

MINUTES OF THE SENATE COMMITTEE ON WAYS AND MEANS.

The meeting was called to order by Chairperson Stephen Morris at 10:30 a.m. on January 15, 2002 in Room 123-S of the Capitol.

All members were present except: All present.

Committee staff present:

Alan Conroy, Kansas Legislative Research Department
Deb Hollon, Kansas Legislative Research Department
Martha Dorsey, Kansas Legislative Research Department
Becky Krahl, Kansas Legislative Research Department
Paul West, Kansas Legislative Research Department
Trevor Steinert, Kansas Legislative Research Department
Robert Chapman, Kansas Legislative Research Department
Norman Furse, Revisor of Statutes
Michael Corrigan, Assistant Revisor of Statutes
Judy Bromich, Assistant to the Chairman
Mary Shaw, Committee Secretary

Conferees appearing before the committee:

Duane A. Goossen, Director, Division of the Budget

Others attending: See attached list

Chairman Stephen Morris welcomed all to the meeting and mentioned that there will be a few changes in the subcommittee assignments. The subcommittee assignments will be ready as soon as possible.

Chairman Morris introduced Alan Conroy, Chief Fiscal Analyst, Kansas Legislative Research Department, who introduced Staff. Copies of the Legislative Fiscal Analyst Assignments - FY 2003 were distributed (Attachment 1).

Chairman Morris welcomed Duane A. Goossen, Director, Division of the Budget, who presented an Overview of the FY 2003 Budget (Attachment 2). Director Goossen mentioned that the two most significant impacts on the budget are as follows:

1. State General Fund (SGF) Revenue Drop and
2. Increasing Department of Social and Rehabilitation Services and Department on Aging Caseloads.

Senator Feleciano requested information from the Division of the Budget regarding itemized adjustments to the Regents budget. Senator Barone requested details from the Division of the Budget regarding the Medicaid cost savings mentioned on page four of the Overview. Regarding page five of the Overview, Senator Barone also requested information expended annually treating all of the transfers as expenses and treating property tax buy-down the same way every year as in the years 1999 to 2000. Chairman Morris thanked Director Goossen for his presentation before the Committee.

Chairman Morris explained the Kerr/Morris Budget Proposal (Attachment 3) with additional explanation and comments regarding the Kerr/Morris Budget Proposal made by Senator Dave Kerr. Committee questions and discussion followed.

Senator Schodorf moved, with a second by Senator Salmans, to introduce three bills regarding the Kerr/Morris Proposal concerning:

1. retirement and pensions; relating to the Kansas Public Employees Retirement System and systems thereunder; unfunded obligations for certain benefits (1rs1557).

CONTINUATION SHEET

2. making and concerning appropriations for the fiscal year ending June 30, 2002 (1rs1532), and
3. concerning state finance; maximum expenditures and demand transfers from the state general fund (1rs1562). The motion carried on a voice vote.

Senator Schodorf moved, with a second by Senator Salmans, to introduce a resolution requested by the Department on Aging encouraging decreased dependence on public moneys to finance long-term care and education concerning long-term care insurance (1rs1536). The motion carried on a voice vote.

Senator Schodorf moved, with a second by Senator Adkins, to introduce a bill requested by the Department of Corrections concerning the director of accounts and reports; authorizing the processing and payment of certain claims from the Secretary of Corrections (1rs1515). The motion carried on a voice vote.

The meeting was adjourned at 11:45 a.m. The next meeting is scheduled for January 16, 2002.

**SENATE WAYS AND MEANS COMMITTEE
GUEST LIST**

DATE January 15, 2002

NAME	REPRESENTING
Julie Thomas	DOR
Stephanie Buchanan	DOB
Bill Schaffer	DOB
Jim Liu	DOB
Scott Bruner	DOB
Jamie Clover Adams	KS Dept of Agriculture
Jim Murphy	KDHE
Jay Bennett	DoJA
Jacques Oakes	SOE
Bob Vancouver	USD 229
Ruth Davis	KSOCH
Robert Moser	KAFP
Doug Bowman	CCECDS
Judy Shaw	Kearney Law Office
Keith Haxton	SEAK
Teresa Schwab	KCSL
Melissa Ness	KCSL
Ami Hyten	Judicial Branch
Jerry Sloan	Judicial Branch
Bill Watts	KDOT
Nancy Bogina	KDOT
Trudy Racine	SRS

LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2003

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425 Legislative Research Department
428 Legislature
540 Division of Post Audit
579 Revisor of Statutes

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521 Department of Corrections
177 Ellsworth Correctional Facility
195 El Dorado Correctional Facility
313 Hutchinson Correctional Facility
400 Lansing Correctional Facility
408 Larned Correctional Facility
581 Norton Correctional Facility
660 Topeka Correctional Facility
712 Winfield Correctional Facility
147 Ombudsman of Corrections
482 Board of Nursing

BECKY KRAHL (6-3184)

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410 Larned State Hospital
494 Osawatomie State Hospital
555 Rainbow Mental Health Facility
363 Kansas Neurological Institute
507 Parsons State Hospital
261 Kansas Guardianship Program
359 Kansas Arts Commission
058 Commission on Human Rights
434 State Library
331 Insurance Department
270 Health Care Stabilization Bd. of Gov.
562 Board of Tax Appeals
100 Board of Barbering
105 Board of Healing Arts
149 Board of Cosmetology
167 Dental Board
488 Optometry Board
543 Real Estate Appraisal Board
549 Real Estate Commission

CAROLYN RAMPEY (6-4404)

