

KANSAS BUDGET 101

Part I: Cash Flow

Where do my taxes and fees go and what do they do once they're there?



This is Jake Arbeiter from Concordia, KS. Jake is an average wage-earner who pays taxes that help support state operations — and also benefits from services provided.

The state budget for 2020 passed by the Kansas Legislature and signed into law by Governor Laura Kelly totals \$18.4 billion. When the Governor first presented the Governor's Budget Report, it took 869 pages in two volumes to explain, in addition to a 171-page report comparing the budget to what the Legislature adopted. Such details are necessary — but overwhelming. Most Kansans simply do not take the time to understand the budget.

The Kansas Health Institute (KHI) and the Kansas Health Foundation (KHF) believe all Kansans should have a better understanding of the way state government sets its priorities. After all, civically engaged Kansans can help shape policies, express needs and expectations, determine how resources are used and elect policymakers to represent them in Topeka.

KHI and KHF produced this primer on the Kansas budget. A series of five infographics were created to tell the story:

I – Cash Flow

II – Revenues

III – Expenditures

IV – Education Spending

V – Health and Human Services Spending

Available at khi.org and kansashealth.org

Jake's household income is \$50,000.



Over the year, Jake pays \$10,400 in taxes.

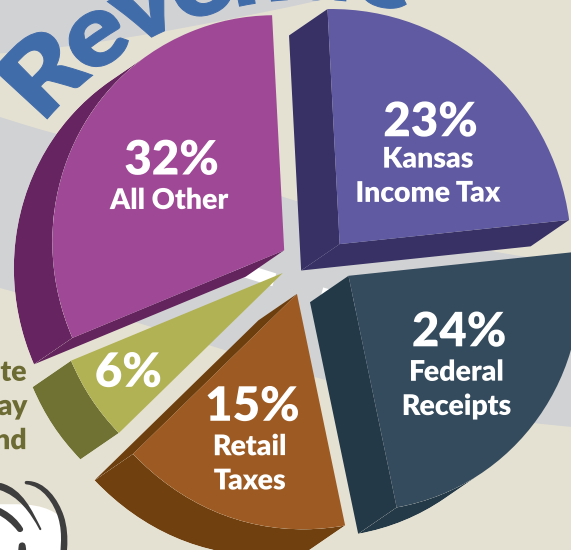


Almost \$8,200 goes to the federal government and \$2,200 stays in Kansas.

Each year, the Governor and Legislature determine how the money is spent.



Revenue



Other Kansas residents pay taxes and fees just like Jake. So do businesses and organizations.



The state highway fund contributes as well. And even more comes from retail taxes.



How much is available?



All Funds Budget
A lot!
\$18.4 billion



Thanks for the explanation!

We will explore a more detailed examination of the budget in this series.



Up next **Part II: Revenues**

Kansas Budget: Cash Flow

Where Do My Taxes and Fees Go and What Do They Do Once They're There?



Budgeting Basics

Just like your checking account, the state has to budget public money it receives and spends from year to year.

Starting with the *beginning balance* — money and assets from the previous year — the state then plans for additional *revenue*. Revenue is new money received by the state for future use.

This revenue comes in a variety of types: taxes, fees, grants from the federal government and other public money. This money is then sorted into one or more *state funds*.

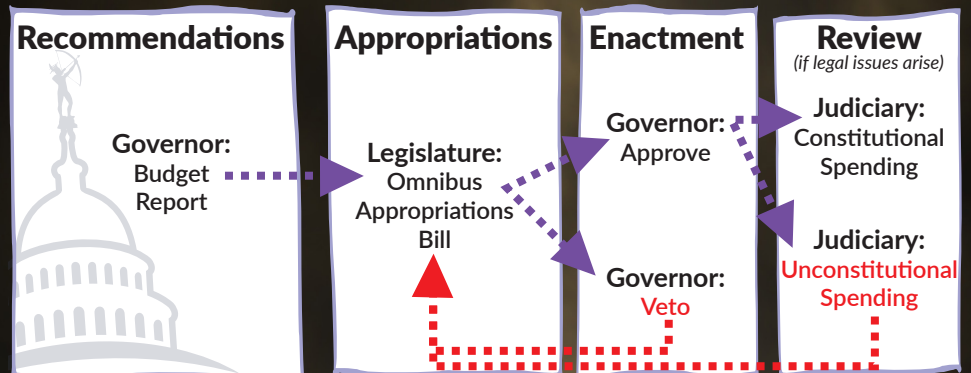
State funds may be “special revenue funds” for special uses (e.g., highway funds used only to fix highways) or the State General Fund (SGF) to be spent on general government operations.

