

DEPARTMENT OF CREDIT UNIONS

| | Actual FY 2020 | Agency Est. FY 2021 | Gov. Rec. FY 2021 | Agency Req. FY 2022 | Gov. Rec. FY 2022 | Agency Req. FY 2023 | Gov. Rec. FY 2023 |
|--------------------------------|-------------------|------------------------|----------------------|------------------------|----------------------|------------------------|----------------------|
| Operating Expenditures: | | | | | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 959,787 | 1,265,581 | 1,265,581 | 1,321,060 | 1,274,367 | 1,321,060 | 1,274,454 |
| <i>Subtotal</i> | <i>\$ 959,787</i> | <i>\$ 1,265,581</i> | <i>\$ 1,265,581</i> | <i>\$ 1,321,060</i> | <i>\$ 1,274,367</i> | <i>\$ 1,321,060</i> | <i>\$ 1,274,454</i> |
| Capital Improvements: | | | | | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| Other Funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Subtotal</i> | <i>\$ 0</i> | <i>\$ 0</i> | <i>\$ 0</i> | <i>\$ 0</i> | <i>\$ 0</i> | <i>\$ 0</i> | <i>\$ 0</i> |
| TOTAL | \$ 959,787 | \$ 1,265,581 | \$ 1,265,581 | \$ 1,321,060 | \$ 1,274,367 | \$ 1,321,060 | \$ 1,274,454 |

Percentage Change:

| | | | | | | | |
|------------------------|-------|------|------|------|------|------|------|
| Operating Expenditures | | | | | | | |
| State General Fund | -- % | -- % | -- % | -- % | -- % | -- % | -- % |
| All Funds | (2.4) | 31.9 | 31.9 | 4.4 | 0.7 | 0.0 | 0.0 |
| FTE Positions | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 |

For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.

AGENCY OVERVIEW

The mission of the Kansas Department of Credit Unions is to protect Kansas citizens from undue risk by ensuring safe and sound operation of state-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 59 natural-person member-owned credit unions that are state-chartered 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 federal-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.

MAJOR ISSUES FROM PRIOR YEARS

The **2011 Legislature** approved a reduction of the Department's overhead transfer to the State General Fund (SGF). Beginning with FY 2012, the transfer was reduced from \$200,000 to \$100,000. The reduction in the overhead transfer allowed the Department to rebuild the carryover fund back to an amount consistent with the National Association of State Credit Union Supervisors accreditation standards, which recommends the Department maintain a reserve of one quarter's budget year expenses in its carryover fund.

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.

The **2012 Legislature** approved an increase of \$91,910, all from the Credit Union Fee Fund, to restore funding deleted for savings from the Voluntary Retirement Incentive Program for FY 2013.

The **2013 Legislature** approved an increase of \$36,819, all from the Credit Union Fee Fund, to move employees into unclassified service and increase salaries to address high turnover of credit union examiners for FY 2014 and FY 2015.

The Legislature also approved a decrease of \$11,405, all from the Credit Union Fee Fund, for reduced funding for salaries and wages for FY 2015.

The **2019 Legislature** added \$14,268, all from the Credit Union Fee Fund, for a 2.5 percent salary adjustment for most state employees in FY 2020.

BUDGET SUMMARY AND KEY POINTS

FY 2021 Agency Estimate

The **agency** requests a revised estimate of \$1.3 million, all from special revenue funds, in FY 2021. This is a decrease of \$18,621, or 1.5 percent, below the FY 2021 approved amount. The decrease is primarily due to decreased travel-related expenditures resulting from the agency shifting to virtual operations. Due to the COVID-19 pandemic, the agency budgeted for a slight decrease in travel-related contractual services. The decrease is partially offset by an increase in

salaries and wages expenditures. The agency originally planned to fill vacancies in FY 2020, however it indicated difficulty in finding qualified candidates. Therefore, the agency budgeted to fill those vacancies in FY 2021, which also resulted in increased employer contributions to group health insurance. The revised estimate also includes 12.0 FTE positions, which is the same as the FY 2021 approved number.

FY 2021 Governor Recommendation

The **Governor** concurs with the agency's revised estimate in FY 2021.

