amount originally approved by the 2012 Legislature. The increase is attributable to a supplemental request of \$300,000 for court reporter services partially offset by a reduction in expenditures for assigned counsel in expert witness fees.
- **Commodities:** The agency estimates \$59,246 for commodities in FY 2013, a decrease of \$35,024, or 37.2 percent, below the FY 2013 approved budget. The decrease is attributable to reduced projected expenditures for stationery and office supplies in the Trial Public Defender and Appellate Defender Programs.
- **Capital Outlay:** The agency estimates \$11,398 for capital outlay in FY 2013, an increase of \$10,287, or 925.9 percent above the FY 2013 approved budget. The increase is attributable to the replacement of central office servers which support BIDS databases. The agency will continue to use existing equipment including laptops which are too old to accept encryption software.

The **Governor** recommends \$24.2 million, including \$23.4 million from the State General Fund, for operating expenditures in FY 2013. The Governor's recommendation is a State General Fund increase of \$104,532, or 0.4 percent, above the FY 2013 approved budget. The State General Fund recommendation is a decrease of \$195,468, or 0.8 percent, below the FY 2013 agency revised estimate. The Governor's special revenue fund recommendation is unchanged from the agency request.

The State General Fund increase from the approved budget is attributable to:

- A reduction of \$400,000, all from the State General fund, based on revised consensus caseload estimates for assigned counsel which holds the agency at \$8.6 million for assigned counsel, the same amount as approved for FY 2012;
- A recommendation to adopt the supplemental request of \$300,000, all from the State General Fund, for expert and court reporter services and increases the supplemental projection by \$150,000 for a total of \$450,000 for expert and court reporter services;
- An increase of \$54,532, all from the State General Fund, to fund the Indigency Screener position, which was not appropriated in FY 2012 due to the timing of the passage of the bill. The position was approved by the Legislature in FY 2012 contingent upon passage of the underlying bill which was passed subsequent to the appropriations bill.

Supplemental Estimates

Supplemental	FY 2013 SUPPLEMENTS			
	Agency Request		Governor's Recommendation	
	All Funds	FTE	All Funds	FTE
Expert and Court Reporter Fees	\$ 300,000	0.0	\$ 450,000	0.0

The **agency** requests \$300,000, all from the State General Fund, for Expert and Court Reporter services in FY 2013. Over the past five years, revenues in the Indigents' Defense Services fee fund have fluctuated up and down while expert and court reporter costs continue to climb. The projected state general fund and fee funds have not adequately supported expert and court reporter payments. Fluctuating increases in fee funds, savings from the remainder of the Operating Appropriation line item, and carrying unpaid claims into the next year have allowed the agency to deal with this issue in the past. The agency ended FY 2012 with a decline in fee fund revenues of \$46,352 and has had to carry \$214,437 of unpaid claims forward to FY 2013. The agency states that the FY 2012 Indigents' Defense Fee Fund revenue is projected to be \$781,000 and will not fund the growth in these costs nor the unpaid carry over vouchers from FY 2012. A supplemental of \$300,000 is requested to fund these issues.

The **Governor** recommends adoption of the supplemental request in the amount of \$450,000.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 26,073,078	\$ 23,774,145	\$ (2,298,933)
FTE Positions	187.5	187.5	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
State General Fund	\$ 1,734,903	\$ (368,562)	
All Other Funds	(46,012)	(46,012)	
TOTAL	\$ 1,688,891	\$ (414,574)	
<i>Percent Change:</i>			
State General Fund	7.4 %	(1.6) %	
All Other Funds	(5.8)	(5.8)	
TOTAL	6.9 %	(1.7) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests a FY 2014 budget totaling \$26.1 million, including \$25.3 million from the State General Fund. The State General Fund request is \$1.7 million, or 7.4 percent, above the agency's FY 2013 revised estimate. The increase is due to enhancement requests of \$2.0 million, all from the State General Fund. **Absent the enhancements**, the request is an all funds decrease of \$351,606, or 1.4 percent, and a State General Fund decrease of \$305,594, or 1.3 percent, below the FY 2013 revised estimate. The special revenue fund reduction of \$46,062 is due to the depletion of reserve funds in the Indigent's Defense Services Fund and the In-Service Education Fund. The request includes 187.5 FTE positions, the same as the current year.

- **Salaries and Wages:** The agency estimates \$11.8 million for salaries and wages in FY 2014, an increase of \$91,296, or 0.8 percent, above the FY 2013 revised estimate. The increase is attributable to increased employer contributions for group health and hospitalization and state employee retirement.
- **Contractual Services:** The agency estimates \$14.2 million for contractual services in FY 2014, an increase of \$1.6 million, or 12.8 percent, above the FY 2013 revised estimate. The increase is attributable to an enhancement request for assigned counsel expenditures of \$2,040,497 to raise the assigned counsel compensation rate to \$80 per hour. The increase is offset by reductions in expert and court reporter services in the Appellate and Trial Public Defender programs and the elimination of private attorney fees for lawsuits against the agency in the Administration program.

- **Commodities:** The agency requests \$56,452 for commodities in FY 2014, a decrease of \$2,794, or 4.7 percent, below the FY 2013 revised estimate. The reduction is attributable to elimination of some information technology supplies and spare parts for phones.
- **Capital Outlay:** The agency requests \$698 for capital outlay in FY 2014, a reduction of \$10,700, or 93.9 percent, below the FY 2013 revised estimate. The reduction is attributable to one-time expenditures in FY 2013 to replace the central office computer servers.

The **Governor** recommends a FY 2014 operating budget of \$23.8 million, including \$23.0 million from the State General Fund. The recommendation is a State General Fund reduction of \$2.3 million, or 9.1 percent, below the FY 2014 agency request. The recommendation is a State General Fund reduction of \$368,562, or 1.6 percent, below the FY 2013 Governor's recommendation. The Governor's special revenue fund recommendation is unchanged from the agency estimate.

The State General Fund reduction from the agency request is attributable to the following:

- A decrease of \$300,000, all from the State General Fund, based on adoption of the consensus caseload estimate of \$8.7 million for assigned counsel. The estimate is an increase of \$100,000 from the FY 2013 Governor's recommendation.
- A reduction of \$2.0 million, all from the State General Fund, attributable to the recommendation not accept the enhancement request to increase assigned counsel compensation from \$62 per hour to \$80 per hour.
- An increase of \$54,532, all from the State General Fund, to support the indigency screener position approved by the 2012 Legislature.
- A reduction of \$12,968, all from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Assigned Counsel Rate						
Returns to \$80 / Hour	\$ 2,040,497	\$ 2,040,497	0.0	\$ 0	\$ 0	0.0

The **agency** requests \$2.0 million, all from the State General Fund, to increase **assigned counsel compensation** from \$62 per hour to \$80 per hour. With the positive ending

balance for FY 2012 accomplished by the Governor and his administration, the Board requests that the statutory rate of \$80 per hour be restored to assigned counsel.

Assigned Counsel will have had a 22 percent reduction from the statutory rates for three and a half years. The agency believes the return to the statutory hourly rate will ensure that there are sufficient assigned counsel panel members available to accept appointed cases. These occur when public defenders have a case conflict or cannot be appointed due to case overload.

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

FY 2014 Reduced Resources

FY 2014 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Change in counsel for the 7 th District	\$ (121,068)	\$ (121,068)	0.0	\$ 0	\$ 0	0.0
Travel Costs	(5,000)	(5,000)	0.0	0	0	0.0
Support Positions	(50,000)	(50,000)	0.0	0	0	0.0
Rent Reduction	(5,000)	(5,000)	0.0	0	0	0.0
Legal Services for Prisoners	(28,900)	(28,900)	0.0	0	0	0.0
Change Regulation on hiring of experts	(10,000)	(10,000)	0.0	0	0	0.0
Carry over expenditures to FY 2015	(2,108,050)	(2,108,050)	0.0	0	0	0.0
TOTAL	<u>\$ (2,328,018)</u>	<u>\$ (2,328,018)</u>	<u>0.0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0.0</u>

The **agency** proposes the following reduced resources plan to achieve a budgetary reduction of \$2.3 million for FY 2014:

- **Counsel Change:** Propose a change in the system for providing counsel in the Seventh Judicial District (Douglas County) whereby public defenders will be assigned to defend the highest level felonies, off grid and level one, as well as the cases being heard based on 1507's. The proposal would require the availability of attorneys regularly assigned to the "Death Penalty Defense Unit" to defend the difficult cases in the Seventh District. In FY 2012, the defense of these cases by private attorneys cost \$121,068.
- **Travel Costs:** Seek the help of the Kansas Appellate Court to reduce the travel costs of the appellate defenders by scheduling appellate defender cases in the afternoon, thus allowing time for the defender to travel to the hearing site without the need to arrive the night before for a savings of \$5,000.
- **Support Positions:** Support positions will be left vacant whenever it will not become an undue burden on attorney time for a savings of \$50,000.
- **Rent Savings:** Vacant positions would eventually allow for the consolidation of the office space of the Wichita Death Penalty Defense Unit into the Wichita public

defender's office and the Wichita Conflicts office to allow for a rent savings of \$5,000 annually for a savings of \$5,000.

- **Legal Services for Prisoners:** Reduce the "pass through" funding to Legal Services for Prisoners by 10 percent for a savings of \$28,900.
- **Expert Regulations:** Amend regulations regarding hiring and funding of experts for a savings of \$10,000.
- **Assigned Counsel:** Carry over assigned counsel payments due in FY 2014 to FY 2015 for a reduction in expenditures of \$2,108,050. Payments would cease in April 2014 and bills would be carried forward to July 1, 2014.

The **Governor** does not recommend adoption of the agency reduced resources plan.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 23,869,481	\$ 95,336
FTE Positions	187.5	0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 95,336	
All Other Funds	0	
TOTAL	\$ 95,336	
<i>Percent Change:</i>		
State General Fund	0.4 %	
All Other Funds	0.0	
TOTAL	0.4 %	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a FY 2015 budget of \$23.9 million, including \$23.1 million from the State General Fund. The recommendation is a State General Fund increase of \$95,336, or 0.4 percent, above the FY 2014 Governor's recommendation. The State General Fund increase is attributable to an increase in salaries and wages due to increased employer contributions for the Kansas Public Employee Retirement System and group health insurance contributions. The Governor concurs with the agency special revenue fund request.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$27,280, all from the State General Fund, and FY 2015 longevity payments total \$28,600, all from the State General Fund.**

Kansas Public Employees Retirement System (KPERS) Rate Adjustments. The FY 2014 retirement rate for KPERS regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERS fund. In addition, the KPERS death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	97.1 %	0.0 %
Other Funds	2.9	0.0
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Indigents' Defense Services Fee Fund Analysis

The Indigents' Defense Service Fund receives revenue from three sources; a part of docket fees, an application fee of \$100 per case to be paid up front, and a bond forfeiture program. The agency typically uses revenue from the fund to pay for transcript costs and expert service fees.

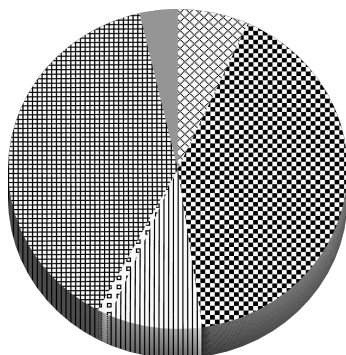
Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 45,594	\$ 3,247	\$ 3,247	\$ 0	\$ 0
Revenue	822,347	781,000	781,000	742,000	742,000
Transfers in	0	0	0	0	0
Total Funds Available	\$ 867,941	\$ 784,247	\$ 784,247	\$ 742,000	\$ 742,000
Less: Expenditures	864,494	784,247	784,247	742,000	742,000
Transfers Out	0	0	0	0	0
Off Budget Expenditures	200	0	0	0	0
Ending Balance	<u>\$ 3,247</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Ending Balance as Percent of Expenditures	0.4%	0.0%	0.0%	0.0%	0.0%

PROGRAM DETAIL

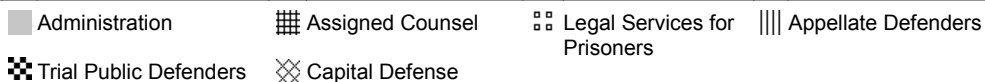
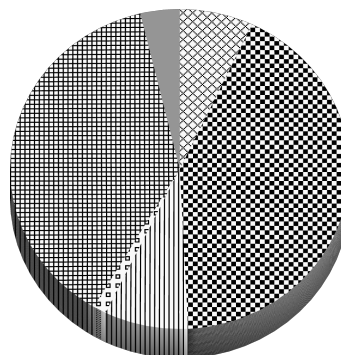
Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



State General Fund



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Administration	\$ 864,124	3.6 %	\$ 862,324	3.7 %
Assigned Counsel	9,170,408	38.6	8,700,000	37.8
Legal Services for Prisoners	289,592	1.2	289,592	1.3
Appellate Defenders	2,112,979	8.9	1,841,587	8.0
Trial Public Defenders	9,723,352	40.9	9,716,317	42.2
Capital Defense	1,613,690	6.8	1,613,690	7.0
TOTAL	<u>\$ 23,774,145</u>	<u>100.0 %</u>	<u>\$ 23,023,510</u>	<u>100.0 %</u>

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015						
Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	10.5	11.0	11.0	11.0	11.0	11.0
Assigned Counsel	0.0	0.0	0.0	0.0	0.0	0.0
Legal Services for Prisoners	0.0	0.0	0.0	0.0	0.0	0.0
Appellate Defender	22.0	22.0	22.0	22.0	22.0	22.0
Trial Public Defender	137.5	137.5	137.5	137.5	137.5	137.5
Capital Defense	17.0	17.0	17.0	17.0	17.0	17.0
TOTAL	187.0	187.5	187.5	187.5	187.5	187.5

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 611,328	\$ 689,976	\$ 744,508	\$ 695,649	\$ 749,436	\$ 754,965
Contractual Services	123,069	128,232	128,232	109,850	109,850	109,850
Commodities	7,213	7,344	7,344	4,140	4,140	4,140
Capital Outlay	13,444	11,398	11,398	698	698	698
Subtotal	\$ 755,054	\$ 836,950	\$ 891,482	\$ 810,337	\$ 864,124	\$ 869,653
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 755,054	\$ 836,950	\$ 891,482	\$ 810,337	\$ 864,124	\$ 869,653
Financing:						
State General Fund	\$ 745,380	\$ 835,150	\$ 889,682	\$ 808,537	\$ 862,324	\$ 867,853
All Other Funds	9,674	1,800	1,800	1,800	1,800	1,800
TOTAL	\$ 755,054	\$ 836,950	\$ 891,482	\$ 810,337	\$ 864,124	\$ 869,653
FTE Positions	10.5	11.0	11.0	11.0	11.0	11.0
Non-FTE Pos.*	0.0	0.5	0.5	0.5	0.5	0.5
TOTAL	10.5	11.5	11.5	11.5	11.5	11.5

*Non-FTE Permanent Unclassified Positions

The **agency** requests \$810,337, including \$808,537 from the State General Fund, for FY 2014. The request is a decrease of \$26,613, or 3.2 percent, below the FY 2013 revised estimate. The decrease is predominantly attributable to a reduction of \$10,700, for a one-time

purchase of main office computer servers in FY 2013 and eliminating budgeted expenditures for outside counsel to defend the agency in lawsuits.

The **Governor** recommends \$864,124, including \$862,324 from the State General Fund, for FY 2014. The recommendation is a State General Fund increase of \$53,787, or 6.7 percent, above the FY 2014 agency request. The increase is attributable to funding for the indigency defense screener approved by the 2012 Legislature (\$54,532) partially offset by a reduction in the Death and Disability employer contribution from 1.0 percent to 0.85 percent.

The **Governor** recommends \$869,853, including \$867,853 from the State General Fund for FY 2015. The recommendation is a State General Fund increase of \$5,529, or 0.6 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System.

B. Assigned Counsel

When public defender offices cannot handle the volume of cases or when conflicts exist that prevent public defenders from being involved, private assigned counsel is used. Payment is made to private counsel in those parts of the state not served by public defender offices or by negotiated contract. 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 costs for attorneys separate from the other professional services.

ASSIGNED COUNSEL SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	8,940,873	9,470,408	9,070,408	11,510,905	9,170,408	9,170,408
Commodities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 8,940,873	\$ 9,470,408	\$ 9,070,408	\$ 11,510,905	\$ 9,170,408	\$ 9,170,408
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	<u>\$ 8,940,873</u>	<u>\$ 9,470,408</u>	<u>\$ 9,070,408</u>	<u>\$ 11,510,905</u>	<u>\$ 9,170,408</u>	<u>\$ 9,170,408</u>
Financing:						
State General Fund	\$ 8,619,702	\$ 9,000,000	\$ 8,600,000	\$ 11,040,497	\$ 8,700,000	\$ 8,700,000
All Other Funds	321,171	470,408	470,408	470,408	470,408	470,408
TOTAL	<u>\$ 8,940,873</u>	<u>\$ 9,470,408</u>	<u>\$ 9,070,408</u>	<u>\$ 11,510,905</u>	<u>\$ 9,170,408</u>	<u>\$ 9,170,408</u>
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
*Non-FTE Permanent Unclassified Positions						

The **agency** requests, for FY 2014, \$11.5 million, all from the State General Fund, an increase of \$2.0 million, or 21.5 percent, above the FY 2013 revised estimate for the Assigned Counsel program. The increase is attributable to an enhancement request to increase the assigned counsel compensation rate from \$62 per hour to \$82 per hour at a cost of \$2,040,497 per year.

The **Governor** recommends, for FY 2014, \$9,170,408, including \$8.7 million from the State General Fund, an increase of \$100,000, or 1.2 percent, above the FY 2013 Gov Rec. The increase is attributable to an increase of \$100,000 in the consensus revenue estimate for assigned counsel caseload expenditures. The recommendation is a decrease of \$2.3 million from the agency request for FY 2014. The decrease is attributable to a lower caseload projection and a recommendation to not accept the agency enhancement request to increase the assigned counsel compensation rate.

The **Governor's** recommendation for FY 2015 is identical to the FY 2014 recommendation.

Consensus Caseload Estimates

During the fall of 2012, the agency, the Division of Budget, and the 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 2013 is \$8.6 million, \$400,000 less than the amount approved by the 2012 Legislature. The agency is requesting \$9.0 million for assigned counsel in FY 2013.

The consensus revenue estimating group estimates \$8.7 million for the approved budget for FY 2014 in assigned counsel caseloads. The reductions in FY 2013 and FY 2014 reflect a reduction in the number of cases and hours charged by assigned counsel over the last two years.

The **Governor** concurs with the consensus revenue estimate for both FY 2013 and FY 2014.

The caseload estimates continue the reduction in the 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 2013.

The caseloads for the Assigned Counsel program were estimated without factoring in overflow cases from Legal Services for Prisoners. BIDS 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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	289,592	289,592	289,592	289,592	289,592	289,592
Commodities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 289,592	\$ 289,592	\$ 289,592	\$ 289,592	\$ 289,592	\$ 289,592
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	<u>\$ 289,592</u>	<u>\$ 289,592</u>	<u>\$ 289,592</u>	<u>\$ 289,592</u>	<u>\$ 289,592</u>	<u>\$ 289,592</u>
Financing:						
State General Fund	\$ 289,592	\$ 289,592	\$ 289,592	\$ 289,592	\$ 289,592	\$ 289,592
All Other Funds	0	0	0	0	0	0
TOTAL	<u>\$ 289,592</u>	<u>\$ 289,592</u>	<u>\$ 289,592</u>	<u>\$ 289,592</u>	<u>\$ 289,592</u>	<u>\$ 289,592</u>
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
*Non-FTE Permanent Unclassified Positions						

The **agency** requests \$289,592, all from the State General Fund, for Legal Services for Prisoners for FY 2013 and FY 2014. The request is identical to the FY 2012 actual amount and reflects reductions in funding implemented by the 2012 Legislature.

The **Governor** concurs with the agency 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 DEFENDER SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,458,875	\$ 1,471,918	\$ 1,471,918	\$ 1,483,203	\$ 1,481,580	\$ 1,493,471
Contractual Services	737,791	924,074	1,074,074	619,672	619,672	619,672
Commodities	18,265	11,673	11,673	11,727	11,727	11,727
Capital Outlay	28,764	0	0	0	0	0
Subtotal	\$ 2,243,695	\$ 2,407,665	\$ 2,557,665	\$ 2,114,602	\$ 2,112,979	\$ 2,124,870
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 2,243,695	\$ 2,407,665	\$ 2,557,665	\$ 2,114,602	\$ 2,112,979	\$ 2,124,870
Financing:						
State General Fund	\$ 1,933,500	\$ 2,094,026	\$ 2,244,026	\$ 1,843,210	\$ 1,841,587	\$ 1,853,478
All Other Funds	310,195	313,639	313,639	271,392	271,392	271,392
TOTAL	\$ 2,243,695	\$ 2,407,665	\$ 2,557,665	\$ 2,114,602	\$ 2,112,979	\$ 2,124,870
FTE Positions	22.0	22.0	22.0	22.0	22.0	22.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	22.0	22.0	22.0	22.0	22.0	22.0

*Non-FTE Permanent Unclassified Positions

The **agency** requests \$2.1 million, including \$1.8 million from the State General Fund for FY 2014. The request is a decrease of \$293,063, or 12.2 percent, below the revised FY 2012 request. The State General Fund request is a decrease of \$250,816, or 12.0 percent, and the special revenue fund request is a reduction of \$42,247, or 13.5 percent, below the FY 2013 revised estimate. The decrease in special revenue funds is attributable to the exhaustion of reserves in the Indigent Defense Services Fund. The request includes 22.0 FTE positions, the same as the revised FY 2013 request.

- **Salaries and Wages:** The agency estimates \$1.5 million for salaries and wages in FY 2014, an increase of \$11,285, or 0.8 percent, above the 2013 agency estimate. The change is attributable to an increase in KPERS employer contributions (\$13,315), partially offset by a reduction in unemployment compensation (\$353).
- **Contractual Services:** The agency estimates \$619,672 for contractual services in FY 2014, a decrease of \$304,402, or 32.9 percent, below the FY 2013 agency estimate. The change is due to the elimination of funding for expert witness fees. These fees will likely not be expended in the Appellate Defender program in FY 2013 but more likely be expended at the District Court level.

The **Governor** recommends \$2.1 million, including \$1.8 million from the State General Fund for FY 2014. The recommendation is a State General Fund decrease of \$1,623, or 0.1

percent, below the FY 2014 agency request. The reduction is attributable to the recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The recommendation is a decrease of \$444,686, or 17.4 percent, below the FY 2013 Governor's recommendation. The reduction is attributable to increased expenditures for employer contributions to the Kansas Public Employee Retirement System which partially offset the lack of supplemental funding for experts and court reporters recommended in the previous fiscal year.

The **Governor** recommends \$2.1 million, including \$1.9 million from the State General Fund for FY 2015. The recommendation is a State General Fund increase of \$11,891, or 0.6 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System.

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 Salina, Junction City, Wichita (with a satellite in Hutchinson), Olathe, Garden City (with a satellite in Liberal), Chanute, and Topeka. The Northeast Kansas Conflict Office is also located in Topeka. The Conflict Office 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.

TRIAL PUBLIC DEFENDER SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 7,885,785	\$ 8,365,723	\$ 8,365,723	\$ 8,430,516	\$ 8,421,286	\$ 8,489,149
Contractual Services	1,158,780	1,310,952	1,310,952	1,264,879	1,264,879	1,264,879
Commodities	44,989	36,912	36,912	37,187	37,187	37,187
Capital Outlay	26,524	0	0	0	0	0
Subtotal	\$ 9,116,078	\$ 9,713,587	\$ 9,713,587	\$ 9,732,582	\$ 9,723,352	\$ 9,791,215
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 9,116,078	\$ 9,713,587	\$ 9,713,587	\$ 9,732,582	\$ 9,723,352	\$ 9,791,215
Financing:						
State General Fund	\$ 8,796,861	\$ 9,702,787	\$ 9,702,787	\$ 9,725,547	\$ 9,716,317	\$ 9,784,180
All Other Funds	319,217	10,800	10,800	7,035	7,035	7,035
TOTAL	\$ 9,116,078	\$ 9,713,587	\$ 9,713,587	\$ 9,732,582	\$ 9,723,352	\$ 9,791,215
FTE Positions	137.5	137.5	137.5	137.5	137.5	137.5
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	137.5	137.5	137.5	137.5	137.5	137.5

*Non-FTE Permanent Unclassified Positions

The **agency** requests \$9.7 million, including \$9.7 million from the State General Fund for Trial Public Defender Operations for FY 2013. The request is an all funds increase of \$18,995, or 0.2 percent, above the FY 2013 revised estimate. The agency is requesting a State General Fund increase of \$22,760, or 0.2 percent, and a special revenue fund reduction of \$3,765, or 34.9 percent, from the FY 2013 request. The alteration in the balance between State General

Fund and special revenue funds is due to the exhaustion of the Indigents' Defense Services fee fund.

- **Salaries and Wages:** The agency is requesting \$8.4 million for salaries and wages, an increase of \$64,793, or 0.8 percent, above the FY 2013 revised estimate. The increase is attributable to increased employer contributions for state employee retirement (\$75,768) partially offset by a reduction in unemployment compensation expenses (\$2,016) and leave payments (\$5,380).
- **Contractual Services:** The agency is requesting \$1.3 million for contractual services, a decrease of \$46,073, or 3.5 percent, below the FY 2013 revised estimate. The decrease is attributable to a reduction in expert witness fees in FY 2014.

The **Governor** recommends \$9.7 million, including \$9.7 million from the State General Fund for FY 2014. The recommendation is a State General Fund decrease of \$9,230, or 0.1 percent, below the FY 2014 agency request. The reduction is attributable to the recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The recommendation is an increase of \$9,765, or 0.1 percent, above the FY 2013 Governor's recommendation. The increase is attributable to increased expenditures for employer contributions to the Kansas Public Employee Retirement System.

The **Governor** recommends \$9.8 million, including \$9.8 million from the State General Fund for FY 2015. The recommendation is a State General Fund increase of \$67,863, or 0.7 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System.

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 2012 – FY 2015**

Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,006,343	\$ 1,214,400	\$ 1,214,400	\$ 1,223,945	\$ 1,222,575	\$ 1,232,628
Contractual Services	385,766	448,268	448,268	387,717	387,717	387,717
Commodities	6,293	3,317	3,317	3,398	3,398	3,398
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 1,398,402	\$ 1,665,985	\$ 1,665,985	\$ 1,615,060	\$ 1,613,690	\$ 1,623,743
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	<u>\$ 1,398,402</u>	<u>\$ 1,665,985</u>	<u>\$ 1,665,985</u>	<u>\$ 1,615,060</u>	<u>\$ 1,613,690</u>	<u>\$ 1,623,743</u>
Financing:						
State General Fund	\$ 1,384,430	\$ 1,665,985	\$ 1,665,985	\$ 1,615,060	\$ 1,613,690	\$ 1,623,743
All Other Funds	13,972	0	0	0	0	0
TOTAL	<u>\$ 1,398,402</u>	<u>\$ 1,665,985</u>	<u>\$ 1,665,985</u>	<u>\$ 1,615,060</u>	<u>\$ 1,613,690</u>	<u>\$ 1,623,743</u>
FTE Positions	17.0	17.0	17.0	17.0	17.0	17.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>17.0</u>	<u>17.0</u>	<u>17.0</u>	<u>17.0</u>	<u>17.0</u>	<u>17.0</u>

*Non-FTE Permanent Unclassified Positions

The **agency** requests \$1.6 million, all from the State General Fund, for Capital Defense for FY 2013. The request is a decrease of \$50,925, or 3.1 percent, below the FY 2013 revised estimate. The reduction is attributable to a negative expenditure in other contractual services of \$34,330 which results in a reduction of \$68,660 in this category. The reduction is partially offset by an increase of \$9,545 in salaries and wages. The increase in salaries and wages is attributable to employer contributions to the Kansas Public Employee Retirement System. The request includes 17.0 FTE positions.

The **Governor** recommends \$1.6 million, all from the State General Fund for FY 2014. The recommendation is a decrease of \$1,370, or 0.1 percent, below the FY 2014 agency request. The reduction is attributable to the recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The recommendation is a decrease of \$52,295, or 3.1 percent, below the FY 2013 Governor's recommendation. The decrease is attributable to increased expenditures for employer contributions to the Kansas Public Employee Retirement System which partially offset the lack of supplemental funding for expert and court reporter service recommended by the Governor in FY 2013.

The **Governor** recommends \$1.6 million, all from the State General Fund for FY 2015. The recommendation is an increase of \$10,053 or 0.6 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Number of Continuing Legal Education programs offered to panel attorneys	2	2	2	2
Total assigned counsel cases	11,559	11,152	11,152	11,559
Total public defender cases	14,043	13,385	13,385	14,043

DEPARTMENT OF ADMINISTRATION

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Reportable Operating Expenditures:						
State General Fund	\$ 68,042,451	\$ 28,887,355	\$ 29,037,355	\$ 34,521,446	\$ 30,882,155	\$ 28,572,832
Other Funds	4,046,796	44,460,003	44,460,003	41,261,540	41,859,438	43,346,575
TOTAL	\$ 72,089,247	\$ 73,347,358	\$ 73,497,358	\$ 75,782,986	\$ 72,741,593	\$ 71,919,407
Capital Improvements:						
State General Fund	\$ 24,793,586	\$ 17,802,561	\$ 17,802,561	\$ 35,878,614	\$ 22,979,878	\$ 24,783,751
Other Funds	1,222,604	17,727,244	17,727,244	5,370,000	1,251,844	1,640,000
TOTAL	\$ 26,016,190	\$ 35,529,805	\$ 35,529,805	\$ 41,248,614	\$ 24,231,722	\$ 26,423,751
Non-Reportable Operating Expenditures:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	116,604,048	83,370,665	83,370,665	85,706,362	85,673,951	85,818,430
TOTAL	\$ 116,604,048	\$ 83,370,665	\$ 83,370,665	\$ 85,706,362	\$ 85,673,951	\$ 85,818,430
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	9,305,241	10,343,467	10,343,467	10,795,024	10,875,024	10,950,024
TOTAL	\$ 9,305,241	\$ 10,343,467	\$ 10,343,467	\$ 10,795,024	\$ 10,875,024	\$ 10,950,024
GRAND TOTAL	\$ 224,014,726	\$ 202,591,295	\$ 202,741,295	\$ 213,532,986	\$ 193,522,290	\$ 195,111,612
Operating Expenditures Percentage Change:						
State General Fund	2.1 %	(57.5) %	(57.3) %	19.5 %	6.4 %	(7.5) %
All Funds	(6.6)	1.7	2.0	3.3	(1.0)	(1.1)
Reportable FTE Positions	99.8	93.6	93.6	93.6	93.6	93.6
Non-FTE Pos.*	3.5	5.8	5.8	5.8	5.8	5.8
TOTAL	103.3	99.4	99.4	99.4	99.4	99.4

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

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 nonreportable budget, which includes expenditures for services performed for other state agencies. The nonreportable 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 expenses. 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 Substitute 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, and shifted responsibilities for the enhanced 911 grant monies to the Attorney General's office.

The Capitol Restoration project is predominantly financed by a series of bond issuances. Debt service is paid from the State General Fund. Bonds were approved in FY 2001 for \$40.0 million, FY 2002 for \$15.0 million, FY 2005 for \$19.8 million, FY 2006 for \$26.9 million, FY 2007 for \$16.2 million, FY 2008 for \$55.0 million, FY 2009 for \$38.8 million, FY 2010 for \$38.0 million, FY 2011 for \$36.0 million, FY 2012 for \$34.3 million, and FY 2013 for \$5.4 million, bringing the total amount approved to \$332.4 million for bonding. The current project cost estimate is \$332.4 million in the Capitol Restoration Commission's report, including roof and dome replacement, expedited decisions, and completion of the visitor's center and Statehouse grounds.

In addition to the \$5.4 million in bonding authority issued for work to be completed in FY 2013, the State Finance Council also approved \$7.0 million from the Kansas Department of Transportation for construction of roads and sidewalks around the capitol. The construction contractor and architect also project \$5.0 million in savings from previous phases and \$3.1 million in savings due to contingency funds and soft cost reductions. This \$8.1 million is not included as part of the budget estimate, as it was savings from previous phases of the project and not new expenditures.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures totaling \$73.3 million, an increase of \$132,766, or less than 0.1 percent, above the amount approved by the 2012 Legislature. The estimate includes \$28.9 million from the State General Fund, a decrease of \$3.9 million, or 11.8 percent, below the approved amount. The agency also lapsed \$327,198, all from the State General Fund, from the FY 2013 approved budget. This lapse does not appear as an expenditure but does reduce the available State General Fund budget to the agency. The agency's reportable request includes 93.6 FTE positions and 5.8 Non-FTE positions.

The State General Fund decrease is predominantly attributable to a reduction in debt service interest payments on Statehouse improvements which are coming from the State General Fund and a reduction in ELARF payments. The total request for Statehouse debt service payments including both principal and interest is \$22.8 million, an increase of \$19,981. The increase is attributable to the timing of the payments on the bond issuance. Debt Service principal payments are categorized as capital improvements and are not counted towards operating expenditures.

The **Governor** concurs with the agency request with one adjustment that adds \$150,000, all from the State General Fund, to the Division of Budget for Kansas Public

Employee Retirement System actuarial studies. The Governor's FY 2013 recommendation is \$75.8 million, including \$34.5 million from the State General Fund. The recommendation is an increase of \$150,000, or 0.2 percent, all from the State General Fund, above the agency's revised estimate

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures totaling \$75.8 million, an increase of \$2.4 million, or 3.3 percent, above the current year revised estimate. The request includes \$34.5 million from the State General Fund, an increase of \$5.6 million, or 19.5 percent, above the current year revised estimate. The agency's request includes \$2.3 million, all from the State General Fund, in operating expenditure enhancement requests. The enhancements are for public broadcasting. **Without enhancement requests**, the State General Fund request is an increase of \$3.4 million, or 11.6 percent, above the FY 2013 revised estimate. The agency request also includes an additional \$18.1 million in non-operating expenditure capital improvement enhancement requests.

The **Governor** recommends FY 2014 operating expenditures of \$72.7 million, a decrease of \$3.0 million, or 4.0 percent, below the FY 2014 agency request. The recommendation includes State General Fund expenditures of \$30.9 million, a reduction of \$3.6 million, or 10.5 percent, below the FY 2014 agency request. The State General Fund decrease is attributable to the following:

- A recommendation against the Public Broadcasting Council enhancement requests (\$2.3 million).
- Adoption of the agency reduced resources plan to increase the salaries shrinkage rate by \$760,000.
- A recommendation to fund the \$600,000 in Public Broadcasting Council Grants recommended by the Governor from the Economic Development Initiatives Fund rather than the State General Fund.
- A reduction of \$7,140, including \$5,038 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The reductions are partially offset by the recommendation to adopt the enhancement request of \$1.3 million for capitol restoration debt service. The recommendation funds 93.6 FTE and 5.8 Non-FTE positions, the same as the agency request.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

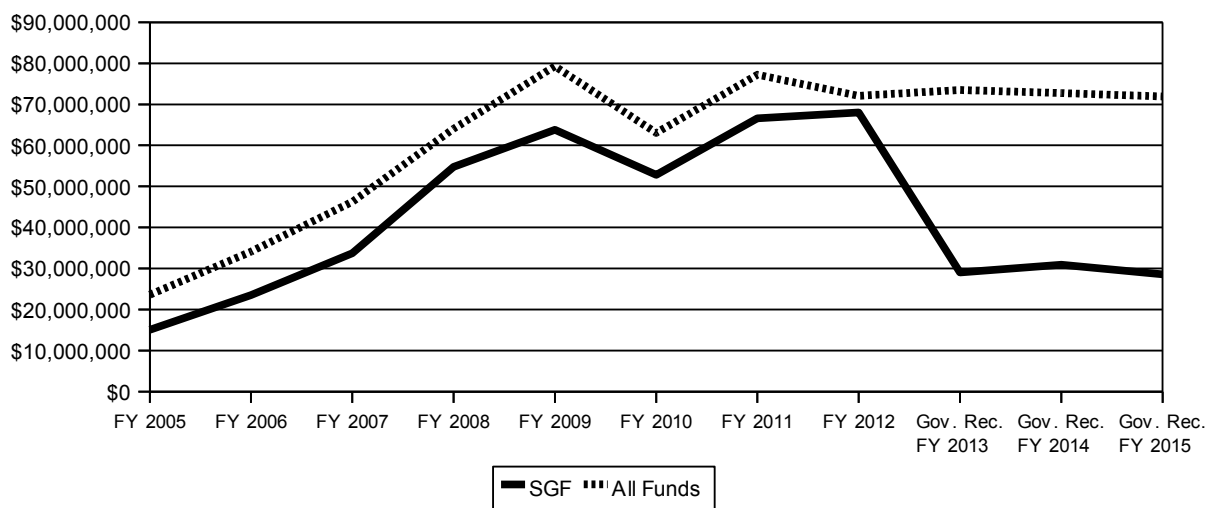
The **Governor** recommends FY 2015 operating expenditures of \$71.9 million, a decrease of \$822,186, or 1.1 percent, below the FY 2014 Governor's recommendation. The recommendation includes \$28.6 million from the State General Fund, a decrease of \$2.3 million, or 7.5 percent, below the FY 2014 Governor's recommendation. The majority of the decrease is

attributable to reduced debt service interest payments in FY 2015. The Governor recommends that the additional debt service for the Capitol Restoration funded from the State General Fund in FY 2014 be switched to the ELARF fund in FY 2015 resulting in a State General Fund reduction of \$1.9 million. All other debt service interest payments also decrease due to the maturation of the bonds.

The decreases are partially offset by an increase of \$54,977 for increased employer contributions to the Kansas Public Employee Retirement System. The Governor's recommendation continues to reflect a reductions in the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 15,041,333	2.0 %	\$ 23,604,622	(8.5)%	793.2
2006	23,514,081	56.3	34,107,276	44.5	803.1
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)	103.3
2013 Gov. Rec.	29,037,355	(57.3)	73,497,358	2.0	93.6
2014 Gov. Rec.	30,882,155	6.4	72,741,593	(1.0)	93.6
2015 Gov. Rec.	28,572,832	(7.5)	71,919,407	(1.1)	93.6
Eleven-Year Change					
Dollars/Percent	\$ 13,531,499	90.0 %	\$ 48,314,785	204.7 %	(699.6)

Note: The reduction in FTE starting in FY 2012 is due to only reportable FTE positions being included in the estimate. Operating expenditures in the table are only reportable expenditures.

Summary of Reportable Operating Budget FY 2012 - FY 2014

		Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
Actual 2012									
By Program:									
Administration	\$ 645,900	\$ 605,719	\$ 634,420	\$ 28,701	4.7 %	\$ 605,719	\$ 458,100	\$ (147,619)	(24.4)%
Office of General Serv.	2,762,687	2,484,307	2,484,099	(208)	(0.0)	2,484,307	2,483,358	(949)	(0.0)
Division of the Budget	1,393,058	1,467,955	1,418,323	(49,632)	(3.4)	1,617,955	1,416,913	(201,042)	(12.4)
Legal Services	367,698	458,941	462,449	3,508	0.8	458,941	366,068	(92,873)	(20.2)
Human Resources	1,674,595	1,485,261	1,496,069	10,808	0.7	1,485,261	1,379,874	(105,387)	(7.1)
Business Process Imp.	1,256,264	1,559,782	1,561,442	1,660	0.1	1,559,782	1,559,958	176	0.0
Inspector General	634,692	1,530,510	1,552,112	21,602	1.4	1,530,510	1,219,187	(311,323)	(20.3)
Facilities and Prop. Mgt.	734,686	667,514	1,017,514	350,000	52.4	667,514	1,017,514	350,000	52.4
LTC Ombudsman	247,028	251,173	251,201	28	0.0	251,173	250,956	(217)	(0.1)
Public Broadcasting	1,722,400	1,041,000	2,874,253	1,833,253	176.1	1,041,000	600,000	(441,000)	(42.4)
Office of Systems Mgt.	1,129,102	2,312,124	2,315,681	3,557	0.2	2,312,124	2,274,242	(37,882)	(1.6)
Debt Service	59,521,137	59,483,072	59,715,423	232,351	0.4	59,483,072	59,715,423	232,351	0.4
TOTAL	\$ 72,089,247	\$ 73,347,358	\$ 75,782,986	\$ 2,435,628	3.3 %	\$ 73,497,358	\$ 72,741,593	\$ (755,765)	(1.0)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 6,984,649	\$ 7,241,853	\$ 7,299,202	\$ 57,349	0.8 %	\$ 7,241,853	\$ 6,532,062	\$ (709,791)	(9.8)%
Contractual Services	2,223,319	4,110,100	4,426,140	316,040	7.7	4,260,100	4,426,140	166,040	3.9
Commodities	1,488,728	1,361,070	1,361,070	0	0.0	1,361,070	1,361,070	0	0.0
Capital Outlay	70,714	62,555	62,555	0	0.0	62,555	62,555	0	0.0
Debt Service	59,761,243	59,483,072	59,715,423	232,351	0.4	59,483,072	59,715,423	232,351	0.4
Subtotal - Operations	\$ 70,528,653	\$ 72,258,650	\$ 72,864,390	\$ 605,740	0.8 %	\$ 72,408,650	\$ 72,097,250	\$ (311,400)	(0.4)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	1,560,594	1,088,708	2,918,596	1,829,888	168.1	1,088,708	644,343	(444,365)	(40.8)
TOTAL	\$ 72,089,247	\$ 73,347,358	\$ 75,782,986	\$ 2,435,628	3.3 %	\$ 73,497,358	\$ 72,741,593	\$ (755,765)	(1.0)%
Financing:									
State General Fund	\$ 68,042,451	\$ 28,887,355	\$ 34,521,446	\$ 5,634,091	19.5 %	\$ 29,037,355	\$ 30,882,155	\$ 1,844,800	6.4 %
All Other Funds	4,046,796	44,460,003	41,261,540	(3,198,463)	(7.2)	44,460,003	41,859,438	(2,600,565)	(5.8)
TOTAL	\$ 72,089,247	\$ 73,347,358	\$ 75,782,986	\$ 2,435,628	3.3 %	\$ 73,497,358	\$ 72,741,593	\$ (755,765)	(1.0)%

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 634,420	\$ 458,100	\$ 461,572	\$ 3,472	0.8 %
Office of General Serv.	2,484,099	2,483,358	2,488,637	5,279	0.2
Division of the Budget	1,418,323	1,416,913	1,425,787	8,874	0.6
Legal Services	462,449	366,068	369,470	3,402	0.9
Human Resources	1,496,069	1,379,874	1,389,226	9,352	0.7
Business Process Imp.	1,561,442	1,559,958	1,570,315	10,357	0.7
Inspector General	1,552,112	1,219,187	1,228,307	9,120	0.7
Facilities and Prop. Mgt.	1,017,514	1,017,514	1,040,014	22,500	2.2
LTC Ombudsman	251,201	250,956	252,679	1,723	0.7
Public Broadcasting	2,874,253	600,000	600,000	0	0.0
Office of Systems Mgt.	2,315,681	2,274,242	2,277,640	3,398	0.1
Debt Service	59,715,423	59,715,423	58,815,760	(899,663)	(1.5)
TOTAL	\$ 75,782,986	\$ 72,741,593	\$ 71,919,407	\$ (822,186)	(1.1)%
By Major Object of Expenditure:					
Salaries and Wages	\$ 7,299,202	\$ 6,532,062	\$ 6,587,039	\$ 54,977	0.8 %
Contractual Services	4,426,140	4,426,140	4,448,640	22,500	0.5
Commodities	1,361,070	1,361,070	1,361,070	0	0.0
Capital Outlay	62,555	62,555	62,555	0	0.0
Debt Service	59,715,423	59,715,423	58,815,760	(899,663)	(1.5)
Subtotal - Operations	\$ 72,864,390	\$ 72,097,250	\$ 71,275,064	\$ (822,186)	(1.1)%
Aid to Local Units	0	0	0	0	--
Other Assistance	2,918,596	644,343	644,343	0	0.0
TOTAL	\$ 75,782,986	\$ 72,741,593	\$ 71,919,407	\$ (822,186)	(1.1)%
Financing:					
State General Fund	\$ 34,521,446	\$ 30,882,155	\$ 28,572,832	\$ (2,309,323)	(7.5)%
All Other Funds	41,261,540	41,859,438	43,346,575	1,487,137	3.6
TOTAL	\$ 75,782,986	\$ 72,741,593	\$ 71,919,407	\$ (822,186)	(1.1)%

Summary of Non-Reportable Operating Budget FY 2012 - FY 2014

	Agency Request					Governor's Recommendation				
	Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13		Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13	
By Program:										
Administration	\$ 178,184	\$ 78,183	\$ 78,870	\$ 687	0.9 %	\$ 78,183	\$ 78,782	\$ 599	0.8 %	
Legal Services	252,192	445,608	447,767	2,159	0.5	445,608	447,468	1,860	0.4	
LTC Ombudsman	502,570	512,534	515,754	3,220	0.6	512,534	515,312	2,778	0.5	
Office of Systems Mgt.	6,702,084	7,489,463	8,716,090	1,226,627	16.4	7,489,463	8,711,519	1,222,056	16.3	
General Services	15,885,122	10,194,485	10,220,721	26,236	0.3	10,194,485	10,216,508	22,023	0.2	
Information Technology	53,578,347	35,643,596	36,382,420	738,824	2.1	35,643,596	36,371,932	728,336	2.0	
Human Resources	292,043	442,792	446,417	3,625	0.8	442,792	445,918	3,126	0.7	
Business Process Imp.	17,727	0	0	0	--	0	0	0	--	
Inspector General	1,978,021	1,650,594	1,670,905	20,311	1.2	1,650,594	1,669,285	18,691	1.1	
Facilities & Prop. Mgt.	26,233,586	25,431,766	25,814,112	382,346	1.5	25,431,766	25,803,921	372,155	1.5	
Clearing Program	9,569,270	0	0	0	--	0	0	0	--	
Debt Service	1,414,902	1,481,644	1,413,306	(68,338)	(4.6)	1,481,644	1,413,306	(68,338)	(4.6)	
TOTAL	\$ 116,604,048	\$ 83,370,665	\$ 85,706,362	\$ 2,335,697	2.8 %	\$ 83,370,665	\$ 85,673,951	\$ 2,303,286	2.8 %	
By Major Object of Expenditure:										
Salaries and Wages	\$ 37,339,647	\$ 30,184,132	\$ 30,424,326	\$ 240,194	0.8 %	\$ 30,184,132	\$ 30,391,915	\$ 207,783	0.7 %	
Contractual Services	57,016,541	42,748,295	43,575,568	827,273	1.9	42,748,295	43,575,568	827,273	1.9	
Commodities	2,962,895	4,523,908	4,429,862	(94,046)	(2.1)	4,523,908	4,429,862	(94,046)	(2.1)	
Capital Outlay	5,521,551	3,589,209	5,251,102	1,661,893	46.3	3,589,209	5,251,102	1,661,893	46.3	
Debt Service	2,012,671	1,874,180	1,584,285	(289,895)	(15.5)	1,874,180	1,584,285	(289,895)	(15.5)	
Subtotal - Operations	\$ 104,853,305	\$ 82,919,724	\$ 85,265,143	\$ 2,345,419	2.8 %	\$ 82,919,724	\$ 85,232,732	\$ 2,313,008	2.8 %	
Aid to Local Units	11,622,305	396,020	396,020	0	0.0	396,020	396,020	0	0.0	
Other Assistance	128,438	54,921	45,199	(9,722)	(17.7)	54,921	45,199	(9,722)	(17.7)	
TOTAL	\$ 116,604,048	\$ 83,370,665	\$ 85,706,362	\$ 2,335,697	2.8 %	\$ 83,370,665	\$ 85,673,951	\$ 2,303,286	2.8 %	
Financing:										
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %	
All Other Funds	116,604,048	83,370,665	85,706,362	2,335,697	2.8	83,370,665	85,673,951	2,303,286	2.8	
TOTAL	\$ 116,604,048	\$ 83,370,665	\$ 85,706,362	\$ 2,335,697	2.8 %	\$ 83,370,665	\$ 85,673,951	\$ 2,303,286	2.8 %	

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 78,870	\$ 78,782	\$ 79,384	\$ 602	0.8 %
Legal Services	447,767	447,468	449,565	2,097	0.5
LTC Ombudsman	515,754	515,312	518,427	3,115	0.6
Office of Systems Mgt.	8,716,090	8,711,519	8,743,534	32,015	0.4
General Services	10,220,721	10,216,508	10,246,551	30,043	0.3
Information Technology	36,382,420	36,371,932	36,444,960	73,028	0.2
Human Resources	446,417	445,918	449,504	3,586	0.8
Business Process Imp.	0	0	0	0	--
Inspector General	1,670,905	1,669,285	1,680,578	11,293	0.7
Facilities & Prop. Mgt.	25,814,112	25,803,921	25,875,646	71,725	0.3
Clearing Program	0	0	0	0	--
Debt Service	1,413,306	1,413,306	1,330,281	(83,025)	(5.9)
TOTAL	\$ 85,706,362	\$ 85,673,951	\$ 85,818,430	\$ 144,479	0.2 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 30,424,326	\$ 30,391,915	\$ 30,619,419	\$ 227,504	0.7 %
Contractual Services	43,575,568	43,575,568	43,575,568	0	0.0
Commodities	4,429,862	4,429,862	4,429,862	0	0.0
Capital Outlay	5,251,102	5,251,102	5,251,102	0	0.0
Debt Service	1,584,285	1,584,285	1,501,260	(83,025)	(5.2)
Subtotal - Operations	\$ 85,265,143	\$ 85,232,732	\$ 85,377,211	\$ 144,479	0.2 %
Aid to Local Units	396,020	396,020	396,020	0	0.0
Other Assistance	45,199	45,199	45,199	0	0.0
TOTAL	\$ 85,706,362	\$ 85,673,951	\$ 85,818,430	\$ 144,479	0.2 %
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %
All Other Funds	85,706,362	85,673,951	85,818,430	144,479	0.2
TOTAL	\$ 85,706,362	\$ 85,673,951	\$ 85,818,430	\$ 144,479	0.2 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$32,593,296 for the Department of Administration in FY 2013. 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 \$151,319, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013;
- An increase of \$54,207, including \$3,574 from the State General Fund, as the result of the 2012 Legislature's approved undermarket pay distributed by the State Finance Council.

These adjustments change the FY 2013 approved State General Fund to \$32,748,189. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 32,748,189	\$ 28,887,355	\$ (3,860,834)	\$ 29,037,355	\$ (3,710,834)
All Other Funds	40,466,403	44,460,003	3,993,600	44,460,003	3,993,600
TOTAL	<u>\$ 73,214,592</u>	<u>\$ 73,347,358</u>	<u>\$ 132,766</u>	<u>\$ 73,497,358</u>	<u>\$ 282,766</u>
FTE Positions	0.0	93.6	93.6	93.6	93.6

The **agency** estimates FY 2013 operating expenditures totaling \$73.3 million, an increase of \$132,766, or less than 0.1 percent, above the amount approved by the 2012 Legislature. The estimate includes \$28.9 million from the State General Fund, a decrease of \$3.9 million, or 11.8 percent, below the approved amount. The agency also lapsed \$327,198, all from the State General Fund, from the FY 2013 approved budget. This lapse does not appear as an expenditure but does reduce the available State General Fund budget to the agency. The agency's reportable request includes 93.6 FTE positions and 5.8 Non-FTE positions.

The State General Fund decrease is predominantly attributable to a reduction in debt service interest payments on Statehouse improvements which are coming from the State General Fund and a reduction in ELARF payments. The total request for Statehouse debt service payments including both principal and interest is \$22.8 million, an increase of \$19,981. The increase is attributable to the timing of the payments on the bond issuance. Debt Service

principal payments are categorized as capital improvements and are not counted towards operating expenditures.

STATEHOUSE RESTORATION DEBT SERVICE PAYMENTS

<i>Funding</i>	<i>FY 2013 Approved</i>	<i>FY 2013 Request</i>	<i>Difference</i>	<i>FY 2014 Request</i>
<i>Principal Payment</i>				
State General Fund	\$ 2,048,204	\$ 5,490,000	\$ 3,441,796	\$ 6,625,000
ELARF	8,926,985	5,750,000	(3,176,985)	5,280,000
Subtotal	\$ 10,975,189	\$ 11,240,000	\$ 264,811	\$ 11,905,000
<i>Interest Payment</i>				
State General Fund	\$ 11,453,920	\$ 7,914,605	\$ (3,539,315)	\$ 12,092,648
ELARF	334,910	3,629,395	3,294,485	112,657
Subtotal	\$ 11,788,830	\$ 11,544,000	\$ (244,830)	\$ 12,205,305
Grand Total	\$ 22,764,019	\$ 22,784,000	\$ 19,981	\$ 24,110,305

Salaries and Wages: The agency requests \$7.2 million for salaries and wages in FY 2013, an increase of \$354,244, or 5.1 percent, above the 2013 approved budget. The request includes a special revenue fund increase of \$502,181 partially offset by a State General Fund decrease of \$147,937. The increase is predominantly attributable to increased expenditures for the Governor's Economic Council (\$137,909) and the Office of Business Process Improvement "Division of Purchases" (\$290,724). The increases are partially offset by reductions in the Division of the Budget and the Office of Human Resources.

- **Contractual Services:** The agency requests \$4.1 million for contractual services in FY 2013, an increase of \$157,429, or 4.0 percent, above the approved budget.
- **Commodities:** The agency requests \$1.4 million for commodities, an increase of \$200,154, or 17.2 percent, above the FY 2013 approved budget. The increase is predominantly attributable to the increased purchase of used vehicles in the Surplus Property Program (\$210,100).
- **Debt Service:** The agency requests \$59.5 million for debt service in FY 2013, a decrease of \$205,719, or 0.3 percent, below the FY 2013 approved budget. Included in the request is a State General Fund reduction of \$3.6 million and an increase in Expanded Lottery Act Revenue Fund monies of \$3.3 million. The agency shifted approved expenditures for the Statehouse improvements from SGF to ELARF. The difference in the payments is due to the timing of the bond payments and accounts for the overall reduction.
- **Aid to Locals:** The agency does not request any aid to local units of government expenditures in FY 2013. This is a reduction of \$291,503 from the amount approved. The agency is not budgeting any expenditures as part of the Federal Flood Control Act in FY 2013.

The **Governor** concurs with the agency request with one adjustment that adds \$150,000, all from the State General Fund, to the Division of Budget for Kansas Public Employee Retirement System actuarial studies. The Governor's FY 2013 recommendation is \$75.8 million, including \$34.5 million from the State General Fund. The recommendation is an increase of \$150,000, or 0.2 percent, all from the State General Fund, from the agency's revised estimate.

Department of Administration Structural Reorganization

The Secretary of Administration under KSA 75-3702(j) has broad authority to, "organize the Department of Administration in the manner the secretary deems most efficient." Division heads and employees of the department of administration not within a particular division shall perform such duties and exercise such powers as are prescribed by law and such other duties as the Secretary of Administration may prescribe. Such division heads and employees shall act for, and exercise the powers of, the secretary of administration to the extent authority to do so is delegated by the Secretary of Administration." Under this authority the Secretary has authorized a new organizational structure which will be implemented in January of 2012. The Office of Management Analysis and Standards and the Office of Research and Development were later merged with the Office of Inspector General. These changes are reflected in the list below.

- Office of General Services
- Office of Human Resources
- Office of Business Process Improvement
- Office of Facilities and Property Management
- Office of Systems Management
- Office of Inspector General
- Office of Chief Counsel

Supplemental Detail

The **agency** did not submit a supplemental request.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 75,782,986	\$ 72,741,593	\$	(3,041,393)
FTE Positions	93.6	93.6		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 5,634,091	\$ 1,844,800		
All Other Funds	(3,198,463)	(2,600,565)		
TOTAL	<u>\$ 2,435,628</u>	<u>\$ (755,765)</u>		
<i>Percent Change:</i>				
State General Fund	19.5 %	6.4 %		
All Other Funds	(7.2)	(5.8)		
TOTAL	<u>3.3 %</u>	<u>(1.0) %</u>		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 operating expenditures totaling \$75.8 million, an increase of \$2.4 million, or 3.3 percent, above the current year revised estimate. The request includes \$34.5 million from the State General Fund, an increase of \$5.6 million, or 19.5 percent, above the current year revised estimate. The agency's request includes \$2.3 million, all from the State General Fund, in operating expenditure enhancement requests. The enhancements are for public broadcasting. **Without enhancement requests**, the State General Fund request is an increase of \$3.4 million, or 11.6 percent, above the FY 2013 revised estimate. The agency request also includes an additional \$18.1 million in non-operating expenditure capital improvement enhancement requests.

Major objects of expenditure include:

- **Salaries and Wages:** The request includes an increase of \$57,349, or 0.8 percent, above the current year revised estimate for salaries and wages due to increased employer contributions for Kansas Public Employee Retirement System benefits.
- **Contractual Services:** The request includes an increase of \$316,040, or 7.7 percent, above the current year revised estimate for contractual services. The increase is attributable to a \$350,000 increase in facilities and property management partially offset by a reduction at the Division of the Budget.

- **Debt Service:** The request is an increase of \$232,351, or 0.4 percent, above the current year revised estimate. The increase is attributable to an increase in Statehouse debt service interest payments of \$661,305 including the enhancement request partially offset by a reduction in KDOT Comprehensive Transportation Plan Debt Service Interest of \$352,350.
- **Other Assistance:** The request is an increase of \$1.9 million, or 168.1 percent, above the current year revised estimate. The increase is predominantly attributable to a the public broadcasting enhancement request described below.

The **Governor** recommends FY 2014 operating expenditures of \$72.7 million, a decrease of \$3.0 million, or 4.0 percent, below the FY 2014 agency request. The recommendation includes State General Fund expenditures of \$30.9 million, a reduction of \$3.6 million, or 10.5 percent, below the FY 2014 agency request. The State General Fund decrease is attributable the following:

- A recommendation against the Public Broadcasting Council enhancement requests (\$2.3 million).
- Adoption of the agency reduced resources plan to increase the salaries shrinkage rate by \$760,000.
- A recommendation to fund the \$600,000 in Public Broadcasting Council Grants recommended by the Governor from the Economic Development Initiatives Fund rather than the State General Fund.
- A reduction of \$7,140, including \$5,038 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The reductions are partially offset by the recommendation to adopt the enhancement request of \$1.3 million for capitol restoration debt service. The recommendation funds 93.6 FTE and 5.8 Non-FTE positions, the same as the agency request.

Enhancements Detail

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Operating Enhancements:						
PBC - Equipment	\$ 498,836	\$ 498,836	0.0	\$ 0	\$ 0	0.0
PBC - Investment Level	1,775,417	1,775,417	0.0	0	0	0.0
Capitol Debt Service	1,334,305	1,334,305	0.0	1,334,305	1,334,305	0.0
SUBTOTAL	\$ 3,608,558	\$ 3,608,558	0.0	\$ 1,334,305	\$ 1,334,305	0.0
Capital Improvement Enhancements:						
Capitol Complex R&R	\$ 696,925	\$ 696,925	0.0	\$ 0	\$ 0	0.0
Statehouse and Cedar Crest R&R	46,263	46,263	0.0	0	0	0.0
Judicial Center R&R	148,061	148,061	0.0	0	0	0.0
Docking Bus Duct	3,500,000	3,500,000	0.0	0	0	0.0
Landon Windows	2,208,000	2,208,000	0.0	0	0	0.0
Memorial Hall Windows	800,000	800,000	0.0	0	0	0.0
Judicial Center Fire Suppression	1,075,000	1,075,000	0.0	0	0	0.0
Judicial Center Windows	1,300,000	1,300,000	0.0	0	0	0.0
Judicial Center Sanitary Drain	750,000	750,000	0.0	0	0	0.0
Docking Interior	5,000,000	5,000,000	0.0	0	0	0.0
Docking Elevators	597,643	597,643	0.0	0	0	0.0
Printing Plant Chillers	650,000	650,000	0.0	0	0	0.0
SUBTOTAL	\$ 16,771,892	\$ 16,771,892	0.0	\$ 0	\$ 0	0.0
TOTAL	<u>\$ 20,380,450</u>	<u>\$ 20,380,450</u>	<u>0.0</u>	<u>\$ 1,334,305</u>	<u>\$ 1,334,305</u>	<u>0.0</u>

Public Broadcasting Equipment: The **agency's** request includes \$498,836, all from the State General Fund, to maintain equipment for what is describes as a sound and functional public broadcasting infrastructure. The radio and television station's request for equipment reflects a 50 percent match the state is then able to leverage with all equipment purchases.

The Public Broadcasting Council requests assistance in funding at a 50 percent share of equipment needs for the following critical priority items. These equipment requests are reviewed through a thorough ranking and prioritization process. What follows are the requests from five of the nine KPBC stations in rank order.

- Radio Kansas (Hutchinson) First Service Project bringing service to underserved communities - Council Grove \$290,070 (*Note - The 2012 Legislature appropriated \$411,000 for the Public Broadcasting Council with the intention of funding the Council Grove Broadcast Facility*).
- HPPR (Garden City) Local Origination Equipment \$72,305.

- KTWU (Topeka) Storage/Archival Equipment \$15,000.
- KCPT (K.C.) Storage/Archival Equipment \$70,449.
- KTWU (Topeka) Weather Alert Radio Network Equipment \$43,892.
- KMUW (Wichita) Production/Video Equipment \$7,120.

Public Broadcasting Council: The **agency's** request includes \$1,775,417, all from the State General Fund, The Council requests that the state, at a minimum, maintain the FY 2013 actual investment of \$2,375,417.

This funding request for public broadcasting services would maintain critical and necessary levels of functioning for member stations but would not address the consistent decline in core funding since 2008.

Statehouse Debt Service: The **agency's** request includes \$1,334,305, all from the State General Fund, to begin making debt service payments in FY 2014 on an additional \$17,540,000 in bonding for the Statehouse. The total first year debt service would be \$1,334,305, of which \$575,000 is for principal and \$759,305 is for interest.

Rehabilitation and Repair: The **agency's** request includes \$891,249, in additional rehabilitation and repair funds for Cedar Crest (\$46,263), Kansas Judicial Center (\$148,061) and Capitol complex (\$696,925). The agency states that it requires the additional funds to make unanticipated repairs and maintain equipment.

Docking Electrical Duct: The **agency's** request includes \$3.5 million, all from the State General Fund, to replace the existing 13,200 volt bus duct in the Docking Building with a modern 480 volt system. According to the agency, the equipment is past its typical service life of 30 years and contractors retained by the Department of Administration indicate that the system is nearing its failure point and a catastrophic failure could result in an explosive arc flash and fire. The project would take two years for a total cost of \$7.9 million.

Landon State Office Building Windows: The **agency's** request includes \$2.2 million, all from the State General Fund, to remove and replace exterior windows with new aluminum energy efficient insulated units.

According to the agency, the existing windows are operable single pane glass units installed in the 1950s. 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.

Memorial Hall Windows: The **agency's** request includes \$800,000, all from the State General Fund, to to remove and replace exterior windows with anodized aluminum windows on Memorial Hall and provide new insulation at the perimeter of the opening into the cavity wall space. This includes installing a fire rated window at the north and east exterior walls.

Judicial Center Fire Protection: The **agency's** request includes \$1.1 million, all from the State General Fund, to upgrade the fire protection system for the Judicial Center. The project would take one year.

Judicial Center 3rd Floor Windows: The **agency's** request includes \$1.3 million, all from the State General Fund, to remove and replace the 3rd floor exterior windows on the Judicial Center with new aluminum, energy efficient fixed window units.

The existing windows on the 3rd floor are operable units installed when the building was built in 1978. The window manufacturer is out of business and replacement parts and gaskets are not made anymore. Most of the windows have been caulked shut and must be re-caulked shut every time they are opened and cleaned. The agency indicates that the windows leak and air infiltration has created condensation problems due to the deteriorating gaskets and the process of opening and shutting the windows.

Judicial Center Drain: The **agency's** request includes \$750,000, all from the State General Fund, to replace all the above ground sanitary drain piping in the Kansas Judicial Center. The sanitary drain piping was installed original to the building in 1976. This exceeds the normal 30 year service life of this piping. Additionally, several sections of piping have been replaced in the last few years.

Docking State Office Building Interior: The **agency's** request includes \$5.0 million, all from the State General Fund, to begin interior renovations of the Docking State Office Building.

The agency indicates that the Docking Building has fallen into a state of disrepair as the normal building systems that provide heating, air conditioning, lighting, plumbing and life safety have come to the end of their typical service life of between 15 to 30 years. This project would start the process of replacing old equipment, re-establishing fire stops in the building, improve life safety via a fire suppression system, and replace old out dated ceiling and miscellaneous building materials. Based upon the funding being requested, at least one floor per year will be renovated after infrastructure improvements are done the first year. The funding request is for the first year of a six year project. The total project cost is estimate at \$30.0 million.

Docking State Office Building Fire Protection: The **agency's** request includes \$1.2 million, beginning in FY 2013, to upgrade the fire protection system for the Docking Building. All funding would come from the State General Fund. The current system was installed in 1955 with a projected service time of 20 years. The project would take six years at a total cost of \$7,228,754.

Docking State Office Building Elevators: The **agency's** request includes \$597,643, all from the State General Fund, to repair and/or replace elevators in the Docking State Office Building.

Printing Plant Chillers: The **agency's** request includes \$650,000, all from the State General Fund, to replace the cooling system at the printing plant. The existing cooling system consists of three refrigerant compressors, two refrigerant evaporators and three refrigerant condensers that were engineered as the buildings cooling system. This project will replace this system with two packaged air cooled rotary screw chillers each rated at 150 tons. This project will also replace the chilled water pumps and re-pipe as needed to put the system together.

The **Governor** recommends the adoption of the agency enhancement request for capitol restoration debt service. The Governor's recommendation does not include the remainder of the enhancement requests.

FY 2014 Reduced Resources

FY 2014 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Salaries Shrinkage	\$ (760,000)	\$ (760,000)	0.0	\$ (760,000)	\$ (760,000)	0.0
Division of the Budget Reduction	(159,691)	(159,691)	(1.0)	0	0	0.0
Rehabilitation and Repair Reduction	(245,000)	(245,000)	0.0	(245,000)	0	0.0
TOTAL	<u>\$ (1,164,691)</u>	<u>\$ (1,164,691)</u>	<u>(1.0)</u>	<u>\$ (1,005,000)</u>	<u>\$ (760,000)</u>	<u>0.0</u>

Salaries Shrinkage: The **agency** proposes reductions to salaries and wages by maintaining vacant positions and by not filling positions that become vacant for a savings of \$760,000. Adoption of the reduction package will result in fewer human resources to accomplish the work of the Department of Administration. Remaining employees will be expected to maintain the current level of service to Department of Administration customers. It is reasonable to expect that response times and scope of service would be impacted. Offices impacted include:

- Office of the Secretary - \$176,000.
- Office of Chief Counsel - \$96,000.
- Office of General Services - \$41,000.
- Office of Human Resources - \$115,000.
- Office of Inspector General - \$332,000.

Budget Division: The **agency** proposes reductions to salaries and wages by maintaining vacant positions and by deleting one FTE position for a savings of \$97,019, all from the State General Fund. The agency also proposes reducing expenditures for contractual services by \$62,672.

Rehabilitation and Repair on State Facilities: The **agency** proposes reductions in rehabilitation and repair on state facilities for a savings of \$245,000. These savings would not be in the operating budget, but in the capital improvements budget.

The **Governor** recommends adoption of the agency reduced resources plans for a State General Fund reduction of \$1.0 million. The Governor recommends that the \$245,000 deleted for capitol complex rehabilitation and repair be funded from the State Buildings Operations Fund.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 71,919,407	\$ (822,186)
FTE Positions	93.6	(15.0)
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ (2,309,323)	
All Other Funds	1,487,137	
TOTAL	<u>\$ (822,186)</u>	
<i>Percent Change:</i>		
State General Fund	(7.5) %	
All Other Funds	3.6	
TOTAL	<u>(1.1) %</u>	
Change in FTE Positions	0.0	

There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$71.9 million, a decrease of \$822,186, or 1.1 percent, below the FY 2014 Governor's recommendation. The recommendation includes \$28.6 million from the State General Fund, a decrease of \$2.3 million, or 7.5 percent, below the FY 2014 Governor's Recommendation. The majority of the decrease is attributable to reduced debt service interest payments in FY 2015. The Governor recommends that the additional debt service for the Capitol Restoration funded from the State General Fund in FY 2014 be switched to the ELARF fund in FY 2015, resulting in a State General Fund reduction of \$1.9 million. All other debt service interest payments also decrease due to the maturation of the bonds.

The decreases are partially offset by an increase of \$54,977 for increased employer contributions to the Kansas Public Employee Retirement System. The Governor's recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$243,959, including \$49,282 from the State General Fund and FY 2015 longevity payments total \$250,519, including \$50,654 from the State General Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	45.6 %	42.5 %
Expanded Lottery Act Revenue Fund	48.0	50.0
Surplus Property Fund	2.9	3.1
Purchasing Fee fund	1.6	1.7
All Other Funds	1.8	2.7
TOTAL	100.0 %	100.0 %

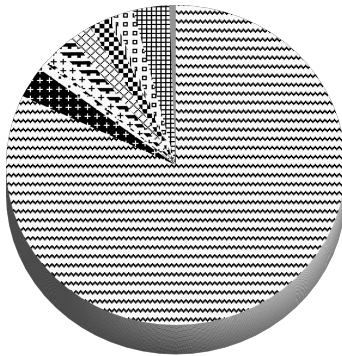
Note: Percentages may not add due to rounding.

PROGRAM DETAIL

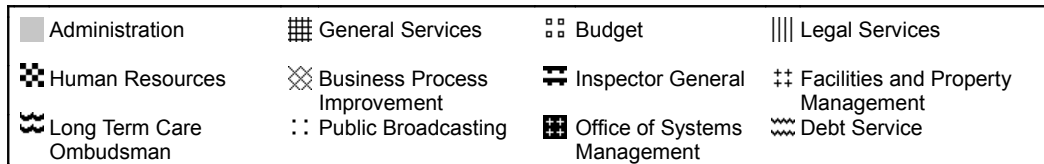
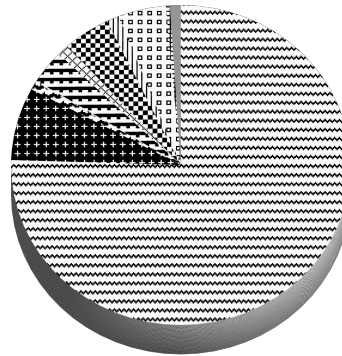
Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



State General Fund



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Administration	\$ 458,100	0.6 %	\$ 319,207	1.0 %
Office of General Serv.	2,483,358	3.4	114,470	0.4
Division of the Budget	1,416,913	1.9	1,414,213	4.6
Legal Services	366,068	0.5	366,068	1.2
Human Resources	1,379,874	1.9	1,379,874	4.5
Business Process Imp.	1,559,958	2.1	352,478	1.1
Inspector General	1,219,187	1.7	1,047,850	3.4
Facilities and Prop. Mgt.	1,017,514	1.4	47,514	0.2
LTC Ombudsman	250,956	0.3	250,956	0.8
Public Broadcasting	600,000	0.8	0	0.0
Office of Systems Mgt.	2,274,242	3.1	2,274,242	7.4
Debt Service	59,715,423	82.1	23,315,283	75.5
TOTAL	\$ 72,741,593	100.0 %	\$ 30,882,155	100.0 %

REPORTABLE FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	5.6	3.2	3.2	3.2	3.2	3.2
General Services	12.2	12.2	12.2	12.2	12.2	12.2
Budget	17.0	13.0	13.0	13.0	13.0	13.0
Legal Services	4.5	4.5	4.5	4.5	4.5	4.5
Human Resources	18.9	17.1	17.1	17.1	17.1	17.1
Business Process Imp.	17.0	19.0	19.0	19.0	19.0	19.0
Inspector General	15.0	15.0	15.0	15.0	15.0	15.0
Facilities and Prop. Mgt.	0.0	0.0	0.0	0.0	0.0	0.0
LTC Ombudsman	3.0	3.0	3.0	3.0	3.0	3.0
Public Broadcasting	0.0	0.0	0.0	0.0	0.0	0.0
Office of Systems Mgt.	6.6	6.6	6.6	6.6	6.6	6.6
Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	99.8	93.6	93.6	93.6	93.6	93.6

NON-REPORTABLE FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	2.0	0.8	0.8	0.8	0.8	0.8
Legal Services	3.0	3.0	3.0	3.0	3.0	3.0
LTC Ombudsman	8.0	7.5	7.5	7.5	7.5	7.5
Office of Systems Mgt.	34.4	34.9	34.9	34.9	34.9	34.9
General Services	80.5	77.8	77.8	77.8	77.8	77.8
Information Technology	112.7	82.7	82.7	82.7	82.7	82.7
Human Resources	5.1	6.0	6.0	6.0	6.0	6.0
Inspector General	14.0	14.0	14.0	14.0	14.0	14.0
Facilities & Property Mgt.	208.8	198.0	198.0	198.0	148.0	148.0
TOTAL	468.5	424.6	424.6	424.6	374.6	374.6

A. Administration Program

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 their 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.

Following review of suggestions, the Office may make recommendations for repeal to the Governor who may then repeal executive orders and propose repeal of statutes and regulations to the Kansas Legislature. 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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 500,107	\$ 478,269	\$ 478,269	\$ 481,970	\$ 305,650	309,122
Contractual Services	143,644	125,750	125,750	150,750	150,750	150,750
Commodities	2,149	1,200	1,200	1,200	1,200	1,200
Capital Outlay	0	500	500	500	500	500
Subtotal	\$ 645,900	\$ 605,719	\$ 605,719	\$ 634,420	\$ 458,100	461,572
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 645,900	\$ 605,719	\$ 605,719	\$ 634,420	\$ 458,100	461,572
Financing:						
State General Fund	\$ 507,812	\$ 467,810	\$ 467,810	\$ 495,382	\$ 319,207	321,677
All Other Funds	138,088	137,909	137,909	139,038	138,893	139,895
TOTAL	\$ 645,900	\$ 605,719	\$ 605,719	\$ 634,420	\$ 458,100	461,572
FTE Positions	5.6	3.2	3.2	3.2	3.2	3.2
Non-FTE Pos.*	0.0	1.0	1.0	1.0	1.0	1.0
TOTAL	5.6	4.2	4.2	4.2	4.2	4.2
*Non-FTE Permanent Unclassified Positions						

The **agency** requests a FY 2014 operating budget totaling \$634,420 million, an increase of \$28,701, or 4.7 percent, above the current year revised estimate. The agency's request includes \$495,382 from the State General Fund, an increase of \$25,572, or 5.9 percent, above the current year revised estimate. The request includes 3.2 FTE positions.

- **Contractual Services:** The **agency** requests \$150,750 for contractual services in FY 2014, an increase of \$25,000, or 19.9 percent, above the FY 2013 revised request. The increase is attributable to expenditures to cover costs for consultants to perform studies and conduct training to improve the Department's performance and efficiency.

The **Governor** recommends FY 2014 expenditures totaling \$458,100, including \$319,207 from the State General Fund, an all funds reduction of \$176,320, or 27.8 percent, below the FY 2014 agency request. The recommendation is a State General Fund reduction of \$176,175, or 35.6 percent, and a special revenue funds reduction of \$145, or 0.1 percent, below the FY 2014 agency request. The reduction is attributable to adoption of the agency reduced resources proposal and the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures totaling \$461,572, including \$321,677 from the State General Fund, an all funds increase of \$3,472 or 0.8 percent, above the FY 2014 agency request. The recommendation is a State General Fund increase of \$2,470, or 0.8 percent, and a special revenue funds increase of \$1,002, or 0.7 percent, above the FY 2014 agency request. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

ADMINISTRATION - NONREPORTABLE SUMMARY OF EXPENDITURES FY 2012 - FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Operating Expenditures	\$ 178,184	\$ 78,183	\$ 78,183	\$ 78,870	\$ 78,782	\$ 79,384
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	178,184	78,183	78,183	78,870	78,782	79,384
TOTAL	<u>\$ 178,184</u>	<u>\$ 78,183</u>	<u>\$ 78,183</u>	<u>\$ 78,870</u>	<u>\$ 78,782</u>	<u>\$ 79,384</u>
FTE Positions	2.0	0.8	0.8	0.8	0.8	0.8
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>2.0</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>
*Non-FTE Permanent Unclassified Positions						

The **agency** requests \$78,870, all from special revenue funds, an increase of \$687, or 0.9 percent, above the FY 2013 revised estimate. The increase is attributable to rising state contributions for employee retirement. The reduction in FTE positions from the FY 2012 actual is related to the departmental reorganization.

The **Governor** recommends FY 2014 expenditures of \$78,782, a reduction of \$88, or 0.1 percent, below the FY 2014 agency request. The reduction is attributable to the adoption of the agency reduced resources proposal and the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures of \$79,384, an increase of \$602 or 0.8 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement

System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

B. Office of General Services

The Office of General Services was established during FY 2012 as part of the Department of Administration's reorganization. The five primary functions of the Office of General Services include: Set-Off Collections; Printing and Surplus Property; Department of Administration Accounting Services; Central Mail; and Parking Administration.

OFFICE OF GENERAL SERVICES PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 914,004	\$ 696,561	\$ 696,561	\$ 702,019	\$ 701,278	\$ 706,557
Contractual Services	370,233	405,161	405,161	405,161	405,161	405,161
Commodities	1,441,404	1,327,600	1,327,600	1,327,600	1,327,600	1,327,600
Capital Outlay	31,348	34,000	34,000	34,000	34,000	34,000
Subtotal -	\$ 2,756,989	\$ 2,463,322	\$ 2,463,322	\$ 2,468,780	\$ 2,468,039	\$ 2,473,318
Aid to Local Units	0	0	0	0	0	0
Other Assistance	5,698	20,985	20,985	15,319	15,319	15,319
TOTAL	\$ 2,762,687	\$ 2,484,307	\$ 2,484,307	\$ 2,484,099	\$ 2,483,358	\$ 2,488,637
Financing:						
State General Fund	\$ 533,933	\$ 119,738	\$ 119,738	\$ 114,520	\$ 114,470	\$ 114,821
All Other Funds	2,228,754	2,364,569	2,364,569	2,369,579	2,368,888	2,373,816
TOTAL	\$ 2,762,687	\$ 2,484,307	\$ 2,484,307	\$ 2,484,099	\$ 2,483,358	\$ 2,488,637
FTE Positions	12.2	12.2	12.2	12.2	12.2	12.2
Non-FTE Pos.*	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL	12.7	12.7	12.7	12.7	12.7	12.7

*Non-FTE Permanent Unclassified Positions

The **agency** requests a FY 2014 operating budget totaling \$2.5 million, an decrease of \$208, or less than 0.1 percent, below the current year revised estimate. The agency's request includes \$114,520 from the State General Fund, a decrease of \$5,218, or 43.6 percent, below the current year revised estimate. The request includes 12.2 FTE positions.

Salaries and Wages: The **agency** requests \$702,019 for salaries and wages, an increase of \$5,458 or 0.8 percent, above the current year revised estimate. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System.

Other Assistance: The **agency** requests \$15,319 for other assistance, a reduction of \$5,666, or 27.0 percent, below the FY 2013 revised estimate. The reduction is attributable to reduced Voluntary Retirement Incentive Plan payments.

The **Governor** recommends FY 2014 expenditures totaling \$2.5 million, including \$114,470 from the State General Fund, an all funds reduction of \$741, or less than 0.1 percent, below the FY 2014 agency request. The recommendation is a State General Fund reduction of \$50 and a special revenue funds reduction of \$691 below the FY 2014 agency request. The reduction is attributable to adoption of the Governor's recommendation to reduce the Kansas

Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures totaling \$2.5 million, including \$114,821 from the State General Fund, an all funds increase of \$5,279 or 0.2 percent, above the FY 2014 Governor's recommendation. The recommendation is a State General Fund increase of \$301, or 0.3 percent, and a special revenue funds increase of \$4,538, or 0.2 percent, above the FY 2014 agency request. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

OFFICE OF GENERAL SERVICES - NONREPORTABLE SUMMARY OF EXPENDITURES FY 2012 - FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Operating Expenditures	\$ 15,885,122	\$ 10,194,485	\$ 10,194,485	\$ 10,220,721	\$ 10,216,508	\$ 10,246,551
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	15,885,122	10,194,485	10,194,485	10,220,721	10,216,508	10,246,551
TOTAL	<u>\$ 15,885,122</u>	<u>\$ 10,194,485</u>	<u>\$ 10,194,485</u>	<u>\$ 10,220,721</u>	<u>\$ 10,216,508</u>	<u>\$ 10,246,551</u>
FTE Positions	80.5	77.8	77.8	77.8	77.8	77.8
Non-FTE Pos.*	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL	<u>81.0</u>	<u>78.3</u>	<u>78.3</u>	<u>78.3</u>	<u>78.3</u>	<u>78.3</u>
*Non-FTE Permanent Unclassified Positions						

The **agency** requests \$10.2 million, all from special revenue funds, an increase of \$26,236, or 0.3 percent, above the FY 2013 revised estimate. The increase is attributable to rising state contributions for employee retirement.

The **Governor** recommends FY 2014 expenditures of \$10.2 million, a reduction of \$4,213, or less than 0.1 percent, below the FY 2014 agency request. The reduction is attributable to adoption of the agency reduced resources proposal and the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures of \$10.2 million, an increase of \$30,043 or 0.3 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

D. Division of the Budget

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 nonreportable component.

DIVISION OF THE BUDGET SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,249,284	\$ 1,250,840	\$ 1,250,840	\$ 1,260,565	\$ 1,259,155	\$ 1,268,029
Contractual Services	132,517	207,715	357,715	148,358	148,358	148,358
Commodities	5,708	6,700	6,700	6,700	6,700	6,700
Capital Outlay	5,549	2,700	2,700	2,700	2,700	2,700
Subtotal	\$ 1,393,058	\$ 1,467,955	\$ 1,617,955	\$ 1,418,323	\$ 1,416,913	\$ 1,425,787
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 1,393,058	\$ 1,467,955	\$ 1,617,955	\$ 1,418,323	\$ 1,416,913	\$ 1,425,787
Financing:						
State General Fund	\$ 1,393,058	\$ 1,465,255	\$ 1,615,255	\$ 1,415,623	\$ 1,414,213	\$ 1,423,087
All Other Funds	0	2,700	2,700	2,700	2,700	2,700
TOTAL	\$ 1,393,058	\$ 1,467,955	\$ 1,617,955	\$ 1,418,323	\$ 1,416,913	\$ 1,425,787
FTE Positions	17.0	13.0	13.0	13.0	13.0	13.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	17.0	13.0	13.0	13.0	13.0	13.0

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 operating expenditures totaling \$1.4 million, a reduction of \$49,632, or 3.4 percent, below the current year revised estimate. The request includes 13.0 FTE positions.

Salaries and Wages: The agency requests \$1,260,565 for salaries and wages, an increase of \$9,725, or 0.8 percent, above the FY 2013 revised estimate. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System.

Contractual Services: The agency requests \$148,358 for contractual services, a decrease of \$59,357, or 28.6 percent, below the FY 2013 revised estimate. The reduction is attributable to other contractual services.

The **Governor** recommends FY 2014 expenditures totaling \$1.4 million, including \$1.4 million from the State General Fund, an all funds reduction of \$1,410, or 0.1 percent, below the FY 2014 agency request. The reduction is attributable to adoption of the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures totaling \$1.4 million, including \$1.4 million from the State General Fund, an all funds increase of \$8,874, or 0.6 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

E. Legal Services Program

The Office of Chief Counsel manages the legal affairs of the Department of Administration and serves as the chief legal advisor 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.

LEGAL SERVICES PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 312,084	\$ 432,941	\$ 432,941	\$ 436,449	\$ 340,068	343,470
Contractual Services	55,530	26,000	26,000	26,000	26,000	26,000
Commodities	84	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 367,698	\$ 458,941	\$ 458,941	\$ 462,449	\$ 366,068	369,470
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 367,698	\$ 458,941	\$ 458,941	\$ 462,449	\$ 366,068	369,470
Financing:						
State General Fund	\$ 367,698	\$ 458,941	\$ 458,941	\$ 462,449	\$ 366,068	369,470
All Other Funds	0	0	0	0	0	0
TOTAL	\$ 367,698	\$ 458,941	\$ 458,941	\$ 462,449	\$ 366,068	369,470
FTE Positions	4.5	4.5	4.5	4.5	4.5	4.5
Non-FTE Pos.*	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	5.5	5.5	5.5	5.5	5.5	5.5

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 operating expenditures totaling \$462,449, an increase of \$3,508, or 0.8 percent, above the current year revised estimate. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The request includes 4.5 FTE positions.

The **Governor** recommends FY 2014 expenditures totaling \$366,068, all from the State General Fund, a reduction of \$96,381, or 20.8 percent, below the FY 2014 agency request. The reduction is attributable to adoption of agency reduced resources proposal and the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures totaling \$369,470, all from the State General Fund, an all funds increase of \$3,402, or 0.9 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

LEGAL SERVICES- NONREPORTABLE SUMMARY OF EXPENDITURES FY 2012 - FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Operating Expenditures	\$ 252,192	\$ 445,608	\$ 445,608	\$ 447,767	\$ 447,468	\$ 449,565
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	252,192	445,608	445,608	447,767	447,468	449,565
TOTAL	\$ 252,192	\$ 445,608	\$ 445,608	\$ 447,767	\$ 447,468	\$ 449,565
FTE Positions	3.0	3.0	3.0	3.0	3.0	3.0
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

The **agency** requests \$447,767, all from special revenue funds, an increase of \$2,159, or 0.5 percent, above the FY 2013 revised estimate. The increase is attributable to rising state contributions for employee retirement. The increase from FY 2012 is attributable to the accounting for contractual services expenditures such as rent, travel and professional database access fees as off-budget expenses which are charged to other agencies.

The **Governor** recommends FY 2014 expenditures of \$447,468, a reduction of \$299, or 0.1 percent, below the FY 2014 agency request. The reduction is attributable to adoption of the the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures of \$449,565, an increase of \$2,097 or 0.5 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

F. Human Resources Program

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.

HUMAN RESOURCES PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,398,595	\$ 1,205,307	\$ 1,205,307	\$ 1,214,786	\$ 1,098,591	\$ 1,107,943
Contractual Services	254,230	260,884	260,884	260,884	260,884	260,884
Commodities	5,780	5,080	5,080	5,080	5,080	5,080
Capital Outlay	6,230	0	0	0	0	0
Subtotal	\$ 1,664,835	\$ 1,471,271	\$ 1,471,271	\$ 1,480,750	\$ 1,364,555	\$ 1,373,907
Aid to Local Units	0	0	0	0	0	0
Other Assistance	9,760	13,990	13,990	15,319	15,319	15,319
TOTAL	\$ 1,674,595	\$ 1,485,261	\$ 1,485,261	\$ 1,496,069	\$ 1,379,874	\$ 1,389,226
Financing:						
State General Fund	\$ 1,673,041	\$ 1,485,261	\$ 1,485,261	\$ 1,496,069	\$ 1,379,874	\$ 1,389,226
All Other Funds	1,554	0	0	0	0	0
TOTAL	\$ 1,674,595	\$ 1,485,261	\$ 1,485,261	\$ 1,496,069	\$ 1,379,874	\$ 1,389,226
FTE Positions	18.9	17.1	17.1	17.1	17.1	17.1
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	18.9	17.1	17.1	17.1	17.1	17.1
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 operating expenditures totaling \$1.5 million, an increase of \$10,808, or 0.7 percent, above the current year revised estimate. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System and payments for the voluntary retirement incentive program. The request includes 4.5 FTE positions.

The **Governor** recommends FY 2014 expenditures totaling \$1.4 million, all from the State General Fund, a reduction of \$116,195, or 9.6 percent, below the FY 2014 agency request. The reduction is attributable to adoption of agency reduced resources proposal and the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures totaling \$1.4 million, all from the State General Fund, an all funds increase of \$9,352, or 0.7 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the

Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

HUMAN RESOURCES - NONREPORTABLE SUMMARY OF EXPENDITURES FY 2012 - FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Operating Expenditures	\$ 292,043	\$ 442,792	\$ 442,792	\$ 446,417	\$ 445,918	\$ 449,504
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	292,043	442,792	442,792	446,417	445,918	449,504
TOTAL	<u>\$ 292,043</u>	<u>\$ 442,792</u>	<u>\$ 442,792</u>	<u>\$ 446,417</u>	<u>\$ 445,918</u>	<u>\$ 449,504</u>
FTE Positions	5.1	6.0	6.0	6.0	6.0	6.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>5.1</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>	<u>6.0</u>

*Non-FTE Permanent Unclassified Positions

The **agency** requests \$446,417, all from special revenue funds, an increase of \$3,625, or 0.8 percent, above the FY 2013 revised estimate. The increase is attributable to rising state contributions for employee retirement.

The **Governor** recommends FY 2014 expenditures of \$445,918, a reduction of \$499, or less than 0.1 percent, below the FY 2014 agency request. The reduction is attributable to the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures of \$449,504, an increase of \$3,586 or 0.8 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

G. Business Process Improvement Program

The Office of Business Process Improvement was created during FY 2012 as part of the functional re-structuring of the Department of Administration. The Office functions include the procuring of goods and services at the best price for the agencies of Kansas; customer outreach; activities related to the Department's website, information processing and sharing; and performance management team coordination.

Kansas statutes provide authority and guidance to the Office in the procurement of goods and services. A Division of Purchases was originally established in 1953 under the Department of Administration (KSA 75-3737a to 75-3744). In 1987 the Legislature provided specific authorization to use competitive negotiation as a source selection method for the acquisition of technical equipment and services, with the Director of Purchases as a statutory member of the negotiating committee (KSA 75-37,102, as amended). The 2000 Legislature established the Professional Services Sunshine Act. This Act, KSA 75-37,130 *et seq.*, requires competitive contracts for professional and consulting services exceeding \$25,000 to be bid by Procurement and Contracts, formerly the Division of Purchases. KSA 75-3739 allows reverse auctions to become a permanent purchasing tool. Procurement and Contracts posts potential sole source transactions over \$100,000 to its website for seven days prior to award, allowing potential competitors an opportunity to challenge the sole source nature of the transaction.

BUSINESS PROCESS IMPROVEMENT PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,094,008	\$ 1,346,180	\$ 1,346,180	\$ 1,356,868	\$ 1,355,384	\$ 1,365,741
Contractual Services	138,339	190,069	190,069	180,069	180,069	180,069
Commodities	6,885	5,300	5,300	5,300	5,300	5,300
Capital Outlay	9,893	8,000	8,000	8,000	8,000	8,000
Subtotal	\$ 1,249,125	\$ 1,549,549	\$ 1,549,549	\$ 1,550,237	\$ 1,548,753	\$ 1,559,110
Aid to Local Units	0	0	0	0	0	0
Other Assistance	7,139	10,233	10,233	11,205	11,205	11,025
TOTAL	\$ 1,256,264	\$ 1,559,782	\$ 1,559,782	\$ 1,561,442	\$ 1,559,958	\$ 1,570,135
Financing:						
State General Fund	\$ 448,609	\$ 350,178	\$ 350,178	\$ 352,864	\$ 352,478	\$ 355,171
All Other Funds	807,655	1,209,604	1,209,604	1,208,578	1,207,480	1,215,144
TOTAL	\$ 1,256,264	\$ 1,559,782	\$ 1,559,782	\$ 1,561,442	\$ 1,559,958	\$ 1,570,315
FTE Positions	17.0	19.0	19.0	19.0	19.0	19.0
Non-FTE Pos.*	0.0	1.0	1.0	1.0	1.0	1.0
TOTAL	17.0	20.0	20.0	20.0	20.0	20.0
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 operating expenditures totaling \$1.6 million, an increase of \$1,660, or 0.8 percent, above the current year revised estimate. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System (\$10,688) and payments for the voluntary retirement incentive program (\$972) partially offset by a reduction by a \$10,000 reduction in contractual services. The request includes 19.0 FTE positions and 1.0 Non-FTE unclassified permanent.

The **Governor** recommends FY 2014 expenditures totaling \$1.6 million, including \$352,478 from the State General Fund, an all funds reduction of \$1,484, or 0.1 percent, below the FY 2014 agency request. The recommendation is a State General Fund reduction of \$386 and a special revenue funds reduction of \$1,098 below the FY 2014 agency request. The reduction is attributable to adoption of the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures totaling \$1.6 million, including \$355,171 from the State General Fund, an all funds increase of \$10,357 or 0.7 percent, above the FY 2014 Governor's recommendation. The recommendation is a State General Fund increase of \$2,693, or 0.8 percent, and a special revenue funds increase of \$7,644, or 0.6 percent, above the FY 2014 agency request. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

H. Office of Inspector General

The Office of Inspector General was established during FY 2012 as part of the Department of Administration's reorganization. The Inspector General has overall agency responsibility for Policy Assessment & Development; Quality Assurance & Internal Audit; Strategic Plan Evaluation; and Performance Management. The Inspector General also serves as the Department of Administration Ombudsman.

The Office provides accounting and budgeting services to other state agencies through the Service Center; the development and management of the Department of Administration budget; and guidance to municipalities on accounting and budgeting. The Office coordinates and staffs special research projects designed to explore possible efficiencies in the Department and state government.

Other responsibilities include 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; and providing accounting and reporting services for the Kansas Public Water Supply Loan Fund and the Kansas Water Pollution Control Revolving Fund. The Office of Inspector General also chairs the bond disclosure committee, which provides the financial data and information necessary for bond issuance and refunds, and continuing disclosure requirements.

OFFICE OF INSPECTOR GENERAL SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 568,394	\$ 1,160,628	\$ 1,160,628	\$ 1,170,082	\$ 837,157	\$ 846,277
Contractual Services	59,569	363,012	363,012	375,160	375,160	375,160
Commodities	2,557	3,015	3,015	3,015	3,015	3,015
Capital Outlay	72	1,355	1,355	1,355	1,355	1,355
Subtotal	\$ 630,592	\$ 1,528,010	\$ 1,528,010	\$ 1,549,612	\$ 1,216,687	\$ 1,225,807
Aid to Local Units	0	0	0	0	0	0
Other Assistance	4,100	2,500	2,500	2,500	2,500	2,500
TOTAL	\$ 634,692	\$ 1,530,510	\$ 1,530,510	\$ 1,552,112	\$ 1,219,187	\$ 1,228,307
Financing:						
State General Fund	\$ 432,410	\$ 1,360,309	\$ 1,360,309	\$ 1,380,607	\$ 1,047,850	\$ 1,055,787
All Other Funds	202,282	170,201	170,201	171,505	171,337	172,520
TOTAL	\$ 634,692	\$ 1,530,510	\$ 1,530,510	\$ 1,552,112	\$ 1,219,187	\$ 1,228,307
FTE Positions	15.0	15.0	15.0	15.0	15.0	15.0
Non-FTE Pos.*	2.0	2.3	2.3	2.3	2.3	2.3
TOTAL	17.0	17.3	17.3	17.3	17.3	17.3
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 operating expenditures totaling \$1.6 million, an increase of \$21,602, or 1.4 percent, above the current year revised estimate. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System (\$9,454) and fees for a statewide audit (\$12,000) partially offset by a reduction by a \$578 reduction in payments for the Voluntary Retirement Incentive Program. The request includes 15.0 FTE positions.

The **Governor** recommends FY 2014 expenditures totaling \$1.2 million, including \$1.1 million from the State General Fund, an all funds reduction of \$332,925, or 21.4 percent, below the FY 2014 agency request. The recommendation is a State General Fund reduction of \$332,757, or 24.1 percent, and a special revenue funds reduction of \$168, or 0.1 percent, below the FY 2014 agency request. The reduction is attributable to the adoption of the agency reduced resources proposal and the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures totaling \$1.2 million, including \$1.1 million from the State General Fund, an all funds increase of \$9,120 or 0.7 percent, above the FY 2014 Governor's recommendation. The recommendation is a State General Fund increase of \$7,937, or 0.8 percent, and a special revenue funds increase of \$1,183, or 0.7 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

OFFICE OF INSPECTOR GENERAL - NONREPORTABLE SUMMARY OF EXPENDITURES FY 2012 - FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Operating Expenditures	\$ 1,978,021	\$ 1,650,594	\$ 1,650,594	\$ 1,670,905	\$ 1,669,285	\$ 1,680,578
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,978,021	1,650,594	1,650,594	1,670,905	1,669,285	1,680,578
TOTAL	\$ 1,978,021	\$ 1,650,594	\$ 1,650,594	\$ 1,670,905	\$ 1,669,285	\$ 1,680,578
FTE Positions	14.0	14.0	14.0	14.0	14.0	14.0
Non-FTE Pos.*	6.0	6.7	6.7	6.7	6.7	6.7
TOTAL	20.0	20.7	20.7	20.7	20.7	20.7

*Non-FTE Permanent Unclassified Positions

The **agency** requests \$1.7 million, all from special revenue funds, an increase of \$20,311, or 1.2 percent, above the FY 2013 revised estimate. The increase is attributable to rising state contributions for employee retirement and state contributions for the Voluntary Retirement Incentive Program. The program also increased its contributions for rents in FY 2014.

The **Governor** recommends FY 2014 expenditures of \$1.7 million, a reduction of \$1,620, or 0.1 percent, below the FY 2014 agency request. The reduction is attributable to the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures of \$1.7 million, an increase of \$11,293 or 0.7 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The

recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

I. Facilities and Property Management

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.

The Office of Facilities and Property 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 Property Management provides: Engineering services; Maintenance; Building services (housekeeping); Design and Construction services; Asset Management; Leasing services.

FACILITIES AND PROPERTY MANAGEMENT PROGRAM SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 43,508	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	621,930	667,514	667,514	1,017,514	1,017,514	1,040,014
Commodities	14,765	0	0	0	0	0
Capital Outlay	2,880	0	0	0	0	0
Subtotal	\$ 683,083	\$ 667,514	\$ 667,514	\$ 1,017,514	\$ 1,017,514	\$ 1,040,014
Aid to Local Units	0	0	0	0	0	0
Other Assistance	51,603	0	0	0	0	0
TOTAL	\$ 734,686	\$ 667,514	\$ 667,514	\$ 1,017,514	\$ 1,017,514	\$ 1,040,014
Financing:						
State General Fund	\$ 66,223	\$ 47,514	\$ 47,514	\$ 47,514	\$ 47,514	\$ 47,514
All Other Funds	668,463	620,000	620,000	970,000	970,000	992,500
TOTAL	\$ 734,686	\$ 667,514	\$ 667,514	\$ 1,017,514	\$ 1,017,514	\$ 1,040,014
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 operating expenditures totaling \$1.0 million, an increase of \$350,000, or 52.4 percent, above the current year revised estimate. The on-budget portion of the Facilities Program does not contain any FTE and contains only that portion of the building and maintenance that is the responsibility of the Department of Administration. The increase is attributable to security costs at the Finney State Office Building and increased insurance and surety expenditures.

The **Governor** concurs with the FY 2014 agency request and increases the program budget for FY 2015 due to projected utility rate increases.

**FACILITIES AND PROPERTY MANAGEMENT - NONREPORTABLE
SUMMARY OF EXPENDITURES FY 2012 - FY 2015**

Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Operating Expenditures	\$ 26,233,586	\$ 25,431,476	\$ 25,431,476	\$ 25,814,112	\$ 25,803,921	\$ 25,875,646
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	26,233,586	25,431,476	25,431,476	25,814,112	25,803,921	25,875,646
TOTAL	<u>\$ 26,233,586</u>	<u>\$ 25,431,476</u>	<u>\$ 25,431,476</u>	<u>\$ 25,814,112</u>	<u>\$ 25,803,921</u>	<u>\$ 25,875,646</u>
FTE Positions	208.8	198.0	198.0	198.0	148.0	148.0
Non-FTE Pos.*	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	<u>209.8</u>	<u>199.0</u>	<u>199.0</u>	<u>199.0</u>	<u>149.0</u>	<u>149.0</u>

*Non-FTE Permanent Unclassified Positions

The **agency** requests \$25.8 million, all from special revenue funds, an increase of \$382,346, or 1.5 percent, above the FY 2013 revised estimate. The increase is attributable to employee retirement, rents, utility costs, and the replacement of a snow plow. The request includes 198.0 FTE positions.

- **Salaries and Wages:** The **agency** requests \$10.0 million, an increase of \$77,464, or 0.8 percent above the FY 2013 revised estimate, for salaries and wages. The increase is predominantly attributable to state contributions for public employee retirement.
- **Contractual Services:** The **agency** requests \$13.8 million, an increase of \$290,652, or 2.1 percent, above the FY 2013 revised estimate for contractual services. The increase is attributable to rent and utility costs.
- **Capital Outlay:** The **agency** requests \$175,948, an increase of \$26,480, or 17.7 percent above the FY 2013 revised estimate for capital outlay. The increase is attributable to requested purchase of a 1 ton 4 wheel drive dump bed truck with a snow plow as a replacement for a 1992 truck that currently operates but is in need of major repairs.

The **Governor** recommends FY 2014 expenditures of \$25.8 million, a reduction of \$10,191, or less than 0.1 percent, below the FY 2014 agency request. The reduction is attributable to the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014. The Governor also recommends the elimination of fifty unfunded vacant FTE positions in the agency.

The **Governor** recommends FY 2015 expenditures of \$25.9 million, an increase of \$71,725 or 0.3 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

J. Long Term Care Ombudsman

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 182,761	\$ 226,613	\$ 226,613	\$ 228,392	\$ 228,147	\$ 229,870
Contractual Services	40,129	8,560	8,560	6,809	6,809	6,809
Commodities	9,396	0	0	0	0	0
Capital Outlay	14,742	16,000	16,000	16,000	16,000	16,000
Subtotal	\$ 247,028	\$ 251,173	\$ 251,173	\$ 251,201	\$ 250,956	\$ 252,679
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 247,028	\$ 251,173	\$ 251,173	\$ 251,201	\$ 250,956	\$ 252,679
Financing:						
State General Fund	\$ 247,028	\$ 251,173	\$ 251,173	\$ 251,201	\$ 250,956	\$ 252,679
All Other Funds	0	0	0	0	0	0
TOTAL	\$ 247,028	\$ 251,173	\$ 251,173	\$ 251,201	\$ 250,956	\$ 252,679
FTE Positions	3.0	3.0	3.0	3.0	3.0	3.0
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 operating expenditures totaling \$251,201, an increase of \$28, or less than 0.1 percent, above the current year revised estimate. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System (\$1,779) partially offset by a reduction by a \$1,751 reduction in rental costs. The request includes 3.0 FTE positions.

The **Governor** recommends FY 2014 expenditures totaling \$250,956, all from the State General Fund, an all funds reduction of \$245, or 0.1 percent, below the FY 2014 agency request. The reduction is attributable to adoption of the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures totaling \$252,679, all from the State General Fund, an increase of \$1,723, or 0.7 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

**LONG TERM CARE OMBUDSMAN - NONREPORTABLE
SUMMARY OF EXPENDITURES FY 2012 - FY 2015**

Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Operating Expenditures	\$ 502,570	\$ 512,534	\$ 512,534	\$ 515,754	\$ 515,312	518,427
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0
All Other Funds	502,570	512,534	512,534	515,754	515,312	518,427
TOTAL	<u>\$ 502,570</u>	<u>\$ 512,534</u>	<u>\$ 512,534</u>	<u>\$ 515,754</u>	<u>\$ 515,312</u>	<u>518,427</u>
FTE Positions	8.0	7.5	7.5	7.5	7.5	7.5
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>8.0</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>	<u>7.5</u>

*Non-FTE Permanent Unclassified Positions

The **agency** requests \$515,754, all from special revenue funds, an increase of \$3,220, or 0.8 percent, above the FY 2013 revised estimate. The increase is attributable to rising state contributions for employee retirement.

The **Governor** recommends FY 2014 expenditures of \$515,312, a reduction of \$442, or 0.1 percent, below the FY 2014 agency request. The reduction is attributable to the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures of \$518,427, an increase of \$3,115 or 0.6 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

K. Public Broadcasting Council

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 nonreportable budget component in this program. There are no FTE positions in this program.

PUBLIC BROADCASTING COUNCIL SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	0	0	0	0	0	0
Commodities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service	240,106	0	0	0	0	0
Subtotal	\$ 240,106	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0	0	0	0
Other Assistance	1,482,294	1,041,000	1,041,000	2,874,253	600,000	600,000
TOTAL	\$ 1,722,400	\$ 1,041,000	\$ 1,041,000	\$ 2,874,253	\$ 600,000	\$ 600,000
Financing:						
State General Fund	\$ 1,722,400	\$ 1,041,000	\$ 1,041,000	\$ 2,874,253	\$ 0	\$ 0
All Other Funds	0	0	0	0	600,000	600,000
TOTAL	\$ 1,722,400	\$ 1,041,000	\$ 1,041,000	\$ 2,874,253	\$ 600,000	\$ 600,000
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

The **agency** requests \$2.9 million, all from the State General fund, an increase of \$1.8 million, or 176.1 percent, above the FY 2013 agency estimate. In FY 2012, the Governor recommended \$600,000, all from the State General Fund for Public Broadcasting operations and this amount was increased by \$441,000 to \$1,041,000 by the 2012 Legislature. All but \$600,000 of the \$2.9 million request for FY 2013 is contained in the enhancement requests described below.

Public Broadcasting Equipment: The **agency's** request includes \$498,836, all from the State General Fund, to maintain equipment for what it describes as a sound and functional public broadcasting infrastructure. The television and radio station's request for equipment reflects a 50 percent match the state is then able to leverage with all equipment purchases.

The Public Broadcasting Council requests assistance in funding at a 50 percent share of equipment needs for the following critical priority items. These equipment requests are reviewed through a thorough ranking and prioritization process. What follows are the requests from five of the nine KPBC stations in rank order.

- Radio Kansas (Hutchinson) First Service Project bringing service to underserved communities - Council Grove \$290,070 (Note - The 2012 Legislature

appropriated \$411,000 for the Public Broadcasting Council with the intention of funding the Council Grove Broadcast Facility).

- HPPR (Garden City) Local Origination Equipment \$72,305.
- KTWU (Topeka) Storage/Archival Equipment \$15,000.
- KCPT (K.C.) Storage/Archival Equipment \$70,449.
- KTWU (Topeka) Weather Alert Radio Network Equipment \$43,892.
- KMUW (Wichita) Production/Video Equipment \$7,120.

Public Broadcasting Council: The **agency's** request includes \$1,775,417, all from the State General Fund. The Council requests that the state, at a minimum, maintain the FY 2013 actual investment of \$2,375,417.

This funding request for public broadcasting services would maintain critical and necessary levels of functioning for member stations but would not address the consistent decline in core funding since 2008.

The **Governor** recommends \$600,000, all from the Economic Development Initiatives Fund, for Public Broadcasting Council Grants in FY 2014 and FY 2015. The Governor does not recommend adoption of the agency enhancement requests.

L. Office of Systems Management

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 721,904	\$ 444,514	\$ 444,514	\$ 448,071	\$ 406,632	\$ 410,030
Contractual Services	407,198	1,855,435	1,855,435	1,855,435	1,855,435	1,855,435
Commodities	0	12,175	12,175	12,175	12,175	12,175
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 1,129,102	\$ 2,312,124	\$ 2,312,124	\$ 2,315,681	\$ 2,274,242	\$ 2,277,640
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 1,129,102	\$ 2,312,124	\$ 2,312,124	\$ 2,315,681	\$ 2,274,242	\$ 2,277,640
Financing:						
State General Fund	\$ 1,129,102	\$ 2,312,124	\$ 2,312,124	\$ 2,315,681	\$ 2,274,242	\$ 2,277,640
All Other Funds	0	0	0	0	0	0
TOTAL	\$ 1,129,102	\$ 2,312,124	\$ 2,312,124	\$ 2,315,681	\$ 2,274,242	\$ 2,277,640
FTE Positions	6.6	6.6	6.6	6.6	6.6	6.6
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	6.6	6.6	6.6	6.6	6.6	6.6
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 operating expenditures totaling \$2.3 million, an increase of \$3,557, or 0.2 percent, above the current year revised estimate. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The request includes 6.6 FTE positions.

The **Governor** recommends FY 2014 expenditures totaling \$2.3 million, all from the State General Fund, a reduction of \$41,439, or 1.8 percent, below the FY 2014 agency request. The reduction is attributable to adoption of agency reduced resources proposal and the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures totaling \$2.3 million, all from the State General Fund, an all funds increase of \$3,398, or 0.1 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the

Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

OFFICE OF SYSTEMS MANAGEMENT - NONREPORTABLE SUMMARY OF EXPENDITURES FY 2012 - FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Operating Expenditures	\$ 6,702,084	\$ 7,489,463	\$ 7,489,463	\$ 8,716,090	\$ 8,711,519	\$ 8,743,534
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	6,702,084	7,489,463	7,489,463	8,716,090	8,711,519	8,743,534
TOTAL	<u>\$ 6,702,084</u>	<u>\$ 7,489,463</u>	<u>\$ 7,489,463</u>	<u>\$ 8,716,090</u>	<u>\$ 8,711,519</u>	<u>\$ 8,743,534</u>
FTE Positions	34.4	34.9	34.9	34.9	34.9	34.9
Non-FTE Pos.*	19.0	20.0	20.0	20.0	20.0	20.0
TOTAL	<u>53.4</u>	<u>54.9</u>	<u>54.9</u>	<u>54.9</u>	<u>54.9</u>	<u>54.9</u>
*Non-FTE Permanent Unclassified Positions						

The **agency** requests \$8.7 million, all from special revenue funds, an increase of \$1.2 million, or 16.4 percent, above the FY 2013 revised estimate. The increase is attributable to rising state contributions for employee retirement and upgrade of the Oracle software.

- **Salaries and Wages:** The **agency** requests \$4.1 million, an increase of \$33,312, or 0.8 percent above the FY 2013 revised estimate, for salaries and wages. The increase is predominantly attributable to state contributions for public employee retirement.
- **Contractual Services:** The **agency** requests \$3.8 million, an increase of \$1.3 million, or 50.2 percent, above the FY 2013 revised estimate for contractual services. The increase is attributable to a scheduled upgrade of the SMART system. The Oracle/PeopleSoft release 9.0 software which supports SMART will become unsupported by the vendor on September 30, 2014. SMART is also integrated to the Statewide Human Resource and Payroll system (ShaRP).
- **Capital Outlay:** The **agency** requests \$439,235, an increase of \$138,600, or 46.1 percent, above the FY 2013 revised estimate for capital outlay. The increase is attributable to new hardware for SMART and SHARP servers necessary for the SMART update described above.
- **Debt Service:** The **agency** requests \$170,979, a decrease of \$221,557, or 56.4 percent, below the FY 2013 revised estimate for debt service. The decrease is attributable to a revised estimate for debt service on the SMART loan.

The **Governor** recommends FY 2014 expenditures of \$8.7 million, a reduction of \$4,571, or 0.1 percent, below the FY 2014 agency request. The reduction is attributable to the

Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures of \$8.7 million, an increase of \$32,015 or 0.4 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERS) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

M. OFF BUDGET - Office of Information Technology Services

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.