After spending, the remaining *ending balance* becomes the beginning balance of the next budget and the budget cycle begins anew.

For FY 2020, the beginning balance for the SGF was \$869.6 million and the expected ending balance at the end of FY 2020 is \$551.7 million.

If at any point in the year the SGF does not have enough money to meet spending requirements, the state may receive a “certificate of indebtedness” to borrow money from reserves, which has to be repaid by the end of each fiscal year.

Policy Spotlights



The Budgeting Process

Kansas has an executive budget that allows the Governor's recommendations for spending to be reviewed by the Kansas Legislature and introduced as “appropriations bills.” The final bill to be passed by the Legislature is the Omnibus Appropriations Bill. Passed bills may then be approved or vetoed by the Governor, who may also use the “line item veto” power to decline individual expenditure recommendations. Approved bills allow spending to occur. If an issue arises on whether state funding is appropriate, the Kansas judiciary decides on its constitutionality or legality.

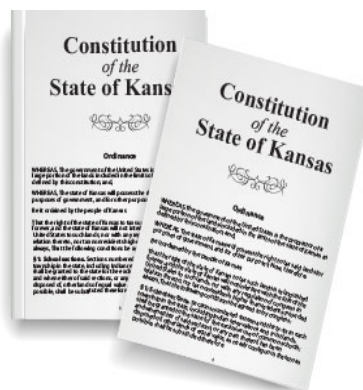
Glossary

Kansas Statutes Annotated (K.S.A.): Public laws of Kansas referred to as “statutes.”

Special Revenue Funds: Sources of public money that must be spent only on specific items.

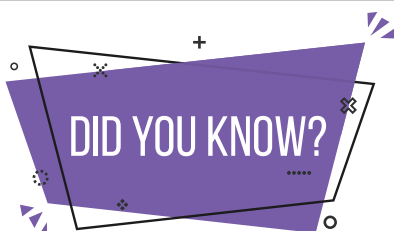
State General Fund (SGF): Money primarily from general tax revenues used for general government operations.

Constitution and Law



Kansas Constitution Article 15, Section 5 makes the state responsible for budgeting, including keeping track of money coming into and leaving the state budget and detailing how and where public money is spent.

K.S.A. 75-3721 requires that the Governor present spending recommendations to the Kansas Legislature annually. This is accomplished via the Governor's Budget Report, which includes a description of expenditures and sources of financing for them.



- Most state agencies budget for either annual (one-year) or biennial (two-year) budget cycles, by the Governor's discretion. A small number of agencies, financed through special fee funds by statute, must have biennial budgets.
- A \$275 million certificate of indebtedness was issued for FY 2020 to have enough available funds to end the fiscal year. It must be paid off by the end of the fiscal year. It is the 21st consecutive year a certificate was issued.

KANSAS BUDGET 101

Part II: Revenues

In general, two-thirds of all tax dollars go to the federal government with the remaining one-fifth and one-tenth going to state and local government, respectively. There are a variety of sources for the money that the state uses. The state may obtain money through taxes, fees, grants and other ways.

State money is added into state funds, which is spent by agencies and programs. This infographic details how the state generates revenue.

The Kansas Health Institute and the Kansas Health Foundation produced a primer on the Kansas budget. A series of five infographics were created to tell the story:

I – Cash Flow

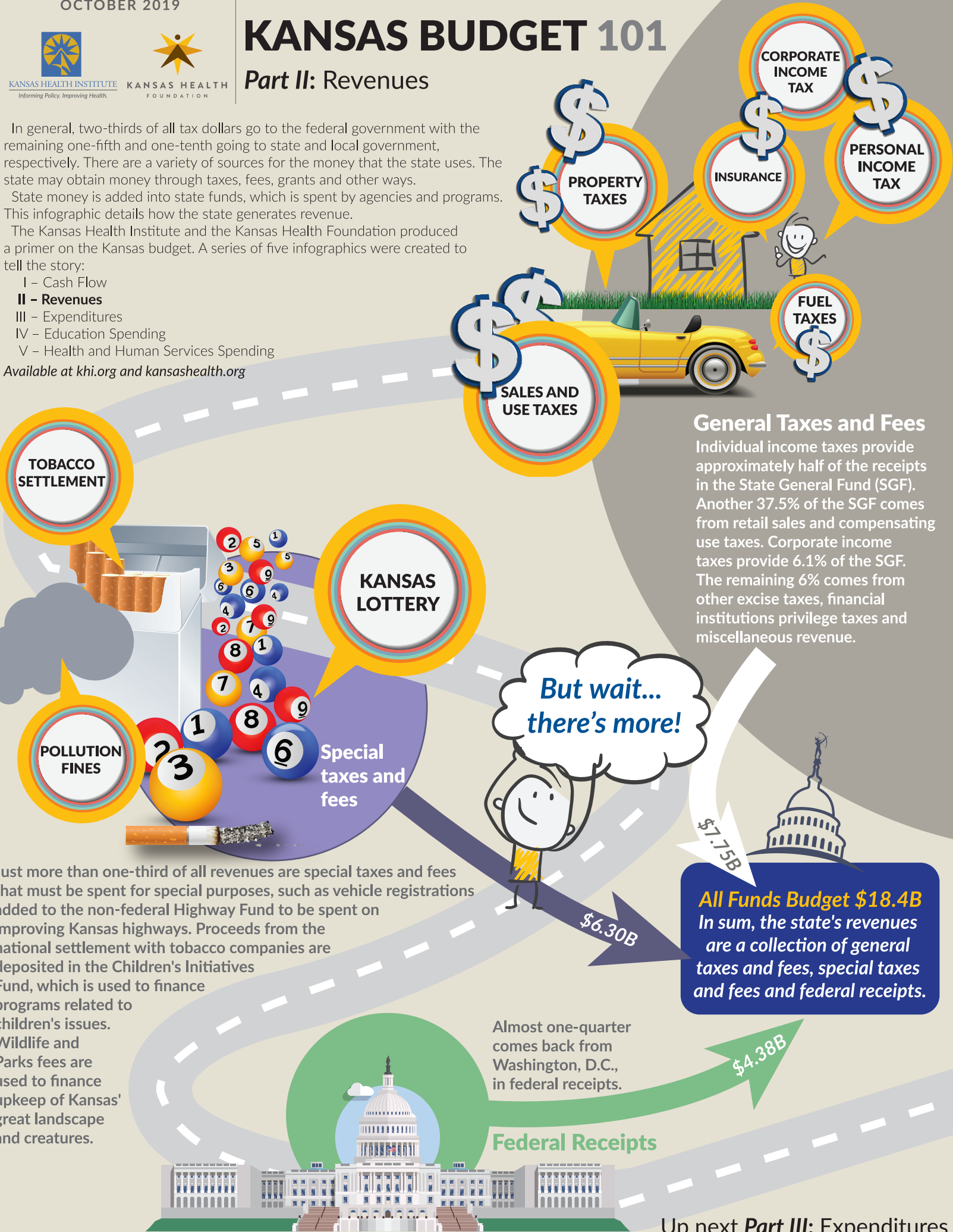
II – Revenues

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Just more than one-third of all revenues are special taxes and fees that must be spent for special purposes, such as vehicle registrations added to the non-federal Highway Fund to be spent on improving Kansas highways. Proceeds from the national settlement with tobacco companies are deposited in the Children's Initiatives Fund, which is used to finance programs related to children's issues. Wildlife and Parks fees are used to finance upkeep of Kansas' great landscape and creatures.

Kansas Budget: Revenues

How Does the State Make Its Money?



Budgeting Basics

Just like the fuel that runs your car, governments need money to operate and provide services. This money may be obtained through taxes, fees, grants and other ways. The money is collected during everyday spending and on some special occasions such as Tax Day in April.

Money received is added into state funds, from which agencies and programs may spend. State funds fall into two different *classes*: *state general fund* (SGF) — the operating budget of Kansas — and *special revenue funds* for specific spending purposes. Federal grants received by the state also are added to the mix. The full listing of state funds is referred to as *all funds*.