FY 2022 Agency Request

The **agency** requests \$1.3 million, all from special revenue funds, for FY 2022. This is an increase of \$55,479, or 4.4 percent, above the FY 2021 revised estimate. The increase is due to the agency budgeting for a 4.5 to 5.0 percent staff salary increase for FY 2022. The agency indicated that the salary increase is a part of its effort to retain experienced staff by recognizing and rewarding performance. Other than an increase in salaries and wages, the agency anticipates spending at the

same amount across all other categories of expenditures. A majority of the agency's operations were already conducted in a virtual setting prior to the COVID-19 pandemic. Therefore, the agency does not anticipate a major increase in travel expenditures, as most of its work continues in the same form. The request also includes 12.0 FTE positions, which is the same as the FY 2021 revised estimate.

FY 2022 Governor Recommendation

The **Governor** recommends expenditures of \$1.3 million, all from special revenue funds, for FY 2022. This is an all funds decrease of \$46,693, or 3.5 percent, below the agency's request. The decrease is due to the Governor's

recommendation not including the agency's staff salary increase for FY 2022. However, the agency is included in the Governor's pay plan for executive branch employees.

FY 2023 Agency Request

The **agency** requests \$1.3 million, all from special revenue funds, for FY 2023. This is the same as the FY 2022 requested amount. While the overall budget remains the same, the agency projects contributions to group health insurance to increase.

This increase is offset by decreased travel-related contractual services expenditures. The request also includes 12.0 FTE positions, which is the same as the FY 2022 request.

FY 2023 Governor Recommendation

The **Governor** recommends expenditures of \$1.3 million, all from special revenue funds, for FY 2023. This is an all funds decrease of \$46,606, or 3.5 percent, below the agency's request. The decrease is due to the Governor's

recommendation not including the agency's staff salary increase for FY 2023. However, the agency is included in the Governor's pay plan for executive branch employees.

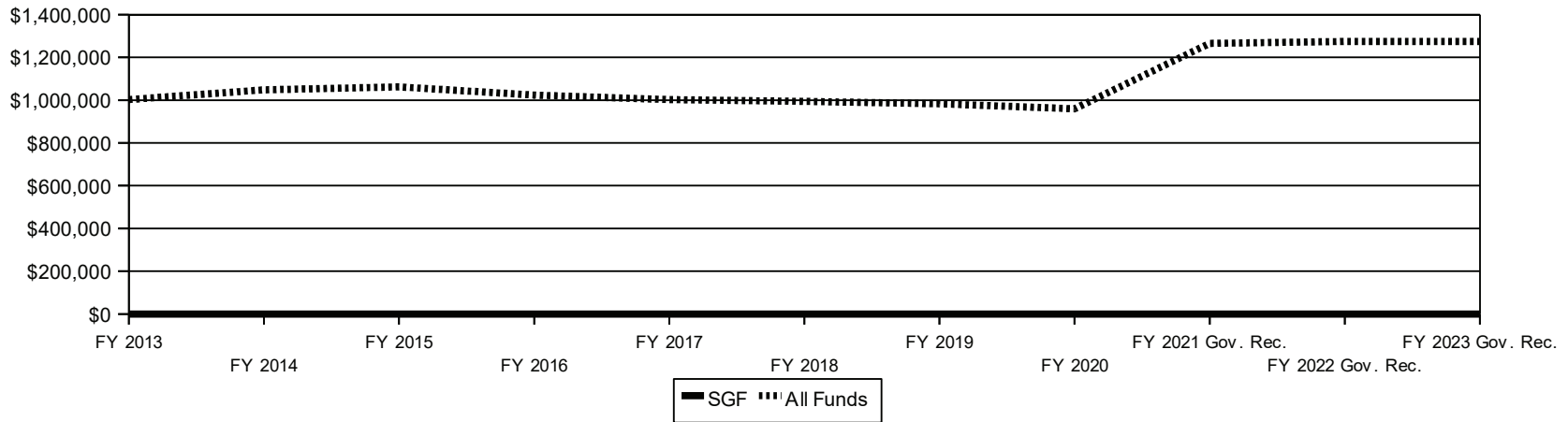
PERFORMANCE MEASURES

The 2016 Legislature passed HB 2739, which outlined a three-year process for state agencies to develop and implement a system of performance budgeting using outcome measures to evaluate program effectiveness. Measures to evaluate agency-wide performance are presented below. Additional measures to evaluate specific programs appear in the relevant program sections.

