



February 28, 2023

To: Senate Committee on Ways and Means
From: Dylan Dear, Managing Fiscal Analyst
Re: SB 153, SB 155 - Appropriations for FY 2023 - 2026

The Governor recommends a revised FY 2023 budget of \$24.7 billion, including \$9.2 billion from the State General Fund (SGF). The FY 2023 approved budget includes reappropriations of \$396.3 million, including \$321.6 million SGF, from FY 2022 that were unexpended and carried over into FY 2023.

The Governor's recommendation for FY 2024 totals \$24.1 billion, including \$9.5 billion SGF. The FY 2024 recommendation is an all funds decrease of \$557.5 million, or 2.3 percent, and an SGF increase of \$251.2 million, or 2.7 percent, above the FY 2023 Governor's recommendation.

EXPENDITURES FROM ALL FUNDS BY MAJOR PURPOSE
(Dollars in Millions)

	Actual FY 2022	Gov. Rec. FY 2023	Change		Gov. Rec. FY 2024	Change	
			\$	%		\$	%
State Operations	\$ 6,804.4	\$ 6,894.5	\$ 90.1	1.3 %	\$ 6,849.7	\$ (44.8)	(0.6) %
Aid to Local Units	7,084.5	7,595.6	511.1	7.2	7,456.4	(139.2)	(1.8)
Other Assistance	6,682.6	7,663.0	980.4	14.7	8,044.2	381.2	5.0
<i>Subtotal - Operations</i>	<i>\$ 20,571.5</i>	<i>\$ 22,153.1</i>	<i>\$ 1,581.6</i>	<i>7.7 %</i>	<i>\$ 22,350.3</i>	<i>\$ 197.2</i>	<i>0.9 %</i>
Capital Improvements	1,956.9	2,531.4	574.5	29.4	1,776.7	(754.7)	(29.8)
TOTAL	\$ 22,528.5	\$ 24,684.5	\$ 2,156.0	9.6 %	\$ 24,127.0	\$ (557.5)	(2.3) %

Note: Totals may not add due to rounding.

**STATE GENERAL FUND EXPENDITURES BY MAJOR PURPOSE
(Dollars in Millions)**

	Actual	Gov. Rec.	Change		Gov. Rec.	Change	
	FY 2022	FY 2023	\$	%	FY 2024	\$	%
State Operations	\$ 1,882.3	\$ 2,196.1	\$ 313.8	16.7 %	\$ 2,161.1	\$ (35.0)	(1.6) %
Aid to Local Units	4,411.7	4,805.5	393.8	8.9	5,112.3	306.8	6.4
Other Assistance	1,482.0	2,028.3	546.3	36.9	2,134.4	106.1	5.2
<i>Subtotal - Operations</i>	<i>\$ 7,776.0</i>	<i>\$ 9,029.9</i>	<i>\$ 1,253.9</i>	<i>16.1 %</i>	<i>\$ 9,407.8</i>	<i>\$ 377.9</i>	<i>4.2 %</i>
Capital Improvements	419.9	210.2	(209.7)	(49.9)	83.5	(126.7)	(60.3)
TOTAL	\$ 8,195.9	\$ 9,240.1	\$ 1,044.2	12.7 %	\$ 9,491.3	\$ 251.2	2.7 %

Note: Totals may not add due to rounding.

Summary of Changes to Estimated FY 2023 Expenditures

The Governor's recommendation is an all funds increase of \$1.4 billion, or 5.8 percent, and an SGF decrease of \$249.7 million, or 2.6 percent, from the FY 2023 approved budget. The increase is primarily attributable to:

- Adding \$53.0 million SGF to retire water storage contracts in the Kansas Water Office;
- Adding \$20.5 million SGF to modernize the Kansas Department of Labor Unemployment system;
- Adding \$1.3 million SGF to adopt the Board of Indigents' Defense Services revised assigned counsel caseloads estimate;
- Deleting \$198.2 million SGF to implement revised human services caseloads estimates; and
- Deleting \$65.5 million SGF to implement revised K-12 education school finance estimates.