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082 Attorney General
677 Judicial Branch
349 Judicial Council
328 Board of Indigents' Defense Services
288 State Historical Society

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561 Board of Regents
246 Fort Hays State University
379 Emporia State University
367 Kansas State University
367 KSU-Veterinary Medical Center
367 KSU-Agricultural Extension
385 Pittsburg State University
682 University of Kansas
683 University of Kansas Medical Center
715 Wichita State University
176 Kansas Development Finance Authority
670 State Treasurer
Coordinator, Joint Committee on State Building Construction

LEAH ROBINSON (6-4447)

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173 Department of Administration
252 Governor
446 Lieutenant Governor
Budget Data Coordinator

JULIAN EFIRD (6-3535)

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710 Department of Wildlife and Parks
365 Kansas Public Employees Retirement System
450 Kansas Lottery
553 Racing and Gaming Commission

AMY KRAMER (6-4443)

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046 Department of Agriculture
709 Kansas Water Office
055 Animal Health Department
373 Kansas State Fair Board
634 State Conservation Commission
700 Board of Vet. Medical Examiners
350 Juvenile Justice Authority
319 Topeka Juvenile Correctional Facility
325 Beloit Juvenile Correctional Facility
355 Atchison Juvenile Correctional Facility
412 Larned Juvenile Correctional Facility
Coordinator, Water Plan Fund

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622 Secretary of State
247 Governmental Ethics Commission
694 Comm. Veterans Affairs/Soldiers Home/Veterans Home
604 School for the Blind
610 School for the Deaf
565 Homestead Property Tax Refunds
028 Accountancy Board
016 Abstracters Board
625 Securities Commissioner
094 Bank Commissioner
159 Department of Credit Unions
266 Hearing Aid Examiners
531 Board of Pharmacy
102 Behavioral Sciences Regulatory Board

ROBERT CHAPMAN (6-4429)

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143 Kansas Corporation Commission
122 Citizen Utility Ratepayer Board
663 Board of Technical Professions
Utilities—Research and Policy Analysis

DEBRA HOLLON (6-4396)

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300 Department of Commerce and Housing
360 Kansas Inc.
371 Kansas Technology Enterprise Corp.
Coordinator, Economic Development Initiatives Fund

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629 Dept. of Social and Rehabilitation Services
039 Department on Aging

ROBERT WALLER (6-4181)

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276 Department of Transportation
034 Adjutant General
206 Emergency Medical Services Board
234 Fire Marshal
280 Highway Patrol
523 Parole Board
626 Sentencing Commission
083 Attorney General-Kansas Bureau of Invest.
204 Mortuary Arts Board

AGENCY NUMBER LISTED NEXT TO AGENCY NAME

Kansas Legislative Research Department
December 13, 2001

Senate Ways and Means
1-15-02
Attachment 1

LEGISLATIVE FISCAL ANALYST ASSIGNMENTS—FY 2003

Abstracters Board (Trevor Steinert/6-4138)
Accountancy Board (Trevor Steinert/6-4138)
Adjutant General (Robert Waller/6-4181)
Administration, Department of (Leah Robinson/6-4447)
Aging, Department on (Audrey Nogle/6-3183)
Agriculture, Department of (Amy Kramer/6-4443)
Animal Health Department (Amy Kramer/6-4443)
Atchison Juvenile Correctional Facility (Amy Kramer/6-4443)
Attorney General (Carolyn Rampey/6-4404)
Attorney General-Kansas Bureau of Invest. (Robert Waller/6-4181)

Bank Commissioner (Trevor Steinert/6-4138)
Barbering, Board of (Becky Krahl/6-3184)
Behavioral Sciences Regulatory Board (Trevor Steinert/6-4138)
Beloit Juvenile Correctional Facility (Amy Kramer/6-4443)

Citizen Utility Ratepayer Board (Robert Chapman/6-4429)
Commerce and Housing, Department of (Debra Hollon/6-4396)
Commission on Human Rights (Becky Krahl/6-3184)
Corrections, Department of (Martha Dorsey/6-4419)
Cosmetology, Board of (Becky Krahl/6-3184)
Credit Unions, Department of (Trevor Steinert/6-4138)

Dental Board (Becky Krahl/6-3184)

Education, Department of (Carolyn Rampey/6-4404)
El Dorado Correctional Facility (Martha Dorsey/6-4419)
Ellsworth Correctional Facility (Martha Dorsey/6-4419)
Emergency Medical Services Board (Robert Waller/6-4181)
Emporia State University (Paul West/6-4409)

Fire Marshal (Robert Waller/6-4181)
Fort Hays State University (Paul West/6-4409)

Governmental Ethics Commission (Trevor Steinert/6-4138)
Governor (Leah Robinson/6-4447)

Healing Arts, Board of (Becky Krahl/6-3184)
Health and Environment, Department of (Debra Hollon/6-4396)
Health Care Stabilization Bd. of Gov. (Becky Krahl/6-3184)
Hearing Aid Examiners (Trevor Steinert/6-4138)
Highway Patrol (Robert Waller/6-4181)
Homestead Property Tax Refunds (Trevor Steinert/6-4138)
Human Resources, Department of (Trevor Steinert/6-4138)
Hutchinson Correctional Facility (Martha Dorsey/6-4419)

Indigents' Defense Services, Board of (Carolyn Rampey/6-4404)
Insurance Department (Becky Krahl/6-3184)

Judicial Branch (Carolyn Rampey/6-4404)
Judicial Council (Carolyn Rampey/6-4404)
Juvenile Justice Authority (Amy Kramer/6-4443)