| PERFORMANCE MEASURES | | | | | | |
|---|-------------------|-------------------|----------------------|-------------------|----------------------|----------------------|
| Measure | Actual FY 2018 | Actual FY 2019 | Gov. Rec. FY 2020 | Actual FY 2020 | Gov. Rec. FY 2021 | Gov. Rec. FY 2022 |
| Percent of Credit Unions Receiving Regular Examinations within the Statutory 18-month Timeframe | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Number of Examinations Administered | 60 | 60 | 50 | 50 | 50 | 50 |
| Number of State-chartered Credit Unions | 64 | 59 | 59 | 56 | 56 | 54 |
| <u>Agency Expenditures</u> | | | | | | |
| All Funds (Dollars in Millions) | \$ 1.0 | \$ 1.0 | \$ 1.3 | \$ 1.0 | \$ 1.3 | \$ 1.3 |
| FTE Positions | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 |

BUDGET TRENDS

OPERATING EXPENDITURES FY 2013 – FY 2023



| Fiscal Year | SGF | Percent Change | All Funds | Percent Change | FTE |
|--------------------|------|----------------|--------------|----------------|------|
| 2013 | \$ 0 | -- % | \$ 1,003,054 | 4.6 % | 12.0 |
| 2014 | 0 | -- | 1,048,209 | 4.5 | 12.0 |
| 2015 | 0 | -- | 1,062,122 | 1.3 | 12.0 |
| 2016 | 0 | -- | 1,023,683 | (3.6) | 12.0 |
| 2017 | 0 | -- | 1,002,536 | (2.1) | 12.0 |
| 2018 | 0 | -- | 994,295 | (0.8) | 12.0 |
| 2019 | 0 | -- | 983,217 | (1.1) | 12.0 |
| 2020 | 0 | -- | 959,787 | (2.4) | 12.0 |
| 2021 Gov. Rec. | 0 | -- | 1,265,581 | 31.9 | 12.0 |
| 2022 Gov. Rec. | 0 | -- | 1,274,367 | 0.7 | 12.0 |
| 2023 Gov. Rec. | 0 | -- | 1,274,454 | 0.0 | 12.0 |
| Eleven-Year Change | \$ 0 | -- % | \$ 271,400 | 27.1 % | 0.0 |

Summary of Operating Budget FY 2020 – FY 2022

| | Actual 2020 | Agency Estimate | | | | Governor's Recommendation | | | |
|--|-------------------|---------------------|---------------------|--------------------------------|---------------------------------|---------------------------|---------------------|--------------------------------|---------------------------------|
| | | Estimate FY 2021 | Request FY 2022 | Dollar Change from FY 21 | Percent Change from FY 21 | Rec. FY 2021 | Rec. FY 2022 | Dollar Change from FY 21 | Percent Change from FY 21 |
| By Program: | | | | | | | | | |
| Administration | \$ 959,787 | \$ 1,265,581 | \$ 1,321,060 | \$ 55,479 | 4.4 % | \$ 1,265,581 | \$ 1,274,367 | \$ 8,786 | 0.7 % |
| By Major Object of Expenditure: | | | | | | | | | |
| Salaries and Wages | \$ 760,950 | \$ 1,002,546 | \$ 1,058,025 | \$ 55,479 | 5.5 % | \$ 1,002,546 | \$ 1,011,332 | \$ 8,786 | 0.9 % |
| Contractual Services | 173,356 | 223,702 | 223,702 | 0 | 0.0 | 223,702 | 223,702 | 0 | 0.0 |
| Commodities | 7,648 | 18,108 | 18,108 | 0 | 0.0 | 18,108 | 18,108 | 0 | 0.0 |
| Capital Outlay | 17,833 | 21,225 | 21,225 | 0 | 0.0 | 21,225 | 21,225 | 0 | 0.0 |
| Debt Service | 0 | 0 | 0 | 0 | -- | 0 | 0 | 0 | -- |
| <i>Subtotal - Operations</i> | \$ 959,787 | \$ 1,265,581 | \$ 1,321,060 | \$ 55,479 | 4.4 % | \$ 1,265,581 | \$ 1,274,367 | \$ 8,786 | 0.7 % |
| Aid to Local Units | 0 | 0 | 0 | 0 | -- | 0 | 0 | 0 | -- |
| Other Assistance | 0 | 0 | 0 | 0 | -- | 0 | 0 | 0 | -- |
| TOTAL | \$ 959,787 | \$ 1,265,581 | \$ 1,321,060 | \$ 55,479 | 4.4 % | \$ 1,265,581 | \$ 1,274,367 | \$ 8,786 | 0.7 % |
| Financing: | | | | | | | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | -- % | \$ 0 | \$ 0 | \$ 0 | -- % |
| Credit Union Fee Fund | 959,787 | 1,265,581 | 1,321,060 | 55,479 | 4.4 | 1,265,581 | 1,274,367 | 8,786 | 0.7 |
| TOTAL | \$ 959,787 | \$ 1,265,581 | \$ 1,321,060 | \$ 55,479 | 4.4 % | \$ 1,265,581 | \$ 1,274,367 | \$ 8,786 | 0.7 % |

