

MINUTES OF THE SENATE WAYS AND MEANS COMMITTEE

The meeting was called to order by Chairman Jay Emler at 10:10 a.m. on December 15, 2009, in Room 545-N of the Capitol.

Members absent:

Senator Vicki Schmidt (chairing a National Advisory Panel in Washington, D.C.)

Committee staff present:

Alan Conroy, Kansas Legislative Research Department
 J. G. Scott, Kansas Legislative Research Department
 Michael Steiner, Kansas Legislative Research Department
 Estelle Montgomery, Kansas Legislative Research Department
 Christina Butler, Kansas Legislative Research Department
 Reagan Cussimano, Kansas Legislative Research Department
 Dylan Dear, Kansas Legislative Research Department
 Amy Deckard, Kansas Legislative Research Department
 Audrey Dunkel, Kansas Legislative Research Department
 Cody Gorges, Kansas Legislative Research Department
 Jonathan Tang, Kansas Legislative Research Department
 Jarod Waltner, Kansas Legislative Research Department
 Jill Wolters, Office of the Revisor of Statutes
 Daniel Yoza, Office of the Revisor of Statutes
 Jim Wilson, Office of the Revisor of Statutes
 Shirley Jepson, Committee Assistant

Conferees appearing before the Committee:

Duane Goossen, Secretary, , Department of Administration
 Glenn Deck, Executive Director, Kansas Public Employees Retirement System
 Deb Miller, Secretary, Department of Transportation,
 Andrew Allison, Acting Executive Director, Kansas Health Policy Authority
 Don Jordan, Secretary, Department of Social and Rehabilitation Services
 Roger Werholtz, Secretary, Department of Corrections
 Jim Garner, Secretary, Department of Labor

Others attending:

See attached list.

Introduction of Proposed Legislation

Senator Vratil moved to introduce legislation to enact transfers and implement appropriation changes as proposed by the Governor (9rs1278). The motion was seconded by Senator Lee. Motion carried on a voice vote.

Senator Taddiken moved to introduce legislation relating to crimes and punishments prohibiting text messaging on a cell phone while operating a vehicle (9rs1177). The motion was seconded by Senator Teichman. Motion carried on a voice vote.

Review of Human Services Caseloads, School Finance Estimates, and Consensus Revenue Estimates

Amy Deckard, Legislative Research Department, presented a review of Human Services Consensus Caseload Estimates for FY 2010 and FY 2011 (Attachment 1). Adjustments to the budgets as approved by the 2009 Legislature include the following:

- The estimate for FY 2010 is increased by \$24.3 million from the State General Fund (SGF) and \$40.2 million from all funding sources. The All Funds increase is due largely to increased estimates for Mental Health services, regular medical expenditures and Temporary Assistance to Families expenditures.
- The estimate for FY 2011 is increased by \$118.4 million from the SGF and \$52.6 million from all funding sources. The portion of expenditures anticipated to be funded by the federal government for

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Minutes of the Senate Ways and Means Committee at 10:00 a.m. on December 15, 2009, in Room 545-N of the Capitol.

the Medicaid program has decreased due to the end of the American Recovery and Reinvestment Act (ARRA) funding at the end of December 2010.

- The combined increase for FY 2010 and FY 2011 is an all funds increase of \$91.8 million and a State General Fund (SGF) increase of \$142.7 million.

Responding to a question from the Committee, Ms. Deckard noted that the federal reimbursement rate under ARRA was a 70 percent federal/30 percent state match. When the funding from ARRA ceases in December 2010, the federal match will return to a 60/40 percent match.

Reagan Cussimanio, Legislative Research Department, presented an overview of School Finance Estimates including revisions based on the November 2009 estimates (Attachment 2). Additional information, as requested by the Committee, was provided by Ms. Cussimanio (Attachment 3). Major items include:

- Increase of \$100.2 million in general state aid above the approved budget mainly due to increase student enrollment of approximately 6,000 students, decrease in assessed valuation and increase in the number of students eligible for free and reduced lunch.
- Increase of \$41.8 million in supplemental state aid due to decrease in estimated local taxes.
- Increase of \$6.7 million in Capital Improvement Aid due to increase state obligation bonds totaling \$847.0 million passed in the November 2009 election.
- Decrease of \$3.6 million in Kansas Public Employees Retirement System (KPERS) due to the July allotment being reflected in the estimates.
- Increase of \$13.5 million for 26,500 full-time equivalency (FTE) special education students.

Ms. Cussimanio noted that these estimates were made prior to the Governor's November 2009 allotment.

J. G. Scott, Legislative Research Department, presented an update of Transfers In and Out of the SGF (Attachment 4). Mr. Scott noted that the review is presented because of the significant increase in transfers in and out of the SGF of approximately \$257 million. Major differences between FY 2010 and FY 2011 transfers into the SGF include:

- \$3 million KPERS Death & Disability 4-mo. Moratorium in FY 2010; zero in FY 2011.
- \$54 million from Expanded Lottery Act Revenues Fund (ELARF), mainly privilege fees, to the SGF in FY 2010; zero in FY 2011.
- \$14 million from the KEY fund in FY 2010 that will not be available in FY 2011.
- \$25 million from the State Highway Fund in FY 2010 that will not be available in FY 2011.

Major transfers out of the SGF that were not made in FY 2010 include:

- \$6 million to the State Water Plan Fund in FY 2011.
- \$15 million for the Board of Regents' Infrastructure Maintenance Fund in FY 2011.
- Additional \$30 million or \$70 million total estimate to the Biosciences Initiative in FY 2011.
- \$43.9 million for the Business Machinery Slider in FY 2011.
- Approximately \$44.7 million for loan repayments to various agencies for FY 2011.

Alan Conroy, Legislative Research Department, presented an update on the State Budget Outlook, SGF Receipts Estimates for FY 2010 and FY 2011, Unemployment Rates for October 2009 and SGF Receipts July through November, FY 2010 (Attachment 5). Mr. Conroy noted that the Consensus Revenue Estimating (CRE) Group met on November 5, 2009, to review estimated revenues and make projections for the future of the State. Mr. Conroy stated that a great deal of uncertainty remains for the Kansas economy. It is underlined by very little projected growth in income and the expectation that unemployment will continue to increase during 2010. Research by the Federal Reserve indicates that Kansas has exited every recession later than the nation-as-a-whole. Total SGF receipts through November of FY 2010 were \$280.8 million, or 12.6 percent, below FY 2009 for the same period. Tax receipts only through November, FY 2010 were below the same period for FY 2009 by \$221.2 million, or 10.2 percent. The State is currently experiencing an unprecedented 4-year period of reduction in SGF tax receipts.

Update on Expanded Lottery Act Revenue

Cody Gorges, Legislative Research Department, presented an update on the Expanded Lottery Act Revenues Fund (ELARF) (Attachment 6). Mr. Gorges noted that the Boot Hill Casino and Resort in Ford County is

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opening on December 15, 2009, resulting in a half-year of revenue in FY 2010 with a full-year of revenue anticipated in FY 2011 to be deposited in ELARF. One-time Privilege fees of \$50 million in FY 2010 from Wyandotte County and Sumner County have been received, deposited and earning interest at this time. This funding will not be available in FY 2011. It is not anticipated that the facilities in Wyandotte and Sumner Counties will be operating until FY 2012. At this time, there are no applicants who have meant the minimum investment requirements for a facility in Crawford/Cherokee County.

- The Committee requested information on where the interest on the privilege fees is deposited.

Update on Governor's Allotments, Response to Budget Shortfall

Duane Goossen, Secretary, Department of Administration, presented an update on the Governor's allotments and solutions to address the current deficient in state revenues, fund and balance the FY 2010 budget, and proposed actions that will require the Legislature's approval (Attachment 7). The Governor's plan will reduce General State Aid to school to the FY 2006 funding level. In addition, the Governor will not propose a school funding supplemental bill to the 2010 Legislature. Mr. Goossen noted that the requirements for ARRA school funding requires the states to fund K-12 education at the FY 2006 level unless the state requests a waiver. There are no clear rules as to how the funding is calculated and differs from state to state. A number of transfers are also included in the Governor's proposal which require action by the Legislature.

Overview of K-12 Education and Regents and Institutions Funding

Reagan Cussimano, Legislative Research Department, presented an overview of K-12 funding (Attachment 8). The overview includes the Governor's July and November allotments made within the Department of Education. The current SGF and federal economic stimulus funds Base State Aid Per Pupil (BSAPP) in FY 2010 is \$4,012 per pupil, a decrease of \$268 per pupil below the FY 2010 amount of \$4,280 as approved by the 2009 Legislature.

The Committee noted that these actions may result in a need for increased of funding at the local level.

Audrey Dunkel, Legislative Research Department, presented an overview of Postsecondary Education System Funding (Attachment 9). Ms. Dunkel stated that tuition rates at the regent universities for FY 2010 have increased between 3.9 percent and 8.5 percent.

- The Committee requested additional information on how the Board of Regents allocated funding to the Regent universities and how funding was distributed to the technical colleges and schools.

Review the Impact of FY 2010 Budget Reductions on Selected Agencies

Glenn, Deck, Executive Director, Kansas Public Employees Retirement System (KPERs), presented a long-term funding update on KPERs (Attachment 10). Mr. Deck stated that it is important to address the unfunded liability issue as soon as possible.

Deb Miller, Secretary, Department of Transportation, presented information regarding the FY 2010 Budget Reductions, including FY 2010 revenue losses and prior reductions, the Governor's allotments, impact to the public, construction spending and the effect of future reductions (Attachment 11). Secretary Miller noted a concern that if there were additional transfers from the State Highway Fund (SHF) to the SGF, they would effect the state's credit rating, causing an increase in interest rates and liquidity fees. The Secretary stated that it is anticipated that less federal funding will be available to the state during FY 2010.

Andrew Allison, Acting Executive Director, Kansas Health Policy Authority (KHPA), presented an update on the Impact of Budget Reductions in FY 2009 and FY 2010 (Attachment 12). Mr. Allison stated that there is a concern that future spending reductions may not support compliance with Federal rules.

Don Jordan, Secretary, Department of Social and Rehabilitation Services (SRS), presented an update on FY 2010 Budget Reductions (Attachment 13). Secretary Jordan stated that further budget reductions is a concern

CONTINUATION SHEET

Minutes of the Senate Ways and Means Committee at 10:00 a.m. on December 15, 2009, in Room 545-N of the Capitol.

because SRS is required to perform certain statutory duties tied to protection and safety such as investigating child and adult abuse; caring for children committed to the Secretary's custody and providing care and treatment to persons committed to the state psychiatric hospitals, the state security hospital, and the sexual predator treatment program, as well as services tied to federal programs and funding. The Secretary noted that the agency is seeing an increase in applications for food stamps.

Roger Werholtz, Secretary, Department of Corrections, presented an update on Proposed Reductions to Achieve FY 2010 Allotments, FY 2010 Budget Adjustments and FY 2010/2011 Budget Requests (Attachment 14). Secretary Werholtz stated that the Department anticipates a need for increased facilities in FY 2011.

Jim Garner, Secretary, Department of Labor (KDOL), presented an update on agency's budget concern (Attachment 15). Secretary Garner stated that KDOL is primarily federal and fee funded. Because of the increase in applications for unemployment benefits, the Secretary noted that funds in the Unemployment Benefit Trust Fund, from which unemployment benefits are paid, are almost depleted. The agency paid out over \$70 million in benefits in each of June and July. The current balance is approximately \$110 million and it is anticipated that the balance will be depleted in January 2010. The agency will request a loan from the Federal government in the amount of \$260-\$270 million for the first quarter of CY 2010. The loan is interest-free; however, the principal will need to be repaid at a future date. It is anticipated that the agency will continue to request quarterly loans from the federal government throughout CY 2010 and into CY 2011. Secretary Garner noted that 2007 legislation which reduced unemployment rates paid into the system included a trigger-mechanism indicating that if the balance in the unemployment benefit fund fell below a certain amount, the unemployment rates would revert back to pre-2007 rates. Because this threshold has been realized, unemployment rates will revert back to the pre-2007 rates on January 1, 2010. This will help to increase the balance in the fund; however, will not result in sufficient funds to cover benefits being paid out at this time..

Chairman's Request

Chairman Emler requested that Committee members present items of concern to be addressed during the 2010 Legislative Session to the Chairman's office at any early date.

Adjournment

The meeting was adjourned at 3:45 p.m..

**SENATE WAYS AND MEANS COMMITTEE
GUEST LIST**

DATE: December 15, 2009

NAME	REPRESENTING
Berend Koops	Hein Law Firm
JOHN BOTTEMBERG	BOTTEMBERG Assoc
Natalie Bygde	Bright - Carpenter
Tatiana Husley	AKGGO
Melissa Wangerman	KAC
Burbtollin Wood	Cup Journal
Stephan Mock	SRS
Justin Mayer	KHPA
Mark Desetti	KNEA
Jane Carter	KOSE
Sister Therese Bangert	KS. Cath. Conf.
Paul Johnson	" " "
Megan Ward	THE SALVATION ARMY
Jody Benson	MARC
Mark Heim	KWLO
Dick Kuehl	KDWP
Jim Conant	KDDR
Kent Eckles	KS Chamber of Commerce
Steve Solomon	TFI Family Services
Kelli Kirkwood	Kansas Livestock Assoc.
A. Miller	KEENEY + Assoc.
Mike Ottolenghi	Opoka Independent Living Resource Center
Julie Thomas	DOB

SENATE WAYS AND MEANS COMMITTEE
GUEST LIST

DATE: December 15, 2009

NAME	REPRESENTING
Kim Fowler	Judicial Branch
Gayle Shaw	KACCT
Jen Bruning	KsBio/KTEC
Ray Guber	KGA
Cott Casey	GTA
Suzanne Winkle	KS Action for Children
April Holman	Kansas Action for Children
Shannon Jones	SILCK
Anne Russell Hogg	SKIP

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November 2, 2009

To: Legislative Budget Committee and Governor Mark Parkinson
From: Kansas Legislative Research Department and Kansas Division of the Budget
Re: Human Services Consensus Caseload Estimates for FY 2010 and FY 2011

The Division of the Budget, Department of Social and Rehabilitation Services, Kansas Health Policy Authority, Department on Aging, Juvenile Justice Authority, and the Legislative Research Department, met on October 29, 2009, to revise the estimates on human services caseload expenditures for FY 2010 and to make initial estimates for FY 2011. The caseload estimates include expenditures for Nursing Facilities, Regular Medical Assistance, Temporary Assistance to Families, General Assistance, the Reintegration/Foster Care Contracts, psychiatric residential treatment facilities, and out of home placements. A chart summarizing the estimates for FY 2010 and FY 2011 is included at the end of this memorandum. The estimate for FY 2010 is increased by \$24.3 million from the State General Fund and \$40.2 million from all funding sources. The new estimate for FY 2011 then increases by \$118.4 million from the State General Fund, and \$51.6 million from all funding sources. **The combined increase for FY 2010 and FY 2011 is an all funds increase of \$91.8 million and a State General Fund increase of \$142.7million.**

The estimates include Medical Assistance expenditures by both the Kansas Health Policy Authority (KHPA) and the Department of Social and Rehabilitation Services (SRS). Most health care services for persons who qualify for Medicaid, MediKan, and other state health insurance programs were transferred to the KHPA on July 1, 2006, as directed in 2005 Senate Bill 272. Certain mental health services, addiction treatment services, and services for persons with disabilities that are a part of the Regular Medical Assistance Program remain in the budget of SRS.

FY 2010

For FY 2010, the estimate is an all funds increase of \$40.2 million and a State General Fund increase of \$24.3 million as compared to the budget approved by the 2009 Legislature, further modified by the Governor through the allotment process. The associated allotment reduction captured the additional increase in anticipated federal contribution and a corresponding decrease in the State General Fund requirements for FY 2010. This State General Fund reduction in FY 2010 totaled \$140.9 million, mainly due to the American Recovery and Reinvestment Act (ARRA) funding.

The all funds increase is due largely to increased estimates for Mental Health services, regular medical expenditures and Temporary Assistance to Families expenditures, partially offset by a decrease in Reintegration/Foster Care. Certain benefits which have a correlation to changes in the economic conditions in the state have been made, but may require additional adjustment in the April estimate.

The SRS Mental Health increase of \$26.5 million in all funds and \$7.8 million State General Fund increase in FY 2010 reflects an increase in beneficiaries and an increase in the payment rates for both the Prepaid Ambulatory Health Plan (PAHP) and the Psychiatric Residential Treatment Facilities. The Temporary Assistance to Families increase of \$2.2 million from all funding sources mainly is attributable to increased caseloads. In addition, expenditures for the regular medical program have increased by \$11.4 million from all funding sources, including \$18.3 million from the State General Fund. This estimate includes a decrease in fee fund expenditures for the state match and a corresponding increase of State General Fund expenditures attributable to decreased fee fund revenue projections for the Kansas Health Policy Authority for FY 2010. Out of Home Placement estimates for the Juvenile Justice Authority increased by \$1.0 million, including \$1.1 million from the State General Fund, due to increasing population among the youth. Estimates of Nursing Facilities expenditures increased by \$2.0 million, including \$607,700 from the State General Fund, mainly attributable to increased estimated cost per person.

FY 2011

The FY 2011 initial estimate is \$2.3 billion, including \$841.9 million from the State General Fund. The estimate is an all funds increase of \$51.6 million and a State General Fund increase of \$118.4 million as compared to the revised FY 2010 estimate. The portion of expenditures anticipated to be funded by the federal government for the Medicaid program have decreased due to the end of the American Recovery and Reinvestment Act (ARRA) funding at the end of December 2010, or half way through FY 2011. The increased amount of State General Fund required for matching in FY 2011 is estimated at \$93.5 million. The base Medicaid matching rate for federal contribution, excluding ARRA funding, was reduced by 1.33 percent between FY 2010 and FY 2011. The estimated impact of this reduction in FY 2011 is \$20.5 million. In addition, FY 2010 includes 53 weeks of payments, while FY 2011 returns to the standard 52 week payment year.

Regular Medical expenses for KHPA were increased by \$80.0 million from the State General Fund and \$39.4 million from all funds due to estimated increases in caseloads and higher per person expenditures. Nursing Facility expenditures were increased by \$3.7 million all funds, including \$20.7 million from the State General Fund, due to increased cost per person. Caseloads for Temporary Assistance for Families have increased by \$8.8 million, from all funding sources, due to increased estimates regarding the numbers of persons accessing services. The SRS Mental Health increase of \$1.9 million in all funds and the \$13.0 million State General Fund increase in FY 2011 generally is tied to estimated increases in beneficiaries for the Prepaid Ambulatory Health Plan (PAHP). These increases are partially offset by small decreases in expenditures for Psychiatric Residential Treatment Facilities by the Juvenile Justice Authority, General Assistance payments, and Addiction and Prevention Services (AAPS)/Prepaid Inpatient Health Plan (PIHP) by SRS.

**Human Services
October 2009
Consensus Caseload Estimates**

Program		FY 2010 Approved	October Revised FY 2010	Difference from Approved	October Estimate FY 2011	Diff. from FY 2010 Estimate
Nursing Facilities	SGF	\$ 111,816,800	\$ 112,424,500	\$ 607,700	\$ 133,149,324	\$ 20,724,824
	AF	368,000,000	370,000,000	2,000,000	373,700,000	3,700,000
Targeted Case Management (Aging)	SGF	\$ 1,580,020	\$ 1,580,020	\$ 0	\$ 1,852,760	\$ 272,740
	AF	5,200,000	5,200,000	0	5,200,000	0
Psychiatric Residential Treatment Facilities (PRTFs) (JJA)	SGF	\$ 2,157,335	\$ 2,157,335	\$ 0	\$ 2,315,950	\$ 158,615
	AF	7,100,000	7,100,000	0	6,500,000	(600,000)
Out of Home Placements (JJA)	SGF	\$ 18,500,000	\$ 19,600,000	\$ 1,100,000	\$ 21,037,226	\$ 1,437,226
	AF	21,968,941	22,900,000	931,059	23,383,470	483,470
Nursing Facilities for Mental Health (NFMH)	SGF	\$ 13,360,427	\$ 13,900,000	\$ 539,573	\$ 14,000,000	\$ 100,000
	AF	15,743,520	16,251,608	508,088	16,258,274	6,666
Temporary Assistance to Families	SGF	\$ 29,821,028	\$ 29,821,028	\$ 0	\$ 29,821,028	\$ 0
	AF	50,812,736	53,000,000	2,187,264	61,800,000	8,800,000
General Assistance	SGF	\$ 4,022,160	\$ 4,500,000	\$ 477,840	\$ 4,300,000	\$ (200,000)
	AF	4,022,160	4,500,000	477,840	4,300,000	(200,000)
Reintegration/Foster Care	SGF	\$ 90,196,703	\$ 85,000,000	\$ (5,196,703)	\$ 86,000,000	\$ 1,000,000
	AF	137,000,000	131,115,351	(5,884,649)	131,789,617	674,266
Regular Medical (KHPA)	SGF	\$ 346,676,000	\$ 365,000,000	\$ 18,324,000	\$ 445,000,000	\$ 80,000,000
	AF	1,310,206,747	1,321,580,000	11,373,253	1,361,000,000	39,420,000
Mental Health (SRS)	SGF	\$ 65,162,609	\$ 73,000,000	\$ 7,837,391	\$ 86,000,000	\$ 13,000,000
	AF	212,565,574	239,085,578	26,520,004	240,993,850	1,908,272
Community Supports and Services (SRS)	SGF	\$ 9,211,482	\$ 9,700,000	\$ 488,518	\$ 11,700,000	\$ 2,000,000
	AF	30,315,888	31,928,901	1,613,013	32,837,496	908,595
AAPS/PIHP* (SRS)	SGF	\$ 6,663,674	\$ 6,800,000	\$ 136,326	\$ 6,734,070	\$ (65,930)
	AF	21,930,800	22,383,147	452,347	18,900,000	(3,483,147)
TOTAL	SGF	\$ 699,168,238	\$ 723,482,883	\$ 24,314,645	\$ 841,910,358	\$ 118,427,475
	AF	\$ 2,184,866,366	\$ 2,225,044,585	\$ 40,178,219	\$ 2,276,662,707	\$ 51,618,122

SGF - State General Fund

AF - All Funds

* Addiction and Prevention Services (AAPS)/Prepaid Inpatient Health Plan (PIHP)

FY 2010 and FY 2011 School Finance
 Changes Based on November 2009 Estimates
 (Dollars in Thousands)

	FY 2010				FY 2011		
	Approved Amount*	November Estimate	Dollar Change	Percent Change	November Estimate	Dollar Change	Percent Change
Base State Aid Per Pupil	\$ 4,218	\$ 4,218	-	0.0%	\$ 4,218	\$ -	-
General State Aid	\$ 1,912,474	\$ 2,012,632	\$ 100,158	5.2%	\$ 1,999,613	\$ (13,019)	-0.6%
Supplemental State Aid	339,212	381,024	41,812	12.3	369,254	\$ (11,770)	(3.1)
Capital Outlay	0	-	-	-	26,400	26,400	--
Subtotal- School Finance	\$ 2,251,686	\$ 2,393,656	\$ 141,970	6.3%	\$ 2,395,267	\$ 1,611	0.1%
Capital Improvements (Revenue)	80,000	86,700	6,700	8.4	91,700	5,000	5.8
Special Education	367,541	381,050	13,509	3.7	392,525	11,475	3.0
KPERS contribution	260,082	256,423	(3,659)	(1.4)	304,821	48,398	18.9
TOTAL	\$ 2,959,309	\$ 3,117,829	\$ 158,520	5.4%	\$ 3,184,313	\$ 66,484	2.1%

* The Base State Aid Per Pupil does not reflect the Legislative Approved amount. It, instead, reflects the BSAPP including July 2009 allotments. November allotments were made after the consensus estimate meeting and are not reflected. The FY 2010 approved amount does not include federal ARRA funding and reflects a shift of \$30,674,123 in FY 2010. Supplemental State Aid reflects a shift of \$43,326,689 in FY 2010.

Senate Ways & Means Cmte
 Date **12-15-2009**
 Attachment **2**

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December 15, 2009

To: Senate Ways and Means Committee
From: Reagan Cussimano, Senior Fiscal Analyst
Re: Education Estimate Detail

General State Aid

- Increase of \$100.2 million, or 5.2 percent, above the approved amount. This includes the July 2009 allotment of \$39.1 million. The increase in funding is due to:
 - increase in student enrollment of approximately 6,000 students and includes declining enrollment and virtual enrollment;
 - decrease in assessed valuation of approximately \$13.5 million; and
 - increase in the number of students eligible for free and reduced lunch. In 2009, the number of students eligible was 152,117. For 2010, 170,912 are estimated to be eligible, an increase of 18,800, or 12.4 percent.

Supplemental State Aid

- Increase of \$41.8 million, or 12.3 percent. This is due to a decrease in estimated local taxes of approximately \$29.1 million.

Capital Outlay Aid

- There is no funding for Capital Outlay. The funding was transferred to General State Aid for FY 2010.

Capital Improvement Aid

- Increase of \$6.7 million, or 8.4 percent. The increase is due to the increased state obligation for bonds totaling \$847.0 million passed in November 2008.

KPERS

- Decrease of \$3.6 million due to the July allotment being reflected in the estimates.

Special Education

- Increase of \$13.5 million, or 3.7 percent, for 26,500 FTE special education students. The estimate included an anticipated 1.2 percent special education teachers and an additional 50 teachers.

Senate Ways & Means Cmte

Date 12-15-2009

Attachment 3

	Description	November FY 2010 CRE Estimate	November FY 2011 CRE Estimate	General Fund Gain/Loss
Transfers Out:				
Dept. of Education	School District Cap. Improvements Fund	\$ (86,700,000)	\$ (91,700,000)	\$ (5,000,000)
Water Plan Agencies	State Water Plan Fund	-	(6,000,000)	(6,000,000)
Board of Regents	Regents Faculty of Distinction Program	(2,882,367)	(3,000,000)	(117,633)
	Regents Research Corporation Bonds	(2,457,907)	(6,240,000)	(3,782,093)
	Infrastructure Maintenance Fund	-	(15,000,000)	(15,000,000)
Attorney General	Tort Claims	(1,694,303)	(137,185)	1,557,118
Department of Administration	Federal Cash Management Fund	(500,000)	(500,000)	-
	Emergency Fund (State Fair)	(107,590)	-	107,590
Biosciences Authority	Biosciences Initiative	(40,000,000)	(70,000,000)	(30,000,000)
KPERS	Non-Retirement Administration	(120,000)	(120,000)	-
Health Care Stab. Fund	Reimbursement for Claims & Expenses	-	-	-
State Treasurer	Spirit Aerosystems Incentive	(3,318,246)	(3,219,000)	99,246
	Eaton MDH Spec. Qual. Indus. Mfg. Fund	(325,662)	(327,000)	(1,338)
	Cessna Incentive	-	-	-
	Tax Increment Finance Replacement Fund	(1,100,000)	(1,100,000)	-
	Learning Quest Matching Funds	(265,000)	(265,000)	-
	Business Machinery Slider	-	(43,983,000)	(43,983,000)
	Intrest	(11,228,097)	(11,228,097)	-
Racing & Gaming	Tribal Gaming Program Loan Repayment	(450,000)	(450,000)	-
State Fair	Special Cash Fund	(200,000)	(200,000)	-
	Capital Improvements	-	(300,000)	(300,000)
Insurance Department	Repayment to Workers Comp. Fund	-	(1,000,000)	(1,000,000)
Department of Transportation	Special City/County Highway Fund	-	(10,063,664)	(10,063,664)
	Repay "Loan" to Highway Fund	-	(30,896,209)	(30,896,209)
Dept. of Health & Environment	Repayment to Waste Tire Mgmt. Fund	-	(250,000)	(250,000)
	Repymt. To Ungd. Petrol. Trust Fund	-	(2,500,000)	(2,500,000)
<i>Subtotal Transfers Out</i>		<u>\$ (151,349,172)</u>	<u>\$ (298,479,155)</u>	<u>\$ (147,129,983)</u>
Total Transfers		<u>\$ 33,700,000</u>	<u>\$ (223,055,678)</u>	<u>\$ (256,755,678)</u>

* Includes Governor's Allotment of July 2, 2009

Senate Ways & Means Cmte
 Date 12-15-2009
 Attachment 4

Transfers In and Out of the State General Fund

4-2

	Description	November FY 2010 CRE Estimate	November FY 2011 CRE Estimate	State General Fund Gain/Loss
Transfers in:				
Various Agencies	KPERS Death & Disability 5-Mo. Moratorium	\$ 3,008,403	\$ -	\$ (3,008,403)
	2009 HB 2373 Transfers Adjusted 21.5%	1,843,439	-	(1,843,439)
Department of Administration	Cancelled Warrants	1,956,071	1,945,230	(10,841)
KPERS	Bond Payment for 13th Check	3,214,134	3,537,100	322,966
Kansas Lottery	Gaming Revenues Fund	28,090,154	20,400,000	(7,690,154)
	Special Veterans Benefit Game	1,600,000	1,600,000	-
	ELARF	54,703,568	-	(54,703,568)
Racing & Gaming	Tribal Gaming Regulation Loan	450,000	450,000	-
PMIB	PMIB Investment Portfolio Fee Fund	2,764,563	2,640,000	(124,563)
Home Inspectors Reg. Board	Repayment of Loan	7,000	-	(7,000)
Securities Commissioner	Transfer Balance	10,099,799	10,277,436	177,637
KEY Fund	Transfer Balance	14,291,630	-	(14,291,630)
Osawatomie State Hospital	OSH Fees Fund	323,928	-	(323,928)
Highway Patrol	Training Center Fund	500,000	500,000	-
	General Fees Fund	300,000	-	(300,000)
	Vehicle Identif. Number Fee Fund	100,000	-	(100,000)
Animal Health	Livestock & Pseudorabies Indemnity Fund	17,275	-	(17,275)
	Legal Services Fund	31,244	-	(31,244)
	Conversion of Materials & Equipment Fund	15,420	-	(15,420)
State Fair	Special Cash Fund	200,000	200,000	-
Water Office	Water Marketing Fund	-	-	-
	Water Supply Storage Assurance	-	44,088	44,088
Department of Transportation	Highway Fund Transfer for Highway Patrol	36,035,395	33,619,623	(2,415,772)
	State Highway Fund	25,287,150	-	(25,287,150)
	Overhead Payment/Purchasing	210,000	210,000	-
<i>Subtotal Transfers In</i>		<u>\$ 185,049,172</u>	<u>\$ 75,423,477</u>	<u>\$ (109,625,695)</u>

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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December 15, 2009

To: Senate Ways and Means Committee
From: Alan D. Conroy, Director
Re: State Budget Outlook

STATE BUDGET OUTLOOK

1. State General Fund Revenue - Actual FY 2009

- a. Actual FY 2009 receipts were \$120.7 million or 2.1 percent below the April revenue estimates; and
- b. Actual FY 2009 taxes only were almost \$0.5 billion below actual FY 2008 receipts.

2. Economic Forecast for Kansas

"...a good deal of uncertainty remains for the Kansas economy and underlined by very little projected growth in income and the expectation that unemployment will continue to increase during 2010. A recent study by the Federal Reserve indicates that Kansas since at least 1956 has exited every recession later than the nation-as-a-whole. While some of the weak economic indicators have prompted concerns of a double-dip recession, the assumptions are that modest growth will continue in the national and state economies in 2010 and 2011.

- a. Kansas Personal Income;
- b. Employment;
- c. Agriculture;
- d. Oil and Gas;
- e. Inflation Rate.

3. November, 2009 Consensus Revenue Estimates

- a. Consensus Revenue Estimating Group;
- b. The current year estimate revised downward \$235 million or 4.2 percent below the previous estimate;
- c. Individual income tax receipt estimates were revised downward \$195 million or 7.1 percent;
 - i. Deferred capital losses from the stock market;
 - ii. Weak employment and personal income indicators.
- d. The revised current year estimate of \$5.3 billion is \$288 million or 5.4 percent below actual FY 2009 receipts.

Senate Ways & Means Cmte
Date 12-15-2009
Attachment 5

- e. The FY 2011 estimate is \$5.179 billion which is \$122.2 million or 2.3 percent the newly revised FY 2010 amount.
 - i. Heavily influenced by an increase of \$255 in net transfers from the State General Fund;
 - (1) Biosciences Authority - \$70 million;
 - (2) Business Machinery Slider - \$44 million;
 - (3) Special City and County Highway Fund - \$10 million;
 - (4) Repay Previous Highway Fund "Loan" to State General Fund - \$31 million;
 - ii. Tax receipts only grow by a modest 2.5 percent (\$132 million);

4. November, 2009 State General Fund Actual Receipts

- a. Total receipts for the month were \$6.1 million or 0.3 percent above the estimate, but it was 12.6 percent or \$280.8 million below FY 2009 for the same period.
- b. Tax receipts only for the month were \$3.5 million or 0.2 percent above the estimate, but it was 10.2 percent or \$221.2 million below FY 2009 for the same period.
- c. Individual income tax receipts for the month were \$3.7 million or 0.4 percent above the estimate.

5. State General Fund Projected Receipts - Fourth Year of Falling Receipts

- a. FY 2007 - \$5.809 billion, a 7.7 percent increase;
- b. FY 2008 - \$5.693 billion, a 2.0 percent decrease;
- c. FY 2009 - \$5.587 billion, a 1.9 percent decrease;
- d. FY 2010 - \$5.300 billion (estimated), a 5.2 percent decrease;
- e. FY 2011 - \$5.178 billion (estimated), a 2.3 percent decrease;
- f. From FY 2007 to FY 2011 (estimated), State General Fund receipts will decrease from \$630.5 million or 10.9 percent.
- g. The State General Fund receipts since FY 1966 (44 years) has only decreased three times prior to this recession:
 - i. FY 1986 - 1.0 percent decrease;
 - ii. FY 1999 - 1.1 percent decrease;
 - iii. FY 2002 - 6.9 percent decrease.

6. State General Fund Profile

- a. After new revenue estimates and Governor's July (\$90 million) and November allotments (\$193 million) in the current year there is a **shortfall of \$254 million or 4.5 percent**;
- b. Governor's proposal is address the shortfall in two main areas:
 - i. Transfer \$80 million from the State Highway Fund to the State General Fund;
 - ii. Not fund the latest school estimate, which would require another \$155 million to fully fund current law.

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- c. FY 2011 projection assumes;
 - i. FY 2010 base budget is carried forward;
 - ii. Replacement of federal economic stimulus funds of \$178 million;
 - iii. Human services entitlements increase by \$118 million;
 - iv. KPERS employer contribution increase of \$42 million;
 - v. Net transfers are fully funded;
 - vi. **Shortfall of \$358.7 million or 6.5 percent.**

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November 12, 2009

To: Governor Mark Parkinson and Legislative Budget Committee
From: Kansas Legislative Research Department
Kansas Division of the Budget
Re: State General Fund Receipts Estimates for FY 2010 and FY 2011

Estimates for the State General Fund (SGF) are developed using a consensus process that involves the Legislative Research Department, Division of the Budget, Department of Revenue, and three consulting economists from state universities. This estimate is the base from which the Governor and the Legislature build the annual budget. The Consensus Group met on November 5, 2009, and decreased the estimate for FY 2010 and developed the first estimate for FY 2011.

For FY 2010, the estimate was decreased by \$235.2 million, or 4.2 percent, below the previous estimate (made in April and subsequently adjusted for legislation enacted during the veto session). The revised estimate of \$5.301 billion represents 5.2 percent decrease below final FY 2009 receipts.

The initial estimate for FY 2011 is \$5.179 billion, which is \$122.2 million, or 2.3 percent, below the newly revised FY 2010 figure. One major reason for the reduction relates to a significant increase in net transfers out of the SGF in compliance with current statutory requirements for FY 2011. Other factors influencing the growth rate include legislation enacted in 2005-2007 that continues to reduce the amount of severance, estate, corporation franchise, and motor carrier property tax receipts deposited in the SGF; and a revenue-enhancement package enacted in 2009 that is expected to produce significantly less in FY 2011 receipts than in FY 2010.

Table 1 compares the new FY 2010 and FY 2011 estimates with actual receipts from FY 2009. Table 2 shows the changes in the FY 2010 estimates.

Economic Forecast for Kansas

While the recent announcement of growth during the third quarter of 2009 may have signaled the end of the national economic downturn, a good deal of uncertainty remains for the Kansas economy and is underlined by very little projected growth in income and the expectation that unemployment will continue to increase during 2010. A recent study by the Federal Reserve indicates that Kansas since at least 1956 has exited every recession later than the nation-as-a-whole. While some of the weak economic indicators have prompted concerns of a double-dip recession, the assumptions are that modest growth will continue in the national and state economies in 2010 and 2011. Current forecasts call for nominal Gross Domestic Product to grow by 2.5 percent in 2010 and 4.3 percent in 2011 (coming off a 1.0 percent decline in 2009); and nominal Kansas Gross State Product to grow by 2.6 percent in 2010 and 3.0 percent in 2011 (after a 1.3 percent decline in 2009). Significant concerns nevertheless remain for many of the state's key

sectors, including aviation manufacturing and agriculture. The Consensus estimates contained in this memo are therefore premised on a leveling off of the state's economy during the balance of FY 2010 and the resumption of slow growth in FY 2011.

Kansas Personal Income

Kansas Personal Income (KPI) in 2009 is expected to fall by 2.7 percent below the 2008 level. The forecast calls for KPI to grow by 0.7 percent in 2010 and 2.7 percent in 2011. Overall US Personal Income growth is not expected to differ significantly from the pattern in Kansas, with national estimates currently at negative 2.1 percent, 1.5 percent, and 3.8 percent for the same three years, respectively.