Kansas Arts Commission (Becky Krahl/6-3184)
Kansas Corporation Commission (Robert Chapman/6-4429)
Kansas Development Finance Authority (Paul West/6-4409)
Kansas Guardianship Program (Becky Krahl/6-3184)
Kansas Inc. (Debra Hollon/6-4396)
Kansas Lottery (Julian Efird/6-3535)
Kansas Neurological Institute (Becky Krahl/6-3184)
Kansas Public Employees Retirement System (Julian Efird/6-3535)
Kansas State Fair Board (Amy Kramer/6-4443)
Kansas State University (Paul West/6-4409)
Kansas Technology Enterprise Corp. (Debra Hollon/6-4396)
Kansas Water Office (Amy Kramer/6-4443)
KSU-Agricultural Extension (Paul West/6-4409)
KSU-Veterinary Medical Center (Paul West/6-4409)

Lansing Correctional Facility (Martha Dorsey/6-4419)
Larned Correctional Facility (Martha Dorsey/6-4419)
Larned Juvenile Correctional Facility (Amy Kramer/6-4443)
Larned State Hospital (Becky Krahl/6-3184)
Legislative Coordinating Council (Alan Conroy/6-4407)
Legislative Research Department (Alan Conroy/6-4407)
Legislature (Alan Conroy/6-4407)
Lieutenant Governor (Leah Robinson/6-4447)

Mortuary Arts Board (Robert Waller/6-4181)

Norton Correctional Facility (Martha Dorsey/6-4419)
Nursing, Board of (Martha Dorsey/6-4419)

Ombudsman of Corrections (Martha Dorsey/6-4419)
Optometry Board (Becky Krahl/6-3184)
Osawatimie State Hospital (Becky Krahl/6-3184)

Parole Board (Robert Waller/6-4181)
Parsons State Hospital (Becky Krahl/6-3184)
Pharmacy, Board of (Trevor Steinert/6-4138)
Pittsburg State University (Paul West/6-4409)
Post Audit, Division of (Alan Conroy/6-4407)

Racing and Gaming Commission (Julian Efird/6-3535)
Rainbow Mental Health Facility (Becky Krahl/6-3184)
Real Estate Appraisal Board (Becky Krahl/6-3184)
Real Estate Commission (Becky Krahl/6-3184)
Regents, Board of (Paul West/6-4409)
Revenue, Department of (Julian Efird/6-3535)
Revisor of Statutes (Alan Conroy/6-4407)

School for the Blind (Trevor Steinert/6-4138)
School for the Deaf (Trevor Steinert/6-4138)
Secretary of State (Trevor Steinert/6-4138)
Securities Commissioner (Trevor Steinert/6-4138)
Sentencing Commission (Robert Waller/6-4181)
Social and Rehabilitation Services, Department of (Audrey Nogle/6-3183)
State Conservation Commission (Amy Kramer/6-4443)
State Historical Society (Carolyn Rampey/6-4404)
State Library (Becky Krahl/6-3184)
State Treasurer (Paul West/6-4409)

Tax Appeals, Board of (Becky Krahl/6-3184)
Technical Professions, Board of (Robert Chapman/6-4429)
Topeka Correctional Facility (Martha Dorsey/6-4419)
Topeka Juvenile Correctional Facility (Amy Kramer/6-4443)
Transportation, Department of (Robert Waller/6-4181)

University of Kansas (Paul West/6-4409)
University of Kansas Medical Center (Paul West/6-4409)

Veterans Affairs/Soldiers Home/Veterans
Home, Comm. On (Trevor Steinert/6-4138)
Vet. Medical Examiners, Board of (Amy Kramer/6-4443)

Wichita State University (Paul West/6-4409)
Wildlife and Parks, Department of (Julian Efird/6-3535)
Winfield Correctional Facility (Martha Dorsey/6-4419)

Fiscal analyst and telephone extension in red

Kansas Legislative Research Department
34331/January 15, 2002

House Appropriations
and
Senate Ways & Means
Committees

Overview of
FY 2003 Budget

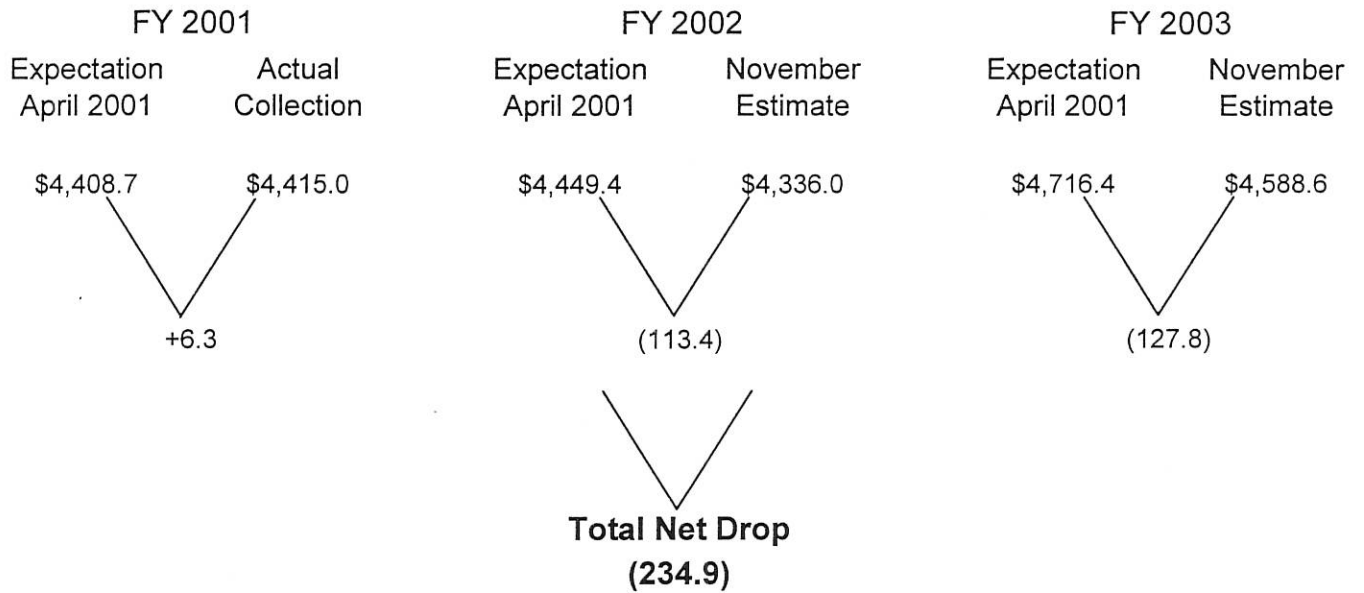
Duane Goossen, Director
Division of the Budget