OFFICE OF INFORMATION TECHNOLOGY SERVICES - NONREPORTABLE SUMMARY OF EXPENDITURES FY 2012 - FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Operating Expenditures	\$ 53,578,347	\$ 35,643,596	\$ 35,643,596	\$ 36,382,420	\$ 36,371,932	\$ 36,444,960
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	53,578,347	35,643,596	35,643,596	36,382,420	36,371,932	36,444,960
TOTAL	\$ 53,578,347	\$ 35,643,596	\$ 35,643,596	\$ 36,382,420	\$ 36,371,932	\$ 36,444,960
FTE Positions	112.7	82.7	82.7	82.7	82.7	82.7
Non-FTE Pos.*	49.0	37.0	37.0	37.0	37.0	37.0
TOTAL	161.7	119.7	119.7	119.7	119.7	119.7

*Non-FTE Permanent Unclassified Positions

The **agency** requests \$36.4 million, all from special revenue funds, an increase of \$738,824, or 2.1 percent, above the FY 2013 revised estimate. The increase is attributable to network infrastructure upgrades partially offset by reduced communication costs.

- **Salaries and Wages:** The **agency** requests \$3.6 million, an increase of \$76,985, or 0.8 percent above the FY 2013 revised estimate, for salaries and wages. The increase is predominantly attributable to state contributions for public employee retirement.
- **Contractual Services:** The **agency** requests \$20.8 million, a decrease of \$790,974 or 3.4 percent, below the FY 2013 revised estimate for contractual services. The decrease is predominantly attributable to reduced telephone communication costs associated with the updated network telephony system.

- **Commodities:** The **agency** requests \$1.4 million, a decrease of \$94,000, or 6.4 percent below the FY 2013 revised estimate for commodities. The reduction is attributable to computer replacement parts.
- **Capital Outlay:** The **agency** requests \$4.6 million, an increase of \$1.5 million, or 48.0 percent above the FY 2013 revised estimate for capital outlay. The increase is attributable to payments for network infrastructure upgrades.

The **Governor** recommends FY 2014 expenditures of \$36.4 million, a reduction of \$10,488, or less than 0.1 percent, below the FY 2014 agency request. The reduction is attributable to the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures of \$36.4 million, an increase of \$73,028 or 0.2 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect a reduction in the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

N. 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 been 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 OPERATING SUMMARY OF EXPENDITURES FY 2012 - FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
KPERS Bonds	\$ 36,141,239	\$ 36,142,328	\$ 36,142,328	\$ 36,139,151	\$ 36,139,151	\$ 36,135,483
Debt Service						
Restructuring	2,219,047	2,220,675	2,220,675	2,220,676	2,220,676	2,200,851
National Bio and Agro						
Defense Facility	1,475,477	1,465,807	1,465,807	1,433,305	1,433,305	1,395,874
Public Broadcasting						
Digital Conversion	0	178,000	178,000	148,332	148,332	144,769
Judicial Center						
Improvements	22,225	5,297	5,297	0	0	0
Statehouse						
Improvements	11,422,610	11,544,000	11,544,000	12,205,305	12,205,305	11,752,733
Docking Chillers	0	6,190	6,190	229	229	0
Dept. of Transportation						
CTP Plan	8,240,539	7,920,775	7,920,775	7,568,425	7,568,425	7,186,050
TOTAL	<u>\$ 59,521,137</u>	<u>\$ 59,483,072</u>	<u>\$ 59,483,072</u>	<u>\$ 59,715,423</u>	<u>\$ 59,715,423</u>	<u>\$ 58,815,760</u>
Financing:						
State General Fund	\$ 59,521,137	\$ 19,528,052	\$ 19,528,052	\$ 23,315,283	\$ 23,315,283	\$ 20,965,760
ELARF	0	39,955,020	39,955,020	36,400,140	36,400,140	37,850,000
TOTAL	<u>\$ 59,521,137</u>	<u>\$ 59,483,072</u>	<u>\$ 59,483,072</u>	<u>\$ 59,715,423</u>	<u>\$ 59,715,423</u>	<u>\$ 58,815,760</u>

The **agency** requests \$59.4 million, including \$23.3 million from the State General Fund, for debt service expenditures, an increase of \$232,351, or 0.4 percent, above the FY 2013 revised estimate. With the exception of KPERS Bonds, these numbers above include interest payments only.

The total request for Statehouse debt service payments; including, both principal and interest, is \$22.8 million, an increase of \$19,981. The increase is attributable to the timing of the payments on the bond issuance. Debt Service principal payments are categorized as capital improvements and are not counted towards operating expenditures.

STATEHOUSE RESTORATION DEBT SERVICE PAYMENTS

Funding	FY 2013 Approved	FY 2013 Request	Difference	FY 2014 Request
<i>Principal Payment</i>				
State General Fund	\$ 2,048,204	\$ 5,490,000	\$ 3,441,796	\$ 6,625,000
ELARF	8,926,985	5,750,000	(3,176,985)	5,280,000
Subtotal	\$ 10,975,189	\$ 11,240,000	\$ 264,811	\$ 11,905,000
<i>Interest Payment</i>				
State General fund	\$ 11,453,920	\$ 7,914,605	\$ (3,539,315)	\$ 12,092,648
ELARF	334,910	3,629,395	3,294,485	112,657
Subtotal	\$ 11,788,830	\$ 11,544,000	\$ (244,830)	\$ 12,205,305
Grand Total	\$ 22,764,019	\$ 22,784,000	\$ 19,981	\$ 24,110,305

The **Governor** concurs with the FY 2014 agency request. The Governor recommends FY 2015 debt service expenditures of \$58.8 million, an all funds reduction of \$899,663, or 1.5 percent, below the FY 2014 Governor's recommendation. The recommendation includes \$21.0 million from the State General Fund, a reduction of \$2.4 million, or 10.1 percent below the FY 2014 Governor's recommendation. The Governor's recommendation decreases due to the maturation of the bonds but shifts additional debt service interest to the Expanded Lottery Act Revenue Fund.

DEBT SERVICE INTEREST - NONREPORTABLE SUMMARY OF EXPENDITURES FY 2012 - FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Memorial Hall	\$ 107,300	\$ 101,300	\$ 101,300	\$ 94,375	\$ 94,375	\$ 82,375
Eisenhower State Office Building	1,052,200	1,152,256	1,152,256	1,101,656	1,101,656	1,049,256
State of Kansas Projects	253,752	228,088	228,088	217,275	217,275	198,650
Motor Pool Services	1,650	0	0	0	0	0
	<u>\$ 1,414,902</u>	<u>\$ 1,481,644</u>	<u>\$ 1,481,644</u>	<u>\$ 1,413,306</u>	<u>\$ 1,413,306</u>	<u>\$ 1,330,281</u>
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,414,902	1,481,644	1,481,644	1,413,306	1,413,306	1,330,281
Total	<u>\$ 1,414,902</u>	<u>\$ 1,481,644</u>	<u>\$ 1,481,644</u>	<u>\$ 1,413,306</u>	<u>\$ 1,413,306</u>	<u>\$ 1,330,281</u>
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
Total	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
*Non-FTE Permanent Unclassified Positions						

The **agency** requests \$1.4 million, all from special revenue funds, a decrease of \$63,338, or 4.6 percent, above the FY 20123 revised estimate. The decrease is attributable to a reduction in debt service interest owed as the bonds near completion.

The **Governor** concurs with the agency request for FY 2014. The Governor's recommendation for FY 2015 is a reduction of \$83,025, or 5.9 percent, below the FY 2014 Governor's recommendation. The reduction is attributable to the reduction of debt service interest as the bond near maturation.

CAPITAL IMPROVEMENTS

CAPITAL IMPROVEMENTS					
Project	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Rehabilitation & Repair:					
Capitol Complex	\$ 2,303,075	\$ 2,303,075	\$ 3,000,000	\$ 2,058,075	\$ 2,058,075
Statehouse & Cedar Crest	153,737	153,737	200,000	153,737	153,737
Kansas Judicial Center	76,939	76,939	225,000	76,939	76,939
Subtotal	\$ 2,533,751	\$ 2,533,751	\$ 3,425,000	\$ 2,288,751	\$ 2,288,751
Projects:					
Docking Electrical Bus Duct	\$ 0	\$ 0	\$ 3,500,000	\$ 0	\$ 0
Landon Windows	0	0	2,208,000	0	0
Memorial Hall Windows	0	0	800,000	0	0
Judicial Ctr. Fire Protection	0	0	1,075,000	0	0
Judicial Ctr. Windows	0	0	1,300,000	0	0
Judicial Ctr. Sanitary Drain	0	0	750,000	0	0
Docking Interior	0	0	5,000,000	0	0
Docking Elevators	0	0	597,643	0	0
Printing Plant Chillers	0	0	650,000	0	0
Subtotal	\$ 0	\$ 0	\$ 15,880,643	\$ 0	\$ 0
Debt Service Principal:					
National Bio-Ag Defense	\$ 1,315,000	\$ 1,315,000	\$ 1,345,000	\$ 1,345,000	\$ 1,385,000
KDOT-CTP Plan	8,230,000	8,230,000	8,580,000	8,580,000	8,960,000
Restructuring Debt	0	0	0	0	1,345,000
Statehouse Improvements	11,240,000	11,240,000	11,905,000	11,905,000	12,355,000
Public Broadcasting	1,400,000	1,400,000	90,000	90,000	90,000
Statehouse Parking Garage	10,137,244	10,137,244	0	0	0
Judicial Center	440,000	440,000	0	0	0
Docking Chillers	233,810	233,810	22,971	22,971	0
Subtotal	\$ 32,996,054	\$ 32,996,054	\$ 21,942,971	\$ 21,942,971	\$ 24,135,000
TOTAL	\$ 35,529,805	\$ 35,529,805	\$ 41,248,614	\$ 24,231,722	\$ 26,423,751
Financing:					
State General Fund	\$ 17,802,561	\$ 17,802,561	\$ 35,878,614	\$ 22,979,878	\$ 24,783,751
All Other Funds	17,727,244	17,727,244	5,370,000	1,251,844	1,640,000
TOTAL	\$ 35,529,805	\$ 35,529,805	\$ 41,248,614	\$ 24,231,722	\$ 26,423,751

FY 2013 – Current Year. The agency requests a revised FY 2013 capital improvements budget of \$35.53 million; including \$17.8 million from the State General Fund. This is an all funds decrease of \$135,708, or 0.4 percent, below the FY 2013 approved budget. The request includes a funding change between the State General Fund and ELARF on the Statehouse which has been previously described. The request also includes a reduction in debt service on the Docking Chillers of \$250,075.

The **Governor** concurs with the agency FY 2013 revised estimate.

FY 2014 – Budget Year. The **agency** requests \$41.2 million; including \$35.9 million from the State General Fund. This is an all funds increase of \$5.7 million, or 16.1 percent, above the FY 2013 revised estimate. The increase is predominantly attributable to enhancement requests of \$15.9 million partially offset by the paying off of bonds on the Statehouse Parking Garage and some Judicial Center repairs.

The **Governor** recommends FY 2014 expenditures of \$24.2 million, a reduction of \$17.0 million, or 41.3 percent, below the FY 2014 agency request. The reduction is attributable to a recommendation not to fund enhancement requests totaling \$16.7 million. The Governor also recommends reducing Capitol Complex rehabilitation and repair expenditures by \$245,000 and replacing the funding with funds from the State Building Operations Fund which is typically classified as off-budget.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures of \$26.4 million, an increase of \$2.2 million, or 9.0 percent, above the FY 2014 Governor's recommendation. The increase is attributable to debt service principal payments.

Rehabilitation and Repair Projects:

Capitol Complex Rehabilitation and Repair: The **agency** requests \$2.3 million in FY 2013 and \$3.0 million in FY 2014, all from the State General Fund. The fund is used for major maintenance and repair projects for the Landon, Docking, Curtis, and Eisenhower buildings, the Judicial Center, the Statehouse and Memorial Hall. 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.

The **Governor** recommends expenditures of \$2.1 million, including \$245,000 from the State Building Operating Fund.

State Facilities and Cedar Crest Rehabilitation and Repair: The **agency** requests \$153,737 in FY 2013 and \$200,000 in FY 2014, 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.

The **Governor** recommends FY 2014 expenditures of \$157,737, all from the State General Fund, a reduction of \$42,263. The reduction is attributable to the agency reduced resources plan.

Judicial Center Rehabilitation and Repair: The **agency** requests \$76,939 in FY 2013 and \$225,000 in FY 2014, 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.

The **Governor** recommends FY 2014 expenditures of \$76,939, all from the State General Fund, a reduction of \$148,061. The reduction is attributable to the agency reduced resources plan.

Projects:

Docking Electrical Duct: The **agency's** request includes \$3.5 million, all from the State General Fund, to replace the existing 13,200 volt bus duct in the Docking Building with a modern 480 volt system. According to the agency, the equipment is past its typical service life of 30 years and contractors retained by the Department of Administration indicate that the system is nearing its failure point and a catastrophic failure could result in an explosive arc flash and fire. The project would take two years for a total cost of \$7.9 million.

Landon State Office Building Windows: The agency's request includes \$2.2 million, all from the State General Fund, to remove and replace exterior windows with new aluminum energy efficient insulated units.

According to the agency, the existing windows are operable single pane glass units installed in the 1950s. 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.

Memorial Hall Windows: The agency's request includes \$800,000, all from the State General Fund, to remove and replace exterior windows with anodized aluminum windows on Memorial Hall and provide new insulation at the perimeter of the opening into the cavity wall space. This includes installing a fire rated window at the north and east exterior walls.

Judicial Center Fire Protection: The agency's request includes \$1.1 million, all from the State General Fund, to upgrade the fire protection system for the Judicial Center. The project would take one year.

Judicial Center 3rd Floor Windows: The agency's request includes \$1.3 million, all from the State General Fund, to to remove and replace the 3rd floor exterior windows on the Judicial Center with new aluminum, energy efficient fixed window units.

The existing windows on the 3rd floor are operable units installed when the building was built in 1978. The window manufacturer is out of business and replacement parts and gaskets are not made anymore. Most of the windows have been caulked shut and must be re-caulked shut every time they are opened and cleaned. The agency indicates that the windows leak and air infiltration has created condensation problems due to the deteriorating gaskets and the process of opening and shutting the windows.

Judicial Center Drain: The agency's request includes \$750,000, all from the State General Fund, to replace all the above ground sanitary drain piping in the Kansas Judicial Center. The sanitary drain piping was installed original to the building in 1976. This exceeds the

normal 30 year service life of this piping. Additionally, several sections of piping have been replaced in the last few years.

Docking State Office Building Interior: The agency's request includes \$5.0 million, all from the State General Fund, to begin interior renovations of the Docking State Office Building.

The agency indicates that the Docking Building has fallen into a state of disrepair as the normal building systems that provide heating, air conditioning, lighting, plumbing and life safety have come to the end of their typical service life of between 15 to 30 years. This project would start the process of replacing old equipment, re-establishing fire stops in the building, improve life safety via a fire suppression system, and replace old out dated ceiling and miscellaneous building materials. Based upon the funding being requested, at least one floor per year will be renovated after infrastructure improvements are done the first year. The funding request is for the first year of a six year project. The total project cost is estimate at \$30.0 million.

Docking State Office Building Fire Protection: The agency's request includes \$1.2 million, beginning in FY 2013, to upgrade the fire protection system for the Docking Building. All funding would come from the State General Fund. The current system was installed in 1955 with a projected service time of 20 years. The project would take six years at a total cost of \$7,228,754.

Docking State Office Building Elevators: The **agency's** request includes \$597,643, all from the State General Fund, to repair and/or replace elevators in the Docking State Office Building.

Printing Plant Chillers: The **agency's** request includes \$650,000, all from the State General Fund, to replace the cooling system at the printing plant. The existing cooling system consists of three refrigerant compressors, two refrigerant evaporators and three refrigerant condensers that were engineered as the buildings cooling system. This project will replace this system with two packaged air cooled rotary screw chillers each rated at 150 tons. This project will also replace the chilled water pumps and re-pipe as needed to put the system together.

Reportable Debt Service Principal:

The **agency's** request includes \$33.0 million in FY 2013 and \$22.0 million in FY 2014, all from the State General Fund, for debt service principal payments. The principal payments are for bonded indebtedness on the Docking chillers, Statehouse renovation, transportation plan, Judicial Center improvements, and NBAF. The majority of the decrease from FY 2013 to FY 2014 is attributable to paying off the bond issuance on the Statehouse Parking Garage.

The **Governor** concurs with the agency debt service principal requests.

NON-REPORTABLE CAPITAL IMPROVEMENTS					
Project	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Rehab and Repair:					
SMRI - Rehab and Repair	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
Printing Plant Rehab and Repair	75,000	75,000	75,000	75,000	75,000
Parking Lot and Sidewalk Maintenance	0	0	165,000	245,000	245,000
Landon State Office Building Improvement	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Subtotal	\$ 1,975,000	\$ 1,975,000	\$ 2,140,000	\$ 2,220,000	\$ 2,220,000
Debt Service Principal:					
Memorial Hall	\$ 305,000	\$ 305,000	\$ 310,000	\$ 310,000	\$ 325,000
Eisenhower State Office Building	1,240,000	1,240,000	1,290,000	1,290,000	1,330,000
State of Kansas Projects	475,000	475,000	485,000	485,000	505,000
Financial Management System Debt Service	6,348,467	6,348,467	6,570,024	6,570,024	6,570,024
Subtotal	\$ 8,368,467	\$ 8,368,467	\$ 8,655,024	\$ 8,655,024	\$ 8,730,024
TOTAL	\$ 10,343,467	\$ 10,343,467	\$ 10,795,024	\$ 10,875,024	\$ 10,950,024
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	10,343,467	10,343,467	10,795,024	10,875,024	10,950,024
TOTAL	\$ 10,343,467	\$ 10,343,467	\$ 10,795,024	\$ 10,875,024	\$ 10,950,024

The **agency** requests \$10.3 million in FY 2013 and \$10.8 million FY 2014 for nonreportable capital improvements, all from special revenue funds, including:

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 principal payments on those bonds will be \$305,000 in FY 2013 and \$310,000 in FY 2014. There are \$2.7 million in principal payments remaining on the bond issuance.

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 Uninterruptible-Power-Source (UPS) replacement. The principal payments on those bonds will be \$1.2 million in FY 2013 and \$1.3 million in FY 2014.

State of Kansas Project Refunding: In FY 2010, the Kansas Development Finance Authority, refinanced the bonds on the repairs to Landon and the Topeka State Hospital described above. 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 agency requests \$475,000 in FY 2013 and \$485,000 in FY 2014 for principal payments on these refinanced bonds.

Rehabilitation and Repair - Off Budget

Special Maintenance Repairs and Improvements - SMRI (Nonreportable Budget).

The agency requests \$400,000, all from special revenue funds, for FY 2013 and FY 2014. The fund is used for major maintenance and repair projects for the Landon, Docking, Curtis, and Eisenhower buildings, the Judicial Center, and Memorial Hall. 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.

Printing Plant (Nonreportable Budget). The agency requests \$75,000, all from special revenue funds, for FY 2013 and FY 2014. This fund is used for rehabilitation and repair or mechanical components and systems that are beyond their useful life.

Parking Lot / Sidewalk Maintenance (Nonreportable budget). The agency requests \$165,000, all from special revenue funds, for FY 2014. This fund would allow the agency to continue ongoing parking lot and sidewalk maintenance and repair work in the Capitol Complex.

Landon State Office Building (Nonreportable budget). For FY 2013, the agency requests \$1.0 million dollars for window replacement on the north and west sides of the Landon State Office building and \$500,000 to renovate the restrooms on the north end of the building. In FY 2014, it is estimated that \$0.7 million will be used to renovate the restrooms on the south side of Landon. The remainder will be used to address other rehabilitation and repair needs in state facilities.

The **Governor** recommends off budget capital improvements expenditures in FY 2014 of \$10.9 million, an increase of \$80,000, all from the State Building Operations Fund. The increase is attributable to increased funding for sidewalk repair and maintenance. The Governor concurs with all other recommendations.

The **Governor** recommends off budget capital improvements expenditures in FY 2015 of \$11.0 million, an increase of \$50,000, from the State Building Operations Fund and \$20,000 from the State Building Depreciation Fund. The recommendation also holds SMRI rehabilitation and repair at \$400,000, a reduction of \$25,000 below the projected amount in the agency five year capital improvements plan. The changes in FY 2014 and FY 2015 all taken together total \$245,000, which offsets the amount recommended by the Governor to be used for on-budget rehabilitation and repair for the capitol complex.

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
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 municipalities enrolled in the Kansas Debt Recovery System	N/A	702	714	727	727
Sales of Fixed Price Vehicle Program	N/A	1,588	1,588	1,750	1,750
Number of fixed price vehicles sold	N/A	132	150	150	150
Number of Help Desk calls per month	1,750	1,500	1,750	1,750	1,750
Average number of page views per month on the Accounts and Reports website	72,000	72,000	72,000	72,000	72,000
Percent of deviation of actual fiscal year expenditures versus final approved State General Fund budgets	-2.00%	0.45%	0.10%	0.10%	0.10%
Percent of fiscal notes completed by the bills' hearing date	99.9%	99.8%	99.9%	99.9%	99.9%
Percent of state agencies visited in the fiscal year	82.4%	67.3%	72.4%	72.4%	72.4%
Percent of statewide turnover of employees with less than three years of experience	23.0%	28.0%	28.0%	27.0%	27.0%
Percent of shared leave requests approved	65.0%	65.0%	65.0%	65.0%	65.0%
Number of contracts reduced through consolidation for commodities and services	72	9	3	3	3
Reduction in the costs for contract goods and services acquired by state agencies	5.0%	8.7%	5.0%	5.0%	5.0%
Percent increase in preventive maintenance activities completed	90.0%	54.0%	44.0%	60.0%	60.0%
Number of cities in which state agencies have consolidated leased space	N/A	1	4	1	1
Number of transactions to eligible donees	250	250	250	250	250
Percent of bids won by the Division of Printing when submitting a bid on a job	30.0%	30.0%	30.0%	30.0%	30.0%

KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 3,210,083	\$ 3,208,993	\$ 3,208,993	\$ 3,206,406	\$ 3,206,406	\$ 0
Other Funds	41,483,228	42,349,362	42,349,362	42,821,876	42,814,680	42,865,032
TOTAL	\$ 44,693,311	\$ 45,558,355	\$ 45,558,355	\$ 46,028,282	\$ 46,021,086	\$ 42,865,032
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Benefit Payments*	\$ 1,178,500,723	\$ 1,327,245,000	\$ 1,327,245,000	\$ 1,431,005,600	\$ 1,431,005,600	\$ 1,431,005,600
GRAND TOTAL	\$ 1,223,194,034	\$ 1,372,803,355	\$ 1,372,803,355	\$ 1,477,033,882	\$ 1,477,026,686	\$ 1,473,870,632

Operating Expenditures Percentage Change

State General Fund	(0.1) %	(0.0) %	(0.0) %	(0.1) %	(0.1) %	(100.0) %
All Funds	(6.4)	1.9	1.9	1.0	1.0	(6.9)
FTE Positions	86.3	97.4	97.4	97.4	97.4	97.4
Non-FTE Pos.**	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	87.3	98.4	98.4	98.4	98.4	98.4

*Includes Nonreportable Payments

**Non-FTE Permanent Unclassified Positions

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 Substitute 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$45,558,355, including \$3,208,993 from the State General Fund. The estimate is an all funds decrease of \$9,919,110, or 17.9 percent, below the amount approved by the 2012 Legislature. The State General Fund estimate for FY 2013 did not change. The all funds decrease is largely attributable to a decrease in professional fees associated with actuarial and legal consulting fees along with professional fees associated with KPERS investment activities.

The **Governor** concurs with the agency's FY 2013 revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$46,028,282, including \$3,206,406 from the State General Fund. The request is an all funds increase of \$469,927, or 1.0 percent, and a State General Fund decrease of \$2,587, or 0.1 percent, from the agency's FY 2013 revised estimate. The all funds increase is partially attributable to an increase in professional fees associated with KPERS investment activities. The increase is partially offset by a decrease of \$457,600 in capital outlay.

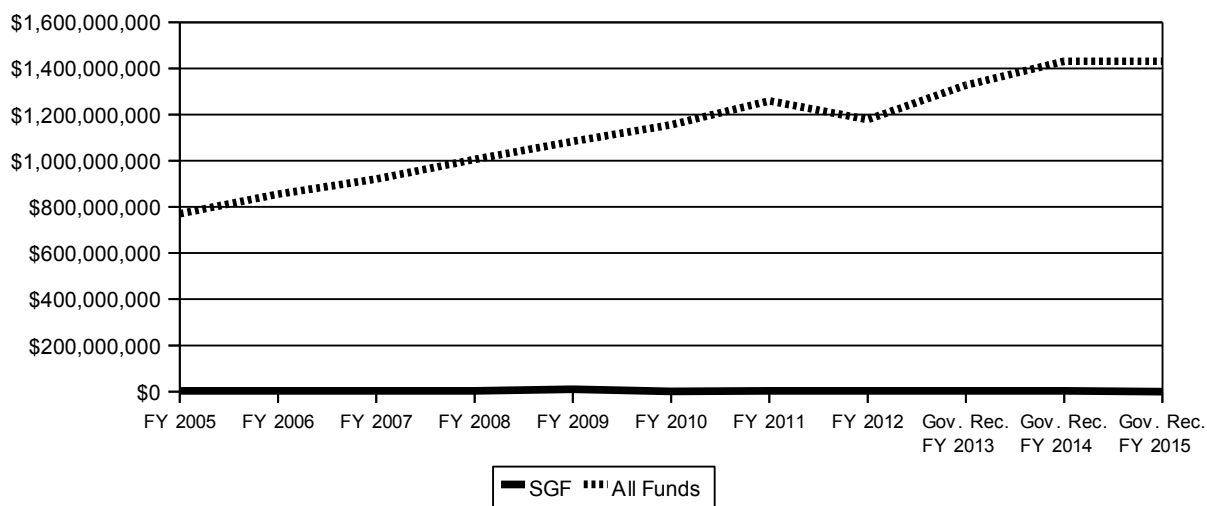
The **Governor** recommends FY 2014 operating expenditures of \$46,021,086, including \$3,206,406 from the State General Fund. The recommendation is an all funds decrease of \$7,196, or less than 0.1 percent, below the agency's FY 2014 request. The decrease is attributable to the Governor's recommendation that the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$42,865,032, all from special revenue funds. The recommendation is an all funds decrease of \$3,156,054, or 6.9 percent, below the Governor's FY 2014 recommendation and the decrease is primarily attributable to the recommendation not containing any appropriation from the State General Fund for FY 2015. As a result of the 13th Check bond being full discharged in FY 2014 the agency did not see any new State General Fund appropriations in 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015*



* Includes nonreportable benefit payments.

OPERATING EXPENDITURES FY 2005 – FY 2015*

Fiscal Year	SGF	% Change	Benefits*	% Change	FTE
2005	\$ 3,185,622	-- %	\$ 770,402,723	7.7 %	85.3
2006	3,213,622	0.9	855,464,028	11.0	85.3
2007	3,213,180	(0.0)	920,919,958	7.7	85.3
2008	3,507,635	9.2	1,006,165,670	9.3	86.3
2009	9,586,393	173.3	1,083,892,979	7.7	87.3
2010**	638,812	(93.3)	1,155,556,589	6.6	87.3
2011	3,213,611	403.1	1,259,591,983	9.0	87.3
2012	3,210,083	(0.1)	1,178,500,723	(6.4)	86.3
2013 Gov. Rec.	3,208,993	(0.0)	1,327,245,000	12.6	97.4
2014 Gov. Rec.	3,206,406	(0.1)	1,431,005,600	7.8	97.4
2015 Gov. Rec.	0	(100.0)	1,431,005,600	0.0	97.4
Eleven-Year Change					
Dollars/Percent	\$ (3,185,622)	(100.0)%	\$ 660,602,877	85.7 %	12.1

* Includes nonreportable benefit payments.

** The State General Fund decrease in 2010 was a result of the State paying only the interest portion on the 13th Check Bond.

Summary of Operating Budget FY 2012 - FY 2014

	Actual 2012	Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 8,876,197	\$ 12,078,498	\$ 11,598,261	\$ (480,237)	(4.0) %	\$ 12,078,498	\$ 11,591,325	\$ (487,173)	(4.0) %
Benefits	0	0	0	0	--	0	0	0	--
Investments	32,270,180	29,818,832	30,686,375	867,543	2.9	29,818,832	30,686,375	867,543	2.9
Non-KPERS Investments	336,851	452,032	537,240	85,208	18.8	452,032	536,980	84,948	18.8
Debt Service	3,210,083	3,208,993	3,206,406	(2,587)	(0.1)	3,208,993	3,206,406	(2,587)	(0.1)
TOTAL	\$ 44,693,311	\$ 45,558,355	\$ 46,028,282	\$ 469,927	1.0 %	\$ 45,558,355	\$ 46,021,086	\$ 462,731	1.0 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 5,548,356	\$ 7,016,865	\$ 7,057,519	\$ 40,654	0.6 %	\$ 7,016,865	\$ 7,050,323	\$ 33,458	0.5 %
Contractual Services	35,606,690	34,413,805	35,293,419	879,614	2.6	34,413,805	35,293,419	879,614	2.6
Commodities	123,272	98,380	107,387	9,007	9.2	98,380	107,387	9,007	9.2
Capital Outlay	190,270	800,800	343,200	(457,600)	(57.1)	800,800	343,200	(457,600)	(57.1)
Debt Service	3,210,083	3,208,993	3,206,406	(2,587)	(0.1)	0	0	0	--
Subtotal - Operations	\$ 44,678,671	\$ 45,538,843	\$ 46,007,931	\$ 469,088	1.0 %	\$ 42,329,850	\$ 42,794,329	\$ 464,479	1.1 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	14,640	19,512	20,351	839	4.3	3,228,505	3,226,757	(1,748)	(0.1)
TOTAL	\$ 44,693,311	\$ 45,558,355	\$ 46,028,282	\$ 469,927	1.0 %	\$ 45,558,355	\$ 46,021,086	\$ 462,731	1.0 %
Financing:									
State General Fund	\$ 3,210,083	\$ 3,208,993	\$ 3,206,406	\$ (2,587)	(0.1) %	\$ 3,208,993	\$ 3,206,406	\$ (2,587)	(0.1) %
Non-Retirement Fund	428,098	487,219	534,170	46,951	9.6	487,219	534,076	46,857	9.6
Deferred Comp. Fund	268,307	368,656	442,803	74,147	20.1	368,656	442,637	73,981	20.1
KPERS Trust Fund	40,786,823	41,493,487	41,844,903	351,416	0.8	41,493,487	41,837,967	344,480	0.8
TOTAL	\$ 44,693,311	\$ 45,558,355	\$ 46,028,282	\$ 469,927	1.0 %	\$ 45,558,355	\$ 46,021,086	\$ 462,731	1.0 %

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 11,598,261	\$ 11,591,325	\$ 11,639,920	\$ 48,595	0.4 %
Benefits	0	0	0	0	--
Investments	30,686,375	30,686,375	30,686,375	0	0.0
Non-KPERS Investments	537,240	536,980	538,737	1,757	0.3
Debt Service	3,206,406	3,206,406	0	(3,206,406)	(100.0)
TOTAL	\$ 46,028,282	\$ 46,021,086	\$ 42,865,032	\$ (3,156,054)	(6.9)%
By Major Object of Expenditure:					
Salaries and Wages	\$ 7,057,519	\$ 7,050,323	\$ 7,100,675	\$ 50,352	0.7 %
Contractual Services	35,293,419	35,293,419	35,293,419	0	0.0
Commodities	107,387	107,387	107,387	0	0.0
Capital Outlay	343,200	343,200	343,200	0	0.0
Debt Service	3,206,406	0	0	0	--
Subtotal - Operations	\$ 46,007,931	\$ 42,794,329	\$ 42,844,681	\$ 50,352	0.1 %
Aid to Local Units	0	0	0	0	--
Other Assistance	20,351	3,226,757	20,351	(3,206,406)	(99.4)
TOTAL	\$ 46,028,282	\$ 46,021,086	\$ 42,865,032	\$ (3,156,054)	(6.9)%
Financing:					
State General Fund	\$ 3,206,406	\$ 3,206,406	\$ 0	\$ (3,206,406)	(100.0)%
Non-Retirement Fund	534,170	534,076	534,711	635	0.1
Deferred Comp. Fund	442,803	442,637	443,759	1,122	0.3
KPERS Trust Fund	41,844,903	41,837,967	41,886,562	48,595	0.1
TOTAL	\$ 46,028,282	\$ 46,021,086	\$ 42,865,032	\$ (3,156,054)	(6.9)%

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 3,208,993	\$ 3,208,993	\$ 0	\$ 3,208,993	\$ 0
All Other Funds	52,268,472	42,349,362	(9,919,110)	42,349,362	(9,919,110)
TOTAL	<u>\$ 55,477,465</u>	<u>\$ 45,558,355</u>	<u>\$ (9,919,110)</u>	<u>\$ 45,558,355</u>	<u>\$ (9,919,110)</u>
FTE Positions	97.4	97.4	(0.1)	97.4	(0.0)

The **agency** estimates FY 2013 operating expenditures of \$45,558,355, including \$3,208,993 from the State General Fund. The estimate is an all funds decrease of \$9,919,110, or 17.9 percent, below the amount approved by the 2012 Legislature. The State General Fund estimate for FY 2013 did not change.

- **Salaries and Wages.** The agency requests \$7,016,865, an increase of \$1,134,558, or 19.3 percent, above the amount recommended by the 2012 Legislature. The increase is associated with 11.0 additional FTE positions that were included in the approved amount to help implement the new retirement plan. The request funds 97.4 FTE positions.
- **Contractual Services.** The agency requests \$34,413,805, a decrease of \$11,581,689, or 25.2 percent, below the amount approved by the 2012 Legislature. The all funds decrease is largely attributable to a decrease in professional fees associated with actuarial and legal consulting fees. FY 2012 saw significant expenditures on attorney and actuarial fees to support the new pension plan. Additionally, there was accounting and actuarial fees for implementation of GASB 67 & 68.
- **Commodities.** The agency requests \$98,380, an increase of \$9,309, or 10.5 percent, above the amount recommended by the 2012 Legislature.
- **Capital Outlay.** The agency requests \$800,800, an increase of \$499,200, or 165.5 percent, above the amount recommended by the 2012 Legislature. The increase is a result of expenditures associated with furniture and equipment supplies as a result of the agency hiring 11.0 additional FTE.

The **Governor** concurs with the agency's FY 2013 request.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 46,028,282	\$ 46,021,086	\$	(7,196)
FTE Positions	97.4	97.4		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ (2,587)	\$ (2,587)		
All Other Funds	472,514	465,318		
TOTAL	<u>\$ 469,927</u>	<u>\$ 462,731</u>		
<i>Percent Change:</i>				
State General Fund	(0.1) %	(0.1) %		
All Other Funds	1.1	1.1		
TOTAL	<u>1.0 %</u>	<u>1.0 %</u>		
Change in FTE Positions	0.0	(0.0)		

The **agency** requests FY 2014 operating expenditures of \$46,028,282, including \$3,206,406 from the State General Fund. The request is an all funds increase of \$469,927, or 1.0 percent, and a State General Fund decrease of \$2,587, or 0.1 percent, from the agency's FY 2013 revised estimate. The all funds increase is partially attributable to an increase in professional fees associated with KPERS investment activities. The increase is partially offset by a decrease of \$457,600 in capital outlay.

- **Salaries and Wages.** The agency requests \$7,057,519, an increase of \$40,654, or 0.6 percent, above the agency's FY 2013 revised estimate. The request funds 97.4 FTE positions. The increase is largely the result of KPERS employer contributions.
- **Contractual Services.** The agency requests \$35,293,419, an increase of \$879,614, or 2.6 percent, above the agency's FY 2013 revised estimate. The all funds increase is largely attributable to an increase in professional fees associated with KPERS investment activities. Investment expenditures are developed based upon the current market portfolio and as investment portfolios change there is a corresponding change in professional fees associated with the management of KPERS investments.
- **Commodities.** The agency requests \$107,387, an increase of \$9,007, or 9.2 percent, above the agency's FY 2013 revised estimate. There was an increase

in expenditures associated with office and data supplies (\$7,270), other supplies and materials (\$889), and maintenance and construction supplies (\$501).

- **Capital Outlay.** The agency requests \$343,200, a decrease of \$457,600, or 57.1 percent, below the agency's FY 2013 revised estimate. There was a decrease in expenditures associated with furniture and equipment supplies. (\$457,600). This was associated with expanding current office space in an effort to absorb the additional 11.0 FTE the agency expects to hire as a result of 2012 HB 2333 which creates a new retirement plan.
- **Debt Service.** The agency requests \$3,206,406, all from the State General Fund, for the "13th Check Bond". The request is a decrease of \$2,587, or 0.1 percent, below the agency's FY 2013 revised estimate.

The **Governor** recommends FY 2014 operating expenditures of \$46,021,086, including \$3,206,406 from the State General Fund. The recommendation is an all funds decrease of \$7,196, or less than 0.1 percent, below the agency's FY 2014 request.

The Governor's recommendation includes a decrease of \$7,196, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

KPERS Investment Activity

KPERS is charged with the prudently investing the System's assets for the sole purpose of providing benefits to its members. Investments are made in accordance with state statute and the Statement of Investment Policies and Guidelines as maintained by the KPERS Board of Trustees.

The actuarial valuation of assets as of December 31, 2011 is \$13.4 billion and the portfolio is made up of eight classes: domestic equity, global equity, international equity, fixed income, real return, real estate, private equity, and cash. The performance of the investment portfolio is managed by 30 external investment managers. The value of the System's assets as of November 30, 2012 was \$13.567 billion.

For FY 2012, the KPERS rate of return was 1.0 percent for total assets and for CY 2012 the KPERS rate of return was at least 14.5 percent and the actuarially assumed rate of return is 8.0 percent. For FY 2012, the KPERS' investment managers' fees were 0.22 percent, or 22 basis points, which totaled \$29.4 million.

Senate Substitute for House Bill No. 2333

The 2012 Legislature passed Senate Sub. for Sub. House Bill 2333 which sought to address the long term funding concerns regarding KPERS. The bill creates a Tier 3 retirement plan for new members effective January 1, 2015 and includes benefit changes similar to those proposed in Sub for House Bill 2194 for current Tier 1 and Tier 2 members. Additionally, the bill also provides for increases in the employer contribution rate. The substantive changes include:

- **Employer Contribution Increases**
 - The law raises the cap on employer contribution rate increases from the current 0.6 percent per year to:

- FY 2014 0.9%
- FY 2015 1.0%
- FY 2016 1.1%
- FY 2017 and after 1.2%

- Tier 1 Members

- The law creates a 90 day election period for Tier 1 members of the system on July 1, 2013 to permit them to choose to:
 - (1) contribute 5% of compensation as employee contributions effective January 1, 2014 and 6% effective January 1, 2015 and receive a 1.85% multiplier for all years of future service or
 - (2) continue to contribute 4% of compensation as employee contributions and receive a 1.40% multiplier for all years of future service.

Changes in the benefit multiplier are effective January 1, 2014 and impact only future years of service. The election is subject to approval by the Internal Revenue Service, and if such approval is not granted, there will be no election and the default option will apply.

Member Contribution Rate	Benefit Provisions	
5.0 Percent Effective January 1, 2014 and 6.0 Percent Effective January 1, 2015 or	Increase multiplier to 1.85% for future service only, effective January 1, 2014	Default option
4.0 Percent contribution rate	Multiplier is reduced to 1.40% for future service only, effective January 1, 2014	

- Tier 2 Members

- Effective July 1, 2012, the cost of living adjustment (COLA) will be eliminated for Tier 2 members. However, those who retire after December 31, 2013 will receive a higher multiplier of 1.85% for all years of service, not just future years of service. There was no impact on current KPERS retirees or inactive members who do not return to covered employment. There also were no changes to the plan provisions for KP&F or Judges.

Current Tier 2	Revised Tier 2
6.0 percent Contribution	6.0 percent Contributions
1.75 percent Multiplier	1.85 percent Multiplier
Includes cost of living increase	Eliminate cost of living increase if retiring after June 30, 2012 (no impact for member retiring before July 1, 2012).

- Tier 3 Members (effective January 1, 2015)

- Sub House Bill 2333 creates a cash balance retirement plan (Tier 3) for new hires on or after January 1, 2015. Correctional officers are not included in this new tier, but will remain in KPERS Tier 2. A cash balance plan is a defined benefit plan, so the KPERS defined benefit plan remains an open plan. The projected benefits for members of all three tiers will be included in the actuarial valuations in 2015 and beyond. A single employer contribution rate, which includes the UAL payment and applies to the covered payroll of all three tiers, will be developed in the valuation.
- The monthly benefit for Tier 3 members is based on the member's account value which includes the employee's contributions and an employer credit, along with interest credits.

Tier 3 Cash Balance Plan Provisions	
Employee contributions	6.0 percent
Employer credit	Based on years of service 1-4 years: 3.0 percent of compensation 5-11 years: 4.0 percent of compensation 12-23 years: 5.0 percent of compensation 24 years+: 6.0 percent of compensation
Interest credits	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 KPERS Board based on KPERS' actual investment returns and funding
Normal retirement age	Age 60 with 30 years of service or age 65 with 5 years of service
Retirement Benefits	Guaranteed lifetime benefit based on account balance at retirement. Partial lump sum option up to 30.0 percent at normal retirement age.

Group Insurance Reserve Fund (Death and Disability)

The Legislature has often placed a moratorium on the Group Insurance Reserve Fund, as a cost saving mechanism in an effort to to produce savings in the State General Fund. It should be noted that special revenue funds, including appropriated special revenue funds also produce savings. The death and disability plan assets are held in the Group Insurance Reserve Fund for active members. The plan provides provides two benefits to active members and it includes:

- Group life insurance equal to 150.0 percent of annual compensation, which is provided through an insurance contract with an insurance carrier; and
- Self-insurance long-term disability benefits equal to 60.0 percent (before January 1, 2006 66 2/3 percent) of annual compensation, offset by other benefits.

The Group Insurance Fund is funded through a 1.0 percent contribution rate of covered payroll. Included below is a chart detailing a history of the moratorium.

Year	Length of Moratorium	Balance of Fund
2000	3 Months	\$193.7
2001	12 Months	\$140.1
2002	6 Months	\$108.8
2003	6 Months	\$14.4
2009	4 Months	\$31.5
2010	3 Months	\$7.3
2011	3 Months	\$8.1
2012	3 Months	\$13.1
2013	3 Months	\$10.1

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 42,865,032	\$ (3,156,054)
FTE Positions	97.4	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ (3,206,406)	
All Other Funds	50,352	
TOTAL	<u>\$ (3,156,054)</u>	
<i>Percent Change:</i>		
State General Fund	(100.0) %	
All Other Funds	0.1	
TOTAL	<u>(6.9) %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$42,865,032, all from special revenue funds. The recommendation is an all funds decrease of \$3,156,054, or 6.9 percent, below the Governor's FY 2014 recommendation and the decrease is attributable to the recommendation not containing any appropriation from the State General Fund for FY 2015. As a result of the 13th Check bond being full discharged in FY 2014 the agency did not see any new State General Fund appropriations in 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$26,720, all from special revenue funds and FY 2015 longevity payments total \$27,840 all from special revenue funds..**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

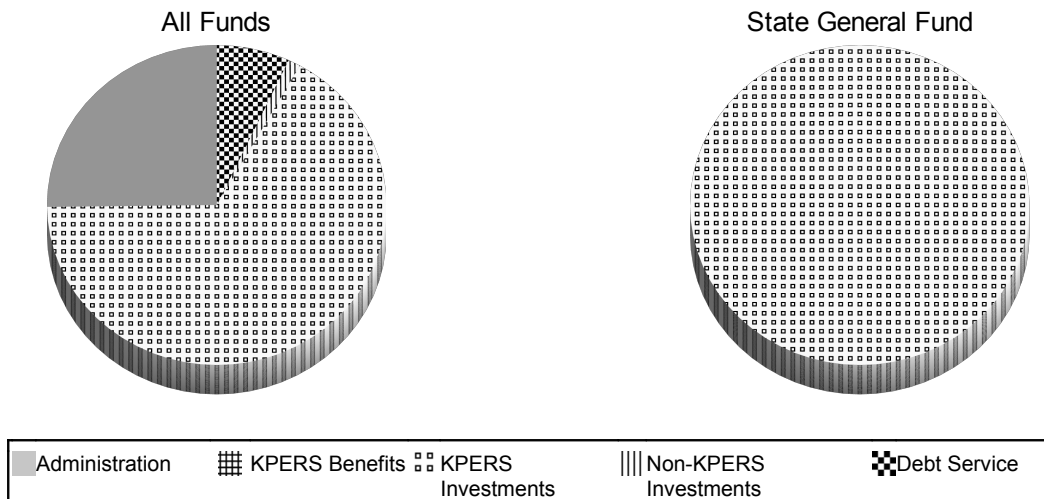
Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	7.0 %	7.0 %
Non-Retirement		
Administrative Fund	1.2	1.2
KPERs Deferred		
Compensation Fee fund	1.0	1.0
KPERs Trust Fund	90.9	90.9
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Administration	\$ 11,591,325	25.2 %	\$ 0	0.0 %
KPERS Benefits	0	0.0	3,206,406	100.0
KPERS Investments	30,686,375	66.7	0	0.0
Non-KPERS Investments	536,980	1.2	0	0.0
Debt Service	3,206,406	7.0	0	0.0
TOTAL	\$ 46,021,086	100.0 %	\$ 3,206,406	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	83.5	94.7	94.7	94.6	94.6	94.6
Benefits	0.0	0.0	0.0	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0	0.0
Non-KPERS Investments	2.7	2.7	2.7	2.7	2.7	2.7
Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	86.3	97.4	97.4	97.4	97.4	97.3

A. Administration

This program provides a centralized agency to accumulate funds and statistical information on approximately 281,000 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.

ADMINISTRATION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 5,340,284	\$ 6,790,403	\$ 6,790,403	\$ 6,818,981	\$ 6,812,045	\$ 6,860,640
Contractual Services	3,207,731	4,369,687	4,369,687	4,308,637	4,308,637	4,308,637
Commodities	123,272	98,096	98,096	107,092	107,092	107,092
Capital Outlay	190,270	800,800	800,800	343,200	343,200	343,200
Subtotal	\$ 8,861,557	\$ 12,058,986	\$ 12,058,986	\$ 11,577,910	\$ 11,570,974	\$ 11,619,569
Aid to Local Units	0	0	0	0	0	0
Other Assistance	14,640	19,512	19,512	20,351	20,351	20,351
TOTAL	\$ 8,876,197	\$ 12,078,498	\$ 12,078,498	\$ 11,598,261	\$ 11,591,325	\$ 11,639,920
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	8,876,197	12,078,498	12,078,498	11,598,261	11,591,325	11,639,920
TOTAL	\$ 8,876,197	\$ 12,078,498	\$ 12,078,498	\$ 11,598,261	\$ 11,591,325	\$ 11,639,920
FTE Positions	83.5	94.7	94.7	94.6	94.6	99.9
Non-FTE Pos.*	1.0	1.0	1.0	1.0	1.0	99.9
TOTAL	84.5	95.7	95.7	95.6	95.6	199.8

*Non-FTE Permanent Unclassified Positions

The **agency** requests a FY 2014 operating budget of \$11,598,261, all from special revenue funds. The request is a decrease of \$480,237, or 4.0 percent, below the agency's FY 2013 revised estimate and is largely attributable to a decrease in contractual services and capital outlay.

- **Salaries and Wages.** – The request is \$6,818,981, an increase of \$28,578, or 0.4 percent, above the FY 2013 revised estimate and funds 94.6 FTE positions. The increase in salaries and wages is partially attributable to an increase of \$49,659 in KPERS employer contributions from \$485,628 to \$535,287 in FY 2014.
- **Contractual Services.** – The request is \$4,308,637, a decrease of \$61,050, or 1.4 percent, below the FY 2013 revised estimate. The overall decrease is a result of professional fees associated with regular actuarial consulting and legal fees. The agency obtains regular actuarial consulting services which include actuarial valuation, summation of annual reporting, triennial experience study, review of proposed amendments, assistance in preparation of rules and regulations, actuarial advice, review of benefit award calculation procedures, plan design modeling, general consulting advice on retirement system concepts, and

administrative procedures. The agency also obtains legal counsel for assistance with matters of potential and/or actual litigation with the federal government and/or with individual plan participants relating to federal tax issues.

- **Commodities.** – The request is \$107,092, an increase of \$8,996, or 9.2 percent, above the above the FY 2013 revised estimate. The agency saw increased expenditures associated with office and data supplies (\$7,270) and house hold supplies (\$889).
- **Capital Outlay.** – The request is \$343,200, a decrease of \$457,600, or 57.1 percent, below the FY 2013 revised estimate. The decrease in expenditures is associated with furniture and equipment (\$457,600). This is associated with expanding current office space in an effort to absorb the additional 11.0 FTE positions the agency expects to hire as a result of 2012 HB 2333 which creates a new retirement plan.

The **Governor** recommends FY 2014 operating expenditures of \$11,591,325 for the Administration program. The recommendation is an all funds decrease of \$6,936, or 0.1 percent, below the agency's FY 2014 request. The decrease is attributable to the Governor's recommendation to decrease the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$11,639,920, an increase of 48,595, or 0.4 percent, above the Governor's FY 2014 recommendation. The increase is associated with employer contribution rate for KPERS retirement.

B. Benefits

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 an estimated **\$1.4 billion** in payments during FY 2014. Approximately 85 to 90 percent of those payments are made to persons residing in Kansas.

	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
Number of Retired Members and Surviving Beneficiaries	81,025	76,744	73,339	70,724	67,102
Number of New Retired Members During the Year	6,473	5,500	4,642	4,625	4,780
Number of Active and Inactive Members	200,732	202,150	204,155	197,822	195,187
Number of Participating Employers	1,504	1,511	1,499	1,492	1,473

C. 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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	32,270,180	29,818,832	29,818,832	30,686,375	30,686,375	30,686,375
Commodities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 32,270,180	\$ 29,818,832	\$ 29,818,832	\$ 30,686,375	\$ 30,686,375	\$ 30,686,375
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 32,270,180	\$ 29,818,832	\$ 29,818,832	\$ 30,686,375	\$ 30,686,375	\$ 30,686,375
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	32,270,180	29,818,832	29,818,832	30,686,375	30,686,375	30,686,375
TOTAL	\$ 32,270,180	\$ 29,818,832	\$ 29,818,832	\$ 30,686,375	\$ 30,686,375	\$ 30,686,375
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

The **agency's** request in FY 2014 is \$30,686,375, an increase of \$867,543 or 2.9 percent, above the FY 2013 revised estimate. The changes include:

Contractual Services. – The agency requests \$30,686,375, all from special revenue funds, an increase of \$867,543, or 2.9 percent, above the FY 2013 revised estimate. The increase is a result of professional fees associated with KPERS investments. Investment expenditures are developed based upon the current market portfolio and as investment portfolios change there is a corresponding change in professional fees associated with the management of KPERS investments.

The **Governor** concurs with the agency's request for FY 2014. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 15 operating expenditures of \$30,686,375, the same amount in the Governor's FY 2014 recommendation.

D. 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, ING. ING is responsible for participant account record keeping and direct services such as enrollments, phone inquiries and investment transactions.

The Plan has more than 25,000 participants with total assets of approximately \$632.8 million.

NON-KPERS INVESTMENTS SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 208,072	\$ 226,462	\$ 226,462	\$ 238,538	\$ 238,278	\$ 240,035
Contractual Services	128,779	225,286	225,286	298,407	298,407	298,407
Commodities	0	284	284	295	295	295
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 336,851	\$ 452,032	\$ 452,032	\$ 537,240	\$ 536,980	\$ 538,737
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 336,851	\$ 452,032	\$ 452,032	\$ 537,240	\$ 536,980	\$ 538,737
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	336,851	452,032	452,032	537,240	536,980	538,737
TOTAL	\$ 336,851	\$ 452,032	\$ 452,032	\$ 537,240	\$ 536,980	\$ 538,737
FTE Positions	2.7	2.7	2.7	2.7	2.7	2.7
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

The agency's request in FY 2014 is \$537,240, an increase of \$85,208, or 18.8 percent, above the agency's FY 2013 revised estimate. Included in the request are the following changes:

- **Salaries and Wages** – In the amount of \$238,538, an increase of \$12,076, or 5.3 percent, above the FY 2013 revised estimate and funds 2.7 FTE positions. The increase is a result of increased KPERS employer contributions.

- **Contractual Services** – In the amount of \$298,407, an increase of \$73,121, or 32.5 percent, above the FY 2013 revised estimate. The increase is a result of management fees associated with the administration of the Deferred Compensation Program.
- **Commodities** – In the amount of \$295, and increase of \$11, or 3.9 percent, above the FY 2013 revised estimate.

The **Governor** recommends FY 2014 operating expenditures of \$536,980, all from special revenue funds for the Non-KPERS Investment program. The decrease is attributable to the Governor's recommendation to decrease the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$538,737, an increase of \$1,757, or 0.3 percent, above, the Governor's FY 2014 recommendation. The increase is associated with employer contribution rate for KPERS retirement.

E. Debt Service (13th Check Bond)

DEBT SERVICE SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	0	0	0	0	0	0
Commodities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Debt Service	3,210,083	3,208,993	0	3,206,406	0	0
Subtotal	\$ 3,210,083	\$ 3,208,993	\$ 0	\$ 3,206,406	\$ 0	\$ 0
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 3,210,083	\$ 3,208,993	\$ 0	\$ 3,206,406	\$ 0	\$ 0
Financing:						
State General Fund	\$ 3,210,083	\$ 3,208,993	\$ 0	\$ 3,206,406	\$ 0	\$ 0
All Other Funds	0	0	0	0	0	0
TOTAL	\$ 3,210,083	\$ 3,208,993	\$ 0	\$ 3,206,406	\$ 0	\$ 0
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	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

*Non-FTE Permanent Unclassified Positions

The State General Fund expenditures in FY 2013 and FY 2014 reflect bond payments made for the 13th check benefits that are paid to a closed group that is decreasing over time.

The State General Fund is subsequently repaid when employer contributions are received during the fiscal year and that dedicated revenue source is used for the repayments to the State General Fund. For budget purposes, the expenditure is reflected in this program. For FY 2013 the State General Fund appropriation is \$3,208,993 and for FY 2014 the State General Fund request is \$3,206,406.

In September 2003, the Kansas Development Finance Authority issued on behalf of the State of Kansas \$24.9 million in Series H State pension bonds to be used for the purpose of financing the unfunded actuarial liability related to those retirees receiving a "13th check". Retirees receiving a "13th check" are those who retired on or before July 2, 1987 and those retirees have received a "13th check" since 1987. Due to poor investments returns in 2001 and 2002 the Legislature initiated the bond issuance in order to maintain the additional check. As of 2003 those retirees receiving the "13th check" is a closed group and the group has approximately 15,000 retirees and joint annuitants. It should be noted that the obligation on the "13th check bond" will expire in FY 2014.

The **Governor's** FY 2013 and FY 2014 recommendation placed the debt service for the 13th Check bond in the KPERS Benefits program.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Percent of monthly financial reports completed by 10th business day of next month	100.0%	100.0%	100.0%	100.0%
Annual cost of administrative operations as a percentage of benefit payments	0.70%	0.70%	0.90%	0.80%
Number of individuals receiving KPERS benefit payments each year	80,000	81,025	85,076	89,330
Amount of benefits paid (in millions)	\$1,286.1	\$1,247.0	\$1,379.4	\$1,485.2
Investment-related fees as a percentage of Retirement System	0.2%	0.2%	0.2%	0.2%

KANSAS LOTTERY

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	207,662,071	351,779,945	322,038,954	377,514,706	343,157,756	356,853,298
TOTAL	\$ 207,662,071	\$ 351,779,945	\$ 322,038,954	\$ 377,514,706	\$ 343,157,756	\$ 356,853,298
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 207,662,071	\$ 351,779,945	\$ 322,038,954	\$ 377,514,706	\$ 343,157,756	\$ 356,853,298

Operating Expenditures Percentage Change

State General Fund	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
All Funds	96.3	69.4	55.1	7.3	6.6	4.0

FTE Positions	99.0	95.0	90.0	95.0	90.0	90.0
Non-FTE Pos.*	5.0	15.0	15.0	15.0	15.0	15.0
TOTAL	104.0	110.0	105.0	110.0	105.0	105.0

*Non-FTE Permanent Unclassified Positions.

AGENCY OVERVIEW

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 with the Kansas Speedway, Wichita River Festival, the 3i Show, and the Kansas State Fair, with promotions for special instant games and second chance prize drawings.

The agency engages in multi-state instant ticket games with the state of Iowa and the Midwest Millions. The agency also continues an alliance with the Kansas Department of

Commerce for Kansas-themed games and a number of second chance drawings featuring products made in Kansas. Most recently, the Lottery has engaged in an alliance with the Department of Commerce, the Kansas Arts Commission, and the Kansas Department of Transportation to promote a new instant game.

MAJOR ISSUES FROM PRIOR YEARS

The **2001 Legislature** provided for the operation of the Kansas Lottery until July 1, 2008, which is the first day of FY 2009. The 2007 Legislature continued the operation of the Kansas Lottery until July 1, 2022.

There is a statutory minimum of 30 percent of lottery sales reserved for transfer to the State gaming Revenues Fund, except for sales of pull-tabs which are set at 20 percent. The 2002 Legislature 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.

The **2003 Legislature** statutorily authorized special veterans benefit games to generate additional funding for certain programs. Net profits are dedicated to National Guard scholarships and to programs of the Kansas Commission on Veterans Affairs. The net profits from veterans' benefit games are transferred to the State Gaming Revenues Fund and then to the State General Fund (SGF) from which appropriations are made for eligible programs and activities. 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 **2007 Legislature** enacted SB 66 which provides for expanded lottery (gaming) activities at race tracks and casinos in certain areas after local voter approval. The 2007 Legislature authorized expenditures for implementation from the Lottery Operating Fund, but did not approve specific expenditures or staff levels for activities related to implementation.

In the Summer of 2008, the southeast gaming zone prospective casino withdrew from the bidding process. No other groups have proposed building in the zone.

In the Fall of 2008, the casino at Ford county in the southwest gaming zone entered into a binding agreement with the Kansas Lottery, paid \$5.5 million in privilege fees to the Expanded Lottery Act Revenue Fund (ELARF), and broke ground on Phase I of the project. For FY 2009, these fees constituted the only revenue flowing into the ELARF. The Ford county opened in the fall of 2009.

During the Fall of 2009, an applicant at the south central gaming zone and the applicant for the northeast gaming zone were selected, entered binding contracts with the Kansas Lottery, and paid \$25.0 million each in privilege fees.

The **2010 Legislature** increased the agency shrinkage rate from 2.0 percent to 5.0 percent and deleted \$162,500 from the agency operating budget. There was also a negative \$4.9 million adjustment to projected casino revenue in FY 2011 due to the delay in opening the south central zone. During the Spring of 2010, the original applicant for the south central gaming

zone withdrew their application. Two new applicants have submitted applications along with their \$25.0 million privilege fees.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** requests a revised FY 2013 budget totaling \$351.8 million, all from special revenue funds, a decrease of \$6.3 million, or 1.8 percent below the approved amount. The agency estimates operating expenditures will increase by \$1.5 million. The operating expenditure increase is offset by a change in the Lottery Prize Payment fund reserve account of \$7.8 million. The agency reclassified \$7.9 million in the Prize Payment Fund as non-expense items by increasing the amount set-aside for federal taxes by \$8.2 million and reducing the amount set aside for state taxes by \$381,559. The reclassification removes the funds from the reportable portion of the agency budget.

The agency requests 95.0 FTE positions and 15.0 Non-FTE unclassified permanent positions. This is a decrease of 1.0 FTE positions and an increase of 10.0 Non-FTE positions from the approved number.

The **Governor** recommends a FY 2013 budget of \$322.0 million, all from special revenue funds, a decrease of \$29.7 million, or 8.5 percent, below the FY 2013 revised estimate. The reduction is attributable to revised consensus revenue estimates for expanded gaming (\$29.3 million) and the elimination of 5.0 vacant funded FTE positions and increasing the salaries and wages shrinkage rate (\$493,011). The reductions are partially offset by the addition of \$50,018 in approved expenditures from the lottery prize payment fund to correct a technical error in the agency budget submission. The Governor recommends 90.0 FTE positions, a reduction of 5.0 FTE from the agency request.

FY 2014 – Budget Year. The **agency** requests a FY 2014 budget totaling \$377.5 million, an increase of \$25.7 million, or 7.3 percent, above the FY 2013 revised request. The majority of the increase is attributable to facility manager fees (\$24.0 million), G-tech fees for processing gaming facility funds (\$99,500), expanded lottery transfers to local units of government (\$987,000), printing and on-line vendor commissions (\$373,862), the reserve in the lottery prize payment fund (\$124,518), and fees for a security audit from Legislative Post Audit (\$114,000). The agency requests 95.0 FTE positions and 15.0 Non-FTE unclassified permanent positions.

The **Governor** recommends a FY 2014 budget of \$343.2 million, all from special revenue funds, a decrease of \$34.4 million, or 9.1 percent, below the FY 2014 agency request. The reduction is attributable to adoption of revised consensus revenue estimates for expanded gaming (\$33.9 million), the elimination of 5.0 vacant funded FTE positions and increasing the shrinkage rate (\$496,813), a decrease of \$7,005, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

The reductions are partially offset by the addition of \$76,868 in approved expenditures from the lottery prize payment fund to correct a technical error in the agency budget submission. The Governor recommends 90.0 FTE positions, a reduction of 5.0 FTE from the agency request.

The Governor also recommends increasing the State Gaming Revenue Fund transfer by \$500,000 to \$73.5 million for FY 2014. Monies transferred to the State Gaming Revenue Fund in excess of \$50.0 million are deposited in the State General Fund.

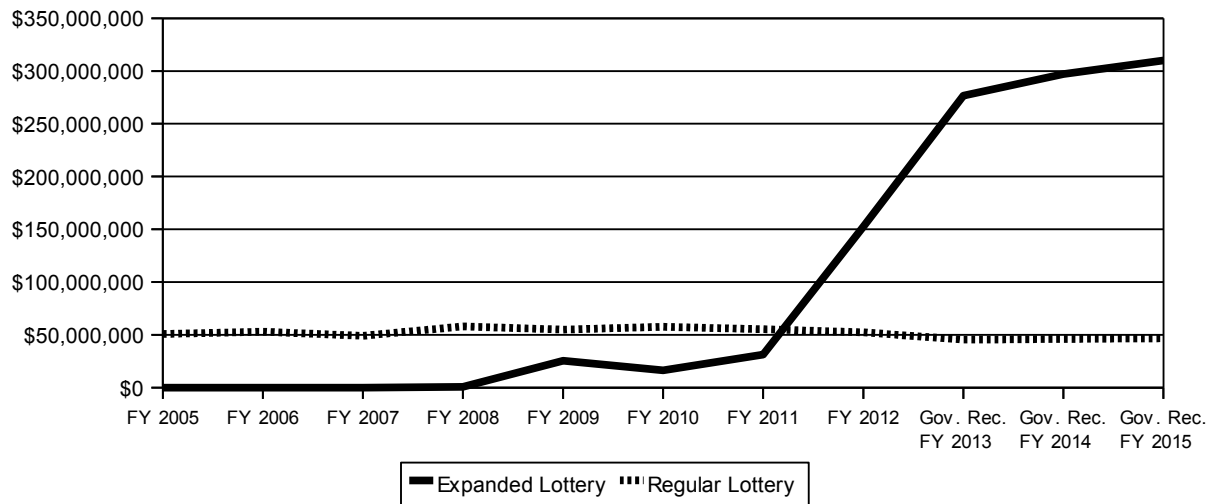
FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a FY 2015 budget of \$356.9 million, all from special revenue funds, an increase of \$13.7 million, or 4.0 percent, above the FY 2014 Governor's recommendation. The consensus revenue group for the expanded lottery act revenue fund does not have official estimates for FY 2015; however, using the tentative projections the Governor recommends increasing the revenue by \$13.0 million over FY 2014. The Governor also recommends adding \$50,799, all from special revenue funds, for employer contributions to the Kansas Public Employee Retirement System, \$500,000 for the G-tech on-line vendor fees, and \$146,743 in ticket printing costs. The recommendation continues to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The Governor recommends 90.0 FTE positions.

The Governor also recommends a State Gaming Revenue Fund transfer of \$74.0 million for FY 2015, an increase of \$500,000 above the FY 2014 recommended transfer. Monies transferred to the State Gaming Revenue Fund in excess of \$50.0 million are deposited in the State General Fund.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	Expanded Lottery	% Change	Regular Lottery	% Change	FTE
2005	\$ 0	-- %	\$ 50,746,442	(4.1)%	87.0
2006	0	--	52,938,982	4.3	87.0
2007	0	--	49,020,053	(7.4)	87.0
2008	512,241	--	57,896,249	18.1	89.0
2009	25,371,514	4,853.0	54,949,653	(5.1)	89.0
2010	16,221,091	(36.1)	57,559,425	4.7	89.0
2011	31,271,061	92.8	55,262,783	(4.0)	99.0
2012	152,486,850	387.6	52,362,945	(5.2)	96.0
2013 Gov. Rec.	276,655,326	81.4	45,383,628	(13.3)	90.0
2014 Gov. Rec.	297,136,873	7.4	46,020,883	1.4	90.0
2015 Gov. Rec.	310,144,757	4.4	46,708,541	1.5	90.0
Eleven-Year Change					
Dollars/Percent	\$ 310,144,757	-- %	\$ (4,037,901)	(8.0)%	3.0

Summary of Operating Budget FY 2012 - FY 2014

Kansas Lottery

	Actual 2012	Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 2,812,276	\$ 3,729,924	\$ 3,831,628	\$ 101,704	2.7 %	\$ 3,370,653	\$ 3,467,289	\$ 96,636	2.9 %
Expanded Lottery	152,486,850	305,994,113	331,109,456	25,115,343	8.2	276,655,326	297,136,873	20,481,547	7.4
Regular Lottery	52,362,945	42,055,908	42,573,622	517,714	1.2	42,012,975	42,553,594	540,619	1.3
TOTAL	\$ 207,662,071	\$ 351,779,945	\$ 377,514,706	\$ 25,734,761	7.3 %	\$ 322,038,954	\$ 343,157,756	\$ 21,118,802	6.6 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 5,433,404	\$ 6,818,005	\$ 6,870,224	\$ 52,219	0.8 %	\$ 6,324,996	\$ 6,366,406	\$ 41,410	0.7 %
Contractual Services	159,688,098	307,945,490	332,545,917	24,600,427	8.0	279,802,490	299,953,917	20,151,427	7.2
Commodities	499,557	664,422	672,052	7,630	1.1	664,422	672,052	7,630	1.1
Capital Outlay	152,213	256,132	219,099	(37,033)	(14.5)	256,132	219,099	(37,033)	(14.5)
Subtotal - Operations	\$ 165,773,272	\$ 315,684,049	\$ 340,307,292	\$ 24,623,243	7.8 %	\$ 287,048,040	\$ 307,211,474	\$ 20,163,434	7.0 %
Aid to Local Units	5,920,954	11,928,000	12,915,000	987,000	8.3	10,773,000	11,577,000	804,000	7.5
Other Assistance	35,967,845	24,167,896	24,292,414	124,518	0.5	24,217,914	24,369,282	151,368	0.6
TOTAL	\$ 207,662,071	\$ 351,779,945	\$ 377,514,706	\$ 25,734,761	7.3 %	\$ 322,038,954	\$ 343,157,756	\$ 21,118,802	6.6 %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Lottery Prize Payment Fund	35,774,141	24,151,871	24,276,389	124,518	0.5	24,201,889	24,353,257	151,368	0.6
Lottery Operating Fund	21,890,441	25,702,074	26,650,317	948,243	3.7	25,209,065	26,146,499	937,434	3.7
Expanded Lottery Receipts Fund	149,997,489	301,926,000	326,588,000	24,662,000	8.2	272,628,000	292,658,000	20,030,000	7.3
TOTAL	\$ 207,662,071	\$ 351,779,945	\$ 377,514,706	\$ 25,734,761	7.3 %	\$ 322,038,954	\$ 343,157,756	\$ 21,118,802	6.6 %

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 3,831,628	\$ 3,467,289	\$ 3,485,175	\$ 17,886	0.5 %
Expanded Lottery	331,109,456	297,136,873	310,144,757	13,007,884	4.4
Regular Lottery	42,573,622	42,553,594	43,223,366	669,772	1.6
TOTAL	\$ 377,514,706	\$ 343,157,756	\$ 356,853,298	\$ 13,695,542	4.0 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 6,870,224	\$ 6,366,406	\$ 6,417,205	\$ 50,799	0.8 %
Contractual Services	332,545,917	299,953,917	312,932,917	12,979,000	4.3
Commodities	672,052	672,052	672,052	0	0.0
Capital Outlay	219,099	219,099	219,099	0	0.0
Subtotal - Operations	\$ 340,307,292	\$ 307,211,474	\$ 320,241,273	\$ 13,029,799	4.2 %
Aid to Local Units	12,915,000	11,577,000	12,096,000	519,000	4.5
Other Assistance	24,292,414	24,369,282	24,516,025	146,743	0.6
TOTAL	\$ 377,514,706	\$ 343,157,756	\$ 356,853,298	\$ 13,695,542	4.0 %
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %
Lottery Prize Payment Fund	24,276,389	24,353,257	24,500,000	146,743	0.6
Lottery Operating Fund	26,650,317	26,146,499	26,697,298	550,799	2.1
Expanded Lottery Receipts Fund	326,588,000	292,658,000	305,656,000	12,998,000	4.4
TOTAL	\$ 377,514,706	\$ 343,157,756	\$ 356,853,298	\$ 13,695,542	4.0 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved Budget

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	358,109,544	351,779,945	(6,329,599)	322,038,954	(36,070,590)
TOTAL	<u>\$ 358,109,544</u>	<u>\$ 351,779,945</u>	<u>\$ (6,329,599)</u>	<u>\$ 322,038,954</u>	<u>\$ (36,070,590)</u>
FTE Positions	96.0	95.0	(1.0)	90.0	(6.0)

The **agency** estimates a revised FY 2013 budget totaling \$351.8 million, all from special revenue funds, a decrease of \$6.3 million, or 1.8 percent below the approved amount. The agency estimates operating expenditures will increase by \$1.5 million. The operating expenditure increase is offset by a change in the Lottery Prize Payment fund reserve account of \$7.8 million. The agency reclassified \$7.9 million in the Prize Payment Fund as non-expense items by increasing the amount set-aside for federal taxes by \$8.2 million and reducing the amount set aside for state taxes by \$381,559. The reclassification removes the funds from the reportable portion of the agency budget and places them off budget.

The agency requests 95.0 FTE positions and 15.0 Non-FTE unclassified permanent positions. This is a decrease of 1.0 FTE position and an increase of 10.0 Non-FTE positions from the approved number.

- **Salaries and Wages:** The agency requests \$6.8 million, all from special revenue funds for salaries and wages in FY 2013, an increase of \$670,710, or 10.9 percent, above the FY 2013 approved budget.
- **Contractual Services:** The agency requests \$308.0 million, all from special revenue funds for contractual services in FY 2013, an increase of \$578,499, or 0.2 percent, above the FY 2013 approved budget.
 - Administration program: Decreases \$28,725 in other contractual services.
 - Regular Lottery program: Information Technology subprogram decreases \$40,800 from repairing and servicing expenditures moving to capital outlay, Sales subprogram increases \$1,000 for travel and subsistence, Cost of Sales subprogram increases \$132,288 for ticket printing costs and increased freight costs for shipping tickets to retailers and G-Tech fees, Marketing subprogram increases \$3,906 for travel and subsistence, advertising and printing.

- Expanded Lottery: Increases in travel and subsistence of \$15,000 and G-Tech Fees of \$303,000.
- **Commodities:** The agency requests \$664,422, all from special revenue funds for commodities in FY 2013, a decrease of \$14,034, or 2.1 percent, below the FY 2013 approved budget.
 - Administration program: Increase of \$1,895 for stationary and office supplies.
 - Regular Lottery program: Information Technology subprogram decrease of \$129 for professional and scientific supplies, Sales subprogram increase of \$4,800 for vehicle parts and supplies, Cost of Sales subprogram decrease of \$10,000 for professional and scientific supplies, Marketing subprogram decrease of \$5,100 in order to increase contractual services.
 - Expanded Lottery program: Decrease of \$5,500 for stationary and office supplies.
- **Capital Outlay:** The agency requests \$256,132, all from special revenue funds, for capital outlay in FY 2013, an increase of \$223,470, or 684.2 percent, above the FY 2013 approved budget.
 - Administration program: Increase of \$22,000 to replace one mini van.
 - Regular Lottery program: Information Technology subprogram increase of \$40,800 for upgrading Lottery servers, Sales subprogram increase of \$121,070 for replacement of five mini vans and one sedan, Security subprogram increase of \$17,600 for replacement of one sedan.
 - Expanded Lottery program: Increase of \$17,000 for replacement of one sedan and \$5,000 to replace a computer.
- **Other Assistance:** The agency requests \$24.2 million, all from special revenue funds, for capital outlay in FY 2013, a decrease of \$7.8 million, or 24.4 percent below the FY 2013 approved budget. The reduction is attributable to a reduced reserve in the Lottery Prize Payment Fund.

The **Governor** recommends a FY 2013 budget of \$322.0 million, all from special revenue funds, a decrease of \$29.7 million, or 8.5 percent, below the FY 2013 revised estimate. The reduction is attributable to revised consensus revenue estimates for expanded gaming (\$29.3 million) and the elimination of 5.0 vacant funded FTE positions and increasing the salaries and wages shrinkage rate (\$493,011). The reductions are partially offset by the addition of \$50,018 in approved expenditures from the lottery prize payment fund to correct a technical error in the agency budget submission. The Governor recommends 90.0 FTE positions, a reduction of 5.0 FTE from the agency request.

Supplemental Estimates

FY 2013 SUPPLEMENTS				
Supplementals	Agency Request		Governor's Recommendation	
	All Funds	FTE	All Funds	FTE
Administration 1 Mini-Van	\$ 22,000	0.0	\$ 22,000	0.0
Sales 5 Mini-Vans & 1 Sedan	121,070	0.0	121,070	0.0
Security 1 Sedan	17,600	0.0	17,600	0.0
Expanded Lottery 1 Sedan	17,000	0.0	17,000	0.0
TOTAL	<u>\$ 177,670</u>	<u>0.0</u>	<u>\$ 177,670</u>	<u>0.0</u>

The **agency** did not submit a supplemental request. The following items have been included as supplemental under the Division of Budget Instructional Guidelines. The agency estimates \$177,670 for vehicle purchases in FY 2013 to replace existing vehicles in excess of 100,000 miles.

The **Governor** concurs with the agency vehicle purchases in FY 2013.

State Gaming Revenues Fund Transfer

Each year the Legislature establishes a minimum transfer from the proceeds of regular lottery program sales to the State Gaming Revenues Fund. By statute, 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.

For FY 2013, the **agency** estimates sales totaling \$244 million. At \$237.5 million, the Lottery would transfer \$50.0 million to the State Gaming Revenue Fund and \$22.5 million to the State General fund. The remaining revenue from ticket sales is for prize payments and operational expenditures.

The **Governor** recommends a FY 2013 transfer to the State Gaming Revenue Fund of \$74.5 million, an increase of \$2.0 million, from the FY 2013 agency revised estimate. The Governor encourages the agency to increase sales or reduce operational expenditures to meet the enhanced transfer target.

Expanded Lottery Act Revenue Estimates

A consensus gaming revenue estimating group comprised of representatives from the Agency, Legislative Research and the Division of Budget adopted preliminary revenue projections of \$79.3 million to the Expanded Lottery Act Revenue Fund (ELARF) in FY 2013 that would accrue to the state from expanded gaming activities. The estimate includes revenue from three of the four gaming zones. The estimate is a decrease of \$8.4 million from the April consensus estimate due to lower than anticipated revenue from the Northeast Gaming Zone. In addition to ELARF revenue, the Problem Gambling and Addictions Fund is projected to receive \$7.2 million and the Cities and Counties will receive \$10.8 million from expanded gaming.

The **Governor's** concurs with the revised consensus revenue estimate for the Expanded Lottery Act Revenue Fund.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 377,514,706	\$ 343,157,756	\$	(34,356,950)
FTE Positions	95.0	90.0		(5.0)
Change from FY 2013:				
Dollar Change:				
State General Fund	\$ 0	\$ 0		
All Other Funds	25,734,761	21,118,802		
TOTAL	\$ 25,734,761	\$ 21,118,802		
Percent Change:				
State General Fund	0.0 %	0.0 %		
All Other Funds	7.3	6.6		
TOTAL	7.3 %	6.6 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests a FY 2014 budget totaling \$377.5 million, an increase of \$25.7 million, or 7.3 percent, above the FY 2013 revised request. The majority of the increase is attributable to facility manager fees (\$24.0 million), G-tech fees for processing gaming facility funds (\$99,500), expanded lottery transfers to local units of government (\$987,000), printing and on-line vendor commissions (\$373,862), the reserve in the lottery prize payment fund

(\$124,518), and fees for a security audit from Legislative Post Audit (\$114,000). The agency requests 95.0 FTE positions and 15.0 Non-FTE unclassified permanent positions.

- **Salaries and Wages:** The agency requests \$6.9 million, all from special revenue funds, in salaries and wages, an increase of \$52,219, or 0.8 percent, above the FY 2013 revised estimate. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System partially offset by a slight increase in the salaries and wages shrinkage rate.
- **Contractual Services:** The agency requests \$332.6 million in contractual services, an increase of \$24.6 million, or 8.0 percent, above the FY 2013 revised estimate. The change is attributable to increased sales volume and fees for a security audit.
- **Commodities:** The agency requests \$672,052, all from special revenue funds, in commodities, an increase of \$7,630, or 1.1 percent, above the 2013 revised estimate. The change is attributable to stationary and other office supplies.
- **Capital Outlay:** The agency requests \$219,099, all from special revenue funds, in capital outlay expenditures, a decrease of \$37,033, or 14.5 percent, below the 2013 revised estimate. The change is attributable to vehicular purchases in FY 2013 that are not scheduled for FY 2014, including one minivan used by the finance department and a sedan used in the regular lottery program.
- **Aid to Locals:** The agency requests \$12.9 million for aid to local units of government, an increase of \$987,000, or 8.3 percent, above the FY 2013 revised estimate. The increase is attributable to higher expanded lottery revenue.
- **Other Assistance:** The agency requests \$24.3 million for other assistance, an increase of \$124,518, or 0.5 percent, above the FY 2013 revised estimate. The increase is attributable to an increase in the reserve amount in the Lottery Prize Payment fund. The Lottery Prize Payment fund does not pay all awards but only those which are distributed through the Lottery central offices.

The **Governor** recommends a FY 2014 budget of \$343.2 million, all from special revenue funds, a decrease of \$34.4 million, or 9.1 percent, below the FY 2014 agency request. The reduction is attributable to adoption of revised consensus revenue estimates for expanded gaming (\$33.9 million), the elimination of 5.0 vacant funded FTE positions and increasing the salaries and wages shrinkage rate (\$496,813), a decrease of \$7,005, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

The reductions are partially offset by the addition of \$76,868 in approved expenditures from the lottery prize payment fund to correct a technical error in the agency budget submission. The Governor recommends 90.0 FTE positions, a reduction of 5.0 FTE from the agency request.

The Governor also recommends increasing the State Gaming Revenue Fund transfer by \$500,000 to \$73.5 million for FY 2014. Monies transferred to the State Gaming Revenue Fund in excess of \$50.0 million are deposited in the State General Fund.

State Gaming Revenues Fund Transfer

Each year the Legislature establishes a minimum transfer from the proceeds of regular lottery program sales to the State Gaming Revenues Fund. By statute, 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.

For FY 2014, the **agency** estimates sales totaling \$245.5 million, an increase of \$1.5 million, or 0.6 percent, above the FY 2013 agency estimate. The agency estimates that \$73.0 million will be transferred to the State General Fund after agency expenditures, an increase of \$500,000, over the FY 2013 State Gaming Revenue Fund transfer.

The **Governor** recommends a FY 2014 State Gaming Revenue Fund transfer of \$73.5 million, an increase of \$500,000 over the agency estimate. This amount is \$1.0 million less than the FY 2013 Governor recommended State Gaming Revenue Fund transfer. The Governor encourages the agency to increase sales or reduce operational expenditures to meet the enhanced transfer target.

Expanded Lottery Act Revenue Estimates

A consensus gaming revenue estimating group adopted preliminary revenue projections of \$85.5 million to the Expanded Lottery Act Revenue Fund (ELARF) in FY 2014 that would accrue to the state from expanded gaming activities. This is an increase of \$6.2 million above the FY 2013 revised estimate. In addition to ELARF revenue, the Problem Gambling and Addictions Fund is projected to receive \$7.7 million and the Cities and Counties will receive \$11.6 million from expanded gaming.

The **Governor's** recommendation is based on the October Consensus Revenue Estimate for the ELARF program which reduces projected revenue by

Enhancements Detail

The agency had no enhancement requests for FY 2014.

FY 2014 Reduced Resources

The **agency** is not required to submit a reduced resources plan.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 356,853,928	\$ 13,695,542
FTE Positions	90.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	13,695,542	
TOTAL	\$ 13,695,542	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	4.0	
TOTAL	4.0 %	
Change in FTE Positions	0.0	

There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a FY 2015 budget of \$356.9 million, all from special revenue funds, an increase of \$13.7 million, or 4.0 percent, above the FY 2014 Governor's recommendation. The consensus revenue group for the expanded lottery act revenue fund does not have official estimates for FY 2015; however, using the tentative projections the Governor recommends increasing the funding by \$13.0 million over FY 2014. The Governor also recommends adding \$50,799, all from special revenue funds, for employer contributions to the Kansas Public Employee Retirement System, \$500,000 for the G-tech on-line vendor fees, and \$146,743 in ticket printing costs. The recommendation continues to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The Governor recommends 90.0 FTE positions.

The Governor also recommends a State Gaming Revenue Fund transfer of \$74.0 million for FY 2015, an increase of \$500,000 above the FY 2014 recommended transfer. Monies transferred to the State Gaming Revenue Fund in excess of \$50.0 million are deposited in the State General Fund.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

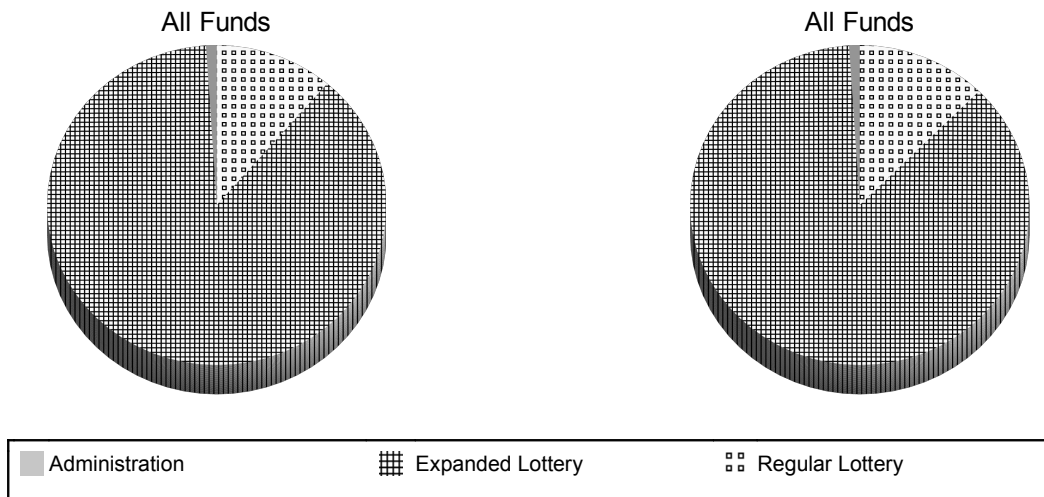
Longevity Bonus Payments. For FY 2014 and FY 2015, the Governor recommends funding longevity bonus payments for eligible state employees at the statutory rate of \$40 per year of service, with a 10-year minimum (\$400), and a 25-year maximum (\$1,000). Classified employees hired after June 15, 2008 are not eligible for longevity bonus payments. The estimated cost for the recommended FY 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$21,240, all from special revenue funds, and FY 2015 longevity payments total \$21,880, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

PROGRAM DETAIL

Expenditures by Program

Agency and Governor's FY 2014 Recommendation



Program	Agency All Funds FY 2014	Percent of Total	Gov. Rec. All Funds FY 2014	Percent of Total
Administration	\$ 3,831,628	1.0 %	\$ 3,467,289	1.0 %
Expanded Lottery	331,109,456	87.7	297,136,873	86.6
Regular Lottery	42,573,622	11.3	42,553,594	12.4
TOTAL	\$ 377,514,706	100.0 %	\$ 343,157,756	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015						
Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	31.0	38.5	33.5	38.5	33.5	33.5
Expanded Lottery	11.4	8.1	8.1	8.1	8.1	8.1
Regular Lottery	56.7	48.5	48.5	48.5	48.5	48.5
TOTAL	99.0	95.0	90.0	95.0	90.0	90.0

A. Administration

The Administration program provides financial and administrative business operations services, including human resources, procurement, facility and vehicles, and policy formation and distribution for both the Expanded Lottery program and the Regular Lottery program. The Administration program is funded by fees charged to the casino operators and revenue from lottery ticket sales.

ADMINISTRATION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,720,326	\$ 2,449,249	\$ 2,089,978	\$ 2,467,953	\$ 2,103,614	\$ 2,121,500
Contractual Services	1,032,884	1,182,800	1,182,800	1,284,800	1,284,800	1,284,800
Commodities	28,981	59,850	59,850	62,850	62,850	62,850
Capital Outlay	18,859	22,000	22,000	0	0	0
Subtotal	\$ 2,801,050	\$ 3,713,899	\$ 3,354,628	\$ 3,815,603	\$ 3,451,264	\$ 3,469,150
Aid to Local Units	0	0	0	0	0	0
Other Assistance	11,226	16,025	16,025	16,025	16,025	16,025
TOTAL	<u>\$ 2,812,276</u>	<u>\$ 3,729,924</u>	<u>\$ 3,370,653</u>	<u>\$ 3,831,628</u>	<u>\$ 3,467,289</u>	<u>\$ 3,485,175</u>
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	2,812,276	3,729,924	3,370,653	3,831,628	3,467,289	3,485,175
TOTAL	<u>\$ 2,812,276</u>	<u>\$ 3,729,924</u>	<u>\$ 3,370,653</u>	<u>\$ 3,831,628</u>	<u>\$ 3,467,289</u>	<u>\$ 3,485,175</u>
FTE Positions	31.0	38.5	33.5	38.5	33.5	33.5
Non-FTE Pos.*	0.0	1.7	1.7	1.7	1.7	1.7
TOTAL	<u>31.0</u>	<u>40.2</u>	<u>35.2</u>	<u>40.2</u>	<u>35.2</u>	<u>35.2</u>
*Non-FTE Permanent Unclassified Positions.						

The **agency** requests \$3.8 million, all from special revenue funds, for FY 2014. The request is an increase of \$101,704, or 2.7 percent, above the agency's revised FY 2013 budget estimate. The change is attributable to increased budgeted expenditures for a security audit by Legislative Post Audit (\$114,000). The audit is completed once every three years. The increase in audit fees is partially offset by a reduction of \$22,000 in capital outlay expenditures for vehicles.

- **Salaries and Wages:** The agency requests \$2.5 million for salaries and wages, an increase of \$18,704, or 0.8 percent, above the FY 2013 revised estimate. The increase is attributable to longevity payments and employer contribution for the Kansas Public Employee Retirement system.
- **Contractual Services:** The agency requests \$1.3 million for contractual services, an increase of \$102,000, or 8.6 percent, above the FY 2013 revised estimate. The increase is attributable to professional service fees.
- **Commodities:** The agency requests \$62,850 for commodity expenditures, an increase of \$3,000, or 5.0 percent, above the FY 2013 revised estimate. The increase is attributable to stationary and other office supplies.

- **Capital Outlay:** The agency did not request capital outlay expenditures for the administration program in FY 2014. The request is a reduction of \$22,000 from FY 2013 revised estimate due to the one-time purchase of a mini-van used by the finance department for mail runs.

The **Governor** recommends FY 2014 expenditure of \$3.5 million, all from special revenue funds, for the Administration program. The recommendation is a reduction of \$364,339, or 9.5 percent, below the FY 2014 agency request. The funds were allocated as salaries and wages for vacant funded positions. The Governor also recommends deleting 5.0 FTE positions for a total of 33.5 FTE and 1.7 Non-FTE in the program.

The **Governor** recommends FY 2015 expenditure of \$3.5 million, all from special revenue funds, for the Administration Program. The recommendation is an increase of \$17,886, or 0.5 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The Governor also recommends a total of 33.5 FTE and 1.7 Non-FTE in the program.

B. Expanded Lottery

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 2007 Legislature did not authorize the Kansas Lottery any additional funding or staffing for implementation of SB 66, except for language that allows expenditures from the Lottery Operating Fund for any such costs. Because the 2007 Legislature authorized expenditures from the Lottery Operating Fund for any costs related to SB 66, the agency was authorized to spend from the fund for the expanded lottery program.

EXPANDED LOTTERY SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 699,931	\$ 1,332,363	\$ 1,291,576	\$ 1,342,506	\$ 1,299,923	\$ 1,309,807
Contractual Services	145,831,798	292,686,750	264,543,750	316,808,450	284,216,450	296,695,450
Commodities	22,742	25,000	25,000	25,500	25,500	25,500
Capital Outlay	11,425	22,000	22,000	18,000	18,000	18,000
Subtotal	\$ 146,565,896	\$ 294,066,113	\$ 265,882,326	\$ 318,194,456	\$ 285,559,873	\$ 298,048,757
Aid to Local Units	5,920,954	11,928,000	10,773,000	12,915,000	11,577,000	12,096,000
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 152,486,850	\$ 305,994,113	\$ 276,655,326	\$ 331,109,456	\$ 297,136,873	\$ 310,144,757
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	152,486,850	305,994,113	276,655,326	331,109,456	297,136,873	310,144,757
TOTAL	\$ 152,486,850	\$ 305,994,113	\$ 276,655,326	\$ 331,109,456	\$ 297,136,873	\$ 310,144,757
FTE Positions	11.4	8.1	8.1	8.1	8.1	8.1
Non-FTE Pos.*	5.0	10.4	10.4	10.4	10.4	10.4
TOTAL	16.4	18.5	18.5	18.5	18.5	18.5
*Non-FTE Permanent Unclassified Positions.						

The **agency** requests \$331.1 million for FY 2014, an increase of \$25.1 million, or 8.2 percent, above the agency's revised FY 2013 estimate. The increase is attributable to increased projections for gaming revenue at the gaming facilities. The agency requests 8.1 FTE employees. Starting in FY 2013, the Expanded Lottery program increased the Non-FTE unclassified permanent positions from 5.0 to 10.4.

- **Salaries and Wages:** The agency requests \$1.3 million for salaries and wages, an increase of \$10,143, or 0.8 percent, above the FY 2013 revised estimate. The increase is attributable to fringe benefit expenses.
- **Contractual Services:** The agency requests \$316.8 million for contractual services, an increase of \$24.1 million, or 8.2 percent, above the FY 2013 revised estimate. The majority of the increase is for the facility manager fees. Under the contract, the on-site administrator receives 73.0 percent of all expanded lottery revenue. There is also an increase of \$99,500 in the G-tech computer system fee which tracks casino revenue for the state.
- **Aid to Locals:** The agency estimates \$12.9 million for aid to locals, an increase of \$987,000, or 8.3 percent, above the FY 2013 revised estimate. Under the provisions of SB 66, local cities and counties receive 3.0 percent of ELARF revenue. The increase is based on higher projected casino revenue in FY 2014.

The **Governor** recommends FY 2014 expenditure of \$297.1 million, all from special revenue funds, for the Expanded Lottery program. The recommendation is a reduction of \$34.0 million, or 10.3 percent, below the FY 2014 agency request. The reduction is attributable to adoption of the consensus revenue estimate for the expanded lottery act revenue fund (\$33.9 million) and the reduction of \$42,583 in salaries and wages that were allocated for a vacant funded position. The Governor also recommends 8.1 FTE and 10.4 Non-FTE in the program.

The **Governor** recommends FY 2015 expenditure of \$310.1 million, all from special revenue funds, for the Expanded Lottery program. The recommendation is an increase of \$13.0 million, or 4.4 percent, above the FY 2014 Governor's recommendation. The consensus revenue group for the expanded lottery act revenue fund does not have official estimates for FY 2015; however, using the tentative projections the Governor recommends increasing the funding by \$13.0 million over FY 2014. The Governor also recommends adding \$9,844 all from special revenue funds, for employer contributions to the Kansas Public Employee Retirement System. The recommendation continues to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The Governor recommends 8.1 FTE positions.

C. Regular Lottery

Regular lottery operations are budgeted in this program that continues the historical comparisons for expenditures and staffing for instant tickets, online games and pull-tabs. Expanded lottery operations are identified in another program.

REGULAR LOTTERY SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 3,013,147	\$ 3,036,393	\$ 2,943,442	\$ 3,059,765	\$ 2,962,869	\$ 2,985,898
Contractual Services	12,823,416	14,075,940	14,075,940	14,452,667	14,452,667	14,952,667
Commodities	447,834	579,572	579,572	583,702	583,702	583,702
Capital Outlay	121,929	212,132	212,132	201,099	201,099	201,099
Subtotal	\$ 16,406,326	\$ 17,904,037	\$ 17,811,086	\$ 18,297,233	\$ 18,200,337	\$ 18,723,366
Aid to Local Units	0	0	0	0	0	0
Other Assistance	35,956,619	24,151,871	24,201,889	24,276,389	24,353,257	24,500,000
TOTAL	\$ 52,362,945	\$ 42,055,908	\$ 42,012,975	\$ 42,573,622	\$ 42,553,594	\$ 43,223,366
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	52,362,945	42,055,908	42,012,975	42,573,622	42,553,594	43,223,366
TOTAL	\$ 52,362,945	\$ 42,055,908	\$ 42,012,975	\$ 42,573,622	\$ 42,553,594	\$ 43,223,366
FTE Positions	56.7	48.5	48.5	48.5	48.5	48.5
Non-FTE Pos.*	0.0	3.0	3.0	3.0	3.0	3.0
TOTAL	56.7	51.5	51.5	51.5	51.5	51.5
*Non-FTE Permanent Unclassified Positions.						

The **agency** requests \$42.6 million, all from special revenue funds, for FY 2014. The request is an increase of \$517,714, or 1.2 percent, above the agency's revised FY 2013 budget estimate. The increase is predominantly attributable to printing and on-line vendor commissions (\$373,862). The agency has also increased their reserve in the lottery prize payment fund by \$124,518. The Lottery Prize Payment fund is reserved for those payments which are made directly from the Kansas Lottery offices.

- **Salaries and Wages:** The agency requests \$3.1 million in salaries and wages for the Regular Lottery program, an increase of \$23,727, or 0.8 percent, above the FY 2013 revised estimate. The increase is primarily attributable to employer contributions to the state retirement system (\$25,662) partially offset by some slight increases in the shrinkage rate.
- **Contractual Services:** The agency requests \$14.5 million in contractual services for the Regular Lottery program, an increase of \$376,727, or 2.7 percent, above the FY 2013 revised estimate. The increase is predominantly attributable to increased printing and on-line vendor commissions (\$373,862).
- **Capital Outlay:** The agency requests \$201,099 for capital outlay for the Regular Lottery program, a decrease of \$11,033, or 5.2 percent, below the FY 2013 revised estimate. The decrease is attributable to an alteration in the mix of replacement vehicles. In FY 2013, the agency is replacing five mini-vans and

one sedan. In FY 2014, the agency is not requesting the replacement of the sedan which reduces expenditures by \$15,000; however, the five vans being replaced are estimated to cost \$3,930 more in FY 2014 than FY 2013.

- **Other Assistance:** The agency requests \$24.3 million in other assistance for the Regular Lottery program, an increase of \$124,518, or 0.5 percent, above the FY 2013 revised estimate. The increase is funded by the lottery prize payment fund and is attributable to increased sales projections.

The **Governor** recommends FY 2014 expenditure of \$42.6 million, all from special revenue funds, for the Regular Lottery program. The recommendation is a reduction of \$20,028, or less than 0.1 percent, below the FY 2014 agency request. The reduction is attributable to the reduction of \$96,896 in salaries and wages that were allocated for a vacant funded position partially offset by an increase of \$76,868 to the Lottery Prize Payment Fund to correct a technical error in the budget submission. The Governor also recommends 48.5 FTE and 3.0 Non-FTE in the program.

The **Governor** recommends FY 2015 expenditure of \$43.2 million, all from special revenue funds, for the Regular Lottery program. The recommendation is an increase of \$669,772, or 1.6 percent, above the FY 2014 Governor's recommendation. The increase is attributable to adding \$23,029, all from special revenue funds, for employer contributions to the Kansas Public Employee Retirement System, the addition of \$500,000 for the G-tech on-line vendor fees, and \$146,743 in ticket printing costs. The recommendation continues to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The Governor recommends 48.5 FTE positions and 3.0 Non-FTE positions.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Receipts from the Sale of Lottery Tickets	\$232.3	\$243.6	\$237.5	\$243.0
Receipts transferred to the SGRF	\$72.0	\$72.0	\$72.0	\$72.5
Prize Payments	\$129.9	\$139.8	\$138.9	\$138.8
State Owned Gaming Facility Revenue	\$178.5	\$197.4	\$359.7	\$385.9

KANSAS RACING AND GAMING COMMISSION

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	6,614,024	7,738,308	7,688,249	7,654,315	7,590,381	7,634,574
TOTAL	\$ 6,614,024	\$ 7,738,308	\$ 7,688,249	\$ 7,654,315	\$ 7,590,381	\$ 7,634,574
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 6,614,024	\$ 7,738,308	\$ 7,688,249	\$ 7,654,315	\$ 7,590,381	\$ 7,634,574

Operating Expenditures Percentage Change

State General Fund	--	%	--	%	--	%	--	%	--	%	
All Funds	12.5		17.0		16.2		(1.1)		(1.3)		0.6
FTE Positions	98.0		93.5		93.5		93.5		93.5		93.5
Non-FTE Pos.*	0.0		0.0		0.0		0.0		0.0		0.0
TOTAL	98.0		93.5		93.5		93.5		93.5		93.5

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

Article 15, Section 3b of the Kansas Constitution authorizes the regulation, licensing and taxation of horse and dog racing and parimutuel wagering. The Legislature originally established the Kansas Racing Commission 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.

Racing Operations. The 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 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.

Tribal Gaming Operations. 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. 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.

Assessments from the tribes are paid to the State Gaming Agency to finance its operations. The agency performs all background investigations necessary 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.

MAJOR ISSUES FROM PRIOR YEARS

Decreased Racing Revenues. The agency experienced a general decline in receipts from the parimutuel tax and other revenues from the racing industry. The 2007 Legislature, by appropriations language in Section 10 of Chapter 201 of the 2007 Session Laws of Kansas, authorized the agency to make special assessments against operating race tracks to fund ongoing operations if receipts from parimutuel activities continued to decline or were reduced by the closure of any tracks. Prior to the closing of Wichita Greyhound Park in October 2007, the Commission adopted this funding mechanism to replace revenues for regulatory activities. Specifically, the Commission began requiring the race tracks to reimburse the agency for the costs of assistant animal health officers, stewards, and racing judges per K.S.A. 74-8827 in order to offset the decreasing parimutuel revenue used to finance regulatory activities by the Commission.

Racing Transfers and Fund Balances. One of the historical purposes of Racing Operations was to help fund economic development and other activities. This was facilitated by transfers from the State Racing Fund of moneys in excess of the amount needed for operational expenses associated with the Racing Operations. The last regular payment was in FY 2004 when \$278,160 was transferred to the State Gaming Revenues Fund and ultimately to the State General Fund.

Tribal Gaming Transfers. 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 are due from the tribes later in each fiscal year. As revenues allow, the State General Fund cash advance was 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 Loan and Expanded Lottery Regulation. The Legislature authorized the agency to borrow up to \$5.0 million from the Pooled Money Investment Board (PMIB) for startup costs related to implementing expanded lottery (gaming) before revenues were sufficient to support operational costs. The loan must be repaid with interest when money is available from the expanded lottery receipts. The Governor recommended establishing the Expanded Lottery Act Regulation Program during FY 2008 and this funding provides an initial source of financing for its operations and staff. The PMIB loan has been fully repaid.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates a revised FY 2013 budget totaling \$7,738,308, all from special revenue funds. The revised estimate is an increase of \$395,354, or 5.4 percent, above the approved amount. The revised estimate includes 98.0 FTE positions, a reduction of 4.5 FTE positions below the approved number.

The **Governor** recommends a FY 2013 operating budget of \$7.7 million, all from special revenue funds. The recommendation is a decrease of \$50,059, or 0.6 percent, below the FY 2013 agency request. The decrease is attributable to increasing the agency salaries and wages shrinkage rate to 3.0 percent for all programs. The current shrinkage rate is approximately 2.2 percent. The Governor recommends 93.5 FTE positions, the same as the agency request.

FY 2014 – Budget Year. The **agency** requests a FY 2014 budget totaling \$7.7 million, all from special revenue funds. The request is a decrease of \$83,933, or 1.1 percent, below the agency's FY 2013 revised budget estimate. The request includes 93.5 FTE positions, the same as FY 2013.

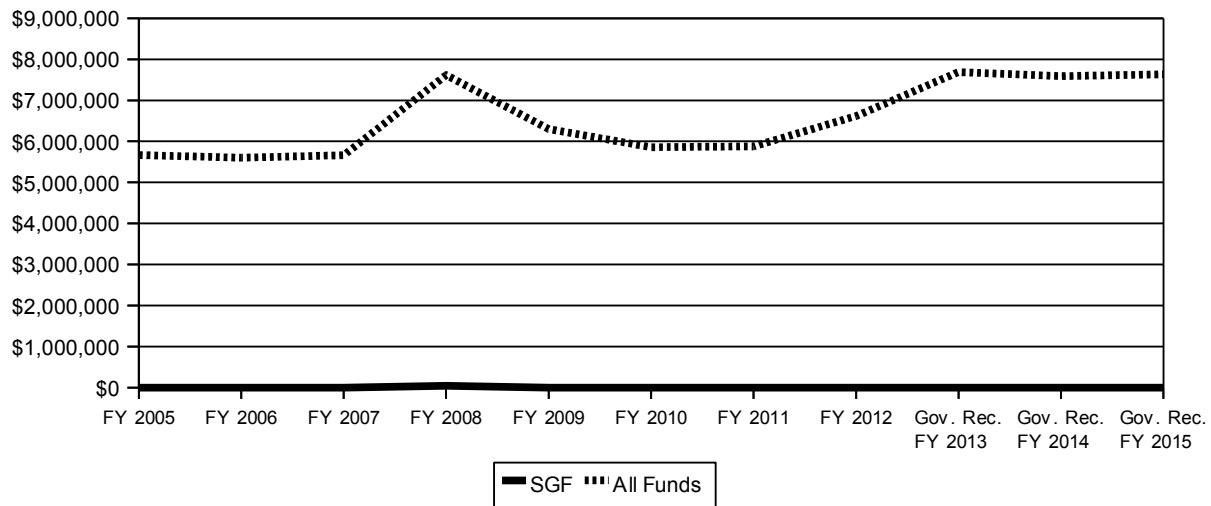
The **Governor** recommends a FY 2014 operating budget of \$7.6 million, all from special revenue funds. The recommendation is a decrease of \$63,934, or 0.8 percent, below the FY 2014 agency request. The decrease is attributable to increasing the agency salaries and wages shrinkage rate to 3.0 percent for all programs (\$57,436). The FY 2014 shrinkage rate is approximately 2.2 percent. The Governor further recommends deleting \$6,498, all from special revenue funds, to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The Governor recommends 93.5 FTE positions, the same as the agency request.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a FY 2015 operating budget of \$7.6 million, all from special revenue funds. The recommendation is an increase of \$44,193, or 0.6 percent, above the FY 2014 Governor's recommendation. The Governor maintains the salaries and wages shrinkage rate at 3.0 percent and reduces the KPERs death and disability employer contribution from the statutory 1.0 to 0.85 percent, the same as FY 2014. The recommendation recommends adding \$44,193, all from special revenue funds, to fund the statutory formula for employer contribution to the Kansas Public Employee Retirement System. The Governor recommends 93.5 FTE positions.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 0	-- %	\$ 5,666,431	%	67.0
2006	0	--	5,602,065	(1.1)	67.0
2007	0	--	5,663,180	1.1	67.0
2008	39,828	--	7,614,951	34.5	73.5
2009	0	(100.0)	6,299,242	(17.3)	80.0
2010	0	--	5,858,720	(7.0)	73.5
2011	0	--	5,877,410	0.3	99.5
2012	0	--	6,614,024	12.5	0.0
2013 Gov. Rec.	0	--	7,688,249	16.2	93.5
2014 Gov. Rec.	0	--	7,590,381	(1.3)	93.5
2015 Gov. Rec.	0	--	7,634,574	0.6	93.5
Eleven-Year Change					
Dollars/Percent	\$ 0	-- %	\$ 1,968,143	34.7 %	26.5

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
Actual 2012									
By Program:									
Tribal Gaming Reg.	\$ 1,528,793	\$ 1,780,143	\$ 1,803,721	\$ 23,578	1.3 %	\$ 1,774,152	\$ 1,795,548	\$ 21,396	1.2 %
Expanded Gaming Reg.	5,084,431	5,954,665	5,847,075	(107,590)	(1.8)	5,910,672	5,791,392	(119,280)	(2.0)
Parimutuel Gaming	800	3,500	3,519	19	0.5	3,425	3,441	16	0.5
TOTAL	\$ 6,614,024	\$ 7,738,308	\$ 7,654,315	\$ (83,993)	(1.1) %	\$ 7,688,249	\$ 7,590,381	\$ (97,868)	(1.3) %
By Major Object of Expenditure:									
Salaries and Wages	\$ 5,163,450	\$ 6,252,036	\$ 6,261,744	\$ 9,708	0.2 %	\$ 6,201,977	\$ 6,197,810	\$ (4,167)	(0.1) %
Contractual Services	983,243	1,152,815	1,106,497	(46,318)	(4.0)	1,152,815	1,106,497	(46,318)	(4.0)
Commodities	103,381	160,955	160,955	0	0.0	160,955	160,955	0	0.0
Capital Outlay	348,472	165,507	118,124	(47,383)	(28.6)	165,507	118,124	(47,383)	(28.6)
Debt Service	10,598	0	0	0	--	0	0	0	--
Subtotal - Operations	\$ 6,609,144	\$ 7,731,313	\$ 7,647,320	\$ (83,993)	(1.1) %	\$ 7,681,254	\$ 7,583,386	\$ (97,868)	(1.3) %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	4,880	6,995	6,995	0	0.0	6,995	6,995	0	0.0
TOTAL	\$ 6,614,024	\$ 7,738,308	\$ 7,654,315	\$ (83,993)	(1.1) %	\$ 7,688,249	\$ 7,590,381	\$ (97,868)	(1.3) %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Tribal Gaming Fund	1,528,793	1,780,143	1,803,721	23,578	1.3	1,774,152	1,795,548	21,396	1.2
Expanded Lottery Regulation Fund	4,785,008	5,545,899	5,470,386	(75,513)	(1.4)	5,510,227	5,423,371	(86,856)	(1.6)
Gaming Background Investigation Fund	299,423	403,766	349,189	(54,577)	(13.5)	395,445	340,521	(54,924)	(13.9)
Illegal Gaming Enforcement Fund	0	5,000	27,500	22,500	450.0	5,000	27,500	22,500	450.0
State Racing Fund	800	3,500	3,519	19	0.5	3,425	3,441	16	0.5
TOTAL	\$ 6,614,024	\$ 7,738,308	\$ 7,654,315	\$ (83,993)	(1.1) %	\$ 7,688,249	\$ 7,590,381	\$ (97,868)	(1.3) %

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Tribal Gaming Reg.	\$ 1,803,721	\$ 1,795,548	\$ 1,806,016	\$ 10,468	0.6 %
Expanded Gaming Reg.	5,847,075	5,791,392	5,825,099	33,707	0.6
Parimutuel Gaming	3,519	3,441	3,459	18	0.5
TOTAL	\$ 7,654,315	\$ 7,590,381	\$ 7,634,574	\$ 44,193	0.6 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 6,261,744	\$ 6,197,810	\$ 6,242,003	\$ 44,193	0.7 %
Contractual Services	1,106,497	1,106,497	1,106,497	0	0.0
Commodities	160,955	160,955	160,955	0	0.0
Capital Outlay	118,124	118,124	118,124	0	0.0
Debt Service	0	0	0	0	--
Subtotal - Operations	\$ 7,647,320	\$ 7,583,386	\$ 7,627,579	\$ 44,193	0.6 %
Aid to Local Units	0	0	0	0	--
Other Assistance	6,995	6,995	6,995	0	0.0
TOTAL	\$ 7,654,315	\$ 7,590,381	\$ 7,634,574	\$ 44,193	0.6 %
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %
Tribal Gaming Fund	1,803,721	1,795,548	1,806,016	10,468	0.6
Expanded Lottery Regulation Fund	5,470,386	5,423,371	5,455,170	31,799	0.6
Gaming Background Investigation Fund	349,189	340,521	342,429	1,908	0.6
Illegal Gaming Enforcement Fund	27,500	27,500	27,500	0	0.0
State Racing Fund	3,519	3,441	3,459	18	0.5
TOTAL	\$ 7,654,315	\$ 7,590,381	\$ 7,634,574	\$ 44,193	0.6 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	7,342,954	7,738,308	395,354	7,688,249	345,295
TOTAL	<u>\$ 7,342,954</u>	<u>\$ 7,738,308</u>	<u>\$ 395,354</u>	<u>\$ 7,688,249</u>	<u>\$ 345,295</u>
FTE Positions	98.0	93.5	(4.5)	93.5	(4.5)

The **agency** estimates a revised FY 2013 budget totaling \$7,738,308, all from special revenue funds. The revised estimate is an increase of \$395,354, or 5.4 percent, above the approved amount. The revised estimate includes 93.5 FTE positions, a reduction of 4.5 FTE positions from the approved number. The 4.5 FTE positions were vacant. Tribal Gaming eliminated 1.0 vacant FTE position and Expanded Gaming eliminated 3.5 vacant FTE positions. The reductions are attributed to better estimates of the necessary workforce to regulate the newly operational casinos. The funding for these positions was lapsed as part of last year's Governor's recommendation.

- **Salaries and Wages:** The agency requests \$6.3 million for salaries and wages, an increase of \$266,165, or 4.4 percent, above the FY 2013 approved budget. The budgeted salaries and wages shrinkage rate for the agency decreased by \$338,204. The agency attributes the reduction to positions being filled as the Northeast and Southcentral casinos were made operational. The reduction in the shrinkage rate is partially offset by a reduction in salaries and wages in Tribal Gaming program of \$121,073, or 8.0 percent, below the approved budget. The reductions are attributable to the elimination of one position and an increase of \$9,389 in budgeted shrinkage.
- **Contractual Services:** The agency requests \$1.2 million for contractual services, an increase of \$102,347, or 9.7 percent, above the FY 2013 approved budget. The increase is attributable to audits, background investigations, employee training and illegal gambling efforts.
- **Commodities:** The agency requests \$160,955 for commodities, an increase \$17,610, or 12.3 percent, above the FY 2013 approved budget. The increase is attributable to a better estimate of full year operational costs at the casinos. The fuel costs are projected to decrease approximately \$7,800 but the cost for tires will increase about \$1,000. The largest single area of increase is in data processing supplies which increased \$27,456. The data processing supplies estimate includes some office supplies and machines for the creation and replacement of security badges for casino and KRGC employees.