Glossary

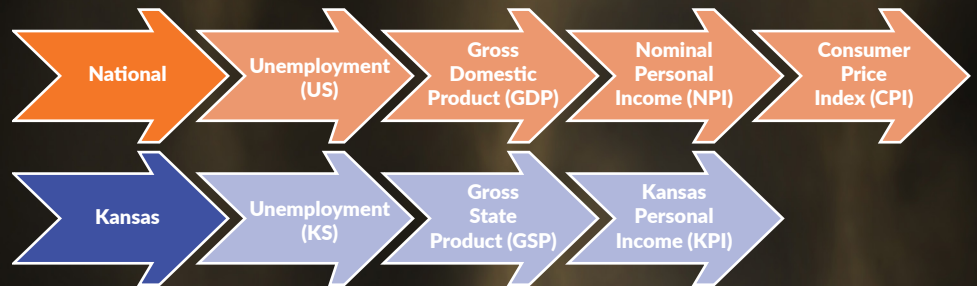
All Funds:
Sum of all money held by the state for spending.



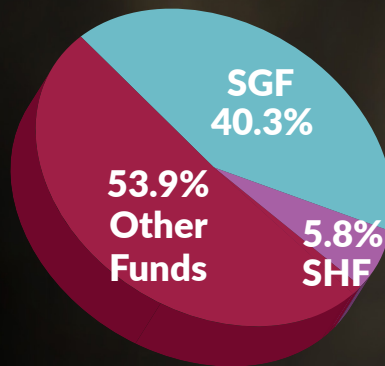
Policy Spotlights

The Consensus Revenue Estimation Process

"Consensus revenue estimates" are a tool to forecast SGF revenue. Each year, the Consensus Revenue Estimating Group forecasts revenues. The group meets in the fall and spring to create an initial estimate and then revise that estimate, respectively. Estimation is a difficult process that uses state and national information on forces that influence the economy that may impact state revenues, including the following:



Financing the All Funds Budget

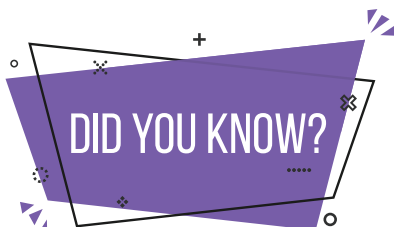


All Funds are the sum total of all state funds for Kansas. The SGF makes up the largest state fund (*about 40 percent*), followed by the State Highway Fund (SHF) (*about 6 percent*). The remaining half are many special revenue funds. Examples of these funds are the Children's Initiatives Fund which uses national tobacco settlement money to support children's programs and the Expanded Lottery Act Revenues Fund which uses gaming revenue and fees to increase the number of engineering graduates from state universities, reduce state debt and support other beneficial services.

Constitution and Law



Kansas Constitution Article 11 enables the state to levy (impose) taxes and acquire debt to finance expenditures. Income taxes (Section 2) may be "*graduated and progressive*" (i.e., tax rate increases as income amount increases).



- The Consensus Revenue Estimating Group includes representatives of the Division of the Budget, Department of Revenue, Kansas Legislative Research Department (KLRD) and university economists.
- The Kansas Department of Administration hosts KanView, an online resource with data on government financial activity, including state revenues: kanview.ks.gov.



KANSAS HEALTH INSTITUTE
Informing Policy. Improving Health.



KANSAS HEALTH
FOUNDATION

KANSAS BUDGET 101

Part III: Expenditures

Once the state funds have received revenues from their many sources, the state must determine how to spend this money. Each year, the Governor and Legislature work through a series of discussions about how and when state money may be spent in the upcoming years. Money spent for specific purposes falls within buckets called state functions such as Education and Human Services.

This infographic details how the state spends its money.

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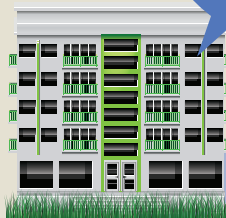
Available at khi.org and kansashealth.org

FY2020 Budget
\$18.4B

How does
the state spend
its money?

The \$18.4B can
be parceled out
by category

OR by function.