January 15, 2002

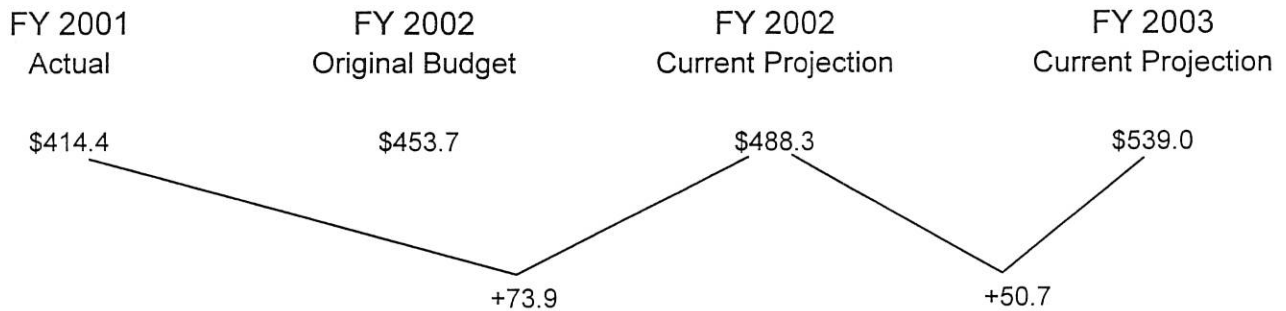
Senate Ways and Means
1-15-02
Attachment 2

Major Changes to State General Fund Status (Dollars in Millions)

SGF Revenue Drop



Increasing SRS & Aging Caseloads State General Fund



FY 2002 State General Fund Planning Report
(Dollars in Millions)

Revenue:

Beginning Balance	\$ 365.7
Consensus Revenue Estimate	4,336.0
Other Revenue	0.4
Total Available	<u>\$ 4,702.1</u>

Expenditures:

Approved Budget	\$ 4,508.9
Shifted Expenditures	4.6
KDOT Veto Adjustment	(26.5)
SRS Caseloads	34.5
School Finance Shortfall	9.4
Corrections Medical and Food Contracts	1.5
Other Adjustments	(4.7)
Total	<u>\$ 4,527.7</u>

Ending Balance \$ 174.4

Balance as Percent of Expenditures 3.9%

FY 2003 State General Fund Planning Report
(Dollars in Millions)

Revenue:

Beginning Balance	\$ 174.4
Consensus Revenue Estimate	4,588.6
LAVTR Revenue Transfer	(52.5)
CCRS Revenue Transfer	(33.5)
SCCHF Revenue Transfer	(11.2)
School Cap. Imp. Revenue Transfer	(45.1)
State Water Plan Revenue Transfer	(6.0)
Other Revenue	2.1
	<hr/>
Total Available	\$ 4,616.9

Expenditures:

FY 2002 Recommended Budget	\$ 4,527.7
Shift School Cap. Imp. & Water Plan to Revenue Transfers	(51.1)
Replace SGF with Senior Trust	(19.0)
SRS / Aging Caseloads	50.7
SRS Hospitals Shortfall	10.0
Employee Health Care	12.4
Pay Plan Annualization	9.0
KPERS Regular Fund	8.2
School Finance Shortfall	5.4
KDHE AIDS Funding	0.4
Corrections Medical and Food Contracts	0.9
Corrections Debt Service	1.9
JJA Larned Operations	1.7
Statehouse Renovation Bonds	1.9
No KDOT Transfer	(94.6)
Education Base State Aid per Pupil to \$3,712	(91.1)
Regents	
Regents Universities	(22.5)
Washburn University	(0.4)
Community Colleges	(3.4)
Technical Schools	(0.8)

FY 2003 Expenditure Adjustments Continued

Aging Senior Care Act / Income Eligible	(4.4)
SRS	
MediKan / GA to 24 months	(7.9)
Medicaid Cost Savings	(10.7)
HCBS Waiver Reductions	(1.2)
Reduce MH & DD Grants	(4.5)
HealthWave Caseload	4.1
Kansas Payment Center Contract	1.1
Sex Predator Program	1.0
Corrections	
Community Corrections	(1.0)
Close Labette Conservation Camp	(2.5)
Close Stockton	(1.3)
Close Osawatomie	(1.0)
Close Toronto	(0.8)
JJA / Eliminate Local Purchase of Service	(2.0)
Other Adjustments	(21.7)
Total Expenditures	\$ 4,294.5
Ending Balance	\$ 322.3
Balance as Percent of Expenditures	7.5%

Notes:

The half-year moratorium on payments into the KPERS Death & Disability Fund is continued in FY 2003.