- **Capital Outlay:** The agency requests \$165,507 for capital outlay, an increase of \$2,237, or 1.4 percent, above the FY 2013 approved budget. The increase is attributable to software licensing costs.

The **Governor** recommends a FY 2013 operating budget of \$7.7 million, all from special revenue funds. The recommendation is a decrease of \$50,059, or 0.6 percent, below the FY 2013 agency request. The decrease is attributable to increasing the agency salaries and wages shrinkage rate to 3.0 percent for all programs. The current shrinkage rate is approximately 2.2 percent. The Governor recommends 93.5 FTE positions, the same as the agency request.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 7,654,315	\$ 7,590,381	\$	(63,934)
FTE Positions	93.5	93.5		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 0	\$ 0		
All Other Funds	(83,993)	(97,868)		
TOTAL	<u>\$ (83,993)</u>	<u>\$ (97,868)</u>		
<i>Percent Change:</i>				
State General Fund	-- %	0.0 %		
All Other Funds	(1.1)	(1.3)		
TOTAL	<u>(1.1) %</u>	<u>(1.3) %</u>		
Change in FTE Positions	0.0	0.0		

The **agency** requests a FY 2014 budget totaling \$7,654,315, all from special revenue funds. The request is a decrease of \$83,933, or 1.1 percent, below the agency's FY 2013 revised budget estimate. The request includes 93.5 FTE positions, the same as the revised FY 2013 estimate.

- **Salaries and Wages:** The agency requests \$6.3 million for salaries and wages in FY 2014, an increase of \$9,708, or 0.2 percent, above the revised FY 2013 estimated amount. The increase is attributable to increased expenditures for leave payment assessments, state contributions for group health and hospitalization, and state contributions for employee retirements.

- **Contractual Services:** The agency requests \$1.1 million for contractual services in FY 2014, a reduction of \$46,318, or 4.0 percent, below the revised FY 2013 estimated amount. The reduction is attributable to meals and lodging (\$42,800) and air travel (\$13,900). Contractual services expenditures are reducing due to the completed opening of the casinos. The reductions are partially offset by an increase in other contractual service fees (\$7,343).
- **Capital Outlay:** The agency is requesting \$118,124 for capital outlay in FY 2014, a reduction of \$47,383, or 28.6 percent, below the FY 2013 revised agency estimate. The reduction is attributable to one-time expenditures in FY 2013 in the expanded gaming program for computer hardware and software.

The **Governor** recommends a FY 2014 operating budget of \$7.6 million, all from special revenue funds. The recommendation is a decrease of \$63,934, or 0.8 percent, below the FY 2014 agency request. The decrease is attributable to increasing the agency salaries and wages shrinkage rate to 3.0 percent for all programs (\$57,436). The FY 2014 shrinkage rate is approximately 2.2 percent. The Governor further recommends deleting \$6,498, all from special revenue funds, to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The Governor recommends 93.5 FTE positions, the same as the agency request.

Enhancements Detail

The **agency** did not have any enhancement requests for FY 2014.

FY 2014 Reduced Resources

The **agency** did not submit a reduced resources plan.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 7,634,574	\$ 44,193
FTE Positions	93.5	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	44,193	
TOTAL	<u>\$ 44,193</u>	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	0.6	
TOTAL	<u>0.6 %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a FY 2015 operating budget of \$7.6 million, all from special revenue funds. The recommendation is an increase of \$44,193, or 0.6 percent, above the FY 2014 Governor's recommendation. The Governor maintains the shrinkage rate at 3.0 percent and reduces the KPERS death and disability employer contribution from the statutory 1.0 to 0.85 percent, the same as FY 2014. The recommendation includes adding \$44,193, all from special revenue funds, to fund the statutory formula for employer contribution to the Kansas Public Employee Retirement System. The Governor recommends 93.5 FTE positions.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$14,800, all from special revenue funds, and FY 2015 longevity payments total \$15,320, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Tribal Gaming Fund	23.6 %	23.7 %
Expanded Gaming Regulation Fund	71.5	71.5
Gaming Background Investigation Fund	4.6	4.5
Illegal Gambling Enforcement Fund	0.4	0.4
State Racing Fund	0.0	0.0
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Tribal Gaming Fee Fund Analysis

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 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 510,713	\$ 401,783	\$ 401,783	\$ 404,516	\$ 410,507
Revenue	1,419,863	1,782,876	1,782,876	1,782,876	1,782,876
Transfers in	450,569	451,500	451,500	451,500	451,500
Total Funds Available	\$ 2,381,145	\$ 2,636,159	\$ 2,636,159	\$ 2,638,892	\$ 2,644,883
Less: Expenditures	1,528,793	1,780,143	1,774,152	1,803,721	1,795,548
Transfers Out	450,569	451,500	451,500	451,500	451,500
Non-Reportable Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 401,783</u>	<u>\$ 404,516</u>	<u>\$ 410,507</u>	<u>\$ 383,671</u>	<u>\$ 397,835</u>
Ending Balance as Percent of Expenditures	26.3%	22.7%	23.1%	21.3%	22.2%

Expanded Lottery Act Regulation Fee Fund Analysis

The Expanded Lottery Act Regulation Fund receives funds from casino regulatory activity. Transfers from the Pooled Money Investment Board (PMIB) loan that provided up to \$5.0 million of start-up money are scheduled to be repaid on or before June 30, 2012. The majority of the loan was repaid during FY 2011.

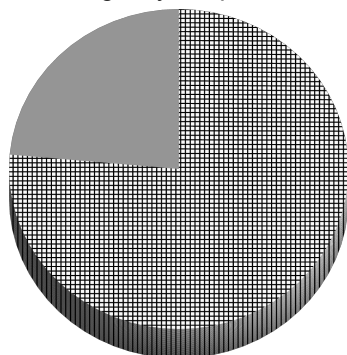
Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 1,163,197	\$ 3,216,640	\$ 3,216,640	\$ 2,716,641	\$ 2,752,313
Revenue	6,930,884	5,045,900	5,045,900	4,970,385	4,970,385
Transfers in	0	0	0	0	0
Total Funds Available	\$ 8,094,081	\$ 8,262,540	\$ 8,262,540	\$ 7,687,026	\$ 7,722,698
Less: Expenditures	4,785,008	5,545,899	5,510,227	5,470,386	5,455,170
Transfers Out	0	0	0	0	0
Non-Reportable Expenditures	92,433	0	0	0	0
Ending Balance	<u>\$ 3,216,640</u>	<u>\$ 2,716,641</u>	<u>\$ 2,752,313</u>	<u>\$ 2,216,640</u>	<u>\$ 2,267,528</u>
Ending Balance as Percent of Expenditures	67.2%	49.0%	49.9%	40.5%	41.6%

PROGRAM DETAIL

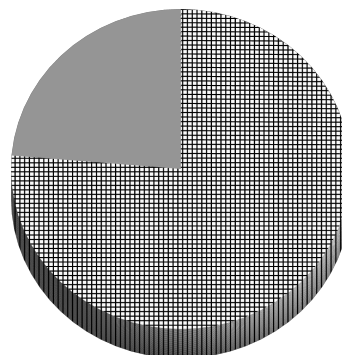
Expenditures by Program

FY 2014 Expenditures

Agency Request



Governor's Recommendation



Tribal Gaming
 Expanded Gaming
 Parimutuel Gaming

Program	Agency Request All Funds FY 2014	Percent of Total	Gov. Rec. All Funds FY 2014	Percent of Total
Tribal Gaming Regulation	\$ 1,803,721	23.6 %	\$ 1,795,548	23.7 %
Expanded Gaming Regulation	5,847,075	76.4	5,791,392	76.3
Parimutuel Gaming Regulation	3,519	0.0	3,441	0.0
TOTAL	\$ 7,654,315	100.0 %	\$ 7,590,381	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Tribal Gaming	24.0	23.0	23.0	23.0	23.0	23.0
Expanded Gaming	74.0	70.5	70.5	70.5	70.5	70.5
Parimutuel Gaming	0.0	0.1	0.1	0.1	0.1	0.1
TOTAL	98.0	93.5	93.5	93.5	93.5	93.5

A. Tribal Gaming

This program provides oversight for the four tribal casinos created under individual compacts with the state and reflects the operation of the State Gaming Agency which was created by Executive Order in August 1995 to fulfill the duties set forth in the four compacts to enforce the provisions of the Tribal Gaming Oversight Act in KSA 74-9801 *et seq.*

TRIBAL GAMING SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,145,300	\$ 1,396,016	\$ 1,390,025	\$ 1,419,594	\$ 1,411,421	\$ 1,421,889
Contractual Services	243,004	298,079	298,079	298,079	298,079	298,079
Commodities	27,312	42,845	42,845	42,845	42,845	42,845
Capital Outlay	113,177	43,203	43,203	43,203	43,203	43,203
Subtotal	\$ 1,528,793	\$ 1,780,143	\$ 1,774,152	\$ 1,803,721	\$ 1,795,548	\$ 1,806,016
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 1,528,793	\$ 1,780,143	\$ 1,774,152	\$ 1,803,721	\$ 1,795,548	\$ 1,806,016
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,528,793	1,780,143	1,774,152	1,803,721	1,795,548	1,806,016
TOTAL	\$ 1,528,793	\$ 1,780,143	\$ 1,774,152	\$ 1,803,721	\$ 1,795,548	\$ 1,806,016
FTE Positions	24.0	23.0	23.0	23.0	23.0	23.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	24.0	23.0	23.0	23.0	23.0	23.0

*Non-FTE Permanent Unclassified Positions

The **agency** requests a FY 2014 operating budget totaling \$1.8 million, an increase of \$23,578, or 1.7 percent, above the FY 2013 revised estimate. The increase is attributable to state contributions for group health insurance and KPERS retirement. The agency requests 23.0 FTE positions.

The **Governor** recommends a FY 2014 operating budget totaling \$1.8 million, a reduction of \$8,173, or 0.5 percent, below the FY 2014 agency request. The reduction is attributable to increasing the salaries and wages shrinkage rate to 3.0 percent and reducing the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2013.

The **Governor** recommends a FY 2015 operating budget totaling \$1.8 million, an increase of \$10,468, or 0.6 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation maintains the salaries and wages shrinkage rate at 3.0 percent and reduces the KPERS death and disability employer contribution from the statutory 1.0 to 0.85 percent, the same as FY 2014.

B. Expanded Gaming Regulation

This program provides oversight for the gaming authorized under the Expanded Lottery Act in Chapter 110 of the 2007 Session Laws of Kansas. The Racing and Gaming Commission is assigned responsibility for regulating gaming operations at parimutuel race tracks and at state owned casinos.

EXPANDED GAMING REGULATION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 4,018,150	\$ 4,853,520	\$ 4,809,527	\$ 4,839,631	\$ 4,783,948	\$ 4,817,655
Contractual Services	739,529	853,736	853,736	807,418	807,418	807,418
Commodities	75,979	118,110	118,110	118,110	118,110	118,110
Capital Outlay	235,295	122,304	122,304	74,921	74,921	74,921
Debt Service	10,598	0	0	0	0	0
Subtotal	\$ 5,079,551	\$ 5,947,670	\$ 5,903,677	\$ 5,840,080	\$ 5,784,397	\$ 5,818,104
Aid to Local Units	0	0	0	0	0	0
Other Assistance	4,880	6,995	6,995	6,995	6,995	6,995
TOTAL	\$ 5,084,431	\$ 5,954,665	\$ 5,910,672	\$ 5,847,075	\$ 5,791,392	\$ 5,825,099
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	5,084,431	5,954,665	5,910,672	5,847,075	5,791,392	5,825,099
TOTAL	\$ 5,084,431	\$ 5,954,665	\$ 5,910,672	\$ 5,847,075	\$ 5,791,392	\$ 5,825,099
FTE Positions	74.0	70.5	70.5	70.5	70.5	70.5
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	74.0	70.5	70.5	70.5	70.5	70.5

*Non-FTE Permanent Unclassified Positions

The **agency** requests a FY 2014 operating budget totaling \$5.9 million, an decrease of \$107,590, or 1.8 percent, below the FY 2013 revised estimate. The request would be entirely funded by special revenue funds. The decrease includes the following:

Salaries and Wages: The agency requests \$4.9 million for salaries and wages in FY 2014, a decrease of \$13,889, or 0.3 percent, below the FY 2013 revised estimate. The agency eliminated 3.0 vacant FTE positions in FY 2013. The reduction in FY 2014 is attributable to accounting for a full year of those positions being vacant.

Contractual Services: The agency requests \$807,418 for contractual services in FY 2014, a decrease of \$46,318, or 5.4 percent, below the FY 2013 revised estimate. The decrease is attributable to a reduction in fees paid for background investigations. In FY 2013 a large number of background investigations were requested to review the staff at the Hollywood and Kansas Star casinos.

The **Governor** recommends a FY 2014 operating budget totaling \$5.8 million, a reduction of \$55,683, or 1.0 percent, below the FY 2014 agency request. The reduction is attributable to increasing the salaries and wages shrinkage rate to 3.0 percent and reducing the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2013.

The **Governor** recommends a FY 2015 operating budget totaling \$5.8 million, an increase of \$33,707, or 0.6 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System. The recommendation maintains the salaries and wages shrinkage rate at 3.0 percent and reduces the KPERS death and disability employer contribution from the statutory 1.0 to 0.85 percent, the same as FY 2014.

C. Racing Regulation

This program provides oversight for the parimutuel racing industry and the race tracks. The Racing and Gaming Commission is the legal authority for regulation and staff in this program carry out the Commission's policies and procedures. Beginning the last quarter of FY 2007, the Commission began requiring the race tracks to reimburse the agency for the costs of assistant animal health officers, stewards, and racing judges. This action was taken as allowed by K.S.A. 74-8827 in order to offset the decreasing parimutuel revenue used to finance regulatory activities of the Commission.

RACING REGULATION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 0	\$ 2,500	\$ 2,425	\$ 2,519	\$ 2,441	\$ 2,459
Contractual Services	710	1,000	1,000	1,000	1,000	1,000
Commodities	90	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 800	3,500	3,425	3,519	3,441	3,459
Aid to Local Units	0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 800	3,500	3,425	3,519	3,441	3,459
Financing:						
State General Fund	\$ 0	0	0	0	0	0
All Other Funds	800	\$ 3,500	\$ 3,425	\$ 3,519	\$ 3,441	\$ 3,459
TOTAL	\$ 800	3,500	3,425	3,519	3,441	3,459
FTE Positions	0.0	0.1	0.1	0.1	0.1	0.1
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.0	0.1	0.1	0.1	0.1	0.1

*Non-FTE Permanent Unclassified Positions

No race track facilities are operating currently. The expenses for the racing regulation program are to support the Kansas Bred Registry Program through which some owners may register their horses for use in pari-mutuel racing. All funding for the program is supported by the state racing fund which is currently being funded by horse registration fees.

The **Governor** recommends a FY 2014 operating budget totaling \$3,441, a reduction of \$78, or 2.2 percent, below the FY 2014 agency request. The reduction is attributable to reducing the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2013.

The **Governor** recommends a FY 2015 operating budget totaling \$3,459, an increase of \$18, or 0.5 percent, above the FY 2014 Governor's recommendation. The increase is attributable to employer contributions to the Kansas Public Employee Retirement System.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Slot Machine Inspections:				
Tribal Gaming Regulation Program	650	625	650	650
Expanded Gaming Regulation Program	4,000	7,190	4,500	1,500
Number of background investigations completed:				
Tribal Gaming Regulation Program	550	503	550	550
Expanded Gaming Regulation Program	715	1,209	1,215	315

KANSAS DEPARTMENT OF REVENUE

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 16,027,866	\$ 16,091,541	\$ 16,091,541	\$ 16,113,448	\$ 14,489,641	\$ 14,597,812
Other Funds	90,685,212	86,828,665	86,828,665	82,894,209	82,852,405	82,191,864
TOTAL	\$ 106,713,078	\$ 102,920,206	\$ 102,920,206	\$ 99,007,657	\$ 97,342,046	\$ 96,789,676
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 106,713,078	\$ 102,920,206	\$ 102,920,206	\$ 99,007,657	\$ 97,342,046	\$ 96,789,676

Operating Expenditures Percentage Change

State General Fund	(0.8) %	0.4 %	0.4 %	0.1 %	(10.0) %	(0.7) %
All Funds	(2.8)	(3.6)	(3.6)	(3.8)	(5.4)	(0.6)
FTE Positions	1,046.0	994.0	994.0	994.0	994.0	994.0
Non-FTE Pos.*	13.0	14.0	14.0	14.0	14.0	14.0
TOTAL	1,059.0	1,008.0	1,008.0	1,008.0	1,008.0	1,008.0

*Non-FTE Permanent Unclassified Positions

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; and
- 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 **2003 Legislature** maintained staffing of 1,196.0 FTE positions, including 75.0 FTE positions dedicated to enhancing tax collections and 38.0 FTE positions for the Alcoholic Beverage Control (ABC) Division to remain in the agency. The Governor had proposed moving the ABC unit to the Highway Patrol, but the Legislature did not concur with the Governor's recommendation. The Legislature concurred with the Governor's recommendation to raise user fees for drivers licenses and motor vehicle registration in order to reduce financing from the State General Fund (SGF) in FY 2004 and to replace some of the financing with fee funds. A high shrinkage rate for the agency required a large number of positions to be held vacant for extended periods of time. In order to give the agency additional flexibility in FY 2004, the Legislature agreed to authorize by proviso new authority for use of fee fund money. Provisos were added to the Division of Vehicles (DOV) Operating Fund, the Electronic Databases Fee Fund, the Vehicle Information Processing System and Computer Assisted Mass Appraisal (VIPS/CAMA) Hardware Technology Fund, and the Photo Fee Fund. The Vehicle Information Processing System (VIPS) preliminary replacement study was authorized by the 2003 Legislature with \$50,000 approved for consultant services in FY 2004.

The **2004 Legislature** authorized the shift of financing to more reliance on non-SGF sources. Less than one-fourth of the agency's budget was financed by the SGF in FY 2005. High shrinkage rate was maintained for the agency and a large number of positions are required to be held vacant for extended periods of time. The provisos allowing flexibility in spending from fee funds were continued in FY 2005. The Legislature also continued funding the Computer Assisted Mass Appraisal (CAMA) replacement project that began in FY 1999 with a \$250,000 design study. More recently, the CAMA project had been on hold while a change in vendor took place. A new contract was signed on October 6, 2003, and a recasted project was reviewed by the Joint Committee on Information Technology at its December 3, 2003 meeting. The Executive Branch's Chief Information Technology Officer (CITO) approved the recasted project on December 17, 2003. Funding approved by the 2004 Legislature included \$2,150,322 in FY 2004 and \$564,000 in FY 2005. FY 2006 estimated expenditures were \$210,834 for total costs of \$2,925,156 to pay for the new software and pilot implementation in 10 test counties.

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 is \$20.5 million, a reduction of \$14.3 million since FY 2002.

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 estimates 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 increases vehicles registration fees by \$4 over the next four 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$102,920,206, including \$16,091,541 from the State General Fund. The estimate is an all funds increase of \$7,190,260, or 7.5 percent. The State General Fund estimate of \$16,091,541 is the same amount approved by the 2012 Legislature. The all funds increase is partially attributable to a revised estimate of the Division of Vehicles Modernization Fund which is used to support the Division of Vehicles Modernization Fund. The agency also saw a decrease in commodities.

The **Governor** concurs with the agency's estimate for FY 2013.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$99,007,657, including \$16,113,448 from the State General Fund. The request is an all funds decrease of \$3,912,549, or 3.8 percent, and a State General Fund increase of \$21,907, or 0.1 percent, above the agency's FY 2013 revised estimate. The all funds decrease is largely attributable to a decrease in the Division of Vehicles Modernization Fund.

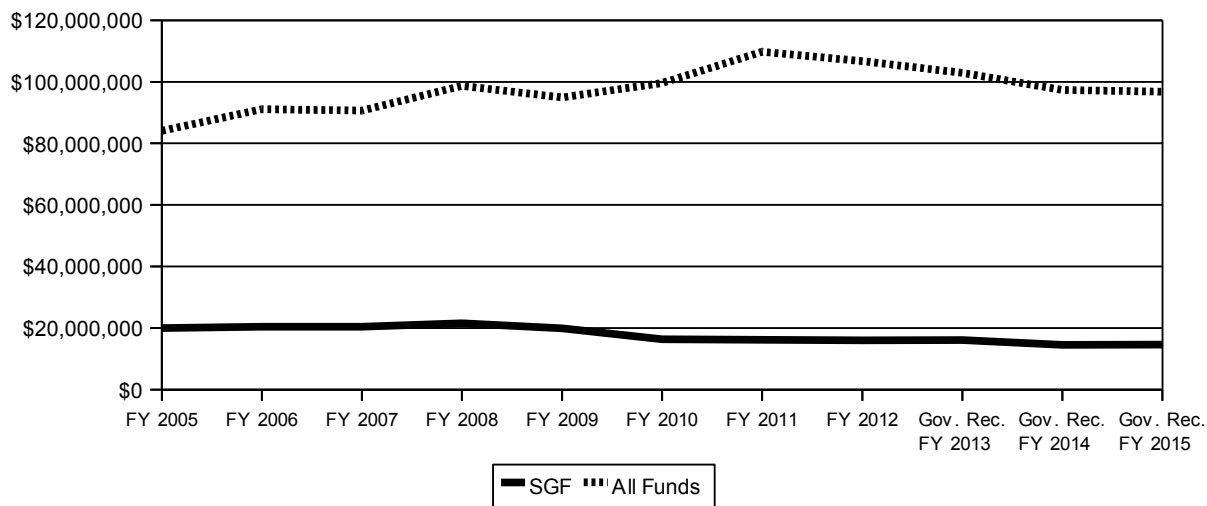
The **Governor** recommends FY 2014 operating expenditures of \$97,342,046, including \$14,489,641 from the State General Fund. The recommendation is an all funds decrease of \$1,665,611, or 1.7 percent, and a State General Fund decrease of \$1,623,807, or 10.1 percent, below the agency's FY 2014 request. The decrease is largely attributable to a 10.0 percent State General Fund reduction for shrinkage. Also included in the decrease is the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$96,789,676, including \$14,597,812 from the State General Fund. The recommendation is an all funds decrease of \$552,370, or 0.6 percent, the Governor's FY 2014 recommendation and a State General Fund increase of \$108,171, or 0.7 percent, above the Governor's FY 2014 recommendation.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 19,961,670	2.4 %	\$ 84,081,205	5.0 %	1,196.0
2006	20,425,436	2.3	91,098,325	8.3	1,146.0
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 Gov. Rec.	16,091,541	0.4	102,920,206	(3.6)	994.0
2014 Gov. Rec.	14,489,641	(10.0)	97,342,046	(5.4)	994.0
2015 Gov. Rec.	14,597,812	0.7	96,789,676	(0.6)	994.0
Eleven-Year Change					
Dollars/Percent	\$ (5,363,858)	(26.9)%	\$ 12,708,471	15.1 %	(202.0)

Summary of Operating Budget FY 2012 - FY 2014

Kansas Department of Revenue

		Agency Request					Governor's Recommendation			
		Actual 2012	Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:										
Administration	\$	43,843,825	\$ 38,405,253	\$ 33,473,525	\$ (4,931,728)	(12.8) %	\$ 38,405,253	\$ 33,454,289	\$ (4,950,964)	(12.9)%
Aid to Locals		10,163,647	8,934,725	8,954,725	20,000	0.2	8,934,725	8,954,725	20,000	0.2
ABC		2,980,029	2,888,556	2,876,607	(11,949)	(0.4)	2,888,556	2,874,089	(14,467)	(0.5)
Tax Administration		26,136,559	26,208,245	26,506,068	297,823	1.1	26,208,245	24,877,004	(1,331,241)	(5.1)
Property Valuation		4,226,172	5,039,220	5,039,104	(116)	(0.0)	5,039,220	5,035,593	(3,627)	(0.1)
Div. Of Motor Vehicles		19,362,846	21,444,207	22,157,628	713,421	3.3	21,444,207	22,146,346	702,139	3.3
TOTAL	\$	106,713,078	\$ 102,920,206	\$ 99,007,657	\$ (3,912,549)	(3.8) %	\$ 102,920,206	\$ 97,342,046	\$ (5,578,160)	(5.4)%
By Major Object of Expenditure:										
Salaries and Wages	\$	56,243,542	\$ 54,006,811	\$ 53,676,076	\$ (330,735)	(0.6) %	\$ 54,006,811	\$ 52,010,465	\$ (1,996,346)	(3.7)%
Contractual Services		32,692,615	31,329,479	27,542,442	(3,787,037)	(12.1)	31,329,479	27,542,442	(3,787,037)	(12.1)
Commodities		2,296,859	3,922,276	4,081,086	158,810	4.0	3,922,276	4,081,086	158,810	4.0
Capital Outlay		1,219,081	528,361	511,209	(17,152)	(3.2)	528,361	511,209	(17,152)	(3.2)
Subtotal - Operations	\$	92,452,097	\$ 89,786,927	\$ 85,810,813	\$ (3,976,114)	(4.4) %	\$ 89,786,927	\$ 84,145,202	\$ (5,641,725)	(6.3)%
Aid to Local Units		10,169,897	8,974,725	8,994,725	20,000	0.2	8,974,725	8,994,725	20,000	0.2
Other Assistance		4,091,084	4,158,554	4,202,119	43,565	1.0	4,158,554	4,202,119	43,565	1.0
TOTAL	\$	106,713,078	\$ 102,920,206	\$ 99,007,657	\$ (3,912,549)	(3.8) %	\$ 102,920,206	\$ 97,342,046	\$ (5,578,160)	(5.4)%
Financing:										
State General Fund	\$	16,027,866	\$ 16,091,541	\$ 16,113,448	\$ 21,907	0.1 %	\$ 16,091,541	\$ 14,489,641	\$ (1,601,900)	(10.0)%
Division of Vehicles Operating Fund		46,427,205	48,139,472	47,419,177	(720,295)	(1.5)	48,139,472	47,385,713	(753,759)	(1.6)
Division of Vehicles Modernization Fund		12,589,483	6,863,667	2,298,132	(4,565,535)	(66.5)	6,863,667	2,298,132	(4,565,535)	(66.5)
All Other Funds		31,668,524	31,825,526	33,176,900	1,351,374	4.2	31,825,526	33,168,560	1,343,034	4.2
TOTAL	\$	106,713,078	\$ 102,920,206	\$ 99,007,657	\$ (3,912,549)	(3.8) %	\$ 102,920,206	\$ 97,342,046	\$ (5,578,160)	(5.4)%

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 33,473,525	\$ 33,454,289	\$ 32,624,021	\$ (830,268)	(2.5)%
Aid to Locals	8,954,725	8,954,725	8,954,725	0	0.0
ABC	2,876,607	2,874,089	2,897,016	22,927	0.8
Tax Administration	26,506,068	24,877,004	25,022,612	145,608	0.6
Property Valuation	5,039,104	5,035,593	5,060,593	25,000	0.5
Div. Of Motor Vehicles	22,157,628	22,146,346	22,230,709	84,363	0.4
TOTAL	\$ 99,007,657	\$ 97,342,046	\$ 96,789,676	\$ (552,370)	(0.6)%
By Major Object of Expenditure:					
Salaries and Wages	\$ 53,676,076	\$ 52,010,465	\$ 52,435,818	\$ 425,353	0.8 %
Contractual Services	27,542,442	27,542,442	26,564,719	(977,723)	(3.5)
Commodities	4,081,086	4,081,086	4,081,086	0	0.0
Capital Outlay	511,209	511,209	511,209	0	0.0
Subtotal - Operations	\$ 85,810,813	\$ 84,145,202	\$ 83,592,832	\$ (552,370)	(0.7)%
Aid to Local Units	8,994,725	8,994,725	8,994,725	0	0.0
Other Assistance	4,202,119	4,202,119	4,202,119	0	0.0
TOTAL	\$ 99,007,657	\$ 97,342,046	\$ 96,789,676	\$ (552,370)	(0.6)%
Financing:					
State General Fund	\$ 16,113,448	\$ 14,489,641	\$ 14,597,812	\$ 108,171	0.7 %
Division of Vehicles Operating Fund	47,419,177	47,385,713	47,643,302	257,589	0.5
Division of Vehicles Modernization Fund	2,298,132	2,298,132	1,320,409	(977,723)	(42.5)
All Other Funds	33,176,900	33,168,560	33,228,153	59,593	0.2
TOTAL	\$ 99,007,657	\$ 97,342,046	\$ 96,789,676	\$ (552,370)	(0.6)%

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$16,057,451 for the Kansas Department of Revenue in FY 2013. 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 \$32,413, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013; and
- An increase of \$1,677, all from the State General Fund, as the result of the 2012 Legislature's approved undermarket pay distributed by the State Finance Council.

These adjustments change the FY 2013 approved State General Fund to \$16,091,541. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 16,091,541	\$ 16,091,541	\$ 0	\$ 16,091,541	\$ 0
All Other Funds	79,638,405	86,828,665	7,190,260	86,828,665	7,190,260
TOTAL	<u>\$ 95,729,946</u>	<u>\$ 102,920,206</u>	<u>\$ 7,190,260</u>	<u>\$ 102,920,206</u>	<u>\$ 7,190,260</u>
FTE Positions	994.0	994.0	0.0	994.0	0.0

The **agency** estimates FY 2013 operating expenditures of \$102,920,206, including \$16,091,541 from the State General Fund. The estimate is an all funds increase of \$7,190,260, or 7.5 percent, above the amount approved by the 2012 Legislature. The all funds increase is partially attributable to a revised estimate of the Division of Vehicles Modernization Fund which is used to support the Division of Vehicles Modernization Fund. Additionally, the agency revised estimates in several special revenue funds including the Division of Vehicles Operating Fund, the County Drug Tax Fund and the Electronic Databases Fund.

The major adjustments to the agency's FY 2013 revised estimate include:

- An increase of \$6,863,667 in expenditures from the Division of Vehicles Modernization Fund.

The Division of Vehicles Modernization Fund, which was created by the 2008 Legislature, is funded through a \$4 surcharge on vehicle registration and is a multi-year project designed to integrate the three current vehicle systems into one system. Under the project the Vehicle Information Processing System (VIPS), the Kansas Drivers License System (KDLS) and the Kansas Vehicle Inventory System (KVIS) will be merged into one system.

- An increase of \$1,212,367 in expenditures from the Division of Vehicles Operating 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 are made in quarterly transfers under annual appropriation acts.

- An increase of \$167,257 in expenditures from the County Drug Tax Fund.

The County Drug Tax Fund is funded through proceeds received in connection with the seizure of unstamped marijuana and other controlled substances. The estimates for this fund are volatile and are dependent on the amount of drug activity conducted, detected and the amount of property forfeited.

- An increase of \$190,568 in expenditures from the Electronic Databases Fee Fund.

The Electronic Databases Fee Fund is funded through fees assessed on the request for data constituting public records in the vehicle information processing system (VIPS), the Kansas computer assisted mass appraisal system (CAMA) and other electronic database systems of the Department of Revenue.

The **agency's** FY 2013 revised estimate increased expenditures in salaries and wages, contractual services, capital outlay, aid to local units and other assistance; however, the agency did estimate a decline in commodities for FY 2013.

- **Salaries and Wages.** The estimate includes \$54,006,811, including \$14,080,702 from the State General Fund. The estimate includes funding for 994.0 FTE positions. The estimate is an all funds increase of \$1,162,672, or 2.2 percent, and a State General Fund increase of 407,517, or 3.0 percent, above the amount approved by the 2012 Legislature.
- **Contractual Services.** The estimate includes \$31,329,479, including \$1,626,468 from the State General Fund. The estimate is an all funds increase of \$5,804,656, or 22.7 percent, and a State General Fund decrease of \$250,973, or 13.4 percent, below the amount approved by the 2012 Legislature. The increase is largely attributable to a revised estimate of the Division of Vehicles Modernization Fund.
- **Commodities.** The estimate includes \$3,922,276, including \$326,691 from the State General Fund. The estimate is an all funds decrease of \$476,446, or 10.8 percent, and a State General Fund decrease of 180,134, or 35.5 percent, below

the amount approved by the 2012 Legislature. The major expenditures in this area include office supplies, stationary, legal research resources, and fuel.

- **Capital Outlay.** The estimate includes \$528,361, including \$2,240 from the State General Fund. The estimate is an all funds increase of \$52,557, or 11.0 percent, and a State General Fund increase of \$2,240 above the amount approved by the 2012 Legislature.
- **Aid to Locals.** The estimate includes \$8,974,725, all from special revenue funds, and the estimate is an all funds increase of \$222,357, or 2.5 percent, above the amount approved by the 2012 Legislature. The increase is a result of revised estimates of several special revenue funds that are distributed to local units of governments. The funds include the County Drug Tax Fund, the Oil and Gas Valuation Depletion Trust Fund, the County Treasurer Vehicle Licensing Fee Fund, and the Sand Royalty Fee Fund.
- **Other Assistance.** The estimate includes \$4,158,554, including \$55,440 from the State General Fund. The estimate is an all funds increase of 458,554, or 12.4, and a State General Fund increase of \$55,440. The increase is attributable to the agency reimbursing county treasurer's for additional costs related to delays associated with the Division of Motor Vehicles Modernization Project.

The **Governor** concurs with the agency's FY 2013 estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 99,007,657	\$ 97,342,046	\$ (1,665,611)
FTE Positions	994.0	994.0	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
State General Fund	\$ 21,907	\$ (1,601,900)	
All Other Funds	(3,934,456)	(3,976,260)	
TOTAL	<u><u>\$ (3,912,549)</u></u>	<u><u>\$ (5,578,160)</u></u>	
<i>Percent Change:</i>			
State General Fund	0.1 %	(10.0) %	
All Other Funds	(4.5)	(4.6)	
TOTAL	<u><u>(3.8) %</u></u>	<u><u>(5.4) %</u></u>	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2014 operating expenditures of \$99,007,657, including \$16,113,448 from the State General Fund. The request is an all funds decrease of \$3,912,549, or 3.8 percent, and a State General Fund increase of \$21,907, or 0.1 percent, from the agency's FY 2013 revised estimate. The all funds decrease is largely attributable to a decrease in the Division of Vehicles Modernization Fund. Additionally, the agency revised estimates to the Photo Fee Fund, the Division of Vehicles Operating Fund, and the Electronic Databases Fee Fund.

- **Salaries and Wages.** The request includes \$53,676,076 including \$13,951,390 from the State General Fund. The request includes funding for 994.0 FTE positions. The estimate is an all funds decrease of \$330,735, or 0.6 percent, and a State General Fund decrease of \$129,312, or 0.9 percent, below the agency's FY 2013 revised estimate.
- **Contractual Services.** The request includes \$27,542,442, including \$1,734,345 from the State General Fund. The request is an all funds decrease of \$3,787,037, or 12.1 percent, and a State General Fund increase of \$107,877, or 6.6 percent, above the agency's FY 2013 revised estimate. The decrease is attributable to a revised estimate of the Division of Vehicles Modernization Fund
- **Commodities.** The request includes \$4,081,086, including \$365,055 from the State General Fund. The request is an all funds increase of \$158,810, or 4.0

percent, and a State General Fund increase of \$38,364, or 11.7 percent, above the agency's FY 2013 revised estimate. The increase is attributable to a revised estimate of the Division of Vehicles Operating Fund.

- **Capital Outlay.** The request includes \$511,209, including \$1,950 from the State General Fund. The request is an all funds decrease of \$17,152, or 3.2 percent, and a State General Fund decrease of \$290, or 12.9 percent, below the agency's FY 2013 revised estimate.
- **Aid to Locals.** The request includes \$8,994,725, all from special revenue funds, and the request is an all funds increase of \$20,000, or 0.2 percent, above the agency's FY 2013 revised estimate. The increase is a result of a revised estimate of the County Drug Tax Fund.
- **Other Assistance.** The request includes \$4,202,119, including \$60,708 from the State General Fund. The request is an all funds increase of 99,005, or 2.4 percent, and a State General Fund increase of \$5,268, or 9.5 percent, above the agency's FY 2013 revised estimate. The increase is attributable to the agency reimbursing county treasurer's for additional costs related to delays associated with the Division of Motor Vehicles Modernization Project.

The **Governor** recommends FY 2014 operating expenditures of \$97,342,046, including \$14,489,641 from the State General Fund. The recommendation is an all funds decrease of \$1,665,611, or 1.7 percent, and a State General Fund decrease of \$1,623,807, or 10.1 percent, below the agency's FY 2014 request.

The decrease is mostly attributable to increasing shrinkage in the Tax Operations Program from 5.2 percent to 13.1 percent. The proposal would increase the agency's total shrinkage rate from 7.3 percent to 10.1 percent in FY 2014. The agency has indicated that although the increased shrinkage rate is being applied in the Tax Program, it would increase shrinkage across all programs.

The Governor's recommendation includes a decrease of \$54,439, including \$12,635 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The **agency** did not have any enhancement requests for FY 2014.

FY 2014 Reduced Resources

FY 2014 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Shrinkage Reduction	\$ (1,611,172)	\$ (1,611,172)	0.0	\$ (1,611,172)	\$ (1,611,172)	0.0

The **agency** submits reduced resources of \$1,611,172, all from the State General Fund. The savings would be achieved through increased salaries and wages shrinkage in the customer relations bureau. The agency has indicated that any further reductions in staff within the bureau would result in an increased backlog of cases, a reduction in customer services and responses to inquiries. The agency has indicated a decrease in salary funding of \$1,611,172 would require an additional 28-32 positions to be held vacant and based on the average revenue generated per FTE the potential would exist for forgone revenues to exceed \$200.0 million.

The **Governor** recommends the agency's reduced resources.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 96,789,676	\$ (552,370)
FTE Positions	994.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 108,171	
All Other Funds	(660,541)	
TOTAL	<u>\$ (552,370)</u>	
<i>Percent Change:</i>		
State General Fund	0.7 %	
All Other Funds	(0.8)	
TOTAL	<u>(0.6) %</u>	
Change in FTE Positions	0.0	

There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$96,789,676 including \$14,597,812 from the State General Fund. The recommendation is an all funds decrease of decrease of \$552,370, or 0.6 percent, and a State General Fund increase of \$108,171, or 0.7 percent, below the Governor's FY 2014 recommendation.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$456,720, including \$123,654 from the State General Fund, and FY 2015 longevity payments total \$469,800, including \$127,395 from the State General Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	16.3 %	14.9 %
Division of Vehicles Operating Fund	47.9	48.7
Division of Vehicles Modernization Fund	2.3	2.4
All Other Funds	33.5	34.1
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Fee Fund Analysis

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 Photo Fee Fund, the Electronic Databases Fee Fund, and the Vehicle Information Processing System (VIPS)/Computer Assisted Mass Appraisal (CAMA) Technology Hardware Fund. Authority in Session Laws was added for expenditures to pay for costs of administration and operation of the Department of Revenue and of the indirect costs of operations in support of these activities in the Department of Revenue.

Division of Vehicles Operating 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 are made in quarterly transfers under annual appropriation acts.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 231,344	\$ 1,278,467	\$ 1,278,467	\$ 129,535	\$ 129,535
Revenue	1,920,432	1,887,709	1,887,709	1,887,709	1,887,709
Transfers in	45,506,388	45,102,831	45,102,831	45,403,932	45,403,932
Total Funds Available	\$ 47,658,164	\$ 48,269,007	\$ 48,269,007	\$ 47,421,176	\$ 47,421,176
Less: Expenditures	46,427,205	48,139,472	48,139,472	47,419,177	47,385,713
Transfers Out	(47,908)	0	0	0	0
Off Budget Expenditures	400	0	0	0	0
Ending Balance	\$ 1,278,467	\$ 129,535	\$ 129,535	\$ 1,999	\$ 35,463
Ending Balance as Percent of Expenditures	2.8%	0.3%	0.3%	0.0%	0.1%

Photo Fee Fund

The Photo Fee Fund is funded through a \$4 surcharge when obtaining a new drivers license. KSA 8-299 authorizes the Photo Fee Fund and provides that it shall be used "only for the purpose of funding administration and operation, including equipment, associated with the issuance of drivers' licenses and identification cards." The agency uses this fund to provide financing in DOV for the cost of the driver license and identification card hardware and software.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 2,708,435	\$ 1,473,576	\$ 1,473,576	\$ 1,342,209	\$ 1,342,209
Revenue	5,660,075	6,056,000	6,056,000	5,272,000	5,272,000
Transfers in	0	0	0	0	0
Total Funds Available	\$ 8,368,510	\$ 7,529,576	\$ 7,529,576	\$ 6,614,209	\$ 6,614,209
Less: Expenditures	6,898,476	6,187,367	6,187,367	6,608,633	6,607,400
Transfers Out	(3,542)	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 1,473,576</u>	<u>\$ 1,342,209</u>	<u>\$ 1,342,209</u>	<u>\$ 5,576</u>	<u>\$ 6,809</u>
Ending Balance as Percent of Expenditures	21.4%	21.7%	21.7%	0.1%	0.1%

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 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 1,050,824	\$ 2,262,430	\$ 2,262,430	\$ 1,950,626	\$ 1,950,626
Revenue	7,415,433	7,700,000	7,700,000	7,700,000	7,700,000
Transfers in	0	0	0	0	0
Total Funds Available	\$ 8,466,257	\$ 9,962,430	\$ 9,962,430	\$ 9,650,626	\$ 9,650,626
Less: Expenditures	6,203,827	8,011,804	8,011,804	8,972,765	8,968,271
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 2,262,430</u>	<u>\$ 1,950,626</u>	<u>\$ 1,950,626</u>	<u>\$ 677,861</u>	<u>\$ 682,355</u>
Ending Balance as Percent of Expenditures	36.5%	24.3%	24.3%	7.6%	7.6%

VIPS/CAMA Fee Fund

The VIPS/CAMA Fee Fund is funded through a \$3 surcharge on the titling of vehicles. The 2004 Legislature removed the June 30, 2004 sunset date. KSA 74-2021 establishes the VIPS/CAMA Technology Hardware Fund and provides that it shall be used "for the purpose of upgrading the VIPS/CAMA hardware for the state or for the counties."

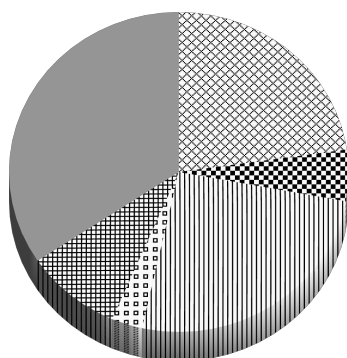
<u>Resource Estimate</u>	<u>Actual FY 2012</u>	<u>Agency Estimate FY 2013</u>	<u>Governor Rec. FY 2013</u>	<u>Agency Request FY 2014</u>	<u>Gov. Rec. FY 2014</u>
Beginning Balance	\$ 395,695	\$ 541,143	\$ 541,143	\$ 277,808	\$ 277,808
Revenue	2,016,372	2,010,000	2,010,000	2,010,000	2,010,000
Transfers in	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Funds Available	\$ 2,412,067	\$ 2,551,143	\$ 2,551,143	\$ 2,287,808	\$ 2,287,808
Less: Expenditures	1,870,924	2,273,335	2,273,335	2,281,628	2,280,537
Transfers Out	0	0	0	0	0
Off Budget Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance	<u>\$ 541,143</u>	<u>\$ 277,808</u>	<u>\$ 277,808</u>	<u>\$ 6,180</u>	<u>\$ 7,271</u>
Ending Balance as Percent of Expenditures	28.9%	12.2%	12.2%	0.3%	0.3%

PROGRAM DETAIL

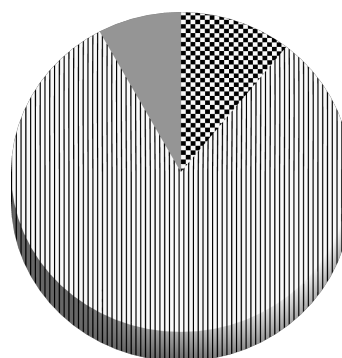
Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



State General Fund



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Administration	\$ 33,454,289	34.4 %	\$ 1,149,755	7.9 %
Aid to Locals	8,954,725	9.2	0	0.0
Alcoholic Beverage Control	2,874,089	3.0	0	0.0
Tax Administration	24,877,004	25.6	11,792,885	81.4
Property Valuation	5,035,593	5.2	1,547,001	10.7
Motor Vehicles	22,146,346	22.8	0	0.0
TOTAL	<u>\$ 97,342,046</u>	<u>100.0 %</u>	<u>\$ 14,489,641</u>	<u>100.0 %</u>

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015						
Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	317.9	285.9	285.9	285.9	285.9	285.9
Aid to Locals	0.0	0.0	0.0	0.0	0.0	0.0
ABC	44.0	51.0	51.0	51.0	51.0	51.0
Tax Administration	378.0	369.0	369.0	369.0	369.0	369.0
Property Valuation	58.0	55.0	55.0	55.0	55.0	55.0
Div. of Motor Vehicles	248.1	233.1	233.1	233.1	233.1	233.1
TOTAL	1,046.0	994.0	994.0	994.0	994.0	994.0

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 20,617,484	\$ 17,958,636	\$ 17,958,636	\$ 17,552,335	\$ 17,533,099	\$ 17,680,554
Contractual Services	21,697,224	19,856,649	19,856,649	15,352,222	15,352,222	14,374,499
Commodities	538,497	453,639	453,639	432,639	432,639	432,639
Capital Outlay	938,794	136,329	136,329	136,329	136,329	136,329
Subtotal	\$ 43,791,999	\$ 38,405,253	\$ 38,405,253	\$ 33,473,525	\$ 33,454,289	\$ 32,624,021
Aid to Local Units	0	0	0	0	0	0
Other Assistance	51,826	0	0	0	0	0
TOTAL	\$ 43,843,825	\$ 38,405,253	\$ 38,405,253	\$ 33,473,525	\$ 33,454,289	\$ 32,624,021
Financing:						
State General Fund	\$ 1,141,865	\$ 1,103,257	\$ 1,103,257	\$ 1,150,445	\$ 1,149,755	\$ 1,154,568
All Other Funds	42,701,960	37,301,996	37,301,996	32,323,080	32,304,534	31,469,453
TOTAL	\$ 43,843,825	\$ 38,405,253	\$ 38,405,253	\$ 33,473,525	\$ 33,454,289	\$ 32,624,021
FTE Positions	317.9	285.9	285.9	285.9	285.9	285.9
Non-FTE Pos.*	7.0	6.0	6.0	6.0	6.0	6.0
TOTAL	324.9	291.9	291.9	291.9	291.9	291.9

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 expenditures of \$33,473,525 including \$1,150,445 from the State General Fund. The request includes the following:

Salaries and Wages. The Division requests \$17,552,335 in salaries and wages, including \$630,391 from the State General Fund. This is an all funds decrease of \$406,301, or 2.3 percent, and a State General Fund increase of \$4,930 or 0.8 percent, from the agency's FY 2013 revised estimate. The all funds decrease is attributable to an increased shrinkage rate.

Contractual Services. The Division requests \$15,352,222 including \$475,256 from the State General Fund. The request is an all funds decrease of \$4,504,427, or 22.7 percent, and a State General Fund increase of \$42,258, or 9.8 percent, from the agency's FY 2013 revised estimate. The all funds decrease is a result of the Division of Vehicles Modernization Project being completed.

Commodities. The Division requests \$432,639, including \$44,798 from the State General Fund. The request is an all funds decrease of \$21,000, or 4.6 percent, below the agency's FY 2013 revised estimate. The State General Fund request remained the same. The decrease is a result of fewer expenditures associated with stationary and office supplies (\$13,000), gasoline (\$3,000) and data processing supplies (\$4,000).

Capital Outlay. The Division requests \$136,329, all from special revenue funds, which is the same as the agency's FY 2013 revised estimate. The **Governor** recommends \$33,454,289, including \$1,149,755 from the State General Fund for the Administration Program. The recommendation is a decrease of \$19,236, or 0.1 percent, and a State General fund decrease of \$690, or 0.1 percent, below the agency's FY 2014 request. The decrease is attributable to the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) statutory death and disability employer contributions from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 operating expenditures of \$32,624,021, a decrease of \$830,268, or 2.5 percent, below the Governor's FY 2014 recommendation. The decrease is due to consulting fees in FY 2014 that were not carried forward into FY 2015 for the Division of Vehicles Modernization Project. The decrease was slightly offset by an increase in salaries and wages of \$147,455, or 0.8 percent. The recommendation is attributable to salaries and wages and an increase in the Kansas Public Employees Retirement System (KPERS) employer contributions.

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	0	0	0	0	0	0
Commodities	0	0	0	0	0	0
Capital Outlay	0	0	0	0	0	0
Subtotal	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aid to Local Units	10,163,647	8,934,725	8,934,725	8,954,725	8,954,725	8,954,725
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 10,163,647	\$ 8,934,725	\$ 8,934,725	\$ 8,954,725	\$ 8,954,725	\$ 8,954,725
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	10,163,647	8,934,725	8,934,725	8,954,725	8,954,725	8,954,725
TOTAL	\$ 10,163,647	\$ 8,934,725	\$ 8,934,725	\$ 8,954,725	\$ 8,954,725	\$ 8,954,725
FTE Positions	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	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
*Non-FTE Permanent Unclassified Positions						

The **Department** requests \$8,954,725, all in aid to local units of government for FY 2014. The request is an all funds increase of \$20,000, or 0.2 percent, above the agency's FY 2013 revised estimate. The amount requested represents the total remitted to local units of government from the four following sources:

- \$32,000 - Sand Royalty Fund. 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 navigable river. Of the royalties collected, 75.0 percent 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.
- \$157,725 - Vehicle Licensing Fund. The Vehicle Licensing Fund is funded through sale of full-privilege license plants to manufacturers and dealers of vehicles.

- \$7,600,000 - Special County Mineral Production Tax Fund. 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 to proportionately to the counties where the production occurred.
- \$85,000 - Oil and Gas Valuation Depletion Trust Fund. 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.
- \$1,080,000 - County Drug Tax Fund. The County Drug Tax Funded 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 the agency's FY 2014 request for Aid to Locals.

For FY 2015, the **Governor** recommends \$8,954,725, the same as the Governor's FY 2014 recommendation.

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 of Social and Rehabilitation Services (SRS) 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.

ALCOHOLIC BEVERAGE CONTROL (ABC) SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 2,693,263	\$ 2,417,164	\$ 2,417,164	\$ 2,441,029	\$ 2,438,511	\$ 2,461,438
Contractual Services	185,147	275,687	275,687	275,487	275,487	275,487
Commodities	72,666	166,193	166,193	147,341	147,341	147,341
Capital Outlay	28,953	29,512	29,512	12,750	12,750	12,750
Subtotal	\$ 2,980,029	\$ 2,888,556	\$ 2,888,556	\$ 2,876,607	\$ 2,874,089	\$ 2,897,016
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 2,980,029	\$ 2,888,556	\$ 2,888,556	\$ 2,876,607	\$ 2,874,089	\$ 2,897,016
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	2,980,029	2,888,556	2,888,556	2,876,607	2,874,089	2,897,016
TOTAL	\$ 2,980,029	\$ 2,888,556	\$ 2,888,556	\$ 2,876,607	\$ 2,874,089	\$ 2,897,016
FTE Positions	44.0	51.0	51.0	51.0	51.0	51.0
Non-FTE Pos.*	1.0	3.0	3.0	3.0	3.0	3.0
TOTAL	45.0	54.0	54.0	54.0	54.0	54.0

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 expenditures of \$2,876,607, all from special revenue funds. The request includes the following:

- **Salaries and Wages.** The Division requests \$2,441,029 all from special revenue funds. The request is an all funds increase of \$23,865, or 1.0 percent, above the agency's FY 2013 revised estimate. There was an increase of \$24,896 in KPERS employer contributions from \$222,414 to \$247,310 for FY 2014.
- **Contractual Services.** The Division requests \$275,487, all from special revenue funds. The request is an all funds decrease of \$200, or 0.1 percent, below the agency's FY 2013 revised estimate.
- **Commodities.** The Division requests \$147,341, all from special revenue funds. The request is an all funds decrease of \$18,852, or 11.3 percent, below the

agency's FY 2013 revised request. The decrease is associated with a decline in expenditures associated with supplies and materials (\$18,852).

- **Capital Outlay.** The Division requests \$12,750, all from special revenue funds. The request is an all funds decrease of \$16,762, or 56.8 percent, below the agency's FY 2013 revised request and is associated with a decline in expenditures associated with portable radio equipment (\$9,762) and computer equipment (\$5,800).

The **Governor** recommends \$2,874,089, all from special revenue funds, for the Alcohol Beverage Control Division. The recommendation is a decrease of \$2,518, or 0.1 percent, below the agency's FY 2014 request. The decrease is attributable to the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) statutory death and disability employer contributions from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 operating expenditures of \$2,897,016, an increase of \$22,927, or 0.8 percent, above the Governor's FY 2014 recommendation. The recommendation is attributable to salaries and wages and an increase in the Kansas Public Employees Retirement System (KPERS) employer contributions.

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 towards 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 2012 – FY 2015**

Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 19,104,775	\$ 18,950,759	\$ 18,950,759	\$ 19,241,351	\$ 17,612,287	\$ 17,757,895
Contractual Services	2,795,259	2,940,620	2,940,620	2,942,010	2,942,010	2,942,010
Commodities	397,324	523,463	523,463	522,125	522,125	522,125
Capital Outlay	11,213	13,740	13,740	13,350	13,350	13,350
Subtotal	\$ 22,308,571	\$ 22,428,582	\$ 22,428,582	\$ 22,718,836	\$ 21,089,772	\$ 21,235,380
Aid to Local Units	0	0	0	0	0	0
Other Assistance	3,827,988	3,779,663	3,779,663	3,787,232	3,787,232	3,787,232
TOTAL	\$ 26,136,559	\$ 26,208,245	\$ 26,208,245	\$ 26,506,068	\$ 24,877,004	\$ 25,022,612
Financing:						
State General Fund	\$ 13,640,656	\$ 13,450,336	\$ 13,450,336	\$ 13,414,565	\$ 11,792,885	\$ 11,886,072
All Other Funds	12,495,903	12,757,909	12,757,909	13,091,503	13,084,119	13,136,540
TOTAL	\$ 26,136,559	\$ 26,208,245	\$ 26,208,245	\$ 26,506,068	\$ 24,877,004	\$ 25,022,612
FTE Positions	378.0	369.0	369.0	369.0	369.0	369.0
Non-FTE Pos.*	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	380.0	371.0	371.0	371.0	371.0	371.0

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 expenditures of \$26,506,068, including \$13,414,565 from the State General Fund. The request is an all funds increase of \$297,823, or 1.1 percent, and a State General Fund decrease of \$35,771, or 0.3 percent from the agency's FY 2013 revised estimate. The request includes the following:

- **Salaries and Wages.** The Division requests \$19,241,351, including \$11,964,002 from the State General Fund. The request is an all funds increase of \$290,592, or 1.5 percent, and a State General Fund decrease of \$421,166, or 1.2 percent, below the agency's FY 2013 revised estimate. The all funds increase in salaries and wages is partially attributable to an increase of \$156,260 in KPERS employer contributions from \$1,395,647 to \$1,523,965 for FY 2014.
- **Contractual Services.** The Division requests \$2,942,010, including \$1,134,350 from the State General Fund. The request is an all funds increase of \$1,390 and a State General Fund increase of \$65,619, or 6.1 percent, above the agency's FY 2013 revised estimate.
- **Commodities.** The Division requests \$522,125, including \$253,555 from the State General Fund. The request is an all funds decrease of \$1,338, or 0.3 percent, and a State General Fund increase of \$38,364, or 17.8 percent, above the agency's FY 2013 revised estimate.
- **Capital Outlay.** The Division requests \$13,350, including \$1,950 from the State General Fund. The request is an all funds decrease of \$390, or 2.8 percent, and a State General Fund decrease of \$290, or 12.9 percent, below the agency's FY 2013 revised estimate.

- **Other Assistance.** The Division requests \$3,787,232, including \$60,708 from the State General Fund. The request is an all funds increase of \$63,009, or 1.7 percent, and a State General Fund increase of \$5,268, or 9.5 percent above the agency's FY 2013 revised request. The increase is attributable to the Voluntary Retirement Incentive Program. Additionally, the expenditures in other assistance are from the Kansas Qualified Agricultural Ethyl Alcohol Producer Incentive Fund and the Kansas Qualified Biodiesel Fuel Producer Incentive Fund. The funds are expended by the agency for the payment of producer incentives for the production of agricultural ethyl alcohol and biodiesel fuel. The Ethyl Alcohol Produce Incentive Fund has been extended through June 30, 2018 and the biodiesel incentive expires on June 30, 2016.

The **Governor** recommends \$24,877,004, including \$11,792,885 from the State General Fund for the Tax Operations Program. The recommendation is a decrease of \$1,629,064, or 6.1 percent, and a State General fund decrease of \$1,621,680, or 12.1 percent, below the agency's FY 2014 request. The decrease is attributable to the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) statutory death and disability employer contributions from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 operating expenditures of \$25,022,612, an increase of \$145,608, or 0.6 percent, above the Governor's FY 2014 recommendation. The recommendation is attributable to salaries and wages and the increase is a result of the Kansas Public Employees Retirement System (KPERs) employer contributions.

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 3,261,538	\$ 3,298,224	\$ 3,298,224	\$ 3,316,472	\$ 3,312,961	\$ 3,337,961
Contractual Services	913,973	1,276,986	1,276,986	1,256,986	1,256,986	1,256,986
Commodities	27,750	73,502	73,502	73,502	73,502	73,502
Capital Outlay	556	333,280	333,280	333,280	333,280	333,280
Subtotal	\$ 4,203,817	\$ 4,981,992	\$ 4,981,992	\$ 4,980,240	\$ 4,976,729	\$ 5,001,729
Aid to Local Units	6,250	40,000	40,000	40,000	40,000	40,000
Other Assistance	16,105	17,228	17,228	18,864	18,864	18,864
TOTAL	\$ 4,226,172	\$ 5,039,220	\$ 5,039,220	\$ 5,039,104	\$ 5,035,593	\$ 5,060,593
Financing:						
State General Fund	\$ 1,245,345	\$ 1,537,948	\$ 1,537,948	\$ 1,548,438	\$ 1,547,001	\$ 1,557,172
All Other Funds	2,980,827	3,501,272	3,501,272	3,490,666	3,488,592	3,503,421
TOTAL	\$ 4,226,172	\$ 5,039,220	\$ 5,039,220	\$ 5,039,104	\$ 5,035,593	\$ 5,060,593
FTE Positions	58.0	55.0	55.0	55.0	55.0	55.0
Non-FTE Pos.*	0.0	1.0	1.0	1.0	1.0	1.0
TOTAL	58.0	56.0	56.0	56.0	56.0	56.0
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 expenditures of \$5,039,104, including \$1,548,438 from the State General Fund. The request is an all funds decrease of \$116, and a State General Fund increase of \$10,490, or 0.7 percent, from the agency's FY 2013 estimate. The request includes the following:

- **Salaries and Wages.** The Division requests \$3,316,472, including \$1,356,997 from the State General Fund. The request is an all funds increase of \$18,248, or 0.6 percent, and a State General Fund increase of \$10,490, or 0.8 percent, above the agency's FY 2013 revised estimate. The increase in salaries and wages is attributable to a \$26,760 increase in KPERS employer contributions from \$238,765 to \$265,525 for FY 2014.

- **Contractual Services.** The Division requests \$1,256,986, including \$124,739 from the State General Fund. The request is an all funds decrease of \$20,000, or 1.6 percent, below the agency's FY 2013 revised estimate. The State General Fund request remained the same. The decrease is attributable to a revised estimate of the agency's Division of Vehicles Operating Fund.
- **Commodities.** The Division requests \$73,502, including \$66,702 from the State General Fund. The request is the same as the agency's FY 2013 revised estimate.
- **Capital Outlay.** The Division requests \$333,280, all from special revenue funds. The request is the same as the agency's FY 2013 revised estimate.
- **Aid to Locals.** The Division requests \$40,000 all from special revenue funds. The request is the same as the agency's FY 2013 revised estimate. These funds are used to reimburse counties for Computer Assisted Mass Appraisal (CAMA) software and hardware used by the counties. Additionally, the counties are also reimbursed for any processing of open records requests through the statewide database.
- **Other Assistance.** The Division requests \$18,664 all from special revenue funds and the agency did not request any funds in FY 2014. The increase is attributable to the Voluntary Retirement Incentive Program.

The **Governor** recommends \$5,035,593, including \$1,547,001 from the State General Fund for the Property Valuation Division. The recommendation is an all funds decrease of \$3,511, or 0.1 percent, and a State General fund decrease of \$1,437 or 0.1 percent, below the agency's FY 2014 request. The decrease is attributable to the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) statutory death and disability employer contributions from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 operating expenditures of \$5,060,593, an increase of \$25,000, or 0.5 percent, above the Governor's FY 2014 recommendation. The recommendation is attributable to salaries and wages and an increase in the Kansas Public Employees Retirement System (KPERS) employer contributions.

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 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 10,566,482	\$ 11,382,028	\$ 11,382,028	\$ 11,124,889	\$ 11,113,607	\$ 11,197,970
Contractual Services	7,101,012	6,979,537	6,979,537	7,715,737	7,715,737	7,715,737
Commodities	1,260,622	2,705,479	2,705,479	2,905,479	2,905,479	2,905,479
Capital Outlay	239,565	15,500	15,500	15,500	15,500	15,500
Subtotal	\$ 19,167,681	\$ 21,082,544	\$ 21,082,544	\$ 21,761,605	\$ 21,750,323	\$ 21,834,686
Aid to Local Units	0	0	0	0	0	0
Other Assistance	195,165	361,663	361,663	396,023	396,023	396,023
TOTAL	\$ 19,362,846	\$ 21,444,207	\$ 21,444,207	\$ 22,157,628	\$ 22,146,346	\$ 22,230,709
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	19,362,846	21,444,207	21,444,207	22,157,628	22,146,346	22,230,709
TOTAL	\$ 19,362,846	\$ 21,444,207	\$ 21,444,207	\$ 22,157,628	\$ 22,146,346	\$ 22,230,709
FTE Positions	248.1	233.1	233.1	233.1	233.1	233.1
Non-FTE Pos.*	3.0	2.0	2.0	2.0	2.0	2.0
TOTAL	251.1	235.1	235.1	235.1	235.1	235.1
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 expenditures of \$22,157,628, all from special revenue funds. The request is an increase of \$713,421, or 3.3 percent, above the agency's FY 2013 revised estimate. The request includes the following:

- **Salaries and Wages.** The Division requests \$11,124,889, all from special revenue funds. The request is an all funds decrease of \$257,139, or 2.3 percent, below the agency's FY 2013 revised estimate and funds 233.1 FTE positions. The agency request increases the budgeted shrinkage from \$320,212 to \$632,073, an increase of 97.4 percent above the FY 2013 revised estimate.
- **Contractual Services.** The Division requests \$7,715,737, all from special revenue funds. The request is an increase of \$736,200, or 10.5 percent, above the agency's FY 2013 revised estimate. The agency estimated an increase in other fees (\$316,562) and other contractual services (\$600,000). However, the agency did project a decline in expenditures on postage (\$180,000).
- **Commodities.** The Division requests \$2,905,479, all from special revenue funds. The request is an increase of \$200,000, or 7.4 percent, above the

agency's FY 2013 revised estimate. The increase is attributable to an uptick in the resale of vehicle license tags (\$200,000).

- **Capital Outlay.** The Division requests \$15,500, all from special revenue funds, the same as the agency's FY 2013 revised estimate.

The **Governor** recommends \$22,146,346, all from special revenue funds, for the Division of Vehicles Program. The recommendation is a decrease of \$11,282, or 0.1 percent, below the agency's FY 2014 request. The decrease is attributable to the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) statutory death and disability employer contributions from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 operating expenditures of \$22,230,709, an increase of \$84,363, or 0.4 percent, above the Governor's FY 2014 recommendation. The recommendation is attributable to salaries and wages and an increase in the Kansas Public Employees Retirement System (KPERs) employer contributions.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Percent of Appeals Resolved Within 270 Days of Docketing	100.0%	90.0%	100.0%	100.0%
Percent of Correspondence Requests Completed Within 30 Days	80.0%	75.0%	80.0%	80.0%
Percent of Aid Payments Distributed on Schedule	100.0%	100.0%	100.0%	100.0%
Percent of Face Face-To-Face Training Sessions Completed Within 30 Days of New License Issue Date	80.0%	82.0%	85.0%	85.0%
Percent of compliant controlled "buy" investigations for cigarette and tobacco sales to minors	90.0%	95.0%	90.0%	90.0%
Percent of compliant random controlled "buy" investigations for alcohol sales to minors	85.0%	84.0%	85.0%	85.0%
Percent of individual income tax returns received electronically	90.0%	73.0%	90.0%	92.0%
Percent of electronically filed individual tax refunds issued in two weeks or less	95.0%	90.0%	95.0%	95.0%
Percent of tax payments received electronically	95.0%	67.9%	95.0%	96.0%
Number of counties with qualified county appraisers	N/A	102	105	105
Percent of commercial valuations meeting statistical requirements	90.0%	90.2%	90.0%	90.0%
Percent of counties in compliance with standards	96.0%	87.0%	96.0%	96.0%
Number of registration renewals applications processed by county treasurers	N/A	2,577,933	2,700,000	2,700,000
Number of registration renewals received and processed via the Internet	N/A	463,189	250,000	250,000

STATE COURT OF TAX APPEALS

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 960,625	\$ 963,703	\$ 963,703	\$ 967,336	\$ 919,731	\$ 925,642
Other Funds	1,002,053	1,030,373	1,230,373	1,049,837	1,048,993	1,054,723
TOTAL	\$ 1,962,678	\$ 1,994,076	\$ 2,194,076	\$ 2,017,173	\$ 1,968,724	\$ 1,980,365
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 1,962,678	\$ 1,994,076	\$ 2,194,076	\$ 2,017,173	\$ 1,968,724	\$ 1,980,365

Operating Expenditures Percentage Change

State General Fund	(26.5)	%	0.3	%	0.3	%	0.4	%	(4.6)	%	0.6	%
All Funds	2.6		1.6		11.8		1.2		(10.3)		0.6	

FTE Positions	18.0		19.0		19.0		19.0		19.0		19.0	
Non-FTE Pos.*	0.0		0.0		0.0		0.0		0.0		0.0	
TOTAL	18.0		19.0		19.0		19.0		19.0		19	

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

The mission of the State Court of Tax Appeals (COTA) 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 Court 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 Court'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 Court'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 Court of Tax Appeals is a specialized court within the executive branch of state government. The Court was established on July 1, 2008, pursuant to House Bill 2018. The Court's predecessor in authority was the Kansas Board of Tax Appeals.

The Court 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 Court is an independent tax tribunal, meaning that it is not affiliated with the Kansas Department of Revenue or any other taxing authority. The Court of Tax Appeals is a neutral decision-making body.

MAJOR ISSUES FROM PRIOR YEARS

The **2003 Legislature** amended KSA 74-2433 to provide that appeals pertaining to all single-family residential properties must first be filed with the Small Claims Division with a further option to appeal to the Regular Division. In addition, the Legislature removed the Small Claims Division's authority to hear tax grievances.

The **2003 Legislature** passed HB 2005 which reduced the number of Court of Tax Appeals (COTA) members from five to three, effective on January 1, 2003. In addition, the Legislature changed the qualifications of the Board members. HB 2005 mandated that no more than one member may be appointed from any one congressional district and that at least one member had to be an attorney for at least five years, and one other member had to be a certified public accountant for at least five years.

The **2003 Legislature** also increased the amount of funding provided by special revenue funds by creating the COTA Filing Fee Fund. HB 2005 gave the Board the authority to administer, through rules and regulations, filing fees for certain types of cases filed with the agency's Regular Division.

- The Legislature exempted appeals regarding single family residential property from filing fees and limited the fee for not-for-profit organizations to \$10 or less for property with a valuation of \$100,000 or less.
- The filing fees were expected to bring forth approximately \$300,000 in revenue per fiscal year to be used by the Board to offset its operational expenses.
- The Legislature, in anticipation of the COTA Filing Fee Fund collecting \$300,000 in filing fees, reduced the Board's FY 2004 State General Fund budget by \$300,000.

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 COTA Filing Fee Fund in FY 2004.

The **2004 Legislature** also appropriated \$279,220 from the COTA 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 COTA 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 Court 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 Court of Tax Appeal's FY 2012 State General Fund reduction of \$625,000.

The **2011 Legislature** added language authorizing the Court of Tax Appeals to study the necessary statutory changes needed to raise filing fees for FY 2013.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency's** estimate for FY 2013 operating expenditures is \$1,994,076, including \$963,703 from the State General Fund. Included in the agency's estimate is \$5,000 from the Duplicating Fee Fund and \$1,025,373 from the Court of Tax Appeals Filing Fee Fund. The estimate is the same amount approved by the 2012 Legislature.

The **Governor** recommends FY 2013 operating expenditures of \$2,194,076, an increase of \$200,000, or 10.0 percent, above the agency's FY 2013 estimate. The increase is associated with contractual services for costs associated with moving. The Court plans on moving to smaller offices in January 2013.

FY 2014 – Budget Year. The **agency's** request for FY 2014 operating expenditures is \$2,017,173, including \$967,336 from the State General Fund. Included in the agency's request is \$5,000 from the Duplicating Fee Fund and \$1,044,837 from the Filing Fee Fund. The request is an all funds increase of \$23,097, or 1.2 percent, and a State General Fund increase of \$3,633, or 0.4 percent, above the agency's FY 2013 estimate.

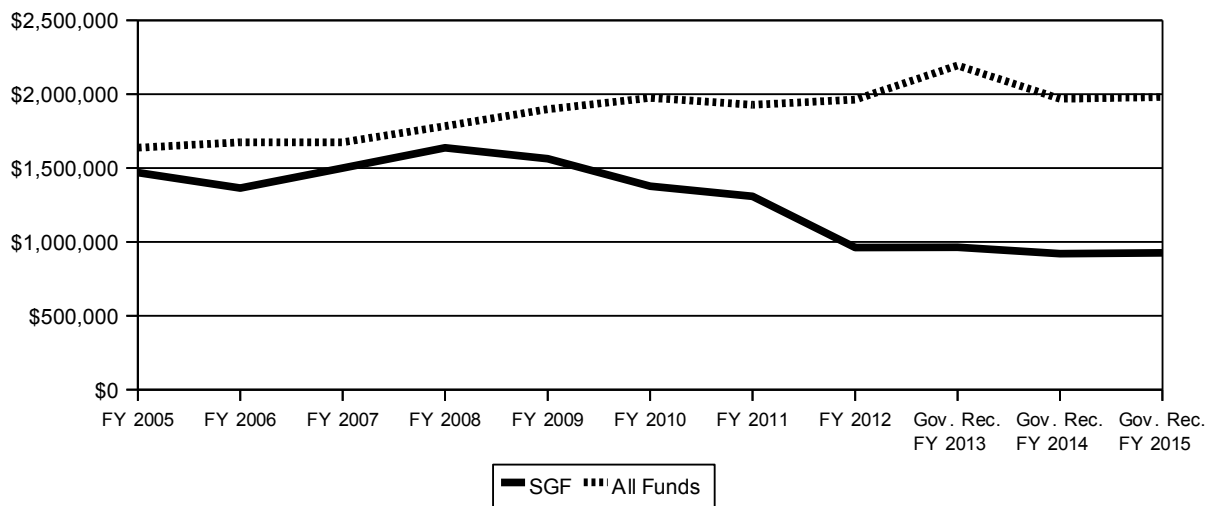
The **Governor** recommends FY 2014 operating expenditures of \$1,968,724, including \$919,731 from the State General Fund. The recommendation is a decrease of \$48,449, or 2.4 percent, below the agency's FY 2014 request. The decrease is associated with the Governor's recommendation to reduce the Kansas Public Employees Retirement (KPERs) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2014. Additionally, the decrease is attributable to a reduction in contractual services due to a reduction in rent.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$1,980,365, including \$925,642 from the State General Fund, for FY 2015 operating expenditures. The recommendation is an all funds increase of \$11,641, or 0.6 percent, above the Governor's FY 2014 recommendation.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 1,469,406	(8.9)%	\$ 1,637,287	(9.3)%	26.0
2006	1,364,436	(7.1)	1,674,189	2.3	26.0
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 Gov. Rec.	963,703	0.3	2,194,076	11.8	19.0
2014 Gov. Rec.	919,731	(4.6)	1,968,724	(10.3)	19.0
2015 Gov. Rec.	925,642	0.6	1,980,365	0.6	19.0
Eleven-Year Change					
Dollars/Percent	\$ (543,764)	(37.0)%	\$ 343,078	21.0 %	(7.0)

Summary of Operating Budget FY 2012 - FY 2014

		Agency Request				Governor's Recommendation			
Actual 2012		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 1,962,678	\$ 1,994,076	\$ 2,017,173	\$ 23,097	1.2 %	\$ 2,194,076	\$ 1,968,724	\$ (225,352)	(10.3)%
TOTAL	\$ 1,962,678	\$ 1,994,076	\$ 2,017,173	\$ 23,097	1.2 %	\$ 2,194,076	\$ 1,968,724	\$ (225,352)	(10.3)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 1,528,798	\$ 1,567,048	\$ 1,579,907	\$ 12,859	0.8 %	\$ 1,567,048	\$ 1,578,192	\$ 11,144	0.7 %
Contractual Services	366,204	404,354	406,356	2,002	0.5	604,354	359,622	(244,732)	(40.5)
Commodities	13,718	18,921	19,410	489	2.6	18,921	19,410	489	2.6
Capital Outlay	53,958	3,753	11,500	7,747	206.4	3,753	11,500	7,747	206.4
Subtotal - Operations	\$ 1,962,678	\$ 1,994,076	\$ 2,017,173	\$ 23,097	1.2 %	\$ 2,194,076	\$ 1,968,724	\$ (225,352)	(10.3)%
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	0	0	0	0	--	0	0	0	--
TOTAL	\$ 1,962,678	\$ 1,994,076	\$ 2,017,173	\$ 23,097	1.2 %	\$ 2,194,076	\$ 1,968,724	\$ (225,352)	(10.3)%
Financing:									
State General Fund	\$ 960,625	\$ 963,703	\$ 967,336	\$ 3,633	0.4 %	\$ 963,703	\$ 919,731	\$ (43,972)	(4.6)%
Duplicating Fee Fund	2,160	5,000	5,000	0	0.0	5,000	5,000	0	0.0
COTA Filing Fee Fund	999,893	1,025,373	1,044,837	19,464	1.9	1,225,373	1,043,993	(181,380)	(14.8)
TOTAL	\$ 1,962,678	\$ 1,994,076	\$ 2,017,173	\$ 23,097	1.2 %	\$ 2,194,076	\$ 1,968,724	\$ (225,352)	(10.3)%

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 2,017,173	\$ 1,968,724	\$ 1,980,365	\$ 11,641	0.6 %
TOTAL	\$ 2,017,173	\$ 1,968,724	\$ 1,980,365	\$ 11,641	0.6 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 1,579,907	\$ 1,578,192	\$ 1,589,833	\$ 11,641	0.7 %
Contractual Services	406,356	359,622	359,622	0	0.0
Commodities	19,410	19,410	19,410	0	0.0
Capital Outlay	11,500	11,500	11,500	0	0.0
Subtotal - Operations	\$ 2,017,173	\$ 1,968,724	\$ 1,980,365	\$ 11,641	0.6 %
Aid to Local Units	0	0	0	0	--
Other Assistance	0	0	0	0	--
TOTAL	\$ 2,017,173	\$ 1,968,724	\$ 1,980,365	\$ 11,641	0.6 %
Financing:					
State General Fund	\$ 967,336	\$ 919,731	\$ 925,642	\$ 5,911	0.6 %
Duplicating Fee Fund	5,000	5,000	4,431	(569)	(11.4)
COTA Filing Fee Fund	1,044,837	1,043,993	1,050,292	6,299	0.6
TOTAL	\$ 2,017,173	\$ 1,968,724	\$ 1,980,365	\$ 11,641	0.6 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$963,590 for the State Court of Tax Appeals in FY 2013. One 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 \$113, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013.

These adjustments change the FY 2013 approved State General Fund to \$963,703. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 963,703	\$ 963,703	\$ 0	\$ 963,703	\$ 0
All Other Funds	1,030,373	1,030,373	0	1,230,373	200,000
TOTAL	<u>\$ 1,994,076</u>	<u>\$ 1,994,076</u>	<u>\$ 0</u>	<u>\$ 2,194,076</u>	<u>\$ 200,000</u>
FTE Positions	19.0	19.0	0.0	19.0	0.0

The **agency's** estimate for FY 2013 operating expenditures is \$1,994,076, including \$963,703 from the State General Fund. Included in the agency's estimate is \$5,000 from the Duplicating Fee Fund and \$1,025,373 from the Court of Tax Appeals Filing Fee Fund. The estimate is the same amount approved by the 2012 Legislature.

- **Salaries and Wages.** The estimate includes \$1,567,048, including \$957,086 from the State General Fund. The request includes funding for 19.0 FTE positions.
- **Contractual Services.** The estimate includes \$404,354, including \$6,504 from the State General Fund. The major expenditures in this area include communications, printing, rent, in-state travel, microfilming and court reporter fees.
- **Commodities.** The estimate included \$18,921, all from the Court of Tax Appeals Filing Fee Fund. The major expenditures in this area include office supplies, stationary, legal research resources, and fuel.

- **Capital Outlay.** The estimate includes \$3,753, including \$113, all from the State General Fund. The major expenditures in the area include computer hardware, computer repair and software licenses.

The **Governor** recommends FY 2013 operating expenditures of \$2,194,076, including \$963,703 from the State General Fund. The recommendation is an increase of \$200,000, or 10.0 percent, above the agency's FY 2013 estimate. The increase is associated with contractual services for costs associated with moving and will be funded through the Court of Tax Appeals Filing Fee Fund. The Court plans on moving to smaller offices in January 2013 in order to achieve a reduction in office rent.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 2,017,173	\$ 1,968,724	\$	(48,449)
FTE Positions	19.0	19.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 3,633	\$ (43,972)		
All Other Funds	19,464	(181,380)		
TOTAL	\$ 23,097	\$ (225,352)		
<i>Percent Change:</i>				
State General Fund	0.4 %	(4.6) %		
All Other Funds	1.9	(14.7)		
TOTAL	1.2 %	(10.3) %		
Change in FTE Positions	0.0	0.0		

The **agency's** request for FY 2014 operating expenditures is \$2,017,173, including \$967,336 from the State General Fund. Included in the agency's request is \$5,000 from the Duplicating Fee Fund and \$1,044,837 from the Filing Fee Fund. The request is an all funds increase of \$23,097, or 1.2 percent, and a State General Fund increase of \$3,633, or 0.4 percent, above the agency's FY 2013 estimate.

- **Salaries and Wages.** The request includes \$1,579,907, including \$802,293 from the State General Fund. The request is an all funds increase of \$12,859, or 0.8 percent, and a State General Fund decrease of \$154,793, or 16.2 percent, below the FY 2013 estimate. The request includes funding for 19.0 FTE positions, as well as three part-time non-FTE positions.

- **Contractual Services.** The request includes \$406,356, including \$165,043 from the State General Fund. The request is an all funds increase of \$2,002, or 0.5 percent, and a State General Fund increase of \$158,539, or 2,437.6 percent, above the FY 2013 estimate. The State General Fund increase is a result of the agency reducing fee funds on contractual services and replacing those funds with State General Fund dollars. The major expenditures in this area include communications, printing, rent, in-state travel, microfilming and court reporter fees.
- **Commodities.** The request includes \$19,410, all from the Court of Tax Appeals Filing Fee Fund. The request is an increase of \$489, or 2.6 percent, above the FY 2013 estimate. The major expenditures in this area include office supplies, stationary, legal research resources, and fuel.
- **Capital Outlay.** The request includes \$11,500, all from the Court of Tax Appeals Filing Fee Fund. The request is an increase of \$7,747, or 206.4 percent, above the FY 2013 estimate, and is attributable to increased costs for the replacement of computer hardware, computer repair, and software licenses.

The **Governor** recommends FY 2014 operating expenditures of \$1,968,724, including \$919,731 from the State General Fund. The recommendation is a decrease of \$48,449, or 2.4 percent, below the agency's FY 2014 request. The Governor's recommendation includes a decrease of \$1,715, including \$871 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2014. Additionally, there was a decrease of \$46,734, all from the State General Fund, associated with savings as result of moving the Court into new office space which reduced rental costs for the Court.

Enhancements Detail

The **agency** did not have any enhancement requests for FY 2014.

FY 2014 Reduced Resources

FY 2014 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Small Claims Hearing Officers	\$ (50,000)	\$ (50,000)	0.0	\$ 0	\$ 0	0.0
Reduce Rent	(46,734)	(46,734)	0.0	(46,734)	(46,734)	
TOTAL	<u>\$ (96,734)</u>	<u>\$ (96,734)</u>	<u>0.0</u>	<u>\$ (46,734)</u>	<u>\$ (46,734)</u>	<u>0.0</u>

The **agency** submitted two reduced resource item totaling \$96,734, all from the State General Fund. The agency would be required to eliminate \$50,000 by no longer contracting with small claims hearing officers and reduce the cost of rent by \$46,734, by moving to a smaller and lower rent facility.

The **Governor** recommends one reduced resource item of \$46,734, all from the State General Fund, to allow the Court to reduce the cost of rent by moving to a smaller and lower rent facility.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 1,980,365	\$ 11,641
FTE Positions	19.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 5,911	
All Other Funds	5,730	
TOTAL	<u>\$ 11,641</u>	
<i>Percent Change:</i>		
State General Fund	0.6 %	
All Other Funds	0.5	
TOTAL	<u>0.6 %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$1,980,365, including \$925,642 from the State General Fund, for FY 2015 operating expenditures. The recommendation is an all funds increase of \$11,641, or 0.6 percent, above the Governor's FY 2014 recommendation. The increase is attributable to higher employer contributions to the Kansas Public Employee Retirement System.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$6,920, including \$3,514 from the State General Fund, and FY 2015 longevity payments total \$7,120, including \$3,616 from the State General Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	48.0 %	46.7 %
Cota Filing Fee Fund	51.8	53.0
Duplicating Fee Fund	0.3	0.3
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Fee Fund Analysis

Court of Tax Appeals Filing Fee Fund

The 2003 Legislature increased the amount of funding the agency received through special revenue funds by creating the COTA 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 Court of Tax Appeals.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 422,841	\$ 365,707	\$ 365,707	\$ 370,334	\$ 170,334
Revenue	942,759	1,030,000	1,030,000	1,030,000	1,030,000
Transfers in	0	0	0	0	0
Total Funds Available	\$ 1,365,600	\$ 1,395,707	\$ 1,395,707	\$ 1,400,334	\$ 1,200,334
Less: Expenditures	999,893	1,025,373	1,225,373	1,044,837	1,043,993
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 365,707</u>	<u>\$ 370,334</u>	<u>\$ 170,334</u>	<u>\$ 355,497</u>	<u>\$ 156,341</u>
Ending Balance as Percent of Expenditures	36.6%	36.1%	13.9%	34.0%	15.0%

Duplicating Fees Fund

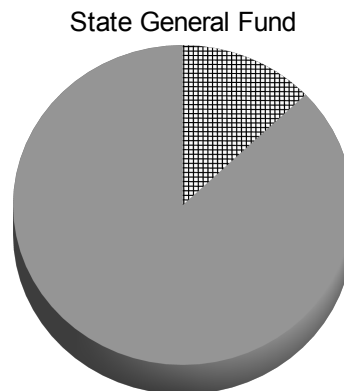
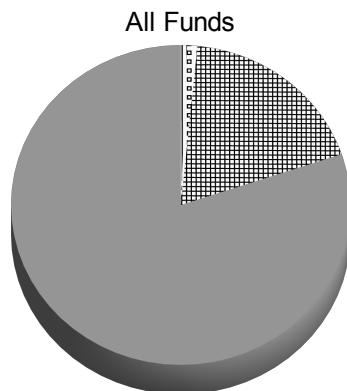
The 1989 Legislature created the Duplicating Fee Fund and it is funded entirely through fees associated with the preparation of transcripts and copy charges. The only expenditure from this fund is in contractual services for the renting and servicing of the agency's copy machines.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 4,936	\$ 3,931	\$ 3,931	\$ 2,431	\$ 2,431
Revenue	1,155	3,500	3,500	3,500	3,500
Transfers in	0	0	0	0	0
Total Funds Available	\$ 6,091	\$ 7,431	\$ 7,431	\$ 5,931	\$ 5,931
Less: Expenditures	2,160	5,000	5,000	5,000	5,000
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 3,931</u>	<u>\$ 2,431</u>	<u>\$ 2,431</u>	<u>\$ 931</u>	<u>\$ 931</u>
Ending Balance as Percent of Expenditures	182.0%	48.6%	48.6%	18.6%	18.6%

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation



Salaries and Wages
 Contractual Services
 Commodities
 Capital Outlay

Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Salaries and Wages	\$ 1,578,192	80.2 %	\$ 801,422	87.1 %
Contractual Services	359,622	18.3	118,309	12.9
Commodities	19,410	1.0	0	0.0
Capital Outlay	11,500	0.6	0	0.0
TOTAL	\$ 1,968,724	100.0 %	\$ 919,731	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	18.0	19.0	19.0	19.0	19.0	19.0
TOTAL	18.0	19.0	19.0	19.0	19.0	19.0

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Total Filings	7,769	8,025	7,824	8,088
Clearance Rate (Outgoing Cases Divided by Incoming Cases)	100.0%	95.0%	100.0%	100.0%
Number of Days to Close Commercial Appeals in Regular Division	50	138	140	140
Average Number of Days between the Appeal Hearing and Decision in Small Claims Proceedings	20	20	20	20

KANSAS DEPARTMENT OF COMMERCE

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 15,000,000	\$ 15,500,000	\$ 15,500,000	\$ 15,500,000	\$ 15,000,000	\$ 15,000,000
Other Funds	131,917,071	136,883,468	136,883,468	129,646,265	128,921,428	129,020,538
TOTAL	\$ 146,917,071	\$ 152,383,468	\$ 152,383,468	\$ 145,146,265	\$ 143,921,428	\$ 144,020,538
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	232,487	185,000	185,000	190,000	190,000	195,000
TOTAL	\$ 232,487	\$ 185,000	\$ 185,000	\$ 190,000	\$ 190,000	\$ 195,000
GRAND TOTAL	\$ 147,149,558	\$ 152,568,468	\$ 152,568,468	\$ 145,336,265	\$ 144,111,428	\$ 144,215,538

Operating Expenditures Percentage Change

State General Fund	100.0 %	3.3 %	3.3 %	0.0 %	(3.2) %	0.0 %
All Funds	30.9	3.7	3.7	(4.7)	(5.6)	0.1
FTE Positions	250.0	203.5	192.0	203.5	192.0	192.0
Non-FTE Pos.*	64.0	69.0	66.0	69.0	66.0	66.0
TOTAL	314.0	272.5	258.0	272.5	258.0	258.0

*Non-FTE Permanent Unclassified Positions

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 six divisions:

- **Administration** - The goal of this division is to provide quality support services for internal and external customers. The division operates the following programs: General Operations, Human Resources, Marketing, Information Technology, Finance & Budget, Public Information & Legislative Research, and Building Services. The Legal Services Division deals with legal matters, including lawsuits, contracts, legislative issues, and interpretation of statutes. This division also has significant federally-mandated monitoring responsibilities for federally funded workforce development programs.

The division also supports the Entrepreneur Technology Program which represents the programs transferred from the Kansas Technology Enterprise Corporation in FY 2012. The programs include the Centers of Excellence, Business Assistance Centers and the Mid-America Manufacturing Center.

- **Trade Development** - The goal of this division is to provide leadership and expertise to Kansas companies developing or expanding export markets, and to

Kansas communities recruiting foreign investment. The division assists Kansas businesses by providing information on foreign markets and trends, supplying export data and foreign market research, conducting export seminars, recruiting and assisting in the participation of international trade shows, distributing foreign trade leads, and maintaining international consultants in key global markets, including Mexico and China.

- The Business and Community Development Division - The program 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. This division includes three different subprograms: Business Recruitment, Business Expansion and Retention, and Business Finance and Incentives. The division assists businesses in Kansas with identifying programs and incentives for which the company is eligible and assists in conducting labor market research. Many of the states financial incentives and programs are administered by the Division and they include the High Performance Incentive Program, the Kansas Enterprise Zone, the Promoting Employment Across Kansas Program, Sales Tax Revenue (STAR) Bonds, the State Small Business Credit Initiative and bond financing for wind and solar energy. Part of the Business Finance and Incentives subprogram is the Film Commission, which is responsible for attracting and assisting filmmakers in Kansas, and the office of Minority and Women Business Development. The Business Development Division includes five regional field offices located in Manhattan, Hays, Wichita, Pittsburg, and Garden City. The Division also maintains an office in Topeka. The goal of this program is to preserve, enhance, and promote rural Kansas communities by providing financial, technical, and business assistance. The program also assists city and county governments and small businesses in rural communities. The Division administers several programs which include the Community Development and Community Assistance Services.
 - Community Assistance Services - The Community Assistance Services program provides financial support and assistance to communities and counties throughout the state. The support and assistance provided includes the Main Street program, PRIDE, Rural Business Development Tax Credits, Individual Development Account Tax Credits, Community Service Tax Credits, Kansas Enterprise Facilitation, and the Office of Rural Opportunity.
 - Community Development - The Community Development program helps attract and retain business and jobs in rural Kansas. The program provides financial aid, capacity building assistance, strategic planning, economic stabilization, small business development, and preservation of local buildings. The program also administers the Community Development Block Grant (CDBG) program, with federal funding from United States Department of Housing and Urban Development.
- The Workforce Development Division - The program 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 has two subprogram areas: Training Services and Employment Services. 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.

MAJOR ISSUES FROM PRIOR YEARS

The **2003 Legislature** concurred with Executive Reorganization Order No. 30 which transferred the Division of Housing to the Kansas Development Finance Authority effective July 1, 2003. This transfer resulted in the deletion of \$55,151,696 and 38.0 FTE positions from the agency's FY 2004 budget. In addition, the Legislature deleted \$469,992 from the Economic Development Initiatives Fund which had been budgeted for housing programs and appropriated those funds to other agencies.

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 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 (EDIF) 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 EDIF 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 Substitute 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 \$7,759, all from the State General Fund, for a 1.25 percent across the board reduction in FY 2009.

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 **2010 Legislature** appropriated the Connected Nation ARRA - Federal Fund as a no-limit fund for FY 2011. The fund will be used to develop a long-term strategy for broadband Internet in the State of Kansas.

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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency's** estimate for FY 2013 operating expenditures is \$152,383,468. Included in the estimate is \$15,500,000 from the State General Fund and \$19,083,708 from the Economic Development Initiatives Fund (EDIF). The estimate is an all funds increase of \$7,884,137, or 5.5 percent and EDIF increase of \$3,768,183, or 24.6 percent, above the amount approved by the 2012 Legislature. The State General Fund estimate remained the same. The EDIF increase is mostly attributable to a reappropriation of \$3,766,689 in FY 2013 that was not spent in FY 2012. The additional EDIF increase is a result of the

undermarket pay approved by the 2012 Legislature and distributed by the State Finance Council. The all funds increase is due to a revised estimate of several special revenue funds, including the Workforce Investment Act Federal Fund, the Wagner Peyser Federal Fund, and the Community Development Block Grant.

The **Governor** concurs with the agency's request for FY 2013 with the following exception. The Governor recommends the deletion of an additional 11.5 FTE and 3.0 Non-FTE positions from the FY 2013 agency revised estimate.

FY 2014 – Budget Year. The **agency's** request for FY 2014 operating expenditures is \$145,146,265. Included in the request is \$15,500,000 from the State General Fund and \$14,829,029 from the Economic Development Initiatives Fund (EDIF). The request is an all funds decrease of \$7,237,203, or 4.7 percent, and an EDIF decrease of \$4,254,612, or 22.3 percent, below the agency's FY 2013 request. The State General Fund request remains the same as the agency's FY 2013 estimate. The EDIF decrease is attributable to the large reappropriation that was carried forward in FY 2013 but was not carried forward to FY 2014. Additionally, the agency's EDIF operating grant does reflect the agency's allocated budget in FY 2014. The all funds decrease is due to the Air Service Incentive Fund not being included in the agency's budget for FY 2014. Additionally, the decrease is partially due to a revised estimate of several special funds, including the Workforce Investment Act Federal Fund, and the Wagner Peyser Federal Fund, and the Community Development Block Grant.

The **Governor** recommends FY 2014 operating expenditures of \$143,921,428, including \$15,000,000 from the State General Fund and \$14,117,010 from the Economic Development Initiatives Fund. The Governor's recommendation is an all funds decrease of \$1,224,837, or 0.8 percent, a State General Fund decrease of \$500,000, or 3.2 percent, and an EDIF decrease of \$712,086, or 4.8 percent, below the agency's FY 2014 request. The State General Fund decrease is attributable to replacing the State General Fund appropriation for the Medicaid Reform Employment Incentive Program with an EDIF appropriation. The EDIF decrease is partially offset as a result of the Governor recommending the agency's reduced resources. Additionally, the EDIF reduction is also offset by \$275,000 in additional EDIF spending for the Accelerate Entrepreneurship Program which is a new program designed to help emerging entrepreneurs.

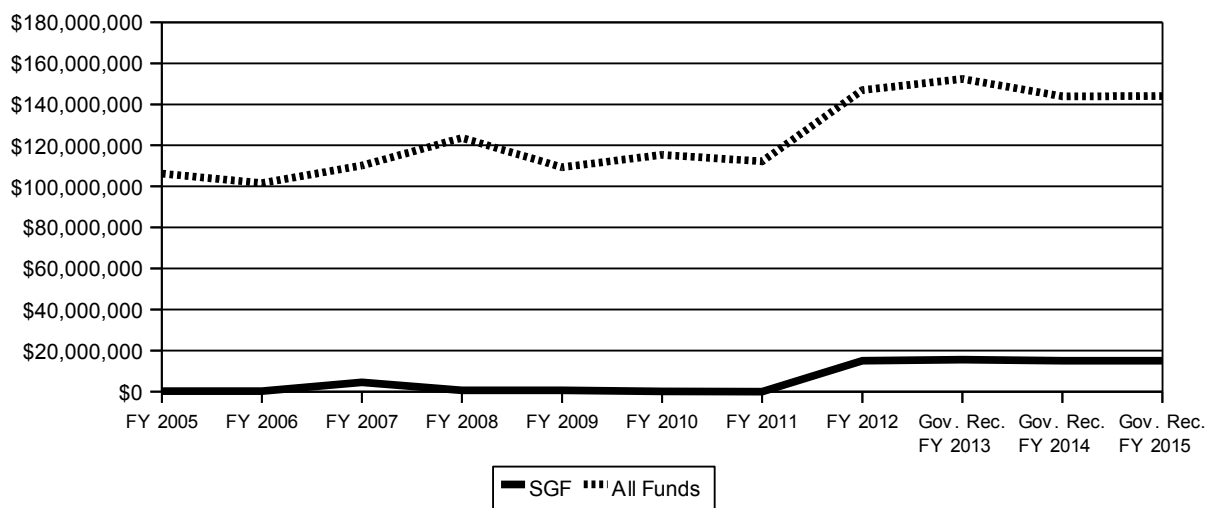
The Governor's recommendation includes a decrease of \$17,081, including \$4,330 from the EDIF, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$144,020,538, including \$15,000,000 from the State General Fund and \$14,146,974 from the Economic Development Initiatives Fund. The recommendation is an all funds increase of \$99,110, or 0.1 percent and an EDIF increase of \$29,964, or 0.2 percent, above the Governor's FY 2014 request. The State General Fund appropriation remained the same.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 237,346	100.0 %	\$ 106,235,487	111.9 %	108.5
2006	230,686	(2.8)	101,600,013	(4.4)	189.1
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	--	146,917,071	30.9	250.0
2013 Gov. Rec.	15,500,000	3.3	152,383,468	3.7	192.0
2014 Gov. Rec.	15,000,000	(3.2)	143,921,428	(5.6)	192.0
2015 Gov. Rec.	15,000,000	0.0	144,020,538	0.1	192.0
Eleven-Year Change					
Dollars/Percent	\$ 14,762,654	6,219.9 %	\$ 37,785,051	35.6 %	83.5

* The agency began receiving SGF appropriations in FY 2012 for the University Research Grant Program.

Summary of Operating Budget FY 2012 - FY 2014

Kansas Department of Commerce

		Agency Request					Governor's Recommendation			
		Actual 2012	Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:										
Administration	\$	45,772,126	\$ 30,541,714	\$ 27,677,987	\$ (2,863,727)	(9.4) %	\$ 30,541,714	\$ 26,494,849	\$ (4,046,865)	(13.3)%
Trade Development		1,100,312	909,951	1,026,816	116,865	12.8	909,951	1,026,272	116,321	12.8
Business and Community Development		9,297,181	44,071,602	42,015,553	(2,056,049)	(4.7)	44,071,602	42,012,877	(2,058,725)	(4.7)
Workforce Services		65,606,325	76,809,851	74,379,509	(2,430,342)	(3.2)	76,809,851	74,341,030	(2,468,821)	(3.2)
Rural Development		25,055,276	0	0	0	--	0	0	0	--
Debt Service		85,851	50,350	46,400	(3,950)	(7.8)	50,350	46,400	(3,950)	(7.8)
TOTAL	\$	146,917,071	\$ 152,383,468	\$ 145,146,265	\$ (7,237,203)	(4.7) %	\$ 152,383,468	\$ 143,921,428	\$ (8,462,040)	(5.6)%
By Major Object of Expenditure:										
Salaries and Wages	\$	16,729,503	\$ 16,704,879	\$ 16,701,754	\$ (3,125)	(0.0) %	\$ 16,704,879	\$ 16,684,673	\$ (20,206)	(0.1)%
Contractual Services		7,752,328	7,129,036	6,262,986	(866,050)	(12.1)	7,129,036	6,287,986	(841,050)	(11.8)
Commodities		294,213	234,527	227,202	(7,325)	(3.1)	234,527	227,202	(7,325)	(3.1)
Capital Outlay		691,746	409,002	369,795	(39,207)	(9.6)	409,002	369,795	(39,207)	(3.1)
Debt Service		53,650	50,350	46,400	(3,950)	(7.8)	50,350	46,400	(3,950)	(7.8)
Subtotal - Operations	\$	25,521,440	\$ 24,527,794	\$ 23,608,137	\$ (919,657)	(3.7) %	\$ 24,527,794	\$ 23,616,056	\$ (911,738)	(3.7)%
Aid to Local Units		25,566,468	28,010,000	25,960,000	(2,050,000)	(7.3)	28,010,000	25,960,000	(2,050,000)	(7.3)
Other Assistance		95,829,163	99,845,674	95,578,128	(4,267,546)	(4.3)	99,845,674	94,345,372	(5,500,302)	(5.5)
TOTAL	\$	146,917,071	\$ 152,383,468	\$ 145,146,265	\$ (7,237,203)	(4.7) %	\$ 152,383,468	\$ 143,921,428	\$ (8,462,040)	(5.6)%
Financing:										
State General Fund	\$	15,000,000	\$ 15,500,000	\$ 15,500,000	\$ 0	0.0 %	\$ 15,500,000	\$ 15,000,000	\$ (500,000)	(3.2)%
Economic Development Initiatives Fund		16,469,264	19,083,708	14,829,096	(4,254,612)	(22.3)	19,083,708	14,117,010	(4,966,698)	(26.0)
All Other Funds		115,447,807	117,799,760	114,817,169	(2,982,591)	(2.5)	117,799,760	114,804,418	(2,995,342)	(2.5)
TOTAL	\$	146,917,071	\$ 152,383,468	\$ 145,146,265	\$ (7,237,203)	(4.7) %	\$ 152,383,468	\$ 143,921,428	\$ (8,462,040)	(5.6)%

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 27,677,987	\$ 26,494,849	\$ 26,519,257	\$ 24,408	0.1 %
Trade Development	1,026,816	1,026,272	1,030,052	3,780	0.4
Business and Community Development	42,015,553	42,012,877	42,031,251	18,374	0.0
Workforce Services	74,379,509	74,341,030	74,398,203	57,173	0.1
Rural Development	0	0	0	0	--
Debt Service	46,400	46,400	41,775	(4,625)	(10.0)
TOTAL	\$ 145,146,265	\$ 143,921,428	\$ 144,020,538	\$ 99,110	0.1 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 16,701,754	\$ 16,684,673	\$ 16,803,039	\$ 118,366	0.7 %
Contractual Services	6,262,986	6,287,986	6,277,655	(10,331)	(0.2)
Commodities	227,202	227,202	227,102	(100)	(0.0)
Capital Outlay	369,795	369,795	369,795	0	0.0
Debt Service	46,400	46,400	41,775	(4,625)	(10.0)
Subtotal	\$ 23,608,137	\$ 23,616,056	\$ 23,719,366	\$ 103,310	0.4 %
Aid to Local Units	25,960,000	25,960,000	25,960,000	0	0.0
Other Assistance	95,578,128	94,345,372	94,341,172	(4,200)	(0.0)
TOTAL	\$ 145,146,265	\$ 143,921,428	\$ 144,020,538	\$ 99,110	0.1 %
Financing:					
State General Fund	\$ 15,500,000	\$ 15,000,000	\$ 15,000,000	\$ 0	0.0 %
Economic Development Initiatives Fund	14,829,096	14,117,010	14,146,974	29,964	0.2
All Other Funds	114,817,169	114,804,418	114,873,564	69,146	0.1
TOTAL	\$ 145,146,265	\$ 143,921,428	\$ 144,020,538	\$ 99,110	0.1 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 15,500,000	\$ 15,500,000	\$ 0	\$ 15,500,000	\$ 0
All Other Funds	128,999,331	136,883,468	7,884,137	136,883,468	7,884,137
TOTAL	\$ 144,499,331	\$ 152,383,468	\$ 7,884,137	\$ 152,383,468	\$ 7,884,137
FTE Positions	238.0	203.5	(34.5)	192.0	(46.0)

The **agency's** estimate for FY 2013 operating expenditures is \$152,383,468. Included in the estimate is \$15,500,000 from the State General Fund and \$19,083,708 from the Economic Development Initiatives Fund (EDIF). The estimate is an all funds increase of \$7,884,137, or 5.5 percent and EDIF increase of \$3,768,183, or 24.6 percent, above the amount approved by the 2012 Legislature. The State General Fund estimate remained the same. The EDIF increase is mostly attributable to a reappropriation of \$3,766,689 in FY 2013 that was not spent in FY 2012. The additional EDIF increase is a result of the undermarket pay of \$1,494, approved by the 2012 Legislature and distributed by the State Finance Council. The all funds increase is due to a revised estimate of several special revenue funds including:

- An increase of \$7,144,381 for Workforce Investment Act (WIA) Funds. WIA funds are used for workforce education and career programs and is administered by the United States Department of Labor.
- An increase of \$1,852,795 for the Green Jobs Grant Fund, which provides training for workers in five sectors. The sectors include renewable energy operation and construction, renewable energy manufacturing and supply chain, energy transmission for electricity and gas, biomass, and green construction and manufacturing processes. The grant is awarded by the United States Department of Labor.
- An increase of \$1,671,306 for the Trade Adjustment Assistance Fund, which provides workers with assistance who have lost their jobs as a result of foreign trade. The funds are provided by the United State Department of Labor.

The agency saw significant reorganization during FY 2012; however, for FY 2013 the agency has indicated the Rural Development Division was eliminated and placed within the newly reorganized Business and Community Development Division. The agency also eliminated 34.51 FTE positions through agency reorganization and the elimination of vacant unfunded positions.

The **Governor** concurs with the agency's request for FY 2013 with the following exception. The Governor recommends the deletion of an additional 11.5 FTE and 3.0 Non-FTE positions from the FY 2013 agency revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 145,146,265	\$ 143,921,428	\$	(1,224,837)
FTE Positions	203.5	192.0		(11.5)
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 0	\$ (500,000)		
All Other Funds	(7,237,203)	(7,962,040)		
TOTAL	<u>\$ (7,237,203)</u>	<u>\$ (8,462,040)</u>		
<i>Percent Change:</i>				
State General Fund	0.0 %	(3.2) %		
All Other Funds	(5.3)	(5.8)		
TOTAL	<u>(4.7) %</u>	<u>(5.6) %</u>		
Change in FTE Positions	0.0	0.0		

The **agency's** request for FY 2014 operating expenditures is \$145,146,265. Included in the request is \$15,500,000 from the State General Fund and \$14,829,096 from the Economic Development Initiatives Fund (EDIF). The request is an all funds decrease of \$7,237,203, or 4.7 percent, and an EDIF decrease of \$4,254,612, or 22.3 percent, below the agency's FY 2013 revised estimate. The State General Fund request remains the same as the agency's FY 2013 estimate. The EDIF decrease is attributable to the large reappropriation that was carried forward in FY 2013 but was not carried forward to FY 2014. Additionally, the agency's EDIF operating grant does reflect the agency's allocated budget in FY 2014. The all funds decrease is due to the Air Service Incentive Fund not being included in the agency's budget for FY 2014. Additionally, the decrease is partially due to a revised estimate of several special funds, which include the following a decrease of \$15,369,310 for Workforce Investment Act Federal Funds and the agency did not receive any ARRA Green Jobs Grant funds in FY 2014.

The **Governor** recommends FY 2014 operating expenditures of \$143,921,428, including \$15,000,000 from the State General Fund and \$14,117,010 from the Economic Development Initiatives Fund. The Governor's recommendation is an all funds decrease of \$1,224,837, or 0.8 percent, a State General Fund decrease of \$500,000, or 3.2 percent, and an EDIF decrease of \$712,086, or 4.8 percent, below the agency's FY 2014 request.

The State General Fund decrease is attributable to replacing the State General Fund appropriation for the Medicaid Reform Employment Incentive Program with an EDIF appropriation. The EDIF decrease is partially offset as a result of the Governor recommending the agency's reduced resources. The recommendation would eliminate \$1,454,638 from the Innovation Growth Program and \$28,118 from the Older Kansas Employment Program. The Innovation Growth Program, which consists of several constituent programs under the Kansas Technology Enterprise Corporation which was abolished in FY 2011, consists of the Centers of Excellence, Entrepreneurial Centers and the Mid-America Manufacturing Technology Center (MAMTC). The Older Kansas Employment Program is designed to provide Kansans 55 and over with an employment placement service. The program emphasis is on providing permanent full-time or part-time jobs in the private sector.

Additionally, the EDIF reduction is also offset by \$275,000 in additional EDIF spending for the Accelerate Entrepreneurship Program which is a new program designed to help emerging entrepreneurs. 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 Governor's recommendation includes a decrease of \$17,081, including \$4,330 from the EDIF, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The agency did not submit an enhancement request for FY 2013.

FY 2014 Reduced Resources

FY 2014 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Regents Research Grants	\$ (1,500,000)	\$ (1,500,000)	0.0	\$ 0	\$ 0	0.0
Medicaid Reform	(50,000)	(50,000)	0.0	0	0	0.0
Older Kansans Employment Program	0	(28,118)	0.0	0	(28,118)	0.0
Innovation Growth Program	0	(1,454,638)	0.0	0	(1,454,638)	0.0
TOTAL	\$ (1,550,000)	\$ (3,032,756)	0.0	\$ 0	\$ (1,482,756)	0.0

The **agency** submitted four reduced resource items totaling \$3,032,756, including \$1,500,000 from the State General Fund and \$1,454,638 from the Economic Development Initiatives Fund. The items include the following:

- \$500,000 Animal Health Research Grant - Kansas State University. The agency would eliminate funding for the research grants.
- \$500,000 Cancer Center Research Grant - University of Kansas Medical Center. The agency would eliminate funding for the research grants.
- \$500,000 Aviation Research Grant - Wichita State University. The agency would eliminate funding for the research grants.
- \$50,000 Medicaid Reform Employment Incentive Program. The agency would reduce other assistance expenditures for the Medicaid Reform Incentive Program by a total of \$50,000, all from the State General Fund. This would reduce the amount of grants that would be available for employers that employ and train individuals with disabilities.
- \$1,454,638 Innovation Growth Program. The agency would reduce funding for the programs that replaced KTEC, or the Kansas Technology Enterprise Corporation. In particular, the agency would eliminate funding intended for partner programs which support entrepreneurial centers and the University Centers of Excellence.
- \$28,118 Older Kansans Employment Program. The agency would reduce other assistance expenditures by \$28,118, all from the EDIF.

The **Governor** recommends accepting the agency's EDIF reduced resources which includes the \$28,118 for the Older Kansans Employment Program and the \$1,454,638 for the Innovation Growth Program.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 144,020,538	\$ 99,110
FTE Positions	192.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	104,110	
TOTAL	<u>\$ 104,110</u>	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	0.1	
TOTAL	<u>0.1 %</u>	
Change in FTE Positions	0.0	

There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$144,020,538, including \$15,000,000 from the State General Fund and \$14,146,974 from the Economic Development Initiatives Fund. The recommendation is an all funds increase of \$99,110, or 0.1 percent, and an EDIF increase of \$29,964, or 0.2 percent, above the Governor's FY 2014 recommendation. The State General Fund appropriation remained the same.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$72,240, all from special revenue funds and FY 2015 longevity payments total \$74,200, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERS) Rate Adjustments. The FY 2014 retirement rate for KPERS regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERS fund. In addition, the KPERS death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	10.7 %	10.4 %
Economic Development Initiatives Fund	10.2	9.8
All Other Funds	79.1	79.8
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

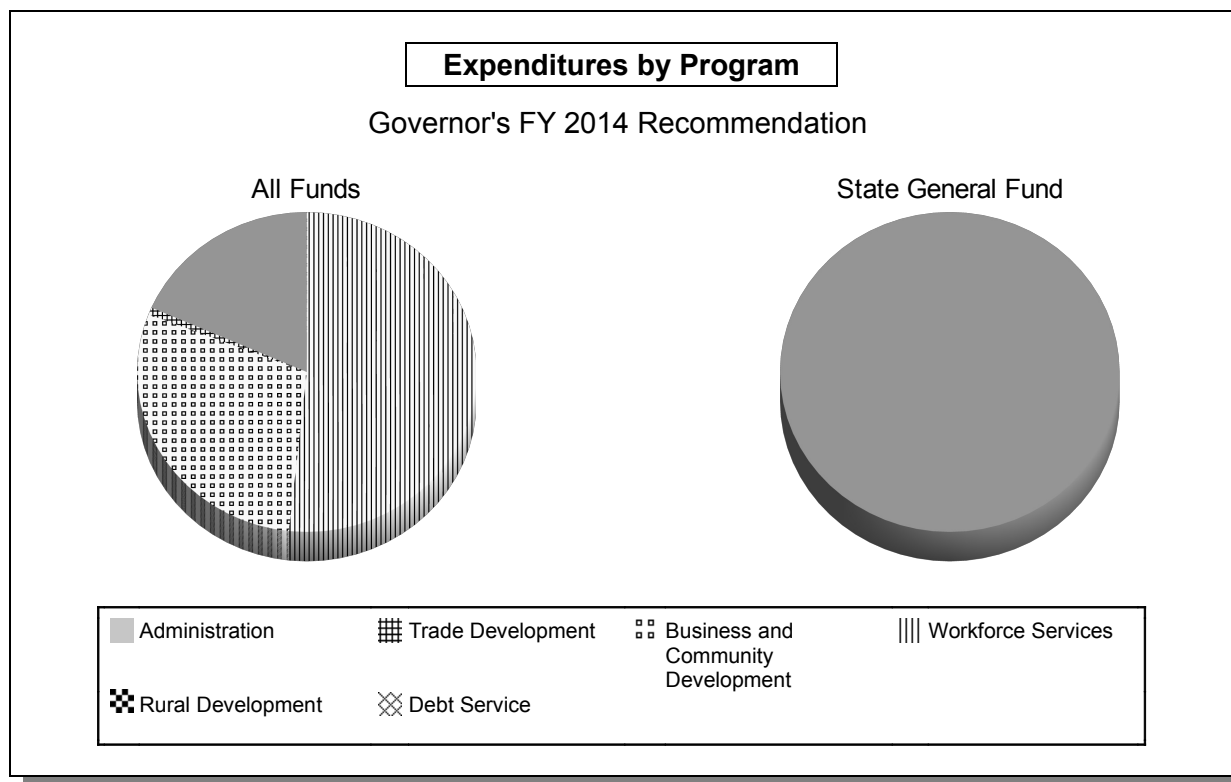
Fee Fund Analysis

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 the licensing and registration of fighters, promoters, referees, judges, and ringside doctors.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 51,389	\$ 41,290	\$ 41,290	\$ 15,468	\$ 15,468
Revenue	127,275	170,000	170,000	181,000	189,000
Transfers in	0	0	0	0	0
Total Funds Available	\$ 178,664	\$ 211,290	\$ 211,290	\$ 196,468	\$ 204,468
Less: Expenditures	133,351	195,822	195,822	196,384	196,216
Transfers Out	4,023	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 41,290</u>	<u>\$ 15,468</u>	<u>\$ 15,468</u>	<u>\$ 84</u>	<u>\$ 8,252</u>
Ending Balance as Percent of Expenditures	31.0%	7.9%	7.9%	0.0%	4.2%

PROGRAM DETAIL



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Administration	\$ 26,494,849	18.4 %	\$ 15,000,000	100.0 %
Trade Development	1,026,272	0.7	0	0.0
Business and Community Development	42,012,877	29.2	0	0.0
Workforce Services	74,341,030	51.7	0	0.0
Rural Development	0	0.0	0	0.0
Debt Service	46,400	0.0	0	0.0
TOTAL	<u>\$ 143,921,428</u>	<u>100.0 %</u>	<u>\$ 15,000,000</u>	<u>100.0 %</u>

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015						
Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	45.0	40.0	39.0	40.0	39.0	39.0
Trade Development	9.0	7.0	6.0	7.0	6.0	6.0
Business and Community Development	17.0	15.0	15.0	15.0	15.0	15.0
Workforce Services	161.0	141.5	132.0	141.5	132.0	132.0
Rural Development	18.0	0.0	0.0	0.0	0.0	0.0
TOTAL	250.0	203.5	192.0	203.5	192.0	192.0

A. Administration

The Administration Division provides quality support services for internal and external customers. The division operates the following programs: General Operations, Human Resources, Marketing, Information Technology, Finance & Budget, Public Information & Legislative Research, and Building Services. The Legal Services Division deals with legal matters, including lawsuits, contracts, legislative issues, and interpretation of statutes. This division also has significant federally-mandated monitoring responsibilities for federally funded workforce development programs.