In addition to the SGF expenditure adjustments described above, the recommendation makes several SGF revenue adjustments to FY 2023, including:

- Transferring \$500.0 million from the SGF to the Budget Stabilization Fund. This transfer would result in a balance in the Budget Stabilization Fund of approximately \$1.5 billion.
- Transferring \$220.0 million to an infrastructure leveraging fund to assist local governments in matching federal funds;
- Transferring \$50.0 million from the SGF to a state agency federal grants matching fund to assist agencies in meeting federal match requirements.

Summary of Adjustments to the FY 2024 Budget

State Operations—Agency operating costs for salaries and wages, contractual services, commodities, debt service interest, and capital outlay. The Governor's FY 2024 recommendation for state operations is \$6.9 billion, which is a decrease of \$44.8 million, or 0.6 percent, below the Governor's FY 2023 recommendation.

The decrease is primarily attributable to the Department for Children and Families exhaustion of pandemic assistance for child care and other programs (\$143.3 million) and decreases in Kansas Department of Labor unemployment operations and modernization (\$46.8 million), Kansas Water Office early retirement of water storage debt (\$57.1 million), and Kansas Department of Health and Environment (KDHE) Health pandemic child care development block grant enhancements (\$26.4 million).

The decreases are partially offset by a 5.0 percent increase to state employee pay (\$169.5 million) and increases in Kansas Lottery sports betting and revised expanded lottery estimates (\$39.9 million), Judicial Branch enhancements (\$22.1 million), and increases to the Board of Regents and Institutions (\$14.8 million).

Local Units of Government—Aid payments to counties, cities, school districts, and other local government entities; may be from state or federal funds. The Governor's FY 2024 recommendation for aid to local units of government is \$7.5 billion, which is a decrease of \$139.2 million, or 1.8 percent, below the Governor's FY 2023 recommendation. The reduction is primarily attributable to \$240.8 million in the Office of the Governor for matching grants.

The increase is partially offset by the addition of \$83.2 million for the Kansas State Department of Education for the revised education school finance estimate, and \$15.4 million in the Office of the State Treasurer for acceleration of the Food Sales Tax exemption and the addition of funding for the STAR Bond food sales tax reimbursement fund.

Other Assistance, Grants, and Benefits—Payments made to or on behalf of individuals as aid, including public assistance benefits, unemployment benefits, and tuition grants. The Governor's FY 2024 recommendation for other assistance, grants, and benefits is \$8.0 billion, which is an increase of \$381.2 million, or 5.0 percent, above the Governor's FY 2023 recommendation.

The increase is predominantly reflected in the State Hospitals, Kansas Department for Aging and Disability Services, and KDHE-Health due to the expiration of the enhanced federal medical assistance percentage (FMAP) match and revised human services caseloads estimate (\$570.3 million).

The increase is partially offset by decreases in the Office of the Governor (\$164.2 million) in matching funds, the Department of Commerce (\$52.7 million) for a variety of housing and small business tax credit initiative one-time expenditures, Department of Transportation assistance (\$25.3 million), and the Office of the Attorney General for the opioid settlement distributions (\$19.6 million).

Capital Improvements—Cash or debt service payments for projects involving new construction, remodeling and additions, rehabilitation and repair, razing, and the principal portion of debt service for a capital expenditure. The Governor's FY 2024 recommendation for capital improvements is \$1.8 billion, which is a decrease of \$754.7 million,

or 29.8 percent, below the Governor's FY 2023 recommendation. The decrease is primarily attributable to accelerated debt retirement in FY 2023.

Senate Committee Adjustments Through February 28, 2023

FY 2023 Senate Committee on Ways and Means Recommendations:

The Senate Committee on Ways and Means recommends expenditures of \$24.7 billion, including \$9.2 billion SGF, in FY 2023. The recommendation is an all funds decrease of \$584,242, or less than 0.1 percent, below the Governor's FY 2023 recommendation, and is primarily due to the following:

- Delete \$53.0 million SGF to not adopt the Governor's recommendation to pay off water storage debt associated with the Milford and Perry Lake reservoirs in FY 2023. These funds were added to the Office of the State Treasurer for investment.