Employment

Data obtained from the Kansas Department of Labor verify that employment has weakened considerably since the fall of 2008. The most recent monthly data show that total Kansas non-farm employment from September 2008 to September 2009 had decreased by about 60,000 jobs, or 4.3 percent. All major sectors showed losses, led by manufacturing, which had 26,400 fewer jobs. The current average estimates used by the Department indicate that the overall Kansas unemployment rate, which was 4.4 percent in CY 2008, is expected to jump to 6.95 percent in CY 2009; 7.3 percent in CY 2010; and fall to 6.75 percent for 2011. This trend is similar to national unemployment forecasts which suggest that the national rate, which is expected to remain up to 2.0 percent higher than the Kansas rate, will continue to increase throughout much of 2010, reaching a high of 10.2 percent.

Agriculture

Although net farm income in 2008 was significantly higher than 2007, the outlook for 2009 is much more uncertain as a result of higher input prices, especially energy and fertilizer costs, and significantly lower commodity prices. The All Farm Products Index of Prices received by Kansas farmers was 117 in September, down from 160 a year earlier. Weather conditions have contributed to a delay of up to five weeks in the 2009 harvest. Although the combined total production of the four major grain crops is expected to be 9 percent above the 2008 level, the overall value of production for those crops is forecast to be down by 19 percent. Livestock prices also remain lower this fall than they were in 2008.

Oil and Gas

After historic levels of volatility in the price of oil over the last 15 months, the price thus far in FY 2010 has remained much higher than the price estimated in April. The average price per taxable barrel of Kansas crude in FY 2010 is now estimated to be \$70, significantly higher than the previous forecast of \$45. As always, significant political tensions in the Middle East and elsewhere provide a great deal of uncertainty about forecasting the price of this commodity. Gross oil production in Kansas, which had been declining steadily for more than a decade until FY 2000, has recently reversed that trend and been increasing slightly since FY 2005. The current forecast of 40 million barrels for FY 2010 represents a level not seen since FY 1997. Approximately half of all Kansas oil produced is not subject to severance taxation because of various exemptions in that law.

The price of natural gas is expected to average \$3.75 per mcf for FY 2010 before increasing to \$5.25 per mcf for FY 2011, based on an industry source's analysis of futures markets. Factors considered for these estimates included the relationship between crude oil and gas prices, the current relatively high storage levels for gas, overall weakness of the economy, and the impact of

enhanced production from shale formations elsewhere in the United States. Kansas natural gas production in FY 2009 of 376 million cubic feet represented a significant decrease from the modern era peak of 730 million cubic feet in FY 1996 (largely as a result of depletion of reserves in the Hugoton Field). Production is expected to continue to decrease to 360 million cubic feet for FY 2010; and 345 million cubic feet for FY 2011.

Inflation Rate

The Consumer Price Index for all Urban consumers (CPI-U) is expected to fall by 0.5 percent in 2009. Despite the continuation of aggressive monetary policy by the Federal Reserve, the latest forecast calls for inflation to remain at very moderate levels of 1.5 percent in 2010 and 1.7 percent in 2011.

Interest Rates

The Pooled Money Investment Board (PMIB) is authorized to make investments in US Treasury and Agency securities, highly rated commercial paper and corporate bonds, repurchase agreements and certificates of deposit in Kansas banks. Extremely low idle-fund balances require PMIB to maintain a highly liquid portfolio, which reduces the amount of return available to the pool. In FY 2009, the state earned 2.20 percent on its SGF portfolio (compared with a 4.26 percent rate in FY 2008). The average rates of return forecasted for FY 2010 and FY 2011 are 1.05 percent and 1.22 percent, respectively, and reflect the expected continuation of historically low interest rates.

Economic Forecasts

	<u>CY 09*</u>	<u>CY 10*</u>	<u>CY 11*</u>
KPI Growth	(2.7)%	0.7%	2.7%
Inflation (CPI-U)	(0.5)%	1.5%	1.7%
	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>
SGF Interest	2.20%	1.05%	1.22%
Oil and Gas			
Oil Prices per bbl	\$ 73.44	\$ 70.00	\$ 75.00
Gross Prod. (000)	39,731	40,000	40,000
Gas Price per mcf	\$ 6.64	\$ 3.75	\$ 5.25
Gas Tax Val. (000)	1,816,868	1,231,875	1,657,294

*Estimated

State General Fund Receipts Estimates

FY 2010. The revised estimate of SGF receipts for FY 2010 is \$5.301 billion, a decrease of \$235.2 million from the previous estimate. Receipts through October had been running \$109.9 million below that forecast. The revised estimate is approximately \$288.3 million, or 5.2 percent, below actual FY 2009 receipts.

Each individual SGF source was reevaluated independently and consideration was given to revised and updated economic forecasts, collection information from the Departments of Revenue and Insurance, and year-to-date receipts.

The estimate of total taxes was decreased by \$241.3 million, while the estimate of other revenue was increased by \$6.1 million. Total taxes in FY 2010 are now expected to be \$215.9 million below FY 2009 collections, which were \$499.1 million below the FY 2008 figure.

The estimate for individual income taxes was decreased by \$195.3 million. Deferred capital losses from the stock market upheavals in 2008 are expected to influence tax year 2009 receipts in addition to the historically weak employment and personal income indicators. Final FY 2009 receipts from this source were \$93.0 million below the final estimate for that year and would have been almost \$120 million below the estimate had the state not deferred payment of a number of refunds to the early part of FY 2010.

The combined forecast for sales and compensating use taxes was decreased by \$48.1 million. This result is attributable in part to new information about an additional \$28 million in refunds to one taxpayer beyond the level that had been assumed in the previous estimate. Consumer confidence and forecasts of weak holiday spending also influenced the revision.

The corporation income tax estimate was reduced by \$23.2 million as a result of weak estimated payments thus far and the assumption that refunds will again be close to \$100 million by the end of the fiscal year. Receipts from this source through October were \$8.2 million below the previous estimate.

Other reductions of note based on new information included \$4.0 million cuts to both the motor carrier property tax and interest estimates.

The overall severance tax estimate was increased by \$27.2 million, with \$22.7 million attributable to an increase in the oil estimate. As noted previously, the estimated price per barrel has been increased substantially since April. The forecast for net transfers to the SGF also was increased by \$10.1 million.

Details of the current year's revised estimate are reflected in Table 2.

FY 2011. SGF receipts are estimated to be \$5.179 billion in FY 2011, a figure that is 2.3 percent below the new FY 2010 forecast. This result is heavily influenced by an increase of more than \$255 million in net transfers from the SGF which will occur absent any change in current law. Total tax receipts are expected to grow by \$131.6 million, or 2.5 percent, to reflect the modest economic recovery. Other factors taken into account for FY 2011 include the continued phasing out of the estate and corporation franchise taxes; and the fact that a temporary revenue enhancement package enacted in 2009 is expected to produce nearly \$60 million less in FY 2011 receipts than it will in FY 2010.

Accuracy of Consensus Revenue Estimates

For 35 years, SGF revenue estimates for Kansas have been developed using the consensus revenue estimating process. Besides the three state agencies identified on the first page, the economists currently involved in the process are Joe Sicilian from the University of Kansas, Ed Olson from Kansas State University, and John Wong from Wichita State University. Each of the agencies and individuals involved in the process prepared independent estimates and met on November 5, 2009, to discuss estimates and come to a consensus for each fiscal year.

STATE GENERAL FUND ESTIMATES

Fiscal Year	Adjusted Original Estimate*	Adjusted Final Estimate**	Actual Receipts	Difference from Original Estimate*		Difference from Final Estimate**	
				Amount	Percent	Amount	Percent
1975	—	\$614.9	\$627.6	—	—	\$12.7	2.1%
1976	\$676.3	699.7	701.2	\$24.9	3.7%	1.4	0.2
1977	760.2	760.7	776.5	16.3	2.1	15.8	2.1
1978	830.1	861.2	854.6	24.5	3.0	(6.5)	(0.8)
1979	945.2	1,019.3	1,006.8	61.6	6.5	(12.5)	(1.2)
1980	1,019.3	1,095.9	1,097.8	78.5	7.7	1.9	0.2
1981	1,197.1	1,226.4	1,226.5	29.4	2.5	0.1	0.0
1982	1,351.3	1,320.0	1,273.0	(78.3)	(5.8)	(47.0)	(3.6)
1983	1,599.2	1,366.9	1,363.6	(235.6)	(14.7)	(3.2)	(0.2)
1984	1,596.7	1,539.0	1,546.9	(49.8)	(3.1)	7.9	0.5
1985	1,697.7	1,679.7	1,658.5	(39.2)	(2.3)	(21.3)	(1.3)
1986	1,731.2	1,666.4	1,641.4	(89.8)	(5.2)	(25.0)	(1.5)
1987	1,903.1	1,764.7	1,778.5	(124.6)	(6.5)	13.8	0.8
1988	1,960.0	2,031.5	2,113.1	153.1	7.8	81.6	4.0
1989	2,007.8	2,206.9	2,228.3	220.5	11.0	21.4	1.0
1990	2,241.2	2,283.3	2,300.5	59.3	2.6	17.2	0.8
1991	2,338.8	2,360.6	2,382.3	43.5	1.9	21.7	0.9
1992	2,478.7	2,454.5	2,465.8	(12.9)	(0.5)	11.3	0.5
1993	2,913.4	2,929.6	2,932.0	18.6	0.6	2.4	0.1
1994	3,040.1	3,126.8	3,175.7	135.6	4.5	48.9	1.6
1995	3,174.4	3,243.9	3,218.8	44.4	1.4	(25.1)	(0.8)
1996	3,428.0	3,409.2	3,448.3	20.3	0.6	39.0	1.1
1997	3,524.8	3,642.4	3,683.8	159.0	4.5	41.4	1.1
1998	3,714.4	3,971.0	4,023.7	309.3	8.3	52.7	1.3
1999	3,844.7	4,051.9	3,978.4	133.7	3.5	(73.4)	(1.8)
2000	4,204.1	4,161.0	4,203.1	(1.0)	0.0	42.1	1.0
2001	4,420.7	4,408.7	4,415.0	(5.7)	(0.1)	6.4	0.1
2002	4,674.5	4,320.6	4,108.9	(565.6)	(12.1)	(211.7)	(4.9)
2003	4,641.0	4,235.6	4,245.6	(395.4)	(9.3)	9.9	0.2
2004	4,605.5	4,450.5	4,518.7	(86.8)	(1.9)	68.2	1.5
2005	4,490.5	4,793.8	4,841.3	350.8	7.8	47.5	1.0
2006	4,834.0	5,308.7	5,394.4	560.4	11.6	85.7	1.6
2007	5,144.0	5,721.3	5,809.0	665.0	12.9	87.8	1.5
2008	5,700.4	5,736.3	5,694.9	(5.5)	(0.1)	(41.4)	(0.7)
2009	6,185.7	5,709.7	5,589.0	(596.7)	(9.6)	(120.7)	(2.1)

* The adjusted original estimate is the estimate made in November or December prior to the start of the next fiscal year in July and adjusted to account for legislation enacted, if any, which affected receipts to the SGF.

** The final estimate made in March, April, or June is the adjusted original estimate plus or minus changes subsequently made by the Consensus Estimating Group. It also includes the estimated impact of legislation on receipts.

The table (above) presents estimates compared to actual receipts since FY 1975, the fiscal year for which the current process was initiated. First, the adjusted original estimate is compared to actual collections and then the final estimate is compared to actual receipts.

Concluding Comments

Consensus revenue estimates are based on current federal and state laws and their current interpretation. These estimates will be further adjusted in mid-April prior to the conclusion of the 2010 Legislative Session.

Table 1
State General Fund Receipts
(Dollars in Thousands)

	FY 2009 (Actual)		Consensus Estimate November 5, 2009			
			FY 2010 (Revised)		FY 2011	
	Amount	Percent Change	Amount	Percent Change	Amount	Percent Change
Property Tax:						
Motor Carrier	\$ 29,257	0.8 %	\$ 24,000	(18.0) %	\$ 24,000	-- %
Income Taxes:						
Individual	\$ 2,682,000	(7.4) %	\$ 2,560,000	(4.5) %	\$ 2,610,000	2.0 %
Corporation	240,258	(44.4)	245,000	2.0	245,000	--
Financial Inst.	26,192	(21.0)	24,000	(8.4)	25,000	4.2
Total	\$ 2,948,450	(12.3) %	\$ 2,829,000	(4.1) %	\$ 2,880,000	1.8 %
Estate Tax	\$ 22,530	(49.1) %	\$ 14,500	(35.6) %	\$ 5,000	(65.5) %
Excise Taxes:						
Retail Sales	\$ 1,689,516	(1.3) %	\$ 1,660,500	(1.7) %	\$ 1,710,000	3.0 %
Compensating Use	235,026	(4.6)	222,000	(5.5)	250,000	12.6
Cigarette	107,216	(4.9)	102,000	(4.9)	100,000	(2.0)
Tobacco Products	5,728	3.2	6,000	4.7	6,200	3.3
Cereal Malt Bev.	2,089	(6.2)	2,200	5.3	2,200	--
Liquor Gallonage	18,215	3.6	18,500	1.6	19,100	3.2
Liquor Enforcement	53,794	7.6	57,000	6.0	59,000	3.5
Liquor Drink	9,141	2.7	9,500	3.9	9,700	2.1
Corp. Franchise	41,720	(10.6)	26,000	(37.7)	15,000	(42.3)
Severance	124,249	(16.1)	101,700	(18.1)	118,800	16.8
Gas	73,814	(19.3)	47,700	(35.4)	62,800	31.7
Oil	50,436	(11.0)	54,000	7.1	56,000	3.7
Total	\$ 2,286,693	(2.7) %	\$ 2,205,400	(3.6) %	\$ 2,290,000	3.8 %
Other Taxes:						
Insurance Prem.	119,590	1.7 %	\$ 117,500	(1.7) %	\$ 123,000	4.7 %
Miscellaneous	1,794	(65.7)	2,000	11.5	2,000	--
Total	\$ 121,384	(1.2) %	\$ 119,500	(1.6) %	\$ 125,000	4.6 %
Total Taxes	\$ 5,408,314	(8.4) %	\$ 5,192,400	(4.0) %	\$ 5,324,000	2.5 %
Other Revenues:						
Interest	\$ 64,199	(42.3) %	\$ 20,000	(68.8) %	\$ 22,000	10.0 %
Net Transfers	35,582	109.4	33,700	(5.3)	(223,700)	(763.8)
Agency Earnings	80,879	50.1	54,600	(32.5)	56,200	2.9
Total	\$ 180,660	185.0 %	\$ 108,300	(40.1) %	\$ (145,500)	(234.3) %
Total Receipts	<u>\$ 5,588,974</u>	<u>(1.9) %</u>	<u>\$ 5,300,700</u>	<u>(5.2) %</u>	<u>\$ 5,178,500</u>	<u>(2.3) %</u>

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Table 2
State General Fund Receipts
FY 2010 Revised
Comparison of November 2009 Estimate to June 2009 Estimate
(Dollars in Thousands)

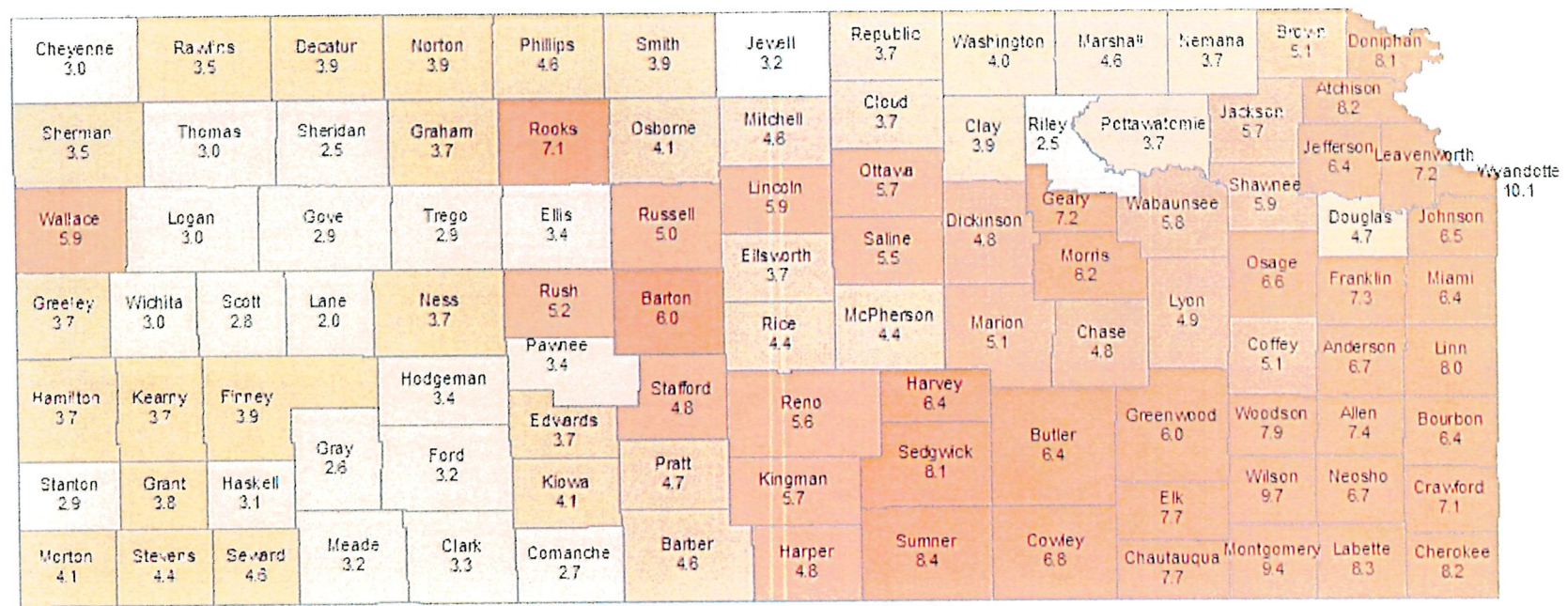
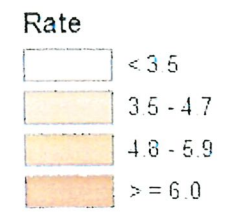
	FY 2010 CRE Est. as Adj. for Legis.	FY 2010 CRE Estimate	Difference	
			Amount	Pct. Chg.
Property Tax:				
Motor Carrier	\$ 28,000	\$ 24,000	\$ (4,000)	(14.3) %
Income Taxes:				
Individual	\$ 2,755,335	\$ 2,560,000	\$ (195,335)	(7.1) %
Corporation	268,200	245,000	(23,200)	(8.7)
Financial Inst.	26,000	24,000	(2,000)	(7.7)
Total	\$ 3,049,535	\$ 2,829,000	\$ (220,535)	(7.2) %
Estate Tax	\$ 14,500	\$ 14,500	\$ --	-- %
Excise Taxes:				
Retail Sales	\$ 1,699,428	\$ 1,660,500	\$ (38,928)	(2.3) %
Compensating Use	231,200	222,000	(9,200)	(4.0)
Cigarette	102,000	102,000	--	--
Tobacco Product	5,800	6,000	200	3.4
Cereal Malt Beverage	2,200	2,200	--	--
Liquor Gallonage	18,500	18,500	--	--
Liquor Enforcement	57,000	57,000	--	--
Liquor Drink	9,700	9,500	(200)	(2.1)
Corporate Franchise	22,000	26,000	4,000	18.2
Severance	74,500	101,700	27,200	36.5
Gas	43,200	47,700	4,500	10.4
Oil	31,300	54,000	22,700	72.5
Total	\$ 2,222,328	\$ 2,205,400	\$ (16,928)	(0.8) %
Other Taxes:				
Insurance Premium	\$ 117,300	\$ 117,500	\$ 200	0.2 %
Miscellaneous	2,000	2,000	--	--
Total	\$ 119,300	\$ 119,500	\$ 200	0.2 %
Total Taxes	\$ 5,433,663	\$ 5,192,400	\$ (241,263)	(4.4) %
Other Revenues:				
Interest	\$ 24,000	\$ 20,000	\$ (4,000)	(16.7) %
Net Transfers	23,610	33,700	10,090	42.7
Agency Earnings	54,600	54,600	--	--
Total Other Revenue	\$ 102,210	\$ 108,300	\$ 6,090	6.0 %
Total Receipts	\$ 5,535,873	\$ 5,300,700	\$ (235,173)	(4.2) %

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UNEMPLOYMENT RATES FOR OCTOBER 2009

State Rate = 6.4%



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December 7, 2009

To: Legislative Budget Committee

STATE GENERAL FUND (SGF) RECEIPTS July through November, FY 2010

This is the first monthly report based on the revised estimate for FY 2010 made by the Consensus Revenue Estimating Group on November 5, 2009. The figures in both the "Estimate" and "Actual" columns under FY 2010 on the following table include actual receipts through November, so this report essentially compares estimated and actual receipts for November.

Total receipts through November were \$6.1 million, or 0.3 percent, above the estimate. The component of SGF receipts from taxes only were \$3.5 million, 0.2 percent, above the estimate.

It is important to remember that, generally, a comparison of just one month is not a reliable basis upon which to identify a trend for the balance of the year. The timing of the receipt by the state of tax remittances and the processing of these payments, by themselves, can affect a month's numbers. The SGF receipts picture will become clearer in the early months of calendar year 2010.

There was only one tax source that exceeded the estimate by more than \$1.0 million, that being individual income (\$3.7 million, or 0.4 percent).

One tax source fell below the estimate by more than \$1.0 million, that being estate (\$1.2 million, or 27.6 percent).

Interest earnings were above the estimate by \$0.8 million. Net transfers were \$2.3 million less than expected, while agency earnings were \$0.6 million below the estimate.

Total SGF receipts through November of FY 2010 were \$280.8 million, or 12.6 percent, below FY 2009 for the same period. Tax receipts only through November, FY 2010 were below the same period in FY 2009 by \$221.2 million, or 10.2 percent.

This report excludes the July 1 deposit to the SGF of \$700 million pursuant to issuance of a Certificate of Indebtedness. The Certificate will be discharged prior to the end of the fiscal year.

STATE GENERAL FUND RECEIPTS
July - November, FY 2010
 (dollar amounts in thousands)

	Actual	FY 2010			Percent increase relative to:	
	FY 2009	Estimate*	Actual	Difference	FY 2009	Estimate
Property Tax:						
Motor Carriers	\$ 6,399	\$ 5,100	\$ 5,159	\$ 59	(19.4)%	1.2%
Income Taxes:						
Individual	\$ 1,039,738	\$ 958,000	\$ 961,726	\$ 3,726	(7.5)%	0.4%
Corporation	108,726	82,500	82,608	108	(24.0)	0.1
Financial Inst.	7,118	3,250	3,154	(96)	(55.7)	(3.0)
Total	\$ 1,155,582	\$ 1,043,750	\$ 1,047,487	\$ 3,737	(9.4)%	0.4%
Estate Tax	\$ 14,477	\$ 4,450	\$ 3,224	\$ (1,226)	(77.7)%	(27.6)%
Excise Taxes:						
Retail Sales	\$ 713,319	\$ 698,000	\$ 698,321	\$ 321	(2.1)%	0.0%
Comp. Use	101,934	81,000	81,283	283	(20.3)	0.3
Cigarette	46,870	41,700	41,743	43	(10.9)	0.1
Tobacco Prod.	2,395	2,600	2,669	69	11.4	2.6
Cereal Malt Bev.	921	900	892	(8)	(3.2)	(0.9)
Liquor Gallonage	7,782	7,800	7,732	(68)	(0.6)	(0.9)
Liquor Enforce.	21,004	21,200	21,093	(107)	0.4	(0.5)
Liquor Drink	3,594	3,550	3,417	(133)	(4.9)	(3.7)
Corp. Franchise	7,593	8,885	8,625	(260)	13.6	(2.9)
Severance	80,977	22,600	22,677	77	(72.0)	0.3
Gas	46,549	10,100	10,000	(100)	(78.5)	(1.0)
Oil	34,428	12,500	12,677	177	(63.2)	1.4
Total	\$ 986,388	\$ 888,235	\$ 888,452	\$ 217	(9.9)%	0.0%
Other Taxes:						
Insurance Prem.	\$ (1,354)	\$ (4,800)	\$ (3,993)	\$ 807	-- %	(16.8)%
Miscellaneous	532	500	447	(53)	(16.0)	(10.6)
Total	\$ (822)	\$ (4,300)	\$ (3,546)	\$ 754	-- %	(17.5)%
Total Taxes	\$ 2,162,023	\$ 1,937,235	\$ 1,940,776	\$ 3,541	(10.2)%	0.2%
Other Revenue:						
Interest	\$ 23,018	\$ 8,436	\$ 9,229	\$ 793	(59.9)%	9.4%
Transfers (net)	(6,919)	(26,366)	(24,028)	2,338	--	(8.9)
Agency Earnings and Misc.	57,777	29,756	29,156	(600)	(49.5)	(2.0)
Total	\$ 73,876	\$ 11,825	\$ 14,357	\$ 2,532	(80.6)%	21.4%
TOTAL RECEIPTS	\$ 2,235,899	\$ 1,949,060	\$ 1,955,133	\$ 6,073	(12.6)%	0.3%

* Consensus estimate as of November 5, 2009.

NOTES:

- (1) Details may not add to totals due to rounding.
- (2) Excludes \$700 million to State General Fund due to issuance of a Certificate of Indebtedness.
- (3) Remember that \$31.0 million in FY 2009 refunds were delayed to FY 2010 for cash-flow purposes.

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STATUS OF THE STATE GENERAL FUND
FY 2009-FY 2011 Based on November 2009 Consensus Revenue Estimates
and Governor's July and November Allotments
(In Millions)

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	Actual FY 2009	Estimated FY 2010	Estimated FY 2011
Revenue:			
Beginning Balance	\$ 526.6	\$ 49.7	\$ -
Receipts (Nov. 2009 Consensus Revenue Estimate)	5,587.4	5,300.7	5,178.5
Total Available	<u>\$ 6,114.0</u>	<u>\$ 5,350.4</u>	<u>\$ 5,178.5</u>
Expenditures:			
Delay FY 2009 School Aid Payments to FY 2010	6,064.4	5,612.9	5,350.4
State General Fund Amounts Shifted to FY 2010	-	73.0	(73.0)
Governor's July 2009 State General Fund Allotments	-	21.3	(21.3)
	-	(90.1)	-
Governor's November 2009 State General Fund Allotments	-	(193.2)	-
Replace Federal Stimulus Funds Shifted from FY 2011 to FY 2010	-	-	85.9
Additional Human Services Caseload Estimates	-	24.3	118.4
Additional School Finance Estimates	-	142.3	1.3
Additional Special Education Estimates	-	13.5	25.0
Additional Statutorily Required KPERs Increase	-	-	42.0
Previously Approved Undermarket Employee Salary Adjustments	-	-	8.5
Additional Adjustments to Achieve a Zero Ending Balance	-	(253.6)	(358.7)
Total Expenditures	<u>\$ 6,064.4</u>	<u>\$ 5,350.4</u>	<u>\$ 5,178.5</u>
Ending Balance	<u>\$ 49.7</u>	<u>\$ -</u>	<u>\$ -</u>
Ending Balance as a Percentage of Expenditures	0.8%	0.0%	0.0%
Receipts in Excess of Expenditures	\$ (477.0)	\$ (49.7)	\$ -
Across-the-Board Reduction Needed to Achieve a Zero Ending Balance		4.5%	6.5%

Two-Year Total Reduction Required to Achieve a Zero Ending Balance - \$612.3 million

Notes:

1. November 2009 Consensus Revenue Estimates for FY 2010 and FY 2011.
2. FY 2010 expenditures reflect approved expenditures, as adjusted for:
Delayed FY 2009 School Aid payments of \$73.0 million to FY 2010;
Shifting of FY 2009 State General Fund expenditures to FY 2010 (\$35.0 million);
Reflects Governor's July 2009 State General Fund allotments of \$90.1 million;
Reflects Governor's November 2009 State General Fund allotments of \$193.2 million; and
Revised consensus estimates for human services caseloads (\$24.3 million), school finance (\$142.3 million), and special education (\$13.5 million).
3. FY 2011 expenditures reflect:
FY 2010 estimated expenditures less the one-time delayed school aid payment (\$73.0 million) and shifting amounts (\$35.0 million);
Revised consensus estimates for human services caseloads (\$118.4 million), school finance (\$1.3 million), and special education (\$25.0 million).
Additional statutorily required KPERS employer contribution rate increase of 0.6 percent (\$42.0 million); and
Previously approved undermarket salary adjustments (\$8.5 million).
4. FY 2011 receipts include certain transfers reflected at their statutory amounts, not at FY 2010 capped amounts, including the Biosciences Initiative (\$70.0 million) local government property tax slider (\$44.0 million) Special City-County Highway Fund (\$10.1 million), and the State Water Plan (\$6.0 million); and budgeted repayments to the State Highway Fund, the Underground Petroleum Fund, and the Waste Tire Management Fund (\$34.7 million).
5. FY 2011 receipt estimates include transfer adjustments recommended as part of the Governor's 2009 allotments, for which no legislative action is required. They do NOT include \$90.1 million in recommended transfer adjustments which would require legislative action. These include a \$80.0 million transfer from the State Highway Fund, a \$5.0 million transfer of a special settlement payment from the Office of the Securities Commissioner, a \$7.8 million transfer from the Economic Development Initiatives Fund, a \$2.0 million transfer from the State Housing Trust Fund, and a \$5.0 million reduction in the Biosciences Authority transfer from \$40 million to \$35 million.
6. Federal economic stimulus funds of \$85.9 million for K-12 education that were anticipated to be spent in FY 2011 have shifted to FY 2010. To maintain the same level of spending in FY 2011, the State General Fund will need to replace those federal funds. Federal economic stimulus funds total \$100 million in FY 2009; \$486 million in FY 2010 and \$214 million in FY 2011.

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Expanded Lottery Act Revenues
 FY 2010 - FY 2011
Consensus Gaming Estimate - November 2009

Revenue Source	FY 2010	FY 2011
Southwest Gaming Zone		
<i>Boot Hill Casino and Resort - Ford County</i>		
Privilege Fees*	\$ -	\$ -
Gaming Revenue**	4,703,568	8,305,157
Subtotal SW Gaming Zone	4,703,568	8,305,157
Northeast Gaming Zone		
<i>Wyandotte County</i>		
Privilege Fees	25,000,000	-
Gaming Revenue	-	-
Subtotal NW Gaming Zone	25,000,000	-
South Central Gaming Zone		
<i>Sumner County</i>		
Privilege Fees	25,000,000	-
Gaming Revenue	-	-
Subtotal SC Gaming Zone	25,000,000	-
Southeast Gaming Zone		
<i>Crawford / Cherokee County</i>		
Privilege Fees	-	-
Gaming Revenue	-	-
Subtotal SE Gaming Zone	\$ -	\$ -
GRAND TOTAL	\$ 54,703,568	\$ 8,305,157

*Privilege Fees from the SW Gaming Zone totaling \$5.5 million were received and transferred to the State General Fund in FY 2009.

**Projected revenue in the SW Gaming Zone assumes opening on December 15th, 2009. The projection reflects approximately one-half year for FY 2010, and one full year in FY 2011.

Senate Ways & Means Cmte
 Date 12-15-2009
 Attachment 6

State General Fund Outlook
Governor's Revised FY 2010 Budget Plan
(Dollars in Millions)

	FY 2008 <u>Actual</u>	FY 2009 <u>Actual</u>	FY 2010 <u>Projected</u>
Beginning Balance	\$ 935.0	\$ 526.6	\$ 49.7
November 2009 Consensus Revenue Estimate	5,693.4	5,587.4	5,300.7
Governor's July Financial Plan			
Highway Fund	--	--	30.0
Securities Commissioner	--	--	5.0
Economic Dev't Initiatives Fund	--	--	5.4
Powerball Income Tax Windfall	--	--	3.1
Governor's November Financial Plan			
Highway Fund	--	--	50.0
Economic Dev't Initiatives Fund	--	--	2.4
Cap Bioscience Authority to \$35 M	--	--	5.0
Total Available	\$ 6,628.4	\$ 6,114.1	\$ 5,451.3
Expenditures			
Legislative Approved Expenditures	\$ 6,101.8	\$ 6,064.4	\$ 5,708.0
Governor's July Allotment	--	--	(90.1)
Legislature's Voluntary July Reductions	--	--	(0.5)
Health and Human Service Caseloads	--	--	24.3
Governor's November Allotment	--	--	(193.2)
Eliminate Legislature's Prior Year Shifts	--	--	(2.2)
Address Judiciary Funding Error	--	--	5.0
Total Expenditures	\$ 6,101.8	\$ 6,064.4	\$ 5,451.3
Ending Balance	\$ 526.6	\$ 49.7	\$ 0.0
<i>As Percent of Expenditures</i>	8.6 %	0.8%	0.0%

Governor's Plan to Balance FY 2010 Budget

Agency Expenditure Changes

Governor	Lapse all shifts from FY 2009	(667,246)
Lt. Governor	Lapse shift from FY 2009	(11,518)
Attorney General	Lapse shifts from FY 2009; switch \$1.9 million of SGF expenditures to Court Cost Fund; additional operating reductions.	(2,181,797)
Department of Administration	Lapse shifts from FY 2009; additional operating reductions across agency	(799,684)
Governmental Ethics Commission	Operating reductions	(12,888)
Board of Indigents Defense Services	Add \$173,163 for Assigned Counsel caseload; then reduce \$686,456 to reduce Assigned Counsel hourly rate from \$80 to \$62.	(513,293)
Department of Revenue	Operating reductions	(506,484)
Court of Tax Appeals	Operating reductions	(42,807)
Department of Social & Rehabilitation Services	Add \$4,282,945 for caseloads. Reduce \$6,172,512 for 10% Medicaid provider rate cut. Reduce \$747,071 for increased shrinkage. Reduce \$1,300,000 for DD support grants. Reduce \$3,983,347 from mental health consolidated grants. Reduce \$275,000 from substance abuse grants. Reduce \$753,552 by limiting MediKan and GA to 12 months. Replace \$2,000,000 SGF with TANF. Replace \$1,322,800 SGF with fee fund.	(12,271,337)
SRS Hospitals	Replace SGF with unbudgeted ARRA disproportionate share funds. Operating reductions.	(6,094,810)
Kansas Health Policy Authority	Add \$18,324,000 for caseload. Reduce \$12,524,313 for 10% Medicaid provider rate cut. Lapse shifts and DMIE match of \$1,689,062. Reduce \$1,031,596 by applying a more realistic estimate for SCHIP. Reduce \$782,400 from the Healthwave contract. Reduce \$351,144 for additional salary shrinkage and other operating reductions. Reduce \$570,000 by limiting MediKan to 12 months. Offset \$1,421,130 SGF with other funds.	(45,645)
Department on Aging	Add \$572,949 for caseload. Reduce \$3,430,099 for 10% Medicaid provider rate cut. Lapse shift from FY 2009 of \$234,619.	(3,091,769)
Department of Health & Environment	Reduce salary and operating expenditures \$99,041. Reduce Infant-Toddler \$183,573. Reduce Coordinated School Health \$46,567. Reduce laboratory \$100,000.	(429,181)

Governor's Plan to Balance FY 2010 Budget

Department of Labor	Operating reductions	(14,129)
Commission on Veterans Affairs	Lapse shifts from FY 2009; replace SGF with federal funds gained by switching Soldiers Home to Medicare/Medicaid. Close Triplett Hall at Winfield. Shift veterans' spouses pharmaceutical costs to other payment sources.	(818,276)
Kansas Guardianship Program	Operating reductions	(34,632)
Department of Education	Reduce General State Aid to FY 2006 level	(36,709,794)
	Reduce Supplemental General State Aid appropriation from SGF and replace with ARRA funding.	(85,949,000)
	Operating reductions	(474,427)
	Reduce KPERS School for new payroll levels	(419,000)
	Reduce Juvenile Detention Facilities for BSAPP reduction	(398,574)
School for the Blind	Operating reductions	(168,481)
School for the Deaf	Operating reductions	(271,930)
Regents System	Reduce Higher Education to FY 2006 level	(1,990,976)
	Eliminate unneeded appropriation for bond payment	(5,038,114)
Arts Commission	Lapse shift from FY 2009 and reduce grants	(122,585)
Historical Society	Operating reductions	(172,726)
State Library	Reduce grants-in-aid to local libraries and make operating reductions.	(140,707)
Department of Corrections	Lapse shifts from FY 2009; reduce parole services budget; modify food service contract; reduce community corrections and IT maintenance.	(3,820,885)
Juvenile Justice Authority	Add \$1,100,000 for caseloads. Reduce \$626,505 for 10% Medicaid and Purchase of Service provider rate cut. Make operating reductions and reduce prevention funding.	(949,161)
Adjutant General	Shutter armories	(156,662)
Highway Patrol	Substitute compensatory time for holiday pay. Shift SGF expenses to fee funds.	(994,268)
Kansas Bureau of Investigation	Lapse shifts from FY 2009 and take AFIS payment savings. Operating reductions, including holding vacant positions open)	(994,584)
Sentencing Commission	Lapse shift from FY 2009 and offset SGF with fee funds.	(1,134,117)

Governor's Plan to Balance FY 2010 Budget

Department of Agriculture	Lapse shifts from FY 2009; make operating reductions.	(428,094)
Animal Health	Operating reductions	(26,580)
State Conservation Commission	Operating reductions	(23,072)
Water Office	Lapse reservoir storage purchase shift from FY 2009	(526,007)
Department of Wildlife and Parks	Lapse shifts from FY 2009; make operating reductions.	(434,876)

Additional Expenditure Changes

Legislative Agencies	Lapse all shifts from FY 2009 *	(2,218,117)
Judiciary	Correct a portion of underfunding *	5,000,000

Revenue Gains

KDOT	Further reduce maintenance and operations; transfer from Highway Fund to SGF *	50,000,000
Reduce SGF Transfer	Limit Bioscience Authority transfer to \$35 million	5,000,000
Economic Development Initiatives Fund	Reduce agency budgets: Commerce-\$500,000, KTEC-\$250,000, Kansas Inc.-\$10,000 and transfer balances *	2,400,000

* *Requires legislative action.*

Adjustments in Governor's Financial Plans Requiring Legislative Action

Revenue Transfers

Department of Transportation	July Proposal	\$	30,000,000
Department of Transportation	November Proposal		50,000,000
Securities Commissioner	July Proposal		5,000,000
EDIF Agencies	EDIF (July Proposal)		5,400,000
EDIF Agencies	EDIF (November Proposal)		2,400,000

Expenditures

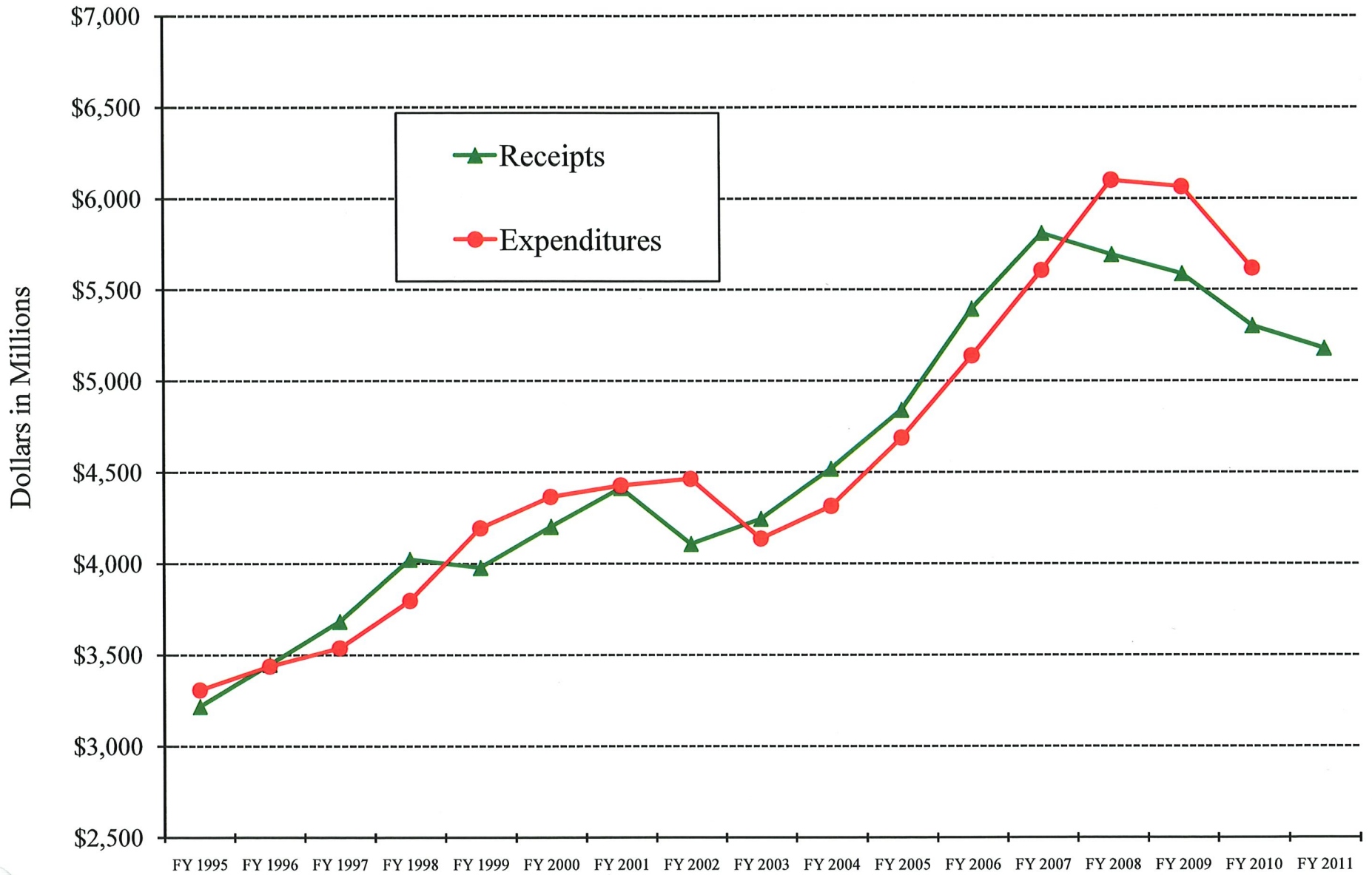
Legislative Agencies	July Voluntary Reductions	\$	(540,000)
Judiciary	Address Funding Error		5,000,000
Legislative Agencies	Lapse Prior Year Shifts		(2,218,117)

Appropriation bill to enact transfers and implement appropriation changes will be drafted and made ready for introduction at the start of the 2010 Legislative Session.