The division also supports the Entrepreneur Technology Program which represents the programs transferred from the Kansas Technology Enterprise Corporation in FY 2012. The programs include the Centers of Excellence, Business Assistance Centers and the Mid-America Manufacturing Center.

ADMINISTRATION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 3,354,967	\$ 3,337,576	\$ 3,337,576	\$ 3,355,119	\$ 3,351,619	\$ 3,376,027
Contractual Services	1,847,939	1,791,161	1,791,161	1,303,570	1,328,570	1,328,570
Commodities	60,485	41,820	41,820	41,820	41,820	41,820
Capital Outlay	117,279	56,950	56,950	55,097	55,097	55,097
Subtotal	\$ 5,380,670	\$ 5,227,507	\$ 5,227,507	\$ 4,755,606	\$ 4,777,106	\$ 4,801,514
Aid to Local Units	2,545,000	2,000,000	2,000,000	0	0	0
Other Assistance	37,846,456	23,314,207	23,314,207	22,922,381	21,717,743	21,717,743
TOTAL	\$ 45,772,126	\$ 30,541,714	\$ 30,541,714	\$ 27,677,987	\$ 26,494,849	\$ 26,519,257
Financing:						
State General Fund	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000	\$ 15,000,000
All Other Funds	30,772,126	15,541,714	15,541,714	12,677,987	11,494,849	11,519,257
TOTAL	\$ 45,772,126	\$ 30,541,714	\$ 30,541,714	\$ 27,677,987	\$ 26,494,849	\$ 26,519,257
FTE Positions	45.0	40.0	39.0	40.0	39.0	39.0
Non-FTE Pos.*	9.0	7.0	7.0	7.0	7.0	7.0
TOTAL	54.0	47.0	46.0	47.0	46.0	46.0
*Non-FTE Permanent Unclassified Positions						

The **Administration Division** requests expenditures of \$27,677,987, including \$15,000,000 from the State General Fund. The request is an all funds decrease of \$2,863,727, or 9.4 percent, below the agency's FY 2013 estimate. The State General Fund request of \$15,000,000 remains the same as the agency's FY 2013 estimate. The request includes the following:

- **Salaries and Wages.** The Administration Division requests \$3,355,119 in salaries and wages, including \$1,499,589 from the EDIF, to fund 40.0 FTE positions. The request is an all funds increase of \$17,543, or 0.5 percent, and an EDIF increase of \$3,669, or 0.2 percent, above the agency's FY 2013 estimate. The increase is partially attributable to KPERS employer contributions which rose by \$26,496 from \$236,699 to \$263,195 for FY 2014.
- **Contractual Services.** The Administration Division requests \$1,303,570 in contractual services, including \$950,199 from the EDIF. The request is an all funds decrease of \$487,591, or 27.2 percent, and an EDIF decrease of \$487,591, or 33.9 percent, below agency's FY 2013 estimate. The decrease is attributable to a reduction in services for computer equipment (\$130,000) out-of-state vehicle rental (\$24,544) international travel (\$3,735) and other fees (\$230,000).
- **Commodities.** The Administration Division requests \$41,820 in commodities, including \$33,965 in EDIF. The request is the same as the agency's FY 2013 estimate.
- **Capital Outlay.** The Administration Division requests \$55,097 in capital outlay, including \$53,597 from the EDIF. The request is an all funds decrease of \$1,853, or 3.3 percent, and an EDIF decrease of \$1,853, or 3.3 percent, below the agency's FY 2013 estimate. The decrease is attributable to a reduction in computer (\$1,353) and software expenses (\$500).
- **Aid to Locals.** The Administrative Division did not request expenditures for Aid to Locals in FY 2014.
- **Other Assistance.** The Administration Division requests \$22,922,381 in other assistance, including \$15,000,000 from the State General Fund, and \$2,922,381 from the EDIF. The request is an all funds decrease of \$391,826, or 1.7 percent, and an EDIF decrease of \$391,826, or 11.8 percent, below the agency's FY 2013 estimate. The State General Fund request remained unchanged from the agency's FY 2013 estimate. The decrease is attributable to a reduction in expenditures associated with the management of the programs of the Kansas Technology Enterprise Corporation. Also included in other assistance is funding of \$5.0 million for the Affordable Airfare Program.

The **Governor** recommends FY 2014 operating expenditures of \$26,494,849, including \$15,000,000 from the State General Fund for the Administration Division. The recommendation is an all funds decrease of \$1,183,138, or 4.3 percent, below the agency's FY 2014 request. The reduction is a result of the Governor recommending the agency's reduced resources.

The Governor's recommendation for FY 2014 includes a decrease of \$3,500, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 operating expenditures of \$26,519,257, an increase of \$24,408, or 0.1 percent, above the Governor's FY 2014 recommendation. The increase is attributable to salaries and wages. The salary and wage increase is attributable to an increase in Kansas Public Employees Retirement System (KPERS) employer contributions.

B. Trade Development

The Trade Development division provides leadership and expertise to Kansas companies developing or expanding export markets, and to Kansas communities recruiting foreign investment. The division assists Kansas businesses by providing information on foreign markets and trends, supplying export data and foreign market research, conducts export seminars, recruits and assists in the participation of international trade shows, distributes foreign trade leads, and maintain international consultants in key global markets, including Mexico and China.

TRADE DEVELOPMENT SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 514,408	\$ 488,610	\$ 488,610	\$ 492,513	\$ 491,969	\$ 495,749
Contractual Services	367,788	308,706	308,706	354,803	354,803	354,803
Commodities	5,102	4,500	4,500	4,500	4,500	4,500
Capital Outlay	193	0	0	0	0	0
Subtotal	\$ 887,491	\$ 801,816	\$ 801,816	\$ 851,816	\$ 851,272	\$ 855,052
Aid to Local Units	0	0	0	0	0	0
Other Assistance	212,821	108,135	108,135	175,000	175,000	175,000
TOTAL	\$ 1,100,312	\$ 909,951	\$ 909,951	\$ 1,026,816	\$ 1,026,272	\$ 1,030,052
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,100,312	909,951	909,951	1,026,816	1,026,272	1,030,052
TOTAL	\$ 1,100,312	\$ 909,951	\$ 909,951	\$ 1,026,816	\$ 1,026,272	\$ 1,030,052
FTE Positions	9.0	7.0	6.0	7.0	6.0	6.0
Non-FTE Pos.*	0.5	0.0	0.0	0.0	0.0	0.0
TOTAL	9.5	7.0	6.0	7.0	6.0	6.0
*Non-FTE Permanent Unclassified Positions						

The **Trade Development Division** requests expenditures of \$1,026,816, all from the EDIF. The request is an increase of \$116,865, or 12.8 percent above the agency's FY 2013 estimate. The request includes the following:

- **Salaries and Wages.** The Trade Development Division requests \$492,513 in salaries and wages, all from the EDIF, to fund 7.0 FTE positions. The request is an EDIF increase of \$3,903, or 0.8 percent, above the agency's FY 2013 estimate. The increase is attributable to an increase of \$4,106 in KPERS employer contributions from \$36,772 to \$40,878 for FY 2013.

- **Contractual Services.** The Trade Development Division requests \$354,803 in contractual services, all from the EDIF. The request is an EDIF increase of \$46,097, or 14.9 percent, above the agency's FY 2013 estimate. The increase is attributable to an increase in building space rental (\$50,000); however, the increase was partially offset by a decrease in expenditures associated with professional fees (\$3,905).
- **Commodities.** The Trade Development Division requests \$4,500 in commodities, all from the EDIF. The request is the same amount in the agency's FY 2013 estimate.
- **Other Assistance.** The Trade Development Division requests \$175,000 all from the EDIF. The request is an all funds increase of \$65,865, or 61.8 percent, above the agency's FY 2013 estimate. The increase is attributable to Small Business Administration Step Grants.

The **Governor** recommends FY 2014 operating expenditures of \$1,026,272 all from special revenue funds for the Trade Development Division. The recommendation is an all funds decrease of \$544, or 0.1 percent, below the agency's FY 2014 request. The reduction is a result of the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability statutory rate from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 operating expenditures of \$1,030,052, an increase of \$3,780, or 0.4 percent, above the Governor's FY 2014 recommendation. The increase is attributable to salaries and wages. The salary and wage increase is attributable to an increase in Kansas Public Employees Retirement System (KPERs) employer contributions.

C. Business and Community Development

The Business and Community Development Program 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. The Division administers several programs which include the Community Development and Community Assistance Services.

BUSINESS AND COMMUNITY DEVELOPMENT SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,404,045	\$ 2,386,537	\$ 2,386,537	\$ 2,405,906	\$ 2,403,230	\$ 2,421,604
Contractual Services	836,791	1,509,197	1,509,197	1,478,984	1,478,984	1,478,984
Commodities	30,620	52,051	52,051	51,226	51,226	51,226
Capital Outlay	4,987	5,368	5,368	1,500	1,500	1,500
Subtotal	\$ 2,276,443	\$ 3,953,153	\$ 3,953,153	\$ 3,937,616	\$ 3,934,940	\$ 3,953,314
Aid to Local Units	50,000	25,000,000	25,000,000	25,000,000	25,000,000	25,000,000
Other Assistance	6,970,738	15,118,449	15,118,449	13,077,937	13,077,937	13,077,937
TOTAL	\$ 9,297,181	\$ 44,071,602	\$ 44,071,602	\$ 42,015,553	\$ 42,012,877	\$ 42,031,251
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	9,297,181	44,071,602	44,071,602	42,015,553	42,012,877	42,031,251
TOTAL	\$ 9,297,181	\$ 44,071,602	\$ 44,071,602	\$ 42,015,553	\$ 42,012,877	\$ 42,031,251
FTE Positions	17.0	15.0	15.0	15.0	15.0	15.0
Non-FTE Pos.*	5.0	17.0	17.0	17.0	17.0	17.0
TOTAL	22.0	32.0	32.0	32.0	32.0	32.0

*Non-FTE Permanent Unclassified Positions

The **Business and Community Development Division** requests expenditures of \$42,015,553, including \$5,754,736 from the EDIF. The request is a decrease of \$2,056,049, or 4.7 percent, below the agency's FY 2013 estimate. The request includes the following:

- **Salaries and Wages.** The Business and Community Development Division requests \$2,405,906 in salaries and wages, including \$1,722,176 from the EDIF, to fund 15.0 FTE positions. The request is an all funds increase of \$19,369, and an EDIF increase of \$13,877, or 0.8 percent, above the agency's FY 2013 estimate. The increase is partially attributable to an increase of \$20,226 in KPERS employer contributions from \$181,010 to \$201,236 for FY 2013.
- **Contractual Services.** The Business and Community Development Division requests \$1,478,984 in contractual services, including \$1,000,161 from the EDIF. The request is an all funds decrease of \$30,213, or 2.0 percent and an EDIF increase of \$91,141, or 10.0 percent, below the agency's FY 2013 estimate. The decrease is attributable to a decrease in lecturers and entertainers (\$5,000) and information systems consulting (\$31,500).

- **Commodities.** The Business and Community Development Division requests \$51,226 in commodities, including \$42,413 from the EDIF. The request is an all funds decrease of \$825, or 1.6 percent, and an EDIF decrease of \$700, or 1.6 percent, below the agency's FY 2013 estimate.
- **Capital Outlay.** The Business and Community Development Division requests \$1,500 in capital outlay, all from EDIF. The request is an all funds decrease of \$3,868 or 72.1 percent, and an EDIF decrease of \$868 or 36.7 percent, below the agency's FY 2013 estimate. The decrease is attributable to a reduction in computer equipment (\$3,868).
- **Aid to Locals.** The Business and Community Development Division requests \$25,000,000 in aid to locals, all from Community Development Block Grant. The funding is the result of incorporating the Rural Development Program into the Business Development Program.
- **Other Assistance.** The Business and Community Development Division requests \$13,077,937, including \$2,988,486 from the EDIF. The request is an all funds decrease of \$2,040,512, or 13.5 percent, and an EDIF decrease of \$1,463,700, or 32.9 percent, below the agency's FY 2013 estimate. The Creative Arts Industries Commission is funded through Other Assistance as is the newly created Job Creation Fund.

The **Governor** recommends FY 2014 operating expenditures of \$42,012,877 all from special revenue funds, for the Business and Community Development Division. The recommendation is an all funds decrease of \$2,676, or less than 0.1 percent, below the agency's FY 2014 request. The reduction is a result of the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability statutory rate from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 operating \$42,031,251, an increase of \$18,374, or less than 0.1 percent, above the Governor's FY 2014 recommendation. The increase is attributable to salaries and wages. The salary and wage increase is attributable to an increase in Kansas Public Employees Retirement System (KPERS) employer contributions.

D. 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 has two subprogram areas: Training Services and Employment Services. 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.

WORKFORCE SERVICES SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 10,316,579	\$ 10,492,156	\$ 10,492,156	\$ 10,448,216	\$ 10,437,855	\$ 10,509,659
Contractual Services	3,568,508	3,519,972	3,519,972	3,125,629	3,125,629	3,115,298
Commodities	167,676	136,156	136,156	129,656	129,656	129,556
Capital Outlay	546,653	346,684	346,684	313,198	313,198	313,198
Subtotal	\$ 14,599,416	\$ 14,494,968	\$ 14,494,968	\$ 14,016,699	\$ 14,006,338	\$ 14,067,711
Aid to Local Units	1,536,736	1,010,000	1,010,000	960,000	960,000	960,000
Other Assistance	49,470,173	61,304,883	61,304,883	59,402,810	59,374,692	59,370,492
TOTAL	\$ 65,606,325	\$ 76,809,851	\$ 76,809,851	\$ 74,379,509	\$ 74,341,030	\$ 74,398,203
Financing:						
State General Fund	\$ 0	\$ 500,000	\$ 500,000	\$ 500,000	\$ 0	\$ 0
All Other Funds	65,606,325	76,309,851	76,309,851	73,879,509	74,341,030	74,398,203
TOTAL	\$ 65,606,325	\$ 76,809,851	\$ 76,809,851	\$ 74,379,509	\$ 74,341,030	\$ 74,398,203
FTE Positions	161.0	141.5	132.0	141.5	132.0	132.0
Non-FTE Pos.*	48.0	45.0	42.0	45.0	42.0	42.0
TOTAL	209.0	186.5	174.0	186.5	174.0	174.0

*Non-FTE Permanent Unclassified Positions

The **Workforce Services Division** requests expenditures of \$74,379,509, including \$10,448,216 from the EDIF. The request is an all funds decrease of \$2,430,342, or 3.2 percent, and an EDIF decrease of \$43,940, or 0.4 percent, below the agency's FY 2013 estimate.

- **Salaries and Wages.** The Workforce Services Division requests \$10,448,216 in salaries and wages, including \$308,784 from the EDIF, to fund 141.5 FTE positions. The request is an all funds decrease of \$43,940, or 0.4 percent, and an EDIF increase of \$133,318, or 76.0 percent, from the agency's FY 2013 estimate.

- **Contractual Services.** The Workforce Services Division requests \$3,125,629 in contractual services, including \$63,389 from the EDIF. The request is an all funds decrease of \$394,343, or 11.2 percent and an EDIF increase of \$8,185, or 14.8 percent, from the agency's FY 2013 estimate. The decrease is partially attributable to a decline in expenditures for computer programming (\$100,102) and professional fees (\$214,425).
- **Commodities.** The Workforce Services Division requests \$129,656 in commodities, including \$660 from the EDIF. The request is an all funds decrease of \$6,500, or 4.8 percent, and an EDIF decrease of \$150, or 18.5 percent, below the agency's FY 2013 estimate.
- **Capital Outlay.** The Workforce Services Division requests \$313,198 in capital outlay, all from special revenue funds. The request is an all funds decrease of \$33,486, or 9.7 percent, below the agency's FY 2013 estimate.
- **Aid to Locals.** The Workforce Services Division requests \$960,000 in aid to locals, all from special revenue funds. The request is a decrease of \$50,000, or 5.0 percent, below the agency's FY 2013 request.
- **Other Assistance.** The Workforce Services Division requests \$59,402,810 for other assistance, including \$2,340,580 from the EDIF. The request is an all funds decrease of \$1,902,073, or 3.1 percent, and an EDIF decrease of \$154,614, or 6.2 percent from the agency's FY 2013 estimate.

The **Governor** recommends FY 2014 operating expenditures of \$74,341,030 all from special revenue funds, for the Workforce Services Division. The recommendation is an all funds decrease of \$38,479, or less than 0.1 percent, below the agency's FY 2014 request. The reduction is a result of the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability statutory rate from 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 operating expenditures of \$74,398,203, an increase of \$57,173, or 0.1 percent, above the Governor's FY 2014 recommendation. The increase is largely attributable to salaries and wages. The salary and wage increase is attributable to an increase in Kansas Public Employees Retirement System (KPERS) employer contributions. There was a small offset of \$10,000 in contractual services for professional fees.

E. Rural Development

RURAL DEVELOPMENT SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 1,139,504	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	1,114,886	0	0	0	0	0
Commodities	30,330	0	0	0	0	0
Capital Outlay	6,849	0	0	0	0	0
Subtotal	\$ 2,291,569	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aid to Local Units	21,434,732	0	0	0	0	0
Other Assistance	1,328,975	0	0	0	0	0
TOTAL	<u>\$ 25,055,276</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	25,055,276	0	0	0	0	0
TOTAL	<u>\$ 25,055,276</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FTE Positions	18.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	1.5	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>19.5</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
*Non-FTE Permanent Unclassified Positions						

The program was transferred into Business and Community Development in FY 2013. However, several programs in their Rural Development Program were eliminated in FY 2013 including the Kansas Main Street Program and the Incentive Without Walls Program.

CAPITAL IMPROVEMENTS

CAPITAL IMPROVEMENTS					
Project	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Debt Service Principal	\$ 85,000	\$ 85,000	\$ 90,000	\$ 90,000	\$ 95,000
Rehabilitation and Repair	100,000	100,000	100,000	100,000	100,000
TOTAL	<u>\$ 185,000</u>	<u>\$ 185,000</u>	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 195,000</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	185,000	185,000	190,000	190,000	195,000
TOTAL	<u>\$ 185,000</u>	<u>\$ 185,000</u>	<u>\$ 190,000</u>	<u>\$ 190,000</u>	<u>\$ 195,000</u>

FY 2013 – Current Year. The **agency** estimates FY 2013 capital improvements of \$185,000. The estimate includes \$85,000 in debt service principal payments and \$100,000 for rehabilitation and repair. The debt service is on bonds issued to finance the purchase and renovation of the workforce centers located throughout the state.

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

FY 2014 – Budget Year. The **agency** requests requests FY 2014 capital improvements of 190,000. The request includes \$90,000 in debt service principal payments and \$100,000 in rehabilitation and repair. The debt service is on bonds issued to finance the purchase and renovation of the workforce centers located throughout the state

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

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends expenditures of \$195,000 for capital improvements in FY 2015. The recommendation is an increase of \$5,000, all from special revenue funds, due to the maturation of the bonds with increased debt service principal payments.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Jobs created or retained through Business and Community Development Programs	10,750	15,000	15,000	15,000
Capital investments resulting through Business and Community Development Programs (in billions)	\$1.2	\$2.4	\$2.5	\$2.6
Rural opportunity zones applications	N/A	389	544	761
Individuals trained through Workforce Services	18,212	25,177	26,187	27,231
Jobs created or retained through Workforce Services	21,683	17,011	17,691	27,231
Amount of Kansas exports (in billions)	N/A	\$11.5	\$11.5	\$11.8
International capital investment in Kansas (in millions)	\$25.0	\$81.8	\$50.0	\$50.0

KANSAS CORPORATION COMMISSION

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	25,292,742	22,385,153	22,399,267	21,930,728	20,932,026	21,048,148
TOTAL	\$ 25,292,742	\$ 22,385,153	\$ 22,399,267	\$ 21,930,728	\$ 20,932,026	\$ 21,048,148
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 25,292,742	\$ 22,385,153	\$ 22,399,267	\$ 21,930,728	\$ 20,932,026	\$ 21,048,148

Operating Expenditures Percentage Change

State General Fund	-- %	-- %	-- %	-- %	-- %	-- %
All Funds	(9.7)	(11.5)	(11.4)	(2.0)	(6.6)	0.6

FTE Positions	212.0	205.0	205.0	205.0	205.0	205.0
Non-FTE Pos.*	6.5	6.5	6.5	6.5	6.5	6.5
TOTAL	218.5	211.5	211.5	211.5	211.5	211.5

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

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 **2005 Legislature** approved HB 2123, which transferred all powers, duties, and functions relating to the regulation of railroads from the agency to the Kansas Department of Transportation. It also approved HB 2263, the Kansas Electric Transmission Authority Act, which created the Kansas Electric Transmission Authority (KETA) and authorized the Commission to approve inclusion of costs associated with the construction or improvement of electric

transmission facilities in retail electric rates of regulated electric utilities, electric cooperatives, and municipal electric utilities under certain circumstances.

The **2006 Legislature** adopted SB 350, which removed the Commission's discretion to price-deregulate telecommunications services in an exchange. The bill also established thresholds for price deregulation for local exchange carriers currently subject to price cap regulation. The Legislature also approved SB 414, the Gas Safety and Reliability Policy Act, which allowed a natural gas public utility to petition the agency and propose rate schedules to establish or change gas system reliability surcharge rate schedules. These changes allowed for the adjustment of rates in order to recover the costs for eligible infrastructure system replacements. Finally, Sub. for SB 449, the Video Competition Act, created statewide franchising for cable operators and other video service providers other than those using wireless technology.

The **2007 Legislature** approved the shift of \$1.0 million from the State General Fund to a new revenue fund, the Kansas Electric Transmission Authority (KETA) Development Fund, for the planning and development of an electric transmission line. Further, the Legislature added a provision that required the agency to review the rules and regulations concerning whether the definition of commercial motor carriers was consistent with federal regulations, including exemptions for off-road construction equipment.

The **2007 Legislature** also 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 authorized the KCC to order changes to a utility's transmission charge if a federal transmission rate order changed. Under prior law, utilities had discretion regarding changing their transmission delivery charges when a federal transmission rate order was changed.

Finally, the **2007 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 exempted municipal natural gas and electric utilities from KCC regulation for 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 an extension of the sunset date to transfer \$400,000 from the State General Fund, the State Water Plan Fund, and the Conservation Fee Fund to the Abandoned Oil and Gas Well Fund. In addition, the Legislature passed SB 570, which removed the requirement that the Commission approve or deny mergers or acquisitions solely between telecommunications companies that have elected price cap regulations in Kansas. It also required broadband service providers to submit a report to the KCC containing information about the geographic areas where service is available from the provider. In turn, the Commission must annually report to the Legislature on the state's broadband service. Another bill, SB 586, required the agency to authorize adjustments to an electric utility's rates to recover the utility's prudent expenditures for development costs for a new nuclear generation facility, subject to the agency's review.

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.

Finally, the **2012 Legislature** 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** requests a revised FY 2013 estimate totaling \$22,385,153, all from special revenue funds, which is an increase of \$1,420,335, or 6.8 percent, above the amount approved by the 2012 Legislature. The agency's request includes 205.0 FTE positions which is 4.0 FTE positions less than the approved number.

The **Governor** recommends a revised FY 2013 budget totaling \$22,399,267, all from special revenue funds, an increase of \$14,114, or 0.1 percent, above the agency's revised request; and an increase of \$1,434,449, or 6.8 percent above the amount approved by the 2012 Legislature. The increase above the agency's revised estimate is due to the undermarket pay distribution approved by the 2012 Legislature.

FY 2014 – Budget Year. The **agency** requests \$21,930,728, all from special revenue funds, which is a decrease of \$454,425, or 2.0 percent, below the FY 2013 revised estimate. The FY 2014 request includes enhancements totaling \$568,048, all from special revenue funds. **Absent the enhancements**, the FY 2014 request is \$21,362,680, which is a decrease of \$1,022,473, or 4.6 percent, below the revised FY 2013 estimate. The agency's request includes 205.0 FTE positions, which is the same as the FY 2013 revised estimate.

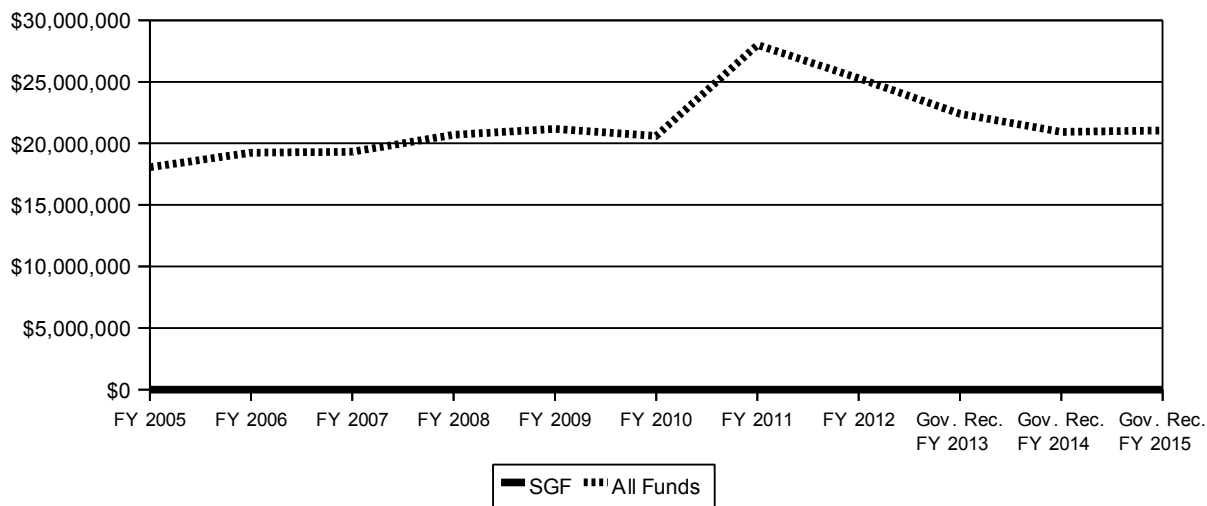
The **Governor** recommends FY 2014 expenditures of \$20,932,026, all from special revenue funds, a decrease of \$998,702, or 4.6 percent, below the agency's FY 2014 request; and a decrease of \$1,467,241, or 6.6 percent, below the Governor's FY 2013 recommendation. The decrease from the agency's FY 2014 request includes a decrease of \$569,161 in salaries and wages reflecting the Governor's recommendation not to adopt the agency enhancement request to reduce the shrinkage rate. The Governor recommends deleting \$15,627, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014. The decrease from the agency's FY 2014 request also includes a decrease of \$429,541 in contractual services recommended by the Governor. The Governor did not specify which contractual services were to be reduced but just made a reduction to the expense category.

FY 2015 – Budget Year. The **agency** did not make a FY 2015 budget request. There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures of \$21,1048,148, all from special revenue funds, an increase of \$116,122, or 0.6 percent, above the Governor's FY 2014 recommendation. The increase is attributable to fringe benefit costs including employer contributions to the Kansas Public Employee Retirement System.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2014



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 0	-- %	\$ 18,062,236	3.6 %	212.0
2006	0	--	19,245,599	6.6	212.0
2007	0	--	19,314,560	0.4	214.0
2008	0	--	20,696,626	7.2	214.0
2009	0	--	21,171,620	2.3	214.0
2010	0	--	20,599,697	(2.7)	214.0
2011	0	--	27,997,186	35.9	214.0
2012	0	--	25,292,742	(9.7)	212.0
2013 Gov. Rec.	0	--	22,399,267	(11.4)	205.0
2014 Gov. Rec.	0	--	20,932,026	0.0	205.0
2015 Gov. Rec.	0	--	21,048,148	0.6	205.0
Eleven-Year Change					
Dollars/Percent	\$ 0	-- %	\$ 2,985,912	16.5 %	(7.0)

Summary of Operating Budget FY 2012 - FY 2014

Kansas Corporation Commission

		Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
Actual 2012									
By Program:									
Administration	\$ 5,457,199	\$ 5,723,497	\$ 5,974,815	\$ 251,318	4.4 %	\$ 5,726,406	\$ 5,723,883	\$ (2,523)	(0.0)%
Utilities	3,479,384	3,972,981	3,984,746	11,765	0.3	3,972,981	3,809,884	(163,097)	(4.1)
Conservation	8,326,219	9,081,149	9,053,294	(27,855)	(0.3)	9,092,354	8,667,682	(424,672)	(4.7)
Transportation	1,133,830	1,671,196	1,774,016	102,820	6.2	1,671,196	1,587,257	(83,939)	(5.0)
Energy Programs	6,896,110	1,936,330	1,143,857	(792,473)	(40.9)	1,936,330	1,143,320	(793,010)	(41.0)
TOTAL	\$ 25,292,742	\$ 22,385,153	\$ 21,930,728	\$ (454,425)	(2.0) %	\$ 22,399,267	\$ 20,932,026	\$ (1,467,241)	(6.6)%
By Major Object of Expenditure:									
Salaries and Wages	\$ 13,847,664	\$ 14,294,855	\$ 14,808,187	\$ 513,332	3.6 %	\$ 14,308,969	\$ 14,239,026	\$ (69,943)	(0.5)%
Contractual Services	5,410,989	6,188,986	5,769,207	(419,779)	(6.8)	6,188,986	5,339,666	(849,320)	(13.7)
Commodities	396,930	487,410	492,725	5,315	1.1	487,410	492,725	5,315	1.1
Capital Outlay	289,759	296,200	391,253	95,053	32.1	296,200	391,253	95,053	32.1
Subtotal - Operations	\$ 19,945,342	\$ 21,267,451	\$ 21,461,372	\$ 193,921	0.9 %	\$ 21,281,565	\$ 20,462,670	\$ (818,895)	(3.8)%
Aid to Local Units	5,065,242	1,090,241	441,895	(648,346)	(59.5)	1,090,241	441,895	(648,346)	(59.5)
Other Assistance	282,158	27,461	27,461	0	0.0	27,461	27,461	0	0.0
TOTAL	\$ 25,292,742	\$ 22,385,153	\$ 21,930,728	\$ (454,425)	(2.0) %	\$ 22,399,267	\$ 20,932,026	\$ (1,467,241)	(6.6)%
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
All Other Funds	25,292,742	22,385,153	21,930,728	(454,425)	(2.0)	22,399,267	20,932,026	(1,467,241)	(6.6)
TOTAL	\$ 25,292,742	\$ 22,385,153	\$ 21,930,728	\$ (454,425)	(2.0) %	\$ 22,399,267	\$ 20,932,026	\$ (1,467,241)	(6.6)%

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 5,974,815	\$ 5,723,883	\$ 5,760,200	\$ 36,317	0.6 %
Utilities	3,984,746	3,809,884	3,831,784	21,900	0.6
Conservation	9,053,294	8,667,682	8,713,884	46,202	0.5
Transportation	1,774,016	1,587,257	1,594,982	7,725	0.5
Energy Programs	1,143,857	1,143,320	1,147,298	3,978	0.3
TOTAL	\$ 21,930,728	\$ 20,932,026	\$ 21,048,148	\$ 116,122	0.6 %
By Major Object of Expenditure:					
Salaries and Wages	\$ 14,808,187	\$ 14,239,026	\$ 14,355,148	\$ 116,122	0.8 %
Contractual Services	5,769,207	5,339,666	5,339,666	0	0.0
Commodities	492,725	492,725	492,725	0	0.0
Capital Outlay	391,253	391,253	391,253	0	0.0
Subtotal - Operations	\$ 21,461,372	\$ 20,462,670	\$ 20,578,792	\$ 116,122	0.6 %
Aid to Local Units	441,895	441,895	441,895	0	0.0
Other Assistance	27,461	27,461	27,461	0	0.0
TOTAL	\$ 21,930,728	\$ 20,932,026	\$ 21,048,148	\$ 116,122	0.6 %
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	--
All Other Funds	21,930,728	20,932,026	21,048,148	116,122	0.6
TOTAL	\$ 21,930,728	\$ 20,932,026	\$ 21,048,148	\$ 116,122	0.6 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	20,964,818	22,385,153	1,420,335	22,399,267	1,434,449
TOTAL	<u>\$ 20,964,818</u>	<u>\$ 22,385,153</u>	<u>\$ 1,420,335</u>	<u>\$ 22,399,267</u>	<u>\$ 1,434,449</u>
FTE Positions	209.0	205.0	(4.0)	205.0	(4.0)

The **agency** estimates a revised FY 2013 estimate totaling \$22,385,153, all from special revenue funds, which is an increase of \$1,420,335, or 6.8 percent, above the amount approved by the 2012 Legislature. Included in the FY 2013 estimate is \$14,441, all from special revenue funds, as the result of the 2012 Legislature's approved undermarket pay distributed by the State Finance Council. The agency's request includes 205.0 FTE positions which is 4.0 FTE positions less than the approved number.

Most of the increase from the FY 2013 revised estimate is attributed to an increase of \$1,021,991, or 1,497.4 percent, in Aid to Local Units. This increase includes an increase of \$340,000 from American Recovery and Reinvestment Act (ARRA) funding. The agency explains that because the Act spans a three-year period, projects that did not begin in FY 2012 had to be unencumbered for FY 2012 and re-encumbered in FY 2013. In some cases, grant recipients chose not to move forward, or used fewer funds that were originally encumbered for their project. Those funds were reallocated to increase grant funds in existing projects. Another reason for the increase is attributed to an increase of \$373,645 in Energy Conservation Federal grant roll-over funds that were made available. The rest of the increase is attributed to KETA, which was listed under Other Assistance for the FY 2013 approved budget, but was listed as a State Special Grant Line Item for the FY 2013 revised estimate. This resulted in an increase of \$100,000 from the approved budget, plus a re-appropriation transfer from the Public Service Regulation Fund, resulting in a \$308,346 increase to Aid to Local Units.

The overall increase for FY 2013 is also attributed in part to a \$360,590, or 6.2 percent, increase in contractual services. This increase is due in part to a \$255,672 increase to the Abandoned Oil and Gas Well Fund. The agency explains that the average cost of plugging a well is \$4,500, an increase of 5.5 percent from FY 2012 to FY 2013.

The **Governor** recommends a revised FY 2013 budget totaling \$22,399,267, all from special revenue funds, an increase of \$14,114, or 0.1 percent, above the agency's revised request; and an increase of \$1,434,449, or 6.8 percent above the amount approved by the 2012 Legislature. The increase above the agency's revised estimate is due to the undermarket pay distribution approved by the 2012 Legislature.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 21,930,728	\$ 20,932,026	\$	(998,702)
FTE Positions	205.0	205.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 0	\$ 0		
All Other Funds	(454,425)	(1,467,241)		
TOTAL	<u>\$ (454,425)</u>	<u>\$ (1,467,241)</u>		
<i>Percent Change:</i>				
State General Fund	0.0 %	0.0 %		
All Other Funds	(2.0)	(6.6)		
TOTAL	<u>(2.0) %</u>	<u>(6.6) %</u>		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 expenditures of \$21,930,728, all from special revenue funds, which is a decrease of \$454,425, or 2.0 percent, below the FY 2013 estimate. The FY 2014 request includes enhancement requests totaling \$568,048, all from special revenue funds. **Absent the enhancement**, the FY 2014 request is \$21,362,680, which is a decrease of \$1,022,473, or 4.6 percent, below the revised FY 2013 estimate. The agency's request includes 205 FTE positions, which is the same as the FY 2013 revised request.

The decrease is due in part to a \$648,346, or 59.5 percent, decrease in aid to local units because of \$340,000 in federal ARRA funds that will no longer be available and because KETA will ask the Governor directly for its FY 2014 budget needs, which accounts for \$308,346. Another portion of the decrease comes from a \$419,779, or 6.8 percent, decrease in non-specified contractual services expenditures, which is due in part to a \$337,474 decrease in the Abandoned Oil and Gas Well Fund because of a reduced State Water Plan transfer.

The **Governor** recommends FY 2014 expenditures of \$20,932,026, all from special revenue funds, a decrease of \$998,702, or 4.6 percent, below the agency's FY 2014 request; and a decrease of \$1,467,241, or 6.6 percent, below the Governor's FY 2013 recommendation. The decrease from the agency's FY 2014 request includes a decrease of \$569,161 in salaries and wages reflecting the Governor's recommendation not to adopt the agency enhancement request to reduce the shrinkage rate. The Governor recommends deleting \$15,627, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public

Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014. The decrease from the agency's FY 2014 request also includes a decrease of \$429,541 in contractual services recommended by the Governor. The Governor did not specify which contractual services were to be reduced but just made a reduction to the expense category.

Enhancements Detail

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Administration						
Shrinkage Adjustment	\$ 0	\$ 198,885	0.0	\$ 0	\$ 0	0.0
Utilities Shrinkage						
Adjustment	0	96,905	0.0	0	0	0.0
Conservation Shrinkage						
Adjustment	0	231,040	0.0	0	0	0.0
Transportation						
Shrinkage Adjustment	0	41,218	0.0	0	0	0.0
TOTAL	<u>\$ 0</u>	<u>\$ 568,048</u>	<u>0.0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0.0</u>

The **agency** requests the current shrinkage rate of 9.0 percent to be reduced to a rate of 5.0 percent. The reduction of the shrinkage rate amounts to \$568,048 for the Administration, Utilities, Conservation, and Transportation Divisions. From FY 2003 - FY 2006, the shrinkage rate was 2.5 percent. The rate was increased in FY 2007 to 6.0 percent, and again in FY 2010 to 9.0 percent. The agency states that if the shrinkage rate is not reduced, the agency will have to hold positions open much longer, inhibiting the KCC from carrying out its goals and objectives efficiently and effectively.

The **Governor** does not recommend enhanced funding for FY 2014.

FY 2014 Reduced Resources

The **agency** was not required to submit a reduced resources budget.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 21,048,148	\$ 116,122
FTE Positions	205.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	116,122	
TOTAL	<u>\$ 116,122</u>	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	0.6	
TOTAL	<u>0.6 %</u>	
Change in FTE Positions	0.0	

FY 2015 – Budget Year. The **agency** did not make a FY 2015 budget request. There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 expenditures of \$21,1048,148, all from special revenue funds, an increase of \$116,122, or 0.6 percent, above the Governor's FY 2014 recommendation. The increase is attributable to fringe benefit costs including employer contributions to the Kansas Public Employee Retirement System.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$48,450, all from special revenue funds, and FY 2015 longevity payments total \$68,360, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0
Public Service Regulation Fund	7,205,635	7,207,677	7,555,487	7,240,453
Gas Pipeline Inspection Fee Fund	25,000	25,000	25,000	25,000
Conservation Fee Fund	7,703,929	7,714,727	8,050,639	7,604,087
Abandoned Oil & Gas Well Fund	1,860,745	1,860,745	1,523,271	1,523,271
Natural Gas Underground Storage Fee Fund	35,047	35,104	35,001	35,026
In-service Education Workshop Fee Fund	46,672	46,672	18,550	18,550
Facilities Conservation Improvement Project	185,053	185,053	266,032	265,810
Motor Carrier License Fees Fund	2,029,720	2,030,205	2,169,064	1,932,581
KETA Administrative Fund	308,346	308,346	0	0
All Federal Funds	2,985,006	2,985,738	2,287,684	2,287,248
TOTAL	\$ 22,385,153	\$ 22,399,267	\$ 21,930,728	\$ 20,932,026

The **agency** receives the majority of its funding for expenditures through revenues generated by: (1) fees that are levied against public utilities and common carriers; (2) fees collected for inspections of equipment; (3) fees assessed on individual barrels of oil or for each one thousand cubic-feet of natural gas produced; (4) fines levied on responsible parties of well sites or remediation sites; (5) financial assurance funds; (6) application fees; (7) fees for workshops or conferences conducted by the agencies; (8) administrative services; (9) litigation funds; (10) regulatory fees from registrations; and (11) federal grants.

The agency also receives transfers from the State General Fund, State Water Plan Fund, and other funds, which are deposited in the Abandoned Oil and Gas Well Fund for well-plugging activities. By law, the agency is supposed to receive \$400,000 per fiscal year from the State General Fund, State Water Plan Fund, the Conservation Fee Fund assessment on oil and gas production, and one-half of the state's share of the Federal Mineral Leasing program. It should be noted, however, that since the Abandoned Oil and Gas Well Fund was created in 1996, State General Fund transfers have not been recommended from FY 2004 through FY 2012. The FY 2013 legislative approved budget does not include the \$400,000 transfer from the State General Fund to the Abandoned Oil & Gas Fund.

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Public Service Regulation Fund	34.4 %	34.6 %
Conservation Fee Fund	36.7	36.3
Motor Carrier License Fee Fund	9.9	9.2
Abandoned Oil & Gas Well Fund	6.9	7.3
All Other Funds	12.0	12.6
TOTAL	100.0 %	100.0 %

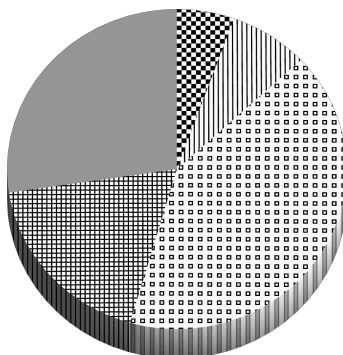
Note: Percentages may not add due to rounding.

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Administration	\$ 5,723,883	27.3 %	\$ 0	-- %
Utilities	3,809,884	18.2	0	--
Conservation	8,667,682	41.4	0	--
Transportation	1,587,257	7.6	0	--
Energy Programs	1,143,320	5.5	0	--
TOTAL	\$ 20,932,026	100.0 %	\$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	64.0	64.0	64.0	64.0	64.0	64
Utilities	41.0	36.0	36.0	36.0	36.0	36
Conservation	85.0	86.0	86.0	86.0	86.0	86
Transportation	20.0	17.0	17.0	17.0	17.0	17
Energy Programs	2.0	2.0	2.0	2.0	2.0	2
TOTAL	212.0	205.0	205.0	205.0	205.0	205.0

A. Administration Division

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 SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 4,226,589	\$ 4,496,110	\$ 4,499,019	\$ 4,723,524	\$ 4,522,592	\$ 4,558,909
Contractual Services	1,126,683	1,131,504	1,131,504	1,131,554	1,081,554	1,081,554
Commodities	43,368	44,370	44,370	45,610	45,610	45,610
Capital Outlay	48,540	34,285	34,285	56,899	56,899	56,899
Subtotal	\$ 5,445,180	\$ 5,706,269	\$ 5,709,178	\$ 5,957,587	\$ 5,706,655	\$ 5,742,972
Aid to Local Units	0	0	0	0	0	0
Other Assistance	12,019	17,228	17,228	17,228	17,228	17,228
TOTAL	\$ 5,457,199	\$ 5,723,497	\$ 5,726,406	\$ 5,974,815	\$ 5,723,883	\$ 5,760,200
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	5,457,199	5,723,497	5,726,406	5,974,815	5,723,883	5,760,200
TOTAL	\$ 5,457,199	\$ 5,723,497	\$ 5,726,406	\$ 5,974,815	\$ 5,723,883	\$ 5,760,200
FTE Positions	64.0	64.0	64.0	64.0	64.0	64.0
Non-FTE Pos.*	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL	64.5	64.5	64.5	64.5	64.5	64.5

*Non-FTE Permanent Unclassified Positions

For FY 2014, the **agency** requests Administration Division operating expenditures of \$5,974,815, all from special revenue funds, which is an increase of \$251,318 or 4.4 percent, above the agency's revised FY 2013 estimate. The increase is primarily due to \$198,885 in enhancement funding, all from special revenue funds, for a salaries and wages shrinkage rate reduction. **Without the enhancement**, the request for the Administration Division would be \$5,775,930, which is an increase of \$52,433, or 0.9 percent, above the revised FY 2013 estimate. The remaining portion is due to increased fringe benefit costs for salaries and wages, and a \$23,904 increase for personal computers, laptop, printer replacements, SAN storage, and a portion of two server replacements, along with a Google Search Appliance hardware device.

The **Governor** recommends FY 2014 expenditures of \$5,723,883, a decrease of \$250,932, or 4.2 percent, below the agency's FY 2014 request; and a decrease of \$2,523, or less than 0.1 percent, below the Governor's FY 2013 recommendation. The decrease from the agency's request is attributable to the Governor not recommending \$198,885 in enhancement funding, as well as a \$50,000 decrease in non-specified contractual services expenditures.

The **Governor** recommends FY 2015 expenditures of \$5,760,200, an increase of \$36,317, or 0.6 percent, above the Governor's FY 2014 recommendation due to increases in salaries and wages for benefits costs.

B. Utilities Division

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 SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 2,732,078	\$ 2,750,761	\$ 2,750,761	\$ 2,756,325	\$ 2,656,463	\$ 2,678,363
Contractual Services	646,623	1,143,850	1,143,850	1,135,750	1,060,750	1,060,750
Commodities	45,653	49,810	49,810	50,315	50,315	50,315
Capital Outlay	47,891	18,327	18,327	32,123	32,123	32,123
Subtotal	\$ 3,472,245	\$ 3,962,748	\$ 3,962,748	\$ 3,974,513	\$ 3,799,651	\$ 3,821,551
Aid to Local Units	0	0	0	0	0	0
Other Assistance	7,139	10,233	10,233	10,233	10,233	10,233
TOTAL	<u>\$ 3,479,384</u>	<u>\$ 3,972,981</u>	<u>\$ 3,972,981</u>	<u>\$ 3,984,746</u>	<u>\$ 3,809,884</u>	<u>\$ 3,831,784</u>
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	3,479,384	3,972,981	3,972,981	3,984,746	3,809,884	3,831,784
TOTAL	<u>\$ 3,479,384</u>	<u>\$ 3,972,981</u>	<u>\$ 3,972,981</u>	<u>\$ 3,984,746</u>	<u>\$ 3,809,884</u>	<u>\$ 3,831,784</u>
FTE Positions	41.0	36.0	36.0	36.0	36.0	36.0
Non-FTE Pos.*	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	<u>42.0</u>	<u>37.0</u>	<u>37.0</u>	<u>37.0</u>	<u>37.0</u>	<u>37.0</u>

*Non-FTE Permanent Unclassified Positions

For FY 2014, the **agency** estimates Utilities Division operating expenditures of \$3,984,746, all from special revenue funds, which is an increase of \$11,765, or 0.3 percent, above the FY 2013 revised estimate. The increase is mainly attributable to \$96,905 in enhancement funding, all from special revenue funds, for a salaries and wages shrinkage rate reduction. **Without the enhancement**, the request for the Utilities Division would be \$3,887,841, which is a decrease of \$85,140, or 2.1 percent, below the revised FY 2013 estimate.

The **Governor** recommends FY 2014 expenditures of \$3,809,884, all from special revenue funds, a decrease of \$174,862, or 4.4 percent, below the agency's FY 2014 request; and a decrease of \$163,097, or 4.1 percent below the Governor's FY 2013 recommendation. The decrease is attributable to the Governor not recommending \$96,905 in enhancement funding for salaries and wages, as well as a \$75,000 decrease in non-specified contractual services expenditures.

The **Governor** recommends FY 2015 expenditures of \$3,831,784, an increase of \$21,900, or 0.6 percent, above the Governor's FY 2014 recommendation due to increases in salaries and wages for fringe benefits costs.

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 (SWP) Fund, 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 2013. Also, based on the requested reduction from the Kansas Water Authority, only \$355,011 will be transferred from the SWP Fund for FY 2014. The agency indicates it plans to transfer the required \$400,000 from the Conservation Fee Fund. This program also receives half of the state's share of mineral royalties, which is estimated to be \$758,760 for FY 2014. An estimated \$1,523,271 will be available to plug approximately 310 wells, and approximately \$50,000 will be available for site remediation work for FY 2014.

CONSERVATION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 5,302,344	\$ 5,563,734	\$ 5,574,939	\$ 5,859,904	\$ 5,634,292	\$ 5,680,494
Contractual Services	2,599,068	3,009,435	3,009,435	2,690,108	2,530,108	2,530,108
Commodities	262,872	288,780	288,780	291,725	291,725	291,725
Capital Outlay	161,935	219,200	219,200	211,557	211,557	211,557
Subtotal	\$ 8,326,219	\$ 9,081,149	\$ 9,092,354	\$ 9,053,294	\$ 8,667,682	\$ 8,713,884
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	\$ 8,326,219	\$ 9,081,149	\$ 9,092,354	\$ 9,053,294	\$ 8,667,682	\$ 8,713,884
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	8,326,219	9,081,149	9,092,354	9,053,294	8,667,682	8,713,884
TOTAL	\$ 8,326,219	\$ 9,081,149	\$ 9,092,354	\$ 9,053,294	\$ 8,667,682	\$ 8,713,884
FTE Positions	85.0	86.0	86.0	86.0	86.0	86.0
Non-FTE Pos.*	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL	89.0	90.0	90.0	90.0	90.0	90.0
*Non-FTE Permanent Unclassified Positions						

For FY 2014, the **agency** estimates Conservation Division operating expenditures of \$9,053,294, all from special revenue funds, which is a decrease of \$27,855, or 0.3 percent, below the revised FY 2013 estimate. The request includes \$231,040 in enhancement funding, all from special revenue funds, for a salaries and wages shrinkage rate reduction. **Without the enhancement**, the request for the Conservation Division would be \$8,822,254, which is a decrease of \$258,895, or 2.9 percent, below the revised FY 2013 estimate. The decrease is attributed to a decrease estimate of plugging 400 wells in FY 2013 to 310 wells in FY 2014.

The **Governor** recommends FY 2014 expenditures of \$8,667,682, all from special revenue funds, a decrease of \$385,612, or 4.3 percent, below the agency's FY 2014 request; and a decrease of \$424,672, or 4.7 percent, below the Governor's FY 2013 recommendation. The decrease from the agency's request is attributable to the Governor not recommending \$231,040 in enhanced funding for salaries and wages, as well as a decrease of \$160,000 in non-specified contractual services.

The **Governor** recommends FY 2015 expenditures of \$8,713,884, an increase of \$46,202, or 0.5 percent, above the Governor's FY 2014 recommendation due to increases in salaries and wages for fringe benefits costs.

D. Transportation

The Transportation Division regulates motor carriers of person 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 SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 951,869	\$ 930,051	\$ 930,051	\$ 978,917	\$ 936,699	\$ 944,424
Contractual Services	124,003	690,155	690,155	686,605	542,064	542,064
Commodities	27,391	28,250	28,250	28,800	28,800	28,800
Capital Outlay	30,567	22,740	22,740	79,694	79,694	79,694
Subtotal	\$ 1,133,830	\$ 1,671,196	\$ 1,671,196	\$ 1,774,016	\$ 1,587,257	\$ 1,594,982
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
TOTAL	<u>\$ 1,133,830</u>	<u>\$ 1,671,196</u>	<u>\$ 1,671,196</u>	<u>\$ 1,774,016</u>	<u>\$ 1,587,257</u>	<u>\$ 1,594,982</u>
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,133,830	1,671,196	1,671,196	1,774,016	1,587,257	1,594,982
TOTAL	<u>\$ 1,133,830</u>	<u>\$ 1,671,196</u>	<u>\$ 1,671,196</u>	<u>\$ 1,774,016</u>	<u>\$ 1,587,257</u>	<u>\$ 1,594,982</u>
FTE Positions	20.0	17.0	17.0	17.0	17.0	17.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>20.0</u>	<u>17.0</u>	<u>17.0</u>	<u>17.0</u>	<u>17.0</u>	<u>17.0</u>
*Non-FTE Permanent Unclassified Positions						

For FY 2014, the **agency** requests Transportation Division operating expenditures of \$1,774,016, all from special revenue funds, which is an increase of \$102,820, or 6.2 percent,

above the revised FY 2013 estimate. The increase is primarily due to a \$71,523 request to replace three vehicles (\$23,841 per vehicle). The increase is also attributed to the enhancement request of \$41,218, all from special revenue funds, to reduce salaries and wages shrinkage rate. **Without the enhancement**, the request for the Transportation Division would be \$1,732,798, which is an increase of \$61,602, or 3.7 percent, above the revised FY 2013 estimate.

The **Governor** recommends FY 2014 expenditures of \$1,587,257, all from special funds, a decrease of \$186,759, or 10.5 percent, below the agency's FY 2014 request; and a decrease of \$83,939, or 5.0 percent, below the Governor's FY 2013 request. The decrease from the agency's request is attributable to the Governor not recommending \$41,218 in enhancement funding for salaries and wages, as well as a decrease of \$144,541 in contractual services.

The **Governor** recommends FY 2015 expenditures of \$1,594,982, an increase of \$7,725, or 0.5 percent, above the Governor's FY 2014 recommendation due to increases in salaries and wages for fringe benefits costs.

E. Energy Division

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 SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 634,784	\$ 554,199	\$ 554,199	\$ 489,517	\$ 488,980	\$ 492,958
Contractual Services	914,612	214,042	214,042	125,190	125,190	125,190
Commodities	17,646	76,200	76,200	76,275	76,275	76,275
Capital Outlay	826	1,648	1,648	10,980	10,980	10,980
Subtotal	\$ 1,567,868	\$ 846,089	\$ 846,089	\$ 701,962	\$ 701,425	\$ 705,403
Aid to Local Units	5,065,242	1,090,241	1,090,241	441,895	0	441,895
Other Assistance	263,000	0	0	0	441,895	0
TOTAL	\$ 6,896,110	\$ 1,936,330	\$ 1,936,330	\$ 1,143,857	\$ 1,143,320	\$ 1,147,298
Financing:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	6,896,110	1,936,330	1,936,330	1,143,857	1,143,320	1,147,298
TOTAL	\$ 6,896,110	\$ 1,936,330	\$ 1,936,330	\$ 1,143,857	\$ 1,143,320	\$ 1,147,298
FTE Positions	2.0	2.0	2.0	2.0	2.0	2.0
Non-FTE Pos.*	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
*Non-FTE Permanent Unclassified Positions						

For FY 2014, the **agency** requests Energy Division operating expenditures of \$1,143,857, all from special revenue funds, which is a decrease of \$792,476, or 40.9 percent, below the revised FY 2013 estimate. The decrease is partly attributed to an \$88,852, or 41.5 percent, decrease in non-specified contractual services expenditures in fees - other services and fees - professional services due to the ARRA grant ending. The decrease is mostly attributed to a \$648,346 decrease in aid to local units, of which \$340,000 is also due to the ARRA grant ending. The other \$308,346 in decreased funds to aid to local units is attributed to no funding requests for Kansas Electric Transmission Authority (KETA) activities.

The **Governor** recommends FY 2014 expenditures of \$1,936,330, all from special revenue funds, a decrease of \$537, or less than 0.1 percent, below the agency's FY 2014 request; and a decrease of \$739,010, or 41.0 percent, below the Governor's FY 2013 recommendation. The decrease from the agency's request reflects the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

The **Governor** recommends FY 2015 expenditures of \$1,147,298, an increase of \$3,978, or 0.3 percent, above the Governor's FY 2014 recommendation due to increases in salaries and wages for benefits costs.

Kansas Electric Transmission Authority

KETA was created by the 2005 Legislature through the Kansas Electric Transmission Authority Act, and is charged with ensuring reliable operation of the integrated electrical transmission system and facilitating the consumption of Kansas energy through improvements in the state's electric transmission infrastructure. The FY 2013 KETA budget is in the State Special Grants line item, however, the KETA Board requested FY 2014 funding for KETA directly from the Governor. In FY 2013, a separate fund was created for KETA called the KETA Administrative Fund so that funds are no longer in the KCC Public Service Regulation Fund.

For FY 2013, the total amount for KETA through the KCC Administrative fund is \$308,346.

For FY 2014, no funding is budgeted for KETA activities through the KCC, however, KETA requests operating expenditures of \$100,000, all from special revenue funds, and any unexpended balance from FY 2013.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Administration				
Number of consumer complaints/inquiries received	2,500	8	10	10
Number of Public Hearings	10	10	8	8
Number of Documents online	90,000	93,875	100,000	115,000
Utilities				
Kansas natural gas rates compared to the national average	80.0%	100.0%	91.0%	91.0%
Kansas electric rates compared to national average	74.0%	92.0%	90.0%	88.0%
Number of Natural Gas Pipeline Safety Act non-compliance detected and corrected	100	57	145	200
Conservation				
Percent of all inventoried priority A1 wells plugged	99.9%	99.9%	100.0%	100.0%
Number of abandoned wells plugged	326	360	400	310
Number of identified pollution sites resolved	3	--	3	3
Number of oil and gas facility inspections performed	5,324	3,910	5,500	5,500
Number of environmental permit applications processed	10,873	10,500	10,750	11,000
Transportation				
Number of educational seminars, classes, or programs conducted	156	158	160	160
Number of motor carriers registered for Kansas	8,361	14,635	15,000	15,000
Percent of motor carrier audits identifying safety violations	75.0%	50.0%	50.0%	50.0%
Number of complaints from outside parties	30	28	35	35
Energy				
Energy savings estimates of Facilities Conservation Improvement Program	\$150,000	\$383,714	\$445,000	\$535,000
Rural opportunity zone energy generated/saved (in kilowatt hours)	--	3,700	4,000	4,000

CITIZENS' UTILITY RATEPAYER BOARD

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	848,150	843,918	843,918	845,595	845,040	853,668
TOTAL	\$ 848,150	\$ 843,918	\$ 843,918	\$ 845,595	\$ 845,040	\$ 853,668
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 848,150	\$ 843,918	\$ 843,918	\$ 845,595	\$ 845,040	\$ 853,668

Operating Expenditures Percentage Change

State General Fund	--	%	--	%	--	%	--	%	--	%
All Funds	4.6		(0.5)		(0.5)		0.2		0.1	
FTE Positions	6.0		6.0		6.0		6.0		6.0	
Non-FTE Pos.*	0.0		0.0		0.0		0.0		0.0	
TOTAL	6.0		6.0		6.0		6.0		6.0	

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

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 **2005 Legislature** added funding of \$73,046, all from the Utility Regulatory Fee Fund, and 1.0 FTE position for a technical analyst position and associated expenses starting in FY 2006.

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 1044, specifically prohibited CURB from spending any money in FY 2012 from its regulatory fee fund to support the Citizens' Regulatory Review Board.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$843,918, all from special revenue funds, which is the same as the amount approved by the 2012 Legislature. A total of \$8,313 of funding for professional services was carried forward from FY 2012. Appropriations bill language limits the allowed carry-over funds to those used for consultant contracts. The estimate includes 6.0 FTE positions, which is the same as the approved amount.

The **Governor** concurs with the agency estimate for FY 2013.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$845,595, an increase of \$1,677, or 0.2 percent, above the FY 2013 revised estimate. This request does not include remaining funds to be carried forward from the current year. The agency is allowed to carry forward any unused balances in consulting fees from the previous year but can only use this money on contracts for consultants. The request includes 6.0 FTE positions, which is the same as the current year.

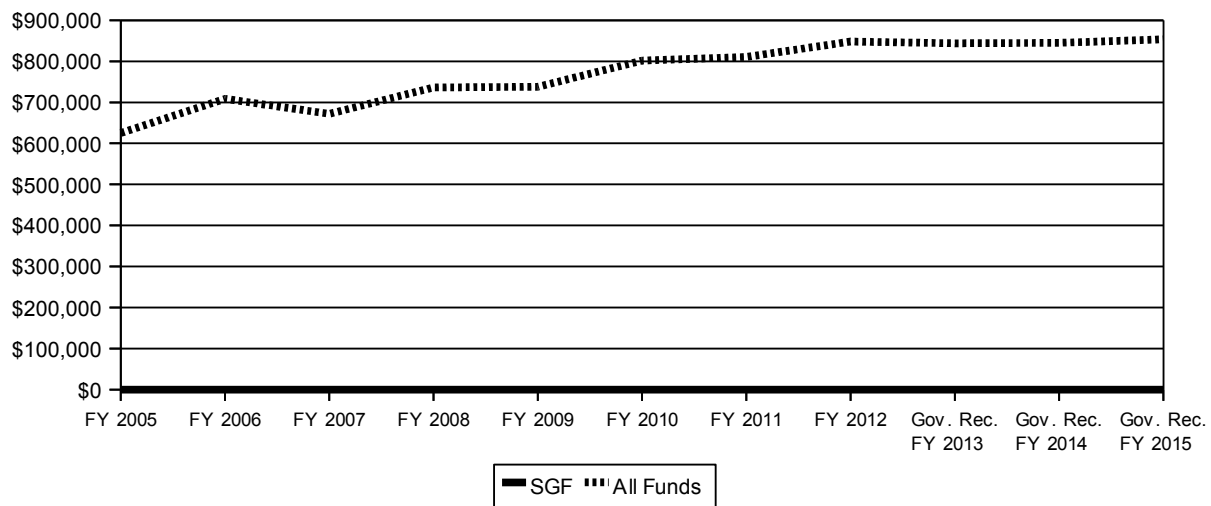
The **Governor** recommends FY 2014 operating expenditures of \$845,040, an increase of \$1,122 above the Governor's FY 2013 recommendation. Compared to the agency's FY 2014 estimate, the recommendation is a decrease of \$555, or less than 0.1 percent, due to a reduction of the Kansas Public Employees Retirement System death and disability fund employer contribution rate. The Governor concurs with the agency request for 6.0 FTE positions.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a FY 2015 budget of \$853,668, all from special revenue funds. The recommendation is an increase of \$8,628, or 1.0 percent, above the FY 2014 Governor's recommendation. The increase is attributable to an increase in salaries and wages due to increased employer contributions for the Kansas Public Employee Retirement System and group health insurance contributions.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$	0	% \$	12.8 %	5.0
2006		0	--	13.3	3.0
2007		0	--	(5.2)	6.0
2008		0	--	9.6	6.0
2009		0	--	0.2	6.0
2010		0	--	8.6	6.0
2011		0	--	1.1	6.0
2012		0	--	4.6	6.0
2013 Gov. Rec.		0	--	(0.5)	6.0
2014 Gov. Rec.		0	--	0.1	6.0
2015 Gov. Rec.		0	--	1.0	6.0
Eleven-Year Change					
Dollars/Percent	\$	0	-- % \$	36.5 %	1.0

Summary of Operating Budget FY 2012 - FY 2014

Citizens' Utility Ratepayer Board

		Agency Request					Governor's Recommendation				
		Actual 2012	Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13	
By Program:											
Administration	\$	848,150	\$ 843,918	\$ 845,595	\$ 1,677	0.2 %	\$ 843,918	\$ 845,040	\$ 1,122	0.1 %	
TOTAL	\$	848,150	\$ 843,918	\$ 845,595	\$ 1,677	0.2 %	\$ 843,918	\$ 845,040	\$ 1,122	0.1 %	
By Major Object of Expenditure:											
Salaries and Wages	\$	487,633	\$ 503,143	\$ 506,960	\$ 3,817	0.8 %	\$ 503,143	\$ 506,405	\$ 3,262	0.6 %	
Contractual Services		357,503	330,160	326,479	(3,681)	(1.1)	330,160	326,479	(3,681)	(1.1)	
Commodities		2,821	4,645	5,178	533	11.5	4,645	5,178	533	11.5	
Capital Outlay		193	5,970	6,978	1,008	16.9	5,970	6,978	1,008	16.9	
Subtotal - Operations	\$	848,150	\$ 843,918	\$ 845,595	\$ 1,677	0.2 %	\$ 843,918	\$ 845,040	\$ 1,122	0.1 %	
Aid to Local Units		0	0	0	0	--	0	0	0	--	
Other Assistance		0	0	0	0	--	0	0	0	--	
TOTAL	\$	848,150	\$ 843,918	\$ 845,595	\$ 1,677	0.2 %	\$ 843,918	\$ 845,040	\$ 1,122	0.1 %	
Financing:											
State General Fund	\$	0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %	
Utility Regulatory Fee Fund		848,150	843,918	845,595	1,677	0.2	843,918	845,040	1,122	0.1	
TOTAL	\$	848,150	\$ 843,918	\$ 845,595	\$ 1,677	0.2 %	\$ 843,918	\$ 845,040	\$ 1,122	0.1 %	

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	\$ 845,595	\$ 845,040	\$ 853,668	\$ 8,628	1.0 %
TOTAL	<u>\$ 845,595</u>	<u>\$ 845,040</u>	<u>\$ 853,668</u>	<u>\$ 8,628</u>	<u>1.0 %</u>
By Major Object of Expenditure:					
Salaries and Wages	\$ 506,960	\$ 506,405	\$ 515,033	\$ 8,628	1.7 %
Contractual Services	326,479	326,479	326,479	0	0.0
Commodities	5,178	5,178	5,178	0	0.0
Capital Outlay	6,978	6,978	6,978	0	0.0
Subtotal	<u>\$ 845,595</u>	<u>\$ 845,040</u>	<u>\$ 853,668</u>	<u>\$ 8,628</u>	<u>1.0 %</u>
Aid to Local Units	0	0	0	0	--
Other Assistance	0	0	0	0	--
TOTAL	<u>\$ 845,595</u>	<u>\$ 845,040</u>	<u>\$ 853,668</u>	<u>\$ 8,628</u>	<u>1.0 %</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %
Utility Regulatory Fee Fund	845,595	845,040	853,668	8,628	1.0
TOTAL	<u>\$ 845,595</u>	<u>\$ 845,040</u>	<u>\$ 853,668</u>	<u>\$ 8,628</u>	<u>1.0 %</u>

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved Budget

The 2012 Legislature approved a budget of \$835,605, all from Utility Regulatory Fee Fund, for the Citizens' Utility Ratepayer Board in FY 2013. 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:

- Per the proviso within the House Sub. for SB 294, funding authorized for professional services that was not spent in FY 2012, equal to \$8,313, has shifted to FY 2013.

This adjustment changes the FY 2013 approved amount to \$843,918, reflected in the table below.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	843,918	843,918	0	843,918	0
TOTAL	<u>\$ 843,918</u>	<u>\$ 843,918</u>	<u>\$ 0</u>	<u>\$ 843,918</u>	<u>\$ 0</u>
FTE Positions	6.0	6.0	0.0	6.0	0.0

The **agency** estimates FY 2013 operating expenditures of \$843,918, all from special revenue funds, which is the same as the amount approved by the 2012 Legislature. A total of \$8,313 of funding for professional services was carried forward from FY 2012. Appropriations bill language limits the allowed carry-over funds to those used for consultant contracts. The estimate includes 6.0 FTE positions, which is the same as the approved amount.

The **Governor** concurs with the FY 2013 agency estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 845,595	\$ 845,040	\$ (555)
FTE Positions	6.0	6.0	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	1,677	1,122	
TOTAL	\$ 1,677	\$ 1,122	
<i>Percent Change:</i>			
State General Fund	-- %	-- %	
All Other Funds	0.2	0.1	
TOTAL	0.2 %	0.1 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2014 operating expenditures of \$845,595, all from the Utility Regulatory Fee Fund, which is an increase of \$1,677, or 0.2 percent, above the FY 2013 revised estimate. The initial \$9,990 increase is primarily attributable to increases in salaries and wages as well as contractual services, but are partially offset by \$8,313 carried over from contractual services in FY 2013. The agency is allowed to carry forward any unused balances in consulting fees from the previous year but can only use this money on contracts for consultants. The estimate includes 6.0 FTE positions, which is the same as the current year.

The **Governor** recommends FY 2014 operating expenditures of \$845,040, an increase of \$1,122, or 0.1 percent, above the Governor's FY 2013 recommendation. Compared to the agency's FY 2014 estimate, the recommendation is a decrease of \$555, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014. The Governor concurs with the agency request for 6.0 FTE positions.

Enhancements Detail

The **agency** did not request any enhancement funding for FY 2014.

FY 2014 Reduced Resources

The **agency** is not required to submit a reduced resources budget.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 853,668	\$ 8,628
FTE Positions	6.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	8,628	
TOTAL	<u>\$ 8,628</u>	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	1.0	
TOTAL	<u>1.0 %</u>	
Change in FTE Positions	0.0	

There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends a FY 2015 budget of \$853,668, all from special revenue funds. The recommendation is an increase of \$8,628, or 1.0 percent, above the FY 2014 Governor's recommendation. The increase is attributable to an increase in salaries and wages due to increased employer contributions for the Kansas Public Employee Retirement System and group health insurance contributions.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, there is no funding, since none of the staff is eligible for longevity bonus payments.**

Kansas Public Employees Retirement System (KPERS) Rate Adjustments. The FY 2014 retirement rate for KPERS regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERS fund. In addition, the KPERS death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Fee Fund Analysis – Utility Regulatory Fee Fund

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 109,198	\$ 160,517	\$ 160,517	\$ 201,412	\$ 201,412
Revenue	839,877	876,500	876,500	915,500	915,500
Transfers in	0	0	0	0	0
Total Funds Available	\$ 949,075	\$ 1,037,017	\$ 1,037,017	\$ 1,116,912	\$ 1,116,912
Less: Expenditures	788,558	835,605	835,605	845,595	845,040
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 160,517</u>	<u>\$ 201,412</u>	<u>\$ 201,412</u>	<u>\$ 271,317</u>	<u>\$ 271,872</u>
Ending Balance as Percent of Expenditures	20.4%	24.1%	24.1%	32.1%	32.2%
Month Highest Ending Balance	May <u>\$ 317,642</u>	December <u>\$ 346,996</u>	December <u>\$ 346,996</u>	December <u>\$ 331,813</u>	December <u>\$ 332,368</u>
Month Lowest Ending Balance	July \$ 166,621	November \$ 250,639	November \$ 250,639	November \$ 228,611	November \$ 229,166

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 3/5 of 1.0 percent (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.

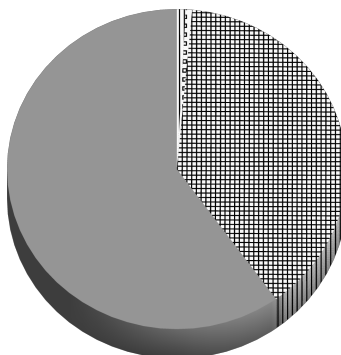
The fund is statutorily required by KSA 75-3170 to contribute 10.0 percent of revenues to the State General Fund. This contribution is usually taken out of the first quarter assessment.

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



Salaries and Wage Contractual Services Commodities Capital Outlay

Program	Gov. Rec. All Funds FY 2014	Percent of Total
Salaries and Wages	\$ 506,405	59.9 %
Contractual Services	326,479	38.6
Commodities	5,178	0.6
Capital Outlay	6,978	0.8
TOTAL	\$ 845,040	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	6.0	6.0	6.0	6.0	6.0	6.0

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Rate Case Interventions	34	35	34	34
Number of open dockets	NA	49	42	44

HOME INSPECTORS REGISTRATION BOARD

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 8,351	\$ 15,013	\$ 15,013	\$ 15,007	\$ 15,007	\$ 15,007	\$ 15,007
Percent Change	126.9 %	79.8 %	79.8 %	(0.0)%	(0.0)%	0.0 %	0.0 %
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 Home Inspectors Registration Board was originally created during the 2008 Legislature in House Bill No. 2315. Statutes related to the Board were subsequently amended by 2009 Senate Substitute for House Bill No. 2260.

The statutes establish a five-member board, all appointed by the Governor to initial staggered terms. Subsequent terms are for three years. Three of the five members must have been actively engaged in the practice of home inspections for at least five years immediately preceding their appointment and have completed at least 1,000 fee-paid home inspections. The other two members are at-large members representing the public.

All individuals performing home inspections must be registered by the Board on and after January 1, 2010.

The Board is to administer and enforce the provisions of the Home Inspectors Professional Competence and Financial Responsibility Act, KSA 58-4501 through 58-4514, promote consumer protection, ensure professional competency and ensure the presence of a viable home inspection industry in the state. The provisions of the Act expire on July 1, 2013.

Although the 2008 Legislature did not appropriate any money to the Board for operations, the 2009 Legislature authorized a transfer of \$7,000 from the State General Fund to the Board's fee fund as a start-up loan. Once adequate resources from the fees established on registrants become available, the Board is authorized to hire an unclassified executive secretary and other employees as may be necessary who would be in the classified service. FY 2010 was the first full year of agency operations with fee revenue.

MAJOR ISSUES FROM PRIOR YEARS

The **2008 Legislature** created the Home Inspectors Registration Board in House Bill No. 2315. Statutes related to the Board were subsequently amended by 2009 Senate Substitute for House Bill No. 2260. The provisions of the Act are scheduled to expire on July 1, 2013.

The **2010 Legislature** transferred \$7,000 from the Home Inspector's Fee Fund to the State General Fund to repay the start-up loan.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$15,013, all from the Home Inspectors Registration Fee Fund, a decrease of \$1,787, or 10.6 percent, below the amount approved by the 2012 Legislature. The decrease is attributable to a decrease in contractual services for in state travel costs. The request includes no FTE positions.

The **Governor** concurs with the agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$15,007, all from the Home Inspectors Registration Fee Fund, a decrease of \$6, or 0.1 percent, below the revised FY 2013 estimate. The decrease is attributable to a decrease in salaries and wages fringe benefit costs. The provisions of the Home Inspectors Professional Competence and Financial Responsibility Act (KSA 58-4501 through 4514) will expire on July 1, 2013 unless there is legislative action to continue.

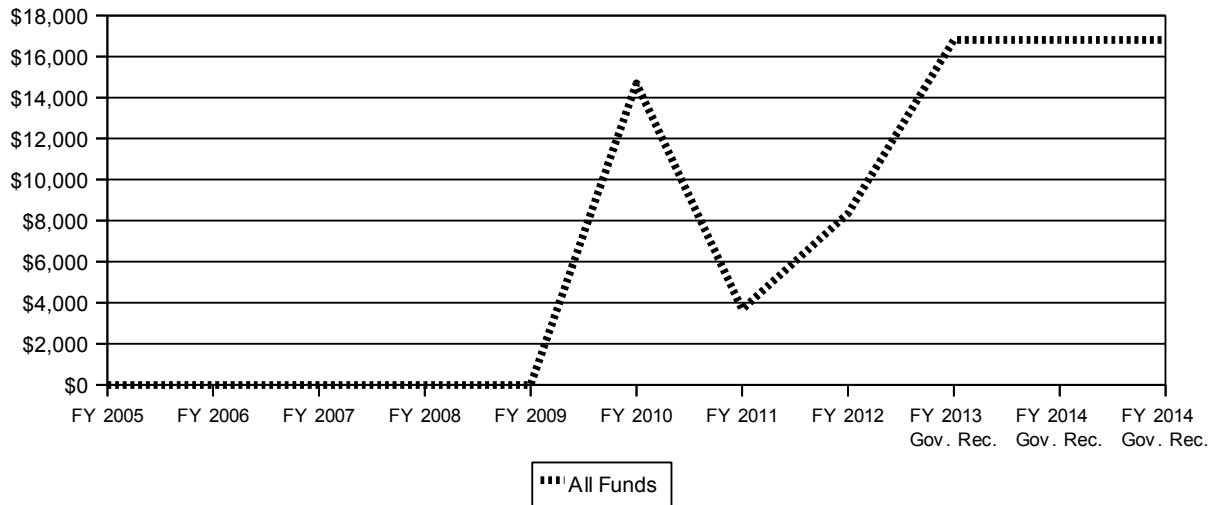
The **Governor** concurs with the agency's request.

FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$15,007, all from the Home Inspectors Registration Fee Fund, which is the same as the FY 2014 request. The provisions of the Home Inspectors Professional Competence and Financial Responsibility Act (KSA 58-4501 through 4514) will expire on July 1, 2013 unless there is legislative action to continue.

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

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 0	%	0.0
2006	0	--	0.0
2007	0	--	0.0
2008	0	--	0.0
2009	0	--	0.0
2010	14,689	--	0.0
2011	3,681	(74.9)	0.0
2012	8,351	126.9	0.0
2013 Gov. Rec.	15,013	79.8	0.0
2014 Gov. Rec.	15,007	(0.0)	0.0
2015 Gov. Rec.	15,007	0.0	0.0
Eleven-Year Change Dollars/Percent	\$ 15,007	-- %	0.0

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
	Actual FY 2012	FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 0	\$ 5,928	\$ 5,922	\$ (6)	(0.1) %	\$ 5,922	\$ 0	0.0 %
Contractual Services	8,003	8,735	8,735	0	0.0	8,735	0	0.0
Commodities	348	350	350	0	0.0	350	0	0.0
Capital Outlay	0	0	0	0	--	0	0	--
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 8,351</u>	<u>\$ 15,013</u>	<u>\$ 15,007</u>	<u>\$ (6)</u>	<u>(0.0) %</u>	<u>\$ 15,007</u>	<u>\$ 0</u>	<u>0.0 %</u>
Financing:								
Home Inspectors Registration Fee	\$ 8,351	\$ 15,013	\$ 15,007	\$ (6)	(0.0) %	\$ 15,007	\$ 0	0.0 %
		Governor's Recommendation						
	Actual FY 2012	FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 0	\$ 5,928	\$ 5,922	\$ (6)	(0.1) %	\$ 5,922	\$ 0	0.0 %
Contractual Services	8,003	8,735	8,735	0	0.0	8,735	0	0.0
Commodities	348	350	350	0	0.0	350	0	0.0
Capital Outlay	0	0	0	0	--	0	0	--
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 8,351</u>	<u>\$ 15,013</u>	<u>\$ 15,007</u>	<u>\$ (6)</u>	<u>(0.0) %</u>	<u>\$ 15,007</u>	<u>\$ 0</u>	<u>0.0 %</u>
Financing:								
	\$ 8,351	\$ 15,013	\$ 15,007	\$ (6)	(0.0) %	\$ 15,007	\$ 0	0.0 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Home Inspectors Registration Fee Fund	16,800	15,013	(1,787)	15,013	(1,787)
TOTAL	<u>\$ 16,800</u>	<u>\$ 15,013</u>	<u>\$ (1,787)</u>	<u>\$ 15,013</u>	<u>\$ (1,787)</u>
FTE Positions	0.0	0.0	0.0	0.0	0.0

The **agency** estimates FY 2013 operating expenditures of \$15,013, all from the Home Inspectors Registration Fee Fund, a decrease of of \$1,787, or 10.6 percent, below the amount approved by the 2012 Legislature. The decrease is attributable to a decrease in contractual services for in-state travel expenditures.

The **Governor** concurs with the agency's revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 15,007	\$ 15,007	\$	0
FTE Positions	0.0	0.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	(6)	(6)		
<i>Percent Change:</i>				
All Other Funds	(0.0) %	(0.0) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 operating expenditures of \$15,007, all from the Home Inspectors Registration Fee Fund, a decrease of \$6, or 0.1 percent, below the revised FY 2013 estimate. The provisions of the Home Inspectors Professional Competence and Financial Responsibility Act (KSA 58-4501 through 4514) will expire on July 1, 2013 unless there is legislative action to continue.

- **Salaries and Wages.** The agency request includes \$5,922 in salaries and wages. This is a decrease of \$6, or 0.1 percent, below the revised FY 2013 estimate. The decrease is attributable to a decrease in fringe benefit costs.
- **Contractual Services.** The agency request includes \$8,735 in contractual services. This is the same as the amount in the revised FY 2013 estimate.
- **Commodities.** The agency request includes \$350 in commodities. This is the same as the amount in the revised FY 2013 estimate.

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

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 15,007	\$ 15,007	\$	0
FTE Positions	0.0	0.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	0	0		
<i>Percent Change:</i>				
All Other Funds	0.0 %	0.0 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2015 operating expenditures of \$15,007, all from the Home Inspectors Registration Fee Fund, which is the same as the FY 2014 request. The provisions of the Home Inspectors Professional Competence and Financial Responsibility Act (KSA 58-4501 through 4514) will expire on July 1, 2013. Unless there is new legislative action to continue the Board, the agency will cease to exist after the sunset date.

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

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, there is no funding since none of the employees qualifies for longevity bonus payments.**

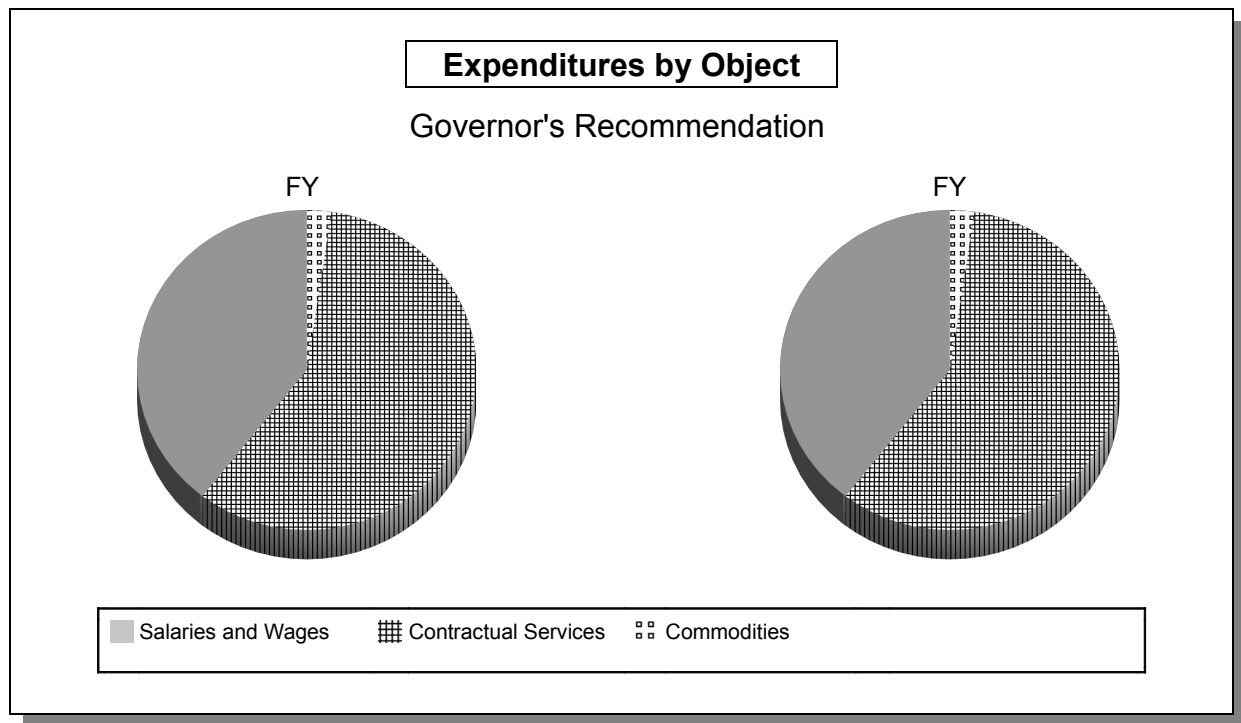
Kansas Public Employees Retirement System (KPERS) Rate Adjustments. The FY 2014 retirement rate for KPERS regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERS fund. In addition, the KPERS death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Home Inspectors Registration Fee Fund Analysis

The Home Inspectors Registration Board is a fee-funded agency. The revenue received provides financing for all agency operations. The Board generates revenue from applications for registrations, renewals, late renewal fees, reinstatement fees for expired or revoked registrations, and review and approval fees for training courses and trainers. (KSA 58-4506) the provisions of this Act expire on July 1, 2013 unless there is legislative action to continue.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 62,031	\$ 59,580	\$ 59,580	\$ 45,567	\$ 45,567	\$ 31,560	\$ 31,560
Revenue	5,900	1,000	1,000	1,000	1,000	1,000	1,000
Net Receipts	0	0	0	0	0	0	0
Total Funds Available	\$ 67,931	\$ 60,580	\$ 60,580	\$ 46,567	\$ 46,567	\$ 32,560	\$ 32,560
Less:							
Expenditures	\$ 8,351	\$ 15,013	\$ 15,013	\$ 15,007	\$ 15,007	\$ 15,007	\$ 15,007
Transfers Out	0	0	0	0	0	0	0
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 59,580</u>	<u>\$ 45,567</u>	<u>\$ 45,567</u>	<u>\$ 31,560</u>	<u>\$ 31,560</u>	<u>\$ 17,553</u>	<u>\$ 17,553</u>
Ending Balance as Percent of Expenditures	713.4%	303.5%	303.5%	210.3%	210.3%	117.0%	117.0%
Month Highest Ending Balance	\$ August 62,331	\$ July 59,555	\$ July 59,555	\$ July 45,541	\$ July 45,541	\$ July 31,532	\$ July 31,532
Month Lowest Ending Balance	\$ June 59,580	\$ June 45,566	\$ June 45,566	\$ June 31,557	\$ June 31,557	\$ June 17,548	\$ June 17,548

PROGRAM DETAIL



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 5,922	39.5 %	\$ 5,922	39.5 %
Contractual Services	8,735	58.2	8,735	58.2
Commodities	350	2.3	350	2.3
TOTAL	\$ 15,007	100.0 %	\$ 15,007	100.0 %

OFFICE OF ADMINISTRATIVE HEARINGS

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	868,804	877,961	909,706	877,961	932,142	937,456
TOTAL	\$ 868,804	\$ 877,961	\$ 909,706	\$ 877,961	\$ 932,142	\$ 937,456
Capital Improvements:						
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Other Funds	0	0	0	0	0	0
TOTAL	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
GRAND TOTAL	\$ 868,804	\$ 877,961	\$ 909,706	\$ 877,961	\$ 932,142	\$ 937,456

Operating Expenditures Percentage Change

State General Fund	--	%	--	%	--	%	--	%	--	%
All Funds	6.8		1.1		4.7		0		2.5	
FTE Positions	13.0		10.0		10.0		10.0		10.0	
Non-FTE Pos.*	0.0		0.0		0.0		0.0		0.0	
TOTAL	13.0		10.0		10.0		10.0		10.0	

*Non-FTE Permanent Unclassified Positions

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 75-37,12, 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 Procedures 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 (KAPA) for many state agencies and a variety of programs within those agencies. The agencies, and their programs, that have been phased into Office of Administrative Hearings operations includes, but is 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 Commerce, 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, and the Kansas Public Employee Retirement System, Office of Attorney General, Behavioral Sciences Regulatory Board, Board of Cosmetology.

In FY 2012, the Office of Administrative Hearings provided adjudicative hearings for 23 state agencies and boards, with a total of 3,053 requests for hearings filed.

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.

In **FY 2011**, the Office of Administrative Hearings transferred \$150,000, all from the Administrative Hearings Office Fund, to the State General Fund.

In **FY 2012**, the 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$877,961, all from the Administrative Hearings Office Fund. There is no change from the amount approved by the 2012 Legislature. The agency estimates 10.0 FTE positions, 3.0 FTE positions below the amount approved by the 2012 Legislature. The decrease is due to legislation passed by the 2012 Legislature eliminating 70.0 percent of vacant positions that had been unfilled for greater than 120 days as of June 30, 2012.

The **Governor** recommends FY 2013 operating expenditures of \$909,706, all from the Administrative Hearings Office Fund, and 10.0 FTE positions. This is an increase of \$31,745, or 3.6 percent, above the agency's FY 2013 agency revised estimate. Subsequent to the agency submitting its budget, it requested \$31,745 to fill a vacant legal assistant FTE position and the Governor concurred with the agency's request.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures totaling \$877,961, all from the Administrative Hearings Office Fund, the same amount as the revised FY 2013 estimate. The agency requests 10.0 FTE positions, the same amount as the FY 2013 revised estimate.

The **Governor** recommends FY 2014 operating expenditures of \$932,142, all from the Administrative Hearings Office Fund, and 10.0 FTE positions. This is an increase of \$54,181, or 6.2 percent, above the agency's FY 2014 request, and an increase of \$22,436, or 2.5 percent, above the Governor's FY 2013 recommendation. Subsequent to the agency submitting its

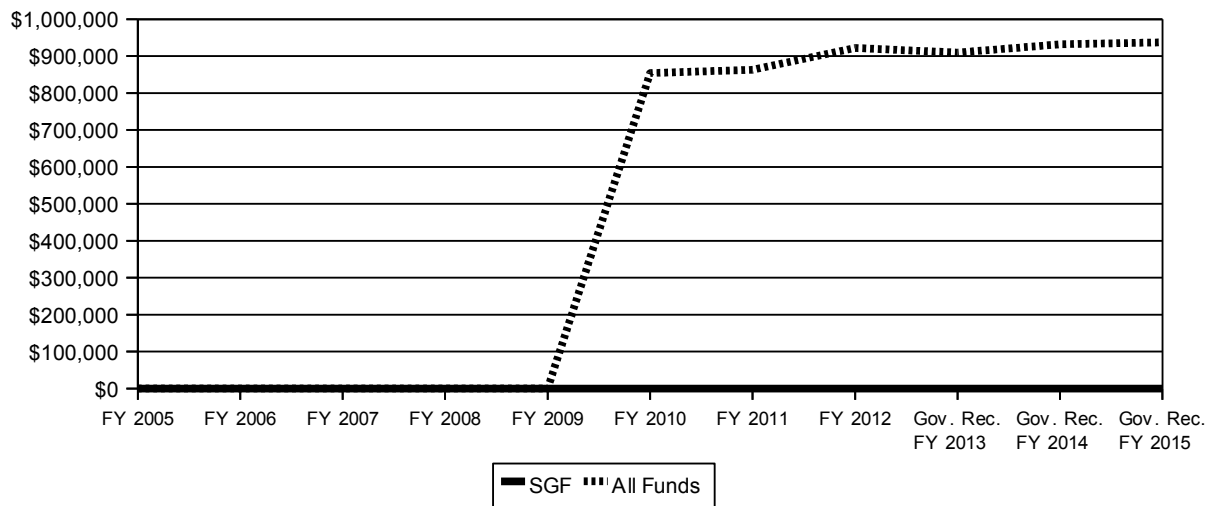
budget, it requested \$54,808 to fill a vacant Legal Assistant FTE position and the Governor concurred with the agency's request. This was partially offset by a decrease of \$627 to reflect the Governor's recommendation to lower the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent.

FY 2015 – Budget Year. The **agency** did not submit a FY 2015 budget request. There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$937,456, all from the Administrative Hearings Office Fund, and 10.0 FTE positions. This is an increase of \$5,314, or 0.6 percent, above the Governor's FY 2014 recommendation due to increases in employer contributions for employee retirement.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 0	%	\$ 0	0.0 %	0.0
2006	0	--	0	--	0.0
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 Gov. Rec.	0	--	909,706	(1.4)	10.0
2014 Gov. Rec.	0	--	932,142	2.5	10.0
2015 Gov. Rec.	0	--	937,456	0.6	10.0
Eleven-Year Change					
Dollars/Percent	\$ 0	-- %	\$ 937,456	-- %	10.0

NOTE: Beginning in **FY 2010**, the Office of Administrative Hearings became a separately funded agency independent from the Department of Administration. There is not existing agency data to support the ten-year average table prior to FY 2010.

Summary of Operating Budget FY 2012 - FY 2014

	Actual 2012	Agency Request				Governor's Recommendation			
		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13
By Program:									
Administration	\$ 868,804	\$ 877,961	\$ 877,961	\$ 0	0.0 %	\$ 909,706	\$ 932,142	\$ 22,436	2.5 %
TOTAL	\$ 868,804	\$ 877,961	\$ 877,961	\$ 0	0.0 %	\$ 909,706	\$ 932,142	\$ 22,436	2.5 %
By Major Object of Expenditure:									
Salaries and Wages	\$ 676,609	\$ 675,192	\$ 680,348	\$ 5,156	0.8 %	\$ 706,937	\$ 734,529	\$ 27,592	3.9 %
Contractual Services	177,166	181,228	177,771	(3,457)	(1.9)	181,228	177,771	(3,457)	(1.9)
Commodities	6,012	6,650	6,026	(624)	(9.4)	6,650	6,026	(624)	(9.4)
Capital Outlay	4,137	8,375	7,300	(1,075)	(12.8)	8,375	7,300	(1,075)	(12.8)
Subtotal - Operations	\$ 863,924	\$ 871,445	\$ 871,445	\$ 0	0.0 %	\$ 903,190	\$ 925,626	\$ 22,436	2.5 %
Aid to Local Units	0	0	0	0	--	0	0	0	--
Other Assistance	4,880	6,516	6,516	0	0.0	6,516	6,516	0	0.0
TOTAL	\$ 868,804	\$ 877,961	\$ 877,961	\$ 0	0.0 %	\$ 909,706	\$ 932,142	\$ 22,436	2.5 %
Financing:									
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %	\$ 0	\$ 0	\$ 0	-- %
Administrative Hearings Office Fund	868,732	877,861	877,861	0	0.0	909,706	932,142	22,436	2.4
Administrative Hearings Office Fund-Official Hospitality	72	100	100	0	0.0	0	0	0	--
TOTAL	\$ 868,804	\$ 877,961	\$ 877,961	\$ --	-- %	\$ 909,706	\$ 932,142	\$ 22,436	2.5 %

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Administration	877,961	932,142	937,456	5,314	0.6
TOTAL	<u>\$ 877,961</u>	<u>\$ 932,142</u>	<u>\$ 937,456</u>	<u>\$ 5,314</u>	<u>0.6 %</u>
By Major Object of Expenditure:					
Salaries and Wages	\$ 680,348	\$ 734,529	\$ 739,843	\$ 5,314	0.7 %
Contractual Services	177,771	177,771	177,771	0	0.0
Commodities	6,026	6,026	6,026	0	0.0
Capital Outlay	7,300	7,300	7,300	0	0.0
Subtotal - Operations	<u>\$ 871,445</u>	<u>\$ 925,626</u>	<u>\$ 930,940</u>	<u>\$ 5,314</u>	<u>0.6 %</u>
Aid to Local Units	0	0	0	0	--
Other Assistance	6,516	6,516	6,516	0	0.0
TOTAL	<u>\$ 877,961</u>	<u>\$ 932,142</u>	<u>\$ 937,456</u>	<u>\$ 5,314</u>	<u>0.6 %</u>
Financing:					
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	-- %
Administrative Hearings Office Fund	877,861	932,142	937,456	5,314	0.6
Administrative Hearings Office Fund-Official Hospitality	100	0	0	0	--
TOTAL	<u>\$ 877,961</u>	<u>\$ 932,142</u>	<u>\$ 937,456</u>	<u>\$ 5,314</u>	<u>0.6 %</u>

BUDGET OVERVIEW

A. FY 2013 – Current Year

The 2012 Legislature approved a budget of \$877,961 for the Office of Administrative Hearings in FY 2013.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Hearings Office Fund	877,961	877,961	0	909,706	31,745
TOTAL	<u>\$ 877,961</u>	<u>\$ 877,961</u>	<u>\$ 0</u>	<u>\$ 909,706</u>	<u>\$ 31,745</u>
FTE Positions	13.0	10.0	(3.0)	10.0	(3.0)

The **agency** estimates FY 2013 operating expenditures of \$877,961, all from the Administrative Hearings Office Fund. This is the same amount approved by the 2012 Legislature. The estimate includes 10.0 FTE positions, a decrease of 3.0 FTE positions from the amount approved by the 2012 Legislature. In FY 2012, the 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 in the approved budget from the 2011 Legislature.

- **Salaries and Wages** - The agency estimates \$675,192 in FY 2013, all from the Administrative Hearings Office Fund. This is a decrease of \$8,649, or 1.3 percent, below the amount approved by the 2012 Legislature. The budget also includes *per diem* and fringe benefits for the members of the Kansas Civil Service Board pursuant to the contract between the Division of Personnel Services, Department of Administration, and the Office of Administrative Hearings.
- **Contractual Services** - The agency estimates \$181,228 in FY 2013, all from the Administrative Hearings Office Fund. This is a decrease of \$5,294 or 2.8 percent, below the amount approved by the 2012 Legislature. This reflects reduced expenditures for professional fees and services in FY 2013.
- **Commodities** - The agency estimates \$6,650 in FY 2013, all from the Administrative Office Hearings Fund. This is an increase of \$1,052, or 18.8 percent, above the amount approved by the 2012 Legislature. This is due to increased costs in computer systems maintenance, stationary and office supplies, and gasoline to travel for administrative hearings. Also included is \$100 hospitality expenditure for coffee and paper supplies for the civil service board members.

- **Capital Outlay** - The agency estimates \$8,375 in FY 2013, all from the Administrative Hearings Office Fund. This is an increase of \$6,375, or 318.8 percent, above the amount approved by the 2012 Legislature. The increase is attributable to scheduled replacement of 30.0 percent of the agency's computer assets in FY 2013, which is in line with the agency's information technology plan. The estimate also includes the purchase of a new server.
- **Other Assistance** - The agency estimates \$6,516 in FY 2013. This is funding for the Voluntary Retirement Incentive Program (VRIP). There was no approved funding for VRIP approved by the 2012 Legislature.

The **Governor** recommends FY 2013 operating expenditures of \$909,706, all from the Administrative Hearings Office Fund, and 10.0 FTE positions. This is an increase of \$31,745, or 3.6 percent, above the agency's FY 2013 agency revised estimate. Subsequent to the agency submitting its budget, it requested \$31,745 to fill a vacant legal assistant FTE position and the Governor concurred with the agency's request.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 877,961	\$ 932,142	\$	54,181
FTE Positions	10.0	10.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
State General Fund	\$ 0	\$ 0		
All Other Funds	0	22,436		
TOTAL	\$ 0	\$ 22,436		
<i>Percent Change:</i>				
State General Fund	0.0 %	0.0 %		
All Other Funds	0.0	2.5		
TOTAL	0.0 %	2.5 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 operating expenditures of \$877,961, all from the Administrative Hearings Office Fund. This is the same amount as the revised FY 2013 estimate. The request includes 10.0 FTE positions, which is the same as the revised FY 2013 estimate.

- **Salaries and Wages** - The agency requests \$680,348 for FY 2014, all from the Administrative Hearings Office Fund. This is an increase of \$5,156, or 0.8 percent, above the revised FY 2013 estimate. This is due to increases in workers compensation, KPERS employer contributions, and classified longevity pay. The agency's estimate includes 10.0 FTE positions, the same as the revised FY 2013 estimate.
- **Contractual Services** - The agency requests \$177,771 for FY 2014, all from the Administrative Hearings Office Fund. This is a decrease of \$3,457, or 1.9 percent, from the revised FY 2013 estimate. This decrease is attributable to the reduction of professional fees and services.
- **Commodities** - The agency requests \$6,026 for FY 2014, all from the Administrative Office Hearings Fund. This is a decrease of \$624, or 9.4 percent, below the revised FY 2013 estimate. This is due to decreases in stationary, office supplies, and data processing supplies.
- **Capital Outlay** - The agency requests \$7,300 for FY 2014, all from the Administrative Hearings Office Fund. This is a decrease of \$1,075, or 12.8 percent, below the revised FY 2013 estimate. This is due to decreases in expenditures for microcomputers and other office equipment.
- **Other Assistance** - The agency requests \$6,516 for FY 2014 all from the Administrative Office Hearings Fund, the same as the agency's revised FY 2013 estimate. This expenditure is attributable to a qualifying voluntary retirement (VRIP).

The **Governor** recommends FY 2014 operating expenditures of \$932,142, all from the Administrative Hearings Office Fund, and 10.0 FTE positions. This is an increase of \$54,181, or 6.2 percent, above the agency's FY 2014 request, and an increase of \$22,436, or 2.5 percent, above the Governor's FY 2013 recommendation. Subsequent to the agency submitting its budget, it requested \$54,808 to fill a vacant Legal Assistant FTE position and the Governor concurred with the agency's request. This was partially offset by a decrease of \$627 to reflect the Governor's recommendation to lower the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent.

Enhancements Detail

The agency requests no enhancements for FY 2014.

FY 2014 Reduced Resources

The agency was not required to submit a reduced resources budget for FY 2014.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 937,456	\$ 5,314
FTE Positions	10.0	0.0
<i>Change from FY 2014 Gov. Rec.</i>		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	5,314	
TOTAL	<u>\$ 5,314</u>	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	0.6	
TOTAL	<u>0.6 %</u>	
Change in FTE Positions	0.0	

FY 2015 – Budget Year. The **agency** did not submit a FY 2015 budget request. There were no agency budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$937,456, all from the Administrative Hearings Office Fund, and 10.0 FTE positions. This is an increase of \$5,314, or 0.6 percent, above the Governor's FY 2014 recommendation due to increases in employer contributions for employee retirement.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$5,840, all from special revenue funds, and FY 2015 longevity payments total \$5,880, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Administrative Hearings Fee Structure

Agencies are billed based upon contracts entered into between the Office of Administrative Hearings and the respective agency seeking services. The contracts provided take into account the level of service provided and the number of cases which are filed with the Office of Administrative Hearings.

ESTIMATED RECEIPTS			
Revenue Source:	FY 2012 Actual	FY 2013 Projected	FY 2014 Projected
Kansas Department for Children and Families	\$ 345,314	\$ 326,007	\$ 323,695
KDHE/Division of Health Care Finance	292,794	339,880	339,109
Kansas Department of Health and Environment	57,834	61,656	38,535
Kansas Department for Aging and Disability Services	28,030	43,159	69,363
Civil Service Board	61,000	65,000	65,000
Kansas Department of Labor	25,000	30,000	30,000
Other Boards and Agencies- \$70/hr.	57,558	11,959	11,959
Prepare Transcripts and District Court Records	843	300	300
TOTAL	\$ 868,373	\$ 877,961	\$ 877,961

Administrative Hearings Fee 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 Procedures 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 provided take into account the level of service provided and the amount of cases that are filled with the Office of Administrative Hearings. The agency's expenditures are budgeted at the amount of anticipated fees charged to other state agencies for contracted services.

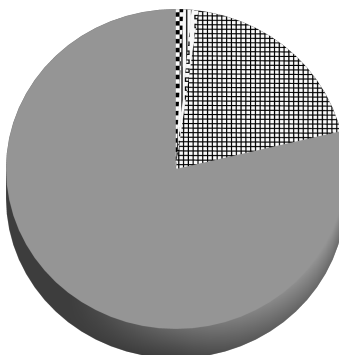
Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Governor Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014
Beginning Balance	\$ 184,006	\$ 183,575	\$ 183,575	\$ 183,575	\$ 151,830
Revenue	868,373	877,961	877,961	877,961	877,961
Transfers in	0	0	0	0	0
Total Funds Available	\$ 1,052,379	\$ 1,061,536	\$ 1,061,536	\$ 1,061,536	\$ 1,029,791
Less: Expenditures	868,804	877,961	909,706	877,961	932,142
Transfers Out	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0
Ending Balance	<u>\$ 183,575</u>	<u>\$ 183,575</u>	<u>\$ 151,830</u>	<u>\$ 183,575</u>	<u>\$ 97,649</u>
Ending Balance as Percent of Expenditures	21.1%	20.9%	16.7%	20.9%	10.5%

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation

All Funds



Salaries and Wages
 Contractual Services
 Commodities
 Capital Outlay
 Other Assistance

Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SGF FY 2014	Percent of Total
Salaries and Wages	\$ 734,529	78.8 %	\$ 0	-- %
Contractual Services	177,771	19.1	0	--
Commodities	6,026	0.6	0	--
Capital Outlay	7,300	0.8	0	--
Other Assistance	6,516	0.7	0	--
TOTAL	\$ 932,142	100.0 %	\$ 0	-- %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Administration	13.0	10.0	10.0	10.0	10.0	10.0
TOTAL	13.0	10.0	10.0	10.0	10.0	10.0

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Number of appeals filed	3,500	3,053	3,183	3,183
Number of agencies contracting with the agency for services	23	23	24	25
Percentage of telephone hearings	90.00%	90.00%	90.00%	90.00%

ABTRACTER'S BOARD OF EXAMINERS

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 22,519	\$ 22,308	\$ 22,308	\$ 22,288	\$ 22,288	\$ 21,943	\$ 21,943
Percent Change	(3.8)%	(0.9)%	(0.9)%	(0.1)%	(0.1)%	(1.5)%	(1.5)%
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 (K.S.A. 74-3901 *et. seq.*) to administer the Kansas Abstracter's Act (K.S.A. 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 Director and part-time secretary. Neither are employed the minimum number of hours to account for an FTE position.

The Board licenses and regulates companies who sell abstracts of land titles to Kansas real estate and their employees. 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 abstracter's are professional so that 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$22,308, all from the Abstracter's Fee Fund, a decrease of \$2,434, or 10.0 percent, below the amount approved by the 2012 Legislature. The decrease is attributable to a decrease in contractual services for rental cars.

The **Governor** concurs with the agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$22,288, all from the Abstracter's Fee Fund, a decrease of \$20, or 0.1 percent, below the revised FY 2013 estimate. The decrease is attributable to a decrease in salaries and wages.

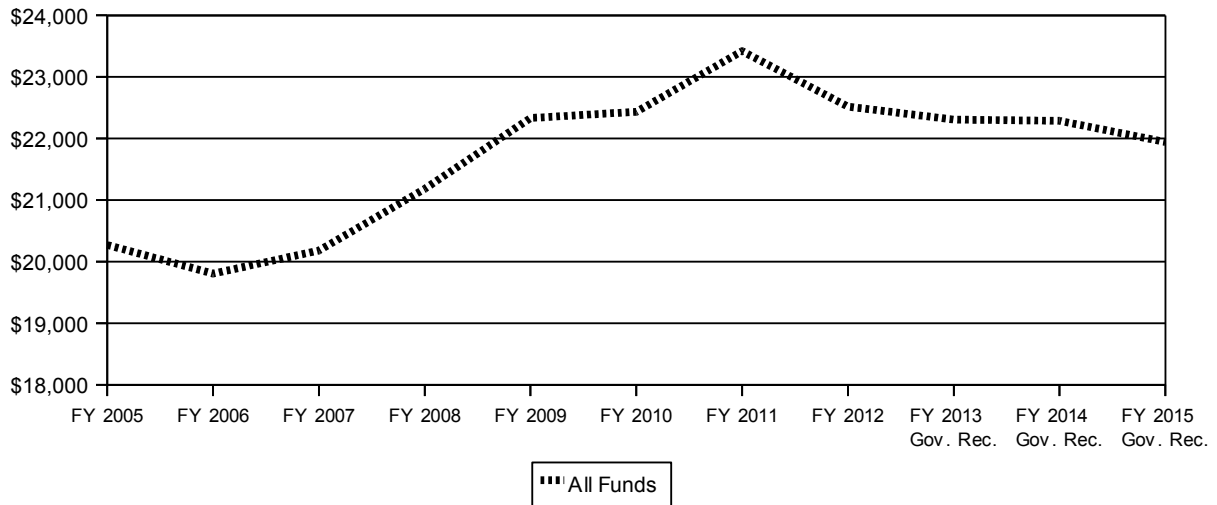
The **Governor** concurs with the agency's request.

FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$21,943, all from the Abstracter's Fee Fund, a decrease of \$345, or 1.5 percent, below the FY 2014 request. The decrease is attributable to a decrease in contractual services.

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

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 20,271	7.4 %	0.0
2006	19,807	(2.3)	0.0
2007	20,181	1.9	0.0
2008	21,182	5.0	0.0
2009	22,334	5.4	0.0
2010	22,434	0.4	0.0
2011	23,420	4.4	0.0
2012	22,519	(3.8)	0.0
2013 Gov. Rec.	22,308	(0.9)	0.0
2014 Gov. Rec.	22,288	(0.1)	0.0
2015 Gov. Rec.	21,943	(1.5)	0.0
Eleven-Year Change Dollars/Percent	\$ 1,672	8.2 %	0.0

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
	Actual FY 2012	FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 20,225	\$ 20,588	\$ 20,568	\$ (20)	(0.1) %	\$ 20,568	\$ 0	0.0 %
Contractual Services	2,294	1,720	1,720	0	0.0	1,375	(345)	(20.1)
Commodities	0	0	0	0	--	0	0	--
Capital Outlay	0	0	0	0	--	0	0	--
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	\$ 22,519	\$ 22,308	\$ 22,288	\$ (20)	(0.1) %	\$ 21,943	\$ (345)	(1.5) %
Financing:								
Abstracter's Fee Fund	\$ 22,519	\$ 22,308	\$ 22,288	\$ (20)	(0.1) %	\$ 21,943	\$ (345)	(1.5) %

		Governor's Recommendation						
	Actual FY 2012	FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 20,225	\$ 20,588	\$ 20,568	\$ (20)	(0.1) %	\$ 20,568	\$ 0	0.0 %
Contractual Services	2,294	1,720	1,720	0	0.0	1,375	(345)	(20.1)
Commodities	0	0	0	0	--	0	0	--
Capital Outlay	0	0	0	0	--	0	0	--
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	\$ 22,519	\$ 22,308	\$ 22,288	\$ (20)	(0.1) %	\$ 21,943	\$ (345)	(1.5) %
Financing:								
Abstracter's Fee Fund	\$ 22,519	\$ 22,308	\$ 22,288	\$ (20)	(0.1) %	\$ 21,943	\$ (345)	(1.5) %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	24,742	22,308	(2,434)	22,308	(2,434)
TOTAL	\$ 24,742	\$ 22,308	\$ (2,434)	\$ 22,308	\$ (2,434)
FTE Positions	0.0	0.0	0.0	0.0	0.0

The **agency** estimates FY 2013 operating expenditures of \$22,308, all from the Abstracter's Fee Fund, a decrease of \$2,434, or 10.0 percent, below the amount approved by the 2012 Legislature. The decrease is attributable to a decrease in contractual services for rental cars.

