

OVERVIEW OF THE GOVERNOR'S BUDGET REPORT

FISCAL YEARS 2024 AND 2025

In this budget overview, various summaries of state expenditures and the plan for their financing are reviewed. The summary data was obtained from the FY 2025 Governor's Budget Report. The Legislative Research Department utilizes the classification of expenditures by function of government and by major purpose of expenditure to coincide with the Division of the Budget and the Division of Accounts and Reports. The Department has made certain changes in the classification of expenditures in order to be consistent with its prior reports to the Legislature.

SUMMARY OF CHANGES TO APPROVED FY 2024 EXPENDITURES

The Governor recommends a revised FY 2024 budget of \$25.3 billion, including \$9.9 billion from the State General Fund (SGF). The recommendation is an all funds increase of \$794.4 million or 3.2 percent, and a SGF decrease of \$163.6 million, or 1.6 percent, from the FY 2024 approved budget.

The FY 2024 approved budget includes reappropriations of \$642.2 million, including \$551.3 million SGF, from FY 2023 that were unexpended and carried over into FY 2024.

Major expenditure adjustments to the approved FY 2024 budget include:

- Adding \$20.7 million SGF to cover the **shortfall in contract nursing staff costs at Larned State Hospital and Osawatomie State Hospital**;
- Adding \$7.3 million from all funds, but deleting \$13.1 million SGF, to implement revised **K-12 education school finance estimates**;
- Adding \$7.0 million SGF to create and maintain a **centralized electronic credentials verification system pursuant to 2023 SB 66 in the Department of Administration**;
- Adding \$6.6 million SGF for **costs associated with the Kansas Department of Health and Environment (KDHE) laboratory building**, including equipment to increase capacity to test for Per- and Polyfluorinated alkyl substances (PFAS) in drinking water (\$410,000) and one-time expenditures associated with furnishing and moving into the new laboratory (\$6.2 million);
- Adding \$3.0 million SGF to adopt the Board of Indigents' Defense Services revised **assigned counsel caseloads estimate**;
- Adding \$2.3 million SGF to develop and implement a **data management system for Part C early intervention services** (Tiny-K) to track referrals, service timelines, evaluations, and billing information;
- Lapsing \$7.1 million SGF that was used to temporarily support the **Kansas Modular Medicaid System project**; and
- Deleting \$65.8 million, including \$55.5 million SGF, to implement revised **human services caseloads estimates**.

In addition to the expenditure adjustments described above, the recommendation makes several SGF revenue adjustments to FY 2024, including:

- Accelerating the elimination of the sales tax on groceries to April 1, 2024 and creating a new sales tax exemption for diapers and feminine hygiene products **reducing receipts by \$22.0 million SGF in FY 2024.**
- **Transferring \$30.0 million to the SGF** from Wichita State University and the University of Kansas Medical Center to restore legislative intent on the Health Collaboration project.

FY 2025

The Governor recommends a FY 2025 budget of \$26.5 billion, including \$11.2 billion SGF. The recommendation is an all funds increase of \$1.3 billion, or 4.9 percent, and a SGF increase of \$1.3 billion, or 12.9 percent, from the Governor's FY 2024 recommendation.

Major expenditures include:

- Adding \$715.0 million, including \$30.9 million SGF, to **fund Medicaid expansion beginning January 1, 2025;**
- Adding \$497.7 million, including \$499.2 million SGF, to **address the indebtedness of the State.** The majority of that amount would be applied to revenue bonds originally issued to improve the funded status of the Kansas Public Employees Retirement System (KPERs), while the remainder would address bonds that refinance prior obligations for capital improvements projects;
- Adding \$377.6 million to **construct a new correctional facility at Hutchinson;**
- Adding \$174.4 million, including \$73.5 million SGF, to provide a **5.0 percent salary adjustment for most state employees.** The plan would increase salaries for classified and unclassified employees but would exclude statewide elected officials, legislators, and employees on a formal career progression plan;
- Adding \$122.6 million, including \$45.9 million SGF, to implement **Fall human services caseloads estimates;**
- Adding \$75.0 million SGF to **construct a new cancer research facility at the University of Kansas Medical Center;**
- Adding \$40.2 million SGF to **construct a new Medical, Behavioral Health, and Support Building at Topeka Correctional Facility;**
- Adding \$40.0 million SGF and requiring a one-to-one match from grantees to provide **one-time grants to assist local governments in responding to and preventing housing insecurity** in their communities using proven models that emphasize connecting homeless residents with needed resources to gain long-term housing stability;