7-5

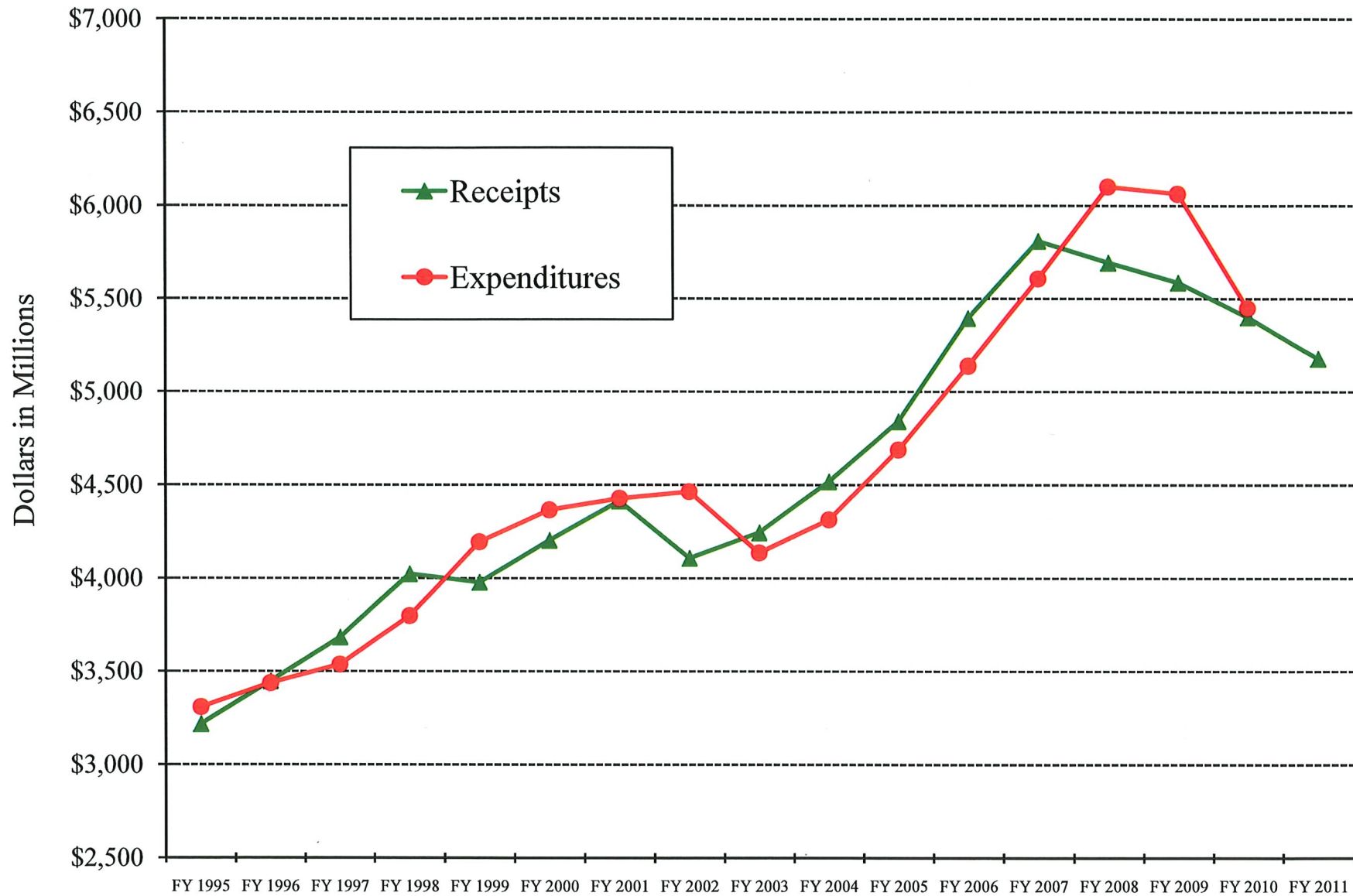
After November Consensus Revenue Estimate State General Fund Receipts and Expenditures FY 1995 - FY 2011

7-6



After Governor's Allotments State General Fund Receipts and Expenditures FY 1995 - FY 2011

7-7



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Senate Committee on Ways and Means December 15, 2009 Overview of K-12 Funding

Governor's Allotments

In July 2009, the Governor determined the resources of the State General Fund were likely to be insufficient to cover the appropriations made against the State General Fund which resulted in allotments. The following allotments were made within the Department of Education:

July Allotments

Operating Reductions	(\$150,000)
KPERS	(\$3,650,000)
Juvenile Detention Facilities Fund	(\$2,451,322)
2.0 Percent General State Aid Reduction	(\$39,114,424)

November Allotments

Operating Reductions	(\$474,427)
KPERS	(\$419,000)
Juvenile Detention Facilities Fund	(\$398,574)
General State Aid Reduction	(\$36,709,794)
Supplemental State Aid - replace SGF with ARRA funding	(\$85,949,000)

The current State General Fund and federal economic stimulus funds Base State Aid Per Pupil in FY 2010 is \$4,012 per pupil, which is a decrease of \$268 per pupil, or 6.3 percent, below the approved FY 2010 amount of \$4,280, by the 2009 Legislature. The current base aid per pupil amount of \$4,012 is \$388, or 8.8 percent, below the FY 2009 amount of \$4,400 per pupil.

Federal Stimulus Funds

Under the State Fiscal Stabilization Fund (Stabilization) program, a State must maintain State support for elementary and secondary education, in each of fiscal years (FYs) 2009, 2010, 2011, at least at the level that the State provided in FY 2006.¹ When Kansas submitted its application through the Division of the Budget in May, the FY 2006 General State Aid level was used to calculate the maintenance of effort required to receive federal stimulus funding. For FY 2006, General State Aid was \$1.87 billion, the same as the current General State Aid level. The total State General Fund for the Department of Education in FY 2006 was \$2.59 billion.

The Department of Education will receive \$138.7 million in State Fiscal Stabilization funds in FY 2010 and FY 2011. However, \$86.0 million in Stabilization funds were accelerated to FY 2010 and used to replace Supplemental State Aid State General Funds. In addition, \$55.7 million in Special Education funds will be received in FY 2010 and FY 2011.

¹U.S. Department of Education, Guidance on the Maintenance-of-Effort Requirements in the

April 2009.

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Senate Ways & Means Cmte

Date 12-15-2009

Attachment 8

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December 15, 2009

K-12 Education Funding

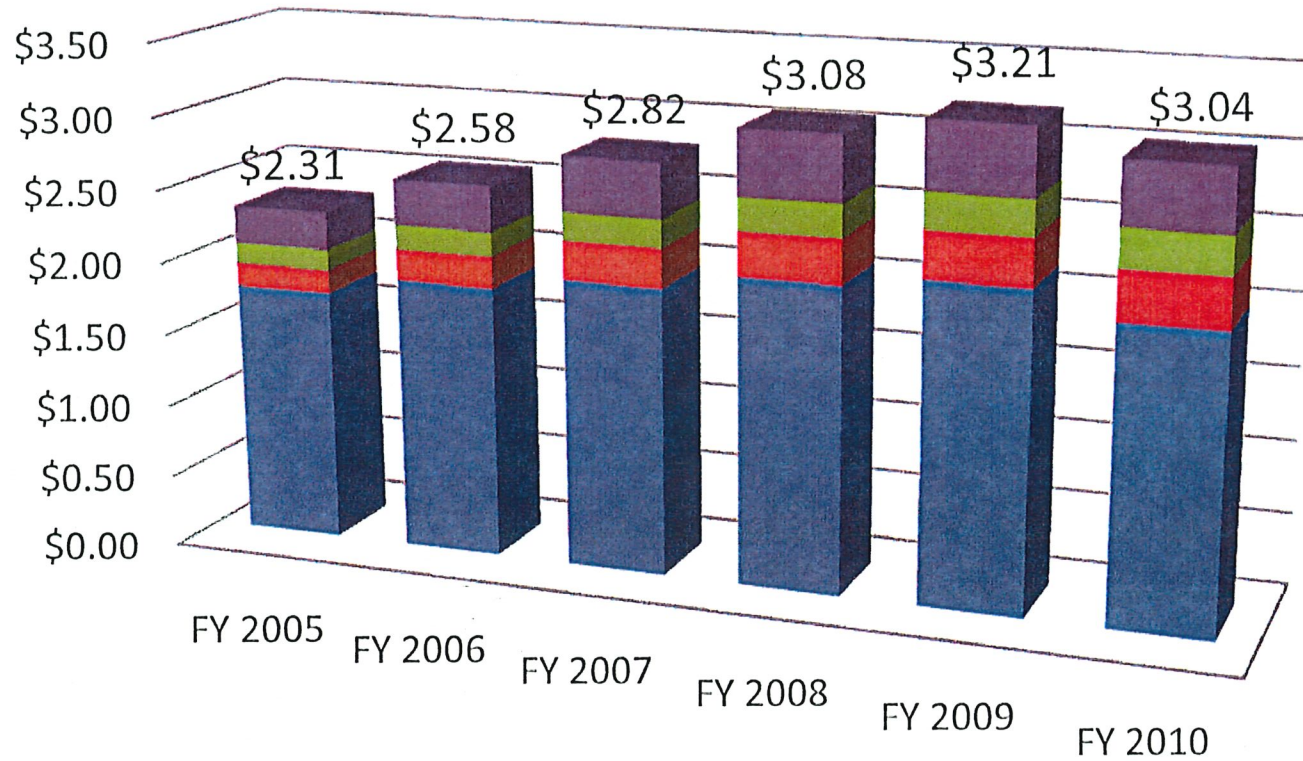
- State General Fund and federal economic stimulus funds in FY 2010, after both of the Governor's allotments (July and November) and the Governor's shift of federal economic stimulus funds, for K-12 education have **decreased \$170 million, or 5.3 percent, below the FY 2009 level.**
- State General Fund and federal economic stimulus funds **from FY 2005 to the current level in FY 2010** (again, including both Governor's allotments) have **increased \$730 million, or 31.6 percent.**
- The current State General Fund and federal economic stimulus funds **Base State Aid Per Pupil (again after both Governor's allotments) in FY 2010 is \$4,012 per pupil**, which is a reduction of \$268 per pupil, or 6.3 percent below the approved FY 2010 amount of \$4,280, by the 2009 Legislature. **The current base aid per pupil amount of \$4,012 is \$388, or 8.8 percent, below the FY 2009 amount of \$4,400 per pupil.**
- State General Fund and federal economic stimulus fund base state aid per pupil **from FY 2005 (\$3,863) to FY 2010 (\$4,012)** (again, including both Governor's allotments) **is an increase of \$149 per pupil, or 3.9 percent.**
- **Total expenditures** for K-12 education, which would include State General Fund, federal funds, and local revenue **from FY 2005 (\$4.289 billion) to the latest FY 2010 amount (\$5.595 billion) is an increase of \$1.3 billion, or 30.4 percent.**
- **Total expenditures per pupil** for K-12 education, which includes State General Fund, federal funds, and local revenue in FY 2010 (after both Governor's allotments) **is \$12,324 per pupil, which is a decrease of \$336 per pupil, or 2.7 percent, below the FY 2009 amount of \$12,660.**
- **Total expenditures per pupil** for K-12 education, which would include State General Fund, federal funds, and local revenue **from FY 2005 (\$9,707) to FY 2010 (again, after both of the Governor's allotments - \$12,324) is an increase of \$2,617 per pupil, or 27.0 percent.**
- Percentage change for total expenditures per pupil per year since FY 2005:
 - FY 2005 - 5.11 percent increase;
 - FY 2006 - 9.16 percent increase;
 - FY 2007 - 9.08 percent increase;
 - FY 2008 - 5.45 percent increase;
 - FY 2009 - 3.88 percent increase;
 - FY 2010 - (2.65) percent decrease.

8-3

K-12 Education Funding

FY 2005 - FY 2010

State General Fund and Federal Stimulus
(in billions)

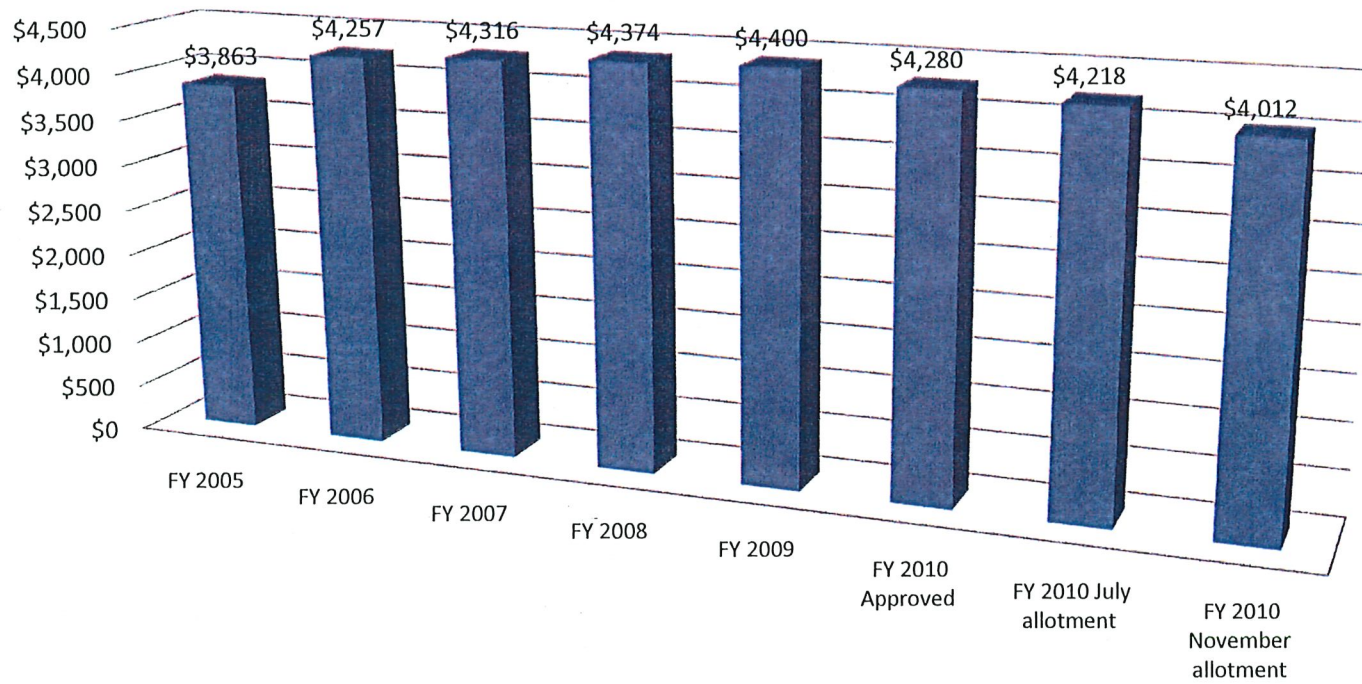


FY 2010 includes Legislative Approved, both Governor's Allotments, and Federal Stimulus funding

■ General State Aid ■ Supplemental State Aid ■ KPERS ■ All Other

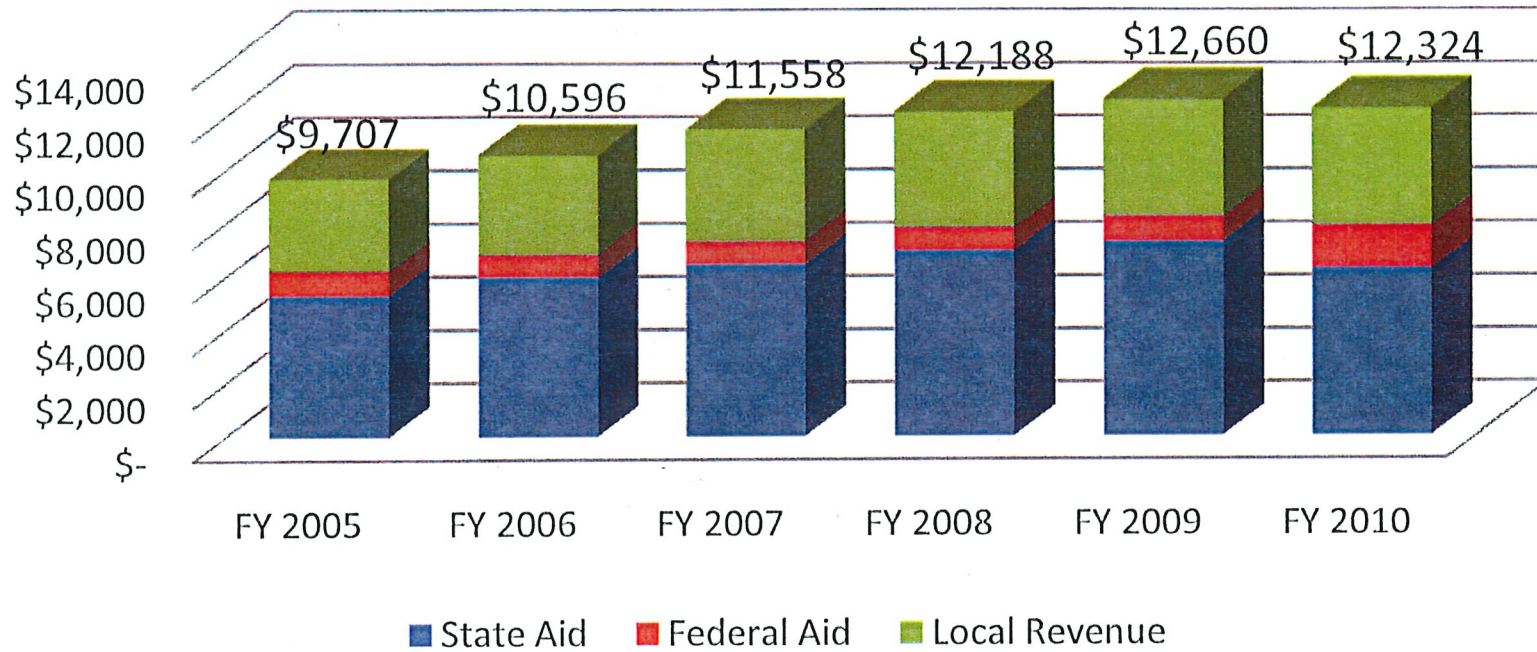
8-4

K-12 Education Base State Aid Per Pupil State General Fund and Federal Stimulus FY 2005 - FY 2010



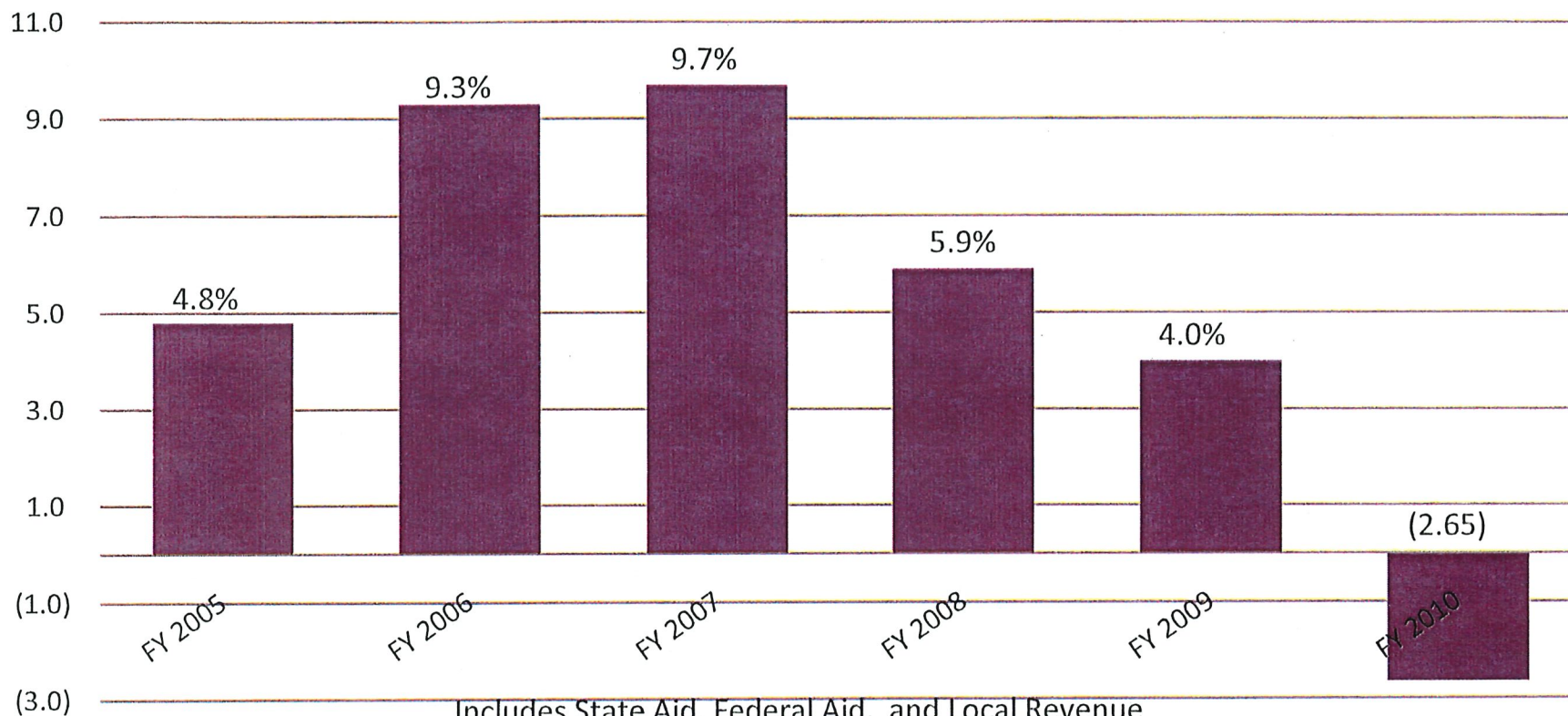
8-5

K-12 Education Total Amount Per Pupil FY 2005-FY 2010



9-8-6

K-12 Education Total Expenditures Percent Change from Previous Year FY 2005 - FY 2010



Unified School Districts -- State Totals

Estimates for School Years 2008-09 and 2009-2010

Revised—December 14, 2009

School Year	FTE* Enroll	State Aid	Federal Aid	Local Revenue	Total Expend**
1997-1998	448,609.0	1,815,684,144	189,120,462	1,058,428,663	3,063,233,269
1998-1999	448,925.7	2,035,194,082	202,565,725	1,004,736,639	3,242,496,446
1999-2000	448,610.3	2,110,484,390	220,780,350	1,071,444,132	3,402,708,872
2000-2001	446,969.9	2,152,622,486	261,038,153	1,172,918,480	3,586,579,119
2001-2002	445,376.6	2,200,529,799	310,104,678	1,269,928,113	3,780,562,590
2002-2003	444,541.4	2,277,804,680	340,728,648	1,335,185,546	3,953,718,874
2003-2004	443,301.8	2,124,578,761	376,908,121	1,592,564,728	4,094,051,610
2004-2005	441,867.6	2,362,223,172	398,667,040	1,528,524,331	4,289,414,543
2005-2006	442,555.7	2,657,971,383	382,782,642	1,648,540,541	4,689,294,566
2006-2007	444,878.7	2,888,960,769	385,393,086	1,867,723,060	5,142,076,915
2007-2008	446,874.0	3,131,495,347	377,006,174	1,937,863,161	5,446,364,682
2008-2009	447,615.1	3,287,165,278	413,624,558	1,965,942,156	5,666,731,992
+2009-2010	454,000.0	2,870,059,000	721,262,000	2,003,801,212	5,595,122,212

Amount Per Pupil

School Year	State Aid	Federal Aid	Local Revenue	Total Expend	Total % Change
1997-1998	4,047	422	2,359	6,828	4.16
1998-1999	4,533	451	2,238	7,223	5.79
1999-2000	4,704	492	2,388	7,585	5.01
2000-2001	4,816	584	2,624	8,024	5.79
2001-2002	4,941	696	2,851	8,488	5.78
2002-2003	5,124	766	3,004	8,894	4.78
2003-2004	4,793	850	3,593	9,235	3.83
2004-2005	5,346	902	3,459	9,707	5.11
2005-2006	6,006	865	3,725	10,596	9.16
2006-2007	6,494	866	4,198	11,558	9.08
2007-2008	7,008	844	4,336	12,188	5.45
2008-2009	7,344	924	4,392	12,660	3.88
+2009-2010	6,322	1,589	4,414	12,324	(2.65)

+2009-2010 are estimates. Approximate \$242 million of one-time federal money for FY 2010. According to federal law, this amount will decrease slightly in FY 2011 and be eliminated in FY 2012.

*September 20th Full-Time Equivalency Enrollment (includes 4yr old at risk). Beginning with the 2005-06 school year, enrollment includes February 20 FTE enrollment for military districts based on 2005 House Bill 2059.

**Total expenditures include the following funds (less transfers): General, Supplemental General, At-Risk 4Yr Old (beginning 2005-06 and thereafter), At-Risk K-12 (beginning 2005-06 and thereafter), Adult Education, Adult Supplemental Education, Bilingual Education, Capital Outlay, Driver Training, Extraordinary School Program, Food Service, Professional Development, Parent Education Program, Summer School, Special Education, Vocational Education, Area Vocational School, Special Liability Expense, School Retirement, School Retirement, KPERs Special Retirement Contribution (beginning 2004-05 and thereafter), Contingency Reserve, Textbook and Student Material Revolving, Bond and Interest #1, Bond and Interest #2, No-Fund Warrant, Special Assessment, Temporary Note, Cooperative Special Education, unbudgeted federal funds, and Gifts and Grants, which were collected beginning with 2002-03.

Local revenue is computed by determining the total expenditures minus state and federal aid. It is not unusual for a district to accumulate monies in its capital outlay fund for large projects and spend the money in one year. During that year, expenditures will be higher than usual and may drop the following year. Also, in those districts where the voters have approved for a bond issue, the expenditures would be higher in the year that the district begins making bond payments.

- Effective July 1, 2002, USD #280-Morland and USD #281-Hill City consolidated into USD #281 – Hill City.
- Effective July 1, 2003, USD #317-Herndon and USD #318-Atwood consolidated into USD #105 – Rawlins County.
- Effective July 1, 2004, USD #302-Ransom and USD #304-Bazine consolidated into USD #106 – Western Plains.
- Effective July 1, 2005, USD #301-NesTreLaGo dissolved with most of their students going to USD #106 – Western Plains.
- Effective July 1, 2006, USD #104-White Rock and USD #278-Mankato consolidated into USD #107 – Rock Hills.
- Effective July 1, 2006, USD #221-North Central and USD #222-Washington consolidated into USD #108 – Washington Co. Schs.
- Effective July 1, 2006, USD #427-Belleville and USD #455-Cuba consolidated into USD #109 – Republic Co.
- Effective July 1, 2006, USD #295-Prairie Heights dissolved with most of their students going to USD #412 – Hoxie.
- Effective July 1, 2008, USD #238-West Smith County and USD #324-Eastern Heights consolidated into USD #110 – Thunder Ridge.

8-7

LEGISLATIVE EDUCATIONAL PLANNING COMMITTEE

November 19, 2009

Base State Aid Per Pupil

School Year	BSAPP
1992-93	3,600
1993-94	3,600
1994-95	3,600
1995-96	3,626
1996-97	3,648
1997-98	3,670
1998-99	3,720
1999-00	3,770
2000-01	3,820

8-8

Base State Aid Per Pupil

School Year	BSAPP
2001-02	3,870
2002-03	3,863
2003-04	3,863
2004-05	3,863
2005-06	4,257*
2006-07	4,316
2007-08	4,374
2008-09	4,400
2009-10	4,068

Statutes provide for a BSAPP of \$4,492 for 2009-10 and each school year thereafter.

Base State Aid Per Pupil

- * Approximately \$244 of the increase was a result of raising the BSAPP and lowering the enrollment weighting which resulted in no increased spending authority.

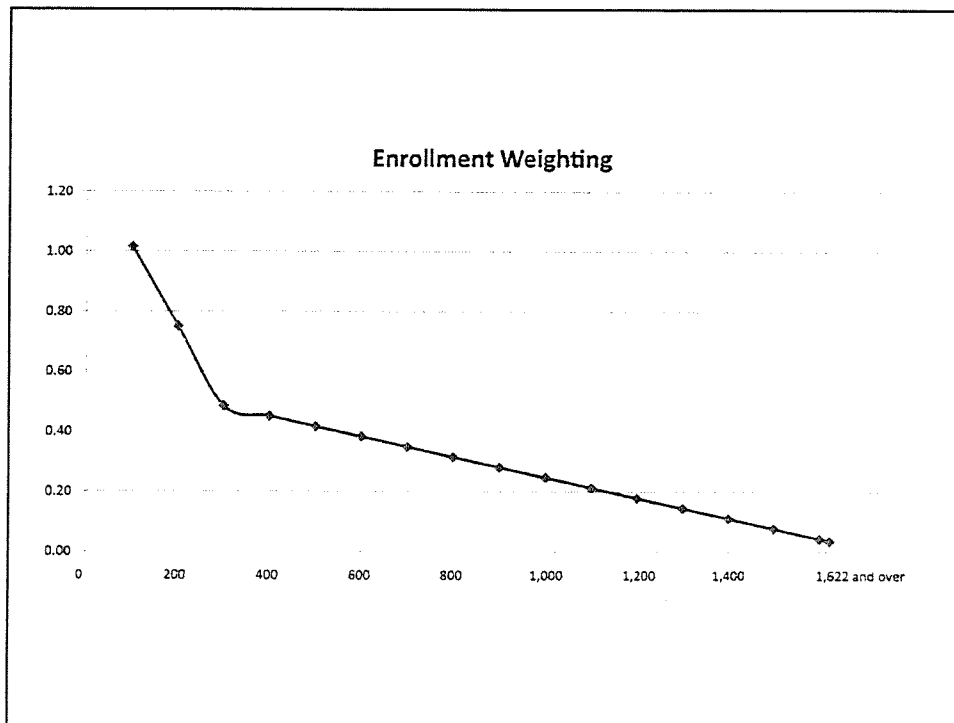
$$\$ 4,068 - \$ 244 = \$ 3,824$$

(compares to school years prior to 2005-06)

8-9

Base State Aid Per Pupil

Statutory BSAPP	\$ 4,492
BSAPP Following Legislative Adjournment	\$ 4,280
BSAPP Following Governor's Allotments	\$4,068



8-10

**STATE AID
REDUCTIONS/UNDERFUNDING*
2009-10 School Year**

State Aid	Reduction
General State Aid BSAPP \$4,400 to \$4,068	\$ 217,466,640
Capital Outlay	25,600,000
Professional Development	1,750,000
Teacher Mentoring	200,000
Discretionary Grants	85,000
National Board Certification	240,000
Special Education	4,000,000
TOTAL	\$ 249,341,640

**STATE AID
REDUCTIONS/UNDERFUNDING***

- * This total does not include the underfunding of Supplemental General (LOB) State Aid of \$41,812,000 or Special Education State Aid of \$9,510,333

8-11

Potential Additional Reductions

General State Aid	\$ 100,534,000
Local Option Budget	\$ 41,812,000
Special Education	\$ 13,510,333
TOTAL	\$ 155,856,333

Survey—USD Reductions

- How many licensed positions were eliminated for the 2009-10 school year?

	Headcount	Est. Dollars Reduced
Administrators	133	\$ 9,707,109
Teachers	1,160	53,823,567
Coaches	583	3,969,786
Other	225	5,672,252
TOTAL	2,101	\$ 73,172,714

8-12

Survey—USD Reductions

2. How many non-licensed positions were eliminated for the 2009-10 school year?

	Headcount	Est. Dollars Reduced
Food Service	111	\$ 1,534,779
Bus Drivers	70	882,820
Custodians & Maintenance	278	6,647,964
Paraprofessionals	566	9,015,962
Coaches	234	616,865
Other	344	7,650,066
TOTALS	1,603	\$ 26,348,456

Survey—USD Reductions

3. How other cost-saving measures were reduced/eliminated for the 2009-10 school year?

Program	Est. Reductions
Before School	47,500
After School	1,005,671
Summer School	2,213,672
Parents as Teachers	259,416
Fine Arts	328,623
Language Arts	78,500
Career & Technical Education	654,091

8-13

Survey—USD Reductions

How other cost-saving measures were reduced/eliminated for the 2009-10 school year? (continued)

Program	Est. Reductions
All-Day Kindergarten	25,500
In-District Professional Development	3,657,528
Out-District Conferences	3,015,233
Extracurricular Activities	1,054,256
Shortened School Year	4,491,382
Transportation	3,344,869
Closing of Attendance Center(s)	2,454,557

Survey—USD Reductions

How other cost-saving measures were reduced/eliminated for the 2009-10 school year? (continued)

Program	Est. Reductions
Delay Purchase of Textbooks	6,606,054
Delay Purchase of School Buses	7,243,132
Other	31,212,762
TOTAL	67,692,746

8-14

Survey—USD Reductions

Total Positions	3,701
Total Estimated Reductions	\$ 167,213,916

Cost Cutting & Efficiency Measures As Described by

- Standard & Poor's Kansas School District Efficiency Study (7/2007)
- Testimony of School District Superintendents to the Kansas House Appropriations Committee (August 2009)
- Kansas Department of Education (Survey of USDs in 2009 and 2004 Cost Savings Survey)
- Site visits by the Center for Innovative School Leadership (at Emporia State)
- Selected School Superintendents

8-15

Staff Cost-Cutting and Efficiency Measures

- Eliminated 2,101 licensed positions in the 2009-10 school year.
- Eliminated 1,603 non-licensed positions in the 2009-10 school year.
- Some specific examples, include:
- Used early retirement options.
- Froze salaries.
- Reduced or eliminated professional development.