The **Governor** concurs with the agency's revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 22,288	\$ 22,288	\$	0
FTE Positions	0.0	0.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	(20)	(20)		
<i>Percent Change:</i>				
All Other Funds	(0.1) %	(0.1) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 operating expenditures of \$22,288, all from the Abstracter's Fee Fund, a decrease of \$20, or 0.1 percent, below the revised FY 2013 estimate.

- **Salaries and Wages.** The agency request includes \$20,568 in salaries in wages for two employees, whose combined hours do not equal a full FTE position. This is a decrease of \$20, or 0.1 percent, below the revised FY 2013 estimate. The decrease is attributable to a decrease in salaries and wages fringe benefit costs.

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

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 21,943	\$ 21,943	\$	0
FTE Positions	0.0	0.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	(345)	(345)		
<i>Percent Change:</i>				
All Other Funds	(1.5) %	(1.5) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2015 operating expenditures of \$21,943, all from the Abstracter's Fee Fund, a decrease of \$345, or 1.5 percent, below the FY 2014 request.

- **Contractual Services.** The agency request includes \$1,375 in contractual services. This is a decrease of \$345, or 20.1 percent, below the FY 2014 request. The decrease is attributable to a decrease in SMART development fees.

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

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, there is no funding since none of the employees qualifies for longevity bonus payments.**

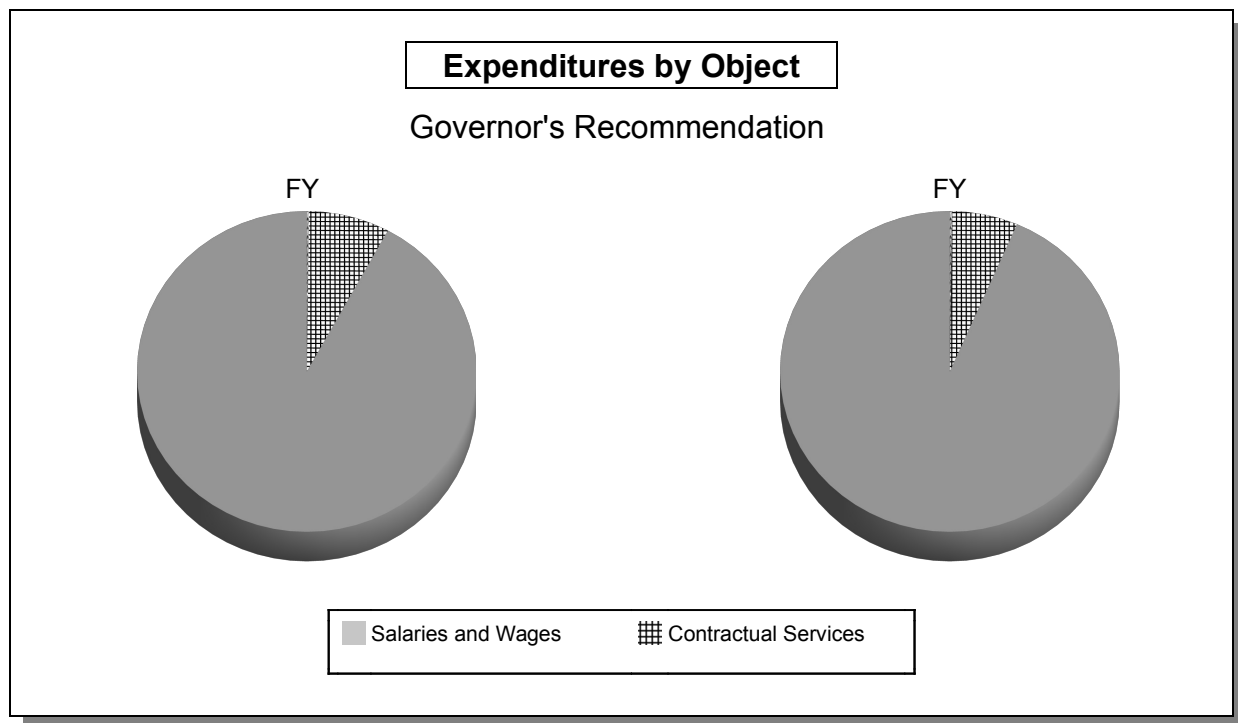
Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Fee Fund Analysis

The Abstracter's Board of Examiners is a fee-funded agency. The revenue received provides financing for all agency operations, with 80 percent being retaining by the agency and 20 percent being deposited in the State General Fund. The Abstracter's Board of Examiners generates fee revenues from three primary sources: Annual fees are \$50; Examination fees are \$70 and each additional exam is \$40 (K.S.A. 58-2801).

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 7,475	\$ 3,280	\$ 3,280	\$ 2,302	\$ 2,302	\$ 1,344	\$ 1,344
Revenue	18,324	21,330	21,330	21,330	21,330	21,330	21,330
Net Receipts	0	0	0	0	0	0	0
Total Funds Available	\$ 25,799	\$ 24,610	\$ 24,610	\$ 23,632	\$ 23,632	\$ 22,674	\$ 22,674
Less:							
Expenditures	\$ 22,519	\$ 22,308	\$ 22,308	\$ 22,288	\$ 22,288	\$ 21,943	\$ 21,943
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	<u>\$ 3,280</u>	<u>\$ 2,302</u>	<u>\$ 2,302</u>	<u>\$ 1,344</u>	<u>\$ 1,344</u>	<u>\$ 731</u>	<u>\$ 731</u>
Ending Balance as Percent of Expenditures	14.6%	10.3%	10.3%	6.0%	6.0%	3.3%	3.3%
Month Highest Ending Balance	February \$ 10,142	February \$ 9,084	February \$ 9,084	February \$ 8,122	February \$ 8,122	February \$ 7,387	February \$ 7,654
Month Lowest Ending Balance	November \$ (1,489)	November \$ (5,878)	November \$ (5,878)	November \$ 6,846	November \$ 6,846	November \$ 7,654	November \$ 7,654

PROGRAM DETAIL



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 20,568	92.3 %	\$ 20,568	93.7 %
Contractual Services	1,720	7.7	1,375	6.3
TOTAL	<u>\$ 22,288</u>	<u>100.0 %</u>	<u>\$ 21,943</u>	<u>100.0 %</u>

BOARD OF ACCOUNTANCY

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 339,920	\$ 364,455	\$ 364,455	\$ 357,021	\$ 356,820	\$ 358,207	\$ 358,007
Percent Change	1.9 %	7.2 %	7.2 %	(2.0)%	(2.1)%	0.3 %	0.3 %
FTE Positions	2.0	1.0	1.0	1.0	1.0	1.0	1.0
Non FTE Perm. Uncl. Pos.	1.0	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

AGENCY OVERVIEW

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 2013 – Current Year. The **agency** estimates FY 2013 expenditures of \$364,455, an increase of \$18,029, or 5.2 percent, above the FY 2013 approved budget. The increase is attributable to moving expenditures incurred during an office relocation. The moving expenses are described in greater detail within the supplemental estimate. There are no other changes to the agency approved budget. The 2012 Legislature approved 1.0 FTE position and 2.0 Non-FTE unclassified permanent positions.

The **Governor** concurs with the agency request.

FY 2014 – Budget Year. The **agency** requests \$357,021, all from special revenue funds, for FY 2014 operating expenditures. The request is a decrease of \$7,434, or 2.0 percent, below the FY 2013 revised estimate. The decrease is attributable to the elimination of one-time expenditures incurred during moving in FY 2013 of \$9,022 in computer relocation fees and furniture costs. The decrease is partially offset by an increase of \$1,514 in Kansas Public Employee Retirement System (KPERs) contributions.

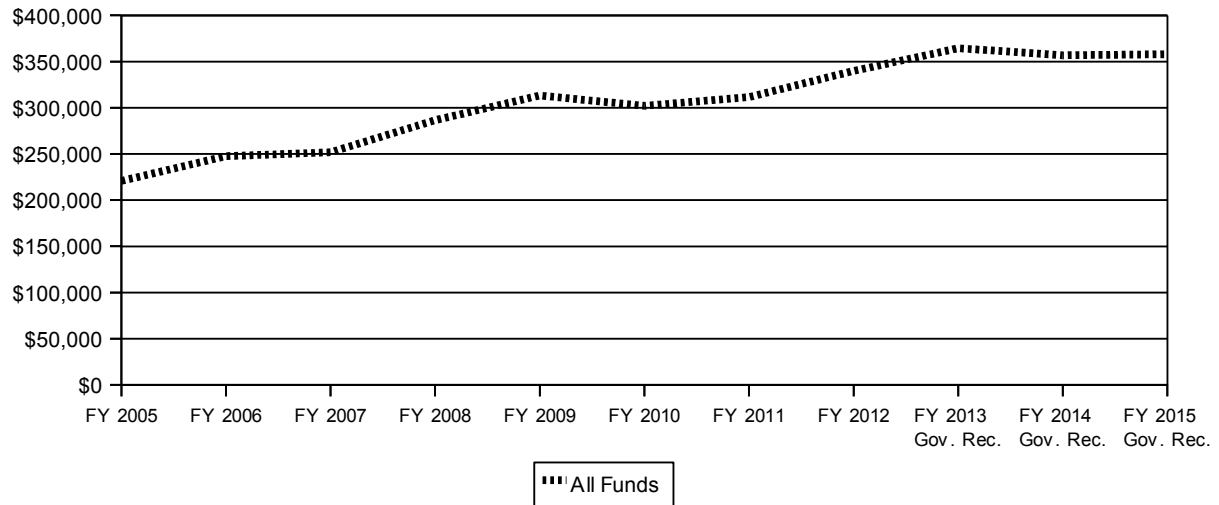
The **Governor** recommends \$356,820, all from special revenue funds, a decrease of \$201, or 0.1 percent, below the FY 2014 agency request. The decrease is attributable to a reduction of \$201 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. The **agency** requests \$358,207, all from special revenue funds, for FY 2015 operating expenditures. The request is an increase of \$1,186, or 0.3 percent, above the FY 2014 agency request. The change is attributable to increased non-FTE unclassified employee compensation (\$1,543) and employer contributions for the Kansas Public Employee Retirement System (\$1,338). The increases are partially offset by the end of expenditures from FY 2014 for SMART development (\$1,471).

The **Governor** recommends \$358,007, all from special revenue funds, a decrease of \$200, or 0.1 percent, below the FY 2015 agency request. The decrease is attributable to a reduction of \$200 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 220,828	2.2 %	3.0
2006	247,626	12.1	3.0
2007	251,818	1.7	3.0
2008	286,564	13.8	3.0
2009	313,334	9.3	3.0
2010	302,088	(3.6)	3.0
2011	311,583	3.1	3.0
2012	339,920	9.1	2.0
2013 Gov. Rec.	364,455	7.2	1.0
2014 Gov. Rec.	356,820	(2.1)	1.0
2015 Gov. Rec.	358,007	0.3	1.0
Eleven-Year Change Dollars/Percent	\$ 137,179	62.1 %	(2.0)

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
		FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 175,975	\$ 186,839	\$ 188,232	\$ 1,393	0.7 %	\$ 191,238	\$ 3,006	1.6 %
Contractual Services	147,012	173,416	164,269	(9,147)	(5.3)	162,449	(1,820)	(1.1)
Commodities	4,745	4,200	4,520	320	7.6	4,520	0	0.0
Capital Outlay	12,188	0	0	0	--	0	0	--
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	\$ 339,920	\$ 364,455	\$ 357,021	\$ (7,434)	(2.0) %	\$ 358,207	\$ 1,186	0.3 %
Financing:								
Board of Accountancy Fee Fund	\$ 339,920	\$ 364,455	\$ 357,021	\$ (7,434)	(2.0) %	\$ 358,207	\$ 1,186	0.3 %
		Governor's Recommendation						
		FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 175,975	\$ 186,839	\$ 188,031	\$ 1,192	0.6 %	\$ 191,038	\$ 3,007	1.6 %
Contractual Services	147,012	173,416	164,269	(9,147)	(5.3)	162,449	(1,820)	(1.1)
Commodities	4,745	4,200	4,520	320	7.6	4,520	0	0.0
Capital Outlay	12,188	0	0	0	--	0	0	--
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	\$ 339,920	\$ 364,455	\$ 356,820	\$ (7,635)	(2.1) %	\$ 358,007	\$ 1,187	0.3 %
Financing:								
Board of Accountancy Fee Fund	\$ 339,920	\$ 364,455	\$ 356,820	\$ (7,635)	(2.1) %	\$ 358,007	\$ 1,187	0.3 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	346,426	364,455	18,029	364,455	18,029
TOTAL	<u>\$ 346,426</u>	<u>\$ 364,455</u>	<u>\$ 18,029</u>	<u>\$ 364,455</u>	<u>\$ 18,029</u>
FTE Positions	1.0	1.0	0.0	1.0	0.0

The **agency** estimates FY 2013 expenditures of \$364,455, an increase of \$18,029, or 5.2 percent, above the FY 2013 approved budget. The increase is attributable to moving expenses incurred during an office relocation. The moving expenses are described in greater detail within the supplemental estimate. There are no other changes to the agency approved budget. The 2012 Legislature approved 1.0 FTE position and 2.0 Non-FTE unclassified permanent positions.

The **Governor** concurs with the agency request.

Supplemental Estimates

FY 2013 SUPPLEMENTS				
Supplementals	Agency Request		Governor's Recommendation	
	All Funds	FTE	All Funds	FTE
Moving Expenses	\$ 18,029	0.0	\$ 18,029	0.0

The **agency** requests a supplemental appropriation of \$18,029, above the FY 2013 legislatively approved budget for expenses incurred during relocation including furniture costs (\$7,138), moving and remodeling expenses (\$19,895), computer and phone relocation (\$1,387), small agency technical support (\$480). The agency encumbered \$10,922 from FY 2012 to partially offset the moving expenditures. The Board of Accountancy is remaining in the Landon Building but increasing space for storage and adding a conference room for Board meetings.

The **Governor** concurs with the agency supplemental request

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 357,021	\$ 356,820	\$	(201)
FTE Positions	1.0	1.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	(7,434)	(7,635)		
<i>Percent Change:</i>				
All Other Funds	(2.0) %	(2.1) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests \$357,021, all from special revenue funds, for FY 2014 operating expenditures. The request is a decrease of \$7,434, or 2.0 percent, below the FY 2013 revised estimate. The decrease is attributable to the elimination of one-time expenditures incurred during moving in FY 2013 of \$9,022 in computer relocation fees and furniture costs. The decrease is partially offset by an increase of \$1,514 in Kansas Public Employee Retirement System (KPERs) employer contributions.

The **Governor** recommends \$356,820, all from special revenue funds, a decrease of \$201, or 0.1 percent, below the FY 2014 agency request. The decrease is attributable to a reduction of \$201 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The Board of Accountancy did not submit any enhancement requests for FY 2014.

FY 2014 Reduced Resources

The Board of Accountancy is not required to submit a reduced resources budget.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 358,207	\$ 358,007	\$	(200)
FTE Positions	1.0	1.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	1,186	1,187		
<i>Percent Change:</i>				
All Other Funds	0.3 %	0.3 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests \$358,207, all from special revenue funds, for FY 2015 operating expenditures. The request is an increase of \$1,186, or 0.3 percent, above the FY 2014 agency request. The change is attributable to increased non-FTE unclassified employee compensation (\$1,543) and employer contributions for the Kansas Public Employee Retirement System (\$1,338). The increases are partially offset by the end of expenditures from FY 2014 for SMART development (\$1,471).

The **Governor** recommends \$358,007, all from special revenue funds, a decrease of \$200, or 0.1 percent, below the FY 2015 agency request. The decrease is attributable to a reduction of \$200 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The Board of Accountancy did not submit any enhancement requests for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, no employees qualify for longevity payments.**

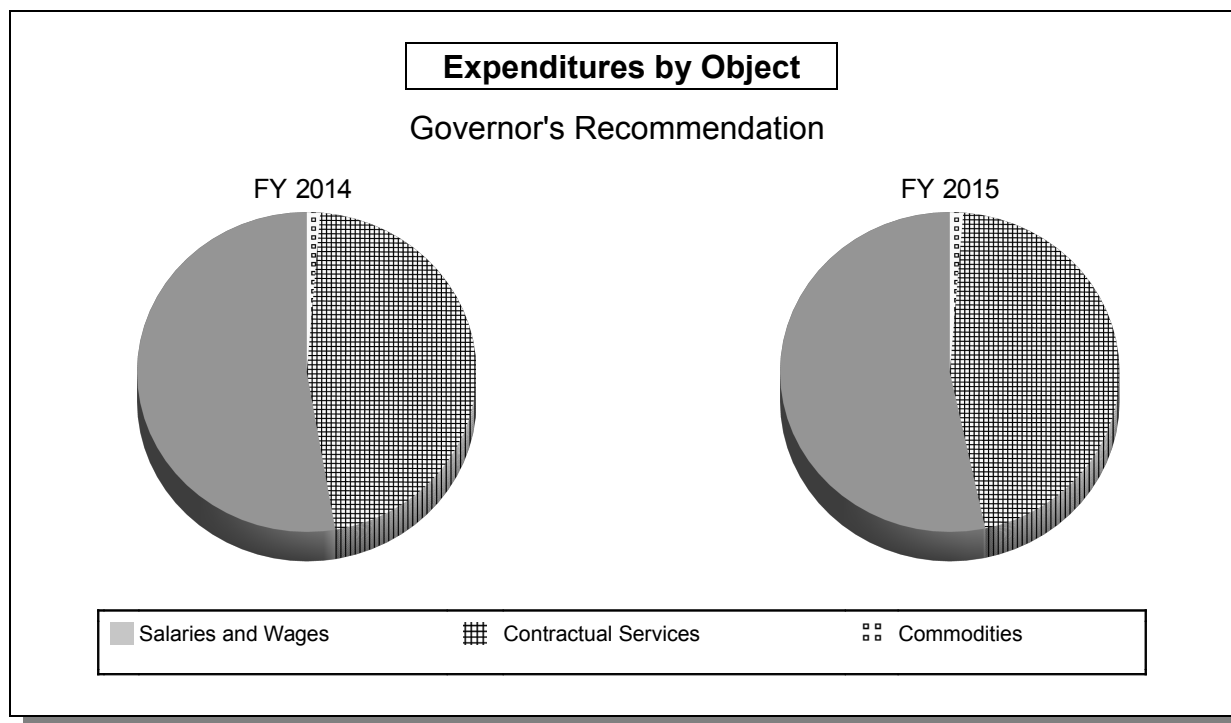
Kansas Public Employees Retirement System (KPERS) Rate Adjustments. The FY 2014 retirement rate for KPERS regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERS fund. In addition, the KPERS death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

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 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 344,710	\$ 314,595	\$ 314,595	\$ 251,198	\$ 251,198	\$ 196,977	\$ 197,178
Revenue	324,805	316,058	316,058	317,800	317,800	319,057	319,057
Transfers In	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Total Funds Available	\$ 670,515	\$ 631,653	\$ 631,653	\$ 569,998	\$ 569,998	\$ 517,034	517,235
Less:							
Expenditures	\$ 339,920	\$ 364,455	\$ 364,455	\$ 357,021	\$ 356,820	\$ 358,207	\$ 358,007
Transfers Out	16,000	16,000	16,000	16,000	16,000	16,000	16,000
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	<u>\$ 314,595</u>	<u>\$ 251,198</u>	<u>\$ 251,198</u>	<u>\$ 196,977</u>	<u>\$ 197,178</u>	<u>\$ 142,827</u>	<u>\$ 143,228</u>
Ending Balance as Percent of Expenditures	92.5%	68.9%	68.9%	55.2%	55.3%	39.9%	40.0%
Month Highest Ending Balance	July \$ 403,934	July \$ 356,912	July \$ 378,679	July \$ 316,013	July \$ 316,214	July \$ 261,880	July \$ 262,280
Month Lowest Ending Balance	April \$ 269,341	April \$ 218,482	May \$ 208,810	May \$ 153,086	May \$ 153,287	May \$ 98,522	May \$ 98,922

PROGRAM DETAIL



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 188,031	52.7 %	\$ 191,038	53.4 %
Contractual Services	164,269	46.0	162,449	45.4
Commodities	4,520	1.3	4,520	1.3
TOTAL	\$ 356,820	100.0 %	\$ 358,007	100.0 %

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Total CPAs regulated by the Board	11,239	11,621	11,846	12,066	12,286
New CPA certifications issued	200	150	155	160	160
CPA firms registered to practice	755	744	760	765	765
Complaints and referrals received and investigated	75	52	55	57	58

OFFICE OF THE STATE BANK COMMISSIONER

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 9,489,429	\$ 11,257,753	\$ 11,257,753	\$ 11,632,792	\$ 11,599,183	\$ 11,780,028	\$ 11,764,240
Percent Change	2.8 %	18.6 %	18.6 %	3.3 %	3.0 %	1.3 %	1.4 %
FTE Positions	107.0	109.0	109.0	109.0	109.0	109.0	109.0
Non FTE Perm. Uncl. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	107.0	109.0	109.0	109.0	109.0	109.0	109.0

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 KSA 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 KSA 75-1304 *et seq.*, while the State banking Board is authorized by KSA 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

During the 1993 Legislative Session, Senate Bill 58 abolished and transferred the powers, duties, and functions of the Savings and Loan Department, the Savings and Loan Commissioner, and the State Savings and Loan board to the OSBC and the State banking Board respectively, effective June 18, 1993.

During the 1996 Legislative Session, the Mortgage Business Act, Senate Bill 665, was passed. This gave the OSBC responsibility for the licensing anyone engaged in the mortgage business in the state of Kansas.

During the 1999 Legislative Session, Senate Bill 271 was passed that 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.

During the 2003 Legislative Session, the 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.

During the 2004 Legislative Session, the Legislature authorized the balance of 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$11,257,753, an increase of \$2,015, or less than 0.1 percent, above the amount approved by the 2012 Legislature. The increase is attributable to the 2012 Legislature's approved undermarket pay distributed by the State Finance Council. The estimate includes 109.0 FTE positions, the same as the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$11,632,792, including \$11,317,433 from the Bank Commissioner's Fee Fund and \$281,750 from the Consumer Education Settlement Fund. The request is an all funds increase of \$375,039, or 3.3 percent, above the revised FY 2013 estimate. The increase is primarily attributable to increased unclassified wages and increased annual fringe benefit costs due to an enhancement that was submitted and approved in last year's budget to address the problem of retaining experienced staff. The agency request includes 109.0 FTE positions, the same as the revised FY 2013 estimate.

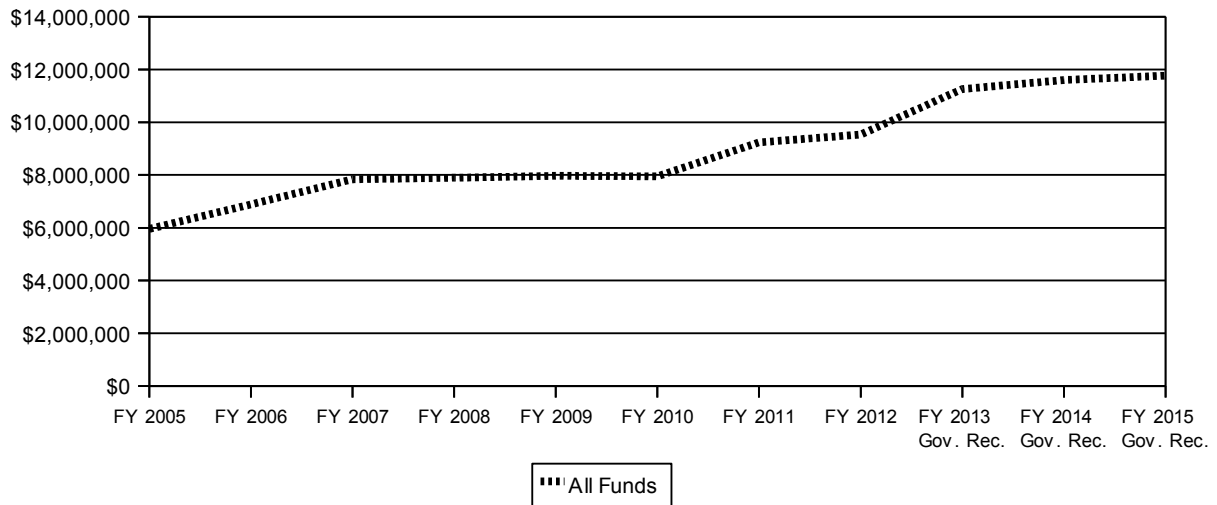
The **Governor** recommends FY 2014 expenditures of \$11,599,183, including \$11,317,433 from the Bank Commissioner's Fee Fund and \$281,750 from the Consumer Education Settlement Fund. The recommendation is a decrease of \$33,609, or 0.3 percent, below the agency's FY 2014 request, and an increase of \$341,430, or 3.0 percent, above the Governor's FY 2013 recommendation. The decrease from the agency's request is all in salaries and wages and includes a decrease of \$10,669 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The decrease is also attributable to an additional \$22,940 in shrinkage reductions to bring the overall shrinkage rate to 2.0 percent, offset by \$2,070 for undermarket pay adjustments.

FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$11,780,028, including \$11,498,278 from the Bank Commissioner's Fee Fund and \$281,750 from the Consumer Education Settlement Fund. The request is an all funds increase of \$147,236, or 1.3 percent above the FY 2014 request. The increase is primarily attributable to increased unclassified wages, increased annual fringe benefit costs, and increased contractual services fees for travel, advertising, computer software, and building rentals. The request includes 109.0 FTE positions, the same as the FY 2014 request.

The **Governor** recommends FY 2015 expenditures of \$11,764,240, including \$11,482,490 from the Bank Commissioner's Fee Fund and \$281,750 from the Consumer Education Settlement Fund. The recommendation is a decrease of \$15,788, or 0.1 percent, below the agency's FY 2015 request, and an increase of \$165,057, or 1.4 percent, above the Governor's FY 2014 recommendation. The decrease from the agency's request is all in salaries and wages and includes a decrease of \$10,807 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The decrease is also attributable to an additional \$4,981 in shrinkage reductions to bring the overall shrinkage rate to 2.0 percent, offset by \$2,087 for undermarket pay adjustments.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 5,958,969	7.9 %	85.0
2006	6,887,418	15.6	86.0
2007	7,837,541	13.8	90.0
2008	7,893,826	0.7	90.0
2009	7,968,514	0.9	97.0
2010	7,948,496	(0.3)	99.0
2011	9,234,822	16.2	99.0
2012	9,532,988	3.2	99.0
2013 Gov. Rec.	11,257,753	18.1	109.0
2014 Gov. Rec.	11,599,183	3.0	109.0
2015 Gov. Rec.	11,764,240	1.4	109.0
Eleven-Year Change Dollars/Percent	\$ 5,805,271	97.4 %	24.0

Summary of Operating Budget FY 2012 - FY 2015

Office of the State Bank Commissioner

		Agency Request						
	Actual FY 2012	FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 7,422,637	\$ 9,031,395	\$ 9,503,801	\$ 472,406	5.2 %	\$ 9,622,979	\$ 119,178	1.3 %
Contractual Services	1,376,245	1,648,034	1,620,526	(27,508)	(1.7)	1,644,258	23,732	1.5
Commodities	141,866	103,773	105,297	1,524	1.5	106,832	1,535	1.5
Capital Outlay	168,068	257,333	185,950	(71,383)	(27.7)	188,741	2,791	1.5
Other Assistance	380,613	217,218	217,218	0	--	217,218	0	--
TOTAL	<u>\$ 9,489,429</u>	<u>\$ 11,257,753</u>	<u>\$ 11,632,792</u>	<u>\$ 375,039</u>	<u>3.3 %</u>	<u>\$ 11,780,028</u>	<u>\$ 147,236</u>	<u>1.3 %</u>
Financing:								
Bank Commissioner Fee Fund	\$ 9,113,749	\$ 10,976,003	\$ 11,351,042	\$ 375,039	3.4 %	\$ 11,498,278	\$ 147,236	1.3 %
Consumer Edu Settlement Fund	375,680	281,750	281,750	0	--	281,750	0	--
TOTAL	<u>\$ 9,489,429</u>	<u>\$ 11,257,753</u>	<u>\$ 11,632,792</u>	<u>\$ 375,039</u>	<u>3.4 %</u>	<u>\$ 11,780,028</u>	<u>\$ 147,236</u>	<u>1.3 %</u>

		Governor's Recommendation						
	Actual FY 2012	FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 7,422,637	\$ 9,031,395	\$ 9,470,192	\$ 438,797	4.9 %	\$ 9,607,191	\$ 136,999	1.4 %
Contractual Services	1,376,245	1,648,034	1,620,526	(27,508)	(1.7)	1,644,258	23,732	1.5
Commodities	141,866	103,773	105,297	1,524	1.5	106,832	1,535	1.5
Capital Outlay	168,068	257,333	185,950	(71,383)	(27.7)	188,741	2,791	1.5
Other Assistance	380,613	217,218	217,218	0	0.0	217,218	0	0.0
TOTAL	<u>\$ 9,489,429</u>	<u>\$ 11,257,753</u>	<u>\$ 11,599,183</u>	<u>\$ 341,430</u>	<u>3.0 %</u>	<u>\$ 11,764,240</u>	<u>\$ 165,057</u>	<u>1.4 %</u>
Financing:								
Bank Commissioner Fee Fund	\$ 9,113,749	\$ 10,976,003	\$ 11,317,433	\$ 341,430	3.1 %	\$ 11,482,490	\$ 165,057	1.5 %
Consumer Edu Settlement Fund	375,680	281,750	281,750	0	0.0	281,750	0	0.0
TOTAL	<u>\$ 9,489,429</u>	<u>\$ 11,257,753</u>	<u>\$ 11,599,183</u>	<u>\$ 341,430</u>	<u>3.0 %</u>	<u>\$ 11,764,240</u>	<u>\$ 165,057</u>	<u>1.4 %</u>

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	11,255,738	11,257,753	2,015	11,257,753	2,015
TOTAL	<u>\$ 11,255,738</u>	<u>\$ 11,257,753</u>	<u>\$ 2,015</u>	<u>\$ 11,257,753</u>	<u>\$ 2,015</u>
FTE Positions	109.0	109.0	0.0	109.0	0.0

The **agency** estimates FY 2013 operating expenditures of \$11,257,753, an increase of \$2,015, or less than 0.1 percent, above the amount approved by the 2012 Legislature. The increase is attributable to the 2012 Legislature's approved undermarket pay distributed by the State Finance Council. The estimate includes 109.0 FTE positions, the same as the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total			
Request/Recommendation	\$ 11,632,792	\$ 11,599,183	\$ (33,609)
FTE Positions	109.0	109.0	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
All Funds	375,039	341,430	
<i>Percent Change:</i>			
All Funds	3.3 %	3.0 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2014 operating expenditures of \$11,632,792, including \$11,317,433 from the Bank Commission Fee Fund and \$281,750 from the Consumer Education Settlement Fund. The request is an all funds increase of \$375,039, or 3.3 percent, above the revised FY 2013 estimate. The increase is primarily attributable to increased unclassified wages and increased annual fringe benefit costs due to an enhancement that was submitted and approved in last year's budget to address the problem of retaining experienced staff. The agency request includes 109.0 FTE positions, the same as the revised FY 2013 estimate.

The **Governor** recommends FY 2014 expenditures of \$11,599,183, including \$11,317,433 from the Bank Commission Fee Fund and \$281,750 from the Consumer Education Settlement Fund. The recommendation is a decrease of \$33,609, or 0.3 percent, below the agency's FY 2014 request, and an increase of \$341,430, or 3.0 percent, above the Governor's FY 2013 recommendation. The decrease from the agency's request is all in salaries and wages and includes a decrease of \$10,669 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The decrease is also attributable to an additional \$4,981 in shrinkage reductions to bring the overall shrinkage rate to 2.0 percent, offset by \$3,087 for undermarket pay adjustments.

Enhancements Detail

The **agency** did not submit a FY 2014 enhancement request.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 11,780,028	\$ 11,764,240	\$	(15,788)
FTE Positions	109.0	109.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	147,236	165,057		
<i>Percent Change:</i>				
All Other Funds	1.3 %	1.4 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2015 operating expenditures of \$11,780,028, including \$11,498,278 from the Bank Commissioner's Fee Fund and \$281,750 from the Consumer Education Settlement Fund.. The request is an all funds increase of \$147,236, or 1.3 percent above the FY 2014 request. The increase is primarily attributable to increased unclassified wages, increased annual fringe benefit costs, and increased contractual services fees for travel, advertising, computer software, and building rentals. The request includes 109.0 FTE positions, the same as the FY 2014 request.

The **Governor** recommends FY 2015 expenditures of \$11,764,240, including \$11,482,490 from the Bank Commissioner's Fee Fund and \$281,750 from the Consumer Education Settlement Fund. The recommendation is a decrease of \$15,788, or 0.1 percent, below the agency's FY 2015 request, and an increase of \$165,057, or 1.4 percent, above the Governor's FY 2014 recommendation. The decrease from the agency's request is all in salaries and wages and includes a decrease of \$10,807 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014. The decrease is also attributable to an additional \$4,981 in shrinkage reductions to bring the overall shrinkage rate to 2.0 percent, offset by \$2,087 for undermarket pay adjustments.

Enhancements Detail

The **agency** did not submit a FY 2015 enhancement request.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$10,669, all from special revenue funds, and FY 2015 longevity payments total \$10,807, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Bank Commissioner Fee Fund	97.6 %	97.6 %
Consumer Ed. & Settlement Fund	2.4	2.4
TOTAL	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 State General Funds.

The division of 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.

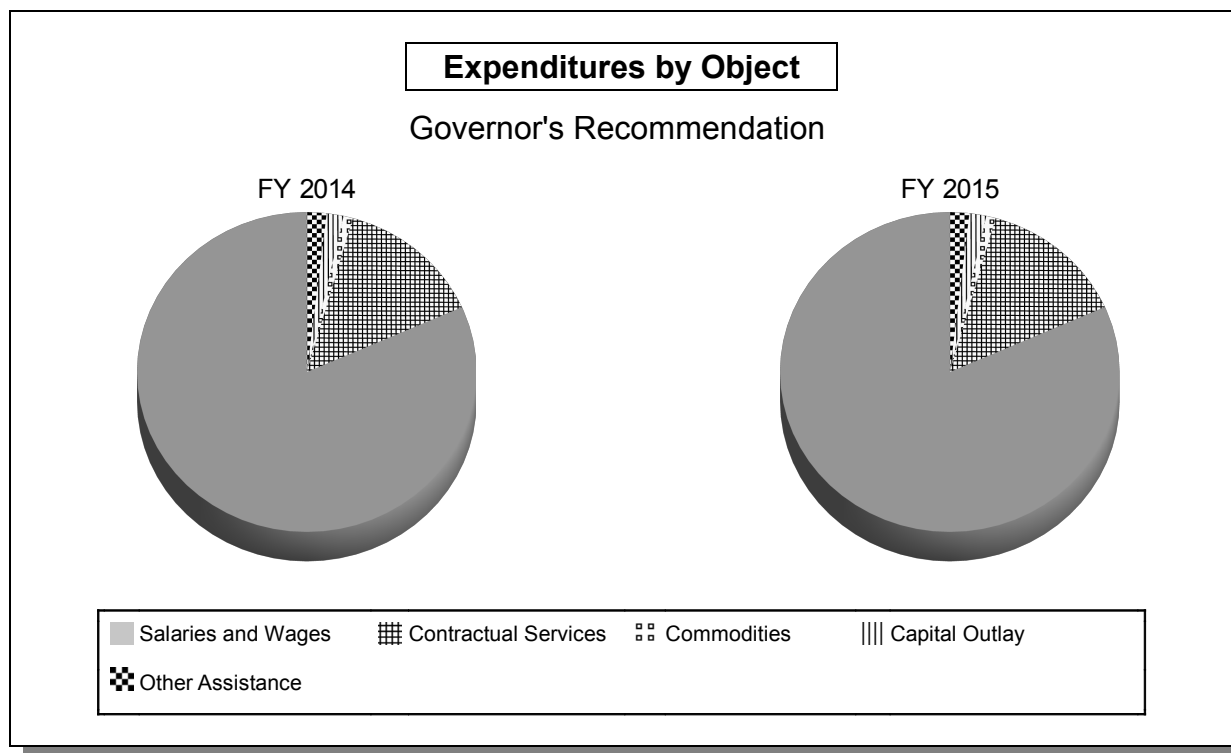
Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 4,663,298	\$ 5,718,138	\$ 5,718,138	\$ 5,406,585	\$ 5,406,585	\$ 5,162,143	\$ 5,195,752
Revenue	10,168,589	10,664,450	10,664,450	11,106,600	11,106,600	11,106,600	11,296,600
Net Receipts	0	0	0	0	0	0	0
				16,513,18		16,268,74	
Total Funds Available	\$ 14,831,887	\$ 16,382,588	\$ 16,382,588	\$ 5	\$ 16,513,185	\$ 3	16,492,352
Less:							
Expenditures	\$ 9,113,749	\$ 10,976,003	\$ 10,976,003	\$ 11,351,042	\$ 11,317,433	\$ 11,498,278	\$ 11,482,490
Transfers Out	0	0	0	0	0	0	0
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 5,718,138</u>	<u>\$ 5,406,585</u>	<u>\$ 5,406,585</u>	<u>\$ 5,162,143</u>	<u>\$ 5,195,752</u>	<u>\$ 4,770,465</u>	<u>\$ 5,009,862</u>
Ending Balance as Percent of Expenditures	62.7%	49.3%	49.3%	45.5%	45.9%	41.5%	43.6%

Consumer Education Settlement Fee Fund Analysis

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 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 344,500	\$ 164,391	\$ 164,391	\$ 912,641	\$ 912,641	\$ 660,891	\$ 660,891
Revenue	195,571	1,030,000	1,030,000	30,000	30,000	30,000	30,000
Net Receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Funds Available	\$ 540,071	\$ 1,194,391	\$ 1,194,391	\$ 942,641	\$ 942,641	\$ 690,891	\$ 690,891
Less:							
Expenditures	\$ 375,680	\$ 281,750	\$ 281,750	\$ 281,750	\$ 281,750	\$ 281,750	\$ 281,750
Transfers Out	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Non-Expense Items	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance	<u>\$ 164,391</u>	<u>\$ 912,641</u>	<u>\$ 912,641</u>	<u>\$ 660,891</u>	<u>\$ 660,891</u>	<u>\$ 409,141</u>	<u>\$ 409,141</u>
Ending Balance as Percent of Expenditures	43.8%	323.9%	323.9%	234.6%	234.6%	145.2%	145.2%

PROGRAM DETAIL



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 9,470,192	81.6 %	\$ 9,607,191	81.7 %
Contractual Services	1,620,526	14.0	1,644,258	14.0
Commodities	105,297	0.9	106,832	0.9
Capital Outlay	185,950	1.6	188,741	1.6
Other Assistance	217,218	1.9	217,218	1.8
TOTAL	\$ 11,599,183	100.0 %	\$ 11,764,240	100.0 %

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 inquires from consumers.

ADMINISTRATION SUMMARY OF EXPENDITURES FY 2012 - FY 2015

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Estimate FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Expenditures:							
Salaries and Wages	\$ 973,859	\$ 1,167,673	\$ 1,167,673	\$ 1,259,666	\$ 1,235,402	\$ 1,261,438	\$ 1,255,074
Contractual Services	191,958	218,737	218,737	287,888	287,888	291,636	291,636
Commodities	33,957	11,400	11,400	11,500	11,500	11,673	11,673
Capital Outlay	19,553	76,150	76,150	78,300	78,300	79,475	79,475
Subtotal - Operating	\$ 1,219,327	\$ 1,473,960	\$ 1,473,960	\$ 1,637,354	\$ 1,613,090	\$ 1,644,222	\$ 1,637,858
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	9,218	9,218	9,218	9,218	9,218	9,218
TOTAL	\$ 1,219,327	\$ 1,483,178	\$ 1,483,178	\$ 1,646,572	\$ 1,622,308	\$ 1,653,440	\$ 1,647,076
FTE Positions	16.0	16.0	16.0	16.0	16.0	16.0	16.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	16.0	16.0	16.0	16.0	16.0	16.0	16.0

*Non-FTE Permanent Unclassified Positions

FY 2014

The **agency** requests FY 2014 operating expenditures of \$1,646,572, all from the Bank Commissioner Fee Fund, for the Administration program. This is an all funds increase of \$163,394, or 11.0 percent, above the revised FY 2013 estimate. The major changes in FY 2014 include the following:

- **Salaries and Wages.** The agency request includes \$1,259,666 in salaries and wages, an increase of \$91,666, or 7.9 percent, above the revised FY 2013 estimate. The increase is attributable to an increase in unclassified wages and increased fringe benefit costs due to an enhancement that was submitted and approved in last year's budget request to address the problem of retaining experienced staff.
- **Contractual Services.** The agency request includes \$287,888 in contractual services, an increase of \$69,151, or 31.6 percent, above the revised FY 2013 estimate. The increase is attributable to an increase in computer software maintenance service fees and other contractual service fees.
- **Commodities.** The agency request includes \$11,500 in commodities. This is an increase of \$100, or 0.9 percent, above the revised FY 2013 estimate. The increase is attributable to an estimated increase in the costs for office supplies and fuel.
- **Capital Outlay.** The agency request includes \$78,300 in capital outlay. This is an increase of \$2,150, or 2.8 percent, above the revised FY 2013 estimate. The

increase is attributable to an increase in office equipment purchases such as desktops, notebooks, hardware, and other technology related expenditures.

- **Other Assistance.** The agency request includes \$9,218 in other assistance for health insurance premiums for employees who participated in the Voluntary Retirement Incentive Program. This is the same as the revised FY 2013 estimate.

The **Governor** recommends FY 2014 expenditures of \$1,622,308 and 16.0 FTE positions. This is an increase of \$139,130, or 9.4 percent, above the Governor's FY 2013 recommendation. The recommendation is a decrease of \$24,624, or 1.5 percent, below the agency's FY 2014 request. The decrease is attributable to an increase in salaries and wages shrinkage, as well as a decrease of \$1,324, all from special revenue funds to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015

The **agency** requests FY 2015 operating expenditures of \$1,653,440, all from the Bank Commissioner Fee Fund, for the Administration Program. This is an increase of \$6,868, or 0.4 percent, above the FY 2014 agency request. The major changes in FY 2015 include the following:

- **Salaries and Wages.** The agency request includes \$1,261,438 in salaries and wages, an increase of \$1,772, or 0.1 percent, above the FY 2014 request. The increase is attributable to increased annual fringe benefit costs.
- **Contractual Services.** The agency request includes \$291,636 in contractual services, an increase of \$3,748, or 1.3 percent, above the FY 2014 request. The increase is attributable to an increase in computer software maintenance service fees.
- **Commodities.** The agency request includes \$11,673 in commodities, an increase of \$173, or 1.5 percent, above the FY 2014 request. The increase is attributable to an estimated increase in the cost of office supplies and fuel.
- **Capital Outlay.** The agency request includes \$79,475 in capital outlay, an increase of \$1,175, or 1.5 percent, above the FY 2014 request. The increase is attributable to an increase in microcomputer equipment costs.
- **Other Assistance.** The agency request includes \$9,218 in other assistance. This is the same as the FY 2014 request.

The **Governor** recommends expenditures of \$1,647,076, all from the Bank Commissioner Fee Fund. This is an increase of \$24,768, or 1.5 percent, above the Governor's FY 2014 recommendation. This recommendation is a decrease of \$6,364, or 0.4 percent, below the agency's FY 2014 request. The decrease is due to an increase in salaries and wages shrinkage, as well as a decrease of \$1,426, all from special revenue funds to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System

(KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

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 \$71,059,000,000.

BANK REGULATION SUMMARY OF EXPENDITURES FY 2012 - FY 2015							
Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Estimate FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Expenditures:							
Salaries and Wages	\$ 4,038,438	\$ 5,163,786	\$ 5,163,786	\$ 5,413,280	\$ 5,407,067	\$ 5,444,719	\$ 5,438,528
Contractual Services	736,878	799,837	799,837	793,134	793,134	805,025	805,025
Commodities	62,542	56,213	56,213	56,742	56,742	57,546	57,546
Capital Outlay	97,225	122,983	122,983	49,029	49,029	49,765	49,765
Subtotal - Operating	\$ 4,935,083	\$ 6,142,819	\$ 6,142,819	\$ 6,312,185	\$ 6,305,972	\$ 6,357,055	\$ 6,350,864
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	4,609	0	0	0	0	0	0
TOTAL	<u>\$ 4,939,692</u>	<u>\$ 6,142,819</u>	<u>\$ 6,142,819</u>	<u>\$ 6,312,185</u>	<u>\$ 6,305,972</u>	<u>\$ 6,357,055</u>	<u>\$ 6,350,864</u>
FTE Positions	57.0	59.0	59.0	59.0	59.0	59.0	59.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>57.0</u>	<u>59.0</u>	<u>59.0</u>	<u>59.0</u>	<u>59.0</u>	<u>59.0</u>	<u>59.0</u>
*Non-FTE Permanent Unclassified Positions							

FY 2014

The **agency** requests FY 2014 operating expenditures of \$6,312,185, all from the Bank Commissioner Fee Fund, for the Bank Regulation program. This is an all funds increase of \$169,366, or 2.8 percent, above the revised FY 2013 estimate. The major changes in FY 2014 include the following:

- **Salaries and Wages.** The agency request includes \$5,413,280 in salaries and wages. This is an increase of \$249,494, or 4.8 percent, above the revised FY 2013 estimate. The increase is attributable to an increase in unclassified wages and increased fringe benefit costs due to an enhancement that was submitted and approved in last year's budget request to address the problem of retaining experienced staff.
- **Contractual Services.** The agency request includes \$793,134 in contractual services. This is a decrease of \$6,703, or 0.8 percent, below the revised FY 2013 estimate. The decrease is mainly attributable to decreased travel costs.
- **Commodities.** The agency request includes \$56,742 in commodities. This is an increase of \$529, or 0.9 percent, above the revised FY 2013 estimate. The increase is attributable to an estimated increase in the cost of office supplies and fuel.
- **Capital Outlay.** The agency request includes \$49,029 in capital outlay. This is a decrease of \$73,954, or 60.1 percent, below the revised FY 2013 estimate. The decrease is attributable to vehicle and software purchases budgeted in FY 2013 not being purchased in FY 2014.

The **Governor** recommends FY 2014 expenditures of \$6,305,972, an increase of \$163,153, or 2.7 percent, above the Governor's FY 2013 recommendation, and a decrease of \$6,213, or 0.1 percent, below the agency's FY 2014 request. The decrease from the agency's request reflects the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015

The **agency** requests FY 2015 operating expenditures of \$6,357,055, all from the Bank Commissioner's Fee Fund, for the Bank Regulation program. This is an increase of \$44,870, or 0.7 percent, above the FY 2014 request. The major changes in FY 2015 include the following:

- **Salaries and Wages.** The agency request includes \$5,444,719 in salaries and wages. This is an increase of \$31,439, or 0.6 percent, above the FY 2014 request. The increase is attributable to an increase in unclassified wages and increased fringe benefit costs due to an enhancement that was submitted and approved in last year's budget request to address the problem of retaining experienced staff.
- **Contractual Services.** The agency request includes \$805,025 in contractual services. This is an increase of \$11,891, or 1.5 percent, above the FY 2014 request. The increase is primarily attributable to increased travel costs and increased building rental costs.

- **Commodities.** The agency request includes \$57,546 in commodities. This is an increase of \$804, or 1.4 percent, above the FY 2014 request. The increase is attributable to an estimated increase in costs for office supplies and fuel.
- **Capital Outlay.** The agency request includes \$49,765 in capital outlay. This is an increase of \$736, or 1.5 percent, above the FY 2014 request. The increase is attributable to an increase in microcomputer equipment costs.

The **Governor** recommends FY 2015 expenditures of \$6,350,864, an increase of \$44,892, or 0.7 percent, above the Governor's FY 2014 recommendation, and a decrease of \$6,191, or 0.1 percent, below the agency's FY 2015 request. The decrease from the agency's request reflects the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

C. Trust Regulation

The Trust Regulation program examines trust departments and trust companies, reviews and analyzes trust agreements for statutory compliance, reviews securities and undivided profit accounts, and reviews fidelity bond coverage. Beginning in FY 2013, this program is now part of the Bank Regulation program which oversees all regulation.

TRUST REGULATION SUMMARY OF EXPENDITURES FY 2012 - FY 2015							
Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Estimate FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Expenditures:							
Salaries and Wages	\$ 178,372	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contractual Services	31,792	0	0	0	0	0	0
Commodities	3,110	0	0	0	0	0	0
Capital Outlay	1,888	0	0	0	0	0	0
Subtotal - Operating	\$ 215,162	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0	0
TOTAL	<u>\$ 215,162</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
FTE Positions	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>2.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
*Non-FTE Permanent Unclassified Positions							

(Note: The Trust Examination program is a sub-program of the Bank Examination program. The agency folded the Trust Examination program as a department under the Bank Examination program starting in FY 2013.)

D. 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 \$835.0 billion in assets and \$17.0 billion in loans to Kansas consumers. This Program's duties include promoting reasonable regulation to foster a competitive credit marketplace; enforce laws to discourage unscrupulous or illegal credit activities; license and regulate 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 2012 - FY 2015							
Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Estimate FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Expenditures:							
Salaries and Wages	\$ 2,231,968	\$ 2,699,936	\$ 2,699,936	\$ 2,830,855	\$ 2,827,723	\$ 2,916,822	\$ 2,913,589
Contractual Services	415,617	629,460	629,460	539,504	539,504	547,597	547,597
Commodities	42,257	36,160	36,160	37,055	37,055	37,613	37,613
Capital Outlay	49,402	58,200	58,200	58,621	58,621	59,501	59,501
Subtotal - Operating	\$ 2,739,244	\$ 3,423,756	\$ 3,423,756	\$ 3,466,035	\$ 3,462,903	\$ 3,561,533	\$ 3,558,300
Aid to Local Units	0	0	0	0	0	0	0
Other Assistance	376,004	208,000	208,000	208,000	208,000	208,000	208,000
TOTAL	<u>\$ 3,115,248</u>	<u>\$ 3,631,756</u>	<u>\$ 3,631,756</u>	<u>\$ 3,674,035</u>	<u>\$ 3,670,903</u>	<u>\$ 3,769,533</u>	<u>\$ 3,766,300</u>
FTE Positions	32.0	34.0	34.0	34.0	34.0	34.0	34.0
Non-FTE Pos.*	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	<u>32.0</u>	<u>34.0</u>	<u>34.0</u>	<u>34.0</u>	<u>34.0</u>	<u>34.0</u>	<u>34.0</u>
*Non-FTE Permanent Unclassified Positions							

FY 2014

The **agency** requests FY 2014 operating expenditures of \$3,674,035, including \$3,392,285 from the Bank Commissioner's Fee Fund and \$281,750 from the Consumer Education Settlement Fund. This is an all funds increase of \$42,279, or 1.2 percent, above the revised FY 2013 estimate. The major changes in FY 2014 include the following:

- **Salaries and Wages.** The agency request includes \$2,830,855 in salaries and wages. This is an increase of \$130,919, or 4.8 percent, above the revised FY 2013 estimate. The increase is attributable to an increase in unclassified wages and increased fringe benefit costs due to an enhancement that was submitted

and approved in last year's budget request to address the problem of retaining experienced staff.

- **Contractual Services.** The agency request includes \$539,504 in contractual services. This is a decrease of \$89,956, or 14.3 percent, below the revised FY 2013 estimate. The decrease is attributable to a reduction in travel costs and other contractual service fees.
- **Commodities.** The agency request includes \$37,055 in commodities. This is an increase of \$895, or 2.5 percent, above the revised FY 2013 estimate. The increase is attributable to an estimated increase in the cost for office supplies and fuel.
- **Capital Outlay.** The agency request includes \$58,621 in capital outlay. This is an increase of \$421, or 0.7 percent, above the revised FY 2013 estimate. The increase is attributable to increased software costs.
- **Other Assistance.** The agency request includes \$208,000 in other assistance. This is the same as the revised FY 2013 estimate.

The **Governor** recommends FY 2014 expenditures of \$3,670,903, a decrease of \$3,132, or 0.1 percent, below the agency's FY 2014 request; and an increase of \$39,147, or 1.1 percent, above the Governor's FY 2013 recommendation. The decrease from the agency's request reflects the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015

The **agency** requests FY 2015 operating expenditures of \$3,769,533, including \$3,484,550 from the Bank Commissioner's Fee Fund and \$281,750 from the Consumer Education Settlement Fund. This is an all funds increase of \$95,498, or 2.6 percent, above the FY 2014 estimate. The major changes in FY 2015 include the following:

- **Salaries and Wages.** The agency request includes \$2,916,822 in salaries and wages. This is an increase of \$85,967, or 3.0 percent, above the FY 2014 request. The increase is attributable to an increase in unclassified wages and increased fringe benefit costs due to an enhancement that was submitted and approved in last year's budget request to address the problem of retaining experienced staff.
- **Contractual Services.** The agency request includes \$547,597 in contractual services. This is an increase of \$8,093, or 1.5 percent, above the FY 2014 request. The increase is primarily attributable to increases in advertising costs and building rental costs.
- **Commodities.** The agency request includes \$37,613 in commodities. This is an increase of \$558, or 1.5 percent, above the FY 2014 request. The increase is attributable to an estimated increase in the cost for office supplies and fuel.

- **Capital Outlay.** The agency request includes \$59,501 in capital outlay. This is an increase of \$880, or 1.5 percent, above the FY 2014 request. The increase is attributable to microcomputer equipment costs.
- **Other Assistance.** The agency request includes \$208,000 in other assistance. This is the same as the FY 2014 request.

The **Governor** recommends FY 2015 expenditures of \$3,766,300, a decrease of \$3,233, or 0.1 percent, below the agency's FY 2015 request; and an increase of \$95,397, or 2.6 percent, above the Governor's FY 2014 recommendation. The decrease from the agency's request reflects the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of state-chartered banks	239	236	233	230	227
Assets of state-chartered banks (in billions)	\$30.5	\$31.3	\$33.8	\$35.9	\$38.0
Problem banks as a percentage of total banks	21.0%	14.0%	13.0%	12.0%	10.0%

BOARD OF BARBERING

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 165,650	\$ 154,700	\$ 154,700	\$ 154,700	\$ 154,586	\$ 154,700	\$ 154,620
Percent Change	18.8 %	(6.6)%	(6.6)%	0.0 %	(0.1)%	0.0 %	0.0 %
FTE Positions	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Non FTE Perm. Uncl. Pos.	0.9	0.9	0.9	0.9	0.9	0.9	0.9
TOTAL	2.4	2.4	2.4	2.4	2.4	2.4	2.4

AGENCY OVERVIEW

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.

MAJOR ISSUES FROM PRIOR YEARS

The **1994 Legislature** instructed certain state agencies, including the Board of Barbering, 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.

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.

The **1998, 1999, 2000, 2001, 2002, 2003, and 2010** Legislative Sessions have dealt with the recurring issues of merging the administrative functions of the Board of Barbering and the Board of Cosmetology. In addition, the **1992** Legislative Session recommended that the responsibility for barber shop and beauty salon inspections be transferred to the Department of Health and Environment, and the responsibility for the barber and cosmetology schools be transferred to the Board of Education.

The **2012 Legislature** added \$10,000, all from the Board of Barbering Fee Fund, for operating expenditures in both FY 2012 and FY 2013.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$154,700, all from the Board of Barbering Fee Fund. This is the same as the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$154,700, all from the Board of Barbering Fee Fund. This is the same amount as the revised FY 2013 estimate. The request includes 1.5 FTE positions, the same as the revised FY 2013 estimate.

The **Governor** recommends FY 2014 operating expenditures of \$154,586, all from the Board of Barbering Fee Fund. The request is a decrease of \$114, or less than 0.1 percent, below the agency's FY 2014 request. The Governor's recommendation includes a decrease of \$114, all from the Board of Barbering Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

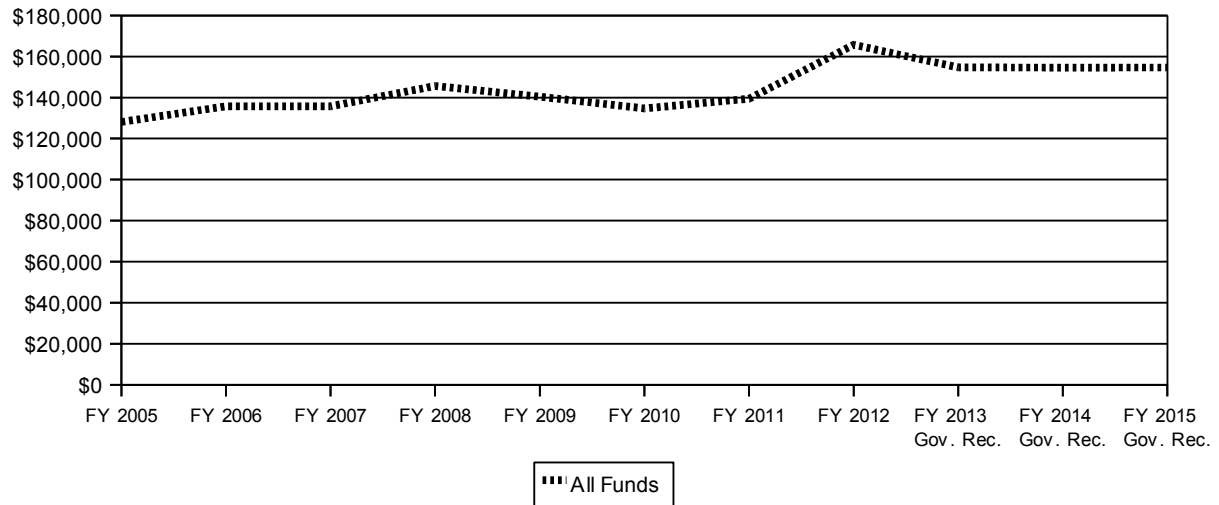
FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$154,700, all from the Board of Barbering Fee Fund. This is the same amount as the FY 2014 request. The request includes 1.5 FTE positions, the same as the FY 2014 request.

The **Governor** recommends FY 2015 operating expenditures of \$154,620, all from the Board of Barbering Fee Fund. The recommendation is an increase of \$34, or less than 0.1 percent, above the FY 2014 recommendation.

The request also is a decrease of \$80, or less than 0.1 percent, below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$80, all from the Board of Barbering Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 128,093	3.2 %	1.5
2006	135,702	5.9	1.5
2007	135,724	0.0	1.5
2008	145,610	7.3	1.5
2009	140,388	(3.6)	1.5
2010	134,689	(4.1)	1.5
2011	139,410	3.5	1.5
2012	165,650	18.8	1.5
2013 Gov. Rec.	154,700	(6.6)	1.5
2014 Gov. Rec.	154,586	(0.1)	1.5
2015 Gov. Rec.	154,620	0.0	1.5
Eleven-Year Change Dollars/Percent	\$ 26,527	20.7 %	0.0

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
		FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 112,335	\$ 111,664	\$ 112,437	\$ 773	0.7 %	\$ 110,486	\$ (1,951)	(1.7) %
Contractual Services	30,608	35,473	33,674	(1,799)	(5.1)	35,275	1,601	4.8
Commodities	5,144	7,563	8,589	1,026	13.6	8,939	350	4.1
Capital Outlay	17,563	0	0	0	--	0	0	--
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	\$ 165,650	\$ 154,700	\$ 154,700	\$ 0	0.0 %	\$ 154,700	\$ 0	0.0 %
Financing:								
Board of Barbering Fee Fund	\$ 165,650	\$ 154,700	\$ 154,700	\$ 0	0.0 %	\$ 154,700	\$ 0	0.0 %

		Governor's Recommendation						
		FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 112,335	\$ 111,664	\$ 112,323	\$ 659	0.6 %	\$ 110,406	\$ (1,917)	(1.7) %
Contractual Services	30,608	35,473	33,674	(1,799)	(5.1)	35,275	1,601	4.8
Commodities	5,144	7,563	8,589	1,026	13.6	8,939	350	4.1
Capital Outlay	17,563	0	0	0	--	0	0	--
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	\$ 165,650	\$ 154,700	\$ 154,586	\$ (114)	(0.1) %	\$ 154,620	\$ 34	0.0 %
Financing:								
Board of Barbering Fee Fund	\$ 165,650	\$ 154,700	\$ 154,586	\$ (114)	(0.1) %	\$ 154,620	\$ 34	0.0 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	154,700	154,700	0	154,700	0
TOTAL	\$ 154,700	\$ 154,700	\$ 0	\$ 154,700	\$ 0
FTE Positions	1.5	1.5	0.0	1.5	0.0

The **agency** estimates FY 2013 operating expenditures of \$154,700, all from the Board of Barbering Fee Fund. This is the same as the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 154,700	\$ 154,586	\$	(114)
FTE Positions	1.5	1.5		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	0	(114)		
<i>Percent Change:</i>				
All Other Funds	0.0 %	(0.1) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 operating expenditures of \$154,700, all from the Board of Barbering Fee Fund. This is the same amount as the revised FY 2013 estimate. The request includes 1.5 FTE positions, the same as the revised FY 2013 estimate.

The **Governor** recommends FY 2014 operating expenditures of \$154,586, all from the Board of Barbering Fee Fund. The request is a decrease of \$114, or less than 0.1 percent, below the agency's FY 2014 request. The Governor's recommendation includes a decrease of \$114, all from the Board of Barbering Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 154,700	\$ 154,620	\$	(80)
FTE Positions	1.5	1.5		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	0	34		
<i>Percent Change:</i>				
All Other Funds	0.0 %	0.0 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2015 operating expenditures of \$154,700, all from the Board of Barbering Fee Fund. This is the same amount as the FY 2014 request. The agency decreased salaries and wages fringe benefit costs, but offset the reduction in increased contractual services spending. The request includes 1.5 FTE positions, the same as the FY 2014 request.

The **Governor** recommends FY 2015 operating expenditures of \$154,620, all from the Board of Barbering Fee Fund. The recommendation is an increase of \$34, or less than 0.1 percent, above the FY 2014 recommendation.

The request also is a decrease of \$80, or less than 0.1 percent, below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$80, all from the Board of Barbering Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, there is no funding since none of the employees qualifies for longevity bonus payments.**

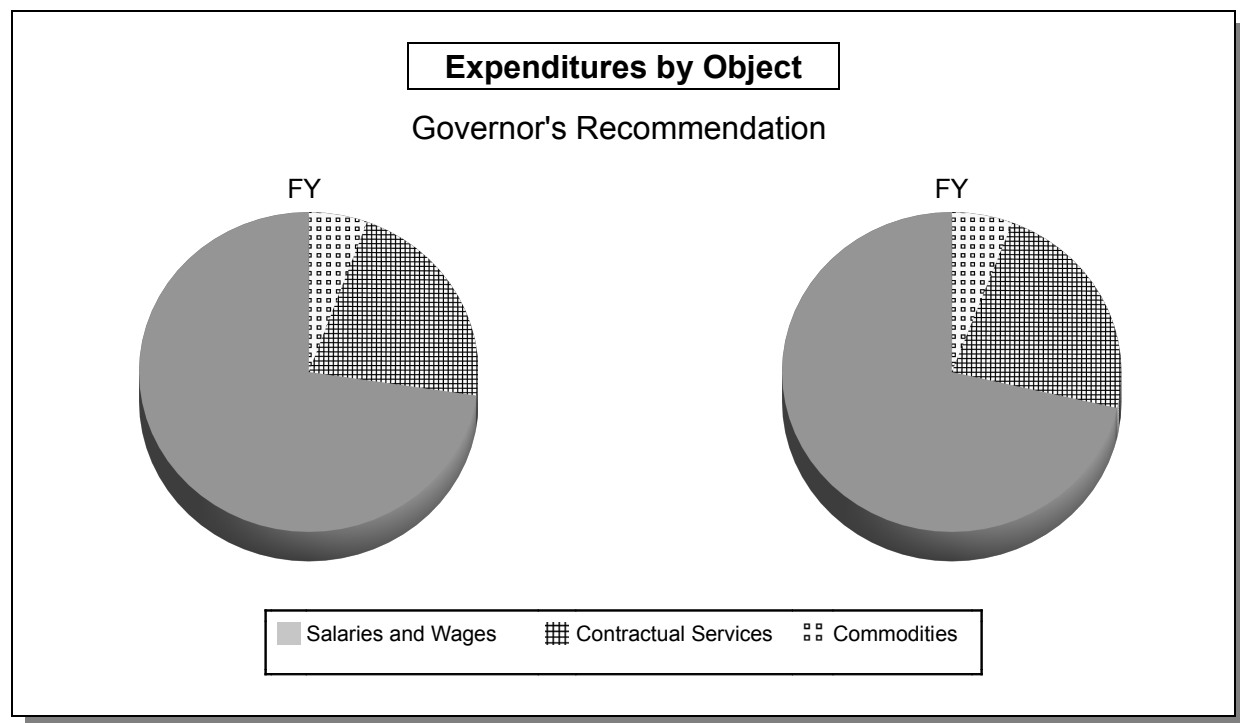
Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Board of Barbering Fee Fund Analysis

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.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 21,510	\$ 18,046	\$ 18,046	\$ 34,300	\$ 34,300	\$ 59,102	\$ 59,216
Revenue	162,186	170,954	170,954	179,502	179,502	179,502	188,477
Net Receipts	0	0	0	0	0	0	0
Total Funds Available	\$ 183,696	\$ 189,000	\$ 189,000	\$ 213,802	\$ 213,802	\$ 238,604	247,693
Less:							
Expenditures	\$ 165,650	\$ 154,700	\$ 154,700	\$ 154,700	\$ 154,586	\$ 154,700	\$ 154,620
Transfers Out	0	0	0	0	0	0	0
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 18,046</u>	<u>\$ 34,300</u>	<u>\$ 34,300</u>	<u>\$ 59,102</u>	<u>\$ 59,216</u>	<u>\$ 83,904</u>	<u>\$ 93,073</u>
Ending Balance as Percent of Expenditures	10.9%	22.2%	22.2%	38.2%	38.3%	54.2%	60.2%
Month Highest Ending Balance	May \$ 28,159	April \$ 37,510	April \$ 37,510	April \$ 37,510	April \$ 37,510	April \$ 37,510	April \$ 37,510
Month Lowest Ending Balance	February \$ 13,244	June \$ 21,055	June \$ 21,055	June \$ 21,055	June \$ 21,055	June \$ 21,055	June \$ 21,055

PROGRAM DETAIL



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 112,323	72.7 %	\$ 110,406	71.4 %
Contractual Services	33,674	21.8	35,275	22.8
Commodities	8,589	5.6	8,939	5.8
TOTAL	\$ 154,586	100.0 %	\$ 154,620	100.0 %

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of inspections conducted	960	649	680	714	750
Percent of shops with violations	6.6%	7.9%	6.9%	5.8%	5.3%

BEHAVIORAL SCIENCES REGULATORY BOARD

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 628,603	\$ 684,416	\$ 684,416	\$ 688,187	\$ 681,642	\$ 706,939	\$ 706,372
Percent Change	3.2 %	8.9 %	8.9 %	0.6 %	(0.4)%	2.7 %	3.6 %
FTE Positions	8.0	9.0	9.0	9.0	9.0	9.0	9.0
Non FTE Perm. Uncl. Pos.	0.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	8.0	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 psychologists and social workers. Since then, the Board's jurisdiction has expanded to include the licensing of professional counselors, master level psychologists, marriage and family therapists, and alcohol and other drug abuse counselors. The Board derives its funding entirely through licensing and registration fees assessed to its credentialed practitioners. With the exception of copying and printing reimbursement, 10.0 percent of all fees collected by the Board are deposited in the State General Fund.

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 **2002 Legislature** amended the standard used to determine whether a person who is credentialed to practice marriage and family therapy in another state may be issued a Kansas license. The new standard states certification standards of the other state must be substantially the equivalent of the Kansas standards rather than at least equivalent or in excess of the Kansas standards.

In addition, the **2002 Legislature** passed legislation directing the Board to issue a license for doctoral-level psychologists to include those individuals who have met the requirements for both training and experience and who have passed an examination on psychology. Previously, a license could be issued if either of the criteria had been met.

In **2003**, the Legislature passed legislation allowing for reciprocal licenses in specific cases. Qualifications for this reciprocity include the individual: already possesses a license in another state with similar qualifications to Kansas, has continuously held his or her license for the five years immediately preceding the application for reciprocity, has no serious disciplinary

actions on his or her record, and has the appropriate degree for his or her profession from a regionally accredited institution.

The **2004 Legislature** amended the authority of the Board to give it uniform disciplinary authority under each of the practice acts. The Legislature also granted the Board the authority to:

- Assess an administrative penalty 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; and
- Exercise the option of censuring a license.

The **2006 Legislature** passed 2006 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 2009 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 the 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. These changes were effective as of July 1, 2011.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates a revised FY 2013 budget of \$684,416, all from special revenue funds, which is the same as the amount approved by the 2012 Legislature. The estimate is also an increase of \$55,813, or 8.9 percent, above the FY 2012 actual. This increase is primarily due to the addition of 1.0 FTE to staff the additional area of Addiction Counseling. The revised estimate includes 9.0 FTE positions, which is the same as the approved amount. The agency is fully funded through special revenue funds.

The **Governor** concurs with the agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests \$688,187 for FY 2014, all from special revenue funds, which is an increase of \$3,371, or 0.6 percent, above the revised FY 2013 estimate. The increase is primarily due to an increase in the cost of Kansas Public Employees Retirement System (KPERs) employer retirement contributions. The request includes 9.0 FTE positions, which is the same as the approved amount. The agency is fully funded through special revenue funds.

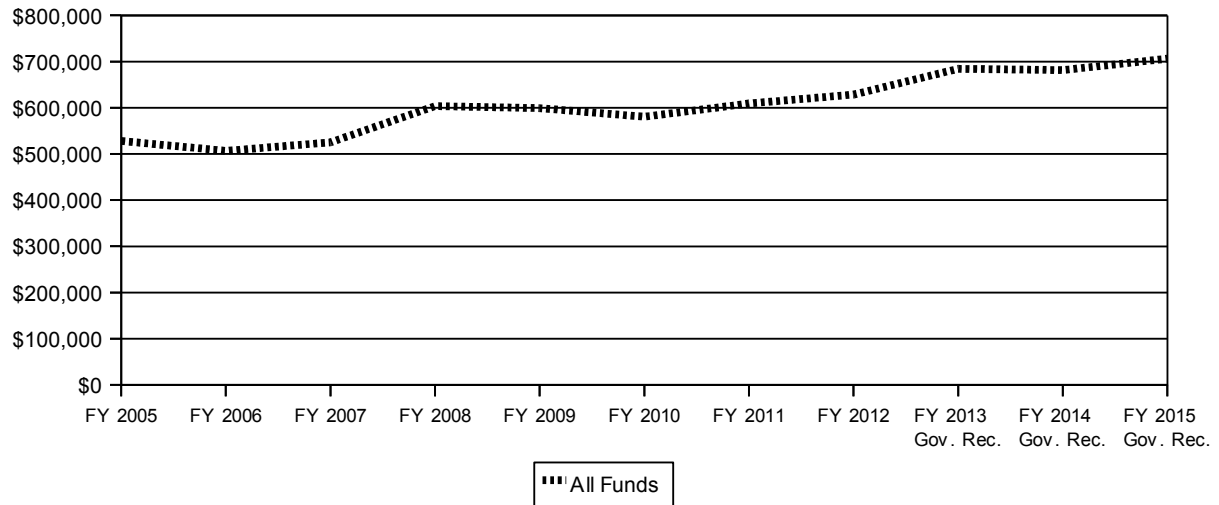
The **Governor** recommends an FY 2014 budget of \$681,642, all from special revenue funds. The recommendation also includes 9.0 FTE positions, the same as the agency request. This is a decrease of \$2,774, or 0.4 percent, below the revised FY 2013 estimate. The decrease in expenditures is due to reductions in capital outlay, including information technology equipment. The Governor's recommendation includes a decrease of \$545, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. The **agency** requests \$706,939 for FY 2015, all from special revenue funds, which is an increase of \$18,752, or 2.7 percent, above the FY 2014 request. The increase is primarily attributable to a request for an additional \$10,000 for disciplinary hearings. It has been the practice of the agency to pay for costs associated with these hearings out of revenues without inclusion as an expenditure item; however, the addition of 1,350 addiction counselors will increase the number of disciplinary actions and hearings. The agency will continue to monitor this expenditure in FY 2013 and FY 2014 and has included it in its budget for FY 2015 based on the advice of internal budget office support. The agency has legislative permission to use revenue not shown in the legislatively approved budget to cover legal and disciplinary costs. The increase also is attributed to increased employer contributions for group health insurance and KPERs. The request includes 9.0 FTE positions, which is the same as the approved amount. The agency is fully funded through special revenue funds.

The **Governor** recommends an FY 2015 budget of \$706,372, all from special revenue funds. The recommendation also includes 9.0 FTE positions, the same as the agency request. This is a increase of \$24,730, or 3.6 percent, above the Governor's FY 2014 recommendation. The increase is primarily attributable to a request for an additional \$10,000 for disciplinary hearings and capital outlay expenditures. The Governor's recommendation includes a decrease of \$567, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 528,007	13.4 %	8.0
2006	506,740	(4.0)	8.0
2007	525,191	3.6	8.0
2008	603,731	15.0	8.0
2009	599,289	(0.7)	8.0
2010	580,536	(3.1)	8.0
2011	609,218	4.9	8.0
2012	628,603	3.2	8.0
2013 Gov. Rec.	684,416	8.9	9.0
2014 Gov. Rec.	681,642	(0.4)	9.0
2015 Gov. Rec.	706,372	3.6	9.0
Eleven-Year Change Dollars/Percent	\$ 178,365	33.8 %	1.0

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
	Actual FY 2012	FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 469,605	\$ 531,739	\$ 535,510	\$ 3,771	0.7 %	\$ 544,262	\$ 8,752	1.6 %
Contractual Services	149,972	137,373	137,373	0	0.0	147,373	10,000	7.3
Commodities	8,227	7,784	7,784	0	0.0	7,784	0	0.0
Capital Outlay	799	7,520	7,520	0	0.0	7,520	0	0.0
TOTAL	<u>\$ 628,603</u>	<u>\$ 684,416</u>	<u>\$ 688,187</u>	<u>\$ 3,771</u>	<u>0.6 %</u>	<u>\$ 706,939</u>	<u>\$ 18,752</u>	<u>2.7 %</u>
Financing:								
Behavioral Sciences Regulatory Board Fee Fund	\$ 628,603	\$ 684,416	\$ 688,187	\$ 3,771	0.6 %	\$ 706,939	\$ 18,752	2.7 %

		Governor's Recommendation						
	Actual FY 2012	FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 469,605	\$ 531,739	\$ 534,965	\$ 3,226	0.6 %	\$ 543,695	\$ 8,730	1.6 %
Contractual Services	149,972	137,373	137,373	0	0.0	147,373	10,000	7.3
Commodities	8,227	7,784	7,784	0	0.0	7,784	0	0.0
Capital Outlay	799	7,520	1,520	(6,000)	(79.8)	7,520	6,000	394.7
TOTAL	<u>\$ 628,603</u>	<u>\$ 684,416</u>	<u>\$ 681,642</u>	<u>\$ (2,774)</u>	<u>(0.4) %</u>	<u>\$ 706,372</u>	<u>\$ 24,730</u>	<u>3.6 %</u>
Financing:								
Behavioral Sciences Regulatory Board Fee Fund	\$ 628,603	\$ 684,416	\$ 681,642	\$ (2,774)	(0.4) %	\$ 706,372	\$ 24,730	3.6 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved Budget

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	684,416	684,416	0	684,416	0
TOTAL	<u>\$ 684,416</u>	<u>\$ 684,416</u>	<u>\$ 0</u>	<u>\$ 684,416</u>	<u>\$ 0</u>
FTE Positions	9.0	9.0	0.0	9.0	0.0

The **agency** estimates a revised FY 2013 budget of \$684,416, all from special revenue funds, which is the same as the amount approved by the 2012 Legislature. It is also an increase of \$55,813, or 8.9 percent, above the FY 2012 actual. This increase is primarily due to the addition of 1.0 FTE to staff the additional area of Addiction Counseling. The revised estimate includes 9.0 FTE positions, which is the same as the approved amount. The agency is fully funded through special revenue funds.

The **Governor** concurs with the agency's revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 688,187	\$ 681,642	\$	(6,545)
FTE Positions	9.0	9.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	3,771	(2,774)		
<i>Percent Change:</i>				
All Other Funds	0.6 %	(0.4) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests \$688,187 for FY 2014, all from special revenue funds, which is an increase of \$3,771, or 0.6 percent, above the revised FY 2013 estimate. The increase is attributable to increased employer contributions for group health insurance and KPERS. The request includes 9.0 FTE positions. The agency is fully funded through special revenue funds.

- **Salaries and Wages.** The agency requests \$535,510 for salaries and wages for FY 2014, all from special revenue funds, which is an increase of \$3,771, or 0.7 percent, above the revised FY 2013 estimate. The increase is due to greater KPERS employer retirement contribution costs.
- **Contractual Services.** The agency requests \$137,373 for contractual services for FY 2014, all from special revenue funds, which is the same as the revised FY 2013 estimate.
- **Commodities.** The agency requests \$7,784 for commodities for FY 2014, all from special revenue funds, which is the same as the revised FY 2013 estimate.
- **Capital Outlay.** The agency requests \$7,520 for capital outlay for FY 2014, all from special revenue funds, which is the same as the revised FY 2013 estimate. The agency states that this expenditure is necessary to stay current with its information technology plan.

The **Governor** recommends an FY 2014 budget of \$681,642, all from special revenue funds. The recommendation also includes 9.0 FTE positions, the same as the agency request. This is a decrease of \$6,545, or 1.0 percent, below the FY 2014 agency request. The decrease in expenditures is due to reductions in capital outlay, including information technology

equipment. The Governor's recommendation also includes a decrease of \$545, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The **agency** does not have any enhancement requests for FY 2014.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 706,939	\$ 706,372	\$	(567)
FTE Positions	9.0	9.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	18,752	24,730		
<i>Percent Change:</i>				
All Other Funds	2.7 %	3.6 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests \$706,939 for FY 2015, all from special revenue funds, which is an increase of \$18,752, or 2.7 percent, above the revised FY 2014 estimate. The increase is primarily attributable to a request for an additional \$10,000 for disciplinary hearings. It has been the practice of the agency to pay for costs associated with these hearings out of revenues without inclusion as an expenditure item; however, the addition of 1,350 addiction counselors will increase the number of disciplinary actions and hearings. The increase also is attributable to increased employer contributions for group health insurance and KPERS. The agency will continue to monitor this expenditure in FY 2013 and FY 2014 and has included it in its budget for FY 2015. The request includes 9.0 FTE positions, which is the same as the approved amount. The agency is fully funded through special revenue funds.

- **Salaries and Wages.** The agency requests \$544,262 for salaries and wages for FY 2015, all from special revenue funds, which is an increase of \$8,752, or 1.6 percent, above the FY 2014 request. The increase is due to greater KPERS retirement contribution costs and group health insurance costs.

- **Contractual Services.** The agency requests \$147,373 for contractual services for FY 2015, all from special revenue funds, which is an increase of \$10,000, or 7.3 percent, above the FY 2014 request. The increase is due to disciplinary hearing costs including expert witnesses and court fees as previously discussed.
- **Commodities.** The agency requests \$7,784 for commodities for FY 2015, all from special revenue funds, which is the same as the FY 2014 request.
- **Capital Outlay.** The agency requests \$7,520 for capital outlay for FY 2015, all from special revenue funds, which is the same as the FY 2014 request. The agency states that this expenditure is necessary to stay current with its information technology plan.

The **Governor** recommends a FY 2015 budget of \$706,372, all from special revenue funds. The recommendation also includes 9.0 FTE positions, the same as the agency request. This is a decrease of \$567, or 0.1 percent, below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$567, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2015.

Enhancements Detail

The **agency** does not have any enhancement requests for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$640, all from special revenue funds, and FY 2015 longevity payments total \$640, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Behavioral Sciences Regulatory Board Fee Fund	100.0 %	100.0 %
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Fee Fund Analysis

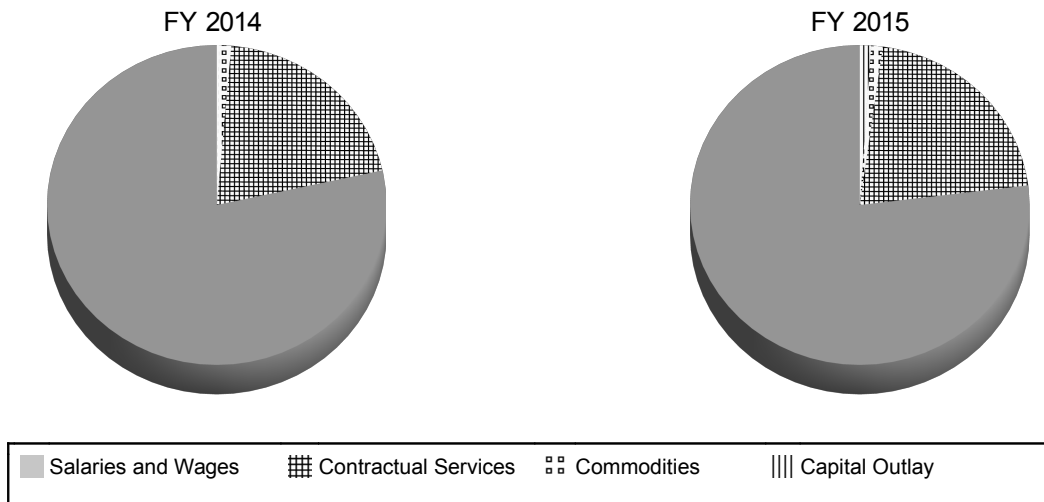
According to KSA 74-7505, the Behavioral Sciences Regulatory Board Fee Fund replaced the Psychologists Fee Fund and the Social Work Examiners Fee Fund in 1980. The new Board inherited the previous Boards' authorities to set, charge, and collect fees. With the exception of copying and printing reimbursement, 10.0 percent of monies collected by the BSRB is remitted to the State General Fund. The monies retained fully fund the agency.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 195,458	\$ 562,301	\$ 562,301	\$ 600,990	\$ 600,990	\$ 856,853	\$ 863,398
Revenue	995,616	723,105	723,105	944,050	944,050	741,707	741,707
Net Receipts	(170)	0	0	0	0	0	0
Total Funds Available	\$ 1,190,904	\$ 1,285,406	\$ 1,285,406	\$ 1,545,040	\$ 1,545,040	\$ 1,598,560	1,605,105
Less:							
Expenditures	\$ 628,603	\$ 684,416	\$ 684,416	\$ 688,187	\$ 681,642	\$ 706,939	\$ 706,372
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	<u>\$ 562,301</u>	<u>\$ 600,990</u>	<u>\$ 600,990</u>	<u>\$ 856,853</u>	<u>\$ 863,398</u>	<u>\$ 891,621</u>	<u>\$ 898,733</u>
Ending Balance as Percent of Expenditures	89.5%	87.8%	87.8%	124.5%	126.7%	126.1%	127.2%
Month Highest Ending Balance	June \$ 562,301	June \$ 600,990	June \$ 600,990	June \$ 862,853	June \$ 862,853	June \$ 897,621	June \$ 897,621
Month Lowest Ending Balance	July \$ 289,574	February \$ 505,544	February \$ 505,544	July \$ 613,325	July \$ 613,325	February \$ 800,314	February \$ 800,315

PROGRAM DETAIL

Expenditures by Object

Governor's Recommendation



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 534,965	78.5 %	\$ 543,695	77.0 %
Contractual Services	137,373	20.2	147,373	20.9
Commodities	7,784	1.1	7,784	1.1
Capital Outlay	1,520	0.2	7,520	1.1
TOTAL	\$ 681,642	100.0 %	\$ 706,372	100.0 %

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
New Licensed Clinical Psychologists	6	8	8	8	8
New Professional Counselors	96	120	120	120	120
New Marriage and Family Therapists	70	99	99	99	99
New Licensed Social Workers	184	508	312	312	312
New Licensed Addiction Counselors	n/a	906	175	175	175
Licensed Addiction Counselors	n/a	478	40	40	40
Number of Complaints Received	130	110	134	134	134

BOARD OF COSMETOLOGY

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 786,827	\$ 814,385	\$ 814,385	\$ 1,195,617	\$ 1,195,027	\$ 930,160	\$ 929,632
Percent Change	3.5 %	3.5 %	3.5 %	46.8 %	46.7 %	(22.2)%	(22.2)%
FTE Positions	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Non FTE Perm. Uncl. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	11.0	11.0	11.0	11.0	11.0	11.0	11.0

AGENCY OVERVIEW

The eight-member Board of Cosmetology regulates cosmetologists, 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, cosmetologists, electrologists, senior cosmetologists, 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 administers national standardized written and practical examinations to license students training in the cosmetology field.

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 cosmetologists after the effective date of the bill. Under the prior law, only two members had to be both licensed cosmetologists 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 licensed as an apprentice cosmetologist as of May 21, 1998 who had not graduated from high school or earned a GED were permitted to take the licensing examination.

In **2000**, the locations in which a cosmetologist 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 cosmetologists, 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 cosmetologists; 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 cosmetologists.

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 "turn around" 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$814,385, all from the Cosmetology Fee Fund. This is the same as the amount approved by the 2012 Legislature. The request includes 11.0 FTE, the same as the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$1,195,617, all from the Cosmetology Fee Fund. This is an increase of \$381,232, or 46.8 percent, above the revised FY 2013 estimate. The increase is attributable to an enhancement request that will replace two agency vehicles and information technology upgrades that will allow the agency to improve their electronic licensing management system for all services. **Absent the enhancement**, the agency request is \$814,385. This is the same as the revised FY 2013 estimate.

The **Governor** recommends FY 2014 operating expenditures of \$1,195,027, all from the Cosmetology Fee Fund. The recommendation is an increase of \$380,642, or 46.7 percent,

above the FY 2013 recommendation. The increase is attributable to the Governor recommending the agency's enhancement package of \$381,232 for two replacement vehicles and information technology upgrades.

The Governor's recommendation is a decrease of \$590, or less than 0.1 percent, below the agency's FY 2014 request. The Governor's recommendation includes a decrease of \$590, all from the Cosmetology Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

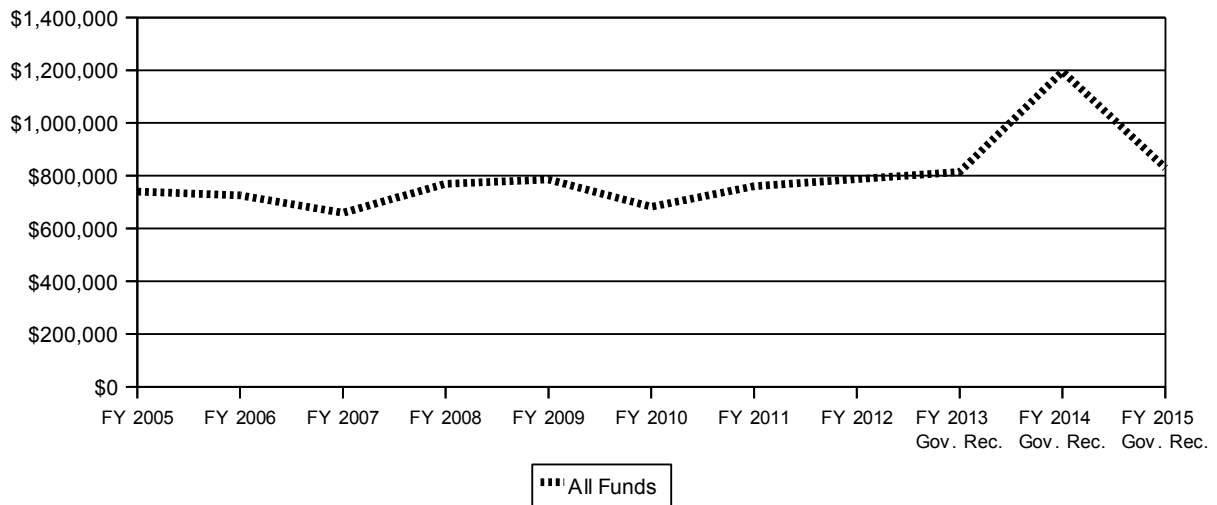
FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$930,160, all from the Cosmetology Fee Fund. This is a decrease of \$265,457, or 22.2 percent, below the FY 2014 request. The decrease is attributable to the agency requesting a smaller enhancement of \$115,775 that will replace one agency vehicle and continue the electronic management upgrade. **Absent the enhancement**, the agency request is \$814,385, all from the Cosmetology Fee Fund. This is the same as the FY 2014 request.

The **Governor** recommends FY 2015 operating expenditures of \$929,632, all from the Cosmetology Fee Fund. The recommendation is a decrease of \$265,395, or 22.2 percent, below the Governor's FY 2014 recommendation. The decrease is attributable to the Governor recommending the agency enhancement request of \$381,232 in FY 2014 and a smaller enhancement request of \$115,775 in FY 2015 to continue information technology upgrades and replace one vehicle.

The Governor's recommendation is a decrease of \$528, or less than 0.1 percent, below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$528, all from the Cosmetology Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 710,231	20.0 %	12.0
2006	725,516	2.2	12.0
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 Gov. Rec.	814,385	3.5	11.0
2014 Gov. Rec.	1,195,027	46.7	11.0
2015 Gov. Rec.	929,632	(22.2)	11.0
Eleven-Year Change Dollars/Percent	\$ 219,401	30.9 %	(1.0)

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
		FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 562,226	\$ 598,954	\$ 593,318	\$ (5,636)	(0.9) %	\$ 592,680	\$ (638)	(0.1) %
Contractual Services	178,388	181,961	310,097	128,136	70.4	290,735	(19,362)	(6.2)
Commodities	23,218	23,070	23,570	500	2.2	23,570	0	0.0
Capital Outlay	22,995	10,400	268,632	258,232	2,483.0	23,175	(245,457)	(91.4)
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 786,827</u>	<u>\$ 814,385</u>	<u>\$ 1,195,617</u>	<u>\$ 381,232</u>	<u>46.8 %</u>	<u>\$ 930,160</u>	<u>\$ (265,457)</u>	<u>(22.2) %</u>
Financing:								
Cosmetology Fee Fund	\$ 786,827	\$ 814,385	\$ 1,195,617	\$ 381,232	46.8 %	\$ 930,160	\$ (265,457)	(22.2) %

		Governor's Recommendation						
		FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 562,226	\$ 598,954	\$ 592,728	\$ (6,226)	(1.0) %	\$ 592,152	\$ (576)	(0.1) %
Contractual Services	178,388	181,961	310,097	128,136	70.4	290,735	(19,362)	(6.2)
Commodities	23,218	23,070	23,570	500	2.2	23,570	0	0.0
Capital Outlay	22,995	10,400	268,632	258,232	2,483.0	23,175	(245,457)	(91.4)
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 786,827</u>	<u>\$ 814,385</u>	<u>\$ 1,195,027</u>	<u>\$ 380,642</u>	<u>46.7 %</u>	<u>\$ 929,632</u>	<u>\$ (265,395)</u>	<u>(22.2) %</u>
Financing:								
Cosmetology Fee Fund	\$ 786,827	\$ 814,385	\$ 1,195,027	\$ 380,642	46.7 %	\$ 929,632	\$ (265,395)	(22.2) %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	814,385	814,385	0	814,385	0
TOTAL	\$ 814,385	\$ 814,385	\$ 0	\$ 814,385	\$ 0
FTE Positions	11.0	11.0	0.0	0.0	0.0

The **agency** estimates FY 2013 operating expenditures of \$814,385, all from the Cosmetology Fee Fund. This is the same as the amount approved by the 2012 Legislature. The request includes 11.0 FTE, the same as the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 1,195,617	\$ 1,195,027	\$ (590)
FTE Positions	11.0	11.0	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
All Other Funds	381,232	380,642	
<i>Percent Change:</i>			
All Other Funds	46.8 %	46.7 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2014 operating expenditures of \$1,195,617, all from the Cosmetology Fee Fund. This is an increase of \$381,232, or 46.8 percent, above the revised FY

2013 estimate. The increase is attributable to an enhancement request that will replace two agency vehicles and information technology upgrades that will allow the agency to improve their electronic licensing management system for all services. **Absent the enhancement**, the agency request is \$814,385. This is the same as the revised FY 2013 estimate.

The **Governor** recommends FY 2014 operating expenditures of \$1,195,027, all from the Cosmetology Fee Fund. The recommendation is an increase of \$380,642, or 46.7 percent, above the FY 2013 recommendation. The increase is attributable to the Governor recommending the agency's enhancement package of \$381,232 for two replacement vehicles and information technology upgrades.

The Governor's recommendation is a decrease of \$590, or less than 0.1 percent, below the agency's FY 2014 request. The Governor's recommendation includes a decrease of \$590, all from the Cosmetology Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Replacement Vehicle	\$ 0	\$ 15,616	0.0	\$ 0	\$ 15,616	0.0
Replacement Vehicle	0	15,616	0.0	0	15,616	0.0
Information Technology Database Upgrade	0	350,000	0.0	0	350,000	0.0
TOTAL	<u>\$ 0</u>	<u>\$ 381,232</u>	<u>0.0</u>	<u>\$ 0</u>	<u>\$ 381,232</u>	<u>0.0</u>

Enhancements Detail

The **agency** requests \$381,232, all from the Cosmetology Fee Fund, for an enhancement request. The request includes \$31,232 to replace two existing vehicles. The agency uses four vehicles to travel statewide in order to perform on-site inspections. At the end of FY 2012, vehicle number 12917 had 140,040 miles and vehicle number 13772 had 103,855 miles. The request also includes \$350,000 to improve current information technology in order to allow the agency to upgrade the electronic licensing management system. According to the agency, the current licensing database system has underperformed as a result of system errors, inconsistencies, inadequate staff training availability, and a lack of system upgrades. The new licensing database system will allow the agency to make a complete electronic records conversion, is more staff friendly, and offers additional reporting options not available with the current system.

The **Governor** recommends the agency's enhancement request.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 930,160	\$ 929,632	\$	(528)
FTE Positions	11.0	11.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	(265,457)	(265,395)		
<i>Percent Change:</i>				
All Other Funds	(22.2) %	(22.2) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2015 operating expenditures of \$930,160, all from the Cosmetology Fee Fund. This is a decrease of \$265,457, or 22.2 percent, below the FY 2014 request. The decrease is attributable to the agency requesting a smaller enhancement of \$115,775 that will replace one agency vehicle and continue the electronic management upgrade. **Absent the enhancement**, the agency request is \$814,385, all from the Cosmetology Fee Fund. This is the same as the FY 2014 request.

The **Governor** recommends FY 2015 operating expenditures of \$929,632, all from the Cosmetology Fee Fund. The recommendation is a decrease of \$265,395, or 22.2 percent, below the Governor's FY 2014 recommendation. The decrease is attributable to the Governor recommending the agency enhancement request of \$381,232 in FY 2014 and a smaller enhancement request of \$115,775 in FY 2015 to continue information technology upgrades and replace one vehicle.

The Governor's recommendation is a decrease of \$528, or less than 0.1 percent, below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$528, all from the Cosmetology Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Replacement Vehicle	\$ 0	\$ 15,775	0.0	\$ 0	\$ 15,775	0.0
Information Technology						
Database Upgrade	0	100,000	0.0	0	100,000	0.0
TOTAL	<u>\$ 0</u>	<u>\$ 115,775</u>	<u>0.0</u>	<u>\$ 0</u>	<u>\$ 115,775</u>	<u>0.0</u>

Enhancements Detail

The **agency** requests \$115,775, all from the Cosmetology Fee Fund, for an enhancement request. The request includes \$15,775 to replace an existing vehicle. The agency uses 4 vehicles to travel statewide in order to perform on-site inspections. At the end of FY 2015, the agency's projected mileage estimate for vehicle number 14438 is 132,878. The request also includes \$100,000 to continue the electronic management upgrade. According to the agency, it will be continuing the electronic document conversion and will need to cover the costs of continued scanning and indexing of existing documents, information technology support, unpredictable costs associated with a system revamp, and additional modules for enhanced performance for the new database in FY 2015.

The **Governor** recommends the agency's enhancement request.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$2,400, all from the Cosmetology Fee Fund, and FY 2015 longevity payments total \$2,800, all from the Cosmetology Fee Fund.**

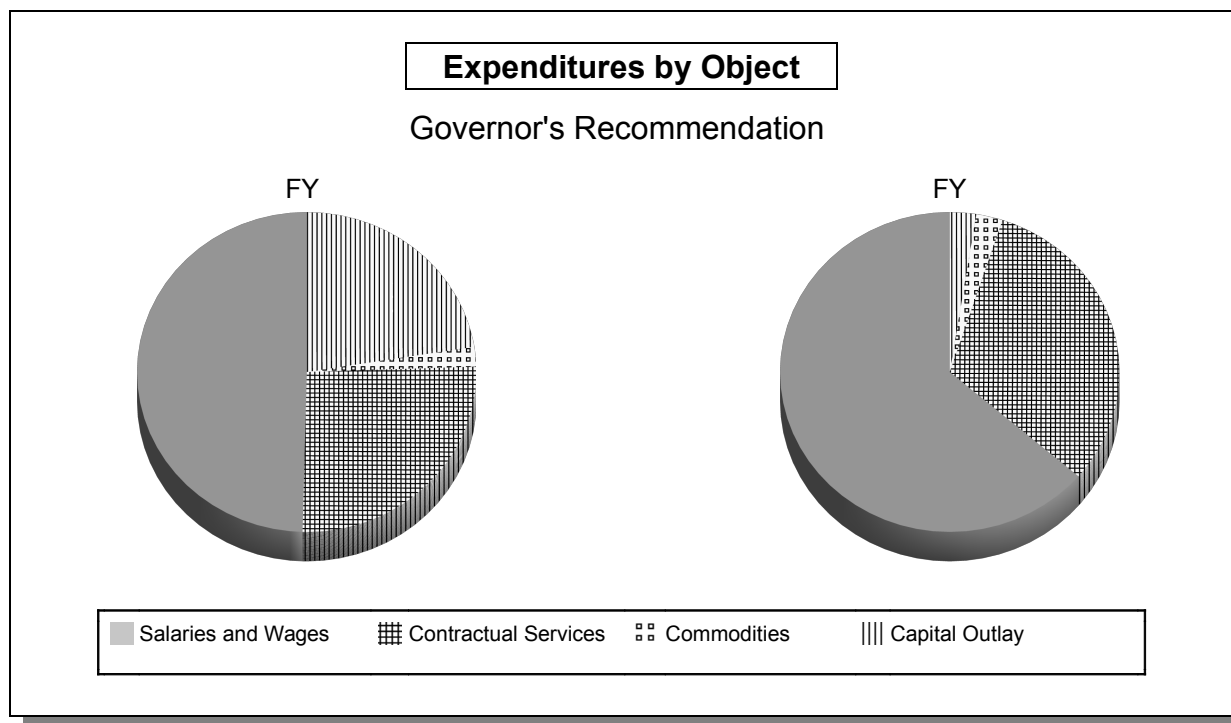
Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

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, 100.0 percent of all fines collected are deposited in the State General Fund.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 420,506	\$ 716,786	\$ 716,786	\$ 862,401	\$ 862,401	\$ 626,784	\$ 627,374
Revenue	1,074,914	960,000	960,000	960,000	960,000	960,000	960,000
Net Receipts	8,193	0	0	0	0	0	0
Total Funds Available	\$ 1,503,613	\$ 1,676,786	\$ 1,676,786	\$ 1,822,401	\$ 1,822,401	\$ 1,586,784	\$ 1,587,374
Less:							
Expenditures	\$ 786,827	\$ 814,385	\$ 814,385	\$ 1,195,617	\$ 1,195,027	\$ 930,160	\$ 929,632
Transfers Out	0	0	0	0	0	0	0
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 716,786</u>	<u>\$ 862,401</u>	<u>\$ 862,401</u>	<u>\$ 626,784</u>	<u>\$ 627,374</u>	<u>\$ 656,624</u>	<u>\$ 657,742</u>
Ending Balance as Percent of Expenditures	91.1%	105.9%	105.9%	52.4%	52.5%	70.6%	70.8%
Month Highest Ending Balance	June \$ 716,786	June \$ 862,401	June \$ 862,401	July \$ 809,740	July \$ 809,740	June \$ 656,624	June \$ 656,624
Month Lowest Ending Balance	July \$ 399,993	November \$ 642,114	November \$ 642,114	May \$ 501,616	May \$ 501,616	April \$ 487,899	April \$ 487,899

PROGRAM DETAIL



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 592,728	49.6 %	\$ 592,152	63.7 %
Contractual Services	310,097	25.9	290,735	31.3
Commodities	23,570	2.0	23,570	2.5
Capital Outlay	268,632	22.5	23,175	2.5
TOTAL	\$ 1,195,027	100.0 %	\$ 929,632	100.0 %

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Percent of licensed facilities inspected	95.0%	95.0%	95.0%	95.0%	95.0%

DEPARTMENT OF CREDIT UNIONS

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 959,142	\$ 1,036,245	\$ 1,036,245	\$ 1,068,429	\$ 1,067,628	\$ 1,104,942	\$ 1,103,939
Percent Change	1.0 %	8.0 %	8.0 %	3.1 %	3.0 %	3.4 %	3.4 %
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 and credit union members from undue risk by assuring safe and sound operation and compliance with applicable laws and regulations through the examination and supervision of Kansas 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 79 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

During the 2004 Legislative Session, the 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.

During the 2011 Legislative Session, the 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.

During the 2013 Legislative Session, the 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$1,036,245, all from the Credit Union Fee Fund. This is the same as the amount approved by the 2012 Legislature. The agency estimates 12.0 FTE positions, the same as the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$1,068,429, all from the Credit Union Fee Fund. This is an increase of \$32,184, or 3.1 percent, above the revised FY 2013 estimate. The agency requests 12.0 FTE positions, the same as the revised FY 2013 estimate.

The request includes enhancements totaling \$15,616, all from the Credit Union Fee Fund, to purchase a new replacement vehicle. **Absent the enhancement**, the request is \$1,052,813 all from the Credit Union Fee Fund. This is an increase of \$16,568, or 1.6 percent, above the FY 2013 estimate.

The **Governor** recommends FY 2014 expenditures of \$1,067,628, all from the Credit Union Fee Fund, a decrease of \$801. The decrease is due to a reduction of \$801, all from the Credit Union Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

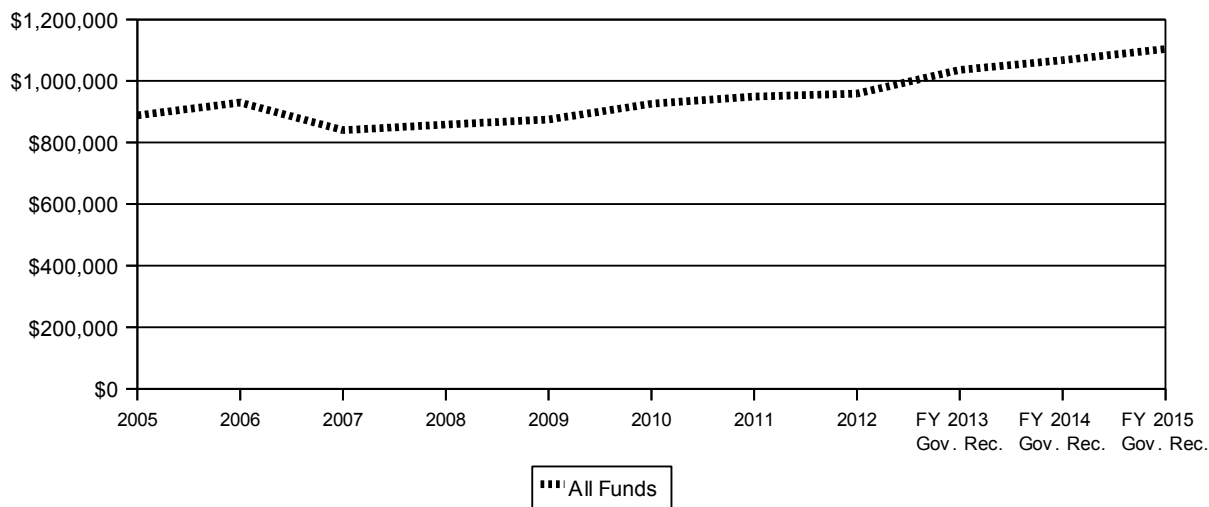
FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$1,104,942, all from the Credit Union Fee Fund. The request is an increase of \$36,513, or 3.4 percent, above the FY 2014 request. The agency requests 12.0 FTE positions, the same as the FY 2014 request.

The request includes enhancements totaling, \$15,775 all from the Credit Union Fee Fund, to purchase a new replacement vehicle. **Absent the enhancement**, the request is \$1,089,167 all from the Credit Union Fee Fund. This is an increase of \$20,738, or 1.9 percent, above the FY 2014 estimate.

The **Governor** recommends FY 2015 expenditures of \$1,103,939, all from the Credit Union Fee Fund, a decrease of \$1,003 from the agency's FY 2015 request. The decrease is due to a reduction of \$1,003, all from the Credit Union Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 888,433	10.0	13.0
2006	929,980	4.7	13.0
2007	840,205	(9.7)	12.0
2008	858,429	2.2	12.0
2009	875,142	1.9	12.0
2010	925,788	5.8	12.0
2011	949,371	2.5	12.0
2012	959,142	1.0	12.0
2013 Gov. Rec.	1,036,245	8.0	12.0
2014 Gov. Rec.	1,067,628	3.0	12.0
2015 Gov. Rec.	1,103,939	3.4	12.0
Eleven-Year Change Dollars/Percent	\$ 215,506	24.3 %	(1.0)

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
		FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change From FY 14
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 796,922	\$ 833,220	\$ 856,364	\$ 23,144	2.8 %	\$ 900,597	\$ 44,233	5.2 %
Contractual Services	124,715	151,684	151,371	(313)	(0.2)	156,726	5,355	3.5
Commodities	20,090	27,028	27,850	822	3.0	27,850	0	0.0
Capital Outlay	17,415	7,085	15,616	8,531	120.4	15,775	159	1.0
Other Assistance	0	17,228	17,228	0	0.0	3,994	(13,234)	(76.8)
TOTAL	<u>\$ 959,142</u>	<u>\$ 1,036,245</u>	<u>\$ 1,068,429</u>	<u>\$ 32,184</u>	<u>3.1 %</u>	<u>\$ 1,104,942</u>	<u>\$ 36,513</u>	<u>3.4 %</u>
Financing:								
Credit Union Fee Fund	\$ 959,142	1,036,245	1,068,429	32,184	3.1 %	\$ 1,104,942	36,513	3.4 %

		Governor's Recommendation						
		FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 796,922	\$ 833,220	\$ 855,563	\$ 22,343	2.7 %	\$ 899,594	\$ 44,031	5.1 %
Contractual Services	124,715	151,684	151,371	(313)	(0.2)	156,726	5,355	3.5
Commodities	20,090	27,028	27,850	822	3.0	27,850	0	0.0
Capital Outlay	17,415	7,085	15,616	8,531	120.4	15,775	159	1.0
Other Assistance	0	17,228	17,228	0	0.0	3,994	(13,234)	(76.8)
TOTAL	<u>\$ 959,142</u>	<u>\$ 1,036,245</u>	<u>\$ 1,067,628</u>	<u>\$ 31,383</u>	<u>3.0 %</u>	<u>\$ 1,103,939</u>	<u>\$ 36,311</u>	<u>3.4 %</u>
Financing:								
Credit Union Fee Fund	\$ 959,142	\$ 1,035,945	\$ 1,067,328	\$ 31,383	3.0 %	\$ 1,103,639	\$ 36,311	3.4 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved Budget

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	1,036,245	1,036,245	0	1,036,245	0
TOTAL	<u>\$ 1,036,245</u>	<u>\$ 1,036,245</u>	<u>\$ 0</u>	<u>\$ 1,036,245</u>	<u>\$ 0</u>
FTE Positions	12.0	12.0	0.0	12.0	0.0

The **agency** estimates FY 2013 operating expenditures of \$1,036,245, all from the Credit Union Fee Fund. The estimate is same as the amount approved by the 2012 Legislature. The estimate includes 12.0 FTE positions, the same amount approved by the 2012 Legislature.

- **Salaries and Wages** - The agency estimates \$833,220, all from the Credit Union Fee Fund, for FY 2013. This is a decrease of \$6,110, or 1.0 percent, below the amount approved by the 2012 Legislature. The decrease is due to fringe benefit adjustments.
- **Contractual Services** - The agency estimates \$151,684, all from the Credit Union Fee Fund, for FY 2013. This is a decrease of \$16,132, or 12.0 percent, below the amount approved by the 2012 Legislature. The decrease is due to reductions in staffing and recruiting services.
- **Commodities** - The agency estimates \$27,028, all from the Credit Union Fee Fund, for FY 2013. This is a decrease of \$2,071 or 10.2 percent, below the amount approved by the 2012 Legislature. The decrease is mainly due to reduced expenditures in travel partially offset by increased fuel expenditures, stationary and office supplies, and data processing supplies.
- **Capital Outlay** - The agency estimates \$7,085, all from the Credit Union Fee Fund, for FY 2013. While there were no expenditures budgeted for FY 2013 in the approved budget, funding was added in the revised estimate for micro-computer and telecommunications equipment in FY 2013.
- **Other Assistance** - The agency estimates \$17,228, all from the Credit Union Fee Fund, for FY 2013. This funding was added to pay the agency's required payments for the Voluntary Retirement Incentive Program (VRIP) that occurred in FY 2012.

The **Governor** concurs with the agency's estimate.

Supplemental Estimates

The **agency** requests no supplemental funding for FY 2013.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 1,068,429	\$ 1,067,628	\$	(801)
FTE Positions	12.0	12.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	32,184	31,383		
<i>Percent Change:</i>				
All Other Funds	3.1 %	3.0 %		
Change in FTE Positions	0.0	0.0		

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$1,068,429, all from the Credit Union Fee Fund. This is an increase of \$32,184, or 3.1 percent, above the FY 2013 estimate. Included in the request is an enhancement totaling \$15,616, all from the Credit Union Fee Fund, for the purchase of a new vehicle. **Absent the enhancement**, the request is \$1,052,813, an increase of \$16,568, or 1.6 percent, above the revised FY 2013 estimate. The agency requests 12.0 FTE positions, which is the same as the revised FY 2013 estimate.

- **Salaries and Wages** - The agency requests \$856,364, all from the Credit Union Fee Fund for FY 2014. This is an increase of \$23,144, or 2.8 percent, above the FY 2013 estimate. The increase is attributable to adjustments in base salary amounts due to the reclassification of positions within the department and increases for the agency contributions to the state retirement system and state employee group health insurance programs.
- **Contractual Services** - The agency requests \$151,371, all from the Credit Union Fee Fund, for FY 2014. This is a decrease of \$313, or 0.2 percent, below the

revised FY 2013 estimate. The decrease is attributable to reductions in staffing and recruiting services which were eliminated for FY 2014, offset by increases in DISC, training expenses, and dues and subscriptions.

