



April 26, 2012

The Honorable Marc Rhoades, Chairperson
House Committee on Appropriations
Room 351-S, Statehouse

and

The Honorable Carolyn McGinn, Chairperson
Senate Committee on Ways and Means
Room 545-S, Statehouse

Dear Representative Rhoades:

The items contained in this memo, Governor's Budget Amendment No. 4, amend the FY 2013 budget that I submitted to you in January. These items reflect new issues that have arisen or changes based on new information. Total adjustments to expenditures are shown below.

	<u>FY 2012</u>	<u>FY 2013</u>
State General Fund	(\$ 4,925,196)	\$ 50,171,160
All Other Funds	<u>5,477,838</u>	<u>58,784,955</u>
All Funds	\$ 552,642	\$ 108,956,115

In addition, relative to the new Consensus Revenue Estimate developed April 13, a net of \$10.4 million will be transferred to the State General Fund in FY 2013 as a result of adjustments related to the Office of the Attorney General.

Office of the Attorney General

1. Funding Adjustment

I amend my budget to finance this agency's operating expenditures in FY 2013. A transfer will be made from the agency's Court Cost Fund to the State General Fund and the monies appropriated back to the Attorney General for agency operations. This will allow the office to be funded from the State General Fund rather than relying on settlements from litigation. There would be no net change to the agency's budget for FY 2013.

and Families, the Legislative Research Department, the Department for Aging and Disability Services, the Juvenile Justice Authority, and the Division of the Budget. The consensus estimates included Regular Medical Assistance, Nursing Facilities, Temporary Assistance to Families (TAF), and Reintegration/Foster Care. As the starting point for the current estimate the group used the Governor's budget recommendation as adjusted by the Governor's Budget Amendment No. 1.

For FY 2012, the estimate is an all funds increase of \$552,642 and a State General Fund decrease of \$4.9 million as compared to the Governor's recommended budget. The new estimate for the Regular Medical Program utilizes unanticipated fee fund receipts and includes changes in the distribution of populations served and funding sources available to those clients. The net result for FY 2012 is State General Fund savings of \$3.0 million, but an increase of \$3.7 million from all funding sources. Expenditures for Nursing Facilities and Targeted Case Management for the elderly are expected to increase by \$3.8 million from the State General Fund and \$6.3 million from all funding sources.

The new estimate for Juvenile Justice Authority programs shifts funding from Psychiatric Residential Treatment Facilities to Out-of-Home Placements resulting in a reduction of \$377,819 from all funding sources, but an increase of \$1.0 million from the State General Fund. The estimates for the Temporary Assistance to Families, Foster Care, Mental Health, Community Supports and Services and Addiction and Prevention Services are decreased by a total of \$9.4 million from all funding sources, including \$6.9 million from the State General Fund. In general, these estimates indicate that these programs will have fewer participants than was estimated last fall. The \$2.2 million State General Fund reduction in the Temporary Assistance to Families Program is possible because the overall maintenance of effort requirement for the federal Temporary Assistance for Needy Families (TANF) is being met through expenditures in other programs.

For FY 2013, the estimate is an increase of \$100.0 million from all funding sources, including \$43.8 million from the State General Fund. These adjustments include decreases for the Temporary Assistance to Families and Foster Care programs totaling \$7.3 million from all funding sources and \$1.9 million from the State General Fund. These reductions reflect fewer than previously expected families on assistance and children in foster care placements. Similar to the current year, the new estimate for Juvenile Justice Authority programs shifts funding from Psychiatric Residential Treatment Facilities to Out-of-Home Placements resulting in a reduction of \$813,910 from all funding sources, but an increase of \$900,000 from the State General Fund.

The overall estimate for Nursing Facilities is increased from the fall by \$10.0 million from all funding sources, including \$4.9 million from the State General Fund. The estimates for the number of clients and costs are increased. The estimate for Regular Medical is an increase of \$91.6 million, including \$36.4 million from the State General Fund. The new estimate for the Regular Medical Program utilizes unanticipated fee fund receipts and includes changes in the distribution of populations served and funding sources available to those clients. The estimate for the number of children and families in the program is decreased, while the number of aged and disabled clients is expected to increase, resulting in an overall increase in the estimate for the number of people served.

Costs per person are also expected to increase; however, savings from the implementation of KanCare that were included in the Governor's budget are included in the new estimate. Those savings total \$32.1 million from all funding sources and \$12.5 million from the State General Fund. The new estimate also recognizes policy changes that will occur from passage of 2012 House Bill 2416 and adds \$35.6 million in both revenue and expenditures from the Provider Assessment Program. In general, the increases in the remaining programs reflect caseload growth, for both increased individuals and cost increases. The new estimate for the Addiction and Prevention Services Program includes the Governor's recommendation to increase funding from the Problem Gambling and Addiction Grant Fund by \$5.0 million to meet state match requirements.