Summary of Operating Budget FY 2022 – FY 2023

| | Agency Estimate | | | | Governor's Recommendation | | | |
|--|---------------------|---------------------|--------------------------------|---------------------------------|---------------------------|---------------------|--------------------------------|---------------------------------|
| | Request FY 2022 | Request FY 2023 | Dollar Change from FY 22 | Percent Change from FY 22 | Rec. FY 2022 | Rec. FY 2023 | Dollar Change from FY 22 | Percent Change from FY 22 |
| By Program: | | | | | | | | |
| Administration | \$ 1,321,060 | \$ 1,321,060 | \$ 0 | 0.0 % | \$ 1,274,367 | \$ 1,274,454 | \$ 87 | 0.0 % |
| By Major Object of Expenditure: | | | | | | | | |
| Salaries and Wages | \$ 1,058,025 | \$ 1,067,884 | \$ 9,859 | 0.9 % | \$ 1,011,332 | \$ 1,021,278 | \$ 9,946 | 1.0 % |
| Contractual Services | 223,702 | 213,843 | (9,859) | (4.4) | 223,702 | 213,843 | (9,859) | (4.4) |
| Commodities | 18,108 | 18,108 | 0 | 0.0 | 18,108 | 18,108 | 0 | 0.0 |
| Capital Outlay | 21,225 | 21,225 | 0 | 0.0 | 21,225 | 21,225 | 0 | 0.0 |
| Debt Service | 0 | 0 | 0 | -- | 0 | 0 | 0 | -- |
| <i>Subtotal - Operations</i> | <i>\$ 1,321,060</i> | <i>\$ 1,321,060</i> | <i>\$ 0</i> | <i>0.0 %</i> | <i>\$ 1,274,367</i> | <i>\$ 1,274,454</i> | <i>\$ 87</i> | <i>0.0 %</i> |
| Aid to Local Units | 0 | 0 | 0 | -- | 0 | 0 | 0 | -- |
| Other Assistance | 0 | 0 | 0 | -- | 0 | 0 | 0 | -- |
| TOTAL | \$ 1,321,060 | \$ 1,321,060 | \$ 0 | 0.0 % | \$ 1,274,367 | \$ 1,274,454 | \$ 87 | 0.0 % |
| Financing: | | | | | | | | |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | -- % | \$ 0 | \$ 0 | \$ 0 | -- % |
| Credit Union Fee Fund | 1,321,060 | 1,321,060 | 0 | 0.0 | 1,274,367 | 1,274,454 | 87 | 0.0 |
| TOTAL | \$ 1,321,060 | \$ 1,321,060 | \$ 0 | 0.0 % | \$ 1,274,367 | \$ 1,274,454 | \$ 87 | 0.0 % |

BUDGET OVERVIEW

A. FY 2021 – Current Year

Adjustments to Approved State General Fund Budget

The agency’s revised estimate does not include any State General Fund (SGF) expenditures.

| | CHANGE FROM APPROVED BUDGET | | | | |
|--------------------|------------------------------------|-------------------------------|-----------------------------------|-----------------------------|-------------------------------------|
| | Legislative Approved FY 2021 | Agency Estimate FY 2021 | Agency Change from Approved | Governor Rec. FY 2021 | Governor Change from Approved |
| State General Fund | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| All Other Funds | 1,284,202 | 1,265,581 | (18,621) | 1,265,581 | (18,621) |
| TOTAL | \$ 1,284,202 | \$ 1,265,581 | \$ (18,621) | \$ 1,265,581 | \$ (18,621) |
| FTE Positions | 12.0 | 12.0 | 0.0 | 12.0 | 0.0 |

The **agency** requests a revised estimate of \$1.3 million, all from special revenue funds, in FY 2021. This is a decrease of \$18,621, or 1.5 percent, below the FY 2021 approved amount. The decrease is primarily due to decreased travel-related expenditures resulting from the agency shifting to virtual operations. The decrease is offset by an increase in salaries and wages expenditures resulting from the agency filling vacant positions in FY 2021. The revised estimate also includes 12.0 FTE positions, which is the same as the FY 2021 approved number. The revised estimate is detailed below by major category of expenditure:

- **Salaries and Wages.** The agency requests a revised estimate of \$1.0 million, all from special revenue funds, for salary and wage expenditures in FY 2021. This is an increase of \$12,717, or 1.3 percent, above the FY 2021 approved amount. The increase is primarily attributable to the agency anticipating all positions being filled in FY 2021. The agency had several vacancies in FY 2020, which it indicates was due to the lack of qualified candidates. It anticipates filling those vacancies, which would result in increased employer contributions to group health insurance;

- **Contractual Services.** The agency requests a revised estimate of \$223,702, all from special revenue funds, for contractual services expenditures in FY 2021. This is a decrease of \$17,048, or 7.1 percent, below the FY 2021 approved amount. The decrease is attributed to the agency shifting operations from in-person to virtual activities. These activities include credit union examinations, staff training, and education opportunities. While the agency is budgeting for a slight decrease in these categories, it states further decreases may occur depending on the level of travel the agency experiences during the current pandemic;
- **Commodities.** The agency requests a revised estimate of \$18,108, all from special revenue funds, for commodities expenditures in FY 2021. This is a decrease of \$6,692, or 27.0 percent, below the FY 2021 approved amount.

The decrease is primarily attributed to decreased travel-related expenditures, such as gasoline, as the agency shifts to virtual operations; and

- **Capital Outlay.** The agency requests a revised estimate of \$21,225, all from special revenue funds, for capital outlay expenditures in FY 2021. This is a decrease of \$7,598, or 26.4 percent, below the FY 2021 approved amount. The decrease is due to several factors, including a decreased estimate on replacing an older agency vehicle and decreased spending on office furniture and software. According to the agency, it reevaluated its needs and does not anticipate any further spending for office furniture and realized one of its software contracts had an additional year left.

The **Governor** concurs with the agency's revised estimate in FY 2021.

B. FY 2022 – Budget Year

| FY 2022 OPERATING BUDGET SUMMARY | | | |
|---|-------------------|------------------------------|-------------|
| | Agency Request | Governor's Recommendation | Difference |
| Total Request/Recommendation | \$ 1,321,060 | \$ 1,274,367 | \$ (46,693) |
| FTE Positions | 12.0 | 12.0 | 0.0 |
| Change from FY 2021: | | | |
| <i>Dollar Change:</i> | | | |
| State General Fund | \$ 0 | \$ 0 | |
| All Other Funds | 55,479 | 8,786 | |
| TOTAL | \$ 55,479 | \$ 8,786 | |
| <i>Percent Change:</i> | | | |
| State General Fund | -- % | -- % | |
| All Other Funds | 4.4 | 0.7 | |
| TOTAL | 4.4 % | 0.7 % | |
| Change in FTE Positions | 0.0 | 0.0 | |

The **agency** requests \$1.3 million, all from special revenue funds, for FY 2022. This is an increase of \$55,479, or 4.4 percent, above the FY 2021 revised estimate. The increase is due to the agency budgeting for staff salary increases. The request also includes 12.0 FTE positions, which is the same as the FY 2021 revised estimate. The request is detailed below by major category of expenditure:

- **Salaries and Wages.** The agency requests \$1.1 million, all from special revenue funds, for salary and wage expenditures for FY 2022. This is an increase of \$55,479, or 5.5 percent, above the FY 2021 revised estimate. The increase is attributed to the agency budgeting for a 4.5 to 5.0 percent salary increase for all positions. The agency indicates that the increase in salaries is

attributed to its efforts to retain staff by recognizing and rewarding performance. According to the agency, it has experienced competition with the private sector and federal counterparts;

- **Contractual Services.** The agency requests \$223,702, all from special revenue funds, for contractual services expenditures for FY 2022. This is the same as the FY 2021 revised estimate;
- **Commodities.** The agency requests \$18,108, all from special revenue funds, for commodities

expenditures for FY 2022. This is the same as the FY 2021 revised estimate; and

- **Capital Outlay.** The agency requests \$21,225, all from special revenue funds, for capital outlay expenditures for FY 2022. This is the same as the FY 2021 revised estimate.

The **Governor** recommends expenditures of \$1.3 million, all from special revenue funds, for FY 2022. This is an all funds decrease of \$46,693, or 3.5 percent, below the agency's request. The decrease is due to the Governor's recommendation not including the agency's staff salary increase for FY 2022.