- **Commodities** - The agency requests \$27,850, all from the Credit Union Fee Fund, for FY 2014. This is an increase of \$822, or 3.0 percent, above the FY 2013 estimate. This is due to increases in fuel costs, vehicle parts and supplies needed to maintain the agency's vehicles related to the operation of agency functions. Stationary, office and data processing supplies expenditures were increased to account for inflation. The majority of the agency's expenditures are for the purchase of stationary, office supplies, gasoline and vehicle parts.
- **Capital Outlay** - The agency requests \$15,616, all from the Credit Union Fee Fund, for FY 2014. This is an increase of \$8,531, or 120.4 percent, above the revised FY 2013 estimate. Included in the agency request is an enhancement totaling \$15,616 all from the Credit Union Fee Fund, for FY 2014. The request is for a new agency vehicle to replace an existing vehicle that are projected to have over 100,000 miles of use. The agency's field examination staff consists of eight examiners living in or around the areas of Wichita, Newton, Topeka, Effingham, and Shawnee, Kansas. Examiners drive agency owned vehicles which are used for the examination of eighty state chartered credit unions and branches located throughout the state.
- **Other assistance** - The agency requests \$17,228, all from the Credit Union Fee Fund, which is the same amount from the revised FY 2013 estimate. This funding provides for the Voluntary Retirement Incentive Program.

The **Governor** recommends FY 2014 expenditures of \$1,067,628, all from the Credit Union Fee Fund a decrease of \$801. The decrease is due to a reduction of \$801, all from the Credit Union Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Vehicle Replacement	\$ 0	\$ 15,616	0	\$ 0	\$ 15,616	0.0
TOTAL	<u>\$ 0</u>	<u>\$ 15,616</u>	<u>0.0</u>	<u>\$ 0</u>	<u>\$ 15,616</u>	<u>0.0</u>

Enhancements

The **agency** requests \$15,616, all from the Credit Union Fee Fund, for FY 2014. The request is for a new agency Ford Fusion sedan to replace a Ford Focus that will have over 100,000 service miles by the purchase date of FY 2015.

The **Governor** recommends the agency's FY 2014 enhancement request.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 1,104,942	\$ 1,103,939	\$	(1,003)
FTE Positions	12.0	12.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	36,513	36,311		
<i>Percent Change:</i>				
All Other Funds	3.4 %	3.4 %		
Change in FTE Positions	0.0	0.0		

FY 2015 – Budget Year. The agency requests FY 2015 operating expenditures of \$1,104,942, all from the Credit Union Fee Fund. This is an increase of \$32,519, or 3.4 percent, above the FY 2014 request. Included in the agency request is an enhancement totaling \$15,775, all from the Credit Union Fee Fund. The request includes an enhancement for the purchase of a new agency vehicle to replace a vehicle that will have over 100,000 service miles by the purchase date. **Absent the enhancement**, the request is \$1,089,167 an increase of \$20,738, or 1.9 percent, above the FY 2014 request. The agency requests 12.0 FTE positions for FY 2015, which is the same as the FY 2014 request.

- **Salaries and Wages** - The agency requests \$900,597, all from the Credit Union Fee Fund, for FY 2015. This is an increase of \$44,233, or 5.2 percent, above the FY 2014 request. The base salary amounts have increased slightly due to the reclassification of positions within the department. There are significant increases for employer contributions to the public employee retirement system (KPERS) and state employee group health insurance programs.
- **Contractual Services** - The agency requests \$156,726, all from the Credit Union Fee Fund, for FY 2015. This is an increase of \$5,355, or 3.5 percent, above the FY 2014 request. The increase will allow for inflationary increases in meals and lodging, vehicle maintenance, DISC programming services, and expenses related to accreditation by the National Association of State Credit Union Supervisors, offset by a decrease for smart development fee capital.
- **Commodities** - The agency requests \$27,850, all from the Credit Union Fee Fund, for FY 2015. There was no change from the FY 2014 request. The majority

of the agency's expenditures are for the purchase of stationary, office supplies, gasoline and vehicle parts.

- **Capital Outlay** - The agency requests \$15,775, all from the Credit Union Fee Fund, for FY 2015. This is an increase of \$159, or 1.0 percent, above the FY 2014 estimate. The request includes an enhancement for a new agency vehicle to replace an existing vehicle that will have over 100,000 miles of use by the purchase date. The agency's field examination staff consists of eight examiners living in or around the areas of Wichita, Newton, Topeka, Effingham, and Shawnee, Kansas. Examiners drive agency owned vehicles which are used for the examination of eighty state chartered credit unions and branches located throughout the state.
- **Other Assistance** - The agency requests \$3,994, all from the Credit Union Fee Fund, for FY 2015. This amount is \$13,234, or 76.8 percent, below the FY 2014 request. This is attributable to a reduction to the Voluntary Retirement Initiative Program for FY 2015.

The **Governor** recommends FY 2015 expenditures of \$1,103,939, all from the Credit Union Fee Fund, a decrease of \$1,003 from the agency's FY 2015 request. The decrease is due to a reduction of \$1,003, all from the Credit Union Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Vehicle Replacement	\$ 0	\$ 15,775	0.0	\$ 0	\$ 15,775	0.0
TOTAL	\$ 0	\$ 15,775	0.0	\$ 0	\$ 15,775	0.0

Enhancements

The **agency** requests \$15,775, all from the Credit Union Fee Fund, for FY 2014. The agency requests a new 2015 Ford Fusion sedan to replace a Ford Focus that will have over 100,000 service miles by the purchase date. The agency states that the Ford Fusion could be expected to provide 150,000 service miles. The request is \$159 above the FY 2014 enhancement request to allow for inflationary increases in FY 2015.

The **Governor** recommends the agency's FY 2015 enhancement request.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$1,920, all from the Credit Union Fee Fund, and FY 2015 longevity payments total \$1,920, all from the Credit Union Fee Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Credit Union Fee Fund	100.0 %	0.0 %

Note: Percentages may not add due to rounding.

Credit Union Fee Fund Analysis

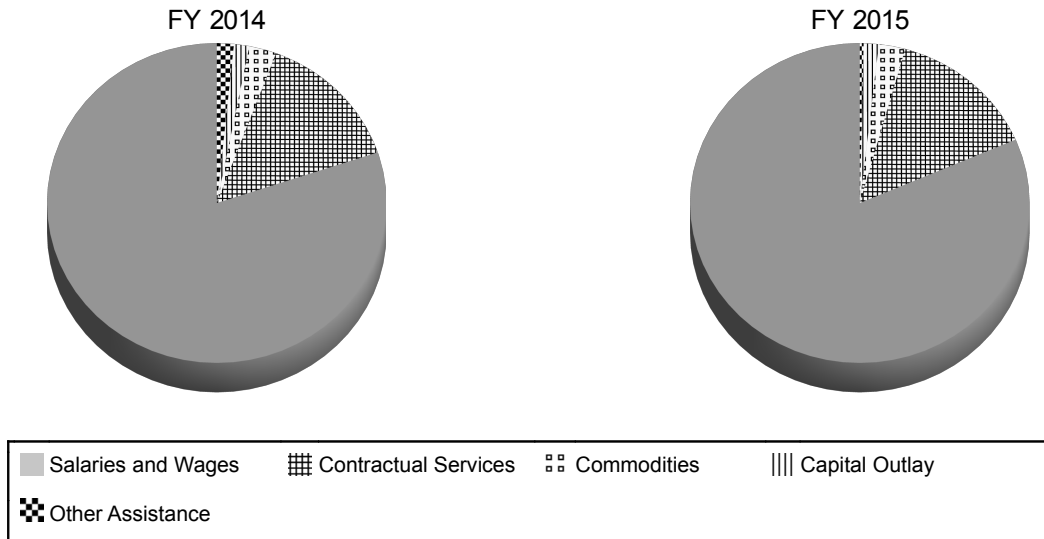
The Department of Credit Unions receives revenue from fees that are based on the December 31st asset size of state-chartered credit unions. Prior to June 1st of each year, the Credit Union Administrator, after advising the Credit Union Council, establishes annual operation fees that are determined to 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 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 143,331	\$ 215,207	\$ 215,207	\$ 279,339	\$ 279,339	\$ 260,910	\$ 261,711
Revenue	1,030,722	1,100,377	1,100,377	1,050,000	1,050,000	1,100,000	1,100,000
Net Receipts	0	0	300	0	300	0	0
Total Funds Available	\$ 1,174,053	\$ 1,315,584	\$ 1,315,884	\$ 1,329,339	\$ 1,329,639	\$ 1,360,910	\$ 1,362,011
Less:						1,104,64	1,103,93
Expenditures	\$ 958,846	\$ 1,035,945	\$ 1,036,245	\$ 1,068,129	\$ 1,067,628	\$ 2	\$ 9
Transfers Out	0	300	300	300	300	300	300
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	<u>\$ 215,207</u>	<u>\$ 279,339</u>	<u>\$ 279,339</u>	<u>\$ 260,910</u>	<u>\$ 261,711</u>	<u>\$ 255,968</u>	<u>\$ 257,772</u>
Ending Balance as Percent of Expenditures	22.4%	27.0%	27.0%	24.4%	24.5%	23.2%	23.4%

PROGRAM DETAIL

Expenditures by Object

Governor's Recommendation



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 855,563	80.1 %	\$ 899,594	81.5 %
Contractual Services	151,371	14.2	156,726	14.2
Commodities	27,850	2.6	27,850	2.5
Capital Outlay	15,616	1.5	15,775	1.4
Other Assistance	17,228	1.6	3,994	0.4
TOTAL	\$ 1,067,628	100.0 %	\$ 1,103,939	100.0 %

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Percent of credit unions receiving regular examinations within the statutory 18-month time-frame	NA	100.0%	100.0%	100.0%
Number of examinations administered	NA	81	81	80
Number of timely supervisory contacts provided	NA	25	25	25

KANSAS DENTAL BOARD

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 401,457	\$ 370,705	\$ 370,705	\$ 389,150	\$ 388,953	\$ 400,700	\$ 400,502
Percent Change	7.6 %	(7.7)%	(7.7)%	5.0 %	4.9 %	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 65-1427. 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. Also within its responsibilities is the issuance of sedation permits to dentists and extended care permits to hygienists.

The Board conducts regulatory inspections of licensees to ensure compliance with sanitary practices and other regulations. Complaints of incompetence, negligence, illegal practice, and other issues related to statutory violations are investigated by the Board. When warranted, administrative hearings are held, and the Board is responsible for actions taken against a practitioner which may result in the suspension, restriction, or revocation of a license.

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. This has allowed the agency to operate with a more even revenue stream. Prior to 2006, dental and hygienist licenses were renewed in alternating years, and 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.

In FY 2012, the agency reported there were 2,158 licensed dentists and 2,609 licensed dental hygienists.

MAJOR ISSUES FROM PRIOR YEARS

The **2003 Legislature** passed 2003 HB 2161, which authorized the Dental Board to issue permits to certain dental hygienists to perform services at schools to persons eligible for Medicaid, Healthwave, or the federal free and reduced lunch program; at state correctional institutions; local health departments; or at indigent care clinics. Some dental hygienists are also able to obtain permits to perform services at adult care homes, hospital long-term care units, state institutions, or the homes of homebound persons. These are known as Extended Care Permits (ECPs).

The **2004 Legislature** passed 2004 SB 425, which allowed the Dental Board to establish licensing requirements and qualifications based on the type of sedation or general anesthesia the dentist is authorized to use. The bill also mandated dentists to carry professional liability insurance unless the dentist's practice is limited to charitable care as defined in the Kansas Tort Claims Act.

The **2005 Legislature** set new statutory maximum limits on fees collected by the Dental Board in 2005 SB 91. The bill increases the statutory caps on fees collected by the Board in conjunction with licensing and regulating dentists and dental hygienists. 2005 SB 91 also adds 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 2008 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 enacted new law to allow the franchise practice of dentistry in Kansas and revises 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 (Act) for the purpose of expanding dental service in the state, including targeting children who are dentally underserved, meaning that they lack the resources to pay for medically necessary dental services, by creating an additional extended care permit (ECP) level of service of 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** requests a revised FY 2013 budget of \$370,705, all from the Kansas Dental Board Fee Fund, which is the same amount approved by the 2012 Legislature. The request include 3.0 FTE positions, the same as the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency revised estimate.

FY 2014 – Budget Year. The **agency** requests an FY 2014 budget of \$389,150, all from the Kansas Dental Board Fee Fund, which is an increase of \$18,445, or 5.0 percent, above the revised FY 2013 estimate. The request includes 3.0 FTE positions. The increase is primarily due to contractual services to cover rising legal fees due to increasingly complex legal cases requiring intensive investigative meetings and the acquisition of additional square footage in a state-owned building for the Board to address space constraints for testing new applicants.

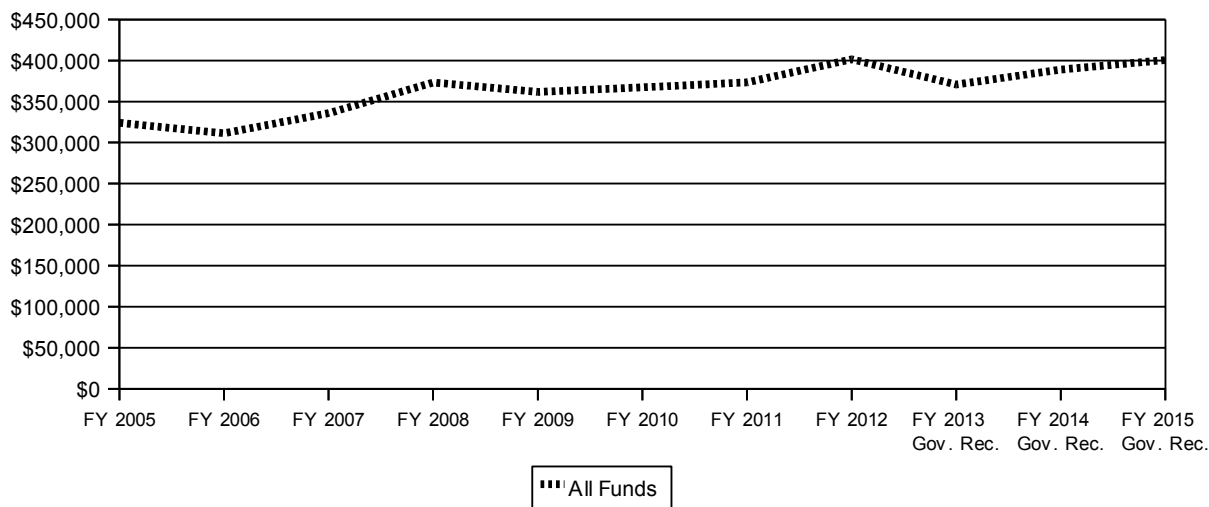
The **Governor** recommends an FY 2014 budget of \$388,953, all from special revenue funds. The recommendation also includes 3.0 FTE positions, the same as the agency request. The recommendation is an increase of \$18,248, or 4.9 percent, above the revised FY 2013 estimate. The increase in funds is due to increase in legal contractual services and the acquisition of additional square footage in a state-owned building for the Board to address space constraints for testing new applicants. The Governor's recommendation includes a decrease of \$197, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. The **agency** requests an FY 2015 budget of \$400,700, all from the Kansas Dental Board Fee Fund, which is an increase of \$11,500, or 3.0 percent, above the FY 2014 request. The increase is primarily due to increased contractual costs associated with higher legal fees and an increase in the cost of Kansas Public Employees Retirement System (KPERs) employer retirement contributions. The request includes 3.0 FTE positions.

The **Governor** recommends an FY 2015 budget of \$400,502, all from special revenue funds. The recommendation also includes 3.0 FTE positions, the same as the agency request. This is an increase of \$11,549, or 3.0 percent, above the Governor's FY 2014 recommendation. The increase is primarily attributable to an increase in legal contractual services. The Governor's recommendation includes a decrease of \$198, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 324,058	6.0 %	3.0
2006	311,337	(3.9)	3.0
2007	335,809	7.9	3.0
2008	373,186	11.1	3.0
2009	361,640	(3.1)	3.0
2010	367,285	1.6	3.0
2011	373,237	1.6	3.0
2012	401,457	7.6	3.0
2013 Gov. Rec.	370,705	(7.7)	3.0
2014 Gov. Rec.	388,953	4.9	3.0
2015 Gov. Rec.	400,502	3.0	3.0
Eleven-Year Change Dollars/Percent	\$ 76,444	23.6 %	0.0

Summary of Operating Budget FY 2012 - FY 2015

Kansas Dental Board

		Agency Request						
		FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:	Actual FY 2012							
Salaries and Wages	\$ 170,972	\$ 183,207	\$ 184,595	\$ 1,388	0.8 %	\$ 186,353	\$ 1,758	1.0 %
Contractual Services	225,194	182,943	201,856	18,913	10.3	211,532	9,676	4.8
Commodities	2,580	2,775	2,699	(76)	(2.7)	2,815	116	4.3
Capital Outlay	0	1,780	0	(1,780)	(100.0)	0	0	--
Other Assistance	2,711	0	0	0	--	0	0	--
TOTAL	\$ 401,457	\$ 370,705	\$ 389,150	\$ 18,445	5.0 %	\$ 400,700	\$ 11,550	3.0 %
Financing:								
Special Revenue Funds	\$ 401,457	\$ 370,705	\$ 389,150	\$ 18,445	5.0 %	\$ 400,700	\$ 11,550	3.0 %

		Governor's Recommendation						
		FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:	Actual FY 2012							
Salaries and Wages	\$ 170,972	\$ 183,207	\$ 184,398	\$ 1,191	0.7 %	\$ 186,155	\$ 1,757	1.0 %
Contractual Services	225,194	182,943	201,856	18,913	10.3	211,532	9,676	4.8
Commodities	2,580	2,775	2,699	(76)	(2.7)	2,815	116	4.3
Capital Outlay	0	1,780	0	(1,780)	(100.0)	0	0	--
Other Assistance	2,711	0	0	0	--	0	0	--
TOTAL	\$ 401,457	\$ 370,705	\$ 388,953	\$ 18,248	4.9 %	\$ 400,502	\$ 11,549	3.0 %
Financing:								
Special Revenue Funds	\$ 401,457	\$ 370,705	\$ 388,953	\$ 18,248	4.9 %	\$ 400,502	\$ 11,549	3.0 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved Budget

	Change from Approved Budget				
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	370,705	370,705	0	370,705	0
TOTAL	<u>\$ 370,705</u>	<u>\$ 370,705</u>	<u>\$ 0</u>	<u>\$ 370,705</u>	<u>\$ 0</u>
FTE Positions	0.0	0.0	0.0	0.0	0.0

The **agency** estimates a revised FY 2013 budget of \$370,705, all from the Kansas Dental Board Fee Fund, which is the same amount approved by the 2012 Legislature.

- **Salaries and Wages.** The estimate includes \$183,207 for 3.0 FTE positions.
- **Contractual Services.** The estimate includes \$182,943 for a dentist sanitation inspector and complaint investigator, a contract attorney, and office rent.
- **Commodities.** The estimate includes \$2,775 for office supplies and equipment.
- **Capital Outlay.** The estimate includes \$1,780 to replace outdated, non-functional software.

The **Governor** concurs with the agency revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 389,150	\$ 388,953	\$	(197)
FTE Positions	3.0	3.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	18,445	18,248		
<i>Percent Change:</i>				
All Other Funds	5.0 %	4.9 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests an FY 2014 budget of \$389,150, all from the Kansas Dental Board Fee Fund, which is an increase of \$18,445, or 5.0 percent, above the revised FY 2013 estimate. The increase is primarily due to increased contractual costs.

- **Salaries and Wages.** The agency requests \$184,595, all from the Kansas Dental Board Fee Fund, for salaries and wages for FY 2014, which is an increase of \$1,388, or 0.8 percent, above the FY 2013 revised estimate. The increase is primarily due to an increase in the cost of Kansas Public Employees Retirement System (KPERS) employer retirement contributions.
- **Contractual Services.** The agency requests \$201,856, all from the Kansas Dental Board Fee Fund, for contractual services for FY 2014. This is an increase of \$18,913, or 10.3 percent, above the FY 2013 revised estimate. The increase is due to rising legal fees and an increase in rent to acquire more square footage in the Landon State Office Building. The space would relieve constraints relative to testing requirements for new applicants and increasingly complex legal cases requiring intensive investigative meetings and expansive case files. Major expenditures in this category include a dentist sanitation inspector and complaint investigator, a contract attorney, and office rent.
- **Commodities.** The agency requests \$2,699, all from the Kansas Dental Board Fee Fund, for commodities for FY 2014, which is a decrease of \$76, or 2.7 percent, below the FY 2013 revised estimate for office supplies and equipment.
- **Capital Outlay.** The agency does not request any funding for capital outlay in FY 2014.

The **Governor** recommends an FY 2014 budget of \$388,953, all from special revenue funds. The recommendation also includes 3.0 FTE positions, the same as the agency request. This is a decrease of \$197 below the agency's FY 2014 request. The Governor's recommendation also includes a decrease of \$197, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The **agency** does not have any enhancement requests for FY 2014.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 400,700	\$ 400,502	\$	(198)
FTE Positions	3.0	3.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	11,550	11,549		
<i>Percent Change:</i>				
All Other Funds	3.0 %	3.0 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests an FY 2015 budget of \$400,700, all from the Kansas Dental Board Fee Fund, which is an increase of \$11,550, or 3.0 percent, above the FY 2014 request. The increase is primarily due to increased contractual costs.

- **Salaries and Wages.** The agency requests \$186,353, all from the Kansas Dental Board Fee Fund, for salaries and wages for FY 2015, which is an increase of \$1,758, or 1.0 percent, above the FY 2014 request. The increase is primarily due to an increase in the cost of Kansas Public Employees Retirement System (KPERS) employer retirement contributions.
- **Contractual Services.** The agency requests \$211,532, all from the Kansas Dental Board Fee Fund, for contractual services for FY 2015. This is an increase of \$9,676, or 4.8 percent, above the FY 2014 request. The increase is due to

rising legal fees. Major expenditures in this category include a dentist sanitation inspector and complaint investigator, a contract attorney, and office rent.

- **Commodities.** The agency requests \$2,815, all from the Kansas Dental Board Fee Fund, for commodities for FY 2015, which is an increase of \$116, or 4.3 percent, above the FY 2014 request for office supplies and equipment.
- **Capital Outlay.** The agency does not request any funding for capital outlay in FY 2015.

The **Governor** recommends an FY 2015 budget of \$400,502, all from special revenue funds. The recommendation also includes 3.0 FTE positions, the same as the agency request. This is a decrease of \$198 below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$198, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2015.

Enhancements Detail

The **agency** does not have any enhancement requests for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$440, all from special revenue funds, and FY 2015 longevity payments total \$880, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Dental Board Fee Fund	100.0 %	0.0 %

Note: Percentages may not add due to rounding.

Fee Fund Analysis

The Dental Board receives most of its revenue from biennial registration fees. Legislation was passed during the 1995 Session to change the Board's practice of annual licensing to biennial licensing. This change reduced the Board's mailing expenses and related costs. The biennial fee for dentists is \$300, with a statutory maximum of \$325. The biennial fee for dental hygienists is \$150, with a statutory maximum of \$160.

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 *prorata* 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 increased its statutory fee limits in the 2005 Legislative Session.

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.

The table below summarizes estimated receipts and fund balances based upon the agency estimate and the Governor's recommendation.

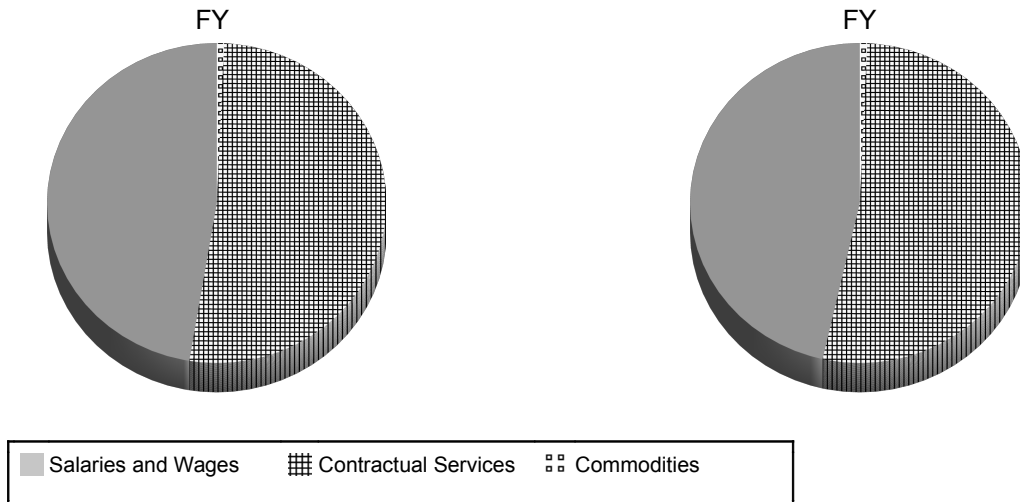
Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 292,850	\$ 335,211	\$ 335,211	\$ 420,369	\$ 420,369	\$ 507,512	\$ 411,883
Revenue	472,281	505,863	505,863	526,293	430,467	505,413	413,467
Net Receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Funds Available	\$ 765,131	\$ 841,074	\$ 841,074	\$ 946,662	\$ 850,836	\$ 1,012,925	825,350
Less:							
Expenditures	\$ 379,920	\$ 370,705	\$ 370,705	\$ 389,150	\$ 388,953	\$ 400,700	\$ 400,502
Transfers Out	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Non-Expense Items	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Ending Balance	<u>\$ 335,211</u>	<u>\$ 420,369</u>	<u>\$ 420,369</u>	<u>\$ 507,512</u>	<u>\$ 411,883</u>	<u>\$ 562,225</u>	<u>\$ 374,848</u>
Ending Balance as Percent of Expenditures	88.2%	113.4%	113.4%	130.4%	105.9%	140.3%	93.6%
Month Highest Ending Balance	December \$ 460,420	December \$ 541,319	December \$ 541,319	December \$ 625,596	December \$ 625,596	December \$ 563,946	December \$ 563,946
Month Lowest Ending Balance	September \$ 170,448	September \$ 264,274	September \$ 264,274	September \$ 271,226	September \$ 271,226	September \$ 277,001	September \$ 277,001

DENTAL BOARD FEES		
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	300	325
Examination fee for dental hygienist applicants	100	100
Subsequent examination fee for dental hygienist applicants	--	100
Biennial license renewal fee for dental hygienists	150	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

PROGRAM DETAIL

Expenditures by Object

Governor's Recommendation



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 184,398	47.4 %	\$ 186,155	46.5 %
Contractual Services	201,856	51.9	211,532	52.8
Commodities	2,699	0.7	2,815	0.7
TOTAL	\$ 388,953	100.0 %	\$ 400,502	100.0 %

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of Complaints Received	200	175	175	180	185
Number of Disciplinary Action	15	10	10	10	10
Number of Dental Office Inspections	300	360	360	360	360

GOVERNMENTAL ETHICS COMMISSION

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Ethics Fee Fund	\$ 168,026	\$ 269,299	\$ 269,299	\$ 252,487	\$ 252,326	\$ 266,052	\$ 265,524
State General Fund	400,437	427,528	427,528	422,432	379,838	423,432	381,189
TOTAL	<u>\$ 568,463</u>	<u>\$ 696,827</u>	<u>\$ 696,827</u>	<u>\$ 674,919</u>	<u>\$ 632,164</u>	<u>\$ 689,484</u>	<u>\$ 646,713</u>
Percent Change							
All Funds	(4.8)	60.3	60.3	(6.2)	(6.3)	5.4	5.2
State General Fund	(0.9)	6.8	6.8	(1.2)	(11.2)	0.2	0.4
FTE Positions	9.0	8.5	8.5	8.5	7.5	8.5	7.5
Non FTE Perm. Uncl. Pos.	0.5	0.5	0.5	0.5	0.5	0.5	0.5
TOTAL	<u>9.5</u>	<u>9.0</u>	<u>9.0</u>	<u>9.0</u>	<u>8.0</u>	<u>9.0</u>	<u>8.0</u>

AGENCY OVERVIEW

The Kansas Governmental Ethics Commission is charged with administering, interpreting, and enforcing the Campaign Finance Act and laws relating to conflict of interests, 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 of all varieties, reviews and enters data from the January reports to compile campaign finance statistics, processes new candidate appointments of treasurer forms and 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 80.0 to 90.0 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. In addition, the legislation required some additional reporting on lobbyist expenditures and clarified reporting exception.

The 2000 Legislature also added the Governmental Ethics Commission to the agencies which submit biennial budget requests, beginning with the FY 2002-FY 2003 budgetary cycle. In addition, legislation increased the report fees paid by candidates for office, political action committees, and lobbyists.

The **2010 Legislature** added \$4,500, all from the State General Fund, for FY 2011 to assist the agency with postage and staff needs related to the implementation of requirements for faculty members of state education institutions who make over \$150,000 a year to submit statements of substantial interest as outlined in 2010 Senate Bill 131.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency's** estimate for FY 2013 is \$696,827, including \$427,528 from the State General Fund, an increase of \$13,324, or 1.9 percent above the approved amount. The agency State General Fund estimate for FY 2013 is the same as the approved amount after the adjustment for the reappropriation. The increase in expenditures from the Ethics Commission Fee Fund is attributable to postage (\$3,279), printing (\$2,404), stationery (\$1,542), other fees (\$3,281) and furniture (\$3,125). The agency requests 8.5 FTE positions for FY 2013, a reduction of 0.5 FTE from the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency request for FY 2013.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$674,919, a reduction of \$21,908, or 3.1 percent, below the FY 2013 revised estimate. The request includes \$422,432 from the State General Fund, a decrease of \$5,096, or 1.2 percent, below the FY 2013 revised estimate. The reduction in expenditures is largely attributable to reduced communication costs in FY 2014 since it is not an election year. There are also one-time expenditures in FY 2013 for capital outlay; including computers, a printer and a chair.

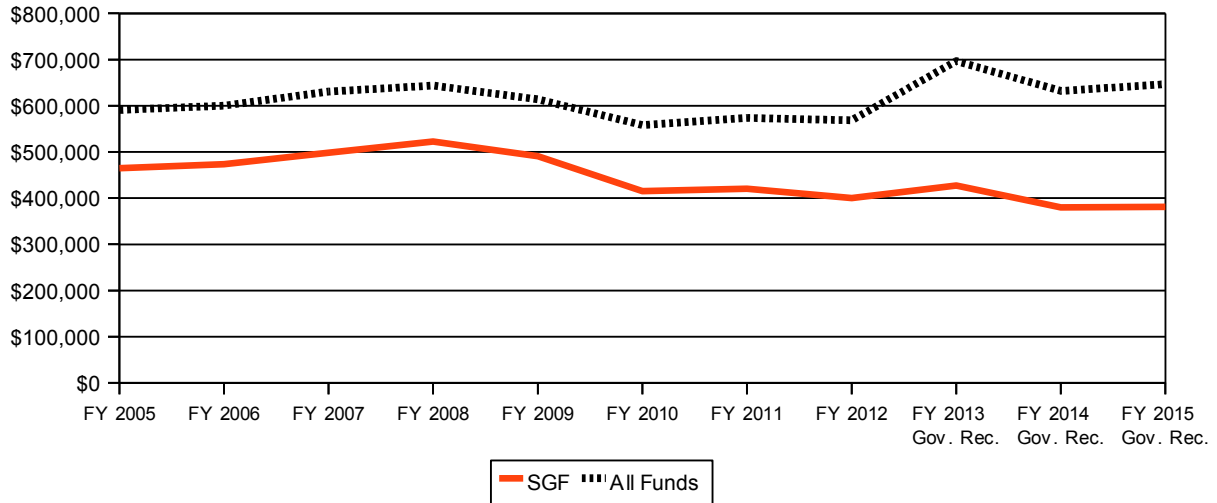
The **Governor** recommends operating expenditures of \$632,164, including \$379,838 from the State General Fund. The recommendation is an all funds reduction of \$42,755, or 6.3 percent, and a State General Fund reduction of \$42,594, or 10.1 percent, below the FY 2014 agency request. The reduction is attributable to adoption of the agency reduced resources plan for a decrease of \$42,243 and 1.0 FTE and a decrease of \$512, including \$351 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. The **agency** requests a FY 2015 operating expenditure of \$689,484, an increase of \$14,565, or 2.2 percent, above the FY 2014 request. The request includes \$423,432 from the State General Fund, an increase of \$1,000, or 0.2 percent above the FY 2014 request.

The **Governor** recommends FY 2015 operating expenditures of \$646,713, including \$381,189 from the State General Fund. The recommendation is an all funds reduction of \$42,771, or 6.2 percent, and a State General Fund reduction of \$42,243, or 10.0 percent, below the FY 2015 agency request. The reduction is attributable to adoption of the agency reduced resources plan for a decrease of \$42,243 and 1.0 FTE and a decrease of \$528, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	FTE
2005	\$ 464,517	7.0 %	\$ 590,837	(1.5)%	9.0
2006	473,562	1.9	600,193	1.6	9.0
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 Gov. Rec.	427,527	6.8	696,827	22.6	8.5
2014 Gov. Rec.	379,838	(11.2)	632,164	(9.3)	7.5
2015 Gov. Rec.	381,189	0.4	646,713	2.3	7.5
Eleven-Year Change					
Dollars/Percent	\$ (84,679)	(18.2)%	\$ 41,327	7.0 %	(1.5)

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
	Actual FY 2012	FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 2014	Percent Change from FY 2014
By Major Object of Expenditure:								
Salaries and Wages	\$ 467,229	\$ 553,354	\$ 551,229	\$ (2,125)	(0.4)%	\$ 558,772	\$ 7,543	1.4 %
Contractual Services	93,263	132,206	115,730	(16,476)	(12.5)	122,397	6,667	5.8
Commodities	8,006	7,492	6,963	(529)	(7.1)	7,318	355	5.1
Capital Outlay	(35)	3,775	997	(2,778)	(73.6)	997	0	0.0
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 568,463</u>	<u>\$ 696,827</u>	<u>\$ 674,919</u>	<u>\$ (21,908)</u>	<u>(3.1)%</u>	<u>\$ 689,484</u>	<u>\$ 14,565</u>	<u>2.2 %</u>
Financing:								
Government Ethics Fee Fund	\$ 168,026	\$ 269,299	\$ 252,487	\$ (16,812)	(6.2)%	\$ 266,052	\$ 13,565	5.4 %
State General Fund	400,437	427,528	422,432	(5,096)	(1.2)	423,432	1,000	0.2
TOTAL	<u>\$ 568,463</u>	<u>\$ 696,827</u>	<u>\$ 674,919</u>	<u>\$ (21,908)</u>	<u>(3.1)</u>	<u>\$ 689,484</u>	<u>\$ 14,565</u>	<u>2.2 %</u>
		Governor's Recommendation						
	Actual FY 2012	FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 2014	Percent Change from FY 2014
By Major Object of Expenditure:								
Salaries and Wages	\$ 467,229	\$ 553,354	\$ 508,474	\$ (44,880)	(8.1)%	\$ 516,001	\$ 7,527	1.5 %
Contractual Services	93,263	132,206	115,730	(16,476)	(12.5)	122,397	6,667	5.8
Commodities	8,006	7,492	6,963	(529)	(7.1)	7,318	355	5.1
Capital Outlay	(35)	3,775	997	(2,778)	(73.6)	997	0	0.0
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 568,463</u>	<u>\$ 696,827</u>	<u>\$ 632,164</u>	<u>\$ (64,663)</u>	<u>(9.3)%</u>	<u>\$ 646,713</u>	<u>\$ 14,549</u>	<u>2.3 %</u>
Financing:								
Government Ethics Fee Fund	\$ 168,026	\$ 269,299	\$ 252,326	\$ (16,973)	(6.3)%	\$ 265,524	\$ 13,198	5.2 %
State General Fund	400,437	427,528	379,838	(47,690)	(11.2)	381,189	1,351	0.4
TOTAL	<u>\$ 400,442.5</u>	<u>\$ 696,827</u>	<u>\$ 632,164</u>	<u>\$ (64,663)</u>	<u>(9.3)</u>	<u>\$ 646,713</u>	<u>\$ 14,549</u>	<u>2.3 %</u>

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved State General Fund Budget

The 2012 Legislature approved a State General Fund budget of \$420,950 for the Ethics Commission in FY 2013. 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:

- An increase of \$6,578, based on the reappropriation of FY 2012 funding which was not spent in FY 2012 and has shifted to FY 2013.

These adjustments change the FY 2013 approved State General Fund to \$427,528. That amount is reflected in the table below as the currently approved FY 2013 State General Fund amount.

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 427,528	\$ 427,528	\$ 0	\$ 427,528	\$ 0
All Other Fund	255,975	269,299	13,324	269,299	13,324
TOTAL	<u>\$ 683,503</u>	<u>\$ 696,827</u>	<u>\$ 13,324</u>	<u>\$ 696,827</u>	<u>\$ 13,324</u>
FTE Positions	9.0	8.5	0.5	8.5	0.5

The **agency's** estimate for FY 2013 is \$696,827, including \$427,528 from the State General Fund, an increase of \$13,324, or 1.9 percent above the approved amount. The agency State General Fund estimate for FY 2013 is the same as the approved amount after the adjustment for the reappropriation. The increase in expenditures from the Ethics Commission Fee Fund is attributable to postage (\$3,279), printing (\$2,404), stationery (\$1,542), other fees (\$3,281) and furniture (\$3,125). The agency request 8.5 FTE positions for FY 2013, a reduction of 0.5 FTE from the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency request for FY 2013.

Supplemental Estimates

The agency has no supplemental requests for FY 2013.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 674,919	\$ 632,164	\$	(42,755)
FTE Positions	8.5	7.5		(1.0)
Change from FY 2013:				
<i>Dollar Change:</i>				
All Funds	(21,908)	(64,663)		
<i>Percent Change:</i>				
All Funds	(3.1) %	0.0 %		
Change in FTE Positions	0.0	(1.0)		

The **agency** requests FY 2014 operating expenditures of \$674,919, a reduction of \$21,908, or 3.1 percent, below the FY 2013 revised estimate. The request includes \$422,432 from the State General Fund, a decrease of \$5,096, or 1.2 percent, below the FY 2013 revised estimate. The reduction in expenditures is largely attributable to reduced communication costs in FY 2014 since it is not an election year. There are also one-time expenditures in FY 2013 for capital outlay; including computers, a printer and a chair.

- **Salaries and Wages:** The agency requests \$551,229, a decrease of \$2,125, or 0.4 percent, below the FY 2013 revised estimate. The reduction is attributable to the absence of overtime pay in a non-election year (\$4,700) partially offset by an increase in employer contributions to the Kansas Public Employee Retirement System (\$3,385). The request funds 8.5 FTE positions and 0.5 non-FTE positions.
- **Contractual Services:** The agency requests \$115,730, a decrease of \$16,476, or 12.5 percent, below the FY 2013 revised estimate. The agency reported that expenditures for postage decrease in a non-statewide election year for this agency, but printing costs increase. The major expenditures in this area include communication, printing, rent, travel and subsistence, fees, and utilities.
- **Commodities:** The agency requests \$6,963, a decrease of \$529, or 7.1 percent, below the FY 2013 revised estimate. The reduction is attributable to reduced paper costs.
- **Capital Outlay:** The agency requests \$997, a decrease of \$2,778, or 73.6 percent, below the FY 2013 revised estimate. The decrease is attributable to one-time office supplies and equipments replacement expenditures in FY 2013.

The **Governor** recommends operating expenditures of \$632,164, including \$379,838 from the State General Fund. The recommendation is an all funds reduction of \$42,755, or 6.3 percent, and a State General Fund reduction of \$42,594, or 10.1 percent, below the FY 2014 agency request. The reduction is attributable to adoption of the agency reduced resources plan for a decrease of \$42,243 and 1.0 FTE and a decrease of \$512, including \$351 from the State General Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The **agency** has no enhancement requests for FY 2014.

FY 2014 Reduced Resources

FY 2014 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Eliminate Auditor	\$ (42,241)	\$ (42,241)	(1.0)	\$ (42,243)	\$ (42,243)	(1.0)
Part-time Auditor	0	0	0.5	0	0	0.0
TOTAL	<u>\$ (42,241)</u>	<u>\$ (42,241)</u>	<u>(0.5)</u>	<u>\$ (42,243)</u>	<u>\$ (42,243)</u>	<u>(1.0)</u>

The **agency** submitted a FY 2014 reduced resources plan which eliminates a budgeted FTE position. This position is that of an auditor. In FY 2014, a non-election year, this auditor position would perform comprehensive audits of the campaigns of some of the state candidates, local candidates, party committees, and political action committees active in the 2012 election (FY 2013). Funding at this level will provide \$15,240 for a temporary part-time auditor. The part time auditor would be classified as a non-FTE unclassified position.

The **Governor** recommends implementation of the agency reduced resources plan but does not recommend adding a 0.5 Non-FTE Unclassified Permanent Position. The Governor notes that the \$15,240 remaining available to the agency to retain a part-time auditor can be used to hire a temporary employee who would not be subject to FTE limitations.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 689,484	\$ 646,713	\$	(42,771)
FTE Positions	8.5	7.5		(1.0)
Change from FY 2014:				
<i>Dollar Change:</i>				
All Funds	14,565	14,549		
<i>Percent Change:</i>				
All Funds	2.2 %	0.0 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2015 operating expenditure of \$689,484, an increase of \$14,565, or 2.2 percent, above the FY 2014 request. The request includes \$423,432 from the State General Fund, an increase of \$1,000, or 0.2 percent above the FY 2014 request.

- **Salaries and Wages:** The agency requests \$558,772, an increase of \$7,543, or 1.4 percent, above the FY 2014 request. The request funds 8.5 FTE positions and 0.5 non-FTE positions. The increase is attributable to greater employer contributions to the Kansas Public Employee Retirement System.
- **Contractual Services:** The agency requests \$122,397, an increase of \$6,667, or 5.8 percent, above the FY 2014 request. The increase is attributable to higher postage costs due to the mailing of three Receipts and Expenditures Reports, certified notices for late reports and notices for errors or omissions for filed reports, in both the fall and spring elections. Additional expenditures in this area include communication, printing, rent, travel and subsistence, fees, and utilities.
- **Commodities:** The agency requests \$7,318, an increase of \$355, or 5.1 percent, above the FY 2014 request. The increase is attributable to office and computer supplies.

The **Governor** recommends FY 2015 operating expenditures of \$646,713, including \$381,189 from the State General Fund. The recommendation is an all funds reduction of \$42,771, or 6.2 percent, and a State General Fund reduction of \$42,243, or 10.0 percent, below the FY 2015 agency request. The reduction is attributable to adoption of the agency reduced resources plan for a decrease of \$42,243 and 1.0 FTE and a decrease of \$528, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The **agency** did not submit a FY 2015 enhancement request.

FY 2015 Reduced Resources

FY 2015 REDUCED RESOURCES						
Item	Agency Recommendation			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Eliminate Auditor	\$ (42,241)	\$ (42,241)	(1.0)	\$ (42,243)	\$ (42,243)	(1.0)
	0	0	0.5	0	0	0.0
TOTAL	<u>\$ (42,241)</u>	<u>\$ (42,241)</u>	<u>(0.5)</u>	<u>\$ (42,243)</u>	<u>\$ (42,243)</u>	<u>(1.0)</u>

The **agency** submitted a FY 2015 reduced resources plan which eliminates a budgeted FTE position. This position is that of an auditor. Funding at this level will provide \$15,240 for a temporary part-time auditor. The part time auditor would be classified as a non-FTE unclassified position.

The **Governor** recommends implementation of the agency reduced resources plan but does not recommend adding a 0.5 Non-FTE Unclassified Permanent Position. The Governor notes that the \$15,240 remaining available to the agency to retain a part-time auditor can be used to hire a temporary employee who would not be subject to FTE limitations.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, no employees qualify for longevity payments.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	62.6 %	60.1 %
Ethics Commission Fee Fund	37.4	39.9
TOTAL	100.0 %	100.0 %

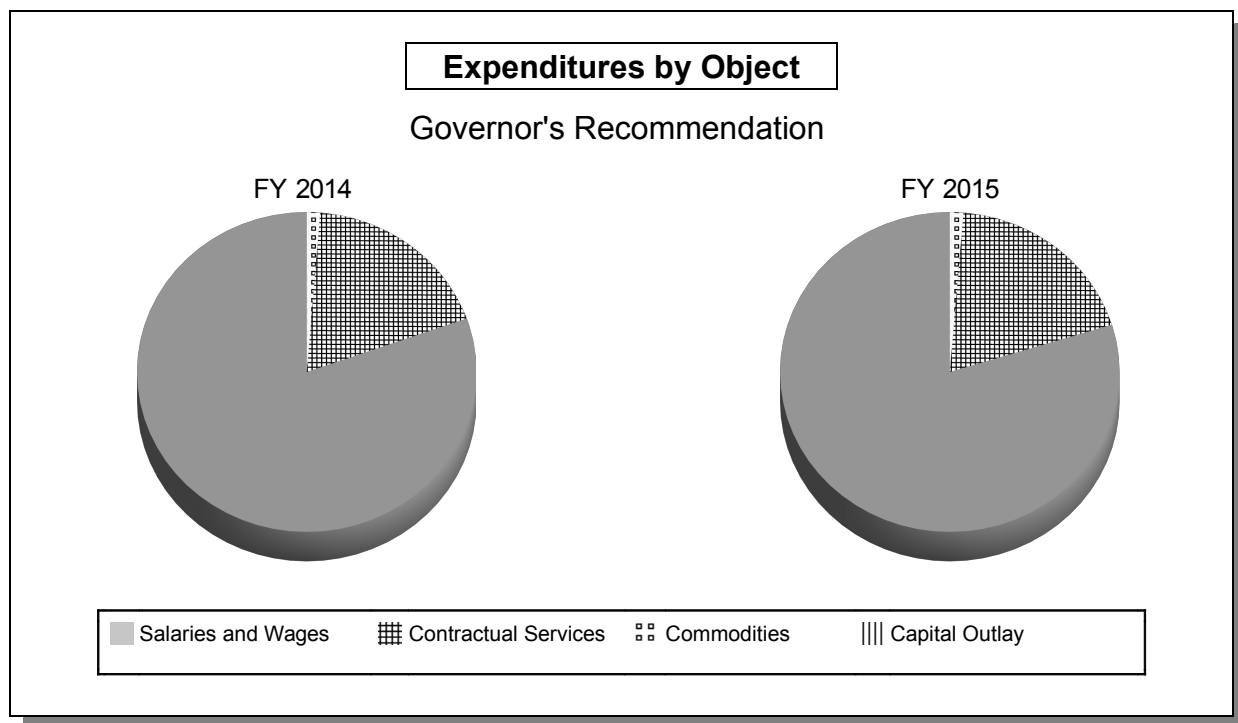
Note: Percentages may not add due to rounding.

Ethics Commission Fee Fund Analysis. The Governmental Ethics Commission Fee Fund was established in 1991 by KSA 25-4119e. Receipts to the Governmental Ethics Commission Fee 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.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 422,043	\$ 444,934	\$ 444,934	\$ 330,120	\$ 330,120	\$ 233,053	\$ 233,214
Revenue	190,917	154,485	154,485	155,420	155,420	133,555	133,555
Transfers In	0	0	0	0	0	0	0
Total Funds Available	\$ 612,960	\$ 599,419	\$ 599,419	\$ 485,540	\$ 485,540	\$ 366,608	\$ 366,769
Less:							
Expenditures	\$ 168,026	\$ 269,299	\$ 269,299	\$ 252,487	\$ 252,326	\$ 266,052	\$ 265,524
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	\$ 444,934	\$ 330,120	\$ 330,120	\$ 233,053	\$ 233,214	\$ 100,556	\$ 101,245
Ending Balance as Percent of Expenditures	264.8%	122.6%	122.6%	92.3%	92.4%	37.8%	38.1%

GOVERNMENTAL ETHICS COMMISSION FEES		
Regulated Entity	Current Fee	Statutory Limit
Statewide Candidates	\$ 480	\$ 480
All Other Candidates	35	35
PAC \$500 or less	20	20
PAC \$500 to \$2,501	35	35
PAC more than \$2,501	240	240
Lobbyist \$1,000 or less	35	35
Lobbyist \$1,000 or more	200	200
Employee of lobbyist firm	360	360

PROGRAM DETAIL



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 508,474	80.4 %	\$ 516,001	79.8 %
Contractual Services	115,730	18.3	122,397	18.9
Commodities	6,963	1.1	7,318	1.1
Capital Outlay	997	0.2	997	0.2
TOTAL	\$ 632,164	100.0 %	\$ 646,713	100.0 %

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of Lobbyist registration and expenditure reports filed	7,400	7,396	7,325	7,325	7,325
Percent of compliance reviews completed	100.0%	100.0%	100.0%	100.0%	100.0%
Number of statements of substantial interest filed	9,530	6,070	5,600	5,845	5,845

KANSAS STATE BOARD OF HEALING ARTS

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 3,890,984	\$ 4,314,775	\$ 4,314,775	\$ 4,454,610	\$ 4,451,539	\$ 4,502,444	\$ 4,499,064
Percent Change	3.2 %	10.9 %	10.9 %	3.2 %	3.2 %	1.1 %	1.1 %
FTE Positions	45.0	45.0	45.0	45.0	45.0	45.0	45.0
Non FTE Perm. Uncl. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	45.0	45.0	45.0	45.0	45.0	45.0	45.0

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 registering physical therapists and certifying physical therapist assistants. Physicians' assistants, occupational therapists, occupational therapy assistants, respiratory therapists, athletic trainers, and naturopathic doctors are also registered by the Board. On July 1, 2005, the Board began licensing radiologic technologists. Effective July 1, 2011, the Board began to license, rather than register, naturopathic doctors.

The Board has established five programs to carry out the agency's mission of public protection: Licensing and Renewal, Investigation and Disciplinary, Enforcement and Litigation, Impaired Provider Programs, and Information and Education. 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 **2002 Legislature** enacted the Naturopathic Doctor Registration Act, which called for the Board to register and regulate naturopathic doctors starting on January 1, 2003. The 2002

Legislature also enacted the Patient's Contact Lens Prescription Release Act. Beginning January 1, 2003, the Board began registering persons and entities, not otherwise licensed by the Board or the Board of Examiners in Optometry, who mail contact lenses to patients in Kansas using a contact lens prescription the person or entity did not prescribe.

The **2003 Legislature** passed 2003 SB 225, which changed physical therapy credentialing from registration to licensure and expanded the definition of physical therapy. The bill also required professional liability insurance for physical therapists and added licensed chiropractors and therapeutic licensed optometrists to those who may refer patients to physical therapy.

The **2004 Legislature** passed several measures relating to the Board of Healing Arts, including an amendment of the Healing Arts Act allowing for issuance of an institutional license for a person to practice medicine, osteopathic medicine, or chiropractic care in the employment of the Departments of Social and Rehabilitation Services or Corrections, provided certain qualifications were met.

In addition, legislation passed in **2004** gave certain licensed physicians' assistants and registered nurse practitioners the ability to approve physical therapy and provide prior consultation and approval. The Radiologic Technologists Practice Act was also amended, requiring persons who wish to conduct radiologic technology procedures on humans be licensed by the Board. Legislation passed in 2004 also changed the credentialing of athletic trainers from registration to licensure.

The **2005 Legislature** passed 2005 SB 183, which amended the "federally active" license type. The bill stated who may be issued such a license and defined regulations surrounding the use and restrictions placed on a federally active license. Also, 2005 SB 254 clarified 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. Other amendments clarified the existing exemption relating to persons licensed in other states who are consulting with Kansas licensed practitioners of the healing arts, not limited to those residing in border states.

The **2005 Legislature** also passed 2005 HB 2330, which amended the Radiologic Technologists Practice Act to delay the licensure requirements of the Act from July 1 to October 1, 2005. The bill then made conforming amendments in statutory dates for other activities related to Radiologic Technologist licensure. Finally, the bill established a number of certification requirements and titles for licensed radiologic technologists with specialized training. The bill also included the transfer of \$750,000 from the Healing Arts Fee Fund to the State General Fund.

The **2006 Legislature** passed 2006 Senate Sub. for HB 2649, which created the Pain Patient's Quality of Care Act and amended Healing Arts Act statutes concerning 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 for other than a valid medical purpose. It also required the Board to adopt guidelines for the use of controlled substances for pain treatment. In addition, on request of another enforcement or regulatory agency or a healing arts licensee, the bill authorized the Board to render a written advisory opinion indicating whether the licensee prescribed, dispensed, administered, or distributed controlled substances for the treatment of pain in accordance with Board guidelines.

Additionally, 2006 HB 2968 included language that allowed the Board to meet budgeted expenditures by using a temporary loan from the State General Fund, with the approval of the Director of the Budget after consultation with the Director of Legislative Research, if the Board experienced cash flow problems in FY 2007.

The **2007 Legislature** passed 2007 HB 2695, which allowed the Board to issue an athletic trainer license to an applicant without an examination under certain conditions. It also allowed for a temporary license to an athletic trainer who meets all licensure requirements except examination. The bill lengthened the notification period the Board must provide to licensees regarding expiration of their licenses from 30 days to 60 days. Finally, it eliminated the requirements for 800 hours of clinical experience prior to licensure and deleted a licensing exemption provided for individuals who held a valid registration as an athletic trainer as of June 30, 2004.

Other measures passed by the **2007 Legislature** include:

- **2007 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 to 39.0 from 32.0.
- **2007 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 practice. This affects ten of the professions regulated by the Board.
- **2007 SB 284.** Taking effect July 1, 2008, this bill allowed 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.
- **2007 SB 351.** This bill required the Board, after July 1, 2009, to utilize the Office of Administrative Hearings to conduct hearings under the Kansas Administrative Procedures Act (KAPA).
- **2007 SB 62.** This legislation eliminated the requirement that the diagnosis for which an amphetamine or sympathomimetic amine was prescribed be included on the prescription order in the practitioner's "own handwriting."
- **2007 House Sub. for SB 82.** This bill allowed for the practice of the healing arts by a general school under certain circumstances.
- **2007 SB 63.** This legislation deleted the exception that some PRN prescriptions could be refilled after one year, thus prohibiting any prescriptions from being refilled one year after issuance.
- **2007 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.
- **2007 House Sub. for SB 11** also allowed 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 2008 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, 2008 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 was cause to believe continuation of such dispensation would constitute an imminent danger to public health and safety.

Also during the **2008 Legislature**, 2008 HB 288 was passed, which changed 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**, 2008 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 2009 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 gave the Board power 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 2010 Senate Bill 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 2010 House Substitute for Senate Bill 83.

Additionally, the **2010 Legislature** passed 2010 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, effective July 1, 2011. In addition, it authorized naturopaths to form professional corporations and provided clarifying language that licensure does not require health insurance to provide covered services. Regarding the licensure of physical therapists, the bill created two new licensure categories: 'exempt' and 'federally active.'

The legislation also amended the "inactive license" category by requiring the Board to establish continuing education requirements for licensees who have been inactive for less than two years and want to again regularly practice physical therapy within Kansas. For licensees whose license has been inactive for longer than two years, the Board will be allowed to determine whether the inactive licensee is required to complete additional testing, training or education.

The **2010 Legislature** also passed 2010 SB 500, which allowed 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 use 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. In addition, the bill applied to any pending proceeding before the Board of Healing Arts, as well as to any proceeding commenced on or after the effective date of the bill.

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 **2011 Legislature** also passed HB 2014, providing an expenditure authority enhancement of \$100,000 for a Medical Director to fulfill 2008 SB 2620, authorizing the Board to contract with one or more persons who would provide the Board with enhanced expertise.

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:

- 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; and
- 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates a revised FY 2013 budget of \$4,314,775, all from special revenue funds, which is the same amount approved by the 2012 Legislature. This is an increase of \$423,791, or 10.9 percent, above the FY 2012 actual. The increase is due to higher salary and wage and contractual services expenditures. Salary and wage costs include all FTE positions as well as Board members, Committee members and temporary salaries within the agency's approved budget allocation. The request includes 45.0 FTE positions. The agency is fully fee funded.

The **Governor** concurs with the agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests a FY 2014 budget of \$4,454,610, all from special revenue funds, which is an increase of \$139,835, or 3.2 percent, above the revised FY 2013 estimate. The request includes 45.0 FTE positions. The increase is primarily due to capital outlay for new licensure software and an increase in the Kansas Public Employees Retirement System (KPERs) employer retirement contributions.

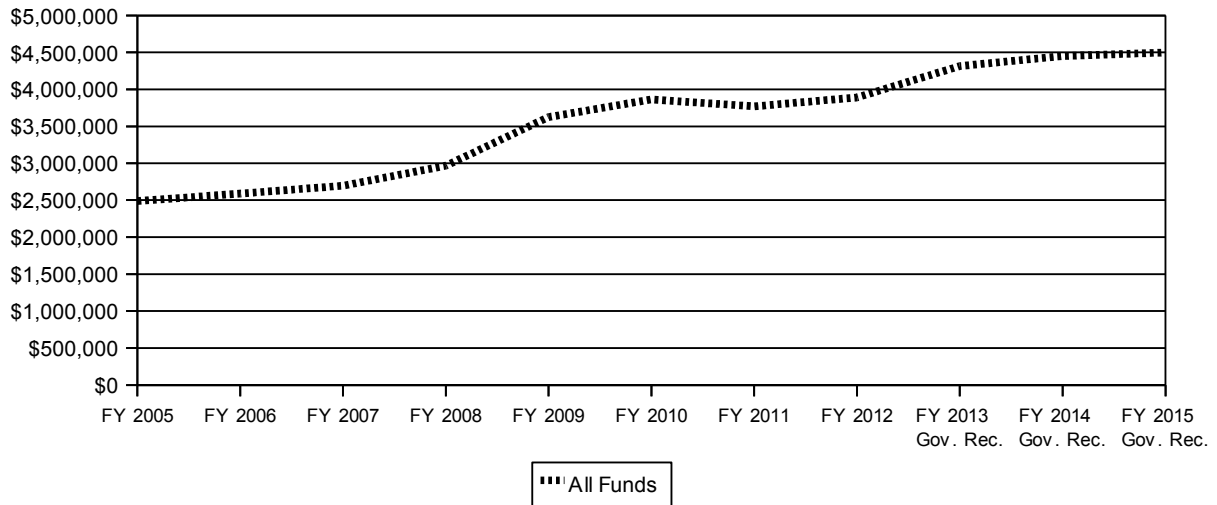
The **Governor** recommends an FY 2014 budget of \$4,451,539, all from special revenue funds. The recommendation also includes 45.0 FTE positions, the same as the agency request. This is an increase of \$136,764, or 3.2 percent, above the revised FY 2013 estimate. The increase is primarily due to capital outlay for new licensure software and an increase in the Kansas Public Employees Retirement System (KPERs) employer retirement contributions. The Governor's recommendation includes a decrease of \$3,071, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. The **agency** requests an FY 2015 budget of \$4,502,444, all from special revenue funds, which is an increase of \$47,834, or 1.1 percent, above the FY 2014 request. The increase is primarily due to increased salary and wage costs due to increased Old-Age, Survivors, and Disability Insurance (OASDI) employer contributions. The request includes 45.0 FTE positions.

The **Governor** recommends an FY 2015 budget of \$4,499,064, all from special revenue funds. The recommendation also includes 45.0 FTE positions, the same as the agency request. This is a increase of \$47,525, or 1.1 percent, above the Governor's FY 2014 recommendation. The increase is primarily due to increased salary and wage costs due to increased Old-Age, Survivors and Disability Insurance (OASDI) employer contributions. The Governor's recommendation includes a decrease of \$3,380, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 2,489,603	5.6 %	32.0
2006	2,589,358	4.0	39.0
2007	2,695,642	4.1	39.0
2008	2,967,121	10.1	39.0
2009	3,624,887	22.2	39.0
2010	3,864,050	6.6	45.0
2011	3,769,616	(2.4)	45.0
2012	3,890,984	3.2	45.0
2013 Gov. Rec.	4,314,775	10.9	45.0
2014 Gov. Rec.	4,451,539	3.2	45.0
2015 Gov. Rec.	4,499,064	1.1	45.0
Eleven-Year Change Dollars/Percent	\$ 2,009,461	80.7 %	13.0

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
	Actual FY 2012	FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 2,690,853	\$ 2,965,950	\$ 2,988,503	\$ 22,553	0.8 %	\$ 3,036,173	\$ 47,670	1.6 %
Contractual Services	1,042,272	1,213,625	1,390,160	176,535	14.5	1,392,771	2,611	0.2
Commodities	41,134	38,850	49,575	10,725	27.6	55,500	5,925	12.0
Capital Outlay	116,725	96,350	26,372	(69,978)	(72.6)	18,000	(8,372)	(31.7)
TOTAL	<u>\$ 3,890,984</u>	<u>\$ 4,314,775</u>	<u>\$ 4,454,610</u>	<u>\$ 139,835</u>	<u>3.2 %</u>	<u>\$ 4,502,444</u>	<u>\$ 47,834</u>	<u>1.1 %</u>
Financing:								
Healing Arts Fee Fund	\$ 3,890,984	\$ 4,314,775	\$ 4,454,610	\$ 139,835	3.2 %	\$ 4,502,444	\$ 47,834	1.1 %

		Governor's Recommendation						
	Actual FY 2012	FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 2,690,853	\$ 2,965,950	\$ 2,985,432	\$ 19,482	0.7 %	\$ 3,032,793	\$ 47,361	1.6 %
Contractual Services	1,042,272	1,213,625	1,390,160	176,535	14.5	1,392,771	2,611	0.2
Commodities	41,134	38,850	49,575	10,725	27.6	55,500	5,925	12.0
Capital Outlay	116,725	96,350	26,372	(69,978)	(72.6)	18,000	(8,372)	(31.7)
TOTAL	<u>\$ 3,890,984</u>	<u>\$ 4,314,775</u>	<u>\$ 4,451,539</u>	<u>\$ 136,764</u>	<u>3.2 %</u>	<u>\$ 4,499,064</u>	<u>\$ 47,525</u>	<u>1.1 %</u>
Financing:								
Healing Arts Fee Fund	\$ 3,890,984	\$ 4,314,775	\$ 4,451,539	\$ 136,764	3.2 %	\$ 4,499,064	\$ 47,525	1.1 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	4,314,775	4,314,775	0	4,314,775	0
TOTAL	<u>\$ 4,314,775</u>	<u>\$ 4,314,775</u>	<u>\$ 0</u>	<u>\$ 4,314,775</u>	<u>\$ 0</u>
FTE Positions	45.0	45.0	0.0	0.0	0.0

The **agency** estimates a revised FY 2013 budget of \$4,314,775, all from special revenue funds, which is the same amount approved by the 2012 Legislature. This is an increase of \$423,791, or 10.9 percent, above the FY 2012 actual. The increase is due to higher salary and wage and contractual services expenditures, including an additional \$100,000 for computer programming services and an additional \$100,000 for staffing and recruiting services. Salary and wage expenditures include all FTE positions as well as Board members, Committee members and temporary salaries within the agency's approved budget. The request includes 45.0 FTE positions. The agency is fully fee funded.

The **Governor** concurs with the agency revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 4,454,610	\$ 4,451,539	\$	(3,071)
FTE Positions	45.0	45.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	139,835	136,764		
<i>Percent Change:</i>				
All Other Funds	3.2 %	3.2 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests requests an FY 2014 budget of \$4,454,610, all from special revenue funds, which is an increase of \$139,835, or 3.2 percent, above the revised FY 2013 estimate. The increase is primarily due to salary and wage and information technology costs.

- **Salaries and Wages.** The board requests \$2,988,503, all from special revenue funds, for salaries and wages for FY 2014, which is an increase of \$22,553, or 0.8 percent, above the revised FY 2013 estimate. The increase is primarily due to an increase in the Kansas Public Employees Retirement System (KPERS) employer retirement contributions
- **Contractual Services.** The board requests \$1,390,160, all from special revenue funds, for contractual services for FY 2014. This is an increase of \$176,535, or 14.5 percent, above the revised FY 2013 estimate. The increase is due to expenditures associated with the second half of a comprehensive plan to implement and configure agency licensure software. The agency states that initial plans to update the software in FY 2012 were delayed due to difficulties finding an appropriate vendor or product. The board states that it is using software already licensed by the state and used by the Kansas Board of Nursing and the Kansas Board of Cosmetology with a license purchased by the Kansas Department of Agriculture. Although there are no licensure expenditures, the agency states it will incur expenditures for professional installation services.
- **Commodities.** The Board requests \$49,575, all from special revenue funds, for commodities for FY 2014, which is an increase of \$10,725, or 27.6 percent,

above the revised FY 2013 estimate. The increase is due to higher transportation and office supply costs.

- **Capital Outlay.** The Board is requesting \$26,372, all from special revenue funds, for capital outlay for FY 2014, which is a decrease of \$69,678, or 72.6 percent, below the revised FY 2013 estimate. The decrease is due to reductions in computer hardware purchases.

The **Governor** recommends an FY 2014 budget of \$4,451,539, all from special revenue funds. The recommendation also includes 45.0 FTE positions, the same as the agency request. This is a decrease of \$3,071, or 0.1 percent, below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$3,071, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The **agency** does not have any enhancement requests for FY 2014.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 4,502,444	\$ 4,499,064	\$	(3,380)
FTE Positions	45.0	45.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	47,834	47,525		
<i>Percent Change:</i>				
All Other Funds	1.1 %	1.1 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests an FY 2015 budget of \$4,502,444, all from special revenue funds, which is an increase of \$47,834, or 1.1 percent, above the FY 2014 request. The increase is primarily due to increased salary and wage costs.

- **Salaries and Wages.** The Board requests \$3,036,173, all from special revenue funds, for salaries and wages for FY 2015, which is an increase of \$47,670, or

1.6 percent, above the FY 2014 request. The increase is primarily due to an increase in the Kansas Public Employees Retirement System (KPERs) employer retirement contributions and state employee health insurance.

- **Contractual Services.** The agency requests \$1,392,771, all from special revenue funds, for contractual services for FY 2015. This is an increase of \$2,611, or 0.2 percent, above the FY 2014 request.
- **Commodities.** The Board requests \$55,500, all from special revenue funds, for commodities for FY 2015, which is an increase of \$5,925, or 12.0 percent, above the FY 2014 request. The increase is due to higher transportation, office supply, and data processing supply expenditures.
- **Capital Outlay.** The Board is requesting \$18,000, all from special revenue funds, for capital outlay for FY 2015, which is a decrease of \$8,372, or 31.7 percent, below the FY 2014 request. The decrease is due to reductions in computer hardware purchases.

The **Governor** recommends an FY 2015 budget of \$4,499,064, all from special revenue funds. The recommendation also includes 45.0 FTE positions, the same as the agency request. This is a decrease of \$3,380, or 0.1 percent, below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$3,380, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2015.

Enhancements Detail

The **agency** does not have any enhancement requests for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$10,360, all from special revenue funds, and FY 2015 longevity payments total \$11,800, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Healing Arts Fee Fund	100.0 %	100.0 %
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

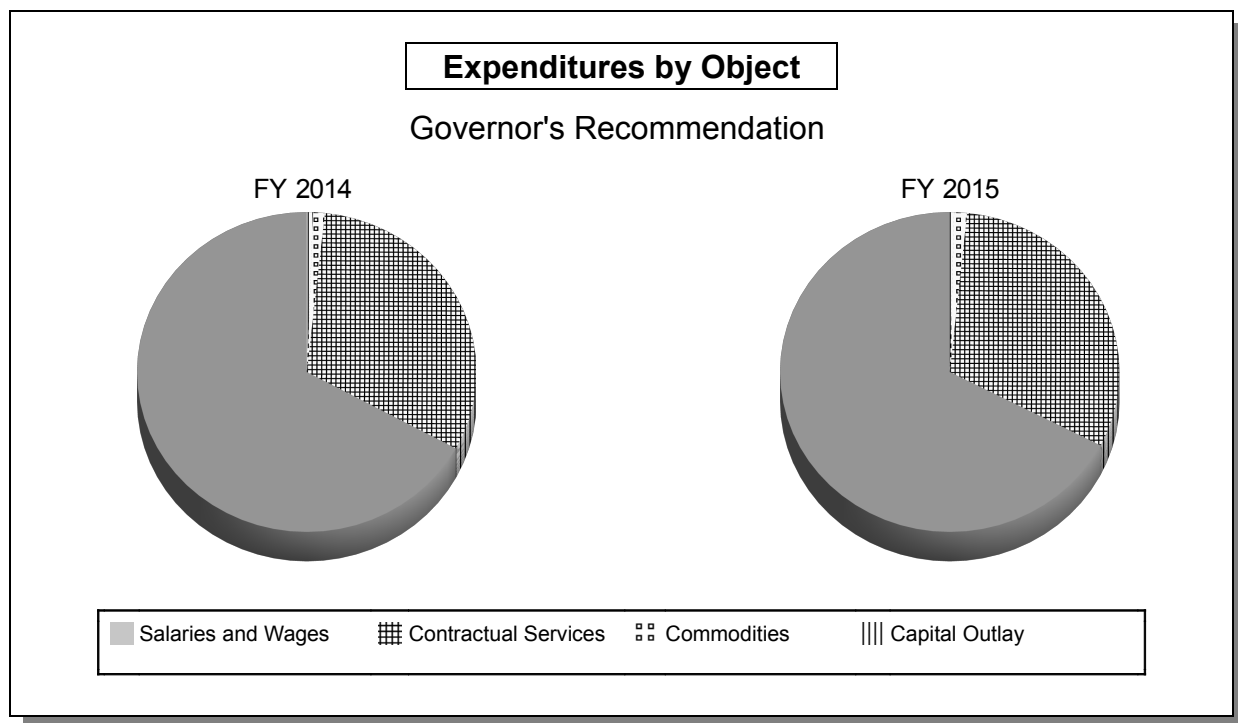
Fee Fund Analysis

The Board of Healing Arts is financed by special revenue funds, derived mainly from licensing and registration fees. Maximum fees are established in statute, and the actual rates are set by Board-issued regulation within the statutory limitation. 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.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 2,578,081	\$ 3,151,017	\$ 3,151,017	\$ 3,297,725	\$ 3,297,725	\$ 3,346,935	\$ 3,350,006
Revenue	4,463,920	4,461,483	4,461,483	4,503,820	4,503,820	4,552,924	4,552,924
Net Receipts	0	0	0	0	0	0	0
Total Funds Available	\$ 7,042,001	\$ 7,612,500	\$ 7,612,500	\$ 7,801,545	\$ 7,801,545	\$ 7,899,859	7,902,930
Less:							
Expenditures	\$ 3,890,984	\$ 4,314,775	\$ 4,314,775	\$ 4,454,610	\$ 4,451,539	\$ 4,502,444	\$ 4,499,064
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	<u>\$ 3,151,017</u>	<u>\$ 3,297,725</u>	<u>\$ 3,297,725</u>	<u>\$ 3,346,935</u>	<u>\$ 3,350,006</u>	<u>\$ 3,397,415</u>	<u>\$ 3,403,866</u>
Ending Balance as Percent of Expenditures	81.0%	76.4%	76.4%	75.1%	75.3%	75.5%	75.7%
Month Highest Ending Balance	June \$ 3,307,547	June \$ 3,451,755	June \$ 3,451,755	June \$ 3,498,465	June \$ 3,498,465	June \$ 3,546,445	June \$ 3,546,445
Month Lowest Ending Balance	April \$ 1,476,192	April \$ 1,640,857	April \$ 1,640,857	April \$ 1,688,388	April \$ 1,688,388	April \$ 1,716,484	April \$ 1,716,484

PROGRAM DETAIL



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 2,985,432	67.1 %	\$ 3,032,793	67.4 %
Contractual Services	1,390,160	31.2	1,392,771	31.0
Commodities	49,575	1.1	55,500	1.2
Capital Outlay	26,372	0.6	18,000	0.4
TOTAL	\$ 4,451,539	100.0 %	\$ 4,499,064	100.0 %

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Investigation and Disciplinary Program Case Statistics:					
Open Cases Forwarded	650	531	600	600	650
New Cases Opened	775	695	700	700	700
Total Cases Closed	750	679	750	750	750

KANSAS BOARD OF EXAMINERS IN FITTING AND DISPENSING OF HEARING INSTRUMENTS

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 28,188	\$ 34,814	\$ 34,814	\$ 31,710	\$ 27,710	\$ 30,996	\$ 27,996
Percent Change	3.0%	23.5 %	23.5 %	(8.9)%	(20.4)%	(2.3)%	1.0 %
FTE Positions	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Non FTE Perm. Uncl. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	0.5	0.5	0.5	0.5	0.5	0.5	0.5

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 classified, part-time person who serves as both the Executive Officer and Office Assistant. 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 **1999 Legislature** passed HB 2214, which increased the caps on all fees charged by the Board. As a result, renewal fees and late fees have been revised; Board regulations were updated during the 2001 Legislative Session.

During the **2003 Session**, SB 199 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 pre-school 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.

During the **2006 session**, HB 2285 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 making authority with which to implement the Act.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** requests a revised FY 2013 estimate of \$34,814, all from special revenue funds. This is an increase of \$5,633, or 19.3 percent, above the amount approved by the 2012 Legislature. The increase is attributable to additional legal fees associated with four related disciplinary cases that have been ongoing since April 2008. The revised estimate includes 0.5 FTE position, which is the same as the approved amount.

The **Governor** concurs with the agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$31,710 all from all from special revenue funds. This is a decrease of \$3,104, or 8.9 percent, below the FY 2013 revised estimate. The decrease is primarily attributable to a \$3,000 reduction in contractual services due to the conclusion of the previously mentioned disciplinary cases. The request includes 0.5 FTE position.

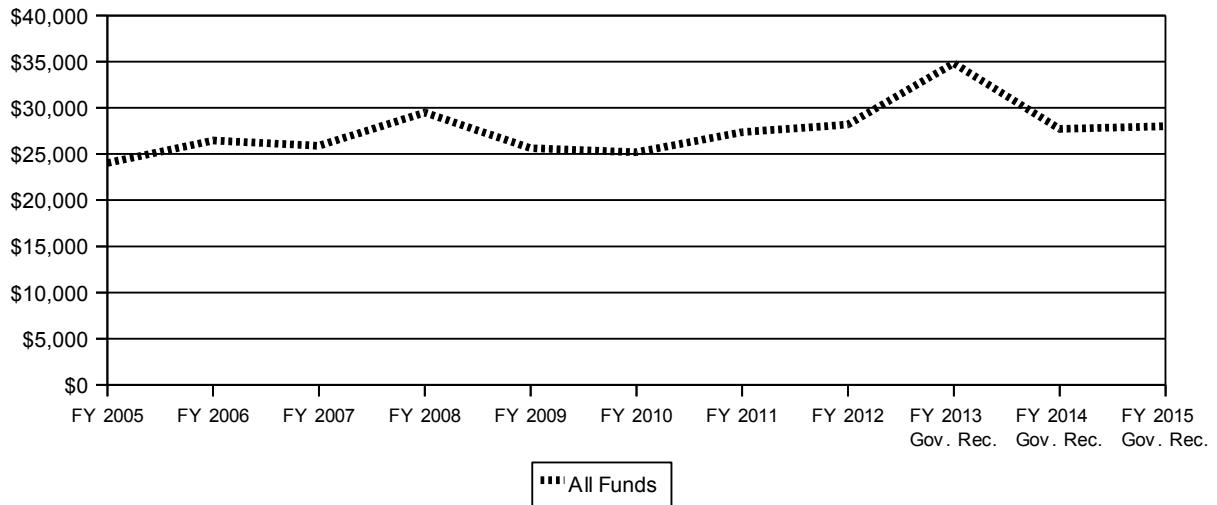
The **Governor** recommends a FY 2014 budget of \$27,710, all from special revenue funds. The recommendation also includes 0.5 FTE position, the same as the agency request. This is a decrease of \$7,104, or 20.4 percent, below the revised FY 2013 estimate. The decrease in expenditures is due to reductions in contractual services, including legal fees.

FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$30,996 all from special revenue funds. This is a decrease of \$714, or 2.3 percent, below the FY 2014 request. The decrease is primarily attributable to a \$1,000 reduction in contractual services because of reduced legal fees. The request includes 0.5 FTE position.

The **Governor** recommends an FY 2015 budget of \$27,996, all from special revenue funds. The recommendation also includes 0.5 FTE position, the same as the agency request. This is an increase of \$286, or 1.0 percent, above the Governor's FY 2014 recommendation. The increase is primarily attributable to increased travel expenditures.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 24,030	27.3 %	0.5
2006	26,454	10.1	0.5
2007	25,891	(2.1)	0.5
2008	29,482	13.9	0.5
2009	25,627	(13.1)	0.5
2010	25,182	(1.7)	0.5
2011	27,357	8.6	0.5
2012	28,188	3.0	0.5
2013 Gov. Rec.	34,814	23.5	0.5
2014 Gov. Rec.	27,710	(20.4)	0.5
2015 Gov. Rec.	27,996	1.0	0.5
Eleven-Year Change Dollars/Percent	\$ 3,966	16.5 %	0.0

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
	Actual FY 2012	FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 20,076	\$ 20,763	\$ 20,784	\$ 21	0.1 %	\$ 20,840	\$ 56	0.3 %
Contractual Services	6,873	13,451	10,326	(3,125)	(23.2)	9,556	(770)	(7.5)
Commodities	790	600	600	0	0.0	600	0	0.0
Capital Outlay	449	0	0	0	--	0	0	--
TOTAL	<u>\$ 28,188</u>	<u>\$ 34,814</u>	<u>\$ 31,710</u>	<u>\$ (3,104)</u>	<u>(8.9) %</u>	<u>\$ 30,996</u>	<u>\$ (714)</u>	<u>(2.3) %</u>
Financing:								
Hearing Aid Board Fee Fund	\$ 28,188	\$ 34,814	\$ 31,710	\$ (3,104)	(8.9) %	\$ 30,996	\$ (714)	(2.3) %

		Governor's Recommendation						
	Actual FY 2012	FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 20,076	\$ 20,763	\$ 20,784	\$ 21	0.1 %	\$ 20,840	\$ 56	0.3 %
Contractual Services	6,873	13,451	6,326	(7,125)	(53.0)	6,556	230	3.6
Commodities	790	600	600	0	0.0	600	0	0.0
Capital Outlay	449	0	0	0	--	0	0	--
TOTAL	<u>\$ 28,188</u>	<u>\$ 34,814</u>	<u>\$ 27,710</u>	<u>\$ (7,104)</u>	<u>(20.4) %</u>	<u>\$ 27,996</u>	<u>\$ 286</u>	<u>1.0 %</u>
Financing:								
Hearing Aid Board Fee Fund	\$ 28,188	\$ 34,814	\$ 27,710	\$ (7,104)	(20.4) %	\$ 27,996	\$ 286	1.0 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	29,181	34,814	5,633	34,814	5,633
TOTAL	<u>\$ 29,181</u>	<u>\$ 34,814</u>	<u>\$ 5,633</u>	<u>\$ 34,814</u>	<u>\$ 5,633</u>
FTE Positions	0.5	0.5	0.0	0.0	0.0

The **agency** estimates a revised FY 2013 budget of \$34,814, all from special revenue funds. This is an increase of \$5,633, or 19.3 percent, above the amount approved by the 2012 Legislature. The increase is attributable to additional legal fees associated with four related disciplinary cases that have been ongoing since April 2008. The estimate also includes decreased postage, travel, lodging and subsistence expenditures. The revised estimate includes 0.5 FTE positions, which is the same as the approved amount.

The **Governor** concurs with the agency revised estimate.

Supplemental Estimates

FY 2013 SUPPLEMENTS				
Supplementals	Agency Request		Governor's Recommendation	
	All Funds	FTE	All Funds	FTE
Budget for Legal Expenditures	\$ 7,000	0.0	\$ 0	0.0
TOTAL	<u>\$ 7,000</u>	<u>0.0</u>	<u>\$ 0</u>	<u>0.0</u>

Legal Budget. The **agency** requests \$7,000, all from special revenue funds, to cover legal fees associated with four related disciplinary cases that have been ongoing since April 2008. The agency states that it has previously had very limited legal proceedings and had not previously requested a legal fund due to limited resources.

The **Governor** concurs with the agency supplemental request.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 31,710	\$ 27,710	\$	(4,000)
FTE Positions	0.5	0.5		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	(3,104)	(7,104)		
<i>Percent Change:</i>				
All Other Funds	(8.9) %	(20.4) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 operating expenditures of \$31,710, all from all from special revenue funds. This is a decrease of \$3,104, or 8.9 percent, below the FY 2013 revised estimate. The decrease is attributable to a reduction in legal fees. The request includes 0.5 FTE position.

- **Salaries and Wages.** The agency requests \$20,784 for salaries and wages for FY 2014, all from special revenue funds, which is an increase of \$21, or 0.1 percent, above the revised FY 2013 estimate.
- **Contractual Services.** The agency requests \$10,326 for contractual services for FY 2014, all from special revenue funds, which is a decrease of \$3,125, or 23.2 percent, below the FY 2013 estimate. The decrease is due to a \$3,000 reduction in legal fees due to the conclusion of the aforementioned mentioned disciplinary cases
- **Commodities.** The agency requests \$600 for commodities for FY 2014, all from special revenue funds, which is the same as the FY 2013 revised estimate.
- **Capital Outlay.** The agency does not have a request for capital outlay.

The **Governor** recommends a FY 2014 budget of \$27,710, all from special revenue funds. The recommendation also includes 0.5 FTE position, the same as the agency request. This is a decrease of \$4,000, or 12.6 percent, below the FY 2013 revised estimate. The decrease in expenditures is due to reductions in legal contractual services.

Enhancements Detail

The **agency** does not have any enhancement requests for FY 2014.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 30,996	\$ 27,996	\$	(3,000)
FTE Positions	0.5	0.5		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	(714)	286		
<i>Percent Change:</i>				
All Other Funds	(2.3) %	1.0 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2015 operating expenditures of \$30,996, all from all from special revenue funds. This is a decrease of \$714, or 2.3 percent, below the FY 2014 request. The decrease is attributable to a reduction in legal fees. The request includes 0.5 FTE positions.

- **Salaries and Wages.** The agency requests \$20,840 for salaries and wages for FY 2015, all from special revenue funds, which is an increase of \$56, or 0.3 percent, above the FY 2014 request.
- **Contractual Services.** The agency requests \$9,556 for contractual services for FY 2015, all from special revenue funds, which is a decrease of \$770, or 7.5 percent, below the FY 2014 request. The decrease is due to a reduction in legal fees.
- **Commodities.** The agency requests \$600 for commodities for FY 2015, all from special revenue funds, which is the same as the FY 2014 request.
- **Capital Outlay.** The agency does not have a request for capital outlay.

The **Governor** recommends an FY 2015 budget of \$27,996, all from special revenue funds. The recommendation also includes 0.5 FTE position, the same as the agency request. This is a decrease of \$3,000, or 9.7 percent, below the FY 2014 recommendation. The decrease in funds is due to reductions in legal contractual services.

Enhancements Detail

The **agency** does not have any enhancement requests for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **This agency does not have employees eligible for longevity payments in FY 2014 and FY 2015.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Hearing Instruments Board Fee Fund	100.0 %	100.0 %
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

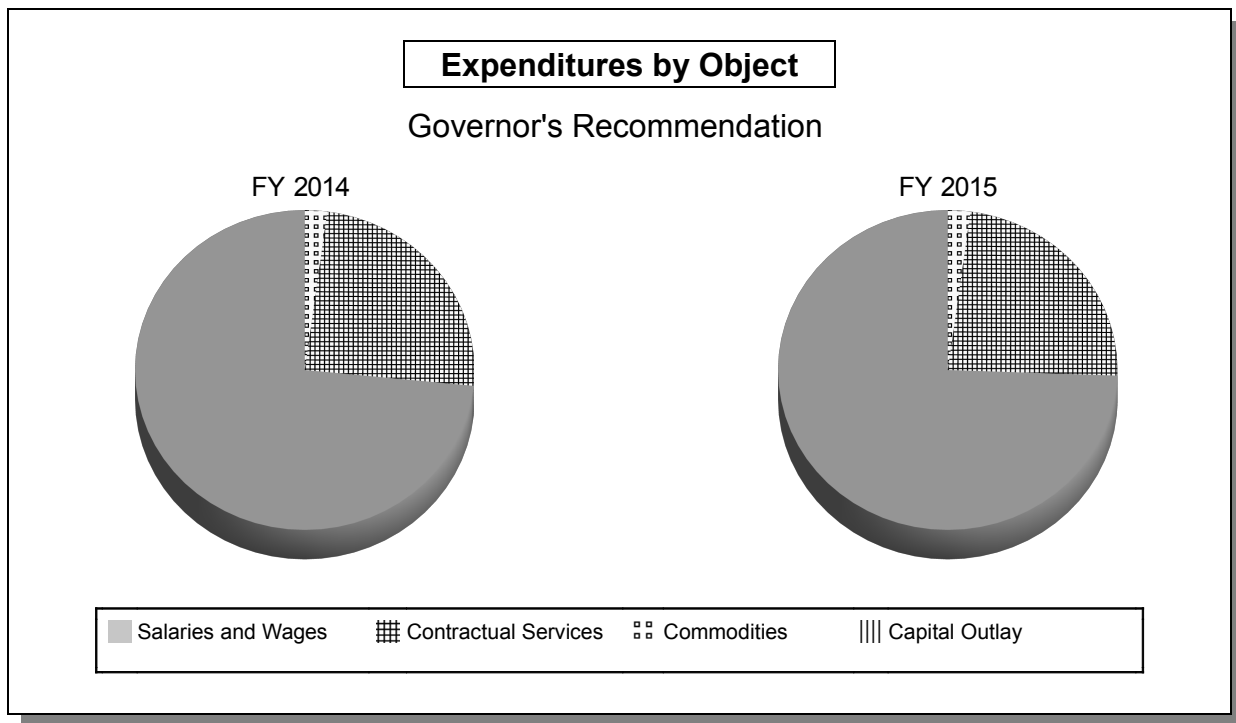
Fee Fund Analysis

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.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 29,854	\$ 37,403	\$ 37,403	\$ 38,679	\$ 38,679	\$ 42,690	\$ 46,690
Revenue	35,737	36,090	36,090	35,721	35,721	34,754	34,754
Net Receipts	0	0	0	0	0	0	0
Total Funds Available	\$ 65,591	\$ 73,493	\$ 73,493	\$ 74,400	\$ 74,400	\$ 77,444	\$ 81,444
Less:							
Expenditures	\$ 28,188	\$ 34,814	\$ 34,814	\$ 31,710	\$ 27,710	\$ 30,996	\$ 27,996
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	<u>\$ 37,403</u>	<u>\$ 38,679</u>	<u>\$ 38,679</u>	<u>\$ 42,690</u>	<u>\$ 46,690</u>	<u>\$ 46,448</u>	<u>\$ 53,448</u>
Ending Balance as Percent of Expenditures	132.7%	111.1%	111.1%	134.6%	168.5%	149.9%	190.9%
Month Highest Ending Balance	June \$ 37,450	June \$ 38,500	June \$ 38,500	June \$ 42,500	June \$ 42,500	June \$ 46,300	June \$ 46,300
Month Lowest Ending Balance	April \$ 16,125	April \$ 16,000	April \$ 16,000	April \$ 17,500	April \$ 17,500	April \$ 17,500	April \$ 17,500

Board of Examiners in Fitting and Dispensing of Hearing Instruments Fees		
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

PROGRAM DETAIL



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 20,784	75.0 %	\$ 20,840	74.4 %
Contractual Services	6,326	22.8	6,556	23.4
Commodities	600	2.2	600	2.1
Capital Outlay	0	0.0	0	0.0
TOTAL	\$ 27,710	100.0 %	\$ 27,996	100.0 %

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of Licenses Issued	280	280	280	280	280

BOARD OF MORTUARY ARTS

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 273,158	\$ 281,894	\$ 281,894	\$ 288,375	\$ 288,158	\$ 290,129	\$ 289,912
Percent Change	0.0 %	3.2 %	3.2 %	2.3 %	2.2 %	0.6 %	0.6 %
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, registered apprentice embalmers, funeral establishments, branch funeral establishments and crematories. The five member Board has three main purposes: granting authority to practice in the field of mortuary arts to those who have proven competence through education, experience and examination; investigating inquiries and complaints regarding the practice of the mortuary arts profession including taking appropriate disciplinary measures and criminal prosecution if warranted; and maintaining public records on all individuals or establishments licensed by the Board. In addition, the Board informs Kansas consumers of the options available to them when dealing with a situation involving the death process.

MAJOR ISSUES FROM PRIOR YEARS

The **1994 Legislature** instructed certain state agencies, including the Board of Mortuary Arts, 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*.

During **2010 Session**, Senate Sub. for House Bill 2310 was passed and requires 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 will be 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. The agency is required to create requirements for a continuing education program, and to prepare proposed rules and regulations to carry out the new provisions in the law. The agency is required to adopt new rules and regulations by July 1, 2011.

During **2010 Session**, Senate Sub. for House Bill 2310 increased the maximum limits for a number of fees established by the agency, deletes the embalmer's examination fee, and establishes a \$200 limit for a crematory operator's license and renewal fee.

During **2011 Session**, House Bill 2083 was passed and requires funeral directors in charge of a facility that closes to notify those with prearranged funeral agreements that they need to transfer the prearranged 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 2013 – Current Year. The **agency's** revised estimate for FY 2013 operating expenditures is \$281,894, all from the agency's fee fund, which is the same amount recommended by the 2012 Legislature.

The **Governor** concurs with the agency's FY 2013 revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$288,375 all from the agency's fee fund. The request is an increase of \$6,481, or 2.3 percent, above the agency's FY 2013 revised estimate. The increase is attributable to expenditures associated with Kansas Public Employees Retirement System employer contributions, contractual services and the replacement of computer equipment.

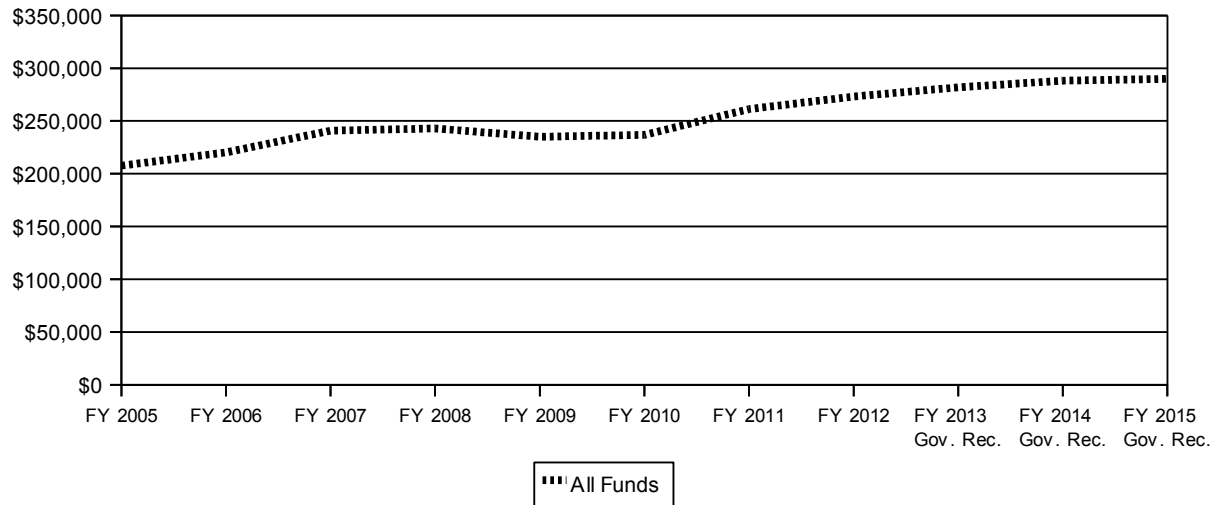
The **Governor** recommends FY 2014 operating expenditures of \$288,158, all from special revenue funds, a decrease of \$217, or less than 0.1 percent below the agency's FY 2014 request, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$290,129 all from special revenue funds. The request is an increase of \$1,754, or 0.6 percent, above the agency's FY 2014 request. The increase is attributable to expenditures associated with the Kansas Public Employees Retirement System employer contributions, contractual services and commodities.

The **Governor** recommends FY 2015 operating expenditures of \$289,912, all from the special revenue funds, a decrease of \$217, or less than 0.1 percent, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 207,655	3.7 %	3.0
2006	220,214	6.0	3.0
2007	240,862	9.4	3.0
2008	242,944	0.9	3.0
2009	235,038	(3.3)	3.0
2010	236,856	0.8	3.0
2011	261,223	10.3	3.0
2012	273,158	4.6	3.0
2013 Gov. Rec.	281,894	3.2	3.0
2014 Gov. Rec.	288,158	2.2	3.0
2015 Gov. Rec.	289,912	0.6	3.0
Eleven-Year Change Dollars/Percent	\$ 82,257	39.6 %	0.0

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
		FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 2014	Percent Change from FY 2014
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 195,189	\$ 198,260	\$ 199,734	\$ 1,474	0.7 %	\$ 201,183	\$ 1,449	0.7 %
Contractual Services	49,789	59,597	64,425	4,828	8.1	68,550	4,125	6.4
Commodities	8,218	15,212	13,050	(2,162)	(14.2)	13,400	350	2.7
Capital Outlay	15,624	1,829	4,170	2,341	128.0	0	(4,170)	(100.0)
Other Assistance	4,338	6,996	6,996	0	0.0	6,996	0	0.0
TOTAL	<u>\$ 273,158</u>	<u>\$ 281,894</u>	<u>\$ 288,375</u>	<u>\$ 6,481</u>	<u>2.3 %</u>	<u>\$ 290,129</u>	<u>\$ 1,754</u>	<u>0.6 %</u>
Financing:								
Board of Mortuary Arts Fee Fund	\$ 273,158	\$ 281,894	\$ 288,375	\$ 6,481	2.3 %	\$ 290,129	\$ 1,754	0.6 %

		Governor's Recommendation						
		FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 2014	Percent Change from FY 2014
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 195,189	\$ 198,260	\$ 199,517	\$ 1,257	0.6 %	\$ 200,966	\$ 1,449	0.7 %
Contractual Services	49,789	59,597	64,425	4,828	8.1	68,550	4,125	6.4
Commodities	8,218	15,212	13,050	(2,162)	(14.2)	13,400	350	2.7
Capital Outlay	15,624	1,829	4,170	2,341	128.0	0	(4,170)	(100.0)
Other Assistance	4,338	6,996	6,996	0	0.0	6,996	0	0.0
TOTAL	<u>\$ 273,158</u>	<u>\$ 281,894</u>	<u>\$ 288,158</u>	<u>\$ 6,264</u>	<u>2.2 %</u>	<u>\$ 289,912</u>	<u>\$ 1,754</u>	<u>0.6 %</u>
Financing:								
Board of Mortuary Arts Fee Fund	\$ 273,158	\$ 281,894	\$ 288,158	\$ 6,264	2.2 %	\$ 289,912	\$ 1,754	0.6 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	291,048	281,894	(9,154)	281,894	(9,154)
TOTAL	<u>\$ 291,048</u>	<u>\$ 281,894</u>	<u>\$ (9,154)</u>	<u>\$ 281,894</u>	<u>\$ (9,154)</u>
FTE Positions	3.0	3.0	3.0	3.0	3.0

The **agency** requests a revised estimate for FY 2013 operating expenditures of \$281,894 all from the agency's fee fund, which is the same amount approved by the 2012 Legislature.

- **Salaries and Wages.** The estimate includes \$198,260, all from the Board of Mortuary Arts Fee Fund. The request includes funding for 3.0 FTE positions.
- **Contractual Services.** The estimate includes \$59,597, all from the Board of Mortuary Arts Fee Fund. The major expenditures in this area include postage, communication expenses, rents, in-state travel, meals and accommodation, dues and subscriptions, and computer programming.
- **Commodities.** The estimate includes \$15,212, all from the Board of Mortuary Arts Fee Fund. The major expenditure in this area includes stationary, office and data supplies, fuel and vehicle parts and other necessary supplies.
- **Capital Outlay.** The estimate includes \$1,829, all from the Board of Mortuary Arts. The major expenditure in this area includes furniture and fixtures.
- **Other Assistance.** The estimate includes \$6,996, all from the Board of Mortuary Arts Fee Fund. The fund is used for the agency's Voluntary Retirement Incentive Program.

The **Governor** concurs with the agency's FY 2013 revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 288,375	\$ 288,158	\$	(217)
FTE Positions	3.0	3.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	6,481	6,264		
<i>Percent Change:</i>				
All Other Funds	2.3 %	2.2 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 operating expenditures of \$288,375 all from the agency's fee fund. The request is an increase of \$6,481, or 2.3 percent, above agency's the FY 2013 revised estimate.

- **Salaries and Wages.** The request includes \$199,734, all from the Board of Mortuary Arts Fee Fund. The request is an increase of \$1,474, or 0.7 percent, above the agency's FY 2013 revised estimate. The increase is mostly attributable to increased expenditures associated with Kansas Public Employees Retirement System employer contributions which increased by \$1,635, from \$14,678 to \$16,313. The request includes funding for 3.0 FTE positions.
- **Contractual Services.** The request includes \$64,425, all from the Board of Mortuary Arts Fee Fund. The request is an increase of \$4,828, or 8.1 percent, above the agency's FY 2013 revised estimate. The increase is mostly attributable to expenditures associated with out of state travel and subsistence (\$3,500).
- **Commodities.** The request includes \$13,050, all from Board of Mortuary Arts Fee Fund. The request is a decrease of \$2,162, or 14.2 percent, below the agency's FY 2013 revised estimate. The decrease is attributable to expenditures associated with supplies and materials (\$1,500) and science materials (\$1,037).
- **Capital Outlay.** The request includes \$4,170, all from the Board of Mortuary Arts Fee Fund. The request is an increase of \$2,341, or 128.0 percent, above the agency's FY 2013 revised estimate. The increase is attributable to the purchase of replacement computer equipment.

- **Other Assistance.** The request includes \$6,996, all from the Board of Mortuary Arts Fee Fund, which is the same amount as the agency's FY 2013 revised estimate. This is used for the agency's Voluntary Retirement Incentive Program.

The **Governor** recommends FY 2014 operating expenditures of \$288,158, a decrease of \$217 below the agency's request. The Governor's recommendation includes a decrease of \$217, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The **agency** did not request any enhancements for FY 2014.

Reduced Resources

The **agency** is not required to submit a reduced resource package.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 290,129	\$ 289,912	\$	(217)
FTE Positions	3.0	3.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	1,754	1,754		
<i>Percent Change:</i>				
All Other Funds	0.6 %	0.6 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2015 operating expenditures of \$290,129 all from the agency's fee fund. This is an increase of \$1,754, or 0.6 percent, above the FY 2014 request.

- **Salaries and Wages.** The request includes \$201,183, all from the Board of Mortuary Arts Fee Fund. The request is an increase of \$1,449, or 0.7 percent, above the agency's FY 2014 request. The increase is mostly attributable to increased expenditures associated with Kansas Public Employees Retirement

System employer contributions which increased by \$1,448, from \$16,313 to \$17,761.

- **Contractual Services.** The request includes \$68,550, all from the Board of Mortuary Arts Fee Fund. The request is an increase of \$4,125, or 6.4 percent, above the agency's FY 2014 request. The increase is mostly attributable to expenditures associated with in state travel and subsistence (\$1,250) and building space rental (\$1,000).
- **Commodities.** The request includes \$13,400, all from the Board of Mortuary Arts Fee Fund. The request is an increase of \$350, or 2.7 percent, above the agency's FY 2014 request. The increase is mostly attributable to expenditures associated with vehicle part supply accessories (\$250).
- **Capital Outlay.** The agency did not request any funds for capital outlay expenditures.
- **Other Assistance.** The request includes \$6,996, all from the Board of Mortuary Arts Fee Fund, which is the same amount as the agency's FY 2014 request. This is used for the agency's Voluntary Retirement Incentive Program.

The **Governor** recommends FY 2015 operating expenditures of \$289,912, a decrease of \$217, or 0.1 percent, below the agency's request. The Governor's recommendation includes a decrease of \$217, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2015.

Enhancements Detail

The **agency** did not request any enhancements for FY 2015.

Reduced Resources

The **agency** is not required to submit a reduced resource package.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$1,000, all from special revenue funds, and FY 2015 longevity payments total \$1,000, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State General Fund	0.0 %	0.0 %
Other Funds	100.0 %	100.0
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Board of Mortuary Arts Fee Fund Analysis

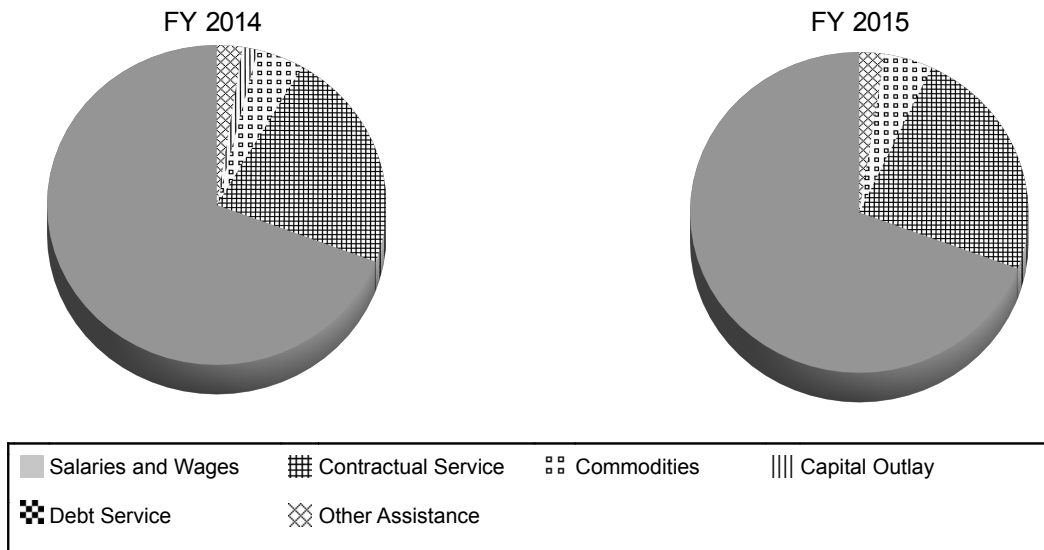
The Kansas State Board of Mortuary Arts is a fee-funded agency, with revenue received from: (1) issuing and renewing licenses; (2) administering the funeral directors' examination, (3) the sale of rule books, lists and duplicate licenses, and (4) continuing education programming. These sources combine to provide financing for all agency operations.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 206,257	\$ 230,947	\$ 230,947	\$ 217,266	\$ 217,266	\$ 217,451	\$ 217,668
Revenue	297,291	267,574	267,574	288,560	288,560	288,560	267,574
Net Receipts	<u>557</u>	<u>639</u>	<u>639</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Funds Available	\$ 504,105	\$ 499,160	\$ 499,160	\$ 505,826	\$ 505,826	\$ 506,011	485,242
Less:							
Expenditures	\$ 273,158	\$ 281,894	\$ 281,894	\$ 288,375	\$ 288,158	\$ 290,129	\$ 289,912
Transfers Out	0	0	0	0	0	0	0
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	<u>\$ 230,947</u>	<u>\$ 217,266</u>	<u>\$ 217,266</u>	<u>\$ 217,451</u>	<u>\$ 217,668</u>	<u>\$ 215,882</u>	<u>\$ 195,330</u>
Ending Balance as Percent of Expenditures	84.5%	77.1%	77.1%	75.4%	75.5%	74.4%	67.4%
Month Highest Ending Balance	March \$ 242,282	March \$ 234,616	March \$ 234,616	March \$ 232,344	March \$ 232,344	September \$ 216,150	September \$ 216,150
Month Lowest Ending Balance	October \$ 203,939	November \$ 215,468	November \$ 215,468	November \$ 206,915	November \$ 206,915	June \$ 195,330	June \$ 195,330

PROGRAM DETAIL

Expenditures by Object

Governor's Recommendation



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 199,517	69.2 %	\$ 200,966	69.3 %
Contractual Services	64,425	22.4	68,550	23.6
Commodities	13,050	4.5	13,400	4.6
Capital Outlay	4,170	1.4	0	0.0
Debt Service	0	0.0	0	0.0
Other Assistance	6,996	2.4	6,996	2.4
TOTAL	\$ 288,158	100.0 %	\$ 289,912	100.0 %

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of complaints filed with Board	60	40	45	45	50
Number of consumer inquiries handled	1,200	1,300	1,100	1,075	1,100
Number of current licenses on file with Board	2,165	2,105	2,200	2,210	2,200
Percent of investigations that result in disciplinary action	35.0%	42.0%	35.0%	35.0%	35.0%

BOARD OF NURSING

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 1,991,188	\$ 2,419,526	\$ 2,419,526	\$ 2,623,999	\$ 2,622,475	\$ 2,615,509	\$ 2,613,643
Percent Change	4.6 %	21.5 %	21.5 %	8.5 %	8.4 %	(0.3)%	(0.3)%
FTE Positions	24.0	24.0	24.0	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	24.0	24.0	24.0	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 registered nurse practitioners 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 **2000 Legislature** amended the Nurse Practice Act regarding which nurses are authorized to practice nurse anesthesia and the administration of IV fluid therapy. It also amended the membership of the Board of Nursing to allow for the staggering of terms for the public members and the professional nurse members engaged in nurse education.

The **2001 Legislature** amended the Nurse Practice Act regarding the requirements for applicants for a license as a registered professional nurse or a licensed practical nurse. In addition, the legislation amended the requirements for mental health technicians. The legislation allowed the expansion of the scope of IV fluid therapy to be performed.

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 a proviso 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 work.

The **2008 Legislature** passed 2008 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 2010 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 2013 – Current Year. The **agency** estimates a revised FY 2013 budget of \$2,419,526, all from special revenue funds, which is an increase of \$312,433, or 14.8 percent, above the amount approved by the 2012 Legislature. The revised estimate includes an additional \$308,433 from the Criminal Background Fee Fund and \$4,000 from the Education Conference Fund without any legislative action required. The agency states that all revenues collected from the Criminal Background Fee Fund are immediately remitted to the Kansas Bureau of Investigation for background check services. The agency has statutory authority to

make adjustments to these no-limit funds. The estimate includes 24.0 FTE positions, one more than the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's FY 2013 revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$2,623,999, all from special revenue funds including \$302,250 from the Criminal Background Fee Fund, \$10,000 from the Education Conference Fund, and \$2,310,519 from the Nursing Fee Fund. The estimate is an all funds increase of \$204,743, or 8.5 percent, above the FY 2013 revised estimate. The agency request includes two enhancements for FY 2014 totaling \$148,584, all from special revenue funds, and 2.0 FTE positions. The agency states that due to the increase in the number of licensees and complaints investigated, two new Registered Nurse Investigators would be necessary to ensure that the agency strategic plan of completing all investigations within nine months is met. The agency request includes funding for 26.0 FTE positions, 2.0 more than the FY 2013 revised estimate.

Absent the enhancement, the FY 2014 operating expenditures for the agency request would be \$2,474,185, all from special revenue funds. The request is an all funds increase of \$56,159, or 2.3 percent, above the FY 2013 agency estimate. The agency requests 24.0 FTE positions.

The **Governor** recommends an FY 2014 budget of \$2,621,245, all from special revenue funds, which includes an enhancement of \$148,584. The recommendation also includes 26.0 FTE positions. This is an increase of \$203,219, or 8.4 percent, above the revised FY 2013 estimate. The Governor's recommendation includes a decrease of \$1,524, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

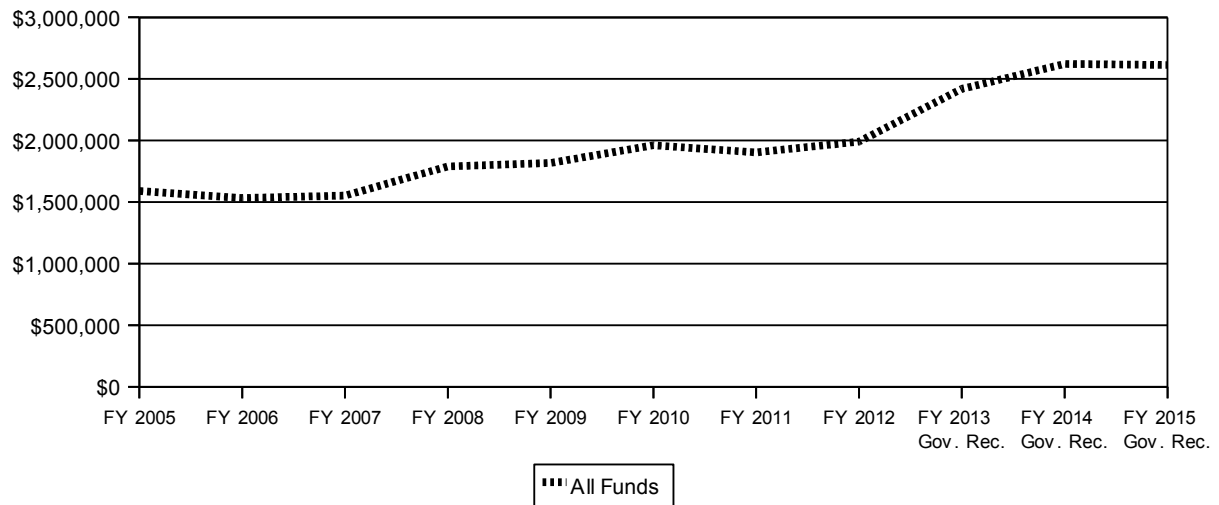
FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$2,615,509, all from special revenue funds including \$308,433 from the Criminal Background Fee Fund, \$10,000 from the Education Conference Fund, and \$2,297,076 from the Nursing Fee Fund. The estimate is an all funds decrease of \$8,490, or 0.3 percent, below above the FY 2014 request. The agency request includes two enhancements for FY 2014 totaling \$148,584, all from special revenue funds. The agency states that due to the increase in the number of licensees and complaints investigated, two new Registered Nurse Investigators would be necessary to ensure that the agency strategic plan of completing all investigations within nine months is met. The agency request includes funding for 26.0 FTE positions.

Absent the enhancement, the FY 2015 operating expenditures for the agency request would be \$2,466,925, all from special revenue funds. The request is an all funds decrease of \$155,844, or 5.9 percent, below the FY 2014 agency request. The agency would request 24.0 FTE positions.

The **Governor** recommends an FY 2015 budget of \$2,613,643, all from special revenue funds, which includes an enhancement of \$148,584. The recommendation also includes 26.0 FTE positions. This is a decrease of \$7,602, or 0.3 percent, below the Governor's FY 2014 recommendation. The Governor's recommendation includes a decrease of \$1,866, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 1,590,503	13.5%	22.0
2006	1,533,432	(3.6)	22.0
2007	1,552,804	1.3	22.0
2008	1,790,265	15.3	24.0
2009	1,818,186	1.6	24.0
2010	1,961,585	7.9	24.0
2011	1,904,440	(2.9)	23.0
2012	1,991,188	4.6	24.0
2013 Gov. Rec.	2,419,526	21.5	24.0
2014 Gov. Rec.	2,622,475	8.4	26.0
2015 Gov. Rec.	2,613,643	(0.3)	26.0
Eleven-Year Change Dollars/Percent	\$ 1,023,140	64.3 %	4.0

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
		FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 1,482,752	\$ 1,593,072	\$ 1,763,510	\$ 170,438	10.7 %	\$ 1,789,207	\$ 25,697	1.5 %
Contractual Services	439,457	774,570	789,659	15,089	1.9	756,702	(32,957)	(4.2)
Commodities	22,100	24,600	24,600	0	0.0	24,600	0	0.0
Capital Outlay	45,679	25,784	45,000	19,216	74.5	45,000	0	0.0
Other Assistance	1,200	1,500	1,230	(270)	(18.0)	0	(1,230)	(100.0)
TOTAL	\$ 1,991,188	\$ 2,419,526	\$ 2,623,999	\$ 204,473	8.5 %	\$ 2,615,509	\$ (8,490)	(0.3) %
Financing:								
Special Revenue Funds	\$ 1,989,988	\$ 2,418,026	\$ 2,622,769	\$ 204,743	8.5 %	\$ 2,615,509	\$ (7,260)	(0.3) %
		Governor's Recommendation						
		FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 1,482,752	\$ 1,593,072	\$ 1,761,986	\$ 168,914	10.6 %	\$ 1,787,341	\$ 25,355	1.4 %
Contractual Services	439,457	774,570	789,659	15,089	1.9	756,702	(32,957)	(4.2)
Commodities	22,100	24,600	24,600	0	0.0	24,600	0	0.0
Capital Outlay	45,679	25,784	45,000	19,216	74.5	45,000	0	0.0
Other Assistance	1,200	1,500	1,230	(270)	(18.0)	0	(1,230)	(100.0)
TOTAL	\$ 1,991,188	\$ 2,419,526	\$ 2,622,475	\$ 202,949	8.4 %	\$ 2,613,643	\$ (8,832)	(0.3) %
Financing:								
Special Revenue Funds	\$ 19,898,988	\$ 2,418,026	\$ 2,621,245	\$ 203,219	8.4 %	\$ 2,613,643	\$ (7,602)	(0.3) %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	2,107,093	2,419,526	312,433	2,419,526	312,433
TOTAL	<u>\$ 2,107,093</u>	<u>\$ 2,419,526</u>	<u>\$ 312,433</u>	<u>\$ 2,419,526</u>	<u>\$ 312,433</u>
FTE Positions	24.0	24.0	0.0	24.0	0.0

The **agency** estimates revised FY 2013 operating expenditures of \$2,419,526, all from special revenue funds. The estimate is an all funds increase of \$312,333, or 14.8 percent, above the amount approved by the 2012 Legislature. The revised estimate includes an additional \$308,433 from the Criminal Background Fee Fund and \$4,000 from the Education Conference Fund without any legislative action required.