\$1.2B
FOR CAPITAL
IMPROVEMENTS
6.4%



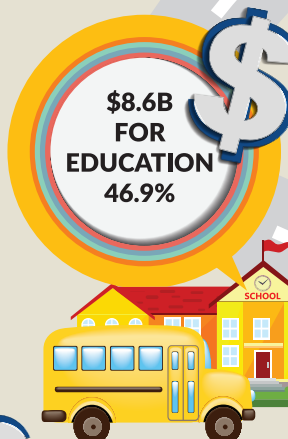
\$17.2B
FOR
OPERATING
FUNDS
93.6%



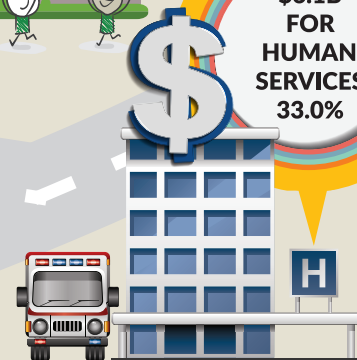
State Assistance: \$11.9B (64.6% of Category)
Aid to Local Units: \$6.1B (33.0% of Category)
Other: \$5.8B (31.6% of Category)

State Operations: \$5.3B (29.0% of Category)
Salaries and Wages: \$3.1B (16.6% of Category)
Other: \$2.3B (12.4% of Category)

\$8.6B
FOR
EDUCATION
46.9%



\$6.1B
FOR
HUMAN
SERVICES
33.0%



\$1.5B
FOR
TRANSPORTATION
7.9%



\$1.3B
FOR
GENERAL
GOVERNMENT
7.0%

\$0.7B
FOR
PUBLIC
SAFETY
3.9%



\$0.2B
FOR
AGRICULTURE
AND NATURAL
RESOURCES
1.2%



Up next **Part IV: Education Spending**

Kansas Budget: Expenditures

How Does the State Spend Its Money?



Budgeting Basics

All money spent by the state must first be appropriated by the Kansas Legislature from the All Funds budget which is the sum of the *State General Fund (SGF)* — and *special revenue funds*. Federal funds received by the state are also added to the mix. Legislative appropriations are a series of discussions on how and when funds may be spent in the upcoming years.

The appropriations process budgets money from state funds so they may be spent by government agencies. Spending typically falls within one of six buckets called state functions: *General Government*, *Human Services*, *Education*, *Public Safety*, *Agriculture and Natural Resources* and *Transportation*. Kansas agencies are grouped underneath these six functions.

Spending also is categorized by major purpose, or class: *State Operations*, *Aid to Local Units*, *Other Assistance*, and *Capital Improvements*. These classes outline objectives for spending state funds.

Policy Spotlights

Legislative Appropriations of State Funds

The State General Fund (SGF) is the most heavily debated state fund as the largest “uncommitted” source from which money may be spent for any purpose. Special Revenue Funds and federal receipts may only be used for specific purposes (e.g., State Highway Fund used to improve state highways). The graph below displays FY 2020 spending as a share of all state funds and as a share of SGF.

All Funds vs State General Fund (By State Function)

	All Funds		SGF-Only	
	Total	Share	Total	Share
General Government	\$1,280,021,039	7.0%	\$344,114,651	4.4%
Human Services	\$6,080,537,867	33.0%	\$2,036,129,765	26.3%
Education	\$8,633,006,474	46.9%	\$4,877,187,012	62.9%
Public Safety	\$723,438,388	3.9%	\$465,808,355	6.0%
Agri. & Natural Resources	\$226,208,418	1.2%	\$16,489,885	0.2%
Transportation	\$1,457,891,344	7.9%	\$-	0.0%
Other Spending	\$9,854,647	0.1%	\$9,837,209	0.1%
Totals	\$18,410,958,177	100%	\$7,749,566,877	100%



Glossary

Appropriation: Government spending authorized by the Kansas Legislature.

Class (spending): Major purpose of expenditure.

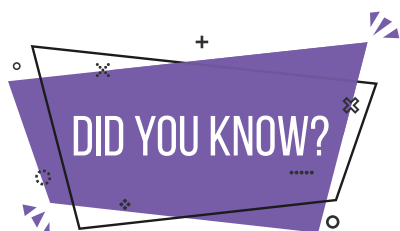
State Function: Categories of government spending.