Staff Cost-Cutting and Efficiency Measures

- Shared food service manager with local hospital.
- Shared a school nurse with the county health department.
- Reduced or eliminated out-of-state conference travel.
- Shared staff with other districts, such as a technology coordinator.
- Eliminated bonuses for teachers in high-poverty schools.
- Reduced new teacher orientation and induction.

8-16

Staff Cost-Cutting and Efficiency Measures

- Reduced and eliminated school resource officers, counselors, librarians, educational aides, administrators, paraprofessionals, social workers, school nurse, and parent educators.
- Filled a coaching position with private funds from the community.
- Used part-time staff.
- Reduced overtime for non-licensed staff.

Utility-Related Cost-Cutting and Efficiency Measures

- Contracted with a company to evaluate energy systems and recommend replacement and savings.
- Created an "energy czar" position which monitors energy use and implementation of energy cost-saving measures.
- Retrofitted buildings with energy saving lights.
- Updated heating and cooling systems.
- Installed new energy-efficient heating and cooling systems.
- Lowered room temperatures in the winter and increased room temperatures during the summer.
- Purchased natural gas via a bulk-buying group.
- Created a student advisory council who assisted with finding energy savings through the district's buildings.

8-17

Programming Efficiencies

- Increased pupil-teacher ratio.
- Reduced or eliminated early childhood programs.
- Reduced the number of activity buses taken to out-of-town athletic events.
- Reduced the number of activity trips.
- Reduced the number of curriculum-related field trips.
- Reduced extracurricular activities, such as clubs, organizations, etc.
- Reduced alternative school programs.
- Reduced or eliminated before school, after school, and summer school programming.

Programming Efficiencies

- Reduced or eliminated support to Parents as Teachers programs.
- Reduced or eliminated fine arts, language arts, and family and consumer science programs.
- Reduced athletic programs.
- Reduced tutoring.
- Reduced instructional time.
- Lengthened school day and shortened school year, which saved money on custodial, utility, and transportation services.
- Eliminated field trips, unless paid for by parents or boosters.
- Raised class sizes in some or all subjects.

8-18

Revenue Increases

- Increased school lunch, drivers' education, and facility rental fees.
- Increased scrutiny of Medicaid-eligible services so billing of services increased.

Operations & Maintenance

- Closed school buildings.
- Discontinued contracted bus service.
- Eliminated or reduced bus routes, making some routes longer than one hour.
- Deferred maintenance, repairs, and improvements to buildings and equipment.
- Bid large ticket items such as milk, fuel, technology software/hardware/services, telecommunications, vehicles, and other large equipment.
- Installed hand blowers in restrooms to reduce paper towel use.

8-19

Operations & Maintenance

- Installed automatic flush toilets to reduce custodial time.
- Joined cooperative buying units.
- Used State contract when purchasing various equipment and supplies.
- Delayed purchases of textbooks, supplies, and school buses.
- Entered into agreements with local units of government for some services, such as school security services with a local police department.
- Reduced maintenance to a minimum.

Operations & Maintenance

- Eliminated transportation of students to day care providers.
- Used bigger buses or passenger vans.
- Reduced funding available to purchase necessary school supplies, which increases the cost to teachers and parents, who still must provide supplies.

8-20

Finance

- Refinanced bonded indebtedness.
- Reduced cash reserves (which is of concern for future budgets.)

Insurance

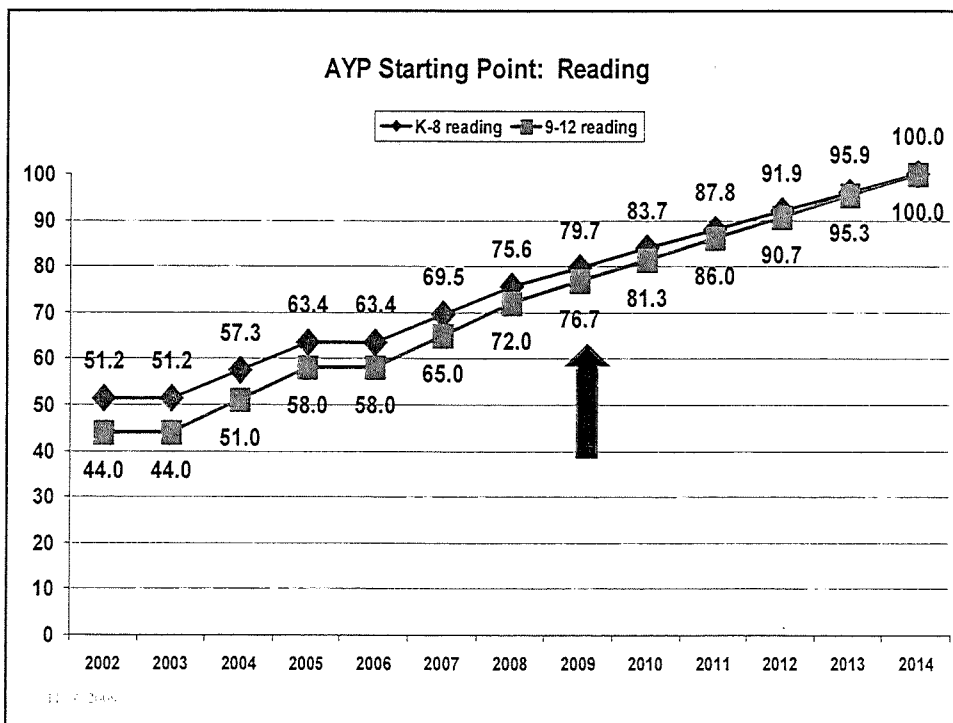
- Promoted wellness and safety issues in an attempt to keep health insurance renewal rates as low as possible.
- Changed to higher deductibles on insurance policies.
- Joined the State Health Insurance Plan (while initial costs are high, the long term benefit of the larger group helps keep annual increases low.)

8-21

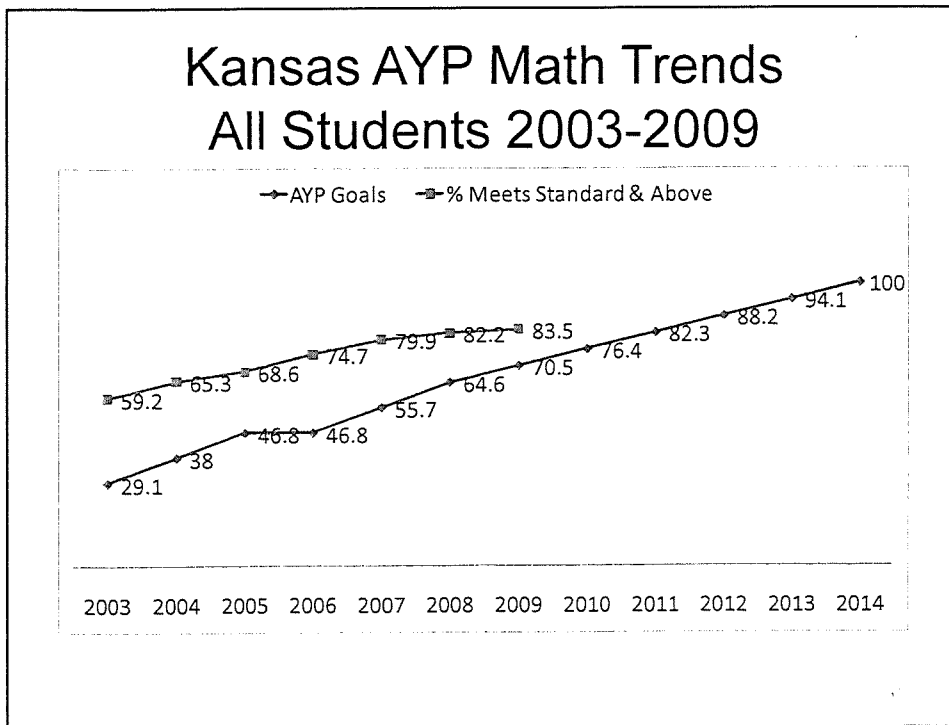
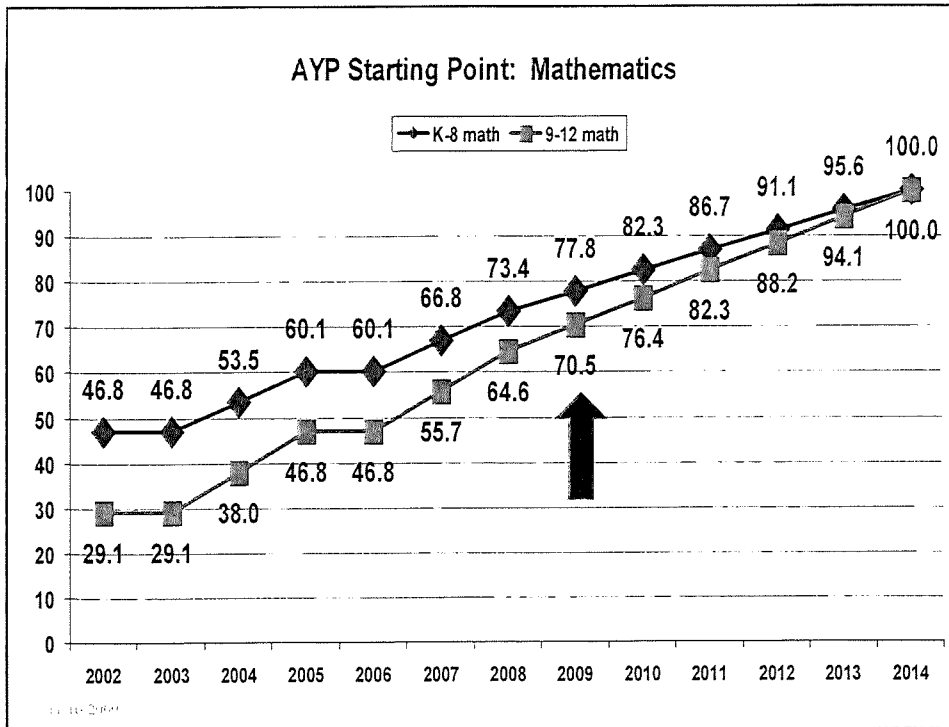
Rankings and Estimates 2008
 Table I. Average Salaries (\$) of Public School Teachers, 2007-08

Rank	State	2007-08
1	CALIFORNIA	64,424
2	NEW YORK	52,312
3	CONNECTICUT	51,876
4	NEW JERSEY	51,277
5	DISTRICT OF COLUMBIA	50,628
6	ILLINOIS	49,474
7	MASSACHUSETTS	49,471
8	MARYLAND	49,059
9	RHODE ISLAND	47,598
10	ALASKA	46,758
11	INDIGAN	46,099
12	DELAWARE	45,294
13	PENNSYLVANIA	45,233
14	OHIO	45,410
15	HAWAII	53,400
16	WYOMING	53,074
17	UNITED STATES	52,308 *
18	OREGON	51,811
19	GEORGIA	51,590
20	MINNESOTA	50,562
21	WASHINGTON	49,884
22	WISCONSIN	49,051
23	INDIANA	48,508
24	NEVADA	47,710
25	NEW HAMPSHIRE	47,629
26	NORTH CAROLINA	47,254
27	COLORADO	47,248
28	KENTUCKY	47,207
29	LOUISIANA	46,994
30	FLORIDA	46,500
31	VIRGINIA	46,706
32	IDAHO	44,099
33	ALABAMA	46,064
34	VERMONT	46,593
35	TEXAS	46,179
36	ARIZONA	45,772
37	SOUTH CAROLINA	45,758
38	KANSAS	45,136
39	NEW MEXICO	45,112
40	TENNESSEE	45,030 *
41	MISSOURI	44,099
42	OKLAHOMA	43,531
43	MAINE	43,297
44	MISSOURI	43,206
45	NEBRASKA	42,885
46	MONTANA	42,874
47	WEST VIRGINIA	42,525
48	MISSISSIPPI	42,403
49	UTAH	41,815
50	NORTH DAKOTA	40,279
51	SOUTH DAKOTA	36,874

NEA Research, Estimates Database (2008)
 From Rankings & Estimates 2008-2009, Rankings, Table C-II.



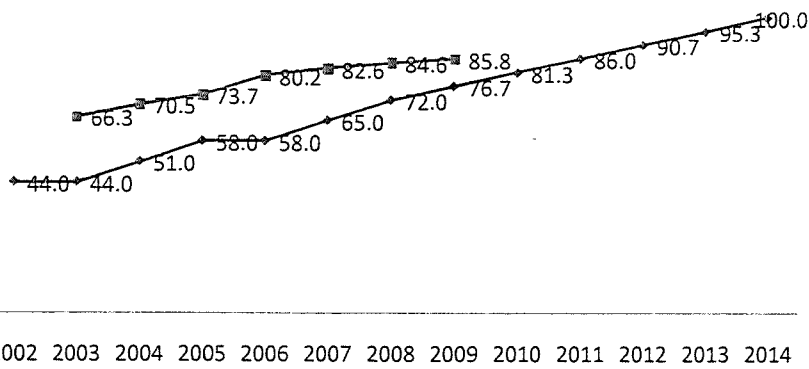
8-22



8-23

Kansas AYP Reading Trends All Students - 2003-2009

→ AYP Goal ■ % Meets Standard & Above



8-24

KANSAS LEGISLATIVE RESEARCH DEPARTMENT

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Senate Committee on Ways and Means December 15, 2009 Overview of Postsecondary Education System Funding

FY 2010 Regents Systemwide Budget Summary

	State General Fund	All Funds
FY 2010 Approved Budget	\$ 769,388,228*	\$ 2,221,439,596
July Allotment Reduction	(15,295,000)	(15,295,000)
November Allotment Reduction	(7,029,090)	(7,029,090)
Subtotal Allotments	\$ (22,324,090)	\$ (22,324,090)
 TOTAL	 \$ 747,064,138	 \$ 2,199,115,506

* The approved State General Fund amount includes reappropriations of \$2.7 million.

The 2009 Legislature approved an FY 2010 budget for the Regents system of \$2,221.4 million, including \$769.4 million from the State General Fund. The approved amount includes \$40.0 million of federal American Recovery and Reinvestment Act (ARRA) funds for tuition mitigation and deferred maintenance projects to be distributed by the Board of Regents. The Board approved the split of ARRA funds expenditure with two-thirds going to deferred maintenance and one-third going to tuition mitigation. The funds have been distributed among the sectors of postsecondary education as follows:

Institution	Amount
State Universities	\$ 32,151,982
Washburn University	756,280
Community Colleges	6,029,986
Technical Colleges	1,061,752
TOTAL	\$ 40,000,000

The funds dedicated to deferred maintenance reflect one-time expenditures, with no resulting specific on-going obligation in future budget years. The tuition mitigation funds are potentially one-time expenditures, depending on the Board's decision to hold tuition level or increase tuition rates after the ARRA funds are no longer available.

The subsequent Governor's allotments totaling \$22.3 million, reduced the FY 2010 Regents system budget to \$2,199.1 million all funds, and \$747.1 million State General Fund, reducing the State General Fund appropriation to the FY 2006 level, the level set as the bottom threshold for ARRA fund eligibility. When compared to funding for the Regents system over a ten year period, the approved State General Fund budget is an increase of \$74.0 million, or 11.0 percent. When compared to funding for the Regents system over a five year period, there is no change.

The institutions have made a number of changes to address the budget cuts. For example:

- Nearly all institutions have made changes to personnel expenditures through hiring freezes, holding positions vacant or eliminating them entirely, or laid off employees;
- Courses have been delayed, combined or cancelled;
- Class sizes have been increased;
- Student labor budgets have been reduced, including the elimination of Graduate Teaching Assistant (GTA) and Graduate Research Assistant (GRA) positions;
- Reductions in student assistance;
- Reductions to library budgets;
- Delay of technology upgrades; and
- A variety of other cost saving measures.

Tuition Rates

Institution	FY 2010 Tuition Rate (per Undergraduate, Resident Credit Hour)	Dollar Increase from FY 2009	Percentage Increase from FY 2009
University of Kansas*	\$ 3,284	\$ 186	6.0%
Kansas State University	3,093	116	3.9%
Wichita State University	2,249	177	8.5%
Emporia State University	1,713	66	4.0%
Fort Hays State University	1,473	103	7.5%
Pittsburg State University	1,826	116	6.8%

* Does not reflect the "Four-Year Tuition Compact" rate that applies for first-time, full-time students who begin as freshmen in the Fall 2009 semester. This rate will be locked-in for those students over a four-year period, at \$3,670, an increase of \$241, or 7.0 percent over the previous year.

In addition to budget cuts, undergraduate, resident tuition rates were also increased for the FY 2010 school year ranging from a low of 3.9 percent at Kansas State University to a high of 8.5 percent at Wichita State University. When viewed over a ten-year period, tuition rates for the same group have increase from a low of 72.1 percent, at Fort Hays State University to a high of 184.5

percent, at the University of Kansas. Over a five-year period, increase range from a low of 3.9 percent at Kansas State University, to a high of 8.5 percent at Wichita State University.

The attached chart tracks the change in State General Fund expenditures in relation to General Fees Fund (tuition) expenditures for the Regents system, showing a steady increase in tuition rates over the last ten years.

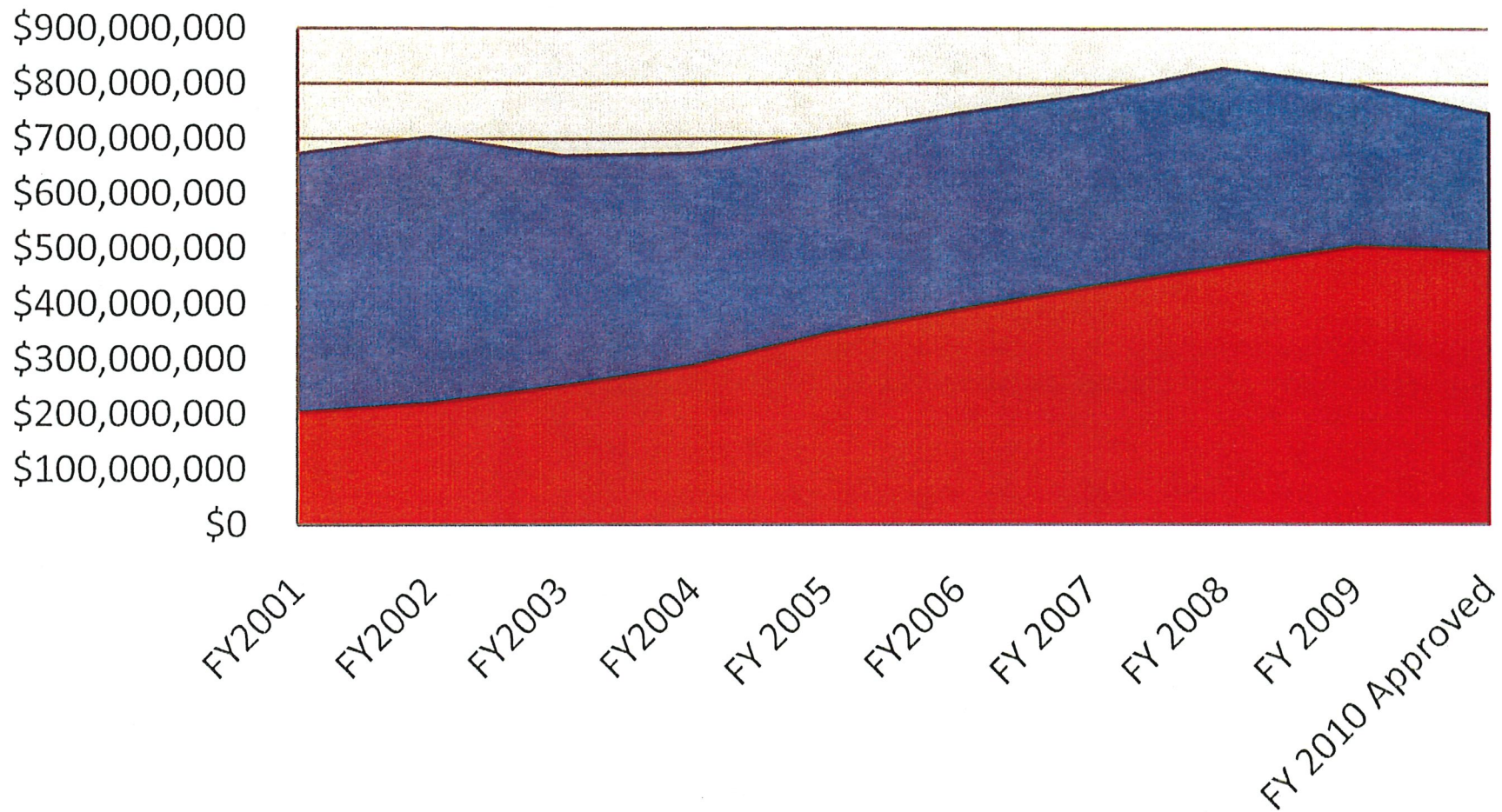
9-3

4-6

State General Fund and Tuition Expenditures

FY 2001 - FY 2010 Approved

■ State General Fund ■ General Fees Fund





KANSAS BOARD OF REGENTS

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To: Members, Senate Ways & Means Committee

From: Kip Peterson, Director of Government Relations & Communications

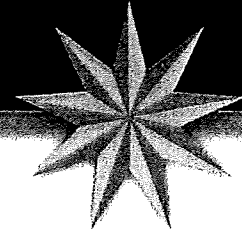
Date: Tuesday, December 15, 2009

Re: Higher Education Funding Information

I have attached some higher education funding information that I thought would be helpful as you review the state's budget today. The following information is included:

- Slide 1: Systemwide budget impact summary information. Please note that the FY 2010 funding reduction currently stands at \$106 million or 13%.
- Slide 2: The State's higher education budget from FY 2006 through FY 2010. Please note that FY 2010 funding levels are now at the federally-required FY 2006 "floor." Any additional cuts below FY 2006 levels would jeopardize the receipt of federal stimulus dollars.
- Slide 3: A snapshot of how higher education funding in Kansas compares to the region.
- Slide 4: State university funding and enrollment trends from FY 1988 to FY 2008.
- Slide 5: State university funding and tuition trends from FY 1988 to FY 2008.
- Slide 6: The percentage of the state budget dedicated to higher education from FY 1988 to FY 2008.
- Attachment: Detailed budget impact information for all 32 public higher education institutions.

9-5



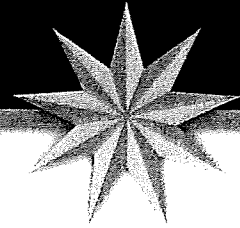
9-6

Impact of Budget Cuts (Systemwide):

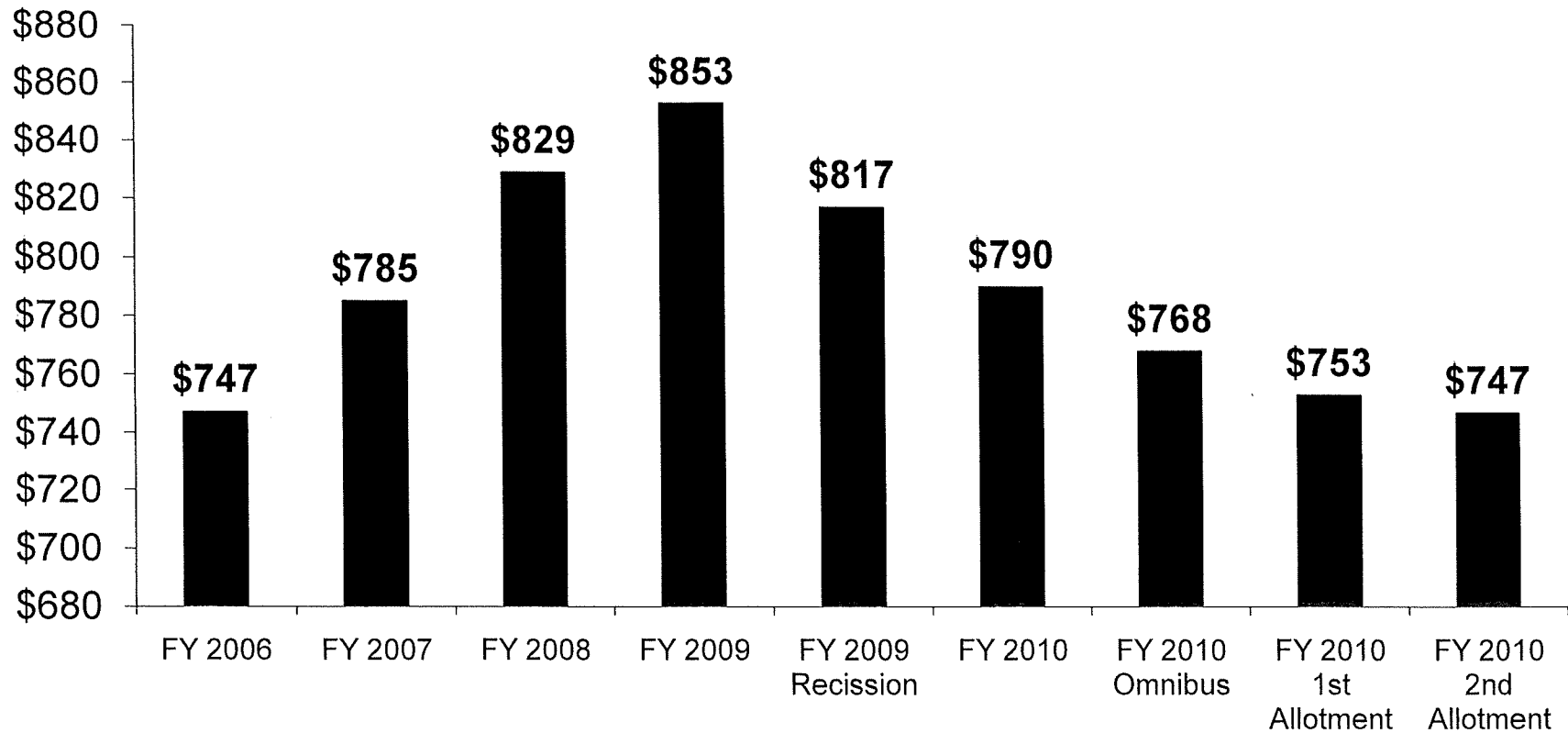
- ★ Employee Layoffs, Positions Held Vacant, & Positions Eliminated: **Over 780.**
- ★ Programs/Classes Eliminated: **Over 450.**
- ★ Increased class sizes & reduced course offerings.
- ★ Reduced library resources (books, databases, & publications) & hours of operation.
- ★ Students less likely to graduate in 4 years.
- ★ Reduced operating support for equipment & technology upgrades.
- ★ Student counseling services reduced.
- ★ Eliminated purchases of research & educational equipment.
- ★ Reduced or eliminated overtime and student labor budgets.
- ★ Increased faculty teaching loads.
- ★ Increased tuition costs.

**Please see Attachment for additional details.*

9-17

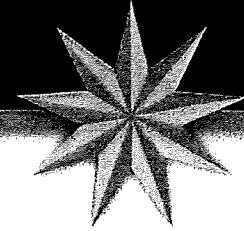


The State's Higher Education Budget (FY06-FY10):



*In Millions

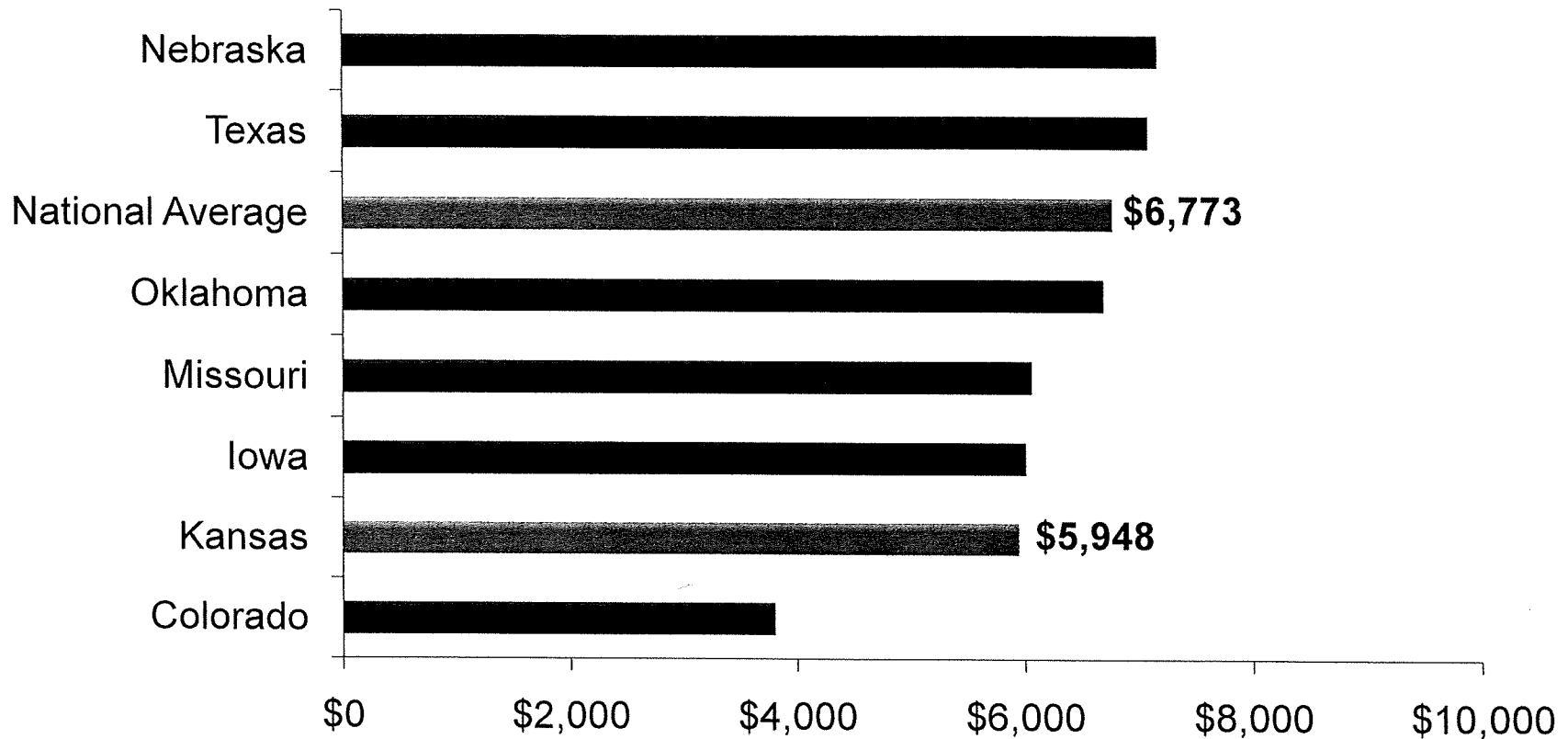
KANSAS BOARD OF REGENTS



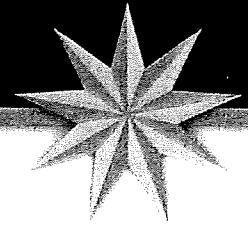
9-00

How We Compare To The Region...

State & Local Public Higher Education Support per FTE Student (FY07):

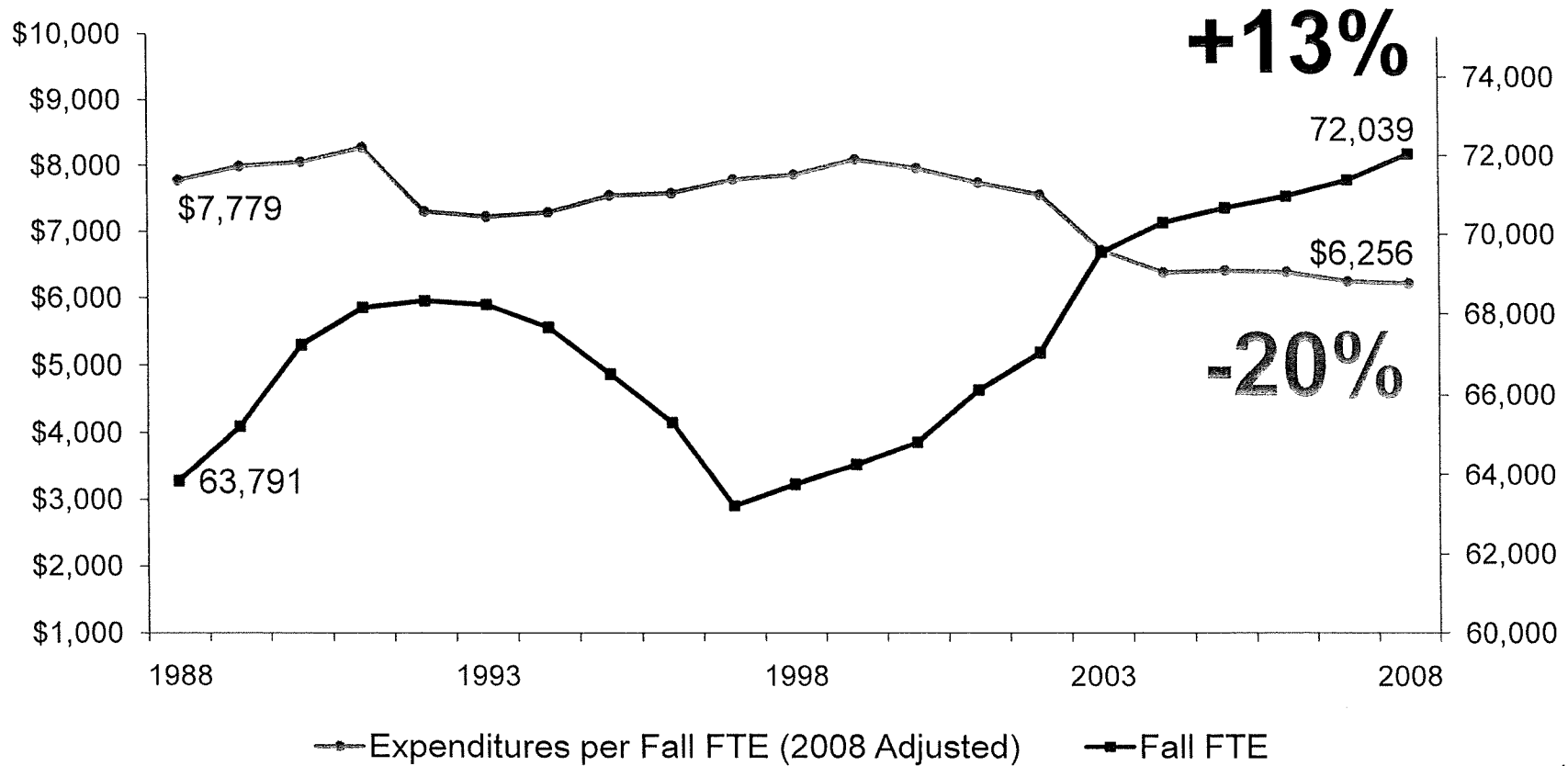


*All 32 Institutions

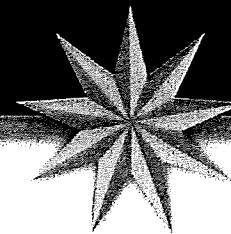


We're Doing More With Less...

State Universities, Funding vs. Enrollment (1988-2008):



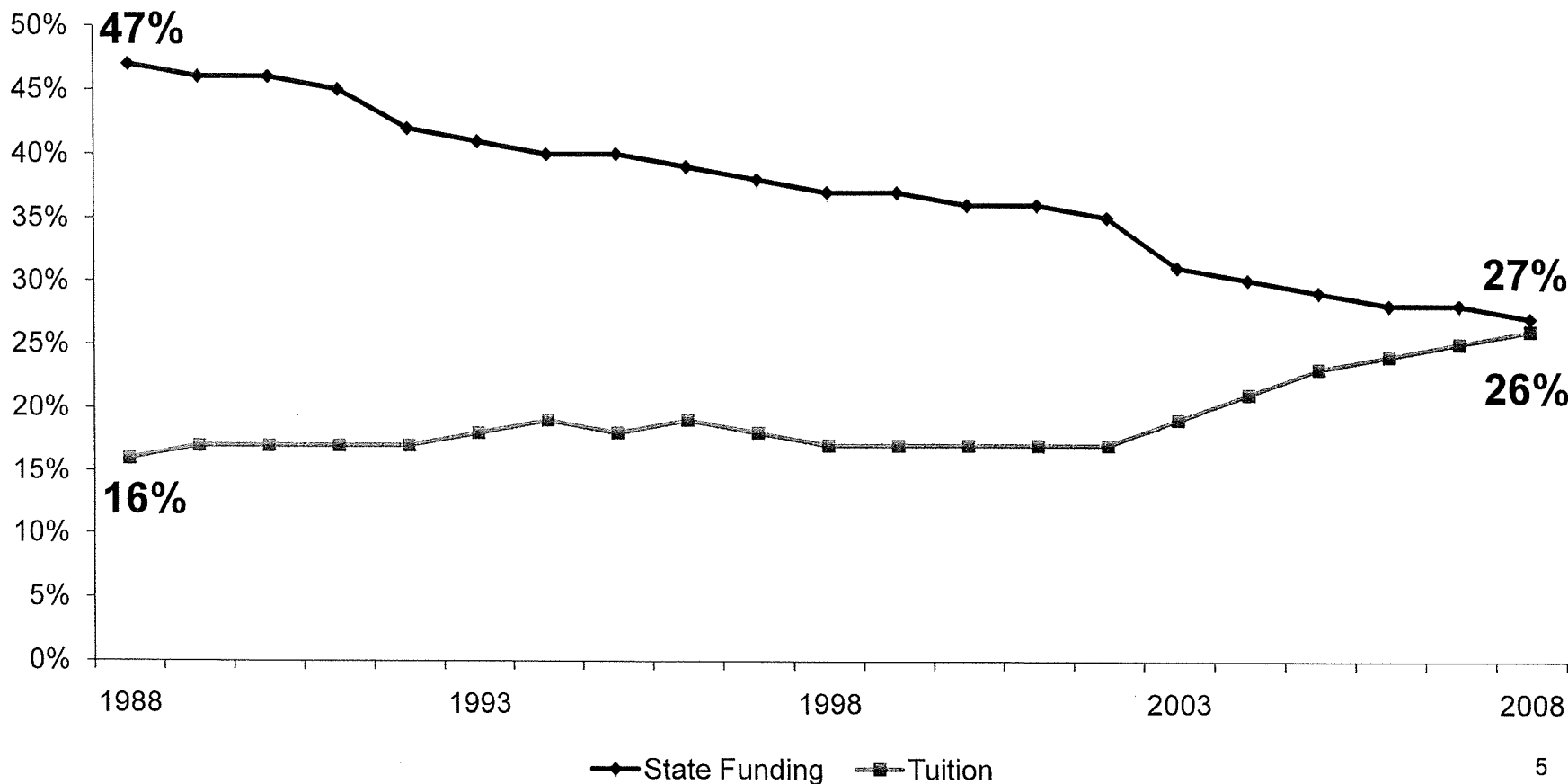
*HEPI-Adjusted



9-10

The Burden Is Shifting...

