



**The Governor's**  
**Budget**  
**Report**

**FISCAL YEAR 2018**

**Budget Presentation**

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State of Kansas

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# Agenda

Economic challenges

Consensus revenue estimates

Spending growth

FY 2016 and FY 2017 approved budgets

FY 2017 revised budget proposal

FY 2018 and FY 2019 budget proposals

Alternative scenarios

CRE recommendations

Legislation

# Economic Challenges

The tax cuts that were passed during the 2012 legislative session were intended to stimulate economic growth and reverse trends with domestic migration and the outflow of wealth as well as to spur job growth through the State's small businesses.

Is it working?

- 5 consecutive years of record business formations
- 82% of all new private sector jobs created in first two years of tax plan were created by pass-through entities
- Reversed 20 years of cumulative wealth losses to Missouri
- 37 consecutive months of unemployment below 5%

# Economic Challenges

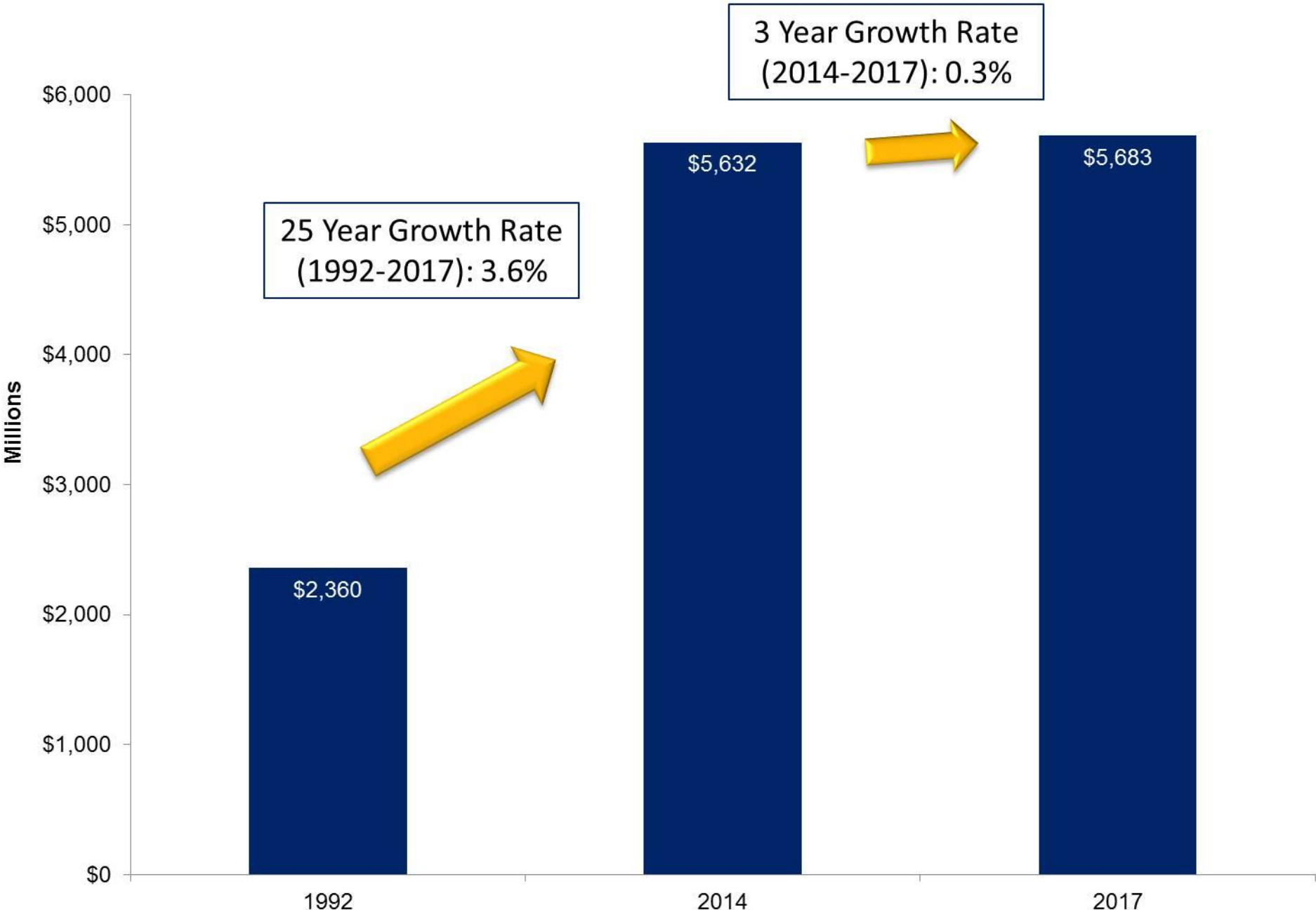
The economic headwinds the last few years have been significant and tax collections have been stagnant.

## Growth in taxes receipts since FY 2014

- FY 2014 total taxes: \$5,632.1 million
- FY 2017 total taxes (CRE): \$5,683.2 million
- Total increase: \$51.1 million
- Growth Rate: 0.3%

Average growth in tax receipts over the last 25 years has been 3.6%.

# Growth Rate of Tax Receipts



25 Year Growth Rate  
(1992-2017): 3.6%

3 Year Growth Rate  
(2014-2017): 0.3%

# Economic Challenges

Energy and agriculture sectors are contributing to the weak growth of tax receipts.

## Energy Sector

- According to the Kansas City Federal Reserve December 2016 Kansas Databook, Crude oil production was down 20.5 percent over last year, and rig counts were below year-ago levels.
- The decline in Kansas common per barrel is evident when comparing per barrel prices averages for the last three years.
  - 2014: \$82.97 per barrel
  - 2015: \$38.81 per barrel
  - 2016: \$33.62 per barrel
  - (Source: Kansas Department of Revenue, Division of Property Evaluation)

# Economic Challenges

## Agriculture sector

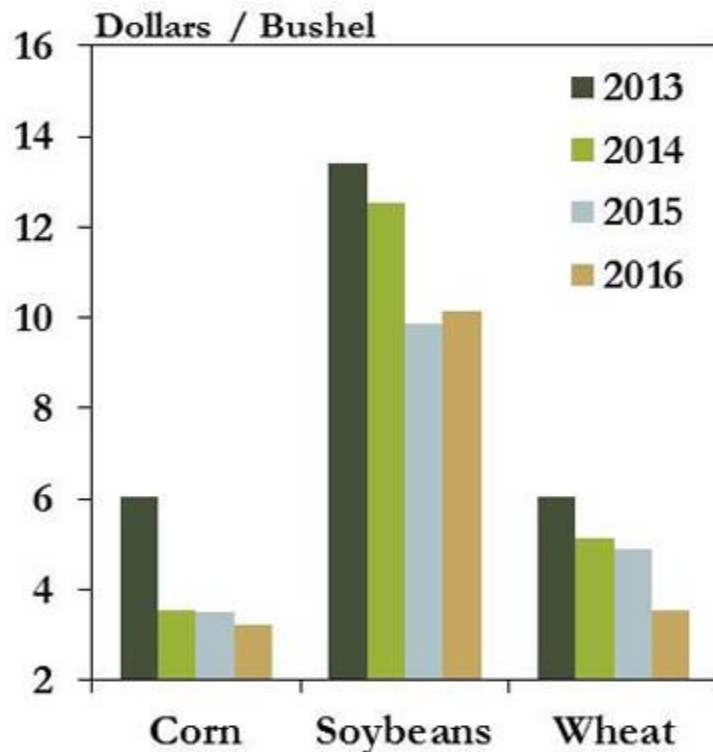
- Net farm income from grain and livestock is expected to decline through calendar year 2017.
- Overall value of crop production in 2017 is likely to be at its lowest level since 2009.
- Net farm income declined significantly in 2015 and was the lowest amount since 1981. Expected to continue to decline in 2016.