C. FY 2023 – Budget Year

| FY 2023 OPERATING BUDGET SUMMARY | | | |
|---|-------------------|------------------------------|-------------|
| | Agency Request | Governor's Recommendation | Difference |
| Total Request/Recommendation | \$ 1,321,060 | \$ 1,274,454 | \$ (46,606) |
| FTE Positions | 12.0 | 12.0 | 0.0 |
| Change from FY 2022: | | | |
| <i>Dollar Change:</i> | | | |
| State General Fund | \$ 0 | \$ 0 | |
| All Other Funds | 0 | 87 | |
| TOTAL | \$ 0 | \$ 87 | |
| <i>Percent Change:</i> | | | |
| State General Fund | -- % | -- % | |
| All Other Funds | 0.0 | 0.0 | |
| TOTAL | 0.0 % | 0.0 % | |
| Change in FTE Positions | 0.0 | 0.0 | |

The **agency** requests \$1.3 million, all from special revenue funds, for FY 2023. This is the same as the FY 2022 requested amount. While the overall budget remains the same, employer contributions to group health insurance are projected to increase. The increase is offset by decreased travel-related contractual services expenditures. The request also includes 12.0 FTE positions, which is the same as the FY 2022 request. The request is detailed below by major category of expenditures:

- **Salaries and Wages.** The agency requests \$1.1 million, all from special revenue funds, for salary and wage expenditures for FY 2023. This is an increase of \$9,859, or 0.9 percent, above the FY 2022 request. The increase is attributed to a projected increase in employer contributions to group health insurance;

- **Contractual Services.** The agency requests \$213,843, all from special revenue funds, for contractual services expenditures for FY 2023. This is a decrease of \$9,859, or 4.4 percent, below the FY 2022 request. The decrease is primarily attributed to the agency reducing travel-related expenditures due to the agency anticipating the work of examiners shifting towards virtual means;
- **Commodities.** The agency requests \$18,108, all from special revenue funds, for commodities

expenditures for FY 2023. This is the same as the FY 2022 request; and

- **Capital Outlay.** The agency requests \$21,225, all from special revenue funds, for capital outlay expenditures for FY 2023. This is the same as the FY 2022 request.

The **Governor** recommends expenditures of \$1.3 million, all from special revenue funds, for FY 2023. This is an all funds decrease of \$46,606, or 3.5 percent, below the agency's request. The decrease is due to the Governor's recommendation not including the agency's staff salary increase for FY 2023.

Governor's Recommended Salary and Wage Adjustments

For FY 2022, the Governor recommends adding \$31.5 million, including \$11.3 million SGF, for a 2.5 percent state employee base pay adjustment. The plan would increase salaries for classified and unclassified employees in the Executive Branch, Legislative Branch, and Judicial Branch. Legislative and elected officials would be excluded from this salary adjustment. The funds would be appropriated to and certified for distribution by the State Finance Council if approved. Employees of state universities are also not included in the proposed pay plan; however, the Governor recommends adding \$10.4 million, all SGF, to the university operating grants. This amount is equivalent to what the pay plan would have provided for university employees, but the funds are included in the Kansas Board of Regents budget for use at their discretion.

Longevity Bonus Payments. In FY 2021 and for FY 2022, 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 2021 payment is \$3.0 million, including \$1.1 million SGF. For FY 2022, the estimated cost is \$3.1 million, including \$1.1 million SGF. **This agency does not have any longevity payments for FY 2021 or FY 2022.**

Kansas Public Employees Retirement System (KPERs). The employer retirement contribution rate, including Death and Disability contributions, for the KPERs State and School Group is scheduled to be 14.23 percent in FY 2021 and 15.09 percent for FY 2022. The FY 2021 rate excludes the 1.0 percent KPERs Death and Disability

contribution that is currently subject to a moratorium described below.

The Governor recommends the KPERs State and School Group be reamortized. The current amortization period was set by the Legislature in 1993 for 40 years. The Governor proposes the new amortization be set for 25 years beginning in FY 2022, an extension of 10 years to the current plan. Reamortization would reduce employer contributions for the KPERs State and School Group in the short term. It is estimated that resetting the amortization period to 25 years could produce budget savings of \$177.3 million, including \$158.7 million SGF, for FY 2022. The Governor's recommendation would also incorporate \$25.8 million in KPERs layering payments into the amortization schedules. **No savings from this policy are currently included in this agency's budget.**

KPERs Death and Disability Group Insurance Fund. During FY 2021, a moratorium on employer contributions to the KPERs Death and Disability Group Insurance Fund was in effect. The fund had a sufficient balance to suspend payments on a temporary basis without affecting employee benefits. The moratorium was implemented *via* the Governor's allotment authority; therefore, the Legislative and Judicial branches are currently excluded from the moratorium. The total savings for the moratorium are estimated at \$46.7 million in contributions from the SGF. Included in this amount were savings of approximately \$40.3 million from KPERs School Group contributions in the Kansas State Department of Education budget. No similar moratorium is proposed for FY 2022, requiring the addition of \$46.7 million to annualize the payments for the full fiscal year.