State University Tuition vs. State Funding (1988-2008):

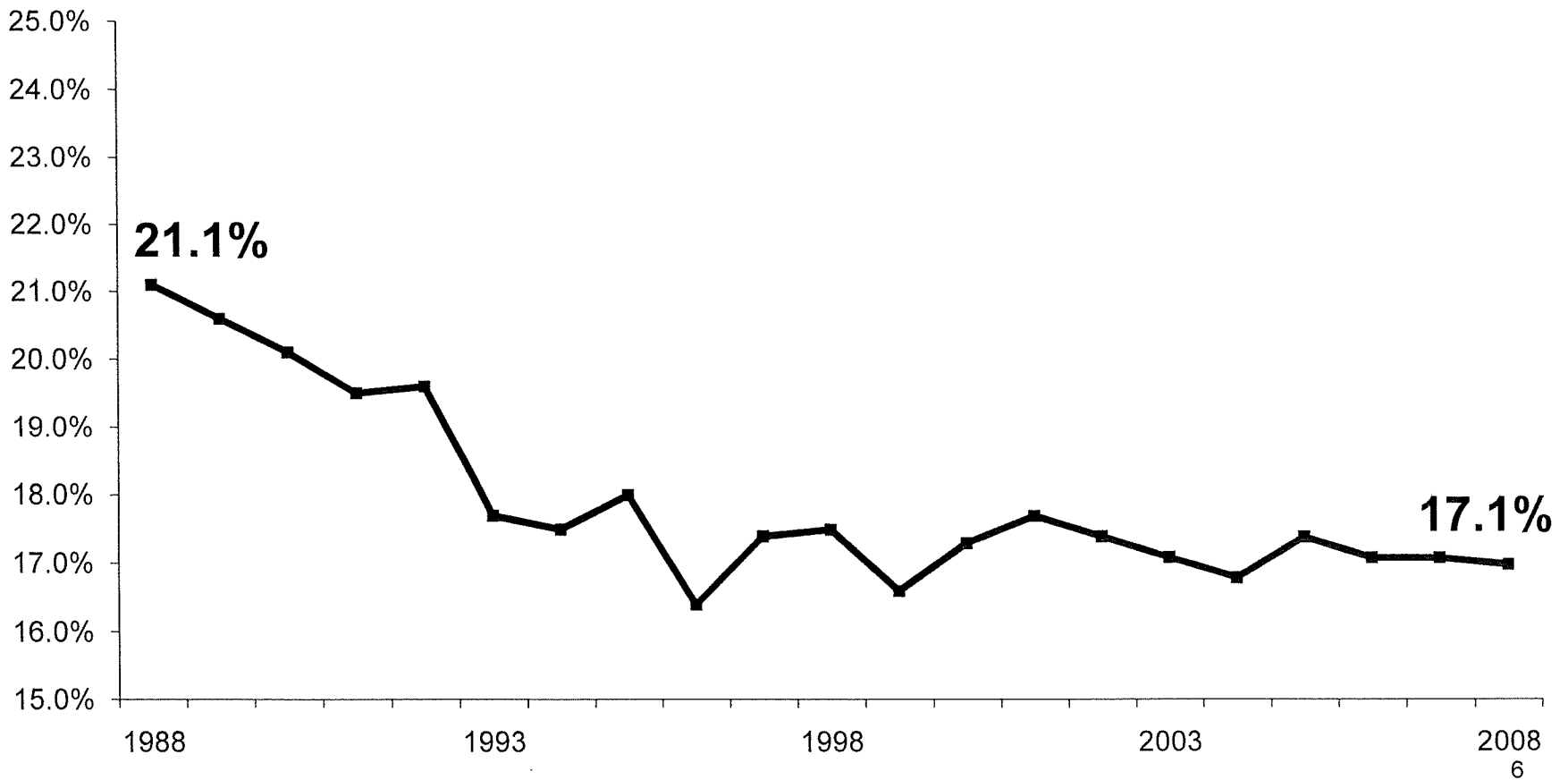


9-11



Declining State Support...

Percent of State Budget Dedicated to Higher Education (1988-2008):



University Actions to Reduce Expenditures (FY 2010)

Emporia State University:

1. Positions held vacant indefinitely (approx 32)
2. Positions covered with temporary instructors
3. Reduced budgets for temporary instructors
4. Increased class size due to fewer sections offered (i.e. 25% increase in class size of Freshmen Composition, Physical Sciences, Biological Sciences, Mathematics, and Social Sciences)
5. Many general education sections above capacity. Many unable to get their classes or must enroll in required classes in a later semester
6. Elimination of major administrative position through reorganization
7. 12-14 GTA/GRA Positions Eliminated
8. Certain courses offered less frequently
9. 25 courses canceled
10. Increased reliance on part time faculty and faculty overloads
11. Reduced library resources such as databases, publications and operating hours
12. Reduced departmental operating support for technology, equipment, supplies and travel
13. Reduction in student jobs on campus
14. Restriction on ability to increase number of access support programs (per Performance Agreement)
15. Potential reduction of 1st to 2nd year retention, due to increased class size and reduced course offerings
16. (Performance Agreement issue)
17. Selected transfer of state funded expenditures to restricted funds
18. Reduction of campus-wide equipment allocation

Fort Hays State University:

1. Position eliminations and hiring freeze affecting 30 positions negatively affecting class size and availability.
2. Delay or eliminate upgrades to technology used by faculty and staff
3. Eliminate purchases of educational and research equipment
4. Reduce or eliminate overtime budgets
5. Reduce student labor budgets
6. Summer work week reduced to 4 10 hour days to create savings in utility costs
7. Substantially reduce the number of on campus classes offered during the summer to create utility savings. Classes offered virtually.
8. Increased thermostat settings during office hours to increase utility savings
9. Reduced other operating expense budgets
10. Use reserve balances to allow time for planning additional ongoing reductions in positions and other operating expenses.

Kansas State University:

1. \$13.5 million was cut by reducing the SGF budgets of most non-academic units by 10% (SGF) and academic units by 7% (SGF)
2. 80 positions from non-academic units are being held vacant
3. 120 positions from academic and research units are being held vacant
4. Approximately 75 sections have been delayed, combined or cancelled
5. Increased teaching loads are reducing research and service contributions from faculty
6. Student services, such as advising, are impacted
7. Reduced purchases of library materials

8. Reduced support for inter-disciplinary, targeted research - ultimately a reduction in externally funded research will occur
9. Reduced custodial and building maintenance services
10. Reduced agricultural extension services
11. Reduced technology infrastructure investment
12. Reduced student employment opportunities
13. In addition to the stimulus funds, \$3.4 million in one-time bridge funding (fund balances) is being used to fund the FY 2010 operational budget.
14. K-State's adaption to this reduced resource level is not complete. We still need to identify \$15 million in further savings. First, our current year budget is partially funded with non-recurring resources (fund balances and federal stimulus funding). Second, we need funds to strategically replace resources that have been cut from campus units that are operating in a non-sustainable fashion, for example, some of the approximately 200 vacant positions must be filled. Additionally, we need funds for contingent needs. The campus community will be engaged in this discussion this fall.

Pittsburg State University:

1. Eliminated or Reduced Salaries Budgeted for 28 Positions - \$1.2M
2. Scheduled 131 Fewer Classes this Fall
3. Delayed Major Software Acquisition
4. Reduced Operating Budgets by \$500,000
5. Reduced Major Equipment Budgets by \$400,000
6. Utilized Carryforward Balances to Spread the Cut Over Two Years
7. Authorized Fewer Library Acquisitions
8. Reduced Expenditures for Campus Safety, Building Maintenance and Landscaping
9. Increased Reliance on Part-Time Faculty
10. Reduced Hours of Operation in the Library, Computer Labs and Student Rec Center

University of Kansas:

1. Eliminated 121 positions (20 filled resulting in 11 notices of nonreappointment aka layoffs). 55 of these positions were teaching positions which translates into larger class sizes and few class sections.
2. Eliminated Learning Communities Office which helped improve retention rates.
3. Elimination of approximately 75 class sections in the College of Liberal Arts and Sciences due to reduction in GTA positions
4. Increased class sizes due to reduction in GTA and faculty positions.
5. Cut back student recruitment in key fields such as Engineering in order to maintain the quality of the educational experience for all Engineering students.
6. Decrease access to timely academic advising
7. Reduced technology funds at a time when mediated classes, online courses, electronic textbooks and digitally accessed library material are becoming the norm. We are at risk of falling further behind.
8. Decreased employment opportunities for students.
9. Decreased ability to meet training needs of university employees
10. Reduced hours of operation for various university museums.
11. Reduced building maintenance which will increase deferred maintenance.
12. Reduced selected community outreach and service programs.
13. Shifted an entire unit, KU Continuing Education off state funding altogether. The unit will now be entirely self supporting.
14. KU is using the flexibility provided by the Purchasing Pilot Project to reduce the cost of computers, software and other goods and services. This law should be made permanent in the 2010 Legislative Session.

University of Kansas Medical Center:

1. Eliminated 79 positions (46 occupied - 41 unclassified staff received notices of non reappointments. aka layoffs and 5 classified staff were laid off). These reductions will have a material impact on KUMC's ability to execute its mission and the quality of its support for its academic, research, and clinical
2. Shifted portions of 363 positions to other funding sources, primarily clinical income. This transfer is not sustainable over time due to economic pressures and expected changes in reimbursement as part of National Health Care Reform.
3. Reduced GTA/GRA opportunities. The number of Graduate Teaching Assistant and Graduate Research Assistant positions available to support Ph.D. students in the sciences and bioengineering was reduced by four. This will make it more difficult to support the new information and biomedical economy the state is attempting to nurture through investments by entities like the Kansas Bioscience Authority.
4. Library operations will be impacted by reduced hours, elimination of new book purchases, and a reduction in periodicals. These actions degrade the quality of the educational experience available to students and impact research progress.
5. Investments in information and instructional technology were reduced. While the impact of these reductions may not be immediately felt, over time this critical infrastructure will deteriorate to the same dreadful condition as our physical facilities.
6. Reduction in tuition grant funding for needy students.
7. Reduction in professional training for faculty and staff.
8. Reduction in facility maintenance increasing deferred maintenance.
9. Identify an additional 50 positions for elimination during the fiscal year.
10. Reduction in outreach services for clinical care and continuing ed.
11. Reductions in Nursing & Allied Health enrollment in Fall 2010.
12. One-time ARRA funds will be used as bridging funds until a permanent reduction can be implemented.
13. Further allotment reductions would require furloughs or a general salary reduction.

Wichita State University:

1. Four employees (3.5 FTE positions) were laid off.
2. 81 positions were eliminated. Positions were vacant due to resignations or retirements and would have been filled during FY 2010.
3. An additional 30 seasonal and temporary positions hired each year to assist with enrollment and grounds maintenance were eliminated.
4. Eliminated over 20% of the budget for student salaries--a major source of financial aid for students.
5. 142 fewer class sections have been scheduled for fall semester unless enrollment increases provide additional tuition revenues to hire new lecturers.
6. Substantially reduced funding for university libraries resulting in a probable reduction to library hours.
7. Substantial reduction to budgets for capital equipment replacement, library acquisitions, and technology upgrades.
8. Due to staffing reductions, many services provided to the University community and outside customers will be eliminated, reduced or delayed.

Washburn University

1. Town hall meetings were held on campus for budget reduction ideas and input
2. A budget reduction committee was formed to facilitate the process
3. Vacant positions were evaluated to determine whether or not they would be refilled
4. Consideration was given to outsourcing Facilities Services
5. Early retirement incentive program was offered
6. Various programs were evaluated to determine viability. Reductions were made where necessary
7. Departments were given reduction targets
8. Entry level salary rates were not increased
9. No salary increases were given except for faculty promotions
10. Started revamping campus and implementing measures to achieve energy savings
11. Several positions reduced from full time to three quarter or half time
12. Budget was reduced by 75 positions. (12 faculty, 50 adjuncts, 6 administrative, 7 classified)

Community College Actions to Reduce Expenditures (FY 2010)

Allen County Community College

1. Closed an outreach facility
2. Reduced staff by 3.5 FTE.
3. Eliminated all but mandatory out-of-state travel.
4. Limited in-state travel.
5. Closed Paramedic Program.
6. Delayed or denied some equipment purchases.
7. Delayed start-up of career and technical education programs.
8. Delayed deferred maintenance projects.
9. Three open positions have not been filled.
10. Using more telephone and video conferencing for off-campus meetings.

Barton County Community College

1. Non-renewal of two faculty positions
2. Reduced departmental budgets by 10%
3. Non-replacement of staff positions
4. Reduced the number of Student scholarships
5. Elimination of specific employee benefits
6. To fund FY10 budget, required to use \$200,000 in cash reserves

Butler County Community College

1. Non-personnel reductions
2. Travel reductions faculty/staff/students
3. Facilities/program development support
4. Staffing adjustments/reductions
5. Technology/computer support
6. Disinvestments/reorganizations
7. Energy savings/green initiatives
8. User fee adjustments
9. One-time designated fund transfers
10. Estimated savings from slow-fill policy

Cloud County Community College

1. All administrative and support staff groups salary received a 0% raise for FY 10.
2. The faculty association bargained for a 0% salary increase for FY 10
3. The college put in place a hiring freeze for FY 10 for all non-essential positions
4. All operating budgets were reduced by 3% for FY 10
5. A college unpaid furlough policy was adopted by the Board of Trustees

Coffeyville Community College

1. Eliminated media supervisor position
2. Eliminated animal science instructor
3. Obtained grant funding for welding instructor
4. Eliminated library clerk position
5. Eliminated Native American Director position
6. Eliminated secondary Agriculture program
7. Eliminated baseball assistant coach position
8. Eliminated dance team assistant coach position
9. Reduced outside contracted services
10. Furloughed EMICT Paramedic program
11. Reduced energy consumption

Colby Community College

1. ARRA/SFSF (stimulus) allowed mitigation of Thomas county and most in-state tuition increases
2. Increase enrollment including traditional, concurrent high school enrollment, and community-based outreach
3. Pursued alternative funding sources, including donations & grants
4. No pay increase for FY 2010 including faculty, staff and support.
5. Deferred hiring for some positions, including delay in filling replacement positions
6. Delayed purchase of all non-critical equipment
7. Anticipated / plan mid-year further personnel reductions

Cowley County Community College

1. Seven vacated staff positions remain unfilled
2. Using cash carryover to fund the shortfall, will look at more cuts to staffing in 2011
3. Sold equipment from discontinued program

Dodge City Community College

1. 5% reduction in materials, supplies, & equipment
2. 10% reduction in travel
3. Reduction in faculty and staff (6)
4. Reduction in Capital Outlay

Fort Scott Community College

1. Satellite Program closed
2. Elimination/Consolidation of clerical positions
3. Occupation Program closed
4. RIF Faculty position
5. Reduce Program Expansion Opportunities
6. Budget Reductions - Travel and Vehicle Replacements

Garden City Community College

1. Staffing reductions
2. Cut departmental budgets by 10%
3. Reduce travel
4. Postpone fleet replacement

Highland Community College

1. Reduced workforce by 4 faculty positions, 1 administrative position, 1 classified position
2. Froze administrative and classified salaries
3. Identified "one time" expenditures and did not reallocate funds used for those expenditures
4. Froze or reduced operating budgets where possible
5. Closed buildings during summer months in an attempt to reduce energy costs
6. Reduced out of state travel when able
7. Cut the number of athletic competitions teams were able to participate in

Hutchinson Community College

1. Delay filling positions
2. Leaving positions unfilled
3. Continuing to defer maintenance projects
4. Reductions in technology purchases
5. Reduction of instructional capital equipment purchases
6. Copier and printing cost reduction effort
7. Lodging / meals / travel / mileage
8. Membership dues
9. Reduction of student workers and hours
10. Reduction of part-time faculty
11. Increase in minimum class size
12. Reduction in professional conferences and workshops
13. Office and instructional supply reduction
14. Increase in maximum class size
15. No salary increases

Independence Community College

1. No scheduled pay raises for staff
2. Extended the replacement time for computers and software
3. Terminated programs (educational and athletic)
4. Left some positions unfilled after employee termination
5. Delayed hiring other employees
6. Terminated security during the summer months
7. Developed management plan for building interior heating and cooling
8. Joined consortium to help reduce natural gas costs
9. Focused on training for health and safety issues to lower insurance costs
10. Reduced the number of vehicles used by the college
11. Combined select programs with other area community colleges
12. Used KansasWorks and other programs for "free" labor for maintenance and other support roles
13. Asked for more donations to offset necessary expenses
14. Reduced general expenditures (fewer college trips, reduced number of cell phones, fewer student activities, etc.)
15. Worked harder with fewer resources

Johnson County Community College

1. Decrease planned equipment and computer purchases
2. Eliminate certain vacant positions for full and part time

Kansas City Kansas Community College

1. Reduced supply budgets
2. Reduced advertising budgets
3. Reduced maintenance budgets
4. Reduced equipment replacement budgets
5. Reduced travel budgets
6. Reduced scholarship budget
7. Froze all staff salaries
8. Reduced staff hiring to create hiring lag

9. Committed fund reserves to cover revenue shortages

Labette Community College

1. Eliminated Workforce Development Position
2. Stopped purchases on vehicle rotation plan
3. Eliminated Landscape/Gardener Position
4. Reduced travel
5. Reduced equipment purchases
6. Reduced supplies purchases
7. Eliminated part-time healthcare instructor

Neosho County Community College

1. Student Learning Budget Reductions (eliminated all travel, except essential, reduced supplies for every every department, removed all new equipment expenditures)
2. Athletic Budget Reductions (reduced equipment reserve and travel for all teams)
3. Administration Budget Reductions (reduction in contractual services, Board travel, technology equipment and software, technology services travel. Reduced health insurance benefits)
4. Operations and Maintenance Budget Reductions (reduction in deferred maintenance and renovation, building improvements, land improvements, equipment and travel)
5. Contingency Budget Reductions (reduction in amount held back to pay for rescission of state funds)
6. Academic Salary Reductions (did not fill two full-time faculty vacancies)
7. Other Salary Reductions (replacement of administrative staff with less costly staff)

Pratt Community College

1. Instructor Retirements Left Unfilled
2. Capital Projects Cancelled/Postponed
3. Reduce Utility Costs
4. Reduce Operations

Seward County Community College

1. Staffing (reductions/hiring freeze)
2. Travel budgets cut
3. Professional development reduced
4. Equipment purchases delayed/denied
5. Restricted Overtime/Comp time authorization
6. Holiday Leave/Well Pay Benefits reduction
7. 4 day work week during summer months in order to reduce utility usage
8. Targeted discretionary budget reductions across the college
9. Cancelled FY2009 Encumbrances (cancelled orders for materials, equipment, and supplies)

Technical College Actions to Reduce Expenditures (FY 2010)

Flint Hills Technical College

1. No salary increase. Salaries for all employees are based on FY2009 rates
2. Several vacant staff positions have not been filled. Many staff are filling in different areas
3. No new staff positions are being added, despite increased number of students enrolled
4. Using federal stimulus funds for non-budgeted projects that will reduce energy costs, and expand classroom space due to growth
5. All training budgets were eliminated, unless the training dollars are federal Carl Perkins funds
6. Newly approved programs are not being implemented
7. All instructional equipment budgets have been reduced significantly
8. New program development budgets have been greatly reduced
9. Utilized money allocated for cash reserves
10. IT created an automated shut-down program for all computer labs to decrease energy at night

79-18

11. Eliminated grant writer salary dollars. Combined position with another position.

Manhattan Area Technical College

1. Suspend assistant position - Building Trades program
2. Suspend part-time evening coordinator / tutor position - Learning Resource Center
3. Suspend part-time counselor position - Admissions office
4. Reduce professional development budgets - all departments
5. Reduce travel budgets and attendance / participation in meetings
6. Implemented summer schedule to reduce utility cost - 4 ten hour days

North Central Kansas Technical College

1. Eliminate major capital improvement projects for the year
2. Use cash reserves generated in prior years' operations to protect from a period of State funding decreases

Northwest Kansas Technical College

1. Reduction of one 1st Year Automotive Technology Instructor
2. Reduction of one 2nd Year Automotive Technology Instructor
3. Reduction of Library Assistant
4. Reduction of Grant Writer
5. Reduction of Receptionist
6. Reduced to Part-time Counselor
7. Reduced to Less Than Half-Time IT Consultant
8. Sought Support for Partial Funding of Salary from Endowment Association
9. Reduction of One Medical Assistant Instructor
10. Reduction of One Cosmetology Instructor

Salina Area Technical College

1. Instructional staff agreed to no wage increases for FY 10
2. No increase in health insurance premiums paid by the college
FY 09 out of pocket was \$50 for health/dental. FY 10 out of pocket is \$112.11
3. Some administrative staff took cuts in salary
4. No layoffs primarily due to legislation that accompanies our transition from USD to independent college
5. Travel reduced to what is essential -- accreditation related, reimbursed through Carl Perkins or other grants
6. Utilized reserves to fund capital projects, technology infrastructure related to transition and other related costs
7. SATC will have increased expenses due to accreditation issues and transition issues for several years
8. Positions are being combined so people have taken on multiple responsibilities
9. Postponing hiring positions until funding increases

Wichita Area Technical College

1. Vacant/unfilled positions will not be filled
2. No salary increases (faculty/staff)
3. 2 week furlough
4. Campus closed and sold
5. Benefit increases passed on to employees
6. Department eliminated and functions reallocated to existing employees
7. Out of state travel and professional development activities suspended
8. Security services reduced
9. Custodial services reduced
10. Overtime limited
11. Advertising reduced

State General Fund Expenditures

Higher Education Institutions

FY 2001 - FY 2010 Approved

9-20

Fiscal Year	Board of Regents	Emporia State University	Fort Hays State University	Kansas State University	KSU Extension Systems and Agriculture Research Programs	KSU Veterinary Medical Center	Pittsburg State University	University of Kansas	KU Medical Center	Wichita State University	Total	Dollar Change	Percent Change
FY2001	\$120,365,883	\$29,712,799	\$31,226,663	\$103,574,087	\$48,569,081	\$9,688,142	\$32,454,366	\$134,292,779	\$99,592,756	\$63,610,280	\$673,086,836		
FY2002	134,617,397	30,490,809	31,846,557	106,969,910	49,143,891	10,021,162	33,437,540	138,257,795	104,000,291	65,699,384	704,484,736	\$31,397,900	4.7%
FY2003	128,818,035	28,961,986	30,152,939	101,012,298	46,456,361	9,531,579	31,806,918	131,042,822	99,421,659	62,810,116	670,014,713	(34,470,023)	-4.9%
FY2004	127,637,197	29,633,548	30,398,803	101,653,621	46,678,416	9,568,048	32,128,091	132,033,121	100,389,199	63,522,168	673,642,212	3,627,499	0.5%
FY 2005	139,424,497	30,834,266	31,881,390	104,660,954	48,661,933	9,989,497	33,573,271	136,397,091	104,037,593	66,679,547	706,140,039	32,497,827	4.8%
FY2006	149,645,607	32,608,168	33,473,276	109,596,494	51,253,277	10,529,658	35,488,269	143,506,291	109,674,509	71,288,589	747,064,138	40,924,099	5.8%
FY 2007	169,805,397	33,368,553	34,231,165	111,105,517	52,043,225	10,736,967	35,998,201	145,199,325	116,269,631	73,355,915	782,113,896	35,049,758	4.7%
FY 2008	190,529,747	34,895,240	36,460,580	115,562,702	54,807,626	11,281,788	37,972,542	151,271,038	121,788,407	74,499,543	829,069,213	46,955,317	6.0%
FY 2009	184,610,746	33,138,765	34,978,061	109,573,413	52,595,448	10,850,535	34,537,185	145,337,076	118,868,086	73,518,875	798,008,190	(31,061,023)	-3.7%
FY 2010 Approved Total	\$171,141,412	\$31,417,493	\$33,322,216	\$104,425,889	\$48,799,765	\$10,360,219	\$34,266,637	\$136,836,486	\$110,221,094	\$66,272,927	\$747,064,138	(\$50,944,052)	-6.4%
10-Year Change	\$50,775,529	\$1,704,694	\$2,095,553	\$851,802	\$230,684	\$672,077	\$1,812,271	\$2,543,707	\$10,628,338	\$2,662,647	\$73,977,302		
% Change	42.2%	5.7%	6.7%	0.8%	0.5%	6.9%	5.6%	1.9%	10.7%	4.2%	11.0%		
5-Year Change	\$21,495,805	(\$1,190,675)	(\$151,060)	(\$5,170,605)	(\$2,453,512)	(\$169,439)	(\$1,221,632)	(\$6,669,805)	\$546,585	(\$5,015,662)	\$0		
% Change	14.4%	-3.7%	-0.5%	-4.7%	-4.8%	-1.6%	-3.4%	-4.6%	0.5%	-7.0%	0.0%		

Kansas Public Employees Retirement System

KPERS Long-Term Funding Update

Senate Ways and Means Committee

▪ *December 15, 2009*

Defined Benefit Basics

10-2

Kansas Legislature enacts KPERS' retirement plan design in State statutes, providing for:

- membership eligibility
- employee and employer contributions
- service credit
- vesting
- benefit formula
- retirement eligibility

Defined Benefit Formula

▪ Final Average Salary X Years of Service X Statutory Multiplier = Annual Benefit
Example: \$40,000 x 30 years x 1.75% = \$21,000

Retirement Funding

▪ Contributions + Investments - Expenses = Benefits

→ Employees = Statutory rate of 4% (Tier 1) or 6% (Tier 2)
→ Employers = Changes annually based on actuarial calculations

→ Assumed actuarial rate = 8%

Retirement Funding Background

10-3

- In 2001 and 2002, actuarial projections indicated the KPERS retirement plan was not in actuarial balance, which means the statutory rate would not converge with the actuarially required contribution (ARC) rate before the end of the amortization period in 2033.
- Following the 2001 actuarial valuation results, KPERS worked with the Legislature to develop a comprehensive, long-term funding plan to address the shortfall and bring the Plan into actuarial balance.
 - 2003 legislation raised statutory caps on employer contribution rate increases from 0.2% annually to 0.4% in FY 2006; 0.5% in FY 2007; and 0.6% in FY 2008 and subsequent years.
 - State issued \$500 million in pension obligation bonds in 2004.
 - 2007 legislation established a new plan design for employees hired on or after July 1, 2009, which increased retirement eligibility ages and employee contributions.
- These actions, along with strong investment returns in the 2004-2007 period, significantly improved the projected funded status of the System.

Key 2008 Valuation Results

10-4

- The unprecedented investment market declines in 2008 have had a substantial negative impact on the funding status of the System, reversing forward progress on long-term funding.
 - The investment return for the S&P 500 was -26.2% during FY 2009, which is reflected in KPERS' return of -19.6% for the same period.
- The 12/31/08 actuarial valuation report shows:
 - A 12% decline in the System's funded ratio to 59%.
 - A \$2.7 billion increase in the unfunded actuarial liability (UAL) to \$8.3 billion.
- The actuarial value of assets is now significantly greater than their market value.
 - About \$2 billion in deferred losses will be averaged in over the next four years.
 - On a current market value basis, the funded ratio is 49% and the UAL is \$10.3 billion.
- The School Group is out of actuarial balance. The actuarially required contribution (ARC) rates for State and Local Groups are projected to nearly double their current contribution rates.

Impact on Funded Status by Group

10-5

Even assuming an 8% investment return over the next five years:

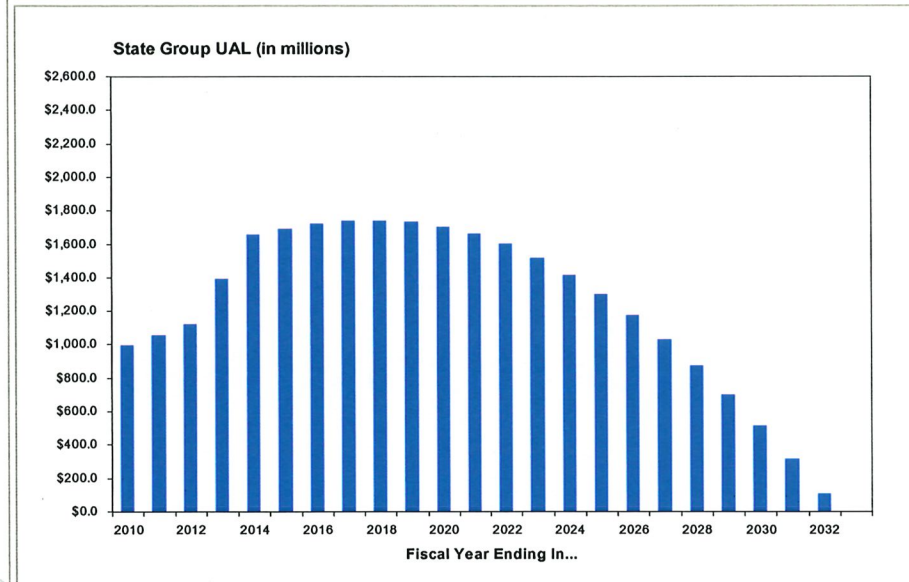
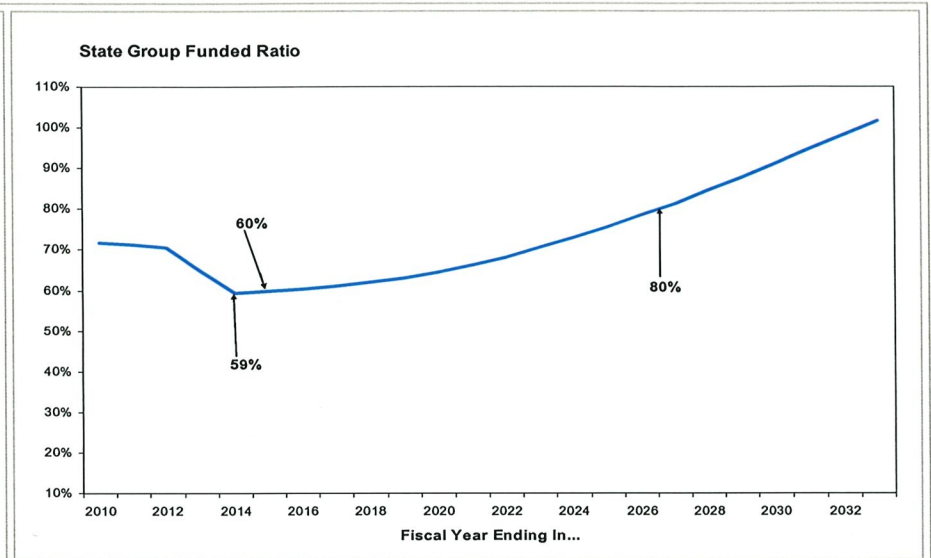
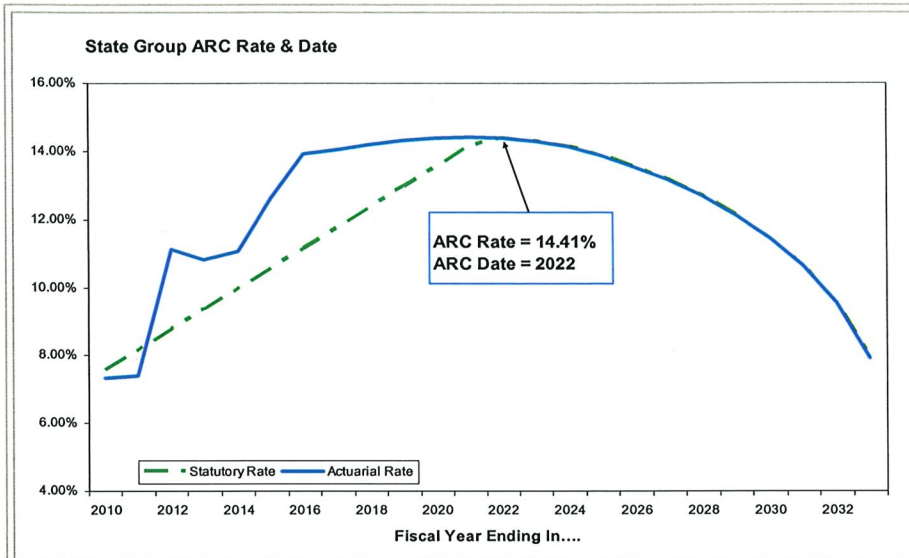
- The funded ratio of each group will continue to fall.
- Each group's UAL and ARC rate will rise significantly.

	12/31/2007 Valuation		12/31/2008 Valuation	
	Unfunded Actuarial Liability (millions)	Funded Ratio	Unfunded Actuarial Liability (millions)	Funded Ratio
Kansas Public Employees Retirement System (KPERs)				
• <i>State Group</i>	\$451	87%	\$1,002	72%
• <i>School Group</i>	3,862	63%	5,239	52%
• <i>Local Group</i>	941	70%	1,385	59%
Kansas Police and Firemen's Retirement System (KP&F)	284	86%	619	71%
Kansas Retirement System for Judges	15	89%	36	75%
Retirement System Totals	\$5,552	71%	\$8,279	59%

10-6

State Group: Baseline Projections

■ No change in the .6% employer rate increase cap.

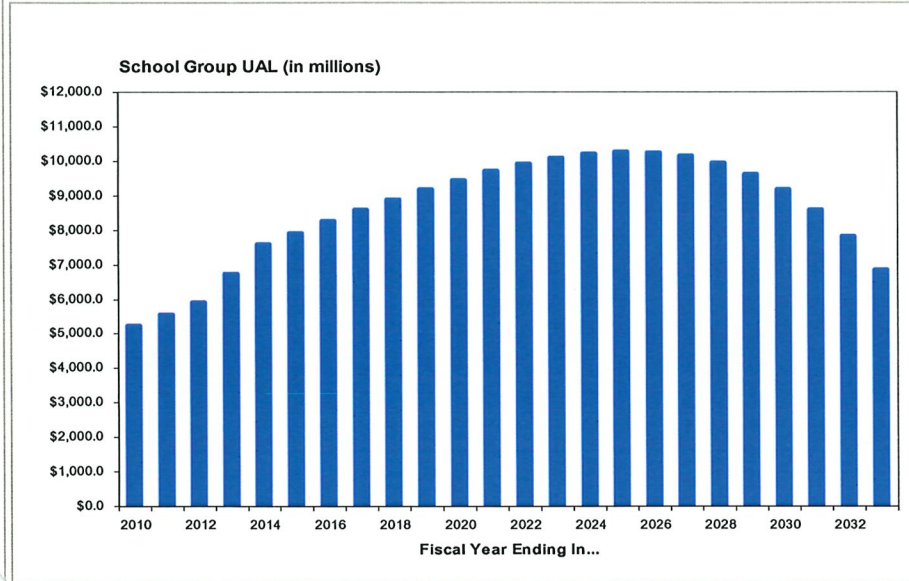
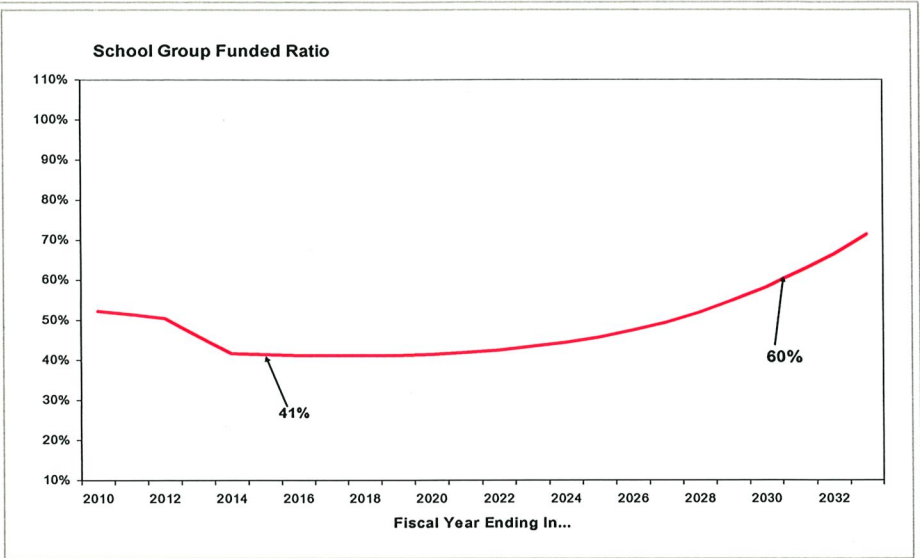
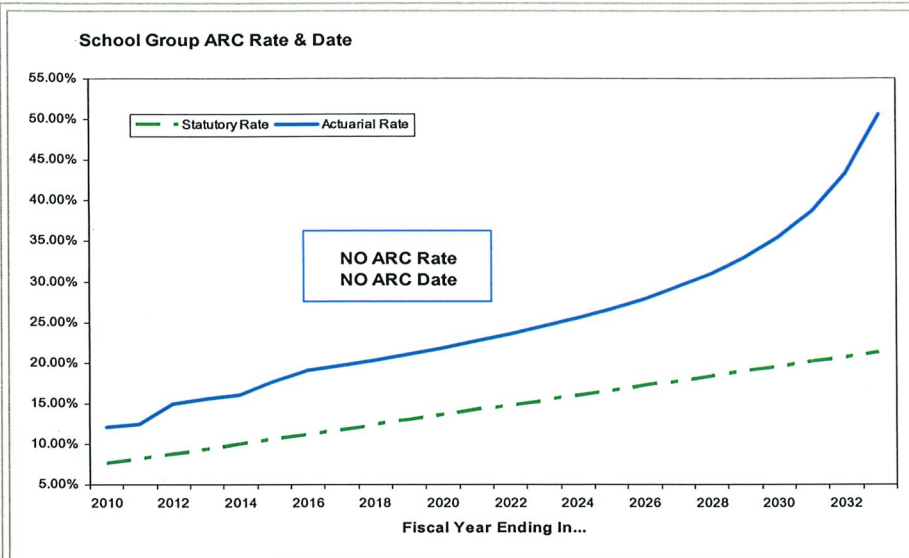


- The projected ARC rate is nearly double the state/school rate paid by state agencies in FY 2010 (7.57%).
- The funded ratio reaches a low of 59% in FY 2014.
- It remains near 60% for an additional 5 years and only reaches 80% in FY 2027.
- The projected UAL rises by nearly 75% to \$1.74 billion in FY 2018.