Dept. for Aging & Disability Svc.:	<u>FY 2012</u>	<u>FY 2013</u>
State General Fund	\$ 3,780,349	\$ 8,368,673
All Other Funds	<u>2,517,463</u>	<u>8,034,395</u>
All Funds	\$ 6,297,812	\$ 16,403,068
Dept. for Children & Families:	<u>FY 2012</u>	<u>FY 2013</u>
State General Fund	(\$ 6,673,712)	(\$ 1,860,405)
All Other Funds	<u>(2,413,639)</u>	<u>(5,468,206)</u>
All Funds	(\$ 9,087,351)	(\$ 7,328,611)
Dept. of Health & Environment:	<u>FY 2012</u>	<u>FY 2013</u>
State General Fund	(\$ 3,030,000)	\$ 36,370,000
All Other Funds	<u>6,750,000</u>	<u>55,256,174</u>
All Funds	\$ 3,720,000	\$ 91,626,174
Juvenile Justice Authority:	<u>FY 2012</u>	<u>FY 2013</u>
State General Fund	\$ 998,167	\$ 919,514
All Other Funds	<u>(1,375,986)</u>	<u>(1,733,424)</u>
All Funds	(\$ 377,819)	(\$ 813,910)

Larned State Hospital

5. Staffing and Employee Pay

A recent Joint Commission survey cited Larned State Hospital on inadequate staffing levels. Compensation for nurses is of particular concern as the current rate Larned State Hospital is paying is not competitive. The Hospital also needs to hire additional direct care staff. To accomplish this, I amend my budget to add \$1.9 million, all from the State General Fund, in FY

2013 so that the agency can properly respond to these issues. The authorized positions will come from the Department for Children and Families. No net increase in positions is needed.

Larned State Hospital:	<u>FY 2012</u>	<u>FY 2013</u>
State General Fund	\$ --	\$ 1,933,378
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 1,933,378
FTE Positions	--	23.00
Non-FTE Unclassified Permanent	<u>--</u>	<u>--</u>
Total Positions	--	23.00
Dept. for Children & Families:		
FTE Positions	--	(23.00)
Non-FTE Unclassified Permanent	<u>--</u>	<u>--</u>
Total Positions	--	(23.00)

Topeka Correctional Facility

6. Staffing

Managing the growing female inmate population and accompanying discipline problems is a concern for the Topeka Correctional Facility. While TCF has made strides in reducing opportunities for inappropriate activities, it has been determined that additional security positions are needed to enhance inmate supervision. I therefore amend my budget to add \$440,000 from the State General Fund for the Facility to hire additional security staff. The Facility was already given authorization for the FTE positions; it did not have sufficient funding to fill the positions.

	<u>FY 2012</u>	<u>FY 2013</u>
State General Fund	\$ --	\$ 440,000
All Other Funds	<u>--</u>	<u>--</u>
All Funds	\$ --	\$ 440,000

Message on Prison Inmate Population

Recent events remind us of the important role we play in the state budget process. In my budget submitted to you in January, I included not only supplemental appropriations for the Department of Corrections to convert space to add available beds in a state-managed facility, but I also recommended funding in both FY 2012 and FY 2013 to finance offender programs successful in the past to reduce recidivism rates and operating funds for the additional bed space. I urge the Legislature to revisit my budget proposals for the Department of Corrections and enact a budget so that the Department may proceed in carrying out their responsibility to ensure public safety.

I would also note that an additional \$11.6 million over FY 2012 and FY 2013 is now expected to be available in the Expanded Lottery Act Revenues Fund (ELARF) as a result of increased activity at the three state-owned casinos. Rather than rush to commit this money now, I recommend we leave it as an ending balance within the ELARF for us to leverage in FY 2014. The Department of Corrections has a plan for adding bed space at the El Dorado Correctional Facility and having the flexibility of paying cash rather than bonding it over 20 years would save us on interest costs. Funds would still also be available to pay other debt and set money aside for the KPERS Fund.

Finally, I suggest specific language be added to the appropriations bill to ensure that affected agencies, including the Department of Administration can make its necessary debt payments on a timely basis. This language is similar to that used for comparable state funds.

() (1) On July 1, 2012, the director of accounts and reports shall record a debit to the state treasurer's receivables for the expanded lottery act revenues fund and shall record a corresponding credit to the expanded lottery act revenues fund in an amount certified by the director of the budget which shall be equal to the amount estimated by the director of the budget to be transferred and credited to the expanded lottery act revenues fund during the fiscal year ending June 30, 2013, except that such amount shall be proportionally adjusted during fiscal year 2013 with respect to any change in the moneys to be transferred and credited to the expanded lottery act revenues fund during fiscal year 2013. All moneys transferred and credited to the expanded lottery act revenues fund during fiscal year 2013 shall reduce the amount debited and credited to the expanded lottery act revenues fund under this subsection.

(2) On June 30, 2013, the director of accounts and reports shall adjust the amounts debited and credited to the state treasurer's receivables and to the expanded lottery act revenues fund pursuant to this subsection, to reflect all moneys actually transferred and credited to the expanded lottery act revenues fund during fiscal year 2013.

(3) The director of accounts and reports shall notify the state treasurer of all amounts debited and credited to the expanded lottery act revenues fund pursuant to this subsection and all reductions and adjustments thereto made pursuant to this subsection. The state treasurer shall enter all such amounts debited and credited and shall make reductions and adjustments thereto on the books and records kept and maintained for the expanded lottery act revenues fund by the state treasurer in accordance with the notice thereof.

Sincerely,

A handwritten signature in black ink, appearing to read "Sam Brownback", written in a cursive style.

Sam Brownback
Governor