No increases are included for higher education in connection with SB 345.

The KDOT demand transfer is eliminated entirely.

No salary increase for state employees is included.

Historical State General Fund Balances (Dollars in Millions)

	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002 Gov. Est.	FY 2003 Published Gov. Rec.	FY 2003 With Gov. Restorations
Expenditures	3,439.2	3,538.1	3,799.1	4,196.2	4,367.6	4,429.6	4,527.7	4,294.5	4,486.1
Percent Change	3.9%	2.9%	7.4%	10.5%	4.1%	1.4%	2.2%	(5.1%)	(0.9%)
Ending Balance	\$ 379.2	\$ 527.8	\$ 756.3	\$ 540.7	\$ 378.0	\$ 365.7	\$ 174.4	\$ 322.3	\$ 336.6
Ending Balance Percentage	11.0%	14.9%	19.9%	12.9%	8.7%	8.3%	3.9%	7.5%	7.5%

Governor Graves' Restoration and Enhancement Package for FY 2003 Budget
(Dollars in Millions)

Restore funding to current levels for programs that directly affect children, older Kansans, and the public's health and safety:

Aid to Local Schools	\$ 91.1
Universities, Comm. Coll., Voc-Tech Schools	27.1
SRS Grants and Services	7.0
<i>Mental Health Grants</i>	3.0
<i>Developmentally Disabled Grants</i>	1.5
<i>Family Preservation Services</i>	2.0
<i>Funeral Assistance</i>	0.5
Elderly In-Home Services	4.4
Keep Correctional Facilities Open	5.5
<i>Labette</i>	2.4
<i>Stockton</i>	1.3
<i>Osawatomie</i>	1.0
<i>Toronto</i>	0.8
Aid to Local Libraries	0.2
Teachers National Board Certification--ESU	0.1
Aid to Cities and Counties	3.6

Total Restorations **\$ 139.0**

Fund targeted enhancements that make important investments in our state's services:

Increase Aid to Local Schools (\$20/student)	12.0
2% Salary Increase for State Employees	12.0
Increase Regents Operating Grants	7.0
Economic Stimulus Package	3.0
Student Financial Aid for Postsecondary Ed.	1.0
SRS Grants and Services	10.0
<i>Waiting Lists</i>	5.0
<i>Medicaid Rates</i>	5.0
Homeland Security	2.0
Tobacco Prevention	1.5
Keep Courts Open and Functioning	4.1

Total Enhancements **\$ 52.6**

Total Additional Expenditures **\$ 191.6**

Maintain Ending Balance at 7.5% 14.3

Total **\$ 205.9**

To finance these important restorations and enhancements, two revenue increases are proposed.

Quarter Cent Sales Tax Increase	\$ 95.0
65 Cent Cigarette Tax Increase	111.0

Total Additional Revenues **\$ 206.0**

To maintain the state's Comprehensive Transportation Plan increases to Highway Fund receipts are proposed.

1 cent Motor Fuels Tax	\$ 18.0
3% Registration Fee on All Vehicles	4.0

Total--Annually **\$ 22.0**

Total--Over 7 Remaining Years of CTP **\$ 154.0**

New Costs in FY 2004 and FY 2005
(Dollars in Millions)

	FY 2004	FY 2005
Intergovernmental Transfer Replacement	43.0	50.0
SRS & Aging Caseloads	53.9	59.3
KPERS Regular Increase	9.3	9.3
Restore KPERS Death & Disability	8.1	--
State Employee Health Care	10.0	10.0
Correction Food & Medical Contract	1.1	1.2
Open New Larned JJA Facility	1.7	--
Open New Topeka JJA Facility	--	4.0
State Fair Debt Service	3.0	--
Statehouse Renovation Debt Service	1.1	--
KDOT Demand Transfer	156.0	79.8
Higher Education--SB 345	30.7	--
State Employee Salary Increase	15.0	15.0
Regents University Oper. Grant 2% Increase	13.6	13.9
K-12 Education 2% Increase	41.5	42.3
Other Agency 1% Inflation Increase	15.0	5.1
Total	\$ 403.0	\$ 289.9

Kerr/Morris Budget Proposal

Kansas, like more than 40 other states, is experiencing lower revenue intake than projected when the fiscal year 2002 budget was prepared. In some states, severe budget reductions have already been enacted in special sessions or are expected in upcoming regular sessions. Some examples follow:

- Florida - two special sessions - 5% across board reductions
- Nebraska - special session - 4% reduction FY02, 5% in '03
- Colorado - FY02 cut \$442 million, \$392 million capitol projects suspended
- Iowa - FY02 cut 4.3% across board

Kansas can get through the remainder of FY02 and FY03 with difficult, but relatively modest budget adjustments. An outline of the proposed plan is as follows:

1. Lower the ending balance requirement for FY03 to 5% and rebuild it to 7.5% over the following four fiscal years. (\$104 million impact in FY03) This is the same way it was built to 7.5% from 5.0% from years 1992 to 1995.
2. After fully funding K-12 LOB requirements (\$22 million '02, \$30 million '03) rescind 1.2% of the FY02 SGF aid to USD general fund budgets (\$23.7 million in '02, impact on BSAPP \$39 reduction, impact on schools' all funds budgets .6%)
3. Take savings from funding of '02 special education above 85% ('02 savings \$13.7 million)
4. Fold remaining liability for small group of TIAA-KPERS into KPERS liability. Reduce regent university appropriation accordingly. (Impact \$5 million in '02, \$6 million in '03)
5. Delay increase in Higher Education Reform Act (SB345) funding one year and utilize Budget Committee recommendation. (Impact \$46 million '03)
6. Rescind SGF '02 appropriation to Regent schools by 1.2% (Impact \$8.5 million in '02)
7. Delay growth in SGF transfer to highway fund for one year. (Impact in '03 \$46 million) Extend program one year.
8. Rescind all '02 non-education, non-judiciary SGF budgets 2%. Exempt from this reduction would be KPERS school payment, SGF financial debt service and demand transfers. (Impact \$25.7 million)
9. Make a one-time transfer of tobacco settlement proceeds to SGF in '03. (Impact \$20.6 million)

Senate Ways and Means
1-15-02
Attachment 3

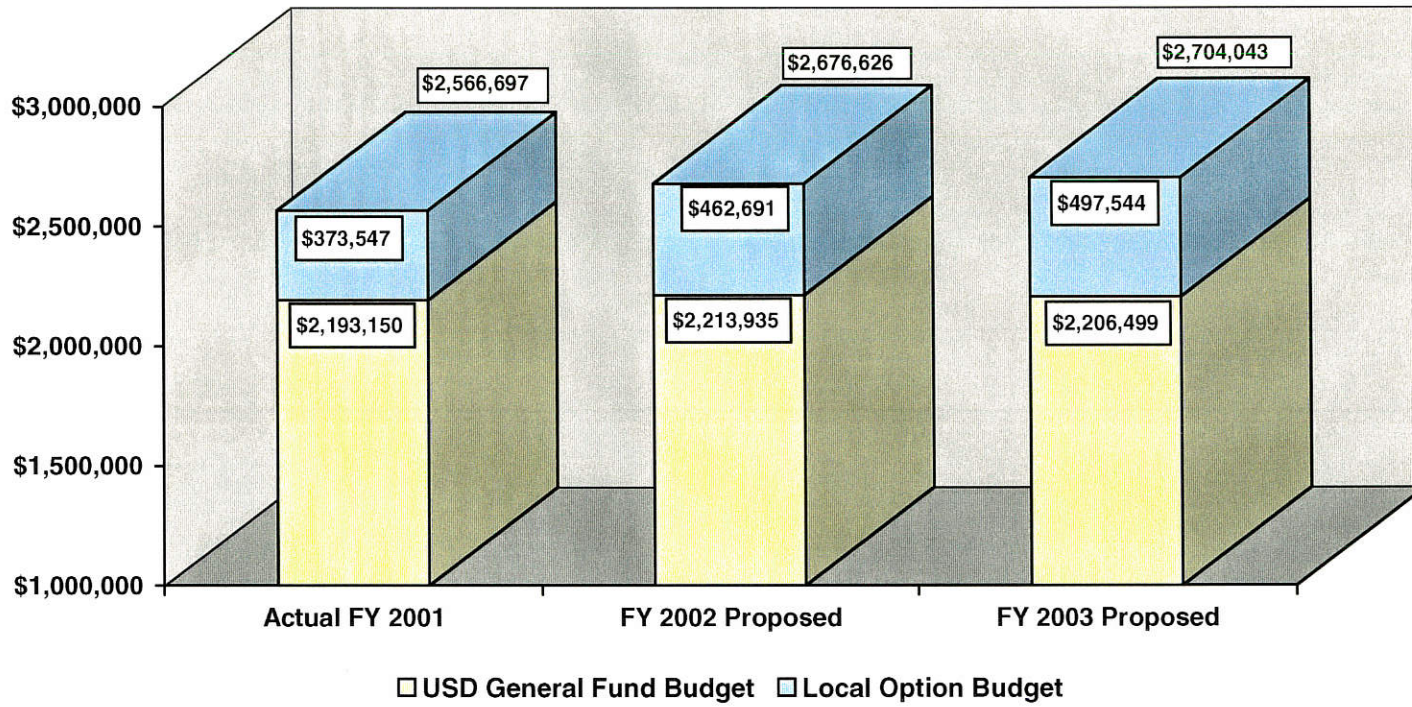
10. Lottery 13th accelerated in '03. ('03 impact - \$4 million)
11. Maintain Special Education at 85% of excess costs in '03
12. Utilize \$19 million in Intergovernmental Transfer Funds in '03 beyond the \$51 million utilized in '02.
13. Increase '02 judiciary budget \$.5 million to avoid courthouse closures.
14. Utilize \$149 million available for other purposes as follows:
 - \$13 million to pay increase in state employee health insurance
 - \$12 million to pay for Title XIX shortfall
 - \$119.5 million for SRS and Aging caseload growth (\$34 million in '02 and \$85 million in '03)

January 8, 2002

Kerr/Morris Proposed Budget Adjustments (Main Points)