School Group: Baseline Projections

10-7

▪No change in the .6% employer rate increase cap.

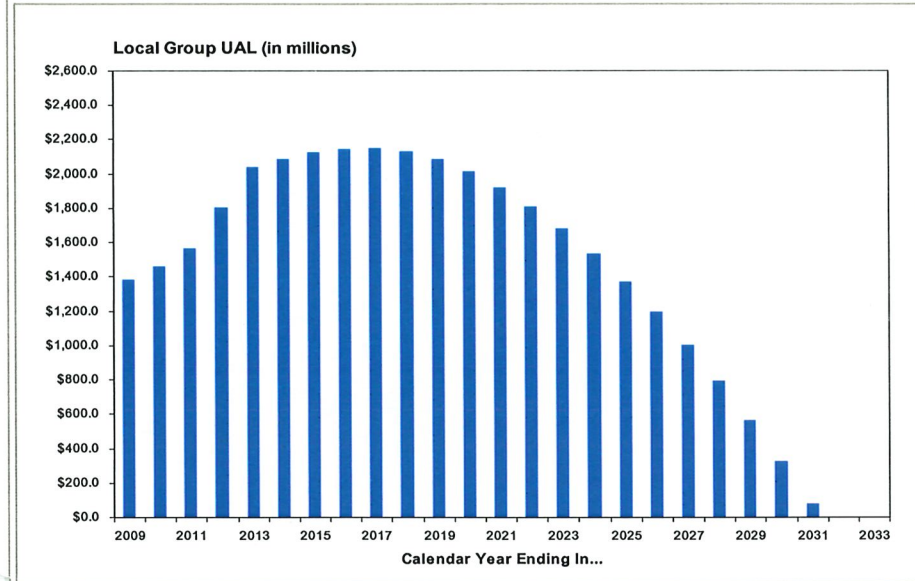
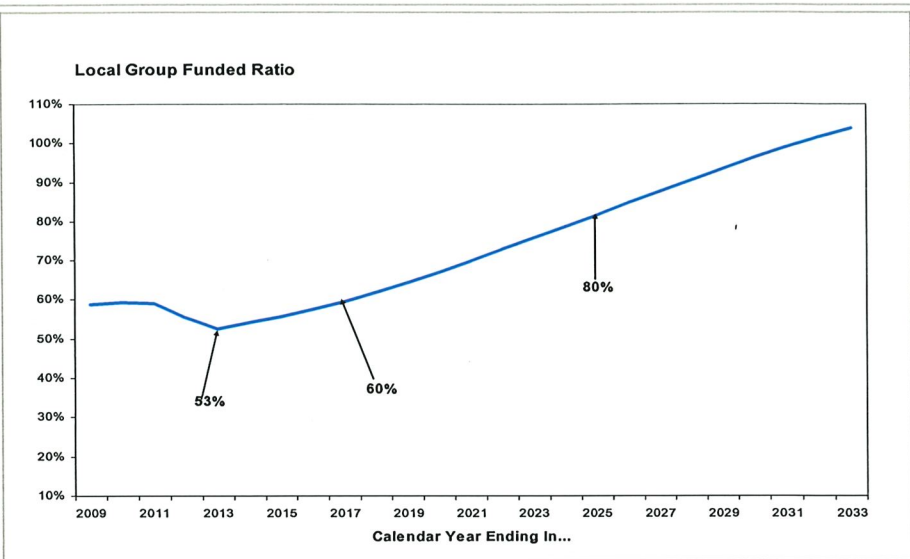
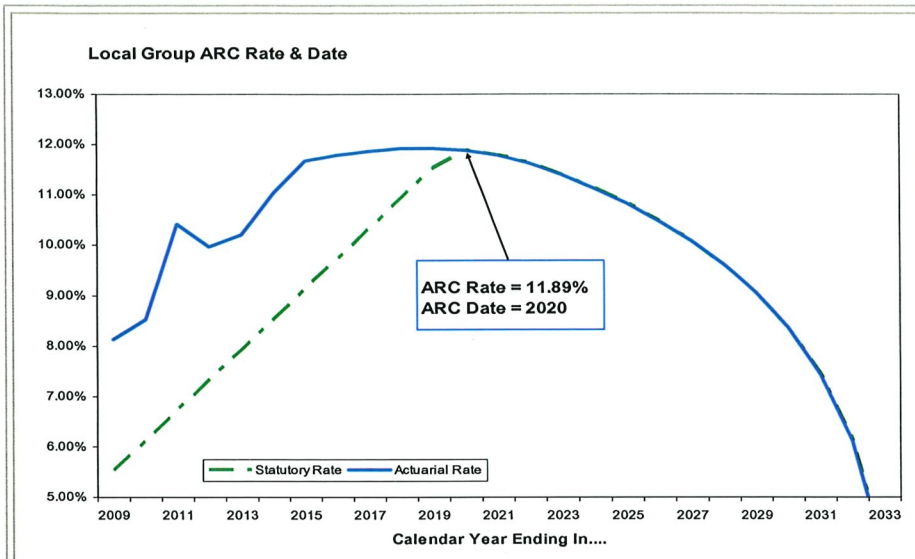


- The School Group is not in actuarial balance by FY 2033.
- The funded ratio reaches a low of 41% in FY 2015 and remains at 41 to 43% for 9 years.
- The funded ratio does not reach 60% until FY 2031 and only reaches 80% in FY 2035.
- The projected UAL nearly doubles to \$10.3 billion in FY 2025.

10-8

Local Group: Baseline Projections

▪ No change in the .6% employer rate increase cap.



- The Local Group ARC rate is projected to double to 11.89% by CY 2020.
- Its projected funded ratio will fall to 53% by CY 2013, regaining 60% by CY 2017. The funded ratio is projected to reach 80% by CY 2025.
- The UAL is projected to increase by 55.4% to \$2.15 billion by CY 2017.

Funding Solution Options

KPERS modeled a series of funding solution options that were presented to the Joint Committee on Pensions, Investments and Benefits at its three meetings this interim. These options included:

- Increases to the statutory employer contribution rate cap.
- Increases in employee contribution rates.
- Changes in the statutory multiplier for future service.
- Bond issues in lieu of the statutory employer contribution cap increase.
- Various combinations of employer and employee rate increases and multiplier changes.
- Creating a new mandatory defined contribution plan for future employees.

An overview of the key options considered by the Committee follows.

10-9

Defined Contribution Options

10-10

KPERS made a presentation that provided background on other states' defined contribution (DC) plans, compared the attributes of defined benefit (DB) and DC plans, and modeled the financial impact and income replacement of several DC options.

- If a mandatory DC plan was provided to all future employees, those hired after the plan's effective date would constitute a new tier of members (Tier 3).
- For those members of the DB plan hired before the new plan takes effect (Tiers 1 and 2), the current \$8.3 billion unfunded actuarial liability (UAL) must still be paid off through employer contributions.
- The modeling of options similar to the Regents DC plan (8.5% employer contribution and 5.5% employee contribution) and a basic DC plan (3.0% employer contribution and 6.0% employee contribution) found:
 - A Regents-type DC option would either result in total State outlays significantly greater than the current DB plan or, if costs are held to the same level, a substantial increase in the UAL and deterioration of the funded ratio.
 - A basic DC option would result in State outlays close to the current DB plan and a similar UAL and funded ratio. However, the trade-off is a significantly lower benefit level for these members.

Defined Benefit Options

10-11

At the three Joint Committee meetings, KPERS has presented a series of 16 options for the existing defined benefit plan based on direction and requests from the Committee. These options show the projected impact on the UAL, funded ratio, ARC contribution rate, and State outlays for employer contributions.

To demonstrate the impact and tradeoffs of the various options, four of them are presented for the School group. The basic assumptions of these options are as follows:

- **Option A:**
 - Employer Contribution Rate: Increase cap to 1.0%, effective 7/1/10.
 - Employee Contribution Rate: No change.
- **Option C:**
 - Employer Contribution Rate: Increase cap to 1.0%, effective 7/1/10.
 - Employee Contribution Rate: Increase by 0.5% for both Tiers 1 and 2 in each of four years, beginning 7/1/10.

Defined Benefit Options (Continued)

10-12

- **Option J:**

- Employer Contribution Rate: Increase cap to 0.8%, effective 7/1/11, and to 1.0% effective 7/1/11.
- Employee Contribution Rate: Increase by 0.5% for both Tiers 1 and 2 in each of four years, beginning 7/1/11.
- Benefit Multiplier: Increase multiplier for future service only for both Tiers 1 and 2, effective 7/1/11.

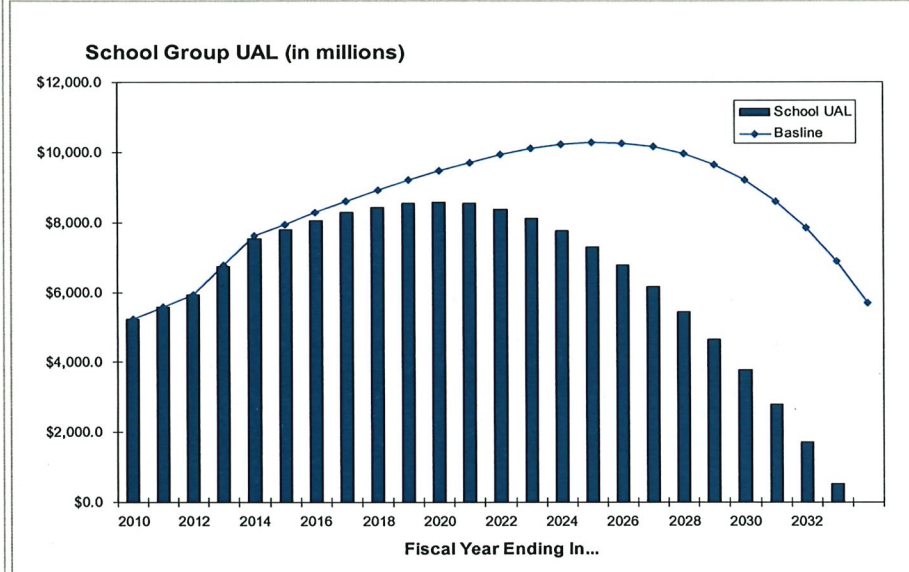
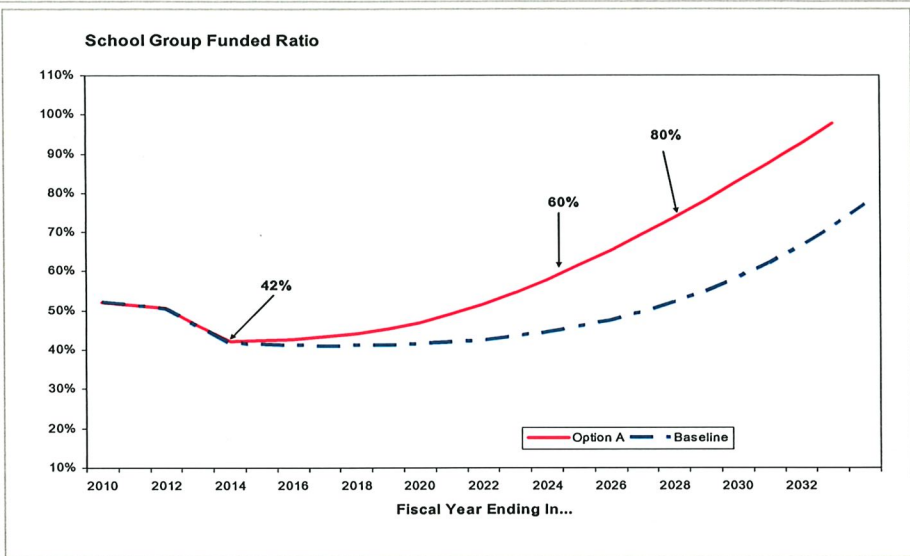
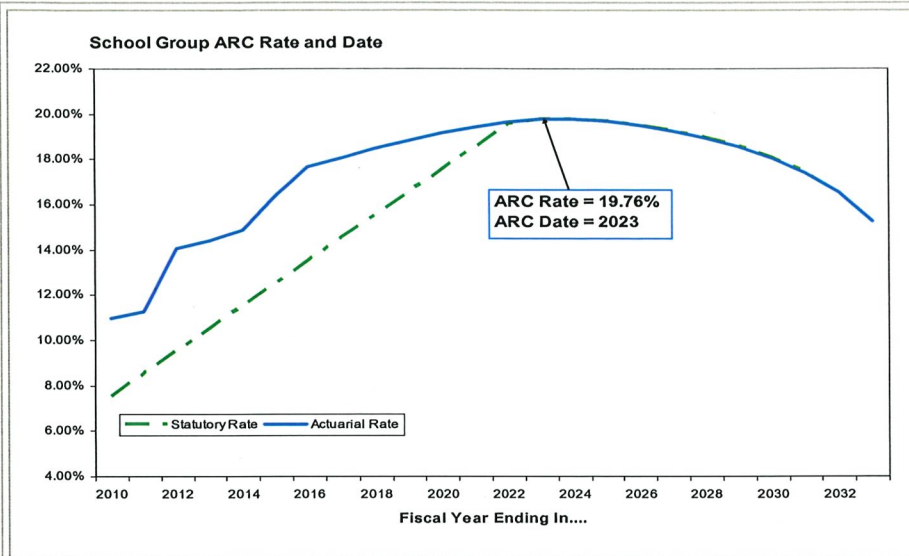
- **Option P:**

- Employer Contribution Rate: Cap remains at 0.6%. Net bond proceeds of \$590 million made as employer contribution in FY 2011 to match present value of employee contribution increase.
- Employee Contribution Rate: Increase for both Tiers by 1.0%, effective 7/1/11.

School Group: Option A

10-13

▪ Raise cap on employer rate increases to 1% in FY '11.

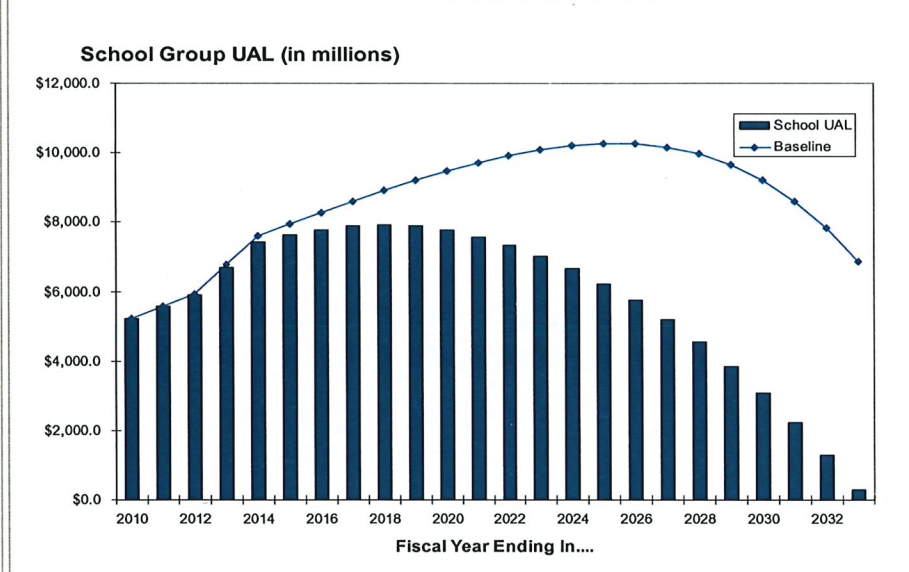
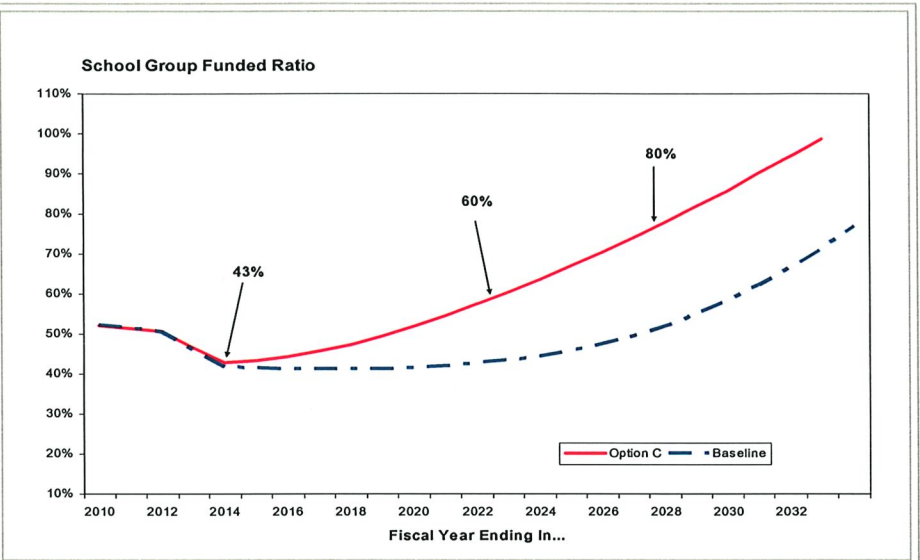
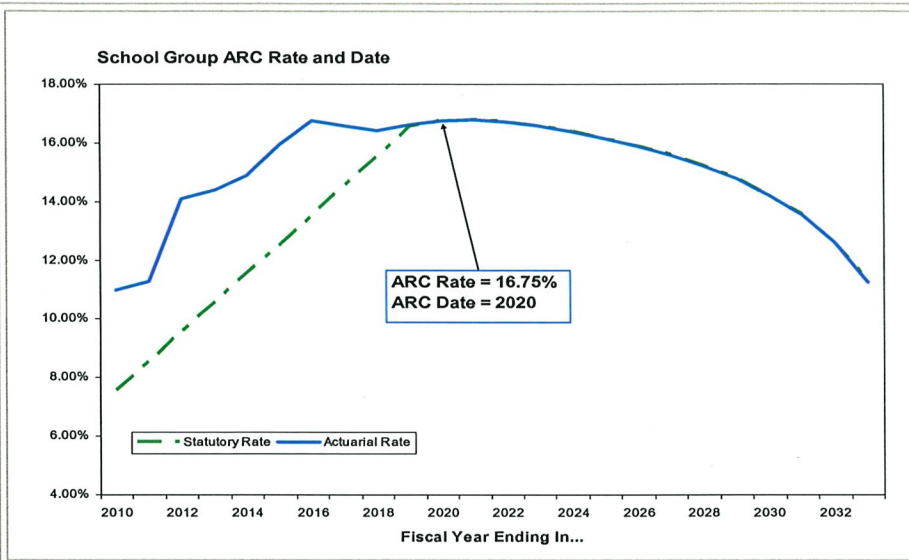


- A 1% cap on employer rate pulls the School Group back into actuarial balance by FY 2023, but at a rate of 19.76%.
- The funded ratio is depressed for an extended period of time, falling to 42% in FY 2014 and remaining below 50% for another 7 years.
- The funded ratio continues increasing slowly to 60% in 2025 and to 80% by FY 2030.
- The projected UAL peaks at \$8.6 billion in FY 2020 – five years earlier and \$1.7 billion less than the Baseline.

School Group: Option C

10-14

▪ Raise cap on employer rate increases to 1% in FY '11. Increase member contributions by .5% in each of four years, beginning FY 2011.

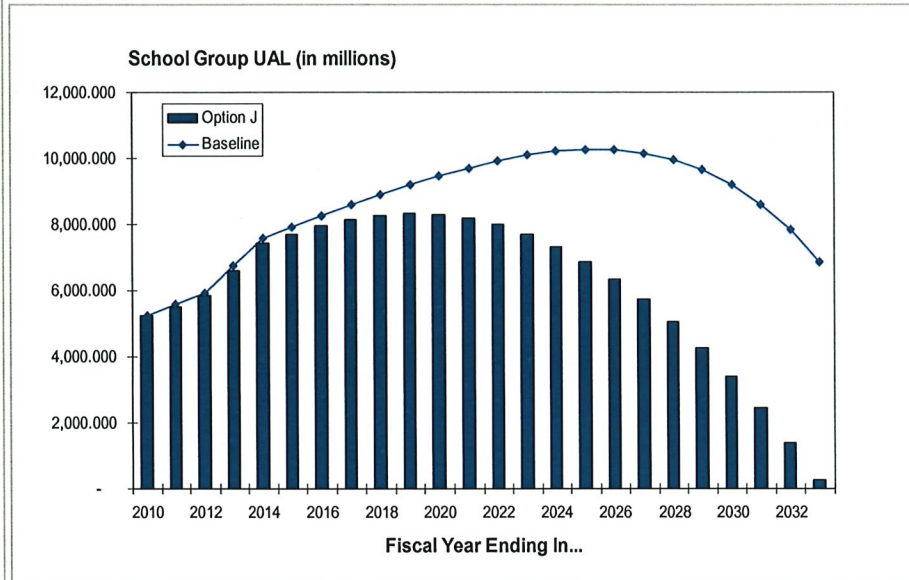
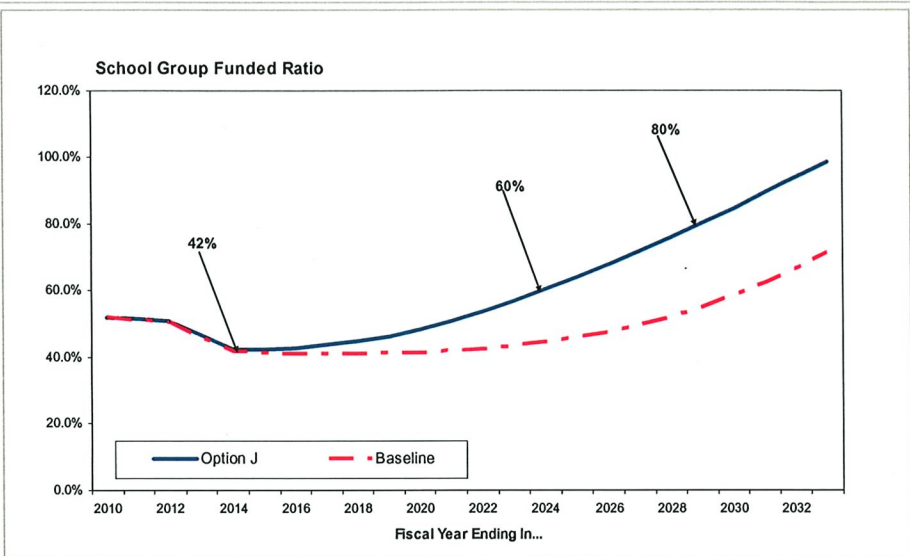
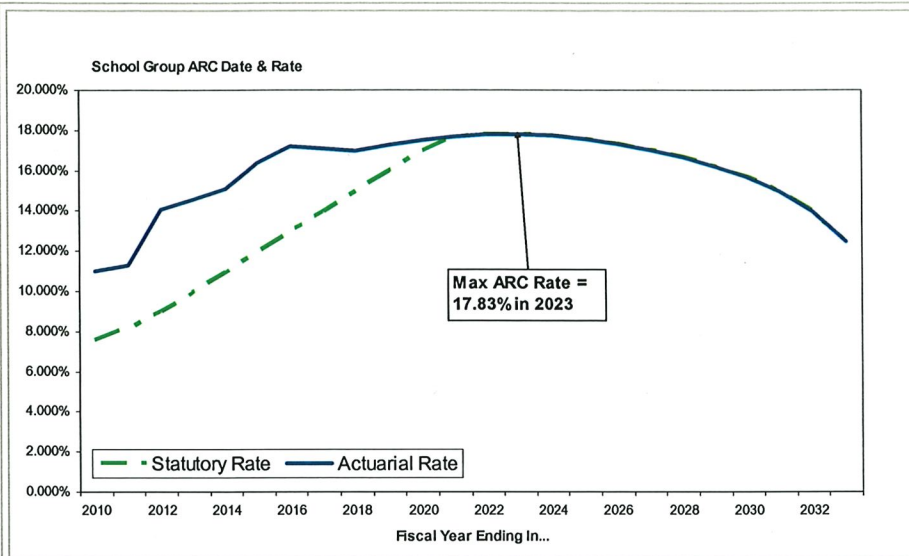


- The ARC rate and date drops from 19.76% in FY 2023 with the 1% cap to 16.75% in FY 2020 if a phased-in 2% member contribution increase is added.
- The low point of the funded ratio projections is similar to the 1% cap option. A 60% funded ratio is reached in FY 2023 – two years earlier than the 1% option. An 80% funded ratio is projected in FY 2029.
- With the additional member contributions, the projected UAL peaks seven years earlier – in FY 2018 at \$7.9 billion or \$2.4 billion less than the Baseline.

10-15

School Group: Option J

▪ Raise cap on employer rate increases to 0.8% in FY '12 and 1.0% in FY '13. Raise Tiers I & 2 employee rate by 0.5% in each of four years, beginning in FY '12 . Increase Tiers I & 2 multiplier to 1.85% for future service.

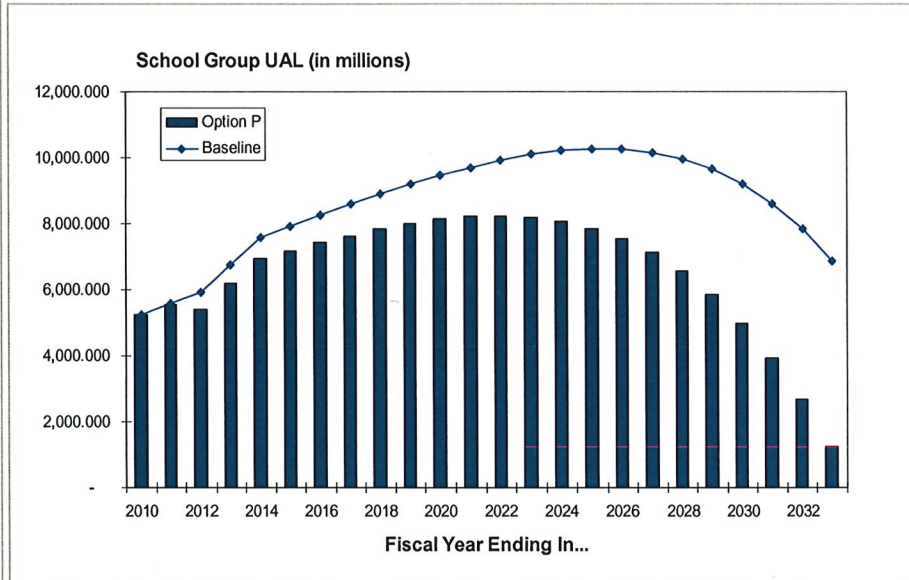
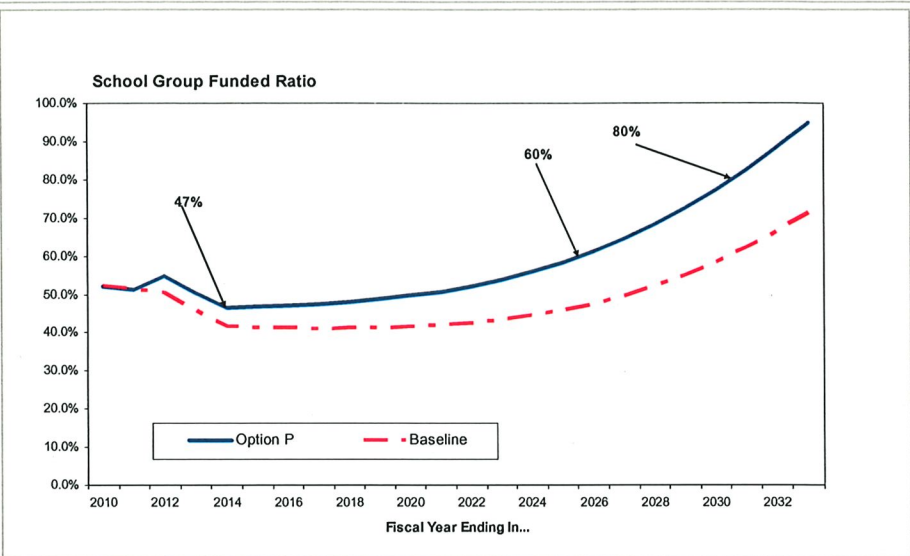
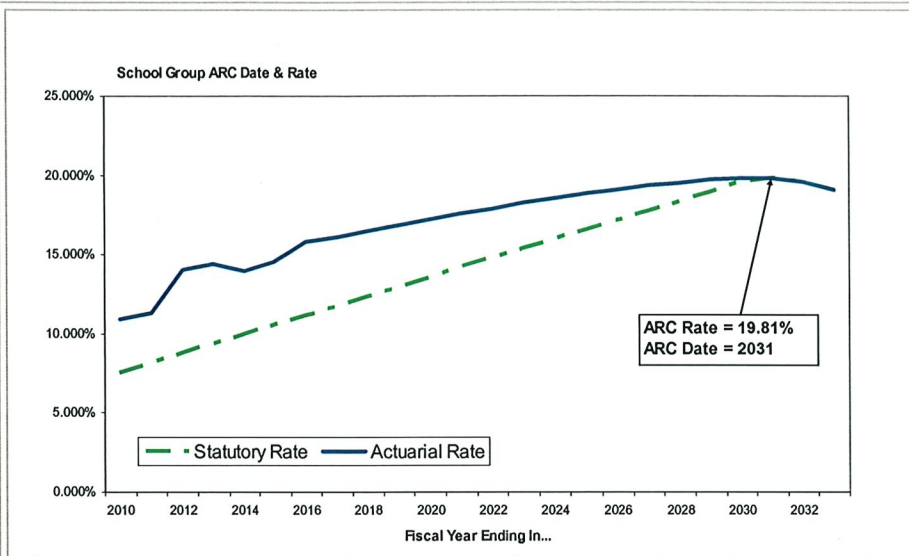


- The projected ARC rate rises to a maximum of 17.83% in FY 2023 – two years later and 1% higher than Option C.
- The funded ratio falls to a low of 42.4% in FY 2014 and remains below 50% for a total of eight years.
- The funded ratio reaches 60% in FY 2024 and 80% by FY 2029 – similar to Option C.
- The projected UAL peaks at \$8.34 billion in FY 2019 – six years earlier and \$1.94 billion less than the Baseline.

91-01

School Group: Bond Option P

Issue bonds with proceeds of \$590 million in 2010 with payments phased in, beginning FY '13. Raise Tier I & 2 employee rate by 1.0% in FY '12.



- The projected ARC rate rises to a maximum of 19.81% in FY 2031. The Baseline does not achieve ARC.
- The funded ratio falls to a low of 46.7% in FY 2014, 5.6% higher than the Baseline.
- The funded ratio reaches 60% in FY 2026 and 80% by FY 2031.
- The projected UAL peaks at \$8.23 billion in FY 2022 – \$2 billion less than the Baseline.

Effect on State Contributions

10-17

Option A* Estimated Effect on the State and School Group (in millions)

	<u>0.6% Cap</u>	<u>Option A</u>	<u>Additional ER Contributions</u>
FY 2011 Increase in Employer Contributions	\$39.35	\$57.64	\$18.29
FY 2011 Total Employer Contributions	\$373.57	\$391.86	\$18.29
FY 2015 Increase in Employer Contributions	\$44.80	\$67.48	\$22.68
FY 2015 Total Employer Contributions	\$538.96	\$640.95	\$101.99
Total Employer Contributions: FY 2010-2033	\$23,977.65	\$25,492.03	\$1,514.38

Option C** Estimated Effect on the State and School Group (in millions)

	<u>0.6% Cap</u>	<u>Option C</u>	<u>Additional ER Contributions</u>
FY 2011 Increase in Employer Contributions	\$39.35	\$57.64	\$18.29
FY 2011 Total Employer Contributions	\$373.57	\$391.86	\$18.29
FY 2015 Increase in Employer Contributions	\$44.80	\$67.48	\$22.68
FY 2015 Total Employer Contributions	\$538.96	\$640.95	\$101.99
Total Employer Contributions: FY 2010-2033	\$23,977.65	\$21,936.48	(\$2,041.17)

*Raise cap on employer rate increases to 1.0% in FY 2011.

**Raise cap on employer rate increases to 1% in FY '11. Increase employee rate by .5% for both Tier 1 and 2 in each of four years, beginning FY 2011.

Effect on State Contributions

10-18

Option J* Estimated Effect on the State and School Group (in millions)

	<u>0.6% Cap</u>	<u>Option J</u>	<u>Additional ER Contributions</u>
FY 2012 Increase in Employer Contributions	\$38.13	\$47.52	\$9.39
FY 2012 Total Employer Contributions	\$411.70	\$421.09	\$9.39
FY 2015 Increase in Employer Contributions	\$44.80	\$66.62	\$21.82
FY 2015 Total Employer Contributions	\$538.96	\$610.35	\$71.39
Total Employer Contributions: FY 2010-2033	\$23,977.65	\$23,006.01	(\$971.64)

*Raise cap on employer rate increases to 0.8% in FY '12 and 1.0% in FY '13. Raise Tiers I & 2 employee rate by 0.5% in each of four years, beginning in FY '12. Increase Tiers I & 2 multiplier to 1.85% for future service.

Option P: State Contributions and Debt Service

61-01

Fiscal Year	Baseline*		Option P: \$590 Million Bond Issue*			Total Increase in Annual State Outlays*
	State/School Current Contributions (0.6% Cap)	Annual Increase in Contributions	Option P: State/School Contributions (0.6% Cap)	SGF Debt Service Payments	Total State Payment	
2011	\$ 373.57	\$ 39.35	\$ 373.57	\$ -	\$ 373.57	\$ 39.35
2012	\$ 411.70	\$ 38.13	\$ 411.70	\$ -	\$ 411.70	\$ 38.13
2013	\$ 451.81	\$ 40.11	\$ 451.81	\$ 36.69	\$ 488.50	\$ 76.80
2014	\$ 494.17	\$ 42.36	\$ 494.17	\$ 36.69	\$ 530.86	\$ 79.05
2015	\$ 538.96	\$ 44.79	\$ 538.96	\$ 58.36	\$ 597.32	\$ 103.15
2020	\$ 805.78	\$ 59.76	\$ 805.78	\$ 58.36	\$ 864.14	\$ 118.12
2025	\$ 1,164.48	\$ 80.45	\$ 1,164.48	\$ 58.36	\$ 1,222.84	\$ 138.81
2033	\$ 2,004.25	\$ 126.70	\$ 1,857.81	\$ 58.36	\$ 1,916.17	\$ 185.06
Total	\$ 23,977.65		\$ 23,775.54	\$1,182.24	\$ 24,957.78	

* In millions

Observations Regarding Options

A review of all options KPERs has developed illustrates various trade-offs and limitations.

- ARC rates for all KPERs groups will rise over a period of years under all options.
 - The School Group is out of actuarial balance without further action.
 - While all options bring the School Group into actuarial balance, many are at very high rates that may not be sustainable.
- Increases in employer contributions, while necessary, will not substantially improve the declining funded ratio for a number of years until compounding of investment earnings has the opportunity to grow the new assets relative to liabilities.
- A funded ratio of 80% and rising is generally considered to be a “healthy” level for public pension plans.
 - Under the options presented to the Committee, both the State and School Groups will remain below 80% funded for much of the remainder of the amortization period ending in FY 2033.
- A funded ratio of 60% or below is generally considered to reflect severe underfunding that requires prompt remedial action.
 - Under all options provided to the Committee, the School Group’s funded ratio remains below 60% for more than a decade and, with most options, well below 50% for five to nine years.

10-20

Observations Regarding Options (Continued)

10-21

- As a result, the School Group will remain particularly vulnerable to further market downturns that result in investment performance below 8%.
- A major injection of money in the early years (such as through pension obligation bonds) or large, sustained investment returns in the near term may improve funded ratios somewhat faster than increases in employer and/or employee increases alone.



**Presentation to the
Senate Ways and Means Committee
Regarding the FY 2010 Budget Reductions**

December 15, 2009

1



Agenda

FY 2010 Revenue Losses and Prior Reductions

Governor's Allotments

Impact to the Public

Construction Spending

Future Reductions?

2

Senate Ways & Means Cmte

Date 12-15-2009

Attachment 11

Revenue Losses

State Highway Fund Revenue Adjustments	FY 2010
Reduction in Motor Fuel Tax receipts; Motor Vehicle Registration Fees; State Sales Tax	-\$52 M
SGF Loan Repayment	-\$31 M
Continue Funding the KHP	-\$36 M
SGF CTP Debt Transfer	-\$25 M
SCCHF Transfer	-\$ 5 M
Governor's 1 st Round of Allotments	-\$30 M
Governor's 2 nd Round of Allotments	-\$50 M
TOTAL	-\$229 M

➤ The agency originally anticipated State Revenue receipts of \$811 million in FY 2010.