FY 2024 Senate Committee on Ways and Means Recommendations:

The Senate Committee on Ways and Means recommends expenditures of \$24.1 billion, including \$9.5 billion SGF, for FY 2024. The recommendation is an all funds increase of \$18.5 million, or less than 0.1 percent, below the Governor's FY 2024 recommendation, and is primarily due to the following adjustments:

- **Attorney General.** Add \$650,296 SGF and delete the same amount from special revenue funds for FY 2024 to restore a 10.0 percent SGF reduction implemented in FY 2020 as part of a reduced resources budget.
- **Department of Commerce.** Delete \$3.6 million in EDIF enhancements for the International Division, Early Childhood and Care Initiative, Kansas Creative Arts Commission, Salesforce Data, Research Division, and a Murals and Public Arts Initiative.
- **KDHE–Health.** Add \$14.4 million, including \$8.8 million SGF, for:
 - Add \$6.6 million, including \$2.6 million SGF, to increase the Medicaid physician fee schedule by 3.0 percent for FY 2024.
 - Add \$3.0 million SGF for community-based primary care grants for FY 2024.
 - Add \$1.4 million, including \$576,129 SGF, to increase Emergency Medical Service Ground ambulance rates to 75.0 percent of the rural Medicare rates for FY 2024.
 - Add \$1.2 million, including \$482,880 SGF, to extend Medicaid adult dental coverage to include dentures and partials for FY 2024.

- **Kansas Bureau of Investigations.** Add \$4.3 million SGF for a Surge Initiative and additional operational support, including \$910,000 SGF for the replacement of an HVAC system at the Great Bend laboratory, for FY 2024.
- **Department for Wildlife and Parks.** Delete \$2.5 million, all from special revenue funds, to not adopt the Governor's recommendation allowing KDWP law enforcement officers to join the Kansas Police and Firemen's retirement system for FY 2024 and review at omnibus.
- **Kansas Department of Transportation.** Add \$4.2 million from the Special City and County Highway Fund, and transfer the same amount from the SGF to the fund, for formula aid to local governments for FY 2024.

Senate 2023 Appropriations Bills: SB 153 and SB 155
(Reflects Senate Committee Adjustments for FY 2023, FY 2024, FY 2025, and FY 2026)

Agency/Item	State General Fund	All Other Funds	All Funds	FTEs
FY 2023				
<u>State Treasurer</u>				
1. Add \$52.0 million to Water Supply Storage Debt Payment for Milford and Perry Reservoirs Fund in FY 2023.	52,000,000	0	52,000,000	0.0
<i>Agency Subtotal</i>	<i>\$52,000,000</i>	<i>\$0</i>	<i>\$52,000,000</i>	<i>0.0</i>
<u>Commission on Veterans Affairs Office</u>				
1. Add \$150,000 SGF for the Veterans Claims Assistance Program in FY 2023.	150,000	0	150,000	0.0
<i>Agency Subtotal</i>	<i>\$150,000</i>	<i>\$0</i>	<i>\$150,000</i>	<i>0.0</i>
<u>Department of Agriculture</u>				
1. Add \$200,000 SGF for the Soil Health Initiative in FY 2023.	200,000	0	200,000	0.0
<i>Agency Subtotal</i>	<i>\$200,000</i>	<i>\$0</i>	<i>\$200,000</i>	<i>0.0</i>
<u>Kansas Water Office</u>				
1. Delete \$53.0 million SGF to not adopt the Governor's recommendation to pay off water storage debt associated with the Milford and Perry Lake reservoirs in FY 2023.	(53,000,000)	0	(53,000,000)	0.0
<i>Agency Subtotal</i>	<i>(\$53,000,000)</i>	<i>\$0</i>	<i>(\$53,000,000)</i>	<i>0.0</i>
TOTAL	(\$650,000)	\$0	(\$650,000)	0.0