## Effect on sales tax receipts

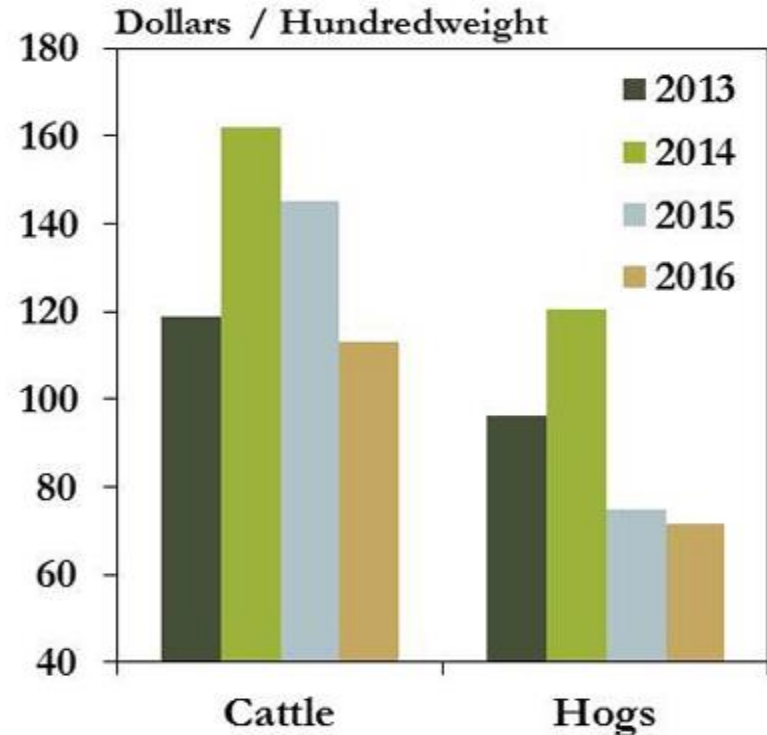
- KS Dept. of Agriculture estimates that for every 1% decrease in agriculture prices there is a corresponding \$7.7 million decrease in sales tax receipts.

### Chart 3: Tenth District Major Commodity Prices, Ending July Price

#### Crops



#### Livestock



Source: Haver Analytics and *The Wall Street Journal*

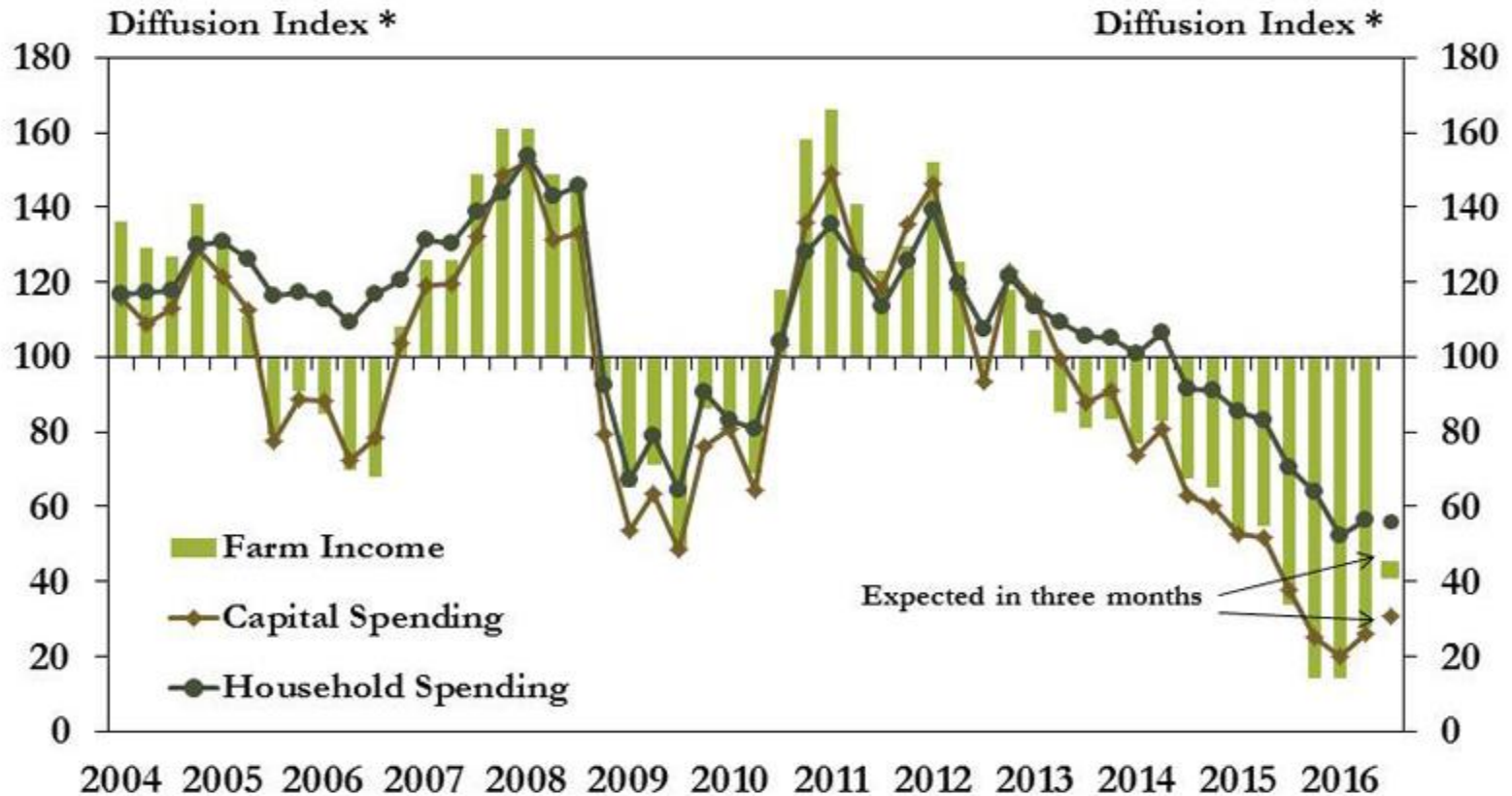


# Kansas Average Net Farm Income



Source: Kansas Farm Management Association

# Chart 1: Tenth District Farm Income and Spending



\*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percentage of bankers who responded "lower" from the percentage who responded "higher" and adding 100.

# Economic Challenges

Kansas isn't the only state to experience stagnant tax collections.

## NASBO report

- General fund growth slowed in FY 2016 with 25 states ending the year with collections below budget forecast.
- 19 states reported net mid-year budget reductions in FY 2016.
- 24 states have reported FY 2017 general fund revenues coming in below projections, which is the highest number of states expecting shortfalls since 2010.