1)	'03 Ending Balance at 5%	(\$104) million
2)	K-12 1.2 % rescission after adding \$52 million for LOB in '02 & '03	(\$23.7)
3)	'02 Special Ed at 85% ('03 maintained at 85%)	(\$13.7)
4)	TIAA-KPERS fold liability (\$5 million '02/'03 \$6 million)	(\$11)
5)	Delay increase in SB 345 one year	(\$46)
6)	Rescind '02 Regents SGF by 1.2%	(\$8.5)
7)	Delay growth in SGF Highway Transfer '03	(\$46)
8)	Rescind '02 non-ed, non-judiciary SGF Budgets by 2%	(\$25.7)
9)	Tobacco settlement proceeds transferred	(\$20.6)
10)	Intergovernmental Transfer Utilized	(\$19)
11)	Increase '02 Judiciary \$.5 million and '02 SRS & Aging Caseloads \$34 million	\$34.5
12)	Freeze '03 Budgets at '02 levels with exceptions	

Estimated School District Operating Budgets Under the Kerr-Morris Plan (BSAPP at \$3,831) (In Thousands)



**Consensus Caseload Estimates
(SGF Only)**

	<u>FY 02 Approved</u>	<u>FY 02 November Consensus</u>	<u>Difference from Approved</u>	<u>Percent Change</u>	<u>FY 03</u>	<u>Difference from FY 02 Approved</u>	<u>Percent Change</u>	<u>Difference from FY 02 November Consensus</u>	<u>Percent Change</u>
Nursing Facilities	\$ 121,260,309	\$ 121,260,309	\$ -	0.0%	\$ 128,800,000	\$ 7,539,691	6.2%	\$ 7,539,691	6.2%
Nursing Facilities - Mental Health	9,029,837	10,408,100	1,378,263	15.3	10,910,560	1,880,723	20.8	502,460	4.8
Temporary Assistance To Families	30,293,070	30,293,070	0	0.0	30,293,070	0	0.0	0	0.0
General Assistance	4,800,000	5,800,000	1,000,000	20.8	6,600,000	1,800,000	37.5	800,000	13.8
Regular Medical	242,119,517	262,505,484	20,385,967	8.4	301,484,223	59,364,706	24.5	38,978,739	14.8
Foster Care Contract	33,158,603	42,812,646	9,654,043	29.1	44,195,242	11,036,639	33.3	1,382,596	3.2
Adoption Contract	13,074,165	14,824,419	1,750,254	13.4	16,756,025	3,681,860	28.2	1,931,606	13.0
TOTAL	\$ 453,735,501	\$ 487,904,028	\$ 34,168,527	7.5%	\$ 539,039,120	\$ 85,303,619	18.8%	\$ 51,135,092	10.5%

Note:

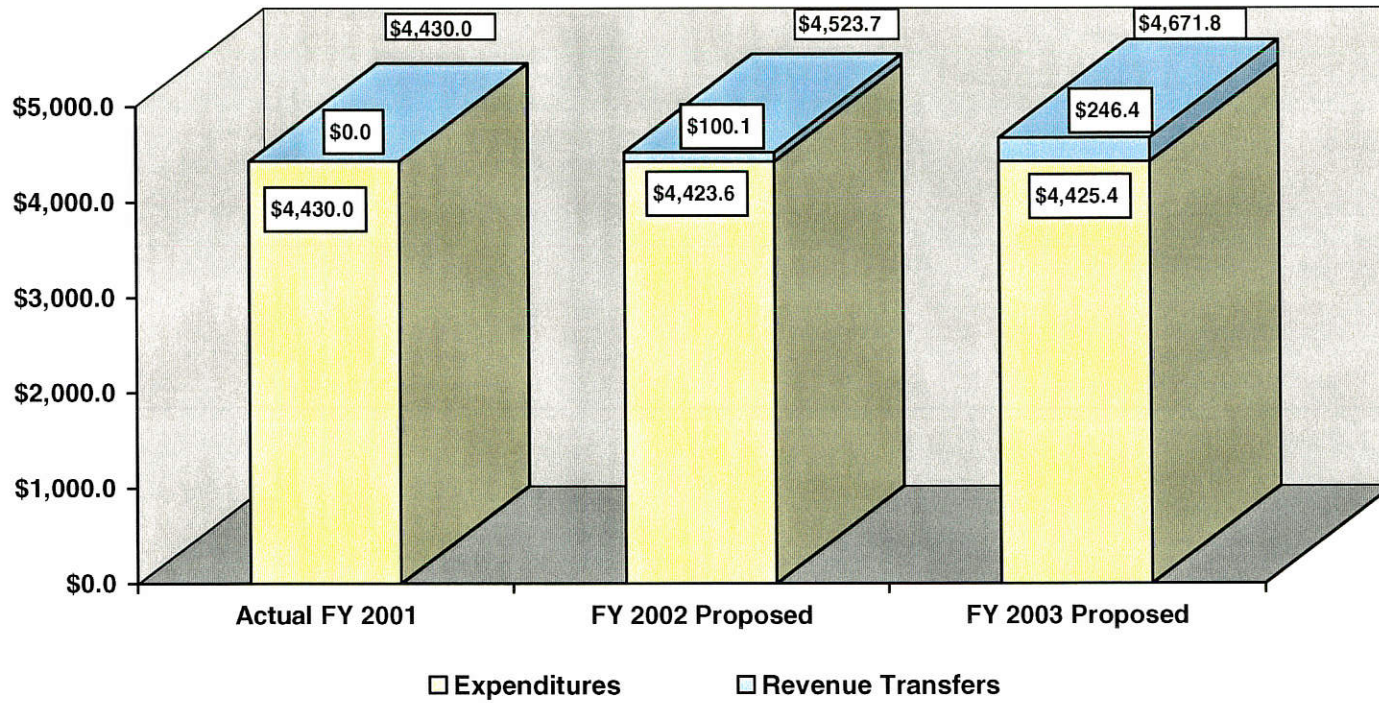
	<u>FY 2002</u>	<u>Percent Change</u>	<u>FY 2003 Over Original FY 2002</u>	<u>Percent Change</u>
Unanticipated growth in SRS and Aging Caseloads	\$34.2 million	7.5%	\$85.3 million	18.8%