3

Prior Budget Reductions

- Previously eliminated 136 FTE positions
 - Agency accelerated FTE reduction plan in FY 2009 due to budget reductions
 - Eliminated remaining 37 FTE positions rather than retain to help finish CTP projects
 - This has reduced agency salary needs over \$6 Million

4

11-2
2

Prior Budget Reductions

- To compensate for the revenue loss:
 - Construction projects were suspended and delayed in FY 2009; resulting in cash savings in FY 2010.
 - Originally crafted FY 2010 construction budget to match available resources
 - Federal economic recovery (ARRA) funding was used for a portion of the K-61 project.
- The agency has seen some benefit from lower than anticipated construction costs due to the economic downturn.

5

Governor's Allotments

- **KDOT will “Reduce maintenance and operations and transfer funds” for a total of \$80.0 Million in FY 2010.**
 - Accomplished by:
 - Reducing Agency Ops Budget by 8.9% (\$24.9 M)
 - Reduced Salaries \$5.9 M
 - » 8% Shrinkage Rate
 - » Holding Positions Vacant & OT Discouraged
 - Reducing Other Operating Expenses by \$19.0 M
 - » Indefinitely postponing two transportation studies
 - » Cut equipment purchases in half
 - » Reduced travel 30%

6

11-3

Governor's Allotments cont.

- **KDOT will "Reduce maintenance and operations and transfer funds" for a total of \$80.0 Million in FY 2010.**
 - Accomplished by:
 - Reducing the Preservation Program (\$91 M)
 - Cutting lettings \$91 million to capture \$45.5 M in cash
 - » Primarily Encompasses Resurfacing Actions
 - Indefinitely postponing Wichita ITS Expansion Project (\$6.8 M)
 - Captures \$3.4 M in cash

7

Governor's Allotments

- **Preservation Reductions**
 - Projects pay out over several fiscal years

(\$ Millions)	Budget	Payouts		
Fiscal Year	2010	2010	2011	2012
Sub. Maint.	\$91	\$45.5	\$36.4	\$9.1
 - Must reduce Lettings \$91 Million to capture \$45.5 million in cash
 - Similar pay out savings for ITS project
- **Anticipated FY 2010 Available Ending Balance for the SHF**
 - **\$2 Million**

8

11-4

Impact to the Public

- Snow and Ice services will be less than what public is used to.
- No longer accepting applications for the following:
 - Economic Development Program
 - Geometric Improvement Program
 - Loans from the Transportation Revolving Fund

9

Impact to the Public

- Preservation Program Reductions
 - Program is meant to preserve and maintain the Highway System
 - Agency will apply lighter preservation actions and maintain fewer miles
 - Highway System will deteriorate at a faster pace
 - Will cost more in the long run to return the system to a “good condition”

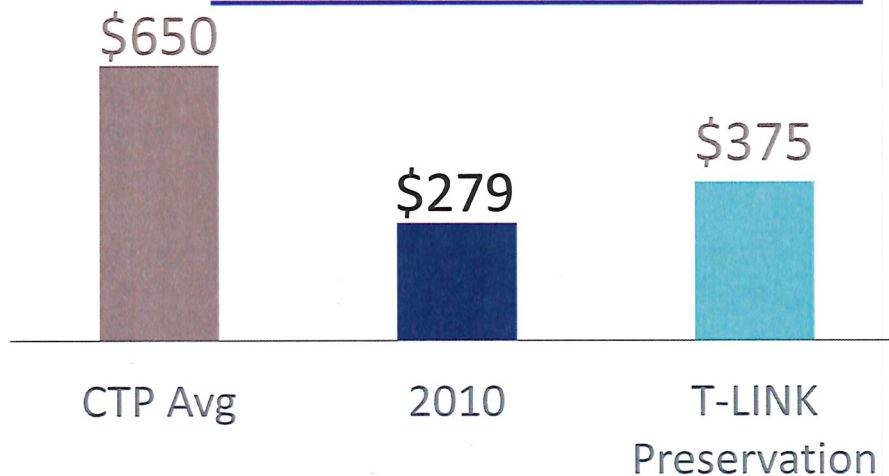
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Impact to the Public

- Unable to address ad-hoc locally promoted improvements
 - I-70/K-7: Canaan Drive Improvement Project
 - Added a second left turn from the exit ramp
 - K-61 Hutchinson
 - Added pedestrian bridge at the request of the City, Union Valley School, and the Dillon Nature Center
 - US-283 in Trego County
 - Changed type of paving material to accommodate request of business owner and county

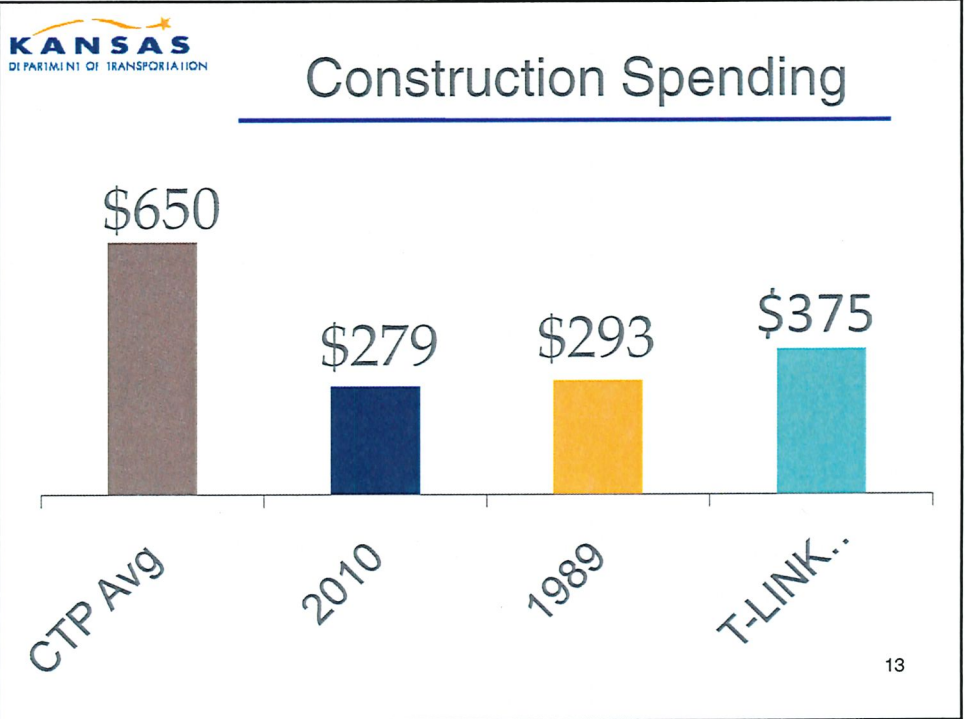
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Construction Spending



12

11-6
6



-
- KANSAS**
DEPARTMENT OF TRANSPORTATION
- ### Future Reductions?
- Another \$50 Million Allotment???
 - Would require agency to halt all remaining preservation projects - **TODAY**
 - Approximately \$100 M of Lettings remaining
 - Once projects are let
 - Potential for cash savings is lost
 - Further drastic cuts to our operating budget will impact Snow and Ice activities
- 14

11-7
7

Ongoing Concern

- Continued transfers from SHF to SGF could impact our Credit Rating
- Difficult to predict tolerance of rating agencies for continued transfers from SHF to SGF
- A credit downgrade would cause an increase in variable interest rates and liquidity fees.

15

Questions

16

11-8
8



Kansas Health Policy Authority

**Testimony before the Senate Ways and Means Committee
December 15, 2009**

Dr. Andrew Allison, KHPA Acting Executive Director



**Impact of Budget Reductions in FY
2009 and FY 2010**

Senate Ways & Means Cmte
Date 12-15-2009
Attachment 12



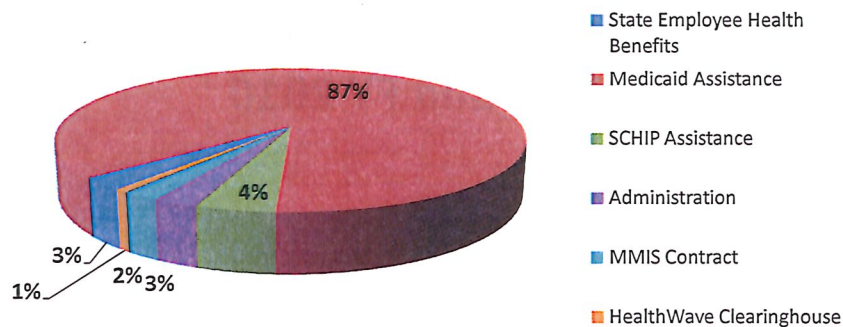
Brief Overview of KHPA's Budget

- **KHPA's FY 2009 budget was about \$2.6 billion**
 - \$1.36 billion is non-SGF funding for KHPA medical programs
 - \$800 million is federal funds passed through to other Medicaid service agencies (SRS, KDOA, JJA, KDHE)
 - \$450 million is SGF funding for services and operations
- **KHPA programs and operations are funded separately**
 - FY 2009 operational funding was \$23 million SGF
 - Caseload costs are about 20 times larger than operational costs
 - Caseload savings cannot be credited to cost-saving operations
 - The federal government matches Medicaid operations at 50-90%
 - Operational costs for the state employee plan are funded off-budget
- **KHPA FY 2010 budget reductions concentrated on operations**
 - Medicaid caseload protected due to Federal stimulus dollars
 - KHPA operational funding reduced 15.5% versus FY 2009

3

KHPA Total Budget

FY 2010 Approved Budget
excluding off budget and transfers



4

12-2
2



Governor's Rescission and 2009 Legislative Reductions: Impact on Medicaid and SCHIP

- **Update: Many thousands of People with Delayed Medicaid/SCHIP Applications through December 2009**
 - Millions of dollars (statewide) in uncompensated or foregone medical care, delayed payments, and foregone federal funding. Needed medical care delayed; negative health outcomes
 - Compliance with Federal deadlines for processing applications at risk
 - Impact reduced by using unexpected contract savings to buy overtime at the Clearinghouse
- **Approximately 40% Cut in Customer and Provider Service**
 - 42 FTE's laid off in July from the Medicaid fiscal agent, HP (@ Forbes Field)
 - Affects 25,000 Medicaid providers' ability to ensure access for their patients; receive prompt payment for services. Potential delays in care and reimbursement
 - New strategies and efficiencies may have helped, but impact is beginning to appear
 - Call wait times have doubled since July to nearly 4 minutes
 - Rate of abandoned calls has tripled to about 18%
 - Despite rising caseloads, number of calls received is declining
- **Staff Layoffs: 13 positions (July 2009)**
 - Another 30+ funded positions held open or eliminated with turnover
 - Cumulative reduction in staffing of 15% as compared to July 2008

5



Governor's Rescission and 2009 Legislative Reductions: Impact on State Employee Health Plan

- The timing of past premium increases in the State Employee Health Plan lead to an overfunded reserve account
 - Actuarial sound plans maintain a 15% reserve
- Beginning on Plan Year 2009, The State Employees' Health Care Commission adopted a strategy to gradually spend down the reserve and simultaneously increase premiums to more closely mirror expenditures
- During Plan Year 2009, the Governor and Legislature approved a 7 pay period moratorium on the state paying its portion of employee premiums
 - This decreased the reserve balance by roughly \$60 million
- Without significant cost-shifting or rate increases, the KHPA estimates that the 2011 reserve balance will be \$3.6M and the plan will have a deficit of \$37M in 2012.

6

12-3



FY 2010 Governor's State General Fund Allotments *July 2009*

- FY 2009 Caseload Savings (\$5,300,000)
- Expansions to Pregnant Women (\$524,000)
- Increased FMAP Rate (\$6,300,000)
- No impact on current services

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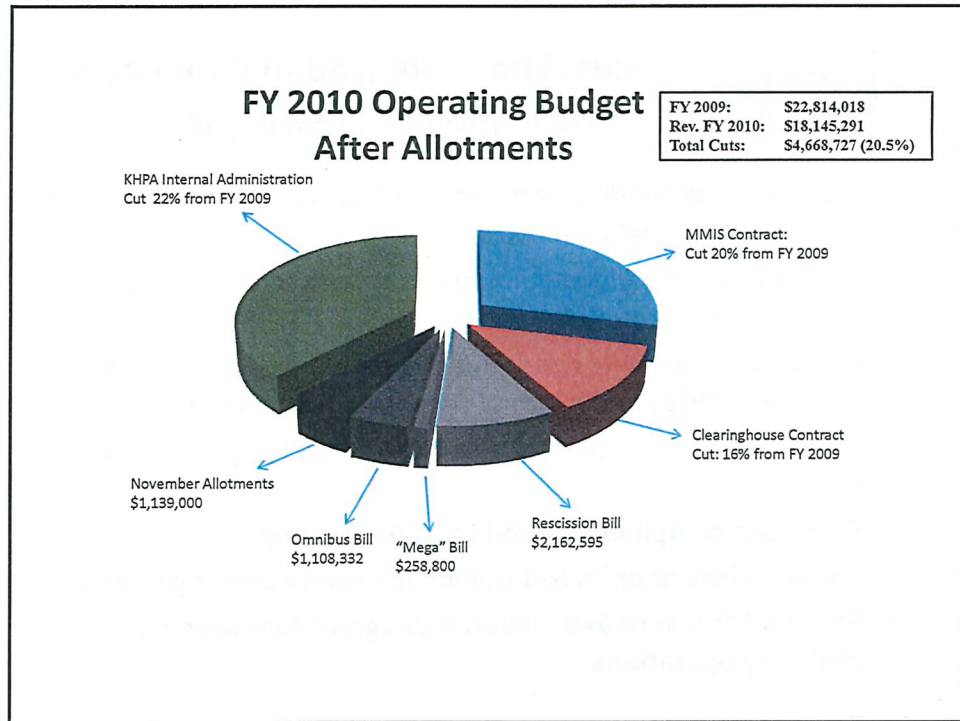



FY 2010 Governor's State General Fund Allotments *November 2009*

- **Across-the-board 10% reduction in Medicaid provider rates**
 - Applies to all Medicaid agencies, all provider types
 - Effective for dates of service beginning January 1st
- **\$1.13 million SGF (\$2.5 million all-funds) reduction in KHPA's operating budget**
 - Cumulative 20.5% reduction since approved FY 2009
 - Allotment represents 5% reduction on FY 2009 base
- **\$1 million SGF reduction in funding for SCHIP services**
 - Growing backlog likely to reduce pressure on funding
- **Limitation on MediKan benefits to 12 months**

8

12-4





Summary of November 2009 Allotment for KHPA Operations

- Freeze KHPA staff overtime and reduce KHPA staff through attrition (109,000) SGF
- Eliminate extra contract funding dedicated to the Clearinghouse eligibility backlog (140,000)SGF
- Cut State staff overtime dedicated to the Clearinghouse eligibility backlog (60,000) SGF
- Reduce scope of services in the Clearinghouse contract (197,000) SGF
- Amend verification policies and reduce call center capacity at the eligibility Clearinghouse (233,000) SGF
- Lapse funds from FY 2009 (150,000) SGF
- Eliminate the call center for Medicaid providers and significantly reduce call center capacity for Medicaid beneficiaries (250,000) SGF

10

12-5



Focus: Eliminate Added Capacity at the Eligibility Clearinghouse

- Extra contract funding and state staff overtime dedicated to the eligibility Clearinghouse backlog
- Loss of funding will lead directly to growth in the backlog of applications, estimated backlog in June 2011 of 33,000
- Growing backlog will result in delayed or foregone medical care for beneficiaries and a loss of revenue for providers
- Created the potential violation of federal 45 day processing time requirements
- Threatens compliance linked to ARRA funding
- Potential loss of up to \$11 million in CHIPRA bonus payments
- Potential threat to \$40 million HRSA grant for improved eligibility operations

11



Focus: Amend Policies and Reduce Services at Clearinghouse

- Reductions are designed to achieve additional savings without adding to the backlog
- Amending verification policies will speed and simplify application processing but also involves a risk of a higher error rate
- Cutting customer call center capacity by one-third will reduce contractor's capacity to assist beneficiaries
- Eliminating the Quality Assurance unit will weaken KHPA's ability to monitor whether the contractor is meeting performance expectations

12

12-6
6



Focus: Examples of Simplifications to Medicaid/SCHIP Applications

- Self declaration of child support
- Eliminate trust test for "Caretaker Medical" (low-income parents)
- Self declaration of pregnancy
- Eliminate mid-year reporting for Transitional Medical recipients
- Continuous 12-month eligibility for caretaker medical (parents)
- Change income calculation for new applicants with new jobs
- Focus state workers on oversight and processing, not duplication
- Rely on Department of Labor wage information
- Pre-populate review form with lessened verification requirements
- New HW application designed to get questions answered accurately and to obtain necessary information

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Focus: Eliminate Provider Call Center and Reduce Customer Service

- Option eliminates all Medicaid provider service and reduces customer service at the fiscal agent (HP)
- Fiscal agent receives 250,000 calls per year from providers and beneficiaries, those callers will now be directed to a web portal for information
- Call volume may divert to KHPA staff, but we have no capacity to manage the increase
- Payment accuracy likely to decline, resulting in higher caseload costs
- No in-person training for new providers or changes in billing without the Provider liaisons
- Strain in relationships with Medicaid Providers
- Increase in payment appeals

14

12-7
7



Provider Response to Medicaid Budget Reductions

- **Interhab:** Has asked Governor to reconsider cuts for HCBS providers for developmentally disabled (KHI News Service, Dec. 8)
- Eliminating call center will affect overall efficiency of Medicaid, causing delayed and/or inaccurate payments (Provider Advisory Council, Dec. 8)
- Some (not all) providers can absorb 10% rate cut temporarily, but service reduction is more difficult. Disincentive for providers to participate. (Provider Advisory Council, Dec. 8)
- **Pediatricians:** Cuts will disproportionately affect low-income children and mothers (KHI News Service, Dec. 7)
- **Mental health providers:** Likely to result in higher jail and emergency room admissions. (Provider Advisory Council, Dec. 8)
- Will add pressure to provider associations, Area Agencies on Aging, to help fill gap in support services (Provider Advisory Council, Dec. 8)

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Questions from Senate Ways and Means Committee

- **If further spending reductions are necessary for your agency, how would you apply such reductions?**
 - Very difficult question to answer until most recent cuts are implemented
 - Operational funding may not support compliance with Federal rules
- **If further reductions are made, what types of ideas do you have for reform that would make reductions easier to absorb, i.e., consolidation policy changes, or other efficiencies?**
 - KHPA Board member has requested an analysis of consolidating HealthWave claims payment and care management into the Medicaid fee-for-service operation

16

12-8



KHPA Operating Priorities

- **Operationalize required budget reductions**
 - Work with stakeholders to redefine provider relationship
 - Identify alternatives for customer service
 - Maintain oversight and find opportunities to move forward
- **Respond to requests for budget analysis and options**
- **Prepare contingencies for Federal health reform**
- **Apply Federal and private grant funds to plan and implement HIE and HIT, and design a pilot for the medical home**
- **Successfully implement SHAP grant to modernize eligibility systems and outreach**
- **Complete major ongoing projects and initiatives and focus on data-driven program management**

17



<http://www.khpa.ks.gov/>

18

12-9
9



KANSAS

DEPARTMENT OF SOCIAL
AND REHABILITATION SERVICES

Don Jordan, Secretary

Senate Ways and Means Committee
December 15, 2009

2010 Budget Reductions

Don Jordan, Secretary

For Additional Information Contact:
Patrick Woods, Director of Governmental Affairs
Docking State Office Building, 6th Floor North
(785) 296-3271

Senate Ways & Means Cmte

Date 12-15-2009

Attachment 13



2010 Budget Reductions

Senate Ways and Means Committee December 15, 2009

Thank you for the opportunity to appear before you today to discuss the impact of FY 2010 budget reductions on the Kansas Department of Social and Rehabilitation Services.

The SRS FY 2010 SGF budget is 15.7 percent lower than the FY 2008 actual SGF and has been reduced \$147.2 million SGF since the beginning of the FY 2009 Legislative session. While the ARRA enhanced FMAP reduction was \$66.9 million SGF, the remaining \$80.3 million in SGF reductions was achieved by cuts in administration and assistance programs.

Attachment A details the FY 2010 budget reductions approved by the 2009 Legislature and the subsequent reductions as part of the two 2009 allotments.

Throughout the reduction process, SRS has focused its efforts on preserving services for the most vulnerable Kansans. In addition, the agency has tried to minimize the effect of its reductions on customers to the best extent possible. For example, participants in the Grandparents as Caregivers program that met certain income requirements were able to receive assistance from the Temporary Assistance for Families (TAF) program. Approximately, 61.6 percent of these individuals chose to transition over to TAF. Additionally, those young adults age 18 or older that were released from the Secretary's custody are now receiving independent living assistance and the youth age 16 or 17 in non-abusive situations that were diverted from SRS custody are now receiving in-home prevention services.

Unfortunately, the effect of some reductions could not be minimized. Reducing General Assistance eligibility for Tier Two cases from 24 months to 12 months affects approximately 2,000 adults with severe physical and mental impairments. The monthly grant for those individuals who still receive General Assistance has been reduced 40 percent to \$100 per month. These same reductions to MediKan Mental Health recipients have affected 358 individuals.

Reductions to various grants will have a noticeable effect across the state. Grants to community mental health centers have been reduced by approximately \$11.0 million, and it is estimated that 3,827 individuals will see services reduced or eliminated during FY 2010. Grants for development disability assistance have



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been reduced by approximately \$8.1 million, resulting in reduced or eliminated services for an estimated 2,450 individuals.

Attachment B details the effect of all reductions that have been made thus far.

SRS continues to take steps to manage frugally in these uncertain times. In the fall of 2008, we recognized that cuts in programs and services were likely, so we implemented a hiring freeze to contain salary expenditures. During the freeze, our vacant positions have increased 50 percent. This means that almost 400 fewer staff today than at the beginning of FY 2008. Sixty percent of these vacancies are in our regional offices. 100 of those reductions have occurred since the beginning of FY 2010 because we are only filling mission critical positions. Our staff will be reduced even further because of layoffs resulting from restructuring efforts going on throughout the agency. The restructuring process has also resulted in reallocation and lower pay for some employees. Overall, 115 people have been affected by the restructuring either through layoffs or reallocations.

While we have decreased the number of staff, the caseloads are growing because of the recession and more and more people are requiring assistance. Since FY 2008 the caseloads have increased 7.5 percent. The increased number of cases and the decreased number of staff have resulted in a 10.0 percent increase in workload per case-carrying position. Please see Attachment C for more information on reduced staff and rising caseloads.

When looking at further reductions, it's important to keep in mind that SRS must perform certain statutory duties that are tied to protection and safety in concert with duties prescribed by other systems such as law enforcement and the courts. These duties include investigating child and adult abuse; caring for children committed to the Secretary's custody; and providing care and treatment to persons committed to the state psychiatric hospitals, the state security hospital, and the sexual predator treatment program.

A second category of services provided by SRS is tied to federal programs and funding. Federal funding represents approximately 55 percent of the total SRS and Hospitals budget. As a condition of receiving federal funds, SRS must administer federal programs in compliance with mandatory requirements. These requirements include providing matching funds or maintaining certain levels of state funding. A related set of activities are those which, while not mandated in and of themselves, have some connection to a state or federally mandated activity. For example, the Home and Community Based Services waivers are not mandated services under Medicaid; however, in the absence of these services, individuals would likely access inpatient or nursing facility care, which are more costly and federally mandated services.

Reductions in the SRS budget are also restricted by the ARRA funding requirements. To qualify for the enhanced FMAP, states may not enact policies that are more restrictive than their FY 2008 state plan. In addition, other programs are subject to non-supplantation provisions under ARRA.


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It should also be noted that further reductions of the hospital budgets would necessitate the need to cease voluntary admissions at the Mental Health Hospitals and the closure of patient units. Current shrinkage rates at the Mental Health Hospitals are running from 6.9 percent to 14.0 percent. Any further reductions, without reducing patient census, could put the hospital at risk of losing their license and certification.

The pie chart in Attachment D demonstrates which areas of the SRS budget include budgetary restrictions and which areas of the budget have no restrictions.

Because of these restrictions, the fact that caseload carrying staff are already at levels previously considered unacceptable, and the depth of reductions already taken, the remaining options for further reductions involve the complete elimination of programs, including General Assistance; CMHC and DD grants and state aid; and funeral assistance.

SRS has already made numerous changes to achieve efficiencies and meet its current budget. Contracts have been renegotiated, including the foster care contract for a savings of \$14.1 million. Additionally, changes were made to Child-In-Need-of-Care policies releasing certain individuals from SRS custody while maintaining support services, resulting in a savings of \$5.2 million.

SRS has made several reorganization efforts to create efficiencies in how we manage and deliver our services. You may recall that the FY 2003 and FY 2004 allotments prompted a service delivery redesign that resulted in the closing of over 60 local offices and placing staff into strategically located customer service centers. Regional offices began a major restructuring effort again this fall in order to redirect as many resources to the front line as possible. With the most recent reorganization, SRS regional offices will have fewer assistant directors and managers, and there will be higher supervisor to staff ratios. In total 88 regional staff, primarily management and administrative positions, are affected by this reorganization. The majority of staff at the regional levels have elected to accept reallocation to more mission critical job functions, and transition to new duties is underway. Generally, these reallocations will involve salary reductions of at least 2.5 percent.

Reorganization plans were also developed at the central office level in order to perform our most critical functions with a reduced workforce. As a result, 18 central office positions will be laid off effective December 26, 2009

Furthermore, there are currently eight protection report centers that receive reports of child abuse/neglect and adult/abuse neglect via a single toll free number. These centers will be consolidated to two locations. Operations will remain in the Finney State Office Building in Wichita and the Docking State Office Building in Topeka, and the other regional centers will be shut down effective January 1, 2010. The consolidation will ensure standardization and consistency in the handling of reports of abuse and neglect. Approximately 17 positions will be eliminated as a result of the consolidation.

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The current state budget situation has required us to review all of our programs for efficiencies. The most recent allotment issued by the Governor will result in policy changes we would prefer not to do but are necessary to save money to meet our current budget. These changes include limiting personal care assistant hours and eliminating dental care for the DD Waiver, PD Waiver, and TBI Waiver; limiting assistive services to crisis only for PD Waiver and TBI Waiver; and eliminating emergency respite care in the DD Waiver.

The Hospitals are also implementing various personnel actions, unit consolidations, and other operating reductions to reduce expenditures in both FY 2010 and FY 2011. Major changes include closing the Youth Services Unit at Larned State Hospital; consolidating a home in FY 2009 and another home in FY 2010 at KNI; and closing Willow cottage at Parsons State Hospital and consolidating these residents into another cottage.

As you can see, we are making numerous reforms, consolidations, policy changes, and other efficiencies just to achieve the current level of funding. As previously indicated, if additional reductions are required, we will be looking at eliminating total programs to attain further savings.

**Attachment A
List of SRS/Hospitals FY 2010 Reductions**

Priority	Description	SGF	All Funds	Cumulative SGF	Cumulative Percentage
1	Reduce CMHC Grants	2,500,000	2,500,000	2,500,000	0.33%
2	Reduce AAPS Grants	600,000	600,000	3,100,000	0.41%
3	Reduce DD Day & Residential and Family Support Grants	2,000,000	2,000,000	5,100,000	0.67%
4	Miscellaneous OOE Reductions	1,164,509	1,164,509	6,264,509	0.83%
5	SGF/Fee Fund Switch	2,200,000	--	8,464,509	1.12%
6	Renegotiate Foster Care	14,099,718	15,056,820	22,564,227	2.97%
7	Limited Adoption Contract	1,399,228	1,399,228	23,963,455	3.16%
8	Increase Vacant Positions	1,785,405	2,078,175	25,748,860	3.39%
9	Cancel BARS Contract	100,000	100,000	25,848,860	3.41%
10	Reduce Funeral Assistance	290,000	290,000	26,138,860	3.44%
11	Shift \$600,000 AAPS Grants to Gaming Revenue/Reduce	800,000	372,403	26,938,860	3.55%
12	Integrate Grandparents as Caregivers (GAC) into Temporary Assistance for Families (TAF)	1,165,320	1,165,320	28,104,180	3.70%
13	Reduce DD Day & Residential and Family Support Grants	2,000,000	2,000,000	30,104,180	3.97%
14	Reduce CMHC Consolidated Grants	2,000,000	2,000,000	32,104,180	4.23%
15	Release CINCs from SRS Custody @ 18	1,532,318	1,687,876	33,636,498	4.43%
16	No SRS Custody for CINCNANs 16 & up	2,280,052	2,561,769	35,916,550	4.73%
17	Limit General Assistance to 18 mos.	2,886,229	2,886,229	38,802,779	5.11%
18	Limit MediKan Mental Health to 18 mos.	2,660,742	2,660,742	41,463,521	5.46%
19	Fund Longevity with Existing	1,955,884	1,955,884	43,419,405	5.72%
20	FMAP Rate Increase (GBA)	61,080,967	--	104,500,372	13.77%
21	Remaining Moratorium on Death and Disability	497,844	895,341	104,998,216	13.83%
<i>Everything above this line represents a Mega bill reduction (Items 1-21)</i>					
22	Reduce DD Day & Residential and Family Support Grants	1,163,174	1,163,174	106,161,390	13.98%
23	Reduce Mental Health Grants	2,500,000	2,500,000	108,661,390	14.31%
24	Reduce Substance Abuse Grants	1,400,000	1,400,000	110,061,390	14.50%
25	Miscellaneous DBHS Contracts	489,715	489,715	110,551,105	14.56%
26	Reduce Community Medication Program	560,285	560,285	111,111,390	14.64%
27	Reduce General Assistance (GA) monthly cash grant to \$100	1,470,432	1,470,432	112,581,822	14.83%
28	2.5 percent salaries reduction	2,225,300	5,034,289	114,807,122	15.12%
29	Reduce DD Day & Residential and Family Support Grants	1,625,000	1,625,000	116,432,122	15.34%
30	Other reductions	730,186	730,186	117,162,308	15.43%
31	FMAP Rate Increase (related to unemployment)	1,674,347	--	118,836,655	15.65%
<i>Everything between these lines represents a reduction taken in the Omnibus bill (Items 22-31)</i>					

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Attachment A
List of SRS/Hospitals FY 2010 Reductions

Priority	Description	SGF	All Funds	Cumulative SGF	Cumulative Percentage
32	Additional 2.0 percent salaries reduction	1,483,534	3,356,193	120,320,189	15.85%
33	FMAP Rate Increase (related to unemployment)	4,185,564	--	124,505,753	16.40%
34	TANF Contingency Fund transfer to Dept. of Revenue for Earned Income Tax Credit Refunds*	--	18,687,361	124,505,753	16.40%
<i>Everything between these lines represents the Governor's July allotment reductions (Items 32-34)</i>					
35	10% Rate Reduction on Medicaid	6,172,512	19,263,525	130,678,265	17.21%
36	Reduce DD Day & Residential and Family Support Grants	1,300,000	1,300,000	131,978,265	17.39%
37	Reduce Mental Health Consolidated Grants	3,983,347	3,983,347	135,961,612	17.91%
38	Reduce Salary Budget	747,071	747,071	136,708,683	18.01%
39	Reduce Substance Abuse Grants	275,000	275,000	136,983,683	18.04%
40	Reduce General Assistance (Cash) Tier II from 18 Months to 12 Months ***	288,000	279,605	137,271,683	18.08%
41	Reduce General Assistance Tier II Mental Health from 18 Months to 12 Months	465,552	465,552	137,737,235	18.14%
42	Replace SGF with TANF	2,000,000	--	139,737,235	18.41%
43	Replace SGF with Fee Fund	1,322,800	--	141,060,035	18.58%
44	Replace SGF with unbudgeted ARRA in Hospitals	3,092,047	--	144,152,082	18.99%
45	Reduction in Operating Expenditures in Hospitals	3,002,763	3,002,763	147,154,845	19.38%
<i>Everything between these lines represents the Governor's November Allotments (Items 35-43)</i>					

* This represents a transfer of federal funds to the Department of Revenue and does not represent a reduction in expenditures for SRS.

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Attachment B

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Reduction	SGF	All Funds	Avg Monthly Persons	How have services that your agency provides been impacted or will be impacted?	Has the public noticed the impact of any reductions that you have made and how are they being affected by the reductions?
Final FY 2010 Appropriation Bill					
Renegotiate Foster Care	14,099,718	15,056,820		The renegotiated foster care contracts preserve essential services and maintain outcomes for children while simultaneously producing a significant amount of savings. The new contracts also create structural efficiencies by consolidating ten contracts into five and by incorporating functions from the adoption contract.	No children are affected by the renegotiation.
Limited Adoption Contract	1,399,228	1,399,228		The revised adoption contract is limited to the statewide adoption exchange and outreach to potential adoptive parents. The recruitment and training of adoptive parents is shifted to the foster care contracts.	No reduction in the pool of potential adoptive parents has occurred. The number of adoptions is projected to rise in FY 2010.
Reduce Funeral Assistance	290,000	290,000		The reduction in funeral reimbursement from \$680 to \$550 shifts a portion of the burial costs to very low income families who often cannot afford basic needs. The level of funerals in FY 2010 may require a suspension of the program effective May 1, 2010.	Approximately 1,130 families will receive a lower reimbursement for funeral expenses.
Integrate Grandparents as Caregivers into Temporary Assistance for Families (TAF)	1,165,320	1,165,320		Financial assistance to grandparents is continued in the Temporary Assistance for Families program. The policy change required grandparents to cooperate with child support enforcement and removed the more stringent income limit that existed for the Grandparents as Caregivers Program.	Of the 151 families receiving assistance through the Grandparents as Caregivers Program in June 2009, 93 received TAF assistance in July 2009.

Reduction	SGF	All Funds	Avg Monthly Persons	How have services that your agency provides been impacted or will be impacted?	Has the public noticed the impact of any reductions that you have made and how are they being affected by the reductions?
Release CINC's from SRS Custody at Age 18	1,532,318	1,687,876	76	Services to young adults formerly provided through foster care are preserved through independent living assistance. Key services include housing, medical, and continuing education. Since this policy change, the agency has emphasized earlier planning with older foster care children to better prepare them for living independently.	The agency has been working locally in communities regarding implementation and has heard few negative comments. Young adults released from foster care receive the same or expanded services that were received during their stay in foster care. Courts first review independent living transition plans before the release from foster care and have been open in communication with agency if plans do not meet the needs of the young adult.
No SRS Custody for CINC-NANs 16 & over	2,280,052	2,561,769	156	Services to youth age 16 and 17 previously in foster care are now provided through in-home prevention services. These services are aimed at keeping families intact. The savings from this policy are the net of foster care savings and increases in in-home prevention services.	In-home prevention services are more effective and appropriate for these youth. The agency has received very few concerns from families regarding this change in law. We continue to assess and support communities to have capacity to provide in-home services. There have been intermittent frustration expressed from families regarding access to mental health services for these youth and the agency has worked with the family to identify resources in their community for such service.
Limit General Assistance (Cash) Tier II to 18 Months	2,886,229	2,886,229	1,503	No offsetting services are in place for this policy change.	The agency assumes the loss in financial assistance to some of the 1,500 adults with severe physical and mental impairments will be mitigated by the families who care for them, or by local helping agencies. In many cases, the loss may not be replaced. Equally important, these adults lost medical coverage.
Reduce CMHC Grants	4,500,000	4,500,000	1,573	These grants are used to serve persons with mental illness who do not have the ability to pay, especially persons with a severe and persistent mental illness (SPMI) and children with a serious emotional disturbance (SED). To address this funding cut SRS agreed that, for the first time	CMHCs are doing all they can to avoid establishing waiting lists. This includes cutting administrative support staff who do not provide treatment, continuing to freeze wages, reducing clinical supervision, and ensuring persons they serve who may be Medicaid eligible are assisted with their eligibility (see

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Reduction	SGF	All Funds	Avg Monthly Persons	How have services that your agency provides been impacted or will be impacted?	Has the public noticed the impact of any reductions that you have made and how are they being affected by the reductions?
				<p>ever, CMHCs could begin a waiting list of community mental health services. SRS allows CMHCs to prioritize their services as follows:</p> <ul style="list-style-type: none"> · First, provide crisis mental health services; · Second, complete inpatient screenings that are not paid in any other way; · Third, serve persons in the target population who do not have the ability to pay including: <ul style="list-style-type: none"> · Youth who have an SED; · Adults who have an SPMI; and · Persons who, due to their mental illness are: <ul style="list-style-type: none"> o At risk of requiring inpatient mental health care and treatment; or o Causing or at serious risk of causing serious harm to themselves or others; or o Likely to experience serious deterioration in their mental health if they do not receive community mental health treatment; or o Homeless or at risk of homelessness; or o At risk of being jailed. · Fourth, actively participate in discharge planning for persons served in a state mental health hospital, nursing facility for mental health (NF/MH), or psychiatric residential treatment facility (PRTF); · Fifth, serve persons not in the target population who do not have the ability to pay. These people may need to wait for services until they decompensate and are in need of immediate services. <p>These effects will be exacerbated when persons lose MediKan</p>	<p>Medicaid cut below). When these efforts are insufficient, CMHCs will start waiting lists.</p> <p>County Commissioners recognize the reduction in state support and, when pressed with their own revenue challenges, are beginning to reduce their support for CMHCs.</p> <p>CMHCs will find it difficult to accurately predict when someone needs immediate services that would prevent them from needing inpatient or state mental health hospital services. Admissions to state mental health hospitals that could have been prevented will increase.</p>

Reduction	SGF	All Funds	Avg Monthly Persons	How have services that your agency provides been impacted or will be impacted?	Has the public noticed the impact of any reductions that you have made and how are they being affected by the reductions?
				coverage as a result of reducing eligibility from 24 to 18 months and seek CMHC services provided by grant funds.	
Reduce AAPS Grants (Shift AAPS SGF to fee fund)	600,000	600,000	N/A	This shift lessened the program's ability to meet the additional reductions without impacting services.	No public impact on this shift alone.
Reduce DD Day & Residential and Family Support grants	4,000,000	4,000,000	2,450	<ol style="list-style-type: none"> 1. 346 persons who were receiving SGF funded day and/or residential services refinanced to the HCBS/MR/DD waiver. They did not lose services, but may now experience high client obligations as a result of the change in the funding source. 2. 10 persons have lost their day and residential services. 3. 394 persons have lost their family support/subsidy funding. 4. 142 persons have experienced a reduction in their amount of family support/subsidy funding. 5. CDDOs have reduced reimbursement to providers for day and residential services provided through the SGF funded program. 6. CDDOs have used State Aid funds to reimburse for services that were funded through the SGF program thereby decreasing the funding for children's programs and transportation. 	The public may be asked to assist with funding children's programs and provide transportation for individuals that no longer have access to those services.
Cancel BARS contract	100,000	100,000	N/A	This work is being performed by another contractor.	No known impact.
Shift \$600,000 AAPS Grants to Gaming Revenue/Reduce Expenditures by \$200,000	800,000	800,000		While the net effect of this reduction was to be only \$200,000, the estimated revenue in FY10 to this gaming fund was lowered after the appropriation bill from \$600,000 to \$427,597. Because no revenue was expected for many months and due to the uncertain economy, the full	306 fewer individuals have been served during the 1 st quarter of FY10 in comparison to the 1 st quarter of FY09. Some programs have closed satellite locations and more individuals are waiting for a treatment slot to become available. Further reductions will continue to impact the availability and

Reduction	SGF	All Funds	Avg Monthly Persons	How have services that your agency provides been impacted or will be impacted?	Has the public noticed the impact of any reductions that you have made and how are they being affected by the reductions?
				\$800,000 (in addition to the \$1.4 listed below) was reduced and passed on to providers at the start of FY2010.	access to needed services, especially in the rural and frontier areas of the state.
Reduce MediKan Mental Health eligibility from 24 to 18 months	2,660,742	2,660,742	142	Persons previously eligible for MediKan who need community mental health services will seek services from the CMHCs who will need to provide those services with ever shrinking grant funds. If these persons do not meet the definition for priority populations, they may need to wait and will only be served if they decompensate and are in need immediate services.	See \$4.5 million CMHC grant cuts above.
FY 2010 Omnibus Bill					
Reduce General Assistance Monthly Cash Grant to \$100	1,470,432	1,470,432	3,231	No offsetting services are in place for this policy change.	The reduction in financial assistance represents an approximate 40% decrease. This reduction affects adults with disabilities that prevent employment.
Reduce Day & Residential and Family Support grants	2,,788,174	2,,788,174	2,450	Same as above. The amounts were combined to reduce the 1 st and 2 nd quarter payments to the CDDOs.	Same as above.
Reduce Mental Health Grants	2,500,000	2,500,000	874	See \$4.5 million CMHC grant reduction above.	See \$4.5 million CMHC grant cuts above.
Miscellaneous DBHS Contracts	489,715	489,715		The reduction of these funds limit the ability of DBHS staff to obtain independent, external assistance in the development, implementation and/or review of such program management and infrastructure items as: review of specific accounting and budgeting information from providers, rate study information, rate setting reviews, and federal or other requirements associated with DBHS programs.	Providers will receive slower responsiveness from DBHS on a variety of technical infrastructure issues associated with program management. Independent input into the development of these processes, and review of their implementation, will be limited.