# Consensus Revenue Estimates

The FY 2017 estimate for total taxes was decreased by \$345.9 million

- 5.5% below the previous estimate.
- FY 2017 CRE is set for **1.5% below** final FY 2016 receipts.
- First 6 months of FY 2017 are **0.82% below** FY 2016 actuals

Income tax revised down by \$97.0 million, which is **1.4% above** the FY 2016 actuals

- First 6 months of FY 2017 are **4.23% above** FY 2016 actuals
- Why revise downward when we are up 4.23% for YTD? Especially when withholdings showing a 3.5% increase fiscal YTD?
  - Revised downward to be safe due to unknowns of capital gains and also because FY 2016 actuals were -1.3% compared to FY 2015 actuals.

# Consensus Revenue Estimates

Corporate revised down by \$126.0 million, which is **23.9% below** the FY 2016 actuals

- First 6 months of FY 2017 are **30.28% below** the FY 2016 actuals

Sales revised down by \$114.9 million, which is 1.7% below (adjusted for STAR bond proceeds) the FY 2016 actuals. Natural growth for FY 2017 is now set at **-3.25%** compared to FY 2016.

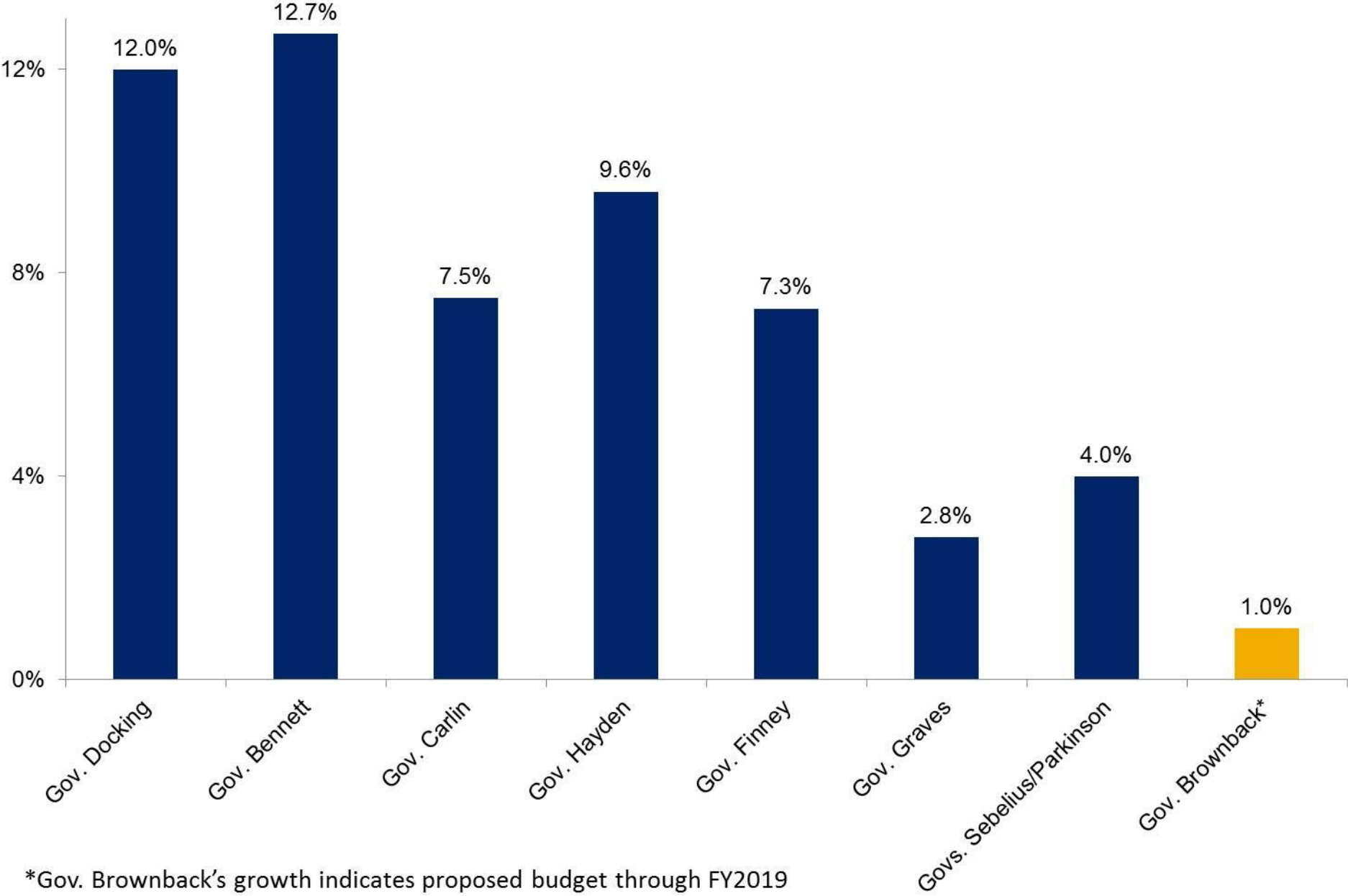
- First 6 months of FY 2017 are **1.07% below** the FY 2016 actuals
- Why revise sales tax down more than the YTD variance? Ag income is expected to continue to decrease in 2016. Unemployment has ticked up

## Growth Rates of Key Revenue Sources

<u>Revenue Source</u>	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Individual Income	1.4 %	1.8 %	1.3 %
Corporation Income	(23.9)	1.9	1.8
Retail Sales	(1.7)	0.9	0.9
Compensating Use	--	1.3	1.3

# Growth of State Government

## SGF Annual Growth by Governor



\*Gov. Brownback's growth indicates proposed budget through FY2019

# FY 2016 & FY 2017 Approved Budgets

FY 2016 and FY 2017 budgets passed in 2015 session

- Efficiencies, spending cuts and tax increases were enacted
- FY 2016 budget
  - \$12.0 million more revenue than expenditures
  - Planned \$87.7 million ending balance
- FY 2017 budget
  - \$111.5 million more of revenue than expenditures
  - Planned \$199.2 million ending balance
- Tax receipts have consistently missed estimates
  - FY 2016 total tax receipts were \$464.7 million, or 7.5%, less than what was assumed in the budget when passed.
  - FY 2017 total tax receipts are estimated to be \$713.0 million, or 11.1%, less than what was assumed in the budget when passed.
- There have been five series of allotments since FY 2016 began.
- FY 2016 ended the year with only a \$37.1 million ending balance

# FY 2017 Revised Budget Proposal

*(Dollars in Millions)*

Beginning Balance	\$ 37.1
Revenue:	
November Consensus Revenue Est.	5,980.1
Governor's Transfer Adjustments	(8.6)
Governor's Revenue Adjustments	27.0
Non-Recurring Revenue	317.0
Total Available	<u>\$ 6,352.6</u>
Expenditures:	
Approved Budget (June 2016)	6,357.5
Medicaid Caseloads	40.7
School Finance Adjustments	6.9
Lapse School Finance Reappropriator	(75.0)
KPERs Changes	(85.9)
Net All Other Adjustments	8.8
Total Expenditures	<u>\$ 6,253.0</u>
Ending Balance	\$ 99.6



# FY 2017 Revised Budget Proposal

## Revenue adjustments

- Gov.'s transfer adjustments: (\$8.6) million, mostly from SHF payback due to lower CRE sales tax
- Gov.'s revenue adjustments: \$27.0 million, combination of PMIB interest from liquidation and also KBA adjustments
- Non-Recurring Revenue: liquidate long-term investment fund and back to Pooled Money Investment Board (PMIB). \$45.0 million in interest earnings to SGF. PMIB transfers \$317.0 million to SGF. Payback from SGF to PMIB over the next 7 years.

