



State Finance

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Kansas Legislator Briefing Book 2008

State Finance

T-1 Budget Overview

This paper provides some brief background information on the state budget process, including definitions of classifications of expenditures by function of government and by major purpose of expenditure. Information about the approved FY 2008 budget also is included, as well as general information on the status of the State General Fund.

The Budget Process. The Kansas budget is an executive budget, in that the budgetary recommendations of the Governor are embodied in the appropriation bills which are introduced and considered by the Legislature.

- Most *state agencies* are required by law to submit their budget requests by no later than October 1 of each year (customarily, the deadline specified by the Director of the Budget is September 15). Agency budget requests are submitted to the Division of the Budget and the Legislative Research Department at the same time.
 - 20 state agencies, most of them occupational and professional licensing boards and financial institution regulatory agencies, are “biennial budget agencies” and authorized to file budget adjustment requests every other year.
- The Director of the Budget, an appointee of the Governor, is directed by law to review the detailed requests submitted by the various state agencies, and to make initial recommendations which are transmitted to agencies in November. An agency is then authorized to appeal those initial recommendations to the Governor. By law, judicial branch agency budgets are exempt from review by the Director. By practice, legislative branch agency budgets are not reviewed.
- The *Governor* then makes budgetary recommendations

which are provided to the Legislature at the beginning of each session. The Governor's recommendations also are included in appropriations bills which become the Legislature's base for approving the budget each year.

- The *Legislative Research Department* prepares an analysis of both the budget request made by each agency and the Governor's recommendations, which is submitted to the Legislature approximately three weeks after the Director of the Budget submits of the Governor's budget report.
- Agency's budgets receive simultaneous consideration in the House Appropriations Committee and the Senate Ways and Means Committee. Identical appropriation bills reflecting the Governor's recommendation are introduced in both chambers.
 - *Consideration by First House.* The chairperson of the Appropriations or Ways and Means Committee appoints Budget Committees (House) or Subcommittees (Senate) to consider appropriations for various agencies. After reviewing the budget requests, the Budget Committee or Subcommittee drafts a report which details all budgetary adjustments to the Governor's recommendations that the Budget Committee or Subcommittee supports. Once the report is prepared, it is presented to the appropriate full Committee. The Committee may adjust the recommendations or it may adopt the report as submitted. The recommendations of the Committee are considered by the full chamber, which also may adjust or adopt the recommendations.
 - *Consideration by Second House.* The process for review of an appropriation bill in the second house repeats the steps followed in the house of origin.
 - *Conference Committee Action.* After consideration of an appropriation bill by the second house, the bill typically goes to a conference committee so that differences between the House and Senate versions of the bill can be reconciled.
 - *Omnibus Appropriations Bill.* The Legislature usually adjourns its regular session sometime in early April and returns for a wrap-up session that occurs roughly two and one-half weeks following the first adjournment. During the wrap-up session, the Legislature takes action on a number of items of unfinished business, one of which is the omnibus appropriations bill. It is designed to make technical adjustments to the appropriations bills passed earlier in the session and to address the fiscal impact of legislation passed during the session. The omnibus appropriations bill is one of the last bills passed each session.

FY 2008 Approved Budget

The 2007 Legislature approved:

- An FY 2008 budget totaling \$12.625 billion from **all funding sources**, an increase of \$196.3 million (1.6 percent) from the approved FY 2007 amount.
- An FY 2008 **State General Fund (SGF) budget** totaling \$6.089 billion, an increase of \$456.1 million (8.1 percent) from the approved FY 2007 amount.