Funding Sources

| Funding Source | Agency Req. Percent of Total FY 2022 | Gov. Rec. Percent of Total FY 2022 | Agency Req. Percent of Total FY 2023 | Gov. Rec. Percent of Total FY 2023 |
|-----------------------|--|--|--|--|
| State General Fund | 0.0 % | 0.0 % | 0.0 % | 0.0 % |
| Credit Union Fee Fund | 100.0 | 0.0 | 100.0 | 0.0 |
| TOTAL | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

(Note: Totals may not add due to rounding.)

Credit Union Fee Fund Analysis

The Department of Credit Unions receives revenue from fees based on the December 31 asset size of state-chartered credit unions. Prior to June 1 of each year, the Credit Union Administrator, after consultation with the Credit Union Council, establishes an examination fee that is determined to be sufficient to meet the budget requirements of the agency. The current fee is a flat fee of 0.02 percent of all assets of the credit union. For example, a credit union with total assets of \$1.0 million would be assessed a fee of \$200, while a credit union with total assets of \$100.0 million would be assessed a fee of \$20,000. The agency collects fees twice each fiscal year, primarily in July and January. KSA 75-3170a(a) provides that 90.0 percent of incoming revenues are retained by the agency and 10.0 percent are deposited into the SGF, up to a maximum of \$100,000 per fiscal year per fund.

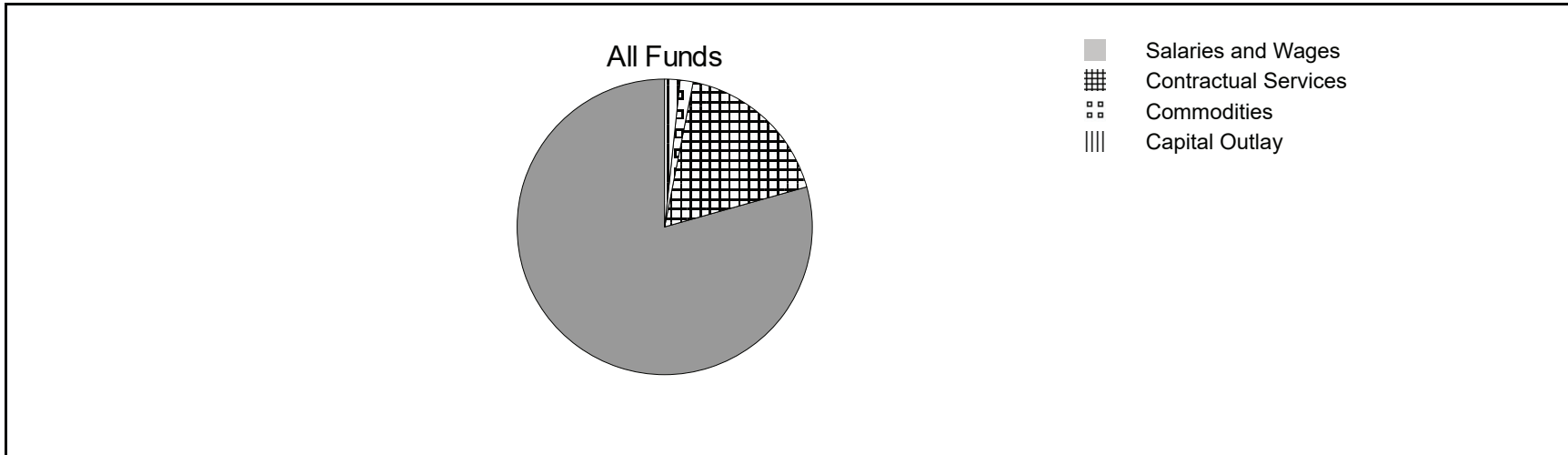
Since 1993, the agency has been able to cover expenditures each month from this fund. In FY 2009, the agency increased the fee formula due to declining cash balances and increasing expenditures. In FY 2012, the agency decreased the fee formula due to its estimated cash balance and the reduction of its mandatory transfer to the SGF from 20.0 percent to 10.0 percent, which was estimated to save the agency \$100,000 annually.