## Expenditure adjustments

- \$40.7 million in additional Medicaid costs
- \$6.9 million of additional K-12
- Lapse K-12 re-appropriation as authorized through KSA 72-6417(c)
- KPERS changes of (\$85.9) million
- All other adjustments is \$8.8 million

# FY 2018 and FY 2019 Budget Proposal

## Budget proposal goals and objectives

- Protect core services
  - Reductions tied to efficiencies
  - Increase Medicaid reimbursement and address critical rural health care services
  - Rural teacher scholarship program
  - Funding for mental health RSI like models
- Gain additional efficiencies
  - Agency consolidations
  - Additional A&M efficiencies
- Lessen reliance on non-recurring revenue and expenditures and achieve structural balance by FY 2019
  - \$57.3 million more of annual revenue than expenditures in FY 2019
- Growing ending balances with the FY 2019 ending balance greater than 7.5%
  - \$99.1 million in FY 2017
  - \$216.5 million in FY 2018
  - \$538.7 million in FY 2019 (8.75% ending balance)

# FY 2018 State General Fund

*(Dollars in Millions)*

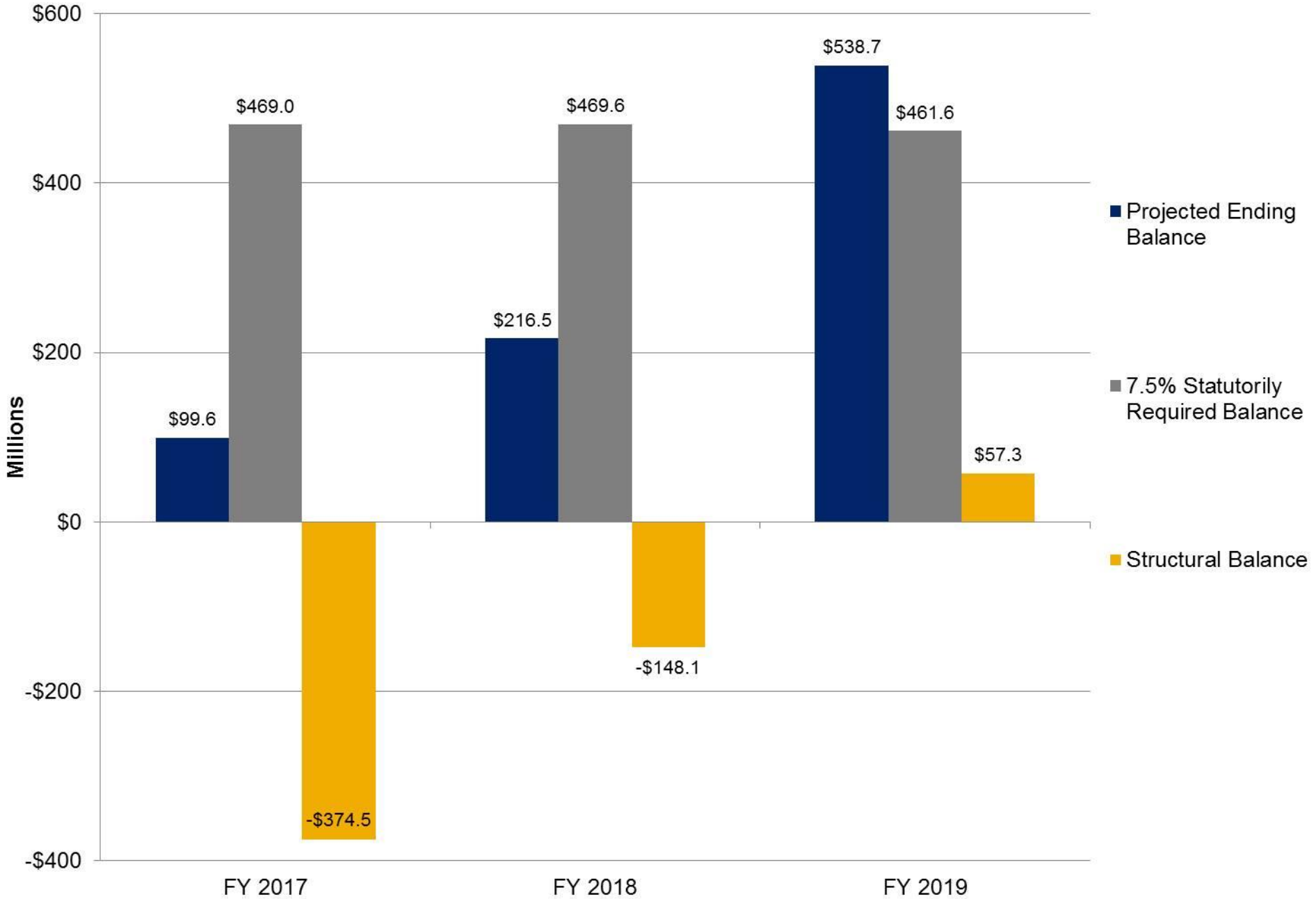
Beginning Balance	\$ 99.6
Revenue:	
November Consensus Revenue Est.	5,536.4
Governor's Transfer Adjustments	451.3
Governor's Revenue Adjustments	(8.0)
Tax Policy Changes	179.1
Non-Recurring Revenue	220.0
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Total Available	\$ 6,478.4
Expenditures:	
FY 2018 Budget-Total Expenditures	6,261.9
Key Adjustments Included in Total:	
Health & Human Srvs and Medicaid	84.8
KPERs Changes	(140.2)
K-12 A&M Efficiencies	(47.2)
Move CIF to SGF	35.2
OSH Diversion/Crisis Beds	3.9
Teacher Scholarships	3.0
KBOR \$15K Degree Challenge	1.0
Net All Other Adjustments	(32.0)
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Ending Balance	\$ 216.5

# FY 2019 State General Fund

*(Dollars in Millions)*

Beginning Balance	\$ 216.5
Revenue:	
November Consensus Revenue Est.	5,575.4
Governor's Transfer Adjustments	537.5
Governor's Revenue Adjustments	(54.5)
Tax Policy Changes	198.6
Non-Recurring Revenue	220.0
	\$ 6,693.5
Expenditures:	
FY 2019 Budget-Total Expenditures	6,154.8
Key Adjustments Included in Total:	
Health & Human Srvs and Medicaid	43.2
KPERS Changes	(198.6)
K-12 A&M Efficiencies	(89.0)
Move CIF to SGf	35.2
OSH Diversion/Crisis Beds	3.9
Teacher Scholarships	6.0
KBOR \$15K Degree Challenge	1.0
Net All Other Adjustments	(43.5)
	\$ 538.7

# Projected Ending Balances



# K-12 Budget Proposal

The Governor is committed to working with the 2017 Legislature in formulating a fair and balanced school finance formula for FY 2018 and beyond.

FY 2017 recommendation includes lapsing re-appropriation of \$75.0 million as authorized by KSA 72-6417(c).

FY 2017 recommendation includes reducing extraordinary needs fund by \$13.0 million as stipulated in the special session equity bill if the KBA sale did not exceed \$25.0 million.

The FY 2018 budget assumes savings of \$47.2 million from implementation of A&M efficiency recommendations to include K-12 health benefit consolidation and sourcing select benefit categories on a statewide basis.