FY 2024

<u>State Bank Commissioner</u>				
1. Add \$12,420, all from special revenue funds, for a board member per diem rate increase and add language directing that this funding only be used if there is a change to the statutory limit for board member per diem for FY 2024.	0	12,420	12,420	0.0
<i>Agency Subtotal</i>	<i>\$0</i>	<i>\$12,420</i>	<i>\$12,420</i>	<i>0.0</i>
<u>Office of the Governor</u>				
1. Delete \$113,155 SGF and 2.0 FTE positions in the Commissions on Disabilities and Minority Affairs Program for FY 2024.	(113,155)	0	(113,155)	(2.0)
<i>Agency Subtotal</i>	<i>(\$113,155)</i>	<i>\$0</i>	<i>(\$113,155)</i>	<i>(2.0)</i>
<u>Attorney General</u>				
1. Add \$650,296 SGF and delete the same amount from special revenue funds for FY 2024 to restore a 10.0 percent SGF reduction implemented in FY 2020 as part of a reduced resources budget.	650,296	(650,296)	0	0.0
2. Add \$375,000, all from the Fraud and Abuse Criminal Prosecution Fund, and 4.0 FTE positions, for the Fraud and Abuse Litigation Division to support investigations and criminal prosecution of sports wagering, financial, and economic crimes involving unauthorized gambling for FY 2024.	0	375,000	375,000	4.0
<i>Agency Subtotal</i>	<i>\$650,296</i>	<i>(\$275,296)</i>	<i>\$375,000</i>	<i>4.0</i>
<u>Department of Commerce</u>				
1. Delete \$1.2 million, all from the EDIF, and 3.0 FTE positions for the International Division for FY 2024.	0	(1,200,000)	(1,200,000)	(3.0)
2. Delete \$1.0 million, all from the EDIF, for the Early Childhood Education and Care Initiative for FY 2024.	0	(1,000,000)	(1,000,000)	0.0
3. Delete \$500,000, all from the EDIF, for the Kansas Creative Arts Industries Commission for FY 2024.	0	(500,000)	(500,000)	0.0
4. Delete \$500,000, all from the EDIF, and 2.0 FTE positions for Salesforce data development for FY 2024.	0	(500,000)	(500,000)	(2.0)
5. Delete \$279,500, all from the EDIF, and 2.0 FTE positions for the Research Division for FY 2024.	0	(279,500)	(279,500)	(2.0)
6. Delete \$150,000, all from the EDIF, for the Murals and Public Arts Initiative within the Office of Rural Prosperity for FY 2024.	0	(150,000)	(150,000)	0.0
<i>Agency Subtotal</i>	<i>\$0</i>	<i>(\$3,629,500)</i>	<i>(\$3,629,500)</i>	<i>(7.0)</i>
<u>Commission on Veterans Affairs Office</u>				
1. Add \$150,000 SGF for the Veterans Claims Assistance Program for FY 2024.	150,000	0	150,000	0.0