Constitution and Law

Kansas Constitution Article 2, Section 24 ensures that no state funds may be spent except by specific appropriation made by law through the Kansas Legislature.



K.S.A. 75-6701 to 6704 is referred to as the “spending lid.” In Kansas, the budget must balance and a reserve policy requires at least 7.5 percent of total expenditures to remain in the SGF (*ending balance*). Legislators approved waiving the requirement for FY 2020, as in previous legislative sessions. The budgeted ending balance is 7.1%.



- The “spending lid” allows the governor to make reductions in SGF spending and transfers by percentage in order to retain an ending SGF balance of \$100 million.
- The Secretary of the Department of Administration may limit expenditures from any fund in the event a fund has too little money using the “allotment authority” (K.S.A. 75-3722).

KANSAS BUDGET 101

Part IV: Education Spending

The Kansas Constitution requires the Legislature to "suitably provide" financing for education. Kansas spends almost half of the state budget on education. This money supports local education across all 286 school districts – the majority of spending – as well as higher education in public universities, community and technical colleges and other adult education. This money provides for K-12 classroom spending, student scholarships, state library and historical services and other education functions.

This infographic details how education is budgeted.

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Education \$8.6B

46.9% of FY 2020

All Funds Budget (\$18.4B)

How is
education
budgeted?



**DEPARTMENT
OF
EDUCATION
\$5.6B**

Kansas spends approximately \$133M annually on K-12 regular-route transportation (approximately \$610 per pupil).

Nearly all Department of Education appropriations are provided to Kansas' 286 local school districts.

**REGENTS
\$3.0B**



Most (91%) money appropriated to Regents is provided to universities. Regents also funds technical and community colleges.

\$1.2B	University of Kansas 43.2%
\$827M	Kansas State University 30.0%
\$371M	Wichita State University 13.5%
\$141M	Fort Hays State University 5.1%
\$111M	Pittsburg State University 4.0%
\$100M	Emporia State University 3.6%
\$12M	Washburn University 0.4%



**State
Foundation
Aid (SFA)
\$3.1B**

**KPERS
\$625M**

**Special
Education
Aid
\$600M**

**Supplemental
General State
Aid (LOB)
\$503M**

**Capital
Aid
\$283M**

**School Food
Assistance
\$201M**

**Elementary
and Secondary
Education
Program
\$109M**

**Other
Local Aid
\$103M**

**Other
KSDE
Expenditures
\$54M**

**KSSDB
\$20M**

Of the money appropriated for school finance, more than \$4 billion came from the State General Fund. Base State Aid for Student Excellence (BASE) will increase from \$4,165 per pupil in FY 2019 to \$4,436 per pupil in FY 2020, with a gradual increase to \$4,846 per pupil in FY 2023.

**STATE
LIBRARY
\$5.8M**



**HISTORICAL
SOCIETY
\$7.5M**

Up next **Part V: Health and Human Services Spending**

Kansas Budget: Education

How is Education Budgeted?



Budgeting Basics

The Education state function receives the highest share of all state appropriations — almost half of all state money — and more than half of State General Fund (SGF) dollars. Primary agencies within Education include the Kansas State Department of Education (KSDE), the Board of Regents, the State Library of Kansas and the Kansas Historical Society.

KSDE receives the largest share of the Education appropriation (*almost two-thirds*) and spends it on K-12 education within 286 school districts. A complicated K-12 finance formula splits this money across Kansas according to factors such as district enrollment, special education and disability and other local factors. The money supports the education of public school students and include costs both within the classroom and for general school operations.

The Board of Regents receives the majority of the remaining third of the Education appropriation and spends it on public universities, community colleges and for other postsecondary education. This money is important to improve access to higher education opportunities in Kansas.

Policy Spotlights

Public School Financing

Financing Kansas' primary and secondary education systems is one of the state's most important obligations. The issues below are at the forefront of financing.

General State Aid and Supplemental Aid

State Foundation Aid, also known as General State Aid or “base” aid, is the funding available to each school district according to the K-12 finance formula. Approximately \$3.1B (55.4 percent) of K-12 money is budgeted for base aid. Supplemental General State Aid, also known as Local Option Budget (LOBs) aid, provides supplemental money according to need. Approximately \$503M (9 percent) of K-12 funds are budgeted for supplemental aid.