The FY 2019 budget assumes savings of \$89.0 million in anticipation of implementation of the same efficiencies. These are efficiency recommendations that should be included in new school finance formula.

# Medicaid Budget Proposal

Increase the MCO privilege fee from 3.31% to 5.77% and increase the hospital provider assessment from 1.83% to 4.65% of net inpatient operating revenue. The increases would help accomplish the following:

- Increased reimbursement rates to all providers
- Increase reimbursement to rural hospitals
- Strategic investments in the rural health care workforce per recommendations of the rural health care working group

## Medicaid policy changes

- Extend KanCare contract one year saves \$7.0 million in FY 2018 and \$14.0 million in FY 2019
- FMAP assumptions included in FY 2019 save \$27.0 million.
- Claiming 100% of federal funding for health services provided to Native Americans in non-HIS clinics or settings savings the SGF \$23.8 million in FY 2018 and FY 2019

# Medicaid Budget Proposal

*(Dollars in Millions)*

	<u>FY 2017</u>	<u>FY 2018</u>	<u>FY 2019</u>
Medicaid Increases			
Caseload estimates	\$ 1.9	\$ 38.5	\$ 204.3
Non-caseload estimates	<u>40.3</u>	<u>52.3</u>	<u>52.3</u>
Subtotal	\$ 42.2	\$ 90.8	\$ 256.6
Medicaid Adjustments			
Keep privilege fee at 3.31%		9.7	19.4
Increase privilege fee to 5.77%		18.2	36.4
Increase reimbursement and address rural initiatives			82.7
Use privilege fee revenue from 2.0% to 3.31% in caseloads			(120.7)
Use privilege fee revenue from 3.31% to 5.67% in caseloads			(91.3)
Raise provider assessment from 1.87% to 4.65%			(73.5)
Medicaid policy changes	<u>(1.5)</u>	<u>(33.9)</u>	<u>(66.4)</u>
Subtotal	\$ (1.5)	\$ (6.0)	\$ (213.4)
Medicaid Total	\$ 40.7	\$ 84.8	\$ 43.2

*FY 2017, FY 2018 and FY 2019 increases/decreases compared to FY 2016 appropriation.*



# KPER Budget Proposal

Freeze SGF contributions at similar dollar amounts contributed in FY 2016.

Extend the amortization period for KPERS State/School group by ten years.

Add FY 2018 deferred contribution to the UAL.

## Growth in KPERS Contributions

### Average Contributions

FY 2004 to FY 2011 SGF	\$ 224.4	million
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FY 2012 to FY 2019 (proposed) SGF	\$ 351.8	million
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Increased contribution levels	\$ 127.4	million
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### Total Contributions

FY 2004 to FY 2011 SGF	\$ 1.8	billion
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FY 2012 to FY 2019 (proposed) SGF	\$ 2.8	billion
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*These contribution levels do not factor in proceeds from Pension Obligation Bonds.*

# KDOT Budget Proposal

Transfer \$15.4 million from SHF to SGF in FY 2017

Continue “ordinary” and “extraordinary” transfers in FY 2018 and FY 2019. Transfer from SHF to SGF in FY 2018 would be \$288.3 million. Transfer from SHF to SGF in FY 2019 would be \$293.1 million.

KDOT estimates that the condition of its interstate and non-interstate highways will meet or exceed targets with the SGF transfers continuing into FY 2018 and FY 2019.

## Total expenditures

FY 2011: \$1,327,472

FY 2016: \$1,495,456

FY 2017: \$1,369,547

FY 2018: \$1,196,189

FY 2019: \$1,063,430

# KDOT

Percentage of bridges on the State Highway System that are in good condition:

- 87% in FY 2016
- 86% in FY 2015
- 87% in FY 2014

Percentage of interstate and non-interstate pavement in good condition:

- 97% of Interstate system pavement in FY 2016
- 98% of Interstate system pavement in FY 2015
- 97% of interstate system pavement in FY 2014
- 92% of non-interstate system in FY 2016
- 89% of non-interstate system in FY 2015
- 85% of non-interstate system in FY 2014

# Higher Education Budget Proposal

New TeachersKan scholarship program to assist school teachers who agree to work in mostly rural areas. Funding is recommended at \$3.0 million in FY 2018 and \$6.0 million in FY 2019.

New pilot program challenging postsecondary educational institutions to create a \$15,000 baccalaureate degree program. Funding is recommended at \$1.0 million in FY 2018 and FY 2019.

Funds from the Educational Building Fund for preliminary planning costs of \$800,000 in FY 2018 and FY 2019 to build a new dental school at KUMC.

FY 2018 and FY 2019 operating grants are flat

K-State Global Food Systems grant stays at \$1.0 million in FY 2018 and FY 2019

Wichita State CIBOR if funded at \$1.0 million in FY 2018 and funding proposed to be eliminated in FY 2019.

# Efficiencies in Budget Proposal

Carry forward efficiencies in FY 2017 budget recommended in A&M report including debt collection recommendations, information technology solutions, and efficiencies with KDOC and KDOT.

Dept. of Administration planning for changes to leasing operations, telecommunications partnership and procurement strategies

FY 2018 and FY 2019 budget recommends moving the Securities Commissioner's Office to the Kansas Insurance Department and moving the Board of Barbering to the Board of Cosmetology.

Phase one of Performance Based Budgeting as recommended in the A&M report and passed through legislation has been completed.

# Governor's Tax Proposal

*(Dollars in Millions)*

	FY 2018	FY 2019
Tax passive income including rents/royalties	\$ 40.0	\$ 40.0
Freeze bottom income tax at 2.7%	4.8	16.1
Increase annual report filing fee from \$40 to \$200 for for-profit entities	33.6	33.6
Cigarette tax increase of \$1.00/pack	42.1	46.4
Increase the tobacco products tax from 10% to 20%	6.2	7.8
Increase the liquor enforcement tax from 8% to 16%	<u>52.3</u>	<u>54.7</u>
Total	\$ 179.1	\$ 198.6

# Non-Recurring Revenue Proposal

FY 2019 budget is structurally balanced without non-recurring revenue

Non-recurring revenue would increase ending balances to weather continued volatility in tax collections.

Budget proposal for FY 2018 and FY 2019 revenue include \$265.0 million from tobacco securitization proceeds each year

Preliminary analysis shows state could receive net proceeds between \$480.0 and \$775.0 million, depending on bond issuance structure utilized and prevailing market rates.

CIF programs are funded through SGF in the budget proposal

# Tobacco Securitization

Tobacco settlement receipts are funds received annually from tobacco manufacturers by states that are party to the Master Settlement Agreement.

Tobacco settlement receipts are primarily driven by annual domestic cigarette consumption.

Future receipt of settlement receipts may be securitized, and more than 20 states have done so, pledging future settlement receipts to the payment of debt service.

Typically, the bonds are sold through separate bankrupt-remote entities, such as KDFA or a subsidiary thereof, in order to completely transfer the risk related to future settlement receipt levels to bond-holders.

Securitization offloads the risk of a declining revenue stream to investors.

