Financial Condition Analysis of the State of Kansas

Kenneth A. Kriz
Regents Distinguished Professor

But Very Little Analysis of Financial Outcomes

• So that's what I propose to do here
• Framework:

Step Two: Notes to the Financial Statements

• Note I.E.: The actuarial and/or the monetary amount of expenditures and demand transfers from the state general fund that may be authorized to spend so that there will be an ending balance in the State General fund for the ensuing fiscal year (third quarter, 7.5 percent, or more of the total amount authorized to be expended or transferred by internal transfer from the State General fund is fund fiscal year). Per K.A. 74-4051 (J) the provisions in subsection (b) were suspended for the fiscal year ending June 30, 2014 and the fiscal year ending June 30, 2015, and shall not provide a minimum amount of expenditures and demand transfers from the state general fund for the ensuing fiscal year ending June 30, 2015, and shall reduce the minimum amount of expenditures and demand transfers from the state general fund for the ensuing fiscal year ending June 30, 2015.
  – Note I.D.: The Transportation – Capital Projects Fund had a deficit fund balance in fiscal year 2014 because aggregate local, state and federal transportation capital and maintenance bonds in the fund.
  – Note I.D.: The Workers’ Compensation Fund had an in deficit net position in fiscal year 2014 because claims and expenses exceeded the amounts authorized by the legislature during the 2013 or 2015 regular session of the legislature.

Step Three: Review of Financial Statements

• Negative unassigned fund balance in General Fund (-5.4 M), Transportation-Capital Projects Fund (-383.2 M), Governmental Activities – ISF (-89.6 M)

• Deficits in General Fund (-395.9 M), Social Services Special Revenue Fund (-2.2 M), Transportation – Capital Projects Fund (-61.4 M)

• Management plan in the notes

The revenue of these events, it was concluded that State General Fund resources would be insufficient to cover expenditures made against the State General fund. An additional plan was in place for as provided by K.A. 75-732 in order to ensure the annual balance of the State General Fund has exceeded by at least $40.0 million. The plan contains an initial phase of reductions (approximately $40.0 million) followed by ongoing quarterly deficit that represent $5.0 million without legislation. Included within the plan are market portfolio and general fund transfers. In particular, structural reforms of the State pension system to ensure sustainability and payment of liabilities. The KPERS reforms are the result of other structural improvements to the capacity of the State General Fund and the State General Fund to State spending will create fiscal balance in FY 2016.

Much News About the State’s Fiscal Condition

Step One: Auditor’s Opinion

• Clean audit opinion

• However, a big “Emphasis of Matters” note

The State has an accumulated unassigned deficit in the General Fund of $5.4 million as of June 30, 2014, which has resulted from an operating deficit of $395.9 million that occurred for the year ended June 30, 2014. The deficit raises significant liquidity risks regarding the State’s ability to meet its financial obligations as they come due without raising revenue, cutting costs or issuing new debt and of financial restructuring.

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Step Four: Ratio Analysis

<table>
<thead>
<tr>
<th>Ratio Description</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governmental Funds Revenue per Capita</td>
<td>$4,285.26</td>
<td>$3,544.49</td>
<td>$3,601.27</td>
<td>$3,556.37</td>
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<tr>
<td>Governmental Funds Expenditures per Capita</td>
<td>$4,485.14</td>
<td>$3,543.09</td>
<td>$3,601.49</td>
<td>$3,548.34</td>
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<tr>
<td>General Fund Operating Surplus/Revenue</td>
<td>$0.015</td>
<td>$0.010</td>
<td>$0.000</td>
<td>$0.000</td>
</tr>
<tr>
<td>General Fund Balance/Revenue</td>
<td>-0.0008</td>
<td>0.013</td>
<td>0.11</td>
<td>0.008</td>
</tr>
<tr>
<td>Enterprise Funds Current Assets/Current Liabilities</td>
<td>0.47</td>
<td>0.06</td>
<td>0.13</td>
<td>0.27</td>
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<tr>
<td>Governmental Funds Debt Service/Revenue</td>
<td>0.029</td>
<td>0.012</td>
<td>0.0003</td>
<td>0.002</td>
</tr>
<tr>
<td>Pension Plan Funded Ratio</td>
<td>46%</td>
<td>66%</td>
<td>85%</td>
<td>91%</td>
</tr>
</tbody>
</table>

Step Four: Ratio Analysis

Step Five: Trend Analysis – Fund Balance

Step Five: Trend Analysis – Operating Position

Effects of Tax Cuts – Nonfarm Payrolls

Effects of Tax Cuts – Personal Income