<i>Agency/Item</i>	<i>State General Fund</i>	<i>All Other Funds</i>	<i>All Funds</i>	<i>FTEs</i>
2. Add \$35,000 SGF for the Scattering Garden Wall project at the Kansas Soldiers' Home at Fort Dodge for FY 2024.	35,000	0	35,000	0.0
3. Delete \$62,328 SGF and 1.0 FTE position for a senior administrative assistant for FY 2024.	(62,328)	0	(62,328)	(1.0)
4. Delete \$44,000 SGF for additional travel expenses for FY 2024.	(44,000)	0	(44,000)	0.0
<i>Agency Subtotal</i>	<i>\$78,672</i>	<i>\$0</i>	<i>\$78,672</i>	<i>(1.0)</i>
<u>Department of Health and Environment - Health</u>				
1. Add \$6.6 million, including \$2.6 million SGF, to increase the Medicaid physician fee schedule by 3.0 percent for FY 2024.	2,607,552	3,992,448	6,600,000	0.0
2. Add \$3.0 million SGF for community-based primary care grants for FY 2024.	3,000,000	0	3,000,000	0.0
3. Add \$1.4 million, including \$576,129 SGF, to increase Emergency Medical Service Ground ambulance rates to 75.0 percent of the rural Medicare rates for FY 2024.	576,129	855,602	1,431,731	0.0
4. Add \$1.2 million, including \$482,880 SGF, to extend Medicaid adult dental coverage to include dentures and partials for FY 2024.	482,880	717,120	1,200,000	0.0
5. Add \$938,756 SGF for the Kansas Tobacco Use Prevention Program for FY 2024.	938,756	0	938,756	0.0
6. Add \$700,000 SGF to increase funding to local health departments using the statutory distribution formula contained in KSA 65-242 for FY 2024.	700,000	0	700,000	0.0
7. Add \$500,000 SGF to fund Project Access and Wy Jo Care for FY 2024. These programs coordinate donated healthcare to provide care for low income, uninsured individuals.	500,000	0	500,000	0.0
<i>Agency Subtotal</i>	<i>\$8,805,317</i>	<i>\$5,565,170</i>	<i>\$14,370,487</i>	<i>0.0</i>
<u>Larned State Hospital</u>				
1. Add \$744,907 SGF and 6.0 FTE positions to create the Nursing House Supervisor position for FY 2024.	744,907	0	744,907	6.0
<i>Agency Subtotal</i>	<i>\$744,907</i>	<i>\$0</i>	<i>\$744,907</i>	<i>6.0</i>
<u>State Fire Marshal</u>				
1. Add \$200,000, all from special revenue funds, for the Kansas Firefighter Recruitment and Safety Grant Program, which provides no-match funds to local fire departments primarily for PPE, for FY 2024. This adjustment provides a total of \$400,000 for the grant program for FY 2024.	0	200,000	200,000	0.0
<i>Agency Subtotal</i>	<i>\$0</i>	<i>\$200,000</i>	<i>\$200,000</i>	<i>0.0</i>
<u>Kansas Bureau of Investigation</u>				
1. Add \$4.3 million SGF for a Surge Initiative and additional operational support, including \$910,000 SGF for the replacement of an HVAC system at the Great Bend laboratory, for FY 2024.	4,314,433	0	4,314,433	0.0
<i>Agency Subtotal</i>	<i>\$4,314,433</i>	<i>\$0</i>	<i>\$4,314,433</i>	<i>0.0</i>
<u>Emergency Medical Services Board</u>				
1. Add \$263,267, all from special revenue funds, for an agency salary realignment plan to address recruiting and retention challenges for FY 2024.	0	263,267	263,267	0.0
<i>Agency Subtotal</i>	<i>\$0</i>	<i>\$263,267</i>	<i>\$263,267</i>	<i>0.0</i>
<u>Department of Agriculture</u>				
1. Add \$200,000, all from the State Water Plan Fund, for the Soil Health Initiative for FY 2024.	0	200,000	200,000	0.0
<i>Agency Subtotal</i>	<i>\$0</i>	<i>\$200,000</i>	<i>\$200,000</i>	<i>0.0</i>
<u>Department of Wildlife and Parks</u>				
1. Delete \$2.5 million, all from special revenue funds, to not adopt the Governor's recommendation allowing KDWP law enforcement officers to join the Kansas Police and Firemen's retirement system for FY 2024 and review at omnibus.	0	(2,500,000)	(2,500,000)	0.0
<i>Agency Subtotal</i>	<i>\$0</i>	<i>(\$2,500,000)</i>	<i>(\$2,500,000)</i>	<i>0.0</i>

<i>Agency/Item</i>	<i>State General Fund</i>	<i>All Other Funds</i>	<i>All Funds</i>	<i>FTEs</i>
<u>Kansas Department of Transportation</u>				
1. Add \$4.2 million, all from the Special City and County Highway Fund, and transfer the same amount from the SGF to the fund for formula aid to local governments for FY 2024. Add language authorizing the transfer up to \$4.2 million SGF in the amount revenues to the fund fall short of the agency's estimate of \$156.4 million, upon certification by the Director of the Budget, for FY 2024. This adjustment would offset a decreased highway revenue estimate.	0	4,226,614	4,226,614	0.0

Agency Subtotal *\$0* *\$4,226,614* *\$4,226,614* *0.0*

TOTAL	\$14,480,470	\$4,062,675	\$18,543,145	0.0
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FY 2025

<u>State Bank Commissioner</u>				
1. Add \$12,420, all from special revenue funds, for a board member per diem rate increase and add language directing that this funding only be used if there is a change to the statutory limit for board member per diem for FY 2025.	0	12,420	12,420	0.0

Agency Subtotal *\$0* *\$12,420* *\$12,420* *0.0*

TOTAL	\$0	\$12,420	\$12,420	0.0
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