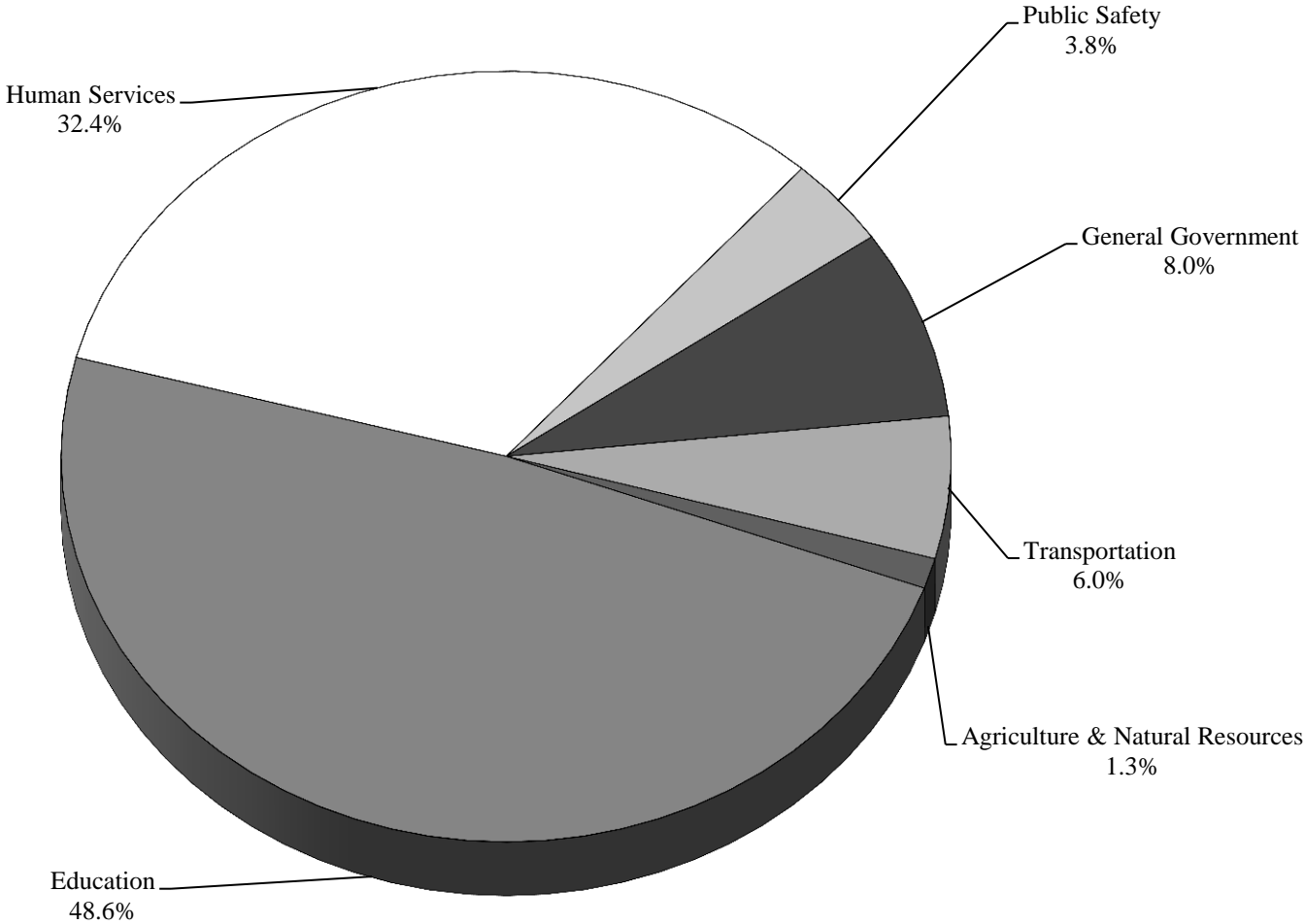
Securitization is not seen as a debt to the state.



# Where State Dollars Go by Function

All Sources of Funding\*

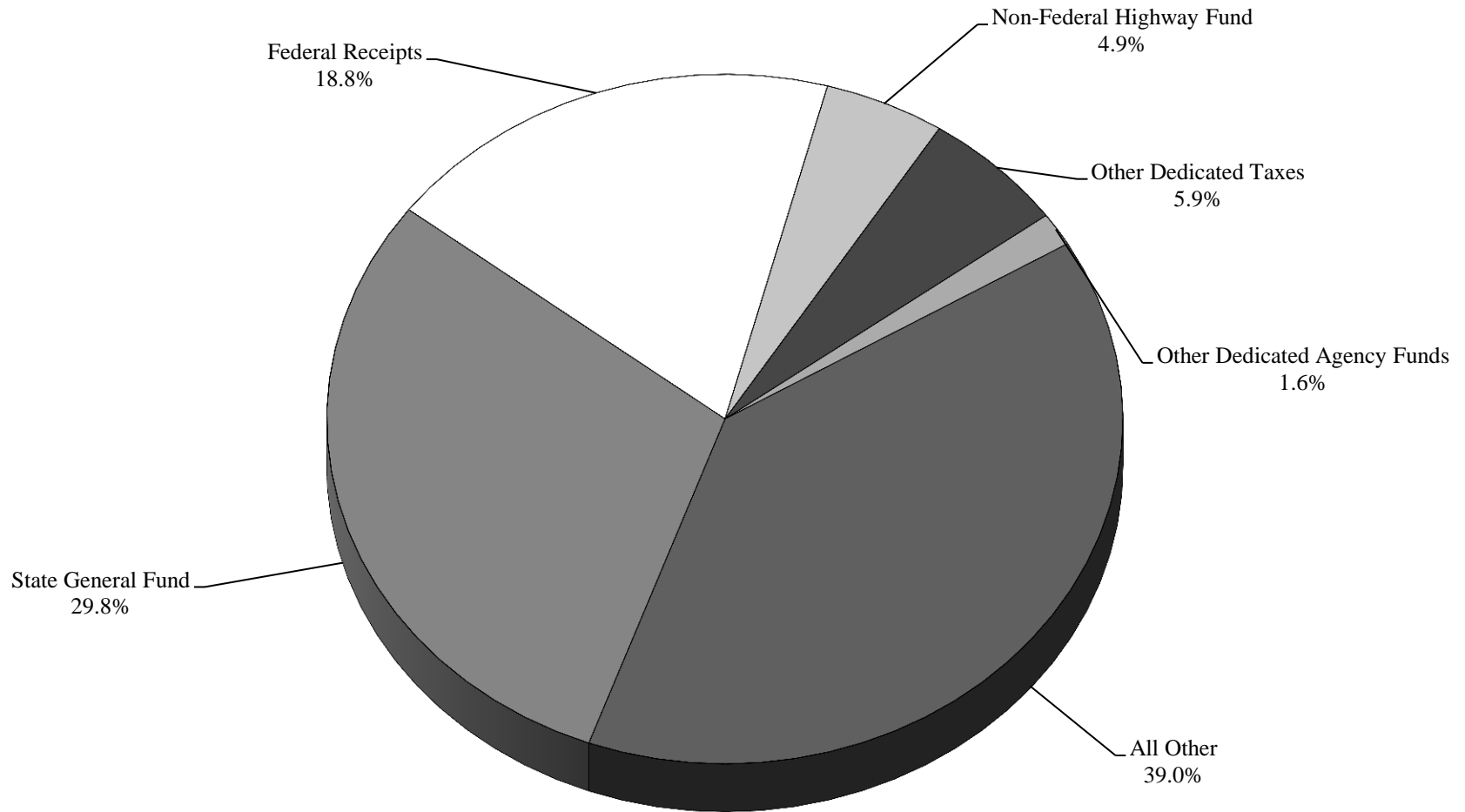
Fiscal Year 2018



\*Excludes non-reportable expenditures

# How the All Funds Budget Is Financed

All Sources of Funding  
Fiscal Year 2018



# Governor's Proposed SGF Profile

(Dollars in Millions)