The **Governor** concurs with the agency's FY 2013 revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 2,623,999	\$ 2,622,475	\$	(1,524)
FTE Positions	26.0	26.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	204,473	202,949		
<i>Percent Change:</i>				
All Other Funds	8.5 %	8.4 %		
Change in FTE Positions	2.0	2.0		

The **agency** requests \$2,623,999 for FY 2014, all from special revenue funds, which is an increase of \$204,473, or 8.5 percent, above the revised FY 2013 estimate. The increase is primarily attributable to enhancements which increased salary and wage expenditures associated with the addition of 2.0 FTE positions and increased contractual services. The request includes 26.0 FTE positions, an increase of 2.0 FTE positions above the FY 2013 revised estimate. The agency is fully funded through special revenue funds.

Absent the enhancement, the FY 2014 operating expenditures for the agency request would be \$2,474,185, all from special revenue funds. The request is an all funds increase of \$55,889, or 2.3 percent, above the revised FY 2013 agency estimate. The agency request would include 24.0 FTE positions.

- **Salaries and Wages.** The agency requests \$1,763,510 for salaries and wages for FY 2014, all from special revenue funds, which is an increase of \$170,438, or 10.7 percent, above the revised FY 2013 estimate. The increase is due to the addition of 2.0 FTE positions and increased KPERS employer retirement contributions.
- **Contractual Services.** The agency requests \$789,659 for contractual services for FY 2014, all from special revenue funds, which is an increase \$15,089, or 1.9 percent, above the revised FY 2013 estimate. The increase can be attributed to four software maintenance agreements paid every two years, in the even years, and increased travel associated with presentations to nursing students. The agency states that it had canceled all student presentations in previous few

years, and is returning those expenditures to the budget to resume student presentations for FY 2014.

- **Commodities.** The agency requests \$24,600 for commodities for FY 2014, all from special revenue funds, which is the same as the FY 2013 revised estimate.
- **Capital Outlay.** The agency requests \$45,000 for capital outlay for FY 2014, all from special revenue funds, which is an increase of \$19,216 or, or 74.5 percent, above the FY 2013 revised estimate. The agency states that this expenditure is necessary to stay current with its information technology plan.
- **Other Assistance.** The agency requests \$1,230 for other assistance for FY 2014, all from special revenue funds, which is a decrease of \$270, or 18.0 percent, below the FY 2013 revised estimate. The agency states that this money is used for the Student Scholar Fellow Grant, a scholarship for an individual pursuing a PhD in nursing education. The funding is all from donated funds in memory of a deceased Board of Nursing education specialist.

The **Governor** recommends an FY 2014 budget of \$2,622,475, all from special revenue funds, which includes an enhancement of \$148,584, including 2.0 additional FTE positions for a total of 26.0 FTE positions. This is a decrease of \$1,524, or 0.1 percent, below the agency's FY 2014 request. The Governor's recommendation includes a decrease of \$1,524, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
New FTE for additional caseloads	\$ 0	\$ 74,292	1.0	\$ 0	\$ 74,292	1.0
New FTE for additional caseloads	0	74,292	1.0	0	74,292	1.0
TOTAL	\$ 0	\$ 148,584	2.0	\$ 0	\$ 148,584	2.0

Enhancements Detail

The **agency** requests \$148,584 for 2.0 new FTE positions. The agency states that due to the increase in the number of licensees and complaints investigated, two new Registered Nurse Investigators would be necessary to ensure that the agency's strategic plan of completing all investigations within nine months is met. Between 2007 and 2011 the Board saw the number of licensed individuals rise from 51,414 to 59,720 and the number of complaints investigated rise from 1,200 to 1,791, an increase of 8,306 licensees and 591 complaints. The last audit revealed that 36.2 percent of cases had been open for longer than nine months. The agency states that this is a public safety issue.

The **Governor** concurs with the agency request for \$148,583 in enhanced funding for 2.0 new FTE positions for additional Registered Nurse Investigators.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 2,615,509	\$ 2,613,643	\$	(1,866)
FTE Positions	26.0	26.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	(8,490)	(8,832)		
<i>Percent Change:</i>				
All Other Funds	(0.3) %	(0.3) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests \$2,615,509 for FY 2015, all from special revenue funds, which is a decrease of \$8,490, or 0.3 percent, below the FY 2014 request. The decrease is attributable to lower contractual services expenditures due to fewer software maintenance expenditures and no software enhancements. The decrease in contractual services expenditures is greater than the increase in KPERS employer retirement contribution costs. The request includes 26.0 FTE positions. The agency is fully funded through special revenue funds.

Absent the enhancement, the FY 2015 operating expenditures for the agency request would be \$2,466,925, all from special revenue funds. The request is an all funds decrease of \$157,074, or 6.0 percent, below the FY 2014 agency request and the agency request would include 24.0 FTE positions.

- **Salaries and Wages.** The agency requests \$1,789,207 for salaries and wages for FY 2015, all from special revenue funds, which is an increase of \$25,697, or 1.5 percent, above the FY 2014 request. The increase is due to increased KPERS employer retirement contributions.
- **Contractual Services.** The agency requests \$756,702 for contractual services for FY 2015, all from special revenue funds, which is an decrease \$32,957, or 4.2 percent, below the FY 2014 request. The decrease can be attributed to a reduction in computer software maintenance services.
- **Commodities.** The agency requests \$24,600 for commodities for FY 2015, all from special revenue funds, which is the same as the FY 2014 request.
- **Capital Outlay.** The agency requests \$45,000 for capital outlay for FY 2015, all from special revenue funds, which is the same as the FY 2014 request.

- **Other Assistance.** The agency does not request any funding for other assistance for FY 2015, which is a decrease of \$1,230 or 100.0 percent, below the FY 2014 request. The agency states that funding for the memorial scholarship will be exhausted in FY 2014 and the program will be discontinued.

The **Governor** recommends an FY 2015 budget of \$2,613,643, all from special revenue funds, which includes an enhancement of \$148,584, including 2.0 additional FTE positions for a total of 26.0 FTE positions. This is a decrease of \$1,866, or 0.1 percent, below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$1,866 all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2015.

FY 2015 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
New FTE for additional caseloads	\$ 0	\$ 74,292	1.0	\$ 0	\$ 74,292	1.0
New FTE for additional caseloads	\$ 0	\$ 74,292	1.0	0	74,292	1.0
TOTAL	\$ 0	\$ 148,584	2.0	\$ 0	\$ 148,584	2.0

Enhancements Detail

The **agency** requests \$148,584 to continue funding for the 2.0 new FTE positions requested for FY 2014. The agency states that due to the increase in the number of licensees and complaints investigated, two new Registered Nurse Investigators would be necessary to ensure that the agency's strategic plan of completing all investigations within nine months is met. Between 2007 and 2011 the Board saw the number of licensed individuals rise from 51,414 to 59,720 and the number of complaints investigated rise from 1,200 to 1,791, an increase of 8,306 licensees and 591 complaints. The last audit revealed that 36.2 percent of cases had been open for longer than nine months. The agency states that this is a public safety issue.

The **Governor** concurs with the agency request for \$148,583 in enhanced funding for 2.0 new FTE positions for additional Registered Nurse Investigators.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$7,080, all from special revenue funds, and FY 2015 longevity payments total \$7,480, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Board of Nursing Fee Fund	88.1 %	88.0 %
Criminal Background Fee Fund	11.5	11.5
Education Conference Fund	0.4	0.4
TOTAL	100.0 %	100.0 %

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 hearing 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 74-11406 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.

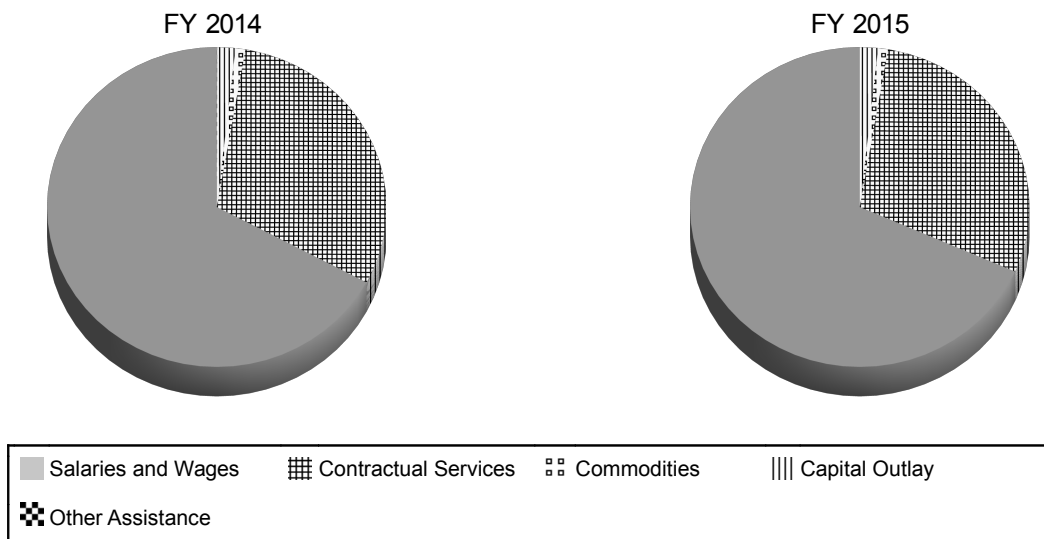
According to KSA 74-1112, which created the Criminal Background and Fingerprinting Fund, the agency has the authority to fix a fee for the fingerprinting of applicants, licensees, or both. These fees are used to pay the Kansas Bureau of Investigation for the processing of fingerprints and criminal history 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 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 651,644	\$ 847,633	\$ 847,633	\$ 939,040	\$ 939,040	\$ 849,521	\$ 851,045
Revenue	2,193,246	2,197,000	2,197,000	2,221,000	2,221,000	2,245,000	2,245,000
Net Receipts	0	0	0	0	0	0	0
Total Funds Available	\$ 2,844,890	\$ 3,044,633	\$ 3,044,633	\$ 3,160,040	\$ 3,160,040	\$ 3,094,521	\$ 3,096,045
Less:							2,295,21
Expenditures	\$ 1,997,257	\$ 2,105,593	\$ 2,105,593	\$ 2,310,519	\$ 2,308,995	\$ 2,297,076	\$ 2,297,076
Transfers Out	0	0	0	0	0	0	0
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 847,633</u>	<u>\$ 939,040</u>	<u>\$ 939,040</u>	<u>\$ 849,521</u>	<u>\$ 851,045</u>	<u>\$ 797,445</u>	<u>\$ 800,835</u>
Ending Balance as Percent of Expenditures	42.4%	44.6%	44.6%	36.8%	36.9%	34.7%	34.9%
Month Highest Ending Balance	June \$ 880,714	June \$ 900,000	June \$ 900,000	June \$ 925,000	June \$ 925,000	June \$ 850,000	June \$ 850,000
Month Lowest Ending Balance	July \$ 704,195	July \$ 925,000	July \$ 925,000	May \$ 850,000	May \$ 850,000	May \$ 725,000	May \$ 725,000

PROGRAM DETAIL

Expenditures by Object

Governor's Recommendation



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 1,761,986	67.2 %	\$ 1,787,341	68.4 %
Contractual Services	789,659	30.1	756,702	29.0
Commodities	24,600	0.9	24,600	0.9
Capital Outlay	45,000	1.7	45,000	1.7
Other Assistance	1,230	0.0	0	0.0
TOTAL	\$ 2,622,475	100.0 %	\$ 2,613,643	100.0 %

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of investigations conducted	1,700	1,591	1,650	1,700	1,750
Percentage of on-line renewals	85.00%	78.00%	80.00%	85.00%	95.00%

BOARD OF EXAMINERS IN OPTOMETRY

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 110,543	\$ 168,614	\$ 143,614	\$ 168,596	\$ 143,546	\$ 166,526	\$ 141,476
Percent Change	9.3 %	52.5 %	29.9 %	(0.0)%	(0.0)%	(1.2)%	(1.4)%
FTE Positions	0.8	0.8	0.8	0.8	0.8	0.8	0.8
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	0.8	0.8	0.8	0.8

AGENCY OVERVIEW

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 2012, there were 658 optometrists holding active licenses from the Board. Of those, 577 were practicing in Kansas, and 81 were maintaining licensure in Kansas but practicing in another state. There were 24 licensees holding inactive licenses.

MAJOR ISSUES FROM PRIOR YEARS

The **2003 Legislature** passed 2003 HB 2169, which created an inactive license category and changed the licensure period from annual to biennial. The bill also increased the statutory limits on fees as follows: \$450 for initial license examination, up from \$150; \$150 for a license issued by examination, up from \$30; \$150 for retaking the examination, up from \$75; and \$800 for biennial renewal, up from \$150 for annual renewal. It also created a late renewal fee not to exceed \$450. During FY 2004, the Board made the transition to biennial license renewal. Currently, half of the licenses are due for renewal each year.

The **2005 Legislature** passed 2005 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.

In addition, 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 statute was further amended to remove obsolete reporting language for the interprofessional advisory committee.

The **2006 Legislature** passed 2006 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 licensed physical therapists and licensed occupational therapists to form professional corporations and also 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 2010 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 broadens the manner in which contact lenses are dispensed, beyond delivery through the mail, to also include mailing or delivery using a commercial courier or overnight or other delivery services.

In addition, the **2010 Legislature** passed 2010 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 2012 HB 2525, which updates Kansas optometry law to reflect the current, State Board-required, single licensure level of 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 do. The bill also creates the Optometry Litigation Fund, capped at \$400,000, which will be used to pay all costs and fees associated with litigation expenses 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates a revised FY 2013 budget of \$168,614, all from special revenue funds, which is a decrease of \$345,754, or 67.2 percent, below the amount approved by the 2012 Legislature. This also is an increase of \$58,071, or 20.5 percent, above FY 2012 actuals. The decrease is attributable to the passage of HB 2525, giving the Board authority to create the Optometry Litigation Fund. The Optometry Litigation Fund is capped at \$400,000. The board began to transfer revenues to the Optometry Litigation Fund during FY 2013. The agency is fully funded through special revenue funds.

The **Governor** recommends a revised FY 2013 budget of \$143,614, all from special revenue funds, which is a decrease of \$370,754, or 72.1 percent, below the amount approved by the 2012 Legislature. The decrease is attributable to the passage of HB 2525, giving the Board authority to create the Optometry Litigation fund. The Optometry Litigation Fund is capped at \$400,000. The board began to transfer revenues to the Litigation Fund during FY 2013.

FY 2014 – Budget Year. The **agency** requests \$168,596 for FY 2014, all from special revenue funds, which is a decrease of \$18 below the revised FY 2013 estimate to maintain the same levels of service. Funds will be used to maintain current levels of service and transfer revenues to the Optometry Litigation Fund. The agency is fully funded through special revenue funds.

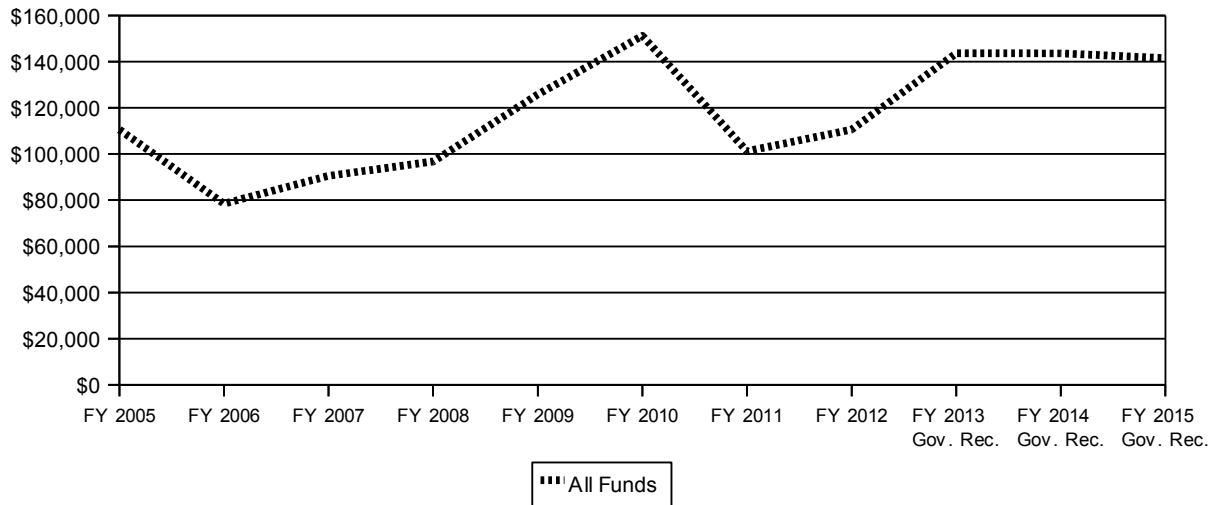
The **Governor** recommends an FY 2014 budget of \$143,546, all from special revenue funds. The recommendation also includes 0.8 FTE positions, the same as the agency request. This is a decrease of \$68 below the Governor's revised FY 2013 recommendation. The decrease is due to increased salaries and wages and capital outlay expenditures offset with greater reductions in contractual services. The Governor's recommendation includes a decrease of \$50, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. The **agency** requests \$166,526 for FY 2015, all from special revenue funds, which is a decrease of \$2,070, or 1.2 percent, below the FY 2014 request to maintain the same levels of service. Funds will be used to maintain current levels of service and transfer revenues to the Optometry Litigation Fund. The agency is fully funded through special revenue funds.

The **Governor** recommends an FY 2015 budget of \$141,476, all from special revenue funds. The recommendation also includes 0.8 FTE positions, the same as the agency request. This is a decrease of \$2,070, or 1.4 percent, below the Governor's FY 2014 recommendation. The decrease in funds is due to decreased contractual services and capital outlay expenditures. The Governor's recommendation includes a decrease of \$50, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 110,542	12.3 %	0.8
2006	78,458	(29.0)	0.8
2007	90,508	15.4	0.8
2008	96,738	6.9	0.8
2009	125,743	30.0	0.8
2010	151,153	20.2	0.8
2011	101,181	(33.1)	0.8
2012	110,543	9.3	0.8
2013 Gov. Rec.	143,614	29.9	0.8
2014 Gov. Rec.	143,546	(0.0)	0.8
2015 Gov. Rec.	141,476	(1.4)	0.8
Eleven-Year Change Dollars/Percent	\$ 30,934	28.0 %	0.0

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
	Actual FY 2012	FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 63,317	\$ 58,811	\$ 59,187	\$ 376	0.6 %	\$ 59,564	\$ 377	0.6 %
Contractual Services	45,940	108,567	106,598	(1,969)	(1.8)	105,726	(872)	(0.8)
Commodities	580	1,236	1,236	0	0.0	1,236	0	0.0
Capital Outlay	706	0	1,575	1,575	--	0	(1,575)	(100.0)
TOTAL	<u>\$ 110,543</u>	<u>\$ 168,614</u>	<u>\$ 168,596</u>	<u>\$ (18)</u>	<u>(0.0) %</u>	<u>\$ 166,526</u>	<u>\$ (2,070)</u>	<u>(1.2) %</u>
Financing:								
Optometry Board Fee Fund	\$ 110,543	\$ 168,614	\$ 168,596	\$ (18)	(0.0) %	\$ 166,526	\$ (2,070)	(1.2) %

		Governor's Recommendation						
	Actual FY 2012	FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 63,317	\$ 58,811	\$ 59,137	\$ 326	0.6 %	\$ 59,514	\$ 377	0.6 %
Contractual Services	45,940	83,567	81,598	(1,969)	(2.4)	80,726	(872)	(1.1)
Commodities	580	1,236	1,236	0	0.0	1,236	0	0.0
Capital Outlay	706	0	1,575	1,575	--	0	(1,575)	(100.0)
TOTAL	<u>\$ 110,543</u>	<u>\$ 143,614</u>	<u>\$ 143,546</u>	<u>\$ (68)</u>	<u>(0.0) %</u>	<u>\$ 141,476</u>	<u>\$ (2,070)</u>	<u>(1.4) %</u>
Financing:								
Optometry Board Fee Fund	\$ 110,543	\$ 143,614	\$ 143,546	\$ (68)	(0.0) %	\$ 141,476	\$ (2,070)	(1.4) %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved Budget

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	514,368	168,614	(345,754)	143,614	(370,754)
TOTAL	<u>\$ 514,368</u>	<u>\$ 168,614</u>	<u>\$ (345,754)</u>	<u>\$ 143,614</u>	<u>\$ (370,754)</u>
FTE Positions	0.8	0.8	0.0	8.0	0.0

The **agency** estimates a revised FY 2013 budget of \$168,614, all from special revenue funds, which is a decrease of \$345,754, or 67.2 percent, below the amount approved by the 2012 Legislature. The decrease is attributed to the passage of HB 2525, creating the Optometry Litigation Fund and giving the Board authority to transfer up to \$400,000 to that fund. The agency revised estimate includes a transfer of \$50,000 into the Optometry Litigation Fund in FY 2013. The agency is fully funded through special revenue funds.

The **Governor** recommends a revised FY 2013 budget of \$143,614, all from special revenue funds, which is a decrease of \$370,754, or 72.1 percent, below the amount approved by the 2012 Legislature. The decrease is attributable to the passage of HB 2525, giving the Board authority to create the Optometry Litigation Fund, capped at \$400,000. The Governor's recommendation includes a transfer of \$25,000 into the Optometry Litigation Fund.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 168,596	\$ 143,546	\$ (25,050)
FTE Positions	0.8	0.8	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
All Other Funds	(18)	(68)	
<i>Percent Change:</i>			
All Other Funds	(0.0) %	(0.0) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests \$168,596 for FY 2014, all from special revenue funds, which is a decrease of \$18 below the revised FY 2013 estimate. Funds will be used to maintain current levels of service and transfer additional funding to the Optometry Litigation Fund. The agency is fully funded through special revenue funds.

- **Salaries and Wages.** The Board requests \$59,187 for salaries and wages for FY 2014, all from special revenue funds. This is an increase of \$378, or 0.6 percent, above the revised FY 2013 estimate. The increase is due to greater KPERS retirement employer contributions.
- **Contractual Services.** The Board requests \$106,598 for contractual services for FY 2014, all from special revenue funds, which is a decrease of \$1,969, or 1.8 percent, below the revised FY 2013 estimate. The agency's major expenditures in this category are for rent, communications, travel for board meetings, administering exams, the national meeting of optometry board members, and contractual services for legal assistance. The decrease is due to a reduction in travel expenditures, including mileage, lodging, and meals.
- **Commodities.** The Board requests \$1,236 for commodities for FY 2014, all from special revenue funds, which is the same as the revised FY 2013 estimate.
- **Capital Outlay.** The Board requests \$1,575 for capital outlay for FY 2014. This is an increase of \$1,575 above the FY 2013 revised estimate. The increase is due to a computer and monitor purchase.

The **Governor** recommends an FY 2014 budget of \$143,546, all from special revenue funds. The recommendation also includes 0.8 FTE positions, the same as the agency request. This is a decrease of \$25,050, or 14.9 percent, below the FY 2014 agency request. The decrease is due to a recommended transfer of \$25,000 into the Optometry Litigation Fund, rather than the agency request of \$50,000. The Governor's recommendation includes a decrease of \$50, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The **Board** is not requesting any enhancements for FY 2014.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 166,526	\$ 141,476	\$	(25,050)
FTE Positions	0.8	0.8		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	(2,070)	(2,070)		
<i>Percent Change:</i>				
All Other Funds	(1.2) %	(1.4) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests \$166,526 for FY 2015, all from special revenue funds, which is a decrease of \$2,070, or 1.2 percent, below the FY 2014 request. Funds will be used to maintain current levels of service and transfer additional funding to the Optometry Litigation Fund. The agency is fully funded through special revenue funds.

- **Salaries and Wages.** The Board requests \$59,564 for salaries and wages for FY 2015, all from special revenue funds. This is an increase of \$377, or 0.6 percent, above the FY 2014 request. The increase is due to greater KPERS retirement contribution costs.
- **Contractual Services.** The Board requests \$105,726 for contractual services for FY 2015, all from special revenue funds, which is a decrease of \$872, or 0.8 percent, below the FY 2014 request. The agency's major expenditures in this

category are for rent, communications, travel for board meetings, administering exams, and the national meeting of optometry board members, and contractual services for legal assistance.

- **Commodities.** The Board requests \$1,236 for commodities for FY 2015, all from special revenue funds, which is the same as the FY 2014 request.
- **Capital Outlay.** The Board makes no request for capital outlay for FY 2015. The agency does not anticipate capital outlay needs due to the purchase of computer equipment in FY 2014. This is the a decrease of \$1,575, or 100.0 percent, below the FY 2014 request.

The **Governor** recommends an FY 2015 budget of \$141,476, all from special revenue funds. The recommendation also includes 0.8 FTE positions, the same as the agency request. The recommendation is a decrease of \$25,050, or 15.0 percent, below the FY 2014 agency request. The decrease is due to a recommended transfer of \$25,000 into the Optometry Litigation Fund, rather than the agency request of \$50,000. The Governor's recommendation includes a decrease of \$50, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2015.

Enhancements Detail

The **Agency** is not requesting any enhancements for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$520, all from special revenue funds, and FY 2015 longevity payments total \$560, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Optometry Board Fee Fund	100.0 %	100.0 %
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

Fee Fund Analysis

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.

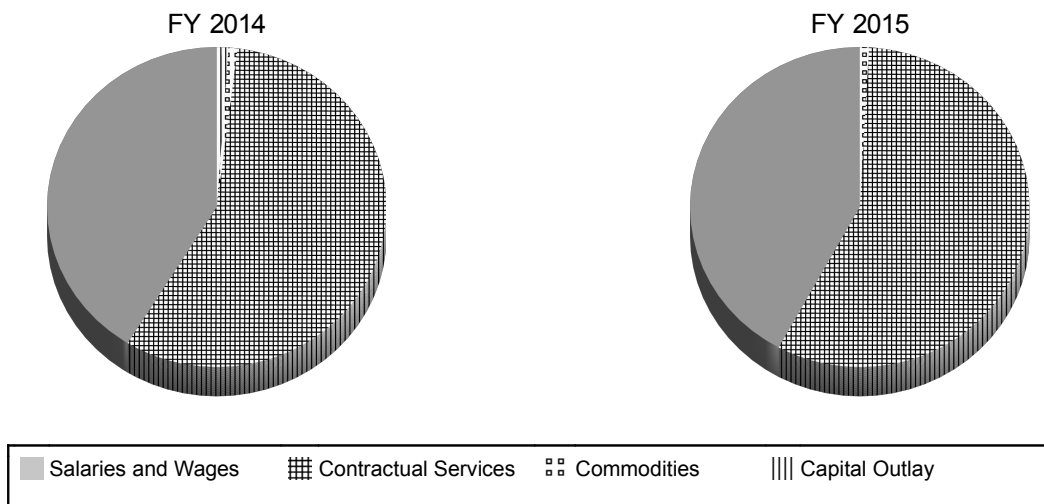
The fee structure was changed from annual to biennial license renewal by the 2003 Legislature with the passage of 2003 HB 2169. The bill also raised the maximum renewal fee to \$800. The Board has made this transition, and now one-half of the licensees renew in even years, and the other half in odd years. The statutory limit on license fees was increased to \$450 biennially. Late fees are \$250 with subsequent late renewals carrying a \$500 fee. Other revenue is derived from examination fees, mailing list fees, and fees for new licenses.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 342,691	\$ 370,187	\$ 370,187	\$ 208,626	\$ 385,446	\$ 227,545	\$ 379,415
Revenue	137,553	156,373	157,252	135,015	135,615	155,265	155,865
Net Receipts	486	879	0	600	0	600	0
Total Funds Available	\$ 480,730	\$ 527,439	\$ 527,439	\$ 344,241	\$ 521,061	\$ 383,410	535,280
Less:							
Expenditures	\$ 110,543	\$ 116,114	\$ 91,114	\$ 116,096	\$ 91,046	\$ 114,026	\$ 88,976
Transfers Out	0	202,699	50,879	600	50,600	600	50,600
Off Budget Expenditures	0	0	0	0	0	0	0
Ending Balance	<u>\$ 370,187</u>	<u>\$ 208,626</u>	<u>\$ 385,446</u>	<u>\$ 227,545</u>	<u>\$ 379,415</u>	<u>\$ 268,784</u>	<u>\$ 395,704</u>
Ending Balance as Percent of Expenditures	334.9%	179.7%	423.0%	196.0%	416.7%	235.7%	444.7%
Month Highest Ending Balance	June \$ 373,546	June \$ 323,546	June \$ 323,546	June \$ 273,546	June \$ 273,546	June \$ 223,546	June \$ 223,546
Month Lowest Ending Balance	February \$ 272,881	February \$ 228,881	February \$ 228,881	February \$ 172,881	February \$ 172,881	February \$ 122,881	February \$ 122,881

PROGRAM DETAIL

Expenditures by Object

Governor's Recommendation



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 59,137	41.2 %	\$ 59,514	42.1 %
Contractual Services	81,598	56.8	80,726	57.1
Commodities	1,236	0.9	1,236	0.9
Capital Outlay	1,575	1.1	0	0.0
TOTAL	\$ 143,546	100.0 %	\$ 141,476	100.0 %

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of Days to Respond to Complaints from Consumers	1	1	1	1	1
Percent of Applicants Passing Examination	99.90%	97.00%	90.00%	90.00%	90.00%

BOARD OF PHARMACY

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 1,041,908	\$ 1,153,573	\$ 1,153,573	\$ 1,248,750	\$ 1,248,083	\$ 1,245,556	\$ 1,244,787
Percent Change	0.0 %	10.7 %	10.7 %	8.3 %	8.2 %	(0.3)%	(0.3)%
FTE Positions	8.0	8.0	8.0	8.0	8.0	8.0	8.0
Non FTE Perm. Uncl. Pos.	2.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	10.0	10.0	10.0	10.0	10.0	10.0	10.0

AGENCY OVERVIEW

The Board of Pharmacy is responsible for the enforcement of the Pharmacy Act and the Controlled Substance Act of Kansas. The mission of the Kansas Board of Pharmacy is to ensure that all persons and entities conducting business relating to the practice of pharmacy in Kansas are properly licensed and registered, so as to protect the public health, safety, and welfare, and to promote the education and 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 with five years experience, and one member who represents the general public.

The Board licenses/registers approximately 16,000 persons and entities, and issues new licenses based on reciprocity of a person licensed from another state or through the administration of two national pharmacist examinations. The Board evaluates and approves pharmacist continuing education programs, and renews licenses based on completion of these requirements. The Board investigates complaints regarding unlawful practice and complaints against license holders and, after a public hearing, may revoke, suspend, or place on probation the person or entity's license to conduct business in the state. Fines assessed to persons and entities are collected by the Board of Pharmacy and 100.0 percent directly deposited into the State General Fund. All expenses of the Board are met through fees assessed for annual renewals, registration of pharmacy-related businesses, pharmacist examinations, score certifications, and license verifications.

As of August 21, 2012, the Board of Pharmacy is responsible for the license and regulation of 4,482 pharmacists, 6,700 technicians, 893 pharmacies, 16 manufacturers, 976 distributors, and 1,529 retail dealers.

MAJOR ISSUES FROM PRIOR YEARS

During the **2005 Session**, House Bill 2077 created a cancer drug repository program. The Board of Pharmacy was required to establish a cancer drug repository through rules and regulations so that drugs could be donated and dispensed to cancer patients. The program is voluntary to all participants.

During the **2005 Session**, Senate Bill 27 required that any product containing any amount of ephedrine or pseudoephedrine that was in starch tablet form or gel-coated starch tablet form be listed as a Schedule V controlled substance. The new law required the Kansas State Board of Pharmacy 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.

Effective **July 1, 2007**, the Sheriff Matt Samuels Bill made all forms of over-the-counter ephedrine and pseudoephedrine a Schedule V controlled substance in Kansas. The drugs can only be sold at a pharmacy and it became unlawful for customers to 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.

During the **2008 Session**, House Bill 2578 expanded the philosophy of drug donations and created the utilization of Unused Medication Act, a voluntary program in which adult-care homes, mail service pharmacies, and medical care facilities can donate unused medications to indigent health care 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**, in Substitute for Senate Bill 491, created the Prescription Drug Monitoring Program to establish and maintain a prescription monitoring program for Schedule II through Schedule IV substances and other drugs of concern. The State Board of Pharmacy is required to develop and maintain a database of prescriptions for controlled substances and drugs of concern. As part of this program, the agency is required to provide education to pharmacies, physicians, attorneys, law enforcement, and the public.

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** permitted the State Board of Pharmacy to fingerprint or perform a background check on any original or reinstatement applicant as a consumer protection action. The agency has begun the process of fingerprinting interns at the pharmacy school, and will begin the next stage of fingerprinting with other licensees and registrants. The applicant is required to pay the fee associated with a Kansas Bureau of Investigation fingerprint or background check. The agency collects these funds, and 100.0 percent goes 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.

During the **2012 Session**, Senate Bill 134 required the agency to conduct a study, in consultation with the 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 is also authorized to conduct pilot projects for new technology implementation when necessary, but no state monies may be used for the pilot projects.

Also during **2012 Session**, Senate Bill 134 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, Senate Bill 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 money 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates revised FY 2013 operating expenditures of \$1,153,573, including \$817,612 from the State Board of Pharmacy Fee Fund, \$315,961 from the Harold Rogers Prescription Fund, and \$20,000 from a grant awarded by the National Association of State Controlled Substance Authorities (NASCSA). This is an increase of \$20,000, or 1.8 percent, above the FY 2013 approved amount. The increase is attributable to the agency receiving authorization to use the NASCSA grant funds for expenditures, where as previously the agency was not authorized to make expenditures out of the grant.

The agency carried forward the Harold Rogers Prescription Drug Monitoring Program Training and Technical Assistance grant, which expires on September 30, 2013. The agency was awarded the Harold Rogers Prescription Monitoring grant which can be used for FY 2013, as needed. The total amount of grant funds available is \$315,961. The agency was also awarded a \$20,000 grant from the NASCSA, which can be used for expenditures in FY 2013.

The **Governor** concurs with agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$1,248,750, an increase of \$95,177, or 8.3 percent, above the agency's FY 2013 revised estimate. The increase is attributable to an increase of \$5,121, or 0.7 percent, in salaries and wages; an increase of \$91,172, or 21.8 percent, in contractual services; a decrease of \$2,217, or 5.7 percent, in commodities; and a decrease in \$1,101, or 55.1 percent, in capital outlay. The increase in contractual services is primarily attributable to an increase of \$31,727 for professional services fees, an increase of \$8,494 for court reporting fees, an increase of \$10,898 for meals and lodging in and out of state, and an increase of \$12,283 for printing and copying expenses. The decrease in commodities is primarily attributable to a decrease of \$3,812 for stationary and office supplies.

The **Governor** recommends FY 2014 operating expenditures of \$1,248,083, an all funds decrease of \$667, or less than 0.1 percent, below the agency's FY 2014 request. The Governor's recommendation includes a decrease of \$667, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2014.

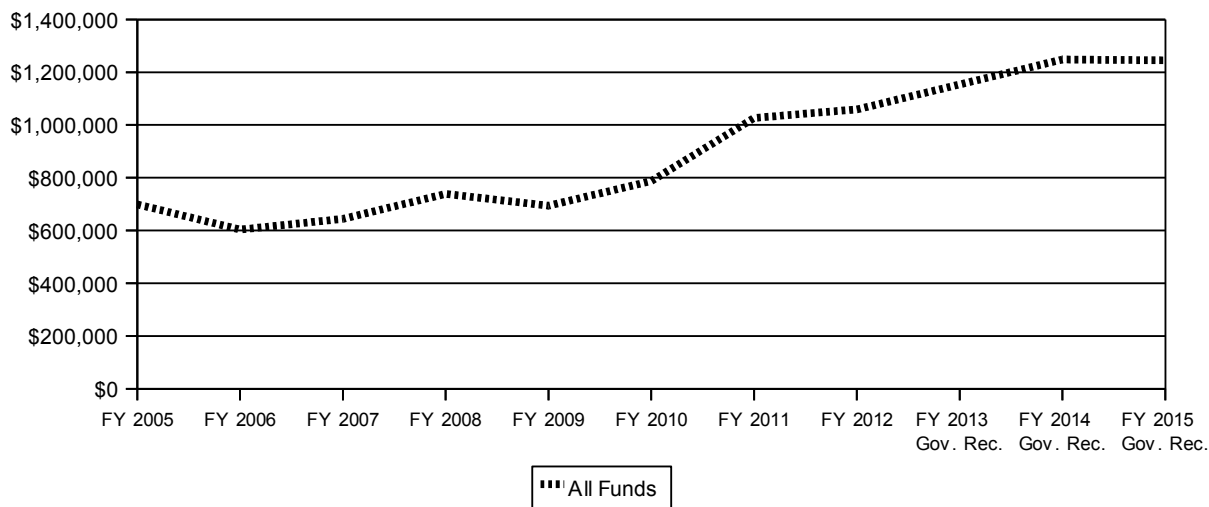
FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$1,245,556, a decrease of \$3,194, or 0.3 percent, below the agency's FY 2014 agency request.

The decrease is attributable to: an increase of \$12,839, or 1.8 percent, in salaries and wages; a decrease of \$23,247, or 4.6 percent, in contractual services; an increase of \$6,714, or 18.4 percent, in commodities; and an increase of \$500, or 16.1 percent, in capital outlay. The increase in commodities is primarily attributable to an increase of \$5,000 for stationary and office supplies, and an increase of \$1,000 for gasoline. The decrease in contractual services is primarily attributable to a decrease of \$8,660 for printing and copying expenses, and a decrease of \$6,000 for in-state private vehicle miles.

The **Governor** recommends FY 2015 operating expenditures of \$1,244,787, a decrease of \$769, or less than 0.1 percent, below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$769, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



Note: The increase from FY 2010 to FY 2011 is attributable to five grants the agency received to implement the Prescription Drug Monitoring Program created by the 2008 Legislature.

OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 698,952	18.3 %	7.0
2006	603,510	(13.7)	7.0
2007	644,286	6.8	6.0
2008	738,748	14.7	8.0
2009	694,118	(6.0)	8.0
2010	787,517	13.5	8.0
2011	1,026,676	30.4	8.0
2012	1,058,908	3.1	8.0
2013 Gov. Rec.	1,153,573	8.9	8.0
2014 Gov. Rec.	1,248,083	8.2	8.0
2015 Gov. Rec.	1,244,787	(0.3)	8.0
Eleven-Year Change Dollars/Percent	\$ 545,835	78.1 %	1.0

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
		FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 680,562	\$ 694,696	\$ 699,817	\$ 5,121	0.7 %	\$ 712,656	\$ 12,839	1.8 %
Contractual Services	300,017	418,090	509,262	91,172	21.8	486,015	(23,247)	(4.6)
Commodities	17,967	38,787	36,570	(2,217)	(5.7)	43,284	6,714	18.4
Capital Outlay	43,362	2,000	3,101	1,101	55.1	3,601	500	16.1
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	\$ 1,041,908	\$ 1,153,573	\$ 1,248,750	\$ 95,177	8.3 %	\$ 1,245,556	\$ (3,194)	(0.3) %
Financing:								
State Board of Pharmacy Fee Fund	\$ 792,040	\$ 817,612	\$ 823,498	\$ 5,886	0.7 %	\$ 831,343	\$ 7,845	1.0 %
Harold Rogers Prescription Fund	249,868	315,961	425,252	109,291	34.6 %	414,213	(11,039)	(2.6)
NASCSA Grant Fund	0	20,000	0	(20,000)	(100.0) %	0	0	--
	\$ 1,041,908	\$ 1,153,573	\$ 1,248,750	\$ 95,177	8.3 %	\$ 1,245,556	\$ (3,194)	(0.3) %
		Governor's Recommendation						
		FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 680,562	\$ 694,696	\$ 699,150	\$ 4,454	0.6 %	\$ 711,887	\$ 12,737	1.8 %
Contractual Services	300,017	418,090	509,262	91,172	21.8	486,015	(23,247)	(4.6)
Commodities	17,967	38,787	36,570	(2,217)	(5.7)	43,284	6,714	18.4
Capital Outlay	43,362	2,000	3,101	1,101	55.1	3,601	500	16.1
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	\$ 1,041,908	\$ 1,153,573	\$ 1,248,083	\$ 94,510	8.2 %	\$ 1,244,787	\$ (3,296)	(0.3) %
Financing:								
State Board of Pharmacy Fee Fund	\$ 792,040	\$ 817,612	\$ 822,956	\$ 5,344	0.7 %	\$ 830,719	\$ 7,763	0.9 %
Harold Rogers Prescription Fund	249,868	315,961	425,127	109,166	34.6	414,068	(11,059)	(2.6)
NASCSA Grant Fund	17,000	20,000	0	(20,000)	(100.0)	0	0	--
	\$ 1,058,908	\$ 1,153,573	\$ 1,248,083	\$ 94,510	8.2 %	\$ 1,244,787	\$ (3,296)	(0.3) %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	1,133,573	1,153,573	20,000	1,153,573	20,000
TOTAL	\$ 1,133,573	\$ 1,153,573	\$ 20,000	\$ 1,153,573	\$ 20,000
FTE Positions	8.0	8.0	0.0	8.0	0.0

The **agency** estimates revised FY 2013 operating expenditures of \$1,153,573, including \$564,523 from the State Board of Pharmacy Fee Fund, and \$130,173 from the Harold Rogers Prescription Fund. This is an increase of \$20,000, or 1.8 percent, above the FY 2013 approved amount. The increase from the FY 2013 approved amount is attributable to the authorization to spend NASCSA grant funds on expenditures for contractual services.

The **Governor** concurs with the agency's FY 2013 revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total			
Request/Recommendation	\$ 1,248,750	\$ 1,248,083	\$ (667)
FTE Positions	8.0	8.0	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
All Other Funds	95,177	94,510	
<i>Percent Change:</i>			
All Other Funds	8.3 %	8.2 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2014 operating expenditures of \$1,248,750, an increase of \$95,177, or 8.3 percent, above the agency's FY 2013 revised estimate. The increase is attributable to: an increase of \$5,121, or 0.7 percent, in salaries and wages; an increase of \$91,172, or 21.8 percent, in contractual services; a decrease of \$2,217, or 5.7 percent, in commodities; and an increase of \$1,101, or 55.1 percent, in capital outlay.

The agency requests \$699,817 for **salaries and wages**, an increase of \$5,121, or 0.7 percent, above the FY 2013 revised estimate. The increase is primarily attributable to an increase in employer contributions for retirement and longevity pay. The request includes \$568,665 from the State Board of Pharmacy Fee Fund, and \$131,152 from the Harold Rogers Prescription Fund.

The agency requests \$509,262 for **contractual services**, an increase of \$91,172, or 21.8 percent, above the FY 2013 revised estimate. The request includes \$231,162 from the State Board of Pharmacy Fee Fund, and \$278,100 from the Harold Rogers Prescription Fund. The increase is primarily attributable to an increase of \$90,625 for other contractual services, \$11,500 in printing services, and an increase of \$5,600 in computer programming.

The agency requests \$36,570 for **commodities**, a decrease of \$2,217, or 5.7 percent, below the FY 2013 revised estimate. The request includes \$20,570 from the State Board of Pharmacy Fee Fund, and \$16,000 from the Harold Rogers Prescription Fund. The decrease is primarily attributable to a decrease of \$3,812 for stationary and office supplies.

The agency requests \$3,101 for **capital outlay**, an increase of \$1,101, or 55.1 percent, above the FY 2013 revised estimate. The request is to be entirely funded from the State Board of Pharmacy Fee Fund. The increase is primarily attributable to an increase of \$1,000 for software expenses.

The **Governor** recommends FY 2014 operating expenditures of \$1,248,083, an all funds decrease of \$667, or less than 0.1 percent, below the agency's FY 2014 request. The Governor's recommendation includes a decrease of \$667, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The agency did not submit an enhancement request for FY 2014.

Reduced Resources

The agency is not required to submit a reduced resources budget.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 1,245,556	\$ 1,244,787	\$	(769)
FTE Positions	8.0	8.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	(3,194)	(3,296)		
<i>Percent Change:</i>				
All Other Funds	(0.3) %	(0.3) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests operating expenditures of \$1,245,556, a decrease of \$3,194, or 0.3 percent, below the FY 2014 agency request. The decrease is primarily attributable to a reduction in the amount of funding received through the Harold Rogers Prescription Drug Monitoring Program Training and Technical Assistance grant.

The agency requests \$712,656 for **salaries and wages**, an increase of \$12,839, or 1.8 percent, above FY 2014 agency request. The request includes \$578,543 from the State Board of Pharmacy Fee Fund, and \$134,113 from the Harold Rogers Prescription Fund. The increase is primarily attributable to an increase in OASDI, employer contributions for retirement, and longevity pay.

The agency requests \$486,015 for **contractual services**, a decrease of \$23,247, or 4.6 percent, below the FY 2014 agency request. The request includes \$220,915 from the State Board of Pharmacy Fee Fund, and \$265,100 from the Harold Rogers Prescription Fund. The increase is primarily attributable to a decrease of \$10,000 in print binding, a decrease of \$6,000 for in state vehicle miles, and a decrease of \$5,000 in inter-governmental postage costs.

The agency requests \$43,284 for **commodities**, an increase of \$6,714, or 18.4 percent, above the FY 2014 agency request. The request includes \$28,284 from the State Board of Pharmacy Fee Fund, and \$15,000 from the Harold Rogers Prescription Fund. The increase is primarily attributable to an increase of \$5,000 for stationary and office supplies, and an increase of \$1,000 for gasoline.

The agency requests \$3,601 for **capital outlay**, an increase of \$500, or 16.1 percent, above the FY 2014 agency request. The request is to be entirely funded by the State Board of Pharmacy Fee Fund. The increase is attributable to an increase of \$500 for software expenditures.

The **Governor** recommends FY 2015 operating expenditures of \$1,244,787, a decrease of \$769, or less than 0.1 percent, below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$769, all from special revenue funds, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contributions from the statutory 1.0 percent to 0.85 percent for FY 2015.

Enhancements Detail

The agency did not submit an enhancement request for FY 2015.

Reduced Resources

The agency is not required to submit a reduced resources budget.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$1,840, all from special revenue funds, and FY 2015 longevity payments total \$2,000, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State Board of Pharmacy Fee Fund	65.9 %	65.9 %
Harold Rogers Prescription Fund	34.1	34.1
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

State Board of Pharmacy Fee Fund Analysis

The State Board of Pharmacy Fee Fund receives fees from the licensing of pharmacists, pharmacies, drug manufacturers and distributors, and retail dealers, as well as the administration of pharmacist licensing examinations. Licenses and permits are renewed on an annual basis.

The agency's cash flow fluctuates throughout the year based on receipts of renewals. Retail dealers renew in February, pharmacists and businesses renew in June, and pharmacy technicians renew in October. The pharmacists and pharmacy technicians have biennial renewals. Odd numbered licenses and registrations renew in odd numbered years and even numbered registrations renew in even numbered years. All licenses and registrants have an additional one month grace period without penalty. The agency is establishing trends in receipts and receipts have remained steady over the last four years.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 1,108,790	\$ 1,381,998	\$ 1,381,998	\$ 1,656,561	\$ 1,123,255	\$ 1,816,524	\$ 803,750
Revenue	1,095,675	1,090,675	557,369	981,961	501,951	981,961	501,951
Net Receipts	0	0	0	0	0	0	0
Total Funds Available	\$ 2,204,465	\$ 2,472,673	\$ 1,939,367	\$ 2,638,522	\$ 1,625,206	\$ 2,798,485	1,305,701
Less:							
Expenditures	\$ 791,290	\$ 816,112	\$ 816,112	\$ 821,998	\$ 821,456	\$ 829,843	\$ 829,219
Transfers Out	31,177	0	0	0	0	0	0
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 1,381,998</u>	<u>\$ 1,656,561</u>	<u>\$ 1,123,255</u>	<u>\$ 1,816,524</u>	<u>\$ 803,750</u>	<u>\$ 1,968,642</u>	<u>\$ 476,482</u>
Ending Balance as Percent of Expenditures	174.7%	203.0%	137.6%	221.0%	97.8%	237.2%	57.5%
Month Highest Ending Balance	June \$ 1,381,248	July \$ 1,346,786	July \$ 1,346,786	July \$ 1,084,118	July \$ 1,084,118	July \$ 762,044	July \$ 762,044
Month Lowest Ending Balance	May \$ 701,304	May \$ 828,221	May \$ 828,221	May \$ 543,289	May \$ 543,289	May \$ 214,572	May \$ 214,572

The **Governor** recommends the agency reduce its filing fees by 50 percent in FY 2013, FY 2014, and FY 2015. The Governor notes the agency's projected ending balances in the Board of Pharmacy Fee Fund, reaching approximately \$1.7 million, \$1.8 million, and \$2 million at the end of FY 2013, FY 2014, and FY 2015, respectively. The Governor's recommendation

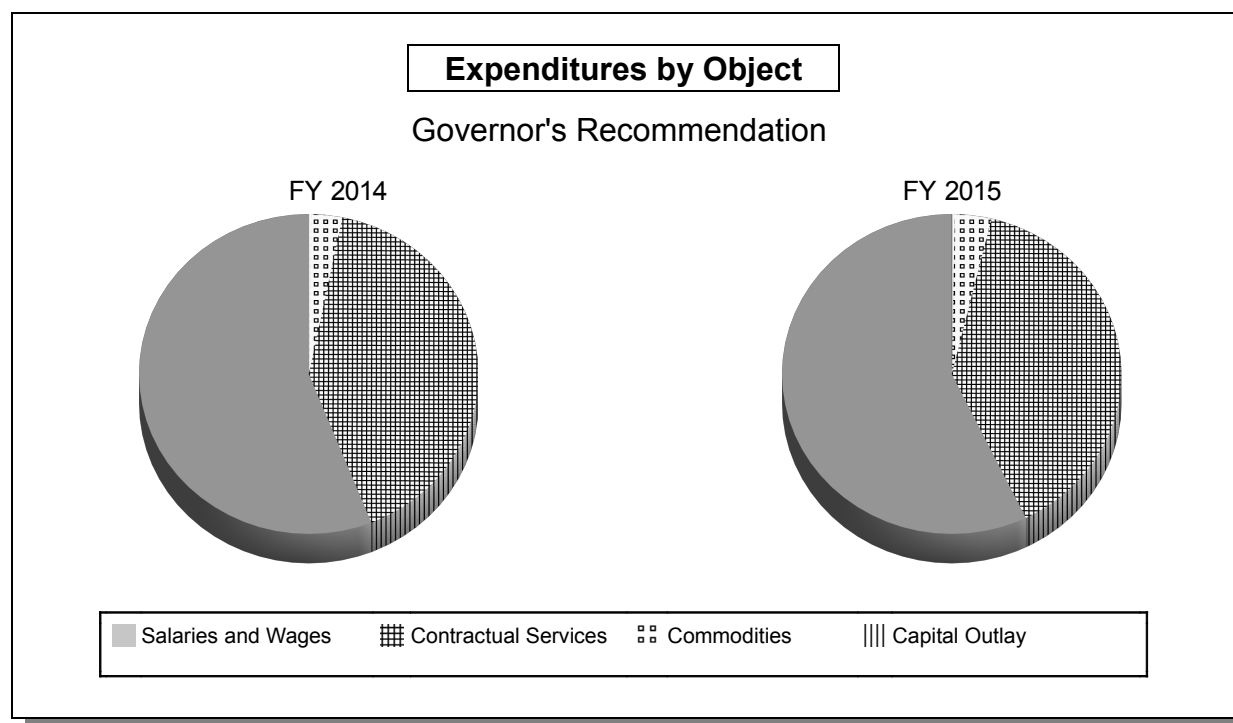
allows the agency to reassess its fee structure at the end of FY 2015 to produce income that correlates with its expenditure levels.

Harold Rogers Prescription Fund Analysis

The Harold Rogers Prescription Fund receives grant funds from the United States Department of Justice through the Harold Rogers Prescription Drug Monitoring Training and Technical Assistance Program. The agency became eligible to receive the grant money in FY 2008, after the 2008 Legislature created the Prescription Drug Monitoring Program to establish and maintain a prescription monitoring program for Schedule II through Schedule IV substances and other drugs of concern. The State Board of Pharmacy is required to develop and maintain a database of prescriptions for controlled substances and drugs of concern, and to aid in the identification of patients with drug seeking behaviors, in providing treatment, and in providing education to the public.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 12,268	\$ 269,997	\$ 269,997	\$ 522,147	\$ 522,147	\$ 374,995	\$ 375,120
Revenue	420,041	400,000	400,000	140,000	140,000	140,000	400,000
Net Receipts	0	0	0	0	0	0	0
Total Funds Available	\$ 432,309	\$ 669,997	\$ 669,997	\$ 662,147	\$ 662,147	\$ 514,995	775,120
Less:							
Expenditures	\$ 162,312	\$ 147,850	\$ 147,850	\$ 287,152	\$ 287,027	\$ 149,113	\$ 148,968
Transfers Out	0	0	0	0	0	0	0
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 269,997</u>	<u>\$ 522,147</u>	<u>\$ 522,147</u>	<u>\$ 374,995</u>	<u>\$ 375,120</u>	<u>\$ 365,882</u>	<u>\$ 626,152</u>

PROGRAM DETAIL



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 699,150	56.0 %	\$ 711,887	57.2 %
Contractual Services	509,262	40.8	486,015	39.0
Commodities	36,570	2.9	43,284	3.5
Capital Outlay	3,101	0.2	3,601	0.3
TOTAL	\$ 1,248,083	100.0 %	\$ 1,244,787	100.0 %

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of new pharmacies licensed	--	282	282	282	282
Number of complaints	--	135	140	140	140
Number of inspections	--	893	895	895	895

REAL ESTATE APPRAISAL BOARD

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 256,989	\$ 314,100	\$ 293,500	\$ 314,226	\$ 293,334	\$ 325,195	\$ 293,334
Percent Change	4.3 %	22.2 %	14.2 %	0.0 %	(0.1)%	3.5 %	0.0 %
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 purpose of the Real Estate Appraisal Board is to license and certify 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. The Board has the responsibility to administer the Kansas State Certified and Licensed Real Property Appraiser's 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 are 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$314,100, all from the Appraiser Fee Fund, the same as the amount approved by the 2012 Legislature. Expenditures are primarily for salaries and wages and contractual services associated with running the agency. The estimate includes 2.0 FTE position, the same as the approved amount.

The **Governor** recommends FY 2013 operating expenditures of \$293,500, all from the Appraiser Fee Fund. The estimate is a decrease of \$20,600, or 6.6 percent, below the agency's revised estimate. The decrease is attributable to the Governor reducing expenditures to match revenues.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$314,226, all from the Appraiser Fee Fund, an increase of \$126, or less than 0.1 percent, above the revised FY 2013 estimate. The increase is primarily attributable to an increase in salaries and wages fringe benefit costs. The request includes 2.0 FTE positions.

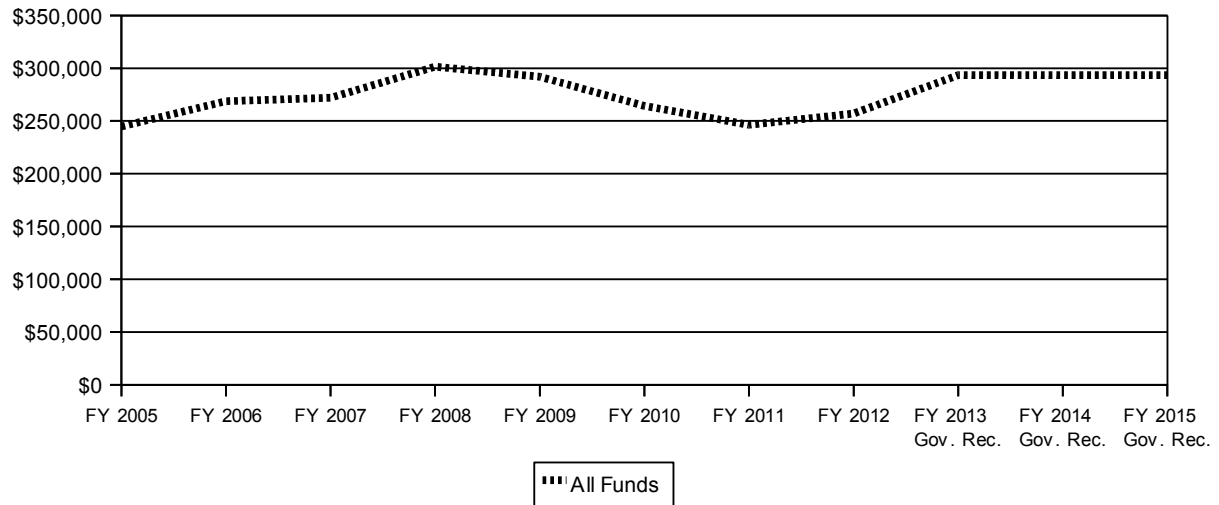
The **Governor** recommends FY 2014 operating expenditures of \$293,334, all from the Appraiser Fee Fund. The recommendation is a decrease of \$20,892, or 6.6 percent, below the agency's request. The decrease is attributable to the Governor reducing expenditures to match revenues and to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$325,195, all from the Appraiser Fee Fund, an increase of \$10,969, or 3.5 percent, above the FY 2014 request. The increase is attributable to an increase in salaries and wages fringe benefits and an increase in contractual services due to higher legal cost projections. The request includes 2.0 FTE positions.

The **Governor** recommends FY 2015 operating expenditures of \$293,334, all from the Appraiser Fee Fund. The request is a decrease of \$31,861, or 9.8 percent, below the agency's request. The decrease is attributable to the Governor reducing expenditures to match revenues, specifically in contractual services.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 244,755	4.9 %	2.0
2006	268,709	9.8	2.0
2007	271,964	1.2	2.0
2008	301,381	10.8	2.0
2009	291,895	(3.1)	2.0
2010	264,270	(9.5)	2.0
2011	246,374	(6.8)	2.0
2012	256,989	4.3	2.0
2013 Gov. Rec.	293,500	14.2	2.0
2014 Gov. Rec.	293,334	(0.1)	2.0
2015 Gov. Rec.	293,334	0.0	2.0
Eleven-Year Change Dollars/Percent	\$ 48,579	19.8 %	0.0

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
	Actual FY 2012	FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 150,874	\$ 156,300	\$ 157,426	\$ 1,126	0.7 %	\$ 161,795	\$ 4,369	2.8 %
Contractual Services	103,253	149,900	150,400	500	0.3	157,700	7,300	4.9
Commodities	2,499	4,400	4,400	0	0.0	4,700	300	6.8
Capital Outlay	363	3,500	2,000	(1,500)	(42.9)	1,000	(1,000)	(50.0)
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 256,989</u>	<u>\$ 314,100</u>	<u>\$ 314,226</u>	<u>\$ 126</u>	<u>0.0 %</u>	<u>\$ 325,195</u>	<u>\$ 10,969</u>	<u>3.5 %</u>
Financing:								
Appraiser Fee Fund	\$ 256,989	\$ 314,100	\$ 314,226	\$ 126	0.0 %	\$ 325,195	\$ 10,969	3.5 %

		Governor's Recommendation						
	Actual FY 2012	FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 150,874	\$ 156,300	\$ 157,260	\$ 960	0.6 %	\$ 161,629	\$ 4,369	2.8 %
Contractual Services	103,253	129,300	129,674	374	0.3	126,005	(3,669)	(2.8)
Commodities	2,499	4,400	4,400	0	0.0	4,700	300	6.8
Capital Outlay	363	3,500	2,000	(1,500)	(42.9)	1,000	(1,000)	(50.0)
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 256,989</u>	<u>\$ 293,500</u>	<u>\$ 293,334</u>	<u>\$ (166)</u>	<u>(0.1) %</u>	<u>\$ 293,334</u>	<u>\$ 0</u>	<u>0.0 %</u>
Financing:								
Appraiser Fee Fund	\$ 256,989	\$ 293,500	\$ 293,334	\$ (166)	(0.1) %	\$ 293,334	\$ 0	0.0 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	314,100	314,100	0	293,500	(20,600)
TOTAL	<u>\$ 314,100</u>	<u>\$ 314,100</u>	<u>\$ 0</u>	<u>\$ 293,500</u>	<u>\$ (20,600)</u>
FTE Positions	2.0	2.0	0.0	2.0	0.0

The **agency** estimates FY 2013 operating expenditures of \$314,100, all from the Appraiser Fee Fund, the same as the amount approved by the 2012 Legislature. Expenditures are primarily for salaries and wages and contractual services associated with running the agency. The estimate includes 2.0 FTE positions, the same as the approved amount.

The **Governor** recommends FY 2013 operating expenditures of \$293,500, all from the Appraiser Fee Fund. The estimate is a decrease of \$20,600, or 6.6 percent, below the agency's revised estimate. The decrease is attributable to the Governor reducing expenditures to match revenues.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 314,226	\$ 293,334	\$ (20,892)
FTE Positions	2.0	2.0	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
All Other Funds	126	(166)	
<i>Percent Change:</i>			
All Other Funds	0.0 %	(0.1) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2014 operating expenditures of \$314,226, all from the Appraiser Fee Fund. The request is an increase of \$126, or less than 0.1 percent, above the revised FY 2013 estimate. The changes include:

- **Salaries and Wages.** The agency request includes \$157,426 in salaries and wages. This is an increase of \$1,126, or 0.7 percent above the revised FY 2013 estimate. The increase is attributable to an increase in salaries and wages fringe benefit costs.
- **Contractual Services.** The agency request includes \$150,400 in contractual services. This is an increase of \$500, or 0.3 percent, above the revised FY 2013 Estimate. The increase is primarily attributable to increases in building rents due to inflation.
- **Capital Outlay.** The agency request includes \$2,000 in capital outlay. This is a decrease of \$1,500, or 42.9 percent, below the revised FY 2013 estimate. The decrease is attributable to a decrease in information technology expenditures.

The **Governor** recommends FY 2014 operating expenditures of \$293,334, all from the Appraiser Fee Fund. The recommendation is a decrease of \$20,892, or 6.6 percent, below the agency's request. The decrease is attributable to the Governor reducing expenditures to match revenues and to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 325,195	\$ 293,334	\$	(31,861)
FTE Positions	2.0	2.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	10,969	0		
<i>Percent Change:</i>				
All Other Funds	3.5 %	0.0 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2015 operating expenditures of \$325,195, all from the Appraiser Fee Fund. The request is an increase of \$10,969, or 3.5 percent, above the FY 2014 request. The major changes in FY 2015 include the following:

- **Salaries and Wages.** The request includes \$161,795 in salaries and wages. This is an increase of \$4,369, or 2.8 percent, above the FY 2014 request. The increase is attributable to an increase in salaries and wages fringe benefit costs.
- **Contractual Services.** The request includes \$157,700 in contractual services. This is an increase of \$7,300, or 4.9 percent, above the FY 2014 request. The increase is attributable to rising legal fees.
- **Commodities.** The request includes \$4,700 in commodities. This is an increase of \$300, or 6.8 percent above the FY 2014 request. The increase is attributable to an estimated increase in the cost of commodities, such as office supplies and fuel.
- **Capital Outlay.** The request includes \$1,000 in capital outlay. This is a decrease of \$1,000, or 50.0 percent below the FY 2014 request. The decrease is attributable to a decrease in information technology expenditures.

The **Governor** recommends FY 2015 operating expenditures of \$293,334, all from the Appraiser Fee Fund. The request is a decrease of \$31,861, or 9.8 percent, below the agency's request. The decrease is attributable to the Governor reducing expenditures to match revenues, specifically in contractual services.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$1,000, all from the Appraiser Fee Fund, and FY 2015 longevity payments total \$1,000, all from the Appraiser Fee Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Real Estate Appraiser Fee Fund Analysis

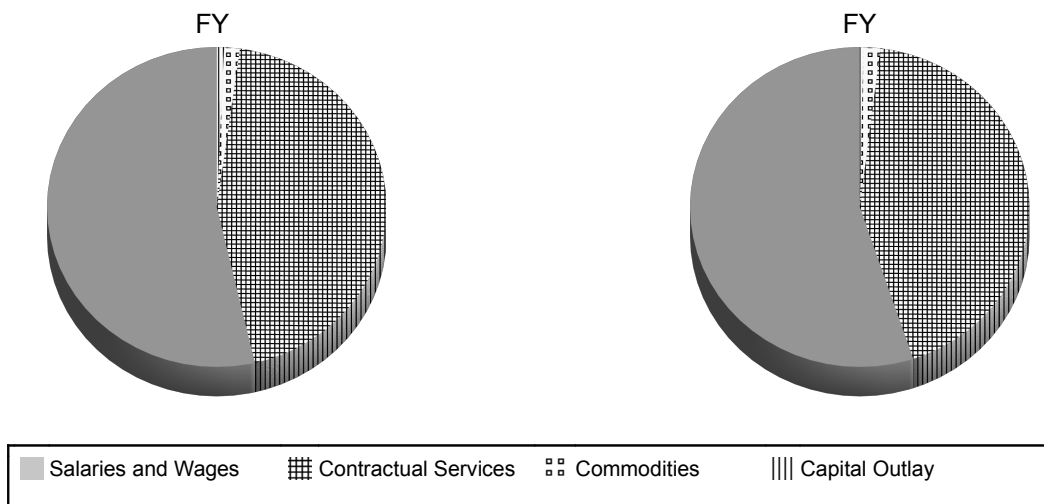
The Real Estate Appraisal Board is a fee-funded agency. The revenue received provides financing for all agency operations, with 80 percent being retained by the agency and 20 percent being deposited in the State General Fund. The Real Estate Appraisal Board generates fee revenues from three primary sources: Initial licensing and certification fees are \$50; Prorated annual fees are \$250 and renewal are \$250; and Temporary Practice Permits are \$50. (KSA 58-4108)

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 180,452	\$ 215,509	\$ 215,509	\$ 195,909	\$ 216,509	\$ 176,183	\$ 217,675
Revenue	291,190	294,000	294,000	294,000	294,000	294,000	293,500
Net Receipts	406	500	500	500	500	500	0
Total Funds Available	\$ 472,048	\$ 510,009	\$ 510,009	\$ 490,409	\$ 511,009	\$ 470,683	511,175
Less:							
Expenditures	\$ 256,539	\$ 314,100	\$ 293,500	\$ 314,226	\$ 293,334	\$ 325,195	\$ 293,334
Transfers Out	0	0	0	0	0	0	0
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 215,509</u>	<u>\$ 195,909</u>	<u>\$ 216,509</u>	<u>\$ 176,183</u>	<u>\$ 217,675</u>	<u>\$ 145,488</u>	<u>\$ 217,841</u>
Ending Balance as Percent of Expenditures	84.0%	62.4%	73.8%	56.1%	74.2%	44.7%	74.3%
Month Highest Ending Balance	June \$ 218,369	June \$ 218,369	June \$ 218,369	June \$ 218,369	June \$ 218,369	June \$ 218,369	June \$ 218,369
Month Lowest Ending Balance	March \$ 70,800	March \$ 70,800	March \$ 70,800	March \$ 70,800	March \$ 70,800	March \$ 70,800	March \$ 70,800

PROGRAM DETAIL

Expenditures by Object

Governor's Recommendation



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 157,260	53.6 %	\$ 161,629	55.1 %
Contractual Services	129,674	44.2	126,005	43.0
Commodities	4,400	1.5	4,700	1.6
Capital Outlay	2,000	0.7	1,000	0.3
TOTAL	\$ 293,334	100.0 %	\$ 293,334	100.0 %

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of new licenses issued	112	45	35	35	35
Number of appraisal management companies registered	--	--	75	75	75
Percent of applications for licensure approved	98.0%	90.0%	90.0%	90.0%	90.0%
Number of complaints handled	100	35	45	60	60

REAL ESTATE COMMISSION

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 1,079,230	\$ 1,121,673	\$ 1,057,211	\$ 1,151,739	\$ 1,002,345	\$ 1,169,966	\$ 992,004
Percent Change	5.5 %	3.9 %	(2.0)%	2.7 %	(5.2)%	1.6 %	(1.0)%
FTE Positions	13.0	11.0	11.0	11.0	11.0	11.0	11.0
Non FTE Perm. Uncl. Pos.	0.0	2.0	2.0	2.0	2.0	2.0	2.0
TOTAL	13.0	13.0	13.0	13.0	13.0	13.0	13.0

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 58-3001)

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. KREC performs on-site examinations of the records maintained by real estate brokers and investigates complaints from the public.

In addition, the Real Estate Commission administers the Real Estate Recovery 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 salesperson or broker, 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.

MAJOR ISSUES FROM PRIOR YEARS

The **1994 Legislature** enacted legislation requiring fee funded agencies, including the Kansas Real Estate commission, 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 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 (KBI) and the Federal Bureau of Investigation (FBI). 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 Revolving Recovery Fund to the Real Estate Fee Fund for the purpose of converting its licensing system to a Microsoft web-based system. Any excess funding from the conversion amount returns to the Real Estate Recovery 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$1,121,673, all from the Real Estate Fee Fund, a decrease of \$69,448, or 5.8 percent, below the amount approved by the 2012 Legislature. The decrease is attributable to a decrease in salaries and wages because of shifting 2.0 FTE positions to non-permanent unclassified positions. The request includes a supplemental estimate of \$64,462, all from the Real Estate Fee Fund, based on increased fees.

Absent the supplemental, the agency request is \$1,057,211, all from the Real Estate Fee Fund. The request is a decrease of \$133,910, or 11.2 percent, below the amount approved by the 2012 Legislature.

The **Governor** recommends FY 2013 operating expenditures of \$1,057,211, all from the Real Estate Fee Fund. The request is a decrease of \$133,910, or 11.2 percent, below the amount approved by the 2012 Legislature. The decrease is attributable to the Governor not recommending the agency's FY 2013 supplemental request.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$1,151,739, all from the Real Estate Fee Fund, an increase of \$30,066, or 2.7 percent, above the revised FY 2013 estimate. The increase is attributable to an enhancement which will allow the agency to continue operating its Enforcement program at its current level.

Absent the enhancement, the agency request is \$1,003,081, a decrease of \$118,592, or 10.6 percent, below the revised FY 2013 estimate. The decrease is attributable to the agency greatly reducing the Enforcement program based on a decrease in projected revenues from the Real Estate Fee Fund.

The **Governor** recommends FY 2014 operating expenditures of \$1,002,345, all from the Real Estate Fee Fund. The request is a decrease of \$54,866, or 5.2 percent, below the FY 2013 recommendation. The decrease is due to the Governor not recommending the agency's enhancement. The Governor's recommendation is a special revenue fund decrease of \$736, or less than 0.1 percent, below the agency's FY 2014 request absent the enhancement. The Governor's recommendation includes a decrease of \$736, all from the Real Estate Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

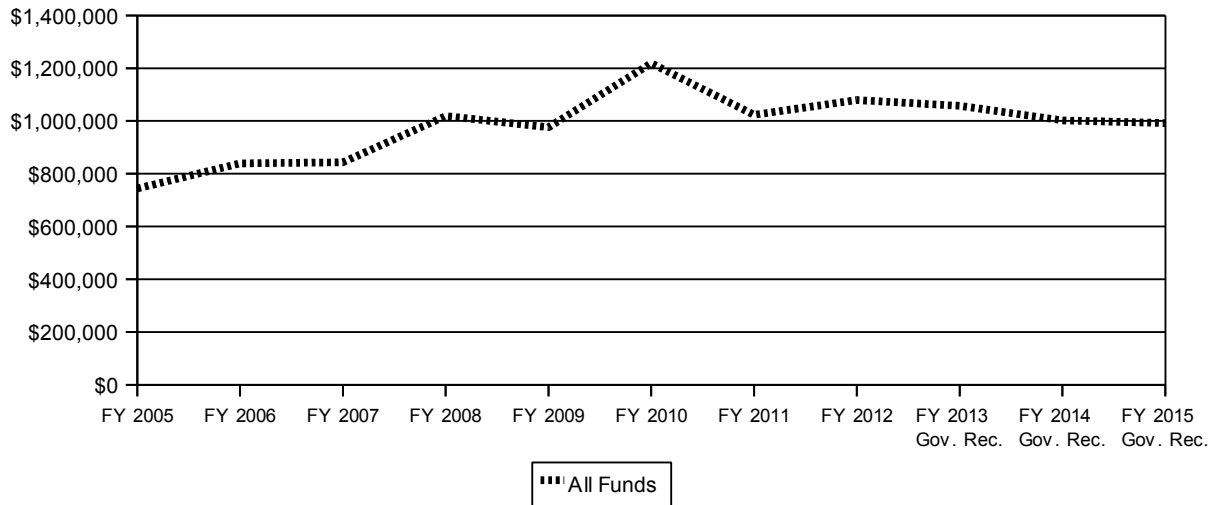
FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$1,169,966, all from the Real Estate Fee Fund, an increase of \$18,227, or 1.6 percent, above the FY 2014 request. The agency is requesting an enhancement of \$177,360 which is based on increased fees.

Absent the enhancement, the agency request is \$992,606, a decrease of \$159,133, or 13.8 percent, below the FY 2014 request. The decrease is attributable to the agency greatly reducing the Enforcement program based on a decrease in projected revenues from the Real Estate Fee Fund.

The **Governor** recommends FY 2015 operating expenditures of \$992,004, all from the Real Estate Fee Fund. The request is a decrease of \$10,341, or 1.0 percent, below the FY 2013 recommendation. The decrease is due to the Governor not recommending the enhancement. The Governor's recommendation is a special revenue fund decrease of \$602, or less than 0.1 percent, below the agency's FY 2015 request absent the enhancement. The Governor's recommendation includes a decrease of \$602, all from the Real Estate Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 744,023	5.5 %	14.0
2006	839,406	12.8	14.0
2007	843,273	0.5	14.0
2008	1,018,701	20.8	15.0
2009	976,178	(4.2)	15.0
2010	1,218,489	24.8	15.0
2011	1,023,114	(16.0)	15.0
2012	1,079,230	5.5	13.0
2013 Gov. Rec.	1,057,211	(2.0)	11.0
2014 Gov. Rec.	1,002,345	(5.2)	11.0
2015 Gov. Rec.	992,004	(1.0)	11.0
Eleven-Year Change Dollars/Percent	\$ 247,981	33.3 %	(3.0)

Summary of Operating Budget FY 2012 - FY 2015

Real Estate Commission

		Agency Request						
Actual FY 2012		FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 630,811	\$ 686,377	\$ 678,036	\$ (8,341)	(1.2)%	\$ 672,221	\$ (5,815)	(0.9)%
Contractual Services	409,425	395,896	432,778	36,882	9.3	442,795	10,017	2.3
Commodities	17,043	18,900	20,425	1,525	8.1	21,950	1,525	7.5
Capital Outlay	21,951	20,500	20,500	0	0.0	33,000	12,500	61.0
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 1,079,230</u>	<u>\$ 1,121,673</u>	<u>\$ 1,151,739</u>	<u>\$ 30,066</u>	<u>2.7 %</u>	<u>\$ 1,169,966</u>	<u>\$ 18,227</u>	<u>1.6 %</u>
Financing:								
Real Estate Fee Fund	\$ 1,034,281	\$ 1,061,673	\$ 1,091,739	\$ 30,066	2.8 %	\$ 1,109,966	\$ 18,227	1.7 %
Background Investigation Fee Fund	44,949	60,000	60,000	0	0.0	60,000	0	0.0
TOTAL	<u>\$ 1,079,230</u>	<u>\$ 1,121,673</u>	<u>\$ 1,151,739</u>	<u>\$ 30,066</u>	<u>2.7 %</u>	<u>\$ 1,169,966</u>	<u>\$ 18,227</u>	<u>1.6 %</u>

		Governor's Recommendation						
Actual FY 2012		FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 630,811	\$ 686,377	\$ 677,300	\$ (9,077)	(1.3)%	\$ 671,619	\$ (5,681)	(0.8)%
Contractual Services	409,425	335,784	296,620	(39,164)	(11.7)	290,435	(6,185)	(2.1)
Commodities	17,043	18,550	11,925	(6,625)	(35.7)	13,450	1,525	12.8
Capital Outlay	21,951	16,500	16,500	0	0.0	16,500	0	0.0
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 1,079,230</u>	<u>\$ 1,057,211</u>	<u>\$ 1,002,345</u>	<u>\$ (54,866)</u>	<u>(5.2)%</u>	<u>\$ 992,004</u>	<u>\$ (10,341)</u>	<u>(1.0)%</u>
Financing:								
Real Estate Fee Fund	\$ 1,034,281	\$ 997,211	\$ 942,345	\$ (54,866)	(5.5)%	\$ 932,004	\$ (10,341)	(1.1)%
Background Investigation Fee Fund	44,949	60,000	60,000	0	0.0	60,000	0	0.0
	<u>\$ 1,079,230</u>	<u>\$ 1,057,211</u>	<u>\$ 1,002,345</u>	<u>\$ (54,866)</u>	<u>(5.2) %</u>	<u>\$ 992,004</u>	<u>\$ (10,341)</u>	<u>(1.0) %</u>

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	1,191,121	1,121,673	(69,448)	1,057,211	(133,910)
TOTAL	\$ 1,191,121	\$ 1,121,673	\$ (69,448)	\$ 1,057,211	\$ (133,910)
FTE Positions	13.0	11.0	(2.0)	11.0	0.0

The **agency** estimates FY 2013 operating expenditures of \$1,121,673, all from the Real Estate Fee Fund. The request is a decrease of \$69,448, or 5.8 percent, below the amount approved by the 2012 Legislature. The decrease is attributable to a decrease in salaries and wages because of shifting 2.0 FTE positions to non-permanent unclassified positions. The request includes a supplemental estimate of \$64,462, all from the Real Estate Fee Fund, based on increased fees.

Absent the supplemental, the agency request is \$1,057,211, all from the Real Estate Fee Fund. The request is a decrease of \$133,910, or 11.2 percent, below the amount approved by the 2012 Legislature.

The **Governor** recommends FY 2013 operating expenditures of \$1,057,211, all from the Real Estate Fee Fund. The request is a decrease of \$133,910, or 11.2 percent, below the amount approved by the 2012 Legislature. The decrease is attributable to the Governor not recommending the agency's FY 2013 supplemental request.

FY 2013 SUPPLEMENTALS							
Supplementals	Agency Request			Governor's Recommendation			
	SGF	All Funds	FTE	SGF	All Funds	FTE	
Contractual Services	\$ 0	\$ 60,112	0.0	\$ 0	\$ 0	0.0	
Commodities	0	350	0.0	0	0	0.0	
Capital Outlay	0	4,000	0.0	0	0	0.0	
TOTAL	\$ 0	\$ 64,462	0.0	\$ 0	\$ 0	0.0	

Supplementals Detail

The **agency** estimates a supplemental of \$64,462, all from the Real Estate Fee Fund. According to the agency, revenue is down due to reductions in applications and renewals, and the fee fund balance will not be able to sustain anticipated expenditures. In order to cover its projected expenditures, the agency is requesting a fee increase for original and renewal

licenses for salespersons and brokers of \$35, and an overall statutory increase of \$50. This would raise the current fee from \$100 to \$135 for salespersons and from \$150 to \$185 for brokers. The agency's supplemental request is dependent on the agency receiving the authority to raise its fees beginning in FY 2014 in order to maintain its current level of services. Without a fee increase commencing in FY 2014, the agency states it will have to completely restructure its Enforcement program. This will eliminate a majority of the agency's Enforcement program in favor of a technical assistance model. In the event of a violation that involves a significant risk to the public, the agency states it will likely be forced to refer the cases to the Attorney General's Office.

The **Governor** does not recommend the agency's supplemental request.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 1,151,739	\$ 1,002,345	\$	(149,394)
FTE Positions	11.0	11.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	30,066	(54,866)		
<i>Percent Change:</i>				
All Other Funds	2.7 %	(5.2) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 operating expenditures of \$1,151,739, all from the Real Estate Fee Fund. The request is an increase of \$30,066, or 2.7 percent, above the revised FY 2013 estimate. The agency is requesting an enhancement of \$148,658 based on increased fees. **Absent the enhancement**, the agency request is \$1,003,081, a decrease of \$118,592, or 10.6 percent, below the revised FY 2013 estimate.

- **Salaries and Wages.** The agency request includes \$678,036, all from the Real Estate Fee Fund, in salaries and wages. This is a decrease of \$8,341, or 1.2 percent, above the revised FY 2013 estimate. The decrease is attributable to a decrease in wages for temporary employees.
- **Contractual Services.** The agency request includes \$432,778, all from the Real Estate Fee Fund, in contractual services. This is an increase of \$36,882, or 9.3 percent, above the revised FY 2013 estimate. The increase is part of the agency's enhancement request which will allow the agency to continue its

Enforcement program without having to restructure it. **Absent the enhancement**, the agency request is \$296,620, a decrease of \$99,276, or 25.1 percent, below the revised FY 2013 estimate. The decrease is attributable to restructuring the agency's Enforcement program due to a projected decrease in fee fund revenues.

- **Commodities.** The agency request includes \$20,425, all from the Real Estate Fee Fund, in commodities. This is an increase of \$1,525, or 8.1 percent, above the revised FY 2013 estimate. The increase is part of the agency's enhancement request which will allow it to continue their Enforcement program without having to restructure it. **Absent the enhancement**, the agency request is \$11,925, a decrease of \$6,975, or 36.9 percent, below the revised FY 2013 estimate. The decrease is attributable to restructuring the agency's Enforcement program due to a projected decrease in fee fund revenues.
- **Capital Outlay.** The agency request includes \$20,500, all from the Real Estate Fee Fund, in capital outlay. This is the same as the amount in the revised FY 2013 estimate and includes the agency's enhancement request which will allow it to continue its Enforcement program without having to restructure it. **Absent the enhancement**, the agency request is \$16,500, a decrease of \$4,000, or 19.5 percent, below the revised FY 2013 estimate. The decrease is attributable to restructuring the agency's Enforcement program due to a projected decrease in fee fund revenues.

The **Governor** recommends FY 2014 operating expenditures of \$1,002,345, all from the Real Estate Fee Fund. The request is a decrease of \$54,866, or 5.2 percent, below the FY 2013 recommendation. The decrease is due to the Governor not recommending the agency's enhancement. The Governor's recommendation is a special revenue fund decrease of \$736, or less than 0.1 percent, below the agency's FY 2014 request absent the enhancement. The Governor's recommendation includes a decrease of \$736, all from the Real Estate Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Contractual Services	\$ 0	\$ 136,158	0.0	\$ 0	\$ 0	0.0
Commodities	0	8,500	0.0	0	0	0.0
Capital Outlay	0	4,000	0.0	0	0	0.0
TOTAL	<u>\$ 0</u>	<u>\$ 148,658</u>	<u>0.0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0.0</u>

Enhancements Detail

The **agency** requests an enhancement of \$148,658, all from the Real Estate Fee Fund, for FY 2014. According to the agency, revenue is down due to reductions in applications and renewals, and the fee fund balance will not be able to sustain anticipated expenditures. In order to cover its projected expenditures, the agency is requesting a fee increase for original and renewal licenses for salespersons and brokers of \$35, and an overall statutory increase of \$50.

This would raise the current fee from \$100 to \$135 for salespersons and from \$150 to \$185 for brokers. Without a fee increase commencing in FY 2014, the agency will have to completely restructure its Enforcement program. This will eliminate a majority of the agency's Enforcement program in favor of a technical assistance model. In the event of a violation that involves a significant risk to the public, the agency will likely be forced to refer the cases to the Attorney General's Office.

The **Governor** does not recommend the agency's enhancement request.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total			
Request/Recommendation	\$ 1,169,966	\$ 992,004	\$ (177,962)
FTE Positions	11.0	11.0	0.0
Change from FY 2014:			
<i>Dollar Change:</i>			
All Other Funds	18,227	(10,341)	
<i>Percent Change:</i>			
All Other Funds	1.6 %	(1.0) %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2015 operating expenditures of \$1,169,966, all from the Real Estate Fee Fund, an increase of \$18,227, or 1.6 percent, above the FY 2014 request. The agency is requesting an enhancement of \$177,360, explained below. **Absent the enhancement**, the agency request is \$992,606, a decrease of \$159,133, or 13.8 percent, below the FY 2014 request.

- **Salaries and Wages.** The agency request includes \$672,221, all from the Real Estate Fee Fund, in salaries and wages. This is a decrease of \$5,815, or 0.9 percent, below the FY 2014 request. The decrease is attributable to a reduction in salaries and wages fringe benefit costs.
- **Contractual Services.** The agency request includes \$442,795, all from the Real Estate Fee Fund, in contractual services. This is an increase of \$10,017, or 2.3 percent, above the FY 2014 request. The increase is part of the agency's enhancement request which will allow them to continue its Enforcement program without having to restructure it. **Absent the enhancement**, the agency request is \$290,418, a decrease of \$6,202, or 2.1 percent, below the FY 2014 request. The decrease is attributable to restructuring the agency's Enforcement program due to a projected decrease in fee fund revenues.

- **Commodities.** The agency request includes \$21,950, all from the Real Estate Fee Fund, in commodities. This is an increase of \$1,525, or 7.5 percent, above the FY 2014 request. The increase is part of the agency's enhancement request which will allow it to continue their Enforcement program without having to restructure it. **Absent the enhancement,** the agency request is \$13,450, a decrease of \$6,975, or 34.1 percent, below the FY 2014 request. The decrease is attributable to an estimated decrease in the cost indices for commodities, such as office supplies and fuel.
- **Capital Outlay.** The agency request includes \$33,000, all from the Real Estate Fee Fund, in capital outlay. This is an increase of \$12,500, or 61.0 percent, above the FY 2014 request. The increase is part of the agency's enhancement request which will allow it to continue its Enforcement program without having to restructure it. **Absent the enhancement,** the agency request is \$16,500, which is \$4,000, or 19.5 percent, below the FY 2014 request.

The **Governor** recommends FY 2015 operating expenditures of \$992,004, all from the Real Estate Fee Fund. The request is a decrease of \$10,341, or 1.0 percent, below the FY 2014 recommendation. The decrease is due to the Governor not recommending the enhancement. The Governor's recommendation is a special revenue fund decrease of \$602, or less than 0.1 percent, below the agency's FY 2015 request absent the enhancement. The Governor's recommendation includes a decrease of \$602, all from the Real Estate Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

FY 2015 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Contractual Services	\$ 0	\$ 152,360	0.0	\$ 0	\$ 0	0.0
Commodities	0	8,500	0.0	0	0	0.0
Capital Outlay	0	16,500	0.0	0	0	0.0
TOTAL	<u>\$ 0</u>	<u>\$ 177,360</u>	<u>0.0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0.0</u>

Enhancements Detail

The **agency** requests enhancement of \$177,360, all from the Real Estate Fee Fund, for FY 2014. According to the agency, revenue is down due to reductions in applications, renewals, and the fee fund balance will not be able to sustain anticipated expenditures. In order to cover its projected expenditures, the agency is requesting a fee increase for original and renewal licenses for salespersons and brokers of \$35, and an overall statutory increase of \$75. This would raise the current fee from \$100 to \$135 for salespersons and from \$150 to \$185 for brokers. According to the agency, without a fee increase commencing in FY 2014, the agency will have to completely restructure its Enforcement program. This will eliminate a majority of the agency's Enforcement program in favor of a technical assistance model. In the event of a violation that involves a significant risk to the public, the agency will likely be forced to refer the cases to the Attorney General's Office.

The **Governor** does not recommend the agency's enhancement request.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$2,880, all from the Real Estate Fee Fund, and FY 2015 longevity payments total \$3,000, all from the Real Estate Fee Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

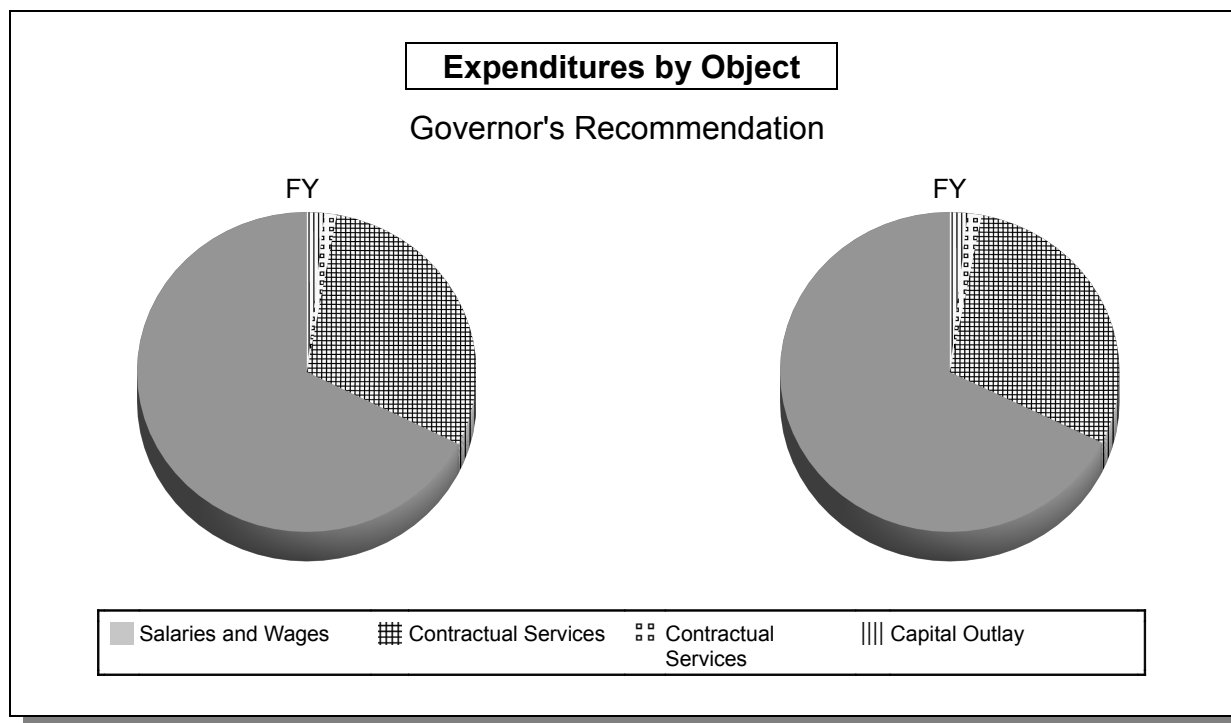
Real Estate Fee Fund Analysis

The Kansas Real Estate Commission is a fee-funded agency. The revenue received provides financing for all agency operations with 90 percent being retained by the agency and 10 percent being deposited in the State General Fund. The Kansas Real Estate Commission 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, revenue is down due to reductions in applications and renewals, and the fee fund balance will not be able to sustain anticipated expenditures. The Commission proposes a \$35 fee increase, and an overall statutory increase of \$75, for salespersons and brokers commencing in FY 2014. This would raise the current fee from \$100 to \$135 for salespersons and from \$150 to \$185 for brokers. If the fee increase is not authorized, the Commission estimates it will not have sufficient carry over balance to start FY 2014 and will be required to completely restructure its Enforcement program. Below is the Commission's fee fund analysis with its **projected fee increase** revenues.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 576,426	\$ 388,103	\$ 388,103	\$ 130,780	\$ 215,942	\$ 95,381	\$ 106,747
Revenue	845,958	804,350	825,050	1,056,340	833,150	1,048,925	831,275
Net Receipts	200	200	200	200	200	200	200
Total Funds Available	\$ 1,422,584	\$ 1,192,653	\$ 1,213,353	\$ 1,187,320	\$ 1,049,292	\$ 1,144,506	938,222
Less:							
Expenditures	\$ 1,034,281	\$ 1,061,673	\$ 997,211	\$ 1,091,739	\$ 942,345	\$ 1,109,966	\$ 932,004
Transfers Out	200	200	200	200	200	200	200
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 388,103</u>	<u>\$ 130,780</u>	<u>\$ 215,942</u>	<u>\$ 95,381</u>	<u>\$ 106,747</u>	<u>\$ 34,340</u>	<u>\$ 6,018</u>
Ending Balance as Percent of Expenditures	37.5%	12.3%	21.7%	8.7%	11.3%	3.1%	0.6%

PROGRAM DETAIL



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 677,300	67.6 %	\$ 671,619	67.7 %
Contractual Services	296,620	29.6	290,435	29.3
Commodities	11,925	1.2	13,450	1.4
Capital Outlay	16,500	1.6	16,500	1.7
TOTAL	\$ 1,002,345	100.0 %	\$ 992,004	100.0 %

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of licenses	14,900	13,747	13,625	13,750	13,825
Number of licenses renewed	6,850	6,781	6,200	6,494	6,460
Number of complaints	140	118	125	130	125

OFFICE OF THE SECURITIES COMMISSIONER

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 2,809,149	\$ 3,433,641	\$ 3,433,641	\$ 2,994,533	\$ 2,939,546	\$ 3,021,967	\$ 2,940,725
Percent Change	(3.8)%	22.2 %	22.2 %	(12.8)%	(14.4)%	0.9 %	0%
FTE Positions	30.0	30.0	30.0	30.0	30.0	30.0	30.0
Non FTE Perm. Uncl. Pos.	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	30.0	30.0	30.0	30.0	30.0	30.0	30.0

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, plus 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

During the **2002 Legislative Session**, the 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.

During the **2004 Legislative Session**, the 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.

During the **2007 Legislative Session**, the 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates revised FY 2013 operating expenditures of \$3,433,641, including \$2,829,107 from the Securities Act Fee Fund and

\$604,534 from the Investor Education Fund. This is an all funds increase of \$308,271, or 9.9 percent, above the amount approved by the 2012 legislature. The increase is attributable to an increase in contractual services from \$443,072 to \$963,085, an increase \$520,013, or 117.4 percent, above the amount approved by the 2012 legislature. The agency states that this increase reflects the agency's plan to develop Public Service Announcements (PSAs) and purchase media time to increase public awareness of agency services. The increase is also attributable to an increase in salaries and wages from \$2,532,137 to \$2,560,255, an increase \$28,118, or 1.1 percent, above the amount approved by the 2012 Legislature. This increase reflects an overall increase in expenditures for employee wages. The agency also expects decreased expenditures in commodities, capital outlay, other assistance, and shrinkage. The agency request maintains the 30.0 FTE position limitation.

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

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$2,994,533, including \$2,957,045 from the Securities Act Fee Fund and \$37,488 from the Investor Education Fund, a decrease of \$439,108, or 12.8 percent, below the agency's FY 2013 revised estimate. This is primarily attributable to a decrease of \$568,795 in contractual services because the agency will decrease its public service announcement development and distribution program. The request also includes an increase in salaries and wages due to a reduction in salaries and wages shrinkage, increased Kansas Public Employees Retirement System (KPERS) employer contributions, and increased salary expenditures. The agency's request includes 30.0 FTE positions, the same as the FY 2013 revised estimate.

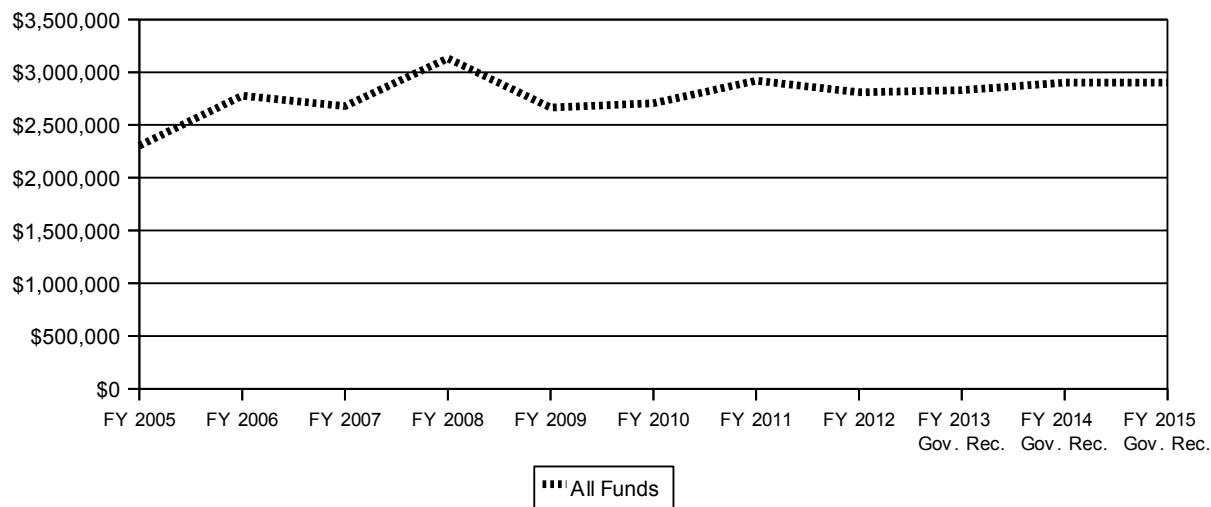
The **Governor** recommends FY 2014 operating expenditures of \$2,939,546, an all funds decrease of \$54,987, or 1.8 percent, below the agency's FY 2014 request. The decrease is all in salaries and wages and is attributable to a decrease of \$52,203 due to increasing the salaries and wages shrinkage rate for a total of 4.0 percent, and also is attributable to a decrease of \$2,784 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. The **agency** requests operating expenditures of \$3,021,967, an all funds increase of \$27,434, or 0.9 percent, above the FY 2014 agency request. The request includes \$2,982,470 from the Securities Act Fee Fund and \$39,497 from the Investor Education Fund. The increase is primarily attributable to an increase of \$28,768, or 1.1 percent, in salaries and wages, a small increase in commodities, and small decreases in contractual services and capital outlay. The increase in salaries and wages is attributable to increased KPERS employer contributions and group health care expenditures. The agency's request includes 30.0 FTE positions, the same as the FY 2014 request.

The **Governor** recommends FY 2015 operating expenditures of \$2,940,725, an all funds decrease of \$81,242, or 2.7 percent, below the agency's FY 2015 request. The decrease is all in salaries and wages and is attributable to a decrease of \$78,386 due to increasing the salaries and wages shrinkage rate for a total of 4.0 percent, and is also attributable to a decrease of \$2,856 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 2,304,561	18.4 %	28.0
2006	2,776,917	20.5	30.0
2007	2,678,519	(3.5)	30.0
2008	3,131,225	16.9	32.1
2009	2,664,466	(14.9)	32.1
2010	2,706,312	1.6	32.1
2011	2,919,962	7.9	32.0
2012	2,809,149	(3.8)	30.0
2013 Gov. Rec.	3,433,641	22.2	30.0
2014 Gov. Rec.	2,939,546	(14.4)	30.0
2015 Gov. Rec.	2,940,725	0.0	30.0
Eleven-Year Change Dollars/Percent	\$ 636,164	27.6 %	2.0

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
	Actual FY 2012	FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 2,279,354	\$ 2,429,055	\$ 2,557,942	\$ 128,887	5.3 %	\$ 2,586,710	\$ 28,768	1.1 %
Contractual Services	387,864	963,085	394,290	(568,795)	(59.1)	394,143	(147)	(0.0)
Commodities	21,887	23,533	24,157	624	2.7	24,688	531	2.2
Capital Outlay	55,384	17,968	18,144	176	1.0	16,426	(1,718)	(9.5)
Other Assistance	64,660	0	0	0	--	0	0	--
TOTAL	<u>\$ 2,809,149</u>	<u>\$ 3,433,641</u>	<u>\$ 2,994,533</u>	<u>\$ (439,108)</u>	<u>(12.8) %</u>	<u>\$ 3,021,967</u>	<u>\$ 27,434</u>	<u>0.9 %</u>
Financing:								
Securities Act Fee Fund	\$ 2,679,225	\$ 2,829,107	\$ 2,957,045	\$ 127,938	4.5 %	\$ 2,982,470	\$ 25,425	0.9 %
Investor Education Fund	129,924	604,534	37,448	(567,086)	(93.8)	39,497	2,049	5.5
TOTAL	<u>\$ 2,809,149</u>	<u>\$ 3,433,641</u>	<u>\$ 2,994,493</u>	<u>\$ (439,148)</u>	<u>(12.8) %</u>	<u>\$ 3,021,967</u>	<u>\$ 27,474</u>	<u>0.9 %</u>

		Governor's Recommendation						
	Actual FY 2012	FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 2,279,354	\$ 2,429,055	\$ 2,502,955	\$ 73,900	3.0 %	\$ 2,505,468	\$ 2,513	0.1 %
Contractual Services	387,864	963,085	394,290	(568,795)	(59.1)	394,143	(147)	(0.0)
Commodities	21,887	23,533	24,157	624	2.7	24,688	531	2.2
Capital Outlay	55,384	17,968	18,144	176	1.0	16,426	(1,718)	(9.5)
Other Assistance	64,660	0	0	0	--	0	0	--
TOTAL	<u>\$ 2,809,149</u>	<u>\$ 3,433,641</u>	<u>\$ 2,939,546</u>	<u>\$ (494,095)</u>	<u>(14.4) %</u>	<u>\$ 2,940,725</u>	<u>\$ 1,179</u>	<u>0.0 %</u>
Financing:								
Securities Act Fee Fund	2,679,225	2,829,107	2,902,058	72,951	2.6	2,901,228	(830)	(0.0)
Investor Education Fund	129,924	604,534	37,488	(567,046)	(93.8)	39,497	2,009	5.4
TOTAL	<u>\$ 2,809,149</u>	<u>\$ 3,433,641</u>	<u>\$ 2,939,546</u>	<u>\$ (494,095)</u>	<u>(14.4) %</u>	<u>\$ 2,940,725</u>	<u>\$ 1,179</u>	<u>0.0 %</u>

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved Budget

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	3,125,370	3,433,641	308,271	3,433,641	308,271
TOTAL	\$ 3,125,370	\$ 3,433,641	\$ 308,271	\$ 3,433,641	\$ 308,271
FTE Positions	30.0	30.0	0.0	30.0	0.0

The **agency** estimates revised FY 2013 operating expenditures of \$3,433,641, including \$2,829,107 from the Securities Act Fee Fund, and \$604,534 from the Investor Education Fund. This is an all funds increase of \$308,271, or 9.9 percent, above the approved amount. The increase is attributable to an increase in contractual services from \$443,072 to \$963,085, an increase of \$520,013, or 117.4 percent, above the amount approved by the 2012 Legislature. The agency states that this increase reflects an auction rate securities settlement agreement that resulted from an agency investigation and that the agency plans to use this money to develop Public Service Announcements (PSAs) and purchase media time to increase public awareness of agency services. The increase also is attributable to an increase in salaries and wages of \$28,118, or 1.1 percent, above the amount approved by the 2012 Legislature. This increase reflects an overall increase in expenditures for employee wages. The agency also estimates decreased expenditures in commodities, capital outlay, other assistance, and shrinkage. The agency estimate maintains the 30.0 FTE position limitation.

Major changes include:

- **Salaries and Wages** – The agency estimates \$2,560,255, all from the Securities Act Fee Fund, for FY 2013. This is an increase of \$28,118, or 1.1 percent, above the amount approved by the 2012 legislature. The increase attributable to increased salary and wage costs for 30.0 FTE positions and other part-time temporary positions.
- **Contractual Services** – The agency estimates \$963,085 for FY 2013. The amount includes \$361,760 from the Securities Act Fee Fund and \$601,325 from the Investor Education Fund. This is an increase of \$520,013, or 117.4 percent, above the amount approved by the 2012 legislature. The agency states that this increase reflects the agency's plan to develop Public Service Announcements (PSAs) and purchase media time to increase public awareness of agency services. The increase is also due to additional expenditures for

outside computer services related to the agency's case management and registration database, and data plans for agency issued iPads.

- **Commodities** – The agency estimates \$23,533 for FY 2013, a decrease of \$11,546, or 32.9 percent, below the amount approved by the 2012 legislature. This estimate includes \$3,209 from Investor Education Fund and \$20,324 from the Securities Act Fee Fund. The decrease is due to lower travel and office supply costs.
- **Capital Outlay** – The agency estimates \$17,968 for FY 2013, all from the Securities Act Fee Fund, a decrease of \$196, or 1.1 percent, below the amount approved by the 2012 legislature.
- **Other Assistance** – The agency estimates \$0 for FY 2013, a decrease of \$200,000, or 100.0 percent, below the amount approved by the 2012 legislature.

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

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total				
Request/Recommendation	\$ 2,994,533	\$ 2,939,546	\$	(54,987)
FTE Positions	30.0	30.0		0.0
Change from FY 2013:				
<i>Dollar Change:</i>				
All Other Funds	(439,108)	(494,095)		
<i>Percent Change:</i>				
All Other Funds	(12.8) %	(14.4) %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2014 operating expenditures of \$2,994,533, a decrease of \$439,108, or 12.8 percent, below the agency's FY 2013 revised estimate. The request includes \$2,957,045 from the Securities Act Fee Fund and \$37,488 from the Investor Education Fund. This is primarily attributable to an decrease of \$568,795 in contractual services because the agency is decreasing the size of its service announcement development and distribution program. The request also includes an increase in salaries and wages due to a reduction in salaries and wages shrinkage, increased Kansas Public Employees Retirement System

(KPERs) employer contributions, and increased salary expenditures. The agency's request includes 30.0 FTE positions, the same as the FY 2013 revised estimate.

Major changes include:

- **Salaries and Wages** – The agency requests \$2,557,942, all from the Securities Act Fee Fund, an increase of \$128,887, or 5.3 percent, above the FY 2013 revised estimate. The increase is attributable to a reduction in salaries and wages shrinkage, increased Kansas Public Employees Retirement System (KPERs) employer contributions, and increased salary expenditures.
- **Contractual Services** – The agency requests \$394,290, a decrease of \$568,795, or 59.1 percent, below the FY 2013 revised estimate. The request includes \$360,097 from the Securities Act Fee Fund and \$34,193 from the Investor Education Fund. This is primarily attributable to a decrease of \$568,795 in contractual services because the agency is decreasing the size of its budget for public service announcement development and distribution.
- **Commodities** – The agency requests \$24,157, an increase of \$624, or 2.7 percent, above the FY 2013 revised estimate. The agency requests \$20,862 from the Securities Act Fee Fund and \$3,295 from the Investor Education Fund.
- **Capital Outlay** – The agency requests \$18,144, all from the Securities Act Fee Fund, an increase of \$176, or 1.0 percent, above the FY 2013 revised estimate. The agency request includes scheduled computer replacements.

The **Governor** recommends FY 2014 operating expenditures of \$2,939,546, an all funds decrease of \$54,987, or 1.8 percent, below the agency's FY 2014 request. The decrease is all in salaries and wages and is attributable to a decrease of \$52,203 due to increasing the salaries and wages shrinkage rate for a total of 4.0 percent, and is also attributable to a decrease of \$2,784 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The **agency** does not have any enhancement requests for FY 2014.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 3,021,967	\$ 2,940,725	\$	(81,242)
FTE Positions	30.0	30.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	27,434	1,179		
<i>Percent Change:</i>				
All Other Funds	0.9 %	0.0 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests operating expenditures of \$3,021,967 for FY 2015. This is an all funds increase of \$27,434, or 0.9 percent, above the FY 2014 agency request. The request includes \$2,982,470 from the Securities Act Fee Fund and \$39,497 from the Investor Education Fund. The increase is primarily attributable to an increase of \$28,768, or 1.1 percent, in salaries and wages, a small increase in commodities, and small decreases in contractual services and capital outlay. The increase in salaries and wages is attributable to increased KPERS employer contributions and group health care expenditures. The agency's request includes 30.0 FTE positions, the same as the FY 2014 request.

Major changes include:

- **Salaries and Wages** – The agency requests \$2,586,710, all from the Securities Act Fee Fund, an increase of \$28,768, or 1.1 percent, above the FY 2015 agency request. The increase is attributable to increased KPERS employer contributions and group health care expenditures.
- **Contractual Services** – The agency requests \$394,143, a decrease of \$147 below the FY 2014 agency request. The request includes \$359,172 from the Securities Act Fee Fund and \$34,971 from the Investor Education Fund.
- **Commodities** – The agency requests \$24,688, an increase of \$531, or 2.2 percent, above the FY 2014 agency request. The agency requests \$21,301 from the Securities Act Fee Fund and \$3,295 from the Investor Education Fund. The increase is attributable to cost index adjustments.

- **Capital Outlay** – The agency requests \$16,426, all from the Securities Act Fee Fund, a decrease of \$1,718, or 9.5 percent, below the FY 2014 agency request. The decrease is attributable to fewer PC replacements in FY 2015.

The **Governor** recommends FY 2015 operating expenditures of \$2,940,725, an all funds decrease of \$81,242, or 2.7 percent, below the agency's FY 2015 request. The decrease is all in salaries and wages and is attributable to a decrease of \$78,386 due to increasing the shrinkage rate for a total of 4.0 percent, and is also attributable to a decrease of \$2,856 to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERs) death and disability employer contribution from the statutory 1.0 percent to 0.85 percent for FY 2014.

Enhancements Detail

The **agency** does not have any enhancement requests for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$4,800, all from special revenue funds, and FY 2015 longevity payments total \$3,240, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Securities Act Fee Fund	98.7 %	98.7 %
Investor Education Fund	1.3	1.3
TOTAL	100.0 %	100.0 %

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 80.0 percent of fees received by the Commissioner are credited to the Securities Act Fee Fund and 20.0 percent of receipts are credited to the State General Fund, up to a \$200,000 maximum for the State General Fund]. 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 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 22,470	\$ 41,071	\$ 41,071	\$ 49,632	\$ 50,000	\$ 49,632	\$ 50,000
Revenue	13,610,438	13,657,382	13,659,750	13,714,250	13,716,250	13,764,500	13,766,500
Net Receipts	0	0	2,176	0	0	0	0
Total Funds Available	\$ 13,632,908	\$ 13,698,453	\$ 13,702,997	\$ 13,763,882	\$ 13,766,250	\$ 13,814,132	\$ 13,816,500
Less:							
Expenditures	\$ 2,678,857	\$ 2,827,107	\$ 2,829,107	\$ 2,955,045	\$ 2,902,058	\$ 2,980,470	\$ 2,901,228
Transfers Out	10,912,980	10,821,714	10,823,890	10,759,205	10,814,192	10,784,030	10,865,272
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 41,071</u>	<u>\$ 49,632</u>	<u>\$ 50,000</u>	<u>\$ 49,632</u>	<u>\$ 50,000</u>	<u>\$ 49,632</u>	<u>\$ 50,000</u>
Ending Balance as Percent of Expenditures	1.5%	1.8%	1.8%	1.7%	1.7%	1.7%	1.7%
Month Highest Ending Balance	May \$ 10,266,034	May \$ 9,889,249	\$ 0	May \$ 9,878,269	\$ 0	May \$ 9,924,683	\$ 0
Month Lowest Ending Balance	June \$ 41,071	June \$ 50,000	\$ 0	June \$ 50,000	\$ 0	June \$ 50,000	\$ 0

Investor Education Fee Fund Analysis

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.

