



State Finance

State Finance

**W-1
Budget Overview**

W-1 Budget Overview

Other State Finance reports available

This report 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 2012 budget also is included, as well as general information on the status of the State General Fund.

**W-2
Local Demand Transfers**

**W-3
District Court Docket Fees**

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.

**W-4
Kansas Laws to Eliminate Deficit Spending**

**W-5
Federal ARRA Funding**

- 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.

J. G. Scott,
Chief Fiscal Analyst
785-296-3181
JG.Scott@klrd.ks.gov

Leah Robinson,
Principal Fiscal Analyst
785-296-3181
Leah.Robinson@klrd.ks.gov



- 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 the Governor's budget report.
- Agencies' 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 Chairpersons of the Appropriations and Ways and Means Committees appoints Budget Committees (House) or Subcommittees (Senate) to consider appropriations for various agencies. After reviewing the budget requests, the Budget Committees and Subcommittees draft a report which details all budgetary adjustments to the Governor's recommendations that the Budget Committee and Subcommittee support. Once the report is prepared, it is presented to the corresponding 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 2011 Approved Budget

FY 2012 Approved Budget

The 2011 Legislature approved:

- An FY 2012 budget totaling \$13.9 billion from all funding sources, which is a decrease of \$824.7 million (5.6 percent) below the approved FY 2011 amount.
- An FY 2012 State General Fund (SGF) budget totaling \$6.1 billion, which is an increase of \$379.5 million (6.7 percent) above the approved FY 2011 amount.

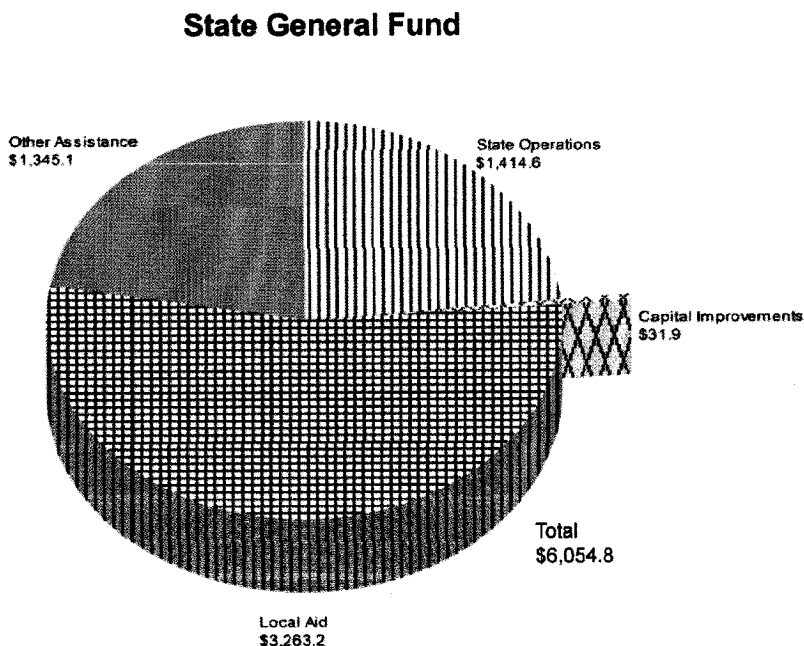
Classifications of State Spending. The State of Kansas classifies state spending by major purpose of expenditure and by function of government.

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 chart reflects approved FY 2012 State General Fund expenditures by major purpose of expenditure:

FY 2012 Approved Expenditures by Major Purpose of Expenditure (In Millions)