	Actual FY 2016	Estimated FY 2017	Estimated FY 2018	Estimated FY 2019
Beginning Balance	\$ 71.5	\$ 37.1	\$ 99.6	\$ 216.5
Consensus Revenue Estimates	6,073.4	5,980.1	5,536.4	5,575.4
Governor's Transfer Adjustments		(8.6)	451.3	537.5
Governor's Revenue Adjustments	7.2	27.0	(8.0)	(54.5)
Ongoing Revenue			179.1	198.6
Non-Recurring Revenue		317.0	220.0	220.0
<b>Total Available Revenue</b>	<b>6,152.2</b>	<b>6,352.6</b>	<b>6,478.4</b>	<b>6,693.5</b>
Governor's Expenditure Recommendations	6,115.1	6,357.5	6,353.4	6,396.3
Health and Human Svcs and Medicaid		40.7	84.8	43.2
School Finance General State Aid Adjustments		6.9		
Lapse School Finance Re-Appropriation		(75.0)		
KPERS Changes		(85.9)	(140.2)	(198.3)
A&M Efficiencies			(47.2)	(89.0)
CIF into SGF			35.2	35.2
Net All Other Adjustments		8.8	(24.1)	(32.6)
<b>Total Adjusted Expenditures</b>	<b>6,115.1</b>	<b>6,253.0</b>	<b>6,261.9</b>	<b>6,154.8</b>
<b>Ending Balance</b>	<b>\$ 37.1</b>	<b>\$ 99.6</b>	<b>\$ 216.5</b>	<b>\$ 538.7</b>
<i>As Percentage of Expenditures</i>	<i>0.6%</i>	<i>1.6%</i>	<i>3.5%</i>	<i>8.8%</i>
<i>Structural Balance- Annual Revenues and Annual Expenditures</i>		<i>(374.5)</i>	<i>(148.1)</i>	<i>57.3</i>

# Alternative Scenario

State General Fund Profile with no SHF transfers to SGF, repayment of KPERS in FY 2018, no tax changes, no bridge funding in FY 2018 & FY 2019, no KPERS changes, no A&M efficiencies and no CIF into SGF  
(Dollars in Millions)

	Actual FY 2016	Estimated FY 2017	Estimated FY 2018	Estimated FY 2019
Beginning Balance	\$ 71.5	\$ 37.1	\$ 13.7	\$ (869.5)
Consensus Revenue Estimates	6,073.4	5,980.1	5,536.4	5,575.4
Governor's Transfer Adjustments		(8.6)	451.3	537.5
<b>Remove SHF Transfer to SGF</b>			<b>(288.3)</b>	<b>(293.1)</b>
<b>Payback of KPERS Deferral</b>			<b>(115.5)</b>	
Governor's Revenue Adjustments	7.2	27.0	(8.0)	(54.5)
<b>Ongoing Revenue</b>			<b>0.0</b>	<b>0.0</b>
<b>Non-Recurring Revenue</b>		317.0	<b>(45.0)</b>	<b>(45.0)</b>
Total Available Revenue	<u>6,152.2</u>	<u>6,352.6</u>	<u>5,544.6</u>	<u>4,850.8</u>
Governor's Expenditure Recommendations	6,115.1	6,357.5	6,353.4	6,396.3
Health and Human Srvs and Medicaid		40.7	84.8	43.2
School Finance General State Aid Adjustments		6.9		
Lapse School Finance Re-Appropriation		(75.0)		
<b>KPERS Changes</b>			<b>0.0</b>	<b>0.0</b>
<b>A&amp;M Efficiencies</b>			<b>0.0</b>	<b>0.0</b>
<b>CIF into SGF</b>			<b>0.0</b>	<b>0.0</b>
Net All Other Adjustments		8.8	(24.1)	(32.6)
Total Adjusted Expenditures	<u>6,115.1</u>	<u>6,338.9</u>	<u>6,414.1</u>	<u>6,406.9</u>
Ending Balance	\$ 37.1	\$ 13.7	\$ (869.5)	\$ (1,556.1)
<i>As Percentage of Expenditures</i>	0.6%	0.2%	-13.6%	-24.3%

# Alternative Scenario

State General Fund Profile with no SHF transfers to SGF, repayment of KPERS in FY 2018, no bridge funding in FY 2018 & FY 2019, no KPERS changes, no A&M efficiencies, no CIF into SGF **AND ATB cuts to fill shortfall**

**(Dollars in Millions)**

	Actual FY 2016	Estimated FY 2017	Estimated FY 2018	Estimated FY 2019
Beginning Balance	\$ 71.5	\$ 37.1	\$ 99.6	\$ 200.0
Consensus Revenue Estimates	6,073.4	5,980.1	5,536.4	5,575.4
Governor's Transfer Adjustments		(8.6)	451.3	537.5
Remove SHF Transfer to SGF			(288.3)	(293.1)
Payback of KPERS Deferral			(115.5)	
Governor's Revenue Adjustments	7.2	27.0	(8.0)	(54.5)
Ongoing Revenue			0.0	0.0
Non-Recurring Revenue		317.0	(45.0)	(45.0)
Total Available Revenue	6,152.2	6,352.6	5,630.5	5,920.3
Governor's Expenditure Recommendations	6,115.1	6,357.5	6,353.4	6,396.3
<b>Previous FY's ATB Cuts Carried Forward</b>			<b>(85.9)</b>	<b>(900.6)</b>
Health and Human Srvs and Medicaid		40.7	84.8	43.2
School Finance General State Aid Adjustments		6.9		
Lapse School Finance Re-Appropriation		(75.0)		
KPERS Changes		0.0	0.0	0.0
A&M Efficiencies			0.0	0.0
CIF into SGF			0.0	0.0
Net All Other Adjustments		8.8	(24.1)	(32.6)
<b>ATB Cuts</b>		<b>(85.9)</b>	<b>(897.7)</b>	
Total Adjusted Expenditures	6,115.1	6,253.0	5,430.5	5,506.3
Ending Balance	\$ 37.1	\$ 99.6	\$ 200.0	\$ 414.0
<i>As Percentage of Expenditures</i>	0.6%	1.6%	3.7%	7.5%

# Alternative Scenario

State General Fund Profile **with SHF transfers to SGF, no repayment of KPERS in FY 2018**, no bridge funding in FY 2018 & FY 2019, **KPERS changes included in FY 2017**, no A&M efficiencies, no CIF into SGF **AND mix of ATB cuts and tax increases to fill rest of shortfall (Dollars in Millions)**