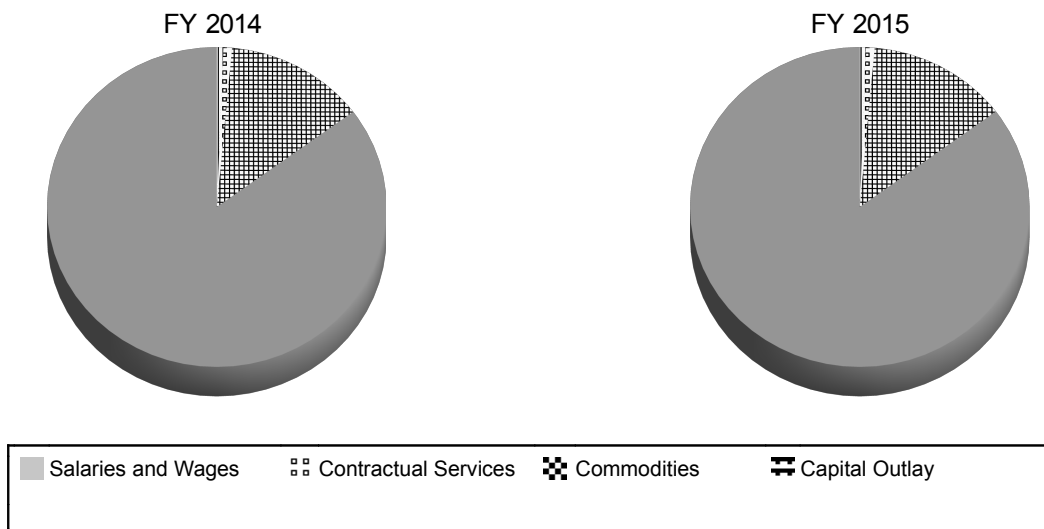
The agency requests that budget estimates for the Investor Education Fund be analyzed separately and not combined with the Securities Act Fee Fund. The agency states that this is necessary because of the differences in funding and purpose, and especially because the Investor Education Fund is a "No Limit" 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. As an example of this distortion, this fund will continue to have a significant balance in FY 2013 because of the Auction Rate Securities settlements reached with several Wall Street firms during 2010.

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 96,475	\$ 607,621	\$ 607,621	\$ 35,732	\$ 35,732	\$ 23,244	\$ 23,244
Revenue	641,070	32,645	32,645	25,000	25,000	25,000	25,000
Net Receipts	0	0	0	0	0	0	0
Total Funds Available	\$ 737,545	\$ 640,266	\$ 640,266	\$ 60,732	\$ 60,732	\$ 48,244	\$ 48,244
Less:							
Expenditures	\$ 129,924	\$ 604,534	\$ 604,534	\$ 37,488	\$ 37,488	\$ 39,497	\$ 39,497
Transfers Out	0	0	0	0	0	0	0
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 607,621</u>	<u>\$ 35,732</u>	<u>\$ 35,732</u>	<u>\$ 23,244</u>	<u>\$ 23,244</u>	<u>\$ 8,747</u>	<u>\$ 8,747</u>
Ending Balance as Percent of Expenditures	467.7%	5.9%	5.9%	62.0%	62.0%	22.1%	22.1%
Month Highest Ending Balance	January \$ 715,181	July \$ 646,384	July \$ 646,384	July \$ 34,691	July \$ 34,691	July \$ 22,036	July \$ 22,036
Month Lowest Ending Balance	July \$ 124,025	June \$ 35,732	June \$ 35,732	June \$ 23,244	June \$ 23,244	June \$ 8,747	June \$ 8,747

PROGRAM DETAIL

Expenditures by Object

Governor's Recommendation



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 2,502,955	85.1 %	\$ 2,505,468	85.2 %
Contractual Services	394,290	13.4	394,143	13.4
Commodities	24,157	0.8	24,688	0.8
Capital Outlay	18,144	0.6	16,426	0.6
TOTAL	\$ 2,939,546	100.0 %	\$ 2,940,725	100.0 %

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Amount of securities offerings registered (in billions)	\$65.5	\$75.9	\$76.0	\$76.0	\$76.0
Number of broker-dealers and investment adviser firms registered	3,100	2,918	2,950	2,975	3,000
Number of compliance and enforcement cases closed	158	137	137	142	150
Percent of cases resulting in remedial actions or referrals	50.0%	51.8%	50.0%	50.0%	50.0%

BOARD OF TECHNICAL PROFESSIONS

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 568,959	\$ 614,683	\$ 614,683	\$ 626,977	\$ 626,678	\$ 639,517	\$ 639,218
Percent Change	6.0 %	8.0 %	8.0 %	2.0 %	2.0 %	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 statutes 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 2,677 architects, 11,235 engineers, 757 land surveyors, 383 landscape architects, and 629 geologists (for a total of nearly 15,700 individuals and over 2,400 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.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates FY 2013 operating expenditures of \$614,683, all from the Technical Professions Fee Fund. This is the same as the amount approved by the 2012 Legislature. The estimate includes 5.0 FTE positions, the same as the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised estimate.

FY 2014 – Budget Year. The **agency** requests FY 2014 operating expenditures of \$626,977, all from the Technical Professions Fee Fund. This is an increase of \$12,294, or 2.0 percent, above the revised FY 2013 estimate. The request includes 5.0 FTE positions, the same as the revised FY 2013 estimate. The major changes in FY 2014 are attributable to increases in salaries and wages fringe benefit costs and contractual services for out of state expenditures, information technology services, and legal services.

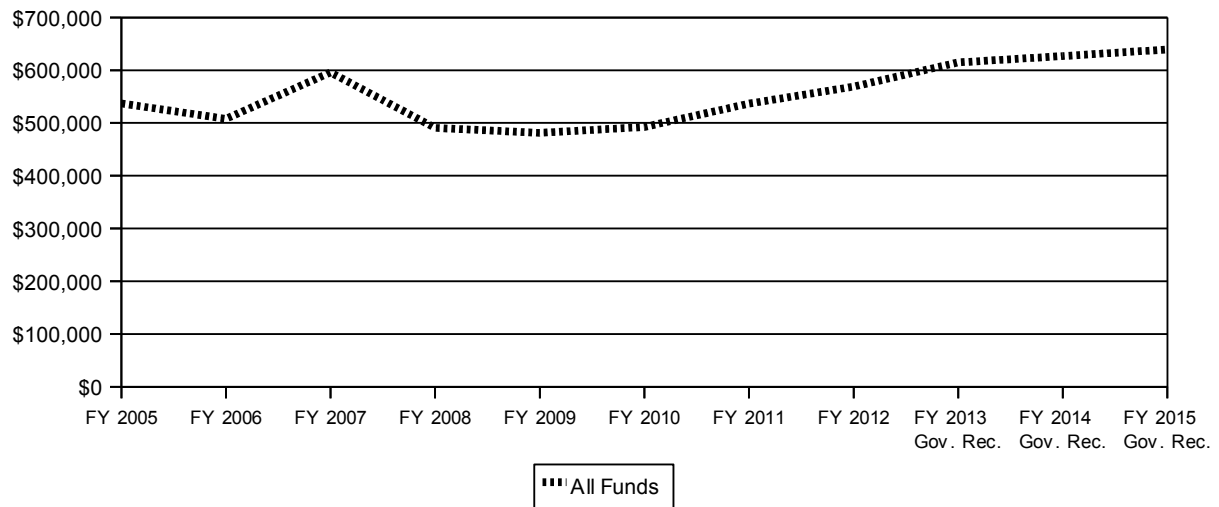
The **Governor** recommends FY 2014 operating expenditures of \$626,678, all from the Technical Professions Fee Fund. The recommendation is a decrease of \$299, or less than 0.1 percent, below the agency's FY 2014 request. The Governor's recommendation includes a decrease of \$299, all from the Technical Professions Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

FY 2015 – Budget Year. The **agency** requests FY 2015 operating expenditures of \$639,517, all from the Technical Professions Fee Fund. This is an increase of \$12,540, or 2.0 percent, above the FY 2014 request. The request includes 5.0 FTE positions, the same as the FY 2014 request. The major changes in FY 2015 are attributable to increases in salaries and wages fringe benefit costs and contractual services for out of state expenditures, information technology services, legal services, and agency subscription fees.

The **Governor** recommends FY 2015 operating expenditures of \$639,218, all from the Technical Professions Fee Fund. The recommendation is a decrease of \$299, or less than 0.1 percent, below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$299, all from the Technical Professions Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 536,890	10.7 %	6.0
2006	507,836	(5.4)	6.0
2007	595,830	17.3	6.0
2008	490,717	(17.6)	6.0
2009	481,305	(1.9)	5.0
2010	492,484	2.3	5.0
2011	536,666	9.0	5.0
2012	568,959	6.0	5.0
2013 Gov. Rec.	614,683	8.0	5.0
2014 Gov. Rec.	626,678	2.0	5.0
2015 Gov. Rec.	639,218	2.0	5.0
Eleven-Year Change Dollars/Percent	\$ 102,328	19.1 %	(1.0)

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
		FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 264,879	\$ 269,827	\$ 271,923	\$ 2,096	0.8 %	\$ 273,958	\$ 2,035	0.7 %
Contractual Services	294,552	331,556	341,754	10,198	3.1	352,259	10,505	3.1
Commodities	7,996	10,300	10,300	0	0.0	10,300	0	0.0
Capital Outlay	1,532	3,000	3,000	0	0.0	3,000	0	0.0
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 568,959</u>	<u>\$ 614,683</u>	<u>\$ 626,977</u>	<u>\$ 12,294</u>	<u>2.0 %</u>	<u>\$ 639,517</u>	<u>\$ 12,540</u>	<u>2.0 %</u>
Financing:								
Technical Professions Fee Fund	\$ 568,959	\$ 614,683	\$ 626,977	\$ 12,294	2.0 %	\$ 639,517	\$ 12,540	2.0 %

		Governor's Recommendation						
		FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 2014	Percent Change from FY 2014
Actual FY 2012								
By Major Object of Expenditure:								
Salaries and Wages	\$ 264,879	\$ 269,827	\$ 271,624	\$ 1,797	0.7 %	\$ 273,659	\$ 2,035	0.7 %
Contractual Services	294,552	331,556	341,754	10,198	3.1	352,259	10,505	3.1
Commodities	7,996	10,300	10,300	0	0.0	10,300	0	0.0
Capital Outlay	1,532	3,000	3,000	0	0.0	3,000	0	0.0
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 568,959</u>	<u>\$ 614,683</u>	<u>\$ 626,678</u>	<u>\$ 11,995</u>	<u>2.0 %</u>	<u>\$ 639,218</u>	<u>\$ 12,540</u>	<u>2.0 %</u>
Financing:								
Technical Professions Fee Fund	\$ 568,959	\$ 614,683	\$ 626,678	\$ 11,995	2.0 %	\$ 639,218	\$ 12,540	2.0 %

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	614,683	614,683	0	614,683	0
TOTAL	\$ 614,683	\$ 614,683	\$ 0	\$ 614,683	\$ 0
FTE Positions	5.0	5.0	0.0	0.0	0.0

The **agency** estimates FY 2013 operating expenditures of \$614,683, all from the Technical Professions Fee Fund. This is the same as the amount approved by the 2012 Legislature. The estimate includes 5.0 FTE positions, the same as the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised estimate.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total			
Request/Recommendation	\$ 626,977	\$ 626,678	\$ (299)
FTE Positions	5.0	5.0	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
All Other Funds	12,294	11,995	
<i>Percent Change:</i>			
All Other Funds	2.0 %	2.0 %	
Change in FTE Positions	0.0	0.0	

The **agency** requests FY 2014 operating expenditures of \$626,977, all from the Technical Professions Fee Fund. This is an increase of \$12,294, or 2.0 percent, above the revised FY 2013 estimate. The request includes 5.0 FTE positions, the same as the revised FY 2013 estimate. The major changes in FY 2014 include the following:

- **Salaries and Wages.** The agency request includes \$271,923 in salaries in wages. This is an increase of \$2,096, or 0.8 percent, above the revised FY 2013 estimate. The increase is attributable to increases in fringe benefit costs.
- **Contractual Services.** The agency request includes \$341,754 in contractual services. This is an increase of \$10,198, or 3.1 percent, above the revised FY 2013 estimate. The increase is mainly attributable to increases in out of state travel, information technology services, and legal services.
- **Commodities.** The agency request includes \$10,300 in commodities. This is the same as the amount in the revised FY 2013 estimate.
- **Capital Outlay.** The agency request includes \$3,000 in capital outlay. This is the same as the amount in the revised FY 2013 estimate.

The **Governor** recommends FY 2014 operating expenditures of \$626,678, all from the Technical Professions Fee Fund. The recommendation is a decrease of \$299, or less than 0.1 percent, below the agency's FY 2014 request. The Governor's recommendation includes a decrease of \$299, all from the Technical Professions Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2014.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 639,517	\$ 639,218	\$	(299)
FTE Positions	5.0	5.0		0.0
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	12,540	12,540		
<i>Percent Change:</i>				
All Other Funds	2.0 %	2.0 %		
Change in FTE Positions	0.0	0.0		

The **agency** requests FY 2015 operating expenditures of \$639,517, all from the Technical Professions Fee Fund. This is an increase of \$12,540, or 2.0 percent, above the FY 2014 request. The request includes 5.0 FTE positions, the same as the FY 2014 request. The major changes in FY 2015 include the following:

- **Salaries and Wages.** The agency request includes \$273,958 in salaries and wages. This is an increase of \$2,035, or 0.7 percent, above the FY 2014 request. The increase is attributable to an increase in fringe benefit costs.
- **Contractual Services.** The agency request includes \$352,259 in contractual services. This is an increase of \$10,505, or 3.1 percent, above the FY 2014 request. The increase is attributable to increases in out of state travel, information technology services, legal services, and agency subscription fees.
- **Commodities.** The agency request includes \$10,300 in commodities. This is the same as the FY 2014 request.
- **Capital Outlay.** The agency request includes \$3,000 in capital outlay. This is the same as the FY 2014 request.

The **Governor** recommends FY 2015 operating expenditures of \$639,218, all from the Technical Professions Fee Fund. The recommendation is a decrease of \$299, or less than 0.1 percent, below the agency's FY 2015 request. The Governor's recommendation includes a decrease of \$299, all from the Technical Professions Fee Fund, to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System (KPERS) death and disability employer contribution rate from the statutory 1.0 percent to 0.85 percent for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$600, all from the Technical Professions Fee Fund, and FY 2015 longevity payments total \$640, all from the Technical Professions Fee Fund.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Technical Professions Fee Fund Analysis

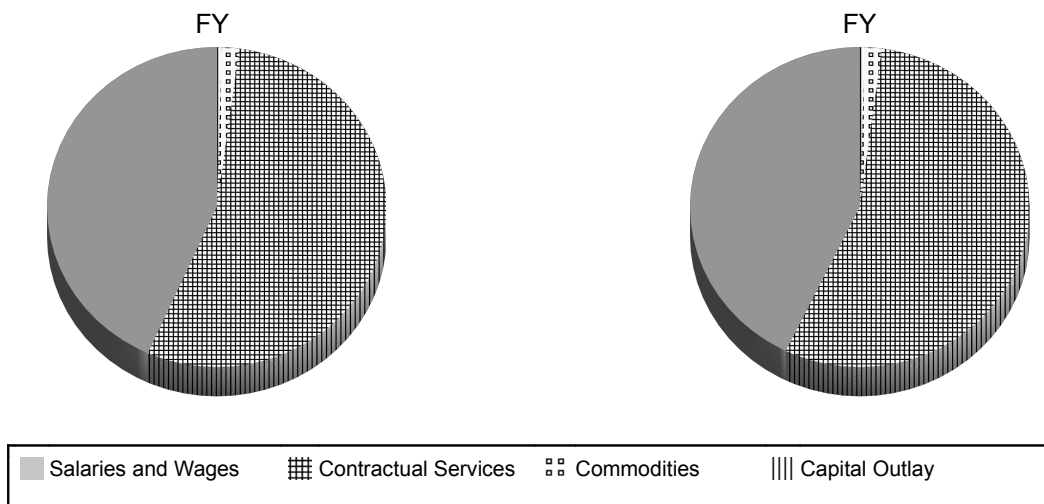
The Board of Technical Professions is a fee-funded agency. The revenue received provides financing for all operations, with 90.0 percent being retained by the agency and 10.0 percent being deposited in the State General Fund. The Board collects \$150 for the geologists fundamental exams and \$200 for the practice exam. Re-examination fees are the same. The Board has established the comity fee for all professionals at \$250 and the certificate of authorization of \$170. Biennial renewal fees are set at \$60 for individuals, not to exceed \$200 and \$85 for business entities, not to exceed \$300 (KSA 74-7025). Reinstatement fees are \$100 for individuals and \$170 for corporations (KSA 74-7025). Replacement fees are set by statute (KSA 74-7026 (5)(c)). A breakdown of the Board of Technical Professions Fee Fund receipts, expenditures, balances, and licensing information are contained below:

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 936,121	\$ 1,102,009	\$ 1,102,009	\$ 1,000,707	\$ 1,000,707	\$ 932,639	\$ 932,938
Revenue	734,847	513,381	513,381	558,909	558,909	514,358	512,358
Net Receipts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Funds Available	\$ 1,670,968	\$ 1,615,390	\$ 1,615,390	\$ 1,559,616	\$ 1,559,616	\$ 1,446,997	1,445,296
Less:							
Expenditures	\$ 568,959	\$ 614,683	\$ 614,683	\$ 626,977	\$ 626,678	\$ 639,517	\$ 639,218
Transfers Out	0	0	0	0	0	0	0
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 1,102,009</u>	<u>\$ 1,000,707</u>	<u>\$ 1,000,707</u>	<u>\$ 932,639</u>	<u>\$ 932,938</u>	<u>\$ 807,480</u>	<u>\$ 806,078</u>
Ending Balance as Percent of Expenditures	193.7%	162.8%	162.8%	148.8%	148.9%	126.3%	126.1%
Month Highest Ending Balance	June \$ 1,102,009	July \$ 1,074,638	July \$ 1,074,638	July \$ 973,336	July \$ 973,336	July \$ 905,567	July \$ 905,567
Month Lowest Ending Balance	October \$ 843,381	February \$ 884,186	February \$ 884,186	February \$ 796,195	February \$ 796,195	February \$ 739,720	February \$ 739,720

PROGRAM DETAIL

Expenditures by Object

Governor's Recommendation



Object	Gov. Rec. FY 2014	Percent of Total	Gov. Rec. FY 2015	Percent of Total
Salaries and Wages	\$ 271,624	43.3 %	\$ 273,659	42.8 %
Contractual Services	341,754	54.5	352,259	55.1
Commodities	10,300	1.6	10,300	1.6
Capital Outlay	3,000	0.5	3,000	0.5
TOTAL	\$ 626,678	100.0 %	\$ 639,218	100.0 %

PERFORMANCE MEASURES

Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of individual licenses	15,537	15,825	15,800	15,800	15,800
Number of corporate certificates	2,301	3,499	3,700	3,900	4,100
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	24.0%	39.0%	30.0%	30.0%	30.0%

BOARD OF VETERINARY EXAMINERS

Expenditure	Actual FY 2012	Agency Est. FY 2013	Governor Rec. FY 2013	Agency Req. FY 2014	Governor Rec. FY 2014	Agency Req. FY 2015	Governor Rec. FY 2015
Operating Expenditures:							
Special Revenue Fund	\$ 267,159	\$ 269,363	\$ 269,363	\$ 321,578	\$ 0	\$ 320,920	\$ 0
Percent Change	0.0 %	0.8 %	0.8 %	19.4 %	(100.0)%	(0.2)%	-- %
FTE Positions	3.0	3.0	3.0	4.0	0.0	4.0	0.0
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	4.0	0.0	4.0	0.0

AGENCY OVERVIEW

The Board of Veterinary Examiners was established in 1907 for the purpose of protecting the public health and safety by insuring, through examination and registration, a minimum standard of skill and ability in veterinarians practicing in Kansas. The Board is also responsible for the examination and registration of animal health technicians. In addition, the Board registers veterinary premises. The Board investigates complaints by consumers against practicing veterinarians, along with allegations of unethical practice and cases of intentional or unknowing infringement on the laws governing the practice of veterinary medicine. In cases of violations of the Veterinary Practice Act, the Board may condition, limit, or restrict the right of licensees to practice, issue reprimands, impose fines, and suspend or revoke licenses. When necessary, cases are referred by the Board to the State's Attorney General for prosecution.

MAJOR ISSUES FROM PRIOR YEARS

The **1980 Legislature** established a five-member State Board of Veterinary Examiners.

The **1993 Legislature** amended the Veterinary Practice Act to increase Board membership from five to seven. They also eliminated the office of Secretary-Treasurer and transferred the powers and duties to the newly-created Executive Director. The law increased the number of options that the Board may take in dealing with violations of the Act. The new law gave the Board the authority to license veterinary clinics, including mobile clinics. The Board received increased flexibility in setting fees for examination, registrations, and renewals.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** estimates expenditures of \$269,363, all from the Veterinary Examiners Fee Fund. This is no change from the amount approved by the 2012 Legislature.

The **Governor** concurs with the revised agency estimate.

FY 2014 – Budget Year. The **agency** requests \$321,578, all from the Veterinary Examiners Fee Fund, for FY 2014 operating expenditures and 4.0 FTE positions. This is an increase of \$52,215, or 19.4 percent, above the FY 2013 revised estimate, and 1.0 FTE position. The increase is attributed to enhancement funding for a salary increase for the Director, as well as the addition of an inspector position. Absent the enhancement funding, the request is an overall decrease of \$2,185, or 0.8 percent, below the FY 2013 revised request, and no change to the FTE positions.

The **Governor** recommends moving the Board of Veterinary Examiners to the Department of Agriculture, and therefore does not recommend any funding as a stand-alone agency starting in FY 2014. The Governor's recommendation for the Department of Agriculture includes an additional \$266,970, from the Veterinary Examiners Fee Fund, to accommodate the transition. The Governor recommends moving 3.0 FTE positions to the Department of Agriculture, which is a reduction of 1.0 FTE position from the current number of 4.0 FTE.

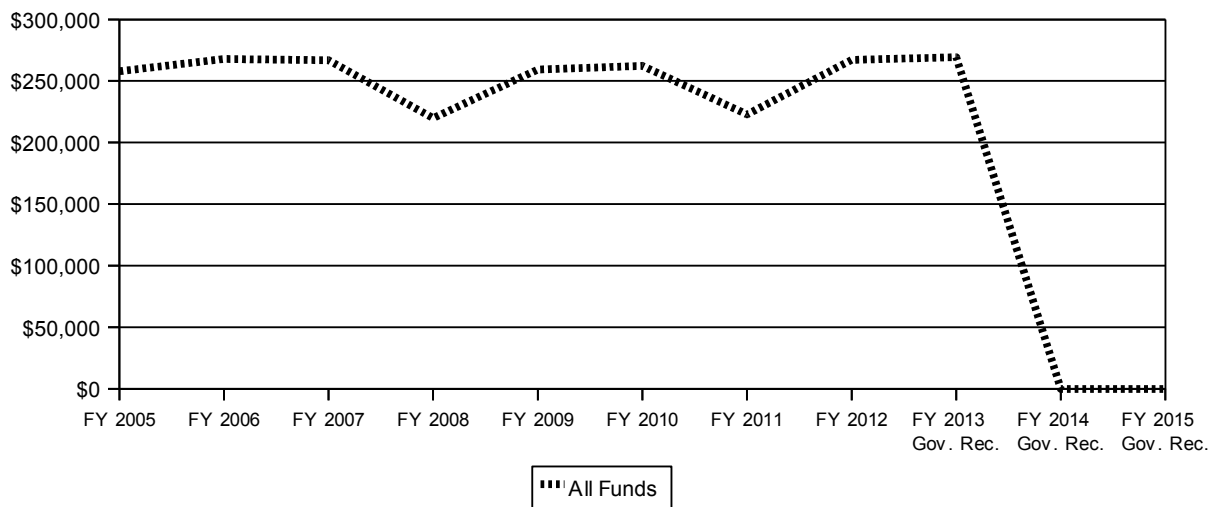
The recommendation of adding \$266,970 from the Veterinary Examiners Fee Fund to the Department of Agriculture's budget is a decrease of \$54,608, or 17.0 percent, below the agency's FY 2014 request. This reduction is attributed to not recommending enhancement funding at this time. The recommendation is a decrease of \$2,393, or 0.9 percent, below the FY 2013 recommended amount.

FY 2015 – Budget Year. The **agency** requests \$320,920, all from the Veterinary Examiner Fee Fund, for FY 2015 operating expenditures and 4.0 FTE positions. This is a decrease of \$658, or 0.2 percent, below the FY 2014 request. The request includes \$54,400 and 1.0 FTE position in enhancement funding, which was also included in the FY 2014 request.

The **Governor** recommends no funding as a stand-alone agency in FY 2015 as a result of the proposed merger with the Kansas Department of Agriculture.

BUDGET TRENDS

OPERATING EXPENDITURES FY 2005 – FY 2015



OPERATING EXPENDITURES FY 2005 – FY 2015

Fiscal Year	All Funds	% Change	FTE
2005	\$ 257,897	(1.5)%	3.0
2006	267,890	3.9	3.0
2007	266,842	(0.4)	3.0
2008	219,895	(17.6)	3.0
2009	259,287	17.9	3.0
2010	262,315	1.2	3.0
2011	222,851	(15.0)	3.0
2012	267,159	19.9	3.0
2013 Gov. Rec.	269,363	0.8	3.0
2014 Gov. Rec.	0	(100.0)	0.0
2015 Gov. Rec.	0	--	0.0
Eleven-Year Change Dollars/Percent	\$ (257,897)	(100.0)%	(3.0)

Summary of Operating Budget FY 2012 - FY 2015

		Agency Request						
	Actual FY 2012	FY 2013 Estimate	FY 2014 Request	Dollar Change From FY 13	Percent Change from FY 13	FY 2015 Request	Dollar Change from FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 185,870	\$ 188,794	\$ 244,578	\$ 55,784	29.5 %	\$ 245,920	\$ 1,342	0.5 %
Contractual Services	72,044	72,021	68,452	(3,569)	(5.0)	66,452	(2,000)	(2.9)
Commodities	6,557	6,540	6,540	0	0.0	6,540	0	0.0
Capital Outlay	2,688	2,008	2,008	0	0.0	2,008	0	0.0
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 267,159</u>	<u>\$ 269,363</u>	<u>\$ 321,578</u>	<u>\$ 52,215</u>	<u>19.4 %</u>	<u>\$ 320,920</u>	<u>\$ (658)</u>	<u>(0.2) %</u>
Financing:								
Veterinary Examiners Fee Fund	\$ 267,159	\$ 269,363	\$ 321,578	\$ 52,215	19.4 %	\$ 320,920	\$ (658)	(0.2) %

		Governor's Recommendation						
	Actual FY 2012	FY 2013 Gov. Rec.	FY 2014 Gov. Rec.	Dollar Change from FY 13	Percent Change from FY 13	FY 2015 Gov. Rec.	Dollar Change From FY 14	Percent Change from FY 14
By Major Object of Expenditure:								
Salaries and Wages	\$ 185,870	\$ 188,794	\$ 0	\$ (188,794)	(100.0) %	\$ 0	\$ 0	-- %
Contractual Services	72,044	72,021	0	(72,021)	(100.0)	0	0	--
Commodities	6,557	6,540	0	(6,540)	(100.0)	0	0	--
Capital Outlay	2,688	2,008	0	(2,008)	(100.0)	0	0	--
Other Assistance	0	0	0	0	--	0	0	--
TOTAL	<u>\$ 267,159</u>	<u>\$ 269,363</u>	<u>\$ 0</u>	<u>\$ (269,363)</u>	<u>(100.0) %</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>-- %</u>
Financing:								
Veterinary Examiners Fee Fund	\$ 267,159	\$ 269,363	\$ 0	\$ (269,363)	(100.0) %	\$ 0	\$ 0	-- %

BUDGET OVERVIEW

A. FY 2013 – Current Year

Adjustments to Approved Budget

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Fund	269,363	269,363	0	269,363	0
TOTAL	\$ 269,363	\$ 269,363	\$ 0	\$ 269,363	\$ 0
FTE Positions	3.0	3.0	0.0	0.0	0.0

The **agency** estimates FY 2013 expenditures of \$269,363, all from the Veterinary Examiners Fee Fund. This is no change from the amount approved by the 2012 Legislature.

The **Governor** concurs with the agency's revised estimate for FY 2013.

B. FY 2014 – Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total			
Request/Recommendation	\$ 321,578	\$ 0	\$ (321,578)
FTE Positions	4.0	0.0	(4.0)
Change from FY 2013:			
<i>Dollar Change:</i>			
All Other Funds	52,215	(269,363)	
<i>Percent Change:</i>			
All Other Funds	19.4 %	(100.0) %	
Change in FTE Positions	1.0	(3.0)	

The **agency** requests \$321,578, all from the Veterinary Examiners Fee Fund, for FY 2014 operating expenditures and 4.0 FTE positions. This is an increase of \$52,215, or 19.4 percent, above the FY 2013 revised estimate, and 1.0 FTE position. The increase is attributed to enhancement funding for a salary increase for the director, as well as the addition of an inspector position. **Absent the enhancement**, the request is an overall decrease of \$2,185, or 0.8 percent, below the FY 2013 revised request, and no change to the FTE positions.

The **Governor** recommends moving the Board of Veterinary Examiners to the Department of Agriculture and therefore does not recommend any funding as a stand-alone agency starting in FY 2014. The Governor's recommendation for the Department of Agriculture includes an additional \$266,970, from the Veterinary Examiners Fee Fund, to accommodate the transition. The Governor recommends moving 3.0 FTE positions to the Department of Agriculture, which is the number of current authorized FTE positions.

The recommendation of adding \$266,970 from the Veterinary Examiners Fee Fund to the Department of Agriculture's budget is a decrease of \$54,608, or 17.0 percent, below the agency's FY 2014 request. This reduction is attributed to not recommending enhancement funding at this time. The recommendation is a decrease of \$2,393, or 0.9 percent, below the FY 2013 recommended amount.

FY 2014 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Inspector Position	\$ 0	\$ 42,950	1.0	\$ 0	\$ 0	0.0
Salary Plan Change	0	11,450	0.0	0	0	0.0
TOTAL	<u>\$ 0</u>	<u>\$ 54,400</u>	<u>1.0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0.0</u>

Enhancements Detail

The **agency** requests enhancement funding totaling \$54,400, all from the Veterinary Examiners Fee Fund, for FY 2014. Requests include:

- **Inspector Position.** Add \$42,950 and 1.0 FTE position to add an additional inspector/investigator position. The agency notes that it has 506 registered veterinary premises and due to the workload the agency cannot get all of the premises inspected at least every twenty four months. Additionally, the agency investigates fifty complaints a year, recent cases could have been completed sooner with additional staffing.
- **Salary Plan Change.** Add \$11,450 to restore and increase the compensation for the agency director. The agency notes that the director voluntarily reduced his salary so that he could increase the salary of other employees. The amount requested would restore the director's compensation as well as increase it from what it was before it was voluntarily reduced.

The **Governor** recommends no enhancement funding at this time.

C. FY 2015 – Budget Year

FY 2015 OPERATING BUDGET SUMMARY				
	Agency Request	Governor's Recommendation	Difference	
Total Request/Recommendation	\$ 320,920	\$ 0	\$	(320,920)
FTE Positions	4.0	0.0		(4.0)
Change from FY 2014:				
<i>Dollar Change:</i>				
All Other Funds	(658)	0		
<i>Percent Change:</i>				
All Other Funds	(0.2) %	-- %		
Change in FTE Positions	0.0	0.0		

The **agency** requests \$320,920, all from the Veterinary Examiner Fee Fund, for FY 2015 operating expenditures and 4.0 FTE positions. This is an decrease of \$658, or 0.2 percent, below the FY 2014 request. The request includes \$54,400 and 1.0 FTE position in enhancement funding, which was also included in the FY 2014 request.

The **Governor** recommends no funding as a stand-alone agency in FY 2015 as a result of the proposed merger with the Kansas Department of Agriculture.

FY 2015 ENHANCEMENTS						
Enhancements	Agency Request			Governor's Recommendation		
	SGF	All Funds	FTE	SGF	All Funds	FTE
Inspector Position	\$ 0	\$ 42,950	1.0	\$ 0	\$ 0	0.0
Salary Plan Change	0	11,450	0.0	0	0	0.0
TOTAL	\$ 0	\$ 54,400	1.0	\$ 0	\$ 0	0.0

Enhancements Detail

The **agency** requests enhancement funding totaling \$54,400, all from the Veterinary Examiners Fee Fund, for FY 2015. Requests include:

- **Inspector Position.** Add \$42,950 and 1.0 FTE position to add an additional inspector/investigator position. The agency notes that it has 506 registered

veterinary premises and that due to the workload the agency cannot get all of the premises inspected at least every twenty four months. Additionally, the agency investigates fifty complaints a year, recent cases could have been completed sooner with additional staffing.

- **Salary Plan Change.** Add \$11,450 to restore and increase the compensation for the agency director. The agency notes that the director voluntarily reduced his salary so that he could increase the salary of other employees. The amount requested would restore the director's compensation as well as increase it from what it was before it was voluntarily reduced.

The **Governor** recommends no enhancement funding at this time.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, no longevity bonus payments are included as the Governor has recommended moving the agency to within the Department of Agriculture.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
Veterinary Examiners Fee Fund	100.0 %	0.0 %

Note: Percentages may not add due to rounding.

Veterinary Examiners Fee Fund Analysis

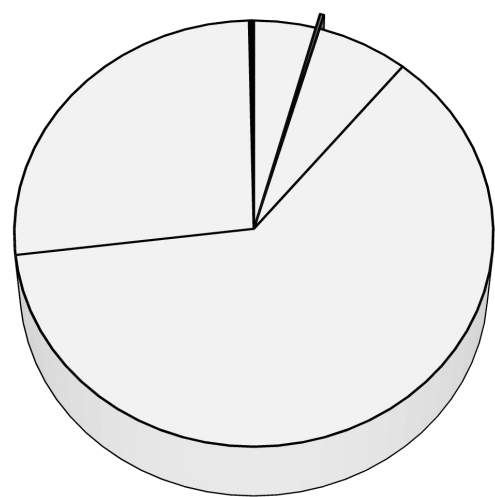
The Board of Veterinary Examiners is a fee-funded agency. The revenue received provides financing for all agency operations, with 80.0 percent being retained by the agency and 20.0 percent being deposited in the State General Fund. The Board of Veterinary Examiners generates fee revenues for licensing (\$125 for application and \$95 for renewal), registering (\$75 for application and \$25 for renewal), and giving examinations to veterinarians and veterinary technicians who wish to practice veterinary medicine in Kansas. The Board also charges fees for the registration and inspection of veterinary premises. All licenses and registrations are renewed annually and include a fee for this service (KSA 47-820).

Resource Estimate	Actual FY 2012	Agency Estimate FY 2013	Gov. Rec. FY 2013	Agency Request FY 2014	Gov. Rec. FY 2014	Agency Request FY 2015	Gov. Rec. FY 2015
Beginning Balance	\$ 284,214	\$ 302,907	\$ 302,907	\$ 319,396	\$ 319,396	\$ 283,670	\$ 338,278
Revenue	285,852	285,852	285,852	285,852	285,852	285,852	285,852
Net Receipts	0	0	0	0	0	0	0
Total Funds Available	\$ 570,066	\$ 588,759	\$ 588,759	\$ 605,248	\$ 605,248	\$ 569,522	624,130
Less:							
Expenditures	\$ 267,159	\$ 269,363	\$ 269,363	\$ 321,578	\$ 266,970	\$ 320,920	\$ 268,434
Transfers Out	0	0	0	0	0	0	0
Non-Expense Items	0	0	0	0	0	0	0
Ending Balance	<u>\$ 302,907</u>	<u>\$ 319,396</u>	<u>\$ 319,396</u>	<u>\$ 283,670</u>	<u>\$ 338,278</u>	<u>\$ 248,602</u>	<u>\$ 355,696</u>
Ending Balance as Percent of Expenditures	113.4%	118.6%	118.6%	88.2%	126.7%	77.5%	132.5%

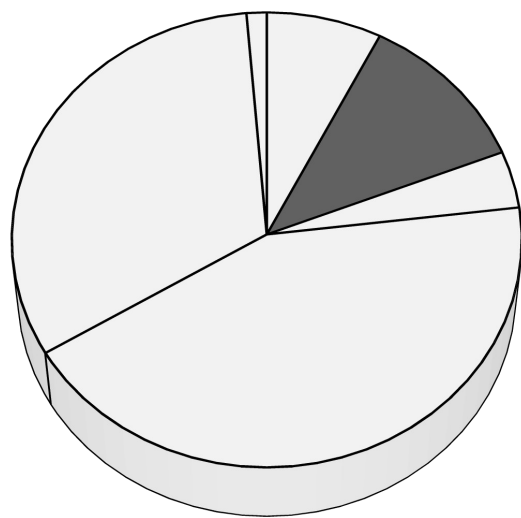
The Veterinary Examiners Fee Fund will be moved to the Kansas Department of Agriculture beginning in FY 2014.

PERFORMANCE MEASURES					
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Number of exam administered	25	43	50	--	--
Percent of alleged complaints investigated	100.0%	100.0%	100.0%	--	--
Number of veterinarians assessed to handle inpatient	--	1	1	--	--

TRANSPORTATION



State General Fund



All Funds

Transportation includes the Department of Transportation (KDOT) which has responsibility for construction and maintenance of highways and other transportation functions. It also includes funding for debt service payments made by the Department of Administration.

The Governor's FY 2014 recommendation for the Transportation function totals \$1.7 billion from all funding sources, including \$16.2 million from the State General Fund.

The FY 2014 recommendation represents no State General Fund change in expenditures from FY 2013. Expenditures from all funds increase by 47.1 percent or \$541.4 million from FY 2013.

Agencies in this Function:	
<i>Kansas Department of Transportation.....</i>	<i>877</i>

A total of 2,790.5 FTE positions are recommended by the Governor for the Transportation function in FY 2014, a decrease of 39.0 FTE positions from FY 2013. Of all state

FTE positions, 7.3 percent are in this function.

Agencies in this function comprise 0.3 percent of the total State General Fund budget in FY 2014, unchanged from FY 2013. They comprise 11.6 percent of expenditures from all funding sources in FY 2014, up from 8.0 percent in FY 2013.

KANSAS DEPARTMENT OF TRANSPORTATION

Expenditure	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Operating Expenditures:						
State Highway Fund	\$ 390,093,594	\$ 380,233,350	\$ 380,233,350	\$ 392,762,784	\$ 392,599,385	\$ 370,109,070
Other Funds	340,612,472	361,156,727	358,582,625	369,722,894	360,543,249	377,177,723
TOTAL	\$ 730,706,066	\$ 741,390,077	\$ 738,815,975	\$ 762,485,678	\$ 753,142,634	\$ 747,286,793
Capital Improvements:						
State Highway Fund	\$ 515,822,084	\$ 387,427,526	\$ 394,244,402	\$ 928,103,385	\$ 921,306,763	\$ 569,148,894
Other Funds	0	0	0	0	0	0
TOTAL	\$ 515,822,084	\$ 387,427,526	\$ 394,244,402	\$ 928,103,385	\$ 921,306,763	\$ 569,148,894
Nonreportable Exp.	363,447,772	540,998,812	523,687,545	361,652,546	353,135,862	353,730,791
GRAND TOTAL	<u>\$ 1,609,975,922</u>	<u>\$ 1,669,816,415</u>	<u>\$ 1,656,747,922</u>	<u>\$ 2,052,241,609</u>	<u>\$ 2,027,585,259</u>	<u>\$ 1,670,166,478</u>
Percentage Change:						
Reportable Expenditures						
State Highway Fund	(19.3) %	(15.3) %	(14.5) %	72.1 %	69.7 %	(28.5)
All Funds	(17.1)	(9.4)	(9.4)	49.8	47.8	(21.4)
FTE Positions	2,916.5	2,829.5	2,829.5	2,790.5	2,790.5	2,790.5
Non-FTE Pos.*	51.0	51.0	51.0	50.0	50.0	50.0
TOTAL	<u>2,967.5</u>	<u>2,880.5</u>	<u>2,880.5</u>	<u>2,840.5</u>	<u>2,840.5</u>	<u>2,840.5</u>

*Non-FTE Permanent Unclassified Positions

AGENCY OVERVIEW

The Kansas Department of Transportation (KDOT) is a cabinet-level agency headed by a Secretary appointed by the Governor. The purpose of KDOT is to coordinate the planning, development, and operation of the various modes and systems of transportation within the state. KDOT has administrative and planning responsibilities for aviation, highways, public transportation, railroads, and waterways. However, the agency's efforts focus primarily on approximately 10,000 of the state highway system's 140,000 miles of public roads and highways. KDOT has four programs: Management, Local Support, Maintenance, and Construction.

Reportable and Nonreportable Expenditures

In order to gauge the full magnitude of spending by KDOT, a number of tables include nonreportable expenditures including: bond payments (largest), inter-agency transfers, interagency motor fuel sales, payments for the Rail Loan program, and leasing of radios and tower space as part of KDOT's inter-operable 800MHz communication system. However, for

state budgeting and accounting purposes, expenditures are categorized as reportable only when they are initially spent to avoid double counting. Consequently, when reviewing KDOT's budget, most tabular data (including those in the Governor's Budget Report) reflect reportable expenditures and exclude spending of nonreportable money. The magnitude of nonreportable spending by KDOT is significant: \$513.4 million in FY 2012, and \$445.2 million for FY 2013.

State Operations and Capital Improvements

In a state agency budget, state operations include agency operating costs for salaries and wages and other operating expenditures. Other operating expenditures include contractual services, commodities, and capital outlay. Agency budgets also include separate categories for aid to local units, other assistance, and capital improvements. The KDOT budget differs from other agency budgets in that expenditures typically considered state operations are included with budgeted capital improvements expenditures. For example, the Construction program includes capital improvements expenditures, but also contains expenditures classified as state operations.

MAJOR ISSUES FROM PRIOR YEARS

Comprehensive Transportation Program:

The 1999 Legislature enacted a 10-year Comprehensive Transportation Program (CTP) for FY 2000 through FY 2009. The CTP included maintenance and substantial maintenance; construction and reconstruction, with major modifications and priority bridges; system enhancement projects; and a highway demonstration project to evaluate pavement guarantees by the contractor. The CTP also provided enhanced assistance to local units of government and programs for other transportation elements, including rail, air, and public transit.

Total CTP expenditures of \$12.9 billion were proposed in 1999, with total revenues estimated at \$12.7 billion. To fund the program, the Legislature included revenue enhancements totaling \$2.3 billion from motor fuels taxes, a State General Fund sales tax transfer, interest on funds, and bonds. With the completion of the CTP, actual revenues and expenditures from FY 2000 to FY 2009 totaled \$13.3 billion.

Adjustments to the 1999 Comprehensive Transportation Program:

Beginning in the 2001 Session, the Legislature made a series of adjustments to the financing of the CTP. The following describes the major revenue sources of the CTP, the original funding mechanisms, and the changes adopted by subsequent Sessions of the Legislature.

Motor Fuels Taxes. The 1999 Legislature authorized a four-cents-per-gallon increase in motor fuel taxes. The tax was implemented in phases, with a two-cent increase on July 1, 1999, a one cent increase on July 1, 2001, and the remaining one cent increase on July 1, 2003. The 2002 Legislature increased the motor fuel tax an additional two cents per gallon beginning on July 1, 2002, for a total increase of six cents between 1999 and July 1, 2003. The additional two-cent increase in 2002 was estimated to generate an additional \$253.7 million for the CTP from FY 2003 to FY 2009.

State General Fund Sales Tax Transfer. Beginning in 1983, a portion of sales tax receipts were transferred from the State General Fund to the State Highway Fund. The 1999 Legislature approved the transfer of 7.628 percent of sales tax receipts from the State General Fund to the State Highway Fund for FY 2000 and FY 2001. The original intent was to increase the transfer over the next five fiscal years to a rate of 12.0 percent in FY 2005 and subsequent fiscal years.

The **2000 Legislature** reduced the transfers for FY 2000 and FY 2001 by \$27.2 million and \$39.2 million, respectively. The 2001 Legislature approved a further reduction of \$3.0 million for the FY 2001 transfer and reduced the FY 2002 transfer by \$20.0 million. The 2002 Legislature eliminated the FY 2003 sales tax transfer, estimated at \$149.0 million. The 2003 Legislature eliminated the estimated \$128.0 million sales tax transfer for FY 2004. The sales tax transfer was eliminated for the remainder of the CTP by the 2004 Legislature.

Sales and Compensating Use Tax Direct Deposit. In 1989, the Legislature increased the sales and compensating use tax from 4.0 percent to 4.25 percent, and directed that the additional 0.25 go to the State Highway Fund; the State Highway Fund also received a direct deposit attributable to this portion of all sales and use tax receipts. The 2004 Legislature increased the sales and use tax direct deposit to 0.38 percent beginning in FY 2007 and to 0.65 percent in FY 2008 and subsequent fiscal years.

Motor Vehicle Registration Fees. Motor vehicle registration fees are deposited in the State Highway Fund. The 2002 Legislature increased motor vehicle registration fees for passenger automobiles and pickup trucks by \$5, and for other trucks in amounts ranging from \$2 to \$10, beginning July 1, 2002. The increases were estimated to generate an additional \$84.6 million for the CTP from FY 2003 to FY 2009. Federal Construction Reimbursement. The 2004 Legislature included an estimated additional \$250.0 million in federal aid from FY 2005 to FY 2009.

Bonding Authority. The 1999 Legislature authorized the issuance of CTP bonds of \$995.0 million, backed by the State Highway Fund. The 2001 Legislature authorized additional bond authority of \$277.0 million for the CTP. This additional bonding was authorized to offset the reduction in the sales tax transfer approved by the 2001 Legislature. To compensate for the elimination of the sales tax transfer, the 2004 Legislature authorized the issuance of \$150.0 million in State General Fund backed bonds with the proceeds deposited in the State Highway Fund. In addition, the 2004 Legislature authorized the issuance of up to an additional \$60.0 million in State General Fund bonds if the Federal Highway Trust Fund did not generate an additional \$50.0 million annually for the CTP. The agency reports that all the authorized CTP and State General Fund bonds have been issued. The debt service for the \$210.0 million in State General Fund bonds appears in the Department of Administration's budget.

Other Adjustments. The **2002 Legislature** transferred \$94.6 million from the State Highway Fund to the State General Fund. This funding was equal to the FY 2002 sales tax transfer amount and was considered a loan with repayment scheduled for FY 2003. The 2003 Legislature delayed repayment until FY 2007, with the repayment to be spread over four fiscal years.

The **2003 Legislature** transferred \$28.9 million from the State Highway Fund to the State General Fund to finance the Kansas Highway Patrol in FY 2004. This transfer was considered to be a loan with repayment scheduled each year from FY 2007 to FY 2010. The 2003 Legislature also transferred \$1.6 million from the State Highway Fund to the State General Fund to finance a portion of the Department of Revenue's Division of Vehicles. This loan was scheduled for repayment in FY 2007.

The **2006 Legislature** approved a \$32.5 million transfer in FY 2007 from the State General Fund to the State Highway Fund for loan repayments. Payments of \$31.9 million annually are scheduled for fiscal years 2008, 2009, and 2010 (as noted later, Governor and Legislative action canceled both the FY 2009 and FY 2010 loan repayments to the State Highway Fund).

Other Major Issues:

KDOT Communications System Project. The 2004 Legislature authorized KDOT to purchase, for lease to public safety, governmental, and non-governmental entities, communications equipment, including access to radio communication towers. The Legislature added 4.0 FTE positions and transferred \$385,184 from the State Highway Fund to the newly established Communication System Revolving Fund for the program in FY 2005. Due to the nature of the fund, the Communications System Revolving Fund was considered “off-budget” for budgetary and accounting purposes. Federal funding for the project is considered “on-budget.”

On June 1, 2005, the agency began a project to upgrade its existing statewide 800 MHz communication system. The upgrade had two basic purposes. One was to provide statewide “interoperability” to public safety agencies and first responders. “Interoperability” would allow communications between various types of 800 MHz and non-800 MHz radio systems. The second purpose was to provide a “trunked” system which would allow seamless communication ability for KDOT, the Kansas Highway Patrol, first responders, and other emergency response and public safety agencies as they traveled from the area of one radio tower to the next. The system would utilize the 76 towers already owned and operated by KDOT.

The project was divided into several phases. Phase I involved 17 counties in southeast Kansas. Both interoperability and trunking have been completed in Phase I. Phase II was originally scheduled over a three-year period, with Phase II-A including towers along the Turnpike corridor and the tower north of Salina in Ottawa County, Phase II-B including the remaining towers in Northeast Kansas and the tower in Finney County, and Phase II-C including the remaining towers in South-central Kansas. Interoperability and trunking have been completed in all of the Phase II radio towers.

Phase III initially covered the remainder of Northwest Kansas, Phase IV, Southwest Kansas, and Phase V, North-central Kansas. Funding for these areas was not identified at the beginning of the project, so completion of sites in Phase III, Phase IV, and Phase V has been accomplished as funds have become available. This partial funding has come from federal monies received from the Public Safety Interoperable Communications (PSIC) Grant program, ARRA funding, and Regional Homeland Security Grants, as well as from KDOT radio maintenance budgets for FY 2010 and 2011. To date, all tower sites in all of the remaining phases have been upgraded for interoperability, so, as of September 30, 2010, Kansas has achieved statewide interoperability for KDOT, the Kansas Highway Patrol, first responders, and other emergency response and public safety agencies. As part of Phase III, there were also an additional 16 of the 42 tower sites which were converted to the 800 MHz trunked radio system.

In FY 2011, Phase IV consisted of an additional eight tower sites that were converted to the 800 MHz trunked radio system. At the end of FY 2011, there were 14 tower sites remaining in both Northwest Kansas and Southwest Kansas that needed to be converted to the 800 MHz trunked radio system to complete the entire project statewide. The agency states that the project has been completed, and now the only ongoing expenditures are for continued operation and maintenance.

Subarea Shop Purchasing Contracts. Beginning for FY 2005, the Legislature authorized a proviso allowing KDOT subarea shops to opt out of existing purchasing contracts in those cases when the vender's prescribed in the existing state purchasing contracts are not located within the five-digit zip code of the shop.

Railroad Regulation. The 2005 Legislature transferred all powers, duties, and functions related to the regulation of railroads from the Kansas Corporation Commission to KDOT.

Kansas Highway Patrol Operations. The 2005 Legislature transferred \$32.3 million from the State Highway Fund to the State General Fund to finance Kansas Highway Patrol operations in FY 2006. The 2006 Legislature deleted a \$34.6 million transfer from the State Highway Fund to the State General Fund for Kansas Highway Patrol operations in FY 2007. The 2007 Legislature reinstated \$30.0 million of the transfer from the State Highway Fund to the State General Fund to support Kansas Highway Patrol operations in FY 2007. The 2007 Legislature approved a \$5.0 million reduction in the FY 2008 transfer, providing a transfer of \$30.3 million for Kansas Highway Patrol operations.

Affordable Airfare Fund. The 2006 Legislature created the State Affordable Airfare Fund in the Department of Commerce, funded through a transfer of \$5.0 million from the State Highway Fund annually from FY 2007 to FY 2011.

Traffic Records Enhancement Fund. The 2007 Legislature created the Traffic Records Enhancement Fund in FY 2008 and directed the agency to report to the House Appropriations and Senate Ways and Means Committees on expenditures from the fund.

The **2008 Legislature** authorized in 2008 SB 359, up to \$1.0 million in FY 2009 and FY 2010 from the North Central Kansas Air Passenger Service Support Fund for the Manhattan, Kansas regional airport to secure passenger service, with reimbursements for any expenditures to be paid from the Economic Development Initiatives Fund in subsequent fiscal years.

The **2009 Legislature** approved the transfer of \$25,287,150, all from the State Highway Fund, to the State General Fund to reimburse the State General Fund for FY 2009 and FY 2010 Comprehensive Transportation Plan bond payments.

The **2010 Legislature** approved expenditure reductions and transfers from the State Highway Fund to the State General Fund which totaled \$143.3 million in FY 2010, and included: (1) \$108.0 million captured through reductions to agency operations, preservation lettings, and existing State Highway Fund balance; (2) \$25.3 million transferred to reimburse the State General Fund for debt service principal and interest payments on Comprehensive Transportation Plan (CTP) bonds (as part of 2009 Senate Substitute for House Bill 2373); (3) \$10.0 million transferred as part of \$11.0 million in federal funding the agency is eligible to receive as part of the passage of House Bill 2130, the primary safety belt law.

In addition, the **2010 Legislature** approved expenditure reductions and transfers from the State Highway Fund to the State General Fund totaling \$149.3 million for FY 2011, which includes: (1) \$124.3 million captured through reductions to agency operations, preservation lettings, and existing State Highway Fund balance; (2) \$25.0 million to reimburse the State General Fund for debt service principal and interest payments on Comprehensive Transportation Plan (CTP) bonds.

The **2010 Legislature** also approved cancellation of the transfer of \$10.1 million from the State General Fund to the Special City and County Highway Fund for FY 2011.

The **2010 Legislature** also approved cancellation of the FY 2011 loan repayment from the State General Fund to the State Highway Fund of \$30,896,209. The amount was originally delayed from FY 2010 to FY 2011.

In addition, the **2010 Legislature** added language that would repay the five previously underpaid counties a total of \$11.1 million from FY 2012 to FY 2016 from the Special City and County Highway Fund. The payments would be deducted from the quarterly distributions from the Special City and County Highway Fund for five years from the 100 remaining counties that were overpaid from FY 2000 to FY 2009.

The **2010 Legislature** also enacted the ten-year T-WORKS transportation program (2010 Senate Sub. for Senate Sub. for HB 2650) for the period of FY 2011 to FY 2020. Expenditures for the period are estimated at \$8.2 billion. New revenue enhancements of \$2.7 billion during the period are authorized, including authority to issue new bonds up to an 18.0 percent debt service bonding cap (such that debt service on agency bonds owed in a year cannot exceed 18.0 percent of expected State Highway Fund revenues). It is estimated that \$1.7 billion in bonds will be issued over the 10-year period.

The **2011 Legislature** transferred \$205.0 million from the State Highway Fund to the State General Fund for FY 2012. In order to capture the necessary savings for the FY 2012 transfer, Preservation projects were reduced by \$22.0 million in both FY 2011 and FY 2012. The additional \$5.0 million was to capture administrative savings experienced by the agency in FY 2011.

BUDGET SUMMARY AND KEY POINTS

FY 2013 – Current Year. The **agency** requests a revised FY 2013 reportable budget of \$1.13 billion, all from special revenue funds, a decrease of \$249.1 million, or 18.1 percent, below the revised current year estimate. Decreases of \$258.4 million, or 40.0 percent, in capital improvements, largely reflecting the budgeted shift of highway construction projects from amounts originally approved in FY 2013 to FY 2014, are partially offset by an increase of \$18.1 million, or 119.5 percent, in other assistance, primarily for increased federal grants, and for health insurance payments on behalf of employees who utilized the Voluntary Retirement Incentive Program. The revised request includes 2,829.5 FTE positions, the same number approved by the 2012 Legislature.

The **Governor** recommends a revised FY 2013 reportable budget of \$1.13 billion, all from special revenue funds, a decrease of \$244.9 million, or 17.8 percent, below the approved amount. The recommendation is an increase of \$4.2 million, or 0.4 percent, above the agency's revised estimate. The Governor's recommended adjustments primarily reflect adjustments for debt service payments.

FY 2014 – Budget Year. The **agency** requests a FY reportable budget of \$1.69 billion, all from special revenue funds, an increase of \$561.8 million, or 49.8 percent, above the revised current year estimate. Most of the increase (\$540.7 million, or 139.6 percent) is in capital improvements and reflects projects shifted from the current year to FY 2014. The request includes 2,790.5 FTE positions, a decrease of 39.0 FTE positions below the revised current year estimate. The decrease reflects position layoffs that took place during FY 2013.

The **Governor** recommends FY 2014 reportable expenditures of \$1.67 billion, an increase of \$541.4 million, or 47.8 percent, above the revised current year recommendation. Most of the increase (\$527.1 million) is in capital improvements and reflects an increase in planned lettings for FY 2014. The Governor's recommendation is a net decrease of \$16.1 million, or 1.0 percent, below the agency's request. Decreases of \$9.3 million for debt service payments; \$6.8 million in requested capital improvement projects not recommended; and \$163,399 in salaries and wages to reflect the Governor's recommendation to decrease the Kansas Public Employees Retirement System death and disability employer contribution rate (from 1.0 percent to 0.85 percent) are partially offset by an increase of \$93,038 to reflect increased estimates of State Highway Fund receipts. The Governor concurs with the remainder of the agency's request.

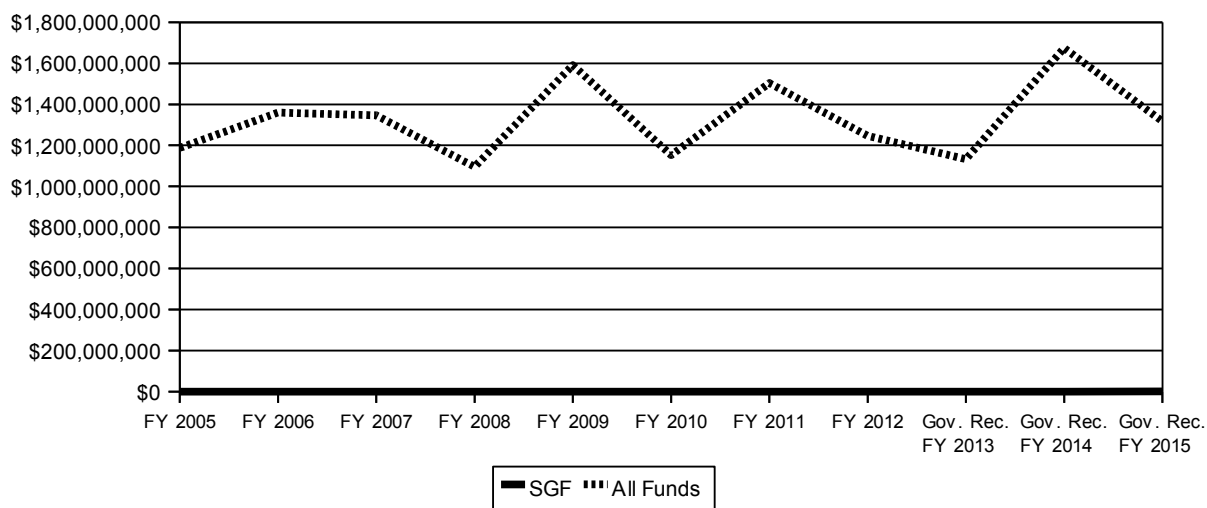
Beginning in FY 2014, the Governor recommends that KDOT assume authority over the daily operations of the Kansas Turnpike Authority (KTA). This would not be a consolidation and the KTA would remain a separate entity. The Governor recommends a \$15.0 million transfer from the State Highway Fund to the State General Fund as a result of operational savings within KDOT that the Governor indicates will occur as it is able to access KTA resources around the state.

FY 2015 – Budget Year. There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 reportable expenditures of \$1.32 billion for FY 2015, a decrease of \$358.0 million, or 21.4 percent, below the FY 2014 recommendation. Most of the decrease is in capital improvements (\$352.2 million, or 38.2 percent) and contractual services (\$25.7 million, or 17.3 percent) and reflects fewer planning construction lettings for FY 2015. The decreases are partially offset by increases for debt services payments (\$16.8 million, or 9.4 percent), salaries and wages (\$1.2 million, or 0.8 percent, for increases in the Kansas Public Employees Retirement System rate, workers compensation rates, and classified longevity payments), commodities (\$1.1 million, or 2.7 percent, primarily for road maintenance supplies), and aid to local units of government (\$874,378, or 0.5 percent). The recommendation includes 2,790.5 FTE positions, the same number recommended for FY 2015.

BUDGET TRENDS

REPORTABLE EXPENDITURES FY 2005 – FY 2015



REPORTABLE EXPENDITURES FY 2005 – FY 2015

Fiscal Year	SGF	% Change	All Funds	% Change	
2005	\$ 0	--%	\$ 1,187,718,619	(12.0)%	3,251.5
2006	0	--	1,359,842,416	14.5	3,237.5
2007	0	--	1,346,322,290	(1.0)	3,220.5
2008	0	--	1,095,844,109	(18.6)	3,201.5
2009	0	--	1,590,886,908	45.2	3,113.5
2010	0	--	1,152,389,464	(27.6)	3,113.5
2011	0	--	1,503,382,472	30.5	3,113.5
2012	0	--	1,246,526,150	(17.1)	2,916.5
2013 Gov. Rec.	0	--	1,133,060,377	(9.1)	2,829.5
2014 Gov. Rec.	0	--	1,674,449,397	47.8	2,790.5
2015 Gov. Rec.	0	--	1,316,435,687	(21.4)	2,790.5
Eleven-Year Change					
Dollars/Percent	\$ 0	--%	\$ 128,717,068	10.8 %	(461.0)

- In FY 2009, the Legislature decreased 88.0 FTE positions originally approved for the Comprehensive Transportation Plan.
- In FY 2012, the Legislature approved elimination of 197.0 vacant positions.
- In FY 2013, the Legislature approved the reduction of 98.0 FTE positions, related to the Voluntary Retirement Incentive Program.

Summary of Reportable Budget FY 2012 - FY 2014

		Agency Request					Governor's Recommendation				
Actual 2012		Estimate FY 2013	Request FY 2014	Dollar Change from FY 13	Percent Change from FY 13	Rec. FY 2013	Rec. FY 2014	Dollar Change from FY 13	Percent Change from FY 13		
By Program:											
Management	\$ 57,015,482	\$ 65,272,135	\$ 55,355,870	\$ (9,916,265)	(15.2) %	\$ 65,272,135	\$ 55,322,158	\$ (9,949,977)	(15.2)%		
Local Support	185,676,740	211,399,716	215,487,734	4,088,018	1.9	211,725,551	215,577,038	3,851,487	1.8		
Maintenance	136,845,032	139,685,730	140,473,266	787,536	0.6	139,685,730	140,402,549	716,819	0.5		
Construction	866,988,896	712,460,022	1,279,272,193	566,812,171	79.6	716,376,961	1,263,147,652	546,770,691	76.3		
TOTAL-Reportable	\$ 1,246,526,150	\$ 1,128,817,603	\$ 1,690,589,063	\$ 561,771,460	49.8 %	\$ 1,133,060,377	\$ 1,674,449,397	\$ 541,389,020	47.8 %		
Management	\$ 79,674	\$ 251,500	\$ 251,500	\$ 0	0.0 %	\$ 251,500	\$ 251,500	\$ 0	0.0		
Local Support	3,111,450	2,586,280	4,052,000	1,465,720	56.7	2,586,280	4,052,000	1,465,720	56.7		
Maintenance	1,880,385	1,567,521	1,500,000	(67,521)	(4.3)	1,567,521	1,500,000	(67,521)	(4.3)		
Construction	358,376,263	536,593,511	355,849,046	(180,744,465)	(33.7)	519,282,244	347,332,362	(171,949,882)	(33.1) %		
TOTAL-Nonreportable	\$ 363,447,772	\$ 540,998,812	\$ 361,652,546	\$ (179,346,266)	(33.2) %	\$ 523,687,545	\$ 353,135,862	\$ (170,551,683)	(32.6) %		
GRAND TOTAL	\$ 1,609,973,922	\$ 1,669,816,415	\$ 2,052,241,609	\$ 382,425,194	22.9 %	\$ 1,656,747,922	\$ 2,027,585,259	\$ 370,837,337	22.4 %		
By Major Object of Expenditure:											
Salaries and Wages	\$ 157,940,967	\$ 156,895,571	\$ 157,786,010	\$ 890,439	0.6 %	\$ 156,895,571	\$ 157,622,611	\$ 727,040	0.5 %		
Contractual Services	116,534,923	132,496,204	144,334,141	11,837,937	8.9	138,871,122	148,563,539	9,692,417	7.0		
Commodities	39,560,352	40,013,415	40,001,400	(12,015)	(0.0)	40,013,415	40,001,400	(12,015)	(0.0)		
Capital Outlay	20,810,600	16,303,245	16,190,771	(112,474)	(0.7)	16,303,245	16,190,771	(112,474)	(0.7)		
Debt Service	214,047,368	188,160,779	192,591,465	4,430,686	2.4	178,885,924	179,089,384	203,460	0.1		
Subtotal - Operations	\$ 548,894,210	\$ 533,869,214	\$ 550,903,787	\$ 17,034,573	3.2 %	\$ 530,969,277	\$ 541,467,705	\$ 10,498,428	2.0 %		
Aid to Local Units	168,982,168	174,234,509	181,053,264	6,818,755	3.9	174,560,344	181,146,302	6,585,958	3.8		
Other Assistance	12,827,688	33,286,354	30,528,627	(2,757,727)	(8.3)	33,286,354	30,528,627	(2,757,727)	(8.3)		
Capital Improvements	515,822,084	387,427,526	928,103,385	540,675,859	139.6	394,244,402	921,306,763	527,062,361	133.7		
TOTAL-Reportable	\$ 1,246,526,150	\$ 1,128,817,603	\$ 1,690,589,063	\$ 561,771,460	49.8 %	\$ 1,133,060,377	\$ 1,674,449,397	\$ 541,389,020	47.8 %		
Nonreportable	363,447,772	540,998,812	361,652,546	(179,346,266)	(33.2)	523,687,545	353,135,862	(170,551,683)	(32.6)		
GRAND TOTAL	\$ 1,609,973,922	\$ 1,669,816,415	\$ 2,052,241,609	\$ 382,425,194	22.9 %	\$ 1,656,747,922	\$ 2,027,585,259	\$ 370,837,337	22.4 %		
Financing:											
State Highway Fund	\$ 905,913,678	\$ 767,660,876	\$ 1,320,866,169	\$ 553,205,293	72.1 %	\$ 774,477,752	\$ 1,313,906,148	\$ 539,428,396	69.7 %		
All Other Funds	340,612,472	361,156,727	369,722,894	8,566,167	2.4	358,582,625	360,543,249	1,960,624	0.5		
TOTAL-Reportable	\$ 1,246,526,150	\$ 1,128,817,603	\$ 1,690,589,063	\$ 561,771,460	49.8 %	\$ 1,133,060,377	\$ 1,674,449,397	\$ 541,389,020	47.8 %		
								0	0.0		
State Highway Fund	\$ 191,307,324	\$ 195,859,501	\$ 207,022,546	\$ 11,163,045	5.7 %	\$ 185,297,589	\$ 198,505,862	\$ 13,208,273	7.1 %		
All Other Funds	172,140,448	345,139,311	154,630,000	(190,509,311)	(55.2)	338,389,956	154,630,000	(183,759,956)	(54.3)		
TOTAL-Nonreportable	\$ 363,447,772	\$ 540,998,812	\$ 361,652,546	\$ (179,346,266)	(33.2) %	\$ 523,687,545	\$ 353,135,862	\$ (170,551,683)	(32.6) %		
GRAND TOTAL	\$ 1,609,973,922	\$ 1,669,816,415	\$ 2,052,241,609	\$ 382,425,194	22.9 %	\$ 1,656,747,922	\$ 2,027,585,259	\$ 370,837,337	22.4 %		

SUMMARY OF OPERATING BUDGET FY 2014 – FY 2015

	Agency Request FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015	Dollar Change	Percent Change
By Program:					
Management	\$ 55,355,870	\$ 55,322,158	\$ 56,205,841	\$ 883,683	1.6 %
Local Support	215,487,734	215,577,038	216,629,441	1,052,403	0.5
Maintenance	140,473,266	140,402,549	141,240,454	837,905	0.6
Construction	1,279,272,193	1,263,147,652	902,359,951	(360,787,701)	(28.6)
TOTAL-Reportable	\$ 1,690,589,063	\$ 1,674,449,397	\$ 1,316,435,687	\$ (358,013,710)	(21.4)%
Management	\$ 251,500	\$ 251,500	\$ 251,500	\$ 0	0.0 %
Local Support	4,052,000	4,052,000	4,052,000	0	0.0
Maintenance	1,500,000	1,500,000	1,500,000	0	0.0
Construction	355,849,046	347,332,362	347,927,291	594,929	0.2
TOTAL-Nonreportable	\$ 361,652,546	\$ 353,135,862	\$ 353,730,791	\$ 594,929	0.2 %
GRAND TOTAL	\$ 2,052,241,609	\$ 2,027,585,259	\$ 1,670,166,478	\$ (357,418,781)	(17.6) %

By Major Object of Expenditure:

Salaries and Wages	\$ 157,786,010	\$ 157,622,611	\$ 158,855,627	\$ 1,233,016	0.8 %
Contractual Services	144,334,141	148,563,539	122,816,950	(25,746,589)	(17.3)
Commodities	40,001,400	40,001,400	41,097,541	1,096,141	2.7
Capital Outlay	16,190,771	16,190,771	16,068,490	(122,281)	(0.8)
Debt Service	192,591,465	179,089,384	195,888,878	16,799,494	9.4
Subtotal - Operations	\$ 550,903,787	\$ 541,467,705	\$ 534,727,486	\$ (6,740,219)	(1.2)%
Aid to Local Units	181,053,264	181,146,302	182,020,680	874,378	0.5
Other Assistance	30,528,627	30,528,627	30,538,627	10,000	0.0
Capital Improvements	928,103,385	921,306,763	569,148,894	(352,157,869)	(38.2)
TOTAL-Reportable	\$ 1,690,589,063	\$ 1,674,449,397	\$ 1,316,435,687	\$ (358,013,710)	(21.4)%
Nonreportable	361,652,546	353,135,862	353,730,791	594,929	0.2
GRAND TOTAL	\$ 2,052,241,609	\$ 2,027,585,259	\$ 1,670,166,478	\$ (357,418,781)	(17.6)%

Financing:

State Highway Fund	\$ 1,320,866,169	\$ 1,313,906,148	\$ 939,257,964	\$ (374,648,184)	(28.5)%
All Other Funds	369,722,894	360,543,249	377,177,723	16,634,474	4.6
TOTAL-Reportable	1,690,589,063	1,674,449,397	1,316,435,687	(358,013,710)	(21.4)
State Highway Fund	\$ 207,022,546	\$ 198,505,862	\$ 199,100,791	\$ 594,929	0.3 %
All Other Funds	154,630,000	154,630,000	154,630,000	0	0.0
TOTAL-Nonreportable	\$ 361,652,546	\$ 353,135,862	\$ 353,730,791	\$ 594,929	0.2 %
GRAND TOTAL	\$ 2,052,241,609	\$ 2,027,585,259	\$ 1,670,166,478	\$ (357,418,781)	(17.6)%

BUDGET OVERVIEW

A. FY 2013 – Current Year

CHANGE FROM APPROVED BUDGET					
	Approved 2012 Legislature	Agency Estimate FY 2013	Agency Change from Approved	Governor Rec. FY 2013	Governor Change from Approved
State General Fund	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
All Other Funds	1,377,912,921	1,128,817,603	(249,095,318)	1,133,060,377	(244,852,544)
TOTAL	<u>\$ 1,377,912,921</u>	<u>\$ 1,128,817,603</u>	<u>\$ (249,095,318)</u>	<u>\$ 1,133,060,377</u>	<u>\$ (244,852,544)</u>
FTE Positions	2,829.5	2,829.5	0.0	2,829.5	0.0

The **agency** estimates a revised FY 2013 reportable budget of \$1.13 billion, all from special revenue funds, a decrease of \$249.1 million, or 18.1 percent, below the approved amount. Decreases of \$258.4 million, or 40.0 percent, in capital improvements, largely reflecting the budgeted shift of highway construction projects from amounts originally approved in FY 2013 to FY 2014, are partially offset by an increase of \$18.1 million, or 119.5 percent, in other assistance, primarily for increased federal grants, and for health insurance payments on behalf of employees who utilized the Voluntary Retirement Incentive Program. The revised request includes 2,829.5 FTE positions, the same number approved by the 2012 Legislature.

The **Governor** recommends a revised FY 2013 reportable budget of \$1.13 billion, all from special revenue funds, a decrease of \$244.9 million, or 17.8 percent, below the approved amount. The recommendation is an increase of \$4.2 million, or 0.4 percent, above the agency's revised estimate. The Governor's recommended adjustments primarily reflect adjustments for debt service payments.

B. FY 2014– Budget Year

FY 2014 OPERATING BUDGET SUMMARY			
	Agency Request	Governor's Recommendation	Difference
Total Request/Recommendation	\$ 1,690,589,063	\$ 1,674,449,397	\$ (16,139,666)
FTE Positions	2,790.5	2,790.5	0.0
Change from FY 2013:			
<i>Dollar Change:</i>			
State General Fund	\$ 0	\$ 0	
All Other Funds	561,771,460	541,389,020	
TOTAL	\$ 561,771,460	\$ 541,389,020	
<i>Percent Change:</i>			
State General Fund	0.0 %	0.0 %	
All Other Funds	49.8	47.8	
TOTAL	49.8 %	47.8 %	
Change in FTE Positions	(39.0)	(39.0)	

The **agency** requests a FY 2014 reportable budget of \$1.69 billion, all from special revenue funds, an increase of \$561.8 million, or 49.8 percent, above the revised current year estimate. Most of the increase (\$540.7 million, or 139.6 percent) is in capital improvements and reflects a projected increase in planned lettings for FY 2014. The request includes 2,790.5 FTE positions, a decrease of 39.0 FTE positions below the revised current year estimate. The decrease reflects position layoffs that took place during FY 2013.

Adjustments by program include:

Management – a decrease of \$9.9 million, or 15.2 percent, below the revised current year estimate. Most of the reduction (\$9.6 million, or 34.6 percent) is in contractual services and reflects one time contractual services in FY 2013 which are not budgeted to occur for FY 2014.

Local Support – an increase of \$4.1 million, or 1.9 percent, above the revised current year estimate. An increase of \$6.8 million, or 4.0 percent, in local aid, primarily for increased grants for coordinated public transportation (\$3.3 million), aviation grants (\$1.4 million), and rail grants (\$1.2 million) is partially offset by a reduction of \$2.7 million, or 8.7 percent, in other assistance, largely reflecting reduced federal grant funding.

Maintenance – an increase of \$787,536, or 0.6 percent, above the revised current year estimate. Most of the increase (\$694,237), is in salaries and wages and reflects increased Kansas Public Employees Retirement System employer contribution costs.

Construction – an increase of \$566.8 million, or 79.6 percent, above the revised current year estimate. Most of the increase is in highway construction capital improvements (\$540.7 million, or 139.6 percent) and primarily for interstate and non-interstate capacity improvements (\$459.9 million).

The **Governor** recommends FY 2014 reportable expenditures of \$1.67 billion, an increase of \$541.4 million, or 47.8 percent, above the revised current year recommendation. Most of the increase (\$527.1 million) is in capital improvements and reflects an increase in planned lettings for FY 2014. The Governor's recommendation is a net decrease of \$16.1 million, or 1.0 percent, below the agency's request. Decreases of \$9.3 million for debt service payments; \$6.8 million in requested capital improvement projects not recommended; and \$163,399 in salaries and wages to reflect the Governor's recommendation to decrease the Kansas Public Employees Retirement System death and disability employer contribution rate from 1.0 percent to 0.85 percent) are partially offset by an increase of \$93,038 to reflect increased estimates of State Highway Fund receipts. The Governor concurs with the remainder of the agency's request.

Beginning in FY 2014, the Governor recommends that KDOT assume authority over the daily operations of the Kansas Turnpike Authority (KTA). This would not be a consolidation and the KTA would remain a separate entity. The Governor recommends a \$15.0 million transfer from the State Highway Fund to the State General Fund as a result of operational savings within KDOT that the Governor indicates will occur as it is able to access KTA resources around the state.

Enhancements Detail

The **agency** does not request any enhancements for FY 2014.

FY 2014 Reduced Resources

The **agency** was not required to submit a reduced resources budget.

C. FY 2015 – Budget Year

	Governor's Recommendation	Difference
		\$
Total Request/Recommendation	\$ 1,316,435,687	(358,013,710)
FTE Positions	2,790.5	0.0
Change from FY 2014 Gov. Rec.		
<i>Dollar Change:</i>		
State General Fund	\$ 0	
All Other Funds	(358,013,710)	
TOTAL	<u>\$ (358,013,710)</u>	
<i>Percent Change:</i>		
State General Fund	0.0 %	
All Other Funds	(21.4)	
TOTAL	<u>(21.4) %</u>	
Change in FTE Positions	0.0	

There were no **agency** budget requests made for FY 2015 by any state agencies other than those agencies designated in statute as biennial budget agencies. The Governor's budget recommendations to the 2013 Legislature do, however, include funding recommendations for each state agency for FY 2015.

The **Governor** recommends FY 2015 reportable expenditures of \$1.32 billion for FY 2015, a decrease of \$358.0 million, or 21.4 percent, below the FY 2014 recommendation. Most of the decrease is in capital improvements (\$352.2 million, or 38.2 percent) and contractual services (\$25.7 million, or 17.3 percent) and reflect fewer planning construction lettings for FY 2015. The decreases are partially offset by increases for debt services payments (\$16.8 million, or 9.4 percent), salaries and wages (\$1.2 million, or 0.8 percent, for increases in the Kansas Public Employees Retirement System rate, workers compensation rates, and classified longevity payments), commodities (\$1.1 million, or 2.7 percent, primarily for road maintenance supplies), and aid to local units of government (\$874,378, or 0.5 percent). The recommendation includes 2,790.5 FTE positions, the same number recommended for FY 2015.

Governor's Recommended Salary and Wage Adjustments

State Employee Pay Increases. The Governor's FY 2014 and FY 2015 recommendations do not include a base salary adjustment for state employees. There has not been a general base salary adjustment for state employees since FY 2009.

Classified Employee Pay Plan. During the 2007 interim, the State Employee Compensation Oversight Commission was charged with the development of a new pay plan for classified employees for the Governor, Chief Justice of the Supreme Court and 2008 Legislature to consider. The Commission endorsed the recommendation of the Hay Group that five separate pay plans be created for state employees in the classified service, with different opportunities for pay increases to acknowledge the different types of work performed. The time frame to fully implement the recommended plan was five years. Under the plan, the classified employees were divided into three groups to first address those with the greatest salary disparity to the market rate. The 2008 Legislature appropriated \$8.5 million from the State General Fund each year from FY 2009 through FY 2013 to the State Finance Council. The 2011 Legislature, however, lapsed the \$8.5 million which had been previously appropriated for both FY 2012 and FY 2013. The 2012 Legislature restored funding of \$8.5 million from the State General Fund for the fourth year of the program for FY 2013. The Governor does not recommend any funding in FY 2014 or FY 2015 for the fifth year of the program.

Longevity Bonus Payments. For FY 2014 and FY 2015, 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 2014 payments is \$8.5 million, including \$3.6 million from the State General Fund. For FY 2015, estimated costs for the payments is \$8.8 million, including \$3.7 million from the State General Fund. **For this agency, FY 2014 longevity payments total \$1,253,600, all from special revenue funds, and FY 2015 longevity payments total \$1,296,800, all from special revenue funds.**

Kansas Public Employees Retirement System (KPERs) Rate Adjustments. The FY 2014 retirement rate for KPERs regular and school members will increase by 0.9 percent, from 9.37 percent to 10.27 percent, when compared to FY 2013. For FY 2015, the retirement rate will increase by 1.0 percent from 10.27 percent to 11.27 percent. This increase is attributable to the annual statutory increase for financing the unfunded liability of the KPERs fund. In addition, the KPERs death and disability insurance rate is scheduled to increase to 1.0 percent for FY 2014 (from 0.769 percent in FY 2013) and to continue at 1.0 percent for FY 2015. The Governor's recommendations decrease this percentage to 0.85 percent for both years.

Funding Sources

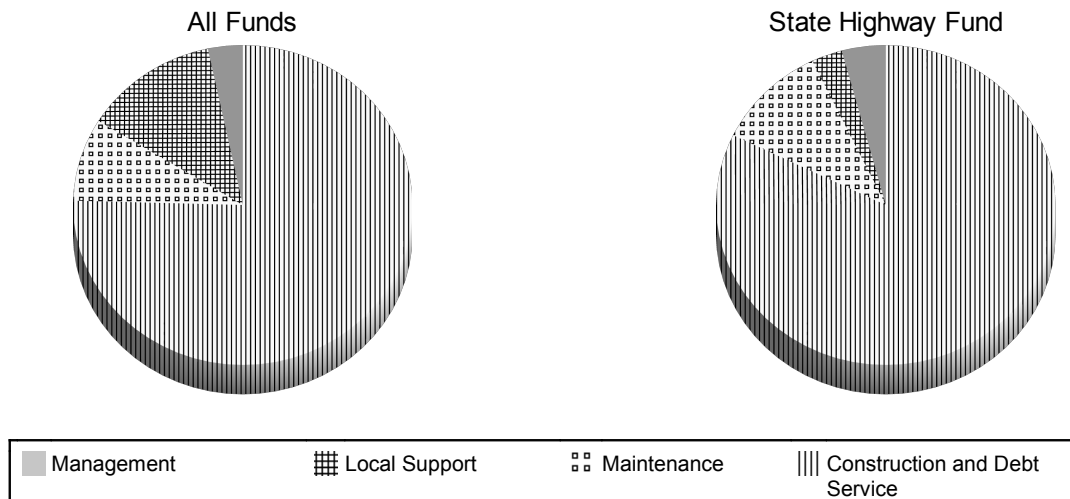
Funding Source	Agency Req. Percent of Total FY 2014	Gov. Rec. Percent of Total FY 2014
State Highway Fund	78.1 %	78.5 %
Other Federal Grants Fund	0.7	0.8
Special City and County Highway Fund	8.5	8.6
Highway Bonds Fund Debt Service	11.4	10.9
All Other Funds	1.3	1.3
TOTAL	100.0 %	100.0 %

Note: Percentages may not add due to rounding.

PROGRAM DETAIL

Expenditures by Program

Governor's FY 2014 Recommendation



Program	Gov. Rec. All Funds FY 2014	Percent of Total	Gov. Rec. SHF FY 2014	Percent of Total
Management	\$ 55,322,158	3.3 %	\$ 54,993,658	4.2 %
Local Support	215,577,038	12.9	38,631,071	2.9
Maintenance	140,402,549	8.4	140,402,549	10.7
Construction and Debt Service	1,263,147,652	75.4	1,079,878,870	82.2
TOTAL	\$ 1,674,449,397	100.0 %	\$ 1,313,906,148	100.0 %

FTE POSITIONS BY PROGRAM FY 2012 – FY 2015

Program	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Management	494.5	465.5	465.5	439.5	439.5	439.5
Local Support	55.0	49.0	49.0	49.0	49.0	49.0
Maintenance	1,498.0	1,472.0	1,472.0	1,472.0	1,472.0	1,472.0
Construction	869.0	843.0	843.0	830.0	830.0	830.0
TOTAL	2,916.5	2,829.5	2,829.5	2,790.5	2,790.5	2,790.5

A. Management

The goal of the Management program is to “provide the direction, planning, coordination, communication, and administrative support that foster an integrated, multimodal transportation system meeting the needs of Kansas.” Management planning and goal and policy direction are included in this program. The program also provides administrative and management functions for the agency such as financial and human resource management, information technology, and inventory and procurement support. KDOT maintains a central office with the state divided into six districts. This program is responsible for mapping and transportation data collection and analysis. The program includes planning support for highways, railroads, public transit, and general aviation. In addition, this program coordinates public outreach through media, legislative, and intergovernmental relations. To achieve these goals, the management program is comprised of the following subprograms: Administration; Office of the Secretary; Roads, Rail, and Water; Aviation Planning; and Operations Support

MANAGEMENT SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 34,471,386	\$ 31,944,237	\$ 31,944,237	\$ 31,689,174	\$ 31,655,462	\$ 31,907,892
Contractual Services	16,893,836	27,733,037	27,733,037	18,124,539	18,124,539	18,317,614
Commodities	943,042	1,043,409	1,043,409	1,042,074	1,042,074	1,056,132
Capital Outlay	3,526,543	2,946,316	2,946,316	2,905,900	2,905,900	3,320,020
Subtotal	\$ 55,834,807	\$ 63,666,999	\$ 63,666,999	\$ 53,761,687	\$ 53,727,975	\$ 54,601,658
Aid to Local Units	0	0	0	0	0	0
Other Assistance	1,180,675	1,605,136	1,605,136	1,594,183	1,594,183	1,604,183
Capital Improvements	0	0	0	0	0	0
Reportable Expenditures	\$ 57,015,482	\$ 65,272,135	\$ 65,272,135	\$ 55,355,870	\$ 55,322,158	\$ 56,205,841
Non-reportable Exp.	79,674	251,500	251,500	251,500	251,500	251,500
TOTAL	\$ 57,095,156	\$ 65,523,635	\$ 65,523,635	\$ 55,607,370	\$ 55,573,658	\$ 56,457,341
Financing:						
State Highway Fund	\$ 56,299,308	\$ 64,912,135	\$ 64,912,135	\$ 55,027,370	\$ 54,993,658	\$ 55,877,341
All Other Funds	716,174	360,000	360,000	328,500	328,500	328,500
Reportable Expenditures	\$ 57,015,482	\$ 65,272,135	\$ 65,272,135	\$ 55,355,870	\$ 55,322,158	\$ 56,205,841
Non-reportable	79,674	251,500	251,500	251,500	251,500	251,500
TOTAL	\$ 57,095,156	\$ 65,523,635	\$ 65,523,635	\$ 55,607,370	\$ 55,573,658	\$ 56,457,341
FTE Positions	494.5	465.5	465.5	439.5	439.5	439.5
Non-FTE Pos.*	38.0	38.0	38.0	37.0	37.0	37.0
TOTAL	532.5	503.5	503.5	476.5	476.5	476.5

*Non-FTE Permanent Unclassified Positions

The **agency** requests FY 2014 reportable operating expenditures of \$55.4 million, all from special revenue funds, a decrease of \$9.9 million, or 15.2 percent, below the revised current year estimate. Most of the reduction (\$9.6 million, or 34.6 percent) is in contractual services and reflects one time contractual services expenditures in FY 2013 which are not budgeted to occur for FY 2014.

The **Governor** recommends FY 2014 reportable operating expenditures of \$55.3 million, all from special revenue funds, a decrease of \$33,712, or 0.1 percent, below the amount requested by the agency. The entire decrease is in salaries and wages and reflects the Governor's recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution rate from 1.0 percent to 0.85 percent.

The **Governor** recommends FY 2015 reportable operating expenditures of \$56.2 million, all from special revenue funds, for the program. The recommendation is an increase of \$883,683, or 1.6 percent, above the FY 2014 recommendation. Most of the increases are in capital outlay (\$414,120, or 14.3 percent, primarily for purchases of vehicles and computer equipment), and salaries and wages (\$252,430, or 0.8 percent, for increases in the Kansas Public Employees Retirement System rate, workers compensation rates, and classified longevity payments).

B. Local Support

The goal of the Local Support program is to “assist in providing safe, efficient, and reliable local multimodal transportation systems.” This program provides planning and financial assistance to local governments and administers both state and federal funding for city and county roads, street and bridge improvements, rural public transportation planning and assistance, transportation for the elderly and disabled, and highway safety plans and programs. The Local Support program includes aid to local units of government through the Special City and County Highway Fund (SCCHF). The SCCHF receives funding from motor fuel taxes and motor carrier property taxes. The funds are distributed quarterly, with 57.0 percent distributed to counties and 43.0 percent distributed to cities. Each county receives a base allocation of \$5,000 with the remainder distributed on a formula based on motor vehicle registration fees, average daily vehicle miles traveled, and total road miles within each county. The city distribution is based on population. This program includes safety programs targeting seat belt usage, drunk driving, underage drinking and community awareness such as the “Care/Call,” “Click It or Ticket,” and “Drunk Driving, Over the Limit, Under Arrest” media campaigns. To achieve these goals, the local support program is comprised of the following subprograms: Special City and County Highway Aid; Traffic Safety; Local Projects; Public Transportation Assistance; and Categorical Aid.

LOCAL SUPPORT SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 3,553,719	\$ 3,437,241	\$ 3,437,241	\$ 3,466,024	\$ 3,462,290	\$ 3,490,334
Contractual Services	3,636,190	4,766,796	4,766,796	4,812,250	4,812,250	4,957,675
Commodities	295,188	288,452	288,452	288,452	288,452	293,008
Capital Outlay	247,276	351,500	351,500	293,300	293,300	293,300
Subtotal	\$ 7,732,373	\$ 8,843,989	\$ 8,843,989	\$ 8,860,026	\$ 8,856,292	\$ 9,034,317
Aid to Local Units	166,297,354	170,874,509	171,200,344	177,693,264	177,786,302	178,660,680
Other Assistance	11,647,013	31,681,218	31,681,218	28,934,444	28,934,444	289,344,444
Capital Improvements	0	0	0	0	0	0
Reportable Expenditures	\$ 185,676,740	\$ 211,399,716	\$ 211,725,551	\$ 215,487,734	\$ 215,577,038	\$ 216,629,441
Non-reportable Expenditures	3,111,450	2,586,280	2,586,280	4,052,000	4,052,000	4,052,000
TOTAL	<u>\$ 188,788,190</u>	<u>\$ 213,985,996</u>	<u>\$ 214,311,831</u>	<u>\$ 219,539,734</u>	<u>\$ 219,629,038</u>	<u>\$ 220,681,441</u>
Financing:						
State Highway Fund	\$ 29,877,975	\$ 39,088,768	\$ 39,088,768	\$ 38,634,805	\$ 38,631,071	\$ 38,659,096
All Other Funds	155,798,765	172,310,948	172,636,783	176,852,929	176,945,967	177,970,345
Reportable Expenditures	\$ 185,676,740	\$ 211,399,716	\$ 211,725,551	\$ 215,487,734	\$ 215,577,038	\$ 216,629,441
Non-reportable	3,111,450	2,586,280	2,586,280	4,052,000	4,052,000	4,052,000
TOTAL	<u>\$ 188,788,190</u>	<u>\$ 213,985,996</u>	<u>\$ 214,311,831</u>	<u>\$ 219,539,734</u>	<u>\$ 219,629,038</u>	<u>\$ 220,681,441</u>
FTE Positions	55.0	49.0	49.0	49.0	49.0	49.0
Non-FTE Pos.*	4.0	4.0	4.0	4.0	4.0	4.0
TOTAL	<u>59.0</u>	<u>53.0</u>	<u>53.0</u>	<u>53.0</u>	<u>53.0</u>	<u>53.0</u>
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 reportable operating expenditures totaling \$215.5 million, all from special revenue funds, an increase of \$4.1 million, or 1.9 percent, above the revised current year estimate. An increase of \$6.8 million, or 4.0 percent, in local aid, primarily for increased grants for coordinated public transportation (\$3.3 million), aviation grants (\$1.4 million), and rail grants (\$1.2 million) is partially offset by a reduction of \$2.7 million, or 8.7 percent, in other assistance, largely reflecting reduced federal grant funding.

The **Governor** recommends FY 2014 reportable operating expenditures of \$215.6 million, all from special revenue funds, a net increase of \$89,304 or less than 0.1 percent, above the amount requested by the agency. A decrease of \$3,734 in salaries and wages (to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution rate from 1.0 percent to 0.85 percent) is offset by an increase of \$93,038 to reflect increased estimates of receipts to the State Highway Fund based on the November 2013 consensus estimate.

The **Governor** recommends FY 2015 reportable operating expenditures of \$216.6 million, an increase of \$1.1 million, or 0.5 percent, above the FY 2014 recommendation. Most of the increases are for projected aid to local units of government (\$874,378, or 0.5 percent), and contractual services (\$145,425, or 3.0 percent, primarily for architectural and engineering services).

C. Maintenance

The Maintenance program contains all regular and substantial highway and bridge maintenance performed by the state. Regular maintenance includes activities designed to preserve and repair the roadway system to its designed or accepted standards, including road surfaces, shoulders, roadsides, drainage facilities, bridges, signs, and markings. Traffic services such as lighting, signal operation, snow and ice removal, and roadside rest areas are also included. Substantial maintenance projects are completed by contract and are based on statewide need. Substantial maintenance includes projects such as resurfacing, bridge and culvert repair, bridge painting, emergency repair, signing, pavement marking, lighting, and small safety projects. This program includes expenditures for the agency's interoperable communications towers. Agency leasing expenditures are included as nonreportable expenditures while federal funds for the program are included as reportable expenditures.

Funding to assist cities in the maintenance of highway connecting links is also provided. KDOT reimburses cities and counties \$3,000 per lane-mile for links they maintain. In addition, funds are available for substantial maintenance on city connecting links through a matching program on either a 50/50 or 25/75 basis, depending on city size, and up to \$200,000 per resurfacing project.

To achieve these goals, the local support program is comprised of the following subprograms: Regular Maintenance; and Communications System - On Budget.

MAINTENANCE SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 66,602,874	\$ 69,283,897	\$ 69,283,897	\$ 69,978,134	\$ 69,907,417	\$ 70,442,828
Contractual Services	17,253,238	17,741,983	17,741,983	17,741,983	17,741,983	17,845,046
Commodities	35,404,181	37,389,238	37,389,238	37,389,238	37,389,238	38,430,880
Capital Outlay	14,782,754	11,910,612	11,910,612	12,003,911	12,003,911	11,161,700
Subtotal	\$ 134,043,047	\$ 136,325,730	\$ 136,325,730	\$ 137,113,266	\$ 137,042,549	\$ 137,880,454
Aid to Local Units	2,684,814	3,360,000	3,360,000	3,360,000	3,360,000	3,360,000
Other Assistance	0	0	0	0	0	0
Capital Improvements	117,171	0	0	0	0	0
Reportable						
Expenditures	\$ 136,845,032	\$ 139,685,730	\$ 139,685,730	\$ 140,473,266	\$ 140,402,549	\$ 141,240,454
Non-reportable						
Expenditures	1,880,385	1,567,521	1,567,521	1,500,000	1,500,000	1,500,000
TOTAL	\$ 138,725,417	\$ 141,253,251	\$ 141,253,251	\$ 141,973,266	\$ 141,902,549	\$ 142,740,454
Financing:						
State Highway Fund	\$ 134,994,174	\$ 139,685,730	\$ 139,685,730	\$ 140,473,266	\$ 140,402,549	\$ 141,240,454
All Other Funds	1,850,858	0	0	0	0	0
Reportable						
Expenditures	\$ 136,845,032	\$ 139,685,730	\$ 139,685,730	\$ 140,473,266	\$ 140,402,549	\$ 141,240,454
Non-reportable	1,880,385	1,567,521	1,567,521	1,500,000	1,500,000	1,500,000
TOTAL	\$ 138,725,417	\$ 141,253,251	\$ 141,253,251	\$ 141,973,266	\$ 141,902,549	\$ 142,740,454
FTE Positions	1,498.0	1,470.0	1,470.0	1,472.0	1,472.0	1,472.0
Non-FTE Pos.*	1.0	1.0	1.0	1.0	1.0	1.0
TOTAL	1,499.0	1,471.0	1,471.0	1,473.0	1,473.0	1,473.0
*Non-FTE Permanent Unclassified Positions						

The **agency** requests FY 2014 reportable operating expenditures of \$140.5 million, all from special revenue funds, an increase of \$787,536, or 0.6 percent, above the revised current year estimate. Most of the increase (\$694,237), is in salaries and wages and reflects increased Kansas Public Employees Retirement System employer contribution costs.

The **Governor** recommends FY 2014 reportable operating expenditures of \$140.4 million, all from special revenue funds, a decrease of \$70,717, or 0.1 percent, below the amount requested by the agency. The entire decrease is in salaries and wages and reflects the Governor's recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution rate from 1.0 percent to 0.85 percent.

The **Governor** recommends FY 2015 reportable operating expenditures of \$141.2 million, a net increase of \$837,905, or 0.6 percent, above the FY 2014 recommendation. Increases of \$1.0 million in commodities (primarily for road maintenance supplies), \$535,411 for salaries and wages (to reflect increases in the Kansas Public Employees Retirement System rate, workers compensation rates, and classified longevity payments), and \$103,063 for contractual services, are partially offset by a decrease of \$842,211, or 7.0 percent, in capital outlay, primarily for equipment purchases.

D. Construction

The Construction program includes functions and activities associated with constructing new highways and performing major renovations of existing state highways and facilities. The program is divided into six subprograms: Design/Right of Way, Construction Inspection, State Projects, Buildings, Local Construction, and Preservation. These subprograms include right-of-way purchase, design, construction supervision, materials testing, facilities construction and remodeling, debt service, and federal aid to local governments. Highway construction projects are classified as Preservation, Modernization, and Expansion/Enhancement.

Preservation. This program includes maintenance activities completed by contract staff with selection based on statewide need, and includes the Priority Bridge program, which replaces or rehabilitates substandard bridges.

Modernization. The projects in this program are designed to improve the safety, and service of the existing roadway system by bringing it up to current design standards. Projects include widening or adding shoulders, flattening hills or removing curves in a road.

Expansion/Enhancement. This program is designed to improve safety, relieve congestion, improve access and enhance economic development. This includes corridor improvements, bypass construction, and interchange/separation improvements. The projects must be on the State Highway System or a logical addition to the State Highway System.

CONSTRUCTION SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Salaries and Wages	\$ 53,312,988	\$ 52,230,196	\$ 52,230,196	\$ 52,652,678	\$ 52,597,442	\$ 53,014,573
Contractual Services	78,751,659	82,254,388	88,629,306	103,655,369	107,884,767	81,696,615
Commodities	2,917,941	1,292,316	1,292,316	1,281,636	1,281,636	1,317,521
Capital Outlay	2,254,027	1,094,817	1,094,817	987,660	987,660	1,293,470
Debt Service	214,047,368	188,160,779	178,885,924	192,591,465	179,089,384	195,888,878
Subtotal	\$ 351,283,983	\$ 325,032,496	\$ 322,132,559	\$ 351,168,808	\$ 341,840,889	\$ 333,211,057
Aid to Local Units	0	0	0	0	0	0
Other Assistance	0	0	0	0	0	0
Capital Improvements	515,704,913	387,427,526	394,244,402	928,103,385	921,306,763	569,148,894
Reportable Expenditures	\$ 866,988,896	\$ 712,460,022	\$ 716,376,961	\$ 1,279,272,193	\$ 1,263,147,652	\$ 902,359,951
Non-reportable Exp.	358,376,263	536,593,511	519,282,244	355,849,046	347,332,362	347,927,291
TOTAL	\$ 1,225,365,159	\$ 1,249,053,533	\$ 1,235,659,205	\$ 1,635,121,239	\$ 1,610,480,014	\$ 1,250,287,242
Financing:						
State Highway Fund	\$ 684,742,221	\$ 523,974,243	\$ 530,791,119	\$ 1,086,730,728	\$ 1,079,878,870	\$ 703,481,073
All Other Funds	182,246,675	188,485,779	185,585,842	192,541,465	183,268,782	198,878,878
Reportable Expenditures	\$ 866,988,896	\$ 712,460,022	\$ 716,376,961	\$ 1,279,272,193	\$ 1,263,147,652	\$ 902,359,951
Non-reportable	358,376,263	536,593,511	519,282,244	355,849,046	347,332,362	347,927,291
TOTAL	\$ 1,225,365,159	\$ 1,249,053,533	\$ 1,235,659,205	\$ 1,635,121,239	\$ 1,610,480,014	\$ 1,250,287,242
FTE Positions	869.0	843.0	843.0	830.0	830.0	830.0
Non-FTE Pos.*	8.0	8.0	8.0	8.0	8.0	8.0
TOTAL	877.0	851.0	851.0	838.0	838.0	838.0
*Non-FTE Permanent Unclassified Positions						

The **agency** requests reportable expenditures of \$1.279 billion for FY 2014, an increase of \$566.8 million, or 79.6 percent, above the revised current year estimate. Most of the increase is in highway construction capital improvements (\$540.7 million, or 139.6 percent) and primarily requests for interstate and non-interstate capacity improvements (\$459.9 million).

The **Governor** recommends FY 2014 reportable expenditures of \$1.263 billion, all from special revenue funds, a net decrease of \$16.1 million, or 1.3 percent, below the amount requested by the agency. The recommendation includes decreases of \$9.3 million in adjusted debt service expenditures, \$6.8 million in capital improvements projects not recommended by the Governor, and \$55,236 in salaries and wages (to reflect the Governor's recommendation to reduce the Kansas Public Employees Retirement System death and disability employer contribution rate from 1.0 percent to 0.85 percent).

The **Governor** recommends FY 2015 reportable expenditures of \$902.4 million, all from special revenue funds, for the program. The recommendation is a decrease of \$360.8 million, or 28.6 percent, below the FY 2014 recommendation. Most of the reduction is in capital improvements (\$352.2 million, or 38.2 percent) and contractual services (\$26.2 million, or 24.3 percent) reflecting a lower number of planned construction lettings from FY 2014. The decreases are partially offset by an increase of \$16.8 million, or 9.4 percent, in debt service expenditures.

E. Debt Service

This program contains principal, interest, and administrative costs related to bond debt for the Kansas Department of Transportation.

DEBT SERVICE SUMMARY OF EXPENDITURES FY 2012 – FY 2015						
Item	Actual FY 2012	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Expenditures:						
Debt Service Interest	\$ 98,752,323	\$ 74,400,861	\$ 71,500,924	\$ 76,206,798	\$ 75,779,384	\$ 77,179,716
Debt Service Principal	109,970,000	107,385,000	107,385,000	112,155,269	103,310,000	118,709,162
Administrative Costs	5,325,045	6,374,918	6,374,918	4,229,398	4,229,398	3,040,000
TOTAL	<u>\$ 214,047,368</u>	<u>\$ 188,160,779</u>	<u>\$ 185,260,842</u>	<u>\$ 192,591,465</u>	<u>\$ 183,318,782</u>	<u>\$ 198,928,878</u>
Financing:						
State Highway Fund	\$ 31,800,693	\$ 60,000	\$ 60,000	\$ 50,000	\$ 50,000	\$ 50,000
All Other Funds	182,246,675	188,100,779	185,200,842	192,541,465	183,268,782	198,878,878
TOTAL	<u>\$ 214,047,368</u>	<u>\$ 188,160,779</u>	<u>\$ 185,260,842</u>	<u>\$ 192,591,465</u>	<u>\$ 183,318,782</u>	<u>\$ 198,928,878</u>

The **agency** estimates debt service expenditures totaling \$192.6 million, all from special revenue funds, for FY 2014.

The **Governor** recommends debt service expenditures of \$183.3 million, all from special revenue funds, a decrease of \$9.3 million from the amount requested by the agency, based on an updated estimate of debt service payments which will be required for FY 2014.

The **Governor's** recommendation for FY 2015 includes \$198.9 million, all from special revenue funds, an increase of \$15.6 million, or 8.5 percent, based on higher estimated construction lettings in FY 2014.

CAPITAL IMPROVEMENTS

CAPITAL IMPROVEMENTS					
Project	Agency Est. FY 2013	Gov. Rec. FY 2013	Agency Req. FY 2014	Gov. Rec. FY 2014	Gov. Rec. FY 2015
Rehabilitation and Repair	\$ 3,374,157	\$ 3,374,157	\$ 3,428,873	\$ 3,428,873	\$ 6,855,687
Reroof Buildings-Variuos					
Locations	368,826	368,826	165,675	165,675	0
Subarea Modernization	2,998,184	2,998,184	2,474,373	2,474,373	0
Remote Chemical Storage					
Bunkers	33,248	33,248	67,574	67,574	0
Vehicle Wash Bays	0	0	781,233	0	0
Relocate Subarea-Concordia	0	0	1,808,599	0	0
Relocate Subarea/Regional					
Materials Lab-Wichita					
Hillside	0	0	2,056,138	0	0
Relocate Subarea-Newton	0	0	1,925,652	0	0
Purchase Lands-Variuos					
Locations	0	0	225,000	0	0
TOTAL	<u>\$ 6,774,415</u>	<u>\$ 6,774,415</u>	<u>\$ 12,933,117</u>	<u>\$ 6,136,495</u>	<u>\$ 6,855,687</u>
Financing:					
State Highway Fund	\$ 6,774,415	\$ 6,774,415	\$ 12,933,117	\$ 6,136,495	\$ 6,855,687
All Other Funds	0	0	0	0	0
TOTAL	<u>\$ 6,774,415</u>	<u>\$ 6,774,415</u>	<u>\$ 12,933,117</u>	<u>\$ 6,136,495</u>	<u>\$ 6,855,687</u>

FY 2013 – Current Year. The **agency** requests a revised current year budget of \$6.8 million, all from the State Highway Fund, for building projects, the same amount as approved by the 2012 Legislature. The request includes \$3.4 million for projects and \$3.4 million for rehabilitation and repair.

The **Governor** concurs with the agency's FY 2013 revised estimate of expenditures for capital improvements projects.

FY 2014 – Budget Year. The **agency** requests \$12.9 million for building projects for FY 2014. The request includes \$9.5 million for projects and \$3.4 million for rehabilitation and repair.

The **Governor** recommends \$6.1 million for building projects for FY 2014, a decrease of \$6.8 million below the agency's request. The Governor concurs with the agency's request for rehabilitation and repair, re-roofing various buildings, subarea modernization projects, and remote chemical storage bunkers, but does not recommend the remainder of the agency's request.

FY 2015 – Budget Year. The **agency** did not make a FY 2015 capital improvement building project request.

The **Governor** recommends \$6.9 million for FY 2015, which the Governor indicates will be used for continued rehabilitation and repair, re-roofing various buildings, subarea modernization projects, and remote chemical storage bunkers.

State Funding Sources

The Kansas Department of Transportation receives revenue into the State Highway Fund from a number of sources. Three notable state sources of funding include: motor fuels taxes, the sales tax direct deposit, and vehicle registration fees. A history of revenue generated from these three sources from FY 2000 to FY 2013 estimate are included in the following table.

Motor Fuels Taxes. Motor fuels taxes are generated on a number of fuel types including: Gasoline and Gasohol, Diesel, E-85, Liquified Petroleum, and other special fuels. The current fuel tax on gasoline is 24.0 cents per gallon, and the current tax on diesel is 26.0 cents per gallon.

Sales and Compensating Use Tax Direct Deposit. With the passage of 2010 Senate Sub. for HB 2360 the sales and compensating use tax was increased from 5.3 percent to 6.3 percent; 0.65 percent of this tax is deposited directly into the State Highway Fund. The increase in the sales and compensating use tax from 5.3 percent to 6.3 percent in turn increases receipts to the State Highway Fund, which are estimated to be \$20.4 for FY 2011, \$21.0 for FY 2012, \$21.0 for FY 2013. Beginning in FY 2014 the rate will drop back to 5.7 percent, and the State Highway Fund will receive all revenue in excess of 5.3 percent.

Vehicle Registration and Licensing Fees. The State Highway Fund receives revenues from vehicle registration and licensing fees on commercial class vehicles and commercial endorsements. These include: Type A - truck/tractor, trailer/semitrailer, and truck and trailer/semitrailer combinations over 26,000 pounds; Type B - trucks that weigh more than 26,000 pounds; Type C - trucks weighing 26,000 pounds or less, farm trucks, cars, and passenger vehicles; and Type M - for motorcycle licenses. As part of the enhanced revenues for the T-WORKS program, Heavy Truck Registration will increase \$100 in FY 2013, and is estimated to generate \$131.0 million over the life of the program.

**STATE FUNDING SOURCES FY 2000-FY 2014 ESTIMATE
(THOUSANDS)**

Fiscal Year	Motor Fuels Tax	Sales Tax Transfer Received	Revised Sales Tax Direct Deposit*	Vehicle Registration Fees	Totals
2000 Actual	\$ 356,069	\$ 62,240	\$ 88,598	\$ 134,289	\$ 641,196
2001 Actual	356,399	51,709	89,241	132,439	629,788
2002 Actual	371,201	94,288	91,611	132,969	690,069
2003 Actual	408,119	0	89,369	146,306	643,794
2004 Actual	420,353	0	90,137	149,369	659,859
2005 Actual	422,760	0	93,353	154,108	670,221
2006 Actual	424,666	0	98,914	155,834	679,414
2007 Actual	430,547	0	158,393	163,047	751,987
2008 Actual	427,808	0	273,293	162,100	863,201
2009 Actual	417,771	0	268,740	162,655	849,166
CTP TOTAL	\$ 4,035,693	\$ 208,237	\$ 1,341,649	\$ 1,493,116	\$ 7,078,695
2010 Actual	\$ 421,071	\$ 0	\$ 259,445	\$ 166,178	\$ 846,694
2011 Actual	432,730	0	292,640	167,386	892,756
2012 Actual	431,549	0	312,514	166,316	910,379
2013 Estimate	430,221	0	326,009	185,000	941,230
2014 Estimate	433,541	0	488,133	202,500	1,124,174

*Prior to FY 2007 the Sales and Compensating Use Tax Direct Deposit was 0.25 percent, in 2007 it was increased to 0.38 percent, and then increased again in FY 2008 to 0.65 percent. 2010 Senate Sub. for HB 2360 increased the sales and compensating use tax from 5.3 percent to 6.3 percent. Beginning in FY 2014 the rate will drop back to 5.7 percent, and the State Highway Fund will receive all excess above 5.3 percent.

PERFORMANCE MEASURES				
Measure	Gov. Rec. for FY 2012	Actual FY 2012	Gov. Rec. FY 2013	Gov. Rec. FY 2014
Management:				
Percent of bridges on the state highway system that are safe	94.0%	88.0%	88.0%	88.0%
Percent of roadway miles on the state highway system with desirable levels of service during peak hours of travel	95.0%	95.0%	95.0%	95.0%
Percent of non-Interstate miles on the state highway system that are classified as "good" or "acceptable"	84.0%	83.0%	83.0%	82.0%
Number of modernization miles programmed	133	117	23	64
Number of preservation miles programmed	2,340	2,265	2,368	2,099
Number of preservation bridges programmed	124	159	142	128
Number of public-use airports improved	31	35	30	45
Local Support:				
Percent of programmed local road and street projects contracted in the programmed year	75.0%	77.0%	78.0%	80.0%
Annual ridership for rural public transportation operations	2,825,000	2,888,508	2,900,000	2,910,000
Average number of days to complete a road safety audit	500	500	500	365
Injuries per hundred million vehicle miles	60	60	58	56
Number of accidents related to alcohol	3,018	2,500	2,450	2,400
Maintenance:				
Percent of lane miles of asphalt roadway on the state highway system that are repaired during the year	12.0%	10.0%	10.0%	10.0%
Percent of shoulder miles on the state highway system that are repaired	35.0%	40.0%	40.0%	40.0%
Lanes miles of state highway system repaired	2,806	2,187	2,187	2,187
Construction:				
Number of project miles designed	122	134	140	148
Number of bridge projects designed	78	35	47	47
Number of preservation projects	310	272	261	263
Number of preservation miles resurfaced	N/A	2,265	2,418	2,099
Number of bridges repaired and repainted	N/A	98	90	72