K-12 Operations

Approximately 61 percent of all school operating expenses go to instruction while 20 percent are provided for support services, 10 percent to operations and maintenance, 5 percent to food services and 4 percent to transportation.

Glossary

Local Option Budget (LOB): Supplemental local tax dollars and state “equalization” aid for school districts.

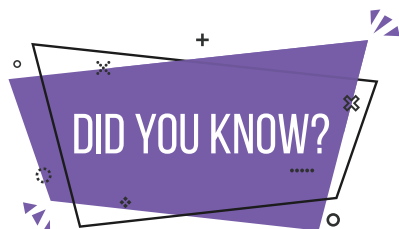
Constitution and Law

Kansas Constitution Article 6, Section 6 makes the Kansas Legislature responsible for financing both K-12 and higher education across Kansas.

K.S.A. 72-5131 et seq is referred to as the “Kansas School Equity and

Enhancement Act” which requires the Kansas Legislature to prioritize K-12 education, provide finances to school districts across the state, and establish a financing system and requirements for spending state money.

K.S.A. 72-5143 et seq. and 72-5194 set forth rules for financing local option budgets with local and state aid.



- For the first time in over a decade, Kansas has a K-12 finance formula that the Kansas Supreme Court has determined is constitutional in both adequacy and equity for school districts across the state.
- Though originally “optional” for school districts, local option budgets are now critical means of financing local education and have been at the center of school finance debates.

KANSAS BUDGET 101

Part V: Health and Human Services Spending

The State of Kansas has a large role in protecting health and providing assistance for all Kansans. To accomplish this, Kansas spends just over one-third of all state dollars on health and human services. This money supports a variety of services from providing financial assistance to Kansans in need, to strengthening public health across the state, to protecting children and families. State agencies work together to protect and promote the public's health.

This infographic details how health and human services are budgeted.

The Kansas Health Foundation engaged the Kansas Health Institute to produce a primer on the Kansas budget. A series of five infographics were created to tell the story:

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Available at khi.org and kansashealth.org

How are human services budgeted?

Health and Human Services \$6.1B

33.0% of FY 2020

All Funds Budget (\$18.4B)



**\$734M
KANSAS
DEPT. FOR
CHILDREN &
FAMILIES**

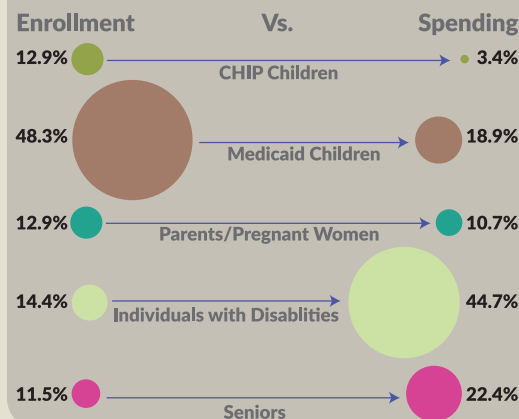


**\$1.3M
KANSAS
GUARDIANSHIP
PROGRAM**

**\$24.7M
COMMISSION
ON VETERANS
AFFAIRS**

**\$209M
KANSAS
DEPARTMENT
OF LABOR**

Medicaid and CHIP

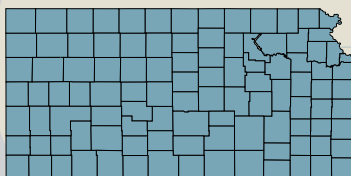


The majority of Medicaid and CHIP spending goes to seniors and individuals with disabilities.

Managed Care Organizations



KanCare



KanCare, the state Medicaid program, provides health coverage to eligible low-income adults, children, pregnant women, elderly adults and people with disabilities; this includes the Children's Health Insurance Program (CHIP) which provides low-cost health insurance coverage to children. After public education, KanCare is the state's biggest expenditure. The \$3.7 billion program is financed through KDADS and KDHE and services are coordinated by 3 managed care organizations.