	Actual FY 2016	Estimated FY 2017	Estimated FY 2018	Estimated FY 2019
Beginning Balance	\$ 71.5	\$ 37.1	\$ 99.6	\$ 200.0
Consensus Revenue Estimates	6,073.4	5,980.1	5,536.4	5,575.4
Governor's Transfer Adjustments		(8.6)	451.3	537.5
<b>Remove SHF Transfer to SGF</b>			<b>0.0</b>	<b>0.0</b>
<b>Payback of KPERS Deferral</b>			<b>0.0</b>	
Governor's Revenue Adjustments	7.2	27.0	(8.0)	(54.5)
<b>Ongoing Revenue</b>			<b>215.0</b>	<b>215.0</b>
Non-Recurring Revenue		317.0	(45.0)	(45.0)
<b>Total Available Revenue</b>	<b>6,152.2</b>	<b>6,352.6</b>	<b>6,249.3</b>	<b>6,428.4</b>
Governor's Expenditure Recommendations	6,115.1	6,357.5	6,353.4	6,396.3
Previous FY's ATB Cuts Carried Forward			<b>0.0</b>	<b>(364.8)</b>
Health and Human Svcs and Medicaid		40.7	84.8	43.2
School Finance General State Aid Adjustments		6.9		
Lapse School Finance Re-Appropriation		(75.0)		
<b>KPERS Changes</b>		<b>(85.9)</b>	<b>0.0</b>	<b>0.0</b>
A&M Efficiencies			0.0	0.0
CIF into SGF			0.0	0.0
Net All Other Adjustments		8.8	(24.1)	(32.6)
<b>ATB Cuts</b>		<b>0.0</b>	<b>(364.8)</b>	<b>(60.0)</b>
<b>Total Adjusted Expenditures</b>	<b>6,115.1</b>	<b>6,253.0</b>	<b>6,049.3</b>	<b>5,982.1</b>
Ending Balance	\$ <b>37.1</b>	\$ <b>99.6</b>	\$ <b>200.0</b>	\$ <b>446.3</b>
<i>As Percentage of Expenditures</i>	<i>0.6%</i>	<i>1.6%</i>	<i>3.3%</i>	<i>7.5%</i>

# CRE Recommendations

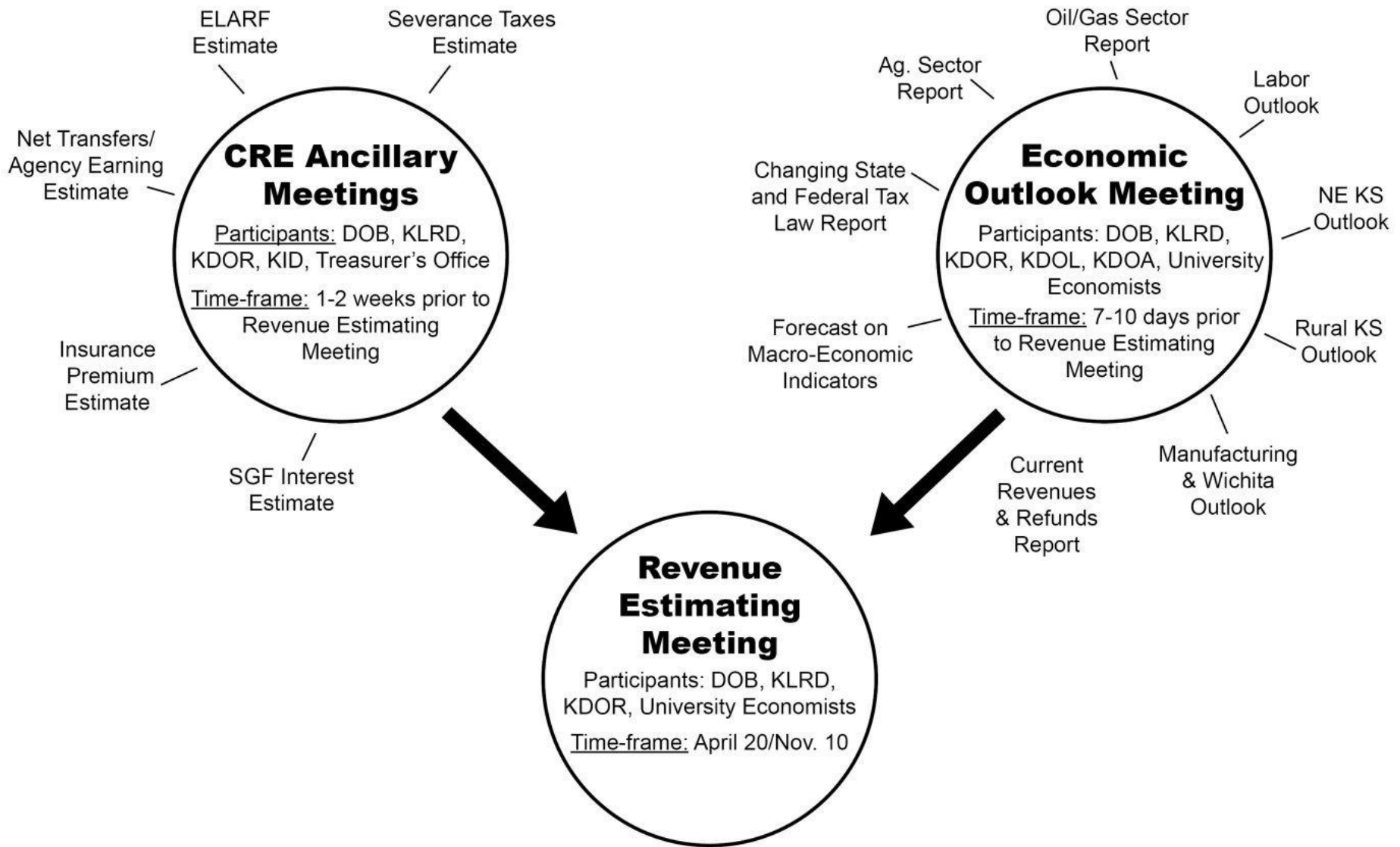
Revenue estimates have not been accurate and the process had led to estimates that were 4.1 percent, 5.3 percent and 7.5 percent more than the actual receipts in FY 2014, FY 2015 and FY 2016.

Governor Brownback tasked a working group of CPAs and financial services professionals to examine the revenue estimating and the fiscal note process and develop recommendations for improvement.

The working group recommended thirteen changes in order to become more sophisticated and able to more accurately reflect inflection points with tax policy and the economy. A number of the recommendations have already been implemented.

One statutory change recommended that the Governor requests the 2017 Legislature to consider is providing flexibility by postponing the April revenue estimates to May 1.

# Consensus Revenue Estimating Work Flow:





# Tax Adjusted Estimates After Tax Legislation Passed

*(Dollars in Millions)*

	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>
Legislative Adj. (June 2013)	\$5,873.3			
FY 2014 Actual Receipts	\$5,632.1			
Legislative Adj. (June 2014)		\$6,034.5		
FY 2015 Actual Receipts		\$5,717.4		
Legislative Adj. (June 2015)			\$6,223.0	
FY 2016 Actual Receipts			\$5,758.3	
Legislative Adj. (June 2015)				\$6,396.2
November 2016 CRE				\$5,683.2
Diff. from Original Estimate	\$ (241.2)	\$ (317.1)	\$ (464.7)	\$ (713.0)
Percent Difference	\$ (4.1)	\$ (5.3)	\$ (7.5)	\$ (11.1)

# Key Legislation

## Budget Bills

- Revised Budget Bill for FY 2017
- FY 2018 and FY 2019 Appropriations Bill
- Judicial Bill for FY 2018 and FY 2019

## Enacting Legislation Needed

- Non-Recurring Revenue
  - PMIB for FY 2017
  - Tobacco Securitization for FY 2018 and FY 2019
- Tax Bill
- KPERS Policy Bill
- Medicaid MCO privilege fee and hospital assessment
- CRE Recommendation
- School Finance

For additional information, visit the Kansas Division of the  
Budget's website at

<http://budget.ks.gov>