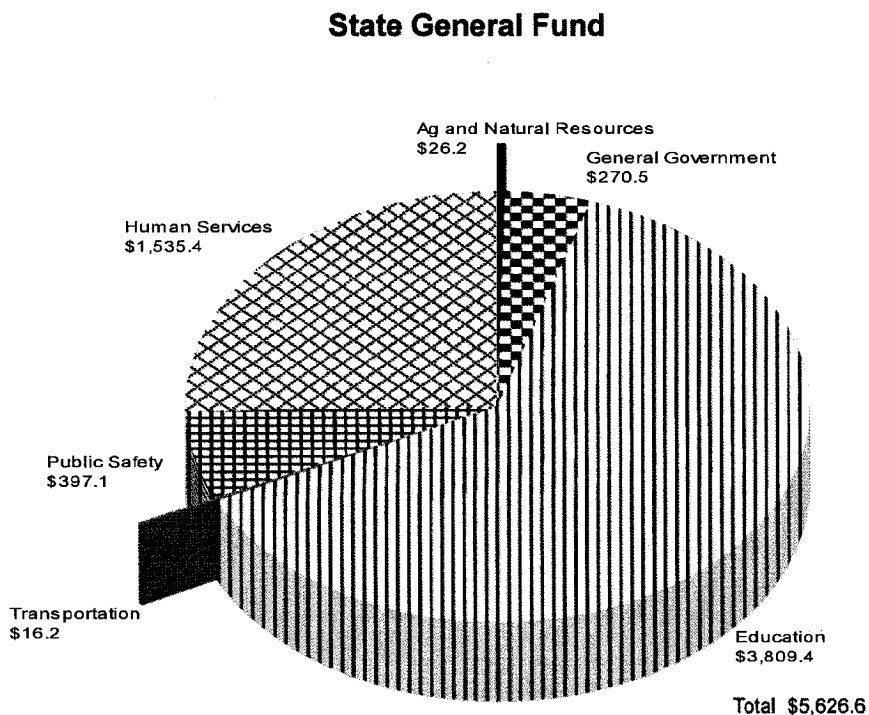
Expenditures by function of government are grouped by agencies which make expenditures for similar programs and purposes. There are six functions of government:

- **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 Department of Labor, the health portions 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 environment portion of the Department of Health and Environment, and the Department of Wildlife, Parks and Tourism.
- **Transportation:** This function includes only the Department of Transportation.

The following pie chart reflects approved FY 2012 State General Fund expenditures by function of government (the pie chart does not reflect a reduction of \$1.6 million in unspecified spending reductions approved by the Legislature):

**FY 2012 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 the 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 2010 and FY 2011 and the April 2011 estimate, as adjusted for legislation, of the Consensus Revenue Estimating Group for FY 2012:

	Actual FY 2010	Actual FY 2011	Estimated FY 2012
Income Taxes	\$2,659.7	\$2,956.2	\$2,974.4
Excise Taxes	2,170.8	2,569.9	2,688.4
Other Taxes	155.4	166.8	162.0
Other Revenue	206.6	189.2	222.9
Total	\$5,192.4	\$5,882.1	\$6,047.6

- **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 2012 and how it will be spent:

**Where Each FY 2012 State General Fund Dollar Will Come From
(In Millions)**

45¢	Individual Income Tax	\$ 2,726.8
39¢	Sales and Compensating Use Tax	2,385.8
4¢	Corporation and Financial Income Tax	247.6
2¢	Insurance Premium Tax	133.0
2¢	Severance Tax	107.7
2¢	Tobacco Taxes	98.7
1¢	Alcohol Taxes	88.2
4¢	Other Taxes and Income	259.8
\$ 1.00	TOTAL RECEIPTS	\$ 6,047.6

**Where Each FY 2012 State General Fund Dollar Will Be Spent
(In Millions)**

50¢	Dept. of Education	\$3,048.4
12¢	Board of Regents/Postsecondary Education	738.1
0¢	Other Education	22.9
<u>63¢</u>	Subtotal Education	<u>\$3,809.4</u>
12¢	Dept. of SRS and State Hospitals	722.2
10¢	Dept. of Health and Environment	601.1
4¢	Dept. of Corrections and Facilities	260.2
3¢	Department on Aging	210.5
2¢	Jud. Branch, Board of Indigents' Defense	123.0
2¢	Department of Administration	93.0
1¢	Juvenile Justice Authority and Facilities	72.5
1¢	Other Public Safety	64.4
0¢	Legislative and Elected Officials	25.5
1¢	All Other	73.0
<u>\$1.00</u>	TOTAL EXPENDITURES	<u>\$6,054.8</u>

For more information, please contact:

J.G. Scott, Chief Fiscal Analyst
JG.Scott@klrd.ks.gov

Leah Robinson, Principal Fiscal Analyst
Leah.Robinson@klrd.ks.gov

Kansas Legislative Research Department
300 SW 10th Ave., Room 68-West, Statehouse
Topeka, Kansas 66612
Phone: (785) 296-3181
Fax: (785) 296-3824