Total New Money Required in FY 2002 and FY 2003 Compared to Budget Approved in May 2001 = \$119 million

**Consensus Caseload Estimates
(SGF Only)**

	<u>Difference from FY 02 Approved</u>	<u>Percent Change</u>
Nursing Facilities	\$ 7,539,691	6.2%
Nursing Facilities - Mental Health	1,880,723	20.8
Temporary Assistance To Families	0	0.0
General Assistance	1,800,000	37.5
Regular Medical	59,364,706	24.5
Foster Care Contract	11,036,639	33.3
Adoption Contract	<u>3,681,860</u>	<u>28.2</u>
TOTAL	\$ 85,303,619	18.8%

Demands on the State General Fund FY 2001-FY 2003 Under the Kerr-Morris Plan (In Millions)



Prepared at the Request and Direction of President Dave Kerr

2.0 Percent Base Recission In FY 2002

Revised General and Supplemental School Aid Funded
\$0.5 Million Supplemental for Judicial Branch in FY 2002

**State General Fund Profile
FY 2000 - FY 2005**

Lottery 13th Payment to SGF in FY 2003
KPERs-TIAA Unfunded Liability Shifted to KPERs General Unfunded Liability Starting in FY 02
FYs 2003; 2004; 2005 Dem and Transfers - Made Revenue Transfers

FY 2003 Receipts Assume Transfer of \$20.6 Million Tobacco Proceeds

FY 02 Expend. Reduced 2.0% Except KPERs School, Debt Serv., Dem. Trans., Spec. Ed., Judicial Demand Transfers Frozen in FY 2003; KDOT Reduced FY 04 and FY 05 - Others 3% Incr.
Federal IGT Fund - \$51 million/\$70 million/\$60 million
Assumes KDOT Bond Adjustment (\$20 million) and \$6.0 million Adjustment in FY 2002
Higher Ed Reform Act Frozen in FY 2003; Growth in Out-Years Based on Original Estimates
Ending Balance Amount Adjusted - 5.0%; 5.5%; 6.0%

	Actual FY 2000 \$542.4	Increase	Actual FY 2001 \$377.9	Increase	Revised FY 2002 \$365.4	Increase	Projected FY 2003 \$277.8	Increase	Projected FY 2004 \$219.2	Increase	Projected FY 2005 \$236.9	Increase
Beginning Balance(a)												
RECEIPTS: (b)	4,203.1	224.5 5.6%	4,415.0	211.9 5.0%	4,336.0	(79.0) -1.8%	4,366.8	30.8 0.7%	4,458.6	91.8 2.1%	4,623.0	164.4 3.7%
EXPENDITURES:												
General and Supplemental School Aid (c)	1,850.2	102.1 5.8%	1,886.4	36.2 2.0%	1,927.7	41.3 2.2%	1,915.1	(12.6) -0.7%	1,903.4	(11.7) -0.6%	1,887.0	(16.4) -0.9%
Out-Year Additional KPERs Employer Contributions(d)	0.0	0.0	0.0	0.0	0.0	0.0	5.8	5.8	13.0	7.2	20.2	7.2
Higher Education Restructuring - S.B. 345(e)	0.0	0.0	21.8	21.8	42.0	20.2	42.0	0.0	58.3	16.3	75.1	16.8
Annualization of FY 2002 State Employee Salary Increase Adj:	0.0	0.0	0.0	0.0	0.0	0.0	9.0	9.0	9.7	0.7	9.7	0.0
Annualize KPERs Death and Disability (6 month)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	9.0	9.0	9.0	0.0
Shift KPERs-TIAA Unfunded Liability to General KPERs Liability	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Demand Transfers: (g)	201.2	(18.4)	183.4	(17.8)	141.1	(42.3)	0.0	(141.1)	0.0	0.0	0.0	0.0
All Other Expenditures(h)	2,316.2	87.7 3.9%	2,338.4	22.2 1.0%	2,391.2	52.8 2.3%	2,401.9	10.7 0.4%	2,550.9	149.0 6.2%	2,515.9	(35.0) -1.4%
Replace Intergovernmental Transfer Funds	0.0	0.0	0.0	0.0	0.0	0.0	(19.0)	(19.0)	10.0	29.0	60.0	50.0
FY 2002 Base Recission - 2.0% With Exceptions	0.0	0.0	0.0	0.0	(78.4)	(78.4)	(78.4)	0.0	(78.4)	0.0	(78.4)	0.0
Available for Other Purposes(i)	0.0	0.0	0.0	0.0	0.0	0.0	149.0	149.0	(35.0)	(184.0)	99.0	134.0
TOTAL Expenditures	4,367.6	171.4 4.1%	4,430.0	62.4 1.4%	4,423.6	(6.4) -0.1%	4,425.4	1.8 0.0%	4,440.9	15.5 0.4%	4,597.5	156.6 3.5%
Ending Balance(j)	377.9		362.9		277.8		219.2		236.9		262.4	
Percent of Expenditures	8.7%		8.2%		6.3%		5.0%		5.3%		5.7%	
Receipts in Excess of Expenditures	(164.5)		(15.0)		(87.6)		(58.6)		17.7		25.5	