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Reduction	SGF	All Funds	Avg Monthly Persons	How have services that your agency provides been impacted or will be impacted?	Has the public noticed the impact of any reductions that you have made and how are they being affected by the reductions?
Reduce Community Medication program	560,285	560,285	174	These funds purchase atypical antipsychotic medication for persons who have no other means to pay for these medications. Without needed medication persons experiencing active symptoms of severe mental illness may decompensate and require more restrictive and more expensive inpatient treatment and unnecessary readmissions.	Fewer people have access to funding for needed mental health medications. The impact is difficult to determine since information about those who do not receive these services has not been compared with other mental health data, such as state mental health hospital admissions.
Reduce Substance Abuse Grants	1,400,000	1,400,000		Short term impacts of these reductions have been identified: 306 fewer individuals have been served during the 1st quarter of FY10 in comparison to the 1st quarter of FY 09. Some programs have closed satellite locations and more individuals are waiting for a treatment slot to become available. Further reductions will continue to impact the availability and access to needed services, especially in the rural and frontier areas of the state. As the result of the reductions in FY 2010, SRS is \$3 million short of the maintenance of effort requirements set forth by the Substance Abuse Prevention and Treatment block grant.	KDOC funds for the 4 th time DUI offender program were also reduced by 70% in FY 10. As a result, the number of providers able to serve this population decreased from 59 to 20. In addition, only a limited number of outpatient services are available under the new program. This means any 4 th time DUI offender who also meets federal poverty guidelines may access block grant funding in order to receive other types of treatment services that may be clinically indicated. This places an even greater demand on the block grant funded system. The effect of single program reductions, when experienced simultaneously, has a grave impact on treatment providers' ability to remain viable and ensure access to needed services.
Jul 2009 Allotment					
TANF Contingency Fund transfer to Dept. of Revenue for Earned Income Tax Credit Refunds	-	18,687,361		The dual purpose of this transfer is to provide financial assistance to working, low income households and to reduce the level of state fund reductions that SRS would have otherwise faced. The use of the TANF Contingency Fund cannot be repeated in the future because of the erosion in the TANF excess MOE which, in turn, affects the TANF work participation rate.	No SRS programs were impacted by this reduction. However, had the funds been used for expanded services rather than replacing state funds, valuable one-time services to TANF families could have been considered.

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Reduction	SGF	All Funds	Avg Monthly Persons	How have services that your agency provides been impacted or will be impacted?	Has the public noticed the impact of any reductions that you have made and how are they being affected by the reductions?
Nov 2009 Allotment					
Reduce General Assistance (Cash) Tier II from 18 Months to 12 Months	288,000	279,605	480	No offsetting services are in place for this policy change.	The agency assumes the loss in financial assistance to some of the 480 adults with severe physical and mental impairments will be mitigated by the families who care for them, or by local helping agencies. In many cases, the loss may not be replaced. Equally important, these adults will lose medical coverage.
Replace SGF with TANF	2,000,000	-	10,878	This measure uses \$2.0 million of the \$6.2 million in projected TANF balances at the close of FY 2013 to replace state funds. If TAF caseloads rise more than projected, other reductions may become necessary.	No SRS programs are impacted by this reduction. Future impacts will depend on the growth in the TAF caseload.
10% Medicaid Reimbursement Rate Reduction – Mental Health Services	6,172,512	13,091,013		<p>This is will reduce community mental health Medicaid payments by at least \$4.8 million in the last six months this year. This will seriously affect the financial viability of many CMHCs. As many as one third of CMHCs experienced an operating loss in their last reported fiscal year. The Medicaid rate reduction will worsen this situation and could threaten the ability of some CMHCs to remain open. Some CMHCs have already begun laying off staff. Other effects will be better known in the weeks ahead once CMHCs have a chance to assess the impact.</p> <p>The impact is similar for private community mental health Medicaid providers. However, since they are not statutorily required to provide public mental health services, private providers may simply choose to discontinue serving Medicaid recipients, thereby reducing their choice of providers.</p> <p>Nursing Facilities for Mental Health</p>	Reductions have not taken effect, so affects have not yet been felt.

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Reduction	SGF	All Funds	Avg Monthly Persons	How have services that your agency provides been impacted or will be impacted?	Has the public noticed the impact of any reductions that you have made and how are they being affected by the reductions?
				<p>(NF/MHs) and Psychiatric Residential Treatment Facilities (PRTFs) will be seriously affected by these cuts. NF/MHs are the lowest reimbursed of the nursing facilities. Both NF/MHs and PRTFs must meet required federal Medicaid certification (licensing) rules. Meeting these requirements at current reimbursement rates is difficult for some facilities. Funding cuts may result in increased serious deficiencies, some that put residents at risk of harm. Some facilities may choose to close or be forced out of business. Residents in these facilities will need a home with intensive supervision for them to live successfully in the community or they will be referred to state mental health hospitals, who are also experiencing budget cuts. The number of families in crisis will increase if children with a serious SED are returned home. There could also be an increase in homelessness for adults with an SPMI.</p>	
<p>10% Medicaid Reimbursement Rate Reduction – Community Supports & Services</p>	<p>6,175,512</p>	<p>13,091,013</p>		<p>Projected Impact:</p> <ol style="list-style-type: none"> 1. We will see larger group living arrangements. Providers will move individuals from 2-4 bed homes into 5-7 bed homes to decrease the number of staff needed. 2. May see an impact on the quality of care due to a higher staff to consumer ratio in the day and residential settings. 3. Providers that have not been fiscally sound will go out of business. 4. Smaller providers may be forced out of business. 5. Individuals who self-direct their 	<p>Rate reduction to be implemented January 1, 2010.</p>

Reduction	SGF	All Funds	Avg Monthly Persons	How have services that your agency provides been impacted or will be impacted?	Has the public noticed the impact of any reductions that you have made and how are they being affected by the reductions?
				services will not be able to find attendants due to the decrease in the hourly rate.	
10% Medicaid Reimbursement Rate Reduction – Addiction and Prevention Services				The network of providers who deliver substance abuse services in Kansas has relied on Medicaid funding to offset lower rates of reimbursement in other publicly funded programs. As a result, this 10% reduction will be experienced by providers, and ultimately, by consumers at a much higher percentage. Capacity for needed services will continue to shrink and waiting lists for this population may become a reality. This reduction in rates will also reduce the managed care organization's amount they receive for administration. In this case, a reduction in the number served is not anticipated so essentially the managed care organization will have to look for savings elsewhere which may impact the state's ability to meet CMS requirements.	While the full impact of the reductions will not be realized for several months, the actions taken by providers in response to the earlier reductions will continue and accelerate. These actions include: --Reduced medical services at the treatment center which result in more referrals to the hospital emergency room --Reduced dollars for client medications which ultimately effects client outcomes --Reduced dollars for transportation of clients --Loss of a Program Chaplain --Reduced full time positions to part time to eliminate employee benefit costs --Not being able to fill open positions. Transferring staff duties to cover the mandated duties of the open position --Considering layoffs and furloughs as a last ditch effort to reduce costs
Reduce DD Day & Residential and Family Support Grants	1,300,000	1,300,000	2,450	Projected Impact: Further reductions in the number of individuals that receive family support/subsidy. Individuals will loss day and residential services that are funded the SGF program. Decreased payments to day and residential providers for those individuals that do continue to receive services.	
Reduce Mental Health Grants	3,983,347	3,983,347	1,380	See the \$4.5 million and \$2.5 million CMHC grant cuts above. These cuts are made worse by making them in the last six months of the year. This explains the disproportionately high impact of persons served. These	Waiting lists will have to be established and all of the potential effects listed in the \$4.5 million grant cut will occur in many places throughout the state.

13-16

Reduction	SGF	All Funds	Avg Monthly Persons	How have services that your agency provides been impacted or will be impacted?	Has the public noticed the impact of any reductions that you have made and how are they being affected by the reductions?
				effects will be further exacerbated when persons lose MediKan coverage as a result of reducing eligibility from 18 to 12 months and seek CMHC services provided by grant funds.	
Reduce Substance Abuse Grants	275,000	275,000		This reduction, as well as a portion of the \$2.2 million listed above, was absorbed primarily by prevention related grants and contracts. <i>These agencies have also received grant reductions from the Juvenile Justice Authority.</i> As the lead agency for substance abuse prevention in the state, these reductions will challenge SRS' capacity to meet federal requirements, address emerging issues and assist communities and coalitions working to reduce underage drinking and other health concerns. The contractor responsible to ensure that Kansas is in compliance with the Synar amendment has also been reduced. While Kansas is experiencing favorable outcomes this year, failure to meet state Synar compliance goals in 2005 resulted in a fine of over 2 million dollars in 2005.	The regional prevention system had already experienced level funding for nearly 10 years prior to the budget reductions. As a result, some agencies have been forced to reduce the total number of coalitions they work with and limiting their support to selected "targeted communities". In some communities, many coalitions have folded or are on the brink of disbanding. Attempts are made to respond to requests for prevention services in those communities, but travel there has been restricted which impacts the provider's ability to mobilize and build the capacity of residents. As a result, prevention agencies in Kansas are providing less prevention services in fewer areas. Some agencies have reduced staffing and/or not filled open positions. As our delivery of services to our communities and coalitions decrease, we can expect the rate of substance abuse to increase. As substance abuse rates increase, more demands for social, educational and correctional services will increase. Some regions are also experiencing a boom in population growth without an increase in staffing, thus impacting the provider's ability to serve the region they are responsible for.
Reduce MediKan Mental Health Eligibility from 18 months to 12 months	465,552	465,552	216	See MediKan eligibility reduction from 24 to 18 months above.	See MediKan eligibility reduction from 24 to 18 months above.
Reductions of Operating expenditures in Hospitals	3,002,763	3,002,763		The Mental Health Hospitals are expecting to save SGF through	These actions have a direct impact on the patients these facilities operate.

13-17

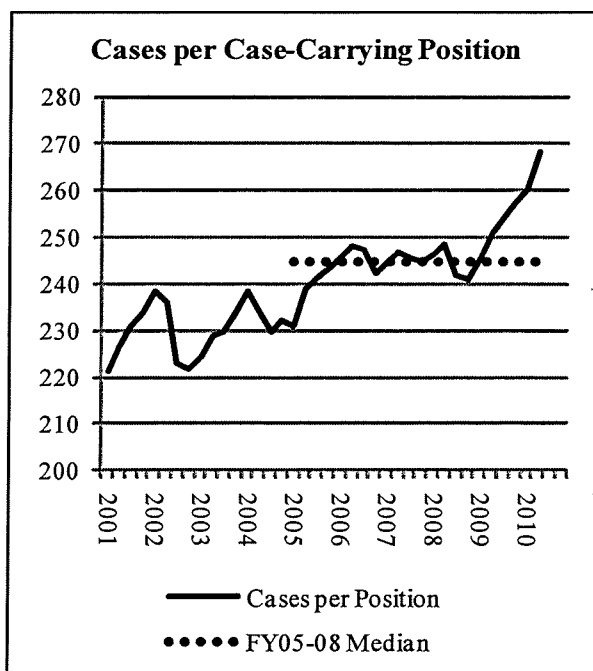
13-18

Reduction	SGF	All Funds	Avg Monthly Persons	How have services that your agency provides been impacted or will be impacted?	Has the public noticed the impact of any reductions that you have made and how are they being affected by the reductions?
				<p>various personnel actions and OOE reductions. At LSH these actions include eliminating the clothing and supply function, the print shop function; reducing the capacity of the Female Unit on the SSP from 30 to 20 beds, and increasing vacant positions (shrinkage). At Osawatomie savings in other operating expenditures will be achieved by deferring some routine maintenance and having repairs and maintenance performed only where absolutely necessary. Inventories of office supplies, food, drugs, and other professional supplies will be kept to the absolute minimum; purchase of these items will be on an as needed basis.</p> <p>The Developmental Disability Hospitals are expected to achieve reduced expenditures through consolidating the client's living spaces; continuing the hiring freeze that is currently in place; and reducing staff travel and supply purchases. KNI will continue to see reduction in expenditures through the consolidation of a home in FY 2009 and will start the consolidation of an additional home in 2010. Parsons will close Willow cottage in FY 2010 and consolidate these residents into another cottage.</p>	<p>There will be increased crowding of patients at KNI and Parsons as the homes and cottages are consolidated. This has historically resulted in an increased incidences of staff and patient injuries.</p> <p>The Mental Health Hospitals are operating at the bare minimum staffing to ensure active treatment and the safety of staff and patients. Further reductions of the MH hospital budgets would necessitate the need to cease voluntary admissions at the mental Health Hospitals and the closure of patient units. Current shrinkage rates at the Mental Health hospitals are running from 6.9 percent to 14.0 percent. Any further reductions, without reducing patient census, could put the hospital at risk of losing their license and certification.</p>
Salaries and Wages			FTE		
Reduction in salary budget since the start of the FY 2009 Legislature	8,197,194	16,394,388	332	Field staff are handling more cases as SRS operates with considerably less staff.	The public may notice delays in some services due to overburdened staff.

Attachment C

Salaries

This dramatic rise in vacant positions has resulted in a rising caseload burden on regional staff. This is a leading agency concern, and the following graph illustrates the problem by displaying the caseload per position over time. The cases per position in October 2009 climbed to a new high of almost 270 cases per position. This is markedly higher than the 245 case per position norm (shown by the dotted line) which prevailed prior to the onset of the recession.



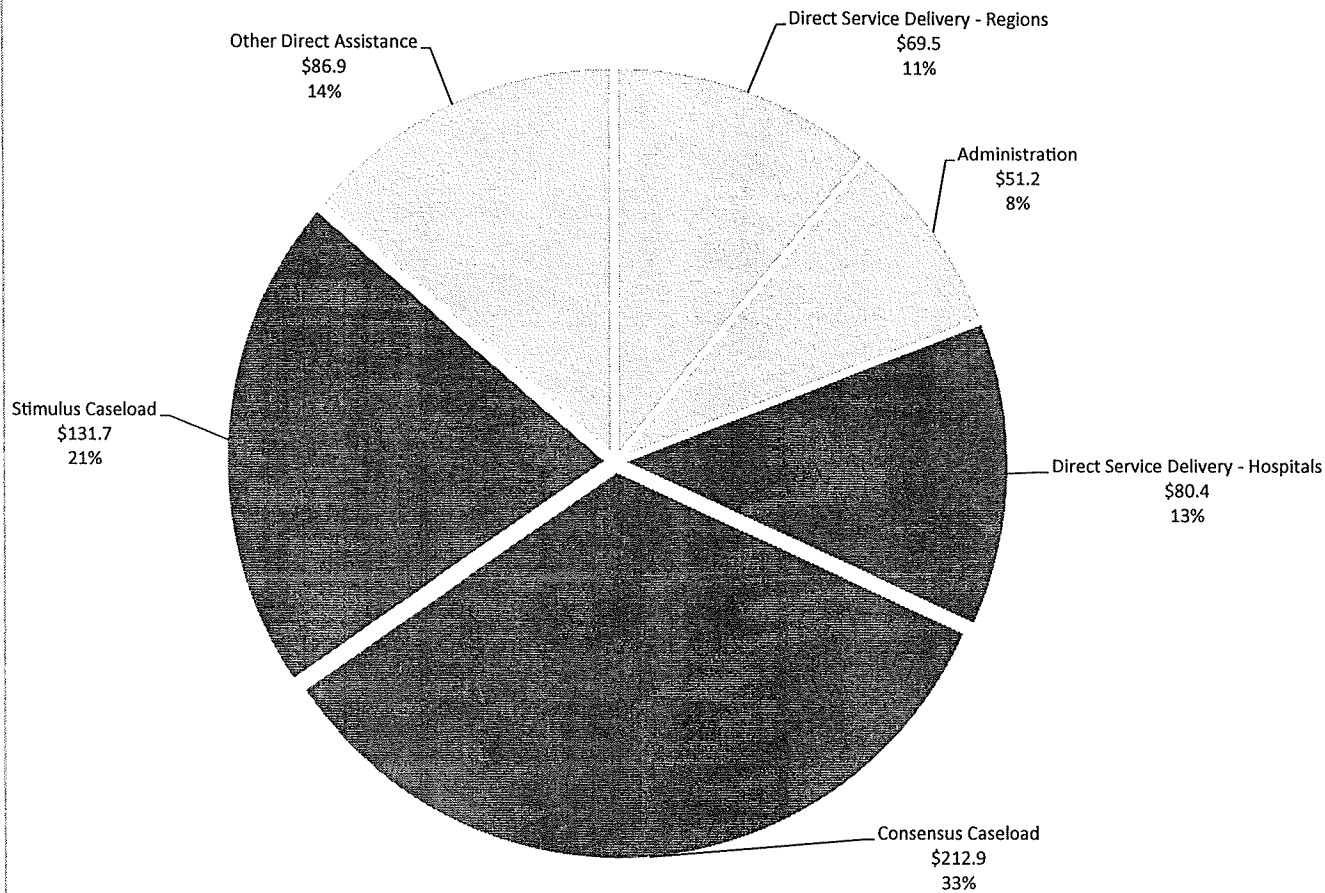
State Fiscal Year	Average Monthly Cases	Case-Carrying Positions	Cases per FTE
2001	288,332	1,264	228
2002	285,228	1,241	230
2003	280,303	1,223	229
2004	280,976	1,203	233
2005	286,835	1,202	239
2006	297,243	1,210	246
2007	298,126	1,214	246
2008	298,886	1,223	244
2009	305,435	1,212	252
2010 YTD	321,126	1,215	264

Most recent month:
 Oct 2009 322,705 1,203 268

The gap between the pre-recession 245 caseload norm and the current 268 cases per position demonstrates the tremendous caseload increase faced by regional staff. If the 245 staffing norm is applied to the total October 2009 caseload, 1,317 positions, or 114 more than the current count, would be required at a cost of approximately \$5.9 million. However, this difference illustrates just the present staffing disparity. The caseload has not crested, and is estimated to reach 366,000 cases by the close of FY 2011. This corresponds to a 291 position increase at a cost of \$14.9 million.

The department's responsibility is to process cases, investigate reports of child and adult abuse, adhere to federal performance standards, determine benefits and services appropriately, and provide case management. Sufficient staffing is required to meet these mission critical duties and ensure a human safety net is in place for the most vulnerable children, families and adults within our state.

Attachment D FY 2010 SRS DOB Recommendations and Allotments including State Hospitals SGF (in millions)



Key:
Lighter shade represents areas available for reductions.
Darker shade represents areas with budgetary restrictions.

- Consensus programs:**
- Temporary Assistance for Families
 - General Assistance
 - Community Support Services
 - Mental Health Services
 - Substance Abuse
 - Foster Care/OOH
- Stimulus programs:**
- Medicaid Waivers
 - Child Care
 - Early Head Start
- Other programs:**
- Adoption Support
 - Permanent Custodianship
 - Grants

Total Budget \$1,754.8
State General Funds \$632.6
(numbers may not total due to rounding)

**PROPOSED REDUCTIONS TO ACHIEVE FY 2010 ALLOTMENT OF \$3,820,885
KANSAS DEPARTMENT OF CORRECTIONS**

KDOC
11/23/09

Cancel FY 2009 encumbrances and utilize Inmate Benefit Fund moneys to replace State General Fund financing for offender programs.	468,000
Cancel FY 2009 encumbrances and utilize JEHT moneys to replace State General Fund financing for reentry programs.	58,000
Delete funding for capital outlay - central office operations.	34,000
Reduce funding for information technology equipment acquisitions.	263,000
Delete funding for capital outlay - parole services.	98,000
Reduce funding for travel and vehicle expenses - parole services.	50,000
Reduce funding for local jail costs (annualization of first quarter obligations indicates payments will total \$1,100,000).	261,000
Reduce funding for GPS monitoring of sex offenders.	230,000
Reduce funding for transitional housing.	771,000
Delete unobligated amount for reentry program contracts.	85,000
Replace funding for community corrections grants with unexpended moneys in local program accounts.	480,000
Eliminate funding for substance abuse treatment program at Topeka Correctional Facility.	160,000
Food service contract savings based upon payments through 10/31/09.	50,000
Reduce funding for food service contract due to menu changes.	222,000
Health care contract savings	177,000
Lapse of unspent funds from the prior fiscal year.	<u>413,885</u>
Total	<u><u>\$3,820,885</u></u>

Senate Ways & Means Cmte
Date 12-15-2009
Attachment 14

FY 2010 BUDGET ADJUSTMENTS - DEPARTMENT OF CORRECTIONS

Revised
10/12/09

<u>Item</u>	<u>Adjustment to Base Budget</u>	<u>Total Adjustments</u>	
Base budget increases to finance FY 2010 budget	2,636,560	2,636,560	
State General Fund transfers to the eight correctional facilities	2,852,693	5,489,253	
Food service and health care contract savings - reduced inmate population	(553,407)	4,935,846	
Restructure debt service payments	(835,000)	4,100,846	
Partially suspend payments for fringe benefit employer contributions	(471,387)	3,629,459	
Delete unallocated amount for offender programs	(904,000)	2,725,459	
Suspend operations of the Osawatomie Correctional Facility	(902,699)	1,822,760	
Suspend operations of the Toronto Correctional Facility	(907,393)	915,367	
Suspend operations of the Stockton Correctional Facility	(1,647,927)	(732,560)	
Eliminate funding for 4th time DUI offenders (proposal to offset this reduction with fines/forfeitures not approved by Legislature)	(538,000)	(1,270,560)	
Replace financing for offender programs with additional commissions from inmate telephone contract	(750,000)	(2,020,560)	
Assess shrinkage rate of 5 percent against reentry program positions	(166,000)	(2,186,560)	
Increase central office shrinkage rate to 5 percent	(305,000)	(2,491,560)	
Close Correctional Conservation Camps	(3,371,324)	(5,862,884)	
Close day reporting centers and retain partial funding to continue essential services	(869,520)	(6,732,404)	
Replace financing of the health care contract with transfer from the Correctional Industries Fund	(1,202,904)	(7,935,308)	
Reduce funding for community corrections grants, excluding adult residential centers, by 3 percent	(525,000)	(8,460,308)	
Health care contract savings from intentionally holding positions vacant and delaying equipment purchases	(600,000)	(9,060,308)	
Delete funding for replacement of major computer systems (OMIS/TOADS)	(450,000)	(9,510,308)	
Reduce funding for offender programs	(3,284,075)	(12,794,383)	
Reduce funding for facilities operations	(1,327,789)	(14,122,172)	
Increase funding for offender programs	646,250	(13,475,922)	
Reduce funding for offender programs	(2,003,722)	(15,479,644)	
Eliminate funding for longevity bonuses	(1,469,177)	(16,948,821)	Mega Bill Reduction

14-2

FY 2010 BUDGET ADJUSTMENTS - DEPARTMENT OF CORRECTIONS

Revised
10/12/09

<u>Item</u>	<u>Adjustment to Base Budget</u>	<u>Total Adjustments</u>	
Reduce funding for offender programs	(1,206,000)	(18,154,821)	
Shift funding for 13 special enforcement officer positions to Byrne Grant	(705,700)	(18,860,521)	
Shift funding for 10 parole officer positions to Byrne Grant	(439,550)	(19,300,071)	
Suspend operations of the North Unit of the El Dorado Correctional Facility	(1,033,975)	(20,334,046)	
Reduce funding for community corrections grants (\$1.5 million shifted to Byrne Grant)	(2,025,000)	(22,359,046)	
Reduce funding for health care management contract (KUPI)	(75,000)	(22,434,046)	
Additional central office shrinkage	(468,002)	(22,902,048)	Omnibus Bill Reduction
Operating expenditures - correctional facilities	(1,100,000)	(24,002,048)	
Operating expenditures - DOC central office	(500,000)	(24,502,048)	Governor's Allotment
Add funding for undermarket salary adjustments	987,149	(23,514,899)	Other

Note: The list of budget adjustments does not include the shift of \$40.5 million of facility operations expenditures from the State General Fund to federal stimulus moneys.

14-3

FY 2010/2011 BUDGET REQUESTS - DEPARTMENT OF CORRECTIONS

10/12/09

Fiscal Year 2010

Revised systemwide State General Fund budget of \$215,310,190 represents a net increase of \$217,751 above amounts appropriated by the 2009 Legislature. This net increase is comprised of:

- | | |
|---|------------------|
| – Governor’s allotment reduction of \$1.6 million. | (1,600,000) |
| – Utilize prior year budget savings of \$1.1 million to offset the allotment assessed against the budgets for the correctional facilities. | 1,100,000 |
| – Utilize prior year budget savings of \$894,752 to reduce the shrinkages rate at the El Dorado Correctional Facility from 6.7% to 4.0% and Norton Correctional Facility from 8.5% to 5.0%. | 894,751 |
| – Utilize food service contract savings of \$91,750 for the shrinkage rate reduction at NCF. | - |
| – Return (lapse) \$177,000 of health care contract savings to the SGF. | <u>(177,000)</u> |

Total **\$ 217,751**

- \$484,000 of the \$500,000 allotment assessed against the DOC central office budget will be offset by the utilization of unexpended moneys returned to the state by Labette County upon closure of the conservation camps.
- Prior year budget savings (shifts) available for expenditure in FY 2010 total \$2,408,636. After utilizing \$1,994,751 to offset a portion of the allotment reduction and for shrinkage rate reductions, the balance remaining is \$413,884. This amount would be returned (lapsed) to the State General Fund.

Fiscal Year 2011

Systemwide State General Fund budget of \$216,240,471 (before enhanced funding requests) includes a base budget decrease of \$1.6 million reflecting continuation of the Governor's allotment reduction into FY 2011. This decrease was offset by (1) the utilization of \$750,000 in additional federal stimulus moneys to fund positions at the Hutchinson Correctional Facility and (2) facility operating budget reductions.

Note: The SGF budget of \$216,240,471 is \$210,463 below the expenditure allocation established by the Division of the Budget. The DOB will be asked to utilize this amount to reduce the amount of new moneys requested to fully fund the food service contract.

Fiscal Year 2011 - Enhanced Funding Requests - \$27,873,390 (Not Listed in Priority Order)

- | | |
|--|-----------|
| Reduction in shrinkage rates | 4,683,249 |
| <ul style="list-style-type: none"> – Would decrease rates so that budgeted shrinkage amounts would reflect the estimated savings that would naturally occur as positions are vacated and filled during the fiscal year.
ECF - 5.5%/3.6%; EDCF - 6.7%/4.0%; HCF - 7.5%/4.85%; LCF - 8.0%/6.0%;
NCF - 10.8%/5.0%; TCF - 9.0%/6.5%; WCF - 6.2%/2.6%; DOC - 8.2%/2.6% (3.0% for major budget programs). | |
| Increased funding for health care contracts | 3,803,421 |
| <ul style="list-style-type: none"> – \$1,202,904 to replace funding from the Correctional Industries Fund due to insufficient balances. – \$1,333,124 to restore service reductions made to comply with FY 2010 budget cuts. – \$1,137,393 to provide a base increase to offset additional costs for salaries, benefits, and supplies. – \$130,000 for the health care management contract with the University of Kansas Physicians, Inc. to fill a vacant contract monitor position and to provide a base increase for increased costs. | |

14-4

FY 2010/2011 BUDGET REQUESTS - DEPARTMENT OF CORRECTIONS

10/12/09

Fiscal Year 2011 - Enhanced Funding Requests (Continued)

Increased funding for food service contract – Would provide full funding based upon estimated inmate population.	236,131
Acquisition of replacement vehicles – Would allow for the replacement of 174 high-mileage vehicles.	3,168,300
Acquisition of replacement radios – Would allow for the purchase of replacement radio equipment to comply with a mandate from the Federal Communications Commission that all non-federal public safety licensees using 25 KHz radios systems migrate to narrowband (12.5 KHz) channels by January 1, 2013. Failure to comply with this deadline could result in cancellation of licenses and possible loss of communications capabilities.	742,945
Inmate transportation bus – Would allow for the replacement of an inmate transport bus with a current odometer reading of 457,000 miles.	190,000
Restore funding for offender programs – Would increase funding to the FY 2009 base budget level; also would provide additional funding for DUI treatment services.	7,685,839
Restore funding for community corrections – Would restore six percent reduction made to grant amount for intensive supervision and risk reduction.	1,050,000
Operating expenditures – Would provide additional funding for utilities, consumable supplies, and other operating cost items.	871,331
Capital outlay – Would provide funding for the purchase of equipment items.	941,545
Replacement of major computer applications – Would provide initial funding for a project with an estimated multi-year cost of between \$6 to \$12 million to replace offender management (OMIS) and offender supervision (TOADS) computer applications.	3,000,000
Reestablish operations of the Stockton Correctional Facility – Would provide funding to reestablish operations for the last quarter of the fiscal year.	531,859
Planning for new mental health units and new clinic – Would provide funding to plan for the construction of mental health units at the Lansing and Topeka correctional facilities to provide appropriate housing for offenders with significant mental health treatment needs combined with extreme behavior management issues. – Also would provide funding to plan for the construction of a new clinic at TCF because the current clinic (1) does not provide for the isolation of patients and (2) presents security issues with respect to the proper supervision of patients.	504,000
Provide funding for authorized positions at Topeka Correctional Facility – Would allow the facility to fill 11 currently authorized but unfunded security positions, thereby completing the staffing for J Cellhouse (medium custody housing unit).	464,770

14-5

Fiscal Year 2011 - Enhanced Funding Requests (Continued)

Retirement enhancement

- Would transfer selected corrections staff to the Kansas Police and Firemen's Retirement System (KP&F) or establish a separate retirement group with benefits equal to available under KP&F.
- When this enhancement was proposed two years ago, KPERS estimated that the additional employer contributions would total \$5.3 million, assuming that all of the eligible 2,715 employees would elect to transfer to KP&F or the new group.
- A new fiscal note, with an updated and more recent cost estimate would need to be prepared.
- The additional employer contributions would not begin until FY 2012.

Total

\$ 27,873,390

Fiscal Year 2011 – Reduction Target - \$10,578,455 (SGF); \$11,115,726 (All Funds)

Should it become necessary to comply with the Division of the Budget reduction target of \$10.6 million, it is proposed that parole supervision virtually be eliminated, except for the highest risk offenders. After a reduction of \$10,578,455 in the parole services budget, only \$428,863 of State General Fund moneys would remain. This amount would be utilized to retain as many parole officer positions as possible to supplement the 22 positions that are financed with federal funds. In addition, supervision fees (the amount of fees collected would be significantly reduced) would be dedicated towards

There are currently 533 high-risk offenders under parole supervision. In addition, there are many offenders who fall into the moderate level of supervision but who score near the high-risk category. As many of these moderate and near-high risk offenders that could be accommodated with the remaining funding would be supervised.

The DOC has previously indicated that any significant budget cut beyond the \$23.5 million reduction mandated by the Governor and the 2009 Legislature would result in the closure of a major correctional facility, i.e. Winfield, or a substantial reduction in or the total abolition of parole supervision, depending upon the magnitude of the funding cut.

The parole supervision option has been chosen, because this can occur without any statutory change. Any closure of a correctional facility would need to be accompanied by legislation providing for the early release of inmates.

KDOC would still be statutorily required to reimburse local jails for costs incurred from housing parole violators. These payments would reduce the amount of resources that could be utilized for retaining parole officer positions.

**Testimony by Secretary Jim Garner
Senate Ways and Means Committee
December 15, 2009**

Chairman Emler and members of the Senate Ways and Means Committee,

Thank you for the opportunity to discuss the Kansas Department of Labor (KDOL) State General Fund (SGF) Budget for FY 2010 and FY 2011. The SGF budget for KDOL makes up approximately one percent of the operating budget for the agency that is primarily federal and fee funded.

Justification for the FY 2011 Request

The programs in KDOL that receive any SGF are Legal Services and Labor Relations and Employment Standards. These programs administer Child Labor laws, Public Employer-Employee Relation Act and Professional Negotiations Act, and conduct administrative hearings for Wage Payment, Minimum Wage-Maximum Hours, and Private Employment Agencies.

Some of the duties entail travel to conduct investigations, hold hearings and assist in conducting elections to determine whether an employee organization will represent employees for purposes of negotiating with public employers. The professional services involve court reporters, mediators and fact finders in the case of labor disputes.

The below lists the K.S.A. statutes for the various functions of these programs:

K.S.A. 44-801	Collective Bargaining-Private Sector
K.S.A. 44-818	Agricultural Labor Relations Act
K.S.A. 75-4321	Public Employer-Employee Relations Act
K.S.A. 72-5413	Professional Negotiations Act
K.S.A. 77-501	Kansas Administrative Procedure Act
K.S.A. 44-313	Wage Payment
K.S.A. 44-1201	Minimum Wage – Maximum Hours
K.S.A. 33-601	Child Labor Law
K.S.A. 44-402	Private Employment Agencies

Senate Ways & Means Cmte

Date 12-15-2009

Attachment 15

Effects of the SGF Reductions from Agency budget submittal carrying forward the FY 2009 Allocation.

	FY 2009	FY 2010
SGF Budget Allocation	\$596,169	\$544,260
SGF Reductions	\$51,909	\$73,305
Approved Budget	\$544,260	\$470,955
Percentage of Reduction	8.7%	13.5%

What were the reductions?

For FY 2009, the \$51,909 in reductions was made through a 6.8% reduction (\$40,786) to the approved SGF budget and KSIP transfer to SGF (\$11,123).

For FY 2010, the budget reflects the carry forward of the reductions from FY 2009 to FY 2010 plus an additional 13.5% reduction of (\$73,305). In July of 2009 there was an additional allotment reduction of \$9,515. This combined with November 23rd reduction of \$14,129 would be a total of \$23,644 of additional reductions to the approved budget for the current fiscal year.

For FY 2011, the 5% reduction package (\$23,926) includes further reductions to these programs services. If this reduction is enforced, KDOL would have to reduce additional FTE available to the state programs.

What are the affects?

The programs above combined for a reduction of approximately 1.33 FTE (approximately 26% reduction in staffing).

Taking these steps requires that some hearings be tape recorded, force parties to pay for transcripts and would require parties to travel to Topeka for all hearings. These steps would merely shift the cost for providing labor relations services from the Office of Labor Relations to the parties themselves and would actually increase these costs, albeit by other labor relations customers and stakeholders, at other levels of government and in other agency budgets.

This reduction in resources would diminish the ability of the Public Employee Relations Board to fulfill its statutory responsibilities under PEERA to “develop harmonious and cooperative relationships” between government and its employees, as well as similar duties under the Professional Negotiations Act. Such actions would adversely affect delivery of governmental services to Kansans.

Agency staffing

	FY 2008 Average	FY 2009 Average	FY 2010 October	Change since FY 2008
UI	270 FTE	294 FTE	383 FTE	113 FTE 42% increase
WC	116 FTE	114 FTE	106 FTE	(10 FTE) 9% decrease
SGF	<u>5.1 FTE</u>	<u>6.45 FTE</u>	<u>3.77 FTE</u>	(1.33 FTE) 26% decrease
Total	474 FTE	491 FTE	565 FTE	

Thank you for giving me this opportunity. Please let me know if you have any questions.