The National Association of State Credit Unions Supervisors (NASCUS) recommends maintaining enough of a balance forward each fiscal year to cover the first quarter's expenses. With estimated ending balances of \$614,540 in FY 2021, \$540,173 in FY 2022, and \$465,719 in FY 2023, the agency estimates its balance will fulfill NASCUS recommendations.

| Resource Estimate | Actual FY 2020 | Agency Estimate FY 2021 | Governor Rec. FY 2021 | Agency Request FY 2022 | Governor Rec. FY 2022 | Agency Request FY 2023 | Governor Rec. FY 2023 |
|--|--------------------------|-------------------------------|-----------------------------|------------------------------|-----------------------------|------------------------------|-----------------------------|
| Beginning Balance | \$ 652,838 | \$ 788,586 | \$ 788,586 | \$ 614,540 | \$ 614,540 | \$ 493,480 | \$ 540,173 |
| Revenue | 1,091,535 | 1,091,535 | 1,091,535 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 |
| Transfers in | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Funds Available</i> | <u>\$ 1,744,373</u> | <u>\$ 1,880,121</u> | <u>\$ 1,880,121</u> | <u>\$ 1,814,540</u> | <u>\$ 1,814,540</u> | <u>\$ 1,693,480</u> | <u>\$ 1,740,173</u> |
| Less: | | | | | | | |
| Expenditures | \$ 959,787 | \$ 1,265,581 | \$ 1,265,581 | \$ 1,321,060 | \$ 1,274,367 | \$ 1,321,060 | \$ 1,274,454 |
| Transfers Out | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Off-Budget Expenditures | (4,000) | 0 | 0 | 0 | 0 | 0 | 0 |
| Ending Balance | <u>\$ 788,586</u> | <u>\$ 614,540</u> | <u>\$ 614,540</u> | <u>\$ 493,480</u> | <u>\$ 540,173</u> | <u>\$ 372,420</u> | <u>\$ 465,719</u> |
| Ending Balance as Percent of Expenditures | 82.2% | 48.6% | 48.6% | 37.4% | 42.4% | 28.2% | 36.5% |
| | August | August | August | August | August | August | August |
| Month Highest Ending Balance | <u>\$ 1,613,969</u> | <u>\$ 1,257,756</u> | <u>\$ 1,257,756</u> | <u>\$ 1,009,987</u> | <u>\$ 1,105,552</u> | <u>\$ 762,218</u> | <u>\$ 953,170</u> |
| | July | July | July | July | July | July | July |
| Month Lowest Ending Balance | \$ 644,091 | \$ 501,936 | \$ 501,936 | \$ 403,058 | \$ 441,195 | \$ 304,180 | \$ 308,384 |

CATEGORY DETAIL

EXPENDITURES BY CATEGORY—GOVERNOR’S FY 2022 RECOMMENDATION



| Category | Gov. Rec. All Funds FY 2022 | Percent of Total | Gov. Rec. SGF FY 2022 | Percent of Total |
|----------------------|-----------------------------------|---------------------|-----------------------------|---------------------|
| Salaries and Wages | \$ 1,011,332 | 79.4 % | \$ 0 | -- % |
| Contractual Services | 223,702 | 17.6 | 0 | -- |
| Commodities | 18,108 | 1.4 | 0 | -- |
| Capital Outlay | 21,225 | 1.7 | 0 | -- |
| TOTAL | \$ 1,274,367 | 100.0 % | \$ 0 | -- % |

FTE POSITIONS BY PROGRAM FY 2020 – FY 2023

| <u>Program</u> | <u>Actual FY 2020</u> | <u>Agency Est. FY 2021</u> | <u>Gov. Rec. FY 2021</u> | <u>Agency Req. FY 2022</u> | <u>Gov. Rec. FY 2022</u> | <u>Agency Req. FY 2023</u> | <u>Gov. Rec. FY 2023</u> |
|----------------|---------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|--------------------------------|------------------------------|
| Administration | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 |

(Note: For purposes of this analysis, full-time equivalent (FTE) positions include non-FTE permanent unclassified positions but continue to exclude temporary employees. FTE positions reflect permanent state positions equating to a 40-hour work week.)