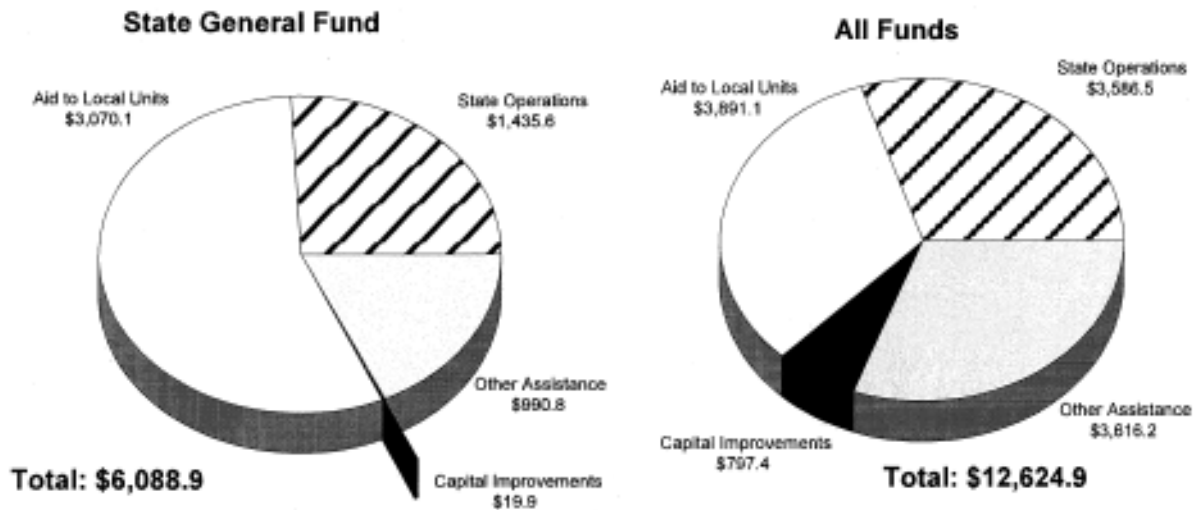
Classifications of State Spending. The State of Kansas classifies state spending by major purpose of expenditure and by function of government.

Major purposes of expenditure include the following:

- **State Operations:** *Actual agency operating costs for salaries and wages, contractual services, commodities, and capital outlay.*
- **Aid to Local Units:** *Aid payments to counties, cities, school districts, and other local government entities.*
- **Other Assistance, Grants, and Benefits:** *Payments made to or on behalf of individuals as aid, including public assistance benefits, unemployment benefits, and tuition grants.*
- **Capital Improvements:** *Cash or debt service payments for projects involving new construction, remodeling and additions, rehabilitation and repair, razing, and the principal portion of debt service for a capital expense.*

The following pie charts reflect approved FY 2008 expenditures by major purpose of expenditure:

**FY 2008 Approved Expenditures by Major Purpose of Expenditure
(In Millions)**



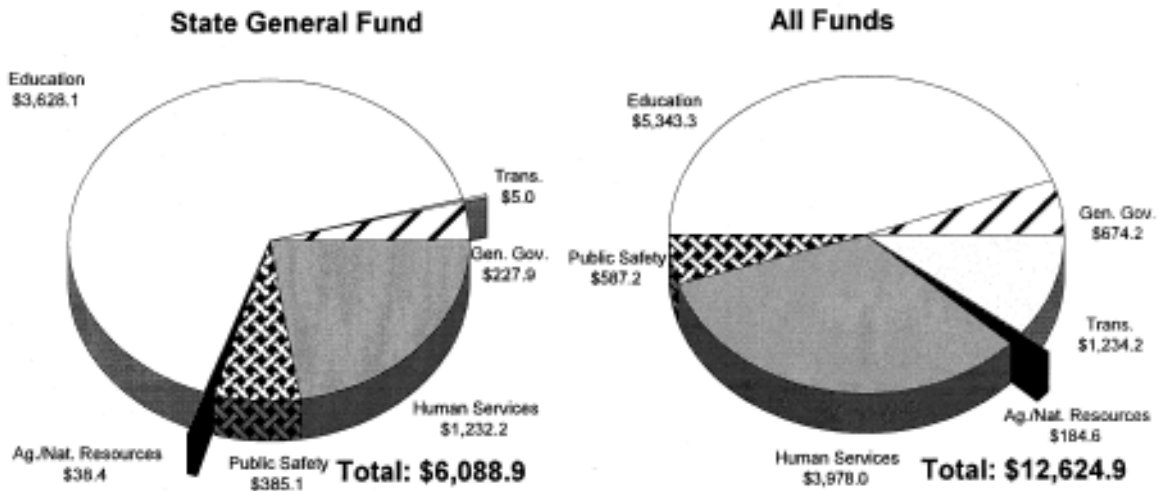
Expenditures by function of government are grouped by agencies which make expenditures for similar programs and purposes. There are six functions of government:

- **General Government:** *State agencies with both administrative and regulatory functions, including statewide elected officials, the legislative and judicial branches, and fee-funded professional and regulatory licensing agencies.*
- **Human Services:** *Agencies which provide services to individuals, including the Department of Social and Rehabilitation Services, the Department on Aging, the Kansas Health Policy Authority, the Department of Labor, the Health portion of the Department of Health and Environment, and the Commission on Veterans' Affairs.*
- **Education:** *Agencies which provide various educational services to Kansans, including the Department of Education, the Board of Regents and the Regents institutions, the State Library, the Arts Commission, the State Historical Society, and the Schools for the Blind and Deaf.*
- **Public Safety:** *Agencies which ensure the safety and security of citizens, including the Department of Corrections and its facilities, the Juvenile Justice Authority and its facilities, the Highway Patrol, and the Kansas Bureau of Investigation.*
- **Agriculture and Natural Resources:** *Agencies which protect the natural and physical resources of the state, including the Department of Agriculture, the Division of Environment of the Department of Health and Environment, and the Department of Wildlife and Parks.*

- **Transportation:** *This function includes only the Department of Transportation.*

The following pie charts reflect approved FY 2008 expenditures by function of government:

**FY 2008 Approved Expenditures by Function of Government
(In Millions)**



Consensus Revenue Estimating Process. Since 1974, a consensus approach involving the Legislative and Executive branches (Division of Budget, Legislative Research Department, the Department of Revenue, and one consulting economist each from Kansas, Kansas State, and Wichita State universities) has been utilized for estimating revenues to the State General Fund. These consensus estimates are used by both the Governor and the Legislature to formulate and approve budget requests. The law requires that on or before December 4 and April 20, the Director of the Budget and the Director of the Legislative Research Department prepare a joint estimate of revenue to the State General Fund for the current and ensuing fiscal year.

The following table reflects actual State General Fund receipts (in millions) for FY 2006 and FY 2007 and the April 2007 estimate, as adjusted for legislation, of the Consensus Revenue Estimating Group for FY 2008:

	Actual FY 2006	Actual FY 2007	Estimated FY 2008
Income Taxes	\$ 2,752.5	\$ 3,182.9	\$ 3,190.9
Excise Taxes	2,379.6	2,411.1	2,374.4
Other Taxes	193.2	200.7	188.5
Other Revenue	69.1	14.3	(197.0)
Total	<u>\$ 5,394.4</u>	<u>\$ 5,809.0</u>	<u>\$ 5,556.8</u>

- **Income taxes** include individual and corporate income and financial institutions taxes.
- **Excise taxes** include sales and compensating use taxes, alcohol and cigarette taxes, and severance taxes.
- **Other taxes** include motor carrier property taxes, estate/succession taxes, and insurance premium taxes.
- **Other revenue** includes interest earnings, agency earnings, and net transfers to and from the State General Fund.

The following tables reflect where a State General Fund dollar is projected to come from in FY 2008 and how it will be spent:

**Where Each FY 2008 State General Fund Dollar Will Come From
(In Millions)**

50¢	Individual Income Tax	\$	2,783.0
36¢	Sales and Compensating Use Tax		2,020.4
7¢	Corporate and Financial Income Tax		408.0
3¢	Tobacco Taxes		192.7
2¢	Insurance Premium Tax		120.3
1¢	Other Taxes and Income		32.4
<u>\$1.00</u>	TOTAL RECEIPTS	\$	<u>5,556.8</u>

**Where Each FY 2008 State General Fund Dollar Will Be Spent
(In Millions)**

50¢	Dept. of Education	\$	3,054.5
14¢	Board of Regents and Institutions		829.6
1¢	Other Education		28.2
64¢	Subtotal Education	\$	3,912.3
12¢	Dept. of SRS (including Hospitals)		735.9
8¢	Health Policy Authority		486.9
4¢	Dept. of Corrections and Facilities		267.1
3¢	Department on Aging		187.8
2¢	Juvenile Justice Authority and Facilities, and Other Public Safety Agencies		148.9
2¢	Judicial Branch, Board of Indigents' Defense		132.1
1¢	Department of Administration		64.7
1¢	Dept. of Health and Environment		34.3
1¢	Legislative and Elected Officials		38.2
1¢	All Other		73.7
<u>\$1.00</u>	TOTAL EXPENDITURES	\$	<u>6,088.9</u>

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