**\$2.2B
KANSAS DEPT.
FOR AGING
& DISABILITY
SERVICES**

**\$2.9B
KANSAS
DEPT. OF
HEALTH &
ENVIRONMENT**



DCF provides services to protect children as well as promotes programs to ensure healthy Kansas families such as:

- Temporary Assistance for Needy Families helps low-income families with dependent children pay for ongoing basic needs.
- The Supplemental Nutrition Assistance Program benefits low-income families, elderly persons and those with disabilities by providing money to buy food.

KDADS provides financial assistance to older adults and people with disabilities across many programs, including: Older Americans Act programs, behavioral health programs, home- and community-based services for people with disabilities, and other important services. \$170 million of the KDADS budget is for state hospitals for mental health and intellectual disabilities.

State Hospitals

Kansas Neurological Institute: \$26.6M
Larned State Hospital: \$71.6M
Osawatomie State Hospital: \$43.0M
Parsons State Hospital & Training Center: \$28.9M



KDHE also provides services to protect the public's health and the environment, including:

- Aid for local health departments
- Statewide immunization programs
- The Women, Infants & Children (WIC) program
- Programs to ensure sanitary conditions in public facilities
- The State Employee Health Plan

Kansas Budget: Health and Human Services

How are Health and Human Services Budgeted?



Budgeting Basics

The Human Services state function receives just over one-third of all state money and more than a quarter of State General Fund (SGF) dollars. Primary agencies include the Kansas Department for Aging and Disability Services (KDADS), the Department for Children and Families (DCF) and the Kansas Department of Health & Environment (KDHE).

KDHE receives the largest share of the Human Services appropriation (just under half) and spends it on many public health and healthcare assistance services for Kansans.

KDADS receives more than a third of the appropriation and provides assistance to older adults and Kansans with disabilities or behavioral health conditions.

DCF receives just more than 10 percent of the appropriation and supports child welfare services as well as programs to ensure healthy Kansas families.

Policy Spotlights

The State of Kansas has a large role in protecting health of and providing assistance for Kansans. The issues below are at the forefront of human services discussions.

Medicaid

Kansas' Medicaid program, KanCare, provides health coverage to eligible low-income parents, children, pregnant women, older adults and people with disabilities. Kansas is one of only a few states with a "privatized" Medicaid program in which three "managed care organizations" (MCOs) coordinate the delivery of the KanCare program on behalf of the state.

Behavioral Health

Over the past 30 years, Kansas expenditures for mental health have shifted from spending within state hospitals to supporting community-based services. Challenges persist for community-based services as provider workforce and funding shortfalls affect the system's ability to meet growing needs.

Child Welfare

Similar to Medicaid, Kansas is one of only a few states to privatize the majority of its child welfare services. As of October 2019, there are 8 service regions called "catchment areas" across Kansas with each served by one of four providers. Child welfare system reform efforts are under way to provide more financial aid and staff. There also is a review of the Code for Care of Children to address current issues and help keep families together.

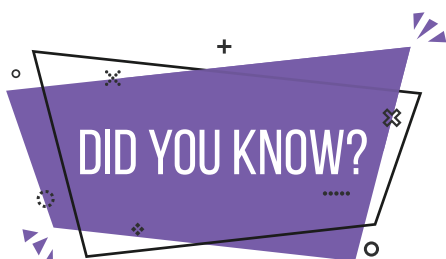
Constitution and Law

Kansas Constitution Article 7, Section 4 requires counties to provide assistance to needy individuals; counties may request the state participate in providing financial aid.

K.S.A. 39-1601 et seq is referred to as the "Mental Health Reform Act" which transitions care from institutional (hospital) services to community-based care.

K.S.A. 38-2201 et seq. is referred to as the "Revised Kansas Code for Care of Children" which provides for child welfare services, coordination of foster care and family reunification.

K.S.A. 75-7405 et seq. designates KDHE as having authority over the state Medicaid program (KanCare), the MediKan program, CHIP and other state health programs.



- Some individuals in Kansas have "dual eligibility" for KanCare (Medicaid) and Medicare when eligible for both programs according to income, disability status or other factors. For these individuals, Medicare is the primary payer and Medicaid covers what remains, including for long-term care.
- Proceeds from the national settlement with tobacco companies are deposited in the Kansas Endowment for Youth (KEY) Fund, then transferred to the Children's Initiatives Fund (CIF) which is used to finance early childhood and special needs education programs as well as newborn and toddler health programs and smoking prevention services.