- Adding \$30.0 million SGF in one-time funding for the **construction and operation of childcare programs** to help increase capacity for childcare within Kansas for FY 2025;
- Adding \$15.0 million SGF in one-time funding for **child care sustainability and workforce grants to existing child care providers**.
- Adding \$20.0 million SGF to **support the 2026 World Cup Games**;
- Adding \$4.0 million SGF to adopt the Board of Indigents' Defense Services revised **assigned counsel caseloads estimate**;
- Deleting \$5.2 million, including \$66.0 million SGF, to implement revised **K-12 education school finance estimates**;

Additionally, the Governor recommends SGF revenue adjustments deleting \$450.7 million for FY 2025:

- Delete \$152.1 million SGF for Social Security Income Tax adjustments;
- Delete \$90.5 million SGF to increase the standard deduction;
- Delete \$6.0 million SGF to match the Kansas Childcare Tax Credit to the federal credit;
- Delete \$84.5 million SGF to extend the sales tax changes from FY 2024;
- Transfer \$35.0 million SGF to the State Water Plan Fund;
- Restore the transfer to the Local *Ad Valorem* Reduction Tax Fund for \$54.0 million per year;
- Transfer \$7.3 million SGF to the STAR Bond food sales Tax Refund fund; and
- Delete \$20.6 million SGF in other various adjustments.

State General Fund Profile FY 2022 - FY 2025
(Dollars in Millions)

	Actual FY 2023	Approved FY 2024	Estimated FY 2025	Estimated FY 2026	Estimated FY 2027	Estimated FY 2028
Beginning Balance	\$ 1,834.5	\$ 2,410.4	\$ 2,779.6	\$ 2,376.4	\$ 2,462.7	\$ 2,511.9
Revenue						
Consensus Revenue Estimates (As of November 9, 2024) - No Tax Plan	\$ 9,282.8	\$ 10,290.9	\$ 9,806.6	\$ 10,185.9	\$ 10,381.4	\$ 10,697.4
Continue Suspending Transfers, CCRSF, SCCHF	-	-	-	\$ 117.3	\$ 119.7	\$ 121.1
Released Encumbrances	20.3	-	-	-	-	-
Total Available Revenue	\$ 11,137.6	\$ 12,701.3	\$ 12,586.2	\$ 12,679.6	\$ 12,963.8	\$ 13,330.4
% Revenue Change from Previous Fiscal Year	11.0%	14.0%	-0.9%	0.7%	2.2%	2.8%
Expenditures						
Expenditures - Governor's Budget Recommendations	\$ 8,727.2	\$ 9,504.5	\$ 11,493.6	\$ 10,284.7	\$ 10,291.8	\$ 10,526.8
Reappropriations/One-time Expenditure	-	551.3	(551.3)	(352.1)	-	-
Human Services Caseload	-	(55.5)	45.9	105.0	110.0	115.0
School Finance	-	(97.2)	192.3	208.8	125.0	125.0
Governor's Budget Amendment #1	-	497.7	(470.3)			
SWAM Adjustments (3/1)	-	(479.0)	(500.4)	(29.4)	(74.9)	(74.9)
Total Adjusted Expenditures	\$ 8,727.2	\$ 9,921.7	\$ 10,209.8	\$ 10,216.9	\$ 10,451.9	\$ 10,691.9
% Expenditure Change from Previous Fiscal Year	6.5%	13.7%	2.9%	0.1%	2.3%	2.3%
Ending Balance	\$ 2,410.4	\$ 2,779.6	\$ 2,376.4	\$ 2,462.7	\$ 2,511.9	\$ 2,638.5
Budget Stabilization Fund Balance	1,610.3	1,670.3	1,712.3	1,738.0	1,764.1	1,790.5
Ending SGF balance as a percentage of expenditures	27.6%	28.0%	23.3%	24.1%	24.0%	24.7%
Receipts above / (below) expenditures	\$ 575.9	\$ 369.2	\$ (403.2)	\$ 86.3	\$ 49.2	\$ 126.6

Prepared at the Request and Direction of Senator Billinger

Profile 24-018

Assumptions: No Tax Plan, Resume LAVTRF Transfer, SWAM adjustments as of March 1, 2024